Professional Report

FINAL REPORT

IOWA COLONY

WATER COST OF SERVICE AND RATE DESIGN STUDY

NOVEMBER 5, 2026

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EXECUTIVE SUMMARY

Nelisa Heddin Consulting, LLC (NH Consulting) is pleased to present the City of Iowa Colony (City) with the results of an update of a cost of service and rate design study performed for the City's water and wastewater utility. The City retained NH Consulting to perform a cost of service and rate design study for the City's water and wastewater utility. The study's intent is to achieve a water and wastewater rate structure that will assure equitable and adequate revenues for operations, debt service retirement, capital improvements and bond covenant requirements. Therefore ensuring the utility operates on a self-sustaining basis while considering the economic impact on the City's customers.

The project team has worked closely with City staff to develop revenue requirements and determine the cost of providing service to each of the City's customers. The project team identified that in order to meet future revenue requirements, the City needs to implement future water and wastewater rate increases. The analysis examined revenue requirements for a five-year study period, FYE2027-FYE2031 and recommended rates sufficient to meet revenue requirements for the five-year study period. The recommended rates are outlined in Tables 1 through 4.

Table 1: Recommended Water Rates, Minimum Bill

	Current	2027	2028	2029	2030	2031
5/8"	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
3/4"	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
1"	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
1 1/2"	$ 83.25	$ 83.25	$ 83.25	$ 83.25	$ 83.25	$ 83.25
2"	$ 133.25	$ 133.25	$ 133.25	$ 133.25	$ 133.25	$ 133.25
3"	$ 250.00	$ 250.00	$ 250.00	$ 250.00	$ 250.00	$ 250.00
4"	$ 416.75	$ 416.75	$ 416.75	$ 416.75	$ 416.75	$ 416.75
6"	$ 833.25	$ 833.25	$ 833.25	$ 833.25	$ 833.25	$ 833.25
8"	$ 1,333.25	$ 1,333.25	$ 1,333.25	$ 1,333.25	$ 1,333.25	$ 1,333.25
10"	$ 1,916.75	$ 1,916.75	$ 1,916.75	$ 1,916.75	$ 1,916.75	$ 1,916.75

Table 2: Recommended Water Rates, Volumetric Rate (per thousand gallons), Residential

	Current	2027	2028	2029	2030	2031
0-2000	$ -	$ -	$ -	$ -	$ -	$ -
2001-5000	$ -	$ -	$ -	$ -	$ -	$ -
5001-10000	$ 3.00	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 3.25
10001-20000	$ 3.50	$ 3.95	$ 3.95	$ 3.95	$ 3.95	$ 3.95
20001 and above	$ 4.00	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65

Table 3: Recommended Water Rates, Volumetric Rate (per thousand gallons), Non-Residential

	Current	2027	2028	2029	2030	2031
0-2000	$ -	$ -	$ -	$ -	$ -	$ -
2001-5000	$ 4.00	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 4.25
5001-10000	$ 4.50	$ 4.95	$ 4.95	$ 4.95	$ 4.95	$ 4.95
10001-20000	$ 5.25	$ 5.65	$ 5.65	$ 5.65	$ 5.65	$ 5.65
20001 and above	$ 5.25	$ 6.35	$ 6.35	$ 6.35	$ 6.35	$ 6.35

Table 4: Recommended Wastewater Rates

Wastewater Bill	Current	2027	2028	2029	2030	2031
Monthly Fee	$ 25.00	$ 30.00	$ 35.00	$ 40.00	$ 40.00	$ 40.00

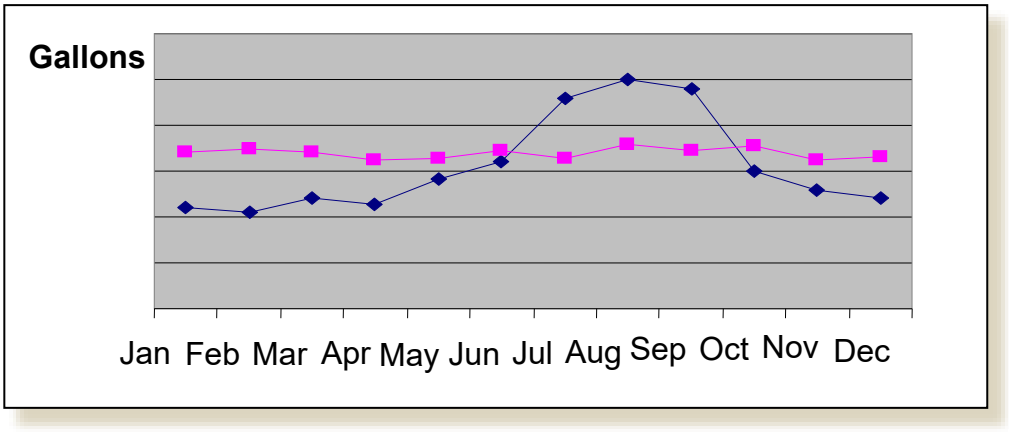
RATE SETTING THEORY

The American Water Works Association (AWWA) sets forth a methodology for rate setting based on cost-of-service principles. The premise of this methodology is to require users to pay the cost incurred by the utility to provide that user with water service.

