July 21st, 2026

CITY OF DEER PARK, TEXAS
2026 WATER & WASTEWATER RATE STUDY

NewGen Strategies & Solutions

OBJECTIVES OF THIS RATE STUDY

- Design a water and wastewater rate plan to meet rising operational costs from FY 2026 to FY 2031
- Fund major projects and other capital outlays of $56.2 million
- Generate sufficient revenue to meet key financial targets
- Continue to implement rate design changes over a five-year period

KEY POINTS

Summary of findings from this rate study

Key Points

- This study estimates the rate changes needed over the next five years to ensure the ongoing financial stability of City of Deer Park's water and wastewater utility.
- The utility faces average annual cost increases of 3.5% for the next five years. This includes expenses related to $56.2 million of capital improvements and outlays over the same period.
- The City previously took steps to increase the efficiency and fairness of its water rates, including the introduction of higher charges for larger non-residential water meters. This study tentatively assumes these higher charges would be fully phased in by FY 2030.
- In addition to these increases, water rates would need to increase by 2.0% per year beginning FY 2028, and wastewater rates would increase 3.75% per year beginning FY 2027.
- These increases are slightly lower than those projected in last year's rate study.

MAJOR ASSUMPTIONS

Assumptions underpinning projected costs

Major Assumptions

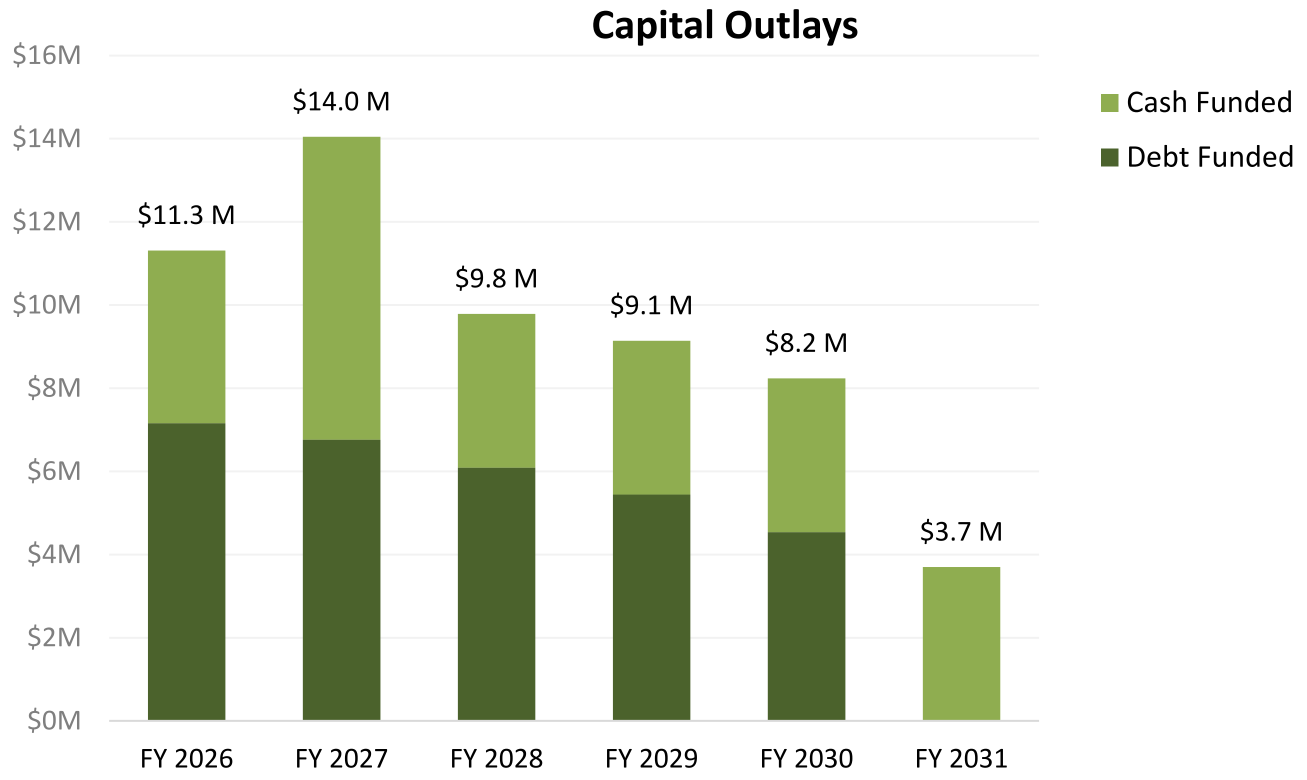
- The study takes the FY 2026 and preliminary FY 2027 budget as its starting point
- Key inflation assumptions from FY 2028 onward:
    - General inflation of 2.4% to 2.6% per year (Federal Reserve Bank, *Survey of Professional Forecasters*)
    - Salary costs increasing at an average of 5.6% per year
    - Health insurance increasing 5.0% per year
    - Other Benefits increasing 7.0% per year
    - Raw water purchases costs increasing 4.0% per year
- Limited growth in water and sewer connections (49 Residential connections over two years)
- Capital costs informed by the City's Capital Improvement Plan

