



Fiscal Year 2024 Annual Operating Plan (Budget) Workshop and Adoption of Budget

***Presented by
David Thompson
Chief Financial Officer***

Meeting Date: July 31, 2023

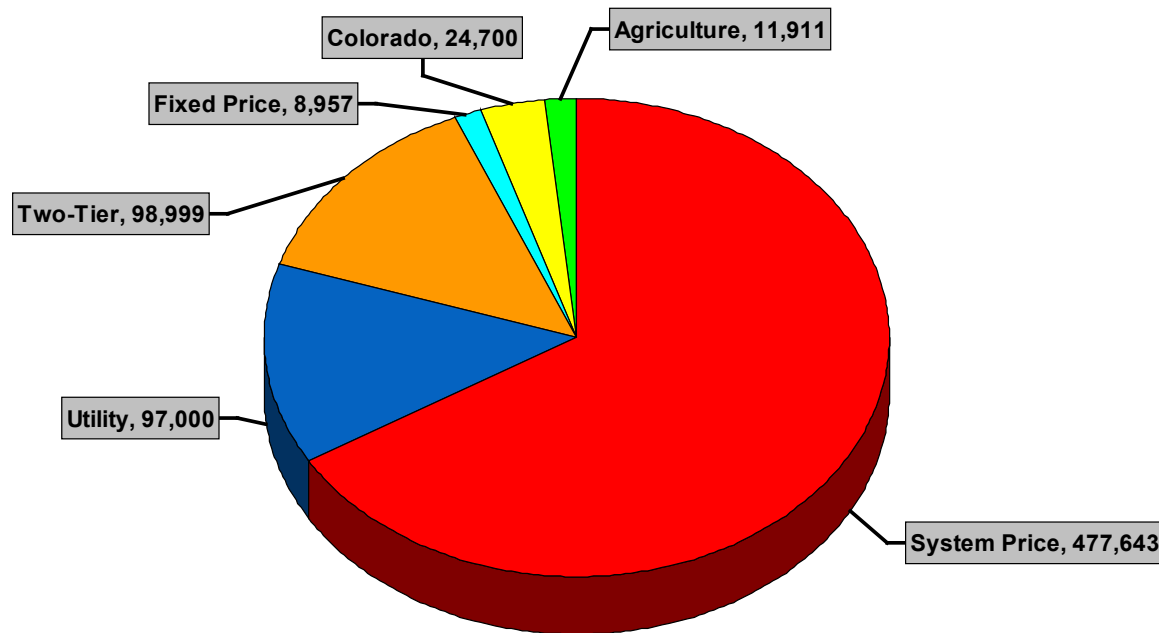


BRA Business Model

		FY 23 Budget (in 000's)	FY 24 Budget (in 000's)
Water Supply Expenses			
Water Supply O&M Expenditures	\$	52,736	\$ 55,312
Water Supply Debt Service (subject to coverage)		3,213	4,469
Water Supply Debt Service (not subject to coverage)		1,587	1,574
Operating Project Expenditures		4,068	5,442
Total Water Supply Expenses	\$	61,604	\$ 66,797
Non-System Water Revenues			
Non-System Water Revenues		(7,292)	(7,813)
Other Water Supply Revenues		(13,570)	(17,389)
Total Non-System Revenues	\$	(20,862)	\$ (25,202)
Debt Coverage Requirement (1.3 ratio)	\$	964	\$ 1,341
Gross Financial Requirement	\$	41,706	\$ 42,936
Total System Water Billing Units (acre feet)		477,494	477,643
Calculated System Rate (Gross Financial Requirement/Number of System rate Units)		\$87.34	\$89.89
Rate Stabilization Reserve Contribution	\$	315	\$ 1,725
Net Financial Requirement (Gross Financial Requirement less Rate Stabilization Fund Contribution)	\$	42,021	\$ 44,661
Effective System Rate (Net Financial Requirement/Number of System Rate Units)	\$	88.00	\$ 93.50



