



Fiscal Year 2023 Annual Operating Plan (Budget) Workshop and Adoption of Budget

**Presented by
David Thompson
Chief Financial Officer**

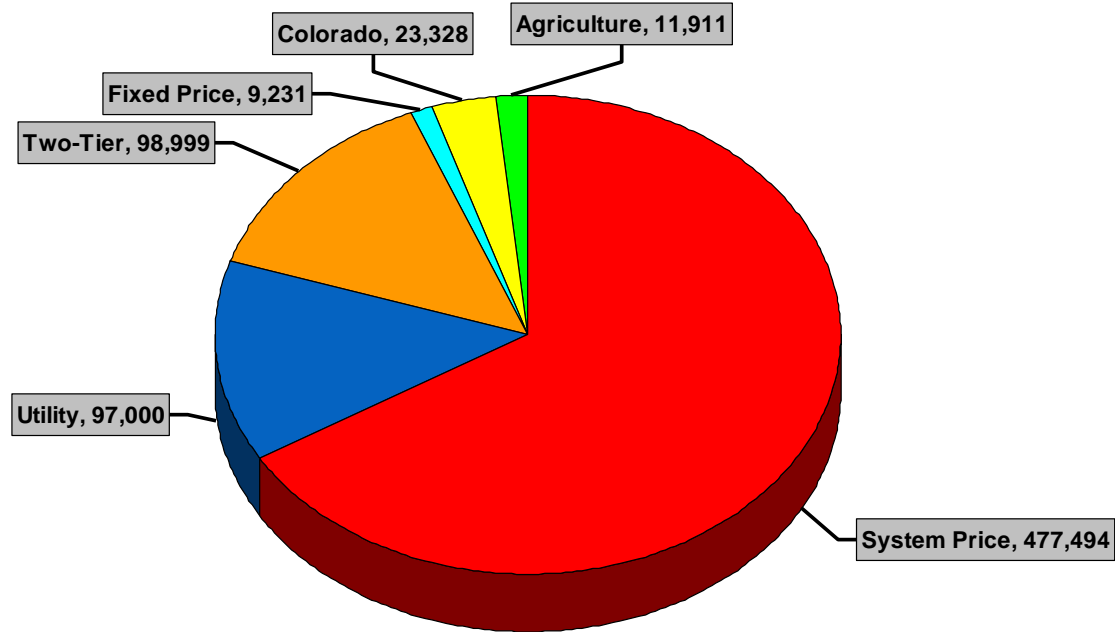


BRA Business Model

	FY 22 Budget (in 000's)	FY 23 Budget (in 000's)
Water Supply Expenses		
Water Supply O&M Expenditures	\$ 47,451	\$ 52,736
Water Supply Debt Service (subject to coverage)	2,538	3,213
Water Supply Debt Service (not subject to coverage)	3,623	1,587
Operating Project Expenditures	5,835	4,068
Total Water Supply Expenses	\$ 59,448	\$ 61,604
Non-System Water Revenues		
Non-System Water Revenues	(7,079)	(7,292)
Other Water Supply Revenues	(11,532)	(13,570)
Total Non-System Revenues	\$ (18,611)	\$ (20,862)
Debt Coverage Requirement (1.3 ratio)	\$ 761	\$ 964
Gross Financial Requirement	\$ 41,598	\$ 41,706
Total System Water Billing Units (acre feet)	483,285	477,494
Calculated System Rate (Gross Financial Requirement/Number of System rate Units)	\$86.07	\$87.34
Rate Stabilization Reserve Contribution	\$ (1,500)	\$ 315
Net Financial Requirement (Gross Financial Requirement less Rate Stabilization Fund Contribution)	\$ 40,098	\$ 42,021
Effective System Rate (Net Financial Requirement/Number of System Rate Units)	\$ 83.00	\$ 88.00



