



Edwards Aquifer Habitat Conservation Plan
Report of the 2020 Budget Work Group



To: Edwards Aquifer Habitat Conservation Plan Implementing Committee

From: Edwards Aquifer Habitat Conservation Plan Budget Work Group

Date: August 19, 2020

Overview:

On August 19, 2020, a meeting of the Edwards Aquifer Habitat Conservation Plan (EAHCP) Budget Work Group was held to review and discuss the Edwards Aquifer Authority 2021 budget process to monitor the management of EAHCP revenue and expenses. Specifically, the EAHCP Implementing Committee charged the Budget Work Group 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.”

Members of this Work Group include:

- Tom Taggart, Implementing Committee (IC) Member (serving as Chair - City of San Marcos)
- Brock Curry, Edwards Aquifer Authority (EAA) designee
- Myron Hess, EAHCP Stakeholder member
- Mary Bailey, San Antonio Water System (SAWS) designee
- Adam Yablonski, Member-at-Large, Medina County Farm Bureau

Work Group Discussions:

During the meeting, EAA staff presented information on the following items:

- EAHCP Table 7.1A Analysis and Forecast
- Updated Drought of Record probabilities
- Aquifer Storage Recovery and Voluntary Irrigation Suspension Program Option updates
- EAHCP 2021 Proposed Budget
- EAA Aquifer Management Fee and EAHCP Reserve Fund Forecast

The discussion of these topics is described below. The meeting presentation (Appendix A), agenda (Appendix B), and minutes (Appendix C) are included.

EAHCP Table 7.1A Analysis and Forecast. EAA staff gave a refresher on the 7.1 Budget, detailing the projected expenses for all EAHCP activities for the duration of the current Incidental Take Permit (ITP), which runs 2013-2027 and totals \$261,907,955. A detailed illustration was given of how this compares to actual expenses (7.1 Adjusted or Table 7.1A) thus far and projected through 2027. The current projections show the EAHCP being about \$50 million under-budget during that timeframe (\$210,947,494). This projection assumes no triggering events for VISPO or ASR recovery before 2027.

Updated Drought of Record probabilities. EAA staff presented the updated Drought of Record probabilities to the Work Group. Based on the historical J-17 data and current aquifer levels, there is a 0% chance that ASR forbearance will trigger in 2021 or 2022; a near zero probability of triggering 2023-2025; and a 20% probability of the 10-year recharge trigger for the ASR forbearance program occurring between 2026 and 2030. This strongest likelihood of this occurring is in 2029/2030.

Between 2021 and 2028, EAA staff projects there is a 43% chance that VISPO forbearance will trigger in one or more years (3% higher than the 2019 forecast), a 10% chance it will trigger in two or more years (1.9% higher than 2019), a 1.3% chance it will trigger in three or more years (0.3% higher than 2019), and a 0.12% chance of it triggering four or more times (0.5% higher than 2019).

Aquifer Storage Recovery (ASR) and Voluntary Irrigation Suspension Program Option (VISPO) updates. EAA staff provided an update and overview of ASR and VISPO. The primary EAHCP goal of the ASR, to store 126,000 acre-feet to off-set pumping during the Drought of Record (DOR), will be met in 2020. The EAHCP also calls for an additional 50,000 acre-feet of withdrawal rights to remain unused during the DOR, which is the ASR lease acquisition goal for 2021. Thus far, there is approximately 14,562 acre-feet in ASR leases and approximately 35,333 acre-feet in ASR forbearance agreements for 2021. New agreements are being made through the end of the ITP.

The primary goal of VISPO is to secure 41,795 acre-feet of water in forbearance agreements. For 2021, there is approximately 40,342 acre-feet secured in VISPO agreements. All new agreements will be 5-years through the end of the current ITP. The length of the agreements will shorten as we reach the end of the ITP.

EAA Aquifer Management Fee and EAHCP Reserve Fund Forecast. EAA staff presented the proposed 2021 EAA Budget as well as expense projections through 2025. There is a significant drop in projected expenses starting in 2020 largely due to the conclusion of the Regional Water Conservation Program. The final payment was paid to SAWS in 2020.

EAA staff provided detailed charts to the Work Group that illustrated various projections associated with the EAA General Fund and the EAHCP Reserve Fund. The EAHCP Reserve Fund is projected to be \$27.7 million at the end of 2020 and is expected to decrease to \$26.9 million in 2021, about \$500 thousand above the previously agreed Reserve Floor of \$26.4 million. Based on current projections, the EAHCP Reserve Fund would remain relatively flat each forecasted year through 2025.


To maintain the EAHCP Reserve Fund and the \$84 combined AMF rate, the EAA is proposing set to postpone an AMF rate increase until 2022. An adjusted rate of \$88 would be in place from 2022 to 2024 when another AMF rate adjustment for \$95 per acre-foot (in 2025) would be proposed. An illustration of the alternative Reserve Fund, for both the HCP and EAA General Operations, was given with the projected AMF rates through 2025.

Considerations for the Implementing Committee. The Work Group recommends the following items for the Implementing Committee to consider in their deliberations related to EAHCP funding and possible comment to the EAA Board as they review the budget for FY 2021.

- The current financial projections and cost estimates presented to the Budget Work Group indicate an overall fiscally stable and adequate budget for the EAHCP program for fiscal year 2021.
- The Work Group acknowledges the ASR and VISPO trends and no likelihood of triggering events for either program in 2021. However, the Work Group does acknowledge the increased probability of VISPO triggering throughout the remainder of the permit term.
- The Work Group noted that proposed aquifer management fees (AMF) diverged from previous forecasts for 2021 with a \$1 reduction in the amount of funding devoted to the EAHCP with increasing amounts of the total AMF funding EAA operations.
- Although the EAHCP Reserve is projected to remain above the established Reserve Floor of \$26.4 million, the Budget Work Group reiterated prior concerns regarding the continuing downward trend of the EAHCP Reserve and the possible fiscal implications should drought conditions trigger ASR or VISPO forbearance, especially in light of increased probability. The Work Group recommends the Implementing Committee, EAA Board, and staff continue to monitor the potential Droughts of Record (DOR) and the impact of a DOR on the EAHCP Reserve Funds to ensure the continued confidence with the U.S. Fish and Wildlife Service and the EAHCP guarantee of financial security to cover program activities. The group encourages the EAHCP Implementing Committee and EAA to understand that decisions on program funding and reserve amounts may dramatically affect the financial footing of the program approaching the renewal date of the Incidental Take Permit.

