



REPLENISH
— *Big Bear* —

Where We Are Today



- Since 2015, the Governing Board has approved or adopted **61 actions** during **41 meetings** to get the Replenish Big Bear Program to this point.
- The Agency's Strategic Plan includes:
 - Vision Statement – In the next five years we will implement a plan for reclaimed water.
 - Strategic Element 2.0 - 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.

The following 4 slides are based upon funding from the WIFIA Loan

Budget



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Expenditures by Category	Estimated Amount
Construction	\$51,711,746
Design	3,958,000
Planning	6,810,000
Financing Costs	726,850
Debt Service Reserve Fund	692,216
Accrued Interest on Short-Term Financing	<u>474,442</u>
Subtotal	<u>\$64,373,254</u>
Contingency **	<u>22,281,263</u>
Total RBB Expenditures	\$86,654,517

** When working with the EPA on the WIFIA loan, EPA wanted to make sure that there was **sufficient contingency worked into the total project cost.**

EPA's experience has been that other agencies did not have sufficient contingency and project costs came in much higher than expected. The WIFIA loan amount cannot be increased once agreed upon, so these agencies were forced to find funding elsewhere.

} Project cost range



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Funding Sources

Category	Estimated Amount
WIFIA Loan	\$57,496,501
Revenue Bonds	11,369,324
Costs Paid by Project Partners	898,242
Awarded Grants*	<u>16,890,450</u>
Total Expected RBB Revenues	\$86,654,517

*Does not include FY 24 EPA STAG

*Title XVI grant administration costs of \$100,000 have been subtracted

Recurring Income

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating Revenues	\$2,423,583	\$3,528,415	\$4,621,417	\$5,921,488	\$6,198,763

- Annual charges for FY 2025 through FY 2027 are set to build required reserves. Annual charges for FY 2028 and FY 2029 are set to cover operating expenses and annual debt service.

Recurring Expenses

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating Expenses	\$ 0	\$ 0	\$ 0	\$ 2,920,458	\$ 3,534,603
Debt Service (WIFIA)	86,200	693,746	1,185,042	3,277,827	3,277,827
Debt Service (Bonds)	0	472,185	944,370	944,370	944,370

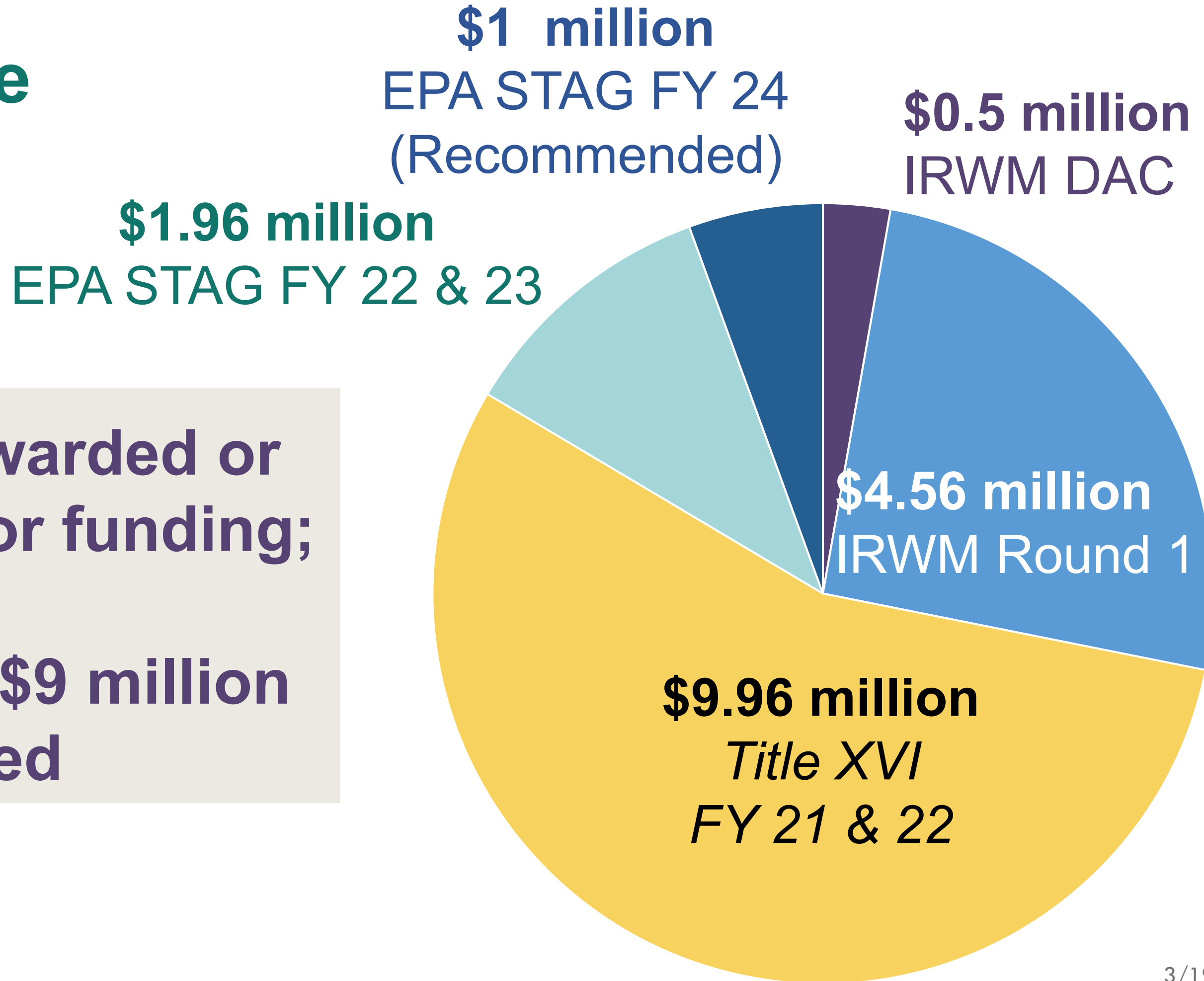
- Operating Expenses include general operating and maintenance, water quality monitoring, and nutrient offset. FY 2028 is a partial year (October through June).
- WIFIA debt service for FY 2025 through FY 2027 is interest only through construction. FY 2028 through FY 2029 is the full debt service (interest and principal).
- FY 2026 Bond debt service is a partial year.

