

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
2018 ANNUAL BUDGET

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
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2018 ANNUAL BUDGET

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COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 BUDGET SUMMARY
 2018 ANNUAL BUDGET

<u>APPLICATION OF FUNDS</u>	2017 BUDGET	2017 PROJECTED	2018 BUDGET
Expenditures	\$1,022,945	\$940,000	\$1,171,500
Capital Outlay	0	0	0
Debt Service	400,426	400,426	1,991,100
Comparative Subtotal	1,423,371	1,340,426	3,162,600
Total Expenditures	1,423,371	1,340,426	3,162,600
Ending Fund Balances	255,736	255,736	292,836
Total Applications	1,679,107	1,596,162	3,455,436
 <u>SOURCE OF FUNDS</u>			
Beginning Fund Balances	193,191	193,191	255,736
Investment Income	375	100	1,500
Subtotal Sources	193,566	193,291	257,236
Debt Service Revenue - City	400,426	400,426	1,991,100
Subtotal	593,992	593,717	2,248,336
System Revenue	\$1,085,115	\$1,002,445	\$1,207,100

COASTAL WATER AUTHORITY
LUCE BAYOU WATER SYSTEM FUNDS
FACTS AND ASSUMPTIONS
2018 ANNUAL BUDGET

FACTS

1. The 2018 budget is prepared on a cash basis.
2. Luce Bayou Water System books and records consist of one fund, the Operating Fund.
3. The required fund balance have been reflected at minimum balances.
4. Luce Bayou is charged with direct salary and costs as well as an allocation of certain general items based upon an overall payroll allocation of 7%.

ASSUMPTIONS

1. The 2018 budget anticipates staffing to support continuation of activities required to fulfill the obligation of the current contract with the City of Houston

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
RECONCILIATION OF 2017 BUDGET TO 2018 BUDGET

	2017 Budget to 2018 Budget
2017 Budget	<u>\$1,022,945</u>
Field Salaries	87,660 ✓
Materials & Supplies	0
Contract Labor & Equipment	0
Utilities	0
Administrative Expense	36,016
General Operating Expenses	22,739
Engineering, Legal & Professional	<u>2,140</u>
Subtotal	<u>148,555</u>
2018 Budget	<u><u>\$1,171,500</u></u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 STATEMENT OF REVENUES AND EXPENDITURES
 2018 ANNUAL BUDGET

	2017 BUDGET	2017 PROJECTED	2018 BUDGET
REVENUES			
Funds provided by City of Houston	\$1,485,541	\$1,402,871	\$3,198,200
Interest on Investments	375	100	1,500
Total Revenue	1,485,916	1,402,971	3,199,700
EXPENDITURES			
Field Salaries	515,140	505,000	602,800
Materials & Supplies	64,500	55,000	64,500
Contract Labor & Equipment (1)	72,000	42,000	72,000
Utilities	21,000	6,000	21,000
Administrative Expenses	194,484	180,000	230,500
General Operating Expenses	110,861	108,000	133,600
Engineering, Legal & Professional	44,960	44,000	47,100
Subtotal	1,022,945	940,000	1,171,500
Bond Interest Expense	400,426	400,426	1,431,100
Bond Principal Retirement	0	0	560,000
Debt Service	400,426	400,426	1,991,100
Total Expenditures	1,423,371	1,340,426	3,162,600
	(1)	(2)	(3)
Net Increase (Decrease) in	\$62,545	\$62,545	\$37,100
Fund Balances			

- (1) Net increase in required reserves funds
 (2) Net increase in required reserves funds
 (3) Net increase in required reserves funds

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 RECONCILIATION OF FUND ACTIVITY
 2018 ANNUAL BUDGET

	<u>OPERATING FUND</u>
Beginning Balance	<u>\$255,736</u>
Service Revenue	3,198,200
Interest Earnings	\$1,500
Expenses	(1,171,500)
Debt Service	(1,991,100)
Net Activity	<u>37,100</u>
Ending Balance	<u><u>\$292,836</u></u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 REVENUES AND BILLING RATES
 2018 ANNUAL BUDGET

