



# **Fiscal Year 2016 Annual Operating Plan**

**Board of Directors Workshop  
July 27, 2015**



## ***MISSION:***

***The Brazos River Authority exists to develop, manage, and protect the water resources of the Brazos River Basin***



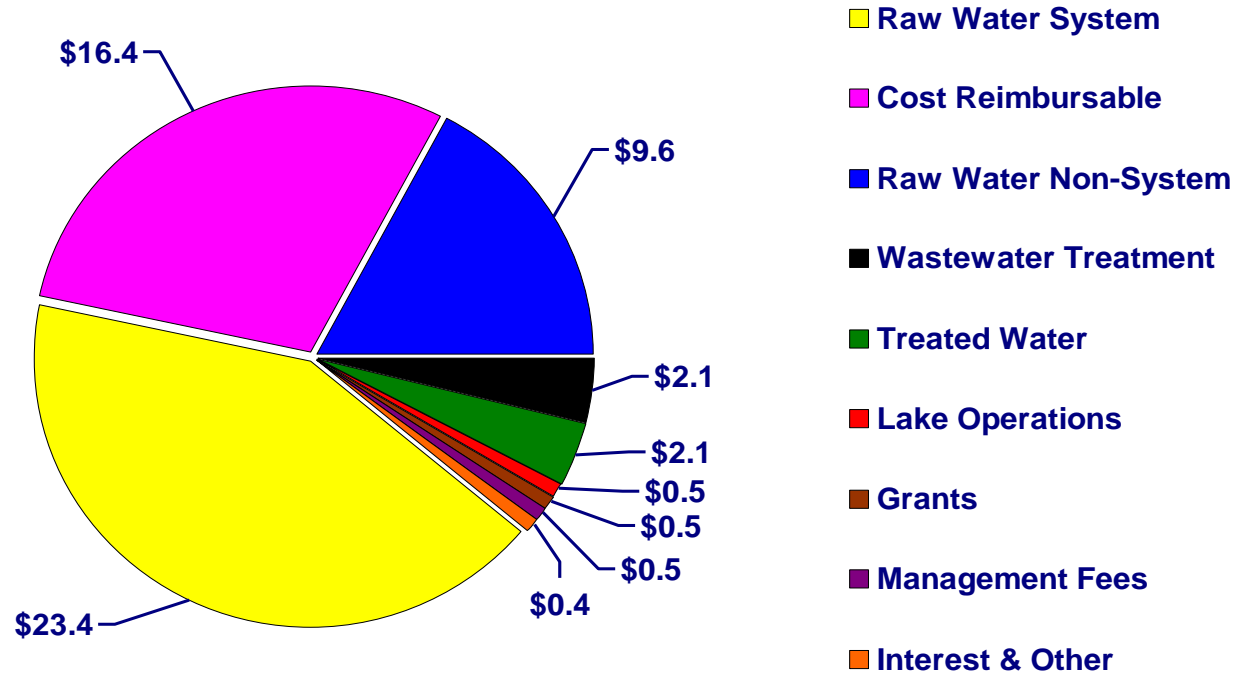
# **Fiscal Year 2016 Annual Operating Plan**

