

Diamond A Mutual Water Company

Report from Finance Subcommittee

December 9, 2024

- **2024 FINANCIAL RECAP**
- **2025 PROPOSED BUDGET**
- **10 YR CAPITAL FORECAST**
- **BOARD ACTION NEEDED**

FINANCIAL RECAP

- **2024 Water Sales/Usage Volume slightly better than Budget**
 - \$23k higher than budget, primarily due to rate increase being in effect for full year
 - Usage volume similar to prior year

FINANCIAL RECAP

- **Costs were generally in line with Budget**
- **Significant exceptions:**
 - Water testing costs up significantly due to regulatory changes (\$7k increase)
 - Tree Removal at Kenleigh (\$12k one time cost)
 - Fire Fuel Reduction Costs (\$11k ongoing cost)

FINANCIAL RECAP

- The Projected Cash Flow from Operations is \$56k
 - Less \$114k in Operational Cap Ex,
 - for a **Net Operating Loss of \$58k**
- **This is slightly better than the Operating Loss of \$64k projected in the 2024 Budget**

FINANCIAL RECAP

- **All Replacement Fund activity related to the Pipeline Replacement Project**
 - Expenditure timing was slower than forecast and reimbursements from the State have been quicker than expected.
 - \$150k was briefly drawn on the Credit Line in November to make a \$503k payment to Argonaut, but was repaid within one week when State funds were received.
 - Further draws on the Credit Line are not anticipated.

FINANCIAL RECAP

- Total Ending Cash expected to be \$435k at end of 2024

FINANCIAL RECAP

| | | Nov 16, 24 |
|---------------------------------|---------------------------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Checking/Savings | | |
| | 103 O · Westamerica | 134,598.27 |
| | 104 O · Heritage Bank of Commerce | 149,990.87 |
| | 124 R · Westamerica /MM | 7,211.99 |
| | 125 R · Live Oak Bank | 162,023.84 |
| | Total Checking/Savings | 453,824.97 |
| Accounts Receivable | | |
| | 161 O · Accounts Receivable | 10,905.47 |
| | Total Accounts Receivable | 10,905.47 |
| Other Current Assets | | |
| | 181 O · Prepaid Insurance | 2,910.00 |
| | Total Other Current Assets | 2,910.00 |
| | Total Current Assets | 467,640.44 |
| Fixed Assets | | |
| | Capital Improvements | 1,448,853.92 |
| | 190 R.1 · Land | 1,000.00 |
| | 190 R.2 · Water Equipment | 482,031.11 |
| | 193 R · Accum. Depreciation | -1,555,839.00 |
| | Total Fixed Assets | 376,046.03 |
| | TOTAL ASSETS | 843,686.47 |
| LIABILITIES & EQUITY | | |
| Equity | | |
| | Paid-In Capital | 2,547,147.66 |
| | Common Stock | 214.00 |
| | 3900 · Retained Earnings | -1,909,007.10 |
| | Net Income | 205,331.91 |
| | Total Equity | 843,686.47 |
| | TOTAL LIABILITIES & EQUITY | 843,686.47 |