	2017 BUDGET	2017 PROJECTED	2018 BUDGET
Gallons (in thousands)	0	0	0
Rate/1000 gallons	Not Applicable	Not Applicable	Not Applicable
Revenue			
Project Revenue	\$1,085,115	\$1,002,445	\$1,207,100
Debt Service	400,426	400,426	1,991,100
	<u>\$1,485,541</u>	<u>\$1,402,871</u>	<u>\$3,198,200</u>

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
INVESTMENT AND OTHER INCOME
2018 ANNUAL BUDGET

INVESTMENT INCOME

Average Cash and Investments	\$150,000
Average Effective Interest Rate	1.00%
Total	<u><u>\$1,500</u></u>

OTHER INCOME

Luce Bayou Water System does not anticipate any miscellaneous income.

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 SUMMARY OF GENERAL AND ADMINISTRATIVE EXPENDITURES
 2018 ANNUAL BUDGET

<u>GENERAL AND ADMINISTRATIVE EXPENDITURES</u>	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
ADMINISTRATIVE	\$194,484	\$180,000	\$230,500
GENERAL OPERATING (Insurance)	110,861	108,000	133,600
ENGINEERING, LEGAL & PROFESSIONAL	44,960	44,000	47,100
Total	<u>\$350,305</u>	<u>\$332,000</u>	<u>\$411,200</u>

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
ADMINISTRATIVE EXPENSES
2018 ANNUAL BUDGET

Administrative Salaries	\$74,130 (1)
Pension Plan Contribution (11.8% of total compensation)	79,878
Payroll Taxes (7.65% of total compensation)	51,785
Office Lease and Utilities	15,050 (1)
Office Supplies	1,750 (1)
Travel, Meetings and Parking	560 (1)
Directors Compensation	2,100 (1)
Printing and Reproduction	350 (1)
Telephone/ Data Maintenance	2,450 (1)
Vehicle: Gas & Maintenance	350 (1)
Payroll / Employee Processing Services	1,400 (1)
Miscellaneous	700 (1)
	<u>\$230,503</u>

(1) Allocated based upon payroll estimate of 7%.

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 OFFICE SALARY ALLOCATION
 2018 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Chief Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Administrative Assistant

IT Manager

Base Office Salaries 1,059,000

Office Allocation Factor (1)

	7%	
Luce Bayou Office Salaries	7%	\$74,130

(1) Based upon payroll estimate allocation

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
GENERAL OPERATING EXPENSES
2018 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Texas Commercial Policy (General Liability)	\$3,885	(3)	(5)
Excess Liability	\$9,000	(8)	(5)
Public Official & Employees Liability	\$1,169	(3)	(4) (7)
Pension - Fidelity Bond	\$14	(3)	(4)
Pension - Fiduciary Responsibility	\$490	(3)	(4)
Medical Insurance	\$97,300	(3)	(6) (7)
Public Official Position (Director Fidelity)	\$84	(3)	(5)
Automobile Insurance	\$2,310	(3)	(6)
Workers Compensation	\$9,310	(3)	(5) (7)
Dental Insurance	\$4,830	(3)	(5) (7)
Vision Insurance	\$560	(3)	(5) (7)
Combined Group Life/Short & Long Term Disability	\$4,620	(3)	(5) (7)
	<u>\$133,572</u>		

- (3) Allocated based upon total payroll estimate of 7%.
- (4) Assumes no rate increase.
- (5) Assumes 4% rate increase.
- (6) Assumes 10% rate increase.
- (7) Assumes full employment.
- (8) Coverage 100% specific for Luce Bayou

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES
2018 ANNUAL BUDGET

Engineering Services	\$10,000 (1)
Legal Services	\$20,000 (3)
Accounting & Auditing	\$4,620 (2)
U.S. Geological Survey	\$0 (1)
Computer Support services	\$5,250 (2)
Website Development & Maintenance	\$2,450 (2)
Hardware, Software Upgrades and Maintenance	\$2,800 (2)
Miscellaneous Bank Fees	\$2,000 (3)
	<u>\$47,120</u>

(1) Based upon specific services

(2) Allocated based upon total payroll estimate of 7%.

