Collaboration – Dedication - Integrity

Victor Valley Wastewater Reclamation Authority

FY 2027 Proposed Budget

Agenda

- Comparative Fiscal Year Budget Analysis
- Debt Reserves and Coverage Ratios
- Budget Goals and Future Considerations

Operating Revenues and Expenses Budget Analysis of FY 2026 and FY 2027

User Charge Fund	FYE 06/30/26 Revised Budget	FYE 06/30/27 Proposed Budget	Variance
Reserve Beginning Balance	**12,302,268**	**14,395,099**	17%
Total Revenues	34,633,847	37,258,576	8%
Debt Proceeds	-	15,000,000	
Total Fund Loan/Lease Payments	(2,879,598)	(5,058,845)	76%
Total Operating Expense	(27,781,057)	(28,689,585)	5%
Transfer from Operating to Supplemental Capital	505,000		
Transfer from Unrestricted Reserve	-	-	
Current Year Budget Surplus	**4,478,192**	**18,510,146**	**313%**
Total Reserve	**16,780,459**	**32,905,245**	
Total Restricted Reserve	(6,295,982)	(6,477,342)	
Total Unrestricted Reserve	**10,484,478**	**26,427,904**	
Total Capital Projects (User Charges)	(5,067,000)	(16,960,924)	
Total Supplemental Capital Purchases	(1,955,500)	(1,547,176)	
Unused Capital Purchase	1,296,216	-	
Project Rollover Portion	3,340,924	-	
Operating Expense Rollover Portion	-	-	
Unspent Unrestricted Reserve	**8,099,117**	**7,919,804**	

Reasons for the Increase in Expenses

Account String	Description	Increase	Reason
01-02-xxx-5xxx-9999	Personnel	726,986.00	Increases to CPI, Health Insurance and Worker's Comp
01-02-535-7090-9999	Natural Gas	500,000.00	Relying more on natural gas to generate electricity
01-54-535-6010-9999	Process Equipment	205,000.00	Replacing media and biofilters
01-02-515-xxxx-9999	General Counsel	100,000.00	Increase in legal fees for new JPA
01-02-515-8226-9999	Insurance & Bond Premiums	133,416.00	Insurance company projected 15% increase
01-02-545-6030-9999	Software Renewals	88,021.00	New WIMS Software being implented, additional security software
01-02-535-7265-9999	Eqiupment Rental	50,000.00	Hauling more biosolids from drying beds
		1,803,423.00	

Connection Fee (CF) Revenues and Expenses Budget Analysis FY 2026 and FY 2027

Connection Fee (CF) Fund	FYE 06/30/26 Revised Budget	FYE 06/30/27 Proposed Budget	Variance
Reserve Beginning Balance	**4,617,892**	**8,258,457**	79%
Connection Fee - Hesperia Witheld	**4,358,581**	**-**	-100%
Connection Fee - Victorville	750,000	787,500	5%
Connection Fee - Apple Valley	467,900	491,295	5%
Connection Fee - Hesperia	543,000	570,150	5%
Connection Fee - CSA 64 Spring Valley Lake	81,883	85,977	5%
Total Grants/Contributions	300,000	-	-100%
Interest	62,610	150,000	140%
Total Fund SRF Loan Payments	(1,295,053)	(1,295,053)	0%
Current Year Budget Surplus	**910,340**	**789,869**	-13%
Total Reserve	**9,886,813**	**9,048,326**	
Total Restricted Reserve	(1,295,053)	(1,295,053)	
Total Unrestricted Reserve	**8,591,760**	**7,753,273**	
Total Capital Projects (Connection Fees)	(2,212,356)	(584,000)	
Unused Project Portion	584,000	-	
Unspent Unrestricted Reserve	**6,963,404**	**7,169,273**	

Debt Reserves & Coverage Ratios

Debt Coverage Ratios	FYE 06/30/26 Revised Budget	FYE 06/30/27 Proposed Budget
Total Revenues	40,897,821	39,343,498
Total Operating Expenses	(27,276,057)	(28,689,585)
	13,621,764	10,653,913
Divided by Loan Reserve	(4,044,789)	(4,044,789)
	3.37	2.63

