

Legislation Text

File #: 18-564, Version: 1

Presenter/Contact
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SUBJECT:

Approval of a recommendation from the New Braunfels Utilities Board of Trustees to use Governmental Accounting Standards Board Statement 62 to defer lease payments associated with the Guadalupe-Blanco River Authority Mid-Basin Water Project.

BACKGROUND / RATIONALE:

Guadalupe-Blanco River Authority (GBRA) is constructing and operating facilities to pump, treat, and transport water supply out of the Carrizo-Wilcox Aquifer to interested participants (the "Mid-Basin Project"). GBRA is financing the Mid-Basin Project through the Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT). The TWDB SWIFT program was created to provide affordable, alternative financing options to develop projects that are recommended water management strategies in the State of Texas Water Plan. The TWDB will issue bonds under the SWIFT program to finance the Mid-Basin Project and each participant will enter into an agreement with GBRA to pay for their portion of the funding.

NBU and GBRA entered into the Gonzales Carrizo Water Supply Project Treated Water Supply Agreement on February 6, 2018 (the "Water Supply Agreement") to purchase treated water supply through the Mid-Basin Project. Under the Water Supply Agreement, NBU has agreed to purchase at least 8,000 acre-feet per year of treated water supply. The lease payments to pay for NBU's portion of the Mid-Basin Project will begin in January 2019, but NBU will not receive the treated water supply until 2023.

GASB Statement 62 is a governmental accounting standard that applies to regulated municipal utilities that allows them to defer costs until the revenue is captured through rates (GASB 62). GASB 62 requires the municipal utility to receive approval to use GASB 62 from its rate setting authority.

In the budget NBU presented to the Board on June 28, 2018, NBU deferred \$5,653,520 million in water lease payments associated with the Mid-Basin project for fiscal years 2019-2023. The deferral of this amount is based on NBU's purchase of 8,000 acre-feet per year of water at \$200 per acre foot for a total of \$1,600,000 per year for 3.5 years. Since calculating the deferral amount of the lease payments, GBRA realized that it overestimated the lease payments per acre foot of water. The lease payments will be less than \$80 per acre foot of water, which requires NBU to update the deferral amount for the Mid-Basin Project. NBU is planning to purchase 8,000 acre-feet per year at \$80 per acre foot for an updated deferral amount of \$2,240,000. If the Council approves the use of GASB 62, NBU will begin recognizing approximately \$224,000 in expense per year for 10 years beginning in fiscal year 2023, which is when NBU expects to receive water from the Mid-Basin Project.

NBU requests approval of the use of GASB 62 to defer the lease payment costs for the Mid-Basin Project.

ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:

N/A

FISCAL IMPACT:

Total Acre Feet	8,000	
Lease Amount per Acre Foot	\$ 80.00	
FY 2019 (Starting in January)	\$ 320,000	
FY 2020	640,000	
FY 2021	640,000	
FY 2022	640,000	
Total Deferral	\$ 2,240,000	
Amortization Period	10 years	
Annual Expense Starting in FY 2023	\$ 224,000	

COMMITTEE RECOMMENDATION:

The NBU Board of Trustees approved a resolution on August 30, 2018.

STAFF RECOMMENDATION:

N/A