

A photograph of a center pivot irrigation system in a green field. The system consists of multiple large metal wheels connected by a central pipe, with smaller wheels and nozzles extending outwards. Water is being sprayed from one of the nozzles. The background shows a clear sky and distant hills.

Annual Financial Report

Actual vs Budget Fiscal Year Ended June 30, 2023

Agency's Performance Compared to Final Budget



FY 2023 Summary

Operating Revenues:

On Budget

Operating Expenses:

6% below budget including GASB
Adjustments primarily related to Pension
and OPEB

9% below budget not including GASB
Adjustments

Capital Expenditures:

Lower due to timing

Cash Flow

Higher than budget

Items Impacting Financial Performance

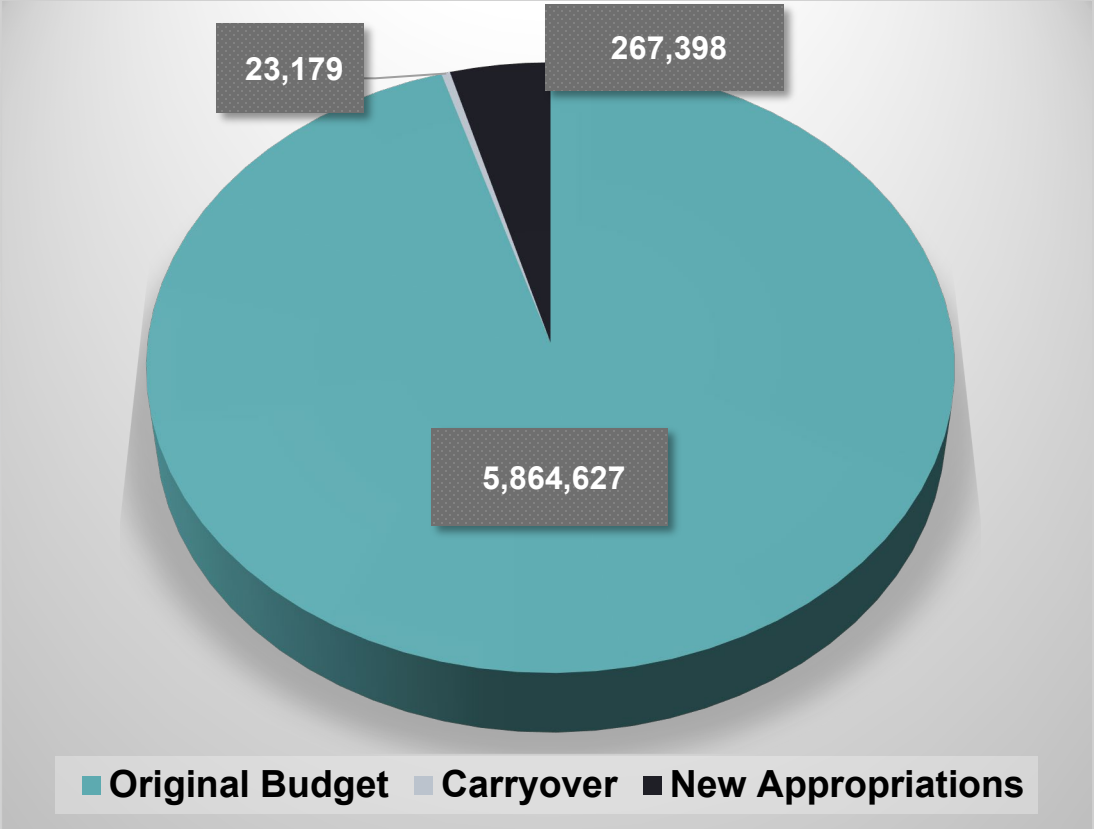
- **Lower Operating Expenses (\$364,957)**
- **Higher Net Nonoperating Income/Expense (\$518,394)**
- **Replenish Big Bear Capital Contributions (\$209,726)**



