



Annual Budget Report

October 1, 2023- September 30, 2024

Southmost Regional Water Authority

A Component Unit of the Brownsville Public Utilities Board

ANNUAL BUDGET REPORT

October 1, 2023 - September 30, 2024

Prepared by
Finance Department

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Southmost Regional Water Authority Board Members

As of October 1, 2023



Dr. Joseph Hollmann
President



Roger Nelson
Vice-President



Gabriela Fernandez
Treasurer



Ralph Cowen
Secretary



Marilyn D. Gilbert
Deputy Secretary/Treasurer



James A. Chambers
Member

~ Brownsville Public Utilities Board Administration ~



Marilyn D. Gilbert
GM & CEO



Mark Dombrowski
COO



Miguel Angel Perez
CFO



Constanza Miner
CAO

INTRODUCTION

The Authority was created under provisions of Section I, Chapter 511, Acts of the 67th State of Texas Legislature, Regular Session, 1981 for the purpose of developing alternative water supply strategies for the member entities. The Authority is a conservation and reclamation district organized pursuant to Article XVI, Section 59 of the Texas Constitution.

The Authority remained dormant until the year 2000 when it was activated to study the possibility of using brackish groundwater as an alternative water source due to the limited supply available from the Rio Grande River. The study concluded that it was economically feasible to build a plant to treat brackish water based on the following key elements:

- Source of groundwater is independent of the Rio Grande River.
- Treatment of brackish ground water is competitive with the treatment of surface water.
- A savings on the cost of acquiring water rights from the Rio Grande River.
- Water quality is enhanced through the reverse osmosis treatment.

By embracing a regional approach to the water supply issues of the area, the member entities can take advantage of the cost savings attributed to the economies of scale realized from a larger regional treatment facility. Groundwater testing, completed in May 2002, projected a yield of 9.5 million gallons a day (MGD) of brackish raw water supply source to a new treatment facility. The first phase, well field and delivery cost, was approximately \$31.7 million, and was completed in June 2004. One of the major costs of the project was infrastructure which included over 35 miles of raw and treated water pipe needed to supply each entity with water.

Allocation of water is based on the following percent allocation of the participant's water sales:

Brownsville Public Utilities Board	92.91 %
Valley Municipal Utility District No. 2	2.51 %
City of Los Fresnos	2.28 %
Brownsville Navigation District	2.10 %
Town of Indian Lake	.20 %

The brackish groundwater treatment plant was built on 17 acres located on FM 511 approximately 1.3 miles west of Paredes Line Road (FM 1847). This area is on the north side of Brownsville, Texas and centrally located to all the member entities. The well field is located west of the Valley Municipal Utility District, approximately 4.5 miles west of the plant.

NRS Engineering was authorized by the Authority to design a reverse osmosis (RO) water treatment system for a well field consisting of 20 wells. The engineering report provides a description of the process and equipment, design considerations, and control system. The original RO plant provided a permeate water capacity of 6.0 MGD with a blended plant capacity of 7.5 MGD.

In 2009, the Authority issued revenue bonds for the construction of a full-scale Microfiltration Pretreatment System. The objective of the project was to achieve compliance with both existing and future maximum contaminant levels for arsenic in public drinking water by pretreating the brackish groundwater prior to entering the existing reverse osmosis treatment process. Another objective was to control and reduce iron levels to eliminate potential complaints of colored water. A final objective included an additional 2.5 MGD of capacity through upgrading certain pumps within the existing well field and adding two additional reverse osmosis trains. The project was completed in November 2015, and the Microfiltration Pretreatment

System is in full operation.

The Authority has no taxing power. Operation and maintenance costs are funded through guaranteed water supply contracts with the participating entities. The acquisition or construction of capital assets was funded through the selling of bonds with the entities guaranteeing the debt service payments, notes, and obligations issued under the indenture.

In March 2003, the Authority issued the Brownsville Public Utilities Board (BPUB) a 30-year contract to provide administrative services to manage and operate the water system. BPUB's allocated interest in the Authority is 92.91%. As such, the BPUB has a 92.91% voting majority in the Authority's Board. Additionally, the vast majority of the Authority's water supply is allocated to the BPUB. Because of this significant interest by the BPUB, the Authority is considered to be a component unit of the BPUB.



October 1, 2023

We are pleased to present the Fiscal Year 2024 Budget of the Southmost Regional Water Authority ("SRWA" or "Authority"). As required by its Bond Indentures, the Authority shall prepare or cause to be prepared and deliver to the Participating Customer its proposed Annual Systems Budget at least 75 days prior to the start of its fiscal year. After due consideration in good faith of any written comments submitted, the SRWA shall adopt the budget not less than 30 days prior to the beginning of the fiscal year. The budget remains in effect the entire year and is revised only if necessary through a budget amendment.

This document is the final step in a process that begins in May and extends until the budget is finally adopted in August. It is the culmination of many months of preparation by various staff members within the Authority and the SRWA Executive Team and Board of Directors.

The Revenue, O&M, Debt Service and Capital Budgets were presented and approved by the Board on August 7, 2023.

The proposed O&M, Personnel, and Capital Budgets have been thoroughly reviewed by Executive Management, Directors, Managers and Finance Staff. This group scrutinized the budget in detail in order to meet the needs of the Authority.

The approved budget has a number of key decisions the Board considered as the budget was reviewed.

- Pay As You Go (PAYGO) – CIP Funding: The approved budget includes \$2.6 million to fund Capital Improvement Projects with cash.
- Internal market study salary adjustments throughout the organization averaging 9%.
- Finance Staff included \$400,000 in anticipated interest on investments to offset member assessments.

