

2026 BUDGET

FISCAL YEAR ENDING JUNE 30, 2026



BIG BEAR AREA REGIONAL WASTEWATER AGENCY

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

www.bbarwa.org

121 Palomino Drive, Big Bear City, California 92314



Our Mission

Our mission is to effectively collect, treat and beneficially reuse wastewater and biosolids in an environmentally and fiscally responsible manner.

Board of Directors

Kendi Segovia, Chair

Larry Walsh, Vice Chair

Rick Herrick, Director

Jim Miller, Director

John Russo, Director

General Manager

David Lawrence

Finance Manager

Christine Bennett

Plant Manager

John Shimmin

Administrative Services Manager/ Board Secretary

Bridgette Burton

The Big Bear Area Regional Wastewater Agency is a joint powers agency proudly serving the areas of Big Bear Lake, Big Bear City, Erwin Lake, Fawnskin, Lake Williams, and Sugarloaf.



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Section 1: Introduction and Overview

Message from the General Manager

We are pleased to present the Fiscal Year ending June 30, 2026 Operating and Capital Budget. This budget is balanced, fiscally sound, and demonstrates the Agency's commitment to providing continuous quality service to the Member Agencies and the community while preserving long-term financial stability.

Factors considered when making budgetary decisions include cost control, timely maintenance of infrastructure, and meeting or exceeding all operating and regulatory requirements for the treatment and disposal of wastewater while adhering to Governing Board directed policies and strategic initiatives. The FY 2026 budget encompasses the Agency's mission, vision, and goals by:

- Implementing a plan for reclaimed water.
- Prudent capital improvement planning.
- Succession planning.
- Improving efficiency, sustainability, and energy independence.
- Having a trained and talented workforce.
- Service sharing with partners in the region.
- Leveraging opportunities to support the Agency's mission.

During FY 2025, Replenish Big Bear (RBB or BBARWA's Wastewater Treatment Upgrade Project) was paused allowing the Governing Board time to review the Program Environmental Impact Report (PEIR) and consider input from the public. Additional informational presentations were provided during that time that discussed the RBB process and milestones completed over the past years and what the next steps might be. On February 26, 2025 the Governing Board certified the PEIR and directed the Agency to complete the preliminary design report and update cost estimates and a financing plan for RBB. These items are expected to be completed during this fiscal year and will provide the most current information to the Governing Board, allowing them to make informed decisions about RBB. With the overall program pause, the 14% rate previously forecast for RBB in FY 2026 has also been paused. There is no rate increase for RBB budgeted in FY 2026.

Over the last few years, the Agency has experienced challenges to estimating and forecasting capital project costs. Those challenges include post-pandemic cost volatility and supply chain disruptions, limited bidders due to scheduling conflicts and seasonal weather deadlines, and geographic limits. The process of using the Construction Cost Index, published by the Engineering News Record, to forecast costs was simply not keeping up with the current conditions. A new capital improvement forecasting methodology, adopted in FY 2025, prioritizes capital improvements based on likelihood and consequence of failure scores and addresses outdated project costs. Project estimates will be escalated by the Handy Whitman Index, a widely recognized benchmark that tracks construction cost trends across various regions and project types. This index will provide reliable data for estimating future costs, allowing the Agency to forecast capital costs more accurately and allow for better financial planning.

Operating revenues increase by 6% in FY 2026 and operating expenses increase by 5%. Capital expenditures, including RBB are projected to be approximately \$1.86 million with \$1.6 million funded through pay-go for current operations and the remaining \$250,000 for RBB funded through grants. In summary, the Agency is financially strong with all minimum reserve requirements met due to the Governing Board's conservative fiscal management, and the Agency's commitment to accountability and strong financial management.

We wish to thank the Governing Board for their guidance and support throughout the development of this budget.

A handwritten signature in black ink, appearing to read "David Lawrence".

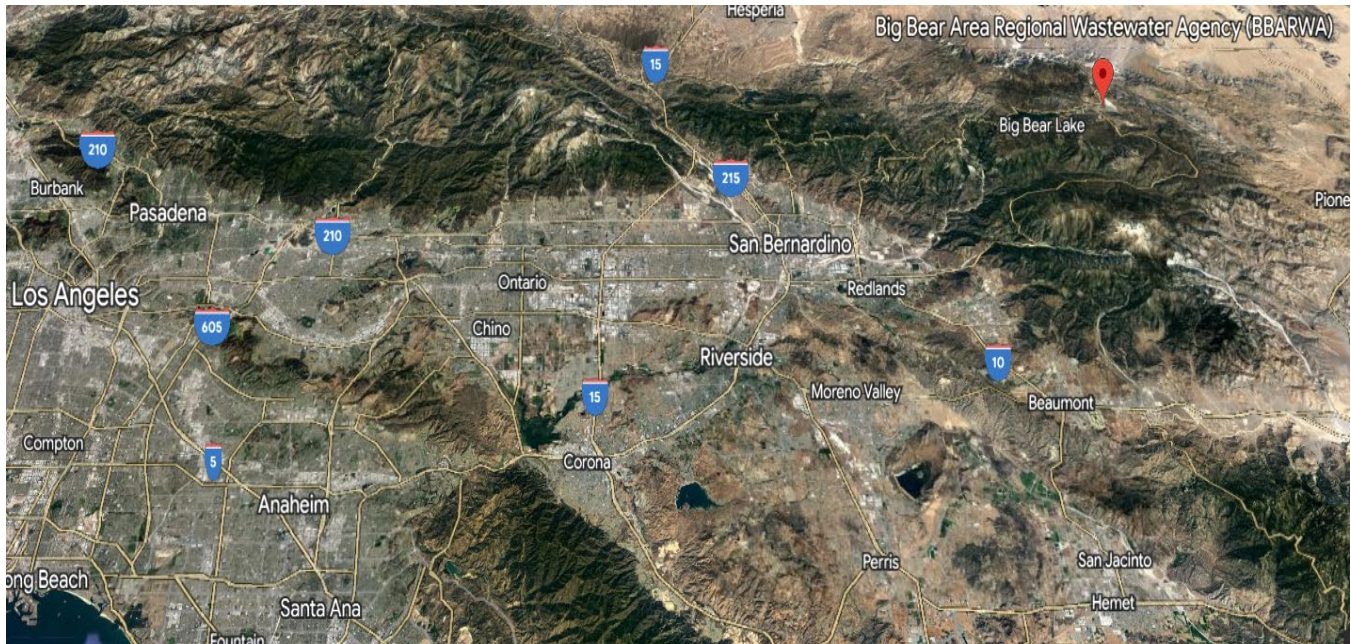
David Lawrence, P.E., General Manager



Agency Profile

Location

The Agency is located in the San Bernardino Mountains of Southern California. The Big Bear Area is a resort community located approximately 100 miles northeast of the City of Los Angeles and provides year-round recreational opportunities which include biking, boating, fishing, camping, golfing, hiking, snow skiing, and snowboarding. The Big Bear area has a growing population of permanent residents and seasonal visitors. There are approximately 22,000 residential structures throughout the area serving permanent and part-time residents, with several million visitors arriving each year to engage in recreational activities.



Formation

The Agency was formed in 1974 under a Joint Powers Agreement for the purpose of conveying, treating, and disposing of sewage from the Big Bear City Community Services District, the City of Big Bear Lake, and the County of San Bernardino on behalf of San Bernardino County Service Area 53B (the Member Agencies). The Agency was created as a management agency, obligated to provide service to the three Member Agencies under the terms set forth in its operating agreements. Each Member Agency maintains and operates its own wastewater collection system and delivers wastewater to the Agency's interceptor system for transport to the wastewater treatment plant. The Agency's service area encompasses the entire 79,000 acres of the Big Bear area.

Facilities

The Agency's facilities include a 4.8 million gallon-per-day sewage treatment plant, interceptors, outfall line, and disposal site. The Agency operates three main lines: Lake Pump Station (LPS) force main that services the City of Big Bear Lake's wastewater system; North Shore Interceptor that services the County's wastewater system, and the trunk line that services the Big Bear City Community Services District's wastewater system and conveys flow from the North Shore Interceptor to the wastewater treatment plant. The Agency's facilities operate under permit from the California Regional Water Quality Control Board, Santa Ana Region, Order No. R8-2005-0044. The Agency's 640-acre disposal site is located northeast of the Agency in the desert community of Lucerne Valley. The effluent from the treatment plant is pumped to Lucerne Valley for irrigation of fodder and fiber crops under permit from the California Regional Water Quality Control Board, Colorado River Basin, Order No. R7-2021-0023. The disposal site is leased to an independent contractor.



Administration and Operations

The Agency is governed by a five-member Governing Board appointed annually by the governing bodies of its three Member Agencies. The Agency has permanent staffing consisting of four administrative personnel and ten operations personnel.

Strategic Goals and Strategies

In 2015, the Agency retained the services of a consultant to facilitate and coordinate the development of the strategic plan. The development process was a collaborative effort which included input from multiple agencies, the Governing Board, BBARWA staff, and the public. Workshops were held with the public, partner agencies, BBARWA staff, and the Governing Board. Based on input from the workshops, the Governing Board developed the mission, vision, and core values and set the overall structure of the strategic plan. The Agency then collaborated with the consultant to address the Agency’s key areas of focus for strategic elements, develop objectives for each strategic element incorporating the established components of the strategic vision where applicable, and establish an action plan. The plan is reviewed periodically to evaluate the existing plan for progress and changing needs.

The Agency’s strategic plan sets important direction for the Agency and establishes the mission, vision, and core values.

MISSION

The mission statement is a succinct statement of BBARWA’s purpose. It focuses on the present, defines the customers and critical processes, and informs about the desired level of performance.

BBARWA’s mission is to efficiently collect, treat, and beneficially reuse wastewater and bio-solids in an environmentally and fiscally responsible manner.



VISION

The vision statement is a statement of where BBARWA wants to be. It focuses on the future, is a source of inspiration, and drives the Agency's plan.

Our Vision:

- Implement a plan for reclaimed water.
- Continue to be on track with the implementation of the capital improvement plan.
- Have a succession plan for all levels of the organization.
- Have updated operational systems to improve efficiency, sustainability, and energy independence.
- Continue to have a trained, talented, and motivated workforce.
- Be sharing services with our partners in the region.
- Leveraging any and all opportunities in support of the mission.

CORE VALUES

Core Values are those things to which the Board of Directors is fiercely dedicated. The Board of Directors can return to the Core Values to remind themselves of their overall importance. Core Values drive "the way we work here."

- Fairness (equity among member agencies).
- Ethical Behavior
- Integrity
- Respect
- Honesty
- Accountability
- Open Mindedness
- Transparent Communications
- Cooperation, as we implement the Vision and Mission
- BBARWA employees (as a valuable asset)

Over the past several years, and continuing into the future, the Agency has implemented and will implement projects and processes to align with goals stated in the Vision statement. Those projects and processes are indicated below.

- Implement a plan for reclaimed water.
 - Complete and implement a plan for recycled/reclaimed water.
 - Piloting for Replenish Big Bear (RBB or BBARWA's Wastewater Treatment Upgrades Project), was completed in FY 2024. Through state-of-the-art treatment processes, RBB will produce high-quality water (Program Water) that exceeds drinking water standards. The purified Program Water will be used to recharge groundwater levels in the Big Bear Valley to protect the community's drinking water supply during extended dry periods, augment lake levels to support recreation and enhance economic growth and sustain habitat. A preliminary design report, updated cost estimates, and a financing plan for RBB are expected to be completed



during this fiscal year. This will provide the most current information to the Governing Board, allowing them to make informed decisions about RBB.

- Continue to be on track with the implementation of the capital improvement plan.
 - Maintain a 20-Year capital improvement plan.
 - The new Capital Improvement Plan (CIP) methodology, adopted in FY 2025, focuses on the prioritization of capital improvements and addresses outdated project cost estimates. The methodology begins with analyzing the Agency’s assets and assigning likelihood of failure (LoF) and consequence of failure (CoF) scores. Based on this analysis, projects are assigned a priority and are phased over multiple fiscal years to manage resources effectively. The Agency will use the Handy-Whitman Index, a widely recognized benchmark that tracks construction cost trends across various regions and project types, to estimate future project cost escalations.
 - The Agency maintains a 20-year capital improvement plan and will incorporate the new methodology into that plan.
- Have a succession plan for all levels of the organization.
 - Develop a succession plan for all Agency positions.
 - The Agency continues to assess staffing needs for all levels of the organization.
- Have updated operational systems to improve efficiency, sustainability, and energy independence.
 - Analyze and assess systems and processes.
 - Through the 20-year capital improvement plan, the Agency continues to look to improve operational efficiency.
 - The Agency has installed solar power, which has drastically reduced energy dependence.
 - Additional solar power opportunities are being explored by the Agency.
- Continue to have a trained, talented, and motivated workforce.
 - Evaluate current training programs and assess needs for additional training.
 - Staff continue to utilize training offerings to enhance their working knowledge.
 - All plant operations and laboratory staff have obtained the required certifications to keep in compliance with mandates.
- Be sharing services with our partners in the region.
 - Identify partners and stakeholders and ways to support and share services.
 - Planning, design, and project completion for RBB relies on input from many stakeholders in the community.
 - Local agencies pledged monies to help with the planning and design process of RBB which helped to bring the project to where we are today.
 - The Agency continues to work with local agencies and stakeholders to assist with cost sharing once RBB is up and running.
- Leveraging any and all opportunities in support of the mission.
 - Assess and implement processes that efficiently collect, treat, and beneficially reuse wastewater and bio-solids in an environmentally and fiscally responsible manner.
 - The Agency continues to improve operational efficiency through its 20-year capital improvement plan.
 - RBB project is projected to be online by FY 2029. The finished project will treat and reuse wastewater in an environmentally responsible manner.
 - The Agency has worked with the Environmental Protection Agency to obtain a low interest loan, through the Water Infrastructure Finance and Innovation Act (WIFIA) loan program, for RBB. This loan promotes intergenerational equity by distributing the cost of RBB over the life of the assets. This ensures that ratepayers who benefit from the added operations share in the cost of construction. The Agency also continues to pursue grant funding opportunities that could reduce the cost of construction.



The strategic plan is an important management tool for the Agency. It aids in decision making and goal setting, promotes operational effectiveness, and influences the Agency’s ability to successfully plan for the future. The agency has created a framework of performance objectives by function. A summary is below:

Administration

To be a well-managed, strategically focused, and forward-looking organization.

Finance

To be a financially strong and stable organization.

Personnel & Organization

To attract and sustain a trained, talented, motivated workforce committed and engaged in integrating the Agency’s mission and core values in their daily work.

Operations

To operate and maintain facilities in a manner that produces high-quality effluent and bio-solids, exceeds all regulatory requirements, and is financially responsible.

Partnerships

To build partnerships through honest, open dialogue.

Water Sustainability

To cost-effectively implement a comprehensive water sustainability program to promote the beneficial use of treated municipal wastewater in order to supplement and augment fresh water supplies while protecting the region’s environment and public health. The Agency will work together through regional collaboration to protect and conserve the region’s resources.

Short-Term Factors Influencing the FY 2026 Budgetary Decision

The Agency, as a matter of practice, focuses on 1) cost control, with the growth in operating costs maintained at or near inflation, 2) timely maintenance of infrastructure, and 3) meeting or exceeding all operating and regulatory requirements for the treatment and disposal of wastewater. These factors influence each budget and overlap with Governing Board directed priorities and strategic initiatives. Controlling costs is paramount and allows the Agency to better maintain adequate, affordable, and stable rates. Adequate rates, in turn, provide for the timely maintenance of infrastructure, and the satisfaction of mandated regulatory and operating requirements and the terms of the Agency’s operating agreement with its Member Agencies. Other factors impacting financial performance and operational/financial management during FY 2026 are as follows:

Replenish Big Bear

The purified RBB Program Water will be used to recharge groundwater levels in the Big Bear Valley to protect the community’s drinking water supply during extended dry periods, augment lake levels to support recreation and enhance economic growth and sustain habitat. This will be accomplished through an advanced water purification facility which will utilize multiple treatment processes to produce purified Program Water that meets or exceeds all state and federal water quality standards to protect health and the environment. A preliminary design report, updated cost estimates, and a financing plan for RBB are expected to be completed during this fiscal year. This will provide the most current information to the Governing Board, allowing them to make informed decisions about RBB. With the overall program pause, the 14% rate increase previously forecast for the project in FY 2026 has also been paused. There is no rate increase for RBB budgeted in FY 2026.



The RBB short term loan required interest only payments through November of 2025 with the principal loan amount of \$3.4 million due in May of 2026. It was anticipated that this loan would be paid in full by the WIFIA loan; however, the WIFIA loan process has been paused to allow the Agency time to finalize the preliminary design report, update cost estimates and a financing plan, giving the Governing Board current information to allow them to make informed decisions regarding RBB. As such, repayment of the short term loan may come from reserves collected for RBB.

Inflation

Inflation continues to moderate driven by expectations of continued interest rate reductions by the Federal Reserve, the lessening of supply chain disruptions, and more availability of immediate goods. While the level and timing of future price changes is uncertain, we believe the Agency’s assumptions are reasonable based on the economic information available.

Staffing and COLA Adjustment

Per Governing Board direction, the annual COLA adjustment is based on the annual average of the regional Consumer Price Index for all Urban Consumers (currently Riverside, San Bernardino, Ontario). The 2024 Annual Average Consumer Price Index (CPI) was 2.6% and has been incorporated in the FY 2026 budget. Those employees that have not reached the top of their pay scale are eligible for up to a 5% merit adjustment annually.

With the RBB pause, the additional administrative position that was budgeted in FY 2025 was not filled and has been removed from the budget in FY 2026.

Employee Benefits Increase

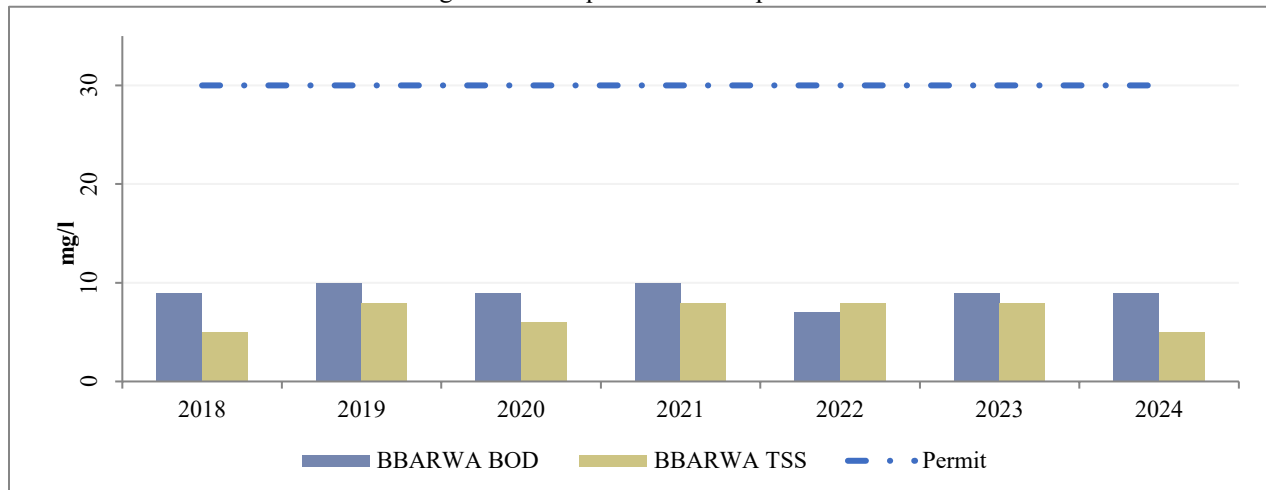
Employee benefits expense is expected to grow 10% in FY 2026. An increase in medical premiums will result in an estimated 6% increase per individual plan. The Agency is expected to experience an increase in pension and other post-employment benefits (OPEB) costs driven by changes in the assumed rate of return on assets. Pension and OPEB contributions are expected to increase by 12%.

Core Business and Operating Objectives

Core Business

The Agency’s core business is operating and maintaining the collection, treatment, and disposal system in a manner that ensures all federal and state requirements associated with the Agency’s treatment and discharge of wastewater are met. Industry measures for effluent quality and the effectiveness of wastewater treatment include the Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS). BOD is a measure of how much oxygen is required to biologically decompose organic matter in the water. TSS is the total amount of suspended materials in the water. Both measure the strength of wastewater discharges and are each limited to 30 milligrams per liter (30 mg/l) under the Agency’s Santa Ana Region and Colorado River Basin Region discharge permits.

Discharge Permit Requirements Compared to Actual





Operating Objectives

The Agency's near-term operating objectives remain primarily unchanged from the prior period. The Agency's objectives for FY 2026 are 1) maintaining adequate rates, 2) controlling labor costs, and 3) capital planning for infrastructure replacements and capacity expansion.

Maintaining Adequate Rates

Budgeting and long-term financial planning contribute to both the adequacy and stability of rates. Through the annual budget process, the Agency analyzes sewer user fees (total annual charges), and the level of fees needed each year. The Agency conducted a rate review update by a qualified rate consultant for a five-year period beginning FY 2023 through FY 2028.

Pursuant to the Agency's Operating Agreement No. 1, Total Annual Charges (sewer user fees) include a service charge, based on Equivalent Dwelling Units (EDU's) and inflow/infiltration charge, based on flows are collected from three member agencies. The 2011 Payment and Collections agreement removed the service charge and inflow/infiltration charge, changing the Total Annual Charge to a fixed and variable rate basis with the variable rate not to exceed 35%. The fixed rates are charged per EDU while the variable rates are charged based on flow. Total Annual Charge's account for approximately 99% of the Agency's operating revenues. The Agency's goal is to manage annual changes at or near inflation.

In FY 2025, the Agency updated the process for budgeting future capital needs to more accurately forecast capital costs. This results in an increase to the FY 2026 rate structure for the Agency. With the addition of RBB, annual charges will be higher than inflation as the Agency builds required reserves and funds operational needs for the project through FY 2030. Beginning FY 2031, annual rate changes are expected to return to near inflation.

Controlling Labor Costs

In an attempt to keep pay scales in line with market, better stabilize costs, and to avoid large, infrequent pay schedule adjustments that can be difficult to manage, the Governing Board approved the Compensation Studies Policy which established uniform practices for periodic compensation studies by a qualified consultant. Positions with a top of pay scale that is more than 5% of the labor market medium will be frozen until the next study is completed or other determination by the Governing Board. A compensation study was completed in the FY 2024 budget cycle and is included in the FY 2026 budget. Additionally, making annual inflationary adjustments to the Agency's pay scales helps the Agency stay competitive with the market.

