RESOLUTION 2026 - 03

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY TO ADOPT RATE STUDY BY WATER RESOURCES ECONOMICS

WHEREAS, the Victor Valley Wastewater Reclamation Authority ("Authority") is a Joint Powers Authority and Public Agency of the State of California established in 1978 that provides regional wastewater treatment to a designated Service Area;

WHEREAS, an amendment to the Victor Valley Regional Wastewater Service Agreement was made and entered into as of August 1, 2005, by and between the Authority and the City of Victorville, the City of Hesperia, the Town of Apple Valley, and the County of San Bernardino Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake), collectively referred to as "Member Entities"; and

WHEREAS, the Authority provides wastewater treatment service to the Member Entities and issues monthly flow billings to the Member Entities based upon the number of gallons of flow received from each Entity;

WHEREAS, on February 19, 2026, a proposed Financial Plan (the "Financial Plan") prepared by Water Resources Economics was presented to the Board of Commissioners at a duly noticed regular meeting;

WHEREAS, after consideration of the Financial Plan, the Board of Commissioners directed VVWRA staff to finalize a rate study based on the Financial Plan;

WHEREAS, a Rate Study was completed by Water Resources Economics in March 2026 to evaluate future VVWRA users fee revenues necessary to fund both regular operations and capital improvements (the "Rate Study");

WHEREAS, the Rate Study has determined that an increase is necessary in the user fees collected by VVWRA to ensure that regular operations are adequately funded;

WHEREAS, the Rate Study has also determined that an increase is necessary in the amount currently collected by VVWRA for connection fees in order to ensure the ongoing ability of VVWRA to increase the capacity of the VVWRA sewerage system to meet regulatory requirements, growth and necessary related capital projects;

WHEREAS, a true and accurate copy of the Rate Study is attached hereto as Exhibit "A" and is incorporated herein by this reference;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority that:

SECTION 1. the Victor Valley Wastewater Reclamation Authority hereby receive, approve and adopt the 2026 Rate Study attached hereto as Exhibit "A".

SECTION 2: Execution of Resolution. The Chair of the Commission will sign this Resolution, and the Secretary of the Commission will certify, this Resolution was duly and properly adopted by the Commission.

RECEIVED, APPROVED AND ADOPTED this 19TH day of March, 2026.

____
Cameron Gregg, Chair
VVWRA Board of Commissioners

ATTEST:

____
Scott Nassif, Secretary
VVWRA Board of Commissioners

APPROVED AS TO FORM:

____
Piero Dallarda of
Best Best & Krieger LLP, Counsel VVWRA

CERTIFICATION:

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Board of Commissioners held on March 19, 2026.

____
Kristi Casteel – Clerk of the Board

EXHIBIT A

Resolution 2026-03

Victor Valley Wastewater Reclamation Authority

2026 Wastewater Rate Study

Final Report – March 2026

Prepared by: Wastewater Resources Economics, LLC

Water Resources Economics

PROMOTING THE VALUE AND PRICE OF WATER SERVICE

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March 12, 2026

Xiwei Wang, CPA MSA
Director of Finance and Procurement
Victor Valley Wastewater Reclamation Authority
20111 Shay Road
Victorville, CA 92394

Subject: Victor Valley Wastewater Reclamation Authority 2026 Rate Study Report

Dear Mr. Wang,

Wastewater Resources Economics, LLC (WRE) is pleased to submit this 2026 Wastewater Rate Study Report to Victor Valley Wastewater Reclamation Authority (Authority). This report documents the results and recommendations of the 2026 Rate Study. The goal of the study was to develop an updated three-year schedule of wastewater rates that will sufficiently fund the Authority's wastewater system expenses and help the Authority to meet its financial goals.

This study utilized industry-standard rate-setting methodology and incorporates guidance provided by the Authority's Board of Commissioners and staff. Our project team has a proven record of developing fair and equitable wastewater rates for numerous public wastewater agencies in California over the past 25 years. We are confident in our ability to develop sound wastewater rates that are defensible and equitable.

It has been a pleasure assisting the Authority, and we appreciate the support provided by yourself and other staff during this study.

Sincerely,

Sanjay Gaur
President

Hannah Phan
Principal Consultant

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1. EXECUTIVE SUMMARY

1.1 SYSTEM OVERVIEW

Victor Valley Wastewater Reclamation Authority (Authority) operates as a Joint Powers Authority (JPA) formed in 1977 to provide wastewater treatment services to member agencies within a 279 square mile service area. The JPA is governed by representatives from its four member agencies, which include the Town of Apple Valley, City of Hesperia, City of Victorville, and County of San Bernardino Special District Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake), as well as Mojave Narrows Park. Wastewater flows are delivered to the Authority for treatment, and the Authority recovers treatment costs through regional wastewater user charges assessed to the member agencies based on measured flows.

The Authority operates a Regional Wastewater Treatment Plant in Victorville in addition to two additional sub-regional Wastewater Reclamation Plants in Apple Valley and Hesperia. Treated wastewater is discharged into the Mojave River or utilized for irrigative purposes.

1.2 RATE STUDY OVERVIEW

The Authority conducted this rate study to ensure the long-term financial stability of the regional wastewater system while continuing to meet regulatory requirements, maintain aging infrastructure, and support planned capital improvements. This study evaluates current revenues, projected operating costs, and upcoming capital investments to determine whether existing rates are sufficient to sustain operations and maintain prudent financial reserves.

The Authority engaged Wastewater Resources Economics, LLC (WRE) in 2025 to conduct a comprehensive wastewater rate study, with the following objectives:

- Develop a five-year financial plan to meet financial targets for Fiscal Year (FY) 2027[1] to FY 2031
- Develop a three-year wastewater user charge schedule for FY 2027 through FY 2029

1.3 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the Authority's wastewater rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of January 29, 2026.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually replicate

[1] FY 2027 is the fiscal year starting July 1, 2026 and ending June 30, 2027.

the calculations described in this report from the values displayed in tables may therefore produce slightly different results.

- All current and proposed rates and charges in this report are shown on an annual basis.

1.4 CURRENT WASTEWATER RATES

CURRENT WASTEWATER RATES

The Authority's current wastewater rate structure includes annual user charges assessed per million gallons (MG) of billed wastewater flows. **Table 1-1** show the current annual user charges and connection fees per equivalent dwelling unit (EDU).

Table 1-1: Current Rates

Line	Current Rates	As of 7/1/2025
1	User Charges ($/ MG)	$6,811

Table 1-2 shows the current and projected connection fees based on the California Construction Cost Index (CCCI). The Authority's rate structure includes one-time connection fees assessed per equivalent dwelling unit (EDU) of new development within the Authority's service area. Connection fees are annually adjusted based on CCCI.

For FY 2027, the projected connection fee is based on the actual FY 2027 CCCI rate. For future years (FY 2028 to FY 2031), connection fees are estimated based on the 3-year average CCCI rate. These projected fees are subject to change once the actual CCCI rates for those years become available.

Table 1-2: Current and Projected Connection Fees Based on CCCI

Line	Projected Connection Fees	As of 7/1/2025	Effective 7/1/2026	Effective 7/1/2027	Effective 7/1/2028	Effective 7/1/2029	Effective 7/1/2030
1	***CCCI Source***		***Actual***[2]	***Estimated***	***Estimated***	***Estimated***	***Estimated***
2	CCCI		5.0%	4.5%	3.8%	3.8%	3.8%
3							
4	Connection Fees ($/ EDU)	$4,679	$4,913	$5,134	$5,329	$5,531	$5,741

1.5 FINANCIAL PLAN

WRE worked closely with Authority staff and the Authority's Board of Commissioners to determine the financial plan that best suits the Authority's needs. The results and

[2] The actual CCCI for FY 2027 is 5.7%. However, the Board requested that the increase be capped at 5% and to roll over the difference in the following year.

recommendations of the wastewater rate study are driven by the Authority's financial performance, input from Authority staff, and feedback and direction from the Board.

FACTORS AFFECTING FINANCIAL PERFORMANCE

The Authority's financial performance is driven by the ability of the current wastewater rates to meet the Authority's funding needs. To maintain financial sufficiency, wastewater rates must fully fund operations and maintenance (O&M) costs, capital improvement plan (CIP) expenditures, and any relevant financial policies, which typically include target reserve balances and debt coverage.

The key factors affecting financial performance include:

- **Capital investment needs over the next five years:** The Authority anticipates spending $50.3 million over the next five years (FY 2027 through FY 2031) and plans to issue $15 million in new debt to complete critical projects. Issuing debt allows the Authority to equitably distribute the cost of long-term infrastructure improvements across current and future system users rather than funding all projects through immediate rate increases.
- **Operating cost increases:** Operating expenses are expected to increase by 5.4% on average each year of the study period due to inflationary pressures.
- **Debt coverage requirements:** The Authority has existing debt service and is proposing new debt to fund CIP. Each debt issuance includes debt coverage obligations the Authority must meet in each year of the study period.
- **Reserve policy targets:** The Authority's current reserve policies for the user charge fund and connection fee fund, which is shown in **Table 1-3**, includes targets for operating, emergency, and debt service reserves for the first year of the study period. The current reserve policy is intended to provide sufficient cash on hand to meet short-term cash flow requirements, respond to emergencies efficiently, and meet debt service obligations.

PROPOSED REVENUE ADJUSTMENTS AND DEBT ISSUANCES

Overall annual increases in wastewater rate revenues resulting from rate increases are referred to as "revenue adjustments." WRE worked with the Board and Authority staff to determine the most appropriate financial plan, which is shown in **Table 1-3**.

The proposed financial plan includes a 7% revenue adjustment in the first year (FY 2027), followed by 5% annual revenue adjustments in the final four years of the study period (FY 2028 through FY 2031) to fund O&M expenses, CIP expenditures, and meet financial policy targets. The proposed financial plan also includes one new debt issuance in FY 2027 to fund $15.0 million in CIP.

Table 1-3: Proposed User Charge Financial Plan

Line	Fiscal Year	Effective Date	Revenue Adjustments	Debt Issuance	Debt Proceeds for CIP
1	FY 2027	7/1/2026	7.0%	$15,306,122	$15,000,000
2	FY 2028	7/1/2027	5.0%	$0	$0
3	FY 2029	7/1/2028	5.0%	$0	$0
4	FY 2030	7/1/2029	5.0%	$0	$0
5	FY 2031	7/1/2030	5.0%	$0	$0

1.6 PROPOSED WASTEWATER RATES

WRE worked closely with the Board and Authority staff to determine the most appropriate wastewater rate structure that meets the Authority's needs.

PROPOSED THREE-YEAR WASTEWATER RATE SCHEDULE

The proposed three-year wastewater rate schedule is based on the proposed revenue adjustments for the five-year study period. The rate schedule shows the proposed wastewater rates to be implemented in July 2026 through July 2028. **Table 1-4** shows the proposed annual user charges, respectively.

Table 1-4: Current and Proposed Annual User Charges

Line	User Charges ($/ MG)	As of 7/1/2025	Effective 7/1/2026	Effective 7/1/2027	Effective 7/1/2028	Effective 7/1/2029	Effective 7/1/2030
1			*Proposed*	*Proposed*	*Proposed*	*Projection Only*	*Projection Only*
2	All Agencies	$6,811	$7,288	$7,653	$8,036	$8,438	$8,860

SINGLE FAMILY IMPACT

WRE evaluated the impact on the single family resident based on the proposed three-year wastewater rates.

Table 1-5 shows the proposed impacts for a single family resident based on an assumed flow rate of 180 gallons per day (GPD) for a typical single family resident[3] (Line 3). The user charge rate ($/MG) from **Table 1-4** is converted to a rate per gallon (Line 2). The annual flow rate per EDU (Line 4) is calculated by multiplying the GPD/EDU assumption (Line 3) by 365 days in a year. The annual rate (Line 5) is calculated by multiplying the rate per gallon (Line 2) by the annual flow per EDU (Line 4). The total user charge per SFR (Single Family Resident) per month and per day (Lines 6 and 7) is calculated by dividing the annual rate (Line 5) by 12 months in a year and 365 days in a year, respectively. The additional user charge per SFR per month and day (Lines 8 and

[3] One EDU is equal to one single family customer.

9) represents the incremental change from year to year between the total user charges (Lines 6 and 7).

For the typical single family customer in the first year (FY 2027), the monthly bill increase will be $2.61, and the daily bill increase will be $0.09, which reflects the impact of the proposed revenue adjustments. Even after the proposed rate adjustments, the average monthly wastewater treatment cost remains below typical regional wastewater treatment costs across Southern California utilities.

