Annual Member Meeting April 2025

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Note: meeting is being recorded for those unable to attend today

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April 26, 2025 – Annual Meeting Agenda

- Introduction
- Water system overview
- Water system report (RRU)
  - Incident and repairs since last meeting
  - Required maintenance and upgrades
  - Regulatory changes and testing requirements
- Financial report
- 2025 rate increase
- Cazadero consolidation project update
- Election of board members
- Q&A
- Update contact information

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- Est. 1959
- Serves ~ 150 people
- 66 Shareholders
- Wells alongside creek
  - Main well (70’)
    ~ 30 gpm
  - Backup well (50’)
- 2 storage tanks
  - Lower 16K gal
  - Upper 12K gal
  - Booster pumps
- Chlorine added
- Individual meters
- Proactive monitoring

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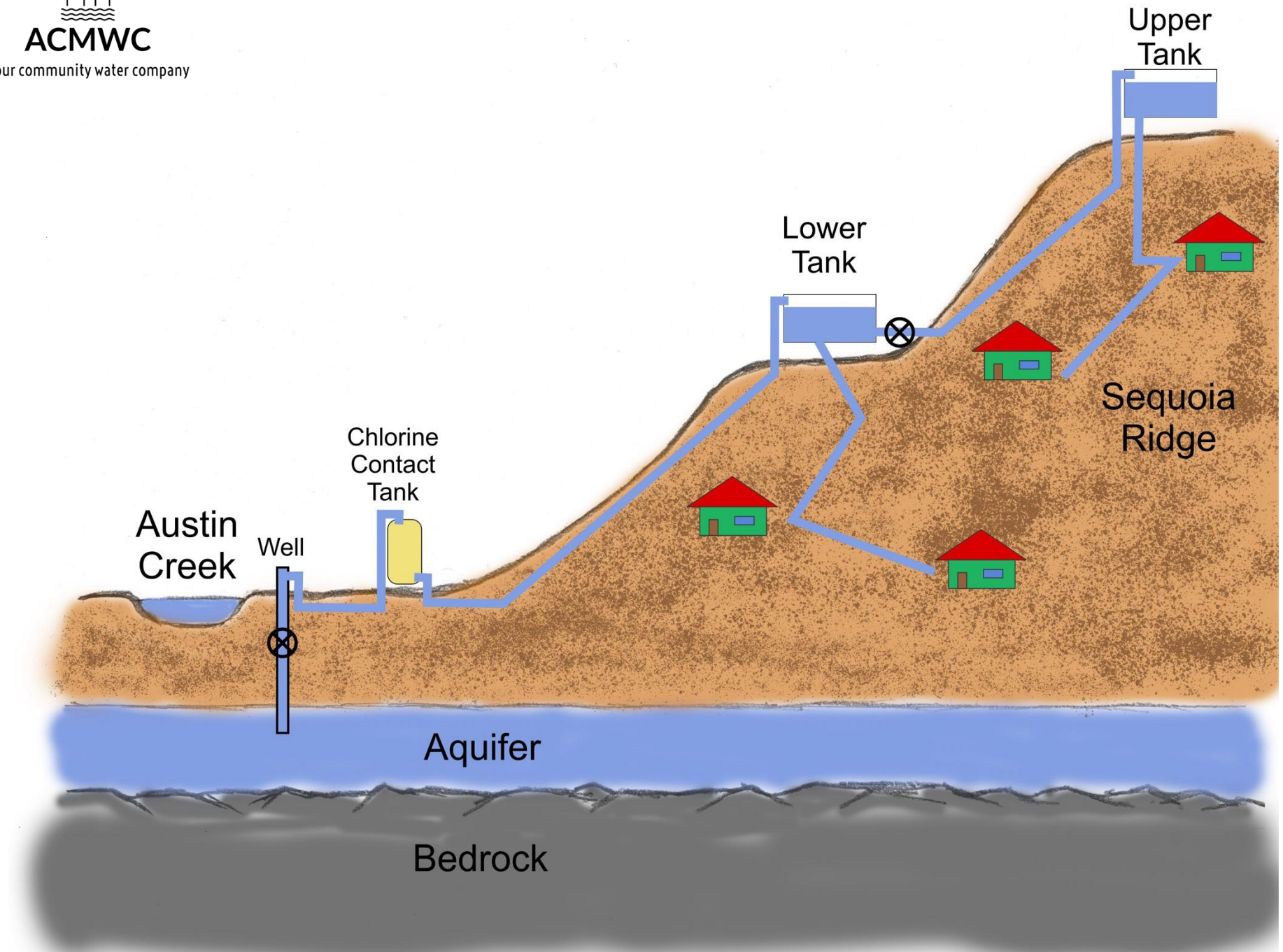


