



SJRA WOODLANDS DIVISION

FY2019 PROPOSED BUDGET

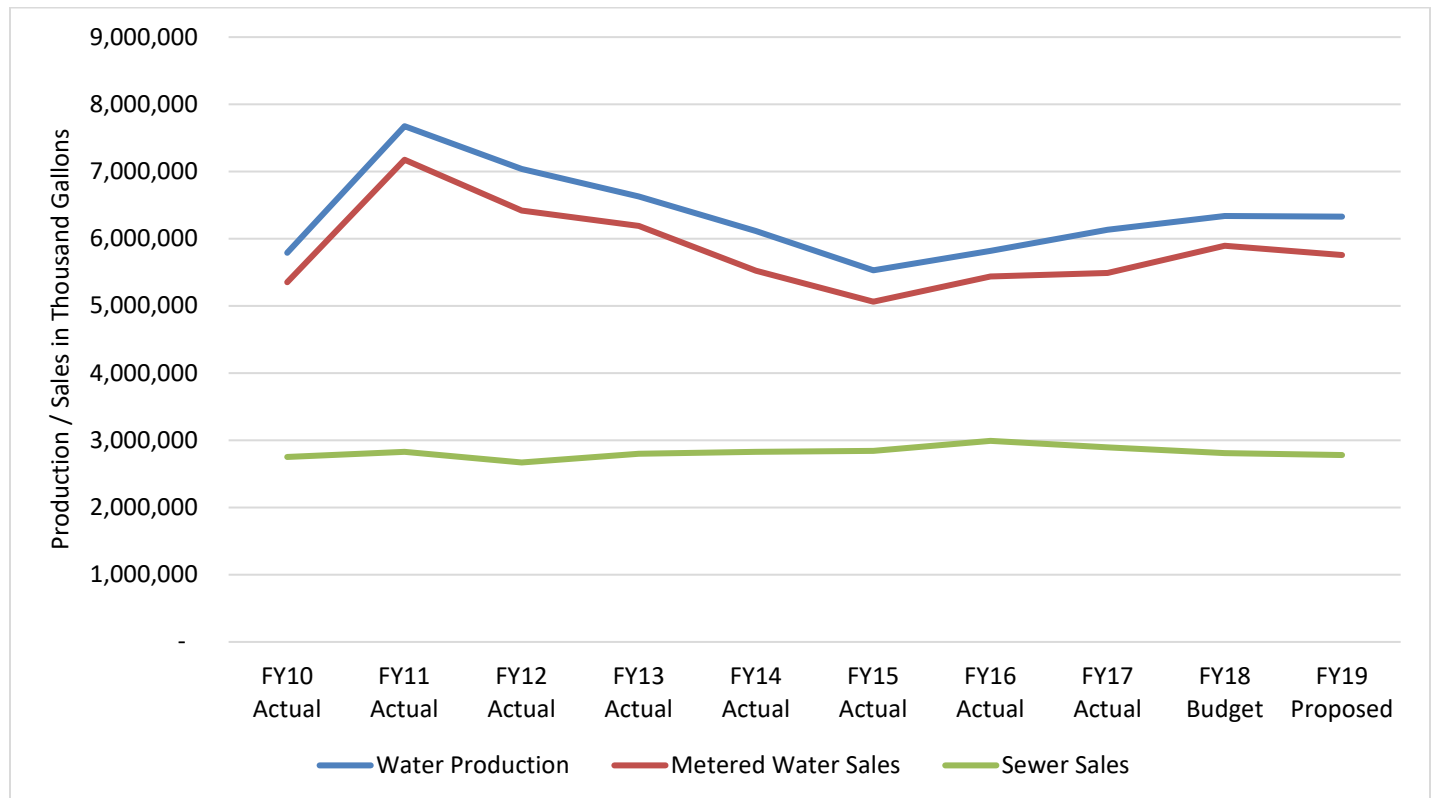
EXECUTIVE SUMMARY

The FY2019 Proposed Woodlands Division Budget and Capital Improvement Projects (CIP) balance the need to maintain current service levels and address the need for system renewal of an aging infrastructure, while projecting a decrease in water sales and a decrease in wastewater sales from previous budget years. The proposed budget is projecting metered water sales to decrease by 45,705,000 gallons and wastewater sales derived from winter averaging to decrease by 60,573,000 gallons compared to the adopted FY2018 budget. The FY2019 Proposed Budget includes no rate increase for wholesale water or wastewater rates. The GRP rate and fee charged to The Woodlands Division is anticipated to remain unchanged from FY2018.

As a part of the Interceptor Program and Pretreatment Program implementations, expenses related to these programs are not included in the rate calculation since they are billed to each MUD separately.

Wholesale Rates (\$/1,000 gal.)	Current Approved Rate	Proposed % Increase	Proposed Rate
Water	\$2.10	0%	\$2.10
Wastewater	\$4.30	0%	\$4.30

Actual and projected water and sewer demands for the period of FY2010 to FY2019 are below.



Water Rate Breakout					
Category	Approved FY2018 (\$2.10 per 1,000 gallons)		Proposed FY2019 (\$2.10 per 1,000 gallons)		Proposed FY2019 Expense
	% of rate	\$ of rate	% of rate	\$ of rate	
Salaries, Wages & Benefits	26.69%	\$0.56	28.67%	\$0.60	\$3,506,800
Professional Fees	0.59%	\$0.01	1.59%	\$0.03	\$194,500
Purchased & Contract Fees (w/o GRP)	3.00%	\$0.06	3.46%	\$0.07	\$422,925
Supplies, Materials & Utilities	18.32%	\$0.39	18.43%	\$0.39	\$2,254,286
Maintenance, Repairs, Rentals, & Parts	5.07%	\$0.11	6.56%	\$0.14	\$802,900
G&A Allocation	3.04%	\$0.06	3.11%	\$0.07	\$380,664
O&M Capital	0.88%	\$0.02	1.15%	\$0.02	\$140,132
Bond Payment (P&I)	-	-	5.59%	\$0.12	\$683,333
R&R - CIP	32.54%	\$0.68	20.36%	\$0.43	\$2,490,383
GRP Non-pass through	9.87%	\$0.21	11.08%	\$0.23	\$1,355,182
Total Expenses	100.00%	\$2.10	100.00%	\$2.10	\$12,231,105