Table 1-5: Proposed Single Family Impact

Line	Single Family Customer Impacts	As of 7/1/2025	Effective 7/1/2026	Effective 7/1/2027	Effective 7/1/2028
1	User Charge Rate (per 1 MG)	$6,811	$7,288	$7,653	$8,036
2	Rate per gallon	$0.0068	$0.0073	$0.0077	$0.0080
3	GPD/EDU	180	180	180	180
4	Annual Flow per EDU	65,700	65,700	65,700	65,700
5	Annual Rate	$447	$479	$503	$528
6	Total User Charge per SFR per Month	$37.29	$39.90	$41.90	$44.00
7	Total User Charge per SFR per Day	$1.23	$1.31	$1.38	$1.45
8	**Additional User Charge per SFR per Month**		**$2.61**	**$2.00**	**$2.10**
9	**Additional User Charge per SFR per Day**		**$0.09**	**$0.07**	**$0.07**

2. FINANCIAL PLAN

2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and performance and to determine the amount of required rate revenue. For this study, the planning period is from FY 2027 through FY 2031; data for FY 2025 is shown when needed to represent actual data inputs. The key steps in developing a financial plan for a wastewater enterprise are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, debt service, and CIP costs. CIP funding options (grants, debt, etc.) are evaluated.
- **Financial policy evaluation:** Key financial policies include debt coverage requirements and reserve targets. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances. Reserve targets are typically set by an agency's elected officials and may need to be periodically evaluated and updated.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency's financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover the agency's expenses, maintain adequate reserves, and meet all debt coverage requirements. The proposed financial plan determines the total annual rate revenue requirement over the study period.

2.2 REVENUES

CURRENT WASTEWATER RATES

The Authority's current wastewater rate structure includes annual user charges assessed per MG of metered wastewater flows. **Table 2-1** shows the current annual user charges.

Table 2-1: Current Rates

Line	Current Rates	As of 7/1/2025
1	User Charges ($/ MG)	$6,811

The Authority's rate structure also includes one-time connection fees assessed per EDU of new development within the Authority's service area. Current connection fees are not annually adjusted based on CCCI. For FY 2027, the projected connection fee is based on the actual FY 2027 CCCI rate. For future years (FY 2028 to FY 2031), connection fees are estimated based on the 3-year average CCCI rate. These projected fees are subject to change once the actual CCCI rates for those years become available.

Table 2-2: Current and Projected Connection Fees Based on CCCI

Line	Projected Connection Fees	As of 7/1/2025	Effective 7/1/2026	Effective 7/1/2027	Effective 7/1/2028	Effective 7/1/2029	Effective 7/1/2030
1	***CCCI Source***		***Actual***[4]	***Estimated***	***Estimated***	***Estimated***	***Estimated***
2	CCCI		5.0%	4.5%	3.8%	3.8%	3.8%
3							
4	Connection Fees ($/ EDU)	$4,679	$4,913	$5,134	$5,329	$5,532	$5,742

WASTEWATER FLOW

This section details the customer wastewater flow for all years of the study, which are referred to as the units of service. Units of service represent the quantity of billing units that are subject to the Authority's wastewater rates.

Table 2-3 shows the wastewater flow growth assumptions for each customer. WRE worked with Authority staff to determine the most appropriate estimates for annual wastewater flow based on historical trends and future expectations.

Table 2-3: Wastewater Flow Growth Assumptions

Line	Wastewater Flow Growth	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Victorville	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
2	Apple Valley	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
3	Hesperia	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
4	CSA 64 Spring Valley Lake	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
5	Mojave Narrows Park	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	CSA 42 Oro Grande	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

[4] The actual CCCI for FY 2027 is 5.7%. However, the Board requested that the increase be capped at 5% and to roll over the difference in the following year.

Table 2-4 shows the projected wastewater flow for each customer. Authority staff provided actual wastewater flow for FY 2025, which is then projected forward based on the flow growth assumptions (**Table 2-3**).

Table 2-4: Projected Wastewater Flow (MG)

Line	Wastewater Flow (MG)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	*Source*	*Input*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*
2	Victorville	2,808	2,878	2,950	3,024	3,099	3,177	3,256
3	Apple Valley	790	810	830	851	872	894	916
4	Hesperia	846	867	888	911	933	957	981
5	CSA 64 Spring Valley Lake	231	237	243	249	255	261	268
6	Mojave Narrows Park	1	1	1	1	1	1	1
7	CSA 42 Oro Grande	23	23	24	24	25	26	26
8	**Total Customer Units**	**4,698**	**4,816**	**4,936**	**5,060**	**5,186**	**5,316**	**5,448**

REVENUES FROM CURRENT RATES

Table 2-5 shows the calculated wastewater rate revenues for the study period based on the current effective wastewater rates and the projected units of service. The calculated rate revenue for each customer is calculated by multiplying the annual user charge (**Table 2-1**) by the projected wastewater flow (**Table 2-4**).

Table 2-5: Calculated Rate Revenues at Current Rates

Line	Calculated Rate Revenue	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Victorville	$19,602,164	$20,092,218	$20,594,523	$21,109,386	$21,637,121	$22,178,049
2	Apple Valley	$5,516,743	$5,654,662	$5,796,028	$5,940,929	$6,089,452	$6,241,688
3	Hesperia	$5,903,506	$6,051,093	$6,202,371	$6,357,430	$6,516,366	$6,679,275
4	CSA 64 Spring Valley Lake	$1,612,954	$1,653,278	$1,694,610	$1,736,975	$1,780,399	$1,824,909
5	Mojave Narrows Park	$6,811	$6,811	$6,811	$6,811	$6,811	$6,811
6	CSA 42 Oro Grande	$157,986	$161,936	$165,984	$170,134	$174,387	$178,747
7	**Total**	**$32,800,163**	**$33,619,997**	**$34,460,327**	**$35,321,665**	**$36,204,536**	**$37,109,479**

REVENUE SUMMARY

Table 2-6 shows the summary of projected revenues for the study period. Authority staff provided the budgeted revenues for FY 2026; all other years are projected based on the relevant assumptions or calculations. Wastewater rate revenues (Line 2) are equal to the rate revenues at current rates (**Table 2-5**, Line 7). Projected connection fee revenue (Line 5) was provided by staff, interest income (Line 4) is calculated based on average fund balances and a 2% interest rate, and other operating revenue (Line 3) is held constant at FY 2026 budgeted amounts. Detailed revenue projections are included in the **Appendix** (**Table 4-1**).

Table 2-6: Revenue Summary

Line	Revenue Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	***Source***	***Budget***	***Projected***	***Projected***	***Projected***	***Projected***	***Projected***
2	Rate Revenue	$32,800,163	$33,619,997	$34,460,327	$35,321,665	$36,204,536	$37,109,479
3	Other Operating Revenue	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073
4	Interest Income	$212,610	$391,770	$383,874	$321,227	$309,620	$328,267
5	Connection Fee Revenue	$6,201,364	$1,934,922	$2,021,993	$2,098,829	$2,178,584	$2,261,371
6	**Total**	**$40,985,210**	**$37,717,762**	**$38,637,267**	**$39,512,794**	**$40,463,813**	**$41,470,190**
7	**Total Less Connection Fees and Related Interest Income**	**$34,721,236**	**$35,632,840**	**$36,465,274**	**$37,263,965**	**$38,135,229**	**$39,058,819**

2.3 OPERATING EXPENSES

INFLATIONARY ASSUMPTIONS

WRE worked with Authority staff to determine annual inflationary assumptions to apply to the Authority's O&M expense budget. Authority staff provided the budgeted O&M expenses for FY 2026; all other years are projected based on the inflationary assumptions shown in **Table 2-7**.

Table 2-7: Expense Inflationary Assumptions

Line	Inflationary Assumptions	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	General	4.0%	4.0%	4.0%	4.0%	4.0%
2	Salaries	9.0%	7.5%	7.5%	7.5%	7.5%
3	Benefits	8.0%	8.0%	8.0%	8.0%	8.0%
4	Utilities	2.0%	2.0%	2.0%	2.0%	2.0%
5	Chemicals	3.0%	3.0%	3.0%	3.0%	3.0%
6	Fuel	4.0%	4.0%	4.0%	4.0%	4.0%
7	Automobile	5.0%	5.0%	5.0%	5.0%	5.0%
8	Insurance	16.0%	16.0%	16.0%	16.0%	16.0%
9	Equipment and Supplies	4.0%	4.0%	4.0%	4.0%	4.0%
10	Electrical and Instrumentation	3.0%	3.0%	3.0%	3.0%	3.0%
11	Building and Ground Repairs	1.0%	1.0%	1.0%	1.0%	1.0%
12	Equipment Repairs	5.0%	5.0%	5.0%	5.0%	5.0%
13	Lab Services and Supplies	3.0%	3.0%	3.0%	6.0%	6.0%
14	IT Hardware and Software	4.0%	4.0%	4.0%	4.0%	4.0%
15	Professional Services	6.0%	6.0%	6.0%	6.0%	6.0%
16	Legal Services	7.0%	7.0%	7.0%	7.0%	7.0%
17	Regulatory Permits	2.0%	2.0%	2.0%	2.0%	2.0%
18	Other Maintenance	1.0%	1.0%	1.0%	1.0%	1.0%
19	Other Operations	5.0%	5.0%	5.0%	5.0%	5.0%
20	Contingency Fund	0.0%	0.0%	0.0%	0.0%	0.0%

OPERATING EXPENSE SUMMARY

Table 2-8 shows the summary of O&M expenses for the study period. Authority staff provided budgeted expenses for FY 2026; expenses for other years are projections. All expenses are inflated based on the assumptions in **Table 2-7**. Detailed operating expense projections are included in the **Appendix** (**Table 4-2**).

Table 2-8: Operating Expense Summary

Line	Expenses	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	***Source***	***Budget***	***Projected***	***Projected***	***Projected***	***Projected***	***Projected***
2	Salaries and Benefits	$9,756,127	$10,601,306	$11,414,155	$12,289,388	$13,231,797	$14,246,543
3	Maintenance	$5,575,316	$5,762,535	$5,957,175	$6,159,550	$6,369,987	$6,588,825
4	Operations	$8,056,415	$8,245,547	$8,439,942	$8,639,764	$8,860,165	$9,087,688
5	Administration	$4,393,198	$4,682,427	$5,002,343	$5,357,043	$5,751,234	$6,190,328
6	**Total**	**$27,781,056**	**$29,291,815**	**$30,813,615**	**$32,445,745**	**$34,213,182**	**$36,113,385**

2.4 DEBT SERVICE

EXISTING DEBT SERVICE

Table 2-9 shows the Authority's annual debt service for the study period. The Authority has existing debt service payments on five outstanding issues (Lines 1-5), totaling over $4.0 million annually over the study period. The portion of debt service to be funded by rates (Line 8) and connection fees (Line 9) is based on data provided by staff.

Table 2-9: Existing Debt Service

Line	Existing Debt Service	Maturity Date	% Rate Funded	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Phase IIIA Regulatory Upgrades	6/30/32	75%	$1,027,389	$1,027,389	$1,027,389	$1,027,389	$1,027,389	$1,027,389
2	Upper Narrows Replacement	12/31/32	100%	$259,618	$259,618	$259,618	$259,618	$259,618	$259,618
3	Nanticoke Bypass	6/30/37	75%	$270,085	$270,085	$270,085	$270,085	$270,085	$270,085
4	Apple Valley Sub-Regional	2/28/48	61%	$1,025,090	$1,025,090	$1,025,090	$1,025,090	$1,025,090	$1,025,090
5	Hesperia Sub-Regional	2/28/48	61%	$1,463,066	$1,463,066	$1,463,066	$1,463,066	$1,463,066	$1,463,066
6	**Total**			**$4,045,249**	**$4,045,249**	**$4,045,249**	**$4,045,249**	**$4,045,249**	**$4,045,249**
7									
8	**Rate Funded**			**$2,750,499**	**$2,750,499**	**$2,750,499**	**$2,750,499**	**$2,750,499**	**$2,750,499**
9	**Connection Fee Funded**			**$1,294,750**	**$1,294,750**	**$1,294,750**	**$1,294,750**	**$1,294,750**	**$1,294,750**

PROPOSED DEBT SERVICE

Table 2-10 shows the proposed annual debt service based on the proposed financial plan. The proposed financial plan includes one new debt issuance in FY 2027 (Line 7) calculated assuming a 7% interest rate, 10-year term, and 2% issuance cost (Lines 2-4). This results in approximately $2.2 million additional annual debt service payments each year of the study period to fund $15.0 million in CIP. All proposed annual debt service is expected to be funded through rates (user charges).