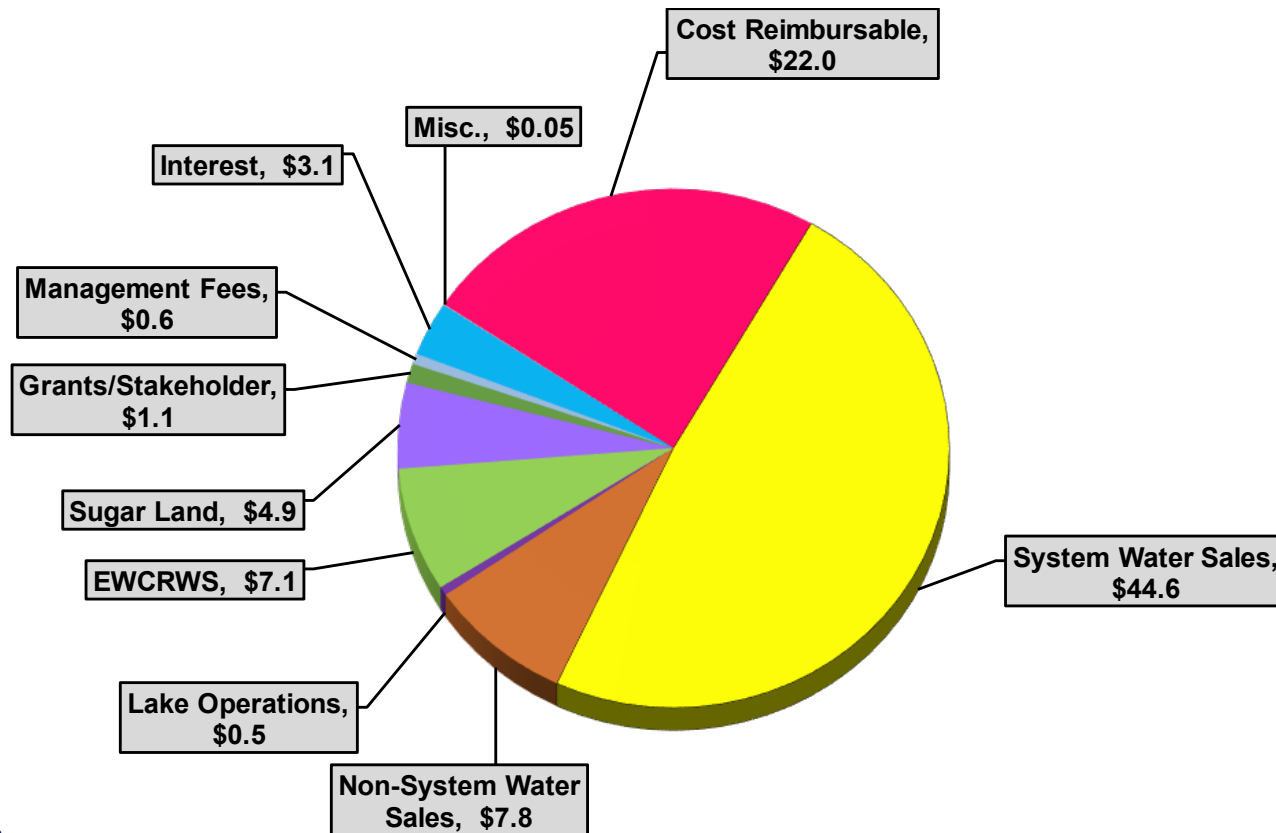
FY2024 Long Term Raw Water Sales 719,210 AF





FY2024 Proposed Revenues

\$91.8M





Long Term Billing Units & Average Price

	FY2023			FY2024		
	Units	Avg Price	%	Units	Avg Price	%
System Rate	477,494	\$88.00	66%	477,643	\$93.50	67%
Agricultural	11,911	\$61.60	2%	11,911	\$65.45	2%
Two-Tier	98,999	\$18.69	14%	98,999	\$19.55	14%
Other Fixed Price	9,231	\$25.78	1%	8,957	\$26.88	1%
Utilities	97,000	\$19.28	14%	97,000	\$21.70	13%
Colorado Basin	23,328	\$84.38	3%	24,700	\$85.07	3%
	<u>717,963</u>		<u>100%</u>	<u>719,210</u>		<u>100%</u>



Expense Assumptions

- **Employee compensation & benefits**
 - **Provides for a 4% ECI and 1.5% Merit Pool**
 - **Net increase of seven full-time positions and two part-time positions**
 - **BRA's share of the O&M expenses for the Federal Reservoirs for FY 2024 increased \$664K from last year's budget.**