Wastewater Rate Breakout					
Category	Approved FY2018 (\$4.30 per 1,000 gallons)		Proposed FY2019 (\$4.30 per 1,000 gallons)		Proposed FY2019 Expense
	% of rate	\$ of rate	% of rate	\$ of rate	
Salaries, Wages & Benefits	30.53%	\$1.31	31.15%	\$1.34	\$3,698,264
Professional Fees	0.76%	\$0.03	1.82%	\$0.08	\$216,022
Purchased & Contract Fees	6.83%	\$0.29	6.82%	\$0.29	\$809,275
Supplies, Materials & Utilities	16.68%	\$0.72	17.48%	\$0.75	\$2,074,471
Maintenance, Repairs, Rentals, & Parts	12.09%	\$0.52	10.50%	\$0.45	\$1,245,900
G&A Allocation	3.69%	\$0.16	3.43%	\$0.15	\$407,342
O&M Capital	0.82%	\$0.04	1.15%	\$0.05	\$136,732
Bond Payment (P&I)	9.43%	\$0.41	9.61%	\$0.41	\$1,140,615
R&R – CIP	19.17%	\$0.82	18.04%	\$0.78	\$2,141,209
Total Expenses	100.00%	\$4.30	100.00%	\$4.30	\$11,869,830

Value of \$0.01			
Water	\$58,206	Wastewater	\$27,819

Project Plans: The projects included in the table below are R&R funded projects from the 10-year project Plan for FY2019 as presented in March 2018. The total funding needed for these projects is \$6,035,500. An amount equal to \$4,631,592 will be transferred into the R&R fund throughout FY2019 from the O&M Budget. Additionally, the FY2017 Excess Reserves of \$1,301,319 will be utilized as approved by the WJPA Trustees in April 2018. This leaves \$102,589 unfunded, which will be funded from the current R&R reserves.

Project	Phase	FY2019 Budget	Funding Source
Rehabilitation of Water Wells 25 & 31	Design / Construction	\$460,000	R&R
Elevated Storage Tank No. 2 Rehabilitation	Design	\$100,000	R&R
Gravity Main Rehabilitation	Construction	\$502,500	R&R
Liftstation No. 5 Force Main Replacement*	Construction	\$3,510,000	R&R
Lift Station No. 13 Rehabilitation	Design	\$266,000	R&R
WWTF No. 2 MCC Replacement	Design	\$64,000	R&R
Sanitary Sewer Evaluation Study and Flow Monitoring	Study	\$502,000	R&R
WWTF Nos. 2 and 3 Generator Replacement	Construction	\$631,000	R&R
Total		\$6,035,500	

* Amount reduced by \$1,000,000 after presentation in March 2018. This project will be split in FY2019 and FY2020.

FY2018 to FY2019 Budget Variances: Listed below are key variances between the FY2018 Budget and FY2019 Proposed Budget for The Woodlands Division. These variances were identified by either having an increase or decrease in either percentage or dollar amount above a customary amount.

Category	FY18 Budget	FY19 Proposed	Variance	Comments
Revenue				
GRP Pumping Fees	\$16,272,773	\$15,948,384	(\$324,389)	<ul style="list-style-type: none"> Adjustment from 65/35 blend to a 50/50 blend. Adjustment from a fee of \$2.76 to \$2.74
Expenditures				
Professional Fees				
Legal Fees	\$78,500	\$190,000	\$111,500	<ul style="list-style-type: none"> Legal services required to complete acquisition of remaining easements in The Woodlands.
Engineering	\$175,400	\$196,772	\$21,372	<ul style="list-style-type: none"> 5-year renewal of Water Conservation and Drought Contingency Plans Assessment of Asset Management Plan

Category	FY18 Budget	FY19 Proposed	Variance	Comments
Purchased & Contracted Services				
Groundwater District Fees	\$234,522	\$316,500	\$81,978	<ul style="list-style-type: none"> Increase in groundwater usage to achieve 50/50 blend.
GRP Pumping Fee	\$6,191,392	\$8,351,264	\$2,159,872	<ul style="list-style-type: none"> Increase in groundwater usage to achieve 50/50 blend.
GRP Surface Water Delivery Rate	\$11,304,399	\$8,952,302	(\$2,352,097)	<ul style="list-style-type: none"> Decrease in surface water to achieve 50/50 blend.
Supplies, Materials & Utilities				
Travel	\$19,000	\$4,000	(\$15,000)	<ul style="list-style-type: none"> Decreased overnight training events.
Postage	\$13,000	\$21,500	\$8,500	<ul style="list-style-type: none"> Increase in laboratory shipments due to wastewater permit renewals.
Supplies, Materials & Utilities				
Chlorine	\$114,332	\$184,000	\$69,668	<ul style="list-style-type: none"> Increase in chlorine usage due to completed disinfection facilities at WWTF No. 2 in October 2018.
Sulfur Dioxide	\$51,675	\$97,000	\$45,325	<ul style="list-style-type: none"> Increase in sulfur dioxide usage due to completed disinfection facilities at WWTF No. 2 in October 2018.
Alkalinity	\$138,600	\$50,000	(\$88,600)	<ul style="list-style-type: none"> Decrease in usage due to increased groundwater usage.
Supplies – Lab	\$15,300	\$0	(\$15,300)	<ul style="list-style-type: none"> Combined account with operations supplies.
Maintenance, Repairs, Rentals, & Parts				
Mowing	\$211,688	\$270,000	\$58,312	<ul style="list-style-type: none"> Includes installation of culverts in remote areas. These culverts will allow for maintenance of sewer lines in these areas.
Building & Grounds Maintenance	\$92,720	\$125,000	\$32,280	<ul style="list-style-type: none"> Budget includes funds to conduct preventive and corrective repairs to misc. building roofs.

Category	FY18 Budget	FY19 Proposed	Variance	Comments
Plants & Facilities	\$140,000	\$60,000	(\$80,000)	<ul style="list-style-type: none"> Reduction in painting and coating required based on previously coated systems.
Tanks	\$114,200	\$185,500	\$71,300	<ul style="list-style-type: none"> Includes additional tank cleanout and diffuser replacement at WWTF No. 3.
Electrical	\$185,800	\$96,000	(\$89,800)	<ul style="list-style-type: none"> Previous years included rebuilding of panels.
Maintenance, Repairs, Rentals, & Parts				
Generators	\$162,000	\$45,000	(\$117,000)	<ul style="list-style-type: none"> Previous year included replacement of a 100 kw generator.
Lines, Valves & Pipes	\$740,000	\$402,000	(\$338,000)	<ul style="list-style-type: none"> Increase due to previous line breaks.
Other Maintenance	\$0	\$100,100	\$100,100	<ul style="list-style-type: none"> Used for emergency and unforeseen repairs and expenses.
Barscreens	\$109,500	\$9,500	(\$100,000)	<ul style="list-style-type: none"> Previous year included purchase of conveyor system.
Low Head Sand Filters	\$19,500	\$36,000	\$16,500	<ul style="list-style-type: none"> WWTF No. 2 sand bed will be replaced at filter #2.
Non-Operating Expenses				
Non-operating expense (Bond interest and bond issuance costs)	\$1,139,369	\$457,281	(\$682,088)	<ul style="list-style-type: none"> Previous FY included bond issuance costs.
Others Uses				
Bond Principal	\$0	\$1,366,667	\$1,366,667	<ul style="list-style-type: none"> Funds for first principal payment on FY2017 Bond.