The water utility infrastructure is created to meet times of peak demand. Although on an annual basis, the average usage of water is at a lower level, the system must meet times of peak usage, such as irrigation in summer months or early mornings when residents are showering, doing laundry and washing dishes. Chapter 290 of the Texas Administrative Code outlines strict guidelines that the water utility must abide by while providing retail water services. These guidelines outline specific requirements for items such as minimal system capacities, to meet these times of peak usage. Thus, the water utility must maintain the infrastructure to meet these requirements. To determine the utilities capacity requirements, one must factor in the number of connections served, the size of each connection, in addition to the usage patterns of those customers. Therefore, even though the utility may have average usage at a certain level, it must have the capacity to serve customers at a greater level in order to meet peaking demands.

Different customer classes utilize water in different manners, thus putting different strains on the utility. Examination of the utility's customer classes while applying a cost-of-service methodology recommended by the AWWA reveals the usage pattern of each class. Figure 1 exhibits different usage patterns for two different types of customers.

Figure 1: Usage Patterns



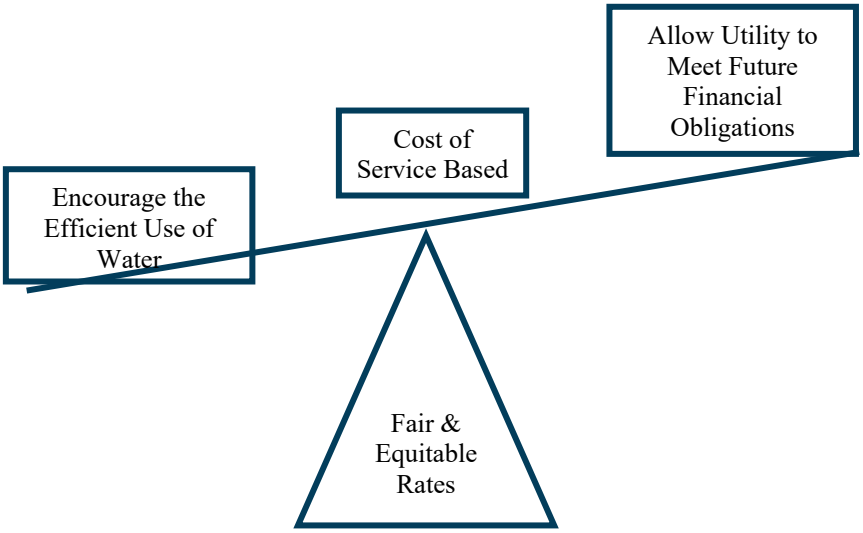
The customers represented by a blue line in Figure 1 show a dramatic peaking pattern in summer months. This peak pattern commonly occurs with customers who, for example irrigate during the summer. The customers represented by a pink line show very little deviation in their month-to-month usage. An example of a customer using water in this manner may be a commercial customer who uses water in a consistent pattern year round.

According to the AWWA, "A water utility is required to supply water in total amounts and at such rates of use desired by the customer. A utility incurs costs in relationship to the various expenditure requirements caused by meeting those customer demands. Since the needs for total volume of supply and peak rates of use vary among customers, the costs to the utility of providing service also vary among customers or classes of customers." In other words, there are significant cost implications to the ability a utility system must have to meet peaking patterns.

The blue-line customer in Figure 1 has a higher peak to average ratio of water usage. Whereas the pink-line customer has a lower peak to average ratio, even though the total volume used is greater for this customer class. In this example, the utility has to maintain a total system capacity to serve the maximum (or peak) usage of all customers, even though the blue-line customer uses a peak amount of water for 3-months out of the year. There is a significant cost implication to this irregular usage pattern. The rates charged to customers should reflect this cost differential.

Rate Design General Components

During rate analysis, the primary consideration is to determine rates that are fair and equitable among all customers. Rates should recover the cost associated with providing service to each customer from that particular customer. Determining rates that fully achieve this goal involves a detailed analysis of each individual customer's consumption pattern. Since this is an impractical feat for most utility systems, a typical rate design establishment fits average conditions for groups of customers having similar service requirements.



When grouping customer classes, one divides customers that utilize water in a similar pattern (such as residential, commercial, apartments and irrigation). Then, analysis of historical usage patterns for each customer grouping and assignment of costs accordingly.

