

San Jacinto River Authority



Conroe, Texas

PROPOSED OPERATING BUDGETS

FOR FISCAL YEAR ENDED AUGUST 31, 2013

Presented to Board of Directors

August 23, 2012

**SAN JACINTO RIVER AUTHORITY
PROPOSED OPERATING BUDGETS
FOR FISCAL YEAR ENDED AUGUST 31, 2013**

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**San Jacinto River Authority
Operating Budgets Summary
For Proposed Budgets
For the Fiscal Year Ending August 31, 2013**

The Texas Water Code Section 49.057 (b) requires the Board of Directors to adopt an annual operating budget. The proposed operating and capital improvement budgets for fiscal year 2013 (FY 2013) for the Woodlands Division, Groundwater Reduction Plan (GRP) Division, Highlands Division, Lake Conroe Division, Bear Branch Reservoir System, Region H Water Planning Group, and the General and Administration Division are presented in this report.

Two water rate studies were conducted during FY 2012. These rate studies have provided financial guidance for funding SJRA operations, maintenance, administration, and capital programs over a five-year planning period. The FY 2013 Operating Budgets incorporate revenues and expenses in line with the rate studies.

The Raw Water Rate Study proposed the reporting concept of a Raw Water Enterprise which combines the water operations of the Lake Conroe Division, Highlands Division and the revenues and expenses associated with SJRA water rights. The proposed FY 2013 Budget includes schedules which will facilitate reporting the results of the Raw Water Enterprise starting in FY 2013.

This report includes a high level summary of the proposed operating budgets. A Budget Notes section details the budgeted revenues and expenses for each division. Many detailed division and department schedules, worksheets, notes and other documentation support the summary budget presented here and are included as elements of the approved budgets by reference.

All the summary and detail schedules within this report are presented using the cash basis of accounting.

Major assumptions for budgeted wages, salaries and employee benefits are stated below:

- Salaries and wages were budgeted with a combined 5% allowance for promotions, market equalizations and performance based salary increases.
- Staff continues to develop a long term strategic plan to improve the overall health of SJRA employees and limit health insurance costs to SJRA. Staff continues to look at other options to be considered in the strategic plan for future years including self-insurance, Medical Savings Accounts, reducing benefits and/or increased contribution by employees for health insurance coverage. The proposed budget includes an increase of 5% in group health insurance rates.
- Group retirement expenses were budgeted at a rate of 13.4% of payroll. This is the same conservative rate that SJRA used in the FY 2012 budget.

Woodlands Division

The Woodlands Division Operating budget was been incorporated into the budget report this year. The Woodlands Division provides wholesale water supply and wastewater

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treatment services to 12 municipal utility districts (MUDs) in southern Montgomery County, Texas. Eleven of these Woodlands MUD's have joined the Woodlands Joint Powers Agency (WJPA) which provides operations, maintenance, and administration services to its members. According to the terms of the contracts between the SJRA and the Woodland's MUD's, a majority of the members of the WJPA must vote to approve any increase in water and/or wastewater treatment rates proposed by SJRA's Woodlands Division.

Woodlands staff has recognized the need to procure significant funding in order to make repairs and rehabilitate an aging infrastructure owned and maintained by the SJRA Woodlands Division. Bond financing was originally proposed as a means of acquiring funding for the repairs and rehabilitation. Bond financing is not an acceptable option for several Woodlands MUD's. After much discussion and input from Woodlands MUD directors, a plan was developed which utilizes cash on hand to fund some repairs and rehabilitation while deferring other repairs and rehabilitation until a full evaluation of the condition of the sanitary sewer system is completed.

The proposed FY 2013 water rate is \$1.74 per 1,000 gallons, which is an increase of \$0.34 from the FY 2012 rate of \$1.30. The proposed FY 2013 rate for wastewater treatment is \$3.64 per 1,000 gallons, which is an increase of \$0.33 from the FY 2012 rate of \$3.31. If approved by the Trustees of the WJPA, the rate increases would become effective in FY 2013.

Budgeted revenues total \$23,500,396 for water supply and wastewater treatment services.

In addition, budgeted revenues from the pass through of GRP pumpage fees of \$1.25 per 1,000 gallons total \$8,064,888.

Budgeted O&M expenses total \$25,773,020 and the capital improvements budget is \$6,827,406.

An additional \$200,000 will be transferred to the Contingency Fund.

Since budgeted disbursements exceed revenues, \$1,235,142 from FY 2012 operating balances will be utilized to fund FY 2013 operations.

Groundwater Reduction Plan Division

The Lone Star Groundwater Conservation District (LSGCD) issued its DRP Phase IIB proposed rules on August 20, 2009. These rules will require large volume groundwater users in Montgomery County to reduce the amount of groundwater pumped by 30% by 2016. Since the SJRA holds permits issued by the LSGCD to pump groundwater from its wells in The Woodlands, the SJRA is moving forward with a program to reduce its

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groundwater usage and offer other permittees within the county the opportunity to join the SJRA's Groundwater Reduction Program.

During FY 2010, the Board of Directors established the Groundwater Reduction Plan (GRP) Division as a separate operating division of the Authority. Following the recommendations in the GRP Pumpage Rate Study, the Board approved an increase in the pumpage fee to \$1.25 per 1,000 gallons effective in FY 2013 from the current rate of \$0.75 per 1,000 gallons. The GRP Division now has a stable source of revenue from GRP pumpage fees budgeted as \$21,997,181 for FY 2013. GRP pumpage fees are supplemented by \$2,369,785 in interest revenue.

Funding sources presently applied towards the GRP Program CIP budget include the TWDB's Water Infrastructure Fund (WIF; \$21,500,000.00 [gross]; \$21,029,662.92 [net]); the sale of open market Special Project Revenue Bonds, Series 2011 (\$83,430,358.49 [gross]; \$73,522,352.58 [net]); TWDB "D" Funds, Series 2011A (\$67,470,000.00 [gross]; \$61,552,571.67 [net]); and Series 2012 (\$175,000,000.00 [gross]; \$161,160,450.87 [net]). Approved funding to-date represents approximately 63.5% of the \$500,000,000.00 planning budget.

Bond financing currently estimated at \$215,000,000 for the final phase of the GRP Program will be obtained during FY 2013. The TWDB Board approved up to \$230,530,000 in bonds for the program at its June 21, 2012, meeting. The SJRA will apply for a maximum of \$50,000,000 from available TWDB WIF funds. If the TWDB approves, these funds will have interest rates lower than the interest rates that could be obtained from the TWDB D Fund and would reduce the amount needed in D fund bonds.

The bonds described above will provide \$154,634,247 to fund the GRP Program capital improvements during FY 2013.

Budgeted operating expenses total \$8,297,743 including \$1,943,463 in reservation fees. Bond Interest is \$17,540,882 and deposits to debt service reserve funds total \$28,949,722. Most of the interest due on the bonds and deposits to the debt service reserve funds will come from bond proceeds.

An operating reserve fund for the GRP Division will be considered by the Board in August, 2012.

Capital Improvements total \$154,634,247 financed by bond proceeds. Equipment and other capital asset purchases total \$237,748. Debt service disbursements total \$46,490,604 with \$42,268,981 provided from bond proceeds.

In summary, the budget results in a net cash increase of \$11,609,852 which will be added to an operating reserve fund.

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Highlands Division

The Highlands Division is in need of a productive and reliable raw water delivery system. This system is critical to the SJRA's industrial, municipal and agricultural customers in the Highlands. As noted in the Highlands Facility Assessment completed in January 2009, key facilities within the delivery system are beyond their service life and are in need of repair and/or replacement. Critical facility repairs were planned for implementation beginning in FY 2010. Late in FY 2010, the SJRA sold \$25,380,000 in water revenue bonds to finance eligible projects of the Highlands Improvements program.

Additional facility repairs were identified during the planning for the Raw Water Rate Study in FY 2012. The total repairs for the five-year period from FY 2013 through FY 2017 totaled \$29,268,000. Additional bond financing will be proposed during FY 2013 to fund \$6,000,000 of this program. Debt service on the bonds is \$2,072,864 in the FY 2013 budget. \$15,043,000 of the bond proceeds will be used in FY 2013 to fund Capital Improvements.

Budgeted expenses of the Highlands Division total \$2,777,651 excluding bond interest.

Due to the FY 2013 increase in capital improvements, reserve funds should be increased by \$752,150.

Lake Conroe Division

The Lake Conroe Division is separated into four departments – Operations and Maintenance, Water Quality, Licensing, and Invasive Species Management. These separate departments were developed in an effort to monitor the expenses associated with each of these individual operations within the Lake Division along with any revenues that may be generated from users and/or recipients of services associated with these operations. It is anticipated that over time the data generated from these separate departments will assist the SJRA in verifying the appropriate fees that should be assessed to the users and/or recipients of services.

Based on an analysis of the amounts needed to effectively manage and cover the costs of the Lake Conroe licenses, fees, and permits, staff proposed a fee increase to the Board during FY 2010. The Board approved the increases which were phased in with renewals and effective for new licenses and permits beginning September 1, 2010. No increase in Lake Conroe licenses, fees, and permits is proposed in the FY 2013 Budget.

Budgeted operating revenues from all Lake Conroe Division sources total \$2,635,165. Total expenses are \$3,511,174 and Capital Improvements total \$486,667. The major capital

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improvement for this division during FY 2013 will be the rehabilitation of the main gates on the dam. This project will be started in FY 2013 and completed in FY 2014.

Due mostly to the increase in FY 2013 capital improvements budget, reserve funds should be increased by \$68,996.

Raw Water Enterprise

Operating revenues of the Raw Water Enterprise are derived from raw water sales from the SJRA's entire system. The Board approved a 9% increase in the system-wide raw water rate. The rate at the start of the fiscal year is \$0.29 per 1,000 gallons (\$94.50 per acre foot) which increases to \$0.3161 per 1,000 gallons (\$103.00 per acre foot) effective January 1, 2013.

The FY 2013 budget for raw water sales is \$9,254,263, which includes \$618,552 for the reservation fee from the GRP Division. The total of all revenues attributed to the Raw Water Enterprise is \$12,010,428.

Total operating expenses for the combination of the Highlands and Lake Conroe is \$6,288,825. The budget for capital improvements financed by bond proceeds is \$15,043,000. Debt service related to water rights and Highlands improvements totals \$3,938,904. Cash-financed Lake Conroe improvements and routine capital purchases total \$659,224.

Bear Branch Reservoir System

The operations and administrative expenses for Bear Branch are funded by participating Woodlands Municipal Utility Districts (MUD) based on the number of lots within each district compared to the total lots in The Woodlands for which storm water detention is provided by the Bear Branch system.

Based on the scope of services proposed by staff for maintenance of the Bear Branch system, \$565,638 would be utilized from the participating Woodlands MUD's current cash balances for program expenses in FY 2013. An additional \$60,000 MUD contributions will be required in order to maintain a minimum two-month operating reserve.

Of the \$316,276 operating expense budget, \$194,000 is for maintenance, repairs, and parts. The budget includes three seasonal mowings of the maintained area. \$250,000 will be requested for Capital Improvements to the system.

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General and Administration Division

Budgeted net G&A operating expenses total \$1,127,959 after allocations to operating divisions. Expenses to support G&A staff which is allocated to operating division's totals \$2,698,158.

The budget for enhancing Water Rights and purchasing G&A capital assets is \$364,640.

\$457,143 will be required to make G&A building loan payments.

Region H Water Planning Group

Operating Revenue from a TWDB Grant for Region H specific studies totals \$427,960.

Operating Expenses budgeted for engineering fees are 100% funded by TWDB grant funds. Some minor expenses that are not covered by TWDB grant funds are paid for out of the Region H Planning Group's local contribution account.

In summary, the TWDB provides all funding to support Region H activities except for some SJRA administration expenses, which are covered by the Region H Local Contribution Account.

San Jacinto River Authority
Budget Summary By Funding Source
Proposed FY 2013 Budget
Cash Basis

	Highlands & Lake				
	Raw Water Enterprise + G&A	Woodlands Division	GRP Division	Bear Branch	Region H
Revenues					
Operating Revenues	\$ 11,956,567	\$ 23,500,396	\$ 21,997,181		
Other Revenues	199,692	8,064,888	2,369,785	60,637	427,960
Total Revenues	12,156,259	31,565,284	24,366,966	60,637	427,960
Operating Expenses					
Salaries & Wages	2,771,334	4,472,856	2,940,969	44,828	
Professional Fees	1,053,545	568,760	344,000	23,000	421,700
Purchased & Contracted Services	880,805	10,530,082	236,750		1,800
Supplies, Material & Utilities	2,258,357	3,084,889	2,530,168	10,202	3,100
Rentals	275,070	64,100	12,000		
Maintenance, Repairs & Parts	555,823	4,574,615	3,360	194,000	
Employee Benefits	1,233,319	1,852,230	1,106,177	15,510	1,360
General & Administration Expenses	(1,877,796)	625,488	1,124,319	28,736	
Building Loan Interest	266,327				
Total Operating Expenses	7,416,784	25,773,020	8,297,743	316,276	427,960
Capital Assets					
Capital Improvements	15,529,667	4,813,400	154,634,247	250,000	
Equipment & Other Assets	527,197	2,014,006	237,748		
Water Rights	10,000				
Total Capital Assets	16,066,864	6,827,406	154,871,996	250,000	
Other Cash Uses					
Bond Principal	1,715,000		-		
Interest Payments	1,994,924		17,540,882		
Debt Service Reserve Fund	228,980		28,949,722		
Loan Principal	190,816		-		
Total Other Cash Uses	4,129,720		46,490,604		
Other Cash Sources					
Bond Program Proceeds	15,043,000		154,634,247		
Bond Debt Service Proceeds			42,268,981		
Total Other Cash Sources	15,043,000		196,903,228	-	
To Operating/Contingency Reserve Fund		200,000	11,609,852		
From Excess Operations Balance	(1,235,255)	(1,235,142)		(565,639)	
Reserve Fund Requirements	821,146		-	60,000	
Net Unreserved Cash Increase (Decrease)	\$0	\$0	\$0	\$0	\$0

**San Jacinto River Authority
Woodlands Division
Proposed FY 2013 Budget
Cash Basis**

	Proposed FY 2013 Budget	FY 2012 Budget	Actual FYTD as of 7/31/12
Revenues			
Operating Revenues	\$ 23,500,396	\$ 19,534,564	\$ 19,139,443
Other Revenues	8,064,888	4,697,993	4,410,055
Total Revenues	31,565,284	24,232,557	23,549,498
Operating Expenses			
Salaries & Wages	4,472,856	4,086,722	3,104,183
Professional Fees	568,760	591,191	326,274
Purchased & Contracted Services	10,530,082	7,503,627	5,769,049
Supplies, Material & Utilities	3,084,889	3,504,043	3,549,774
Rentals	64,100	63,098	50,899
Maintenance, Repairs & Parts	4,574,615	3,945,332	2,607,097
Employee Benefits	1,852,230	1,963,486	1,239,118
General & Administration Expenses	625,488	599,021	505,929
Total Operating Expenses	25,773,020	22,256,520	17,152,323
Capital Assets			
Capital Improvements	4,813,400	2,891,012	2,100,690
Equipment & Other Assets	2,014,006		95,853
Total Capital Assets	6,827,406	2,891,012	2,196,543
Other Cash Uses			
Contingency Fund	200,000	100,000	100,000
Total Other Cash Uses	200,000	100,000	100,000
Other Cash Sources			
Interest Income			
Total Other Cash Sources	0	0	
From Operating Reserve Fund	(1,235,142)	0	
Net Unreserved Cash Increase (Decrease)	\$ -	\$ (1,014,975)	\$ 4,100,632

San Jacinto River Authority The Woodlands Division



FISCAL YEAR 2013 OPERATING FUND BUDGET EXECUTIVE SUMMARY

Tuesday, August 7, 2012

To Woodlands Joint Powers Agency Trustees and MUD Directors, and Harris-Montgomery Counties MUD No. 386 Directors:

General

The following summarizes the proposed FY 2013 SJRA Woodlands Division Operating Budget for your consideration. The Woodlands has been in a growth mode for nearly forty years, where the primary focus was construction of water and wastewater system infrastructure to support development. During this period, The Woodlands Division has consistently assessed and rehabilitated a portion of the wastewater conveyance system annually, although the actual age of materials was less than the theoretical life span. Recent findings associated with scientific evaluations, as well as knowledge gained through the use of technological advancements to evaluate data, reveal the need to engage in a more aggressive approach related to assessing, rehabilitating, and repairing aging infrastructure, particularly wastewater conveyance and treatment infrastructure, in upcoming years. Therefore, the proposed FY 2013 Operating Fund Budget (Budget) includes significant costs associated with assessing, repairing, and replacing infrastructure in The Woodlands.

