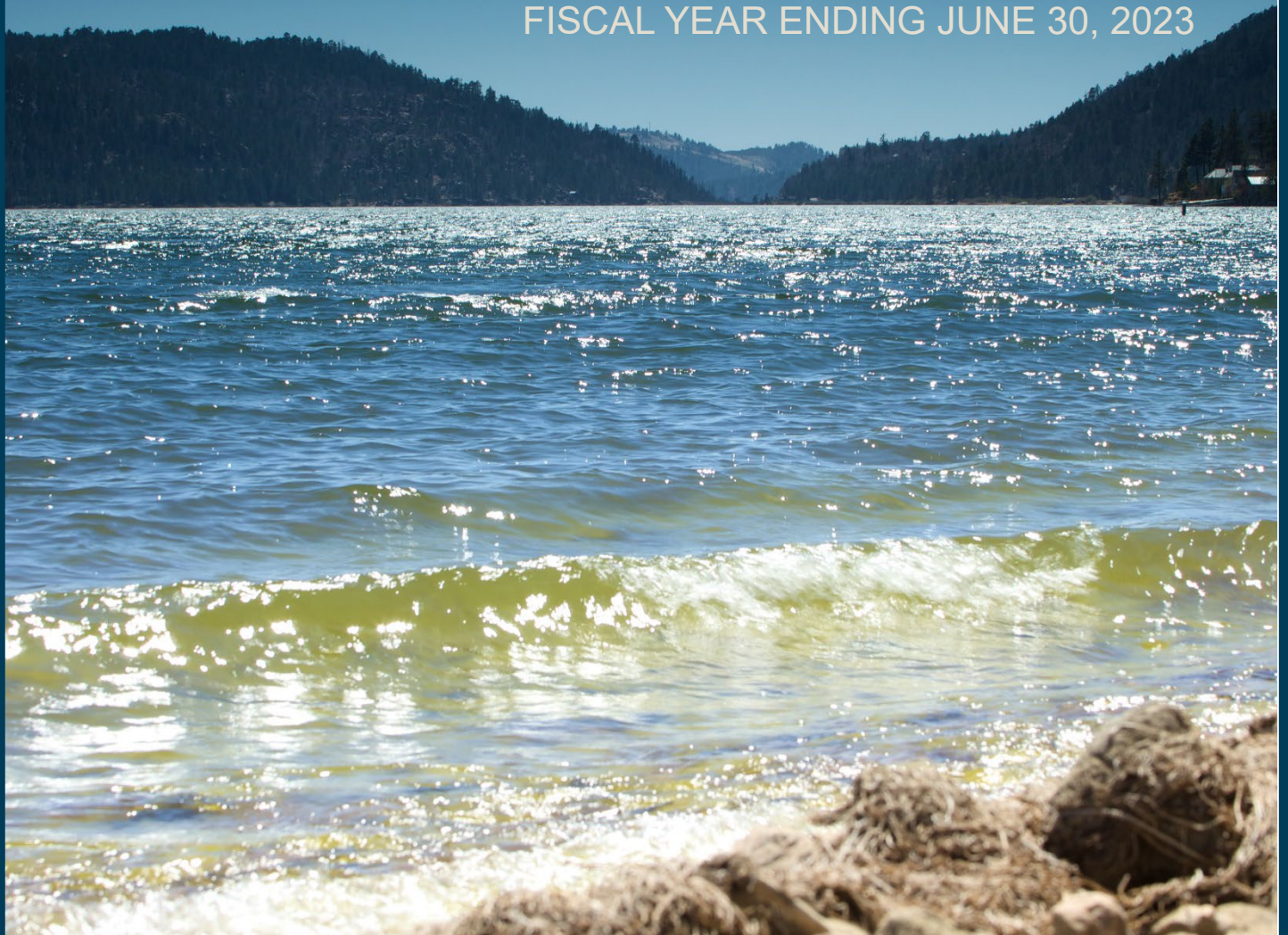


2023 BUDGET

FISCAL YEAR ENDING JUNE 30, 2023



BIG BEAR AREA REGIONAL WASTEWATER AGENCY

Effectively collecting, treating and beneficially reusing wastewater and bio-solids in an environmentally and fiscally responsible manner.

www.bbarwa.org

121 Palomino Drive, Big Bear City, California 92314



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Section 1: BBARWA Budget Framework

Replenish Big Bear Project (RBB)

During this budget cycle, the Agency will begin to budget for expenses associated with RBB through FY 2025 and will determine a rate adjustment tied to these expenses. In the discussion that follows, the Agency's current operations and proposed rate adjustments will be addressed first, with Section 2 addressing the impact of RBB on the Agency's expenses and rates.

Important Assumptions

The budget and the forecast period were prepared using the following assumptions:

Rate Increases: The budget and forecast period were prepared assuming adjustments in the Agency's sewer user fee each year during the 5-year period, from FY 2023 - 2027. The rates through FY 2027 have been structured to meet the Agency's current operating and capital needs during the next five years and assumes no new debt financing during the period. It should be noted that the Agency's rates have been structured to cover 85% of its annual debt service. The remaining 15% (approximately \$75,000) is projected to be funded through connection fee revenue.¹ It is the Agency's intent to manage rate adjustments to a level that is near inflation. Over the long-term, the Agency is expected to do so.

	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	
Rate per EDU	\$187.94	\$193.58	\$201.32	\$201.32	\$201.32	\$204.34	\$210.06	\$216.78	\$223.07	\$231.77	\$241.04	\$250.68	\$260.71	\$269.05	\$277.66	
% Change		4.0%	3.0%	4.0%	0.0%	0.0%	1.5%	2.8%	3.2%	2.9%	3.9%	4.0%	4.0%	4.0%	3.2%	3.2%
Prior Projected Rates											\$240.35	\$249.00	\$257.96	\$266.22		
Prior Projected % Change											3.7%	3.6%	3.6%	3.2%		

The Agency has needed higher rate adjustments beginning in FY 2022 compared to the recent past due to unplanned expenditures associated with higher repairs and replacements expense and RBB expenses. The current projected rate adjustments are slightly higher than those projected a year ago due to higher capital expenditure requirements, driven by higher costs and project timing. The higher costs are largely driven by the higher costs associated with the grit system rehabilitation project (higher by approximately \$550,000), the addition of an oxidation ditch bubble diffuser, deferral of slip lining (higher by approximately \$260,000) and an increase in the annual inflationary adjustments applied to the capital improvement plan from 2.5% to 2.85%.

Average Dry Weather Flow: The Agency budgets for dry weather. Based on historical experience, this is approximately 788 million gallons of influent flow on an annual basis. If, during the budget period, the Agency incurs wet weather flows or other operational variances from the budget, and the operating budget is unable to absorb the increased costs, the Agency has established a Contingency Fund from which the Board may appropriate funds. The Contingency Fund is recommended to be two months of operating and maintenance expense by the Government Finance Officers Association. Based on staff's review, we believe the amount to be adequate.

Inflation: Annual price change assumptions are used in the multi-year forecast to project year-over-year changes in certain revenues and costs. The Agency considers the Riverside, San Bernardino, Ontario, CA CPI-U (Consumer

¹ The amount of debt service collected through connection fee revenue has been estimated based on the level of connection fee revenue that can be expected during an economic recession. During the last recession, the Agency's lowest number of annual connections to the system was 18, or \$75,240 in connection fee revenue.



Price Index for all Urban Consumers, All Items; published by the Bureau of Labor Statistics), the 20-City Construction Cost Index (published by Engineering News Record), and the Survey of Professional Forecasters CPI forecast as indicators in determining future price changes. The overall inflationary outlook is for inflation to moderate but remain higher in FY 2022, before lowering to more normalized levels in FY 2023 and thereafter driven by expectations of a receding pandemic (ending government stimulus, disrupted supply chains and shortages of intermediate goods), and tightening monetary policy. Recent rapid and unexpected increases in inflation, have resulted in wide variations in forecasts and forecast revisions. While the level and timing of future price changes is uncertain, we believe the Agency’s assumptions are reasonable based on the economic information available.

Inflation

Month	Riverside, SB, Ontario CPI U	West Region CPI U	National CPI U	CCI
November 2021	7.9%	6.5%	6.8%	7.7%
January 2022	8.6%	7.7%	7.5%	8.0%

Survey of Professional Forecasters², CPI Forecast (as of February 11, 2022)

	2022 Q1 Quarter Average	2022 Q2 Quarter Average	2022 Q3 Quarter Average	2022 Q4 Quarter Average	Annual Average
2022	5.5%	3.8%	2.7%	2.7%	3.8%
2023					2.4%
2024					2.3%
2022-2026					2.7%

The Agency has assumed average inflation of 2.8% during the forecast period, decreasing from 3.6% in FY 2023 to 2.5% in FY 2027.

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Year Average
Inflation Rate	1.8%	0.8%	1.8%	2.2%	4.0%	2.9%	0.9%	5.9%	5.7%	3.6%	2.7%	2.5%	2.5%	2.5%	2.8%

Actual inflation represents the CPI, Los Angeles-Riverside-Orange County, All Urban Consumers for FY 2013 - 2018, and the CPI for Riverside, San Bernardino, Ontario CA, beginning in FY 2019.

Comparisons

Financial performance comparisons throughout this document include historical, current and future periods. The periods prior to and including FY 2021 are periods of actual financial performance, FY 2022 is the projected performance, FY 2023 is the budget period, and FY 2023 – FY 2027 is the forecast period:

² The Survey of Professional Forecasters is the oldest quarterly survey of macroeconomic forecasts in the United States. The survey began in 1968 and has been conducted by the Federal Reserve Bank of Philadelphia since 1990.



<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2023 - FY 2027</u>
Actual	Projected	Budget	Forecast Period

Items Impacting Financial Performance

Salaries and Benefits Expense – Overall, salaries and benefits expense is expected to grow at a slightly slower pace during the next five years when compared to the previous five-year period, a 5% average annual change compared to 6%. This is largely due to lower benefits expense associated with lower growth in medical premium expense.

Salaries and Wages Expense – The average annual increase in salaries and wages over the forecast period is projected to be 5%, consistent with the average growth during the prior five-year period. The Agency is expected to experience 7% growth in FY 2023 slowing to 4% growth in FY 2027 as more employees reach the top of their pay scales³ and inflation slows. Approximately 40%, or 6 out of 14 Agency employees will be at the top of scale in FY 2023, increasing to 83%, or 12 out of 14 in FY 2027.

In the past, the Agency has been able to manage salary and wage growth during uncertain times by capping the maximum annual pay adjustment. The Agency capped pay adjustments in FY 2021 to 5% to offset a lower adjustment to the Agency’s Sewer User Fee due to the uncertainty surrounding the pandemic. Currently, the Agency will need to manage higher COLA adjustments stemming from recent spikes in inflation and has incorporated a lower COLA than that indicated by the index and methodology historically used, and an 8% cap on wage adjustments (5.8% COLA⁴ and up to 2.2% merit adjustments for eligible employees). Further, a recent separation has given the Agency the opportunity to reduce staffing at this time. A Plant Operator II recently separated (voluntarily) and it has been determined that with the conversion to solar power from natural gas generation, a rehire may not be necessary as the resources needed to run the treatment plan with generators on standby power are lower.

Benefits expense – The average annual increase in benefits expense is expected to be 5% over the five-year period with higher pension costs being offset somewhat by lower medical premium and OPEB contribution expense. Increases in pension costs have been driven by changes in the assumed rate of return on pension assets which was lowered from 7.5% to 7% in prior years, and in July 2021 lowered further to 6.8%. The high 21.3% market returns at June 30, 2021 allowed CalPERS to drop the expected rate of return further with marginal impacts to contribution expense. Pension costs are expected to increase from approximately \$380,000 in FY 2022 to approximately \$540,000 in FY 2027, an average annual increase of 7% over the forecast period. A decrease in medical premiums effective January 2022, will carry through to FY 2023, resulting in an estimated 2% increase for the budget year and a 5% annual growth over the forecast period. OPEB contribution expense will lower in FY 2023 as a result of the June 30, 2021 investment returns resulting in an 11% decrease in contribution expense for FY 2023 and a 2% annual average growth over the period.

³ When employees reach the top of their pay scale, they are eligible for cost-of-living adjustments only compared to both merit and cost-of-living adjustments.

⁴ It is important for the Agency to continue to pass through market-level COLA adjustments, so that higher adjustments will not be indicated during the annual compensation study update. Please see page 24 for further discussion of the COLA calculation.



Rising Costs – The Agency is experiencing higher than inflationary growth in chemicals, solid waste disposal, insurance and permits and fees expense. The Agency is experiencing double digit increases in insurance and permits and fees expenses.

Higher Interest Income – Interest rates are expected to rise, with the federal reserve expected to raise rates multiple times in FY 2022. This should result in higher interest income on the Agency’s cash balances and is expected to result in an increase in interest income of approximately \$75,000 a year on average over the forecast period.

Reduction of OPEB Unfunded Accrued Liability (OPEB UAL) - No lump-sum payments to reduce the OPEB UAL are scheduled during the next five years, due to the current funded status of the plan and current demands on capital. The Agency’s goal has been to reach a near 90% funded ratio on its pension and OPEB liabilities. With the 2021 market returns, the OPEB liability was 89.3% funded in the most recent valuation dated June 30, 2021. The Agency had planned to contribute \$1 million over five years to increase its funded ratio to 90%. The Agency had made 3, annual lump-sum payments of \$200,000 under this plan. The Agency may continue to make these payments in the future, at the discretion of the Governing Board, if and when the funded ratio lowers and if there is adequate cash flow to make the payment.

A goal of the Agency has been to reduce its unfunded pension/OPEB liabilities so that the Agency's pension/OPEB assets are nearly equal to its pension/OPEB liabilities, resulting in annual pension/OPEB expense near the normal cost. Maintaining a higher funded ratio better ensures that the Agency's obligations will be met and that intergenerational equity will be maintained among ratepayers.

Terminology

CAGR	the Compound Annual Growth Rate which is the average annual growth rate over the period referenced
CAPEX	capital expenditures
CalPERS	California Public Employees Retirement System
FY	means the fiscal year ending June 30 th of the year referenced, i.e., FY 2023 is the fiscal year ending June 30, 2023
nm	means “not meaningful”. It is input as the outcome when dividing by “0” or when the percent change calculation includes a loss or negative number
Projected performance	based on six months of actual performance through November 2021 and represents the Agency’s best estimate of full-year, FY 2022 performance
RBB	Replenish Big Bear
UAL	unfunded accrued liability (used in reference to pension and OPEB unfunded liabilities)



Financial Performance: Income Statement and Cash Flow Comparisons

Income statement and cash flow comparisons have been provided on the following pages. The following should be noted as it relates to the financial comparisons: 1) all references to the FY 2022 Budget are the revised budget (revised during the year through amendments and new appropriations) unless noted otherwise, 2) actual results may not match audited financial statements due to the exclusion of GASB adjustments related to pension and OPEB expenses, and 3) an “nm” is notated when dividing by “0” or when the percent change calculation includes a loss or negative number. A written financial summary is provided for each comparison. A discussion and analysis of the NEW FY 2023 Budget follows.



