NewGen Strategies & Solutions

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FINAL REPORT

UTILITY RATE STUDY

OCTOBER 2023

CITY OF MINERAL WELLS TEXAS

Prepared for:
City of Mineral Wells, TX
P.O. Box 459
Mineral Wells, TX 76068

NewGen Strategies & Solutions

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October 19, 2023

Mr. Jason Breisch
Director of Finance
City of Mineral Wells
P.O. Box 459
Mineral Wells, Texas 76068

Subject: Comprehensive Utility Rate Study – FINAL Report

Dear Mr. Breisch:

NewGen Strategies and Solutions, LLC. (NewGen) is pleased to submit this summary of our results from the 2023 Comprehensive Utility Rate Study (Study) to the City of Mineral Wells (City). The attached ***final*** report presents our findings and recommendations based on our analysis.

We appreciate the opportunity to provide our professional services to the City and would like to express our sincere appreciation to City staff for supplying the needed information and data, and for assisting us in completing the Study.

Should you or council members require additional information or clarification regarding the enclosed report, please do not hesitate to contact Mr. Chris Ekrut at 972.232.2234 or via email at cekrut@newgenstrategies.net.

Very truly yours,

NewGen Strategies and Solutions, LLC

DocuSigned by:
Chris D. Ekrut
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Chris D. Ekrut
Partner and Chief Financial Officer

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EXECUTIVE SUMMARY

NewGen Strategies and Solutions (NewGen) was retained by the City of Mineral Wells (City) to perform a Comprehensive Utility Rate Study (Study) in 2023. As part of this Study, NewGen's Project Team (Project Team) was requested to prepare a 5-year forecasted revenue requirement and rate plan from Fiscal Year (FY) 2024 through FY 2028.

A water and sewer utility is essentially a business run by a City and; therefore, should operate in a fiscally sound and prudent manner. Serving as the "Board of Directors" of the business, the City Council must currently contend with several issues which are impacting the financial integrity and stability of the City's water and sewer utility. These issues include:

- The City has a Capital Improvement Plan (CIP) consisting of projected costs of approximately $76.8 million in water utility projects and $10.7 million in wastewater utility projects from FY 2024 – FY 2028. Of the $87.5 million in total projects, the retail ratepayers will solely fund a public works complex projected to cost $9.5 million. All other projects are considered common-to-all and funded by both retail and wholesale ratepayers. The City anticipates funding the capital projects with new debt. Adjustments in rates will be needed to accomplish the City's funding goals.
- Palo Pinto County Municipal Water District No. 1 (PPCMWD1) is planning to build the Turkey Peak Reservoir with City funding for this project estimated to be approximately $200 million. The project is anticipated to be fully funded in FY 2024 which will result in significantly increased levels of capital costs.
- The City has not adopted any formal reserve policies specific to the utility system. The Project Team recommends having reserves on hand to reduce the impact on customers when major repairs to the water and wastewater system become necessary. The Project Team recommends a minimum sixty (60) day Operations and Maintenance (O&M) Reserve.
- The City currently does not have a Debt Service Coverage policy. The Project Team recommends maintaining at a minimum a 1.0x Debt Service Coverage Ratio with a 1.1x coverage being ideal. Currently the City does not have enough revenue available to meet the proposed Debt Service Coverage requirement.
- The American Water Works Association (AWWA) industry standard for water meter charges suggests rates increase based on meter size. The idea behind having larger water meters pay a higher minimum charge is that the larger water meters can place an instantaneous demand for water on the system that is exponentially greater than the smaller meters and, therefore, are more capital intensive than smaller meters. The City's water meter charges currently do not adhere to AWWA industry standards. NewGen has proposed phasing in meter equivalency standards over five (5) years.
- Regular review and revision of a utility's rates is necessary to ensure that sufficient funds are available to meet the financial requirements of the utility, as well as to ensure that the pricing signals being provided to customers meet the goals and objectives of the City Council. Currently, on a combined basis, the City's water and wastewater rates are projected to be insufficient and will not recover the revenue required by the utility on a going-forward basis. For the utility to be a sustainable enterprise, adjustments are needed to better align revenues with costs.

The Project Team calculated a five-year revenue requirement, which is revenue that is required to be generated through rates, using the FY 2023 budget as the base year or "Test Year." Based on the analysis

conducted and in consideration of the overarching issues, the Project Team has outlined a proposed plan for phasing-in rate adjustments which will assist the City in ensuring the long-term financial stability of the utility systems while providing needed funding for the City's ongoing capital improvement program. Further, the plan outlined by the Project Team seeks to correct inequities within the current charges to customers by phasing into AWWA standard meter equivalency factors by FY 2028.

Table ES-1 below presents the Project Team's proposed minimum charge water rates for all customer classes during the Study period. In each fiscal year, it is assumed that the proposed rates will be effective as of November 1.

Table ES-1
Projected Water Rates - Minimum Charge

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
ALL CUSTOMER CLASSES						
3/4" or less	$ 26.80	$ 65.96	$ 80.25	$ 80.25	$ 80.34	$ 80.46
1"	43.90	108.42	132.37	132.83	133.45	134.10
1.5"	86.17	213.64	261.81	263.70	265.91	268.20
2"	145.42	356.68	432.45	432.45	432.45	432.45
3"	314.79	751.73	886.53	886.53	886.53	886.53
4"	551.76	1,306.26	1,526.26	1,526.26	1,526.26	1,526.26
6"	1,229.19	2,859.96	3,278.30	3,278.30	3,278.30	3,278.30
8"	2,177.34	4,990.67	5,623.70	5,623.70	5,623.70	5,623.70

Tables ES-2 through ES-4 below presents the Project Team's proposed volumetric charges by block for water customers.

Table ES-2
Projected Residential Water Rates - Volumetric Charge

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)						
0 – 2,000 gal	$ 5.24	$ 12.90	$ 15.69	$ 15.69	$ 15.71	$ 15.73
2,001 – 7,000 gal	6.03	14.84	18.06	18.06	18.08	18.10
7,001 – 15,000 gal	6.94	17.08	20.78	20.78	20.81	20.84
15,001 – 30,000 gal	7.97	19.62	23.87	23.87	23.90	23.93
30,001+ gal	9.17	22.57	27.46	27.46	27.50	27.53

Table ES-3
Projected Irrigation Water Rates – Volumetric Charge

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)						
0 – 2,000 gal	$ 7.63	$ 18.78	$ 22.85	$ 22.85	$ 22.88	$ 22.91
2,001 – 7,000 gal	8.77	21.58	26.26	26.26	26.30	26.33
7,001 – 15,000 gal	10.09	24.83	30.21	30.21	30.25	30.29
15,001 – 30,000 gal	11.59	28.53	34.71	34.71	34.75	34.80
30,001+ gal	13.33	32.81	39.92	39.92	39.97	40.02

Table ES-4
Projected General Service Water Rates – Volumetric Charge

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)	$ 7.79	$ 19.17	$ 23.33	$ 23.33	$ 23.36	$ 23.39

Tables ES-5 and ES -6 below illustrate the Project Team's proposed sewer rates for the Study period. As with water, it is assumed that the proposed rates will be effective as of November 1st of each fiscal year.

