



Workshop

Strategic Plan, FY 2017 Annual Operating Budget, and Long Range Financial Plan

***Presented by
Jim Forte'***

***Planning & Development Manager
and***

***David Thompson
Chief Financial Officer***

Meeting Date: July 25, 2016



Strategic Plan

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



Strategic Plan

Meeting the Needs of the Brazos Basin

The Strategic Plan of the Brazos River Authority

Mission Statement

The Brazos River Authority (BRA) exists to develop, manage, and protect the water resources of the Brazos River basin.

Guiding Principles

Quality People – The right people for the right job

Integrity and Respect

Commitment to Service and Stewardship

Innovation and Continuous Improvement



Goals, Objectives and Strategies

- I. The BRA will proactively engage in strategic planning and effective resource management.**
 - a. Support the development of strategies to meet the needs of the Water Supply System with a sensitivity to the System Water Rate**
 - 1. Involvement in State Water Planning Process**
 - 2. Internal Water Management Strategy Analyses**
 - 3. Long Range Financial Plan**
 - 4. Review and Adoption of Strategic Plan**



Goals, Objectives and Strategies

II. The BRA will develop water resources, including both surface and groundwater.

a. Support the development of surface water projects based on economic feasibility, environmental sensitivity and customer needs

- 1. Allens Creek Reservoir**
- 2. System Operation Permit**
- 3. Lake Aquilla Re-allocation Assessment (Pool Rise)**

b. Develop groundwater responsibly and efficiently

- 1. Trinity Well**
- 2. Monitor groundwater regulation, development, and opportunities**

c. Support reuse and conjunctive use to increase benefit of existing water resources

- 1. System Operation Permit**
- 2. East Williamson County Regional Water System**
- 3. Lake Somerville Augmentation**



Goals, Objectives and Strategies

- d. Support the development of economically feasible alternative water sources, such as Aquifer Storage and Recovery (ASR), and seawater and brackish groundwater desalination treatment technology**
- e. Research and develop infrastructure for the conveyance/transportation of water from areas of surplus to areas of need**
 - 1. Lake Belton-Stillhouse Hollow Pipeline**
 - 2. Lake Somerville Augmentation**



Goals, Objectives and Strategies

III. The BRA will manage water resources as a service to BRA customers and to support beneficial use by citizens of the Brazos River basin.

a. Manage water resources as a system

- 1. Possum Kingdom – Granbury Water Management.**
- 2. Supply downstream contracts from multiple reservoirs**
- 3. East Williamson County Regional Water System**

b. Operate and maintain the BRA water supplies and associated infrastructure in a safe, responsible manner in compliance with water right permits, water supply contracts, and other applicable regulatory requirements

1. Reservoir asset management and long-term preventive maintenance of BRA Dams

- a. Possum Kingdom Lake**
- b. Lake Limestone**
- c. Lake Granbury**

- 2. Manage floodwater releases from BRA reservoirs**
- 3. Williamson County Regional Raw Water Line**
- 4. Brazos Watermaster Program**



Goals, Objectives and Strategies

- c. Encourage water conservation strategies to address projected water shortages in the basin**
 - 1. Financial support for the expansion of the Goldwater Project**
- d. Manage water and wastewater treatment operations in support of water supply needs**
 - 1. East Williamson County Regional Water Supply System**
 - 2. Brushy Creek WWTP Operations**
 - 3. Hutto WWTP Operations**
 - 4. Clute/Richwood WWTP Operations**
 - 5. Sugar Land WWTP Operations**
 - 6. Temple/Belton WWTP Operations**
 - 7. Sandy Creek WTP Operations**
 - 8. Doshier Farm WWTP Operations**



Goals, Objectives and Strategies

IV. The BRA will protect water resources, and where possible improve water quality, to support responsible and efficient use of the Brazos River basin's natural resources.

a. Evaluate and monitor water quality throughout the basin for compliance with applicable regulatory requirements

1. Clean Rivers Program and Water Quality Initiatives

b. Monitor and assess stream biology and morphology to determine the effectiveness of instream flows in maintaining healthy riparian and aquatic life conditions

1. Baseline instream flow monitoring and assessment to inform on SB3 environmental flow standards

2. Fresh Water Mussel Rapid Risk Assessment

c. Provide for environmental flows through reservoir operations and participate in state-wide instream flow initiatives

1. Participate in state-sponsored, advisory groups related to environmental flow standard development and revision



Goals, Objectives and Strategies

- d. Participate in local watershed protection management efforts**
 - 1. Navasota Watershed Protection Plan being conducted by the Texas Water Resources Institute**
- e. Support development of new water supplies through environmental impact studies**
 - 1. Allens Creek 404 Permit**
- f. Manage BRA-owned properties and administer rules and regulations relative to state-delegated programs for the protection of water resources and overall water quality**
 - 1. Possum Kingdom Natural Resource Inventory**



Goals, Objectives and Strategies

- V. The BRA will establish communications and public relations to support the BRA's mission and service to the Brazos River basin communities.**
 - a. Be proactive in providing public information to support the BRA's mission and goals**
 - 1. Speaker's Bureau**
 - 2. Website and Facebook**
 - 3. BRA email newsletter**
 - 4. Water school section of website**
 - 5. Major Rivers Educational Program**
 - b. Allow public access to BRA records and information in compliance with Freedom of Information Act and Texas Open Government provisions**
 - 1. Open records requests via the BRA website**



Goals, Objectives and Strategies

- c. Develop positive working relationships with legislators, local elected officials, customers, and other stakeholders in order to strategically position BRA to accomplish its goals**
 - 1. Meetings and briefings held to provide information and updates**
 - 2. Act as a source of information for policy discussions**
 - 3. Manage local issues as needed for elected officials**
 - 4. Annual regional customer meetings**
 - 5. Create local stakeholder groups to facilitate dialogue where possible and appropriate**
- d. Ensure transparency in all BRA programs and services by providing information on the BRA website, through social media, and to interested stakeholders**
 - 1. Continual updates of BRA website and Facebook page with new content**
 - 2. BRA email newsletter**



Goals, Objectives and Strategies

- e. Maintain transparency in BRA's finances and operations**
 - 1. Comprehensive Annual Financial Report (CAFR)**
 - 2. Annual Operating Plan (Budget)**
 - 3. Check Registers**
 - 4. Annual Retirement Financial Report**
 - 5. Quarterly Financial reports**
 - 6. Quarterly Investment Reports**
 - 7. Annual Debt Information**
 - 8. Long Range Financial Plan (last updated in FY 2011)**
- f. Ensure accountability to our customers, the legislature, and the public by cooperatively participating in statutorily required external audits and review processes**
 - 1. 5 year Management audits as needed**
 - 2. Sunset review process**



Goals, Objectives and Strategies

- vi. The BRA will develop and retain employees to support the BRA's strategic vision, enhance diversity in the workforce, and prepare the BRA to accomplish its mission.**
 - a. Recruit, develop and retain the right people for the right job**
 - 1. Attend job fairs and recruiting events to promote BRA employment opportunities**
 - 2. Provide Training and advancement opportunities**
 - 3. Maintain equitable compensation system**
 - 4. Provide a secure retirement benefit**
 - b. Promote an organizational culture that values employee contributions, encourages collaboration and recognizes achievements**
 - 1. Foster positive employee relations**
 - 2. Service and Safety Award Program**



