

***FINAL***

**COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
2012 ANNUAL BUDGET**



## COASTAL WATER AUTHORITY

One Allen Center, Suite 2800 Phone: 713-658-9020  
500 Dallas Street Fax: 713-658-9429  
Houston, Texas 77002-4708

November 9, 2011

The Honorable Annise D. Parker, Mayor  
Members of the City Council  
City of Houston  
P. O. Box 1562  
Houston, Texas 77251-1562

**RE: 2012 ANNUAL BUDGET  
LAKE HOUSTON FACILITIES PROJECT**

Mayor Parker and Members of the City Council:

In compliance with provisions of the current contract relating to the Coastal Water Authority (CWA), the Board of Directors respectfully submits the 2012 Calendar Year Budget for the Lake Houston Facilities Project for your consideration and approval.

The CWA 2012 Proposed Budget is \$2,754,284. 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 14.8 billion gallons of surface water as requested by the City in an operationally cost-effective environment. This is a decrease in the water demand compared to the budgeted amount in 2011. This decrease was directed by officials in the Public Works Department to help them manage the impact of the current weather related conditions on the volume of water available in Lake Houston.

The Authority's Board of Directors instructed its management team to identify activities where costs could be reduced and still allow CWA to meet its obligations to the City. That review resulted in the Board of Directors, over the past few months, approving several new contracts that will provide savings for Fiscal Year 2012 and beyond. These recent Board actions resulted in:

- The Authority's new electricity procurement contract for a three year contract period that achieved an energy rate reduction of about 25%.
- A new office space lease was approved to begin March, 2012, that will result in a 20% reduction in annual costs.
- A new employee medical insurance contract that achieved a lower annual cost with a change in the terms of the coverage.
- An agreement with the City of Houston's Legal Department that will utilize the Department's staff expertise on issues unique to the Authority's Lake Houston Facilities Project and will reduce the amount of services required by the Authority's contracted Legal Counsel.

The Honorable Annise D. Parker, Mayor  
Members of the City Council  
2012 Annual Budget, Lake Houston  
November 9, 2011  
Page 2

These cost saving activities help mitigate the new budget item planned for 2012 at the request of the City's Public Works officials. The 2012 Budget reflects funding for an engineering services contract to conduct a study of the Lake Houston Dam.

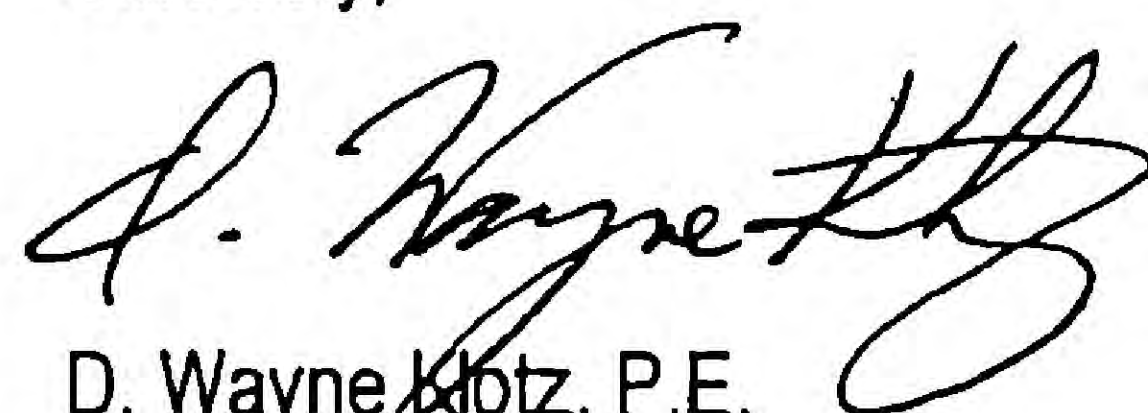
CWA's staffing for electrical and equipment maintenance will be on a job order basis and will be charged to the Lake Houston Facilities Project as they are incurred. Personnel for the mowing season will be provided by CWA from our existing work force and with available mowing equipment. Costs for the 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 14.8 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 2012 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

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
TABLE OF CONTENTS  
2012 ANNUAL BUDGET

