

BUDGETARY OPTIONS



Agenda

- Rate Recap
- Inflation Assumption
- Key Assumptions
- Four Scenarios
- Recommendations
- Questions

Mesa Water

- Financially Strong
- AAA ratings

**STANDARD
& POOR'S**

Fitch Ratings



Rate Recap

- January 2022 Approved Rate Adjustments
- Capital Charge Implemented

	Fiscal Year				
	2023	2024	2025	2026	2027
Revenue Increase	8.0%	8.0%	5.0%	5.0%	5.0%



Inflationary Assumption

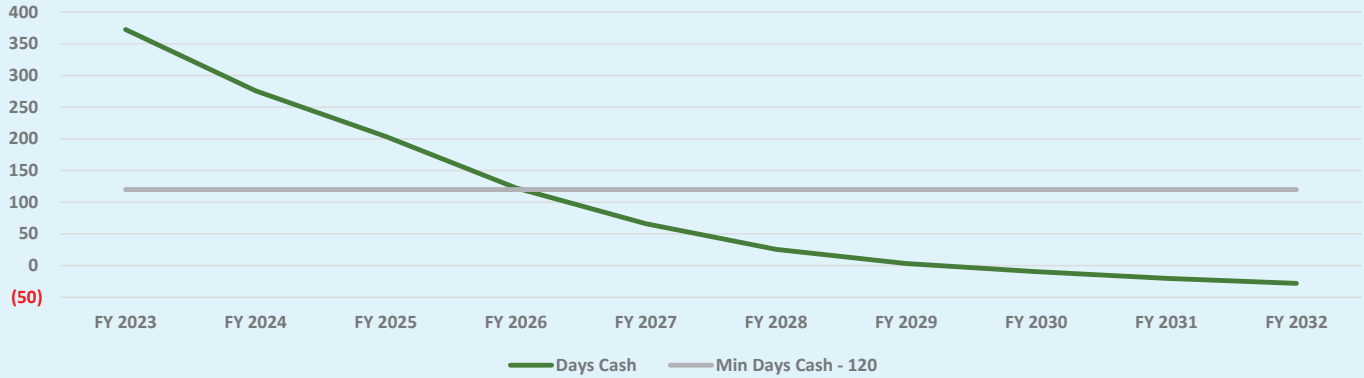
Line Item	Fiscal Year				
	2023	2024	2025	2026	2027
General	2.5%	2.5%	2.5%	2.5%	2.5%
Payroll	3.5%	3.5%	3.5%	3.5%	3.5%
Utilities	3.5%	3.5%	3.5%	3.5%	3.5%
Groundwater Basin Replenishment Assessment	6.5%	4.8%	6.9%	7.3%	5.7%
Imported Water Volumetric Costs	5.0%	5.0%	5.0%	5.0%	5.0%
Imported Water Fixed Supply Costs	3.5%	3.5%	3.5%	3.5%	3.5%

Projected Inflationary Assumption

Line Item	Fiscal Year				
	2023	2024	2025	2026	2027
General	6.60%	4.30%	3.50%	3.50%	3.50%
Payroll	5.00%	4.00%	3.00%	3.00%	3.00%
Utilities	21.99%	4.50%	4.50%	4.50%	4.50%
Groundwater Basin Replenishment Assessment	7.30%	14.70%	19.55%	12.00%	12.00%
Imported Water Volumetric Costs	5.77%	7.36%	5.16%	6.15%	5.73%
Imported Water Fixed Supply Costs	4.50%	3.50%	3.50%	3.50%	3.50%

