



RCAC's RURAL

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REVIEW  
FINAL ISSUE!

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A RURAL DEVELOPMENT JOURNAL  
RURAL COMMUNITY ASSISTANCE CORPORATION

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RCAC is certified by the U.S. Treasury as a Community Development Financial Institution (CDFI). As such, RCAC provides financing for affordable housing, water and wastewater infrastructure and community facilities. Community facilities include, but are not limited to, charter schools, child care centers, adult day health care, office and program space for nonprofit organizations, shelters and health centers.

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# Organizational and political savvy:

## *What it takes to run a nonprofit*

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By Elizabeth Ytell Kang, EYK Associates, principal

*Elizabeth Ytell Kang, a nonprofit consultant, had several conversations with nonprofit executives, which led her to interview them for this article. Each of these individuals has earned recognition and respect from their peers for their talents and leadership. In this article, Kang shares their insights and perspectives. The article also discusses the current business climate and major challenges nonprofit organizations face, and offers ideas for overcoming them.*

**W**hile there are as many strategies and ideas as there are individuals, a number of themes developed during recent conversations with several nonprofit organization leaders and experts, including:

- Accountability
- Flexibility
- Hiring and retaining the right staff
- Sound fiscal management
- Communication and established relationships
- Collaborations and partnerships

The most important qualities the executives interviewed possess are organizational and political savvy. These are not traits you can learn in a book or by taking a class. They are acquired through experience and the ability to act decisively. Developing workable solutions involves taking calculated risks. Each of these

leaders sees the big picture. They also have a keen understanding of the business climate in which they must operate. This understanding is absolutely critical.

### ***Accountability is key***

Karen Koller, RCAP Solutions president and chief executive officer (CEO), emphasized that individuals leading nonprofit organizations today need a mastery of organizational change management, strategic thinking and finance. "Because no one person can know everything, it is essential to hire the right staff members and hold them accountable for their performance," she said.

Such strong accountability has led to greater efficiencies at RCAP Solutions. For example, RCAP Solutions' use of technology saved the organization time and has given the leadership team access to better information. Leaders can use more accessible information to make more strategic day-to-day decisions.

***Flexibility and the ability to adapt are essential***  
Peter Carey, Self-Help Enterprises CEO notes that, “The real focus has to be on what is changing around us and more importantly, how

***It takes time and expertise to build a financially viable nonprofit organization.***

we respond to the challenges we face. Recognizing the signs in your business about what is working and what is not is crucial. Is what you are experiencing a challenge or an opportunity? As

quickly as things are changing around us, it is easy to get blind-sided. I cannot stress enough how important it is to adapt and remain flexible.”

During the last 20 years, the role of nonprofit networks and intermediaries like Rural Community Assistance Corporation (RCAC) has become even more important. RCAC has used its role as a financial intermediary to shift and reallocate its Loan Fund resources to prevent many small rural communities from losing the difficult, yet much-needed community development projects they had undertaken.

“RCAC’s board has been very focused on making sure RCAC’s resources have been used to protect these investments and prevent the communities and agencies we have loaned money to from going under. We have been very fortunate that RCAC has the flexibility to use our Loan Fund in this way. It is vital to RCAC’s mission,” said Stanley Keasling, RCAC CEO.

***Hiring and retaining the right staff is crucial***  
Neil McCabe, WSOS Community Action Commission president and CEO; and Rita Sudman, Water Education Foundation (WEF) executive director expressed that having talented and experienced staff gives organizations a better chance to position themselves in this economic climate.

Having the right staff has been critical for WSOS according to McCabe. “We are fortunate to have several talented individuals who have been with our organization for 10 years or more. Not only do these individuals know our programs, they understand the needs of the families and communities who look to WSOS for support. Their experience and understanding helps WSOS offer

services and assistance that is on target with our mission and the people we serve,” he said.

Sudman noted that it has been vital for WEF to remain knowledgeable and current about the complexities and challenges of California water issues and to stay true to the WEF mission. “WEF cannot run the risk of losing individuals with the type of special expertise we need in this field. We have made it a priority to keep our staff and the expertise we have in place. This expertise helps the Water Education Foundation maintain the caliber of the education and information we offer,” said Sudman.

Koller also weighed in on the importance of having the right staff. “When we hire staff, we look for individuals that can adapt to a dynamic organizational model. Being flexible is really critical given the complexity of the work RCAP Solutions does. Because we need both generalists and specialists in housing and environmental infrastructure, our senior management team is constantly assessing our organizational structure and the segregation of job duties to fit both these service delivery models,” she said.