***Presented by  
Jim Forte'  
Interim Chief Financial Officer***

***Meeting Date: July 27, 2015***



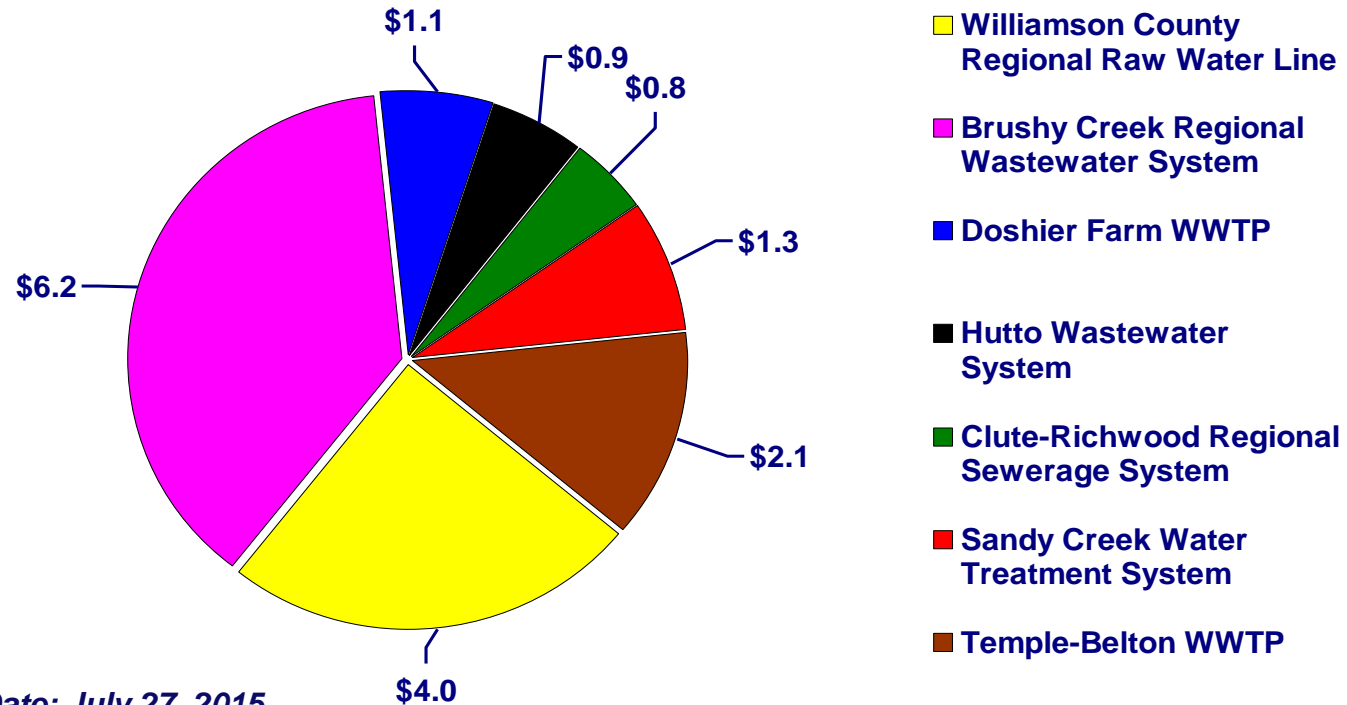
# FY2016 Proposed Revenues \$55.5M





# FY2016 - Cost Reimbursable Operations

## \$16.4M





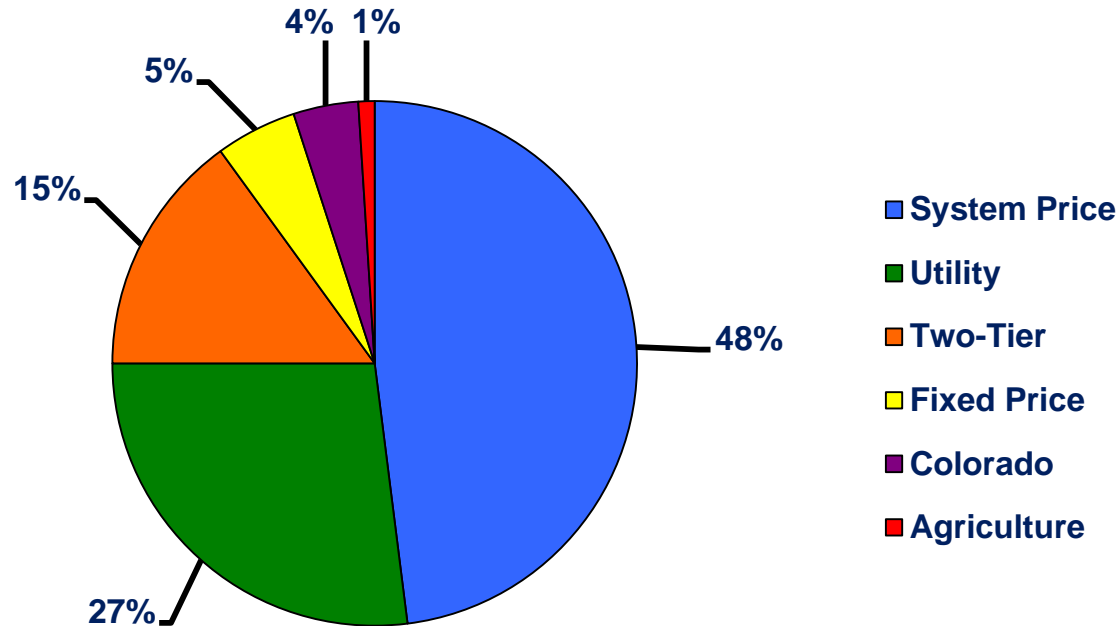
# Revenue Summary Water Supply System

(in millions)

	<u>Budget FY2015</u>	<u>Proposed FY2016</u>	<u>Variance</u>
Revenues:			
Raw Water - Non-System	\$ 8.8	\$ 9.6	\$ 0.8
- System	21.3	23.4	\$ 2.1
Treated Water	2.0	2.1	\$ 0.1
Lake Operations	0.6	0.4	\$(0.2)
Wastewater Treatment	2.1	2.1	\$ -
Grants	1.3	0.4	\$(0.9)
Management Fees	0.5	0.5	\$ -
Interest & Other	0.4	0.6	\$ 0.2
Total	<u>\$ 37.0</u>	<u>\$ 39.1</u>	<u>\$2.1</u>



# FY2016 Long Term Raw Water Sales 669,294 AF



# Long Term Billing Units & Average Price

	FY2015			FY2016		
	Units	Avg Price	%	Units	Avg Price	%
System Rate	294,546	\$69.50	44%	320,785	\$70.50	48%
Agricultural	10,285	\$48.65	1%	10,285	\$49.35	1%
Two-Tier	100,238	\$17.14	15%	98,999	\$17.32	15%
Other Fixed Price	33,778	\$18.66	5%	33,778	\$18.87	5%
Utilities	205,447	\$11.04	31%	180,447	\$12.61	27%
Colorado Basin	25,000	\$88.44	4%	25,000	\$88.61	4%
	<u>669,294</u>		<u>100%</u>	<u>669,294</u>		<u>100%</u>

NOTE: Short Term/Interruptible System Rate Units for FY2015 - 11,278 and FY2016 - 11,278

