

BIG BEAR AREA REGIONAL WASTEWATER AGENCY

Special Meeting Budget Workshop Agenda

March 7, 2023 at 10:00 a.m.

121 Palomino Drive, Big Bear City, Ca 92314

and via Zoom teleconference

Join Zoom Meeting:

<https://us06web.zoom.us/j/84631153581?pwd=NkVCRlBhbVNSaWdZT0ZDMTJkVUVWZz09>

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Passcode: 176131

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1. CALL TO ORDER

In accordance with AB 2449, which modifies Government Code 54953, Director Herrick has requested to participate remotely for an emergency circumstance. Director Herrick will provide a general description of the need to participate remotely, disclose whether any individuals 18 years of age or older are present in the room at the remote location, and the general nature of their relationship. The Governing Board will vote on allowing participation.

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

4. PUBLIC FORUM

Public testimony is permitted only on matters listed on the posted agenda. Public comment on items listed on the posted agenda will be taken at the time each item is called for discussion. State law prohibits the Agency from taking action on any items not listed on the posted agenda.

Please note that the Governing Board is making efforts to follow the spirit and intent of the Brown Act and other applicable laws regulating the conduct of public meetings, in order to maximize transparency and public access. Comments may be submitted via the Zoom chat feature during the meeting. Every effort will be made to attempt to review the Zoom chat during the course of the meeting. The Chair will endeavor to take a brief pause before Governing Board action is taken on agenda items to allow the Board Secretary time to review the public's electronic communications. Every effort will be made during the meeting to read aloud all electronically submitted comments. Please note, all electronically submitted correspondence relating to this meeting will become part of the meeting record and will be cited within the meeting minutes. Please limit written comments to 300 words or less. In addition, prior to the close of public comment portions of the meeting, the Chair will provide the public an opportunity to verbally state their comment live via Zoom teleconference.

5. PRESENTATION AND INTRODUCTION

5.A. Budget Presentation and Discussion

1. Projected Performance FY 2023
2. Five-Year Forecast FY 2024 – FY 2028
3. New Budget FY 2024
4. Replenish Big Bear Current Timing, Funding, and Rate Collection

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.

Proposed FY 2024 Budget
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Period Ending June 30, 2024

	<u>Budget FY 2024</u>
Operating Revenues:	
Annual Charges	\$7,671,036
Standby Charges	75,297
Rental Income	0
Waste Disposal	21,690
Other Revenue	<u>0</u>
Total Operating Revenues	7,768,024
 Operating Expenses:	
Salaries and Benefits	2,924,650
Power	499,429
Sludge Removal	336,212
Chemicals	95,080
Materials and Supplies	180,189
Repairs and Replacements	247,688
Equipment Rental	912
Utilities Expense (other than power)	37,000
Communications Expense	72,644
Contractual Services - Other	109,588
Contractual Services - Professional	189,027
Permits and fees	259,973
Property Tax Expense	4,124
Insurance	240,678
Other Operating Expense	59,826
Depreciation Expense	901,809
Total Operating Expenses	6,158,829
 Operating Income	 1,609,195
 Nonoperating Income	
Gain (loss) on asset disposition	2,555
Finance Charge Income	0
Lease Revenue	55,048
Interest Income	126,395
Other Nonoperating Income	<u>0</u>
Nonoperating income	183,998
 Nonoperating Expense	
Other Expense	5,029
Interest Expense	<u>227,713</u>
Nonoperating expense	232,742
 Income before Contributions	 1,560,451
Connection Fees	<u>188,100</u>
Change in Net Position	\$1,748,551

Proposed FY 2024 Budget
STATEMENT OF CASH FLOWS
For the Period Ending June 30, 2024

Budget
FY 2024

Cash from operating activities:

Operating Income (Loss)	\$442,376
Depreciation expense	901,809
Change in Working Capital	<u>16,752</u>
Net cash provided by op activities	1,360,937

Cash from noncapital financing:

Payment of pension related debt/liability	0
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Cash from capital and related financing:

Interagency expense	0
Capital Expenditures BBARWA	(644,268)
Capital Expenditures Replenish Big Bear	(4,312,433)
Proceeds from Asset Disposition	0
Connection Fee (Capital Contrib)	188,100
Proceeds from Debt Issuance, Grants Replenish Big Bear	4,113,578
Debt Service:	
Interest Expense	(83,213)
Interest Expense Replenish Big Bear	(144,500)
Principal Debt Amortization	<u>(411,798)</u>
Total Debt Service	<u>(639,511)</u>
Net cash used for cap and related financing	(1,294,535)

Cash from investing:

(Increase) Decrease in Other Assets	0
Other Proceeds	0
Interest Income	126,395
Proceeds from the Sale of Investment	<u>0</u>
Net cash from investing	126,395

NET CHANGE IN CASH

\$192,797

Beginning Cash Balance	\$6,928,056
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Ending Cash Balance	<u>7,120,853</u>
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Change in Cash Balance	\$192,797
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Proposed FY 2024 Budget
 CAPITAL EXPENDITURES
 For the Period Ending June 30, 2024

	<u>Budget FY 2024</u>
ADMINISTRATION BUILDING	
Boardroom AV Upgrade	<u>42,000</u>
Total administration building	42,000
 EFFLUENT DISPOSAL EQUIPMENT	
Outfall Lines	
Cactus Flats Repair	131,841
Controls	
Service Upgrade	21,095
Cabinet	<u>36,916</u>
Total effluent disposal equipment	189,852
 INTERCEPTOR SYSTEM	
Structures	
LPS Outbuilding Storage	<u>51,350</u>
Total interceptor system	51,350
 TREATMENT PLANT	
Processing Equipment:	
Oxidation Ditch Wall Rehabilitation	108,862
Auxiliary Pump Building:	
Auxiliary Pump 1	44,742
Main Pump Building:	
RAS Pump Rebuild 1	5,655
RAS Pump 4 7.5 HP Rebuild	5,655
Effluent Pump 5 100 HP	28,998
Effluent Pump 6 100 HP	28,998
Treatment Equipment	
Wash Press Hedworks	<u>138,156</u>
Total treatment plant equipment	361,066
 Subtotal	 644,268
 REPLENISH BIG BEAR (engineering, environmental, and pre-construction activities)	 <u>\$4,312,433</u>
 TOTAL	 <u>\$4,956,701</u>



