



**FY2021**

**Annual Operating Plan Workshop and  
Adoption of Annual Operating Plan**

**Presented by  
David Thompson  
Chief Financial Officer**



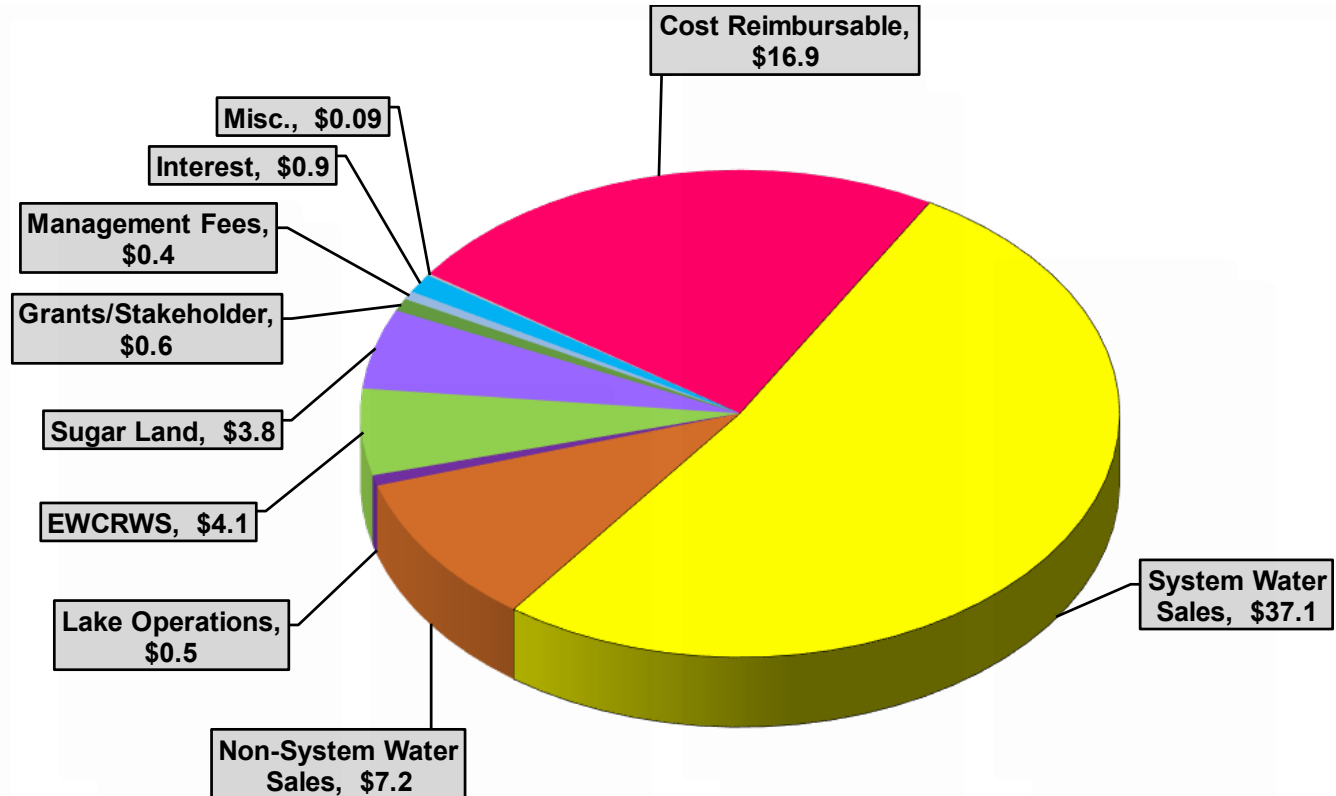
# BRA Business Model

## Elements of Ratemaking

	FY 20 Budget (in 000's)	FY 21 Budget (in 000's)
<b>Water Supply Expenses</b>		
Water Supply O&M Expenditures	\$ 42,729	\$ 44,240
Water Supply Debt Service (subject to coverage)	2,535	2,536
Water Supply Debt Service (not subject to coverage)	3,770	2,229
Operating Project Expenditures	7,243	4,968
<b>Total Water Supply Expenses</b>	<b>\$ 56,277</b>	<b>\$ 53,973</b>
<b>Non-System Water Rate Revenues</b>		
Non-System Water Revenues	(7,167)	(7,223)
Other Water Supply Revenues	(11,618)	(10,438)
<b>Total Non-System Water Rate Revenues</b>	<b>\$ (18,784)</b>	<b>\$ (17,661)</b>
<b>Debt Coverage Requirement (1.3 ratio)</b>	<b>\$ 760</b>	<b>\$ 761</b>
<b>Gross Financial Requirement</b>	<b>\$ 38,253</b>	<b>\$ 37,073</b>
<b>Total System Water Billing Units (acre feet)</b>	<b>467,974</b>	<b>469,300</b>
<b>Calculated System Rate (Gross Financial Requirement/Number of System Rate Units)</b>	<b>\$ 81.80</b>	<b>\$ 79.00</b>
<b>Rate Stabilization Reserve Contribution</b>	<b>\$ (1,300)</b>	<b>\$ -</b>
<b>Net Financial Requirement (Gross Financial Requirement less Rate Stabilization Fund Contribution)</b>	<b>\$ 36,953</b>	<b>\$ 37,073</b>
<b>Effective System Rate (Net Financial Requirement/Number of System Rate Units)</b>	<b>\$ 79.00</b>	<b>\$ 79.00</b>