Capital Planning

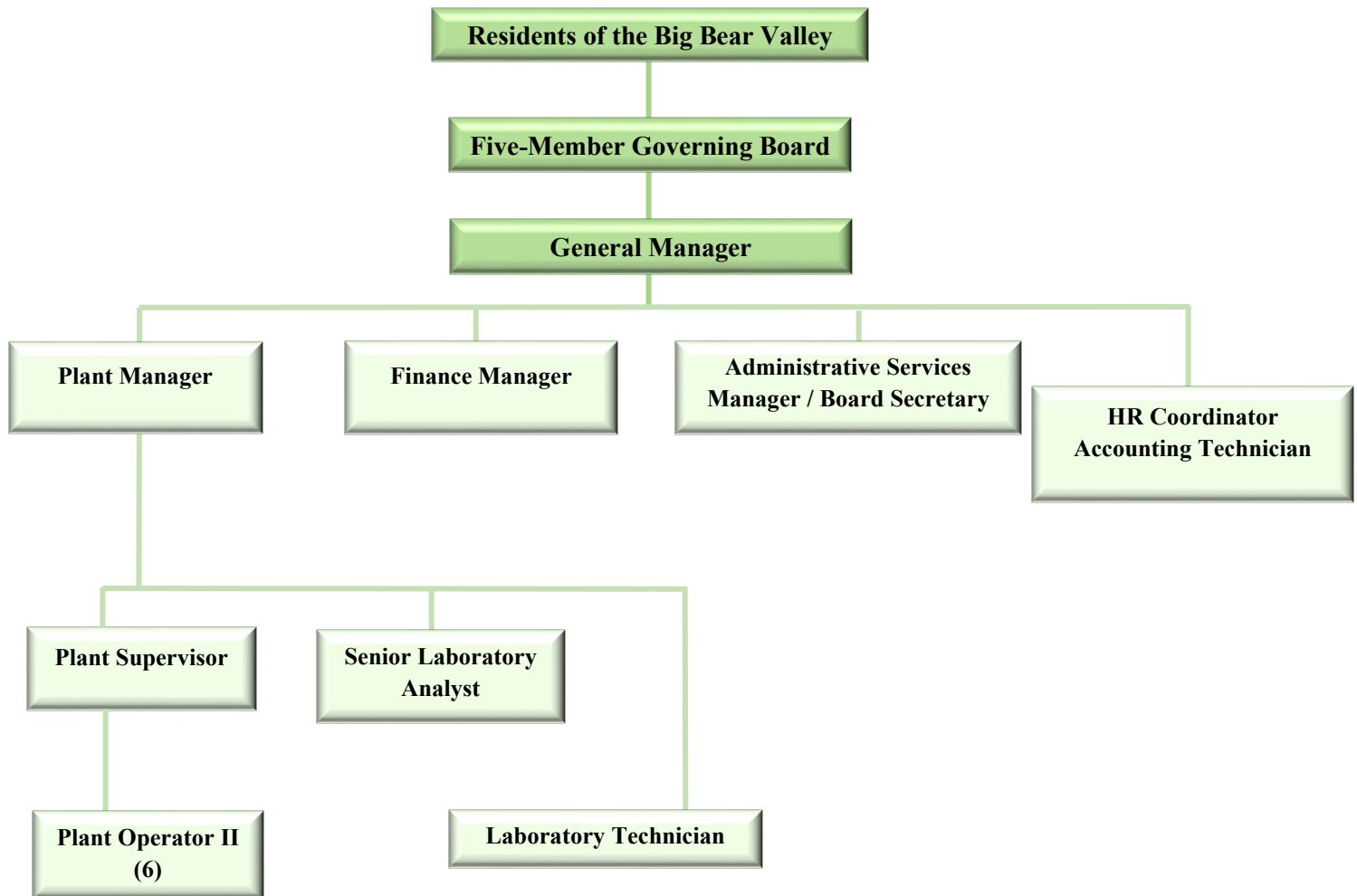
The Agency maintains a 20-year capital plan to ensure completion of capital maintenance and replacement projects in a timely manner. This optimizes system performance, enabling the Agency to produce high quality effluent and bio-solids, meet discharge requirements, and avoid the high cost of crisis management and system failure. In FY 2025 the Agency adopted a new Capital Improvement Plan methodology that focuses on the prioritization of capital improvements and addresses outdated project cost estimates. The methodology begins with analyzing the Agency's assets and assigning likelihood of failure (LoF) and consequence of failure (CoF) scores. Based on this analysis, projects are assigned a priority and are phased over multiple fiscal years to manage resources effectively. As such, the budget period includes those capital improvements that are considered priority one projects. The Agency will use the Handy-Whitman Index, a widely recognized benchmark that tracks construction cost trends across various regions and project types, to estimate future project cost escalations.

With the implementation of RBB, several treatment steps will be added to Big Bear's existing treatment process that will use proven technology to achieve safe, high quality water that exceeds drinking water quality standards. Infrastructure upgrades will include construction of an Advanced Water Purification Facility at the existing BBARWA Wastewater Treatment Plant, additional solar panels, evaporation ponds, two monitoring wells, and approximately 3.8 miles of pipeline to Stanfield Marsh. A preliminary design report, updated cost estimates and a financing plan for RBB is expected to be completed during FY 2026, providing the most current information to the Governing Board, allowing them to make informed decisions about RBB.



Section 2: Financial Structure, Policy, and Process

Organizational Chart





Governance

The Agency is governed by a five-member Governing Board appointed annually by the governing bodies of its three Member Agencies.

The Governing Board of Directors

<u>Member Agency</u>	<u>Number of Appointments</u>
Big Bear City Community Service District	2
City of Big Bear Lake	2
County of San Bernardino Service Area 53B	1



Kendi Segovia, Chair
City of Big Bear Lake



Larry Walsh, Vice-Chair
Big Bear City CSD



Rick Herrick, Director
City of Big Bear Lake



Jim Miller, Director
County Service Area 53B



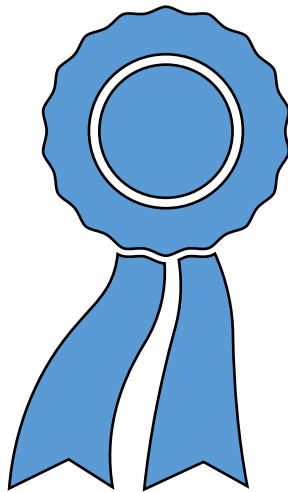
John Russo, Director
Big Bear City CSD



Staffing

The Agency's employees are accountable for the efficient operation and administration of the treatment plant and related facilities. The Agency maintains informal departments due to the small, single-service nature of the Agency's operations. The operations department consists of the plant manager, plant supervisor, and six plant operators. The laboratory department includes one senior laboratory analyst and one laboratory technician. The administrative department includes the general manager, finance manager, administrative services manager/board secretary, and human resource coordinator/accounting technician.

The Agency has a dedicated team with 50% of the employees employed for ten or more years and 86% employed for more than five. Employee longevity provides the organization with decades of experience and lends itself to efficient operations.



Service Recognition and Awards

The Agency has received multiple industry awards over the years.

The Agency received the Small Plant of the Year Award from the California Water Environment Association Desert and Mountain Section for three consecutive years from 2019 through 2021.

In 2019 and 2022 the Agency received the District Transparency Certificate of Excellence from the Special District Leadership Foundation.

The Agency has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for 12 consecutive years.

The Agency's FY 2024 Budget submittal received its first award for the Distinguished Budget Presentation Award from the Government Finance Officers Association since 2017. The Agency received this prestigious award for a second consecutive year for its FY 2025 Budget submittal.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Big Bear Area Regional Wastewater Agency
California**

For the Fiscal Year Beginning

July 01, 2024

Christopher P. Morrill

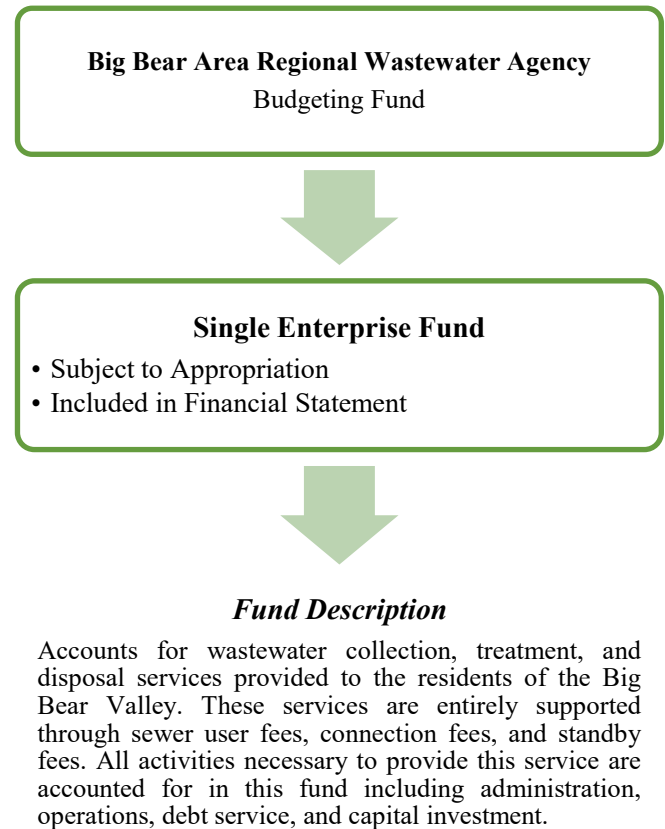
Executive Director



Fund Descriptions and Fund Structure

The Agency operates and reports as a proprietary enterprise fund, using standards that are similar to private sector accounting. This allows the Agency to readily determine the cost of providing its service and the amount that is recovered through the Agency’s fees: sewer user fee, connection fee, and standby fee. Any excess cash flow translates into retained earnings and is maintained in the Agency’s Capital and Replacement reserve fund unless or until designated to another reserve fund or otherwise appropriated.

The Agency’s cash position is allocated among its designated reserve funds in accordance with its Designated Funds Policy. The Agency maintains multiple reserve funds through its formal Designated Funds Policy for management purposes. These funds include debt service, capital expenditures, contingency and liquidity reserve funds. **These designated funds are for internal financial management purposes only and are not included in the audited financial statements.** The Agency is currently meeting and is projected to meet all minimum balance requirements associated with its designated reserve funds over the next five-year period through FY 2030.





Debt Service

- Reserve for principal and interest expense on the Agency's debt
- Minimum balance requirement at July 1 is 100% of current-year debt service

Capital and Replacement

- Current Year
 - Reserve for current-year capital expenditures
 - Minimum balance requirement at July 1 is 100% of current-year capital project
- Future Year
 - Reserve for future-year capital expenditures
 - No minimum balance requirement
 - Contains earmarked funds for future scheduled projects

Contingency

- Emergency
 - Reserve for emergencies
 - Minimum balance requirement is \$500,000
- Operations
 - Reserve for unexpected variances from the budget
 - Minimum balance requirement is based on two months of operating expenses

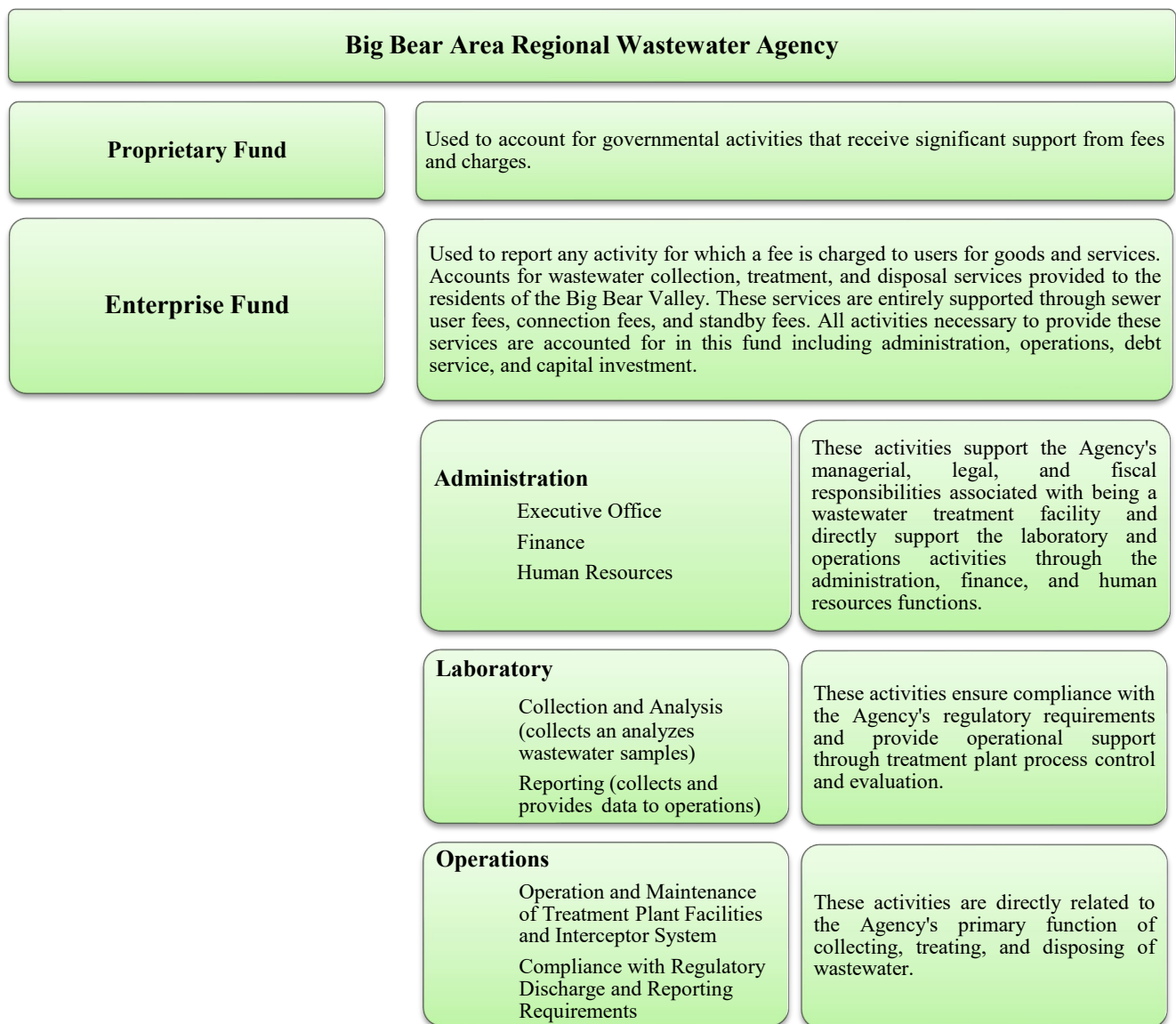
Liquidity

- Reserve for liquidity purposes. The seasonal nature of the Agency's revenues requires this fund (99% of the Agency's operating revenues are received in December and April)
- The minimum balance of \$2,400,000 is required on July 1 of each year



Departmental/Fund Relationship

Governmental accounting and financial reporting systems are organized and operated on a “fund” basis for the purpose of demonstrating compliance with various potential legal and contractual obligations associated with government activities. Examples of these obligations would be special purpose revenues which are collected for a specific purpose and therefore restricted to a specific use by law or regulation. An example provided by the GFOA in its Governmental Accounting, Auditing, and Financial Reporting publication is a government establishing a separate fund to account for revenues in gasoline tax that can only be spent on road repair and construction so as to ensure and demonstrate compliance with that requirement. Funds are separate fiscal and accounting entities and may be presented separately and in aggregate in a government’s financial statements. Different governmental departments may have distinct activities which are represented by separate funds. The Big Bear Area Regional Wastewater Agency is considered a proprietary single enterprise fund for accounting and financial reporting purposes. All of its activities/departments are included in a single accounting and reporting entity.





Basis of Accounting and Budgeting

Basis of Accounting

The Agency operates and reports as an enterprise utilizing the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Agency applies all applicable Government Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities.

Basis of Budgeting

The Agency’s annual budget and five year forecast are based on the accrual method of accounting and are structured to reflect the same format as the Agency’s audited financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use unrestricted resources first, then restricted resources as they are needed.

Financial Policies

The Agency has developed multiple financial policies which have laid the foundation for the Agency’s continued financial strength. Financial strength is assessed by the bond rating agencies using various frameworks for measurement. Utilizing Standard and Poor’s Top 10 Management Characteristics for comparison purposes, the Agency’s achievement of strong leadership and financial management is evident.

Top Ten Management Characteristics

Agency Performance

1. Focus on structural balance



Structural balance references the ability of recurring revenues to cover recurring expenditures. The Agency's current and future rates (operating revenues) are structured to cover recurring expenditures. These include ongoing operating expenses, debt service, and maintenance capital expenditures.

2. Strong liquidity management



The Agency maintains reserves to meet its minimum debt service obligations, emergency fund requirements, and operational variances equal to two months of operating expense in addition to maintaining additional debt capacity.

3. Regular economic and revenue updates to identify shortfalls early



Management staff reviews monthly variance reports. Quarterly variance reports are prepared and presented to the Governing Board.



4. An established rainy day/budget stabilization reserve		The Agency maintains contingency funds specifically for emergency and budget variance purposes.
5. Prioritized spending plans and established contingency plans		The annual budget and five-year forecast, including both the operating and capital budget, prioritizes spending. The Agency has established a contingency fund to fund any unexpected and unabsorbed variances from budget.
6. Strong long-term and contingent liability management		The Agency completes annual and bi-annual actuarial valuations of its pension and OPEB obligations and funds 100% of its annual required contributions. Information related to these liabilities is audited and disclosed annually in the Agency's financial statements.
7. Comprehensive multiyear financial planning		The Agency prepares and maintains a five-year operating and capital plan and a twenty-year capital plan. The timing of capital projects is based on need and affordability.
8. A formal debt management policy		The Agency's debt policy specifically requires a review of the Agency's debt capacity prior to new debt issuance. The Agency's debt capacity is measured using S&P and Moody's criteria.
9. A capital planning process, including risk mitigation		The Agency uses a pay-as-you go financing strategy as part of the operating and capital budget and has structured its rates to collect approximately 60% - 70% of its average annual capital requirements on a cash basis.
10. A well-defined and coordinated economic development strategy		As a wastewater agency, an economic development strategy is not directly applicable; however, the economic impact or the Agency's operating and financial decisions are paramount with priorities placed on 1) affordable and competitive rates, 2) local contractor preference, and 3) volunteer and internship programs for on-the-job training.



Policies

The Agency has established financial controls pertaining to revenues and expenditures, designated funds, assets, investments, debt, and budget to improve effectiveness, ensure reliable financial reporting, and comply with legal requirements. The Governing Board formally adopts the Designated Funds, Debt, and Investment Policies.

The INTERNAL CONTROL POLICIES outlines internal controls and procedures for accounts payable, purchase orders, appropriations and expenditures, credit card purchases, banking activities and verifications, contractual bidding, budget amendments and adjustments, and business meeting and professional development reimbursement.

The BUDGET ADOPTION POLICY ensures the Agency's compliance with the budget adoption requirements of the California Government Code and the Operating Agreement No. 1 among Member Agencies and the requirements for operating and capital planning, rate review, and the budget development process.

- The Agency is subject to Government Code Section 61110 which prescribes that a preliminary budget be adopted prior to July 1 of each year. Pursuant to Operating Agreement No. 1, the Agency must adopt a budget prior to May 1.
- The annual operating budget will be based on historical performance and staff input and includes an income statement, cash flow statement, and ending designated fund balances.
- A five-year operating projection will include an income statement, cash flow statement, and designated fund balances. This forecast combined with the long-term capital plan is used to assess the adequacy of the Agency's rates and to plan for capital financing.
- Capital planning will include both a five-year and twenty-year plan. Strategic capital projects for the purposes of cost savings should include calculations of payback period, NPV (Net Present Value), and IRR (Internal Rate of Return) for comparison purposes.
- During the budget development process, the Agency will address the adequacy of rates (sewer user fees) based on the five-year forecast and long-term capital needs. The Agency's connection fee will be evaluated based on changes in the capital plan, capital financing, and EDUs over the capital planning horizon.

The DESIGNATED FUNDS POLICY establishes reserves and designated reserve balances for the purposes of contingency, liquidity, debt service, and capital investment.

- Provides funding for specific purposes related to the management and operation of the Agency.
- The designated funds are financial resources available to finance expenditures and are not limited by legal or contractual requirements and may be appropriated elsewhere at the discretion of the Governing Board.
- The Agency's designated funds are outlined on page 18 of this budget document.

The DEBT POLICY establishes the conditions and analysis required for debt issuance and recognizes the essentials of 1) ensuring the Agency's ability to meet its debt service requirements and 2) maintain sufficient financial flexibility to respond to unexpected events.

- The debt policy applies to all forms of debt obligations including bonds, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued by the Agency under California Law.
- Debt issuance may be considered for financing options for 1) expenditures that have been formalized in a capital improvement plan and approved by the Governing Board and are considered major infrastructure projects, 2) capital expenditures that have long economic useful lives, usually five years or greater, and 3) capital expenditures where the use of debt financing would better "match" the benefit received by the Agency's ratepayers with the economic impact to the ratepayers.
- Factors to consider when issuing debt are the impact on customers, the timing of the Agency's infrastructure needs, the Agency's debt capacity, the nature of the asset and availability of resources (i.e. the useful life of the project should be commensurate with the term of the debt), and the economic and interest rate environment.



- Analysis requirements prior to debt issuance include a cost and benefit analysis incorporating the impact of the project and debt financing on the budget and multi-year forecast.

The INVESTMENT POLICY applies to all financial assets and has the primary objectives of safety, liquidity, and yield (in priority order). When managing public funds, the Agency understands that investment success cannot be measured in terms of achieving the highest possible return but must be measured in terms of prudent investing that utilizes uncommitted dollars in safe, short-term investments to earn the Agency reasonable returns with the least amount of risk and to maintain adequate liquidity.

- Investments permitted by policy and authorized by the California Government Code 43646 include: 1) LAIF managed by the Treasurer of the State of California; 2) CDs insured by the FDIC with maturities less than two years (purchases less than 30% of Agency surplus funds); 3) U. S. Treasury Bills, Notes and Bonds with maturities less than two years; and 4) AAA-rated money market mutual funds regulated by the SEC and consisting only of U.S. Treasury securities.
- The Finance Manager reports to the General Manager and the Governing Board, on a monthly basis, the Agency's investments and the ability of the Agency to meet its expenditure requirements for a period of six months.

The FINANCIAL REPORTING POLICY is for the purpose of fiscal monitoring.

- The Finance Manager will prepare monthly financial reports for review by management staff. These reports include an income statement, cash flow statement, balance sheet, and a fund balance report. The presentation will include actual performance compared to the budget on a period and year-to-date basis.
- The Finance Manager will prepare quarterly and annual reports for the Governing Board of Directors. These reports include an income statement, a cash flow statement, and a fund balance report. The presentation will include 1) actual performance compared to the budget on a period and year-to-date basis and 2) an explanation of variances from the budget.

The RATES POLICY ensures the Agency's compliance with the legal requirements associated with setting and maintaining rates. Maintaining adequate, stable, and competitive rates is an Agency priority.

- The policy establishes that the Agency's rates are:
 - Cost-based, equitable, and meet the Agency's full revenue requirements.
 - Easy to understand and administer.
 - Have been set based on generally accepted rate-setting techniques.
 - Are stable in the ability to provide adequate revenues for meeting the Agency's current and future financial requirements.
 - Have been established at a level that is stable from year to year from a ratepayer perspective.
 - Have been adopted according to legal requirements.
- The policy outlines the legal requirements for each of its rates: the sewer user fee (also referenced as the Agency's Total Annual Charges), the connection fee, and the standby fee.

Balanced Budget

The Agency considers the budget balanced when recurring revenues are equal to or in excess of recurring expenditures or in the case where recurring revenues are less than recurring expenditures, there are adequate reserves to cover the excess expenditures. Recurring revenues include annual charges (sewer user fees), standby fees, wastewater disposal fees, and rental income. Recurring expenditures include ongoing expenses, debt service, and average annual maintenance capital expenditures. The Agency is projected to have a balanced budget during the current budget year.