Budget Workshop

March 7, 2023



Operating Budget

Projected Performance FY 2023

Budget and Forecast FY 2024 – FY 2028

New Budget FY 2024



Budget Adjustments Total \$ 1.7 Million

Carryover Appropriations	\$1,548,195
Capital Expenditures	\$1,525,016
Electric Utility Cart (Ladder)	8,106
Copier	15,654
Scum and Tank Drain Pump	18,318
LPS Generator and Fuel System	152,213
Grit System Rehab	1,330,725
Operating Expenses	\$23,179
Materials and Supplies – Plumbing and Electrical	1,850
Repairs and Replacements – Equipment Repairs	16,829
Contractual Services – Labor, Electrical Supplies	4,500

New Appropriations	\$184,335
Operating Expenses	\$184,335
Equipment and Machinery	75,000
Repairs and Replacements	30,000
Salaries and Wages	79,335

Financial Summary

Projected vs. Budget	
Lower Op Expenses (-3%)	\$155,556
Lower Capital Expenditures (BBARWA)	113,159
Higher Net Non-Operating Income/Expense	<u>25,025</u>
Higher Cash Flow	\$293,740

Operating Expenses Down 3% (\$155,556)

Item	\$	%	Description
Salaries and Benefits	(\$56,816)	(2%)	Lower premium expenses and accrued benefits due to separation
Power	(\$66,319)	(14%)	Lower solar power purchases and differences in the net metering cost agreement versus actual cost
Insurance	(\$16,324)	(7%)	Lower workman's compensation rates
Repairs and Replacements	(\$15,000)	(4%)	Carryover in FY2023 due to timing

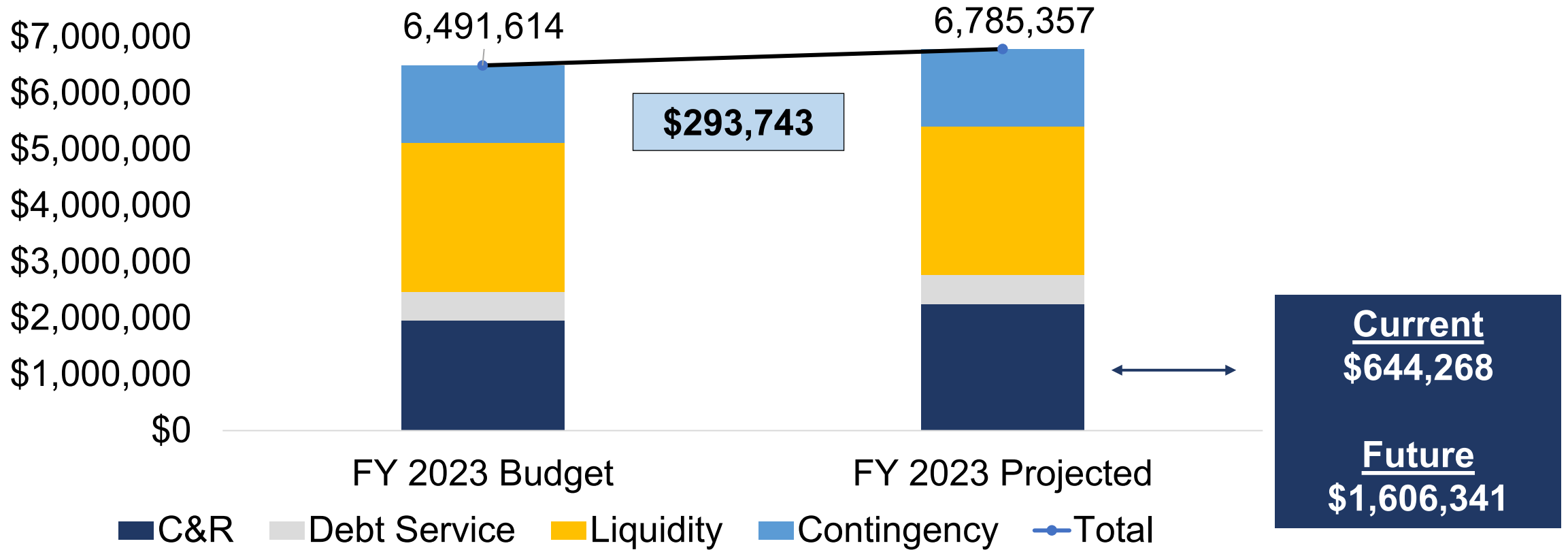
Lower Capital Expenditures \$113,159

Project	Budget	Projected	Variance	Description
Monitoring Wells Rehabilitation	\$36,185	\$0	(\$36,185)	Project Removed
Headers and Check Valves	280,538	200,000	(80,538)	Reduced Scope
	\$2,169,994	\$2,056,835	\$113,159	

Net Nonoperating Income/Expense \$25,025

Item	\$	%	Description
Nonoperating Income	\$25,912	19%	Due to an increase in interest income
Nonoperating Expense	(\$ 888)	1%	GSA Admin costs not budgeted

