



***Fiscal Year 2026
Annual Operating Plan and Adoption of
Annual Operating Plan***

***Presented by
Michele Giroir
Chief Financial Officer***

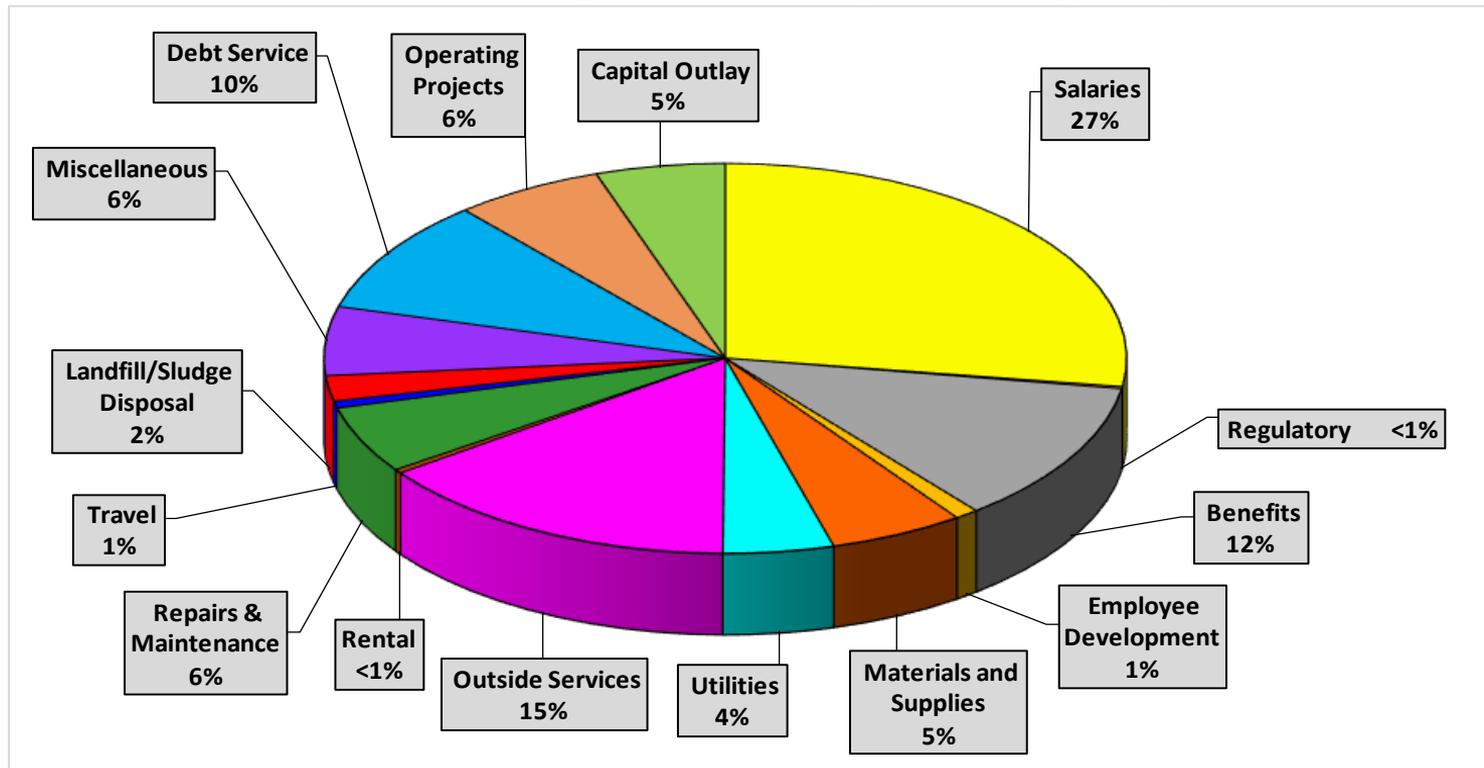


Expense Assumptions

- Expenses
- Includes an Employment Cost Index increase of 2.5% and a merit pool of 3.0%. Health Insurance costs increasing 17%.
- BRA's share of the O&M expenses for storage in Federal Reservoirs for FY 2026 is \$5.4M, a \$500K decrease from FY 2025. This includes a one-time increase of \$177K for Lake Georgetown Improvements.