Capital Expenses and Funding

	FY 2025	FY 2026	FY 2027	FY 2028
Grant Revenues	4,596,763	5,098,828	4,731,752	955,299
Loan Draws	<u>0</u>	<u>31,571,374</u>	<u>29,066,476</u>	<u>935,065</u>
Capital Expenditures	\$ 4,596,763	\$ 36,670,202	\$ 33,798,227	\$ 1,890,364

- Total capital expenditures FY 2025 through FY 2028 = \$77 million
- All capital expenditures will be paid using grant funding and debt

Grants to Date



\$17.9 million awarded or recommended for funding;

Application for \$9 million submitted



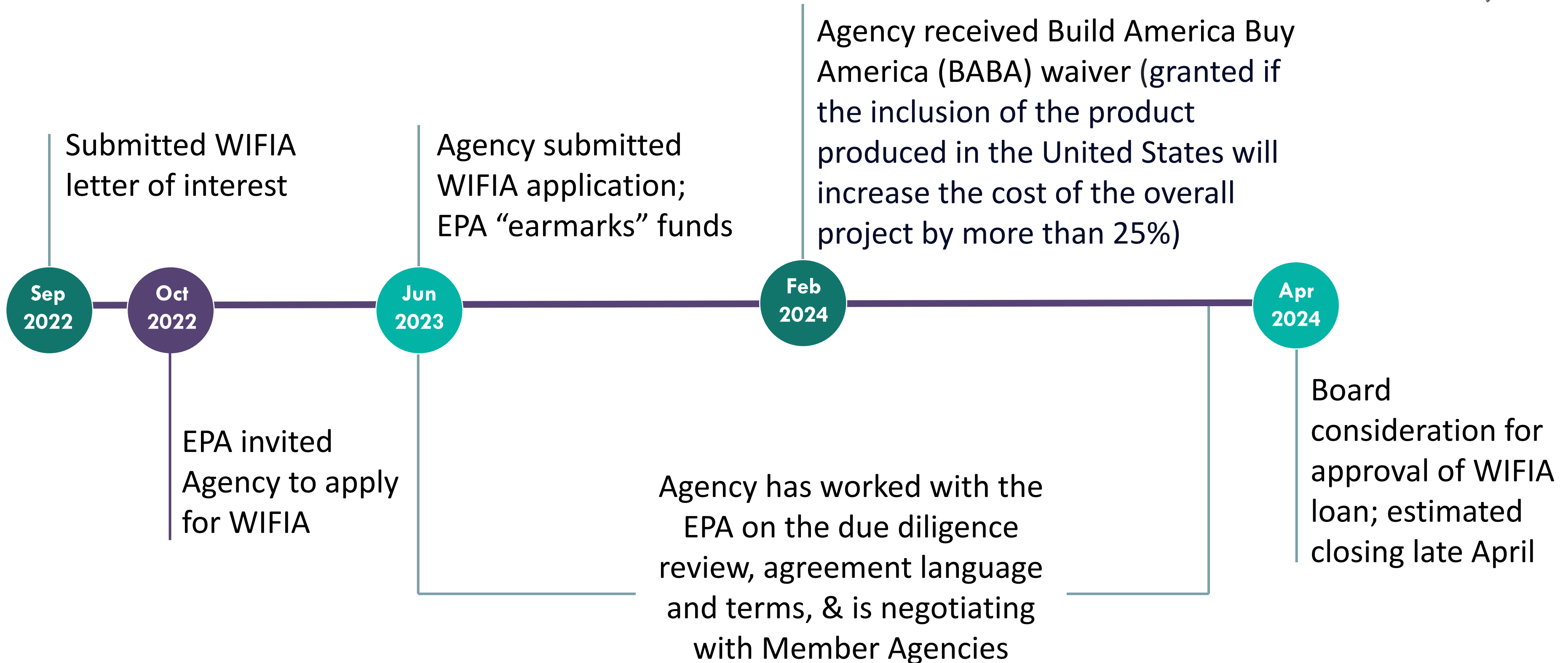
Adopted 5-yr Rate Schedule

March 22, 2023 (Required by WIFIA)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
