

FINANCIAL CAPACITY HANDOUTS

- BUDGET SERIES
- PLANNING SERIES

Financial capacity is the ability to acquire and manage sufficient funds to effectively operate and maintain your water system.



DRINKING WATER SERVICES

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For more financial tools and resources visit:
healthoregon.org/dwp



DRINKING WATER SERVICES

EMPOWERING Your Water System With FINANCIAL CAPACITY

Many times people responsible for running small water systems overlook this simple fact: the financial health of your system relates directly to the health and economic well-being of the community you serve. If your water system falls on financial hard times, can you still provide clean water?

You do not 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 water system well on the way to sufficient and sustainable 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 REQUIREMENTS AND TO MEET THE COMMUNITY'S DESIRED LEVEL OF SERVICE.

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) and asset repair and replacement.

CREDIT WORTHINESS

- The water system has sufficient credit worthiness to allow it 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.

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.