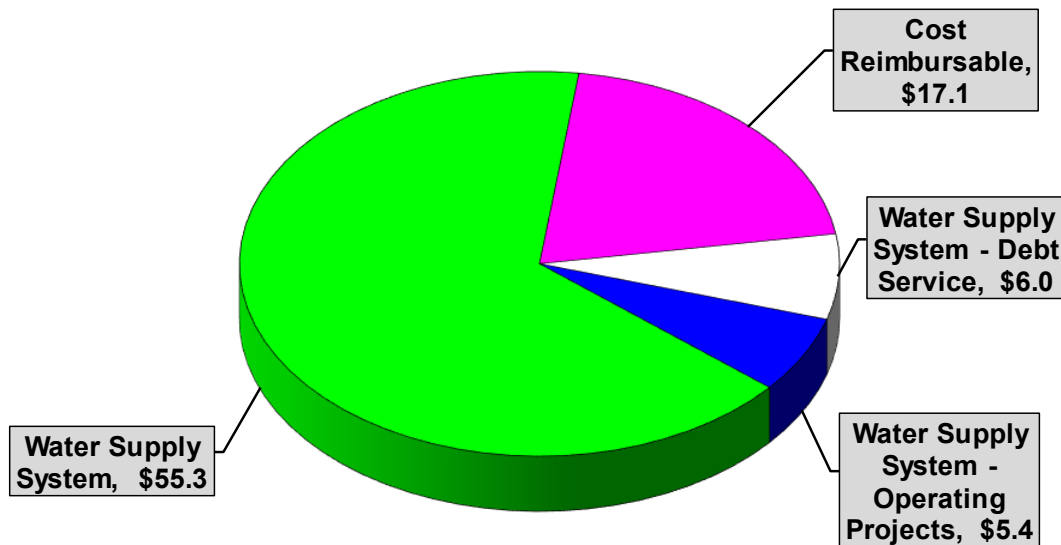


Water Supply Costs

COE costs (O&M and debt service) budgeted for FY 2024 are \$5.6 million and that is about \$12/AF for the System Rate.