BBARWA Base Rate	\$250.68	\$260.71	\$271.14	\$281.98	\$291.85
RBB Rate	51.69	96.08	149.88	214.81	294.39
RBB Monthly Rate	\$4.31	\$8.00	\$12.49	\$17.90	\$24.53
Combined Rate	\$302.37	\$356.79	\$421.02	\$496.80	\$586.22
% Increase	22.5%	18%	18%	18%	18%
Monthly Combined Rate	\$25.20	\$29.73	\$35.09	\$41.40	\$48.85

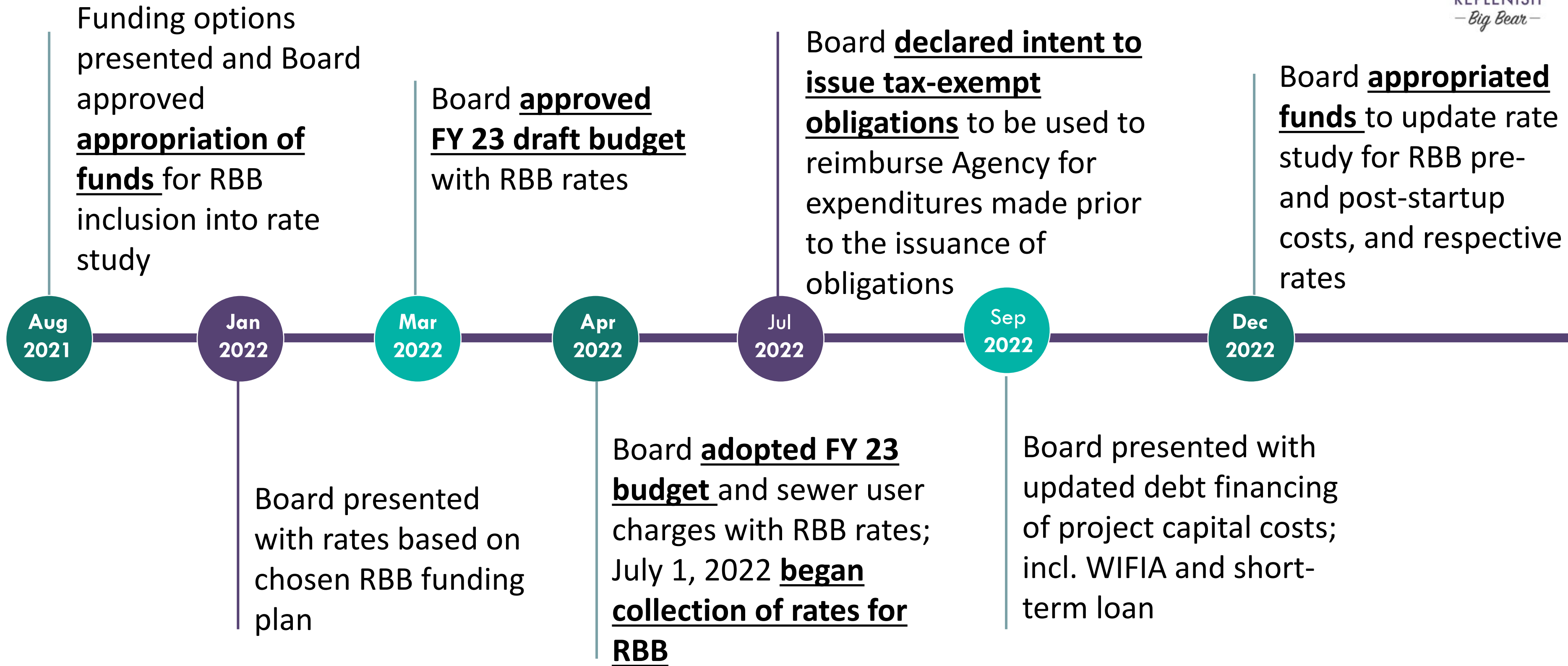
- Big Bear City Community Services District **adopted FY 24 on 5/15/23** (Ordinance 2023-04)
- City of Big Bear Lake **adopted FY 24 to FY 28 on 6/29/23** (Resolution 2023-50)
- County of San Bernardino **absorbed** the rate increase for FY 24

