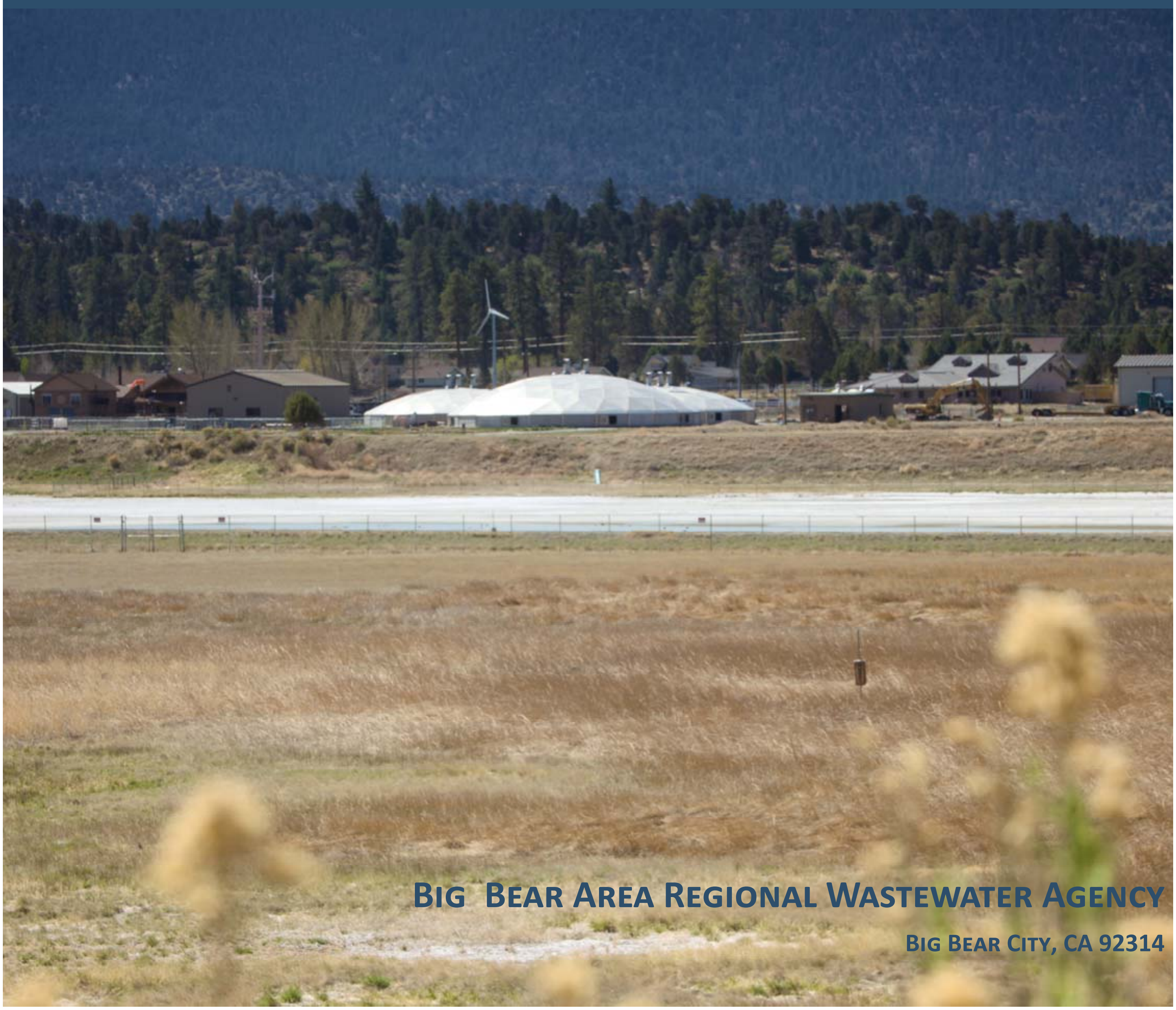
Budget

For the Year Ended June 30, 2021

2021



Big Bear Area Regional Wastewater Agency

Big Bear City, CA 92314

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Budget Framework

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 2021 - 2025. The rates through FY 2025 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]

The Agency's FY 2021 Budget originally included a 3.9% rate adjustment but has been modified downward to a 2.9% rate adjustment. The downward adjustment has been offset in part by a reduction in salaries and wages growth. These measures were taken as a result of COVID-19 and the desire by the Governing Board to lower the financial impact of a rate increase on the ratepayer.

	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025
Actual/Proposed Rates	$180.71	$187.94	$193.58	$201.32	$201.32	$201.32	$204.34	$210.06	$216.78	$223.07	$231.32	$239.88	$248.52	$257.46
% Change	4.0%	4.0%	3.0%	4.0%	0.0%	0.0%	1.5%	2.8%	3.2%	2.9%	3.7%	3.7%	3.6%	3.6%
Prior Projected Rate Adjustment										3.0%	3.0%	3.0%	3.0%	n/a

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. While the average rate adjustments over the next five-year period are slightly higher than previously forecast, they are mostly consistent with the Agency's prior plan and the 2018 Rate Study. The higher rate adjustments are largely driven by higher repairs and replacements expense than previously budgeted and unplanned expenses during the last two years. The uncertainty surrounding the necessary level of ongoing repairs and replacements expense combined with lower reserves resulting from unplanned expenses (Replenish Big Bear and repairs and replacements), would justify a higher rate adjustment at this time; however, due to the current COVID-19 situation and the associated economic uncertainty, the Governing Board is directing a lower rate adjustment. During last year's budget process, the following was noted:

> "The Agency has incurred a substantial amount of unexpected expenditures resulting in lower capital and replacement fund reserves. This will reduce the Agency's flexibility over the next two years to absorb cost overruns or unexpected repairs. If the Agency continues to incur unplanned costs, it is likely that planned capital expenditures will need to be deferred or future rate adjustments will need to be higher than projected."

The current projection includes 2.9% – 3.7% annual rate increases. These rates produce little excess rate revenues ($34,669 by the end of FY 2025) resulting in little flexibility if unplanned repairs and replacements expense continues. The Agency may delay or reduce FY 2021 expenditures associated with the Replenish Big Bear Project, the OPEB Unfunded Liability reduction, and capital expenditures to provide flexibility if needed.

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

Further, the Agency has contingency funds available for variances from budget. If these funds are drawn upon to provide needed flexibility, subsequent rate adjustments may need to be higher than the current proposed rates.

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[2] (Consumer 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 Congressional Budget Office forecast CPI as indicators in determining future price changes. The overall inflationary outlook is for stable prices with the Federal Reserve pausing rate adjustments. Further, if a rate adjustment is made, it is expected to be a downward adjustment.

Inflation

Month	Riverside, SB, Ontario CPI U	West Region CPI U	National CPI U	CCI
November 2020	2.9%	2.8%	2.1%	1.8%

Congressional Budget Office Forecast

Index	Period	Rate
CPI, All Urban Consumers	Calendar Years 2021- 2025, Annual Average	2.4%

The Agency has assumed inflation of 2.8 – 2.7% each year during the forecast period, down from 3% in the prior forecast. This inflation assumption reflects the 2.4% national inflation expected by the Congressional Budget Office combined with higher regional inflation.

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

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.

[2] It should be noted that the regional CPI index previously used by the Agency in prior years is no longer available. The sample area was modified to split Los Angeles and Riverside. The new indices are 1) Los Angeles, Long Beach, Anaheim and 2) Riverside, San Bernardino, Ontario. The Agency's proximity is closer to Riverside and therefore the Agency is using the Riverside, San Bernardino, Ontario index. The index began in December 2017.

Comparisons

Financial performance comparisons throughout this document include historical, current and future periods. The periods prior to and including FY 2019 are periods of actual financial performance, FY 2020 is the projected performance, FY 2021 is the budget period, and FY 2021 – FY 2025 is the forecast period:

FY 2019	FY 2020	FY 2021	FY 2021 - FY 2025
Actual	Projected	Budget	Forecast Period

Items Impacting Financial Performance

Rising Salaries and Wages Expense – New hires during 2017 and 2018 combined with a change in pay schedules resulting from the Compensation and Classification Study have resulted in the majority of the Agency's employees being within their respective pay scales (13 out of 15, currently) and thus eligible for annual merit adjustments in addition to annual cost of living adjustments. This results in potentially higher annual percentage changes in salaries and wages than if all employees were at the top of their respective pay ranges and only eligible for a cost of living adjustment. The growth in the Agency's salaries and wages will slow to 4% in FY 2021 driven by a 5% cap in wage increases and is expected to slow compared to historical growth through 2025 (having peaked in 2020) as more employees reach the top of their respective pay scales.[3] The average annual increase in salaries and wages over the forecast period is projected to be 6%.

Higher Pension Costs - CalPERS lowered the discount rate, also known as the assumed rate of return, to 7% from 7.5%. The reduction impacts the Agency's pension contribution expense and has been transitioned over a three-year period beginning in FY 2019 and ending in FY 2021. The normal cost[4] is expected to increase from 13.945% of payroll in FY 2020 to approximately 15% of payroll in FY 2021 – FY 2025, and the payment of the unfunded accrued liability[5] is expected to increase, from $119,312 in FY 2020 to an estimated $212,690 in FY 2025. These increases combined, will contribute to an average annual growth in pension costs of 9% over the forecast period, increasing from $306,636 in FY 2020 to $477,558 in FY 2025, an increase of $170,922.

Lower Sludge Removal Expense – The Agency has projected lower sludge removal expense beginning in FY 2021, resulting from the full-year operation of the belt press compared to only five months in FY 2020. The new belt press is expected to reduce the Agency's sludge tons by increasing the dryness of the sludge produced. Annual tons are budgeted to decline 700 tons, from 4,038 to 3,338.

Higher Repairs and Replacements Expense – A higher level of repairs and replacements expense is expected to continue into FY 2021, with higher overall expense for the next five years. Average annual repairs and replacements expense is forecast to be $269,761 per year compared to the previous five-year period of $234,462 per year. The higher expense is consistent with aging plant and equipment and recent unplanned repairs and replacements.

[3] Using the Plant Operator position as an example, it would take six years to cycle through the pay scale assuming annual merit adjustments of 5%.

[4] The normal cost is the amount of pension benefit earned by active employees as they work and is calculated and contributed on an annual basis as a percentage of pay.

[5] The unfunded accrued liability (UAL) is the amount of pension benefit that has been earned and accrued by active and retired employees but that does not have an equal amount of assets set aside to fund the benefit.

Fewer Annual Connections - The Agency's recurring connections have averaged approximately 50 for the last five years, with 45 in FY 2019 and 42 for the trailing twelve months through December 2019. As a result, the Agency has lowered its projected annual connections from 55 to 45 each year through FY 2025.

Reduction of OPEB Unfunded Accrued Liability (OPEB UAL) - The Agency has budgeted to reduce its OPEB UAL by $400,000 during the five-year forecast, $200,000 in FY 2021 and $200,000 in FY 2022. **If the Agency continues to have unplanned expenditures as previously noted, this payment may be eliminated or reduced in FY 2021.** The reduction in the OPEB UAL is part of a multi-year plan to reduce the liability annually by $200,000 for a total of $1 million. The Agency made annual reductions in 2017 and 2018 and plans to make an additional payment in 2020, leaving $400,000 remaining in the next five-year period. Based on the most recent valuation (dated July 1, 2017), the unfunded OPEB Liability projected at 6/30/2020 is $1.3 million, and the projected funded ratio is 52% (ratio of assets to liability). If the Agency were to reduce its OPEB UAL as planned, the funded ratio would be greatly improved. Based on the current valuation, the estimated funded ratio would be approximately 80%.

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 Average 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 30th of the year referenced, i.e. FY 2021 is the fiscal year ending June 30, 2021
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 2019 and represents the Agency's best estimate of full-year, FY 2020 performance
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 2020 Budget are the revised budget (revised during the year through amendments and new appropriatons) 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 2021 Budget follows.

