

FINAL

**COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT PLANT PROJECT
2012 ANNUAL BUDGET**

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 14th day of December 2011, 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
Alan D. Conner	2nd Vice President
Zebulun Nash	Secretary-Treasurer
John Odis Cobb, P.E.	Director
Douglas E. Walker	Director
Giti Zarinkelk, P.E.	Director


and all of said persons were present except Director(s): Zarinkelk abstaining 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 2012 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.

PASSED AND APPROVED this 14th day of December 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)

RESOLUTION OF THE BOARD OF DIRECTORS OF COASTAL WATER AUTHORITY ADOPTING THE FISCAL YEAR 2012 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 §49.212 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'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 2012 Budget for Red Bluff Water Treatment Plant and agreed to a rate of \$0.89 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 2012 Budget and a rate of \$0.89 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 2012 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 \$0.89 per 1,000 gallons of treated water from the Red Bluff Water Treatment Plant for Fiscal Year 2012.


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]

SIGNED AND SEALED the 14th day of December 2011.


Secretary, Board of Directors

(SEAL)

EXHIBIT A

**COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT PLANT PROJECT
2012 ANNUAL BUDGET**

FINAL

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
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2012 ANNUAL BUDGET

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COASTAL WATER AUTHORITY
 RED BLUFF WATER TREATMENT FUNDS
 BUDGET SUMMARY
 2012 ANNUAL BUDGET

<u>APPLICATION OF FUNDS</u>	<u>2011 BUDGET</u>	<u>2011 PROJECTED</u>	<u>2012 BUDGET</u>
Expenditures (1)	\$1,963,753	\$1,952,000	\$1,874,331
Capital Outlay (2)	2,624,135	2,624,000	0
Debt Service	457,412	457,412	457,412
Comparative Subtotal	<u>5,045,300</u>	<u>5,033,412</u>	<u>2,331,743</u>
Total Expenditures	5,045,300	5,033,412	2,331,743
Ending Fund Balances	<u>512,619</u>	<u>602,624</u>	<u>497,901</u>
Total Applications	<u>5,557,919</u>	<u>5,636,036</u>	<u>2,829,644</u>
 <u>SOURCE OF FUNDS</u>			
Beginning Fund Balances	575,226	575,226	602,624
Investment Income	1,218	2,000	487
Other	0	300	0
Internal CWA Loan:	2,624,135	2,624,135	0
Subtotal Sources	<u>3,200,579</u>	<u>3,201,661</u>	<u>603,111</u>
System Revenue	<u><u>\$2,357,340</u></u>	<u><u>\$2,434,375</u></u>	<u><u>\$2,226,533</u></u>

(1) Includes assets purchased.

(2) Loan proceeds instituted in 2009 for Capital Project

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
FACTS AND ASSUMPTIONS
2012 ANNUAL BUDGET

FACTS

1. The 2012 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 12%.

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 \$312,389 for 2012.

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
RECONCILIATION OF 2011 BUDGET TO 2012 BUDGET

	2011 to 2012 Budget
2011 Budget	<u>\$1,963,753</u>
Field Salaries	(75,289)
Electricity Contract	(29,293)
Materials & Supplies (Cost of Chemicals)	11,300
Contract Labor & Equipment (hypochlorite tank, pumps & equipment)	76,300
Administrative Expense (Includes Pension, Social Security Costs)	(35,565)
General Operating Expenses (Property & Employee Insurance)	(30,485)
Engineering, Legal & Professional	<u>(6,390)</u>
Subtotal	<u>(89,422)</u>
2012 Budget	<u><u>\$1,874,331</u></u>

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
2012 ANNUAL BUDGET

	2011 <u>BUDGET</u>	2011 <u>PROJECTED</u>	2012 <u>BUDGET</u>
REVENUES & LOAN PROCEEDS:			
Interest on Investments	\$1,218	\$2,000	\$487
Service Revenues	2,357,340	2,434,375	2,226,533
Total Revenue	<u>2,358,558</u>	<u>2,436,375</u>	<u>2,227,020</u>
INTERNAL CWA LOAN:			
	<u>2,624,135</u>	<u>2,624,135</u>	<u>0</u>
Total Revenues & Loan Proceeds:	<u>4,982,693</u>	<u>5,060,510</u>	<u>2,227,020</u>
EXPENDITURES			
Field Salaries	547,946	547,500	472,657
Materials & Supplies	423,600	413,000	434,900
Contract Labor & Equipment (1)	47,900	47,500	124,200
Utilities	255,887	255,000	226,594
Administrative Expenses (1)	279,904	289,000	244,339
General Operating Expenses	314,086	310,000	283,601
Engineering, Legal & Professional	94,430	90,000	88,040
Subtotal	<u>1,963,753</u>	<u>1,952,000</u>	<u>1,874,331</u>
Loan Interest Expense	128,000	128,000	102,545
Loan Principal Retirement	329,412	329,412	354,867
Debt Service	<u>457,412</u>	<u>457,412</u>	<u>457,412</u>
Construction Program	2,624,135	2,624,000	0
Capital Outlay	<u>2,624,135</u>	<u>2,624,000</u>	<u>0</u>
Total Expenditures	<u>5,045,300</u>	<u>5,033,412</u>	<u>2,331,743</u>
	(2)		(3)
Net Increase (Decrease) in Operating Fund Balances	<u>(\$62,607)</u>	<u>\$27,098</u>	<u>(\$104,723)</u>

(1) Includes assets purchased.