Rates

- **Possible Rates without Special Funding:**

Contractually, the Authority is required to fund all operation and maintenance (O&M) through wholesale rates. Funding high priority major maintenance, rehabilitation and replacement in FY 2013 through wholesale rates would increase the current wholesale water rate from \$1.40/1,000 gal. to \$1.74/1,000 gal. (a 24.29% increase), and the current wholesale wastewater rate from \$3.31/1,000 gal. to \$4.54/1,000 gal. (a 37.16% increase).

- **Possible Rates with Special Funding:**

During recent months, the Authority engaged in several discussions with the MUDs concerning special funding associated with major maintenance, rehabilitation and replacement in lieu of drastic rate increases. After working with RBC Capital Markets to evaluate several funding alternatives, and based on feedback from the MUDs, the Authority concluded that the most viable funding alternative involved special funding of only wastewater system long-life (> 25 yr. life-span) major maintenance, rehabilitation and replacement categories identified in the Five-Year Capital Improvement Plan (5-Yr. CIP) dated July 12, 2012. Long-life categories in the 5-Yr. CIP are "Long-Life Ordinary O&M", "Inflow/Infiltration Related", and "Emergency Power/System Reliability". Special funding of water system major maintenance, rehabilitation and replacement was not a viable alternative because, overall, an evaluation of potential rates associated with a 25-Year Bond (based on several assumptions) did not reveal a significant reduction in rate. The Draft FY 2013 Budget presentation on July 12, 2012 included the following bond financing assumptions related to the wastewater system:

1. a \$15,450,000 bond issue in 2013 to fund FY 2013 – FY 2015 wastewater system projects identified in the 5-Yr. CIP dated July 12, 2012, and
2. a \$10,040,000 bond issue in 2016 to fund the remaining FY 2016 – FY 2017 wastewater system projects in the 5-Yr. CIP.

Funding high priority major maintenance, rehabilitation and replacement in FY 2013 using the financing mechanism proposed above would result in a wholesale wastewater rate of \$3.87/1,000 gallons.

- **Proposed Rates:**

The Authority recognizes the potentially adverse effects of a drastic wholesale wastewater rate increase to \$4.54/1,000 gallons on the MUDs and their customers without special funding and without deferring of projects. However, based on feedback from some MUD Directors during several discussions, the Authority has no reason to believe that unanimous support exists for special funding, as required by our operating agreements. Therefore, special funding is not proposed in the FY 2013 Budget.

Instead, the Authority recommends a Budget that neither imposes drastic rate increases nor requires issuance of long-term debt. The FY 2013 Budget proposes relatively modest rate increases contingent upon the MUDs authorizing the Authority to utilize \$1,235,142 of projected excess operating funds to pay for major maintenance, rehabilitation and replacement in FY 2013, in lieu of refunding a projected total of \$4,373,676 in excess operating reserves to the MUDs. Use of \$1,235,142 in excess operating funds to pay for major maintenance, rehabilitation and replacement in FY 2013 would potentially result in a \$3,138,534 refund to the MUDs after the Authority’s audit, in February 2013.

The Authority proposes to utilize the \$1,235,142 in excess operating funds to pay for long-life water and wastewater system major maintenance projects identified in the attached updated 5-Yr. CIP (Exhibit “D”). Proposed FY 2013 rates are contingent upon utilizing the excess operating funds in addition to deferring Automation/SCADA wastewater system projects totaling \$1,524,500 to FY 2014. Proposed rates based on the above conditions are presented below, in Table 1.

Table 1

	Current FY 2012 Rate	Proposed FY 2013 Increase	Proposed FY 2013 Rate	Proposed % Increase
Water (\$/1,000 gal.)	\$1.40	\$0.34	\$1.74	24.29%
Wastewater (\$/1,000 gal.)	\$3.31	\$0.33	\$3.64	9.97%

Should WJPA Trustees approve of the Authority utilizing excess operating funds and the proposed rates, the Authority will closely monitor project costs, expenses, and revenues to ensure a two-month minimum operating reserve is maintained. The Authority will make reasonable adjustments to project schedules, prior to letting construction, in order to accommodate foreseeable changes in cash flow. Should extraordinary circumstances arise that result in the need for additional cash from the MUDs, the Authority will implement Item 4 of its "FY 2013 Budget Guidance Criteria", shown below. The Authority will manage any additional excess operating reserves that may be realized after the audit in accordance to the established criteria.

Item 4 of "Budget Guidance Criteria"

If the balance of the operating reserve is less than two (2) months during any point of a fiscal year, the SJRA will notify the Woodlands MUDs of the current deficit and any projected deficit for the remainder of the fiscal year and request contributions from the MUDs to eliminate the current, and any projected, deficit. Within 60 calendar days of the written request, each MUD shall pay its requested contribution to the SJRA.

- **Water Rate:**

Approximately \$0.09 of the \$1.74/1,000 gallons wholesale water rate is associated with the Woodlands Division/WJPA MUD method of billing GRP Fees to customer districts based on their metered water volumes – without adjustments by the MUDs. The Woodlands Division must pay GRP Fees based on the volume of water pumped at all well sites. The \$568,360 (7%) difference between projected pumped and metered water volumes is a budgeted expense.

- **Wastewater Rate:**

The FY 2013 Budget estimates that 53% of water used will be discharged to the wastewater conveyance system. The estimate is based on a comparison of five years of historical wastewater treatment plant discharge data to billing data.

Revenues, Operating Reserves, and Cash Flow

- The proposed FY 2013 Budget utilizes preliminary financial statements through June 2012. Metered water volumes and revenues are projected for July 2012 through August 2012. Metered water volume projections are based on five year historical volumes during each corresponding month for the period of FY 2006 - FY 2010, with exception of Harris-Montgomery County MUD 386 (MUD 386). A two year average was utilized for MUD 386 due to limited historical data. Fiscal Year 2011 was not considered in the evaluation of historical data because it was a drought year.
- Contractual agreements with the MUDs include provisions for The Woodlands Division to maintain a two-month minimum operating reserve. Proposed rates are projected to support a two month minimum operating reserve throughout the entire fiscal year.

- The attached “FY 2013 – FY 2017 Cash Flow Analysis” Chart (Exhibit “C”) shows a beginning cash balance of \$7,027,223. This amount was adjusted downward from a total cash balance of \$11,400,899 to account for a liability of \$3,138,534 due to a potential refund to the MUDs and to account for the proposed use of \$1,235,142 to fund major maintenance, rehabilitation and replacement in FY 2013. No increase in Lone Star Groundwater Conservation District fees is projected in the Cash Flow Analysis.

GRP Fee

- The FY 2013 GRP Fee will increase in September 2012 (for water pumped during September 2012) from \$0.75/1,000 gallons to \$1.25/1,000 gallons (a 66.67% increase). The FY 2013 estimated fee is \$8,064,888 (a 71.67% increase compared to the FY 2012 budgeted fee). The FY 2013 fee is based on 6,263,991,000 gallons of water pumped in 2010 plus a three percent increase for population growth between December 2010 and December 2011. The fee is not based on water pumped in 2011 because it was a drought year during which 8,038,949,000 gallons were pumped.

Lone Star Groundwater Conservation District Fee

- The FY 2013 Budget includes a Lone Star Groundwater Conservation District Fee of \$398,537 based on a rate of \$0.06/1,000 gallons.

Contingency Fund Management

- As of June 30, 2012 the Contingency Fund balance was \$1,343,510. The Woodlands Division made a contribution of \$100,000 from cash to the Contingency Fund in FY 2012. A \$200,000 contribution is budgeted in FY 2013. Currently, the projected ending balance in the Contingency Fund at the end of FY 2015 is \$2,300,000 based on additional contributions to the fund in FY 2014 and FY 2015 that increase annually by \$100,000 and no withdrawals. The Authority’s “FY 2013 Budget Guidance Criteria” requires a minimum Contingency Fund balance of \$2,000,000 in FY 2016. It also includes a plan to restore the Contingency Fund in the event of a withdrawal.

5-Year Cash Flow Analysis

- A FY 2013 – FY 2017 Cash Flow Analysis is shown in Exhibit “C”. The proposed FY 2013 rates do not support current projections of O&M expenses in FY 2014 – FY 2017. The analysis for FY 2014 – FY 2017 assumes relatively consistent routine operating expenses. Capital expenses in FY 2014 – FY 2017 are projected in consideration of expenses in the 5-Yr. CIP. No increase in Lone Star Groundwater Conservation District fees is projected in the Cash Flow Analysis.
- Underground wastewater infrastructure rehabilitation/replacement costs are expected to increase significantly above expenses in the current Cash Flow Analysis, pending results of a system-wide Sanitary Sewer Evaluation Study (SSES) proposed for FY 2013. A recently received updated

Wastewater Conveyance Capacity/Condition Assessment (Assessment) Report estimates that \$8,000,000 will be required to rehabilitate approximately 2 miles of a 54-inch and 48-inch gravity sanitary sewer adjacent to Bear Branch utilizing a cured-in-place pipe (CIPP) method of rehabilitation (these costs were not available during the “Major Maintenance Rehabilitation and Replacement” presentation in May 2012). The Assessment included the use of advanced technology to televise the gravity sewer because it was not accessible for conventional closed-circuit televising (CCTV) typically employed during annual inspections. While this cost estimate is preliminary and The Woodlands Technical Services Group is exploring other possible rehabilitation techniques and costs, the preliminary estimate supports the Authority’s opinion that major maintenance, rehabilitation and replacement expenses will increase significantly after a SSES is complete.

- During the beginning of 2013, the Authority’s customer districts must consider funding source(s) for major maintenance, rehabilitation and replacement in FY 2014 – FY 2018. An updated 5-Yr. CIP for FY 2014 – FY 2018 will be provided to the MUDs in late spring 2013.

Woodlands Division Investment Funds

- The Authority invests funds, outside of checking accounts, in Texpool. RBC Public Fund Services manages the Contingency Fund and the Operating Fund.

Budget Highlights

1. Labor

- The proposed Budget includes 67.46 full time equivalents (FTEs). This total consists of 40.5 FTEs in The Woodlands and 26.96 FTEs in SJRA General and Administration (G&A) Division. The total FTEs for the SCADA/I&C Group were reduced by 0.85 FTE after the July 12, 2012 Mega Budget Meeting in conjunction with deferring \$1,524,500 of Automation/SCADA projects to FY 2014.
- The FY 2012 Budget presented a total of 66.78 FTEs, which consisted of 52.25 FTEs in The Woodlands and 14.53 FTEs in G&A. The FY 2013 Budget includes a net increase of 0.68 FTEs.
- The G&A Division provides services to The Woodlands Division in the following areas: information technology, accounting, administrative, purchasing, human resources, risk management, technical services, SCADA/I&C, public relations, and management support.
- Ten (10) Technical Services FTEs will transfer to G&A Technical Services in FY 2013, but the employees will continue to office in The Woodlands. The FY 2013 Budget includes a total of 11.4 Technical Services FTEs.
- The FY 2013 Budget includes an aggregated total 5% allowance for payroll market adjustments, merit increases, and promotions, compared to a 4% allowance in the FY 2012 Budget. Payroll costs

- in FY 2013 are more than budgeted in FY 2012. FY 2013 costs are 36% greater than the projected FY 2012 ending balance primarily as a result of plans to fill several positions that were vacant in FY 2012.
- The FY 2013 Budget for health insurance is less than budgeted in FY 2012 and 33% greater than the projected FY 2012 ending balance. Final insurance renewal costs are not known at this time. Renewal costs and budget constraints are analyzed to determine what percentage of health insurance costs will be passed on to employees.
- Retirement costs in FY 2013 are greater than budgeted in FY 2012. FY 2013 costs are 62% greater than the projected FY 2012 estimated year-end balance because the FY 2013 Budget includes retirement costs for vacancies that were not filled in FY 2012 but are planned to be filled in FY 2013.
- Overall, labor costs in FY 2013 are greater than budgeted in FY 2012 and 37% greater than the FY 2012 estimated ending balance.

2. Power

- The FY 2013 Budget includes a conservative estimate for electrical costs, which is 5% greater than the projected FY 2012 ending balance. Potential changes associated with Entergy's rates will not be known until the latter part of the summer.

3. Maintenance

Non-Capital:

- The FY 2013 Budget includes \$2,958,533 of water system non-capital major maintenance associated with water well rehabilitations and \$605,250 related to an array of wastewater system non-capital major maintenance, rehabilitation, and replacement projects. Water system costs are associated with six water well rehabilitations and two water well lowerings. Five of the six water well rehabilitations were included in the 5-Yr. CIP at a total cost of \$2,454,100. The sixth rehabilitation, for Water Well 13, was initially planned in FY 2012. Rehabilitation of Water Well 13 is being carried over into FY 2013 because it cannot be removed from service until the fall due to water demand. The contracted amount to rehabilitate Water Well 13 is \$504,433. Wastewater system costs include various types of expenses. The largest expenses are \$290,250 related to sanitary sewer rehabilitation as a result of the SSES that is planned for FY 2013, and \$100,000 related to potential replacement of backfill along a gravity sewer north-west of Dunlin Meadow and E. Panther Creek. While water well rehabilitation and sanitary sewer rehabilitation are not capitalized in the FY 2013 Budget, they are included in the list of capital projects in the 5-Yr. CIP (Exhibit "D"), with exception of Water Well 13 that is being carried over from FY 2012 to FY 2013.

Capital:

- Capital expenditures associated with operation and maintenance (O&M) in the water system total \$924,120; and capital expenditures associated with O&M in the wastewater system total \$5,870,490. The majority of these costs are for projects in the 5-Yr. CIP. Also, a total of \$32,796 is budgeted for workspace partitions, cubicle furniture, and a utility vehicle. While water well rehabilitation and sanitary sewer rehabilitation are not capitalized in the FY 2013 Budget, they are included in the list of capital projects in the 5-Yr. CIP (Exhibit "D"), with exception of Water Well 13 that is being carried over from FY 2012 to FY 2013.

