July 20, 2026

WATER AND WASTEWATER RATE STUDY
CITY OF PORT LAVACA, TEXAS

NewGen Strategies & Solutions

BUSINESS FUNDAMENTALS

Utilities should operate like businesses, though the service being provided is a vital resource shared by all members of the community.

Revenue Sufficiency

Revenues must match or exceed expenses

Reserve Funds

Must plan for a rainy day

Reinvestment

We must repair, replace, and reinvest in infrastructure

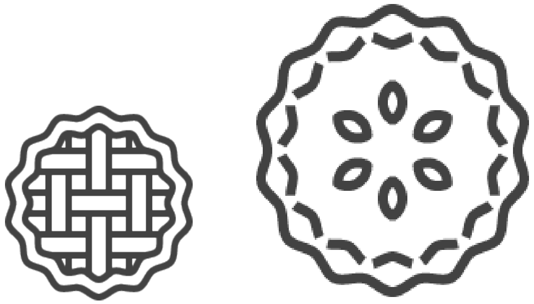
RATE BASICS

- Utilities are fixed cost intensive enterprises
  - Fixed Cost Example – System Operations, Equipment, Debt Repayment
  - Variable Cost Example – Electricity, Chemicals

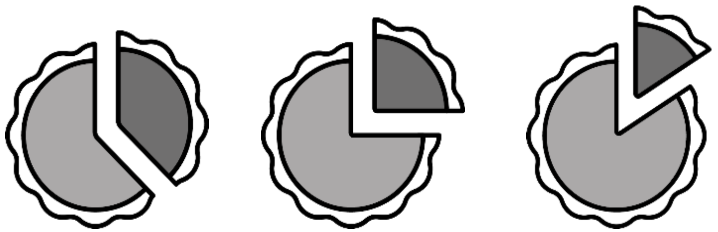
- Rates are set to cover cash-flow needs of the utility, including cost of operations, cash funded capital needs, transfers and payment of principal and interest on debt

UTILITY RATE SETTING PROCESS

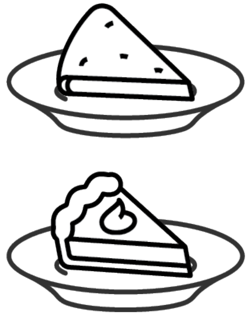
1. Revenue Requirement
- How big is the pie?



2. Class Cost Allocation
- How to cut the pie?



3. Rate Design
- How to collect the pieces of the pie?



WHAT IS A REVENUE REQUIREMENT?

- Revenue Requirement = Revenue that must be generated through user rates

O&M Expenses
(Day-to-day Operations)

Outstanding Debt
(Annual Principal and Interest Payments)

Maintaining Reserve Balance

Planned Capital Improvement Projects

RATE STRUCTURE COMPONENT

- Two-part Structure – Does not necessarily tie to Fixed/Variable Cost
  - Fixed Charge
  - Variable or Consumption-Based

Fixed Costs

- Does not vary with sales
- Salaries, Debt Service, etc.
- Typically, a majority of costs for a utility

Variable Costs

- Varies with water sales
- Power, chemical, etc.
- Typically, a limited portion of costs for a utility

Note: Stability of Revenue Stream Should Always be Considered

CUSTOMER CONFUSION

<u>The real cost of maintaining infrastructure isn’t always transparent to ratepayers.</u>

- Services have historically been underpriced
- Utilities haven’t communicated value of service
- Ratepayers consistently rate infrastructure as “good” or “very good”
  - Conventional ratings from professionals are typically “poor”
- Ratepayers believe conservation should result in reduced costs
  - Conservation raises prices in the short term; savings are a long-term proposition

VALUE OF WATER: WHAT CAN $4.78 BUY YOU?

1.3 large coffee from Starbucks
(large coffee = 20 ounces)

1.4 gallon of gasoline

1,000 gallons of tap water delivered to your house
(enough to fill 200 five-gallon bottles)

6.75 cans of Coca Cola
(Can = 12 ounces)

12 16.9 oz bottles
of Aquafina water

delivered to your home!

*Existing Tier 2 Residential rate per 1,000 gallons of water from Port Lavaca. 1st 2,000 gallons currently free.

KEY ISSUES

Current Financial Performance

- Financial performance is projected to be insufficient beginning in FY 2026
  - Projected expenses exceed revenues annually
  - 1.10x Debt Service Coverage (DSC) target is not met through the next 5 years
  - Reserves fall below the 90-day cash target and turn negative through the next 5 years
- $28.1 Million in Capital Improvements drives new debt
- Water is under-recovering; wastewater is funding the majority of combined operations for the water and wastewater systems