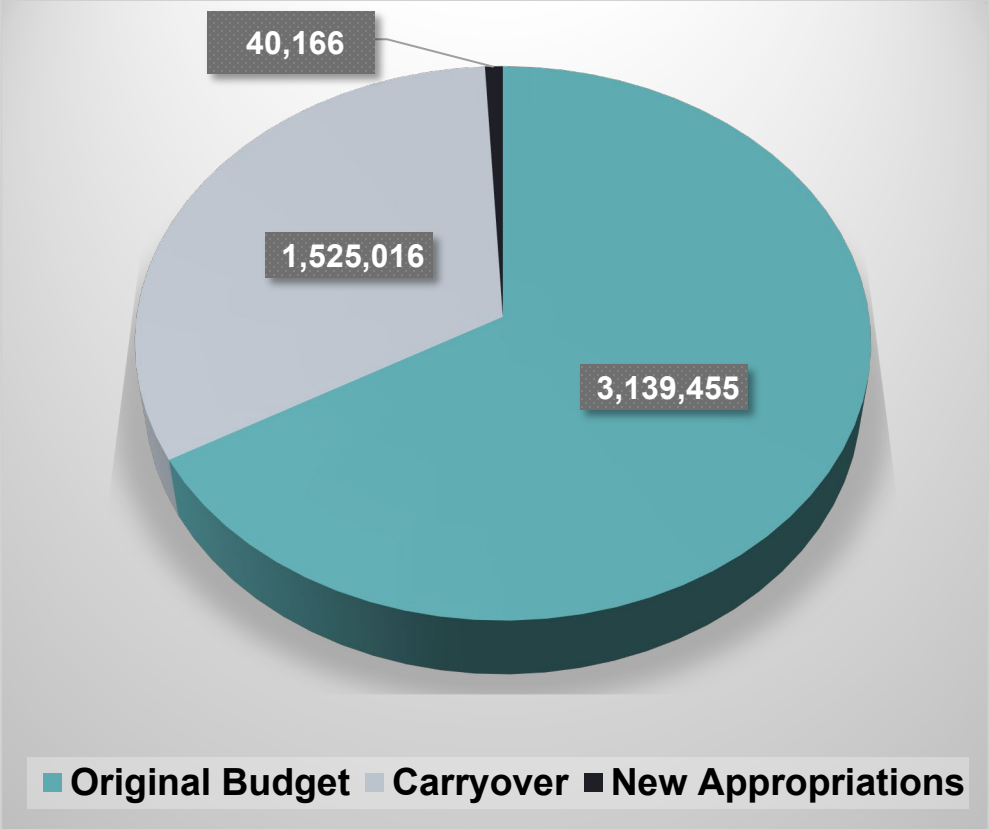
Changes to Budget

Carryovers and New Appropriations

Operating Expenses



Capital Expenditures



Income Statement

Income Statement Snapshot

	Actual	Budget	Increase (Decrease)	% Change
Operating revenues	\$ 6,375,651	\$ 6,395,380	\$ (19,792)	0%
Operating expenses	<u>5,790,248</u>	<u>6,155,204</u>	<u>(364,956)</u>	<u>-6%</u>
Operating income	585,403	240,176	345,277	144%
Nonoperating revenues	704,315	83,228	621,087	746%
Nonoperating expenses	<u>236,669</u>	<u>133,976</u>	<u>102,693</u>	<u>77%</u>
Income before capital contributions	1,053,050	189,428	863,622	456%
Connection fee revenue	246,620	188,100	58,520	31%
RBB capital contributions	<u>209,726</u>	<u>0</u>	<u>209,726</u>	<u>nm</u>
Change in net position	1,509,395	377,528	1,131,867	300%