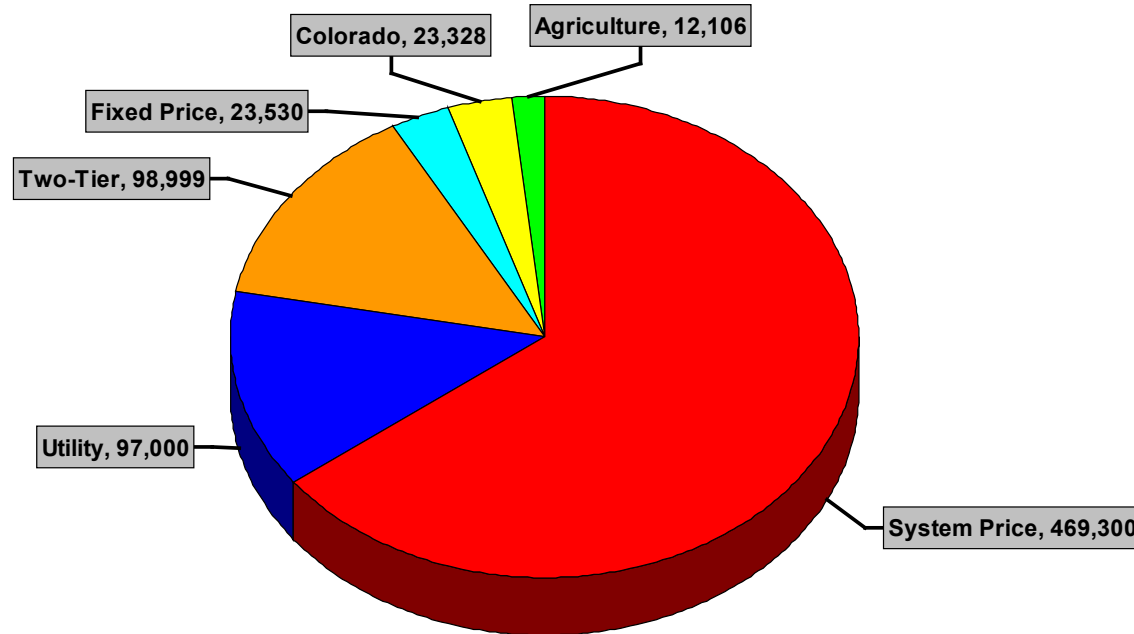


# ***FY2021 Proposed Revenues*** ***\$71.6M***





# FY2021 Long Term Raw Water Sales 724,263 AF





# Long Term Billing Units & Average Price

	FY2020			FY2021		
	Units	Avg Price	%	Units	Avg Price	%
System Rate	467,974	\$79.00	65%	469,300	\$79.00	65%
Agricultural	12,385	\$55.30	2%	12,106	\$55.30	2%
Two-Tier	98,999	\$17.89	14%	98,999	\$17.98	14%
Other Fixed Price	21,336	\$23.71	3%	23,530	\$19.42	3%
Utilities	97,000	\$19.28	13%	97,000	\$19.42	13%
Colorado Basin	21,528	\$83.33	3%	23,328	\$81.19	3%
	<u>719,222</u>		<u>100%</u>	<u>724,263</u>		<u>100%</u>

