



Edwards Aquifer Habitat Conservation Plan  
**Report of the 2024 Budget Work Group**



To: Edwards Aquifer Habitat Conservation Plan Implementing Committee  
From: Edwards Aquifer Habitat Conservation Plan Budget Work Group  
Date: August 28, 2024

### **Overview:**

On August 28, 2024, 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:

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

### **Work Group Discussions:**

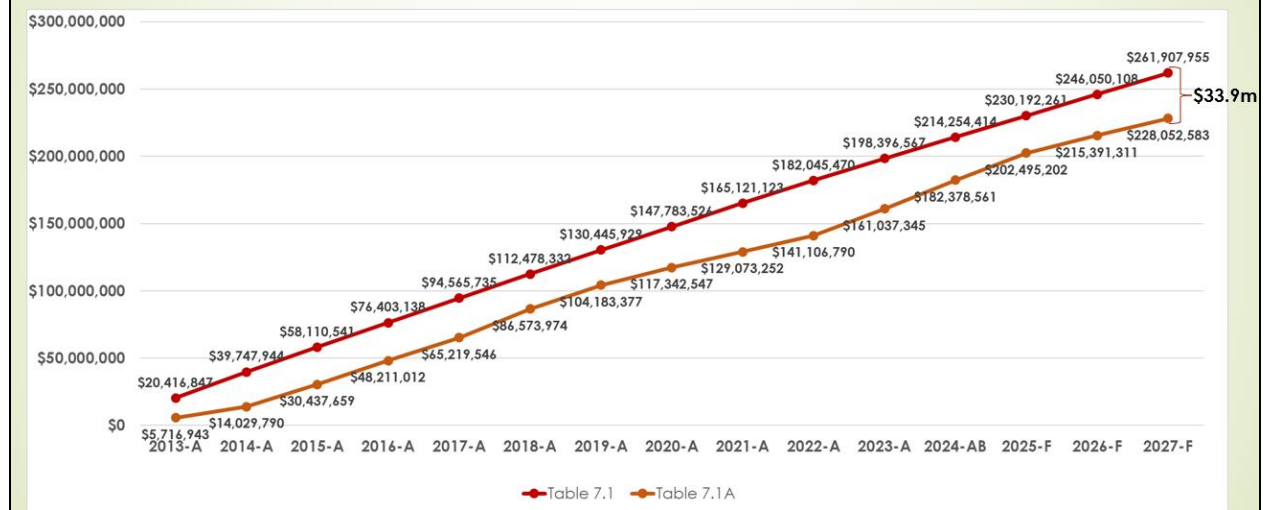
EAA staff presented information on the following items at the meetings:

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

### **Financial Forecast (2025-2027):**

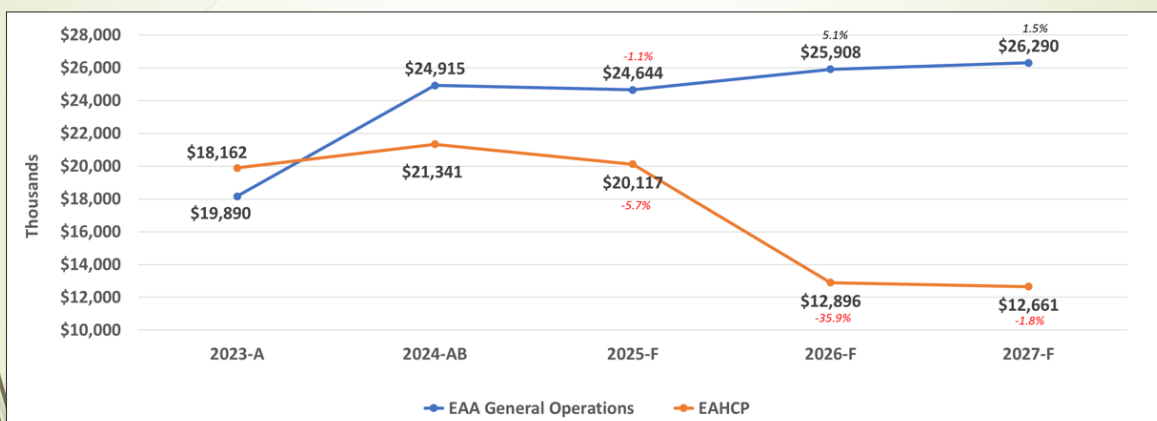
EAA staff presented a projected Financial Forecast for the EAA, including both the EAA General Operations and Habitat Conservation Program budgets. A detailed illustration was given of how the 7.1 Budget compares to actual expenses (Table 7.1A) thus far and as projected through 2027. Excluding costs for additional triggering events of VISPO after 2025 or any triggering of ASR recovery before 2027, the current projections show the EAHCP will be about \$33.9 million under budget by the end of that timeframe.