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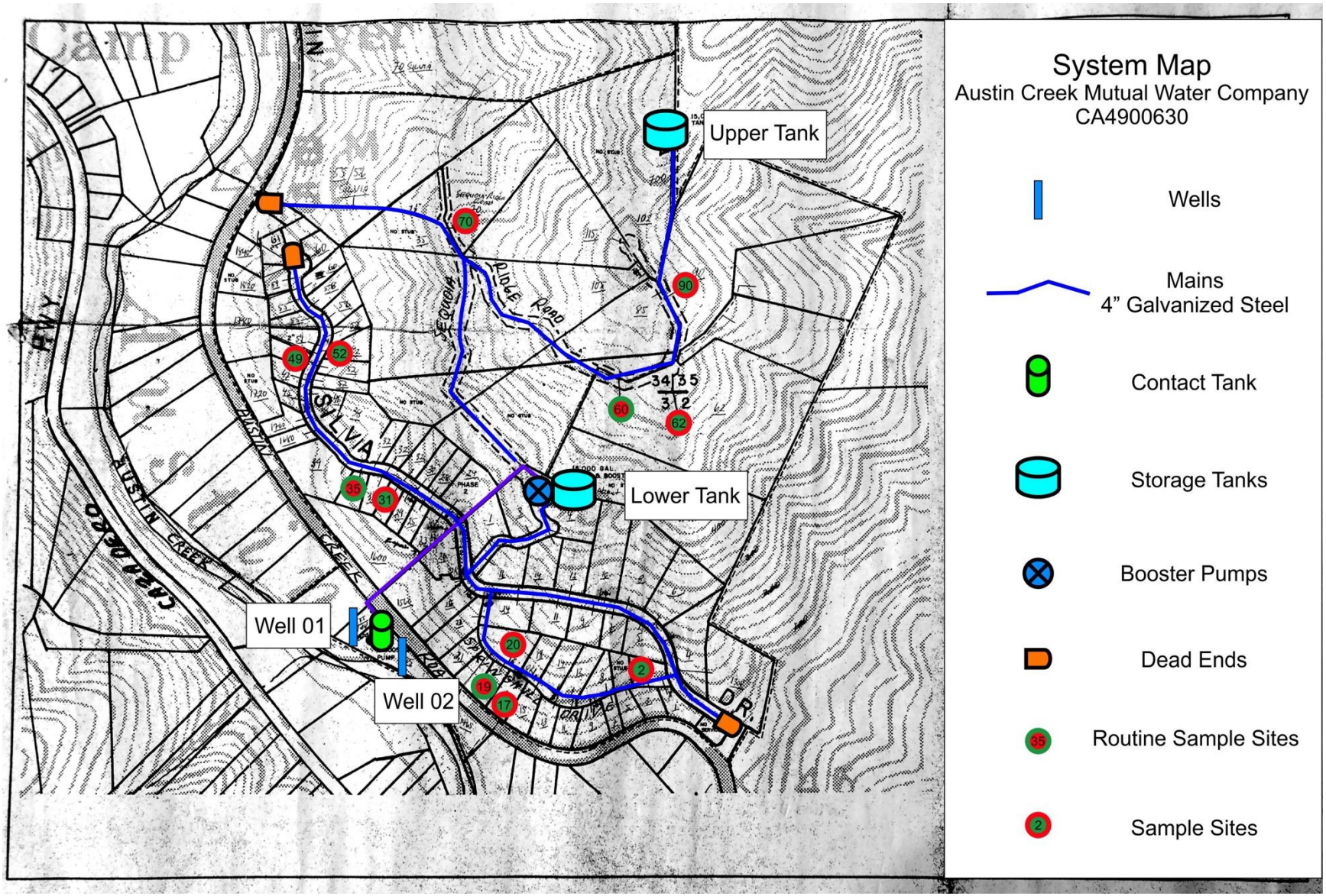

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Risks to our water system:

- Floods
- Fires
- Droughts
- Power Outages
- Earthquakes
- Leaks
- Equipment Failures
- Loss of System Pressure
- Contamination
- Age of the system components

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- Water system report (RRU)
  - Incident and repairs since last meeting
  - Required maintenance and upgrades
  - Regulatory changes and testing requirements

