



July 15th, 2025

CITY OF DEER PARK, TEXAS

2025 WATER & WASTEWATER RATE STUDY





OBJECTIVES OF THIS RATE STUDY

- Design a water and wastewater rate plan to meet rising operational costs from FY 2026 to FY 2030
- Fund major capital projects of \$30.0 million (FY 2026 to FY 2030)
- Generate sufficient revenue to meet key financial targets
- Implement rate design changes over a five-year period

KEY POINTS

Summary of findings
from this rate study

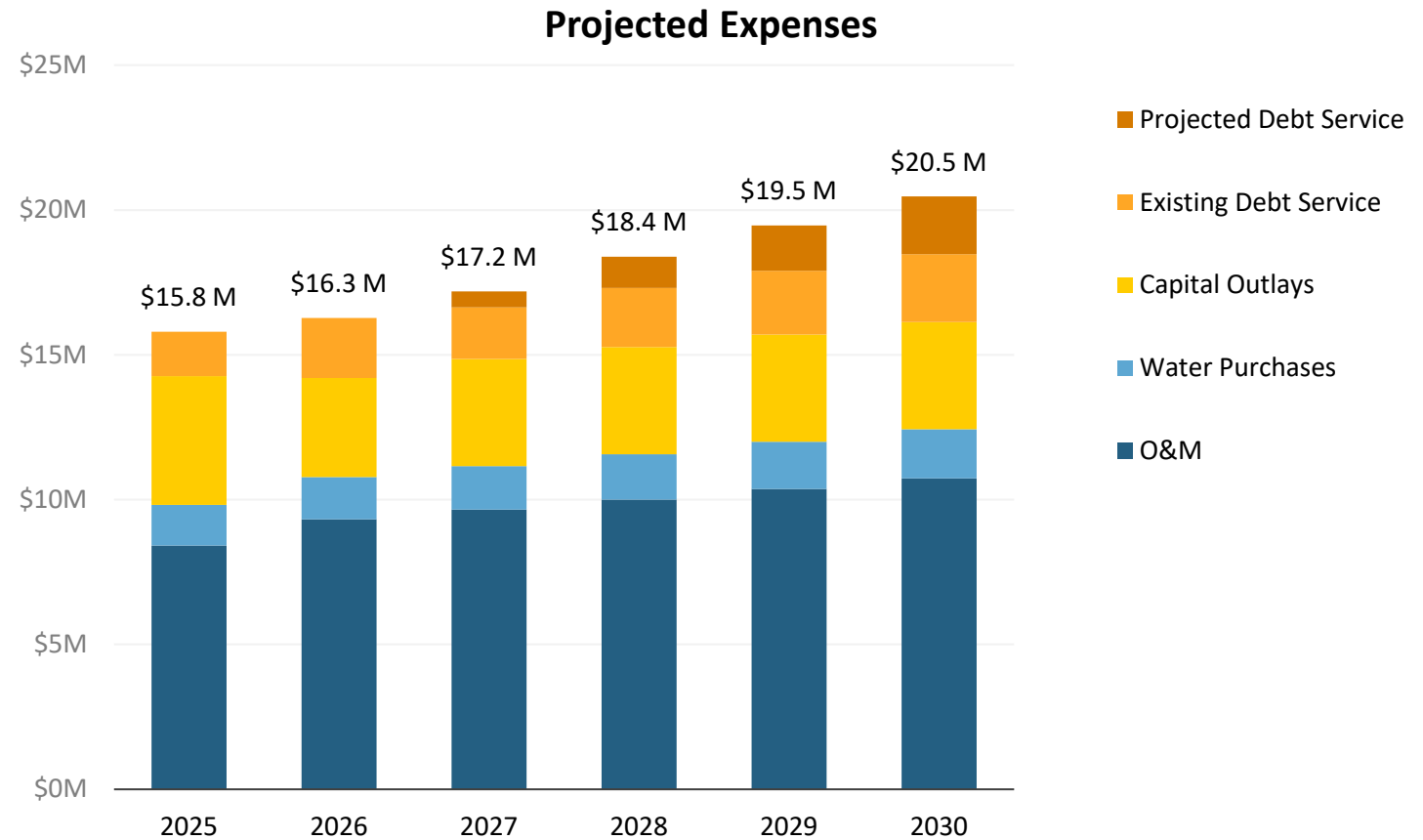
Key Points

- Water & Sewer Fund expenses are projected to increase at an average annual rate of 5.3% over the next five years
- NewGen projected the water & wastewater rates needed to:
 - Ensure revenues keep pace with rising costs
 - Maintain sufficient reserves and debt service coverage ratios
 - Shift a share of costs to customers with larger water meters
 - Send appropriate price signals to higher-volume water users
 - Minimize the impact on “typical” household bills
- Projected rates increases for typical customers over five years:
 - Residential bills increase at an average of 3.5% per year
 - Commercial bills increase at an average of 9.5% year