Budget Process

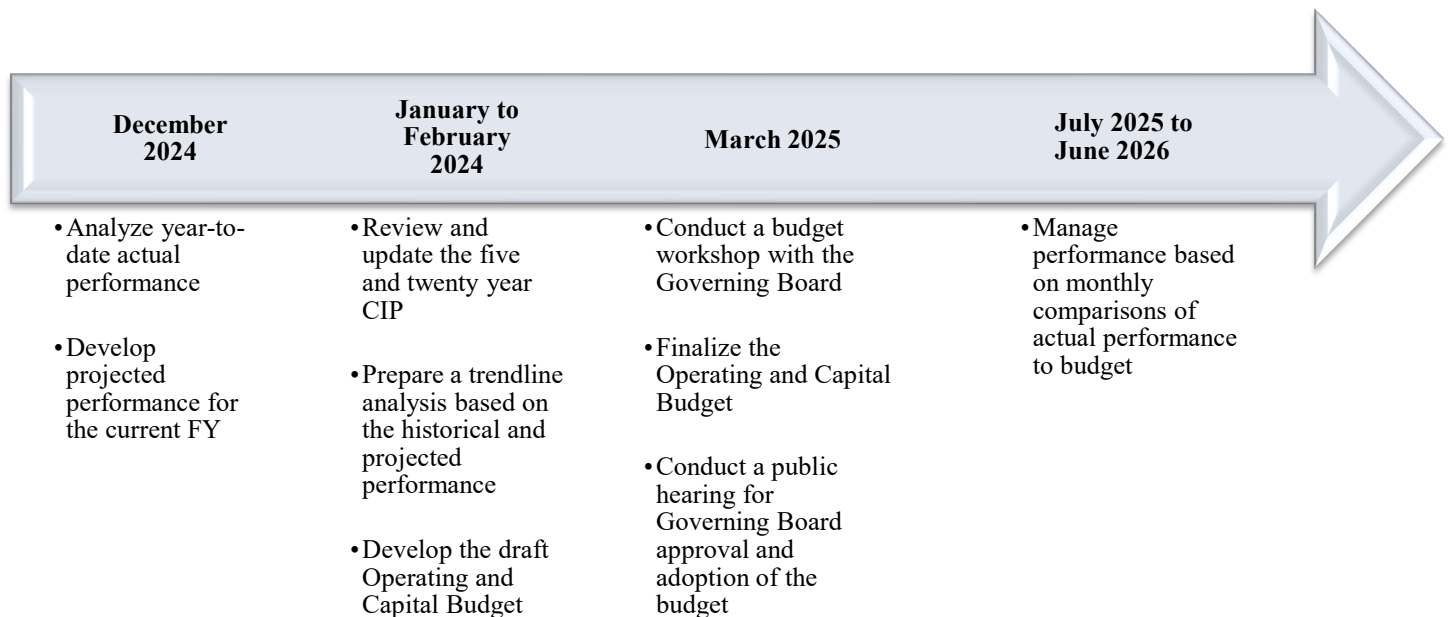
Pursuant to financial policy, a budget must be reviewed, approved, and adopted prior to May 1 of each year for the subsequent fiscal year beginning July 1. The budget adoption deadline of May 1 is also established in the Agency’s operating agreement amongst BBARWA and its member agencies. According to the California Government Code, the Agency must adopt its budget by July 1 of each year.

Development of the budget is influenced by the strategic plan, organizational goals and objectives, and external factors such as economic conditions. The Governing Board, General Manager, Agency Staff, and the public participate in the development of the budget. A public workshop is held to review the draft budget and to get public input prior to the public hearing to adopt the budget.

The Agency’s annual budget provides a solid picture of the Agency’s expectations for the next twelve months and is an accountability tool for management while also reflecting the Agency’s commitment to performance. Overall, the Agency’s operations are fairly stable, and the goal is to be within five percent of the original budget during any given year, unless unexpected events occur.

After the annual budget has been adopted by the Governing Board, a monthly budget is created from which actual performance will be compared. The General Manager, Administrative Services Manager/Board Secretary, Plant Manager, and Finance Manager review financial performance on a monthly basis to assess operating performance and variances from the budget. This aids in understanding the Agency’s operating and financial performance, changing patterns of performance, trends in costs, and general economic data. On a quarterly basis, a quarterly financial report is presented to the Governing Board for review. Variances from the budget may require a budget amendment and/or newly appropriated funds by the Governing Board. Pursuant to financial policy, Governing Board approval is required to amend the budget if 1) the Operating Budget is unable to absorb a cost overage, 2) a capital project exceeds the original budgeted expenditure by \$20,000 or more, or 3) any new capital expenditures need to be added to the Agency’s current-year capital improvement plan.

Budget Timeline





Section 3: Financial Summaries

Big Bear Area Regional Wastewater Agency (BBARWA or Agency) Budget Framework

While the Agency completes a one-year budget, it also looks closely at the next five-year period. Most of the discussion and analysis, and financial information presented will include the five-year period, from FY 2026 through FY 2030.

Replenish Big Bear (RBB)

During this budget cycle, the Agency has budgeted for expenses associated with RBB through FY 2030 and has determined rate adjustments tied to these expenses. Due to delays and an overall program pause, there is no rate adjustment budgeted for RBB in FY 2026.

Additionally, the RBB rate structure does not include the United States Bureau of Reclamation (USBR) Title XVI grant in the amount of \$9,052,543 that has been awarded to the Agency for RBB. These funds are anticipated to be appropriated into the Federal budget with the appropriation process occurring after the Agency’s budget adoption. Once the funds are appropriated, an amendment to the current Title XVI agreement between the Agency and USBR will be executed. When the appropriation and amendment are completed, these funds could result in a reduction of the RBB rate structure during the forecast period.

Important Assumptions

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

Rate Structure: The budget and forecast period were prepared assuming adjustments in the Agency's sewer user fee (Total Annual Charges) each year during the 5-year period, from FY 2026 - 2030. Rates through FY 2030 have been structured to meet the Agency’s current operating and capital needs during the next five years. It should be noted that the Agency’s rates have been structured to cover the majority of its annual debt service with approximately \$75,000 projected to be funded through connection fee revenue.¹

It is the Agency’s intent to manage rate adjustments to a level that is near inflation. In FY 2025, the Agency updated the process for budgeting future capital needs to more accurately forecast capital costs. This resulted in an increase to the FY 2026 rate structure for the Agency. With the addition of RBB, rate adjustments will be higher than inflation through FY 2030 in order to fund required reserves and additional operational needs. RBB operations are anticipated to be online in FY 2029. Rate adjustments are expected to return to at or near inflation in FY 2031.

	Actual FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
BBARWA Rate per EDU	260.71	282.12	296.39	311.79	327.03	355.48
RBB Rate per EDU	<u>96.08</u>	<u>96.08</u>	<u>149.88</u>	<u>214.81</u>	<u>294.36</u>	<u>303.19</u>
Total Rate per EDU	356.79	378.20	446.27	526.60	621.39	658.67
% Change	18%	6%	18%	18%	18%	6%
Prior Projected Rates		421.02	496.80	586.22	612.60	
Prior Projected % Change		18%	18%	18%	4.5%	

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



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 Governing Board may appropriate funds. The contingency fund is recommended to be two months of operating and maintenance expense by the Government Finance Officers Association. Based on staff’s review, we believe the amount to be adequate.

Inflation: Annual price change assumptions are used in the multi-year forecast to project year-over-year changes in certain revenues and costs. The Agency considers the Riverside, San Bernardino, Ontario, CA CPI-U (Consumer Price Index for all Urban Consumers, All Items; published by the Bureau of Labor Statistics), the 20-City Construction Cost Index (published by Engineering News Record), and the Survey of Professional Forecasters CPI forecast as indicators in determining future price changes. Inflation continues to moderate driven by expectations of continued interest rate reductions by the Federal Reserve, the lessening of supply chain disruptions, and more availability of immediate goods. While the level and timing of future price changes is uncertain, we believe the Agency’s assumptions are reasonable based on the economic information available.

Annual Average Inflation Rate (as of December 31, 2024)

Riverside, San Bernardino, Ontario CPI-U	CCI
2.6%	1.6%

The Survey of Professional Forecasters², CPI Forecast (as of February 10, 2025)

Fiscal Year	Annual Average
2025	2.8
2026	2.6
2027	2.3
2028-2030	2.3

The Agency has assumed average inflation of 2.5% during the forecast period.

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year Average
Inflation Rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

For capital related construction projects, the Handy-Whitman Index, a widely recognized benchmark that tracks construction cost trends across various regions and project types, will be used to estimate future project cost escalations.

Comparisons

Financial performance comparisons throughout this document include current and future periods. FY 2025 is the projected performance, FY 2026 is the budget period, and FY 2027 – FY 2030 is the forecast period:

<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027- FY 2030</u>
Projected	Budget	Forecast Period

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



Items Impacting Financial Performance

Salaries and Benefits Expense – Salaries and benefits expense is expected to grow during the five-year period with an average annual change of 6%. This is primarily due to increases in health premiums, retirement contributions, other post-employment benefit (OPEB) contributions, and annual cost of living adjustments (COLA).

Salaries and Wages Expense – The average annual increase in salaries and wages over the forecast period is projected to be 6%. The Agency is expected to experience 6% growth in FY 2026 compared to the prior year, increasing by 8% in FY 2027, then slowing to 5% growth by FY 2030 as more employees reach the top of their pay scales.³

The 6% growth in FY 2026 is primarily the result of the annual COLA and annual merit adjustments for those employees that have not reached the top of their pay scale. The annual average Riverside, San Bernardino, Ontario, CA CPI-U is used as the basis for the COLA. In FY 2026, the Agency will incorporate a 2.6% COLA⁴. Additionally, any employee that has not reached the top of their pay scale will be eligible for a merit adjustment of up to 5%.

Benefits expense – The average annual increase in benefits expense is expected to be 8% over the five-year period. The largest annual increases can be found in the Pension and OPEB contributions.

Increase of Pension Unfunded Accrued Liability (UAL) – Increases in pension contributions have been driven by a lower than expected rate of return in FY 2023 of 5.8%, the expected rate of return was 6.8%. Another aspect of annual pension contributions is the normal cost rate. The normal cost rate is based on a percentage of payroll and is paid regularly throughout the year; therefore, the normal cost rate increases when payroll costs increase. Pension contributions are expected to increase from \$593,816 in FY 2026 to \$757,082 in FY 2030, an average annual increase of 8% over the forecast period.

Increase of OPEB Unfunded Accrued Liability (OPEB UAL) – OPEB contributions increase over the forecast period as a result of changes in the funding status, changes in plan experience, assumption changes, and investment experience. OPEB contributions are expected to increase from \$256,576 in FY 2026 to \$352,118 in FY 2030, an average annual increase of 8% over the forecast period.

A goal of the Agency has been to reduce its unfunded OPEB liabilities so that the Agency's OPEB assets are nearly equal to its OPEB liabilities, resulting in annual 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. Based on the FY 2024 actuarial report, at June 30, 2023, the Agency's OPEB funding position decreased slightly from 66.9% to 65.6% as a result of an increase in plan experience and assumption changes partially offset by a slight increase in investment experience.

In an effort to reduce the Agency's OPEB UAL, the Agency has a multi-year plan to reduce the liability by \$200,000 per year for five years for a total of \$1 million. The Agency made contributions in the amount of \$200,000 in FY 2017, 2018, and 2020, leaving \$400,000 remaining. To complete the contribution goal of \$1 million and to make it more achievable, the FY 2026 budget and forecast includes four payments of \$100,000 one each in FY 2026 through FY 2029.

Additional Items Impacting Financial Performance

Change in Capital Improvement Forecasting Methodology – The new Capital Improvement Plan (CIP) methodology, adopted in FY 2025, focuses on the prioritization of capital improvements and addresses outdated project cost estimates. The methodology begins with

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

⁴ It is important for the Agency to continue to pass through market-level COLA adjustments, so that higher adjustments will not be indicated during the annual compensation study update. Please see page 19 for further discussion of the COLA calculation.



analyzing the Agency’s assets and assigning likelihood of failure (LoF) and consequence of failure (CoF) scores. Based on this analysis, projects are assigned a priority and may be phased over multiple fiscal years to manage resources effectively. As such, the budget and forecast period includes those capital improvements that are considered priority one projects. The Agency will use the Handy-Whitman Index, a widely recognized benchmark that tracks construction cost trends across various regions and project types, to estimate future project cost escalations.

RBB Short Term Loan Principal Repayment Due – The RBB short term loan required interest only payments through November of 2025 with the principal loan amount of \$3.4 million due in May of 2026. It was anticipated that this loan would be paid in full by the WIFIA loan; however, the WIFIA loan process has been paused to allow the Agency time to finalize the preliminary design report and update the cost estimates and financing plan, giving the Governing Board current information to allow them to make informed decisions regarding RBB. As such, repayment of the short term loan is budgeted to come from reserves collected for RBB.

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 2025 Budget are the revised budget (revised during the year through amendments and new appropriations) unless noted otherwise, 2) actual results may not match audited financial statements due to the exclusion of GASB adjustments related to pension and OPEB expenses, and 3) an “nm” is notated when dividing by “0” or when the percent change calculation includes a loss or negative number. A written financial summary is provided for each comparison. A discussion and analysis of the NEW FY 2026 Budget follows.



Statement Comparison: Projected FY 2025 to Actual FY 2024 and Budget FY 2025

INCOME STATEMENT							
Comparison Projected FY 2025 to Actual FY 2024 to Budget FY 2025							
	Actual FY 2024	Budget FY 2025	Projected FY 2025	FY 2025 Projected vs FY 2024 Actual		FY 2025 Budget vs FY 2025 Projected	
				\$	%	\$	%
Operating Revenues							
Annual Charges – BBARWA	6,359,676	6,681,319	6,681,319	321,643	5%	0	0%
Annual Charges – RBB	1,311,360	2,462,281	2,462,281	1,150,921	88%	0	0%
Standby Fees	75,297	73,252	73,252	-2,046	-3%	0	0%
Rental Income	7	10,924	10,924	10,916	mm	0	0%
Waste Disposal Fees	30,003	22,244	31,839	1,836	6%	9,595	43%
Other Operating Income	<u>53,396</u>	<u>0</u>	<u>4,630</u>	<u>-48,766</u>	<u>-91%</u>	<u>4,630</u>	<u>nm</u>
Total Operating Revenues	7,829,740	9,250,019	9,264,244	1,434,504	18%	14,255	0%
Operating Expenses							
Salaries and Benefits	2,944,982	3,274,752	3,190,017	245,035	8%	-84,735	-3%
Power	442,662	516,348	507,012	64,350	15%	-9,336	-2%
Sludge Removal	291,833	344,723	311,994	20,161	7%	-32,729	-9%
Chemicals	95,601	106,023	106,023	10,422	11%	0	0%
Materials and Supplies	142,604	178,420	188,609	46,006	32%	10,189	6%
Repairs and Replacements	148,728	312,536	314,535	185,807	111%	2,000	1%
Equipment Rental	950	2,004	2,004	1,054	111%	0	0%
Utilities Expense	28,578	39,739	40,047	11,470	40%	309	1%
Communications Expense	65,148	58,862	66,481	1,322	2%	7,618	13%
Contractual Services – Other	153,562	165,471	177,481	23,919	16%	12,010	7%
Contractual Services – Professional	154,403	208,535	214,391	59,988	39%	5,856	3%
Permits and Fees	254,556	276,859	276,859	22,303	9%	0	0%
Property Tax Expense	4,196	4,252	4,252	56	1%	0	0%
Insurance Expense	229,000	298,302	268,664	39,664	17%	-29,638	-10%
Other Operating Expense	46,038	65,744	69,166	23,128	50%	3,422	5%
Depreciation Expense	<u>858,504</u>	<u>1,509,638</u>	<u>895,685</u>	<u>37,181</u>	<u>4%</u>	<u>-613,953</u>	<u>-41%</u>
Total Operating Expenses	5,861,345	7,362,208	6,633,221	771,876	13%	-728,987	-10%
Operating Income	1,968,395	1,887,812	2,631,023	662,628	34%	743,212	39%
Nonoperating Income							
Gain (Loss) on Asset Sale	0	0	0	0	0%	0	0%
RBB Grant Proceeds	1,698,861	4,747,377	2,196,011	497,150	29%	-2,551,366	-54%
Interest Income	553,315	313,108	403,928	-149,387	-27%	90,820	29%
Lease Revenue	64,047	58,434	76,744	12,697	20%	18,310	31%
Other Nonoperating Income	<u>6,041</u>	<u>0</u>	<u>2,575</u>	<u>-3,826</u>	<u>-60%</u>	<u>2,575</u>	<u>nm</u>
Total Nonoperating Income	2,322,624	5,118,918	2,679,258	-2,439,660	-48%	-2,439,660	-48%
Nonoperating Expense							
Other Expense	11,558	5,040	5,040	-6,518	-56%	0	0%
BBARWA Interest Expense	81,173	68,623	68,623	-12,550	-15%	0	0%
RBB Interest Expense	<u>144,500</u>	<u>230,700</u>	<u>144,500</u>	<u>0</u>	<u>0%</u>	<u>-86,200</u>	<u>-37%</u>
Total Nonoperating Expense	237,231	304,364	218,163	-19,068	-8%	-86,200	28%
Income Before Capital Contributions	4,053,788	6,702,366	5,092,118	1,038,330	26%	-1,610,248	-24%
Connection Fees – Capital Contributions	<u>493,240</u>	<u>188,100</u>	<u>217,360</u>	<u>-275,880</u>	<u>-56%</u>	<u>29,260</u>	<u>16%</u>
Change in Net Position	4,547,028	6,890,466	5,309,478	762,450	17%	-1,580,988	-23%



CASH FLOW STATEMENT
Comparison Projected FY 2025 to Actual FY 2024 to Budget FY 2025

	Actual FY 2024	Budget FY 2025	Projected FY 2025	2025 Projected vs 2024 Actual	2025 Budget vs 2025 Projected
Cash from Operating Activities					
BBARWA Operating Income (Loss)	657,036	-574,469	168,743	-488,293	743,212
RBB Operating Income (Loss)	1,311,360	2,462,281	2,462,281	1,150,921	0
Depreciation Expense	858,504	1,509,638	895,685	37,181	-613,953
Other Miscellaneous Income (Exp)	0	0	0	0	0
Change in Working Capital, Other Adjustments	<u>-308,177</u>	<u>-107,536</u>	<u>-127,384</u>	<u>180,793</u>	<u>-19,848</u>
Net Cash Provided by Operating Activities	2,518,723	3,289,913	3,399,325	880,602	109,412
Cash from Noncapital Financing					
Payment of Pension Related Debt/Liabilities	0	0	0	0	0
Cash from Capital and Related Financing					
Other Nonoperating Expenses	-6,466	0	0	6,466	0
BBARWA Capital Expenditures	-1,818,899	-1,782,316	-1,939,616	-120,717	-157,300
RBB Capital Expenditures	-2,243,873	-4,596,763	-2,196,011	47,862	2,400,752
Proceeds from Asset Disposition	0	0	0	0	0
Connection Fee (Capital Contributions)	501,600	188,100	217,360	-284,240	29,260
Proceeds from Debt Issuance, Grants	1,862,022	4,596,763	2,196,011	333,989	-2,400,752
BBARWA Debt Service:					
Interest Expense	-110,318	-68,623	-68,623	41,694	0
Principal Debt Amortization	<u>-425,952</u>	<u>-440,493</u>	<u>-440,493</u>	<u>-14,542</u>	<u>0</u>
Total BBARWA Debt Service	-536,269	-509,117	-509,117	27,153	0
RBB Debt Service:					
Interest Expense	-144,500	-230,700	-144,500	0	86,200
Principal Debt Amortization	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total RBB Debt Service	-144,500	-230,700	-144,500	0	86,200
Lease Revenue	<u>72,224</u>	<u>55,917</u>	<u>74,227</u>	<u>2,003</u>	<u>18,310</u>
Net Cash Used for Capital and Financing	-2,314,160	-2,278,116	-2,301,645	12,515	-23,529
Cash from Investing					
(Increase) Decrease in Other Assets	0	0	0	0	0
Other Proceeds	0	0	0	0	0
Interest Income	507,622	313,108	406,445	-101,178	93,337
Proceeds from the Sale of Investment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash from Investing	507,622	313,108	406,445	-101,178	93,337
Net Change in Cash	712,185	1,324,904	1,504,124	791,939	179,220
Beginning Cash Balance	11,458,134	12,170,320	12,170,320	712,185	0
Ending Cash Balance	<u>12,170,320</u>	<u>13,495,224</u>	<u>13,674,444</u>	<u>1,504,124</u>	<u>179,220</u>
Change in Cash Balance	712,185	1,324,904	1,504,124	791,939	179,220



Discussion: Projected FY 2025 compared to Actual FY 2024

Operating Revenues: Operating revenues are projected to be \$9,264,244 an increase of \$1,454,089 or 18% when compared to FY 2024 actuals. The increase is driven by higher annual charges, which include an 18% increase for BBARWA operations and RBB to fund required reserves and debt service.

Operating Expenses: Operating expenses are projected to be \$6,633,221, an increase of \$771,876 or 13% when compared to FY 2024 actuals. Explanations of the greatest variances are below:

Salaries and Benefits – Salaries and benefits expense is projected to increase by \$245,035 or 8% when compared to FY 2024 actuals. This increase is primarily a result of the FY 2025 approved 4.7% COLA and merit adjustments for those employees that had not reached the top of their pay scale not to exceed 3.3%, for a total possible adjustment of 8% per employee.

Power – Power expense is projected to increase \$64,350 or 15% when compared to FY 2024 actuals. This increase is primarily driven by an increase in cost for solar production and Bear Vally Electric rate increases.

Materials and Supplies – Materials and supplies expense is projected to increase \$46,006 or 32% when compared to FY 2024 actuals. Due to the low hours, the Waukesha and Cummings generators were not serviced in FY 2024. FY 2025 included the addition of multi-factor authentication and computer hardware replacements. FY 2024 office equipment and supplies ended lower than budget.

Repairs and Replacements – Repairs and replacements expense is projected to increase \$165,807 or 111% when compared to FY 2024 actuals. FY 2025 includes the hydro cleaning and cctv of the sewer lines that is completed approximately every four years. Two pump rebuilds were not completed in FY 2024 and were budgeted in FY 2025.

Contractual Services Other – Contractual services other expense is projected to increase \$23,919 or 16% when compared to FY 2024 actuals. The greatest variance was in electrical services. FY 2025 included carryovers for miscellaneous electrical service that was not completed in FY 2024.

Contractual Services Professional – Contractual services professional expense is projected to increase \$59,988 or 39% when compared to FY 2024 actuals. FY 2025 included an appropriation for the completion of the Capital Improvement Plan. There were also increases in other professional services based on contractual annual increases.

Insurance – Insurance expense is projected to increase \$39,644 or 17% when compared to FY 2024 actuals due to an increase in pool reinsurance rates.

Other Operating Expense – Other operating expense is projected to increase \$23,128 or 50% when compared to FY 2024 actuals as a result of increases in public noticing costs and education and training.

Operating Income is projected to be \$2,631,023, an increase of \$662,628 or 34% from FY 2024 actuals. The increase in operating income is due to the growth in operating revenues offset by the growth in operating expenses, with operating revenues increasing \$1,434,504 or 18% and operating expenses increasing \$771,876 or 13%. The Governing Board approved an 18% rate increase for FY 2025 which includes funding for required reserves for RBB.

Change in Net Position is projected to be \$5,309,478, an increase of \$762,450 or 17% from FY 2024 actuals. The increase is primarily driven by higher operating revenue and nonoperating income offset by lower connection fee revenue when compared to FY 2024.

Change in Cash for the Period is projected to be \$1,504,124 in FY 2025, an increase of \$791,939 when compared to FY 2024 actuals. Higher cash flow is primarily a result of net cash provided by operating activities.



Discussion: FY 2025 Amended Budget Compared to FY 2025 Projected

This comparison is of the amended budget compared to what is projected at the end of the fiscal year. The amended budget includes carryovers of approximately \$4.5 million and new appropriations of \$242,300 during the period which consists of approximately \$4.65 million in capital expenditures and \$95,000 in operating expenses.

Operating Revenues: Operating revenues are projected to be \$9,264,244 versus \$9,250,019 budgeted, including RBB. This equates to a less than 1% difference from budget.

Operating Expenses: Operating expenses are projected to be \$6,633,221 versus \$7,362,208 budgeted. This equates to a 10% difference from budget. Explanations of the greatest variances are below:

Salaries and Benefits – Salaries and benefits expense is projected to decrease by \$84,735 or 3% when compared to budget. During the FY 2025 budgeting process, the position of Administrative Assistant was added to assist with extra duties related to RBB. With the pause to the overall program, this position was not filled.

Sludge Removal – Sludge removal expense is projected to decrease by \$32,729 or 9%. Sludge removal is projected based on the removal of 4,500 tons versus 4,992 tons budgeted.

