

## **APPENDIX D**

### **FINANCIAL CAPABILITY ASSESMENT**

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TABLE D-1

CITY OF LANCASTER  
 LONG TERM CONTROL PLAN - ADDENDUM  
 FINANCIAL CAPACITY ASSESSMENT  
 WORKSHEET NO. 1 - COST PER HOUSEHOLD

|  |            |   |               |  |       |                 |
|--|------------|---|---------------|--|-------|-----------------|
| <p><u>Line #</u><br/>                 Corresponding to<br/>                 EPA Guidance</p> | <p>100</p> | <p>Current Wastewater Treatment Costs</p>               |               |  |       |                 |
|  | 101        | Annual O&M:   | \$ 4,316,000  | (2004 Lancaster Sewer Model 7-18-04 Bond Package by ERC)   |       |                 |
|  | 102        | Annual Debt Service:                                    | \$ 2,573,000  | (2004 Lancaster Sewer Model 7-18-04 Bond Package by ERC)   |       |                 |
|  |            | Subtotal:   | \$ 6,889,000  |  |       |                 |
|  |            | Consumer Price Index                                    |               | Source: US Dept of Labor                                   |       |                 |
|  |            |   |               | 1999   | 166.6 |                 |
|  |            |   |               | 2000   | 172.2 | 3.4%            |
|  |            |   |               | 2001   | 177.1 | 2.8%            |
|  |            |   |               | 2002   | 179.9 | 1.6%            |
|  |            |   |               | 2003   | 184.0 | 2.3%            |
|  |            |   |               | 2004   | 188.9 | 2.7%            |
|  |            |   |               |  |       | Average = 2.55% |
|  | 103        | Projected Wastewater Treatment and CSO Costs - Adjusted | \$ 4,454,000  | (Projected through Year 2015 adjusted to 2004 Dollars)     |       |                 |
|  | 104        | Annual O&M:   | \$ 5,926,000  | (Projected through Year 2015 adjusted to 2004 Dollars)     |       |                 |
|  | 105        | Annual Debt Service:                                    | \$ 10,380,000 |  |       |                 |
|  |            | Subtotal:   | \$ 17,269,000 |  |       |                 |
|  | 106        | Total Current and Projected WWT and CSO Costs:          | \$ 17,269,000 |  |       |                 |
|  |            | Fraction of WW that is Residential (including I/D):     | 0.585         | (From Water Rate Study Report July 2003 by Malcolm Pirnie) |       |                 |
|  | 107        | Residential Share of Total WWT and CSO Costs:           | \$ 10,102,000 |  |       |                 |
|  | 108        | Total Number of Households in Service Area:             | 12,676        | (From Water Rate Study Report July 2003 by Malcolm Pirnie) |       |                 |
|  |            | Projected New Customers by the Year 2015                | 2,481         |  |       |                 |
|  |            | Total 2015 Customers                                    | 15,157        |  |       |                 |
|  | 109        | Cost per Household (CPH):                               | \$ 666        |  |       |                 |

**TABLE D-2**

**CITY OF LANCASTER  
LONG TERM CONTROL PLAN - ADDENDUM  
FINANCIAL CAPACITY ASSESSMENT  
WORKSHEET NO. 2 - RESIDENTIAL INDICATOR**

| <u>Line #</u> | <u>Corresponding to</u>                | <u>EPA Guidance</u> |              |                            |
|---------------|--|---------------------|--------------|----------------------------|
|               | <b>Median Household Income (MHI)</b>   |                     |              |                            |
| 201           | 1999 Census Year MHI                   |                     | \$ 33,321    | <i>Source: Census 2000</i> |
| 202           | MHI Adjustment Factor                  |                     | <u>1.13</u>  |                            |
| 203           | Adjusted MHI                           |                     | \$ 37,781    |                            |
| 204           | <b>Annual WWT and CSO Control CPH:</b> |                     | \$ 666       |                            |
| 205           | <b>Residential Indicator</b>           |                     |              |                            |
|               | CPH as a percent of Adjusted MHI:      |                     | <b>1.76%</b> | <b>Mid-Range</b>           |
|               | High                                   | > 2.0               |              |                            |
|               | Mid-Range                              | 1.0 to 2.0          |              |                            |
|               | Low                                    | < 1.0%              |              |                            |

**TABLE D-3**

**CITY OF LANCASTER  
LONG TERM CONTROL PLAN - ADDENDUM  
FINANCIAL CAPACITY ASSESSMENT  
WORKSHEET NO. 3 - BOND RATING**

Line #  
Corresponding to  
EPA Guidance

|     |                                |                            |               |
|-----|--------------------------------|----------------------------|---------------|
|     | <b>Most Recent Bond Rating</b> |                            |               |
|     | Name:                          | <b>Series 2004</b>         |               |
|     | Date:                          | <b>09/08/2004</b>          |               |
|     | Rating Agency:                 | <b>Standard and Poor's</b> |               |
| 301 | Rating:                        | <b>AAA</b>                 |               |
|     | <b>Most Recent Revenue</b>     |                            |               |
|     | Name:                          |                            |               |
|     | Date:                          |                            |               |
|     | Rating Agency:                 |                            |               |
|     | Bond Insurance?                |                            |               |
| 302 | Rating:                        |                            |               |
| 303 | <b>Summary Bond Rating:</b>    | <b>AAA</b>                 | <b>Strong</b> |
|     | Aaa, AA, A                     | <b>Strong</b>              |               |
|     | Baa                            | <b>Mid-Range</b>           |               |
|     | Ba, B, Caa, Ca, C              | <b>Weak</b>                |               |

