CITY OF PORT LAVACA

COUNCIL MEETING: AUGUST 10, 2026

DATE: 07.17.2026

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: JODY WEAVER, CITY MANAGER

SUBJECT: **DISCUSS PROPOSED FY 2026-27 OPERATING BUDGET SUBMITTED BY UNDINE, LLC FOR THE PLWTP**

BACKGROUND

Attached please find the FY 2026-27 Budget that has been submitted by Undine that will take effect on October 1. I've added this budget to the spreadsheet comparing annual budgets since we started with Undine in 2022.

A few things to note:

- The good news is the budget has increased by only 3.2% over last year.
- In order to generate the additional revenue needed for this increase, the water base rate needs to increase by $1.56.
- Note also that the 73.34% is the percentage of Undine's overall budget that we negotiated last year as a reduction from their proposed 80%. Recall the increase from 66.67% to 80% was as a result of Port O'Connor no longer contracting with Undine for water supply, thereby significantly increasing our percentage. After much discussion last year, Undine agreed to reduce the rate to 73.34% instead of the 80% ratio being our committed 4 MGD divided by the total committed GPD of the plant which is 5 (Calhoun County Rural Water being 1 MGD).
- Undine's overall 100% budget for the WTP has increased by 33.5% since FY 2023-24.

FINANCIAL IMPLICATIONS:

Of the amount that we decide to increase the water base rate, $1.56 of that will be dedicated to cover the increased cost of water treatment.

Undine Wholesale Supply LLC
2026 - 2027 Budget

	Total 2026 - 2027 Budget	Port Lavaca 2026 - 2027 Budget		Total 06/25 - 05/26 Actual	
GPD Committed	5,000,000	4,000,000			
% of Total		73.34%	(1)		
Projected Expenses					
Purchased Power	$ 136,251	$ 99,927		$ 116,226	
Chemicals	385,774	282,927		374,538	
Contract Management Fees	894,156	655,774		894,156	
Repairs & Maintenance	72,000	52,805		33,454	
Materials & Supplies	6,000	4,400		936	
Testing	14,433	10,585		14,013	
Bank Fees	1,190	873		1,155	
Insurance	114,259	83,798		110,931	
Permitting and Other Regulatory	335	246		325	
Telephone/Mission Units Monitoring	11,948	8,763		11,600	
Property & Franchise Taxes	73,758	54,094		(66,723)	
Audit Fees	40,000	29,336		38,916	
Other Operating Expenses	19,376	14,211		18,812	
Administrative and General	853,351	625,847		827,847	
Depreciation and amortization	463,747	340,112		389,340	
Interest Expense - Debt	70,943	52,029		-----	(2)
Other Expense	-	-		25,447	
Income Taxes	113,000	82,874		-----	(3)
Total Utility Operating Expenses	$ 3,270,521	$ 2,398,600		$ 2,790,974	
Margin		11.5%			
Revenue Requirement		**$ 2,710,283**			
Net Income		$ 311,683			
Margin		11.50%			
Monthly Charge		**$ 225,857**			

(1) Undine Adjusted Allocation Percentage
(2) No TTM data available as amounts are calculated as part of the aggregate total for all Undine Utilities
(3) No TTM data available as amount is calculated using the agreed upon tax rate

UNDINE WHOLESALE SUPPLY, LLC BUDGET

	Port Lavaca 2022-23	BUDGET 2023-24 100%	Port Lavaca 2023-24 66.67%	BUDGET 2024-25 100%	Port Lavaca 2024-25 66.67%	BUDGET 2025-26 100%	Port Lavaca 2025-26 73.34%	BUDGET 2026-27 100%	Port Lavaca 2026-27 73.34%
						*City negotiated to reduce the ratio from the propsed 80% (4 MG/5 MG) to 73.34%)		*City negotiated to reduce the ratio from the propsed 80% (4 MG/5 MG) to 73.34%)	
Projected Expenses									
Purchased Power	$ 74,724	$ 112,080	$ 74,724	$ 142,418	94,950	$ 152,027	$ 111,497	$ 136,251	$ 99,927
Chemicals	$ 161,208	$ 241,800	$ 161,208	$ 381,343	254,242	$ 394,889	$ 289,612	$ 385,774	$ 282,927
Contract Management Fees	$ 607,340	$ 910,956	$ 607,334	$ 894,156	596,134	$ 894,158	$ 655,775	$ 894,156	$ 655,774
Repairs & Mantenance	$ 120,166	$ 210,240	$ 140,167	$ 82,000	54,669	$ 76,000	$ 55,738	$ 72,000	$ 52,805
Materials & Supplies				$ 6,439	4,293	$ -	$ -	$ 6,000	$ 4,400
Testing	$ 21,561	$ 32,340	$ 21,561	$ 31,029	20,687	$ 9,604	$ 7,044	$ 14,433	$ 10,585
Bank Fees	$ -	$ 2,340	$ 1,560	$ 214	143	$ 124	$ 91	$ 1,190	$ 873
Insurance	$ 61,385	$ 92,076	$ 61,387	$ 64,024	42,685	$ 112,392	$ 82,428	$ 114,259	$ 83,798
Permitting and Other Regulatory	$ 240					$ 683	$ 501	$ 335	$ 246
Telephone/Mission Units Monitoring	$ 1,033	$ 7,236	$ 4,824	$ 9,198	6,132	$ 12,235	$ 8,973	$ 11,948	$ 8,763
Property & Franchise Taxes	$ 40,554	$ 60,828	$ 40,554	$ 50,901	33,936	$ 71,130	$ 52,167	$ 73,758	$ 54,094
Audit Fees	$ -			$ 42,500	28,335	$ 35,000	$ 25,669	$ 40,000	$ 29,336
Other Operating Expenses	$ 6,367	$ 9,540	$ 6,360	$ 14,691	9,794	$ 16,273	$ 11,935	$ 19,376	$ 14,211
Administration and General	$ 242,417	$ 404,232	$ 269,501	$ 803,588	535,752	$ 839,976	$ 616,038	$ 853,351	$ 625,847
Depreciation and amortization	$ 61,385	$ 181,226	$ 120,823	$ 262,685	175,132	$ 367,585	$ 269,587	$ 463,747	$ 340,112
Interest Expense - Debt	$ 240	$ 99,905	$ 66,607	$ 86,643	57,765	$ 76,755	$ 56,292	$ 70,943	$ 52,029
Income Taxes	$ 50,050	$ 84,600	$ 56,401	$ 102,750	68,503	$ 109,450	$ 80,271	$ 113,000	$ 82,874
Total Utility Operting Expenses	$ 1,448,671	$ 2,449,399	$ 1,633,012	$ 2,974,579	$ 1,983,152	$ 3,168,281	$ 2,323,618	$ 3,270,521	$ 2,398,600
REVENUE REQUIREMENT	$ 1,636,916		$ 1,845,211		$ 2,240,849		$ 2,625,557		$ 2,710,283
Net Income	$ 188,245		$ 212,199		$ 257,697		$ 301,939		$ 311,683
Margin	11.5%		11.5%		11.5%		11.5%		11.5%
Monthly Charge	$ 136,410		$ 153,768		$ 186,737		$ 218,796		$ 225,857
			12.7%	incr over 2022	21.4%	incr over 2023	17.2%	incr over 2024	3.2% incr over 2025
Add'l needed to pau for the FY after audit	$134,800		$ 30,299		$ 34,452				
Actual Total Paid to Undine	**$1,771,716**		**$ 1,875,510**		**$ 2,275,301**				

$ 225,857

($218,796)

$7,061 monthly payment to Undine

4527 # customers

$1.56 Add to base rate