

Diamond A Mutual Water Company

Report from Finance Subcommittee

- **FINANCIAL RECAP**
- **2021 PROPOSED BUDGET**
- **10 YR CAPITAL FORECAST**

December 7, 2020

FINANCIAL RECAP

- **2020 Revenue SIGNIFICANTLY HIGHER than Budget**
 - Approx \$50k higher than prior 2 yrs, net of M&I decrease
 - \$24k due to Rate increase in Q3 (Oct billings)
 - \$26k due to Water Usage / Drought
- Repair and Maintenance favorable YTD
- Electricity Cost higher (due to increased Water Usage & Sales)

FINANCIAL RECAP

- **Projecting Cash Flow of \$150k from Operations in 2020**
- Will increase Ending Cash to \$170k at end of 2020 after:
 - \$51k in Principal repayment of final tank loan
 - Cap Ex projected to be \$55k

FINANCIAL RECAP

			Oct 14, 20
ASSETS			
Current Assets			
	Checking/Savings		
		Westamerica	72,160.06
		Westamerica /MM	96,893.50
	Total Checking/Savings		169,053.56
	Accounts Receivable		
		Accounts Receivable	98,727.75
	Total Accounts Receivable		98,727.75
	Total Current Assets		267,781.31
Fixed Assets			
	Capital Improvements		1,359,117.04
	Land		1,000.00
	Water Equipment		482,031.11
	Accum. Depreciation		-1,195,454.00
	Total Fixed Assets		646,694.15
	TOTAL ASSETS		914,475.46
LIABILITIES & EQUITY			
Liabilities			
	Current Liabilities		
	Other Current Liabilities		
		WestAM Loan #2	84,152.81
	Total Other Current Liabilities		84,152.81
	Total Current Liabilities		84,152.81
	Total Liabilities		84,152.81
Equity			
	Paid-In Capital		1,973,534.66
	Common Stock		214.00
	Retained Earnings		-1,321,282.67
	Net Income		177,856.66
	Total Equity		830,322.65
	TOTAL LIABILITIES & EQUITY		914,475.46

FINANCIAL RECAP

	Jan 1 - Oct 14, 20	Jan 1 - Oct 13, 19	Jan 1 - Oct 13, 18
Ordinary Income/Expense			
Income			
Water Sales & Service	176,878.49	117,380.50	121,132.30
Maintenance & Improvements	159,159.00	168,027.00	167,495.00
Interest Income	30.24	45.46	86.76
Total Income	336,067.73	285,452.96	288,714.06
Gross Profit	336,067.73	285,452.96	288,714.06
Expense			
Administration			
Finance Mgr	12,600.00	12,600.00	12,600.00
Legal & Accounting	6,895.50	5,200.00	2,700.00
Taxes	800.00	1,507.50	800.00
Interest Expense	3,413.94	7,096.38	9,111.54
Mailing & Office	438.95	515.24	561.74
Bank & Merchant CC Charges	4,414.22	3,787.67	3,588.47
Website	196.00	196.00	196.00
Fees	1,730.29	1,574.00	1,574.00
Insurance`	8,049.00	6,430.00	5,667.00
Total Administration	38,537.90	38,906.79	36,798.75
Operations			
Recurring Services			
Ops Manager	9,900.00	9,000.00	9,000.00
Monthly Service	15,519.50	13,806.86	14,392.81
Water Analysis/Health	1,505.15	3,927.26	3,162.83
Total Recurring Services	26,924.65	26,734.12	26,555.64
Repair & Maintenance			
Major Projects	14,577.00	31,691.89	0.00
Materials/Parts		1,102.04	1,638.70
Repairs/Misc	12,596.91	6,507.54	22,667.95
Total Repair & Maintenance	27,173.91	39,301.47	24,306.65
Utilities			
Telephone	928.17	928.14	929.34
Electricity	34,679.35	28,972.95	26,738.51
Total Utilities	35,607.52	29,901.09	27,667.85
Total Operations	89,706.08	95,936.68	78,530.14
Total Expense	128,243.98	134,843.47	115,328.89
Net Ordinary Income	207,823.75	150,609.49	173,385.17

Revenue is \$50k higher than prior years

2021 BUDGET

- **Recommend Approval of 2021 Budget with Net Cash Flow of \$131,000 (before Cap Ex)**
 - Projections were based primarily on average historical income and expense
 - Excludes Depreciation
 - Includes
 - Rate Changes
 - \$6k Generator Rental Expense for 2021
- **Budgeted Ending Cash:**
 - Year End 2021: \$154k