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- Repairs / Upgrades Ahead
  - Well pump and motor replacement (emergency) $5-7k
  - Chlorine dosing pump $1.5k
  - Meter replacement $700/each
  - Ongoing water main repairs $4-5k/each
  - Dive tanks – clean/inspect, repair lower tank seep or line tank to fix leak $2-20k
  - Replace lower tank electrical $10k
  - Replace second booster pump $2.5k
  - Replace controls with SCADA $30k
  - New generator $20-40k
  - Water main replacement (SB552 requirement by 2032) $1M+

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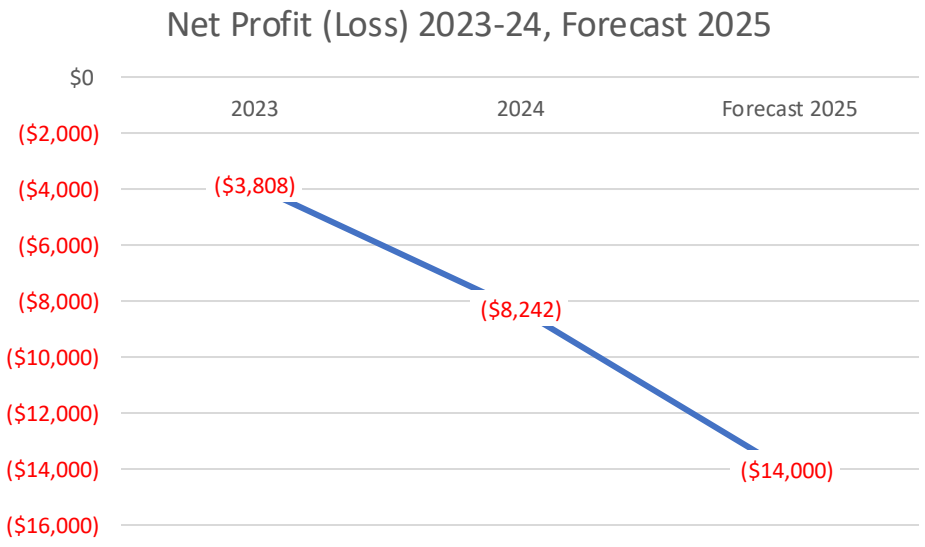
2023 vs 2024

- 28% increase in operating expenses
- At least 10% further increase forecast for 2025
- Increasing our operating deficit from $3,808 (2023) to $14k (forecast 2025)
- Expenses increase across the board, but largely driven by repairs, insurance, utilities

	2023	2024	Forecast 2025
Revenue	$39,352	$46,986	$47,000
Operating Expenses			
Insurance	$7,755	$8,873	$10,000
System Management	$17,700	$17,700	$19,200
Repairs & Upgrades	$15,123	$24,058	$26,000
Utilities (Electricity)	$1,842	$2,870	$3,800
Misc	$740	$1,727	$2,000
Total Operating Expenses	$43,160	$55,228	$61,000
Net Income	($3,808)	($8,242)	($14,000)



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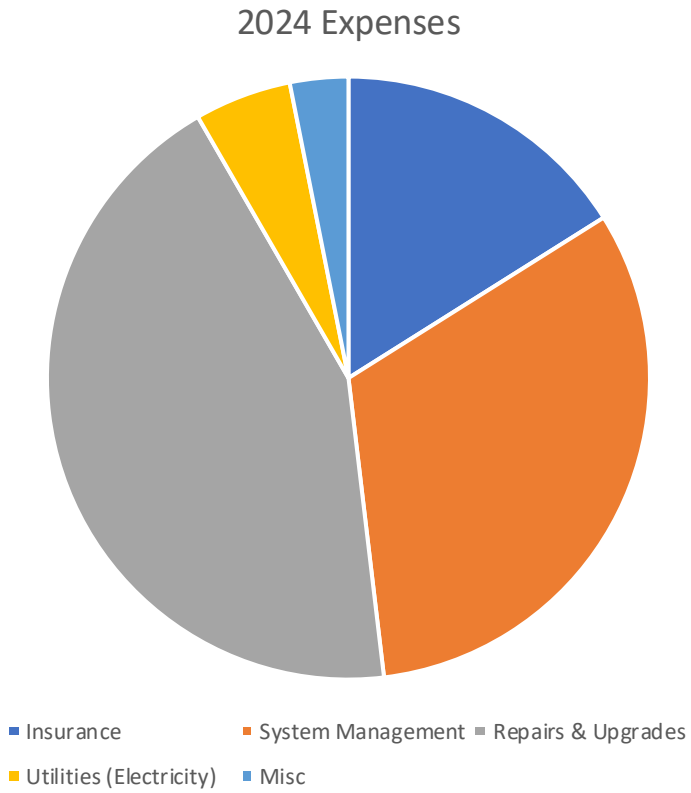