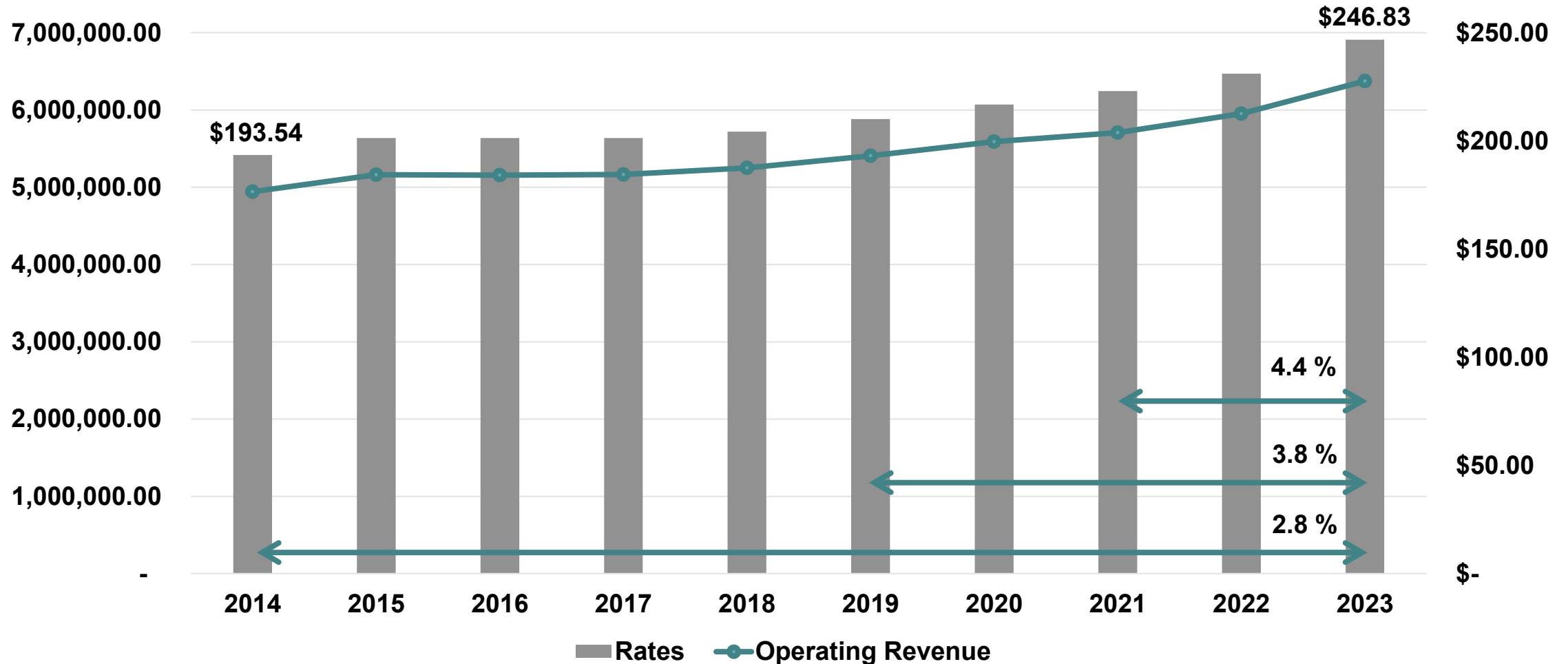
Operating Revenues

Operating Revenues

Including GASB 87 Adjustments for Leases

	Actual	Budget	Increase (Decrease)	% Change
Operating Revenues:				
Annual Charges	\$ 6,241,883	\$ 6,241,883	\$ 0.00	0%
Waste Disposal Fees	25,263	21,690	3,572	16%
Rental Income	11,096	54,205	(43,109)	-80%
Standby Fees	77,590	77,602	(12)	0%
Other Revenue	<u>19,819</u>	<u>0</u>	<u>19,819</u>	<u>nm</u>
Total Operating Revenues	6,375,651	6,395,380	(19,729)	0%

Rates Drive Operating Revenues



Operating Expenses

Operating Expenses

	Actual	Budget	Increase (Decrease)	% Change
Operating Expenses:				
Collection, treatment, disposal	\$ 1,371,813	\$ 1,508,562	\$ (136,749)	-9%
Salaries and benefits	2,807,640	2,846,457	(38,817)	-1%
Contractual services	204,883	321,147	(116,264)	-36%
Permits and fees	239,056	245,225	(6,169)	-3%
Administration	273,165	312,527	(39,362)	-13%
Depreciation	<u>893,690</u>	<u>921,287</u>	<u>(27,597)</u>	<u>-3%</u>
Total Operating Expenses	5,790,247	6,155,205	(364,958)	-6%

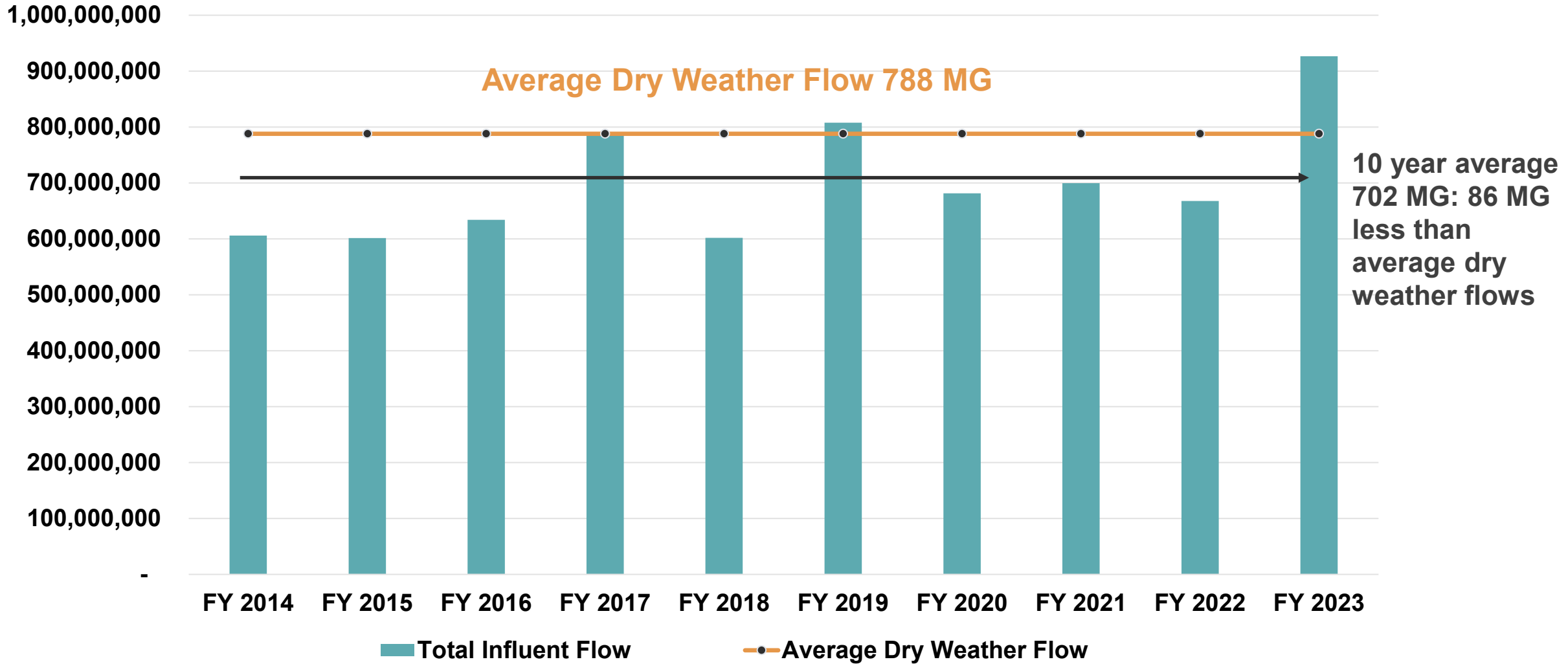
Operating Expenses

Collection, Treatment, and Disposal

	Actual	Budget	Increase (Decrease)	% Change
Collection, treatment, disposal:				
Repairs and Replacements	\$ 339,659	\$ 378,656	\$ (39,007)	-10%
Power	434,357	479,055	(44,698)	-9%
Sludge Removal	258,216	315,295	(57,079)	-18%
Chemicals	80,548	83,084	(2,536)	-3%
Materials and Supplies	148,013	146,053	1,960	1%
Utilities Expense	48,982	48,301	681	1%
Communications Expense	58,941	57,223	1,718	3%
Equipment Rental	<u>3,097</u>	<u>885</u>	<u>2,212</u>	<u>250%</u>
Total collection, treatment, disposal	1,371,813	1,508,551	(136,749)	-9%

