



February 23, 2023

MAXWELL SPECIAL UTILITY DISTRICT WATER RATE STUDY





IMPORTANCE OF LOCAL OFFICIALS IN UTILITY MANAGEMENT

Utilities operate like a business, though the product being sold is a vital resource shared by all members of the community.

The Board of Directors must be able to address complex industry challenges including rising costs, aging infrastructure, and customer affordability.

The Board of Directors must ensure the viability of the business by ensuring revenues match or exceed expenses and financial metrics are met.

KEY ISSUES

Financial Performance

- Financial performance is projected to be insufficient through FY 2027.
 - Additional funds needed to meet 1.1x Debt Service Coverage target in FY 2024 and FY 2025.
 - 120-day Reserve target not being met in FY 2025 and beyond.
- Considerable growth anticipated over the term of the study.
- \$25.6 Million in Capital Improvements proposed over the next five years.
- Increase in Water Purchase costs due to new water supplies and rise in consumption.

KEY ASSUMPTIONS

- Growth in Units:
 - Residential: Projected growth % from engineer's 2022 Impact Fee Report. Assumed 50% of the anticipated growth in year 1.
 - Whisper: 300 outstanding lots. Complete build-out by FY 2024.

Growth (5/8" meter)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Residential	2,342	2,670	3,044	3,470	3,956
Whisper	307	507	507	507	507

- Impact Fees (per LUE):
 - Residential: Assumed application of fee calculated in the engineer's 2022 Impact Fee Report beginning in FY 2025.
 - Whisper: Maintain current fee per Settlement Agreement.

Impact Fees	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Residential	\$3,500	\$3,500	\$12,940	\$12,940	\$12,940
Whisper	\$2,285	\$2,285	\$2,285	\$2,285	\$2,285

- Capital Improvement Plan:
 - Estimating \$25.6 million in projects over 5 years.
 - Growth-related projects will be funded using impact fee revenues to the extent available.

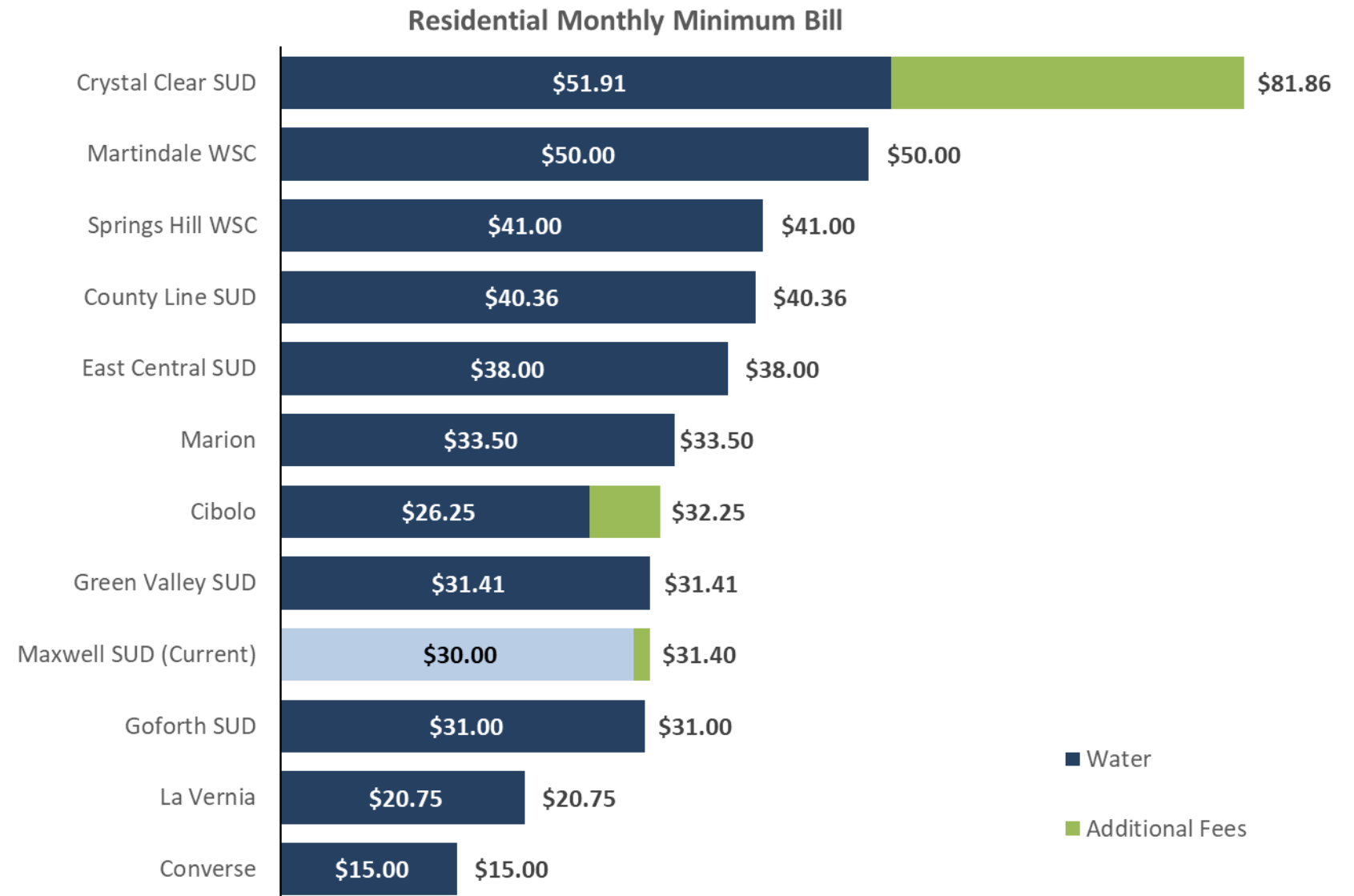
PROJECTED WATER PURCHASE COSTS

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
CRWA					
Hays Caldwell	\$1,273,630	\$1,407,525	\$1,555,495	\$1,719,022	\$1,899,739
Wells Ranch Ph III - Project A & Buy-in	-	1,634,771	2,018,072	2,018,525	2,019,964
Wells Ranch - Raw Water	501,225	553,917	612,150	676,504	747,624
Total CRWA	\$1,774,855	\$3,596,213	\$4,185,717	\$4,414,051	\$4,667,327
Groundwater Leases					
BK Edwards	\$93,141	\$97,693.99	\$102,469.08	\$107,477.58	\$112,730.87
John Hohn	19,516	19,516	19,516	19,516	23,436
Total Groundwater Lease	\$112,658	\$117,210	\$121,985	\$126,994	\$136,167
GBRA					
Aggregated debt (2018-2021)	\$46,483	\$192,777	\$192,106	\$191,328	\$190,401
2022 Bond	-	-	-	401,820	671,320
Total GBRA	\$46,483	\$192,777	\$192,106	\$593,148	\$861,721
4-D Associates ⁵					
	\$20,144	\$21,129	\$22,161	\$23,245	\$24,381
Total Water Purchases	\$1,954,139	\$3,927,329	\$4,521,969	\$5,157,437	\$5,689,595

Note: Water Purchase Costs does not include CRWA Admin Costs

COMBINED REGIONAL BILL COMPARISON – MINIMUM BILL

Residential 5/8”
5,000 gallons



Notes:

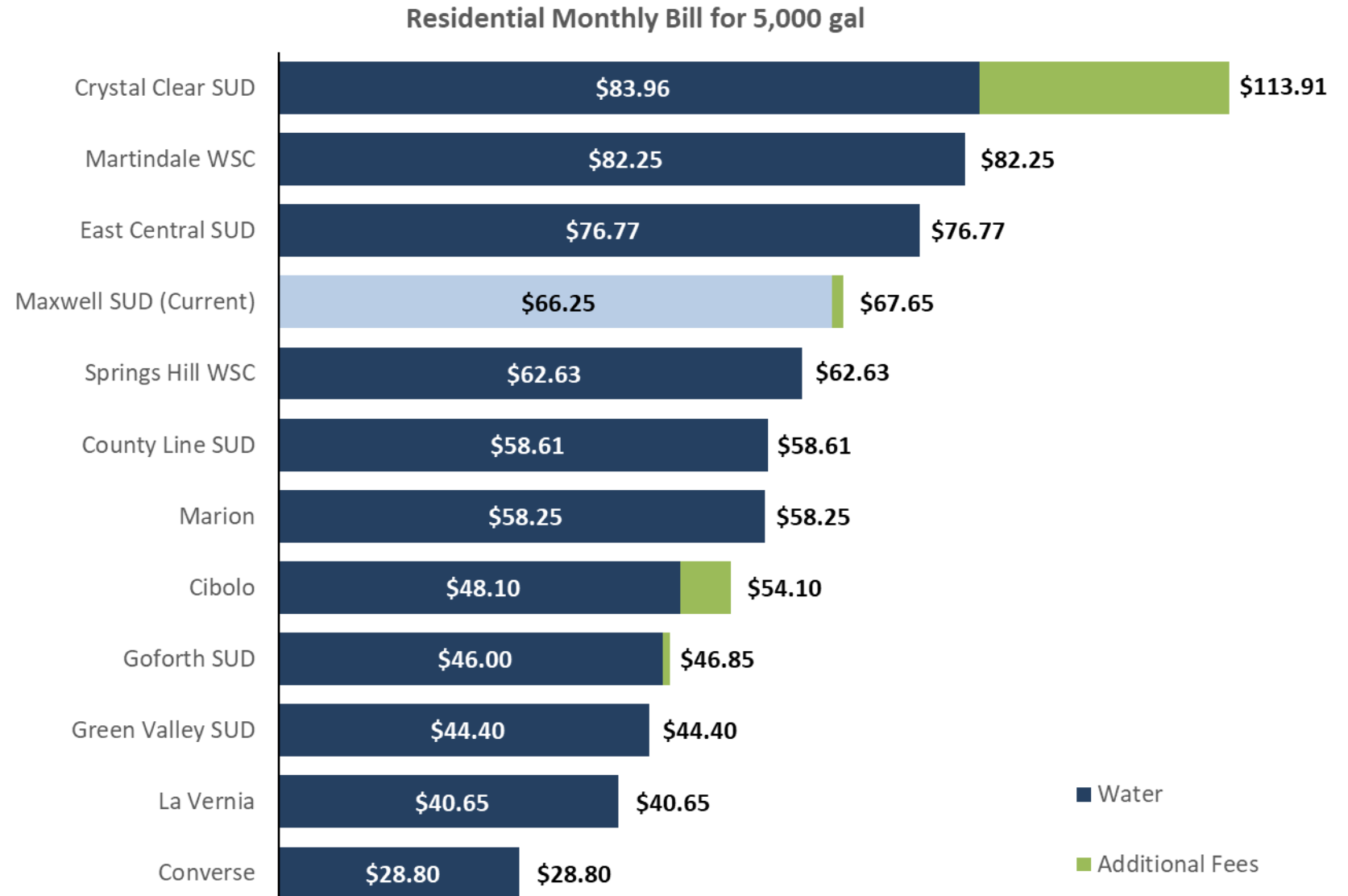
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[2] Green Valley SUD includes 2,000 gallon in the minimum bill.

[3] All WSCs and SUDs charge a 0.5% TCEQ Assessment fee not included in the analysis.

COMBINED REGIONAL BILL COMPARISON

Residential 5/8"
5,000 gallons



Notes:

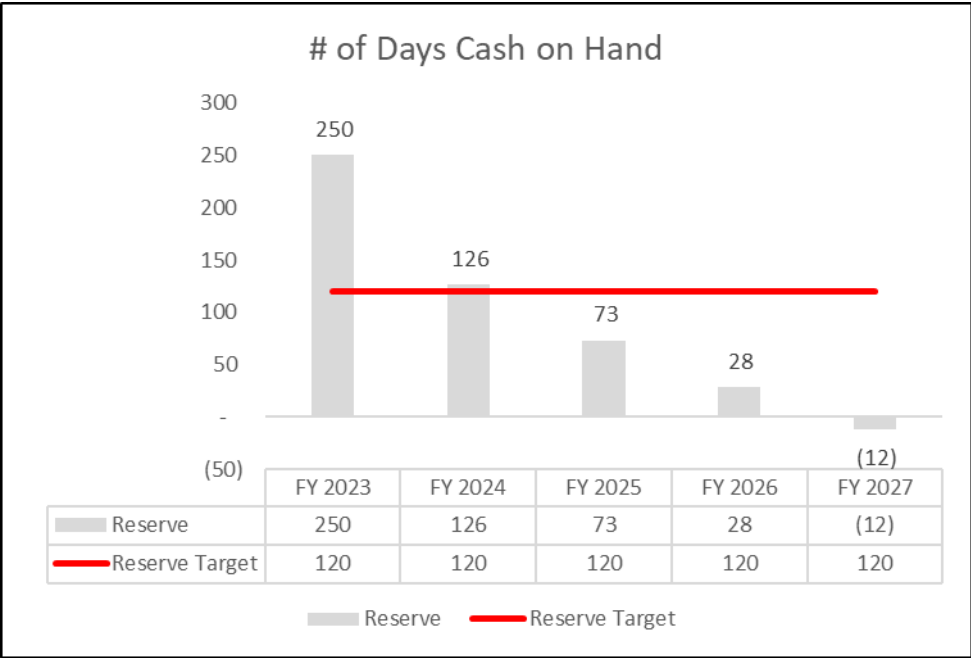
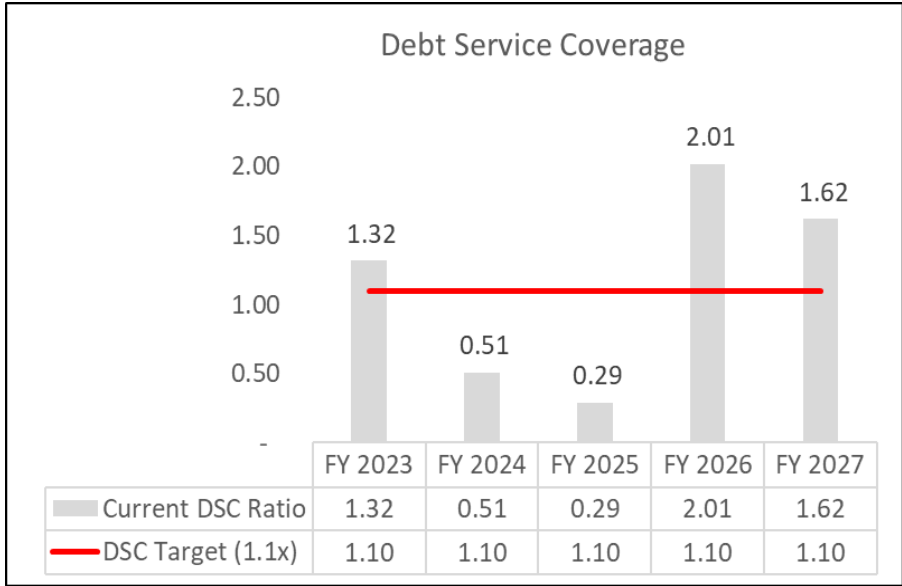
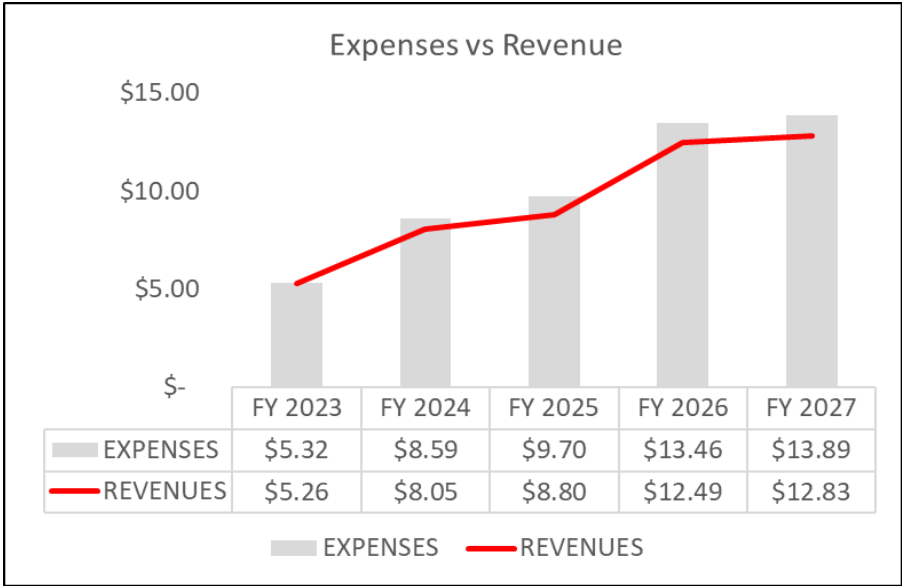
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ANTICIPATED FINANCIAL PERFORMANCE UNDER CURRENT RATES