FY 2026 Proposed O&M Expenses by Category





Operating Projects – 5 Year Plan (in thousands)

Project Name	Project Type	Amounts in 000's				
		FY 26	FY 27	FY 28	FY 29	FY 30
BW-ES-Brazos Water Snake Study	Studies/Assessments	\$ 66	\$ -	\$ -	\$ -	\$ -
BW-IT-Technical Security Upgrades	Technology	850	-	-	-	-
BW-TS- Risk Based Capital Planning and Management Support	Studies/Assessments	505	-	-	-	-
CB-WH-Lake Whitney Reallocation Study	Studies/Assessments	500	-	-	-	-
UB-PK-Elevators Replacement	Infrastructure Maintenance	400	-	-	-	-
UB-ES-Comprehensive Water Quality Modeling Tool for PK	Studies/Assessments	1,250	1,250	-	-	-
UB-LG-Embankment Stability Analysis and Assessment	Studies/Assessments	159	500	-	-	-
UB-LG-Tainter Gate Evaluation	Infrastructure Maintenance	700	50	-	-	-
UB-PK-COC Recoating and Repairs	Infrastructure Maintenance	750	1,688	-	-	-
UB-PK-Bay 9 Transition Beam Leak Remediation	Infrastructure Maintenance	535	536	200	-	-
UB-LG-Low Flow Facility Retaining Wall	New Infrastructure	-	100	50	-	-
UB-PK-Seismic Analysis & Hydrographic Sedimentation Survey	Studies/Assessments	-	600	-	-	-
LB-LL-Upstream Embankment Assessment	Studies/Assessments	-	-	600	-	-
UB-PK-Emergency Spillway Evaluation	Studies/Assessments	-	-	600	-	-
UB-LG-Facility Access Walkways	New Infrastructure	-	-	200	1,250	-
UB-PK-Red Bluff Bridge Repair	Infrastructure Maintenance	-	-	300	1,100	-
UB-WS-PK Probable Maximum Flood Analysis	Studies/Assessments	-	-	400	400	-
LB-LL-Concrete Assessment & Repairs (CAASLE)	Infrastructure Maintenance	-	-	-	625	625
UB-LG-South Dike Erosion Repair	Infrastructure Maintenance	-	-	-	130	110
UB-LG-Targeted Concrete and Structural Condition Assessment	Studies/Assessments	-	-	-	-	833
UB-PK-Powerhouse Infrastructure Stabilization	Infrastructure Maintenance	-	-	-	-	350
Totals		\$ 5,715	\$ 4,724	\$ 2,350	\$ 3,505	\$ 1,918



Water Supply Revenue

System Rate Water Sales

- The System Water rate for FY 26 will be \$106 per AF.

Non-System Rate Water Sales

- Non-System Water Sales are expected to stay relatively level with FY25.

