



South Plains Water Supply Corporation  
FY2024 Tentative Operating Budget Summary

Briefing Presentation  
December 7, 2023



# Objectives

- FY2024 Operating & Proposed Budget
- Proposed rates for FY2024
- Approval of FY2024 Operating Budget
- Next Steps



**SOUTH PLAINS  
WATER SUPPLY  
CORPORATION**



# FY2024 Operating & Tentative Budget

# FY 2024 Tentative Operating Budget

## • FY2023 Operating Budget Facts

- ✓ Details only those expenses for the South Plains WSC prior to acquisition of the four systems

## • FY2024 Tentative Operating Budget Facts

- ✓ provides for a sustainable system with regular improvements
- ✓ increase in O&M expenditures
- ✓ increase in needed revenues
- ✓ adds renewal and replacement fund to address ongoing needs
- ✓ necessary to receive TWDB grant funding

<b>OPERATING INCOME</b>	
Beginning Balance	\$181,022
Water Revenue	\$353,331
Connection fees	
WFX Operational Funds	
Other Income	
<b>TOTAL OPERATING INCOME</b>	<b>\$534,354</b>
<b>OPERATING EXPENSES</b>	
System Management	\$60,000
Contract Operations (Patterson Professional Services)	\$123,500
Legal Fees (General Counsel)	\$36,000
WFX Grant Rate Impact / Modeling	\$7,222
Engineering Fees	\$18,000
Chemicals	\$2,380
Utilities	\$12,894
Insurance	\$4,200
Rents / Posting /Advertising / Website	\$3,000
Regulatory Fees	\$3,339
Lab Fees	\$2,129
Travel	\$18,000
Depreciation (30 Year Ramp Up - Monthly)	\$0
R&R Fund (10% of Gross Revenues)	\$35,333
Miscellaneous expense	\$3,900
<b>TOTAL OPERATING EXPENSES</b>	<b>\$329,898</b>
<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>	<b>\$204,455</b>
<b>Debt Service</b>	
System Acquisition Costs	\$22,204
WFX - Anticipatory Note	\$58,207
<b>DEBT SERVICE TOTAL</b>	<b>\$80,411</b>
Debt Service Coverage (From Net Revenues)	2.54
<b>OPERATING NET INCOME</b>	<b>\$124,044</b>
<b>NON OPERATING REVENUES (EXPENSES)</b>	
CU Loan Repayment	(\$210,000)
TWDB Funding - GRANTS	\$1,376,200
TWDB Funding - LOAN	\$0
Grant Administrative Application Support	(\$100,000)
Program and Grant Management (5% of Grant)	(\$58,310)
Construction Management (5% of Grant)	(\$58,310)
General Counsel (2%)	(\$23,324)
Capital Improvements Funding	(\$926,256)
<b>TOTAL NON OPERATING REVENUES (EXPENSES)</b>	<b>\$0</b>
<b>CHANGE IN NET POSITION</b>	<b>\$124,044</b>
Connections	283
Average Bill	\$156.07

**Fixed Costs Represent 94.67% of the Budget and Variable Costs Represent 5.33%**

**1) Contract Operations Includes:**

- Operations
- Customer Service
- Billing

**2) Depreciation** is now a consideration to systematically fix and update wear and tear on the system

**3) Renewal and Replacement Fund** has been established to address emergencies or critical needs as they arise

**4) System acquisition costs** are estimated at \$250,000 and amortized as a loan, however, no loan has been taken – this is an estimate

