

OVERVIEW AND STRATEGIC INITIATIVES

Brazos River Authority



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of
Directors**

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Boren**

Director



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Director



**Judy Ann
Krohn, Ph.D.**

Director



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Lesley**

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**Cynthia A.
Flores**

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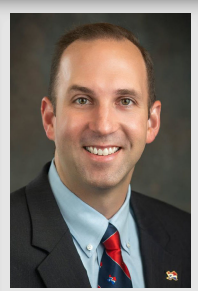
**Jennifer "Jen"
Henderson**

Director



**Christine
Giese**

Director

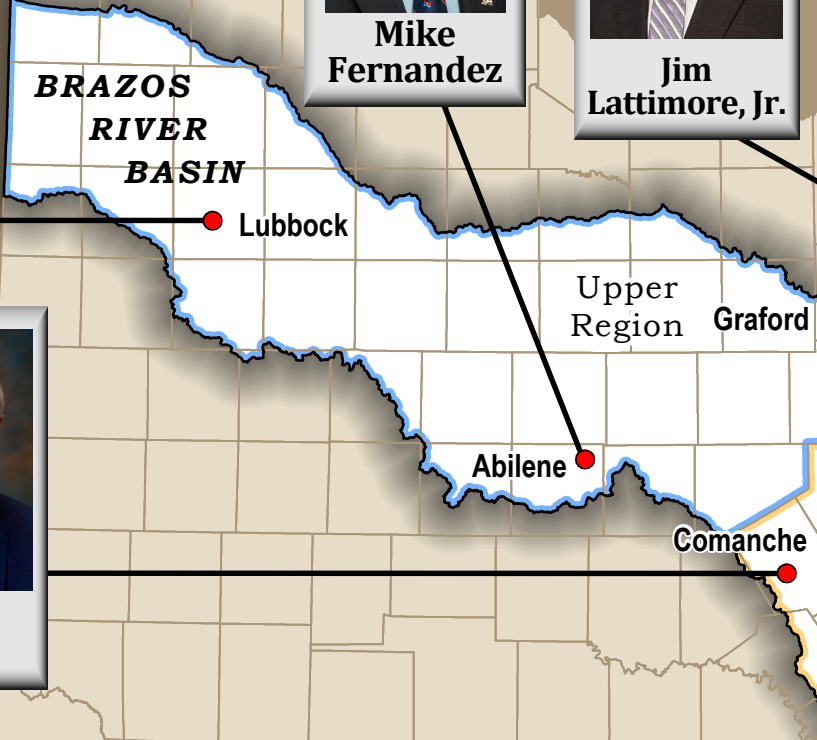


**Mike
Fernandez**

Director



**Jim
Lattimore, Jr.**





BRAZOS RIVER AUTHORITY



Management Team



David Thompson
Chief Financial Officer



David Collinworth
General Manager/CEO



Lauralee Vallon
General Counsel



Jon King
Special Projects &
Strategic Initiatives
Manager



Matt Phillips
Legislative &
Governmental
Affairs Manager



Luke Collins
Information & Cyber
Technology Manager



Monica Wheelis
Human Resources
Manager



Blake Kettler
Technical
Services Manager



Brad Brunett
Central & Lower
Basin Manager



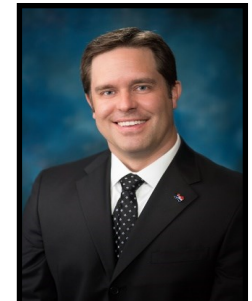
Michael McClendon
Upper Basin
Manager



Robert Starnes
Security
Manager



Tiffany Malzahn
Environmental &
Compliance
Manager



Aaron Abel
Water Services
Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Brazos River Authority
Texas**