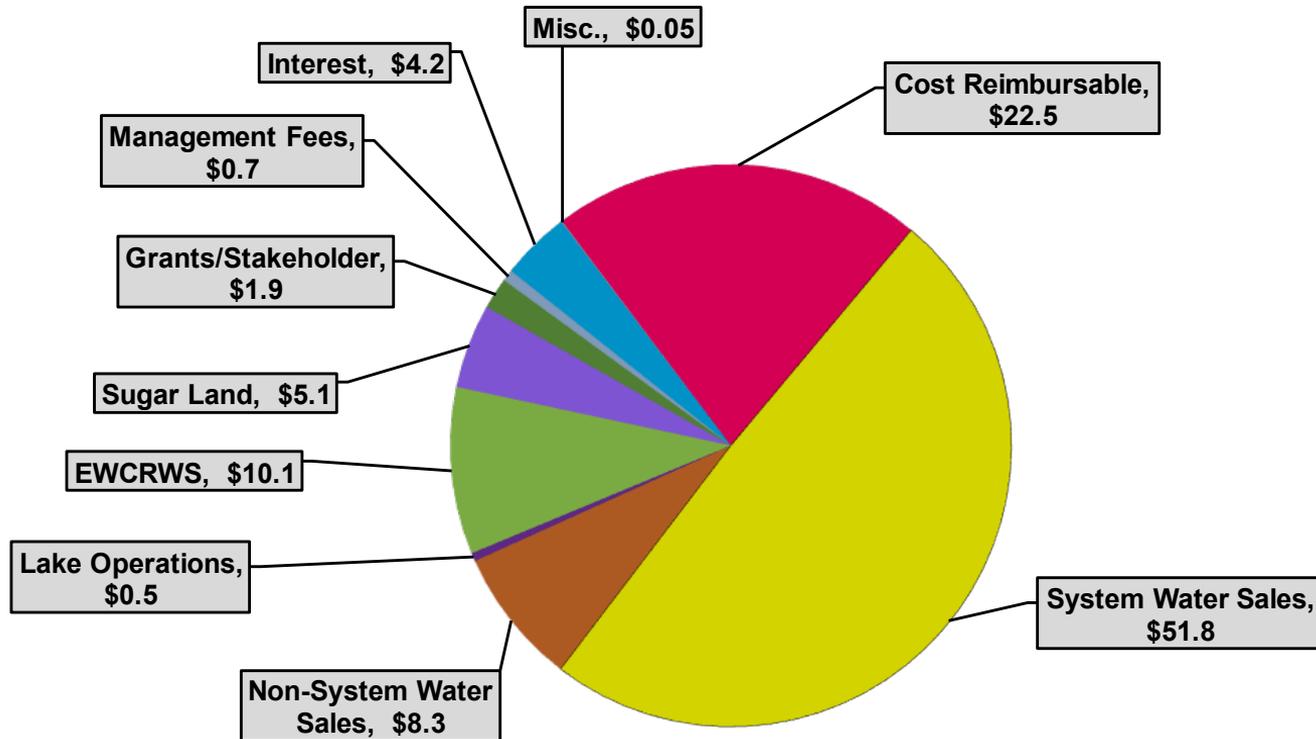
Other Water Supply Revenues

- Interest Income is expected to decrease by \$700K due to lower cash balances as reserves are used to fund capital projects and interest rates are expected to be lower.
- Treated water sales at our East Williamson County facility are expected to increase by \$588K due to increased demand.



FY2026 Proposed Revenues

\$105.2M





Long Term Billing Units & Average Price

	FY2025			FY2026		
	Units	Avg Price	%	Units	Avg Price	%
System Rate	481,740	\$99.50	67%	488,357	\$106.00	67%
Agricultural	15,661	\$69.65	2%	11,911	\$74.20	2%
Two-Tier	98,999	\$19.54	14%	98,999	\$19.75	14%
Other Fixed Price	8,683	\$19.76	1%	2,784	\$36.81	<1%
Utilities	97,000	\$21.70	13%	97,000	\$21.70	13%
Colorado Basin	24,700	\$103.83	3%	24,700	\$100.53	3%
	<u>726,783</u>		<u>100%</u>	<u>723,751</u>		<u>100%</u>



System Rate Calculation

	FY 25 Budget	FY 26 Budget
Non-System Water Rate Revenues		
Non-System Water Revenues	8,503	8,255
Other Water Supply Revenues	22,685	22,675
Total Non-System Water Rate Revenues	\$ 31,188	\$ 30,930
Water Supply Expenses		
Water Supply O&M Expenditures	61,527	63,400
Water Supply Debt Service (subject to coverage)	4,474	4,473
Water Supply Debt Service (not subject to coverage)	1,448	1,448
Operating Project Expenditures	7,075	5,715
Total Water Supply Expenses	\$ 74,524	\$ 75,036
Debt Coverage Requirement (1.3 ratio)	1,342	1,342
Rate Stabilization Reserve Contribution	3,250	6,300
Total Financial Requirement	\$ 47,928	\$ 51,748
Total System Water Billing Units (acre feet)	481,740	488,357
Calculated System Rate (Financial Requirement/Number of System Rate Units)	\$ 99.50	\$ 106.00