4. Chemicals

- Chemical use currently consists primarily of chlorine for disinfection of effluent and the water supply, calcium hypochlorite and sodium hypochlorite for cleaning and super-chlorinating at wastewater treatment plants, sulfur dioxide for effluent dechlorination, and polymer for sludge conditioning. Wastewater Treatment Plant No. 2 (WWTP No. 2) utilizes ultraviolet light for disinfection of the effluent in lieu of chemical disinfection.
- Overall, chemical costs in FY 2013 are less than budgeted in FY 2012 and 1% less than the projected FY 2012 ending balance.
- A decrease in water system chemicals is anticipated due to recent bids and an operating system change in the water system that discontinued the use of sodium hypochlorite for disinfection at Elevated Storage Tank No. 5.
- A significant increase in the use of sodium hypochlorite is planned at WWTP No. 2 after replacement of the failed process water disinfection system. However, due to recent bids for chlorine, sulfur dioxide, and sodium hypochlorite an overall decrease in wastewater system chemical costs is projected for FY2013.

5. Professional Fees

- Professional fees include costs for engineering, legal, accounting, and auditing services. Overall, professional fees for FY 2013 are less than budgeted in FY 2012 and 53% greater than the projected FY 2012 ending balance. The difference between the projected FY 2012 ending balance and the FY 2013 budget is largely due to lower than anticipated engineering and legal expenses in FY 2012 related to whole effluent toxicity (WET) testing at wastewater treatment plants. However, pending permit issues associated with WET testing support the FY 2013 Budget for this category.
- A total of \$308,960 is budgeted for engineering related to the water system; and \$139,800 is budgeted for engineering related to the wastewater system. Engineering fees associated with capital projects are not included in this category because they are included in project costs.

- In an effort to continue to decrease consulting engineering fees associated with small engineering projects, the Technical Services Group will continue to perform in-house engineering according to the SJRA Program Management Plan for optimum, consistent, cost-effective engineering and construction management.

6. Commercial Laboratories

- Overall, commercial laboratory costs in FY 2013 are less than budgeted in FY 2012 and 18% less than the projected FY 2012 ending balance. FY 2013 water system laboratory costs are expected to increase due to increased TCEQ monitoring requirements, while a decrease in wastewater system laboratory costs is anticipated due to lower unit costs for contract laboratory services.

7. Sludge Disposal

- The amount budgeted for sludge disposal in FY 2013 is greater than budgeted in FY 2012 and 2% greater than the projected FY 2012 ending balance. The increase is due to recent bids that were higher than FY2012 unit costs. Due to expected improvements in sludge dewatering, no increase in sludge volume is anticipated.

8. Insurance (Auto, Property, and Liability)

- Overall, insurance costs in FY 2013 are slightly less than budgeted in FY 2012. There is less than a 1% difference between the FY 2013 budget and the projected FY 2012 ending balance.

9. Analysis of "Other O & M Expense"

- Overall, the FY 2013 Budget for the following combined categories is less than budgeted in FY 2012 and approximately 16% greater than the projected FY 2012 ending balance. The primary reason for the FY 2013 Budget increase compared to the FY 2012 projected ending balance is due to increased support (SCADA/I&C and Technical Services) and contract line locating services to minimize risks associated with construction adjacent to the Authority's underground water distribution and wastewater conveyance lines.
- Regulatory Fees: Overall, a slight increase is projected for water and wastewater system permit fees in FY 2013. The Lone Star Groundwater Conservation District fee for calendar year 2013 is anticipated to remain \$0.06/1,000 gallons pumped. The projected total fee is \$398,537.
- Miscellaneous Services: "Miscellaneous services" include, but are not limited to, services such as meter calibrations, pest control, security, gas utilities, uniforms, and janitorial services. The amount budgeted in FY 2013 is greater than budgeted in FY 2012 primarily due to a change in uniform service. However, the proposed uniform service will result in reduced costs in future years.

- **Communications:** “Communications” includes telephone costs for business phones and lines to remote facility locations, internet charges, and cell phone charges. In FY 2012 the G&A IT Department is upgrading the phone system and servers, which will significantly lower communications expenses in FY 2013 and in future years.
- **Vehicle Maintenance:** Overall, vehicle maintenance is slightly less than budgeted in FY 2012 due to the majority of vehicles being fully equipped and in good condition.
- **Fuel and Lubricants:** Costs associated with this category are typical of those budgeted in FY 2012, with exception of a \$5,000 new expense associated with implementation of a lubricant/coolant sampling program in an effort to reduce the frequency of expensive lubricant/coolant changes, particularly associated with generators.
- **Other Operating Expenses:** “Other operating expenses” includes contract line locating services, document management services, employee recruiting and testing, staffing services, newspaper advertisements, USGS monitoring services, SCADA/I&C support costs, and Technical Services support costs. The FY 2013 Budget represents a significant decrease in this category when compared to the FY 2012 Budget, but a significant increase when compared to the FY 2012 estimated year-end balance. The primary reason for these differences is associated with SCADA I&C and Technical Services support costs.
- **Miscellaneous Expenses:** “Miscellaneous expenses” includes, but is not limited to, expenses such as office supplies, travel expenses, operator training, lab supplies and chemicals, safety and first-aid, equipment rentals, computer hardware and software updates, licenses, and work supplies. Overall, the FY 2013 budgeted amount for these expenses is less than budgeted in FY 2012. The reduction is primarily due to reduced training costs in this category as a result of Woodlands Technical Services employees transferring to G&A Technical Services, and a reduction in safety related expenses in FY 2013.

Exhibits:

Exhibit “A” – Proposed Woodlands Division Budget – FY 2013

Exhibit “B” – FY 2013 Annual Operating Budget Expenses (chart)

Exhibit “C” – SJRA Woodlands Division FY 2013 – FY 2017 Cash Flow Analysis

Exhibit “D” – FY 2013 5-Yr. CIP Projects included in the FY 2013 Operating Fund Budget

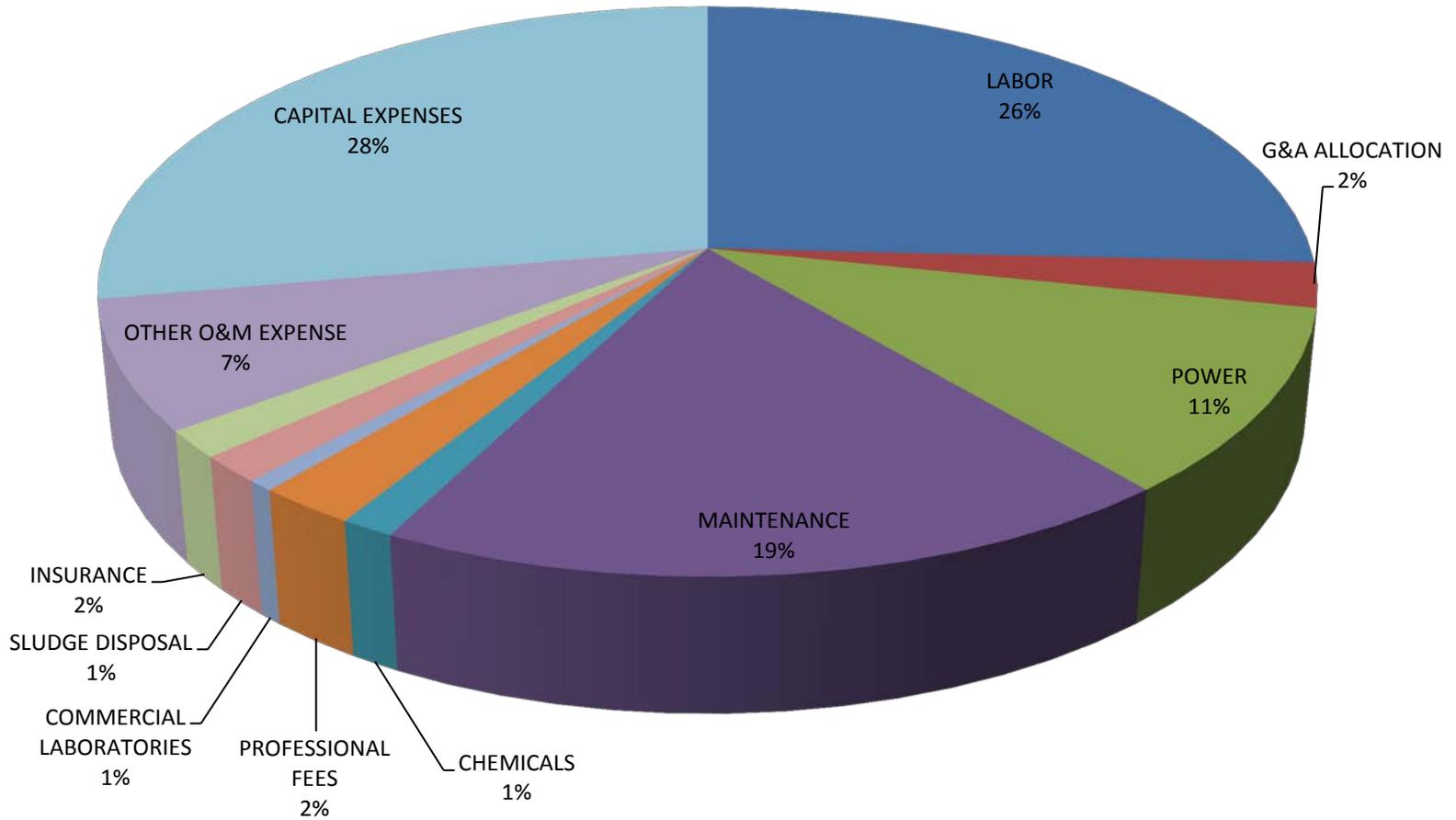
Exhibit “E” – FY 2013 The Woodlands Division Staffing Level

Exhibit “F” – FY 2013 SCADA/I&C Staffing Level

**SAN JACINTO RIVER AUTHORITY
PROPOSED WOODLANDS DIVISION BUDGET - FY 2013**

ITEM	FY 2012 BAL ENDING 30-Jun-12	ESTIMATED FY 2012 END BAL	FY2012 BUDGET	FY2013 BUDGET	FY 2012 Budget to Actual Variance Over (Under)	FY 2013 Budget to FY2012 Actual Over (Under)
1 FULL-TIME EQUIVALENT (FTE) EMPLOYEES: WOODLANDS + GENERAL & ADMINISTRATIVE (G&A)			52.25 + 14.53	40.5 + 26.96		
2 TECHNICAL SERVICES FTE TRANSFERS TO G&A TECHNICAL SERVICES			-	10		
3 TOTAL FTEs CHARGEABLE TO THE WOODLANDS DIVISION			66.78	67.46		
4 NET INCREASE IN FY 2013				0.68		
5 LABOR						
6 Payroll	\$ 2,828,326	\$ 3,290,821	\$ 4,086,722	\$ 4,472,856	9.45%	35.92%
7 Health Insurance (medical, life, disability)	539,331	639,116	1,034,754	851,339	(17.73%)	33.21%
8 Retirement	177,740	363,288	539,767	590,159	9.34%	62.45%
9 Worker's Comp Insurance	66,404	79,685	80,921	73,929	(8.64%)	(7.22%)
10 Soc Sec Tax	203,537	241,811	308,044	336,803	9.34%	39.28%
11 LABOR (Included G&A Expense Allocation in FY 2009 - FY 2011)	\$ 3,815,338	\$ 4,614,721	\$ 6,050,208	\$ 6,325,086	4.54%	37.06%
12 GENERAL & ADMINISTRATIVE (G&A) EXPENSE ALLOCATION	377,807	470,057	599,021	625,488	4.42%	33.07%
13 POWER	2,047,668	2,457,202	2,858,267	2,588,654	(9.43%)	5.35%
14 MAINTENANCE	1,510,923	4,299,645	3,945,332	4,574,615	15.95%	6.40%
15 CHEMICALS	258,423	310,108	369,377	306,235	(17.09%)	(1.25%)
16 PROFESSIONAL FEES (RELATED TO ORDINARY O&M)	310,602	372,722	591,191	568,760	(3.79%)	52.60%
17 COMMERCIAL LABORATORIES	156,554	187,865	158,787	153,146	(3.55%)	(18.48%)
18 SLUDGE DISPOSAL	309,416	371,299	361,705	379,862	5.02%	2.31%
19 INSURANCE	317,107	380,528	388,676	382,283	(1.64%)	0.46%
20 OTHER O&M EXPENSE (sub-total of detail below)	1,236,365	1,548,467	2,235,964	1,804,002	(19.32%)	16.50%
21 Regulatory Fees	484,447	570,974	469,793	479,037	1.97%	(16.10%)
22 Misc. Services (Security, janitorial, uniforms, pest control, meter calibrations, etc.)	77,389	100,605	69,830	121,450	73.92%	20.72%
23 Communications	114,080	148,303	130,400	39,000	(70.09%)	(73.70%)
24 Vehicle maintenance	27,580	35,854	65,300	63,600	(2.60%)	77.38%
25 Fuel and Lubricants	100,710	130,923	146,000	151,000	3.42%	15.34%
26 Other Oper. Expenses (Doc. Mgm't., Newspaper Ads, USGS, SCADA Overhead, etc.)	167,997	218,397	799,949	447,115	(44.11%)	104.73%
27 Misc. Expenses (computers, training, supplies, equip. rentals, etc.)	264,162	343,410	554,693	502,800	(9.36%)	46.41%
28 GRP FEE BASED ON BILLED WATER VOLUME	4,186,658	5,023,989	4,357,981	7,496,528		
29 GRP FEE BASED ON UNBILLED WATER VOLUME			340,013	568,360		
30 TOTAL O&M EXPENSE	\$ 14,526,861	\$ 20,036,603	\$ 22,256,520	\$ 25,773,020	15.80%	28.63%
31 TOTAL CAPITAL OUTLAY	2,059,559	2,471,471	2,891,012	6,827,406	136.16%	176.25%
32 CONTINGENCY FUND CONTRIBUTION		100,000	100,000	200,000	100.00%	
33 REIMBURSEMENT TO MUDS FOR GRP FEE OVERPAYMENT						
34 TOTAL O&M EXPENSE & OUTLAY	\$ 16,586,420	\$ 22,608,074	\$ 25,247,532	\$ 32,800,426	29.92%	45.08%
35 O & M REVENUE	\$ 17,241,802	\$ 20,690,162	\$ 19,534,564	\$ 23,500,396		
36 GRP FEE REVENUES BASED ON BILLED WATER VOLUME	3,898,898	4,678,678	4,357,981	7,496,528	72.02%	
37 GRP FEE REVENUES BASED ON UNBILLED WATER VOLUME (BUILT INTO WHOLESALE RATE)			340,013	568,360	67.16%	
38 TOTAL O&M REVENUE	\$ 21,140,700	\$ 25,368,840	\$ 24,232,557	\$ 31,565,284	30.26%	
39 LESS REFUND	-	-	-	-		
40 LESS O&M EXPENSE & OUTLAY	(16,586,420)	(22,608,074)	(25,247,532)	(32,800,426)	29.92%	
41 BUDGET DEFICIT SUPPLIED FROM OPERATING RESERVES			\$ 1,014,975	\$ 1,235,142	21.69%	
42 NET O&M REVENUE IN FISCAL YEAR	\$ 4,554,280	\$ 2,760,766	\$ -	\$ -		
43 POPULATION (8/31)	97269	97,356	94,968	100,261		
44 METERED WATER USE x 1000 gal.	3,620,101	6,143,827	6,098,758	6,370,856	4.46%	
45 PER CAPITA WATER USE, gal/year		63,107	64,219	63,543		
46 WATER RATE, \$ per 1000 gal		\$ 1.40	\$ 1.40	\$ 1.74	24.29%	
47 SEWER RATE, \$ per 1000 gal		\$ 3.31	\$ 3.31	\$ 3.64	9.97%	
48 ESTIMATED ANNUAL SEWER VOLUME x 1000 gal.		3,317,666	3,304,561	3,398,082	2.83%	
49 AVG. PER CAPITA EXPENSE & OUTLAY (WITHOUT GRP FEE)		\$ 232.22	\$ 216.38	\$ 321.48	48.57%	