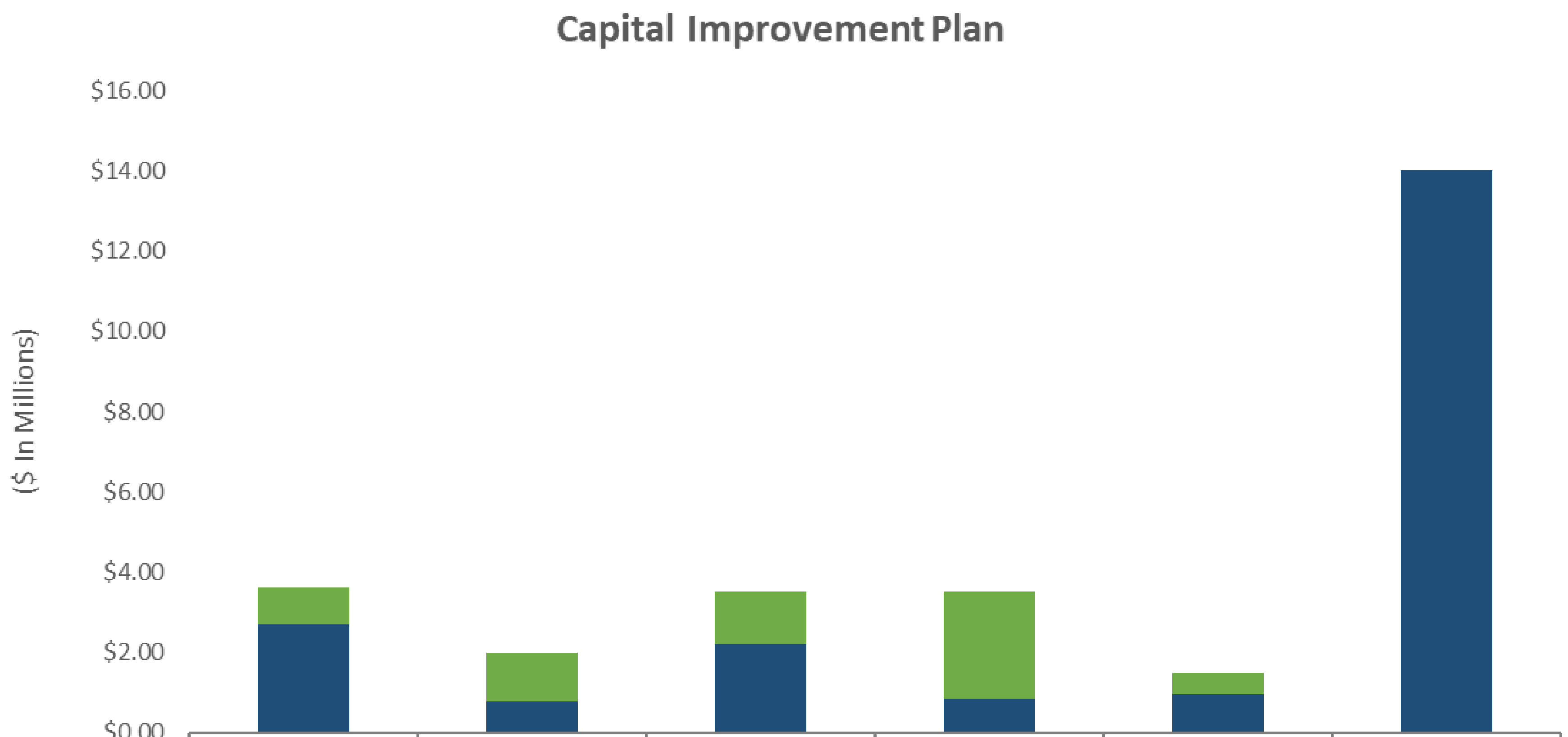
EXISTING DEBT SERVICE

Without consideration of additional Issuances

Existing Debt Service						
Water	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	$ 512,495	$ 512,495	$ -	$ -	$ -	$ -
Wastewater						
	$ -	$ -	$ -	$ -	$ -	$ -
Combined						
	$ 512,495	$ 512,495	$ -	$ -	$ -	$ -

CAPITAL IMPROVEMENT PLAN

($ Millions)



	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Wastewater	$0.95	$1.20	$1.30	$2.65	$0.55	$0.00
Water	$2.69	$0.79	$2.20	$0.85	$0.95	$14.00
Total	$3.64	$1.99	$3.50	$3.50	$1.50	$14.00

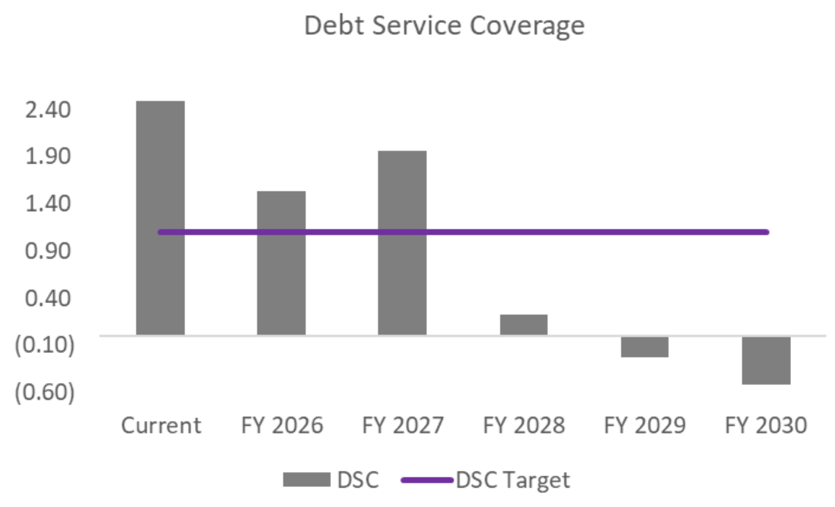
ANTICIPATED FINANCIAL PERFORMANCE UNDER CURRENT RATES

Water and Wastewater

- Current City Capital
- Debt Service Coverage

Revenues ($)						
Water	**Current**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
Over/(Under) Recovery	$ (956,737)	$ (1,343,419)	$ (1,294,113)	$ (1,600,565)	$ (2,030,774)	$ (2,299,914)
Ending Fund Balance	96,638	(1,246,780)	(2,540,894)	(4,141,459)	(6,172,233)	(8,472,147)
Wastewater						
Over/(Under) Recovery	$ 1,226,470	$ 1,216,259	$ 1,067,160	$ 904,325	$ 625,053	$ 514,540
Ending Fund Balance	2,279,846	3,496,105	4,563,265	5,467,589	6,092,642	6,607,182
Combined						
Beginning Fund Balance	$ 2,106,751	$ 2,376,484	$ 2,249,325	$ 2,022,371	$ 1,326,131	$ (79,591)
Over/(Under) Recovery	269,733	(127,159)	(226,954)	(696,240)	(1,405,722)	(1,785,374)
Ending Fund Balance	2,376,484	2,249,325	2,022,371	1,326,131	(79,591)	(1,864,965)

