

Business Planning for Rural Alaska Utilities

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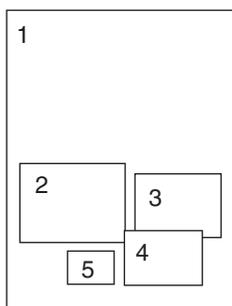
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Project Background and Scope

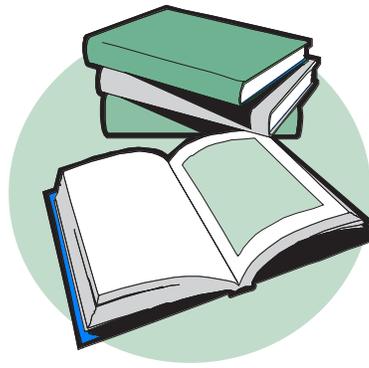
As a part of addressing sustainability of projects in rural Alaska, capital funding and constructing agencies require communities to complete a business plan for projects that are being built. Whether it is a water system, wastewater system, bulk fuel farm or power plant, the need for a solid business plan to achieve sustainability is apparent.

This need prompted each individual agency to create a business plan model that suited their particular agencies needs. The different formats of these plans often required the same information be presented in a different format, order or manner. If a community received project funding from two different agencies, they would be required to do two different business plans in differing formats. In addition to possibly having to complete two separate plans, there were no provisions in the plan to address how each project may affect the other. This has lead to a confusing system that ultimately does not benefit the community in developing a plan that will lay the framework for sustainable infrastructure.

At the urging of rural policy groups, the Department of Community and Economic Development's (DCED) Rural Utility Business Advisor (RUBA) program, sought and received funding from the Environmental Protection Agency (EPA) to create a template model that would streamline community business plans for each of the agencies involved in rural Alaska capital projects.

The goal of this template and guidebook is to allow the community to develop its own business plan in an easy to follow and logical format that will also satisfy each funding agency's requirements for a project business plan. The plan is not meant to be a one size fits all approach because the various infrastructure projects have unique needs. The template is intended to be flexible and allow for easy expansion and contraction to accommodate the needs of the agencies while not overly burdening the community. Ultimately, the business plan is a valuable tool for the community to use, not just another agency hoop to jump through.

The template is designed for the community to be able to easily move through each section and build the plan specifically for that project in that community. The guidebook will help the community gather, sort and organize the required information and then provide a step by step guide on how to complete each section of the plan. Included in the package is a completed sample plan to show what a completed plan may look like.



“ . . . the goal is to allow the community to develop its own business plan in an easy to follow and logical format . . . ”

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INTRODUCTION



WHAT IS A BUSINESS PLAN?

An engineer works from blueprints to build the facility that creates a utility system, washeteria, clinic or tank farm. The blue print gives the engineer a detailed structure and a plan for construction. You can imagine what a mess the washeteria would be if it were built without any blueprints or plans.

Management of that utility system, washeteria, clinic or tank farm also needs a detailed structure and a plan for operations. That detailed structure and plan for operations is the business plan. The business plan gives the management structure and a plan to work from. Otherwise a mess, or poor management, is bound to follow.

A business plan is written for a specific date and situation. It is however, a living document. It is a flexible, dynamic document that changes, grows, and needs to be updated on a consistent basis. In other words, like laundry and dishes, it is never completely done, it is worked with. A business plan is not a finished document, it is a working document.

Structurally, a business plan consists of a narrative (discussion) and financial spreadsheets. The narrative is the body of the business plan. The discussion, or narrative, will tell the reader how and why you are proposing to build the facility. The discussion will also convince the reader that you can manage the facility profitably, and can sustain it over a period of time. The spreadsheets will present the financial figures that support your narrative.

WHY SHOULD YOU DO A BUSINESS PLAN?

The purpose of a business plan is to demonstrate to the funding and regulatory agencies that your organization has the financial and managerial ability to manage the services and maintain the

facilities. A good business plan shows that you have the understanding of what constitutes sound business management.

Without good management, even the best utility will eventually fail. There is a direct relationship between the lack of planning and failure. That is why lending institutions and capital funding agencies require a business plan.

For you, the real value of doing a business plan is the research and planning involved not necessarily the final document. The act of planning helps you think and work through the project thoroughly.

It typically takes several weeks to complete a good plan. Most of that time is spent researching and accumulating the financial information. Take time to do the job properly. It takes time to create a good plan, but a good plan can help you avoid costly mistakes.

HOW CAN THIS GUIDEBOOK AND TEMPLATE HELP YOU?

Creating a business plan is time consuming and can be difficult if you have no guidance or structure to build from. The Business Plan template was created to give you the structure for your business plan. This guidebook gives you direction on how to use the template and recommendations on how to write the plan.

Although it is a standardized template, business plans may differ significantly from one to another. What is needed for your business plan is, first working through the steps and research needed to complete your plan; and second providing the information the funding agency requires.

In completing the business plan template, work through the sections in any order you like, except for the Executive Summary which should be done last. Skip any portion that does not apply to your type of organization. When you are through writing all the sections, edit them into a smooth flowing narrative.

Keep detailed notes on your sources of information, financial data, and assumptions you are presenting.

Business Plan Checklist

To assist you in organizing your materials and writing your plan, we have presented a plan checklist below. This checklist is also available on your diskette/CD as a separate word document named "Business Plan Checklist". Modify and print the checklist as a preparation aid.

Use the checklist to monitor your progress and check for completeness.

STEPS

- Go through each chapter or segment of the business plan and list the data needed to complete each part. Here is a preliminary, or partial, listing of data you should collect for completing the business plan:
 - ◊ Community census report
 - ◊ Monthly financials
 - ◊ Year to date numbers
 - ◊ Current budget
 - ◊ Next year's budget draft, if available
 - ◊ Year end statements for the previous 2 years
 - ◊ Your certified financial statements
 - ◊ Any ordinances relating to the project
 - ◊ Personnel policies and procedures manuals
 - ◊ Current organization charts
 - ◊ Job descriptions
 - ◊ List of infrastructure in the community
 - ◊ Contracts associated with the project
 - ◊ Any MOU or memos of agreement
 - ◊ Agreements or resolutions
 - ◊ List of project components for Repair & Replacement (R&R) schedule
 - ◊ Grant agreements or conditions
 - ◊ Agency correspondence relating to the project

Organize and sort data according to topic and chapter

- For the financial chapter you need:
 - ◊ Monthly financials
 - ◊ Budget
 - ◊ Year end statements
 - ◊ Certified financial reports
- Write one chapter at a time. Easy ones first like Community Overview.
- Finish the document with the executive summary.
- Refine each chapter making sure all chapters are consistent and refer to the same info, use the same numbers, etc.
- Have someone who hasn't been in the middle of writing the plan review it. Also, possibly send it out for agency review like Rural Utility Business Advisor (RUBA) program or Village Safe Water (VSW) prior to submission to the requesting agency.



Section One**EXECUTIVE SUMMARY**

The executive summary is the most important section of the business plan. Include everything you would cover in a five-minute interview. Explain the fundamentals of the project: what it is, who your customers are, who the owners are, and what you think the future holds for the project and the community. Make it enthusiastic, professional, complete and concise.

As the name of the section says, it is the summary of the whole plan. This is the section that will bring all the other sections together to present the “big picture” on how your community will manage this utility to make it sustainable.

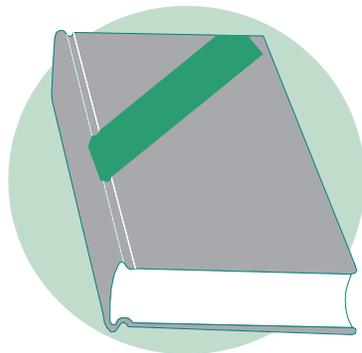
The executive summary should be two pages or less. It should be prepared after all of the other sections have been completed.

Your summary needs to describe the goals of the project and their relation to the organization:

- “Sell” the idea that the proposed project is realistic, needed and sustainable.
- Define the scope of the project and if the project is a large project, define the phases and timelines for each fiscal year.

“We all seek ‘sustainability’ - the notion that what we help build makes sense, is economically justifiable and has an acceptable life span. The Business Plan explains how a community plans to achieve all that. We will not fund projects without good business plans because failure to plan is the same as planning to fail.”

- Jeff Staser
Federal Co-chair, Denali
Commission



Section Two

COMMUNITY OVERVIEW



Your community is your marketplace. If you are the sole provider of a service, you may not think it is important to promote or advertise your services. Experience shows you need the community and customers to “take ownership” of the utility or service. Otherwise, customers will not feel it is necessary to pay for the service or care for the facility.

When discussing your community, be as specific as possible; give statistics, numbers and sources to back up your statements.

Much of the information regarding your community is available locally. However, if available, use online sources for other information.

Location

Describe the location of the community.

- Relative to entire state (i.e. south central, interior, etc.)
- Relative to major rivers or mountains
- Miles from closest major municipality

Population Served

Describe the population that will be served by the project:

- What comprises the local economy?
- What is the stability of the economy?
- How many households are in the community and how many of those are going to be served by the new project?
- What is the current demand for the proposed utility?
- What about anticipated growth, and population trends?
- Does the community have seasonal activities or increased employment?

Briefly explain who needs the services and why.

SELECTED STATISTICS

Discuss selected statistics that demonstrate the organization’s ability to provide services. Demographic and historical data for a community is provided on the Alaska Community Profile Website. See the Resources Sections in the computer tips area of this guidebook for more details on available resources.

The schedule below was completed with information from the DCED web site. You can find this table in the Excel schedule on the **Statistics Tab**:

Population	
2000	555
1990	501
1980	412
1970	340
1960	228
1950	194
Housing (2003 Data)	
Occupied Housing	137
Vacant Housing Due to Seasonal Use	7
Other Vacant Housing	9
Average Household Size	4.05
Economic Data (2000 Data)	
Unemployment Rate	15.40%
Median Household Income	\$25,156.00

Transportation Available

Describe transportation to the community and within the

Community:

- Primary transportation to the community
- Local road system
- Vehicles and equipment available locally
- Shipping cost

Current Infrastructure

Describe the facility that is being repaired or replaced by this project,

- Condition
- Adequacy

- Suitability for continued use
- Other pertinent information
- Describe other related utilities
- Bulk fuel capacity
- Power plant size and capacity
- Sewage lagoon size and capacity
- Discuss how other utilities relate back to the proposed project

Include third party documentation if available. These are documents like engineering reports, community plans, or outside agency reports.