CAPITAL COSTS

Capital Improvement Plan and Capital Outlays

Capital Costs

- Total capital costs of $56.2 million are projected through FY 2031
- These will be financed through a combination of new debt issuances and from operating revenues / reserves

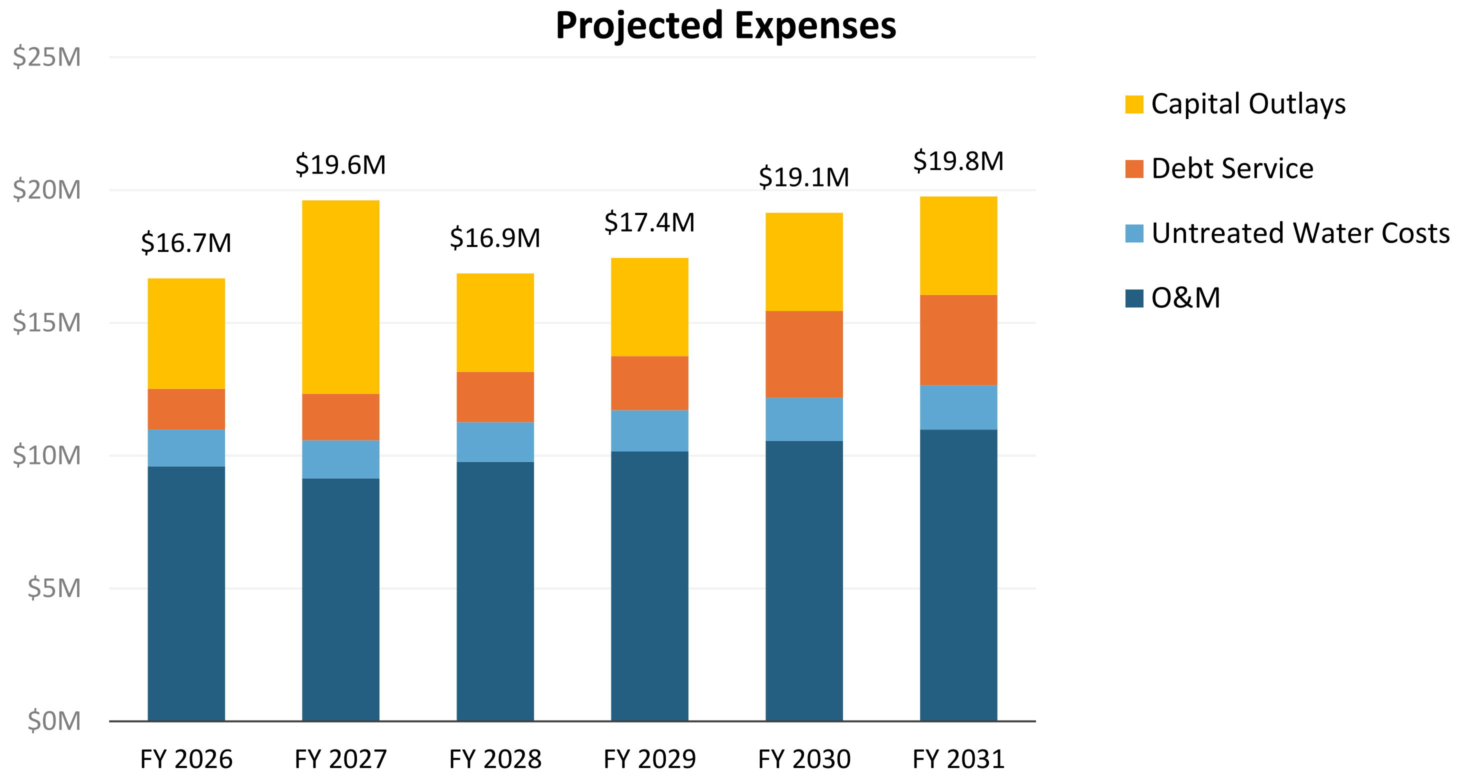


PROJECTED EXPENSES

Projected cost increases over next five years

Projected Expenses

- Overall, Water & Sewer Fund expenses are projected to increase at an average rate of 3.5% over the next five years
- This includes debt service on new capital projects.