***Being fiscally responsible is a core business principle***

It takes time and expertise to build a financially viable nonprofit organization. All leaders interviewed for this article have devoted considerable energy and investments to build their organizations’ assets during the last two decades.

“Building a solid financial foundation for Self-Help Enterprises has been absolutely critical to the sustainability of SHE,” said Carey. He emphasized that SHE has tied its financial commitment to the organization’s strong sense of mission, which has been essential to the framework for SHE’s success.

RCAP Solutions was established more than 40 years ago. With the support of her governing board, Koller has been instrumental in making a significant shift in how RCAP Solutions does business. “Today, RCAP Solutions places a much greater emphasis on the financial management of the organization,” she said.

## Lessons learned from the ongoing financial crisis

*Relationships built on reputation, recognition and trust, are essential to nonprofit organizations' success.*

Three themes surfaced in discussions with nonprofit organization leaders and experts around lessons learned from the financial crisis that began in 2008, including:

- The importance of communication and established relationships
- The value of partnerships
- The benefit of embracing innovation and new ideas

### ***Communication and established relationships are necessary***

Relationships built on reputation, recognition and trust are essential to nonprofit organizations' success. The name recognition and confidence that organizations establish as a result of their performance is important, especially for funders, donors and clients. Koller, McCabe and Keasling offered examples of how their organizations' reputations and track records proved beneficial in recent times.

In 2009, RCAP Solutions concentrated on strengthening its senior management team by engaging in more open and honest communication. Having this foundation and trust enabled RCAP Solutions to define performance benchmarks for each of its organizational goals.

McCabe stressed maintaining relationships with funders. "The ongoing communication we have in place with our funders has created tremendous opportunities for WSOS. These relationships have enabled WSOS to respond to the emerging housing problems in Northwest Ohio. For example, WSOS had been administering Community Development Block Grant programs for local government for more than 20 years. Because the Ohio Department of Community Development staff members and our contacts at the Federal Home Loan Bank know WSOS, we were able to use funding from the Neighborhood Stabilization Program to provide mortgage assistance for families in our service area."

McCabe elaborated. "In addition to the direct services we provide in a four county area, we also operate the Great Lakes Regional Rural Community Assistance Program [GLRCAP] in seven states. Our staff has been very successful in creating the identity and the brand for GLRCAP. The regulatory agencies and funders have come to rely on GLRCAP as part of the solution when it comes to resolving environmental infrastructure issues in rural communities," he said.

Keasling offered his view. "Maintaining relationships and ongoing communication are critical to the foundation of RCAC's work in rural development," said Keasling. "Because RCAC's work is to support networks of organizations and local communities, we have taken a comprehensive approach to facing the new economic reality; one that doesn't include sugar coating the situation. This has involved a lot of communication and it has meant providing support when community development organizations have to make tough choices," he added.

Keasling emphasized that now more than ever, organization leaders have to move beyond the moment and work together to prepare for the future.

### ***Collaborations and partnerships are valuable***

According to Keasling, the challenges many organizations like RCAC have experienced during the last two years have had a positive outcome. He noted that the organizations in RCAC's network have come together to support each other and the economic downturn has galvanized many of the relationships among the network of housing organizations across the nation. "Over the last decade, we have taken those relationships for granted, but not today," he said.

One great example Keasling discussed is the commendable work of Utah housing organizations. Utah is one of the most politically conservative states in which RCAC works. The housing agencies in Utah formed the Utah Housing Coalition and helped the National Rural Housing Coalition's efforts to minimize the cuts in federal funding for the Self-Help Housing Program.

Forging partnerships is particularly important. Leading RCAC's development efforts has put Julia Helmreich, RCAC communications and development director front and center in

*Embracing new approaches to solve problems requires the ability to take risks and focus the strategic direction of the organization with an eye toward the future.*

RCAC's approach to partnering with both funders and rural development organizations. "RCAC's development team has been very aggressive in obtaining resources to support our work. We have been fortunate that a number of these efforts have paid off," she said.

According to Helmreich, RCAC has had many opportunities to work with banking institutions to form new partnerships in conjunction with RCAC's Loan Fund. "More funders are requiring partnerships in proposal solicitations," said Helmreich. In response, RCAC is shifting some elements of its development strategy to include partnering with other organizations.

Helmreich echoed what many nonprofit leaders are experiencing. "Pursuing partnerships takes time and effort; and it may mean making some tradeoffs and may present new challenges to the way RCAC does business." However, she added, "We think these partnerships are critical in times like these."