**FY 2103 Annual Operating Budget
Expenses
EXHIBIT "B"**



SJRA WOODLANDS DIVISION FY 2013 - FY 2017 CASH FLOW ANALYSIS

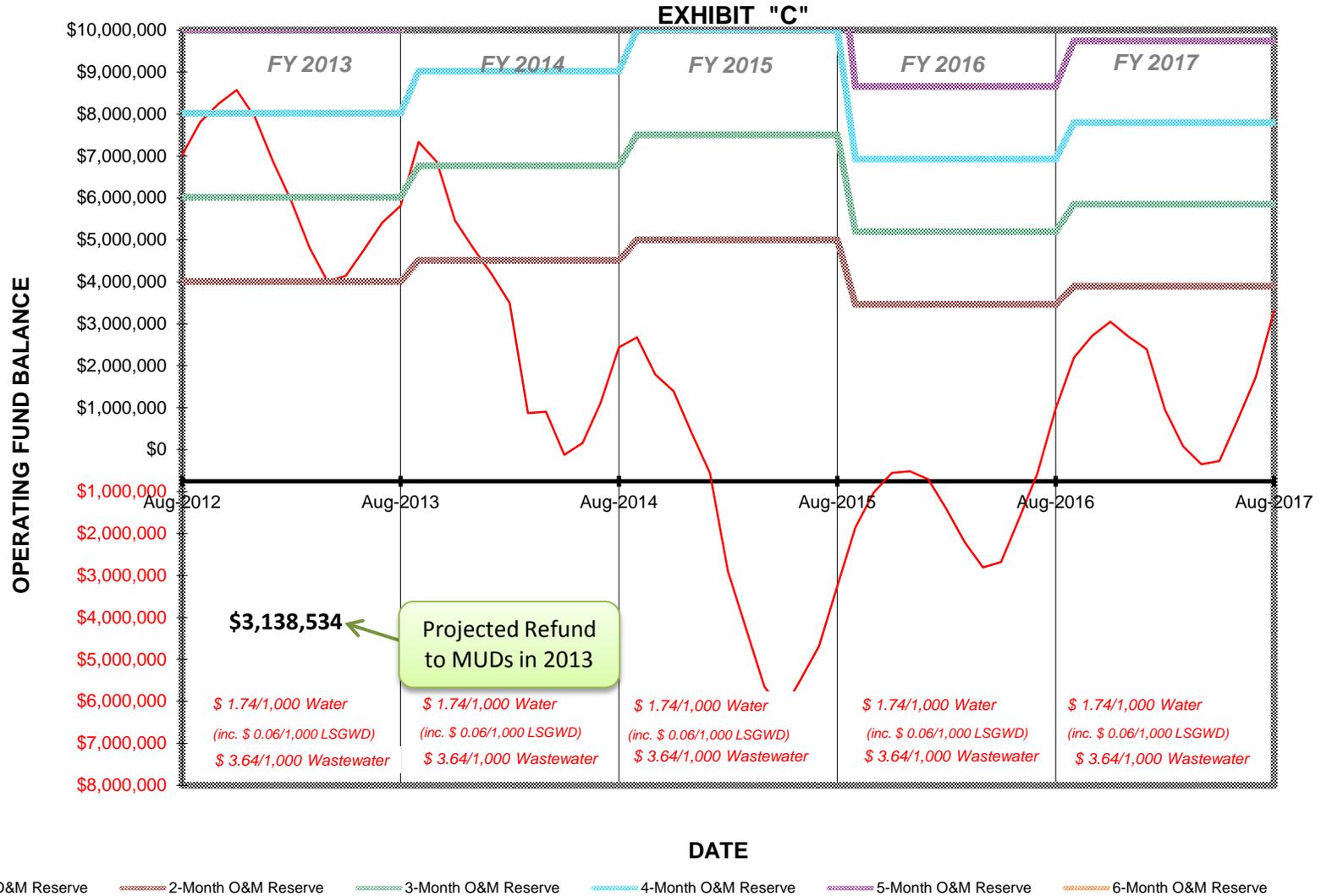


EXHIBIT "D"

Date: July 18, 2012

Notes: Projects that were deferred from FY 13 to FY 14 are detailed at the end of this list.

Future Capital Major Maintenance - Fiscal Year 2013

Item No.	Project Category	Asset	Project	Contingency Percentage	TOTAL O&M Cost including contingency						
						1 Water Well Rehabilitation	2 Ordinary O&M	4 Automation / SCADA	3 Long Life Ordinary O&M	5 Inflow/ Infiltration Related	6 Emerg. Power/ System Reliability
1	STAFF (OFFICE SPACE)	SPLIT	Woodlands Division Campus Planning - Engineering (Expansion of WWTP 2 Operations Building and Additional Parking)	15%	\$12,379				\$10,764		
2	STAFF (OFFICE SPACE)	SPLIT	Woodlands Division Campus Planning - Construction (Expansion of WWTP 2 Operations Building and Additional Parking)	15%	\$123,786				\$107,640		
3	STAFF (OFFICE SPACE)	SPLIT	Partitions for increasing work space and cubicle furniture	15%	\$10,648		\$9,260				
4	WATER SYS.	Water System	Water Well Evaluations by LBG-G	15%	\$28,750	\$25,000					
5	IT-WATER	Hard-ware	Computer Hardware	0%	\$40,000		\$40,000				
6	IT-WATER	Software	Computer Software	0%	\$63,755		\$63,755				
7	W/WW	SPLIT	Utility vehicle to replace John Deere Gator	15%	\$5,750		\$5,000				
8	WATER PROD.	WW 3	Electrical and site work Improvements to Well 3 (Eng in 2012 and Construction in 2013)								
9	WATER PROD.	Water Wells	Rehabilitation of five unspecified well rehabs., and two lowerings Engineering & Construction	15%	\$2,454,100	\$2,134,000					
10	WATER PROD.	WP 4	WP 4 - Addition of new pump/motor skid								
11	WATER PROD.	WP 5	WP 5 - Addition of new pump/motor skid								
12	WATER PROD.	WP 1	Replacement of pump/motor skid at WP1/BP1 due to wear	15%	\$48,300		\$42,000				
13	WATER PROD.	WP 1	Replacement of pump/motor skid at WP1/BP3 due to wear	15%	\$48,300		\$42,000				
14	WATER PROD.	WP 1, 2, 3, 4, 5	Rooftop access ladders at WP 1, 2, 3, 4, and 5 - for safe access	0%	\$25,000		\$25,000				
15	WATER PROD.	GST	2 Million Gallon GST 2 at Water Plant 4								
16	DIST.	EST 7	EST 7 Altitude Valve Engineering & Construction	15%	\$126,500		\$110,000				
17	DIST.	ET 7	Addition of 10 kW generator at ET7	15%	\$32,200						\$28,000
18	DIST.	ET 1	Addition of 10 kW generator at ET1	15%	\$32,200						\$28,000
19	DIST.	ET 2	Addition of 10 kW generator at ET2	15%	\$32,200						\$28,000
20	SCADA/I&C	Wdls. Comm.	SJRA Woodlands Communications System Upgrade	15%	\$287,500			\$250,000			
21	SCADA/I&C	Water System	Spare Multilin MMR	0%	\$6,000			\$6,000			
22	SCADA/I&C	Wells	Magnetic flow meters - 26 flow meters for wells, water plants (approximately 6 per year)	15%	\$46,000	\$40,000					
			Subtotal without Contingency		\$2,994,419	\$2,199,000	\$337,015	\$256,000	\$118,404	\$0	\$84,000
			Contingency		\$428,950	\$329,850	\$31,239	\$37,500	\$17,761	\$0	\$12,600
			Water Supply System Subtotal (Including Contingency)		\$3,423,368	\$2,528,850	\$368,253	\$293,500	\$136,165	\$0	\$96,600
23	WW CONV.	LS 7	175 kW Generator at Lift Station 7	15%	\$356,500						\$310,000
24	WW CONV.	LS 25	85 kW Generator at Lift Station 25	15%	\$184,000						\$160,000
25	WW CONV.	LS 29	85 kW Generator at Lift Station 29	15%	\$184,000						\$160,000
26	WW CONV.	LS 30	205 kW Generator at Lift Station 30	15%	\$333,500						\$290,000
27	WW CONV.	LS 12	LS No. 12 Wet Well Conversion and Coating Project - Engineering and Construction	15%	\$402,500				\$350,000		
28	WW CONV.	LS 12	Force Main Rehabilitation/Replacement (Engr. and Const.)	15%	\$563,500				\$490,000		
29	WW CONV.	LS 12	Lift Station 12 Fence - Carried over from FY 12 Budget	15%	\$72,401		\$62,957				
30	WW CONV.	LS 16	Generator at Lift Station 16 (Construction) - Carried over from FY 12 Budget	15%	\$110,000		\$95,652				
31	WW CONV.	WW Conv. Assessment *	Sanitary Sewer Televising/Testing - Capacity	35%	\$953,100					\$706,000	
32	WW CONV.	WW Conv. Assessment *	Sanitary Sewer Rehabilitation due to Capacity	35%	\$290,250					\$215,000	
			Subtotal without Contingency		\$2,839,609	\$0	\$158,609	\$0	\$840,000	\$921,000	\$920,000
			Contingency		\$610,141	\$0	\$23,791	\$0	\$126,000	\$322,350	\$138,000
			Wastewater Conveyance Subtotal (Including Contingency)		\$3,449,750	\$0	\$182,400	\$0	\$966,000	\$1,243,350	\$1,058,000
33	STAFF (OFFICE SPACE)	SPLIT	Woodlands Division Campus Planning - Engineering (Expansion of WWTP 2 Operations Building and Additional Parking)	15%	\$12,379				\$10,764		
34	STAFF (OFFICE SPACE)	SPLIT	Woodlands Division Campus Planning - Construction (Expansion of WWTP 2 Operations Building and Additional Parking)	15%	\$123,786				\$107,640		
35	STAFF (OFFICE SPACE)	SPLIT	Partitions for increasing work space and cubicle furniture	15%	\$10,648		\$9,260				
36	IT-WW	Hard-ware	Computer Hardware	0%	\$40,000		\$40,000				
37	IT-WW	Software	Computer Software	0%	\$63,755		\$63,755				
38	W/WW	SPLIT	Utility vehicle to replace John Deere Gator	15%	\$5,750		\$5,000				
39	WWTP 1	Lab	Add awning to lab/office for equipment storage	15%	\$28,750		\$25,000				

40	WWTP 1	CI2 Basin Lift Station	Add 100,000 gal. of basin capacity; Engineering in FY 2013, Construction in FY 2014	35%	\$43,200					\$32,000	
41	WWTP 1	Grit Classifier	Add Influent Lift Station Pump *	35%	\$27,810					\$20,600	
42	WWTP 1	Bar Screen	Replace Grit Removal System; Engineering in FY 2013, Construction in FY 2014	35%	\$233,010				\$172,600		
43	WWTP 1	Equip. & Piping	WWTP 1 Decrease Mahr Screen Spacing from 1/2 in. to 1/4 in. to Reduce Rags in Facility; Engineering & Construction	35%	\$94,500		\$70,000				
44	WWTP 1	Bar Screen	Painting	15%	\$57,500		\$50,000				
45	WWTP 2	Filters	WWTP 2 Decrease Mahr Screen Spacing from 1/2 in. to 1/4 in. to Reduce Rags in Facility Engineering & Construction	35%	\$94,500		\$70,000				
46	WWTP 2	Lift Sta. Pumps	Raise one foot; Engineering (Construction in FY 2014) (media replacement may suffice) *	35%	\$133,515					\$98,900	
47	WWTP 2	Aeration Basin	Increase capacity to 18 MGD peak *	35%	\$51,975					\$38,500	
48	WWTP 2	WWTP 2	Stairs at Aeration Basin Splitter Box for Safety	15%	\$21,297		\$18,519				
49	WWTP 2	WWTP 2	MLSS, RAS, & TSS Meters; and Sludge Blanket Level Probes	15%	\$89,614		\$77,925				
50	WWTP 3	WWTP 3	MLSS, RAS, & TSS Meters; and Sludge Blanket Level Probes	15%	\$53,898		\$46,868				
51	WWTPs	Waste-water System	4" Trailer Mounted Diesel Pump and Piping	0%	\$29,000		\$29,000				
52	SCADA/ I&C	WWTP 1	WWTP No. 1 Automation Construction and Engineering and CPS	35%	\$675,000			\$500,000			
53	SCADA/ I&C	WWTPs 2 & 3	Automation Engineering & Construction; partially deferred to FY 2014	35%	\$500,000			\$370,370			
54	SCADA/ I&C	Wdls. Comm.	SJRA Woodlands Communications System Upgrade	35%	\$337,500			\$250,000			
55	Regulatory	WWTP 1, 2, 3	Regulatory Requirement for Nutrient Removal								
Subtotal without Contingency					\$2,106,701	\$0	\$505,327	\$1,120,370	\$291,004	\$190,000	\$0
Contingency					\$620,686	\$0	\$83,886	\$392,130	\$78,171	\$66,500	\$0
Wastewater Treatment Subtotal (including Contingency)					\$2,727,386	\$0	\$589,212	\$1,512,500	\$369,175	\$256,500	\$0
Grand Total for FY 2013					\$9,600,505		\$5,474,716		\$1,471,339	\$1,499,850	\$1,154,600

Project Category Legend:

TWLD Commitment
Planning/Staffing
Regulatory
Water Production
Distribution System
SCADA/ I&C
IT
SPLIT WWW
Wastewater Conveyance
Wastewater Treatment

* Project Related to Inflow & Infiltration

Projects Deferred (since July 12, 2012) from FY 2013 to FY 2014:

- 1) SCADA/ I&C - Lift Station Automation: This project will not begin until FY 2014. The full amount is deferred until FY 2014. \$202,000
- 2) SCADA/ I&C - Wastewater Treatment Plant Nos. 2 and 3 Automation: \$1,322,500 was deferred from FY 2013 to FY 2014. \$500,000 remains in FY 2013. \$1,322,500