RATE DESIGN CHANGES

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

Proposed Rate Design Changes

- In the last year's study, the City considered alternative rate design options. Two proposed changes were introduced:

Proposed Changes in FY 2025 Rate Study

Proposed Change	Rationale	Status
Volumetric Tiers Introduce volumetric tiers for Residential customers (higher marginal rates for higher water use)	Stronger price signals to incentivize water conservation → potentially delays the need for capital expansion, reduces future costs and shifts existing costs to more discretionary water use	**Fully implemented** as of FY 2026
Meter Equivalents Larger commercial & irrigation meters pay a larger fixed monthly fee	Reflects the fact that larger meters place greater peak demand on the water system→ better aligns fixed monthly water charges with fixed system costs	**20% implemented** as of FY 2026, with an initial plan for full introduction by FY 2030

RATE DESIGN CHANGES

Meter Equivalents by Level of Implementation

Meter Equivalents – Phasing

- The table below shows the minimum monthly charge if it were progressively phased in (relative to the current 3/4” meter rate)

Minimum Monthly Charges

Phasing:	20% (Current)	40%	60%	80%	100%	No. of Accounts
¾” or Less	$ 17.50	$ 17.50	$ 17.50	$ 17.50	$ 17.50	229
1”	19.83	22.17	24.50	26.83	29.17	217
1 ½”	25.67	33.83	42.00	50.17	58.33	130
2”	32.67	47.83	63.00	78.17	93.33	228
3”	51.33	85.17	119.00	152.83	186.67	20
4”	72.33	127.17	182.00	236.83	291.67	18
6”	130.67	243.83	357.00	470.17	583.33	4
8”	200.67	383.83	567.00	750.17	933.33	0
10”	282.33	547.17	812.00	1,076.83	1,341.67	2

RATE DESIGN CHANGES

Meter Equivalents for Comparator Cities

Meter Equivalents – Comparator Cities

- All but two of Deer Park's comparator cities employ meter equivalents for water, wastewater, or both:

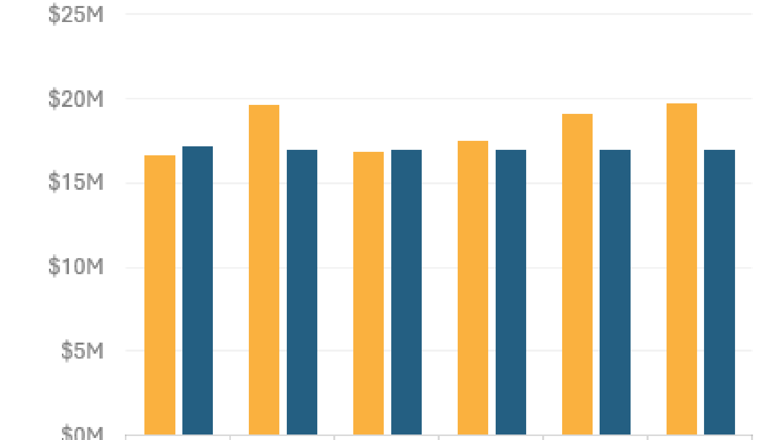
Minimum Monthly Charge for a 10" Meter

Comparator City	Water Minimum	Wastewater Minimum	Total Minimum	Uses Meter Equivalents?
Pearland, TX	$ 2,774	$ 3,997	$ 6,770	Yes
Seabrook, TX	2,485	35	2,520	Yes
Galena Park, TX	1,182	1,182	2,364	Yes
Pasadena, TX	910	1,260	2,170	Yes
Baytown, TX	937	1,119	2,056	Yes
Friendswood, TX	1,556	32	1,588	Yes
Deer Park, TX (at 100% equivalency)	1,342	18	1,360	Yes
Bellaire, TX	959	12	970	Yes
Houston, TX	333	542	875	Yes
La Porte, TX	513	327	840	Yes
South Houston, TX	216	259	475	Yes
Deer Park, TX (current)	282	18	301	Yes
Jersey Village, TX	86	45	131	No
League City, TX	100	17	117	Yes
Jacinto City, TX	20	10	30	No

