

FRIDAY LETTER
January 18, 2019

1. **Insurance endorsement for Dave's truck.** Dave's insurance company has notified us in writing that Dockton Water is named as a second insured party on his truck that he uses exclusively for Dockton Water business. Board members will recall that this was a condition of his employment as Manager/Operator. It is Dave's truck. We pay for the gas. He pays for everything else.
2. **Cash flow stress test for recommended CIP.** Darton's committee has completed an updated CIP which he shared with all of you yesterday. I have done a cash flow stress test on next year's recommended projects which is attached for your review. It begins with budgeted beginning fund balances for the beginning of next year (July 1, 2019). The actual carryover balances will be a little different (Todd may want offer a better guess as puts together the draft budget), but we should be in the ball park. We then add expected new revenue from Capital Charges, Reserve Base Charges and our annual Depreciation payment. Together with the carryover, this adds up to available money in the funds next year. We then subtract the anticipated non-project capital expenses for debt service and the meter replacement program. Finally we itemize the costs of the four capital projects that Darton's recommended CIP shows for next year.

The bottom line (ending fund balances) shows we have plenty of money on the Replacement side, but are short \$376,500 in the Improvement Fund. The board has several options to correct this:

- You could delay the project to a later year(s).
- You could start the project next year with a smaller amount (around \$70,000) and continue it in the 2020-21 budget year, taking notice of Warren's advice to avoid delays that might require remobilization.
- You could decide to try to borrow money for the project, lowering its cost to future additional debt service on the Improvement side.

Kelly