**SJRA WOODLANDS DIVISION
ADJUSTMENT FROM 65/35 TO 50/50**

	FY19 65% SW / 35% GW	FY19 50% SW / 50% GW
GRP Revenue (Surface Water Conversion Fee) Based on Sales of 5,820,578 gallons	<u>16,064,795</u>	<u>15,948,384</u>
Expenses		
Groundwater Pumpage Fee	6,191,392	\$ 8,351,264
Surface Water Delivery Fee	11,304,399	\$ 8,952,302
Chlorine	\$ 25,000	\$ 35,000
Preventive Maintenance/Oil	\$ 10,000	\$ 15,000
Electrical	\$ 1,750,000	\$ 1,600,000
LSGCD Fees	\$ 234,522	\$ 316,336
Alkalinity	<u>\$ 150,000</u>	<u>\$ 50,000</u>
	<u><u>19,665,313</u></u>	<u><u>19,319,902</u></u>
 GRP Revenue : GRP Expense Difference	 (1,430,996)	 (1,355,182)

San Jacinto River Authority - Woodlands Operating Fund
Actual to Budget Comparison
FY2017 - FY2019

Description	Actuals			Rolling 12	PROPOSED
	Actuals 8/31/2017	Sept-March FY2018	April 2017- March 2018	Budget FY2018	Budget FY2019
OPERATING REVENUES					
Water Sales-Woodlands MUD's	\$ 11,604,919	\$ 5,497,487	\$ 11,336,437	\$ 12,381,458	\$ 12,223,214
Wastewater Treatment Fees	13,289,956	7,365,258	13,310,023	12,078,068	11,962,144
Direct Reuse Water	30,000	17,500	30,000	30,000	30,000
Permits, Licenses & Fees - Commercial	205,100	-	205,100	205,100	205,100
GRP Pumping Fees	14,486,373	7,252,438	14,537,223	16,272,773	15,948,384
Sampling	-	-	-	18,000	15,000
Other Operating Revenue	13,074	-	-	-	-
TOTAL OPERATING REVENUES	\$ 39,629,423	\$ 20,132,683	\$ 39,418,782	\$ 40,985,398	\$ 40,383,842
OTHER REVENUES					
Interest Income	\$ 37,774	\$ 97,180	\$ 117,359	\$ 8,000	\$ 15,600
FEMA Grant Revenue	180,828	-	180,828	-	-
Proceeds From Sale Of Assets	9,875	-	1,675	-	-
Other Gains & Losses	8,998	5,873	6,959	-	-
TOTAL OTHER REVENUES	\$ 237,475	\$ 103,053	\$ 306,821	\$ 8,000	\$ 15,600
OPERATING EXPENSES					
SALARIES, WAGES, & EMPLOYEE BENEFITS					
Salaries & Wages	\$ 2,533,230	\$ 1,399,863	\$ 2,542,116	\$ 2,598,218	\$ 2,693,869
Salary & Wage Allocation	2,003,018	1,190,888	2,073,345	2,110,606	2,113,456
Compensated Absences	3,128	-	3,128	-	-
Group Insurance	927,555	634,153	1,025,206	1,284,266	1,314,448
Group Insurance - Retirees	4,170	3,308	5,634	5,806	6,021
Group Insurance - Retiree OPEB	201,838	-	201,838	68,000	200,000
Group Retirement Expense	567,037	320,801	561,517	642,712	631,523
Workers Compensation Insurance	114,570	70,734	115,716	135,070	161,465
Social Security Taxes	332,813	183,821	330,962	352,213	359,185
TOTAL SALARIES, WAGES, & EMPLOYEE BENEFITS	\$ 6,687,358	\$ 3,803,569	\$ 6,859,462	\$ 7,196,890	\$ 7,479,966
PROFESSIONAL FEES					
Legal Fees	\$ 41,785	\$ 58,459	\$ 76,012	\$ 78,500	\$ 190,000
Annual Financial Audit	26,553	29,122	33,400	27,400	40,000
Paying Agent Fees	-	750	750	-	750
Engineering	345,392	78,946	374,088	175,400	196,772
Safety Inspections & Testing	5,314	3,132	4,587	4,000	5,000
Graphic Design	125	-	125	2,500	2,000
TOTAL PROFESSIONAL FEES	\$ 419,168	\$ 170,409	\$ 488,961	\$ 287,800	\$ 434,522
PURCHASED & CONTRACTED SERVICES					
Waste Disposal Services	\$ 66,488	\$ 43,995	\$ 74,832	\$ 106,969	\$ 93,000
Sampling-Reimbursible	-	-	-	18,000	15,000
Sludge Removal	413,463	222,206	436,383	412,940	416,000
Meter Calibration Services	1,227	1,906	2,021	6,650	6,950
Commercial Laboratory Fees	166,203	92,910	178,908	213,163	203,000
State Fees	95,114	92,819	96,849	94,500	100,300
Groundwater District Fees	7,830	-	15,661	-	-
Groundwater District Fees-GRP	128,906	116,727	149,287	234,522	316,500
Employee Testing- New	3,780	3,629	4,974	7,460	5,450
GRP Pumpage Fees	5,495,505	4,321,510	7,609,107	6,191,392	8,351,264
GRP Surface Water Fees	10,565,653	3,726,315	8,389,849	11,304,399	8,952,302
Janitorial Services	25,595	12,296	25,860	28,500	29,000
Stream Gauging & Water Quality-USGS	35,350	31,125	45,854	79,200	48,000
Public Relations Expense	7,650	-	3,752	3,000	2,000
Water Conservation & Public Education	9,145	-	3,439	7,000	7,000
Document Retention/Destruction	62,576	329	62,905	2,700	5,000
TOTAL PURCHASED & CONTRACTED SERVICES	\$ 17,084,485	\$ 8,665,767	\$ 17,099,681	\$ 18,710,396	\$ 18,550,766
SUPPLIES, MATERIALS & UTILITIES					
Office Supplies & Printing	\$ 22,220	\$ 6,826	\$ 16,953	\$ 21,000	\$ 19,000

San Jacinto River Authority - Woodlands Operating Fund
Actual to Budget Comparison
FY2017 - FY2019

