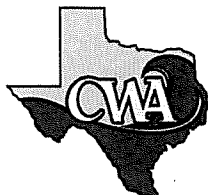


COASTAL WATER AUTHORITY
LUCE BAYOU SYSTEM PROJECT
2023 ANNUAL BUDGET



COASTAL WATER AUTHORITY

1801 Main Street, Suite 800
Houston, Texas 77002

Phone: 713-658-9020
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November 9, 2022

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

**RE: 2023 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 2023 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 design and construct a new Trinity River conveyance system in Liberty County and convey water into the City's Lake Houston Reservoir.

The CWA 2023 Proposed Budget of \$5,784,800 is an increase over the 2022 Budget of about \$786,700. This increase is to support the activities and responsibilities that CWA will encounter during 2023 as all construction phases of the Luce Bayou Project have been completed. The entire facility became fully operational during 2022. The entire Luce Bayou system is functioning and delivering water to Lake Houston. The primary reasons for the increase in the Operating Budget is the increased electricity cost associated with the increase in water demand and including the impact of an anticipated electricity rate increase in 2023. There is also a need to upgrade security throughout this system with an additional security guard station and additional security equipment.

The completed system has a pump station located next to the Trinity River, over three miles of dual 96-inch diameter pipelines and over twenty-six miles of canal leading to Lake Houston.

The proposed 2023 Budget is the product of several meetings and discussions between representatives of the City's Department of Houston Public Works and the Authority's operational and management staff members.

The Honorable Sylvester Turner, Mayor
Members of the City Council
2023 Annual Budget, Luce Bayou System Project
November 9, 2022
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 Houston Public Works for their cooperation and assistance in furthering the CWA Project as a major contributory resource for the Houston Combined Utility System. We look forward to continued efforts in planning and providing for the further growth of the City of Houston's water requirements.

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
LUCÉ BAYOU SYSTEM PROJECT
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2023 ANNUAL BUDGET

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COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 BUDGET SUMMARY
 2023 ANNUAL BUDGET

<u>APPLICATION OF FUNDS</u>	2022 BUDGET	2022 PROJECTED	2023 BUDGET
Expenditures	\$4,998,100	\$3,810,800	\$5,784,800
Capital Outlay	0	0	0
Debt Service	11,623,400	11,623,400	13,050,500
Comparative Subtotal	<u>16,621,500</u>	<u>15,434,200</u>	<u>18,835,300</u>
Total Expenditures	16,621,500	15,434,200	18,835,300
Ending Fund Balances	<u>1,249,566</u>	<u>1,249,566</u>	<u>1,446,166</u>
Total Applications	<u>17,871,066</u>	<u>16,683,766</u>	<u>20,281,466</u>
 <u>SOURCE OF FUNDS</u>			
Beginning Fund Balances	927,136	927,136	1,249,566
Investment Income	30	10,000	3,000
Subtotal Sources	<u>927,166</u>	<u>937,136</u>	<u>1,252,566</u>
Debt Service Revenue - City	11,623,400	11,623,400	13,050,500
Subtotal	<u>12,550,566</u>	<u>12,560,536</u>	<u>14,303,066</u>
System Revenue	<u>\$5,320,500</u>	<u>\$4,123,230</u>	<u>\$5,978,400</u>

COASTAL WATER AUTHORITY
LUCE BAYOU WATER SYSTEM FUNDS
FACTS AND ASSUMPTIONS
2023 ANNUAL BUDGET

FACTS

1. The 2023 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 has been reflected at minimum required balance.
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 17%.

ASSUMPTIONS

1. The 2023 budget anticipates staffing to support continuation of activities required to fulfill the obligation of the current contract with the City of Houston.
2. Staffing requirements have been completed in 2022 as different phases of the Luce Bayou Inter-Basin Transfer Project are completed and the maintenance and operation become the responsibility of the Authority.
3. Debt service increases due to the repayment agreements supported in the CWA/ City of Houston Luce Bayou Projects Contract.

COASTAL WATER AUTHORITY
LUCÉ BAYOU SYSTEM PROJECT
RECONCILIATION OF 2022 BUDGET TO 2023 BUDGET

2022 Budget
to
2023 Budget

2022 Budget

\$4,998,100

Field Salaries	(164,500)
Materials & Supplies	35,100
Contract Labor & Equipment	234,900
Utilities	561,400
Administrative Expense	20,600
General Operating Expenses (Insurance)	65,300
Engineering, Legal & Professional	<u>33,900</u>
Subtotal	<u>786,700</u>