Statement Comparison: Projected FY 2020 to Actual FY 2019 and Budget FY 2020

INCOME STATEMENT
Comparison Projected FY 2020 to Actual FY 2019 and Budget FY 2020

	Actual FY 2019	Budget FY 2020	Projected FY 2020	Projected FY 2020 vs. Actual FY 2019 $	Projected FY 2020 vs. Actual FY 2019 %	Projected FY 2020 vs. Budget FY 2020 $	Projected FY 2020 vs. Budget FY 2020 %
Operating Revenues:							
Annual Charges	5,251,542	5,437,076	5,437,076	185,534	4%	0	0%
Standby Charges	83,200	81,660	81,660	-1,540	-2%	0	0%
Rental Income	51,071	51,820	51,820	749	1%	0	0%
Waste Disposal	20,608	21,798	21,798	1,190	6%	0	0%
Other Revenue	765	0	0	-765	-100%	0	nm
Total Operating Revenue	5,407,186	5,592,354	5,592,354	185,168	3%	0	0%
Operating Expenses:							
Salaries and Benefits	2,162,857	2,400,883	2,398,257	235,400	11%	-2,626	0%
Power	520,234	481,412	477,689	-42,545	-8%	-3,723	-1%
Sludge Removal	298,241	209,564	252,000	-46,241	-16%	42,436	20%
Chemicals	53,088	104,222	104,055	50,967	96%	-167	0%
Materials and Supplies	162,695	164,511	173,878	11,182	7%	9,366	6%
Repairs and Replacements	445,040	339,275	292,416	-152,625	-34%	-46,860	-14%
Equipment Rental	1,363	820	820	-543	-40%	0	0%
Utilities Expense (other than powe	22,207	28,638	28,638	6,431	29%	0	0%
Communications Expense	32,160	43,506	34,190	2,030	6%	-9,316	-21%
Contractual Services - Other	97,296	103,631	106,098	8,802	9%	2,467	2%
Contractual Services - Professional	214,412	229,503	199,503	-14,909	-7%	-30,000	-13%
Permits and fees	158,528	165,348	182,139	23,611	15%	16,791	10%
Property Tax Expense	3,665	3,703	3,703	38	1%	0	0%
Insurance	100,952	109,856	111,655	10,703	11%	1,799	2%
Other Operating Expense	48,140	48,501	48,501	360	1%	0	0%
Depreciation Expense	893,196	895,524	895,524	2,328	0%	0	0%
Total Operating Expense	5,214,075	5,328,897	5,309,065	94,990	2%	-19,832	0%
Operating Expenses b/f Depreciation	*4,320,879*	*4,433,373*	*4,413,541*	*92,662*	*2%*	*-19,832*	*0%*
Operating Income	193,111	263,457	283,289	90,178	47%	19,832	8%
Nonoperating Income							
Gain (loss) on Asset Disposition	0	0	0	0	nm	0	nm
Interest Income	164,531	107,396	128,767	-35,764	-22%	21,371	20%
Other Nonoperating Income	0	0	0	0	nm	0	nm
Nonoperating Income	164,531	107,396	128,767	-35,764	-22%	21,371	20%
Nonoperating Expense							
Other Expense	181,528	368,672	368,672	187,144	103%	0	0%
Interest Expense	134,569	136,848	136,848	2,279	2%	0	0%
Nonoperating expense	316,097	505,520	505,520	189,423	60%	0	0%
Income before Contributions	41,545	-134,667	-93,463	-135,009	nm	41,204	nm
Connection Fees	188,100	229,900	188,100	0	0%	-41,800	-18%
Change in Net Position	229,645	95,233	94,637	-135,009	*-59%*	-596	-1%

CASH FLOW STATEMENT
Comparison Projected FY 2020 to Actual FY 2019 and Budget FY 2020

	Actual FY 2019	Budget FY 2020	Projected FY 2020	Projected FY 2020 vs. Actual FY 2019	Projected FY 2020 vs. Budget FY 2020
Cash from Operating Activities:					
Operating Income (Loss)	193,111	263,457	283,289	90,178	19,832
Depreciation Expense	893,196	895,524	895,524	2,328	0
Other Miscellaneous Income (Exp)	36,572	0	0	-36,572	0
Change in Working Capital, Other Adjustr	-274,944	6,707	34,059	309,004	27,352
Net Cash Provided by Op Activities	847,935	1,165,688	1,212,872	364,937	47,184
Cash from Noncapital Financing:					
Payment of Pension Related Debt/Liabi	0	-200,000	-200,000	-200,000	0
Cash from Capital and Related Financing:					
Other Nonoperating Expense (Interagenc	-153,028	-356,972	-356,972	-203,944	0
Capital Expenditures	-1,046,648	-3,085,301	-2,836,466	-1,789,818	248,835
Proceeds from Asset Disposition	0	0	0	0	0
Connection Fee (Capital Contrib)	188,710	229,900	188,100	-610	-41,800
Proceeds from Debt Issuance, Grants	1,731,500	0	55,000	-1,676,500	55,000
Debt Service:					
Interest Expense	-128,408	-136,848	-136,848	-8,440	0
Principal Debt Amortization	-469,141	-372,229	-372,229	96,912	0
Total Debt Service	-597,549	-509,077	-509,077	88,472	0
Net Cash Used for Cap and Related Fina	122,985	-3,721,450	-3,459,414	-3,582,399	262,036
Cash from Investing:					
(Increase) Decrease in Other Assets	0	0	0	0	0
Other Proceeds	0	0	0	0	0
Interest Income	150,046	107,396	128,767	-21,279	21,371
Proceeds from the Sale of Investment	0	0	0	0	0
Net Cash from Investing	150,046	107,396	128,767	-21,279	21,371
Net Change in Cash	1,120,966	-2,648,366	-2,317,775	-3,438,741	330,591
Beginning Cash Balance	6,719,539	7,840,505	7,840,505	1,120,966	0
Ending Cash Balance	7,840,505	5,192,140	5,522,731	-2,317,775	330,591
Change in Cash Balance	1,120,966	-2,648,366	-2,317,775	-3,438,741	330,591

Discussion: Projected FY 2020 Compared to Actual FY 2019

Operating Revenues are projected to be $5.6 million, up $185,168 or 3% in FY 2020. The increase is driven by higher annual charges driven by a 3.2% rate increase and new connections during the period.

Operating Expenses (before depreciation) are projected to be $4.4 million, up $92,662 or 2% in FY 2020. The increase in operating expenses is due largely to higher Salaries and Benefits, Chemicals, Permits and Fees and Insurance expense offset in part by lower Repairs and Replacements, Power and Sludge Removal expense.

- **Salaries and Benefits** expense is projected to be $2,398,257, up $235,400 or 11% in FY 2020. The increase is driven by an 11% increase in salaries and wages and a 10% increase in benefits expense. The increase in salaries and wages is mostly due to increases in base pay driven by combined annual merit and COLA adjustments. The increase in benefits expense is driven by an increase in pension contribution expense and medical premium expense. Please see page 22 for a detailed discussion of the increases.
- **Chemicals** expense is projected to be $104,055, up $50,967 or 96% in FY 2020. The increase is due to a carbon tower replacement in FY 2020 and higher polymer expense associated with the new belt press.
- **Permits and Fees** expense is projected to be $182,139, up $23,611 or 15%. The increase is largely due to increases in the Agency's discharge permit fees. The State Water Regional Control Board increased the Agency's discharge permit fees by 15% or $20,100 over the prior period.
- **Insurance** expense is projected to be $111,655, up $10,703 or 11%. The increase is driven by a 5% increase in workers compensation rates, a 5% increase in liability rates and an 11% increase in property rates.
- **Repairs and Replacements** expense is projected to be $292,416, down $152,625 or 34% in FY 2020. The decrease is due to the abnormally high repairs and replacements expense in FY 2019 totaling $445,040. These repairs included Lucerne Valley emergency repairs; generator troubleshooting, repairs and catalyst replacement; oxidation ditch repairs (splitter gates, rotor paddles, rotor adjustment, rotor reducer, end bearings, and motor); and belt press bearings and motor replacement.
- **Power** expense is projected to be $477,689, down $42,545 or 8% in FY 2020 due to the temporary use of utility power resulting from a generator shutdown in the prior period and lower standby fees in the current period as a result of a rate reduction.
- **Sludge Removal** expense is projected to be $252,000, down $46,241 or 16% in FY 2020 due to the installation of the new belt press during five months of the year. The new belt press is expected to increase the dryness of the sludge and lower the Agency's annual tons by 700, from 4,038 tons to 3,338 tons.

Operating Income is projected to be $283,289, up $90,178 or 47% in FY 2020. The increase in operating income is driven by the growth in operating revenues outpacing the growth in operating expenses, with operating revenues increasing $185,168 or 3% and operating expenses increasing $94,990 or 2%.

Change in Net Position is projected to be $94,637, a decrease of $135,009 or 59% in FY 2020. The decrease over the prior year is largely due to higher non-operating expense (Replenish Big Bear) of $187,144 in FY 2020. The higher expenses in the current year are the result of timing. Approximately $107,000 of Replenish Big Bear expenses budgeted for FY 2019 were carried over to FY 2020.

Change in cash for the period is projected to be ($2,317,775) in FY 2020 compared to $1,120,966 in the prior period. Lower cash flow in FY 2020 is due largely to debt proceeds in the prior period of $1.7 million (which increased the Agency's cash flow) and much higher capital expenditures in the current period, higher by $1.8

million. The Agency borrowed for the New Belt Press Project in FY 2019 but will incur most of the related capital expenditures in FY 2020.

Discussion: Projected FY 2020 Compared to Budget FY 2020

The comparison below is made to the Agency's budget, as amended during the year to include $1.5 million in carry over and new appropriations during the period: 1) $200,000 operating expenses and 2) $1.3 million in capital expenditures.

Operating Revenues are projected to be $5.6 million, on plan with the budget.

Operating Expenses (before depreciation) are projected to be $4.4 million, down 0.4% or $19,832 compared to the Agency's budget. The Agency is projected to have higher Sludge Removal and Permits and Fees expense. These increases are expected to be offset by lower Repairs and Replacements and Contractual Services - Professional expense.

- **Sludge Removal** expense is projected to be $252,000, up $42,436 or 20% from the budget. The increase compared to the budget is due to the delay in the completion of the New Belt Press Project and higher sludge tons as a result. The new belt press is expected to increase the dryness of the sludge and lower the Agency's annual tons by 700, from 4,038 tons to 3,338 tons. The installation of the belt press and related equipment was expected to be in place in July 2019 and is now expected to be in service in February 2020.
- **Permits and Fees** expense is projected to be $182,139, up $16,791 or 10% from the budget. The increase is largely due to increases in the Agency's discharge permit fees. The State Water Regional Control Board increased the Agency's discharge permit fees by 15% or $20,100 over the prior period.
- **Repairs and Replacements** expense is projected to be $292,416, down $46,860 or 14% from the budget. The decrease is due to 1) lower required repairs related to asphalt repairs and a leak repair in the OAC basement storage area and 2) the deferral of a valve repair to FY 2021.
- **Contractual Services - Professional** expense is projected to be $199,503, down $30,000 or 13% from the budget. The decrease is related to the deferral of an Arc Flash Study planned for FY 2020 but deferred to FY 2021 due to an increase in the cost and required scope of work.

Operating Income is projected to be $283,289, up $19,832 or 8% from the budget due to lower operating expenses.

Change in Net Position is projected to be $94,637, down $596 or 1% from the budget. Higher operating income of $19,832 and higher interest income of $21,371 are offset by lower connection fee revenue of $41,800.

Change in cash for the period is projected to be ($2,317,775) in FY 2020, up $330,591 compared to the budget. Higher cash flow compared to the budget is due mostly to lower capital expenditures, grant proceeds (Replenish Big Bear), higher operating income and higher interest income, offset in part by lower connection fee revenue.