Goals, Objectives and Strategies

- c. Ensure operational efficiency throughout programs and processes**
- d. Improve internal communication and coordination between functional groups**
 - 1. Utilize Staff Summary Sheets**
 - 2. Development of Project Management Guidelines**
- e. Conduct business with a customer service focus**
 - 1. Educate customers and the public on BRA reservoir operations, drought and flooding conditions, and system operations issues.**
- f. Encourage a healthy workforce through programs and initiatives**
 - 1. Holistic wellness initiative that includes health and wellness training, access to fitness and health-related materials, alternative work schedules to allow time for exercise, provide annual health fairs, biometric screenings, blood draws and immunizations.**



Goals, Objectives and Strategies

- g. Ensure a safe working environment, promote a safety conscious attitude in all employees and facilitate the implementation of proactive steps to reduce accidents and incidents**
 - 1. Conduct monthly employee safety training**
 - 2. Effectively utilize Engineering and Administrative Controls and Personal Protective Equipment (PPE)**

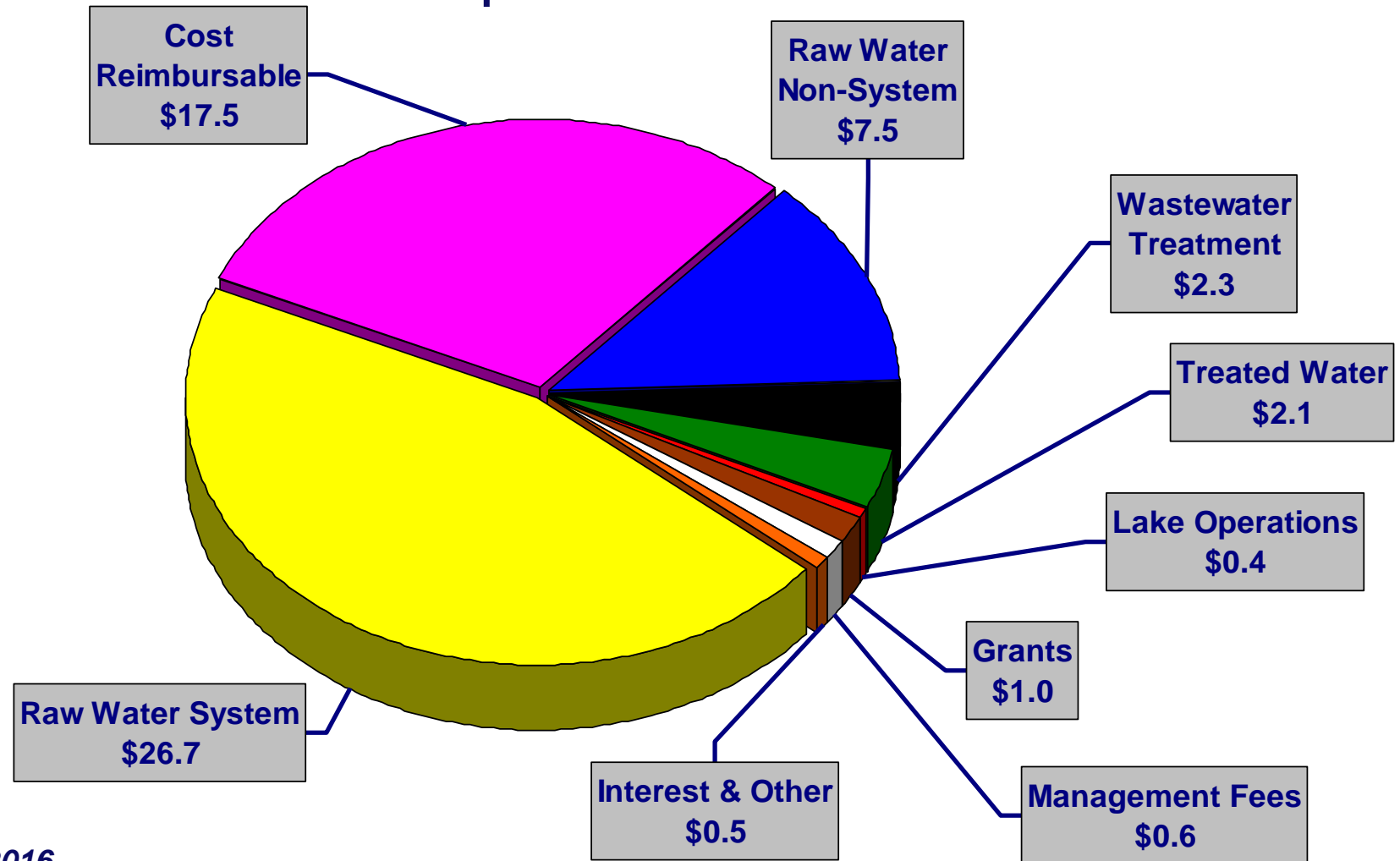


Fiscal Year 2017 Budget

David Thompson
Chief Financial Officer



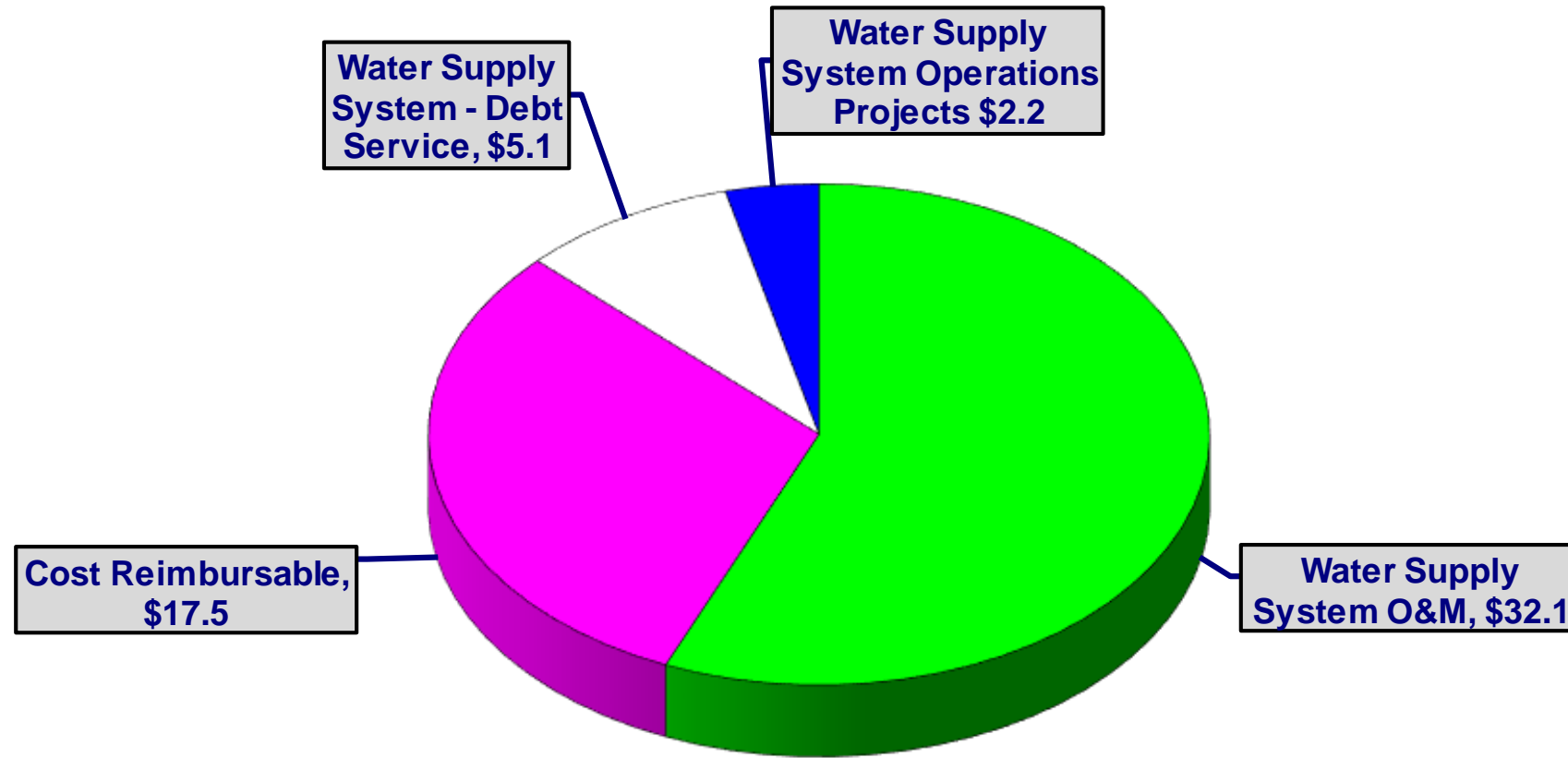
FY2017 Proposed Revenues \$58.6M



Meeting Date: July 25, 2016

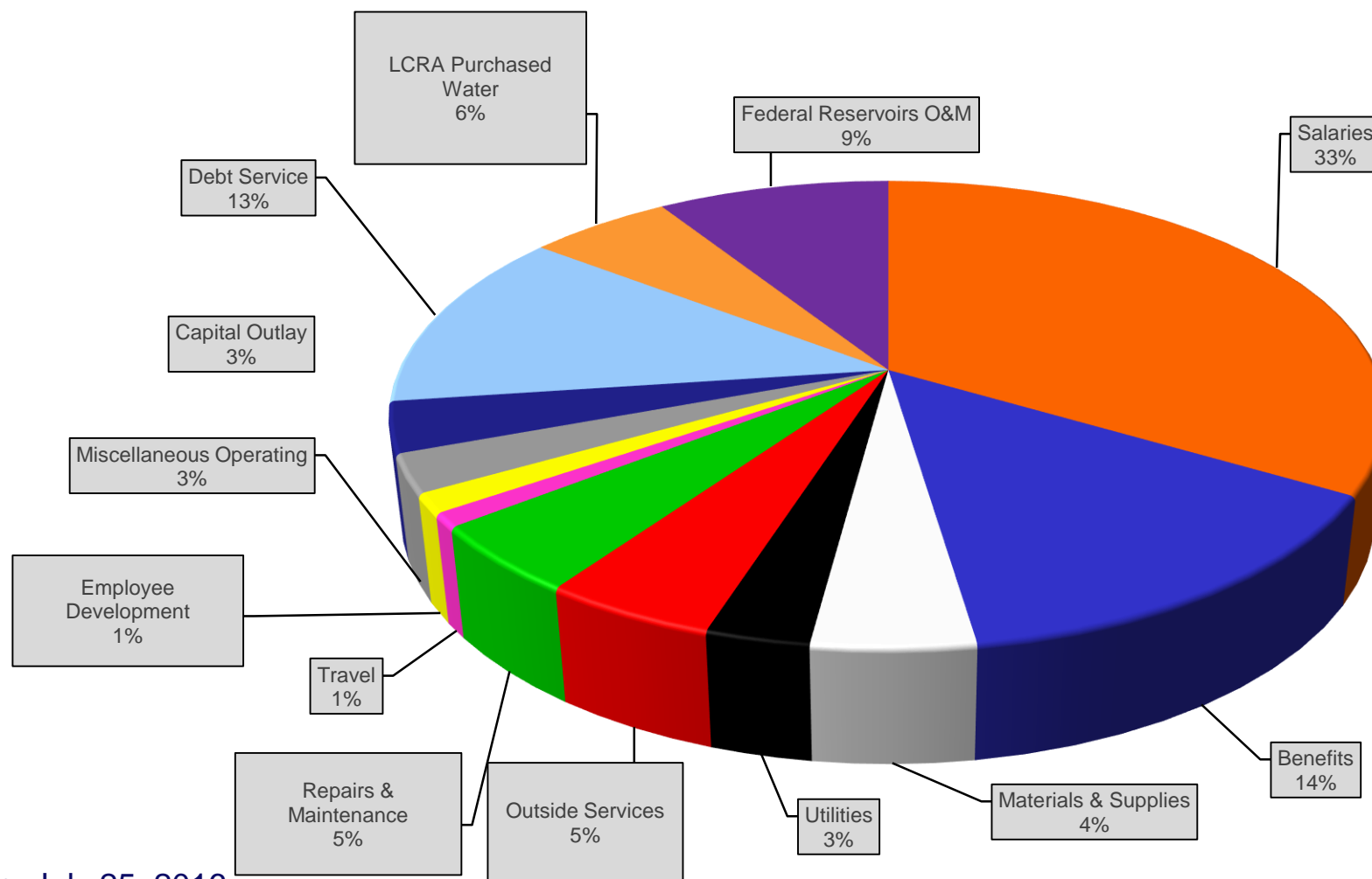


FY2017 Proposed Operating Expenses \$56.9M





FY 2017 Proposed Water Supply System Operating Expenses by Category



Meeting Date: July 25, 2016



Employee Compensation and Benefits

- **1.8% Employment Cost Index**
- **3.2% Performance/Incentive Pay Pool**
- **Benefits – 8.2% increase (primarily health care costs)**
- **Net increase of two full-time positions**