Cash and Designated Funds





Five-Year Forecast

FY 2024 – FY 2028



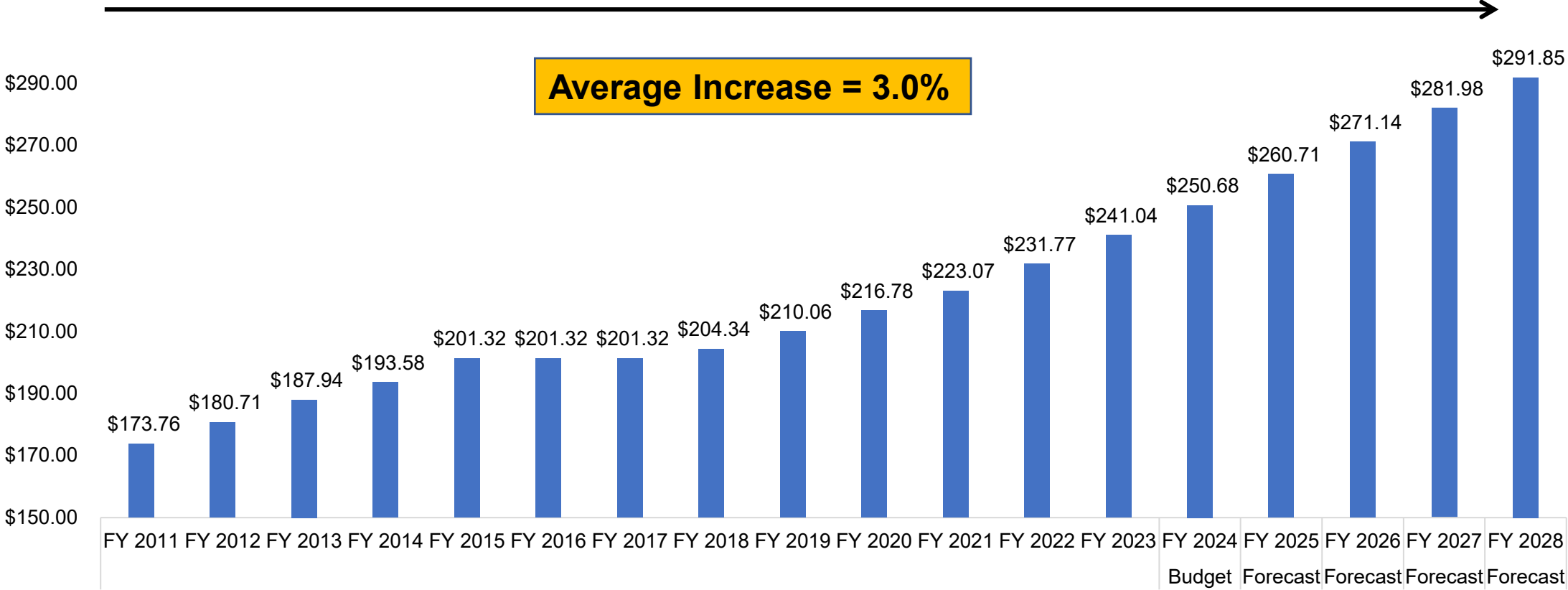
Forecast Summary: Economic Outlook

- Inflation Forecast
 - Survey of Professional Forecasters 2023 CPI 3.1%, 2024 2.5%
 - Regional CPI at 8.7% vs 5.8% a year ago (annual average)
 - CCI 7% vs 6% a year ago (annual average)
- BBARWA Forecast is 3% - 2.5%
2.6% average FY 2024 – FY 2028
- Operating Expenses increase 4% on average
- Rate adjustments average 4%

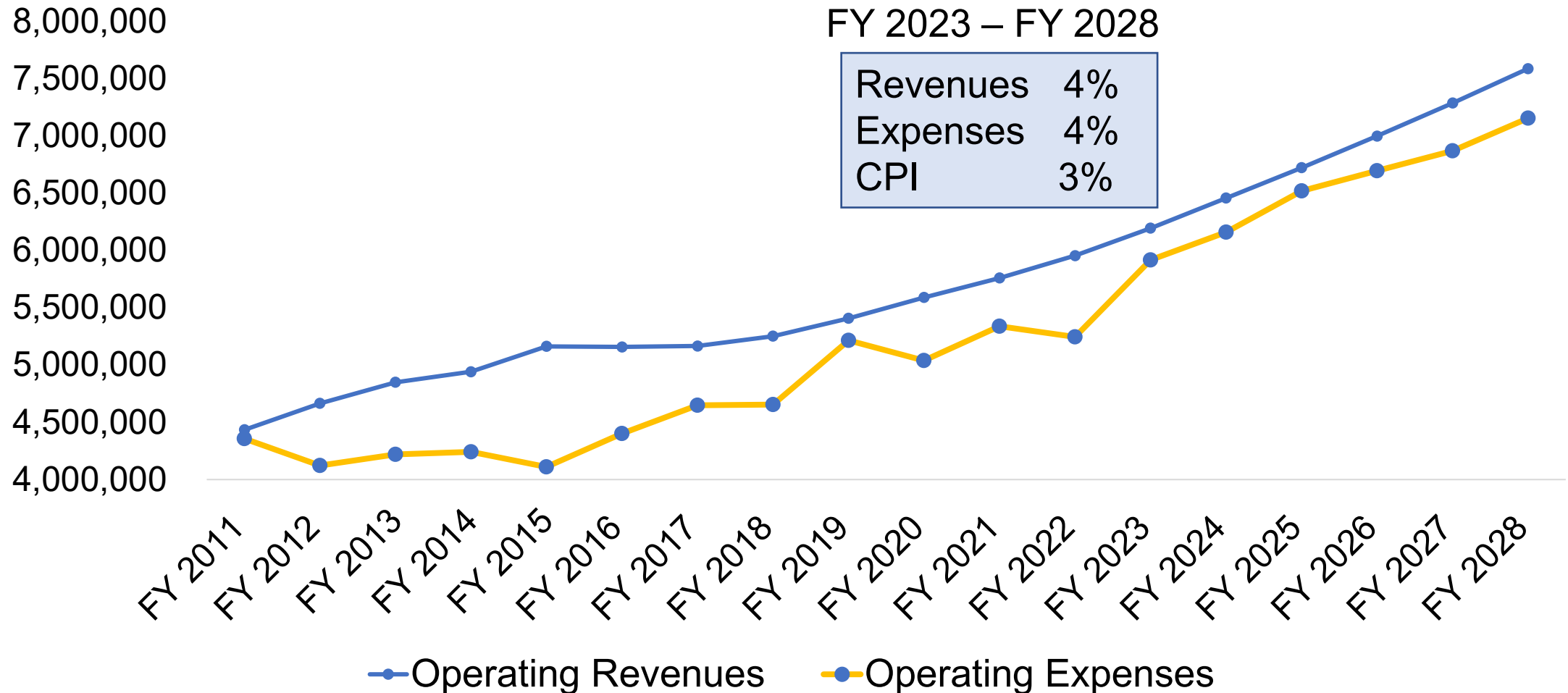
Forecast Summary

- Capital Expenditures Total \$3.9 million (approximately \$770,000 per year)
 - 100% cash funding, no new debt
- Reserve Funds are Adequate
 - Minimum balance requirements are met
- Debt Amortization Lowers over Period – FY 2027 Compass Bank Loan 1 Fully Amortizes
 - Debt Service Coverage increases from 3.0x to 10.7x
 - Debt Capacity Increases from \$2.8 million to \$7.3 million