**5) WFX Operational Loan** is amortized monthly over 3 years starting May 2024

**6) Capital program with TWDB grants** has a timeline of 13 months beginning May 2024



Variable Cost

OPERATING INCOME		
Beginning Balance		\$181,022
Water Revenue		\$353,331
Connection fees		
WFX Operational Funds		
Other Income		
<b>TOTAL OPERATING INCOME</b>		<b>\$534,354</b>
OPERATING EXPENSES		
System Management		\$60,000
<b>1</b> Contract Operations (Patterson Professional Services)		<b>\$123,500</b>
Legal Fees (General Counsel)		\$36,000
WFX Grant Rate Impact / Modeling		\$7,222
Engineering Fees		\$18,000
Chemicals		\$2,380
Utilities		\$12,894
Insurance		\$4,200
Rents / Posting / Advertising / Website		\$3,000
Regulatory Fees		\$3,339
Lab Fees		\$2,129
Travel		\$18,000
<b>2</b> Depreciation (30 Year Ramp Up - Monthly)		<b>\$0</b>
<b>3</b> R&R Fund (10% of Gross Revenues)		<b>\$35,333</b>
Miscellaneous expense		\$3,900
<b>TOTAL OPERATING EXPENSES</b>		<b>\$329,898</b>
<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>		<b>\$204,455</b>
Debt Service		
<b>4</b> System Acquisition Costs		<b>\$22,204</b>
<b>5</b> WFX - Anticipatory Note		<b>\$58,207</b>
<b>DEBT SERVICE TOTAL</b>		<b>\$80,411</b>
Debt Service Coverage (From Net Revenues)		2.54
<b>OPERATING NET INCOME</b>		<b>\$124,044</b>
NON OPERATING REVENUES (EXPENSES)		
CU Loan Repayment		(\$210,000)
<b>6</b> TWDB Funding - GRANTS		\$1,376,200
TWDB Funding - LOAN		\$0
Grant Administrative Application Support		(\$100,000)
Program and Grant Management (5% of Grant)		(\$58,310)
Construction Management (5% of Grant)		(\$58,310)
General Counsel (2%)		(\$23,324)
Capital Improvements Funding		(\$926,256)
<b>TOTAL NON OPERATING REVENUES (EXPENSES)</b>		<b>\$0</b>
<b>CHANGE IN NET POSITION</b>		<b>\$124,044</b>
Connections		283
Average Bill		\$156.07

# FY 2024 Tentative Operating Budget Detail

## Rate Adjustment Factors

Current Rates		Comparison of Current and Post Acquisition Budget Items			POST Acquisition	
Current Average Rate Calculation		<b>Budget Items Impacting Sustainability and Rates:</b>			Post Acquisition Average Rate Calculation	
		<b>Current Costs</b>	<b>Budget Item</b>	<b>Post Acquisition</b>		
Flat Rate	\$57.96	\$7,392	Contract Operations (includes Operations, Customer Service & Billing)	\$15,000	Flat Rate	\$75.00
Temporary Manager Fee	\$12.00	\$0	Depreciation	\$0 to \$22,473	Temporary Manager Fee	\$0
Rate per 1,000 gallons - \$2.25	\$12.81	\$0	Acquisition Costs & Operational Loan (Debt Service)	\$10,051	Rate Per 1,000 gallons - \$14.25	\$81.07
Average Usage (gallons per month =5,693) <sup>1</sup>		\$0	Renewal & Replacement Fund	\$5,382	Average Usage (gallons per month =5,693) <sup>1</sup>	
Bill for Average Monthly Usage	\$82.77	\$0	Legal Services	\$3,000	Bill for Average Monthly Usage	\$156.07

<sup>1</sup>Average monthly usage per CS submissions to TCEQ – November 2022 to June 2023

Percentage increase = 88%

# FY 2024

## Tentative Operating Budget Detail

### Monthly Water Usage Rate Comparison

Monthly Rate	Gallons Used Per Month = 3,000	Gallons Used Per Month = 5,000	Gallons Used Per Month = 7,000
<b>CURRENT RATES</b>			
Fixed Rate = \$57.96	\$57.96	\$57.96	\$57.96
Temporary Manager Fee = \$12.00	\$12.00	\$12.00	\$12.00
Volume rate per 1,000 gallons = \$2.25	\$6.75	\$11.25	\$15.75
<b>TOTAL MONTHLY RATE</b>	<b>\$76.71</b>	<b>\$81.21</b>	<b>\$85.71</b>
<b>POST ACQUISITION</b>			
Fixed Rate = \$75.00	\$75.00	\$75.00	\$75.00
Volume rate per 1,000 gallons = \$14.24	\$42.72	\$71.20	\$99.68
<b>TOTAL MONTHLY RATE</b>	<b>\$117.72</b>	<b>\$146.20</b>	<b>\$174.68</b>
<b>Difference in Monthly Rate</b>	<b>\$41.01</b>	<b>\$64.99</b>	<b>\$88.97</b>