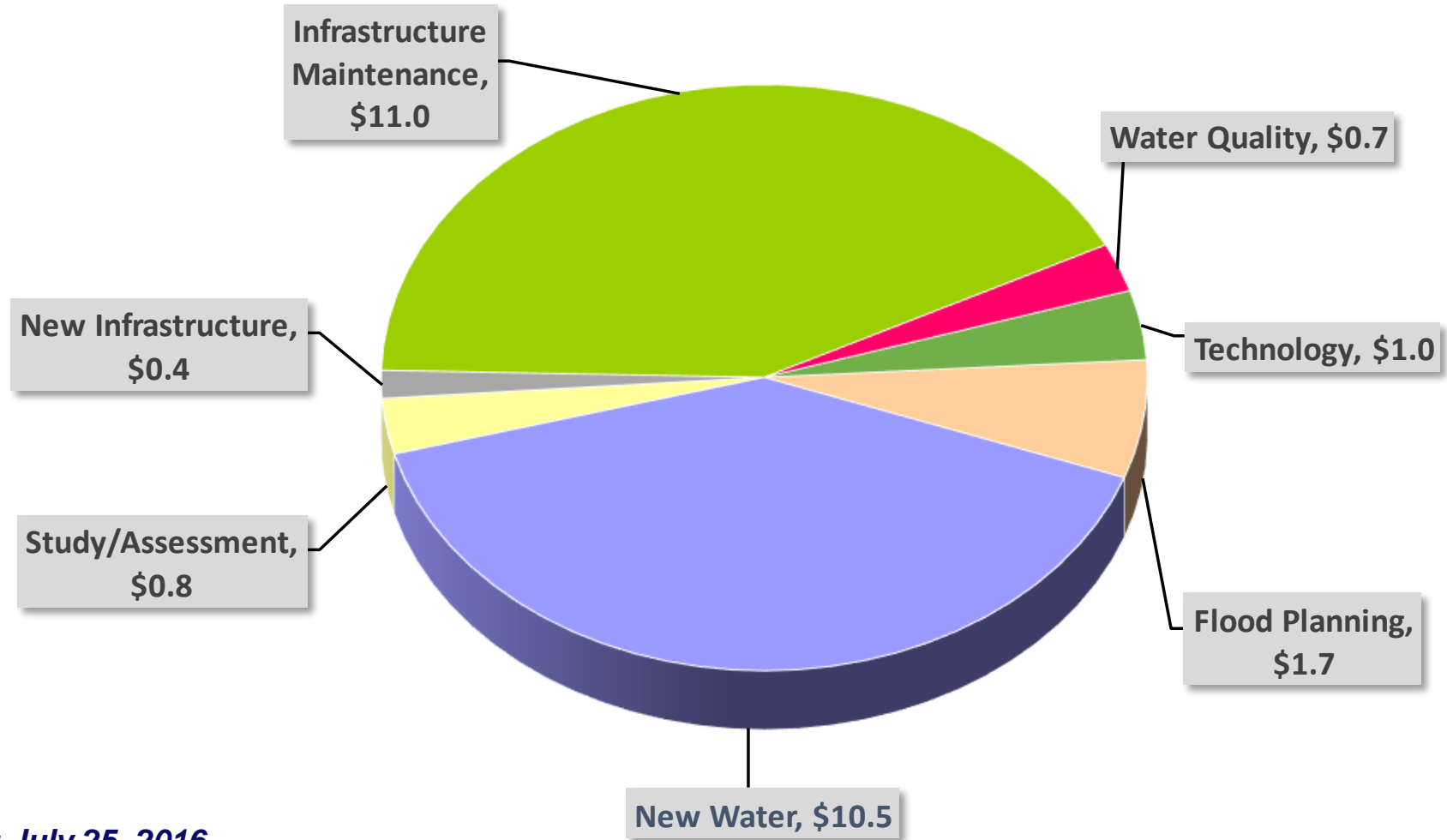
Water Supply System O&M Expenses

(excluding Central Services overhead) (in thousands)

| | <u>FY2016 Budget</u> | <u>FY2016 Projected</u> | <u>FY2017 Proposed</u> |
|-------------------------------------|--------------------------|-----------------------------|----------------------------|
| Possum Kingdom Lake | \$ 5,075 | \$ 5,022 | \$ 5,514 |
| Lake Granbury | 2,015 | 1,901 | 1,941 |
| Lake Limestone | 1,389 | 1,294 | 1,427 |
| Allens Creek | 16 | 17 | 159 |
| East Williamson Co. RWS Ops | 1,243 | 1,228 | 1,292 |
| Sugar Land | 1,962 | 1,895 | 2,108 |
| West Central Brazos WDS | 1,416 | 267 | - |
| Federal Reservoir & Water Contracts | 7,308 | 5,542 | 7,354 |
| Regional Basin Management | 1,511 | 1,578 | 1,466 |
| Technical Services | 4,162 | 3,720 | 3,853 |
| Planning Services | 194 | 191 | 204 |
| Central Services | 6,484 | 6,385 | 7,352 |
| Central Services Allocated Out | (510) | (533) | (592) |
| Total | <u>\$ 32,265</u> | <u>\$ 28,507</u> | <u>\$ 32,078</u> |



FY2017 All Projects by Type \$26.1M





FY2017 Capital Projects

(in thousands)

| <u>Project Name</u> | <u>Total Project Cost</u> | <u>FY2017 Projected Expenditures</u> | <u>Est. Completion Date</u> |
|--|-----------------------------------|--|-------------------------------------|
| Allens Creek Reservoir | \$ 100,000 | \$ 5,749 | 2022+ |
| Trinity Groundwater | 20,817 | 1,940 | 2022+ |
| System Permit Application | 23,761 | 1,026 | 2022+ |
| DeCordova Bend Dam Improvements | 12,116 | 3,736 | 2020 |
| Morris Sheppard Dam Improvements | 13,225 | 4,486 | 2020 |
| Sterling Robertson Dam Improvements | 32,111 | 1,817 | 2021 |
| Graham Flood Mitigation | 6,843 | 1,651 | 2017 |
| Potential Future Water Management Strategies | 5,000 | 500 | 2022+ |
| Enterprise Financial System Software | 860 | 395 | 2017 |
| Central Office Improvements - HVAC,etc. | 2,856 | 912 | 2018 |
| Other | 150,593 | 1,693 | 2022+ |
| Total | | \$ 23,905 | |



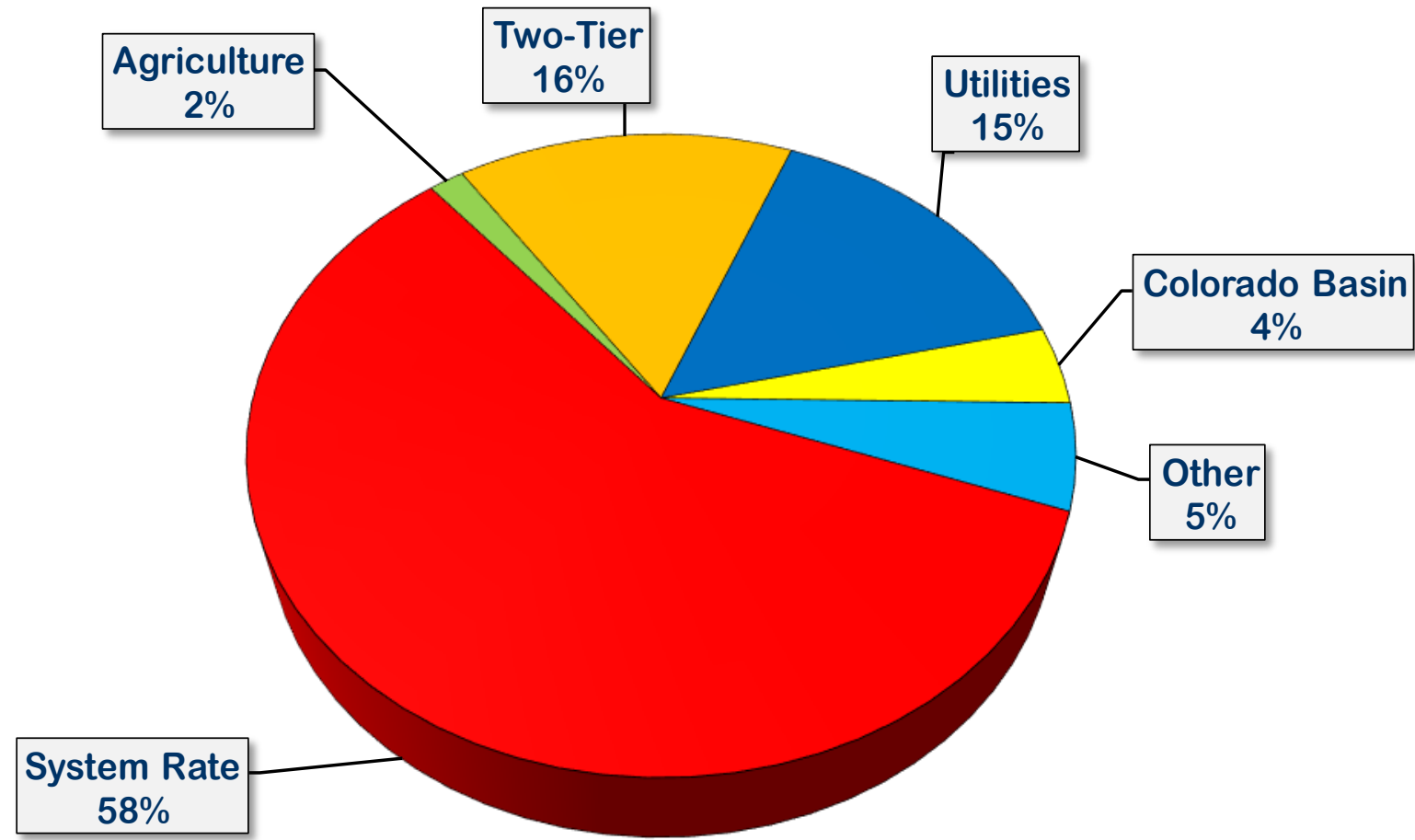
FY2017 Operations Projects

(in thousands)