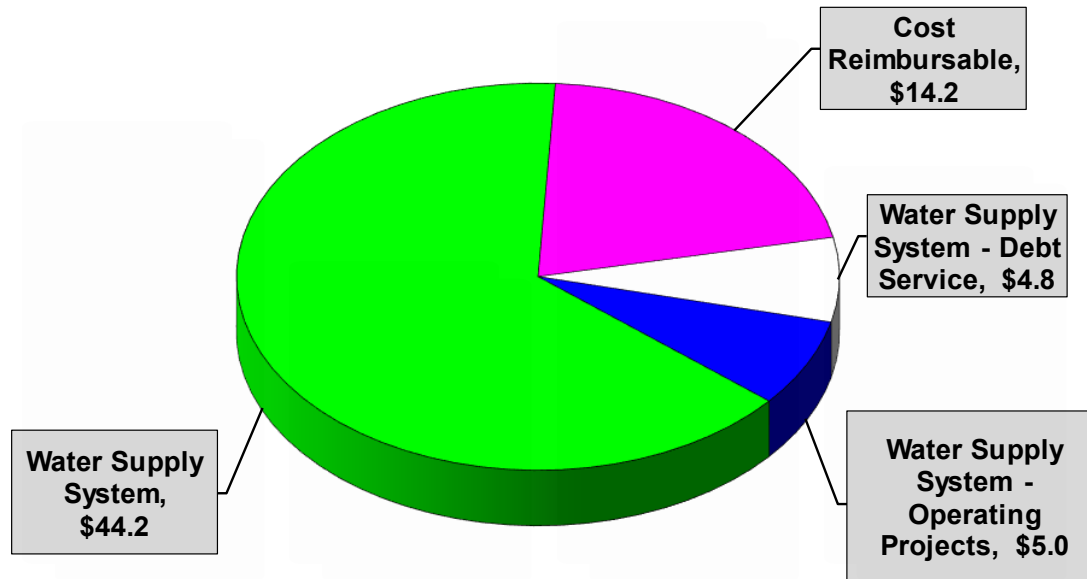


# **Expense Assumptions**

- **Employee compensation & benefits**
  - **No provision for ECI and Merit**
  - **Net increase of two full-time positions**