Table 2-10: Proposed Debt Service

Line	Proposed Debt Service	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Proposed Debt Terms**						
2	Interest Rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
3	Term (years)	10	10	10	10	10	10
4	Issuance Costs	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
5							
6	Proposed Debt Proceeds for CIP	$0	$15,000,000	$0	$0	$0	$0
7	Proposed Debt Issuance	$0	$15,306,122	$0	$0	$0	$0
8	Annual Debt Service Payment	$0	$2,179,247	$0	$0	$0	$0
9							
10	**Proposed Debt Service**						
11	FY 2027 Debt Issuance	$0	$2,179,247	$2,179,247	$2,179,247	$2,179,247	$2,179,247
12	FY 2028 Debt Issuance	$0		$0	$0	$0	$0
13	FY 2029 Debt Issuance	$0			$0	$0	$0
14	FY 2030 Debt Issuance	$0				$0	$0
15	FY 2031 Debt Issuance	$0					$0
16	**Total Rate Funded**	**$0**	**$2,179,247**	**$2,179,247**	**$2,179,247**	**$2,179,247**	**$2,179,247**

2.5 CAPITAL IMPROVEMENT PLAN

CAPITAL IMPROVEMENT PROJECTS

Table 2-11 (Line 1) shows the Authority's planned CIP expected to be completed each year. Detailed capital project costs are available in the **Appendix** (**Table 4-3**). CIP funding available from grants (Line 4) was provided by staff and funding available from connection fees (Line 5) is based on the total value of projects eligible for connection fee funding provided by staff. CIP funding available from new debt (Line 6) is based on the proposed financial plan debt proceeds available for CIP (**Table 2-10**, Line 6). The remainder of CIP not funded by grants, connection fees, or new debt is expected to be funded by rates (Line 12).

Table 2-11: Capital Project Costs and Funding

Line	Capital Projects	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Total CIP**	**$7,629,356**	**$13,620,000**	**$16,140,495**	**$6,620,000**	**$7,420,000**	**$6,500,000**
2							
3	**CIP Funding Sources**						
4	Grant	$0	$0	$3,500,000	$0	$0	$0
5	Connection Fee	$2,212,356	$0	$2,720,495	$0	$0	$0
6	New Debt	$0	$15,000,000	$0	$0	$0	$0
7							
8	**CIP by Funding Source**						
9	Grant Funded	$0	$0	$3,500,000	$0	$0	$0
10	Debt Funded	$0	$13,620,000	$1,380,000	$0	$0	$0
11	Connection Fee Funded	$2,212,356	$0	$2,720,495	$0	$0	$0
12	Rate Funded	$5,417,000	$0	$8,540,000	$6,620,000	$7,420,000	$6,500,000
13	**Total**	**$7,629,356**	**$13,620,000**	**$16,140,495**	**$6,620,000**	**$7,420,000**	**$6,500,000**

2.6 FINANCIAL POLICIES

USER CHARGE RESERVE POLICY

The Authority's user charge fund reserve policy maintains cash on hand to meet short-term cash imbalances, respond to emergencies effectively, and meet debt service obligations. The reserve target for the study period ranges from approximately $6.5 to $7.2 million in the Authority's reserve funds. The reserve targets reflect the Authority's historical operating risk profile and existing Board-adopted financial policies. These reserve levels are evaluated during each rate study and may be revised as system risks and capital needs evolve.

The Authority currently has an adopted reserve policy that consists of the following components:

- Operating Reserve Target: 10% of prior year operating expenses
- Emergency Reserve Target: $1.0 million annually
- Debt Reserve Target: FY 2026 rate funded debt service

CONNECTION FEE RESERVE POLICY

The Authority's connection fee reserve policy maintains cash on hand to meet debt service obligations. The reserve target for the study period is approximately $1.3 million in the Authority's reserve funds.

The Authority currently has an adopted reserve policy that consists of the following components:

- Debt Reserve Target: FY 2026 connection funded debt service

COMBINED DEBT COVERAGE REQUIREMENT

The Authority's current debt management policy includes a debt coverage target ratio of 120%. To meet this target ratio, net revenues (revenues less operating expenses) must equal 120% or more of annual debt service, including both rate funded and connection funded debt service.

2.7 CONNECTION FEE FUND

CASH FLOW PROJECTIONS

Table 2-12 shows the cash flow projections for the connection fee fund. Connection fee revenue (Line 2) is from **Table 2-6** (Line 5). FY 2026 budgeted grant revenue (Line 3) and projected interest income (Line 4) were provided by staff. Existing connection fee funded debt (Line 8) is from **Table 2-9** (Line 9) and no new proposed debt is expected to be funded by connection fees (Line 9). Connection fee funded CIP (Line 10) is from **Table 2-11** (Line 11). Net cash flow (Line 13) is equal to the difference between revenues (Line 5) and expenses (Line 11).

The net cash flow is positive for all years (except for FY 2028 during which reserves will be used to fund significant connection fee funded CIP), meaning that projected revenues are sufficient to fund CIP.

Table 2-12: Projected Cash Flow (Connection Fee Fund)

Line	Connection Fee Fund Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Revenues**						
2	Connection Fee Revenue	$6,201,364	$1,934,922	$2,021,993	$2,098,829	$2,178,584	$2,261,371
3	Grant	$300,000	$0	$0	$0	$0	$0
4	Interest Income	$62,610	$150,000	$150,000	$150,000	$150,000	$150,000
5	**Subtotal**	**$6,563,974**	**$2,084,922**	**$2,171,993**	**$2,248,829**	**$2,328,584**	**$2,411,371**
6							
7	**Expenses**						
8	Existing Debt	$1,294,750	$1,294,750	$1,294,750	$1,294,750	$1,294,750	$1,294,750
9	Proposed Debt	$0	$0	$0	$0	$0	$0
10	Connection Fee Funded CIP	$2,212,356	$0	$2,720,495	$0	$0	$0
11	**Subtotal**	**$3,507,106**	**$1,294,750**	**$4,015,245**	**$1,294,750**	**$1,294,750**	**$1,294,750**
12							
13	**Net Cash Flow**	**$3,056,868**	**$790,172**	**($1,843,251)**	**$954,079**	**$1,033,835**	**$1,116,621**

FUND BALANCE PROJECTIONS

Table 2-13 shows the fund balance projections for the connection fee fund. Sources of funds include revenues and uses of funds include connection fee funded debt service and CIP. Overall reserves are projected to increase by approximately $5.1 million by the end of the study period from a starting balance of approximately $4.6 million in FY 2026.

Table 2-13: Projected Fund Balance (Connection Fee Fund)

Line	Connection Fee Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Beginning Balance**	**$4,617,892**	**$7,674,760**	**$8,464,932**	**$6,621,681**	**$7,575,760**	**$8,609,595**
2							
3	**Sources of Funds**						
4	Connection Fee Revenue	$6,201,364	$1,934,922	$2,021,993	$2,098,829	$2,178,584	$2,261,371
5	Grant	$300,000	$0	$0	$0	$0	$0
6	Interest Income	$62,610	$150,000	$150,000	$150,000	$150,000	$150,000
7	**Subtotal**	**$6,563,974**	**$2,084,922**	**$2,171,993**	**$2,248,829**	**$2,328,584**	**$2,411,371**
8							
9	**Uses of Funds**						
10	Debt Service	$1,294,750	$1,294,750	$1,294,750	$1,294,750	$1,294,750	$1,294,750
11	Connection Fee Funded CIP	$2,212,356	$0	$2,720,495	$0	$0	$0
12	**Subtotal**	**$3,507,106**	**$1,294,750**	**$4,015,245**	**$1,294,750**	**$1,294,750**	**$1,294,750**
13							
14	**Subtotal**	**$7,674,760**	**$8,464,932**	**$6,621,681**	**$7,575,760**	**$8,609,595**	**$9,726,216**

FINANCIAL PERFORMANCE

The Authority's financial performance is evaluated based on the reserve targets, as shown in **Table 2-14**. The Authority will meet its reserve targets in all years of the study period based on the connection fee revenue projections.

Table 2-14: Projected Financial Performance (Connection Fee Fund)

Line	Connection Fee Fund Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Existing Reserve Targets**						
2	Debt Reserve Target	$1,294,750	$1,294,750	$1,294,750	$1,294,750	$1,294,750	$1,294,750
3	Connection Fee Fund Balance	$7,674,760	$8,464,932	$6,621,681	$7,575,760	$8,609,595	$9,726,216
4	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes

Figure 2-1 shows the revenues and the revenue requirements for the connection fee fund. The stacked bars represent the revenue requirements, or costs: green for debt service and blue for connection fee funded CIP. The projected revenue, shown as a solid line, is higher than the revenue requirements for all years (except for FY 2028 during which reserves will be used to fund significant CIP) meaning that revenues are insufficient to fund all costs.

Figure 2-1: Revenue Requirements vs. Revenues (Connection Fee Financial Plan)

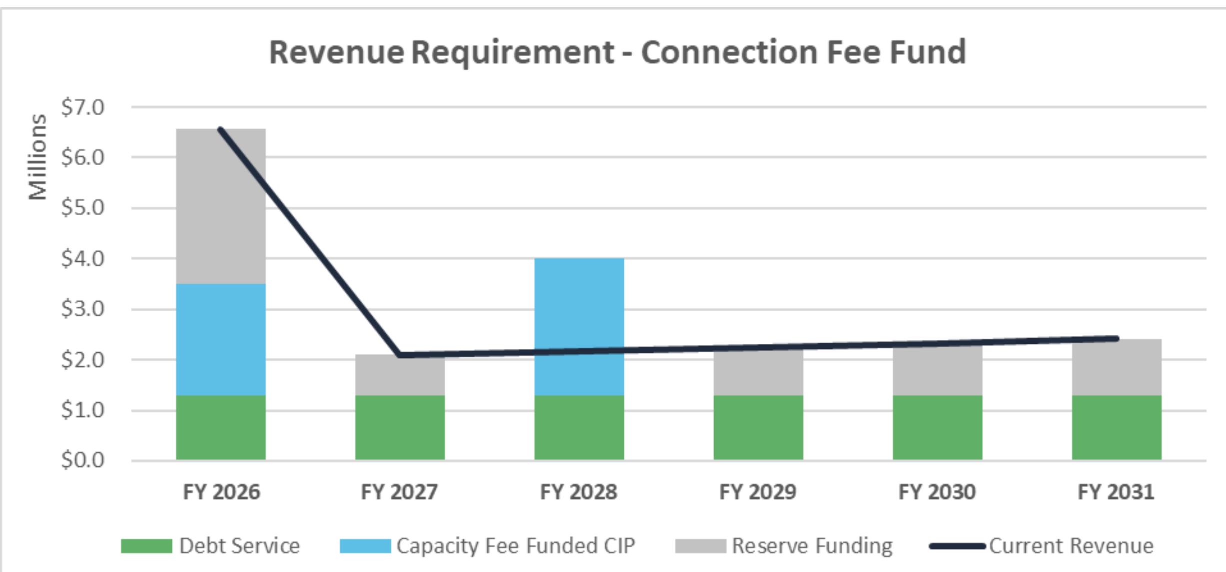
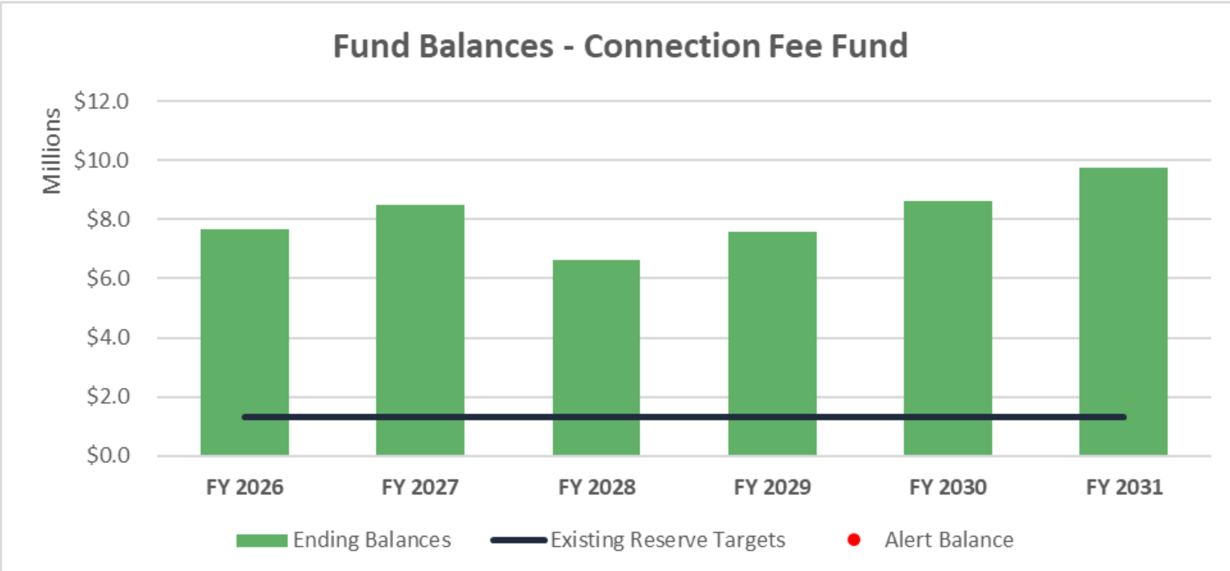


Figure 2-2 shows the fund balance projections in the connection fee fund. The Authority's ending balance (green bars) will meet the reserve targets (black line) in each year.

