Edwards Aquifer Habitat Conservation Plan

Report of the 2025 Budget Work Group

To: Edwards Aquifer Habitat Conservation Plan Implementing Committee

From: Edwards Aquifer Habitat Conservation Plan Budget Work Group

Date: September 3, 2025

Overview:

On September 3, 2025, an annual meeting of the Edwards Aquifer Habitat Conservation Plan (EAHCP) Budget Work Group was held to receive a report from Edwards Aquifer Authority (EAA) staff pertaining to the EAA's Financial Forecast and to make recommendations regarding the EAHCP program budget. The Budget Work Group has been charged by the EAHCP Implementing Committee to "collaborate with and inform the EAA budget process, as it relates to the EAHCP, EAHCP Reserve and EAHCP Aquifer Management Fee and to address fiscal issues as they arise and are referred by the Implementing Committee".

Members of this Work Group include:

- Benjamin Benzaquen, San Antonio Water System designee (Chair)
- Robert Mace, EAHCP Implementing Committee (IC) Member (Texas State University)
- Myron Hess, EAHCP Stakeholder member (Living Waters Project)
- Marc Friberg, EAA designee
- Adam Yablonski, Member-at-Large, Medina County Farm Bureau

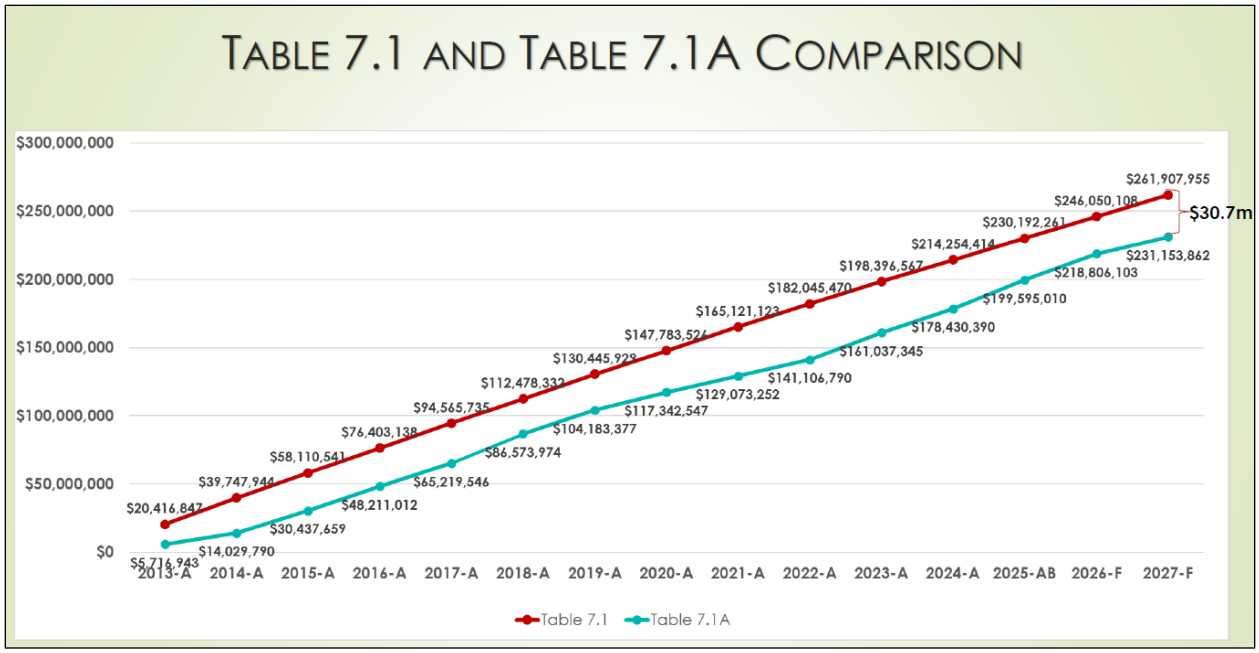
Work Group Discussions:

EAA staff presented information on the following items at the meeting:

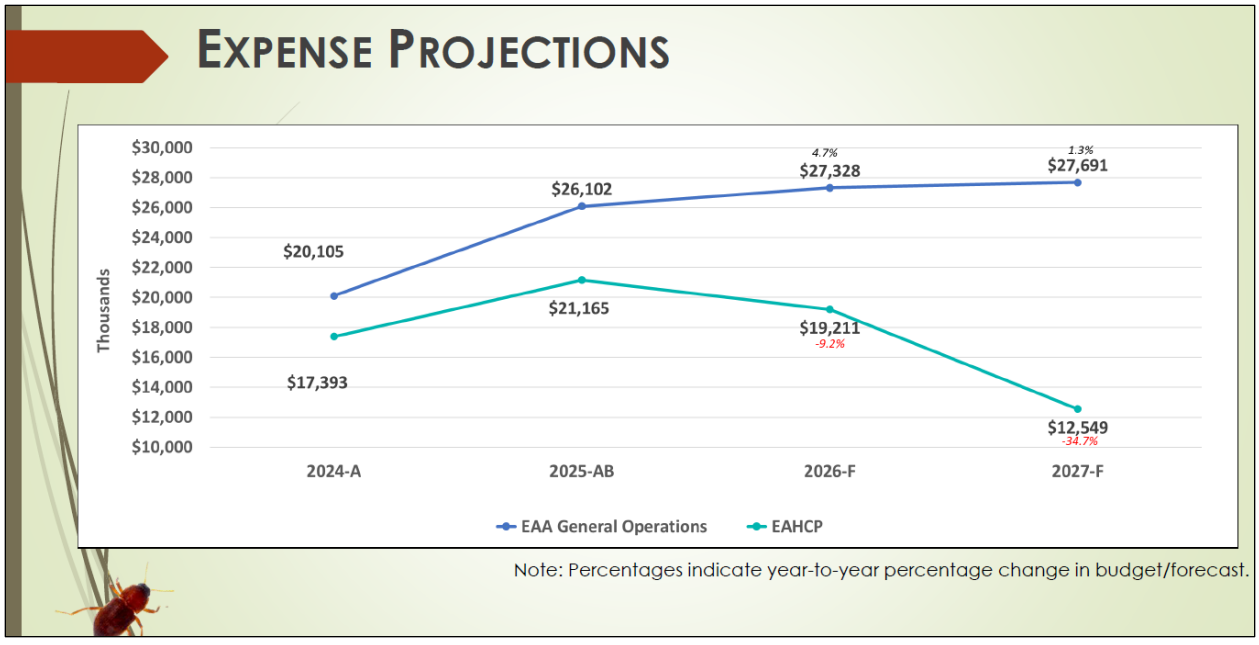
- Receive presentation and consider possible action associated with the EAHCP ITP Forecast

Financial Forecast (2026-2027):

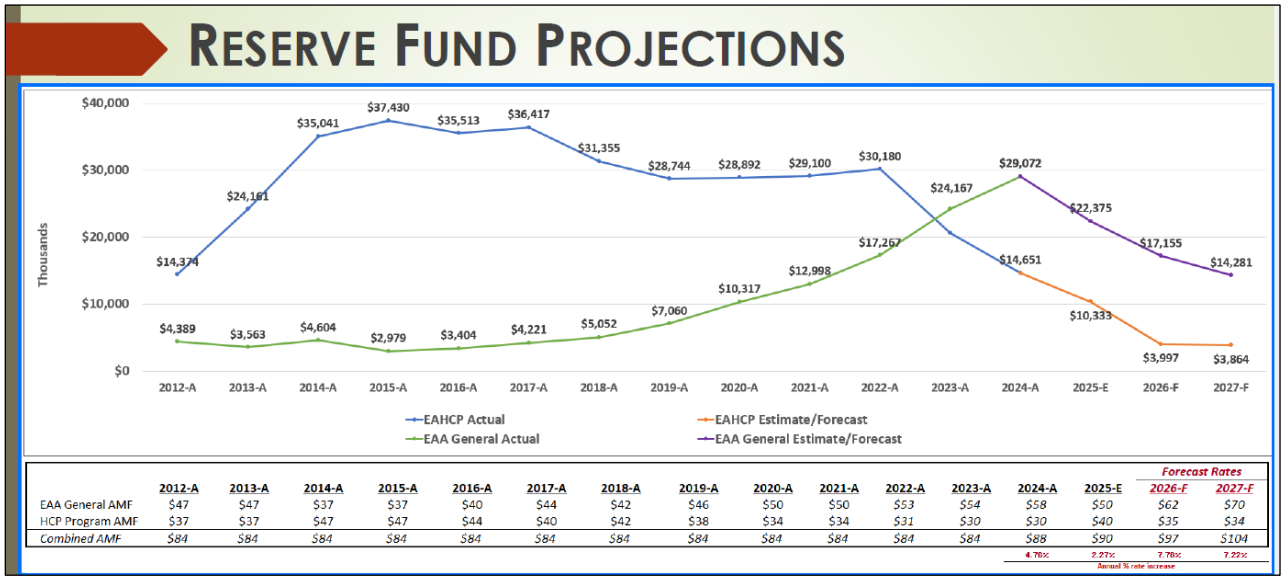
EAA staff presented a projected Financial Forecast for the EAA, including both the EAA General Operations and Habitat Conservation Program budgets. A detailed illustration was given of how the 7.1 Budget compares to actual expenses (Table 7.1A) thus far and as projected through 2027. Excluding costs for additional triggering events of VISPO after 2026 or any triggering of ASR recovery before 2027, the current projections show the EAHCP will be about $30.7 million under budget by the end of that timeframe.



A comparative look at the combined EAA/EAHCP expense projections through 2027 was provided. The EAA operating budget is forecasted to incur small increases over the next two years whereas the EAHCP budget is projected to see a slight decline in 2026 but then see a sharp 34% decrease by almost $7 million in 2027 as it reaches the end of the current Incidental Take Permit (ITP). This decline in EAHCP budget is largely predicated on an expected decrease in programmatic expenses but, as noted above, it does not provide for any additional VISPO trigger occurrences after 2025 (for forbearance in 2026) or any ASR recovery expenses.