**Note: FY 2026 total revenues includes the $4.3M connection fee payment from Hesperia.*

FY 2027 Available Funds for Supplemental Capital Purchase and Capital Projects

	FYE 06/30/27 Proposed Budget		
	User Charge	CF	Total
Total Reserve Beginning Balance	14,395,099	8,258,457	22,653,556
(Deficit) Surplus from FY 2026 Budget	18,510,146	789,869	19,300,015
Restricted Reserve	(6,477,342)	(1,295,053)	(7,772,395)
Total Available Fund for Supp. Cap Purchase and Capital Projects	26,427,904	7,753,273	34,181,177

Capital Funding Process:

- All available capital fund dollars are allocated to fully funded or partially funded projects at budget approval.
- All unused funds from completed fully funded projects are moved to other projects by Board approval.
- All capital fund borrowings from a preapproved funding source are done by Board approval.
- All funding shortcomings due to lower actual revenues will be corrected as part of the budget approval.

FY 2027 Supplemental Capital Purchases

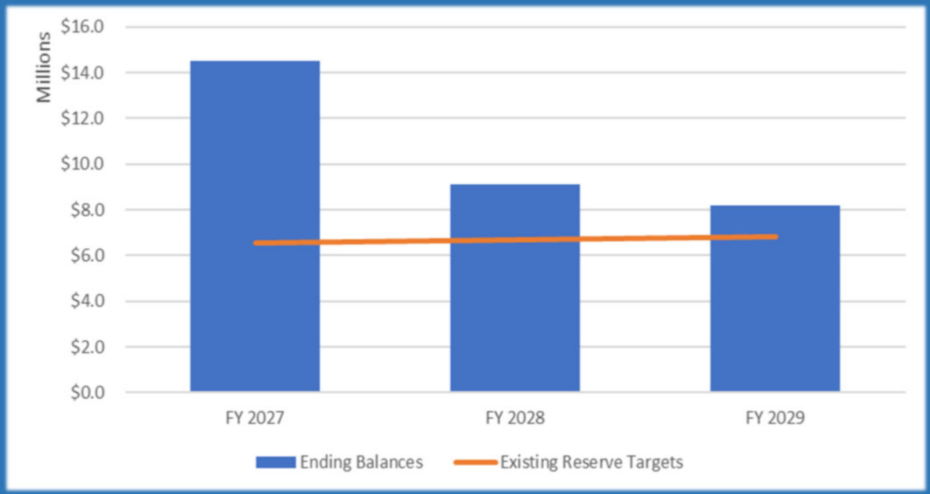
	FY 2027 Budget	FY 2026 Rollover	Total
New Godwin Pump	70,000	-	70,000
2 Carry All Carts	40,000	-	40,000
CCTV Utility Truck Mounted Camera	140,960	-	140,960
Brown Bear	-	636,331	636,331
Electric Aeration Blower	-	659,885	659,885
	250,960	**1,296,216**	**1,547,176**

FY 2027 Capital Projects

FY 2027 Proposed Capital Project Budget	User Charge From Rate Study	User Charge Rollover from FY 2026	Connection Fee From Rate Study	Connection Fee Rollover from FY 2026	Total
Admin Building Design and Rehabilitation and New Lab Building	4,500,000	1,155,000	-	-	5,655,000
Regional Plant Headworks Repair	1,700,000	560,000	-	140,000	2,400,000
Regional Plant MCC Modernization	820,000	622,000	-	319,000	1,761,000
Anammox Nitrogen Removal	6,000,000	-	-	-	6,000,000
Facility/Biosolids Master Plan	600,000	-	-	-	600,000
1W Potable Water Connection	-	369,000	-	-	369,000
Mojave River Ossum Wash Improvements	-	220,483	-	-	220,483
Regional Plant Emergency Controls Upgrade	-	114,441	-	-	114,441
Interceptor Capacity Upgrade	-	300,000	-	-	300,000
Strategic Vision Plan	-	-	-	125,000	125,000
	13,620,000	**3,340,924**	**-**	**584,000**	**17,544,924**

Future Rate Projections (User Charge)

Revenue Adjustment	FY 2027	FY 2028	FY 2029
	7.0%	5.0%	5.0%



Budget Goals and Future Considerations

Budget Goals Achieved:
- Achieved a balanced budget without the use of unrestricted reserves
- Projected operating revenues cover operating expenses and debt service
- Achieved required levels for reserves

Future Considerations:
- Potential impacts of price of fuel on FY 2027's budget

Questions?