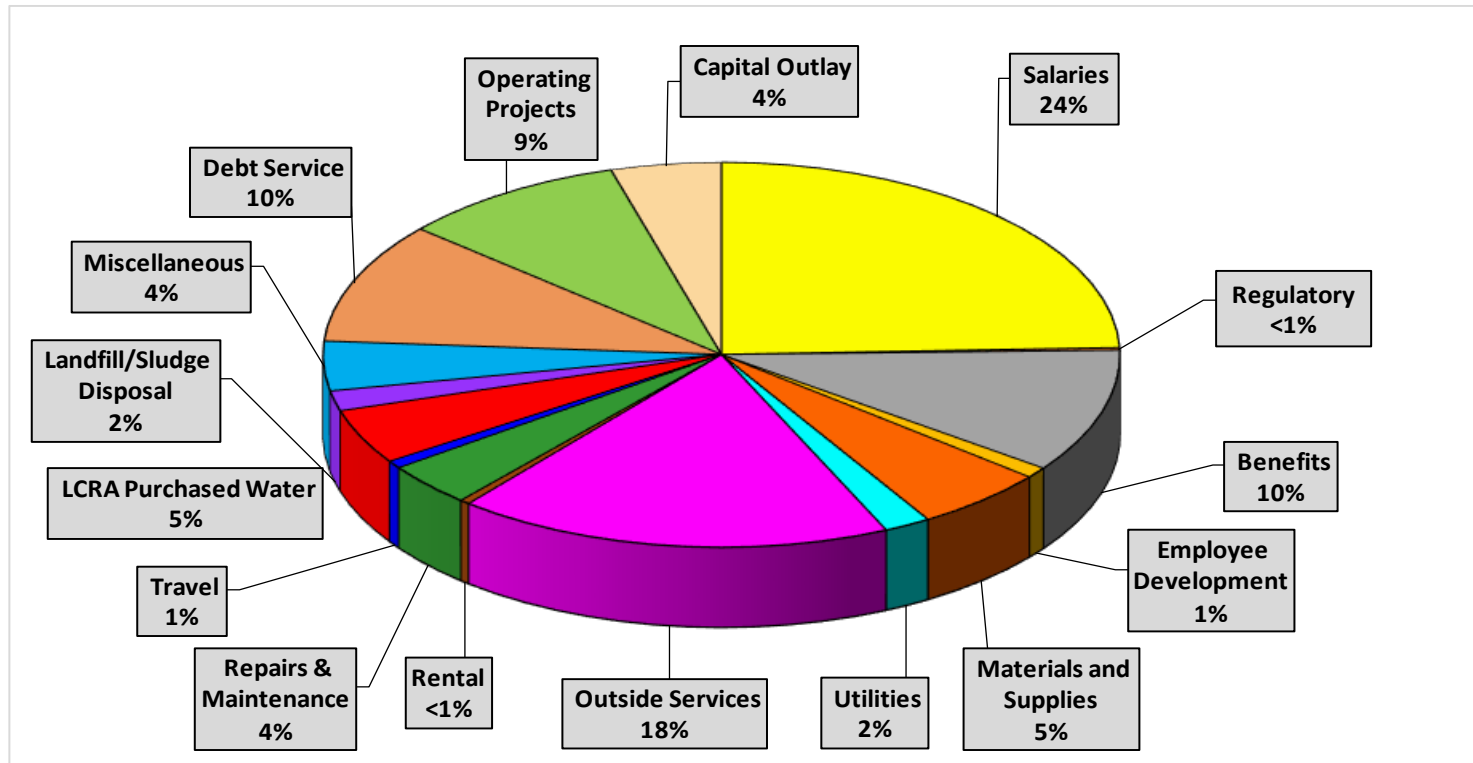


FY2024 Proposed Operating Expenses \$83.9M





FY 2024 Proposed Water Supply System O&M Expenses by Category





FY2024 Proposed Operating Projects
(in thousands)

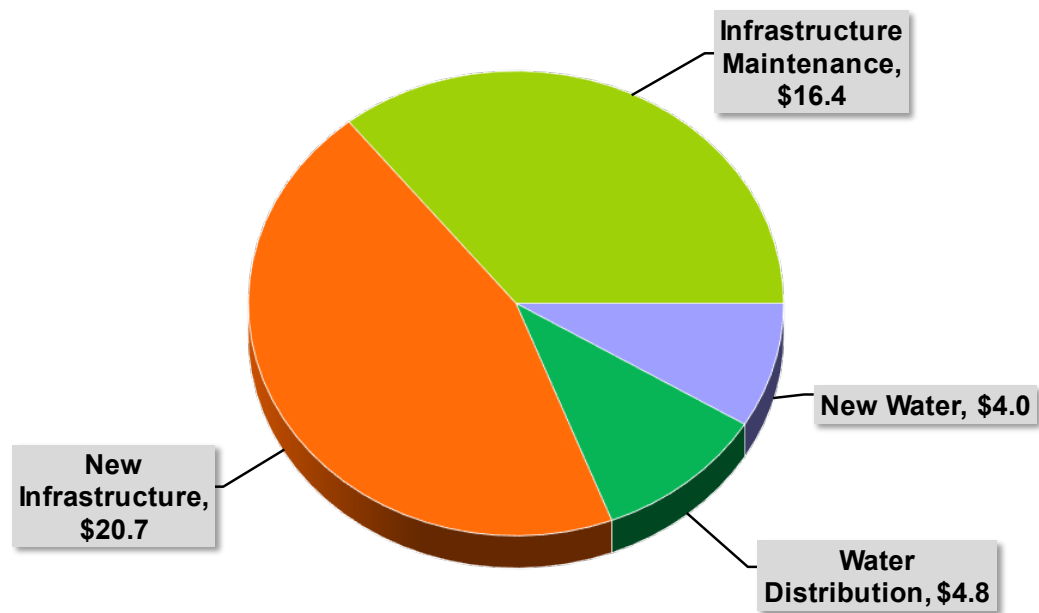
<u>Project Name</u>	<u>FY 2024 Proposed Expenditures</u>
BW-ES-Brazos Water Snake Study	\$ 245
BW-OS- Security and Vulnerability Assessment Updates	250
BW-TS- Risk Based Capital Planning and Management Support	1,095
BW-WS-Brazos River Alluvium Study	17
BW-WS-Integrated Water Resources Plan	75
CB-WH-Lake Whitney Reallocation Study	600
CO-FA-Enterprise Financial Software	550
CO-IT-Audiovisual Technology Integrations	476
LB-LL-Administrative Complex Architectural Assessment, Design & Replacement	29
UB-LG-Electric Vulnerability Assessment	250
UB-LG-Hearth Stability Analysis	225
UB-LG-Lake Granbury Building Repairs	75
UB-LG- Tainter Gate Evaluation	250
UB-PK-Bay 9 Transition Beam Leak Remediation	294
UB-PK-COC Recoating and Repairs	491
UB-PK-Operating Pier Trash Rack Replacement	189
UB-PK-Recreational Development	331
Total	\$ 5,442



Fiscal Year 2024 Multi-Year Capital Improvement Plan



FY2024 Proposed Capital Improvement Projects by Type \$45.9M





FY2024 Proposed Capital Improvement Projects

(in thousands)