(2) Net of \$63,069 decrease in Operating Fund and \$462 increase in Special Projects Emergency Reserve.

(3) Net of \$104,908 decrease in Operating Fund and \$185 increase in Special Projects Emergency Reserve.

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
RECONCILIATION OF FUND ACTIVITY
2012 ANNUAL BUDGET

	<u>OPERATING FUND</u>	<u>SPECIAL PROJECTS EMERGENCY RESERVE</u>	<u>TOTAL WATER TREATMENT PLANT</u>
Beginning Balance	<u>\$417,297</u>	<u>\$185,327</u>	<u>\$602,624</u>
Service Revenue	2,226,533	0	2,226,533
Interest Earnings	302	185	487
Expenses	(1,874,331)	0	(1,874,331)
Debt Service	(457,412)	0	(457,412)
Net Activity	<u>(104,908)</u>	<u>185</u>	<u>(104,723)</u>
Ending Balance	<u><u>\$312,389</u></u>	<u><u>\$185,512</u></u>	<u><u>\$497,901</u></u>

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
REVENUES AND BILLING RATES
2012 ANNUAL BUDGET

	<u>2011 BUDGET</u>	<u>2011 PROJECTED</u>	<u>2012 BUDGET</u>
Gallons (in thousands)	2,299,000	2,375,000	2,502,900
Rate/1000 gallons	\$1.025	\$1.025	\$0.890 (1)
Revenue	<u>\$2,357,340</u>	<u>\$2,434,375</u>	<u>\$2,226,533</u>

- (1) Budget rate for 2012 assumes average daily water volume demand of 4.0 MGD for Pasadena Refinery Systems and 2.90 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
2012 ANNUAL BUDGET

INVESTMENT INCOME

Average Operating Cash and Investments	\$487,100
Average Effective Interest Rate	0.10%
Total	<u><u>\$487</u></u>

OTHER INCOME

Water Treatment Plant does not anticipate any miscellaneous income.

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
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	\$279,904	\$289,000	\$244,339
GENERAL OPERATING (Insurance)	314,086	310,000	283,601
ENGINEERING, LEGAL & PROFESSIONAL	<u>94,430</u>	<u>90,000</u>	<u>88,040</u>
Total	<u>\$688,420</u>	<u>\$689,000</u>	<u>\$615,980</u>

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
ADMINISTRATIVE EXPENSES
2012 ANNUAL BUDGET

Administrative Salaries	\$99,060 (1)
Pension Plan Contribution (11.8% of total compensation)	67,463
Payroll Taxes (7.65% of total compensation)	43,736
Furniture and Equipment: Maintenance	240 (2)
Office Lease and Utilities	23,040 (2)
Office Supplies	1,680 (2)
Travel, Meetings and Parking	960 (2)
Directors Compensation	1,800 (2)
Printing and Reproduction	360 (2)
Telephone	2,640 (2)
Vehicle: Gas & Maintenance	720 (2)
Miscellaneous	2,640 (2) (3)
	<u>\$244,339</u>

- (1) Allocated based upon payroll estimate of 12%.
- (2) Allocation based upon total payroll estimate of 12%.
- (3) Includes payroll and courier services.

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
OFFICE SALARY ALLOCATION
2012 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Accountant

Accountant

Accountant

Accountant

Accountant

Secretary

Base Office Salaries	<u>825,500</u>
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Total Office Salaries	825,500
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Office Allocation Factor (1)	<u>12%</u>
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Red Bluff Water Treatment Office Salaries	<u><u>\$99,060</u></u>
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(1) Based upon 2011 cost records.

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
GENERAL OPERATING EXPENSES
2012 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Property Insurance	\$	36,630	(1)	(5)
Property - Primary Flood		0	(2)	(5)
Texas Commercial Policy (General Liability)		20,381	(3)	(5) (7)
Public Official & Employees Liability		7,266	(3)	(4) (7)
Pension - Fidelity Bond		20	(3)	(4)
Pension - Fiduciary Responsibility		518	(3)	(4)
Medical Insurance		173,122	(3)	(6) (7)
Contract Equipment/Difference in Conditions		3,039	(3)	(5)
Boiler and Machinery		3,154	(3)	(5)
Public Official Position (Director Fidelity)		138	(3)	(4)
Automobile Insurance		8,363	(3)	(5)
Workers Compensation		15,857	(3)	(5) (7)
Dental Insurance		8,061	(3)	(5) (7)
Combined Group Life/Short Term & Long Term Disability		7,052	(3)	(5) (7)
	<u>\$</u>	<u>283,601</u>		

- (1) Allocated based upon total insurable value of 8%.
- (2) Coverage 100% specific for Trinity River.
- (3) Allocated based upon total payroll estimate of 12%.
- (4) Assumes no rate increase.
- (5) Assumes 2% annualized rate increase.
- (6) Assumes 5% annualized rate increase.
- (7) Assumes full employment.

