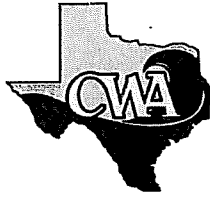


COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
2020 ANNUAL BUDGET



COASTAL WATER AUTHORITY

1801 Main Street, Suite 800
Houston, Texas 77002

Phone: 713-658-9020
Fax: 713-658-9429

November 13, 2019

The Honorable Sylvester Turner, Mayor
Members of the City Council
City of Houston
P. O. Box 1562
Houston, Texas 77251-1562

**RE: 2020 ANNUAL BUDGET
LUCE BAYOU SYSTEM PROJECT**

Mayor Turner and Members of the City Council:

In compliance with provisions of the Operating Contract between the City of Houston (the City) and the Coastal Water Authority (CWA), the Board of Directors respectfully submits the 2020 Calendar Year Budget for the Luce Bayou System Project for your consideration and approval.

The Luce Bayou Project is the result of the contract between the City of Houston and the Coastal Water Authority to transfer water from a new Trinity River Pump Station site in Liberty County and convey it into the City's Lake Houston Reservoir.

The CWA 2020 Proposed Budget of \$2,479,000 is an increase over the 2019 Budget of about \$728,000. This increase is to support the additional activities and responsibilities that CWA will encounter during 2020 as various phases of the Luce Bayou Project finalize construction. The maintenance station and several segments of the canal system will be completed in the final months of 2019 while the pipelines and the pump station will be nearing completion during 2020.

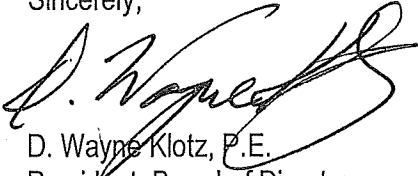
As each portion of the construction project becomes final the Authority will be responsible for the maintenance and operation. This will require increases in personnel and materials to support managing the facilities and the 26.5 miles of canal and pipeline right-of-way.

The proposed 2020 Budget is the product of several meetings and discussions between representatives of the City's Department of Houston Public Works and the Authority's operational and management staff members.

The members of the Board of Directors wish to express their appreciation to everyone involved in this Project, especially those City employees of Houston Public Works for their cooperation and assistance in furthering the CWA Project as a major contributory resource for the Houston Combined Utility System. We look forward to continued efforts in planning and providing for the further growth of the City of Houston's water requirements.

The Honorable Sylvester Turner, Mayor
Members of the City Council
2020 Annual Budget, Luce Bayou System Project
November 13, 2019
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "D. Wayne Klotz". The signature is stylized with a large, sweeping flourish at the end.

D. Wayne Klotz, P.E.
President, Board of Directors

Attachment

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 TABLE OF CONTENTS
 2020 ANNUAL BUDGET

	PAGE
Budget Transmittal Letter	F - 1
Budget Summary - Comparative	F - 2
Facts and Assumptions	F - 2 - 1
Reconciliation of 2019 Budget to 2020 Budget	F - 2 - 2
Statement of Revenues and Expenditures	F - 3
Reconciliation of Fund Activity	F - 3 - 1
Revenues and Billing Rates	F - 4
Investment and Other Income	F - 5
Summary of General and Administrative Expenditures	F - 6
Administrative Expenses	F - 7
Office Salary Allocation	F - 7 - 1
General Operating Expenses	F - 8
Engineering, Legal and Professional Expenses	F - 9
Summary of Field Expenditures	F - 10
Field Expenditures by Location	F - 10 - 1
Summary of Field Salaries by Location	F - 11
Analysis of Base Field Salaries by Function and Location	F - 11 - 1
Analysis of Materials and Supplies by Location	F - 12
Analysis of Contract Labor and Equipment by Location	D - 13
Analysis of Utilities by Location	F - 14
Debt Service	F - 15

COASTAL WATER AUTHORITY
LUCE BAYOU WATER SYSTEM FUNDS
FACTS AND ASSUMPTIONS
2020 ANNUAL BUDGET

FACTS

1. The 2020 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 12%.

ASSUMPTIONS

1. The 2020 budget anticipates staffing to support continuation of activities required to fulfill the obligation of the current contract with the City of Houston.
2. Additional staffing requirements as different phases of the Luce Bayou Inter-Basin Transfer Project are completed and the maintenance and operation become the responsibility of the Authority.
3. Debt service increases due to the repayment agreements supported in the CWA/ City of Houston Luce Bayou Projects Contract.