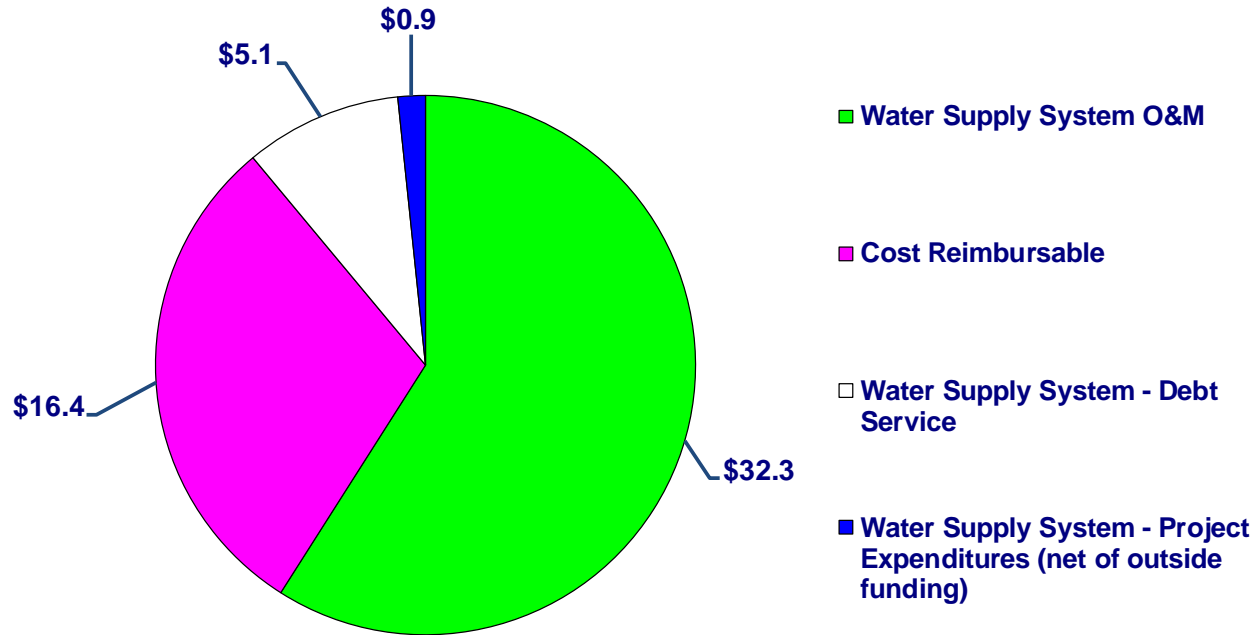


# Largest Non-System Rate Contracts

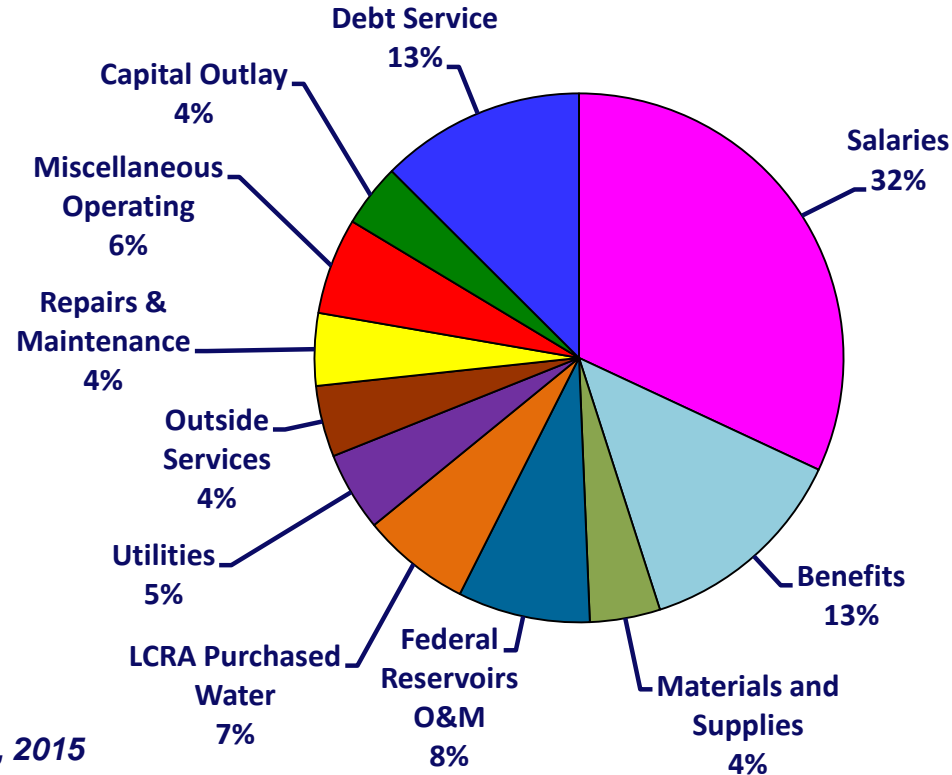
<u>Customer</u>	<u>Acre-Feet</u>	<u>Began</u>	<u>Expires</u>	<u>Avg. Rate</u>
TXU (PK/LG)	83,447	1966	2016	\$ 5.60
Dow	23,333	1991	2021	\$ 13.38
TXU (ROR)	14,000	1981	2030	\$ 18.58
NRG (ROR)	83,000	1972	2030	\$ 18.58
Bell County WCID	49,509	1992	2041	\$ 20.81
Total	253,289	73% of Non-System Rate		



# FY2016 Proposed Total Operating Expenses \$54.7M



# FY 2016 Proposed Water Supply System Operating Expenses by Category \$38.3M



# **Employee Compensation & Benefits Assumptions<sup>1</sup>**

- **1.6% Authority-Wide ECI-Based Salary Adjustment**
- **3.5% Performance/Incentive Pay Pool**
- **Benefits – 13.7% increase (primarily health care costs)**
- **Net decrease of two full-time positions**

<sup>1</sup> See Tab 12 of the FY 2016 Annual Operating Plan for details

# Water Supply System O&M Expenses

(excluding Central Services overhead)

(in thousands)

	<u>FY2015 Budget</u>	<u>FY2015 Projected</u>	<u>FY2016 Proposed</u>
Possum Kingdom Lake	\$ 4,057	\$ 3,618	\$ 5,075
Lake Granbury	1,942	1,842	2,015
Lake Limestone	1,477	1,404	1,389
Allens Creek	5	5	5
East Williamson Co. RWS Ops	1,313	1,063	1,243
Sugar Land	1,925	1,676	1,962
West Central Brazos WDS	687	687	1,416
Federal Reservoir & Water Contracts	6,704	6,363	7,319
Regional Basin Management	1,730	1,457	1,934
Technical Services	3,655	3,464	3,909
Planning Services	184	181	194
Central Services	6,211	6,077	6,391
Central Services Allocated Out	<u>(725)</u>	<u>(459)</u>	<u>(570)</u>
Total	<u>\$ 29,165</u>	<u>\$ 27,378</u>	<u>\$ 32,282</u>



# FY2016 Operations Projects

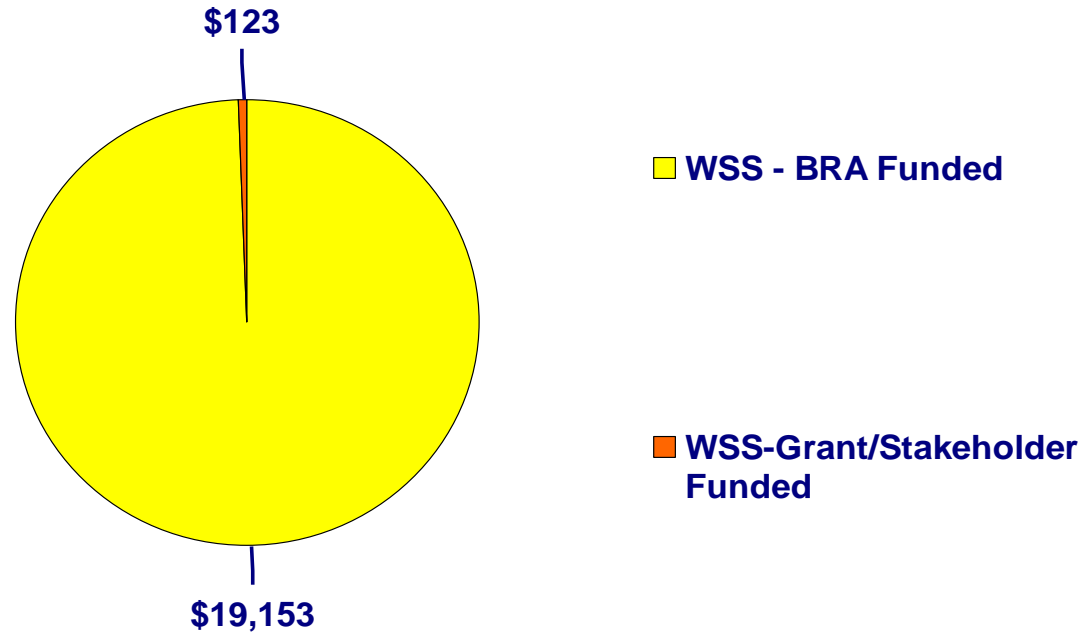
(in thousands)

<u>BRA Funded</u>	<u>Total Project Cost</u>	<u>FY2016 Projected Expenditures</u>	<u>Est. Completion Date</u>
Reservoir Volumetric Surveys	\$ 3,016	\$ 260	2020+
Lower Basin Floodplain Protection Study	1,616	823	2017
PK Recreational Development	1,236	200	2020+
USACE Pool Rise - Feasibility Study	1,216	179	2017
HB 1437 No Net Loss	200	200	2016
East Williamson County WWTP Study	175	25	2017
Duck Creek Aquatic Life Assessment	104	52	2018
IT Clearwell E-Discovery Software	100	100	2016
Replace Boardroom Projector	65	65	2016
Total		<u>\$ 1,904</u>	