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES
2012 ANNUAL BUDGET

Engineering Services - (M&O)	30,000 (1)
Legal Services	35,000 (3)
Accounting & Auditing	7,920 (2)
Computer Maintenance	10,320 (2)
Miscellaneous Bank Fees	4,800 (3)
	<u>\$88,040</u>

(1) Based upon specific services

(2) Allocated based upon total payroll estimate of 12%.

(3) Based upon specific and allocated services

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
SUMMARY OF FIELD EXPENDITURES
2012 ANNUAL BUDGET

<u>FIELD EXPENDITURES</u>	<u>2011 BUDGET</u>	<u>2011 PROJECTED</u>	<u>2012 BUDGET</u>
SALARIES	\$547,946	\$547,500	\$472,657
MATERIALS & SUPPLIES	423,600	413,000	434,900
CONTRACT LABOR AND EQUIPMENT	47,900	47,500	124,200
UTILITIES	255,887	255,000	226,594
Total	<u>\$1,275,333</u>	<u>\$1,263,000</u>	<u>\$1,258,351</u>

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
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>
Water Treatment Plant	<u>\$439,473</u>	<u>\$20,000</u>	<u>\$13,184</u>	<u>\$472,657</u>

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

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
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>
<u>MANAGEMENT (1)</u>				
Water Treatment Plant	<u>0.10</u>	<u>208</u>	<u>\$65.65</u>	<u>\$13,655</u>
<u>SUPERVISORY PERSONNEL (2)</u>				
Water Treatment Plant	<u>0.53</u>	<u>1,102</u>	<u>50.00</u>	<u>55,120</u>
<u>ALL OTHER PERSONNEL (3)</u>				
Water Treatment Plant	<u>6.65</u>	<u>13,832</u>	<u>26.80</u>	<u>370,698</u>
Total Base Salaries	<u>7.28</u>	<u>15,142</u>	<u>\$29.02</u>	<u>\$439,473</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
RED BLUFF WATER TREATMENT FUNDS
ANALYSIS OF MATERIALS AND SUPPLIES BY LOCATION
2012 ANNUAL BUDGET

DESCRIPTION (1)

Air Conditioning Repair Parts	\$500
Automotive / Equipment Repair Parts	1,000
Building / Grounds Maintenance	2,000
CHEMICALS:	
-- Chlorine \$464 & \$423/ton	18,000
--10% contingency	1,800
-- Lime \$165 & \$175/ton	210,000
-- Ferric Sulfate \$330/ton	138,600
-- Polymer \$85/ton	21,600
-- Misc Chemicals	1,000
Diesel Fuel (\$3.50 per gallon)	1,800
Electrical / Instrument	6,000
Gasoline (\$3.50 per gallon)	1,300
Herbicides / Insecticides	1,000
Lab Test Equip & Supplies	12,000
Mechanical, Plumbing, Valves, etc.	10,000
Miscellaneous Supplies	1,000
Office / Administrative	800
Oils and Lubricants	1,000
Power Tools, Hand Tools & Equip.	1,000
Road Base, Sand, Rock, Rip Rap, etc.	1,000
Tires & Batteries	500
Welding Equipment & Supplies	3,000
Total	<u>\$434,900</u>

(1) Water Treatment Plant is the only location.

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COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
2012 ANNUAL BUDGET

DESCRIPTION (1)

Contract Labor (Welders, Divers, Tech Spt, etc)	\$ 2,300
Major Motor Repair - Contingency	4,800
Training: Safety, RMP, Hazwop, AirPk, etc	7,000
Trucking Services	26,000
Hypochlorite Tank, Pumps & Equipment	80,000
Annual Service Contracts:	
-- Pest Control Service	400
-- Uniform Service	3,000
-- Generator Load Testing	700
Total	<u>\$ 124,200</u>

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
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>
Red Bluff Water Treatment Plant	<u>2,873,000</u>	<u>\$0.07800</u>	<u>\$224,094</u>	<u>\$2,500</u>	<u>\$226,594</u>

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

COASTAL WATER AUTHORITY
RED BLUFF WATER TREATMENT FUNDS
SPECIAL PROJECT LOAN
2012 ANNUAL BUDGET

	<u>AMOUNT (1)</u>
Loan Interest Expense	\$102,545
Loan Principal Retirement	354,867
Total Debt Service	<u><u>\$457,412</u></u>

- (1) An extensive Improvement / Rehabilitation Project for the Treatment Plant was completed in 2011 utilizing CWA's internal funds for Project costs. These costs are being recovered in the treatment rate over eight budget years.