(\$ Millions)



IMPACT FEE REVENUES

(\$ millions)

5/8" Meter	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<u>Standard Service</u>					
Previous Year Connections	2,189	2,342	2,670	3,044	3,470
New Growth	153	328	374	426	486
Total Projected Connections	2,342	2,670	3,044	3,470	3,956
Impact Fee	\$3,500	\$3,500	\$12,940	\$12,940	\$12,940
Projected Revenue	\$536,305	\$1,147,693	\$4,837,230	\$5,514,442	\$6,286,464
<u>Whisper</u>					
Previous Year Connections	207	307	507	507	507
New Growth	100	200	-	-	-
Total Projected Connections	307	507	507	507	507
Impact Fee	\$2,285	\$2,285	\$2,285	\$2,285	\$2,285
Projected Revenue	\$228,500	\$457,000	\$ -	\$ -	\$ -

CAPITAL IMPROVEMENT PLAN FUNDING

(\$ millions)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL
<u>Capital Project Funding</u>						
Cash Funded	\$0.22	\$-	\$-	\$2.53	\$2.07	\$4.83
New Debt – Impact Fees	\$6.71	\$7.25	\$1.95	\$3.65	\$ -	\$19.57
New Debt – Rates	-	-	-	-	1.20	1.20
Subtotal Debt Funded	\$6.71	\$7.25	\$1.95	\$3.65	\$1.20	\$20.77
Total Capital Projects	\$6.93	\$7.25	\$1.95	\$6.19	\$3.27	\$25.59
<u>New Debt P&I</u>						
Principal	\$6.71	\$7.25	\$1.95	\$3.65	\$1.20	\$20.77
Interest Rate %	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%
Term	20	20	20	20	20	20
Annual P&I	\$0.52	\$0.58	\$0.16	\$0.29	\$0.10	\$1.64
Cumulative P&I	\$0.52	\$1.10	\$1.25	\$1.55	\$1.64	

Note: The first debt payment is assumed to be in the year of the issuance.

CIP FUNDING SUMMARY

(\$ millions)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL
<u>Principal and Interest</u>						
Impact Fee Funded	\$0.52	\$1.10	\$1.25	\$1.55	\$1.55	\$5.96
Rate Funded	-	-	-	-	0.10	0.10
Total P&I	\$0.52	\$1.10	\$1.25	\$1.55	\$1.64	\$6.06
<u>Rate-Funded Capital</u>						
Debt	\$ -	\$ -	\$ -	\$ -	\$0.10	\$0.10
Cash	0.22	-	-	2.53	2.07	4.83
Total Rate-Funded Capital	\$0.22	\$0.00	\$0.00	\$2.53	\$2.17	\$4.92

WATER DESIGN ADJUSTMENTS

- Minimum Bill:
 - Phase-in standardized Meter Equivalency for 3" meter over 5 years.
- Volumetric Charge:
 - Phase-in standardized 15% increase between blocks over 5 years.
- Proposed rates effective July 1, 2023.

REPLACEMENT COST

Replacement Cost	
Original Cost	\$9,255,183
Land	(463,573)
Original Cost Net of Land	\$8,791,610
Target Replacement %	1.0%
Annual Replacement Cost	\$87,916
Replacement Cost per Unit	\$2.12
Replacement Cost per k/gal	\$0.32

Note: Replacement Cost analysis currently based on original investment cost. Further analysis of Fixed Assets records needed to assess future replacement cost and the impact of construction cost inflation.

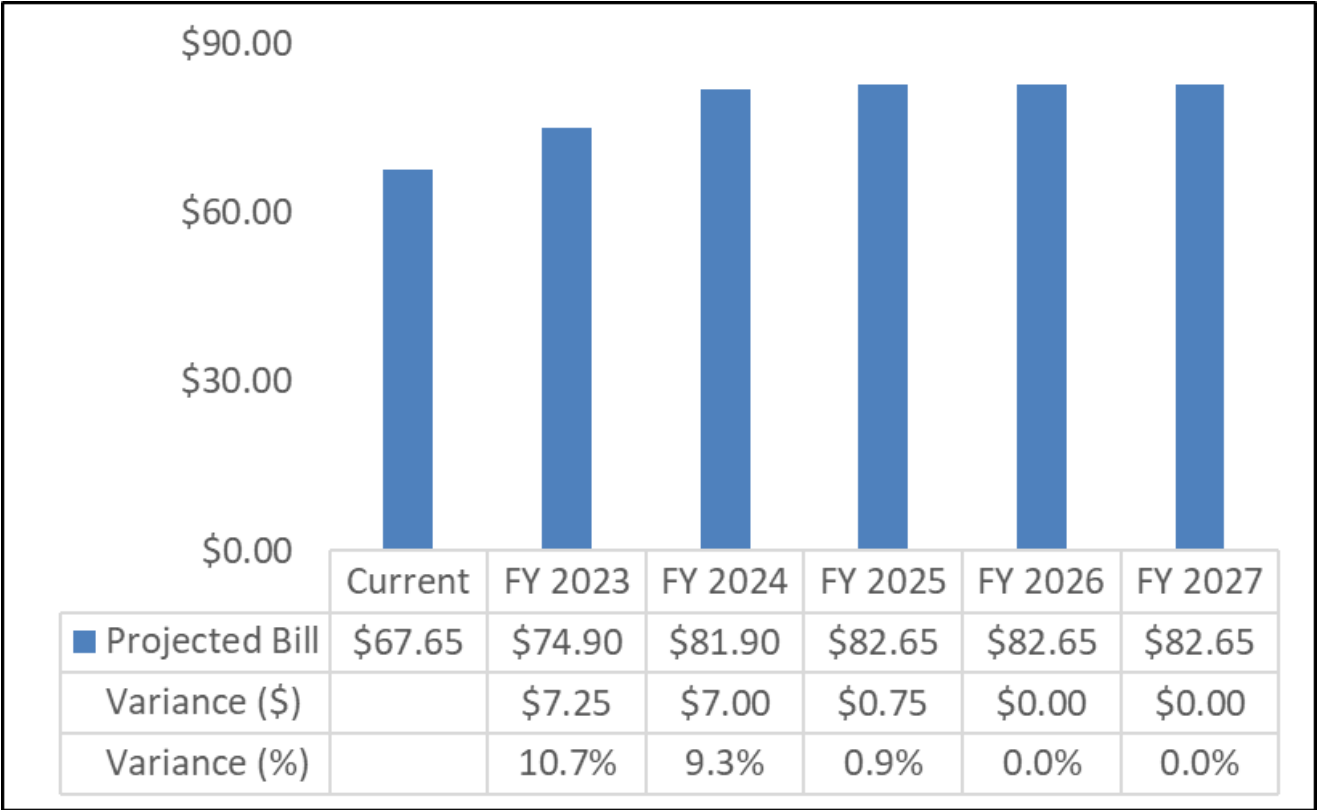
RATE DESIGN

Residential and Whisper

FY 2023	Base Rate	R&R	Total
Minimum Monthly Fee			
5/8"	\$33.25	\$ -	\$33.25
1"	33.25	-	33.25
EAA Fee	1.40	-	1.40
Volumetric Rates (per kGal)			
0–5,000 gal	\$8.05	\$0.32	\$8.37
5,000–10,000 gal	8.55	0.32	8.87
10,000–15,000 gal	9.05	0.32	9.37
15,000+ gal	9.60	0.32	9.92