## TABLE 7.1 AND TABLE 7.1A COMPARISON



A comparative look at the combined EAA/EAHCP expense projections through 2027 was provided. The EAA operating budget is projected to incur small increases each year whereas the EAHCP budget is projected to see a slight decline in 2025 but then see a sharp decrease by over \$7 million in 2026 and then remain level going into 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 include any additional VISPO trigger occurrences after 2024 (for forbearance in 2025) or any ASR recovery expenses.

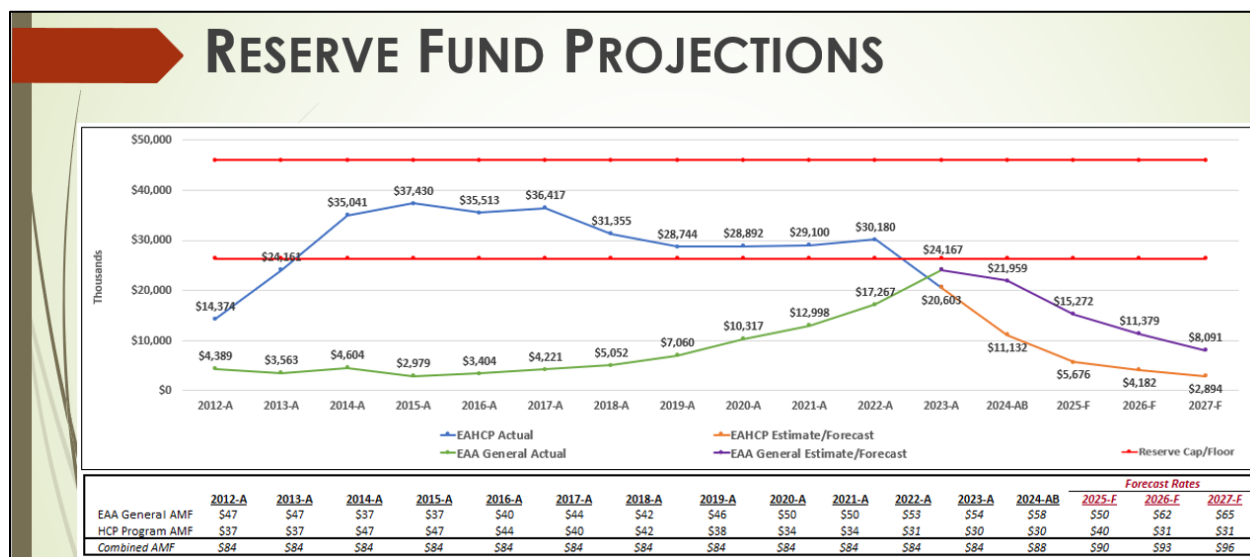
## EXPENSE PROJECTIONS



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

EAA staff provided additional information regarding current trigger probabilities for both VISPO and ASR. Based just on an analysis of historical data through 2023, the

probability of reaching the VISPO trigger in any specific year would be about 8%. More specifically, using those data, for the period of 2024-2028, the chances of a VISPO trigger are 37.2% for 1 or more years, 6.7% for 2 or more years, and 0.6% for 3 or more years. However, given aquifer conditions at the time of the meeting, the chances of a VISPO trigger for 2024, with forbearance in 2025, were characterized at 62%. The cost of a VISPO trigger for forbearance in 2025 is already included in the 2025 proposed budget at an approximate value of \$6.9 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 or recovery in 2025, as it is mathematically impossible for the 10-year rolling recharge average to drop below the trigger value of 500,000 acre-feet. However, the chance of a triggering event in the year 2026, for ASR forbearance in 2027, is about 39.7% and the chance of it triggering in 2027, for forbearance in 2028, is about 68%. 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 2027 or 2028, additional costs would be incurred.



A concise look into the Reserve Fund Projections was provided for the Workgroup, fostering much discussion of the combined EAA Aquifer Management Fee (AMF) rate and Reserve Forecast. The prevailing sentiment over the years has remained that the Work Group should be vigilant in continuously evaluating the declining AMF portion allocated to HCP vs. EAA operations and any correlating, negative effect on the reserve balance. The year 2024 was the first year in EAHCP history that saw an increase in the combined AMF rate, going from \$84 to \$88 per acre-foot. This trend will continue in 2025 as the EAA has proposed a \$2 *overall* increase to the AMF rate for 2024, going to \$90. The combined AMF rate is projected to rise to \$93 in 2026 and \$96 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.

While the HCP Program AMF rate portion is projected to increase to \$40 in 2025, the forecast shows a comparable decline back to \$31 in 2026 and 2027. This is due to the fact that HCP Program expenses are projected to decrease from current levels as we near the end of the current ITP. With this decrease in programmatic costs, and with the

assumptions noted above regarding forbearance events, the Reserve Fund balance is projected to drop to just below \$3 million at the end of 2027. As always, the EAA staff intends to continue to evaluate program expenses and how they affect the reserve fund each year.