EAA staff provided additional information regarding current trigger probabilities for both VISPO and ASR. Based on analysis of historical data through 2024, the chances of a VISPO trigger for the period of 2025-2028 are 40.9% for 1 or more years, 8.1% for 2 or more years, and 0.9% for 3 or more years. However, given aquifer conditions at the time of the meeting, the chances of a VISPO trigger for 2025, with forbearance in 2026, were characterized at 64%. The cost of a VISPO trigger for forbearance in 2026 is already included in the 2026 proposed budget at an approximate value of $6.5 million, to be paid from the EAHCP Reserve. Any additional VISPO forbearance events would carry comparable costs. There is no chance of triggering ASR forbearance and only a slight chance of ASR recovery in 2026. However, the chance of a triggering event requiring ASR forbearance in 2027 is about 73.8%. Because of the way ASR forbearance contracts are structured, triggering of ASR forbearance does not result in additional costs. However, if ASR recovery were to take place in 2026, 2027 or 2028, additional costs would be incurred, with those costs based on the actual amount of water recovered.



	2012-A	2013-A	2014-A	2015-A	2016-A	2017-A	2018-A	2019-A	2020-A	2021-A	2022-A	2023-A	2024-A	2025-E	Forecast Rates 2026-F	Forecast Rates 2027-F
EAA General AMF	$47	$47	$37	$37	$40	$44	$42	$46	$50	$50	$53	$54	$58	$50	$62	$70
HCP Program AMF	$37	$37	$47	$47	$44	$40	$42	$38	$34	$34	$31	$30	$30	$40	$35	$34
Combined AMF	*$84*	*$84*	*$84*	*$84*	*$84*	*$84*	*$84*	*$84*	*$84*	*$84*	*$84*	*$84*	*$88*	*$90*	*$97*	*$104*
													4.76%	2.27%	7.78%	7.22%
															Annual % rate increase	

A concise look into the Reserve Fund Projections was provided for the Workgroup to discuss the combined EAA Aquifer Management Fee (AMF) rate and Reserve Forecast. In recent years, the Work Group has been consistently evaluating the declining AMF portion allocated to HCP vs. EAA operations and any correlating, negative effect on the reserve balance. While 2024 and 2025 both saw small increases in the combined AMF rate, the EAA has proposed a $7 *overall* increase to the AMF rate for 2026, going to $97. The combined AMF rate is projected to rise to $104 in 2027. These increases are in response to current inflationary costs and maintaining a combination of fund reserves capable of absorbing future potential VISPO trigger events.

It is noteworthy to add that the HCP Program AMF rate portion is projected to decrease to $35 in 2026 and to $34 in 2027, from $40 in 2025. This is based on a projection that HCP Program expenses will decrease from current levels as we near the end of the current ITP. With this decrease in programmatic costs, which is premised on the assumptions noted above regarding no additional VISPO forbearance events after 2026

and no ASR recovery expenses, the HCP Reserve Fund balance is projected to drop to just below $4 million at the end of 2027. The overall EAA General Reserve Fund, which can be used to help cover EAHCP expenses, is projected to be at about $14.25 million at that point, based on the same assumptions. The EAA staff indicates its intent to continue to evaluate program expenses and how they affect the reserve fund each year.

After the meeting, the EAA had some interested parties request additional background on the EAA's proposed increase to AMF rates and resulting impacts to reserve funding. To that end, EAA staff provides the following statement that was not provided at the workgroup meeting:

> *While the EAA has successfully maintained a largely unchanged AMF rate for 12 years, the organization has been required to utilize reserve funding to sustain rate consistency. The EAA must now be responsive to increased inflationary costs and to the increasing value of Edwards Aquifer Groundwater Withdrawal Rights. Therefore, the EAA is implementing a strategic rate increase designed to build appropriate capacity for the implementation of springflow protection programs associated with the new HCP, for the EAA's next generation initiatives, and for future reserves.*

Findings:

- The current financial projections and cost estimates presented to the Budget Work Group indicate an adequate budget for the EAHCP program for fiscal year 2026.
- The work group acknowledged that there will be a proposed $7 overall AMF rate increase in 2026 coinciding with a $5 decrease in the HCP Program allocation. It was also understood that the *projected* AMF rate shown for 2027 is not to be interpreted as the actual proposed rate.
- The work group understands that even with the EAHCP Budget Reserve Fund decreasing over the final years of the current ITP, any future potential trigger-based expenditures will be addressed through the toggling, and/or adjustment, of AMF Rates and usage of the EAA General Reserve fund.
- The Budget Work Group will continue to convene as early in the budget process as reasonable each year

Recommendations:

The Work Group makes no formal recommendations for the EAHCP Implementing Committee to forward to the EAA Board this year.