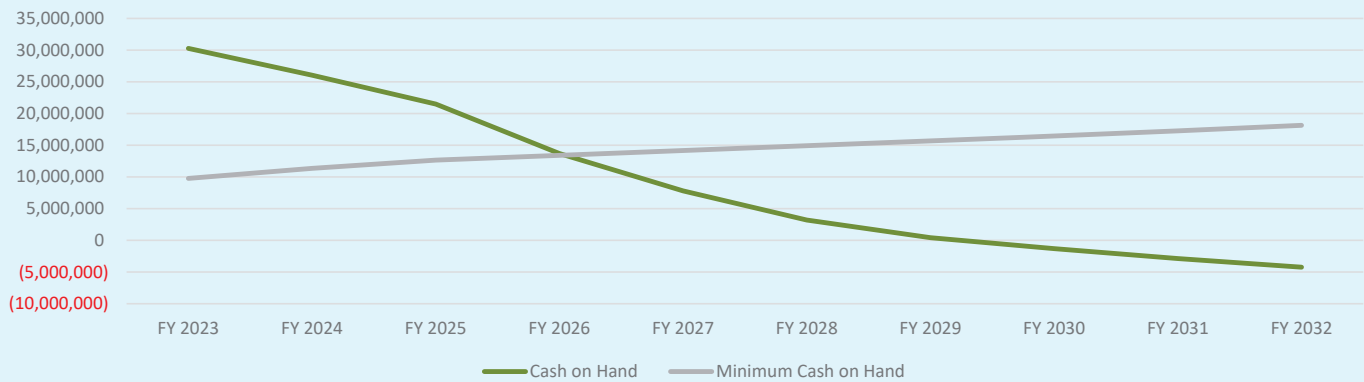
Projected Days Cash

Projected Days Cash



Projected Cash on Hand

Projected Cash on Hand



Key Assumptions

- Debt Coverage Ratio remains above 2.0
- Minimum Days Cash remains above 120 Days
- Total Days Cash remains at a AAA level
- Capital Spend of \$ 4.0 MM adjusted for inflation

Four Options

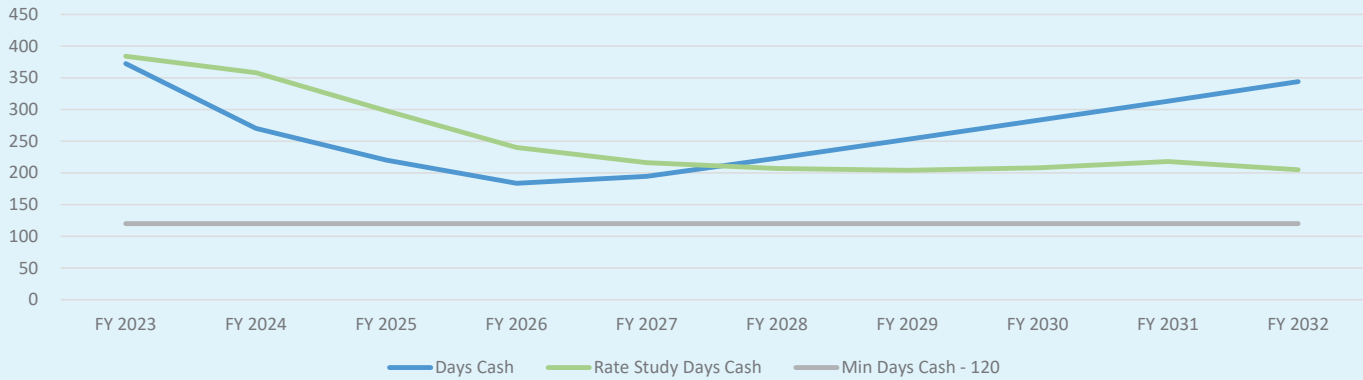
- Conduct a rate study in 2023 and implement the results in 2024.
- Conduct a rate study in 2023 and implement the results in 2025.
- Conduct a rate study in 2024 and implement the results in 2026.
- Reduce external and internal expenses from a variety of departments.

Scenario Summary

Scenario	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
1	5%	5%	5%	5%	5%	0%	0%
2	0%	6%	5%	5%	5%	5%	0%
3	0%	0%	20%	5%	5%	5%	5%