| <u>Project Name</u> | <u>FY2017 Projected Expenditures</u> |
|--|--|
| Corps of Engineers Pool Rise Feasibility | 184 |
| HB 1437 No Net Loss | 200 |
| Duck Creek Aquatic Life Assessment | 48 |
| Environmental Laboratory Design | 200 |
| Replace Aging IT Equipment | 260 |
| LB Floodplain Protection Study Phase 1 & 2 | 444 |
| Polycom Replacements | 160 |
| PK Dam Fiber Optic Cable Replacement | 65 |
| PK Natural Resource Inventory Study | 100 |
| Security Cameras | 134 |
| PK Recreational Maintenance | 315 |
| PK Southside Facility | 105 |
| | <hr/> |
| | \$ 2,215 |
| Less Grant/Stakeholder Funding | (529) |
| | <hr/> |
| Net BRA Expense | <hr/> \$ 1,686 <hr/> |

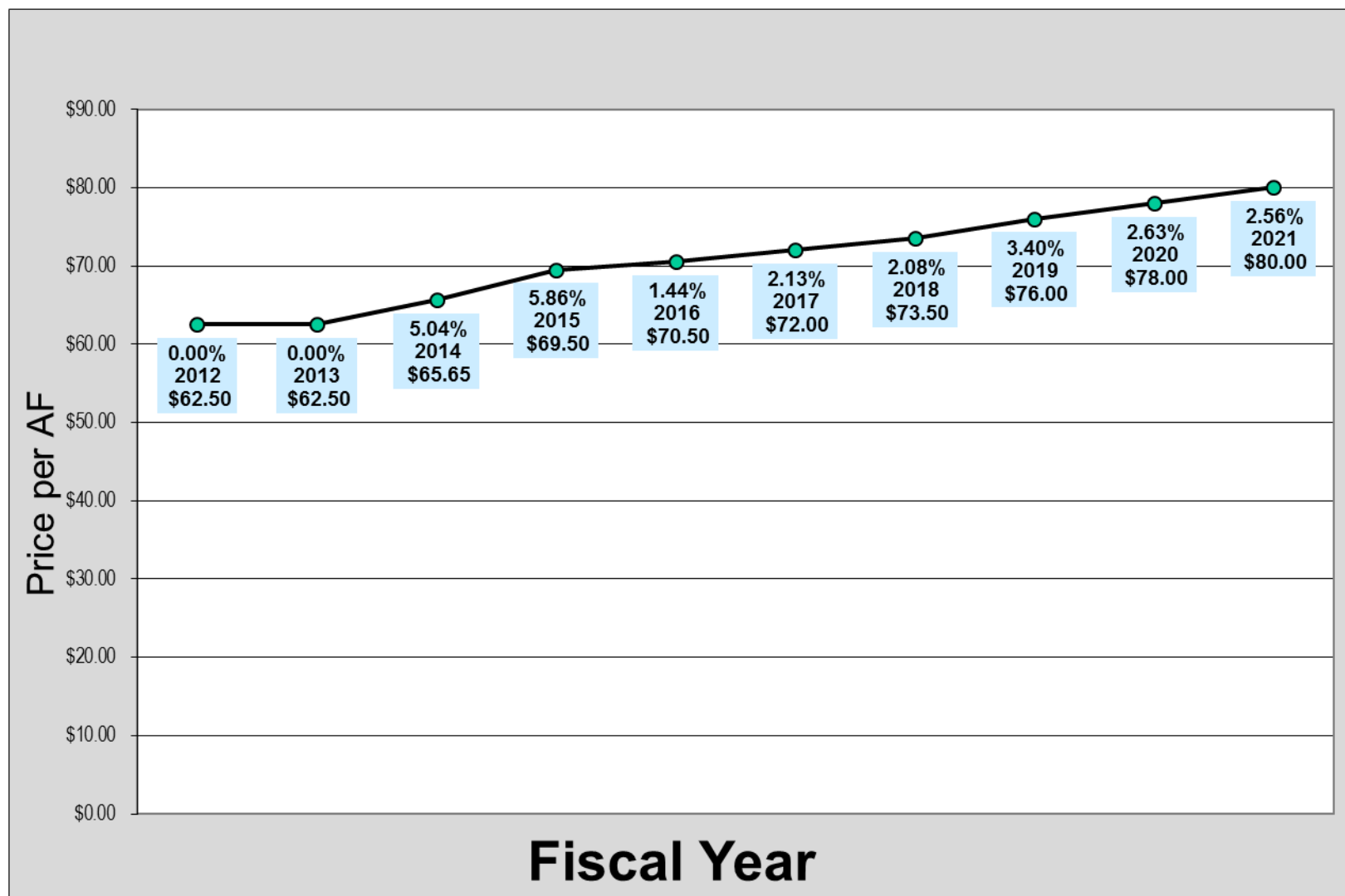


FY2017 Long Term Raw Water Sales 636,484 AF





System Rate Trends





Long Term Billing Units & Average Price

| | FY2016 | | | FY2017 | | |
|-------------------|----------------|-----------|-------------|----------------|-----------|-------------|
| | Units | Avg Price | % | Units | Avg Price | % |
| System Rate | 320,785 | \$70.50 | 48% | 371,422 | \$72.00 | 58% |
| Agricultural | 10,285 | \$49.35 | 2% | 10,285 | \$50.40 | 2% |
| Two-Tier | 98,999 | \$17.25 | 15% | 98,999 | \$17.25 | 16% |
| Other Fixed Price | 33,778 | \$18.76 | 5% | 33,778 | \$18.96 | 5% |
| Utilities | 180,447 | \$12.17 | 27% | 97,000 | \$18.58 | 15% |
| Colorado Basin | 25,000 | \$88.61 | 4% | 25,000 | \$79.72 | 4% |
| | <u>669,294</u> | | <u>100%</u> | <u>636,484</u> | | <u>100%</u> |