FY2026 Budget Summary

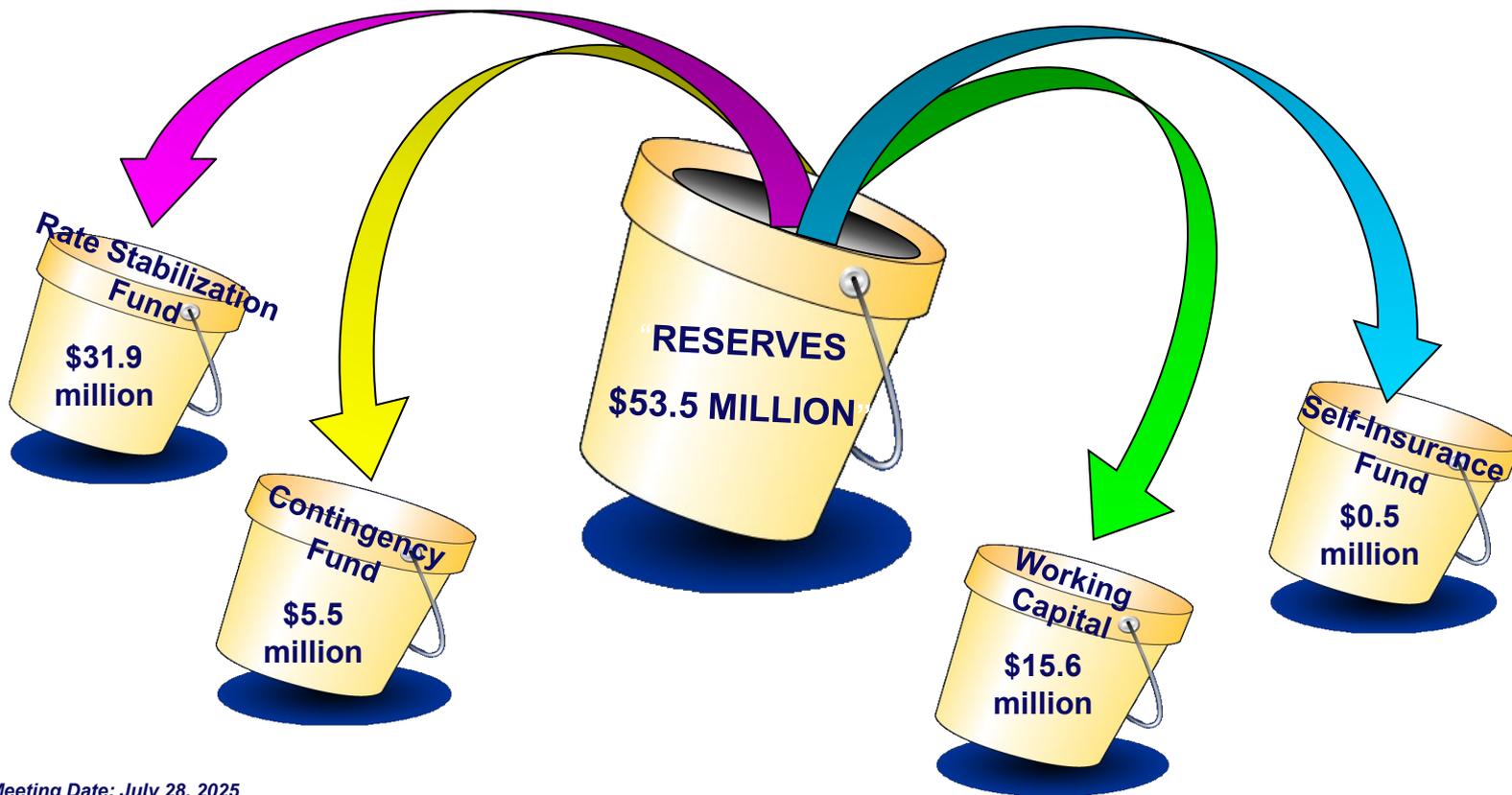
All Lines of Business *(in millions)*

	<u>Water Supply</u>	<u>Cost Reimbursable</u>	<u>Total</u>
<u>Beginning Reserves</u>	\$ 104.6	\$ -	\$ 104.6
Revenues	82.7	22.6	105.3
Expenses - O & M	(63.4)	(15.5)	(78.9)
Expenses - Debt Service	(5.9)	(3.1)	(9.0)
Operating Projects	(5.7)	-	(5.7)
Surplus	7.7	4.0	11.7
Capital Improvement Projects	(91.7)	(4.0)	(95.7)
Debt Funding	33.0	-	33.0
Ending Reserves	\$ 53.5	\$ -	\$ 53.5