	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
O&M Target - 90 Days Cash on Hand ($)	$ 1,610,630	$ 1,732,517	$ 1,839,766	$ 1,905,814	$ 1,974,525	$ 2,046,015
Days Cash on Hand	133	117	99	63	(4)	(82)



Note: Target Debt Service Coverage Ratio = 1.10x

KEY ISSUES

Rate Structure

- A single flat minimum charge applies to every customer class
  - The charge does not vary by meter size
  - As a result, larger users do not contribute proportionally to fixed costs

- Customer classes only partly reflect how different users consume water
  - Small and large commercial users are billed as separate classes
  - Multi-family properties have no dedicated class, despite a distinct usage profile
  - Multi-family properties are currently charged under various different rate classes

- Currently provide 1st 2,000 gallons of water usage for free to each user class, except for bulk water customer class

RATE STRUCTURE ADJUSTMENTS

- Consolidate small and large commercial into a single commercial class
- Add a dedicated multi-family class
- Transition to meter-size-based minimum charges (water only)
  - Fixed charges scale with meter size to recover capacity costs
- Retain tiered volumetric rates
- Charge for 1st tier 2,000 gallons of usage per customer class

EXISTING DEBT SERVICE & CAPITAL IMPROVEMENT PLAN FUNDING

Water and Wastewater

Long-Term Capital Funding						
Water	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Cash Funding	$ -	$ -	$ -	$ -	$ -	$ -
Bond Funding	-	788,870	2,200,000	850,000	950,000	14,000,000
Wastewater	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Cash Funding	$ -	$ -	$ -	$ -	$ -	$ -
Bond Funding	-	1,200,000	1,303,333	2,653,333	553,333	-
Combined	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Cash Funding	$ -	$ -	$ -	$ -	$ -	$ -
Bond Funding	-	1,988,870	3,503,333	3,503,333	1,503,333	14,000,000

Debt Funding Assumptions						
	CURRENT	**2026**	**2027**	**2028**	**2029**	**2030**
Grants/Interlocal	$ 2,561,109	$ -	$ -	$ -	$ -	$ -
Other	1,076,000	-	-	-	-	-
Water - Revenue Bond Issuance (%)	100%	100%	100%	100%	100%	100%
Cash Split	0%	0%	0%	0%	0%	0%
WW - Revenue Bond Issuance (%)	100%	100%	100%	100%	100%	100%
Cash Split	0%	0%	0%	0%	0%	0%

Existing Debt Service						
Water	**Current**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
	$ 512,495	$ 512,495	$ -	$ -	$ -	$ -
Wastewater						
	$ -	$ -	$ -	$ -	$ -	$ -
Combined						
	$ 512,495	$ 512,495	$ -	$ -	$ -	$ -

