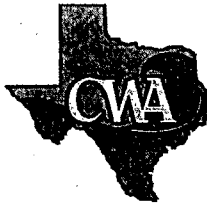


COASTAL WATER AUTHORITY
TRINITY RIVER WATER CONVEYANCE PROJECT
2018 ANNUAL BUDGET

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
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 2018 ANNUAL BUDGET

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COASTAL WATER AUTHORITY

1801 Main Street, Suite 800
Houston, Texas 77002

Phone: 713-658-9020
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November 8, 2017

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

**RE: 2018 ANNUAL BUDGET
TRINITY RIVER WATER CONVEYANCE 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 2018 Calendar Year Budget for the Trinity River Water Conveyance Project for your consideration and approval.

The CWA 2018 Proposed Budget of \$19,972,200 is a decrease of about \$383,000 from the 2017 Operating Budget of \$20,355,892. The 2018 Budget supports CWA's expected delivery of 216.2 billion gallons of water for the City's treatment plants and its industrial, municipal and agricultural customers.

The 2018 Capital Improvement Budget includes the funding of \$1.79 million from CWA's available Special Project Fund for the reconstruction/repair of structures on the Authority's conveyance system; the canals and pipelines. These capital improvement projects will provide the Authority with the ability to maintain its system reliability in delivering water to the City's treatment plants and to its other customers.

The Authority's Board of Directors and its management team continue to identify activities where costs could be reduced and still allow CWA to meet its obligations to the City. Some of these activities are:

- Contract Labor and Equipment reflects a decrease due to several budgeted items repaired and/or replaced during 2017.
- The Authority's current electricity procurement contract was negotiated in July 2015 to achieve a reduction and continues through 2017.
- The Authority has recently renegotiated the electricity contract and will achieve an additional rate reduction starting in 2018 that will continue through 2020.
- The Authority has been able to achieve reduction in the renewal cost of some of its insurance policies utilizing a Risk Management program with the Texas Water Conservation Association in 2017 that will continue into 2018.
- A Memorandum of Understanding with the City of Houston's Legal Department approved in 2011 continues to provide a savings for the Authority in its costs of legal services. That savings is estimated to be about \$100,000 in 2017 and will continue in 2018.

The Honorable Sylvester Turner, Mayor
Members of the City Council
2018 Annual Budget, Trinity River
November 8, 2017
Page 2

The proposed 2018 Budget is the product of several meetings and discussions between representatives of the City's Department of Public Works and Engineering and the Authority's operational and management staff members.

The proposed budget provides minimal contingencies in the event of unanticipated occurrences. The failure of high-cost equipment or severe weather conditions that damage the system may result in a supplemental funding request. In such an event, the request would be documented as to need and coordinated with the Department of Public Works and Engineering.

The members of the Board of Directors wish to express their appreciation to everyone involved in this Project, especially those City employees of the Department of Public Works & Engineering and the Legal Department 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.

Sincerely,



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

Attachment

COASTAL WATER AUTHORITY
TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
BUDGET SUMMARY
2018 ANNUAL BUDGET

APPLICATION OF FUNDS	2017 BUDGET	2017 PROJECTED	2018 BUDGET
Field Expenditures (1)	\$20,355,892	\$20,120,000	\$19,972,200
Capital Outlay	14,840,000	536,000	1,790,000
Debt Service	6,467,931	6,467,930	6,464,800
Total Expenditures	<u>41,663,823</u>	<u>27,123,930</u>	<u>28,227,000</u>
Ending Fund Balances (2)	5,088,973	5,088,973	4,993,073
Total Applications	<u>46,752,796</u>	<u>32,212,903</u>	<u>33,220,073</u>
SOURCE OF FUNDS			
Beginning Fund Balances (2)	5,188,041	5,188,041	5,088,973
Investment Income - Operations	5,000	10,000	20,000
Other Income	150,000	181,000	150,000
Subtotal Sources	<u>5,343,041</u>	<u>5,379,041</u>	<u>5,258,973</u>
Capital Funding - Construction (3)	14,840,000	536,000	1,790,000
Debt Service Revenue - City	6,467,931	6,467,930	6,464,800
Subtotal	<u>26,650,972</u>	<u>12,382,971</u>	<u>13,513,773</u>
System Revenue - Project	<u>\$20,101,824</u>	<u>\$19,829,932</u>	<u>\$19,706,300</u>

(1) Includes assets purchased

(2) Project Fund only.

(3) 2018 Construction Funding from Special Project Equity Funding

COASTAL WATER AUTHORITY
TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
FACTS AND ASSUMPTIONS
2018 ANNUAL BUDGET

FACTS

1. The 2018 budget is prepared on a cash basis.
2. Trinity River books and records consist of four funds, which are the Conveyance System Development Fund, the Special Contingency Fund, the Debt Service Fund, and the Project Fund.
3. The required fund balances have been reflected at the minimum balances per the various bond resolutions and applicable contract terms.
4. Trinity River is charged with direct salary and costs as well as an allocation of certain general items based upon an overall budgeted payroll allocation of 58%.
5. The 2018 budget reflects the impact of complying with SB361 as it relates to emergency electrical reliability at the two pump stations.
6. The 2018 Capital Outlay Projects are to be funded with CWA's Special Project Equity Fund.

ASSUMPTIONS

1. Salaries anticipate funding the employee benefits of two field retirees.
2. The 2018 budget anticipates staffing to support continuation of activities required to fulfill the obligation of the current contract with the City of Houston.
3. Utility expense anticipates a net decrease due to lower rate at Pump Station site and reduced communication expense.
4. Capital Outlay for 2018 includes funding of land purchase for expanding a portion of the Authority's lateral canals along with improvements to the Canal, and the pipeline portion of the conveyance system.

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 RECONCILIATION OF 2017 BUDGET TO 2018 BUDGET

	2017 Budget to 2018 Budget
2017 Budget	<u>\$20,355,892</u>
Field Salaries	150,379
Materials & Supplies	(47,500)
Contract Labor & Equipment	(325,450)
Utilities	(203,652)
Administrative Expense	40,035
General Operating Expenses (Insurance)	4,676
Engineering, Legal & Professional	(2,180)
Subtotal	<u>(383,692)</u>
2018 Budget	<u>\$19,972,200</u>
2018 Capital Improvement Budget (To be funded from Special Project Equity Fund)	<u>\$ 1,790,000</u>

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 STATEMENT OF REVENUES AND EXPENDITURES
 2018 ANNUAL BUDGET

	2017 BUDGET	2017 PROJECTED	2018 BUDGET
REVENUES			
Funds provided by City of Houston	\$26,569,755	\$26,297,862	\$26,171,100
Interest on Investments	5,000	10,000	20,000
Service Revenues(SJRA)	100,000	101,000	100,000
Other	50,000	80,000	50,000
Total Revenue	<u>26,724,755</u>	<u>26,488,862</u>	<u>26,341,100</u>
EXPENDITURES			
Field Salaries	3,280,721	3,280,000	3,431,100
Materials & Supplies	2,217,100	2,200,000	2,169,600
Contract Labor & Equipment (1)	4,263,950	4,100,000	3,938,500
Utilities	7,236,152	7,200,000	7,032,500
Administrative Expenses	1,549,565	1,540,000	1,589,600
General Operating Expenses	1,259,124	1,250,000	1,263,800
Engineering, Legal & Professional	549,280	550,000	547,100
Subtotal	<u>20,355,892</u>	<u>20,120,000</u>	<u>19,972,200</u>
Bond Interest Expense	3,012,931	3,012,930	2,874,800
Bond Principal Retirement	3,455,000	3,455,000	3,590,000
Debt Service	<u>6,467,931</u>	<u>6,467,930</u>	<u>6,464,800</u>
Total Expenditures	<u>26,823,823</u>	<u>26,587,930</u>	<u>26,437,000</u>
Net Increase (Decrease) in Fund Balances	(2) <u>(\$99,068)</u>	(\$99,068)	(3) <u>(\$95,900)</u>

- (1) Includes assets purchased.
 (2) Decreased equity in fund balances.
 (3) Decreased equity in fund balances.

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 RECONCILIATION OF FUND ACTIVITY
 2018 ANNUAL BUDGET

	CONVEYANCE SYSTEM DEVELOPMENT FUND	* SPECIAL CONTINGENCY FUND
Beginning Balance	\$115,000	\$3,000,000
Service Revenue	0	0
Interest Earnings	1,200	0
Transfer - Interest	(1,200)	0
Other Revenue	0	0
Expenses	0	0
Debt Service	0	0
Net Activity	0	0
Ending Balance	\$115,000	\$3,000,000

* Interest Earnings are transferred to Special Projects Equity Fund per Contract requirements.

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 RECONCILIATION OF FUND ACTIVITY
 2018 ANNUAL BUDGET

	<u>DEBT SERVICE</u>	<u>PROJECT FUND</u>	<u>TOTAL TRINITY RIVER CONVEYANCE PROJECT FUND</u>
Beginning Balance	\$0	\$5,088,973	\$8,203,973
Service Revenue	6,464,800	19,706,300	26,171,100
Interest Earnings	0	18,800	20,000
Transfer - Interest	0	1,200	0
Other Revenue	0	150,000	150,000
Expenses	0	(19,972,200)	(19,972,200)
Debt Service	(6,464,800)	0	(6,464,800)
Net Activity	<u>0</u>	<u>(95,900)</u>	<u>(95,900)</u>
Ending Balance	<u>\$0</u>	<u>\$4,993,073</u>	<u>\$8,108,073</u>

COASTAL WATER AUTHORITY
TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
WATER DEMAND FORECAST
2018 ANNUAL BUDGET

	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
Gallons (in thousands)	<u>225,502,300</u>	<u>209,960,300</u>	<u>216,195,600</u>

COASTAL WATER AUTHORITY
TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
INVESTMENT AND OTHER INCOME
2018 ANNUAL BUDGET

INVESTMENT INCOME

Average Cash and Investments	\$2,000,000
Average Effective Interest Rate	1.00%
Total	<u>\$20,000</u>

OTHER INCOME

Project Fund - Miscellaneous	50,000
Total	<u>\$50,000</u>

Service Revenue (SJRA)

Other-San Jacinto River Authority	100,000
Total	<u>\$100,000</u>

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 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	\$1,549,565	\$1,540,000	\$1,589,600
GENERAL OPERATING (Insurance)	1,259,124	1,250,000	1,263,800
ENGINEERING, LEGAL & PROFESSIONAL	<u>549,280</u>	<u>550,000</u>	<u>547,100</u>
Total	<u>\$3,357,969</u>	<u>\$3,340,000</u>	<u>\$3,400,500</u>

COASTAL WATER AUTHORITY
TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
ADMINISTRATIVE EXPENSES
2018 ANNUAL BUDGET

Administrative Salaries	\$603,630 (1)
Pension Plan Contribution (11.8% of total compensation)	476,098
Payroll Taxes (7.65% of total compensation)	308,657
Office Lease and Utilities	122,550 (1)
Office Supplies	14,250 (1)
Travel, Meetings and Parking	4,560 (1)
Directors Compensation	17,100 (1)
Printing and Reproduction	2,850 (1)
Telephone/ Data Maintenance	19,950 (1)
Vehicle: Gas & Maintenance	2,850 (1)
Payroll / Employee Processing Services	11,400 (1)
Miscellaneous	5,700 (1)
	<u>\$1,589,595</u>

(1) Allocated based upon office payroll estimate of 57%.

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 OFFICE SALARY ALLOCATION
 2018 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Chief Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Administrative Assistant

IT Manager

	Base Office Salaries	\$1,059,000
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	Office Allocation Factor (1)	57%
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	Trinity River Office Salaries	\$603,630
--	-------------------------------	-----------

(1) Based upon payroll estimate allocation

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 GENERAL OPERATING EXPENSES
 2018 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Property Insurance	\$231,400	(1)	(5)
Property - Primary Flood	10,200	(2)	(6)
Texas Commercial Policy (General Liability)	31,635	(3)	(5)
Excess Liability	-	(9)	(5)
Watercraft Policy	7,250	(9)	(5)
Public Official & Employees Liability	9,519	(3)	(4) (7)
Notary Public Omissions	50	(2)	(4)
Public Employee Fidelity Bond	550	(2)	(4)
Pension - Fidelity Bond	114	(3)	(4)
Pension - Fiduciary Responsibility	3,990	(3)	(4)
Medical Insurance	792,300	(3)	(6) (7)
Public Official Position (Director Fidelity)	684	(3)	(5)
Automobile Insurance	18,810	(3)	(6)
Workers Compensation	75,810	(3)	(5) (7)
Dental Insurance	39,330	(3)	(5) (7)
Vision Insurance	4,560	(3)	(5) (7)
Combined Group Life/Short & Long Term Disability	37,620	(3)	(5) (7)
	<u>\$1,263,822</u>		

- (1) Allocated based upon total insurable value of 89%.
- (2) Coverage 100% specific for Trinity River.
- (3) Allocated based upon total payroll estimate of 57%.
- (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
- (9) Allocated to Maintenance Boat Locations.