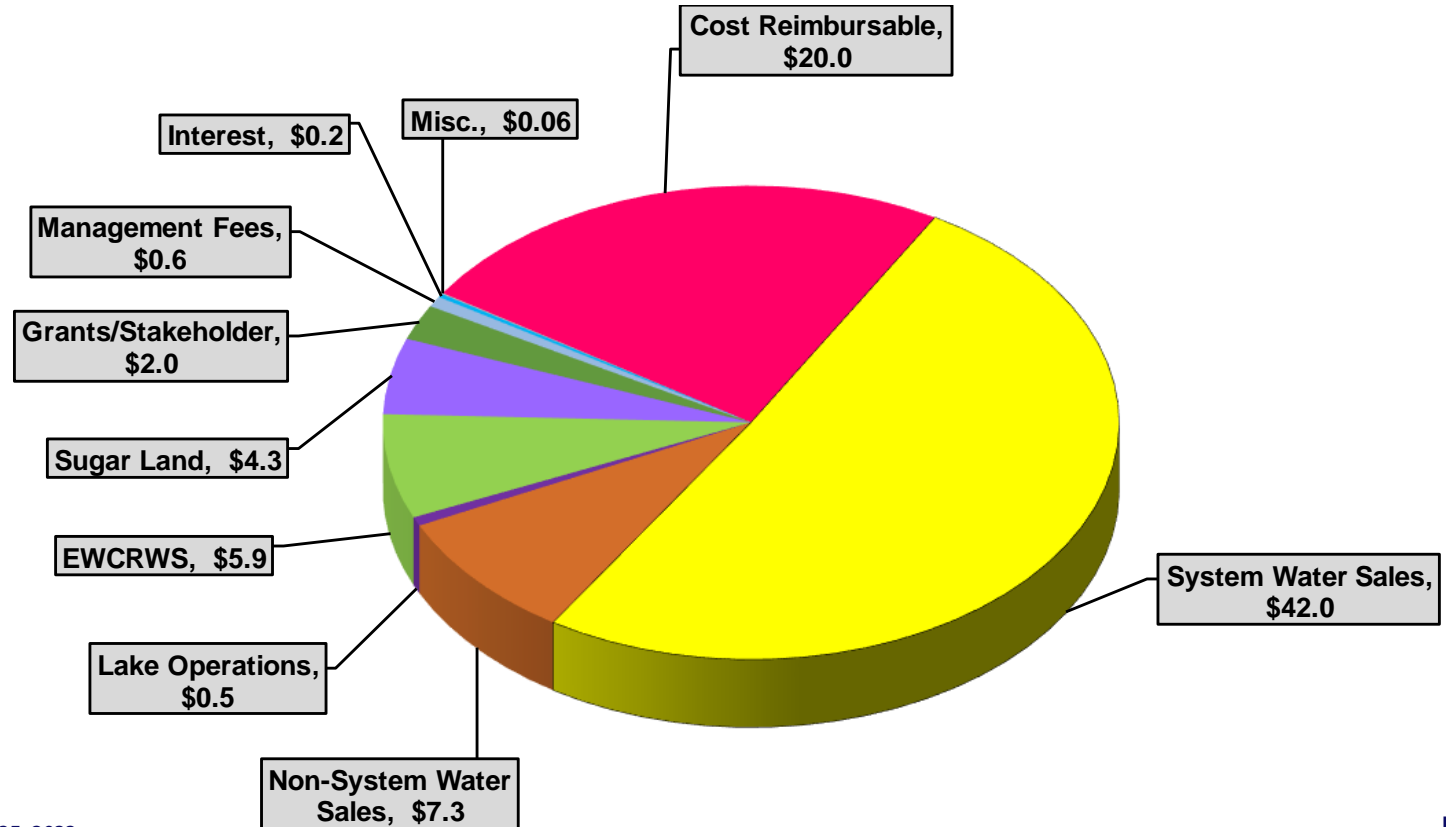
FY2023 Long Term Raw Water Sales 717,963 AF





FY2023 Proposed Revenues

\$82.9M





Long Term Billing Units & Average Price

	FY2022			FY2023		
	Units	Avg Price	%	Units	Avg Price	%
System Rate	483,285	\$83.00	65%	477,494	\$88.00	65%
Agricultural	12,031	\$58.10	2%	11,911	\$61.60	2%
Two-Tier	98,999	\$18.15	14%	98,999	\$18.69	14%
Other Fixed Price	9,505	\$24.89	1%	9,231	\$25.78	1%
Utilities	97,000	\$19.28	13%	97,000	\$19.28	14%
Colorado Basin	23,328	\$84.38	3%	23,328	\$84.38	3%
	<u>724,148</u>		<u>100%</u>	<u>717,963</u>		<u>100%</u>



Expense Assumptions

- **Employee compensation & benefits**
 - **Provides for a 6% ECI for employees earning under \$100,000, a 4% ECI for employees earning over \$100,000, and 1% Merit pool**
 - **Net increase of four full-time positions**
 - **BRA's share of the O&M expenses for the Federal Reservoirs for FY 2023 decreased \$1.8M from last year budget.**