Sewer User Fees



Long-Term Alignment of Op Revenues and Op Expenses



Operating Expenses Increase 4% on Average

Item	5-Year CAGR	Description
Salaries and Benefits	5%	7% declining to 4%
Power	6%	Bear Valley Electric rate increases
Sludge Removal	3%	Adjustments based on contractual agreements
Insurance Expense	6%	11% decreasing to 4%
Permits and Fees Expense	7%	Fluctuates based on actuals 6% – 10%

*These line items account for 75% of operating expenses

5-year Capital Improvement Plan Highlights

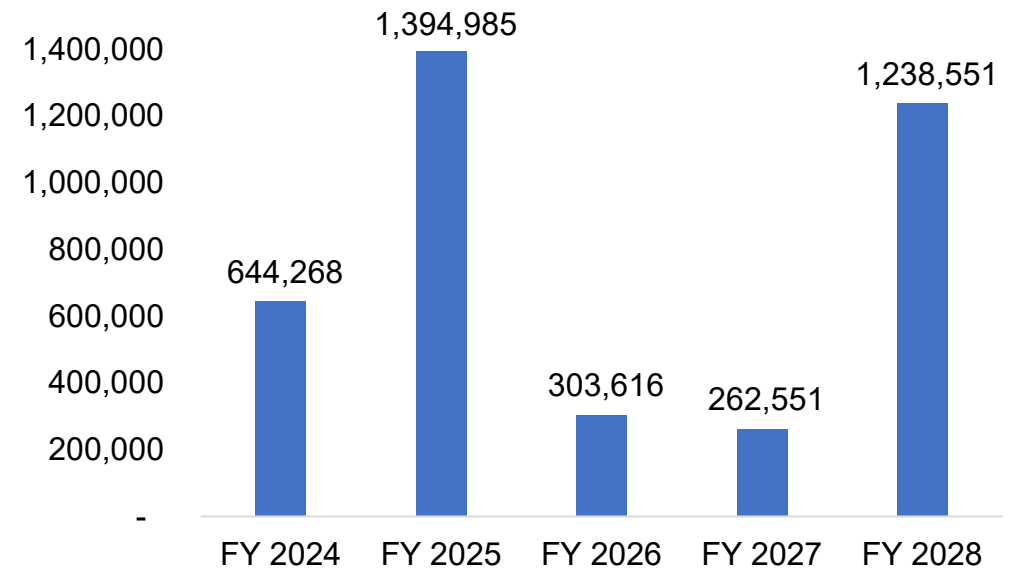
- Oxidation Ditch Wall Rehabilitation
 - Estimated **\$872,000**
- Asphalt Repair
 - Admin Parking Lot/ Palomino Drive
 - Estimated **\$478,000**
 - In Plant Asphalt
 - Estimated **\$650,000**
- Replacement of Transportation Equipment
 - Dump Truck and Loaders
 - Estimated **\$345,000**

5-Year CIP Totals \$3.9 Million

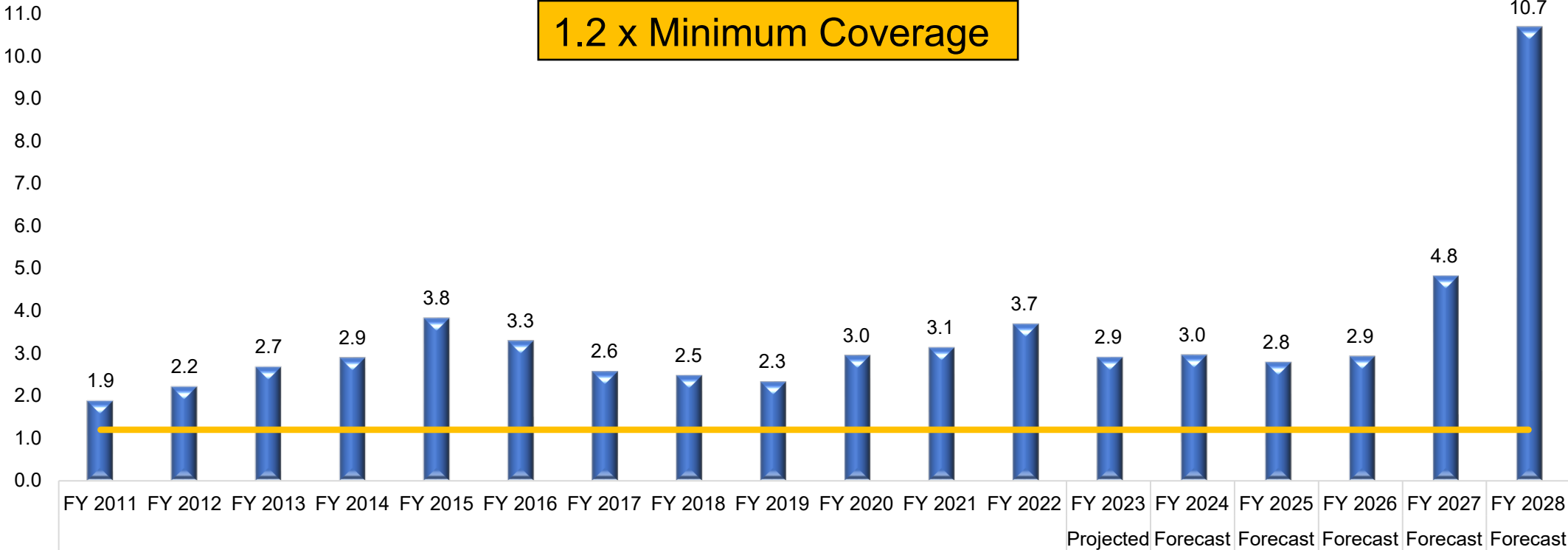
Asset Investment	
\$	Asset
\$1.4 M	Treatment Plant Maint. / Replacement
\$503,000	Other Equipment (HVAC, IT, Electrical, Mobile Pumping, Security System)
\$415,000	Transportation Equipment
\$1.1 M	Asphalt Replacement/Repair
\$204,000	Effluent Disposal Equipment
\$232,000	Interceptor Improvements
\$ 29,000	Flow Measuring Devices