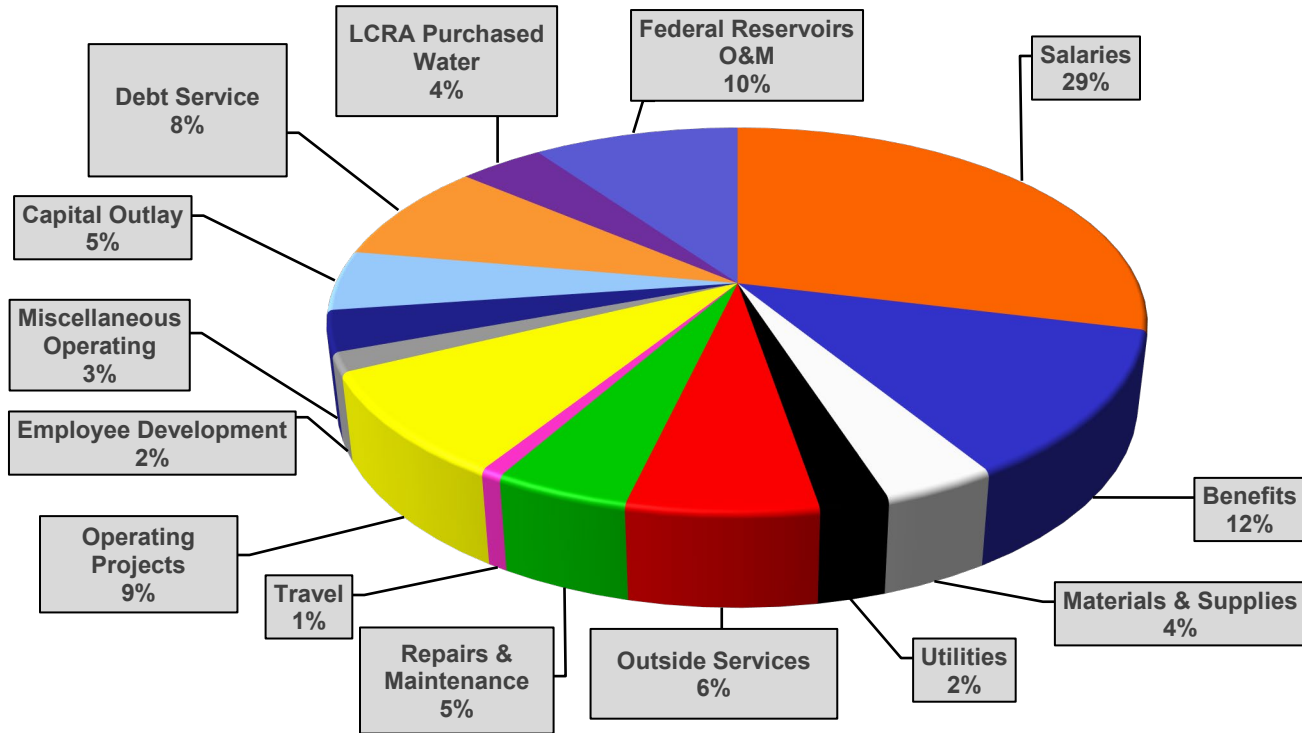


# **FY2021 Proposed Operating Expenses \$68.2M**





# FY 2021 Proposed Water Supply System O&M Expenses by Category







# Water Supply System O&M Expenses by Department (excluding Central Services overhead) (in thousands)

	<u>FY2020 Budget</u>	<u>FY2020 Projected</u>	<u>FY2021 Proposed</u>
Possum Kingdom Lake	\$ 6,957	\$ 6,901	\$ 8,283
Lake Granbury	2,589	2,474	2,569
Lake Limestone	1,861	1,691	1,857
Allens Creek	16	5	16
East Williamson Co. RWS Ops	1,562	1,446	1,595
Sugar Land	3,180	3,498	3,772
<b>Federal Reservoirs &amp; Water Contracts</b>	<b>10,662</b>	<b>8,867</b>	<b>10,396</b>
Regional Basin Management	2,130	1,869	2,158
Technical Services	1,629	1,941	1,732
Water Services	900	1,000	1,052
Environmental Services	2,366	2,170	1,937
Security & Safety	741	823	761
Special Projects & Strategic Initiatives	227	225	182
Central Services	8,340	7,851	8,402
Central Services Allocated Out	(450)	(461)	(472)
Debt Service	6,305	4,808	4,765
Operating Projects	7,034	3,556	4,968
<b>Total</b>	<b>\$ 56,048</b>	<b>\$ 48,663</b>	<b>\$ 53,973</b>



# ***Water Supply Costs***

- **COE costs (O&M and debt service) budgeted for FY 2021 are \$7.1 million and that is about \$15/AF for the system rate.**



**FY2021 Proposed Operating Projects**  
*(in thousands)*

<u>Project Name</u>	<u>FY2021 Proposed Expenditures</u>
PK Concrete Assessment & Service Life Extension	\$ 1,261
Integrated Water Resources Plan	600
Risk Based Capital Planning & Mgmt. Support	600
Property Master Plan	500
USFWS Mussel Studies	383
Lake Granbury Hunter Park Bulkhead Extension	350
LL Stilling Basin Dewatering Design & Construction	298
Facility Safety & Systems Support	257
EWC Intake Slope Stabilization	208
Security and Vulnerability Assessment Updates	200
PK Operating Pier Trash Rack Replacement	161
Enterprise Financial Software	150
<b>Total</b>	<b>\$ 4,968</b>