For the Fiscal Year Beginning

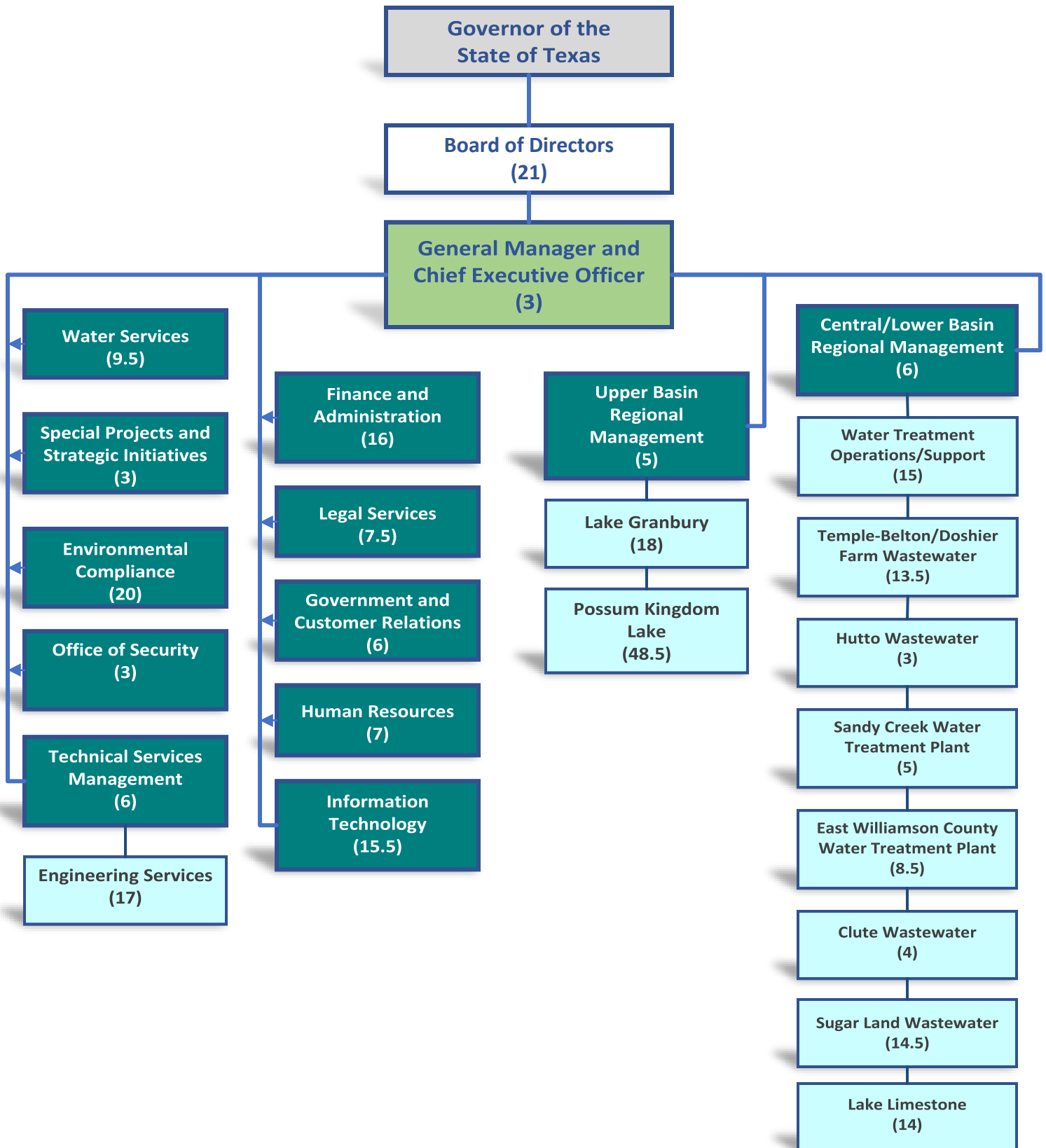
September 01, 2021

Christopher P. Morrill

Executive Director

Brazos River Authority Organizational Chart

(Including Position Counts)



CONSTITUENCY/CUSTOMERS OF THE BRA:

Advisory Boards, Water Customers, Elected Officials, Bond Rating Companies, and the Citizens of the Brazos River Basin.



MISSION STATEMENT

The Brazos River Authority (BRA) exists to develop, manage, and protect the water resources of the Brazos River basin.

VISION STATEMENT

To be a trusted leader in water resource quality, availability, and resiliency for current and future generations of the Brazos River basin.

GUIDING PRINCIPLES

- ✚ Quality People – The right people for the right job
- ✚ Integrity and Respect
- ✚ Ownership and Accountability
- ✚ Commitment to Service and Stewardship
- ✚ Innovation and Continuous Improvement

STRATEGIC PLAN

Goals, Objectives, and Strategies:

I. The BRA will develop water resources, including both surface and groundwater

- a. Support the development of surface water projects based on economic feasibility, environmental sensitivity, and customer needs
 1. Allens Creek Reservoir
 2. United States Army Corps of Engineers (USACE) Reservoir Re-allocation Assessment Projects – Initiate and complete USACE Lake Whitney reallocation study (2022-2025) with development of new supply (2025-2030)
- b. Develop and conjunctively use groundwater responsibly and efficiently with surface water supplies
 1. Trinity Wells for additional supply from the East Williamson County Regional Water System
 2. Carrizo-Wilcox aquifer supplies for future water needs in the Central Basin
 3. Participate in Brazos River Alluvium Aquifer studies that advance the understanding of groundwater-surface water interactions
- c. Support the development of economically feasible, non-traditional water supplies, such as Aquifer Storage and Recovery (ASR), reuse, and seawater and/or brackish groundwater desalination treatment technology

1. Explore Aquifer Storage and Recovery options in the Central Basin, including the possibility of implementing at the BRA East Williamson County Regional Water System
- d. Research and develop infrastructure for the conveyance/transportation of water to areas of need
 1. Lake Belton-Stillhouse Hollow Pipeline

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

- a. Manage water resources as a system
 1. System Operation Permit and Water Management Plan (Submittal of 10-year Water Management Plan update required by November 2026)
- b. Operate and maintain BRA water supplies and associated infrastructure in a safe, responsible manner in compliance with water right permits, water supply contracts, and other applicable regulatory requirements
 1. Develop Risk-Based Asset Capital Management Program
 2. Williamson County Regional Raw Water Line 5-year inspection and Phase III Pump installation
 3. East Williamson County Regional Water System Expansion
 4. Develop comprehensive Emergency Management Program
 5. Lake Limestone Tainter Gate Replacement Project

6. Morris Sheppard Dam Concrete Assessment and Service Life Evaluation
 7. Morris Sheppard Dam Flow Control Gate Replacement
 8. DeCordova Bend Dam Concrete Assessment and Service Life Evaluation
 9. DeCordova Bend Dam Tainter Gate Evaluation
- c. Manage and operate water and wastewater treatment facilities in situations where there is a benefit or desire by the customer entity and alignment with BRA capabilities

III. The BRA will protect water resources and, where possible, improve water quality and habitat, to support responsible and efficient use of the Brazos River basin's natural resources

- a. Monitor and assess water quality throughout the basin for compliance with applicable regulatory requirements
 1. Clean Rivers Program and Water Quality Initiatives
 2. Environmental Flow Standard Assessments
- b. Monitor and assess stream and reservoir biology and morphology to determine the effectiveness of instream flows and other programs in maintaining healthy riparian areas and aquatic life conditions
 1. Baseline instream flow monitoring and biological assessment to inform on SB3 environmental flow standards
 2. Participate with state and federal agencies on issues related to Threatened and Endangered Species and/or Invasive Species

I. Freshwater Mussel Candidate Conservation
Agreements with Assurances (CCAA)
Implementation

II. Brazos Water Snake Study

c. Provide for environmental flows through reservoir operations and participate in statewide instream flow initiatives