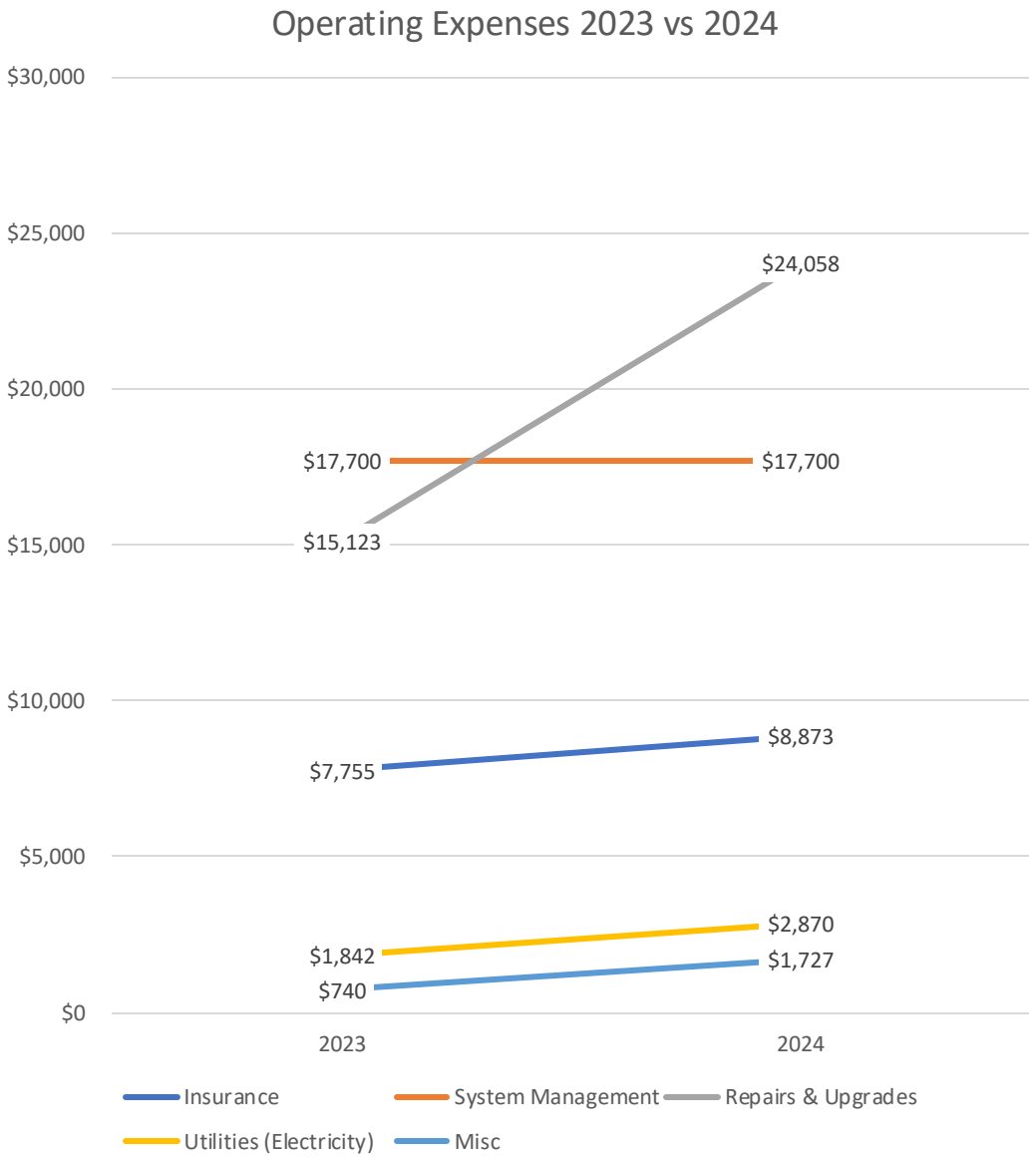

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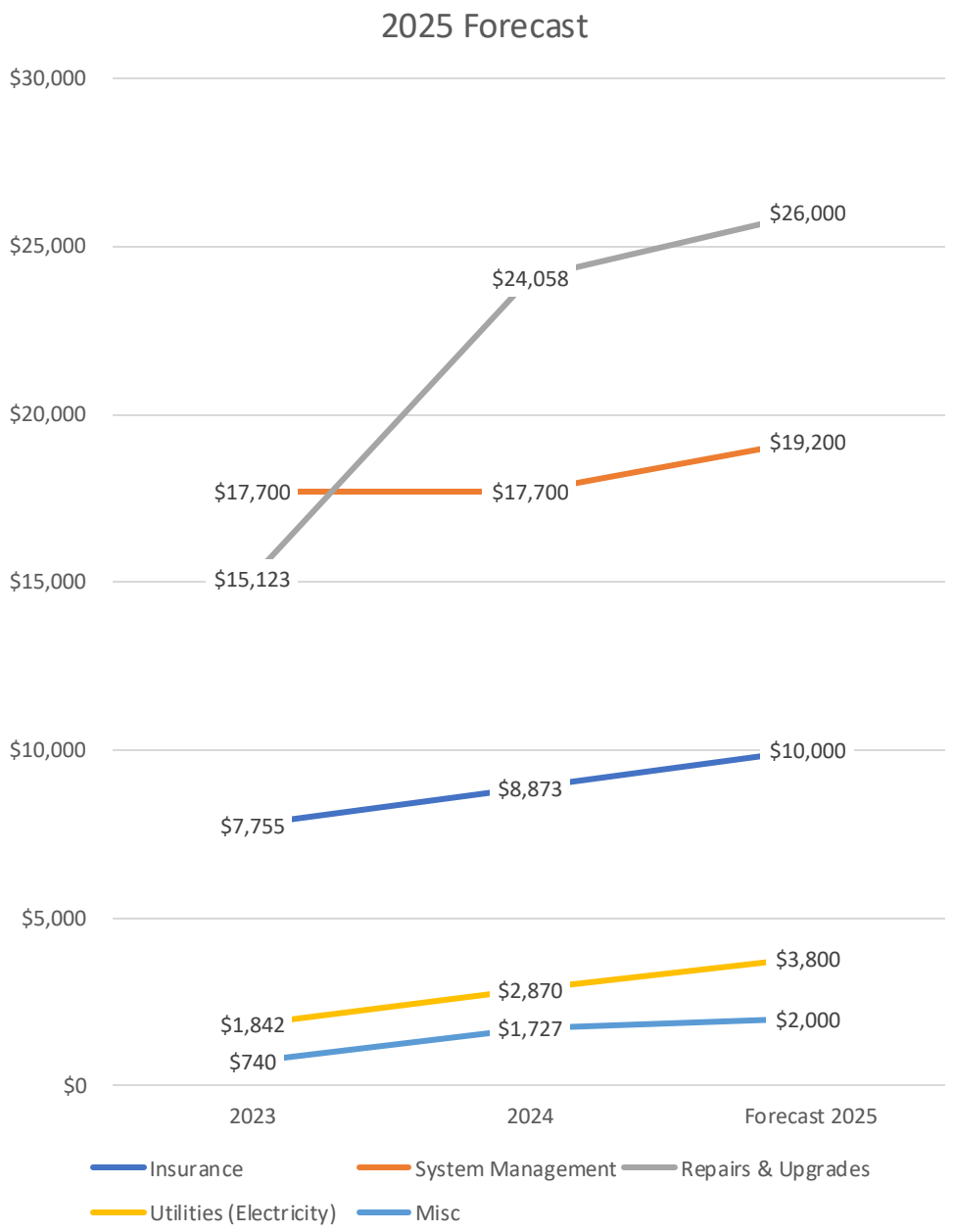
2025 Forecast

- Estimating modest increase to repair costs vs 2024
- Increase to system management cost driven by new testing requirements and other regulatory items
- Increase to annual insurance, do not yet have an estimate but expect it to be similar as a percentage to last year's increase
- PG&E rate increase



