

Big Bear Area Regional Wastewater Agency

Special Board Meeting Budget Workshop Agenda

March 4, 2025 at 10:00 a.m.

121 Palomino Drive, Big Bear City, CA 92314

1. **Call to Order**
2. **Pledge of Allegiance**
3. **Approval of Agenda**
4. **Public Forum** - Public testimony is permitted at this time on the following section of the agenda: Presentation and Introduction, and any other matters within the Agency's subject matter jurisdiction that are not included on the posted agenda. If you are unsure whether your public testimony falls within the subject matter jurisdiction or which agenda item it pertains to, please contact the Board Secretary before the meeting.

Each speaker is allotted a maximum of three minutes to address the Governing Board during this Public Forum. Public testimony on non-agenda items shall be limited to 30 minutes for all speakers. Please note that state law prohibits the Agency from taking action on matters not listed on the posted agenda.

The Governing Board requests that public testimony focus specifically on BBARWA business. The Chair, by majority vote, may waive these time limitations and may rule out of order testimony that is unduly repetitious or irrelevant.

5. **Presentation and Introduction**
 - a. Kendi Segovia 1-Year Recognition
 - b. Budget Presentation and Discussion
6. **Adjournment**

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if you need special assistance to participate in an Agency meeting or other services offered by the Agency, please contact the Agency at (909) 584-4018. Notification at least 48 hours prior to the meeting or time when services are needed will assist Agency staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are on file in the office of the Big Bear Area Regional Wastewater Agency and are available for public inspection during normal business hours.

Visit www.bbarwa.org to view and/or print the Agenda Package.



Annual Budget Workshop Proposed Operating And Capital 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



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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 (BBARWA’s Wastewater Treatment Upgrade Project) 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 (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	96.08	96.08	149.88	214.81	294.36	303.19
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 Government Finance Officers Association recommends the contingency fund to be two months of operating and maintenance expense. 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 addressing 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

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.



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 will 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: FY 2025 Amended Budget to FY 2025 Projected

INCOME STATEMENT				
Comparison FY 2025 Amended Budget to FY 2025 Projected				
	Budget FY 2025	Projected FY 2025	Budget vs Projected	
			\$	%
Operating Revenues				
Annual Charges – BBARWA	6,681,319	6,681,319	0	0%
Annual Charges – RBB	2,462,281	2,462,281	0	0%
Standby Fees	73,252	73,252	0	0%
Rental Income	10,924	10,924	0	0%
Waste Disposal Fees	22,244	31,839	9,595	43%
Other Operating Income	<u>0</u>	<u>4,630</u>	<u>4,630</u>	<u>nm</u>
Total Operating Revenues	9,250,019	9,264,244	14,255	0%
Operating Expenses				
Salaries and Benefits	3,274,752	3,190,017	-84,735	-3%
Power	516,348	507,012	-9,336	-2%
Sludge Removal	344,723	311,994	-32,729	-9%
Chemicals	106,023	106,023	0	0%
Materials and Supplies	178,420	188,609	10,189	6%
Repairs and Replacements	312,536	314,535	2,000	1%
Equipment Rental	2,004	2,004	0	0%
Utilities Expense	39,739	40,047	309	1%
Communications Expense	58,862	66,481	7,618	13%
Contractual Services – Other	165,471	177,481	12,010	7%
Contractual Services – Professional	208,535	214,391	5,856	3%
Permits and Fees	276,859	276,859	0	0%
Property Tax Expense	4,252	4,252	0	0%
Insurance Expense	298,302	268,664	-29,638	-10%
Other Operating Expense	65,744	69,166	3,422	5%
Depreciation Expense	<u>1,509,638</u>	<u>895,685</u>	<u>-613,953</u>	<u>-41%</u>
Total Operating Expenses	7,362,208	6,633,221	-728,987	-10%
Operating Income	1,887,812	2,631,023	743,212	39%
Nonoperating Income				
Gain (Loss) on Asset Sale	0	0	0	0%
RBB Grant Proceeds	4,747,377	2,196,011	-2,551,366	-54%
Interest Income	313,108	403,928	90,820	29%
Lease Revenue	58,434	76,744	18,310	31%
Other Nonoperating Income	<u>0</u>	<u>2,575</u>	<u>2,575</u>	<u>nm</u>
Total Nonoperating Income	5,118,918	2,679,258	-2,439,660	-48%
Nonoperating Expense				
Other Expense	5,040	5,040	0	0%
BBARWA Interest Expense	68,623	68,623	0	0%
RBB Interest Expense	<u>230,700</u>	<u>144,500</u>	<u>-86,200</u>	<u>-37%</u>
Total Nonoperating Expense	304,364	218,163	-86,200	28%
Income Before Capital Contributions	6,702,366	5,092,118	-1,610,248	-24%
Connection Fees – Capital Contributions	<u>188,100</u>	<u>217,360</u>	<u>29,260</u>	<u>16%</u>
Change in Net Position	6,890,466	5,309,478	-1,580,988	-23%



CASH FLOW STATEMENT			
Comparison FY 2025 Amended Budget to FY 2025 Projected			
	Budget FY 2025	Projected FY 2025	Budget vs Projected FY 2025
Cash from Operating Activities			
BBARWA Operating Income (Loss)	-574,469	168,743	743,212
RBB Operating Income (Loss)	2,462,281	2,462,281	0
Depreciation Expense	1,509,638	895,685	-613,953
Other Miscellaneous Income (Exp)	0	0	0
Change in Working Capital, Other Adjustments	<u>-107,536</u>	<u>-127,384</u>	<u>-19,848</u>
Net Cash Provided by Operating Activities	3,289,913	3,399,325	109,412
Cash from Noncapital Financing			
Payment of Pension Related Debt/Liabilities	0	0	0
Cash from Capital and Related Financing			
Other Nonoperating Expenses	0	0	0
BBARWA Capital Expenditures	-1,782,316	-1,782,316	0
RBB Capital Expenditures	-4,596,763	-2,196,011	2,400,752
Proceeds from Asset Disposition	0	0	0
Connection Fee (Capital Contributions)	188,100	217,360	29,260
Proceeds from Debt Issuance, Grants	4,596,763	2,196,011	-2,400,752
BBARWA Debt Service:			
Interest Expense	-68,623	-68,623	0
Principal Debt Amortization	<u>-440,493</u>	<u>-440,493</u>	<u>0</u>
Total BBARWA Debt Service	-509,117	-509,117	0
RBB Debt Service:			
Interest Expense	-230,700	-144,500	86,200
Principal Debt Amortization	<u>0</u>	<u>0</u>	<u>0</u>
Total RBB Debt Service	-230,700	-144,500	86,200
Lease Revenue	<u>55,917</u>	<u>74,227</u>	<u>18,310</u>
Net Cash Used for Capital and Financing	-2,278,116	-2,144,345	133,771
Cash from Investing			
(Increase) Decrease in Other Assets	0	0	0
Other Proceeds	0	0	0
Interest Income	313,108	406,445	93,337
Proceeds from the Sale of Investment	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash from Investing	313,108	406,445	93,337
Net Change in Cash	1,324,904	1,661,424	336,520
Beginning Cash Balance	12,170,320	12,170,320	0
Ending Cash Balance	<u>13,495,224</u>	<u>13,831,744</u>	<u>336,520</u>
Change in Cash Balance	1,324,904	1,661,424	336,520