	<u>PAGE</u>
President's Letter	C - 1
Budget Summary - Comparative	C - 2
Facts and Assumptions	C - 2 - 1
Reconciliation of 2011 Budget to 2012 Budget	C - 2 - 2
Statement of Revenues and Expenditures	C - 3
Reconciliation of Fund Activity	C - 3 - 1
Water Demand Forecast	C - 4
Investment and Other Income	C - 5
Summary of General and Administrative Expenditures	C - 6
Administrative Expenses	C - 7
Office Salary Allocation	C - 7 - 1
General Operating Expenses	C - 8
Engineering, Legal and Professional Expenses	C - 9
Summary of Field Expenditures	C - 10
Field Expenditures by Location	C - 10 - 1
Summary of Field Salaries by Location	C - 11
Analysis of Base Field Salaries by Function and Location	C - 11 - 1
Analysis of Materials and Supplies by Location	C - 12
Analysis of Contract Labor and Equipment by Location	C - 13
Analysis of Utilities by Location	C - 14

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
BUDGET SUMMARY  
2012 ANNUAL BUDGET

<u>APPLICATION OF FUNDS</u>	<u>2011 BUDGET</u>	<u>2011 PROJECTED</u>	<u>2012 BUDGET</u>
Expenditures (1)	\$2,417,975	\$2,126,000	\$2,754,284
Capital Outlay	651,915	643,861	0
Total Expenditures	<u>3,069,890</u>	<u>2,769,861</u>	<u>2,754,284</u>
Ending Fund Balances (2)	<u>604,494</u>	<u>604,494</u>	<u>688,571</u>
Total Applications	<u><u>3,674,384</u></u>	<u><u>3,374,355</u></u>	<u><u>3,442,855</u></u>
 <u>SOURCE OF FUNDS</u>			
Beginning Fund Balances (2)	640,294	640,294	604,494
Investment Income	5,675	4,800	2,270
Subtotal Sources	<u>645,969</u>	<u>645,094</u>	<u>606,764</u>
Capital Funding - Construction	651,372	643,318	0
Subtotal	<u>1,297,341</u>	<u>1,288,412</u>	<u>606,764</u>
System Revenue - Project	<u>\$2,377,043</u>	<u>\$2,085,943</u>	<u>\$2,836,091</u>
Total Sources	<u><u>3,674,384</u></u>	<u><u>3,374,355</u></u>	<u><u>3,442,855</u></u>

(1) Includes assets purchased

(2) Operating Fund only.

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES  
FACTS AND ASSUMPTIONS  
2012 ANNUAL BUDGET

FACTS

1. The 2012 budget is prepared on a cash basis.
2. Lake Houston Facilities books and records consist of three funds, which are the Operating Fund, the Construction 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 13%.

ASSUMPTIONS

1. Salaries anticipates funding the employee benefits of one field retiree.
2. The 2012 budget staffing level supports ongoing activity levels as requested in the operating and maintenance contract.

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
RECONCILIATION OF 2011  
BUDGET TO 2012 BUDGET

	2011 Budget to 2012 Budget
2011 Budget	<u>\$2,417,975</u>
Field Salaries Allocation	(32,489)
Materials and Supplies - (Valve replacement & increased fuel cost)	19,500
Contract Labor and Equipment	(700)
Electricity (Decrease in water volume and a lower cost electricity contract)	(71,617)
Administrative Expense (Decrease in office lease cost)	(14,539)
General Operating Expenses (Insurance)	(7,976)
Engineering, Legal and Professional (Phase 1C Investigation -Dam Safety)	<u>444,130</u>
Subtotal	<u>336,309</u>
2012 Budget	<u><u>\$2,754,284</u></u>