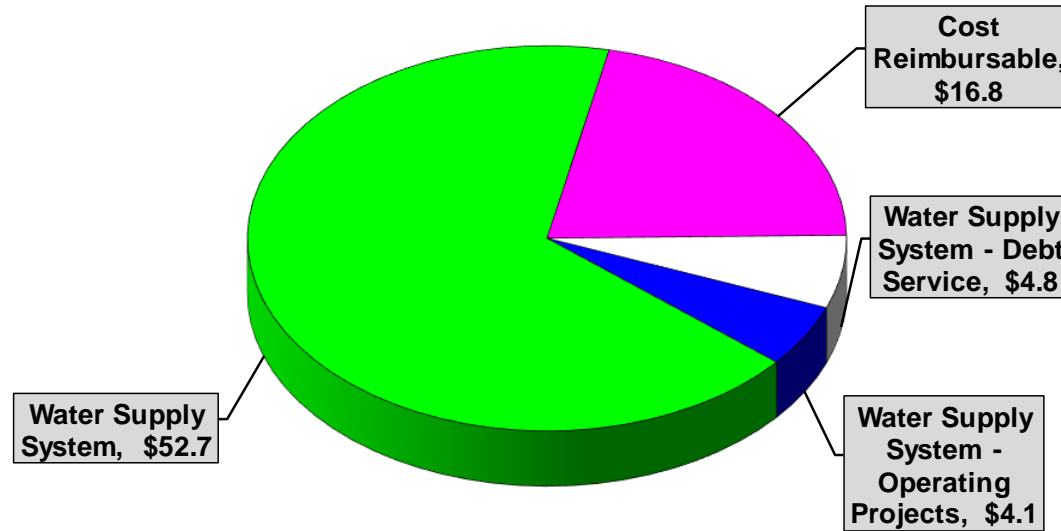


Water Supply Costs

COE costs (O&M and debt service) budgeted for FY 2023 are \$6.2 million and that is about \$13/AF for the system rate.