Total Deferred: \$1,524,500

EXHIBIT "E"
FY 2013 The Woodlands Division Staffing Level Chart

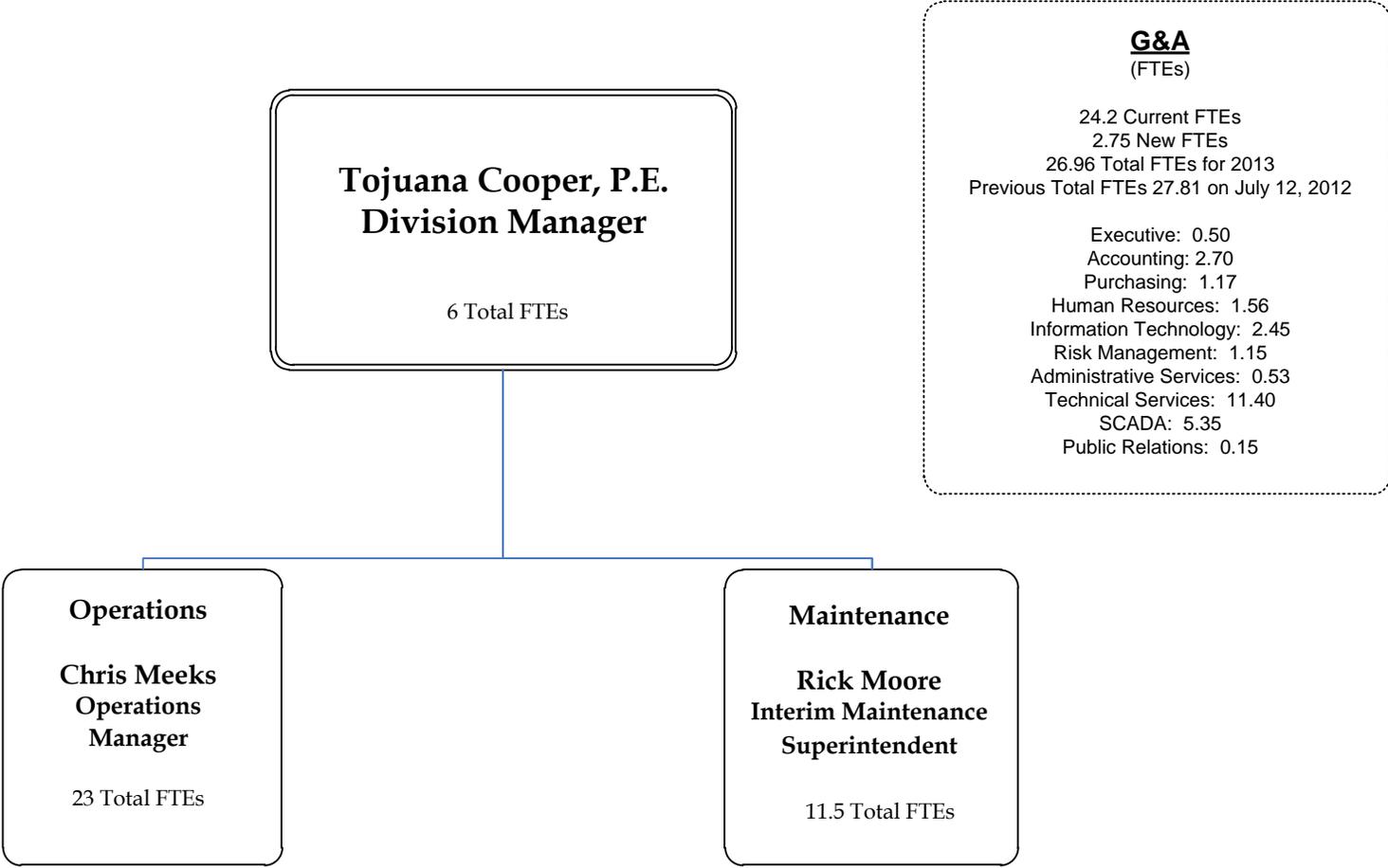
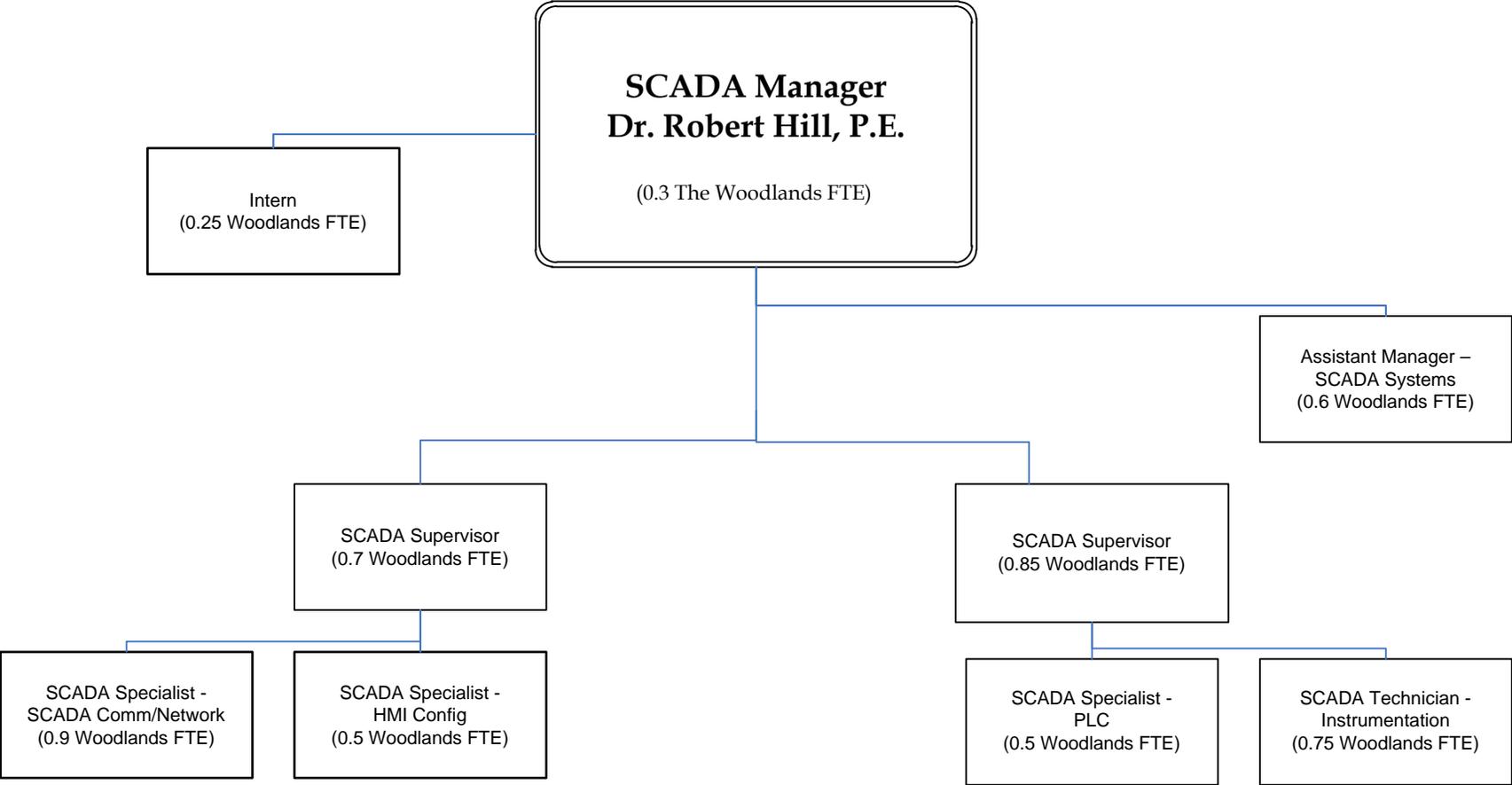


EXHIBIT "F"
FY 2013 SCADA I&C Staffing Level Chart



SJRA FY 2013 Budget Risk Management

Woodlands Division

July 8, 2012

Risk	Probability	Management Method
Revenue		
Revenue sales less than projected due to conservation or wet weather	Low	<ul style="list-style-type: none"> • Limited operating reserves are available • Maintain reserves in the Operating Fund at a two-month minimum, as contractually allowed.
Delayed payments from Municipal Utility Districts	Low	<ul style="list-style-type: none"> • WJPA incorporated a monthly billing process in 2012, which allows payments to be received monthly instead of bimonthly. • Maintain reserves in the Operating Fund at a two-month minimum, as contractually allowed.
Labor (Staffing)		
Inadequate staff available for daily operations in Maintenance and Operations Departments.	Medium	<ul style="list-style-type: none"> • Cross train water and wastewater operators to allow for more flexibility to cover interchangeably if needed. • Restructure Maintenance to facilitate recruiting to fill vacant positions.
Professional, Construction and Miscellaneous Services		
Inadequate and/or poorly performing providers of professional, construction and/or miscellaneous services	Low	<ul style="list-style-type: none"> • SJRA staff in key management positions to oversee/drive progress. • Project management procedures are implemented for effective project delivery including control of scope, fee, schedule and risk. Implement the Project Management Plan, as appropriate. • All contracts contain termination clauses. • Professional services contracts are typically work order based, which authorizes work one phase at a time, thereby allowing opportunity to adjust services provided.
Operations and Maintenance		
Operations costs greater than budgeted	Low	<ul style="list-style-type: none"> • Plan for operations costs based on historic and anticipated expenditures, with a contingency. • Extreme events, such as a hurricane landing in the area, are included in contingency plans. • Emergency Reserve Funds are available.
Failure of a key Water system component, requiring immediate funds greater than budgeted.	Low	<ul style="list-style-type: none"> • Emergency Reserve Funds are available for critical and immediate repair of failed system components. • Management prepared a Five Year Capital Improvement Program (CIP) in FY 2011, and updated it in FY 2012, to phase and prioritize known critical needs.
Failure of a key Wastewater system component, requiring immediate funds greater than budgeted.	Low	<ul style="list-style-type: none"> • Emergency Reserve Funds are available for critical and immediate repair of failed system components. • Management drafted a Five Year Capital Improvement Program (CIP) in FY 2011, and updated it in FY 2012, to phase and prioritize known critical needs.

San Jacinto River Authority
GRP Division
Proposed FY 2013 Budget
Cash Basis

	GRP Notes	Proposed FY 2013 Budget	FY 2012 Budget	Actual FYTD as of 7/31/12
Revenues				
Operating Revenues	1	\$ 21,997,181	\$ 13,705,329	\$ 13,157,890
Other Revenues	1	2,369,785	184,924	436,402
Total Revenues		24,366,966	13,890,253	13,594,292
Operating Expenses				
Salaries & Wages	2	2,940,969	2,202,377	1,225,131
Professional Fees	3	344,000	393,900	15,717
Purchased & Contracted Services	4	236,750	270,000	106,518
Supplies, Material & Utilities	5	2,530,168	2,539,870	1,759,573
Rentals	6	12,000	10,000	9,186
Maintenance, Repairs & Parts	7	3,360	3,000	5,408
Employee Benefits	8	1,106,177	862,795	401,524
General & Administration Expenses	9	1,124,319	1,013,279	630,320
Total Operating Expenses		8,297,743	7,295,221	4,153,377
Capital Assets				
Capital Improvements-Bond Financed	11	154,634,247	65,750,193	30,136,590
Equipment & Other Assets	12	237,748	391,500	98,031
Total Capital Assets		154,871,996	66,141,693	30,234,621
Other Cash Uses				
Interest Payments	10	17,540,882	6,544,410	6,167,669
Debt Service Reserve Fund		28,949,722		1,672,805
Repay Advance to General Fund		0	2,700,000	2,717,593
Total Other Cash Uses		46,490,604	9,244,410	10,558,067
Other Cash Sources				
Bond Program Proceeds		154,634,247	68,957,464	30,136,590
Bond Debt Service Proceeds		42,268,981		3,975,030
Total Other Cash Sources		196,903,228	68,957,464	34,111,620
To Operating Reserve Fund		11,609,852	0	
Net Unreserved Cash Increase (Decrease)		\$0	\$ 166,393	\$ 2,759,847

FY 2013 Budget Notes
GRP Division
August 14, 2012

1. Operating Revenues – Operating Revenue is based on fees collected for the following:
 - GRP Pumpage Fees – includes \$21,997,181 based on rates approved by SJRA Board in May 2012 and historical pumpage data of GRP Participants.
 - Interest Income – Includes interest earned on unspent bond proceeds available for GRP Program.

2. Salaries & Wages – Staffing for FY 2013 includes 38.4475 Full Time Equivalents (FTEs) as follows:
 - GRP Division staff – Currently includes five full time positions. During FY 2013 additional staff is scheduled to be hired. It is anticipated that the GRP Division will experience a total of 9.0 Full Time Equivalents (FTEs) for FY 2013 including the following positions.
 - Division Manager
 - Administration/Business Manager (0.5 FTE)
 - Water Plant Manager
 - GRP Implementation Coordinator
 - Customer Compliance Technicians (2.5 FTE)
 - Customer Service Representatives (2)
 - Administrative Assistant

 - General & Administrative staff – 29.4475 FTEs to support the management and implementation of the GRP Division
 - Technical Services – 10.500 FTE
 - SCADA/I & C – 3.925 FTE
 - Accounting – 3.850 FTE
 - Purchasing – 1.405 FTE
 - Information Technology – 2.5875 FTE
 - Risk Management – 0.805 FTE
 - Human Resources - 1.4375 FTE
 - Administrative Services – 1.7375 FTE
 - Management - 1.400 FTE
 - Public Relations – 1.300 FTE
 - Water Quality Technician 0.500 FTE

- Staffing Services – Includes \$59,900 in expenses associated with temporary employees (such as Temp-to-Hire) for GRP Division and G & A staff allocated to the GRP Division provided by third party staffing firms.
3. Professional Fees – Professional Fees include funds for the following:
 - Legal Services – Includes \$200,000 in legal fees to support the GRP Division.
 - Auditing – Includes \$30,000 for auditing.
 - Arbitrage Reporting Fees – Includes \$2,000.
 - Management Audit – Includes \$10,000 for a management audit.
 - Engineering and Other Consulting – Includes \$100,000 for non-capital related engineering and other consulting services to support the GRP Division.
 4. Purchased & Contracted Services – Services purchased and contracted from third party providers including the following:
 - Employee Testing – Includes \$2,500 in expenses associated with employee physical testing during the hiring process.
 - Janitorial Service – Includes \$11,000 for the GRP Division Office Building and GRP Building No. 1 located at the Surface Water Facility.
 - Water Quality Testing – Includes \$101,250 for raw water quality testing.
 - Public Relations – Includes \$75,000.
 - Website Hosting & Maintenance – Includes \$20,000 for GRP Division share of hosting and maintaining the SJRA website.
 - Meeting Expenses – Includes \$5,000 for costs associated with hosting numerous meetings including GRP Review Committee, public meetings, GRP Participant coordination meetings, etc.
 - Communication Services – Includes \$22,000.
 5. Supplies, Material & Utilities
 - Office Supplies, Printing, Postage, Freight & Delivery, and Other Office Expenses – Includes \$11,300.
 - Automobile & Truck Expense, and Fuel – Includes \$5,000 for expenses related to maintenance and \$15,000 for fuel for GRP Division owned vehicles and equipment.
 - Insurance – Includes \$47,357 for property, automobile and general liability insurance premiums.
 - Training and Travel – Includes \$9,500 for expenses related to training and \$10,000 for expenses for travel of GRP Division staff.
 - Manager’s Expense - \$8,000 for miscellaneous expenses by the Division Manager to support the activities and staff of the GRP Division.

