



# ***Fiscal Year 2020 Strategic Plan and Financial Forecast***

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



# ***BRA Strategic Plan***

*(Adopted by Board of Directors July 30, 2018)*

## ***Meeting the Needs of the Brazos Basin***

### **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

- I. The BRA will develop water resources, including both surface and groundwater.
- II. The BRA will manage water resources as a service to BRA customers and to support beneficial use by citizens of the Brazos River basin.
- III. The BRA 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 BRA will proactively engage in strategic planning and effective resource management.
- V. The BRA will establish communications and public relations to support the BRA's mission and service to the Brazos River basin communities.
- 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.



# ***FY 2020 Preliminary Budget Assumptions***

***Presented by  
David Thompson***



# ***FY 2020 Revenue Assumptions***

- **FY 2020 includes System Operations Permit water sales at the System Rate resulting in a little over \$7M.**



## ***FY 2020 Expense Assumptions***

- **Includes an Employment Cost Index increase of 2.4% and a merit pool of 2.6% increase.**
- **BRA's share of the O&M expenses for the Federal Reservoirs for FY 2020 is \$6.7 million, including \$1.3 million in RR&R Project costs at Lake Granger and Stillhouse Hollow.**
- **Sunset Commission Audit \$350K.**



# ***FY 2020 Proposed CIP's***

<b>Project Name</b>	<b>FY 2020 Budget Amount</b>
LB-AC-Allens Creek Reservoir	\$ 15,359,000
LB-LL-Tainter Gate Replacement and Improvements	3,906,000
CB-BE-Lake Belton-Stillhouse Hollow Pipeline	2,764,000
CB-OT-Trinity Groundwater	2,040,000
UB-LG-Trolley Replacement	1,394,000
CB-EW-EWCRWS Expansion Phase II	1,036,000
LB-LL-Park 5 Access Pier and Park Upgrades	877,000
UB-PK-Spillway Gate Actuator Replacement	869,000
UB-LG-Low Flow Facilities	734,000
UB-LG-Reinforced Concrete Components	635,000
Other	2,076,000
<b>Total FY 2020 CIP's</b>	<b>\$31,690,000</b>



# ***FY 2020 Proposed Operating Projects***

<b>Project Name</b>	<b>FY 2020 Budget Amount</b>
UB-PK-CAASLE (Concrete Assessment and Service Life Extension)	\$ 1,350,000
BW-TS-Security and Vulnerability Assessment Updates	595,000
BW-TS-Integrated Water Resources Plan	510,000
BW-TS-Risk Based Capital Planning and Management Support	469,000
CO-ES-USFWS Mussel Studies	460,000
LB-IT-Lake Limestone Fiber Optic Cable Upgrade	360,000
CO-FA-Enterprise Financial Software	336,000
CB-WH-Lake Whitney Reallocation Study	297,000
UB-PK-Recreational Development	280,000
UB-PK-Red Bluff Bridge Repair	274,000
LB-LL-Stilling Basin Dewatering Design & Construction	266,000
UB-PK-Village/Observation Point Chip Seal	265,000
BW-TS-Engineering Support for Technical Evaluations	250,000
BW-PD-Potential Future Water Management Strategies	225,000
BW-TS-Facility Safety and Systems Support	213,000
BW-ES-Brazos Water Snake Study	200,000
CB-OT-Williamson County Aquifer Storage and Recovery	200,000
Other	693,000
<b>Total Proposed FY 2020 Operating Projects</b>	<b>\$7,243,000</b>





# ***FY 2020 Five-Year Financial Forecast*** *(in millions)*

	<u>Projected</u>			<u>Preliminary</u>		
	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<b>WATER SUPPLY SYSTEM</b>						
Beginning Working Capital	\$ 86.2	\$ 86.5	\$ 56.3	\$ 26.8	\$ 29.8	\$ 39.0
Revenues	52.3	55.6	60.8	63.3	64.7	67.1
Less: O&M Expenses	36.7	42.1	43.7	45.5	47.3	49.2
Debt Service (Not Subject to Coverage)	2.5	2.3	2.2	2.2	2.2	2.2
Operating Programs	<u>1.9</u>	<u>7.2</u>	<u>9.4</u>	<u>5.2</u>	<u>5.7</u>	<u>5.5</u>
Total before debt service subject to coverage	<u>41.1</u>	<u>51.6</u>	<u>55.3</u>	<u>52.9</u>	<u>55.2</u>	<u>56.9</u>
Amount Available for Coverage	11.2	4.0	5.5	10.4	9.5	10.2
Debt Service (Subject to Coverage)	<u>2.5</u>	<u>2.5</u>	<u>3.3</u>	<u>4.8</u>	<u>5.8</u>	<u>6.8</u>
Net Surplus	8.7	1.5	2.2	5.6	3.7	3.4
Capital Projects	(8.4)	(31.7)	(62.5)	(44.9)	(19.5)	(40.2)
Bond Proceeds	-	-	30.8	42.3	25.0	35.0
Rate Stabilization Reserves Utilized	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Working Capital	<u>\$ 86.5</u>	<u>\$ 56.3</u>	<u>\$ 26.8</u>	<u>\$ 29.8</u>	<u>\$ 39.0</u>	<u>\$ 37.2</u>