Statement Comparison: NEW Budget FY 2021 to Projected FY 2020

INCOME STATEMENT
Comparison NEW Budget FY 2021 to Projected FY 2020

	Projected FY 2020	NEW Budget FY 2021	NEW Budget FY 2021 vs. Projected FY 2020 $	%
Operating Revenues:				
Annual Charges	5,437,076	5,602,113	165,037	3%
Standby Charges	81,660	80,300	-1,360	-2%
Rental Income	51,820	52,592	772	1%
Waste Disposal	21,798	21,690	-108	0%
Other Revenue	0	0	0	nm
Total Operating Revenue	5,592,354	5,756,695	164,341	3%
Operating Expenses:				
Salaries and Benefits	2,398,257	2,564,019	165,761	7%
Power	477,689	487,020	9,331	2%
Sludge Removal	252,000	203,575	-48,425	-19%
Chemicals	104,055	81,116	-22,939	-22%
Materials and Supplies	173,878	141,083	-32,795	-19%
Repairs and Replacements	292,416	345,680	53,265	18%
Equipment Rental	820	837	17	2%
Utilities Expense	28,638	29,438	800	3%
Communications Expense	34,190	52,776	18,586	54%
Contractual Services - Other	106,098	113,435	7,336	7%
Contractual Services - Prof	199,503	219,773	20,271	10%
Permits and fees	182,139	190,071	7,932	4%
Property Tax Expense	3,703	4,147	443	12%
Insurance	111,655	126,847	15,192	14%
Other Operating Expense	48,501	59,853	11,352	23%
Depreciation Expense	895,524	939,015	43,491	5%
Total Operating Expenses	5,309,065	5,558,683	249,618	5%
Operating Expenses b/f Depreciaiton	*4,413,541*	*4,619,669*	206,128	*5%*
Operating Income	283,289	198,012	-85,278	*-30%*
Nonoperating Income				
Gain (loss) on Asset Disposition	0	0	0	nm
Finance Charge Income	0	0	0	nm
Interest Income	128,767	96,004	-32,763	-25%
Other Nonoperating Income	0	0	0	nm
Nonoperating Income	128,767	96,004	-32,763	-25%
Nonoperating Expense				
Other Expense	368,672	261,700	-106,972	-29%
Interest Expense	136,848	124,101	-12,747	-9%
Nonoperating Expense	505,520	385,801	-119,719	-24%
Income before Contributions	-93,463	-91,785	1,678	nm
Connection Fees	188,100	188,100	0	0%
Change in Net Position	94,637	96,315	1,678	2%

Discussion: NEW Budget FY 2021 Compared to Projected FY 2020

Operating Revenues are budgeted to be $5.8 million, up $164,341 or 3% from FY 2020. The increase reflects a 3% increase in Annual Charges which is due to a 2.9% increase in the sewer user fee and new connections to the system.

Operating Expenses (before depreciation) are budgeted to be $4.6 million, up $206,128 or 5% from FY 2020. The 5% increase in operating expenses is driven largely by increases in Salaries and Benefits and to a lesser extent increases in Repairs and Replacements, Contractual Services - Professional, Communications, Insurance and Other expense. These increases are offset somewhat by lower Sludge Removal, Materials and Supplies and Chemicals expense. These changes are explained below.

- **Salaries and Benefits** expense is budgeted to be $2.6 million, up $165,761 or 7% from FY 2020. The increase is driven by 1) a 4% increase in salaries and wages (up by $66,392) due to annual merit and COLA adjustments (merit adjustments limited 2.1% and COLA adjustments of 2.9%) combined with longevity adjustments[6] and 2) a 12% increase in benefits expense (up by $98,139) driven by higher pension expense ($49,048) and medical premium expense ($29,110). Please see page 22, for a detailed discussion of the increases.
- **Repairs and Replacements** expense is budgeted to be $345,680, up $53,265 or 18% from FY 2020. The increase is driven by higher main line expense associated with hydro cleaning and video inspecting the mainline ($43,875) and multiple valve replacements ($60,150).
- **Contractual Services -Professional** expense is budgeted to be $219,773, up $20,271 or 10% from FY 2020. The increase is driven by an Arc Flash Study budgeted for $45,000 in FY 2021.
- **Communications** expense is budgeted to be $52,776, up $18,586 or 54% from FY 2020. The increase is due to annual support required for the Agency's new SCADA system which is being replaced in FY 2020.
- **Insurance** expense is budgeted to be $127,889, up $16,234 or 15% from FY 2020. The majority of the increase is driven by increases in workers compensation insurance resulting from payroll increases, lower FY 2020 insurance resulting from a one-time adjustment, and a slightly higher assumed experience modification factor (based on the historical average).
- **Other Operating** expense is budgeted to be $59,853, up $11,352 or 23% from FY 2020. The increase is driven by higher education and training expense associated with tuition reimbursement and higher certification, grade testing and conference expenses.
- **Sludge Removal** expense is budgeted to be $203,575, down $48,425 or 19% from FY 2020 due to a reduction in solids resulting from the new belt press being in service for a full year compared to five months in FY 2020. The new belt press is expected to increase the dryness of the sludge and lower the Agency's annual tons by 700, from 4,038 tons to 3,338 tons.
- **Materials and Supplies** expense is budgeted to be $141,083, down $32,795 or 19% from FY 2020. The decrease is mostly related to purchases in FY 2020 that will not reoccur in FY 2021 and include maintenance software, safety supplies and plumbing supplies and to a lesser extent, lower purchases in FY 2021 associated with iPAD and computer replacements.

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[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 (limited to 2.1% in FY 2021); 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.

- **Chemicals** expense is budgeted to be $81,116, down $22,939 or 22% from FY 2020 and primarily reflects a carbon tower replacement in the prior period.

Operating Income is budgeted to be $198,012, a decrease of $85,278 or 30% from FY 2020. The decrease in operating income is due to the growth in operating expenses (higher by $249,618) outpacing the growth in operating revenue (higher by $164,341).

Change in Net Position is budgeted to be $96,315 up $1,678, or 2% from FY 2020. The increase is driven by lower non-operating expenses associated with Replenish Big Bear in FY 2021 (lower by $106,972) and lower interest income (lower by $12,747), mostly offset by lower operating income (lower by $85,278) and lower interest income (lower by $32,763).

Change in cash for the period is budgeted to be ($534,028) in FY 2021, higher by $1.8 million when compared to FY 2020 and is due mostly to lower capital expenditures (lower by $1.7 million) and lower non-operating expense (lower by $106,912). The non-operating expenses are related to Replenish Big Bear.

Financial Summary

Based on the current forecast, the Agency will need rate adjustments through 2025. While the average rate adjustments over the next five-year period are higher than previously forecast, they are mostly consistent with the Agency's prior plan and the 2018 Rate Study. The higher rate adjustments are largely driven by higher repairs and replacements expense than previously budgeted and unplanned expenses during the last two years. The uncertainty surrounding the necessary level of ongoing repairs and replacements expense combined with lower reserves resulting from unplanned expenses (Replenish Big Bear and repairs and replacements), would justify a higher rate adjustment at this time; however, due to the current COVID-19 situation and the associated economic uncertainty, the Governing Board is directing a lower rate adjustment. During last year's budget process, the following was noted:

> "The Agency has incurred a substantial amount of unexpected expenditures resulting in lower capital and replacement fund reserves. This will reduce the Agency's flexibility over the next two years to absorb cost overruns or unexpected repairs. If the Agency continues to incur unplanned costs, it is likely that planned capital expenditures will need to be deferred or future rate adjustments will need to be higher than projected."

During the next five-year period, growth in operating expenses will almost 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 excess of inflation is being driven by higher salaries and benefits expense, which are expected to grow at an average annual rate of 6% over the period. All other operating expenses combined grow at an average annual rate of 1% 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.

Debt service coverage at the end of FY 2021 is expected to be 2.8 x and is expected to increase to 3.1 x at the end of the forecast period. Minimum debt service coverage pursuant to the Agency's borrowing agreements is 1.2 x. The Agency's debt capacity is estimated[7] at $2.7 million at the end of FY 2021 and increases to

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

approximately $3.9 million beginning in FY 2025.

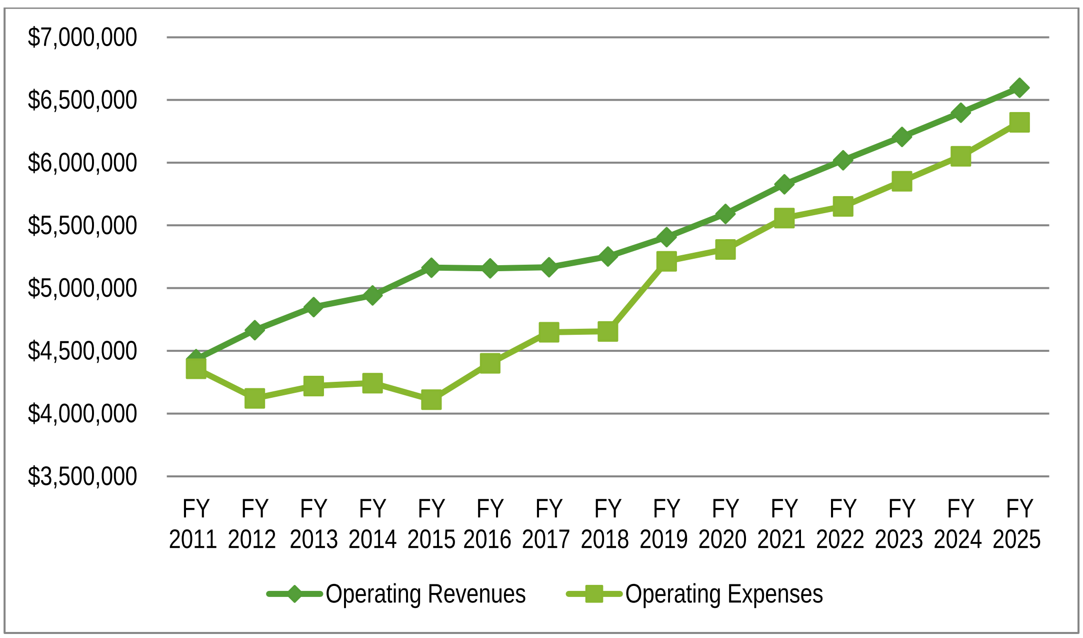
At the end of FY 2025, the Agency is projected to have $1.2 million in the capital and replacement fund. This amount reflects the cash that is available for future capital projects beginning in FY 2026. Based on the current capital improvement plan and the projected rate collection, the Agency is expected to have adequate funds to cover capital expenditures in the five-year period from FY 2026 through FY 2030, with minimal excess funds of $24,013 during the period.

The Agency is expected to generate net positive cash flow over the five-year period of approximately $377,864.

Operating Trends and Outlook

Operating Income[8] Improves

The Agency's Operating Expenses (before depreciation) are expected to grow at an average annual rate of 4% over the next five years, outpacing expected inflation of approximately 3% for the same period. The growth in operating expenses over the period is being driven by salaries and benefits expense which is expected to peak in FY 2020 at 11% growth and is budgeted to grow at 7% in FY 2021, slowing to 6% growth beginning in FY 2024. This slowdown in salaries and benefits expense growth combined with relatively flat growth in other operating expenses, will help manage the Agency’s overall growth in operating expenses to around 4% on average over the period. This combined with the planned rate adjustments will contribute to stable and improving operating income over the period.

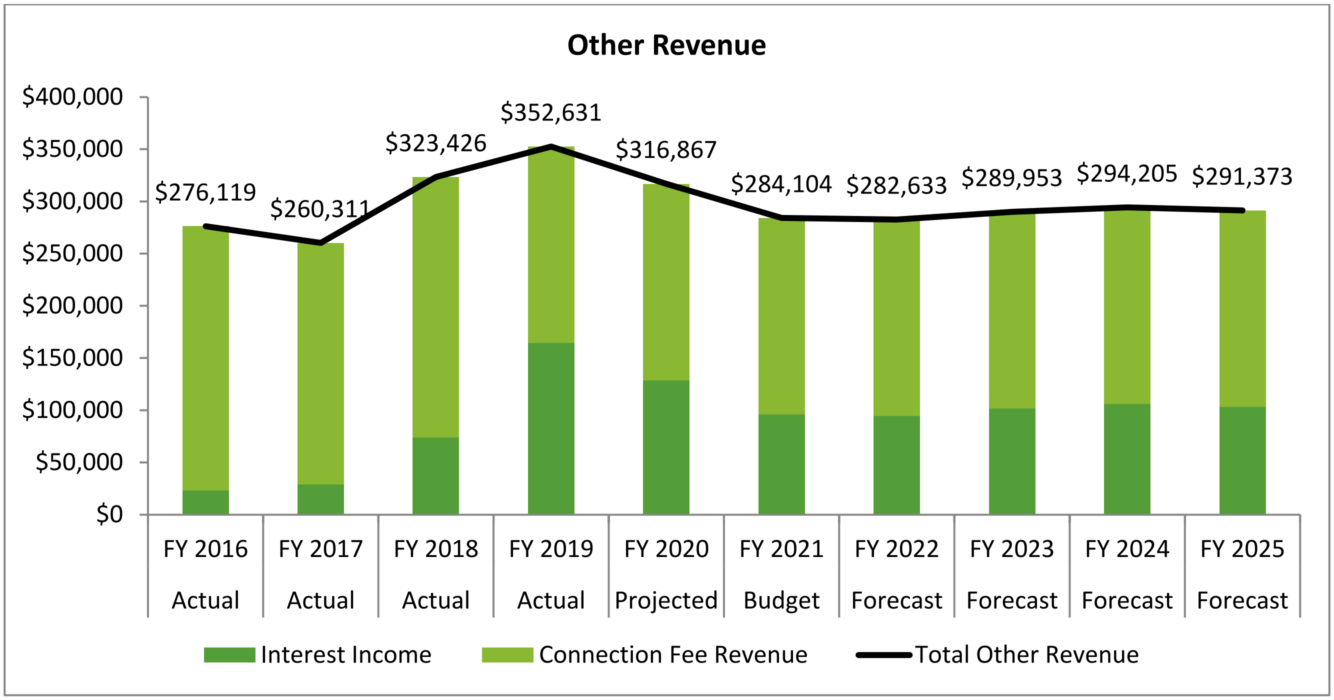


Other Revenue Decreases

Other revenue sources, Interest Income and Connection Fee Revenue, total approximately $289,000 annually, are projected to decrease over the period. The decrease is due to lower expected connections (lower by 10

[8] Operating Income is Operating Revenues less Operating Expenses

connections, or $41,800 a year) and lower interest income from slightly lower interest rates and lower cash balances.