Average Dry Weather Flows 788 MG

926.6 MG For FY 2023; 138.6 MG Greater Than Average



Operating Expenses

Salaries and Benefits

	Actual	Budget	Increase (Decrease)	% Change
Salaries and Benefits:				
With GASB 68 & 75 Adjustment	\$ 2,807,640	\$ 2,846,457	\$ (38,817)	-1%
Salaries and Benefits Excluding Adjustments:				
Salaries and Wages	1,780,518	1,816,927	(36,409)	-2%
Employee Benefits	953,200	998,077	(44,877)	-4%
Payroll Tax	25,376	24,509	867	4%
Unemployment Expense	<u>1,201</u>	<u>6,944</u>	<u>(5,743)</u>	<u>-83%</u>
Total Salaries and Benefits	2,760,295	2,846,457	(86,162)	-3%

Pension Liability Actuarial Valuation Report as of June 30, 2022

Miscellaneous – Classic Member

		<u>June 30, 2021</u>	<u>June 30, 2022</u>
1.	Present Value of Benefits	\$ 14,492,295	\$14,913,746
2.	Entry Age Accrued Liability	12,646,032	13,274,137
3.	Market Value of Assets (MVA)	<u>11,063,008</u>	<u>9,995,828</u>
4.	Unfunded Accrued Liability (UAL) [(2)-(3)]	1,583,024	3,278,309
5.	Funded Ratio [(3)-(2)]	87.5%	75.3%

The table above provides information on the current funded status of the plan under the funding policy.

The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the CALPERS Board of Administration.

The Unfunded Accrued Liability (UAL) is an absolute measure of funded status and can be viewed as employer debt.

Pension Liability Actuarial Valuation Report as of June 30, 2022

Miscellaneous – PEPRA Member

		<u>June 30, 2021</u>	<u>June 30, 2022</u>
1.	Present Value of Benefits	\$ 1,371,518	\$ 1,525,373
2.	Entry Age Accrued Liability	400,541	495,344
3.	Market Value of Assets (MVA)	<u>429,624</u>	<u>444,660</u>
4.	Unfunded Accrued Liability (UAL) [(2)-(3)]	(29,083)	50,684
5.	Funded Ratio [(3)-(2)]	107.3%	89.8%

The table above provides information on the current funded status of the plan under the funding policy.

The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the CALPERS Board of Administration.

The Unfunded Accrued Liability (UAL) is an absolute measure of funded status and can be viewed as employer debt.

OPEB Liability Actuarial Valuation Report as of June 30, 2022

OPEB (Other Post Employment Benefit)

		<u>June 30, 2021</u>	<u>June 30, 2022</u>
1.	Present Value of Benefits	\$ 4,323,935	\$ 4,415,893
2.	Entry Age Accrued Liability	3,266,921	3,821,017
3.	Market Value of Assets (MVA)	<u>2,954,117</u>	<u>2,557,970</u>
4.	Unfunded Accrued Liability (UAL) [(2)-(3)]	312,804	1,263,047
5.	Funded Ratio [(3)/(2)]	90.43%	66.94%
	Discount Rate of Return	7.05%	6.15%

The table above provides information on the current funded status of the plan.

The funded ratio refers to the % of the Accrued Liability that has been covered by assets (i.e. trust assets / UAL).

Benefit changes, assumption changes, plan (liability) experience, and investment experience can influence the current year's UAL.

Operating Expenses

Contractual Services

	Actual	Budget	Increase (Decrease)	% Change
Contractual Services:				
Contractual Services - Professional	\$ 123,963	\$ 197,666	\$ (73,703)	-37%
Contractual Services - Other	<u>80,920</u>	<u>123,481</u>	<u>(42,561)</u>	<u>-34%</u>
Total Contractual Services	204,883	321,147	(116,264)	-36%

Operating Expenses

	Actual	Budget	Increase (Decrease)	% Change
Operating Expenses:				
Permits and fees	\$ 239,056	\$ 245,225	\$ (6,169)	-3%
Administration:				
Property tax expense	4,096	4,070	27	1%
Insurance expense	226,698	243,708	(17,010)	-7%
Other operating expense	<u>42,370</u>	<u>64,749</u>	<u>(22,379)</u>	<u>-35%</u>
Total Administration	273,165	312,527	(39,362)	-13%
Depreciation	893,690	921,287	(27,597)	-3%