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 \$85,000 during the period which consists of approximately \$4.4 million in capital expenditures and \$130,000 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 were also lower.

Change in Cash for the Period is projected to be \$1,661,424, higher than budget by \$336,520. 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.



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	272,815	4,151	2%
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	6,930,522	297,301	4%
Operating Income	2,631,023	2,878,667	247,643	9%
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>-2,575</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	6,923,687	1,831,570	36%
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	7,111,787	1,802,310	34%



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	411,669	242,926
RBB Operating Income (Loss)	2,462,281	2,466,998	4,718
Depreciation Expense	895,685	928,179	32,493
Other Miscellaneous Income (Exp)	0	0	0
Change in Working Capital, Other Adjustments	<u>-127,384</u>	<u>-24,676</u>	<u>102,708</u>
Net Cash Provided by Operating Activities	3,399,325	3,782,170	382,845
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	-1,782,316	-1,610,771	171,605
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	-2,144,345	-5,335,578	-3,191,232
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	1,661,424	-1,334,822	-2,996,246
Beginning Cash Balance	12,170,320	13,831,744	1,661,424
Ending Cash Balance	<u>13,831,744</u>	<u>12,496,922</u>	<u>-1,334,822</u>
Change in Cash Balance	1,661,424	-1,334,822	-2,996,246



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 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 \$6.9 million, up \$297,301 or 4% 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 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.

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

- **Repairs and replacements** expense is down \$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 \$2,878,667, an increase of \$247,643 or 9% from FY 2025. The increase in operating income reflects a 6% growth in operating revenues offset by a 4% 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 \$7,111,787, an increase \$1,802,310 or 34% from FY 2025. The increase is driven by higher operating income by \$247,643 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 -\$1,344,822 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. 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. This is partially offset by an increase in net cash provided by operating activities in the amount of \$382,845.



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%. 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 at 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 \$2.6 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 \$3.1 million to meet required reserve balances.

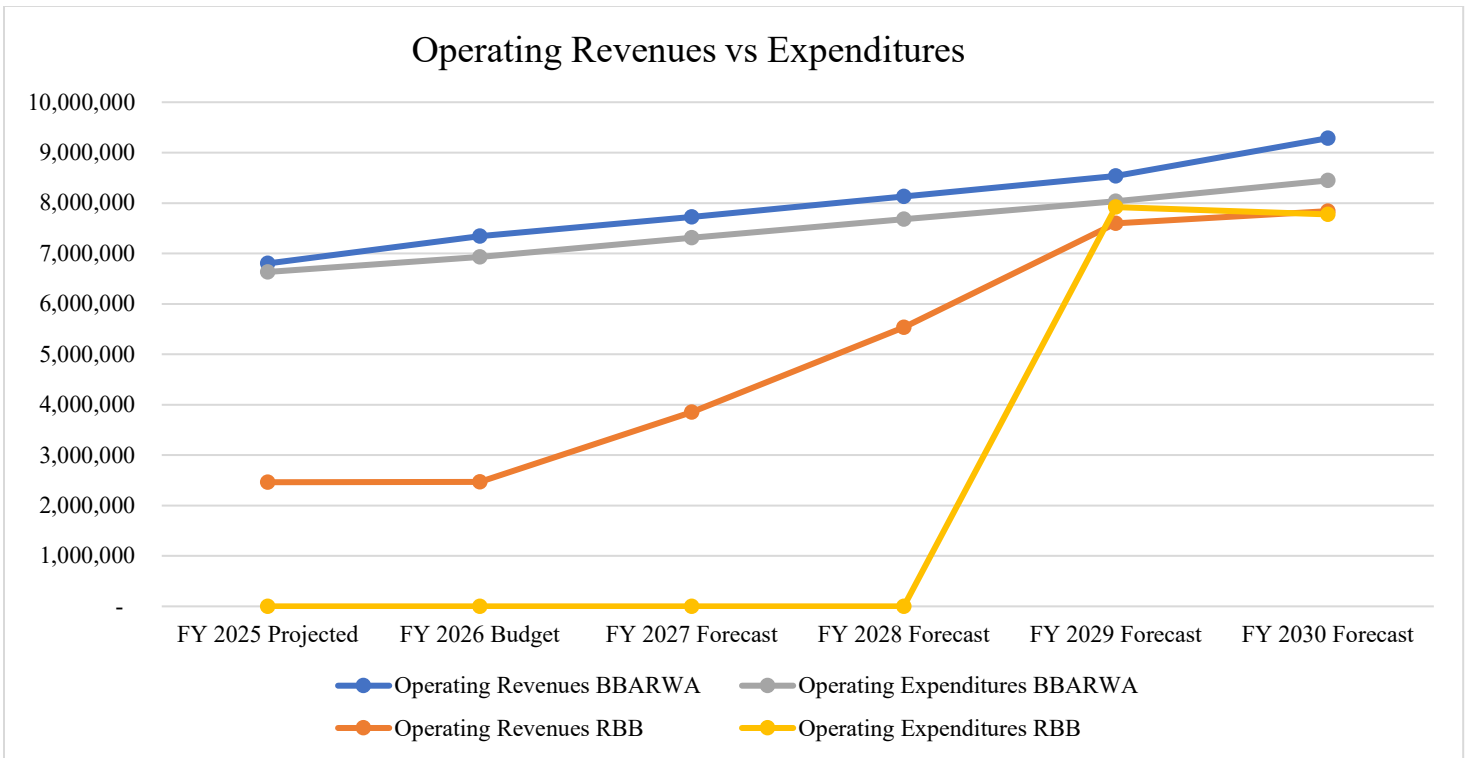
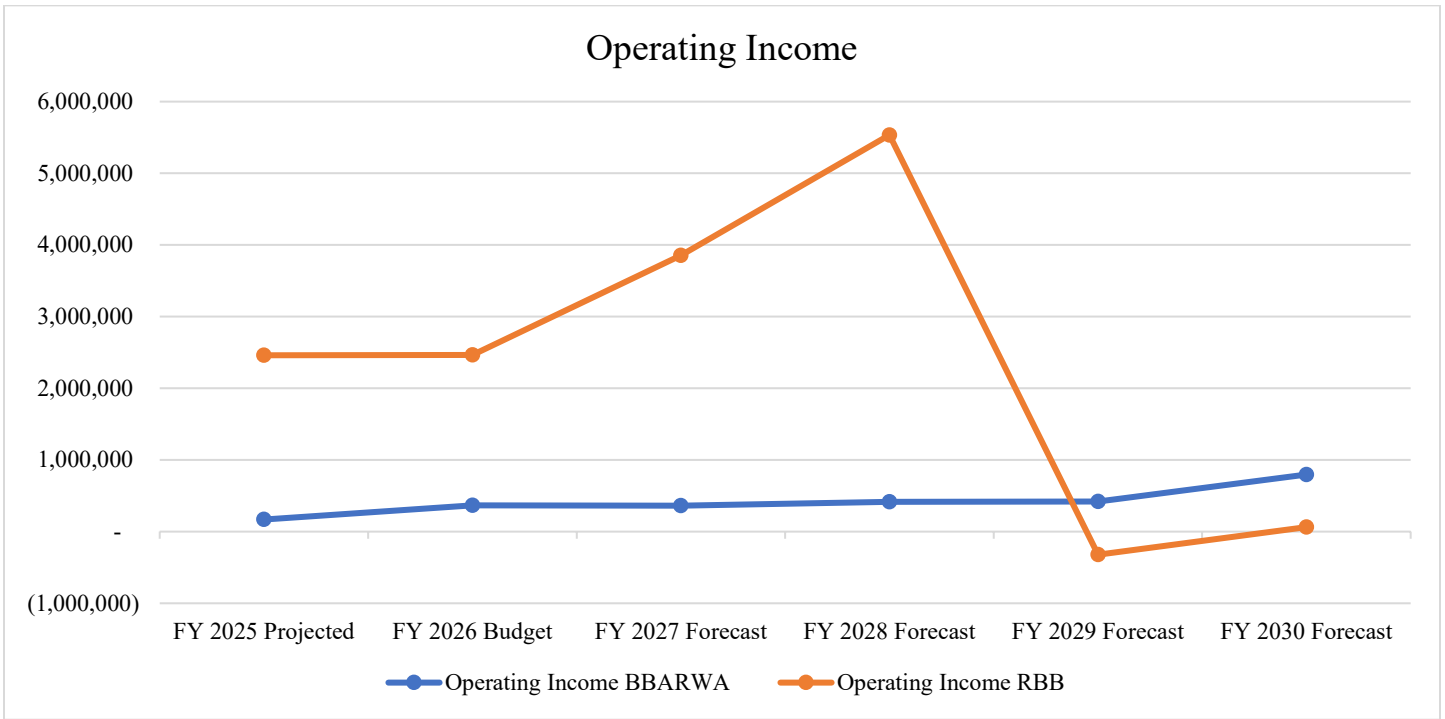
Operating Trends and Outlook