FINANCIAL SUMMARY UNDER PROPOSED RATES

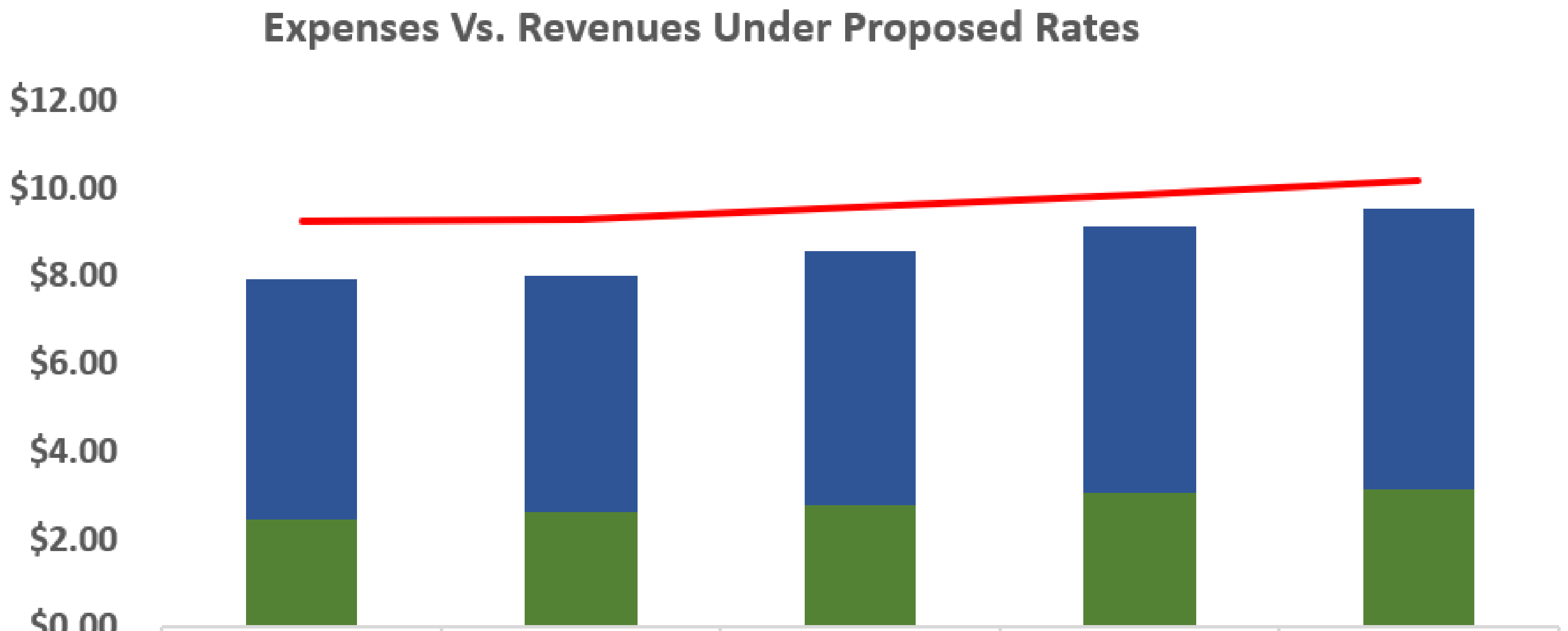
Combined Cash Flow

Water and Wastewater Fund Summary under Proposed Rates

FINANCIAL SUMMARY	CURRENT	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
BEGINNING FUND BALANCE	$ 2,106,751	$ 2,462,103	$ 3,767,935	$ 5,048,098	$ 6,061,631	$ 6,799,838
REVENUES						
RATE REVENUES UNDER PROPOSED RATES	$ 6,701,122	$ 7,926,187	$ 7,926,187	$ 8,153,609	$ 8,392,785	$ 8,644,661
GBRA STORAGE FEE REVENUES	738,711	861,017	904,312	949,771	997,395	1,047,183
CCWSS-GBRA TRANSMISSION	85,104	87,941	90,579	93,296	96,095	98,978
OTHER REVENUES	369,500	369,500	369,500	369,500	369,500	369,500
TOTAL REVENUES	**$ 7,894,437**	**$ 9,244,645**	**$ 9,290,578**	**$ 9,566,176**	**$ 9,855,775**	**$ 10,160,323**
O&M EXPENSES						
TECHNOLOGY SERVICES	$ 165,923	$ 170,732	$ 175,681	$ 180,773	$ 186,012	$ 191,404
BILLING	454,960	467,146	563,133	578,403	594,090	610,203
MAINTENANCE	1,465,350	1,502,298	1,540,264	1,579,276	1,619,363	1,660,555
WASTEWATER TREATMENT	989,254	1,017,113	1,045,759	1,075,215	1,105,504	1,136,649
NON DEPARTMENTAL	349,730	356,214	362,884	369,748	376,809	384,074
WATER PURCHASES	-	-	-	-	-	-
UNDINE	2,364,896	2,749,424	2,988,032	3,137,434	3,294,306	3,459,021
GBRA	741,888	763,391	785,518	808,286	831,714	855,821
TOTAL O&M EXPENSES	**$ 6,532,001**	**$ 7,026,318**	**$ 7,461,271**	**$ 7,729,135**	**$ 8,007,797**	**$ 8,297,727**
DEBT						
EXISTING DEBT SERVICE	$ 512,495	$ 512,495	$ -	$ -	$ -	$ -
PROJECTED DEBT SERVICE	-	-	149,144	423,508	709,772	835,569
TOTAL DEBT	**$ 512,495**	**$ 512,495**	**$ 149,144**	**$ 423,508**	**$ 709,772**	**$ 835,569**
CAPITAL, TRANSFERS, AND RESERVES						
TRANSFERS	$ 494,588	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000
CASH CAPITAL	-	-	-	-	-	-
TOTAL CAPITAL, TRANSFERS, AND RESERVES	**$ 494,588**	**$ 400,000**	**$ 400,000**	**$ 400,000**	**$ 400,000**	**$ 400,000**
TOTAL EXPENSES	**$ 7,539,084**	**$ 7,938,814**	**$ 8,010,416**	**$ 8,552,642**	**$ 9,117,569**	**$ 9,533,296**
CHANGE IN NET ASSETS	$ 355,352	$ 1,305,832	$ 1,280,162	$ 1,013,534	$ 738,207	$ 627,026
ENDING FUND BALANCE	**$ 2,462,103**	**$ 3,767,935**	**$ 5,048,098**	**$ 6,061,631**	**$ 6,799,838**	**$ 7,426,864**

FINANCIAL PERFORMANCE UNDER PROPOSED RATES

Water and Wastewater



	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water	$5.49	$5.42	$5.80	$6.08	$6.39
Wastewater	$2.45	$2.59	$2.76	$3.04	$3.15
Combined	$7.94	$8.01	$8.55	$9.12	$9.53
Revenues	$9.24	$9.29	$9.57	$9.86	$10.16

ANTICIPATED FINANCIAL PERFORMANCE UNDER PROPOSED RATES

Water and Wastewater

Dashboard						
Water	**Current**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
Meter Charge (%)	N/A	5.00%	0.00%	5.00%	5.00%	5.00%
Volumetric Charge (%)	N/A	5.00%	0.00%	5.00%	5.00%	5.00%
GBRA Fee Increase (%)	N/A	0.00%	5.00%	5.00%	5.00%	5.00%
Wastewater	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Meter Charge (%)	N/A	0.00%	0.00%	0.00%	0.00%	0.00%
Volumetric Charge (%)	N/A	0.00%	0.00%	0.00%	0.00%	0.00%