Statement Comparison: Projected FY 2022 to Actual FY 2021 and Budget FY 2022

INCOME STATEMENT
Comparison Projected FY 2022 to Actual FY 2021 and Budget FY 2022

	Actual FY 2021	Budget FY 2022	Projected FY 2022	Projected FY 2022 vs. Actual FY 2021		Projected FY 2022 vs. Budget FY 2022	
				\$	%	\$	%
Operating Revenues:							
Annual Charges	5,602,113	5,845,163	5,845,163	243,050	4%	0	0%
Standby Charges	80,300	79,220	79,220	-1,080	-1%	0	0%
Rental Income	52,592	53,386	53,386	795	2%	0	0%
Waste Disposal	23,859	21,690	21,690	-2,169	-9%	0	0%
Other Revenue	<u>793</u>	<u>0</u>	<u>0</u>	<u>-793</u>	<u>nm</u>	<u>0</u>	<u>nm</u>
Total Operating Revenue	5,759,657	5,999,460	5,999,460	239,803	4%	0	0%
Operating Expenses:							
Salaries and Benefits	2,447,706	2,664,027	2,617,063	169,357	7%	-46,964	-2%
Power	459,483	463,514	463,514	4,031	1%	0	0%
Sludge Removal	319,660	319,488	293,488	-26,172	-8%	-26,000	-8%
Chemicals	96,119	83,557	73,315	-22,804	-24%	-10,242	-12%
Materials and Supplies	120,308	133,744	128,672	8,364	7%	-5,072	-4%
Repairs and Replacements	262,795	258,642	265,397	2,602	1%	6,755	3%
Equipment Rental	835	854	854	19	2%	0	0%
Utilities Expense	61,996	30,388	30,388	-31,608	-51%	0	0%
Communications Expense	44,988	55,592	49,771	4,783	11%	-5,821	-10%
Contractual Services - Other	90,873	94,563	98,819	7,946	9%	4,256	5%
Contractual Services - Professional	120,390	252,383	220,292	99,902	83%	-32,090	-13%
Permits and fees	201,452	208,484	229,361	27,909	14%	20,877	10%
Property Tax Expense	3,998	4,016	4,016	18	0%	0	0%
Insurance	171,882	229,214	197,864	25,982	15%	-31,350	-14%
Other Operating Expense	37,216	60,613	51,637	14,421	39%	-8,976	-15%
Depreciation Expense	<u>898,422</u>	<u>905,147</u>	<u>905,147</u>	<u>6,725</u>	<u>1%</u>	<u>0</u>	<u>0%</u>
Total Operating Expense	5,338,122	5,764,225	5,629,599	291,477	5%	-134,627	-2%
Operating Income	421,535	235,234	369,861	-51,674	-12%	134,627	57%
Nonoperating Income							
Gain (loss) on Asset Disposition	-360,999	0	0	360,999	nm	0	nm
Interest Income	-1,670	10,171	10,171	11,841	nm	0	0%
Other Nonoperating Income	<u>24,158</u>	<u>513,874</u>	<u>85,352</u>	<u>61,194</u>	<u>253%</u>	<u>-428,522</u>	<u>-83%</u>
Nonoperating Income	-338,511	524,045	95,523	434,033	nm	-428,522	-82%
Nonoperating Expense							
Other Expense	103,896	771,115	176,850	72,955	70%	-594,265	-77%
Interest Expense	<u>122,832</u>	<u>110,916</u>	<u>110,916</u>	<u>-11,916</u>	<u>-10%</u>	<u>0</u>	<u>0%</u>
Nonoperating expense	226,728	882,031	287,767	61,039	27%	-594,264	-67%
Income before Contributions	-143,704	-122,752	177,617	321,321	nm	300,369	nm
Connection Fees	<u>284,240</u>	<u>188,100</u>	<u>246,620</u>	<u>-37,620</u>	<u>-13%</u>	<u>58,520</u>	<u>31%</u>
Change in Net Position	140,536	65,348	424,237	283,701	202%	358,889	549%

Notes

"nm" means not meaningful and is used when dividing by 0

percent change is not provided if either the latest period or the comparison period contains a loss or negative number



CASH FLOW STATEMENT
Comparison Projected FY 2022 to Actual FY 2021 and Budget FY 2022

	Actual FY 2021	Budget FY 2022	Projected FY 2022	Projected FY 2022 vs. Actual FY 2021	Projected FY 2022 vs. Budget FY 2022
Cash from Operating Activities:					
Operating Income (Loss)	421,535	235,235	369,861	-51,674	134,627
Depreciation Expense	898,422	905,147	905,147	6,725	0
Other Miscellaneous Income (Exp)	0	0	0	0	0
Change in Working Capital, Other Adj.	<u>-18,658</u>	<u>-2,988</u>	<u>-2,996</u>	<u>15,662</u>	<u>-8</u>
Net Cash Provided by Op Activities	1,301,299	1,137,394	1,272,012	-29,287	134,619
Cash from Noncapital Financing:					
Payment of Pension Related Debt/Liab	0	-149,892	0	0	149,892
Cash from Capital and Related Financing:					
Other Nonoperating Expense	-98,867	-766,087	-171,822	-72,956	594,265
Capital Expenditures	-1,084,007	-2,035,314	-1,855,822	-771,815	179,492
Proceeds from Asset Disposition	23,547	0	0	-23,547	0
Connection Fee (Capital Contrib)	254,980	188,100	246,620	-8,360	58,520
Proceeds from Debt Issuance, Grants	24,158	513,874	85,352	61,194	-428,522
Debt Service:					
Interest Expense	-124,457	-110,916	-110,916	13,541	0
Principal Debt Amortization	<u>-384,976</u>	<u>-398,160</u>	<u>-398,160</u>	<u>-13,185</u>	<u>0</u>
Total Debt Service	-509,433	-509,077	-509,077	356	0
Net Cash Used for Cap and Financing	-1,389,621	-2,608,504	-2,204,749	-815,128	403,755
Cash from Investing:					
(Increase) Decrease in Other Assets	0	0	0	0	0
Other Proceeds	0	0	0	0	0
Interest Income	13,967	10,171	10,171	-3,796	0
Proceeds from the Sale of Investment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash from Investing	13,967	10,171	10,171	-3,796	0
Net Change in Cash	-74,355	-1,610,832	-922,566	-848,211	688,265
Beginning Cash Balance	6,769,204	6,694,849	6,694,849	-74,355	0
Ending Cash Balance	<u>6,694,849</u>	<u>5,084,018</u>	<u>5,772,283</u>	<u>-922,566</u>	<u>688,265</u>
Change in Cash Balance	-74,355	-1,610,832	-922,566	-848,211	688,265



Discussion: Projected FY 2022 Compared to Actual FY 2021

Operating Revenues are projected to be approximately \$6 million, up \$239,803 or 4% in FY 2022. The increase is driven by higher annual charges driven by a 3.9% rate increase and new connections during the period.

Operating Expenses are projected to be \$5.6 million, up \$291,477 or 5% in FY 2022. The Agency is projected to experience higher operating expenses across multiple line items compared to the prior year. Projected increases are as follows:

- **Salaries and Benefits** expense is projected to be \$2.6 million, up \$169,357 or 7% from FY 2021. The increase is driven by 1) a 7% increase in salaries and wages (higher by \$102,844) due to annual merit and COLA adjustments (merit adjustments of 5% and COLA adjustments of 1.9%) combined with longevity adjustments⁵ and 2) an 8% increase in benefits expense (higher by \$67,791) driven largely by higher pension expense.
- **Contractual Services - Professional** expense is projected to be \$220,292, up \$99,902 or 83% from FY 2021. The increase is driven by a Rate Study (\$43,650) and an Arc Flash Study (\$32,016) during the period.
- **Permits and Fees** expense is projected to be \$229,361, up \$27,909, or 14% from FY 2021 and is driven by a 16.8% increase in the Agency's discharge permit fees.
- **Insurance** expense is projected to be \$197,864, up \$25,982 or 15% from FY 2021. The majority of the increase is driven by increases in property/liability insurance rates driven by the recent California wildfires.
- **Other Operating** expense is projected to be \$51,637, up \$14,421 or 39% compared to the year ago period, due to higher education and training expense. Educational travel experienced a rebound during the current year but still remains low compared to pre-pandemic periods.

The above increases are projected to be offset by the following decreases compared to the prior year.

- **Utilities** expense is projected to be \$30,388, down \$31,608 or 51% from FY 2021 and is due to higher solid waste disposal in the prior period resulting from the Pond 5 clean up.
- **Sludge Removal** expense is projected to be \$293,488, down \$26,172 or 8% from FY 2021 due to lower solids removal compared to the prior period.
- **Chemicals** expense is projected to be \$73,315, down \$22,804 or 24% from FY 2021 and primarily reflects a carbon tower replacement in the prior period.

Operating Income is projected to be \$369,861, a decrease of \$51,674 or 12% from FY 2021. The decrease in operating income is due to the growth in operating expenses slightly outpacing the growth in operating revenues, with operating expenses increasing \$291,477 or 5% and operating revenues increasing \$239,803 or 4%.

Change in Net Position is projected to be \$424,237 up \$283,701, or 202% from FY 2021. The increase is driven by much higher projected non-operating income (expense) when compared to FY 2021, due to a large loss on asset dispositions in the prior period.

⁵ The Agency budgets salary adjustments as follows: employees that are below the top of scale and are eligible to receive a merit adjustment are budgeted to receive a 5% salary adjustment; employees that have 7 years or more of service are budgeted to receive a 1% longevity adjustment; all employees are budgeted to receive a COLA adjustment based on the November CPI. Estimates based on these assumptions are for budgeting purposes only.



Change in Cash for the Period is projected to be (\$922,566) in FY 2022, lower by \$848,211 when compared to FY 2021. Lower cash flow is due mostly to higher capital expenditures (higher by approximately \$772,000) and lower operating income (lower by approximately \$52,000) compared to FY 2021.

Discussion: Projected FY 2022 Compared to Budget FY 2022

The comparison below is made to the Agency's budget, as amended during the year to include approximately \$1.2 million in carry over and new appropriations during the period: 1) \$96,033 operating expenses, 2) \$335,510 non-operating expenses and 3) \$789,326 in capital expenditures.

Operating Revenues are projected to be \$6 million, on plan with the budget.

Operating Expenses are projected to be \$5.6 million, down \$134,627 or 2% compared to the Agency's budget. Lower operating expenses are driven by lower projected Salaries and Benefits, Contractual Services – Professional, Insurance, Sludge Removal, and Chemicals expenses, offset by higher Permits and Fees expense. Projected decreases from the budget are as follows:

- **Salaries and Benefits** expense is projected to be \$2.6 million, down \$46,964 or 2% from the budget. The decrease is driven by lower staffing during the second half of the period resulting in lower salaries and wages (lower by \$8,316) lower medical premium expense due to lower medical premium costs and lower staffing (lower by \$18,512) and lower pension costs due to overbudgeting (lower by \$11,045).
- **Contractual Services Professional** expense is projected to be \$220,292, down \$32,090 or 13% from the budget due to lower expected legal and engineering expense during the period.
- **Insurance** expense is projected to be \$197,864, down \$31,350 or 14% from the budget and is driven by lower property/liability and workers compensation insurance rates. The Agency budgeted for a 50% increase in property/liability insurance costs (compared to an actual increase of 32%) due to the uncertainty surrounding reinsurance rates, the 40% increase the Agency experienced in FY 2021, and the 50% increases that other local agencies were experiencing. Lower workers' compensation insurance expense was driven mostly by higher discounts and a higher longevity credit granted by SDRMA than budgeted.
- **Sludge Removal** expense is projected to be \$293,488, down \$26,000 or 8% from the budget. The decrease is due to lower expected sludge removal during the period (lower by approximately 400 tons).
- **Chemicals** expense is projected to be \$73,315, down \$10,242 or 12% from the budget. The decrease is due to lower odor control (due to inventory on hand) and lower polymer needed during the period than budgeted for.

The above decreases are expected to be offset in part by the following increase:

- **Permits and Fees** expense is projected to be \$229,361, up \$20,877 or 10% from the budget. The increase over the budget was driven by an increase in the Agency's discharge permit fees. The fees increased by 16.8% over the year ago period compared to a budgeted increase of 10%.

Operating Income is projected to be \$369,861, up \$134,627 driven by lower operating expenses.

Change in Net Position is projected to be \$424,237, up \$358,889 from the budget. The increase is driven by higher operating income of \$134,627, a positive variance of \$165,743 in net non-operating income (expense) due mostly to lower RBB/GSA expenses, and higher connection fee revenue of \$58,520.

Change in Cash for the Period is projected to be (\$922,566) in FY 2022, up \$688,265 compared to the budget. Higher cash flow compared to the budget is due mostly to lower capital expenditures of \$179,492, lower RBB/GSA expenses of \$165,743, no OPEB lump sum payment of \$149,892, higher operating income of \$134,627, and higher connection fee revenue of \$58,520.



Statement Comparison: NEW Budget FY 2023 to Projected FY 2022

INCOME STATEMENT
Comparison NEW Budget FY 2023 to Projected FY 2022

	Projected FY 2022	NEW Budget FY 2023	NEW Budget FY 2023 vs. Projected FY 2022	
			\$	%
Operating Revenues:				
Annual Charges	5,845,163	6,095,360	250,197	4%
Standby Charges	79,220	77,602	-1,618	-2%
Rental Income	53,386	54,205	819	2%
Waste Disposal	21,690	21,690	0	0%
Other Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>nm</u>
Total Operating Revenue	5,999,460	6,248,857	249,397	4%
Operating Expenses:				
Salaries and Benefits	2,617,063	2,767,122	150,058	6%
Power	463,514	479,055	15,541	3%
Sludge Removal	293,488	315,295	21,807	7%
Chemicals	73,315	83,084	9,769	13%
Materials and Supplies	128,672	142,203	13,531	11%
Repairs and Replacements	265,397	221,067	-44,329	-17%
Equipment Rental	854	885	31	4%
Utilities Expense	30,388	48,301	17,913	59%
Communications Expense	49,771	57,223	7,451	15%
Contractual Services - Other	98,819	104,732	5,913	6%
Contractual Services - Prof	220,292	166,620	-53,672	-24%
Permits and fees	229,361	245,225	15,864	7%
Property Tax Expense	4,016	4,070	54	1%
Insurance	197,864	243,708	45,844	23%
Other Operating Expense	51,637	64,749	13,112	25%
Depreciation Expense	<u>905,147</u>	<u>921,287</u>	<u>16,140</u>	<u>2%</u>
Total Operating Expenses	5,629,599	5,864,627	235,028	4%
Operating Income	369,861	384,230	14,369	4%
Nonoperating Income				
Gain (loss) on Asset Disposition	0	0	0	nm
Interest Income	10,171	83,228	73,058	718%
Other Nonoperating Income	<u>85,352</u>	<u>0</u>	<u>-85,352</u>	<u>-100%</u>
Nonoperating Income	95,523	83,228	-12,294	-13%
Nonoperating Expense				
Other Expense	176,850	5,028	-171,822	-97%
Interest Expense	<u>110,916</u>	<u>97,279</u>	<u>-13,637</u>	<u>-12%</u>
Nonoperating Expense	287,767	102,307	-185,460	-64%
Income before Contributions	177,617	365,151	187,535	106%
Connection Fees	<u>246,620</u>	<u>188,100</u>	<u>-58,520</u>	<u>-24%</u>
Change in Net Position	424,237	553,251	129,015	30%

"nm" means not meaningful



CASH FLOW STATEMENT
Comparison NEW Budget FY 2023 to Projected FY 2022

	Projected FY 2022	NEW Budget FY 2023	Budget FY 2023 vs. Projected FY 2022
Cash from Operating Activities:			
Operating Income (Loss)	369,861	384,230	14,369
Depreciation Expense	905,147	921,287	16,140
Other Miscellaneous Income (Exp)	0	0	0
Change in Working Capital, Other Adjustments	<u>-2,996</u>	<u>19,356</u>	<u>22,352</u>
Net Cash Provided by Op Activities	1,272,012	1,324,873	52,861
Cash from Noncapital Financing:			
Payment of Pension Related Debt/Liability	0	0	0
Cash from Capital and Related Financing:			
Other Nonoperating Expense (Interagency)	-171,822	0	171,822
Capital Expenditures	-1,855,822	-644,978	1,210,843
Proceeds from Asset Disposition	0	0	0
Connection Fee (Capital Contrib)	246,620	188,100	-58,520
Proceeds from Debt Issuance, Grants	85,352	0	-85,352
Debt Service:			
Interest Expense	-110,916	-97,279	13,637
Principal Debt Amortization	<u>-398,160</u>	<u>-411,798</u>	<u>-13,637</u>
Total Debt Service	-509,077	-509,077	0
Net Cash Used for Cap and Related Financing	-2,204,749	-965,955	1,238,794
Cash from Investing:			
(Increase) Decrease in Other Assets	0	0	0
Other Proceeds	0	0	0
Interest Income	10,171	83,228	73,058
Proceeds from the Sale of Investment	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash from Investing	10,171	83,228	73,058
			0
Net Change in Cash	<u>-922,566</u>	<u>442,146</u>	<u>1,364,712</u>
Beginning Cash Balance	6,694,849	5,772,283	-922,566
Ending Cash Balance	<u>5,772,283</u>	<u>6,214,429</u>	<u>442,146</u>
Change in Cash Balance	<u>-922,566</u>	<u>442,146</u>	<u>1,364,712</u>



Discussion: NEW Budget FY 2023 Compared to Projected FY 2022

Operating Revenues are budgeted to be approximately \$6.3 million, up \$249,397 or 4% from FY 2022. The increase reflects a 4% increase in Annual Charges driven by a 4% increase in the sewer user fee and new connections to the system.

Operating Expenses are budgeted to be approximately \$5.9 million, up \$235,028 or 4% from FY 2022. The increase is driven by increases across multiple line items. Budgeted increases that exceed 5% and \$20,000 are as follows:

- **Salaries and Benefits** expense is budgeted to be \$2.8 million, up \$150,058 or 6% from FY 2022. The increase is driven by 1) a 7% increase in salaries and wages (higher by \$106,200) due to annual merit and COLA adjustments (merit adjustments of up to 2.2% and COLA adjustments of 5.8%) combined with longevity adjustments⁶ offset by lower staffing and 2) a 4% increase in benefits expense of \$35,478 driven by higher pension expense of \$48,266 offset by lower OPEB expense of \$20,963.
- **Sludge Removal** expense is budgeted to be \$315,295, up \$21,807 or 7% from FY 2022 and is consistent with baseline projections for sludge removal. FY 2022 sludge removal has run below baseline projections during the second quarter of FY 2022. At this time, it is uncertain if the lower sludge removal is due to lower sludge production resulting from changes in flow characteristics or related to a new hauling contract which began in September 2021.
- **Insurance** expense is budgeted to be \$243,708, up \$45,844 or 23% from FY 2022 and is driven by escalation factors for asset values and higher reinsurance rates.