System Rate Requirement Water Supply System (in millions)

| | <u>FY2016</u> | <u>FY2017</u> | <u>Variance</u> |
|--|----------------|----------------|-----------------|
| <u>Expenses:</u> | | | |
| O & M | \$ 32.3 | \$ 32.1 | \$ (0.2) |
| Debt Service | 5.1 | 5.1 | 0.0 |
| Operations Projects | 0.9 | 1.7 | 0.8 |
| Subtotal | <u>38.3</u> | <u>38.9</u> | <u>0.6</u> |
| Debt Coverage and Reserve Requirements | <u>0.8</u> | <u>1.8</u> | <u>1.0</u> |
| <u>Less Revenues:</u> | | | |
| Raw Water Non-System | 9.6 | 7.5 | (2.1) |
| Other | 6.1 | 6.5 | 0.4 |
| Subtotal | <u>15.7</u> | <u>14.0</u> | <u>(1.7)</u> |
| System Water Revenue Requirement | <u>\$ 23.4</u> | <u>\$ 26.7</u> | <u>\$ 3.3</u> |



System Rate Summary

| | |
|--|--------------------------|
| System Revenue Requirement | \$26.7M |
| System Water Contracts | 371,422 acre-feet |
| FY2017 System Rate (2.1% increase) | \$72.00/acre-foot |



Current Debt Outstanding

(in millions)

| | <u>Actual</u> <u>Aug. 31, 2015</u> | <u>Projected</u> <u>Aug. 31, 2016</u> |
|----------------------------------|---------------------------------------|--|
| <u>Water Supply System (BRA)</u> | | |
| Revenue Bonds | \$ 39.6 | \$ 37.9 |
| Federal Reservoirs | <u>25.0</u> | <u>23.8</u> |
| Subtotal | 64.6 | 61.7 |
| <u>Contract Revenue Debt</u> | | |
| Water Supply (WCRRWL) | <u>32.3</u> | <u>31.9</u> |
| Total Debt Outstanding | <u>\$ 96.9</u> | <u>\$ 93.6</u> |



FY2017 Budget Summary

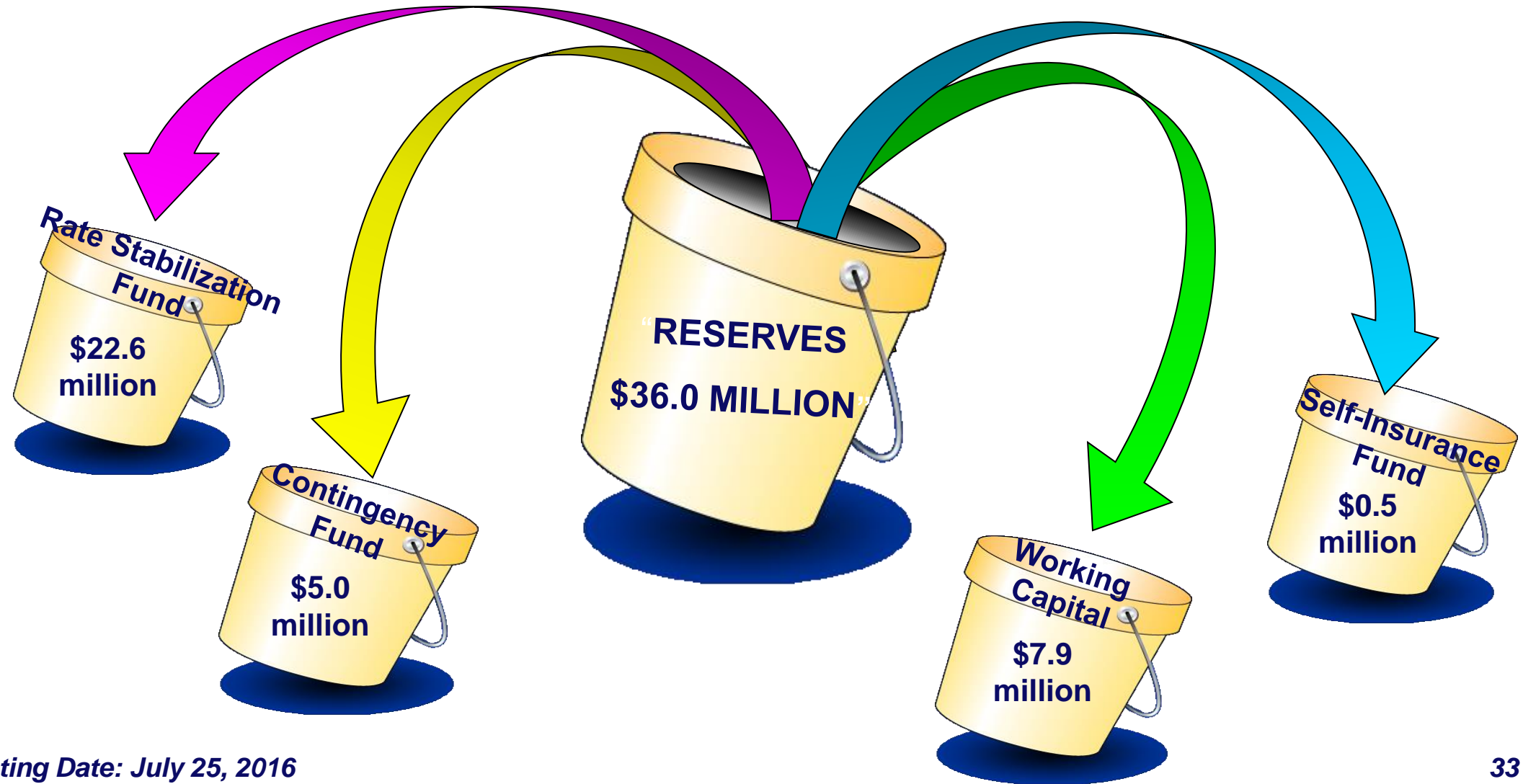
All Lines of Business (in millions)

| | <u>Supply</u> | <u>Reimbursable</u> | <u>Total</u> |
|---|----------------|---------------------|----------------|
| <u>Beginning Reserves</u> | <u>\$ 58.0</u> | <u>\$ -</u> | <u>\$ 58.0</u> |
| Revenues | 40.6 | 17.5 | 58.1 |
| Expenses - O & M | (32.1) | (14.8) | (46.9) |
| Expenses - Debt Service | (5.1) | (2.7) | (7.8) |
| Project Expenditures | (1.7) | - | (1.7) |
| Surplus | 1.7 | (0.0) | 1.7 |
| Capital Improvement Projects | (23.8) | - | (23.8) |
| Ending Reserves | <u>\$ 36.0</u> | <u>\$ (0.0)</u> | <u>\$ 36.0</u> |
| 90 Day Working Capital Reserve - Per Board Policy | | | <u>\$ 7.9</u> |



Reserve (Working Capital) Funds

Projected for August 31, 2017



Meeting Date: July 25, 2016



Long Range Financial Plan

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



Long Range Financial Plan

- Annual Operating Budget
- Water Contracts Portfolio
- Current Debt Schedules
- Inflation Indexes
- Long Range Projects Plan
- Projects O&M

Insert New Scenario, Compare Results to Board Policies and Bond Covenants regarding Debt Service Coverage and Reserve Balances

Re-evaluate System Rate Forecast, Coverage Ratios, and Reserve Balances.
Modify Assumptions and Project Timelines, if needed