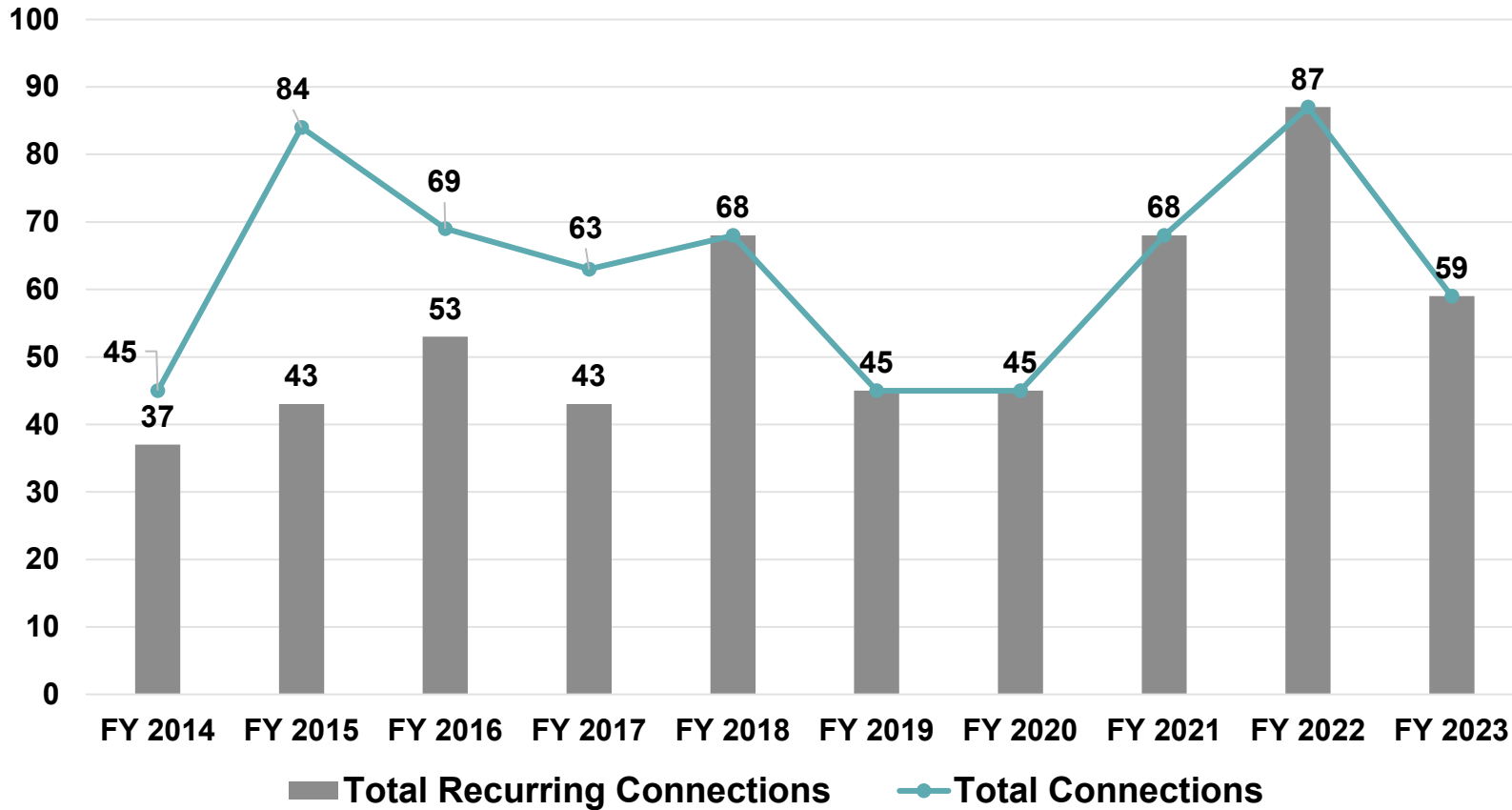
Non-operating Income (Expense)

Nonoperating Income/(Expense)

	Actual	Budget	Increase (Decrease)	% Change
Nonoperating income (expense)				
Nonoperating income				
Interest income	\$ 127,719	\$ 83,228	\$ 44,491	
Lease revenue	60,552	-	60,552	
Other nonoperating income	516,044	-	516,044	
Nonoperating expense				
Net loss on asset disposal	(6,029)	-	(6,029)	
Interest expense	(154,470)	(128,948)	(25,522)	
Amortization of debt costs	(5,031)	(5,028)	(3)	
Other nonoperating expense	<u>(71,139)</u>	=	<u>(71,139)</u>	
Total	467,646	(50,748)	518,394	+ (a)

(a) Percent change is not provided if either of the comparison periods contains a loss or negative number. If the actual performance is improved when compared to budget a (+) is given. If it is worse than budget a "-" is given.

Connections



Connections

- **Recurring vs. Nonrecurring**
- Recurring connections account for new single family dwellings.
- Nonrecurring connections account for new multi unit dwellings and businesses such as condo projects and hotels to name a few.