(3) Based upon specific and allocated services

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 SUMMARY OF FIELD EXPENDITURES
 2018 ANNUAL BUDGET

<u>FIELD EXPENDITURES</u>	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
SALARIES	\$515,140	\$505,000	\$602,800
MATERIALS & SUPPLIES	64,500	55,000	64,500
CONTRACT LABOR AND EQUIPMENT	72,000	42,000	72,000
Purchased	0	0	0
Subtotal	<u>72,000</u>	<u>42,000</u>	<u>72,000</u>
UTILITIES	21,000	6,000	21,000
Total	<u>\$672,640</u>	<u>\$608,000</u>	<u>\$760,300</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 FIELD EXPENDITURES BY LOCATION
 2018 ANNUAL BUDGET

<u>LOCATIONS</u>	<u>FIELD SALARIES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>CONTRACT LABOR AND EQUIPMENT</u>	<u>UTILITIES</u>	<u>LOCATION TOTAL</u>
Luce Bayou	\$602,776	\$64,500	\$72,000	\$21,000	\$760,276
	<u>\$602,776</u>	<u>\$64,500</u>	<u>\$72,000</u>	<u>\$21,000</u>	<u>\$760,276</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 SUMMARY OF FIELD SALARIES BY LOCATION
 2018 ANNUAL BUDGET

<u>LOCATION</u>	<u>BASE COMPENSATION</u>	<u>RETIREE PAY (1)</u>	<u>4% OVERTIME (2)</u>	<u>TOTAL</u>
Luce Bayou Project	\$579,592	\$0	\$23,184	\$602,776
	<u>\$579,592</u>	<u>\$0</u>	<u>\$23,184</u>	<u>\$602,776</u>

- (1) Allows for employee benefit payments to retirees.
 (2) Provides for minimum overtime.

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ANALYSIS OF BASE FIELD SALARIES BY FUNCTION AND LOCATION
 2018 ANNUAL BUDGET

<u>LOCATION AND FUNCTION</u>	<u># OF EMPLOYEES</u>	<u>MAN HOURS (4)</u>	<u>AVG. RATE PER HOUR</u>	<u>BASE SALARIES</u>
<u>MANAGEMENT (1)</u>				
Luce Bayou Project	3.00	6,240	\$68.10	\$424,944
Subtotal	3.00	6,240	68.10	424,944
<u>SUPERVISORY PERSONNEL (2)</u>				
Luce Bayou Project	1.00	1,040	57.80	60,112
Subtotal	1.00	1,040	57.80	60,112
<u>ALL OTHER PERSONNEL (3)</u>				
Luce Bayou Project	2.00	3,120	30.30	94,536
Subtotal	2.00	3,120	30.30	94,536
Total Base Salaries	6.00	10,400	\$55.73	\$579,592

- (1) Includes Manager of Operations and Production, Manager of Security, and Luce Bayou Chief Engineer & Luce Bayou Project Administrator and Construction Manager. 5
- (2) Includes Superintendents, Master Electrician, Administrator OPM, and Purchasing Agent. 4
- (3) Includes Foremen, Electricians and Operators for construction, electrical, maintenance, and all routine operating functions.
- (4) Estimated number of employees at 2,080 hours per year.

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION
2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LUCE BAYOU

Fuel, Oil Grease, Maintenance	\$40,000
Fencing & Gates	2,000
Culverts	18,000
Rock/C-Sand	4,500

Total	<u>\$64,500</u>
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COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LUCE BAYOU

Rental : Office Trailer & Boxes	\$3,000
Rental : MOB; Level, Block & Anchor; Demob	6,000
Rental : Excavator	21,000
Rental : Dozer	21,000
Rental : Mower/Tractor	3,000
Rental : Haul Truck	12,000
Rental : Generators	6,000

Total	<u>\$72,000</u>
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COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ANALYSIS OF UTILITIES BY LOCATION
 2018 ANNUAL BUDGET

LOCATION	ELECTRICITY				TOTAL
	KW HOURS	AVG. RATE PER HOUR	AMOUNT	ALL OTHER (1)	
Luce Bayou	277,000	\$0.0650	\$18,000	\$3,000	\$21,000
	<u>277,000</u>	<u>\$0.0650</u>	<u>\$18,000</u>	<u>\$3,000</u>	<u>\$21,000</u>

(1) Includes telephone, water and waste disposal services.