- Memberships, Professional Dues and Publications – Includes \$2,500 for expenses related to memberships, professional dues and publications for GRP Division and its staff.
- Utilities – Includes \$16,500 for utilities to support the GRP Division Office and the GRP Building No. 1.
- Reservation Fees – Includes \$1,324,911 for expense of reserving 66,667 acre-feet of raw water in Lake Conroe from the City of Houston and \$618,552 for expense of reserving raw water in Lake Conroe from the SJRA.
- Additional Water Supply – Includes \$300,000 for expense associated with obtaining potential additional water supplies.
- Safety, Equipment and Meetings – Includes \$1,000 for safety related personal protective equipment, meetings, and training.
- Health & Wellness Program – Includes \$3,750.
- Recruiting Expenses – Includes \$55,400 in expenses associated with identification and recruitment of direct hire staff (GRP Division and G & A) by third party recruiting firms.
- Computer Hardware, Software, and Network Communications – Includes \$81,298 in non-capitalized expenses related to systems utilized by the GRP Division.
- Local, Long Distance, Wireless Telephone Services and Phone System – Includes \$17,200.

6. Rentals

- Office Equipment Rental – Includes \$12,000 for rental of copiers, scanners, printers, etc.

7. Maintenance, Repairs & Parts

- Building & Grounds and Maintenance, and Security System Monitoring – Includes \$3,360.

8. Employee Benefits - Includes \$1,106,177 for group insurance, group retirement, Workers' Compensation, payroll taxes, social security taxes, public office liability insurance and employee benefit services expenses for the staff previously identified.

9. General & Administrative Expenses – Includes \$1,124,319 for expenses incurred by General & Administrative to support the work performed by the staff within G & A staff noted above who support the GRP Division. These costs include such operational expense items as professional fees, purchased & contracted services, supplies, materials, utilities, rentals, maintenance/repairs & parts, non-operating expenses (such as interest expenses); and other costs such as capitalized equipment & other assets (such as

computer hardware, software and network systems), principal payments and reserve fund contributions all associated with the support provided by G & A staff previously noted.

10. Interest Expense – Includes \$17,540,882 in interest expense on the various funding issues required for the implementation of the Groundwater Reduction Plan, Phase I.
11. Capital Improvements – Includes \$154,634,247 for the planning, permitting, engineering, design, project management, construction phase administration, inspection and other professional services; land/easement acquisition and construction provided by third parties for the implementation of the Groundwater Reduction Plan, Phase I.
12. Equipment & Other Assets – Includes \$25,000 for one GRP Division owned vehicle, \$5,000 for furniture, and \$149,748 for capitalized computer software, and \$58,000 for capitalized hardware.

SJRA FY 2013 GRP Risk Management

GRP Division

July 9, 2012

Risk	Probability	Management Method
Revenue		
Revenue from GRP Fee less than projected	Low	<ul style="list-style-type: none"> • Proposed FY2013 GRP Pumping Fee is based on 90% of projected 2012-2013 groundwater pumpage for Conroe, Woodlands, and other GRP Participants with alternative analyzed for 80% of projections. • No significant re-use or alternative supply projects are anticipated for delivery in FY2013. • Pumpage fee and surface water rate can be adjusted in subsequent years (prior to surface water delivery)
Delayed payments from GRP participants	Low	<ul style="list-style-type: none"> • Billing reporting and collection process in place to identify late payments and work with customers to obtain payments • Billing process to be performed by SJRA staff beginning 9/1/2012
Professional and Miscellaneous Services		
Inadequate and/or poorly performing providers of professional, construction and/or miscellaneous services	Low	<ul style="list-style-type: none"> • SJRA staff in key management positions to oversee/drive progress • Project management procedures implemented for effective project delivery including control of scope, fee, schedule and risk • All contracts contain termination clauses • All professional services contracts are work order based which only authorize work one phase at a time allowing opportunity to adjust services provided
Project Financing/Debt Service		
Funds available from TWDB Loans and Open Market are inadequate for Professional Services and Construction planned for FY2013 budget year	Very Low	<ul style="list-style-type: none"> • SJRA staff in key management positions to oversee/drive progress • Project management procedures implemented for effective project delivery including control of scope, fee, schedule and risk • Expected final funding application submitted to TWDB in July 2012 for TWDB Board commitment in August 2012. Application amount includes construction cost estimates for transmission lines based on preliminary engineering (60% design effort). Guaranteed Maximum Price (GMP) for construction of surface water facilities based on 30% design of treatment processes and 90% (or better) design of raw water intake and high service pump station. Design fees for almost every component already negotiated.

**San Jacinto River Authority
Raw Water Enterprise
Proposed FY 2013 Budget
Cash Basis**

	Highlands & Lake Raw Water Enterprise	Lake Conroe Division	Highlands Division	Raw Water Enterprise
Revenues				
Raw Water Enterprise Revenues	\$ 9,254,263			\$ 9,254,263
Lake Conroe Operating Revenues	2,638,165	2,638,165		
Other Revenues	118,000		118,000	
Total Revenues	12,010,428	2,638,165	118,000	9,254,263
Operating Expenses				
Salaries & Wages	2,089,300	1,150,817	938,483	
Professional Fees	303,925	290,325	13,600	
Purchased & Contracted Services	603,305	346,475	256,830	
Supplies, Material & Utilities	904,729	371,780	532,949	
Rentals	229,035	99,610	129,425	
Maintenance, Repairs & Parts	427,523	283,338	144,185	
Employee Benefits	910,646	514,604	396,042	
General & Administration Expenses	820,362	454,225	366,137	
Total Operating Expenses	6,288,825	3,511,174	2,777,651	
Capital Assets				
Capital Improvements	15,529,667	486,667	15,043,000	
Equipment & Other Assets	172,557	33,121	139,436	
Total Capital Assets	15,702,224	519,788	15,182,436	
Other Cash Uses				
Bond Principal-Highlands Bonds	655,000		655,000	
Bond Principal- Raw Water Enterprise Bonds	1,060,000			1,060,000
Interest Payments-Highlands Bonds	1,417,864		1,417,864	
Interest Payments-Raw Water Enterprise Bonds	577,060			577,060
Loan Principal	-			
Debt Service Reserve Fund	228,980		228,980	
Total Other Cash Uses	3,938,904		2,301,844	1,637,060
Other Cash Sources				
Bond Proceeds	15,043,000		15,043,000	
Total Other Cash Sources	15,043,000		15,043,000	
Reserve Fund Requirements	821,146	68,996	752,150	
Net Unreserved Cash Increase (Decrease)	\$ 302,329	\$ (1,461,793)	\$ (5,853,081)	\$ 7,617,203

**San Jacinto River Authority
Lake Conroe Division
Proposed FY 2013 Budget
Cash Basis**

	LC <u>Notes</u>	Proposed FY 2013 <u>Budget</u>	FY 2012 <u>Budget</u>	FYTD Actual as of 7/31/12
Revenues				
Operating Revenues	1	\$ 2,638,165	\$ 2,552,416	\$ 1,830,365
Other Revenues				\$ 30,889
Total Revenues		2,638,165	2,552,416	1,861,254
Operating Expenses				
Salaries & Wages	2	1,150,817	1,112,962	924,914
Professional Fees	3	290,325	90,300	29,007
Purchased & Contracted Services	4	346,475	358,720	273,174
Supplies, Material & Utilities	5	371,780	416,729	216,463
Rentals	6	99,610	129,600	91,895
Maintenance, Repairs & Parts	7	283,338	278,650	99,431
Employee Benefits	8	514,604	533,564	400,604
General & Administration Expenses	9	454,225	437,449	304,605
Total Operating Expenses		3,511,174	3,357,974	2,340,093
Capital Assets				
Capital Improvements	10	486,667	290,000	40,289
Equipment & Other Assets	11	33,121	40,167	22,665
Total Capital Assets		519,788	330,167	62,954
Reserve Fund Requirements	12	68,996	296,314	
Net Unreserved Cash Increase (Decrease)		\$ (1,461,793)	\$ (1,432,039)	\$ (541,793)

FY 2013 Budget Notes
Lake Conroe Division
July 14, 2012

1. Operating Revenues – Operating Revenue is based on fees collected for the following:
 - Residential permits, licenses and fees – includes \$518,700 based on rates approved by SJRA board in 2010 and historical data
 - Commercial permits, licenses and fees – includes \$426,000 based on rates approved by SJRA board in 2010 and historical data
 - Aquatic Plant Management contributions – includes \$5,000
 - City of Houston Share of Lake Conroe Division operations and maintenance costs

2. Salaries & Wages – Staffing for FY 2013 includes 19.935 Full Time Equivalents (FTEs) the following:
 - Lake Conroe Division staff –14 full time employees, some of whom provide support to other divisions, for an aggregate of 12.72 FTEs for the Lake Conroe Division.
 - Division Manager (0.97 FTE)
 - Operations Manager (0.95 FTE)
 - Maintenance Manager (0.85 FTE)
 - Water Quality Manager (.95 FTE)
 - Administrative Assistant
 - Receptionist (0.90 FTE)
 - Customer Service Representatives (2)
 - Operations Technicians (2)
 - Water Quality Technician – (0.45 FTE)
 - Maintenance Technicians (2.65 FTE)

 - General & Administrative staff – 7.215 FTEs to support the management and implementation of the Lake Conroe Division
 - Technical Services – 0.650 FTE
 - SCADA/I & C – 0.400 FTE
 - Accounting – 1.640 FTE
 - Purchasing – 0.475 FTE
 - Information Technology – 1.887 FTE
 - Risk Management – 0.423 FTE
 - Human Resources - 0.625 FTE
 - Administrative Services – 0.565 FTE
 - Management - 0.400 FTE
 - Public Relations – 0.150 FTE

FY 2013 Budget Notes – Lake Conroe Division

- Staffing Services – Includes \$13,300 in expenses associated with temporary employees (such as Temp-to-Hire) provided by third party staffing firms
3. Professional Fees – Professional Fees include funds for the following:
 - Legal Services – Includes \$61,000 in legal fees to support the Lake Conroe Division’s effort, including enforcement of its license and permit program.
 - Auditing – Includes \$9,500 for auditing
 - Miscellaneous Engineering, Surveying and Other Consulting – Includes \$208,500 for non-capital related services
 - Crane and Safety Inspections & Testing – Includes \$11,325
 4. Purchased & Contracted Services – Services purchased and contracted from third party providers including the following:
 - Waste Disposal Services – Includes \$10,500
 - Patrolling Services – Includes \$210,500 for patrolling of the area by Montgomery County Constables.
 - Employee Testing – Includes \$1,000 in expenses associated with employee physical testing during the hiring process
 - Janitorial Service – Includes \$3,120
 - Stream Gauging & Water Quality, USGS Co-Op – Includes \$103,425 for SJRA’s share in stream gauges maintained by the USGS
 - Public Relations and Public Education - \$10,630
 - Website Hosting & Maintenance – Includes \$6,300 for rainfall gauge, lake level, water temperature, wind speed and other information included on the SJRA website.
 5. Supplies, Material & Utilities
 - Office Supplies, Printing, Postage and Other Office Expenses – Includes \$34,594
 - Automobile & Truck Expense, and Fuel and Lubricants – Includes \$74,840 for expenses related to operations and maintenance of Lake Conroe Division owned vehicles
 - Insurance – Includes \$25,668 for property, automobile, liability, and O & M insurance premiums
 - Training and Travel – Includes \$25,680 for expenses related to training and travel of Lake Conroe Division staff
 - Small Equipment – Includes \$7,490
 - Memberships, Professional Dues and Publications – Includes \$4,535 for expenses related to memberships, professional dues and publications for Lake Conroe Division and its staff

FY 2013 Budget Notes – Lake Conroe Division

- Manager's Expense - Includes \$3,000 for miscellaneous expenses by the Highlands Division Manager to support the activities and staff of the Lake Conroe Division.
- Safety, Equipment and Meetings – Includes \$12,600 for safety related equipment, meetings, and training.
- Supplies, Signage, Janitorial Supplies, Freight & Delivery, and Laboratory Expense – Includes \$24,403 for expenses related to support of the Lake Conroe Division, its facilities and staff.
- Utilities - \$45,620
- Health & Wellness Program – Includes \$1,500
- Recruiting Expenses – Includes \$15,700 in expenses associated with identification and recruitment of direct hire staff (Lake Conroe Division and G & A) by third party recruiting firms
- Computer Hardware, Software, and Network Communications – Includes \$79,400 in non-capitalized expenses related to systems utilized by the Lake Conroe Division
- Local, Long Distance and Wireless Telephone Services – Includes \$13,800

6. Rentals

- Equipment Rentals – Includes \$25,200
- Office Rent – Includes \$51,110 for leasing space from the SJRA for the Lake Conroe Division office.
- Office Equipment Rental – Includes \$6,300 for rental of copiers, scanners, printers, etc.
- U.S Forest Lands – Includes \$17,000 for leasing federally owned lands that are submerged under Lake Conroe

7. Maintenance, Repairs & Parts

- Instrumentation – Includes \$13,860
- Office Furniture – Includes \$2,363
- Building & Grounds and Maintenance– Includes \$54,850
- Machinery, Tools & Equipment – Includes \$16,260
- Boat, Dam, Ayer Island, Security, Streets and Roads Maintenance – Includes \$106,070 for routine maintenance. Does not include major or heavy maintenance.
- Invasive Species Control – Includes \$80,000 for control of invasive plant and animal species.

FY 2013 Budget Notes – Lake Conroe Division

8. Employee Benefits - Includes \$514,604 for group insurance, group retirement, Workers' Compensation, payroll taxes, social security taxes, public office liability insurance and employee benefit services expenses for the staff previously identified.
9. General & Administrative Expenses – Includes \$454,225 for expenses incurred by General & Administrative to support the work performed by the staff within G & A staff noted above who support the Lake Conroe Division. These costs include such operational expense items as professional fees, purchased & contracted services, supplies, materials, utilities, rentals, maintenance/repairs & parts, non-operating expenses (such as interest expenses); and other costs such as capitalized equipment & other assets (such as computer hardware, software and network systems), principal payments and reserve fund contributions all associated with the support provided by G & A staff previously noted.
10. Capital Improvements – Includes costs for the planning, permitting, engineering, design, project management, construction phase administration, inspection and other professional services; and construction provided by third parties for improvements to the Lake Conroe Division facilities and systems.
11. Equipment & Other Assets – Includes \$38,500 costs for Lake Conroe Division owned vehicles, and \$58,106 for capitalized computer hardware and software, and \$10,000 for laboratory equipment.
12. Reserve Fund Requirement – Includes payments to the following reserve funds.
 - Operating Reserve Fund- Provides 90 days of working capital for cash flow.
 - Emergency/Contingency Reserve Fund – Provides cash reserves equivalent to 180 days of operations and maintenance expenses to be used for emergencies.
 - Capital Repair/Replacement Reserve Fund – Annual contributions are equal to 10% of the expenditures on capital improvements for the fiscal year. This fund accumulates reserves to be used for future repair and replacement of the equipment, structures, and facilities constructed.