COASTAL WATER AUTHORITY
TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES
2018 ANNUAL BUDGET

Engineering Services	\$300,000 (1)
Legal Services	100,000 (3)
Accounting & Auditing	37,620 (2)
U.S. Geological Fee	16,000 (1)
Computer Support services	42,750 (2)
Website Development & Maintenance	19,950 (2)
Hardware, Software Upgrades and Maintenance	22,800 (2)
Miscellaneous Bank Fees	8,000 (3)
	<u>\$547,120</u>

(1) Based upon specific services.

(2) Allocated based upon total payroll estimate of 57%.

(3) Based upon specific and allocated services.

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 SUMMARY OF FIELD EXPENDITURES
 2018 ANNUAL BUDGET

<u>FIELD EXPENDITURES</u>	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
SALARIES	\$3,280,721	\$3,280,000	\$3,431,100
MATERIALS & SUPPLIES	2,217,100	2,200,000	2,169,600
CONTRACT LABOR AND EQUIPMENT			
Contracted	4,092,650	3,928,700	3,873,500
Purchased	171,300	171,300	65,000
Subtotal	<u>4,263,950</u>	<u>4,100,000</u>	<u>3,938,500</u>
UTILITIES	7,236,152	7,200,000	7,032,500
Total	<u><u>\$16,997,923</u></u>	<u><u>\$16,780,000</u></u>	<u><u>\$16,571,700</u></u>

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 FIELD EXPENDITURES BY LOCATION
 2018 ANNUAL BUDGET

LOCATIONS	FIELD SALARIES	MATERIALS AND SUPPLIES	CONTRACT LABOR AND EQUIPMENT	UTILITIES	LOCATION TOTAL
Trinity River Pump Station	\$642,793	\$183,800	\$1,389,500	\$2,447,544	\$4,663,637
Maintenance Station	240,504	265,341	9,400	28,700	543,945
Main Canal	457,614	22,500	23,500	0	503,614
Cedar Point Lateral	327,227	20,500	9,500	1,750	358,977
Lynchburg Reservoir	69,027	9,000	0	0	78,027
Lynchburg Pump Station	1,256,806	1,629,421	2,500,330	4,547,294	9,933,851
Distribution System	391,064	39,000	6,300	7,200	443,564
Bayport Reservoir	46,087	0	0	0	46,087
	<u>\$3,431,122</u>	<u>\$2,169,562</u>	<u>\$3,938,530</u>	<u>\$7,032,488</u>	<u>\$16,571,702</u>

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 SUMMARY OF FIELD SALARIES BY LOCATION
 2018 ANNUAL BUDGET

LOCATION	BASE COMPENSATION	RETIREE PAY (1)	4% OVERTIME (2)	TOTAL
Trinity River Pump Station	\$569,993	\$50,000	\$22,800	\$642,793
Maintenance Station	231,254	0	9,250	240,504
Main Canal	440,013	0	17,601	457,614
Cedar Point Lateral	314,641	0	12,586	327,227
Lynchburg Reservoir	66,372	0	2,655	69,027
Lynchburg Pump Station	1,160,390	50,000	46,416	1,256,806
Distribution System	376,023	0	15,041	391,064
Bayport Reservoir	44,314	0	1,773	46,087
	<u>\$3,203,000</u>	<u>\$100,000</u>	<u>\$128,122</u>	<u>\$3,431,122</u>

(1) Allows for employee benefit payments to retirees.

(2) Provides for minimum overtime.

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 ANALYSIS OF BASE FIELD SALARIES BY FUNCTION AND LOCATION
 2018 ANNUAL BUDGET

LOCATION AND FUNCTION	# OF EMPLOYEES	MAN HOURS (4)	AVG. RATE PER HOUR	BASE SALARIES
<u>MANAGEMENT (1)</u>				
Trinity River Pump Station	0.200	416	\$68.10	\$28,330
Maintenance Station	0.100	208	68.10	14,165
Main Canal	0.150	312	68.10	21,247
Cedar Point Lateral	0.100	208	68.10	14,165
Lynchburg Reservoir	0.050	104	68.10	7,082
Lynchburg Pump Station	0.350	728	68.10	49,577
Distribution System	0.200	416	68.10	28,330
Bayport Reservoir	0.050	104	68.10	7,082
Subtotal	<u>1.200</u>	<u>2,496</u>	<u>68.10</u>	<u>169,978</u>
<u>SUPERVISORY PERSONNEL (2)</u>				
Trinity River Pump Station	0.600	1,248	57.80	72,134
Maintenance Station	0.600	1,248	57.80	72,134
Main Canal	0.600	1,248	57.80	72,134
Cedar Point Lateral	0.350	728	57.80	42,078
Lynchburg Reservoir	0.100	208	57.80	12,022
Lynchburg Pump Station	1.350	2,808	57.80	162,302
Distribution System	0.900	1,872	57.80	108,202
Bayport Reservoir	0.100	208	57.80	12,022
Subtotal	<u>4.600</u>	<u>9,568</u>	<u>57.80</u>	<u>553,028</u>
<u>ALL OTHER PERSONNEL (3)</u>				
Trinity River Pump Station	7.450	15,496	30.30	469,529
Maintenance Station	2.300	4,784	30.30	144,955
Main Canal	5.500	11,440	30.30	346,632
Cedar Point Lateral	4.100	8,528	30.30	258,398
Lynchburg Reservoir	0.750	1,560	30.30	47,268
Lynchburg Pump Station	15.050	31,304	30.30	948,511
Distribution System	3.800	7,904	30.30	239,491
Bayport Reservoir	0.400	832	30.30	25,210
Subtotal	<u>39.350</u>	<u>81,848</u>	<u>30.30</u>	<u>2,479,994</u>
Total Base Salaries	<u>45.150</u>	<u>93,912</u>	<u>\$34.11</u>	<u>\$3,203,000</u>

(1) Includes Manager of Operations and Production, Manager of Security.

(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
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

TRINITY RIVER PUMP STATION	
Reliability Contract (NRG) Fuel	\$150,000
Air Conditioning Repair Parts	1,500
Building / Grounds Maintenance	3,000
Electrical / Instrument	8,000
Herbicides / Insecticides	2,000
Mechanical, Plumbing, Valves, etc.	6,000
Miscellaneous Supplies	3,000
Office / Administrative	1,300
Oils and Lubricants	4,000
Power Tools, Hand Tools & Equip.	2,000
Security, Fencing, Signs, etc.	3,000
	<u>183,800</u>

MAINTENANCE STATION	
Air Conditioning Repair Parts	1,500
Automotive / Equipment Repair Parts	90,000
Building / Grounds Maintenance	1,000
Diesel Fuel 24960 gal @ \$2.87	71,635
Electrical / Instrument	6,000
Gasoline 16910 gal @ \$2.49	42,106
Herbicides / Insecticides	2,000
Mechanical, Plumbing, Valves, etc.	2,000
Miscellaneous Supplies	2,700
Office / Administrative	2,400
Oils and Lubricants	10,000
Power Tools, Hand Tools & Equip.	6,000
Security, Fencing, Signs, etc.	1,000
Tires & Batteries	15,000
Welding Equipment & Supplies	12,000
	<u>265,341</u>

MAIN CANAL	
Canal Check & Gate Maint.	1,500
Electrical / Instrument	1,000
Herbicides / Insecticides	10,000
Miscellaneous Supplies	1,000
Power Tools, Hand Tools & Equip.	4,000
Road Base, Sand, Rock, Rip Rap, etc.	5,000
	<u>22,500</u>

CEDAR POINT LATERAL	
Canal Check & Gate Maint.	500
Electrical / Instrument	1,000
Herbicides / Insecticides	10,000
Miscellaneous Supplies	1,000
Power Tools, Hand Tools & Equip.	3,000
Road Base, Sand, Rock, Rip Rap, etc.	5,000
	<u>20,500</u>

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LYNCHBURG RESERVOIR

Building / Grounds Maintenance	1,000
Herbicides / Insecticides	3,000
Road Base, Sand, Rock, Rip Rap, etc.	5,000
	9,000

LYNCHBURG PUMP STATION

CHEMICALS:

-- Chlorine	731,701
-- Aqua Ammonia	207,342
-- Quantity Variance	95,993
--Misc Chemicals/ Pigtails, Adaptors	20,885
Sub-total - Chemicals:	1,055,921

Reliability Contract (NRG) Fuel	275,000
Air Conditioning Repair Parts	10,000
Building / Grounds Maintenance	8,550
Diesel Fuel 3120 gal @ \$2.87	8,954
Electrical / Instrument	17,000
Gasoline 19135 gal @ \$2.49	47,646
Herbicides / Insecticides	4,500
Lab Test Equip & Supplies	1,000
Mechanical, Plumbing, Valves, etc.	10,000
Miscellaneous Supplies	38,900
Office / Administrative	24,000
Oils and Lubricants	13,200
Power Tools, Hand Tools & Equip.	16,750
Security, Fencing, Signs, etc.	3,000
Variable Frequency Drive Repair Parts	80,000
Welding Equip & Supplies	3,000
Replace Sub Bat's & Charger (old)	12,000
	1,629,421

DISTRIBUTION SYSTEM

Air Conditioning Repair Parts	1,000
Building / Grounds Maintenance	2,000
Channel Light System	4,000
Electrical / Instrument	2,000
Herbicides / Insecticides	10,000
Mechanical, Plumbing, Valves, etc.	5,000
Miscellaneous Supplies	1,000
Oils and Lubricants	1,000
Power Tools, Hand Tools & Equip.	8,000
Road Base, Sand, Rock, Rip Rap, etc.	5,000
	39,000

Total \$2,169,562

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

TRINITY RIVER PUMP STATION

Reliability Contract (NRG - Service Fee)	\$ 920,000
Major Motor Repair, 1 each	90,000
Major Pump Repair, 1 each <i>power bil</i>	250,000
Rewind TRPS Motor 7	120,000
Annual Service Contracts:	
-- Crane Test/Certification	200
-- Substation, Relay Testing	5,000
-- Uniform Service	2,300
-- Generator Load Testing	1,000
Purchase Equipment (allocated)	
--15' Mower	1,000
	<u>1,389,500</u>

MAINTENANCE STATION

Annual Service Contracts:	
-- Janitorial Service	3,200
-- Uniform Service	5,300
-- Generator Load Testing	900
	<u>9,400</u>

MAIN CANAL

USGS-Water Level Meters	16,000
Purchase Equipment (allocated)	
--15' Mower	7,500
	<u>23,500</u>

CEDAR POINT LATERAL

Purchase Equipment (allocated)	
--15' Mower	7,500
	<u>7,500</u>

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LYNCHBURG RESERVOIR

Purchase Equipment (allocated)	
--15' Mower	2,000
	2,000

LYNCHBURG PUMP STATION

Reliability Contract (NRG - Service Fee)	1,400,000
Major Motor Repair, 1 each	120,000
Major Pump Repair, 1 each	190,000
P204 Motor Rewind	240,000
Security: (Contract Guards)	162,000
Security & Safety Trainin (1st Aid, CPR,AED,etc)	2,000
Training: Safety, RMP, Hazwop,AirPk, etc	10,000
Replace Intake Screens 2 sets for "A" System	125,000
Annual Service Contracts:	
- Crane Test/Certification	1,400
-- SCADA: HSQ Svc/Tech Support	7,000
-- Janitorial Service	8,400
-- Pest Control Service	480
-- MSDS ONLINE	2,500
-- Substation, Relay Testing (Centerpoint Requirement)	62,000
-- Uniform Service	8,850
-- VFD Component Repair	80,000
-- VFD Control System Maint	30,000
-- Generator Load Testing	1,200
-- Pager Service	2,500
Purchase Equipment (allocated)	
-- CL2 Evaporator Tank	47,000
	2,500,330

DISTRIBUTION SYSTEM

Equipment Rental Services	5,000
Annual Service Contracts:	
- Crane Test/Certification	200
-- Generator Load Testing	1,100
	6,300

Total \$3,938,530

COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 ANALYSIS OF UTILITIES BY LOCATION
 2018 ANNUAL BUDGET

ELECTRICITY					
LOCATION	KW HOURS	AVG. RATE HOUR (1)	AMOUNT	ALL OTHER (2)	TOTAL
Trinity River Pump Station	40,104,000	\$0.0610	\$2,446,344	\$1,200	\$2,447,544
Maintenance Station	250,000	0.0828	20,700	8,000	28,700
Cedar Point Lateral	5,000	0.1500 (3)	750	1,000	1,750
Lynchburg Pump Station	91,223,000	0.0493	4,497,294	50,000	4,547,294
Distribution System	60,000	0.1200 (3)	7,200	0	7,200
	<u>131,642,000</u>	<u>\$0.0530</u>	<u>\$6,972,288</u>	<u>\$60,200</u>	<u>\$7,032,488</u>

(1) Includes deregulated contract rates in all facilities except Entergy service area at Trinity River Pump Station.