# FY2016 Capital Projects

## \$19.3M





# FY2016 Capital Projects

(in thousands)

<u>BRA Reserve Funded</u>	<u>Total Project Cost</u>	<u>FY2016 Projected Expenditures</u>	<u>Est. Completion Date</u>
Allens Creek Reservoir	\$ 74,696	\$ 2,727	2020+
Trinity Groundwater	29,864	2,906	2020+
System Permit Application	24,817	1,691	2020+
DeCordova Bend Dam Improvements	9,987	2,049	2019
Morris Sheppard Dam Improvements	9,619	3,243	2020
Sterling Robertson Dam Improvements	9,569	1,149	2020
Graham Flood Control	6,840	1,649	2016
Potential Future Water Mgmt. Strategies	5,005	500	2020+
PK Property Management	3,600	60	2016
Central Office (HVAC, Parking Lot, etc.)	2,548	1,078	2018
Other	1,189	423	2020
Lake Granbury Improvements	1,176	555	2018
Enterprise Financial System Software	860	811	2016
Groundwater Study/Evaluation	757	25	2016
<b>Brazos Basin Watermaster</b>	<b>410</b>	<b>410</b>	<b>2016</b>
Total		<u>\$ 19,276</u>	





# Current Debt Outstanding

(in millions)

	<u>Actual</u> <u>Aug. 31, 2014</u>	<u>Projected</u> <u>Aug. 31, 2015</u>
<u>Water Supply System (BRA)</u>		
Revenue Bonds	\$ 41.6	\$ 39.6
Federal Reservoirs	26.6	25.0
Subtotal	68.2	64.6
<u>Contract Revenue Debt</u>		
Water Supply (WCRRWL)	32.7	32.3
Total Debt Outstanding	<u>\$ 100.9</u>	<u>\$ 96.9</u>



# Raw Water System Rate Requirement Water Supply System

(in millions)

	<u>Budget FY2015</u>	<u>Proposed FY2016</u>	<u>Variance</u>
<u>Expenses:</u>			
O&M	\$ 29.3	\$ 32.3	\$ 3.0
Debt Service	5.5	5.1	\$(0.4)
Project Expenditures	<u>1.6</u>	<u>0.9</u>	<u>\$(0.7)</u>
Subtotal	<u>36.4</u>	<u>38.3</u>	<u>1.9</u>
Coverage and Reserve Requirements	<u>0.8</u>	<u>0.8</u>	<u>\$ -</u>
<u>Less Revenues:</u>			
Non-System Raw Water	8.8	9.6	\$ 0.8
Other	<u>6.9</u>	<u>6.1</u>	<u>\$(0.8)</u>
Subtotal	<u>15.7</u>	<u>15.7</u>	<u>(0.0)</u>
<u>Revenue Requirement - System Water</u>	<u>\$ 21.5</u>	<u>\$ 23.4</u>	<u>\$1.9</u>



## Raw Water System Rate Summary

- **System Rate Revenue Requirement** **\$23.4M**
- **System Water Contracts** **332,063 acre-feet**
- **FY2016 System Water Rate** **\$70.50/acre foot**  
(increase of 1.4%)



# Water Supply System Reserves Overview

(in millions)

		<u>FY2015</u>
Beginning Balance (September 1, 2014)		<u>\$ 46.4</u>
Projected Operations Surplus		<u>\$ 5.5</u>
Projected Capital Expenditures		<u>\$ (6.3)</u>
System Operations Permit	(1.7)	
Possum Kingdom Improvements	(1.5)	
Lake Granbury Improvements	(0.7)	
Lake Limestone Improvements	(0.6)	
Lake Granger Intake	(0.5)	
Allens Creek Reservoir	(0.3)	
Central Office Improvements	(0.3)	
Other	(0.7)	
Sale of Real Property		<u>\$ 1.7</u>
Projected Ending Balance (August 31, 2015)		<u><u>\$ 47.2</u></u>



# Water Supply System Reserves Overview

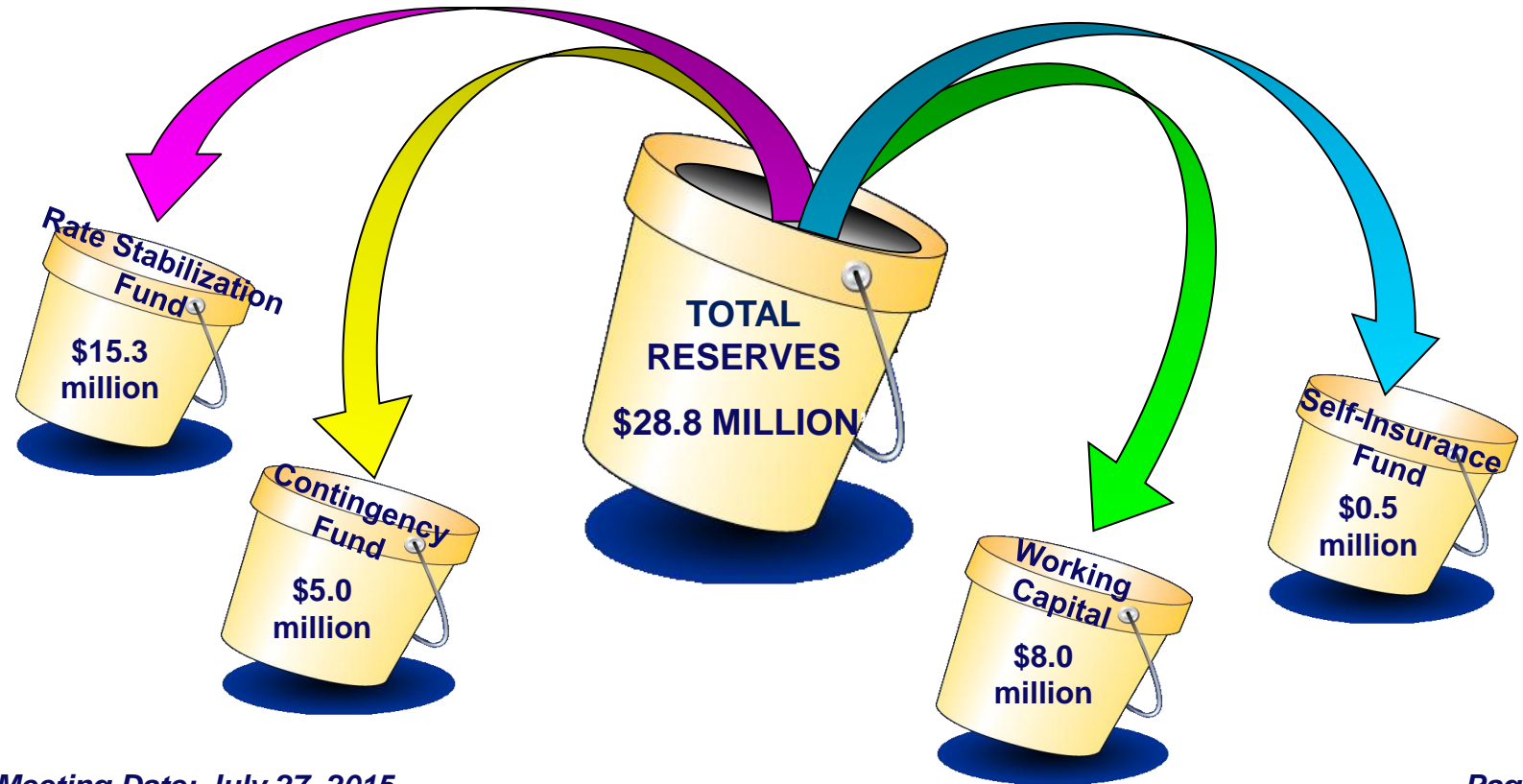
(in millions)