APPENDIX A
SLIDE PRESENTATIONS

EAHCP BUDGET WORK GROUP



AUGUST 19, 2020





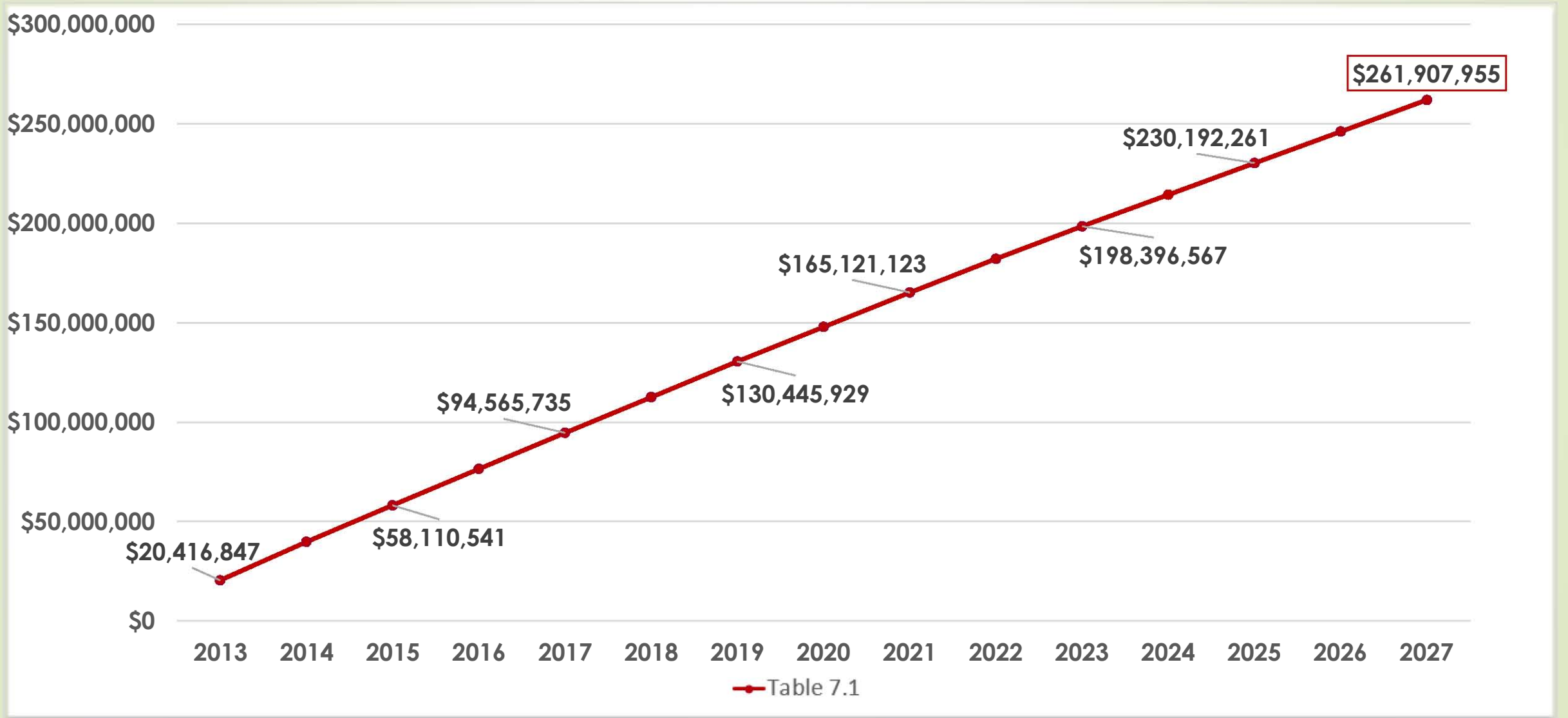
CHARGE OF THE EAHCP BUDGET WORK GROUP

- 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.

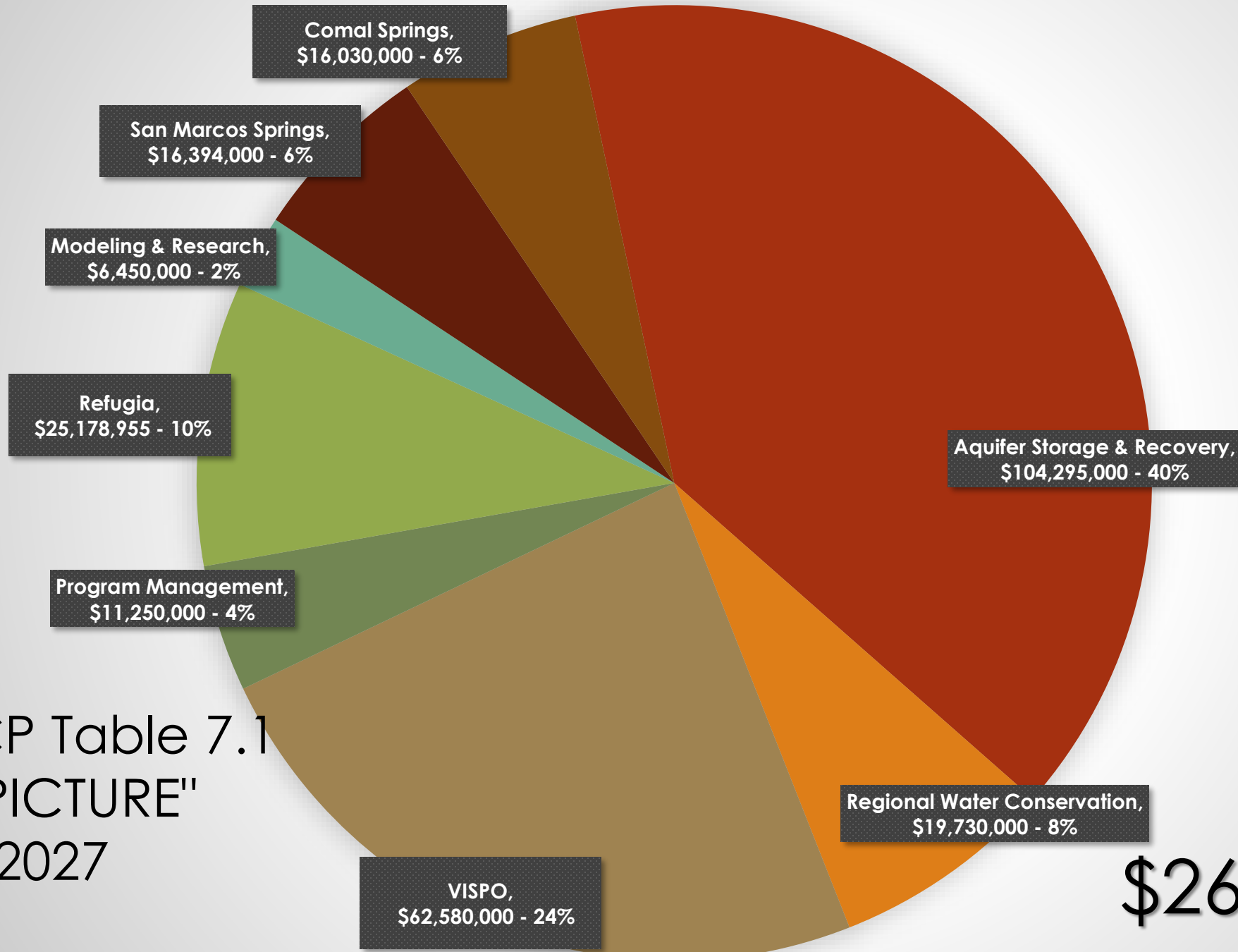
EAHCP 7.1A ANALYSIS AND FORECAST



EAHCP TABLE 7.1



- 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

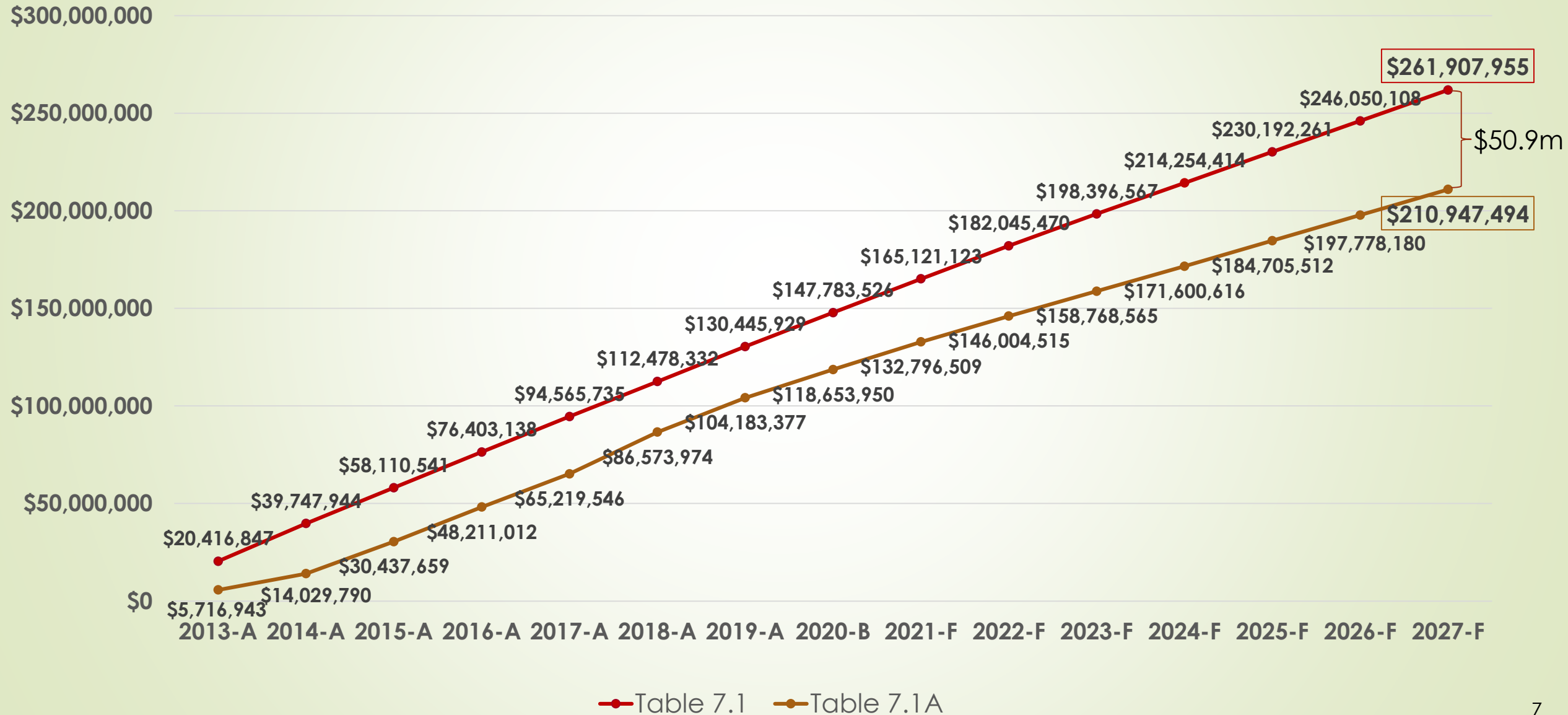


7.1 ADJUSTED

“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	\$15,760,650	(\$4,510,650)
ASR - Leasing/Forbearance	71,385,000	71,223,947	161,053
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	37,870,934	24,709,066
San Marcos Springs	16,394,000	18,915,299	(2,521,299)
Comal Springs	16,030,000	17,037,409	(1,007,409)
Modeling & Research	6,450,000	6,704,469	(254,469)
Refugia	25,178,955	19,311,420	5,867,535
Total	\$261,907,955	\$210,947,494	\$50,960,461