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

(3) Includes the effect of minimum charges.



COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 DEBT SERVICE
 2018 ANNUAL BUDGET

	(1)	(2)	TOTAL
Bond Interest Expense	\$1,375,850	\$1,498,881	\$2,874,731
Bond Principal Retirement	2,645,000	945,000	3,590,000
Total Debt Service	\$4,020,850	\$2,443,881	\$6,464,731

- (1) In 2010, CWA issued \$38,900,000 of Contract Revenue Refunding Bonds, Series 2010.
- (2) In December 2014, CWA issued \$38,415,000 of Contract Revenue Refunding Bonds, Series 2014, to refund the Contract Revenue Bonds, Series 2004 which were issued to finance the expansion of the Trinity River Pump Station and the Lynchburg Pump Station



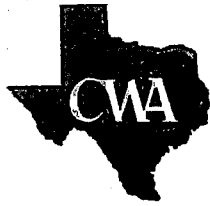
COASTAL WATER AUTHORITY
 TRINITY RIVER WATER CONVEYANCE PROJECT FUNDS
 CAPITAL OUTLAYS
 2018 ANNUAL BUDGET

		CWA Special Projects Equity Fund
<u>Pipeline Condition Assessment/ Repairs:</u>		\$ 790,000
Assessment: 2 Sections @ 275,000	550,000	
Repairs: 2 Sections @ 120,000	240,000	
<u>Delivery Reconfiguration - Northwest Lateral D</u>		1,000,000
2018 Total Capital Outlays		\$ 1,790,000

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
2018 ANNUAL BUDGET

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
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2018 ANNUAL BUDGET

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COASTAL WATER AUTHORITY

1801 Main Street, Suite 800
Houston, Texas 77002

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

November 8, 2017

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

**RE: 2018 ANNUAL BUDGET
LAKE HOUSTON FACILITIES 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 2018 Calendar Year Budget for the Lake Houston Facilities Project for your consideration and approval.

The CWA 2018 Proposed Budget is \$2,749,900, an increase in expenditures of about \$12,000 from the Adopted 2017 Budget. This increase in expenditures is more than offset by a \$60,000 grant to be received from the State of Texas Parks and Wildlife Department to be used to increase the funding available for the Aquatic Vegetation Control Program on Lake Houston from \$100,000 to \$160,000. This budget incorporates the activities and assignments requested by the City's Public Works & Engineering Department and authorized in the Authority's contract with the City as amended by the Mayor and City Council on November 25, 2003. At the direction of the City, CWA will provide maintenance and operational activities to include Lake Houston, the Lake Houston Dam and certain structures and property downstream of the Dam. CWA will also continue to provide the maintenance and operation of the Lake Houston Pump Station and the West Canal Facilities as it has since the original contract was executed in 1995. CWA expects to deliver 16.425 billion gallons of surface water as requested by the City in an operationally cost-effective environment.

The 2018 Capital Improvement Budget includes funding of \$172,000 from CWA's available Special Project Fund for the completion of the evaluation and final design of rehabilitation/repair work on the Lake Houston Dam.

The Authority's Board of Directors and its management team continue to identify activities where costs could be reduced and still allow CWA to meet its obligations to the City. Some of those activities are:

- The Authority's current electricity procurement contract was negotiated to achieve an energy rate reduction that began in July 2015 and continues through 2017.
- The Authority has recently renegotiated the electricity contract and will achieve an additional rate reduction starting in 2018.
- The Authority has been able to achieve reduction in the renewal cost of some of its insurance policies utilizing a Risk Management program with the Texas Water Conservation Association.

The Honorable Sylvester Turner, Mayor
Members of the City Council
2018 Annual Budget, Lake Houston
November 8, 2017
Page 2

- A Memorandum of Understanding with the City of Houston's Legal Department approved in 2011 continues to provide a savings for the Authority in its costs of legal services. That savings is estimated to be about \$100,000 in 2017 and will continue in 2018 throughout the three operating contracts with the City.

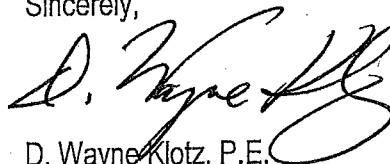
CWA's staffing for electrical and equipment maintenance will be on a job order basis and will be charged to the Lake Houston Facilities Project as they are incurred. Personnel for the mowing season will be provided by CWA from our existing work force and with available mowing equipment. Costs for the mowing operations and other canal maintenance activities will also be charged to the Lake Houston Facilities Project as they are incurred.

The proposed budget is reflective of the City of Houston's desire to maintain acceptable normal service levels while remaining in a position to respond favorably to requests for changes in water volume demands during peak periods. CWA will strive to continue to provide optimum service to our customers and keep maintenance and operating costs within the budget amounts.

It must be pointed out that there are minimal contingencies provided within the budget. In the event of unanticipated occurrences such as water deliveries in excess of 16.425 billion gallons, the failure of high-cost equipment or severe weather conditions that damage the system, a supplemental funding request may be necessary during the 2018 budget year. In the event of an additional funding request, it will be documented as to need and coordinated with the Department of Public Works and Engineering.

The members of the Board of Directors wish to express their appreciation to everyone involved in this Project, especially those City employees of the Department of Public Works & Engineering and the Legal Department for their cooperation and assistance in furthering the Lake Houston Facilities 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.

Sincerely,



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

Attachment

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
BUDGET SUMMARY
2018 ANNUAL BUDGET

APPLICATION OF FUNDS	2017 BUDGET	2017 PROJECTED	2018 BUDGET
Expenditures (1)	\$2,738,112	\$2,629,500	\$2,749,900
Capital Outlay	2,000,000	850,000	172,000
Total Expenditures	<u>4,738,112</u>	<u>3,479,500</u>	<u>2,921,900</u>
Ending Fund Balances (2)	684,528	684,528	687,428
Total Applications	<u>5,422,640</u>	<u>4,164,028</u>	<u>3,609,328</u>
SOURCE OF FUNDS			
Beginning Fund Balances (2)	678,977	678,977	684,528
Investment Income	5,675	1,300	22,700
Other Income	60,000	60,000	60,000
Subtotal Sources	<u>744,652</u>	<u>740,277</u>	<u>767,228</u>
Capital Funding - Construction (3)	2,000,000	850,000	172,000
Subtotal	<u>2,744,652</u>	<u>1,590,277</u>	<u>939,228</u>
System Revenue - Project	\$2,677,988	\$2,573,751	\$2,670,100
Total Sources	<u>5,422,640</u>	<u>4,164,028</u>	<u>3,609,328</u>

- (1) Includes assets purchased
(2) Operating Fund only.
(3) Special Project Equity Funding

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES
FACTS AND ASSUMPTIONS
2018 ANNUAL BUDGET

FACTS

1. The 2018 budget is prepared on a cash basis.
2. Lake Houston Facilities books and records consist of two funds, which are the Operating Fund and the Contingency Fund.
3. The required fund balances have been reflected at the minimum balances per the operating contract.
4. Lake Houston Facilities is charged with direct salary and costs as well as an allocation of certain general items based upon an overall payroll allocation of 16%.
5. The 2018 Capital Outlay Project is to be funded with CWA's Special Project Equity Fund.

ASSUMPTIONS

1. Salaries anticipate funding the employee benefits of one field retiree.
2. The 2018 budget staffing level supports ongoing activity levels as requested in the operating and maintenance contract.

COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES PROJECT
 RECONCILIATION OF 2017
 BUDGET TO 2018 BUDGET

	2017 Budget to 2018 Budget
2017 Budget	<u>\$2,738,112</u>
Field Salaries Allocation	48,621
Materials and Supplies	34,200
Contract Labor and Equipment	(85,670)
Utilities	(20,800)
Administrative Expense	16,943
General Operating Expenses (Insurance)	18,454
Engineering, Legal and Professional	<u>40</u>
Subtotal	<u>11,788</u>
2018 Budget	<u><u>\$2,749,900</u></u>
2018 Capital Improvement Budget (To be funded from CWA's Special Project Equity Fund)	<u><u>\$172,000</u></u>

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
STATEMENT OF REVENUES AND EXPENDITURES
2018 ANNUAL BUDGET

	2017 BUDGET	2017 PROJECTED	2018 BUDGET
REVENUES			
Funds provided by City of Houston	\$2,677,988	\$2,573,751	\$2,670,100
Interest on Investments	5,675	1,300	22,700
Other	60,000	60,000	60,000
Total Revenue	<u>2,743,663</u>	<u>2,635,051</u>	<u>2,752,800</u>
EXPENDITURES			
Field Salaries	926,579	925,000	975,200
Materials & Supplies	183,000	165,000	217,200
Contract Labor & Equipment (1)	699,970	640,000	614,300
Utilities	123,600	120,000	102,800
Administrative Expenses	431,657	410,000	448,600
General Operating Expenses	273,546	270,000	292,000
Engineering, Legal & Professional	99,760	99,500	99,800
Subtotal	<u>2,738,112</u>	<u>2,629,500</u>	<u>2,749,900</u>
Total Expenditures	<u>2,738,112</u>	<u>2,629,500</u>	<u>2,749,900</u>
	(2)		(3)
Net Increase (Decrease) in Operating/Construction Fund Balances	<u>\$5,551</u>	<u>\$5,551</u>	<u>\$2,900</u>

- (1) Includes assets purchased.
(2) Increase in required operating reserve.
(3) Increase in required operating reserve.

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
RECONCILIATION OF FUND ACTIVITY
2018 ANNUAL BUDGET

	OPERATING FUND	CONTINGENCY FUND	TOTAL LAKE HOUSTON FACILITIES PROJECT FUND
Beginning Balance	\$684,528	\$2,000,000	\$2,684,528
Service Revenue	2,670,100	0	2,670,100
Interest Earnings	2,700	20,000	22,700
Other Income	60,000	0	60,000
Transfer - Interest	20,000	(20,000)	0
Expenses	(2,749,900)	0	(2,749,900)
Net Activity	2,900	0	2,900
Ending Balance	\$687,428	\$2,000,000	\$2,687,428

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
WATER DEMAND FORECAST
2018 ANNUAL BUDGET

	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
Gallons (in thousands)	<u>16,425,000</u>	<u>14,154,500</u>	<u>16,425,000</u>

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
INVESTMENT AND OTHER INCOME
2018 ANNUAL BUDGET

INVESTMENT INCOME

Average Cash and Investments	\$2,270,000
Average Effective Interest Rate	1.00%
Total	<u>\$ 22,700</u>

OTHER INCOME

Lake Houston Facilities anticipates \$60,000 to be received from the Texas Parks & Wildlife Department for aquatic vegetation control in Lake Houston.

COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES 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	\$431,657	\$410,000	\$448,600
GENERAL OPERATING (Insurance)	273,546	270,000	292,000
ENGINEERING, LEGAL & PROFESSIONAL	99,760	99,500	99,800
Total	<u>\$804,963</u>	<u>\$779,500</u>	<u>\$840,400</u>

COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES PROJECT
 ADMINISTRATIVE EXPENSES
 2018 ANNUAL BUDGET

Administrative Salaries	\$169,440 (1)
Pension Plan Contribution (11.8% of total compensation)	135,068
Payroll Taxes (7.65% of total compensation)	87,565
Office Lease and Utilities	34,400 (1)
Office Supplies	4,000 (1)
Travel, Meetings and Parking	1,280 (1)
Directors Compensation	4,800 (1)
Printing and Reproduction	800 (1)
Telephone/ Data Maintenance	5,600 (1)
Vehicle: Gas & Maintenance	800 (1)
Payroll / Employee Processing Services	3,200 (1)
Miscellaneous	1,600 (1)
	<u>\$448,553</u>

(1) Allocated based upon payroll estimate of 16%.

COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES PROJECT
 OFFICE SALARY ALLOCATION
 2018 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Chief Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Administrative Assistant

IT Manager

	Base Office Salaries	1,059,000
--	----------------------	-----------

Office Allocation Factor (1)

	Lake Houston Office Salaries	16%
	\$169,440	

(1) Based upon payroll estimate allocation

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
GENERAL OPERATING EXPENSES
2018 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Texas Commercial Policy (General Liability)	8,880	(3)	(5)
Watercraft Policy	7,250	(9)	(5)
Public Official & Employees Liability	2,672	(3)	(4) (7)
Pension - Fidelity Bond	32	(3)	(4)
Pension - Fiduciary Responsibility	1,120	(3)	(4)
Medical Insurance	222,400	(3)	(6) (7)
Public Official Position (Director Fidelity)	192	(3)	(5)
Automobile Insurance	5,280	(3)	(6)
Workers Compensation	21,280	(3)	(5) (7)
Dental Insurance	11,040	(3)	(5) (7)
Vision Insurance	1,280	(3)	(5) (7)
Combined Group Life/Short & Long Term Disability	10,560	(3)	(5) (7)
	<u>\$291,986</u>		

- (3) Allocated based upon total payroll estimate of 16%.
- (4) Assumes no rate increase.
- (5) Assumes 4% rate increase.
- (6) Assumes 10% rate increase.
- (7) Assumes full employment.
- (9) Allocated to Maintenance Boat Locations.

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES
2018 ANNUAL BUDGET

Engineering Services	\$40,000 (1)
Legal Services	20,000 (3)
Accounting & Auditing	10,560 (2)
Computer Support services	12,000 (2)
Website Development & Maintenance	5,600 (2)
Hardware, Software Upgrades and Maintenance	6,400 (2)
Miscellaneous Bank Fees	5,200 (3)
	<u>\$99,760</u>

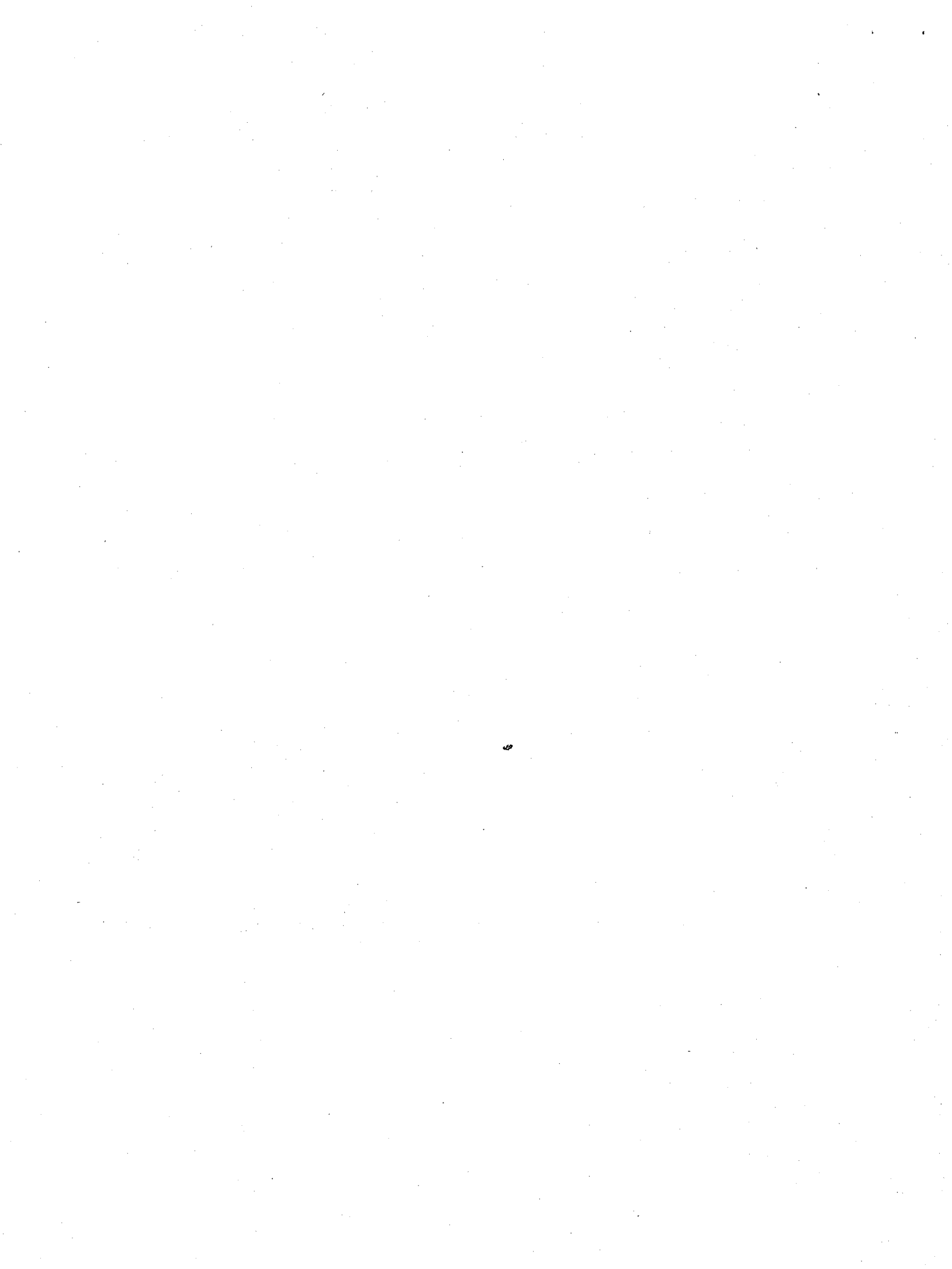
(1) Based upon specific services.

(2) Allocated based upon total payroll estimate of 16%.

(3) Based upon specific and allocated services.

COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES 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	\$926,579	\$925,000	\$975,200
MATERIALS & SUPPLIES	183,000	165,000	217,200
CONTRACT LABOR AND EQUIPMENT			
Contracted	\$640,870	580,900	614,300
Purchased	\$59,100	59,100	0
Subtotal	<u>699,970</u>	<u>640,000</u>	<u>614,300</u>
UTILITIES	123,600	120,000	102,800
Total	<u><u>\$1,933,149</u></u>	<u><u>\$1,850,000</u></u>	<u><u>\$1,909,500</u></u>



COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES PROJECT
 FIELD EXPENDITURES BY LOCATION
 2018 ANNUAL BUDGET

LOCATIONS	FIELD SALARIES	MATERIALS AND SUPPLIES	CONTRACT LABOR AND EQUIPMENT	UTILITIES	LOCATION TOTAL
Lake Houston & Pump Station	\$474,733	\$62,300	\$168,250	\$102,800	\$808,083
West Canal	149,746	74,381	57,500	0	281,627
Dam & Downstream	350,677	80,500	388,550	0	819,727
	<u>\$975,156</u>	<u>\$217,181</u>	<u>\$614,300</u>	<u>\$102,800</u>	<u>\$1,909,437</u>

COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES 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>
Lake Houston & Pump Station	\$408,397	\$50,000	\$16,336	\$474,733
West Canal	143,987	0	5,759	149,746
Dam & Downstream	337,189	0	13,488	350,677
	<u>\$889,573</u>	<u>\$50,000</u>	<u>\$35,583</u>	<u>\$975,156</u>

- (1) Allows for termination payment to retirees.
 (2) Provides for minimum overtime.

COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES 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>				
Lake Houston Pump Station	0.05	104	\$68.10	\$7,082
West Canal	0.05	104	68.10	7,082
Dam & Downstream	0.15	312	68.10	21,247
Subtotal	<u>0.25</u>	<u>520</u>	<u>68.10</u>	<u>35,411</u>
<u>SUPERVISORY PERSONNEL (2)</u>				
Lake Houston Pump Station	0.35	728	57.80	42,078
West Canal	0.30	624	57.80	36,067
Dam & Downstream	0.40	832	57.80	48,090
Subtotal	<u>1.05</u>	<u>2,184</u>	<u>57.80</u>	<u>126,235</u>
<u>ALL OTHER PERSONNEL (3)</u>				
Lake Houston Pump Station	5.70	11,856	30.30	359,237
West Canal	1.60	3,328	30.30	100,838
Dam & Downstream	4.25	8,840	30.30	267,852
Subtotal	<u>11.55</u>	<u>24,024</u>	<u>30.30</u>	<u>727,927</u>
Total Base Salaries	<u>12.85</u>	<u>26,728</u>	<u>\$33.28</u>	<u>\$889,573</u>

- (1) Includes Manager of Operations and Production, Manager of Security & General Superintendent.
- (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
 LAKE HOUSTON FACILITIES PROJECT
 ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LAKE HOUSTON AND PUMP STATION

Air Conditioning Repair Parts	\$2,000
Building / Grounds Maintenance	4,000
Electrical / Instrument	5,000
Herbicides / Insecticides	2,000
Mechanical, Plumbing, Valves, etc	1,000
Miscellaneous Supplies	4,000
Office / Administrative	1,300
Oils and Lubricants	4,000
Power Tools, Hand Tools & Equip.	2,000
Security, Fencing, Signs, etc.	3,000
Hydra Security System	34,000
	<u>62,300</u>

WEST CANAL

Air Conditioning Repair Parts	1,000
Automotive / Equipment Repair Parts	9,000
Building / Grounds Maintenance	1,000
Diesel Fuel 6240 gallons @ \$2.87	17,909
Electrical / Instrument	3,000
Gasoline 4005 gallons @ \$2.49	9,972
Herbicides / Insecticides	20,000
Mechanical, Plumbing, Valves, etc	1,000
Miscellaneous Supplies	2,000
Oils and Lubricants	500
Power Tools, Hand Tools & Equip.	3,000
Road Base, Sand, Rock, Rip Rap, etc.	3,000
Tires & Batteries	3,000
	<u>74,381</u>

DAM & DOWNSTREAM

Air Conditioning Repair Parts	600
Building / Grounds Maintenance	3,000
Electrical / Instrument	5,000
Herbicides / Insecticides	10,000
Miscellaneous Supplies	3,000
Office / Administrative	1,900
Oils and Lubricants	1,000
Power Tools, Hand Tools & Equip.	6,000
Road Base, Sand, Rock, Rip Rap, etc.	50,000
	<u>80,500</u>

Total	<u>\$217,181</u>
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COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES PROJECT
 ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LAKE HOUSTON AND PUMP STATION

Security: Contract Guards	162,000
Annual Service Contracts:	
-- Crane Test/Certification	300
-- Substation, Relay Testing	1,400
-- Uniform Service	3,350
-- Generator Load Testing	1,200
	168,250

WEST CANAL

Contract Labor (Welders, Divers, Tech Spt, etc)	2,500
Equipment Rental Services	5,000
Security: Fencing - Repairs/Replacements	50,000
	57,500

DAM & DOWNSTREAM

Aquatic Vegetation Control	160,000
Buoy Maintenance/Replacement	10,000
Contract Labor (Welders, Divers, Tech Spt, etc)	2,500
Dam: Debris Removal	200,000
Equipment Rental Services	10,000
Training: USACE Dam Safety CSE	5,000
Crane Test Certification	300
Generator Load Testing	750
	388,550

Total	\$614,300
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COASTAL WATER AUTHORITY
 LAKE HOUSTON FACILITIES PROJECT
 ANALYSIS OF UTILITIES BY LOCATION
 2018 ANNUAL BUDGET

ELECTRICITY					
LOCATION	KW HOURS	AVG. RATE PER HOUR (1)	AMOUNT	ALL OTHER (2)	TOTAL
Lake Houston & Pump Station	1,511,000	\$0.0660	\$99,700	\$3,100	\$102,800
	<u>1,511,000</u>	<u>\$0.0660</u>	<u>\$99,700</u>	<u>\$3,100</u>	<u>\$102,800</u>

- (1) Reflects rate reduction accomplished through contract for electricity beginning July, 2015.
 (2) Includes telephone, water and waste disposal services.