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 BUDGET SUMMARY
 2020 ANNUAL BUDGET

APPLICATION OF FUNDS	2019 BUDGET	2019 PROJECTED	2020 BUDGET
Expenditures	\$1,751,000	\$1,324,000	\$2,479,000
Capital Outlay	0	0	0
Debt Service	7,843,600	7,843,600	9,349,300
Comparative Subtotal	9,594,600	9,167,600	11,828,300
Total Expenditures	9,594,600	9,167,600	11,828,300
Ending Fund Balances	437,736	437,736	619,786
Total Applications	10,032,336	9,605,336	12,448,086
SOURCE OF FUNDS			
Beginning Fund Balances	292,836	292,836	437,736
Investment Income	3,000	4,000	2,250
Subtotal Sources	295,836	296,836	439,986
Debt Service Revenue - City	7,843,600	7,843,600	9,349,300
Subtotal	8,139,436	8,140,436	9,789,286
System Revenue	\$1,892,900	\$1,464,900	\$2,658,800

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
RECONCILIATION OF 2019 BUDGET TO 2020 BUDGET

	2019 Budget to 2020 Budget
2019 Budget	<u>\$1,751,000</u>
Field Salaries	335,300
Materials & Supplies	13,300
Contract Labor & Equipment	94,400
Utilities	200,000
Administrative Expense	77,800
General Operating Expenses (Insurance)	5,400
Engineering, Legal & Professional	1,800
Subtotal	<u>728,000</u>
2020 Budget	<u><u>\$2,479,000</u></u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 STATEMENT OF REVENUES AND EXPENDITURES
 2020 ANNUAL BUDGET

	2019 BUDGET	2019 PROJECTED	2020 BUDGET
REVENUES			
Funds provided by City of Houston	\$9,736,500	\$9,308,500	\$12,008,100
Interest on Investments	3,000	4,000	2,250
Total Revenue	<u>9,739,500</u>	<u>9,312,500</u>	<u>12,010,350</u>
EXPENDITURES			
Field Salaries	817,100	606,000	1,152,400
Materials & Supplies	170,000	123,000	183,300
Contract Labor & Equipment (1)	50,000	39,000	144,400
Utilities	55,000	53,000	255,000
Administrative Expenses	357,400	265,000	435,200
General Operating Expenses	244,200	183,000	249,600
Engineering, Legal & Professional	57,300	55,000	59,100
Subtotal	<u>1,751,000</u>	<u>1,324,000</u>	<u>2,479,000</u>
Bond Interest Expense	4,156,700	4,156,700	5,158,600
Bond Principal Retirement	3,686,900	3,686,900	4,190,700
Debt Service	<u>7,843,600</u>	<u>7,843,600</u>	<u>9,349,300</u>
Total Expenditures	<u>9,594,600</u>	<u>9,167,600</u>	<u>11,828,300</u>
	(1)	(2)	(3)
Net Increase (Decrease) in Fund Balances	<u>\$144,900</u>	<u>\$144,900</u>	<u>\$182,050</u>

- (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
2020 ANNUAL BUDGET

	<u>OPERATING FUND</u>
Beginning Balance	<u>\$437,736</u>
Service Revenue	12,008,100
Interest Earnings	\$2,250
Expenses	(2,479,000)
Debt Service	(9,349,300)
Net Activity	<u>182,050</u>
Ending Balance	<u><u>\$619,786</u></u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 REVENUES AND BILLING RATES
 2020 ANNUAL BUDGET

	2019 BUDGET	2019 PROJECTED	2020 BUDGET
Gallons (in thousands)	0	0	0
Rate/1000 gallons	Not Applicable	Not Applicable	Not Applicable
Revenue			
Project Revenue	\$1,892,900	\$1,464,900	\$2,658,800
Debt Service	7,843,600	7,843,600	9,349,300
	<u>\$9,736,500</u>	<u>\$9,308,500</u>	<u>\$12,008,100</u>

COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
INVESTMENT AND OTHER INCOME
2020 ANNUAL BUDGET

INVESTMENT INCOME

Average Cash and Investments	\$150,000
Average Effective Interest Rate	1.50%
Total	<u><u>\$2,250</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
 2020 ANNUAL BUDGET

<u>GENERAL AND ADMINISTRATIVE EXPENDITURES</u>	<u>2019 BUDGET</u>	<u>2019 PROJECTED</u>	<u>2020 BUDGET</u>
ADMINISTRATIVE	\$357,400	\$265,000	\$435,200
GENERAL OPERATING (Insurance)	244,200	183,000	249,600
ENGINEERING, LEGAL & PROFESSIONAL	57,300	55,000	59,100
Total	<u>\$658,900</u>	<u>\$503,000</u>	<u>\$743,900</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ADMINISTRATIVE EXPENSES
 2020 ANNUAL BUDGET