Entity	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
Edwards Aquifer Authority	\$238,483,955	\$186,984,770	\$51,499,185
City of San Marcos - TSU	11,894,000	12,953,256	(1,059,256)
City of New Braunfels	11,530,000	11,009,469	520,531
Program Totals	\$261,907,955	\$210,947,494	\$50,960,461



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	\$71,223,947	\$161,053
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	37,870,934	24,709,066
Biological Monitoring	6,000,000	8,954,388	(2,954,388)
Water Quality Monitoring	3,000,000	3,035,597	(35,597)
Ecological Modeling	1,150,000	1,151,758	(1,758)
Applied Research (Research & Facility)	4,750,000	4,194,199	555,801
Refugia	25,178,955	19,311,420	5,867,535
Program Management	11,250,000	15,760,650	(4,510,650)
Science Review Panel	550,000	1,358,513	(808,513)
Program Total	\$238,483,955	\$186,984,770	\$51,499,185

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	\$1,301,168	\$548,832
Sediment Removal	850,000	744,292	105,708
Non-Native Plant Species Control	1,375,000	3,028,705	(1,653,705)
Litter Control/Floating Vegetation	1,200,000	662,669	537,331
Non-Native Animal Species Control	525,000	402,156	122,844
Bank Stabilization/Perm Access Points	780,000	1,293,492	(513,492)
Restoration - Riparian Zones	380,000	666,986	(286,986)
Management - Key Public Rec Areas	784,000	846,781	(62,781)
LID/BMP Management	3,600,000	3,476,502	123,498
Household Hazardous Waste Program	450,000	415,157	34,843
Sessom Creek Sand Bar	100,000	100,000	0
Education	0	15,349	(15,349)
Program Total	\$11,894,000	12,953,256	(\$1,059,256)

TABLE 7.1 AND TABLE 7.1A COMPARISON

CITY OF NEW BRAUNFELS

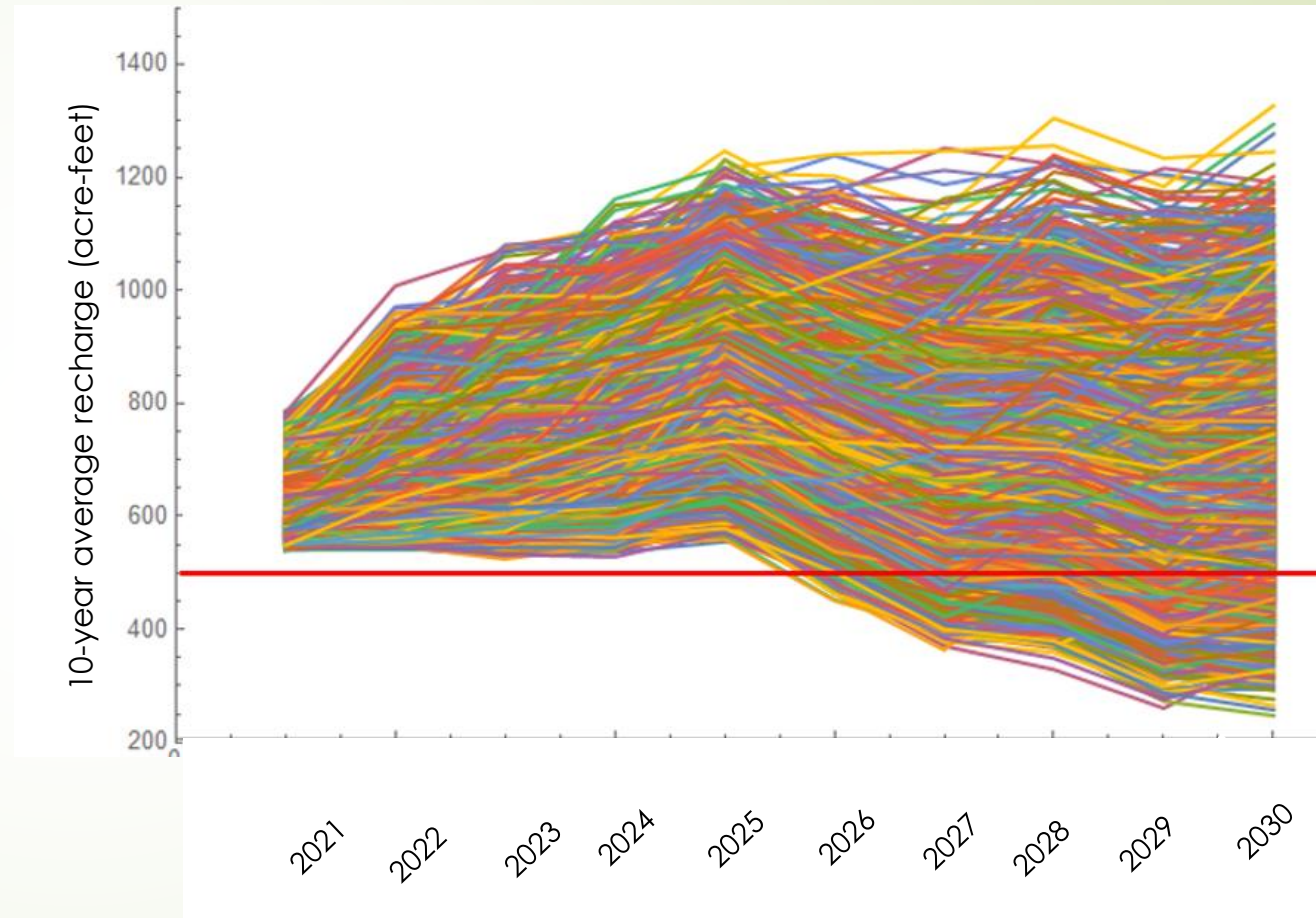
EAHCP Measure	Table 7.1 Totals	Table 7.1A Projected Totals	▲ Between Table 7.1 to 7.1A
Old Channel Restoration	\$2,000,000	\$1,859,036	\$140,964
Flow Split Management	270,000	382,878	(112,878)
Aquatic Vegetation Restoration	1,245,000	1,321,631	(76,631)
Non-Native Animal Species Control	1,245,000	1,039,842	205,158
Decaying Vegetation Removal	960,000	420,518	539,482
Riparian Impr - Riffle Beetle	525,000	500,845	24,155
Gill Parasite Control	1,325,000	944,836	380,164
Restoration - Riparian Zones	1,600,000	2,142,810	(542,810)
LID/BMP Management	1,900,000	1,634,744	265,256
Household Hazardous Waste Program	450,000	550,871	(100,871)
Litter Control/Floating Vegetation	0	208,108	(208,108)
Prohibition - Hazardous Materials Route	10,000	0	10,000
Education	0	3,349	(3,349)
Program Total	\$11,530,000	\$11,009,469	\$520,531

DROUGHT OF RECORD PROBABILITIES



ASR FORBEARANCE TRIGGERING PROBABILITIES

- 2021, 2022: 0% each year
- 2023, 2024, 2025: near 0% each year
- 2026: < 1%
- 2027, 2028: ~ 7% each year
- Overall chance of triggering at least once during 2026 – 2030: ~ 20% with probability weighted toward 2029/2030



VISPO TRIGGERING PROBABILITIES

Based on historical J-17 data and current levels, the probability of VISPO triggering in:

- 2020: 0%
- 2021 – 2028, each year is independent from the previous year:
 - In any individual year = 6.81%
 - 1 or more VISPO trigger years = 43%
 - 2 or more = 10%
 - 3 or more = 1.3%
 - 4 or more = 0.12%

Note: These probabilities are for the number of possible occurrences of VISPO years for period 2020-2028. They are **not** necessarily consecutive years.