Insurance Expense – Insurance expense is under budget by \$29,638 or 10% due mostly to workman’s compensation insurance which was primarily a result of an adjustment for longevity distribution. Additionally, the Agency received a 7% credit incentive program discount and a 5% multi-program discount.

Depreciation Expense – Depreciation expense is lower than budget by \$613,953 or 41%. Budgeted depreciation expense included RBB. With the overall program pause, those expenditures will be depreciated in future years.

Operating Income is projected to be \$2,631,023 versus \$1,887,812 budgeted. This is an increase of \$743,212 or 39%, which is primarily driven by lower operating expenses.

Change in Net Position is projected to be \$5,309,478 versus \$6,890,466 budgeted. This is lower by \$1,580,988 or 23% from the budget. The decrease is primarily driven by a decrease in RBB grant proceeds partially offset by higher operating income. RBB grant proceeds are driven by RBB expenditures. With the overall program pause, RBB capital expenditures are projected to be much lower than expected; therefore, grant reimbursements will also be lower.

Change in Cash for the Period is projected to be \$1,504,124, higher than budget by \$179,220. The difference in change in cash for the period was a result of an increase in connection fees, lease revenue, and interest income in the amount of \$140,907, a decrease in RBB debt service of \$86,200 due to the overall program pause, and an increase in cash provided by operating activities of \$109,412 partially offset by an increase in capital expenditures of \$157,300.



Statement Comparison: NEW Budget FY 2026 to Projected FY 2025

INCOME STATEMENT				
Comparison New Budget 2026 to Projected FY 2025				
	Projected FY 2025	New Budget FY 2026	New Budget vs Projected	
			\$	%
Operating Revenues				
Annual Charges – BBARWA	6,681,319	7,243,787	562,468	8%
Annual Charges – RBB	2,462,281	2,466,998	4,718	0%
Standby Fees	73,252	71,807	-1,445	-2%
Rental Income	10,924	4	-10,920	-47%
Waste Disposal Fees	31,839	26,593	-5,246	-16%
Other Operating Income	<u>4,630</u>	<u>0</u>	<u>-4,630</u>	<u>nm</u>
Total Operating Revenues	9,264,244	9,809,189	544,945	6%
Operating Expenses				
Salaries and Benefits	3,190,017	3,434,500	244,483	8%
Power	507,012	529,090	22,078	4%
Sludge Removal	311,994	342,583	30,590	10%
Chemicals	106,023	100,939	-5,084	-5%
Materials and Supplies	188,609	214,065	25,456	13%
Repairs and Replacements	314,535	250,013	-64,522	-21%
Equipment Rental	2,004	2,054	50	2%
Utilities Expense	40,047	41,003	955	2%
Communications Expense	66,481	71,886	5,406	8%
Contractual Services – Other	177,481	175,271	-2,210	-1%
Contractual Services – Professional	214,391	185,747	-28,644	-13%
Permits and Fees	276,859	304,861	28,002	10%
Property Tax Expense	4,252	4,309	56	1%
Insurance Expense	268,664	317,839	49,175	18%
Other Operating Expense	69,166	73,208	4,042	6%
Depreciation Expense	<u>895,685</u>	<u>928,179</u>	<u>32,493</u>	<u>4%</u>
Total Operating Expenses	6,633,221	6,983,374	350,153	5%
Operating Income	2,631,023	2,825,815	194,792	7%
Nonoperating Income				
Gain (Loss) on Asset Sale	0	0	0	0%
RBB Grant Proceeds	2,196,011	3,788,852	1,592,841	73%
Interest Income	403,928	318,586	-52,342	-21%
Lease Revenue	76,744	68,400	-8,344	-11%
Other Nonoperating Income	<u>2,575</u>	<u>0</u>	<u>-2575</u>	<u>nm</u>
Total Nonoperating Income	2,679,258	4,175,838	1,496,580	56%
Nonoperating Expense				
Other Expense	5,040	5,035	-5	0%
BBARWA Interest Expense	68,623	53,532	-15,091	-22%
RBB Interest Expense	<u>144,500</u>	<u>72,250</u>	<u>-72,250</u>	<u>-50%</u>
Total Nonoperating Expense	218,163	130,817	-87,346	-40%
Income Before Capital Contributions	5,092,118	6,870,836	1,778,718	35%
Connection Fees – Capital Contributions	<u>217,360</u>	<u>188,100</u>	<u>-29,260</u>	<u>-13%</u>
Change in Net Position	5,309,478	7,058,936	1,749,458	33%



CASH FLOW STATEMENT
Comparison New Budget 2026 to Projected FY 2025

	Projected FY 2025	New Budget FY 2026	New Budget vs. Projected
Cash from Operating Activities			
BBARWA Operating Income (Loss)	168,743	358,817	190,074
RBB Operating Income (Loss)	2,462,281	2,466,998	4,718
Depreciation Expense	895,685	936,007	40,321
Other Miscellaneous Income (Exp)	0	0	0
Change in Working Capital, Other Adjustments	<u>-127,384</u>	<u>-22,000</u>	<u>105,383</u>
Net Cash Provided by Operating Activities	3,399,325	3,739,821	340,496
Cash from Noncapital Financing			
Payment of Pension Related Debt/Liabilities	0	-100,000	-100,000
Cash from Capital and Related Financing			
Other Nonoperating Expenses	0	0	0
BBARWA Capital Expenditures	-1,939,616	-1,610,771	328,905
RBB Capital Expenditures	-2,196,011	-253,224	1,942,787
Proceeds from Asset Disposition	0	0	0
Connection Fee (Capital Contributions)	217,360	188,100	-29,260
Proceeds from Debt Issuance, Grants	2,196,011	253,224	-1,942,787
BBARWA Debt Service:			
Interest Expense	-68,623	-53,532	15,091
Principal Debt Amortization	<u>-440,493</u>	<u>-455,584</u>	<u>-15,091</u>
Total BBARWA Debt Service	-509,117	-509,117	0
RBB Debt Service:			
Interest Expense	-144,500	-72,250	72,250
Principal Debt Amortization	<u>0</u>	<u>-3,400,000</u>	<u>-3,400,000</u>
Total RBB Debt Service	-144,500	-3,472,250	-3,327,750
Lease Revenue	<u>74,227</u>	<u>68,400</u>	<u>-5,827</u>
Net Cash Used for Capital and Financing	-2,301,645	-5,335,578	-3,033,932
Cash from Investing			
(Increase) Decrease in Other Assets	0	0	0
Other Proceeds	0	0	0
Interest Income	406,445	318,586	-87,859
Proceeds from the Sale of Investment	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash from Investing	406,445	318,586	-87,859
Net Change in Cash	1,504,124	-1,377,171	-2,881,295
Beginning Cash Balance	12,170,320	13,674,444	1,504,124
Ending Cash Balance	<u>13,674,444</u>	<u>12,297,273</u>	<u>-1,377,171</u>
Change in Cash Balance	1,504,124	-1,377,171	-2,881,295



Discussion: NEW Budget FY 2026 Compared to Projected FY 2025

Operating Revenues are budgeted to be approximately \$9.8 million, up \$544,945 or 6% from FY 2025. The increase is lower than previously projected. With the RBB pause, the 14% increase for RBB previously approved will also be paused; therefore, there is no increase for RBB budgeted in FY 2026.

Operating Expenses (including depreciation) are budgeted to be approximately \$6.98 million, up \$350,153 or 5% from FY 2025. The increase is driven by increases across multiple line items. Budgeted increases that exceed 5% and \$20,000 are as follows:

- **Salaries and Benefits** expense is budgeted to be \$3,434,500, up \$244,483 or 8% from FY 2025.
 - **Salaries and Wages:** Salaries and wages increase by \$127,814 or 6%. The Agency is incorporating a 2.6% COLA., and those employees that have not reached the top of their pay scale are eligible for up to a 5% merit adjustment annually. With the RBB pause, the additional administrative position that was budgeted in FY 2025 was not filled and has been removed from the budget in FY 2026.
 - **Benefits:** An increase in benefits expense of \$116,669 or 10% is primarily due to higher pension and OPEB expenses of \$90,349 and higher medical premium expenses of \$22,746.
- **Sludge Removal** expense increase by \$30,590 or 10% primarily due to a budgeted 2.5% increase in hauling costs and the FY 2025 projection of 4,500 tons removed versus 4,992 tons budgeted.
- **Materials and Supplies** increase by \$25,456 or 13% primarily due to thirteen desktop computers and one laptop computer coming due for replacement as a result of their operating systems reaching end of life. This means that they will no longer be supported by Microsoft and will be vulnerable to security threats if they are not replaced.
- **Permits and Fees** increase by \$28,002 or 10% which is primarily a result of an onsite assessment that is completed every two years to maintain the Environmental Laboratory Accreditation and an increase in State Water Control Resources Board annual permit renewal fees.
- **Insurance** increases by \$49,175 or 18% based on estimates provided by the Special District Risk Management Authority (SDRMA). Per SDRMA, pool reinsurance rates for property and liability insurance increased by 10% while pool reinsurance rates for workman's compensation insurance increased by 16% to 24% based on early estimates from reinsurance brokers.

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

- **Repairs and replacements** expense is lower by \$64,522 or 21% from FY 2025. There were savings across several line items, with the most notable savings in mainline, and other repairs and replacements. FY 2025 included hydro cleaning of sewer lines and Pulsar sludge blanket monitors for the clarifiers.
- **Contractual Services - Professional** expense decreased by \$28,644 or 13% from FY 2025. FY 2025 included an appropriation for support of the Capital Improvement Development Plan. This is partially offset by the Compensation Study that is budgeted every third year and the OPEB Actuarial that is budgeted every other year.

Operating Income is budgeted to be \$2,825,815 an increase of \$194,792 or 7% from FY 2025. The increase in operating income reflects a 6% growth in operating revenues, offset by a 5% growth in operating expense.

Net Nonoperating Income/Expenses are budgeted to be approximately \$4 million, an increase of approximately \$1.6 million from FY 2025. The variance is primarily due to an increase in the expected grant revenue that will offset RBB capital expenditures.

Change in Net Position is budgeted to be \$7,058,936, an increase \$1,749,458 or 33% from FY 2025. The increase is driven by higher operating income by \$194,792 and a positive variance in non-operating income (expense) of \$1,583,926 partially offset by a decrease in connection fee revenue of \$29,260.

Change in Cash for the Period is budgeted to be -\$1,377,171 in FY 2026, a decrease of approximately \$3 million when compared to FY 2025. Lower cash flow is due mostly to the required principal payment of \$3.4 million for the RBB short term loan, partially offset by net cash provided by operating activities of \$340,496. The short term loan was originally slotted to be paid through the WIFIA loan; however, with the RBB pause the WIFIA loan may not be finalized, and funds may not be available to pay the required payment.



Financial Summary

Based on the current forecast, the Agency will need annual rate adjustments through FY 2030. During the next five-year period, growth in operating expenses (not including depreciation) are just over that of revenues, by less than 1%. Revenues are expected to grow at an average annual rate of 13.1%, reflecting the proposed rate adjustments, and expenses are expected to grow at an average annual rate of 13.6%. Growth in operating expenses is higher than average inflation over the period and is being driven by higher salaries and benefits expense, which is expected to grow at an average annual rate of 6.4% over the period, and the addition of RBB operations in FY 2029. When factoring in depreciation, operating expenses grow at an average annual rate of 19.4%. Operating income varies over the forecast period with the addition of RBB operations and much higher depreciation expense as a result of the addition; however, when combined with connection fee revenue, grants, and interest income, operating income provides good cash flow with sufficient funds to meet operating and capital requirements during the five-year period.

Debt service coverage at the end of FY 2025 is expected to be 6.35x and is projected to decrease to 1.60x by the end of the forecast period due in part to the addition of debt related to the RBB project. Minimum debt service coverage pursuant to the Agency's borrowing agreements is 1.2x. The Agency's debt capacity is estimated⁴ at \$8 million at the end of FY 2030.

At the end of FY 2030, the Agency is projected to have \$2.4 million in the capital and replacement fund. This amount reflects the cash that is available for future capital projects beginning in FY 2031. The next five-year period, from FY 2031 through FY 2035, is an aggressive capital investment schedule with estimated capital investment of \$20.1 million, or approximately \$4 million per year. Based on the current capital improvement plan and the projected rate collection, the Agency is expected to have a shortfall. The Agency may need to reschedule certain projects, increase its rate collection, or enter into new debt to meet the timing of the current capital improvement plan.

The Agency is expected to generate net positive cash flow over the five-year period of approximately \$3 million to meet required reserve balances.

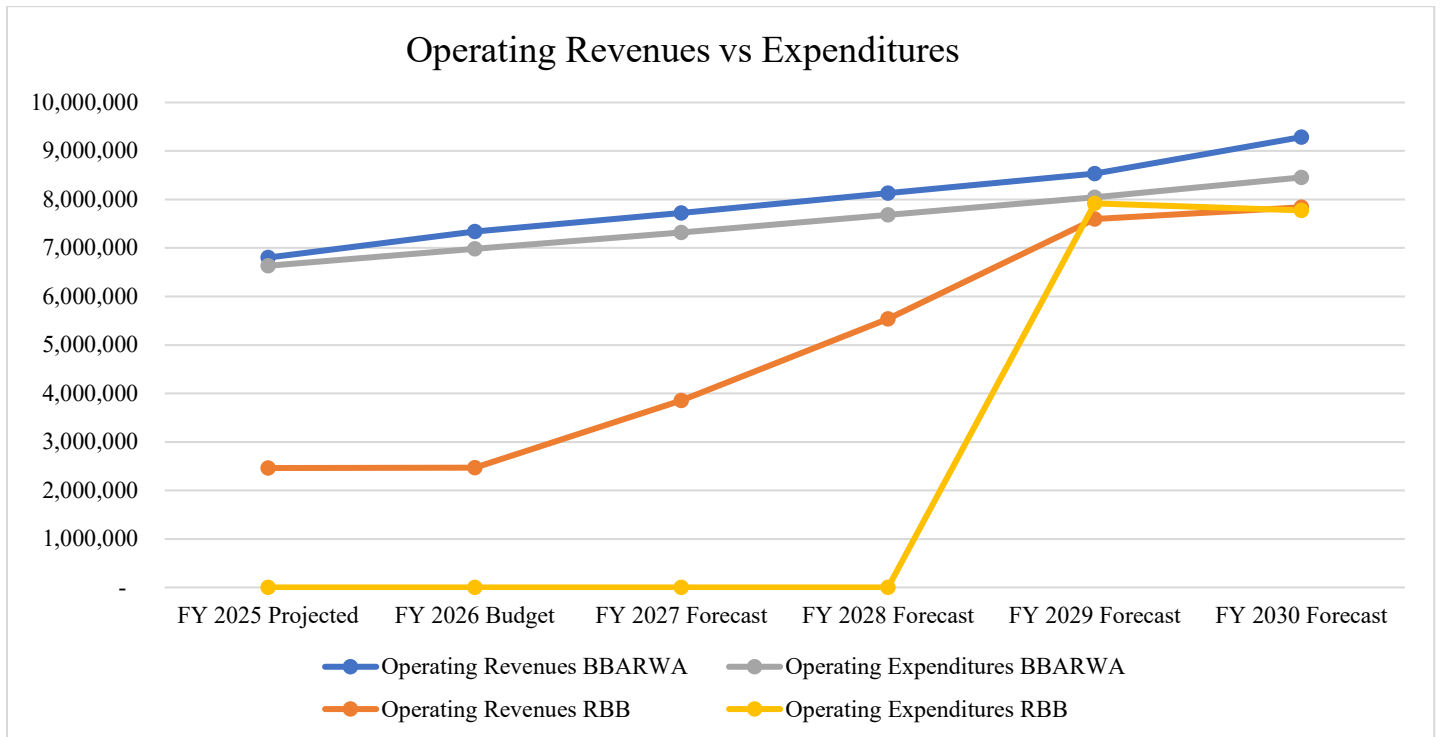
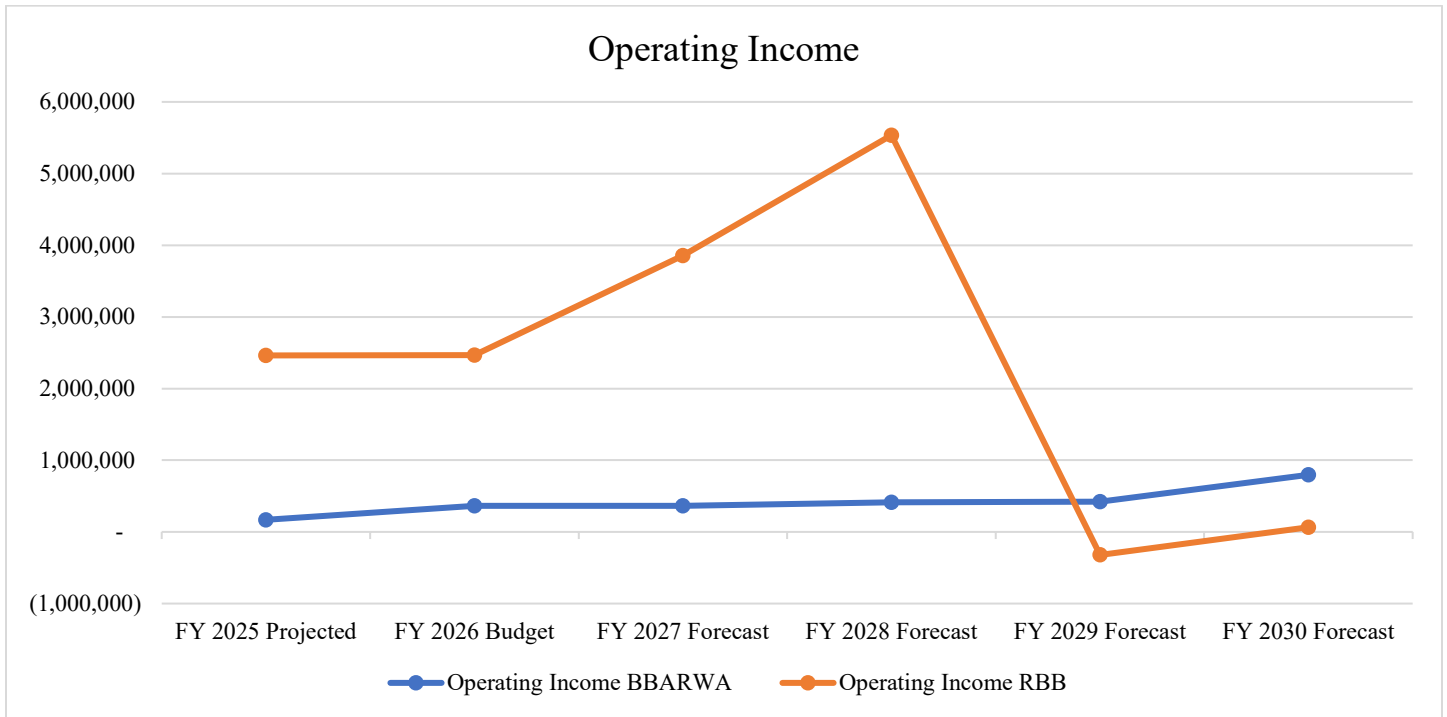
Operating Trends and Outlook

Operating Income Improves

The Agency's operating expenses are expected to grow at an average annual rate of 13.6% (not including depreciation) over the next five years, outpacing average inflation of approximately 2.5% for the same period. The 13.6% growth in operating expenses over the period is primarily being driven by the addition of RBB operations, which is forecast to go online in FY 2029. Additionally, salaries and benefits expense is expected to have an annual average increase of 6.4% over the same period. Annual increases in operating expenses are expected to return to at or near inflation in FY 2031.

When including depreciation, operating expenses are expected to grow at an average annual rate of 19.4% as a result of the addition of the RBB treatment equipment.

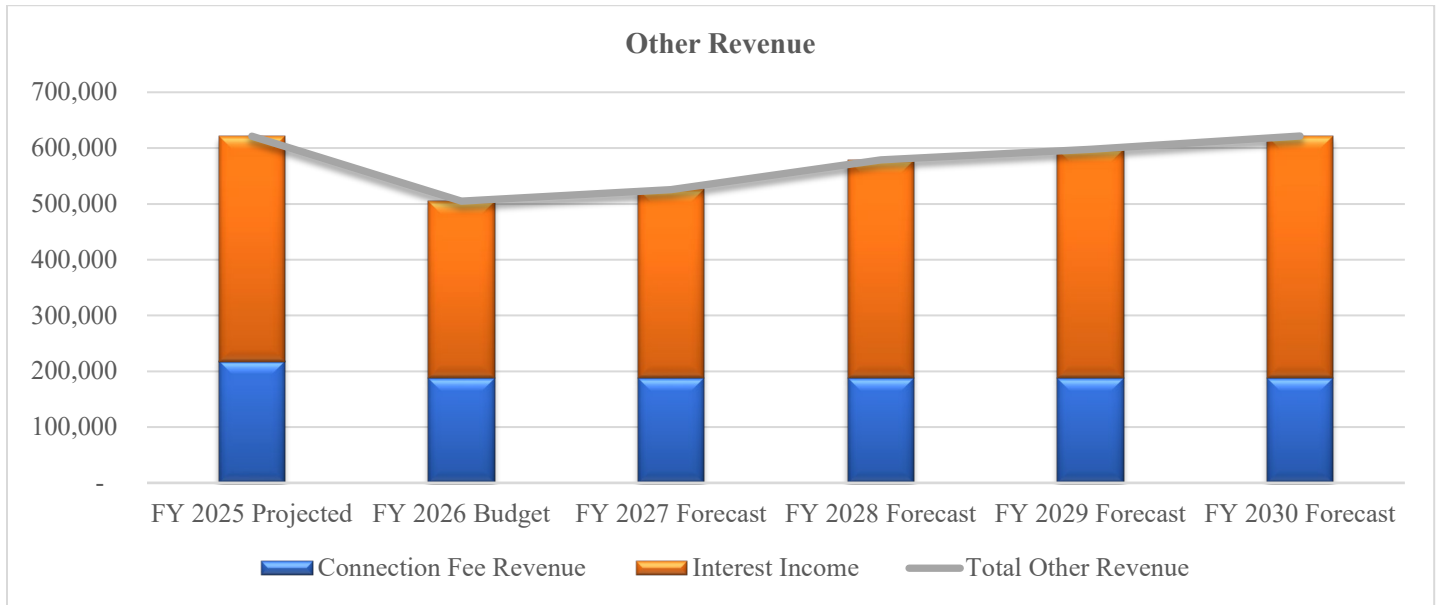
⁴ The calculation utilizes a 1.2x debt service coverage and assumes borrowing terms of 20 years at 5.5%.





Other Revenue Increases

Other revenue sources, interest income and connection fee revenue, average approximately \$575,000 annually, with connection fee revenue decreasing from FY 2025. FY 2025 is projected to have 52 connections versus 45 budgeted, an increase of 7 connections for the year. Interest income increases over the period as a result of higher fund balances due to an increase in net revenue to ensure the Agency meets its debt coverage requirements.