Table ES-5
Projected Residential Sewer Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Minimum Bill	$ 13.05	$ 14.00	$ 14.77	$ 15.02	$ 15.31	$ 15.68
Volumetric Rate (per k/gal)						
0 – 12,000 gal	$ 7.28	$ 7.81	$ 8.24	$ 8.38	$ 8.54	$ 8.75
12,001+ gal	-	-	-	-	-	-

Table ES-6
Projected General Service Sewer Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Minimum Bill	$ 13.05	$ 14.00	$ 14.77	$ 15.02	$ 15.31	$ 15.68
Volumetric Rate (per k/gal)						
All Volumes	$ 7.28	$ 7.81	$ 8.24	$ 8.38	$ 8.54	$ 8.75

Table ES-7 below presents the monthly impact of the calculated water and sewer rates on Residential customers at 2,000, 10,000 gallons, and, for water, the average monthly Residential consumption of 5,000 gallons or, for sewer, the average Residential billed flow of 4,000 gallons for each scenario.

Table ES-7
Monthly Impact of Projected Rates on Residential Customers

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
2,000 gallons						
Water	$ 37.28	$ 91.75	$ 111.63	$ 111.63	$ 111.77	$ 111.92
Sewer	27.61	29.63	31.25	31.78	32.39	33.18
Total	$ 64.89	$ 121.38	$ 142.88	$ 143.41	$ 144.16	$ 145.10
Year over Year increase ($)		*$ 56.49*	*$ 21.50*	*$ 0.53*	*$ 0.75*	*$ 0.94*
Annual Average						
Water[1]	$ 55.37	$ 136.28	$ 165.80	$ 165.80	$ 166.01	$ 166.24
Sewer[2]	42.17	45.25	47.73	48.54	49.47	50.68
Total	$ 97.54	$ 181.53	$ 213.53	$ 214.34	$ 215.48	$ 216.92
Year over Year increase ($)		*$ 83.99*	*$ 32.00*	*$ 0.81*	*$ 1.14*	*$ 1.44*
10,000 gallons						
Water	$ 88.25	$ 217.20	$ 264.26	$ 264.26	$ 264.60	$ 264.95
Sewer	85.85	92.12	97.17	98.82	100.71	103.18
Total	$ 174.10	$ 309.32	$ 361.43	$ 363.08	$ 365.31	$ 368.13
Year over Year increase ($)		*$ 135.22*	*$ 52.11*	*$ 1.65*	*$ 2.23*	*$ 2.82*

Notes:
1. The Residential annual average consumption is 5,000 gallons.
2. The Residential annual average billed flow is 4,000 gallons.

Section 1
INTRODUCTION AND BACKGROUND

Introduction

NewGen Strategies and Solutions, LLC (NewGen) was retained by the City of Mineral Wells (City) to perform a Comprehensive Utility Study (Study) in 2023. As part of this Study, NewGen's Project Team (Project Team) was requested to forecast revenue requirements and rates from Fiscal Year (FY) 2024 through FY 2028. This ***final*** report describes the analysis performed for the City and makes recommendations with respect to rates to be charged to the City's water and sewer customers. This report consists of four sections and an Executive Summary. Also attached are four (4) schedules which supplement the findings of this report.

Following the Executive Summary, Section 1 provides the introduction and background for the Study. Section 2 discusses the development of the revenue requirement(s) through FY 2028. Section 3 discusses the estimated rates needed to recover the estimated revenue requirement(s). Finally, Section 4 offers recommendations based on the Study's findings.

Regular reviews of the performance of a utility's water and sewer rates are an integral part of the management of any water and sewer utility, and failure to monitor the City's rates can result in the need for significant rate actions. Our Project Team recommends that, going forward, the City regularly monitor and review the performance of its adopted rates and perform rate adjustments in a timely manner to preserve the financial integrity of the water and sewer utility. The utility rate model, provided to the City in conjunction with this report, is a vital budgeting tool that can be used by the City to evaluate rate performance on an ongoing basis.

The analysis performed by NewGen is designed to take into account the foreseeable changes from the current Fiscal Year (FY 2023) through FY 2028. The goal is to construct a planning tool with which the City can gain an understanding of the issues that need to be addressed during the Study's planning horizon. A critical benefit is the quantification of the long-range impact of decisions being made today. As with any forecast, assumptions must be made and the City should be aware that the actual rates required may be different from the projected rates outlined in this report due to unforeseen changes such as system growth, inflation, etc. In addition, it should be noted that this analysis is based on data provided by the City.

While the data provided has been reviewed and tested for accuracy to the extent possible, if the data relied on by the Project Team to produce this analysis is inaccurate and not reflective of the actual operation and/or financial condition of the City's water and sewer system, then the results of this analysis may merit revision.

Background

A water and sewer utility is essentially a business run by a City and, therefore, should operate in a fiscally sound and prudent manner. Serving as the "Board of Directors" of the business, the City Council must currently contend with several internal issues which are impacting the financial integrity and stability of the City's water and sewer utility.

First, the City has an anticipated Capital Improvement Plan (CIP) totaling approximately $87.5 million over the next five years for projects related to the current water and wastewater systems. The projects are anticipated to be funded by the issuance of new debt which is ultimately recovered through rates.

Second, the City's water supplier, Palo Pinto County Municipal Water District No. 1 (PPCMWD1), is planning to build a new reservoir referred to as the Turkey Peak Reservoir project. The project is estimated to cost approximately $200 million which the District will issue debt for and pass the cost along to the City through the price of water as the Cost of Service under the Water Purchase Contract. The project is anticipated to be funded in FY 2024.

Third, the City currently has not adopted any formal reserve policies. The Project Team recommends having reserves on hand to reduce the impact on customers when major repairs to the water and wastewater system become necessary. The Project Team suggests maintaining, at a minimum, a sixty (60) day Operations and Maintenance (O&M) Reserve.

Fourth, the City currently does not have a Debt Service Coverage policy. The Project Team recommends maintaining at a minimum a 1x Debt Service Coverage Ratio with a 1.1x coverage being ideal. Currently the City does not have enough revenue available to meet the proposed Debt Service Coverage requirement.

Fifth, the American Water Works Association (AWWA) industry standard for water meter charges suggests rates increase based on meter size. The idea behind having larger water meters pay a higher minimum charge is that the larger water meters can place an instantaneous demand for water on the system that is exponentially greater than the smaller meters and, therefore are more capital intensive than smaller meters. The City's water meter charges currently do not adhere to AWWA industry standards. NewGen has proposed phasing in meter equivalency standards over five (5) years.