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 19.6% as a result of the addition of the RBB treatment equipment.

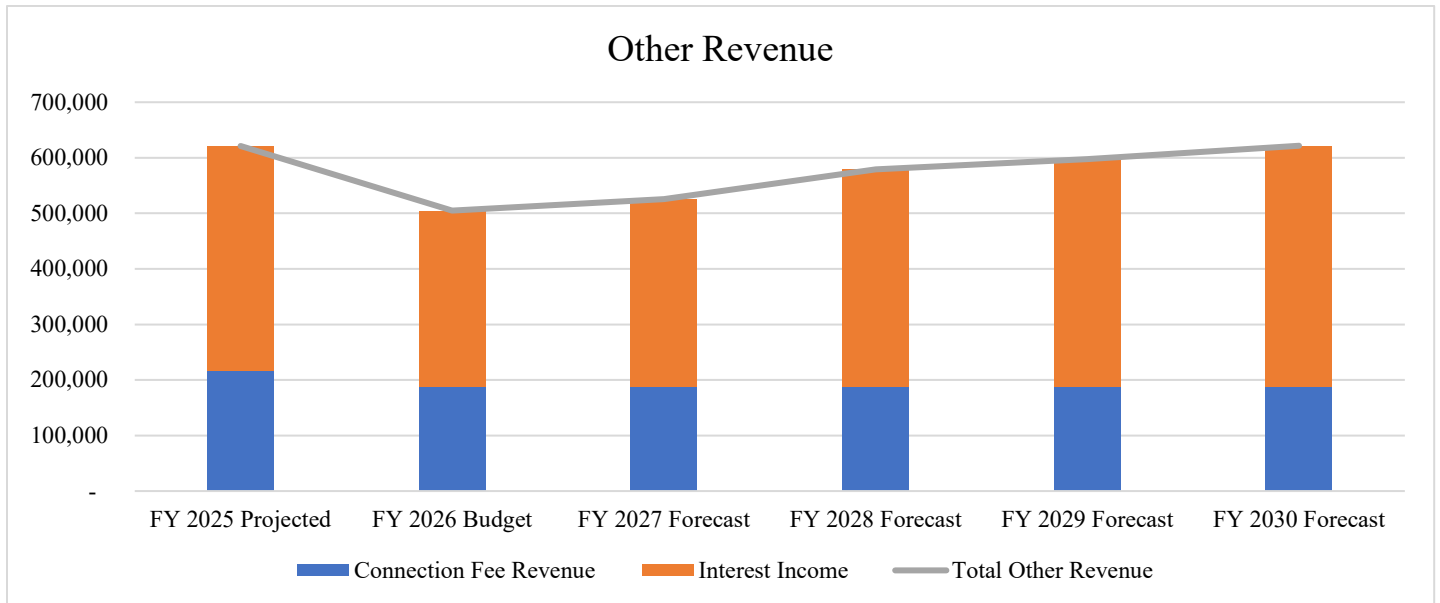
⁴ The calculation utilizes a 1.2x debt service coverage and assumes borrowing terms of 20 years at 5.5%.