Capital

Average Maintenance Capital Expenditures

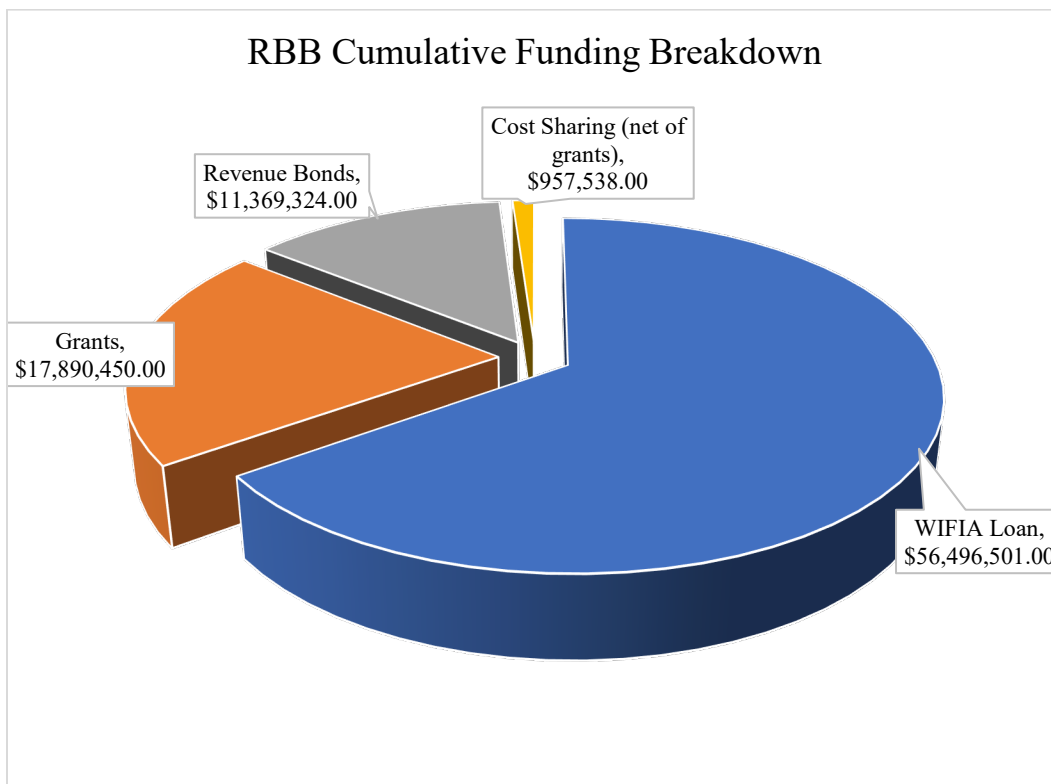
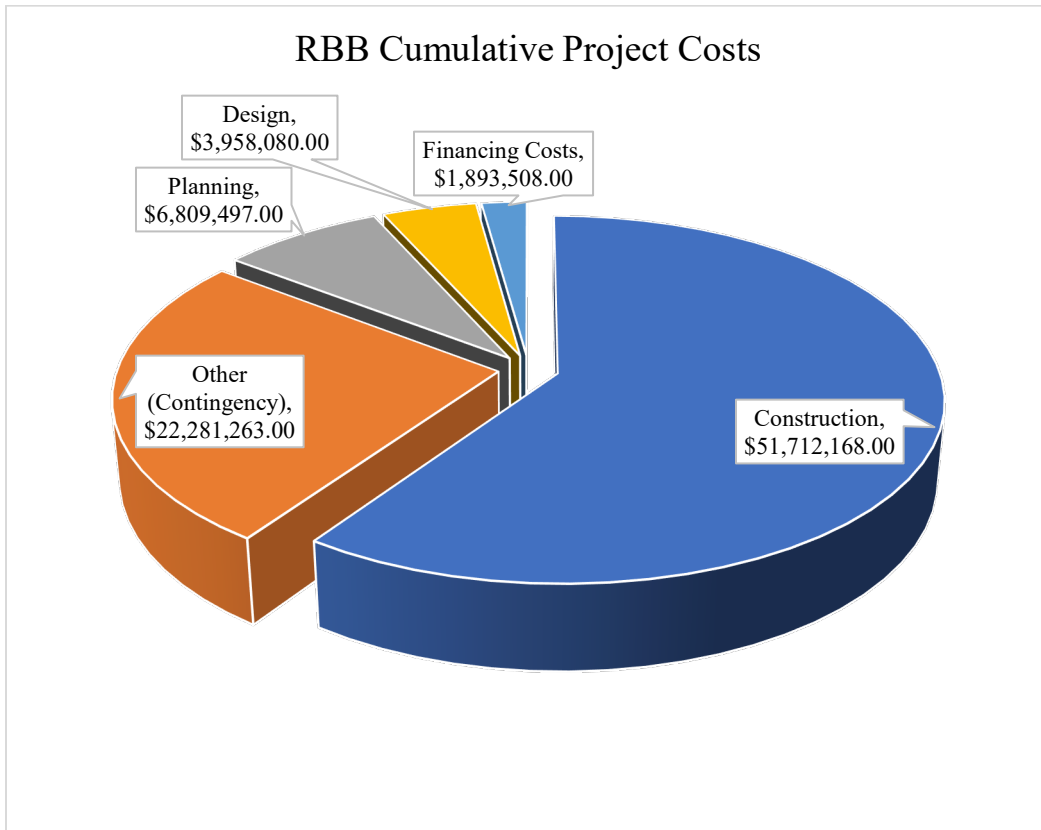
The Agency has developed a Capital Improvement Plan (CIP) methodology that focuses on the prioritization of capital improvements and addresses outdated project cost estimates. Based on this analysis, projects are assigned a priority and are phased over multiple fiscal years to manage resources effectively. As such, the budget and forecast period includes those capital improvements that are considered priority one projects. Assets are funded based on this analysis. With the new CIP methodology, the next five-year period is a higher-than-normal maintenance period for the Agency. Maintenance capital expenditures total \$10 million and average \$2 million per year. This amount is higher than the long-term, historical depreciation of approximately \$850,000 and the annual maintenance requirement of approximately \$1.7 million indicated in the Agency’s current 20-year CIP. The higher maintenance capex during the next five-year period is mostly due to the new CIP methodology and updated project costs.

RBB (BBARWA’s Wastewater Treatment Upgrades Project)

During the next five-year period the Agency is forecasting the completion of RBB. The Agency has performed three series of studies to review different possibilities for retaining and reusing treated wastewater in Big Bear. The most recent studies to determine the feasibility of a water reclamation project began in FY 2019. The Agency engaged the services of Water Systems Consulting, Inc. (WSC), an engineering firm, to assist with the completion of the studies.

In order to confirm that the anticipated new treatment processes will deliver the required water quality results, a pilot facility was constructed and operated during FY 2024. Data from the operation of the pilot facility is being considered during the final design process for the full-scale project.

RBB cumulative project costs through completion are expected to be \$86.7 million and includes planning, design, construction, financing costs, and contingency. Funding for RBB consists of cost-sharing, grants, and debt financing.

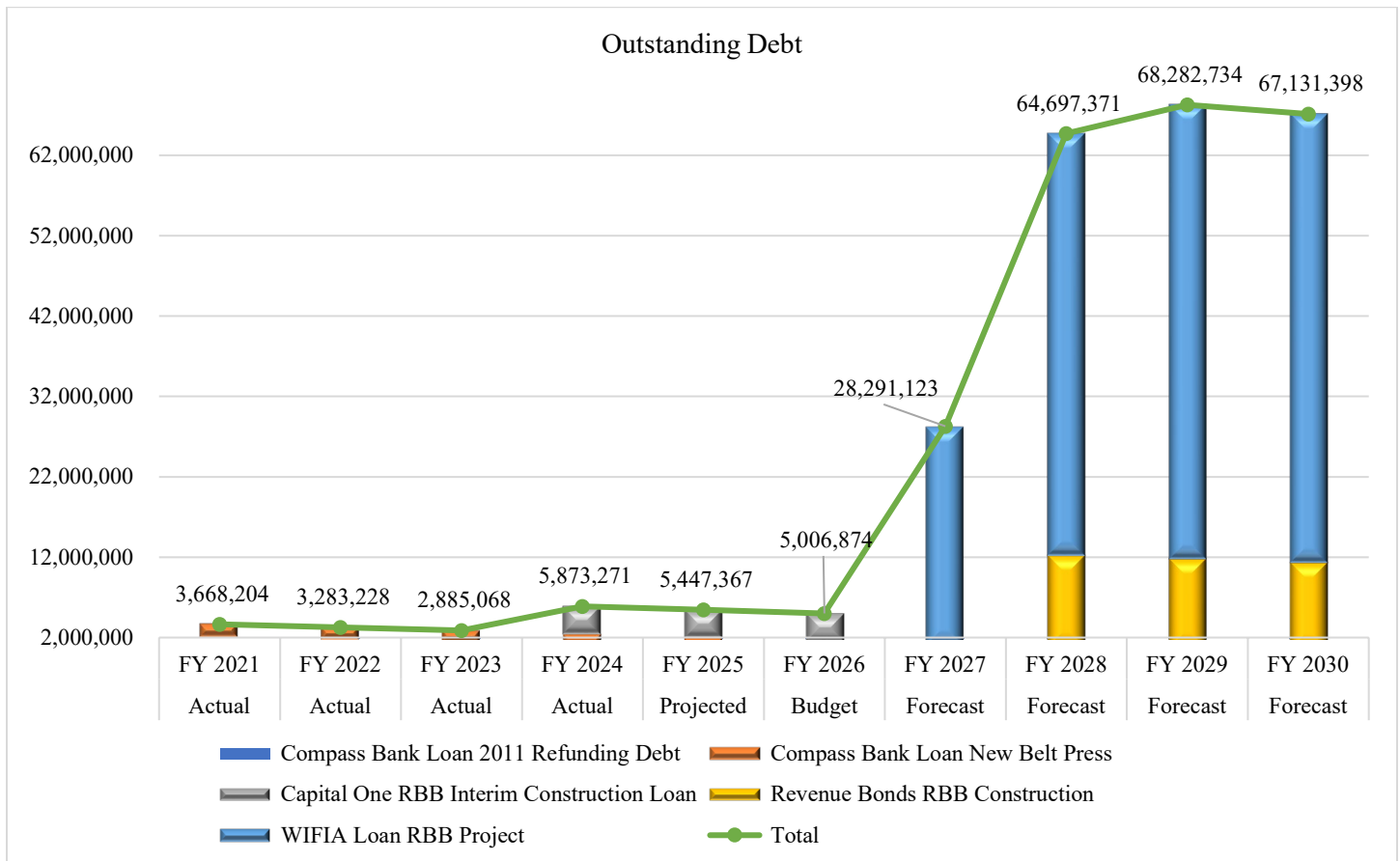




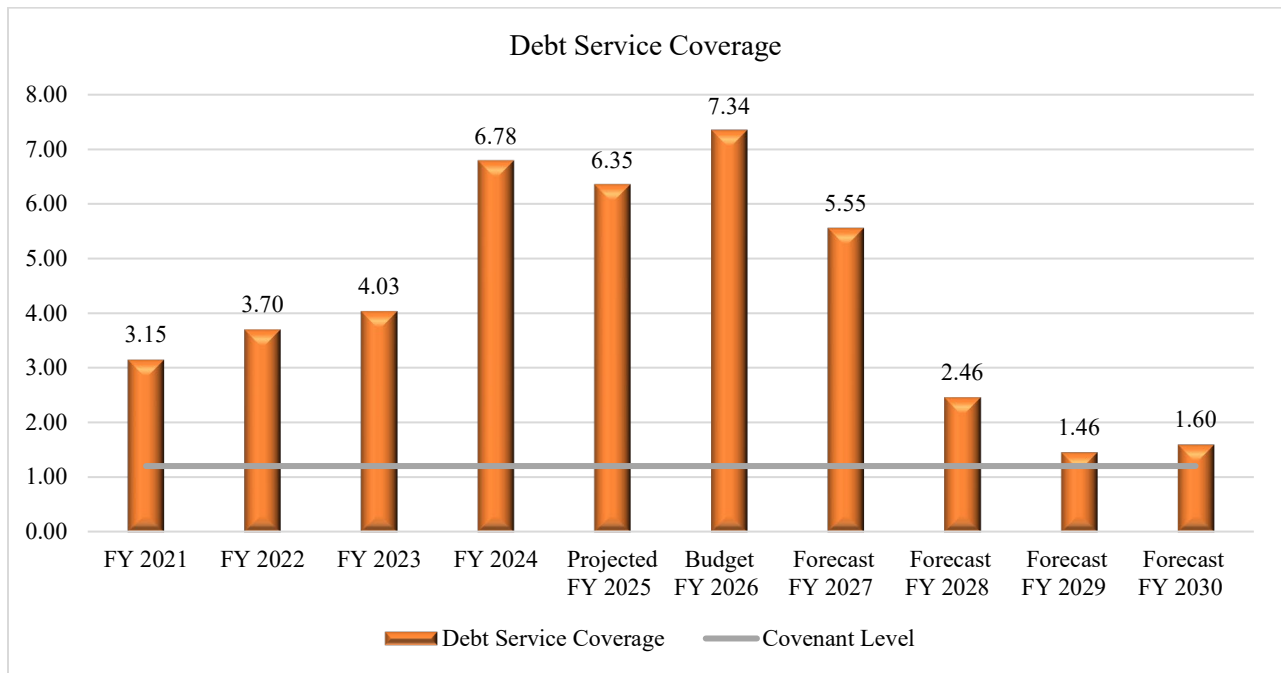
Debt Service Coverage Within Debt Covenant Requirements, New Debt Anticipated for RBB

Leverage and Debt Service

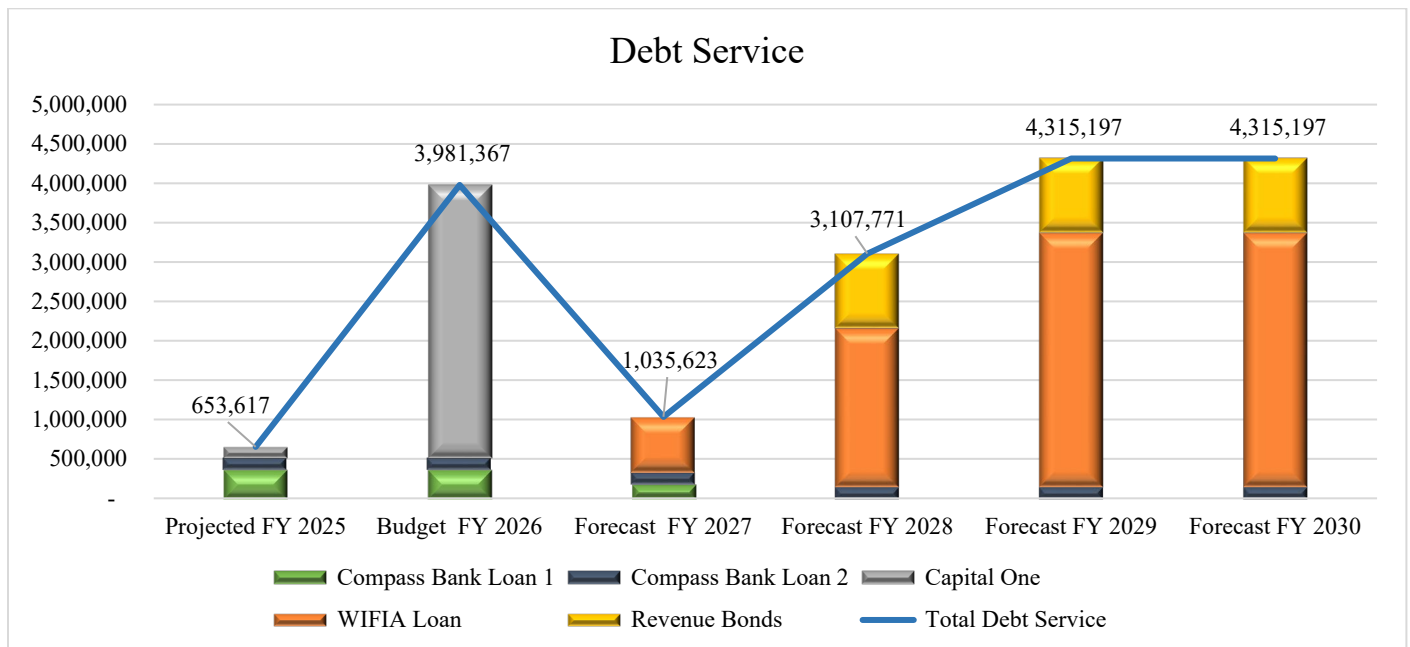
The Agency’s debt outstanding will be approximately \$5 million at the beginning of FY 2026 and is anticipated to increase to \$67 million by the end of FY 2030 with the anticipated new debt for RBB. Since FY 2021, the Agency’s highest debt outstanding has been \$5.9 million. Debt usage is based on the Agency’s debt policy, the timing of capital projects, and debt capacity. Based on the current capital plan, the Agency will need to utilize debt in the next 15 years to fund larger projects such as RBB, clarifier replacements, and the equalization basin/storage pond conversion.



The Agency’s leverage is restricted through its debt service coverage covenant contained in its borrowing agreements. 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) at 1.2x. The Agency’s debt service coverage is expected to decrease to 1.60x by the end of FY 2030 as a result of the anticipated new debt for RBB.



The Agency's debt service (annual principal and interest payment) is anticipated to increase to \$4,315,197 by FY 2030. The Compass Bank Loan 1 will be satisfied in FY 2027. The RBB short term loan required interest only payments through November of 2025 with the principal loan amount of \$3.4 million due in May of 2026. It was anticipated that the RBB short term loan through Capital One would be paid in full by the WIFIA loan; however, the WIFIA loan process has been paused to allow the Agency time to finalize the preliminary design report and update the cost estimates and financing plan, giving the Governing Board current information to allow them to make informed decisions regarding RBB. As such, repayment of the short term loan will come from reserves collected for RBB.





The Agency’s forecast debt service, principal and interest, through maturity is as follows:

	Compass Bank	Compass Bank 2	Capital One	WIFIA Loan	RBB Financing	Total
FY 2026	\$ 359,108	\$ 150,009	\$ 3,472,250	\$ 0	\$ 0	\$ 3,981,367
FY 2027	179,554	150,009	0	760,060	0	1,035,623
FY 2028	0	150,009	0	2,013,392	944,370	3,107,772
FY 2029 – 2033	0	150,009	0	3,220,818	944,370	4,315,197
FY 2034	0	73,642	0	3,220,818	944,370	4,238,830
FY 2035 - 2048	0	0	0	3,220,818	944,370	4,165,188
FY 2049 – 2062	0	0	0	3,220,818	0	\$ 3,220,818

Discussion and Analysis

Operations

Operating Revenues

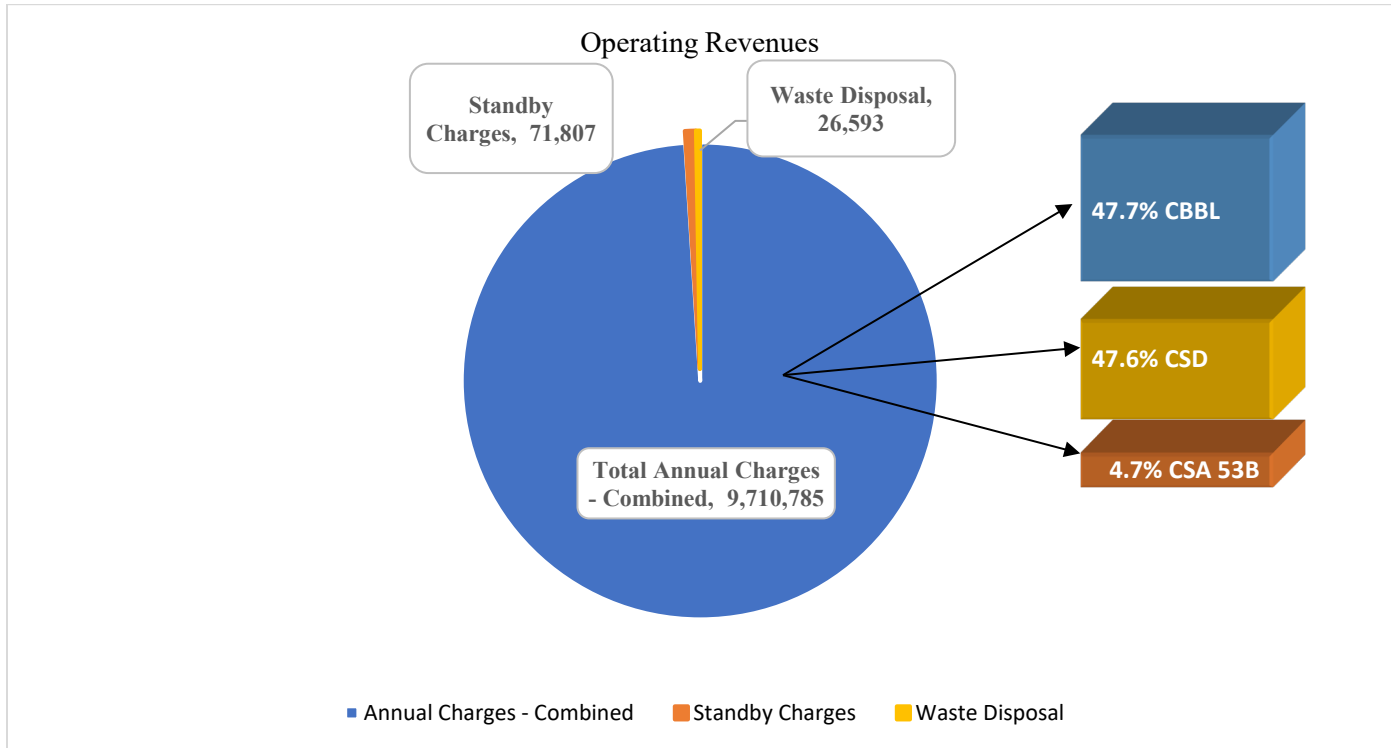
Operating revenues are budgeted to increase 6% FY 2026 and 18% FY 2027 through FY 2029, reducing to 6% in FY 2030. This growth reflects annual rate adjustments during the period, including RBB, and new connections to the system.

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
Annual Charges – BBARWA	6,681,319	7,243,787	7,623,671	8,033,790	8,441,146	9,191,568
Annual Charges – RBB	2,462,281	2,466,998	3,855,138	5,534,902	7,597,873	7,839,432
Standby Charges	73,252	71,807	70,884	69,961	69,039	68,116
Rental Income	10,924	4	4	4	4	4
Waste Disposal	31,839	26,593	26,593	26,593	26,593	26,593
Other Revenue	<u>4,630</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Revenues	9,264,244	9,809,189	11,576,290	13,665,250	16,134,655	17,125,713



Annual Charges

Operating revenues are largely driven by Total Annual Charges (or sewer user charges), which account for approximately 99% of the Agency’s operating revenues in FY 2026. Total 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.



Pursuant to Operating Agreement No. 1 and the 2011 Payment and Collection Agreement with the member agencies, below is a breakdown of the FY 2026 member agency billing.

	3-Year Average Flows	Reported EDUs	Implicit Charge per EDU	Rate Increase	Fixed Charge	Variable Charge	Annual Charge Adjustment (a)	Total
Annual Charges:								
City of Big Bear Lake	428,500	11,814.7	\$ 391.81	6.6%	\$ 3,451,514	\$ 1,200,966	\$ -23,350	\$ 4,629,130
Big Bear City CSD	344,188	12,592.8	367.25	5.4%	3,678,826	964,665	-18,756	4,624,735
CSA 53B	<u>31,365</u>	<u>1,269</u>	360.06	6.2%	<u>370,722</u>	<u>87,907</u>	<u>- 1,709</u>	<u>456,920</u>
Total Annual Charges	804,053	25,676.5			\$7,501,061	\$ 2,253,539	\$ -43,815	\$ 9,710,785
Standby Charges:								
City of Big Bear Lake								\$ 26,568
Big Bear City CSD								39,940
CSA 53B								<u>5,299</u>
Total Standby Charges								\$ 71,807
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 the 3-year average flow.