Reserve (Working Capital) Funds

Projected for August 31, 2026



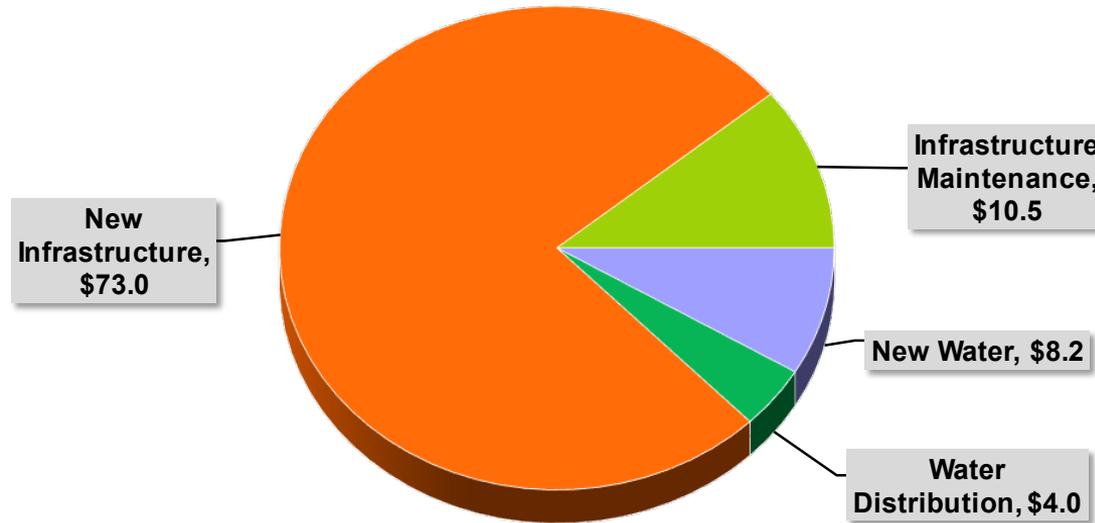


Fiscal Year 2026

Multi-Year Capital Improvement Plan



FY2026 Proposed Capital Improvement Projects by Type \$95.7M





5-year CIP Plan (in 000's)

Project Name	Project Type	Amounts in 000's				
		FY 26	FY 27	FY 28	FY 29	FY 30
CB-BE-Belhouse Drought Preparedness	New Infrastructure	8,658	11,748	13,345	4,833	34,826
LB-LL-Hydrostatic Relief System Assessment & Replacement	Infrastructure Maintenance	500	1,517	1,168	1,273	4,116
LB-LL-Low Flow Facility Modifications & Improvements	Infrastructure Maintenance	750	500	1,005	3,504	3,504
CB-WCR-WCRRWL Phase 3 Pumps	Water Distribution	3,978	6,052	22,969	19,990	12,766
LB-AC-Allens Creek Reservoir	New Water	8,200	16,500	16,500	16,500	24,000
UB-LG-Hearth Stability Analysis	Infrastructure Maintenance	75	255	4,800	4,770	-
UB-LG-Stoplog Replacement System	Infrastructure Maintenance	2,006	5,479	4,750	-	-
CB-EW-EWCRWS Expansion Phase II (to 27.8 MGD)	New Infrastructure	28,440	56,407	56,868	-	-
UB-PK-Bay #9 Weir Box	Infrastructure Maintenance	255	255	560	-	-
UB-PK-Flow Control Gate Replacement	Infrastructure Maintenance	800	150	150	-	-
CB-EW-EWCRWS 48" Treated Water Pipeline	New Infrastructure	8,530	27,052	-	-	-
UB-LG-Buttress 1 and 44 Repairs	Infrastructure Maintenance	425	1,800	-	-	-
CB-EW-Trinity Well #1 Infrastructure	New Infrastructure	25,074	-	-	-	-
CO-ES-Environmental Services Building	New Infrastructure	1,364	-	-	-	-
LB-LL-Park 5 Access Pier and Park Upgrades	New Infrastructure	900	-	-	-	-
LB-LL-Tainter Gate Replacement and Improvements	Infrastructure Maintenance	4,127	-	-	-	-
UB-LG-Low Flow Facilities	Infrastructure Maintenance	1,600	-	-	-	-
CB-GR-Lake Granger Intake Expansion	New Infrastructure	-	-	1,920	-	-
UB-PK-COC Ring Jet Valve Replacement	Infrastructure Maintenance	-	-	1,375	2,125	-
LB-LL-Road Repairs & Improvements	Infrastructure Maintenance	-	-	-	150	1,000
LB-LL-Upstream Embankment Construction	Infrastructure Maintenance	-	-	-	100	600
UB-LG-Tainter Gate Recoating	Infrastructure Maintenance	-	-	-	480	2,470
UB-PK-North/South Bank Reconstruction	Infrastructure Maintenance	-	-	-	500	269
UB-LG-Rip Rap Repair	Infrastructure Maintenance	-	-	-	-	500
UB-LG-Tainter Gate Transmission System Modifications	Infrastructure Maintenance	-	-	-	-	750
CB-EW-EWCRWS High Service Pumps Replacement	Infrastructure Maintenance	-	-	-	-	250
Totals		\$ 95,682	\$ 127,715	\$ 125,410	\$ 54,225	\$ 85,051