DIAMOND A MUTUAL WATER COMPANY

Excludes Depreciation

| | | | APPROVED | ACTUAL | Projected | | DRAFT | B (W) | B (W) | |
|--|------------------------------|------|------------------|-----------------|-----------------|-----------------|-----------------|----------------|------------------|---|
| | | | BUDGET | YTD | Bal of Yr | PROJECTED | BUDGET | vs Prior Yr | vs Prior Yr | |
| | | | 2024 | 11/16/2024 | 12/31/2024 | 2024 | 2025 | Budget | Projected Act | |
| Water Sales & Service | | | 235,000 | 258,319 | | 258,319 | 258,000 | 23,000 | (319) | Same as 2024 Actual |
| Interest | | | 0 | 0 | | 0 | 0 | 0 | 0 | |
| Other Income | | | 0 | 0 | | 0 | 0 | 0 | 0 | |
| Subtotal - Operating Income | | | 235,000 | 258,319 | 0 | 258,319 | 258,000 | 23,000 | (319) | |
| Admin | Finance Mngr | Dee | 18,000 | 15,000 | 3,000 | 18,000 | 21,000 | (3,000) | (3,000) | Mid year increase for Dee |
| Admin | Legal & Accting | | 8,000 | 3,170 | | 3,170 | 5,000 | 3,000 | (1,830) | |
| Admin | Taxes | | 800 | 863 | | 863 | 800 | 0 | 63 | |
| Admin | Interest Expense | | | | | 0 | | 0 | 0 | |
| Admin | Mailing & Office | | 500 | 573 | | 573 | 600 | (100) | (27) | |
| Admin | Bank Charges | | 7,500 | 10,695 | 300 | 10,995 | 9,000 | (1,500) | 1,995 | No loan fees in 2025 |
| Admin | Website | | 200 | 196 | | 196 | 200 | 0 | (4) | |
| Admin | Fees | | 2,400 | 3,605 | | 3,605 | 3,500 | (1,100) | 105 | |
| Admin | Insurance | | 12,000 | 11,398 | | 11,398 | 12,000 | 0 | (602) | |
| Prior Year Adjust. | | | | | | | | | | |
| Ops - Recurring | Operations Mngr | Bill | 24,000 | 20,000 | 4,000 | 24,000 | 24,000 | 0 | 0 | |
| Ops - Recurring | Monthly Service | JDY | 30,000 | 27,729 | 5,000 | 32,729 | 36,000 | (6,000) | (3,271) | |
| Ops - Recurring | Water Analysis / Health Dept | | 2,520 | 9,115 | 1,000 | 10,115 | 10,000 | (7,480) | 115 | Ongoing increases in water testing costs |
| Ops - Recurring | Generator Rental | | 6,000 | 9,056 | 0 | 9,056 | 10,000 | (4,000) | (944) | |
| Ops -R&M | Maintenance Projects | | 50,000 | 26,334 | 0 | 26,334 | 15,000 | 35,000 | 11,334 | Includes \$11k for Fire Fuel Reduction |
| Ops -R&M | Materials | | 5,000 | 0 | 0 | 0 | 0 | 5,000 | | Dave Martinelli: \$11,700 - Tree Removal at Kenleigh (non -recurring) \$10,692 - Conservation Corps - Fire Fuel Reduction |
| Ops -R&M | Repairs (Minor) | | 10,000 | 0 | 0 | 0 | 0 | 10,000 | | |
| Ops - Utilities | Telephone | | 1,200 | 986 | 300 | 1,286 | 1,200 | 0 | | |
| Ops - Utilities | Electricity | | 45,000 | 45,653 | 4,000 | 49,653 | 52,000 | (7,000) | (2,347) | PGE Increase |
| Subtotal - Operating Expenses | | | 223,120 | 184,373 | 17,600 | 201,973 | 200,300 | 22,820 | 1,673 | |
| Cash Flow From Operations | | | 11,880 | 73,946 | (17,600) | 56,346 | 57,700 | 45,820 | 1,354 | |
| Less: Operations Fund Cap Ex | | | (76,000) | (104,484) | (10,000) | (114,484) | (80,000) | | | |
| NET CASH FLOW FROM OPERATIONS | | | (64,120) | (30,538) | (27,600) | (58,138) | (22,300) | | | |
| Income - Maintenance & Improvements | | | 150,480 | 150,880 | | 150,880 | 150,880 | 400 | 0 | |
| Income - Interest Earned | | | 4,800 | 5,263 | | 5,263 | 4,800 | 0 | (463) | |
| Expense - Replacement Fund Cap Ex | | | (341,309) | 77,915 | 0 | 77,915 | (50,000) | 291,309 | (127,915) | |
| Subtotal - Replacement Fund Net Gain (Loss) | | | (186,029) | 234,058 | 0 | 234,058 | 105,680 | 291,709 | (128,378) | |
| TOTAL CASH FLOW | | | (250,149) | 203,521 | (27,600) | 175,921 | 83,380 | 291,709 | (128,378) | |

2025 BUDGET

- **Recommend Approval of 2025 Budget:**
 - **Net Operating Fund Loss of (\$22k)**
 - Operating Cash Flow of \$58k
 - Less \$80k of Cap Ex – Operations
 - **Net Replacement Fund Gain of \$105k**
 - M&I Revenue of \$150k, plus \$5k Interest
 - Less \$50k of Cap Ex – Replacement
 - Pipeline Costs that will not be covered by the Grant
 - **Budgeting Total Ending Cash of \$518k in 2025**

2025 BUDGET - Operations

- **Projections were based primarily on average historical income and expense**
 - Assumed Water Sales stay at 2023/24 levels
 - Included a mid year compensation increase for the Finance Manager
 - Includes 10% PG&E rate increase
 - Includes 2 new recurring cost items:
 - Increased water testing and analysis costs due to regulatory requirements
 - Annual Fire Fuel Reduction by the Conservation Corps
 - **These new recurring costs plus general inflationary factors will require a rate increase in 2026**