<u>Project Name</u>	<u>Total Project</u>	<u>FY 2024 Proposed</u>	<u>Est. Completion</u>
	<u>Cost</u>	<u>Expenditures</u>	<u>Date</u>
CB-BE-Bel-house Drought Preparedness	\$ 87,342	\$ 7,953	2028
CB-EW-EWC WTP Intake Slope Stabilization	2,670	450	2024
CB-EW-EWCRWS Expansion Phase II	342,954	6,612	2028
CB-WCR-WCRRWL Copper Ion Generator *	3,423	1,846	2024
CB-WCR-WCRRWL Phase 3 Pumps *	35,192	3,012	2026
CO-ES-Environmental Services Building	12,653	4,885	2025
LB-AC-Allens Creek Reservoir	700,524	4,000	2035
LB-LL-Hydrostatic Relief System Assessment & Replacement	9,332	650	2027
LB-LL-Low Flow Facility Modifications & Improvements	20,932	513	2029
LB-LL-Park 5 Access Pier and Park Upgrades	3,221	1,200	2024
LB-LL-Tainter Gate Replacement and Improvements	36,058	8,202	2025
UB-LG-Buttress 1 and 44 Repairs	1,076	302	2025
UB-LG-Low Flow Facilities	6,818	1,000	2024
UB-LG-Stoplog Replacement System	2,795	450	2026
UB-PK-Bay #9 Weir Box	494	200	2025
UB-PK-Flow Control Gate Replacement	3,268	1,528	2026
UB-PK-Spillway Pump and Piping	3,719	3,071	2024
Total		\$ 45,874	

* Paid by Cost Reimbursable Customers



5-year CIP Plan (in 000's)

Project Name	Total Project Budget	FY 24 Proposed Expenditures	FY 25 Proposed Expenditures	FY 26 Proposed Expenditures	FY 27 Proposed Expenditures	FY 28 Proposed Expenditures
CB-BE-Bel-house Drought Preparedness	\$ 87,342	\$ 7,953	\$ 5,280	\$ 23,868	\$ 23,868	\$ 23,868
CB-EW-EWC WTP Intake Slope Stabilization	2,670	450	-	-	-	-
CB-EW-EWCRWS Expansion Phase II	342,954	6,612	3,300	36,000	48,000	36,000
CB-GR-Lake Granger Intake Future Expansion	3,000	-	-	3,000	-	-
CB-WCR-WCRRWL Copper Ion Generator	3,423	1,846	-	-	-	-
CB-WCR-WCRRWL Phase 3 Pumps	35,192	3,012	14,400	14,400	-	-
CO-ES-Environmental Services Building	12,653	4,885	6,411	-	-	-
LB-AC-Allens Creek Reservoir	700,524	4,000	14,000	14,000	20,000	20,000
LB-LL-Hydrostatic Relief System Assessment & Replacement	9,332	650	990	2,124	2,053	-
LB-LL-Low Flow Facility Modifications & Improvements	20,932	513	879	879	879	3,022
LB-LL-Park 5 Access Pier and Park Upgrades	3,221	1,200	-	-	-	-
LB-LL-Road Repairs & Improvements	1,575	-	-	-	25	1,550
LB-LL-Tainter Gate Replacement and Improvements	36,058	8,202	286	-	-	-
LB-LL-Upstream Embankment Construction	14,460	-	-	-	750	3,000
UB-LG-Buttress 1 and 44 Repairs	1,076	302	50	-	-	-
UB-LG-Inspection Walkway Lighting	1,696	-	-	-	314	1,314
UB-LG-Low Flow Facilities	6,818	1,000	-	-	-	-
UB-LG-Low Flow Facility Access Walkway	1,555	-	-	300	300	792
UB-LG-Rip Rap Repair	6,000	-	-	-	500	500
UB-LG-Stoplog Replacement System	2,795	450	900	750	-	-
UB-LG-Tainter Gate Recoating	4,150	-	-	-	900	-
UB-LG-Tainter Gate Transmission System Modifications	29,000	-	-	-	1,000	2,000
UB-PK-Bay #9 Weir Box	494	200	244	-	-	-
UB-PK-COC Ring Jet Valve Replacement	3,500	-	500	750	1,000	1,250
UB-PK-Flow Control Gate Replacement	3,268	1,528	500	500	-	-
UB-PK-North/South Bank Reconstruction	11,750	-	-	-	250	500
UB-PK-Spillway Pump and Piping	3,719	3,071	-	-	-	-
Totals	\$ 1,349,157	\$ 45,874	\$ 47,740	\$ 96,571	\$ 99,839	\$ 93,796