Timing

Average Annual = \$768,794



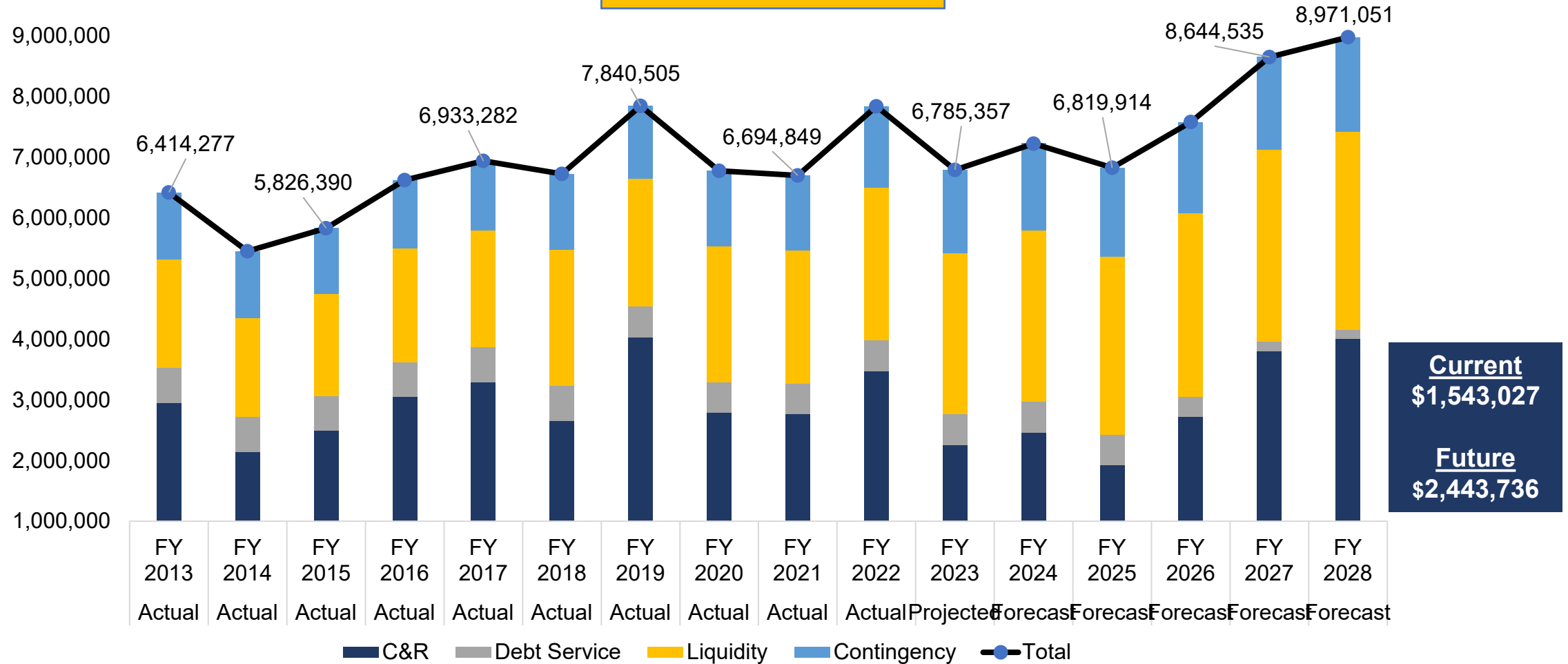
Debt Service Coverage



■ BBARWA — Covenant Level

Cash and Designated Fund Balances


FY 2023 - FY 2028
\$2,185,694





New Budget

2024



Financial Summary

FY 2024 (end of period)

- Agency is financially strong
- Debt Service Coverage of 3.0x
- Debt Capacity \$2.8 million
- Minimum reserve requirements are met

Operating Revenue

- Operating expenses increase 4%
- Rate increase of 4%
- Capital expenditures of approximately \$644,000
- Positive cash flow of \$432,595

Operating Expenses Increase 4% (\$242,371)

Line Item	Variance \$	Variance %
Salaries and Benefits	\$135,009	5%
Power	\$86,692	21%
Sludge Removal Expense	\$20,918	7%
Materials and Supplies	\$24,482	17%
Repairs and Replacements	(\$80,209)	-24%
Contractual Services – Professional	\$22,407	13%
Permits and Fees	\$14,767	6%
Insurance	\$13,294	6%

Higher Operating Expenses: Salaries and Benefits Increase 5%

Line Item	Variance \$	Variance %
Salaries and Benefits	\$135,009	5%

- Benefits Expense 14%
 - Increased Benefit Premiums (Life, Dental, Vision)
 - Increased Retirement and OPEB Contributions
- Salaries and Wages (1%)
 - CPI/COLA – 8.7%
 - Wage adjustment cap 8.7% (no merit adjustments)
 - Lower salaries due to staffing changes
 - Two positions frozen based on Compensation Study

COLA

Consumer Price Index Average Annual Change

CPI for All Urban Consumers (CPI-U)

Area: Riverside-San Bernardino-Ontario, CA

Year	Jan	Mar	May	Jul	Sep	Nov	Annual	Annual Average
2018	100.916	101.897	102.929	103.139	103.241	103.616	102.732	
2019	103.991	104.749	105.959	105.816	106.412	106.573	105.697	2.9%
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%

Higher Operating Expenses

Line Item	Variance \$	Variance %	Description
Power	\$86,692	21%	Increase in Bear Valley Electric Rates
Sludge Removal Expense	\$20,918	7%	CPI Adjustments and Fuel Base Rate
Materials and Supplies	\$37,872	27%	Increase in lab supply costs and license fees
Contractual Services – Professional	\$22,407	13%	Increase in other professional services
Permits and Fees	\$14,767	6%	Increase in SWRCB fees and ELAP Laboratory fees paid every two years

Lower Operating Expenses

Line Item	Variance \$	Variance %	Explanation
Repairs and Replacements	(\$80,209)	-24%	Previous year included an unexpected repair