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 DEBT SERVICE
 2018 ANNUAL BUDGET

	<u>AMOUNT (1)</u>	<u>AMOUNT (2)</u>	<u>AMOUNT (3)</u>	<u>TOTAL</u>
Interest Expense	\$533,902	\$267,588	\$629,572	\$1,431,062
Principal Retirement	0	0	560,000	\$560,000
Total Debt Service	<u>\$533,902</u>	<u>\$267,588</u>	<u>\$1,189,572</u>	<u>\$1,991,062</u>

- (1) In March 2013, CWA received State Participation Funding in the amount of \$28,754,000 for the Luce Bayou Construction Project.
- (2) In December 2015, CWA received Board Participation Funding in the amount of \$66,565,000 for the Luce Bayou Construction Project.
- (3) In November 2017, CWA received Water Infrastructure Funding in the amount of \$24,180,000 for the Luce Bayou Construction Project.

**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date:

ALL

Item Creation Date:

20PUD41 Approval of the 2017 Operations and Maintenance Budget for the Coastal Water Authority (CWA) – Luce Bayou Project

Agenda Item#:

Background:

SUBJECT: Approval of the 2017 Operations and Maintenance Budget for the Coastal Water Authority (CWA) – Luce Bayou Project.

NOTICE/JUSTIFICATION:

The Coastal Water Authority ("CWA") operates the raw surface water transportation system for the City of Houston and provides conveyance for many governmental and industrial users. CWA plays an essential role in the City's program of increased surface water use.

On January 30, 2009, the City and CWA entered into a Projects Contract (the "Projects Contract"), approved by City Council on January 28, 2009 by Ordinance No. 2009-0053, pursuant to which the Parties agreed to cooperate in the planning, design, property acquisition, construction and financing of the Luce Bayou Interbasin Transfer Project (the "Luce Bayou Project").

The City and CWA entered into an Operating Contract (the "Operating Contract"), approved by City Council on November 4, 2015 by Ordinance 2015-1072, pursuant to which the Authority agreed to operate and maintain the Luce Bayou Project and to transport, convey and deliver the water of the City, for and on behalf of the City, through the Luce Bayou Project on an annual cost basis. Section 205 of the Operating Contract requires CWA to prepare and submit to the City an annual operating budget setting forth in detail proposed expenditures for the operation, maintenance, administration, capital improvements, and renovation and repair costs associated with the Luce Bayou Project.

CWA presented the City with the proposed 2017 operations and management budget for the Luce Bayou Project in the amount of \$1,022,945. This budget reflects a funding increase of \$250,180 as compared to the 2016 budget. The Department of Public Works and Engineering met with CWA officials to review the submitted budget and concluded that the budget presented by CWA is reasonable given the work proposed.

The funds are allocated in the PWE budget the following fiscal year according to CWA's annual budget submittal during the month of October. CWA's Fiscal Year 2017 starts on January 1, 2017 and ends on December 31, 2017. Six months of CWA's budget are allocated to the COH's FY17 Budget (January 2017 to June 2017) and the remaining six months are allocated to the COH's FY18 Budget (July 2017 to December 2017). Payments made to CWA are based upon documented actual monthly O&M expenditures.

It is recommended that City Council approve the 2017 CWA operations and maintenance budget for the Luce Bayou Project in the amount of \$1,022,945.

ESTIMATED FISCAL OPERATING IMPACT:

Funding for this item is included in the FY17 adopted budget. Therefore, no Fiscal Note is required as stated in the Financial Policy Ordinance 2014-1078.

Dale A. Rudick, P.E., Director
Department of Public Works and Engineering

Prior Council Action:

Motion No. 2016-0011, January 6, 2016

Amount of Funding:

\$1,022,945 From Fund No. 8300 – "Water & Sewer System Operating Fund"
\$511,472.50 Allocation for FY17 (January 2017– June 2017)