FY2024 Budget Summary

All Lines of Business (in millions)

	<u>Water Supply</u>	<u>Cost Reimbursable</u>	<u>Total</u>
<u>Beginning Reserves</u>	\$ 59.1	\$ -	\$ 59.1
Revenues	69.8	22.0	91.8
Expenses - O & M	(55.3)	(14.1)	(69.4)
Expenses - Debt Service	(6.0)	(3.0)	(9.0)
Operating Projects	(5.4)	-	(5.4)
Surplus	3.0	4.9	7.9
Capital Improvement Projects	(41.0)	(4.9)	(45.9)
Debt Funding	46.0	-	46.0
Ending Reserves	\$ 67.1	\$ -	\$ 67.1
90 Day Working Capital Reserve - Per Board Policy			<u>\$ 13.6</u>



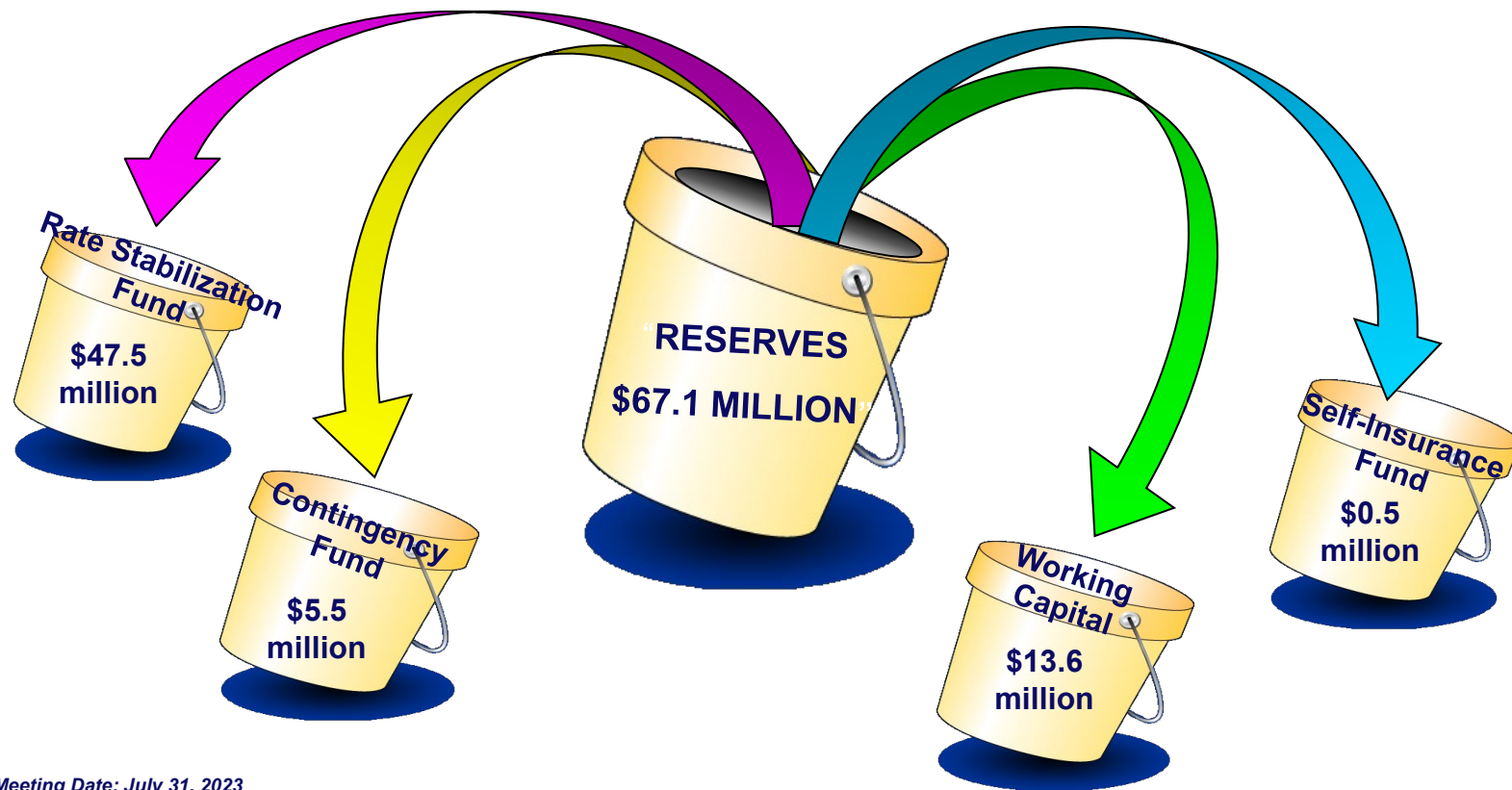
Water Supply System Reserves Overview (in millions)