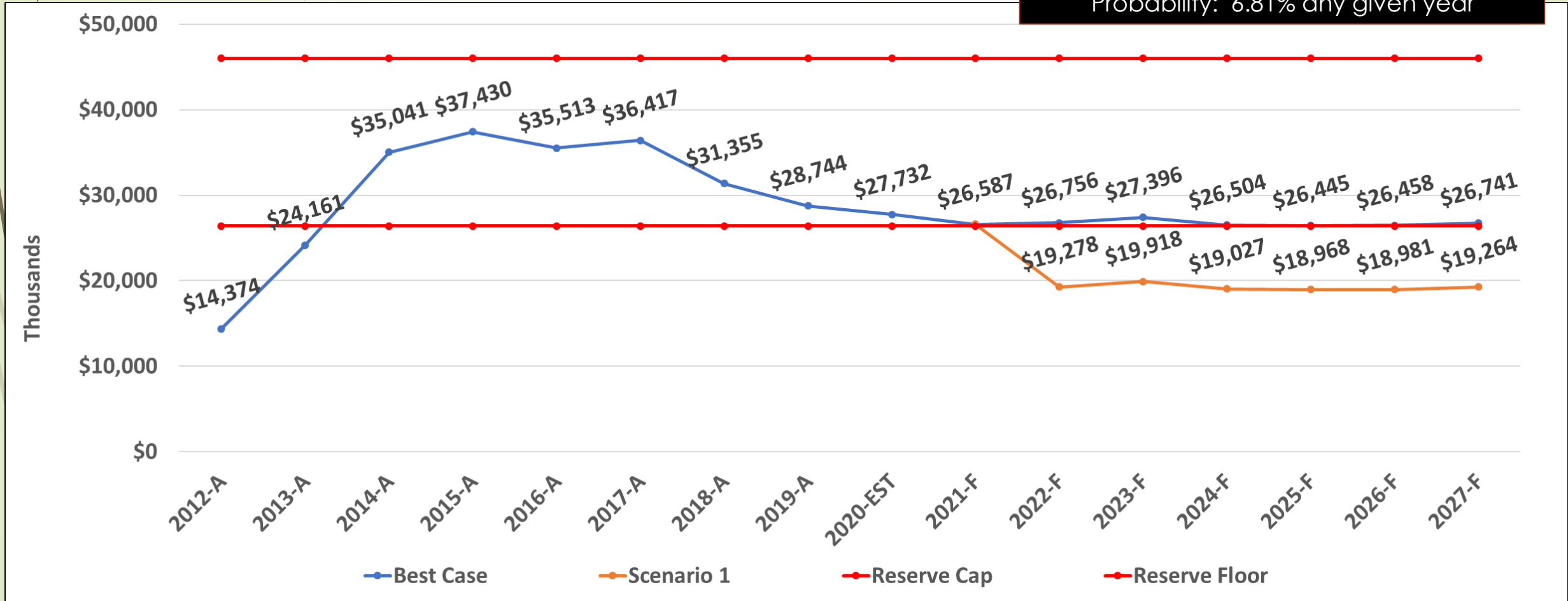


EAHCP DROUGHT SCENARIO RESERVE IMPACTS



EAHCP RESERVE FORECAST: DROUGHT SCENARIO 1

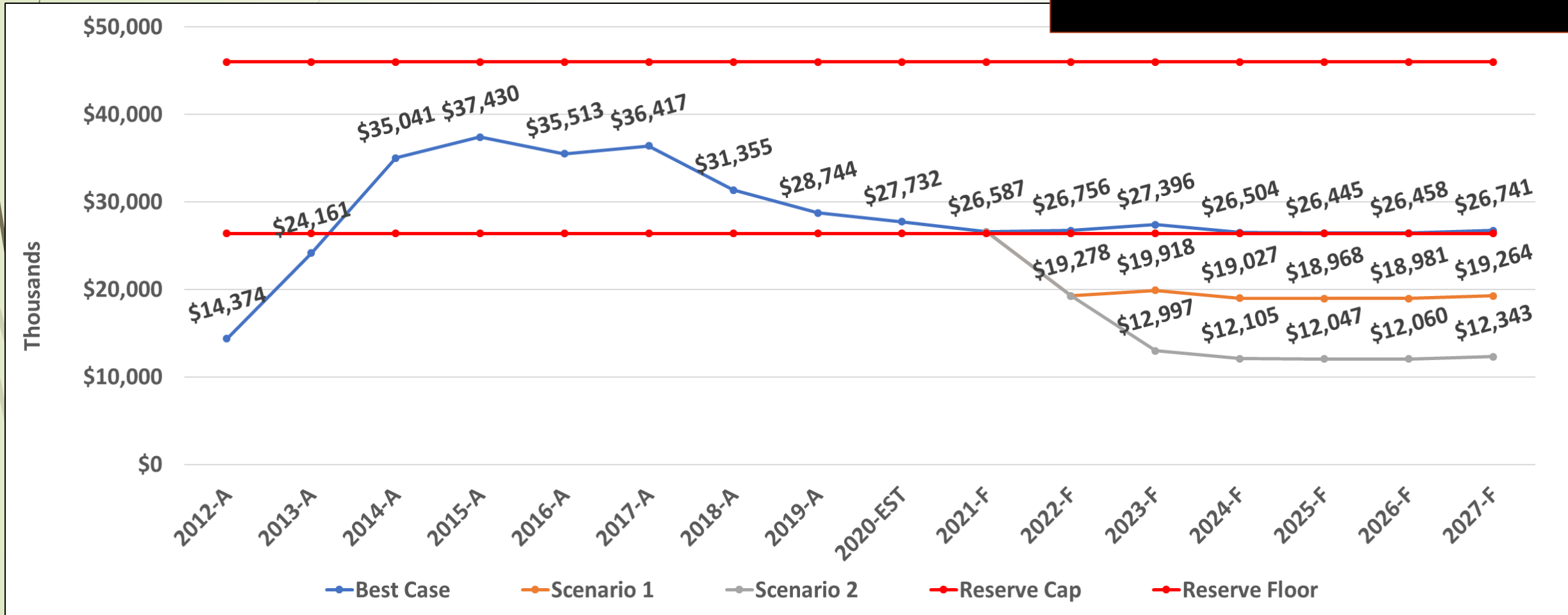
VISPO Forbearance: 2022
Probability: 6.81% any given year



	Actual Rates									Forecast Rates						
	2012-A	2013-A	2014-A	2015-A	2016-A	2017-A	2018-A	2019-A	2020-A	2021-F	2022-F	2023-F	2024-F	2025-F	2026-F	2027-F
HCP Program AMF	\$37	\$37	\$47	\$47	\$44	\$40	\$42	\$38	\$34	\$34	\$35	\$35	\$31	\$34	\$34	\$35

EAHCP RESERVE FORECAST: DROUGHT SCENARIO 2

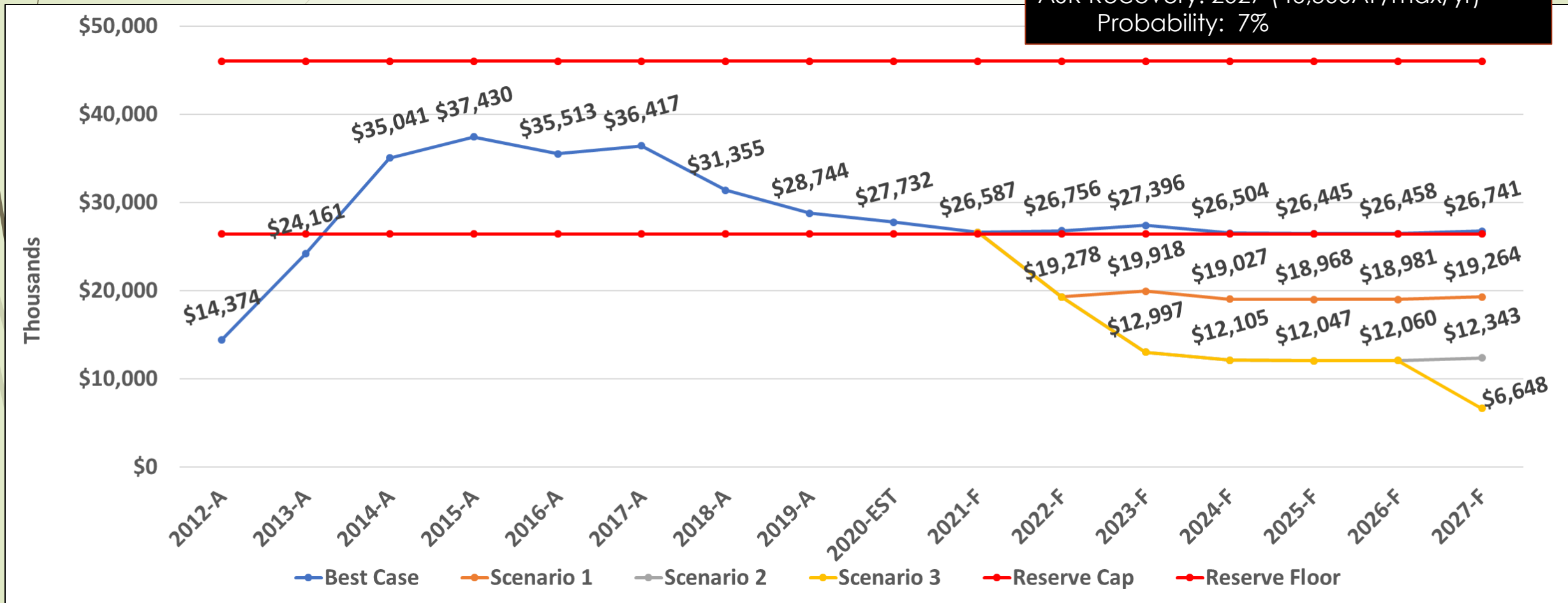
VISPO Forbearance: 2022, 2023
Probability: 10% 2 or more times