Five-Year Financial Forecast Water Supply System FY2026 - FY2030



Assumptions - Revenues

- Annual Operating Plan (AOP)
 - Revenues – Water Sales
 - Non-System Water Supply Revenues are forecast based on existing contracts. It is assumed that most Non-System Water Supply contracts will convert to System Water contracts upon expiration.
 - Agriculture Contracts are assumed to renew as Agriculture Water.
 - Revenue for new water created by projects is assumed to be sold at the System Rate in the year following the completion of the project



Assumptions - Expenses

- **O&M Expense increased by historical ten-year index rolling averages for FY2027 - FY2030**
- **Debt Service – assumes existing debt and potential new debt for FY2027 - FY2030**
- **Operating Projects & Capital Projects based on updated Project Budget Worksheets**



Five-Year Financial Forecast

(in millions)

<u>WATER SUPPLY SYSTEM</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
Beginning Reserves	\$ 104.6	\$ 53.6	\$ 37.5	\$ 30.7	\$ 32.4
Revenues	82.7	95.2	97.9	101.1	116.8
Expenses	(70.6)	(72.1)	(71.8)	(74.5)	(79.2)
Revenue Available for Coverage	12.1	23.1	26.1	26.6	37.6
Debt Service Subject to Coverage:	(4.5)	(12.7)	(17.2)	(19.7)	(23.5)
Net Surplus (Deficit)	7.7	10.4	8.9	6.9	14.1
Capital Projects	(91.7)	(114.6)	(80.7)	(60.9)	(71.3)
Bond Proceeds	33.0	95.0	70.0	60.0	60.0
Rate Stabilization Reserves Used	-	(7.0)	(5.0)	(4.2)	-
Ending Reserves	\$ 53.6	\$ 37.5	\$ 30.7	\$ 32.4	\$ 35.1
90 Day Working Capital Reserve	15.6	16.4	17.2	18.0	18.9

