



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

ALL

Item Creation Date: 11/20/2024

HPW - 20DWO120 - 2025 O&M Budget for Trinity River Authority - Lake Livingston

Agenda Item#:

### **Background:**

**RECOMMENDATION:** Approve the 2025 Operations and Maintenance Budget for the Lake Livingston Project operated by Trinity River Authority, in the amount of \$6,400,960.00.

**NOTICE/JUSTIFICATION:** The Trinity River Authority ("TRA") is a conservation and reclamation district created by the 54th Legislature in 1955. TRA manages Lake Livingston for the benefit of the City of Houston ("City") and TRA, with the City owning 70% of the surface water rights (806 MGD) and TRA owning 30% of the surface water rights (314 MGD). Lake Livingston surface water rights are about 73% of the City's total water rights, which are approximately 1.1 billion gallons per day.

On September 2, 1964, the City and TRA entered into a contract ("1964 Contract") for the construction, operation, and maintenance of Lake Livingston. Under the 1964 Contract, the City pays for 70% of the operation and maintenance ("O&M") costs, along with debt service on construction bonds ("Lake Livingston Project"). The 1964 Contract remains in effect until all bonds are paid and for so long as the City and TRA take water from Lake Livingston.

Section 9.16 of the 1964 Contract requires TRA to submit to the City an annual budget for the Lake Livingston Project. The proposed 2025 budget by TRA is \$6,400,960.00. This budget reflects a funding increase of \$665,132.00 as compared to TRA's 2024 budget of \$5,735,828.00, which was approved by City Council on November 15, 2023, Motion No. 2023-0781.

This increase is due to TRA's cost increases in the following categories:

- Salaries and Benefits- This category contains an increase of approximately \$53,000 related mostly to an increase in employee provided health insurance premiums. The Project also anticipates salary increases related to merit, progressions and tenure expenses for skilled and long-term staff. The total number of employees remains static with no additional positions added.
- Supplies- This category contains an overall increase of less than \$1,000 related mostly to an increase in the cost of lab and computer supplies.
- Services and Charges- This category contains an overall increase of approximately \$629,000 related mostly to estimated repair and maintenance expenses at Wallisville Saltwater Barrier, engineering services necessary to update and revise existing 35-year-old spillway maintenance manual and also the cleaning of spillway underdrain system.
- Capital Outlays- This category reflects an increase of approximately \$58,000 related to an increase in machinery and equipment.
- Water Reservation- In connection with original agreements to construct Lake Livingston, the available yield of Lake Livingston was divided 70% for the City of Houston and 30% for the Authority. The Authority was responsible for 30% of the initial project cost plus 30% of annual operation and maintenance costs; its payments, however, were expressly limited by the Authority's water sales from the Lake – the Authority would pay Houston \$2.20 per acre-foot of water sold by the Authority. In 2016, Houston and the Authority entered into a raw water supply contract that included a reservation fee charged to the City of Houston by the Authority for water sales. The parties agreed to use the reservation fee as a "credit" against the accumulated liability associated with the Authority's 30% cost obligation to the City. This will allow the Authority to retire the contingent liability by 2040 (or possibly sooner depending on the City's actual diversions for the Authority's 30% share of the lake's water rights).

Houston Public Works (HPW) reviewed the submitted budget and concluded that the budget is reasonable given the work proposed.

The funds are allocated in the HPW budget the following fiscal year according to TRA's annual budget submittal during the month of October. TRA's Fiscal Year 2025 starts on December 1, 2024 and ends on November 30, 2025. Seven months of TRA's budget are allocated to the City's FY25 Budget (December 2024 to June 2025) and the remaining five months are allocated to the City's FY26 Budget (July 2025 to November 2025). Payments made to TRA are based upon documented actual monthly O&M expenditures.

This Project was described and briefed to the Service Delivery Committee on December 12, 2024.

It is recommended that City Council approve the 2025 TRA O&M budget for the Lake Livingston Project in the amount of \$6,400,960.00.

**FISCAL NOTE:** Funding for this item is included in the FY25 Adopted Budget. Therefore, no Fiscal Note is required as stated in the Financial Policies.

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Randall V. Macchi  
 Director, Houston Public Works

Estimated Spending Authority			
Department	FY2025	Out Years	TOTAL
Houston Public Works	\$3,733,893.33	\$2,667,066.67	\$6,400,960.00

**Prior Council Action:**

Motion No. 2023-0781, November 15, 2023

**Amount and Source of Funding:**

\$6,400,960.00 from Fund No. 8300 – Water and Sewer System Operating Fund

\$3,733,893.33 Allocation for FY25 (December 2024 – June 2025)

\$2,667,066.67 Allocation for FY26 (July 2025 – November 2025)

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**ATTACHMENTS:**

Description	Type
SAP Documents	Financial Information
FY25 TRA Budget	Backup Material
TRA Contract (1964)	Backup Material
Prior Council Action	Backup Material
Annual Fees Table	Backup Material
SDC Agenda	Backup Material