Budgeted decreases that exceed 5% and \$20,000 are as follows:

- **Repairs and Replacements** expense is budgeted to be \$221,067, down \$44,329 or 17% from FY 2022. The decrease is driven by lower mainline (driven by the deferral of wet well maintenance to FY 2026) and generator expense (driven by standby status).
- **Contractual Service- Professional** expense is budgeted to be \$166,620, down \$53,672 or 24% due to special studies conducted in FY 2022 (rate study and arc flash study) that are not in the FY 2023 budget.

Operating Income is budgeted to be \$384,230, an increase of \$14,369 or 4% from FY 2022. The increase in operating income reflects a 4% growth in operating revenues less a 4% growth in operating expenses resulting in a 4% increase in operating income.

Change in Net Position is budgeted to be \$553,251 up \$129,015, or 30% from FY 2022. The increase is driven by higher Operating Income of \$14,369 and a positive variance in non-operating income (expense) of \$173,166 offset in part by lower connection fee revenue of \$58,520. Lower non-operating income (expense) reflects the exclusion of RBB costs in the BBARWA only budget. The RBB expenses are addressed in Section 2 of this draft budget.

⁶ The Agency budgets salary adjustments as follows: employees that are below the top of scale and are eligible to receive a merit adjustment are budgeted to receive a 5% salary adjustment; employees that have 7 years or more of service are budgeted to receive a 1% longevity adjustment; all employees are budgeted to receive a COLA adjustment based on the November CPI. Estimates based on these assumptions are for budgeting purposes only.



Change in Cash for the Period is budgeted to be \$442,146 in FY 2023, higher by approximately \$1.4 million when compared to FY 2022. Higher cash flow is due mostly to lower capital expenditures of approximately \$1.2 million, lower net costs associated with RBB of \$86,470, and higher interest income of \$73,058.

Financial Summary

Based on the current forecast, the Agency will need annual rate adjustments through FY 2027. During the next five-year period, growth in operating expenses equal that of revenues —revenues are expected to grow at an average annual rate of 4%, reflecting the proposed rate adjustments, and expenses are expected to grow at an average annual rate of 4%. Growth in operating expenses is slightly higher than average inflation over the period and is being driven by higher salaries and benefits expense, which is expected to grow at an average annual rate of 5% over the period. Other operating expenses on a combined basis, grow at an average annual rate of 3% over the period. Operating income over the forecast period improves, and when combined with connection fee revenue and interest income, provides good cash flow with sufficient funds to meet operating and capital requirements during the five-year period.

Debt service coverage at the end of FY 2022 is expected to be 3.0 x and is projected to increase to 4.9 x at the end of the forecast period due in part to reduced debt service in FY 2027. Minimum debt service coverage pursuant to the Agency's borrowing agreements is 1.2 x. The Agency's debt capacity is estimated⁷ at \$3.5 million at the end of FY 2022 and is expected to increase to approximately \$6.5 million at the end of FY 2027.

At the end of FY 2027, the Agency is projected to have \$2.5 million in the capital and replacement fund. This amount reflects the cash that is available for future capital projects beginning in FY 2028. This next five-year period, from FY 2028 through FY 2032, is an aggressive capital investment schedule with estimated capital investment of \$9.7 million, or approximately \$1.9 million per year. Based on the current capital improvement plan and the projected rate collection, the Agency is expected to have a shortfall; however, if RBB moves forward, a planned \$3.9 million Oxidation Ditch Bubble Diffuser Project would be included as part of the plant improvements associated with RBB, resulting in sufficient funds for the remaining capital plan under the current rate structure. If RBB does not move forward, the Agency may need to reschedule certain projects or increase its rate collection to meet the timing of the current capital improvement plan.

The Agency is expected to generate net positive cash flow over the five-year period of approximately \$1.8 million, with \$1.1 million of the increase going to the capital and replacement fund for future capital requirements, and the remaining \$700,000 of the increase going to meet required reserve balances in the operating, liquidity, and debt service reserve funds.

Operating Trends and Outlook

Operating Income⁸ Improves

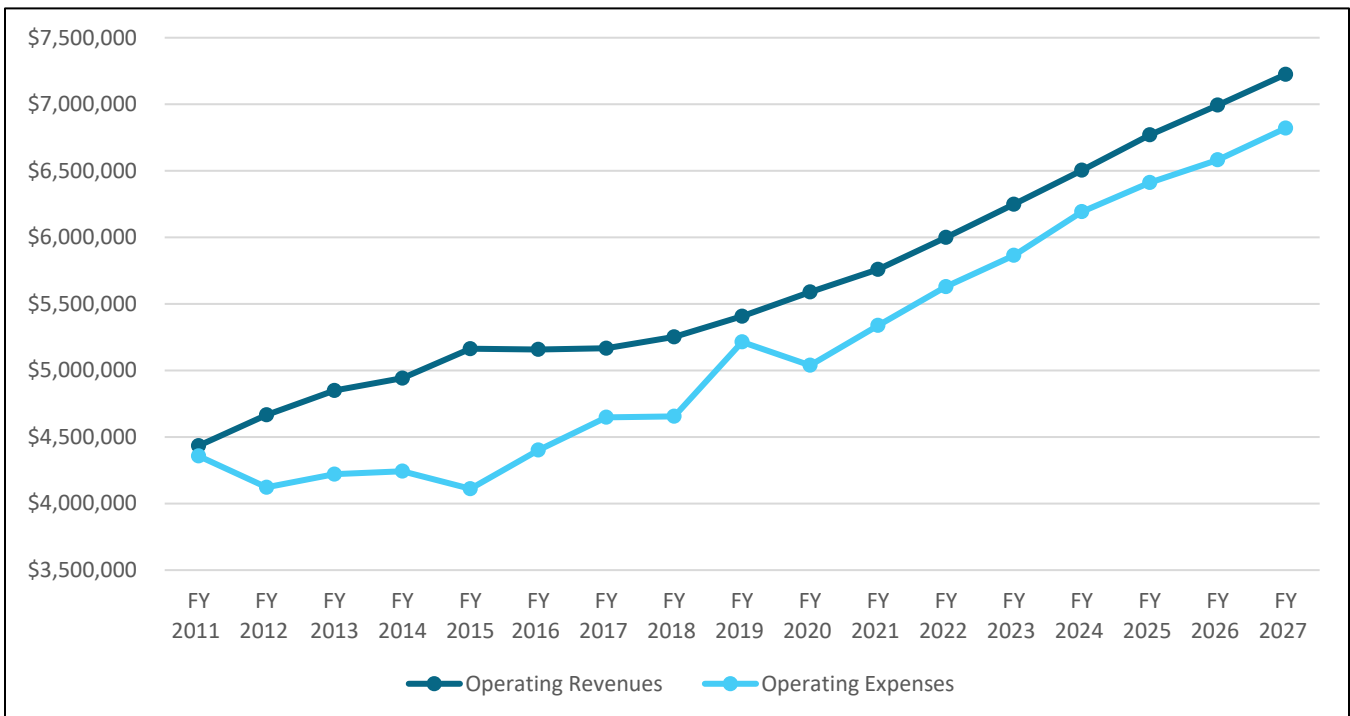
The Agency's Operating Expenses are expected to grow at an average annual rate of 4% over the next five years, slightly outpacing average inflation of approximately 3% for the same period. The 4% growth in operating expenses over the period is being driven by salaries and benefits expense which is expected to grow at 5% on average during the period. Salaries and benefits expense peaked in FY 2019 and 2020 at 9% annual growth and is budgeted to grow at 7% in FY 2023, slowing to 4% growth by FY 2027. This slowdown in salaries and benefits expense combined with slower growth in other operating expenses will help manage the Agency's overall growth

⁷ The calculation utilizes a 2.0 x debt service coverage and assumes borrowing terms of 20 years at 4%.

⁸ Operating Income is Operating Revenues less Operating Expenses.



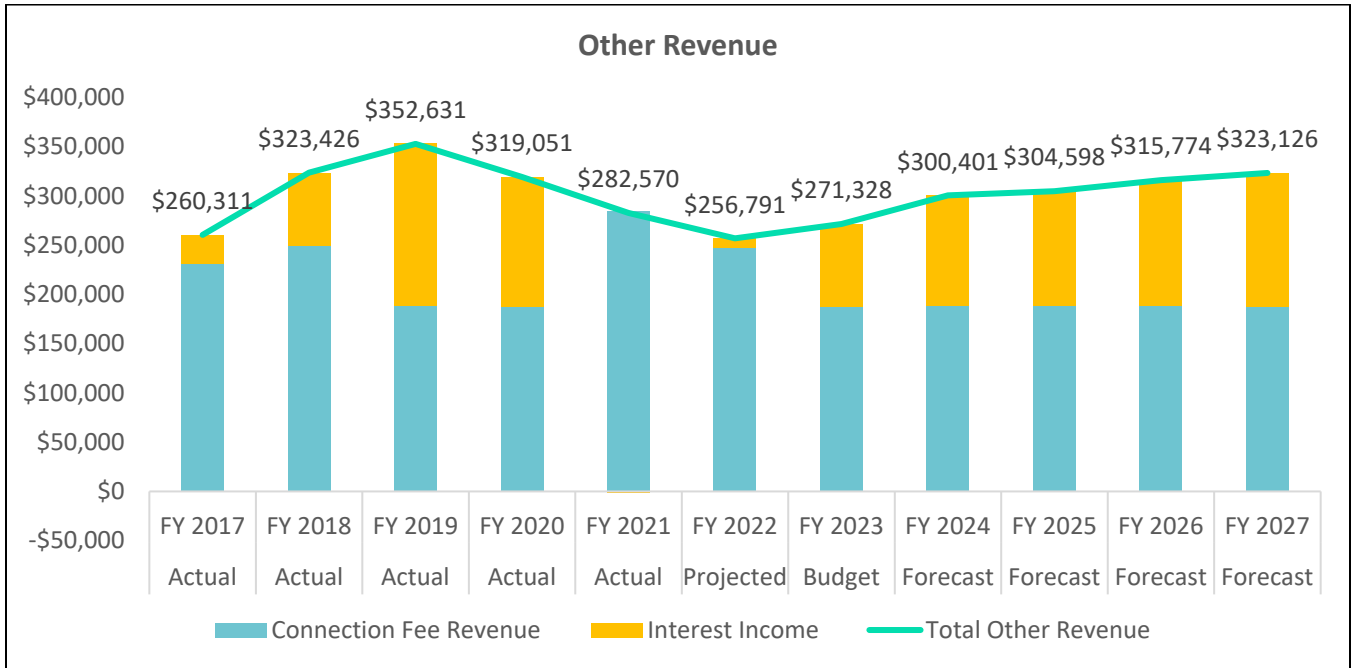
in operating expenses to 4% on average over the period. This combined with the planned rate adjustments will contribute to stable and slightly improving operating income over the period.





Other Revenue Increases

Other revenue sources, Interest Income and Connection Fee Revenue, average approximately \$300,000 annually, with Interest Income increasing substantially from FY 2022 levels due to higher interest rates beginning in FY 2023. Interest rates are projected to increase to 2.5% over the period, increasing from .25% in FY 2022.



Capital

Average Maintenance Capital Expenditures

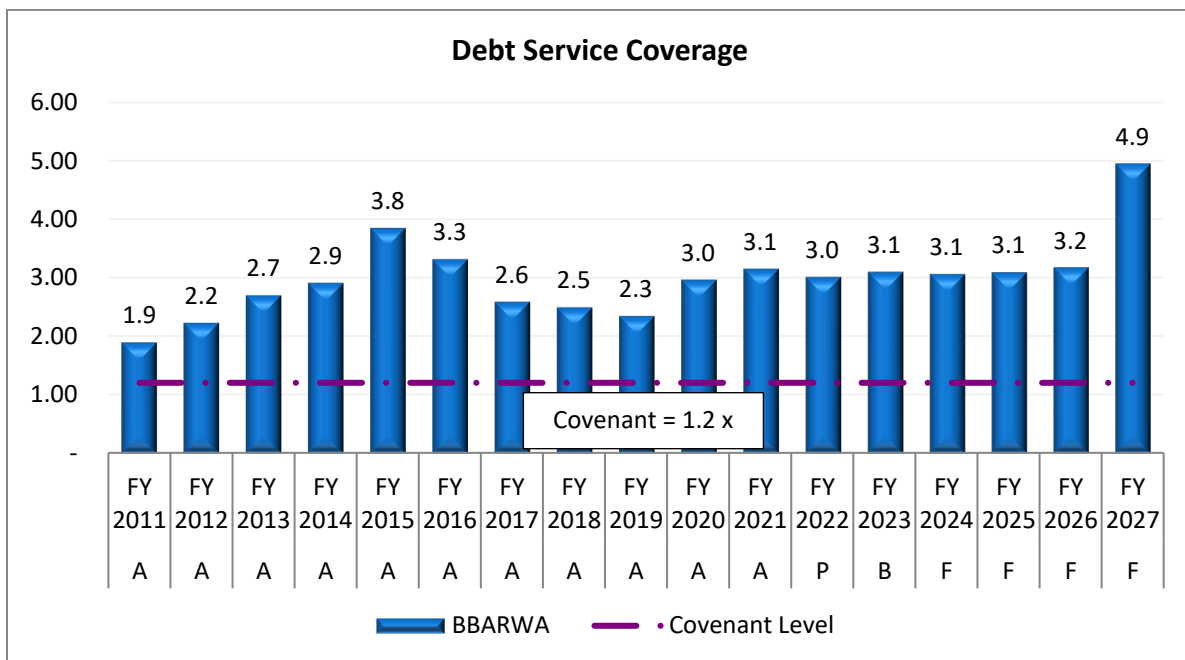
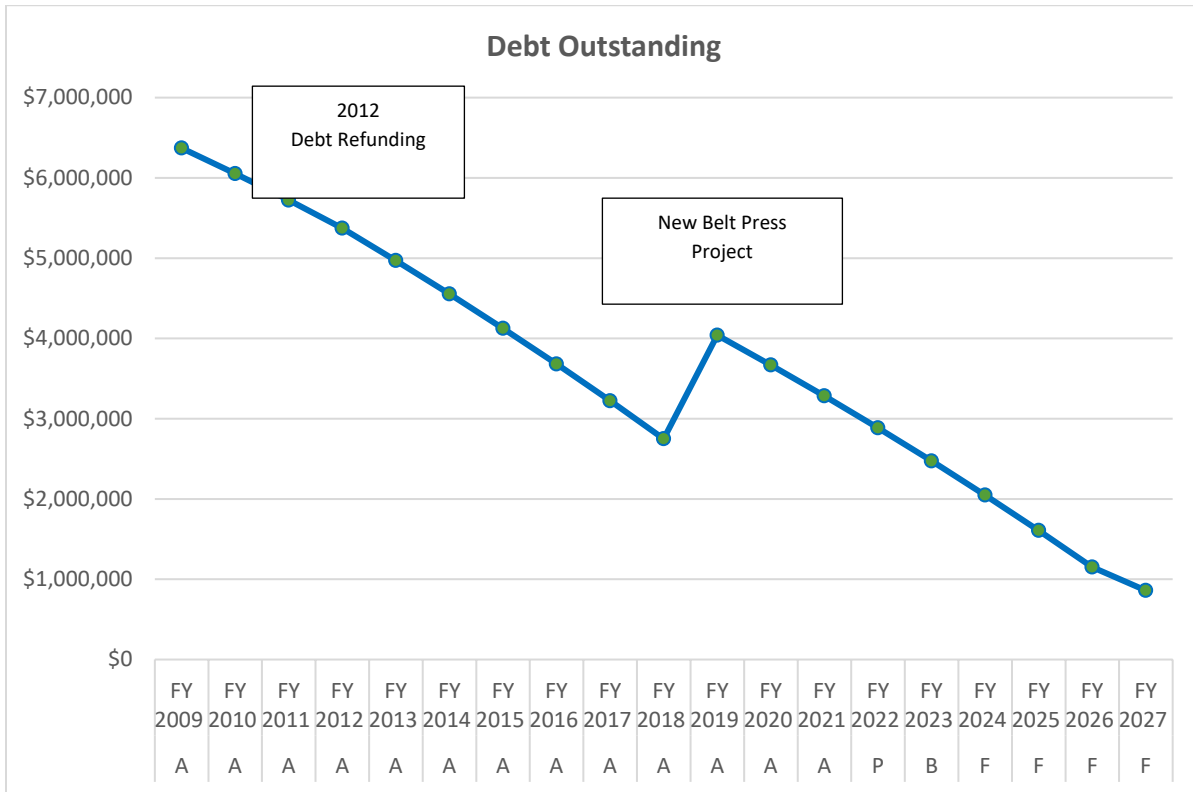
The next five-year period is a slightly lower-than-normal maintenance period for the Agency. Capital expenditures total \$3.9 million and average \$778,499 per year. This amount is below the long-term, historical depreciation of approximately \$850,000 and the annual maintenance requirement of approximately \$880,000 indicated in the Agency’s current 20-year CIP. The lower maintenance capex during the next five-year period is mostly due to timing, with fewer assets reaching the end of their useful life during this time period.