WIFIA Loan Process

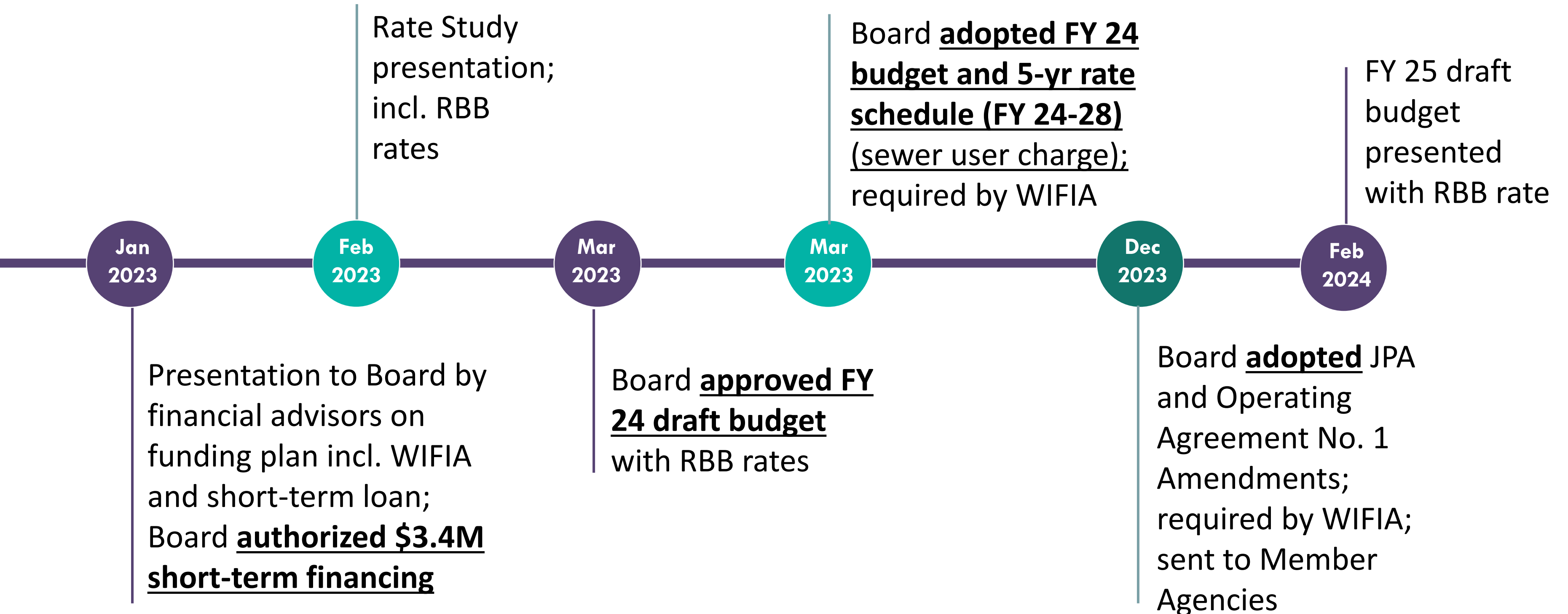




WIFIA Loan



WIFIA Loan



JPA and Operating Agreement Amendments



Modifications were required to clarify existing terms of the JPA and Operating Agreement No. 1 so that the EPA had a clear understanding of the credit worthiness for the WIFIA loan process, the risks associated with lending to the Agency, and to reduce the risk of a payment default.

- BBARWA **approved** 12/19/23 (5-0 vote to approve)
- City of Big Bear Lake **approved** 2/14/24 (4-0 vote to approve, one seat vacant)
- County of San Bernardino **reviewing**



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Current Commitments

Short-Term Financing



Loan	Board Approval	Amount	Remaining Amount as of 3/12/24
Short-Term Financing	1/25/23	\$3,400,000	\$1,131,375

Grants



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Grant	Board Approval	Awarded or Recommended Amount	Reimbursed Amount as of 3/7/24	Pending Reimbursement
2019 DCI Technical	12/4/19	\$500,000	\$500,000	\$0
2019 IRWM Prop 1	9/25/19 & 5/26/21	4,563,338	1,231,947	582,854
2021 & 2022 Title XVI	4/28/21 & 2/23/22	9,967,112	0	In process
2022 & 2023 EPA STAG	N/A	1,960,000	0	0
2024 EPA STAG	N/A	<u>1,000,000</u>	<u>0</u>	<u>0</u>
Total		\$17,990,450	\$1,731,947	\$582,854



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Current Contracts

Company	Purpose	Contract Amount	Remaining as of 3/7/24
Water Systems Consulting, Inc.	Design	\$3,896,725	\$3,886,435
Water Systems Consulting, Inc.	Program Management and Engineering Services	3,963,743	1,153,549
Tom Dodson & Associates	Environmental	336,188	76,203
NHA Advisors	Financial Advisors – WIFIA	85,000	43,000
IDE Americas	Brine Desalter (Pilot)	381,980	160,313
Dupont/Filmtec	MEMCOR (Pilot)	50,000	17,675
Dupont/Desalitech	CCRO (Pilot)	59,950	59,950
Eurofins	Lab Analysis (Pilot)	129,499	19,684
Trojan Technologies	UV-Oxidation System (Pilot)	<u>49,500</u>	<u>49,500</u>
Total		\$8,952,585	\$5,466,309

Total Commitments



- **Total Invoices Paid = \$4,060,290**
- **Encumbrances Remaining = \$5,466,309**
- **WIFIA Loan Administration = \$200,000**
- **Total = \$9,726,599**



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Recent Questions

Why is the Cost Increasing?