2025 CAP EX - Operations

| CAP EX - PRIOR YEAR RECAP AND NEXT YEAR BUDGET | | | | | | | | | | | |
|--|---|--|----------------|--|--|-----------------------|--------------------------|--|--|----------------|--------|
| | | | 2024 Budget | | | YTD 2024 Actual | YTD Better (Worse) | | | 2025 Budget | |
| Operating Fund - Cap Ex | | | | | | | | | | | |
| | Manifold modification and control system at White Oak | | 6,000 | | | | 6,000 | | | | |
| | Control Systems - Water Level in Well | | 10,000 | | | | 10,000 | | | 5,000 | Iconia |
| | Valves - Clean Up and Test, replace Non-Operational Valve | | 10,000 | | | | 10,000 | | | | |
| | Tank Inspections | | 20,000 | | | 15,000 | 5,000 | | | | |
| | Ongoing Maintenance | | 30,000 | | | 5,470 | 24,530 | | | 15,000 | |
| | Meter Replacements | | | | | 7,700 | (7,700) | | | 10,000 | |
| | Leaks, Pipe breaks | | | | | 9,498 | (9,498) | | | 15,000 | |
| | Well Motor | | | | | 4,753 | (4,753) | | | 5,000 | |
| | Major Breaks | | | | | | - | | | | |
| | Line Break - wells 1 & 2 | | | | | 32,432 | (32,432) | | | 30,000 | |
| | Replace hydrant & meter valve | | | | | 16,032 | (16,032) | | | | |
| | Meter Database - Regulatory Compliance | | | | | 13,600 | (13,600) | | | | |
| | | | | | | | - | | | | |
| | Subtotal | | 76,000 | | | 104,485 | (28,485) | | | 80,000 | |

2025 CAP EX - Replacement

- Budgeting **ONLY** the Pipeline Project for 2025
- Assumes there may be up to \$50k in project expenses for which we will not receive reimbursement from the State
- **Not budgeting for a generator purchase at this time**
 - \$10k rental cost is included in the Operating Budget for rental during critical fire season

10 YEAR CAPITAL FORECAST

- Informational Only---No Board Action is required
- Key Takeaways:
 - **Projecting to have \$1mm in Cash and adequate Replacement Reserve by end of 2028**
 - Assumes no further Replacement projects after the Pipeline Project until the Viewcrest Tank in 2030
 - Significant unplanned capital projects will require either an increase in the M&I charges or capital financing

