



Fiscal Year 2019 Strategic Plan and Financial Forecast

***Presented by
Jim Forte', Planning and Development Manager
David Thompson, Chief Financial Officer***



B.R.A. Strategic Plan

(Adopted by Board of Directors July 31, 2017)

Meeting the Needs of the Brazos Basin

Mission Statement

The Brazos River Authority (B.R.A.) 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

- I. The B.R.A. will develop water resources, including both surface and groundwater.**
- II. The B.R.A. will manage water resources as a service to B.R.A. customers and to support beneficial use by citizens of the Brazos River basin.**
- III. The B.R.A. will protect water resources, and where possible improve water quality and habitat, to support responsible and efficient use of the Brazos River basin's natural resources.**
- IV. The B.R.A. will proactively engage in strategic planning and effective resource management.**
- V. The B.R.A. will establish communications and public relations to support the B.R.A.'s mission and service to the Brazos River basin communities.**
- VI. The B.R.A. will develop and retain employees to support the B.R.A.'s strategic vision, enhance diversity in the workforce, and prepare the B.R.A. to accomplish its mission.**



Questions?



FY 2019 Preliminary Budget Assumptions

***Presented by
David Thompson***



FY 2019 Revenue Assumptions

- **FY 2019 does not include any revenue for Interruptible or System Operations Permit water sales**
- **Long Term System billing units ~371,712 AF, an increase of 7,140 AF, mainly due to the completion of the sale to Abilene**
- **Utilizes \$1.3 million in Rate Stabilization Reserves**



FY 2019 Expense Assumptions

- **Includes an Employment Cost Index increase of 2.1% and a merit pool of 2.9%.**
- **The U.S. Army Corps of Engineers is projecting a \$1.5 million increase in B.R.A.'s share of the O&M expenses for the Federal Reservoirs.**



FY 2018 Plus Five-Year Financial Forecast

(in millions)

	<u>Projected</u>		<u>Preliminary</u>			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
WATER SUPPLY SYSTEM						
Beginning Working Capital	\$ 77.3	\$ 85.1	\$ 61.6	\$ 40.9	\$ 32.2	\$ 35.9
Revenues	48.9	46.5	57.9	57.8	60.3	61.3
Less: O&M Expenses	28.8	38.7	40.2	41.8	43.5	45.3
Debt Service (Not Subject to Coverage)	2.6	2.6	3.8	3.7	3.7	3.7
Operating Programs	1.2	2.0	2.6	2.2	2.2	1.6
Total before debt service subject to coverage	<u>32.6</u>	<u>43.3</u>	<u>46.6</u>	<u>47.7</u>	<u>49.4</u>	<u>50.6</u>
Amount Available for Coverage	16.3	3.2	11.3	10.1	10.9	10.7
Debt Service (Subject to Coverage)	<u>2.5</u>	<u>2.5</u>	<u>2.6</u>	<u>2.9</u>	<u>4.0</u>	<u>4.5</u>
Net Surplus	13.8	0.7	8.7	7.2	6.9	6.2
Capital Projects	(5.5)	(22.8)	(37.8)	(29.0)	(31.2)	(27.2)
Bond Proceeds	-	-	10.0	13.0	28.0	18.0
Increase R&R Reserves	(0.5)	-	-	-	-	-
Rate Stabilization Reserves Utilized	-	(1.3)	(1.6)	-	-	-
Ending Working Capital	<u>\$ 85.1</u>	<u>\$ 61.6</u>	<u>\$ 40.9</u>	<u>\$ 32.2</u>	<u>\$ 35.9</u>	<u>\$ 33.0</u>



FY 2018 Plus Five-Year Financial Forecast

	<u>Projected</u>			<u>Preliminary</u>		
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>System Rate</u>						
System Rate Projection	\$ 74.00	\$ 76.50	\$ 79.00	\$ 81.50	\$ 84.00	\$ 86.50
Percentage Increase	2.1%	3.4%	3.3%	3.2%	3.1%	3.0%
System Rate Units (AF)	371,422	371,712	479,454	487,754	501,504	501,504
<u>Debt Service Coverage Test (in millions)</u>						
Debt Service Subject to Coverage	\$ 2.5	\$ 2.5	\$ 2.6	\$ 2.9	\$ 4.0	\$ 4.5
Amount Available to Meet Coverage	\$ 16.3	\$ 3.2	\$ 11.3	\$ 10.1	\$ 10.9	\$ 10.7
Projected Coverage Ratio	6.4	1.3	4.3	3.5	2.7	2.4
Target Coverage Ratio	1.3	1.3	1.3	1.3	1.3	1.3
Coverage Test Met	Yes	Yes	Yes	Yes	Yes	Yes
<u>Reserve Test (in millions)</u>						
90 Day Working Capital Reserve	\$ 7.1	\$ 9.5	\$ 9.9	\$ 10.3	\$ 10.7	\$ 11.2
Contingency Reserve	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0
Self Insurance Reserve	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Total Required Reserves	\$ 12.6	\$ 15.0	\$ 15.4	\$ 15.8	\$ 16.2	\$ 16.7
Ending Working Capital	\$ 85.1	\$ 61.6	\$ 40.9	\$ 32.2	\$ 35.9	\$ 33.0
Reserve Test Met	Yes	Yes	Yes	Yes	Yes	Yes
Rate Stabilization Reserve	\$ 72.5	\$ 46.6	\$ 25.5	\$ 16.4	\$ 19.7	\$ 16.3



Raw Water System Rate Calculation

Fiscal Year 2019

(in thousands)

	FY 2018	FY 2019		
	Budget	Preliminary	Difference	
O&M Expenses	\$ 35,371	\$ 38,681	\$ 3,310	
Debt Service	5,133	5,013	(120)	
Operating Programs	3,095	2,033	(1,062)	
Coverage Requirement	761	762	1	
Rate Stabilization Fund Utilized	<u>(2,800)</u>	<u>(1,300)</u>	<u>1,500</u>	
Total Water Supply Obligations	41,560	45,189	3,629	
Less: Non-System Rate Revenues	<u>(14,583)</u>	<u>(16,766)</u>	<u>(2,183)</u>	
System Rate Revenue Requirement	\$ 26,977	\$ 28,423	\$ 1,446	
Divided by: System Units (AF)	<u>364,572</u>	<u>371,712</u>	<u>7,140</u>	
System Rate per AF	\$ 74.00	\$ 76.50	\$ 2.50	3.4%



Rate Stabilization Reserves

Fiscal Year	Rate Stabilization Reserves Added/(Used)	System Rate without Rate Stabilization	System Rate with Rate Stabilization
2017	\$1,000,000	\$69.37	\$72.00
2018	(\$2,800,000)	\$81.68	\$74.00
2019	(\$1,300,000)	\$79.96	\$76.50



Budget Process – Outstanding Items

- **U.S. Army Corps of Engineers is working on updating their O&M estimates for FY 2019, possibly in early May**
- **Changes may arise from budget meetings with cost reimbursable customers, all should be final by June 20**
- **Any changes resulting from contract negotiations with the City of Sugar Land for operation of their wastewater plants**
- **Additional changes resulting from withdrawal of operations at BCRWS**
- **Conduct customer meetings in mid-July presenting the new FY 2019 rate**
- **All items will be finalized with the most up to date information by the July Board meeting**



Brazos River Authority

Questions?



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