**TABLE D-4**

**CITY OF LANCASTER  
LONG TERM CONTROL PLAN - ADDENDUM  
FINANCIAL CAPACITY ASSESSMENT  
WORKSHEET NO. 4 - OVERALL NET DEBT**

|   |   |    |                   |  |
|---|---|----|-------------------|--|
| <u>Line #</u><br><u>Corresponding to</u><br><u>EPA Guidance</u> | <b>Net Debt:</b>  |    |                   |  |
| 401   | Direct Net Debt (G.O. Bonds Excluding Double-Barreled Bonds):       | \$ | 3,125,441         | (City of Lancaster Comprehensive Annual Financial Report - 2003) |
|   | New General Obligation Bonds  | \$ | 4,000,000         | (To be sold in 2005)   |
| 402   | Debt of Overlapping Entities (Proportionate Share of                | \$ | 3,036,125         | (City of Lancaster Comprehensive Annual Financial Report - 2003) |
| 403   | Overall Net Debt:   | \$ | <u>10,161,566</u> |  |
| 404   | <b>Market Value</b>   |    |                   |  |
|   | Market Value of Property:   | \$ | 2,016,738,099     |  |
| 405   | <b>Overall Net Debt as a Percent of Full Market Property Value:</b> |    |                   | <b>0.50% Strong</b>  |
|   | Strong  |    | < 2.0%            |  |
|   | Mid-Range   |    | 2-5%              |  |
|   | Weak  |    | > 5%              |  |

**TABLE D-5**

**CITY OF LANCASTER  
LONG TERM CONTROL PLAN - ADDENDUM  
FINANCIAL CAPACITY ASSESSMENT  
WORKSHEET NO. 5 - UNEMPLOYMENT RATE**

|   |                           |   |
|---|---------------------------|---|
| <u>Line #</u><br><u>Corresponding to</u><br><u>EPA Guidance</u> | <b>Unemployment Rates</b> | 2003 Permittee Unemployment Rate: <b>6.7%</b> (City of Lancaster Comprehensive Annual Financial Report - 2003);<br>2003 Fairfield County Unemployment Rate: <b>6.0%</b> (City of Lancaster Comprehensive Annual Financial Report - 2003); |
| 501   |                           |   |
| 502   |                           |   |
| 503   | <b>Benchmark</b>          | 2003 Average National Unemployment Rate: <b>5.7%</b> (City of Lancaster Comprehensive Annual Financial Report - 2003);<br><b>Mid-Range</b>  |
|   | Strong                    | > 1% over National  |
|   | Mid-Range                 | +/- 1% of National  |
|   | Weak                      | > 1% lower than National  |

**FIGURE D-6**  
**CITY OF LANCASTER**  
**LONG TERM CONTROL PLAN - ADDENDUM**  
**FINANCIAL CAPACITY ASSESSMENT**  
**WORKSHEET NO 6 - MEDIAN HOUSEHOLD INCOME**

|                         |                                   |    |               |                          |                  |
|-------------------------|-----------------------------------|----|---------------|--------------------------|------------------|
| <u>Line #</u>           |                                   |    |               |                          |                  |
| <u>Corresponding to</u> |                                   |    |               |                          |                  |
| <u>EPA Guidance</u>     |                                   |    |               |                          |                  |
|                         | <b>MHI</b>                        |    |               |                          |                  |
| 601 and 203             | From WS#2                         | \$ | <b>37,781</b> |                          |                  |
|                         | <b>Benchmark</b>                  |    |               |                          |                  |
| 602                     | 2000 Census Year National MHI:    | \$ | <b>41,486</b> | Source: Census 2000      |                  |
| 603 and 202             | MHI Adjustment Factor (from WS#2) |    | <b>1.10</b>   |                          |                  |
| 604                     | Adjusted National MHI:            | \$ | <b>47,039</b> |                          |                  |
|                         | <b>(MHI-Benchmark)/MHI</b>        |    |               | <b>-9.81%</b>            | <b>Mid-Range</b> |
|                         | Strong                            |    |               | > 25% above National MHI |                  |
|                         | Mid-Range                         |    |               | +/- 25% of National MHI  |                  |
|                         | Weak                              |    |               | > 25% below National MHI |                  |