2023 Budget

\$5,784,800

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 STATEMENT OF REVENUES AND EXPENDITURES
 2023 ANNUAL BUDGET

	2022 BUDGET	2022 PROJECTED	2023 BUDGET
REVENUES			
Funds provided by City of Houston	\$16,943,900	\$15,746,630	\$19,028,900
Interest on Investments	30	2,000	3,000
Total Revenue	<u>16,943,930</u>	<u>15,748,630</u>	<u>19,031,900</u>
EXPENDITURES			
Field Salaries	1,825,500	1,165,500	1,661,000
Materials & Supplies	213,600	360,500	248,700
Contract Labor & Equipment (1)	367,000	350,200	601,900
Utilities	1,377,000	908,700	1,938,400
Administrative Expenses	652,700	455,100	673,300
General Operating Expenses	494,100	485,200	559,400
Engineering, Legal & Professional	68,200	85,600	102,100
Subtotal	<u>4,998,100</u>	<u>3,810,800</u>	<u>5,784,800</u>
Bond Interest Expense	7,229,200	7,229,200	8,545,600
Bond Principal Retirement	4,394,200	4,394,200	4,504,900
Debt Service	<u>11,623,400</u>	<u>11,623,400</u>	<u>13,050,500</u>
Total Expenditures	<u>16,621,500</u>	<u>15,434,200</u>	<u>18,835,300</u>
	(1)	(2)	(3)
Net Increase (Decrease) in Fund Balances	<u>\$322,430</u>	<u>\$314,430</u>	<u>\$196,600</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
 2023 ANNUAL BUDGET

	OPERATING FUND
Beginning Balance	\$1,249,566
Service Revenue	19,028,900
Interest Earnings	\$3,000
Transfer - Service	\$0
Transfer - InterFund	0
Transfer - Interest	0
Expenses	(5,784,800)
Debt Service	(13,050,500)
Capital Outlay	0
Net Activity	196,600
Ending Balance	\$1,446,166

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 REVENUES AND BILLING RATES
 2023 ANNUAL BUDGET

	2022 BUDGET	2022 PROJECTED	2023 BUDGET
Gallons (in thousands)	3,650,000	25,744,900	30,295,000
Revenue			
Project Revenue	\$5,320,500	\$4,123,230	\$5,978,400
Debt Service	11,623,400	11,623,400	13,050,500
	<u>\$16,943,900</u>	<u>\$15,746,630</u>	<u>\$19,028,900</u>

COASTAL WATER AUTHORITY
LUCÉ BAYOU SYSTEM PROJECT
INVESTMENT AND OTHER INCOME
2023 ANNUAL BUDGET

INVESTMENT INCOME

Average Cash and Investments	\$150,000
Average Effective Interest Rate	2.00%
Total	<u><u>\$3,000</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
 2023 ANNUAL BUDGET

<u>GENERAL AND ADMINISTRATIVE EXPENDITURES</u>	<u>2022 BUDGET</u>	<u>2022 PROJECTED</u>	<u>2023 BUDGET</u>
ADMINISTRATIVE	\$652,700	\$455,100	\$673,300
GENERAL OPERATING (Insurance)	494,100	485,200	559,400
ENGINEERING, LEGAL & PROFESSIONAL	68,200	85,600	102,100
Total	<u>\$1,215,000</u>	<u>\$1,025,900</u>	<u>\$1,334,800</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ADMINISTRATIVE EXPENSES
 2023 ANNUAL BUDGET

Administrative Salaries	\$214,200 (1)
Pension Plan Contribution (11.8% of total compensation)	221,274
Payroll Taxes (7.65% of total compensation)	143,453
Office Lease and Utilities	54,400 (1)
Office Supplies	6,800 (1)
Travel, Meetings and Parking	4,250 (1)
Directors Compensation	5,100 (1)
Printing and Reproduction	4,250 (1)
Telephone/ Data Maintenance	6,800 (1)
Vehicle: Gas & Maintenance	2,550 (1)
Payroll / Employee Processing Services	5,100 (1)
Miscellaneous	5,100 (1)
	\$673,277

(1) Allocated based upon payroll estimate of 17%.

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 OFFICE SALARY ALLOCATION
 2023 ANNUAL BUDGET

Executive Director

Chief Financial Officer

Chief Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Senior Accountant

Executive Secretary

Financial Analyst

Base Office Salaries 1,260,000

Office Allocation Factor (1)