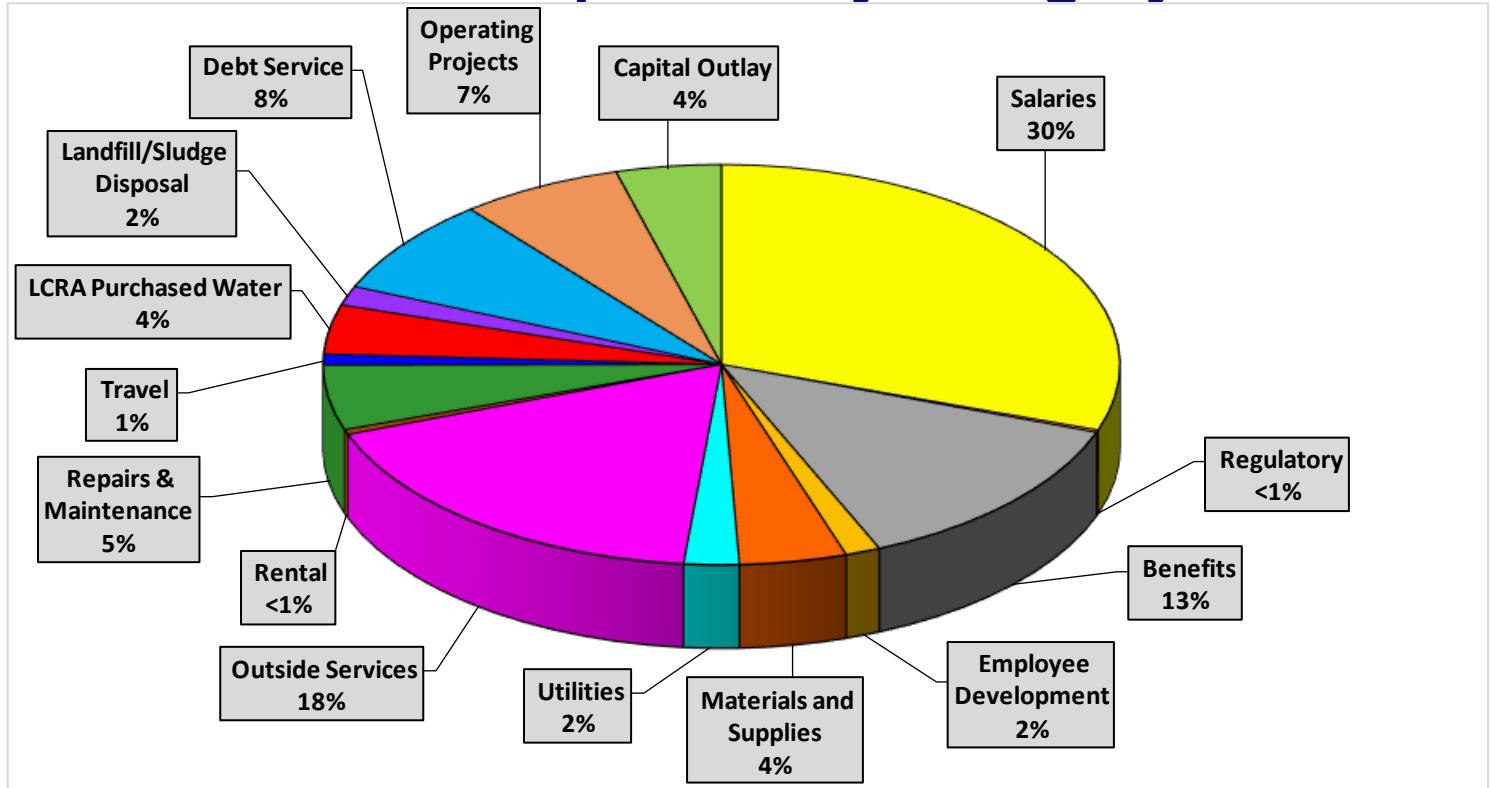


FY2023 Proposed Operating Expenses \$78.4M





FY 2023 Proposed Water Supply System O&M Expenses by Category





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

	<u>FY2022 Budget</u>	<u>FY2022 Projected</u>	<u>FY2023 Proposed</u>
Possum Kingdom Lake	\$ 6,010	\$ 5,992	\$ 6,943
Lake Granbury	2,846	2,396	3,137
Lake Limestone	1,982	1,744	2,654
Allens Creek	17	17	14
East Williamson Co. RWS Ops	2,329	2,240	2,142
Sugar Land	4,037	3,682	4,357
Federal Reservoirs & Water Contracts	12,465	9,517	12,533
Regional Basin Management	2,137	2,084	2,508
Technical Services	2,693	2,280	2,764
Water Services	1,250	1,059	1,490
Environmental Services	2,573	2,606	3,077
Office of Security	507	467	459
Special Projects & Strategic Initiatives	439	315	590
Central Services	9,386	8,892	10,617
Central Services Allocated Out	(715)	(517)	(548)
Debt Service	6,162	4,376	4,800
Operating Projects	6,025	4,640	4,068
Total	<u>\$ 60,143</u>	<u>\$ 51,790</u>	<u>\$ 61,605</u>



FY2023 Proposed Operating Projects
(in thousands)

<u>Project Name</u>	<u>FY2023 Proposed Expenditures</u>
UB-LG-Lake Granbury Workspace Needs Assessment	\$ 400
UB-PK-Bay 9 Transition Beam Leak Remediation	54
UB-PK-CAASLE (Concrete Assessment and Service Life Extension)	559
UB-PK-Operating Pier Trash Rack Replacement	133
UB-PK-Recreational Development	127
CB-WH-Lake Whitney Reallocation Study	332
LB-LL-Administrative Complex Architectural Assessment, Design & Replacement	25
BW-ES-Brazos Water Snake Study	325
BW-TS- Security and Vulnerability Assessment Updates	250
BW-TS- Risk Based Capital Planning and Management Support	450
BW-WS-Brazos River Alluvium Study	33
BW-TS-Integrated Water Resources Plan	705
CO-FA-Enterprise Financial Software	200
CO-IT-Audiovisual Technology Integrations	475
Total	\$ 4,068

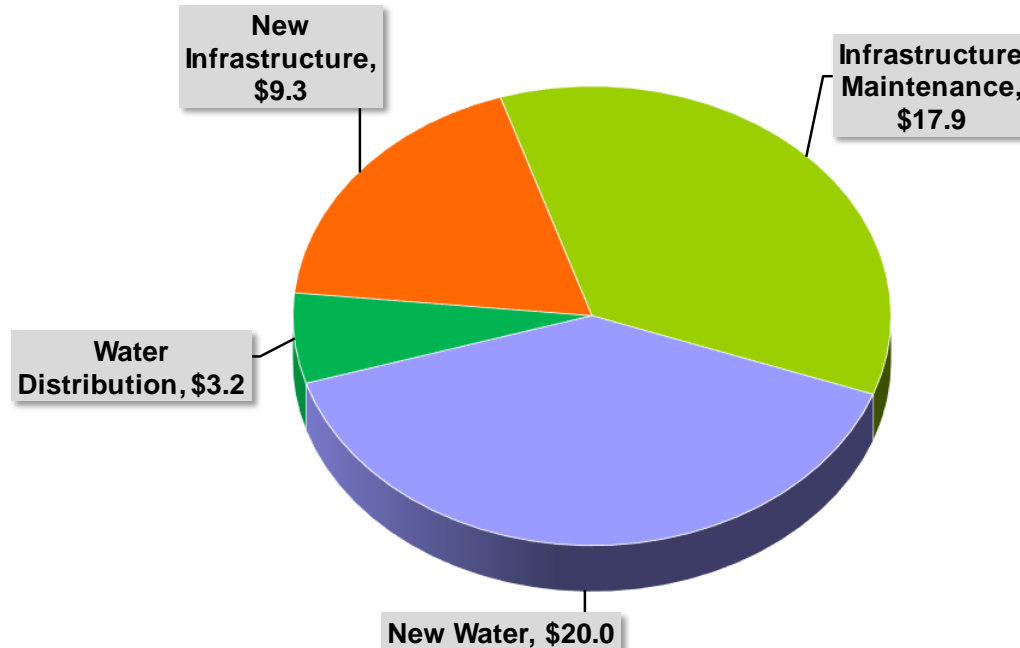


Fiscal Year 2023

Multi-Year Capital Improvement Plan



FY2023 Proposed Capital Improvement Projects by Type \$50.4M





FY2023 Proposed Capital Improvement Projects

(in thousands)