APPENDIX A
SLIDE PRESENTATIONS

EAHCP Budget Work Group

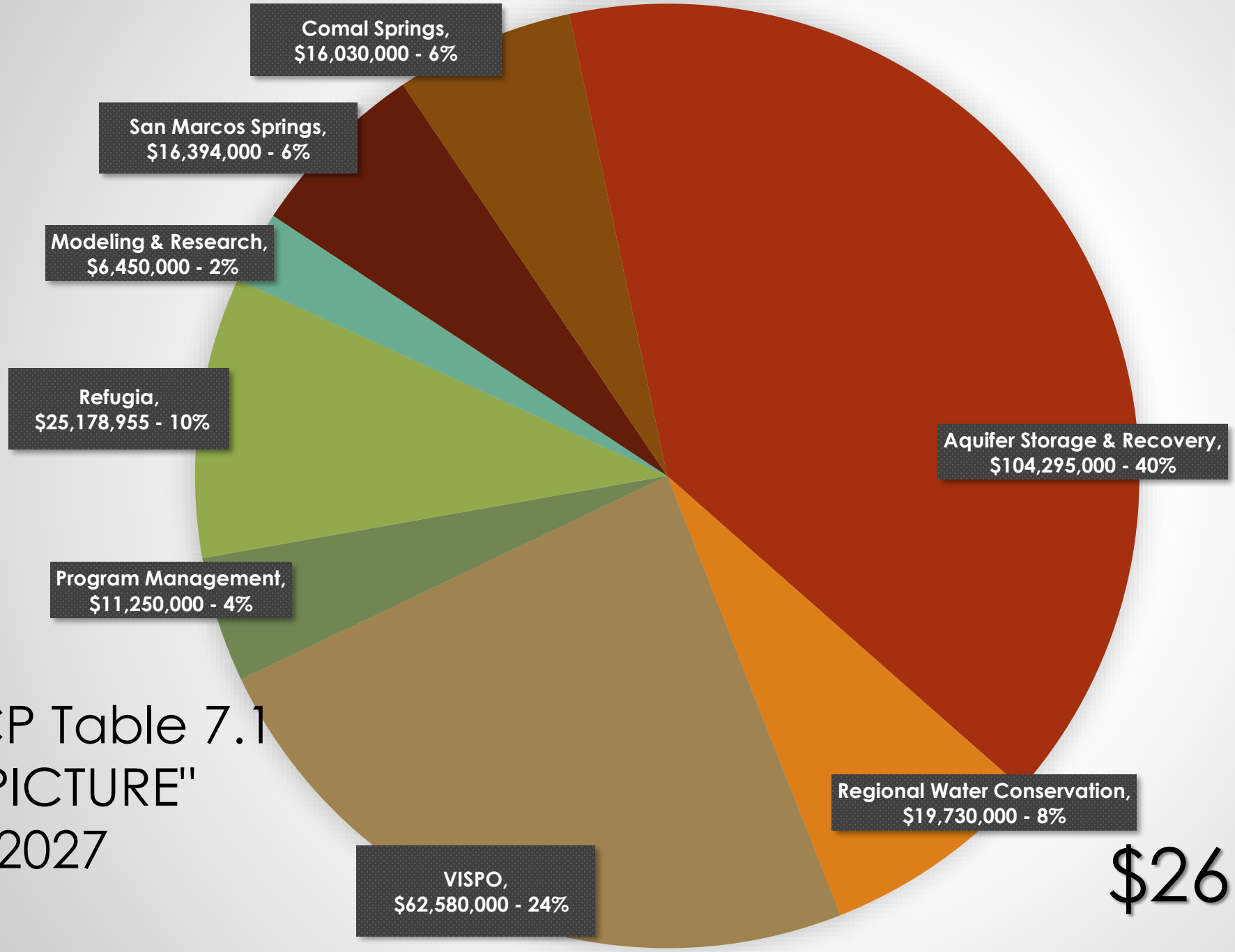
September 3, 2025

Charge of the EAHCP Budget Work Group

- Collaborate with and inform the EAA Budget Process, as it relates to the EAHCP, EAHCP reserve and EAHCP aquifer management fee.

- Address fiscal issues as they arise and are referred by the Implementing Committee.