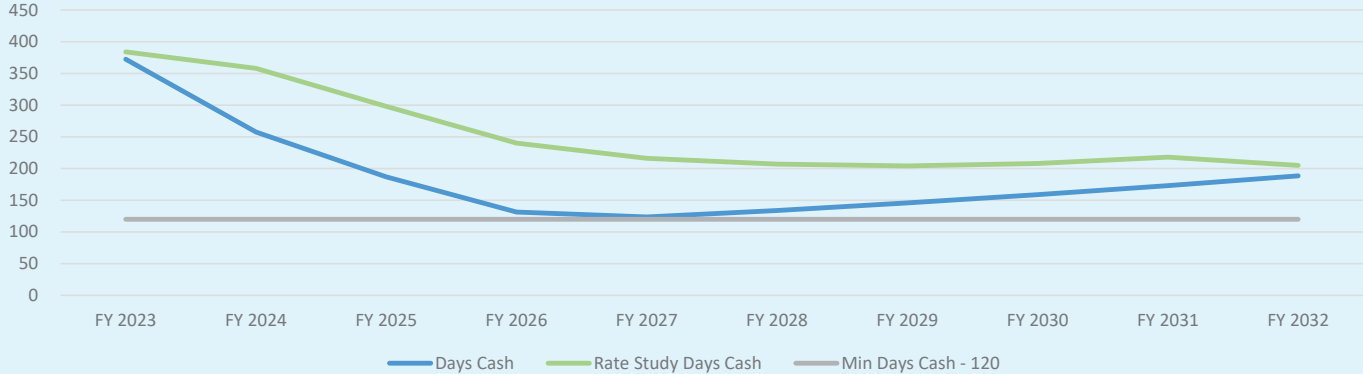
Scenario 1 – Days Cash

Scenario 1 - Days Cash



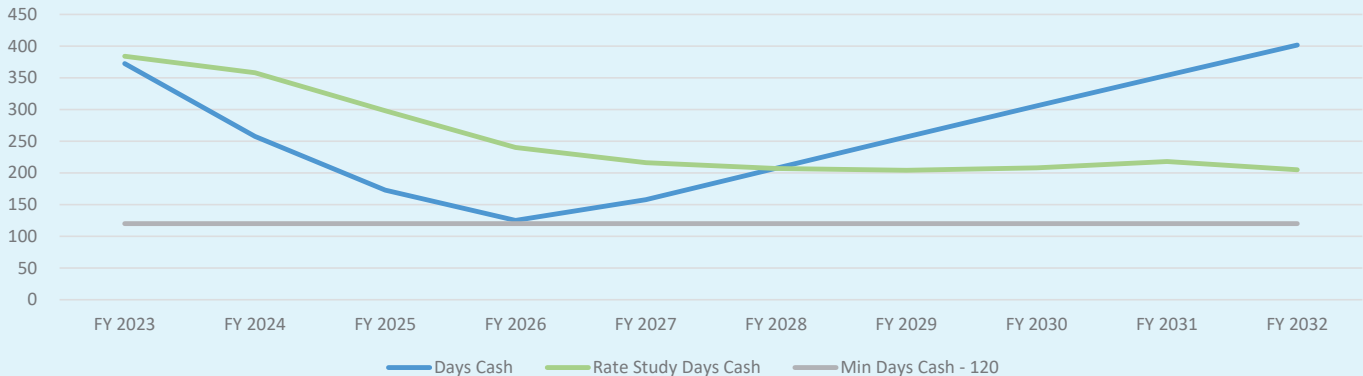
Scenario 2 – Days Cash

Days Cash



Scenario 3 – Days Cash

Days Cash

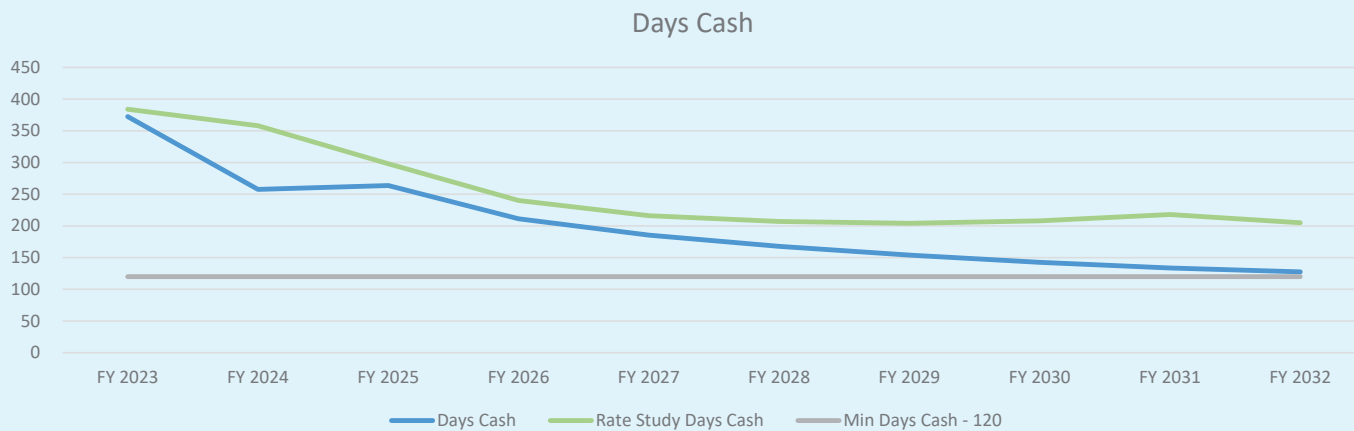


Scenario 4

- Reduce external and internal expenses from a variety of departments.
- Lowest Days Cash – 127 Days
- Lowest Cash on Hand - \$ 16.59 MM



Scenario 4 – Days Cash



Scenario Recap

Scenario	Lowest Days Cash	Lowest Cash on Hand
1	184	\$20,647,000
2	124	\$14,654,000
3	125	\$14,067,000
4	127	\$16,593,000

Recommendation

- *Direct Staff:*
 - *To move forward with implementing Scenario 1*

Timeline

- July 6 – Hire a Rate Consultant
- September 13 – Review of Rate Options, Schedule Public Hearing
- October 25 – Draft of Rate Study
- October 27 – Proposition 218 Notice
- December 13 – Public Hearing

Recommendation

- *Direct Staff:*
 - *To move forward with implementing Scenario 1*

QUESTIONS?

21 | April 18, 2023