The AWWA emphasizes, "Departure from rates based on cost of service is generally a decision made for political, legal or other reasons. Consideration of rates deviating from cost of service, therefore, is made by politicians, not the rate designer." In addition, the AWWA states that "when a deviation from cost-related rates is made, the reason for such modification should be explicitly understood so that the responsibility for such deviation is placed on legal and policy-making factors, and the public is not misled into believing that the resulting rates are fully cost-related when they are not."

It is important to consider when designing and implementing a new rate structure that, while the goal is to get as close as possible to cost of service based rates, with respect for each City's own political environment.

Rate Components

Typically, billing of water services are in a structure that consists of a minimum bill and a volumetric component. The intention of the minimum bill is to recover the basic costs associated with providing service to the customer, regardless of the volume of the water utilized. The bill structure usually recovers a high percentage of the utility's fixed costs to ensure the utility some degree of revenue stability. Minimum bills are a fixed monthly fee. The second component of the rates is a volumetric charge. This charge is based on the amount of water utilized by the customer, and may fluctuate based on actual usage.

MINIMUM BILL

The AWWA provides guidelines for the determination of the minimum bill on a cost basis. Many utilities set their minimum bill based on policy initiatives. The utility may want to use the minimum charge to guarantee a certain percentage of revenue. Another strategy in setting a minimum bill involves providing lifeline rates for customers, where the customer receives a certain amount of water included in the base charge fee. This allows the customer a higher degree of control over their water bill.

There are two (2) primary options available regarding the structure of the minimum bill:

Meter Size – As previously described, the utility is obligated under State Law to maintain system capacity based on the number and size of connections the utility serves. The reasoning is that the larger the meter a customer has, the greater the ability to place a larger demand on the system. Thus, regardless of the amount of water that a customer actually uses, the utility is still required to maintain the capacity to serve that customer based on their meter size.

Accordingly, a minimum bill based on meter size, in which the larger the meter, the higher the bill, recovers the cost the utility incurs due to the potential increased demand placed on the system by that particular customer. The AWWA provides "meter size equivalency factors," a scale of factors are applied to the base charge for a ⅝ inch connection to determine the minimum that should be charged to larger connections.

NH Consulting recommends the City continue to bill based on meter size.

Equalized Minimum Bill – The alternative minimum bill structure would be an equalized minimum bill in which all customers pay the same fee, regardless of meter size. This very simple fee structure is easy to understand by the utility's customers. In addition, most billing systems are able to accommodate this fee structure. However, it may not be equitable among the utility's customers, depending on that particular utility's customer base.

VOLUMETRIC RATE

The second component of the fee structure is the volumetric rate. The basis for the volumetric fees is the actual volume of water each customer uses each month. The volumetric rates usually recover the variable costs associated with providing water to the utility's customers as well as a portion of fixed costs. Utilities also use volumetric rates as a pricing signal to encourage the efficient usage of water. Below are some volumetric rate design options for consideration.

Customer Class – As previously described, different classes of customers utilize water in different ways. Some customers use large amounts of water seasonally for irrigation, while other customers' monthly water use varies only slightly. There is a significant cost implication to different water usage patterns. Those customers who use water irregularly throughout the year, such as those who irrigate, cause the utility's water system to have a higher peaking than those customers who use a consistent amount of water monthly. A case can be made that utilities should classify customers into like groupings (such as residential, commercial, apartments and irrigation) and charge those customers different rates based on their relative usage patterns. The AWWA has outlined a methodology for determining these rates called the Base-Extra Capacity methodology. The basic

premise of this methodology is to isolate usage patterns based on customer classifications and allocate costs to those customers based on peaking patterns. While this is a complex task, it is arguably the most equitable means of charging customers for water usage.

The drawback to this methodology is that it is a slightly more complex fee structure that some customers may have difficulty understanding. Prior to implementation, the utility's billing system requires examination to ensure that it is capable of charging customers based on this structure.

Equalized Rate – An alternative to varying volumetric rates based on customer class is to charge all customers the same volumetric rate. This is appropriate for utilities that have a relatively homogenous customer base in which most customers use water in a similar pattern. This rate structure is easy for customers to understand, and usually most billing systems can accommodate equalized rates. The industry recommends that each utility examine its customer base to determine if it is a homogenous group of customers, or if there are customers who use water in different patterns. If the latter is the case, then equalized rates may not be equitable to some customer classifications.

WATER UTILITY

WATER PRODUCTION

In 2025, the City produced approximately 460 million gallons of water, with a peak day production of 2.399 MG.

Table 5: Historical Water Production (Thousand Gallons)

Water	2024
Total Production	460,249
Average Daily Demand	1,259
Peak Day Demand	2,399
Peak to Average Ratio	1.905

As emphasized in the previous section, there is a direct correlation between a system's production and peaking patterns and the system's costs. The City's peak to average ratio, as determined by dividing maximum daily production by the average daily production, was 1.905:1 for 2025.