		<b>FY2016</b>
<b>Beginning Balance (September 1, 2015)</b>		<b>\$ 47.2</b>
<b>Budgeted Operations Surplus</b>		<b>\$ 0.8</b>
<b>Budgeted Capital Expenditures</b>		<b>\$ (19.2)</b>
Morris Sheppard Dam Improvements	(3.2)	
Trinity Groundwater	(2.9)	
Allens Creek Reservoir	(2.7)	
DeCordova Bend Dam Improvements	(2.0)	
Graham Flood Control	(1.6)	
System Permit Application	(1.7)	
Sterling Robertson Dam Improvements	(1.1)	
Central Office (HVAC, Parking Lot)	(1.1)	
Enterprise Financial System Software	(0.8)	
Lake Granbury Improvements	(0.5)	
Future Water Management Strategies	(0.5)	
Brazos Basin Watermaster	(0.4)	
Other	(0.7)	
<b>Budgeted Ending Balance (August 31, 2016)</b>		<b>\$ 28.8</b>



# Reserve (Working Capital) Funds

Projected for August 31, 2016





# FY2016 Budget Summary

## All Lines of Business

(in millions)

	<u>Water Supply</u>	<u>Cost Reimbursable</u>	<u>Total</u>
<u>Beginning Reserves</u>	\$ 47.2	\$ -	\$ 47.2
Revenues	39.1	16.4	55.5
Expenses - O & M	(32.3)	(13.7)	(46.0)
Expenses - Debt Service	(5.1)	(2.7)	(7.8)
Project Expenditures	(0.9)	-	(0.9)
Surplus	0.8	(0.0)	0.8
Capital Improvement Projects	(19.2)	-	(19.2)
Ending Reserves	<u>\$ 28.8</u>	<u>\$ (0.0)</u>	<u>\$ 28.8</u>
90 Day Working Capital Reserve	<u>\$ 8.0</u>		<u>\$ 8.0</u>



# Watermaster Cost Summary

- TCEQ Budget = \$801,000
- TCEQ Billings = \$942,883 (85% Collection Rate)
- FY 2016 Estimated BRA Cost = \$410,000
- FY 2016 Cost Funded from BRA Reserves, No Impact on FY 2016 System Rate
- FY 2017 Billings in Arrears
- Certain Categories of Contracts, other than System Rate Contracts, May be Effected





# **Five-Year Financial Forecast**

## **Water Supply System**

### **FY2016 - FY2020**

*Meeting Date: July 27, 2015*

# Assumptions - Revenues

- **Raw Water Non-System – Consistent with Current Contract Terms**
- **Grants – Increased by Five Year Index Rolling Averages for FY17-FY20**
- **Interest Income – Average Rate of Return of .65% to .80% for FY17-FY20**

# **Assumptions - Expenses**

- **O&M Expense Increased by Historical Five Year Index Rolling Averages for FY17-FY20**
- **Capital Improvement Projects – consistent with CIP Plan and State Water Plan**
- **Debt Service – Assumes Existing Debt, No Refundings, and Potential New Debt for FY18-FY20**



# Five-Year Financial Forecast

(in millions)

<u><b>WATER SUPPLY SYSTEM</b></u>	<u><b>FY2016</b></u>	<u><b>FY2017</b></u>	<u><b>FY2018</b></u>	<u><b>FY2019</b></u>	<u><b>FY2020</b></u>
Beginning Reserves	<u>\$ 47.2</u>	<u>\$ 28.8</u>	<u>\$ 16.9</u>	<u>\$ 15.3</u>	<u>\$ 15.3</u>
Revenues	39.1	43.7	44.7	45.3	46.7
Expenses	<u>(35.8)</u>	<u>(40.4)</u>	<u>(40.5)</u>	<u>(40.4)</u>	<u>(40.9)</u>
Revenue Available for Coverage	3.3	3.3	4.2	4.9	5.8
Debt Service Subject to Coverage	<u>(2.5)</u>	<u>(2.5)</u>	<u>(3.2)</u>	<u>(3.8)</u>	<u>(4.4)</u>
Net Surplus (Deficit)	0.8	0.8	1.0	1.1	1.4
Capital Projects	(19.2)	(12.7)	(13.1)	(10.3)	(11.2)
Bond Proceeds	<u>-</u>	<u>-</u>	<u>10.5</u>	<u>9.2</u>	<u>10.0</u>
Ending Reserves	<u><u>\$ 28.8</u></u>	<u><u>\$ 16.9</u></u>	<u><u>\$ 15.3</u></u>	<u><u>\$ 15.3</u></u>	<u><u>\$ 15.7</u></u>
90 Days - Working Capital Reserve	<u>8.0</u>	<u>10.1</u>	<u>10.1</u>	<u>10.1</u>	<u>10.2</u>

# Five-Year Financial Forecast

<b>WATER SUPPLY SYSTEM</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>System Rate Projection</b>	<b>\$70.50</b>	<b>\$72.00</b>	<b>\$74.50</b>	<b>\$76.00</b>	<b>\$78.00</b>
<b>System Rate Increase</b>		<b>\$1.50</b>	<b>\$2.50</b>	<b>\$1.50</b>	<b>\$2.00</b>
<b>Percentage Increase</b>	<b>1.44%</b>	<b>2.13%</b>	<b>3.47%</b>	<b>2.01%</b>	<b>2.63%</b>