FY 2024 BUDGET

The Budget for FY 2024 is divided into eight major sections:

1. **APPROVED BUDGET ALLOCATION** – Contains the overall approved budget allocation by participant.
2. **ASSESSMENT HISTORY BY MEMBER** – Contains the historical allocation by member.
3. **OPERATING REVENUES** – Contains the approved budget for all participants for the last five years.
4. **APPROVED USES OF FUNDS** – Contains the approved O&M, Capital, and Debt Service expenses.
5. **PERFORMANCE MEASURES** – A description of the Authority's major functions and key performance indicators.
6. **CAPITAL BUDGET** – Contains details of the funding sources and expenditures needed for facilities extensions, plant expansions and improvements, machinery, and vehicles.
7. **OUTSTANDING DEBT** – Contains information on the Authorities' outstanding bonds used for financing Capital expenditures.
8. **GLOSSARY**

APPROVED BUDGET ALLOCATION



**FISCAL YEAR 2024
APPROVED BUDGET ALLOCATION
BY PARTICIPANT**

Line Ref	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
	PARTICIPANT	PERCENT ALLOCATION	2024 TOTAL DEBT SERVICE	2024 APPROVED O&M BUDGET	2024 APPROVED CAPITAL BUDGET	2024 INTEREST ON INVESTMENTS *	TOTAL APPROVED 2024 ALLOCATION	TOTAL APPROVED 2023 ALLOCATION	VARIANCE: FISCAL YEAR 2024 VS 2023 ([G]-[H])
1	Brownsville Public Utilities Board	92.91%	\$ 2,114,777	\$ 5,514,601	\$ -	\$ (371,640)	\$ 7,257,738	\$ 7,517,215	\$ (259,477)
2	Valley Municipal Utility District No. 2	2.51%	57,131	148,979	-	(10,040)	196,070	203,081	(7,011)
3	City of Los Fresnos	2.28%	51,896	135,328	-	(9,120)	178,104	184,471	(6,367)
4	Brownsville Navigation District	2.10%	47,799	124,644	-	(8,400)	164,043	169,908	(5,865)
5	Town of Indian Lake	0.20%	4,552	11,871	-	(800)	15,623	16,182	(559)
6		100.00%	\$ 2,276,155	\$ 5,935,423	\$ -	\$ (400,000)	\$ 7,811,578	\$ 8,090,857	\$ (279,279)
7	FISCAL YEAR 2023 APPROVED BUDGET:		\$ 2,277,965	\$ 5,688,312	\$ 124,580	\$ -	\$ 8,090,857		
8	Dollar Increases - FY 2024 VS. 2023 APPROVED		\$ (1,810)	\$ 247,111	\$ (124,580)		\$ (279,279)		
9	% INCREASE - FY 2024 VS. 2023 APPROVED		-0.08%	4.34%	-100.00%		-3.45%		

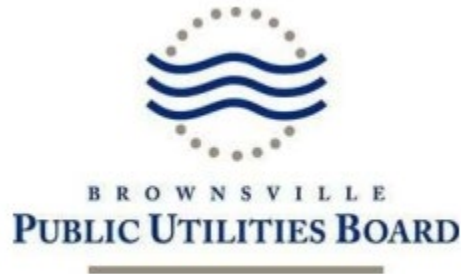
* Interest earned on investments will offset the participant allocations.

ASSESSMENT HISTORY BY MEMBER



**FISCAL YEAR 2024
APPROVED BUDGET ALLOCATION
THROUGH FISCAL YEAR 2024**

Line Ref	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
BROWNSVILLE PUBLIC UTILITIES BOARD									
	DESCRIPTION	2018 ACTUALS	2019 ACTUALS	2020 ACTUALS	2021 ACTUALS	2022 ACTUALS	APPROVED 2023 BUDGET	APPROVED 2024 BUDGET	2023/2024 BUDGET VARIANCE ([H]-[G])
1	DEBT SERVICE	1,375,689	1,445,372	1,454,664	1,501,119	2,115,132	2,116,457	2,114,777	(1,680)
2	O&M	3,319,664	3,196,498	3,115,773	2,872,278	3,712,803	5,285,010	5,514,601	229,591
3	CAPITAL - IMPROVEMENT	270,083	365,471	686,341	875,616	491,743	115,748	-	(115,748)
4	INTEREST ON INVESTMENTS	-	-	-	-	-	-	(371,640)	(371,640)
5	OVERALL TOTAL:	4,965,436	5,007,341	5,256,778	5,249,013	6,319,678	7,517,215	7,257,738	(259,477)



The Public Utilities Board was formed in 1960 to provide electric, water, wastewater, and gas services to its customers in the Brownsville area. Pursuant to the City’s Charter, management, operation, and control of the City’s combined water, wastewater, and electric utilities system is delegated to the Public Utilities Board. The Public Utilities Board is comprised of seven members, six of whom are appointed by the City Commission for four-year terms, and the seventh member being the City’s Mayor serving Ex-officio.



**FISCAL YEAR 2024
APPROVED BUDGET ALLOCATION
THROUGH FISCAL YEAR 2024**

Line Ref	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
VALLEY MUNICIPAL UTILITY DISTRICT NO. 2									
	DESCRIPTION	2018 ACTUALS	2019 ACTUALS	2020 ACTUALS	2021 ACTUALS	2022 ACTUALS	APPROVED 2023 BUDGET	APPROVED 2024 BUDGET	2023/2024 BUDGET VARIANCE ([H]-[G])
1	DEBT SERVICE	37,165	39,047	39,298	40,553	57,141	57,177	57,131	(46)
2	O&M	89,682	86,355	84,174	77,596	100,303	142,777	148,979	6,202
3	CAPITAL - IMPROVEMENT	7,296	9,873	18,542	23,655	13,285	3,127	-	(3,127)
4	INTEREST ON INVESTMENTS	-	-	-	-	-	-	(10,040)	(10,040)
5	OVERALL TOTAL:	134,143	135,275	142,014	141,804	170,729	203,081	196,070	(7,011)

**Valley
Municipal Utility District No. 2
Rancho Viejo
956-350-4136**



VMUD No. 2 is a tax-exempt entity, created by order of the Texas Commission of Environmental Quality (March 15, 1972), in accordance with the Texas Water Code Chapter 54 as amended. The District provides water and sewer services to approximately 4,217 acres of land that includes the Town of Rancho Viejo, TX and the River Bend Resorts. The District also furnishes irrigation water to land areas within and outside the District's boundaries. As a conservation and reclamation District, it is empowered to purchase, construct, operate and maintain all works, improvements, facilities, any plants necessary for the supply and distribution of water, the collection, transportation, and treatment of wastewater, and the control and diversion of storm water.