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)

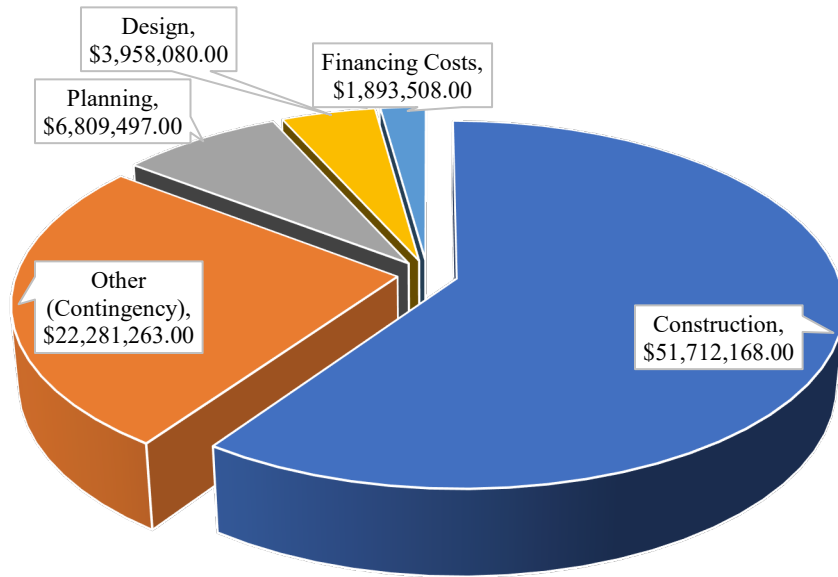
During the next five-year period the Agency is forecasting the completion of RBB. The Agency has performed three series of studies to review different possibilities for retaining and reusing treated wastewater in Big Bear. The most recent studies to determine the feasibility of a water reclamation project 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.

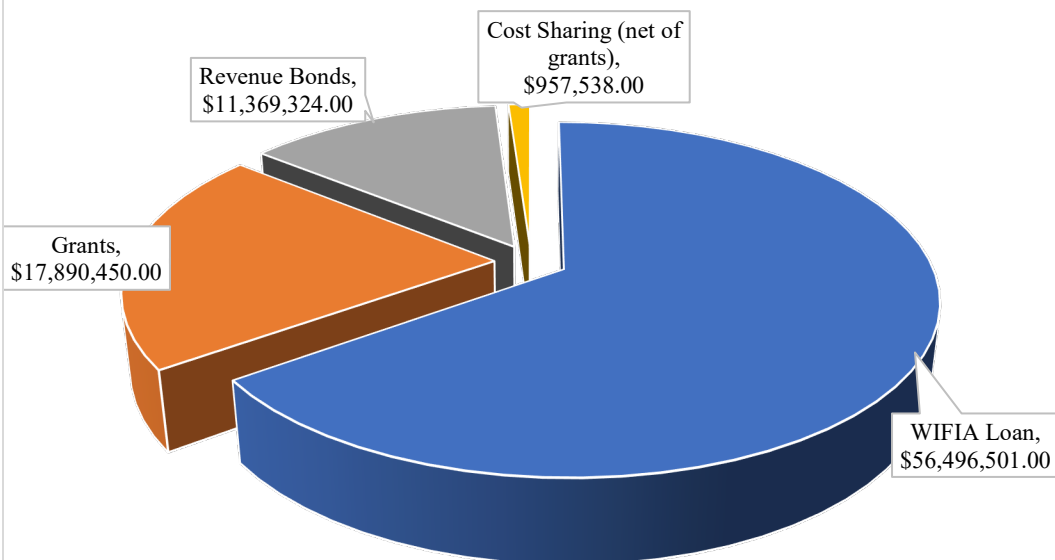
RBB cumulative project costs through completion are expected to be \$86.7 million and includes planning, design, construction, financing costs, and contingency. Funding for RBB consists of cost-sharing, grants, and debt financing.