No New Debt, Debt Service Coverage Improves

Leverage and Debt Service

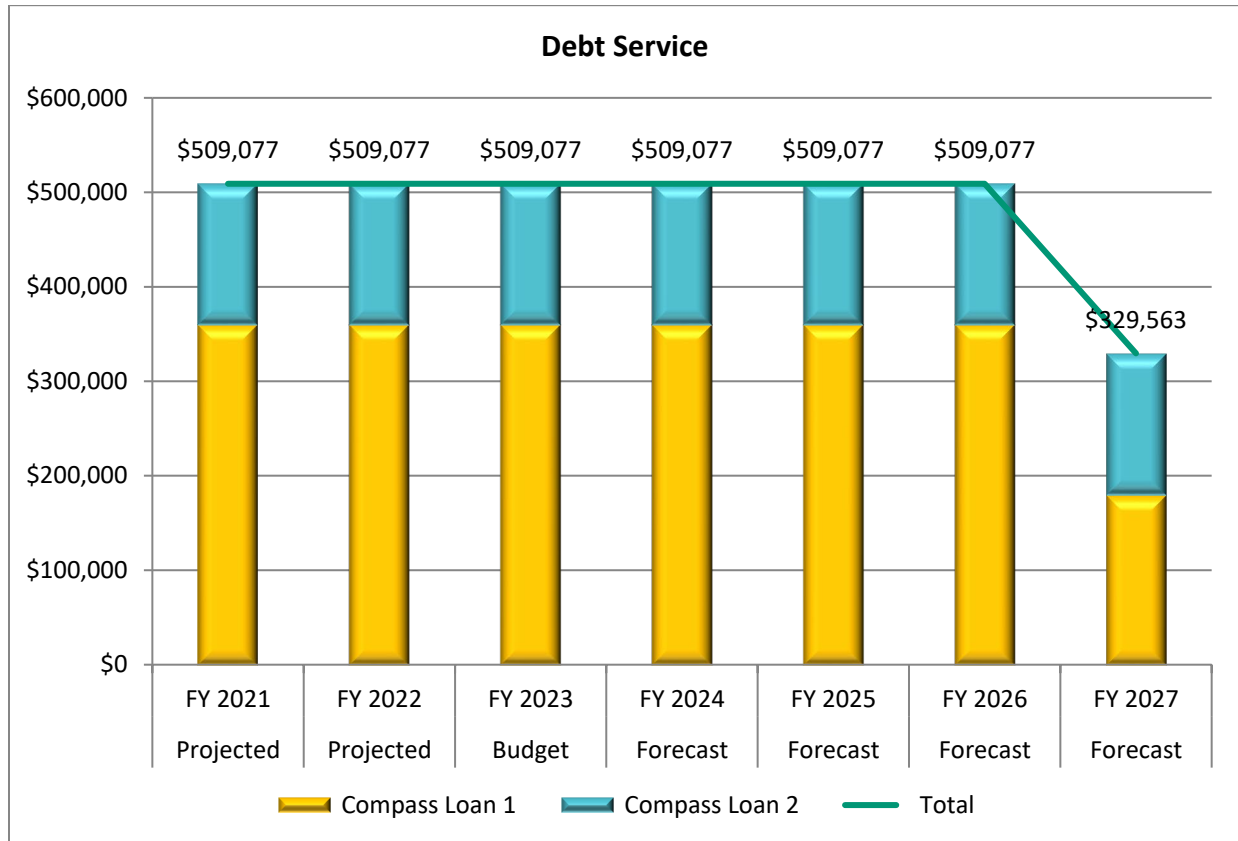
The Agency’s debt outstanding will be approximately \$2.9 million at the beginning of FY 2023 and will lower to \$900,000 by the end of FY 2027. Since 2009, the Agency’s highest debt outstanding has been \$7.6 million in FY 2009. Debt usage is based on the Agency’s debt policy, the timing of capital projects and debt capacity. Based on the current capital plan, the Agency would need to utilize debt twice in the next 15 years to fund larger projects such as the Oxidation Ditch Bubble Diffuser and the Equalization Basin/Storage Pond Conversion.

The Agency’s leverage is restricted through its debt service coverage covenant contained in its borrowing agreements. Essentially, the covenant requires that the Agency maintain the ability to cover its debt service (principal and interest expense) with operating income (before depreciation) plus other income (connection fees and interest income) 1.2 x. The Agency’s debt service coverage is expected to increase from 3.0 x to 4.9 x by the end of FY 2027.





The Agency's debt service (annual principal and interest payment) will decrease to \$329,563 in FY 2027.





Discussion and Analysis

Operations

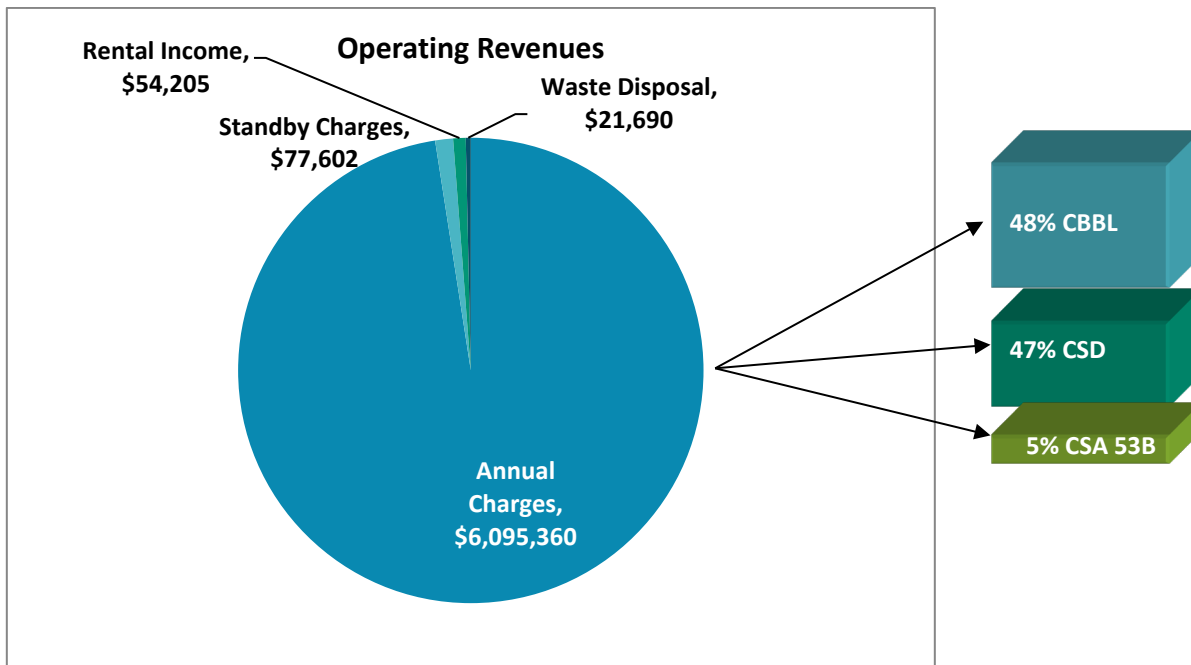
Operating Revenues

Operating Revenues are budgeted to increase approximately 4% in FY 2023 – FY 2025, before dropping to 3% in FY 2027. This growth reflects average annual rate adjustments during the period and new connections to the system.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Year CAGR
Operating Revenues:												
Annual Charges	5,007,070	5,091,576	5,251,542	5,437,076	5,602,113	5,845,163	6,095,360	6,350,455	6,616,205	6,840,031	7,071,407	4%
Standby Charges	86,930	85,180	83,200	81,660	80,300	79,220	77,602	76,688	75,774	74,860	73,946	-1%
Rental Income	49,918	50,449	51,071	51,855	52,592	53,386	54,205	55,049	55,918	56,812	57,733	2%
Waste Disposal	22,033	23,113	20,608	18,755	23,859	21,690	21,690	21,690	21,690	21,690	21,690	0%
Other Revenue	488	1,916	765	0	793	0	0	0	0	0	0	nm
Total Op Revenues	5,166,439	5,252,233	5,407,186	5,589,346	5,759,656	5,999,460	6,248,857	6,503,882	6,769,587	6,993,393	7,224,776	4%
Annual Change	0%	2%	3%	3%	3%	4%	4%	4%	4%	3%	3%	

Annual Charges

Operating Revenues are largely driven by Annual Charges which account for approximately 97% of the Agency's Operating Revenues. Annual Charges, pursuant to the Agency's Operating Agreement No. 1, are collected annually from the three member agencies based on EDUs and flow per Agency.





Member Agency Billing

	3-Year Average Flows	Reported EDUs	Implicit Charge per EDU	Rate Increase	Fixed Charge	Variable Charge	Annual Charge Adjustment	Total
Annual Charges:								
City of Big Bear Lake	392,604	11,697.70	\$ 249.79	4.0%	\$2,145,310	\$ 725,880	\$50,754	\$2,921,944
Big Bear City CSD	316,029	12,326.00	\$ 234.11	4.1%	2,260,537	584,303	40,855	2,885,695
CSA 53 B	<u>28,263</u>	<u>1,264.00</u>	\$ 227.63	3.2%	<u>231,812</u>	<u>52,255</u>	<u>3,654</u>	<u>287,721</u>
Total	736,896	25,287.70			\$4,637,659	\$ 1,362,438	\$95,263	\$6,095,360
Standby Charges:								
City of Big Bear Lake								\$28,350
Big Bear City CSD								43,664
CSA 53 B								<u>5,588</u>
Total Annual Charges								\$77,602
Connection Fee:								
Connection Fee per EDU								\$4,180

(a) The annual charge adjustment reflects charges in excess or below the total of 1) the required rate revenues and 2) estimated costs associated with flow during the prior 3-year period and is prorated among the member agencies based on 3-year average flow.

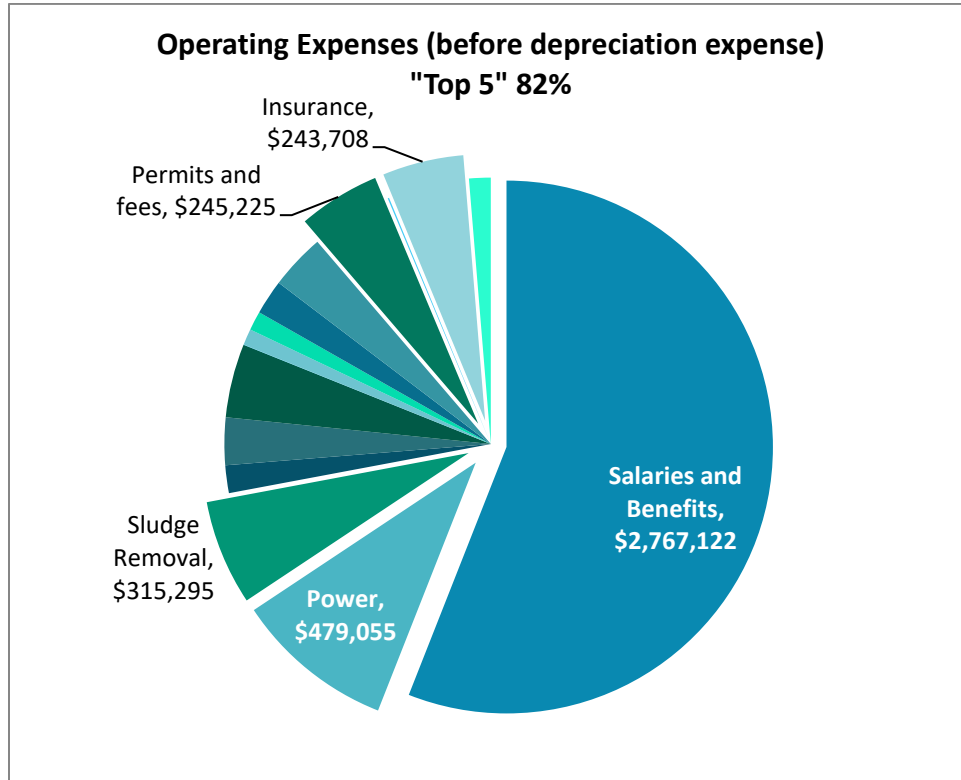
Standby Charges, Rental Income and Waste Disposal Fees

Both Standby Charges and Rental Income are stable and predictable. Standby Charges are the fees paid by the owners of vacant parcels and are collected from the member agencies at the same time as the Annual Charges. These charges decline annually as parcels are developed and connect to the system or are combined. Rental Income is related to leased property and is contractual in nature. Waste disposal fees are charged for disposal of sewage at the treatment plant by pumping companies. On a combined basis these revenues average approximately \$153,000 annually and are expected to remain flat over the forecast period.



Operating Expenses

The Agency's top five operating expenses account for 82% of the Agency's total operating expenses (before depreciation), with salaries and benefits expense being the largest line item at 56%.



Discussion and Analysis of Top Five Operating Expense Categories

Salaries and Benefits Expense

The growth in salaries and benefits expense is slowing as expected, as more employees reach the top of scale through FY 2027. Based on the current projections and the proposed rate structure, the Agency is expected to be able to continue to afford the projected increases over the forecast period (5% average annual growth), due to the slower growth in other operating expenses (3% average annual growth).

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2026	5-Year CAGR
SALARIES AND BENEFITS:												
Salaries and Wages	1,271,829	1,253,739	1,389,029	1,517,147	1,528,547	1,631,392	1,737,592	1,858,923	1,958,946	2,040,228	2,119,011	5%
Employee Benefits	671,354	686,944	747,486	813,241	894,808	962,600	998,077	1,062,320	1,124,105	1,186,299	1,237,514	5%
Unemployment Expense	8,661	28,631	6,309	245	2,058	-	6,944	6,944	6,944	6,944	6,944	nm
Payroll Taxes	19,673	18,964	20,033	22,782	22,293	23,072	24,509	26,173	27,489	28,588	29,665	5%
Total Salaries and Benefits	1,971,517	1,988,278	2,162,857	2,353,415	2,447,706	2,617,063	2,767,122	2,954,359	3,117,484	3,262,059	3,393,135	5%
% Change	6%	1%	9%	9%	4%	7%	6%	7%	6%	5%	4%	
Average Annual Change (a)	1%	1%	2%	3%	3%	3%	3%	3%	4%	4%	3%	

(a) Base Year FY 2009



Big Bear Area Regional Wastewater Agency

Budget and Forecast

FY 2023 – FY 2027

Salaries and Benefits expense is budgeted to increase by 6% in FY 2023, driven by a 7% increase in salaries and wages and a 4% increase in benefits expense. On a percentage change and dollar basis, salaries and benefits are expected to be lower than projected in previous forecasts due to reduced staffing (one less Plant Operator II beginning February 2022) and a cap on wage adjustments during FY 2023 and FY 2024, due to higher-than-expected COLA adjustments.

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>Total</u>
Current Projection	2,617,063	2,767,122	2,954,359	3,117,484	3,262,059	
Prior Projection	<u>2,664,027</u>	<u>2,857,915</u>	<u>3,038,680</u>	<u>3,212,181</u>	<u>3,359,856</u>	
Change	-46,964	-90,793	-84,322	-94,697	-97,798	-414,573

Salaries and Wages – Salaries and wages expense is budgeted to increase 7% in FY 2023 driven by merit and COLA adjustments.

COLA Adjustment – Under direction from the Governing Board, the Agency calculates the annual COLA adjustment that is included in the annual budget using the prior year’s November regional Consumer Price Index for all Urban Consumers (currently Riverside, San Bernardino, Ontario), i.e., for the FY 2023 Budget which begins July 1, 2022, the November 2021 Consumer Price Index (CPI) is used. While incorporated into the budget, approval of the COLA is at the Board’s discretion and is brought before the Board each May or June, prior to the July 1 fiscal year.

Consumer Price Index
Year-Over-Year vs. Average Annual Changes

Year	Jan	Mar	May	Jul	Sep	Nov	Annual Average	Year-over-Year %	Change in
									Annual Avg. %
2018	100.916	101.897	102.929	103.139	103.241	103.616	102.732		
2019	103.991	104.749	105.959	105.816	106.412	106.573	105.697	2.9%	2.9%
% Change	3.0%	2.8%	2.9%	2.6%	3.1%	2.9%	2.9%		
2020	107.143	107.162	106.899	107.640	108.201	108.626	107.672	1.9%	1.9%
% Change	3.0%	2.3%	0.9%	1.7%	1.7%	1.9%	1.9%		
2021	109.550	110.981	113.222	114.682	115.557	117.206	113.875	7.9%	5.8%
% Change	2.2%	3.6%	5.9%	6.5%	6.8%	7.9%	5.8%		
2022	118.963								
% Change	8.6%								

The Agency has used the **year-over-year** change in the November CPI to determine the COLA or inflationary adjustment to the Agency’s pay scales. This method is commonly used to determine the change in inflation from one point in time to the next. Considering the current volatility in the CPI, using the **change in the annual average** inflation may be more appropriate. During a period of volatility (both upwards and downwards), measuring changes in inflation based on one point in time could result in overstating or understating inflation for the period based on the level and timing of volatility during the period. Using the average annual change in the index in November, will flatten the annual COLA during a period of volatility -it will reduce the COLA in an upturn and increase the COLA during a downturn.