WATER CONSUMPTION

As of March 2025, there were 4,216 retail, potable water customers within the service areas for which the City now provides service. The City meters all active potable water connections. The combined annual metered water consumption was approximately 465 million gallons in 2025.

Table 6: Historical Water Consumption and Customer Count[1]

Year	Customer Count	Consumption
2023	3386	372,803,500
2024	3665	384,420,100
2025	4216	465,620,700

[1] The City's current service area consists of areas formerly owned and operated by Municipal Utility Districts. For the purposes of the rate study, historical customer count and consumption listed here are reflected as the total of all of the service areas, even though those areas were not all owned and operated by the City at the time.

WORK PLAN

In determining water rates, NH Consulting relies upon a methodology described by the American Water Works Association called the Base-Extra Capacity methodology. This methodology approximates the cost associated with serving various classifications of customers.

Essentially, the methodology utilizes a five-step approach:

Step 1: Revenue Requirement Determination
Step 2: Cost Functionalization
Step 3: Customer Cost Allocation
Step 4: Customer Count and Billing Unit Determination
Step 5: Rate Design

NH Consulting has performed each of these steps in coordination with City staff. The next sections describe each step along with the results.

STEP 1: REVENUE REQUIREMENT DETERMINATION

BASE YEAR REVENUE REQUIREMENT

WATER FUND

To account for the water utility operations, the City has an Enterprise Fund that accounts for water operational revenues and expenditures. To determine the water utility revenue requirements, NH Consulting relied on the City's budgeted and historical actual expenditures within the Water Enterprise Fund as a starting point.

SYSTEM EXPENDITURES

A base year estimate of costs helps to determine the City's future revenue requirements. This cost estimate is reflective of the normal operation of the water utility, and adjusted for known and measurable changes into the future. NH Consulting used the FYE2026 budget as the Test Year for the revenue requirement phase of the study. A comparison historical actual expenditures has indicated that the FYE2026 Budget provides a conservative estimate of the revenues and expenses associated with the operation of the water utility.

REVENUE OFFSETS

In order to isolate the revenues required by rates from all customers, it was necessary to capture all revenue offsets and remove the corresponding dollar amount from the gross revenue requirement to determine the net revenue requirement. Revenue offsets are items such as late fees and interest income that offset the City's expense.

BASE YEAR REVENUE REQUIREMENT

The base year total revenue requirement determined by the project team for the water utility for FYE 2027 was $4,924,632.

Five-Year Revenue Requirement

INFLATION

NH Consulting accounted for inflationary influences on annual expenditures by applying a 3% annual inflation rate for most expenditure categories in developing the five-year revenue requirement.

REVENUE OFFSETS

Revenue-offset projections remained constant throughout the study period, for the benefit of conservative estimations.

FIVE-YEAR REVENUE REQUIREMENT

Table 7 outlines the five-year revenue requirement for the Water Utility. Schedule 1 shows each line item with details.

Table 7: Water Utility Five-Year Revenue Requirement.

	2027	2028	2029	2030	2031
Water Revenue Requirement	$ 1,830,687	$ 2,085,795	$ 2,198,225	$ 2,314,028	$ 2,433,306

Step 2: Cost Functionalization

Background on Cost Functionalization

The American Water Works Association ("AWWA") and the Texas Commission on Environmental Quality ("TCEQ") have accepted the base-extra capacity methodology and it is commonly used in the water utility industry. This is a methodology of functionalization, allocating costs to service functions, and distributing costs to customer classes. It recognizes the differences in the cost of providing service due to variations in average rate of use and peak rate of use by a customer class. This method also distinguishes the effects of system diversity on costs. Generally, the three components of costs include:

- Base Costs
- Extra-Capacity Costs
- Customer Billing Costs

Base costs fluctuate with the total amount of water taken under average operating conditions. Extra-capacity costs are those costs incurred that are above the average operating conditions and are necessary to support peaking conditions. Customer billing costs are those costs associated with serving customers, such as meter reading and billing.

Cost Functionalization Analysis

The project team thoroughly analyzed The City's cost structure and functionalized the costs into appropriate categories. Table 8 presents the cost functionalization for the five-year study period.

Table 8: Cost Functionalization.

	2027	2028	2029	2030	2031
Base Costs of Service	$ 807,430	$ 926,098	$ 974,566	$ 1,024,488	$ 1,075,908
Extra Capacity Costs of Service	598,913	697,903	733,293	769,744	807,289
Customer Costs of Service	424,345	461,794	490,366	519,796	550,109
Total	$ 1,830,687	$ 2,085,795	$ 2,198,225	$ 2,314,028	$ 2,433,306

STEP 3: CUSTOMER COST ALLOCATION

CUSTOMER COST ALLOCATION BACKGROUND

The establishment of customer classes is important in setting equitable rates, so that costs designated for each class are appropriate. A customer class should include only those customers who:

a. Are in similar location in relation to the utility;
b. Use the same or similar facilities of the utility;
c. Receive similar service from the utility;
d. Place similar demands on the utility.