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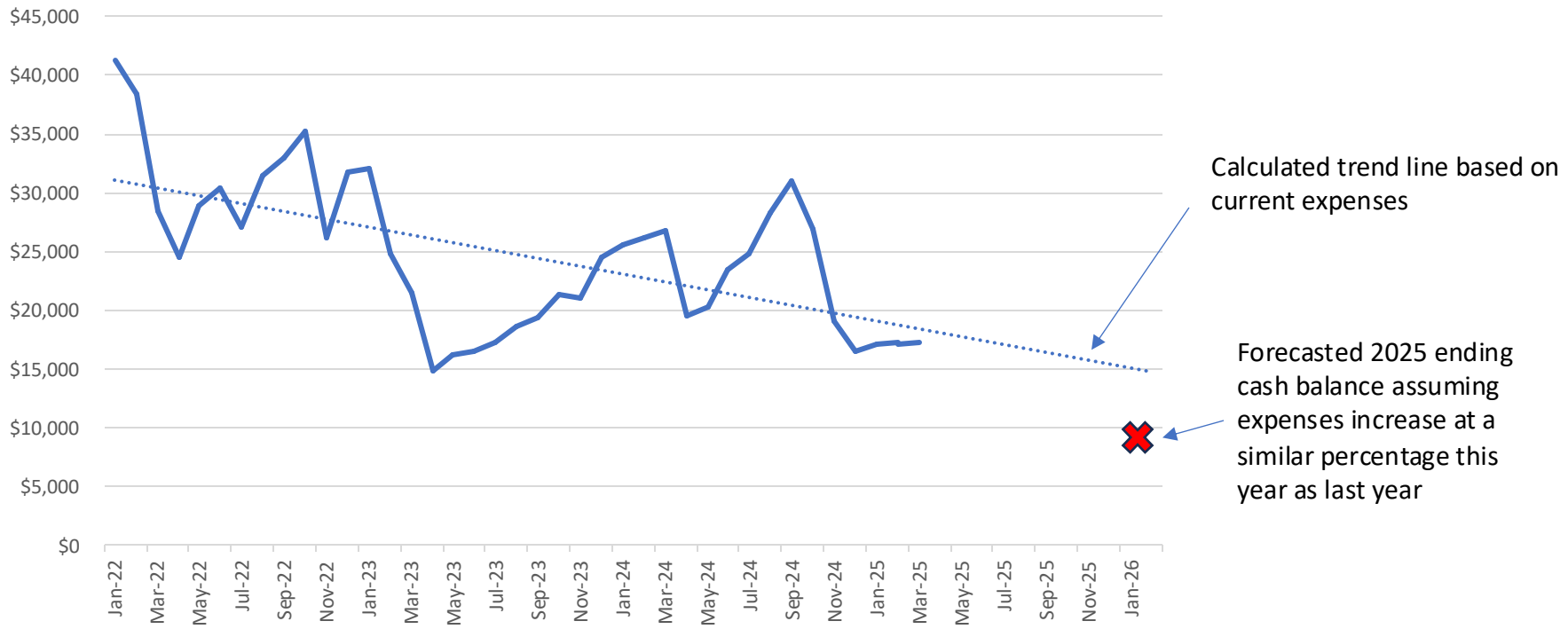
Average Cash on Hand

- 2022 beginning average cash balance was ~$32k, we are currently trending to less than $15k by year end 2025, not taking into account forecast expense increases in 2025
- With inflation over this period, this is a net reduction of ~67%
- Trendline is calculated solely on average cash balance, does not consider forecasted changes to P&L
- 2025 forecast is $6k in additional operating expenses compared to 2024, which would result in a 2025 YE balance of $9k



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Rate Increase Proposals Considered

- Scenario 1: Stabilizing Rate Increase
  - Modest rate increase to cover current and forecast expenses
  - Stabilizes checking account balance
  - Does not build strategic reserve to handle extraordinary repairs
  - Will require additional rate increase in 2026 if expenses continue to increase as forecast in 2025
  - Requires additional $15k of annual revenue
  - Approx $20 per month per property (66)
  - This is the minimum requirement to ensure solvency through 2026, recommend at least $25 per property

- Scenario 2: Rebuild Strategic Reserve
  - Larger rate increase starts building savings
  - Builds a safety net for future repairs and upgrades
  - Can likely delay further rate increases to 2027 or beyond
  - Target of $50k in reserve by FYE 2026
  - Requires additional $30k of annual revenue (in addition to the $15k above), total of $45k increase
  - Approx $57 per month per property (66)

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Current Rate Structure

- Minimum Service Charge:
  - $40/mo lower tank, $45/mo upper tank
- Usage Charge:
  - First 2,000 gallons: $5.00
  - Second 2,000 gallons: $10.00
  - Third 2,000 gallons: $20.00
  - Fourth 2,000 gallons: $40.00
  - Each additional 2,000 gallons: $75.00

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Rate Increase Methods Considered

- Add to minimum service charge
  - Between $20 - $60 per month depending on scenario chosen (could also be in the middle)
  - Simple to implement, predictable
- Add to usage charge
  - Increase the various tiers of water usage
  - Depends on usage, revenue is less predictable
  - More complex to implement
  - Would need to evaluate average usage charges per connection to model proposed rate increase

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New Rate Structure

Approved by board March 12, goes into effect May 1

- Minimum Service Charge:
  - $100/mo lower tank, $105/mo upper tank
  - Increased by $60/mo
- Usage Charge (no change):
  - First 2,000 gallons: $5.00
  - Second 2,000 gallons: $10.00
  - Third 2,000 gallons: $20.00
  - Fourth 2,000 gallons: $40.00
  - Each additional 2,000 gallons: $75.00

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Cazadero Consolidation

- State water board is urging Cazadero systems to consolidate operations
- Material following is from RCAC (consultant) and P&P (engineering) firms contracted by the state

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Why are we here?