### **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 2025.
- The work group acknowledged that there will be a proposed \$2 overall AMF rate increase in 2025 accompanied by a one-year increase in the HCP Program allocation. It was also understood that the *projected* AMF rates shown for 2026-2027 are 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 of AMF Rates and/or the 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 finalized recommendation for the EAHCP Implementing Committee to forward to the EAA Board , but rather, the Work Group refers the items listed below to the Implementing Committee for discussion, consideration, and action in formulating a recommendation to the EAA Board regarding the 2025 budget. The Work Group recommends the Implementing Committee consider and discuss the following issues related to funding:

#### **1. Allocation of reserve funds at the end of the current ITP in 2027**

The topic of the fate of any surplus program funds that may remain at the expiration of the ITP was often raised during the discussion. At the core of the matter, the concern that looms large is what is the ethically and fiscally responsible manner to handle this? Should any EAHCP Budget Reserve funds remaining be re-purposed for programs associated with the new HCP or should these funds be refunded to all permit holders as those options are set out in Section 6.5 of the FMA? The FMA language related to carryover approval of reserve balances or the default return of funds to the permit holders poses the question of what approach is preferred and, if carryover of funds is desired, what amount should be needed. The default FMA requirement of a refund of remaining reserves is in keeping with the original AMF increase EAA board action on entering the program. If the severe drought climate that we are currently in continues to persist, should a robust reserve amount be made available on the onset of a new ITP

to cover any steep, unexpected costs that arise? For example, because all existing forbearance agreements expire at the end of the current HCP, there may be substantial startup costs associated with getting new forbearance agreements in place. If current recharge trends continue, at that point forbearance triggers are likely to be met or close to being met and the cost of agreements is likely to reflect that reality. The availability of a substantial reserve might help defer the need for a large increase in the AMF in that situation. This is a fluid conversation that the Work Group would like the EAA Board to remain engaged on.

## **2. The potential of the management of program costs using a single, shared EAA reserve fund**

This proposed notion was discussed and merits careful consideration. Under this scenario, a simpler budgetary process would exist that, arguably, would provide greater agility in responding to variable financial costs. As it stands, the EAHCP Program Reserve is restricted to usage for program expenses only whereas the EAA General Reserve is unrestricted and can be used towards both general and EAHCP expenses. The Implementing Committee should consider potential advantages and disadvantages of this arrangement. One of the advantages originally considered in developing the current approach of building a large, dedicated program Reserve is the certainty of availability of funding for periodic large expenses associated with VISPO forbearance and ASR recovery without corresponding large changes in the AMF. As discussed below, depending on market acceptance, it may be possible to design all future forbearance agreements to avoid incurring such varying costs.

## **3. Consideration for the prospect of disconnecting cost hikes from program-triggers when funding all springflow protection programs in the next ITP**

Because Springflow Protection measures that trigger periodically are both the most costly and the most unpredictable expenditures for the current EAHCP, this has resulted in substantial fluctuations in annual program costs. Moving away from a financial formula that connects significant cost increases to program triggers would eliminate the need to compensate for such costly hits to the EAHCP budget in any given year. This approach would also help flatten costs and provide a landscape for more accurate budget forecasting and the establishment of a smaller Reserve floor. Although not tested in the VISPO market, this type of approach has been successfully implemented for ASR-related forbearance agreements, which, unlike VISPO forbearance agreements, are designed to trigger only upon a recurrence of conditions similar to the drought-of-record.

## **4. Considerations for start-up costs for the renewed EAHCP**


Because all existing forbearance agreements expire at the end of the current HCP, there may be substantial startup costs associated with getting new forbearance agreements in place, particularly if current recharge trends continue. If, at that point, forbearance

triggers are met or are likely to be met soon, the cost of new agreements is likely to reflect that reality. The availability of a substantial Reserve might help defer the need for a large increase in the AMF under those conditions.