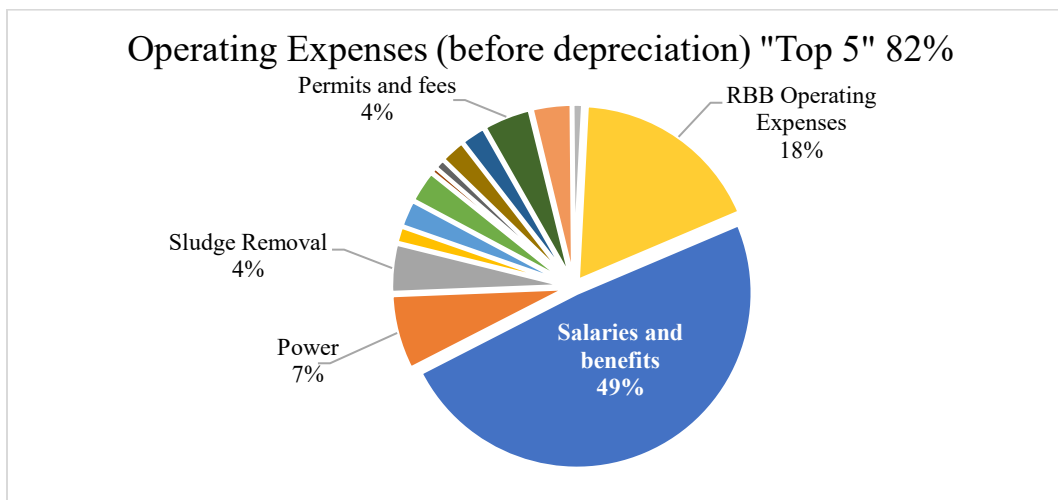
Standby Charges and Waste Disposal Fees

Standby charges 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. Waste disposal fees are charged for disposal of sewage at the treatment plant by pumping companies. On a combined basis these revenues average approximately \$96,554 annually and are expected to remain fairly flat over the forecast period.

	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
Standby Charges	71,807	70,884	69,961	69,039	68,116
Waste Disposal	<u>26,593</u>	<u>26,593</u>	<u>26,593</u>	<u>26,593</u>	<u>26,593</u>
Total	98,400	97,477	96,554	95,632	94,709

Operating Expenses

The Agency's top five operating expenses account for 82% of the Agency's total operating expenses (before depreciation), with salaries and benefits expense being the largest at 49% over the forecast period.



Discussion and Analysis of the Top Five Operating Expense Categories

Salaries and Benefits Expense

The growth in salaries and benefits expense is slowing as expected, as more employees reach the top of scale. FY 2025 included the addition of an administrative position; however, with the RBB pause, that position was not filled. FY 2025 projection does not include this position. The position has been added back in FY 2027 with the anticipation that RBB will proceed. Based on the current projections and the proposed rate structure, the Agency is expected to be able to continue to fund the projected increases over the forecast period (6% average annual growth).

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year CAGR
Salaries and Benefits:							
Salaries and Wages	1,949,504	2,071,089	2,239,342	2,341,630	2,429,973	2,552,646	6%
Employee Benefits	1,206,065	1,327,200	1,479,488	1,565,215	1,685,217	1,762,067	8%
Unemployment Expense	6,076	6,076	6,076	6,076	6,076	6,076	0%



Payroll Taxes	<u>28,372</u>	<u>30,135</u>	<u>32,575</u>	<u>34,058</u>	<u>35,339</u>	<u>37,117</u>	<u>6%</u>
Total Salaries and Benefits	3,190,017	3,434,500	3,757,481	3,946,979	4,156,605	4,357,907	6%
% Change Year over Year	8%	8%	9%	5%	5%	5%	
Average Annual Change (a)	4%	4%	4%	4%	4%	4%	

(a) Base Year FY 2009

Salaries and Wages – Salaries and wages expense increase by 6%, when comparing FY 2026 to FY 2025, and includes a proposed 2.6% COLA adjustment. Salaries and wages are projected to increase from FY 2026 to FY 2027 with the addition of an administrative position, then decrease from FY 2027 through FY 2030 based on annual projected CPI, longevity, and merit adjustments resulting in an annual average increase of 6%.

COLA Adjustment – Under direction from the Governing Board, the Agency calculates the annual COLA adjustment that is included in the budget using the annual average of the regional Consumer Price Index for all Urban Consumers (currently Riverside, San Bernardino, Ontario). For the FY 2026 Budget, which begins July 1, 2025, the 2024 Annual Average Consumer Price Index (CPI) is used. While incorporated into the budget, approval of the COLA is at the Governing Board’s discretion and is brought before the Governing Board each May or June, prior to the July 1 fiscal year. The annual change in the 2024 CPI was 2.6% and the Agency has incorporated this change in the FY 2026 Budget.

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

YEAR	JAN	MAR	MAY	JUL	SEP	NOV	AVERAGE	ANNUAL AVERAGE
2020	107.143	107.162	106.899	107.640	108.201	108.626	107.672	1.9%
2021	109.550	110.981	113.222	114.682	115.557	117.206	113.875	5.8%
2022	118.963	122.127	123.893	125.262	125.272	125.983	123.784	8.7%
2023	127.683	127.707	128.768	129.525	131.372	131.372	129.545	4.7%
2024	131.358	133.144	133.943	133.113	133.179	132.853	132.932	2.6%

Employee Benefits – Employee benefits expense is expected to grow 10% in FY 2026, and 8% on average over the projected period. The 10% growth in FY 2026 is due to higher medical premium costs and required retirement and OPEB contribution increases. Per the Agency’s 2025 Actuarial Valuation, medical premiums are expected to increase by 6% in FY 2026 and Pension and OPEB contributions are expected to increase by 12%.

RBB Operating Expenses

RBB is anticipated to go online in FY 2029. The RBB operating expenses include general operating and maintenance expenses, water monitoring, and a nutrient offset program. Once the final design is completed, operating requirements might change and adjustments to the operating expense requirements will be made. The expenses are anticipated to increase annually based on the annual CPI.

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
RBB Operating Expenses:						
General Operating and Maintenance	0	0	0	0	3,244,456	3,325,567
Water Monitoring	0	0	0	0	211,278	216,560
Nutrient Offset Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>78,869</u>	<u>80,840</u>
Total RBB Operating Expenses	0	0	0	0	3,534,603	3,622,967



Power Expense

Beginning in November/December of 2022, the Agency began to purchase solar power under a power purchase agreement and began operating under a net metering agreement with Bear Valley Electric Service, Inc. (BVE). The Agency purchases electricity during periods of net usage and receives compensation credits for periods of excess solar production from BVE. The Agency expects a 3% annual increase in power costs which is driven by annual price adjustments in the power purchase agreement and rate increases expected by Bear Valley Electric.

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year CAGR
Power Expense:							
Solar Purchases	252,664	264,034	269,282	274,634	280,092	285,659	2%
Fuel for Power Production	9,666	12,578	13,223	13,553	13,892	14,239	8%
Gas Administration Building	6,293	6,063	6,214	6,370	6,529	6,692	1%
Gas Treatment Plant	11,712	11,629	11,920	12,218	12,523	12,836	2%
Electricity – Treatment Plant	134,529	139,878	145,143	149,082	153,440	157,926	3%
Electricity – Stations	78,134	80,478	82,490	84,552	86,666	88,833	3%
Electricity- Administration Building	13,438	13,842	14,188	14,542	14,906	15,278	3%
Electricity – Lucerne Valley	<u>575</u>	<u>589</u>	<u>604</u>	<u>619</u>	<u>634</u>	<u>650</u>	<u>2%</u>
Total Power Expense	507,012	529,090	543,062	555,570	568,683	582,114	3%
% Change Year over Year	15%	4%	3%	2%	2%	2%	

Sludge Removal Expense

Sludge removal expense has historically been volatile resulting from 1) changes in processes related to sludge drying, 2) changes in plant operating parameters (optimal ranges of operation achieved during aeration and clarification that improve treatment efficiency and impact solids retention/disposal) associated with changing plant management, and 3) changes in transportation costs associated with hauling contracts.

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year CAGR
Sludge Removal:							
Sludge Removal	311,994	342,583	352,463	361,087	369,927	378,988	4%
% Change Year over Year	7%	10%	3%	2%	2%	2%	

On a normal basis, under average dry weather flow and average biochemical oxygen demand (BOD), the Agency is expected to produce and haul approximately 5,000 tons per year of sludge. Changes in flow and BOD concentrations, combined with the timing of sludge removal, can impact the sludge removal expense. FY 2025 is trending lower; therefore, the projection for FY 2025 reflects the decrease in hauling. The Agency has budgeted for baseline sludge removal of approximately 5,000 tons annually in FY 2026 through FY 2030 with inflationary increases in the rate per ton and an increase in the fuel base rate, consistent with the current contract.

Permits and Fees Expense

The Agency continues to experience material increases in its permit and fees year after year, with an average of 8% per year. Additionally, the fees fluctuate year to year as the Environmental Laboratory Accreditation Program (ELAP) accreditation renewal is completed every other year. The Agency has budgeted for annual average increases in permits and fees expense that are in line with average historical changes.



	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year CAGR
Permits and Fees Expense:							
SWRCB	244,978	265,521	287,787	311,919	338,075	366,425	8%
All Others	<u>31,881</u>	<u>39,340</u>	<u>33,661</u>	<u>41,165</u>	<u>35,532</u>	<u>43,082</u>	<u>5%</u>
Total Permits and Fees	276,859	304,861	321,448	353,084	373,607	409,507	8%
% Change Year over Year	9%	10%	5%	10%	6%	10%	

Capital Contributions - Connection Fees

Connection fees are projected at 45 annually over the forecast period. Connections are projected to increase by 7 connections in FY 2025. Excluding multi-unit developments, connections have averaged 67 per year for the last 3 years. There are currently 60 connections for the trailing twelve months ended January 31, 2025.

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
Connections	52	45	45	45	45	45
Connection Fee	<u>\$ 4,180</u>	<u>\$ 4,180</u>	<u>\$ 4,180</u>	<u>\$ 4,180</u>	<u>\$ 4,180</u>	<u>\$ 4,180</u>
Total Connection Fees	\$ 217,360	\$ 188,100	\$ 188,100	\$ 188,100	\$ 188,100	\$ 188,100

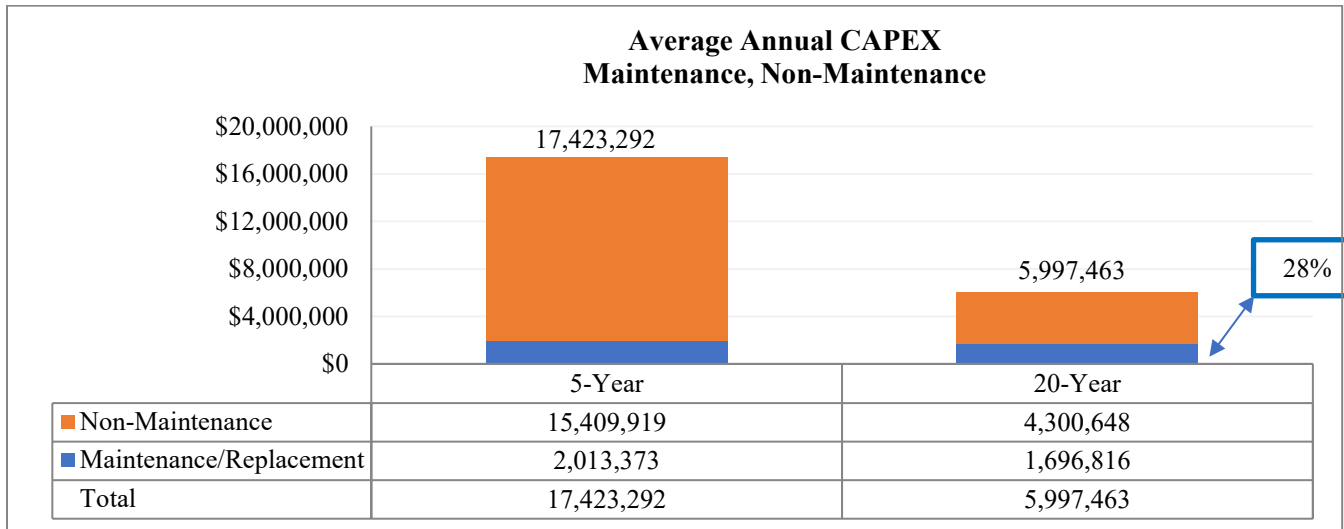
Debt Service and Bond Covenant Calculations

Debt service is anticipated to increase from \$653,617 in FY 2025 to \$4,315,197 in FY 2030, as scheduled amortization increases with the addition of the WIFIA loan and Revenue Bonds for RBB construction partially offset by the FY 2011 installment purchase loan fully amortizing in FY 2027. Debt service coverage is expected to decrease over the period from 6.35x in FY 2025 to 1.60x at the end of FY 2030. Minimum debt service coverage is met.

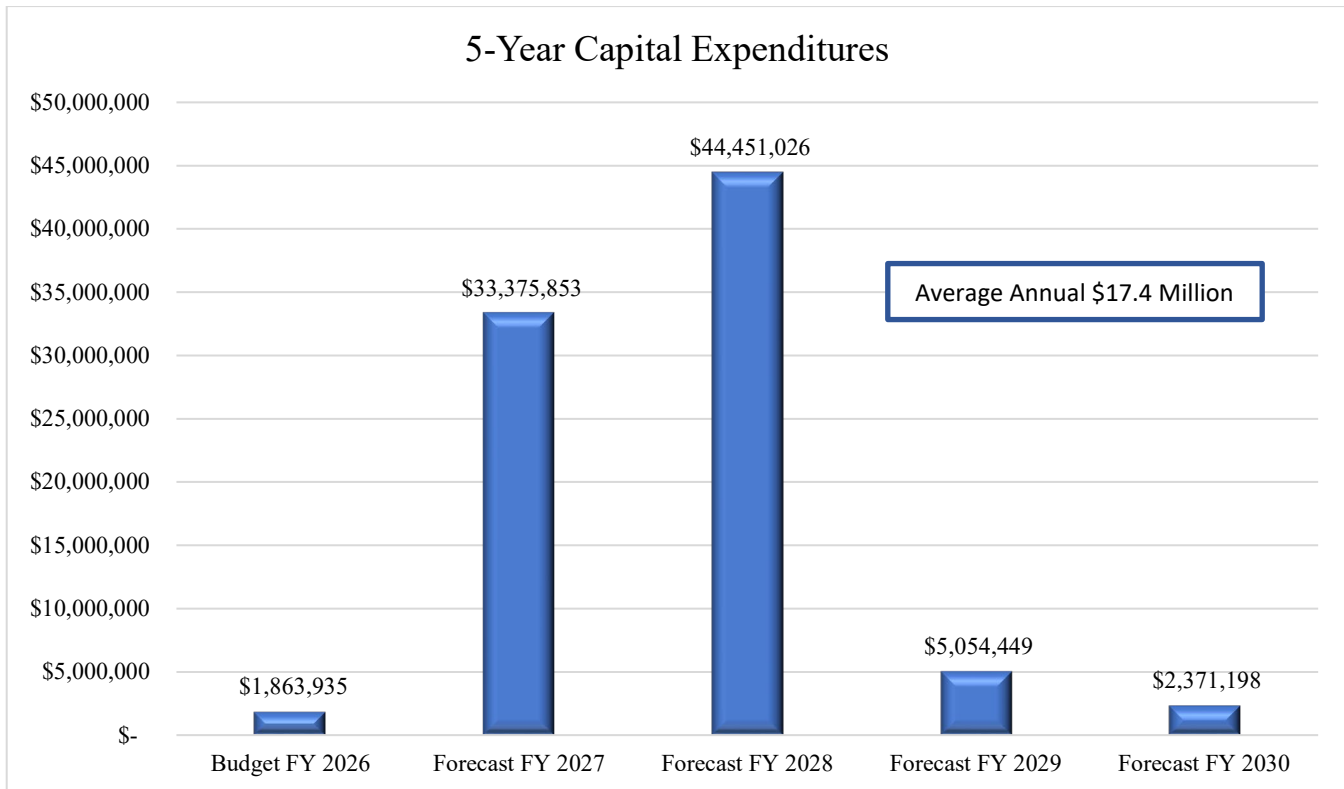
	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
Debt Service	\$ 653,617	\$ 581,367	\$ 1,035,623	\$ 3,107,772	\$ 4,315,197	\$ 4,315,197
Net Revenue/ Debt Service	6.35	7.34	5.55	2.46	1.46	1.60
Covenant Test	1.20	1.20	1.20	1.20	1.20	1.20
Pass/Fail	Pass	Pass	Pass	Pass	Pass	Pass

Capital Expenditures (capex)

Over the long term, the Agency expects maintenance capex to be approximately 28% of total capital expenditures and non-maintenance capex to be 72%. We can see from the chart below that the maintenance capex in the 20-year capital plan is 28%, which is lower than expected due to several larger non-maintenance projects during the period including RBB and equalization basin/storage pond conversion.



During the five-year forecast, capex is anticipated to total \$87.1 million and averages \$17.4 million per year. The largest investments over the five-year period are for RBB, the Outfall Line investigation, Northshore Pump Station 3 well rehabilitation, and asphalt replacement.





5-YEAR CAPITAL IMPROVEMENT PLAN FY 2026 – FY 2030

	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year FY 2026 – 2030
Effluent Disposal						
Irrigation						
Irrigation Wheel Line – Wheels (4)	0	0	0	0	14,724	14,724
Outfall Lines						
Lucerne Valley Pressure Relief Valves	0	0	0	19,812	0	19,812
Outfall Line Investigation	<u>0</u>	<u>0</u>	<u>390,000</u>	<u>1,350,000</u>	<u>0</u>	<u>1,740,000</u>
Total Effluent Disposal	0	0	390,000	1,369,812	14,724	1,774,536
Interceptor System						
Pumping Equipment						
Pump 1 and 2, Flygt 45 HP	0	0	0	89,382	0	89,382
Pump 3, Flygt 150 HP Rebuild	0	0	0	0	58,005	58,005
Structure						
NSPS 3 Well Rehabilitation	0	450,000	2,300,000	0	0	2,750,000
LPS Sinkhole Piping Repair Investigation	<u>0</u>	<u>59,010</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,010</u>
Total Interceptor System	0	509,010	2,300,000	89,382	58,005	2,956,397
Other Equipment						
Communications						
IT System Production Host & Backup Appl	78,520	0	0	0	0	78,520
Electrical						
VFD T/P – Rotor 1 60 HP	0	16,837	0	0	0	16,837
VFD T/P – Rotor 2 60 HP	0	17,015	0	0	0	17,015
VFD T/P – Rotor 4 60 HP	0	0	17,525	0	0	17,525
VFD T/P – Rotor 5 60 HP	0	0	17,525	0	0	17,525
VFD T/P – Rotor 7 60 HP	0	0	0	18,238	0	18,238
VFD T/P – Rotor 8 60 HP	0	0	0	18,051	0	18,051
VFD Interceptor – Station 3 Softstarts	0	13,150	0	0	0	13,150
VFD Interceptor - LPS	0	0	0	0	33,150	33,150
Laboratory						
Effluent Composite Sampler	0	0	0	0	11,050	11,050
Mobile Pumping Equipment						
Emergency Bypass Pump 4”	0	0	66,089	0	0	66,089
Emergency Bypass Pump 6”	0	0	64,477	0	0	64,477
Emergency Backup Pump 6”	0	0	0	93,585	0	93,585
Security						
Security Lights – Treatment Plant	0	43,714	0	0	0	43,714
Surveillance System	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49,419</u>	<u>49,419</u>
Total Other Equipment	78,520	90,716	165,616	163,024	60,469	558,345
Transportation Equipment						
Vehicles						
Dump Truck Replacement	0	0	0	102,355	0	102,355
½ Ton Truck Replacement	0	75,000	0	0	0	75,000
Heavy Equipment and Accessories						
Dump Trailer	0	0	0	15,000	0	15,000
Loader Replacement	<u>0</u>	<u>0</u>	<u>0</u>	<u>165,546</u>	<u>0</u>	<u>165,546</u>
Total Transportation Equipment	0	75,000	0	282,901	0	357,901



5-YEAR CAPITAL IMPROVEMENT PLAN FY 2026 – FY 2030 (Continued)

	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year FY 2026 – 2030
Treatment Plant						
HVAC						
Headworks Heating System	0	0	0	19,396	0	19,396
Processing Equipment						
Auxiliary Pump Building						
Auxiliary Pump 1	47,191	0	0	0	0	47,191
Main Pump Building						
RAS Header Replacement	945,000	0	0	0	0	945,000
Effluent Pump 1 40 HP	0	0	0	0	44,000	44,000
Effluent Pump 2 40 HP	0	0	0	0	44,000	44,000
Effluent Pump 3 100 HP	0	0	44,000	0	0	44,000
Effluent Pump 4 100 HP	0	44,000	0	0	0	44,000
Oxidation Ditches						
Oxidation Ditch 1 Wall Rehabilitation	540,000	0	0	0	0	540,000
Treatment Equipment						
Clarifier Splitter Gate	0	0	140,000	760,000	0	900,000
Total Treatment Plant Equipment	1,532,191	44,000	184,000	779,396	88,000	2,627,587
Other Tangible Plant						
Administrative Parking Lot Paving	0	0	0	0	287,287	287,287
Palomino Drive Paving	0	0	0	0	710,136	710,136
Plant Asphalt and Paving	0	0	0	0	1,152,577	1,152,577
Total Other Tangible Plant	0	0	0	0	2,150,000	2,150,000
Studies and Maps						
Wastewater Treatment and Outfall Master Plan	0	368,500	0	0	0	368,500
Collection System Master Plan	0	330,000	0	0	0	330,000
Pipeline Maps	0	100,000	0	0	0	100,000
Total Studies and Maps	0	798,500	0	0	0	798,500
Replenish Big Bear						
Replenish Big Bear	253,224	31,858,627	41,411,410	2,369,934	0	75,893,195
Total Capital Improvements	1,863,935	33,375,853	44,451,026	5,054,449	2,371,198	87,116,461

Capital Expenditures – FY 2026

Projects discussed below are included in the FY 2026 capital plan and exceed \$100,000.

RAS (Return Activated Sludge) Header Replacement Construction (\$945,000): The RAS header replacement requires the replacement of the existing RAS pumping suction piping, RAS pump discharge piping, and downstream header from the pump discharge flanges to the RAS header isolation valve. The valves, piping, fittings, and couplings for the headers were purchased in FY 2024 and FY 2025 under the pipe and valve replacement project. This project includes cured in place pipe (CIPP) lining of the RAS piping from the Main Pump Building to the Oxidation Ditch Splitter Box and the sludge piping from each clarifier to the Main Pump Building. Engineering is expected to be completed in FY 2025.

Oxidation Ditch 1 Wall Rehabilitation (\$540,000): A section of the northern wall has been structurally compromised due to poor subgrade conditions. The concrete and geotechnical conditions require investigation to determine the appropriate repair method and



construction to stabilize subgrade conditions, repave the road between Oxidation Ditch 1 and 2, and repair or replace the concrete. The construction cost also includes an allowance for the contractor to clean out settled solids from Oxidation Ditch 1 to allow for work in the structure.

Replenish Big Bear (RBB) (\$253,224): As a result of the RBB pause, it is expected that approximately \$3.2 million in capital will be carried over from FY 2025 to FY 2026 with the total expected capital expenditures for RBB in FY 2026 to be approximately \$3.4 million. Those expenditures include costs related to the final design, program management, and outreach.

Capital Expenditures – FY 2027 – FY 2030

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

Outfall Line Investigation (\$1,740,000): The Wastewater Treatment Plant (WWTP) Outfall line is approximately 16.24 miles in length and conveys effluent flows to the discharge location in Lucerne Valley. The Outfall Line was constructed in the 1970's, with venting and piping upgrades completed in the 1980's and 1990's. Most of the outfall pipeline is 16-inch concrete mortar lined and coated steel pipe and the current condition of the entire Outfall Line is unknown. A condition assessment investigation of the Outfall Line to identify recommended repairs and/or upgrades to maintain reliable operations will be completed. This will consist of internal camera investigations (cctv) to existing and accessible air release locations, a soil corrosion analysis, and/or visual inspections. A technical report will be provided to the Agency that will include the investigation findings and recommendations.

