

## Worksheet 3: Five Year Budget Projection

		Year 1	Year 2	Year 3	Year 4	Year 5
I. Revenue	Rollover					
	A) Water Revenue					
	B) Other Revenue					
1) Total WS Revenue = Rollover+A+B						
II. Expenses	A) System Maintenance					
	B) System Utilities					
	C) Operators & Employees					
	D) Office Supplies and Postage					
	E) Insurance					
	F) Contract Services					
	G) Water System Property					
	H) Sampling & Monitoring					
	I) Operating Reserve					
	J) Emergency Reserve					
	K) Loan Principal and Interest					
	L) Depreciation					
	M) Equipment Replacement Cost					
	N) Other					
2) Total WS Expenses (A through N)						
1) Total WS Revenue						
minus 2) Total WS Expenses						
3) Net Income						

## Five Year Budget Projection

You are required to prepare an “analysis that compares anticipated revenues with planned expenditures for a five year period that demonstrates a positive cash flow in each year” as part of your demonstration of financial capacity. Worksheet 3 will help you do this by asking you to project your budget through a 5-year budget cycle.

The Five-Year Budget Projection Worksheet contains line items for the same budget categories used in Worksheet 2 (with the exception of “Rollover”<sup>1</sup>). Your job is to determine how much you will earn (revenue) or spend (expenses) per line item during each of the next 5 years. You have already completed Year 1; simply copy the figures you came up with on Worksheet 2 in the Year 1 column.

The cost projection process involves more than simply multiplying current costs by the expected inflation rate for the next five years. You should include in your calculations a 5% inflation rate (particularly for goods and services) unless your system has documented different rates but you must also consider the variety of influences and interconnections that exist among the various budgetary categories to make accurate estimates. If your net income is positive for each year, you will have demonstrated the required positive cash flow for the 5-year period.

### INSTRUCTIONS FOR WORKSHEET 3

1. Transfer revenue, expenses, and totals from Worksheet 2 into the Year 1 column.
2. Use the three lines at the bottom of the worksheet to calculate net income for Year 1 (subtract total water system expenses (Line 2) from total water system revenue (Line 1)).
3. Transfer Year 1 Net Income (Line 3) to the rollover line for Year 2.
4. Estimate totals for each line item in Year 2 and calculate total water system revenue, expenses, and net income as you did for Year 1.
5. Transfer the net income for Year 2 to the rollover line for Year 3.
6. Repeat steps 4 and 5 for the remaining years.
7. Print the Worksheet, and include it in the WSMP.

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<sup>1</sup> The net income earned in one year may be “rolled over” to help fund the following year of water system operation. You will not have any rollover funds in year 1 (as a new system) or in future years if the system did not have a positive net income in the preceding year. The net income from Year 1 will become the rollover total for Year 2, the net income for Year 2 will become the rollover for Year 3, and so on.