Capital

Average Maintenance Capital Expenditures

The next five-year period is a relatively normal maintenance period for the Agency. Capital expenditures total $4.4 million and average $878,000 per year, with maintenance and replacement capital expenditures averaging approximately $850,000 per year. This amount is consistent with long-term, historical depreciation of approximately $850,000 and the annual maintenance requirement of $911,000[9] indicated in the Agency's current 20-year CIP.

No New Debt, Debt Service Coverage Improves

Leverage and Debt Service

The Agency's debt outstanding will be approximately $3.7 million at the end of FY 2020. Since 2009, the Agency's highest debt outstanding has been $7.6 million in FY 2009. 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 is projected to have a 2.8 x debt service coverage at the end of FY 2021 increasing to 3.1 x by the end of FY 2025.

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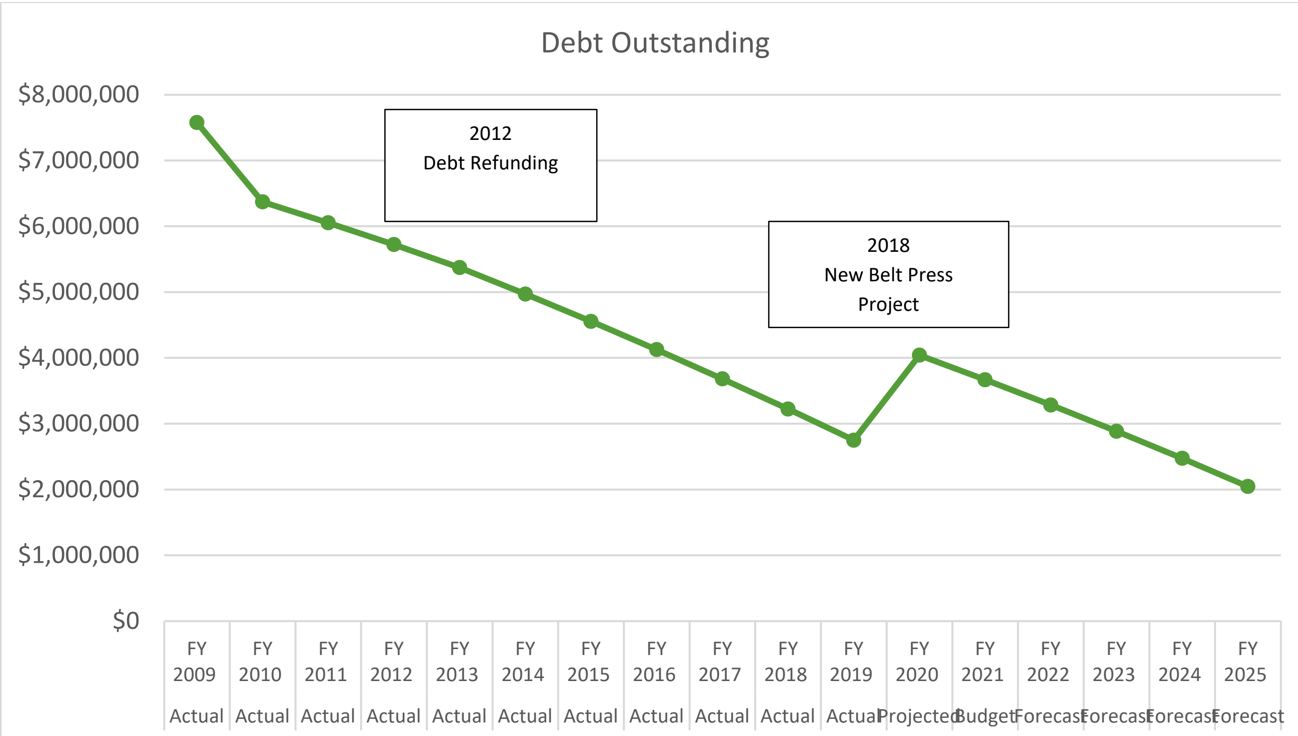
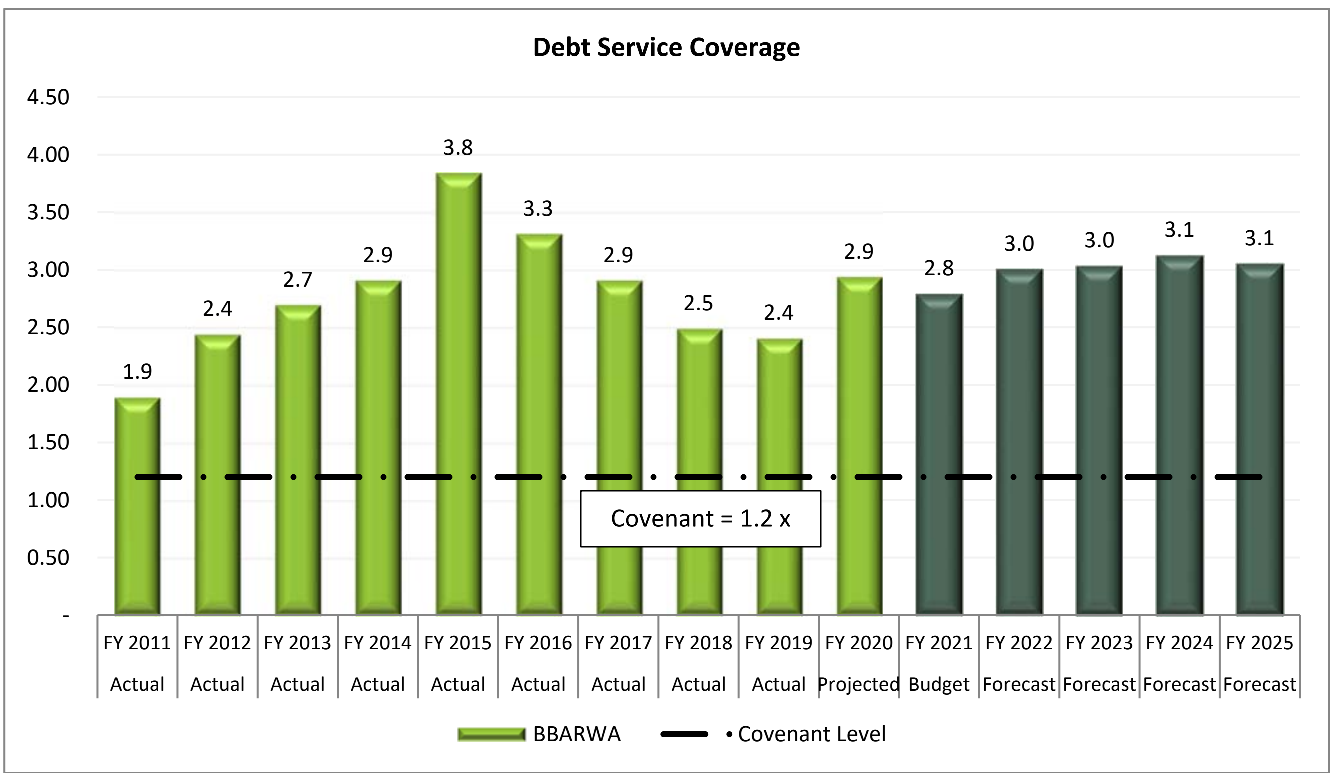
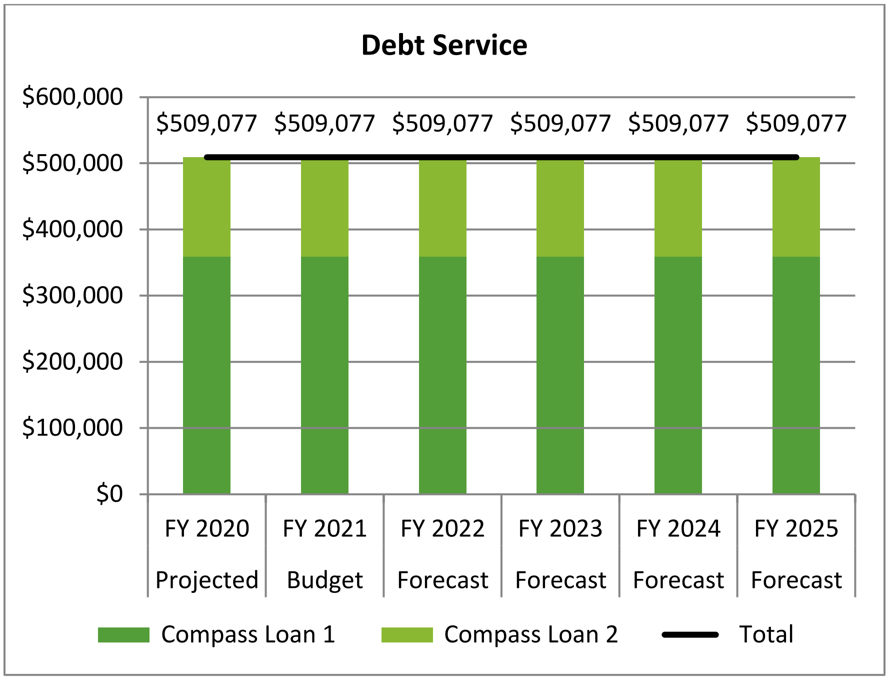
[9] The annual maintenance requirement of $911,000 excludes a major outfall line replacement scheduled in 2040. The inclusion of this pipeline replacement skews the ongoing system maintenance and replacement.


Debt Outstanding
2012
Debt Refunding
2018
New Belt Press
Project
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
FY 2009 Actual
FY 2010 Actual
FY 2011 Actual
FY 2012 Actual
FY 2013 Actual
FY 2014 Actual
FY 2015 Actual
FY 2016 Actual
FY 2017 Actual
FY 2018 Actual
FY 2019 Actual
FY 2020 Projected
FY 2021 Budget
FY 2022 Forecast
FY 2023 Forecast
FY 2024 Forecast
FY 2025 Forecast


Debt Service Coverage
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
-
1.9
2.4
2.7
2.9
3.8
3.3
2.9
2.5
2.4
2.9
2.8
3.0
3.0
3.1
3.1
Covenant = 1.2 x
FY 2011 Actual
FY 2012 Actual
FY 2013 Actual
FY 2014 Actual
FY 2015 Actual
FY 2016 Actual
FY 2017 Actual
FY 2018 Actual
FY 2019 Actual
FY 2020 Projected
FY 2021 Budget
FY 2022 Forecast
FY 2023 Forecast
FY 2024 Forecast
FY 2025 Forecast
BBARWA
Covenant Level

The Agency's debt service (annual principal and interest payment) will remain flat at $509,077 over the forecast period.



