2025 BUDGET

FISCAL YEAR ENDING JUNE 30, 2025

BIG BEAR AREA REGIONAL WASTEWATER AGENCY

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

www.bbarwa.org

121 Palomino Drive, Big Bear City, California 92314

Our Mission

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

Board of Directors

Jim Miller, Chair

Rick Herrick, Vice Chair

John Russo, Director

Kendi Segovia, Director

Larry Walsh, Director

General Manager

David Lawrence

Finance Manager

Christine Bennett

Plant Manager

John Shimmin

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

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Section 1: Introduction and Overview

Message from the General Manager

As we embark on our 50th year of continuous service to the Big Bear Valley (Valley), we are pleased to present the Fiscal Year ending June 30, 2025 Operating and Capital Budget. This budget is balanced and fiscally sound and demonstrates the Agency's commitment to providing continuous quality service to the Member Agencies and the community while preserving long-term financial stability.

Factors considered when making budgetary decisions include cost control, timely maintenance of infrastructure, and meeting or exceeding all operating and regulatory requirements for the treatment and disposal of wastewater while keeping in line with Governing Board directed policies and strategic initiatives. The FY 2025 budget encompasses the Agency's mission, vision, and goals by:

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

With the Replenish Big Bear project (RBB) in flux at the time of publication, this budget includes revenues and expenditures related to the project. Piloting for RBB began in FY 2023 and was completed in FY 2024 providing valuable data on the processes anticipated to be used for the project. Construction is set to begin in FY 2025 and project completion is anticipated to be in FY 2028. Funding for RBB includes federal and state grants, partner agency contributions, and debt. The Agency has applied for a Water Infrastructure Finance and Innovation Act (WIFIA) loan which is a long-term low interest loan that will fund the majority of the construction costs. Funding the project through debt allows intergenerational equity by distributing ratepayer fee increases over a period of time so as not to assess unmanageable rate increases in any given year. This project will provide many benefits to the Valley including protecting essential water supplies, improving wildlife and fish habitats, and supporting recreation so the tourism economy can continue to thrive.

Based on the approved 5 year rate schedule, operating revenues increase by 18% in FY 2025.Operating expenses (before depreciation) increase by 7%. Capital expenditures, including RBB are projected to be approximately $5.8 million with $1.2 million funded through pay-go for current operations and the remaining $4.6 million for RBB funded through grants and low-interest loans. In summary, the Agency is financially strong with all minimum reserve requirements met due to the Governing Board's conservative fiscal management, and the Agency's commitment to accountability and strong financial management.

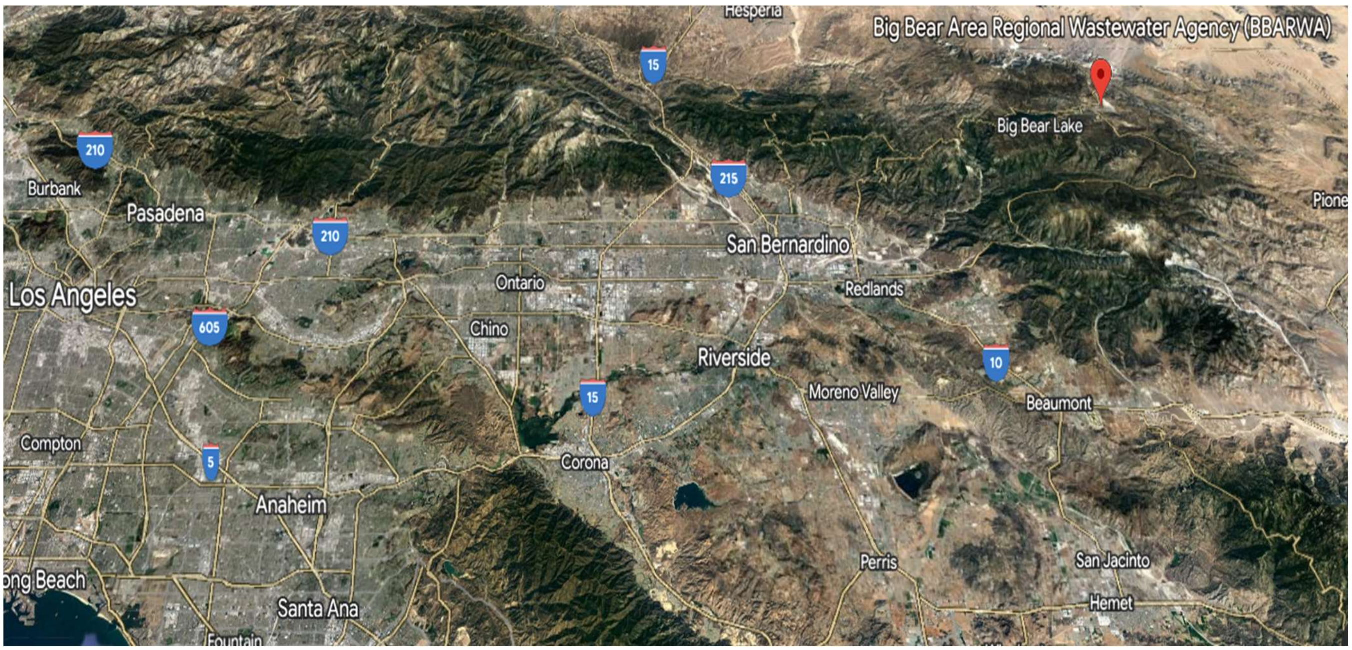
We wish to thank the Governing Board for their guidance and support throughout the development of this budget.

David Lawrence, P.E.
General Manager

Agency Profile

Location

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



Formation

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

Facilities

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

Administration and Operations

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

Strategic Goals and Strategies

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

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

MISSION

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

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

VISION

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

Our Vision:

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

CORE VALUES

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

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

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

- Implement a plan for reclaimed water.
  - Complete and implement a plan for recycled/reclaimed water.
    - After several years of research and planning, piloting for the Replenish Big Bear (RBB) project was completed in FY 2024. Through state of the art processes, the RBB project will produce high-quality water that exceeds drinking water standards. The reclaimed water will be used to restore water levels above and below ground throughout the Big Bear Valley increasing groundwater levels in the valley to protect the community's drinking water supply, restoring lake levels that will support recreation and enhance the tourism economy, and supplying needed water to improve wildlife and fish habitats. Construction for the RBB project is expected to begin during this Fiscal Year.

- Continue to be on track with the implementation of the capital improvement plan.
  - Maintain a 20-Year capital improvement plan.
    - The Agency maintains a 20-year capital improvement plan to ensure completion of capital maintenance and replacement projects in a timely manner.

- Have a succession plan for all levels of the organization.
  - Develop a succession plan for all Agency positions.
    - The Agency continues to assess staffing needs for all levels of the organization.

- Have updated operational systems to improve efficiency, sustainability, and energy independence.
  - Analyze and assess systems and processes.
    - Through the 20-year capital improvement plan, the Agency continues to look to improve operational efficiency.
    - The Agency has installed solar which has drastically reduced energy dependence.

- Continue to have a trained, talented, and motivated workforce.
  - Evaluate current training programs and assess needs for additional training.
    - Staff continue to utilize training offerings to enhance their working knowledge.
    - All plant operations staff have obtained the required certifications to keep in compliance with mandates.

- Be sharing services with our partners in the region.
  - Identify partners and stakeholders and ways to support and share services.
    - Planning, design, and project completion for the RBB project relies on input from many stakeholders in the community.
    - Local agencies pledged monies to help with the planning and design process of the RBB project which helped to bring the project to where we are today.
    - The Agency continues to work with local agencies and stakeholders to help with cost sharing once the RBB project is up and running.

- Leveraging any and all opportunities in support of the mission.
  - Assess and implement processes that efficiently collect, treat, and beneficially reuse wastewater and bio-solids in an environmentally and fiscally responsible manner.
    - The Agency continues to improve operational efficiency through its 20-year capital improvement plan.
    - The RBB project is set to be online by FY 2028. The finished project will treat and reuse wastewater in an environmentally and fiscally responsible manner.

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

Administration

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

Finance

To be a financially strong and stable organization.

Personnel & Organization

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

Operations

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

Partnerships

To build partnerships through honest, open dialogue.

Water Sustainability

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

Short-Term Factors Influencing the FY 2025 Budgetary Decision

The Agency, as a matter of practice, focuses on 1) cost control, with the growth in operating costs maintained at or near inflation, 2) timely maintenance of infrastructure, and 3) meeting or exceeding all operating and regulatory requirements for the treatment and disposal of wastewater. These factors influence each budget and overlap with Governing Board directed priorities and strategic initiatives. Controlling costs is paramount and allows the Agency to better maintain adequate, affordable, and stable rates. Adequate rates, in turn, provide for the timely maintenance of infrastructure, and the satisfaction of mandated regulatory and operating requirements and the terms of the Agency's operating agreement with its Member Agencies. Other factors impacting financial performance and operational/financial management during FY 2025 are as follows:

Replenish Big Bear

Construction for the RBB project is expected to begin in FY 2025. RBB will provide a constant drought-proof source of water to restore wetland habitat and sustain the area's diverse species as well as provide more stable lake levels and groundwater sustainability. This will be accomplished through an advanced purification facility which will utilize multiple treatment processes to produce purified water that meets or exceeds all state and federal water quality standards to protect health and the environment. A five-year rate study was conducted in FY 2023 to account for costs related to reserve requirements, debt financing, and the first year of operations for RBB. As a result of the rate study, the RBB portion of the sewer user rates result in a 14% increase in FY 2025.

Inflation

In response to the COVID19 pandemic, inflation has been extremely volatile over the last several years. The rapid and unexpected increases in inflation resulted in wide variations in forecasts. Inflation began to moderate in FY 2024 and is expected to continue to decrease to acceptable levels (approximately 3%) thereafter driven by upward adjustments to the federal funds rate which increased interest rates, effectively slowing economic growth. Additionally, supply pressures on the prices of many goods are receding.

Staffing Changes and COLA Adjustment

Per Governing Board direction, the annual COLA adjustment is based on the annual average of the regional Consumer Price Index for all Urban Consumers (currently Riverside, San Bernardino, Ontario). The 2023 Annual Average Consumer Price Index (CPI) was 4.7% and has been incorporated in the FY 2025 budget. In an effort to curb growing personnel costs, merit adjustments are capped at 3.3%. The annual allowable adjustment is 8% (not including Longevity).

With the additional administrative duties that are required to be completed for the RBB project and taking into account current essential daily duties, an Administrative Assistant position has been added to assist the Administrative Services Manager/Board Secretary and Finance Manager complete these necessary tasks.

Employee Benefits Increase

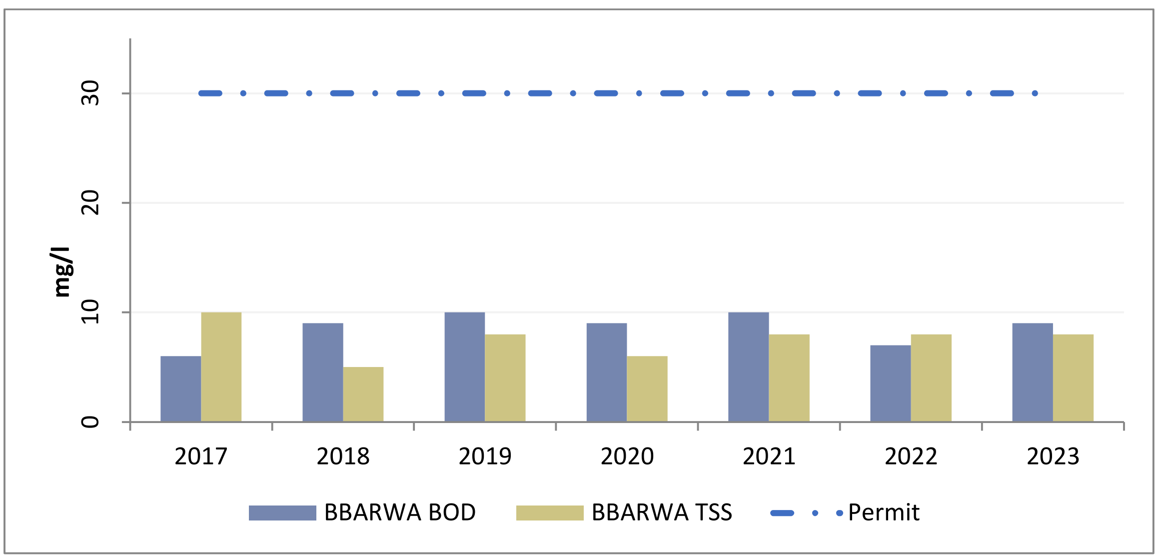
Employee benefits expense is expected to grow 12% in FY 2025. An increase in medical premiums will result in an estimated 6% increase per individual plan. The Agency is expected to experience an increase in pension costs driven by changes in the assumed rate of return on pension assets which was lowered from 7.5% to 6.8% over the last few years. Additionally, OPEB contributions will increase during the forecast period as a result of a lower assumed rate of return than previously projected of 6.15%.

Core Business and Operating Objectives

Core Business

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

Discharge Permit Requirements Compared to Actual



Operating Objectives

The Agency's near-term operating objectives remain primarily unchanged from the prior period. The Agency's objectives for FY 2025 are 1) maintaining adequate rates, 2) controlling labor costs, and 3) capital planning for infrastructure replacements and capacity expansion.

Maintaining Adequate Rates

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

Annual charges for sewer user fees, pursuant to the Agency's Operating Agreement No. 1, are collected from three member agencies based on Equivalent Dwelling Units (EDU's) and flow per Agency and account for approximately 98% of the Agency's operating revenues. The Agency's goal is to manage annual changes at or near inflation.

With the addition of the RBB project, annual charges will be higher than inflation as the Agency builds required reserves and funds operational needs for the project through FY 2029. Beginning FY 2030, annual rate changes are expected to return to near inflation.

Controlling Labor Costs

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

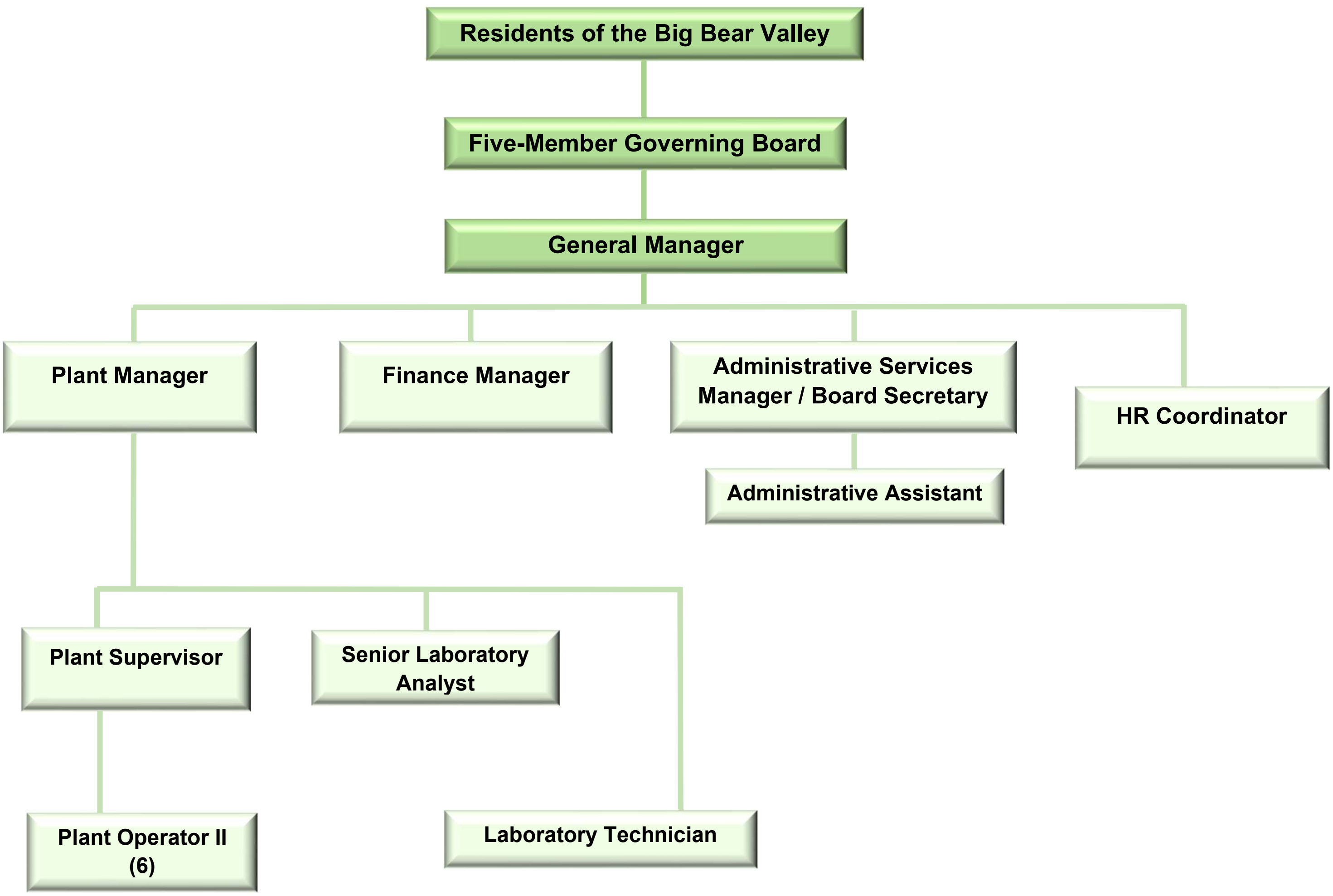
Additionally, making annual inflationary adjustments to the Agency's pay scales helps the Agency stay competitive with the market. To manage the increase in the COLA adjustment for FY 2025 and in an effort to control labor costs, the Agency is reducing annual merit adjustments (up to 5%) for those employees that are eligible to 3.3%.