The year-over-year change in the November 2021 CPI was 7.9% compared to a 5.8% change in the annual average. The Agency has incorporated the change in the average annual CPI of 5.8% in the FY 2023 Budget. Due to the change in methodology, in order to capture the change in inflation over time, the Agency should continue to use this methodology moving forward, and at a minimum to calculate the FY 2024 COLA, which is expected to incorporate the downturn, as inflation lowers and ultimately stabilizes.



Capping Annual Wage Adjustments

Making annual inflationary adjustments to the Agency’s pay scales, helps the Agency stay competitive with the market and in line with the comparable agency group in its annual compensation and classification study update. We believe it is therefore important to make the indicated COLA adjustment; however, to manage the large and unplanned increase in the COLA adjustment, it is recommended that total wage adjustments be capped at 8%, allowing for a 5.8% COLA adjustment and up to a 2.2% annual merit adjustment for those employees that are eligible. This results in an overall, budgeted annual increase in salaries and wages of 7% (not all employees are eligible for a merit adjustment).

Employee Benefits – Employee benefits expense is expected to grow 4% in FY 2023, and 5% on average over the projection period. The 4% growth in FY 2023 is lower than what we have seen in a number of years and is due to lower medical premium and OPEB contribution expense. A decrease in medical premiums effective January 2022, will carry through to FY 2023, resulting in an estimated 2% increase for the budget year and a 5% annual growth over the forecast period. OPEB contribution expense will lower in FY 2023 as a result of the June 30, 2021 investment returns resulting in an 11% decrease in contribution expense for FY 2023 and a 2% annual average growth over the period. The 5% average annual increase in benefits expense over the projection period is driven mostly by higher pension costs being offset somewhat by lower medical premium and OPEB contribution expense. Increases in pension costs have been driven by changes in the assumed rate of return on pension assets which was lowered from 7.5% to 7% in prior years, and in July 2021 lowered further to 6.8%. The high 21.3% market returns at June 30, 2021 allowed CalPERS to drop the expected rate of return further with marginal impacts to contribution expense. Pension costs are expected to increase from approximately \$380,000 in FY 2022 to approximately \$540,000 in FY 2027, an average annual increase of 7% over the forecast period.

Power Expense

Beginning in November/December of 2022, the Agency began to purchase solar power under a power purchase agreement and began operating under a net metering agreement with Bear Valley Electric (BVE). The Agency will purchase electricity during periods of net usage and receive compensation credits for periods of excess solar production from BVE. The Agency expects a 3% annual increase in power costs which is driven by annual price adjustments in the power purchase agreement and rate increases expected by BVE. The Agency’s generators are now on standby operation, requiring natural gas for testing purposes only unless they are called into operation when other sources of power are not available.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Year CAGR
POWER:												
Solar Purchases	0	0	0	0	0	122,023	248,897	253,843	258,889	264,034	269,282	17%
Fuel for Power Production	365,628	271,509	345,792	364,152	273,825	110,000	7,345	7,543	7,731	7,925	8,123	-41%
Gas Admin Building	4,060	3,627	3,982	3,725	3,508	4,188	4,339	4,456	4,567	4,681	4,799	3%
Gas Treatment Plant	4,887	3,886	6,172	5,872	5,759	8,033	8,322	8,547	8,761	8,980	9,204	3%
Electricity Treatment Plant	61,865	61,865	107,175	36,411	127,983	153,718	142,241	148,324	154,597	161,067	167,268	2%
Electricity Stations	78,065	35,015	47,889	39,667	36,477	55,000	56,980	58,518	59,981	61,481	63,018	3%
Electricity Admin Building	6,925	9,703	8,572	3,068	11,456	9,844	10,198	10,474	10,735	11,004	11,279	3%
Electricity Lucerne	751	762	652	410	474	708	733	753	772	791	811	3%
Total	522,181	386,367	520,234	453,306	459,483	463,514	479,055	492,458	506,034	519,963	533,783	3%
% Change	0%	-26%	35%	-13%	1%	1%	3%	3%	3%	3%	3%	



Big Bear Area Regional Wastewater Agency

Budget and Forecast

FY 2023 – FY 2027

Higher electricity costs in FY 2019 and FY 2021 reflect the use of utility power for treatment plant operations during generator shutdowns associated with repairs.

Sludge Removal Expense

Sludge removal expense has historically been volatile resulting from 1) changes in processes related to sludge drying and the introduction and elimination of the cannibal system, 2) changes in plant operating parameters (optimal ranges of operation achieved during aeration and clarification that improve treatment efficiency and impact solids retention/disposal) associated with changing plant management and 3) changes in transportation costs associated with hauling contracts. The most recent five-year period has been impacted by drier conditions and higher BOD which also impacts sludge production.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Year CAGR
SLUDGE REMOVAL	281,096	397,813	298,241	276,292	319,488	293,488	315,295	323,673	331,640	339,806	348,176	3%
% Change	24%	42%	-25%	-7%	16%	-8%	7%	3%	2%	2%	2%	

On a normal basis, under average dry weather flow and average expected BOD, the Agency is expected to produce and haul approximately 5,000 tons per year of sludge. Changes in flow and BOD concentrations, combined with the timing of sludge removal, can impact sludge removal expense. The Agency is projected to have lower sludge removal during FY 2022, down 7% from the budget due to lower sludge removal in the first half of the year (six months ended December 31, 2021). The driver of the lower volume is uncertain at this time, but possibly due to changing flow characteristics and/or related to a new hauling contract which began in September 2021. The Agency has budgeted for baseline sludge removal of approximately 5,000 tons annually in FY 2023-2027 with inflationary increases in the rate per ton, consistent with the current contract.

Permits and Fees Expense

Permits and fees expense has moved into the top five operating expenses for the Agency, topping repairs and replacements expense in FY 2023. The Agency continues to experience material increases in its discharge permit fees, year after year, with FY 2022 increasing 16.8%. Communication with the State Water Resources Control Board indicated that the current increases were related to pandemic staffing and higher related salaries and wages expense. The Agency has budgeted for annual average increases in permits and fees expense that are in line with average historical changes.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Year CAGR
PERMITS AND FEES:												
SWRCB	126,112	126,112	138,092	158,531	172,006	200,903	215,111	234,201	254,985	277,614	302,251	9%
All Others	22,575	19,403	20,436	26,520	29,446	28,458	30,114	25,792	31,562	27,226	33,031	3%
Total	148,687	145,515	158,528	185,051	201,452	229,361	245,225	259,993	286,547	304,840	335,282	8%
% Change	2%	-2%	9%	17%	9%	14%	7%	6%	10%	6%	10%	

Insurance Expense

Recent and continued increases in insurance expense moved this line item into the top five operating expenses in FY 2022. This line item includes 1) workers' compensation insurance and 2) property/liability insurance. The



Agency has experienced premium increases in both of its coverages due to an increase in its experience modification factor (EMOD Factor) and the California wildfires. The Agency incurred workers' compensation claims in FY 2019 which continued through FY 2021 resulting in an increase in the Agency's EMOD Factor (a rating number that is calculated based upon the Agency's workers compensation premiums and workers compensation claims payments and is designed to show the risk level of the Agency based on similar agencies in the industry). The current claim activity is expected to fall off the EMOD Factor calculation in FY 2024. Increases in property/liability insurance stem from higher reinsurance rates (insurance obtained by insurance companies to reduce their risks and mostly obtained from global companies). Billions in wildfire claims from the 2017 and 2018 wildfires resulted in scaling back of coverage by reinsurance companies. Wildfires in California are considered a sharply rising long-term trend resulting in harder to find and pricier reinsurance rates. The FY 2023 insurance premium amounts are estimates based on recent communications with SDRMA and are expected to rise 23%.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Year CAGR
INSURANCE												
Workman's Comp	42,039	46,560	42,024	39,953	70,959	65,000	78,717	78,900	85,336	91,180	97,115	8%
GL and Property	<u>43,347</u>	<u>52,868</u>	<u>58,928</u>	<u>72,309</u>	<u>100,921</u>	<u>132,864</u>	<u>164,991</u>	<u>169,446</u>	<u>173,682</u>	<u>178,024</u>	<u>182,475</u>	7%
Total insurance expense	85,386	99,428	100,952	112,262	171,881	197,864	243,708	248,346	259,018	269,204	279,590	7%
% Change	-2%	16%	2%	11%	53%	15%	23%	2%	4%	4%	4%	

Capital Contributions - Connection Fees

Connection Fees are projected at 45 annually over the forecast period. New connections to the wastewater system have remained low during the current economic cycle but have recently increased, likely due to the COVID-19 migration. Excluding multi-unit developments, connections have averaged 54 per year for the last 3 years with only 45 during FY 2019 and FY 2020. There are currently 76 connections for the trailing twelve months ended January 31, 2021.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Year CAGR
Connections	63	68	45	45	68	59	45	45	45	45	45	
Connection Fee	\$3,670	\$3,670	\$4,180	\$4,180	\$4,180	\$4,180	\$4,180	\$4,180	\$4,180	\$4,180	\$4,180	
Connection Fees	231,210	249,560	188,100	188,100	284,240	246,620	188,100	188,100	188,100	188,100	188,100	-8%
% Change	-8.7%	7.9%	-24.6%	0.0%	51.1%	-13.2%	-23.7%	0.0%	0.0%	0.0%	0.0%	

Debt Service and Bond Covenant Calculations

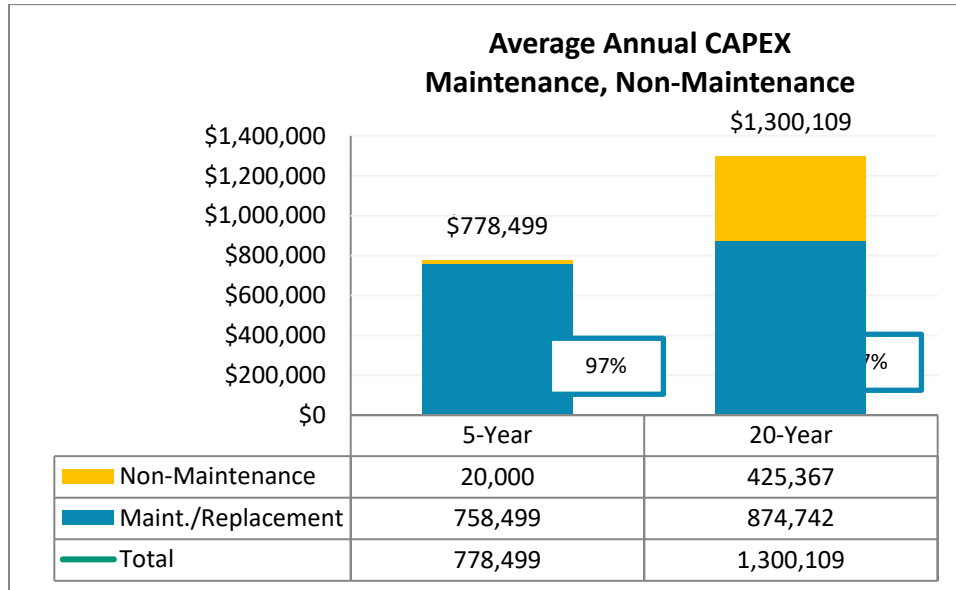
The Agency borrowed \$1.8 million of new debt in FY 2019 to fund the New Belt Press Project (new belt press, conveyor and hopper). Although the Agency incurred new debt in FY 2019, the Agency's total debt service was lower beginning in FY 2020 due to reduced amortization requirements under its existing debt. Debt service will lower from \$509,077 to \$329,563 in FY 2027, as scheduled amortization is further reduced. Debt service coverage is expected to improve over the period from 3.0 x to 4.9 x at the end of FY 2027.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027
Debt Service	\$576,083	\$576,084	\$598,433	\$509,077	\$509,077	\$509,077	\$509,077	\$509,077	\$509,077	\$509,077	329,563
Net Rev / Debt Srv	2.59	2.49	2.34	2.96	3.15	3.01	3.10	3.06	3.09	3.17	4.94
Covenant Test	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
PASS / FAIL	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS

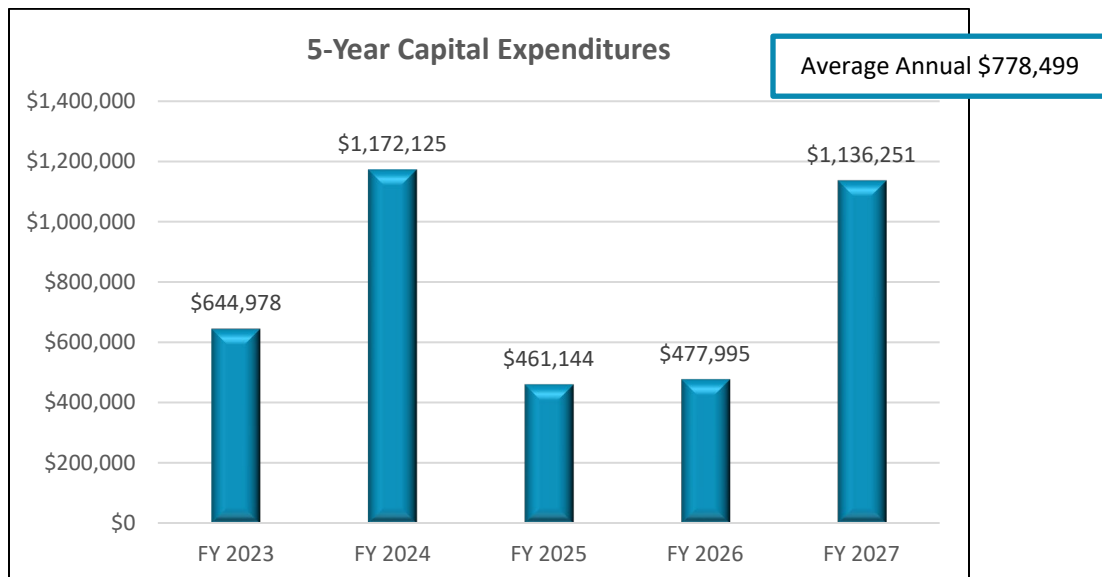


Capital Expenditures (capex)

Over the long-term, the Agency expects maintenance capex to be approximately 75% of total capital expenditures and non-maintenance capex to be 25%. We can see from the chart below that the maintenance capex in the 20-Year capital plan is 67%, and lower than expected due to two larger projects during the period that are non-maintenance (oxidation ditch bubble diffuser, equalization basin/storage pond conversion).



During the five-year forecast, capex totals \$3.9 million and averages \$778,499 per year. This amount is below the long-term, historical depreciation of approximately \$850,000 and the annual maintenance requirement of approximately \$880,000 indicated in the Agency’s current 20-year CIP. The lower maintenance capex during the next five-year period is due to timing with average annual maintenance expense in the next five-year period (FY 2028 – FY 2032) of \$1.2 million. All capital expenditures in the 5-year plan will be cash funded.





5-YEAR CAPITAL IMPROVEMENT PLAN FY 2023 – 2027

	NEW					5 Year FY 2023 2027
	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	
ADMINISTRATION BUILDING						
Admin Building - HVAC Boiler and Controls	0	0	64,992	0	0	64,992
Total	0	0	64,992	0	0	64,992
EFFLUENT DISPOSAL ASSETS						
Outfall Lines						
Cactus Flats Repair	0	131,841	0	0	0	131,841
Storage						
Monitoring Wells Rehabilitation	36,185	0	0	0	0	36,185
Controls						
Service Upgrade	0	21,095	0	0	0	21,095
Cabinet	0	36,916	0	0	0	36,916
Total	36,185	189,852	0	0	0	226,037
FLOW MEASURING DEVICES						
CSA Flow Meter (10 year replacement)	15,850	0	0	0	0	15,850
Total flow measuring devices	15,850	0	0	0	0	15,850
INTERCEPTOR SYSTEM						
Structures						
NSPS 1 Dry Well Rehab	0	0	0	40,866	0	40,866
NSPS 2 Dry Well Rehab	0	0	39,791	0	0	39,791
NSPS 3 Well Rehab w/Bypass	125,000	0	0	0	0	125,000
Total interceptor system	125,000	0	39,791	40,866	0	205,657
OTHER EQUIPMENT						
Communications						
IT System - Production Host	0	0	0	26,613	0	26,613
IT System - Backup Appliance w/Firewall	0	0	0	24,375	0	24,375
Electrical						
VFD T/P - Rotor 1 60 HP (7 yr)	0	0	0	0	16,962	16,962
VFD T/P - Rotor 2 60 HP (7 yr)	0	0	0	0	17,140	17,140
VFD Interceptor - Station 3 (7 yr)	18,077	0	0	0	0	18,077
VFD Interceptor - LPS (7 yr)	0	28,297	0	0	31,479	59,776
Laboratory						
SS Oven	0	6,095	0	0	0	6,095
BOD Incubator	7,769	0	0	0	0	7,769
Mobile Pumping Equipment						
Emergency By-Pass Pump 4"	0	0	0	65,277	0	65,277
Surveillance System	0	0	0	0	49,759	49,759
Total	25,845	34,391	0	181,543	141,303	383,083



5-YEAR CAPITAL IMPROVEMENT PLAN FY 2023 – 2027, Cont.