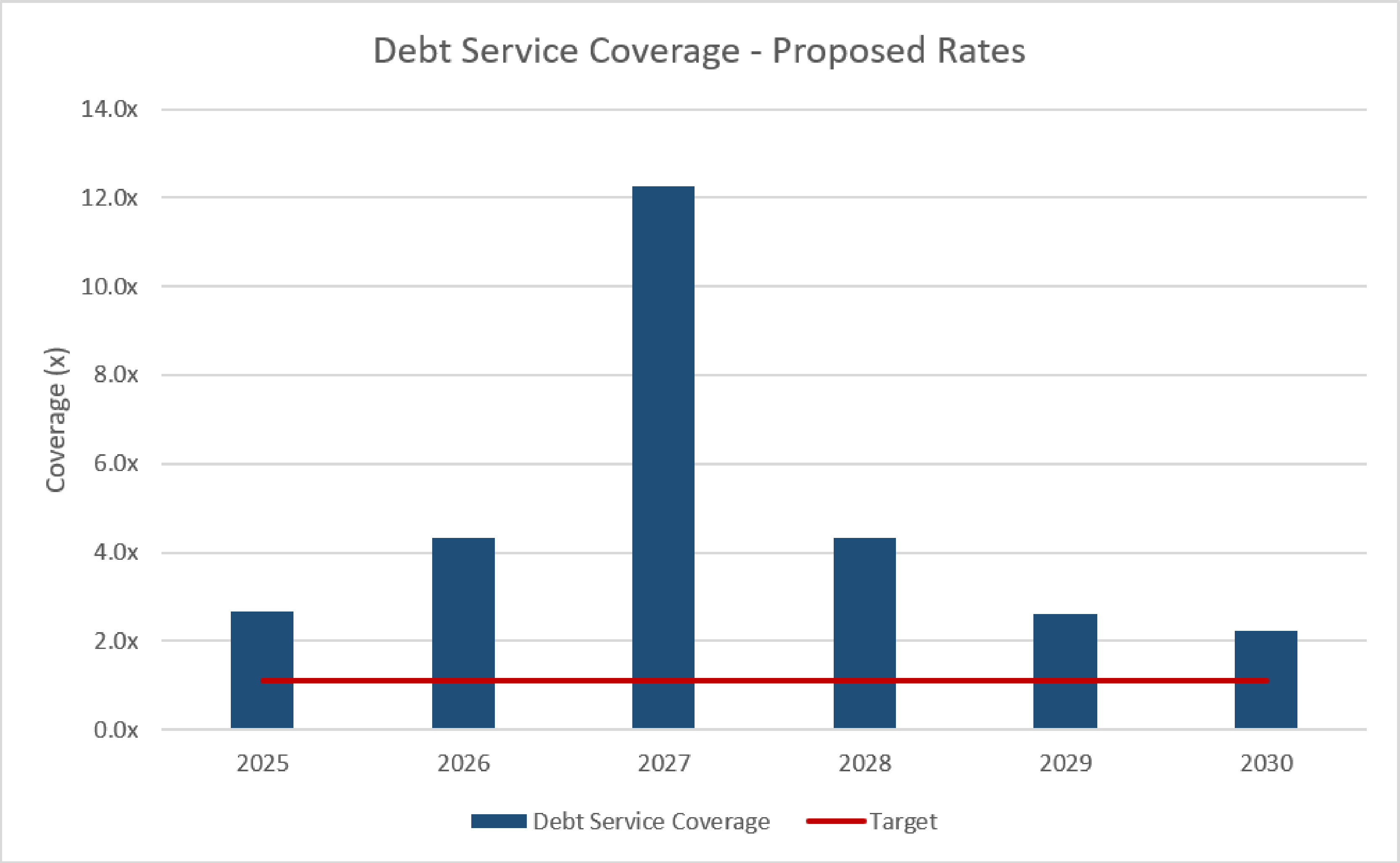
Revenues ($)						
Water	**Current**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
Over/(Under) Recovery	$ (871,118)	$ 89,573	$ 213,003	$ 109,209	$ 113,154	$ 112,486
Ending Fund Balance	182,257	271,830	484,833	594,042	707,196	819,682
Wastewater						
Over/(Under) Recovery	$ 1,226,470	$ 1,216,259	$ 1,067,160	$ 904,325	$ 625,053	$ 514,540
Ending Fund Balance	2,279,846	3,496,105	4,563,265	5,467,589	6,092,642	6,607,182
Combined						
Beginning Fund Balance	$ 2,106,751	$ 2,462,103	$ 3,767,935	$ 5,048,098	$ 6,061,631	$ 6,799,838
Over/(Under) Recovery	355,352	1,305,832	1,280,162	1,013,534	738,207	627,026
Ending Fund Balance	2,462,103	3,767,935	5,048,098	6,061,631	6,799,838	7,426,864

	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
O&M Target - 90 Days Cash on Hand ($)	$ 1,610,630	$ 1,732,517	$ 1,839,766	$ 1,905,814	$ 1,974,525	$ 2,046,015
Days Cash on Hand	138	196	247	286	310	327

ANTICIPATED FINANCIAL PERFORMANCE UNDER PROPOSED RATES CONT.