# Proposed FY 2024 through 2028 Operating Budget – Five Year Operating

	FYE 2024 Budget	FYE 2025	FYE 2026	FYE 2027	FYE 2028
<b>OPERATING INCOME</b>					
Beginning Balance	\$181,022	\$124,044	\$126,356	\$121,760	\$168,441
Water Revenue	\$353,331	\$530,014	\$530,014	\$530,014	\$530,014
Connection fees					
WFX Operational Funds					
Other Income					
<b>TOTAL OPERATING INCOME</b>	<b>\$534,354</b>	<b>\$654,058</b>	<b>\$656,369</b>	<b>\$651,774</b>	<b>\$698,454</b>
<b>OPERATING EXPENSES</b>					
System Management	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Contract Operations (Patterson Professional Services)	\$123,500	\$183,357	\$183,357	\$183,357	\$183,357
Legal Fees (General Counsel)	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000
WFX Grant Rate Impact / Modeling	\$7,222	\$0	\$0	\$0	\$0
Engineering Fees	\$18,000	\$18,336	\$18,678	\$19,026	\$19,381
Chemicals	\$2,380	\$2,425	\$2,470	\$2,516	\$2,563
Utilities	\$12,894	\$13,134	\$13,379	\$13,629	\$13,883
Insurance	\$4,200	\$4,278	\$4,358	\$4,439	\$4,522
Rents / Posting /Advertising / Website	\$3,000	\$3,056	\$3,113	\$3,171	\$3,230
Regulatory Fees	\$3,339	\$3,402	\$3,465	\$3,530	\$3,595
Lab Fees	\$2,129	\$2,169	\$2,209	\$2,250	\$2,292
Travel	\$18,000	\$18,336	\$18,678	\$19,026	\$19,381
Depreciation (30 Year Ramp Up - Monthly)	\$0	\$5,618	\$11,237	\$16,855	\$22,474
R&R Fund (10% of Gross Revenues)	\$35,333	\$53,001	\$53,001	\$53,001	\$53,001
Miscellaneous expense	\$3,900	\$3,973	\$4,047	\$4,122	\$4,199
<b>TOTAL OPERATING EXPENSES</b>	<b>\$329,898</b>	<b>\$407,085</b>	<b>\$413,992</b>	<b>\$420,923</b>	<b>\$427,879</b>
<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>	<b>\$204,455</b>	<b>\$246,973</b>	<b>\$242,377</b>	<b>\$230,851</b>	<b>\$270,575</b>
<b>Debt Service</b>					
System Acquisition Costs	\$22,204	\$33,306	\$33,306	\$33,306	\$33,306
WFX - Anticipatory Note	\$58,207	\$87,311	\$87,311	\$29,104	\$0
<b>DEBT SERVICE TOTAL</b>	<b>\$80,411</b>	<b>\$120,617</b>	<b>\$120,617</b>	<b>\$62,410</b>	<b>\$33,306</b>
Debt Service Coverage (From Net Revenues)	2.54	2.05	2.01	3.70	8.12
<b>OPERATING NET INCOME</b>	<b>\$124,044</b>	<b>\$126,356</b>	<b>\$121,760</b>	<b>\$168,441</b>	<b>\$237,269</b>
<b>NON OPERATING REVENUES (EXPENSES)</b>					
CU Loan Repayment	(\$210,000)				
TWDB Funding - GRANTS	\$1,376,200	\$1,577,800	\$0	\$0	\$0
TWDB Funding - LOAN	\$0	\$0	\$0	\$0	\$0
Grant Administrative Application Support	(\$100,000)	\$0	\$0	\$0	\$0
Program and Grant Management (5% of Grant)	(\$58,310)	(\$78,890)	\$0	\$0	\$0
Construction Management (5% of Grant)	(\$58,310)	(\$78,890)	\$0	\$0	\$0
General Counsel (2%)	(\$23,324)	(\$31,556)	\$0	\$0	\$0
Capital Improvements Funding	(\$926,256)	(\$1,388,464)	\$0	\$0	\$0
<b>TOTAL NON OPERATING REVENUES (EXPENSES)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>CHANGE IN NET POSITION</b>	<b>\$124,044</b>	<b>\$126,356</b>	<b>\$121,760</b>	<b>\$168,441</b>	<b>\$237,269</b>
Connections	283	283	283	283	283
Average Bill	\$156.07	\$156.07	\$156.07	\$156.07	\$156.07

<sup>1</sup>2025 to 2028 Budgets include a CPI Factor of 50% of 3.73% (2023 Annualized CPI) - except for blue entries which are contracted amounts.





# Next Steps

Final walkthrough and closeout of the project.

Finalize and complete the closeout of the grants.

Approve Member Contribution Agreements for FY2024.

Present Proposed final budget for adoption in December.

Continue to seek additional affordable funds for future capital.