\$56M (Feb 2021)

June 2023 dollars

Rough cost estimate before Board chose funding plan; did not include financing costs

Advanced treatment required by Santa Ana Regional Board

Contingency estimated at \$6.9M

\$71M (Mar 2023)

Projected timeline more accurate

Estimate based on mid-point of construction (escalation method)

Added financing costs and additional water quality monitoring

Inflation after COVID-19

\$86.7M (Feb 2024)

Increased contingency - EPA wanted to make sure that there was **sufficient contingency worked into the total project cost**. The WIFIA loan amount can be decreased if costs come in lower or additional grants are obtained. This language is in the loan terms and conditions.

Why wasn't there a Prop 218 Hearing?

On August 25, 2021, the Board was presented with four options, all subject to Prop 218:

Existing Fee
Authority

Community
Facilities
District

Benefit
Assessment

Special
Parcel Tax



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Why wasn't there a Prop 218 Hearing?



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1. Existing Fee Authority (current)

1. The Board **directed staff to pursue this option**
2. The Board was aware of possible amendments to Agency agreements depending on chosen funding option
3. Pursuing a Prop 218 option would be redundant; BBARWA's rates would be subject to two Prop 218 protest hearings
4. The Board has reconfirmed its commitment to the current funding plan several times through approval of contracts, grant applications, JPA and Operating Agreement amendments, the short-term loan, and subsequent budgets

Why wasn't there a Prop 218 Hearing?



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2. Benefit Assessment

1. Certified engineer's report that identifies the total cost of improvement for the assessment
2. Majority landowner approval, weighted based upon the amount of the assessment for the parcel
3. Identify a specific benefit that only applies to certain parcels and not to others; proximity to the lake or enhancement of property value does not apply unless tied to a wastewater benefit
4. Benefits must be related to wastewater treatment or disposal (different levels of treatment/disposal)
5. Complicated analysis; difficult to identify a special benefit that would apply under this assessment
6. May not be able to recover an assessment for the entire amount; assessment limited to the defined benefit in the engineer's report
7. How to structure the assessment if program benefits changed over time or if there was a change to program water uses would be difficult

Why wasn't there a Prop 218 Hearing?



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3. Community Facilities District (Mello-Roos Tax)

1. Majority protest hearing of registered voters, followed by special tax election with 2/3 approval
2. Most likely 9-15 month timeline
3. Can be structured with significant flexibility based on benefits or other approaches, except assessed value
4. JPA limited by rules of community services district law
5. Limited in ability to levy a special tax - must form a community facilities district
6. Negative public perception

4. Special Parcel Tax

1. Flat rate across all parcels with 2/3 voter approval
2. Most likely 9-15 month timeline
3. Only for debt service for length of the loan; ongoing O&M through existing fee authority
4. JPA limited by rules of community services district law
5. Limited in ability to levy a special tax - must be uniform across all parcels; undeveloped parcels pay the same rate as developed parcels
6. Not as much flexibility in structuring the tax or carving out boundaries

Who owns the Program Water?



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Water Code 1210 – Exclusive right to treated wastewater

The owner of a wastewater treatment plant operated for the purpose of treating wastes from a sanitary sewer system **shall hold the exclusive right to the treated wastewater** as against anyone who has supplied the water discharged into the wastewater collection and treatment system, including a person using water under a water service contract, unless otherwise provided by agreement.

Who owns the Program Water once it is discharged into Stanfield Marsh?



MWD will be the sole owner of the Program Water once discharged into Stanfield Marsh

- Contributions by MWD are unknown until discharge permit requirements are issued
- Contributions by CSD & DWP
 - Letter of Intent, based on water demand
 - CSD - 160 acre feet per year = \$138,691
 - DWP – 340 acre feet per year = \$294,718
 - Would decrease cost by \$17-\$20 per EDU per year; this amount may adjust slightly due to number of EDUs and CPI

Bear Mountain Resorts



DWP & CSD

- Negotiating with the Resorts for use of the pipeline to percolate water into Sand Canyon
- Agreements between MWD, CSD, DWP, and Resorts – TBD
- Resort snowmaking system is more efficient so additional water for snowmaking is not anticipated at this time
- Will be responsible for the costs of purchasing Program Water (120 AF) associated with irrigating the golf course (in-lieu groundwater recharge)
- MWD
 - Will negotiate with the Resorts, their current contract does not allow ANY other use outside of active firefighting and snowmaking