FY 2024 Capital Expenditures

Effluent Disposal Equipment

- Controls \$58,011

Outfall Lines

- Cactus Flats Repair \$131,841

Interceptor System

- LPS Outbuilding Rehab \$51,350

Other Equipment

- Boardroom AV Upgrade \$42,000

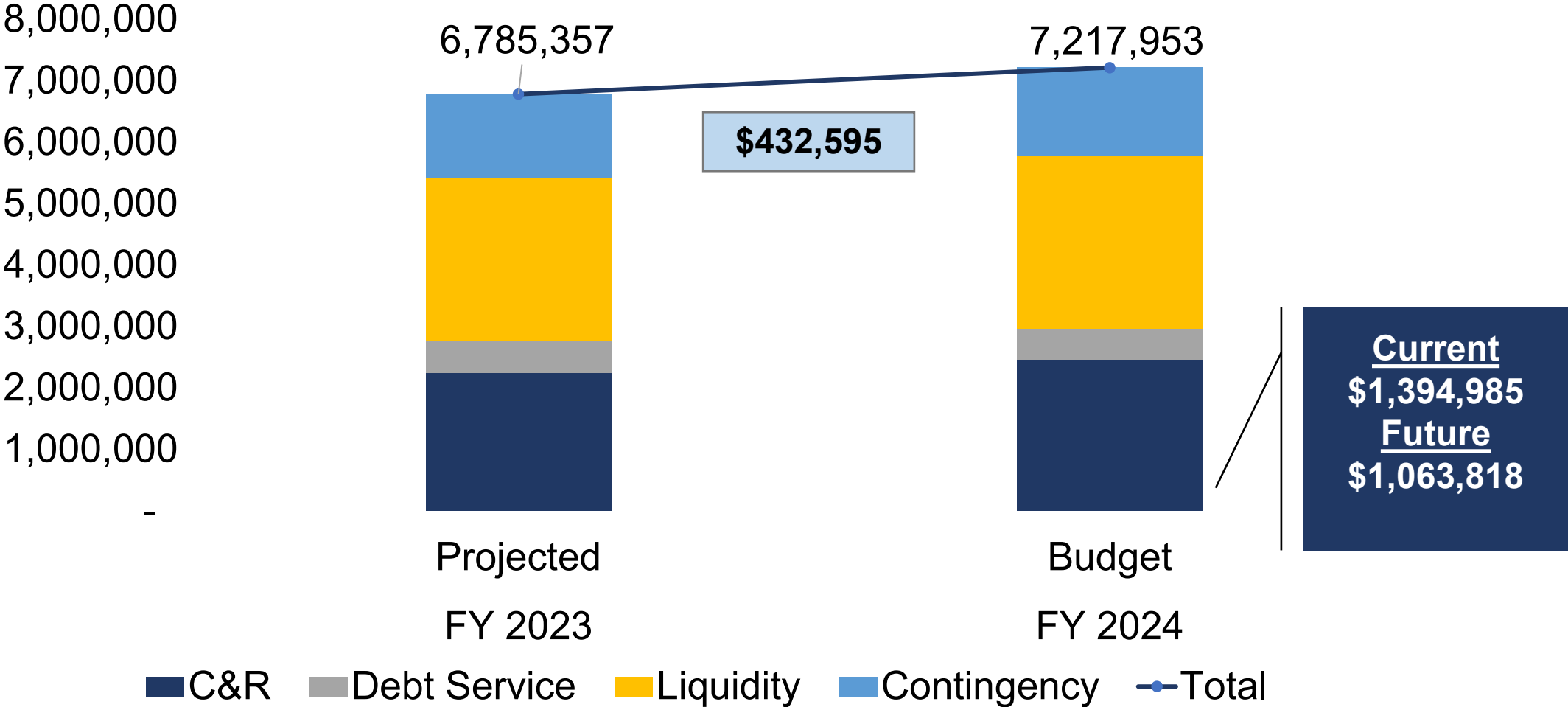
Treatment Plant

- Oxidation Ditch Wall Engineering \$108,862
- Pumps
 - Auxiliary Pump 1 44,742
 - RAS Pump Rebuild 5,655
 - RAS Pump Rebuild 4 5,655
 - Effluent Pump 5 28,998
 - Effluent Pump 6 28,998
- Headworks Wash Press 138,156

