



Winter 2013 Newsletter

Looking Out Ten Years

As was mentioned in the Fall newsletter, we are facing difficult times financially as evidenced by our significant increase in Maintenance and Improvement assessments during the first and second quarters of this year. We had discussed the realities that we are facing with not only having an aging system, but also needing to become less reliant on the generosity of others. Additionally, we need to plan for not indefinitely having our maintenance person, Ray Zastro.

AB240 (California Assembly Bill 240) which recently took effect, is influencing changes in how the water company conducts its business. From now on, all company meetings will be held at the Diamond A Recreation Center and will be noticed to shareholders. We support this requirement and

hope that it will result in improved communications with you.

The next Water Company Board meeting will be on Saturday January 25, 2014 at 9:00 AM at the Diamond A Recreation Center

Overview

- **Recommend Increases to both Water Rates and Quarterly Maintenance & Improvement Account**
 - All Water Rates to increase by approximately 50%
 - Tiering structure to remain unchanged
 - Quarterly Maintenance & Improvement to increase from current \$80/qtr to \$120/qtr (\$40/qtr increase)
 - **Average total cost per household to increase approximately \$35 / month**
 - Diamond A rates will still be lower than other

mutual water companies in the Valley, even after the above increases (with the exception of Sobre Vista which has issues)

- **2014 Budget with Net Cash Flow of \$109,000**

- Formal budget approval is a new requirement per AB 240
- Projections were based primarily on average historical income and expense
- Budget also includes known annual cost increases for 2014:
 - \$12,000— Begin compensating Operations Manager
 - \$2,000— Accountant Review Costs (required by AB 240)

• **10 Year CAPITAL FORECAST**

– **Key Assumptions:**

- *The remaining 3 tanks will all need replacement over this time frame*
- *No additional wells or tanks will be required*
- *Ongoing maintenance of pumps, wells, and piping infrastructure can be funded through the operating budget*

– **The Board will evaluate other potential opportunities for generating capital**

- *Sale of the Kenleigh Lot*
- *Solar Panel installation*

Conclusion

The last pages have some charts that provide details on comparisons in costs between our proposed rates and those of nearby mutual water companies and our recommended budgets for the next ten years.

In addition there is a statement of our maintenance work for 2013. Unfortunately, beginning on December 16th we had several mainline failures on Grove Street which will cost in the neighborhood of \$20,000. This sort of failure has never happened before and we hope never happens again. Until this happened, we were actually under budget. We can only budget based on historical information.

We hope this will help you to understand what we are facing. Again, as previously mentioned, if we do not have a reliable water supply, we could suffer great declines in our property values.