Finally, based on the analysis conducted, and assuming normal precipitation conditions, the Project Team estimates that on a combined basis, the City's current rate revenues are projected to be **insufficient** to fund the projected cost of service starting in FY 2024. At this time, the Project Team recommends that the City implement water and sewer rate increases annually beginning in FY 2024.

Section 2
REVENUE REQUIREMENT

There are two (2) primary ratemaking methodologies employed in the utility industry, the cash basis and the utility basis. The primary difference between the cash basis and the utility basis involves the treatment of depreciation, return on invested capital, and debt service. The cash basis, which is the most common method used by municipalities, includes debt service but excludes depreciation and return on invested capital in the revenue requirement determination. The cash basis focuses on meeting the cash demands of the utility. The utility basis, most commonly used by private utilities, includes depreciation and return on invested capital, but excludes debt service from the revenue requirement determination. The cash basis is usually more easily understood by municipalities since it follows the traditional cash-oriented budgeting practices used by governmental entities. In addition, the cash basis is generally easier to explain to customers since the cash basis attempts to match revenues to expenditures. In performing this analysis, the Project Team has utilized the cash basis to develop the City's water and sewer revenue requirements.

As NewGen understands the current wholesale contracts that exist between the City and its wholesale customer group, charges for these customers generally follow the same charges for the City's other commercial or industry customers. In other words, rates are not calculated specific to and reflective of only the service demands of the City's wholesale customer group. In calculating rates proposed to the City, NewGen has endeavored to follow the agreed contractual terms and conditions that exist between the parties. To the extent these contractual terms and conditions are amended, specific and separate calculations may be needed which are unique to the City's wholesale customer group.

Test Year Revenue Requirement

To develop the Test Year Revenue Requirement (i.e., the first year for which rates are developed), NewGen utilized the City's adopted FY 2023 budget. To ensure the City's budget accurately reflects the cost of providing water and sewer service, several adjustments were made to O&M expenses, capital costs, and water and wastewater revenues other than rates ("revenue offsets"). Discussions were held with City staff to determine the known and measurable adjustments which are detailed below.

Budget Adjustments

The Project Team reviewed the 2023 fiscal year budget to determine what adjustments, if any, need to be made to reflect a normal fiscal year. A review of historical budgeted dollars as compared to actual expenses illustrates a trend and is one method used in determining any adjustments necessary to the budget. Adjustments to expenses include any costs that are not reflective of future costs, (i.e., one-time expenses). Capital expenditures must also be included to account for all the utility's expenses. This includes expenses such as cash-funded capital improvements and principal and interest payments, otherwise referred to as debt service, on debt funded capital items. Once the cost of providing service is determined it is then offset by any other available revenue that is not generated through rates. Any revenue included in the budget that does not represent a normal year must also be adjusted.

After consideration of all revenues and expenses, the Project Team made the following adjustments to the FY 2023 budget:

- Water Purchases – Increased the cost of water by $274,000 based on projected costs provided by PPCMWD1.
- Debt Service P&I – The Principal and Interest (P&I) was decreased by $45,000 to equal the amortization schedules for all the City's outstanding water and sewer debt.
- Revenue Water & Sewer Fund – In order to isolate the revenues that are required from rates to cover expenses associated with providing retail service, it is necessary to subtract other utility-related revenues from the cost of service to arrive at the revenues needed through rates; therefore $11.6 million in budgeted rate revenue was deducted from the budget.

Allocation of Revenue Requirement

Once the revenue requirement is developed, it is necessary to allocate the revenue to the individual water and sewer functions so that the appropriate level of revenue is recovered from the respective customer groups. This is particularly important in order to send the proper price signals to customers and to minimize subsidization of a service by customers who do not receive the benefit of that service.

The first step in this process is to directly assign expenses to each service function where applicable. Specifically, all expenses of the water department are classified as water expenses and all expenses of the sewer department are classified as sewer expenses.

Second, for those expenses which cannot be directly assigned, allocation factors must be developed which allocate these costs between water and sewer service. The following discusses the allocation factors utilized by the Project Team for areas where expenses could not be directly assigned.

- Connections – The Public Works Administration and Utility Billing departments, excluding Water Purchases and Debt, as well as Connections revenues were allocated based on the number of water and sewer customer connections.
- Existing Debt Service – Existing Debt Service P&I was allocated based on the capital projects related to the debt issuances.
- Master Leases – Other Debt Principal and Interest was allocated based on the Master Lease payment schedules. The leases are for trucks and a sewer camera system.
- Cash Capital – The budgeted line items for cash funding of the CIP are allocated based on the projects for which the funding is projected to be utilized.
- Projected Debt Service – P&I utilized to fund capital improvements was allocated based on the project purpose. Appendix A details the projects along with their associated costs in the current CIP for both water and wastewater.

Appendix B attached to this report illustrates the FY 2023 rate revenue requirement of the utility, allocated to the water and sewer functions.

Forecast of Revenue Requirement

In determining the revenue requirement of the utility, the Project Team utilized the City's adopted FY 2023 adjusted budget, adjusted as discussed above, as the basis for the FY 2024 Test Year Revenue Requirement projection. Inflation factors were estimated and applied to the baseline data. The source for each factor is discussed below in detail.

- Chemicals – Producer Price Index, Water Treating Compounds 20-year average + Customer Growth.
- Customer Growth – Texas Water Development Board (TWDB) 2016 Regional Water Plan for FY 2020 through FY 2030.
- Electricity – 2022 Annual Energy Outlook, electricity inflation plus customer growth.[1]
- Fuel – 2022 Annual Energy Outlook, fuel inflation.
- General Inflation – American City and County Municipal Cost Index (MCI), 20-year average.[2]
- Prof Services – Admin – Removal of the cost of the Water and Wastewater Study in FY 2024 and then applied general inflation. General inflation for all other years.
- Purchased Water – PPCMWD1 Cost of Service excluding Turkey Peak debt and including $1 Million in American Rescue Plan Act (ARPA) funds in FY 2024 only.
- Turkey Peak – Debt service schedule for Turkey Peak Reservoir assuming a 40-year term.

Table 2-1 illustrates the inflation factors used to project the revenue requirement through FY 2023.

Table 2-1
Inflation Factors

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Chemicals	3.44%	3.46%	3.48%	3.50%	3.52%
Customer Growth	0.95%	0.97%	0.99%	1.01%	1.03%
Electricity	0.95%	0.97%	2.62%	4.60%	4.91%
Fuel	0.65%	0.84%	3.53%	3.84%	3.77%
General	3.24%	3.24%	3.24%	3.24%	3.24%
Inflation + Customer Growth	4.19%	4.19%	4.19%	4.19%	4.19%
Prof Services - Admin	-4.93%	3.24%	3.24%	3.24%	3.24%
Water Purchases	115.43%	-2.16%	0.81%	0.83%	0.85%

Appendix C attached to this report illustrates the FY 2023 detailed rate revenue requirement of the utility projected over the study timeframe.