**FISCAL YEAR 2024
APPROVED BUDGET ALLOCATION
THROUGH FISCAL YEAR 2024**

Line Ref	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
CITY OF LOS FRESNOS									
	DESCRIPTION	2018 ACTUALS	2019 ACTUALS	2020 ACTUALS	2021 ACTUALS	2022 ACTUALS	APPROVED 2023 BUDGET	APPROVED 2024 BUDGET	2023/2024 BUDGET VARIANCE ([H]-[G])
1	DEBT SERVICE	33,759	35,469	35,697	36,837	51,905	51,938	51,896	(42)
2	O&M	81,464	78,442	76,461	70,485	91,112	129,693	135,328	5,635
3	CAPITAL - IMPROVEMENT	6,628	8,969	16,843	21,487	12,067	2,840	-	(2,840)
4	INTEREST ON INVESTMENTS	-	-	-	-	-	-	(9,120)	(9,120)
5	OVERALL TOTAL:	121,851	122,880	129,001	128,809	155,084	184,471	178,104	(6,367)



The City of Los Fresnos, incorporated in 1945, is located in south central Cameron County in the Lower Rio Grande Valley of South Texas. One of Los Fresnos' strengths is its location, as it is located in the center of Cameron County with a major tourist destination just a few miles to the east, larger cities to the south and northwest providing big city needs just down the road while enjoying the quality of life a small but vibrant city brings to its citizens. According to the census data at www.census.gov, Los Fresnos currently serves an estimated population of 8,152. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in the governing City Council, which is composed of a Mayor and five Council Members, nominated and elected in the manner provided by the Charter. Each elected council member serves for a term of three years. The Council appoints the City Manager, who in turn appoints the heads of various departments.

Los Fresnos provides a full range of services, including police, fire and ambulance services, streets, drainage, sanitation, health services, recreational and cultural activities, planning and zoning, and administrative services. The City also provides water and wastewater services.



**FISCAL YEAR 2024
APPROVED BUDGET ALLOCATION
THROUGH FISCAL YEAR 2024**

Line Ref	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
BROWNSVILLE NAVIGATION DISTRICT									
	DESCRIPTION	2018 ACTUALS	2019 ACTUALS	2020 ACTUALS	2021 ACTUALS	2022 ACTUALS	APPROVED 2023 BUDGET	APPROVED 2024 BUDGET	2023/2024 BUDGET VARIANCE ([H]-[G])
1	DEBT SERVICE	31,094	32,669	32,879	33,929	47,807	47,837	47,799	(38)
2	O&M	75,033	72,249	70,424	64,921	83,919	119,455	124,644	5,189
3	CAPITAL - IMPROVEMENT	6,105	8,261	15,513	19,791	11,115	2,616	-	(2,616)
4	INTEREST ON INVESTMENTS	-	-	-	-	-	-	(8,400)	(8,400)
5	OVERALL TOTAL:	112,232	113,179	118,816	118,641	142,841	169,908	164,043	(5,865)



The District was created in 1929 by a special act of the Texas Legislature for the purpose of dredging a channel from Brazos-Santiago Pass to a point five miles from the City of Brownsville, constructing a turning basin and developing and operating a port facility. As created in 1929, the District spans over 368 square miles located entirely within Cameron County, Texas. The District includes the City of Brownsville, the City of Los Fresnos, the City of Rancho Viejo and the Town of Indian Lake.

The District is an independent political subdivision of the State of Texas and is an independent governmental entity. A Board of Navigation and Canal Commissioners, which establishes the policies, rules, rates and regulations of the Port of Brownsville and approves all contractual obligations, govern the activities of the District. The Board consists of five Commissioners elected at large by place for four-year, staggered terms. The Board elects its own Chairman, Vice Chairman and Secretary. The District employed 129 operations and administrative staff as of December 31, 2022.

The Port of Brownsville is the only deep-water seaport directly on the U.S.-Mexico border, and the largest land-owning public port authority in the nation with approximately 40,000 acres of land. It is located at the southernmost tip of Texas at the westernmost terminus of a 17-mile ship channel from the Gulf of Mexico at the Brazos-Santiago Pass. The Entrance Channel is protected by two rock jetties, each over 4,000 feet in length and 1,200 feet apart, and has no bridges or other obstructions for the entire length of the waterway. Currently, the Channel has a depth of 42 feet to within .85 miles of the Turning Basin, and a depth of 36.5 feet to and through the Turning Basin. The Channel has a controlling (or minimum) width of 250 feet with 1,200 feet at the Turning Basin. Plans to deepen the ship channel to 52 feet began in 2007. In 2014, the District completed its project feasibility study and received the U.S. Army Corps of Engineers' ("USACE") Chief's Report to deepen the Channel to 52 feet.

**FISCAL YEAR 2024
APPROVED BUDGET ALLOCATION
THROUGH FISCAL YEAR 2024**

Line Ref	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
TOWN OF INDIAN LAKE									
	DESCRIPTION	2018 ACTUALS	2019 ACTUALS	2020 ACTUALS	2021 ACTUALS	2022 ACTUALS	APPROVED 2023 BUDGET	APPROVED 2024 BUDGET	2023/2024 BUDGET VARIANCE ([H]-[G])
1	DEBT SERVICE	2,961	3,111	3,131	3,231	4,553	4,556	4,552	(4)
2	O&M	7,146	6,881	6,707	6,183	7,992	11,377	11,871	494
3	CAPITAL - IMPROVEMENT	581	787	1,477	1,885	1,059	249	-	(249)
4	INTEREST ON INVESTMENTS	-	-	-	-	-	-	(800)	(800)
5	OVERALL TOTAL:	10,688	10,779	11,315	11,299	13,604	16,182	15,623	(559)