The objective of the distribution of costs to customer groups is to avoid cross-subsidization (inequities between customer classes). With this objective in mind, it is imperative to weigh all differences in service commitment and service requirements when determining the customer classes.

Once all appropriate customer classifications have been determined, the next step is to analyze usage patterns for each customer class. Usage analysis includes evaluating the average and peak usage for each customer class. Finally, the cost allocation to customer classes, based on relative usage patterns, is completed.

In analyzing the City's customers and historical use, NH Consulting recommends the City continue to utilize the customer class categories of residential, commercial and apartment.

Step 4: Customer Growth and Billing Units

Customer Growth

Population projections for a City should reasonably reflect anticipated future conditions within the City. NH Consulting worked closely with City staff to make projections of future growth within the City.

Table 9: Projected Customer Count[2].

	2027	2028	2029	2030	2031
Water Customer Count	6,235	7,086	7,406	7,742	8,095

Billing Unit Projection

Projecting future consumption first involves an in-depth examination of historical use for each classification of customer. Historical use is analyzed to determine the average use per connection in a "normal" rainfall year. This normalized average use is then applied to the future projected customer could in order to make a future projection of consumption.

Table 10: Projected Water Consumption (Gallons).

	2027	2028	2029	2030	2031
Water Consumption	641,513,253	727,363,091	754,170,367	782,318,006	811,873,028

Step 5: Rate Design

There are many different rate design options regarding water rate development, however, the goal is to provide a fair and equitable rate for all customer classes, mitigate "rate-shock" on the City's customers and allow for the water utility to operate and remain self sufficient.

Minimum Bill

NH Consulting recommends that the City continue to bill water customers a minimum base charge which is based upon meter size. The recommended minimum bill for all customers is outlined on Table 11 below.

Volumetric Rate

The volumetric rates for the City have been designed to recover revenue requirements not otherwise recovered through the base charge. The recommended volumetric rates are outlined on Tables 12 and 13.

[2] The City is projected to take over operations of MUD 55 in January 2027. The projected customer count reflects the assumption of customers for 75% of FYE2027.

Table 11: Recommended Water Rates, Minimum Bill

	Current	2027	2028	2029	2030	2031
5/8"	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
3/4"	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
1"	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
1 1/2"	$ 83.25	$ 83.25	$ 83.25	$ 83.25	$ 83.25	$ 83.25
2"	$ 133.25	$ 133.25	$ 133.25	$ 133.25	$ 133.25	$ 133.25
3"	$ 250.00	$ 250.00	$ 250.00	$ 250.00	$ 250.00	$ 250.00
4"	$ 416.75	$ 416.75	$ 416.75	$ 416.75	$ 416.75	$ 416.75
6"	$ 833.25	$ 833.25	$ 833.25	$ 833.25	$ 833.25	$ 833.25
8"	$ 1,333.25	$ 1,333.25	$ 1,333.25	$ 1,333.25	$ 1,333.25	$ 1,333.25
10"	$ 1,916.75	$ 1,916.75	$ 1,916.75	$ 1,916.75	$ 1,916.75	$ 1,916.75

Table 12: Recommended Water Rates, Volumetric Rate (per thousand gallons), Residential

	Current	2027	2028	2029	2030	2031
0-2000	$ -	$ -	$ -	$ -	$ -	$ -
2001-5000	$ -	$ -	$ -	$ -	$ -	$ -
5001-10000	$ 3.00	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 3.25
10001-20000	$ 3.50	$ 3.95	$ 3.95	$ 3.95	$ 3.95	$ 3.95
20001 and above	$ 4.00	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65

Table 13: Recommended Water Rates, Volumetric Rate (per thousand gallons), Non-Residential

	Current	2027	2028	2029	2030	2031
0-2000	$ -	$ -	$ -	$ -	$ -	$ -
2001-5000	$ 4.00	$ 4.25	$ 4.25	$ 4.25	$ 4.25	$ 4.25
5001-10000	$ 4.50	$ 4.95	$ 4.95	$ 4.95	$ 4.95	$ 4.95
10001-20000	$ 5.25	$ 5.65	$ 5.65	$ 5.65	$ 5.65	$ 5.65
20001 and above	$ 5.25	$ 6.35	$ 6.35	$ 6.35	$ 6.35	$ 6.35

WASTEWATER UTILITY

WORK PLAN

The determination of wastewater rates is somewhat simpler as the wastewater utility is not subject to the same influences of peaking as the water utility.
NH Consulting utilized a three-step approach to determining the wastewater rates:

Step 1: Revenue Requirement Determination
Step 2: Customer Count and Billing Unit Determination
Step 3: Rate Design

NH Consulting has performed each of these steps in coordination with City staff; below shows the description and results of each step.