	Actual Rates										Forecast Rates					
	2012-A	2013-A	2014-A	2015-A	2016-A	2017-A	2018-A	2019-A	2020-A	2021-F	2022-F	2023-F	2024-F	2025-F	2026-F	2027-F
HCP Program AMF	\$37	\$37	\$47	\$47	\$44	\$40	\$42	\$38	\$34	\$34	\$35	\$35	\$31	\$34	\$34	\$35

EAHCP RESERVE FORECAST: DROUGHT SCENARIO 3

VISPO Forbearance: 2022, 2023
 Probability: 10% 2 or more times
 ASR Recovery: 2027 (46,300AF/max/yr)
 Probability: 7%



	Actual Rates										Forecast Rates						
	2012-A	2013-A	2014-A	2015-A	2016-A	2017-A	2018-A	2019-A	2020-A		2021-F	2022-F	2023-F	2024-F	2025-F	2026-F	2027-F
HCP Program AMF	\$37	\$37	\$47	\$47	\$44	\$40	\$42	\$38	\$34		\$34	\$35	\$35	\$31	\$34	\$34	\$35

AQUIFER STORAGE AND RECOVERY (ASR) & VOLUNTARY IRRIGATION SUSPENSION PROGRAM OPTION (VISPO)



AQUIFER STORAGE AND RECOVERY (ASR)

Requirements

- Deliver 126,000 acre-feet to off-set pumping during the Drought of Record (DOR). **Storage Complete.**
- Acquire an additional 50,000 acre-feet of withdrawal rights to remain unused during DOR.

Objective for 2021

- Continue to manage near 300 ASR contracts.



ASR

ASR Storage Complete


Year	ASR Water Noticed To SAWS (acre-feet)	Cumulative Balance (acre-feet)
2013	1,868.325	1,868.325
2014	4,031.402	5,899.727
2015	12,075.016	17,974.743
2016	33,258.630	51,233.373
2017	31,475.188	82,708.561
2018	16,667.000	99,375.561
2019	16,667.000	116,042.561
2020	9,957.439	126,000.000

No additional O&M costs until withdrawals during a DOR.



ASR

2021 ASR Leases



Lease Terms	Acre-feet	Rates/AF
5 Year	1,724.170	\$140
10 Year	10,585.422	\$160
15 Year	2,252.205	\$160
Totals:	14,561.797	



ASR

2021 ASR Program Balance



ASR Program Contracts	Acre-feet
Leases	14,561.797
Forbearance Agreements	35,333.003
Current ASR Leasing/Forbearance Total:	49,894.800
Forbearance Agreements Needed	105.200
Total Expected:	50,000.000

ASR

Expiring ASR Leases

Year	ASR Leases (Acre-ft.)	Expiring Amounts (Acre-ft.)
2019	16,890.753	23,003.171
2020	15,924.077	966.676
2021	14,561.797	1,362.280
2022	12,837.627	1,724.170
2023	12,754.164	83.463
2024	12,753.164	1.000
2025	11,486.018	1,267.146
2026	10,864.898	621.120
2027	10,263.498	601.400
2028	0.000	10,263.498

ASR

Cumulative ASR Forbearance Agreements

Year	ASR Leases	ASR Forbearance Agreements	Totals	Shortage of 50,000 AF
2020	15,924.077	33,745.923	49,670.000	330.000
2021	14,561.797	35,333.003	49,894.800	105.200
2022	12,837.627	35,893.003	48,730.630	1,269.370
2023	12,754.164	35,893.003	48,647.167	1,352.833
2024	12,753.164	35,893.003	48,646.167	1,353.833
2025	11,486.018	35,893.003	47,379.021	2,620.979
2026	10,864.898	35,893.003	46,757.901	3,242.099
2027	10,263.498	35,893.003	46,156.501	3,843.499
2028	0.000	35,893.003	35,893.003	14,106.997



VOLUNTARY IRRIGATION SUSPENSION PROGRAM OPTION (VISPO)

Requirements:

- Secure 41,795 acre-feet of forbearance agreements.

Target for 2021:

- Continue to manage near 200 VISPO agreements.



VISPO

Rates per Acre-foot:


Years	Year	Beginning Rate	Rate Increase
10-Year	Standby	\$57.50 (years 1-5)	\$70.20 (years 6-10)
	Suspension	\$172.50 (years 1-5)	\$210.60 (years 6-10)
5-Year Agreements	Standby	\$54	None
	Suspension	\$160	None

J-17 Index Well Reading is expected to be above 635 ft. msl on October 1st therefore permit holders will be paid the standby rate.



VISPO

2021 VISPO Program Balance



VISPO Agreements	Acre-ft.
5-Year	24,812.411
10-Year	15,620.069
Current Total:	40,432.480
VISPO Agreements Needed	1,362.520
Total Expected:	41,795.000

VISPO

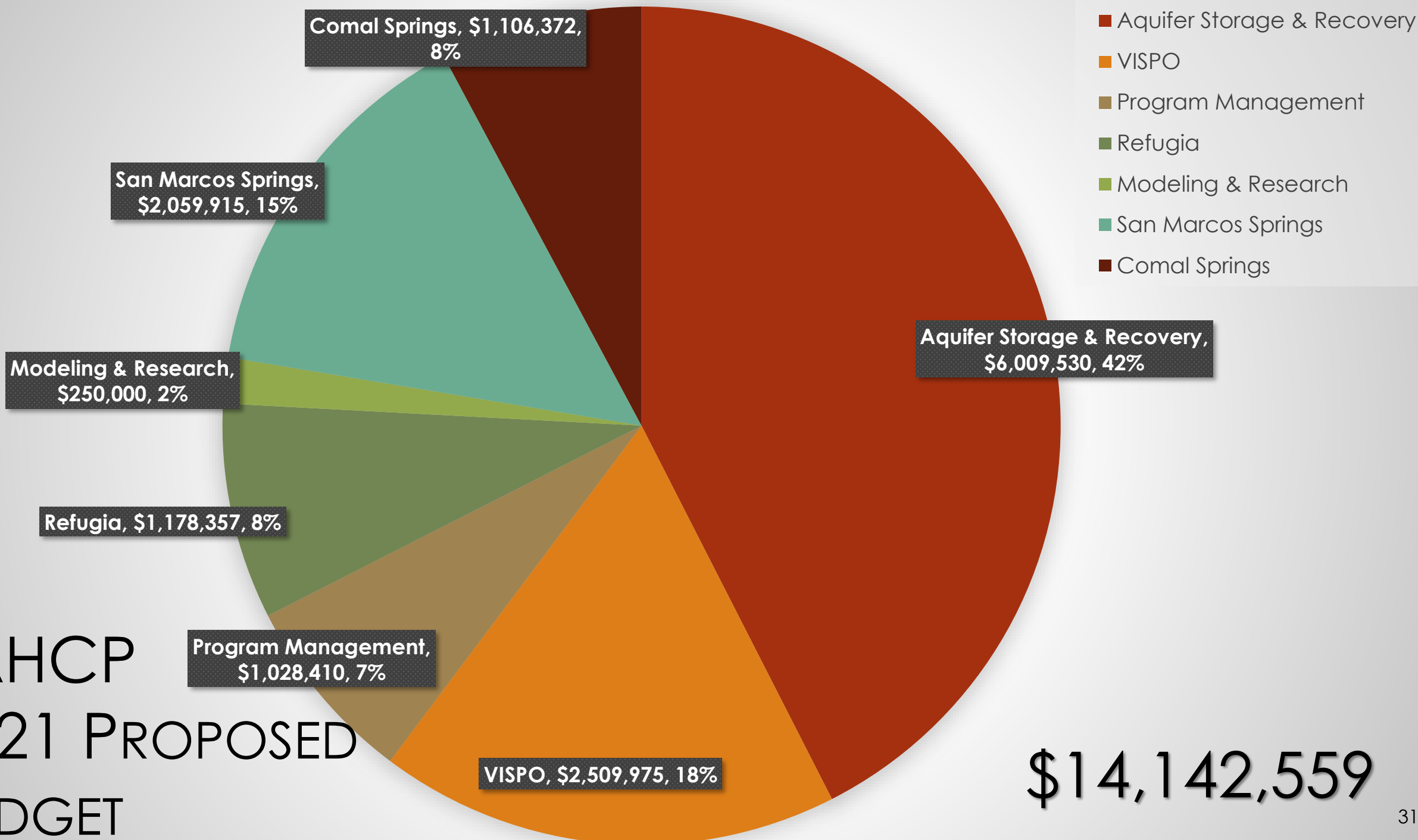
Cumulative VISPO Agreements

Year	10-Year	5-Year	Totals	Shortage of 41,795 AF
2020	15,620.069	22,940.580	38,560.649	3,234.351
2021	15,620.069	24,812.411	40,432.480	1,362.520
2022	15,620.069	24,812.411	40,432.480	1,362.520
2023	15,620.069	24,812.411	40,432.480	1,362.520
2024	4,626.297	16,441.028	21,067.325	20,727.675
2025	150.000	1,871.831	2,021.831	39,773.169
2026	150.000	0.000	150.000	41,645.000
2027	0.000	0.000	0.000	41,795.000
2028	0.000	0.000	0.000	41,795.000