RBB Cumulative Project Costs



RBB Cumulative Funding Breakdown



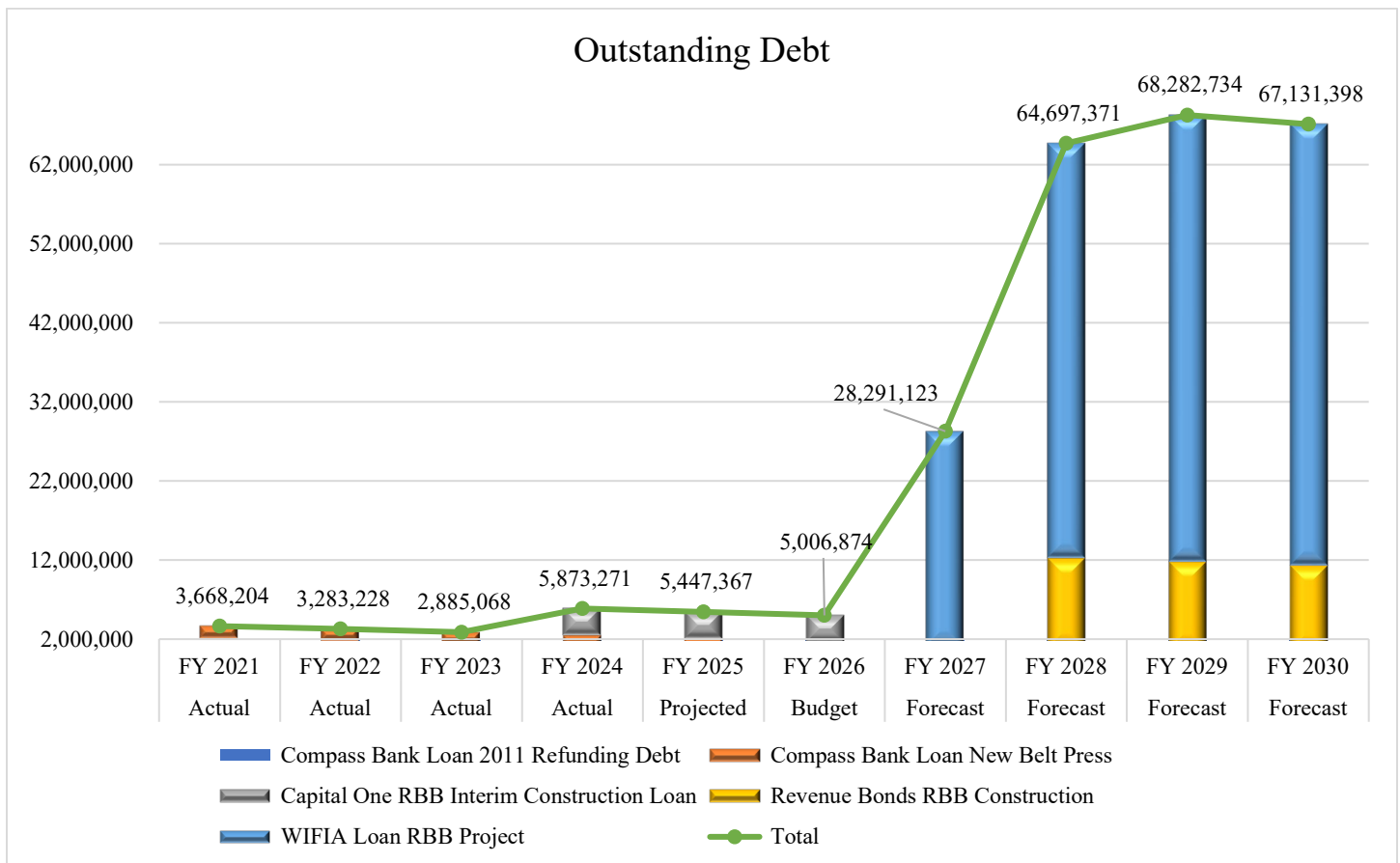


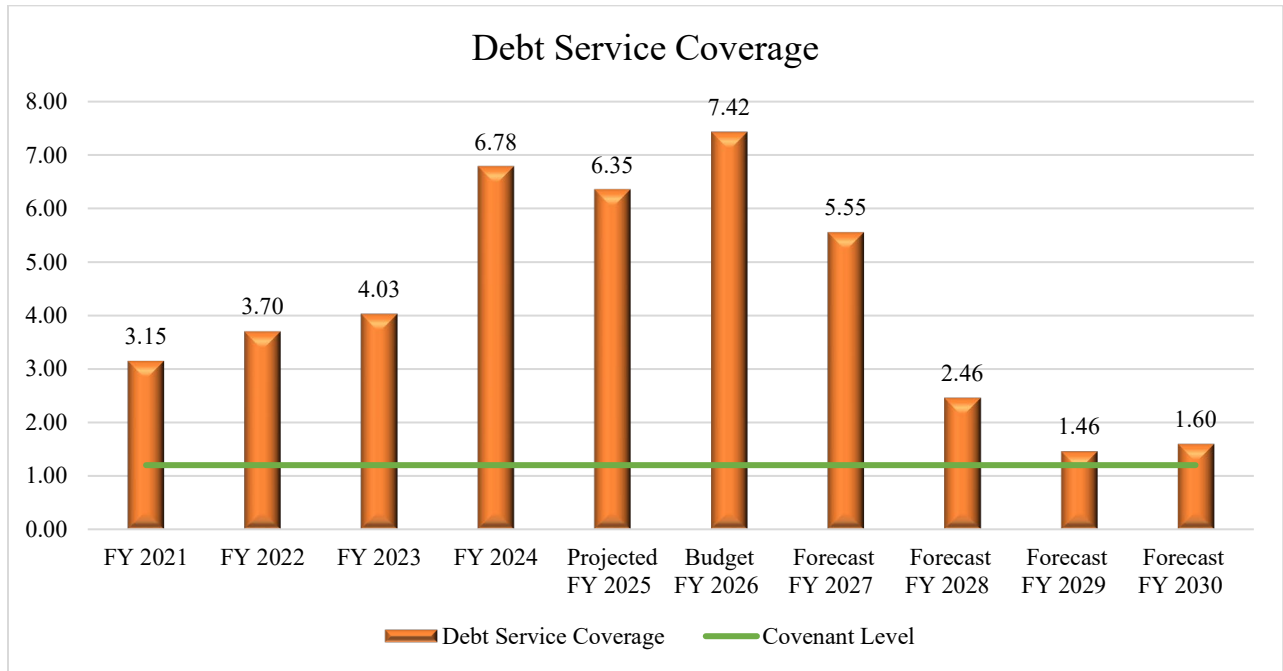
Debt Service Coverage Within Debt Covenant Requirements, New Debt Anticipated for RBB

Leverage and Debt Service

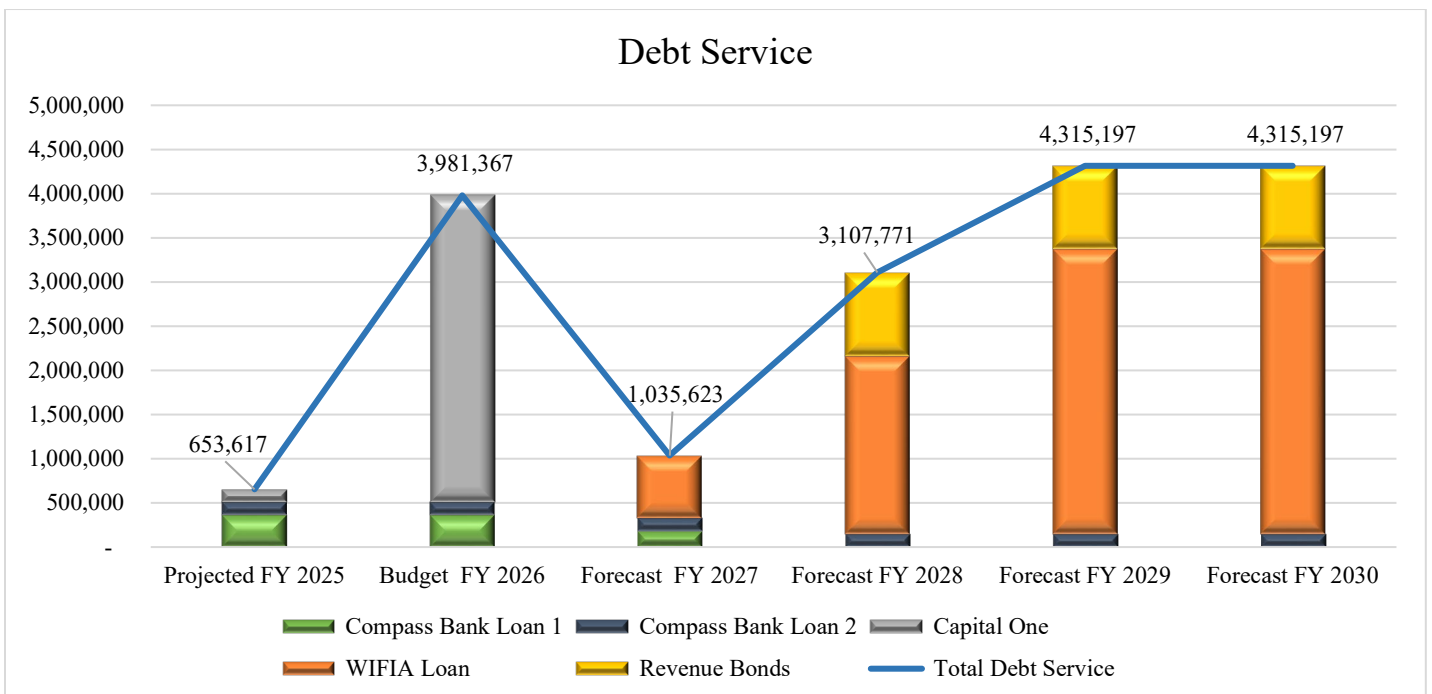
The Agency’s debt outstanding will be approximately \$5 million at the beginning of FY 2026 and is anticipated to increase to \$67 million by the end of FY 2030 with the anticipated new debt for RBB. Since FY 2021, the Agency’s highest debt outstanding has been \$5.9 million. Debt usage is based on the 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.