CSD & DWP Interconnection Agreement

CSD & DWP have an existing interconnection agreement (2015)



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Future Regulatory Requirements May Require Treatment Process Upgrades



- 2021 Colorado Regional Board adopted discharge requirements Order R7-2021-0023 (Lucerne Valley) which changed BBARWA's permit monitoring
 - 2016 BBARWA conducted a groundwater study that analyzed potential sources of nitrogen in groundwater other than our recycled water. Nitrate has been increasing upgradient, decreasing downgradient; quarterly monitoring required
 - Quarterly e-coli monitoring in groundwater wells and effluent required
- Mojave Water Agency is considering constructing a percolation basin (State Water Project water) on a parcel east of BBARWA's Lucerne Valley parcel



- This leads the Agency's engineering and technical advisors to believe that the Colorado Board may require a higher level of treatment to send effluent to Lucerne Valley in the future
- California is committed to recovering resources; we believe AB 574 (direct potable reuse) will pave the way for additional required treatment or uses for wastewater



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Options to Move Forward

Option 1: Private Placement Funding



- **Advantages**

- Continue with current program plan
- Honor existing contracts and agreements
- Will hire 3 additional personnel as projected
- Commitment to Agency Vision and Strategic Goal for water sustainability continues
- Commitment to community remains

4/5
Vote

Option 1: Private Placement Funding

- **Disadvantages**

- Higher interest rate and shorter loan term
- Decreases intergenerational equity
- Multiple loans; principal and interest due on the full loan amount immediately
- Board approval for each loan
- Debt service starts earlier and escalates to higher levels faster
- Increases BBARWA's rates (sewer user charges)
- Build America Buy America (BABA) waiver will not apply; must use product produced in the United States and will increase the cost of the overall project

- **Unknown**

- If amendments to JPA and Operating Agreements will be required
- Increase to overall cost due to loss of BABA waiver; estimate is at least 25% increase
- Effect of future borrowing capabilities due to “no” vote from CSD

Option 1: WIFIA/Sewer Bond Financing Alternative: Private Placement

- ▶ In light of a recent “no” vote by the Big Bear City CSD regarding amendments to the Operating Agreement, NHA analyzed the potential financing options for RBB
- ▶ Without an amendment, the Agency cannot proceed with the WIFIA loan and a sewer bond is unlikely, **narrowing the financing options to a private placement**
- ▶ **Rejection of the Operating Agreement Amendment implies Member Agencies will not support debt repayment in the event BBARWA net revenues fall short**