EAHCP 7.1A Analysis and Forecast



EAHCP Table 7.1 "BIG PICTURE" 2013-2027

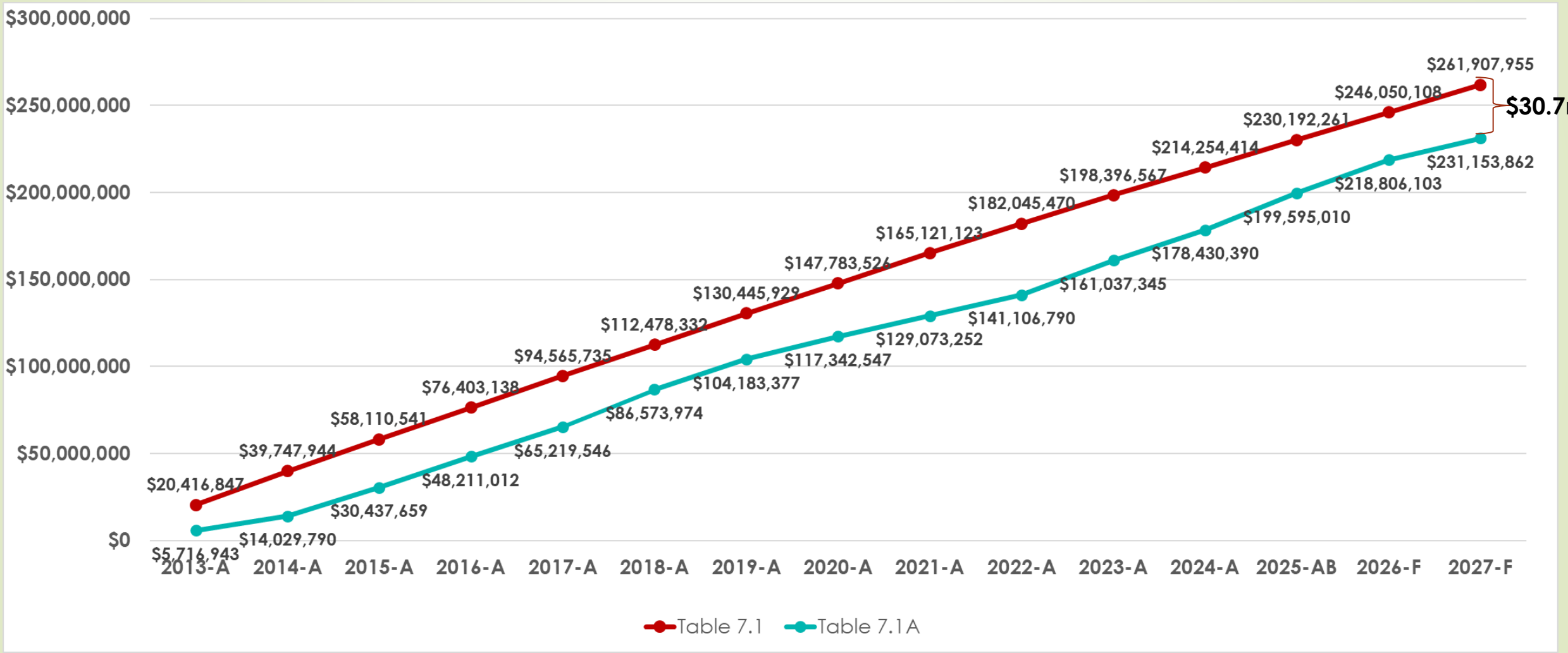
$261,907,955

7.1 ADJUSTED

"TABLE 7.1A"

TRACKS ACTUALS FOR CLOSED YEARS AND FORECASTED PERIODS THROUGH THE END OF THE ITP.

Table 7.1 and Table 7.1A Comparison



PROGRAM TOTALS | TABLE 7.1 AND TABLE 7.1A COMPARISON

EAHCP Measure	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
Program Administration	$11,250,000	$15,028,171	($3,778,171)
ASR - Leasing/Forbearance	71,385,000	71,225,736	159,264
ASR - O & M	32,910,000	4,709,262	28,200,738
Regional Water Conservation	19,730,000	19,414,103	315,897
VISPO	62,580,000	62,403,667	176,333
San Marcos Springs	16,394,000	17,912,517	(1,518,517)
Comal Springs	16,030,000	15,964,891	65,109
Modeling & Research	6,450,000	5,733,028	716,972
Refugia	25,178,955	18,762,487	6,416,468
Total	**$261,907,955**	**$231,153,862**	**$30,754,093**

Entity	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
Edwards Aquifer Authority	$238,483,955	$207,655,763	$30,828,192
City of San Marcos - Texas State University	11,894,000	12,879,600	(985,600)
City of New Braunfels	11,530,000	10,618,499	911,501
Total	**$261,907,955**	**$231,153,862**	**$30,754,093**

TABLE 7.1 AND TABLE 7.1A COMPARISON

EDWARDS AQUIFER AUTHORITY

EAHCP Measure	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
ASR - Leasing/Forbearance	$71,385,000	$71,225,736	$159,264
ASR - O & M	32,910,000	4,709,262	28,200,738
Regional Municipal Water Conservation	19,730,000	19,414,103	315,897
VISPO	62,580,000	62,403,667	176,333
Biological Monitoring	6,000,000	7,738,016	(1,738,016)
Water Quality Monitoring	3,000,000	2,641,293	358,707
Ecological Modeling	1,150,000	1,107,758	42,242
Applied Research (Research & Facility)	4,750,000	3,266,757	1,483,243
Refugia	25,178,955	18,762,487	6,416,468
Program Management	11,250,000	15,028,171	(3,778,171)
Science Review Panel	550,000	1,358,513	(808,513)
Total	**$238,483,955**	**$207,655,763**	**$30,828,192**