Review System Water Rate Forecast. Stabilize Rate using Reserves and/or Debt

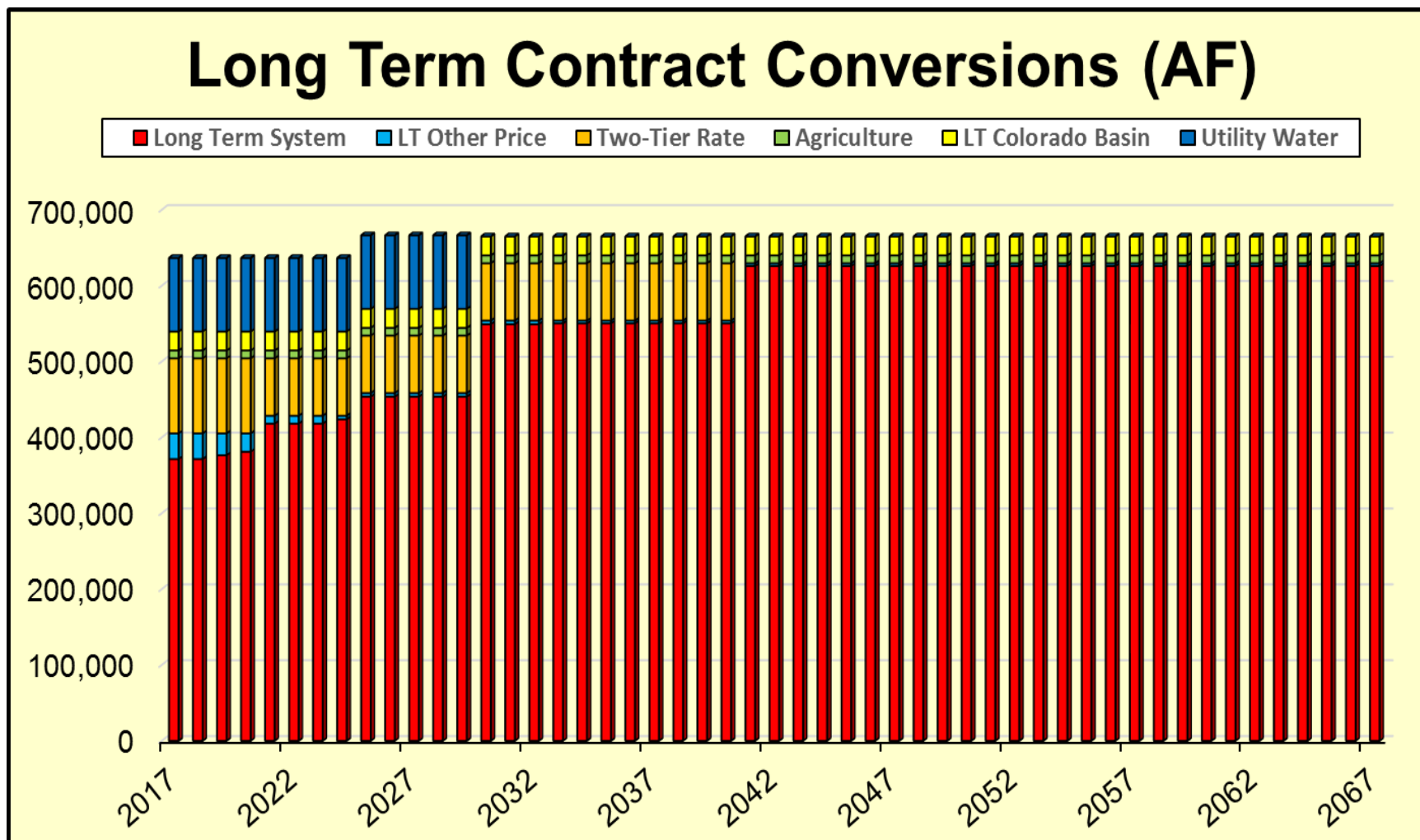


Long Range Financial Plan

- **Assumptions**
 - **O&M Costs inflated by Category Specific Indices**
 - **Deleted State Water Plan Projects with BRA as Default sponsor**
 - **Adjusted Allens Creek Financing to assume TWDB 80% Board Participation**
 - **No Water Sales from System Operation Permit**



Long Range Financial Plan



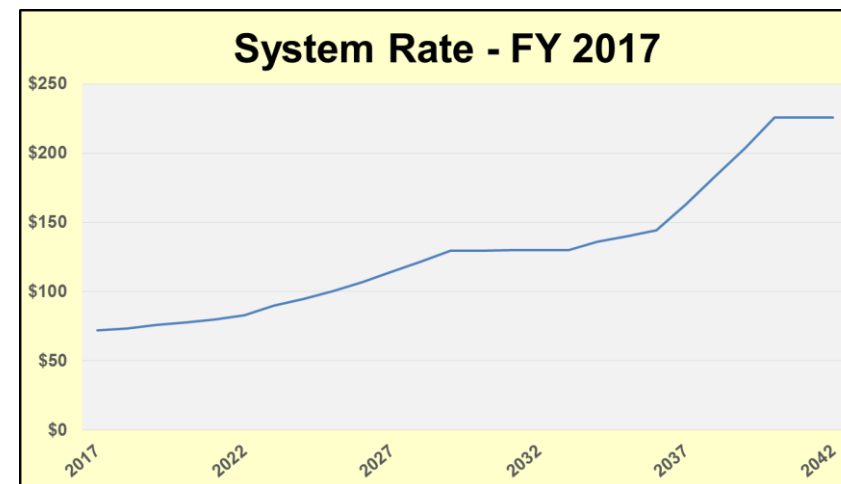
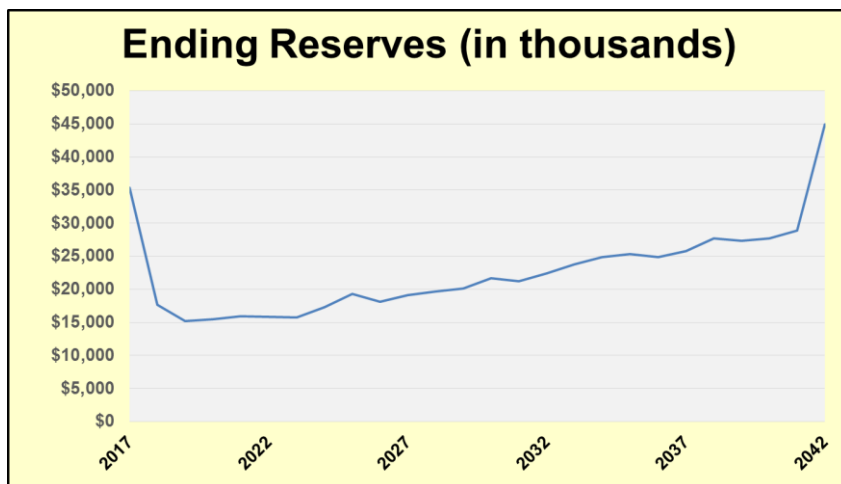
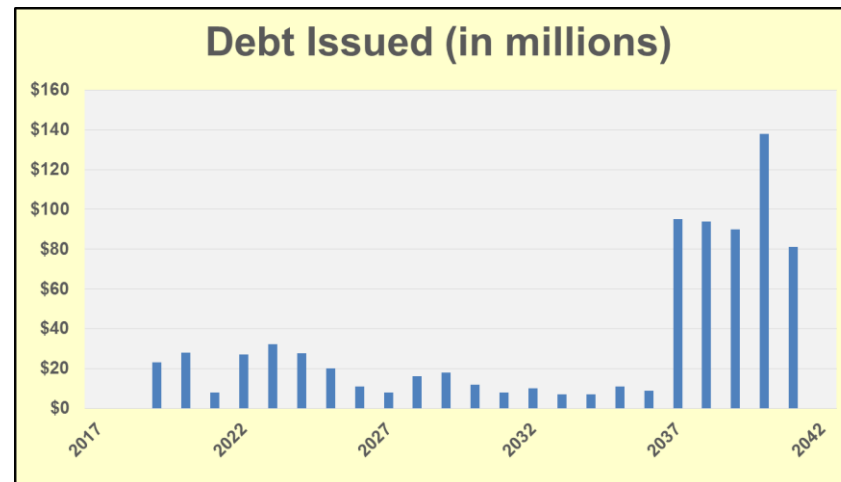
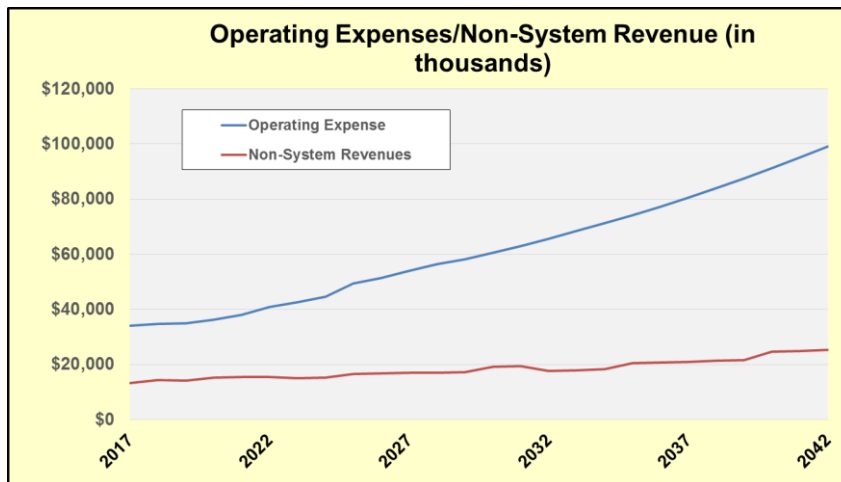