<u>Project Name</u>	<u>Total Project Cost</u>	<u>FY2023 Proposed Expenditures</u>	<u>Est. Completion Date</u>
UB-LG-Low Flow Facilities	\$ 5,691	\$ 506	2023
UB-LG-Reinforced Concrete Components	2,266	550	2024
UB-LG-Trolley Replacement	3,871	200	2026
UB-PK-Flow Control Gate Replacement	1,852	726	2025
UB-PK-Spillway Pump and Piping	2,666	1,100	2024
CB-BE-Bel-house Drought Preparedness	90,285	2,652	2026+
CB-EW-EWC WTP Intake Slope Stabilization	3,113	2,637	2023
CB-EW-EWCRWS Expansion Phase II	53,314	2,375	2026+
CB-WCR-WCRRWL Copper Ion Generator *	2,768	1,237	2023
CB-WCR-WCRRWL Phase 3 Pumps *	20,515	1,958	2026
LB-AC-Allens Creek Reservoir	477,259	20,000	2026+
LB-LL- Hydrostatic Relief System	9,182	476	2026+
LB-LL-Low Flow Facility Modifications & Improvements	16,574	25	2026+
LB-LL-Park 5 Access Pier and Park Upgrades	3,016	1,000	2023
LB-LL-Tainter Gate Replacement and Improvements	44,671	11,700	2025
CO-ES-Environmental Services Building	10,585	3,316	2024
Total		\$ 50,458	

* Paid by Cost Reimbursable Customers



5-year CIP Plan (in 000's)

Project Name	Total Project Budget	FY 23 Proposed Expenditures	FY 24 Proposed Expenditures	FY 25 Proposed Expenditures	FY 26 Proposed Expenditures	FY 27 Proposed Expenditures
CB-BE-Belhouse Drought Preparedness	\$ 90,285	\$ 2,652	\$ 6,370	\$ 13,974	\$ 25,908	\$ 23,868
CB-EW-EWC WTP Intake Slope Stabilization	2,637	2,637	-	-	-	-
CB-EW-EWCRWS Expansion Phase II	53,314	2,375	3,500	9,000	8,500	10,000
CB-GR-Lake Granger Intake Future Expansion	3,000	-	-	-	-	3,000
CB-OT-Trinity Groundwater	23,135	-	1,000	1,000	1,000	4,000
CB-WCR-WCRRWL Copper Ion Generator	2,768	1,237	-	-	-	-
CB-WCR-WCRRWL Phase 3 Pumps	20,515	1,958	4,387	10,377	1,729	-
CO-ES-Environmental Services Building	10,585	3,316	6,175	-	-	-
LB-AC-Allens Creek Reservoir	477,259	20,000	14,000	6,000	23,000	23,000
LB-LL-Hydrostatic Relief System Assessment & Replacement	9,182	476	418	627	2,053	2,053
LB-LL-Low Flow Facility Modifications & Improvements	16,574	25	350	425	750	1,000
LB-LL-Park 5 Access Pier and Park Upgrades	3,016	1,000	-	-	-	-
LB-LL-Road Repairs & Improvements	1,575	-	-	25	1,550	-
LB-LL-Tainter Gate Replacement and Improvements	44,671	11,700	9,816	1,086	-	-
UB-LG-Inspection Walkway Lighting	1,696	-	-	-	314	1,314
UB-LG-Low Flow Facilities	5,691	506	-	-	-	-
UB-LG-Low Flow Facility Access Walkway	1,555	-	-	300	300	792
UB-LG-Reinforced Concrete Components	2,266	550	800	-	-	-
UB-LG-Rip Rap Repair	6,000	-	-	-	500	500
UB-LG-Road Repair	1,388	-	-	-	-	500
UB-LG-Tainter Gate Transmission System Modifications	29,000	-	-	-	-	1,000
UB-LG-Trolley Replacement	3,871	200	747	900	750	-
UB-PK-Bay #9 Weir Box	460	-	250	160	-	-
UB-PK-Boathouses	800	-	-	100	700	-
UB-PK-COC Ring Jet Valve Replacement	3,500	-	-	500	750	1,000
UB-PK-Flow Control Gate Replacement	1,852	726	200	100	-	-
UB-PK-North/South Bank Reconstruction	11,750	-	-	-	250	500
UB-PK-Spillway Pump and Piping	2,666	1,100	1,100	-	-	-
Totals \$	\$ 831,011	\$ 50,458	\$ 49,113	\$ 44,574	\$ 68,054	\$ 72,527



FY2023 Budget Summary

All Lines of Business (in millions)