North Shore Pump Station 3 Well Rehabilitation (\$2,750,000): North Shore Pump Station No. 3 is located within the Big Bear Shores RV Resort. Staff have observed signs of corrosion of the existing dry pit enclosure caused by groundwater. Additionally, the existing station is at the end of its useful life. The existing pump station will be replaced with a new station containing submersible pumps in a single wet well with valving and appurtenances in an adjacent below grade vault. The existing force main, electrical facilities, and SCADA system will be re-used to operate the new lift station.

Dump Truck Replacement (\$102,355): The dump truck needs to be replaced based on mileage and years of service. It is currently used to haul sludge from the sludge hopper to the covered drying bed and can only be used in the treatment plant due to driver licensing requirements. The replacement truck will be utilized outside the plant to facilitate disposals at the local landfill.

Loader Replacement (\$165,546): The current loader is used for loading sludge trailers and snow removal at the facility and lift stations. The loader is undersized for the Agency's needs; therefore, a larger loader is needed for these tasks. The current, smaller loader will continue to be used as a forklift for the plant.

Clarifier Splitter Gate (900,000): The clarifier splitter gates are currently used to modulate flow and control flow splits to the three clarifiers from the Oxidation Ditch splitter box. Staff manually adjusts the gates daily to maintain targeted flow splits. These gates have reached the end of their useful life. Hydraulic surges upstream will be investigated, and recommendations will be made to the Agency based on those investigations. Ten weir gates and operators upstream of the clarifiers with one weir gate per clarifier (three clarifiers) will be removed and replaced.

Asphalt Replacement at the Administrative Building Parking Lot, Palomino Drive, and the Plant (\$2,150,000): Grind and overlay existing asphalt within the WWTP fence line, the administration building parking lot, and along Palomino Drive from Shay Road to the entrance gate of the WWTP.

Wastewater Treatment and Outfall Master Plan and the Collection System Master Plan (\$698,000): Prepare a master plan for the wastewater treatment plant and outfall pipeline, and a separate master plan for the collection system. The master plans will evaluate current and future needs for repair, replacement, or rehabilitation of existing assets and facilities to maintain reliable operation, serve existing and future sewer demands, and protect public health and operator safety, and meet regulatory compliance requirements.



Replenish Big Bear (RBB) (\$75,639,971): RBB is a multi-year project that includes the construction of advanced water treatment processes which will return safe high quality recycled water to the environment, providing Big Bear with a sustainable water supply. The project is expected to be completed in FY 2029 and is anticipated to be funded through cost-sharing, low interest loans, and grants.

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:

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

CASH AND DESIGNATED FUND BALANCE

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
Ending Cash Balance:	13,674,444	12,297,273	15,462,120	17,079,134	16,509,248	16,753,758
Designated Fund Balances:						
Capital and Replacement Fund						
Current Year	1,610,711	1,517,226	3,039,616	2,684,515	2,371,198	2,240,853
Future Years	<u>3,414,974</u>	<u>2,754,610</u>	<u>1,056,487</u>	<u>67,226</u>	<u>75,780</u>	<u>185,625</u>
Total Capital and Replacement Fund	5,025,685	4,271,836	4,096,103	2,751,741	2,446,978	2,426,478
BBARWA Debt Service Fund	509,117	509,117	329,563	150,009	150,009	150,009
RBB Debt Service Fund	<u>3,472,250</u>	<u>706,060</u>	<u>2,957,763</u>	<u>4,165,188</u>	<u>4,165,188</u>	<u>4,165,188</u>
Total Debt Service Fund	3,981,367	1,215,177	3,287,326	4,315,197	4,315,197	4,315,197
Liquidity Fund	2,891,634	3,047,784	3,201,336	3,329,864	3,483,540	3,657,741
Contingency Fund:						
Emergency	650,000	825,000	1,000,000	1,000,000	1,000,000	1,000,000
Operating	<u>1,007,895</u>	<u>1,058,674</u>	<u>1,101,177</u>	<u>1,736,440</u>	<u>1,219,558</u>	<u>1,259,091</u>
Total Contingency	1,657,895	1,883,674	2,101,177	2,736,440	2,219,558	2,259,091
RBB Reserves	117,864	1,878,803	2,776,178	3,945,892	4,043,974	4,095,251
Designated Funds	13,674,444	12,297,273	15,462,120	17,079,134	16,509,248	16,753,758



At the end of FY 2030, the Agency is projected to have \$2.4 million in the capital and replacement fund. This amount reflects the cash that is available for future capital projects beginning in FY 2030. The next five-year period, from FY 2031 through FY 2035, is an aggressive capital investment schedule with estimated capital investments of \$20 million, or approximately \$4 million per year. Based on the current capital improvement plan and the projected rate collection, the Agency is expected to have a shortfall. The Agency may need to reschedule certain projects, increase its rate collection, or enter into new debt to meet the timing of the current capital improvement plan.

Rate Review

Adequacy of Rates

The budget and forecast period were prepared assuming adjustments in the Agency's sewer user fee (Total Annual Charges) of 6% in FY 2026, 18% in FY 2027 - 2029, and 6% in FY 2030. The rate adjustments include building required reserves for RBB and 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 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
Revenue Requirements:						
Operating Expenses before Depreciation	\$ 5,737,536	\$ 6,047,367	\$ 6,352,042	\$ 6,607,065	\$ 10,418,639	\$ 10,851,953
Rate Funded Capital:						
BBARWA Debt Service	433,704	433,704	291,856	150,009	150,009	150,009
RBB Debt Service	144,500	72,250	668,766	2,912,461	4,092,720	4,092,720
Capital Expenditures	<u>800,000</u>	<u>1,000,000</u>	<u>1,250,000</u>	<u>1,500,000</u>	<u>1,750,000</u>	<u>2,000,000</u>
Total Rate Funded Capital	1,378,204	1,505,954	2,210,622	4,562,470	5,992,729	6,242,729
Revenue Requirement Subtotal	7,115,740	7,553,321	8,562,665	11,169,535	16,411,368	17,094,681
Less Other Revenues:						
Standby Charges	73,252	71,807	70,884	69,961	69,039	68,116
Rental Income/Lease Revenue	85,151	68,404	69,673	70,980	72,326	73,713
Waste Disposal	<u>31,839</u>	<u>26,593</u>	<u>26,593</u>	<u>26,593</u>	<u>26,593</u>	<u>26,593</u>
Total Other Revenues	190,241	166,804	167,150	167,534	167,958	168,422
Total Revenue Requirements	\$ 6,925,498	\$ 7,386,518	\$ 8,395,515	\$ 11,002,001	\$ 16,243,410	\$ 16,926,260
Proposed Rate	\$ 356.79	\$ 378.20	\$ 446.27	\$ 526.60	\$ 621.39	\$ 658.67
Annual % Change	18%	6%	18%	18%	18%	6%
Rate Revenue Per Proposed Rate						
EDU's	25,627	25,677	25,722	25,767	25,812	25,857
Rate Revenues – Proposed Billing	\$ 9,143,600	\$ 9,710,786	\$ 11,478,809	\$ 13,568,692	\$ 16,039,019	\$ 17,031,001
Rate Revenue Excess (Shortfall)	\$ 2,218,102	\$ 2,369,291	\$ 3,083,294	\$ 2,566,691	\$ (204,391)	\$ 104,741
Bond Covenant with Proposed Rates	6.35	7.34	5.55	2.46	1.46	1.60
Covenant Test Ratio	1.20	1.20	1.20	1.20	1.20	1.20
PASS/FAIL	PASS	PASS	PASS	PASS	PASS	PASS



FY 2026 Rate per EDU - \$378.20

Based on the Agency’s current budget and five-year forecast, a rate of \$378.20 per EDU is budgeted in FY 2026, a 6% increase over the FY 2025 rate of \$356.79.

Ratepayer Impact

The financial impact to the ratepayer in FY 2026, based on a 6% increase to the established rate is as follows:

	FY 2025 Actual	FY 2026 Budgeted	Change \$	Change %
Established:				
BBARWA Rate	\$ 260.71	\$ 282.12	\$ 21.41	8.2%
RBB Rate	<u>\$ 96.08</u>	<u>\$ 96.08</u>	<u>\$ 0.00</u>	<u>0.0%</u>
Total Established Rate	\$ 356.79	\$ 378.20	\$ 21.41	6.0%
<hr/>				
CBBL	\$ 367.67	\$ 391.81	\$ 24.14	6.6%
CSD	\$ 348.33	\$ 367.25	\$ 18.92	5.4%
CSA 53B	\$ 339.14	\$ 360.06	\$ 20.92	6.2%



Section 4: Staffing and Departmental Information

Staffing

Overall, the Agency’s staffing needs remain fairly stable over time due to the consistent nature of the Agency’s sewage treatment and disposal services.

In FY 2022 one plant operator left the Agency and the vacant position was not filled. Prior to FY 2022, the plant was operated using generators for power. Those generators required ongoing maintenance and accounted for a majority of staff time equivalent to 1 FTE. With the installation of solar, the generators are no longer used as a main power source; therefore, the position could remain unfilled.

Individuals hired in Operations require certification to become a Plant Operator. With a limited candidate pool of certified plant operators, the Agency hires a Plant Operator in Training (OIT). This position learns the operations through on the job training and once the employee has received the required certification, the position is upgraded to a Plant Operator.

Full-Time Equivalent Staffing

Position	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Budget
<u>Administration</u>					
General Manager	1	1	1	1	1
Finance Manager	1	1	1	1	1
Administrative Services Manager	1	1	1	1	1
HR Coordinator/Accounting Tech	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>Subtotal</u>	4	4	4	4	4
<u>Operations</u>					
Plant Manager	1	1	1	1	1
Plant Supervisor	1	1	1	1	1
Plant Operator II	6	6	6	6	6
Plant Operator-in-Training	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Subtotal</u>	9	8	8	8	8
<u>Laboratory</u>					
Senior Laboratory Analyst	1	1	1	1	1
Laboratory Technician	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>Subtotal</u>	2	2	2	2	2
<u>Seasonal / Temporary (a)</u>	0.5	0.5	0.5	0	0
Total	<u>15.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14</u>	<u>14</u>

- (a) Part-time and non-regular seasonal employees are considered a 0.5 full-time equivalent employee, although total hours worked may be greater than 50% of a full-time equivalent employee. This position is currently vacant.



Departments Overview and Performance Measures

The Agency does not have distinct and separate departments due to the small, single-service nature of its operations. From a functional standpoint, the Agency may say that it has the following departments: Administration, Operations, and Laboratory with both the Administration and Laboratory Departments supporting the Agency’s Operations Department. The Agency has created a framework of performance objectives guided by the strategic plan by which performance can be measured based on departmental goals.

Administration Department

Positions: General Manager

 Finance Manager

 Administrative Services Manager/Board Secretary

 Human Resources Coordinator / Accounting Technician

 Plant Manager (this position is the senior operations position
 but is also part of the Agency’s key management staff)

Functions: Accountable for the Agency’s managerial, legal, and fiscal
 responsibilities associated with being a public wastewater
 treatment facility and directly supports the operations
 department through the administration, finance, and
 human resource functions.

Objectives: The Administration Department is guided by the following performance objectives:

- To be a well-managed, strategically focused, and forward-looking organization.
- To be a financially strong and stable organization.
- To attract and sustain a trained, talented, motivated workforce committed and engaged in integrating the Agency’s mission and core values in their daily work.

Performance Measures: Annually, the Agency produces a strategically focused, balanced 5-year budget and reviews its 20 year capital improvement plan. Budgeting and long-term financial planning contribute to the adequacy and stability of rates and positions the Agency to be a strong and stable organization. Additionally, an Annual Comprehensive Financial Report is prepared that assesses the Agency’s financial performance and internal control measures and demonstrates the Agency’s commitment to open and transparent financial reporting. As a result of these efforts, the Agency has received the following awards:

- Government Finance Officers Association Excellence in Financial Reporting for 12 consecutive years for the years ended June 30, 2012 through June 30, 2023.
- Government Finance Officers Association Distinguished Budget Award for 12 years, 10 consecutive years for the years beginning July 1, 2008 through July 1, 2017, and 2 consecutive years for the years beginning July 1, 2023 through July 1, 2024.

The agency has attracted and sustained a trained, talented, and motivated workforce that is committed to integrating the Agency’s mission and core values. This is evidenced by the dedication of the team, with 50% of the employees employed for ten or more years and 86% employed for more than five. Employee longevity provides the organization with decades of experience and lends itself to efficient operations. Over the years, employees have been recognized for their dedication and commitment to the Agency and its mission and core values including:

- 2017 and 2019 CWEA Desert and Mountain Section Laboratory Person of the Year Nikki Crumpler
- 2017 CWEA Desert and Mountain Section Administrative Support Person of the Year Kim Booth





- 2017 CWEA Desert and Mountain Section Mechanical Technician Person of the Year Chris Santillan
- 2019 CWEA Desert and Mountain Section Supervisor of the Year Troy Bemisdarfer
- 2019 and 2022 Special District Leadership Foundation Transparency Certificate of Excellence
- 2020 CWEA Staff Member of the Year Sonja Kawa
- 2023 CWEA Staff Member of the Year Bridgette Burton
- 2023 Big Bear Chamber of Commerce Outstanding Employee Bridgette Burton



Operations Department

Positions: Plant Manager
 Plant Supervisor
 Plant Operator II (6)

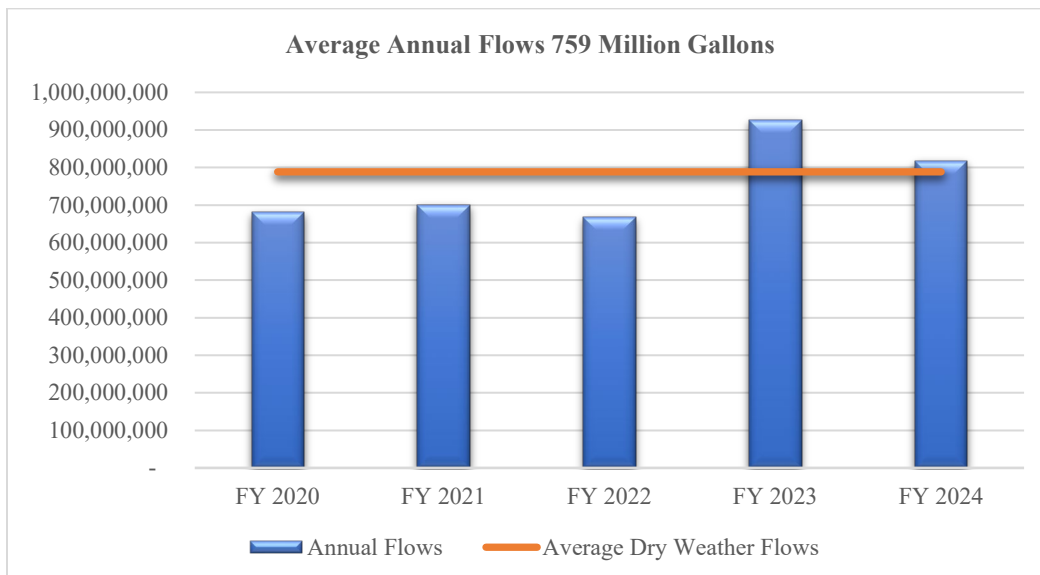
Functions: The Agency expects to collect and treat approximately 800 million gallons of wastewater at the treatment plant in FY 2026. These services will be performed by the Operations Department, in compliance with discharge permits issued by the Colorado and Santa Ana Regions of the State Water Resource Control Boards which regulate the Agency’s effluent quality as it leaves the treatment plant.

Objectives: The Operations Department is guided by the following performance objective:

- To operate and maintain facilities in a manner that produces high-quality effluent and bio-solids, exceeds regulatory requirements, and is financially responsible.

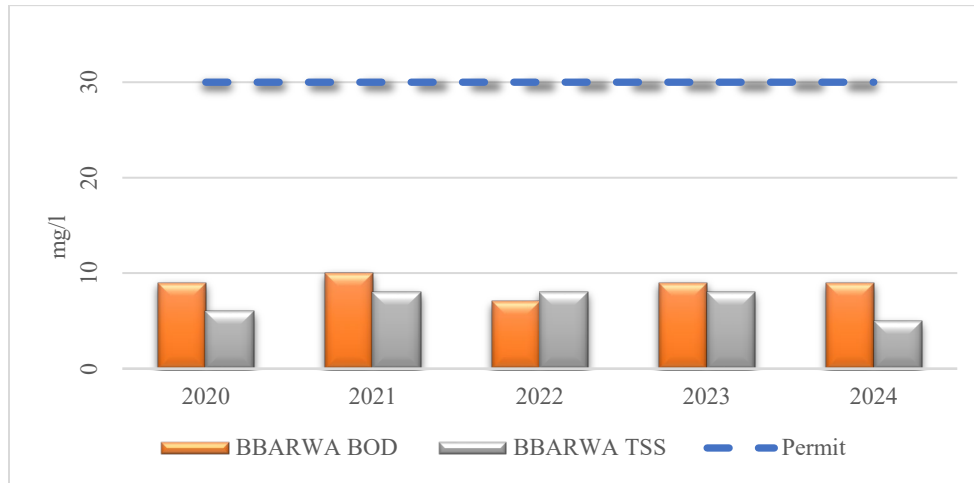
Performance Measures: The Operations Department is responsible for operating, inspecting, maintaining, and troubleshooting the wastewater pumping stations and treatment plant equipment and processes. In addition, it is responsible for ensuring the treatment plant processes operate efficiently and all discharge requirements are fulfilled.

The Agency budgets for dry weather flow which, based on historical data, is 788 million gallons of influent flow on an annual basis. Over the past five years, the annual average influent flow has been 759 million gallons.





Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS) measure the strength of wastewater discharges and are each limited to 30 milligrams per liter (30 mg/l) under the Agency’s Santa Ana Region and Colorado River Basin Region discharge permits. The Agency has demonstrated that through its operations and maintenance of the facilities, it produces high-quality effluent and bio solids that exceeds regulatory requirements.



The Operations Department is a technical element of the Agency’s operation which 1) utilizes complex valving schemes and flow patterns specific to a variety of treatment processes, 2) performs basic troubleshooting on systems as necessary, 3) reads meters, gauges, charts, and instruments, and 4) interprets, records, and logs plant performance. The department is also responsible for maintaining and servicing the interceptor system which consists of 15 miles of pipelines, 93 manholes, 12 air release vents, and 4 lift stations. Facilities maintenance and repair are budgeted annually, with equipment replacement and rehabilitation included in the 20 year capital improvement plan.

Laboratory Department

Positions: Senior Laboratory Analyst

Laboratory Technician

Functions: Collects and analyzes wastewater flows and biosolids to adhere to federal, state, and local guidelines and provides data to the operations department for implementing process control decisions. The laboratory analyses include but are not limited to 1) those required on a daily basis for compliance with the Agency’s discharge order permits such as pH, biochemical oxygen demand, total dissolved solids, suspended solids, nitrates, chloride, fluoride, sulfate, conductivity, total and fecal Coliform and conductivity, and 2) wastewater solids inventory and microscopic examinations of activated sludge for process control. The laboratory department is also responsible for preparing evaluations of the treatment plant unit processes and making recommendations for process control based on analyses.

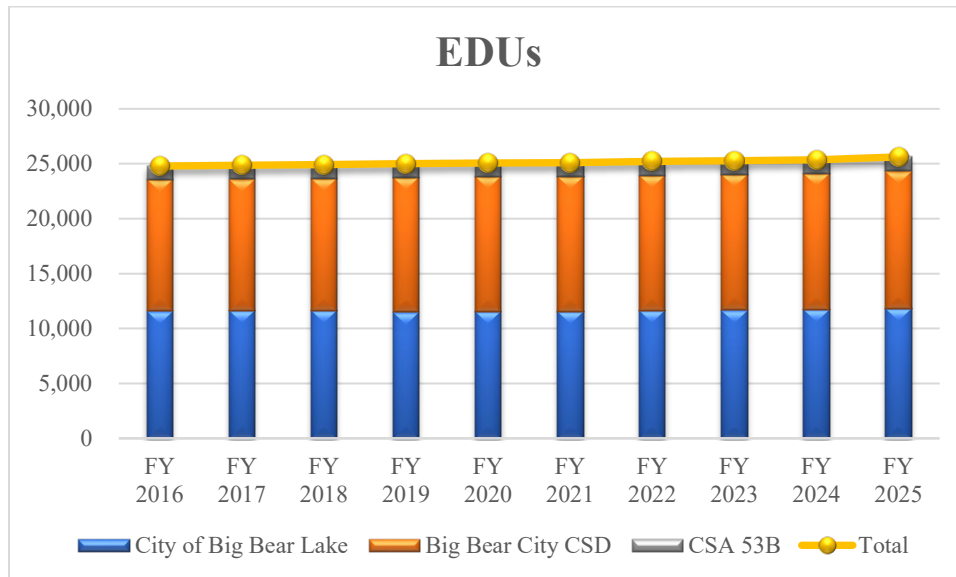
Performance Measures: The laboratory department helps ensure that the Agency’s goal to produce high-quality effluent and bio-solids, exceeding regulatory requirements, is met through daily sampling and testing of wastewater flows and biosolids. This department prepares evaluations of treatment plant processes and makes recommendations based on these evaluations.



Section 5: Supplemental Information

Demographics

The Agency serves an area that experiences relatively slow population growth. The average annual change in EDUs (Equivalent Dwelling Units) has been less than 1% over the last 10 years.

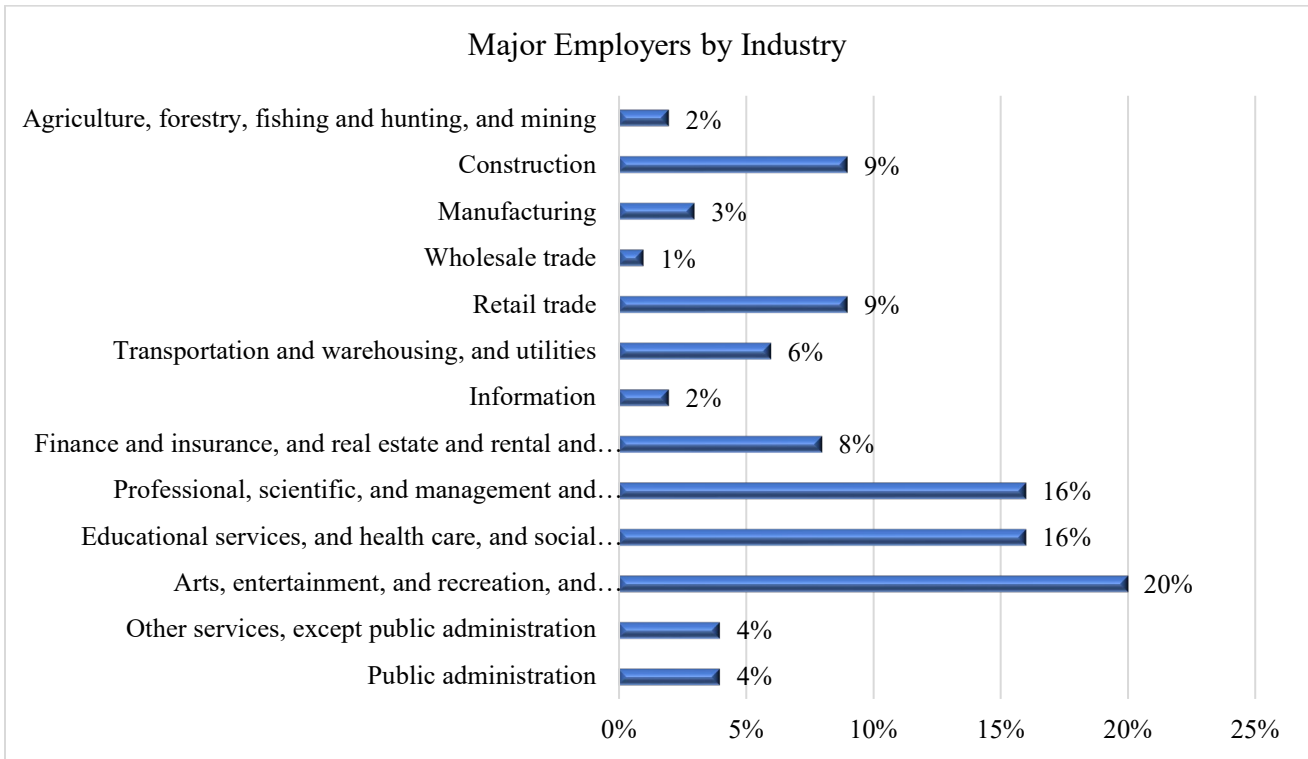


The Big Bear area is considered a four-season resort community and is characterized by a large, part-time population of second homeowners and seasonal peaks associated with tourism. The permanent population consists of approximately 20,000 residents and 1,400 businesses and on a busy weekend or holiday, can flourish to 100,000. Per 2020 census data, it is estimated that approximately 60% of residential sewer connections are full-time residents, with the remainder being part time or second homeowners.