MONTHLY CUSTOMER BILL PROJECTION

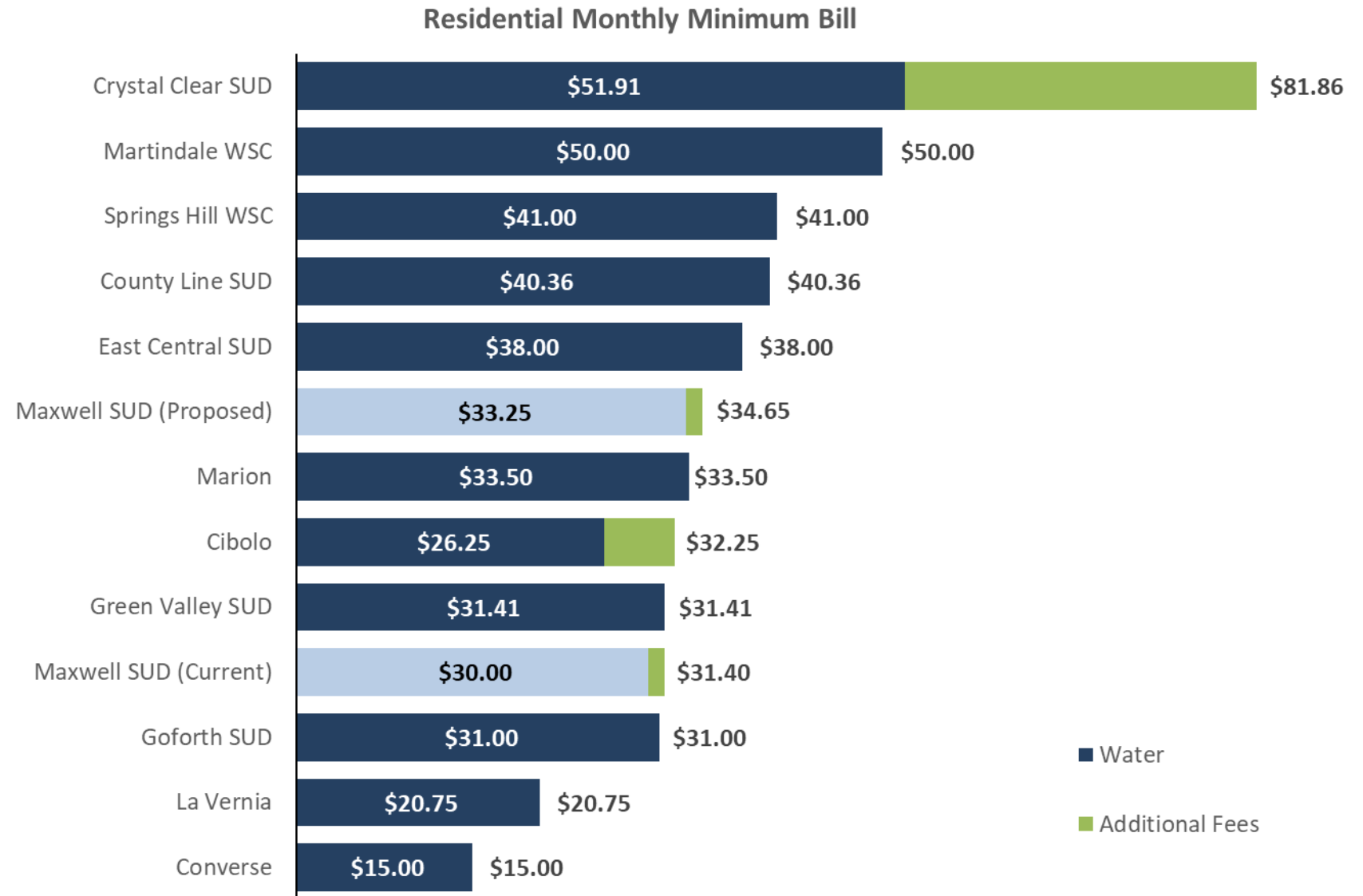
Residential 5/8”
(5,000 gallons)



Note:
[1] Includes EAA Fee (\$1.40).

COMBINED REGIONAL BILL COMPARISON – MINIMUM BILL

Residential 5/8”



Notes:

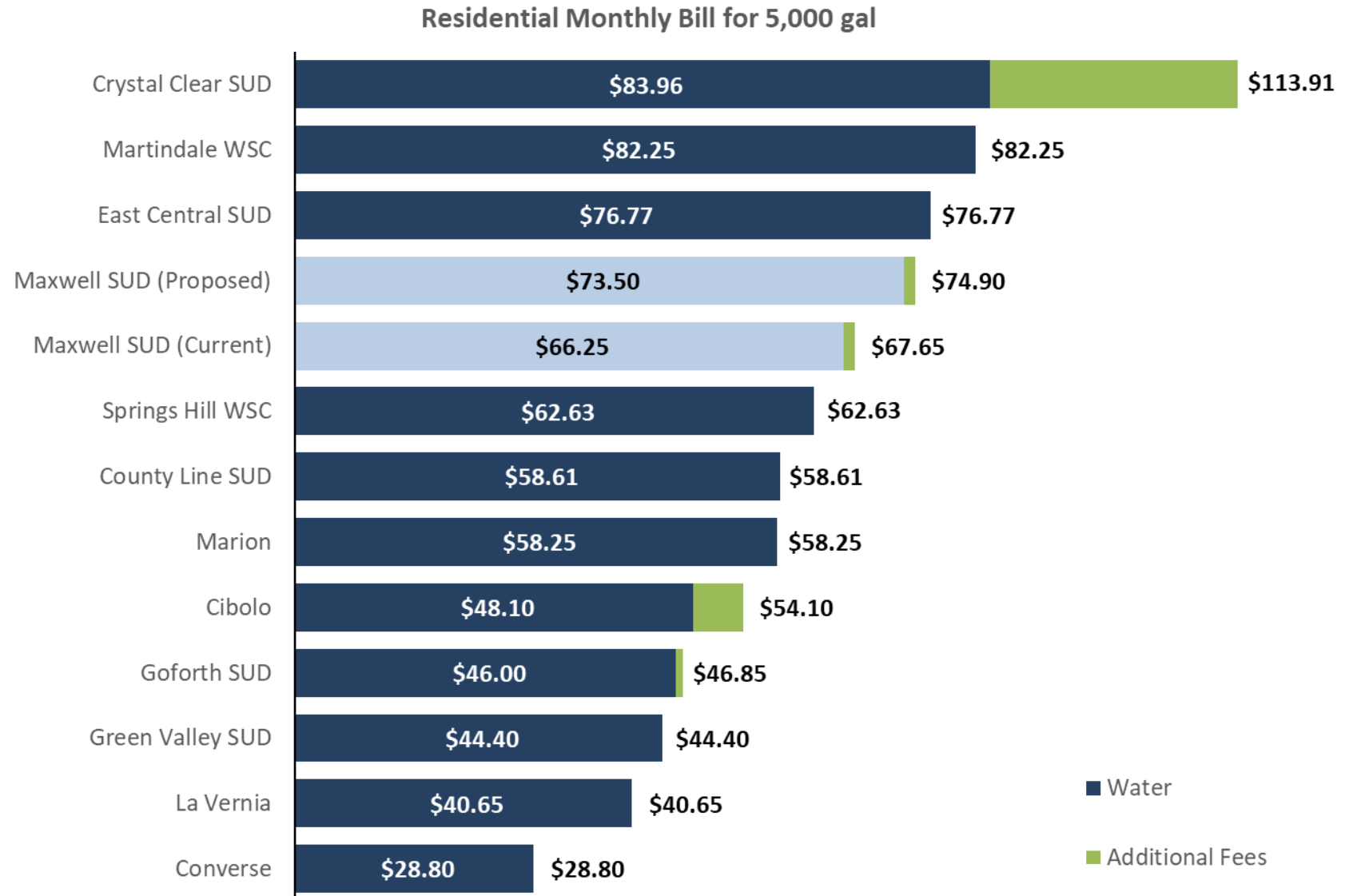
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COMBINED REGIONAL BILL COMPARISON

Residential 5/8"
5,000 gallons



Notes:

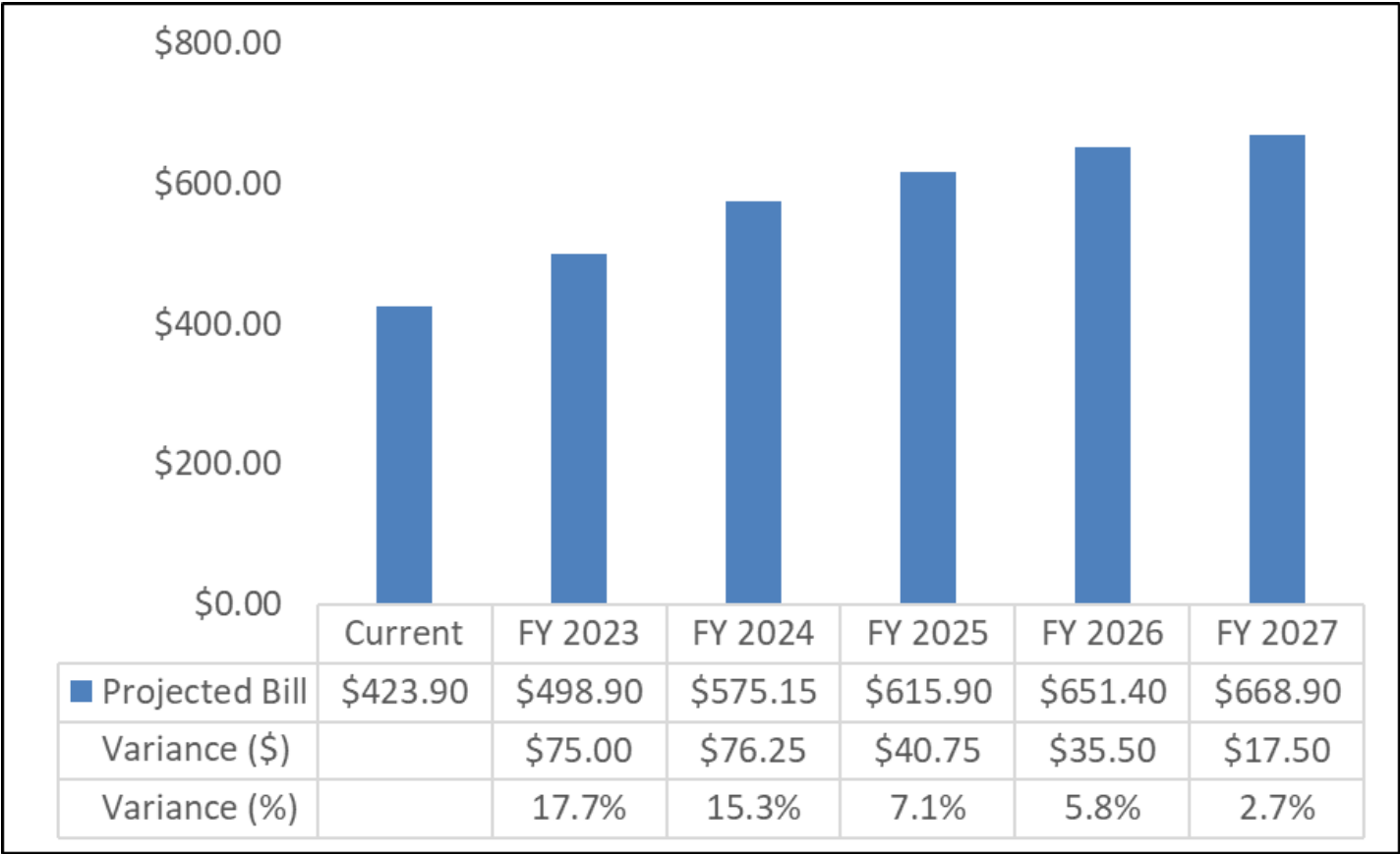
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MONTHLY CUSTOMER BILL PROJECTION

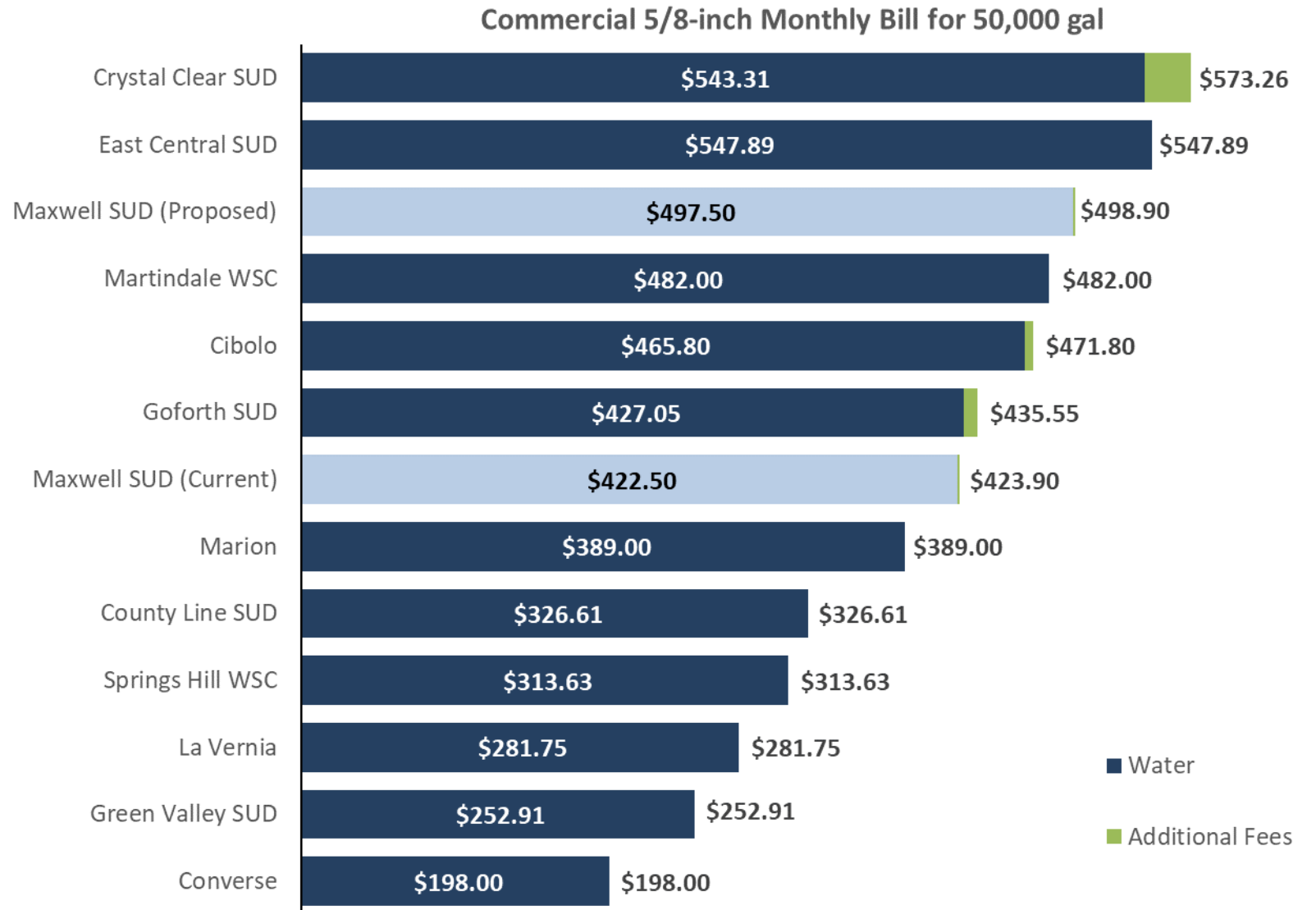
Commercial 5/8”
(50,000 gallons)



Notes:
[1] Includes EAA Fee. Excludes the TCEQ fee.

COMBINED REGIONAL BILL COMPARISON

Commercial 5/8"
50,000 gallons



Notes:

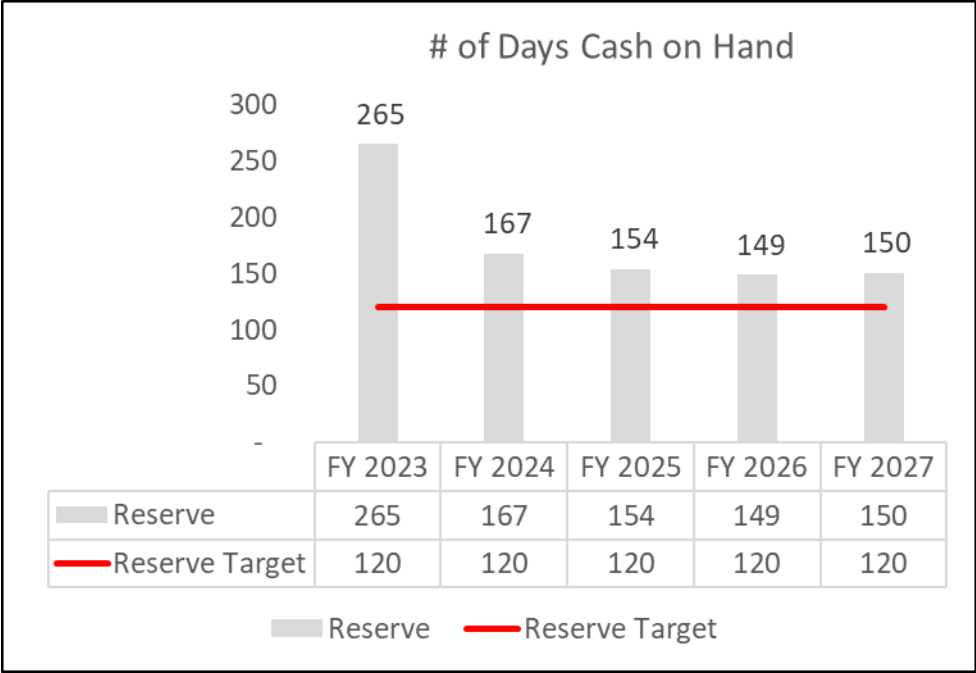
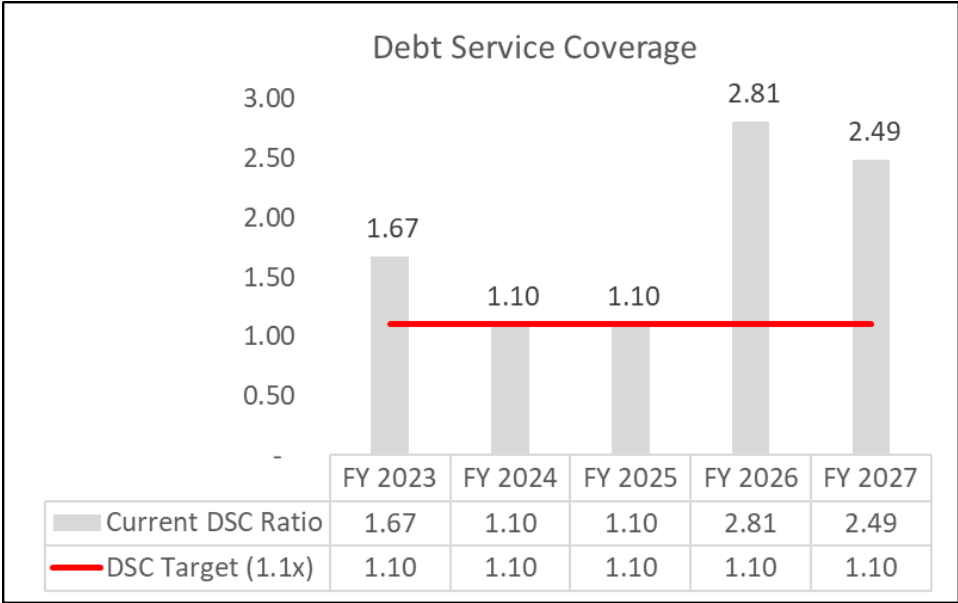
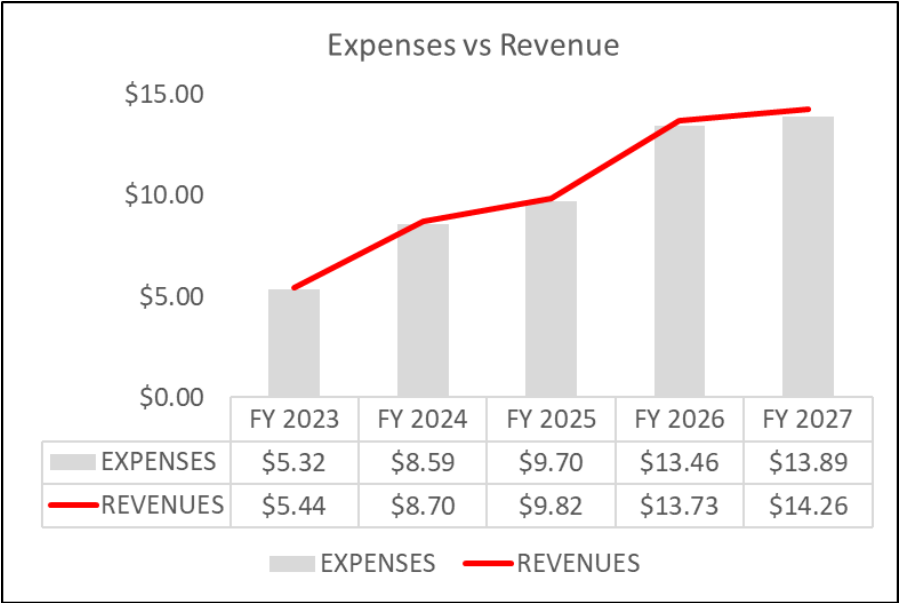
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FUND SUMMARY UNDER PROJECTED RATES

(\$ Millions)



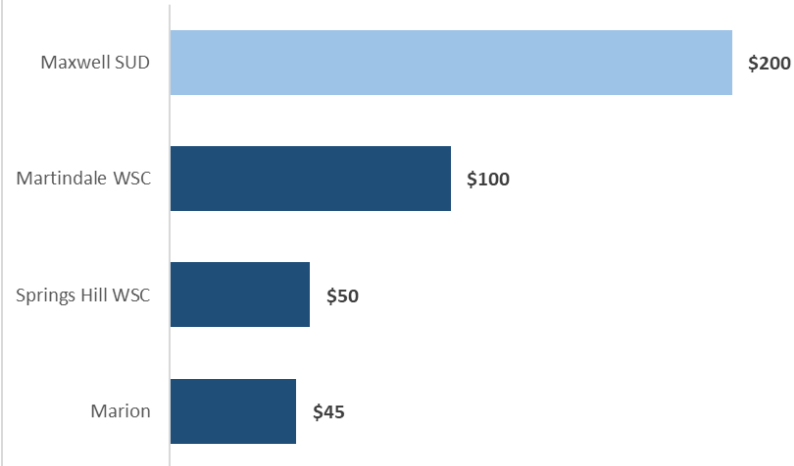
FEE COMPARISON

PROPOSED FEES

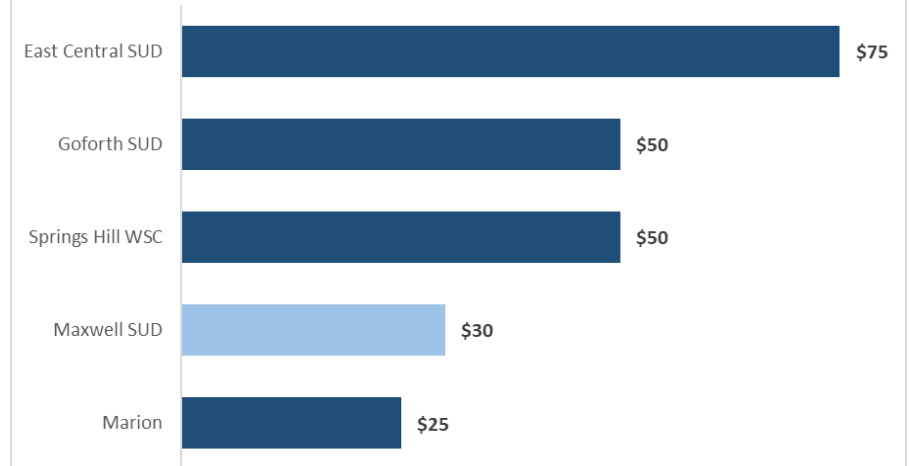
Fee Type	Current	Proposed	Variance
Engineering/Admin Fees (Meter Install)	\$200	\$200	\$ -
Service Call/Trip Charge	30	50	20
Customer Deposit (Residential)	200	200	-
Disconnect Service Fee	100	100	-
Transfer Fee	25	50	25
Re-Connect Service Fee	30	50	20
Damage to Meter/Tamper Fee	100	250	150
Customer Service Inspection Fee	75	100	25
Single Meter Application/Admin Fee	50	75	25
Installation Fee – ¾" Meter (1.25"-8" Line Size)	1,100	1,500	400
NSF/Return Check Fee	35	35	-
Fire Hydrant Deposit	-	2,500	2,500
Meter Re-location Fee	-	1,500	1,500

FEE COMPARISON

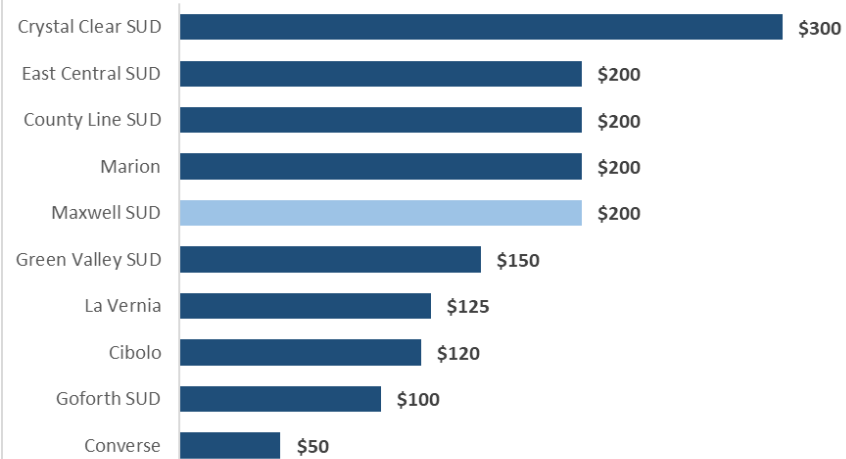
Engineering/Admin Fees (Meter Install)