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
STATEMENT OF REVENUES AND EXPENDITURES  
2012 ANNUAL BUDGET

	<u>2011 BUDGET</u>	<u>2011 PROJECTED</u>	<u>2012 BUDGET</u>
<b>REVENUES</b>			
Funds provided by City of Houston	\$2,377,043	\$2,085,943	\$2,836,091
Interest on Investments	5,675	4,800	2,270
Total Revenue	<u>2,382,718</u>	<u>2,090,743</u>	<u>2,838,361</u>
 Construction Project Funding From COH	 651,372	 643,318	 0
<b>EXPENDITURES</b>			
Field Salaries	888,968	845,000	856,479
Materials & Supplies	172,300	125,000	191,800
Contract Labor & Equipment (1)	424,400	295,000	423,700
Utilities	207,717	156,000	136,100
Administrative Expenses	346,232	340,000	331,693
General Operating Expenses	275,528	265,000	267,552
Engineering, Legal & Professional	102,830	100,000	546,960
Subtotal	<u>2,417,975</u>	<u>2,126,000</u>	<u>2,754,284</u>
 Construction Program	 651,915	 643,861	 0
Capital Outlay	<u>651,915</u>	<u>643,861</u>	<u>0</u>
Total Expenditures	<u>3,069,890</u>	<u>2,769,861</u>	<u>2,754,284</u>
	(2)		(3)
Net Increase (Decrease) in	<u>(\$35,800)</u>	<u>(\$35,800)</u>	<u>\$84,077</u>
Operating/Construction Fund Balances			

(1) Includes assets purchased.

(2) Net of \$35,800 decrease in required operating reserve.

(3) Net of \$84,077 increase in required operating reserve.



**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
RECONCILIATION OF FUND ACTIVITY  
2012 ANNUAL BUDGET

	<u>OPERATING FUND</u>	<u>CONTINGENCY FUND</u>	<u>TOTAL LAKE HOUSTON FACILITIES PROJECT FUND</u>
Beginning Balance	<u>\$604,494</u>	<u>\$2,000,000</u>	<u>\$2,604,494</u>
Service Revenue	2,836,091	0	2,836,091
Interest Earnings	270	2,000	2,270
Transfer - Interest	2,000	(2,000)	0
Expenses	(2,754,284)	0	(2,754,284)
Net Activity	<u>84,077</u>	<u>0</u>	<u>84,077</u>
Ending Balance	<u><u>\$688,571</u></u>	<u><u>\$2,000,000</u></u>	<u><u>\$2,688,571</u></u>

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
WATER DEMAND FORECAST  
2012 ANNUAL BUDGET

	<u>2011</u> <u>BUDGET</u>	<u>2011</u> <u>PROJECTED</u>	<u>2012</u> <u>BUDGET</u>
Gallons (in thousands)	<u>20,545,900</u>	<u>15,356,100</u>	<u>14,755,700</u>

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
INVESTMENT AND OTHER INCOME  
2012 ANNUAL BUDGET

INVESTMENT INCOME

Average Cash and Investments	\$2,270,000
Average Effective Interest Rate	0.10%
Total	<u>\$ 2,270</u>

OTHER INCOME

Lake Houston Facilities does not anticipate any miscellaneous income.

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
SUMMARY OF GENERAL AND ADMINISTRATIVE EXPENDITURES  
2012 ANNUAL BUDGET

<u>GENERAL AND ADMINISTRATIVE EXPENDITURES</u>	<u>2011 BUDGET</u>	<u>2011 PROJECTED</u>	<u>2012 BUDGET</u>
ADMINISTRATIVE	\$346,232	\$340,000	\$331,693
GENERAL OPERATING (Insurance)	275,528	265,000	267,552
ENGINEERING, LEGAL & PROFESSIONAL	<u>102,830</u>	<u>100,000</u>	<u>546,960</u>
Total	<u>\$724,590</u>	<u>\$705,000</u>	<u>\$1,146,205</u>

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
ADMINISTRATIVE EXPENSES  
2012 ANNUAL BUDGET

Administrative Salaries	\$107,315	(1)
Pension Plan Contribution (11.8% of total compensation)	113,728	
Payroll Taxes (7.65% of total compensation)	73,730	
Furniture and Equipment: Maintenance	260	(2)
Office Lease and Utilities	24,960	(2)
Office Supplies	1,820	(2)
Travel, Meetings and Parking	1,040	(2)
Directors Compensation	1,950	(2)
Printing and Reproduction	390	(2)
Telephone	2,860	(2)
Vehicle: Gas & Maintenance	780	(2)
Miscellaneous	2,860	(2) (3)
	<u>\$331,693</u>	

- (1) Allocated based upon payroll estimate of 13%.
- (2) Allocation based upon total payroll estimate of 13%.
- (3) Includes payroll and courier services.

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
OFFICE SALARY ALLOCATION  
2012 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Accountant

Accountant

Accountant

Accountant

Accountant

Secretary

Base Office Salaries 825,500

Total Office Salaries 825,500

Office Allocation Factor (1) 13%

Lake Houston Office Salaries \$107,315

(1) Based upon 2011 cost records.