The following demographic, economic, and social statistics are important considerations for the Agency, especially in maintaining affordable rates for the permanent population of the Agency’s service area. The information has been gathered from the U.S. Census Bureau and represents the areas of Big Bear Lake and Big Bear City, and excludes Erwin Lake, Lake Williams, Sugarloaf, and Fawnskin. While the information is incomplete, we believe it is representative of the Agency’s service area.

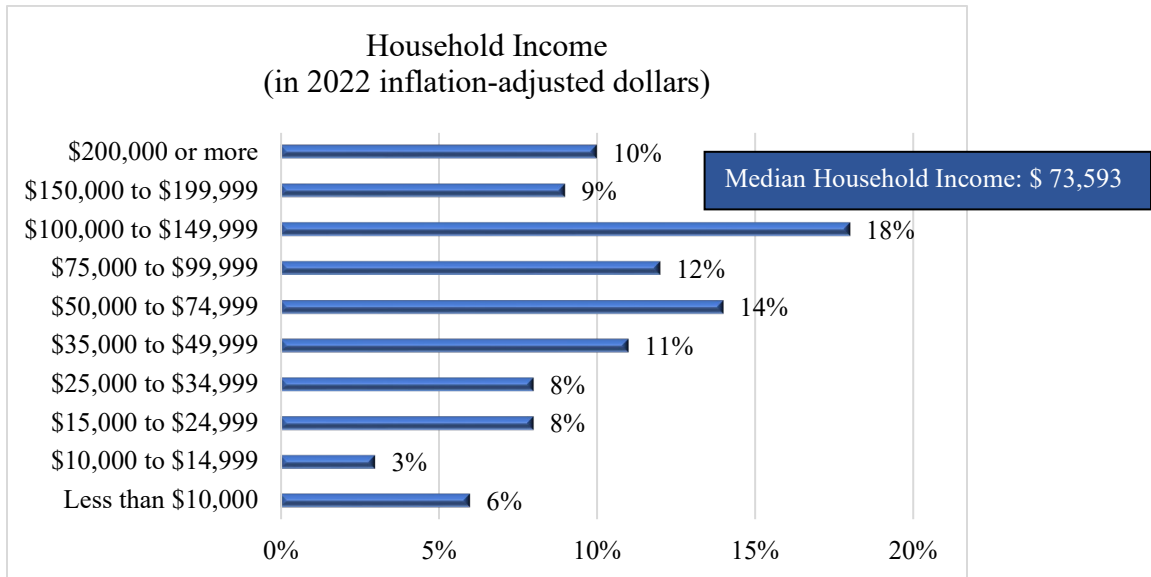
Employment

As a resort community, the primary employer is the arts, entertainment, recreation, accommodation, and food service industries, employing approximately 20% of the workforce.



Household Income

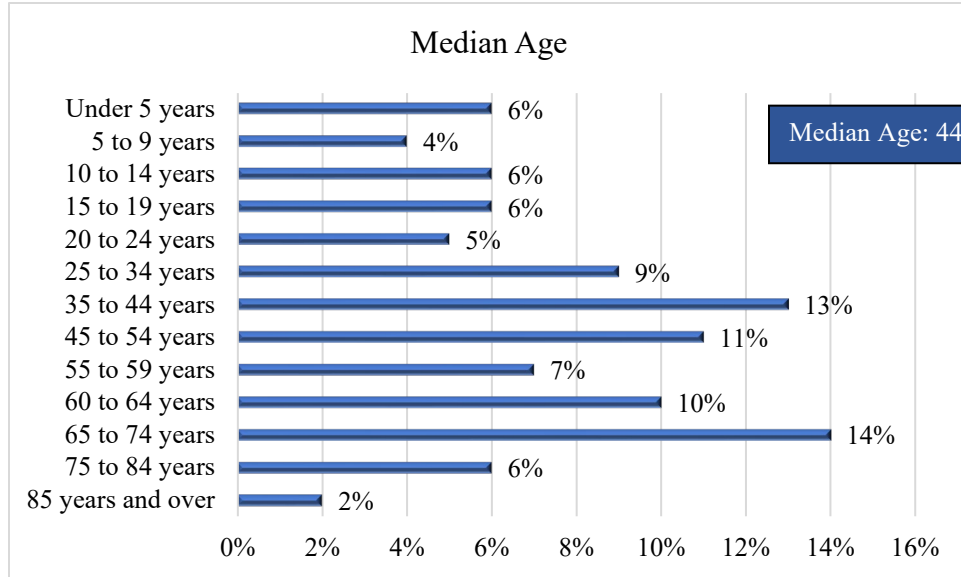
The median household income for the area was \$73,593 in 2023, approximately \$4,126 below the national average of \$77,719 for the same period.





Median Age

The median age of the area is 44.9 as of the 2023 Census data. Approximately 39% of the population is estimated to be 55 years and older, with 32% of that population 60 years and older.





Section 7: Glossary

Accrual accounting	A method of accounting in which revenues are recorded when earned and expenses are recognized when incurred.
Annual charges	The amount collected by the Agency to cover its revenue requirements, calculated by multiplying the number of equivalent dwelling units reported by each member agency by the user fee. This amount is then prorated based on member agency actual flow into the system. Annual charges are collected from the member agencies in April and December of each year. Each member agency, in turn, collects the fees from the respective ratepayers.
Appropriation	The act of setting aside money for a specific purpose. The formal approval of the Agency’s budget by the Governing Board legally appropriates funding for the purposes outlined in the budget and places constraints on management pursuant to the budget.
Balanced budget	A balanced budget is when the Agency’s recurring revenues are equal to or in excess of recurring expenditures or in the case where recurring revenues are less than recurring expenditures there are adequate contingency reserves to cover the excess expenditures. Recurring revenues include annual charges (user fees), standby fees, wastewater disposal fees, and rental income. Recurring expenditures include ongoing operating expenses, debt service, and average annual maintenance capital expenditures.
BBARWA	Big Bear Area Regional Wastewater Agency
BOD	Biochemical oxygen demand. A chemical testing procedure for determining the uptake rate of dissolved oxygen by the biological organisms in a body of water. It is widely used as an indication of the quality of water.
Bond	A bond is a promise to repay borrowed money by a specific date in the future including specific interest on the amount borrowed at predetermined intervals during the life of the bond.
CAGR	The Compound Annual Growth Rate which is the average annual growth rate over the period referenced.
CAPEX	Capital expenditure(s)
Capital budget	The Agency’s plan for capital expenditures during a one-year period.
Capital expenditure	An expenditure of \$10,000 or more that is used to purchase or improve an asset with a useful life of one year or more.
CBBL	City of Big Bear Lake
CCI	Construction Cost Index
CCTV	Closed Circuit Television; Internal Camera Investigations
CD	Certificate of Deposit



CIP	Capital improvement plan
Connection fee	A system development fee or capacity charge and is a one-time fee paid at the time of connection to the system. The fee recovers a proportional share of capital costs incurred to provide service capacity for new wastewater customers.
CSD	Big Bear City Community Services District
CPI and CPI-U	Consumer price index; Consumer price index for all urban consumers
CSA 53B	County of San Bernardino Service Area 53B
Debt service	Principal and interest payments on borrowed money.
Depreciation	A reduction in the value of an asset with the passage of time due to wear and tear. Annual depreciation is often considered a measure of annual maintenance expense.
EDU	An equivalent dwelling unit. EDU's are used to set water rates based on the amount of wastewater generated from an average single-family residence. Connections and EDUs may be used interchangeably to reference the number of single-family households in the system or connecting to the system at any given time.
Enterprise fund	A fund which establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods and services.
FDIC	Federal Deposit Insurance Corporation
Fodder, fiber crops	Fodder and fiber crops are those cultivated explicitly or primarily for feeding animals.
FY	Means the fiscal year ending June 30 th of the year referenced, i.e., FY 2023 is the fiscal year ending June 30, 2023.
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
I & I	Infiltration and inflow. A term used to describe the ways the groundwater and stormwater enter into the sewer system. Inflow is stormwater that enters into sanitary sewer systems and point of direct connection to the system. Infiltration is groundwater that enters sanitary sewer systems through cracks and/or leaks in the sanitary sewer pipes.
IRR	Internal Rate of Return. The discount rate at which the present value of all future cash flow is equal to the initial cost of the investment. Used to compare multiple projects for decision making purposes or to determine the level at which a project's rate of return exceeds the Agency's cost of capital.
Interceptor system	The portion of the Agency's pipeline system that collects wastewater flow from the member agencies and transports it to the treatment plan.



Joint powers agreement	A formal legal agreement between two or more public agencies that shows a common power and where the agencies want to jointly implement programs, build facilities, or deliver services. Officials from those agencies formally approve a cooperative arrangement.
LAIF	Local Agency Investment Fund
Member agencies	The member agencies pursuant to BBARWA’s joint powers agreement are the Community Services District, the City of Big Bear Lake, and the County of San Bernardino Service Area 53B.
MGD	Million gallons per day.
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.
NPV	Net Present Value. The present value of cash inflows and present value of cash outflows related to a capital project. Is used to determine the overall value or profitability of a project. Used to compare multiple projects for decision making purposes.
OPEB	Other post employment benefits.
Operating income	Is equal to Operating Revenue less Operating Expenses. Is a key indicator of the Agency’s ability to cover its debt service and maintain capital assets.
Operating budget	The Agency’s plan for operating and maintenance expenses during a one-year period.
Projected performance	Based on six months of actual performance through December and represents the Agency’s best estimate of performance for the full year.
Proprietary Fund	A proprietary fund is used to account for activities that involve business-like interactions. There are two types of proprietary funds, an enterprise fund and internal service fund. The Agency operates as an enterprise fund.
Pumping station	A pumping operation, usually located a long distance from the treatment plant, which provides for the lifting and conveyance of sewage through the force main to gravity flow points.
RAS	Return Activated Sludge
RBB	Replenish Big Bear
Revenue requirements	Amount of revenue required to cover operating and capital costs. Operating costs are usually routine or periodic costs incurred to provide service on an ongoing basis. Capital costs relate to capital items such as equipment or facilities that provide benefits over multiple years.
SCADA	Supervisory Control and Data Acquisition (SCADA) is an automated system that uses programmable logic controls to monitor and control treatment processes and pump stations.
S&P	Standard & Poor’s



SDRMA	Special District Risk Management Authority
SEC	United States Securities and Exchange Commission
Sewage	Wastewater flow from residential and commercial units connected to the sewer system.
Sewerage	The infrastructure, including pipelines, drains, manholes, and other system facilities used to convey sewage.
Sludge	Refers to the residual, semi-solid material left from industrial wastewater, or sewage treatment processes.
Solids	The material removed from sludge such as grit, sand, or debris.
Standby fee	A charge to undeveloped parcel owners that recovers a proportional share of operating costs to maintain the wastewater facilities in a “ready” state.
TSS	Total suspended solids.
UAL	Unfunded accrued liability (used in reference to pension and OPEB unfunded liabilities).
USBR	United States Bureau of Reclamation
User Fee	The rate charged per equivalent dwelling unit. This rate is set by BBARWA based on its revenue requirements.
Wastewater	Any water that has been adversely affected in quality by anthropogenic influence. It comprises liquid waste discharged by the domestic residences, commercial properties, industry, and/or agriculture and can encompass a wide range of potential contaminants and concentrations. In the most common usage, it refers to the municipal wastewater that contains a broad spectrum of contaminants resulting from the mixing of wastewaters from different sources.
WSC	Water Systems Consulting, Inc.
WWTP	Wastewater Treatment Plant



Appendix: Five Year Forecast

Income Statement

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	5-Year CAGR (a)
Operating Revenues							
BBARWA Annual Charges	6,681,319	7,243,787	7,623,671	8,033,790	8,441,146	9,191,568	6.6%
RBB Annual Charges	2,462,281	2,466,998	3,855,138	5,534,902	7,597,873	7,839,432	26.1%
Standby Charges	73,252	71,807	70,884	69,961	69,039	68,116	-1.4%
Rental Income	10,924	4	4	4	4	4	-79.5%
Waste Disposal	31,839	26,593	26,593	26,593	26,593	26,593	-3.5%
Other Revenue	4,630	0	0	0	0	0	nm (b)
Operating Revenue	9,264,244	9,809,189	11,576,290	13,665,250	16,134,655	17,125,713	13.1%
Operating Expenses							
Salaries and Benefits	3,190,017	3,434,500	3,757,481	3,946,979	4,156,605	4,357,907	6.4%
Power	507,012	529,090	543,062	555,570	568,683	582,114	2.8%
Sludge Removal	311,994	342,583	352,463	361,087	369,927	378,988	4%
Chemicals	106,023	100,939	137,924	106,053	108,704	148,529	7%
Materials and Supplies	188,609	214,065	188,457	191,161	194,606	199,153	1.1%
Repairs and Replacements	314,535	250,013	223,163	232,024	236,703	242,621	-5.1%
Equipment Rental	2,004	2,054	2,105	2,158	2,212	2,267	2.5%
Utilities Expense	40,047	41,003	42,028	43,079	44,156	45,259	2.5%
Communications Expense	66,481	71,886	73,593	75,343	77,137	78,975	3.5%
Contractual Services – Other	177,481	175,271	176,359	181,219	186,235	191,412	1.5%
Contractual Services – Professional	214,391	185,747	171,768	184,952	178,670	192,438	-2.1%
Permits and Fees	276,859	304,861	321,448	353,084	373,607	409,507	8.1%
Property Tax	4,252	4,309	4,366	4,424	4,482	4,542	1.3%
Insurance	268,664	317,829	282,807	293,059	303,534	314,548	3.2%
Other Expense	69,166	73,208	75,019	76,874	78,776	80,725	3.1%
RBB Operating Expense	0	0	0	0	3,534,603	3,622,968	nm (b)
BBARWA Depreciation and Amortization	895,685	936,007	969,003	1,078,289	1,161,772	1,226,146	6.5%
RBB Depreciation and Amortization	0	0	0	0	4,257,653	4,031,998	mm (b)
Operating Expenses	6,633,221	6,983,374	7,321,046	7,685,354	15,838,064	16,110,097	19.4%
Operating Income	2,631,023	2,825,815	4,255,244	5,979,897	296,591	1,015,617	-17.3%
Nonoperating Income							
Lease Revenue	74,227	68,400	69,669	70,976	72,322	73,709	0%
Interest Income	403,928	318,586	338,461	390,968	409,892	433,737	1.4%
RBB Grants	2,196,011	3,788,852	4,718,794	4,713,522	0	0	nm (b)
Other Nonoperating Income	2,575	0	0	0	0	0	nm (b)
Total Nonoperating Income	2,679,258	4,175,838	5,126,924	5,175,466	482,215	507,446	-28.3%
Nonoperating Expenses							
BBARWA Interest	68,633	53,537	37,923	30,714	26,259	21,638	-20.6%
RBB Interest	144,500	72,250	706,060	2,634,318	3,137,601	3,087,340	84.5%
Other Nonoperating Expense	5,031	5,031	5,031	5,031	5,031	5,031	0%
Total Nonoperating Expenses	218,164	130,817	749,014	2,670,062	3,168,891	3,114,008	70.2%
Income Before Capital Contributions	5,092,118	6,870,836	8,633,155	8,485,301	-2,390,086	-1,590,945	- (c)
Capital Contributions (Connection Fees)	217,360	188,100	188,100	188,100	188,100	188,100	-2.9%
Net Income, Change in Net Position	5,309,478	7,058,936	8,821,255	8,673,401	-2,201,986	-1,402,845	- (c)

(a) Compound Annual Growth Rate (Average Annual Change)

(b) "nm" means not meaningful and is the result when dividing by 0

(c) Percentage 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 the budget a "+" is given. If the actual performance is worse when compared to budget a "-" is given.



Cash Flow Statement

	Projected FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Total
Cash from Operating Activities:							
Operating Income (Loss)	168,743	358,817	400,106	444,995	490,973	831,150	2,526,041
RBB Income (Loss)	2,462,281	2,466,998	3,855,138	5,534,902	-194,383	184,467	11,847,123
Depreciation and Amortization	895,685	936,007	969,003	1,078,289	5,419,425	5,258,144	13,660,867
Change in Working Capital	<u>-127,384</u>	<u>-22,000</u>	<u>-2,782</u>	<u>156,171</u>	<u>143,496</u>	<u>-38,402</u>	<u>236,483</u>
Net Cash Provided by Op Activities	3,399,325	3,379,821	5,221,466	7,214,356	5,859,512	6,235,359	28,270,514
Cash from Noncapital Financing:							
Payment of OPEB Related Liability	0	-100,000	-100,000	-100,000	-100,000	0	-400,000
Cash from Capital and Related Financing:							
Interagency Expense	0	0	0	0	0	0	0
Capital Expenditures BBARWA	-1,939,616	-1,610,711	-1,517,226	-3,039,616	-2,684,515	-2,371,198	10,791,684
Capital Expenditures RBB	-2,196,011	-253,224	-31,858,627	-41,411,410	-2,369,934	0	-78,089,206
Connection Fee (Capital Contrib)	217,360	188,100	188,100	188,100	188,100	188,100	969,760
Proceeds from Debt/Grants RBB	2,196,011	253,224	31,858,627	41,411,410	2,369,934	0	78,089,206
BBARWA Debt Service:							
Interest Expense	-68,623	-53,532	-37,923	-30,714	-26,259	-21,638	-217,051
Principal Debt Amortization	<u>-440,493</u>	<u>-455,584</u>	<u>-291,640</u>	<u>-119,295</u>	<u>-123,750</u>	<u>-128,371</u>	<u>-1,430,763</u>
Total BBARWA Debt Service	-509,117	-509,117	-329,563	-150,009	-150,009	-150,009	-1,647,814
RBB Debt Service:							
Interest Expense	-144,500	-72,250	-706,060	-2,634,318	-3,137,601	-3,087,340	-6,694,729
Principal Debt Amortization	<u>0</u>	<u>-3,400,000</u>	<u>0</u>	<u>-323,445</u>	<u>-1,027,587</u>	<u>-1,077,849</u>	<u>-4,751,032</u>
Total RBB Debt Service	-144,500	-3,472,250	-706,060	-2,957,763	-4,165,188	-4,165,188	-11,445,761
Lease Revenue	74,227	68,400	69,669	70,976	72,322	73,709	355,595
Net Cash Used for Capital & Related Financing	-2,301,645	-5,335,578	-2,295,080	-5,888,312	-6,739,290	-6,424,586	-22,402,604
Cash from Investing:							
Interest Income	<u>406,445</u>	<u>318,586</u>	<u>338,461</u>	<u>390,969</u>	<u>409,892</u>	<u>433,737</u>	<u>1,864,352</u>
Net Cash from Investing	406,445	318,586	338,461	390,969	409,892	433,737	1,864,352
Net Change in Cash	1,504,124	-1,377,171	3,164,847	1,617,014	-569,886	244,510	4,338,928
Beginning Cash Balance	12,170,320	13,674,444	12,297,273	15,462,120	17,079,134	16,509,248	70,683,291
Ending Cash Balance	<u>13,674,444</u>	<u>12,297,273</u>	<u>15,462,120</u>	<u>17,079,134</u>	<u>16,509,248</u>	<u>16,753,758</u>	<u>75,022,220</u>
Change in Cash Balance	1,504,124	-1,377,171	3,164,847	1,617,014	-569,886	244,510	4,338,928



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 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Actual FY 2024	Projected FY 2025	Budget FY 2026
Operating Revenues							
BBARWA Annual Charges	5,437,076	5,602,113	5,845,163	6,095,467	6,359,676	6,681,319	7,243,787
RBB Annual Charges	0	0	0	146,416	1,311,360	2,462,281	2,466,998
Standby Charges	81,660	80,300	79,220	77,590	75,297	73,252	71,807
Rental Income	51,855	52,592	70	11,096	7	10,924	4
Waste Disposal	18,755	23,859	22,000	25,263	30,003	31,839	26,593
Other Revenue	0	793	7,709	19,819	53,396	4,630	0
Operating Revenue	5,589,346	5,759,657	5,954,162	6,375,651	7,829,740	9,264,244	9,809,189
Operating Expenses							
Salaries and Benefits	2,353,414	2,447,706	2,549,891	2,760,296	2,944,982	3,190,017	3,434,500
Power	453,306	459,483	388,721	434,357	442,662	507,012	529,090
Sludge Removal	276,292	319,660	271,361	258,216	291,833	311,994	342,583
Chemicals	47,596	96,119	51,788	80,548	95,601	106,023	100,939
Materials and Supplies	159,052	120,308	120,638	148,013	142,604	188,609	214,065
Repairs and Replacements	253,789	262,795	156,609	339,659	148,728	314,535	250,013
Equipment Rental	351	835	111	3,096	950	2,004	2,054
Utilities Expense	14,180	61,996	22,427	48,982	28,578	40,047	41,003
Communications Expense	39,043	44,988	48,093	58,941	65,148	66,481	71,886
Contractual Services – Other	78,879	90,873	86,212	80,920	153,562	177,481	175,271
Contractual Services – Professional	153,470	120,390	196,672	123,963	154,403	214,391	185,747
Permits and Fees	185,051	201,452	234,270	239,056	254,556	276,859	304,861
Property Tax	3,917	3,998	4,017	4,096	4,196	4,252	4,309
Insurance	112,262	171,882	188,844	226,698	229,000	268,664	317,839
Other Expense	45,018	37,216	42,987	42,370	46,038	69,166	73,208
BBARWA Depreciation and Amortization	863,233	898,422	883,556	893,690	858,504	895,685	936,007
RBB Depreciation and Amortization	0	0	0	0	0	0	0
Operating Expenses	5,038,855	5,338,122	5,246,199	5,742,904	5,861,345	6,633,221	6,983,374
Operating Income	550,491	421,535	707,963	632,747	1,968,395	2,631,023	2,825,815
Nonoperating Income							
Lease Revenue	0	0	0	0	64,047	74,227	68,400
Interest Income	131,406	-1,670	10,171	127,719	553,315	403,928	318,586
RBB Grants	0	0	0	516,018	1,698,831	2,196,011	3,788,852
Other Nonoperating Income	0	24,158	152,613	60,578	6,041	2,575	0
Total Nonoperating Income	131,406	22,488	162,784	704,315	2,322,624	2,679,258	4,175,838
Nonoperating Expenses							
BBARWA Interest	136,848	122,832	110,916	113,548	81,173	68,633	53,537
RBB Interest	0	0	0	40,942	144,500	144,500	72,250
Other Nonoperating Expense	183,751	464,895	141,741	82,199	11,558	5,031	5,031
Total Nonoperating Expenses	320,599	587,727	252,657	236,669	237,231	218,164	130,817
Income Before Capital Contributions	361,298	-143,704	618,090	1,100,393	4,053,788	5,092,118	6,870,836
Capital Contributions (RBB)	0	0	0	209,726	0	0	0
Capital Contributions (Connection Fees)	188,100	284,240	363,660	246,620	493,240	217,360	188,100
Net Income, Change in Net Position	549,398	140,536	981,750	1,556,739	4,547,028	5,309,478	7,058,936