Sudman agrees. "The Water Education Foundation has made a deliberate decision to adopt an entrepreneurial approach to our organization's business model. As a result, we have made a very strategic decision to assume a degree of risk in some of our initiatives."

She explained, "However, we have minimized these risks in several of the projects we have undertaken, by partnering with other organizations. These partnerships have actually worked out quite well. Since WEF doesn't have a lot of grant funding, we found that we could share both the risks and the opportunities for increasing our revenue."

Last year, WEF partnered with a local watershed association to host an educational conference

in Southern California. Sudman was pleased with the results. "These partnerships can be a win-win for both organizations," she said.

Koller offered her perspective on partnerships. "Strong governance is essential. The CEO plays a critical role in providing both a solid foundation and the support for the effective governance of the organization. Governance has to be a true partnership between the CEO and the board," she said.

**Embracing innovation and new ideas is vital**  
Courage and creativity are the cornerstones of innovation. For example, according to Sudman, WEF worked with a designer to create a line of jewelry called Aquagems. So far, the organization has not seen much revenue from selling the jewelry. Nevertheless, Sudman said, "I still think it is important to try new ideas, even if some endeavors aren't as successful as others."

Koller also embraces the importance of new ideas. She explained that RCAP Solutions' work helps individuals, families and communities qualify for assistance based on need. She noted just how tremendous their needs are right now. "RCAP Solutions has successfully positioned itself to take on new opportunities based on our ability to be innovative at the national, regional and state level," she said.

Carey offered another viewpoint. According to Carey, "People still want to own a home because it still represents a way to be a part of the community."

Carey added, "The demand for our work with environmental infrastructure has remained strong because of the complexity of challenges communities face with environmental justice and aging infrastructure."

SHE has not seen a drop off in attendance at the home ownership classes the organization offers.

### **Nonprofit leaders consider the future**

Embracing new approaches to solve problems requires the ability to take risks and focus the strategic direction of the organization with an eye toward the future.



Certainly, no one has a crystal ball, but experience and insight are useful when thinking about the future. One thing is clear; there are more challenges ahead in 2011 and beyond.

*Certainly, no one has a crystal ball, but experience and insight are useful when thinking about the future.*

***Expect even deeper cuts in resources***

According to a Nonprofit Finance Fund 2011 report and survey, life-line organizations that provide critical services to people in need will

continue to find it hard to meet the demands in their communities.

Funding that housing and community development organizations have counted on for more than 40 years has been drastically reduced or may be eliminated altogether. These resources have been vital for administrative support, rural housing agencies' day to day operations and the organizations that provide training and support for infrastructure in rural communities.

"To be very candid, among my colleagues and those leaders that I consider the best of the best — we never thought the problems with the economy would have such far reaching implications. We are seeing an unprecedented level of change that will impact smaller nonprofit organizations serving rural communities for a long time to come. It is incumbent upon organizations to work together. Partnerships and strategic alliances are crucial," said Keasling.

***Rural communities are becoming less visible***

Carey believes rural communities have become less visible, making it easier to write them off. "In an era of diminishing resources, we need to find new and better ways to communicate the importance of what we do on behalf of rural communities to the public, business leaders and policy makers," he said.

Working with key political leaders and policy makers is a necessity. Even though it may be a difficult road ahead, Helmreich encourages nonprofit organizations to continue seeking changes in policies that impact rural communities.

***Uncertainty may be the new normal***

Keasling and Helmreich find there is still a great deal of uncertainty with respect to the economy. They both expressed that the problems facing federal and state governments are going to present a new set of challenges and a lot of change. How we think and respond to this new reality is going to require a different approach. It is incumbent upon nonprofit organizations to be more entrepreneurial. Keasling indicated that RCAC's leadership team will continue to concentrate on helping communities and local nonprofit agencies with troubled assets stay viable and keep their doors open.

He also predicts, based on discussions with his colleagues, that we can expect the problems associated with the federal budget and the economy to continue for at least the next five years.

Likewise, Sudman believes grant funding is going to become even scarcer. She emphasized how important it is to operate a nonprofit organization like a business. "Thinking like an entrepreneur can facilitate a lot of opportunities, especially if your strategy involves creating viable partnerships with organizations where both organizations have something to offer."

***Even well run organizations will have to change***

McCabe voiced his belief that well-run organizations will still survive, but they will have to change. According to McCabe, "It will also be very interesting to see how social media impacts the way nonprofits do business."

Koller believes we will continue to see many more nonprofit organizations struggle. As this happens, stronger organizations may be approached by another organization or even a funder to consider a merger or acquisition.