Figure 2-2: Projected Fund Balance (Connection Fee Fund)



2.8 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN

Table 2-15 shows the status quo financial plan, which assumes no revenue adjustments and no proposed debt issuances. This scenario is used to evaluate the ability of the current wastewater rates to meet the Authority's financial targets and to determine the need for revenue adjustments.

Table 2-15: Status Quo Financial Plan

Line	Fiscal Year	Effective Date	Revenue Adjustments	Debt Issuance	Debt Proceeds for CIP
1	FY 2027	7/1/2026	0.0%	$0	$0
2	FY 2028	7/1/2027	0.0%	$0	$0
3	FY 2029	7/1/2028	0.0%	$0	$0
4	FY 2030	7/1/2029	0.0%	$0	$0
5	FY 2031	7/1/2030	0.0%	$0	$0

STATUS QUO CASH FLOW PROJECTIONS

Table 2-16 shows the cash flow projections for the status quo financial plan. Revenues[5] (Lines 1-6) are from **Table 2-6**. Operating expenses (Lines 8-13) are from **Table 2-8.** Net operating

[5] Interest income (Line 5) is different in the status quo financial plan because it is based on projected fund balances. The status quo financial plan results in lower fund balances; therefore, the Authority has less interest income. **Table 2-6** shows the interest income for the proposed financial plan.

revenue (Line 15) is equal to the difference between total revenues (Line 6) and total operating expenses (Line 13). Existing debt service (Line 18) is from **Table 2-9** (Line 8) and no new debt is proposed in the status quo financial plan (Line 19). Rate funded CIP (Line 23) is from **Table 2-11** (sum of Lines 10 and 12 in absence of new debt proceeds). Supplemental capital expenses (Line 24) were provided by staff. Net cash flow (Line 27) is equal to the net operating revenue (Line 15) less debt service (Line 20) and rate funded capital expenses (Line 25).

The net operating revenue in the status quo financial plan is positive for all years, meaning that the Authority's current revenues are sufficient to fund its operating expenses. However, the net cash flow in the status quo financial plan is negative for all years, meaning that the Authority's current revenues are not sufficient to fund all debt service and CIP.

Table 2-16: Projected Cash Flow (Status Quo Financial Plan)

Line	User Charge Fund Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Revenues**						
2	Rate Revenues at Existing Rates	$32,800,163	$33,619,997	$34,460,327	$35,321,665	$36,204,536	$37,109,479
3	Revenue Adjustments	$0	$0	$0	$0	$0	$0
4	Other Operating Revenue	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073
5	Interest Income	$62,610	$90,029	$0	$0	$0	$0
6	**Subtotal**	**$34,633,847**	**$35,481,099**	**$36,231,400**	**$37,092,738**	**$37,975,609**	**$38,880,553**
7							
8	**Operating Expenses**						
9	Salaries and Benefits	$9,756,127	$10,601,306	$11,414,155	$12,289,388	$13,231,797	$14,246,543
10	Maintenance	$5,575,316	$5,762,535	$5,957,175	$6,159,550	$6,369,987	$6,588,825
11	Operations	$8,056,415	$8,245,547	$8,439,942	$8,639,764	$8,860,165	$9,087,688
12	Administration	$4,393,198	$4,682,427	$5,002,343	$5,357,043	$5,751,234	$6,190,328
13	**Subtotal**	**$27,781,056**	**$29,291,815**	**$30,813,615**	**$32,445,745**	**$34,213,182**	**$36,113,385**
14							
15	**Net Revenue**	**$6,852,790**	**$6,189,284**	**$5,417,785**	**$4,646,993**	**$3,762,427**	**$2,767,168**
16							
17	**Debt Service**						
18	Existing Debt	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499
19	Proposed Debt	$0	$0	$0	$0	$0	$0
20	**Subtotal**	**$2,750,499**	**$2,750,499**	**$2,750,499**	**$2,750,499**	**$2,750,499**	**$2,750,499**
21							
22	**Capital Projects**						
23	Rate Funded CIP	$5,417,000	$13,620,000	$9,920,000	$6,620,000	$7,420,000	$6,500,000
24	Supplemental Capital Expenses	$1,100,500	$500,000	$500,000	$500,000	$500,000	$500,000
25	**Subtotal**	**$6,517,500**	**$14,120,000**	**$10,420,000**	**$7,120,000**	**$7,920,000**	**$7,000,000**
26							
27	**Net Cash Flow**	**($2,415,209)**	**($10,681,215)**	**($7,752,714)**	**($5,223,506)**	**($6,908,072)**	**($6,983,331)**

STATUS QUO FUND BALANCE PROJECTIONS

Table 2-17 shows the fund balance projections for the status quo financial plan. Sources of funds include revenues and uses of funds include operating expenses, debt service, and CIP. Overall reserves are projected to be drawn down by approximately $40 million over the study period without any revenue adjustments.

Table 2-17: Projected Fund Balance (Status Quo Financial Plan)

Line	User Charge Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Beginning Balance**	**$12,302,268**	**$9,887,059**	**($794,156)**	**($8,546,870)**	**($13,770,375)**	**($20,678,447)**
2							
3	**Sources of Funds**						
4	Rate Revenues	$32,800,163	$33,619,997	$34,460,327	$35,321,665	$36,204,536	$37,109,479
5	Revenue Adjustments	$0	$0	$0	$0	$0	$0
6	Non-Rate Revenues	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073
7	**Grant Proceeds**	**$0**	**$0**	**$3,500,000**	**$0**	**$0**	**$0**
8	**Debt Proceeds**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
9	Interest Income	$62,610	$90,029	$0	$0	$0	$0
10	**Subtotal**	**$34,633,847**	**$35,481,099**	**$39,731,400**	**$37,092,738**	**$37,975,609**	**$38,880,553**
11							
12	**Uses of Funds**						
13	Operating Expenses	$27,781,056	$29,291,815	$30,813,615	$32,445,745	$34,213,182	$36,113,385
14	Debt Service	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499
15	**Grant Funded CIP**	**$0**	**$0**	**$3,500,000**	**$0**	**$0**	**$0**
16	**Debt Funded CIP**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
17	Rate Funded CIP	$5,417,000	$13,620,000	$9,920,000	$6,620,000	$7,420,000	$6,500,000
18	Supplemental Capital Expenses	$1,100,500	$500,000	$500,000	$500,000	$500,000	$500,000
19	**Subtotal**	**$37,049,055**	**$46,162,314**	**$47,484,114**	**$42,316,244**	**$44,883,681**	**$45,863,884**
20							
21	**Ending Balance**	**$9,887,059**	**($794,156)**	**($8,546,870)**	**($13,770,375)**	**($20,678,447)**	**($27,661,778)**

STATUS QUO FINANCIAL PERFORMANCE

The Authority's financial performance is evaluated based on the reserve targets and debt coverage requirements, as shown in **Table 2-18**. Under the status quo financial plan, the Authority will not meet its reserve targets starting in FY 2027.

Table 2-18: Projected Financial Performance (Status Quo Financial Plan)

Line	User Charge Fund Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Existing Reserve Targets**						
2	Operating Reserve Target	$2,500,000	$2,778,106	$2,929,182	$3,081,362	$3,244,574	$3,421,318
3	Emergency Reserve Target	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
4	Debt Reserve Target	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499
5	**Total Reserve Target**	**$6,250,499**	**$6,528,605**	**$6,679,681**	**$6,831,861**	**$6,995,073**	**$7,171,817**
6	**User Charge Fund Balance**	**$9,887,059**	**($794,156)**	**($8,546,870)**	**($13,770,375)**	**($20,678,447)**	**($27,661,778)**
7	**Meets Target?**	**Yes**	**No**	**No**	**No**	**No**	**No**
8							
9	**Combined Debt Coverage**						
10	Required Debt Coverage	120%	120%	120%	120%	120%	120%
11	Calculated Debt Coverage w/ cap. fees rev.	323%	201%	184%	167%	147%	124%
12	Calculated Debt Coverage w/o cap. fees rev.	169%	153%	134%	115%	93%	68%
13	**Meets Target?**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**

Figure 2-3 shows the comparison of revenues and the revenue requirements for the status quo financial plan. The stacked bars represent the revenue requirements, or costs: black for O&M expenses, green for debt service, blue for rate funded CIP, and orange for supplemental capital expenses. The current revenue, shown as a solid line, is lower than the revenue requirements starting in FY 2026, meaning that revenues are insufficient to fund all costs.

Figure 2-3: Revenue Requirements vs. Revenues (Status Quo Financial Plan)

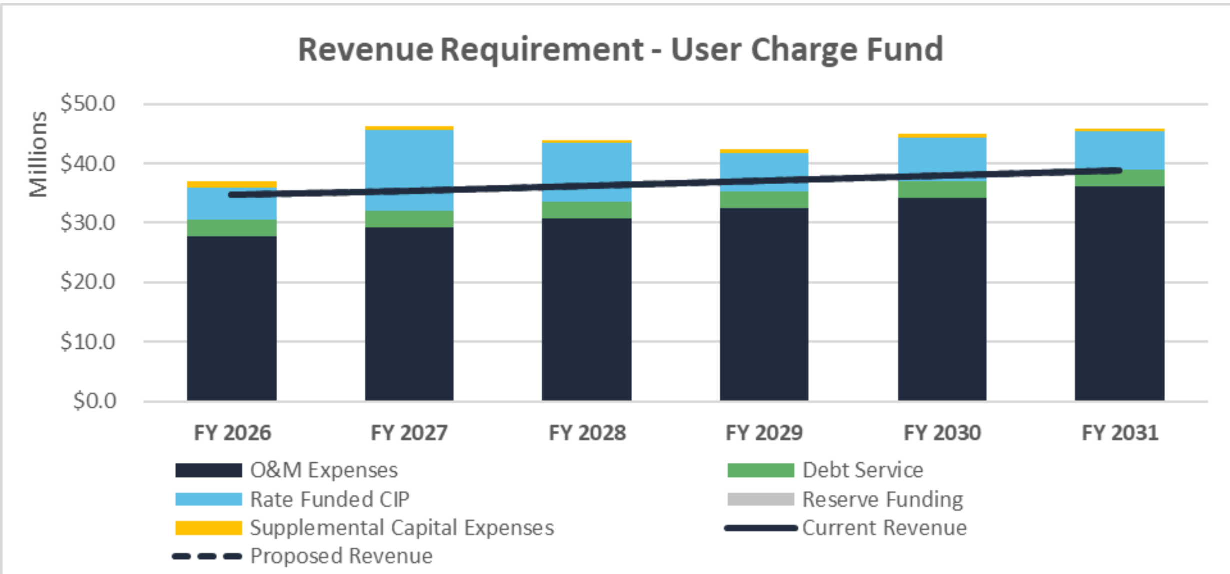


Figure 2-4 shows the fund balance projections in the status quo financial plan. The Authority's ending balance (green bars) will not meet the reserve targets (black line) starting in FY 2027 under the status quo financial plan.