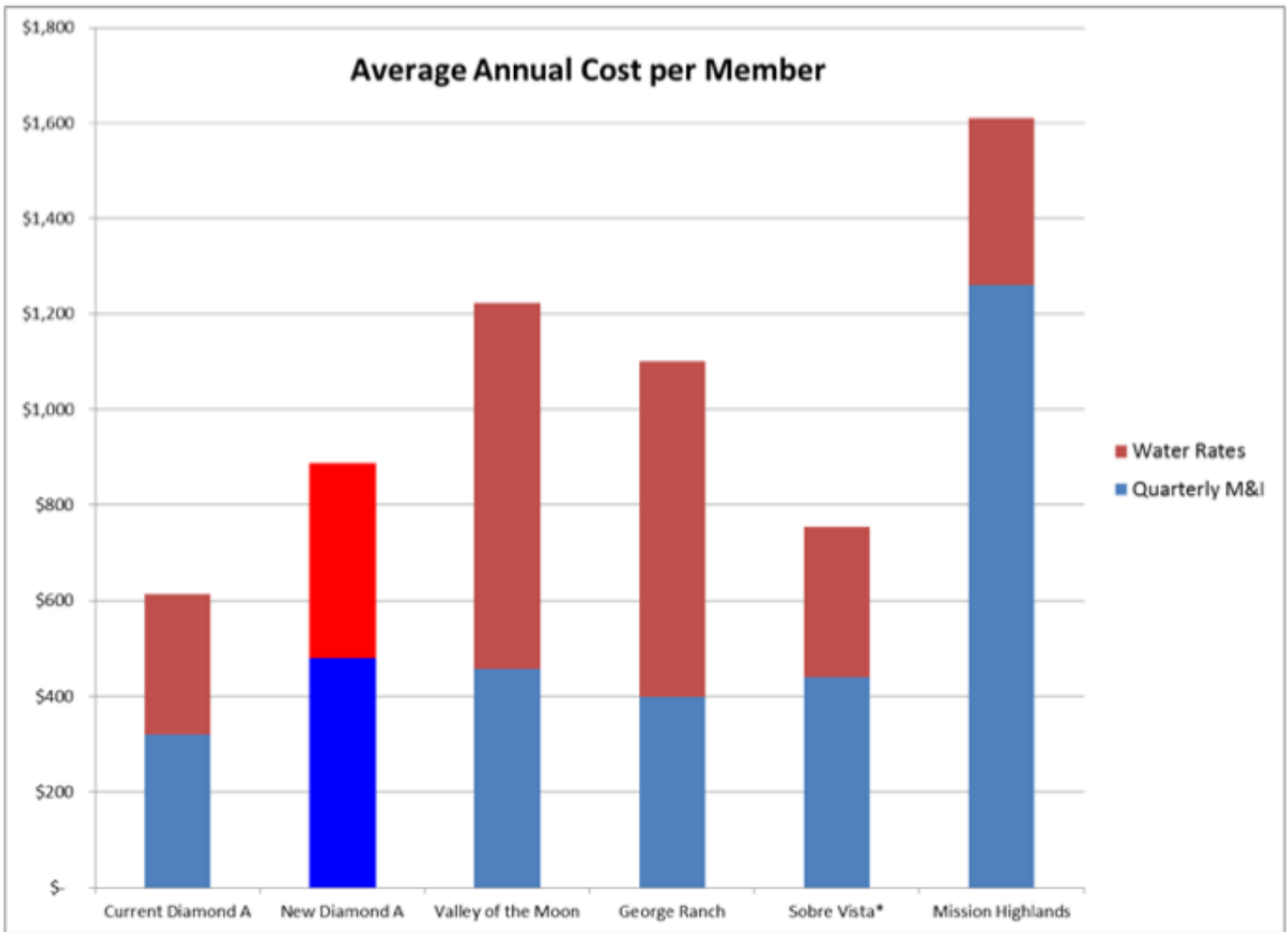
Drought Notice

As we are sure you have noticed, we are in a historically significant drought. We request that you take measures to reduce your water consumption as much as possible. Generally, where the greatest savings can occur is with irrigation. The last

thing we want is dry wells. Remember that all of our water originally comes from rainfall, so there is not an infinite supply.

Sprinkler controllers can be culprits with water waste. Your winter watering times should be little to none. During the summer, you might need to let some plants go or forego planting water-hungry plants altogether.

Thanks in advance for your cooperation. The Board will be developing an implement plan to respond to the drought situation specific to The Diamond A.



| DIAMOND A MUTUAL WATER COMPANY SUMMARY - 10 YEAR CAPITAL FORECAST Excludes Depreciation | | | | | | | | | | | | |
|---|-----------------|------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | |
| Income from Operations | \$96,063 | \$104,944 | \$104,944 | \$104,944 | \$104,944 | \$104,944 | \$104,944 | \$104,944 | \$104,944 | \$104,944 | \$104,944 | |
| Expenses from Operations | \$90,197 | \$92,903 | \$95,690 | \$98,561 | \$101,517 | \$104,563 | \$107,700 | \$110,931 | \$114,259 | \$117,686 | \$121,217 | |
| Cash Flow from Operations | \$5,866 | \$12,041 | \$9,254 | \$6,384 | \$3,427 | \$381 | (\$2,756) | (\$5,987) | (\$9,314) | (\$12,742) | (\$16,273) | |
| Income from Quarterly M&I billings | \$103,200 | \$103,200 | \$103,200 | \$103,200 | \$103,200 | \$103,200 | \$103,200 | \$103,200 | \$103,200 | \$103,200 | \$103,200 | |
| Net Capital Activity | (\$25,000) | \$0 | (\$250,000) | \$0 | \$0 | (\$275,000) | \$0 | \$0 | \$0 | \$0 | (\$300,000) | |
| Cash Flow from Capital Activity | \$78,200 | \$103,200 | (\$146,800) | \$103,200 | \$103,200 | (\$171,800) | \$103,200 | \$103,200 | \$103,200 | \$103,200 | (\$196,800) | |
| Beginning Cash | \$10,000 | \$94,066 | \$209,308 | \$71,762 | \$181,346 | \$287,973 | \$116,554 | \$216,999 | \$314,212 | \$408,098 | \$498,555 | |
| Plus: Cash Flow from Operations | \$5,866 | \$12,041 | \$9,254 | \$6,384 | \$3,427 | \$381 | (\$2,756) | (\$5,987) | (\$9,314) | (\$12,742) | (\$16,273) | |
| Plus: Cash Flow from Capital | \$78,200 | \$103,200 | (\$146,800) | \$103,200 | \$103,200 | (\$171,800) | \$103,200 | \$103,200 | \$103,200 | \$103,200 | (\$196,800) | |
| Ending Cash | \$94,066 | \$209,308 | \$71,762 | \$181,346 | \$287,973 | \$116,554 | \$216,999 | \$314,212 | \$408,098 | \$498,555 | \$285,482 | |

Diamond A Mutual Water Company, Inc.

2013 Repairs & Improvements

Routine Repairs

| Dates | Descriptions of Repairs | Subtotal |
|--------------|--|-----------------|
| February 11 | Replace booster pump at Well 4 | \$4400 |
| March 29 | Electrical repair at Well 2 | \$1200 |
| April 16 | Electrical repair at Well 4 | \$ 540 |
| July 3 | Replace Well 4 pump motor | \$6600 |
| July 23 | Repair water level control at 50,000 gal. tank | \$ 340 |
| August 12 | Repair broken main on Kenleigh Drive | \$1800 |
| September 3 | Pump repair | \$ 570 |
| October 22 | Alta Sonoma Road Repair | \$1000 |
| October 24 | Pump repair | <u>\$ 386</u> |
| Total | | \$16,800 |

Major Repair

| | | |
|-------------|-----------------------------------|----------|
| December 12 | 6 inch main break on Grove Street | \$20,000 |
|-------------|-----------------------------------|----------|

Capital Improvements

| | |
|-------------|-----------------|
| New Tank | \$92,000 |
| Engineering | \$34,000 |
| Permits | \$ 4,000 |
| Piping | \$ 8,000 |
| Electrical | \$ 2,000 |
| Earthwork | <u>\$90,000</u> |
| Total | \$230,000 |