COASTAL WATER AUTHORITY
LAKE HOUSTON FACILITIES PROJECT
CAPITAL OUTLAYS
2018 ANNUAL BUDGET

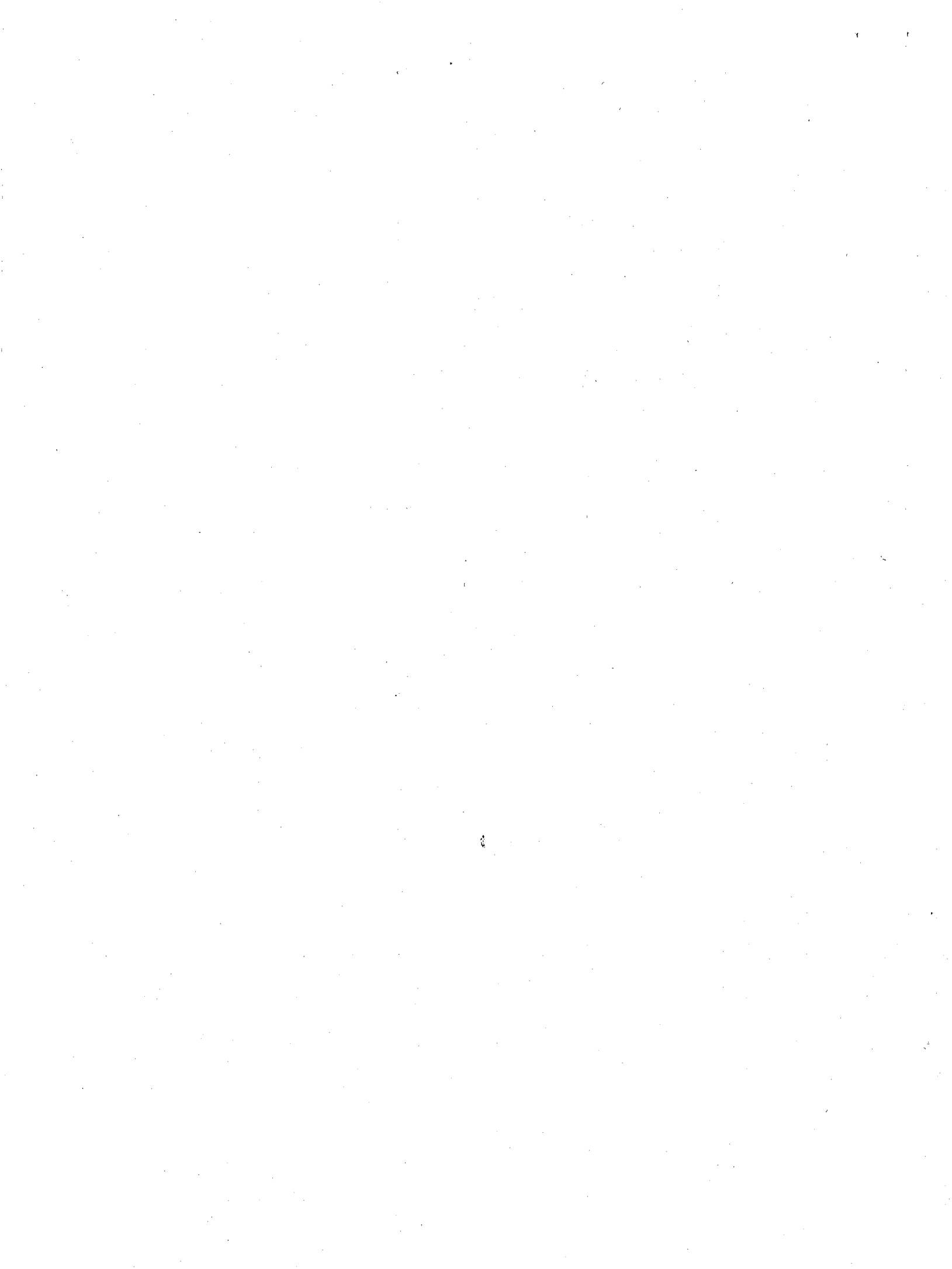
	<u>CWA Special Project Equity Fund</u>
Lake Houston Dam Rehabilitation ; Evaluation/Final Design Services Design Contract Awarded in 2017 at \$1,377,000. Completion Scheduled In 2018. (Construction On Rehabilitation of Dam Estimated At \$10-12 Million)	\$100,000
Lake Houston Maintenance Boat House 40'x60'	62,000
Maintenance Boat House Foundation	10,000
Total Capital Outlays	<u><u>\$172,000</u></u>

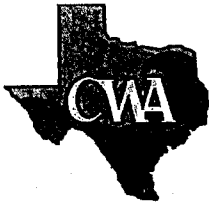


COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
2018 ANNUAL BUDGET

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
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COASTAL WATER AUTHORITY

1801 Main Street, Suite 800
Houston, Texas 77002

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

November 8, 2017

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

**RE: 2018 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 2018 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 2018 Proposed Budget of \$1,171,500 is an increase over the 2017 Budget of about \$149,000. This increase is related to the increase in the allocation of CWA personnel resources assigned to monitor and manage over \$150 million of new construction activity scheduled for 2018.

The construction of the new Pump Station at the Trinity River site has begun and is to be significantly underway throughout 2018. The construction of the canal system started during 2017 and will continue throughout 2018. The pipeline segment will start construction in the next few months and be fully underway throughout 2018. The Luce Bayou Project is scheduled to be substantially complete in 2019.


The Luce Bayou Operating Budget for 2018 is to provide the support for this construction monitoring and management of the multiple contractors that will be involved and prepare CWA personnel for the operations and maintenance of the various facilities in 2019.

The proposed 2018 Budget is the product of several meetings and discussions between representatives of the City's Department of Public Works and Engineering and the Authority's operational and management staff members.

The Honorable Sylvester Turner, Mayor
Members of the City Council
2018 Annual Budget, Luce Bayou System Project
November 8, 2017
Page 2

The members of the Board of Directors wish to express their appreciation to everyone involved in this Project, especially those City employees of the Department of Public Works & Engineering and the Legal Department 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.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Wayne Klotz". The signature is fluid and cursive, with a large, stylized initial "D" and "K".

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

Attachment

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	<u>1,485,916</u>	<u>1,402,971</u>	<u>3,199,700</u>
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	<u>1,022,945</u>	<u>940,000</u>	<u>1,171,500</u>
Bond Interest Expense	400,426	400,426	1,431,100
Bond Principal Retirement	0	0	560,000
Debt Service	<u>400,426</u>	<u>400,426</u>	<u>1,991,100</u>
Total Expenditures	<u>1,423,371</u>	<u>1,340,426</u>	<u>3,162,600</u>
	(1)	(2)	(3)
Net Increase (Decrease) in Fund Balances	<u>\$62,545</u>	<u>\$62,545</u>	<u>\$37,100</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
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

GENERAL AND ADMINISTRATIVE EXPENDITURES	2017 BUDGET	2017 PROJECTED	2018 BUDGET
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)

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>	2017 BUDGET	2017 PROJECTED	2018 BUDGET
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><u>\$672,640</u></u>	<u><u>\$608,000</u></u>	<u><u>\$760,300</u></u>



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

LOCATIONS	FIELD SALARIES	MATERIALS AND SUPPLIES	CONTRACT LABOR AND EQUIPMENT	UTILITIES	LOCATION TOTAL
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.
- (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
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 \$64,500

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 \$72,000

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ANALYSIS OF UTILITIES BY LOCATION
 2018 ANNUAL BUDGET

ELECTRICITY					
LOCATION	KW HOURS	AVG. RATE PER HOUR	AMOUNT	ALL OTHER (1)	TOTAL
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

	<i>2013 ✓</i> AMOUNT (1)	<i>2015 ✓</i> AMOUNT (2)	<i>2017</i> AMOUNT (3)	TOTAL
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.

COASTAL WATER AUTHORITY
BAYPORT WATER SYSTEM PROJECT
2018 ANNUAL BUDGET

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
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CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I, the undersigned Officer of the Board of Directors (the "Board") of the Coastal Water Authority, hereby certify as follows:

1. The Board of Directors of the Coastal Water Authority (the "Authority") convened in regular session on the 8th day of November 2017, at the regular meeting place thereof, inside the boundaries of the Authority, and the roll was called of the duly constituted officers and members of the Board, to wit:

D. Wayne Klotz, P.E.	President
Tony L. Council, P. E.	1st Vice-President
Douglas E. Walker	2nd Vice President
Alan D. Conner	Secretary-Treasurer
Thomas A. Reiser	Director
Joseph G. Soliz	Director
Giti Zarinkelk, P.E.	Director


and all of said persons were present except Director(s): _____ thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting: a written

RESOLUTION OF THE BOARD OF DIRECTORS OF COASTAL WATER AUTHORITY ADOPTING THE FISCAL YEAR 2018 BUDGET AND SETTING CONVEYANCE FEES FOR THE BAYPORT WATER SYSTEM PROJECT; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted, and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 8th day of November 2017.



Secretary, Board of Directors

(SEAL)

**RESOLUTION OF THE BOARD OF DIRECTORS OF COASTAL WATER AUTHORITY
ADOPTING THE FISCAL YEAR 2018 BUDGET AND SETTING CONVEYANCE FEES
FOR THE BAYPORT WATER SYSTEM PROJECT; AND MAKING CERTAIN
FINDINGS IN CONNECTION THEREWITH**

WHEREAS, Coastal Water Authority (the "Authority") is a governmental agency and a body politic and corporate created as a conservation and reclamation district pursuant to the Constitution and laws of the State of Texas, including Article XVI, Section 59, Texas Constitution, and Chapter 601, Acts of the 60th Texas Legislature 1967 (Regular Session), as amended (the "Act"); and

WHEREAS, the Board of Directors of the Authority (the "Board") is vested with all of the rights, powers and privileges, authorities and functions conferred and imposed by the Act as well as the general laws of the State of Texas applicable to water control and improvement districts and municipal utility districts created under Article XVI, Section 59 of the Texas Constitution that are not in conflict or inconsistent with the Act; and

WHEREAS, the Authority owns and operates the Bayport Water System, which is a system of a pump station and pipelines used for the conveyance of raw water sold by the City of Houston, Texas to industrial users; and

WHEREAS, the Authority is authorized under the Act and the general laws of the State of Texas, including §49.212 of the Texas Water Code, to adopt or enforce all necessary charges, mandatory fees, or rentals, for providing or making available any Authority facility or service; and

WHEREAS, the Authority has reviewed the projected water use for industrial users served by the Bayport Water System and prepared a budget for the Bayport Water System based upon the costs of the Authority's services, which include expected capital expenditures and the establishment of reasonable reserves; and

WHEREAS, the Finance and Audit Committee of the Authority has reviewed and approved the proposed Coastal Water Authority Bayport Water System Project 2018 Annual Budget (the "Fiscal Year 2018 Budget") and authorized the Executive Director and Chief Financial Officer of the Authority to distribute the proposed Fiscal Year 2018 Budget to users of the Bayport Water System for review and comment; and

WHEREAS, by a letter dated October 23, 2017, the Executive Director and Chief Financial Officer of the Authority distributed the proposed Fiscal Year 2018 Budget to users of the Bayport Water System, requested that users provide comments to the Authority regarding the Fiscal Year 2018 Budget no later than November 6, 2017, notified users that the Board would consider adoption of the Fiscal Year 2018 Budget at its meeting on November 8, 2017, and notified users that based on the proposed Fiscal Year 2018 Budget the Authority would set a conveyance fee of 19 cents per 1,000 gallons; and

WHEREAS the Authority has not received any comments from the users of the Bayport Water System regarding the Fiscal Year 2018 Budget or the proposed conveyance fee of 19 cents per 1,000 gallons; and



WHEREAS, the Board considered the above described matters, and has determined that the adoption of the Fiscal Year 2018 Budget and the conveyance fee of 19 cents per 1,000 gallons will allow the Authority to prudently operate and maintain the Bayport Water System and recover its costs of service associated with the operation of the Bayport Water System;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COASTAL WATER AUTHORITY, THAT:

Section 1: The findings and recitations set out in the preamble of this Resolution are found to be true and correct and are hereby adopted by the Board and made a part hereof for all purposes.

Section 2: The Board hereby approves and adopts the Fiscal Year 2018 Budget, a copy of which is attached hereto as **Exhibit A** and incorporated herein.

Section 3: The Board hereby approves and adopts a conveyance fee for the Bayport Water System of 19 cents per 1,000 gallons for Fiscal Year 2018.

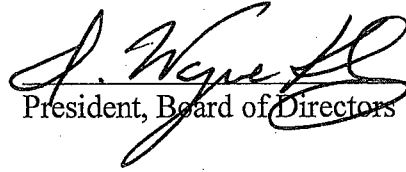
Section 4: The terms that are defined in the recitals to this Resolution are incorporated herein for all purposes.

Section 5: The provisions of this Resolution shall be effective as of the date of adoption and shall remain in effect until modified by action of the Board.

Section 6: It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public and that public notice of the time, place and purpose of said meeting was given, all as required by the Texas Open Meetings Act, Chapter 551, Texas Government Code.