Table 7.1 and Table 7.1A Comparison

City of San Marcos/Texas State University

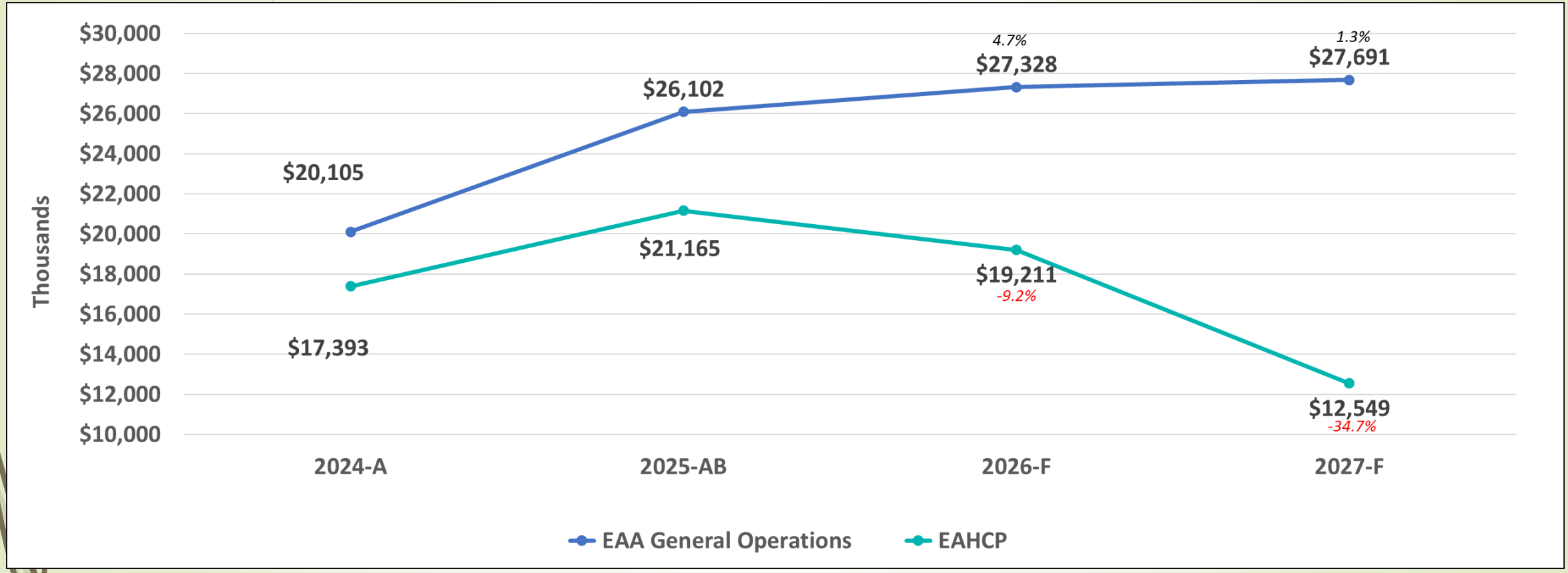
EAHCP Measure	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
TX Wild Rice Enhancement/Restoration	$1,850,000	$1,220,665	$629,335
Sediment Removal	850,000	744,292	105,708
Non-Native Plant Species Control	1,375,000	3,083,324	(1,708,324)
Litter Control/Floating Vegetation	1,200,000	756,027	443,973
Non-Native Animal Species Control	525,000	342,268	182,732
Bank Stabilization/Perm Access Points	780,000	1,153,492	(373,492)
Restoration - Riparian Zones	380,000	671,836	(291,836)
Management - Key Public Rec Areas	784,000	881,487	(97,487)
LID/BMP Management	3,600,000	3,448,435	151,565
Household Hazardous Waste Program	450,000	412,426	37,574
Sessom Creek Sand Bar	100,000	100,000	0
Education	0	65,349	(65,349)
Total	**$11,894,000**	**12,879,600**	**($985,600)**