Description	Actuals			Rolling 12	PROPOSED	
	Actuals 8/31/2017	Sept-March FY2018	April 2017- March 2018	Mo. Actuals April 2017- March 2018	Budget FY2018	Budget FY2019
Travel	6,367	2,338	6,447		19,000	4,000
Automobile & Truck Expense	73,225	48,989	76,219		80,500	83,500
Postage	9,799	5,582	11,925		13,000	21,500
Property Insurance	202,297	113,696	197,207		241,227	204,818
Auto Insurance	35,892	27,484	40,504		38,468	52,211
Liability Insurance	40,501	21,416	40,490		52,008	65,474
Training-External	52,319	29,191	47,895		56,700	64,000
Training-Internal	-	837	837		6,000	3,000
Training-Employee HR	6,274	3,116	6,375		6,460	6,540
Chlorine	102,300	67,362	121,893		114,332	184,000
Polymer	51,061	39,375	54,563		69,750	69,500
Sulfur Dioxide	41,177	24,645	42,930		51,675	97,000
Chemicals - Lab	432	-	-		-	-
Other Chemicals	20,172	24,571	32,396		57,913	52,000
Alkalinity	123,690	35,670	96,815		138,600	50,000
Fuel	68,910	56,997	91,905		81,577	103,000
Uniform Services	35,985	20,975	36,152		42,820	39,000
Maintenance Supplies	59,624	37,185	71,171		50,700	70,500
Supplies - Lab	2,997	530	2,539		15,300	-
Operations Supplies	58,519	19,341	46,455		90,200	67,750
Other Operating Expenses	22,005	11,529	23,635		20,000	18,000
Memberships & Professional Dues	539	1,206	1,206		3,000	2,000
Utilities-Electric	2,308,868	1,299,554	2,480,947		2,550,536	2,575,000
Utilities-Natural Gas	11,289	8,631	12,916		14,500	12,500
Bank Service Charges	30	150	180		-	-
Safety Equipment & Meetings	24,382	10,824	20,817		28,220	34,875
Health & Wellness Program	805	-	732		1,140	1,450
Recruiting Expenses	2,302	1,253	2,107		15,200	5,900
Computer Hardware	9,858	13,041	18,196		87,593	80,946
Software & Support	90,866	58,964	97,555		123,232	128,593
Software Maintenance	5,478	23,750	29,228		65,000	71,000
Network Communications	22,185	13,108	18,013		22,860	21,360
Newspaper Ads	-	-	-		-	14,000
Wireless Devices & Services	31,048	25,045	39,182		47,490	50,340
Phone System-Install, Maintenance, & Changes	-	-	-		2,100	-
Landline Telephone Services	72,410	26,242	39,867		65,400	63,000
TOTAL SUPPLIES, MATERIALS & UTILITIES	\$ 3,615,824	\$ 2,079,421	\$ 3,826,250		\$ 4,293,501	\$ 4,335,757
RENTALS						
Equipment Rentals	\$ 9,326	\$ 8,402	\$ 11,835		\$ 18,800	\$ 15,000
Office Rent	5,693	5,731	8,936		3,850	-
Radio Tower Rental	7,868	4,052	7,330		8,400	8,700
TOTAL RENTALS	\$ 22,886	\$ 18,185	\$ 28,101		\$ 31,050	\$ 23,700
MAINTENANCE, REPAIRS & PARTS						
Office, Furniture, & Fixtures	\$ 7,586	\$ 4,884	\$ 10,588		\$ 6,000	\$ 7,000
Air Conditioner	63,607	23,559	84,484		57,500	62,000
Sidewalks & Driveways	90,153	17,800	107,851		35,000	35,000
Mowing	228,659	73,818	231,991		211,688	270,000
Building Equipment	239	-	239		-	-
Buildings & Grounds Maintenance	76,470	41,548	91,738		92,720	125,000
Plants & Facilities	17,865	15,304	24,983		140,000	60,000
Security System Monitoring	3,562	1,484	2,746		3,624	4,000
Wells	4,311	236	3,961		29,500	12,000
Tanks	297,201	81,343	346,453		114,200	185,500
Electrical	107,967	146,118	222,228		185,800	96,000
Generators	17,100	16,677	23,433		162,000	45,000
Pumps & Motors	204,456	109,529	279,526		233,000	271,500
Compressor	600	-	-		1,500	-
Aerators	2,694	5,239	6,584		10,000	6,500

San Jacinto River Authority - Woodlands Operating Fund
Actual to Budget Comparison
FY2017 - FY2019

Description	Actuals			Rolling 12	PROPOSED	
	Actuals 8/31/2017	Sept-March FY2018	April 2017- March 2018	Mo. Actuals April 2017- March 2018	Budget FY2018	Budget FY2019
Machinery, Tools, & Implements	2,000	175	1,356		-	-
Belt Press	23,870	314	13,673		22,350	10,000
Clarifier	28,387	-	20,281		7,400	5,000
UV Equipment	5,381	9,316	14,697		10,000	5,000
Lines, Valves, & Pipes	244,961	451,668	543,455		740,000	402,000
Drainage Structures	-	-	-		-	30,000
Other Maintenance	13,532	-	2,015		-	100,100
Laboratory Equipment	2,253	444	2,323		1,600	-
Instrumentation Equipment & Parts	162,218	103,285	175,363		216,000	192,000
Bar Screens	22,033	180	11,282		109,500	9,500
Chlorinator	39,580	12,944	28,127		49,500	42,500
Low Head Filters	16,768	22,620	29,404		19,500	36,000
Networking and Communications - SCADA	-	-	-		-	13,500
Inventory Gains and Losses	4,247	(5,614)	(2,295)		-	-
TOTAL MAINTENANCE, REPAIRS & PARTS	\$ 1,687,699	\$ 1,132,871	\$ 2,276,487		\$ 2,458,382	\$ 2,025,100
GENERAL & ADMINISTRATIVE EXPENSES						
General & Administrative Expense Allocated	\$ 773,195	\$ 441,878	\$ 776,892		\$ 822,231	\$ 815,409
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	\$ 773,195	\$ 441,878	\$ 776,892		\$ 822,231	\$ 815,409
NON-OPERATING EXPENSES						
Interest Expense	\$ -	\$ 182,912	\$ 182,912		\$ 479,319	\$ 457,281
Bond Issuance Costs	-	1,420,700	1,420,700		660,050	-
TOTAL NON-OPERATING EXPENSES	\$ -	\$ 1,603,612	\$ 1,603,612		\$ 1,139,369	\$ 457,281
TOTAL EXPENSES	\$ 30,290,616	\$ 17,915,712	\$ 32,959,447		\$ 34,939,619	\$ 34,122,501
NET REVENUES OVER EXPENSES	\$ 9,576,282	\$ 2,320,024	\$ 6,766,156		\$ 6,053,779	\$ 6,276,941
CAPITAL IMPROVEMENTS						
Easements					\$ -	\$ 75,000
Maintenance Equipment					-	9,000
Operations Equipment					-	26,600
Transportation Equipment					75,000	75,000
Software					10,316	1,652
Computer Equipment					112,447	69,612
Radio Communications Equipment					10,000	20,000
TOTAL CAPITAL IMPROVEMENTS					\$ 207,763	\$ 276,864
OTHER USES						
Bond Principal	\$ -	\$ -	\$ -		\$ -	\$ 1,366,667
Interdivision Transfers	7,448,000	3,800,000	6,800,000		7,647,336	4,631,592
TOTAL OTHER USES	\$ 7,448,000	\$ 3,800,000	\$ 6,800,000		\$ 7,647,336	\$ 5,998,259
OTHER SOURCES						
Cash Sources					\$ 1,801,319	\$ (1,818)
TOTAL OTHER SOURCES					\$ 1,801,319	\$ (1,818)
NET CASH BASIS SOURCES (USES)	\$ 2,128,282	\$ (1,479,976)	\$ (33,844)		\$ 0	\$ -