[Execution page follows]

PASSED AND APPROVED this 8th day of November 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)

EXHIBIT A

**COASTAL WATER AUTHORITY
BAYPORT WATER SYSTEM PROJECT
2018 ANNUAL BUDGET**

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 BUDGET SUMMARY
 2018 ANNUAL BUDGET

<u>APPLICATION OF FUNDS</u>	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
Expenditures (1)	\$1,535,777	\$1,534,000	\$1,580,100
Capital Outlay	1,000,000	100,000	1,050,000
Comparative Subtotal	<u>2,535,777</u>	<u>1,634,000</u>	<u>2,630,100</u>
Total Expenditures	2,535,777	1,634,000	2,630,100
Ending Fund Balances	<u>5,254,171</u>	<u>5,708,228</u>	<u>5,412,228</u>
Total Applications	<u>7,789,948</u>	<u>7,342,228</u>	<u>8,042,328</u>
 <u>SOURCE OF FUNDS</u>			
Beginning Fund Balances	5,583,288	4,970,428	5,708,228
Investment Income	3,800	8,500	15,000
Subtotal Sources	<u>5,587,088</u>	<u>4,978,928</u>	<u>5,723,228</u>
Subtotal	5,587,088	4,978,928	5,723,228
System Revenue	<u><u>\$2,202,860</u></u>	<u><u>\$2,363,300</u></u>	<u><u>\$2,319,100</u></u>

(1) Includes assets purchased

COASTAL WATER AUTHORITY
BAYPORT WATER SYSTEM FUNDS
FACTS AND ASSUMPTIONS
2018 ANNUAL BUDGET

FACTS

1. The 2018 budget is prepared on a cash basis.
2. Bayport Water System books and records consist of five funds, which are Operating Fund, Operating Reserve Fund, Special Projects Emergency Reserve, Revenue Fund and the Capital Improvement Fund.
3. The required fund balances have been reflected at minimum balances.
4. Bayport is charged with direct salary and costs as well as an allocation of certain general items based upon an overall payroll allocation of 10%.

ASSUMPTIONS

1. Salaries anticipates funding the employee benefits of one field retiree.
2. Assumes timely payment of billings by Bayport customers.
3. The Operating Fund should be maintained at a \$400,000 balance and the Operating Reserve Fund should be maintained at a level equal to 3 months of the Operating Expense.

COASTAL WATER AUTHORITY
BAYPORT WATER SYSTEM FUNDS
RECONCILIATION OF 2017 BUDGET TO 2018 BUDGET

	2017 Budget to 2018 Budget
2017 Budget	<u>\$1,535,777</u>
Field Salaries	15,821
Materials & Supplies	16,700
Contract Labor & Equipment	(15,825)
Utilities	9,800
Administrative Expense	7,762
General Operating Expenses	10,065
Engineering, Legal & Professional	0
	<u>Subtotal</u> <u>44,323</u>
2018 Budget	<u><u>\$1,580,100</u></u>

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 STATEMENT OF REVENUES AND EXPENDITURES
 2018 ANNUAL BUDGET

	2017 BUDGET	2017 PROJECTED	2018 BUDGET
REVENUES			
Interest on Investments	\$3,800	\$8,500	\$15,000
Service Revenues	2,202,860	2,363,300	2,319,100
Total Revenue	<u>2,206,660</u>	<u>2,371,800</u>	<u>2,334,100</u>
EXPENDITURES			
Field Salaries	612,279	590,000	628,100
Materials & Supplies	109,600	155,000	126,300
Contract Labor & Equipment (1)	199,725	180,000	183,900
Utilities	80,600	81,000	90,400
Administrative Expenses	276,238	276,000	284,000
General Operating Expenses	175,735	173,000	185,800
Engineering, Legal & Professional	81,600	79,000	81,600
Subtotal	<u>1,535,777</u>	<u>1,534,000</u>	<u>1,580,100</u>
Construction Program	1,000,000	100,000	1,050,000
Capital Outlay	<u>1,000,000</u>	<u>100,000</u>	<u>1,050,000</u>
Total Expenditures	<u>2,535,777</u>	<u>1,634,000</u>	<u>2,630,100</u>
	(2)	(3)	(4)
Net Increase (Decrease) in Fund Balances	<u>(\$329,117)</u>	<u>\$737,800</u>	<u>(\$296,000)</u>

(1) Includes assets purchased.

(2) Net decrease is a result of Construction Fund Balance and a decrease in required reserves funds

(3) Net decrease is a result of Construction Fund Balance and an increase in required reserves funds

(4) Net decrease is a result of Construction Fund Balance and a decrease in required reserves funds

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 RECONCILIATION OF FUND ACTIVITY
 2018 ANNUAL BUDGET

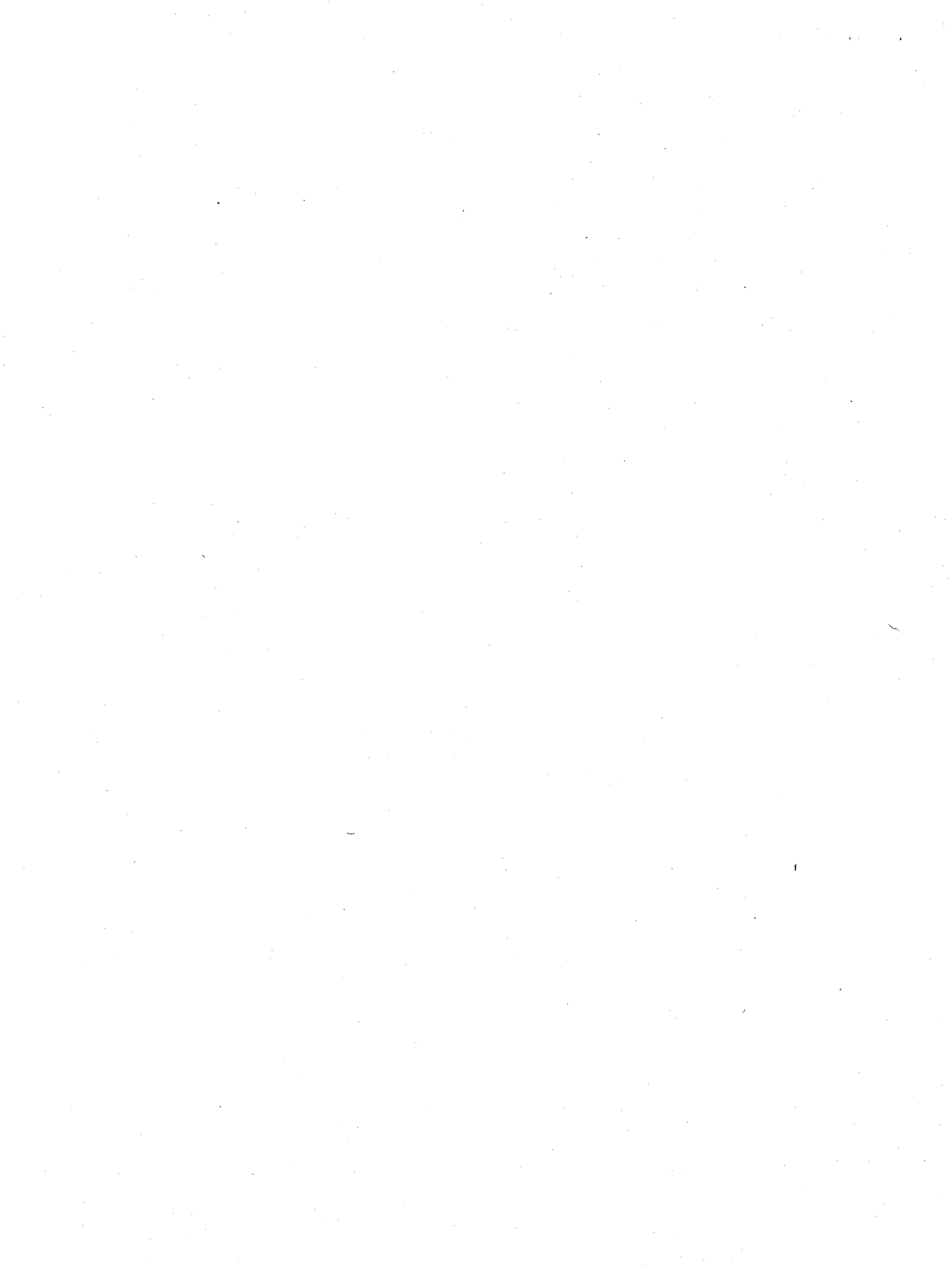
	REVENUE FUND	CAPITAL IMPROVEMENT FUND
Beginning Balance	\$0	\$4,414,051
Service Revenue	2,319,100	0
Interest Earnings	0	5,500
Transfer - Service	(2,319,100)	732,319
Expenses	0	0
Capital Outlay	0	(1,050,000)
Net Activity	0	(312,181)
Ending Balance	\$0	\$4,101,870

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 RECONCILIATION OF FUND ACTIVITY
 2018 ANNUAL BUDGET

	OPERATING FUND	OPERATING RESERVE FUND	SPECIAL PROJECT EMERGENCY RESERVE FUND	TOTAL BAYPORT WATER SYSTEM FUND
Beginning Balance	\$400,000	\$383,944	\$510,233	\$5,708,228
Service Revenue	0	0	0	2,319,100
Interest Earnings	\$2,000	2,400	5,100	15,000
Transfer - Service	\$1,578,100	8,681	0	-
Expenses	(1,580,100)	0	0	(1,580,100)
Capital Outlay	0	0	0	(1,050,000)
Net Activity	0	11,081	5,100	(296,000)
Ending Balance	\$400,000	\$395,025	\$515,333	\$5,412,228

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 REVENUES AND BILLING RATES
 2018 ANNUAL BUDGET

	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
Gallons (in thousands)	11,594,000	12,438,600	12,205,600
Rate/1000 gallons	\$0.190	\$0.190	\$0.190
Revenue	<u>\$2,202,860</u>	<u>\$2,363,300</u>	<u>\$2,319,100</u>



COASTAL WATER AUTHORITY
BAYPORT WATER SYSTEM FUNDS
INVESTMENT AND OTHER INCOME
2018 ANNUAL BUDGET

INVESTMENT INCOME

Average Cash and Investments	\$1,500,000
Average Effective Interest Rate	1.00%
Total	<u><u>\$15,000</u></u>

OTHER INCOME

Bayport Water System does not anticipate any miscellaneous income.

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 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	\$276,238	\$276,000	\$284,000
GENERAL OPERATING (Insurance)	175,735	173,000	185,800
ENGINEERING, LEGAL & PROFESSIONAL	<u>81,600</u>	<u>79,000</u>	<u>81,600</u>
Total	<u>\$533,573</u>	<u>\$528,000</u>	<u>\$551,400</u>

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 ADMINISTRATIVE EXPENSES
 2018 ANNUAL BUDGET

Administrative Salaries	\$105,900 (1)
Pension Plan Contribution (11.8% of total compensation)	86,612
Payroll Taxes (7.65% of total compensation)	56,151
Office Lease and Utilities	21,500 (1)
Office Supplies	2,500 (1)
Travel, Meetings and Parking	800 (1)
Directors Compensation	3,000 (1)
Printing and Reproduction	500 (1)
Telephone/ Data Maintenance	3,500 (1)
Vehicle: Gas & Maintenance	500 (1)
Payroll / Employee Processing Services	2,000 (1)
Miscellaneous	1,000 (1)
	<u>\$283,963</u>

(1) Allocated based upon payroll estimate of 10%.

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 OFFICE SALARY ALLOCATION
 2018 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Chief Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Administrative Assistant

IT Manager

	Base Office Salaries	1,059,000
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Office Allocation Factor (2)

	Bayport Office Salaries	10%
	Bayport Office Salaries	\$105,900

(1) Based upon payroll estimate allocation

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 GENERAL OPERATING EXPENSES
 2018 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Property Insurance	\$7,800	(1)	(5)
Texas Commercial Policy (General Liability)	5,550	(3)	(5)
Public Official & Employees Liability	1,670	(3)	(4) (7)
Pension - Fidelity Bond	20	(3)	(4)
Pension - Fiduciary Responsibility	700	(3)	(4)
Medical Insurance	139,000	(3)	(6) (7)
Public Official Position (Director Fidelity)	120	(3)	(5)
Automobile Insurance	3,300	(3)	(6)
Workers Compensation	13,300	(3)	(5) (7)
Dental Insurance	6,900	(3)	(5) (7)
Vision Insurance	800	(3)	(5) (7)
Combined Group Life/Short & Long Term Disability	6,600	(3)	(5) (7)
	<u>\$185,760</u>		

- (1) Allocated based upon total insurable value of 3%.
- (3) Allocated based upon total payroll estimate of 10%.
- (4) Assumes no rate increase.
- (5) Assumes 4% rate increase.
- (6) Assumes 10% rate increase.
- (7) Assumes full employment.

COASTAL WATER AUTHORITY
BAYPORT WATER SYSTEM FUNDS
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES
2018 ANNUAL BUDGET

Engineering Services	\$40,000 (1)
Legal Services	10,000 (3)
Accounting & Auditing	6,600 (2)
Computer Support services	7,500 (2)
Website Development & Maintenance	3,500 (2)
Hardware, Software Upgrades and Maintenance	4,000 (2)
Miscellaneous Bank Fees	10,000 (3)
	<u>\$81,600</u>

(1) Based upon specific services

(2) Allocated based upon total payroll estimate of 10%.