	<u>Water Supply</u>	<u>Cost Reimbursable</u>	<u>Total</u>
<u>Beginning Reserves</u>	<u>\$ 48.9</u>	<u>\$ -</u>	<u>\$ 48.9</u>
Revenues	62.9	20.0	82.9
Expenses - O & M	(52.7)	(13.8)	(66.5)
Expenses - Debt Service	(4.8)	(3.0)	(7.8)
Operating Projects	<u>(4.1)</u>	<u>-</u>	<u>(4.1)</u>
Surplus	1.3	3.2	4.5
Capital Improvement Projects	(47.3)	(3.2)	(50.5)
Debt Funding	<u>23.0</u>	<u>-</u>	<u>23.0</u>
<u>Ending Reserves</u>	<u>\$ 25.9</u>	<u>\$ (0.0)</u>	<u>\$ 25.9</u>
90 Day Working Capital Reserve - Per Board Policy			<u>\$ 13.0</u>



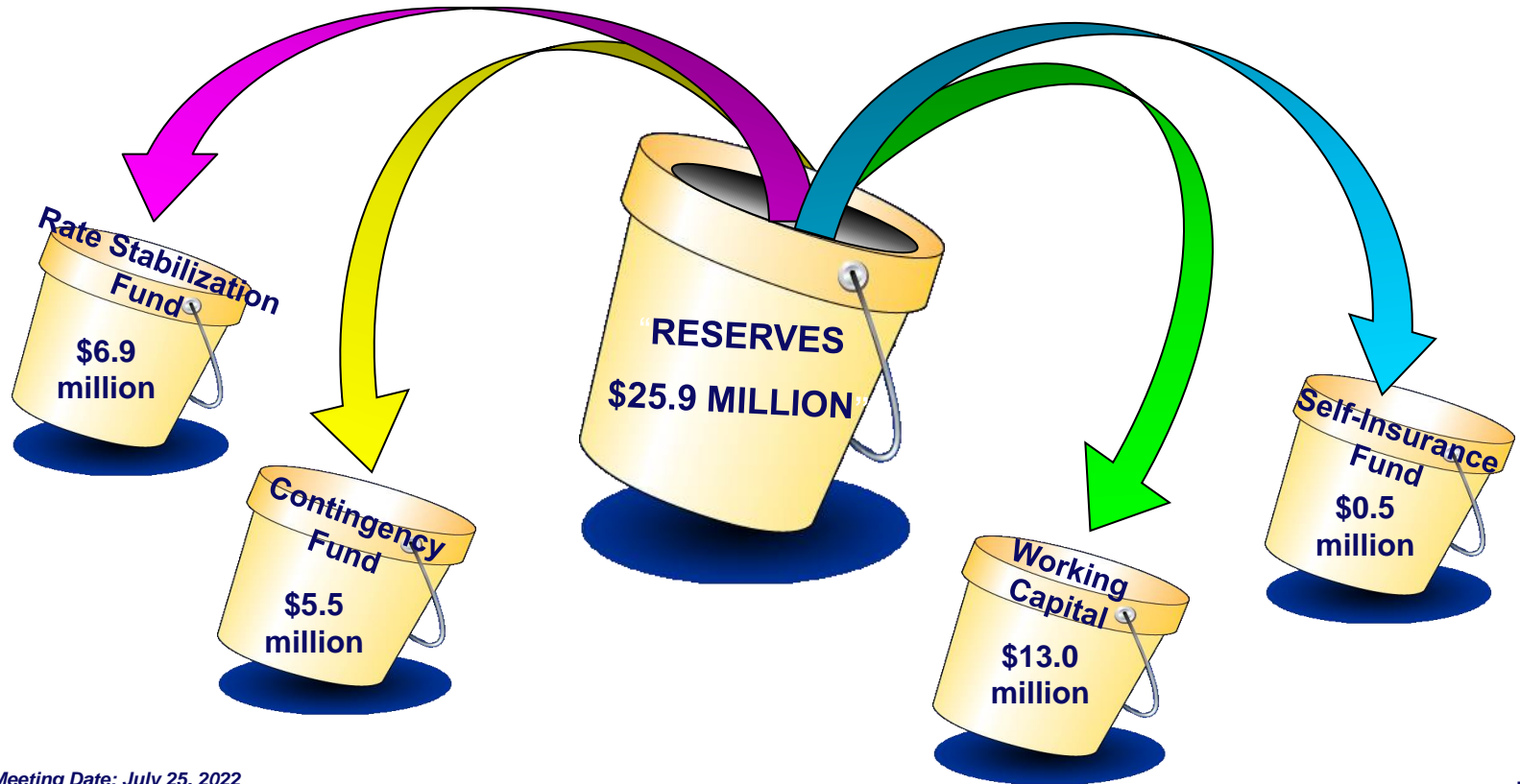
Water Supply System Reserves Overview (in millions)

		FY2023
Projected Beginning Balance (September 1, 2022)		\$ 48.9
Operations Surplus		\$ 1.3
Capital Expenditures		\$ (47.3)
	Allens Creek Reservoir	(20.0)
	Morris Sheppard Dam Improvements	(0.7)
	DeCordova Bend Dam Improvements	(1.3)
	Belhouse Drought Preparedness	(2.6)
	Sterling Robertson Dam Improvements	(12.2)
	Environmental Services Bldg.	(3.3)
	Other	(7.1)
Debt Funding		\$ 23.0
Ending Balance (August 31, 2023)		\$ 25.9



