

neighbor's due to different treatment techniques such as treating surface water compared to a system that produces well water.

Keeping track of revenues and expenses is the fiduciary

past due, they will be disconnected. Why would the water provider be expected to have more lenient policies? In many cases, customers may assume that can get away with it.

recovering the costs of running a system through user charges is called "full-cost pricing."

Benefits of 'full-cost pricing'

Full-cost pricing ensures rates are sufficient. Charging for the full-cost of delivering service will ensure a system's financial capacity.

Full-cost pricing provides information on costs to customers. How much is asked of customers to pay sends a signal to them about the value of the product they are purchasing. Charging for the full cost of the service a system provides will help customers recognize the value of the

service and be more mindful of their water use.

Average Water Rates

Average water rates in cities and RWDs in Kansas*						
	Monthly	5000	10,000	15,000	20,000	30,000
	Minimum	Gallons	Gallons	Gallons	Gallons	Gallons
Cities	\$10.98	\$19.60	\$24.00	\$30.25	\$36.50	\$49.00
RWDs	\$17.07	\$32.54	\$50.42	\$67.73	\$85.41	\$118.18
Average cost of benefit unit fees or connection fees in RWDs: \$1890						

*Source: The above information is based on a combination of data taken from KRWA surveys and KDHE's Capacity Development Survey.

responsibility of the members of the governing body. Transferring money from one account to another can jeopardize the financial capacity of the utility. RWDs with only one fund sometimes rely too heavily on connection fees to offset cost of operations. That is very similar to fund transfers in cities.

Delinquents hurt

Having too many customer accounts past due can also be very detrimental to the financial well-being of a water system, and especially so for small systems. Maintaining a low delinquent list is especially critical if the utility has to purchase the water from another utility. The seller of the water expects to be paid for the water. Having a stringent shut-off policy can help discourage past due accounts. People may complain about the price of natural gas or their cable TV bill but you can be sure that if they are

But remember, people can live without TV or the telephone but they cannot live without water.

Charging customers for the actual cost of service will guarantee that the revenue needed to cover the costs of operation, treatment, storage, and distribution and will provide funds for future investments.

That doesn't mean that a city council or RWD board cannot show some compassion for hardship cases. Those with such needs should present their situations to a hearing officer or the board/council.

Full-cost pricing?

Charging customers for the actual cost of service will guarantee the revenue needed to cover the costs of operation, treatment, storage, and distribution and will provide funds for future investments. This concept of

Capital improvement plans

No one has all the answers or can predict the future. A system's water storage tank may develop a leak and need immediate repairs, or a water line under the river may be washed out or develop a leak. Pumps and motors wear out if they are being used. Those are considered emergencies. In the long term, the storage tank may need to be replaced with one of a larger capacity. Pipelines may need to be added. A new treatment plant may be required. Those are

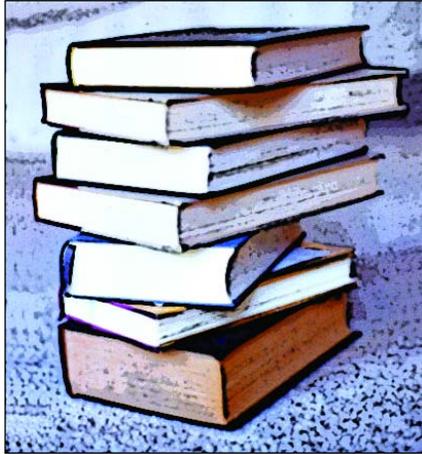
major costs that should be planned for in a capital improvement plan. Such plans should stretch out at least five years.

Having a business plan, or capital improvement plan, and an annual evaluation of costs for normal operation will help a

system in a strong position to deal with emergency costs without resorting to a crisis management situation.

The Kansas Rural Water Association can provide assistance to RWDs or cities to help managers and board members

It doesn't take this many books to write a business plan. KRWA can help get a system moving in the right direction on that plan.



evaluate rates. We can run a basic analysis pretty fast. If a comprehensive analysis is needed, then that will need to be performed for a fee. Professionals are available to provide such reviews. For one, the Kansas Rural Water

system manager or board/council be prepared for the abnormal situations when they occur. The rate review that a system will have conducted will put the

Finance Authority contracts with Ranson Financial Consultants, Wichita, Kan., to provide both rate reviews and capital improvement plans.

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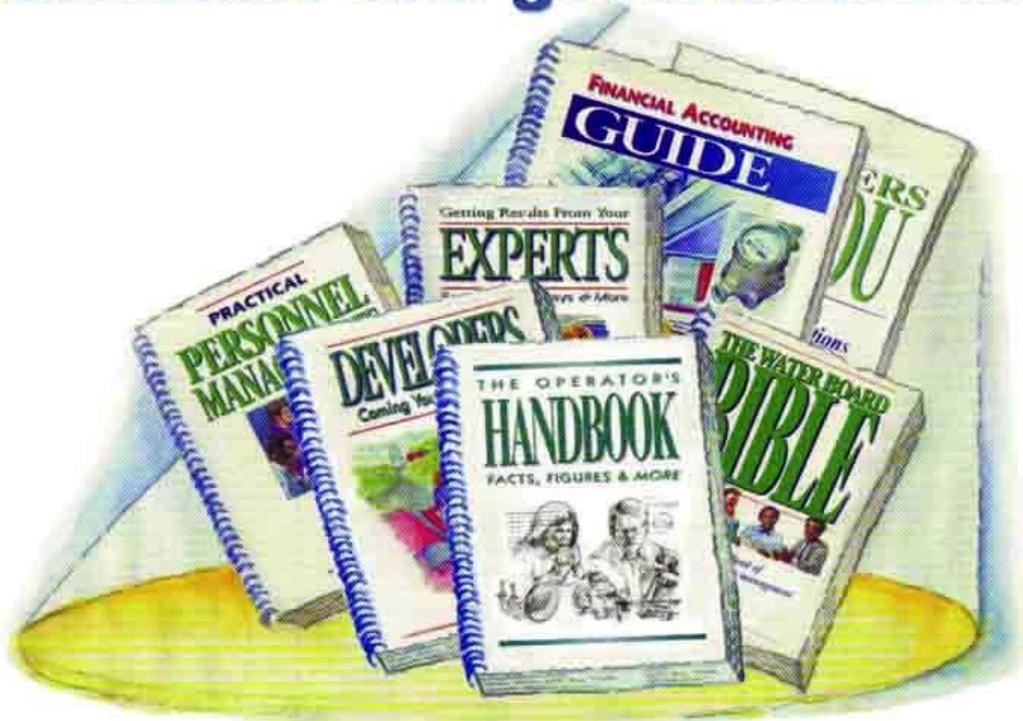
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