



# ***Fiscal Year 2018 Strategic Plan and Financial Forecast***

***Presented by  
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# ***BRA Strategic Plan***

*(Adopted by Board of Directors July 25, 2016)*

## ***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, to support responsible and efficient use of the Brazos River basin's natural resources.**
- IV. The BRA will establish communications and public relations to support the BRA's mission and service to the Brazos River basin communities.**
- V. 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.**



***Questions?***



# ***FY 2018 Preliminary Budget Assumptions***

***Presented by  
David Thompson***



# ***FY 2018 Revenue Assumptions***

- **FY 18 does not include any revenue for Interruptible or System Operations Permit water sales**
- **Long Term System billing units ~364,572 AF, a decrease of 6,850 AF, mainly due to the delay of an expected sale to Abilene**
- **Assume that only LCRA water currently under contract will be sold (21,528 AF) and that the LCRA firm rate will remain at \$145/AF**
- **Utilizes \$2.7 million in Rate Stabilization Reserves**



## ***FY 2018 Expense Assumptions***

- **Includes an Employment Cost Index increase of 2.1% and a merit pool of 2.9%. Six net new full-time positions are being authorized in FY18.**
- **Ongoing costs of maintaining System Operations Permit are being migrated to the O&M budget.**



# ***FY2017 Plus Five-Year Financial Forecast***

*(in millions)*

	<u>Projected</u>		<u>Preliminary</u>			
	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
<b>WATER SUPPLY SYSTEM</b>						
Beginning Working Capital	\$ 67.9	\$ 69.3	\$ 42.7	\$ 29.9	\$ 19.3	\$ 19.6
Revenues	47.6	44.2	44.7	46.6	49.9	51.7
Less: O&M Expenses	30.0	35.1	36.7	38.2	39.9	41.5
Debt Service (Not Subject to Coverage)	2.6	2.6	2.3	2.3	2.3	2.3
Operating Programs	<u>1.8</u>	<u>3.1</u>	<u>1.9</u>	<u>2.0</u>	<u>1.3</u>	<u>1.7</u>
Total before debt service subject to coverage	<u>34.4</u>	<u>40.8</u>	<u>40.9</u>	<u>42.5</u>	<u>43.5</u>	<u>45.5</u>
Amount Available for Coverage	13.2	3.4	3.8	4.1	6.4	6.2
Debt Service (Subject to Coverage)	<u>2.5</u>	<u>2.5</u>	<u>2.9</u>	<u>3.2</u>	<u>3.9</u>	<u>4.8</u>
Net Surplus	10.7	0.9	0.9	0.9	2.5	1.4
Capital Projects	(9.3)	(24.7)	(17.7)	(23.5)	(17.4)	(35.9)
Bond Proceeds	-	-	5.0	12.7	16.0	35.1
Rate Stabilization Reserves	-	<u>(2.7)</u>	<u>(1.0)</u>	<u>(0.8)</u>	<u>(0.8)</u>	<u>(1.5)</u>
Ending Working Capital	<u>\$ 69.3</u>	<u>\$ 42.7</u>	<u>\$ 29.9</u>	<u>\$ 19.3</u>	<u>\$ 19.6</u>	<u>\$ 18.8</u>



# FY2017 Plus Five-Year Financial Forecast

	<u>Projected</u>			<u>Preliminary</u>		
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
<b><u>System Rate</u></b>						
System Rate Projection	\$ 72.00	\$ 74.00	\$ 75.50	\$ 78.00	\$ 79.00	\$ 81.25
Percentage Increase	2.1%	2.8%	2.0%	3.3%	1.3%	2.8%
System Rate Units (AF)	371,422	364,572	369,572	374,242	411,355	411,355
<b><u>Debt Service Coverage Test (in millions)</u></b>						
Debt Subject to Coverage	\$ 2.5	\$ 2.5	\$ 2.9	\$ 3.2	\$ 3.9	\$ 4.8
Amount Available to Meet Coverage	\$ 13.2	\$ 3.4	\$ 3.8	\$ 4.1	\$ 6.4	\$ 6.2
Projected Coverage Ratio	5.2	1.3	1.3	1.3	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
<b><u>Reserve Test (in millions)</u></b>						
90 Day Working Capital	\$ 7.4	\$ 8.7	\$ 9.1	\$ 9.4	\$ 9.8	\$ 10.2
Contingency Reserve	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0
Self Insurance Reserve	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Total Required Reserves	\$ 12.9	\$ 14.2	\$ 14.6	\$ 14.9	\$ 15.3	\$ 15.7
Ending Working Capital	\$ 69.3	\$ 42.7	\$ 29.9	\$ 19.3	\$ 19.6	\$ 18.8
Reserve Test Met	Yes	Yes	Yes	Yes	Yes	Yes



# **Raw Water System Rate Calculation Fiscal Year 2018**

	<b>FY 17</b>	<b>FY 18</b>	
	<b>Budget</b>	<b>Preliminary</b>	<b>Difference</b>
<b>O&amp;M Expenses</b>	<b>\$ 32,058</b>	<b>\$ 35,281</b>	<b>\$ 3,223</b>
<b>Debt Service</b>	<b>5,128</b>	<b>5,128</b>	<b>-</b>
<b>Operating Programs</b>	<b>1,706</b>	<b>3,062</b>	<b>1,356</b>
<b>Coverage Requirement</b>	<b>761</b>	<b>761</b>	<b>-</b>
<b>Rate Stabilization Fund</b>	<b>1,000</b>	<b>(2,675)</b>	<b>(3,675)</b>
<b>Total Water Supply Obligations</b>	<b>40,653</b>	<b>41,557</b>	<b>904</b>
<b>Less: Non-System Rate Revenues</b>	<b>(13,887)</b>	<b>(14,575)</b>	<b>(688)</b>
<b>System Rate Revenue Requirement</b>	<b>\$ 26,766</b>	<b>\$ 26,982</b>	<b>\$ 216</b>
<b>Divided by: System Units (AF)</b>	<b>371,422</b>	<b>364,572</b>	<b>(6,850)</b>
<b>System Rate per AF</b>	<b>\$ 72.00</b>	<b>\$ 74.00</b>	<b>\$ 2.00</b>



Brazos River Authority

***Questions?***



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