[1] The Annual Energy Outlook, published annually by the U. S. Energy Information Administration, presents yearly projections and analysis of energy topics including natural gas, motor gasoline, fuel oils, electricity, and propane.
[2] The Municipal Cost Index, published monthly by American City and County, is designed to show the effects of inflation on the cost of providing municipal services.

Section 3
ESTIMATED RATES

After establishing the cost of service, the projected revenue is analyzed to determine if sufficient revenue is recovered through the current rates to equitably recover fixed and variable costs from each customer class. The rates should be sufficient to maintain the financial integrity of the Utility as well as meet all its financial policies.

Water Rates

Rate Structure Design

Water rates are typically comprised of a two-part design consisting of a monthly minimum charge and a volumetric rate. The American Water Works Association (AWWA) as well as the Texas Water Conservation Implementation Task Force's Best Management Practices (TWCITF BMP) guide are commonly used resources in rate making. The monthly minimum charge is most often escalated based on the size of a customer's water meter. This is due to the fact that the potential demand for service for larger meters is greater; therefore, the City must have the capacity available for each meter size which drives the overall investment in and cost of infrastructure. As a result, there is typically a higher minimum bill for larger meters. In determining the rates to be charged, the Residential user is most often used as the base level of service on which the meter equivalency units are measured. The AWWA has published standard meter equivalency factors recommended in designing the minimum bill charge.

The volumetric rates established by utilities range from uniform rates for all usage to tiered rates by consumption blocks. Seasonal and drought rates are optional rate designs that take into account weather patterns in the recovery of revenue. The TWCITF BMP encourages conservation pricing and promulgates a minimum 25% increase in rates between rate blocks. Conservation pricing encourages the consumer to use less water by charging customers more per unit of water. The first pricing tier typically captures the average use for a household. Excessive use beyond the average use is then discouraged with a higher rate. In addition, the TWCITF BMP does not recommend including any consumption in the minimum bill as it goes against the goals of conservation and is potentially inequitable to those customers who use less than the monthly minimum.

Current Rates

The City's water rate structure currently is comprised of a two-part rate design consisting of a minimum monthly charge and a tiered volumetric rate structure. The minimum charge escalates based on the meter size, but it is not consistent with AWWA meter equivalency standards.

In evaluating the performance of existing water rates and to project future water rates, some estimation of billed water consumption is required. In making this estimation, it is necessary to consider a period of normal precipitation. If data involving abnormal weather patterns is utilized (i.e., unusually low or excessive precipitation), then the resulting revenue estimates could be too high or too low. For purposes of this Study, the Project Team reviewed the consumption data provided and selected the data from October 2020 to September 2021. This projected period, known as the "Test Year," was used to reflect normal system operation.

Table 3-1 provides a five-year forecast of the projected revenue requirement as compared to the revenue projected to be generated under existing rates assuming 0.61% growth in Residential customers with meters ¾" or less in size. The Water Utility is expected to under recover their cost of providing service throughout the Study time period if rates are not adjusted. The large under-recovery is primarily driven by the Turkey Peak Reservoir project which will be funded in FY 2024 for $200 million.

Table 3-1
Projected Water Revenue Performance Under Current Rates ($ Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Projected Rate Revenue	$ 8.85	$ 8.92	$ 8.99	$ 9.07	$ 9.15
Projected Rate Rev Req.	21.16	25.38	25.61	25.86	26.13
Over/ (Under) Recovery ($)	($ 12.31)	($ 16.46)	($ 16.62)	($ 16.79)	($ 16.98)
Over/ (Under) Recovery (%)	-139.11%	-184.48%	-184.79%	-185.17%	-185.64%

Projected Rates

In calculating projected water rates, the Project Team must not only consider the cost of providing service but also take into account the City's financial policies. Currently, it is our understanding that the City has no formal reserve requirement or debt service coverage policy.

Although the City does not have any formal financial policies, NewGen is recommending rates that generate enough revenue to meet all the proposed financial metrics described below as well as recover the cost of service. Review of the projected revenue recovery indicates current rates will not sufficiently fund the Water Utility over the entire Study period. The Project Team has considered the City's current rate structure and made the following rate recommendations:

- **Phase-in to AWWA Meter Equivalencies.** Currently the City's meter charges do not meet the AWWA meter equivalency standards. The Project Team recommends phasing into the factors so by FY 2028 the meter charges adhere to industry standards.
- **Minimum 1x DSC.** NewGen recommends a 1x DSCR to ensure the utility always has enough funding available to make its debt service payments.
- **Adopt a Days Cash on Hand policy.** A sixty (60) Days Cash on Hand metric is recommended to ensure the City has sufficient cash available for any unanticipated expenses that may arise.

Based on the above recommendations, Tables 3-2 through 3-5 below illustrate the recommended water rates.

Table 3-2
Recommended Water Rates – Minimum Charge

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
ALL CUSTOMER CLASSES						
3/4" or less	$ 26.80	$ 65.96	$ 80.25	$ 80.25	$ 80.34	$ 80.46
1"	43.90	108.42	132.37	132.83	133.45	134.10
1.5"	86.17	213.64	261.81	263.70	265.91	268.20
2"	145.42	356.68	432.45	432.45	432.45	432.45
3"	314.79	751.73	886.53	886.53	886.53	886.53
4”	551.76	1,306.26	1,526.26	1,526.26	1,526.26	1,526.26
6”	1,229.19	2,859.96	3,278.30	3,278.30	3,278.30	3,278.30
8”	2,177.34	4,990.67	5,623.70	5,623.70	5,623.70	5,623.70

Tables 3-3 through 3-5 below present the current volumetric charges by block.

Table 3-3
Recommended Residential Water Rates – Volumetric Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)						
0 – 2,000 gal	$ 5.24	$ 12.90	$ 15.69	$ 15.69	$ 15.71	$ 15.73
2,001 – 7,000 gal	6.03	14.84	18.06	18.06	18.08	18.10
7,001 – 15,000 gal	6.94	17.08	20.78	20.78	20.81	20.84
15,001 – 30,000 gal	7.97	19.62	23.87	23.87	23.90	23.93
30,001+ gal	9.17	22.57	27.46	27.46	27.50	27.53

Table 3-4
Recommended Irrigation Water Rates – Volumetric Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)						
0 – 2,000 gal	$ 7.63	$ 18.78	$ 22.85	$ 22.85	$ 22.88	$ 22.91
2,001 – 7,000 gal	8.77	21.58	26.26	26.26	26.30	26.33
7,001 – 15,000 gal	10.09	24.83	30.21	30.21	30.25	30.29
15,001 – 30,000 gal	11.59	28.53	34.71	34.71	34.75	34.80
30,001+ gal	13.33	32.81	39.92	39.92	39.97	40.02

Table 3-5
Recommended General Service Water Rates – Volumetric Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)	$ 7.79	$ 19.17	$ 23.33	$ 23.33	$ 23.36	$ 23.39

The rates in the above tables do not include a capital project for a new public works complex. This is considered a retail only expense that the wholesale customers are not funding, so an additional surcharge was calculated to fund it. Only the City's retail customers will pay the volumetric surcharge. The surcharge is shown in Table 3-6.