**San Jacinto River Authority
Highlands Division
Proposed FY 2013 Budget
Cash Basis**

	HD Notes	Proposed FY 2013 <u>Budget</u>	FY 2012 <u>Budget</u>	Actual FYTD as of 7/31/12
Revenues				
Other Revenues	1	\$ 118,000	\$ 55,961	\$ 76,994
Total Revenues		118,000	55,961	76,994
Operating Expenses				
Salaries & Wages	2	938,483	935,195	551,731
Professional Fees	3	13,600	28,700	7,783
Purchased & Contracted Services	4	256,830	245,800	136,011
Supplies, Material & Utilities	5	532,949	537,426	266,205
Rentals	6	129,425	118,500	116,173
Maintenance, Repairs & Parts	7	144,185	119,700	241,632
Employee Benefits	8	396,042	443,488	232,067
General & Administration Expenses	9	366,137	328,368	
Total Operating Expenses		2,777,651	2,757,177	1,551,602
Capital Assets				
Capital Improvements	11	15,043,000	12,466,341	3,236,425
Equipment & Other Assets	12	139,436	343,000	237,310
Total Capital Assets		15,182,436	12,809,341	3,473,735
Other Cash Uses				
Bond Principal	14	655,000	635,000	635,000
Interest Payments	10	1,417,864	1,110,886	886,466
Debt Service Reserve Fund	13	228,980		133,257
Total Other Cash Uses		2,301,844	1,745,886	1,654,723
Other Cash Sources				
Bond Program Proceeds	15	15,043,000	12,396,341	3,236,425
Total Other Cash Sources		15,043,000	12,396,341	3,236,425
Reserve Fund Requirements	16	752,150	2,019,873	
Net Unreserved Cash Increase (Decrease)		\$ (5,853,081)	\$ (6,879,975)	\$ (3,366,641)

FY 2013 Budget Notes
Highlands Division
July 21, 2012

1. Other Revenue – Interest Income is based on interest earned from any unused proceeds of 2010 Private Activity Bond sale remaining in investment vehicles throughout the year based on projected cash flow requirements for scheduled activities related to the management and implementation of the Highlands Bond Program.

2. Salaries & Wages – Staffing for FY 2013 includes 14.2975 Full Time Equivalents (FTEs) the following:
 - Highlands Division staff – Seven full time employees and one intern for an aggregate total of 7.5 Full Time Equivalent (FTEs)
 - Division Manager
 - Operations and Maintenance Manager
 - Lake Houston Pump Station Manager
 - Maintenance Technicians (4)
 - Intern (0.50 FTE)
 - General & Administrative staff – 6.7975 FTEs to support the management and implementation of the Highlands Division
 - Technical Services – 2.550 FTE
 - SCADA/I & C – 0.825 FTE
 - Accounting – 0.510 FTE
 - Purchasing – 0.475 FTE
 - Information Technology – 0.4875 FTE
 - Risk Management – 0.360 FTE
 - Human Resources - 0.625 FTE
 - Administrative Services – 0.395 FTE
 - Management - 0.350 FTE
 - Public Relations - 0.100 FTE
 - Lake Conroe Support Staff – 0.120 FTE
 - Staffing Services – Includes \$4,600 in expenses associated with temporary employees (such as Temp-to-Hire) for G & A staff provided by third party staffing firms and allocated to Highlands.

3. Professional Fees – Professional Fees include funds for the following:
 - Legal Services – Includes \$10,000 in legal fees to support the Highlands Division’s effort.

FY 2013 Budget Notes – Highlands Division

- Paying Agent Fees – Includes \$1000.
 - Safety Inspections & Testing – Includes \$2,600.
4. Purchased & Contracted Services – Services purchased and contracted from third party providers including the following:
- Waste Disposal Services – Includes \$5,250.
 - Meter calibration services – Includes \$1,000.
 - Patrolling Services – Includes \$73,080 for patrolling of the area by Harris County Constables.
 - Employee Testing – Includes \$1,100 in expenses associated with employee physical testing during the hiring process and for DOT tests required for Commercial Driver’s License.
 - CWA Water Conveyance – Includes \$144,900 paid to the Coastal Water Authority to divert SJRA’s permitted raw water from the Trinity River at the CWA Trinity River Pump Station, convey the water downstream via the CWA canal, and transfer the water from the CWA Canal to the SJRA South Canal.
 - Trucking – Includes \$5,040 for services provided by third parties to load, haul and unload oversized SJRA equipment from site to site.
 - Water Quality Testing – Includes \$26,460 for raw water quality testing.
5. Supplies, Material & Utilities
- Office Supplies, Printing, Postage and Other Office Expenses – Includes \$8,065.
 - Automobile & Truck Expense, and Fuel and Lubricants – Includes \$61,080 for expenses related to operations and maintenance of Highlands Division owned vehicles and equipment.
 - Small Tools Purchases – Includes \$4,200.
 - Chemicals – Includes \$37,800 for chemicals to be used for aquatic plant management.
 - Pumping Costs – Includes \$242,876 for power costs associated with Lake Houston Pump Station.
 - Insurance – Includes \$42,299 for property, automobile, and general liability insurance premiums.
 - Training and Travel – Includes \$15,080 for expenses related to training and travel of Highlands Division staff.
 - Manager’s Expense – Includes \$6,150 for miscellaneous expenses by the Highlands Division Manager to support the activities and staff of the Highlands Division.

FY 2013 Budget Notes – Highlands Division

- Memberships, Professional Dues and Publications – Includes \$2,550 for expenses related to memberships, professional dues and publications for Highlands Division and its staff.
- Safety – Includes \$3,200 for safety related personal protective equipment, meetings, and training.
- Supplies and Utilities – Includes \$25,349 for expenses for water, gas, and electrical utilities, and supplies related to support of the Highlands Division, its facilities (other than power required for the LHPS) and staff.
- Health & Wellness Program – Includes \$2,500.
- Recruiting Expenses – Includes \$14,800 in expenses associated with identification and recruitment of direct hire staff (Highlands Division and G & A) by third party recruiting firms.
- Computer Hardware, Software, and Network Communications – Includes \$53,000 in non-capitalized expenses related to systems utilized by the Highlands Division.
- Local, Long Distance and Wireless Telephone Services – Includes \$14,000.

6. Rentals

- Equipment Rentals – Includes \$110,000 for rental of bypass pumps for siphon work and emergency conditions.
- Office Rent – Includes \$6,825 for rental of office trailer.
- Office Equipment Rental – Includes \$12,600 for rental of copiers, scanners, printers, etc.

7. Maintenance, Repairs & Parts

- Building & Grounds and Security System Monitoring – Includes \$19,845.
- Machinery, Tools & Implements – Includes \$30,000.
- Bridges, Culverts, Siphon, Canals, Levees, Dams, Streets and Roads Maintenance – Includes \$32,990 for routine maintenance. Does not include major or heavy maintenance.
- Pump Station Maintenance – Includes \$61,350 for routine maintenance and miscellaneous equipment for the Lake Houston Pump Station. Does not include major or heavy maintenance.

8. Employee Benefits - Includes \$396,042 for group insurance, group retirement, Workers' Compensation, payroll taxes, social security taxes, public office liability insurance and employee benefit services expenses for the staff previously identified.

9. General & Administrative Expenses – Includes \$360,137 for expenses incurred by General & Administrative to support the work performed by the staff within G & A staff noted above who support the Highlands Division. These costs include such operational

expense items as professional fees, purchased & contracted services, supplies, materials, utilities, rentals, maintenance/repairs & parts, non-operating expenses (such as interest expenses); and other costs such as capitalized equipment & other assets (such as computer hardware, software and network systems), principal payments and reserve fund contributions all associated with the support provided by G & A staff previously noted.

10. Non-Operating Expenses – Includes \$987,264 for interest expense on the 2010 Private Activity Bond issue and \$430,000 for interest expense on previous bonds.
11. Capital Improvements – Includes \$15,043,000 for the planning, permitting, engineering, design, project management, program management, construction phase administration, construction management, inspection and other professional services; and construction provided by third parties for improvements to the Highlands Division facilities and systems.
12. Equipment & Other Assets – Includes \$35,000 in costs for the replacement of one Highlands Division owned vehicle, \$39,000 for furniture for the new Emergency Operations Center, and \$65,436 in costs for capitalized computer hardware and software.
13. Debt Service Reserve Fund – Transfer of \$228,980 into the debt service reserve fund.
14. Bond Principal – Payment of \$655,000 for principal on the 2010 Private Activity Bond and previous bonds.
15. Bond Proceeds – Proceeds from the 2010 Private Activity Bond sale to be used in implement the Highlands Bond Program and proceeds from a proposed 2013 bond sale to fund key projects outside of the Highlands Bond Program.
16. Reserve Fund Requirement – Includes payments to the following reserve funds.
 - Operating Reserve Fund- Provides 90 days of working capital for cash flow.
 - Emergency/Contingency Reserve Fund – Provides cash reserves equivalent to 180 days of operations and maintenance expenses to be used for emergencies.
 - Capital Repair/Replacement Reserve Fund – Annual contributions are equal to 10% of the expenditures on capital improvements for the fiscal year. This fund accumulates reserves to be used for future repair and replacement of the equipment, structures, and facilities constructed.

SJRA FY 2013 Raw Water Enterprise Risk Management

July 9, 2012

Risk	Probability	Management Method
Revenue		
Revenue from raw water sales and reservations less than projected	Low	<ul style="list-style-type: none"> • Long-term raw water supply contracts for industrial users are currently “take or pay”. • Long-term raw water supply contracts for municipal users based on previous demand with no increase. • Raw water supply contracts for irrigators are on annual basis, however contracted water amounts are very small. • Long-term GRP contracts with Participants <ul style="list-style-type: none"> ○ Revenue from reservation fees for SJRA water in Lake Conroe ○ Reservation fees for City of Houston water in Lake Conroe is a pass through to GRP Division.
Revenue from dock, marina, OSSF, etc. permitting/licensing less than projected	Low	<ul style="list-style-type: none"> • Improved billing and collection process • Collection rate in budget assumed at 95%
Delayed payments from large raw water customers	Low	<ul style="list-style-type: none"> • Billing collection process in place to identify late payments and work with customers to obtain payments • Working Capital Reserve Funds available
Delayed payments from City of Houston	High	<ul style="list-style-type: none"> • Delayed revenue from COH incorporated in budget • Staff dedicated to working with COH to obtain timely payments • Working Capital Reserve Funds available
Labor (Staffing)		
Inadequate qualified, motivated key G & A staff to support the operating divisions and satisfactorily implement strategic plan	Low	<ul style="list-style-type: none"> • Focused effort to identify and recruit remaining highly qualified, motivated and accountable key staff to complete the staffing plan • Long-term staffing utilization optimization
Inability to provide a competitive compensation package for qualified, motivated staff at a reasonable cost in a changing and volatile environment	Medium	<ul style="list-style-type: none"> • Conducting research regarding competitive compensation and benefits including health benefits • Researching possible alternative plan designs for both retirement and health benefit programs • Seeking competitive bids on health coverage, including quotes for self-insurance

Risk	Probability	Management Method
Professional, Construction and Miscellaneous Services		
Inadequate and/or poorly performing providers of professional, construction and/or miscellaneous services	Low	<ul style="list-style-type: none"> • SJRA staff in key management positions to oversee/ drive progress for most timely completion • Project management procedures implemented for effective project delivery including control of scope, fee, schedule and risk • All contracts contain termination clauses. • All professional services contracts are work order based which only authorize work one phase at a time allowing opportunity to adjust services provided • Standardization of construction contract front-end documents and specifications
Operations and Maintenance Costs		
Operations costs greater than budgeted	Medium	<ul style="list-style-type: none"> • Operations costs based on historic expenditures with contingency • Commodity costs such as fuel and power susceptible to spikes in prices therefore estimated conservatively • Extreme events, such as a hurricane landing in the area, are included in contingency plans • Emergency Reserve Funds available
Failure of a key system component requiring immediate repair in and/or maintenance costs greater than budgeted for Highlands	Medium	<ul style="list-style-type: none"> • Most facilities in Highlands have been in service 60 or more years. An assessment of the Highlands system identified system components in need of repair/rehabilitation. Those needs have been prioritized and placed in a phased capital improvement program (CIP). Critical needs are being addressed through the Highlands Private Activity Bond Program. System components are reviewed daily to assure continued system wide functionality and reliability. If a failure of a key component occurs, staff will identify the severity of the failure, methods to address the failure, appropriate repair method and requiring timing for the repair. If time is available, the CIP could be adjusted (reprioritized) to incorporate the additional repair/rehabilitation method. • Emergency by-pass pumping plan and pump mobilization contract is in place (services continuation) • Emergency natural gas generator to supply electrical power to Lake Houston Pump Station during loss of power events (services continuation)

Risk	Probability	Management Method
		<ul style="list-style-type: none"> • Emergency Reserve Funds available for critical and immediate repair of failed system components
<p>Failure of a key system component requiring immediate repair and/or maintenance costs greater than budgeted for Lake Division</p>	<p>Medium</p>	<ul style="list-style-type: none"> • Lake Conroe dam has been in service for over 40 years. A dam safety inspection was completed in 2009 and found the dam to be generally in good condition. Some specific needs/issues were identified and prioritized. Most needs are being addressed in a phased approach in a five year CIP. If a failure of a key system component occurs, staff will identify the severity of the failure, methods to address the failure, appropriate repair method and required timing for the repair. If time is available, the CIP could be adjusted (reprioritized) to incorporate the additional repair/rehabilitation method. Currently sand accumulation near Outlet Pond presents greatest risk for additional expenditures. • Emergency Reserve Funds available for critical and immediate repair of failed system components
<p>Capital Outlay</p>		
<p>Capital improvement program (CIP) project costs greater than budgeted</p>	<p>Low</p>	<ul style="list-style-type: none"> • SJRA staff in key management positions to oversee/ drive progress for most timely completion • Project management procedures implemented for effective project delivery including control of scope, fee, schedule and risk • Phased execution of construction projects allows a modification to CIP plan prior to commitment of funds • Commodity costs such as fuel and construction materials susceptible to spikes in prices therefore estimated conservatively • Capital Improvements Reserve Funds available for unanticipated CIP needs
<p>Harris County Continues to Implement Roadway Improvements over/through SJRA Siphons in an Expedited Manner</p>		<ul style="list-style-type: none"> • SJRA staff to closely monitor Harris County Infrastructure Planning • Capital Improvements Reserve Funds available for unanticipated CIP needs

**San Jacinto River Authority
 Bear Branch System
 Proposed FY 2013 Budget
 Cash Basis**

	Proposed FY 2013 <u>Budget</u>	FY 2012 <u>Budget</u>	Actual FYTD as of 7/31/12
Revenues			
Other Revenues	\$ 60,637	\$ 68,434	\$ 66,992
Total Revenues	60,637	68,434	66,992
Operating Expenses			
Salaries & Wages	44,828	24,515	7,171
Professional Fees	23,000	6,000	
Supplies, Material & Utilities	10,202	15,589	2,422
Maintenance, Repairs & Parts	194,000	281,684	115,988
Employee Benefits	15,510	10,288	2,190
General & Administration Expenses	28,736	33,598	9,615
Total Operating Expenses	316,275	371,674	137,386
Capital Assets			
Capital Improvements	250,000	300,000	32,550
Total Capital Assets	250,000	300,000	32,550
Other Cash Sources			
Cash Balance Carryforward	565,638	671,345	102,944
Total Other Cash Sources	565,638	671,345	102,944
Reserve Fund Requirements	60,000	61,997	
Net Unreserved Cash Increase (Decrease)	\$ (0)	\$ 6,108	\$0