1. Participate in state-sponsored advisory groups related to environmental flow standard development and revision
2. Donation of long-term firm water to Texas Water Trust

d. Participate in local watershed protection management efforts

1. John Graves Scenic Waterway water quality monitoring and visual inspection

IV. The BRA will proactively engage in strategic planning and effective resource management

a. Support the development of strategies to meet the needs of the Water Supply System with a sensitivity to the System Water Rate

1. Involvement in State Water Planning and Flood Planning Processes
2. Prepare an Integrated Water Resources Plan to guide future water supply development activities and decisions
3. Strategic Plan
4. Assist the Property Management Committee in the evaluation of BRA's property holdings for consistency with BRA's Mission Statement and assessing property inquiries using the Property Management Database and other sources

b. Ensure operational efficiency throughout programs and processes

1. Improve Project Management Program through increased training and enhancement of processes and procedures

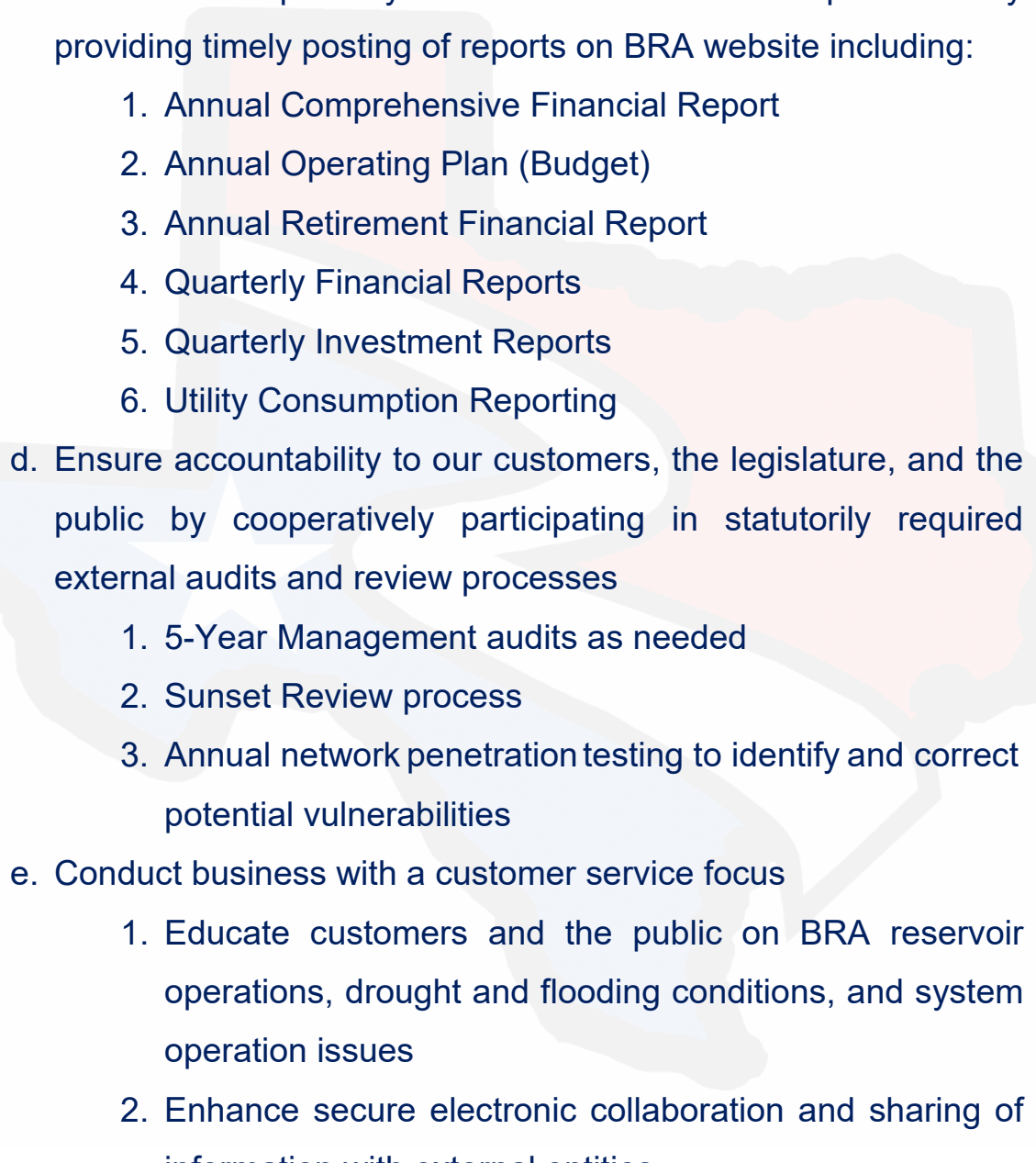
V. The BRA will maintain communications and public relations efforts to support the BRA's mission and service to the Brazos River basin communities

a. Ensure transparency through proactive public information efforts to support the BRA's mission and goals including:

1. Speaker's Bureau
2. Ongoing refinement of BRA website including addition of Major Project tracking site
3. Social Media Programs
4. BRA email newsletter
5. "Brown Bag on the Brazos" Public Meetings
6. Water school section of website
7. Brazos Basin Now
8. Educational and Public Outreach events

b. Develop positive working relationships with legislators, local elected officials, customers, and other stakeholders to strategically position BRA to accomplish its goals

1. Meetings and briefings held to provide information and updates
2. Act as a source of information for policy discussions
3. Manage local issues as needed for elected officials