PROJECTED EXPENSES

Projected cost increases over next five years

- Water & Sewer Fund expenses are projected to increase at an average rate of 5.3% over the next five years



MAJOR ASSUMPTIONS

Assumptions
underpinning
projected costs, FY
2026 to FY 2030

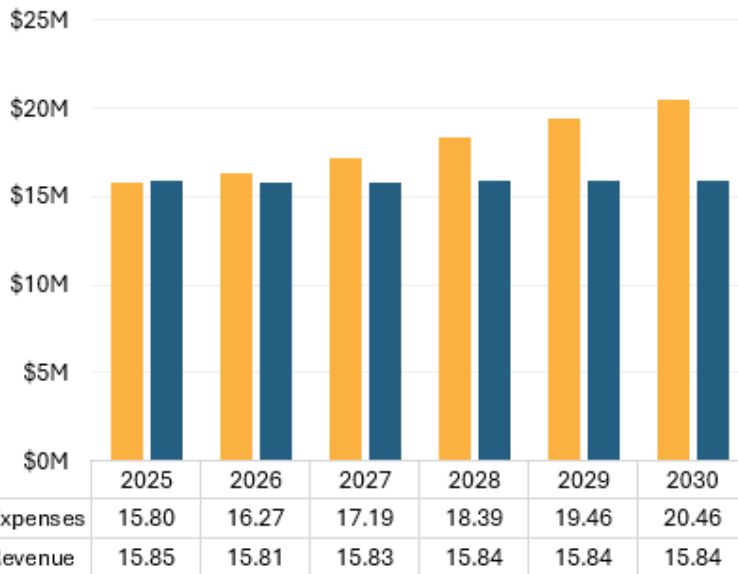
Major Assumptions

- Infrastructure projects of \$4.5 – \$7.2 million per year
- Capital outlays of \$3.4 – \$3.7 million per year
- General inflation of 2.5% to 2.9% per year (Federal Reserve Bank, *Survey of Professional Forecasters*)
- Salary costs increasing 5% - 6% per year
- Raw water purchases costs increasing 4.0% per year
- Limited growth in water and sewer connections (49 connections over two years)

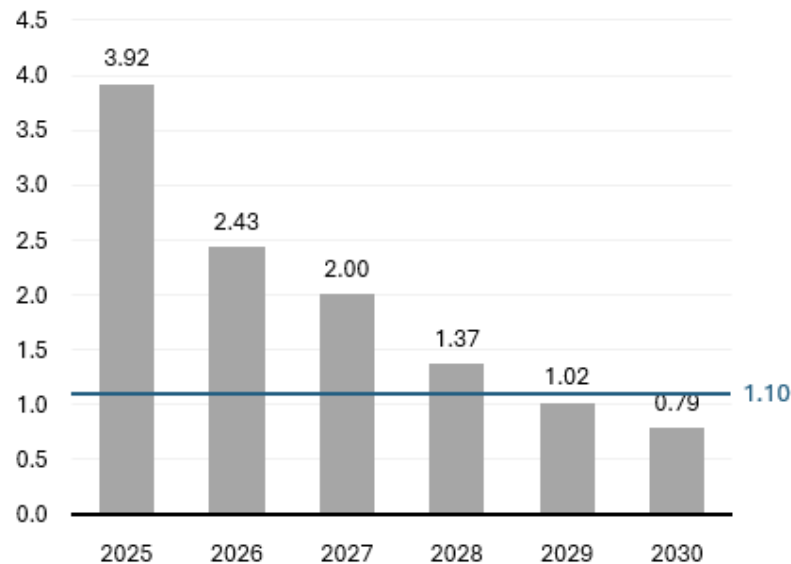
FINANCIAL PERFORMANCE WITH CURRENT RATES

- Under current rates, financial targets would not be met over the five-year period
- Would result in an unsustainable reduction in reserves