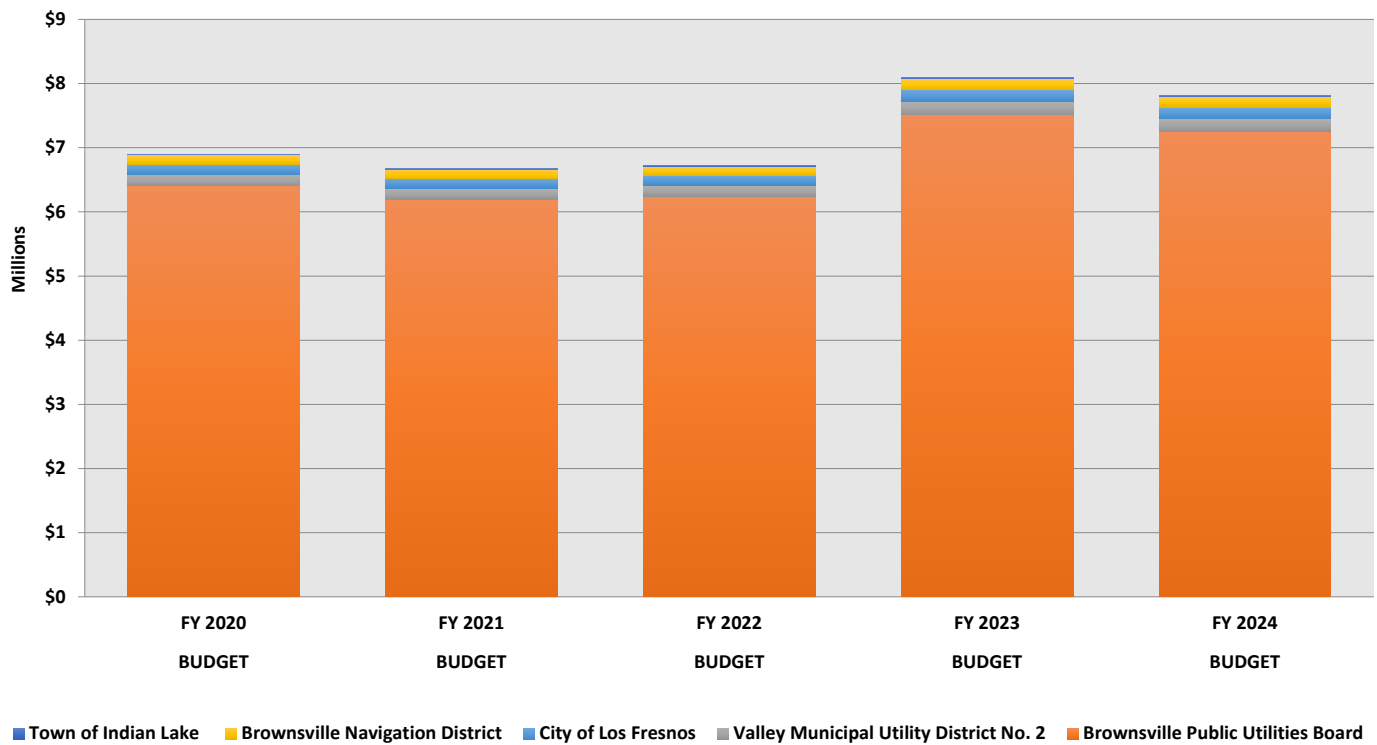
The land that is presently called Indian Lake was cleared of native brush approximately in the year 1920. The land changed ownership many times between 1925 and 1968. Until it was finally sold to Mr. Leon Karr who gave it the name of Indian Lake. When rumor about Leon Karr planning to move out of Indian Lake arose, buyers of Indian Lake lots held their first meeting where people were picked out for a Board. Aubrey Woods was elected as the first president of Indian Lake Estates, George Briley as vice president, Adeline Urick as secretary, and Glenn Perry as treasurer. In 1976-1977 it was decided to look into becoming a Town. On December 15, 1977, a petition was made to Judge Ramon to hold an election on the question of forming the Town of Indian Lake. On Tuesday August 15, 1978, Indian Lake incorporation was Approved. First city Elections were set for September 30, 1978. Fred Bondel was elected as the First Mayor of Indian Lake. First Officials were sworn in on October 4, 1978, at the recreation hall. The first council meeting officiated on October 17, 1978.

OPERATING REVENUES

OPERATING REVENUES

The following tables illustrate the 5-year history of the Authority's revenue sources by participant:

	BUDGET FY 2020	BUDGET FY 2021	BUDGET FY 2022	BUDGET FY 2023	BUDGET FY 2024
Brownsville Public Utilities Board	\$6,410,252	\$6,197,740	\$6,246,260	\$7,517,215	\$7,257,738
Valley Municipal Utility District No. 2	173,175	167,434	168,745	203,081	196,070
City of Los Fresnos	157,307	152,092	153,283	184,471	178,104
Brownsville Navigation District	144,888	140,084	141,181	169,908	164,043
Town of Indian Lake	13,798	13,343	13,447	16,182	15,623
Total	\$6,899,420	\$6,670,693	\$6,722,916	\$8,090,857	\$7,811,578



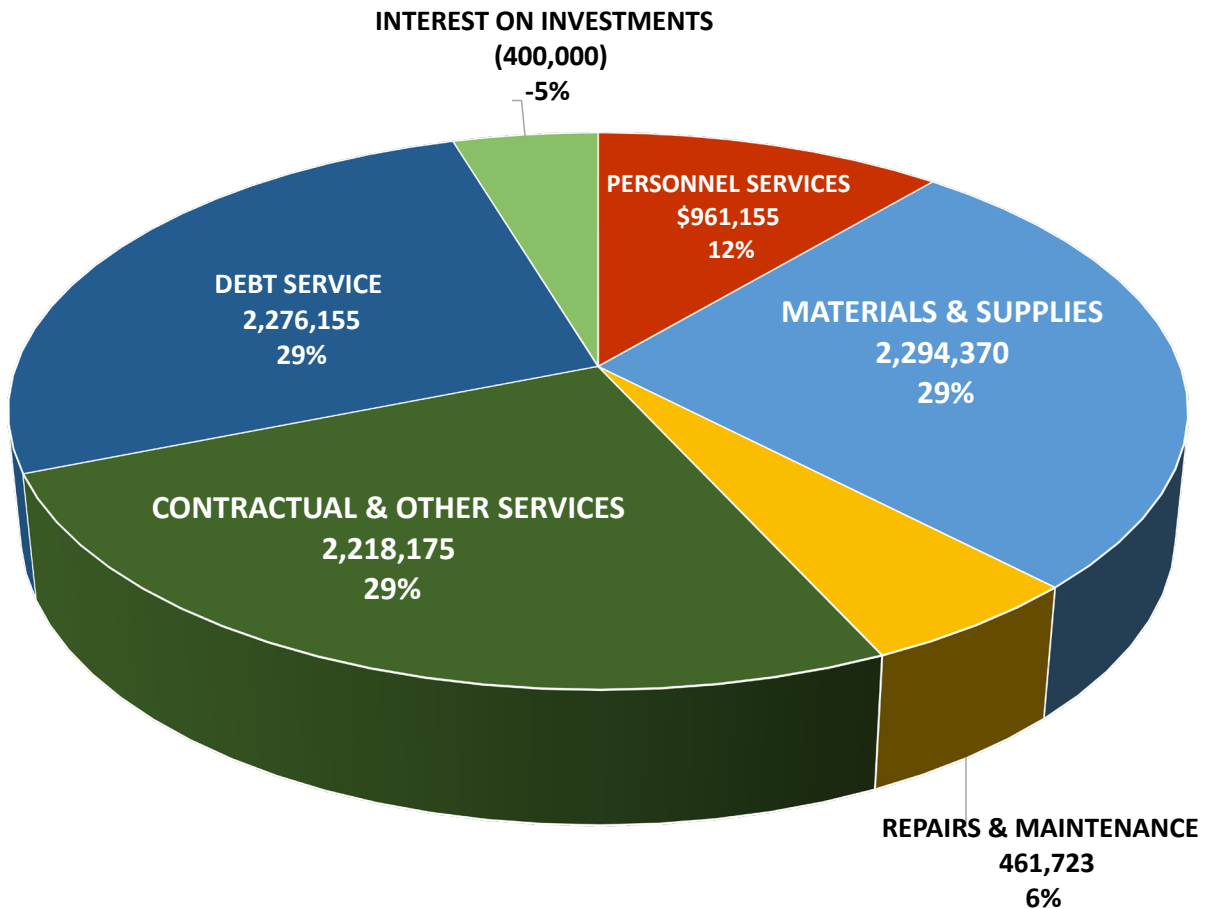
The Authority generates its operating revenues through Member Assessments allocated to all five participants. These revenues are used to fund expenses related to O&M, Debt Service, and Capital projects.