Table 7.1 and Table 7.1A Comparison

City of New Braunfels

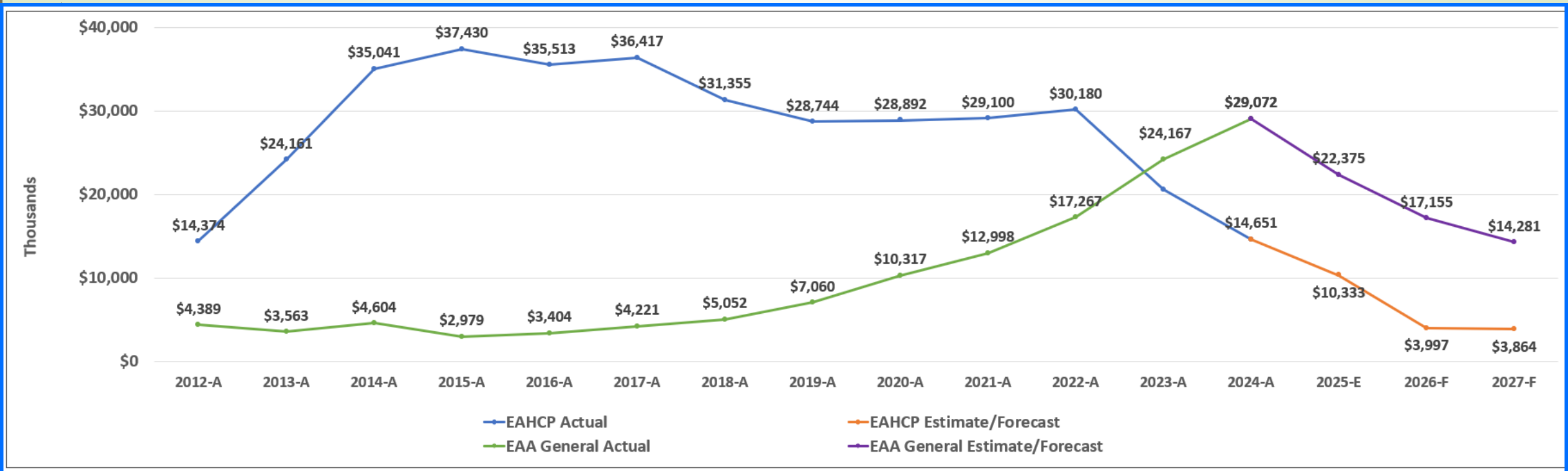
EAHCP Measure	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
Old Channel Restoration	$2,000,000	$1,623,172	$376,828
Flow Split Management	270,000	322,878	(52,878)
Aquatic Vegetation Restoration	1,245,000	1,519,035	(274,035)
Non-Native Animal Species Control	1,245,000	834,065	410,935
Decaying Vegetation Removal	960,000	390,004	569,996
Riparian Impr - Riffle Beetle	525,000	556,270	(31,270)
Gill Parasite Control	1,325,000	554,738	770,262
Restoration - Riparian Zones	1,600,000	1,942,656	(342,656)
LID/BMP Management	1,900,000	1,922,788	(22,788)
Household Hazardous Waste Program	450,000	492,169	(42,169)
Litter Control/Floating Vegetation	0	457,376	(457,376)
Prohibition - Hazardous Materials Route	10,000	0	10,000
Education	0	3,349	(3,349)
Total	**$11,530,000**	**$10,618,499**	**$911,501**

Expense Projections



Note: Percentages indicate year-to-year percentage change in budget/forecast.

Reserve Fund Projections



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EAHCP Drought Probabilities: VISPO & ASR Forbearance

VISPO Forbearance

- **VISPO Trigger:** "If, *on October 1st of a year, the J-17 Index well water level is at or below 635 feet msl, the General Manager of the EAA shall issue a notice of a Forbearance Year. A Forbearance Year commences on January 1st of the year following the year in which the General Manager issued a notice of a Forbearance Year."*

  - Considering historical data through 2024, the probability of reaching VISPO triggering are:
    - 1 or more VISPO trigger years = 40.9 percent
    - 2 or more = 8.1 percent
    - 3 or more = .9 percent

  - As of July 1, 2025, water levels in J-17 were low (less than 640 ft msl). This condition on July 1 has occurred 14 times over the 90 years on record, and in 9 of those years, the October 1 water level at J-17 was at or below the VISPO trigger of 635 ft msl.
    - The probability of reaching the VISPO trigger in 2025, for forbearance in 2026, is likely to be closer to 64% using those criteria.

EAHCP Drought Probabilities: VISPO & ASR Forbearance

ASR Forbearance

- **ASR Trigger:** "If, *on June 1st of a year, the Ten-year Rolling Average of the Estimated Annual Recharge to the Aquifer is equal to or less than 500,000 AF/annum, the General Manager of the EAA shall issue a notice of a Forbearance Year. A Forbearance Year commences on January 1st of the year following the year in which the General Manager issued a notice of a Forbearance Year*."

  - The June 1, 2025 10-year rolling average recharge, based on recharge estimates for years 2015–2024, was **554,300** acre-feet.

  - Probability of an ASR Forbearance Year for years 2026 – 2028:
    - 1 or more ASR forbearance years >80% percent
    - 2026: 0%
    - 2027: 73.8%

Questions?

Thank you!

APPENDIX B
MEETING AGENDA

2025 EAHCP Budget Work Group

Meeting Agenda
Wednesday, September 3, 2025
10:00 a.m. - 12:00 p.m.

1. **Confirm attendance**
2. **Public comment**
3. **Receive presentation and consider possible action associated with the EAHCP ITP Forecast**
4. **Public comment**
5. **Future meetings**
6. **Adjourn**

APPENDIX C
MEETING MINUTES

2025 EAHCP Budget Work Group

Meeting Minutes
Wednesday, September 3, 2025

Members of this Work Group include Benjamin Benzaquen (Chair – San Antonio Water System), Marc Friberg (Edwards Aquifer Authority), Adam Yablonski (Medina County Farm Bureau), Myron Hess (Texas Living Waters Project), and Robert Mace (Texas State University).

1. **Confirm attendance.**
   Ben Benzaquen called the meeting to order at 10:00 a.m. All Work Group members were present.

2. **Public comment.**
   There were no comments from the public.