Administrative Salaries	\$126,240 (1)
Pension Plan Contribution (11.8% of total compensation)	150,880
Payroll Taxes (7.65% of total compensation)	97,816
Office Lease and Utilities	37,440 (1)
Office Supplies	3,600 (1)
Travel, Meetings and Parking	3,000 (1)
Directors Compensation	3,600 (1)
Printing and Reproduction	2,400 (1)
Telephone/ Data Maintenance	4,800 (1)
Vehicle: Gas & Maintenance	1,200 (1)
Payroll / Employee Processing Services	2,400 (1)
Miscellaneous	1,800 (1)
	\$435,176

(1) Allocated based upon payroll estimate of 12%.

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 OFFICE SALARY ALLOCATION
 2020 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Chief Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Administrative Assistant

IT Manager

Base Office Salaries 1,052,000

Office Allocation Factor (1)

	12.00%	
Luce Bayou Office Salaries	\$126,240	

(1) Based upon payroll estimate allocation

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 GENERAL OPERATING EXPENSES
 2020 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Property Insurance	\$24,000	(1)	(5)
Texas Commercial Policy (General Liability)	\$5,136	(3)	(5)
Excess Liability	\$8,400	(8)	(5)
Public Official & Employees Liability	\$1,740	(3)	(4) (7)
Pension - Fidelity Bond	\$24	(3)	(4)
Pension - Fiduciary Responsibility	\$780	(3)	(4)
Medical Insurance	\$174,300	(3)	(6) (7)
Public Official Position (Director Fidelity)	\$144	(3)	(4)
Automobile Insurance	\$3,120	(3)	(5)
Workers Compensation	\$13,620	(3)	(5) (7)
Dental Insurance	\$8,664	(3)	(5) (7)
Vision Insurance	\$1,584	(3)	(5) (7)
Combined Group Life/Short & Long Term Disability	\$8,100	(3)	(5) (7)
	<u>\$249,612</u>		

- (1) Allocated to the projects based upon total insurable value of 8%
- (3) Allocated based upon total payroll estimate of 12%.
- (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
 2020 ANNUAL BUDGET

Engineering Services	\$10,000 (1)
Legal Services	\$20,000 (3)
Accounting & Auditing	\$7,920 (2)
U.S. Geological Survey	\$0 (1)
Computer Support services	\$9,600 (2)
Website Development & Maintenance	\$4,800 (2)
Hardware, Software Upgrades and Maintenance	\$4,800 (2)
Miscellaneous Bank Fees	\$2,000 (3)
	\$59,120

- (1) Based upon specific services
- (2) Allocated based upon total payroll estimate of 12%.
- (3) Based upon specific and allocated services

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 SUMMARY OF FIELD EXPENDITURES
 2020 ANNUAL BUDGET

<u>FIELD EXPENDITURES</u>	<u>2019 BUDGET</u>	<u>2019 PROJECTED</u>	<u>2020 BUDGET</u>
SALARIES	\$817,100	\$606,000	\$1,152,400
MATERIALS & SUPPLIES	170,000	123,000	183,300
CONTRACT LABOR AND EQUIPMENT	50,000	39,000	144,400
Purchased	0	0	0
Subtotal	<u>50,000</u>	<u>39,000</u>	<u>144,400</u>
UTILITIES	55,000	53,000	255,000
Total	<u>\$1,092,100</u>	<u>\$821,000</u>	<u>\$1,735,100</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 FIELD EXPENDITURES BY LOCATION
 2020 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	\$1,152,445	\$183,300	\$144,400	\$255,000	\$1,735,145
	<u>\$1,152,445</u>	<u>\$183,300</u>	<u>\$144,400</u>	<u>\$255,000</u>	<u>\$1,735,145</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 SUMMARY OF FIELD SALARIES BY LOCATION
 2020 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	\$1,108,120	\$0	\$44,325	\$1,152,445
	<u>\$1,108,120</u>	<u>\$0</u>	<u>\$44,325</u>	<u>\$1,152,445</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
 2020 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	\$71.25	\$444,600
Subtotal	3.00	6,240	71.25	444,600
<u>SUPERVISORY PERSONNEL (2)</u>				
Luce Bayou Project	1.00	2,080	61.80	128,544
Subtotal	1.00	2,080	61.80	128,544
<u>ALL OTHER PERSONNEL (3)</u>				
Luce Bayou Project	8.00	16,640	32.15	534,976
Subtotal	8.00	16,640	32.15	534,976
Total Base Salaries	12.00	24,960	\$44.40	\$1,108,120