Table 3-6
Recommended Retail Only Water Volumetric Surcharge

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)	$ -	$ -	$ 1.50	$ 3.14	$ 4.92	$ 4.90

Projected Rate Revenue

Table 3-7 illustrates the revenue projected under the recommended rates.

Table 3-7
Projected Water Revenue Performance Under Recommended Rates ($ Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Projected Rate Revenue	$ 20.78	$ 25.34	$ 25.56	$ 25.81	$ 26.07
Projected Rate Rev Req.	21.16	25.38	25.61	25.86	26.13
Over/ (Under) Recovery ($)	($ 0.38)	($ 0.04)	($ 0.06)	($ 0.05)	($ 0.06)
Over/ (Under) Recovery (%)	-1.82%	-0.15%	-0.23%	-0.21%	-0.21%

Using the rate scenario mentioned above, the resulting revenues are projected to fall short of the actual revenue required by the Water Utility. However, when combined with the Wastewater Utility, the projected revenues are anticipated to recover the cost of service and meet the proposed financial metrics. Although it is typically recommended that each Utility recover their own cost of service, in terms of customer affordability, spreading the rate adjustments equally between water and sewer service is in the best interest of the customer at this time.

Sewer Rates

Rate Structure Design

The structure of sewer rates is similar to water in that it is typically a two-part rate design including a minimum bill and a volumetric charge. It is common industry practice for a uniform minimum bill and volumetric rate to be charged for all wastewater flow. Sewer investment is driven by quantity and quality

of wastewater and not necessarily instantaneous demand. This rate design is more reflective of system cost causation.

Billed sewer flow is generally not metered and therefore is billed based on the water consumption. In many cases, a winter average of water consumption is used to calculate the Residential volumes. Commercial customers generally exhibit a more stable level of water consumption throughout the year due to a lack of irrigation consumption, a use that does not generally return water to the wastewater system. Thus, it is common to bill commercial customers for wastewater based on their actual water consumption each month.

Current Rates

The City's current sewer rate is similar to its water rate. Each customer pays a minimum service charge and a volumetric charge per 1,000 gallons of sewer flow contributed to the system. Residential customers are billed flow based on a winter average of water in the months of December, January, and February. On the other hand, Non-Residential customers' billed sewer flow is based on actual water consumption. Currently, Residential volumetric rates are only charged up to a maximum of 12,000 gallons. Commercial is charged a fee for all gallons. As discussed above, FY 2021 was used to project the billed sewer flow.

Table 3-8 provides a five-year forecast of the projected revenue requirement as compared to the revenue projected to be generated under existing rates. As with water, a growth rate of 0.61% for all Residential customers was assumed. The Wastewater Utility is expected to recover its cost of providing service in FY 2024 if rates are not adjusted. However, the utility is projected to under-recovery in all remaining years through FY 2028.

Table 3-8
Projected Sewer Revenue Performance Under Current Rates

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Projected Rate Revenue	$ 3.58	$ 3.59	$ 3.61	$ 3.63	$ 3.64
Projected Rate Rev Req.	3.46	4.01	4.10	4.19	4.32
Over/ (Under) Recovery ($)	$ 0.12	($ 0.41)	($ 0.49)	($ 0.57)	($ 0.68)
Over/ (Under) Recovery (%)	3.29%	-11.50%	-13.47%	-15.70%	-18.58%

Projected Rates

As with water, the sewer rates must not only generate enough revenue to recover the cost of service, but the Project Team recommends meeting the recommended Days Cash on Hand and Debt Service Coverage metrics as well. As discussed previously and shown in Table 3-8, the sewer rate revenues generated from existing sewer rates do recover the sewer cost of service in FY 2024 but under-recover in subsequent years of the Study. In an effort to fully recover the sewer cost of service in all years of the Study, the Project Team recommends increasing sewer rates. No changes are recommended to the City's current sewer rate structure.

Tables 3-9 and 3-10 below illustrate the rates under the proposed rates.

Table 3-9
Recommended Residential Sewer Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Minimum Bill	$ 13.05	$ 14.00	$ 14.77	$ 15.02	$ 15.31	$ 15.68
Volumetric Rate (per k/gal)						
0 – 12,000 gal	$ 7.28	$ 7.81	$ 8.24	$ 8.38	$ 8.54	$ 8.75
12,001+ gal	-	-	-	-	-	-

Table 3-10
Recommended General Service Sewer Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Minimum Bill	$ 13.05	$ 14.00	$ 14.77	$ 15.02	$ 15.31	$ 15.68
Volumetric Rate (per k/gal)	$ 7.28	$ 7.81	$ 8.24	$ 8.38	$ 8.54	$ 8.75

As with water, the sewer utility is partially funding the Public Works Complex capital project. A volumetric surcharge has been calculated specifically for this project and is shown in Table 3-11.

Table 3-11
Recommended Sewer Volumetric Surcharge

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Volumetric Rate (per k/gal)	$ -	$ -	$ 0.83	$ 1.74	$ 2.72	$ 2.71

Table 3-12 represents the projected revenue using the recommended sewer rates.

Table 3-12
Projected Sewer Revenue Performance under Recommended Rates

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Projected Rate Revenue	$ 3.84	$ 4.07	$ 4.16	$ 4.25	$ 4.38
Projected Rate Rev Req.	3.46	4.01	4.10	4.19	4.32
Over/ (Under) Recovery ($)	$ 0.38	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Over/ (Under) Recovery (%)	9.9%	1.5%	1.4%	1.4%	1.3%

Combined Water and Sewer Projections

The Project Team has determined that spreading the rate adjustments out over multiple years and adjusting rates across both the water and wastewater services will help minimize the financial impact to customers. The proposed water and wastewater rates, on a combined basis, are projected to generate

sufficient revenue to cover the cost of providing service as well as meet the financial policy recommendations beginning in FY 2024. Table 3-13 illustrates the projected ending Fund Balance under the projected rates.