Figure 2-4: Projected Fund Balance (Status Quo Financial Plan)

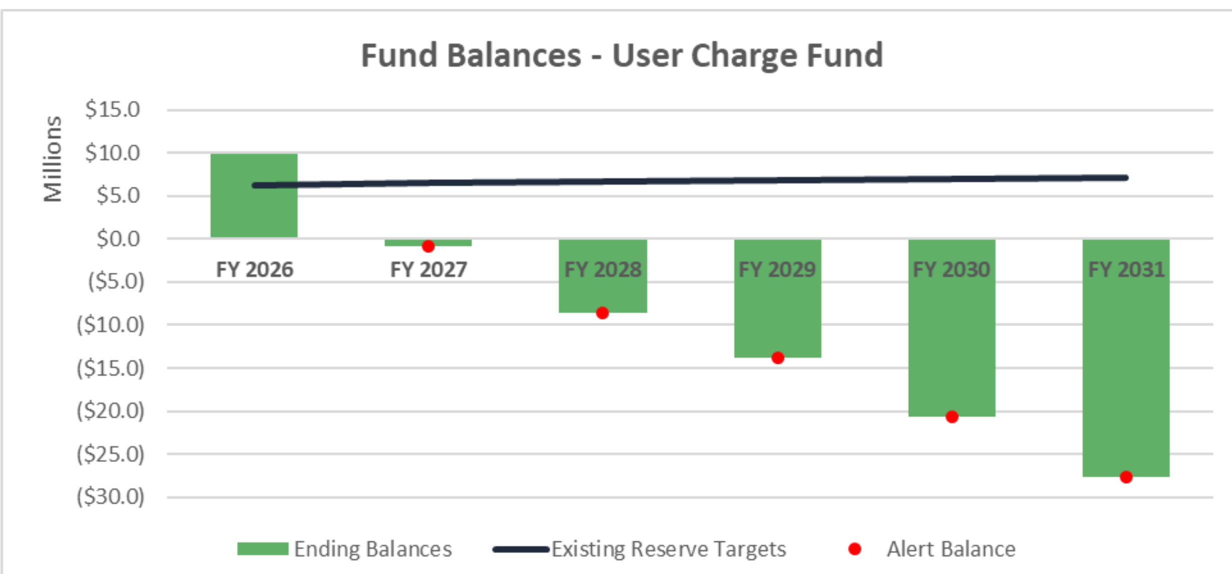
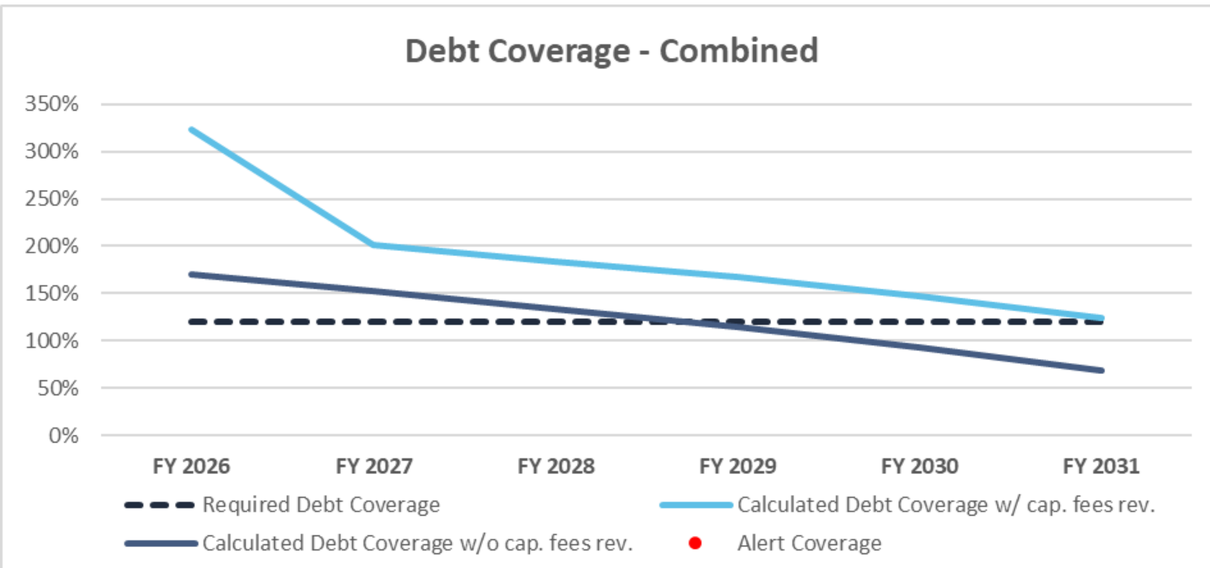


Figure 2-5 shows the projected debt service coverage under the status quo financial plan. The Authority's existing debt management policy includes a debt coverage target ratio of 120%. Debt coverage is calculated by dividing the net operating revenue (revenues less O&M expenses) by annual debt service payments, including both debt service funded by rates (user charges) and connection fees. The dark blue line represents debt coverage calculating using rate revenues only, while the light blue line includes connection fee revenue. Under the status quo, the Authority can meet its debt coverage requirements, accounting for connection fee revenue in all years. Without connection fee revenue, the Authority cannot meet its debt coverage requirements starting in FY 2029.

Figure 2-5: Projected Debt Coverage (Status Quo Financial Plan)



2.9 PROPOSED FINANCIAL PLAN

PROPOSED FINANCIAL PLAN

Overall annual increases in wastewater rate revenues resulting from rate increases are referred to as "revenue adjustments." WRE worked with the Board and Authority staff to determine the most appropriate financial plan, which is shown in **Table 2-19**.

The proposed financial plan includes a 7% revenue adjustment in the first year (FY 2027), followed by 5% annual revenue adjustments in the final four years of the study period (FY 2028 through FY 2031) to fund O&M expenses, CIP expenditures, and meet financial policy targets. The proposed financial plan also includes one new debt issuance in FY 2027 to fund $15.0 million in CIP.

Table 2-19: Proposed Financial Plan

Line	Fiscal Year	Effective Date	Revenue Adjustments	Debt Issuance	Debt Proceeds for CIP
1	FY 2027	7/1/2026	7.0%	$15,306,122	$15,000,000
2	FY 2028	7/1/2027	5.0%	$0	$0
3	FY 2029	7/1/2028	5.0%	$0	$0
4	FY 2030	7/1/2029	5.0%	$0	$0
5	FY 2031	7/1/2030	5.0%	$0	$0

PROPOSED CASH FLOW PROJECTIONS

Table 2-20 shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-6) are from **Table 2-6**. Operating expenses (Lines 8-13) are from **Table 2-8.** Net operating revenue (Line 15) is equal to the difference between total revenues (Line 6) and total operating expenses (Line 13). Existing debt service (Line 18) is from **Table 2-9** (Line 8) and proposed debt service (Line 19) is from **Table 2-10** (Line 16). Rate funded CIP (Line 23) is from **Table 2-11** (Line 12) and supplemental capital expenses (Line 24) were provided by staff. Net cash flow (Line 27) is equal to the net operating revenue (Line 15) less debt service (Line 20) and rate funded capital expenses (Line 25).

The net operating revenue in the proposed financial plan is positive for all years, meaning that the Authority's proposed revenues are sufficient to fund its operating expenses. Current reserves will be drawn upon to fund annual debt service and substantial CIP over the study period, reducing the rate impact to customers. The net cash flow in the proposed financial plan is positive by the end of the study period in FY 2031, indicating that the Authority will be able to sustainably fund annual debt service and CIP.

Table 2-20: Projected Cash Flow (Proposed Financial Plan)

Line	User Charge Fund Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Revenues**						
2	Rate Revenues at Existing Rates	$32,800,163	$33,619,997	$34,460,327	$35,321,665	$36,204,536	$37,109,479
3	Revenue Adjustments	$0	$2,353,400	$4,255,850	$6,346,420	$8,640,529	$11,154,801
4	Other Operating Revenue	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073
5	Interest Income	$62,610	$241,770	$233,874	$171,227	$159,620	$178,267
6	**Subtotal**	**$34,633,847**	**$37,986,241**	**$40,721,124**	**$43,610,385**	**$46,775,759**	**$50,213,620**
7							
8	**Operating Expenses**						
9	Salaries and Benefits	$9,756,127	$10,601,306	$11,414,155	$12,289,388	$13,231,797	$14,246,543
10	Maintenance	$5,575,316	$5,762,535	$5,957,175	$6,159,550	$6,369,987	$6,588,825
11	Operations	$8,056,415	$8,245,547	$8,439,942	$8,639,764	$8,860,165	$9,087,688
12	Administration	$4,393,198	$4,682,427	$5,002,343	$5,357,043	$5,751,234	$6,190,328
13	**Subtotal**	**$27,781,056**	**$29,291,815**	**$30,813,615**	**$32,445,745**	**$34,213,182**	**$36,113,385**
14							
15	**Net Revenue**	**$6,852,790**	**$8,694,425**	**$9,907,509**	**$11,164,640**	**$12,562,577**	**$14,100,235**
16							
17	**Debt Service**						
18	Existing Debt	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499
19	Proposed Debt	$0	$2,179,247	$2,179,247	$2,179,247	$2,179,247	$2,179,247
20	**Subtotal**	**$2,750,499**	**$4,929,747**	**$4,929,747**	**$4,929,747**	**$4,929,747**	**$4,929,747**
21							
22	**Capital Projects**						
23	Rate Funded CIP	$5,417,000	$0	$8,540,000	$6,620,000	$7,420,000	$6,500,000
24	Supplemental Capital Expenses	$1,100,500	$500,000	$500,000	$500,000	$500,000	$500,000
25	**Subtotal**	**$6,517,500**	**$500,000**	**$9,040,000**	**$7,120,000**	**$7,920,000**	**$7,000,000**
26							
27	**Net Cash Flow**	**($2,415,209)**	**$3,264,679**	**($4,062,237)**	**($885,106)**	**($287,170)**	**$2,170,489**

PROPOSED FUND BALANCE PROJECTIONS

Table 2-21 shows the fund balance projections for the proposed financial plan. Based on the sources (revenues) and uses (operating expenses, debt service, and CIP) of funds, the Authority's fund balance is projected to be drawn by approximately $2.2 million by the end of the study period.

Table 2-21: Projected Fund Balance (Proposed Financial Plan)

Line	User Charge Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Beginning Balance**	**$12,302,268**	**$9,887,059**	**$14,531,738**	**$9,089,501**	**$8,204,394**	**$7,917,225**
2							
3	**Sources of Funds**						
4	Rate Revenues	$32,800,163	$33,619,997	$34,460,327	$35,321,665	$36,204,536	$37,109,479
5	Revenue Adjustments	$0	$2,353,400	$4,255,850	$6,346,420	$8,640,529	$11,154,801
6	Non-Rate Revenues	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073	$1,771,073
7	**Grant Proceeds**	**$0**	**$0**	**$3,500,000**	**$0**	**$0**	**$0**
8	**Debt Proceeds**	**$0**	**$15,000,000**	**$0**	**$0**	**$0**	**$0**
9	Interest Income	$62,610	$241,770	$233,874	$171,227	$159,620	$178,267
10	**Subtotal**	**$34,633,847**	**$52,986,241**	**$44,221,124**	**$43,610,385**	**$46,775,759**	**$50,213,620**
11							
12	**Uses of Funds**						
13	Operating Expenses	$27,781,056	$29,291,815	$30,813,615	$32,445,745	$34,213,182	$36,113,385
14	Debt Service	$2,750,499	$4,929,747	$4,929,747	$4,929,747	$4,929,747	$4,929,747
15	**Grant Funded CIP**	**$0**	**$0**	**$3,500,000**	**$0**	**$0**	**$0**
16	**Debt Funded CIP**	**$0**	**$13,620,000**	**$1,380,000**	**$0**	**$0**	**$0**
17	Rate Funded CIP	$5,417,000	$0	$8,540,000	$6,620,000	$7,420,000	$6,500,000
18	Supplemental Capital Expenses	$1,100,500	$500,000	$500,000	$500,000	$500,000	$500,000
19	**Subtotal**	**$37,049,055**	**$48,341,562**	**$49,663,362**	**$44,495,491**	**$47,062,929**	**$48,043,132**
20							
21	**Ending Balance**	**$9,887,059**	**$14,531,738**	**$9,089,501**	**$8,204,394**	**$7,917,225**	**$10,087,713**

PROPOSED FINANCIAL PERFORMANCE

Table 2-22 shows the projected financial performance for the proposed financial plan. Under this plan, the Authority will meet its reserve targets and debt coverage requirements in all years of the study period.

Table 2-22: Projected Financial Performance (Proposed Financial Plan)

Line	User Charge Fund Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Existing Reserve Targets**						
2	Operating Reserve Target	$2,500,000	$2,778,106	$2,929,182	$3,081,362	$3,244,574	$3,421,318
3	Emergency Reserve Target	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
4	Debt Reserve Target	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499	$2,750,499
5	**Total Reserve Target**	**$6,250,499**	**$6,528,605**	**$6,679,681**	**$6,831,861**	**$6,995,073**	**$7,171,817**
6	**User Charge Fund Balance**	**$9,887,059**	**$14,531,738**	**$9,089,501**	**$8,204,394**	**$7,917,225**	**$10,087,713**
7	**Meets Target?**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
8							
9	**Combined Debt Coverage**						
10	Required Debt Coverage	120%	120%	120%	120%	120%	120%
11	Calculated Debt Coverage w/ cap. fees rev.	323%	171%	192%	213%	237%	263%
12	Calculated Debt Coverage w/o cap. fees rev.	169%	140%	159%	179%	202%	227%
13	**Meets Target?**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**

Figure 2-6 shows the comparison of revenues and the revenue requirements for the proposed financial plan. The stacked bars represent the revenue requirements, or costs: black for O&M expenses, green for debt service, blue for rate funded CIP, and orange for supplemental capital expenses. The proposed revenue, shown as a dotted line, is greater than the revenue requirements by the end of the study, meaning that the Authority's revenues are able to sustainably fund all expenses.