Capital Planning

The Agency maintains a 20-year capital plan to ensure completion of capital maintenance and replacement projects in a timely manner. This optimizes system performance, enabling the Agency to produce high quality effluent and bio-solids, meet discharge requirements, and avoid the high cost of crisis management and system failure. Construction is expected to begin on the RBB project in FY 2025. The RBB project will enhance BBARWA's treatment process with additional steps, using proven technology to achieve safe high-quality water that exceeds drinking water quality standards. Infrastructure upgrades will include new and extended pipelines, wastewater treatment facility upgrades, and two new pump stations.

Section 2: Financial Structure, Policy, and Process

Organizational Chart



Governance

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

The Governing Board of Directors

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

Jim Miller, Chair
County Service Area 53B

Rick Herrick, Vice-Chair
City of Big Bear Lake

John Russo, Director
Big Bear City CSD

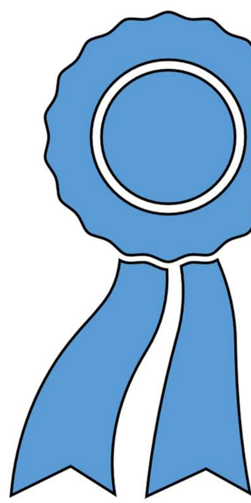
Kendi Segovia, Director
City of Big Bear Lake

Larry Walsh, Director
Big Bear City CSD

Staffing

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

The Agency has a dedicated team with 36% of the employees employed for more than ten years and 79% employed for more than five. Employee longevity provides the organization with decades of experience and lends itself to efficient operations.



Service Recognition and Awards

The Agency has received multiple industry awards over the years.

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

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

The Agency has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for 11 consecutive years.

FY 2024 was the Agency's first submittal for the Distinguished Budget Presentation Award from the Government Finance Officers Association since 2017, and we are proud to say that the Agency received this prestigious award.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Big Bear Area Regional Wastewater
California

For the Fiscal Year Beginning

July 01, 2023

Christopher P. Morrill

Executive Director

Fund Descriptions and Fund Structure

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

The Agency's cash position is allocated among its designated reserve funds in accordance with its Designated Funds Policy. The Agency maintains multiple reserve funds through its formal Designated Funds Policy for management purposes. These funds include debt service, capital expenditures, contingency and liquidity reserve funds. **These designated funds are for internal financial management purposes only and are not included in the audited financial statements**. The Agency is currently meeting and is projected to meet all minimum balance requirements associated with its designated reserve funds over the next five-year period through FY 2029.

Big Bear Area Regional Wastewater Agency
Budgeting Fund

Single Enterprise Fund

- Subject to Appropriation
- Included in Financial Statement

Fund Description

Accounts for wastewater collection, treatment, and disposal services provided to the residents of the Big Bear Valley. These services are entirely supported through usage fees, connection fees, and standby fees. All activities necessary to provide this service are accounted for in this fund including administration, operations, debt service, and capital investment.

Debt Service

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

Capital and Replacement

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

Contingency

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

Liquidity

- Reserve for liquidity purposes. The seasonal nature of the Agency's revenues requires this fund (98% of the Agency's operating revenues are received in December and April)
- The minimum balance of $2,400,000 is required on July 1 of each year

Departmental/Fund Relationship

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

Big Bear Area Regional Wastewater Agency

Proprietary Fund	Used to account for governmental activities that receive significant support from fees and charges.
Enterprise Fund	Used to report any activity for which a fee is charged to users for goods and services. Accounts for wastewater collection, treatment, and disposal services provided to the residents of the BIg Bear Valley. These services are entirely supported through usage fees, connection fees, and standby fees. All activities necessary to provide these services are accounted for in this fund including administration, operations, debt service, and capital investment.
Administration Executive Office Finance Human Resources	These activities support the Agency's managerial, legal, and fiscal responsibilities associated with being a wastewater treatment facility and directly support the laboratory and operations activities through the administration, finance, and human resources functions.
Laboratory Collection and Analysis (collects an analyzes wastewater samples) Reporting (collects and provides data to operations)	These activities ensure compliance with the Agency's regulatory requirements and provide operational support through treatment plant process control and evaluation.
Operations Operation and Mainenance of Treatment Plant Facilities and Interceptor System Compliance with Regulatory Discharge and Reporting Requirements	These activities are directly related to the Agency's primary function of collecting, treating, and disposing of wastewater.

Basis of Accounting and Budgeting

Basis of Accounting

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

Basis of Budgeting

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

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

Financial Policies

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

Top Ten Management Characteristics	Agency Performance
1. Focus on structural balance	Structural balance references the ability of recurring revenues to cover recurring expenditures. The Agency's current and future rates (operating revenues) are structured to cover recurring expenditures. These include ongoing operating expenses, debt service, and maintenance capital expenditures.
2. Strong liquidity management	The Agency maintains reserves to meet its minimum debt service obligations, emergency fund requirements, and operational variances equal to two months of operating expense in addition to maintaining additional debt capacity.
3. Regular economic and revenue updates to identify shortfalls early	Management staff reviews monthly variance reports. Quarterly variance reports are prepared and presented to the Governing Board.

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

Policies

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

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

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

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

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

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

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

- The debt policy applies to all forms of debt obligations including bonds, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued by the Agency under California Law.
- Debt issuance may be considered for financing options for 1) expenditures that have been formalized in a capital improvement plan and approved by the Governing Board and are considered major infrastructure projects, 2) capital expenditures that have long economic useful lives, usually

five years or greater, and 3) capital expenditures where the use of debt financing would better "match" the benefit received by the Agency's ratepayers with the economic impact to the ratepayers.
- Factors to consider when issuing debt are the impact on customers, the timing of the Agency's infrastructure needs, the Agency's debt capacity, the nature of the asset and availability of resources (i.e. the useful life of the project should be commensurate with the term of the debt), and the economic and interest rate environment.
- Analysis requirements prior to debt issuance include a cost and benefit analysis incorporating the impact of the project and debt financing on the budget and multi-year forecast.

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

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

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

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

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

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

Balanced Budget

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

Budget Process

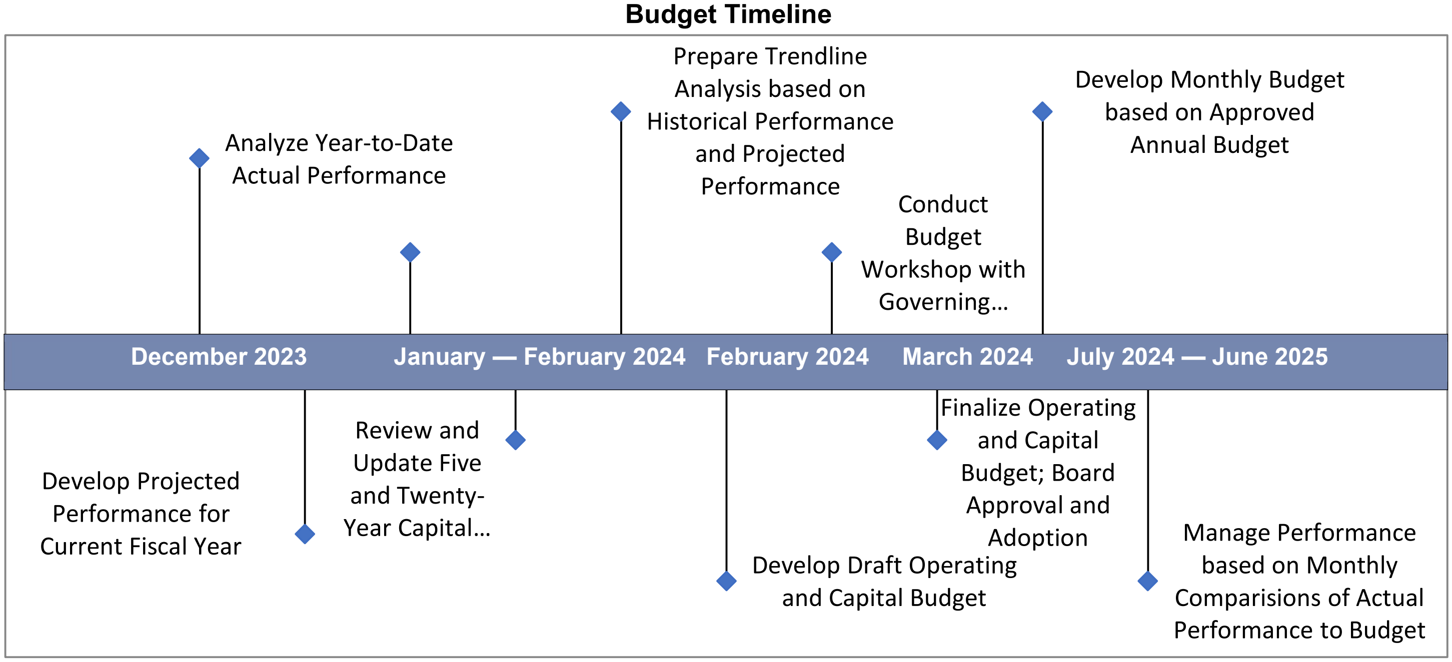
Pursuant to financial policy, a budget must be reviewed, approved, and adopted prior to May 1 of each year for the subsequent fiscal year beginning July 1. The budget adoption deadline of May 1 is also established in the Agency's operating agreement amongst BBARWA and its member agencies. According to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

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

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

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

Budget Timeline



Section 3: Financial Summaries

BBARWA 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 2025 through FY 2029.

Replenish Big Bear Project (RBB)

During this budget cycle, the Agency has budgeted for expenses associated with RBB through FY 2029 and has determined a rate adjustment tied to these expenses. In the discussion that follows, the Agency's current operations and proposed rate adjustments will include the impact of RBB on the Agency's expenses and rates.

Important Assumptions

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

Rate Increases: The budget and forecast period were prepared assuming adjustments in the Agency's sewer user fee (annual charges) each year during the 5-year period, from FY 2025 - 2029. Rates through FY 2029 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 98% of its annual debt service. The remaining 2% (approximately $75,000) is 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. With the addition of RBB, rate adjustments will be higher than inflation through FY 2029 in order to fund required reserves and additional operational needs. Rate adjustments are expected to return to at or near inflation in FY 2030.

	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029
Rate per EDU	$ 302.37	$ 356.79	$ 421.02	$ 496.80	$ 586.22	$ 612.60
% Change	22.5%	18%	18%	18%	18%	4.5%
Prior Projected Rates		356.79	421.02	496.8	586.22	
Prior Projected % Change		18%	18%	18%	18%	

Average Dry Weather Flow: The Agency budgets for dry weather. Based on historical experience, this is approximately 788 million gallons of influent flow on an annual basis. If, during the budget period, the Agency incurs wet weather flows or other operational variances from the budget, and the operating budget is unable to absorb the increased costs, the Agency has established a Contingency Fund from which the Governing Board may appropriate funds. The Contingency Fund is recommended to be two months of operating and maintenance expense by the Government Finance Officers Association. Based on staff's review, we believe the amount to be adequate.

Inflation: Annual price change assumptions are used in the multi-year forecast to project year-over-year changes in certain revenues and costs. The Agency considers the Riverside, San Bernardino, Ontario, CA CPI-U (Consumer Price Index for all Urban Consumers, All Items; published by the Bureau of Labor Statistics), the 20-City Construction Cost Index (published by Engineering News Record), and the Survey of Professional Forecasters CPI forecast as indicators in determining future price changes. Inflation began to moderate in FY 2024 and is expected to continue to moderate thereafter driven by

[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.

expectations of the receding pandemic (ending government stimulus, disrupted supply chains, and shortages of intermediate goods), and tightening monetary policy. Recent rapid and unexpected increases in inflation have resulted in wide variations in forecasts and forecast revisions. 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.

Inflation

Month	Riverside, SB, Ontario CPI – U	West Region CPI-U	National CPI-U	CCI
November 2023	4.3%	3.3%	3.1%	2.5%
January 2024	2.9%	3.3%	3.1%	2.6%

Survey of Professional Forecasters[2], CPI Forecast (as of February 10, 2023)

Fiscal Year	Annual Average
2024	2.6%
2025	2.3%
2026	2.6%
2027-2029	2.4%

The Agency has assumed average inflation of 2.5% during the forecast period, decreasing from 3% in FY 2024 to 2.5% in FY 2029.

	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year Average
Inflation Rate	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Actual inflation represents the CPI for Riverside, San Bernardino, Ontario CA

Comparisons

Financial performance comparisons throughout this document include historical, current, and future periods. The periods prior to and including FY 2023 are periods of actual financial performance, FY 2024 is the projected performance, FY 2025 is the budget period, and FY 2026 – FY 2029 is the forecast period:

FY 2023	FY 2024	FY 2025	FY 2026 - FY 2029
Actual	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 7%. This is primarily due to staffing changes and an increase in health premiums as well as retirement and other post-employment benefit (OPEB) contributions.

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 9% growth in FY 2025 compared to the prior year, decreasing to 6% in FY 2026 then slowing to 5% growth in FY 2027 through FY 2028 as more employees reach the top of their pay scales[3] and inflation slows.

The 9% growth in FY 2025 is primarily the result of the annual COLA adjustment as well as the addition of an administrative staff position. In the past, the Agency has been able to manage salary and wage growth during uncertain times by capping the maximum annual pay adjustment. To manage higher COLA adjustments stemming from recent spikes in inflation, the Agency has incorporated the Governing Board approved change in the CPI calculation method to annual average versus November year-over-year. In FY 2025, the Agency has incorporated a 4.7% COLA[4] with a cap on wage adjustments of 8%, not including longevity (maximum 3.3% merit adjustments).

With the additional administrative duties that are required to be completed for the RBB project and taking into account current essential daily duties, an administrative staff position has been added to assist the Administrative Services Manager/Board Secretary and Finance Manager complete these necessary tasks. This administrative position will also be performing some of the duties that the Human Resources/Accounting Technician currently performs. With this change in duties, the Human Resources/Accounting Technician position will be reduced to 36 hours per week.

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

Increases in pension contributions have been driven by changes in the assumed rate of return on pension assets, which was lowered from 7.5% to 6.8% over the last few years. Pension contributions are expected to increase from approximately $519,000 in FY 2025 to approximately $698,000 in FY 2029, an average annual increase of 8% over the forecast period. OPEB contributions will increase during the forecast period as a result of a lower assumed rate of return than previously projected of 6.15%. The annual average increase for OPEB is also 8%.

Increases in medical premiums result in an annual average growth rate of 8% over the forecast period.

Rising Costs – The Agency is experiencing higher than inflationary growth in chemicals, materials, insurance, and permits and fees.

Higher Interest Income – With the uncertainty revolving around interest rates and the Federal Governments attempt to curb inflation, the Agency is projecting interest rates to be lower than FY 2024 and is projecting an annual average over the five-year period of 3%.

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[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 45 for further discussion of the COLA calculation.

Increase of OPEB Unfunded Accrued Liability (OPEB UAL) – In an effort to reduce the Agency's OPEB UAL, the Agency has a multi-year plan to reduce the liability by $200,000 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.

A goal of the Agency has been to reduce its unfunded pension/OPEB liabilities so that the Agency's pension/OPEB assets are nearly equal to its pension/OPEB liabilities, resulting in annual pension/OPEB expense near the normal cost. Maintaining a higher funded ratio better ensures that the Agency's obligations will be met, and that intergenerational equity will be maintained among ratepayers.

The Agency's goal has been to reach a near 90% funded ratio on its pension and OPEB liabilities. At June 30th, the Agency's OPEB funding position decreased slightly from 67.9% to 65.6% as a result of lower investment returns. The Agency will not recommend a contribution to the OPEB UAL in FY 2025 at this point in time. At fiscal year end, the Agency will reevaluate actual costs to budget to determine if a payment can be made.

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 2024 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 2025 Budget follows.