**San Jacinto River Authority
Region H
Proposed FY 2013 Budget
Cash Basis**

	Proposed FY 2012 <u>Budget</u>	FY 2012 <u>Budget</u>	Actual FYTD as of 7/31/12
Revenues			
Other Revenues	\$ 427,960	\$ 346,900	\$ 185,047
Total Revenues	427,960	346,900	185,047
Operating Expenses			
Professional Fees	421,700	340,000	169,395
Purchased & Contracted Services	1,800	2,600	3,713
Supplies, Material & Utilities	3,100	2,800	
Rentals			
Employee Benefits	1,360	1,500	
Total Operating Expenses	427,960	346,900	173,108
Net Unreserved Cash Increase (Decrease)	\$0	\$0	\$ 11,939

**San Jacinto River Authority
General & Administration Division
Proposed FY 2013 Budget
Cash Basis**

	G&A <u>Notes</u>	Proposed FY 2013 <u>Budget</u>	FY 2012 <u>Budget</u>	Actual FYTD <u>as of 7/31/12</u>
Revenues				
Operating Revenues	1		\$ 8,680,554	\$ 8,245,937
Other Revenues	2	54,802	119,987	118,337
Total Revenues		54,802	8,800,541	8,364,274
Operating Expenses				
Salaries & Wages	3	682,034	852,916	1,221,344
Professional Fees	4	749,620	570,600	379,723
Purchased & Contracted Services	5	277,500	232,900	161,723
Supplies, Material & Utilities	6	1,353,628	1,263,280	639,918
Rentals	7	46,035	47,200	24,751
Maintenance, Repairs & Parts	8	128,300	167,400	141,318
Employee Benefits	9	322,673	405,810	529,296
General & Administration Expenses	10	(2,698,158)	(2,584,889)	(1,450,453)
Interest Expense	11	266,327	1,087,705	766,309
Total Operating Expenses		1,127,959	2,042,922	2,413,929
Capital Assets				
Capital Improvements			50,000	48,866
Equipment & Other Assets	12	354,640	532,500	304,166
Water Rights		10,000	10,000	1,090
Total Capital Assets		364,640	592,500	354,122
Other Cash Uses				
Bond Principal			1,034,000	1,034,000
Loan Principal	13	190,816	-	
Total Other Cash Uses		190,816	1,034,000	1,034,000
Other Cash Sources				
GRP Advance Repayment			2,700,000	2,717,593
Total Other Cash Sources			2,700,000	2,717,593
From Excess Operations Balance	14	1,235,255		
Reserve Fund Requirements	15		(688,165)	
Net Unreserved Cash Increase (Decrease)		\$ (393,358)	\$ 8,519,284	\$ 7,279,816

FY 2013 Budget Notes
General and Administration Division
August 23, 2012

1. Operating Revenues - Operating revenues will be reported within the Raw Water Enterprise division beginning in FY 2013
2. Other Revenues – \$51,110 from the Lake Conroe Division for leasing space in the old G&A building.
3. Salaries & Wages – Staffing for FY 2013 includes 9.74 Full Time Equivalent (FTE's) from the following positions:
 - General and Administration staff
 - General Manager
 - Deputy General Managers (2)
 - Department Managers (9)
 - Administrative Assistants (5)
 - Receptionist
 - Facilities Technician
 - Records Management Specialist
 - Benefits Specialist
 - Human Resource Specialists (3)
 - Systems Analyst (2)
 - IT Technicians (3)
 - Network Operations Supervisor
 - Applications Supervisor
 - Network Administrator
 - Sharepoint Administrator
 - Risk Analyst
 - Safety Coordinator
 - Accounting Manager
 - Accounting Supervisor
 - Accountants (3)
 - Accounting Assistants (5)
 - Technical Services Manager
 - Assistant Technical Services Manager
 - Technical Assistants (2)
 - Construction Inspector
 - Construction Manager (2)
 - Engineers (7)
 - Project Managers (5)
 - GIS Supervisor
 - GIS Technician
 - Interns (3)
 - Purchasing Buyers (3)
 - Purchasing Assistant
 - Public Relations Specialist

FY 2013 Budget Notes
General and Administration Division
August 23, 2012

- SCADA Assistant Manager
 - SCADA Supervisors (3)
 - SCADA Technician (2)
 - SCADA Specialists (4)

 - FTE's by department:
 - Management - .35 FTE
 - Administrative Services – 2.52 FTE
 - Human Resources – .75 FTE
 - Information Technology – 2.34 FTE
 - Risk Safety - .51 FTE
 - Accounting – 1.75 FTE
 - Technical Services – 0.05 FTE
 - Purchasing - .67 FTE
 - SCADA – 0.0 FTE
 - Public Relations - .3 FTE
 - Maintenance Technicians (Lake Conroe Division) - .5 FTE

 - Staffing Services – Includes \$30,000 in expenses associated with temporary employees (such as Temp-to-Hire) provided by third party staffing firms.
4. Professional Fees – Professional Fees include funds for the following:
- Legal Services – Includes \$430,000 for general legal services, water rights counsel, contracts counsel and \$30,000 for employment counsel.
 - Disclosure Filing – Includes \$2,420 for assistance by disclosure counsel to file annual financial disclosure documents to comply with SEC regulations for SJRA bond issues.
 - Auditing – Includes \$31,000 for the G&A Division's share of the annual audit of the SJRA comprehensive annual financial report (CAFR) and quarterly special procedures (outgoing 3rd party wires control and retirement funds audit).
 - Arbitrage Reporting Fees – Includes \$3,200 for annual arbitrage reporting.
 - Paying Agent Fees – Includes \$1,000 for the paying agent fees for bond issues.
 - Accounting Studies – Includes \$10,000 for an actuarial valuation to determine the annual expense and long term liabilities to provide SJRA paid group insurance to certain retired and current employees who will be eligible for the benefit at retirement.

FY 2013 Budget Notes
General and Administration Division
August 23, 2012

- Engineering, Surveying and Other Consultants – Includes \$102,000 for engineering or other technical support related to water rights, permitting, or other special projects.
 - Management Consulting – Includes \$150,000 for General Manager’s transition.
 - Other Professional Services – Includes \$20,000 for HR consulting services
5. Purchased & Contracted Services – Services purchased and contracted from third party providers including the following:
- Janitorial Services – Includes \$18,000 for janitorial services for the G&A building.
 - Employee Testing – Includes \$11,000 for pre-employment testing of new employees and as required for drivers by the DOT.
 - Public Relations Expenses – Includes \$125,000 for graphic design, printing, events, promotional materials, educational materials, and other programs and information to inform the public of SJRA activities.
 - Water Conservation & Public Education – Includes \$51,000 for program to educate the public about water conservation, including the SJRA’s conservation education program for elementary school students (Save Water Texas and Wise Guy programs).
 - Website Hosting & Maintenance – Includes \$6,000 for development, updating and maintenance of the SJRA website.
 - Director’s Fees, Meeting & Travel Expenses – Includes \$37,500 for the \$150 per day allowed as a fee of office for members attendance at SJRA board and committee meetings, board and committee meeting meals and meeting room expenses, and travel expenses to out of town conferences by board members.
 - Document Imaging – Includes \$20,000 for outsourcing scanning projects and shredding.
6. Supplies, Material & Utilities – for expenses as described below:
- Office Supplies, Printing, Postage and Other Office Expenses – Includes \$124,871
 - Travel – Includes \$74,283 for lodging, public transportation, meals, parking and other allowable travel expenses for out of town trips related to training and conferences attended by SJRA staff.
 - Automobile & Truck Expense and Fuel – Includes \$124,203 for expenses related to operations and maintenance for G&A portion of SJRA-owned vehicles.

FY 2013 Budget Notes
General and Administration Division
August 23, 2012

Insurance – Includes \$31,486 for property, automobile, general liability, and E & O insurance premiums.

- Training – Includes \$171,701 for expenses related to training and professional development of G&A staff.
- Manager’s Expense – Includes \$49,877 for expenses by the G&A Managers to support the activities and staff of the G&A Division.
- Employee Relations – Includes \$50,000 for promotional materials, SJRA-sponsored events, bereavement packages, and employee recognitions.
- Memberships and Professional Dues – Includes \$40,370 for expenses related to memberships and professional dues (such as dues for Attorney’s, Engineer’s, CPA’s, HR, IT, Payroll, Purchasing and Safety professional organizations) for G&A Division staff.
- Janitorial Supplies, Copier, Scanner & Fax Expense, and Freight & Delivery, – Includes \$27,000 for expenses related to support of the G&A Division, its facilities and staff.
- Firming Up Costs – Includes \$24,000 to the City of Houston per contract.
- Safety Equipment & Meetings – Includes \$15,650 for safety equipment and meetings sponsored by safety personnel.
- Health & Wellness Program – Includes \$5,000 for activities to promote health and wellness such as ‘Walk Across Texas’ and American Diabetes Association event.
- Recruiting Expenses – Includes \$59,000 in expenses associated with identification and recruitment of general manager and direct hire staff by third party recruiting firms
- Computer Hardware, Software, and Network Communications – Includes \$342,081 for expenses related to computer hardware, software, data networks and support systems utilized by the G&A Division
- Local, Long Distance and Wireless Telephone Services – Includes \$126,500 for expenses related to communications and data transmission of SJRA staff via local and long distance telephone, conference calling, cell phones, data communications, and remote computer access data plans plus system installs, moves and changes.
- Utilities – Includes \$64,800 for electric and natural gas utilities for the G&A building.
- Bank Account Analysis Fee – Includes \$4,942 for fees required by the bank to support payroll direct deposit.
- Publications & Subscriptions – Includes \$16,014 for manuals, books and publications to maintain the skills and technical expertise of G&A staff.

FY 2013 Budget Notes
General and Administration Division
August 23, 2012

7. Rentals – Lease and rental of office space and equipment
 - Includes \$19,000 for lease of copiers
 - Includes \$16,035 for Technical Services office space
 - Includes \$2,000 for SCADA radio testing equipment, trenching equipment
 - Includes \$7,500 for the lease of a modular building for SCADA personnel

8. Maintenance, Repairs & Parts
 - Building & Grounds and Security System Monitoring – Includes \$20,000 for lawn maintenance of G&A; \$3,000 air filters; \$6,000 generator inspections; \$9,000 exterior building and window cleaning; \$10,000 for miscellaneous G&A building projects; \$4,310 elevator maintenance, \$1,200 security system monitoring.
 - Office Furniture-New Offices – Includes \$12,000
 - Machinery, Tools & Implements – Includes \$5,000
 - Instrumentation Parts – Includes \$3,600 for SCADA instrumentation.

9. Employee Benefits - Includes \$322,673 for group insurance, group retirement, Workers' Compensation, payroll taxes, social security taxes, and employee benefit services expenses for the staff previously identified.

10. General & Administration Expenses – Includes expenses allocated by the General & Administration division in support of work performed by the operating divisions. These costs include such operational expense items as professional fees, purchased & contracted services, supplies, materials, utilities, rentals, maintenance/repairs & parts, non-operating expenses (such as interest expenses); and other costs such as capitalized equipment & other assets (such as computer hardware, software and network systems), principal payments and reserve fund contributions all associated with the support provided by G & A staff previously noted.

11. Non-Operating Expenses – Includes \$266,327 interest expense on the loan acquired for the purchase of a portion of the G&A Building. Interest expense for 2010 and 2012 refunding bond issues are included in the Raw Water Enterprise budget

12. Equipment & Other Assets – Includes \$354,640 for G&A owned vehicles, capitalized equipment, telephones, computer hardware and software.

FY 2013 Budget Notes
General and Administration Division
August 23, 2012

13. Other Cash Uses – Includes \$190,816 for building loan payments.

14. Other Cash Sources - Includes \$1,235,255 from excess cash from operating fund.

15. Reserve Fund Requirement – Includes payments to the following reserve funds.

- Operating Reserve Fund- Provides 90 days of working capital for cash flow.
- Emergency/Contingency Reserve Fund – Provides cash reserves equivalent to 180 days of operations and maintenance expenses to be used for emergencies.
- Capital Repair/Replacement Reserve Fund – Annual contributions are equal to 10% of the expenditures on capital improvements for the fiscal year. This fund accumulates reserves to be used for future repair and replacement of the equipment, structures, and facilities constructed.

San Jacinto River Authority
Raw Water Enterprise + G&A Divisions
Proposed FY 2013 Budget
Cash Basis

	Highlands & Lake Raw Water Enterprise + G&A	Lake Conroe Division	Highlands Division	Raw Water Enterprise	General & Administration Division
Revenues					
Raw Water Enterprise Revenues	\$ 9,254,263			\$ 9,254,263	
Lake Conroe Operating Revenues	2,702,304	2,702,304			
Other Revenues	199,692		118,000		81,692
Total Revenues	12,156,259	2,702,304	118,000	9,254,263	81,692
Operating Expenses					
Salaries & Wages	2,771,334	1,150,817	938,483		682,034
Professional Fees	1,053,545	290,325	13,600		749,620
Purchased & Contracted Services	880,805	346,475	256,830		277,500
Supplies, Material & Utilities	2,258,357	371,780	532,949		1,353,628
Rentals	275,070	99,610	129,425		46,035
Maintenance, Repairs & Parts	555,823	283,338	144,185		128,300
Employee Benefits	1,233,319	514,604	396,042		322,673
General & Administration Expenses	(1,877,796)	454,225	366,137		(2,698,158)
Interest Expense	266,327				266,327
Total Operating Expenses	7,416,784	3,511,174	2,777,651		1,127,959
Capital Assets					
Capital Improvements	15,529,667	486,667	15,043,000		
Equipment & Other Assets	527,197	33,121	139,436		354,640
Water Rights	10,000				10,000
Total Capital Assets	16,066,864	519,788	15,182,436		364,640
Other Cash Uses					
Bond Principal-Highlands Bonds	655,000		655,000		
Bond Principal- Raw Water Enterprise Bonds	1,060,000			1,060,000	
Interest Payments-Highlands Bonds	1,417,864		1,417,864		
Interest Payments-Raw Water Enterprise Bonds	577,060			577,060	
Loan Principal	190,816				190,816
Debt Service Reserve Fund	228,980		228,980		
Total Other Cash Uses	4,129,720		2,301,844	1,637,060	190,816
Other Cash Sources					
Bond Proceeds	15,043,000		15,043,000		
Total Other Cash Sources	15,043,000		15,043,000		
From Excess Operations Balance	1,235,255				1,235,255
Reserve Fund Requirements	821,146	68,996	752,150		
Net Unreserved Cash Increase (Decrease)	\$ 0	\$ (1,397,654)	\$ (5,853,081)	\$ 7,617,203	\$ (366,468)