Discussion and Analysis

Operations

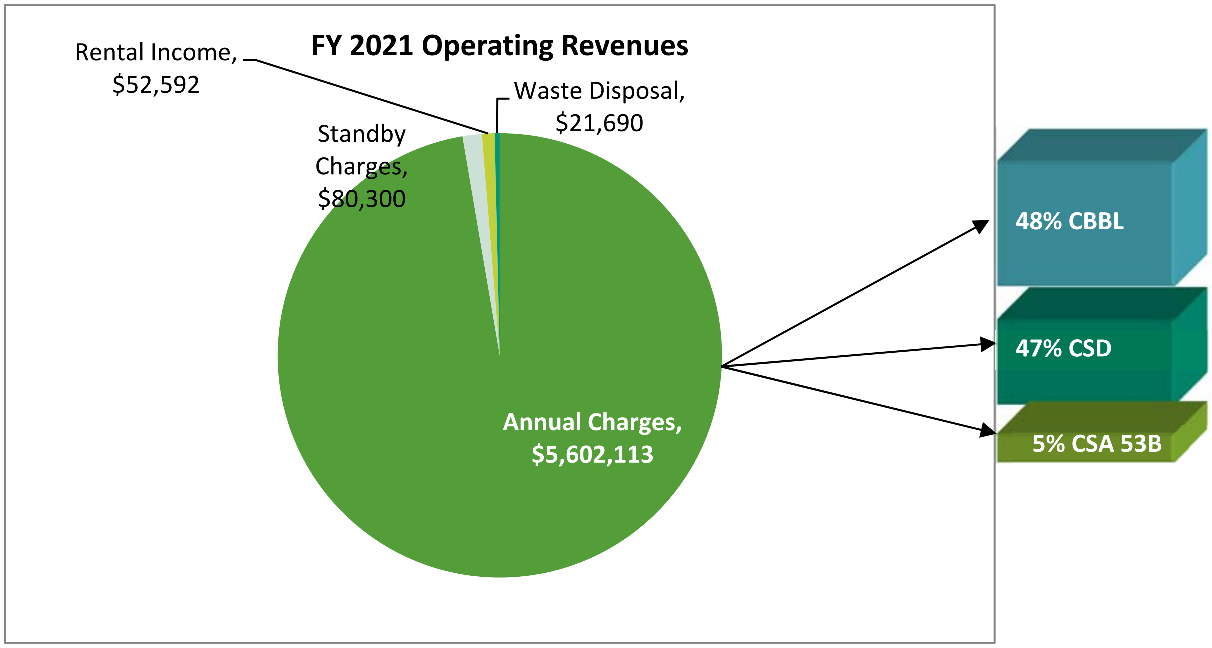
Operating Revenues

Operating Revenues are budgeted to increase approximately 2.9% in FY 2021 and 3.7 – 3.8% each year thereafter over the forecast period. This growth reflects average annual rate adjustments of 3.5% during the period and new connections to the system.

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5-Year CAGR
Operating Revenues:												
Annual Charges	4,979,690	4,991,166	5,007,070	5,091,576	5,251,542	5,437,076	5,602,113	5,819,801	6,045,928	6,274,765	6,512,242	3.7%
Standby Charges	90,860	89,250	86,930	85,180	83,200	81,660	80,300	79,423	78,507	77,591	76,676	-1.3%
Rental Income	48,291	49,232	49,918	50,449	51,071	51,820	52,592	53,386	54,205	55,049	55,918	1.5%
Waste Disposal	19,829	22,869	22,033	23,113	20,608	21,798	21,690	21,690	21,690	21,690	21,690	-0.1%
Other Revenue	24,575	5,104	488	1,916	765	0	0	0	0	0	0	nm
Total Op Revenues	5,163,247	5,157,621	5,166,439	5,252,233	5,407,186	5,592,354	5,756,695	5,974,300	6,200,330	6,429,096	6,666,526	3.6%
Annual Change	4.5%	-0.1%	0.2%	1.7%	3.0%	3.4%	2.9%	3.8%	3.8%	3.7%	3.7%	

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	390,275	11,572.7	$231.70	3.0%	$1,920,024	$ 710,588	$50,768	$2,681,379
Big Bear City CSD	315,392	12,279.0	$216.02	2.7%	2,037,206	574,245	41,027	2,652,478
CSA 53 B	30,181	1,262.0	$212.56	3.8%	209,378	54,952	3,926	268,256
Total	735,848	25,113.7			$4,166,608	$ 1,339,785	$95,720	$5,602,113
Standby Charges:								
City of Big Bear Lake								$28,850
Big Bear City CSD								45,630
CSA 53 B								5,820
Total Annual Charges								$80,300
Connection Fee:								
Connection Fee per EDU								$4,180

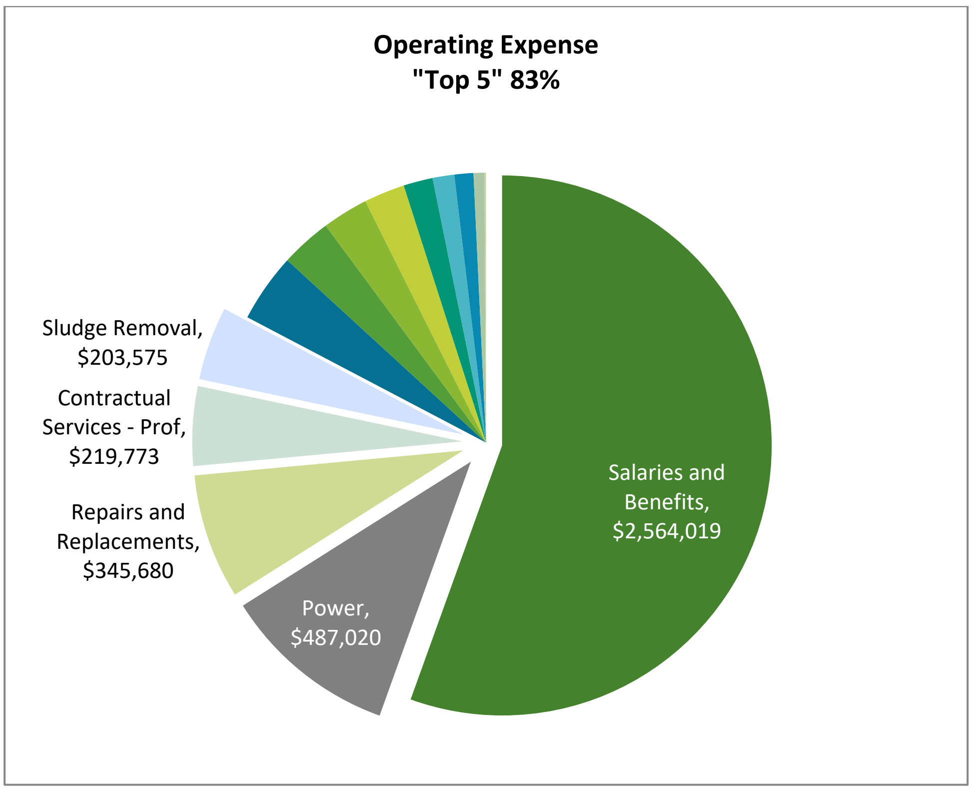
(a) The annual charge adjustment reflects charges in excess or below the total of 1) the required rate revenues and 2) estimated costs associated with flow during the prior 3-year period and is prorated among the member agencies based on 3-year average flow.

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 this revenue averages approximately $155,000 annually and is expected to remain flat over the forecast period.

Operating Expenses

The Agency's top five operating expenses account for 83% 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 expected to slow compared to the growth rates experienced in FY 2019 and 2020. 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 (6% average growth), due to the relatively flat growth in other operating expense (1% average growth).

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5-Year CAGR
SALARIES AND BENEFITS:												
Salaries and Wages	1,180,677	1,232,287	1,271,829	1,253,739	1,389,029	1,544,857	1,611,248	1,718,542	1,821,512	1,921,134	2,022,966	6%
Employee Benefits	556,868	605,984	671,354	686,944	747,486	824,735	922,875	1,001,332	1,078,114	1,145,004	1,213,175	8%
Unemployment Expense	2,002	742	8,661	28,631	6,309	6,944	6,944	6,944	6,944	6,944	6,944	0%
Payroll Taxes	17,941	19,322	19,673	18,964	20,033	21,721	22,951	24,475	25,937	27,350	28,789	6%
Total Salaries and Benefits	1,757,488	1,858,335	1,971,517	1,988,278	2,162,857	2,398,257	2,564,019	2,751,292	2,932,508	3,100,432	3,271,875	6%
% Change	-2%	6%	6%	1%	9%	11%	7%	7%	7%	6%	6%	
Average Annual Change (a)	0%	1%	1%	1%	2%	3%	3%	3%	4%	4%	4%	
(a) Base Year FY 2009												

Salaries and Benefits expense is budgeted to increase by 7% in FY 2021, driven by a 4% increase in salaries and wages and a 12% increase in benefits expense.

Salaries and Wages – Salaries and wages will increase 4% in FY 2021, reflecting a 5% increase in wages offset by lower safety incentive pay and accrued sellback. The 6% average annual increase in salaries and wages over the projected period is driven somewhat by the composition of the employees. New hires during 2017 and 2018 combined with a change in pay scales resulting from the Compensation and Classification Study have resulted in the majority of the Agency's employees (13 of 15 employees) being within their respective pay scales and thus eligible for annual merit adjustments in addition to annual cost of living adjustments during the projected period. This results in potentially higher annual changes in salaries and wages than if all employees were at the top of the pay scale and only eligible for a cost of living adjustment. The growth in the Agency's salaries and wages is expected to peak in 2020 and slow through 2025 as more employees reach the top of their respective pay scales. This combined with a higher inflationary period (relative to the historical period), has driven higher annual salary and wage adjustments over the last two years. The November 2019 CPI[10] (for Riverside, San Bernardino, Ontario) was 2.9% and has been incorporated into the FY 2021 budget.

Employee Benefits - The FY 2021 12% increase in benefits expense is driven by higher pension contribution expense and to a lesser extent, medical premium expense. CalPERS lowered the discount rate, also known as the assumed rate of return, to 7% from 7.5%. The reduction has resulted in higher pension contribution expense and has been transitioned over a three-year period beginning in FY 2019 and ending in FY 2021. Pension expense is expected to be $355,683 in FY 2021, up $49,048 or 16% from FY 2020. Medical premiums are expected to be $339,369 in FY 2021, up $29,110 or 9% from FY 2020. The increase in medical premiums is

[10] The Agency began utilizing the November CPI in 2016 as the budget assumption for employee COLA adjustments.

driven by a 12% increase in medical premium expense for the first half of FY 2021 combined with a 7.3% expected increase during the second half of FY 2021.

Power Expense

The Agency expects a 1% average growth in power expense over the forecast period. The Agency's power expense is driven by fuel costs for power production. Fuel costs are impacted by natural gas costs, natural gas transportation costs, and flow. The Agency purchases natural gas under a five-year contract from Just Energy to run its generators which supply power to the Agency's Treatment Plant and the Administration Building. This contract provides for a fixed natural gas rate and as a result, stabilizes the Agency's power expense to some extent. The Agency's contract with Just Energy expires in October 2021 (FY 2022). The Agency contracts for natural gas transportation with SW Gas. Natural gas transportation costs have been somewhat volatile in recent years. SW Gas changes its rates annually, in part, based on prior period over or under collection of costs which creates some volatility in the Agency's transportation rates. While the Agency expects a rate reduction from SW Gas in the first six months of FY 2021, the budget reflects an inflation-adjusted, historical average rate.

The Agency utilizes utility power from Bear Valley Electric for its pump stations and pays standby fees for utility power at the Treatment Plant. During FY 2020, the Agency's standby fee was lowered, which will result in an annual decrease of approximately $30,000 (first full year FY 2021).

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CAGR
POWER:												
Fuel for Power Production	389,373	400,699	365,628	271,509	345,792	366,604	368,727	377,441	380,875	384,465	388,220	1%
Gas Admin Building	3,649	3,692	4,060	3,627	3,982	3,948	4,058	4,172	4,284	4,400	4,521	3%
Gas Treatment Plant	7,472	5,497	4,887	3,886	6,172	7,572	7,784	8,002	8,218	8,440	8,671	3%
Electricity Treatment Plant	47,421	61,931	61,865	61,865	107,175	38,640	30,264	31,128	31,539	31,539	31,539	-4%
Electricity Stations	36,231	39,537	78,065	35,015	47,889	53,245	65,529	67,298	67,298	67,298	67,298	5%
Electricity Admin Building	1,510	8,284	6,925	9,703	8,572	6,636	9,585	9,844	9,844	9,844	9,844	8%
Electricity Lucerne	807	791	751	762	652	1,044	1,074	1,104	1,134	1,164	1,196	3%
Total	486,463	520,431	522,181	386,367	520,234	477,689	487,020	498,988	503,191	507,150	511,288	1%
% Change	22%	7%	0%	-26%	35%	-8%	2%	2%	1%	1%	1%	

Repairs and Replacements Expense

Overall, the Agency is budgeting for higher repairs and replacements expense. Average annual repairs and replacements expense is forecast to be $269,761 per year compared to the previous five-year period of $234,462 per year and higher than the long-term historical average (2003 - 2018) of approximately $180,000.

Repairs and replacements expense is projected to increase in FY 2021 to $345,680, up $53,265 or 18% over the prior year. The increase is driven by higher main line expense associated with hydro cleaning and video inspecting the mainline ($43,875) and multiple valve replacements ($60,150).