Statement Comparison: Projected FY 2024 to Actual FY 2023 and Budget FY 2024

INCOME STATEMENT
Comparison Projected FY 2024 to Actual FY 2023 and Budget FY 2024

	Actual FY 2023	Budget FY 2024	Projected FY 2024	Projected FY 2024 vs. Actual FY 2023 $	Projected FY 2024 vs. Actual FY 2023 %	Projected FY 2024 vs. Budget FY 2024 $	Projected FY 2024 vs. Budget FY 2024 %
Operating Revenues:							
Annual Charges	6,241,883	7,671,077	7,671,077	1,429,194	23%	0	0%
Standby Charges	77,590	75,297	75,297	-2,293	-3%	0	0%
Rental Income	11,096	0	0	-11,096	-100%	0	nm
Waste Disposal	25,263	21,690	24,110	-1,153	-5%	2,420	11%
Other Revenue	19,819	0	38,899	19,080	96%	38,899	nm
Total Operating Revenue	6,375,651	7,768,065	7,809,383	1,433,732	22%	41,319	1%
Operating Expenses:							
Salaries and Benefits	2,760,296	2,958,007	2,977,200	216,904	8%	19,193	1%
Power	434,357	499,429	497,519	63,162	15%	-1,910	0%
Sludge Removal	258,216	336,212	336,212	77,996	30%	0	0%
Chemicals	80,548	95,080	102,530	21,981	27%	7,450	8%
Materials and Supplies	148,013	175,989	178,192	30,179	20%	2,203	1%
Repairs and Replacements	339,659	305,850	300,403	-39,255	-12%	-5,446	-2%
Equipment Rental	3,097	912	1,406	-1,691	-55%	494	54%
Utilities Expense	48,982	37,000	38,769	-10,213	-21%	1,769	5%
Communications Expense	58,941	72,644	58,973	32	0%	-13,671	-19%
Contractual Services - Other	80,920	154,321	163,212	82,292	102%	8,892	6%
Contractual Services - Professional	123,963	189,027	189,027	65,064	52%	0	0%
Permits and fees	239,056	259,973	259,973	20,917	9%	0	0%
Property Tax Expense	4,096	4,124	4,196	99	2%	72	2%
Insurance	226,698	240,678	229,023	2,325	1%	-11,655	-5%
Other Operating Expense	42,370	59,826	53,580	11,210	26%	-6,246	-10%
Depreciation Expense	893,690	901,809	901,809	8,118	1%	0	0%
Total Operating Expense	5,742,904	6,290,880	6,292,025	549,121	10%	1,145	0%
Operating Income	632,747	1,477,184	1,517,358	884,612	140%	40,174	3%
Nonoperating Income							
Gain (loss) on Asset Disposition	-6,030	2,555	2,555	8,585	-142%	0	0%
Interest Income	127,719	126,395	413,570	285,851	224%	287,175	227%
Other Nonoperating Income	576,596	0	0	-576,596	nm	0	nm
Lease Revenue	0	55,048	55,048	55,048	nm	0	0%
Nonoperating Income	698,285	183,998	471,174	-227,113	nm	287,175	156%
Nonoperating Expense							
Other Expense	71,119	171,029	175,822	104,703	147%	4,793	3%
Interest Expense	159,520	227,713	288,881	129,361	81%	61,168	27%
Nonoperating expense	230,640	398,742	464,703	234,063	101%	65,961	17%
Income before Contributions	1,100,392	1,262,440	1,523,829	423,437	38%	261,389	21%
Connection Fees	246,620	188,100	459,800	213,180	86%	271,700	144%
RBB Capital Contributions	209,726	0	0	-209,726	nm	0	nm
Change in Net Position	1,556,738	1,450,540	1,983,629	426,891	27%	533,089	37%

CASH FLOW STATEMENT
Comparison Projected FY 2024 to Actual FY 2023 and Budget FY 2024

	Actual FY 2023	Budget FY 2024	Projected FY 2024	Projected FY 2024 vs. Actual FY 2023	Projected FY 2024 vs. Budget FY 2024
Cash from Operating Activities:					
Operating Income (Loss)	722,040	1,477,184	1,527,964	805,924	50,780
Depreciation Expense	893,690	901,809	901,809	8,118	0
Other Miscellaneous Income (Exp)	0	0	0	0	0
Change in Working Capital, Other Adj.	-362,458	231,213	159,402	521,859	-71,811
Net Cash Provided by Op Activities	1,253,272	2,610,206	2,589,174	1,335,902	-21,031
Cash from Noncapital Financing:					
Payment of Pension Related Debt/Liab	0	0	0	0	0
Cash from Capital and Related Financing:					
Other Nonoperating Expense	-20,993	0	-4,756	16,237	-4,756
Capital Expenditures	-1,496,011	-7,867,087	-7,867,087	-6,371,076	0
Proceeds from Asset Disposition	2,535	0	0	-2,535	0
Connection Fee (Capital Contrib)	460,526	188,100	459,800	-726	271,700
Proceeds from Debt Issuance, Grants	3,865,893	5,465,048	5,465,048	1,599,155	0
Debt Service:					
Interest Expense	-142,955	-227,713	-227,713	-84,758	0
Principal Debt Amortization	-411,798	-425,903	-425,903	-14,106	0
Total Debt Service	-554,753	-653,617	-653,617	-98,864	0
Lease Revenue	69,334	55,048	55,048	-14,286	0
Net Cash Used for Cap and Financing	2,326,531	-2,812,507	-2,545,562	-4,872,093	266,944
Cash from Investing:					
(Increase) Decrease in Other Assets	0	0	0	0	0
Other Proceeds	0	0	0	0	0
Interest Income	45,892	126,395	413,570	367,678	287,175
Proceeds from the Sale of Investment	0	0	0	0	0
Net Cash from Investing	45,892	126,395	413,570	367,678	287,175
Net Change in Cash	3,625,696	-75,906	457,182	-3,168,513	533,088
Beginning Cash Balance	7,832,439	11,458,134	11,458,134	3,625,696	0
Ending Cash Balance	11,458,134	11,382,227	11,915,317	457,182	533,089
Change in Cash Balance	3,625,696	-75,907	457,182	-3,168,513	533,089

Discussion: Projected FY 2024 Compared to Actual FY 2023

Operating Revenues are projected to be approximately $7.8 million, up $1,433,732 or 22.5% in FY 2024. The increase is driven by higher annual charges which include a 4% increase for BBARWA operations, and 18.5% for RBB to fund required reserves for debt service.

Operating Expenses are projected to be approximately $6.3 million, up $549,121 or 10% in FY 2024. The Agency is projected to experience higher operating expenses across multiple line items when compared to the prior year. Projected increases that exceed 5% and $20,000 are as follows:

- **Salaries and Benefits** expense is projected to be $2,977,200, up $216,904 or 8% from FY 2023. The increase is driven by a 5% increase in salaries and wages (higher by $87,620) due to annual COLA adjustments (COLA adjustments of 8.7%) combined with longevity adjustments[4] offset by a retirement and new hire of a managerial position at a lower rate. Additionally, benefits expense experienced a 13% increase (higher by $129,284) primarily a result of higher retirement and OPEB contributions due to a change in the annual rate of return on investments and lower investment earnings than projected.
- **Power** expense is projected to be $497,518, up $63,162 or 15% from FY 2023. The increase is primarily driven by an increase in the cost for solar production and planned Bear Valley Electric rate increases.
- **Sludge Removal** expense is projected to be $336,212, up $77,996 or 30% from FY 2023 due to an increase in removal contract costs based on an approved change in CPI. Additionally, sludge removal is budgeted based on 4,992 tons removed. During FY 2023, tons removed were 3,927, which is 1,065 lower than budget.
- **Chemicals** expense is projected to be $102,530, up $21,981 or 27% from FY 2023 due to higher actual costs for chemicals than anticipated.
- **Materials and Supplies** expense is projected to be $178,192, up $30,179 or 20% from FY 2023 primarily resulting from an increase in software and software licensing fees, budgeted purchases of two iPads, and one-time costs related to the RBB Pilot Study Open House.
- **Contractual Services Other** expense is projected to be $163,212, up $82,292 or 102% from FY 2023 as a result of increases across all line items. Electrical work for various projects increased by $46,745, with the remainder of the increase due to repairs on the Administrative Building HVAC unit and an increase in testing and laundry costs.
- **Contractual Services Professional** expense is projected to be $189,027, up $65,064 or 52% from FY 2023. Budget is based on the prior year budget plus CPI. In FY 2023, the budget for legal services was mostly untouched.
- **Permits and Fees** expense is projected to be $259,973, up $20,917 or 9% as a result of increases in State Water Resources Control Board (SWRCB) permit fees.

The above increases are projected to be offset by the following decreases compared to the prior year.

- **Repairs and Replacements** expense is projected to be $300,403, down $39,255 or 12% from FY 2023. During FY 2023, the oxidation ditch 2 rotor shaft 4 needed to be replaced. FY 2024 does not have repairs of this magnitude budgeted. Pump and motor rebuilds were moved from the capital improvement plan as they were not capitalizable expenditures and moved to repairs and replacements. This partially offset the savings in this line item.

[4] The Agency budgets salary adjustments as follows: employees that are below the top of scale and are eligible to receive a merit adjustment are budgeted to receive a 5% salary adjustment; employees that have 7 years or more of service are budgeted to receive a 1% longevity adjustment; all employees are budgeted to receive a COLA adjustment based on CPI annual average. Estimates based on these assumptions are for budgeting purposes only.

Operating Income is projected to be $1,517,358, an increase of $884,612 or 140% from FY 2023. The increase in operating income is due to the growth in operating revenues offset by the growth in operating expenses, with operating revenues increasing $1,433,732 or 22.5% and operating expenses increasing $549,121 or 10%. The Governing Board approved a 22.5% rate increase for FY 2024 which includes funding for required reserves for the RBB project.

Change in Net Position is projected to be $1,983,629 up $426,890, or 27% from FY 2023. The increase is primarily driven by higher operating revenue and higher connection fee revenue when compared to FY 2023.

Change in Cash for the Period is projected to be $457,183 in FY 2024, lower by $3,168,513 when compared to FY 2024. Lower cash flow is due mostly to debt funding of $3.4 million that was received in FY 2023 and was mostly unspent at fiscal yearend.

Discussion: Projected FY 2024 Compared to Budget FY 2024

The comparison below is made to the Agency's budget, as amended during the year to include approximately $3.2 million in carryover and new appropriations during the period: 1) $132,051 operating expenses, and 2) $3.1 million in capital expenditures.

Operating Revenues are projected to be $7,809,383, within 1% difference from budget.

Operating Expenses are projected to be $6,292,025, less than 1% difference from budget.

Operating Income is projected to be $1,517,358, up $40,174 driven by slightly higher operating income and operating expenses.

Change in Net Position is projected to be $1,983,629, up $533,089 or 37% from the budget. The increase is primarily driven by an increase in interest income and connection fee revenue.

Change in Cash for the Period is projected to be $457,182 in FY 2024, up $533,089 compared to the budget. The difference in change in cash for the period was primarily a result of a $287,175 increase in interest income and $271,700 increase in connection fee revenue partially offset by an increase in nonoperating expense of $65,691.

Statement Comparison: NEW Budget FY 2025 to Projected FY 2024

INCOME STATEMENT
Comparison NEW Budget FY 2025 to Projected FY 2024

	Projected FY 2024	NEW Budget FY 2025	vs. Projected FY 2024 $	%
Operating Revenues:				
Annual Charges	7,671,077	9,143,600	1,472,523	19%
Standby Charges	75,297	73,252	-2,046	-3%
Rental Income	0	10,924	10,924	nm
Waste Disposal	24,110	22,244	-1,866	-8%
Other Revenue	38,899	0	-38,899	nm
Total Operating Revenue	7,809,383	9,250,019	1,440,636	18%
Operating Expenses:				
Salaries and Benefits	2,977,200	3,274,752	297,552	10%
Power	497,519	516,348	18,829	4%
Sludge Removal	336,212	344,723	8,511	3%
Chemicals	102,530	106,023	3,494	3%
Materials and Supplies	178,192	178,420	228	0%
Repairs and Replacements	300,403	295,861	-4,542	-2%
Equipment Rental	1,406	2,004	598	43%
Utilities Expense	38,769	39,739	969	3%
Communications Expense	58,973	58,862	-111	0%
Contractual Services - Other	163,212	135,701	-27,512	-17%
Contractual Services - Prof	189,027	158,535	-30,492	-16%
Permits and fees	259,973	276,859	16,886	6%
Property Tax Expense	4,196	4,252	56	1%
Insurance	229,023	298,302	69,279	30%
Other Operating Expense	53,580	65,744	12,164	23%
Depreciation Expense	901,809	1,509,638	607,830	67%
Total Operating Expenses	6,292,025	7,265,763	973,738	15%
Operating Income	1,517,358	1,984,257	466,898	31%
Nonoperating Income				
Gain (loss) on Asset Disposition	2,555	2,575	20	1%
Interest Income	413,570	315,625	-97,946	-24%
Other Nonoperating Income	0	4,747,377	4,747,377	nm
Lease Revenue	55,048	55,917	868	2%
Nonoperating Income	471,174	5,121,493	4,650,320	987%
Nonoperating Expense				
Other Expense	175,822	5,040	-170,782	-97%
Interest Expense	288,881	299,323	10,442	4%
Nonoperating Expense	464,703	304,364	-160,339	-35%
Income before Contributions	1,523,829	6,801,386	5,277,557	346%
Connection Fees	459,800	188,100	-271,700	-59%
Change in Net Position	1,983,629	6,989,486	5,005,857	252%

"nm" means not meaningful

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

	Projected FY 2024	NEW Budget FY 2025	Budget FY 2025 vs. Projected FY 2024
Cash from Operating Activities:			
Operating Income (Loss)	1,527,964	1,984,256	456,292
Depreciation Expense	901,809	1,509,638	607,830
Other Miscellaneous Income (Exp)	0	0	0
Change in Working Capital, Other Adjustments	159,402	-59,294	-218,696
Net Cash Provided by Op Activities	2,589,174	3,434,600	845,426
Cash from Noncapital Financing:			
Payment of Pension Related Debt/Liability	0	0	0
Cash from Capital and Related Financing:			
Other Nonoperating Expense (Interagency)	-4,756	0	4,756
Capital Expenditures	-7,867,087	-5,845,546	2,021,541
Proceeds from Asset Disposition	0	0	0
Connection Fee (Capital Contrib)	459,800	188,100	-271,700
Proceeds from Debt Issuance, Grants	5,465,048	4,596,763	-868,285
Debt Service:			
Interest Expense	-227,713	-299,323	-71,610
Principal Debt Amortization	-425,903	-440,493	-14,590
Total Debt Service	-653,617	-739,816	-86,200
Lease Revenue	55,048	55,917	
Net Cash Used for Cap and Related Financing	-2,545,562	-1,744,583	800,979
Cash from Investing:			
(Increase) Decrease in Other Assets	0	0	0
Other Proceeds	0	0	0
Interest Income	413,570	315,625	-97,946
Proceeds from the Sale of Investment	0	0	0
Net Cash from Investing	413,570	315,625	-97,946
			0
Net Change in Cash	457,183	2,005,642	1,548,459
Beginning Cash Balance	11,458,134	11,915,317	457,183
Ending Cash Balance	11,915,317	13,920,959	2,005,642
Change in Cash Balance	457,183	2,005,642	1,548,459

Discussion: NEW Budget FY 2025 Compared to Projected FY 2024

Operating Revenues are budgeted to be approximately $9.3 million, up $1,440,636 or 18% from FY 2024. The increase is driven by higher annual charges which include a 4% increase for BBARWA operations and 14% for RBB to fund required reserves for debt service.

Operating Expenses (not including depreciation) are budgeted to be approximately $5.8 million, up $365,909 or 7% from FY 2024. 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 $3,274,752, up $297,552 or 10% from FY 2024. The Agency is incorporating a 4.7% COLA with a wage adjustment cap of 8% (maximum of 3.3% merit adjustments). Also, the addition of an administrative position and the reduction of hours for the Human Resources/Accounting Technician position accounts for approximately 2.53% or an $80,731 increase to salaries and benefits. An increase in benefits expense of $125,416 is due to higher pension and OPEB expenses of $59,840 and higher medical premium expenses of $65,576.
- **Insurance** expense is budgeted to be $298,302, up $69,279 or 30% from FY 2024 based on cost estimates from the Agency's insurance provider. Per the Agency's insurance provider, the primary reason for the increase in insurance is due to increases in pool reinsurance rates based on early estimates from the reinsurance brokers.

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

- **Contractual Services Other** expense is budgeted to be $135,701, down $27,512 or 17% from FY 2024. Labor/electrical included carryovers of approximately $41,000 in FY 2024. This variance is partially offset by appropriations in the amount of $20,000 in FY 2025 for an Arc Flash study and electrical preventative maintenance.
- **Contractual Services Professional** expense is budgeted to be $158,535, down $30,492 or 16% from FY 2024 as a result of reduced legal services of approximately $30,000 to be more in line with the most recent 10 year average.

Operating Income is budgeted to be $1,984,256, an increase of $466,898 or 31% from FY 2024. The increase in operating income reflects an 18% growth in operating revenues and a 15% growth in operating expense (including depreciation).

Net Nonoperating Income/Expenses are budgeted to be approximately $4.8 million, up from FY 2024. 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 $6,989,486, up $5,005,857 or 252% from FY 2024. The increase is driven by higher operating income by $466,898, a positive variance in non-operating income (expense) of $4,810,659 primarily due to grant reimbursements for RBB, and a decrease in connection fees of $271,700.

Change in Cash for the Period is budgeted to be $2,005,642 in FY 2025, higher by approximately $1.5 million when compared to FY 2024. Higher cash flow is due mostly to lower pay-go capital expenditures of approximately $1.2 million, higher operating income of $466,898, and lower interest income of $97,946.

Financial Summary

Based on the current forecast, the Agency will need annual rate adjustments through FY 2029. During the next five-year period, growth in operating expenses are just under that of revenues (by 1%). Revenues are expected to grow at an average annual rate of 15%, reflecting the proposed rate adjustments, and expenses are expected to grow at an average annual rate of 14% (before depreciation). Growth in operating expenses is higher than average inflation over the period and is being driven by the addition of RBB operations in FY 2028 and higher salaries and benefits expense, which is expected to grow at an average annual rate of 7% over the period. 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, 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 5.40x and is projected to decrease to 1.42x 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 estimated[5] at $4 million at the end of FY 2029.

At the end of FY 2029, the Agency is projected to have $11 million in the capital and replacement fund. This amount reflects the cash that is available for future capital projects beginning in FY 2029. This next five-year period, from FY 2029 through FY 2034, is an aggressive capital investment schedule with estimated capital investment of $12.5 million, or approximately $2.5 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 $11.5 million, with $4 million of the increase going to the capital and replacement fund for future capital requirements, and the remaining $7.5 million going to meet required reserve balances in the operating, liquidity, and debt service reserve funds.