**FIGURE D-6**

**CITY OF LANCASTER  
LONG TERM CONTROL PLAN - ADDENDUM  
FINANCIAL CAPACITY ASSESSMENT  
WORKSHEET NO 6 - MEDIAN HOUSEHOLD INCOME**

|                         |                            |                                   |    |                          |                     |
|-------------------------|----------------------------|-----------------------------------|----|--------------------------|---------------------|
| <u>Line #</u>           |                            |                                   |    |                          |                     |
| <u>Corresponding to</u> |                            |                                   |    |                          |                     |
| <u>EPA Guidance</u>     |                            |                                   |    |                          |                     |
|                         | <b>MHI</b>                 |                                   |    |                          |                     |
| 601 and 203             |                            | From WS#2                         | \$ | <b>37,781</b>            |                     |
|                         | <b>Benchmark</b>           |                                   |    |                          |                     |
| 602                     |                            | 2000 Census Year National MHI:    | \$ | <b>41,486</b>            | Source: Census 2000 |
| 603 and 202             |                            | MHI Adjustment Factor (from WS#2) |    | <b>1.10</b>              |                     |
| 604                     |                            | <u>Adjusted National MHI:</u>     | \$ | <b>47,039</b>            |                     |
|                         | <b>(MHI-Benchmark)/MHI</b> |                                   |    | <b>-9.81%</b>            | <b>Mid-Range</b>    |
|                         |                            | Strong                            |    | > 25% above National MHI |                     |
|                         |                            | Mid-Range                         |    | +/- 25% of National MHI  |                     |
|                         |                            | Weak                              |    | > 25% below National MHI |                     |

TABLE D-7

CITY OF LANCASTER  
 LONG-TERM CONTROL PLAN - ADDENDUM  
 FINANCIAL CAPACITY ASSESSMENT  
 WORKSHEET NO 7 - PROPERTY TAX REVENUES AS A PERCENT OF FULL MARKET PROPERTY VALUE

*Line #*  
*Corresponding to*  
*EPA Guidance*

|             |  |                  |  |
|-------------|--|------------------|--|
| 701 and 404 | Full Market Value of Real Property<br>From WS#4            | \$ 2,016,738,099 | (City of Lancaster Comprehensive Annual Financial Report - 2003) |
| 702         | Property Tax Revenues:                                     | \$ 1,884,789     | (City of Lancaster Comprehensive Annual Financial Report - 2003) |
| 703         | Property Tax Revenue as a % of Full Market Property Value: | 0.093%           | Strong   |

Strong  
 Mid-Range  
 Weak  
 < 2%  
 2-4%  
 >4%

TABLE D-8

CITY OF LANCASTER  
 LONG TERM CONTROL PLAN - ADDENDUM  
 FINANCIAL CAPACITY ASSESSMENT  
 WORKSHEET NO. 8 - PROPERTY TAX REVENUE COLLECTION RATE

| <u>Line #</u> | <u>Corresponding to</u>                     |    |           |  |
|---------------|---|----|-----------|--|
|               | <u>EPA Guidance</u>                         |    |           |  |
| 801 and 702   | Property Tax Revenue Collected<br>From WS#7 | \$ | 1,884,789 | (City of Lancaster Comprehensive Annual Financial Report - 2003) |
| 802           | Property Taxes Levied:                      | \$ | 1,997,454 | (City of Lancaster Comprehensive Annual Financial Report - 2003) |
| 803           | Property Tax Revenue Collection Rate:       |    | 94.36%    | Mid-Range  |
|               | Strong                                      |    | > 98%     |  |
|               | Mid-Range                                   |    | 94-98%    |  |
|               | Weak  |    | <94%      |  |

**TABLE D-9**

**CITY OF LANCASTER  
LONG TERM CONTROL PLAN - ADDENDUM  
FINANCIAL CAPACITY ANALYSIS  
WORKSHEET NO. 9 - SUMMARY OF FINANCIAL CAPABILITY**

| <u>Line #</u> | <u>Corresponding to<br/>EPA Guidance</u>                    | <u>Actual Value</u> | <u>Score</u> |
|---------------|---|---------------------|--------------|
| 901 and 303   | Bond Rating:  | AAA                 | Strong       |
| 902 and 405   | Overall Net Debt as a % of Full Market Property Value:      | 0.504%              | Strong       |
| 903 and 501   | Unemployment Rate   | 6.70%               | Mid-Range    |
| 904 and 601   | MHI:  | \$37,781            | Mid-Range    |
| 905 and 703   | Property Tax Revenues as a % of Full Market Property Value: | 0.093%              | Strong       |
| 906 and 803   | Property Tax Revenue Collection Rate:                       | 94.36%              | Mid-Range    |
| 907           | Permitee Indicators Score:                                  |                     | 2.5          |

**TABLE D-10**  
**CITY OF LANCASTER**  
**LONG TERM CONTROL PLAN - ADDENDUM**  
**FINANCIAL CAPACITY ASSESSMENT**  
**WORKSHEET NO. 10 - FINANCIAL CAPABILITY MATRIX SCORE**

|   |               |           |
|---|---------------|-----------|
| <b>Residential Indicator Score:</b>                     | 1.76%         | Mid-Range |
| <b>Permittee Financial Capability Indicators Score:</b> | 2.5           | Mid-Range |
| <b>Financial Capability Matrix Category:</b>            | Medium Burden |           |