|  |  |  |  |
| --- | --- | --- | --- |
| **Budget Category** | **Year 1** | **Year 2** | **Year 3** |
| Personnel | $129,000 | $132,225 |  |
| Benefits | $65,000 |  |  |
| Purchased Water | $230,000 | $234,600 |  |
| Utilities | $76,000 | $78,280 | $80,628 |
| Contract Services | $10,000 |  |  |
| Interfund Transfers (Out) | $45,000 | $46,125 |  |
| Debt Service | $50,000 | $50,000 | $50,000 |
| Debt Service on New Debt | - | - | $16,000 |
| Increase in Reserve Requirements |  |  |  |
| **Total Expenses** | **$605,000** | **$618,480** | **$648,296** |

**Instructions:** Calculate the answers to the questions below to fill in the table above. In this example, *Utility Services* and *Debt Service* remain constant and *Commodities* increased by 4% in Year 2. Round answer up to the nearest whole dollar amount.

1. Calculate Year 3 *Personnel* expenses if they increase by 2.5%.

2. Calculate *Benefits* expenses if they increase 3% per year.

3. Calculate Year 3 *Purchased Water* expenses if they increase by 2%.

4. Calculate *Contractual Services* expenses if they increase 3% per year.

5. Calculate *Interfund Transfers* in Year 3 if they increase by 2.5%.

**For Discussion:** A major upgrade ($250,000) to the filter plant will require a new loan in Year 2. You wish to cash finance 20% of the project, leaving $200,000 to borrow with a debt service payment of $16,000 per year during the next 20 years. Will an increase in the debt service reserve also be required? How will you build cash to fund the $50,000 for the water plant project?

**[Solution (Ctrl + Click here)](https://www.wichita.edu/academics/fairmount_college_of_liberal_arts_and_sciences/hugowall/efc/EFCWaterTraining/SunflowerForecastingSolution.pdf)**