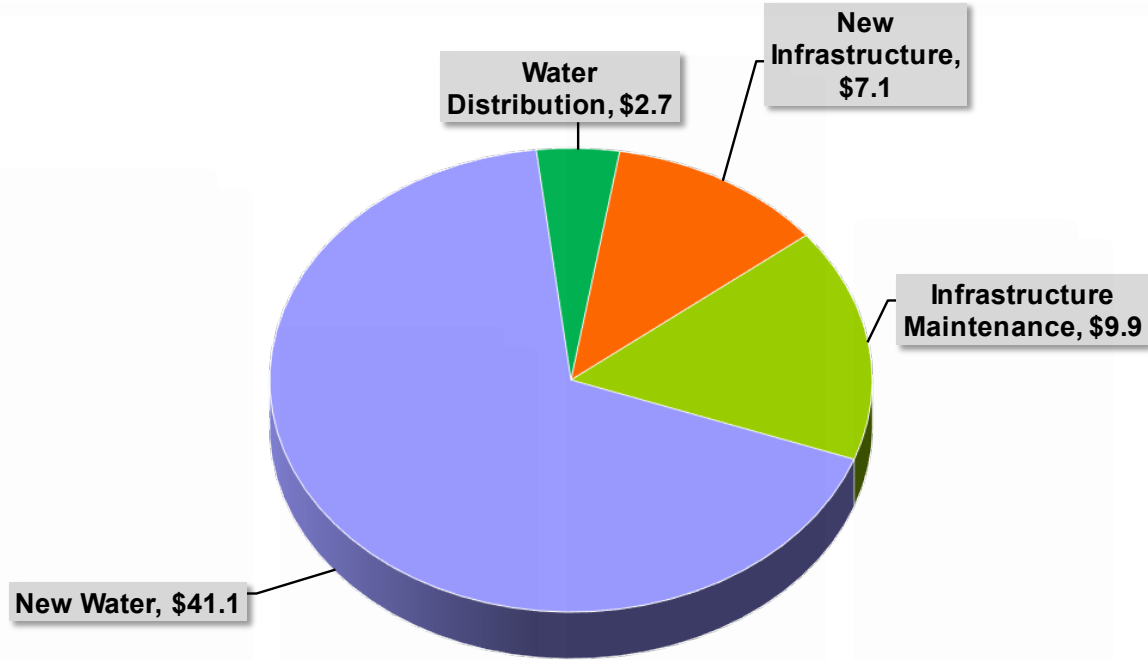


# ***Fiscal Year 2021***

# **Multi-Year Capital Improvement Plan**



# ***FY2021 Proposed Capital Improvement Projects by Type \$60.8M***





# ***FY2021 Proposed Capital Improvement Projects***

*(in thousands)*

<u>Project Name</u>	<u>Total Project Cost</u>	<u>FY2021 Proposed Expenditures</u>	<u>Est. Completion Date</u>
LB-AC-Allens Creek	442,238	39,736	2025+
CO-ES-Environmental Services Building	18,635	3,314	2023
LB-LL-Tainter Gate Replacement	32,795	3,298	2023
CB-WCR-Copper Ion Generator	2,164	2,114	2022
UB-LG-Low Flow Facilities	\$ 5,073	\$ 1,770	2021
CB-BE-Lake Belton-Stillhouse Pipeline	53,203	1,661	2025+
CB-OT-Trinity Groundwater	23,545	1,347	2025+
CB-EW-EWCRWS Expansion Phase 2	15,831	1,024	2025+
UB-LG-Reinforced Concrete Components	2,146	998	2023
UB-PK-Flow Control Gate Replacement	1,894	882	2022
LB-LL-Park 5 Access Pier	877	827	2021
UB-PK-Spillway Pump & Piping	923	608	2022
UB-PK-Bay #9 Weir Box	873	604	2022
CB-WCR-WCRRWL Phase 3 Pumps	12,202	550	2025
LB-LL-Embankment Hydrostatic Relief	3,556	481	2024
UB-LG-Lake Granbury Road Repairs	1,443	392	2021
UB-LG-Two Slip Boathouse	350	350	2021
UB-PK-Southside Boathouse	434	319	2022
LB-LL-Low Flow Facility Modifications	19,988	239	2025+
UB-LG Trolley Replacement	3,298	236	2023
Total		<u>\$ 60,750</u>	

***Meeting Date: July 27, 2020***



# FY2021 Budget Summary

## All Lines of Business (in millions)

	<u>Water Supply</u>	<u>Cost Reimbursable</u>	<u>Total</u>
<b><u>Beginning Reserves</u></b>	<b>\$ 99.5</b>	<b>\$ -</b>	<b>\$ 99.5</b>
Revenues	54.7	16.9	71.6
Expenses - O & M	(44.2)	(11.1)	(55.3)
Expenses - Debt Service	(4.8)	(3.1)	(7.9)
Operating Projects	(5.0)	-	(5.0)
<b>Surplus</b>	<b>0.7</b>	<b>2.7</b>	<b>3.4</b>
Capital Improvement Projects	(58.1)	(2.7)	(60.8)
Rate Stabilization Reserves Used	-	-	-
<b>Ending Reserves</b>	<b>\$ 42.1</b>	<b>\$ (0.0)</b>	<b>\$ 42.1</b>
90 Day Working Capital Reserve - Per Board Policy			<u>\$ 10.9</u>



