

Stay Alert
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During these times of financial uncertainty, it is wise to stay alert to the financial situation within your water system. With uncertainty reaching out and touching your customers in their savings, retirement accounts, employment and cost of living, systems need to keep a constant watch on their bottom line and be prepared to take steps to keep it in the black. Uncertainty can also affect the availability of funding for needed system improvements as government spending priorities can change very quickly. The cost of operating and maintaining your system can also be affected as energy costs, labor costs and material costs are affected.

The effects of the current global financial situation will likely cause some, if not all, of your customers to make changes in their living patterns. Persons living on a fixed income will likely be looking for ways to decrease their spending in order to maintain some semblance of the lifestyle they are currently living. Many of these people may even be forced to live on less income than before as retirement funds may have been devastated by the lower markets. Some areas are experiencing higher unemployment rates that will affect personal income, and the housing crisis could cause a system to become burdened with vacant houses and fewer customers. A reduction in the use of utilities may be one way for these customers to cut costs. By no longer watering lawns or gardens, or curtailing normal water usage, they might be able to reduce their utility bills. This will also have an effect on the system income, and could cause the water system to start operating at a loss.

As the federal and state governments concentrate on trying to reverse the economic trend and improve the financial system, spending priorities will likely be altered. One place these governmental entities might look to save money being spent on financial problems is in the loan and grant funds that are currently being made available for infrastructure improvements, including water and sewer. The condition of a water system and its need for repair and replacement are not generally subject to the availability of funding. If something needs to be replaced, you may not have the luxury of waiting for several years for funding to become available. At the very least, failure to replace system components in a timely manner will cause an increase in the maintenance costs for the system as the worn out facilities require more frequent repairs.

As energy costs keep on rising, the cost of pumping water or operating a treatment plant will also rise. The costs of chemicals and labor may also be affected as some systems may have to increase wages in order to keep their personnel. The costs of materials may also be affected by the uncertainty of the times, and this will cause repair and maintenance costs to be more than expected. All of these system costs may rise unexpectedly to the point that they will surpass the amounts budgeted for these items.

The combination of all of these possible effects of the current uncertainty plaguing not only our country, but the entire world, could easily lead to a system finding itself operating at a loss. System personnel need to keep a close eye on the financial stability of the system and be prepared to raise rates or cut spending to keep the system operating as a business without having to borrow funds from other sources.