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
GENERAL OPERATING EXPENSES  
2012 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Property Insurance	\$0	(1)	(5)
Property - Primary Flood	-	(2)	(5)
Texas Commercial Policy (General Liability)	22,079	(3)	(5) (7)
Public Official & Employees Liability	7,871	(3)	(4) (7)
Pension - Fidelity Bond	22	(3)	(4)
Pension - Fiduciary Responsibility	561	(3)	(4)
Medical Insurance	187,549	(3)	(6) (7)
Contract Equipment/Difference in Conditions	3,292	(3)	(5)
Boiler and Machinery	3,417	(3)	(5)
Public Official Position (Director Fidelity)	150	(3)	(4)
Automobile Insurance	9,060	(3)	(5)
Workers Compensation	17,179	(3)	(5) (7)
Dental Insurance	8,732	(3)	(5) (7)
Combined Group Life/Short & Long Term Disability	7,640	(3)	(5) (7)
	<u>\$267,552</u>		

- (1) Allocated based upon total insurable value of 0%.
- (2) Coverage 100% specific for Trinity River.
- (3) Allocated based upon total payroll estimate of 13%.
- (4) Assumes no rate increase.
- (5) Assumes 2% annualized rate increase.
- (6) Assumes 5% annualized rate increase.
- (7) Assumes full employment.

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES  
2012 ANNUAL BUDGET

Engineering Services	\$490,000 (1)(4)
Legal Services	30,000 (3)
Accounting & Auditing	8,580 (2)
Computer Maintenance	11,180 (2)
Miscellaneous Bank Fees	7,200 (3)
	<u>\$546,960</u>

(1) Based upon specific services.

(2) Allocated based upon total payroll estimate of 13%.

(3) Based upon specific and allocated services.

(4) Includes \$450,000 for Phase 1C Investigation - Lake Houston Dam Safety.



**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
SUMMARY OF FIELD EXPENDITURES  
2012 ANNUAL BUDGET

<u>FIELD EXPENDITURES</u>	<u>2011 BUDGET</u>	<u>2011 PROJECTED</u>	<u>2012 BUDGET</u>
SALARIES	\$888,968	\$845,000	\$856,479
MATERIALS & SUPPLIES	172,300	125,000	191,800
CONTRACT LABOR AND EQUIPMENT	\$424,400	295,000	423,700
UTILITIES	207,717	156,000	136,100
Total	<u>\$1,693,385</u>	<u>\$1,421,000</u>	<u>\$1,608,079</u>

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
FIELD EXPENDITURES BY LOCATION  
2012 ANNUAL BUDGET

<u>LOCATIONS</u>	<u>FIELD SALARIES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>CONTRACT LABOR AND EQUIPMENT</u>	<u>UTILITIES</u>	<u>LOCATION TOTAL</u>
Lake Houston & Pump Station	\$408,830	\$41,900	\$144,400	\$136,100	\$731,230
West Canal	127,392	71,600	55,000	0	253,992
Dam & Downstream	320,257	78,300	224,300	0	622,857
	<u>\$856,479</u>	<u>\$191,800</u>	<u>\$423,700</u>	<u>\$136,100</u>	<u>\$1,608,079</u>

**FINAL**

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
SUMMARY OF FIELD SALARIES BY LOCATION  
2012 ANNUAL BUDGET

<u>LOCATION</u>	<u>BASE COMPENSATION</u>	<u>RETIREE PAY (1)</u>	<u>3% OVERTIME (2)</u>	<u>TOTAL</u>
Lake Houston & Pump Station	\$367,796	\$30,000	\$11,034	\$408,830
West Canal	123,682	0	3,710	127,392
Dam & Downstream	310,929	0	9,328	320,257
	<u>\$802,407</u>	<u>\$30,000</u>	<u>\$24,072</u>	<u>\$856,479</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  
 2012 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>
<b><u>MANAGEMENT (1)</u></b>				
Lake Houston Pump Station	0.10	208	\$65.65	\$13,655
West Canal	0.05	104	65.65	6,828
Dam & Downstream	0.10	208	65.65	13,655
Subtotal	<u>0.25</u>	<u>520</u>	<u>65.65</u>	<u>34,138</u>
<b><u>SUPERVISORY PERSONNEL (2)</u></b>				
Lake Houston Pump Station	0.35	728	50.00	36,400
West Canal	0.40	832	50.00	41,600
Dam & Downstream	0.50	1,040	50.00	52,000
Subtotal	<u>1.25</u>	<u>2,600</u>	<u>50.00</u>	<u>130,000</u>
<b><u>ALL OTHER PERSONNEL (3)</u></b>				
Lake Houston Pump Station	5.70	11,856	26.80	317,741
West Canal	1.35	2,808	26.80	75,254
Dam & Downstream	4.40	9,152	26.80	245,274
Subtotal	<u>11.45</u>	<u>23,816</u>	<u>26.80</u>	<u>638,269</u>
Total Base Salaries	<u>12.95</u>	<u>26,936</u>	<u>\$29.79</u>	<u>\$802,407</u>