San Jacinto River Authority - Woodlands Repair and Replacement
Actual to Budget Comparison
FY2017 - FY2019

Description	Actuals 8/31/2017	Actuals Sept-March FY2018	Rolling 12 Mo. Actuals		Budget FY2018	PROPOSED Budget FY2019
			April 2017- March 2018			
OTHER REVENUES						
Interest Income	\$ 57,469	\$ 90,934	\$ 126,391		\$ 20,000	\$ 102,589
TOTAL OTHER REVENUES	\$ 57,469	\$ 90,934	\$ 126,391		\$ 20,000	\$ 102,589
OPERATING EXPENSES						
PROFESSIONAL FEES						
Engineering	\$ 320,516	\$ -	\$ 200,657		\$ -	\$ 502,000
TOTAL PROFESSIONAL FEES	\$ 320,516	\$ -	\$ 200,657		\$ -	\$ 502,000
MAINTENANCE, REPAIRS & PARTS						
Plants & Facilities	\$ 5,014	\$ -	\$ 14		\$ -	\$ 266,000
Wells	120,762	325,112	444,642		-	460,000
Tanks	1,396,100	919,011	2,064,418		2,749,000	100,000
Lines, Valves, & Pipes	(61,530)	163,143	(138,665)		1,288,000	4,012,500
TOTAL MAINTENANCE, REPAIRS & PARTS	\$ 1,460,346	\$ 1,407,266	\$ 2,370,408		\$ 4,037,000	\$ 4,838,500
TOTAL EXPENSES	\$ 1,780,862	\$ 1,407,266	\$ 2,571,066		\$ 4,037,000	\$ 5,340,500
NET REVENUES OVER EXPENSES	\$ (1,723,393)	\$ (1,316,332)	\$ (2,444,674)		\$ (4,017,000)	\$ (5,237,911)
CAPITAL IMPROVEMENTS						
Water Treatment Plant & Facilities					\$ 1,419,000	\$ -
Sewage Treatment Plant & Facilities					1,459,000	695,000
TOTAL CAPITAL IMPROVEMENTS	\$ -	\$ -	\$ -		\$ 2,878,000	\$ 695,000
OTHER USES						
Capital Repair/Replacement Reserve Fund					\$ 6,968,545	\$ -
TOTAL OTHER USES	\$ -	\$ -	\$ -		\$ 6,968,545	\$ -
OTHER SOURCES						
Cash Sources					\$ 11,684,147	\$ 7,457,564
Interdivision Transfers	7,448,000	3,800,000	6,800,000		7,647,336	4,631,592
TOTAL OTHER SOURCES	\$ 7,448,000	\$ 3,800,000	\$ 6,800,000		\$ 19,331,483	\$ 12,089,156
NET CASH BASIS SOURCES (USES)	\$ 5,724,607	\$ 2,483,668	\$ 4,355,326		\$ 5,467,938	\$ 6,156,245



**Woodlands Division
Proposed Fiscal Year 2019
Budget**

May 2018

Proposed FY 2019 Rates

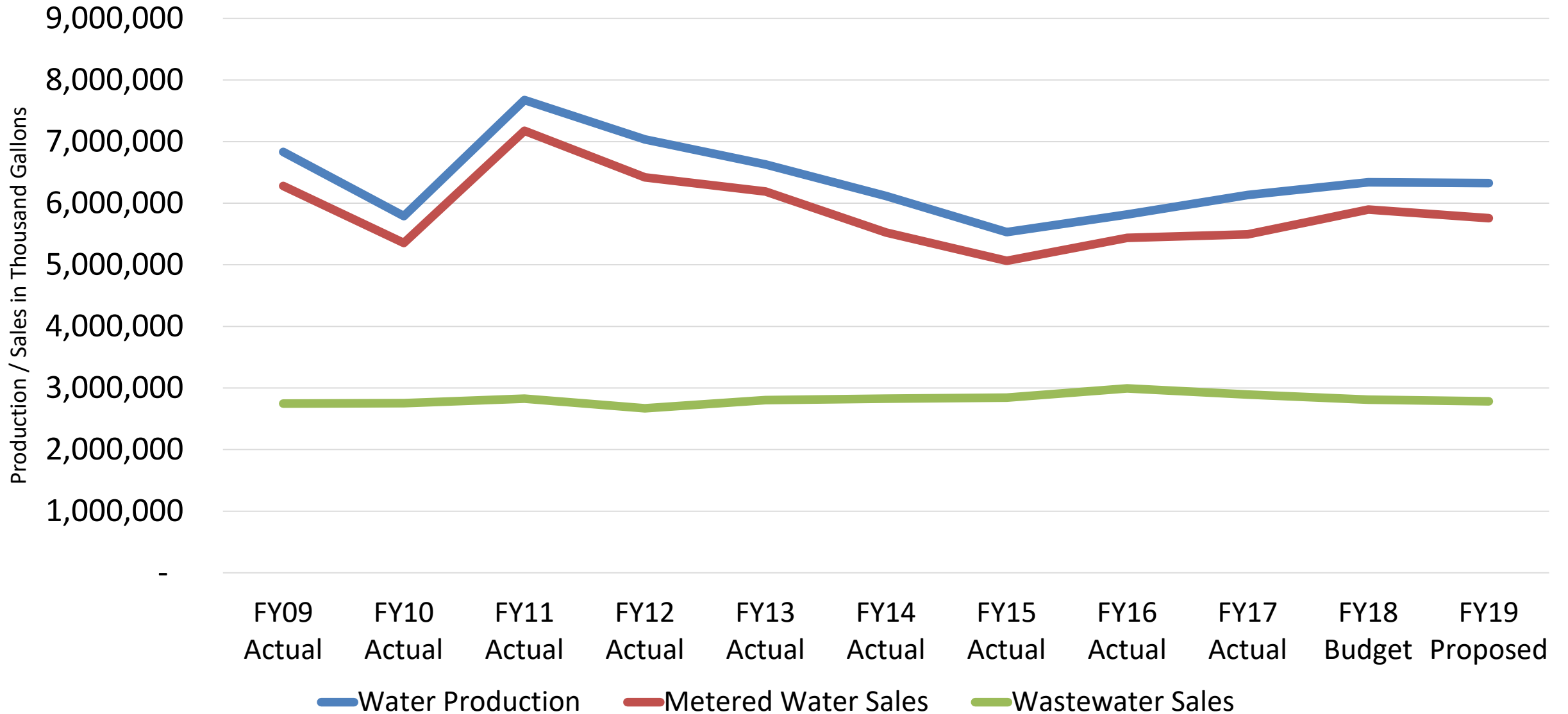
Category	Approved FY 2018 Rate (per 1,000 gallons)	Proposed FY 2019 Rate (per 1,000 gallons)	Value of \$0.01
Wholesale Water Rate	\$2.10	\$2.10	\$58,206
Wholesale Wastewater Rate	\$4.30	\$4.30	\$27,819