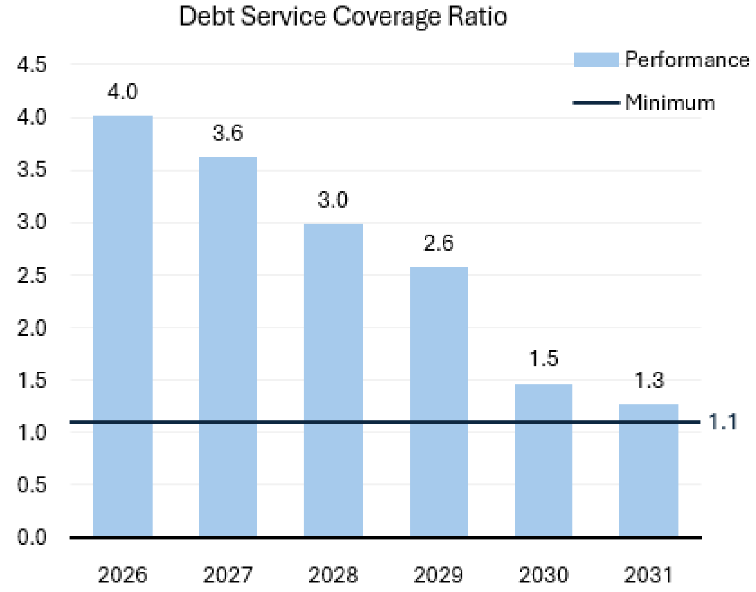
FINANCIAL PERFORMANCE WITH CURRENT RATES

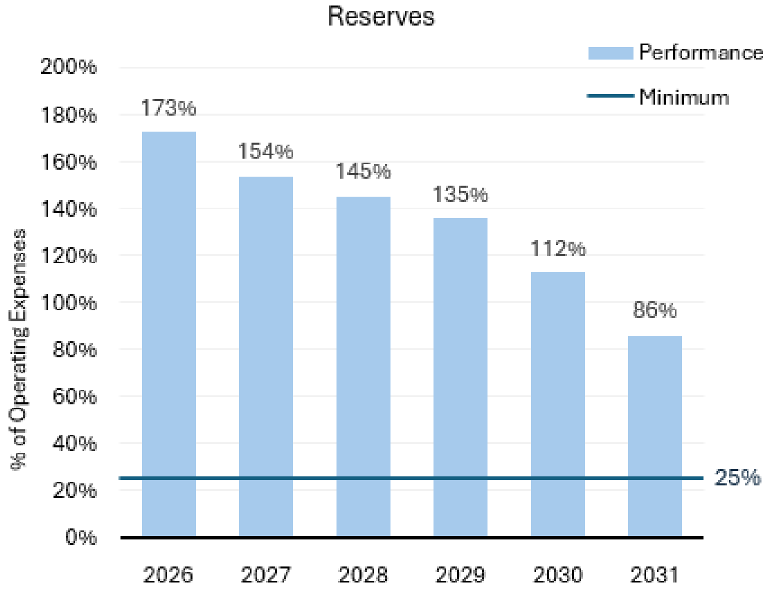
- Under current rates, financial targets would not be met over the five-year period
- Would result in an unsustainable reduction in reserves

Expenses vs Revenue ($ Millions)



	2026	2027	2028	2029	2030	2031
Expenses	16.67	19.61	16.86	17.45	19.15	19.76
Revenue	17.15	16.92	16.94	16.95	16.97	16.98





PROPOSED RATE CHANGES

Proposed rate changes

Proposed Rates Changes

- The following rate plan would meet the utility's financial objectives:
  - Continue phasing in meter equivalents for Commercial and Non-Residential Irrigation customers by FY 2030
  - For **water**, other rate increases of 2.00% per year from FY 2028
  - For **wastewater**, rate increases of 3.75% per year from FY 2027
- These increases are slightly lower than those projected in last year's rate study

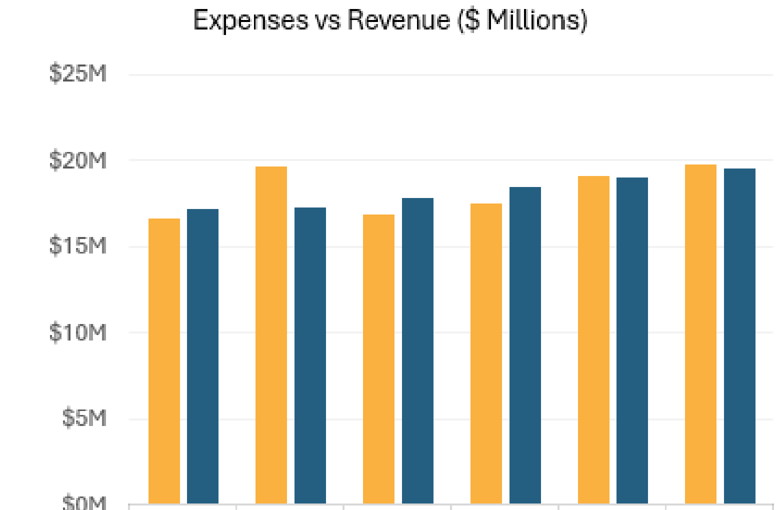
Projected Rate Changes

	FY 2026*	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Meter Equivalent Phasing	20%	40%	60%	80%	100%	100%
Water Rate Increases	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Wastewater Rate Increases	5.00%	3.75%	3.75%	3.75%	3.75%	3.75%