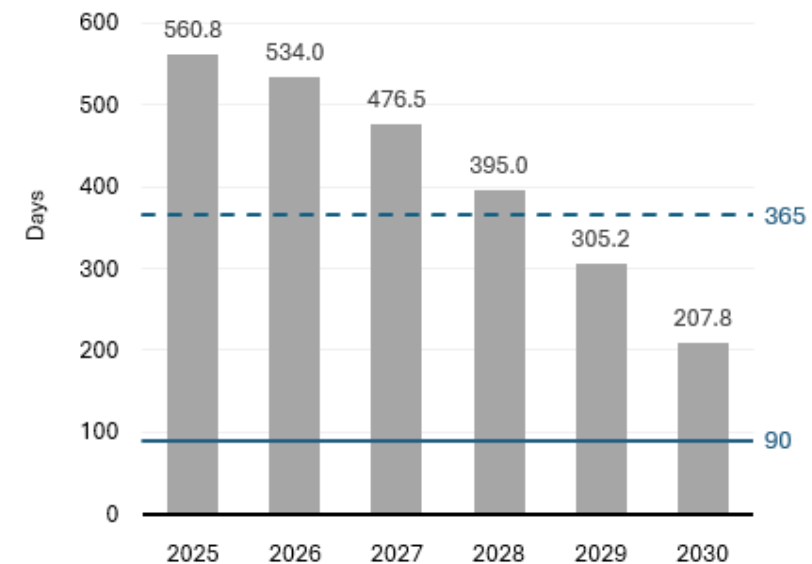
Expenses vs Revenue (\$ Millions)



Debt Service Coverage Ratio



Reserve Requirement



Performance
Target

Performance
Target
Minimum

RATE DESIGN CHANGES

Proposed changes to
the structure of Deer
Park's water and
sewer rates

Proposed Rate Design Changes

NewGen was asked to examine alternative rate design options:

1. Charging Commercial & Irrigation customers based on meter size
 - Apply larger minimum monthly charges for larger meters
 - Reflects the relative demands placed on the water system
 - Could be phased in over five years
2. Introduce volumetric tiers for Residential customers
 - Higher rates applied to water use above certain thresholds
 - Would shift cost burden to more discretionary water use
 - Incentivizes water conservation, potentially delaying the need for additional infrastructure investment

PROPOSED RATE CHANGES

Proposed changes for
Residential customers
in FY 2026

* Includes both
residential indoor and
residential irrigation
connections

Residential* Rate Changes FY 2026

Water Rates		FY 2025		FY 2026	
Minimum Rates (\$ per month)					
5/8" and 3/4"	\$	17.50	\$	17.50	
1"		17.50		17.50	
1 ½"		17.50		17.50	
2"		17.50		17.50	
3"		17.50		17.50	
4"		17.50		17.50	
6"		17.50		17.50	
8"		17.50		17.50	
10"		17.50		17.50	
Volumetric Rates (\$ per kgal)					
0 – 2,000 gal	\$	0.00	\$	0.00	
2,001 – 6,000 gal		6.77		6.77	
6,001 – 10,000 gal		6.77		8.12	
10,001 – 15,000 gal		6.77		9.74	
15,001+ gal		6.77		11.69	

Wastewater Rates		FY 2025		FY 2026	
Minimum Rates (\$ per month)					
All Connections	\$	17.50	\$	18.38	
Volumetric Rates (\$ per kgal)					
0 – 2,000 gal	\$	0.00	\$	0.00	
2,001+ gal		7.30		7.67	

5% increases
in FY 2026

Volumetric rate
increases of 20%
between each
successive tier

PROPOSED RATE CHANGES

Proposed changes for
Commercial
customers in FY 2026

Commercial Rate Changes FY 2026

Water Rates		FY 2025		FY 2026	
Minimum Rates (\$ per month)					
5/8" and 3/4"	\$	17.50		\$	17.50
1"		17.50			19.83
1 ½"		17.50			25.67
2"		17.50			32.67
3"		17.50			51.33
4"		17.50			72.33
6"		17.50			130.67
8"		17.50			200.67
10"		17.50			282.33
Volumetric Rates (\$ per kgal)					
0 – 2,000 gal	\$	0.00		\$	0.00
2,001 – 6,000 gal		6.77			8.12
6,001 – 10,000 gal		6.77			8.12
10,001 – 15,000 gal		6.77			8.12
15,001+ gal		6.77			8.12

Wastewater Rates		FY 2025		FY 2026	
Minimum Rates (\$ per month)					
All Connections	\$	17.50	\$	18.38	
Volumetric Rates (\$ per kgal)					
0 – 2,000 gal	\$	0.00	\$	0.00	
2,001+ gal		7.30		7.67	