Key Assumptions

List your key assumptions. These are beliefs that you have related to the community that you are “taking for granted” or “assuming”. It may be that while one industry is growing, another is stable or even on the decline. Explain all assumptions here.

Examples of community related assumptions are:

- Demographic information obtained from the state is reliable.
- Current population size, number of households, commercial and business establishments (using actual count data) will be used to generalize the estimated number of users.
- Population will continue to grow at the present rate.
- Transportation into and out of the community will not change.
- Related utilities will not have significant rate increases within the foreseeable future.



Section Three

MANAGEMENT STRUCTURE



This section discusses the different elements of staffing and training. It is important to demonstrate that you have adequately trained staff to manage the construction phase as well as ongoing services.

Discuss topics that will affect the future management and operation of the utility like:

- number of employees needed
- type of labor
- how and where you will find new employees
- quality of the existing staff
- pay structure
- training requirements
- projected new positions

You need to clearly show who is responsible for each task associated with operating the utility. Are schedules and procedures in place? Do you have written job descriptions for employees? If you don't have them, take the time to write them. Will you use contract workers as well as employees? Have all tasks written out and then assign employees to the tasks. This assures tasks are identified and helps you address time constraints and skill abilities of present staff as well as possible training needed.

Organizational Chart

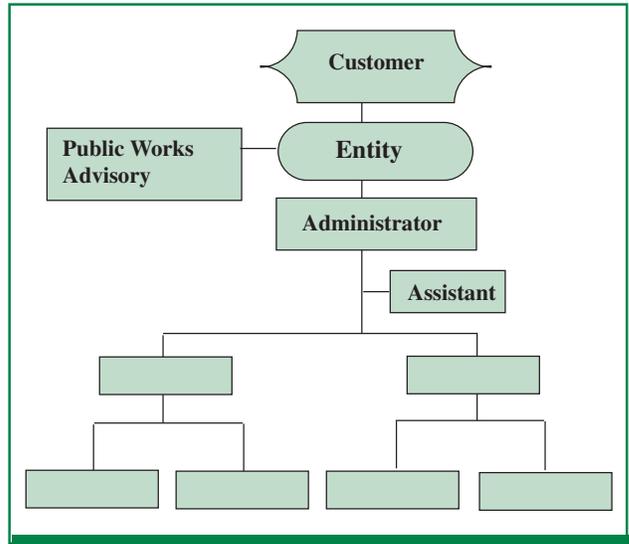
An organizational chart describes in picture format the supervisory and reporting relationships in a business. For example the clerk is supervised by and reports to the City Administrator and the City Council.

It can also depict your coordination relationships. The benefit of an organizational chart is it creates a better understanding of the supervisory responsibilities, relationships, and flow of information in your organization.

Positions shown on the chart are not dedicated entirely to the operations of this project. Each of

the positions performs other functions for other projects or for the organization as a whole.

Complete the following organizational chart to illustrate staff relationships of the proposed project:



Give a brief description of the duties for the following positions that will be associated with the operation and management of the utility.

- Some examples would be:
- ✓ Tribal/City Administrator –
 - ✓ Chief Financial Officer/ Treasurer –
 - ✓ Clerk –
 - ✓ System Operator –

Staffing and Training

Describe the staffing of the project. An example is the administrator, outlining his/her duties and powers. This should be complete for all employees, especially key personnel.

ADMINISTRATOR DUTIES

Discuss in outline format the duties of the administrator:

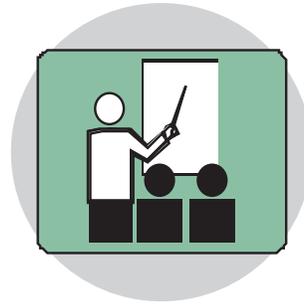
- Supervision
- Authority
- Delegation

Include a draft ordinance if you don't already have an existing one establishing the powers and

duties of the City/Tribal Administrator, if appropriate.

TRAINING

Discuss any training programs that will be required. These programs may be in-house, provided by funding agencies, or part of a certification program provided by the State. Discuss possible cost, scheduling, staff involved, and what benefits will be derived from the training.



Key Personnel

Who are key personnel? Key personnel are employees, contractors, or advisors that are vital to the project. Their participation is critical to the success of the operations. Discuss who will be the key personnel of the project during the construction phase and after construction for ongoing operations.



Key Assumptions

What are your key assumptions used related to staffing and training? Again, assumptions are things you believe or assume to be true.

Examples of employee related assumptions are:

- cost of training new employees will be constant
- training will be available
- employees will be stable and there will not be significant staff turnover
- key personnel will be available for hire.



Section Four

FINANCIAL DATA



The financial data section provides information on how the project will receive revenues, expenditures, and what anticipated maintenance costs may be. This section requires significant research and data compilation.

It is important to keep the documents that you used to reach your final figures in the Excel schedules. These supporting documents will help show the funding agencies how you reached those final figures and not just the numbers themselves.

It is recommended that the community insert a comment that the amounts in the financial data sections are estimates.

Revenue Source

All enterprises should be self-supporting. Revenue to support the proposed improvements normally comes from user fees including commercial, residential, and school user fees. Oftentimes other community-generated revenues such as sales tax and gaming receipts may be necessary to supplement user fees.

Revenue generated from user fees funds the annual operations and maintenance costs to operate the system. Estimate needed revenue based on the projected annual costs for the preferred system. Based on these projections, the annual revenue requirement for the project is detailed below.

A sample of these revenue sources is listed in the graph below. The table can be found in the Excel workbook under the **Revenue** tab.

Revenue Source	Monthly Rate	# of Customers	Collection Rate	Yearly Revenues
Residential User Fees	\$105.00	130	85%	\$138,411
Small Commercial Users				\$5,000
Large Commercial Users				\$0
School User Fees	\$5,000.00	1	100%	\$45,000
User Fees from Washeteria			100%	\$10,000
User Fees from Fish Processing Plant	\$5,000.00	1	100%	\$20,000
Water Sales (per gallon)	\$0.05	135,000	100%	\$6,750
Local Capital Contribution				\$40,000
Total Revenue				\$265,161

Estimated Annual Expenses

There are two cost categories important to the ongoing operation and upkeep of the project – “Operations and Maintenance” (O&M) and “Repairs and Replacements” (R&R).

Operations and Maintenance

There are a number of expenses relating to the operations. Operations and maintenance items are defined as expenses that are incurred on a regular basis to sustain the operation of the utility.

The following are operations and maintenance samples for the yet to be designed project. This schedule was prepared in the Excel workbook. These are summary numbers. You will find a more detailed list in the workbook in order to arrive at these summary figures.

Expense Category	Annual Estimate
Administration	\$23,400
Labor	\$39,600
Miscellaneous Materials	\$5,940
Electricity	\$10,634
Heating Fuel	\$20,312
Water Treatment	\$95,265
Sewage Treatment	\$9,527
Insurance	\$1,000
Repair and Replacement Account	\$17,166
Capital Replacement Account	\$35,660
	\$258,504

Repairs and Replacement

The organization will incur expenses relating to the repairs and replacement of the system. Repairs and replacement (R&R) costs are those expenses defined as items costing more than \$1,000 and not replaced on an annual basis. R&R costs are capital costs that will be depreciated over the useful life of the item rather than expensed in the year incurred.

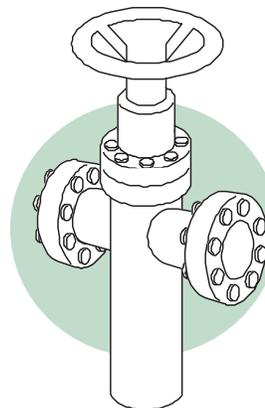
The goal of the repairs and replacement account, as shown in the schedule above, is to ensure that

you have set aside adequate funds to repair items that are going to wear out over a short period (less than seven years). To compute this amount needed for repairs and replacement you estimate the amount of “wear and tear” that equipment has over time.

Depreciation is an accounting method to estimate the “wear and tear” that equipment will reflect over time. Any asset has a “life”, where it has decreasing value until it becomes completely worn out or obsolete; then it is worthless. The most common type of depreciation is called “straight line” depreciation. Straight-line depreciation divides the cost of the asset by the number of years it is estimated to be operational. Different assets have different useful lives. A washer may last three to five years, whereas a boiler may last ten to fifteen years.

An expense is an item that when it was paid, it had already been used up. When you pay rent or utilities, there is nothing left from the payment so it is an expense. There is no residual value. On the other hand, when you purchase a desk and pay for it, you have a real object, the desk. That object has value after you pay for it so it is not an expense, it is an asset.

The following example schedule presents depreciation for the various items of a yet to be washeteria project. This schedule was prepared on the Excel worksheet and the summary was pasted to this location. For each of these line items, the attached schedule shows more detail. If the schedule is “linked” to the business plan, any changes to amounts will automatically update the plan document.



Description of Equipment	Number	x	Cost	÷	Useful Life	=	Depreciation
Washer	4	x	\$1,400	÷	5	=	\$1,120.00
Dryers	3	x	\$1,200	÷	5	=	\$720.00
Pumps	4	x	\$8,000	÷	3	=	\$10,666.67
Boilers	2	x	\$14,000	÷	8	=	\$3,500.00
Heat Exchangers	5	x	\$1,159	÷	5	=	\$1,159.00
		x		÷	1	=	-
		x		÷	1	=	-
		x		÷	1	=	-
		x		÷	1	=	-
		x		÷	1	=	-
Total amount that should be set aside annually for major R & R costs							\$17,165.67

TIME LINE / DESIGN LIFE OF MAJOR COMPONENTS

Knowing the design life of the facility you build, as well as the equipment in the facility, will provide you with a fairly accurate idea of the time line for replacing the facility as well as the equipment within it. For example washers, dryers, boilers, and bathroom fixtures all have different useful design lives. Their design life is to last a certain length of time with normal to excellent maintenance before they wear out. The building itself may last 30 years or more. There is no washer that will last as long as the building itself, especially with heavy commercial usage.

In order to maintain or sustain the total facility, you should know approximately when you will need to replace the equipment and the building.

Annual Profit

The annual profit is all sources of revenue, less all expenses and amounts set aside for replacements (both capital and repair).

The schedule below is very similar to the cash flow schedule shown on the following page. The two schedules show the same information. This schedule however is formatted to show the income or loss of the project before the community contribution. Because it is important that utility projects be self supporting and the project sustainable, the amount of profit or loss before the contribution is important.