	NEW					5-Year
	Budget	Forecast	Forecast	Forecast	Forecast	5-Year
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2023-2027
OTHER TANGIBLE PLANT						
Admin Parking Lot Grind and Overlay	0	132,892	0	0	0	132,892
Palomino Drive Repave	0	295,315	0	0	0	295,315
Total	0	428,207	0	0	0	428,207
TRANSPORTATION EQUIPMENT						
Vehicles						
1989 Dump Truck Replacement	0	0	102,355	0	0	102,355
2010 GMC Sierra	0	0	0	0	55,109	55,109
Utility Cart Gas	27,573	0	0	0	0	27,573
Heavy Equipment and Accessories						
Volvo Compact Wheel Loader (upsized)	0	0	147,946	0	0	147,946
TCM / Loader and Accessories	0	0	94,444	0	0	94,444
Bobcat Hammer Attachment	0	0	0	14,848	0	14,848
Total transportation equipment	27,573	0	344,745	14,848	55,109	442,275
TREATMENT PLANT						
Miscellaneous Equipment:						
AQMD Emissions Tester						
Emissions Tester						
Pro Easy Analyzer	0	0	0	0	17,924	17,924
Piping						
Processing Equipment:						
Oxidation Ditch Wall Rehabilitation	0	406,071	0	0	0	406,071
Ox Ditch 1, Rotor 3 Shaft	0	0	0	0	0	0
Rotors 1,2,3	0	0	0	0	356,201	356,201
Rotors 4,5,6	0	0	0	0	534,302	534,302
Shaft Mount Reducers 1 - 6 TXT 9	0	0	0	133,240	0	133,240
Shaft Mount Reducers 7, 10 TXT 915	0	0	0	44,413	0	44,413
Shaft Mount Reducers 8-9, TXT 615	0	0	0	16,363	0	16,363
Pumping Equipment:						
Solids Separation Building						
Submersible Pump - 15 HP (2)	8,575	0	0	0	0	8,575
Auxiliary Pump Building:						
Auxiliary Pump 1	0	44,299	0	0	0	44,299
Auxiliary Pump 2	0	0	0	46,723	0	46,723
Main Pump Building:						
RAS Pump Rebuild 1	0	5,655	0	0	0	5,655
RAS Pump 2 Rebuild	0	0	5,807	0	0	5,807
RAS Pump 3 Rebuild	0	0	5,807	0	0	5,807
RAS Pump 4 7.5 HP Rebuild	0	5,655	0	0	0	5,655
Effluent Pump 1 40 HP	12,706	0	0	0	0	12,706
Effluent Pump 2 40 HP	12,706	0	0	0	0	12,706
Effluent Pump 4 100 HP	0	0	0	0	31,411	31,411
Effluent Pump 5 100 HP	0	28,998	0	0	0	28,998



5-YEAR CAPITAL IMPROVEMENT PLAN FY 2023 – 2027, Cont.

	NEW					5 Year
	Budget	Forecast	Forecast	Forecast	Forecast	
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2023 2027
Effluent Pump 6 100 HP	0	28,998	0	0	0	28,998
Headers and check valves	280,538	0	0	0	0	280,538
Total treatment plant equipment	314,526	519,676	11,615	240,739	939,838	2,026,393
STUDIES AND MAPS						
New Pipeline Maps	100,000	0	0	0	0	100,000
Total Studies and Maps	100,000	0	0	0	0	100,000
TOTAL	644,978	1,172,126	461,144	477,995	1,136,251	3,892,494

Capital Expenditures – FY 2023

Effluent Disposal Assets

Monitoring Wells Rehabilitation (\$36,185): The Monitoring Wells are utilized for groundwater testing at the Lucerne Valley facility. The two wells need to be relined, and new piping added to ensure that the testing can be performed and that the groundwater can be accessed, per the discharge permit requirements.

Start Date: September 1, 2022

Target Completion Date: October 31, 2022

Flow Measuring Devices

CSA Flow Meter (\$15,850): The CSA flow meter is used to measure flow from the CSA 53B area to the treatment plant. This meter is no longer able to be calibrated and is not supported by the manufacturer. We will be replacing this meter and software with new equipment that can be calibrated on an annual basis.

Start Date: September 1, 2022

Target Completion Date: October 31, 2022

Interceptor System

NSPS 3 Well Rehabilitation with Bypass (\$125,000) - Lift Station 3 is in the CSA 53B service area. The drywell is nearing the end of its useful life and needs to be upgraded with new piping, pumps, motors and check valves.

Start Date: August 1, 2022

Target Completion Date: October 31, 2022

Other Equipment, Electrical

VFD Interceptor Station 3 (\$18,077): The VFDs for Lift Station 3 are the drives that control the pumps. The VFDs are at the end of their useful lives and parts cannot be obtained to keep the current VFDs functioning properly.

Start Date: March 1, 2023

Target Completion Date: June 30, 2023



Other Equipment, Laboratory

BOD Incubator (\$7,769): The BOD incubator is in need of replacement. It is used for measuring wastewater BOD levels as required per the discharge permit.

Start Date: August 1, 2021
Target Completion Date: September 30, 2021

Transportation – Vehicles

Utility Cart (\$27,573): The Agency needs to replace the utility cart based on mileage and years of service. The utility cart is currently used to collect samples and general grounds maintenance in the treatment plant.

Start Date: July 1, 2021
Target completion date: August 31, 2021

Treatment Plant

Submersible Pump (\$8,575): The pump is used for pumping the filtrate from the belt press to the influent waste stream. The pump is at the end of its useful life and is scheduled for replacement.

Start Date: April 1, 2023
Target completion date: May 31, 2023

Effluent Pump 1 (\$12,706): Effluent Pump 1 is at the end of its service life and is scheduled for a rebuild.

Start date: August 1, 2022
Target completion date: September 30, 2022

Effluent Pump 2 (\$12,706): Effluent Pump 2 is at the end of its service life and is scheduled for a rebuild.

Start date: October 1, 2022
Target completion date: November 30, 2022

Headers and Check Valves (\$280,538): The piping from the RAS pumps and the Effluent pumps in the Main Pump Building are getting older and need replacement. Over time these pipes start to deteriorate due to the inherent effects of flowing water. This replacement will include check valves, gate valves and all piping in the Main Pump Building.

Start date: July 1, 2022
Target completion date: November 15, 2022

Studies and Maps

New Pipeline Maps (\$100,000): The Agency's pipeline maps identify the original locations of Agency facilities with varying degrees of accuracy. The Agency will begin to update its maps which will improve accuracy and assist BBARWA staff with line location for dig alerts.

Start date: July 1, 2022
Target completion date: November 15, 2022



Capital Expenditures – FY 2023 – FY 2027

Projects discussed below are in the 5-year capital plan, beyond the budget year, and exceed \$100,000.

Cactus Flats Repair (\$131,841): A section of Outfall pipeline was exposed due to storm water runoff from the County dump site. Approximately 75 feet of BBARWA pipeline has been exposed along with a Southwest Gas line. The repair is needed to ensure that our pipeline is covered with a material that can withstand the runoff and to ensure the safety of our line. The repair will be a joint effort with Southwest Gas and BBARWA and will consist of a concrete cover of the pipeline.

Asphalt and Paving (\$428,207): The asphalt needs replacement due to age and climate. The asphalt work includes the grading and paving of the Admin Parking Lot and repaving of Palomino Drive.

1989 Dump Truck Replacement (\$102,355) The Agency needs to replace the dump truck based on mileage and years of service. The dump truck is currently used to haul sludge from the Sludge Hopper to the Covered Drying Bed. The dump truck currently can only be used in the treatment plant due to driver licensing requirements. The replacement truck will be utilized outside the plant to facilitate disposals at the local landfill.

Loader (\$147,946): The current loader is used for loading of the sludge trailers and snow removal at the facility and lift stations. The current loader is undersized for the Agency's needs. A larger loader is needed to load trailers and snow removal. The current, smaller loader will continue to be used as a forklift for the plant.

TCM Loader and Accessories (\$94,444): The current Bobcat needs to be replaced with the accessories based on mileage and years of service. The Bobcat is used for sweeping the treatment plant, snow removal, general digging and dirt removal and cleaning the oxidation ditches.

Oxidation Ditch Wall Rehabilitation (\$406,071): The wall on the north side of the ditch (tank) is bulging from groundwater. A portion of the wall will be cut out and repoured using concrete. Concrete slurry will be used on the dry, backside of the wall. Asphalt between Oxidation Ditches 1 and 2 will be removed and replaced during the project.

Rotors 1,2,3 (\$356,201): The rotors are at the end of their useful life and in need of replacement. The rotors are used for mixing the wastewater in the oxidation ditches.

Rotors 4,5,6 (\$534,302): The rotors are at the end of their useful life and need of replacement. The rotors are used for mixing the wastewater in the oxidation ditches.

Shaft Mount Reducers 1 – 6 (\$133,240): The reducers are at the end of their useful life and need of replacement. The reducers are the gear boxes that drive the rotor shafts in the oxidation ditches.

Cash and Designated Fund Balances

All references to Agency funds and designated fund balances are related to internal reserve funds maintained by the Agency for various operating and capital related purposes. The following is a summary of the Agency's internally designated funds:



Big Bear Area Regional Wastewater Agency

Budget and Forecast

FY 2023 – FY 2027

Fund	Description
Capital and Replacement	Fund balance is maintained for capital expenditure requirements. The current year portion reflects capital expenditures appropriated for the budget and goes up and down as funds are appropriated or expensed during the budget year. The current year portion of the fund balance is reestablished annually prior to July 1 for the ensuing budget year. The future year portion reflects cash available for future capital requirements identified in the Agency's 20-Year CIP.
Debt Service	Fund balance is maintained for debt service requirements appropriated for the budget and goes down as funds are expensed during the budget year. The fund balance is re-established annually prior to July 1 for the ensuing budget year.
Liquidity	Fund balance is maintained to meet the Agency's operating requirements due to the timing and infrequent nature of the Agency's revenues. The Agency, in general, needs approximately \$2.5 million as of July 1 of each fiscal year. This amount will go up and down with changes in operating expense. The fund balance is re-established annually prior to July 1 for the ensuing budget year.
Contingency	The Agency has established 1) an emergency fund of \$500,000 and 2) an operating fund in the amount of two months operating expense. The operating portion of the contingency fund required balance will go up and down with changes in operating expense. The fund balance is re-established annually prior to July 1 for the ensuing budget year.
Connection Fees	The use of connection fee revenue is restricted by law. The Agency accounts for accrued and unspent connection fee revenue through this internal fund.

CASH AND DESIGNATED FUND BALANCES

	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Total Change
ENDING BALANCE:							
Cash Balance	5,772,283	6,214,429	6,106,653	6,722,105	7,360,243	7,534,558	1,762,275
Designated Fund Balances:							
Capital and Replacement Fund							
Current Year	644,978	1,172,126	461,144	477,995	1,136,251	818,101	173,123
Future Years	<u>802,968</u>	<u>513,748</u>	<u>946,910</u>	<u>1,416,481</u>	<u>1,433,513</u>	<u>1,706,910</u>	<u>903,942</u>
Total C & R	1,447,946	1,685,874	1,408,054	1,894,476	2,569,763	2,525,012	1,077,065
Debt Service Fund	509,077	509,077	509,077	509,077	329,563	429,802	-79,275
Liquidity Fund	2,491,370	2,644,837	2,772,623	2,869,587	2,983,483	3,072,987	581,617
Contingency Fund:							
Emergency	500,000	500,000	500,000	500,000	500,000	500,000	0
Operating	<u>823,890</u>	<u>874,641</u>	<u>916,900</u>	<u>948,965</u>	<u>977,434</u>	<u>1,006,757</u>	<u>182,867</u>
Total Contingency	1,323,890	1,374,641	1,416,900	1,448,965	1,477,434	1,506,757	182,867
Designated Funds	5,772,283	6,214,429	6,106,653	6,722,105	7,360,243	7,534,558	1,762,275

At the end of FY 2027, the Agency is projected to have \$2.5 million in the capital and replacement fund. This amount reflects the cash that is available for future capital projects beginning in FY 2028. This next five-year period, from FY 2028 through FY 2032, is an aggressive capital investment schedule with estimated capital investment of \$9.7 million, or \$1.9 million per year. Based on the current capital improvement plan and the projected rate collection, the Agency is expected to have a shortfall; however, if RBB moves forward, a planned \$3.9 million Oxidation Ditch Bubble Diffuser Project would be included as part of the plant improvements associated with RBB, resulting in sufficient funds for the remaining capital plan under the current rate structure. If the RBB does not move



forward, the Agency may need to reschedule certain projects or increase its rate collection to meet the timing of the current capital improvement plan.

Rate Review

Adequacy of Rates

The budget and forecast period were prepared assuming adjustments in the Agency's sewer user fee of 4% in FY 2023 - 2025, and 3.2% in FY 2026 - 2027. The rate adjustments should be adequate to cover future operating and capital requirements for the budget and forecast period. The forecast period is a "best estimate" of the Agency's future revenue requirements and may change as we move into the future, which could impact the timing and size of potential rate adjustments.

Rate Requirements

	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5 Year Total
Revenue Requirements:							
Op Expenses before Depreciation	\$ 4,724,451	\$ 4,943,340	\$ 5,247,846	\$ 5,501,397	\$ 5,693,792	\$ 5,919,781	\$ 27,306,156
Rate Funded Capital:							
Debt Service	\$ 433,672	\$ 433,672	\$ 433,672	\$ 433,672	\$ 433,672	\$ 291,856	\$ 2,026,546
Capital Expenditures (cash funded)	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 850,000	\$ 1,000,000	\$ 4,250,000
Total Rate Funded Capital	\$ 1,233,672	\$ 1,233,672	\$ 1,233,672	\$ 1,233,672	\$ 1,283,672	\$ 1,291,856	\$ 6,276,546
Subtotal	\$ 5,958,124	\$ 6,177,012	\$ 6,481,519	\$ 6,735,069	\$ 6,977,464	\$ 7,211,638	\$ 33,582,702
LESS Other Revenues:							
Other Revenue:							
Standby Charges	\$ 91,400	\$ 90,860	\$ 89,250	\$ 86,930	\$ 85,180	\$ 83,200	\$ 435,420
Rental Income	\$ 47,745	\$ 48,291	\$ 49,232	\$ 49,918	\$ 50,449	\$ 51,071	\$ 248,961
Waste Disposal	\$ 22,433	\$ 19,829	\$ 22,869	\$ 22,033	\$ 23,113	\$ 20,608	\$ 108,453
	\$ 161,578	\$ 158,981	\$ 161,351	\$ 158,881	\$ 158,742	\$ 154,879	\$ 792,833
Revenue Requirements	\$ 5,803,827	\$ 6,023,515	\$ 6,328,092	\$ 6,581,688	\$ 6,824,102	\$ 7,058,268	\$ 32,815,665
Proposed Rate	\$ 231.77	\$ 241.04	\$ 250.68	\$ 260.71	\$ 269.05	\$ 277.66	
Annual Change	3.9%	4.0%	4.0%	4.0%	3.2%	3.2%	
Rate Revenue per Proposed Rate							
EDUs	25,220	25,288	25,333	25,378	25,423	25,468	
Rate Revenues - Proposed Billing	\$5,845,163	\$6,095,360	\$6,350,455	\$6,616,205	\$6,840,031	\$7,071,407	\$ 32,973,459
Rate Revenue Excess (Shortfall)	\$41,336	\$71,845	\$22,363	\$34,517	\$15,929	\$13,139	\$ 157,794
Bond Covenant with Proposed Rate							
Net Revenue / Debt Service Ratio	3.0	3.1	3.1	3.1	3.2	4.9	
Covenant Test Ratio	1.2	1.2	1.2	1.2	1.2	1.2	
PASS / FAIL	PASS	PASS	PASS	PASS	PASS	PASS	



FY 2023 Rate per EDU - \$241.04 / EDU BBARWA Only

Based on the Agency’s current budget and five-year forecast, a rate of \$241.04 per EDU is recommended in FY 2023, a 4.0% increase over the FY 2022 rate of \$231.77.