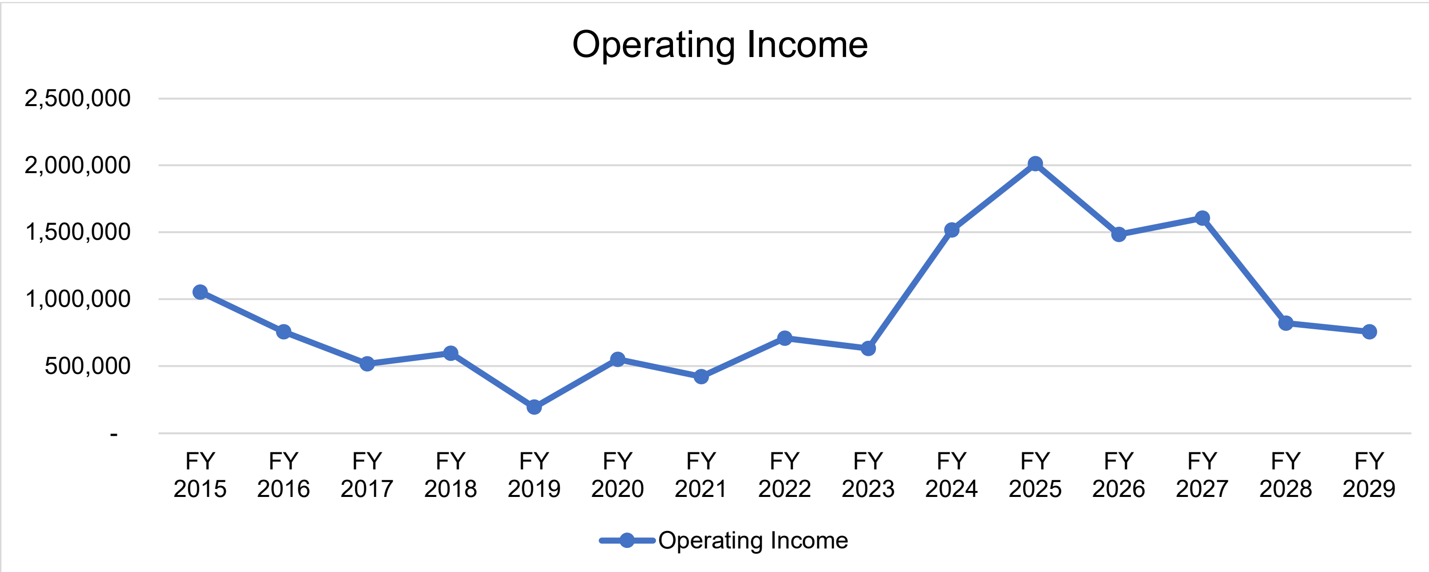
Operating Trends and Outlook

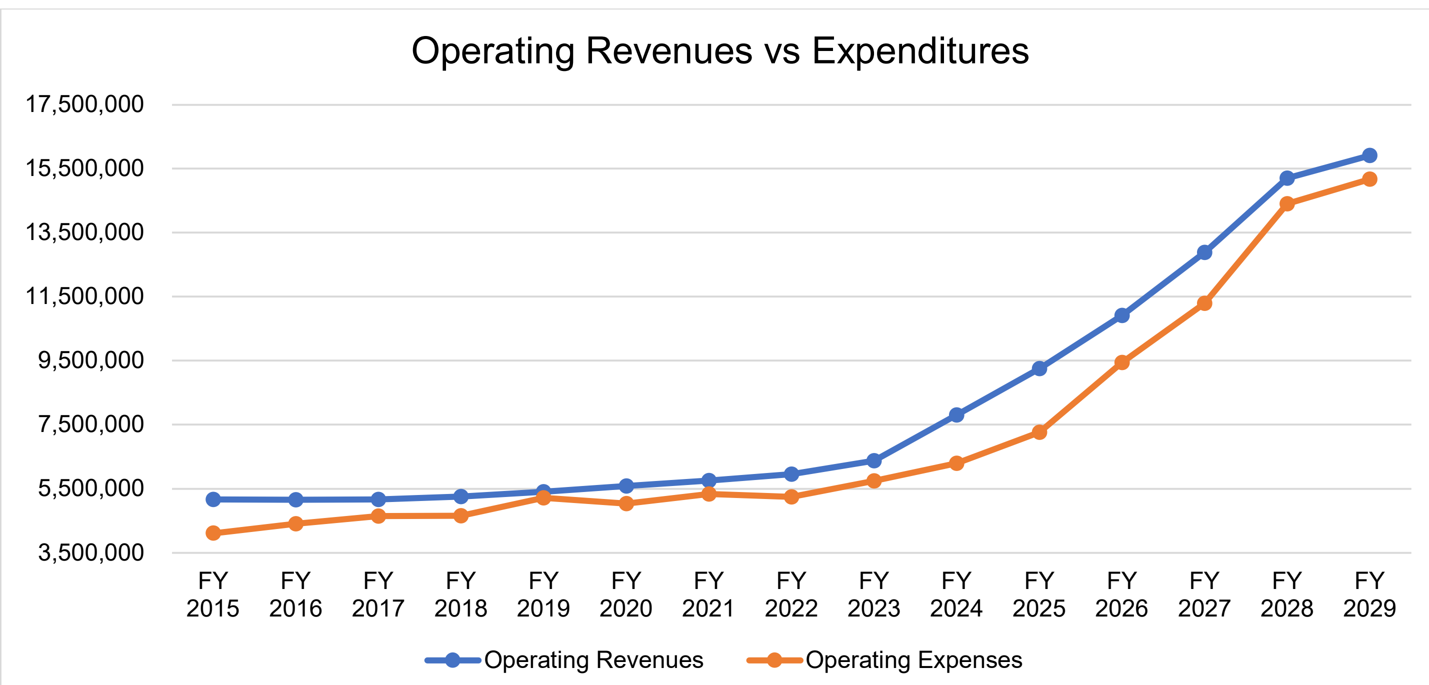
Operating Income Improves

The Agency's operating expenses are expected to grow at an average annual rate of 14% (not including depreciation) over the next five years, outpacing average inflation of approximately 2.5% for the same period. The 14% growth in operating expenses over the period is primarily being driven by the addition of RBB operations, which is responsible for a 9% average increase over the period. Additionally, salaries and benefits expense is expected to have an annual average increase of 7% over the same period. Annual increases in operating expenses are expected to return to at or near inflation in FY 2030.

When including depreciation, operating expenses are expected to grow at an average annual rate of 19% as a result of the addition of the RBB treatment equipment.

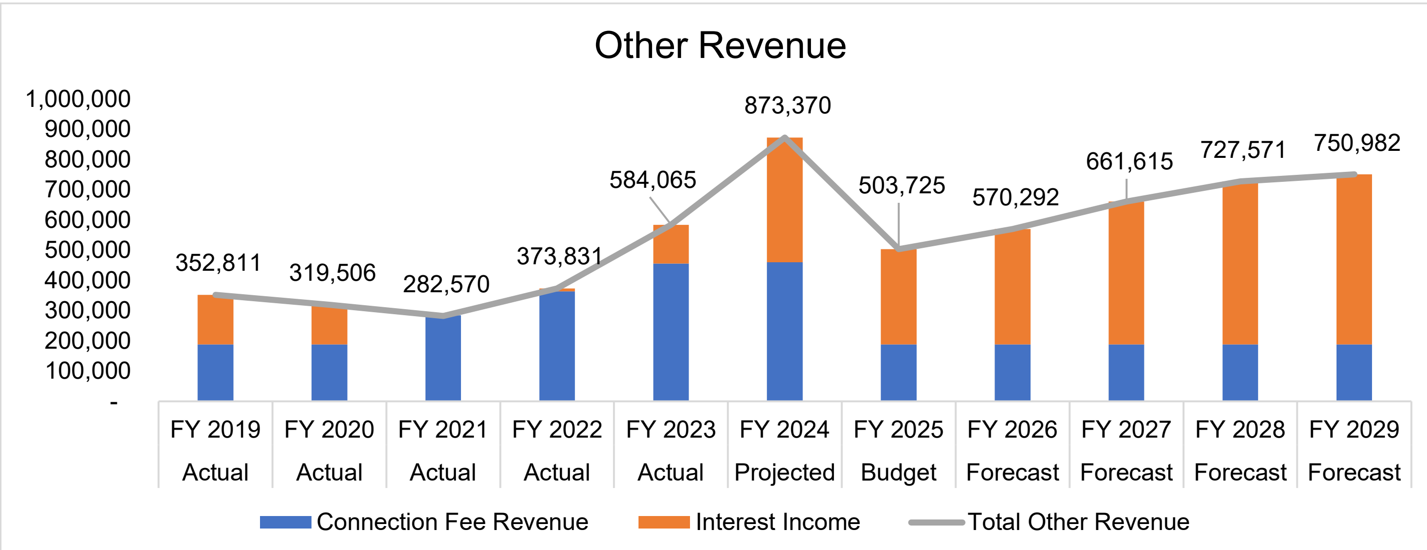
[5] The calculation utilizes a 1.2x debt service coverage and assumes borrowing terms of 20 years at 5.5%.


Operating Income
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
FY 2026
FY 2027
FY 2028
FY 2029
Operating Income


Operating Revenues vs Expenditures
17,500,000
15,500,000
13,500,000
11,500,000
9,500,000
7,500,000
5,500,000
3,500,000
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
FY 2026
FY 2027
FY 2028
FY 2029
Operating Revenues
Operating Expenses

Other Revenue Decreases

Other revenue sources, interest income and connection fee revenue, average approximately $545,000 annually, with connection fee revenue decreasing significantly from FY 2024. FY 2024 included the addition of 62 connections as a result of the construction of the Hampton Inn hotel.



Capital

Average Maintenance Capital Expenditures

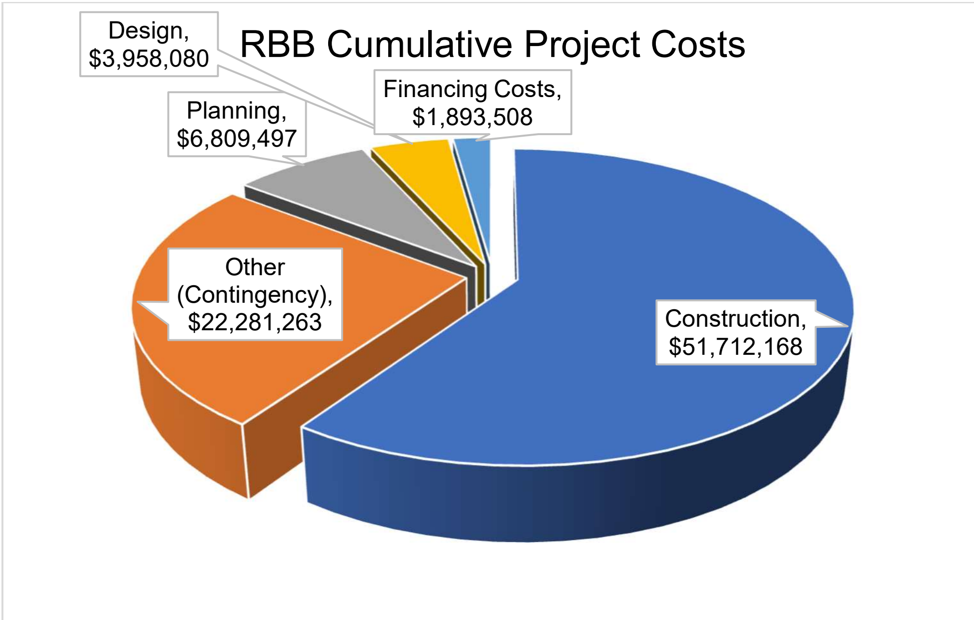
During the budget cycle, the Agency reviews its capital inventory to determine which capital assets are due for replacement or upgrade based on its physical condition and useful life. Assets are funded based on the Agency's review. The next five-year period is a lower-than-normal maintenance period for the Agency. Maintenance capital expenditures total $506,564 and average $101,313 per year. This amount is lower than the long-term, historical depreciation of approximately $850,000 and the annual maintenance requirement of approximately $1.2 million indicated in the Agency's current 20-year CIP. The lower maintenance capex during the next five-year period is mostly due to timing, with the greatest focus being on the RBB construction and completion.

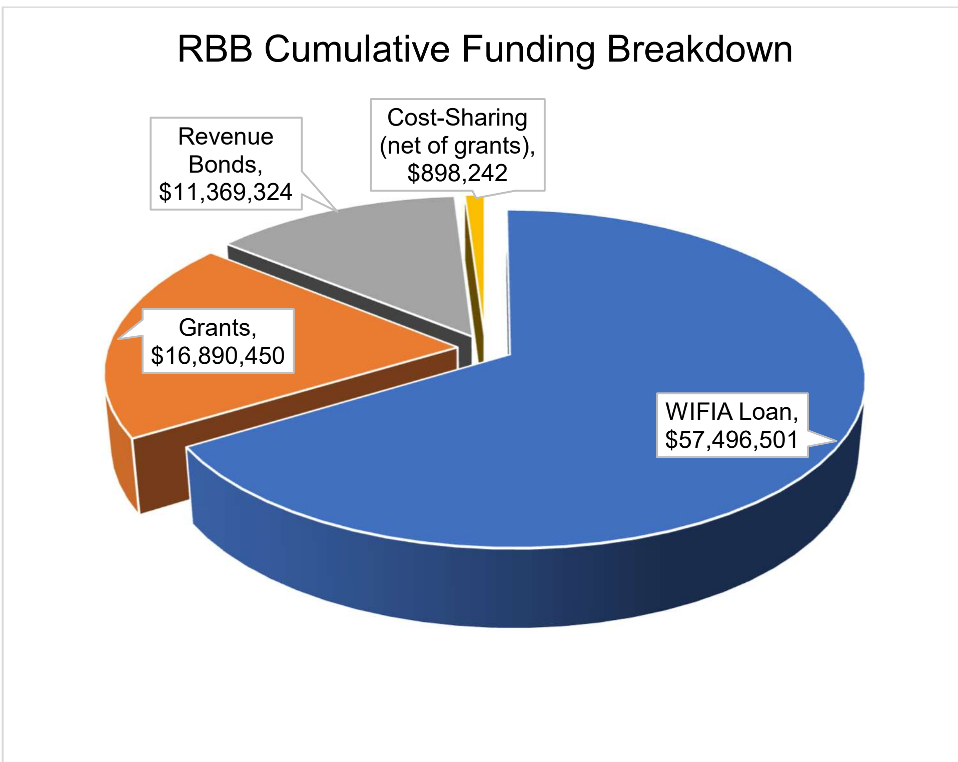
RBB Project

During the next five-year period the Agency will be completing the RBB project which is anticipated to cost approximately $77 million during the period. 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 will be considered when refining the final design 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 the RBB project consists of cost-sharing, grants, and debt financing.


RBB Cumulative Project Costs
Design, $3,958,080
Planning, $6,809,497
Financing Costs, $1,893,508
Other (Contingency), $22,281,263
Construction, $51,712,168

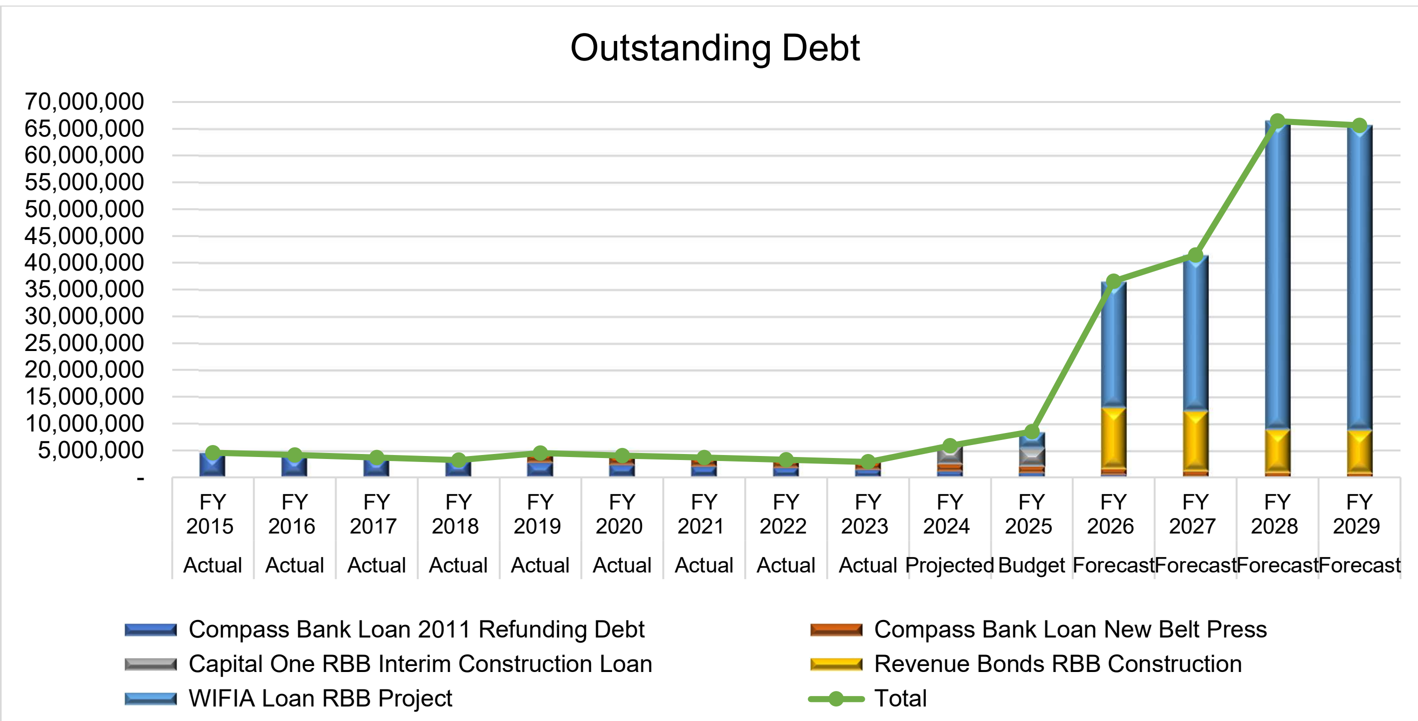

RBB Cumulative Funding Breakdown
Revenue Bonds, $11,369,324
Cost-Sharing (net of grants), $898,242
Grants, $16,890,450
WIFIA Loan, $57,496,501