# ***Strategic Plan and Long Range Financial Forecast***

***Presented by  
Jim Forte'  
Planning and Development Manager***

***Meeting Date: July 27, 2015***

# Strategic Plan

Board of Directors adopted March 19, 2007

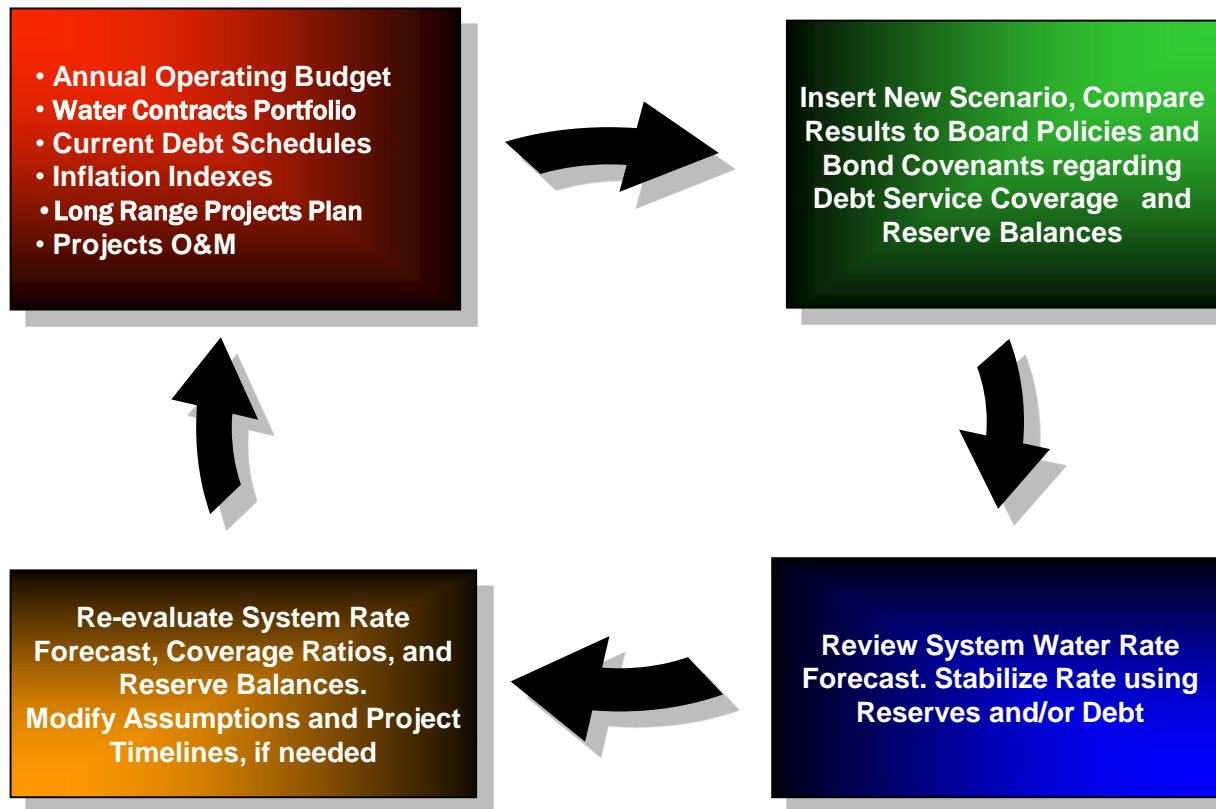
## Mission Statement:

The Brazos River Authority exists to  
**DEVELOP, MANAGE, and PROTECT** the  
water resources of the Brazos River Basin.

## Guiding Principles:

Quality People  
Integrity and Respect  
Commitment to Service and Stewardship  
Innovation and Continuous Improvement

# Financial Planning Process



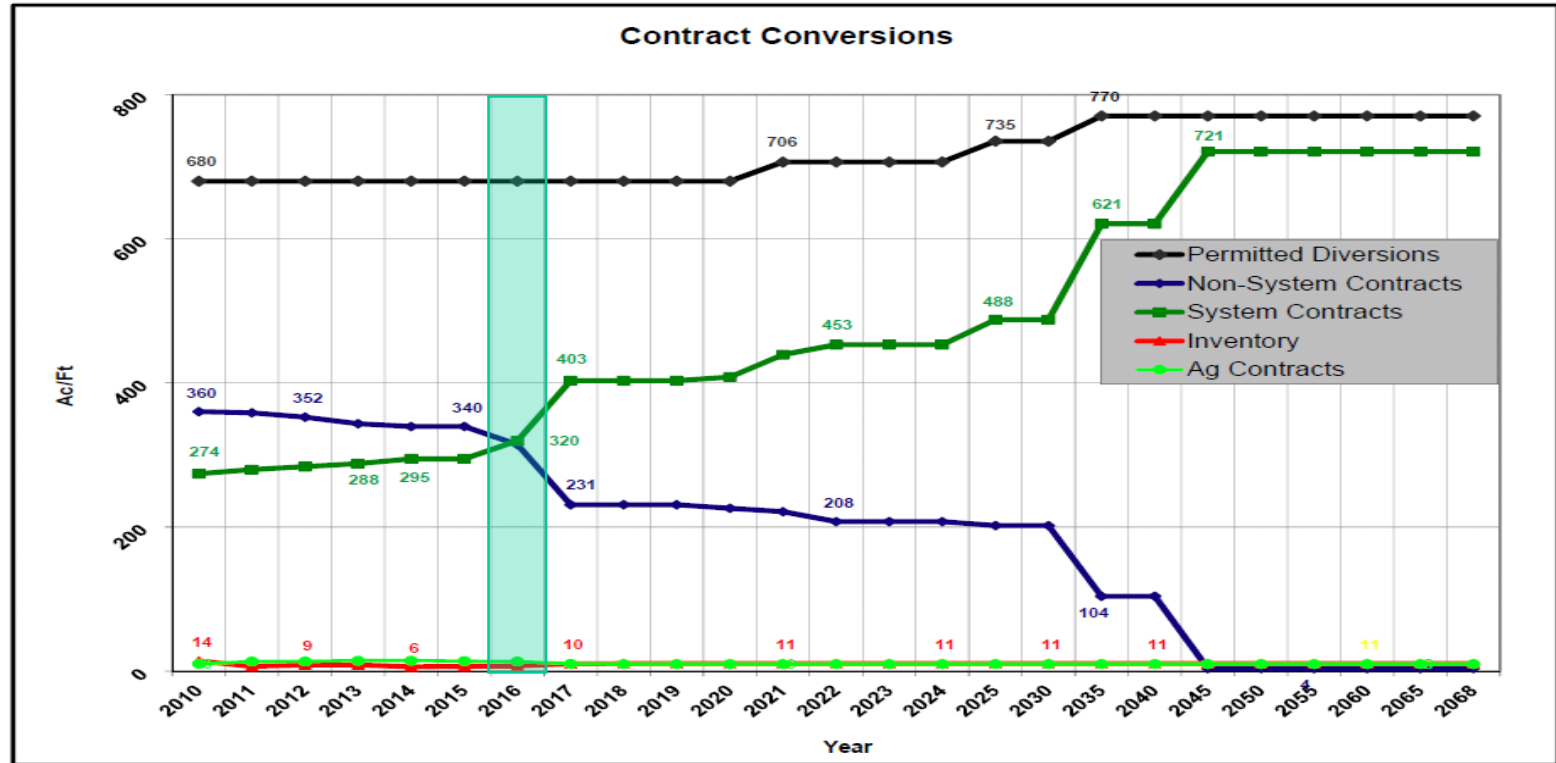


# ***Long Range Planning Factors***

- **2016 State Water Plan**
  - 2010 Census
  - 2011-15 Drought
  - New Projects
  - New Decades
  - New Costing
- **Initially Prepared Plans – May 2015**
- **BRA FY 2016 Budget Approved – July 27, 2015**
- **Regional Plans Adopted – November, 2015**
- **State Water Plan Adopted – December, 2016**