2021 PROPOSED EAHCP BUDGET

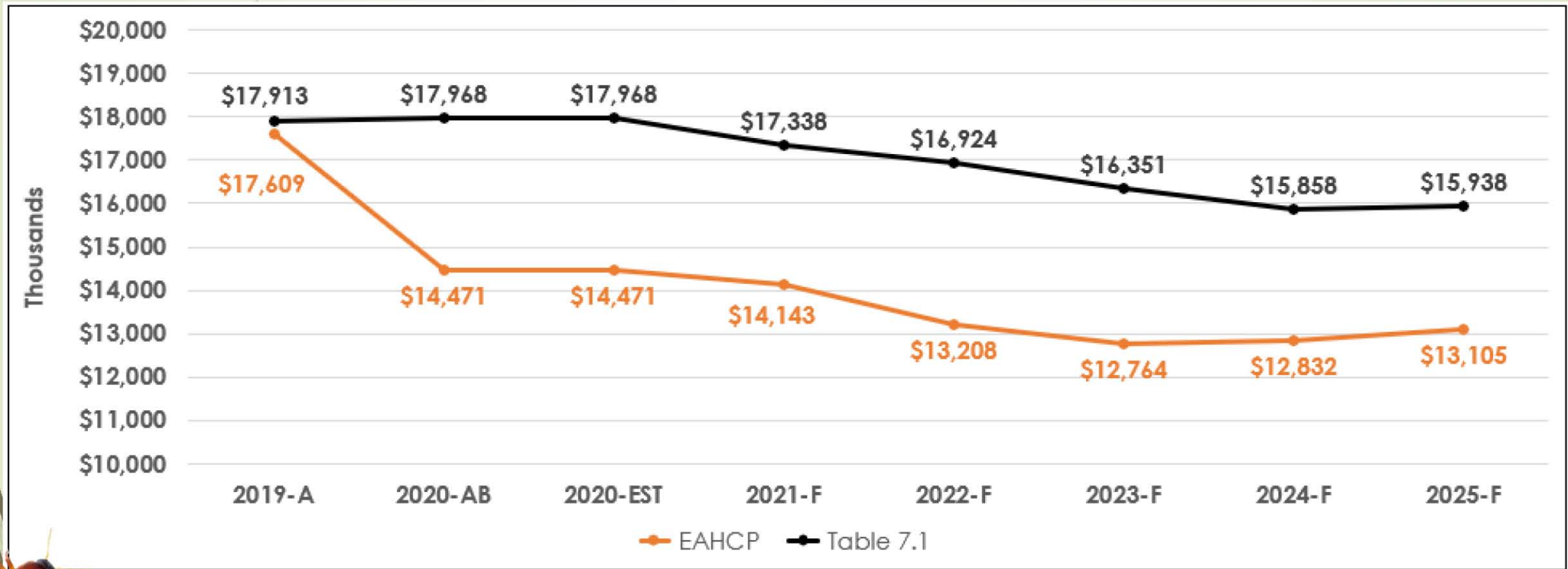


EAHCP 2021 PROPOSED BUDGET

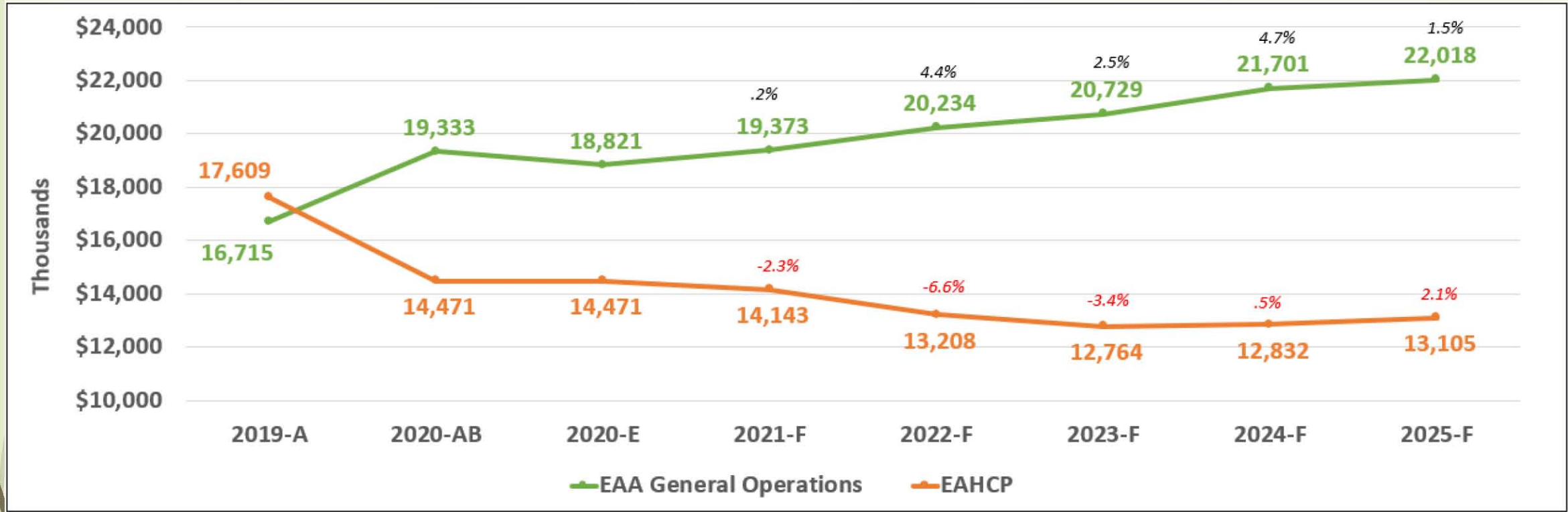


\$14,142,559

EAHCP EXPENSE PROJECTIONS



EXPENSE PROJECTIONS

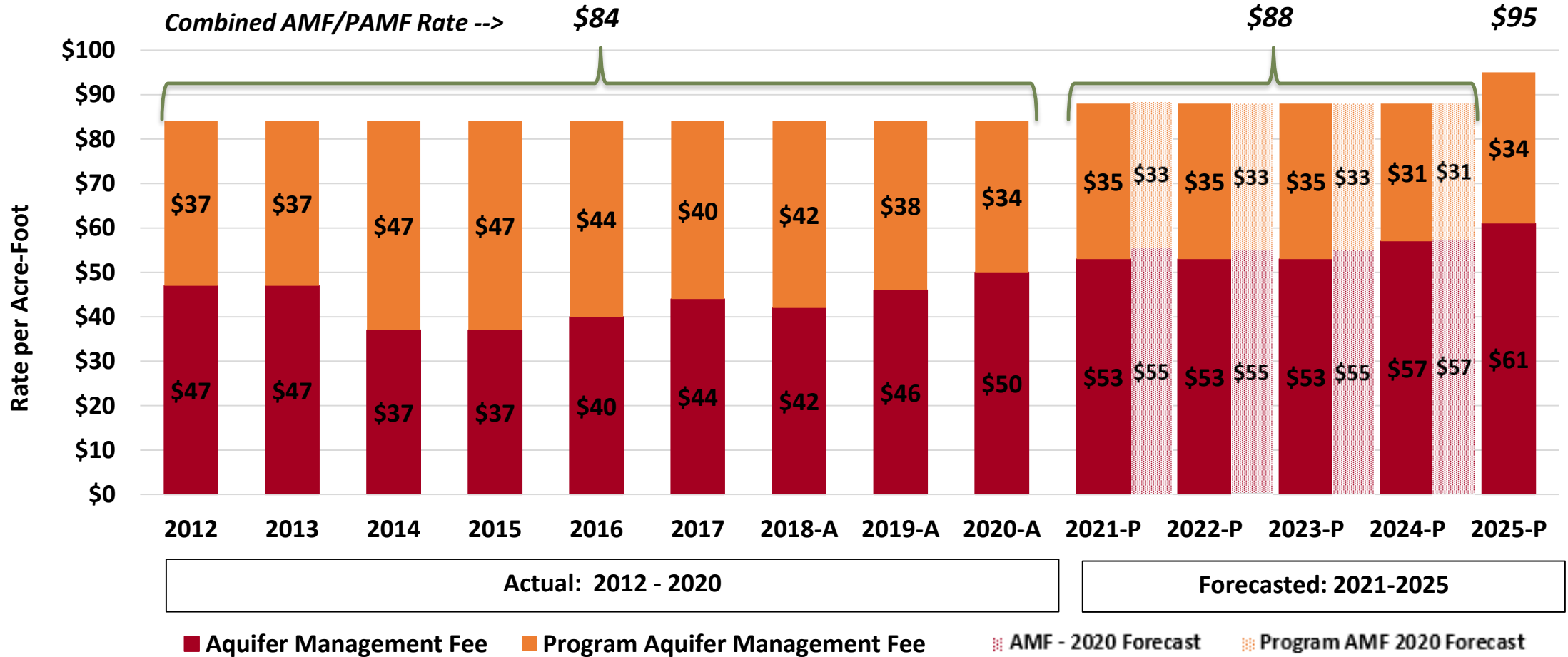


Note: Percentages indicate year-to-year percentage change in budget/forecast.