(3) Based upon specific and allocated services

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 SUMMARY OF FIELD EXPENDITURES
 2018 ANNUAL BUDGET

FIELD EXPENDITURES	2017 BUDGET	2017 PROJECTED	2018 BUDGET
SALARIES	\$612,279	\$590,000	\$628,100
MATERIALS & SUPPLIES	109,600	155,000	126,300
CONTRACT LABOR AND EQUIPMENT	155,225	135,500	183,900
Purchased	44,500	44,500	0
Subtotal	<u>199,725</u>	<u>180,000</u>	<u>183,900</u>
UTILITIES	80,600	81,000	90,400
Total	<u><u>\$1,002,204</u></u>	<u><u>\$1,006,000</u></u>	<u><u>\$1,028,700</u></u>

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 FIELD EXPENDITURES BY LOCATION
 2018 ANNUAL BUDGET

LOCATIONS	FIELD SALARIES	MATERIALS AND SUPPLIES	CONTRACT LABOR AND EQUIPMENT	UTILITIES	LOCATION TOTAL
Bayport Pump Station	\$325,505	\$34,500	\$168,875	\$90,400	\$619,280
Bayport Distribution System	302,632	91,785	15,000	0	409,417
	<u>\$628,137</u>	<u>\$126,285</u>	<u>\$183,875</u>	<u>\$90,400</u>	<u>\$1,028,697</u>

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 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>
Bayport Pump Station	\$264,909	\$50,000	\$10,596	\$325,505
Bayport Distribution System	290,992	0	11,640	302,632
	<u>\$555,901</u>	<u>\$50,000</u>	<u>\$22,236</u>	<u>\$628,137</u>

(1) Allows for employee benefit payments to retirees.

(2) Provides for minimum overtime.

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 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>				
Bayport Pump Station	0.20	416	\$68.10	\$28,330
Bayport Distribution System	0.20	416	68.10	28,330
Subtotal	<u>0.40</u>	<u>832</u>	<u>68.10</u>	<u>56,660</u>
<u>SUPERVISORY PERSONNEL (2)</u>				
Bayport Pump Station	0.50	1,040	57.80	60,112
Bayport Distribution System	0.35	728	57.80	42,078
Subtotal	<u>0.85</u>	<u>1,768</u>	<u>57.80</u>	<u>102,190</u>
<u>ALL OTHER PERSONNEL (3)</u>				
Bayport Pump Station	2.80	5,824	30.30	176,467
Bayport Distribution System	3.50	7,280	30.30	220,584
Subtotal	<u>6.30</u>	<u>13,104</u>	<u>30.30</u>	<u>397,051</u>
Total Base Salaries	<u>7.55</u>	<u>15,704</u>	<u>\$35.40</u>	<u>\$555,901</u>

- (1) Includes Manager of Operations and Production, Manager of Security & General Superintendent.
- (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
 BAYPORT WATER SYSTEM FUNDS
 ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

BAYPORT PUMP STATION

Air Conditioning Repair Parts	\$1,000
Building / Grounds Maintenance	4,000
Electrical / Instrument	6,000
Herbicides / Insecticides	3,000
Mechanical, Plumbing, Valves, etc.	2,500
Miscellaneous Supplies	2,000
Office / Administrative	2,000
Oils and Lubricants	4,000
Power Tools, Hand Tools & Equip.	5,000
Road Base, Sand, Rock, Rip Rap, etc.	2,000
Security, Fencing, Signs, etc.	3,000
	<u>34,500</u>

BAYPORT DISTRIBUTION

Automotive / Equipment Repair Parts	15,000
Building / Grounds Maintenance	1,000
Diesel Fuel 4290 gallons @ \$2.87	12,312
Electrical / Instrument	4,000
Gasoline @ 4005 gallons @ \$2.49	9,973
Herbicides / Insecticides	10,000
Mechanical, Plumbing, Valves, etc.	5,500
Miscellaneous Supplies	1,000
Oils and Lubricants	8,000
Power Tools, Hand Tools & Equip.	11,000
Road Base, Sand, Rock, Rip Rap, etc.	5,000
Tires & Batteries	6,000
Welding Equip & Supplies	3,000
	<u>91,785</u>

Total \$126,285

COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
 2018 ANNUAL BUDGET

LOCATION AND DESCRIPTION

BAYPORT PUMP STATION

Security: Contract Guards	\$162,000
Annual Service Contracts:	
-- Crane Test/Certification	300
-- Security System	2,000
-- Substation, Relay Testing	1,100
-- Uniform Service	2,725
-- Generator Load Testing	750
	168,875

BAYPORT DISTRIBUTION

Equipment Rental Services	15,000
	15,000

Total	\$183,875
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COASTAL WATER AUTHORITY
 BAYPORT WATER SYSTEM FUNDS
 ANALYSIS OF UTILITIES BY LOCATION
 2018 ANNUAL BUDGET

ELECTRICITY					
LOCATION	KW HOURS	AVG. RATE PER HOUR (1)	AMOUNT	ALL OTHER (2)	TOTAL
Bayport Pump Station	281,000	\$0.2860	\$80,400	\$10,000	\$90,400
	<u>281,000</u>	<u>\$0.2861</u>	<u>\$80,400</u>	<u>\$10,000</u>	<u>\$90,400</u>

- (1) Reflects rate accomplished through contract for Electricity beginning July, 2015
 (2) Includes telephone, water and waste disposal services.

COASTAL WATER AUTHORITY
BAYPORT WATER SYSTEM FUNDS
CAPITAL OUTLAYS
2018 ANNUAL BUDGET

BAYPORT CAPITAL
IMPROVEMENT FUND

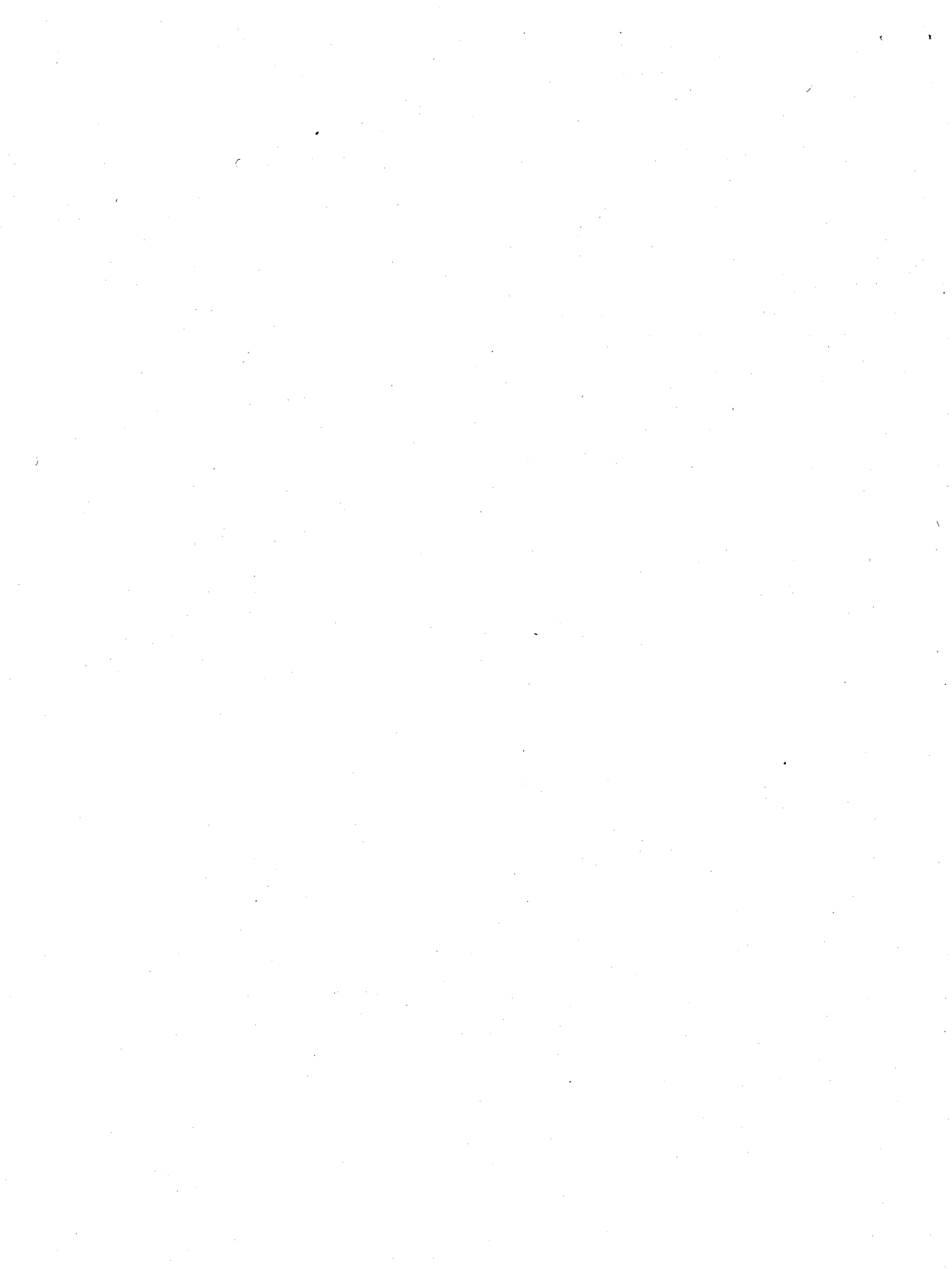
Water Line Replacement - Finalize Design (Construction Estimated at \$4,000,000)	\$	50,000
ROW Acquisition Support - HP 410/411 Extention		
Easements Acquisition		825,000
Appraisals		50,000
ROW Acquisition Support		125,000
Total Capital Outlays	<u>\$</u>	<u>1,050,000</u>



COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT PLANT PROJECT
2018 ANNUAL BUDGET

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
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2018 ANNUAL BUDGET

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CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I, the undersigned Officer of the Board of Directors (the "Board") of the Coastal Water Authority, hereby certify as follows:

1. The Board of Directors of the Coastal Water Authority (the "Authority") convened in regular session on the 8th day of November 2017, at the regular meeting place thereof, inside the boundaries of the Authority, and the roll was called of the duly constituted officers and members of the Board, to wit:

D. Wayne Klotz, P.E.	President
Tony L. Council, P. E.	1st Vice-President
Douglas E. Walker	2nd Vice President
Alan D. Conner	Secretary-Treasurer
Thomas A. Reiser	Director
Joseph G. Soliz	Director
Giti Zarinkelk, P.E.	Director

and all of said persons were present except Director(s): _____ thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting: a written

RESOLUTION OF THE BOARD OF DIRECTORS OF COASTAL WATER AUTHORITY ADOPTING THE FISCAL YEAR 2018 BUDGET AND SETTING RATES FOR THE RED BLUFF WATER TREATMENT PLANT; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted, and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED the 8th day of November 2017.



Secretary, Board of Directors

(SEAL)

**RESOLUTION OF THE BOARD OF DIRECTORS OF COASTAL WATER AUTHORITY
ADOPTING THE FISCAL YEAR 2018 BUDGET AND SETTING RATES FOR THE RED
BLUFF WATER TREATMENT PLANT; AND MAKING CERTAIN FINDINGS IN
CONNECTION THEREWITH**

WHEREAS, Coastal Water Authority (the "Authority") is a governmental agency and a body politic and corporate created as a conservation and reclamation district pursuant to the Constitution and laws of the State of Texas, including Article XVI, Section 59, Texas Constitution, and Chapter 601, Acts of the 60th Texas Legislature 1967 (Regular Session), as amended (the "Act"); and

WHEREAS, the Board of Directors of the Authority (the "Board") is vested with all of the rights, powers and privileges, authorities and functions conferred and imposed by the Act as well as the general laws of the State of Texas applicable to water control and improvement districts and municipal utility districts created under Article XVI, Section 59 of the Texas Constitution that are not in conflict or inconsistent with the Act; and

WHEREAS, the Authority owns and operates the Red Bluff Water Treatment Plant, from which it supplies treated water under contracts with Air Products L.P. ("Air Products") and Pasadena Refining System, Inc. ("PRSI"); and

WHEREAS, the Authority is authorized under the Act and the general laws of the State of Texas, including §49.29 of the Texas Water Code, to adopt or enforce all necessary charges, mandatory fees, or rentals, for providing or making available any Authority facility or service; and

WHEREAS, the Authority's contracts with Air Products and PRSI set out a procedure for adopting a budget for the operation of the Red Bluff Water Treatment Plant and establishing the rates charged by the Authority per 1,000 gallons of treated water; and

WHEREAS, in compliance with the procedures set forth in the Authority's contracts with Air Products and PRSI, representatives of Air Products and PRSI have approved the proposed Fiscal Year 2018 Budget for Red Bluff Water Treatment Plant and agreed to a rate of \$1.042 per 1,000 gallons of treated; and

WHEREAS, the Board has considered the above described matters, and has determined the adoption of the Fiscal Year 2018 Budget and a rate of \$1.042 per 1,000 gallons of treated water will allow the Authority to prudently operate and maintain the Red Bluff Water Treatment Plant and recover its costs of service associated with the operation of the Red Bluff Water Treatment Plant;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COASTAL WATER AUTHORITY, THAT:

Section 1: The findings and recitations set out in the preamble of this Resolution are found to be true and correct and are hereby adopted by the Board and made a part hereof for all purposes.