Yet merging with another organization can be very risky, even detrimental. It is imperative that the "lead organization" perform the appropriate level of due diligence. "One has to fully understand the risk and liabilities associated with the acquisition of a troubled organization. The level of risk in a venture

like this cannot be ignored, nor can the influence of a funder,” said Koller.

Koller and Carey urge organizations to keep in mind that there is a fine balance of organizational capacity, fiscal oversight, strong leadership and governance and most critically, adherence to the organization’s overall mission. Carey’s final thought about what lies ahead came with a reminder.

*It takes experience, business acumen, good staff and organizational savvy to be the CEO of a nonprofit organization in today’s climate.*

“Today more than ever, we have to stay focused on our mission while being effective, creative and efficient. Being open to new ideas is essential,” he said.

### **Conclusion**

It takes experience, business acumen, good staff and organizational savvy to be the CEO of a nonprofit organization in today’s climate. The individuals interviewed for this article have the depth of knowledge and insight to take their organizations successfully into the future.



# Design techniques for affordable housing:

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## *Design matters and integration*

By Craig Nielson, LEED AP; Dave Conine, Utah housing expert; Connie Baker Wolfe, Rural Community Assistance Corporation (RCAC) regional manager — housing; and Art Seavey, RCAC rural development specialist

*This article is excerpted from RCAC's Green building guide: Design techniques, construction practices and materials for affordable housing, which RCAC produced and published in 2009. The comprehensive guide has maintained its relevance and is full of suggestions, information and techniques geared to for-profit and nonprofit affordable housing developers. The full guide is available for free download. Obtain the free pdf at [www.rcac.org/assets/greenbuild/grn-bldg-guide\\_4-20-09.pdf](http://www.rcac.org/assets/greenbuild/grn-bldg-guide_4-20-09.pdf).*

**A** design process that integrates a project team of dedicated professionals and accounts for project location and climate is essential for successful green building.

Design success is achieved by developing a strong green building project team that includes design professionals. Design professionals are experienced home designers, architects, landscape architects and interior designers who are trained and experienced in green building techniques, including solar design and sustainable site planning. They can create a vision that reflects the project's goals and budget.

There is a myth that affordable housing projects cannot justify the costs of including design professionals as part of the project team. In

reality, the opposite is true. Project teams cannot afford to exclude design professionals; doing so will likely result in higher overall project costs, poorer green performance and missed funding opportunities.

Another myth is that affordable housing cannot be green. However, green affordable housing developments exist across the nation and represent a growing sector of the construction industry. Enterprise™, through its Green Communities program, is on target to produce 8,500 green affordable units nationwide by 2010.<sup>1</sup> Indeed, the new mantra for affordable housing should be, "If it's not green, it's not affordable."

### **Developing a successful green team**

The project complexity will largely determine the team assembled and individual members'

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<sup>1</sup> For more information on Enterprise Green Communities, go to: [www.greencommunitiesonline.org](http://www.greencommunitiesonline.org)

respective roles. The key to a successful team is to assemble all the necessary expertise to plan, design, build and operate the green project.

*The key to a successful team is to assemble all the necessary expertise to plan, design, build and operate the green project.*

***In-house staff***

The staff development director could be the team's key organizer for any green project, assuming the agency has this position. For smaller organizations, the executive director or a board member may take

this role, or the agency could partner with an experienced green for-profit developer.

It is a good idea to bring the agency's family coordinator or marketing director into the process. This person's role will include both the challenge and the advantage of marketing to prospective owners or renters, who may not be familiar with green building. The good news is that green built units are easier to market than conventional units (as noted earlier).

For larger rental or ownership projects, all post occupancy management and maintenance staff should be included on the project team. These folks will ensure that mechanical and other systems operate as designed and that overall operational efficiencies are realized. They also will educate tenants and owners on operating their individual housing units for maximum efficiency and comfort.

A basic knowledge of green building is strongly recommended for the project coordinator/manager and family coordinator/marketing positions. Basic green building training is now available in most states through agencies, such as Rural Community Assistance Corporation (RCAC), NeighborWorks® America, Enterprise's Green Communities program and most state chapters of the U.S. Green Building Council. Organizations like the National Association of Home Builders, Energy and Environmental Building Association, Southface and government agencies (such

as U.S. Department of Housing and Urban Development, U.S. Department of Agriculture Rural Development and U.S. Department of Energy) also provide green building publications and training.