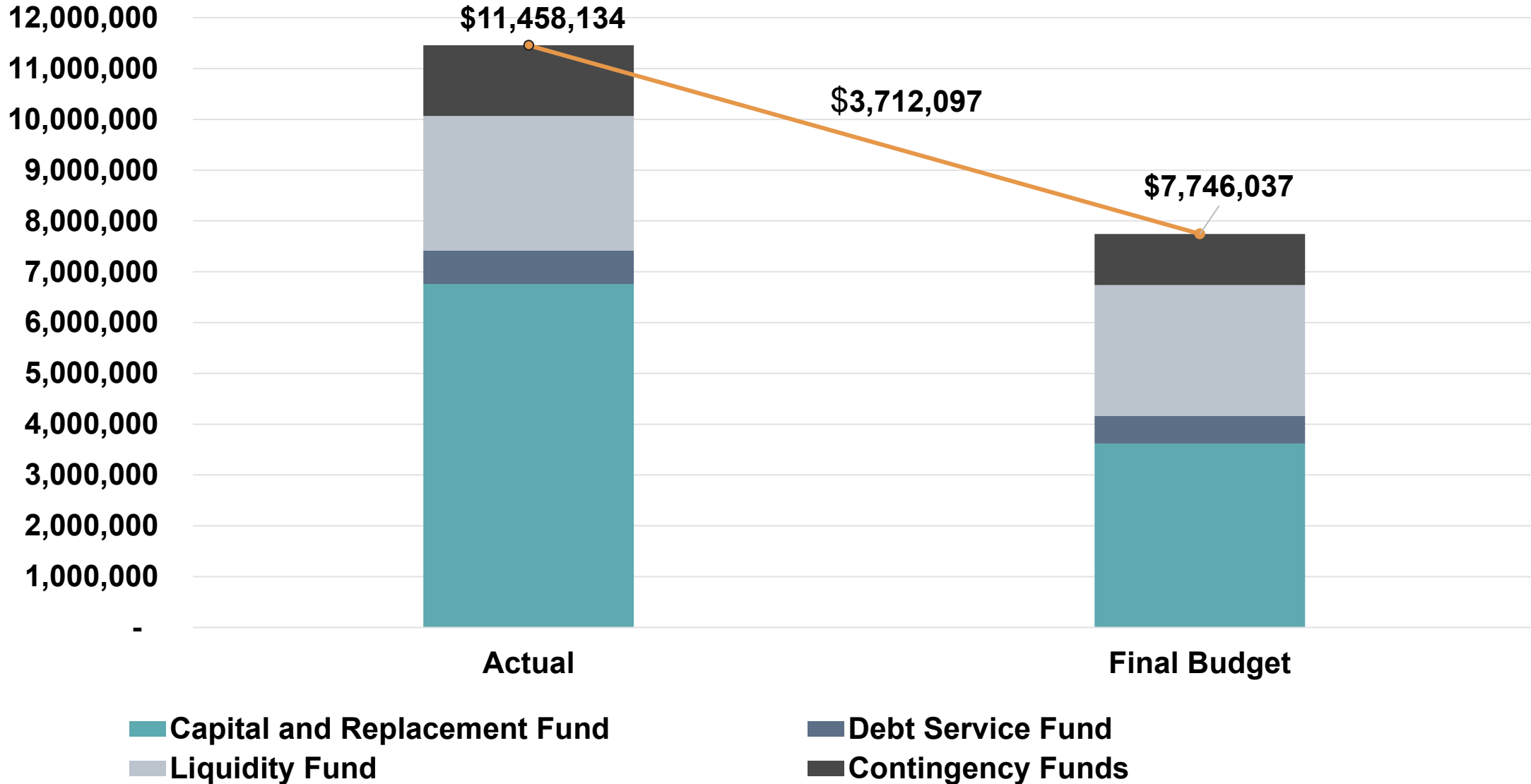
Cash Flow

Items Impacting Cash Flow

- Lower Capital Investment
- Higher Cash from Operations
- Higher Connection Fee Revenue
- Additional Replenish Big Bear Capital Contributions