STEP 1: REVENUE REQUIREMENT DETERMINATION

BASE YEAR REVENUE REQUIREMENT

WASTEWATER FUND

To account for the wastewater utility operations, the City has an Enterprise Fund that accounts for water operational revenues and expenditures. To determine the water utility revenue requirements, NH Consulting relied on the City's budgeted and historical actual expenditures within the Wastewater Enterprise Fund as a starting point.

SYSTEM EXPENDITURES

A base year estimate of costs helps to determine the City's future revenue requirements. This cost estimate is reflective of the normal operation of the wastewater utility and adjusted for known and measurable changes into the future. NH Consulting used the FYE2026 budget as the Test Year for the revenue requirement phase of the study. A comparison the historical actual expenditures has indicated that the FYE2026 Budget provides a conservative estimate of the revenues and expenses associated with the operation of the wastewater utility.

REVENUE OFFSETS

In order to isolate the revenues required by rates from all customers, it was necessary to capture all revenue offsets and remove the corresponding dollar amount from the gross revenue requirement to determine the net revenue requirement. Revenue offsets are items such as late fees and interest income that offset the City's expense.

BASE YEAR REVENUE REQUIREMENT

The base year total revenue requirement determined by the project team for the wastewater utility for FYE 2027 was $3,093,944.

FIVE-YEAR REVENUE REQUIREMENT

INFLATION

NH Consulting accounted for inflationary influences on annual expenditures by applying a 3% annual inflation rate for most expenditure categories in developing the five-year revenue requirement.

REVENUE OFFSETS

Revenue-offset projections remained constant throughout the study period, for the benefit of conservative estimations.

FIVE-YEAR REVENUE REQUIREMENT

Table 14 outlines the five-year revenue requirement for the Wastewater Utility. Schedule 2 shows each line item with details.

Table 14: Water Utility Five-Year Revenue Requirement.

	2027	2028	2029	2030	2031
Wastewater Revenue Requirement	$ 3,093,944	$ 3,316,460	$ 3,405,321	$ 3,496,847	$ 3,591,119

STEP 2: CUSTOMER GROWTH AND BILLING UNITS

CUSTOMER GROWTH

The project team worked with City staff to develop reasonable growth projections for the wastewater utility.

Table 15: Wastewater Customer Count Projection[3].

	2027	2028	2029	2030	2031
Wastewater Customers	6,083	6,926	7,246	7,582	7,935

STEP 3: DETERMINATION OF WASTEWATER RATES

The recommended wastewater rates are presented on Table 17 below.

Table 16: Recommended Wastewater Rates

	Current	2027	2028	2029	2030	2031
Monthly Fee	$ 25.00	$ 30.00	$ 35.00	$ 40.00	$ 40.00	$ 40.00

[3] The City is projected to take over operations of MUD 55 in January 2027. The projected customer count reflects the assumption of customers for 75% of FYE2027.

City of Iowa Colony
Cost of Service and Rate Design Study
Water, Wastewtaer and Solid Waste Department

Schedule 1
Projection of Five-Year Revenue Requirement - Water

Expense	2027	2028	2029	2030	2031	Inflation Rate	Notes
Personnel and Benefits							
Salaries - Full Time	$ -	$ 30,000	$ 30,900	$ 31,827	$ 32,782	3%	
Salaries - Overtime	-	-	-	-	-	3%	
Social Security/Medicare	-	2,295	2,364	2,435	2,508	3%	
TMRW	-	3,060	3,152	3,246	3,344	3%	
Health & Life Insurance	-	3,535	3,641	3,750	3,863	3%	
Worker's Comp	-	1,098	1,130	1,164	1,199	3%	
Texas Workforce Commission	-	47	48	50	51	3%	
Vehicle Allowance	-	-	-	-	-	3%	
457(b) Reimbursement	-	-	-	-	-	3%	
Benefits Admin Fees	-	-	-	-	-	3%	
Longevity Pay	-	-	-	-	-	3%	
Payroll Expense/Direct Deposit Fee	-	-	-	-	-	3%	
Contracts and Agreements							
Legal Services	7,500	7,725	7,957	8,195	8,441	3%	
Audit Services	7,500	7,725	7,957	8,195	8,441	3%	
Professional Services	20,000	20,600	21,218	21,855	22,510	3%	
Engineering Services	50,000	51,500	53,045	54,636	56,275	3%	
Bank Fees	625	644	663	683	703	3%	
Contractual Services	175,000	180,250	185,658	191,227	196,964	3%	
Permits/Assessment Fee	20,000	20,600	21,218	21,855	22,510	3%	
Sludge Hauling	-	-	-	-	-	3%	
Operator Fees	480,000	494,400	509,232	524,509	540,244	3%	
Water Inspection Expenses	330,000	349,900	360,397	371,209	382,345	3%	
Water Tap Connection Expenses	450,000	463,500	477,405	491,727	506,479	3%	
Maintenance & Repairs	1,126,375	1,260,463	1,298,276	1,337,225	1,377,341	3%	2027 includes 9 months of operations for MUD 55. 2028 reflects full year.
Water Transfer Fee Expenses	60,000	61,800	63,654	65,564	67,531	3%	
Materials and Supplies							
Office Supplies	27,500	28,325	29,175	30,050	30,951	3%	
Postage	3,750	3,863	3,978	4,098	4,221	3%	
Building Repairs & Maintenance	10,000	10,300	10,609	10,927	11,255	3%	
Laboratory Expense	37,500	38,625	39,784	40,977	42,207	3%	
Chemicals	62,500	64,375	66,306	68,295	70,344	3%	
Specialized Services							
Utilities-Electricity	175,000	180,250	185,658	191,227	196,964	3%	
Utilities - Telephone	2,500	2,575	2,652	2,732	2,814	3%	
Insurace - Liablity & Prop	62,500	64,375	66,306	68,295	70,344	3%	
Utilities - Gas	5,000	5,150	5,305	5,464	5,628	3%	
Garbage Collection Services SiEnv	-	-	-	-	-	3%	
Not Categorized							
Admin Fee	186,973	192,582	198,360	204,311	210,440	3%	
Debt Service	351,216	351,216	351,216	351,216	351,216		Per debt service analysis
Cash-Capital Outlay	-	-	-	-	-	3%	
Capital Outlays							