Stock imagery of failing Infrastructure

Many systems in the Cazadero Region are experiencing, or are at risk of, challenges related to:

- Aging & failing infrastructure
- Limited supporting resources
- Water quality concerns
- Supply redundancy and resiliency
- Failure to meet current and future regulations

In 2024, the State Water Resources Control Board (SWRCB) initiated this study to address these regional challenges.

The Feasibility Study and Outreach work is fully grant-funded, with **no cost** to the community.

CALIFORNIA Water Boards
STATE WATER RESOURCES CONTROL BOARD
REGIONAL WATER QUALITY CONTROL BOARDS

RCAC
www.rcac.org

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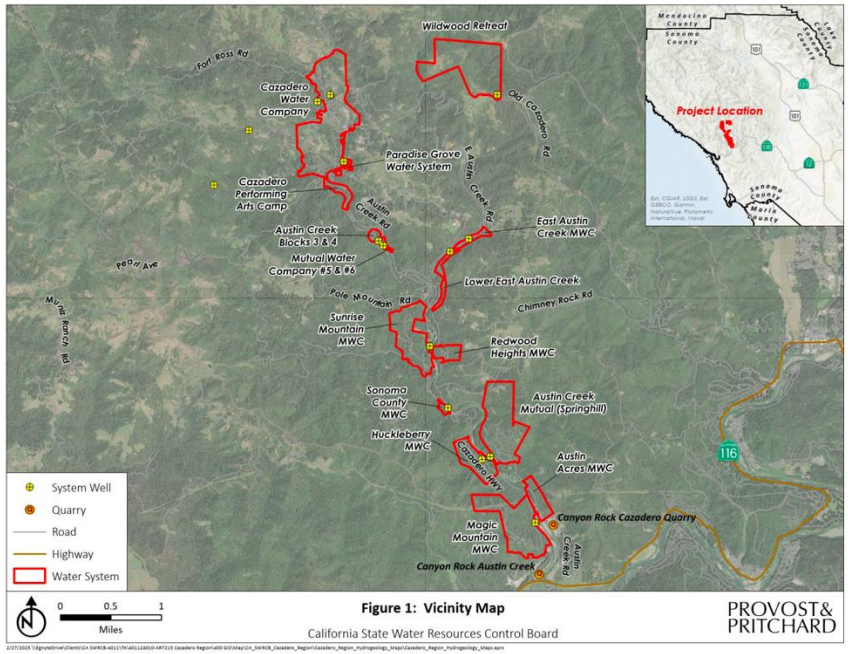
Study Region



- **Participating Systems**
- Interest in consolidation was assessed from 17 water systems contacted in the study.
- 15 were examined:
- Camp Royaneh & Creekwood Acres systems requested to be omitted from study.
- Wildwood Retreat was not included in alternatives analyses, as connection to the system is not physically feasible.