Discussion and Analysis

Operations

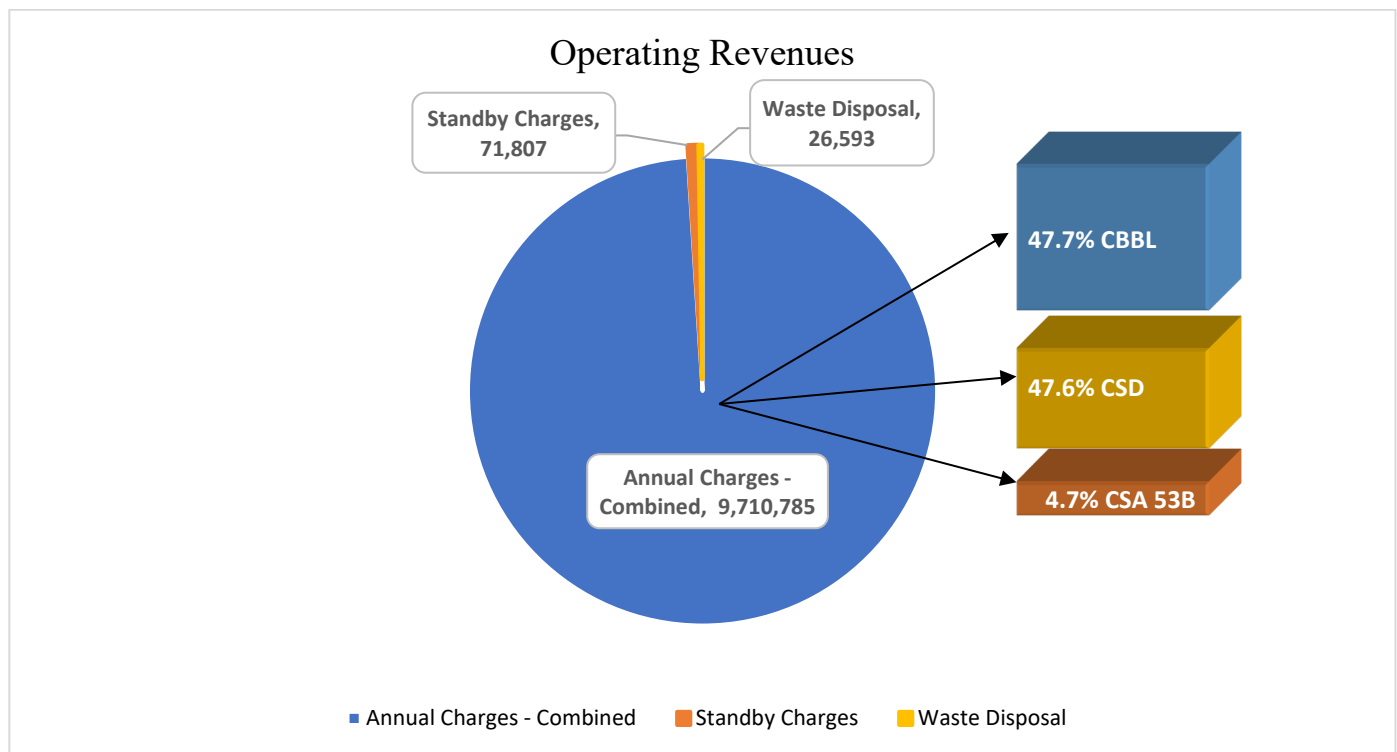
Operating Revenues

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	4,630	0	0	0	0	0
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 annual charges (or sewer user charges), which account for approximately 99% of the Agency’s operating revenues in FY 2026. 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

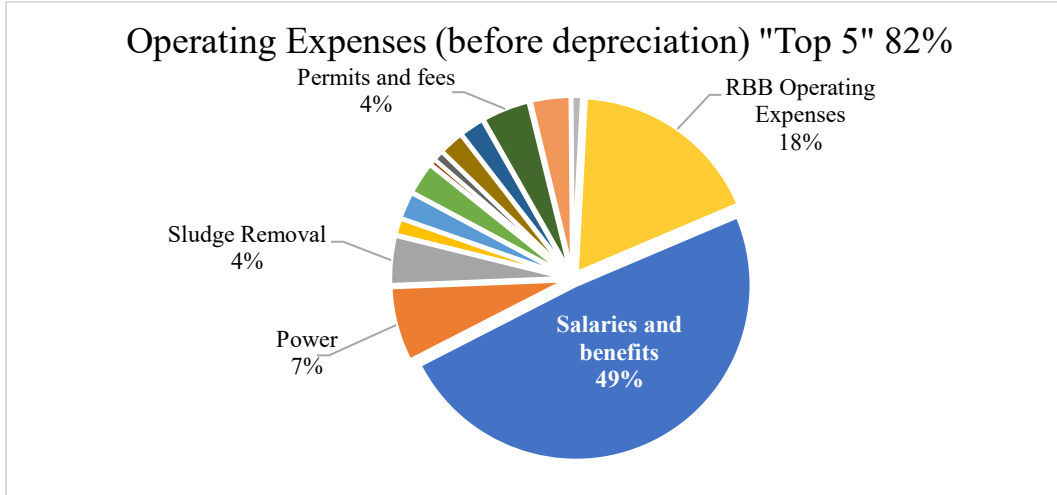
Standby charges are stable and predictable. Standby charges are the fees paid by the owners of vacant parcels and are collected from the member agencies at the same time as the annual charges. These charges decline annually as parcels are developed and connect to the system or are combined. Waste disposal 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 line item 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 to 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	0	0	0	0	<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 will purchase electricity during periods of net usage and receive compensation credits for periods of excess solar production from BVE. The Agency expects a 3% annual increase in power costs which is driven by annual price adjustments in the power purchase agreement and rate increases expected by 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 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