3. **Receive presentation and consider possible action associated with the EAA's Financial Forecast (2026-2027)**

   EAA Controller Shelly Hendrix presented the EAA's financial forecast that was presented to the EAA Board on 7-8-25. That forecast provided an overview of how the EAHCP budget is allocated amongst its various programs and expense categories. It should be noted that the forecast is predicated on assumptions about future expenses, rate considerations & reserves. A comparative look at the projections between Table 7.1 and Table 7.1A indicates expected cumulative expenditures at $30.7 million below Table 7.1 values for the EAHCP through 2027 at a total of $231 million. These forecast updates are based on estimates of expenditures through the end of 2027, including the 2026 proposed EAHCP budget.

   It was noted that the proposed 2026 Budget already includes assumed suspension payments for a likely VISPO trigger, although that formal determination is made on Oct 1st each year. Adam asked about VISPO trigger probabilities for the duration of the permit, which Marc replied that it is likely to trigger this year. Ben asked about the difference between VISPO standby and suspension payment amounts, which Shelly replied is typically a $7 million difference.

   Marc added that there should not be any ASR Operation & Maintenance (O&M) costs in 2026 and clarified that ASR O&M costs are essentially the energy costs for SAWS to pump the water from ASR.

The combined EAA General Operations/EAHCP expense projections through 2027 were provided. The annual expenses for EAA General Operations are projected to hold steady at approximately $27 million whereas the EAHCP expenses are forecasted at just over $19 million in 2026 but projected to decline to under $13 million for the final full year of the current ITP in 2027. This decline is attributed to an expected reduction in programmatic expenses as we approach the end of the permit. However, those amounts would change with additional VISPO suspension and/or ASR recovery.

The EAHCP Budget Reserve Fund projections were presented to the Workgroup, The combined AMF rate is proposed to increase from $90 to $97 in 2026. This marks the 3rd consecutive year of AMR rate increases and it is consistent with the planned stair-step increases to the combined AMF each year until the end of the current ITP. It should be noted that the HCP Program AMF portion is forecasted to decrease in the final years of the ITP as programmatic costs decrease. Ben asked if EAHCP program needs are supposedly going down, why are AMF rates projected to increase over the same time frame? Shelly reiterated that with the overall AMF rate increasing, this is a planned approach to manage inflationary costs and keep our general fund reserve at a manageable point since there is the potential for additional VISPO triggers. Shelly noted that although the HCP Program reserve can only be used for EAHCP expenses, the general fund reserve can be used for both HCP and non-HCP expenses.

Myron asked about the drivers behind the projected decline in the general reserve fund balance continuing through 2026 and 2027, even as the AMF general allocation is projected to continue growing. Shelly noted that projected expenses are greater than projected revenues each year causing the fund balance to decline. Until the AMF rate generates revenues equal to or greater than expenses, there will be a use of reserve funds.

The Drought Probabilities for VISPO and ASR Forbearance through 2027 were provided to the Work Group. For VISPO, just considering long-term historical data through 2024, the probabilities of reaching VISPO triggering are a 40.9% chance for 1 or more triggers, an 8.1% change for 2 or more triggers, and a 0.9% chance for 3 or more triggers. It was noted that as of July 1, 2025, water levels in J-17 were low (less than 640 ft msl). This same scenario on July 1 has occurred 14 times over the 90 years on record, and in 9 of those 14 years, the October 1 water level at J-17 was at or below the VISPO trigger of 635 ft msl. Thus, the probability of reaching the VISPO trigger in 2025, for forbearance in 2026, is likely to be closer to 64% using those criteria. It was also acknowledged that water levels have declined from the July 1 level and that VISPO forbearance payments are included in the projected 2026 expenditures.

For ASR Forbearance, it has been determined that there is a 0% chance of forbearance in 2026, because of the rolling 10-year average recharge value. However, there is a 73.8% chance of triggering in 2026 for forbearance in 2027,

and greater than an 80% chance of triggering no later than 2027 for forbearance in 2028. It was noted that there is no additional cost projected for the ASR forbearance component since EAA pays the associated forbearance contracts annually at a set rate, regardless of any trigger being met. The only cost associated with an ASR trigger event is the SAWS O&M withdrawal costs. That cost would vary depending on how much water SAWS decides to bring back from ASR storage versus relying on other supplies. No such costs are included in the budget projections but payment for such O&M costs are available and would be paid from reserves.

Myron asked about probabilities of VISPO and ASR triggering in 2027 and 2028 and any budgetary issues that might raise for transitioning into the renewed EAHCP.

Shelly gave a reminder that the EAA General Reserve Fund is unrestricted and can be used to pay for EAHCP-related expenses when needed whereas the EAHCP Reserve Fund is restricted to only paying for EAHCP program expenses. After discussion, Budget Work Group members acknowledged the lack of any formal recommendations that had been raised for inclusion in the Final Report that will be provided to the Implementing Committee.

4. **Public comment**
   There were no comments from the public.

5. **Future meetings**
   No date was set for any additional Work Group meetings in 2025.

6. **Adjourn** – 10:24 a.m.