



United States
Department of
Agriculture

Rural Development



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Let's Get Sustainable

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Virginia Rural Development Portfolio

- Rural Development serves rural utility projects in areas with populations below 10,000

Projects with populations
< 5,000



Average monthly
water cost,
Sewer rate

\$39.85
\$43.27

Average household
income of those
served

\$33,611

Total Investment
\$359.2 million

-\$244m in loans

-\$115.2m in grants

149 projects

FY16 Allocation

\$28.7M loan

\$8.2M grant

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Not for Profit

- Definition: An organization that uses surplus revenues to achieve its goals rather than to distribute them as profit or dividends
- While not-for-profit organizations are permitted to generate surplus revenues, they must be retained by the organization for its self-preservation, expansion, or plans



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System Sustainability

- Expenses that are Operational as salaries, electricity, repairs, chemicals, etc.
- Most systems have debt
- You must pay these expenses and that means you must have money- **Sufficient Cash Flow**
- For the system to be sustainable the revenue generated by the system must cover all expenses and debt service.



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Financial Planning

- Projecting the future....
 - Start by looking at the past
- Historical results – 3 years audits
- Interim position – year to date
- Future Budget
 - Sensitivity analysis
 - What is your margin?
 - Are your rates adequate?



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Common Challenges for Utility Managers

- Aging infrastructure
- Rate issues
 - Prioritize demands for utility expenditures
 - Long-term rate adequacy strategy – Does the rate generate sufficient revenue for sustainability?
- Customer satisfaction and confidence with services and rates



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Common Challenges for Utility Managers Cont'd ...

- Operational issues
 - Labor and material costs
 - Regulatory compliance and new requirements
- Workforce complexities
 - Attracting and keeping reliable and competent staff
 - Succession planning
- Knowledgeable and engaged board members



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Product Quality

- Clean and safe water and waste water treatment
- Produce potable water, treated effluent, and process residuals:
 - Full compliance with regulatory and reliability requirements
 - Consistent with customer, public health, and ecological needs
 - Consistent with local economic development and business needs



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Financial Viability

- Ensure revenues adequate to recover costs, fund timely maintenance, repair, and replacement of assets, and provide for reserves
- Establish predictable rates, consistent with community expectations and acceptability – discuss rate requirements with customers, board members, and other key stakeholders



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O&M Reserve – Are we planning for this?

- Rainy day fund
- Accommodate off budget items
- Usually 25% to 50% of annual O&M



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Short-lived Asset Reserve

- Asset Management Plan
- Life of 15 years or less
- Amount based on needs



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Long-lived Asset Reserve

- Synonymous with Depreciation
- Lives over 15 years
- Amount based on needs



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Helpful tool

Rural and Small Systems Guidebook to Sustainable Utility Management

2015



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