1/5th of the
differences implied
by AWWA meter
equivalents

5% increases
in FY 2026

Flat rate, equal to
the Residential
6 – 10 kgal tier


PROPOSED RATE CHANGES

Proposed changes for
Non-Residential
Irrigation customers
in FY 2026


Non-Residential Irrigation Rate Changes FY 2026

Water Rates		FY 2025		FY 2026	
Minimum Rates (\$ per month)					
5/8" and 3/4"	\$	17.50		\$	17.50
1"		17.50			19.83
1 ½"		17.50			25.67
2"		17.50			32.67
3"		17.50			51.33
4"		17.50			72.33
6"		17.50			130.67
8"		17.50			200.67
10"		17.50			282.33
Volumetric Rates (\$ per kgal)					
0 – 2,000 gal	\$	0.00		\$	0.00
2,001 – 6,000 gal		6.77			9.74
6,001 – 10,000 gal		6.77			9.74
10,001 – 15,000 gal		6.77			9.74
15,001+ gal		6.77			9.74

1/5th of the
differences implied
by AWWA meter
equivalents



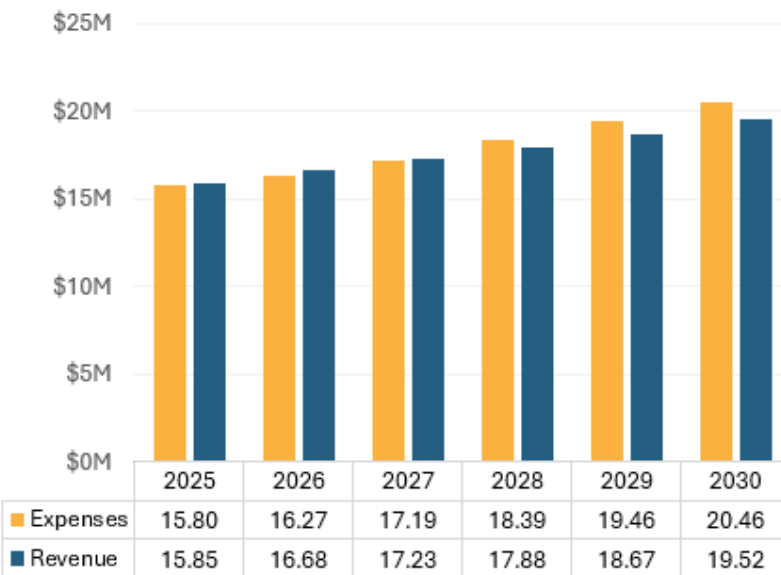
Flat rate, equal to
the Residential
10 – 15 kgal tier



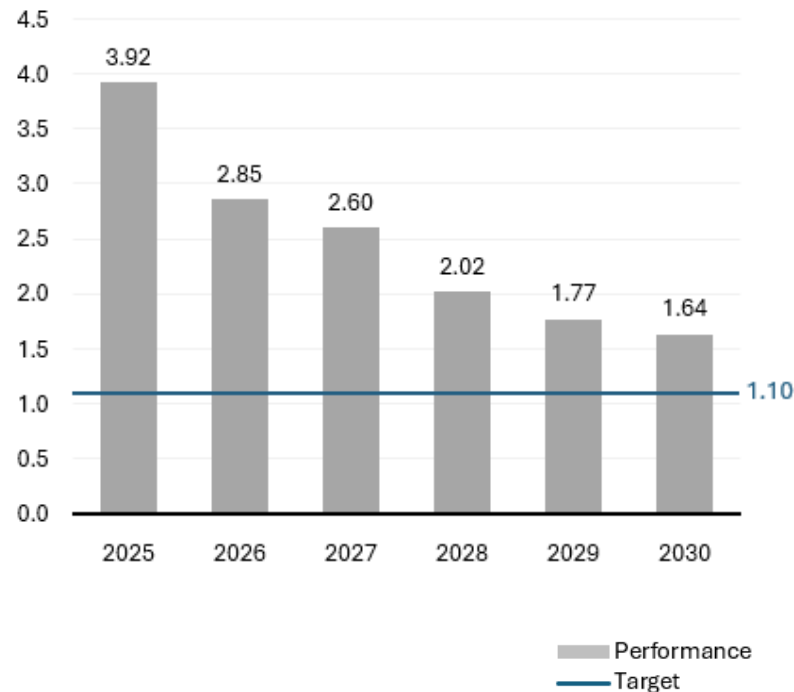
FINANCIAL PERFORMANCE WITH PROJECTED RATES

- Under projected rates, financial targets would be met over the five-year forecast period
- Achieved through a combination rate increases and rate design changes