**Architects and design professionals**

Green building is a design-based approach that works best when at least one design professional is included on the project team. For small projects, an architect or competent professional designer can handle all the design elements including site planning and architecture. Select an architect or design professional with demonstrated green building experience or a professional — someone with Leadership in Energy and Environmental Design (LEED) Accredited Professional (AP) certification or other recognized credentials. A professional with LEED AP credentials has demonstrated a comprehensive understanding of green building principles, practices and implementation, and in-depth knowledge of the LEED green building rating system administered through the U.S. Green Building Council.

***Engineer***

The team also should include an engineer that has broad knowledge about alternative site planning methods such as smart growth, new urbanism or conservation design as well as understanding building orientation principles and basic solar design. Look for LEED certification or membership in Smart Growth and/or The Congress for New Urbanism for credentials as well as experience in working on green development projects.

***Landscape Architect***

For larger projects, a qualified landscape architect may be a good addition to the project team. A landscape architect with green building experience can take full advantage of the site's green potential and unique characteristics. Similar to architects and engineers, landscape architects should have the necessary credentials or experience that demonstrate competency in green building.

### **Lenders**

Although lenders are not typically part of the core project team, having the primary project lender included as part of the larger project

*Regular progress meetings ensure that the design and construction goals match.*

team can be advantageous. Although green lending is a rapidly growing sub-part of the larger green building movement, many lenders will need education and

direct experience on a green project before they are fully on board with an agency's green goals and mission. Including lenders in the process will help them understand how funding green projects can actually decrease the owner's energy costs, thereby reducing their monthly expenditures.

In some cases, green building will require additional up-front costs for items, such as high efficiency HVAC systems, that need to be accounted for in the project's financing. Having the primary project lender involved from the beginning helps them understand the benefits involved and they are more likely to support the project's goals and budget. An added benefit is that lenders also may share their knowledge with other lenders, thereby spreading green awareness.

### **Community stakeholders**

Inviting key community stakeholders and elected officials to a project planning meeting can go a long way toward garnering public support for the green development and raise the agency's profile in the community. If stakeholders and the community-at-large are included as part of the planning process, problems associated with NIMBYism (Not in My Back Yard syndrome) may be avoided.

### **Contractors, subcontractors and suppliers**

The project team should also include the general contractor, various subcontractors and technical experts from companies supplying certain equipment or materials.

If the project goes to bid after design work is complete (the more traditional sequence) it may be advantageous to require potential bidders to attend pre-bid sessions or design charrettes to become better acquainted with green building requirements. After the bids are awarded, regular progress meetings involving the project team and various contractors, certain suppliers and others are an essential requirement.

In both the design-build and conventional contracting approach, it is important to coordinate material sourcing and purchasing. This can help avoid delays in securing materials that may be in high demand. It also can help to obtain bulk prices and improve coordination with green product manufacturers. The key relationship will be between the green materials supplier, the project architect and the general contractor.

### **Progress Meetings**

Progress meetings that occur during the construction phase must include the general contractor, the various subcontractors and technical experts from specialty equipment suppliers. The equipment manufacturers or suppliers play an essential role if the project design includes systems that may be unfamiliar to the designers and contractors (the installation requirements for a grid-tied photovoltaic system, for example).

Regular progress meetings ensure that the design and construction goals match. Construction progress meetings help resolve the problems of differing interpretations between the architects and contractors on plan discrepancies, change orders and other issues that only emerge after construction begins.

Trades and specialties personnel that need to be involved in the construction progress meetings include: framers, plumbers, electricians, finish carpenters, and HVAC and insulation installers.

As green building involves the correct application of many new and unfamiliar materials and installation requirements, helping subcontractors understand their respective roles in the larger green effort is essential.

*...helping subcontractors understand their respective roles in the larger green effort is essential.*

Including key suppliers as part of the project team will make the task of specifying and securing green building products much easier as the project moves from the planning stages to actual development. It also is a great opportunity to educate suppliers about the diversity of green building products available and to encourage them to contact green and sustainable product manufacturers and distributors.

# Planning ahead improves water and wastewater services

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By Sharon Fallon, National Environmental Services Center training specialist

*This article discusses how planning can prevent damage to water and wastewater systems, as well as extend the life of the systems. It is reprinted with permission from the Rural Community Assistance Partnership, the National Environmental Services Center and Sharon Fallon. Reach Fallon by phone at 800/624-8301 ext. 5582 or (e-mail) sfallon@mail.wvu.edu. National Environmental Services Center is housed at West Virginia University.*

**T**he Public Works Department in Riverton, Wyoming, population 10,000, makes planning a priority, and it has paid off. On Superbowl Sunday, for example, water system personnel can be found watching the football game instead of working out in the cold weather replacing broken water lines, according to Riverton's Public Services Director Bill Urbigkit. By planning ahead and keeping up with repairs and replacements, the department has been able to prevent water line breaks and to significantly extend the life of the system's equipment.

