



LOCAL WATER UTILITIES ADMINISTRATION

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15 August 2014

MEMORANDUM CIRCULAR NO. 006 . 14

TO : All Water Districts

FROM : The Administrator, Local Water Utilities Administration

SUBJECT : GUIDELINES ON THE EVALUATION OF WD
RECATORIZATION

Consistent with the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO), the evaluation and approval of all requests of LWDs for upward categorization shall be subject to the following:

I. Basic Requirements

1. Meeting the required number of points for the category
2. Must be current or up-to-date in servicing its debt service obligations
3. Upgrading will only be allowed once a year

II. Prognosis of Projected Operation for the next three years following the request for recategorization

Indicators	Benchmarks
1. Operating Ratio (O & M plus Depreciation over Operating Revenues)	- Not More Than 0.75
2. Current Ratio (Current Asset over Current Liabilities)	- Not Less Than 1.5
3. Debt Service Coverage (Operating Income over Debt Service)	- Not Less Than 2
4. Reserve Fund in JSA (Reserve over Gross Water Sales)	- Not Less Than 3%
5. Average Cash Position (Free Cash Balance over Ave. O & M per month)	- Not Less Than 2 mos.

Indicators	Benchmarks
6. Non-Revenue Water % (Total Production less Billed Water over Total Production)	- Not More Than 20%
7. Staff Productivity Index (No. of Employees over No. of Service Connections)	- Not Less Than 1:120
8. Collection Efficiency (Collections for Current Year over Total Billings)	- Not Less Than 90%

III. List of Requirements

1. Board Resolution requesting for re-categorization.
2. Year-End Financial Statements and MDS for the past 2 years immediately preceding the request for re-categorization.
3. Photocopy of the LWUA.-WD Joint Savings Account.
4. Projected Financial and Operating Condition for the next 3 years immediately following the request for re-categorization.

For your information and guidance.



ANDRES F. IBARRA
Administrator