City of Iowa Colony
Cost of Service and Rate Design Study
Water, Wastewtaer and Solid Waste Department

Schedule 1
Projection of Five-Year Revenue Requirement - Water

Capital Projects Fund	275,000	283,250	291,748	300,500	309,515	3%
Lease Payment AMI	-	-	-	-	-	3%
	$ 3,926,439	$ 4,184,026	$ 4,299,011	$ 4,417,444	$ 4,539,431	

Revenue-Offsets	**2027**	**2028**	**2029**	**2030**	**2031**	
Wtr Mtr/Tap/Endpoint Fee	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ 1,400,000	
Wtr Svc Inspection Fee	500,000	500,000	500,000	500,000	500,000	
Wtr Svc Plan Review Fee	20,000	20,000	20,000	20,000	20,000	
Water Service Revenue	-	-	-	-	-	3%
Garbage Collection Revenue	-	-	-	-	-	3%
Franchise Fees Si Env	-	-	-	-	-	3%
Admin Fee Solid Waste	-	-	-	-	-	3%
Penalty and Interest	60,214	62,020	63,881	65,798	67,771	3%
Grease Trap Si Env	-	-	-	-	-	3%
Transfer Fees Si Env	21,896	22,553	23,229	23,926	24,644	3%
Water Service Fee Si Env	-	-	-	-	-	3%
Sewer Service Fee Si Env	-	-	-	-	-	3%
Miscellaneous Services Si Env	49,266	49,266	49,266	49,266	49,266	
Reconnection/Disconnection Fees SiEnv	21,896	21,896	21,896	21,896	21,896	
Insepction Fees Si Env	411	411	411	411	411	
Tap Connection Fees Si Env	-	-	-	-	-	
Backflow Inspection Fees Si Env	500	500	500	500	500	
Customer Inspection Fees Si Env	-	-	-	-	-	
Meter Rental & Lease Rev Si Env	15,000	15,000	15,000	15,000	15,000	
Inspection Fees Si Env	547	547	547	547	547	
Interest Income	5,474	5,474	5,474	5,474	5,474	
Other Revenue	547	564	581	598	616	3%
Total Revenues	$ 2,095,751	$ 2,098,231	$ 2,100,785	$ 2,103,416	$ 2,106,126	

Total Revenue Requirement	**$ 1,830,687**	**$ 2,085,795**	**$ 2,198,225**	**$ 2,314,028**	**$ 2,433,306**
	TRUE				

City of Iowa Colony
Cost of Service and Rate Design Study
Water, Wastewtaer and Solid Waste Department