	17.00%
Luce Bayou Office Salaries	\$214,200

(1) Based upon payroll estimate allocation

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 GENERAL OPERATING EXPENSES
 2023 ANNUAL BUDGET

INSURANCE PREMIUM DESCRIPTION

Property Insurance	\$143,750	(1)	(5)
Texas Commercial Policy (General Liability)	\$6,256	(3)	(5)
Excess Liability	\$6,200	(8)	(5)
Public Official & Employees Liability	\$1,564	(3)	(4) (7)
Pension - Fidelity Bond	\$68	(3)	(4)
Pension - Fiduciary Responsibility	\$1,258	(3)	(5)
Medical Insurance	\$338,300	(3)	(6) (7)
Public Official Position (Director Fidelity)	\$289	(3)	(4)
Automobile Insurance	\$4,930	(3)	(5)
Workers Compensation	\$24,990	(3)	(5) (7)
Dental Insurance	\$13,260	(3)	(5) (7)
Vision Insurance	\$4,250	(3)	(5) (7)
Combined Group Life/Short & Long Term Disability	\$14,280	(3)	(5) (7)
	<u>\$559,395</u>		

- (1) Allocated to the projects based upon total insurable value of 20%
- (3) Allocated based upon total payroll estimate of 17%.
- (4) Assumes no rate increase.
- (5) Assumes 5% rate increase.
- (6) Assumes 10% rate increase.
- (7) Assumes full employment.
- (8) Coverage 100% specific for Luce Bayou

COASTAL WATER AUTHORITY
LUCÉ BAYOU SYSTEM PROJECT
ENGINEERING, LEGAL AND PROFESSIONAL EXPENSES
2023 ANNUAL BUDGET

Engineering Services	\$10,000 (1)
Legal Services	\$20,000 (3)
Accounting & Auditing	\$11,220 (2)
U.S. Geological Survey	\$28,300 (1)
Computer Support services	\$13,600 (2)
Website Development & Maintenance	\$6,800 (2)
Hardware, Software Upgrades and Maintenance	\$10,200 (2)
Miscellaneous Bank Fees	\$2,000 (3)
	<u>\$102,120</u>

(1) Based upon specific services

(2) Allocated based upon total payroll estimate of 17%.

(3) Based upon specific and allocated services

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 SUMMARY OF FIELD EXPENDITURES
 2023 ANNUAL BUDGET

<u>FIELD EXPENDITURES</u>	<u>2022 BUDGET</u>	<u>2022 PROJECTED</u>	<u>2023 BUDGET</u>
SALARIES	\$1,825,500	\$1,165,500	\$1,661,000
MATERIALS & SUPPLIES	213,600	360,500	248,700
CONTRACT LABOR AND EQUIPMENT	367,000	350,200	518,500
Subtotal	<u>367,000</u>	<u>350,200</u>	<u>601,900</u>
UTILITIES	1,377,000	908,700	1,938,400
Total	<u><u>\$3,783,100</u></u>	<u><u>\$2,784,900</u></u>	<u><u>\$4,450,000</u></u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 FIELD EXPENDITURES BY LOCATION
 2023 ANNUAL BUDGET

<u>LOCATIONS</u>	<u>FIELD SALARIES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>CONTRACT LABOR AND EQUIPMENT</u>	<u>UTILITIES</u>	<u>LOCATION TOTAL</u>
Luce Bayou	\$1,661,045	\$248,700	\$601,900	\$1,938,400	\$4,450,045
	<u>\$1,661,045</u>	<u>\$248,700</u>	<u>\$601,900</u>	<u>\$1,938,400</u>	<u>\$4,450,045</u>

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 SUMMARY OF FIELD SALARIES BY LOCATION
 2023 ANNUAL BUDGET

<u>LOCATION</u>	<u>BASE COMPENSATION</u>	<u>RETIREE PAY (1)</u>	<u>4% OVERTIME (2)</u>	<u>TOTAL</u>
Luce Bayou Project	\$1,597,159	\$0	\$63,886	\$1,661,045
	<u>\$1,597,159</u>	<u>\$0</u>	<u>\$63,886</u>	<u>\$1,661,045</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
 2023 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	1.01	2,101	\$74.00	\$155,459
Subtotal	1.01	2,101	74.00	155,459
<u>SUPERVISORY PERSONNEL (2)</u>				
Luce Bayou Project	0.70	1,456	65.00	94,640
Subtotal	0.70	1,456	65.00	94,640
<u>ALL OTHER PERSONNEL (3)</u>				
Luce Bayou Project	19.63	40,820	33.00	1,347,060
Subtotal	19.63	40,820	33.00	1,347,060
Total Base Salaries	21.34	44,377	\$35.99	\$1,597,159

- (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
 2023 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LUCE BAYOU PUMPING STATION

Air Conditioning Repair Parts	\$2,600
Automotive / Equip Repair Parts	\$2,000
Building / Grounds Maintenance	500
Electrical / Instrument	3,000
Herbicides/ Insecticides	5,000
Mechanical, Plumbing, Valves, etc.	1,400
Miscellaneous Supplies	1,000
Office / Administrative	12,000
Oils and Lubricants	2,000
Power Tools, Hand Tools & Equip.	1,500
Access Control Devices	20,000
Personal Protective Equipment	10,000
	<u>\$61,000</u>