# FY 2020 Five-Year Financial Forecast

	<u>Projected</u>		<u>Preliminary</u>			
	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<b><u>System Rate</u></b>						
System Rate Projection	\$ 76.50	\$ 79.00	\$ 82.00	\$ 85.00	\$ 88.00	\$ 92.00
Percentage Increase	2.1%	3.3%	3.8%	3.7%	3.5%	4.5%
System Rate Units (AF)	371,712	467,974	490,754	504,504	504,504	510,129
<b><u>Debt Service Coverage Test (in millions)</u></b>						
Debt Service Subject to Coverage	\$ 2.5	\$ 2.5	\$ 3.3	\$ 4.8	\$ 5.8	\$ 6.8
Amount Available to Meet Coverage	\$ 11.2	\$ 4.0	\$ 5.5	\$ 10.4	\$ 9.5	\$ 10.2
Projected Coverage Ratio	4.4	1.6	1.7	2.2	1.6	1.5
Target Coverage Ratio	1.3	1.3	1.3	1.3	1.3	1.3
Coverage Test Met	Yes	Yes	Yes	Yes	Yes	Yes
<b><u>Reserve Test (in millions)</u></b>						
90 Day Working Capital Reserve	\$ 9.0	\$ 10.4	\$ 10.8	\$ 11.2	\$ 11.7	\$ 12.1
Contingency Reserve	\$ 5.0	\$ 5.5	\$ 5.5	\$ 5.5	\$ 5.5	\$ 5.5
Self Insurance Reserve	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Total Required Reserves	\$ 14.5	\$ 16.4	\$ 16.8	\$ 17.2	\$ 17.7	\$ 18.1
Ending Working Capital	\$ 86.5	\$ 56.3	\$ 26.8	\$ 29.8	\$ 39.0	\$ 37.2
Reserve Test Met	Yes	Yes	Yes	Yes	Yes	Yes



# **Raw Water System Rate Calculation**

## **Fiscal Year 2020**

*(in thousands)*

	<b>FY 2019</b>	<b>FY 2020</b>		
	<b>Budget</b>	<b>Preliminary</b>	<b>Difference</b>	
O&M Expenses	\$ 39,517	\$ 42,111	\$ 2,594	
Debt Service	5,013	4,808	(205)	
Operating Projects	2,197	7,243	5,046	
Coverage Requirement	762	760	(2)	
Rate Stabilization Fund Utilized	<u>(1,825)</u>	<u>640</u>	<u>2,465</u>	
Total Water Supply Obligations	45,664	55,562	9,898	
Less: Non-System Rate Revenues	<u>(17,229)</u>	<u>(18,596)</u>	<u>(1,367)</u>	
System Rate Revenue Requirement	\$ 28,435	\$ 36,966	\$ 8,531	
Divided by: System Units (AF)	<u>371,712</u>	<u>467,974</u>	<u>96,262</u>	
System Rate per AF	\$ 76.50	\$ 79.00	\$ 2.50	3.3%



## ***Proposed changes to the BRA's payment option methodology***

- **During the January 2019 board meeting the board requested that we revisit interest charged to our customers for financing options.**
- **Staff was directed to review the calculation in the next fiscal year's budget to make a more appropriate rate.**
- **Recommended change in the FY 2020:**
  - **Proposed change the interest rate charged from our earnings rate (2.53%) to our current borrowing rate of 4%.**



# ***Budget Process – Outstanding Items***

- **Changes may arise from budget meetings with cost reimbursable customers, all should be final by June 20**
- **Conduct customer meetings in June presenting the new FY 2020 rate**
- **All items will be finalized with the most up to date information by the July Board meeting**



***Questions?***



**Brazos  
River  
Authority**