Water and Wastewater

- Debt Service Coverage



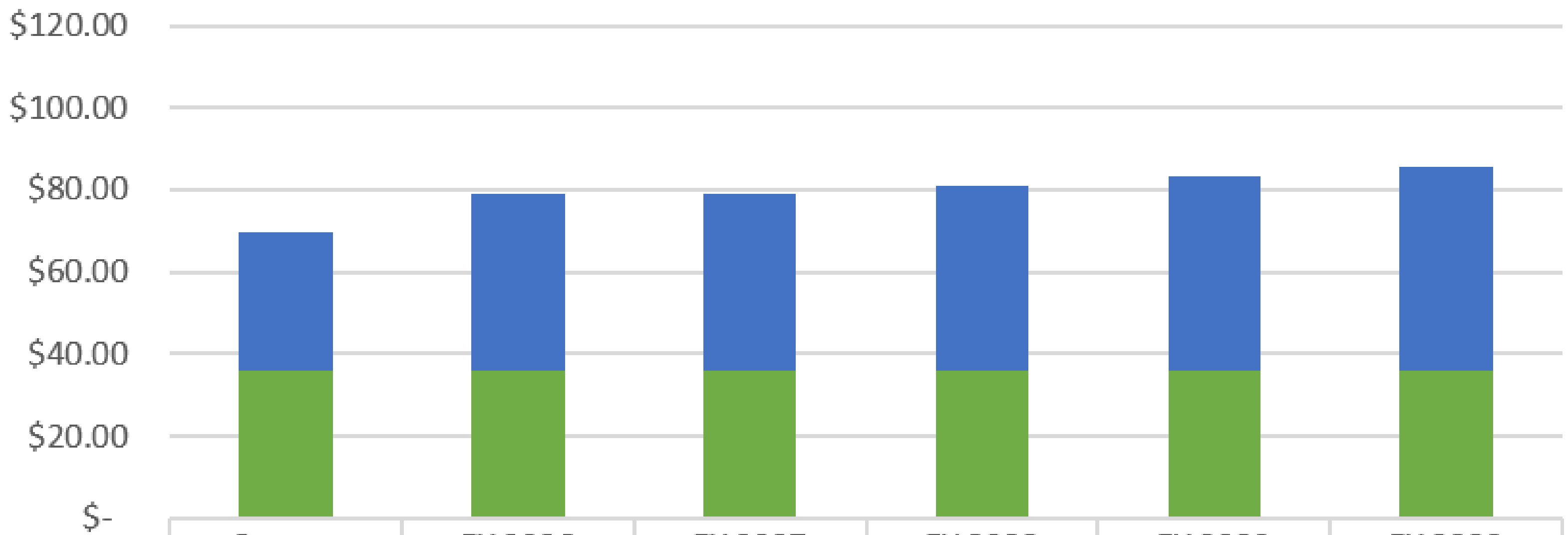
Note: Target Debt Service Coverage Ratio = 1.10x

MONTHLY CUSTOMER BILL PROJECTION

Water and Wastewater

Residential ICL Customer at 2,000 Gallons

Residential Bill Impact (Water/WW Average of 2,000 gallons)



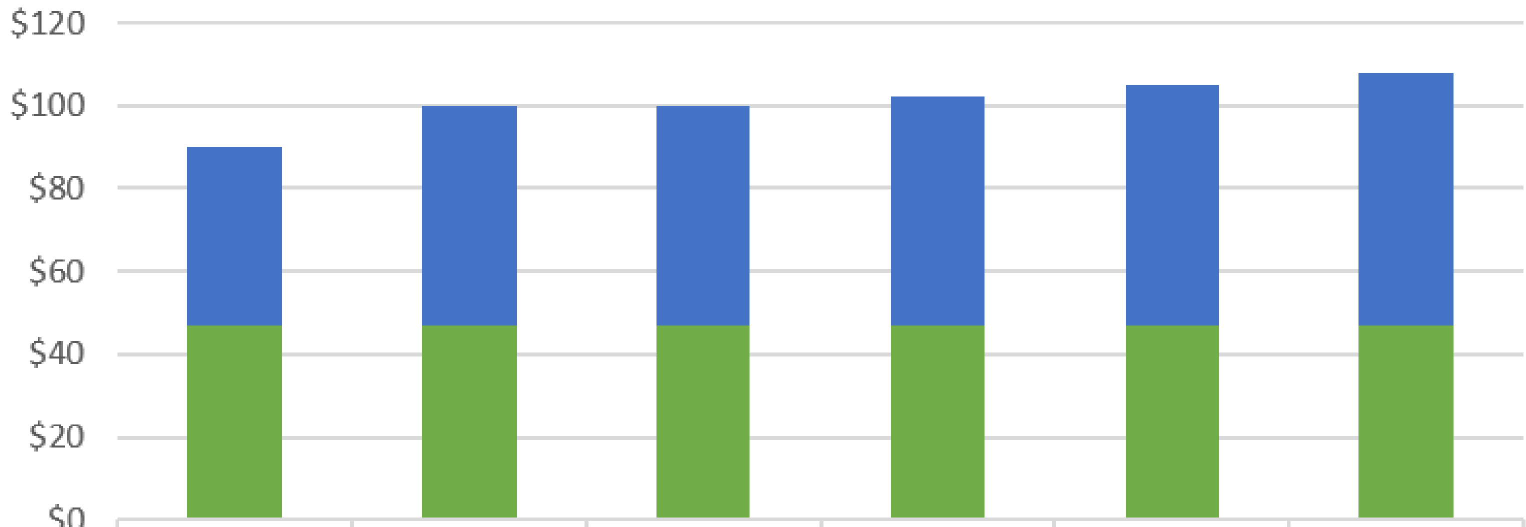
	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water	$33.60	$42.78	$42.78	$44.92	$47.17	$49.53
Wastewater	$36.07	$36.07	$36.07	$36.07	$36.07	$36.07
W/WW Bill	$69.67	$78.85	$78.85	$80.99	$83.24	$85.60
Water Variance		$9.18	$-	$2.14	$2.25	$2.36
Wastewater Variance		$-	$-	$-	$-	$-
W/WW Variance		$9.18	$-	$2.14	$2.25	$2.36