LUCE BAYOU MAINTENANCE STATION

Air Conditioning Repair Parts	\$1,500
Automotive / Equip Repair Parts	\$12,000
Building / Grounds Maintenance	1,000
Diesel Fuel	51,200
Electrical / Instrument	2,000
Gasoline	30,500
Herbicides/ Insecticides	7,000
Mechanical, Plumbing, Valves, etc.	2,000
Miscellaneous Supplies	2,000
Office / Administrative	6,000
Oils and Lubricants	4,500
Power Tools, Hand Tools & Equip.	4,000
Tires & Batteries	8,000
Welding Equip & Supplies	2,000
Personal Protective Equipment	10,000
	<u>\$143,700</u>

LUCE BAYOU CANAL

Automotive / Equip Repair Parts	\$2,000
Building / Grounds Maintenance	500
Canal Check & Gate Maint.	3,000
Electrical / Instrument	1,000
Herbicides/ Insecticides	10,000
Miscellaneous Supplies	1,000
Oils and Lubricants	500
Power Tools, Hand Tools & Equip.	1,000
Road Base, Sand, Rock, Rip Rap, etc	25,000
	<u>\$44,000</u>

Total	<u>\$248,700</u>
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COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ANALYSIS OF CONTRACT LABOR AND EQUIPMENT BY LOCATION
 2023 ANNUAL BUDGET

LOCATION AND DESCRIPTION

LUCE BAYOU PUMPING STATION

Security: Contract Guards	180,000
Contract Labor (Welders, Divers, Tech Spt, Etc)	2,000
Security & Safety Training (1st Aid, CPR, AED, Etc.)	40,000
Training: Safety, RMP, Hazwop, Dam, AirPk, Etc.	500
Training: USACE Dam Safety CSE	2,000
Annual Service Contracts:	
Janitorial Service	6,500
Pest Control Service	700
Substation, Relay Testing	4,000
Uniform Service	2,500
Asset Management Software Upgrade	1,300
Purchase Equipment:	
Security Camera Purchase and Installation	72,400
Emergency Radios (APX 6000)	5,000
	<u>316,900</u>

LUCE BAYOU MAINTENANCE STATION

Security: Contract Guards	180,000
Contract Labor (Welders, Divers, Tech Spt, Etc)	2,000
Security & Safety Training (1st Aid, CPR, AED, Etc.)	40,000
Training: USACE Dam Safety CSE	2,000
Annual Service Contracts:	
Crane/Hoist Test/Certification	400
Janitorial Service	6,500
Pest Control Service	1,000
Uniform Service	5,500
Generator Load Testing	1,000
Asset Management Software Upgrade	1,000
Purchase Equipment:	
GPS Asset Tracker Units/Annual Service Fee	1,000
	<u>240,400</u>

LUCE BAYOU CANAL

Security: Fencing Repairs/Replacement	10,000
USGS - Water Level Meter	28,300
Asset Management Software Upgrade	1,300
Purchase Equipment:	
Emergency Radios (APX 6000)	5,000
	<u>44,600</u>

Total	<u>\$601,900</u>
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COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 ANALYSIS OF UTILITIES BY LOCATION
 2023 ANNUAL BUDGET

ELECTRICITY					
LOCATION	KW HOURS	AVG. RATE PER HOUR	AMOUNT	ALL OTHER (1)	TOTAL
Luce Bayou	16,300,000	\$0.1180	\$1,923,400	\$15,000	\$1,938,400
	<u>16,300,000</u>	<u>\$0.1180</u>	<u>\$1,923,400</u>	<u>\$15,000</u>	<u>\$1,938,400</u>

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

COASTAL WATER AUTHORITY
 LUCE BAYOU SYSTEM PROJECT
 DEBT SERVICE
 2023 ANNUAL BUDGET

	AMOUNT (1)	AMOUNT (2)	AMOUNT (3)	AMOUNT (4)	AMOUNT (5)	AMOUNT (6)	AMOUNT (7)	AMOUNT (8)	TOTAL
Bond/loan Interest Expense	582,893	\$489,632	\$99,700	\$1,334,753	\$1,672,425	\$2,736,425	\$1,100,956	\$528,761	\$8,545,544
Bond/loan Principal Retirement	669,913	2,750,000	440,000	0	0	0	0	645,000	\$4,504,913
Total Debt Service	<u>1,252,806</u>	<u>\$3,239,632</u>	<u>\$539,700</u>	<u>\$1,334,753</u>	<u>\$1,672,425</u>	<u>\$2,736,425</u>	<u>\$1,100,956</u>	<u>\$1,173,761</u>	<u>\$13,050,457</u>

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