Revenue	
Residential User Fees	\$138,411
Small Commercial Users	\$5,000
Large Commercial Users	-
School User Fees	\$45,000
User Fees from Washeteria	\$10,000
User Fees from Washeteria	\$20,000
Water Sales	\$6,750
	\$225,161
Expenses	
Annual Operation and Maintenance Costs	\$205,678
Annual Repair and Replacement Costs	\$17,166
Capital Replacement Account	\$35,660
	\$258,504
Net Operating Income (Loss)	(\$33,343)
Net Operating Income	(\$33,343)
Plus: Local Capital Contribution	\$40,000
Annual Estimated Profit	\$6,657

Annual Estimated Operating Cash Flow

Annual estimated operating cash flow reflects the annual flow of money received minus the cost of operations over the course of a fiscal year. These costs include items that are not fully tax deductible such as capital expenditures and loan repayments. You will notice that the “bottom line” of \$6,657 is the same as the prior profit schedule. This schedule demonstrates that at the end of the year you will have \$6,657 more in the checking account than you began with.

Cash Sources	
Residential User Fees	\$138,411
Small Commercial Users	\$5,000
Large Commercial Users	-
School User Fees	\$45,000
User Fees from Washeteria	\$10,000
User Fees from Fish Processing Plant	\$20,000
Water Sales (per gallon)	\$6,750
Local Capital Contribution	\$40,000
	\$265,161
Cash Uses	
Annual Operation and Maintenance Costs	\$205,678
Annual Repair and Replacement Costs	\$17,166
Capital Replacement Account	\$35,660
	\$258,504
Excess (Shortage) of Cash over Expenditures	\$6,657



Key Assumptions

What are your key assumptions used related to financial data?

Examples of financial assumptions might be:

- Revenue will be generated from user fees for water, sewer and laundromat services. There may be an outside source of funding for operations, like an ANHB grant for maintenance on a limited and selected basis. These will not be considered in the preparation of the projected revenues or budget
- An inflation factor of 1% per year will be calculated into the of cost projects but not the revenue of projects
- This analysis will not include any programs or revenues for retrofitting residents' housing for plumbing
- There will be 5% to 10% uncollectible fees and write-offs. This percentage should be adjusted based on actual experience. This provision is not accounted for in the revenue projections



Section Five

CAPITAL REPLACEMENT SCHEDULE

A capital replacement fund is the amount of money that should be saved each year to completely replace the project at the end of its estimated useful life or design life.

Many communities think that they don't need to save up any money to replace a utility, believing that the State will come back and rebuild for them. State agencies increasingly are making an

effort to educate communities in sustainability and requiring business plans to demonstrate a community's ability to sustain a facility once it's built.

Funding

The following schedule demonstrates a \$10 million project that will be replaced in thirty years. In this case \$178,301 annually needs to be set aside for the full replacement, or \$35,660 for a 20% down-payment on replacement, used in these schedules.

This schedule is on the attached Excel Workbook under the tab **Capital Replacements**.

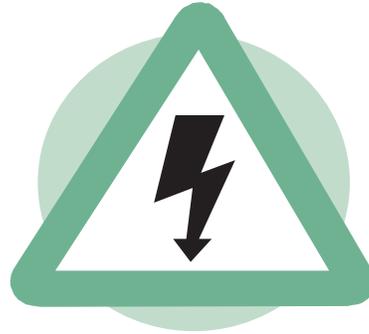
Equivalent Annual Cycle Cost						
Inflation rate: 0.0%			Reinvestment Rate: 4.0%			
Year	Project Replacement Costs		Capital Replacement Fund Balance			
	Total Assets	20% of Total	Start of Year	Annual	Interest	End of Year
	Inflated Cost	Asset Cost	Balance	Deposit	Earnings	Balance
1	\$10,000,000	\$2,000,000	\$0	\$35,660.20	\$0	\$35,660
2	\$10,000,000	\$2,000,000	\$35,660	\$35,660.20	\$1,426	\$72,747
3	\$10,000,000	\$2,000,000	\$72,747	\$35,660.20	\$2,910	\$111,317
4	\$10,000,000	\$2,000,000	\$111,317	\$35,660.20	\$4,453	\$151,430
5	\$10,000,000	\$2,000,000	\$151,430	\$35,660.20	\$6,057	\$193,147
6	\$10,000,000	\$2,000,000	\$193,147	\$35,660.20	\$7,726	\$236,533
7	\$10,000,000	\$2,000,000	\$236,533	\$35,660.20	\$9,461	\$281,655
8	\$10,000,000	\$2,000,000	\$281,655	\$35,660.20	\$11,266	\$328,581
9	\$10,000,000	\$2,000,000	\$328,581	\$35,660.20	\$13,143	\$377,385
10	\$10,000,000	\$2,000,000	\$377,385	\$35,660.20	\$15,095	\$428,140
11	\$10,000,000	\$2,000,000	\$428,140	\$35,660.20	\$17,126	\$480,926
12	\$10,000,000	\$2,000,000	\$480,926	\$35,660.20	\$19,237	\$535,823
13	\$10,000,000	\$2,000,000	\$535,823	\$35,660.20	\$21,433	\$592,916
14	\$10,000,000	\$2,000,000	\$592,916	\$35,660.20	\$23,717	\$652,293
15	\$10,000,000	\$2,000,000	\$652,293	\$35,660.20	\$26,092	\$714,045
16	\$10,000,000	\$2,000,000	\$714,045	\$35,660.20	\$28,562	\$778,267
17	\$10,000,000	\$2,000,000	\$778,267	\$35,660.20	\$31,131	\$845,058
18	\$10,000,000	\$2,000,000	\$845,058	\$35,660.20	\$33,802	\$914,520
19	\$10,000,000	\$2,000,000	\$914,520	\$35,660.20	\$36,581	\$986,761
20	\$10,000,000	\$2,000,000	\$986,761	\$35,660.20	\$39,470	\$1,061,892
21	\$10,000,000	\$2,000,000	\$1,061,892	\$35,660.20	\$42,476	\$1,140,028
22	\$10,000,000	\$2,000,000	\$1,140,028	\$35,660.20	\$45,601	\$1,221,289
23	\$10,000,000	\$2,000,000	\$1,221,289	\$35,660.20	\$48,852	\$1,305,801
24	\$10,000,000	\$2,000,000	\$1,305,801	\$35,660.20	\$52,232	\$1,393,693
25	\$10,000,000	\$2,000,000	\$1,393,693	\$35,660.20	\$55,748	\$1,485,101
26	\$10,000,000	\$2,000,000	\$1,485,101	\$35,660.20	\$59,404	\$1,580,166
27	\$10,000,000	\$2,000,000	\$1,580,166	\$35,660.20	\$63,207	\$1,679,032
28	\$10,000,000	\$2,000,000	\$1,679,032	\$35,660.20	\$67,161	\$1,781,854
29	\$10,000,000	\$2,000,000	\$1,781,854	\$35,660.20	\$71,274	\$1,888,788
30	\$10,000,000	\$2,000,000	\$1,888,788	\$35,660.20	\$75,552	\$2,000,000
				\$1,069,806	\$930,194	\$2,000,000

FUNDING OF MAJOR COMPONENTS

How will the major components of the project be financed? Will there be matching funds required? Will other agencies contribute money used for matching?

AVAILABLE RESOURCES FOR THE INFRASTRUCTURE

Discuss the resources presently available in the community. Is there electric power located at the site, or will poles and lines need to be constructed? What water and sewer utilities are presently available? Is there a road to the site or will one need to be constructed or upgraded?



EMERGENCY AND CONTINGENCY PLAN NEEDS

What are the emergency/contingency plans for the utility? What if electric power is out for an extended period of time? Are there alternate heat sources? What emergency plan do you have if the water or sewer freezes in mid-winter? What will you do if you have a boiler malfunction? Do you have a written plan in place to address possible problems?

Key Assumptions

List your key assumptions related to capital replacements, such as availability of parts and availability of services.

Examples of repair and replacement assumptions are:

- Repairs and maintenance will increase as the plant system ages and the plant size increases.
- This analysis does not address a rebuild of the system at the end of its useful life or a failure of the system from design, product failure or obsolescence.
- Parts will be available.

Section Six

LEGAL AUTHORITY & ISSUES

Ownership

Identify the owner of the new project. Clearly state who owns it and who will manage it, etc. This information may be repeated in other sections like the management section. If there is a joint ownership or management agreement in place, what are the provisions? Attach a copy or proposed copy of any contracts dealing with management or joint ventures.

Ordinances Related to New Project

Review your utility ordinance. Address utility rates, and collections. You may have to change the ordinance to reflect the new project. If your ordinance refers to a flush haul system and you are getting a piped system, appropriate changes need to be made in the ordinances. Rates and the rate structure need to be reviewed and changed to match the new project (basically a review and matching process so the ordinances reflect the new system).

Special Permits, Licenses and Regulations

Are there any special permits involved with your project (i.e. If you're getting a bulk tank do you need a coast guard permit? You probably do, even if you are inland). Agencies are a good source of this kind of specific information. The project managers and engineers will also be able to advise here. Do you need a certificate of public convenience and necessity from RCA? If you need one, do you have it or are you applying to get it? Are you currently regulated?

Does your community have zoning issues that will have to go through a planning and zoning commission prior to construction?

Key Assumptions

List your key assumption related to legal authority and issues.

Examples of legal assumptions are:

- Current providers of water and sewer utilities (if another organization presently operates any portion of utilities) will be transferred.

“Providing an appropriate legal foundation to any project is an important step in eliminating problems both during construction and in the future operations of the facility.”

- Scott Ruby
RUBA Program Manager



Section Seven

INTERAGENCY RELATIONSHIPS



Involvement of Other Agencies

INVOLVEMENT IN CONSTRUCTION PHASE

- Who is the granting agency?
- Are there multiple granting agencies for the same project?
- Are the monies being mixed between agencies for the same project?
- Are all the grant conditions being met for each portion of the project?

If you mix VSW money, DCED money, and Denali Commission funds all in an effort to upgrade your washeteria and build a new water plant, all those agencies need to be shown as part of the overall project.

- If engineers and contracting firms have been awarded contracts on some phase of the project who are they?
- Are you getting outside assistance from anyone like RUBA, DEC, management consultants, or accountants?

This section will allow readers to understand and show how all those involved fit into the project.

Discuss involvement of all funding and oversight agencies for the construction of the project. Discuss who manages the construction, hiring, purchasing, and scheduling. Will there be accounting for the project to be managed by your community, an agency, or an outside organization hired by the agency?