Section 2: The Board hereby approves and adopts the Fiscal Year 2018 Budget, a copy of which is attached hereto as **Exhibit A** and incorporated herein.

Section 3: The Board hereby approves and adopts a rate of \$1.042 per 1,000 gallons of treated water from the Red Bluff Water Treatment Plant for Fiscal Year 2018.

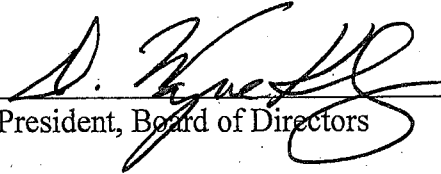
Section 4: The terms that are defined in the recitals to this Resolution are incorporated herein for all purposes.

Section 5: The provisions of this Resolution shall be effective as of the date of adoption and shall remain in effect until modified by action of the Board.

Section 6: It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public and that public notice of the time, place and purpose of said meeting was given, all as required by the Texas Open Meetings Act, Chapter 551, Texas Government Code.

[Execution page follows]

PASSED AND APPROVED this 8th day of November 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)

EXHIBIT A

**COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT PLANT PROJECT
2018 ANNUAL BUDGET**

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 BUDGET SUMMARY
 2018 ANNUAL BUDGET

<u>APPLICATION OF FUNDS</u>	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
Expenditures (1)	\$1,724,343	\$1,693,000	\$1,683,200
Debt Service	0	0	0
Comparative Subtotal	<u>1,724,343</u>	<u>1,693,000</u>	<u>1,683,200</u>
Total Expenditures	1,724,343	1,693,000	1,683,200
Ending Fund Balances	<u>473,925</u>	<u>473,925</u>	<u>468,925</u>
Total Applications	<u>2,198,268</u>	<u>2,166,925</u>	<u>2,152,125</u>
 <u>SOURCE OF FUNDS</u>			
Beginning Fund Balances	478,978	473,125	473,925
Investment Income	1,200	3,800	4,900
Subtotal Sources	<u>480,178</u>	<u>476,925</u>	<u>478,825</u>
System Revenue	<u>\$1,718,090</u>	<u>\$1,690,000</u>	<u>\$1,673,300</u>

(1) Includes assets purchased.

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
FACTS AND ASSUMPTIONS
2018 ANNUAL BUDGET

FACTS

1. The 2018 budget is prepared on a cash basis.
2. Water Treatment Plant books and records consist of two funds, which are the Operating Fund and the Special Projects Emergency Reserve.
3. The required fund balances have been reflected at the minimum operating balances.
4. Water Treatment Plant is charged with direct salary and costs as well as an allocation of certain general items based upon an overall payroll allocation of 10%.

ASSUMPTIONS

1. Salaries anticipates funding the employee benefits of one field retiree.
2. Assumes timely payment of billings by Pasadena Refinery Systems, Inc. and Air Products L.L.C.
3. The Operating Fund should be maintained adequate to provide funding for two months expenditures. Such amount is \$280,526 for 2018.

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
RECONCILIATION OF 2017 BUDGET TO 2018 BUDGET

	2017 to 2018 Budget
2017 Budget	<u>\$1,724,343</u>
Field Salaries	16,311
Materials & Supplies	24,200
Contract Labor & Equipment	(74,665)
Utilities	(22,400)
Administrative Expense (Includes Pension, Social Security Costs)	7,846
General Operating Expenses (Insurance)	7,565
Engineering, Legal & Professional	0
Subtotal	<u>(41,143)</u>
2018 Budget	<u>\$1,683,200</u>

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
2018 ANNUAL BUDGET

	2017 BUDGET	2017 PROJECTED	2018 BUDGET
REVENUES & LOAN PROCEEDS:			
Interest on Investments	\$1,200	\$3,800	\$4,900
Service Revenues	1,718,090	1,690,000	1,673,300
Total Revenue	<u>1,719,290</u>	<u>1,693,800</u>	<u>1,678,200</u>
 Total Revenues :	 <u>1,719,290</u>	 <u>1,693,800</u>	 <u>1,678,200</u>
 EXPENDITURES			
Field Salaries	543,989	540,000	560,300
Materials & Supplies	363,100	380,000	387,300
Contract Labor & Equipment (1)	117,365	110,000	42,700
Utilities	179,300	155,000	156,900
Administrative Expenses (1)	262,954	262,000	270,800
General Operating Expenses	191,235	190,000	198,800
Engineering, Legal & Professional	66,400	56,000	66,400
Subtotal	<u>1,724,343</u>	<u>1,693,000</u>	<u>1,683,200</u>
Total Expenditures	<u>1,724,343</u>	<u>1,693,000</u>	<u>1,683,200</u>
 Net Increase (Decrease) in Operating Fund Balances	 (2) <u>(\$5,053)</u>	 \$800 <u> </u>	 (3) <u>(\$5,000)</u>

(1) Includes assets purchased.

(2) Net of \$5,518 decrease in Operating Fund and \$465 increase in Special Projects Emergency Reserve.

(3) Net of \$6,865 decrease in Operating Fund and \$1,865 increase in Special Projects Emergency Reserve.

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 RECONCILIATION OF FUND ACTIVITY
 2018 ANNUAL BUDGET

	OPERATING FUND	SPECIAL PROJECTS EMERGENCY RESERVE	TOTAL WATER TREATMENT PLANT
Beginning Balance	\$287,391	\$186,534	\$473,925
Service Revenue	1,673,300	0	1,673,300
Interest Earnings	3,035	1,865	4,900
Expenses	(1,683,200)	0	(1,683,200)
Debt Service	0	0	0
Net Activity	(6,865)	1,865	(5,000)
Ending Balance	\$280,526	\$188,399	\$468,925

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 REVENUES AND BILLING RATES
 2018 ANNUAL BUDGET

	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
Gallons (in thousands)	1,606,000	1,606,000	1,606,000
Rate/1000 gallons	\$1.070	\$1.052	\$1.0420 (1)
Revenue	<u>\$1,718,090</u>	<u>\$1,690,000</u>	<u>\$1,673,300</u>

- (1) Budget rate for 2018 assumes average daily water volume demand of 3.2 MGD for Pasadena Refinery Systems and 1.2 MGD for Air Products. Any changes to this assumption will impact the rate per 1000 gallons

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
INVESTMENT AND OTHER INCOME
2018 ANNUAL BUDGET

INVESTMENT INCOME

Average Operating Cash and Investments	\$487,400
Average Effective Interest Rate	1.00%
Total	<u><u>\$4,900</u></u>

OTHER INCOME

Water Treatment Plant does not anticipate any miscellaneous income.

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 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	\$262,954	\$262,000	\$270,800
GENERAL OPERATING (Insurance)	191,235	190,000	198,800
ENGINEERING, LEGAL & PROFESSIONAL	66,400	56,000	66,400
Total	<u>\$520,589</u>	<u>\$508,000</u>	<u>\$536,000</u>

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 ADMINISTRATIVE EXPENSES
 2018 ANNUAL BUDGET

Administrative Salaries	\$105,900 (1)
Pension Plan Contribution (11.8% of total compensation)	78,612
Payroll Taxes (7.65% of total compensation)	50,964
Office Lease and Utilities	21,500 (1)
Office Supplies	2,500 (1)
Travel, Meetings and Parking	800 (1)
Directors Compensation	3,000 (1)
Printing and Reproduction	500 (1)
Telephone/ Data Maintenance	3,500 (1)
Vehicle: Gas & Maintenance	500 (1)
Payroll / Employee Processing Services	2,000 (1)
Miscellaneous	1,000 (1)
	<u>\$270,776</u>

(1) Allocated based upon payroll estimate of 10%.

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 OFFICE SALARY ALLOCATION
 2018 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Chief Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Administrative Assistant

IT Manager

	Base Office Salaries	1,059,000
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	Office Allocation Factor (1)	10%
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	Red Bluff Water Treatment Office Salaries	\$105,900
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(1) Based upon payroll estimate allocation

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 GENERAL OPERATING EXPENSES
 2018 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Property Insurance	\$ 20,800	(1)	(5)
Texas Commercial Policy (General Liability)	5,550	(3)	(5)
Public Official & Employees Liability	1,670	(3)	(4) (7)
Pension - Fidelity Bond	20	(3)	(4)
Pension - Fiduciary Responsibility	700	(3)	(4)
Medical Insurance	139,000	(3)	(6) (7)
Public Official Position (Director Fidelity)	120	(3)	(5)
Automobile Insurance	3,300	(3)	(6)
Workers Compensation	13,300	(3)	(5) (7)
Dental Insurance	6,900	(3)	(5) (7)
Vision Insurance	800	(3)	(5) (7)
Combined Group Life/Short Term & Long Term Disability	6,600	(3)	(5) (7)
	<u>\$ 198,760</u>		

- (1) Allocated based upon total insurable value of 8%.
- (3) Allocated based upon total payroll estimate of 10%.
- (4) Assumes no rate increase.
- (5) Assumes 4% rate increase.
- (6) Assumes 10% rate increase.
- (7) Assumes full employment.

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES
2018 ANNUAL BUDGET

Engineering Services - (M&O)	30,000 (1)
Legal Services	10,000 (3)
Accounting & Auditing	6,600 (2)
Computer Support services	7,500 (2)
Website Development & Maintenance	3,500 (2)
Hardware, Software Upgrades and Maintenance	4,000 (2)
Miscellaneous Bank Fees	4,800 (3)
	<u>\$66,400</u>

- (1) Based upon specific services
- (2) Allocated based upon total payroll estimate of 10%.
- (3) Based upon specific and allocated services

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 SUMMARY OF FIELD EXPENDITURES
 2018 ANNUAL BUDGET

<u>FIELD EXPENDITURES</u>	<u>2017 BUDGET</u>	<u>2017 PROJECTED</u>	<u>2018 BUDGET</u>
SALARIES	\$543,989	\$540,000	\$560,300
MATERIALS & SUPPLIES	363,100	380,000	387,300
CONTRACT LABOR AND EQUIPMENT			
Contracted	104,365	97,000	42,700
Purchased	13,000	13,000	0
Subtotal	<u>117,365</u>	<u>110,000</u>	<u>42,700</u>
UTILITIES	179,300	155,000	156,900
Total	<u>\$1,203,754</u>	<u>\$1,185,000</u>	<u>\$1,147,200</u>

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 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>
Water Treatment Plant	<u>\$509,922</u>	<u>\$30,000</u>	<u>\$20,397</u>	<u>\$560,319</u>

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

COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 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>				
Water Treatment Plant	<u>0.15</u>	<u>312</u>	<u>\$68.10</u>	<u>\$21,247</u>
<u>SUPERVISORY PERSONNEL (2)</u>				
Water Treatment Plant	<u>0.50</u>	<u>1,040</u>	<u>57.80</u>	<u>60,112</u>
<u>ALL OTHER PERSONNEL (3)</u>				
Water Treatment Plant	<u>6.80</u>	<u>14,144</u>	<u>30.30</u>	<u>428,563</u>
Total Base Salaries	<u>7.45</u>	<u>15,496</u>	<u>\$32.91</u>	<u>\$509,922</u>

- (1) Includes Manager of Operations and Production, Manager of Security & General Superintendent.
- (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
 RED BLUFF WATER TREATMENT FUNDS
 ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION
 2018 ANNUAL BUDGET

DESCRIPTION (1)

Air Conditioning Repair Parts	\$1,000
Automotive / Equipment Repair Parts	1,000
Building / Grounds Maintenance	3,000
CHEMICALS:	
-- Sodium Hypochlorite (12.5%) @\$0.649/GAL	44,200
-- Lime @250/TON	187,500
-- Ferric Sulfate @ \$220/TON	99,000
-- Polymer @ \$0.84/TON	12,600
Diesel Fuel 390 gallons @2.87	1,119
Electrical / Instrument	6,000
Gasoline 445 gallons @ \$2.49	1,108
Herbicides / Insecticides	3,000
Mechanical, Plumbing, Valves, etc.	10,000
Miscellaneous Supplies	4,000
Office / Administrative	800
Oils and Lubricants	3,000
Power Tools, Hand Tools & Equip.	4,000
Road Base, Sand, Rock, Rip Rap, etc.	1,000
Security, Fencing, Signs, etc.	1,000
Tires & Batteries	1,000
Welding Equipment & Supplies	3,000
Total	<u>\$387,327</u>

(1) Water Treatment Plant is the only location.