DIAMOND A MUTUAL WATER COMPANY
Excludes Depreciation

			APPROVED BUDGET	ACTUAL YTD	Projected Bal of Yr	PROJECTED	PROPOSED BUDGET	B (W) vs Prior Yr	B (W) vs Prior Yr	
			2020	10/14/2020	12/31/2020	2020	2021	Budget	Projected Act	
Water Sales & Service			115,000	176,878		176,878	185,000	70,000	8,122	Old Budget (\$115k) plus higher rates (\$70k)
Interest			0	30		30	0	0	(30)	
Other Income			0	0		0	0	0	0	
Subtotal - Operating Income			115,000	176,909	0	176,909	185,000	70,000	8,091	
Admin	Finance Mngr	Dee	17,304	12,600	4,200	16,800	16,800	504	0	
Admin	Legal & Accting		7,000	6,896	1,500	8,396	3,000	4,000	5,396	
Admin	Taxes		800	800		800	800	0	0	
Admin	Interest Expense		4,600	3,414	1,200	4,614	2,500	2,100	2,114	Lower due to Ammortization of Loans
Admin	Mailing & Office		531	439		439	452	79	(13)	
Admin	Bank Charges		4,416	4,414	500	4,914	5,062	(645)	(147)	
Admin	Website		200	196		196	200	0	(4)	
Admin	Fees		1,621	1,730		1,730	1,782	(161)	(52)	
Admin	Insurance		8,013	8,049	1,350	9,399	8,500	(487)	899	
Prior Year Adjust.										
Ops - Recurring	Operations Mngr	Bill	13,200	9,900	3,000	12,900	13,200	0	(300)	
Ops - Recurring	Monthly Service	JDY	21,361	15,520	5,173	20,693	23,713	(2,352)	(3,021)	Includes \$200/mo for Iconia
Ops - Recurring	Water Analysis / Health Dept		5,393	1,505	502	2,007	2,067	3,326	(60)	
Ops - Recurring	Generator Rental		0	3,200	1,800	5,000	6,000	(6,000)	(1,000)	New Line Item
Ops -R&M	Maintenance Projects		50,000	14,577	30,000	44,577	50,000	0	(5,423)	\$12,500 / qtr, Major Pipe Breaks
Ops -R&M	Materials		5,000	0	0	0	5,000	0	(5,000)	
Ops -R&M	Repairs (Minor)		10,000	9,397	2,500	11,897	10,000	0	1,897	Small Plumbing Repairs
Ops - Utilities	Telephone		1,275	928	309	1,238	1,275	(0)	(37)	
Ops - Utilities	Electricity		36,022	34,679	6,000	40,679	38,000	(1,978)	2,679	
Subtotal - Operating Expenses			186,737	128,244	58,034	186,278	188,351	(1,614)	(2,073)	
Net Cash Flow From Operations			(71,737)	48,665	(58,034)	(9,370)	(3,351)	68,386	6,018	
Income - Maintenance & Improvements			168,027	159,159		159,159	134,000	(34,027)	(25,159)	Lower M&I
Expense - Capital Improvements										
Subtotal - Capital			168,027	159,159	0	159,159	134,000	(34,027)	(25,159)	
TOTAL CASH FLOW BEFORE CAP EX			96,290	207,824	(58,034)	149,789	130,649	34,359	(19,141)	
Uses of Cash										
Principal Repaid on Loan			(51,000)	(38,376)	(13,000)	(51,376)	(53,190)			
Westamerica Bank - New Financing							50,000			Dave: Loan fully ammortizes by 6/22
Generator Related				(17,199)		(17,199)	(10,000)			
Gate at Zone 2 Tank				(6,547)		(6,547)				
Viewcrest Tank				(4,362)		(4,362)	(75,000)			
Other Cap Ex			(57,000)	(1,860)	(25,000)	(26,860)	(59,000)			
TOTAL CASH FLOW			(11,710)	139,480	(96,034)	43,446	(16,541)			Dave: \$10k final generator wiring? \$15k Unknown Other
Cash, Beginning of Year			127,381	127,381		127,381	170,827			
Changes in AR and Undeposited Funds				(97,808)	97,808	0				
Changes in AP				0		0				
Total Cash Flow from above			(11,710)	139,480	(96,034)	43,446	(16,541)			
Current Cash			114,980	169,054		170,827	154,286			Dave: Wiring and Transfer Switches

2020 CAP EX

- **2021 Budget Assumes that the following Cap Ex Money is spent in 2020 before year end:**
 - \$10k to finalize generator transfer switches
 - \$15k for unknown/other (assumes that full cap ex budget is spent)

2021 CAP EX

- Net Cap Ex of \$94k are budgeted for 2020 (detail on next slide)
- Emergency Backup Generator
 - Nothing is in Budget at this time for Generator Purchase
 - \$6k lease cost is budgeted

2021 Cap Ex BUDGET							
				2021 Budget			
Other Cap Ex							
	Storage Container / Shed			10,000	Need to house parts INV		
	Viewcrest Tank			75,000			
	Less: Bank Financing			(50,000)			
	Enhance control system at White Oak to feed Grove			4,000			
	Transfer switch at White Oak for generator			10,000			
	Leak Evaluation of Water System			15,000	placeholder, awaiting bid		
	Ongoing Maintenance			30,000			
GRAND TOTAL				94,000			
CAP EX BUDGET ITEMS DEFERRED TO LATER YEARS				<i>Estimated Cost</i>			
				2022	2023	2024	2025
	<i>Replace Backup Transfer Pump at Grove to feed White Oak Tank</i>			15,000			
	<i>Transfer pump to feed Sweet William Tank from concrete vault on Spring near upper Grove</i>			20,000			
	<i>Purchase 50kw portable generator</i>				60,000		
	<i>Replace piping on DAMWCO lot at Kenleigh</i>					40,000	
	<i>B&R System Evaluation</i>						50,000
				35,000	60,000	40,000	50,000