Ratepayer Impact

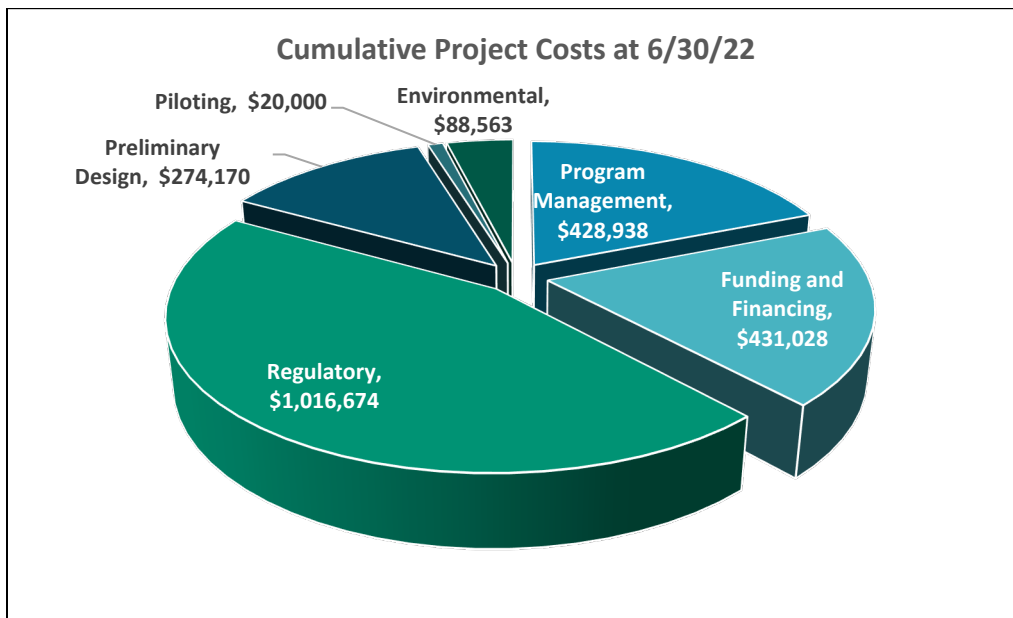
The financial impact to the ratepayer in FY 2023, based on a 4% increase to the established rate is as follows:

Rate	FY 2022	FY 2023	Change	
	Actual	Proposed	\$	%
Established	\$231.77	\$241.04	\$9.27	4.0%
CBBL	\$240.24	\$249.79	\$9.55	4.0%
CSD	\$224.88	\$234.11	\$9.23	4.1%
CSA 53 B	\$220.61	\$227.63	\$7.02	3.2%

Section 2: Replenish Big Bear (RBB)

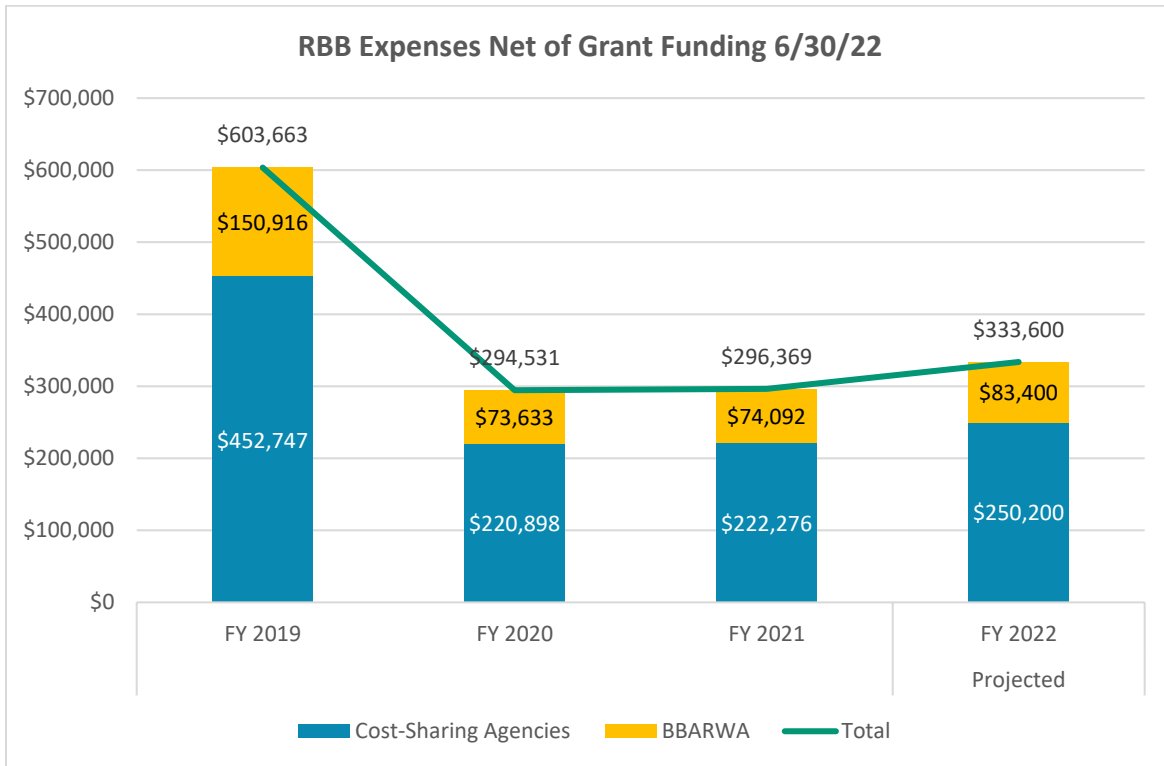
The most recent studies to determine the feasibility of a water reclamation project began in FY 2019. The Agency has performed two series of studies previously to review different possibilities for retaining and reusing treated wastewater in Big Bear.

The Agency engaged the services of WSC, Inc., an engineering firm, to assist the Agency in completing the studies. Through FY 2022, the Agency and its cost-sharing partners are projected to have cost shared \$2.3 million (\$1.5 million net of grant funding) for the project with the largest expenses related to regulatory, funding and financing, and program management expenses.





Total grant funding expected to be received at 6/30/22, totals \$816,588, bringing the out-of-pocket costs for the cost-sharing agencies to \$1.1 million and approximately \$380,000 for the Agency at 6/30/22.



RBB Project Status and Timeline

WSC has completed a project timeline with related cash flow requirements. The cash flow projection provides the Agency with a planning tool to financially manage the project. The project timeline and the cash flow projections are very fluid and will change over time. The Governing Board has provided direction to look at the rate requirements for the next three-year period, through FY 2025. This timeframe will take the project part way through construction, which is expected to be completed in August 2026 (FY 2027).

RBB Rate Assumptions

For the sake of current rate setting, the Agency has assumed stand-alone funding by BBARWA beginning in FY 2023 through FY 2025, the 3-year rate review period for RBB, and has assumed no future capital contributions (contributions toward the cost of the RBB asset). The Agency has entered into cost-sharing agreements with its cost-sharing partners to share the \$2.3 million of expenditures through June 30, 2022. The initial agreements with WSC and the associated cost-sharing agreements have covered much of the feasibility work and are expected to be fully expended at June 30, 2022. It is assumed beginning in FY 2023, that the Agency will begin to fund the remaining pre-construction and construction costs of RBB on a stand-alone basis as the project will move from the feasibility stage to piloting, design and construction. While capital contributions toward the capital costs of the project are not being ruled out, they have not been discussed or negotiated, and if made by the cost-sharing agencies, would likely be borne by the same pool of ratepayers as BBARWA's ratepayers. If capital contributions are negotiated, these contributions, at some point, would reduce the Agency's debt financing for the project and thus the related debt service and rates.



The rate calculation assumes that the Agency will borrow to fund future expenditures (net of grants awarded to date) through FY 2025. The rate is thus strictly a function of debt service on average outstanding debt balances. The debt service is assumed to be interest only at 4% through FY 2025, the review period.

RBB Rate Requirements

	FY 2023	FY 2024	FY 2025
Expenditures			
Program Management	285,117	306,864	256,318
Funding and Financing	42,288	34,909	26,272
Regulatory	51,831	29,181	2,354
Preliminary Design	129,178	0	0
Piloting	649,000	0	0
Environmental Compliance	158,946	0	0
Final Design	1,178,117	1,755,323	0
Engineering Services During Construction	0	217,981	516,827
Construction Management	0	558,264	1,301,051
Construction	0	<u>3,595,285</u>	<u>21,407,679</u>
Total Expenditures	2,494,476	6,497,807	23,510,500
Grant Funding	<u>-1,024,743</u>	<u>-2,740,852</u>	0
Net Cash Flow before Proceeds from Debt Issuance	1,469,733	3,756,955	23,510,500
Proceeds from Debt Issuance	-1,469,733	-3,756,955	-23,510,500
Revenue Requirements			
Op Expenses b/f Depreciation	0	0	0
Capital Maintenance	0	0	0
Debt Service	31,669	136,203	679,278
Less			
Other Revenue	0	0	0
Revenue Requirements	31,669	136,203	679,278
EDUs	25,288	25,333	25,378
Rate per EDU	\$1.25	\$5.38	\$26.77
Proposed Rate Collection	\$5.79	\$12.20	\$19.26
Incremental Increase in BBARWA Rates	2.5%	2.5%	2.5%

It can be seen from the above, that the level of rate collection is inadequate to collect the full rate needed by FY 2025. The amount collected will be \$19.26 per EDU compared to \$26.77 per EDU that is indicated to cover the revenue requirements at that time. Further, we understand that the Agency will likely need to be collecting a significantly higher amount in FY 2025 than what is shown here if 1) the Project continues to move forward, 2) we begin to collect necessary startup reserves⁹, and 3) the full rates are transitioned in over time. Additional grant funding may also occur over the next year which could positively impact the rate levels.

The Agency has been spending \$100,000 per year on average since FY 2019 to fund RBB (\$380,000 through 6/30/22) under its existing rate structure and can no longer sustain the funding without additional rate collection. The rate proposal for FY 2023 is a starting point based on the information available today. If RBB does not move

⁹ Reserves are comprised of funds set aside at the beginning of a period to cover the next twelve months debt service and capital and replacement needs, as well as for the purposes of liquidity, contingency and emergency. Reserves will need to be in place at the startup of operation, which is currently projected to be FY 2027. The level of reserves is impacted by the level of operating expenses as well as debt service. Based on current projections, we estimate that the Project will need approximately \$4.2 - \$4.4 million in reserve funds.



Big Bear Area Regional Wastewater Agency

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forward, the current rate collection for the project will be absorbed into the Agency's rates and will result, assuming all other things remain constant, in lower future rate adjustments for the Agency than currently planned.

The Governing Board approves rates on an annual basis and does not typically approve a multi-year rate schedule. The Agency evaluates its rates annually based on new information that may impact its revenue requirements and its rates. As we move into the future, the Project details will be more certain and the rate collection schedule will be updated to provide a more accurate reflection of the level of rate collection needed, with rate levels needed in FY 2024 and FY 2025 likely being different than those currently indicated.

Combined Rate Adjustment Including RBB

	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5 Year Total
Revenue Requirements:							
Op Expenses before Depreciation	\$ 4,724,451	\$ 4,943,340	\$ 5,247,846	\$ 5,501,397	\$ 5,693,792	\$ 5,919,781	\$ 27,306,156
Rate Funded Capital:							
Debt Service	\$ 433,672	\$ 465,341	\$ 569,875	\$ 1,112,950	\$ 995,964	\$ 854,148	\$ 3,998,279
Capital Expenditures (cash funded)	800,000	800,000	800,000	800,000	850,000	1,000,000	4,250,000
Total Rate Funded Capital	1,233,672	1,265,341	1,369,875	1,912,950	1,845,964	1,854,148	8,248,279
Subtotal	\$ 5,958,124	\$ 6,208,681	\$ 6,617,721	\$ 7,414,347	\$ 7,539,756	\$ 7,773,929	\$ 35,554,434
LESS Other Revenues:							
Other Revenue:							
Standby Charges							
Rental Income	\$ 79,220	\$ 77,602	\$ 76,688	\$ 75,774	\$ 74,860	\$ 73,946	\$ 378,868
Waste Disposal	53,386	54,205	55,049	55,918	56,812	57,733	279,717
	21,690	21,690	21,690	21,690	21,690	21,690	108,452
	\$ 154,297	\$ 153,497	\$ 153,427	\$ 153,382	\$ 153,362	\$ 153,369	\$ 767,037
Revenue Requirements	5,803,827	6,055,184	6,464,294	7,260,965	7,386,394	7,620,560	34,787,397
Proposed Rate	3.9%	6.5%	6.5%	6.5%	3.2%	3.2%	
Annual Change	\$231.77	\$246.83	\$262.88	\$279.97	\$288.93	\$298.17	
Rate Revenue per Proposed Rate							
EDUs	25,220	25,288	25,333	25,378	25,423	25,468	
Rate Revenues - Proposed Billing	\$5,845,163	\$6,241,883	\$6,659,435	\$7,104,897	\$7,345,255	\$7,593,721	\$ 34,945,192
Rate Revenue Excess (Shortfall)	\$41,336	\$186,699	\$195,141	-\$156,069	-\$41,138	-\$26,839	\$ 157,794
Bond Covenant with Proposed Rate							
Net Revenue / Debt Service Ratio	3.0	3.2	2.9	1.7	2.0	2.4	
Covenant Test Ratio	1.2	1.2	1.2	1.2	1.2	1.2	
PASS / FAIL	PASS	PASS	PASS	PASS	PASS	PASS	



FY 2023 Rate per EDU Including RBB - \$246.83 / EDU

Based on the Agency’s current budget and five-year forecast, a rate of \$246.83 per EDU is recommended in FY 2023, a 6.5% increase over the FY 2022 rate of \$231.77.

Ratepayer Impact – Rate Adjustment Including RBB

Rate	FY 2022	FY 2023	FY 2023 Breakout		Annual Change		Monthly Change
	Actual	Proposed	BBARWA	RBB	\$	%	\$
Established	\$231.77	\$246.83	\$241.04	\$5.79	\$15.06	6.5%	\$1.26
CBBL	\$240.24	\$255.75	\$249.79	\$5.96	\$15.51	6.5%	\$1.29
CSD	\$224.88	\$239.78	\$234.11	\$5.67	\$14.90	6.6%	\$1.24
CSA 53 B	\$220.61	\$233.17	\$227.63	\$5.54	\$12.56	5.7%	\$1.05



Appendix
Five-Year Forecast – BBARWA Only

Income Statement

	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Yr CAGR (a)
Operating Revenue:							
Annual Charges	5,845,163	6,095,360	6,350,455	6,616,205	6,840,031	7,071,407	4%
Standby Charges	79,220	77,602	76,688	75,774	74,860	73,946	-1%
Rental Income	53,386	54,205	55,049	55,918	56,812	57,733	2%
Waste Disposal	21,690	21,690	21,690	21,690	21,690	21,690	0%
Other Revenue	0	0	0	0	0	0	nm (b)
Total Operating Revenue	5,999,460	6,248,857	6,503,882	6,769,587	6,993,393	7,224,776	4%
Operating Expenses:							
Salaries and Benefits	2,617,063	2,767,122	2,954,359	3,117,484	3,262,059	3,393,135	5%
Power	463,514	479,055	492,458	506,034	519,963	533,783	3%
Sludge Removal	293,488	315,295	323,673	331,640	339,806	348,176	3%
Chemicals	73,315	83,084	115,096	89,764	93,202	127,617	12%
Materials and Supplies	128,672	142,203	148,471	153,749	155,309	155,639	4%
Repairs and Replacements	265,397	221,067	235,870	291,165	261,477	246,175	-1%
Equipment Rental	854	885	909	931	955	978	3%
Utilities Expense (other than power)	30,388	48,301	49,605	50,846	52,117	53,420	12%
Communications Expense	49,771	57,223	58,671	60,047	61,459	62,905	5%
Contractual Services - Other	98,819	104,732	110,186	111,057	114,211	119,294	4%
Contractual Services - Prof	220,292	166,620	179,696	174,986	189,408	192,308	-3%
Permits and fees	229,361	245,225	259,993	286,547	304,840	335,282	8%
Property Tax Expense	4,016	4,070	4,124	4,180	4,235	4,292	1%
Insurance	197,864	243,708	248,346	259,018	269,204	279,590	7%
Other Operating Expense	51,637	64,749	66,390	63,949	65,548	67,187	5%
Depreciation Expense	905,147	921,287	933,988	910,047	888,172	900,732	0%
Total Operating Expense	5,629,598	5,864,627	6,181,834	6,411,444	6,581,963	6,820,513	4%
Operating Income	369,861	384,230	322,048	358,143	411,430	404,263	2%
Nonoperating Income							
Gain (loss) on Asset Disposition	0	0	0	0	0	0	nm (b)
Finance Charge Income	0	0	0	0	0	0	nm (b)
Interest Income	10,171	83,228	112,301	116,498	127,674	135,026	68%
Other Nonoperating Income	85,352	0	0	0	0	0	nm (b)
Nonoperating Income	95,523	83,228	112,301	116,498	127,674	135,026	7%
Nonoperating Expense							
Other Expense	176,850	5,028	5,028	5,028	5,028	5,028	-51%
Interest Expense	110,916	97,279	83,173	68,583	53,492	37,923	-19%
Nonoperating Expense	287,767	102,307	88,201	73,611	58,520	42,951	-32%
Income before Contributions	177,617	365,151	346,148	401,029	480,584	496,339	23%
Connection Fees	246,620	188,100	188,100	188,100	188,100	188,100	-5%
Net Income, Change in Net Position	424,237	553,251	534,248	589,129	668,684	684,439	10%

