



July 28, 2022

RHOME, TEXAS WATER & WASTEWATER RATE UPDATE



BACKGROUND INFORMATION

- March 2021 rate increase goal was to put rates into effect to restore the financial performance of the utility
 - Adjustments focused on sewer as water service at the time was providing sufficient revenue
 - Subsequent increases in rates were anticipated to be needed to fund capital investment
- A number of changes have occurred since March 2021, which now result in the need for a water rate increase. Those include:
 - Rolling V development has not proceeded as anticipated, resulting in lower overall water revenues
 - Debt options have changed due to lack of TWDB support and overall capital cost increases
 - Operating expenses and costs from wholesale supplier have increased faster than expected
- The rate increase at this time is for the water side only, no additional wastewater increase at this time

PROJECTED FINANCIAL PERFORMANCE

March 2021 Study

	FY 2023	FY 2024	
Water Rate Revenue	\$ 1,241,387	\$ 1,627,985	Rolling V Starts Coming On in FY 2022
Wastewater Rate Revenue	536,214	612,572	
Other Revenue	77,298	79,714	
Total Revenues	\$ 1,854,899	\$ 2,320,271	
Operating Expenses	\$ 875,005	\$ 1,110,098	New Program O&M For Equipment and Staff
Water Purchases	328,571	388,873	
Existing Debt Service	172,085	171,526	Debt Issuance in FY 2022: Principal - \$2,938,623 Interest – 2.75% Term – 20 Years
Projected Debt Service	192,984	192,984	
Total Expenses	\$ 1,568,646	\$ 1,853,481	
Over/(Under) Recovery	\$ 286,253	\$ 466,790	
Debt Service Coverage	1.78	2.28	
DSC Target	1.00	1.00	
Water Increase	0.00%	0.00%	
Wastewater Increase	0.00%	0.00%	

MARCH 2021 STUDY TO CURRENT REVIEW

Main Debt Related
Expense Differences

Using Option 1 -
\$1.58M

Expenses	FY 2023	FY 2024
Debt Service Payments		
March 2021	\$ 192,984	\$ 192,984
Current – Option 1	111,054	147,054
<i>Variance</i>	<i>(\$ 181,930)</i>	<i>(\$ 45,930)</i>
Additional Amount for Debt Service Coverage Target		
March 2021 (1.00x)	\$ 0	\$ 0
Current – Option 1 (1.25x)	27,764	36,764
<i>Variance</i>	<i>\$ 27,764</i>	<i>\$ 36,764</i>
<i>Net Effect of Debt Service Changes</i>	<i>(\$ 154,166)</i>	<i>(\$ 9,166)</i>

MARCH 2021 STUDY TO CURRENT REVIEW

Main Operating
Related Expense
Differences

Using Option 1 -
\$1.58M

Expenses	FY 2023	FY 2024
New Program O&M		
March 2021	\$ 213,038	\$ 393,002
Current – Option 1	3,149	3,226
<i>Variance</i>	<i>(\$ 209,889)</i>	<i>(\$ 389,776)</i>
Operating Expenses		
March 2021	\$ 661,967	\$ 707,096
Current – Option 1	713,946	760,716
<i>Variance</i>	<i>\$ 51,979</i>	<i>\$ 53,620</i>
Wholesale Costs		
March 2021	\$ 328,571	\$ 388,873
Current – Option 1	405,000	528,174
<i>Variance</i>	<i>\$ 76,429</i>	<i>\$ 139,301</i>
<i>Net Effect of Operating Expenses</i>	<i>(\$ 81,481)</i>	<i>(\$ 196,855)</i>

MARCH 2021 STUDY TO CURRENT REVIEW (CONT.)

Main Revenue Differences

Summary of Main Differences

Using Option 1 -
\$1.58M

Revenues	FY 2023	FY 2024
Rolling V		
March 2021	\$ 480,676	\$ 776,026
Current – Option 1	76,582	293,160
<i>Variance</i>	<i>(\$ 404,094)</i>	<i>(\$ 482,866)</i>

Main Differences	FY 2023	FY 2024
Expenses		
Debt Service Payments	(\$ 181,930)	(\$ 45,930)
Additional DSC Target	27,764	36,764
New Program O&M	(209,038)	(389,776)
Operating Expenses	51,979	53,620
Wholesale Costs	76,429	139,301
Total Expenses	(\$ 234,796)	(\$ 206,021)
Revenues		
Rolling V	(\$ 404,094)	(\$ 482,866)
Total Revenues	(\$ 404,094)	(\$ 482,866)
Increase/(Decrease) Needed Revenue	\$ 169,298	\$ 276,845

PROJECTED FINANCIAL PERFORMANCE

Under Scenario 1

\$1.58 Million Debt
Issuance

	FY 2023	FY 2024
Sales Revenue	\$ 1,430,105	\$ 1,809,137
Other Revenue	47,100	47,100
Total Revenues	\$ 1,477,205	\$ 1,856,237
Operating Expenses	\$ 713,946	\$ 760,716
Water Purchases	405,000	528,174
New Program O&M	3,149	3,226
Debt Service	283,139	318,580
Total Expenses	\$ 1,405,234	\$ 1,610,696
Over/(Under) Recovery	\$ 71,971	\$ 245,541
Days Cash on Hand	122	175
Debt Service Coverage	1.25	1.77
Water Increase	10.50%	0.00%
Wastewater Increase	0.00%	0.00%

PROJECTED FINANCIAL PERFORMANCE

Under Scenario 2

\$3.83 Million Debt
Issuance

	FY 2023	FY 2024
Sales Revenue	\$ 1,554,315	\$ 1,951,140
Other Revenue	47,100	47,100
Total Revenues	\$ 1,601,415	\$ 1,998,240
Operating Expenses	\$ 713,946	\$ 760,716
Water Purchases	405,000	528,174
New Program O&M	3,149	3,226
Debt Service	383,139	468,580
Total Expenses	\$ 1,505,234	\$ 1,760,696
Over/(Under) Recovery	\$ 96,181	\$ 237,544
Days Cash on Hand	130	180
Debt Service Coverage	1.25	1.51
Water Increase	30.00%	0.00%
Wastewater Increase	0.00%	0.00%

PROJECTED FINANCIAL PERFORMANCE

Under Scenario 3

\$5.90 Million Debt
Issuance

	FY 2023	FY 2024
Sales Revenue	\$ 1,672,155	\$ 2,085,861
Other Revenue	47,100	47,100
Total Revenues	\$ 1,719,255	\$ 2,132,961
Operating Expenses	\$ 713,946	\$ 760,716
Water Purchases	405,000	528,174
New Program O&M	3,149	3,226
Debt Service	477,139	611,580
Total Expenses	\$ 1,599,234	\$ 1,903,696
Over/(Under) Recovery	\$ 120,021	\$ 229,266
Days Cash on Hand	138	184
Debt Service Coverage	1.25	1.37
Water Increase	48.50%	0.00%
Wastewater Increase	0.00%	0.00%



QUESTIONS AND DISCUSSION

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