# APPENDIX A

## SLIDE PRESENTATIONS

# EAHCP BUDGET WORK GROUP



AUGUST 28, 2024





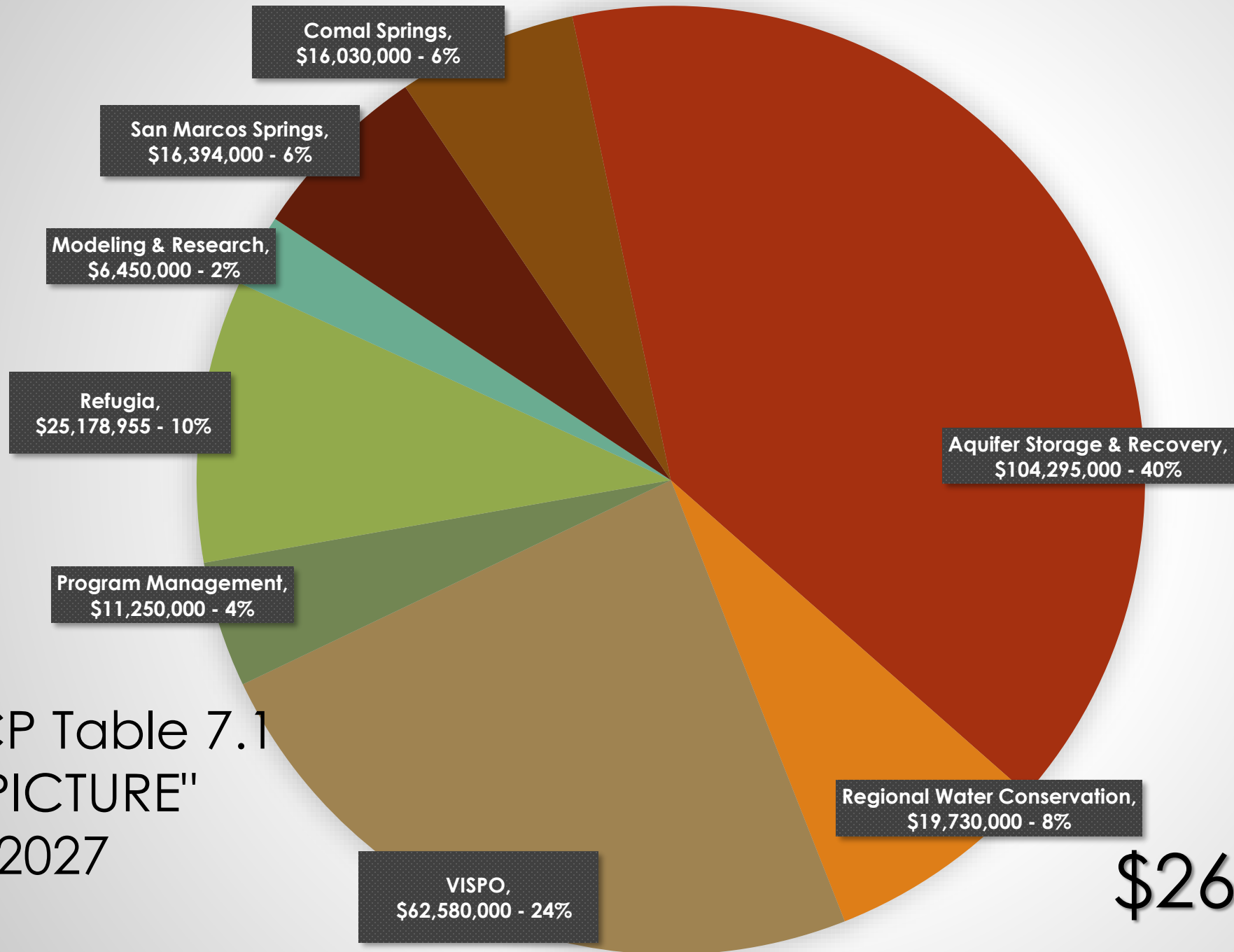
# ***CHARGE OF THE EAHCP BUDGET WORK GROUP***

- 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



- Aquifer Storage & Recovery
- Regional Water Conservation
- VISPO
- Program Management
- Refugia
- Modeling & Research
- San Marcos Springs
- Comal Springs



