

Village of Sunflower (1) Forecasting Exercise

Budget Category	Year 1	Year 2	Year 3
Personnel	\$129,000	\$132,225	\$135,531
Benefits	\$65,000	\$66,950	\$68,958
Purchased Water	\$230,000	\$234,600	\$239,292
Commodities/Utilities	\$76,000	\$78,280	\$80,628
Contract Services	\$10,000	\$10,300	\$10,609
Interfund Transfers (Out)	\$45,000	\$46,125	\$47,278
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, *Debt Service* remain constant and *Commodities/Utilities* 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%. **\$135,531**
2. Calculate *Benefits* expenses if they increase 3% per year. **\$66,950 / \$68,958**
3. Calculate Year 3 *Purchased Water* expenses if they increase by 2%. **\$239,292**
4. Calculate *Contractual Services* expenses if they increase 3% per year. **\$10,300 / \$10,609**
5. Calculate *Interfund Transfers* in Year 3 if they increase by 2.5%. **\$47,278**

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?