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CAGR
REPAIRS AND REPLACEMENTS:												
Mainline	19,429	61,540	3,855	16,017	12,209	46,250	94,796	48,815	28,566	38,048	74,016	10%
Pumps, Motors, Bearings	20,449	20,727	14,126	6,469	35,814	30,038	97,641	58,301	54,181	55,644	57,169	14%
Equipment and Machinery	68,460	22,511	17,987	13,785	156,712	74,984	31,086	31,956	32,819	33,705	34,629	-14%
Vehicles	25,355	19,129	27,193	11,956	11,113	14,400	15,842	15,258	15,670	16,093	16,534	3%
Generators	20,229	20,030	56,331	86,872	68,011	47,500	45,657	71,972	48,203	49,504	50,861	1%
Irrigation System - Lucerne	0	4,997	5,227	2,321	1,342	5,419	5,581	5,737	5,892	6,051	6,217	3%
Other	7,903	1,830	3,926	18,027	159,839	73,825	55,077	35,205	36,262	37,349	38,470	-12%
Total	161,825	150,764	128,645	155,447	445,040	292,416	345,680	267,244	221,592	236,395	277,895	-1%
% Change	-13%	-7%	-15%	21%	186%	-34%	18%	-23%	-17%	7%	18%	

Sludge Removal Expense

Sludge removal expense has been volatile over the last five years. The Agency began removing more solids from the plant beginning in FY 2016 and was able to manage the higher costs of increased sludge removal with self-hauling. The Agency began self-hauling in FY 2013. The Agency hauled approximately 11% of its own sludge in 2013 and increased this to approximately 58% in FY 2016. With frequent breakdowns and costly maintenance of the Agency's hauling truck, the Agency terminated self-hauling operations in FY 2018. At the end of FY 2018, the Agency entered into a contract with a new hauler which provided a $27 per ton reduction in hauling costs for an annual reduction of approximately $109,000. The new contract was the primary reason for the decrease in sludge removal costs in FY 2019. The Agency will be installing a new belt press in the second half of FY 2020, which is expected to reduce the Agency’s annual sludge production by 700 tons. The reduction in sludge removal costs in FY 2020 reflects a partial year of the new belt press (February 2020 installation), with an additional reduction in FY 2021, reflecting a full year of operation.

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5-Year CAGR
SLUDGE REMOVAL	162,627	225,990	281,096	397,813	298,241	252,000	203,575	209,182	214,740	220,448	226,396	-2%
% Change	-27%	39%	24%	42%	-25%	-16%	-19%	3%	3%	3%	3%	

Contractual Services - Professional Expense

Contractual Services - Professional expense includes engineering, legal and other expense (IT, audit, actuarial, and other services). Multiple projects in 2018, 2019 and 2021 have elevated this line item, as well as the need to contract for IT services beginning at the end of FY 2016. Cost are expected to increase in FY 2021 and normalize in FY 2022 through FY 2025. The higher costs in FY 2021 are the result of an Arc Flash Study ($45,000) offset in part by lower general engineering expense compared to FY 2020. The Agency has multiple special engineering projects in FY 2020 including a capacity analysis of the trunk line and the Sewer System Management Plan.

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5-Year CAGR
CONTRACT SRVC - PROF												
Engineering	12,261	6,293	67,736	57,699	32,001	34,876	15,883	16,327	16,784	17,254	17,738	-13%
Legal	58,735	54,575	92,501	92,907	103,584	92,700	95,296	97,964	100,707	103,527	106,425	3%
Other	28,802	90,539	31,220	82,742	78,828	71,927	108,595	70,793	67,141	68,954	70,843	0%
Total	99,798	151,407	191,457	233,349	214,412	199,503	219,773	185,085	184,632	189,735	195,006	0%
% Change	-55%	52%	26%	22%	-8%	-7%	10%	-16%	0%	3%	3%	

Capital Contributions - Connection Fees

Connection Fees are expected to decline and are projected at 45 annually over the forecast period. New connections to the wastewater system have remained low during the current economic cycle. Excluding multi-unit developments, connections have averaged 52 per year for the last 3 years with only 45 during FY 2019 and 42 for the trailing twelve months ending December 31, 2019. As a result, the Agency has decreased its expected connections by 10 each year to 45, from 55 previously.

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5-Year CAGR
Connections	84	69	63	68	45	45	45	45	45	45	45	
Connection Fee	$3,670	$3,670	$3,670	$3,670	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	
Connection Fees	308,280	253,230	231,210	249,560	188,100	188,100	188,100	188,100	188,100	188,100	188,100	0%
% Change	86.7%	-17.9%	-8.7%	7.9%	-24.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

Debt Service and Bond Covenant Calculations

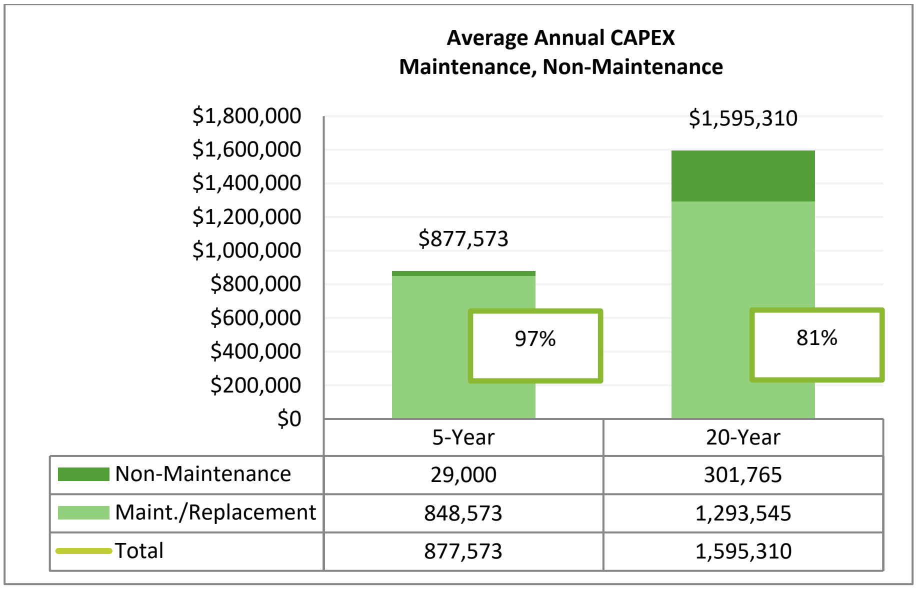
The Agency borrowed $1.8 million of new debt in FY 2019 to fund the New Belt Press Project (new belt press, conveyor and hopper). Although the Agency incurred new debt in FY 2019, the Agency's total debt service is lower beginning in FY 2020 due to reduced amortization requirements under its existing debt. Debt service will remain flat at $509,077 over the forecast period with no new debt planned. Debt service coverage at the end of FY 2020 is expected to be 2.9 x and is expected to remain close to this level over the forecast period improving y to 3.2 x at the end of FY 2024.

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025
Debt Service	$576,084	$576,084	$576,083	$576,084	$598,433	$509,077	$509,077	$509,077	$509,077	$509,077	$509,077
Net Rev / Debt Srv	3.7	3.2	2.9	2.5	2.4	2.9	2.8	3.0	3.0	3.1	3.1
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)

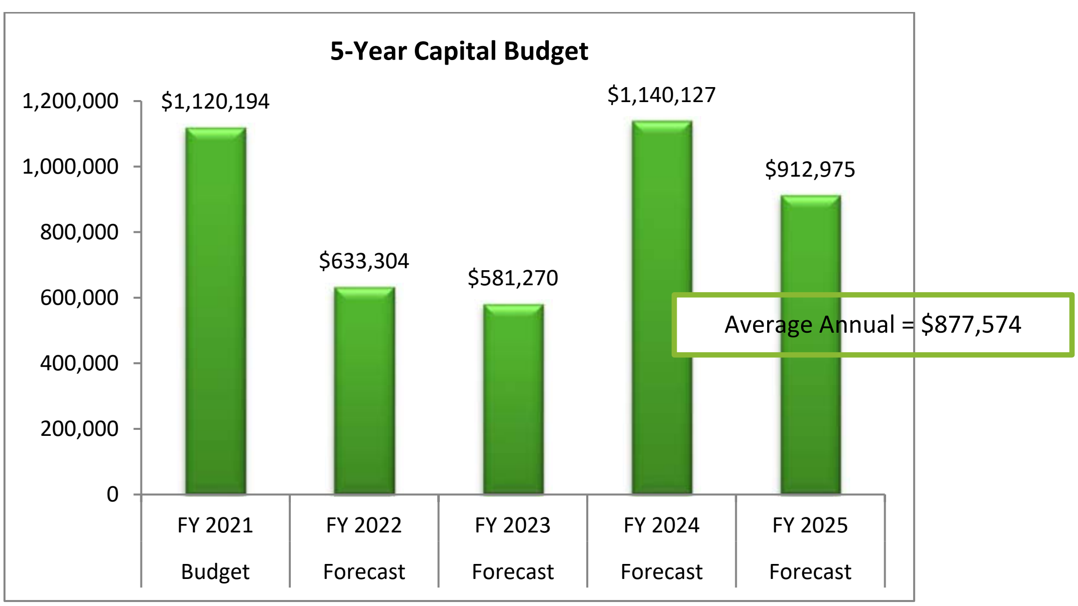
Over the long-term, the Agency expects maintenance CAPEX to be approximately 75% of total capital expenditures and non-maintenance CAPEX to be 25%. We can see from the chart on the next page that the long-term capital plan indicates slightly higher maintenance, with 81% of capital expenditures being maintenance.

This is due to an outfall line replacement in FY 2040. The current 20-year capital plan includes the repair/replacement of an outfall line in FY 2040 for $7.7 million. It is uncertain if this expenditure will occur. Excluding the outfall line repair/replacement, the average annual maintenance CAPEX would fall from $1,595,310 to $1,212,597, accounting for 75% of average annual CAPEX.



	5-Year	20-Year
Non-Maintenance	29,000	301,765
Maint./Replacement	848,573	1,293,545
Total	877,573	1,595,310

During the five-year forecast, capital expenditures total $4.4 million. The largest expenditures are for generator maintenance, asphalt replacement and general treatment plant maintenance and replacement. Maintenance and replacement capital expenditures over the period average approximately $850,000 per year and are consistent with the Agency's long-term, average annual depreciation expense of approximately $830,000 (general indicator of the level of annual maintenance capital expenditures needed to maintain the Agency's assets). All capital expenditures in the 5-year plan will be cash funded.



5-YEAR CAPITAL IMPROVEMENT PLAN, FY 2021 – 2025

	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5 Year FY 2021 2025
ADMINISTRATION BUILDING						
Admin Building - HVAC Boiler and Controls	0	0	0	309,068	0	309,068
Total	0	0	0	309,068	0	309,068
EFFLUENT DISPOSAL ASSETS						
Irrigation						
Irrigation Wheel Line	0	0	0	0	52,715	52,715
Storage						
Monitoring Wells Rehabilitation	0	0	36,114	0	0	36,114
Total	0	0	36,114	0	52,715	88,829
FLOW MEASURING DEVICES						
RAS Flow Meter (10 year replacement)	0	15,289	0	0	0	15,289
CBBL Flow Meter and Software (10 year re	48,471	0	0	0	0	48,471
CSA Flow Meter (10 year replacement)	0	0	15,819	0	0	15,819
Total flow measuring devices	48,471	15,289	15,819	0	0	79,580
INTERCEPTOR SYSTEM						
Pipeline						
SSO Prevention Project Engineering	10,000	0	0	0	0	10,000
SSO Prevention Project (Teal and Fairway)	35,000	0	0	0	0	35,000
Structures						
NSPS 1 Well Rehab	0	0	0	0	39,559	39,559
Total interceptor system	45,000	0	0	0	39,559	84,559
OTHER EQUIPMENT						
Electrical						
VFD Interceptor - Station 3 (7 yr)	0	0	18,042	0	0	18,042
VFD Interceptor - LPS (7 yr)	0	0	0	28,242	0	28,242
Laboratory						
Ion Analyzer	36,951	0	0	0	0	36,951
SS Oven	0	0	0	6,071	0	6,071
Ultra Pure Water Dispenser	0	5,568	0	0	0	5,568
BOD Incubator	0	0	7,754	0	0	7,754
Influent Composite Sampler	10,250	0	0	0	0	10,250
Spectrophotometer	10,250	0	0	0	0	10,250

5-YEAR CAPITAL IMPROVEMENT PLAN, FY 2021 – 2025 Cont.