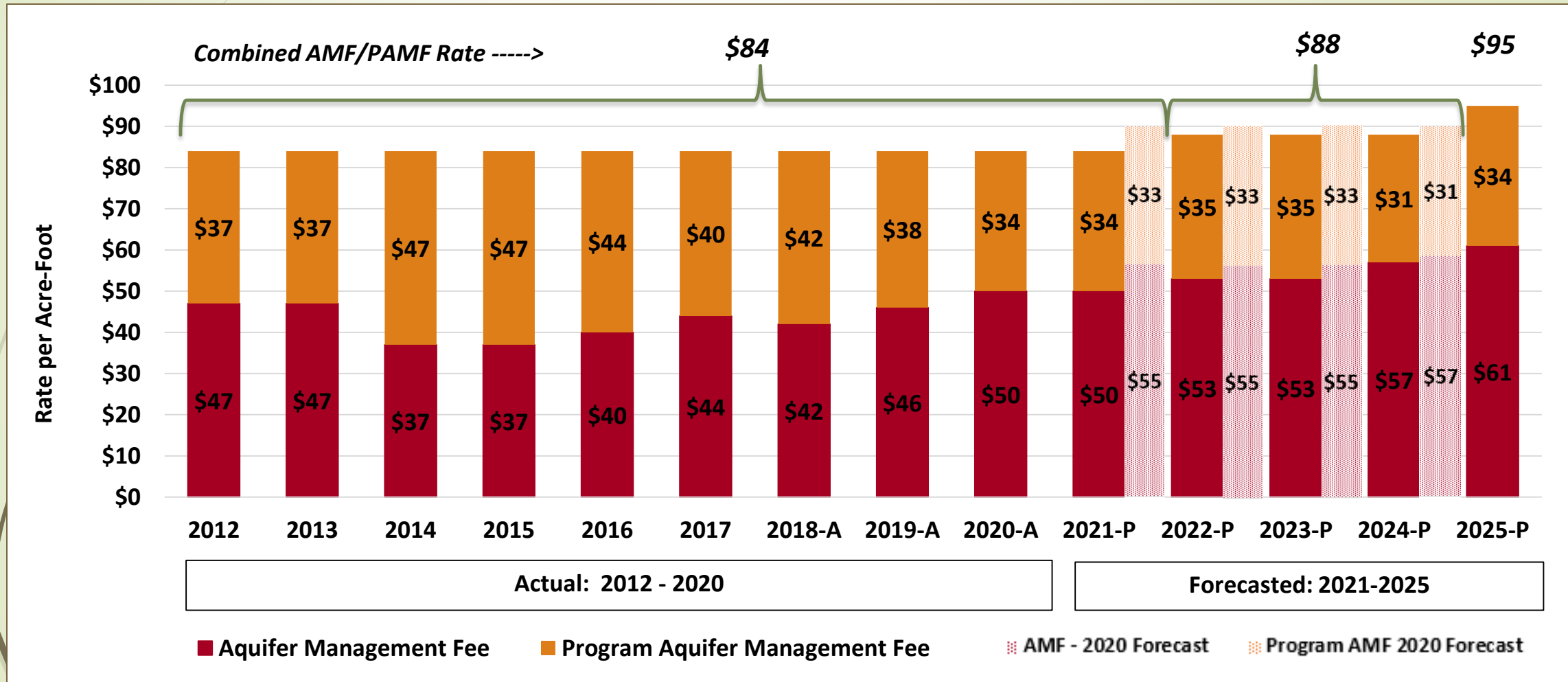
AQUIFER MANAGEMENT FEES AND EAHCP RESERVE FUND



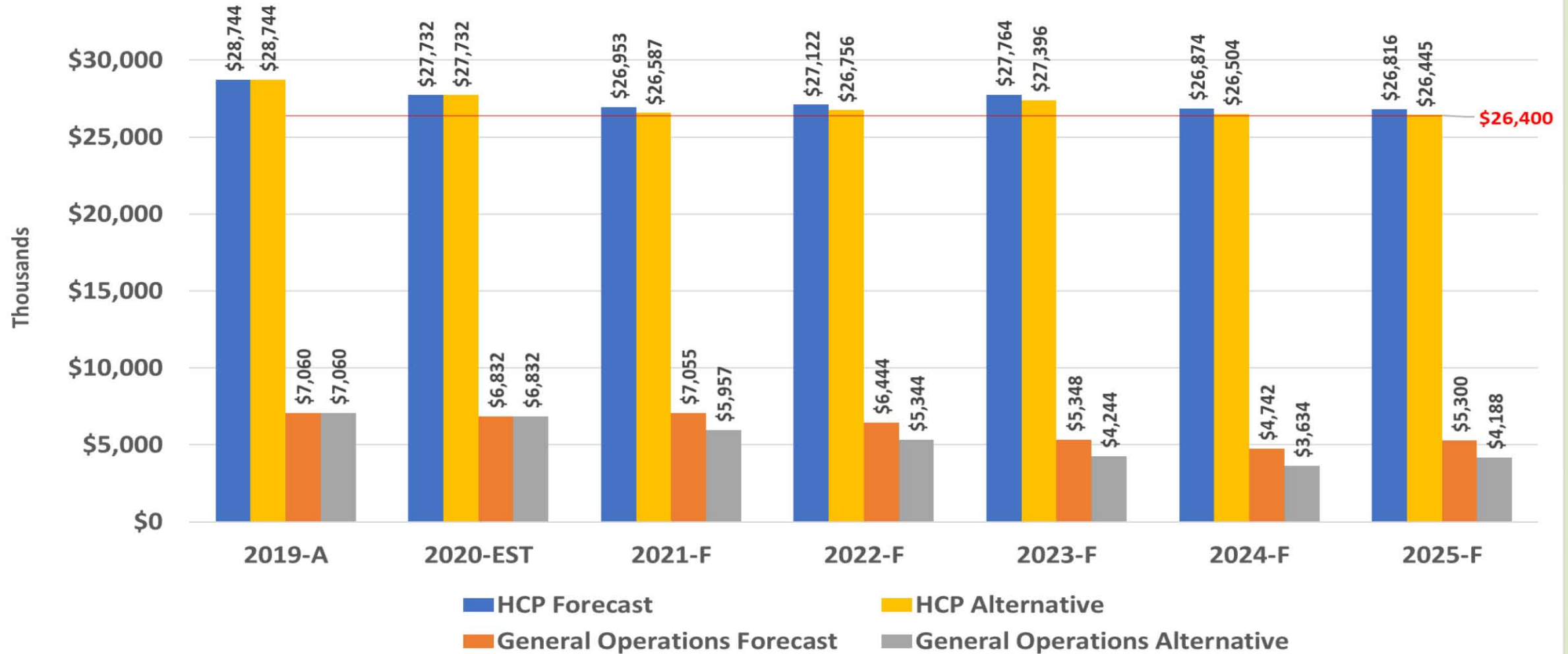
AMF RATES - FORECAST



2021 PROPOSED AMF RATES



2021 POTENTIAL RESERVE IMPACTS



	Forecast Rates						
	2019-A	2020-A	2021-F	2022-F	2023-F	2024-F	2025-F
EAA General AMF	\$46	\$50	\$53	\$53	\$53	\$57	\$61
HCP Program AMF	\$38	\$34	\$35	\$35	\$35	\$31	\$34
Combined AMF	\$84	\$84	\$88	\$88	\$88	\$88	\$95

	Alternative Forecast Rates						
	2019-A	2020-A	2021-F	2022-F	2023-F	2024-F	2025-F
EAA General AMF	\$46	\$50	\$50	\$53	\$53	\$57	\$61
HCP Program AMF	\$38	\$34	\$34	\$35	\$35	\$31	\$34
Combined AMF	\$84	\$84	\$84	\$88	\$88	\$88	\$95



QUESTIONS?