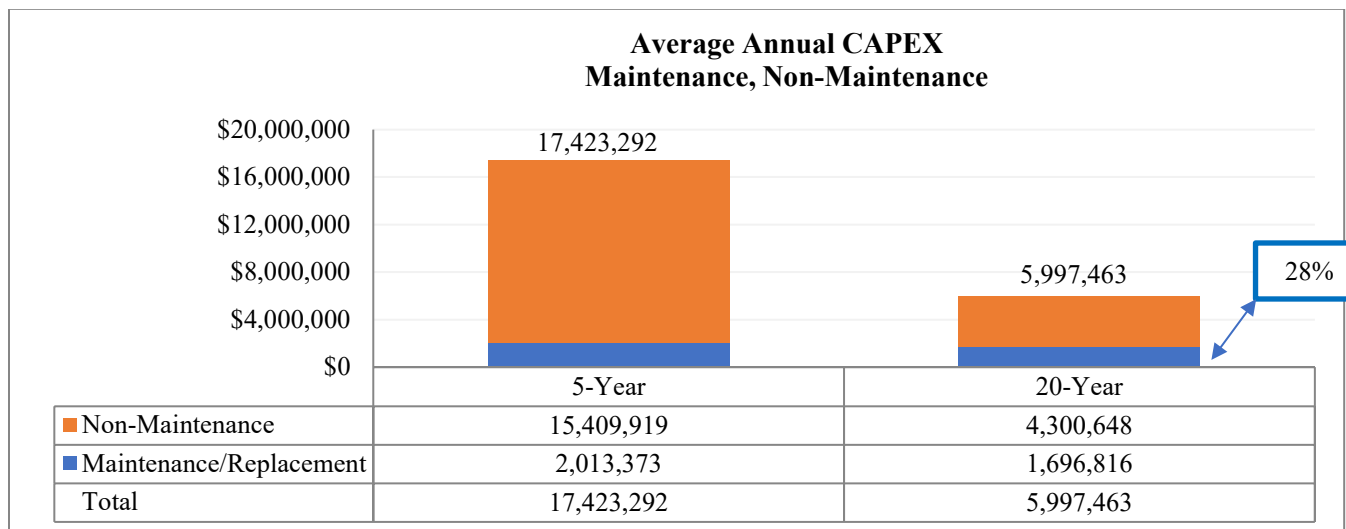
Debt Service and Bond Covenant Calculations

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	7.42	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

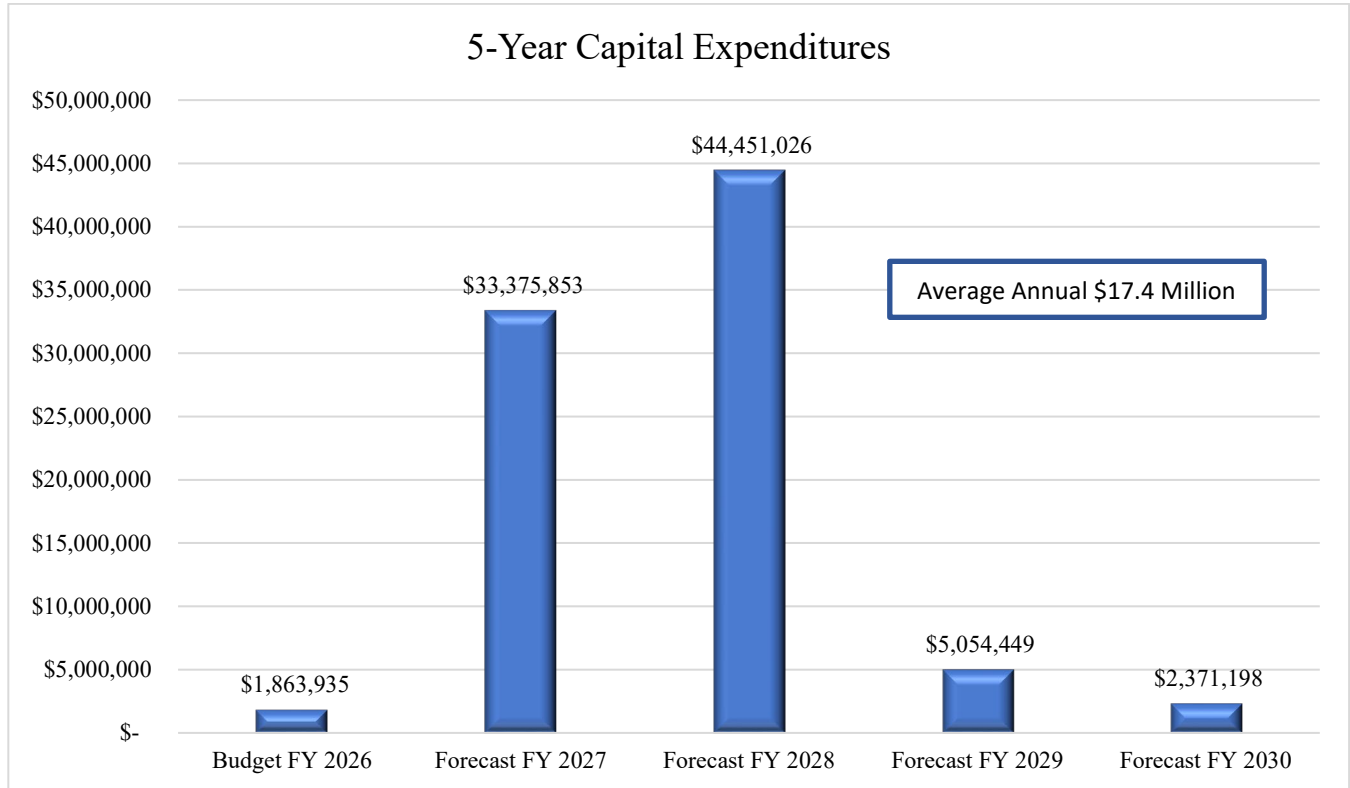
Capital Expenditures (capex)