10 YEAR CAPITAL FORECAST

- Requested by Board, not required by State
 - Informational Only---No Board Action is required
- Given all of the prior assumptions, a positive cash balance is forecast for the next 10 years
 - Mid term Cap Ex projects for 2022-2025 are included
 - Replacement of Viewcrest Tank is included for 2030

DIAMOND A MUTUAL WATER COMPANY													
PROJECTED NET CASH FLOW FROM OPERATIONS and 10 YEAR CAPITAL FORECAST DETAIL													
Excludes Depreciation													
				Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
			ESTIMATE	BUDGET	3%	3%	3%	3%	3%	3%	3%	3%	
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Water Sales & Service			176,878	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000
Income - Maintenance & Improvements			159,159	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000
Interest			30										
Other Income			0										
Subtotal - Operating Income			336,068	319,000	319,000	319,000	319,000	319,000	319,000	319,000	319,000	319,000	319,000
Admin	Finance Mngr		16,800	16,800	17,304	17,823	18,358	18,909	19,476	20,060	20,662	21,282	21,920
Admin	Legal & Actging		8,396	3,000	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800
Admin	Taxes		800	800	824	849	874	900	927	955	984	1,013	1,044
Admin	Interest Expense		4,614	2,500	1,000	0	0	0	0	0	0	0	0
Admin	Mailing & Office		439	452	466	480	494	509	524	540	556	573	590
Admin	Bank Charges		4,914	5,062	5,213	5,370	5,531	5,697	5,868	6,044	6,225	6,412	6,604
Admin	Website		196	200	206	212	219	225	232	239	246	253	261
Admin	Fees		1,730	1,782	1,836	1,891	1,947	2,006	2,066	2,128	2,192	2,258	2,325
Admin	Insurance		9,399	8,500	8,755	9,018	9,288	9,567	9,854	10,149	10,454	10,768	11,091
Ops - Recurring	Operations Mngr		12,900	13,200	13,596	14,004	14,424	14,857	15,302	15,761	16,234	16,721	17,223
Ops - Recurring	Monthly Service		20,693	23,713	24,425	25,158	25,912	26,690	27,490	28,315	29,165	30,039	30,941
Ops - Recurring	Water Analysis / Health		2,007	2,067	2,129	2,193	2,259	2,327	2,396	2,468	2,542	2,619	2,697
Ops - Recurring	Generator Rental		5,000	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829
Ops -R&M	Maintenance Projects		44,577	50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339	65,239
Ops -R&M	Materials		0	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
Ops -R&M	Repairs		11,897	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Ops - Utilities	Telephone		1,238	1,275	1,313	1,352	1,393	1,435	1,478	1,522	1,568	1,615	1,663
Ops - Utilities	Electricity		40,679	38,000	39,140	40,314	41,524	42,769	44,052	45,374	46,735	48,137	48,137
Subtotal - Operating Expenses			186,278	188,351	192,337	197,077	202,989	209,079	215,351	221,812	228,466	235,320	240,935
Net Cash Flow From Operations			149,789	130,649	126,663	121,923	116,011	109,921	103,649	97,188	90,534	83,680	78,065
Generator Related			(17,199)	(10,000)									
Storage Container / Shed				(10,000)									
Zone 2 Tank			(6,547)										
Viewcrest Tank			(4,362)	(75,000)									(350,000)
Westamerica Bank Loan				50,000									
Use of Cash - Principal Repaid on Zone 2 Loan			(51,376)	(53,190)	(27,452)								
Future Capital Projects					(35,000)	(60,000)	(40,000)	(50,000)					
Ongoing Maintenance			(26,860)	(49,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Subtotal - Other Sources and Uses			(106,343)	(147,190)	(92,452)	(90,000)	(70,000)	(80,000)	(30,000)	(30,000)	(30,000)	(30,000)	(380,000)
TOTAL CASH FLOW			43,446	(16,541)	34,211	31,923	46,011	29,921	73,649	67,188	60,534	53,680	(301,935)
Beginning Cash			\$ 127,381	\$ 170,827	\$ 154,286	\$ 188,497	\$ 220,421	\$ 266,431	\$ 296,353	\$ 370,001	\$ 437,190	\$ 497,724	\$ 551,404
TOTAL CASH FLOW (above)			\$ 43,446	\$ (16,541)	\$ 34,211	\$ 31,923	\$ 46,011	\$ 29,921	\$ 73,649	\$ 67,188	\$ 60,534	\$ 53,680	\$ (301,935)
OTHER SOURCES													
Other													
CAPITAL PROJECTS													
Other													
Ending Cash			\$ 170,827	\$ 154,286	\$ 188,497	\$ 220,421	\$ 266,431	\$ 296,353	\$ 370,001	\$ 437,190	\$ 497,724	\$ 551,404	\$ 249,468

NEXT STEPS

- **Board Approval Needed**
 - 2021 Operating Budget