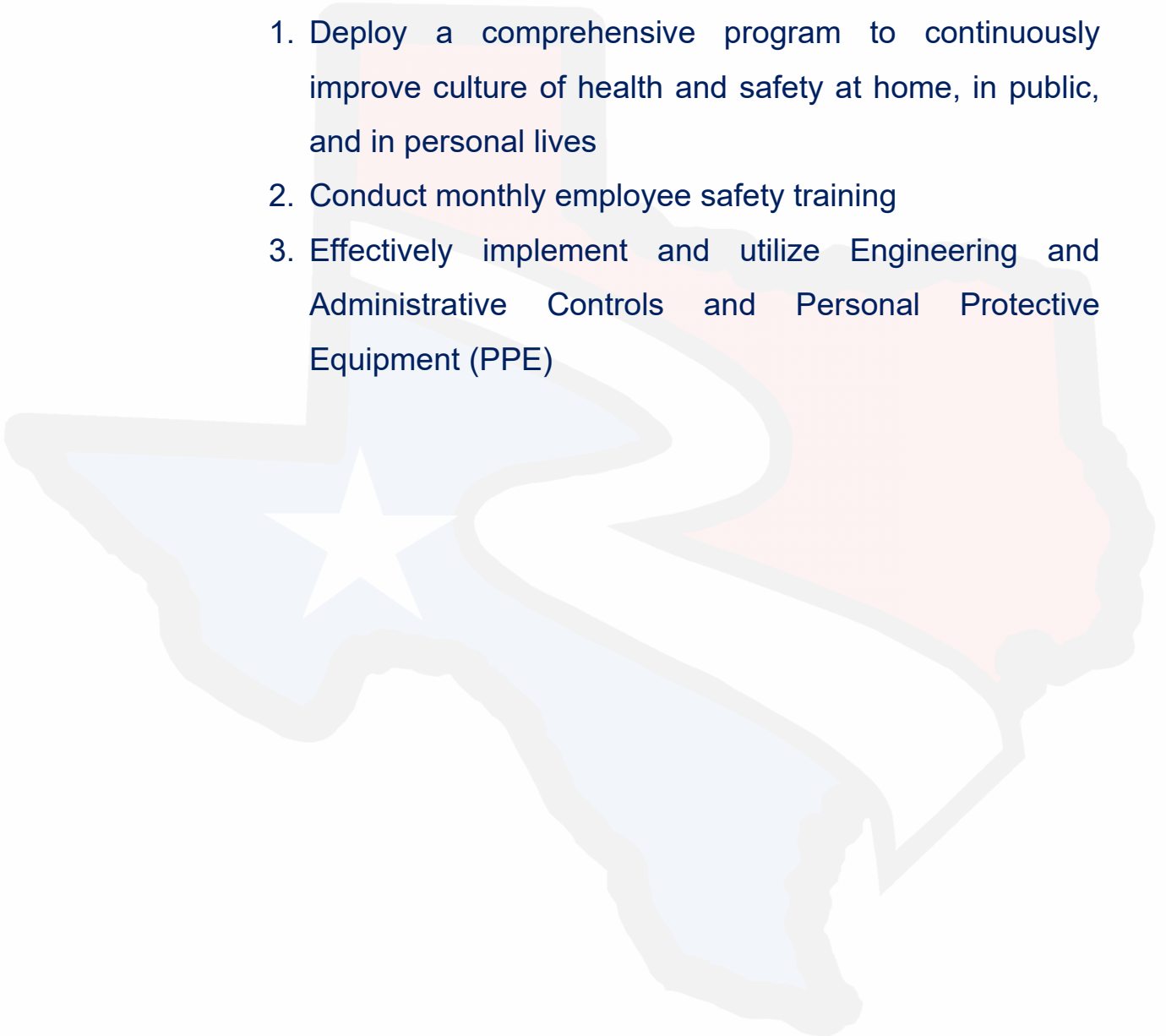
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4. Annual regional customer meetings
 5. Create local stakeholder groups to facilitate dialogue where possible and appropriate
 - c. Maintain transparency in BRA's finances and operations by providing timely posting of reports on BRA website including:
 1. Annual Comprehensive Financial Report
 2. Annual Operating Plan (Budget)
 3. Annual Retirement Financial Report
 4. Quarterly Financial Reports
 5. Quarterly Investment Reports
 6. Utility Consumption Reporting
 - d. Ensure accountability to our customers, the legislature, and the public by cooperatively participating in statutorily required external audits and review processes
 1. 5-Year Management audits as needed
 2. Sunset Review process
 3. Annual network penetration testing to identify and correct potential vulnerabilities
 - e. Conduct business with a customer service focus
 1. Educate customers and the public on BRA reservoir operations, drought and flooding conditions, and system operation issues
 2. Enhance secure electronic collaboration and sharing of information with external entities

VI. The BRA will develop and retain employees to support the BRA's strategic vision, enhance diversity and inclusion in the workforce, and prepare the BRA to accomplish its mission

- a. Recruit, develop and retain the right people for the right job
 - 1. Attend job fairs and recruiting events to promote BRA employment opportunities
 - 2. Enhance recruiting efforts by building relationships with community organizations, colleges, and multicultural groups, and by utilizing diverse social media outlets
 - 3. Invest in employee training and development programs, compensate for critical skills, and provide growth and advancement opportunities
 - 4. Promote diversity of thoughts, ideas, and approaches to increase employee engagement, encourage inclusion, and inspire innovation
- b. Promote an organizational culture that values employee contributions, encourages collaboration, supports diversity, and recognizes achievements
 - 1. Foster positive employee relations
 - 2. Service and Safety Award Program
- c. Encourage a healthy workforce through programs and initiatives
 - 1. Holistic wellness initiative that includes health and wellness training, annual health fairs, access to fitness and health-related materials, and alternative work schedules to allow time for exercise and annual wellness visits

d. Ensure a safe working environment, promote a safety-conscious attitude in all employees and facilitate the implementation of proactive steps to reduce accidents and incidents

1. Deploy a comprehensive program to continuously improve culture of health and safety at home, in public, and in personal lives
2. Conduct monthly employee safety training
3. Effectively implement and utilize Engineering and Administrative Controls and Personal Protective Equipment (PPE)





Brazos River Authority

Quality • Conservation • Service

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Brazos River Authority FY 2023 Annual Operating Plan

Executive Summary

To the Board of Directors of the Brazos River Authority:

Executive Summary

I am honored to present to the Board of Directors the proposed FY 2023 budget for the Brazos River Authority. This document represents the culmination of hundreds of hours of dedication from our excellent staff throughout the basin.