Woodlands Operating Budget

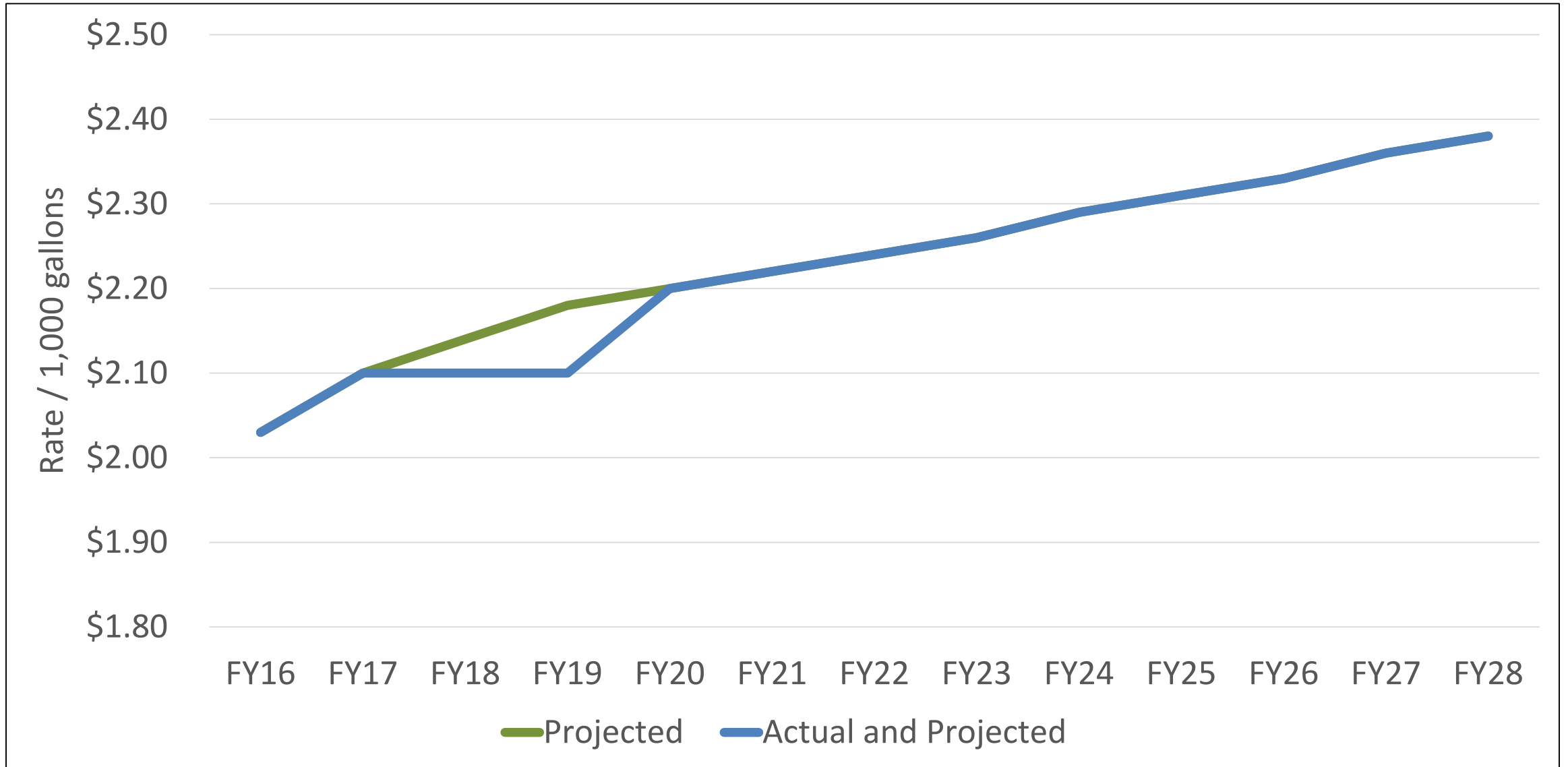
Overall Levels of Service Goals

- Compliance with TCEQ regulations at Wastewater Treatment Plants and Collection System
 - No sanitary sewer overflows
 - No service disruptions to residents based on wholesale system
 - No permit violations at wastewater treatment plants
- Compliance with TCEQ regulations in Water System
 - Pressure above 35 psi
 - Water quality that meets EPA and TCEQ requirements
 - Respond to water leaks within one hour
- Manage expenses within +/- 5% of actual revenue
- Workload balance of 60% preventive maintenance and 40% corrective maintenance