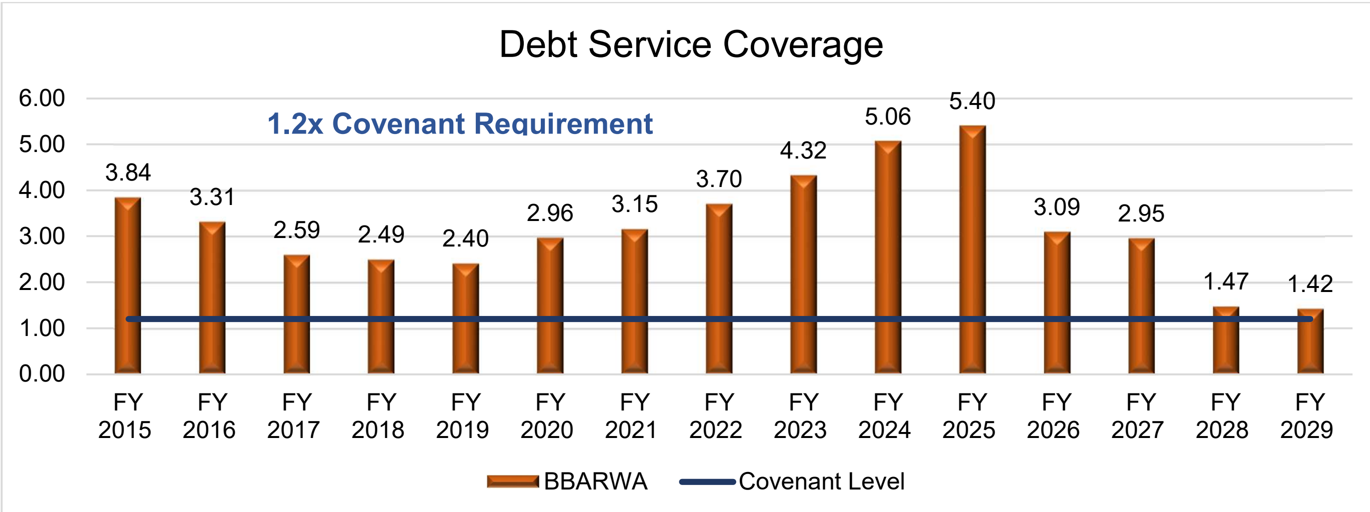
New Debt Anticipated for the RBB Project, Debt Service Coverage Within Debt Covenant Requirements

Leverage and Debt Service

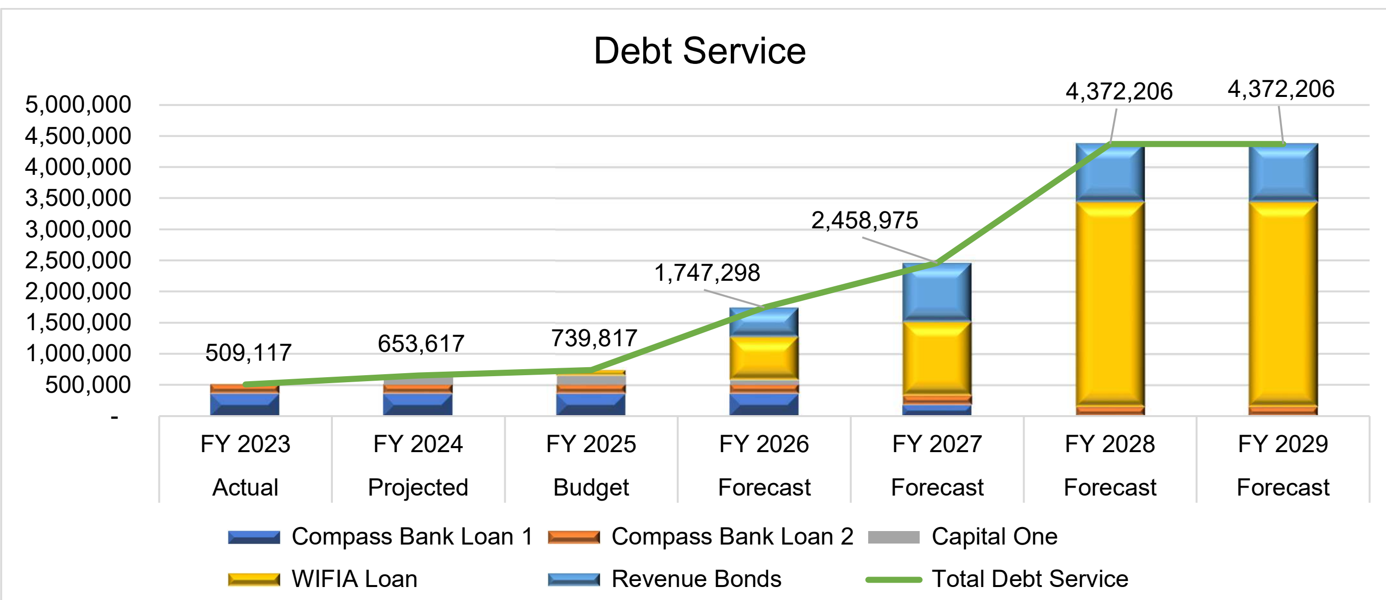
The Agency's debt outstanding will be approximately $5.9 million at the beginning of FY 2025 and will increase to $65.6 million by the end of FY 2029. Since FY 2015, the Agency's highest debt outstanding has been $4.6 million. Debt usage is based on the Agency's debt policy, the timing of capital projects, 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 the RBB project, 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. Essentially, the covenant requires that the Agency maintain the ability to cover its debt service (principal and interest expense) with operating income (before depreciation) plus other income (connection fees and interest income) at 1.2x. The Agency's debt service coverage is expected to decrease to 1.42x by the end of FY 2029 as a result of new debt for the RBB project.





The Agency's debt service (annual principal and interest payment) will increase to $4,372,206 by FY 2029. The Compass Bank Loan 1 will be satisfied in FY 2027. The Capital One Loan will be satisfied by either WIFIA loan or Revenue Bond proceeds in FY 2026.



Discussion and Analysis

Operations

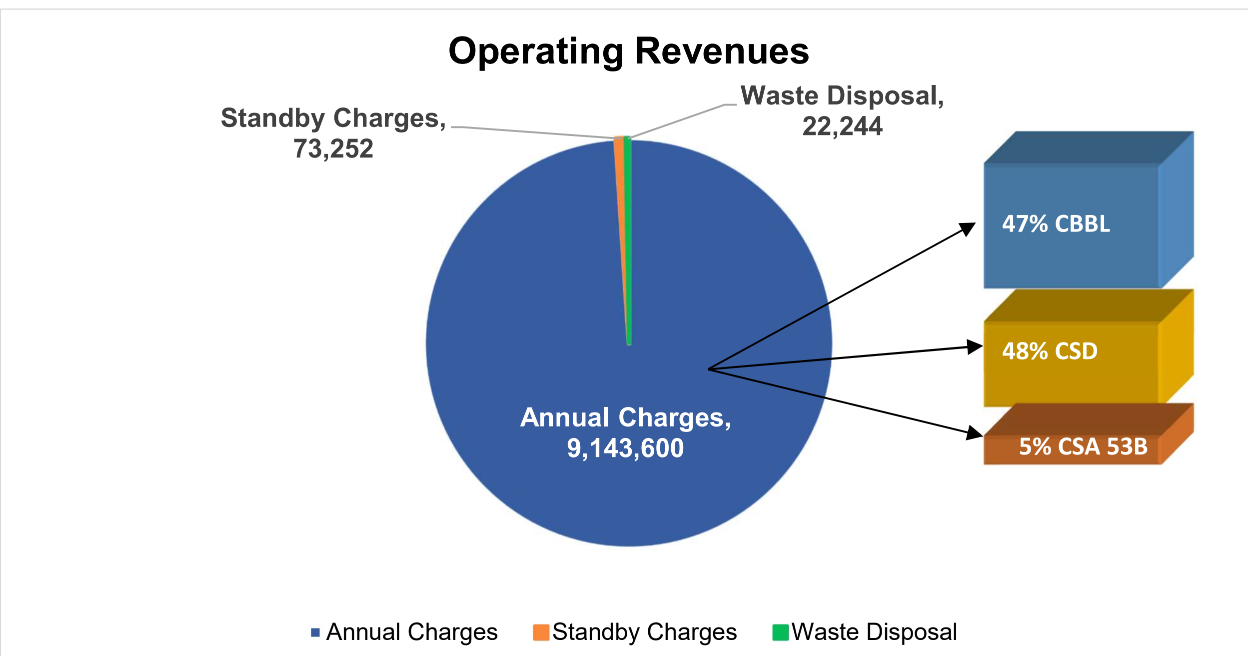
Operating Revenues

Operating revenues are budgeted to increase 18% FY 2025 through FY 2028 and 4.5% in FY 2029. This growth reflects annual rate adjustments during the period and new connections to the system.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year CAGR
Operating Revenues:												
Annual Charges	5,251,542	5,437,076	5,602,113	5,845,163	6,241,883	7,671,077	9,143,600	10,808,594	12,776,404	15,102,434	15,809,611	16%
Standby Charges	83,200	81,660	80,300	79,220	77,590	75,297	73,252	72,338	71,424	70,510	69,596	-2%
Rental Income	51,071	51,855	52,592	70	11,096	0	10,924	11,252	11,589	11,937	12,295	nm
Waste Disposal	20,608	18,755	23,859	22,000	25,263	24,110	22,244	22,244	22,244	22,244	22,244	-2%
Other Revenue	765	0	793	7,709	19,819	38,899	0	0	0	0	0	nm
Total Op Revenues	5,407,186	5,589,346	5,759,656	5,954,162	6,375,651	7,809,383	9,250,019	10,914,427	12,881,661	15,207,125	15,913,745	15%
Annual Change	3%	3%	3%	3%	7%	22%	18%	18%	18%	18%	4.5%	

Annual Charges

Operating revenues are largely driven by annual charges, which account for approximately 98% of the Agency's operating revenues. Annual charges, pursuant to the Agency's Operating Agreement No. 1, are collected annually from the three member agencies based on EDUs and flow per Agency.



Member Agency Billing

	3-Year Average Flows	Reported EDUs	Implicit Charge per EDU	Rate Increase	Fixed Charge	Variable Charge	Annual Charge Adjustment	Total
Annual Charges:								
City of Big Bear Lake	404,171	11,813.70	$ 367.67	18.7%	$ 3,338,382	$ 974,859	$30,341	$4,343,581
Big Bear City CSD	331,617	12,545.70	$ 348.33	17.0%	3,545,234	799,858	24,894	$4,369,986
CSA 53 B	28,835	1,268.00	$ 339.14	22.0%	358,319	69,550	2,165	$430,033
Total	764,623	25,627.40			$ 7,241,934	$ 1,844,267	$57,399	$9,143,600
Standby Charges:								
City of Big Bear Lake								$27,088
Big Bear City CSD								40,841
CSA 53 B								5,323
Total Annual Charges								$73,252
Connection Fee:								
Connection Fee per EDU								$4,180

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

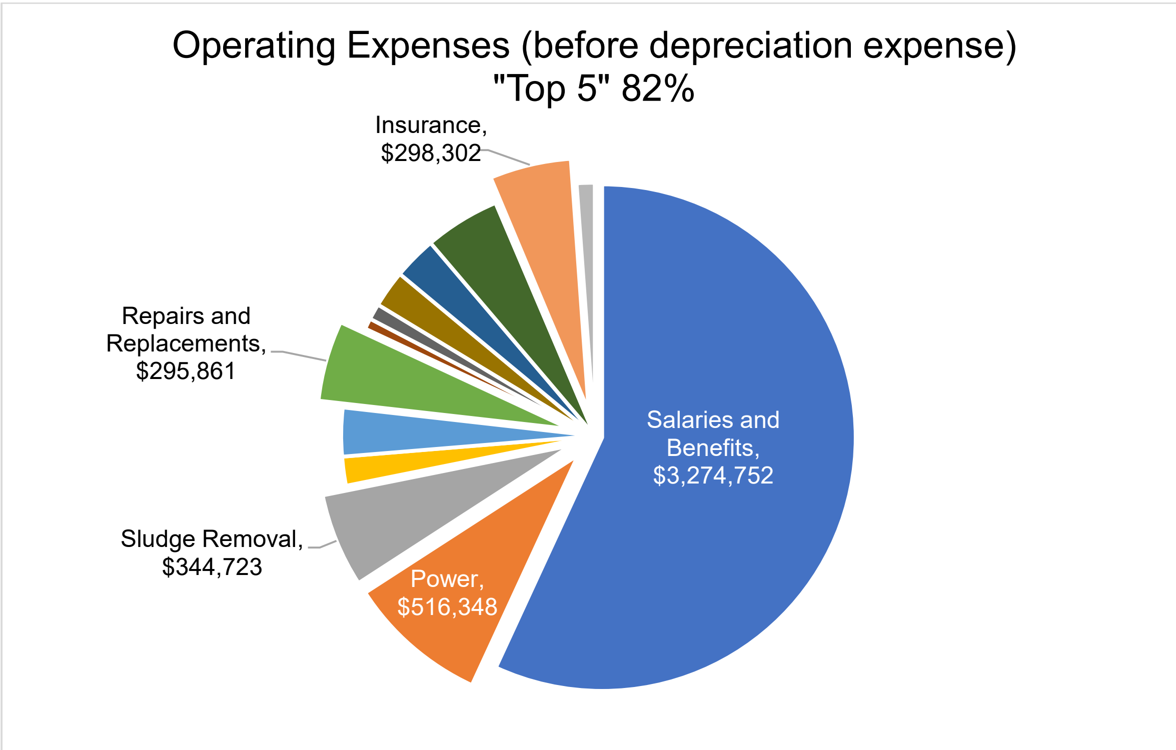
Standby Charges and Waste Disposal Fees

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 $93,668 annually and are expected to remain fairly flat over the forecast period.

	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029
Standby Charges	73,252	72,329	71,406	70,484	69,561
Waste Disposal	22,244	22,244	22,244	22,244	22,244
Total	**95,496**	**94,573**	**93,650**	**92,728**	**91,805**

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 57%.



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 includes the addition of an administrative position. Based on the current projections and the proposed rate structure, the Agency is expected to be able to continue to afford the projected increases over the forecast period (7% average annual growth).

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year CAGR
SALARIES AND BENEFITS:												
Salaries and Wages	1,389,029	1,517,147	1,528,547	1,595,352	1,780,518	1,868,138	2,031,255	2,157,843	2,271,043	2,376,255	2,488,766	6%
Employee Benefits	747,486	813,241	894,808	931,797	953,201	1,083,023	1,208,440	1,298,236	1,395,207	1,473,764	1,587,265	8%
Unemployment Expense	6,309	245	2,058	-	1,201	-	6,076	6,076	6,076	6,076	6,076	nm
Payroll Taxes	20,033	22,782	22,293	22,742	25,376	26,038	28,982	30,780	32,355	33,829	35,316	6%
Total Salaries and Benefits	2,162,857	2,353,415	2,447,706	2,549,891	2,760,296	2,977,199	3,274,752	3,492,935	3,704,681	3,889,924	4,117,423	7%
% Change	9%	9%	4%	4%	8%	8%	10%	7%	6%	5%	6%	
Average Annual Change (a)	2%	2%	3%	3%	3%	3%	4%	4%	4%	4%	4%	

(a) Base Year FY 2009

Salaries and Wages – Salaries and wages expense increase by 9%, when comparing FY 2025 to FY 2024, and includes a proposed 4.7% COLA adjustment. Additionally, with the increased job duties associated with the RBB project, FY 2025 includes the addition of a full time administrative position. Salaries and wages are projected to decrease from FY 2025 through FY 2029 based on annual projected CPI, longevity, and merit adjustments with 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 2025 Budget, which begins July 1, 2024, the 2023 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.

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

Year	Jan	Mar	May	Jul	Sep	Nov	Average	Annual Average
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%
2023	127.683	127.707	128.768	129.525	131.372	131.372	129.545	4.7%

The annual change in the 2023 CPI was 4.7% and the Agency has incorporated this change in the FY 2025 Budget.

Capping Annual Wage Adjustments

Making annual inflationary adjustments to the Agency's pay scales helps the Agency stay competitive with the market and in line with comparable agency groups in its compensation and classification study updates. We believe it is important to make the indicated COLA adjustment; however, to manage increases in the COLA adjustment, it is recommended that total wage adjustments be capped at 8%, allowing for a 4.7% COLA adjustment and 3.3% annual merit adjustment for those employees that are eligible.

Employee Benefits – Employee benefits expense is expected to grow 12% in FY 2025, and 8% on average over the projected period. The 12% growth in FY 2025 is due to higher medical premium costs, the addition of an administrative position, and required retirement and OPEB contribution increases. Per the Agency's 2024 Actuarial Valuation, medical premiums are expected to increase by 6% in FY 2025 and Pension and OPEB contributions are expected to increase by 14%.

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 average increase in power costs which is driven by annual price adjustments in the power purchase agreement and rate increases expected by BVE. BVE rates will increase 5% in FY 2025, then are projected to increase at a rate of 3% thereafter.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year CAGR
POWER:												
Solar Purchases	0	0	0	127,462	225,521	253,843	258,889	264,034	269,282	274,634	280,092	2%
Fuel for Power Production	345,792	364,152	273,825	107,950	4,404	12,279	12,578	12,900	13,223	13,553	13,892	2%
Gas Admin Building	3,982	3,725	3,508	4,936	6,935	6,140	6,293	6,451	6,612	6,777	6,947	3%
Gas Treatment Plant	6,172	5,872	5,759	7,390	11,888	11,426	11,712	12,005	12,305	12,612	12,928	3%
Electricity Treatment Plant	107,175	36,411	127,983	86,346	110,927	125,863	134,529	139,878	145,143	149,082	153,440	4%
Electricity Stations	47,889	39,667	36,477	45,163	71,632	74,413	78,134	80,478	82,490	84,552	86,666	3%
Electricity Admin Building	8,572	3,068	11,456	9,010	2,730	12,798	13,438	13,842	14,188	14,542	14,906	3%
Electricity Lucerne	652	410	474	464	320	755	774	794	814	834	855	3%
Total	520,234	453,306	459,483	388,721	434,357	497,517	516,348	530,382	544,055	556,587	569,726	3%
% Change	35%	-13%	1%	-15%	12%	15%	4%	3%	3%	2%	2%	

Sludge Removal Expense

Sludge removal expense has historically been volatile resulting from 1) changes in processes related to sludge drying and the introduction and elimination of the cannibal system, 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.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year CAGR
SLUDGE REMOVAL	298,241	276,292	319,660	271,361	258,216	336,212	344,723	352,842	361,476	370,325	379,396	2%
% Change	-25%	-7%	16%	-15%	-5%	30%	3%	2%	2%	2%	2%	

On a normal basis, under average dry weather flow and average expected 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. The Agency has budgeted for baseline sludge removal of approximately 5,000 tons annually in FY 2025 through FY 2029 with inflationary increases in the rate per ton and an increase in the fuel base rate, consistent with the current contract.

