

Legislation Text

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Consider recommendation from the Finance/Administrative Committee to adopt the annual operating budget for fiscal year 2023 and assessing aquifer management fee and program aquifer management fee rates for 2023.

RECOMMENDED MOTION:

Move the board adopt Resolution and Order No. 11-22-043 of the Edwards Aquifer Authority Board of Directors adopting the annual operating budget for fiscal year 2023, as amended, and assessing the aquifer management fee and program aquifer management fee rates for 2023, as follows:

Agricultural aquifer management fee (General Fund) -- \$2 per acre-foot

Non-agricultural aquifer management fee (General Fund) -- \$54 per acre-foot

Non-agricultural program aquifer management fee (EAHCP Fund) -- \$30 per acre-foot

SUMMARY:

The purpose of this agenda item is for the board to consider a Finance/Administrative Committee recommendation to adopt the proposed budget, and associated aquifer management fee (AMF) and EAHCP program AMF rates for 2023.

EAA staff presented the General Manager's 2023 Proposed Budget to the board on September 13. On October 11, the EAA board authorized staff to conduct public meetings on the proposed budget, AMF and program AMF rates. EAA staff held one public meeting on the 2023 proposed budget on Wednesday, October 12 in the EAA Board Room and virtually, via Zoom Videoconference. Additionally, staff made available the recording of the meeting and presentation of the 2023 proposed budget on the EAA website and social media. Public input and comments to the proposed budget could be submitted via written correspondence and delivered by US mail, email, or fax to the EAA, or provided in person before the Finance/Administrative Committee. A total of 2 individuals attended the public meeting (virtually) with no attendees in person. There were no questions posed or comments provided at the October 12 public meeting.

In addition, the EAHCP Budget Work Group, established by the EAHCP Implementing Committee, met on June 30, 2022 and July 29, 2022 to review and discuss the EAA's management of EAHCP revenue, expenses and reserve balance. The Work Group issued a report, which was presented to the EAHCP Implementing Committee on October 13 and is attached to this summary as comment on the proposed budget. While acknowledging that the EAA's financial projections and cost estimates indicate an adequate budget for the EAHCP for fiscal year 2023, the Work Group expressed concerns with the EAA's proposed strategy to manage its resources and minimize future increases in the total non-agricultural AMF, which would result in a projected reduction in the EAHCP reserves below \$26.4 million. Additional concerns were noted regarding the EAA proposed efforts to explore

alternative funding strategies to fund VISPO or ASR payments should they be triggered. The Work Group recommended the EAA develop and share information about alternative funding strategy approach and implications, as early and openly as possible, and include robust outreach to and include the involvement of the public, EAHCP stakeholders, EAHCP committees, and the ITP permittees. And finally, the Work Group recommended further evaluation of the impacts on the EAHCP reserves as new information is brought forward on alternative funding strategies.

As proposed, the 2023 budget is broken down into three primary areas. The proposed 2023 General Fund Budget totals \$23,351,882, with no changes proposed since the presentation of the General Manager's proposed budget. The AMF rate required to fund the operations of the General Fund is \$54.00 per acre-foot, per annum, for non-agricultural users. The proposed agricultural AMF rate of \$2.00 per acre-foot is set by statute in the EAA Act and is limited to General Fund revenue.

As proposed, the 2023 EAHCP Fund Operating Budget totals \$22,361,494, an increase of \$7,665,676, since the presentation of the General Manager's proposed budget, due to amendments to the EAA's 2023 EAHCP funding application considered earlier on this agenda. The most significant change to the EAA's funding application is related to forbearance payments for the Voluntary Irrigation Suspension Program Option (VISPO) Springflow Protection Measure. On October 1, 2022, the aquifer well reading at Well J-17 was below 635 feet mean sea level thereby requiring forbearance of pumping in 2023 and, per VISPO agreements, payment for forbearance. This VISPO "triggering" event effectively reduces the estimated EAHCP year-end reserve amount to \$16,077,576. As noted in the General Manager's proposed budget, an additional \$2,656,748 is designated in the General Fund Operating Reserves to be used, if needed, for EAHCP requirements, bringing the total available reserves to \$18,734,324. The Program AMF rate required to fund the EAHCP Fund is \$30.00 per acre-foot, per annum, for non-agricultural users.

Also attached to this agenda item is the 2023 Proposed Budget document, which includes the EAHCP amendments discussed above, and Resolution and Order No. 11-22-043 which has been reviewed by legal counsel.

At the meeting on October 25, the Finance/Administrative Committee voted to recommend the board adopt a resolution and order of the Edwards Aquifer Authority Board of Directors adopting the annual operating budget for fiscal year 2023, as amended, and assessing the aquifer management fee and program aquifer management fee rates for 2023, as follows:

Agricultural aquifer management fee (General Fund) -- \$2 per acre-foot
Non-agricultural aquifer management fee (General Fund) -- \$54 per acre-foot
Non-agricultural program aquifer management fee (EAHCP Fund) -- \$30 per acre-foot

STRATEGIC PLAN REFERENCE:

This agenda item supports the general EAA mission.

FISCAL IMPACT:

The total proposed 2023 General Fund budget is \$23,351,882. The AMF required to fund the

operations of the General Fund is \$54.00 per acre-foot, per annum, for non-agricultural users. The agricultural rate of \$2.00 is set by statute in the EAA Act and is limited to General Fund revenue.

The total proposed 2023 Edwards Aquifer Habitat Conservation Fund Operating Budget is \$22,361,494. The program aquifer management fee required to fund the operations of the EAHCP is \$30.00 per acre-foot, per annum, for non-agricultural users.