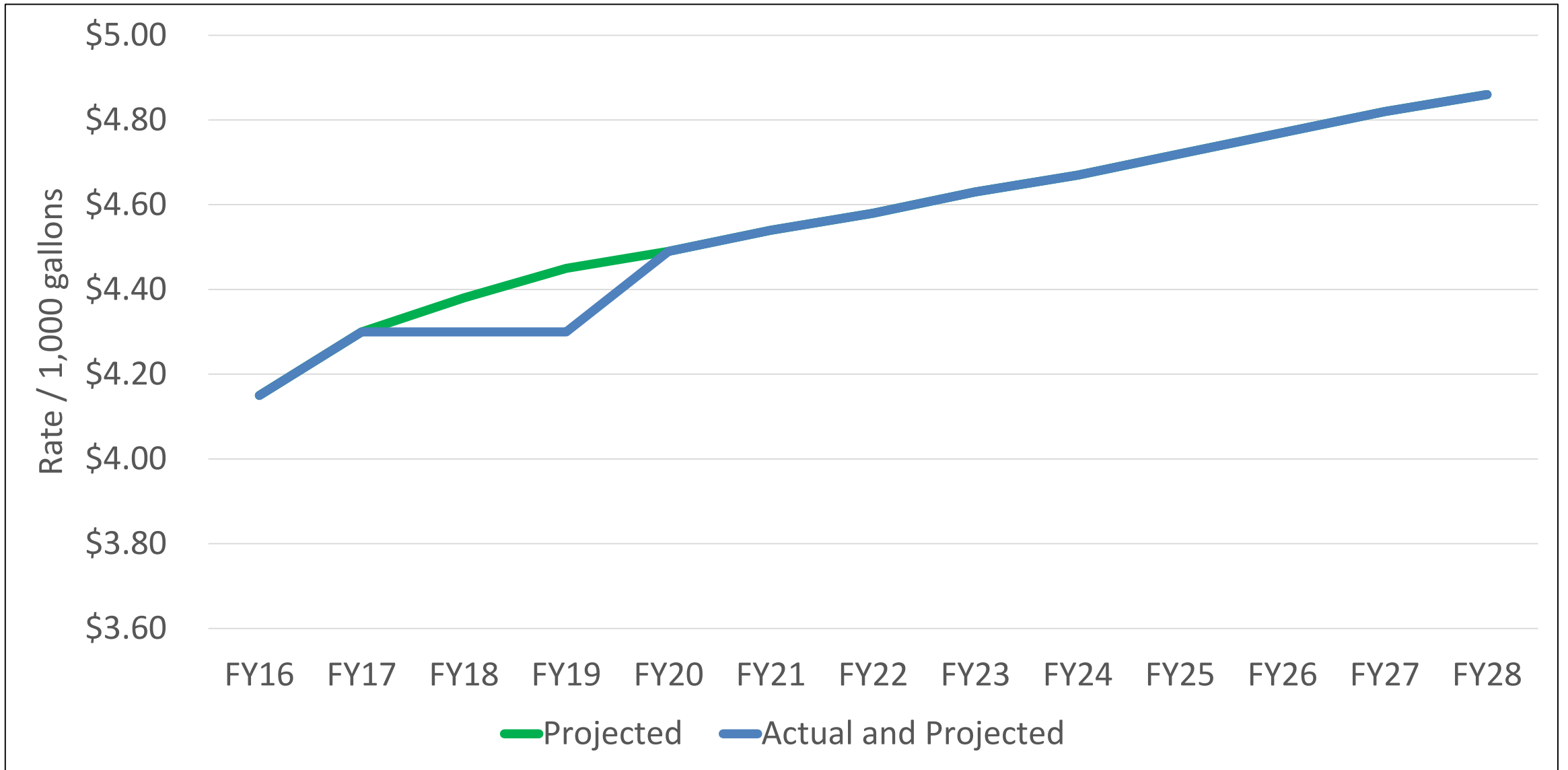
Water and Wastewater Demands



Projected Water Rates



Projected Wastewater Rates



Key Budget Risks

- **Maintenance**

- Moved \$1,000,000 to FY 2020 for LS 5 Force Main replacement
- Potentially postpones project(s) in FY 2020 to future years to account for \$1,000,000
- Reduced amount of emergency funds for unforeseen repairs and emergencies in O&M Budget
 - Relies on emergency reserves
- Maintains maintenance schedules but does not allow for improvements

- **Rates**

- Rate increase in water and wastewater will be required in FY 2020
- Increasing maintenance needs system-wide in the upcoming years

Projected		Actual / Proposed
FY2018	2.0%	0%
FY2019	1.5%	0%
FY2020	1.0%	4.5%

4.5% Increase
Water
From \$2.10 to \$2.19

Wastewater
From \$4.30 to \$4.49

Woodlands Operating Budget Wholesale Revenue

- Water Sales - 1% decrease compared to FY 2018
- Wastewater Sales - 2% decrease compared to FY 2018
- GRP Revenue reduced based on adjustment to 50/50 blend
- Expenses associated with Interceptor Program and Pretreatment Program not included in rates
 - No increase

Key Budget Elements

- **Salaries, Wages & Benefits**
 - Total FTE decreased from 67.60 to 66.07
- **Professional Fees**
 - Finalize easement acquisition
- **Purchased and Contracted Services**
 - GRP Fees remain unchanged from FY2018
- **Supplies, Materials and Utilities**
 - Chlorine & Sulfur Dioxide – increased expense due to disinfection facilities at WWTF No. 2
- **Maintenance, Repairs, Parts, and Rentals**
 - Increase in line repair
 - Included \$100,100 in “Other Maintenance” for emergency repairs
- **Net Cash Uses**
 - Cash carry forward to reduce FY 2019 funding needed

Woodlands Operating Budget

Salaries, Wages & Benefits

Direct		Indirect	
Approved FY 2018	Proposed FY 2019	Approved FY 2018	Proposed FY 2019
42	42	25.60	24.07

FTE Adjustments			
Administrative Projects	(0.3953)	Sr. Mgmt.	(0.0500)
HR	(0.4229)	Technical Svcs.	(0.5550)
SCADA	(0.2500)	Lake Conroe	(0.0100)
Purchasing	0.1500		

Salaries, Wages & Benefits

- Health Insurance: 10% increase budgeted
- Salary increase: 4% = 3% merit and 1% promotion / market adjustment
- Staffing
 - SJRA-wide turnover rate – 15.7% for last 12 months
 - Current vacant positions
 - 5 Woodlands (1 Operator, 2 Maintenance and 2 Administrative)
 - 5 G&A Support Services (IT and Technical Services)
 - Strain on existing staff
 - Onboarding cost
 - Lack of qualified candidates
 - Small pool of candidates = higher market demand on salaries

Purchased & Contracted Services

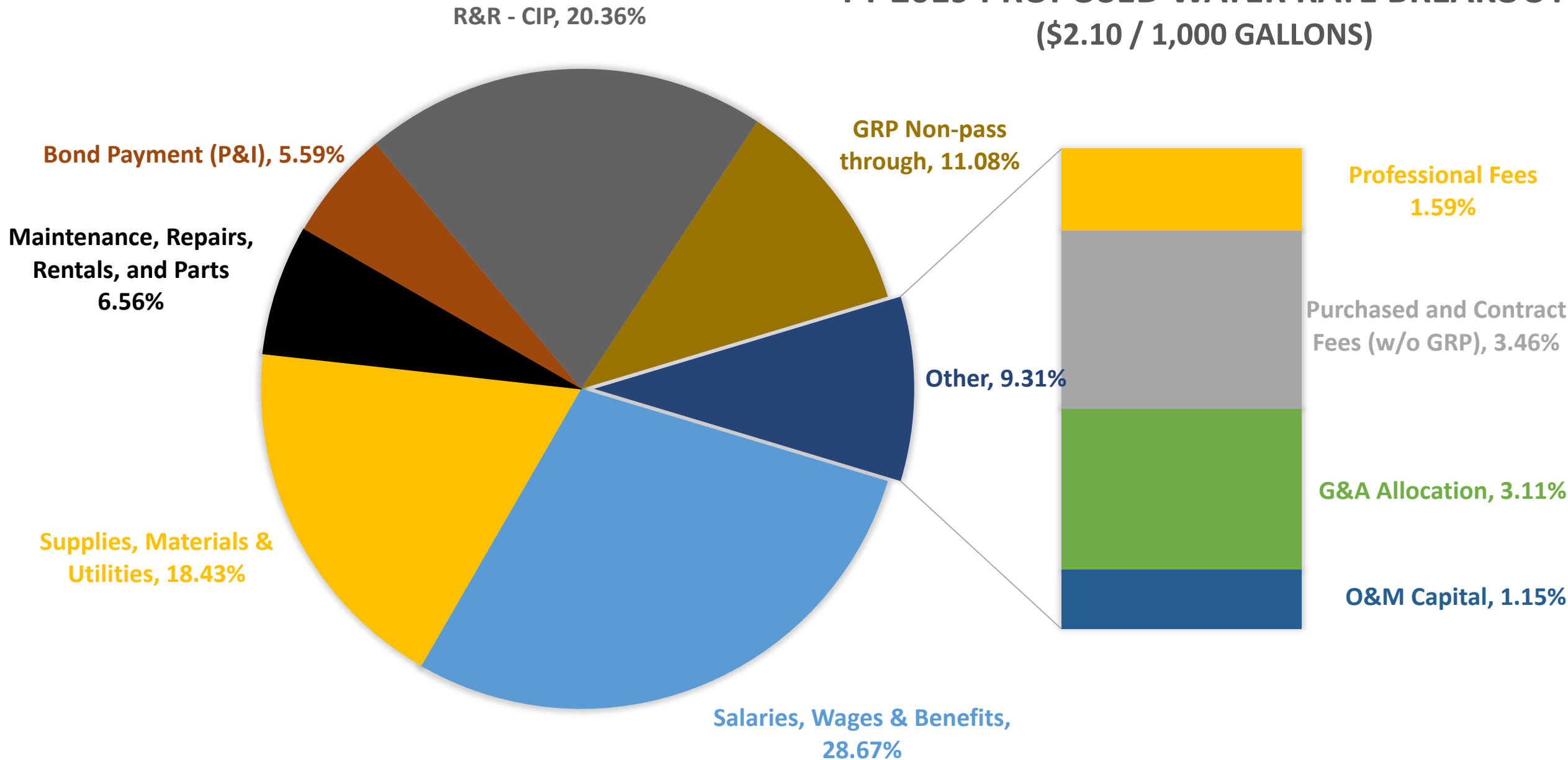
Fee / Rate (per 1,000 gallons)	Approved FY 2018 (65/35 blend)	Adjusted FY 2018 (50/50 blend Jan 2018)	Proposed FY 2019
Groundwater Pumpage Fee	\$2.64	\$2.64	\$2.64
Surface Water Rate	\$2.83	\$2.83	\$2.83
Blended Rate (surface water conversion fee)	\$2.76	\$2.74	\$2.74