End of Year Cash Balance

Timing – Carryover appropriations \$3.1 million
Other - \$ 633,203



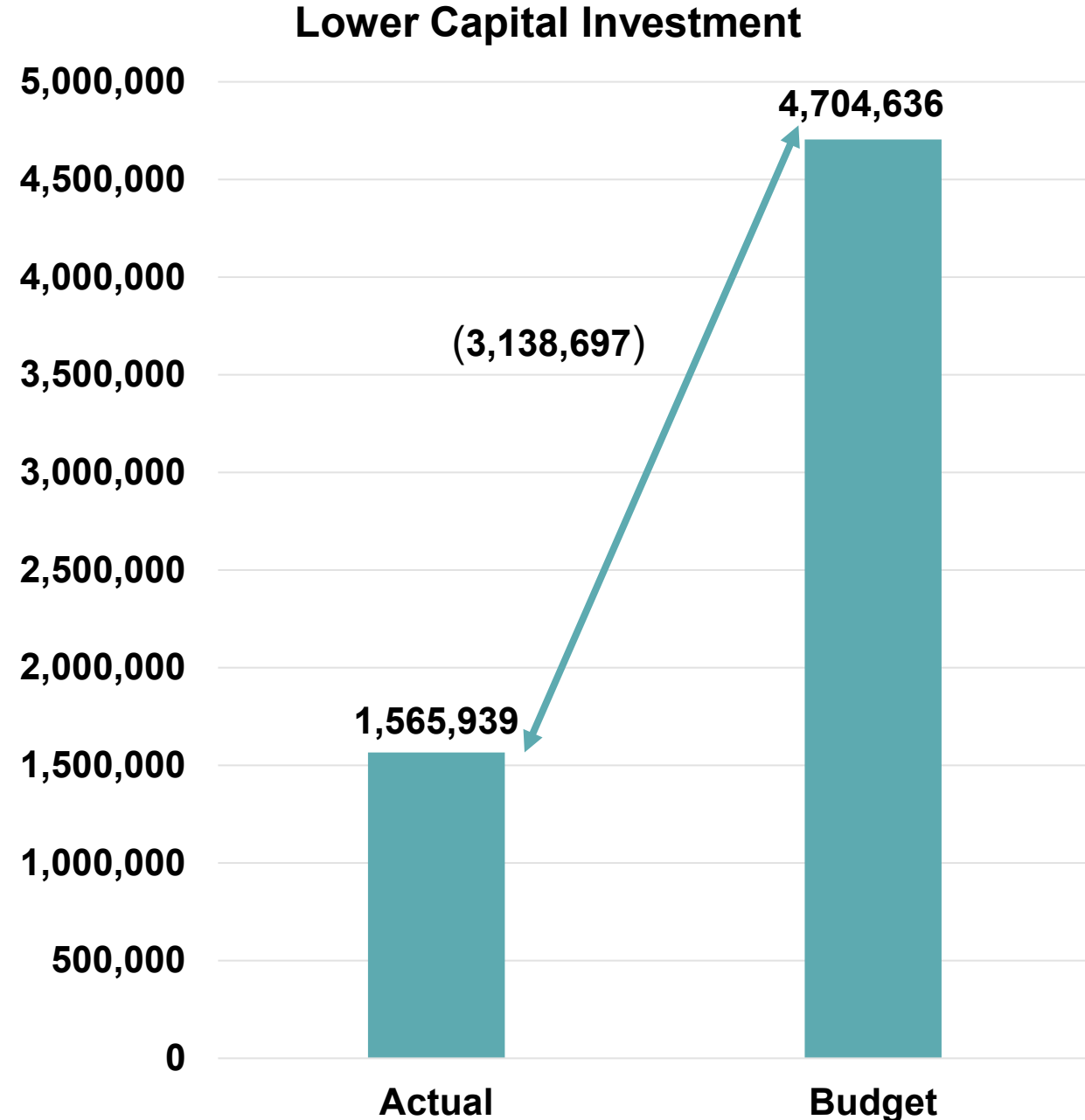
Variance's Mostly Due to Timing:

Capital Carryover - \$3,030,200

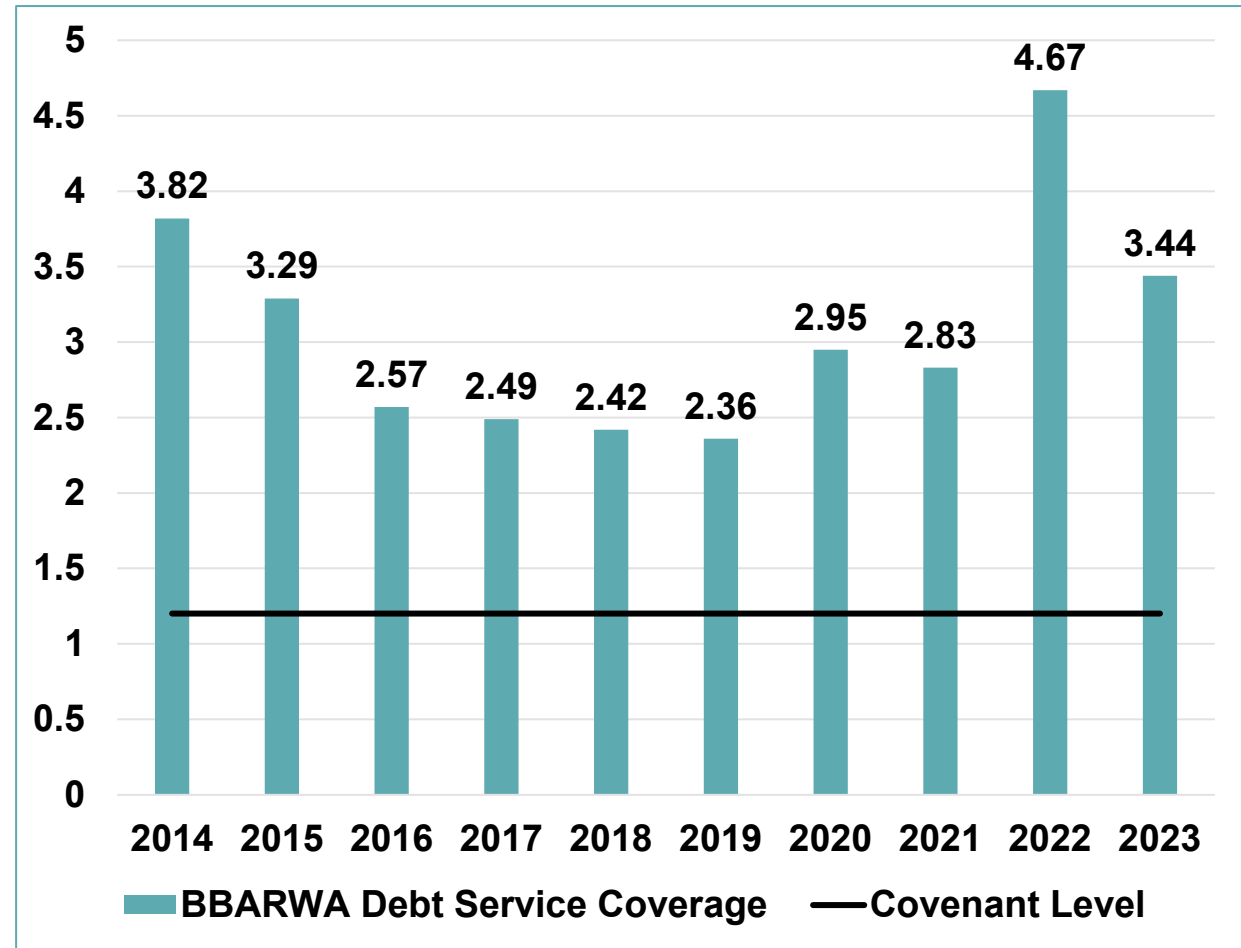
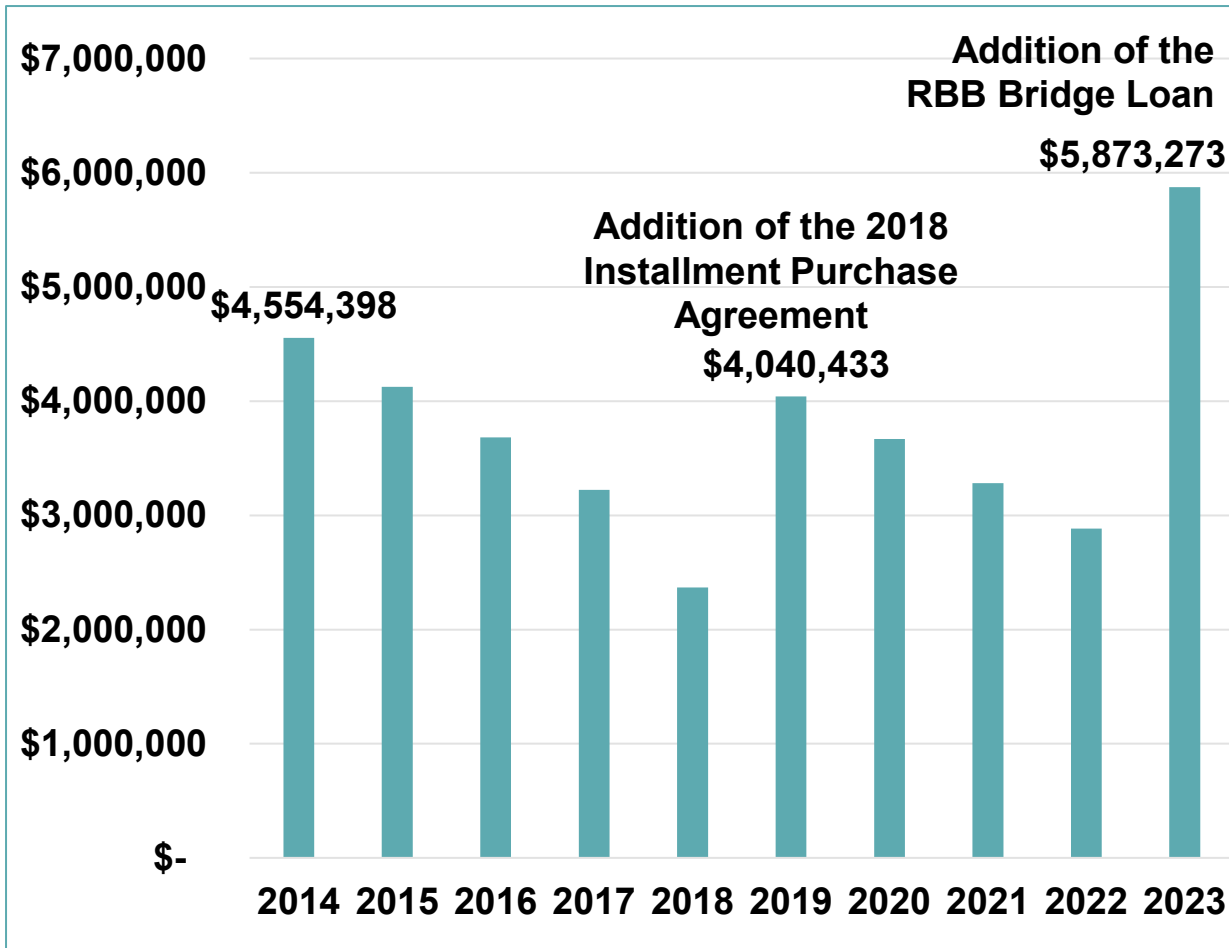
- Headworks Grit System Rehab
- LPS Generator and Fuel System
- Headers and Check Valves
- NPS 3 Well Rehab
- Scum & Tank Drain Pump/Solids Separation Bldg Pump
- Pipeline Maps
- Replenish Big Bear Project

Deferred or Reduced

- Monitoring Wells Rehab
- Reduced Headers and Check Valves Scope



Debt Service



Debt Outstanding

(\$4 million + debt capacity)

Debt Service Coverage

(Covenant Level 1.2x)

Generates Adequate Cash Flow

- > Maintenance of Infrastructure
- > Debt Service



Debt Service Coverage of 3.44 x (1.2 x covenant)



Excess Debt Capacity (Estimated)

\$4 million



Reserves are Fully Funded

Agency is Financially Strong



Challenges Ahead

- Managing Rising Costs
 - Market Volatility and its impact on pension and OPEB liabilities
 - Price Inflation
 - Higher Salaries and Benefits Expenses
 - Aging Infrastructure

Questions