MONTHLY CUSTOMER BILL PROJECTION

Water and Wastewater

Combined Residential ICL Customer at 4,000 Gallons

Residential Bill Impact (Water/WW Average of 4,000 gallons)



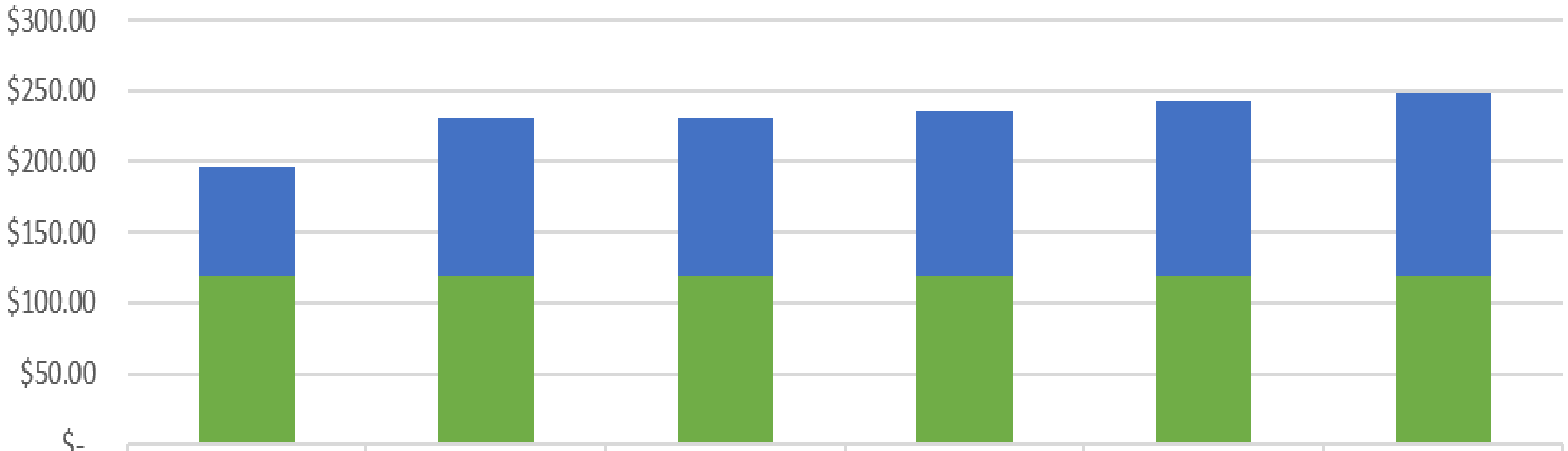
	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water	$43.16	$52.82	$52.82	$55.46	$58.23	$61.15
Wastewater	$46.87	$46.87	$46.87	$46.87	$46.87	$46.87
W/WW Bill	$90.03	$99.69	$99.69	$102.33	$105.10	$108.02
Water Variance		$9.66	$-	$2.64	$2.77	$2.92
Wastewater Variance		$-	$-	$-	$-	$-
W/WW Variance		$9.66	$-	$2.64	$2.77	$2.92

MONTHLY CUSTOMER BILL PROJECTION

Water and Wastewater

Combined Commercial ICL Customer

Commercial Bill Impact (Water/WW Average of 10,000/19,000 gallons)



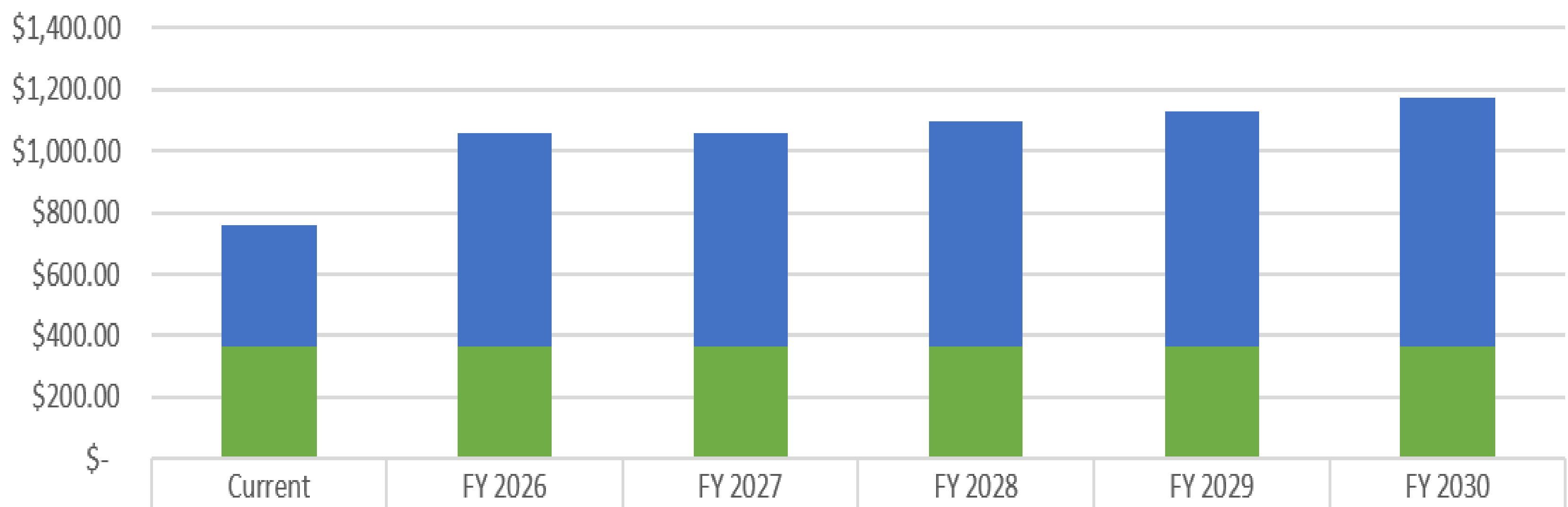
	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water	$77.25	$112.11	$112.11	$117.71	$123.60	$129.79
Wastewater	$118.82	$118.82	$118.82	$118.82	$118.82	$118.82
W/WW Bill	$196.07	$230.93	$230.93	$236.53	$242.42	$248.61
Water Variance		$34.86	$-	$5.60	$5.89	$6.19
Wastewater Variance		$-	$-	$-	$-	$-
W/WW Variance		$34.86	$-	$5.60	$5.89	$6.19