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	0	0	390,000	1,350,000	0	1,740,000
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	0	59,010	0	0	0	59,010
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	0	0	0	0	49,419	49,419
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	0	0	0	165,546	0	165,546
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 re-established 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:	13,831,744	12,496,922	15,664,444	17,281,458	16,711,572	16,956,082
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>3,579,778</u>	<u>2,976,950</u>	<u>1,258,811</u>	<u>269,550</u>	<u>278,104</u>	<u>387,950</u>
Total Capital and Replacement Fund	5,190,489	4,494,176	4,298,427	2,954,065	2,649,302	2,628,803
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	3,025,093	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>1,000,391</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	1,650,391	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	13,831,744	12,496,922	15,664,444	17,281,458	16,711,572	16,956,082

At the end of FY 2030, the Agency is projected to have \$2.6 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 (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	\$ 6,002,344	\$ 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	7,508,298	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	\$ 7,341,494	\$ 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	7.42	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%



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	<u>4,630</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>nm (b)</u>
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	272,815	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	928,179	961,568	1,071,243	1,155,104	1,219,826	6.4%
RBB Depreciation and Amortization	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,257,653</u>	<u>4,031,998</u>	<u>nm (b)</u>
Operating Expenses	6,633,221	6,930,522	7,313,610	7,678,308	15,831,396	16,103,776	19.4%
Operating Income	2,631,023	2,878,667	4,262,680	5,986,942	303,258	1,021,937	-17.2%
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	<u>2,575</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>nm (b)</u>
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	<u>5,031</u>	<u>5,031</u>	<u>5,031</u>	<u>5,031</u>	<u>5,031</u>	<u>5,031</u>	<u>0%</u>
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	6,923,687	8,640,590	8,492,346	-2,383,418	-1,584,625	- (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	7,111,787	8,828,690	8,680,446	-2,195,318	-1,396,525	- (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	411,669	407,542	452,040	497,641	837,470	2,606,361
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	928,179	961,568	1,071,243	5,412,757	5,251,824	13,625,570
Change in Working Capital	<u>-127,384</u>	<u>-24,676</u>	<u>-107</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	3,782,170	5,224,141	7,214,357	5,859,512	6,235,359	28,315,538
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	-1,782,316	-1,610,711	-1,517,226	-3,039,616	-2,684,515	-2,371,198	-10,634,384
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	-2,144,345	-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	1,661,424	-1,334,822	3,167,522	1,617,014	-569,886	244,510	4,541,252
Beginning Cash Balance	12,170,320	13,831,744	12,496,422	15,664,444	17,281,458	16,711,572	71,444,888
Ending Cash Balance	<u>13,831,744</u>	<u>12,496,922</u>	<u>15,664,444</u>	<u>17,281,458</u>	<u>16,711,572</u>	<u>16,956,082</u>	<u>75,986,140</u>
Change in Cash Balance	1,661,424	-1,334,882	3,167,522	1,617,014	-569,886	244,510	4,541,252

Proposed FY 2026 Budget
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 For the Period Ending June 30, 2026

	<u>Budget FY 2026</u>
Operating Revenues:	
BBARWA Annual Charges	\$7,243,787
RBB Annual Charges	2,466,998
Standby Charges	71,807
Rental Income	4
Waste Disposal	26,593
Other Revenue	<u>0</u>
Total Operating Revenues	9,809,189
Operating Expenses:	
Salaries and Benefits	3,434,500
Power	529,090
Sludge Removal	342,583
Chemicals	100,939
Materials and Supplies	214,065
Repairs and Replacements	250,013
Equipment Rental	2,054
Utilities Expense (other than power)	41,003
Communications Expense	71,886
Contractual Services - Other	175,271
Contractual Services - Professional	185,747
Permits and fees	304,861
Property Tax Expense	4,309
Insurance	272,815
Other Operating Expense	73,208
Depreciation Expense	<u>928,179</u>
Total Operating Expenses	6,930,522
Operating Income	2,878,667
Nonoperating Income	
Gain (loss) on asset disposition	0
Grant Proceeds	3,788,852
Interest Income	318,586
Other Nonoperating Income	<u>68,400</u>
Nonoperating income	4,175,838
Nonoperating Expense	
Other Expense	5,031
BBARWA Interest Expense	53,537
RBB Interest Expense	<u>72,250</u>
Nonoperating expense	130,817
Income before Contributions	6,923,687
Connection Fees	<u>188,100</u>
Change in Net Position	\$7,111,787

Proposed FY 2026 Budget
STATEMENT OF CASH FLOWS
For the Period Ending June 30, 2026

Budget
FY 2026

Cash from operating activities:

BBARWA Operating Income (Loss)	\$411,669
RBB Operating Income (Loss)	2,466,998
Depreciation and Amortization	928,179
Change in Working Capital	<u>(24,676)</u>
Net cash provided by op activities	3,782,170

Cash from noncapital financing:

Payment of OPEB Related Liability	(100,000)
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Cash from capital and related financing:

Interagency expense	0
Capital Expenditures BBARWA	(1,610,711)
Capital Expenditures RBB	(253,224)
Connection Fee (Capital Contrib)	188,100
Proceeds from Debt Issuance, Grants Replenish Big Bear	253,224
BBARWA Debt Service:	
Interest Expense	(53,532)
Principal Debt Amortization	<u>(455,584)</u>
Total BBARWA Debt Service	(509,117)
RBB Debt Service:	
Interest Expense	(72,250)
Principal Debt Amortization	<u>(3,400,000)</u>
Total RBB Debt Service	(3,472,250)
Lease Revenue	68,400
Net cash used for cap and related financing	(5,335,578)

Cash from investing:

Interest Income	<u>318,586</u>
Net cash from investing	318,586

NET CHANGE IN CASH

(\$1,334,822)

Beginning Cash Balance	\$13,831,744
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Ending Cash Balance	<u>12,496,922</u>
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Change in Cash Balance	(1,334,822)
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Proposed FY 2026 Budget
CAPITAL EXPENDITURES
For the Period Ending June 30, 2026

	Budget <u>FY 2026</u>
OTHER EQUIPMENT	
IT System Production Host & Backup Appliance	<u>\$78,520</u>
Total Other Equipment	78,520
TREATMENT PLANT	
Auxilliary Pump Building	
Auxilliary Pump 1	47,191
Main Pump Building	
RAS (Return Activated Sludge) Header Replacement	945,000
Oxidation Ditches	
Oxidation Ditch 1 Wall Rehabilitation	<u>540,000</u>
Total treatment plant	1,532,191
REPLENISH BIG BEAR	
Replenish Big Bear Final Design	253,224
TOTAL	<u>\$1,863,935</u>