Table 3-13
Water and Sewer Revenue Performance under Projected Rates ($ Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Projected Rate Revenue	$ 24.62	$ 29.41	$ 29.71	$ 30.06	$ 30.45
Projected Rate Rev Req.	24.62	29.38	29.71	30.06	30.45
Over/ (Under) Recovery ($)	$ -	$ 0.02	$ -	$ -	$ -
Over/ (Under) Recovery (%)	0.00%	0.08%	0.01%	0.02%	0.01%
Beginning Fund Balance	$ 3.89	$ 3.89	$3.91	$ 3.91	$ 3.92
Change in Fund Balance	-	0.02	-	-	-
Ending Fund Balance	$ 3.89	$ 3.91	$ 3.91	$ 3.92	$ 3.92

Along with recovering the cost of providing service through rates, the Project Team recommends the City meet a 60 Days Cash on Hand reserve target and a 1x DSCR. Tables 3-14 and 3-15 illustrate the revenues in comparison to the financial goals.

Table 3-14
Reserve Requirement – Combined Water and Sewer ($ Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
# of Days of Cash Required	60	60	60	60	60
Ending Fund Balance	$ 3.89	$ 3.91	$ 3.91	$ 3.92	$ 3.92
Fund Balance Requirement	2.37	2.41	2.47	2.53	2.60
Over (Short of) Requirement	$ 1.51	$ 1.50	$ 1.44	$ 1.39	$ 1.32

Table 3-15
Debt Service Coverage Requirement – Combined Water and Sewer

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
DSC Target	1.00	1.00	1.00	1.00	1.00
Available for Debt Service Requirements	$ 10.67	$ 15.26	$ 15.22	$ 15.20	$ 15.20
Total Debt Service Requirements	10.67	15.24	15.22	15.20	15.20
Actual Debt Service Coverage	1.00	1.00	1.00	1.00	1.00

Table 3-16 below presents the monthly impact of the calculated water and sewer rates for Residential customers at 2,000 gallons, 10,000 gallons, and the Residential annual average of 5,000 gallons for water and 4,000 gallons for sewer.

Table 3-16
Monthly Impact of Projected Rates on Residential Customers

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
2,000 gallons						
Water	$ 37.28	$ 91.75	$ 111.63	$ 111.63	$ 111.77	$ 111.92
Sewer	27.61	29.63	31.25	31.78	32.39	33.18
Total	$ 64.89	$ 121.38	$ 142.88	$ 143.41	$ 144.16	$ 145.10
Year over Year increase ($)		*$ 56.49*	*$ 21.50*	*$ 0.53*	*$ 0.75*	*$ 0.94*
Annual Average						
Water[1]	$ 55.37	$ 136.28	$ 165.80	$ 165.80	$ 166.01	$ 166.24
Sewer[2]	42.17	45.25	47.73	48.54	49.47	50.68
Total	$ 97.54	$ 181.53	$ 213.53	$ 214.34	$ 215.48	$ 216.92
Year over Year increase ($)		*$ 83.99*	*$ 32.00*	*$ 0.81*	*$ 1.14*	*$ 1.44*
10,000 gallons						
Water	$ 88.25	$ 217.20	$ 264.26	$ 264.26	$ 264.60	$ 264.95
Sewer	85.85	92.12	97.17	98.82	100.71	103.18
Total	$ 174.10	$ 309.32	$ 361.43	$ 363.08	$ 365.31	$ 368.13
Year over Year increase ($)		*$ 135.22*	*$ 52.11*	*$ 1.65*	*$ 2.23*	*$ 2.82*

Notes:
1. The Residential annual average consumption is 5,000 gallons.
2. The Residential annual average billed flow is 4,000 gallons.

Appendix D attached in the report presents a summary of the City's current monthly water and sewer charges for Residential customers at 2,000 and 10,000 gallons, and the Residential average consumption and billed flow, as well as the monthly water and sewer charges calculated herein for FY 2024, as compared with cities that are similar geographically to the City. Please note that this comparison is provided for illustrative purposes only – regardless of what a neighboring utility charges, a City must enact sufficient rates to ensure the financial viability of its own utility system.

Section 4
RECOMMENDATIONS

1. In order to assist in maintaining the financial stability of the City's Water and Sewer Fund, sufficient rates should be put in place to ensure full cost recovery through user rate revenue. **Further, we recommend that the City continuously monitor the financial performance of the Water and Sewer Fund and adjust rates as necessary to maintain the financial stability of the water and sewer utility.**
2. It is recommended that the City implement the rate design adjustments for water meter charges recommended herein effective beginning no later than October 1, 2023, and fully phased-in by October 1, 2028, in order to maintain the financial stability of the utility and to correct inequities in the current system of customer charges.
3. The Project Team recommends adopting a financial policy establishing, at a minimum, a sixty (60) day O&M reserve. Going forward, the City should monitor fund performance and adjust rates as necessary to ensure the utility maintains sufficient reserve levels.
4. NewGen recommends the City target a 1x Debt Service Coverage requirement to ensure the utility maintains enough revenue to make annual debt payments.

Appendix A
SCHEDULE OF CAPITAL IMPROVEMENT PROJECTS

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
WATER CIP PROJECTS						
New WTP	$ 41,413,255	$ -	$ -	$ -	$ -	$ 41,413,255
Brazos Pump Station Upgrades Pipeline	28,989,278	-	-	-	-	28,989,278
Turkey Peak	200,000,000	-	-	-	-	200,000,000
SUBTOTAL	$ 270,402,533	$ -	$ -	$ -	$ -	$ 270,402,533
Public Works Complex	2,045,608	2,117,882	2,192,709	-	-	6,356,199
TOTAL	$ 272,448,141	$ 2,117,882	$ 2,192,709	$ -	$ -	$ 276,758,732
SEWER CIP PROJECTS						
Maintenance/Upgrade to current WWTP	$ 7,035,331	$ -	$ -	$ -	$ -	$ 7,035,331
Lift station upgrades/maintenance	517,666	-	-	-	-	517,666
SUBTOTAL	$ 7,552,997	$ -	$ -	$ -	$ -	$ 7,552,997
Public Works Complex	1,025,875	1,062,121	1,099,647	-	-	3,187,643
TOTAL	$ 8,578,872	$ 1,062,121	$ 1,099,647	$ -	$ -	$ 10,740,640
TOTAL CIP PROJECTS						
New WTP	$ 41,413,255	$ -	$ -	$ -	$ -	$ 41,413,255
Maintenance/Upgrade to current WWTP	7,035,331	-	-	-	-	7,035,331
Lift station upgrades/maintenance	517,666	-	-	-	-	517,666
Brazos Pump Station Upgrades Pipeline	28,989,278	-	-	-	-	28,989,278
Turkey Peak	200,000,000	-	-	-	-	200,000,000
SUBTOTAL	$ 277,955,530	$ -	$ -	$ -	$ -	$ 277,955,530
Public Works Complex	3,071,483	3,180,003	3,292,357	-	-	9,543,842
TOTAL	$ 281,027,013	$ 3,180,003	$ 3,292,357	$ -	$ -	$ 287,499,372