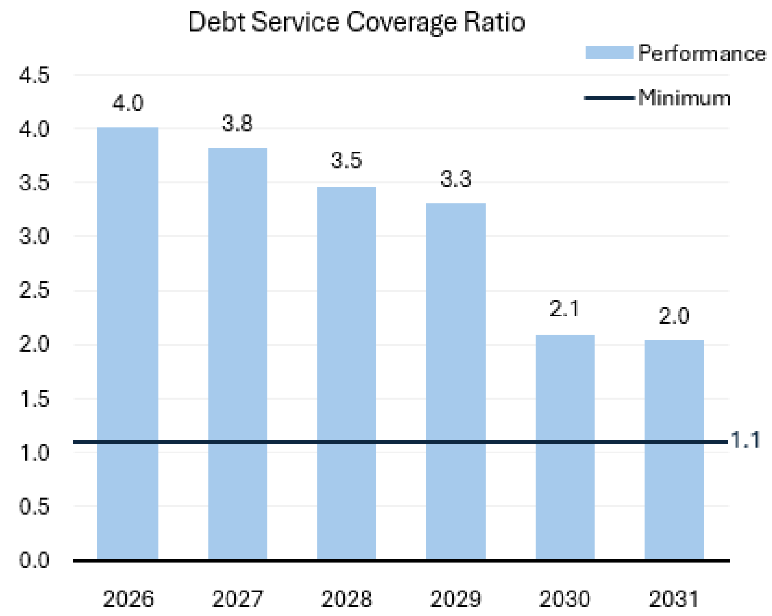
* FY 2026 changes are historical and for reference only.

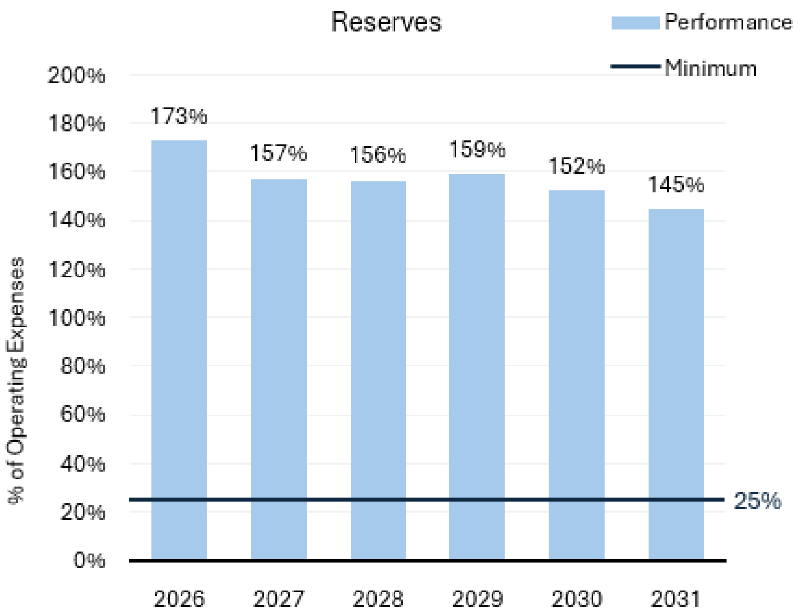
FINANCIAL PERFORMANCE WITH PROJECTED RATES

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



	2026	2027	2028	2029	2030	2031
Expenses	16.67	19.61	16.86	17.45	19.15	19.76
Revenue	17.15	17.28	17.85	18.44	19.04	19.57