The overarching issue affecting our organization continues to be the massive population growth we are seeing throughout the basin. The numbers continue to outpace even the highest projections from years past. Projects we believed wouldn't be needed for a decade or two have now been accelerated to being needed in the next 5 to 10 years. What this means for the BRA is that we have to transition as an organization from planning to doing, and we are taking the necessary steps to do just that.

Examples of our organization's progress include: finalizing the purchase of the Allens Creek Reservoir project from the City of Houston, securing funding from the federal government to begin a reallocation study at Lake Whitney, and beginning negotiations to develop groundwater to meet the growing needs along the I-35 corridor.

Additionally, as Texas and the Brazos basin enter what could be an extensive drought, our staff is also working on projects to more efficiently utilize our current water supply. This includes the Belton-Stillhouse Hollow Drought Preparedness Project, which will connect Lakes Belton and Stillhouse Hollow via an eight-mile pipeline to allow BRA to move water to areas of major need.

Progress on these initiatives comes as BRA continues its commitment to maintain our current infrastructure and water supply, both from a structural and environmental standpoint. BRA will commit substantial resources towards dam maintenance in the coming years. Our organization will also continue our water quality efforts and engage in proactive endangered and invasive species monitoring activities.

Additional details on these and other major projects and initiatives are included in the following pages.

Summary of Financials/Assumptions

- The FY 2023 Budget totals \$78.4 million for operating expenditures and \$50.5 million for capital improvement projects.
- Total operating revenue for FY 2023 is projected to be \$82.9 million, resulting in a FY 2023 Water Supply operating surplus of \$1.3 million, which is \$0.7 million higher than the FY 2022 budgeted surplus.
- The FY 2023 proposed Budget assumes that the recommended System Water Rate will increase by 6.0% to \$88.00 per acre-foot. See Tab 3 for additional water sales revenue assumptions.
- The proposed FY 2023 Budget also assumes that the BRA will invest \$24.3 million of Water Supply System reserves in capital improvement projects. The projected FY 2023 ending working capital balance for Water Supply System reserves is \$25.9 million.
- The proposed Budget includes a net increase of four full-time positions. See Tab 16 for details of these changes.

Summary of Strategic Priorities

In keeping with the Board's direction to be customer-focused on developing water resources for the Brazos basin, the following projects and programs will be the focus of the BRA for FY 2023, consistent with the BRA's Strategic Plan:

Developing Water Resources

SYSTEM OPERATION PERMIT AND WATER MANAGEMENT PLAN (WMP)

After over 15 years of diligent effort, the System Operation Permit was approved and became unappealable at the beginning of the 2019 Fiscal Year. The Permit and WMP maximize the availability of water currently accessible throughout the Brazos basin, combined with the water BRA already has stored in eleven reservoirs, to create an additional firm supply to meet a portion of the current and future needs of our customers.

Over the last several years, we have continued to operate under the Permit and WMP to deliver water to our customers. One condition within the Permit was the requirement to revisit the Permit and WMP every ten years and to submit a formal update to the TCEQ. The first update will be due in November 2026, however, planning for this process is already underway. The update will be subject to the same Contested Case process used to acquire the initial Permit and WMP. The water sale agreements for Permit water include protective provisions contemplating these processes.

NEW WATER SUPPLY FOR CENTRAL TEXAS

The BRA strives to manage and use its existing water resources as efficiently as possible, while also working to identify and implement future supply strategies. The FY 2023 Budget includes funds for a number of projects focused on use of existing supplies. One of these is the proposed pipeline project from Lake Belton to Lake Stillhouse Hollow, the Bel-house Drought Preparedness project, which will help meet the growing demand for water at Lake Stillhouse Hollow with existing water supply from Lake Belton. Preliminary engineering work on this project is completed, and engineering design and permitting work are expected to be underway in FY 2023.

Another related project is expansion of the pumping capacity for the Williamson County Regional Raw Water Line (WCRRWL), which is needed to meet growing demands of BRA customers at Lake Georgetown. Engineering work for this effort began in FY 2022 and will continue in FY 2023. An additional component of this project is a comprehensive condition assessment of the entire WCRRWL system including the pump station, pipeline, and discharge structure. Engineering design was also recently completed for the addition of a Copper Ion Generator at the WCRRWL Lake Stillhouse Hollow intake structure. This project will be under construction in FY 2023 and will help control zebra mussels within the pump station and pipeline.

Engineering work for the next expansion of the BRA East Williamson County Regional Water System (EWCRRWS) is also underway and will continue in FY 2023. This project is required in order for the BRA to meet the growing treated water needs of its east Williamson County customers. In addition to the traditional surface water treatment expansion planning and design, this project will also result in a path forward for incorporating Trinity aquifer groundwater as a supply element to the EWCRRWS, either through blending with Lake Granger surface water or through Aquifer Storage and Recovery (ASR).

With regard to new supply development, the BRA is engaged and exploring Carrizo-Wilcox aquifer groundwater options with some of its customers to help meet future needs along the I-35 corridor in Bell and Williamson Counties. In FY 2022 the BRA solicited and selected a water provider to initiate negotiations to secure a long-term water resource. Those negotiations will continue in FY 2023.