Schedule 2
Projection of Five-Year Revenue Requirement - Wastewater

Expense	2027	2028	2029	2030	2031	Inflation Rate	Notes
Personnel and Benefits							
Salaries - Full Time	$ -	$ 30,000	$ 30,900	$ 31,827	$ 32,782	3%	
Salaries - Overtime	-	-	-	-	-	3%	
Social Security/Medicare	-	2,295	2,364	2,435	2,508	3%	
TMRW	-	3,060	3,152	3,246	3,344	3%	
Health & Life Insurance	-	3,535	3,641	3,750	3,863	3%	
Worker's Comp	-	1,098	1,130	1,164	1,199	3%	
Texas Workforce Commission	-	47	48	50	51	3%	
Vehicle Allowance	-	-	-	-	-	3%	
457(b) Reimbursement	-	-	-	-	-	3%	
Benefits Admin Fees	-	-	-	-	-	3%	
Longevity Pay	-	-	-	-	-	3%	
Payroll Expense/Direct Deposit Fee	-	-	-	-	-	3%	
Contracts and Agreements							
Legal Services	7,500	7,725	7,957	8,195	8,441	3%	
Audit Services	7,500	7,725	7,957	8,195	8,441	3%	
Professional Services	20,000	20,600	21,218	21,855	22,510	3%	
Engineering Services	50,000	51,500	53,045	54,636	56,275	3%	
Bank Fees	625	644	663	683	703	3%	
Contractual Services	175,000	180,250	185,658	191,227	196,964	3%	
Permits/Assessment Fee	20,000	20,600	21,218	21,855	22,510	3%	
Sludge Hauling	125,000	128,750	132,613	136,591	140,689	3%	
Operator Fees	480,000	494,400	509,232	524,509	540,244	3%	
Water Inspection Expenses	-	-	-	-	-	3%	
Water Tap Connection Expenses	-	-	-	-	-	3%	
Maintenance & Repairs	1,126,375	1,260,463	1,298,276	1,337,225	1,377,341	3%	2027 includes 9 months of operations for MUD 55. 2028 reflects full year.
Water Transfer Fee Expenses	-	-	-	-	-	3%	
Materials and Supplies							
Office Supplies	27,500	28,325	29,175	30,050	30,951	3%	
Postage	3,750	3,863	3,978	4,098	4,221	3%	
Building Repairs & Maintenance	10,000	10,300	10,609	10,927	11,255	3%	
Laboratory Expense	37,500	38,625	39,784	40,977	42,207	3%	
Chemicals	62,500	64,375	66,306	68,295	70,344	3%	
Specialized Services							
Utilities-Electricity	175,000	180,250	185,658	191,227	196,964	3%	
Utilities - Telephone	2,500	2,575	2,652	2,732	2,814	3%	
Insurace - Liablity & Prop	62,500	64,375	66,306	68,295	70,344	3%	
Utilities - Gas	5,000	5,150	5,305	5,464	5,628	3%	
Garbage Collection Services SiEnv	-	-	-	-	-	3%	
Not Categorized							
Admin Fee	154,593	159,230	164,007	168,927	173,995	3%	
Debt Service	418,600	418,600	418,600	418,600	418,600		Per debt service analysis
Cash-Capital Outlay	-	-	-	-	-	3%	
Capital Outlays							

City of Iowa Colony
Cost of Service and Rate Design Study
Water, Wastewtaer and Solid Waste Department

Schedule 2
Projection of Five-Year Revenue Requirement - Wastewater

Capital Projects Fund	275,000	283,250	291,748	300,500	309,515	3%
Lease Payment AMI	-	-	-	-	-	3%
	$ 3,246,443	$ 3,471,609	$ 3,563,199	$ 3,657,537	$ 3,754,705	

Revenue-Offsets	**2027**	**2028**	**2029**	**2030**	**2031**	
Wtr Mtr/Tap/Endpoint Fee	$ -	$ -	$ -	$ -	$ -	
Wtr Svc Inspection Fee	-	-	-	-	-	
Wtr Svc Plan Review Fee	-	-	-	-	-	
Water Service Revenue	-	-	-	-	-	3%
Garbage Collection Revenue	-	-	-	-	-	3%
Franchise Fees Si Env	-	-	-	-	-	3%
Admin Fee Solid Waste	-	-	-	-	-	3%
Penalty and Interest	49,786	51,280	52,818	54,402	56,035	3%
Grease Trap Si Env	20,000	20,600	21,218	21,855	22,510	3%
Transfer Fees Si Env	18,104	18,647	19,207	19,783	20,376	3%
Water Service Fee Si Env	-	-	-	-	-	3%
Sewer Service Fee Si Env	-	-	-	-	-	3%
Miscellaneous Services Si Env	40,734	40,734	40,734	40,734	40,734	
Reconnection/Disconnection Fees SiEnv	18,104	18,104	18,104	18,104	18,104	
Insepction Fees Si Env	339	339	339	339	339	
Tap Connection Fees Si Env	-	-	-	-	-	
Backflow Inspection Fees Si Env	-	-	-	-	-	
Customer Inspection Fees Si Env	-	-	-	-	-	
Meter Rental & Lease Rev Si Env	-	-	-	-	-	
Inspection Fees Si Env	453	453	453	453	453	
Interest Income	4,526	4,526	4,526	4,526	4,526	
Other Revenue	453	466	480	495	509	3%
Total Revenues	$ 152,499	$ 155,149	$ 157,879	$ 160,690	$ 163,586	

Total Revenue Requirement	**$ 3,093,944**	**$ 3,316,460**	**$ 3,405,321**	**$ 3,496,847**	**$ 3,591,119**	
	TRUE					