APPENDIX B
MEETING AGENDA



NOTICE OF OPEN MEETING
Available at eahcp.org

2020 EAHCP Budget Work Group
Wednesday, August 19, 2020 at 11:00am – 1:00pm
[Click here to join Microsoft Teams Meeting](#)
Or call: 1 210-729-0064 Conference ID: 397 631 01#

The EAHCP Budget Work Group reviews the EAHCP budget process and makes recommendations to the Implementing Committee regarding any substantive changes to ensure good stewardship of public dollars.

Members of this Work Group include Tom Taggart (Chair - City of San Marcos), Adam Yablonski (Medina County Farm Bureau), Myron Hess (Texas Living Waters Project), Brock Curry (EAA), and Mary Bailey (SAWS).

At this meeting, the following business may be considered and recommended for Budget Work Group action:

1. Call to order - Establish that all members are present or represented
2. Public Comment
3. Presentation and discussion of the EAHCP Table 7.1A Analysis and Forecast
Purpose: To provide forecasted analysis of the EAHCP 7.1A Budget
Action: No action required
4. Presentation and discussion of the updated Drought of Record probabilities within the remaining tenure of the current EAHCP
Purpose: To provide an overview of the updated Drought of Record projected expenses
Action: No action required
5. Presentation of the fiscal impacts of the Aquifer Storage Recovery (ASR) and Voluntary Irrigation Suspension Program Option (VISPO) programs as modified through previous adaptive management processes
Purpose: To provide an update on the ASR and VISPO programs
Action: No action required
6. Presentation and discussion of the 2021 EAHCP Budget
Purpose: To provide an overview of the EAHCP 2021 Budget Forecast and Reserve Fund Projections
Action: Consideration to make recommendations to the Implementing Committee
7. Consider future meetings, dates, locations, and agendas
8. Questions and comments from the public
9. Adjourn

APPENDIX C
MEETING MINUTES



**EAHCP Budget Work Group
Draft Meeting Minutes
August 19, 2020**

Members of this Work Group include Tom Taggart (Chair - City of San Marcos), Adam Yablonski (Medina County Farm Bureau), Myron Hess (Texas Living Waters Project), Brock Curry (EAA), and Mary Bailey (SAWS).

1. Call to order – 11:00 a.m.

Tom Taggart called roll for the Work Group. All Work Group members were present.

2. Public Comment

No comment.

3. Presentation and discussion of the EAHCP Table 7.1A Analysis and Forecast.

Shelly Hendrix, Edwards Aquifer Authority (EAA) Director/Controller Financial Services, presented an overview of EAHCP Table 7.1. Overall, Table 7.1 is budgeted at \$261,907,955 for EAHCP activities from 2013-2027. Ms. Hendrix also presented Table 7.1A, which illustrates the actual amounts spent per conservation measure per year through 2019 and forecasts expenses through the end of the Incidental Take Permit (2028). A comparative look at the projections between Table 7.1 and Table 7.1A indicates a \$50,960,461 difference in savings. Mr. Taggart clarified that these projections do not include any adjustments for the 2% annual increase that is technically allowed under the HCP Funding and Management agreement.

4. Presentation and discussion of the updated Drought of Record Probabilities.

Jim Winterle, EAA Modeling Director, presented the updated Drought of Record probabilities. Based on modeling scenarios, there is a 0% chance that Aquifer Storage and Recovery (ASR) forbearance will trigger in 2021 and 2022 and a near negligible chance of triggering through 2025. There is an overall 20% chance of ASR forbearance triggering from 2026 through 2030. Based on historical data from J-17 and current aquifer levels, there is a 6.81% chance of a VISPO trigger during any individual year from 2021-2028. In specific, there is a 43% chance that it may trigger 1 or more times during that timeframe (3% higher than the 2019 forecast), a 10% chance of 2 or more trigger years (1.9% higher than 2019), a 1.3% chance of 3 or more trigger years (0.3% higher than 2019), and a 0.12% chance of 4 or more trigger years (0.5% higher than 2019).

5. Presentation of the Aquifer Storage Recovery (ASR) and Voluntary Irrigation Suspension Program Option (VISPO) programs.

Javier Hernandez, EAA Special Projects Liaison, provided an update and overview of the ASR and VISPO programs. The targeted ASR storage, 126,000 acre-feet, is expected to be met in 2020 so there should not be operations and maintenance injection costs going forward. The EAA will continue to seek ASR forbearance agreements as leases expire to maintain 50,000-acre-feet in withdrawal rights. Approximately 300 ASR contracts will be managed in 2021. VISPO agreements have been setup with either 5 or 10 year terms and the collective acre-feet goals for each will remain the same through 2023 but will begin to scale down dramatically after that. These agreements are currently being offered for only a 5-year period but will be structured with shorter terms the closer we get to the end of the current ITP permit in 2028

6. Presentation and discussion of the 2021 EAHCP Budget.

Ms. Hendrix presented the 2021 proposed budget for the EAHCP program. For 2021, the estimated budget to implement EAHCP activities is \$14,142,559, which is over \$3 million less than the projected 2021 expense in Table 7.1. Ms. Hendrix reminded Work Group members that there is a significant decrease in expenditures from previous years due to the final Regional Water Conservation Program payment being made in 2020.

Ms. Hendrix presented the Aquifer Management Fees (AMF) progression since 2012 through projected rates in 2025. Last year the AMF rate was projected to increase 7% from \$84/acre-foot to \$88/acre-foot in 2021 but EAA staff plans to request the EAA Board postpone this increase until 2022.

Ms. Hendrix then presented the EAHCP reserve projections from 2012-2025 based on AMF rates. EAHCP budget estimates are projected to remain above the \$26.4 million reserve floor. Roland Ruiz, EAA General Manager, commented that he recently went to the EAA Board about a new concept that the EAA would engage in a conservation-oriented program across the entire region similar to what the Edwards Aquifer Protection Program does. Mr. Ruiz also remarked that reserve floor flexibility would be crucial to executing that plan. He indicated that he would engage Work Group members at a later time to discuss the possibility of bringing down the reserve floor towards the end of the current ITP to allow for capacity in the overall budget.

Myron Hess expressed that he would like to have further discussions going forward about the implications of regarding the reserve funds as the HCP begins a new permit term. Mr. Ruiz reiterated the EAA's commitment to continue to support the HCP. He went on to explain that the EAA's challenge is the stress on the AMF. He indicated that this needs to be discussed in the weeks and months ahead. Mr. Taggart showed a willingness to explore this but expressed concern of the need to sustain a reserve for ASR and VISPO, the pillars of springflow protection. Mr. Taggart cautioned that approaching the end of the current permit term with a low reserve amount would not be wise. Mr. Ruiz assured Mr. Taggart that this would certainly be taken into consideration and has no intentions of bringing the reserve floor down to a nominal level that would jeopardize the overall program viability. Mr. Taggart welcomed this but also reminded that any discussion of the expansion

of the HCP program prior to a permit rollover will be done against the backdrop of the existing FMA language, which has specific language that prevents the funding of additional programs outside of the defined program activities.

At the conclusion of the Budget Work Group meeting, Mr. Taggart summarized key areas of consensus to provide to the Implementing Committee for discussion at their next meeting, which are listed below:

- The current financial projections and cost estimates presented to the Budget Work Group indicate an overall fiscally stable and adequate budget for the EAHCP program for fiscal year 2021.
- The Work Group acknowledges the ASR and VISPO trends and no likelihood of triggering events for either program in 2021. However, the Work Group does acknowledge the increased probability of VISPO triggering throughout the remainder of the permit term.
- The Work Group noted that proposed aquifer management fees (AMF) diverged from previous forecasts for 2021 with a \$1 reduction in the amount of funding devoted to the EAHCP with increasing amounts of the total AMF funding EAA operations.
- Although the EAHCP Reserve is projected to remain above the established Reserve Floor of \$26.4 million, the Budget Work Group reiterated prior concerns regarding the continuing downward trend of the EAHCP Reserve and the possible fiscal implications should drought conditions trigger ASR or VISPO forbearance, especially in light of increased probability. The Work Group recommends the Implementing Committee, EAA Board, and staff continue to monitor the potential Droughts of Record (DOR) and the impact of a DOR on the EAHCP Reserve Funds to ensure the continued confidence with the U.S. Fish and Wildlife Service and the EAHCP guarantee of financial security to cover program activities. The group encourages the EAHCP Implementing Committee and EAA to understand that decisions on program funding and reserve amounts may dramatically affect the financial footing of the program approaching the renewal date of the Incidental Take Permit.

7. Consider future meetings, dates, locations, and agendas.

No comments.

8. Questions and comments from the public.

No comments.

9. Adjourn: 12:22 p.m.