Figure 2-6: Revenue Requirements vs. Revenues (Proposed Financial Plan)

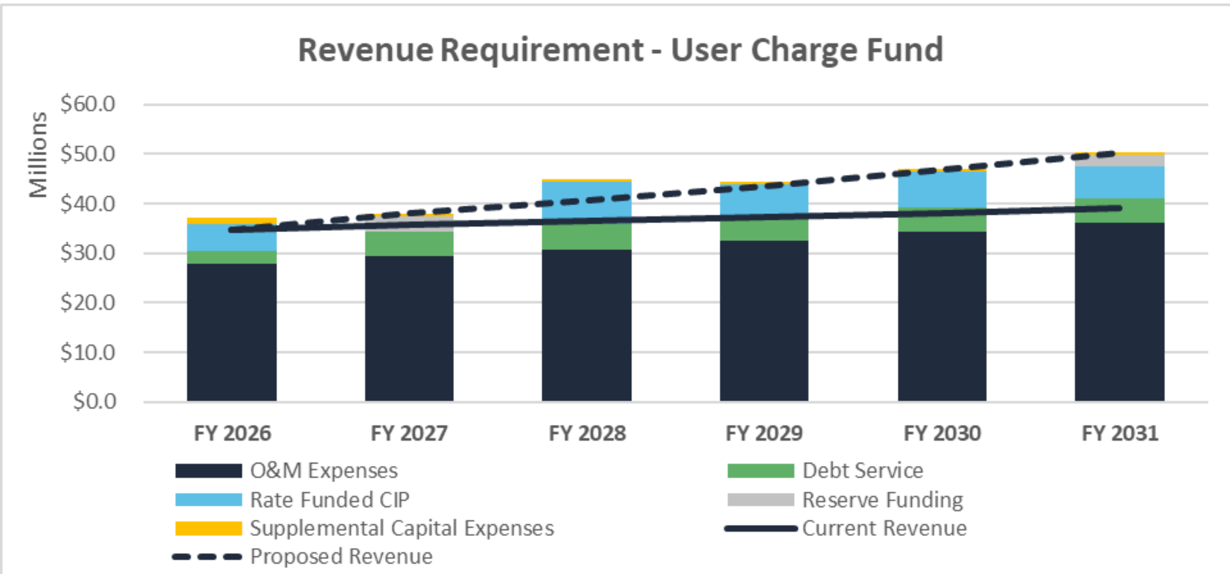


Figure 2-7 shows the fund balance projections in the proposed financial plan. The Authority's ending balance (green bars) will meet the reserve targets (black line) in all years of the study.

Figure 2-7: Projected Fund Balance (Proposed Financial Plan)

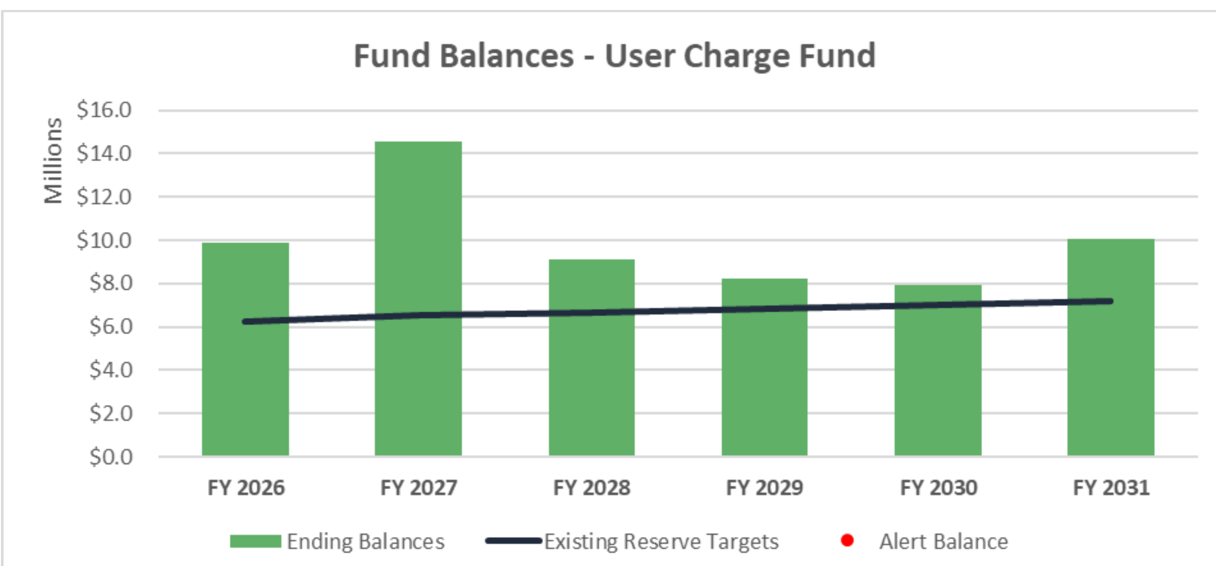
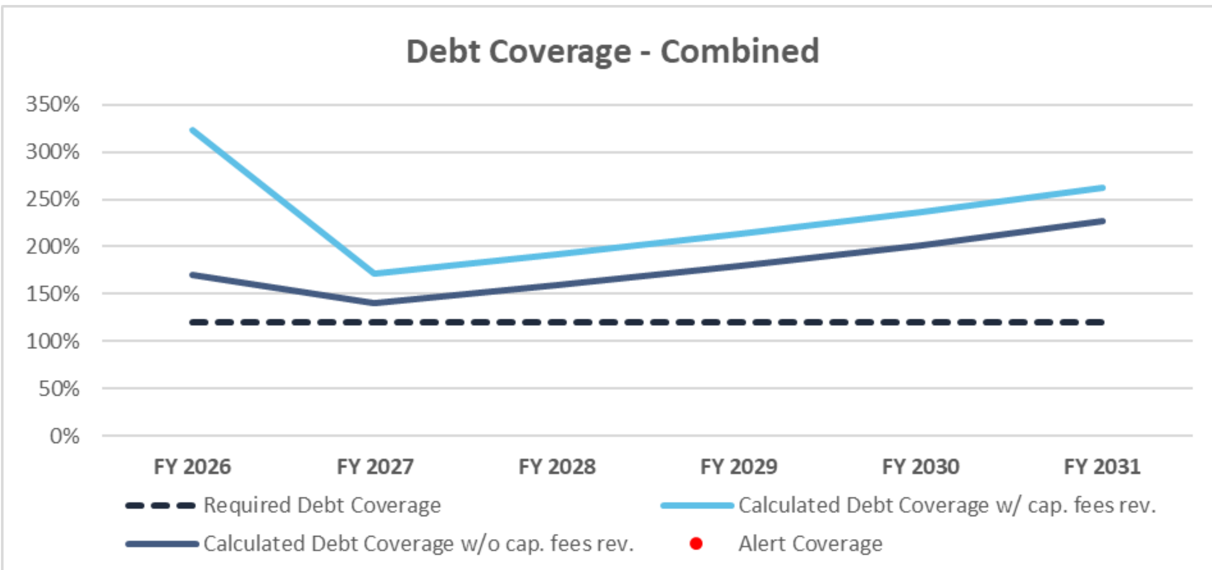


Figure 2-8 shows the projected debt service coverage under the proposed financial plan. The Authority's existing debt management policy includes a debt coverage target ratio of 120%. Debt coverage is calculated by dividing the net operating revenue (revenues less O&M expenses) by annual debt service payments, including both debt service funded by rates (user charges) and connection fees. The dark blue line represents debt coverage calculating using rate revenues only, while the light blue line includes connection fee revenue. The Authority is expected to meet its debt coverage requirements for all years under the proposed financial plan.

Figure 2-8: Projected Debt Coverage (Proposed Financial Plan)



3. WASTEWATER RATES

3.1 PROPOSED WASTEWATER RATE SCHEDULE

PROPOSED FIVE-YEAR REVENUE ADJUSTMENTS

Table 3-1 shows the proposed revenue adjustments for the five-year period and their effective date based on the proposed financial plan (from **Table 2-19**).

Table 3-1: Proposed Revenue Adjustments

Line	Fiscal Year	Effective Date	Revenue Adjustments
1	FY 2027	7/1/2026	7.0%
2	FY 2028	7/1/2027	5.0%
3	FY 2029	7/1/2028	5.0%
4	FY 2030	7/1/2029	5.0%
5	FY 2031	7/1/2030	5.0%

PROPOSED THREE-YEAR WASTEWATER RATE SCHEDULE

The proposed three-year wastewater rate schedule is calculated by increasing the current rates by the proposed annual revenue adjustments (from **Table 3-1**) and rounding up to the nearest cent. **Table 3-2** show the proposed three-year annual user charges.

Table 3-2: Current and Proposed Rates

Line	User Charges ($/ MG)	As of 7/1/2025	Effective 7/1/2026	Effective 7/1/2027	Effective 7/1/2028	Effective 7/1/2029	Effective 7/1/2030
1			*Proposed*	*Proposed*	*Proposed*	*Projection Only*	*Projection Only*
2	All Agencies	$6,811	$7,288	$7,653	$8,036	$8,438	$8,860

3.2 CUSTOMER IMPACTS

SINGLE FAMILY IMPACT

WRE evaluated the impact on the single family resident based on the proposed three-year wastewater rates.

Table 3-3 shows the proposed impacts for a single family resident based on an assumed flow rate of 180 gallons per day (GPD) for a typical single family resident[6] (Line 3). The user charge rate ($/ MG) from **Table 3-2** is converted to a rate per gallon (Line 2). The annual flow rate per EDU (Line 4) is calculated by multiplying the GPD/EDU assumption (Line 3) by 365 days in a year. The annual rate (Line 5) is calculated by multiplying the rate per gallon (Line 2) by the annual flow per EDU (Line 4). The total user charge per SFR (Single Family Resident) per month and per day

[6] One EDU is equal to one single family customer.

(Lines 6 and 7) is calculated by dividing the annual rate (Line 5) by 12 months in a year and 365 days in a year, respectively. The additional user charge per SFR per month and day (Lines 8 and 9) represents the incremental change from year to year between the total user charges (Lines 6 and 7).

For the typical single family customer in the first year (FY 2027), the monthly bill increase will be $2.61, and the daily bill increase will be $0.09, which reflects the impact of the proposed revenue adjustments. Even after the proposed rate adjustments, the average monthly wastewater treatment cost remains below typical regional wastewater treatment costs across Southern California utilities.