(a) Compound Annual Growth Rate (average annual change)

(b) "nm" means not meaningful



Cash Flow Statement and Designated Fund Balances

	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Total
Cash from Operating Activities:							
Operating Income (Loss)	369,861	384,230	322,048	358,143	411,430	404,263	1,880,114
Depreciation Expense	905,147	921,287	933,988	910,047	888,172	900,732	4,554,226
Change in Working Capital, Other Adjustments	<u>-2,996</u>	<u>19,356</u>	<u>16,990</u>	<u>12,885</u>	<u>9,835</u>	<u>12,007</u>	<u>71,071</u>
Net Cash Provided by Op Activities	1,272,012	1,324,873	1,273,025	1,281,075	1,309,436	1,317,002	6,505,411
Cash from Noncapital Financing:							
Payment of Pension Related Debt/Liability	0	0	0	0	0	0	0
Cash from Capital and Related Financing:							
Other Nonop Expense (Interagency)	-171,822	0	0	0	0	0	0
Capital Expenditures	-1,855,822	-644,978	-1,172,126	-461,144	-477,995	-1,136,251	-3,892,494
Proceeds from Asset Disposition	0	0	0	0	0	0	0
Connection Fee (Capital Contrib)	246,620	188,100	188,100	188,100	188,100	188,100	940,500
Proceeds from Debt Issuance, Grants	85,352	0	0	0	0	0	0
Debt Service:							0
Interest Expense	-110,916	-97,279	-83,173	-68,583	-53,492	-37,923	-340,450
Principal Debt Amortization	<u>-398,160</u>	<u>-411,798</u>	<u>-425,903</u>	<u>-440,493</u>	<u>-455,584</u>	<u>-291,640</u>	<u>-2,025,419</u>
Total Debt Service	<u>-509,077</u>	<u>-509,077</u>	<u>-509,077</u>	<u>-509,077</u>	<u>-509,077</u>	<u>-329,563</u>	<u>-2,365,869</u>
Net Cash Used for Cap and Related Financing	-2,204,749	-965,955	-1,493,103	-782,121	-798,972	-1,277,713	-5,317,864
Cash from Investing:							
Interest Income	<u>10,171</u>	<u>83,228</u>	<u>112,301</u>	<u>116,498</u>	<u>127,674</u>	<u>135,026</u>	<u>574,727</u>
Net Cash from Investing	10,171	83,228	112,301	116,498	127,674	135,026	574,727
Net Change in Cash	-922,566	442,146	-107,776	615,452	638,138	174,315	1,762,275
Beginning Cash Balance	6,694,849	5,772,283	6,214,429	6,106,653	6,722,105	7,360,243	32,175,714
Ending Cash Balance	<u>5,772,283</u>	<u>6,214,429</u>	<u>6,106,653</u>	<u>6,722,105</u>	<u>7,360,243</u>	<u>7,534,558</u>	<u>33,937,989</u>
Change in Cash Balance	-922,566	442,146	-107,776	615,452	638,138	174,315	1,762,275

	Projected FY 2021	Budget FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Change
DESIGNATED FUND BALANCES (Ending)							
Cash Balance	5,772,283	6,214,429	6,106,653	6,722,105	7,360,243	7,534,558	1,762,275
Capital and Replacement Fund							
Current Year	644,978	1,172,126	461,144	477,995	1,136,251	818,101	173,123
Future Years	<u>802,968</u>	<u>513,748</u>	<u>946,910</u>	<u>1,416,481</u>	<u>1,433,513</u>	<u>1,706,910</u>	<u>903,942</u>
Total C & R	1,447,946	1,685,874	1,408,054	1,894,476	2,569,763	2,525,012	1,077,065
Debt Service Fund	509,077	509,077	509,077	509,077	329,563	429,802	-79,275
Liquidity Fund	2,491,370	2,644,837	2,772,623	2,869,587	2,983,483	3,072,987	581,617
Contingency Fund:							
Emergency	500,000	500,000	500,000	500,000	500,000	500,000	0
Operating	<u>823,890</u>	<u>874,641</u>	<u>916,900</u>	<u>948,965</u>	<u>977,434</u>	<u>1,006,757</u>	<u>182,867</u>
Total Contingency	1,323,890	1,374,641	1,416,900	1,448,965	1,477,434	1,506,757	182,867
Designated Funds	5,772,283	6,214,429	6,106,653	6,722,105	7,360,243	7,534,558	1,762,275



Big Bear Area Regional Wastewater Agency

Budget and Forecast

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Historical Income Statement

The historical information presented below does not match the audited financial statements and excludes GASB adjustments for pension and OPEB expense.

	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	NEW Budget FY 2023
Operating Revenues:							
Annual Charges	5,007,070	5,091,576	5,251,542	5,437,076	5,602,113	5,845,163	6,241,883
Standby Charges	86,930	85,180	83,200	81,660	80,300	79,220	77,602
Rental Income	49,918	50,449	51,071	51,855	52,592	53,386	54,205
Waste Disposal	22,033	23,113	20,608	18,755	23,859	21,690	21,690
Other Revenue	<u>488</u>	<u>1,916</u>	<u>765</u>	<u>0</u>	<u>793</u>	<u>0</u>	<u>0</u>
Total Operating Revenue	5,166,439	5,252,233	5,407,186	5,589,346	5,759,657	5,999,460	6,395,380
Operating Expenses:							
Salaries and Benefits	1,971,517	1,988,278	2,162,857	2,353,414	2,447,706	2,617,063	2,767,122
Power	522,181	386,367	520,234	453,306	459,483	463,514	479,055
Sludge Removal	281,096	397,813	298,241	276,292	319,660	293,488	315,295
Chemicals	71,097	49,408	53,088	47,596	96,119	73,315	83,084
Materials and Supplies	138,226	127,277	162,695	159,052	120,308	128,672	142,203
Repairs and Replacements	128,645	155,447	445,040	253,789	262,795	265,397	221,067
Equipment Rental	2,242	37,215	1,363	351	835	854	885
Utilities Expense (other than power)	13,023	26,737	22,207	14,180	61,996	30,388	48,301
Communications Expense	44,062	37,064	32,160	39,043	44,988	49,771	57,223
Contractual Services - Other	94,182	74,947	97,296	78,879	90,873	98,819	104,732
Contractual Services - Professional	191,457	233,349	214,412	153,470	120,390	220,292	166,620
Permits and fees	148,687	145,515	158,528	185,051	201,452	229,361	245,225
Property Tax Expense	3,524	3,599	3,665	3,917	3,998	4,016	4,070
Insurance	85,386	99,428	100,952	112,262	171,882	197,864	243,708
Other Operating Expense	56,329	50,470	48,140	45,018	37,216	51,637	64,749
Depreciation Expense	<u>896,429</u>	<u>842,155</u>	<u>893,196</u>	<u>863,233</u>	<u>898,422</u>	<u>905,147</u>	<u>921,287</u>
Total Operating Expense	4,648,083	4,655,070	5,214,075	5,038,855	5,338,122	5,629,598	5,864,627
Operating Income	518,356	597,164	193,111	550,491	421,535	369,861	530,753
Nonoperating Income							
Gain (loss) on asset disposition	0	0	180	455	0	0	0
Interest Income	29,101	73,866	164,531	130,951	-1,670	10,171	83,228
Other Nonoperating Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,158</u>	<u>85,352</u>	<u>0</u>
Nonoperating income	-62,872	-1,635,661	164,711	122,228	-338,511	95,523	83,228
Nonoperating Expense							
Other Expense	11,700	31,477	181,528	174,573	103,896	176,850	5,028
Interest Expense	<u>117,739</u>	<u>100,536</u>	<u>134,569</u>	<u>136,848</u>	<u>122,832</u>	<u>110,916</u>	<u>128,948</u>
Nonoperating expense	129,439	132,013	316,097	311,421	226,728	287,767	133,976
Income before Contributions	326,045	-1,170,510	41,725	361,298	-143,704	177,617	480,006
Connection Fees	<u>231,210</u>	<u>249,560</u>	<u>188,100</u>	<u>188,100</u>	<u>284,240</u>	<u>246,620</u>	<u>188,100</u>
Change in Net Position	557,255	-920,950	229,825	549,398	140,536	424,237	668,106



Five-Year Forecast – BBARWA and RBB

Income Statement

	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	5-Yr CAGR (a)
Operating Revenue:							
Annual Charges	5,845,163	6,241,883	6,659,435	7,104,897	7,345,255	7,593,721	5%
Standby Charges	79,220	77,602	76,688	75,774	74,860	73,946	-1%
Rental Income	53,386	54,205	55,049	55,918	56,812	57,733	2%
Waste Disposal	21,690	21,690	21,690	21,690	21,690	21,690	0%
Other Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>nm</u> (b)
Total Operating Revenue	5,999,460	6,395,380	6,812,862	7,258,278	7,498,617	7,747,091	5%
Operating Expenses:							
Salaries and Benefits	2,617,063	2,767,122	2,954,359	3,117,484	3,262,059	3,393,135	5%
Power	463,514	479,055	492,458	506,034	519,963	533,783	3%
Sludge Removal	293,488	315,295	323,673	331,640	339,806	348,176	3%
Chemicals	73,315	83,084	115,096	89,764	93,202	127,617	12%
Materials and Supplies	128,672	142,203	148,471	153,749	155,309	155,639	4%
Repairs and Replacements	265,397	221,067	235,870	291,165	261,477	246,175	-1%
Equipment Rental	854	885	909	931	955	978	3%
Utilities Expense (other than power)	30,388	48,301	49,605	50,846	52,117	53,420	12%
Communications Expense	49,771	57,223	58,671	60,047	61,459	62,905	5%
Contractual Services - Other	98,819	104,732	110,186	111,057	114,211	119,294	4%
Contractual Services - Prof	220,292	166,620	179,696	174,986	189,408	192,308	-3%
Permits and fees	229,361	245,225	259,993	286,547	304,840	335,282	8%
Property Tax Expense	4,016	4,070	4,124	4,180	4,235	4,292	1%
Insurance	197,864	243,708	248,346	259,018	269,204	279,590	7%
Other Operating Expense	51,637	64,749	66,390	63,949	65,548	67,187	5%
Depreciation Expense	<u>905,147</u>	<u>921,287</u>	<u>933,988</u>	<u>910,047</u>	<u>888,172</u>	<u>900,732</u>	<u>0%</u>
Total Operating Expense	5,629,598	5,864,627	6,181,834	6,411,444	6,581,963	6,820,513	4%
Operating Income	369,861	530,753	631,028	846,834	916,654	926,577	20%
Nonoperating Income							
Gain (loss) on Asset Disposition	0	0	0	0	0	0	nm (b)
Finance Charge Income	0	0	0	0	0	0	nm (b)
Interest Income	10,171	83,228	112,301	116,498	127,674	135,026	68%
Other Nonoperating Income	<u>85,352</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>nm</u> (b)
Nonoperating Income	95,523	83,228	112,301	116,498	127,674	135,026	7%
Nonoperating Expense							
Other Expense	176,850	5,028	5,028	5,028	5,028	5,028	-51%
Interest Expense	<u>110,916</u>	<u>128,948</u>	<u>219,376</u>	<u>747,861</u>	<u>615,784</u>	<u>600,214</u>	<u>40%</u>
Nonoperating Expense	287,767	133,976	224,404	752,889	620,812	605,242	16%
Income before Contributions	177,617	480,006	518,925	210,443	423,516	456,361	21%
Connection Fees	<u>246,620</u>	<u>188,100</u>	<u>188,100</u>	<u>188,100</u>	<u>188,100</u>	<u>188,100</u>	<u>-5%</u>
Net Income, Change in Net Position	424,237	668,106	707,025	398,543	611,616	644,461	9%

(a) Compound Annual Growth Rate (average annual change)

(b) "nm" means not meaningful



Cash Flow Statement and Designated Fund Balances

	Projected FY 2022	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Total
Cash from operating activities:							
Operating Income (Loss)	369,861	530,753	631,028	846,834	916,654	926,577	3,851,847
Depreciation expense	905,147	921,287	933,988	910,047	888,172	900,732	4,554,226
Other Miscellaneous Income (Exp)	0	0	0	0	0	0	0
Change in Working Capital	<u>-2,996</u>	<u>19,373</u>	<u>25,763</u>	<u>76,492</u>	<u>-5,366</u>	<u>11,543</u>	<u>127,803</u>
Net cash provided by op activities	1,272,012	1,471,413	1,590,779	1,833,373	1,799,459	1,838,852	8,533,876
Cash from noncapital financing:							
Payment of pension/OPEB related debt/liabilit	0	0	0	0	0	0	0
Cash from capital and related financing:							
Interagency expense	-171,822	0	0	0	0	0	0
Capital Expenditures BBARWA	-1,855,822	-644,978	-1,172,126	-461,144	-477,995	-1,136,251	-3,892,494
Capital Expenditures RBB	0	-2,494,476	-6,497,807	-23,510,500	0	0	-32,502,784
Proceeds from Asset Disposition	0	0	0	0	0	0	0
Connection Fee (Capital Contrib)	246,620	188,100	188,100	188,100	188,100	188,100	940,500
Proceeds from Debt Issuance/Grant Funds RBB	85,352	2,494,476	6,497,807	23,510,500	0	0	32,502,784
Debt Service:							<u>0</u>
Interest Expense	-110,916	-128,948	-219,376	-747,861	-615,784	-600,214	-2,312,183
Principal Debt Amortization	<u>-398,160</u>	<u>-411,798</u>	<u>-425,903</u>	<u>-440,493</u>	<u>-455,584</u>	<u>-291,640</u>	<u>-2,025,419</u>
Total Debt Service	-509,077	-540,745	-645,279	-1,188,354	-1,071,368	-891,855	-4,337,602
Net cash used for cap and related financing	-2,204,749	-997,624	-1,629,305	-1,461,398	-1,361,264	-1,840,005	-7,289,596
(Increase) Decrease in Other Assets	0	0	0	0	0	0	0
Other Proceeds	0	0	0	0	0	0	0
Interest Income	10,171	83,228	112,301	116,498	127,674	135,026	574,727
Proceeds from the Sale of Investment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net cash from investing	10,171	83,228	112,301	116,498	127,674	135,026	574,727
NET CHANGE IN CASH	-922,566	557,017	73,774	488,473	565,869	133,874	1,819,007
Beginning Cash Balance	<u>6,694,849</u>	<u>5,772,283</u>	<u>6,329,301</u>	<u>6,403,075</u>	<u>6,891,547</u>	<u>7,457,417</u>	<u>32,853,623</u>
Ending Cash Balance	<u>5,772,283</u>	<u>6,329,301</u>	<u>6,403,075</u>	<u>6,891,547</u>	<u>7,457,417</u>	<u>7,591,290</u>	<u>34,672,630</u>
Change in Cash Balance	-922,566	557,017	73,774	488,473	565,869	133,874	1,819,007

	Projected FY 2021	Budget FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Change
DESIGNATED FUND BALANCES (Ending)							
Cash Balance	5,772,283	6,329,301	6,403,075	6,891,547	7,457,417	7,591,290	1,819,007
Capital and Replacement Fund							
Current Year	644,978	1,172,126	461,144	477,995	1,136,251	818,101	173,123
Future Years	<u>771,299</u>	<u>492,417</u>	<u>564,054</u>	<u>1,023,631</u>	<u>968,395</u>	<u>1,201,351</u>	<u>430,052</u>
Total C & R	1,416,277	1,664,543	1,025,198	1,501,626	2,104,645	2,019,452	603,175
Debt Service Fund	540,745	645,279	1,188,354	1,071,368	891,855	992,094	451,348
Liquidity Fund	2,491,370	2,644,837	2,772,623	2,869,587	2,983,483	3,072,987	581,617
Contingency Fund:							
Emergency	500,000	500,000	500,000	500,000	500,000	500,000	0
Operating	<u>823,890</u>	<u>874,641</u>	<u>916,900</u>	<u>948,965</u>	<u>977,434</u>	<u>1,006,757</u>	<u>182,867</u>
Total Contingency	1,323,890	1,374,641	1,416,900	1,448,965	1,477,434	1,506,757	182,867
Designated Funds	5,772,283	6,329,301	6,403,075	6,891,547	7,457,417	7,591,290	1,819,007