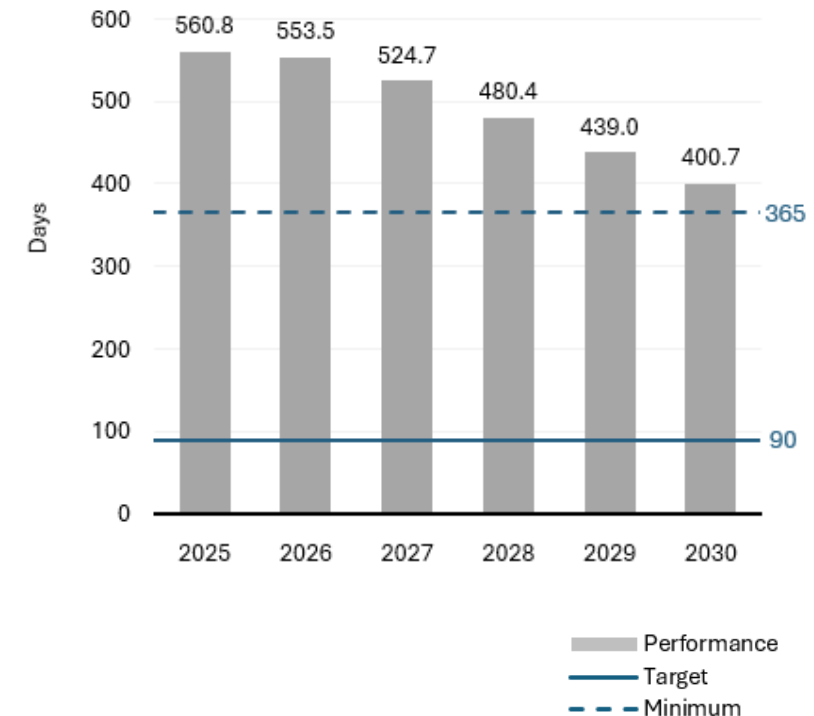
Expenses vs Revenue (\$ Millions)