**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% | 3% |
| | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Water Sales & Service | | 258,319 | 258,000 | 296,700 | 296,700 | 296,700 | 326,370 | 326,370 | 326,370 | 359,007 | 359,007 | 359,007 |
| Interest | | 0 | | 0 | | | | | 0 | 0 | 0 | 0 |
| Other Income | | 0 | | | | | | | | | | |
| Subtotal - Operating Income | | 258,319 | 258,000 | 296,700 | | | | | 326,370 | 359,007 | 359,007 | 359,007 |
| Admin | Finance Mngr | 18,000 | 21,000 | 21,630 | 22,279 | 22,947 | 23,636 | 24,345 | 25,075 | 25,827 | 26,602 | 27,400 |
| Admin | Legal & Accting | 3,170 | 5,000 | 3,000 | 3,090 | 3,183 | 3,278 | 3,377 | 3,478 | 3,582 | 3,690 | 3,800 |
| Admin | Taxes | 863 | 800 | 824 | 849 | 874 | 900 | 927 | 955 | 984 | 1,013 | 1,044 |
| Admin | Interest Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Admin | Mailing & Office | 573 | 600 | 618 | 637 | 656 | 675 | 696 | 716 | 738 | 760 | 783 |
| Admin | Bank Charges | 10,995 | 9,000 | 9,270 | 9,548 | 9,835 | 10,130 | 10,433 | 10,746 | 11,069 | 11,401 | 11,743 |
| Admin | Website | 196 | 200 | 206 | 212 | 219 | 225 | 232 | 239 | 246 | 253 | 261 |
| Admin | Fees | 3,605 | 3,500 | 3,605 | 3,713 | 3,825 | 3,939 | 4,057 | 4,179 | 4,305 | 4,434 | 4,567 |
| Admin | Insurance | 11,398 | 12,000 | 12,360 | 12,731 | 13,113 | 13,506 | 13,911 | 14,329 | 14,758 | 15,201 | 15,657 |
| Ops - Recurring | Operations Mngr | 24,000 | 24,000 | 24,720 | 25,462 | 26,225 | 27,012 | 27,823 | 28,657 | 29,517 | 30,402 | 31,315 |
| Ops - Recurring | Monthly Service | 32,729 | 36,000 | 37,080 | 38,192 | 39,338 | 40,518 | 41,734 | 42,986 | 44,275 | 45,604 | 46,972 |
| Ops - Recurring | Water Analysis / Healt | 10,115 | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 | 11,593 | 11,941 | 12,299 | 12,668 | 13,048 |
| Ops - Recurring | Generator Rental | 9,056 | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 | 11,593 | 11,941 | 12,299 | 12,668 | 13,048 |
| Ops -R&M | Maintenance Projects | 26,334 | 15,000 | 15,450 | 15,914 | 16,391 | 16,883 | 17,389 | 17,911 | 18,448 | 19,002 | 19,572 |
| Ops -R&M | Materials | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ops -R&M | Repairs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ops - Utilities | Telephone | 1,286 | 1,200 | 1,236 | 1,273 | 1,311 | 1,351 | 1,391 | 1,433 | 1,476 | 1,520 | 1,566 |
| Ops - Utilities | Electricity | 49,653 | 52,000 | 53,560 | 55,167 | 56,822 | 58,526 | 60,282 | 62,091 | 63,953 | 65,872 | 65,872 |
| Subtotal - Operating Expenses | | 201,973 | 200,300 | 204,159 | 210,284 | 216,592 | 223,090 | 229,783 | 236,676 | 243,777 | 251,090 | 256,646 |
| Cash Flow From Operations | | 56,346 | 57,700 | 92,541 | 86,416 | 80,108 | 103,280 | 96,587 | 89,694 | 115,230 | 107,917 | 102,361 |
| Beginning Cash - Operations Fund | | 100,724 | 42,586 | 20,286 | 32,827 | 36,744 | 31,851 | 47,631 | 54,219 | 51,412 | 71,643 | 82,060 |
| Cash Flow from Operations (above) | | 56,346 | 57,700 | 92,541 | 86,416 | 80,108 | 103,280 | 96,587 | 89,694 | 115,230 | 107,917 | 102,361 |
| Interfund Transfer | | 0 | | | | | | | | | | |
| Less: Cap Ex - Operations Fund | | (114,484) | (80,000) | (80,000) | (82,500) | (85,000) | (87,500) | (90,000) | (92,500) | (95,000) | (97,500) | (100,000) |
| Ending Cash - Operations Fund | | 42,586 | 20,286 | 32,827 | 36,744 | 31,851 | 47,631 | 54,219 | 51,412 | 71,643 | 82,060 | 84,421 |
| | | | | | | | | | | | | |
| Beginning Cash - Replacement Fund | | 158,341 | 392,399 | 498,079 | 662,040 | 829,280 | 999,864 | 1,173,860 | 1,045,336 | 1,220,242 | 1,398,646 | 1,580,618 |
| Income - Maintenance & Improvements | | 150,880 | 150,880 | 150,880 | 150,880 | 150,880 | 150,880 | 150,880 | 150,880 | 150,880 | 150,880 | 150,880 |
| Interfund Transfer | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Income | | 5,263 | 4,800 | 13,080 | 16,360 | 19,705 | 23,116 | 20,596 | 24,026 | 27,524 | 31,092 | 34,731 |
| Less: Cap Ex - Replacement Fund | | 77,915 | (50,000) | 0 | 0 | 0 | 0 | (300,000) | 0 | 0 | 0 | 0 |
| Ending Cash - Replacement Fund | | 392,399 | 498,079 | 662,040 | 829,280 | 999,864 | 1,173,860 | 1,045,336 | 1,220,242 | 1,398,646 | 1,580,618 | 1,766,229 |
| | | | | | | | | | | | | |
| Fully Funded Reserve Target | | 733,511 | 796,102 | 860,807 | 926,865 | 987,050 | 1,043,617 | 953,070 | 1,013,520 | 1,074,966 | 1,137,408 | 1,200,846 |
| Reserve Surplus (Deficit) | | (341,112) | (298,023) | (198,767) | (97,585) | 12,814 | 130,243 | 92,266 | 206,722 | 323,680 | 443,210 | 565,383 |
| | | | | | | | | | | | | |
| Ending Cash - COMBINED (000's omitted) | | \$ 435 | \$ 518 | \$ 695 | \$ 866 | \$ 1,032 | \$ 1,221 | \$ 1,100 | \$ 1,272 | \$ 1,470 | \$ 1,663 | \$ 1,851 |

Dave:
Assumed a 15% rate bump in 2026 to cover:
---Fire Fuel Reduction (onging expense)
---2X increase in Water Testing Costs (regulatory)
---Inflation

NEXT STEPS

- **Board Approval Needed**
 - 2025 Budget
- **For Board Consideration in 2025**
 - **Water Rate Increase for 2026**
 - Last increased with usage starting Jan 2023 (April 2023 billing)
 - **Re-evaluate cost of Membership interest**
 - This value has not been updated for a long time