INVOLVEMENT IN ONGOING OPERATIONS

During the different phases are the same players going to be involved or are their contracts limited to a certain time period with new players in later phases? Are you counting on the remote

maintenance workers (RMW's) to be there down the road for ongoing issues? Do you even know if you have RMW's? What about regulatory agencies? What about PCE for an electric plant? If your project is to provide electricity to the community or an electric utility upgrade, have you contacted AEA to see what effects PCE may have on your projected costs?

Who will be involved in the ongoing operations of the project? Are reports required, and how often will the reports need to be submitted? Discuss the involvement of all funding and oversight agencies in the ongoing operations of the enterprise.

REPLACEMENT AGENCIES

What agencies or funding sources have you identified as a potential source for replacing the utility at the end of the design life?

REGULATORY AGENCIES

- Who are the regulatory agencies you are required to report to?
- What are your responsibilities for reporting to these agencies?

Discuss the responsibilities of the community and the regulatory agency here.

Phase of Larger Project

A phased project requires thought to go into each phase and construction year of the project. A phased project needs to be included in the utility master plan or whatever guiding document you are using during the completion of the project. The benefit of this approach is to examine each phase of the project construction year and determine other impacts. For example, if in two years, the new electric plant you are building in a phased project is going to require an extra million gallons of fuel to operate, do the bulk fuel people know that before they build your new tank farm with only a 250K gallon increase?

Many specifics are not known at the time you write a business plan. However, it's an

opportunity to start thinking about your community and impacts the new construction will have on available services. If you start asking questions early, it will reduce problems down the road.

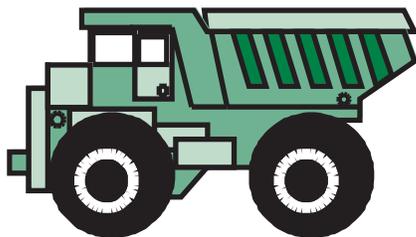
Discuss the phases of the project. What segments will come on-line at what point? When will customers begin to be charged for services or when will charges need to be increased?

Key Assumptions

List your key assumption related to interagency relationships.

Examples of assumptions are:

- Residential and commercial establishments (except for current users) will not be hooked up until the following has occurred:
 - a) each phase is fully complete
 - b) the community has accepted the project
 - c) establishments have been retrofitted to accommodate plumbing
- Revenues will be generated according to the project completion date schedule with the final construction phase being completed in the year.



“By leveraging our funds and combining our individual talents with the agencies of state/federal/local governments in conjunction with our partners from the non-profit world, we are able to do a much better job in the delivery of service to the residents of rural Alaska. Standardizing such things as Business Plans improves our ability to be more efficient and effective as we strive to meet our individual objectives.”

- Bill Allen
State Director USDA

Section Eight

SUMMARY

This section of the business plan summarizes other elements of the project not discussed in the prior sections.

Wrap-up

How are you going to wrap up the project? What will be considered completion? When do you estimate that the project will reach wrap-up stage, and what special reports need to be submitted in order to complete the reporting requirements?

Timelines

Discuss any important timelines and deadlines related to your project. Present how the different deadlines are to be met by all parties involved.

Effect on Community

Discuss the impact the new project will have on the community. How does fuel at the next village impact construction/sales? If the community is making a contribution to the sustained operations of the project, where will the money come from?

How will the revenue sources commit to the business plan? Will there be some “agreement” for payment and continued need of services, particularly with schools, fish processing plants and other major users?

It is very important to break down the income in the community and present proof of the continued sustainability of the project.

COST OF LIVING/RESIDENTS

ABILITY TO PAY

It is important to discuss how a surcharge for new services will affect residents’ ability to pay.

The schedule below presents the community-wide income per household. It shows the related expenses of each household before the user fee that would be required to sustain the new project.

Description	Average Rate	Times	Amount
Incomes Per Household			\$25,156.00
Median Household Income			\$25,156.00
Expenses Per Household			
Rent	\$425	12	\$5,100.00
Food	\$175	52	\$9,100.00
Electricity	\$150	12	\$1,800.00
Fuel	\$800	4	\$3,200.00
Water and Sewer	\$105	12	\$1,260.00
Airfares	\$160	2	\$320.00
Clothing	\$200	12	\$2,400.00
Gifts/Holidays			\$500.00
Other	\$100	12	\$1,200.00
			\$24,880.00
	Surplus (Deficit)		\$276.00

This information was obtained from the State of Alaska Community Database website. Directions to accessing the Community Database site are presented in the resources section of computer tips.

Key Assumptions

List your key assumptions related to wrap-up, timelines and effect on community.

Examples of some key assumptions related to community impact are:

- Income from State of Alaska statistics is correct
- There will be no significant increase in the cost of air and freight transportation
- This document has not considered the effect of natural disasters such as fire, flood, and earthquake.



COMPUTER TIPS

Most of the computer tips shown on the following pages are optional. You can paste the schedules from the Excel spreadsheets into your business plan template.

You **can** include pictures, draw text boxes, paste tables, etc. It will improve your presentation. But you **aren't required** to. A business plan is, first and foremost, a written document that outlines your future plans. It does not need to be fancy to be successful.

If you are a beginning computer user and if these suggestions will only cause you stress, then use the template as a typing page.

Additionally, different versions of Word and Excel have different features. If you are working on an older version of Word or Excel (especially versions older than 98) you may not have the feature as presented.

To Customize the Business Plan Template

If you want to keep the business plan template for future use with other projects, it is important to open the template, immediately rename the template, and save it under the new name. To do this:

- Go to the File menu on menu bar of your Microsoft Word program
- Go to “Open” on the pop-up menu
- You are now in the “Open Screen”
- In the “Look In” data field, click on the down arrow.

- Locate the CD Rom drive for CD's or the “A” drive for diskettes and click on it
- The listing of files will appear
- Select “**Template**” on the list and double click, or highlight and click on the “Open” button
- The document will open on your word program
- To save the template as a new document
- Go to the File menu
- Go to “Save As” on the pop-up menu
- You are now in the “Save As Screen”
- The “File Name” field will have DCED Business Template highlighted; overwrite this with the new file name.

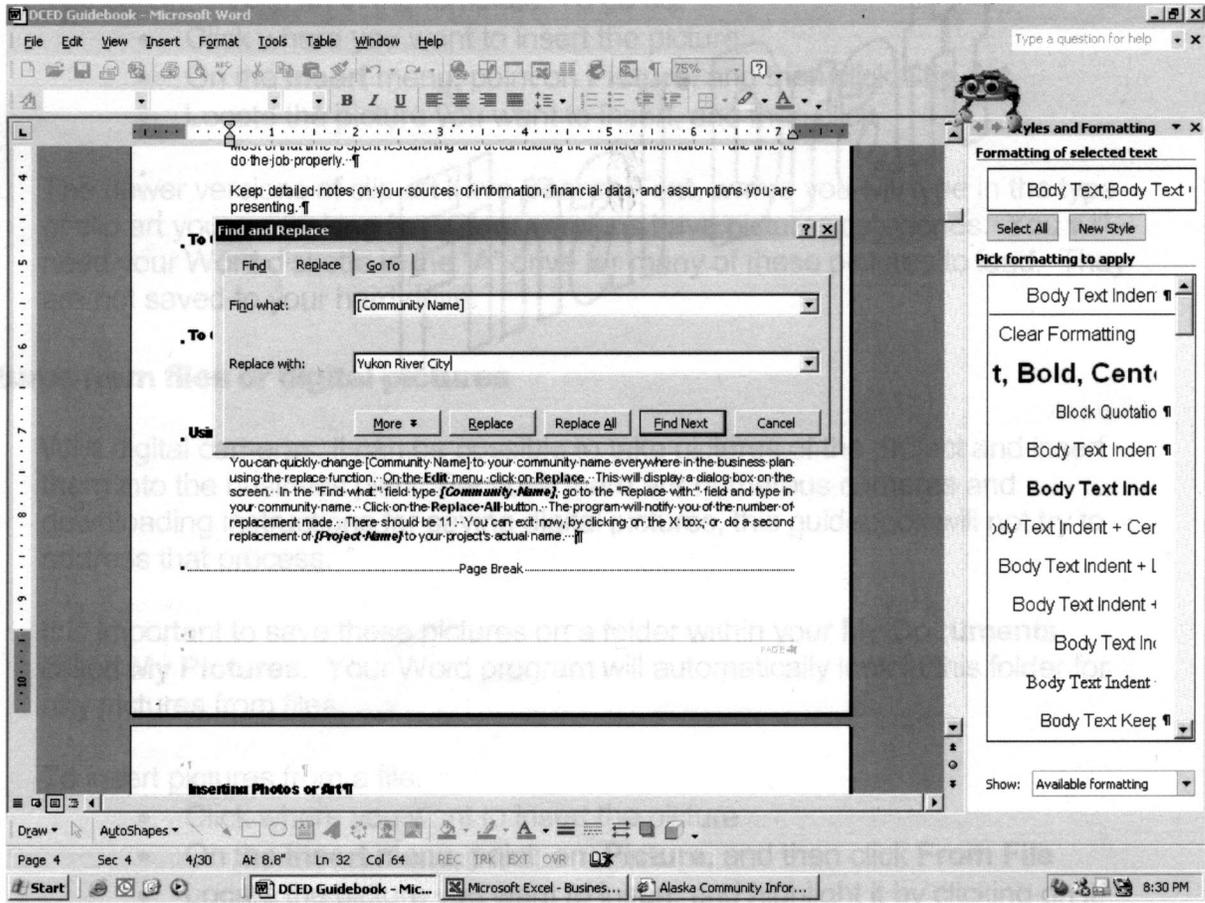
After this point when you open your Word program, the new document will automatically appear on the listing of most recent files at the bottom of the File menu.

Using the “Replace” for Quick Edits

You can quickly change [Community Name] to your community name everywhere in the business plan using the replace function.

- On the Edit menu, click on Replace.
- This will display a dialog box on the screen.
- In the “Find what:” field type [Community Name], include the brackets
- Go to the “Replace with:” field and type in your community name.
- Click on the Replace All button.
- The program will notify you of the number of replacement made.
- There should be 10.

You can exit now, by clicking on the X box in the top right corner of the screen, or do a second replacement of [**Project Name**] to your project's actual name.



Inserting Photos or Art

A picture can speak a thousand words. It is important to use them. Learning how to insert, size, and crop pictures within a Word document can take several attempts. However, once you master adding artwork, other Word documents you prepare can be illustrated easily. It should take between five and ten minutes to insert a picture. Using a picture can quickly demonstrate to the reader or reviewer the current condition of the facility. This will also show why you need a new one.