Budgeted operating revenues in FY 2024 decreased by \$279,279 compared to FY 2023 due primarily to an anticipated \$400,000 in interest on investments, which will be used to offset the participant's required assessments. The Authority also had sufficient cash on hand to fund a large portion of the budgeted FY 2024 capital projects.

Budgeted operating revenues in FY 2023 increased by \$1,367,941 compared to FY 2022 due to a significant increase to expenses related to personnel, materials and supplies, and repairs and maintenance. In FY 2023 the authority saw large increases to chemicals, membrane replacements, and maintenance to the wells.

APPROVED USES OF FUNDS

APPROVED USES OF FUNDS - \$7,811,578



Personnel Services – Overhead labor for the Authority.

Materials and Supplies – Membranes, chemicals, sand and caliche, safety supplies, and other materials and supplies needed to sustain day-to-day operations of the Authority.

Repairs and Maintenance - Maintenance of water wells and the maintenance of minor equipment of the Authority.

Contractual and Other Services - Departmental utilities, insurance, fuel, legal and engineering fees, training and travel, and other miscellaneous O&M expenses related to the day-to-day operations of the Authority.

Debt Service – Principal and interest repayment associated with the outstanding debt of the Authority.

Interest on Investments – Revenue from the interest and dividends generated from short-term and overnight investments of the Authority.

PERFORMANCE MEASURES

PERFORMANCE MEASURES FOR THE SOUTHMOST REGIONAL WATER AUTHORITY

Department Responsibility: Jacob Galvan

Title: W/WW Operator Chief

Telephone Ext: 6480

Dept. No: 3190

Department Function:

SRWA is responsible for producing and delivering safe and aesthetically pleasing drinking water at adequate pressures in the water distribution system.

Department Goals/Objectives:

SRWA's objective is to cost-effectively produce high quality drinking water that meets state and federal Drinking Water Standards and reporting requirements.

INPUT MEASURES

Employees (FTE's)

Total O&M Expenses

Gallons of Raw Water Used (in millions)

OUTPUT MEASURES

Gallons of Water Treated (in millions)

No. of Water Customers Served

OUTCOME MEASURES

Compliance With Primary Water Standards

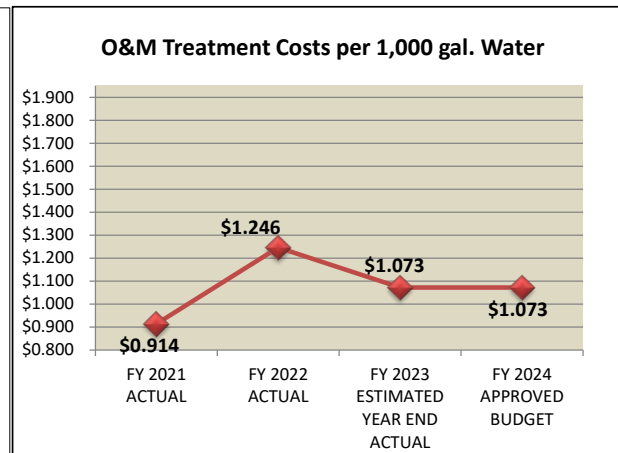
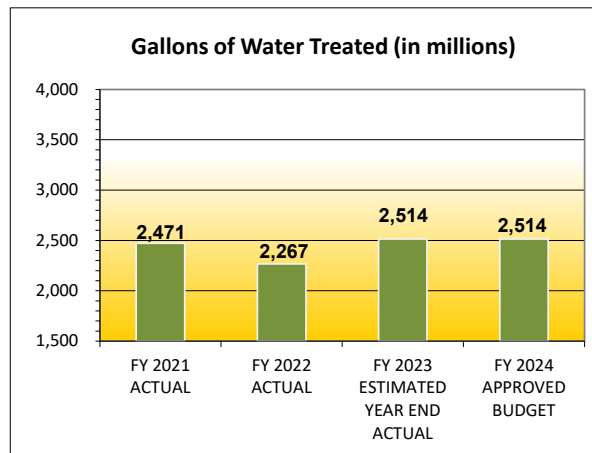
Compliance With State Reporting Requirements

Completion of Oper. Reports Within 10 Days (%)

EFFICIENCY MEASURES

O&M Treatment Costs Per 1,000 gal. Water

	FY 2021 ACTUAL	FY 2022 ACTUAL	FY 2023 ESTIMATED YEAR END ACTUAL	FY 2024 APPROVED BUDGET
Employees (FTE's)	11	11	11	11
Total O&M Expenses	\$ 3,091,463	\$ 3,993,488	\$ 4,060,283	\$ 5,935,423
Gallons of Raw Water Used (in millions)	3,381	3,205	3,466	3,466
Gallons of Water Treated (in millions)	2,471	2,267	2,514	2,514
No. of Water Customers Served	4	4	4	4
Compliance With Primary Water Standards	Yes	Yes	Yes	Yes
Compliance With State Reporting Requirements	Yes	Yes	Yes	Yes
Completion of Oper. Reports Within 10 Days (%)	100%	100%	100%	100%
O&M Treatment Costs Per 1,000 gal. Water	\$ 0.914	\$ 1.246	\$ 1.073	\$ 1.073