REALLOCATION OF FLOOD STORAGE - CORPS OF ENGINEER LAKES

Over the last 10 years, BRA has discussed the possibility of obtaining additional water in Lake Whitney with the U.S. Army Corps of Engineers (USACE) through a reallocation of the existing reservoir storage. Lake Whitney is the largest reservoir in the Brazos River basin by volume and is unique among others due to its use for hydropower generation, and the fact that no State water right permit exists for most of its storage. Due to its large size and location on the main stem of the Brazos River, it has the potential to provide greater water

supply benefits than currently authorized. BRA is interested in exploring new water supply and hydropower generation options for its use in the future through a reallocation study. After many years of BRA efforts to secure authorization and federal funding, the 2023 United States President's budget finally includes funding for the project, and the study effort is expected to begin next year.

ALLENS CREEK RESERVOIR

Allens Creek Reservoir is a proposed new off-channel reservoir in the lower Brazos basin that was originally structured as a joint project between the BRA and the City of Houston. For the past several years, the reservoir project has been on hold. However, due to the increasing need for water supply in the Brazos River basin, the Brazos River Authority purchased full rights to the reservoir from the City of Houston and the Texas Water Development Board. The sale was completed in early May 2022 and now the BRA will be the sole developer/owner of the reservoir moving forward. Upon execution of the sale agreement with Houston, BRA and the State of Texas withdrew the lawsuit pending before the Texas Supreme Court. In FY 2023 the BRA will engage in tasks to support permitting and initial design activities. It is anticipated to provide a substantial new water supply for the lower Brazos basin.

STATE AND REGIONAL WATER PLANNING

In support of the State Water Plan (SWP), the BRA actively participates in three regional water planning groups – Region G (Brazos G), Region O, and Region H. The BRA continues to assist Brazos G as its administrative agent and designated political subdivision for managing professional services contracts. The BRA has a staff representative that serves as a voting member on each of the three planning groups. The 2022 SWP, which is created to address the state's long-term water needs, was submitted to the governor, lieutenant governor, and the Texas Legislature in January 2022. The sixth cycle of regional water planning was initiated in FY 2022 with the evaluation of the population, demand projections, existing water supplies, and needs of each regional planning group scheduled for FY 2023. The final regional water plans for the sixth cycle of planning are due to be submitted to the Texas Water Development Board in October 2025 and the compilation of the approved regional water plans will culminate with the 2027 SWP.

Managing Water Resources

WATER SUPPLY

Managing the BRA water supply system is the core element of the BRA's existence. As we transition into FY 2023 most of the basin is experiencing below normal rainfall and the development of drought conditions. We have

contracts, plans, policies and procedures in place to manage the water supply system through all conditions, while meeting our customers' water needs and maintaining compliance with applicable regulatory requirements. These plans include the Drought Contingency and Water Conservation Plans, the System Operation Permit WMP, water sales policies and procedures, and procedures for passing floodwater through our reservoirs. The BRA will continue to implement plans, policies, and procedures while seeking opportunities for improvement in the management of the water supply system in 2023.

DAM MAINTENANCE

Maintenance of existing dam infrastructure is essential for safety and continuing to meet the water supply demands of the Brazos basin and our customers. This includes BRA dams and USACE dams that are, in part, funded by the BRA. As the dam infrastructure ages, additional maintenance and the need for replacement and rehabilitation of various components to extend the service life of these facilities is increasing. The BRA's approach to maintenance is multi-faceted, relying on the expertise of multi-disciplined engineers, consultants, and contractors as well as the equally skilled and knowledgeable on-site BRA maintenance staff.

The most significant project at Morris Sheppard Dam (Possum Kingdom Lake) currently is our Concrete Assessment and Service Life Extension (CAASLE) which will focus and guide maintenance activities associated with the concrete elements of the structure for several years. At De Cordova Bend Dam (Lake Granbury), our Low Flow Facilities project is our principal area of emphasis which will provide the ability to more accurately moderate or regulate downstream flows. Construction began in FY 2022 and is expected to be complete in the late summer to early Fall of FY 2023. At the Sterling C. Robertson Dam (Lake Limestone), a major project is underway to replace the five Tainter gates which are utilized to pass flood flows through the reservoir. Additional components of this project include replacement of the gate power transmission systems, providing cathodic protection, and new coatings. Construction efforts began in FY 2022 and are expected to continue into the summer of 2024 when the project will be complete. Additional work will begin in the coming years on the dam's low flow gates and its hydrostatic relief system.

Significant enhancements or maintenance to our infrastructure projects are required to continue the level of service these critical assets provide. The various BRA departments, along with our consultants and engineers, are determined to improve and extend the service life of these facilities.

WATER CONSERVATION

As a wholesale provider, BRA promotes water conservation and education on its website and in direct communications with its customers.

BRA's website has a section dedicated to water conservation, including articles on conservation inside the home with a focus on saving consumers' money and

utilizing native Texas plants to reduce the amount of required watering of outside lawn and gardens. Permanent web articles also focus on the process of rainwater harvesting and the overall need for conservation as a means of prolonging this limited natural resource.

The BRA also utilizes its website to highlight articles on water conservation on the home page, focusing on how water conservation applies to current weather and seasonal conditions. These articles are cross marketed on the BRA's social media accounts to draw attention to this pertinent information.

An additional benefit of increased water conservation is that it can delay expensive capital investments to upgrade or expand water and wastewater infrastructure, conserve energy, and protect water quality. The BRA maintains a water conservation plan and assists its customers, where appropriate, by publishing water conservation news and success stories on the BRA website.

We will continue to investigate and evaluate the BRA's role in water conservation strategies and the means by which we can be of better service to our entire customer base in promoting the wise use of water.

REGIONAL FLOOD PLANNING

The 2019 Texas Legislature expanded the Texas Water Development Board's role in flood planning through its administration of a regional and state flood planning process similar to the Regional Water Planning Process. The initial flood planning groups were formed in October 2020.