Debt Service Coverage Ratio



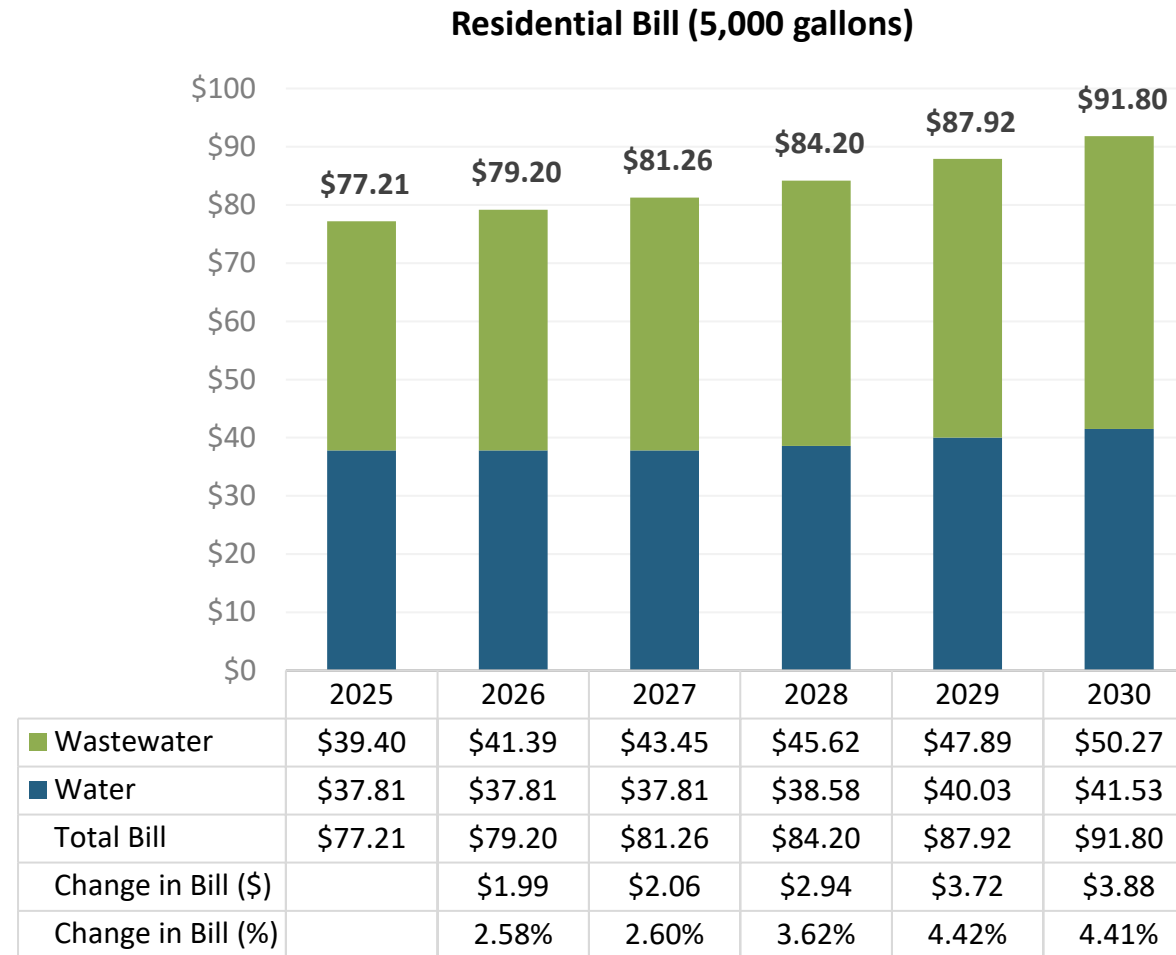
Reserve Requirement



BILL IMPACT – RESIDENTIAL

Impact on typical
Residential bills
(5,000 gal. monthly
consumption)

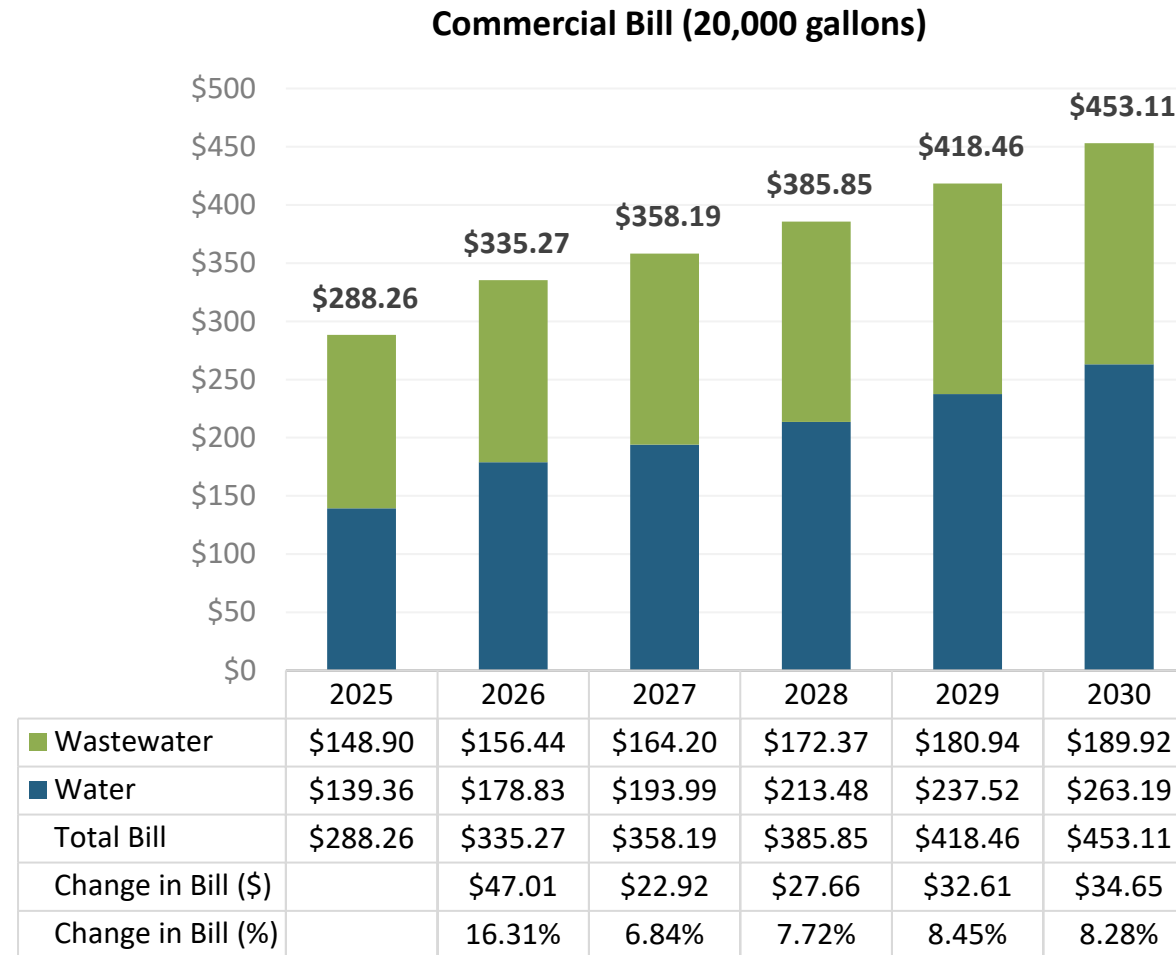
- Under projected rates, the average **Residential** bill is projected to increase at an average rate of 3.5% per year