CLIP ART

Your Word program has hundreds of pictures it calls “Clip Art”. These pictures may be used without obtaining permission. They may add to your plan, but be careful not to “over decorate”. You can insert clip art in the template. To do so:

- Click where you want to insert the picture.
- On the **Insert** menu, point on **Picture**, and then click **Clip Art**.

- Locate the picture you want to insert, and then click

The newer versions of clip art have Search Text, where you will type in the type of clip art you are looking for. Older versions have pictures categories. You will need your Word diskette in the “A” drive for many of these pictures to load. They are not saved to your hard drive.

PICTURES FROM FILES OR DIGITAL PICTURES

With digital cameras, it can be possible to take pictures of the project and insert them into the business plan. Because there are numerous cameras and downloading instructions for saving digital pictures, this guidebook will not try to address that process.

It is important to save these pictures on a folder within your **My Documents** called **My Pictures**. Your Word program will automatically look in this folder for any pictures from files.

To insert pictures from a file:

- Click where you want to insert the picture
- On the **Insert** menu, point on **Picture**, and then click **From File**
- Locate the picture you want to insert, and highlight it by clicking on it.
- Next, click **Insert** button

PICTURES FROM THE WEB

Many pictures are available on the Internet (Web). To use a picture from the Internet,

- Position your pointer on the picture
- **Right Click** your mouse,
- From the menu that pops up, select **Save Picture As**.

The Word program will save the picture in a folder **My Pictures**. Be sure to name a picture with a descriptive name you'll remember later.

- To access these pictures
- Click on **Insert** on the menu bar
- Click on **Picture** and **From File**
- The **Insert Picture** screen will display the **My Pictures** folder
- Select the picture you want and click to highlight
- Click on the **Insert** button

There are many wonderful Alaskan community pictures on the State of Alaska, Department of Community & Economic Development, and Community Profile website.

Be careful of copying pictures from the Web, as many/most are copyright protected. All pictures on the Web should be assumed to be copyrighted unless a notice shows it is in the public domain. Copyrighted images can be used, but only with written permission of the owner.

Text Boxes

A text box offers a flexible way of displaying text and graphics; it is a container. You can move a text box around, positioning it just where you want it; you can resize it into a tall narrow column or into a short wide column, or even rotate it so that the text reads sideways.

TO CREATE A TEXT BOX

Go to the **Insert** menu, scroll down to **Text Box**, and click. A dotted line box will appear on the screen, click anywhere in the box and drag to create the size of box you desire.

Double click inside the box, and you can begin to type your message.

RESIZE A TEXT BOX

To move a text box, select it so that it has either a hatched or dotted border. Then, move the cursor over the border of the text box until the pointer becomes a four-headed arrow, and drag the text box to its new location.

MOVING A TEXT BOX

Sometimes you may want to move a text box slightly in one direction or another, but you find that using the mouse doesn't give you the degree of control you want. You can achieve finer control of movement by using the arrow keys on your keyboard.

To do so, click anywhere in the text box so that its borders become visible, and then click a border to select the text box. Next, press the arrow keys to move the text box. A single keystroke moves the text box a single increment, while holding an arrow key down keeps the text box moving.

If granularity of movement is really important to you and you want as much control as possible, you can cover a lesser distance with each keystroke by first zooming in on the document. To cover a greater distance with each keystroke, zoom out. You can zoom out or in by clicking **Zoom** on the **View** menu.

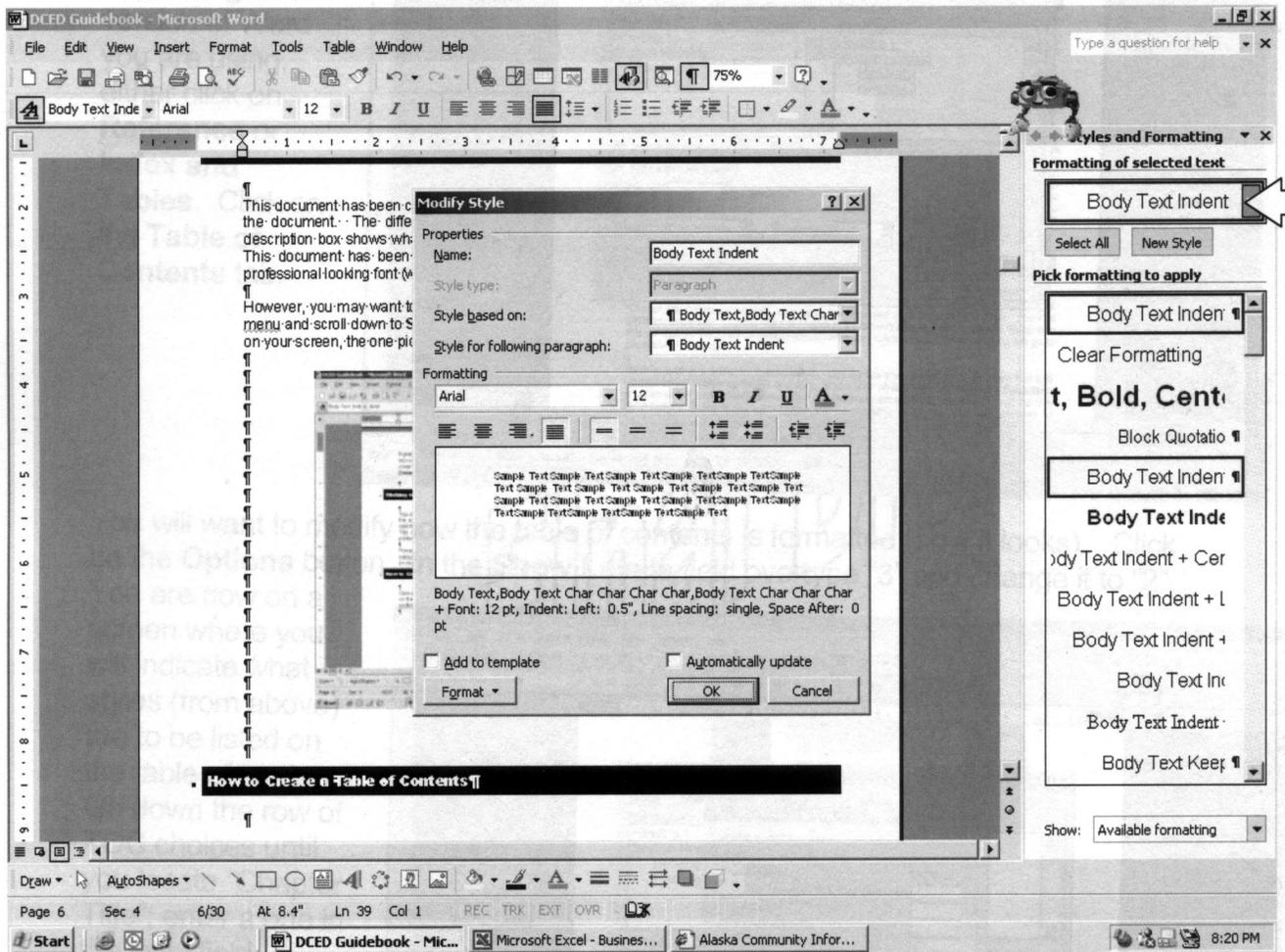
Working with Styles

This document has been created utilizing “styles”, a uniform formatting for different elements of the document. The different styles are shown on the third row of the menu bars. The description box shows what style is being

used. It should presently read “Body Text Indent”. This document has been formatted with Arial type in several size fonts. Arial is a clean, professional looking font (word for typeface), and is commonly used in documents of this nature.

However, you may want to change this font for your document. To do so, go to the **Format** menu and scroll down to **Styles and Formatting**. A formatting text block should now appear on your screen, to the right of the document.

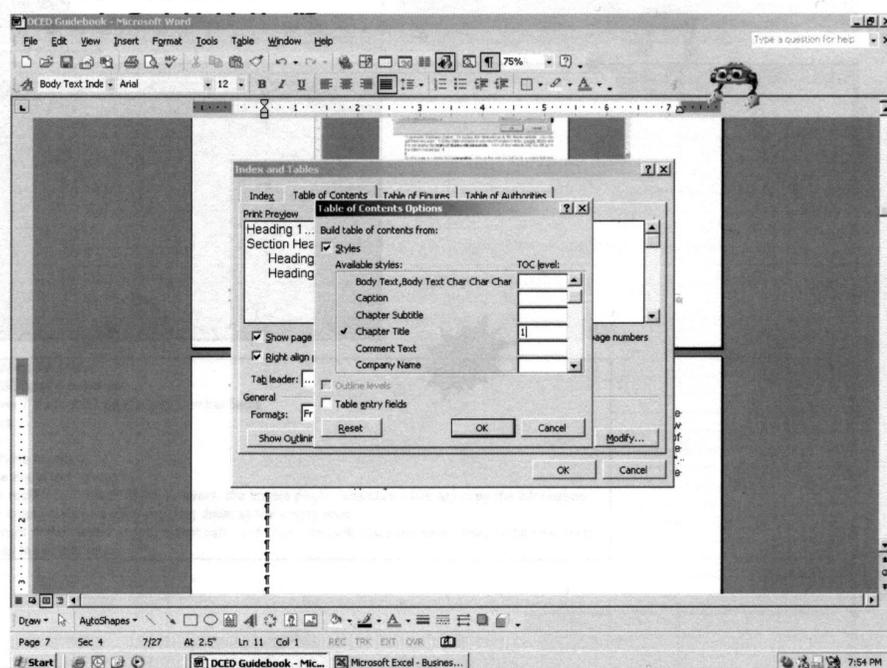
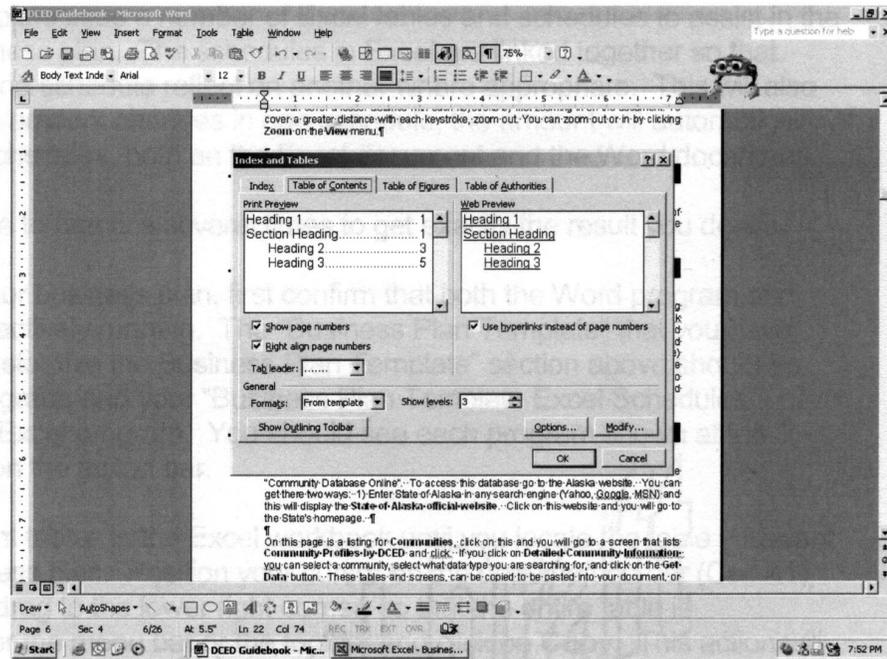
To modify or change the style, click on the right side of the type box, and a menu will appear. Select **Modify**. On the modify screen, you can change the font type to another from the Arial font, or increase or decrease the size of the type. You can also modify other elements. There is a **Format** button at the bottom of the screen. This will give you a number of choices. There is a “Font” to change the color, size and type of typeset. Paragraph will allow you to modify the indentations, and margins. Other choices (not described here) will give other results.