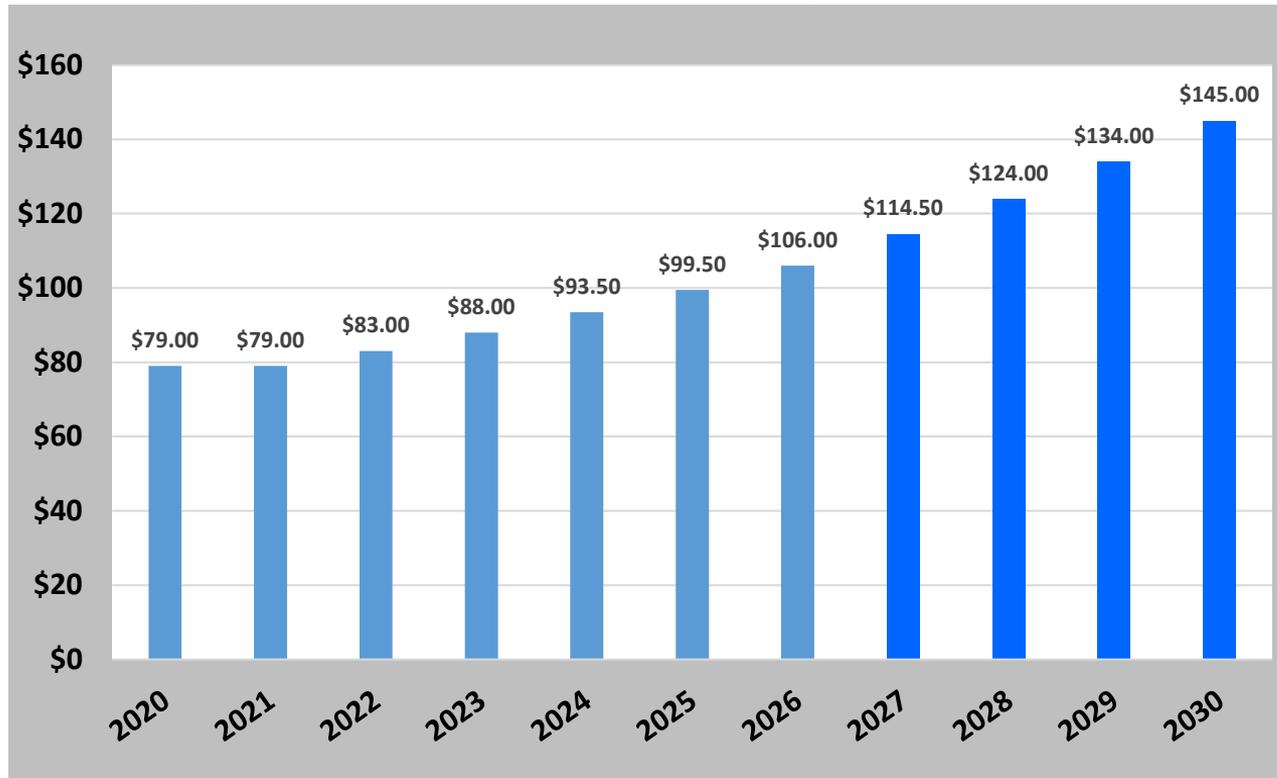


FY 2026 Five-year Financial Forecast

	Forecast				
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>System Rate</u>					
System Rate Projection	\$ 106.00	\$ 114.50	\$ 124.00	\$ 134.00	\$ 145.00
Percentage Increase	6.5%	8.0%	8.3%	8.0%	8.2%
System Rate Units (AF)	488,357	488,357	489,180	189,180	586,180
<u>Debt Service Coverage Test (in millions)</u>					
Debt Service Subject to Coverage	4.5	12.7	17.2	19.7	23.5
Amount Available to Meet Coverage	12.1	23.1	26.1	26.6	37.6
Projected Coverage Ratio	2.7	1.8	1.5	1.4	1.6
Target Coverage ratio	1.3	1.3	1.3	1.3	1.3
Coverage Test Met	Yes	Yes	Yes	Yes	Yes
<u>Reserve Test (in millions)</u>					
90 Day Working Capital Reserve	15.6	16.4	17.2	18.0	18.9
Contingency Reserve	5.5	5.5	5.5	5.5	5.5
Self Insurance Reserve	0.5	0.5	0.5	0.5	0.5
Total Required Reserves	21.6	22.4	23.2	24.0	24.9
Ending Working Capital	53.5	37.4	30.6	32.4	35.1
Reserve Test Met	Yes	Yes	Yes	Yes	Yes



System Rate History/Forecast





"BE IT RESOLVED by the Board of Directors of the Brazos River Authority (Board) that the Fiscal Year 2026 Annual Operating Plan and Multi-Year Capital Improvement Plan (Budget) as presented to the Board at the July 28, 2025, 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	\$ 75,035,454
Cost Reimbursable	<u>18,562,411</u>
Total Operating Budget	<u>\$ 93,597,865</u>

Water Supply	\$ 91,704,000
Cost Reimbursable	<u>3,978,000</u>
Total Capital Budget	<u>\$ 95,682,000</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 \$106.00 per acre-foot of water annually for Fiscal Year 2026, 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 \$74.20 per acre-foot of water annually for Fiscal Year 2026, for the Agricultural Water Rate;



BE IT FURTHER RESOLVED that the Board hereby approves and adopts a methodology for Quarterly Payments or Monthly Payments by its water customers 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 approved and adopts an annual interest rate of 4.5% and a daily interest rate charge of .0123288% ($4.5\% \div 365$) to be applied for quarterly and monthly payments for Fiscal Year 2026.”



Brazos River Authority



Brazos
— ★ —
RIVER AUTHORITY