BILL IMPACT – COMMERCIAL

Impact on typical
Commercial bills
(20,000 gal. monthly
consumption)

- Under projected rates, the average **Commercial** bill is projected to increase at an average rate of 9.5% per year

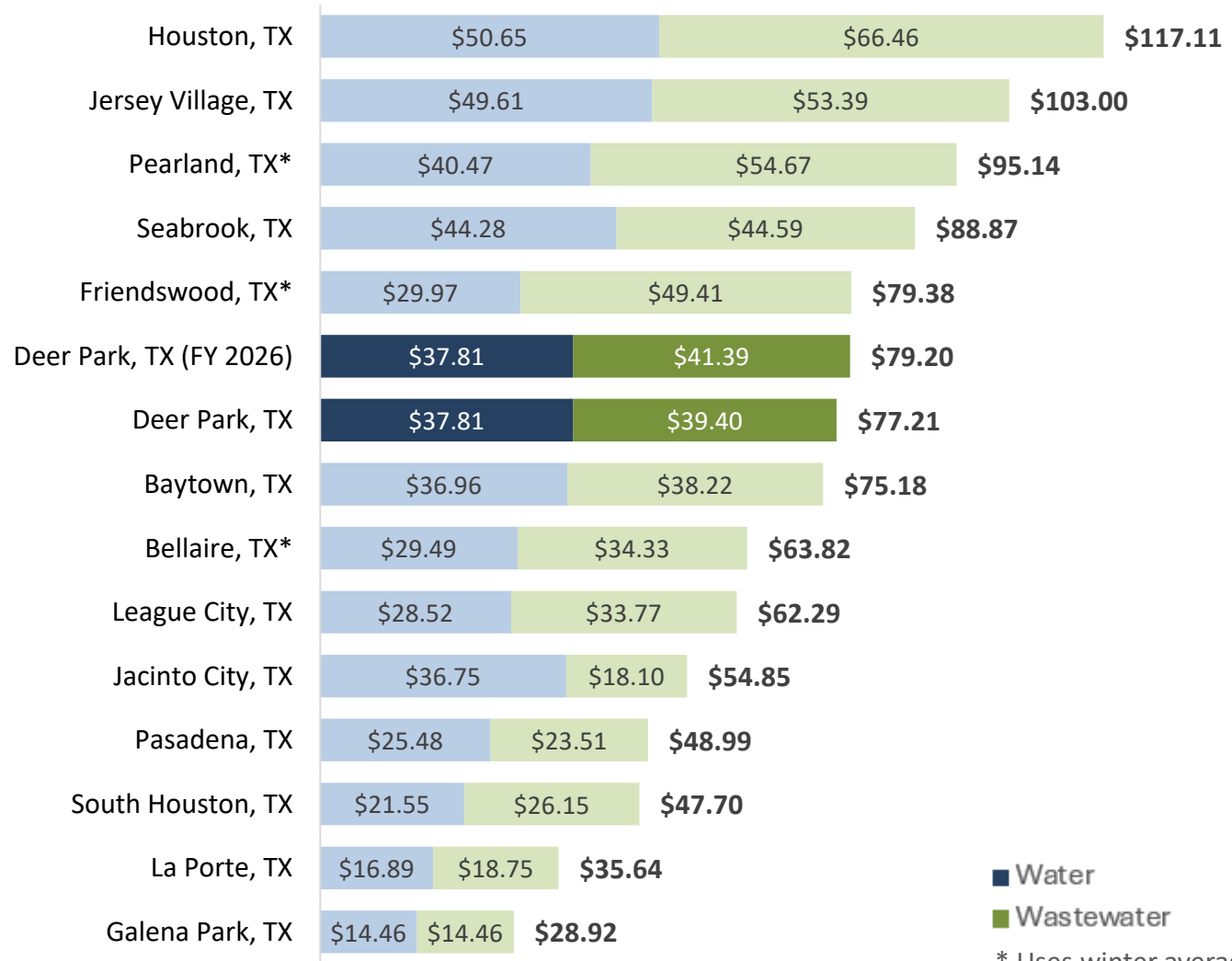


RESIDENTIAL BILL COMPARISON

Comparison of
Residential bills (5/8”
meter and 5,000 gal.
water consumption)

Bill comparisons are based on
publicly available data and
NewGen’s understanding and
interpretation of this data.
Compiled in April 2025.