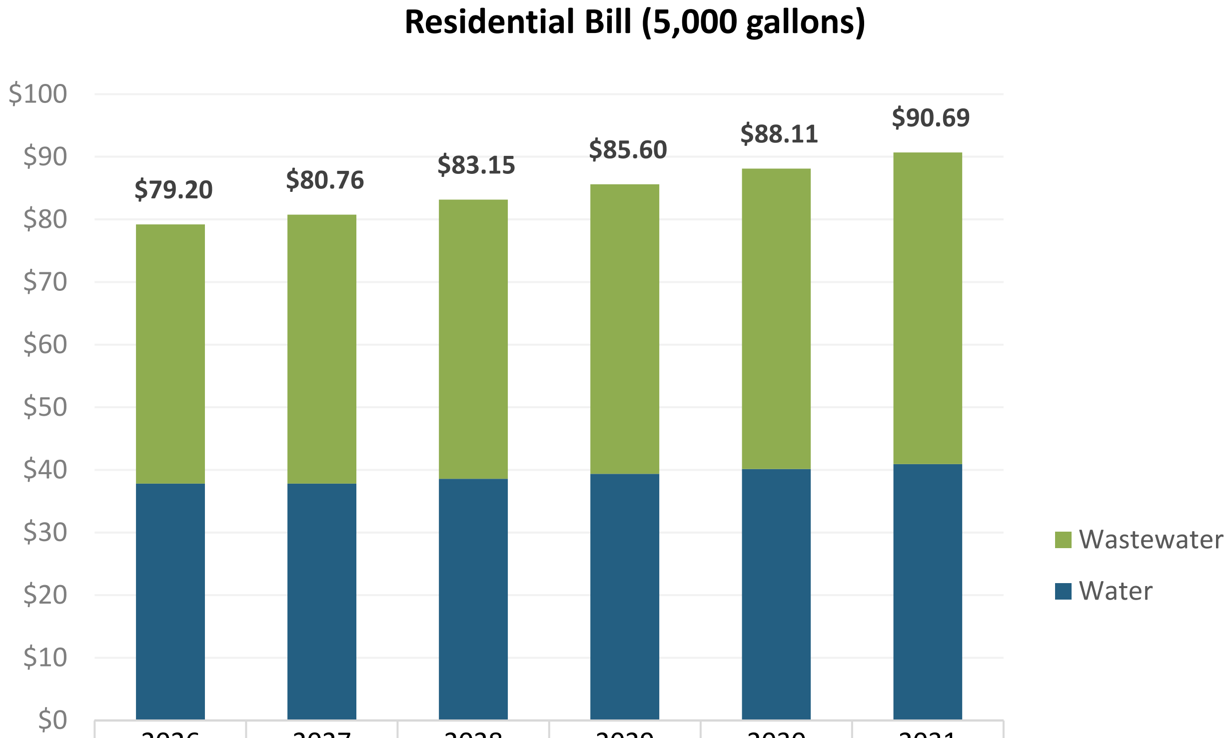




BILL IMPACT – RESIDENTIAL

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 2.75% per year



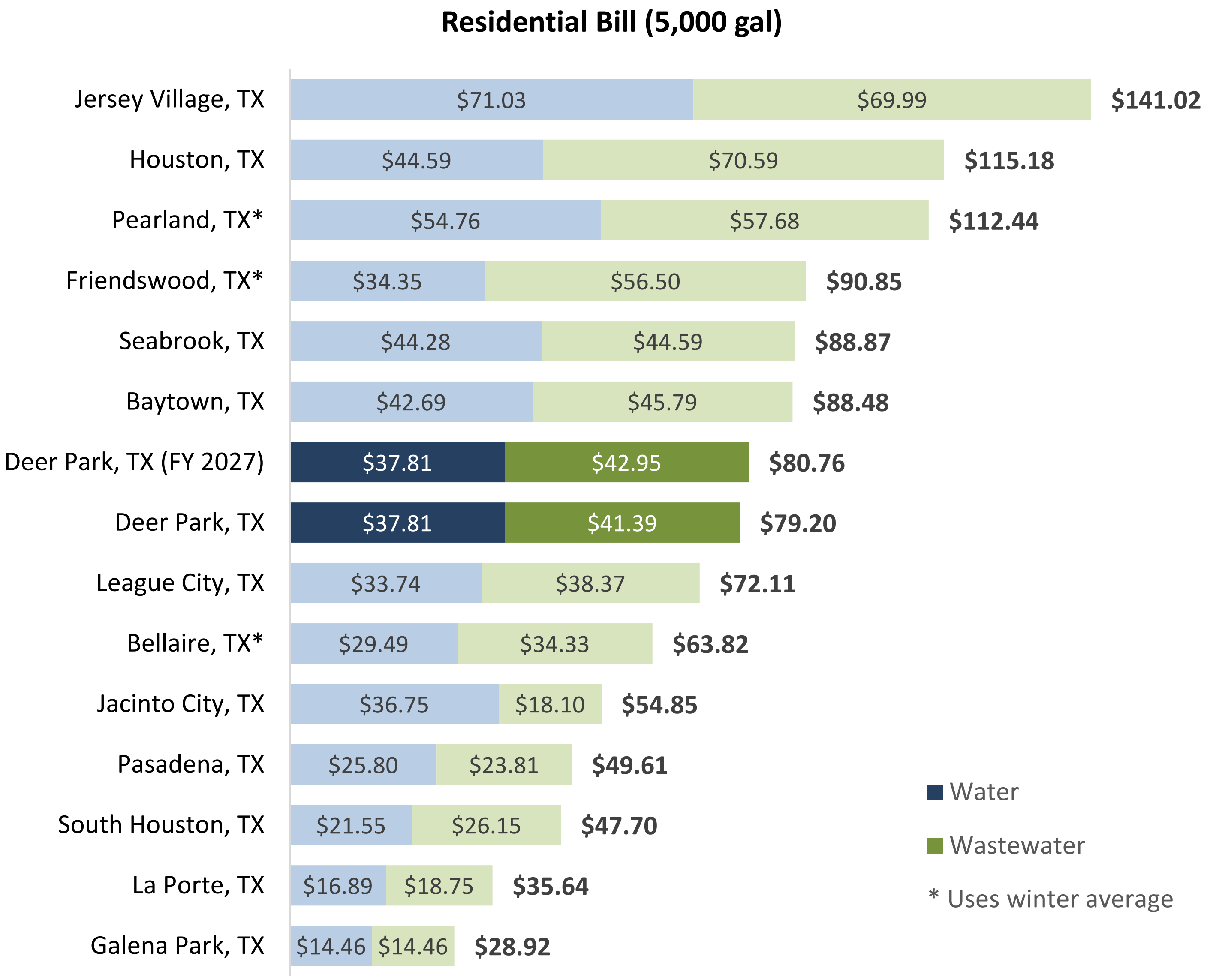
	2026	2027	2028	2029	2030	2031
Wastewater	$41.39	$42.95	$44.57	$46.24	$47.97	$49.76
Water	$37.81	$37.81	$38.58	$39.36	$40.14	$40.93
Total Bill	$79.20	$80.76	$83.15	$85.60	$88.11	$90.69
Change in Bill ($)		$1.56	$2.39	$2.45	$2.51	$2.58
Change in Bill (%)		1.97%	2.96%	2.95%	2.93%	2.93%