Total Capital Expenditures

- **Total** **\$644,268**

Cash and Designated Fund Balances

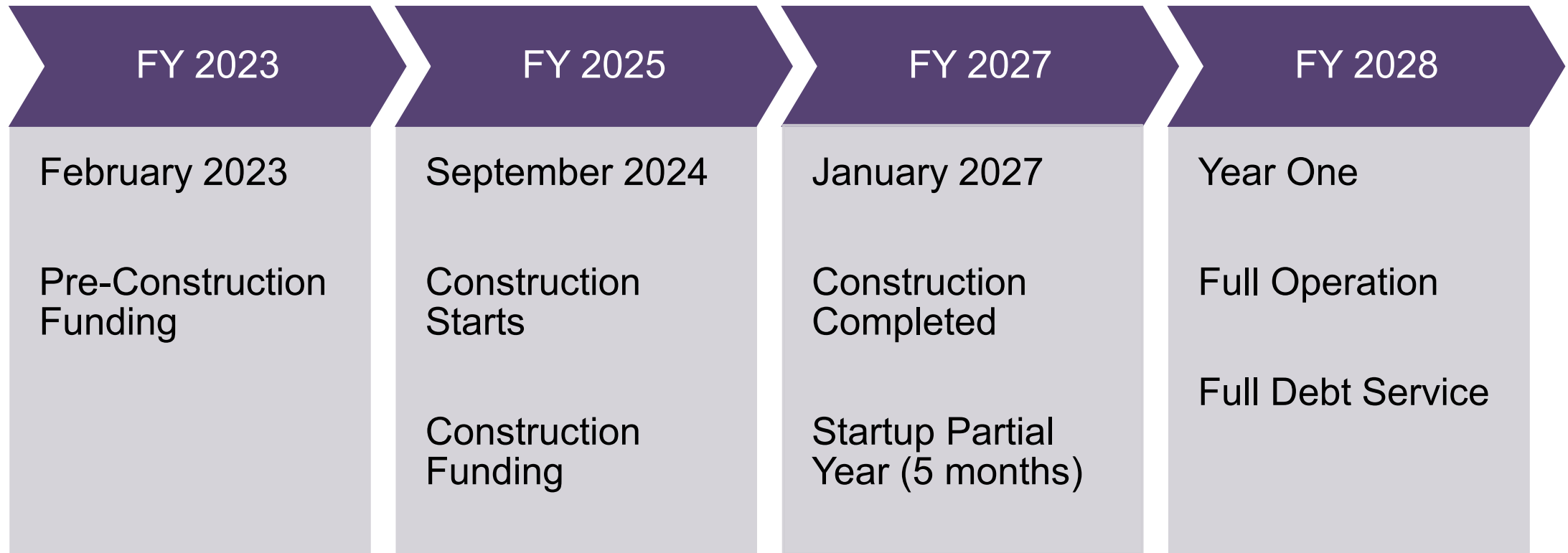




REPLENISH
— *Big Bear* —

Current Timing, Funding, and
Rate Collection

RBB Timeline



RBB Funding

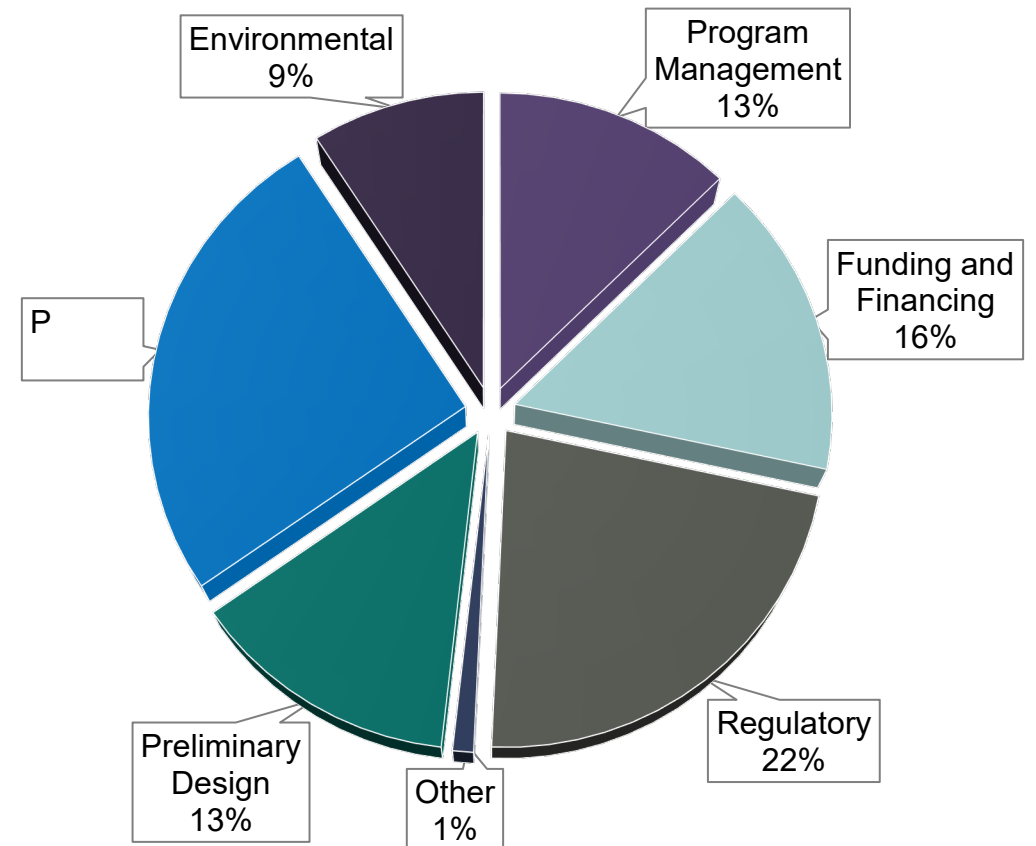
Pre-Construction Costs

- Costs funded by Partner Agencies, debt service, and grants
 - MWD, DWP, CSD and BBARWA
 - DCI, IRWM grants awarded (\$5.1 million)
 - Debt service (\$3.4 million)

- Grants – in process/expected (\$17.3 million)
- Funded with debt
- Debt service paid by ratepayers

- Ratepayers
- Could be offset by other revenue from Project Beneficiaries
 - Other revenue from Project Beneficiaries is currently in negotiations

Cumulative Project Costs at 6/30/23 \$4.9 Million



RBB Rates through FY 2028

- ▶ RBB construction starts FY 2025 to be completed in FY 2027
 - ▶ Updated construction estimate of \$71 M
- ▶ RBB funded through long-term debt (primarily low interest loans) and grants
 - ▶ Annual debt service assumes interest only through construction
 - ▶ Principal and interest at completion of construction (FY 2027)
 - ▶ Grants assume current awarded, no additional
- ▶ Additional annual O&M expense starting in FY 2027
 - ▶ FY 2027 is a partial year (approximately \$1.5 M)
 - ▶ FY 2028 is escalated and starts at approximately \$3.5 M
- ▶ Annual debt service of approximately \$2.8 M in FY 2027
 - ▶ Reflects total annual RBB debt service
- ▶ Future Capex included in FY 2028 (approximately \$350,000)
- ▶ Other agency contributions not included at this time

RBB Projected Cash Flow and Borrowing

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Revenues					
Sewer User Fees	\$1,311,375	\$2,441,873	\$3,815,945	\$5,478,729	\$7,521,665
Other	0	0	0	0	0
Total Revenues	1,311,375	2,441,873	3,815,945	5,478,729	7,521,665
Operating Expenses					
Op Expenses	0	0	0	1,448,383	3,504,549
Total Operating Expenses	\$0	\$0	\$0	\$1,448,383	\$3,504,549
Non-operating Income					
Grant Revenue	4,113,578	871,999	8,159,595	8,615,928	0
Total Non-Operating Revenue	\$4,113,578	\$871,999	\$8,159,595	\$8,615,928	\$0
Non-operating Expense					
Debt Service Interest Expense	144,500	1,616,420	1,980,619	2,170,013	2,170,013
Total Non-Operating Expense	\$144,500	\$1,616,420	\$1,980,619	\$2,170,013	\$2,170,013
Capital Expenditures					
Maintenance Capex	0	0	0	0	324,327
Program Management	402,672	395,672	339,087	130,751	0
Funding and Financing	211,457	438,810	84,680	562,741	0
Regulatory	210,960	139,240	43,210	0	0
Water Quality Monitoring	43,622	42,261	121,991	79,731	0
Piloting	109,143	0	0	0	0
Environmental Compliance	50,326	0	0	0	0
Final Design	3,284,254	551,528	0	0	0
Engineering Services During Construction	0	640,894	647,541	195,844	0
Construction Management	0	1,596,224	1,819,684	937,979	0
Construction	0	15,762,373	30,424,866	8,861,761	0
Total Capital Expenditures	\$4,312,434	\$19,567,002	\$33,481,059	\$10,768,807	\$324,327
Net Cash Flow	968,019	-17,869,550	-23,486,138	-292,546	1,522,776
Cumulative Debt Service	2,846,657	21,541,660	46,683,125	49,016,004	



