

FINANCIAL CAPACITY HANDOUT SERIES

- Empowering Your Water System with Financial Capacity
- Budgeting Basics
- The Budget Process
- A Sample Budget – In 5 Easy Steps



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EMPOWERING Your Water System With FINANCIAL CAPACITY

Most people running small water systems fail to realize this simple fact: the financial health of your system relates directly to the health of the community. If your system falls on financial hard times, who will provide clean water? You may believe you need to be an accountant or a consultant to understand financial capacity. On the contrary, **IT'S EASY** to develop a working knowledge of your system's financial needs. Once you understand some basic financial concepts and how they relate to your system, you will have your system on the way to sufficient financial capacity.

**FINANCIAL CAPACITY MEANS THE WATER SYSTEM HAS THE ABILITY TO ACQUIRE
AND MANAGE SUFFICIENT FUNDS TO ACHIEVE AND MAINTAIN COMPLIANCE
WITH OREGON'S DRINKING WATER RULES.**

THREE COMPONENTS OF FINANCIAL CAPACITY

A water system with adequate financial capacity will have the **REVENUE SUFFICIENCY** to cover all costs and will invest in infrastructure replacement. It will have the **CREDIT WORTHINESS** to allow the system to borrow money, and will use established **FISCAL MANAGEMENT AND CONTROLS** to keep track of payments and receipts.

REVENUE SUFFICIENCY

- Rates and fees cover the full cost of your water system's service.
- All costs and revenues are known and can be measured.
- Reserves or savings are available for unexpected expenses, i.e., a rainy day fund.

FISCAL MANAGEMENT AND CONTROLS

- The water system keeps adequate books and records, uses appropriate budgeting, accounting, and financial planning methods, and manages revenues effectively.
- The water system monitors and minimizes potential risks to meeting financial obligations.

CREDIT WORTHINESS

- The water system has an established credit rating to allow you to access funds for an emergency or for implementation of a capital improvement plan.
- The water system can access capital through public or private sources.