Long Range Projects Plan ***(in thousands)***

| PROJECTS | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-26 | 2027-31 | 2032-36 | 2037-41 | 2042-46 | 2047-67 | Total |
|----------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|------------|----------|-----------|--------------|
| New Water | 10,255 | 6,830 | 7,320 | 14,495 | 8,220 | 113,627 | 72,500 | - | - | - | - | \$ 233,247 |
| Central Services | 1,997 | 2,270 | - | - | - | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 10,500 | \$ 27,267 |
| New Infrastructure | 445 | 880 | 2,110 | 2,110 | 425 | 14,195 | 25,323 | 9,650 | - | - | - | \$ 55,138 |
| Infrastructure Security | 1,651 | - | - | - | - | - | - | - | - | - | - | \$ 1,651 |
| Infrastructure Maintenance | 10,038 | 10,300 | 14,650 | 8,985 | 3,040 | 221 | - | 55,000 | 550,000 | - | - | \$ 652,234 |
| Water Quality | 673 | 411 | 4,071 | 4,257 | 185 | 5,210 | 5,000 | 5,000 | 5,000 | 5,000 | 21,000 | \$ 55,807 |
| Other | 817 | 605 | - | - | - | - | - | - | - | - | - | \$ 1,422 |
| ANNUAL TOTALS | \$ 25,876 | \$ 21,296 | \$ 28,151 | \$ 29,847 | \$ 11,870 | \$ 135,753 | \$ 105,323 | \$ 72,150 | \$ 557,500 | \$ 7,500 | \$ 31,500 | \$ 1,026,766 |

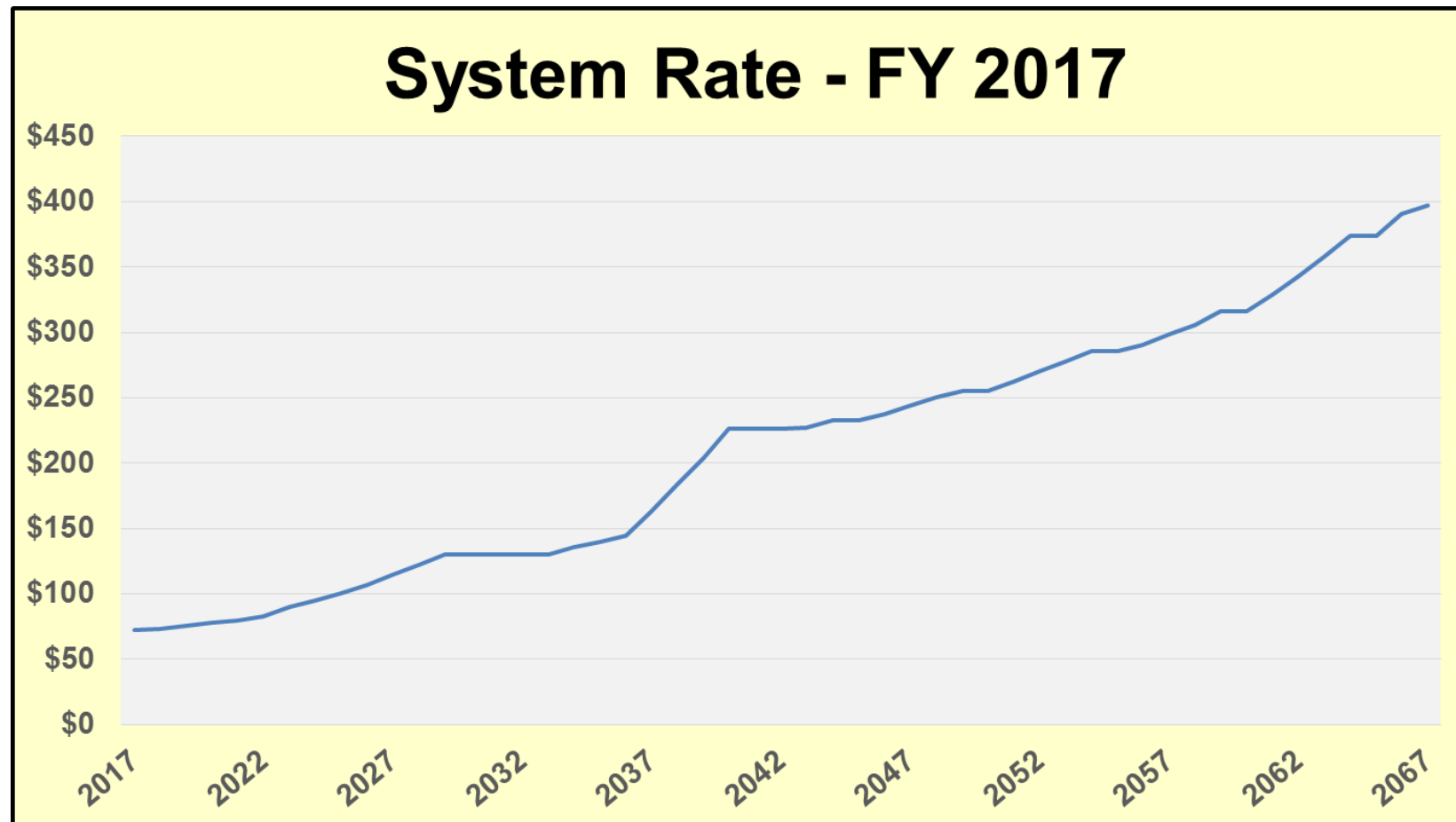


Long Range Financial Plan





Long Range Financial Plan





Questions and Answers



**Brazos
River
Authority**