CAPITAL BUDGET



FISCAL YEAR 2024 APPROVED CAPITAL IMPROVEMENT PLAN

[A] LINE REF	[B] DESCRIPTION	[C] AMOUNT
1	APPROVED FUNDING SOURCES	
2	Capital Improvement Cash on Hand	\$ 2,574,467
3	Approved FY 2024 Member CIP Assessments	-
4	TOTAL FUNDING SOURCES	\$ 2,574,467
5	APPROVED FUNDING USES	
6	CAPITAL PROJECTS	
7	Purchase and installation of magnetic flow meter, an electronic control valve and the construction of vault for the 24" water line on Paredes Line Road	\$ 151,753
8	Replacement of air condition units at administration and high service pump electrical buildings	16,422
9	Administration building fire system upgrade	63,505
10	Door access system	58,771
11	Reverse Osmosis System Improvements Project	1,421,842
12	Two Each HVAC System Replacements at Administration Facility	39,493
13	Booster Pump No. 3 Replacement	35,200
14	50ft x 100ft steel storage building - design and construction	20,000
15	Sodium bisulfite skid	32,500
16	Microfiltration transfer pumps station expansion - design and construction	40,000
17	Two each chemical bulk tanks for Liquid Ammonium Sulfate (LAS) - design and construction	50,000
18	VFD units replacement at High Service Pump No. 5 and No. 6	308,000
19	Chlorination Feed System Improvements	256,981
20	SRWA Wells Fiber	80,000
21	TOTAL CAPITAL PROJECTS	\$ 2,574,467
22	CAPITAL EQUIPMENT	
23	No items were submitted for FY 2024.	
24	TOTAL CAPITAL EQUIPMENT	\$ -
25	TOTAL CURRENT FUNDING USES	\$ 2,574,467



FISCAL YEAR 2024
APPROVED CAPITAL IMPROVEMENT PLAN
CONTINUED

[A] LINE REF	[B] DESCRIPTION	[C] AMOUNT
26	FUTURE FUNDING USES	
27	CAPITAL PROJECTS	
14b	50ft x 100ft steel storage building - design and construction	\$ 150,000
16b	Microfiltration transfer pumps station expansion - design and construction	244,000
17b	Two each chemical bulk tanks for Liquid Ammonium Sulfate (LAS) - design and construction	300,000
19b	Chlorination Feed System Improvements	400,693
28	TOTAL FUTURE FUNDING USES	<u>\$ 1,094,693</u>

OUTSTANDING DEBT

DEBT SERVICE

The Southmost Regional Water Authority (SRWA) Reverse Osmosis Plant Project was complete and operational during 2005. The SRWA successfully issued \$30,975,000 in Water Supply Contract Revenue Bonds, Series 2002 during FY 2003 and has expended approximately 100% of bond proceeds in the construction of the desalination plant. The Series 2002 bonds were issued with insured ratings of “Aaa” and “AAA” by Moody’s Investor Services and Fitch Ratings, respectively.

The underlying ratings on the bonds are “A2” and “A” by Moody’s and Fitch, respectively.

The SRWA issued \$9,950,000 in aggregate principal amount of Water Supply Contract Revenue Refunding Bonds, Series 2006. The refunding bonds provided proceeds to defease \$9,360,000 of the Series 2002 Revenue Bonds for the years 2019 and from 2028 through 2032.

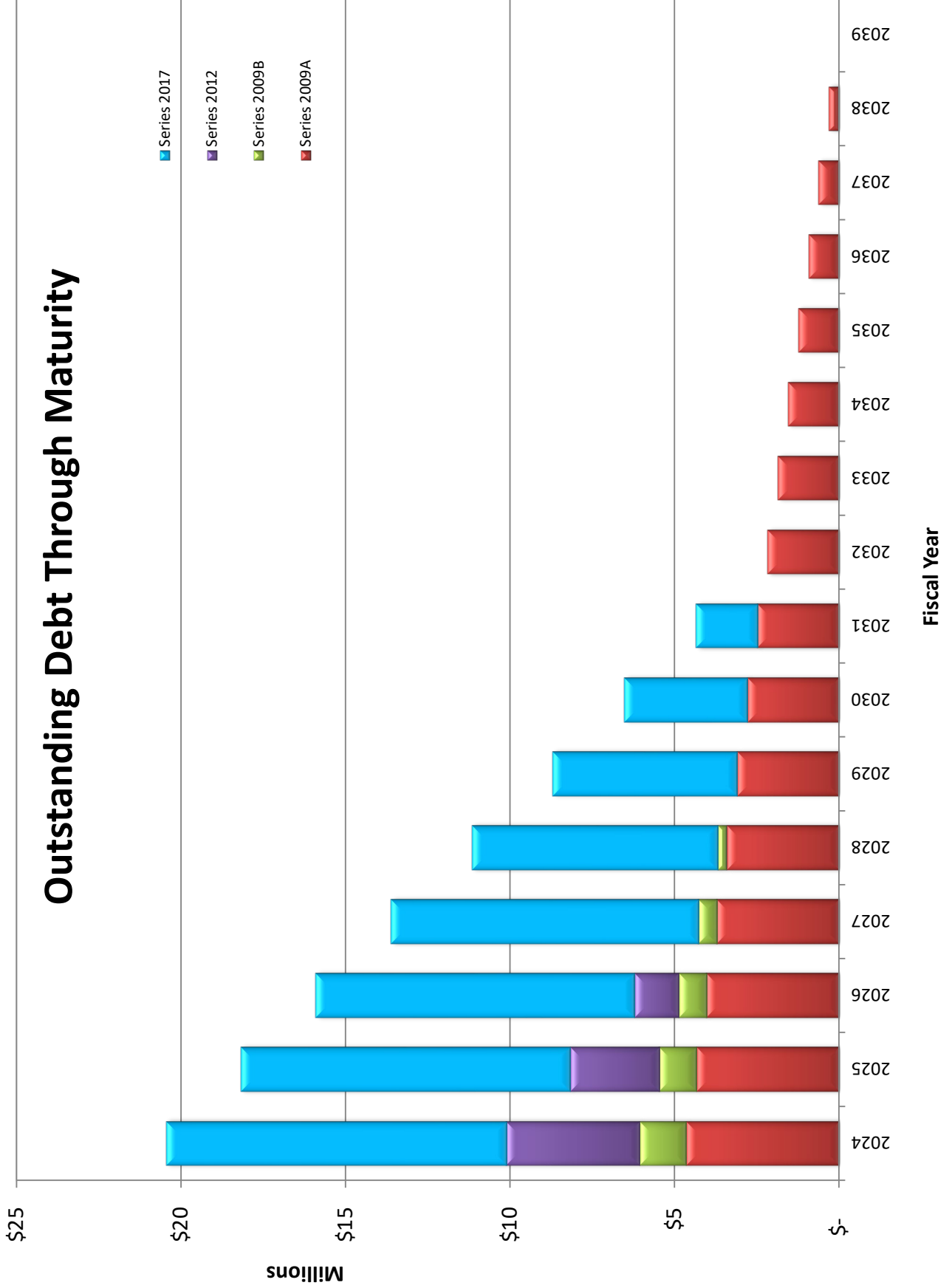
On December 7, 2009, the SRWA issued \$9,295,000 in Water Supply Contract Revenue Bonds, Series 2009A and \$3,795,000 in Water Supply Contract Revenue Bonds, Series 2009B through the Texas Water Development Board Drinking Water State Revolving Fund for the construction of a full scale Micro Filtration Pretreatment System. The objective of this project is to achieve compliance with both existing and future maximum contaminant levels for arsenic in public drinking water by constructing a full scale Micro Filtration Pretreatment System prior to entering the existing reverse osmosis treatment process. An additional need is to control and reduce iron levels to eliminate complaints of colored water. Project objectives also include an additional 1.0 million gallons per day of capacity through upgrading certain pumps within the existing well field and adding one additional reverse osmosis train.