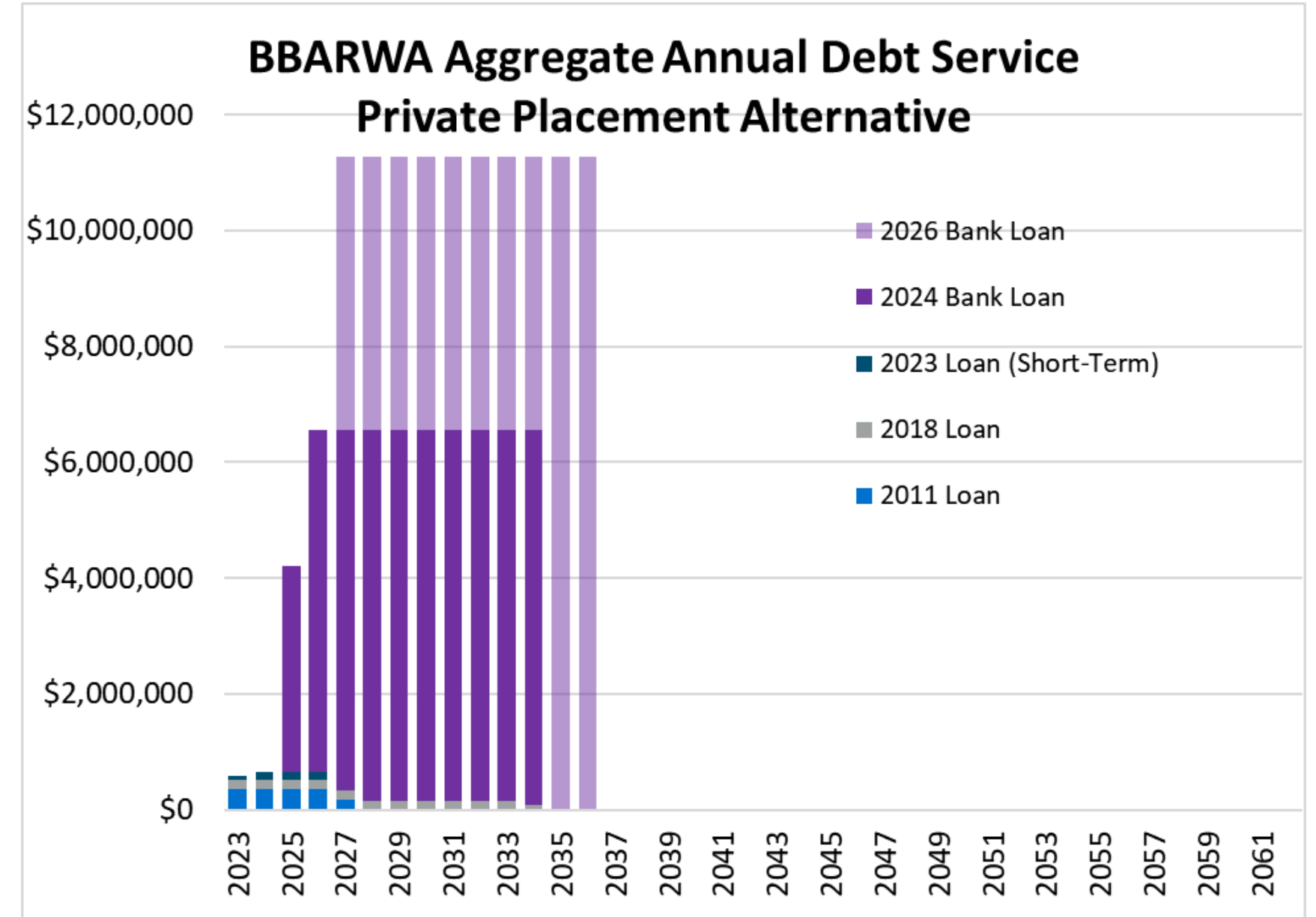
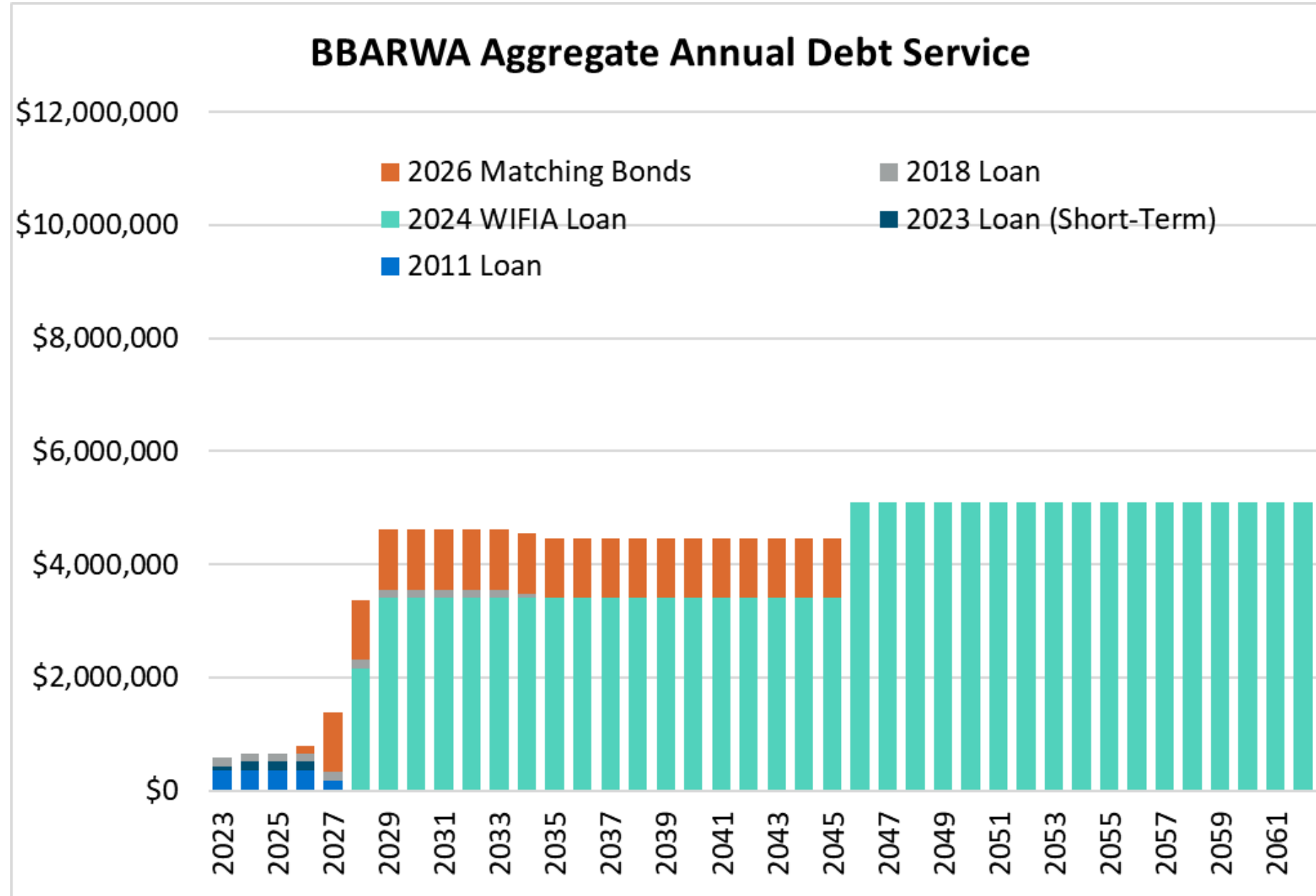
Option 1: WIFIA/Sewer Bond Financing Alternative: Private Placement