EAHCP Table 7.1  
"BIG PICTURE"  
2013-2027

**\$261,907,955**

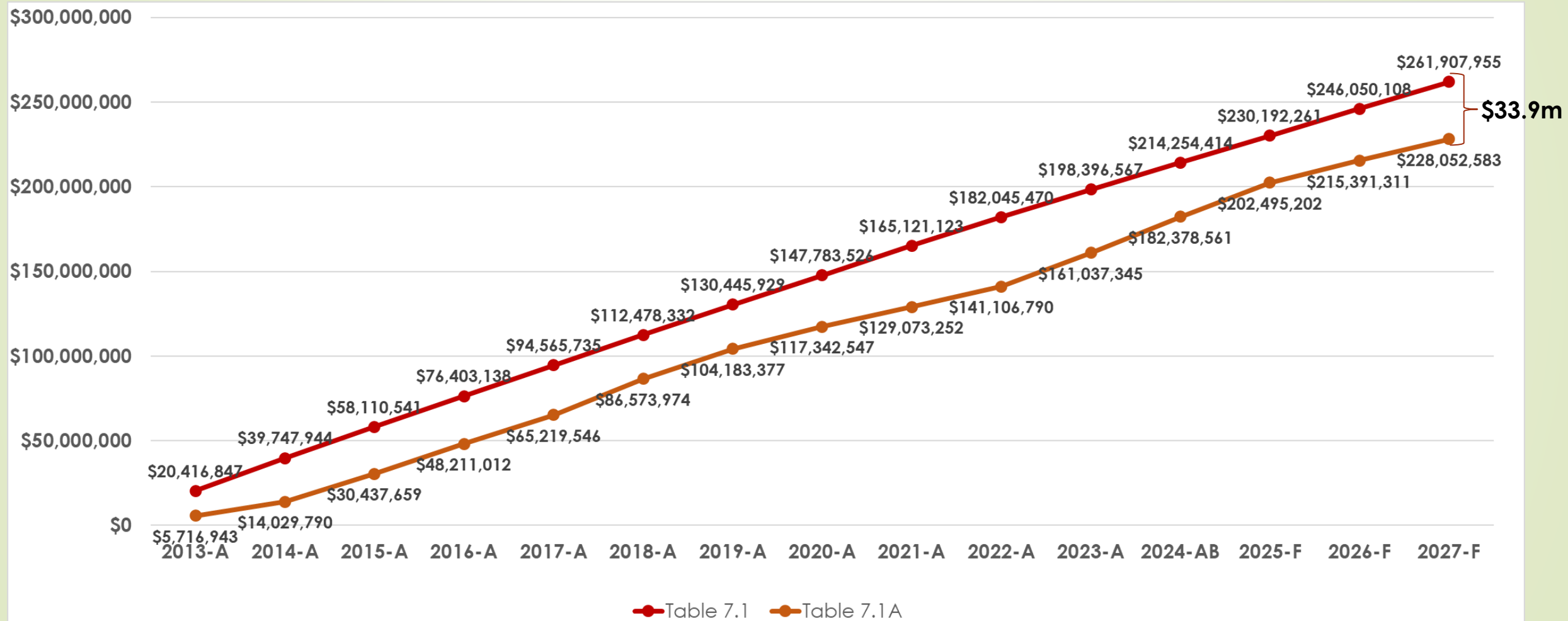


# 7.1 ADJUSTED

## **“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	\$15,763,643	(\$4,513,643)
ASR - Leasing/Forbearance	71,385,000	71,109,121	275,879
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	57,988,894	4,591,106
San Marcos Springs	16,394,000	17,907,765	(1,513,765)
Comal Springs	16,030,000	16,152,214	(122,214)
Modeling & Research	6,450,000	5,879,057	570,943
Refugia	25,178,955	19,128,524	6,050,431
<b>Total</b>	<b>\$261,907,955</b>	<b>\$228,052,583</b>	<b>\$33,855,372</b>

Entity	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
Edwards Aquifer Authority	\$238,483,955	\$204,639,278	\$33,844,677
City of San Marcos - Texas State University	11,894,000	12,703,490	(809,490)
City of New Braunfels	11,530,000	10,709,816	820,184
<b>Total</b>	<b>\$261,907,955</b>	<b>\$228,052,583</b>	<b>\$33,855,372</b>

# 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	\$71,109,121	\$275,879
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	57,988,894	4,591,106
Biological Monitoring	6,000,000	7,978,492	(1,978,492)
Water Quality Monitoring	3,000,000	2,668,182	331,818
Ecological Modeling	1,150,000	1,117,758	32,242
Applied Research (Research & Facility)	4,750,000	3,402,786	1,347,214
Refugia	25,178,955	19,128,524	6,050,431
Program Management	11,250,000	15,763,643	(4,513,643)
Science Review Panel	550,000	1,358,513	(808,513)
<b>Total</b>	<b>\$238,483,955</b>	<b>\$204,639,278</b>	<b>\$33,844,677</b>