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 2026.

Assumes no rate increases for other cities

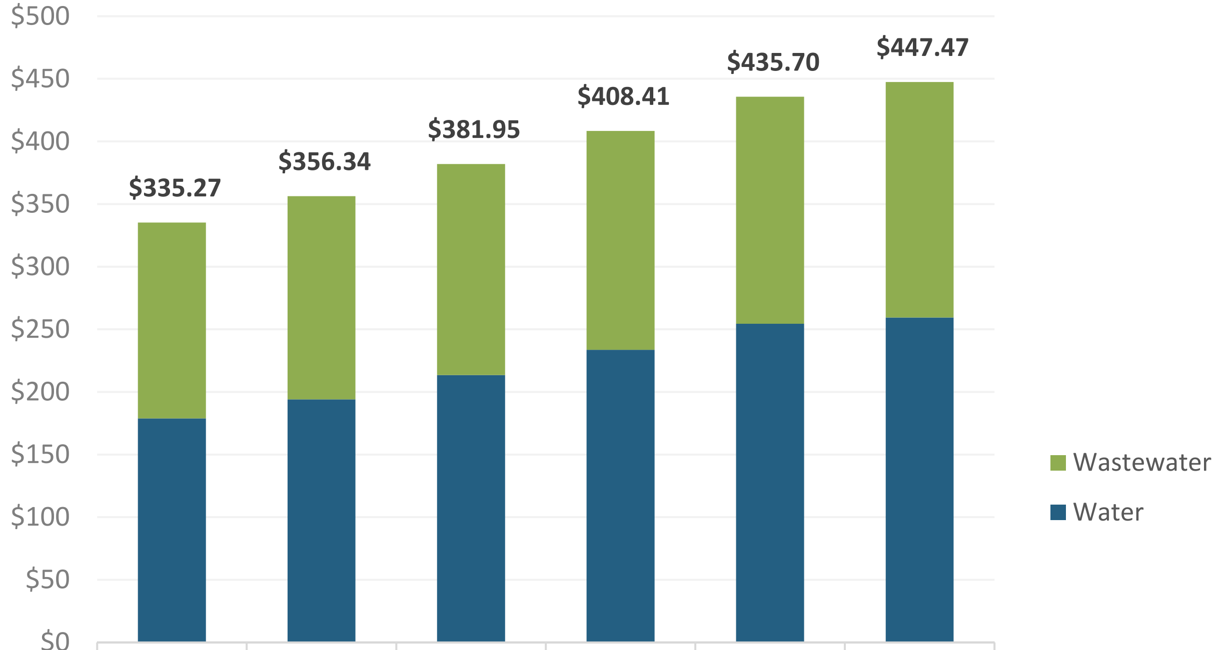


BILL IMPACT – COMMERCIAL

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 5.94% per year

Commercial Bill (2" Meter, 20,000 gallons)