The Brazos basin was divided into two regional flood planning groups. The Upper Region is known as Region 7 while the Lower Brazos Regional Flood Planning Group is designated as Region 8. The Brazos River Authority has planning group members serving as voting-members of both regional flood planning groups. The Lower Brazos Regional Flood Planning Group designated the Brazos River Authority to be the sponsor and assume administrative responsibilities for the Region 8 group.

The regional flood planning groups will submit the first ever regional flood plans in January 2023 that will identify and evaluate potential flood management strategies, additional data needs, and projects to mitigate flooding throughout the region. The 2023 regional flood plans will be the basis of the first State Flood Plan which is expected to be adopted in September 2024.

Supporting Core Activities

LONG RANGE FINANCIAL PLANNING

The BRA coordinated development of a Long-Range Financial Planning (LRFP) tool almost twenty years ago. The tool illustrates how current decisions and project planning impact the future financial position of the BRA and provides our customers with forecasted System Water Rates for their budget

planning and ratemaking purposes. The model has the capability of modeling alternative projects and serves as a financial risk management tool relating to cash flow, bond covenants and Board policies. It is the basis for credit agency reviews in order to achieve a favorable rating, resulting in economical financing terms and cost savings for our customers. With the new emphasis on pursuing projects to both shore up our existing infrastructure and to also bring new water supplies to our customers, the LRFP process will take on a greater role in guiding our financial decision-making process.

RISK-BASED ASSET MANAGEMENT & CAPITAL PLANNING

The Risk-Based Asset Management and Capital Planning Program formalizes the process to define the relative risk posed to operations from any single asset, as well as assess the BRA's risk profile presented by all assets. The program will leverage data collected from operation and maintenance activities at our facilities, financial software system and other various sources to integrate into an enterprise resource planning system. This program is not intended to increase operating revenue or expense but improve planning of operating and capital expenses by developing an accurate long range capital improvement plan to support the LRFP.

This initiative will help improve decision making on asset renewal through improved prioritization of assets across BRA and improve long-term capital forecasting efforts through better assessment of renewal needs. An additional benefit of this initiative is providing enhanced business continuity and operational resiliency efforts.

Efforts towards this multi-year implementation of the program began in Fiscal Year 2021 and is continuing. Over the past year, BRA has selected to follow the Institute of Asset Management (IAM) framework, performed the gap assessment, and developed levels of services and key performance indicators. Over the next year, the focus will be on evaluating and selecting an asset management software. BRA should start to see benefits from this initiative in the next couple of years.

STRATEGIC PLAN

The Strategic Plan is approved annually, in conjunction with the development of the Annual Budget. The Strategic Plan is presented annually to the Board to gather comments within a Strategic Plan workshop in preparation for revisions. It is also posted on our external website for public comment prior to finalization. Ultimately, the final plan is presented to the Board concurrent with the Annual Budget for review and re-adoption. In addition to the annual Board approval, BRA staff engage in quarterly reviews to discuss performance of each identified strategy or initiative. Through active management of the Strategic Plan, BRA staff are better informed and afforded the opportunity to proactively adjust priorities throughout the fiscal year if conditions change.

INTEGRATED WATER RESOURCES PLAN (IWRP)

The initiation of phase one of BRA's first integrated water resources plan (IWRP) began in Fiscal Year 2022 and will continue over the next several years. Phase one is focused on the Little River Watershed and will help support near term decision making needed to support regional growth. Phase one of the IWRP project will be fully incorporated into subsequent phases that will encompass the entire Brazos River basin in future years. Integrated water resources planning defines a comprehensive and holistic approach that leverages advanced planning, modeling, and decision-making techniques to build a plan that addresses the potential future demands and operational scenarios of a water supply system. The plan will improve water supply resiliency through integration into BRA's risk management framework for assets and long-range financial planning. It will convey actions in a manner that simplifies critical decision making related to new water supply opportunities and management of water supply within the BRA water supply system. Furthermore, the information from the IWRP can be integrated into the regional and State water planning process. Throughout the development of the IWRP, engagement of BRA's customers and other stakeholders will be sought in a transparent and proactive process.

WATER AND WASTEWATER OPERATIONS

The BRA operates two water treatment facilities, which are its East Williamson County Regional Water System (EWCRRWS) and the Sandy Creek Water Treatment Plant. The EWCRRWS, a BRA-owned facility, supplies treated water from Lake Granger to wholesale BRA customers in east Williamson County. Expansion planning and design for the next phase of treatment capacity at the EWCRRWS will be underway in FY 2023. The BRA will continue to operate the Sandy Creek Water Treatment Plant under contract with the City of Leander.

The BRA also operates a water transmission pipeline that transfers water from Lake Stillhouse Hollow to Lake Georgetown for the City of Georgetown, the City of Round Rock, and the Brushy Creek Municipal Utility District. This pipeline, the Williamson County Regional Raw Water Line (WCRRWL), is vital for maintaining adequate water supply in Lake Georgetown for these customers. The BRA will continue to manage the day-to-day operation and maintenance of the WCRRWL in FY 2023 as well as capital improvement projects that are planned.

For almost fifty years, the BRA has successfully operated wastewater treatment facilities throughout the basin. Since 1971, the BRA has partnered with local governmental entities to effectively and efficiently operate, maintain, and manage wastewater treatment facilities that treat sewage wastes. The BRA currently operates nine wastewater treatment plants that range in size from 1.35 million gallons per day (MGD) to 10 MGD. BRA operation of these facilities

is expected to continue in FY 2023. Customer cities include Temple, Belton, Hutto, Sugar Land, Clute, and Richwood.

PROPERTY MANAGEMENT DATABASE

At the direction of the Property Management Committee, BRA pursued the development of a Property Management Database in Fiscal Year 2022. This database organized BRA property holdings, easements, associated features, and encumbrances to provide an efficient means of accessing property information. It will be used to manage BRA properties and easements to accomplish our mission and provide direction on how these properties will be managed and utilized in future operations.

