



Sample Private Sewer System Due Diligence Report

Financial Issues

WEFTEC 2009 - W209
Private Sewer Systems:
Who Owns Them?
Who Builds Them?
Who Maintains Them?

Orlando, Florida
October 11, 2009

workshops

Financial Evaluation Due Diligence Report for

Collection System Project

System Name: _____

Location: _____

Audit Date: _____

Audit Team: _____

System Employees: _____

Section 1 – System Description

System Information	
System name	
System address and point of contact	Owner Address: Phone: Email: Operator (if applicable) Address: Phone: Email:
Date of review	

Section 2 – Financial Evaluation

Document Collection/Availability (specify paper or electronic format)		
Audits exist for past three years?	Yes No	Format:
Rate history?	Yes No	Format:
Records of yearly operating costs/revenues?	Yes No	Format:
Current rate study?	Yes No	Format:
Current system development charge study?	Yes No	Format:
Total number of equivalent residential units (ERU)?		

Revenue Verification		
What are total revenues? (Worksheet A)		
What are total expenses? (Worksheet A)		
Do revenues exceed expenses?	Yes No	Explain:
Are there expenses that can be eliminated/reduced (administration, vehicles, operations)?	Yes No	Explain:
Recalculate expenses (Worksheet A)		
Calculate required rates to meet expenses. (Expenses/ERU/12 = \$_____/ERU)		
What are current municipal system rates?		
Do total expenses per ERU > municipal system rates?	Yes No	Explain:
If expenses > municipal rates, can you implement a surcharge on each connection?	Yes No	Explain:

Worksheet A – Rate/Revenue

Expenses	
Salaries and Wages	
Benefits	
Power	
Chemicals	
Contractual Services	
Engineering	
Accounting	
Legal	
Testing	
Insurance	
Taxes	
Bad Debt Expenses	
Regulatory Commission Expenses	
Vehicle Expense	
Fuel Expense	
Treatment Expense	
Building Expense	
Long-Term Expenses	
Depreciation Expense (min 2% of system value)	
Maintenance Expense	
Annual Debt Expense	
Long-Term Capital Needs amortized over 20 years (regulatory/other)	
System Updates Amortized over 20 years (worksheet B)	
Total Annual Expenses	
Revenues	
Revenues from Rates	
Interest Income	
Other Income	
Total Annual Revenue	

Worksheet B – System Upgrade

Deficiency/Repair	Number	Unit	Cost	Total
Spot Repair (8"-12")		EA	\$2,500-\$10,000	
Manhole Rehabilitation (48")		EA	\$2,000-\$5,000	
Manhole Replacement (48")		EA	\$4,000-\$7,500	
Pipe Lining (8"-12")		LF	\$50-\$60	
Pipe Replacement (8"-12")		LF	\$100-\$200	
Pump Station Replacement		MGD	\$400,000-\$600,000	
Duplex Pump Station Rehabilitation – pumps/valves		LS	\$35,000-\$60,000	
Duplex Pump Station Rehabilitation – electrical		LS	\$25,000-\$50,000	
Siphon Valve Replacement		LS	\$10,000-\$25,000	
Air/Vac Valve Replacement		LS	\$7,500-\$10,000	
Other				
Total System Upgrades				
Amortized rates (20 years at 5% – multiply upgrades by 0.0802)				

Section 3 - Recommendations

Findings and Recommendations