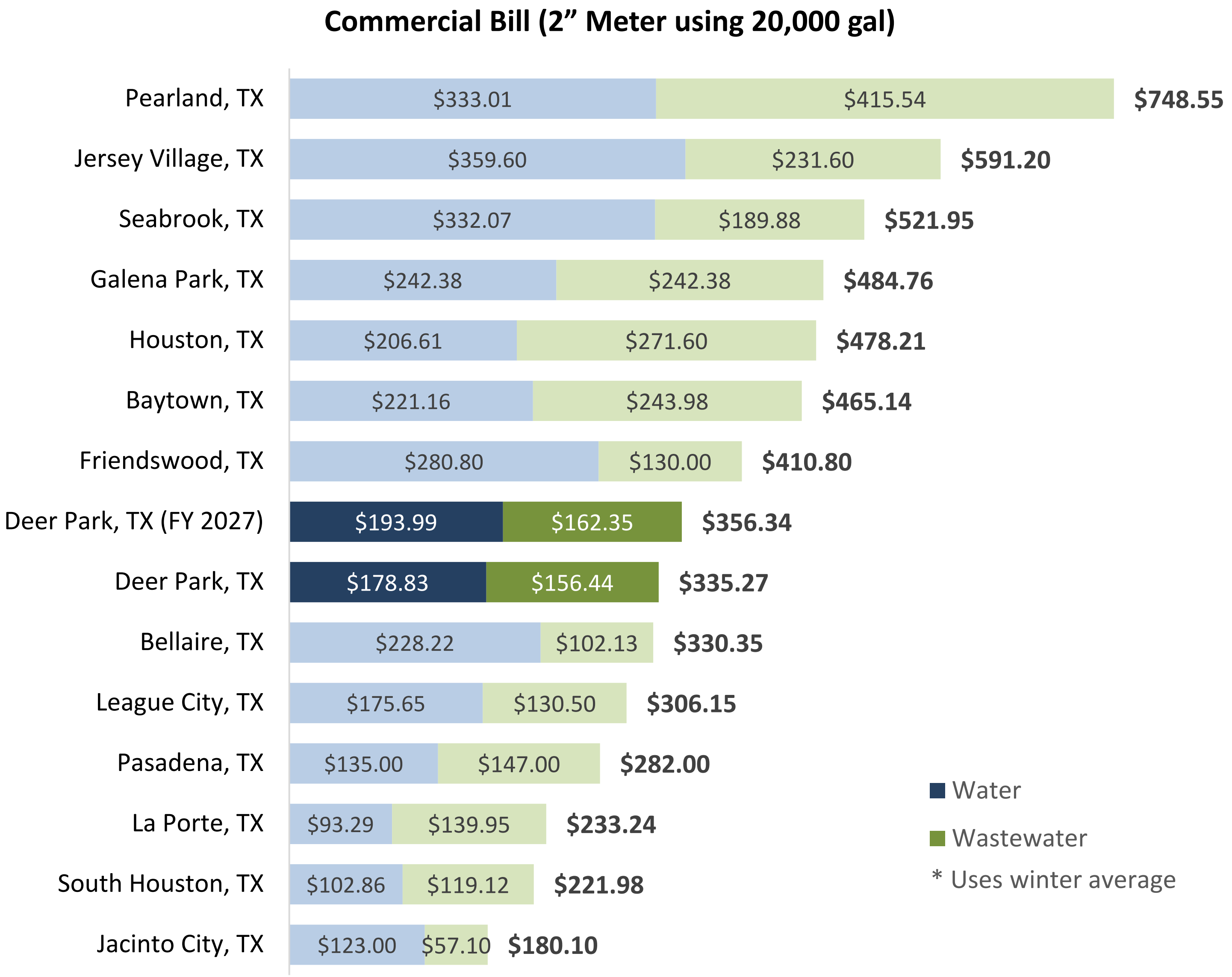
	2026	2027	2028	2029	2030	2031
Wastewater	$156.44	$162.35	$168.47	$174.79	$181.32	$188.06
Water	$178.83	$193.99	$213.48	$233.62	$254.38	$259.41
Total Bill	$335.27	$356.34	$381.95	$408.41	$435.70	$447.47
Change in Bill ($)		$21.07	$25.61	$26.46	$27.29	$11.77
Change in Bill (%)		6.28%	7.19%	6.93%	6.68%	2.70%

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 2026.

Assumes no rate increases for other cities



NEXT STEPS

- Receive Council feedback on proposed rate changes
- Rate changes for the next fiscal year would be set for adoption following September 1st
- New rates to take effect October 1st, 2026

THANK YOU

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