MONTHLY CUSTOMER BILL PROJECTION

Water and Wastewater

Combined Multi-Family ICL Customer

Multi-Family Bill Impact (Water/WW Average of 65,000 gallons)



	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water	$394.95	$693.11	$693.11	$727.51	$763.95	$802.44
Wastewater	$367.22	$367.22	$367.22	$367.22	$367.22	$367.22
W/WW Bill	$762.17	$1,060.33	$1,060.33	$1,094.73	$1,131.17	$1,169.66
Water Variance		$298.16	$-	$34.40	$36.44	$38.49
Wastewater Variance		$-	$-	$-	$-	$-
W/WW Variance		$298.16	$-	$34.40	$36.44	$38.49

CONCLUSIONS – PERFORMANCE UNDER PROPOSED RATES

- Proposed rates restore revenue sufficiency
  - Revenues exceed expenses in every year of the plan
  - 1.10x DSC target is met annually
- Reserves are rebuilt and maintained above target
  - Days cash on hand stays well above 90 days
- Long-term capital improvement plan is fully funded
- Both water and wastewater return to a positive recovery, ending cross-subsidization

QUESTIONS AND DISCUSSION

NEWGEN STRATEGIES AND SOLUTIONS
275 W. CAMPBELL ROAD, SUITE 440
RICHARDSON, TEXAS 75080

RICHARD CAMPBELL, PRINCIPAL AND MANAGING DIRECTOR - WATER
(972)528-7158
RCAMPBELL@NEWGENSTRATEGIES.NET

APPENDIX

Proposed Rates Residential ICL

	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Minimum Charge						
5/8”	$33.60	$35.28	$35.28	$37.04	$38.89	$40.83
3/4”	33.60	35.28	35.28	37.04	38.89	40.83
1"	33.60	44.10	44.10	46.31	48.63	51.06
1 1/2”	N/A	N/A	N/A	N/A	N/A	N/A
2”	N/A	N/A	N/A	N/A	N/A	N/A
3”	N/A	N/A	N/A	N/A	N/A	N/A
4”	N/A	N/A	N/A	N/A	N/A	N/A
6”	N/A	N/A	N/A	N/A	N/A	N/A
Volumetric Charge (per kGal)						
0 – 2,000	$0.00	$3.75	$3.75	$3.94	$4.14	$4.35
2,001 – 5,000	4.78	5.02	5.02	5.27	5.53	5.81
5,001 – 25,000	5.26	5.52	5.52	5.80	6.09	6.39
25,001+	5.97	6.27	6.27	6.58	6.91	7.26

APPENDIX

Proposed Rates Commercial ICL

	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Minimum Charge						
5/8”	$36.10	$37.91	$37.91	$39.81	$41.80	$43.89
3/4”	36.10	37.91	37.91	39.81	41.80	43.89
1"	36.10	47.38	47.38	49.75	52.24	54.85
1 1/2”	36.10	94.76	94.76	99.50	104.48	109.70
2”	36.10	151.62	151.62	159.20	167.16	175.52
3”	36.10	303.24	303.24	318.40	334.32	351.04
4”	36.10	473.81	473.81	497.50	522.38	548.50
6”	$36.10	$947.63	$947.63	$995.01	$1,044.76	$1,097.00
Volumetric Charge (per kGal)						
0 – 2,000	$0.00	$7.42	$7.42	$7.79	$8.18	$8.59
2,001 – 5,000	4.95	7.42	7.42	7.79	8.18	8.59
5,001 – 25,000	5.26	7.42	7.42	7.79	8.18	8.59
25,001+	$5.97	$7.42	$7.42	$7.79	$8.18	$8.59

APPENDIX

Proposed Rates
Multi-Family ICL

	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Minimum Charge						
5/8”	$36.10	$37.91	$37.91	$39.81	$41.80	$43.89
3/4”	36.10	37.91	37.91	39.81	41.80	43.89
1"	36.10	47.38	47.38	49.75	52.24	54.85
1 1/2”	36.10	94.76	94.76	99.50	104.48	109.70
2”	36.10	151.62	151.62	159.20	167.16	175.52
3”	36.10	303.24	303.24	318.40	334.32	351.04
4”	36.10	473.81	473.81	497.50	522.38	548.50
6”	$36.10	$947.63	$947.63	$995.01	$1,044.76	$1,097.00
Volumetric Charge (per kGal)						
0 – 2,000	$0.00	$10.08	$10.08	$10.58	$11.11	$11.67
2,001 – 5,000	4.95	10.08	10.08	10.58	11.11	11.67
5,001 – 25,000	5.26	10.08	10.08	10.58	11.11	11.67
25,001+	$5.97	$10.08	$10.08	$10.58	$11.11	$11.67