Insurance Expense

Based on cost estimates from the Agency's insurance provider, annual insurance expense is forecast to be $312,090 on average per year with an 8% annual average increase. Per the Agency's insurance provider, the primary reason for the increase in insurance is due to increases in pool reinsurance rates based on early estimates from the reinsurance brokers.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year CAGR
INSURANCE:												
Workers Compensation	42,024	39,953	70,959	57,310	69,689	39,203	88,335	82,801	88,895	95,156	101,609	21%
General and Propert	58,928	72,309	100,921	131,534	157,009	189,819	209,967	215,216	220,597	226,111	231,764	4%
Total	100,952	112,262	171,880	188,844	226,698	229,022	298,302	298,017	309,492	321,267	333,373	8%
% Change	1%	11%	53%	10%	20%	1%	30%	0%	4%	4%	4%	

Repairs and Replacements Expense

Annual repairs and replacements expense is forecast to be $284,718 on average per year compared to the previous five-year period of $287,000. This is higher than the previous ten-year period by $49,220. The Agency is experiencing increased costs, greater than CPI, on many of the supplies needed for repairs and replacements.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year CAGR
REPAIRS AND REPLACEMENTS:												
Mainline	12,209	2,319	64,158	48,981	60,358	58,757	73,860	39,504	15,994	21,863	22,409	-18%
Pumps, Motors, Bearings	35,814	34,964	60,756	27,149	31,438	81,886	89,810	92,055	94,357	96,716	99,133	4%
Equip and Machinery	156,712	62,791	8,940	10,320	149,967	28,474	25,160	25,789	26,434	27,095	27,772	0%
Vehicles	11,113	10,356	6,889	8,884	17,371	7,825	11,336	11,619	11,910	12,208	12,513	10%
Generators	68,011	70,988	25,290	38,889	5,050	7,223	7,412	7,597	7,787	7,982	8,181	3%
Irrigation System - Lucerne	1,342	-	-	-	-	-	-	-	-	-	-	nm
Other	159,839	72,371	96,761	22,387	75,474	116,238	88,283	110,490	113,252	116,084	118,986	0%
Total repairs and replacements	445,040	253,789	262,795	156,609	339,659	300,403	295,861	287,055	269,734	281,946	288,995	-1%
	186%	-43%	4%	-40%	117%	-12%	-2%	-3%	-6%	5%	3%	

FY 2019 included emergency repairs as a result of high seasonal flows as well as ditch paddle replacements in the oxidation ditches due to normal wear. FY 2023 included an emergency replacement of the oxidation ditch 2 rotor 4 shaft and repairs to the force main line. FY 2024 included installing an access point and conducting an investigation on the force main to ascertain the integrity of the line.

Capital Contributions - Connection Fees

Connection fees are projected at 45 annually over the forecast period. New connections to the wastewater system have remained low during the current economic cycle. Connections increased in FY 2024 as a result of the addition of 62 connections for the Hampton Inn hotel. Increases in FY 2021 through FY 2022 are likely due to the COVID-19 migration. Excluding multi-unit developments, connections averaged 61 per year from FY 2019 through FY 2023, with only 45 during FY 2019 and FY 2020. There are currently 113 connections for the trailing twelve months ended January 31, 2024 which includes the additional connections for the new hotel.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year CAGR
Connections	45	45	68	87	59	110	45	45	45	45	45	
Connection Fee	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	$4,180	
Connection Fees	188,100	188,100	284,240	363,660	246,620	459,800	188,100	188,100	188,100	188,100	188,100	-16%
% Change	-24.6%	0.0%	51.1%	27.9%	-32.2%	86.4%	-59.1%	0.0%	0.0%	0.0%	0.0%	

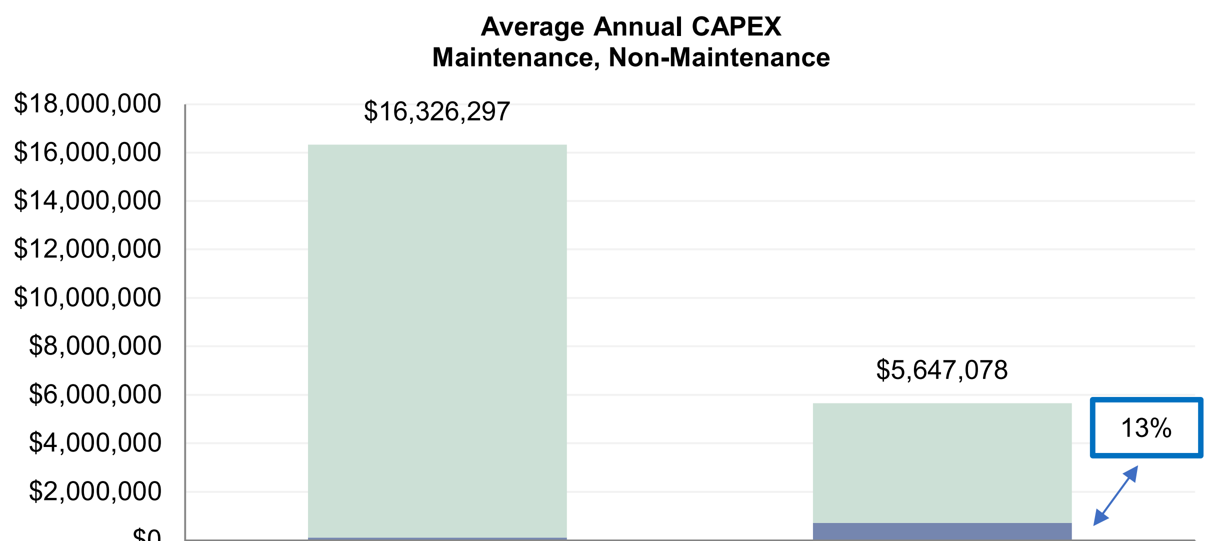
Debt Service and Bond Covenant Calculations

The Agency borrowed $1.8 million of new debt in FY 2019 to fund the New Belt Press Project (new belt press, conveyor, and hopper). Although the Agency incurred new debt in FY 2019, the Agency's total debt service was lower beginning in FY 2020 due to reduced amortization requirements under its existing debt. Debt service will increase from $739,816 in FY 2025 to $4,372,206 in FY 2029, 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 5.40x in FY 2025 to 1.42x at the end of FY 2029. Minimum debt service coverage is met.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029
Debt Service	$598,433	$509,077	$509,077	$509,077	$509,117	$653,617	$739,816	$1,747,298	$ 2,458,975	$ 4,372,206	$ 4,372,206
Net Rev / Debt Srv	2.34	2.96	3.15	3.70	4.32	5.06	5.40	3.09	2.95	1.47	1.42
Covenant Test	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
PASS / FAIL	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS

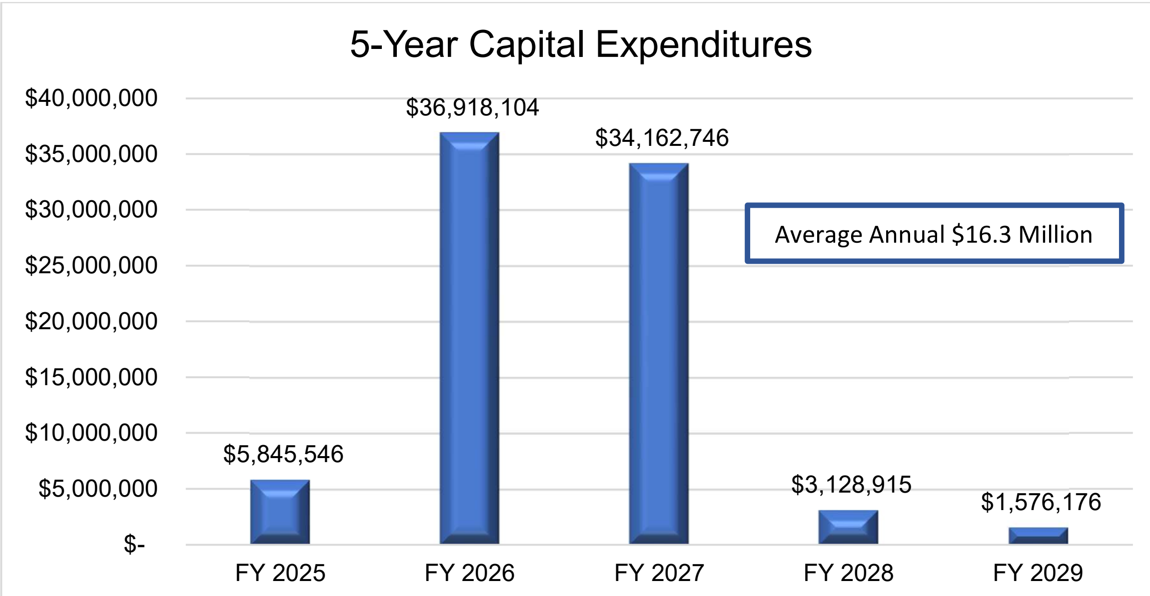
Capital Expenditures (capex)

Over the long term, the Agency expects maintenance capex to be approximately 13% of total capital expenditures and non-maintenance capex to be 87%. We can see from the chart below that the maintenance capex in the 20-year capital plan is 13%, which is lower than expected due to several larger non-maintenance projects during the period including the RBB project, oxidation ditch bubble diffuser, and equalization basin/storage pond conversion.



	5-Year	20-Year
Non-Maintenance	16,224,985	4,929,807
Maint./Replacement	101,313	717,272
Total	16,326,297	5,647,078

During the five-year forecast, capex totals $81.6 million and averages $16.3 million per year. The largest investments over the five-year period are for the RBB project in the amount of $77 million, clarifier 1 rehabilitation in the amount of $1.2 million, and asphalt replacement in the amount of $1.1 million.


5-Year Capital Expenditures
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
$5,845,546
$36,918,104
$34,162,746
$3,128,915
$1,576,176
Average Annual $16.3 Million
FY 2025
FY 2026
FY 2027
FY 2028
FY 2029

5-YEAR CAPITAL IMPROVEMENT PLAN FY 2025 – 2029

	New Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year FY 2025-2029
ADMINISTRATION BUILDING						
Admin Building - HVAC Chiller	66,617	0	0	0	0	66,617
Total	**66,617**	**0**	**0**	**0**	**0**	**66,617**
EFFLUENT DISPOSAL ASSETS						
Irrigation						
Irrigation Wheel Line - Wheels (4)	0	0	0	14,295	14,724	29,019
Outfall Lines						
Lucerne Valley Pressure Relief Valves	0	0	0	0	19,812	19,812
Total	**0**	**0**	**0**	**14,295**	**34,536**	**48,831**
FLOW MEASURING DEVICES						
Effluent Flow Meter	0	0	0	12,668	0	12,668
Flow Meter CSD/CSA - OAC	0	0	0	16,432	0	16,432
Total flow measuring devices	**0**	**0**	**0**	**29,100**	**0**	**29,100**
INTERCEPTOR SYSTEM						
Force Main Sliplining	762,569	0	0	0	0	762,569
Pumping Equipment						
Pump 1 and 2, Flygt 45 HP	0	0	0	0	89,382	89,382
Structures						
LPS Sinkhole Piping Repair	0	0	0	0	59,010	59,010
Total interceptor system	**762,569**	**0**	**0**	**0**	**148,392**	**148,392**
OTHER EQUIPMENT						
Communications						
IT System - Production Host	0	26,399	0	0	0	26,399
IT System - Backup Appliance w/Firewall	0	24,356	0	0	0	24,356
Electrical						
VFD T/P - Rotor 1 60 HP (7 yr)	0	0	16,837	0	0	16,837
VFD T/P - Rotor 2 60 HP (7 yr)	0	0	17,015	0	0	17,015
VFD T/P - Rotor 4 60 HP (7 yr)	0	0	0	17,525	0	17,525
VFD T/P - Rotor 5 60 HP (7 yr)	0	0	0	17,525	0	17,525
VFD T/P - Rotor 7 60 HP (7 yr)	0	0	0	0	18,238	18,238
VFD T/P - Rotor 8 60 HP (7 yr)	0	0	0	0	18,051	18,051
VFD Interceptor - Station 3 (7 yr) Softstarts	0	0	13,150	0	0	13,150
VFD Interceptor - LPS (7 yr)	0	0	0	0	33,150	33,150

5-YEAR CAPITAL IMPROVEMENT PLAN FY 2025 – 2029 Continued

	New Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year FY 2025-2029
Mobile Pumping Equipment						
Emergency By-Pass Pump 4"	0	66,089	0	0	0	66,089
Emergency By-Pass Pump 4"	0	64,477	0	0	0	64,477
Emergency Back-up Pump 6 "	0	0	0	0	93,585	93,585
Office Equipment						
Copier	0	19,390	0	0	0	19,390
Security						
Security Lights Treatment Plant	0	0	43,714	0	0	43,714
Surveillance System	0	0	49,419	0	0	49,419
Total	**0**	**200,711**	**140,135**	**35,050**	**163,024**	**538,920**
OTHER TANGIBLE PLANT						
Admin Parking Lot Grind and Overlay	0	0	0	148,268	0	148,268
Palomino Drive Repave	0	0	0	329,484	0	329,484
Asphalt and Paving	0	0	0	650,000	0	650,000
Total	**0**	**0**	**0**	**1,127,752**	**0**	**1,127,752**
TRANSPORTATION EQUIPMENT						
Vehicles						
1989 Dump Truck Replacement	102,355	0	0	0	0	102,355
2010 GMC 1/2 Ton	0	0	75,000	0	0	75,000
Heavy Equipment and Accessories						
Trailer	0	0	0	0	11,118	11,118
Loader	147,946	0	0	0	0	147,946
Total transportation equipment	**250,301**	**0**	**75,000**	**0**	**11,118**	**336,419**
TREATMENT PLANT						
HVAC						
Headworks Heating System	0	0	0	0	19,396	19,396
Miscellaneous Equipment:						
Pro Easy Analyzer	0	0	17,973	0	0	17,973
Piping						
Auxiliary Pump Building:						
Auxiliary Pump 1	0	47,191	0	0	0	47,191
Main Pump Building:						
RAS Pump 5	0	0	0	0	19,508	19,508
Effluent Pump 3 100 HP	0	0	0	32,354	0	32,354
Effluent Pump 4 100 HP	0	0	31,411	0	0	31,411

5-YEAR CAPITAL IMPROVEMENT PLAN FY 2025 – 2029 Continued

	New Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year FY 2025-2029
Structures						
Sludge Building - Siding	11,086	0	0	0	0	11,086
Sludge Building - Roofing Sheet Metal	79,105	0	0	0	0	79,105
OAC						
OAC Roof	79,105	0	0	0	0	79,105
Treatment Equipment						
Clarifier 1	0	0	0	0	1,180,202	1,180,202
Total treatment plant equipment	**169,296**	**47,191**	**49,384**	**32,354**	**1,219,106**	**2,279,900**
STUDIES AND MAPS						
New Pipeline Maps	0	0	100,000	0	0	100,000
Total Studies and Maps	**0**	**0**	**100,000**	**0**	**0**	**100,000**
Replenish Big Bear	**4,596,763**	**36,670,202**	**33,798,227**	**1,890,364**	**0**	**76,955,556**
TOTAL	**5,845,546**	**36,918,104**	**34,162,746**	**3,128,915**	**1,576,176**	**81,631,487**

Capital Expenditures – FY 2025

Administration Building

HVAC Boiler and Controls ($66,617): Replace the chiller in the HVAC system in the administration building.

Interceptor System

Force Main Sliplining ($762,569): The force main is likely being impacted by hydrogen sulfide gas during low flow conditions due to the collection at the top of the pipe, which can cause corrosion. A video inspection was performed and showed signs of slight corrosion. Additionally, there have been three sewage leaks on this line since March of 2023. In response to this and to prevent further damage to the pipe, approximately 1,500 ft of lining will be installed in the force main.

Transportation Equipment

1989 Dump Truck Replacement ($102,355): The Agency needs to replace the dump truck based on mileage and years of service. The dump truck is currently used to haul sludge from the sludge hopper to the covered drying bed. The dump truck currently 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 ($147,946): The current loader is used for loading sludge trailers and snow removal at the facility and lift stations. The current loader is undersized for the Agency's needs. A larger loader is needed to load trailers and snow removal. The current, smaller loader will continue to be used as a forklift for the plant.

Treatment Plant

Sludge Building - Siding ($11,086): Replace aged and damaged siding on the sludge building.

Sludge Building - Roofing ($79,105): Replace aged and damaged roofing on the sludge building.

Operations Administrative/Laboratory Building Roof ($79,105): The operations building roof has surpassed its useful life and will be replaced.

Replenish Big Bear (RBB)

Replenish Big Bear Project ($4,596,763): The RBB project is a multi-year project that includes the construction of advanced water treatment processes that will be added to the existing treatment process to allow the Agency to return safe, high quality recycled water back into the environment, providing Big Bear with a sustainable water supply. Final design is scheduled to be completed in FY 2025 with construction beginning during the FY.

Capital Expenditures – FY 2026 – FY 2029

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

Asphalt and Paving ($1,127,752): The asphalt needs replacement due to age and climate. The asphalt work includes the grading and paving of the Administrative Building Parking Lot, repaving of Palomino Drive, and in-plant asphalt.

Clarifier 1 Rehabilitation ($1,180,202): Clarifier 1 will undergo a complete rebuild including a new arm gearbox, weir replacement, and weir leveling.