Appendix A – Historical Financial Information

	2023-2024 Total Budget	2023-2024 Total Activity	2024-2025 Total Budget	2024-2025 Total Activity	2025-2026 Adopted Budget	2025-2026 Current Budget	2025-2026 YTD Encumbrance Through February	2025-2026 YTD Activity Through February	2025-2026 Budget Remaining	2026-2027 Preliminary Budget
User Charge	23,606,207	24,408,011	26,011,093	25,846,500	32,800,164	32,800,164	-	18,558,722	14,241,441	34,152,532
Other	2,427,395	5,054,099	2,331,073	1,574,924	1,771,073	1,771,073	348	971,912	798,813	18,106,043
	26,033,602	29,462,110	28,342,166	27,421,424	34,571,237	34,571,237	348	19,530,634	15,040,255	52,258,576
Connection Fee	2,842,783	4,680,016	1,842,783	2,191,433	1,842,783	1,842,783	-	2,363,527	(520,744)	1,934,922
Grant/Contribution	3,900,000	2,883,935	150,000	386,909	300,000	300,000	-	-	300,000	-
Other	60,000	582,126	62,610	702,650	62,610	62,610	-	467,231	(404,621)	150,000
	6,802,783	8,146,078	2,055,393	3,280,992	2,205,393	2,205,393	-	2,830,758	(625,365)	2,084,922
Total Revenues	**32,836,385**	**37,608,187**	**30,397,559**	**30,702,417**	**36,776,630**	**36,776,630**	**348**	**22,361,392**	**14,414,890**	**54,343,498**
Personnel	7,980,256	8,231,633	8,998,938	8,796,451	9,756,127	9,756,127	-	6,107,093	3,649,034	10,499,520
Operations -535-	7,682,487	6,742,748	9,571,759	8,241,582	10,108,302	9,743,308	1,397,384	5,172,083	3,173,841	10,097,452
MIS/EC/EI - 545-	3,341,280	2,266,357	3,609,799	2,582,609	4,140,521	4,440,521	941,305	1,360,754	2,138,462	4,482,523
Administration/Finance -515-	2,937,889	2,203,529	3,138,400	2,629,696	3,426,107	3,336,101	326,260	1,452,015	1,557,826	3,610,090
Total Expenses	**21,941,912**	**19,444,267**	**25,318,896**	**22,250,339**	**27,431,057**	**27,276,057**	**2,664,949**	**14,091,945**	**10,519,163**	**28,689,585**
Total Lease Payments - User Charge	165,000	165,000	129,862	129,862	129,862	129,862	-	129,862	-	2,309,109
Total SRF Loan Payments - User Charge	2,749,738	2,749,738	2,749,738	2,749,738	2,749,736	2,749,736	-	343,233	2,406,503	2,749,736
Total SRF Loan Payments - Connection Fee	1,553,204	1,553,204	1,295,051	1,295,051	1,295,053	1,295,053	-	198,471	1,096,582	1,295,053
Total Loan Payments	**4,467,942**	**4,467,942**	**4,174,651**	**4,174,651**	**4,174,651**	**4,174,651**	**-**	**671,566**	**3,503,085**	**6,353,898**
Net Surplus (Deficit)	**6,426,531**	**13,695,979**	**904,012**	**4,277,427**	**5,170,922**	**5,325,921**	**(2,664,601)**	**7,597,880**	**392,642**	**19,300,015**

**Data excludes depreciation expense and construction contracts*