How to Create a Table of Contents

Click on the page below the table of contents heading. Go to the **Insert** menu, and depending on the version of Word you are using, either click on **Reference** or **Index and Tables**. Click on the **Table of Contents** tab.

You will want to modify how the table of contents is formatted (how it looks). Click on the **Options** button. In the **Show Levels** field overwrite “3” and change it to “2”. You are now on a screen where you will indicate what styles (from above) are to be listed on the table of contents. Go down the row of TOC choices until you locate “Chapter Title”; enter a one in the level field. Continue down the listing until you come to “Heading 1” and change the level to “2”. Delete the levels indicated for “Heading 2” and “Heading 3”. When you click on “OK” the table of contents should appear.



How to Insert a Table from Excel Data File

The business plan template uses a number of Excel tables and schedules to assist in the preparation of the business plan. The schedules in Excel are linked together so that amounts entered into one schedule reflect on another where appropriate. This will also help, because when an amount changes in one schedule, the amount will automatically change on all related schedules, both on the Excel document and the Word document.

However, you may have to practice several times to get exactly the result you desire.

To insert a table into your business plan, first confirm that both the Word program and the Excel program are actively running. The

“Business Plan Template” that you have saved using the “To Customize the Business Plan Template” section above should be active in your Word program, and your “Business Plan Template Excel Schedules” should be active in the Excel program. You should see each program shown at the bottom of your screen on the action bar.

Tab through the different tables in the Excel workbook until you locate the table you want to present on the business plan. Position your cursor on the upper left corner (Cell A1) of the table. Click and drag to the lower right corner, so that the entire table is highlighted. Go to either the menu bar or the toolbar and click on Copy. This action will place your table on the computer’s clipboard.

1	A	B	C	D	E	F	G	H	
1	Description of Equipment	Number	X	Cost	+	Useful Life	=	Depreciation	
2	Washer	4	X	\$ 1,400	+	5	=	\$ 1,120.00	
3	Dryers	3	X	\$ 1,200	+	5	=	\$ 720.00	
4	Pumps	4	X	\$ 8,000	+	3	=	\$ 10,666.67	
5	Boilers	2	X	\$ 14,000	+	8	=	\$ 3,500.00	
6	Heat Exchangers	5	X	\$ 1,159	+	5	=	\$ 1,159.00	
7			X		+	1	=	\$ -	
8			X		+	1	=	\$ -	
9			X		+	1	=	\$ -	
10			X		+	1	=	\$ -	
11			X		+	1	=	\$ -	
12			X		+	1	=	\$ -	
13			X		+	1	=	\$ -	
14	Total amount that should be set aside annually for major R&R costs							=	\$ 17,165.67

16 Enter the equipment into the schedule above

17 To enlarge the schedule for additional equipment:

18 1) Highlight (Click and Drag) rows 7 through 11 on the grey number fields

19 2) Go to the "Insert" menu above

20 3) Select "Rows"

21 4) Go to the first row beneath those inserted

22 5) Highlight (Click and Drag) the entire row across

23 6) Go to the little picture on the toolbar to the right of the scissors, the double pages, and click - this will copy the information

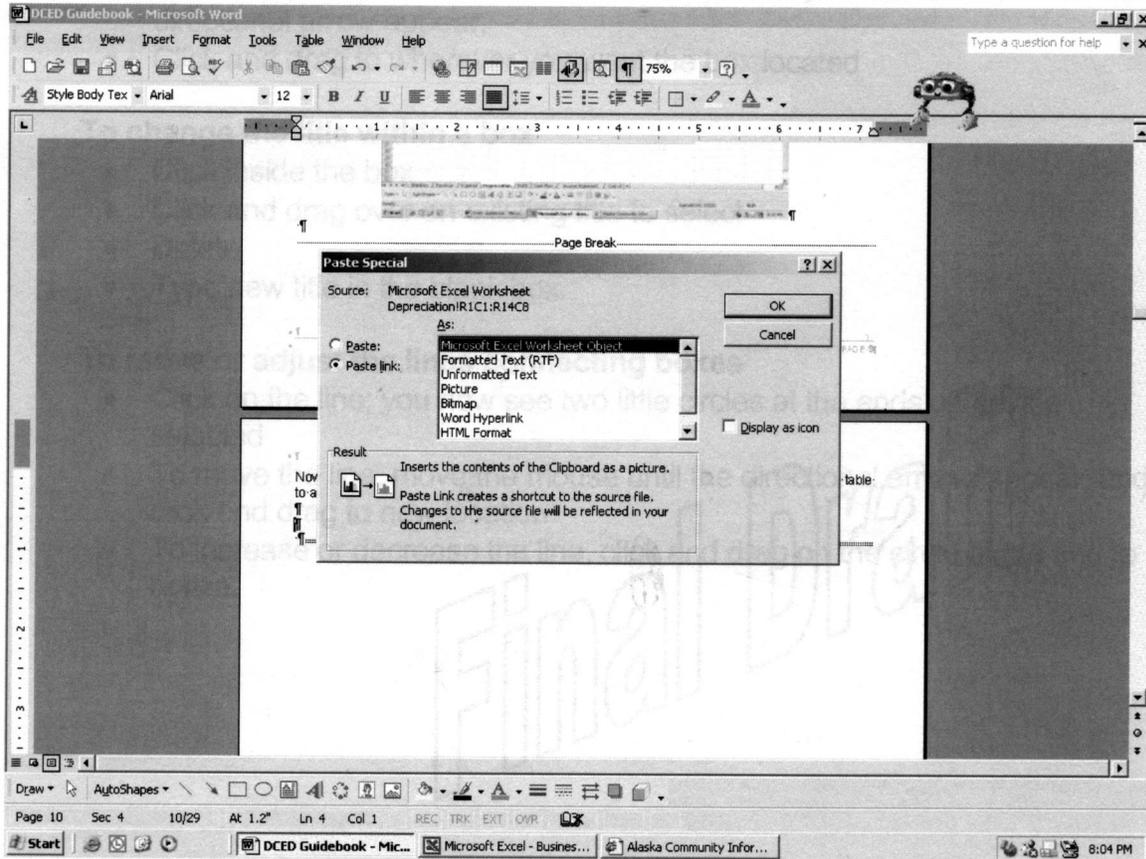
24 7) Go to the "A" column on the empty rows and click and drag down all the empty rows

25 8) Go to the little picture to the right of the double pages, a clipboard, and click - this will paste the information to the new areas

26 Your informatio should appear in all the empty rows

Now return to the business template Word document and locate the cursor where you want the table to appear. Go to the **Edit** menu, scroll down to **Paste Special** and click.

You are now on the Paste Special Screen, as shown below, click on the **Paste Link** button and highlight “Microsoft Excel Workbook. Click on the OK button and the table should appear.



You can position the table in your document by choosing the right, center or left align buttons. You can also enlarge or decrease the size of the table by click on one of the corners until you see small black boxes at each corner, now click and drag one of these boxes until the schedule is the desired size.

How to Manipulate the Organizational Chart in Section 3

The positions on the chart can be moved, renamed, or deleted.

To move a box

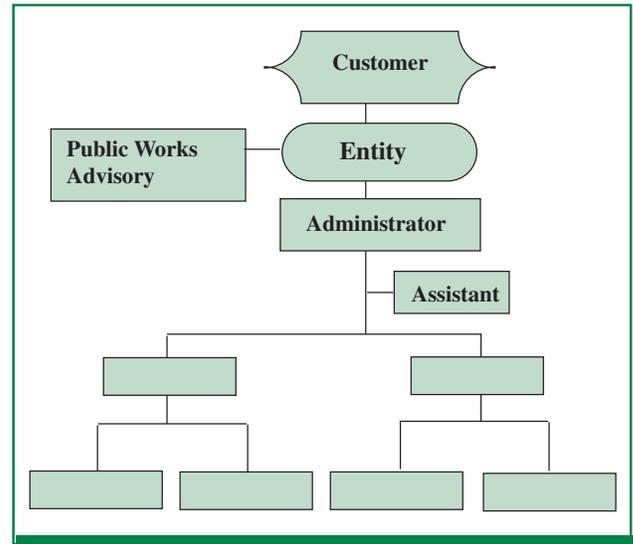
- Click on the edge of the selected box and move your mouse until four little directional arrows appear,
- Click and drag to wherever you want the box located

To change the title within a box

- Click inside the box
- Click and drag over an existing title to select
- Delete
- Type new title in the blank box.

To move or adjust the lines connecting boxes

- Click on the line; you now see two little circles at the ends of the line selected
- To move the line, move the mouse until the directional arrows appear, and click and drag to new location
- To increase or decrease the line, click and drag on the circle at the end to resize.



RESOURCES

There are numerous resources for information on the Internet (alternatively called the Web). A few listed below are primarily the different departments that work with communities to construct or maintain utilities.

State of Alaska Website

The State of Alaska has a very informative website for Alaskan communities. It is the “Community Database Online”.

To access this database go to the Alaska website. You can get there two ways: 1) Enter State of Alaska in any search engine (Yahoo, Google, and MSN) and this will display the **State of Alaska official website**. Click on this website and you will go to the State’s homepage. 2) Enter the website address on the **Address** field of your homepage.
www.state.ak.us/



On this page under the “Of Interest” heading is a listing for **Alaskan Communities**, click on this and you will go to a screen that lists a number of communities. On the bottom of the page you will find Community Profiles listed. When you are on the website for Communities Profiles click on **Detailed Community Information** then select a community, select the data you are searching for, and click on the **Get Data** button. These tables and screens can be copied to be pasted into your document, or the information can be manually transferred to your Word or Excel documents.