When Urbigkit took the job in the 1990s, the utility plan was already in place, thanks to funding from the state of Wyoming's Water Development Commission. "That plan has allowed us to anticipate maintenance and repair needs over the last 15 years, and to set aside adequate reserves to pay for those improvements. We have very few water main breaks and water leaks because our lines are in good

shape. The norm in other communities can be hundreds of breaks every winter, which equates to treating water and letting it flow directly into the ground — a costly way to do business."

## Why plan ahead?

Planning ahead can help you implement practices that save money. For example, protecting your drinking water sources (streams, lakes, rivers, aquifers) from pollution can save the cost of removing that pollution through expensive treatment processes at the drinking water plant. Using water meters helps calculate the amount of water used by customers so that you can collect those fees. Choosing proven decentralized wastewater technologies, such as onsite or cluster systems versus a costly centralized system, can be more affordable and easier for a small or rural community to manage.

Planning ahead can help you develop an equipment repair and replacement schedule and a strategy to cover those costs. As with your car,

house, or any piece of equipment, keeping it in good repair helps to ensure safe, cost-efficient, and long-lasting operation. The same goes for water and wastewater systems. Knowing the

*Planning ahead helps protect the public health and preserve what is likely your community's largest capital investment.*

condition and expected life of the equipment will help determine when to fix or replace it. In turn, that helps estimate how much money you'll need and when you'll need it, allowing you to set aside the right amount of revenue, a little at a time.

Planning will also guide your efforts to obtain or raise funds through water rate adjustments, loans, grants and bonds.

Planning ahead helps you anticipate changes that can affect the system. Knowing the community's future water and wastewater needs, upcoming regulations, and number and types of customers is key to determining future services, expenses and income. Considering the impact of climate change, natural disasters or other unexpected events can guide your efforts to put preventive, emergency response or long-term adaptation measures in place.

Planning ahead helps protect the public health and preserve what is likely your community's largest capital investment. Planning for system protections, operations, improvements and funding strengthens your ability to protect public health, which is the most important goal, says Pat Kline, a consulting engineer and small system expert. Another key consideration, according to Mark Rounsavall, the Rural Community Assistance Partnership (RCAP) Program Manager for Community Resource Group, Inc. (Southern RCAP), is to protect the community's sizable investment in the water or wastewater plant. "When people realize it's either the biggest or one of the biggest investments their community has made, the importance of safeguarding that investment becomes clear."

### **First things first: Know the system's financial condition**

Understanding your system's current financial condition and the cost of doing business is

essential, according to Rounsavall. Three financial documents — the income statement, balance sheet and cash flow statement — produced by your bookkeeper, accountant or independent auditor, provide this information.

The balance sheet (or statement of financial position) identifies the system's net worth — how much the system is worth at a given point in time, and indicates whether or not the system is operating with a deficit. The income statement (or statement of activity) shows the results of operations over a period of time — how much revenue the system has earned and the amount of expense it has incurred. The cash flow statement breaks down all of the system's financial transactions and shows how they affect the flow of cash. Examining these documents, performing simple calculations and comparing the numbers from year to year provides a wealth of information for planning and making corrections, such as:

- How the system is progressing and whether revenue or expenses are up or down
- The system's ability to pay off current liabilities
- How much the system relies on debt, its ability to pay its debt and whether long-term debt is increasing or decreasing
- The system's net operating income or loss and profitability (whether it's making more income from the sale of water than it spends producing the water)
- Whether the system is charging high enough rates to cover the costs of system operations, treatment, storage, distribution and future infrastructure investments
- How financial transactions (borrowing money, equipment repairs, investments, etc.) impact the amount of cash available to meet obligations or pay operating expenses
- Whether the system is experiencing growth or decline, collecting money owed, paying vendors on time and keeping up with cash flow requirements



Urbigkit says he doesn't know how you'd plan or have any credibility when talking to ratepayers without knowing your financial situation. "For some small systems, it can be like pulling teeth

*Small and rural water and wastewater systems should consider planning at least five-years and up to 20 years out.*

to get all the financial information together, but you've got to do it. The software and tools available today make it easier to organize and get access to your financial data." He recommends getting help wherever you can, such as from

assistance providers, your independent auditor, perhaps even a student from the local high school who can help input data and get the software up and running.