- (1) Includes Manager of Operations and Production, Manager of Security, and Luce Bayou Chief Engineer & Luce Bayou Project Administrator and Construction Manager.
- (2) Includes Superintendents, Master Electrician, Administrator OPM, and Purchasing Agent.
- (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
 2020 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LUCE BAYOU PUMPING STATION	
Building / Grounds Maintenance	\$500
Electrical / Instrument	1,000
Herbicides/ Insecticides	5,000
Office / Administrative	12,000
	<u>\$18,500</u>
LUCE BAYOU MAINTENANCE STATION	
Air Conditioning Repair Parts	\$1,500
Automotive / Equip Repair Parts	\$9,000
Building / Grounds Maintenance	1,000
Diesel Fuel	39,800
Electrical / Instrument	2,000
Gasoline	23,000
Herbicides/ Insecticides	2,000
Mechanical, Plumbing, Valves, etc.	2,000
Miscellaneous Supplies	2,000
Office / Administrative	6,000
Oils and Lubricants	2,500
Power Tools, Hand Tools & Equip.	3,500
Tires & Batteries	5,000
Welding Equip & Supplies	2,000
Herbicide Building	25,000
	<u>\$126,300</u>
LUCE BAYOU CANAL	
Building / Grounds Maintenance	500
Electrical / Instrument	1,000
Herbicides/ Insecticides	10,000
Miscellaneous Supplies	1,000
Oils and Lubricants	500
Power Tools, Hand Tools & Equip.	500
Road Base, Sand, Rock, Rip Rap, etc	25,000
	<u>\$38,500</u>
Total	<u>\$183,300</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
 2020 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LUCE BAYOU CRPS/PL

Annual Service Contracts:	\$500
Pest Control Service	2,600
Uniform Service	<u>3,100</u>

LUCE BAYOU CMF

Security: Contract Guards	\$130,000
Annual Service Contracts:	
Crane/Hoist Test/Certification	400
Janitorial Service	3,500
Pest Control Service	500
Uniform Service	5,900
Generator Load Testing	<u>1,000</u>
	<u>141,300</u>

Total \$144,400

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ANALYSIS OF UTILITIES BY LOCATION
 2020 ANNUAL BUDGET

<u>ELECTRICITY</u>					
<u>LOCATION</u>	<u>KW HOURS</u>	<u>AVG. RATE PER HOUR</u>	<u>AMOUNT</u>	<u>ALL OTHER (1)</u>	<u>TOTAL</u>
Luce Bayou	3,125,000	\$0.0800	\$250,000	\$5,000	\$255,000
	<u>3,125,000</u>	<u>\$0.0800</u>	<u>\$250,000</u>	<u>\$5,000</u>	<u>\$255,000</u>

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

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 DEBT SERVICE
 2020 ANNUAL BUDGET

	AMOUNT (1)	AMOUNT (2)	AMOUNT (3)	AMOUNT (4)	AMOUNT (5)	AMOUNT (6)	AMOUNT (7)	AMOUNT (8)	TOTAL
Bond/Loan Interest Expense	657,084	\$684,153	\$120,448	\$934,327	\$668,970	\$995,064	\$550,478	\$548,042	\$5,158,565
Bond/Loan Principal Retirement	595,722	2,555,000	415,000	0	0	0	0	625,000	\$4,190,722
Total Debt Service	1,252,806	\$3,239,153	\$535,448	\$934,327	\$668,970	\$995,064	\$550,478	\$1,173,042	\$9,349,287

- (1) In January 2009, CWA and City of Houston entered into The Luce Bayou Project Contract.
- (2) In February 2009, CWA received Water Infrastructure Funding in the amount of \$28,000,000 for the Luce Bayou Project.
- (3) In July 2010, CWA received Water Infrastructure Funding in the amount of \$5,115,000 for the Luce Bayou Project.
- (4) In March 2013, CWA received State Participation Funding in the amount of \$28,754,000 for the Luce Bayou Project.
- (5) In December 2015, CWA received Board Participation Funding in the amount of \$66,565,000 for the Luce Bayou Project.
- (6) In November 2016, CWA received Board Participation Funding in the amount of \$136,460,000 for the Luce Bayou Project.
- (7) In November 2017, CWA received Board Participation Funding in the amount of \$72,795,000 for the Luce Bayou Project.
- (8) In November 2017, CWA received Water Infrastructure Funding in the amount of \$24,180,000 for the Luce Bayou Project.