- (1) Includes Manager of Operations and Production, as well as 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  
LAKE HOUSTON FACILITIES PROJECT  
ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION  
2012 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
Replace Anti-Siphon Valves	17,000
Miscellaneous Supplies	6,000
Office / Administrative	1,300
Oils and Lubricants	3,600
Power Tools, Hand Tools & Equip.	1,000
	<u>41,900</u>

WEST CANAL

Air Conditioning Repair Parts	800
Automotive / Equipment Repair Parts	9,000
Diesel Fuel	28,500
Electrical / Instrument	3,000
Gasoline	11,800
Herbicides / Insecticides	8,000
Mechanical, Plumbing, Valves, etc	1,000
Power Tools, Hand Tools & Equip.	2,000
Road Base, Sand, Rock, Rip Rap, etc.	2,000
Security, Fencing, Signs, etc.	3,000
Tires & Batteries	2,500
	<u>71,600</u>

DAM & DOWNSTREAM

Air Conditioning Repair Parts	400
Building / Grounds Maintenance	2,000
Electrical / Instrument	5,000
Herbicides / Insecticides	10,000
Miscellaneous Supplies	1,000
Office / Administrative	1,900
Oils and Lubricants	1,000
Power Tools, Hand Tools & Equip.	3,000
Road Base, Sand, Rock, Rip Rap, etc.	50,000
Security, Fencing, Signs, etc.	3,000
Welding Equipment & Supplies	1,000
	<u>78,300</u>

Total \$191,800

COASTAL WATER AUTHORITY  
 LAKE HOUSTON FACILITIES PROJECT  
 ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION  
 2012 ANNUAL BUDGET

**FINAL**

LOCATION AND DESCRIPTION

LAKE HOUSTON AND PUMP STATION

Contract Labor (Welders, Divers, Tech Spt, etc)	\$300
Security: Contract Guards	135,000
Annual Service Contracts:	
-- Crane Test/Certification	500
-- Pest Control Service	600
-- Substation, Relay Testing	3,500
-- Uniform Service	3,300
-- Generator Load Testing	1,200
	<u>144,400</u>

WEST CANAL

Equipment Rental Services	5,000
Security: Fencing - Repair Existing Chain Link	50,000
	<u>55,000</u>

DAM & DOWNSTREAM

Aquatic Vegetation Control (Per ATKINS Contract)	90,000
Buoy Maintenance/Replacement	10,000
Contract Labor (Welders, Divers, Tech Spt, etc)	5,000
Dam: Debris Removal	100,000
Equipment Rental Services	10,000
Training: Dam Safety USACE	9,000
Crane Test Certification	300
	<u>224,300</u>

Total	<u>\$423,700</u>
-------	------------------

COASTAL WATER AUTHORITY  
LAKE HOUSTON FACILITIES PROJECT  
ANALYSIS OF UTILITIES BY LOCATION  
2012 ANNUAL BUDGET

ELECTRICITY					
<u>LOCATION</u>	<u>KW HOURS</u>	<u>AVG. RATE PER HOUR (1)</u>	<u>AMOUNT</u>	<u>ALL OTHER (2)</u>	<u>TOTAL</u>
Lake Houston & Pump Station	1,520,000	\$0.0875	\$133,000	\$3,100	\$136,100
	<u>1,520,000</u>	<u>\$0.0875</u>	<u>\$133,000</u>	<u>\$3,100</u>	<u>\$136,100</u>

- (1) Reflects rate reduction accomplished through contract for electricity beginning July, 2012.  
(2) Includes telephone, water and waste disposal services.