### Starting the planning process

Small and rural water and wastewater systems should consider planning at least five-years and up to 20 years out. While this may sound overwhelming, all planning typically comes down to four basic questions:

- Where are we now?
- Where do we want to be?
- How do we get there?
- How will we measure our progress?

A common planning technique for getting a handle on system conditions is known as a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis. For most purposes, a good review of internal conditions (good and bad), and what is going on externally will be sufficient.

System strengths could include things like good relationships with customers, trained operators who will likely remain at the system, solid finances and up-to-date infrastructure. Conversely, weaknesses such as employee turnover, money troubles or aging facilities must be listed. External conditions — be they threats or opportunities — include potential emergencies, whether your area is growing or losing population, if new regulations are in the offing, if private companies are buying nearby systems and if

there are plans for consolidating or regionalizing systems. Climate change impacts such as drought, severe or changing precipitation, sea-level rise, and the resulting effect on the availability and dependability of your water sources and services also should be considered. Of course, no one can see into the future, but a SWOT analysis will be invaluable when problems arise.

### *Where are we now?*

The financial and SWOT analyses, if done honestly, provide an accurate picture of the way things are right now. It's also useful to collect data about pollution threats, current customers, current water consumption patterns and current system capacity.

### *Where are we now?*

What will the system be like in five, 10, 20 years? When will you need to make major upgrades or replacements? Will you add new customers? Which water and energy conservation and efficiency measures will you implement? These questions allow you to state, in concrete terms, where your system will be by the end of the plan's timeline. Many systems find it useful to craft mission and vision statements to capture who they are, what they do and what they seek to achieve.

### *How do we get there?*

To achieve the goals you have set, describe how to make them happen. Each goal should have a specific plan of action and the list should be prioritized. Document who will be responsible for leading each project, when it will be done, and how much it will cost. Take advantage of strengths and opportunities, minimize weaknesses and threats to the system. Remember to be realistic. Setting too many goals often means that none are done very well.

### *How will we measure our progress?*

It's easy to say, "We will add new customers" but hard to quantify and therefore, hard to document progress. A better method is to say, "We'll add 50 new customers in each of the next five years." Decide what the milestones are for the various goals and set stages for achieving them. Goals should be measurable, and progress (or lack thereof) should be reported to the board and other stakeholders on a regular basis.



## Plenty of work but worth it

Planning takes commitment and leadership — there are no two ways about it. But the effort

*Planning takes commitment and leadership — there are no two ways about it.*

will be worth it. And, you don't have to do it alone. Kline recommends seeking assistance from your state's Rural Community Assistance Partnership office, federal or

state agencies, a neighboring water or wastewater system, or knowledgeable community members.

"Many of us have a natural aversion to numbers as well as to planning," says Rounsavall, "and think that if things are OK today, why worry about tomorrow? There's a long tradition of thinking 'water is free' even though the cost of treatment, equipment, maintenance and pumping water to and from our homes keeps going up. Sooner or later we have to face the real cost of providing this service." Urbigkit stresses the importance of taking pride in the system and leaving it in better shape for future customers and employees. Understanding your system's financial condition and planning ahead can be positive steps in the right direction.

## References and Resources

*Asset Management: A Handbook for Small Water Systems, One of the Simple Tools for Effective Performance (STEP) Guide Series* (2003). U.S. Environmental Protection Agency (EPA).

Free guidebook with worksheets and examples for implementing an asset management plan. [www.epa.gov/ogwdw/smallsystems/pdfs/guide\\_smallsystems\\_asset\\_mgmnt.pdf](http://www.epa.gov/ogwdw/smallsystems/pdfs/guide_smallsystems_asset_mgmnt.pdf)

*Guide for Board Members* (working title) (to be released in 2011). Rural Community Assistance Partnership (RCAP). A comprehensive desk reference for water and wastewater utility board members. Addresses a board's legal and management responsibilities, finances and funding sources, and system operation and maintenance. [www.rcap.org/commpubs](http://www.rcap.org/commpubs)

*Check Up Program for Small Systems (CUPSS)* (2010). U.S. EPA. Asset management software for small drinking water and wastewater systems.