AIDEA/AEA Resources

Alaska Industrial Development and Export Authority/Alaska Energy Authority have both an online newsletter and a website.



The newsletter reports on the most current events of AIDEA/AEA. This website can be located by typing in the acronym AIDEA/AEA into any search engine. The one used for this guidebook is “Yahoo”.

BLM Resources

U.S. Department of the Interior Bureau of Land Management (BLM) is accessed by typing “BLM” in the search engine and clicking on the link, or typing in www.blm.gov in the address field on your web browser. The web site has linked topics and a search listing that includes Alaska. To go directly to the Alaska BLM site, type in www.ak.blm.gov in the address field.

DOL Resources

Department of Labor unfortunately cannot be located by typing “DOL” in the search engine on your web browser. “Yahoo” listed ten pages of links beginning with the U.S. Department of Labor. Type in www.labor.state.ak.us as the address. This will take you to the website. The website has numerous links to different topics.

Alaska Native Tribal Health Consortium (ANTHC)

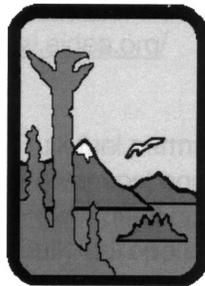
The Alaska Native Tribal Health Consortium (ANTHC) can be located by entering “ANTHC” into any of the available search engines.

U.S. Department of Agriculture, Rural Development (USDA)

USDA rural development offers financial and technical resources for rural development projects.

VSW Resources

Village Safe Water (VSW), a division of the Department of Environmental Conservation, is accessible through the State of Alaska website. In the search field of the State website, type Village Safe Water and several links will appear. Click on the Village Safe Water link.



Various Resources for Business Plans

State of Alaska Department of Labor and Workforce Development (DOL)

<http://www.labor.state.ak.us/home.htm>

Topics:

- Employment statistics
- Census Data
- Employment Security Contribution (ESC) rates and calculations
- Workers Compensation rates and history

State of Alaska Department of Environmental Conservation (DEC)

<http://www.state.ak.us/dec/home.htm>

Topics:

- Environmental compliance and permitting
- Water and wastewater regulations
- Water and wastewater operator certification requirements

Bureau of Land Management (BLM)

www.blm.gov

Topics:

- Federal land management
- Land status data

Alaska Industrial Development Authority/Alaska Energy Authority (AIDEA/AEA)

<http://www.aidea.org/>

Topics:

- Bulk fuel permitting
- Power cost equalization program
- Power plant operator training
- Bulk fuel operator training

State of Alaska Department of Community and Economic Development (DCED)

<http://www.dced.state.ak.us/>

Topics:

- Community census data
- Community profile information
- Rural utility business advising
- Local government assistance
- Land management and mapping

Regulatory Commission of Alaska (RCA)

<http://www.state.ak.us/apuc>

Topics:

- Utility operating certificates
- Utility rate analysis

State Department of Natural Resources (DNR)

<http://www.dnr.state.ak.us/>

Topics:

- State land ownership status
- Coastal management and permitting

Alaska Native Tribal Health Consortium (ANTHC)

www.anthc.org

Topics:

- Water and waste water engineering
- Health Clinic construction

GLOSSARY

Business Plan Guidebook

Listed below are terms and acronyms that you have encountered in this guidebook. You may want to use them when creating your business plan.

Terms

FINANCIAL

Appropriation - Funds set aside for a specific purpose.

Asset - Properties and valuables of an individual or organization including land, structures, system improvements, equipment, vehicles, inventory, receivables, investments, and cash.

Audited Financial Statements - Financial statements that have been prepared following the auditor's review of financial information to assess its fairness and adherence to generally accepted accounting principles.

Auditing - The review of financial information to assess its fairness and adherence to generally accepted accounting principles.

Balance Sheet - A formal report of a business's financial condition on a certain date; reports the assets, liabilities, and owner's equity of the business.

Breakeven - A point at which revenue equals expenses.

Budget - A financial plan outlining what resources an organization expects to receive and where it will expend its funds for a given period of time, usually one year.

Capital - Items acquired or constructed with a life expectancy of more than one year and having a value greater than a set amount. (Typically \$500.)

Capital Projects - Projects that consist of special programs or the construction of large capital structures.

Cash Basis - A system of accounting by which all revenues are matched and reported on statements when the cash related to the transaction is received.

Cash Flow Report - A financial statement that shows a business's inflows and outflows of cash during a fiscal period.

Certification - A process that the Alaska Department of Environmental Conservation uses to show the competence of operators of water supply or wastewater systems. (The certification is based upon experience and examination requirements.)

Certified Financial Statements - Statements of revenues and expenditures for a given period accompanied by a resolution of the governing body that the information is true and correct.

Corporation - A publicly or privately owned business entity that is separate from its owner and has a legal right to do business in its own name; stockholders are not responsible for the debts or taxes of the business.

Depreciation - Allocation of the cost of a long-term asset to operations during its expected useful life.

Effectiveness - Having an intended or expected effect, or producing a strong impression or response.

Efficiency - Producing an effect with a minimum of waste or effort. Exhibiting a high ratio of output to input.

Enterprise Fund - The fund containing monies set aside for the organization's utility expenditures. (Utility Fund)

Expense - Payments or disbursements made to others for goods or services.

Financial Capacity - Having adequate financial resources to continue operations and fund major repairs.

Financial Management - The focus is on cash flow and optimal use of current assets.

Financial Reports - Financial information that is compiled and prepared into a useful format.

Fiscal Year - A twelve month period for which an organization plans to use its funds.

Fund - A sum of money or other resources set aside for a specific purpose.

Fund Balance - The worth of the organization. The fund where all surpluses and deficits from prior years accumulate.

Grants Fund - Money received from an outside source to provide a special program. The money is restricted to the program, and if unspent will need to be returned to the provider.

Income Statement - A formal report of business operations covering a specific period of time; also called a profit and loss statement or a statement of income and expenses.

Inventory - All goods and materials in stock for use in operations.

Liability - A debt or obligation of a business or organization.

Liquidity - The ease with which an item can be converted to cash; the ability to pay debts when due.

Locally Generated - Operating revenues produced by an organization, not gained from any outside source.

Long-term - Any asset or liability that will be used or due in more than a year into the future.

Management - A system of organizing, directing, and utilizing resources for maximum efficiency.

Management Reports - A combination of financial data to provide the manager with information that cannot be easily seen by looking at financial numbers.

Managerial Capacity - The management structure of a utility that includes ownership, accountability, staffing, organization, and effective links to customers and regulatory agencies.

Narrative - Discussion, presentation, talk.

Non-profit - An organization whose primary objective is to service the public without the intent of gaining wealth.

Operating Revenues - Current inflow of money or other assets that results from the sale of goods or services or from the use of money or property.

Ordinance - A municipal or tribal law.

Outside Source - The State of Alaska, federal government, or other outside grantor which provides funds to organizations usually for a specific purpose.

Reserves - Funds set aside for a particular use in the future.

Revenue - Income or money paid for services rendered or a grant of money.

Service Disconnect - Physically disconnecting customer's service due to unpaid balances.

Single Audit - An audit of the whole organization and all programs.

Stewardship - An individual or entity in the position of managing or superintending.

Technical Capacity - Having the equipment and supplies to do a job well.

Transaction - The act or process of carrying out or conducting business affairs.

Utility Fund - The fund containing monies set aside for the organization's utility expenditures. (Enterprise Fund)

COMPUTER

Button - An action box on your program, that will complete the action by clicking on the box, for example Save and Close.

Compact Disc (CD) - Compact discs are round discs that transport and store data. Each compact disc is capable of holding up to 640 megabytes, and is inserted into a CD drive to function.

Compact Disc (CD) Drives - A disc drive used to read a CD disk. Drives are rated by the speed at which they can access the information on a disk.

CD Rom - A CD, either readable or read-writeable, that is inserted into the D drive of your computer

Cursor - The blinking bar that denotes where your computer will receive the next command.

Drive - Where the computer stores and retrieves information. The computer has several drives known by letter. A common drive set up is the 3.5" diskette drive; C drive is the internal drive (storage) of the computer; D drive is the CD Rom drive; E drive is the re-writeable CD drive.

Hard Drive - The hard drive is a magnetic storage disk located inside the computer. Hard drives can read and write information very quickly. Since they save the information even if the computer and power are turned off, they are the preferred place to store programs and data. They are made in a lot of different sizes, the size is listed in Megabytes or Gigabytes. Computers can have more than one hard drive.

Icon - This is a graphic, usually a small one, that represents something, usually a file. Icons can also represent directories, folders, or devices.

Menu - The listing of available actions across the top of the computer screen.

Screen - The display of a computer, also called a monitor.

Scroll Bar - A bar, either vertical or horizontal at the edge of the screen, where you can scroll up or down, or sideways to reach unseen portions of your document.

Tool Bar - Usually located just below the menu bar, the tool bar is a series of pictures or icons, that are shortcuts to the activities.

Window - Whatever is appearing on your screen at the present

INTERNET

Home Page - The website that you web browser will go to when you first start the program.

Search Engine - A program that searches for specified topics or websites that relate to a word or words that you enter.

Website - A document or documents that have been developed specifically for viewing over the internet.