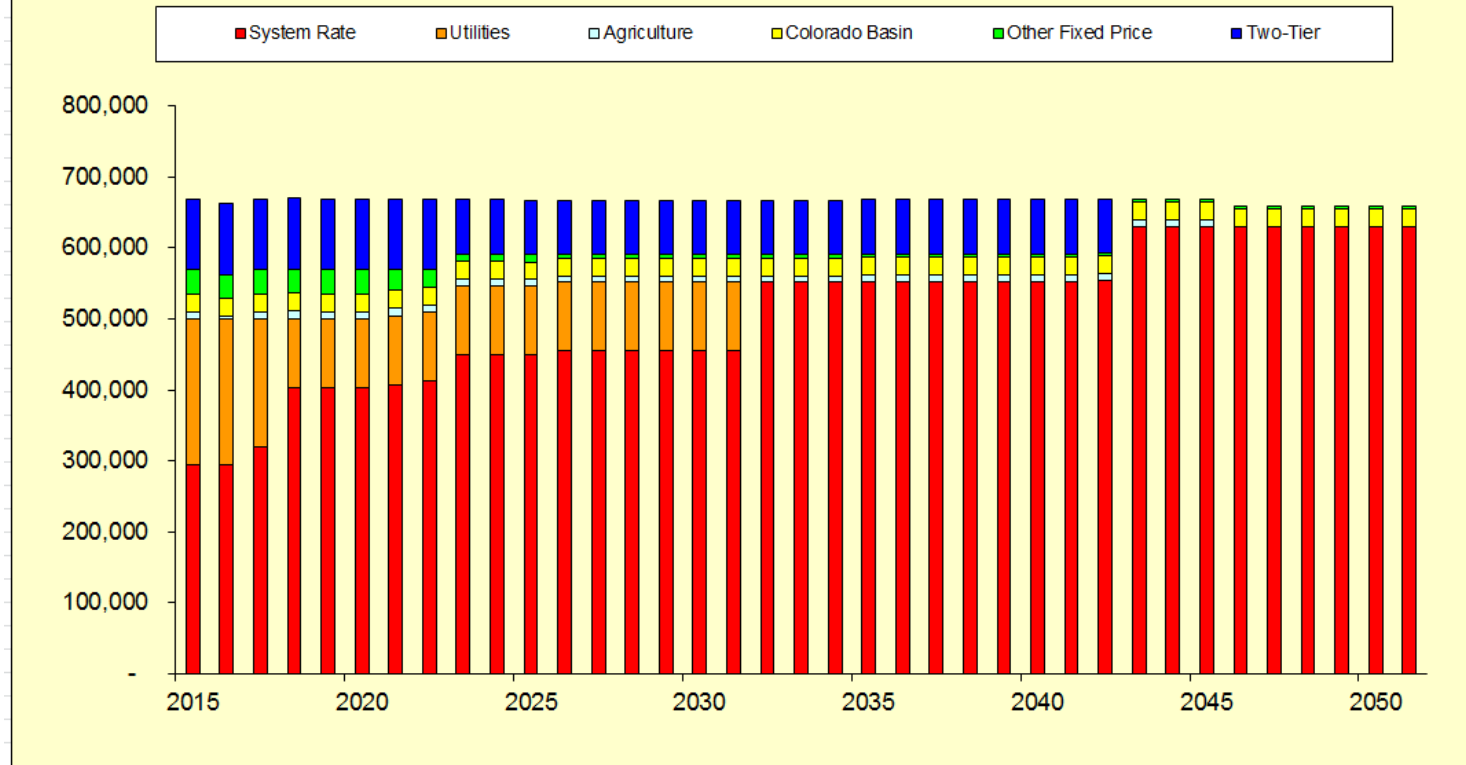
# Long Range Financial Plan





# Long Range Financial Plan

## Long Term Contract Conversions



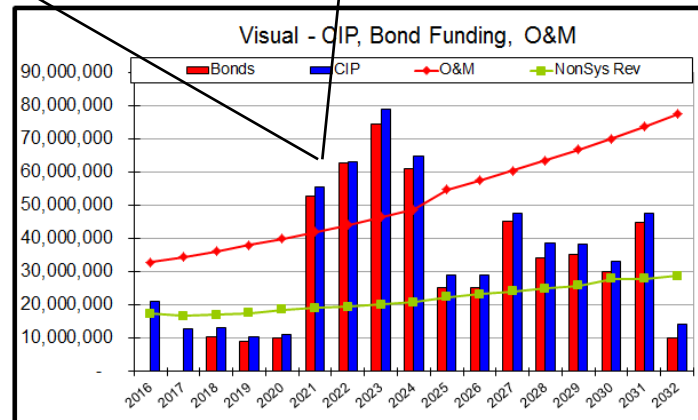
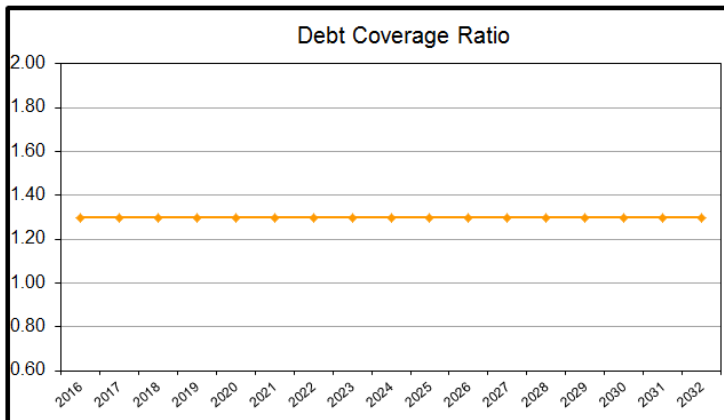
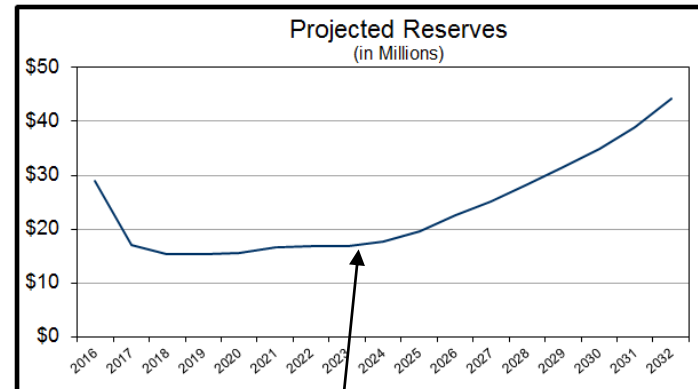
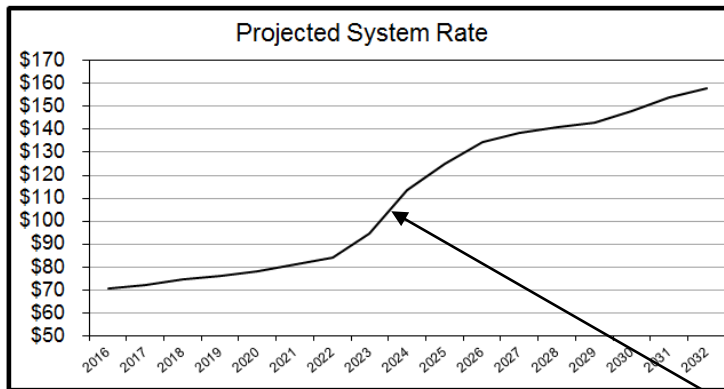