<http://water.epa.gov/infrastructure/drinkingwater/pws/cupss/index.cfm>

*Financial Management Guide* (working title) (to be released in 2011). Rural Community Assistance Partnership (RCAP). An overview of financial management, including developing and balancing a budget, estimating and collecting revenue, income statements, balance sheets, cash flow statements and audit reports. [www.rcap.org/commpubs](http://www.rcap.org/commpubs)

*Minimum Standards for Water System Management & Planning Documents* (2009). New Mexico Environmental Finance Center. Identifies management and planning tools used by water systems and the resources available to help systems develop their own plans. <http://nmeffc.nmt.edu/documents/MinStdsforWSPlanningDocsFINAL.pdf>

*Running Your System Like a Good Business* (2004). Mark Kemp. National Environmental Services Center. In *On Tap*, Summer 2004. Provides an overview of strategic planning and budgeting for small and rural water systems. [www.nesc.wvu.edu/ndwc/articles/OT/SU04/GoodBusiness.pdf](http://www.nesc.wvu.edu/ndwc/articles/OT/SU04/GoodBusiness.pdf)

*Small System Guide: Understanding Utility Financial Statements* (2011). Community Resource Group, Inc. Describes how to read and understand a water or wastewater utility's balance sheet, income statement, and cash flow statement, and prepare an audit report. [www.crg.org/images/files/Publications/small\\_system\\_guide\\_to\\_understanding\\_financial\\_statments.pdf](http://www.crg.org/images/files/Publications/small_system_guide_to_understanding_financial_statments.pdf)

*Small Utility Board Training CD ROM* (2007). Montana Water Center. Three-hour self-paced course designed for water board members and elected officials. Covers public water system regulation, operation, planning, budgeting and communication. [http://watercenter.montana.edu/training/board\\_training/default.htm](http://watercenter.montana.edu/training/board_training/default.htm)

*Strategic Planning: A Handbook for Small Water Systems, One of the Simple Tools for Effective Performance (STEP) Guide Series* (2003). U.S. EPA. Provides strategic planning strategies and worksheets for owners and operators of community water systems and non-transient non-community water systems serving 3,300 people or fewer. [www.epa.gov/ogwdw/smallsystems/pdfs/guide\\_smallsystems\\_stratplan.pdf](http://www.epa.gov/ogwdw/smallsystems/pdfs/guide_smallsystems_stratplan.pdf)

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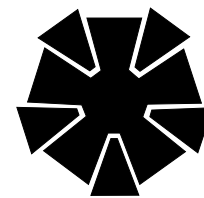
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# Final issue!

## *RCAC discontinues quarterly journal — Editor's note*

Dear Reader,

This is the final issue of *RCAC's Rural Review*. After 29 years of publishing this quarterly journal, RCAC has been impacted by federal budget cuts and will no longer produce this publication.

Fortunately, readers can still receive rural development news through *RCAC's Network News*. The *Network News* is produced solely as an online newsletter and includes calendar items, photos and announcements. You also may wish to subscribe to RCAC's online publication for self-help housing updates, the *Self-Help Builder News*. Subscribe to RCAC publications online at [www.rcac.org/doc.aspx?758](http://www.rcac.org/doc.aspx?758)

For 13 years, I have been one of *RCAC's Rural Review* editors. I have learned a great deal, and hopefully so have our readers! On behalf of RCAC, I must take this moment to thank all those who have contributed articles, those who have taken time to proofread, give feed-

back and of course those who have subscribed. Many thanks to all *Rural Review* readers! A special thanks goes to all the funders who make RCAC's work and publications, including the *Rural Review* possible.

Back issues of the *Review* will continue to be available for some time on RCAC's website. Access the *Rural Review* archives at [www.rcac.org/pubarchive.aspx?id=10](http://www.rcac.org/pubarchive.aspx?id=10).

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Best wishes to you all as you continue your rural development journey!

Sincerely,  
Victoire S. Chochezi  
*RCAC's Rural Review* editor

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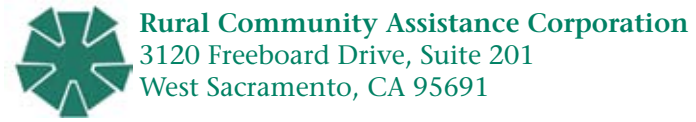
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Rural Community Assistance Corporation (RCAC) provides technical assistance, training and financing so rural communities achieve their goals and visions.

RCAC program areas include environmental infrastructure assistance (water, wastewater and solid waste), affordable housing development assistance (single and multi-family), financing (for affordable housing, community facilities, and water and wastewater systems) and comprehensive community development (leadership development and economic development).

For more information about RCAC, including upcoming training events, conferences, employment opportunities, back issues of RCAC's *Rural Review* and other RCAC publications, visit the RCAC website at [www.rcac.org](http://www.rcac.org).

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