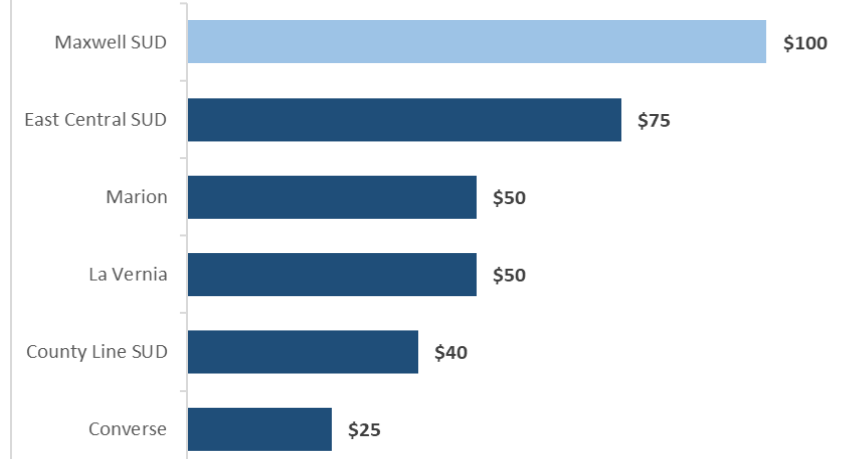
Service Call



Customer Deposit (Residential)

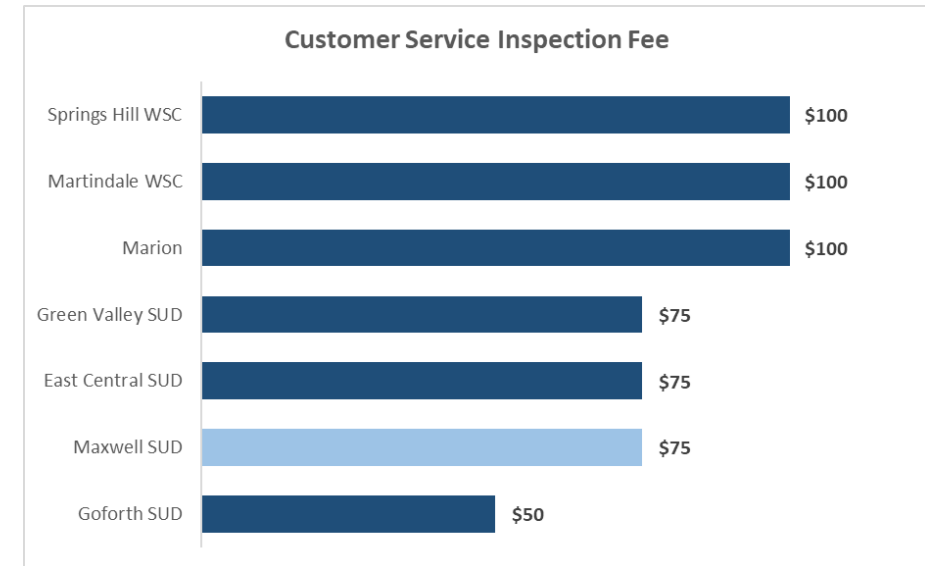
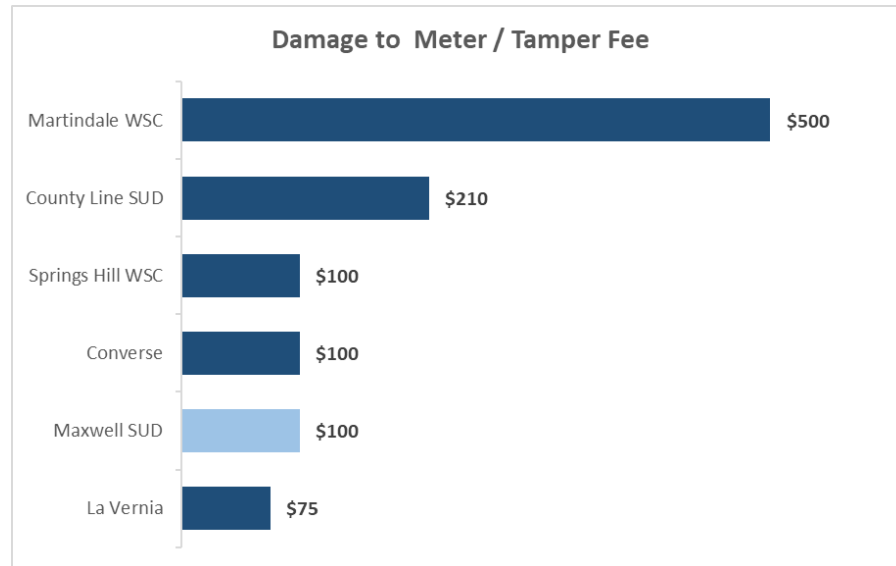
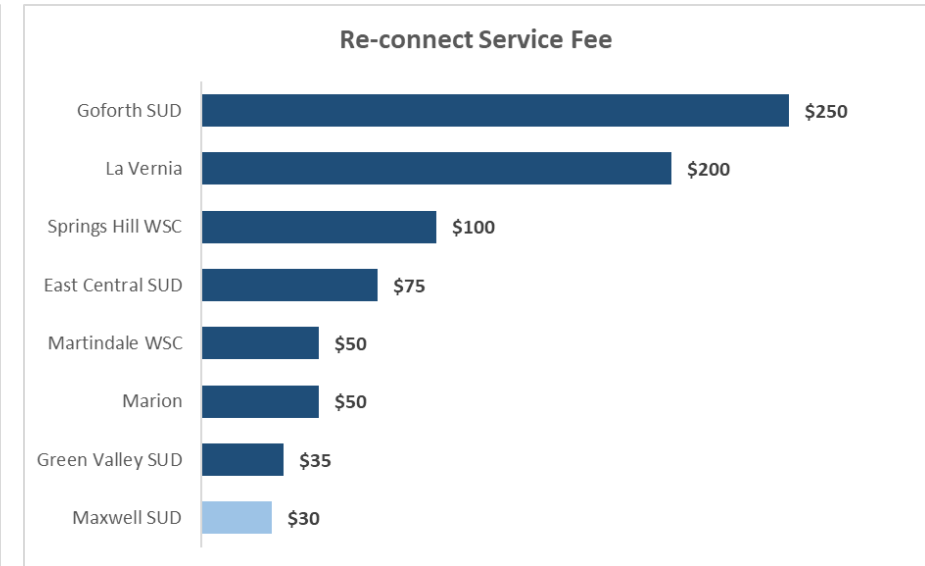


Disconnect Service Fee



FEE COMPARISON

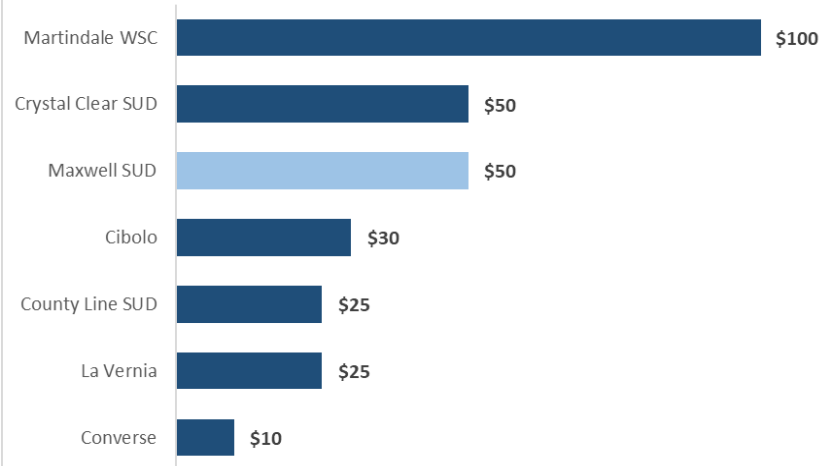
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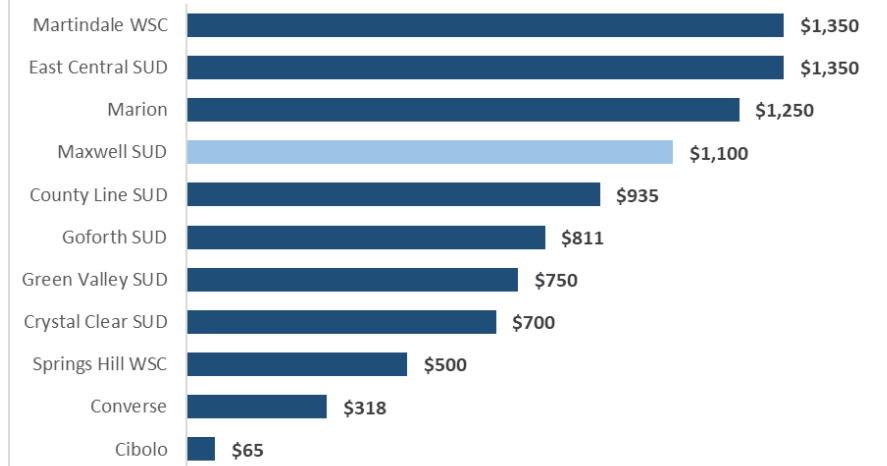
FEE COMPARISON