	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5 Year FY 2021 2025
Office Equipment						
Copier	15,273	0	0	0	0	15,273
Total	72,724	5,568	25,796	34,313	0	138,401
						0
OTHER TANGIBLE PLANT						
Admin Parking Lot Grind and Overlay	0	0	129,146	0	0	129,146
Palomino Drive Repave	0	0	0	294,166	0	294,166
Asphalt and Paving	0	0	0	325,000	325,000	650,000
Total	0	0	129,146	619,166	325,000	1,073,312
POWER GENERATING EQUIPMENT						
Cummins #1 Overhaul (3-year life)	152,684	0	0	0	168,535	321,219
Cummins #2 Overhaul (3-year life)	152,684	0	0	0	168,535	321,219
Cummins #1 Top End (3-year life)	0	0	61,793	0	0	61,793
Cummins #2 Top End (3-year life)	0	0	61,793	0	0	61,793
Waukesha Rebuild (6-year life)	0	0	0	87,406	0	87,406
Station 3 Generator + Fuel System	120,000	0	0	0	0	120,000
LPS Generator + Fuel System	0	152,213	0	0	0	152,213
Total	425,368	152,213	123,586	87,406	337,070	1,125,643
TRANSPORTATION EQUIPMENT						
Vehicles						
1989 Dump Truck Replacement	0	94,493	0	0	0	94,493
2002 Vehicle - Utility Cart Electric	16,958	0	0	0	0	16,958
2010 GMC 1/2 Ton	0	48,236	0	0	0	48,236
2004 Toyota Tundra	45,000	0	0	0	0	45,000
Utility Cart Gas	0	0	27,519	0	0	27,519
Heavy Equipment and Accessories						
Volvo Compact Wheel Loader (upsize)	0	0	0	0	147,083	147,083
Bobcat Backhoe	0	0	89,369	0	0	89,369
Total transportation equipment	61,958	142,729	116,888	0	147,083	468,658
TREATMENT PLANT						
Piping						
High Pressure Effluent Line	157,594	0	0	0	0	157,594
Processing Equipment:						
Polyblend Unit Backup 1	0	9,980	0	0	0	9,980
Shaft Mount Reducer - Ditch #3	15,756	0	0	0	0	15,756

5-YEAR CAPITAL IMPROVEMENT PLAN, FY 2021 – 2025 Cont.

	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5-Year FY 2021-2025
TREATMENT PLANT, Cont.						
Pumping Equipment:						
Clarifier 3:						
Scum and Tank Drain Pump - 10 HP	0	18,318	0	0	0	18,318
Solids Separation Building						
Submersible Pump - 15 HP (2)	0	0	8,559	0	0	8,559
Auxiliary Pump Building:						
Auxiliary Pump 2	0	0	0	21,136	0	21,136
Auxiliary Pump 3	0	38,003	0	0	0	38,003
Main Pump Building:						
RAS Pump Rebuild 1	0	0	0	5,633	0	5,633
RAS Pump 2 Rebuild	0	0	0	0	5,774	5,774
RAS Pump 3 Rebuild	0	0	0	0	5,774	5,774
RAS Pump 4 7.5 HP Rebuild	0	0	0	5,633	0	5,633
Effluent Pump 1 40 HP	0	0	12,681	0	0	12,681
Effluent Pump 2 40 HP	0	0	12,681	0	0	12,681
Effluent Pump 3 100 HP	26,823	0	0	0	0	26,823
Effluent Pump 5 100 HP	0	0	0	28,886	0	28,886
Effluent Pump 6 100 HP	0	0	0	28,886	0	28,886
Headers and check valves	266,500	0	0	0	0	266,500
Treatment Equipment						
Carbon Tower Headworks	0	251,204	0	0	0	251,204
Total treatment plant equipment	466,673	317,505	33,921	90,174	11,548	919,821
STUDIES AND MAPS						
New Pipeline Maps	0	0	100,000	0	0	100,000
Total Studies and Maps	0	0	100,000	0	0	100,000
TOTAL	1,120,194	633,304	581,270	1,140,127	912,975	4,387,870

Capital Expenditures – FY 2021

Flow Measuring Devices

CBBL Flow Meter and Software ($48,471): The collections system CBBL flow metering equipment measures the sewage flow from the City of Big Bear Lake through the Lake Pump Station. 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, 2020
Target Completion Date:	September 30, 2020

Interceptor System

SSO Prevention Project ($45,000): This project consists of installing a bypass system at Teal Drive and Fairway Blvd. to mitigate SSO's during high flow conditions. An underground vault will be installed housing a portable bypass pumping system (couplings) that connects the existing gravity main to the force main.

Start Date:	July 1, 2020
Target Completion Date:	October 31, 2020

Other Equipment, Laboratory

Ion Analyzer ($36,951): The Ion Analyzer is used in the Laboratory for sampling plant streams to meet the reporting requirements of the plant's discharge order. The current Ion Analyzer is outdated, and replacement parts are difficult to obtain.

Start Date:	July 1, 2020
Target Completion Date:	July 31, 2020

Influent Composite Sampler ($10,250): BBARWA's discharge order requires composite samples. This sampler is located in the Laboratory. The Influent Composite sampler is outdated, and replacement parts are difficult to obtain.

Start Date:	September 1, 2020
Target Completion Date:	September 30, 2020

Spectrophotometer ($10,250): The operations and lab staff need the Spectrophotometer for process control testing to maintain the proper operation of the treatment plant's biological processes. This unit will run a various set of samples and can also run EPA certified reportable results.

Start Date:	July 1, 2020
Target Completion Date:	July 31, 2020

Other Equipment, Office Equipment

Copier ($15,273): The existing multi-functional copier/scanner/printer/fax machine is in need of replacement. The new multi-functional copier will improve print quality, processing times, functionality, and communication to workstations. The Agency will purchase the copier and work with our IT provider, Accent Computer Solutions, Inc., for configuration.

Start Date:	August 1, 2020
Target Completion Date:	October 31, 2020

Power Generating Equipment

Cummins #1 and #2 Overhauls ($305,368): The Cummins generators are the secondary source of power for the treatment plant in the high-flow months and the primary source of power in the low-flow months. Both engines top ends were last overhauled in 2018. The engines' complete overhaul schedule is based on run hours and recommended factory O&M, which includes removing and replacing all internal parts of the engine.

Start date:	July 15, 2020
Target completion date:	September 30, 2020

Station Three Generator and Fuel System ($120,000): The standby generator at Station Three is old and in need of replacement. The parts for the existing unit are getting difficult to find and are very costly to replace. The scope of work will include the purchase of an approved generator and fuel system to be installed by an approved factory representative with the help of BBARWA staff.

Start date:	October 1, 2020
Target completion date:	December 15, 2020

Transportation – Vehicles

Electric Utility Cart ($16,958): The Agency's electric cart is used in the plant for maintenance duties. The current electric cart is outdated, and replacement parts are difficult to obtain.

Start Date:	July 1, 2020
Target completion date:	July 31, 2020

Toyota Tundra ($45,000): The Agency needs to replace the Toyota Tundra based on mileage. The vehicle maintenance costs are escalating, and replacement is necessary.

Start Date:	July 1, 2020
Target completion date:	July 31, 2020

Treatment Plant

High Pressure Effluent Line ($157,594): The High Pressure Effluent line runs throughout the facility and delivers effluent water to the generators, hose bibs and all plant water used in the facility. Over time these pipes start to deteriorate due to the inherent effects of flowing water and replacement is needed.

Start Date	March 1, 2021
Target completion date:	May 31, 2021

Shaft Mount Reducer Ditch 3 ($15,756): The Gear Reducer is used for the operation of the oxidation ditch shafts. A replacement Gear Reducer is needed for Rotor 7. Replacement of the Gear Reducers is needed based on run hours and treatment efficiency.

Start date:	April 1, 2021
Target completion date:	April 30, 2021

Effluent Pump 3 ($26,823): Effluent Pump Three is one of four, 100 HP pumps in the Main Pump Building. This pump will be removed and sent to the manufacturer for a rebuild.

Start date:	August 1, 2020
Target completion date:	September 30, 2020

Headers and Check Valves ($266,500): 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:	April 1, 2020
Target completion date:	October 31, 2020

Capital Expenditures – FY 2022 – FY 2025

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

Admin Building HVAC Boiler ($309,068): The Administration Building HVAC system has experienced multiple breakdowns and an upgrade to a newer more efficient system is recommended. The current system is undersized which puts too much strain on the current boiler, creating frequent breakdowns.

Asphalt and Paving ($1,073,312): The asphalt needs replacement due to age and climate. The asphalt work includes the grading and paving of areas within the treatment plant and repaving of Palomino Drive.

Cummins Generators Major Overhaul ($337,070) and Top End Service ($123,586): The Cummins generator system was installed in 2007 and put into operations in 2008. The generators run approximately 4,500 hours a year to supply power for the Treatment Plant and the Administration Building and supply heat to the Covered Drying Bed. The generator system is a critical part of operations and ensures reduced expenditures for electricity. The generators require major overhaul and top-end services, which rotate every 20,000 hours. The scope of work will include new crankshaft, camshaft, piston kits, cylinder heads, turbocharger and the generator end to be checked for any electrical shorts.

LPS Generator and Fuel System ($152,213): The Agency is replacing the old standby generators at the lift stations. The parts for the existing units are getting hard to find and are very costly to replace. The scope of work will include the purchase of an approved generator and fuel system to be installed by an approved factory representative with the help of BBARWA staff. During power outage situations these generators serve as standby.

Loader ($147,083): The current loader is used for loading of the sludge trailers and snow removal at the facility and lift stations. The current Loader is too small, and a larger loader is needed for the purpose of loading trailers and snow removal. The current, smaller loader will be used as a forklift for the plant.

Carbon Tower Headworks ($251,204): The Carbon Tower is used to filter sewer gas from the headworks before it gets released into the atmosphere. This carbon tower is aging and is scheduled for replacement.

New Pipeline Maps ($100,000): The Agency has pipeline maps that depict the original locations of Agency facilities with varying degrees of accuracy. The Agency will begin to update its maps which will help BBARWA staff with locating lines for dig alerts.

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:

CASH AND DESIGNATED FUND BALANCES

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 $2.4 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.

	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Total Change
ENDING BALANCE:							
Cash Balance	5,522,731	4,988,703	5,216,985	5,720,944	5,711,520	5,900,594	377,864
Designated Fund Balances:							
Capital and Replacement Fund							
Current Year	1,120,194	633,304	581,270	1,140,127	912,975	1,053,301	-66,893
Future Years	270,534	177,046	310,852	130,028	225,051	166,867	-128,404
Total C & R	1,390,728	810,349	892,123	1,270,155	1,138,026	1,220,167	-195,297
Debt Service Fund	509,077	509,077	509,077	509,077	509,077	509,077	0
Liquidity Fund	2,346,834	2,381,666	2,491,765	2,586,398	2,663,990	2,743,909	415,664
Contingency Fund:							
Emergency	500,000	500,000	500,000	500,000	500,000	500,000	0
Operating	776,092	787,611	824,020	855,315	900,428	927,441	157,496
Total Contingency	1,276,092	1,287,611	1,324,020	1,355,315	1,400,428	1,427,441	157,496
Designated Funds	5,522,731	4,988,703	5,216,985	5,720,944	5,711,520	5,900,594	377,864

At the end of FY 2025, the Agency is projected to have $1,220,167 in the Capital and Replacement Fund. This amount reflects the cash that is available for future capital projects beginning in FY 2026. Based on the current capital improvement plan, the Agency is expected to have enough funds to cover the five-year period beginning in FY 2026 with minimal excess funds of $24,013.