Replenish Big Bear Project (RBB) ($72,358,793): The RBB project is a multi-year project that includes the construction of advanced water treatment processes, adding to the existing treatment processes, which will return safe high quality recycled water back to the environment, providing Big Bear with a sustainable water supply. The project is expected to be completed in October 2027. The RBB project will be funded through cost-sharing, low interest loans, and grants.

Cash and Designated Fund Balances

All references to Agency funds and designated fund balances are related to internal reserve funds maintained by the Agency for various operating and capital related purposes. The following is a summary of the Agency's internally designated funds:

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

CASH AND DESIGNATED FUND BALANCES	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Total Change
ENDING BALANCE:							
Cash Balance	11,915,317	13,920,959	17,434,701	21,924,567	23,063,281	23,399,260	11,483,943
Designated Fund Balances:							
Capital and Replacement Fund							
Current Year	1,248,783	247,902	364,519	1,238,551	1,576,176	1,521,842	273,059
Future Years	5,768,407	7,360,505	9,669,343	10,554,586	9,580,336	9,439,233	3,670,826
Total C & R	7,017,190	7,608,407	10,033,862	11,793,137	11,156,512	10,961,075	3,943,885
Debt Service Fund	726,779	1,747,298	2,458,975	4,372,206	4,372,206	4,372,206	3,645,427
Liquidity Fund	2,716,590	2,901,002	3,067,010	3,174,667	4,791,560	5,270,686	2,554,096
Contingency Fund:							
Emergency	500,000	650,000	825,000	1,000,000	1,000,000	1,000,000	500,000
Operating	954,758	1,014,252	1,049,854	1,584,557	1,743,003	1,795,293	840,535
Total Contingency	1,454,758	1,664,252	1,874,854	2,584,557	2,743,003	2,795,293	1,340,535
Designated Funds	11,915,317	13,920,959	17,434,701	21,924,567	23,063,281	23,399,260	11,483,943

At the end of FY 2029, the Agency is projected to have $11 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 2030 through FY 2034, is an aggressive capital investment schedule with an estimated capital investment of $12.5 million, or approximately $2.5 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 18% in FY 2025 - 2028, and 4.5% in FY 2029. The rate adjustments should be adequate to cover future operating and capital requirements for the budget and forecast period. The forecast period is a "best estimate" of the Agency's future revenue requirements and may change as we move into the future, which could impact the timing and size of potential rate adjustments.

Rate Requirements

	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Year Total
Revenue Requirements:							
Op Expenses b/f Depreciation	$ 5,390,216	$ 5,756,125	$ 6,085,514	$ 6,299,127	$ 9,507,341	$ 10,458,016	$ 38,106,123
Rate Funded Capital:							
Debt Service	$ 578,204	$ 664,404	$ 1,671,885	$ 2,383,975	$ 4,298,455	$ 4,298,455	$ 13,317,175
Capital Expenditures	$ 800,000	$ 800,000	$ 850,000	$ 1,000,000	$ 1,200,000	$ 1,200,000	$ 5,050,000
Total Rate Funded Capital	$ 1,378,204	$ 1,464,404	$ 2,521,885	$ 3,383,975	$ 5,498,455	$ 5,498,455	$ 18,367,175
Subtotal	$ 6,768,420	$ 7,220,529	$ 8,607,400	$ 9,683,101	$ 15,005,796	$ 15,956,471	$ 56,473,297
LESS Other Revenues:							
Other Revenue:							
Standby Charges	$ 75,297	$ 73,252	$ 72,338	$ 71,424	$ 70,510	$ 69,596	$ 357,118
Rental Income/Lease Revenue	$ 65,654	$ 66,840	$ 68,063	$ 69,321	$ 70,618	$ 71,954	$ 346,796
Waste Disposal	$ 24,110	$ 22,244	$ 22,244	$ 22,244	$ 22,244	$ 22,244	$ 111,220
	$ 165,061	$ 162,336	$ 162,644	$ 162,989	$ 163,372	$ 163,793	$ 815,134
Revenue Requirements	$ 6,603,359	$ 7,058,193	$ 8,444,755	$ 9,520,112	$ 14,842,424	$ 15,792,678	$ 55,658,163
Proposed Rate	**$ 302.37**	**$ 356.79**	**$ 421.02**	**$ 496.80**	**$ 586.22**	**$ 612.60**	
Annual Change	**22.5%**	**18.0%**	**18.0%**	**18.0%**	**18.0%**	**4.5%**	
Rate Revenue per Proposed Rate							
EDUs	25,370	25,627	25,672	25,717	25,762	25,807	
Rate Revenues - Proposed Billing	$ 7,671,036	$ 9,143,600	$ 10,808,594	$ 12,776,404	$ 15,102,434	$ 15,809,611	$ 63,640,643
Rate Revenue Excess (Shortfall) - Proposed	$ 1,067,677	$ 2,085,407	$ 2,363,838	$ 3,256,292	$ 260,010	$ 16,933	$ 7,982,480
Bond Covenant with Proposed Rate							
BBARWA	5.06	5.40	3.09	2.95	1.47	1.42	
Covenant Test Ratio	1.20	1.20	1.20	1.20	1.20	1.20	
PASS/FAIL	PASS	PASS	PASS	PASS	PASS	PASS	

FY 2025 Rate per EDU - $356.79

Based on the Agency's current budget and five-year forecast, a rate of $356.79 per EDU is budgeted in FY 2025, an 18% increase over the FY 2024 rate of $302.37.

Ratepayer Impact

The financial impact to the ratepayer in FY 2025, based on an 18% increase to the established rate is as follows:

Rate	FY 2024 Actual	FY 2025 Budgeted	Change $	Change %
Established	$302.37	$356.79	$54.42	18.0%
CBBL	$311.83	$367.67	$55.84	17.9%
CSD	$295.67	$348.33	$52.66	17.8%
CSA 53 B	$280.28	$339.14	$58.86	21.0%

Section 4: Staffing and Departmental Information

Staffing

Overall, the Agency's staffing needs remain fairly stable over time due to the consistent nature of the Agency's sewage treatment and disposal services and relatively little increase in the annual MGDs (millions of gallons per day) treated.

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

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

Full-Time Equivalent Staffing

Position	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Budget
Administration					
General Manager	1	1	1	1	1
Finance Manager	1	1	1	1	1
Administrative Services Manager	1	1	1	1	1
HR Coordinator/Accounting Tech	1	1	1	1	1
Administrative Assistant	0	0	0	0	1
Subtotal	**4**	**4**	**4**	**4**	**5**
Operations					
Plant Manager	1	1	1	1	1
Plant Supervisor	1	1	1	1	1
Plant Operator	5	6	6	6	6
Plant Operator-in-Training	2	1	0	0	0
Subtotal	**9**	**9**	**8**	**8**	**8**
Laboratory					
Senior Laboratory Analyst	1	1	1	1	1
Laboratory Technician	1	1	1	1	1
Subtotal	**2**	**2**	**2**	**2**	**2**
Seasonal / Temporary (a)	**0.5**	**0.5**	**0.5**	**0.5**	**0**
Total	**15.5**	**15.5**	**14.5**	**14.5**	**15**

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

Departments

The Agency does not have distinct and separate departments due to the small, single-service nature of its operations. From a functional standpoint, the Agency may say that it has the following departments: Administration, Operations, and Laboratory with both the Administration and Laboratory Departments supporting the Agency's Operations Department.

Administration Department

Positions: General Manager

Finance Manager

Administrative Services Manager/Board Secretary

Human Resources Coordinator / Accounting Technician

Administrative Assistant

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

GFOA Excellence in Financial Reporting

11 Consecutive Years

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

Operations Department

Positions: Plant Manager

Plant Supervisor

Plant Operator II (6)

CWEA Desert and Mountain Section

Small Plant of the Year

FY 2019 - 2021

Functions: The Agency expects to collect and treat approximately 800 million gallons of wastewater at the treatment plant in FY 2025. These services will be performed by the Operations Department, in compliance with discharge permits issued by the Colorado and Santa Ana Regions of the State Water Resource Control Boards which regulate the Agency's effluent quality as it leaves the treatment plant.

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

The Operations Department is a technical element of the Agency's operation which 1) utilizes complex valving schemes and flow patterns specific to a variety of treatment processes, 2) performs basic troubleshooting on systems as necessary, 3) reads meters, gauges, charts, and instruments, and 4) interprets, records, and logs plant performance. The department is also responsible for maintaining and servicing the interceptor system which consists of 15 miles of pipelines, 93 manholes, 12 air release vents, and 4 lift stations.

Laboratory Department

Positions: Senior Laboratory Analyst

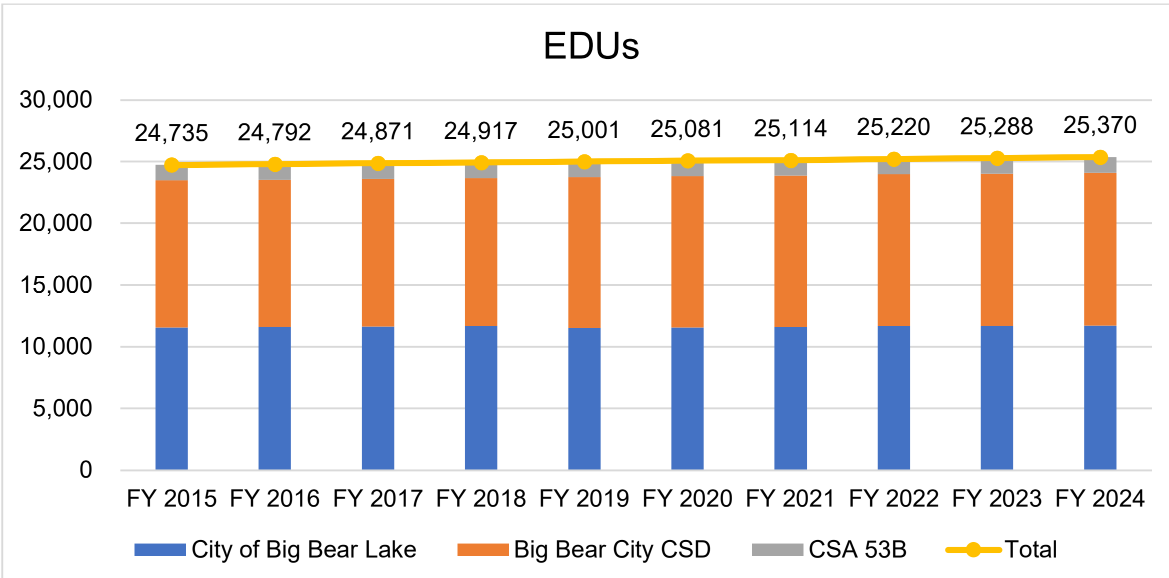
Laboratory Technician

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

Section 5: Supplemental Information

Demographics

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

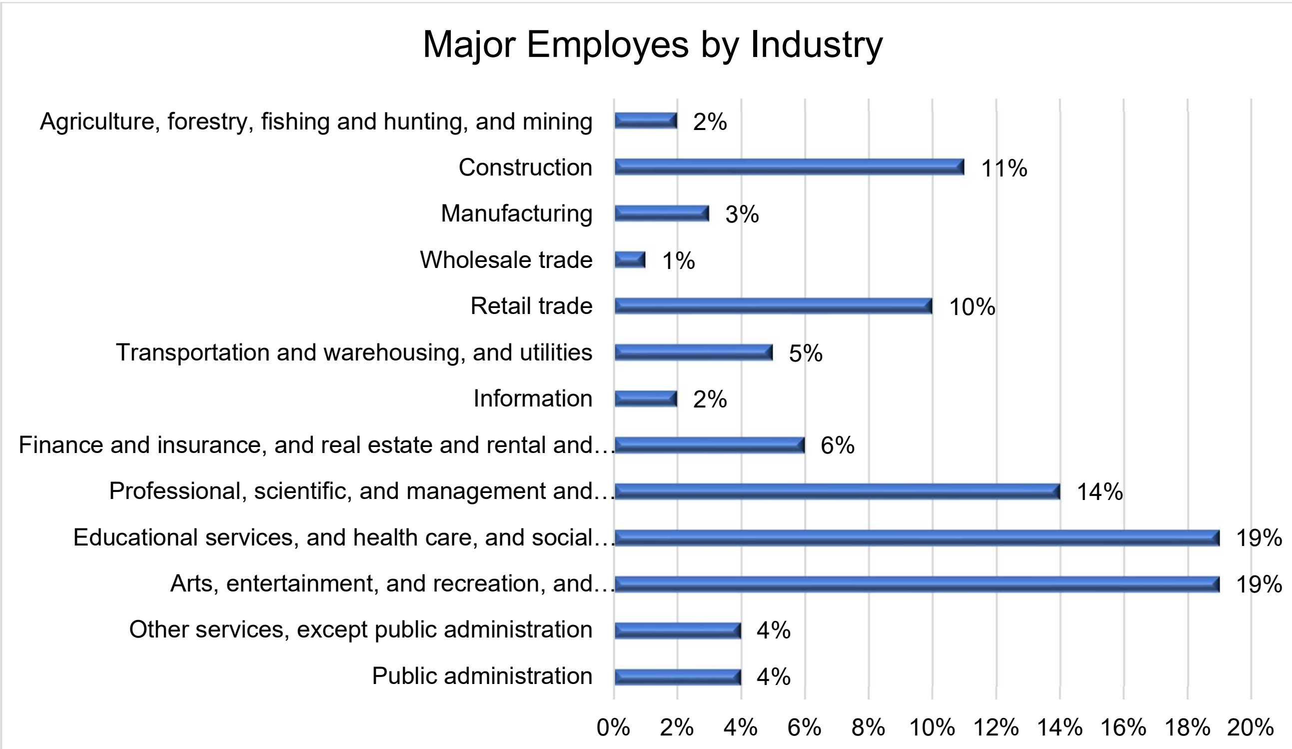


The Big Bear area is considered a four-season resort community and is characterized by a large, part-time population of second homeowners and seasonal peaks associated with tourism. The permanent population consists of approximately 20,000 residents and 1,400 businesses and on a busy weekend or holiday,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

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

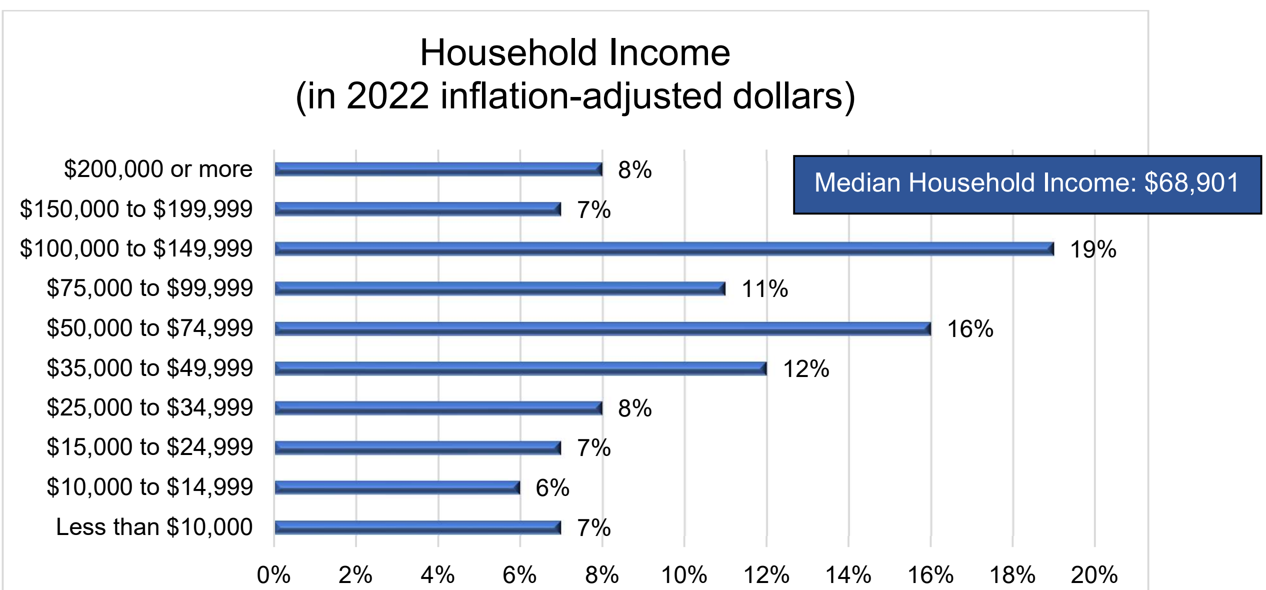
Employment

As a resort community, the primary employer is the arts, entertainment, recreation, accommodation, and food service industries, employing approximately 19% of the workforce; however, educational services, health care, and social assistance has increased over the years and also accounts for by 19% of the workforce.



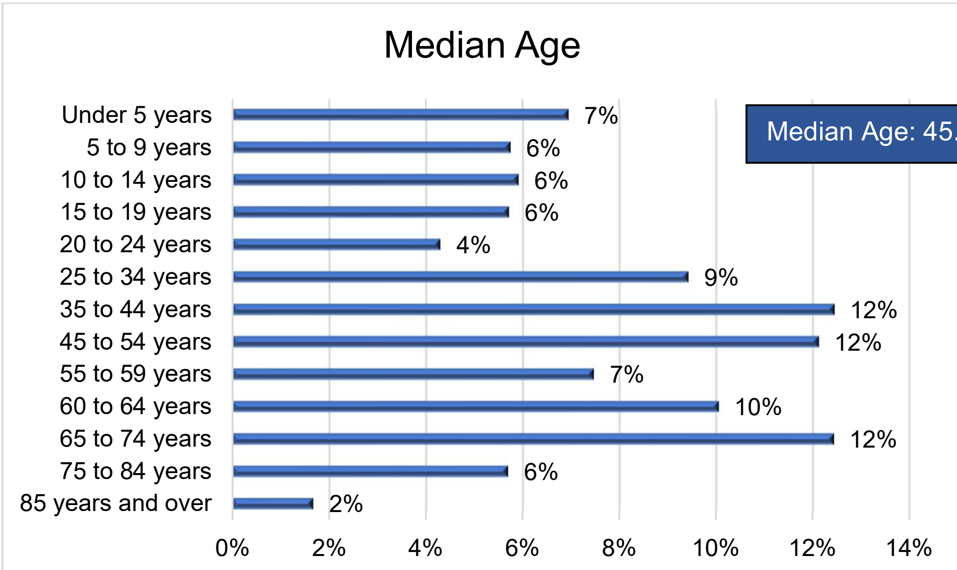
Household Income

The median household income for the area was $68,901 in 2022, approximately $6,248 below the national average of $75,149 for the same period.