Reserve (Working Capital) Funds

Projected for August 31, 2023





Current Debt Outstanding

(in millions)

	<u>Actual</u> <u>Aug. 31, 2022</u>	<u>Projected</u> <u>Aug. 31, 2023</u>
<u>Water Supply System (BRA)</u>		
Revenue Bonds	\$ 21.1	\$ 42.5
Federal Reservoirs	17.5	16.5
Subtotal	38.6	59.0
<u>Contract Revenue Debt</u>		
Water Conveyance (WCRRWL)	24.5	22.1
Total Debt Outstanding	<u>\$ 63.1</u>	<u>\$ 81.1</u>



Five-Year Financial Forecast Water Supply System FY2023 - FY2027



Assumptions - Revenues

- **Raw Water Non-System – Consistent with Current Contract Terms**



Assumptions - Expenses

- **O&M Expense Increased by Historical Ten-Year Index Rolling Averages for FY2024 - FY2027**
- **Debt Service – Assumes Existing Debt and Potential New Debt for FY2023 - FY2027**



Five-Year Financial Forecast

(in millions)

<u>WATER SUPPLY SYSTEM</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>
Beginning Reserves	\$ 48.9	\$ 25.9	\$ 30.6	\$ 29.8	\$ 31.0
Revenues	62.9	65.7	69.5	72.9	80.4
Expenses	(58.4)	(61.4)	(62.8)	(64.6)	(69.4)
Revenue Available for Coverage	4.5	4.3	6.7	8.3	11.0
Debt Service Subject to Coverage:	(3.2)	(3.2)	(4.2)	(6.0)	(8.3)
Net Surplus (Deficit)	1.3	1.1	2.5	2.3	2.7
Capital Projects	(47.3)	(44.7)	(34.2)	(66.3)	(72.5)
Bond Proceeds	23.0	49.3	30.9	65.1	72.5
Rate Stabilization Reserves Used	-	(1.0)	-	-	(4.0)
Ending Reserves	\$ 25.9	\$ 30.6	\$ 29.8	\$ 31.0	\$ 29.6
Working Capital Reserve	13.0	13.5	14.1	14.7	15.3



FY 2023 Five-year Financial Forecast

	<u>Projected</u>			<u>Forecast</u>		
	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
<u>System Rate</u>						
System Rate Projection	\$ 83.00	\$ 88.00	\$ 92.50	\$ 97.50	\$ 102.50	\$ 108.50
Percentage Increase	5.1%	6.0%	5.1%	5.4%	5.1%	5.9%
System Rate Units (AF)	483,285	477,494	491,069	491,069	491,069	492,714
<u>Debt Service Coverage Test (in millions)</u>						
Debt Service Subject to Coverage	2.5	3.2	3.2	4.2	6.0	8.3
Amount Available to Meet Coverage	9.6	4.5	4.3	6.7	8.3	11.0
Projected Coverage Ratio	3.8	1.4	1.3	1.6	1.4	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
<u>Reserve Test (in millions)</u>						
90 Day Working Capital Reserve	10.7	13.0	13.5	14.1	14.7	15.3
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	16.7	19.0	19.5	20.1	20.7	21.3
Ending Working Capital	48.9	25.9	30.6	29.8	31.0	29.6
Reserve Test Met	Yes	Yes	Yes	Yes	Yes	Yes