Rate Review

Adequacy of Rates

The budget and forecast period were prepared assuming adjustments in the Agency's sewer user fee of 2.9% in FY 2021, and 3.6 – 3.7% in FY 2022 - 2025. 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 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5 Year Total	CAGR
Revenue Requirements:								
Op Expenses before Depreciation	$4,413,541	$4,619,669	$4,725,666	$4,944,123	$5,131,891	$5,402,568	$24,823,917	4.1%
Rate Funded Capital:								
Debt Service	433,672	433,672	433,672	433,672	433,672	433,672	2,168,362	0.0%
Capital Expenditures (cash funded)	800,000	800,000	800,000	800,000	800,000	800,000	4,000,000	0.0%
Total Rate Funded Capital	1,233,672	1,233,672	1,233,672	1,233,672	1,233,672	1,233,672	6,168,362	0.0%
Subtotal	5,647,214	5,853,341	5,959,338	6,177,795	6,365,563	6,636,241	30,992,279	3.3%
LESS Other Revenues:								
Other Revenue:								
Standby Charges	81,660	80,300	79,423	78,507	77,591	76,676	392,497	-1.3%
Rental Income	51,820	52,592	53,386	54,205	55,049	55,918	271,150	1.5%
Waste Disposal	21,798	21,690	21,690	21,690	21,690	21,690	108,452	-0.1%
	155,278	154,582	154,500	154,403	154,331	154,284	772,099	-0.1%
Revenue Requirements	$5,491,935	$5,698,759	$5,804,838	$6,023,393	$6,211,232	$6,481,957	$30,220,180	3.4%
Proposed Rate	**$216.78**	**$223.07**	**$231.32**	**$239.88**	**$248.52**	**$257.46**		**3.5%**
Annual Change	**3.2%**	**2.9%**	**3.7%**	**3.7%**	**3.6%**	**3.6%**		
Rate Revenue per Proposed Rate								
EDUs	25,081	25,114	25,159	25,204	25,249	25,294		
Rate Revenues - Proposed Billing	$5,437,076	$5,602,113	$5,819,801	$6,045,928	$6,274,765	$6,512,242	$30,254,848	
Rate Revenue Excess (Shortfall) - Proposed	-$54,859	-$96,646	$14,962	$22,535	$63,532	$30,285	$34,669	
Bond Covenant with Proposed Rate								
Net Revenue / Debt Service Ratio	2.9	2.8	3.0	3.0	3.1	3.1		
Covenant Test Ratio	1.2	1.2	1.2	1.2	1.2	1.2		
PASS / FAIL	PASS	PASS	PASS	PASS	PASS	PASS		

FY 2021 Rate per EDU - $223.07 / EDU

Based on the Agency’s current budget and five-year forecast, the Governing Board is recommending a rate of $223.07 per EDU in FY 2021, a 2.9% increase over the FY 2020 rate of $216.78.

Ratepayer Impact

The financial impact to the ratepayer in FY 2021, based on a 2.9% increase to the established rate is as follows:

Annual Increase	Monthly Increase
$6.29	$0.52

Appendix
Five-Year Forecast

Income Statement

	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	5 Yr CAGR (a)	
Operating Revenue:								
Annual Charges	5,437,076	5,602,113	5,819,801	6,045,928	6,274,765	6,512,242	4%	
Standby Charges	81,660	80,300	79,423	78,507	77,591	76,676	-1%	
Rental Income	51,820	52,592	53,386	54,205	55,049	55,918	2%	
Waste Disposal	21,798	21,690	21,690	21,690	21,690	21,690	0%	
Other Revenue	0	0	0	0	0	0	nm	(b)
Total Operating Revenue	5,592,354	5,756,695	5,974,300	6,200,330	6,429,096	6,666,526	4%	
Operating Expenses:								
Salaries and Benefits	2,398,257	2,564,019	2,751,292	2,932,508	3,100,432	3,271,875	6%	
Power	477,689	487,020	498,988	503,191	507,150	511,288	1%	
Sludge Removal	252,000	203,575	209,182	214,740	220,448	226,396	-2%	
Chemicals	104,055	81,116	83,409	114,349	88,042	90,485	-3%	
Materials and Supplies	173,878	141,083	140,327	147,877	151,869	159,999	-2%	
Repairs and Replacements	292,416	345,680	267,244	221,592	236,395	277,895	-1%	
Equipment Rental	820	837	854	877	901	925	2%	
Utilities Expense (other than power)	28,638	29,438	30,262	31,079	31,918	32,793	3%	
Communications Expense	34,190	52,776	54,220	55,651	57,121	58,654	11%	
Contractual Services - Other	106,098	113,435	108,981	121,927	116,781	129,435	4%	
Contractual Services - Prof	199,503	219,773	185,085	184,632	189,735	195,006	0%	
Permits and fees	182,139	190,071	198,354	206,980	215,990	225,409	4%	
Property Tax Expense	3,703	4,147	4,204	4,262	4,322	4,382	3%	
Insurance	111,655	126,847	134,254	141,334	148,481	156,493	7%	
Other Operating Expense	48,501	59,853	59,009	63,122	62,306	61,533	5%	
Depreciation Expense	895,524	939,015	925,691	907,644	919,826	919,467	1%	
Total Operating Expense	5,309,065	5,558,683	5,651,356	5,851,767	6,051,716	6,322,035	4%	
Operating Income	283,289	198,012	322,944	348,563	377,379	344,491	4%	
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	128,767	96,004	94,533	101,853	106,105	103,273	-4%	
Other Nonoperating Income	0	0	0	0	0	0	nm	(b)
Nonoperating Income	128,767	96,004	94,533	101,853	106,105	103,273	-4%	
Nonoperating Expense								
Other Expense	368,672	261,700	11,700	11,700	11,700	11,700	-50%	
Interest Expense	136,848	124,101	110,916	97,279	83,173	68,583	-13%	
Nonoperating Expense	505,520	385,801	122,616	108,979	94,873	80,283	-31%	
Income before Contributions	-93,463	-91,785	294,860	341,438	388,611	367,481	nm	(b)
Connection Fees	188,100	188,100	188,100	188,100	188,100	188,100	0%	
Net Income, Change in Net Position	94,637	96,315	482,960	529,538	576,711	555,581	42%	

(a) Compound Annual Growth Rate (average annual change)
(b) "nm" means not meaningful

Cash Flow Statement and Designated Fund Balances

	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Total
Cash from Operating Activities:							
Operating Income (Loss)	283,289	198,012	322,944	348,563	377,379	344,491	1,591,389
Depreciation Expense	895,524	939,015	925,691	907,644	919,826	919,467	4,611,641
Change in Working Capital, Other Adjustments	34,059	44,112	39,395	48,145	48,369	55,795	235,817
Net Cash Provided by Op Activities	1,212,872	1,181,139	1,288,030	1,304,353	1,345,574	1,319,752	6,438,848
Cash from Noncapital Financing:							
Payment of Pension Related Debt/Liability	-200,000	-200,000	-200,000	0	0	0	-400,000
Cash from Capital and Related Financing:							
Other Nonop Expense (Interagency)	-356,972	-250,000	0	0	0	0	-250,000
Capital Expenditures	-2,836,466	-1,120,194	-633,304	-581,270	-1,140,127	-912,975	-4,387,870
Proceeds from Asset Disposition	0	10,000	0	0	0	0	10,000
Connection Fee (Capital Contrib)	188,100	188,100	188,100	188,100	188,100	188,100	940,500
Proceeds from Debt Issuance, Grants	55,000	70,000	0	0	0	0	70,000
Debt Service:							
Interest Expense	-136,848	-124,101	-110,916	-97,279	-83,173	-68,583	-484,053
Principal Debt Amortization	-372,229	-384,976	-398,160	-411,798	-425,903	-440,493	-2,061,330
Total Debt Service	-509,077	-509,077	-509,077	-509,077	-509,077	-509,077	-2,545,383
Net Cash Used for Cap and Related Financing	-3,459,414	-1,611,170	-954,280	-902,247	-1,461,104	-1,233,952	-6,162,753
Cash from Investing:							
Interest Income	128,767	96,004	94,533	101,853	106,105	103,273	501,769
Net Cash from Investing	128,767	96,004	94,533	101,853	106,105	103,273	501,769
Net Change in Cash	-2,317,775	-534,028	228,282	503,959	-9,424	189,074	377,864
Beginning Cash Balance	7,840,505	5,522,731	4,988,703	5,216,985	5,720,944	5,711,520	5,522,731
Ending Cash Balance	5,522,731	4,988,703	5,216,985	5,720,944	5,711,520	5,900,594	5,900,594
Change in Cash Balance	-2,317,775	-534,028	228,282	503,959	-9,424	189,074	377,864

	Projected FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Change
DESIGNATED FUND BALANCES (Ending)							
Cash Balance	5,522,731	4,988,703	5,216,985	5,720,944	5,711,520	5,900,594	377,864
Capital and Replacement Fund							
Current Year	1,120,194	633,304	581,270	1,140,127	912,975	1,053,301	-66,893
Future Years	270,534	177,046	310,852	130,028	225,051	166,867	-128,404
Total C & R	1,390,728	810,349	892,123	1,270,155	1,138,026	1,220,167	-195,297
Debt Service Fund	509,077	509,077	509,077	509,077	509,077	509,077	0
Liquidity Fund	2,346,834	2,381,666	2,491,765	2,586,398	2,663,990	2,743,909	415,664
Contingency Fund:							
Emergency	500,000	500,000	500,000	500,000	500,000	500,000	0
Operating	776,092	787,611	824,020	855,315	900,428	927,441	157,496
Total Contingency	1,276,092	1,287,611	1,324,020	1,355,315	1,400,428	1,427,441	157,496
Designated Funds	5,522,731	4,988,703	5,216,985	5,720,944	5,711,520	5,900,594	377,864

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 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Projected FY 2020	NEW Budget FY 2021
Operating Revenues:							
Annual Charges	4,979,690	4,991,166	5,007,070	5,091,576	5,251,542	5,437,076	5,602,113
Standby Charges	90,860	89,250	86,930	85,180	83,200	81,660	80,300
Rental Income	48,291	49,232	49,918	50,449	51,071	51,820	52,592
Waste Disposal	19,829	22,869	22,033	23,113	20,608	21,798	21,690
Other Revenue	24,575	5,104	488	1,916	765	0	0
Total Operating Revenue	5,163,247	5,157,621	5,166,439	5,252,233	5,407,186	5,592,354	5,756,695
Operating Expenses:							
Salaries and Benefits	1,745,041	1,843,684	1,971,517	1,988,278	2,162,857	2,398,257	2,564,019
Power	486,463	520,431	522,181	386,367	520,234	477,689	487,020
Sludge Removal	162,627	225,990	281,096	397,813	298,241	252,000	203,575
Chemicals	45,636	48,561	71,097	49,408	53,088	104,055	81,116
Materials and Supplies	147,264	136,371	138,226	127,277	162,695	173,878	141,083
Repairs and Replacements	161,825	150,764	128,645	155,447	445,040	292,416	345,680
Equipment Rental	3,659	165	2,242	37,215	1,363	820	837
Utilities Expense (other than power	16,062	11,773	13,023	26,737	22,207	28,638	29,438
Communications Expense	33,491	38,610	44,062	37,064	32,160	34,190	52,776
Contractual Services - Other	81,627	102,120	94,182	74,947	97,296	106,098	113,435
Contractual Services - Professional	99,798	151,407	191,457	233,349	214,412	199,503	219,773
Permits and fees	142,310	145,866	148,687	145,515	158,528	182,139	190,071
Property Tax Expense	3,426	3,476	3,524	3,599	3,665	3,703	4,147
Insurance	83,561	87,406	85,386	99,428	100,952	111,655	126,847
Other Operating Expense	57,964	59,474	56,329	50,470	48,140	48,501	59,853
Depreciation Expense	840,229	875,328	896,429	842,155	893,196	895,524	939,015
Total Operating Expense	4,110,983	4,401,426	4,648,083	4,655,070	5,214,075	5,309,065	5,558,683
Total Op Expense b/f Depreciation	*3,270,754*	*3,526,098*	*3,751,654*	*3,812,915*	*4,320,879*	*4,413,541*	*4,619,669*
Operating Income	1,052,264	756,194	518,356	597,164	193,111	283,289	198,012
Nonoperating Income							
Gain (loss) on asset disposition	-21,553	-2,678	-91,973	-1,709,527	0	0	0
Interest Income	12,430	22,889	29,101	73,866	164,531	128,767	96,004
Other Nonoperating Income	0	0	0	0	0	0	0
Nonoperating income	-9,123	20,211	-62,872	-1,635,661	164,531	128,767	96,004
Nonoperating Expense							
Other Expense	11,700	11,700	11,700	31,477	181,528	368,672	261,700
Interest Expense	145,012	130,669	117,739	100,536	134,569	136,848	124,101
Nonoperating expense	156,712	142,369	129,439	132,013	316,097	505,520	385,801
Income before Contributions	886,429	634,036	326,045	-1,170,510	41,545	-93,463	-91,785
Connection Fees	308,280	253,230	231,210	249,560	188,100	188,100	188,100
Change in Net Position	1,194,709	887,266	557,255	-920,950	229,645	94,637	96,315