# TABLE 7.1 AND TABLE 7.1A COMPARISON

## CITY OF SAN MARCOS/TEXAS STATE UNIVERSITY

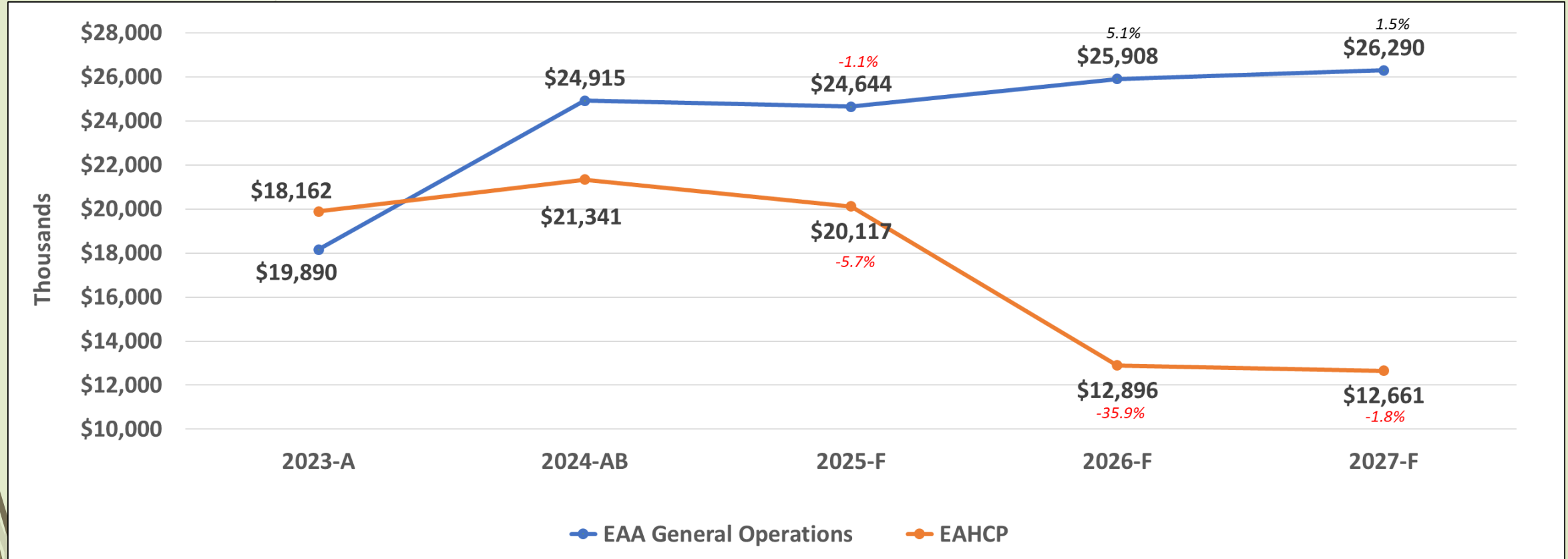
EAHCP Measure	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
TX Wild Rice Enhancement/Restoration	\$1,850,000	\$1,220,665	\$629,335
Sediment Removal	850,000	744,292	105,708
Non-Native Plant Species Control	1,375,000	3,033,824	(1,658,824)
Litter Control/Floating Vegetation	1,200,000	695,927	504,073
Non-Native Animal Species Control	525,000	379,868	145,132
Bank Stabilization/Perm Access Points	780,000	1,153,492	(373,492)
Restoration - Riparian Zones	380,000	651,836	(271,836)
Management - Key Public Rec Areas	784,000	854,487	(70,487)
LID/BMP Management	3,600,000	3,441,325	158,675
Household Hazardous Waste Program	450,000	412,426	37,574
Sessom Creek Sand Bar	100,000	100,000	0
Education	0	15,349	(15,349)
<b>Total</b>	<b>\$11,894,000</b>	<b>12,703,490</b>	<b>(\$809,490)</b>

# TABLE 7.1 AND TABLE 7.1A COMPARISON

## CITY OF NEW BRAUNFELS

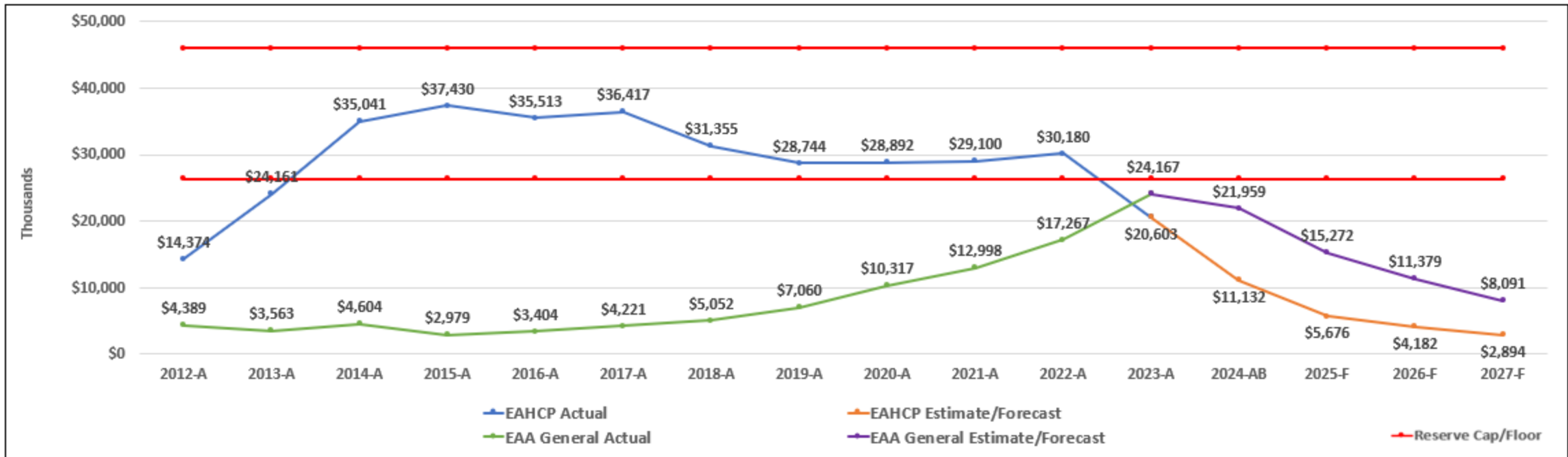
EAHCP Measure	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
Old Channel Restoration	\$2,000,000	\$1,707,938	\$292,062
Flow Split Management	270,000	352,878	(82,878)
Aquatic Vegetation Restoration	1,245,000	1,471,477	(226,477)
Non-Native Animal Species Control	1,245,000	939,722	305,278
Decaying Vegetation Removal	960,000	390,437	569,563
Riparian Impr - Riffle Beetle	525,000	467,513	57,487
Gill Parasite Control	1,325,000	749,777	575,223
Restoration - Riparian Zones	1,600,000	2,092,656	(492,656)
LID/BMP Management	1,900,000	1,675,678	224,322
Household Hazardous Waste Program	450,000	521,014	(71,014)
Litter Control/Floating Vegetation	0	337,376	(337,376)
Prohibition - Hazardous Materials Route	10,000	0	10,000
Education	0	3,349	(3,349)
<b>Total</b>	<b>\$11,530,000</b>	<b>\$10,709,816</b>	<b>\$820,184</b>