Table 3-3: Proposed Single Family Impact

Line	Single Family Customer Impacts	As of 7/1/2025	Effective 7/1/2026	Effective 7/1/2027	Effective 7/1/2028
1	User Charge Rate (per 1 MG)	$6,811	$7,288	$7,653	$8,036
2	Rate per gallon	$0.0068	$0.0073	$0.0077	$0.0080
3	GPD/EDU	180	180	180	180
4	Annual Flow per EDU	65,700	65,700	65,700	65,700
5	Annual Rate	$447	$479	$503	$528
6	Total User Charge per SFR per Month	$37.29	$39.90	$41.90	$44.00
7	Total User Charge per SFR per Day	$1.23	$1.31	$1.38	$1.45
8	**Additional User Charge per SFR per Month**		**$2.61**	**$2.00**	**$2.10**
9	**Additional User Charge per SFR per Day**		**$0.09**	**$0.07**	**$0.07**

4. APPENDICES

4.1 FINANCIAL PLAN APPENDICES

Table 4-1: Projected Revenues (Detailed)

Line	Revenues (Detailed)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	***Source***	***Budget***	***Projected***	***Projected***	***Projected***	***Projected***	***Projected***
2							
3	**User Charges**						
4	User Charges - Victorville	$19,602,164	$20,092,218	$20,594,523	$21,109,386	$21,637,121	$22,178,049
5	User Charges - Apple Valley	$5,516,743	$5,654,662	$5,796,028	$5,940,929	$6,089,452	$6,241,688
6	User Charges - Hesperia	$5,903,506	$6,051,093	$6,202,371	$6,357,430	$6,516,366	$6,679,275
7	User Charges - CSA 64 Spring Valley Lake	$1,612,954	$1,653,278	$1,694,610	$1,736,975	$1,780,399	$1,824,909
8	User Charges - Mojave Narrows Park	$6,811	$6,811	$6,811	$6,811	$6,811	$6,811
9	User Charges - CSA 42 Oro Grande	$157,986	$161,936	$165,984	$170,134	$174,387	$178,747
10							
11	**Other Operating Revenue**						
12	Sludge Flow	$144,000	$144,000	$144,000	$144,000	$144,000	$144,000
13	High Strength Waste Surcharges	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000
14	Septage Receiving Facility Charges	$960,000	$960,000	$960,000	$960,000	$960,000	$960,000
15	Reclaimed Wastewater Sales	$40,907	$40,907	$40,907	$40,907	$40,907	$40,907
16	Reclaimed Wastewater Sales	$39,781	$39,781	$39,781	$39,781	$39,781	$39,781
17	Reclaimed Wastewater Sales	$17,015	$17,015	$17,015	$17,015	$17,015	$17,015
18	Potable Well Wastewater Sales	$2,220	$2,220	$2,220	$2,220	$2,220	$2,220
19	Biomethane Land Lease	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000
20	Pretreatment Fees	$55,150	$55,150	$55,150	$55,150	$55,150	$55,150
21							
22	**Interest Income**						
23	Interest	$62,610	$241,770	$233,874	$171,227	$159,620	$178,267
24							
25	**Connection Fee Revenue**						

Line	Revenues (Detailed)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
26	Connection fees - Victorville	$750,000	$787,500	$822,938	$854,209	$886,669	$920,362
27	Connection fees - Apple Valley	$467,900	$491,295	$513,403	$532,913	$553,163	$574,184
28	Connection fees - Hesperia	$543,000	$570,150	$595,807	$618,447	$641,948	$666,342
29	Connection fees - CSA	$81,883	$85,977	$89,846	$93,260	$96,803	$100,482
30	Connection fees - Hesperia (Withheld)	$4,358,581	$0	$0	$0	$0	$0
31							
32	**Total**	**$40,835,210**	**$37,567,762**	**$38,487,268**	**$39,362,794**	**$40,313,813**	**$41,320,189**

Table 4-2: Projected Operating Expenses (Detailed)

Line	Expenses (Detailed)	Number	Inflationary Assumption	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	***Source***			***Budget***	***Projected***	***Projected***	***Projected***	***Projected***	***Projected***
2	Regular Salaries	5000	Salaries	$1,748,680	$1,906,061	$2,049,016	$2,202,692	$2,367,894	$2,545,486
3	Regular Salaries	5000	Salaries	$3,288,907	$3,584,909	$3,853,777	$4,142,810	$4,453,521	$4,787,535
4	Regular Salaries	5000	Salaries	$1,141,291	$1,244,008	$1,337,308	$1,437,606	$1,545,427	$1,661,334
5	Overtime	5005	Salaries	$15,000	$16,350	$17,576	$18,894	$20,312	$21,835
6	Overtime	5005	Salaries	$225,000	$245,250	$263,644	$283,417	$304,673	$327,524
7	Overtime	5005	Salaries	$50,000	$54,500	$58,588	$62,982	$67,705	$72,783
8	Medicare	5020	Benefits	$24,852	$26,840	$28,987	$31,306	$33,811	$36,516
9	Medicare	5020	Benefits	$49,410	$53,363	$57,632	$62,242	$67,222	$72,600
10	Medicare	5020	Benefits	$15,982	$17,261	$18,642	$20,133	$21,744	$23,483
11	PERS/Health Insurance	5025	Benefits	$351,585	$379,711	$410,088	$442,895	$478,327	$516,593
12	PERS/Health Insurance	5025	Benefits	$567,737	$613,156	$662,208	$715,185	$772,399	$834,191
13	PERS/Health Insurance	5025	Benefits	$174,000	$187,920	$202,954	$219,190	$236,725	$255,663
14	Workers Comp Insurance	5035	Benefits	$143,300	$154,764	$167,145	$180,516	$194,957	$210,554
15	Workers Comp Insurance	5035	Benefits	$370,191	$399,806	$431,790	$466,333	$503,640	$543,931
16	Workers Comp Insurance	5035	Benefits	$119,416	$128,970	$139,287	$150,430	$162,465	$175,462
17	PERS/Retirement	5040	Benefits	$218,001	$235,442	$254,277	$274,619	$296,589	$320,316
18	PERS/Retirement	5040	Benefits	$334,919	$361,713	$390,650	$421,902	$455,654	$492,106
19	PERS/Retirement	5040	Benefits	$102,166	$110,340	$119,167	$128,700	$138,996	$150,116
20	PERS/Retirement - Employer Lump Sum	5042	Benefits	$713,180	$770,234	$831,853	$898,401	$970,274	$1,047,895
21	Life Insurance	5045	Benefits	$7,384	$7,974	$8,612	$9,301	$10,045	$10,849
22	Life Insurance	5045	Benefits	$15,612	$16,861	$18,210	$19,667	$21,241	$22,940
23	Life Insurance	5045	Benefits	$5,472	$5,909	$6,382	$6,893	$7,444	$8,040
24	Unemployment Insurance	5050	Benefits	$5,208	$5,625	$6,075	$6,561	$7,085	$7,652
25	Unemployment Insurance	5050	Benefits	$13,454	$14,530	$15,693	$16,948	$18,304	$19,768
26	Unemployment Insurance	5050	Benefits	$4,340	$4,687	$5,062	$5,467	$5,905	$6,377
27	Disability Insurance	5055	Benefits	$41,040	$44,324	$47,870	$51,699	$55,835	$60,302
28	Misc Personnel Expenses	5060	Benefits	$10,000	$10,800	$11,664	$12,597	$13,605	$14,693
29	Electrical Equipment - Starters, PLC's, VFD's	6000	Equipment and Supplies	$252,300	$262,392	$272,888	$283,803	$295,155	$306,962
30	Electrical Equipment - Starters, PLC's, VFD's	6000	Equipment and Supplies	$25,000	$26,000	$27,040	$28,122	$29,246	$30,416
31	Electrical Equipment - Starters, PLC's, VFD's	6000	Equipment and Supplies	$25,000	$26,000	$27,040	$28,122	$29,246	$30,416
32	Process Equipment	6010	Equipment and Supplies	$790,000	$821,600	$854,464	$888,643	$924,188	$961,156
33	Process Equipment	6010	Equipment and Supplies	$125,000	$130,000	$135,200	$140,608	$146,232	$152,082
34	Process Equipment	6010	Equipment and Supplies	$150,000	$156,000	$162,240	$168,730	$175,479	$182,498
35	Process Equipment	6010	Equipment and Supplies	$491,800	$511,472	$531,931	$553,208	$575,336	$598,350
36	Process Equipment	6010	Equipment and Supplies	$80,000	$83,200	$86,528	$89,989	$93,589	$97,332
37	Process Equipment	6010	Equipment and Supplies	$63,367	$65,902	$68,538	$71,279	$74,130	$77,096

Line	Expenses (Detailed)	Number	Inflationary Assumption	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
38	Instrumentation & Plant Samplers	6015	Electrical and Instrumentation	$253,289	$260,887	$268,714	$276,775	$285,079	$293,631
39	Instrumentation & Plant Samplers	6015	Electrical and Instrumentation	$50,000	$51,500	$53,045	$54,636	$56,275	$57,964
40	Instrumentation & Plant Samplers	6015	Electrical and Instrumentation	$50,000	$51,500	$53,045	$54,636	$56,275	$57,964
41	SCADA software support	6020	IT Hardware and Software	$118,900	$123,656	$128,602	$133,746	$139,096	$144,660
42	Software Renewals	6030	IT Hardware and Software	$267,818	$278,531	$289,672	$301,259	$313,310	$325,842
43	Electrical Supplies - wire, conduit	6035	Electrical and Instrumentation	$95,600	$98,468	$101,422	$104,465	$107,599	$110,827
44	Electrical Supplies - wire, conduit	6035	Electrical and Instrumentation	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796
45	Electrical Supplies - wire, conduit	6035	Electrical and Instrumentation	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796
46	Plumbing Supplies/Hardware	6040	Equipment and Supplies	$125,000	$130,000	$135,200	$140,608	$146,232	$152,082
47	Hardware Supplies	6045	Equipment and Supplies	$15,000	$15,600	$16,224	$16,873	$17,548	$18,250
48	Tools	6050	Equipment and Supplies	$125,000	$130,000	$135,200	$140,608	$146,232	$152,082
49	Tools	6050	Equipment and Supplies	$16,490	$17,149	$17,835	$18,549	$19,291	$20,062
50	Building and Ground Maintenance	6060	Building and Ground Repairs	$698,000	$704,980	$712,030	$719,150	$726,342	$733,605
51	Building and Ground Maintenance	6060	Building and Ground Repairs	$83,000	$83,830	$84,668	$85,515	$86,370	$87,234
52	Building and Ground Maintenance	6060	Building and Ground Repairs	$100,000	$101,000	$102,010	$103,030	$104,060	$105,101
53	Building Maint & Repairs	6060	Building and Ground Repairs	$84,000	$84,840	$85,688	$86,545	$87,411	$88,285
54	Building Maint & Repairs	6060	Building and Ground Repairs	$15,000	$15,150	$15,302	$15,455	$15,609	$15,765
55	Building Maint & Repairs	6060	Building and Ground Repairs	$48,000	$48,480	$48,965	$49,454	$49,949	$50,448
56	Equipment Services	6090	Equipment Repairs	$480,000	$504,000	$529,200	$555,660	$583,443	$612,615
57	Equipment Services	6090	Equipment Repairs	$25,000	$26,250	$27,563	$28,941	$30,388	$31,907
58	Equipment Services	6090	Equipment Repairs	$25,000	$26,250	$27,563	$28,941	$30,388	$31,907
59	Equipment Services	6090	Equipment Repairs	$147,500	$154,875	$162,619	$170,750	$179,287	$188,252
60	Equipment Services	6090	Equipment Repairs	$27,300	$28,665	$30,098	$31,603	$33,183	$34,842
61	Equipment Services	6090	Equipment Repairs	$27,300	$28,665	$30,098	$31,603	$33,183	$34,842
62	Vehicle, Cart & Mobile Equipment Maint	6120	Equipment Repairs	$250,000	$262,500	$275,625	$289,406	$303,877	$319,070
63	Non-Highway Mobile Equip Maint & Repairs	6120	Equipment Repairs	$13,500	$14,175	$14,884	$15,628	$16,409	$17,230
64	Interceptor Wastewater Maint	6130	Building and Ground Repairs	$50,000	$50,500	$51,005	$51,515	$52,030	$52,551
65	Billing Sampler/Flow Meters	6145	Electrical and Instrumentation	$67,165	$69,180	$71,255	$73,393	$75,595	$77,863
66	Billing Sampler/Flow Meters	6145	Electrical and Instrumentation	$15,000	$15,450	$15,914	$16,391	$16,883	$17,389
67	Billing Sampler/Flow Meters	6145	Electrical and Instrumentation	$15,000	$15,450	$15,914	$16,391	$16,883	$17,389