ACRONYMS

AANHS - Alaska Area Native Health Service

ADA - Americans with Disabilities Act

DEC - State of Alaska, Department of Environmental Conservation

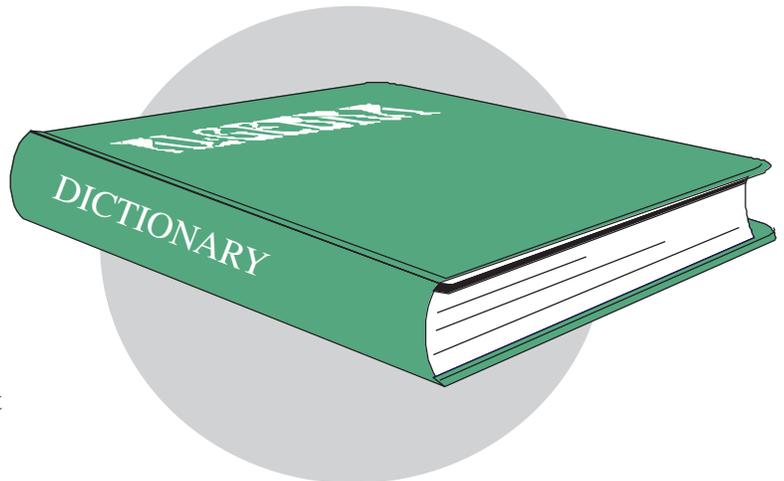
ADES - State of Alaska, Division of Emergency Services

AIDEA/AEA - Alaska Industrial Development Export Authority / Alaska Energy Authority

ANTHC - Alaska Native Tribal Health Consortium

AWWA - American Water Works Association

- AWWMA** - Alaska Water Wastewater Management Association
- AVEC** - Alaska Village Electric Cooperative
- BLM** - Bureau of Land Management
- CPA** - Certified Public Accountant
- DCED** - State of Alaska, Department of Community and Economic Development
- DNR** - State of Alaska, Department of Natural Resources
- DOL** - State of Alaska, Department of Labor
- DOT/PF** - State of Alaska, Department of Transportation and Public Facilities
- EPA** - U.S. Environmental Protection Agency
- FC&O** - State of Alaska DEC, Facilities, Construction, and Operations
- FEMA** - U.S. Federal Emergency Management Agency
- IHS** - U.S. Indian Health Service
- IRA** - Indian Reorganization Act
- O&M** - Operation and Maintenance
- OEH** - Office of Environmental Health
- OIT** - Operator In Training
- OMB** - U.S. Office of Management and Budget
- OSHA** - U.S. Occupational Safety & Health Administration
- P&L** - Profit and Loss
- PCE** - Power Cost Equalization
- PM** - Preventive Maintenance
- R&R** - Repairs and Replacements
- RASC** - Rural Alaska Sanitation Coalition
- RCA** - Regulatory Commission of Alaska
- RMW** - Remote Maintenance Worker
- RUBA** - Rural Utility Business Advisor
- USDA-RD** - U.S. Department of Agriculture, Rural Development
- VSW** - Village Safe Water
- WEF** - Water Environment Federation



GLOSSARY OF EXCEL TEMPLATES

The Excel workbook file you receive with the business template has the following worksheets for use with the template. To locate any one of the worksheets, click on the tab at the bottom of the page.

Statistics

Population	
2000	555
1990	501
1980	412
1970	340
1960	228
1950	194
Housing (2003 Data)	
Occupied Housing	137
Vacant Housing Due to Seasonal Use	7
Other Vacant Housing	9
Average Household Size	4.05
Economic Data (2000 Data)	
Unemployment Rate	15.40%
Median Household Income	\$25,156.00

Expense

Expense Category	Annual Estimate
Administration	\$23,400
Labor	\$39,600
Miscellaneous Materials	\$5,940
Electricity	\$10,634
Heating Fuel	\$20,312
Water Treatment	\$95,265
Sewage Treatment	\$9,527
Insurance	\$1,000
Repair and Replacement Account	\$17,166
Capital Replacement Account	\$35,660
	\$258,504

Revenue

Revenue Source	Monthly Rate	# of Customers	Collection Rate	Yearly Revenues
Residential User Fees	\$105.00	130	85%	\$138,411
Small Commercial Users				\$5,000
Large Commercial Users				\$0
School User Fees	\$5,000.00	1	100%	\$45,000
User Fees from Washeteria			100%	\$10,000
User Fees from Fish Processing Plant	\$5,000.00	1	100%	\$20,000
Water Sales (per gallon)	\$0.05	135,000	100%	\$6,750
Local Capital Contribution				\$40,000
Total Revenue				\$265,161

Repair and Replacement

Description of Equipment	Number	X	Cost	÷	Useful Life	=	Depreciation
Washers	4	X	\$1,400	÷	5	=	\$1,120.00
Dryers	3	X	\$1,200	÷	5	=	\$720.00
Pumps	4	X	\$8,000	÷	3	=	\$10,666.67
Boilers	2	X	\$14,000	÷	8	=	\$3,500.00
Heat Exchangers	5	X	\$1,159	÷	5	=	\$1,159.00
		X		÷	1	=	-
		X		÷	1	=	-
		X		÷	1	=	-
		X		÷	1	=	-
		X		÷	1	=	-
Total amount that should be set aside annually for major R&R costs							\$17,165.67

Annual Profit

Revenue	
Residential Users	\$138,411
Small Commercial Users	\$5,000
Large Commercial Users	-
School User Fees	\$45,000
User Fees from Washeteria	\$10,000
User Fees from Washeteria	\$20,000
Water Sales	\$6,750
	\$225,161
Expenses	
Annual Operation & Maintenance Costs	\$205,678
Annual Repair & Replacement Costs	\$17,166
Capital Replacement Account	\$35,660
	\$258,504
Net Operating Income (Loss)	(\$33,343)
Net Operating Income	(\$33,343)
Local Capital Contribution	\$40,000
Annual Estimated Profit	\$6,657

Cash Flow

Cash Sources	
Residential User Fees	\$138,411
Small Commercial Users	\$5,000
Large Commercial Users	-
School User Fees	\$45,000
User Fees from Washeteria	\$10,000
User Fees from Fish Processing Plant	\$20,000
Water Sales (per gallon)	\$6,750
Local Capital Contribution	\$40,000
	\$265,161
Cash Uses	
Annual Operation & Maintenance Costs	\$205,678
Annual Repair & Replacement Costs	\$17,166
Capital Replacement Account	\$35,660
	\$258,504
Excess (Shortage) of Cash over Expenditures	\$6,657

Cost of Living

Description	Average Rate	Times	Amount
Incomes Per Household			\$25,156.00
Median Household Income			\$25,156.00
Expenses Per Household			\$5,100.00
Rent	\$425	12	\$9,100.00
Food	\$175	52	\$1,800.00
Electricity	\$150	12	\$3,200.00
Fuel	\$800	4	\$1,260.00
Water and Sewer	\$105	12	\$320.00
Airfares	\$160	2	\$2,400.00
Clothing	\$200	12	\$500.00
Gifts/Holidays			\$1,200.00
Other	\$100	12	\$24,880.00
Surplus/(Deficit)			\$276.00

Summary

Revenue	
Residential User Fees	\$138,411
Small Commercial Users	\$5,000
Large Commercial Users	-
School User Fees	\$45,000
User Fees from Washeteria	\$10,000
User Fees from Fish Processing Plant	\$20,000
Water Sales (per gallon)	\$6,750
Local Capital Contribution	\$40,000
	\$265,161
Expenses/Excess of Cash over Expenses	
Annual Operation and Maintenance Costs	\$205,678
Annual Repair and Replacement Costs	\$17,166
Capital Replacement Account	\$35,660
Excess (Shortage) of Cash over Expenditures	\$6,657
	\$265,161

Capital Replacement

Equivalent Annual Cycle Cost						
Inflation rate: 0.0%			Reinvestment Rate: 4.0%			
Year	Project Replacement Costs		Capital Replacement Fund Balance			
	Total Assets	20% of Total	Start of Year	Annual	Interest	End of Year
	Inflated Cost	Asset Cost	Balance	Deposit	Earnings	Balance
1	\$10,000,000	\$2,000,000	\$0	\$35,660.20	\$0	\$35,660
2	\$10,000,000	\$2,000,000	\$35,660	\$35,660.20	\$1,426	\$72,747
3	\$10,000,000	\$2,000,000	\$72,747	\$35,660.20	\$2,910	\$111,317
4	\$10,000,000	\$2,000,000	\$111,317	\$35,660.20	\$4,453	\$151,430
5	\$10,000,000	\$2,000,000	\$151,430	\$35,660.20	\$6,057	\$193,147
6	\$10,000,000	\$2,000,000	\$193,147	\$35,660.20	\$7,726	\$236,533
7	\$10,000,000	\$2,000,000	\$236,533	\$35,660.20	\$9,461	\$281,655
8	\$10,000,000	\$2,000,000	\$281,655	\$35,660.20	\$11,266	\$328,581
9	\$10,000,000	\$2,000,000	\$328,581	\$35,660.20	\$13,143	\$377,385
10	\$10,000,000	\$2,000,000	\$377,385	\$35,660.20	\$15,095	\$428,140
11	\$10,000,000	\$2,000,000	\$428,140	\$35,660.20	\$17,126	\$480,926
12	\$10,000,000	\$2,000,000	\$480,926	\$35,660.20	\$19,237	\$535,823
13	\$10,000,000	\$2,000,000	\$535,823	\$35,660.20	\$21,433	\$592,916
14	\$10,000,000	\$2,000,000	\$592,916	\$35,660.20	\$23,717	\$652,293
15	\$10,000,000	\$2,000,000	\$652,293	\$35,660.20	\$26,092	\$714,045
16	\$10,000,000	\$2,000,000	\$714,045	\$35,660.20	\$28,562	\$778,267
17	\$10,000,000	\$2,000,000	\$778,267	\$35,660.20	\$31,131	\$845,058
18	\$10,000,000	\$2,000,000	\$845,058	\$35,660.20	\$33,802	\$914,520
19	\$10,000,000	\$2,000,000	\$914,520	\$35,660.20	\$36,581	\$986,761
20	\$10,000,000	\$2,000,000	\$986,761	\$35,660.20	\$39,470	\$1,061,892
21	\$10,000,000	\$2,000,000	\$1,061,892	\$35,660.20	\$42,476	\$1,140,028
22	\$10,000,000	\$2,000,000	\$1,140,028	\$35,660.20	\$45,601	\$1,221,289
23	\$10,000,000	\$2,000,000	\$1,221,289	\$35,660.20	\$48,852	\$1,305,801
24	\$10,000,000	\$2,000,000	\$1,305,801	\$35,660.20	\$52,232	\$1,393,693
25	\$10,000,000	\$2,000,000	\$1,393,693	\$35,660.20	\$55,748	\$1,485,101
26	\$10,000,000	\$2,000,000	\$1,485,101	\$35,660.20	\$59,404	\$1,580,166
27	\$10,000,000	\$2,000,000	\$1,580,166	\$35,660.20	\$63,207	\$1,679,032
28	\$10,000,000	\$2,000,000	\$1,679,032	\$35,660.20	\$67,161	\$1,781,854
29	\$10,000,000	\$2,000,000	\$1,781,854	\$35,660.20	\$71,274	\$1,888,788
30	\$10,000,000	\$2,000,000	\$1,888,788	\$35,660.20	\$75,552	\$2,000,000
				\$1,069,806	\$930,194	\$2,000,000

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