# EXPENSE PROJECTIONS



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

# RESERVE FUND PROJECTIONS



	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-AB	Forecast Rates		
EAA General AMF	\$47	\$47	\$37	\$37	\$40	\$44	\$42	\$46	\$50	\$50	\$53	\$54	\$58	2025-F	2026-F	2027-F
HCP Program AMF	\$37	\$37	\$47	\$47	\$44	\$40	\$42	\$38	\$34	\$34	\$31	\$30	\$30	\$40	\$31	\$31
Combined AMF	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$84	\$88	\$90	\$93	\$96

# 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 2023, the probability of reaching the VISPO trigger would be about 8% and for the 4 years from 2024 - 2028, the chances of VISPO triggering are:
  - 1 or more VISPO trigger years = 37.2 percent
  - 2 or more = 6.7 percent
  - 3 or more = 0.6 percent
- As of July 1, 2024, water levels in J-17 were low (less than 640 ft msl). This condition on July 1 has occurred 13 times over the 89 years on record, and in 8 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 2024, for forbearance in 2025, is likely to be closer to 62% 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 10-year rolling average recharge calculated on June 1, 2024, based on recharge estimates for years 2014–2023, was 549,700 acre-feet, indicating that 2025 will **not** be a Forbearance year.
  - There is zero chance of ASR triggering in 2025, for forbearance in 2026, even if recharge were zero for 2024, the 10-year average would still be above 500,000 acre-feet.
  - The chance of triggering in the year 2026, for forbearance in 2027, is about 39.7%.
  - The chances of triggering in 2027, for forbearance in 2028, is about 68%.



QUESTIONS?

## APPENDIX B

### MEETING AGENDA

# 2024 EAHCP Budget Work Group

Meeting Agenda  
Wednesday, August 28, 2024  
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**
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## APPENDIX C

### MEETING MINUTES

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# 2024 EAHCP Budget Work Group

## Meeting Minutes Wednesday, August 28, 2024

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

**1. Confirm attendance.**

Robert Mace called the meeting to order at 10:02 a.m. All Work Group members were present except for Adam Yablonski.

**2. Public comment.**

There were no comments from the public.

**3. Receive presentation and consider possible action associated with the EAA's Financial Forecast (2025-2027)**

After reading the charge of the Work Group, Robert inquired on what is the ultimate action item of the committee. Marc and Damon clarified that the ultimate objective and action item of the Work Group is to provide a comprehensive report of the committee's findings that will be provided in the form of public comment to the EAA Board each year for the Board to consider as they contemplate the approval of the proposed budget for the next fiscal year.

EAA Controller Shelly Hendrix presented the EAA's financial forecast that was presented to the EAA Board on 8-13-24. 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 rate considerations & reserves. A comparative look at the projections between Table 7.1 and Table 7.1A indicates expected expenditures at \$33.9 million below Table 7.1 values through 2027 at a total of \$228 million. These forecast updates are based on estimates to the end of the Incidental Take Permit (ITP) and 2025 proposed EAHCP budget. It was noted that the proposed 2025 Budget already includes assumed suspension payments for a likely VISPO trigger, although that formal determination is made on Oct 1<sup>st</sup> each year. Robert asked how much a VISPO trigger typically costs, which Shelly replied is approximately \$7 million. Marc added that incurring any ASR Operation & Maintenance (O&M) costs would be virtually mathematically impossible until 2026 because of the calculation of the 10-year average recharge value. The O&M costs are essentially the energy costs for SAWS to pump the water from ASR.

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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 around ~\$24-26 million whereas the EAHCP expenses are forecasted at just over \$20 million in 2025 but projected to decline to under \$13 million for the final years of the current ITP in 2026-2027. This decline is attributed to an expected reduction in programmatic expenses as we approach the end of the permit. It should be noted that these projections do not include VISPO triggers for 2026-2027 or triggering of ASR recovery.

The EAHCP Budget Reserve Fund projections were presented to the Workgroup. The combined AMF rate is proposed to increase from \$88 to \$90 in 2025. While 2024 saw the first rate increase in the history of the EAHCP, there will be projected, 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. Ben asked if EAHCP program needs are supposedly going down, why are AMF rates projected to increase over the same time frame. Shelly responded it is done to manage inflationary costs and keep our general fund reserve at a manageable point and there is the potential for additional VISPO triggers.