		FY2024
Projected Beginning Balance (September 1, 2023)		\$ 59.1
Operations Surplus		\$ 3.0
Capital Expenditures		\$ (41.0)
	Allens Creek Reservoir	(4.0)
	Morris Sheppard Dam Improvements	(4.8)
	DeCordova Bend Dam Improvements	(1.7)
	Bel-house Drought Preparedness	(7.9)
	Sterling Robertson Dam Improvements	(9.3)
	Environmental Services Bldg.	(4.9)
	Other	(8.4)
Debt Funding		\$ 46.0
Ending Balance (August 31, 2024)		\$ 67.1



Reserve (Working Capital) Funds

Projected for August 31, 2024





Current Debt Outstanding

(in millions)

	<u>Actual</u> <u>Aug. 31, 2023</u>	<u>Projected</u> <u>Aug. 31, 2024</u>
<u>Water Supply System (BRA)</u>		
Revenue Bonds	\$ 19.2	\$ 66.1
Federal Reservoirs	<u>16.5</u>	<u>15.5</u>
Subtotal	35.7	81.6
<u>Contract Revenue Debt</u>		
Water Conveyance (WCRRWL)	<u>22.2</u>	<u>19.9</u>
Total Debt Outstanding	<u>\$ 57.9</u>	<u>\$ 101.5</u>



Five-Year Financial Forecast Water Supply System FY2024 - FY2028



Assumptions - Revenues

- **Raw Water Non-System – Consistent with current contract terms. Assumes all expiring non-Agriculture contracts will renew as System Rate contracts.**

Assumptions - Expenses

- **O&M Expense increased by historical ten-year index rolling averages for FY2025 - FY2028**
- **Debt Service – assumes existing debt and potential new debt for FY2024 - FY2028**
- **Operating Projects & Capital Projects based on updated Project Budget Worksheets**



Five-Year Financial Forecast

(in millions)

<u>WATER SUPPLY SYSTEM</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Beginning Reserves	\$ 59.1	\$ 67.1	\$ 45.1	\$ 33.7	\$ 31.2
Revenues	69.8	75.2	79.1	83.5	88.4
Expenses	(62.3)	(63.5)	(65.0)	(67.2)	(70.4)
Revenue Available for Coverage	7.5	11.6	14.1	16.3	18.0
Debt Service Subject to Coverage:	(4.5)	(4.5)	(6.5)	(10.1)	(13.7)
Net Surplus (Deficit)	3.0	7.1	7.6	6.2	4.3
Capital Projects	(41.0)	(33.3)	(82.2)	(99.8)	(93.8)
Bond Proceeds	46.0	4.2	63.1	91.1	88.1
Rate Stabilization Reserves Used	-	-	-	-	-
Ending Reserves	\$ 67.1	\$ 45.1	\$ 33.7	\$ 31.2	\$ 29.7
 Working Capital Reserve	 13.6	 13.5	 14.1	 14.7	 15.3



FY 2024 Five-year Financial Forecast

	<u>Projected</u>		<u>Forecast</u>			
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
<u>System Rate</u>						
System Rate Projection	\$ 88.00	\$ 93.50	\$ 99.50	\$ 106.00	\$ 113.00	\$ 121.00
Percentage Increase	6.0%	6.3%	6.4%	6.5%	6.6%	7.1%
System Rate Units (AF)	477,494	477,643	491,268	491,268	492,639	492,913
<u>Debt Service Coverage Test (in millions)</u>						
Debt Service Subject to Coverage	2.5	4.5	4.5	6.5	10.1	13.8
Amount Available to Meet Coverage	13.6	7.5	11.6	14.1	16.3	18.0
Projected Coverage Ratio	5.4	1.7	2.6	2.2	1.6	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	11.7	13.6	14.2	14.9	15.5	16.2
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	17.7	19.6	20.2	20.9	21.5	22.2
Ending Working Capital	59.1	67.1	45.1	33.7	31.2	29.7
Reserve Test Met	Yes	Yes	Yes	Yes	Yes	Yes