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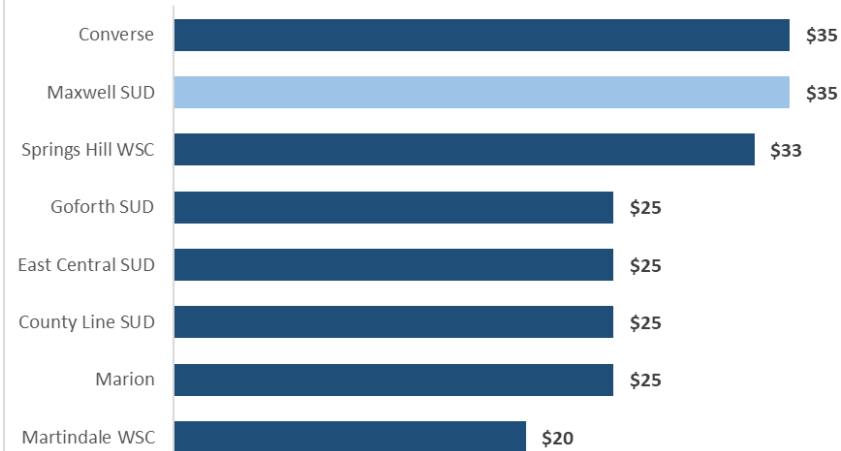
Single Meter Application / Admin Fee



Installation Fee - 3/4" meter (1.25" - 8" Line size)



NSF Fee / Return Check Fee



FEES NOT CURRENTLY CHARGED BY MAXWELL SUD

Description	Cibolo	Marion	Crystal Clear SUD	East Central SUD	Green Valley SUD	Springs Hill WSC	Goforth SUD
Public Works Call-Out Fee	\$50–90/hr						
Chipper Service	\$0.50						
Water Tap Short Service	\$625.00						
Water Tap Long Service	\$1,675.00						
Wastewater Impact Fee Additional Fee over 6 Feet	\$375.00						
CCMA Fee	\$1,800.00						
Fire Hydrant Fees (Rental) Deposit		\$1,700.00				\$100.00	
Voluntary Disconnection for a Period of Time		\$15.00					
Backflow Preventer		\$300.00					\$100.00
R & R Depreciation Fee			\$6.95				
Debt Service Fee			\$13.00				
Service Investigation Fee				\$80.00			
Meter Relocation Fee					\$400.00		
Customer History Report Fee						\$5.00	\$10.00
Non-Disclosure Fee						\$5.00	

PATH FORWARD



- The Board of Directors must determine the appropriate path forward.
- Some level of rate action is needed in the near-term.
 - Action must balance the needs of the utility with the affordability of service and the overall impact to customers.



QUESTIONS AND DISCUSSION

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

CHRIS EKRUT, CFO AND DIRECTOR
(972) 232-2234
CEKRUT@NEWGENSTRATEGIES.NET

CAPITAL PLAN

(\$ millions)

PROJECT DESCRIPTION	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL
Maxwell Main Spine	\$1.57	\$1.63	\$ -	\$ -	\$ -	\$3.20
SH 142 Extension	1.14	1.19	-	-	-	2.33
Maxwell Bottle Neck	0.07	-	-	-	-	0.07
Sunset/Hymeadow Line	-	0.13	-	-	-	0.13
ARWA Delivery Line	-	-	-	-	0.69	0.69
Tower Road	-	-	-	0.59	-	0.59
Black Ankle Road	-	-	-	2.24	-	2.24
Harris Hill ET	1.81	1.88	-	-	-	3.70
FM 1966 West ET	-	-	1.95	2.02	-	3.98
Ground Storage Tank	-	-	-	0.93	0.96	1.88
Pump Capacity	-	-	-	0.23	0.24	0.47
Electrical	-	-	-	0.17	0.18	0.35
Ground Storage Tank	1.24	1.29	-	-	-	2.53
Pump Capacity	0.21	0.22	-	-	-	0.42
Electrical	0.16	0.16	-	-	-	0.32
Ground Storage Tank	0.41	0.43	-	-	-	0.84
Pump Capacity	0.16	0.16	-	-	-	0.32
Electrical	0.16	0.16	-	-	-	0.32
Office Building	-	-	-	-	1.20	1.20
TOTAL	\$6.93	\$7.25	\$1.95	\$6.18	\$3.27	\$25.58

BILLING DETERMINANTS

	Residential	Commercial	Saddlebrook	Whisper	Total
Units by Meter Size					
5/8"	2,189	0	569	207	2965
1"	167	48	0	0	215
1.5"	0	4	0	0	4
2"	0	5	0	0	5
3"	0	15	0	0	15
4"	0	1	0	0	1
Total Units	2,356	73	569	207	3,205
Consumption (1,000 gallons)					
0–5,000 gal	79,287	3,508	0	4,452	87,247
5,000–10,000 gal	29,063	2,713	0	2,247	34,023
10,000–15,000 gal	12,641	2,044	0	987	15,672
15,000+ gal	38,248	57,586	0	1,094	96,928
All volumes	0	0	31,182	0	31,182
Total Consumption	159,239	65,851	31,182	8,780	265,052

Notes:

[1] Unit count as of September 2022.

BASE RATE DESIGN

Residential and
Whisper

	Current	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Minimum Monthly Fee						
5/8"	\$30.00	\$33.25	\$36.50	\$36.75	\$36.75	\$36.75
1"	30.00	33.25	36.50	36.75	36.75	36.75
EAA Fee	1.40	1.40	1.40	1.40	1.40	1.40
Volumetric Rates (per kGal)						
0–5,000 gal	\$7.25	\$8.05	\$8.80	\$8.90	\$8.90	\$8.90
5,000–10,000 gal	7.50	8.55	9.55	9.90	10.15	10.25
10,000–15,000 gal	7.75	9.05	10.35	11.00	11.55	11.80
15,000+ gal	8.00	9.60	11.25	12.25	13.15	13.60

BASE RATE DESIGN

Commercial

	Current	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Minimum Monthly Fee						
5/8"	\$30.00	\$33.25	\$36.50	\$36.75	\$36.75	\$36.75
1"	75.00	83.25	91.25	92.00	92.00	92.00
1.5"	150.00	166.25	182.50	183.75	183.75	183.75
2"	240.00	266.00	292.00	294.00	294.00	294.00
3"	720.00	720.00	720.00	720.00	720.00	720.00
4"	750.00	831.25	912.50	918.75	918.75	918.75
EAA Fee	1.40	1.40	1.40	1.40	1.40	1.40
Volumetric Rates (per kGal)						
0–5,000 gal	\$7.25	\$8.05	\$8.80	\$8.90	\$8.90	\$8.90
5,000–10,000 gal	7.50	8.55	9.55	9.90	10.15	10.25
10,000–15,000 gal	7.75	9.05	10.35	11.00	11.55	11.80
15,000+ gal	8.00	9.60	11.25	12.25	13.15	13.60

BASE RATE
DESIGN

Saddlebrook

	Current	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Minimum Monthly Fee						
5/8"	\$30.00	\$33.25	\$36.50	\$36.75	\$36.75	\$36.75
EAA Fee	1.40	1.40	1.40	1.40	1.40	1.40
Volumetric Rates (per kGal)						
All Volumes	\$7.25	\$8.05	\$8.80	\$8.90	\$8.90	\$8.90