Robert asked what we do with the reserve funds after 2027 when the ITP expires. Marc replied that it is not determined within the HCP how those funds will be handled upon the expiration of the ITP. Marc further stated that if all parties agreed, there is the opportunity to refund any unspent reserves back to each of the Permittees. However, that approach does not consider the fact that we would still have ongoing conservation measures to fund in 2028. Marc also stated that in the next ITP, he would prefer to have conservation measures the cost of which do not vary based on triggers but rather that are designed to flatten costs and allow us to forecast more accurately and determine what an appropriate reserve amount should be without those large trigger costs. Robert posed the question of the possibility of the current ITP being extended another two years and how would we pay for another VISPO trigger with only an approximate \$3 million left in our projected reserve balance at that point. Marc replied that it would be paid through an appropriate AMF rate increase to accommodate this but also noted that an extension scenario is currently not being contemplated. Scott verified that the funding mechanisms that will go into place for the next ITP are set to be discussed over the next year or so.

Mark Enders from the City of San Marcos inquired if the projected reserve fund amount for 2025 (~\$5.6 million) accounts for a VISPO trigger, which Shelly confirmed that it does. Robert expressed concern that with the reserve funds being depleted as we transition into the next ITP, will there be a scenario in which we do not have the funds available to pay for a VISPO trigger and the Threatened/Endangered species ultimately suffer from this. Marc clarified that

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the program reserves do not control implementation of VISPO, which is implemented through a contract between the EAA and individual permit holders. Since it is a contractual obligation, the EAA Board would decide if funds for a VISPO trigger would be paid through the EAA General reserve fund or through an AMF rate increase. Scott added that from our conversations with USFWS, they are not particularly inclined to grant an ITP extension and the expectation is to have a new ITP in place by 2028. Robert raised the question that if a bad drought occurs during the ITP transition phase, will there be any potential funding issues to preserve springflows. Marc assuaged those concerns by likening this to the start of the current ITP in which there was a substantial drought and no reserve funding to draw from, which the EAHCP navigated through. Marc also noted that the bigger issue of how funding will be handled as a new HCP gets going without ongoing VISPO contracts has to be addressed, regardless of whether VISPO forbearance is triggered. Myron added that previous discussions of EAHCP Budget Work Group have focused on the implications of management of the program reserve as it relates to aquifer management fees with consideration of the potential of starting a new ITP during severe drought conditions.

The Drought Probabilities for VISPO and ASR Forbearance were provided to the Work Group. For VISPO, considering historical data through 2023, there is an 8% chance that there will be a VISPO trigger each year from 2024-2028. In this same timeframe, the probabilities also reflect a 37.2% chance for 1 or more triggers, a 6.7% change for 2 or more triggers, and a 0.6% chance for 3 or more triggers. It was noted that as of July 1, 2024, water levels in J-17 were low (less than 640 ft msl). This same scenario on July 1 has occurred 13 times over the 89 years on record, and in 8 of those 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 2024, for forbearance in 2025, is likely to be closer to 62% using those criteria.

For ASR Forbearance, it has been determined that there is a 0% chance for ASR triggering in 2025 for forbearance in 2026. Subsequently, there is a 39.7% chance of triggering in 2026, and a 68% chance of triggering in 2027. Robert inquired what is the cost of an ASR trigger and Marc replied that there is no cost for the forbearance component since it is already pre-paid under those contracts. The only cost associated with an ASR trigger event is the SAWS O&M withdrawal costs. That cost can vary depending on how much water SAWS decides to bring back from ASR storage versus relying on other supplies.

Shelly gave a reminder that the EAA General Reserve Fund is unrestricted and can be used to pay for any necessary EAHCP-related expenses when needed whereas the EAHCP Reserve Fund is restricted to only paying for EAHCP program expenses. Marc advised that it would be ideal that prior to the next ITP, there is some thoughtful discussion about not placing unnecessary restrictions on an EAHCP reserve and consider the benefits of managing all

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costs under a single, shared budget with the EAA. Myron posed the question of how does the Budget Work Group want to write their Final Report to illustrate these implications that we have discussed to the Implementing Committee. Robert agreed that with the current ITP winding down, it is important to convey assurance that the EAA is capable of absorbing these trigger-based events that expend a lot of money from the budget. He also noted that it would be worthwhile to mention any plans for the ITP transition phase and that all necessary steps will be taken to safeguard our protected species. Marc gave a final clarification that the projected \$2.9 million reserve amount in 2027 is not the EAHCP budget that will be used going into the next ITP in 2028.

**4. Public comment**

There were no comments from the public.

**5. Future meetings**

No date was set for any additional Work Group meetings in 2024.

**6. Adjourn – 10:42 a.m.**

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