Appendix B
BUDGET FUNCTIONALIZATION

	FY 2023	Water	Sewer
REVENUES			
Rate Revenues	$ -	$ -	$ -
Non-Rate Revenues	2,090,000	1,288,418	801,582
TOTAL REVENUES	$ 2,090,000	$ 1,288,418	$ 801,582
EXPENSES			
Public Works Administration			
Personnel Services	$ 812,185	$ 426,592	$ 385,593
Program	67,276	35,336	31,940
Purchased Prof./Tech. Services	582,279	305,836	276,443
Purchased Property Services	15,500	8,141	7,359
Other Purchased Services	122,460	64,321	58,139
Supplies	68,300	35,874	32,426
Capital Expenditures	-	-	-
Other Objects	2,152,526	2,124,751	27,775
Transfers	1,889,000	992,179	896,821
Debt Retirement	436,959	229,626	207,333
Total Public Works Administration	$ 6,146,485	$ 4,222,656	$ 1,923,829
Water Distribution			
Personnel Services	$ 1,184,850	$ 1,184,850	$ -
Program	1,000	1,000	-
Purchased Prof./Tech. Services	-	-	-
Purchased Property Services	49,000	49,000	-
Other Purchased Services	12,000	12,000	-
Supplies	1,200,100	1,200,100	-
Other Objects	1,800	1,800	-
Total Water Distribution	$ 2,978,750	$ 2,978,750	$ -
Hilltop Water Treatment Plant			
Personnel Services	$ 615,093	$ 615,093	$ -
Program	6,500	6,500	-
Purchased Prof./Tech. Services	23,000	23,000	-
Purchased Property	106,000	106,000	-
Other Purchased Services	9,010	9,010	-
Supplies	988,150	988,150	-
Other Objects	30,000	30,000	-
Total Hilltop Water Treatment Plant	$ 1,777,753	$ 1,777,753	$ -

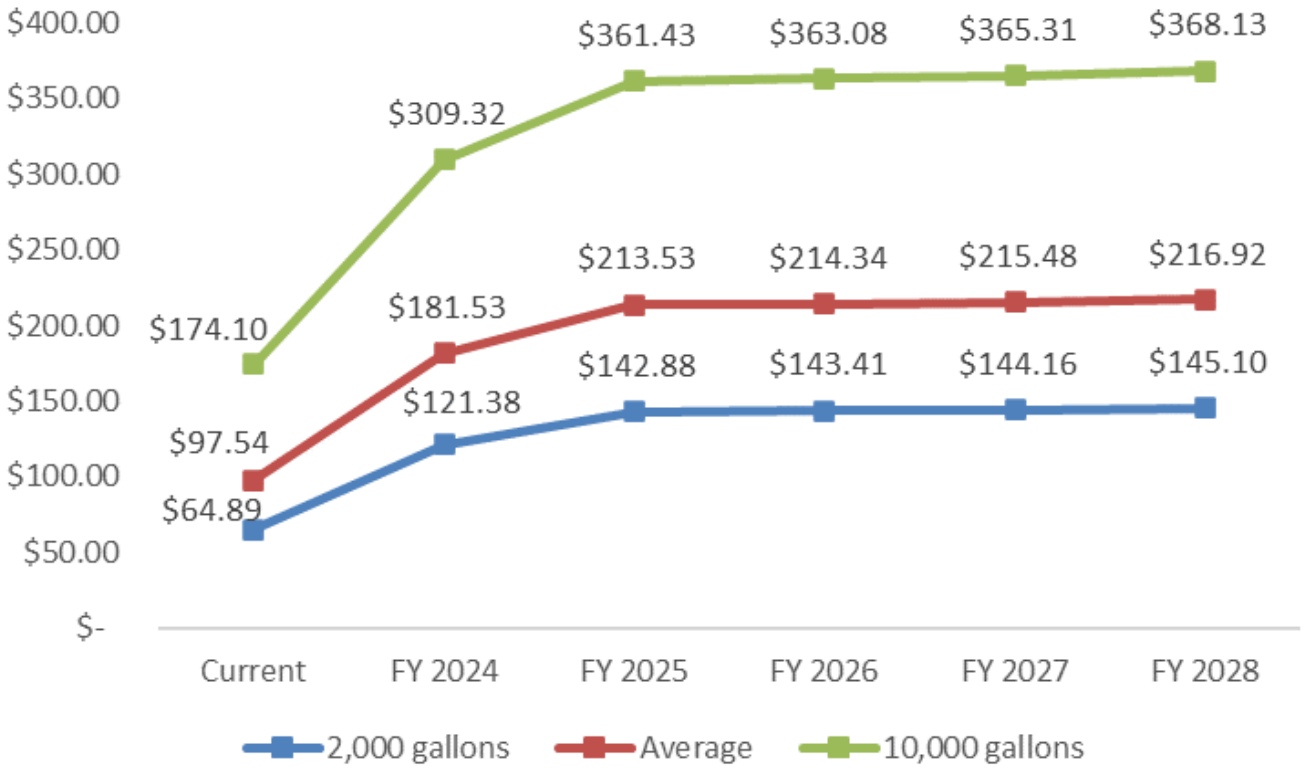
	FY 2023	Water	Sewer
Wastewater Treatment Plant Operation			
Personnel Services	$ 719,142	$ -	$ 719,142
Program	27,500	-	27,500
Purchased Prof./Tech. Services	53,250	-	53,250
Purchased Property Services	75,550	-	75,550
Other Purchased Services	8,388	-	8,388
Supplies	426,250	-	426,250
Capital Expenditures	85,000	-	85,000
Other Objects	28,200	-	28,200
Total Wastewater Treatment Plant Operation	$ 1,423,280	$ -	$ 1,423,280
Facility Maintenance			
Personnel Services	$ 574,407	$ 377,208	$ 197,199
Program	1,000	657	343
Purchased Prof./Tech. Services	-	-	-
Purchased Property Services	14,900	9,785	5,115
Other Purchased Services	7,200	4,728	2,472
Supplies	195,500	128,383	67,117
Capital Expenditures	100,000	65,669	34,331
Other Objects	1,250	821	429
Total Facility Maintenance	$ 894,257	$ 587,251	$ 307,006
City Utility Billing			
Personnel Services	$ 110,116	$ 57,837	$ 52,279
Program	7,300	3,834	3,466
Purchased Prof./Tech. Services	-	-	-
Purchased Property Services	-	-	-
Other Purchased Services	180,750	94,937	85,813
Supplies	2,900	1,523	1,377
Capital Expenditures	-	-	-
Other Objects	-	-	-
Total City Utility Billing	$ 301,066	$ 158,132	$ 142,934
TOTAL EXPENSES	$ 13,521,591	$ 9,724,542	$ 3,797,049
TOTAL REVENUE REQUIREMENT	$ 11,431,591	$ 8,436,124	$ 2,995,467