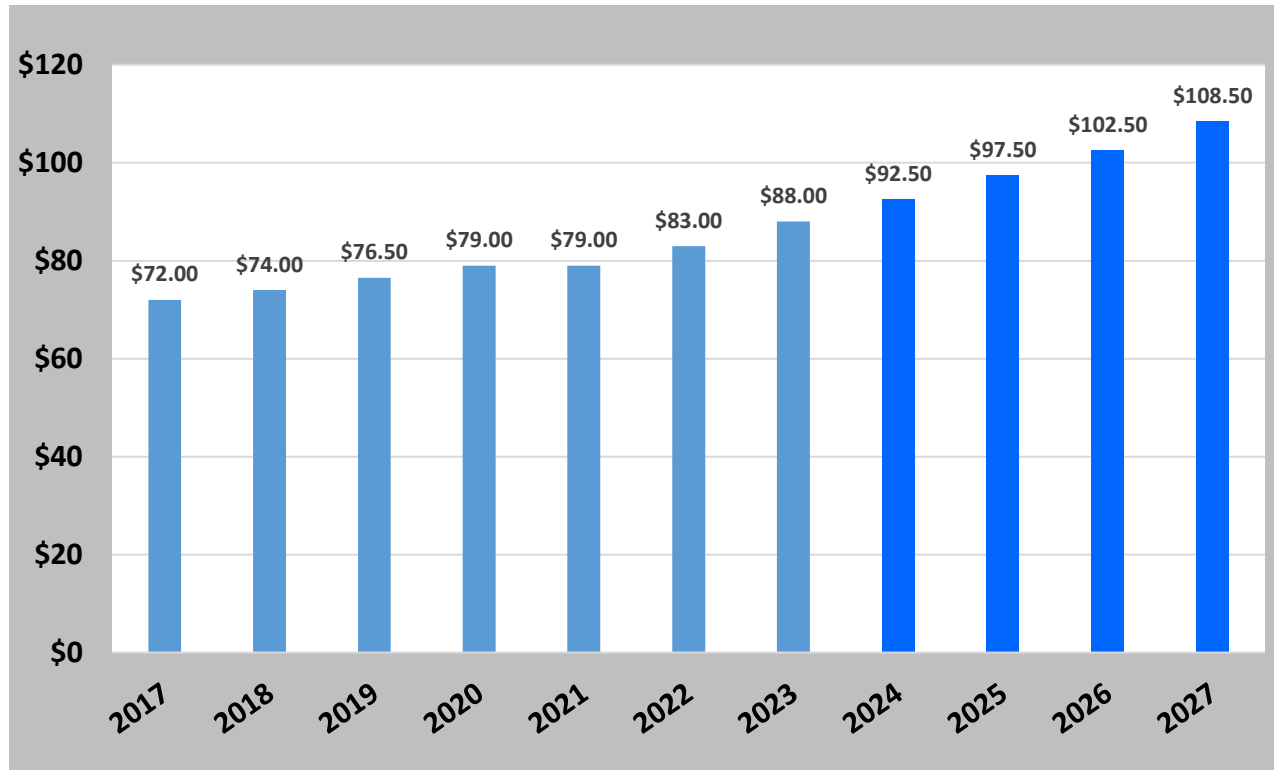


Five-Year Financial Forecast

WATER SUPPLY SYSTEM	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
System Rate Projection	\$88.00	\$92.50	\$97.50	\$102.50	\$108.50
Percentage Increase	6.00%	5.11%	5.41%	5.13%	5.85%
Debt Service Coverage	1.40	1.34	1.59	1.39	1.32



System Rate History/Forecast





Fiscal Year 2023 Adoption of Budget

Resolution



"BE IT RESOLVED by the Board of Directors of the Brazos River Authority (Board) that the Fiscal Year 2023 Annual Operating Plan and Multi-Year Capital Improvement Plan (Budget) as presented to the Board at the July 25, 2022 meeting be approved and adopted, and,

BE IT FURTHER RESOLVED that the General Manager/CEO is hereby authorized to make expenditures and enter into contracts for expenditures as listed in the Budget, in accordance with the Brazos River Authority's General Operations Practices, Policy 2.01, *Authority And Responsibilities Of The Board Of Directors And General Manager/Chief Executive Officer*;



BE IT FURTHER RESOLVED that the **General Manager/CEO** is hereby authorized to make adjustments in the individual line item amounts of the **Budget** provided that the total amount expended shall not exceed the total amount authorized for each operating division as follows:

Water Supply	\$ 61,604,578
Cost Reimbursable	<u>16,803,741</u>
Total Operating Budget	<u>\$ 78,408,319</u>

Water Supply	\$ 47,263,000
Cost Reimbursable	<u>3,195,000</u>
Total Capital Budget	<u>\$ 50,458,000</u>



BE IT FURTHER RESOLVED that the Board hereby adopts the Multi-Year Capital Improvement Plan as presented in the Budget;

BE IT FURTHER RESOLVED that the Board hereby approves and adopts a rate of \$88.00 per acre-foot of water annually for Fiscal Year 2023, for both the System Water Rate and the Interruptible Water Rate;

BE IT FURTHER RESOLVED that the Board hereby approves and adopts a rate of \$61.60 per acre-foot of water annually for Fiscal Year 2023, for the Agricultural Water Rate;



BE IT FURTHER RESOLVED that the Board hereby approves and adopts a methodology for Quarterly Payments or Monthly Payments to include a multiplier to be applied to the annual payment to allow the Brazos River Authority to recover interest lost on any unpaid balance plus a Service Charge for administrative costs, including, but not limited to, costs involving the billing, accounting and collecting for the quarterly or monthly payments;



BE IT FURTHER RESOLVED by the Board that the methodology used to determine the multiplier consists of applying the current savings rate the Brazos River Authority would be earning on the funds if paid in full annually, to the unpaid balance on a monthly or quarterly schedule, to determine lost interest; and that the Service Charge shall remain at twenty dollars (\$20.00) per invoice to cover additional administrative costs for billing, accounting and collecting the associated payments. The annual interest rate of 4.0% and a daily interest rate charge of .0109589% ($4\% \div 365$) to be applied for quarterly and monthly payments for Fiscal Year 2023 shall remain the same.”



Brazos

RIVER AUTHORITY