

# Is it time to CHECK-UP the system's water rates?

**T**he primary goal of every water system management team should be to create conditions that will help the system provide excellent service to its customers at the least cost for the longest period of time. In this way the water system delivers a quality product to its customers and will be more resilient, that is, having the ability to successfully adapt to future changes in customers, regulations and the economy.

Financial management is one of many areas where water system managers and board members can implement changes that will result in a more resilient and sustainable water system. Successful water systems are adequately funded for both operational and capital project functions. This means that the water system should be able to generate sufficient cash-flow to pay for its operational expenses (such as payroll, chemicals, etc.) and future capital requirements (water towers, treatment plants, for example).

The cornerstone of adequate funding is the water rate schedule. An adequate fee paid in exchange for water provided is the ideal transactional basis for sustaining a public water system. But, calculating what the water rates should be is not always easy. The Kansas Department of Health and Environment's (KDHE) Bureau of

Water - Public Water Supply Section in conjunction with the Environmental Finance Center at Boise State University has created a tool to allow water systems to verify the adequacy of its water

used by Rate Checkup to produce a suggested minimum charge and volume charge. These suggested charges are designed to recover the full costs of providing water service. Rate Checkup offers a

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rates on their own computers. The tool is called "Rate Checkup."

Using Rate Checkup most water systems can create a water rate schedule that is both efficient and equitable. The results of the analysis can be easily shared with the water system's customers.

Governing body members can use the information obtained through Rate Checkup to make better informed decisions on how to generate sufficient cash flow to pay for operating and capital expenditures over time.

Rate Checkup is a Microsoft Excel based workbook designed to help small public water systems calculate water rate schedules. It can generate user fees for a variety of customer groups. Your system's cost and customer information is

user-friendly design that brings to mind popular macro-driven, "fill in the blanks" software tools. Primarily designed for small communities, Rate Checkup is useful for water systems of any size where different user charges are needed for multiple

customer groups. Communities can move quickly toward evaluating the sufficiency of water rates by entering customer information, current revenue and expenditure budgets, water conservation and leakage reduction adjustments, and allocations of cost between fixed fees and volume charges. A handy checklist helps users keep track of their progress.

A copy of the Kansas Rate Checkup may be downloaded from the KDHE's Capacity Development Web site by visiting



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[www.kdheks.gov/pws/capdev.html](http://www.kdheks.gov/pws/capdev.html) and following the links under the "Financial Planning Tools" heading. It is offered to Kansas public water supply systems at no charge.

methodologies were developed can be directed to Bill Jarocki at 208/426-1567 or by e-mail to [bjarock@boisestate.edu](mailto:bjarock@boisestate.edu). And as you are likely aware, the Kansas Rural Water Finance Authority is

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To help water systems get started using Rate Checkup, KDHE will provide technical assistance to get the software installed and operational. Public water supply systems interested in this assistance can telephone Cathy Tucker-Vogel at 785/368-7130 or e-mail her at [ctuckerv@kdhe.state.ks.us](mailto:ctuckerv@kdhe.state.ks.us). Questions related to the use of the Rate Checkup model and the background on how the

under contract with KDHE to provide financial advisory service to applicants for the Public Water Supply Loan Fund. The Authority contracts with Ranson Financial Consultants for that assistance. You can contact John Haas or Beth Warren by telephone at 316/264-3400 or e-mail at [jhaas@ransonfinancial.com](mailto:jhaas@ransonfinancial.com) or [bwarren@ransonfinancial.com](mailto:bwarren@ransonfinancial.com) with all of your financial questions.

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