Residential Bill (5,000 gallons)



■ Water
■ Wastewater

* Uses winter average for wastewater

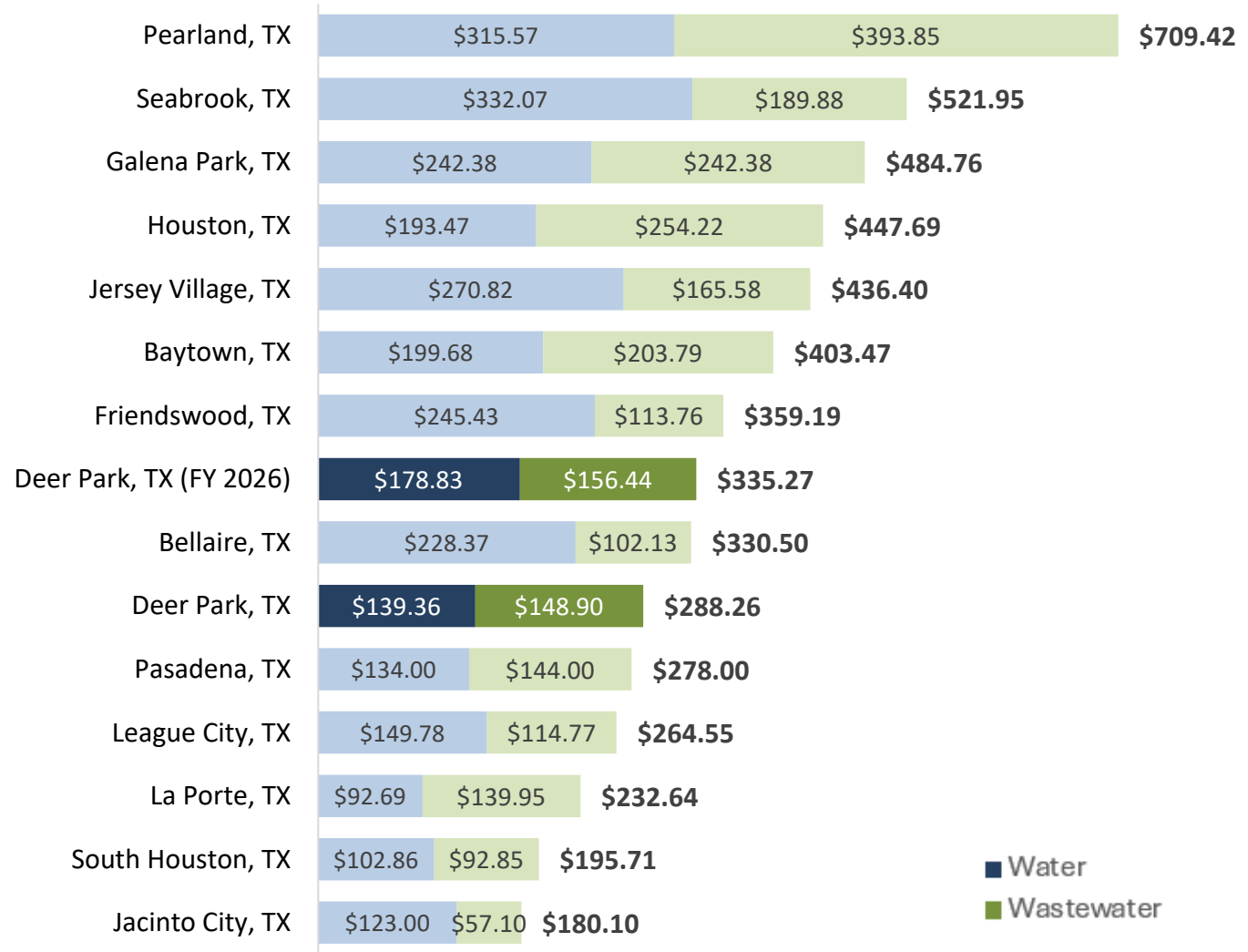
Assuming no rate
increases for
other cities

COMMERCIAL BILL COMPARISON

Comparison of
Commercial bills (2”
meter and 20,000 gal.
water consumption)

Bill comparisons are based on
publicly available data and
NewGen’s understanding and
interpretation of this data.
Compiled in April 2025.

Commercial Bill (20,000 gallons)



Assuming no rate
increases for
other cities

■ Water
■ Wastewater

NEXT STEPS



- Receive Council feedback on proposed rate changes
- Consider rate changes as part of the September 16th budget adoption
- New rates to take effect October 1st, 2025



THANK YOU

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