# Water Supply System Reserves Overview (in millions)

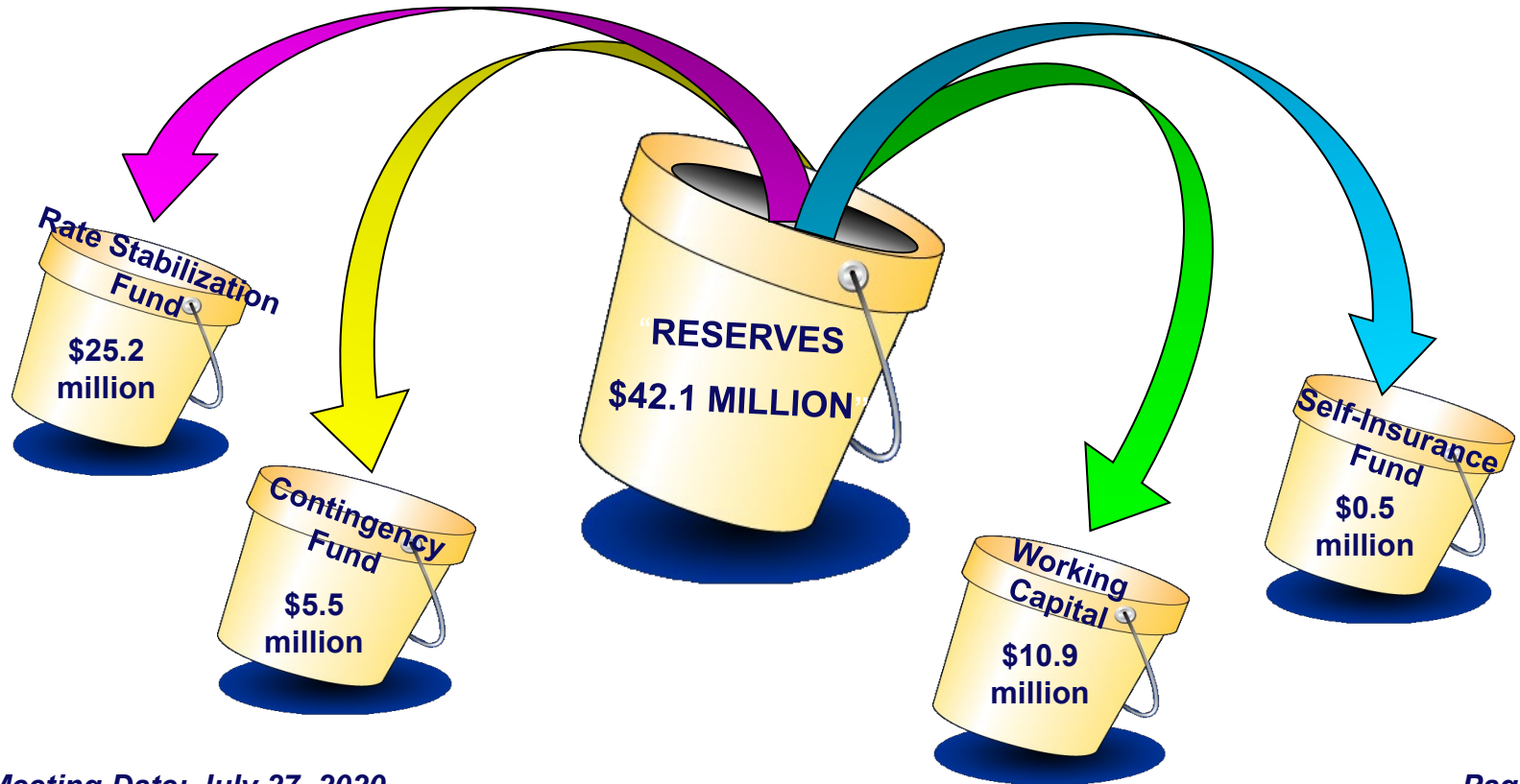
		<b>FY2021</b>
<b>Projected Beginning Balance (September 1, 2020)</b>		<b>\$ 99.5</b>
<b>Operations Surplus</b>		<b>\$ 0.8</b>
<b>Capital Expenditures</b>		<b>\$ (58.1)</b>
	<b>Allens Creek Reservoir</b>	<b>(39.7)</b>
	<b>Morris Sheppard Dam Improvements</b>	<b>(2.1)</b>
	<b>DeCordova Bend Dam Improvements</b>	<b>(3.0)</b>
	<b>Trinity Groundwater</b>	<b>(1.3)</b>
	<b>Lake Belton-Stillhouse Hollow Pipeline</b>	<b>(1.7)</b>
	<b>Sterling Robertson Dam Improvements</b>	<b>(4.0)</b>
	<b>Environmental Services Bldg.</b>	<b>(3.3)</b>
	<b>Other</b>	<b>(3.0)</b>
<b>Rate Stabilization Reserves Utilized</b>	<b>(58.1)</b>	<b>\$ -</b>
<b>Ending Balance (August 31, 2021)</b>		<b>\$ 42.1</b>





# Reserve (Working Capital) Funds

Projected for August 31, 2021





# Current Debt Outstanding

(in millions)

	<u>Aug. 31, 2020</u>	<u>Aug. 31, 2021</u>
<u>Water Supply System (BRA)</u>		
Revenue Bonds	\$ 30.9	\$ 29.1
Federal Reservoirs	19.4	18.5
Subtotal	50.3	47.6
<u>Contract Revenue Debt</u>		
Water Conveyance (WCRRWL)	27.6	25.8
Total Debt Outstanding	<u>\$ 77.9</u>	<u>\$ 73.4</u>



## ***BRA's payment option methodology***

- **Continue to use the same borrowing rate as adopted from last year FY 2020 Budget for FY 2021 of 4% for our water contract customers.**



# **Five-Year Financial Forecast Water Supply System FY2021 - FY2025**



# **Assumptions - Revenues**

- **Raw Water System rate – 4.8% to 6.3% Increase – FY2021–FY2025**
- **Raw Water Non-System – Consistent with Current Contract Terms**



## ***Assumptions - Expenses***

- **O&M Expense Increased by Historical Ten Year Index Rolling Averages for FY2022 - FY2025**
- **Debt Service – Assumes Existing Debt and Potential New Debt for FY2022 - FY2025**



# Five-Year Financial Forecast

(in millions)

<u>WATER SUPPLY SYSTEM</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
<b>Beginning Reserves</b>	<b>\$ 99.5</b>	<b>\$ 42.1</b>	<b>\$ 31.9</b>	<b>\$ 30.2</b>	<b>\$ 34.4</b>
Revenues	54.7	60.3	62.7	66.5	69.9
Expenses	(51.4)	(54.9)	(55.4)	(56.9)	(56.7)
Revenue Available for Coverage	3.2	5.4	7.3	9.5	13.2
Debt Service Subject to Coverage:	(2.5)	(3.9)	(5.6)	(7.2)	(10.0)
Net Surplus (Deficit)	0.7	1.5	1.7	2.3	3.2
Capital Projects	(58.1)	(51.7)	(43.5)	(30.4)	(72.8)
Bond Proceeds	-	41.0	41.2	32.8	68.4
Rate Stabilization Reserves Used	-	(1.0)	(1.1)	(0.5)	-
<b>Ending Reserves</b>	<b>\$ 42.1</b>	<b>\$ 31.9</b>	<b>\$ 30.2</b>	<b>\$ 34.4</b>	<b>\$ 33.3</b>
<b>Working Capital Reserve</b>	10.9	11.0	11.4	11.9	12.4