On September 26, 2012, the SRWA issued \$13,530,000 in Water Supply Contract Revenue Refunding Bonds, Series 2012. The refunding bonds provided proceeds to defease \$14,990,000 of the Series 2002 Revenue Bonds for the years 2013 through 2027.

On April 1, 2017, the SRWA issued \$9,255,000 in Water Supply Contract Revenue Refunding Bonds, Series 2017. The refunding bonds had a closing date of April 18, 2017, and the proceeds plus the bond premium were used to defease \$9,715,000 of the Series 2006 Water Supply Contract Revenue Refunding Bonds for the years 2019 through 2032.

- \$9,295,000 Revenue Bonds, Series 2009A; due in remaining annual installments ranging from \$305,000 to \$310,000 through 2039 with interest rate at 0.0%
- \$3,795,000 Revenue Bonds, Series 2009B; due in remaining annual installments ranging from \$125,000 to \$270,000 through 2029 with interest rate ranging from 0.10% to 4.25%
- \$13,530,000 Water Supply Contract Revenue Refunding Bonds, Series 2012; due in remaining annual installments ranging from \$700,000 to \$1,285,000 through 2027 with interest rate ranging from 2.0% to 5.0%
- \$9,255,000 Water Supply Contract Revenue Refunding Bonds, Series 2017; due in remaining annual installments ranging from \$935,000 to \$1,795,000 through 2032 with interest rate ranging from 3.0% to 4.0%.

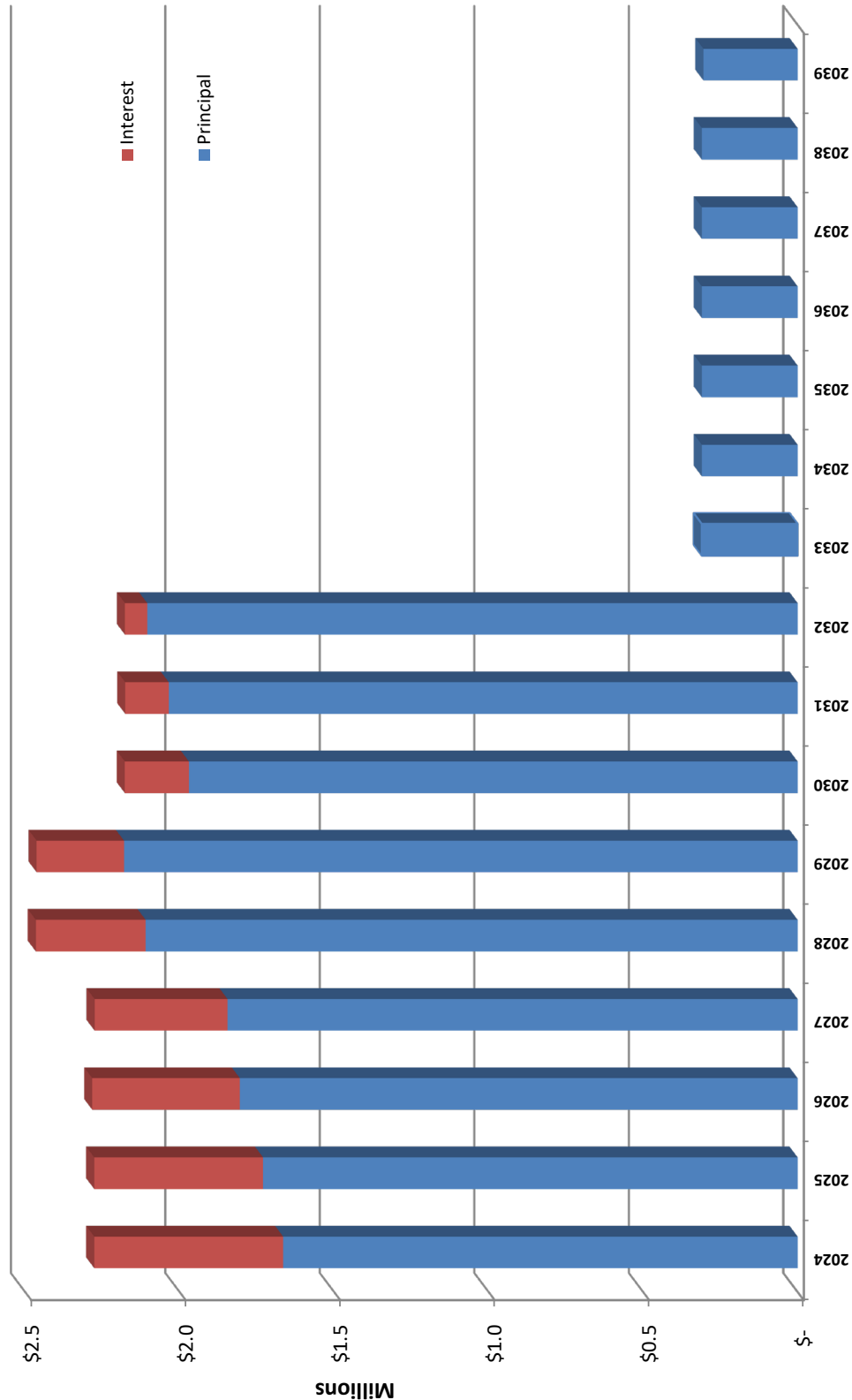
Outstanding Debt Through Maturity



DEBT SERVICE REQUIREMENTS BY FISCAL YEAR

Year Ending Sept. 1	Years	Principal	Interest	Total Debt Svc. Requirements	Declining Debt Svc. Balance
2024	16	\$ 1,665,000	\$ 611,155	\$ 2,276,155	\$ 20,456,705
2025	15	1,730,000	546,265	2,276,265	18,180,440
2026	14	1,805,000	477,565	2,282,565	15,897,875
2027	13	1,845,000	430,075	2,275,075	13,622,800
2028	12	2,110,000	355,325	2,465,325	11,157,475
2029	11	2,180,000	282,675	2,462,675	8,694,800
2030	10	1,970,000	207,200	2,177,200	6,517,600
2031	9	2,035,000	140,800	2,175,800	4,341,800
2032	8	2,105,000	71,800	2,176,800	2,165,000
2033	7	310,000	-	310,000	1,855,000
2034	6	310,000	-	310,000	1,545,000
2035	5	310,000	-	310,000	1,235,000
2036	4	310,000	-	310,000	925,000
2037	3	310,000	-	310,000	615,000
2038	2	310,000	-	310,000	305,000
2039	1	305,000	-	305,000	-
		<u>\$ 19,610,000</u>	<u>\$ 3,122,860</u>	<u>\$ 22,732,860</u>	