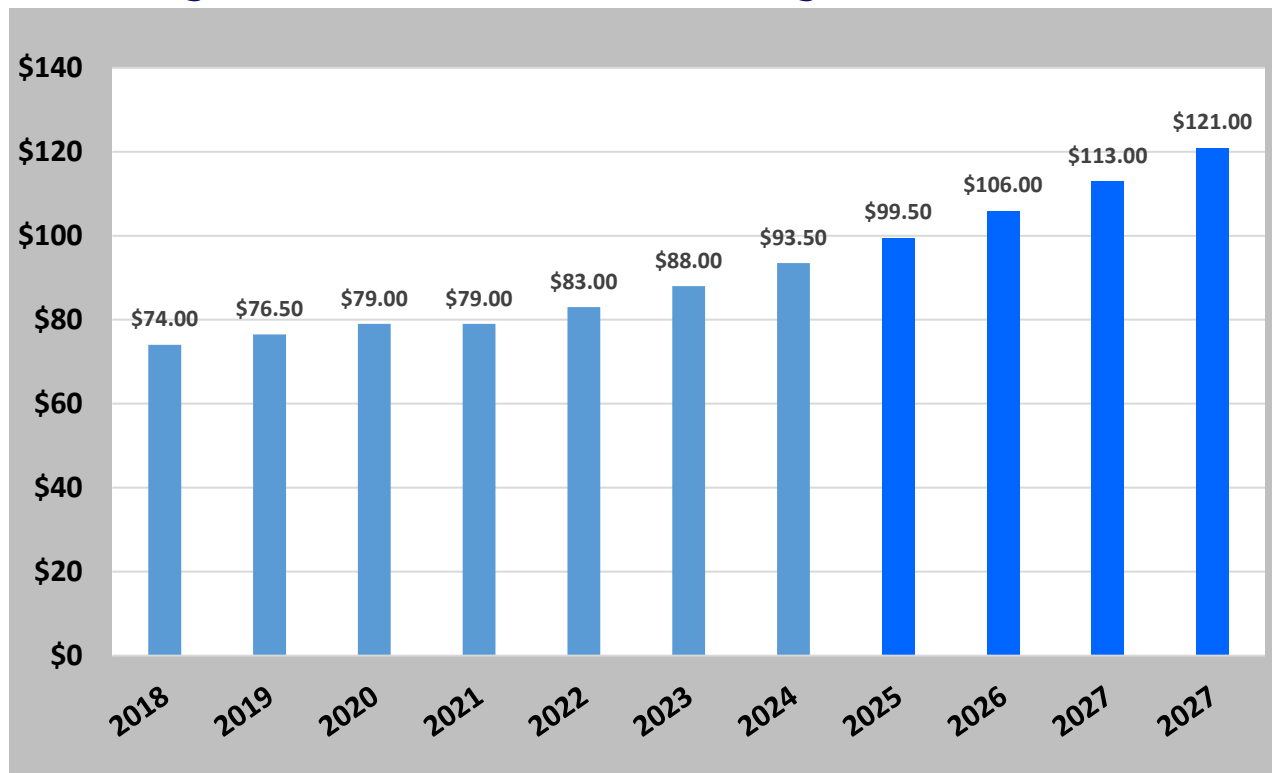


Five-Year Financial Forecast

WATER SUPPLY SYSTEM	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
System Rate Projection	\$93.50	\$99.50	\$106.00	\$113.00	\$121.00
Percentage Increase	6.25%	6.42%	6.53%	6.60%	7.08%
Debt Service Coverage	1.67	2.60	2.18	1.62	1.31



System Rate History/Forecast





Fiscal Year 2024 Adoption of Budget



"BE IT RESOLVED by the Board of Directors of the Brazos River Authority (Board) that the Fiscal Year 2024 Annual Operating Plan and Multi-Year Capital Improvement Plan (Budget) as presented to the Board at the July 31, 2023, meeting be approved and adopted, including the following provisions:

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	\$ 66,797,128
Cost Reimbursable	<u>17,100,662</u>
Total Operating Budget	<u>\$ 83,897,790</u>

Water Supply	\$ 41,016,000
Cost Reimbursable	<u>4,858,000</u>
Total Capital Budget	<u>\$ 45,874,000</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 \$93.50 per acre-foot of water annually for Fiscal Year 2024, 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 \$65.45 per acre-foot of water annually for Fiscal Year 2024, 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; and



BE IT FURTHER RESOLVED that the Board hereby approves and adopts an 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 2024.”



Brazos River Authority



Brazos
— ★ —
RIVER AUTHORITY