Median Age

The median age of the area is 45.5 as of the 2022 Census data. Approximately 37% of the population is estimated to be 55 years and older, with 30% of the population 60 years and older.



Section 7: Glossary

Accrual accounting A method of accounting in which revenues are recorded when earned and expenses are recognized when incurred.

Annual charges The amount collected by the Agency to cover its revenue requirements, calculated by multiplying the number of equivalent dwelling units reported by each member agency by the user fee. This amount is then prorated based on member agency actual flow into the system. Annual charges are collected from the member agencies in April and December of each year. Each member agency, in turn, collects the fees from the respective ratepayers.

Appropriation The act of setting aside money for a specific purpose. The formal approval of the Agency's budget by the Governing Board legally appropriates funding for the purposes outlined in the budget and places constraints on management pursuant to the budget.

Balanced budget A balanced budget is when the Agency's recurring revenues are equal to or in excess of recurring expenditures or in the case where recurring revenues are less than recurring expenditures there are adequate contingency reserves to cover the excess expenditures. Recurring revenues include annual charges (user fees), standby fees, wastewater disposal fees, and rental income. Recurring expenditures include ongoing operating expenses, debt service, and average annual maintenance capital expenditures.

BOD	Biochemical oxygen demand. A chemical testing procedure for determining the uptake rate of dissolved oxygen by the biological organisms in a body of water. It is widely used as an indication of the quality of water.
Bond	A bond is a promise to repay borrowed money by a specific date in the future including specific interest on the amount borrowed at predetermined intervals during the life of the bond.
CAGR	The Compound Annual Growth Rate which is the average annual growth rate over the period referenced.
CAPEX	Capital expenditure(s)
Capital budget	The Agency's plan for capital expenditures during a one-year period.
Capital expenditure	An expenditure of $5,000 or more that is used to purchase or improve an asset with a useful life of one year or more.
CBBL	City of Big Bear Lake
Connection fee	A system development fee or capacity charge and is a one-time fee paid at the time of connection to the system. The fee recovers a proportional share of capital costs incurred to provide service capacity for new wastewater customers.
CSD	Big Bear City Community Services District
CSA 53B	County of San Bernardino Service Area 53B
Debt service	Principal and interest payments on borrowed money.
Depreciation	A reduction in the value of an asset with the passage of time due to wear and tear. Annual depreciation is often considered a measure of annual maintenance expense.
EDU	An equivalent dwelling unit. EDU's are used to set water rates based on the amount of wastewater generated from an average single-family residence. Connections and EDUs may be used interchangeably to reference the number of single-family households in the system or connecting to the system at any given time.
Enterprise fund	A fund which establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods and services.
Fodder, fiber crops	Fodder and fiber crops are those cultivated explicitly or primarily for feeding animals.
FY	Means the fiscal year ending June 30th of the year referenced, i.e., FY 2023 is the fiscal year ending June 30, 2023.
GASB	Governmental Accounting Standards Board

GFOA	Government Finance Officers Association
I & I	Infiltration and inflow. A term used to describe the ways the groundwater and stormwater enter into the sewer system. Inflow is stormwater that enters into sanitary sewer systems and point of direct connection to the system. Infiltration is groundwater that enters sanitary sewer systems through cracks and/or leaks in the sanitary sewer pipes.
IRR	Internal Rate of Return. The discount rate at which the present value of all future cash flow is equal to the initial cost of the investment. Used to compare multiple projects for decision making purposes or to determine the level at which a project's rate of return exceeds the Agency's cost of capital.
Interceptor system	The portion of the Agency's pipeline system that collects wastewater flow from the member agencies and transports it to the treatment plan.
Joint powers agreement	A formal legal agreement between two or more public agencies that shows a common power and where the agencies want to jointly implement programs, build facilities, or deliver services. Officials from those agencies formally approve a cooperative arrangement.
Member agencies	The member agencies pursuant to BBARWA's joint powers agreement are the Community Services District, the City of Big Bear Lake, and the County of San Bernardino Service Area 53B.
MGD	Million gallons per day.
nm	Means "not meaningful." It is input as the outcome when dividing by "0" or when the percent change calculation includes a loss or negative number.
NPV	Net Present Value. The present value of cash inflows and present value of cash outflows related to a capital project. Is used to determine the overall value or profitability of a project. Used to compare multiple projects for decision making purposes.
OPEB	Other poste employment benefits.
Operating income	Is equal to Operating Revenue less Operating Expenses. Is a key indicator of the Agency's ability to cover its debt service and maintain capital assets.
Operating budget	The Agency's plan for operating and maintenance expenses during a one-year period.
Projected performance	Based on six months of actual performance through December and represents the Agency's best estimate of performance for the full year.
Proprietary Fund	A proprietary fund is used to account for activities that involve business-like interactions. There are two types of proprietary funds, an enterprise fund and internal service fund. The Agency operates as an enterprise fund.
Pumping station	A pumping operation, usually located a long distance from the treatment plant, which provides for the lifting and conveyance of sewage through the force main to gravity flow points.

RBB	Replenish Big Bear.
Revenue requirements	Amount of revenue required to cover operating and capital costs. Operating costs are usually routine or periodic costs incurred to provide service on an ongoing basis. Capital costs relate to capital items such as equipment or facilities that provide benefits over multiple years.
SCADA	Supervisory Control and Data Acquisition (SCADA) is an automated system that uses programmable logic controls to monitor and control treatment processes and pump stations.
Sewage	Wastewater flow from residential and commercial units connected to the sewer system.
Sewerage	The infrastructure, including pipelines, drains, manholes, and other system facilities used to convey sewage.
Sludge	Refers to the residual, semi-solid material left from industrial wastewater, or sewage treatment processes.
Solids	The material removed from sludge such as grit, sand, or debris.
Standby fee	A charge to undeveloped parcel owners that recovers a proportional share of operating costs to maintain the wastewater facilities in a “ready” state.
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UAL	Unfunded accrued liability (used in reference to pension and OPEB unfunded liabilities).
User Fee	The rate charged per equivalent dwelling unit. This rate is set by BBARWA based on its revenue requirements.
Wastewater	Any water that has been adversely affected in quality by anthropogenic influence. It comprises liquid waste discharged by the domestic residences, commercial properties, industry, and/or agriculture and can encompass a wide range of potential contaminants and concentrations. In the most common usage, it refers to the municipal wastewater that contains a broad spectrum of contaminants resulting from the mixing of wastewaters from different sources.

Appendix

Five-Year Forecast

Income Statement

	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	5-Yr CAGR (a)	
Operating Revenue:								
Annual Charges	7,671,077	9,143,600	10,808,594	12,776,404	15,102,434	15,809,611	16%	
Standby Charges	75,297	73,252	72,329	71,406	70,484	69,561	-2%	
Rental Income	0	10,924	11,252	11,589	11,937	12,295	nm	(b)
Waste Disposal	24,110	22,244	22,244	22,244	22,244	22,244	-2%	
Other Revenue	38,899	0	0	0	0	0	nm	(b)
Total Operating Revenue	7,809,383	9,250,019	10,914,418	12,881,644	15,207,098	15,913,710	15%	
Operating Expenses:								
Salaries and Benefits	2,977,200	3,274,752	3,492,935	3,704,680	3,889,924	4,117,423	7%	
Power	497,519	516,348	530,381	544,055	556,587	569,726	3%	
Sludge Removal	336,212	344,723	352,842	361,476	370,325	379,396	2%	
Chemicals	102,530	106,023	141,170	111,391	114,176	153,232	8%	
Materials and Supplies	178,192	178,420	183,753	188,457	188,951	193,940	2%	
Repairs and Replacements	300,403	295,861	287,055	269,734	281,946	288,995	-1%	
Equipment Rental	1,406	2,004	2,054	2,105	2,158	2,212	9%	
Utilities Expense (other than power)	38,769	39,739	40,732	41,750	42,794	43,864	3%	
Communications Expense	58,973	58,862	60,244	61,660	63,111	64,599	2%	
Contractual Services - Other	163,212	135,701	139,010	142,880	146,876	151,002	-2%	
Contractual Services - Prof	189,027	158,535	180,765	166,561	180,460	174,993	-2%	
Permits and fees	259,973	276,859	304,861	321,448	353,084	373,607	8%	
Property Tax Expense	4,196	4,252	4,308	4,365	4,423	4,482	1%	
Insurance	229,023	298,302	298,017	309,492	321,267	333,374	8%	
Other Operating Expense	53,580	65,744	67,388	69,072	70,799	72,569	6%	
Replenish Big Bear Operating Expense	0	0	0	0	2,920,458	3,534,603	nm	(b)
Depreciation Expense	901,809	1,509,638	3,361,454	4,992,431	4,895,263	4,715,769	39%	
Total Operating Expense	6,292,025	7,265,763	9,446,968	11,291,557	14,402,604	15,173,785	19%	
Operating Income	1,517,358	1,984,257	1,467,450	1,590,086	804,495	739,925	-13%	
Nonoperating Income								
Gain (loss) on Asset Disposition	2,555	2,575	2,596	2,616	2,637	2,658	1%	
Interest Income	413,570	315,625	382,192	473,515	539,471	562,882	6%	
Other Nonoperating Income	55,048	4,803,293	5,155,639	4,789,484	1,013,910	59,659	nm	(b)
Nonoperating Income	471,174	5,121,493	5,540,427	5,265,615	1,556,019	625,198	6%	
Nonoperating Expense								
Other Expense	175,822	5,040	5,035	5,031	5,031	5,031	-51%	
Interest Expense	288,881	299,323	1,132,185	1,834,995	3,203,789	3,147,997	61%	
Nonoperating Expense	464,703	304,364	1,137,220	1,840,027	3,208,820	3,153,027	47%	
Income before Contributions	1,523,829	6,801,386	5,870,657	5,015,675	-848,307	-1,787,904	-203%	
Connection Fees	459,800	188,100	188,100	188,100	188,100	188,100	-16%	
Net Income, Change in Net Position	1,983,629	6,989,486	6,058,757	5,203,775	-660,207	-1,599,804	-196%	

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

Cash Flow Statement and Designated Fund Balances

	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Total
Cash from Operating Activities:							
Operating Income (Loss)	1,527,964	1,984,256	1,467,450	1,590,086	804,494	739,925	6,586,212
Depreciation Expense	901,809	1,509,638	3,361,454	4,992,431	4,895,263	4,715,769	19,474,556
Change in Working Capital, Other Adjustments	159,402	-59,294	52,935	11,496	263,461	18,027	286,625
Net Cash Provided by Op Activities	2,589,175	3,434,601	4,881,839	6,594,013	5,963,219	5,473,721	26,347,392
Cash from Noncapital Financing:							
Payment of Pension Related Debt/Liability	0	0	0	0	0	0	0
Cash from Capital and Related Financing:							
Other Nonop Expense (Interagency)	-4,756	0	0	0	0	0	0
Capital Expenditures	-7,867,087	-5,845,546	-36,918,104	-34,162,746	-3,128,915	-1,576,176	-81,631,487
Proceeds from Asset Disposition	0	0	0	0	0	0	0
Connection Fee (Capital Contrib)	459,800	188,100	188,100	188,100	188,100	188,100	940,500
Proceeds from Debt Issuance, Grants	5,465,048	4,596,763	36,670,202	33,798,227	1,890,364	0	76,955,556
Debt Service:							
Interest Expense	-227,713	-299,323	-1,132,185	-1,834,995	-3,203,789	-3,147,997	-9,618,289
Principal Debt Amortization	-425,903	-440,493	-615,113	-623,980	-1,168,417	-1,224,210	-4,072,213
Total Debt Service	-653,617	-739,816	-1,747,298	-2,458,975	-4,372,206	-4,372,206	-13,690,502
Lease Revenue	55,048	55,917	56,811	57,732	58,681	59,659	288,800
Net Cash Used for Cap and Related Financing	-2,545,562	-1,744,583	-1,750,289	-2,577,662	-5,363,976	-5,700,624	-17,137,133
Cash from Investing:							
Interest Income	413,570	315,625	382,192	473,515	539,471	562,882	2,273,684
Net Cash from Investing	413,570	315,625	382,192	473,515	539,471	562,882	2,273,684
Net Change in Cash	457,183	2,005,642	3,513,742	4,489,866	1,138,714	335,979	11,483,943
Beginning Cash Balance	11,458,134	11,915,317	13,920,959	17,434,701	21,924,567	23,063,281	88,258,825
Ending Cash Balance	11,915,317	13,920,959	17,434,701	21,924,567	23,063,281	23,399,260	99,742,769
Change in Cash Balance	457,183	2,005,642	3,513,742	4,489,866	1,138,714	335,979	11,483,943

	Projected FY 2024	Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Change
DESIGNATED FUND BALANCES (Ending)							
Cash Balance	11,915,317	13,920,959	17,434,701	21,924,567	23,063,281	23,399,260	11,483,943
Capital and Replacement Fund							
Current Year	1,248,783	247,902	364,519	1,238,551	1,576,176	1,521,842	273,059
Future Years	5,763,778	7,360,505	9,669,343	10,554,586	9,580,336	9,439,233	3,675,455
Total C & R	7,012,561	7,608,407	10,033,862	11,793,137	11,156,512	10,961,075	3,948,514
Debt Service Fund	726,779	1,747,298	2,458,975	4,372,206	4,372,206	4,372,206	3,645,427
Liquidity Fund	2,716,590	2,901,002	3,067,010	3,174,667	4,791,560	5,270,686	2,554,096
Contingency Fund:							
Emergency	500,000	650,000	825,000	1,000,000	1,000,000	1,000,000	500,000
Operating	959,387	1,014,252	1,049,854	1,584,557	1,743,003	1,795,293	835,906
Total Contingency	1,459,387	1,664,252	1,874,854	2,584,557	2,743,003	2,795,293	1,335,906
Designated Funds	11,915,317	13,920,959	17,434,701	21,924,567	23,063,281	23,399,260	11,483,943

Historical Income Statement

The historical information presented below does not match the audited financial statements and excludes GASB adjustments for pension and OPEB expense.

	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	NEW Budget FY 2025
Operating Revenues:							
Annual Charges	5,251,542	5,437,076	5,602,113	5,845,163	6,241,883	7,671,077	9,143,600
Standby Charges	83,200	81,660	80,300	79,220	77,590	75,297	73,252
Rental Income	51,071	51,855	52,592	70	11,096	0	10,924
Waste Disposal	20,608	18,755	23,859	22,000	25,263	24,110	22,244
Other Revenue	765	0	793	7,709	19,819	38,899	0
Total Operating Revenue	5,407,186	5,589,346	5,759,657	5,954,162	6,375,651	7,809,383	9,250,019
Operating Expenses:							
Salaries and Benefits	2,162,857	2,353,414	2,447,706	2,549,891	2,760,296	2,977,200	3,274,752
Power	520,234	453,306	459,483	388,721	434,357	497,519	516,348
Sludge Removal	298,241	276,292	319,660	271,361	258,216	336,212	344,723
Chemicals	53,088	47,596	96,119	51,788	80,548	102,530	106,023
Materials and Supplies	162,695	159,052	120,308	120,638	148,013	178,192	178,420
Repairs and Replacements	445,040	253,789	262,795	156,609	339,659	300,403	295,861
Equipment Rental	1,363	351	835	111	3,097	1,406	2,004
Utilities Expense (other than power)	22,207	14,180	61,996	22,427	48,982	38,769	39,739
Communications Expense	32,160	39,043	44,988	48,093	58,941	58,973	58,862
Contractual Services - Other	97,296	78,879	90,873	86,212	80,920	163,212	135,701
Contractual Services - Professional	214,412	153,470	120,390	196,672	123,963	189,027	158,535
Permits and fees	158,528	185,051	201,452	234,270	239,056	259,973	276,859
Property Tax Expense	3,665	3,917	3,998	4,017	4,096	4,196	4,252
Insurance	100,952	112,262	171,882	188,844	226,698	229,023	298,302
Other Operating Expense	48,140	45,018	37,216	42,987	42,370	53,580	65,744
Depreciation Expense	893,196	863,233	898,422	883,556	893,690	901,809	1,509,638
Total Operating Expense	5,214,075	5,038,855	5,338,122	5,246,199	5,742,904	6,292,025	7,265,763
Operating Income	193,111	550,491	421,535	707,963	632,747	1,517,358	1,984,256
Nonoperating Income							
Gain (loss) on asset disposition	0	-9,178	-360,999	-33,519	-6,029	2,555	2,575
Interest Income	164,711	131,406	-1,670	10,171	127,719	413,570	315,625
Other Nonoperating Income	0	0	24,158	99,872	516,044	0	4,747,377
Lease Revenue	0	0	0	52,741	60,552	55,048	55,917
Nonoperating income	164,711	122,228	-338,511	129,265	698,286	471,173	5,121,493
Nonoperating Expense							
Other Expense	181,528	174,573	103,896	108,222	71,119	175,822	5,040
Interest Expense	134,569	136,848	122,832	110,916	159,520	288,881	299,323
Nonoperating expense	316,097	311,421	226,728	219,138	230,640	464,703	304,364
Income before Contributions	41,725	361,298	-143,704	618,089	1,100,393	1,523,829	6,801,386
Connection Fees	188,100	188,100	284,240	363,660	456,346	459,800	188,100
Change in Net Position	229,825	549,398	140,536	981,750	1,556,738	1,983,629	6,989,486