DEBT SERVICE ANNUAL CASH REQUIREMENTS



GLOSSARY

GLOSSARY

Authority – Shall mean the Southmost Regional Water Authority, or its Board of Directors as the context may indicate, and any legal successor which succeeds to the function and authority thereof. The regional reverse osmosis plant uses state-of-the-art reverse osmosis (RO) technology to treat previously untapped and unusable brackish groundwater resources as an alternative water supply.

Bonds – Shall mean the initial Project Bonds, as well as any other notes, bonds, refunding bonds and lease obligations, or other revenue obligations issued from time to time by the Authority the proceeds of which are used for financing or refinancing allocable or attributable cost, expense or liability incurred or paid by the Authority for the financing, or refinancing, construction, reconstruction, acquisition, operation or maintenance of the System or otherwise paid or incurred by the Authority in order to perform its obligations under the Water Supply Contracts.

Bond Ratings – A measure of the quality and safety of a bond, based on the issuer’s financial condition; more specifically, an evaluation from a rating service indicating the likelihood that a debt issuer will be able to meet scheduled interest and principal repayments. Typically, AAA is the highest (best), and D is the lowest (worst). The SRWA is maintaining an “A2” as rated by Moody’s, and an “A” as rated by Fitch Ratings.

BPUB (Brownsville Public Utilities Board; Brownsville PUB; the Public Utilities Board; PUB; the System; the Board) – See “Participating Customer”

Brownsville Navigation District (BND) - See “Participating Customer”

Budget – A financial plan, generally for one fiscal year, presenting proposed expenditures and an estimate of the necessary sources of funds; the Budget Document, as prepared and presented, to the governing body.

CAO – Chief Administrative Officer; in charge of managing the administration of the company.

Capital Project – the construction, reconstruction, acquisition, and structural maintenance of buildings or real property that adds value to the utility’s system.

CFO – Chief Financial Officer; in charge of managing the finances of the company.

CIP – Capital Improvement Plan; strategy of planning and prioritizing capital projects based on projected availability of resources.

City of Los Fresnos – See “Participating Customer”

COO – Chief Operating Officer; in charge of managing the operations of the company.

Debt Service – The principal repayment, interest expense, and issue costs associated with the retirement of outstanding debt.

GLOSSARY

Defeasance – Termination of the rights and interests of the trustee and bondholders under a trust agreement or indenture on final payment or provision for payment of all debt service and premiums and other costs, as specifically provided for in the trust instrument.

Expense – A use of financial resources to acquire goods or services consumed in a single year's current operations.

Fiscal Year (FY) – A consecutive 12-month period marking the beginning and ending dates for recording financial transactions. The SRWA's fiscal year begins October 1 and ends September 30 of the following calendar year. This is also referred to as the budget year.

GM & CEO – General Manager & Chief Executive Officer; in charge of managing the company, reports to the Board of Directors.

Interest Expense – Interest expense is the cost of borrowing funds. It is shown as a financial expense item within the income statement.

Interest from Investments or Investment Income – Interest and dividends from short-term and overnight investments. The Authority invests certain cash assets in order to receive interest earnings until that cash is needed. All interest earned is recorded as investment income.

Junior lien – See "lien obligations".

Lien Obligations – Security protection claim for repayment of a debt. Legal priority rights are placed on the repayment of debt. If legal remedies for repayment occur, first emphasis for repayment is Priority Obligations, then Second Lien Obligations, then Junior Lien Obligations, and then Subordinate Lien Obligations. While bonds with second or third liens are generally rated significantly lower than those with first liens, the issuer may determine that the senior-lien credit is so strong that a well-structured junior-lien bond will be rated relatively close to senior bond.

O&M – Operations & Maintenance

Operating Income – Gross Revenues with respect to any period, after deducting the O&M expenses.

Operations and Maintenance Budget (O&M Budget) – Plan of current expenditures and proposed means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending, and service delivery activities of the utility are controlled.

Operations and Maintenance Expense (O&M Non-personnel) – Also known as operating costs, these are the expenses of the day-to-day operations assigned to the current operating period.

GLOSSARY

Operations and Maintenance Personnel (O&M Personnel) – Cost related to compensating employees, including salaries, wages, insurance, payroll taxes, and retirement contributions.

Other Non-Operating Expenses – Miscellaneous expenses, debt discounts/expenses and other interest expenses.

Participating Customer – A Texas municipal utility district created under the authority of Article XVI, Section 59 of the Texas Constitution and operating pursuant to Chapter 49 and 54, Texas Water Code. Each Participating Customer or any Participating Customer shall mean, subject to the proviso in the definition of the Water Supply Contract, one or more of the Participating Customers entered in the Water Supply Contract, its legal successors or permitted assigns so long as such entity is a party to the Water Supply Contract, and shall also include any purchaser of treated water from the Authority which becomes a Participating Customer.

Participant's System – Water system or combined utility system of each Participating Customer, as applicable.

Operating Fund - This fund group is used to account for the maintenance and operations of the Systems physical plant and assets.

Policy – A program of actions adopted by a person, group, or government, or the set of principles on which they are based.

Ratings – See “Bond Ratings.” Alpha and/or numeric symbols used to give indications of relative credit quality. In the municipal market these designations are published by the investors’ rating services. Internal ratings are also used by other market participants to indicate relative credit quality.

Revenue Bonds – Securities for which debt service payments are generated from a specific revenue source.

Senior Lien – See “lien obligations”.

Southmost Regional Water Authority (SRWA) – See “Authority.”

Town of Indian Lake - See “Participating Customer”

Valley Municipal Utility District No. 2 (VMUD) - See “Participating Customer”