Financial Review

The overall financial goal of the BRA is to provide adequate resources to meet both current and future needs of the BRA, while adhering to high standards of stewardship and accountability.

Revenues (000's)	FY 2021 Actual	FY 2022 Budget	FY 2022 Projected	FY 2023 Proposed
Raw Water Sales	\$ 48,204	\$ 47,192	\$ 49,108	\$ 49,311
Cost Reimbursable Operations	12,564	18,313	16,437	19,999
Lake Operations	568	453	533	534
E. Williamson County RWS	5,213	5,098	5,419	5,936
Sugar Land WW	3,594	3,821	3,875	4,258
Grant/Stakeholder Funding	1,021	1,846	1,385	2,002
Management Fees	412	510	502	588
Interest Income	922	198	375	188
Miscellaneous	63	60	152	64
Rate Stabilization Reserves	-	1,500	-	-
Totals	\$ 72,561	\$ 78,991	\$ 77,786	\$ 82,880

Raw Water Sales Revenue

- Raw water sales revenues are expected to increase by \$2.1 due to the increase in the System Water Rate.

Cost Reimbursable Operations Revenue

- Cost Reimbursable Operations revenues are projected to increase \$1.7 million from \$18.3 million to \$20.0 million. This increase is primarily attributable to capital projects planned at several of the wastewater treatment plants and the WCRRWL.

System Water Rate

- The System Water Rate will increase by 6.0% to \$88.00 per acre-foot.

- Future target rates will be discussed as part of the FY 2023 – FY 2027 Five-Year Financial Forecast review during the Budget Workshop. Summary information from the Five-Year Forecast is located on page 3-25.

O&M Expenses (000's)	FY 2021 Actual	FY 2022 Budget	FY 2022 Projected	FY 2023 Proposed
Water Supply System	\$ 44,436	\$ 60,143	\$ 51,790	\$ 61,605
Cost Reimbursable	12,443	15,071	14,963	16,804
Totals	\$ 56,879	\$ 75,214	\$ 66,753	\$ 78,409

Water Supply

Expenses are projected to increase by \$1.5 million (2.4%), from \$60.1 million in FY 2022 to \$61.6 million in FY 2023. This increase is the result of the following significant change:

- \$1.7 million increase in compensation and benefits, including new positions

Cost Reimbursable

Many of the water and wastewater treatment operations are currently under cost reimbursable contracts. This means that all project operating, capital and debt costs are recovered from participants on an annual basis. Any excess funds at the end of the fiscal year are returned to the participants. In addition to the high-quality, low-cost service provided to regional participants, the BRA benefits from these contracts through the collection of management fees and overhead allocations.

Employee Compensation and Benefits

- BRA wide ECI salary increases – 4.0% for all employees and an additional 2.0% for employees earning \$100,000 or less.
- Pool for merit pay increases – 1.0%
- Benefits funding –3.8%

General & Administrative Overhead Allocation

For FY 2023, the BRA continues to utilize a best practices methodology for allocation of general and administrative overhead. This approach utilizes more applicable and accurate factors in the allocation of overhead expenses, resulting in a more equitable and complete allocation of costs to the operating units.

Water Supply System Working Capital

Working Capital Reserves on August 31, 2022, for the Water Supply System, are projected to increase \$20.3 million, from a projected \$28.6 million per the FY 2022 Budget, to \$48.9 million. The changes during FY 2022 are summarized below:

- FY 2022 interruptible water sales	\$ 1,917,000
- FY 2022 operating expense reductions	\$ 8,353,000
- FY 2022 capital improvement project reductions	\$ 9,745,000

The FY 2023 Budget assumes that \$24.3 million in working capital is expended on capital projects (see Tab 13) and that \$23.0 million in debt will be issued, resulting in projected \$25.9 million estimated working capital reserves on hand on August 31, 2023.

The total Working Capital Reserve supports several financial goals of the BRA. Prudent financial planning requires adequate reserve funds for contingencies. Below are highlights of the intended uses for BRA’s Working Capital Reserves.

Name	Description	FY 2023
90 Day Working Capital	90 days of budgeted O&M expenditures	\$13.0 million
Contingency Fund	For unexpected expenditures. Due to the expansive nature of some of BRA’s assets, an unexpected failure could be very expensive.	\$5.5 million
Self-Insurance Fund	BRA is self-insured, so this contingency is set up in case of bad claims experience	\$0.5 million
Rate Stabilization Fund	This fund will be used in order to minimize large fluctuations to the System Water Rate due to capital projects.	\$6.9 million

Other

Capital Outlay

A total of \$5,999,726 is proposed in the FY 2023 Budget to add or replace capital assets. A detail of these items is included in Tab 17, Expenditure Detail. As a general rule, existing vehicles with 125,000 miles or more are evaluated each year for replacement. Any replacement of such vehicles will be with the most economical and efficient type possible that meets operational requirements.

Personnel & Staffing

The FY 2023 Budget proposes a net increase in staffing of four full-time positions, along with the related salary and benefit costs. See Tab 16 for details regarding proposed changes in personnel and staffing.

Technology

Technology solutions are a major component of the proposed objectives for the BRA. Significant costs and initiatives for Technology Services in FY 2023 O&M Budget includes:

New equipment and software	\$ 236,500
Recurring software/hardware maintenance and support	656,488
Scheduled replacement of existing desktop, laptops & printers	217,098
Grand Total	<u>\$ 1,110,086</u>

Additional details are presented in Tab 17, Expenditure Detail.

Conclusion

Progress is what drives us at the Brazos River Authority. This is an exciting and challenging time for our organization. We will have to grow and evolve in order to meet the ever-increasing demands that growth in our state and basin are presenting us with. Projects will need to go from being ideas on paper to reality. We will continue to work day-in and day-out to face the challenges in front of us and accomplish our mission. That is progress.



David Collinsworth
General Manager/CEO