- ▶ BBARWA has historically borrowed money directly from banks through private placements
 - ▶ BBARWA's outstanding privately-placed debt did not require an amendment
 - ▶ Given significant increase in financing amount, banks may either
 - ▶ 1) require an amendment, or
 - ▶ 2) limit the term to 10 years and charge a "risk" interest rate
- ▶ Current private placement market is characterized by lower bank liquidity and higher interest rates
 - ▶ More difficult than the 2023 short-term financing
 - ▶ Potential financing plan would include two loans to fund Project over construction period
 - ▶ Preliminary estimates for 10-year loan include conservative 8% interest rate

Option 1: Debt Service Comparison: WIFIA vs Private Placement

	WIFIA Scenario (Status Quo)	Private Placement Alternative
Maximum Aggregate Debt Service	\$5.1 million	\$11.3 million
Minimum Debt Service Coverage <i>(110% Minimum Allowed)</i>	126%	123%

Option 1: Debt Service Comparison: WIFIA vs Private Placement



Option 1: Ratepayer Impact: WIFIA Vs Private Placement

- ▶ Bank Loan increases cost/EDU \$3,000 (over 10 years)

	Status Quo: WIFIA Loan Scenario		Alternative: Private Placement		
Fiscal Year Ended 6/30	Annual Rate Increases	Maximum Rate Per EDU	Annual Rate Increases	Maximum Rate Per EDU	Max Rate Difference
2024	22.5%	\$302	22.5%	\$302	\$0
2025	18.0%	\$357	45.0%	\$438	\$82
2026	18.0%	\$421	37.5%	\$603	\$182
2027	18.0%	\$497	35.0%	\$814	\$317
2028	18.0%	\$586	18.0%	\$960	\$374
2029	3.0%	\$604	3.0%	\$989	\$385

Option 2: Reconsideration of Amendments



- **Advantages (short-term delay)**
 - Provides additional time for Board and its Member Agencies to consider specific actions needed for amendment adoption
 - Keeps existing funding plan with 5-yr rate schedule (sewer user charge), WIFIA and sewer revenue bonds; lower overall cost to Member Agency ratepayers
 - WIFIA draws based on program costs; multiple draws
 - Interest only payments based on draw amounts; principal and interest are due at completion
 - BABA waiver still applies (waiver is granted if the inclusion of the product produced in the United States will increase the cost of the overall project by more than 25%)
 - Existing grants still applicable; no interest or damages due
 - Honors existing contracts and agreements
 - Intergenerational equity remains
 - Will hire 3 additional personnel as projected
 - Commitment to Agency Vision and Strategic Goal for water sustainability continues
 - Commitment to community remains

4/5
Vote

Option 2: Reconsideration of Amendments

- **Disadvantages (long-term delay)**
 - Jeopardize existing grant agreements (Prop 1 deadline is 12/31/25; Title XVI deadline is 8/31/26)
 - Impact repayment of short-term financing
- **Unknown**
 - Long-term delay - if WIFIA loan application would still be applicable, if the application process would start over, or if BBARWA would be excluded from applying at a later date
 - Long-term delay - impact BABA waiver

Option 3: Cancel Replenish Big Bear

3/5
Vote

- **Advantages**

- No amendments to the JPA or Operating Agreement No. 1
- Less impact to Member Agency ratepayers
- No impact to neighborhoods due to construction
- Will not need to hire 3 additional personnel as projected
- Continue to discharge to Lucerne Valley; no advanced treatment upgrades to wastewater treatment plant at this time

- **Disadvantages**

- Grant funds may need to be paid back immediately with interest and possible damages, even reimbursements subject to the Program Partner MOUs
- Repayment of \$3.4M short-term loan instead of using WIFIA loan to pay off
- BBARWA will still need to increase rates to repay short-term financing and grants
- No benefits to habitat, recreation, the economy, or water sustainability in the Big Bear Valley



Option 3: Cancel Replenish Big Bear

- **Unknown**

- Ability to qualify for grants in the future may be reduced
- Full financial impact by the May 1 budget deadline
- RBB efforts, technical studies, reports, DEIR, grants, contracts, and the advanced treatment process plan may not be applicable if the RBB scope of work is changed

Option 3: Recommendations

- Complete the Pilot Study (expected completion Summer 2024)
- Adopt the Programmatic Environmental Impact Report (Board consideration for adoption in April 2024)



Next Steps

- Direct staff on which option to move forward with
 - Option 1: Private Placement Funding
 - Option 2: Reconsideration of Amendments
 - Public meeting to answer questions from the community?
 - Option 3: Cancel Replenish Big Bear



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Thank you