REPLENISH
- Big Bear -

RBB Revenue Requirements

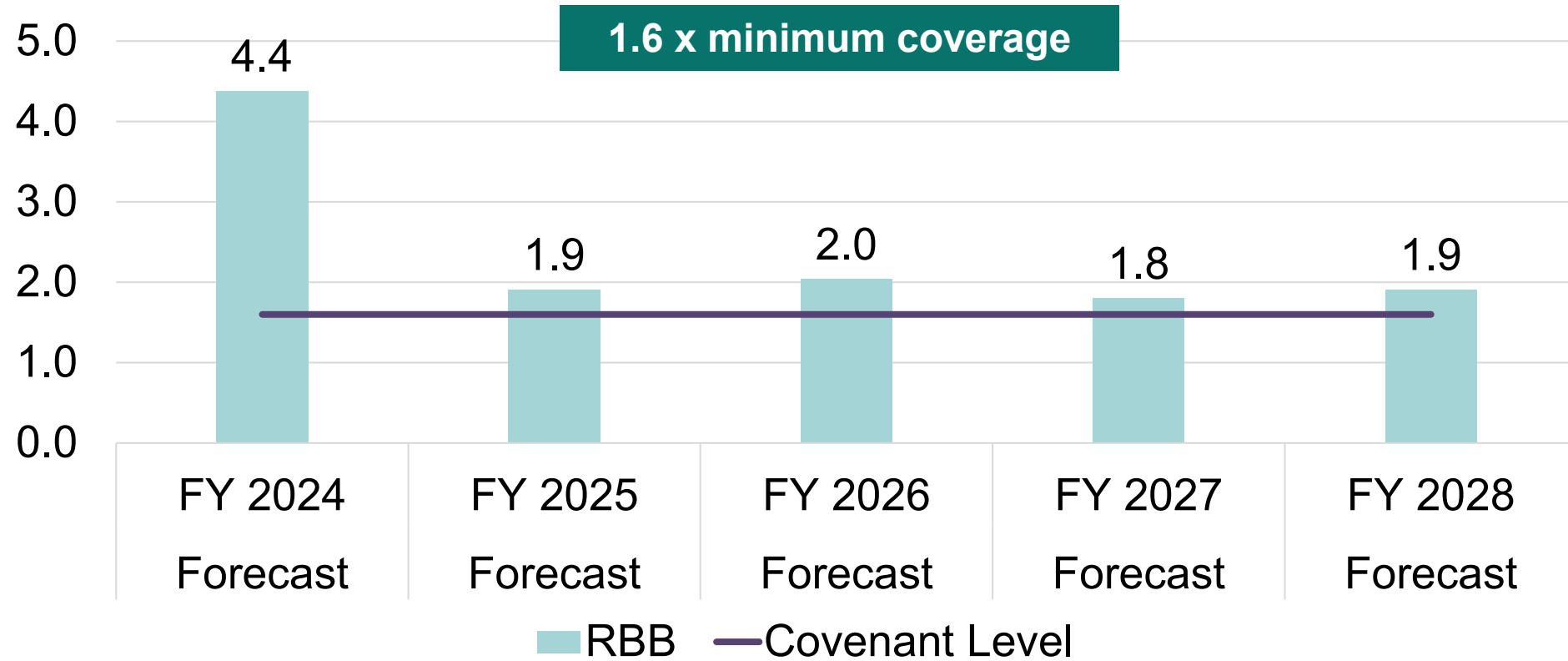
Revenue Requirements					
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Op Expenses b/f					
Depreciation	\$0	\$0	\$0	\$1,448,383	\$3,504,549
Maintenance					
CAPEX	0	0	0	0	324,327
Debt Service	144,500	1,616,420	2,126,643	2,813,992	2,813,992
Less					
Other Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Revenue Requirements	\$144,500	\$1,616,420	\$2,126,643	\$4,262,375	\$6,642,869
EDUs	25,370	25,415	25,460	25,505	25,550
Rate	5.70	63.60	83.53	167.12	260.00
Reserve Collection	45.99	32.48	66.35	47.69	34.39
Total RBB Rate	\$51.69	\$96.08	\$149.88	\$214.81	\$294.39

RBB Future Revenue Requirements - Reserves

- ▶ Financial Management Requires Reserves at Startup (FY 2027)
 - ▶ Operating
 - ▶ Contingency (2 months of operating expense)
 - ▶ Emergency (\$500,000)
 - ▶ Liquidity (amount needed at July 1 to fund Agency's operations due to timing of revenues)
 - ▶ Debt Service (next 12 months debt service)
 - ▶ Maintain a 1.6 x debt service coverage
 - ▶ Per S&P a 1.6 x debt service coverage is recommended for an acceptable commercial credit rating
 - ▶ Capital and Replacement – Can Build Overtime
 - ▶ Current portion (next 12 months capex)
 - ▶ Future portion (available for future capex)

RBB Debt Service Coverage

(Target Covenant Level 1.6 x for S&P rating)



BBARWA and RBB Combined Rate Adjustment

(Assuming no Other Agency Contributions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
BBARWA Base Rate	\$250.68	\$260.71	\$271.14	\$281.98	\$291.85
RBB Rate	51.69	96.08	149.88	214.81	294.39
Combined Rate	\$302.37	\$356.79	\$421.02	\$496.80	\$586.22
% Increase	22.5%	18%	18%	18%	18%
Monthly Combined Rate	\$25.20	\$29.73	\$35.09	\$41.40	\$48.85

Thank You and Discussion
Questions or comments?