Line	Expenses (Detailed)	Number	Inflationary Assumption	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
68	Safety Certificates & Permits	6160	Other Operations	$10,000	$10,500	$11,025	$11,576	$12,155	$12,763
69	Maintenance Agreements	6165	Other Maintenance	$163,549	$165,184	$166,836	$168,505	$170,190	$171,892
70	Maintenance Agreements	6165	Other Maintenance	$19,384	$19,578	$19,774	$19,971	$20,171	$20,373
71	Maintenance Agreements	6165	Other Maintenance	$19,384	$19,578	$19,774	$19,971	$20,171	$20,373
72	Wastewater System Maintenance	6200	Other Maintenance	$52,671	$53,197	$53,729	$54,266	$54,809	$55,357
73	Sales/Use Tax/Light Assessment	6205	Other Maintenance	$10,000	$10,100	$10,201	$10,303	$10,406	$10,510
74	Chemicals	7050	Chemicals	$1,560,000	$1,606,800	$1,655,004	$1,704,654	$1,755,794	$1,808,468
75	Chemicals	7050	Chemicals	$35,000	$36,050	$37,132	$38,245	$39,393	$40,575
76	Chemicals	7050	Chemicals	$35,000	$36,050	$37,132	$38,245	$39,393	$40,575
77	Electricity	7085	Utilities	$1,800,000	$1,836,000	$1,872,720	$1,910,174	$1,948,378	$1,987,345
78	Electricity	7085	Utilities	$400,000	$408,000	$416,160	$424,483	$432,973	$441,632
79	Electricity	7085	Utilities	$350,000	$357,000	$364,140	$371,423	$378,851	$386,428
80	Biogas Energy Operations	7087	Utilities	$774,552	$790,043	$805,844	$821,961	$838,400	$855,168
81	Natural Gas	7090	Utilities	$1,000,000	$1,020,000	$1,040,400	$1,061,208	$1,082,432	$1,104,081
82	Natural Gas	7090	Utilities	$1,250	$1,275	$1,301	$1,327	$1,353	$1,380
83	Natural Gas	7090	Utilities	$1,500	$1,530	$1,561	$1,592	$1,624	$1,656
84	Potable Wastewater	7100	Utilities	$15,000	$15,300	$15,606	$15,918	$16,236	$16,561
85	Potable Wastewater	7100	Utilities	$15,000	$15,300	$15,606	$15,918	$16,236	$16,561
86	Bottled Drinking Wastewater	7105	Other Operations	$20,000	$21,000	$22,050	$23,153	$24,310	$25,526
87	Waste Disposal	7120	Utilities	$175,000	$178,500	$182,070	$185,711	$189,426	$193,214
88	On-Call Contracts	7130	Electrical and Instrumentation	$165,000	$169,950	$175,049	$180,300	$185,709	$191,280
89	Waste Oil & Solvent Disposal	7140	Utilities	$80,000	$81,600	$83,232	$84,897	$86,595	$88,326
90	Fuel	7150	Fuel	$100,000	$104,000	$108,160	$112,486	$116,986	$121,665
91	Lab Supplies	7165	Lab Services and Supplies	$50,000	$51,500	$53,045	$54,636	$57,915	$61,389
92	Plant Sample Analysis	7170	Lab Services and Supplies	$275,000	$283,250	$291,748	$300,500	$318,530	$337,642
93	Plant Sample Analysis	7170	Lab Services and Supplies	$60,000	$61,800	$63,654	$65,564	$69,497	$73,667
94	Plant Sample Analysis	7170	Lab Services and Supplies	$50,000	$51,500	$53,045	$54,636	$57,915	$61,389
95	Pretreatment Analysis	7175	Lab Services and Supplies	$22,000	$22,660	$23,340	$24,040	$25,482	$27,011
96	Safety Equipment including SCBAs	7200	Other Operations	$85,000	$89,250	$93,713	$98,398	$103,318	$108,484
97	Safety Boots and Glasses	7201	Other Operations	$25,000	$26,250	$27,563	$28,941	$30,388	$31,907
98	Personal Protective Equipment (PPE)	7205	Other Operations	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381
99	Safety Training Program	7210	Other Operations	$75,000	$78,750	$82,688	$86,822	$91,163	$95,721
100	Building Halon System Service & Repair	7215	Building and Ground Repairs	$30,000	$30,300	$30,603	$30,909	$31,218	$31,530
101	Custodial Services	7220	Other Operations	$80,000	$84,000	$88,200	$92,610	$97,241	$102,103
102	Custodial Supplies	7225	Other Operations	$20,000	$21,000	$22,050	$23,153	$24,310	$25,526
103	Equipment Rental	7265	Equipment and Supplies	$50,000	$52,000	$54,080	$56,243	$58,493	$60,833
104	Equipment Rental	7265	Equipment and Supplies	$8,000	$8,320	$8,653	$8,999	$9,359	$9,733
105	Uniform Service/Cleaning	7275	Other Operations	$75,000	$78,750	$82,688	$86,822	$91,163	$95,721

Line	Expenses (Detailed)	Number	Inflationary Assumption	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
106	Alarm Services	7285	Other Operations	$16,000	$16,800	$17,640	$18,522	$19,448	$20,421
107	Alarm Services	7285	Other Operations	$6,800	$7,140	$7,497	$7,872	$8,265	$8,679
108	Security Repairs & Supplies, Misc	7290	Other Operations	$43,713	$45,899	$48,194	$50,604	$53,134	$55,791
109	Dig Alert Notification Service	7295	Other Operations	$2,600	$2,730	$2,867	$3,010	$3,160	$3,318
110	Telephones and long distance/Internet	8000	IT Hardware and Software	$116,184	$120,831	$125,665	$130,691	$135,919	$141,356
111	Telephones and long distance/Internet	8000	IT Hardware and Software	$7,200	$7,488	$7,788	$8,099	$8,423	$8,760
112	Telephones and long distance/Internet	8000	IT Hardware and Software	$21,600	$22,464	$23,363	$24,297	$25,269	$26,280
113	Cellular phones and pagers	8010	IT Hardware and Software	$6,000	$6,240	$6,490	$6,749	$7,019	$7,300
114	Radio communication & telemetry	8015	IT Hardware and Software	$12,500	$13,000	$13,520	$14,061	$14,623	$15,208
115	Computers - Hardware	8025	IT Hardware and Software	$104,028	$108,189	$112,517	$117,017	$121,698	$126,566
116	Computers - Hardware	8025	IT Hardware and Software	$6,000	$6,240	$6,490	$6,749	$7,019	$7,300
117	Computers - Hardware	8025	IT Hardware and Software	$6,000	$6,240	$6,490	$6,749	$7,019	$7,300
118	Computers - Software	8026	IT Hardware and Software	$61,586	$64,049	$66,611	$69,276	$72,047	$74,929
119	Office Equipment & Equip. Rental	8032	General	$35,000	$36,400	$37,856	$39,370	$40,945	$42,583
120	Vehicle Lease Program	8033	Automobile	$198,000	$207,900	$218,295	$229,210	$240,670	$252,704
121	Office Supplies	8035	General	$75,000	$78,000	$81,120	$84,365	$87,739	$91,249
122	Advertising and Printing	8045	General	$60,000	$62,400	$64,896	$67,492	$70,192	$72,999
123	Postage & Freight	8050	General	$14,500	$15,080	$15,683	$16,311	$16,963	$17,641
124	Staff Travel, Meetings & Registration	8060	General	$79,050	$82,212	$85,500	$88,920	$92,477	$96,176
125	Staff Travel, Meetings & Registration	8060	General	$55,000	$57,200	$59,488	$61,868	$64,342	$66,916
126	Staff Travel, Meetings & Registration	8060	General	$40,000	$41,600	$43,264	$44,995	$46,794	$48,666
127	Sunshine Fund	8070	General	$26,700	$27,768	$28,879	$30,034	$31,235	$32,485
128	Community Events	8075	General	$72,000	$74,880	$77,875	$80,990	$84,230	$87,599
129	Prof Org Membership, Certifications & Permits	8090	General	$48,000	$49,920	$51,917	$53,993	$56,153	$58,399
130	Prof Org Membership, Certifications & Permits	8090	General	$10,000	$10,400	$10,816	$11,249	$11,699	$12,167
131	Prof Org Membership, Certifications & Permits	8090	General	$3,000	$3,120	$3,245	$3,375	$3,510	$3,650
132	Commissioners Fees	8095	General	$9,600	$9,984	$10,383	$10,799	$11,231	$11,680
133	Books & Periodicals, Education Reimbursements	8100	General	$19,000	$19,760	$20,550	$21,372	$22,227	$23,116
134	Books & Periodicals, Education Reimbursements	8100	General	$15,000	$15,600	$16,224	$16,873	$17,548	$18,250
135	Books & Periodicals, Education Reimbursements	8100	General	$8,176	$8,503	$8,843	$9,197	$9,565	$9,947
136	Accounting & Audit Services	8110	Professional Services	$55,000	$58,300	$61,798	$65,506	$69,436	$73,602
137	MIS Consulting	8120	Professional Services	$100,777	$106,824	$113,233	$120,027	$127,229	$134,862
138	Professional Services	8130	Professional Services	$250,000	$265,000	$280,900	$297,754	$315,619	$334,556
139	Professional Services	8130	Professional Services	$135,000	$143,100	$151,686	$160,787	$170,434	$180,660
140	Human Resource Consulting	8140	Professional Services	$80,000	$84,800	$89,888	$95,281	$100,998	$107,058
141	Rent	8166	General	$89,818	$93,411	$97,147	$101,033	$105,074	$109,277

Line	Expenses (Detailed)	Number	Inflationary Assumption	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
142	Payroll Processing	8170	General	$90,000	$93,600	$97,344	$101,238	$105,287	$109,499
143	General Counsel	8175	Legal Services	$450,000	$481,500	$515,205	$551,269	$589,858	$631,148
144	Special/Additional Counsel	8180	Legal Services	$100,000	$107,000	$114,490	$122,504	$131,080	$140,255
145	Temporary Labor - Secretarial/clerical	8185	General	$25,000	$26,000	$27,040	$28,122	$29,246	$30,416
146	Temporary Labor - Laborers	8195	General	$50,000	$52,000	$54,080	$56,243	$58,493	$60,833
147	Insurance & Bond Policies Premiums	8226	Insurance	$889,439	$1,031,749	$1,196,829	$1,388,321	$1,610,453	$1,868,125
148	Regulatory Permits	8230	Regulatory Permits	$254,680	$259,774	$264,969	$270,268	$275,674	$281,187
149	Regulatory Permits	8230	Regulatory Permits	$15,500	$15,810	$16,126	$16,449	$16,778	$17,113
150	Regulatory Permits	8230	Regulatory Permits	$15,500	$15,810	$16,126	$16,449	$16,778	$17,113
151	Prof. SVC. - Flow Monitoring	8530	Professional Services	$129,360	$137,122	$145,349	$154,070	$163,314	$173,113
152	Street Lighting Assessment	8610	General	$29,000	$30,160	$31,366	$32,621	$33,926	$35,283
153	Contingency Fund	9010	Contingency Fund	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
154	Contingency Fund	9010	Contingency Fund	$550,000	$550,000	$550,000	$550,000	$550,000	$550,000
155	Contingency Fund	9010	Contingency Fund	$225,000	$225,000	$225,000	$225,000	$225,000	$225,000
156	**Total**			**$27,781,056**	**$29,291,815**	**$30,813,615**	**$32,445,745**	**$34,213,182**	**$36,113,385**

Table 4-3: Capital Projects (Detailed)

Line	Capital Projects (Detailed)	Funding Source	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Admin Building Design and Rehabilitation and New Lab Building	PAYGO	$1,280,000	$4,500,000	$3,000,000	$0	$0	$0
2	Mojave Narrows Resource Recovery Facility/Hesperia Parallel Interceptor	Connection Fee	$1,280,000	$0	$0	$0	$0	$0
3	Oro Grande Pump Station Relocation Project	Connection Fee	$0	$0	$2,720,495	$0	$0	$0
4	Oro Grande Pump Station Relocation Project	Grant	$0	$0	$2,500,000	$0	$0	$0
5	Ossum Wash	PAYGO	$300,000	$0	$1,000,000	$1,000,000	$0	$0
6	PLC Replacement Project Phase 5	Connection Fee	$87,356	$0	$0	$0	$0	$0
7	Regional Plant Emergency Power Project	PAYGO	$722,000	$0	$0	$0	$0	$0
8	Regional Plant Headworks Repair	PAYGO	$1,000,000	$1,700,000	$0	$0	$0	$0
9	Regional Plant Headworks Repair	Connection Fee	$200,000	$0	$0	$0	$0	$0
10	Regional Plant MCC Modernization	PAYGO	$870,000	$820,000	$920,000	$920,000	$920,000	$0
11	Regional Plant Potable Connection to City of Victorville	PAYGO	$400,000	$0	$2,000,000	$500,000	$0	$0
12	Regional Plant Potable Connection to City of Victorville	Grant	$0	$0	$1,000,000	$0	$0	$0
13	Anammox Nitrogen Removal	Connection Fee	$345,000	$0	$0	$0	$0	$0
14	Anammox Nitrogen Removal	PAYGO	$0	$6,000,000	$0	$0	$0	$0
15	Rehabilitation of South Apple Valley Manholes HWY 18	PAYGO	$500,000	$0	$500,000	$500,000	$500,000	$500,000
16	Sludge and Aeration Valve Assembly Replacement	PAYGO	$345,000	$0	$0	$0	$0	$0
17	Strategic Vision Plan	Connection Fee	$300,000	$0	$0	$0	$0	$0
18	New Boiler	PAYGO	$0	$0	$1,000,000	$1,000,000	$0	$0
19	Ammonia Based Control	PAYGO	$0	$0	$1,500,000	$1,500,000	$0	$0
20	Facility/Biosolids Master Plan	PAYGO	$0	$600,000	$0	$0	$0	$0
21	UV Standardization	PAYGO	$0	$0	$0	$1,200,000	$6,000,000	$6,000,000
22	**Total**		**$7,629,356**	**$13,620,000**	**$16,140,495**	**$6,620,000**	**$7,420,000**	**$6,500,000**