# ***FY 2021 Five year Financial Forecast***

	<u>Projected</u>			<u>Forecast</u>		
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<b><u>System Rate</u></b>						
System Rate Projection	\$ 79.00	\$ 79.00	\$ 83.50	\$ 88.00	\$ 93.50	\$ 98.00
Percentage Increase	3.3%	0.0%	5.7%	5.4%	6.3%	4.8%
System Rate Units (AF)	467,974	469,300	483,050	483,050	497,675	497,675
<b><u>Debt Service Coverage Test (in millions)</u></b>						
Debt Service Subject to Coverage	2.5	2.5	3.9	5.6	7.2	10.0
Amount Available to Meet Coverage	14.8	3.3	5.4	7.3	9.5	13.2
Projected Coverage Ratio	5.9	1.3	1.4	1.3	1.3	1.3
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	10.1	10.9	11.0	11.4	11.9	12.4
Contingency Reserve	5.5	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	16.1	16.9	17.0	17.4	17.9	18.4
Ending Working Capital	99.5	42.1	31.9	30.2	34.4	33.3
Reserve Test Met	Yes	Yes	Yes	Yes	Yes	Yes



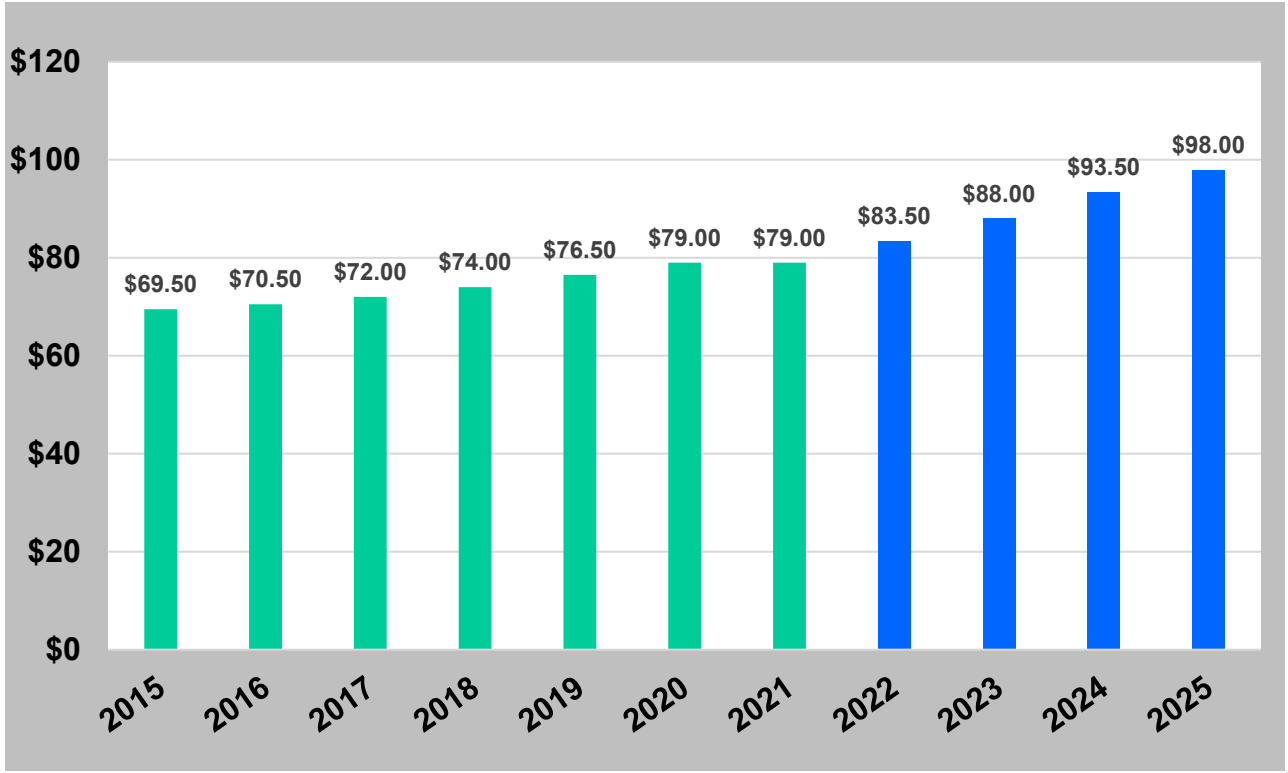


# Five-Year Financial Forecast

<b>WATER SUPPLY SYSTEM</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>System Rate Projection</b>	<b>\$79.00</b>	<b>\$83.50</b>	<b>\$88.00</b>	<b>\$93.50</b>	<b>\$98.00</b>
<b>Percentage Increase</b>	<b>0.00%</b>	<b>5.70%</b>	<b>5.39%</b>	<b>6.25%</b>	<b>4.81%</b>
<b>Debt Service Coverage</b>	<b>1.30</b>	<b>1.36</b>	<b>1.31</b>	<b>1.33</b>	<b>1.32</b>

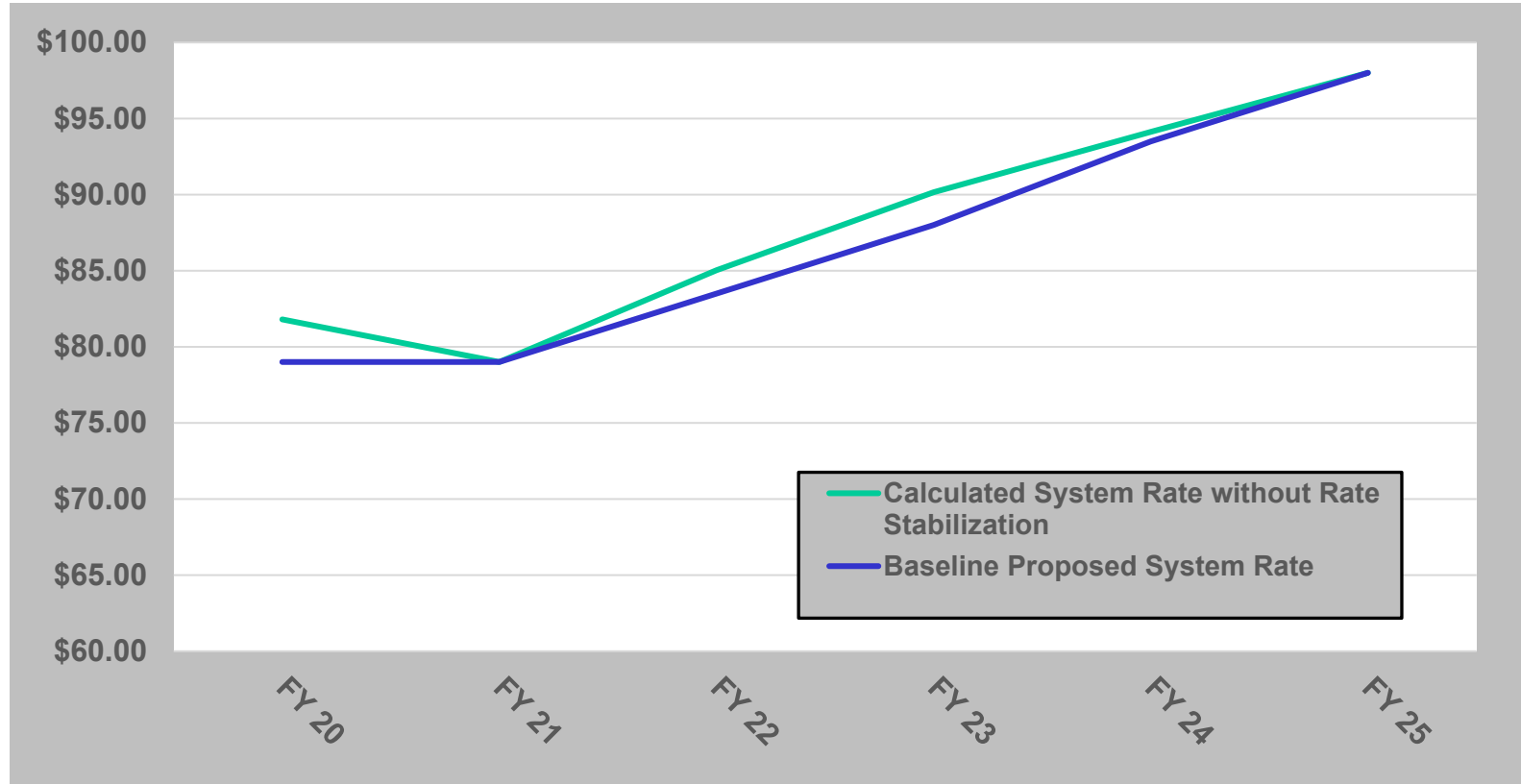


# System Rate History/Forecast





# Forecasted System Rate





Brazos River Authority



**Brazos**  
— ★ —  
**RIVER AUTHORITY**