- GRP blended rate is passed through
 - \$1.355M of GRP Fee / Rate for unmetered water is included in wholesale rate
- Annual Average Target
 - 50% surface water
 - 50% groundwater

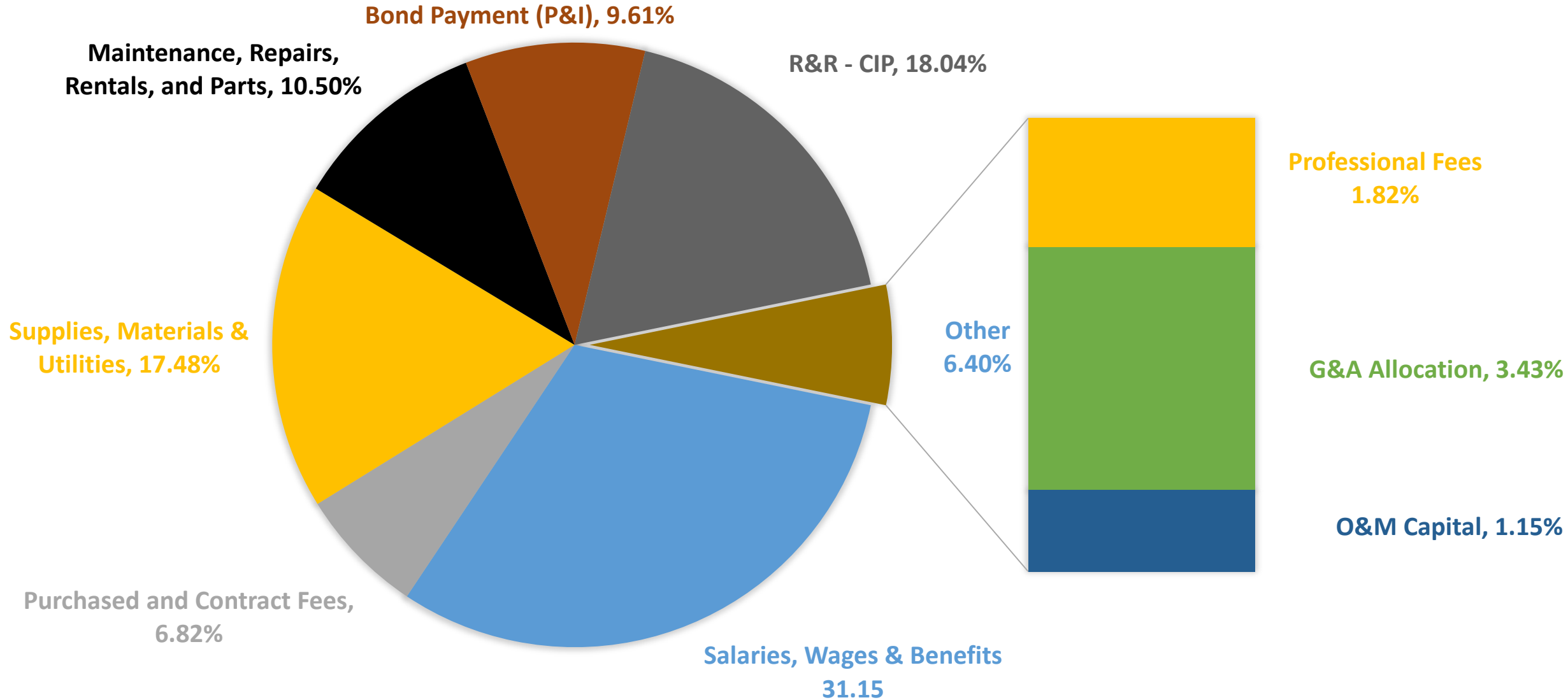
Woodlands Operating Budget Comparison

Category	FY 2017 Actuals	Rolling 12 Months (Apr 17 – Mar 18)	Revised Approved FY 2018 Budget	Proposed FY 2019 Budget
Operating Revenue	\$39,866,898	\$39,725,603	\$41,493,398	\$40,399,442
Operating Expenses	\$37,738,616	\$39,759,447	\$41,493,398	\$40,399,442
Net Change	\$2,128,282	(\$33,844)	\$0	\$0

FY 2019 PROPOSED WATER RATE BREAKOUT (\$2.10 / 1,000 GALLONS)



FY 2019 PROPOSED WASTEWATER RATE BREAKOUT (\$4.30 / 1,000 GALLONS)



FY 2019 SJRA – Woodlands Budget Takeaways

- No water or wastewater rate increases in FY 2019
- Rate increase in water and wastewater will be required in FY 2020
- Renewal of water and wastewater system ongoing, but more effort needed
- Water and wastewater demands are flat
- Qualified labor pool is shrinking
- FY 2019 includes first principal payment on 2017 Maintenance Bond
- O&M and Emergency reserves are fully funded



Questions?