# Long Range Projects Plan

PROJECTS	2016	2017	2018	2019	2020	2021-26	2027-31	2032-36	2037-41	2042-47	2047-65	2016-2065
Infrastructure/ Maintenance	\$ 7,196	\$ 10,956	\$ 8,159	\$ 2,818	\$ 2,760	\$ 17,150	\$ 7,350	\$ 11,043	\$ 7,362	\$ 58,320	\$ -	\$ 133,114
New Water	8,028	11,596	16,418	46,984	29,817	303,814	202,542	39,870	65,902	43,934	401,099	\$ 1,170,004
Operations and Maintenance	1,343	589	268	256	327	315	300	300	300	300	960	\$ 5,258
Treatment Contracts	-	-	-	-	-	-	-	-	-	-	-	\$ 0
Central Services	2,935	1,187	750	1,500	1,500	100	-	-	-	-	-	\$ 7,972
Infrastructure/ Security	1,649	508	523	-	-	-	-	-	-	-	-	\$ 2,680
Water Quality	30	1,197	1,162	1,197	1,167	16,042	16,044	2,137	-	-	-	\$ 38,976
<b>TOTAL PROJECTS</b>	<b>\$ 21,181</b>	<b>\$ 26,033</b>	<b>\$ 27,280</b>	<b>\$ 52,755</b>	<b>\$ 35,571</b>	<b>\$ 337,421</b>	<b>\$ 226,236</b>	<b>\$ 53,350</b>	<b>\$ 73,564</b>	<b>\$ 102,554</b>	<b>\$ 402,059</b>	<b>\$ 1,358,004</b>

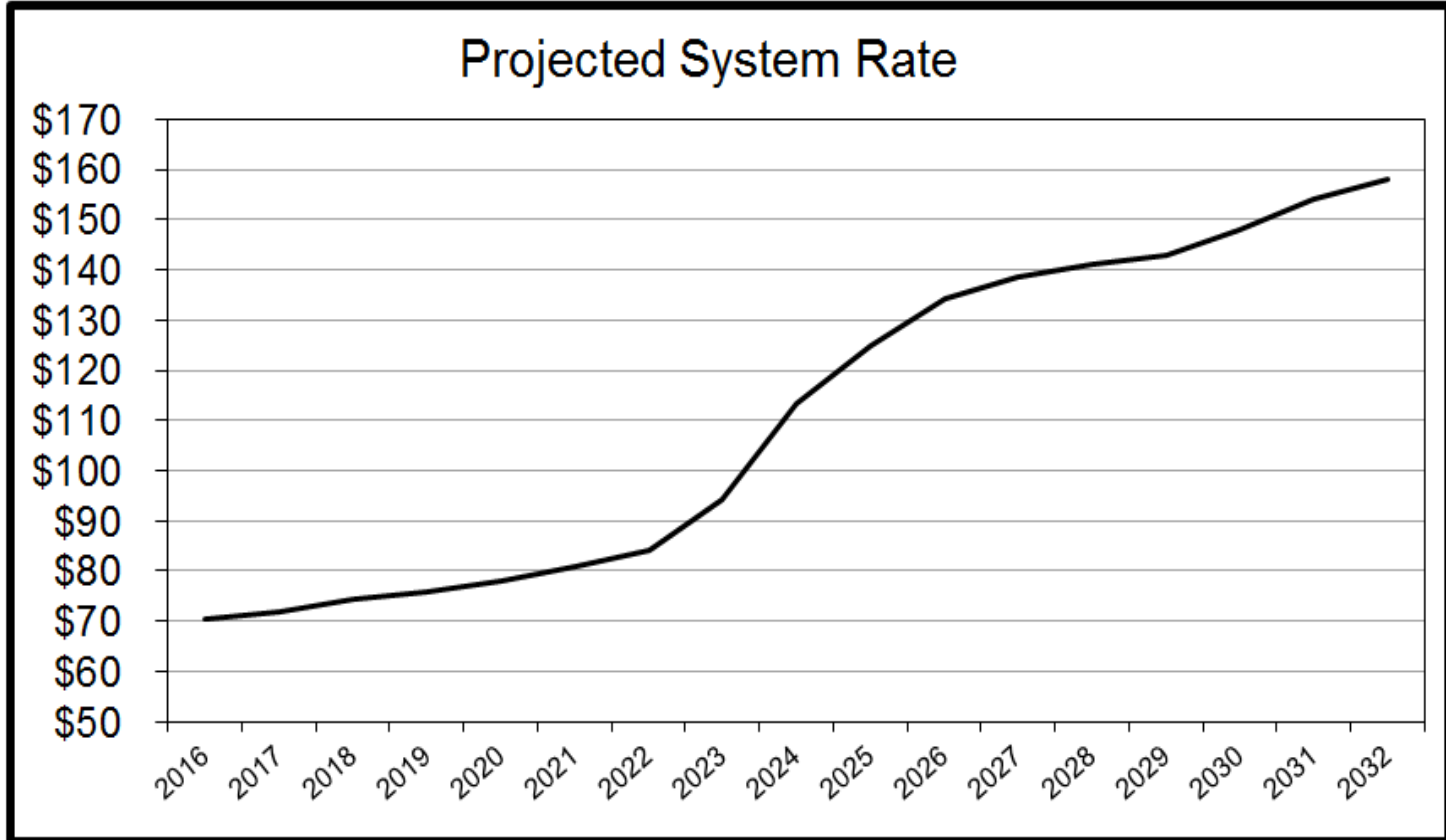


# Long Range Financial Plan





# Long Range Financial Plan





Brazos River Authority

**Questions?**



**Brazos  
River  
Authority**