RCAC
www.rcac.org

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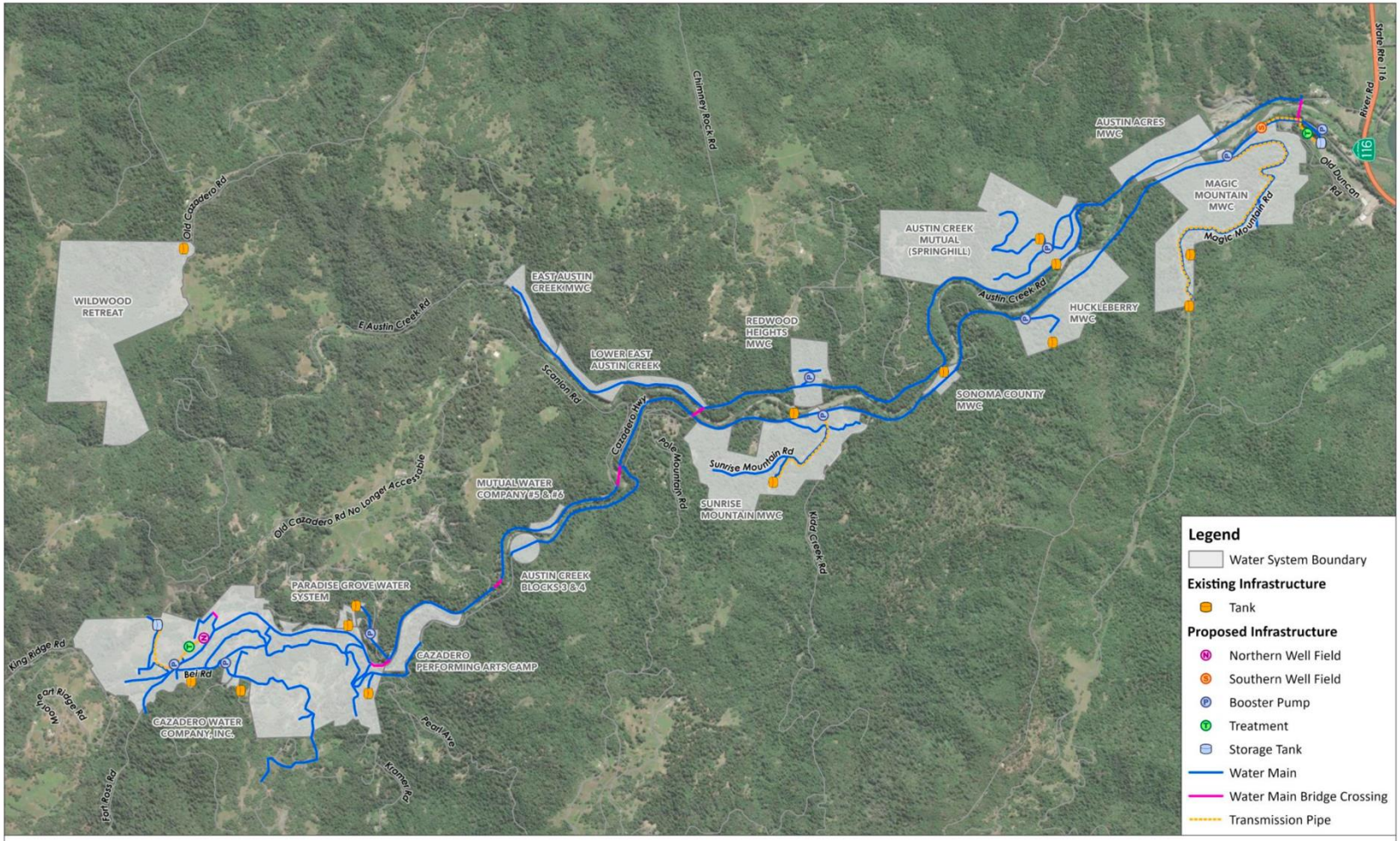

Cazadero Regional Feasibility Study

Figure 10-1: Alternative No. 1 Schematic

DRAFT

PROVOST& PRITCHARD

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IMPACT

Advantages

- Reliable, safe drinking water
- Fire flow throughout region
- Replaces components of existing systems which have reached the end of their useful life
- Regional managing entity
- System-wide regulatory compliance

Disadvantages

- Highest cost
- Roadway and property disruptions during installation
- Complex system requiring significant governance and O&M

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COST & FUNDING

	Alternative 1: Full Consolidation (pg. 10-7)	Alternative 2: Master Meter Consolidation (pg. 10-12)
Total Project Cost	**$68,020,000**	**$42,120,000**
Estimated Annual O&M Costs	$1,045,000	$795,000
Present Worth of O&M Costs	$15,544,000	$11,829,700
Total Life Cycle Costs	$83,559,000	$53,951,700

- Cost estimates are based on preliminary conceptual layouts
- Key Cost Categories
  - **Total Project Cost:** Construction, 30% contingency, non-construction costs (design, permitting, admin)
  - **Annual O&M Costs:** Annual expenses including labor, power, treatment, repairs
  - **Present Worth of O&M Costs:** Total future O&M costs for 20 years, accounting for 3% annual inflation
  - **Total Life Cycle Costs:** Full cost over the project's life

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Election of Board Members

- Current board members:
  - Richard Kizu-Blair
  - Debbie Brooks
  - Mike Brooks
  - Rachelle Alexander
  - Grant Kirkwood
- Always looking for more help!
- Always welcome members to join our board meetings (2nd Wednesday at 6pm)

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Questions / Discussion

Please update contact information (name, address, phone, email) by sending to:

water@acmwc.net

Meeting slides and recording will be here:

https://water.acmwc.net