Appendix C
FORECASTED REVENUE REQUIREMENT

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
REVENUES						
Rate Revenues	$ -	$ -	$ -	$ -	$ -	$ -
Non-Rate Revenues	2,090,000	488,734	502,946	517,654	532,874	548,625
TOTAL REVENUES	$ 2,090,000	$ 488,734	$ 502,946	$ 517,654	$ 532,874	$ 548,625
EXPENSES						
Public Works Administration						
Personnel Services	$ 812,185	$ 838,498	$ 865,663	$ 893,709	$ 922,663	$ 952,555
Program	67,276	69,456	71,706	74,029	76,427	78,903
Purchased Prof./Tech. Services	582,279	557,449	575,509	594,154	613,404	633,277
Purchased Property Services	15,500	16,002	16,521	17,056	17,608	18,179
Other Purchased Services	122,460	126,427	130,523	134,752	139,118	143,625
Supplies	68,300	69,720	71,202	73,392	76,171	79,131
Capital Expenditures	-	-	-	-	-	-
Other Objects	2,152,526	4,571,449	4,476,152	4,513,885	4,552,841	4,593,059
Transfers	1,889,000	1,950,199	2,013,381	2,078,610	2,145,953	2,215,477
Debt Retirement	436,959	386,401	384,902	363,301	341,500	344,300
Total Public Works Admin	$ 6,146,485	$ 8,585,602	$ 8,605,560	$ 8,742,889	$ 8,885,685	$ 9,058,505
Water Distribution						
Personnel Services	$ 1,184,850	$ 1,223,236	$ 1,262,867	$ 1,303,781	$ 1,346,020	$ 1,389,628
Program	1,000	1,032	1,066	1,100	1,136	1,173
Purchased Prof./Tech. Services	-	-	-	-	-	-
Purchased Property	49,000	50,587	52,226	53,918	55,665	57,469
Other Purchased Services	12,000	12,389	12,790	13,205	13,632	14,074
Supplies	1,200,100	617,737	636,047	656,762	678,574	701,108
Other Objects	1,800	1,858	1,919	1,981	2,045	2,111
Total Water Distribution	$ 2,978,750	$ 1,906,840	$ 1,966,914	$ 2,030,747	$ 2,097,073	$ 2,165,563
Hilltop Water Treatment Plant						
Personnel Services	$ 615,093	$ 635,021	$ 655,594	$ 676,834	$ 698,761	$ 721,400
Program	6,500	6,711	6,928	7,152	7,384	7,623
Purchased Prof./Tech. Services	23,000	23,745	24,514	25,309	26,129	26,975
Purchased Property	106,000	109,434	112,980	116,640	120,419	124,320
Other Purchased Services	9,010	9,302	9,603	9,914	10,236	10,567
Supplies	988,150	1,013,074	1,038,796	1,070,482	1,109,584	1,151,213
Other Objects	30,000	30,972	31,975	33,011	34,081	35,185
Total Hilltop WTP	$ 1,777,753	$ 1,828,258	$ 1,880,391	$ 1,939,342	$ 2,006,593	$ 2,077,284

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
WWTP Operation						
Personnel Services	$ 719,142	$ 742,441	$ 766,494	$ 791,327	$ 816,964	$ 843,432
Program	27,500	28,391	29,311	30,260	31,241	32,253
Purchased Prof./Tech. Services	53,250	54,975	56,756	58,595	60,493	62,453
Purchased Property Services	75,550	77,998	80,525	83,133	85,827	88,607
Other Purchased Services	8,388	8,660	8,940	9,230	9,529	9,838
Supplies	426,250	435,942	445,988	459,614	477,424	496,569
Capital Expenditures	85,000	-	-	-	-	-
Other Objects	28,200	29,114	30,057	31,031	32,036	33,074
Total WWTP Operation	$ 1,423,280	$ 1,377,519	$ 1,418,070	$ 1,463,190	$ 1,513,514	$ 1,566,225
Facility Maintenance						
Personnel Services	$ 574,407	$ 593,016	$ 612,229	$ 632,064	$ 652,541	$ 673,682
Program	1,000	1,032	1,066	1,100	1,136	1,173
Purchased Prof./Tech. Services	-	-	-	-	-	-
Purchased Property Services	14,900	15,383	15,881	16,396	16,927	17,475
Other Purchased Services	7,200	7,433	7,674	7,923	8,179	8,444
Supplies	195,500	200,648	206,005	212,604	219,985	227,688
Capital Expenditures	100,000	-	-	-	-	-
Other Objects	1,250	1,290	1,332	1,375	1,420	1,466
Total Facility Maintenance	$ 894,257	$ 818,804	$ 844,187	$ 871,462	$ 900,188	$ 929,929
City Utility Billing						
Personnel Services	$ 110,116	$ 113,684	$ 117,367	$ 121,169	$ 125,095	$ 129,147
Program	7,300	7,537	7,781	8,033	8,293	8,562
Purchased Prof./Tech. Services	-	-	-	-	-	-
Purchased Property Services	-	-	-	-	-	-
Other Purchased Services	180,750	184,384	188,155	192,069	196,132	200,350
Supplies	2,900	2,994	3,091	3,191	3,294	3,401
Capital Expenditures	-	-	-	-	-	-
Other Objects	-	-	-	-	-	-
Total City Utility Billing	$ 301,066	$ 308,598	$ 316,393	$ 324,462	$ 332,814	$ 341,460
Total Capital Costs	$ -	$ -	$ 4,572,988	$ 4,572,988	$ 4,572,988	$ 4,572,988
TOTAL EXPENSES	$ 13,521,591	$ 14,825,621	$ 19,604,504	$ 19,945,080	$ 20,308,855	$ 20,711,954
TOTAL REV. REQUIREMENT	$ 11,431,591	$ 14,336,887	$ 19,101,557	$ 19,427,427	$ 19,775,981	$ 20,163,329
Total Turkey Peak	$ -	$ 10,282,819	$ 10,282,819	$ 10,282,819	$ 10,282,819	$ 10,282,819
TOTAL REV. REQ. W/ T.P.	$ 11,431,591	$ 24,619,706	$ 29,384,377	$ 29,710,246	$ 30,058,801	$ 30,446,148

Appendix D
CHANGE IN MONTHLY WATER AND SEWER BILLS
(Residential Inside City – ¾")



Notes:

1. The Residential Average consumption is 5,000 gallons.
2. The Residential Average billed flow is 4,000 gallons.

NewGen Strategies & Solutions

THANK YOU!

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