
Meeting Date

November 29, 2022

New Business Item #5

Subject

2023 Budget

Recommendation

Staff recommends the Board of Directors adopt the Budget for 2023 as proposed and presented.

Background

Each year, in accordance with § 49.057(b), Texas Water Code, the Benbrook Water Authority Board of Directors adopts a budget which not only projects revenues and expenses for the upcoming calendar year, but which also serves as a representation of the priorities of the BWA Board pursuant to the Authority’s mission, which is to “safely provide its customers with a plentiful supply of superior drinking water at each connection and to return all wastewater to the collection system for proper treatment in an environmentally and fiscally responsible way.”

The Authority utilizes six (6) funds for budgetary purposes. These include General Operating, Debt Service, Capital Projects, Water Impact Fee, Wastewater Impact Fee, and Equipment Replacement funds.

The **General Operating Fund** is the primary fund, accounting for all personnel and operations.

Expenditures for 2023 are proposed at \$14,847,541. This year’s budget is an expenditure increase of 12.7%, or about \$1,677,000. About 40% of this increase is in debt service, with the remainder primarily in contracted services, wholesale wastewater costs and TRWD raw water costs due to anticipated increase demands.

Revenues: The budget assumes a simplified water rate structure consistent with the recommendations of the rate study completed by the Authority in 2021, with a water revenue increase 5% higher than originally projected in the rate study due to the aforementioned expenditure increases that were not anticipated. Likewise, sewer rates will require a 5% increase. This is less than the 6.5% increase anticipated by the rate study for 2023. These rates are projected to produce combined water and wastewater service revenues of \$13,308,000. Transfers in from impact fees amount to \$366,830. Total revenues and transfers total \$14,718,832. This will require the utilization of approximately \$129,000 of fund working capital. This is projected to leave a working capital balance of 28% of operating expenditures - comfortably ahead of the 25% policy level.

The **Debt Service Fund** is used to account for the Authority’s bond payments. Revenues in this fund consist of Operating Fund transfers of \$3,001,789 and interest earnings of \$15,000.

The **Capital Project Fund** accounts for construction, including bond-funded projects. Typical revenues include bond proceeds, transfers in, and interest earnings. This budget only includes interest income of \$25,000 and capital outlay of \$5,570,000.

There are two impact fee funds that account for water and wastewater impact fees, respectively. The **Water Impact Fee Fund** is expected to take in \$615,000 in impact fees. It’s expenditure budget includes \$366,830 in transfers to the operating fund to pay debt service on eligible bonds, leaving working capital of about \$2,003,000. The **Wastewater**

Staff Report

Impact Fee Fund is expecting \$307,000 in fees. There are no eligible expenses expected in 2023. Working capital at year-end is projected at approximately \$1,486,000.

New this year is the **Equipment Replacement Fund**. The purpose of this fund is to systematically accumulate resources for the replacement of equipment not included in the fleet lease arrangement. With a prior year's (2021) contribution of \$75,000, ending working capital for 2022 is projected at \$150,000. For 2023, a contribution of \$75,000 and expenditure of \$106,000 for a new tractor/backhoe will leave a working capital balance of \$119,000.

Below is a summary of the proposed budgets:

REVENUES

FUND	2022 ADOPTED BUDGET	2023 PROPOSED BUDGET	% CHANGE
GENERAL OPERATING	\$ 13,139,965	\$14,718,832	12.0%
DEBT SERVICE	2,374,779	3,016,789	27.0%
CAPITAL PROJECTS	25,000	25,000	0%
WATER IMPACT FEES	200,000	615,000	207.5%
WASTEWATER IMPACT FEES	100,000	307,000	207%
EQUIPMENT REPLACEMENT	0	75,000	NA

EXPENDITURES

FUND	2022 ADOPTED BUDGET	2023 PROPOSED BUDGET	% CHANGE
GENERAL OPERATING	\$ 13,170,632	\$14,847,541	12.7%
DEBT SERVICE	\$2,368,779	\$2,986,651	26.1%
CAPITAL PROJECTS	\$8,449,930	\$5,570,000	-34.1%
WATER IMPACT FEES	\$391,387	\$366,830	-6.3%
WASTEWATER IMPACT FEES	\$35,000	\$0	-100%
EQUIPMENT REPLACEMENT	0	106,000	NA

The detailed breakdown of the proposed budgets is attached for adoption.

Financial Impact

The budget as presented complies with all BWA policies and bond covenants.