This Agenda is posted pursuant to Chapter 551, Texas Government Code

**Matters to Come Before a Meeting of the Board of Directors of Tarrant Regional Water District**

**To Be Held the 7th Day of July 2026 at 9:00 a.m.**
**Front Doors to the Main Admin Building at 800 East Northside Drive Will Open to the Public at 8:30 a.m. and Close Fifteen (15) Minutes After the Meeting Adjourns**

**TRWD Board Room**
**800 East Northside Drive**
**Fort Worth, Texas 76102**

**PLEASE BE ADVISED THAT A QUORUM OF THE BOARD OF DIRECTORS OF TRWD WILL CONVENE ON THE ABOVE DATE AND TIME FOR THE PURPOSE OF CONSIDERING AND ACTING UPON THE MATTERS SET FORTH IN THIS AGENDA. THE LINK TO VIEW AND LISTEN TO THE MEETING VIA INTERNET IS HTTPS://WWW.TRWD.COM/BOARDVIDEOS. A RECORDING OF THE MEETING WILL ALSO BE AVAILABLE AT HTTPS://WWW.TRWD.COM/BOARDVIDEOS.**

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1. **Pledges of Allegiance**

2. **Public Comment**

   **Citizens may present public comment at this time, limited to a total time of three (3) minutes per speaker, unless the speaker addresses the Board through a translator, in which case the limit is a total time of six (6) minutes. Each proposed speaker must have completed and submitted a speaker card prior to the commencement of the meeting, identifying any agenda item number(s) and topic(s) the speaker wishes to address with the Board. By law, the Board may not deliberate, debate, or take action on public comment but may place the item on a future agenda.**

3. **Discussion of Proposed Fiscal Year 2027 Revenue Fund Budget**

4. **Executive Session under Texas Government Code:**

   **Section 551.071 of the Texas Government Code, for Private Consultation with its Attorney about Pending or Contemplated Litigation or on a Matter in which the Duty of the Attorney to the Governmental Body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas Conflicts with Chapter 551**

5. **Future Agenda Items**

6. **Schedule Next Board Meeting**

7. **Adjourn**

# Tarrant Regional Water District
# Fiscal Year 2027 Revenue Fund Budget

# Tarrant Regional Water District
# Fiscal Year 2027 Revenue Fund Operating Budget Guide

## Contents

# Introduction

TRWD's purpose is to enrich communities and improve quality of life through water supply, flood control, and recreation. We are focused on "doing the right thing, the right way, no matter what."

There are three primary drivers to the Fiscal Year 2027 Revenue Fund, which is the source of funds to build and maintain a water supply system that serves 2.5 million people across 11 counties and over 70 communities.

1. Capital Improvements due to growth and aging infrastructure
2. Maintain and operate a growing system
3. Develop the next major water supply

# Revenue Fund Budget Overview

The District's annual revenue fund budget is the culmination and combination of several efforts:

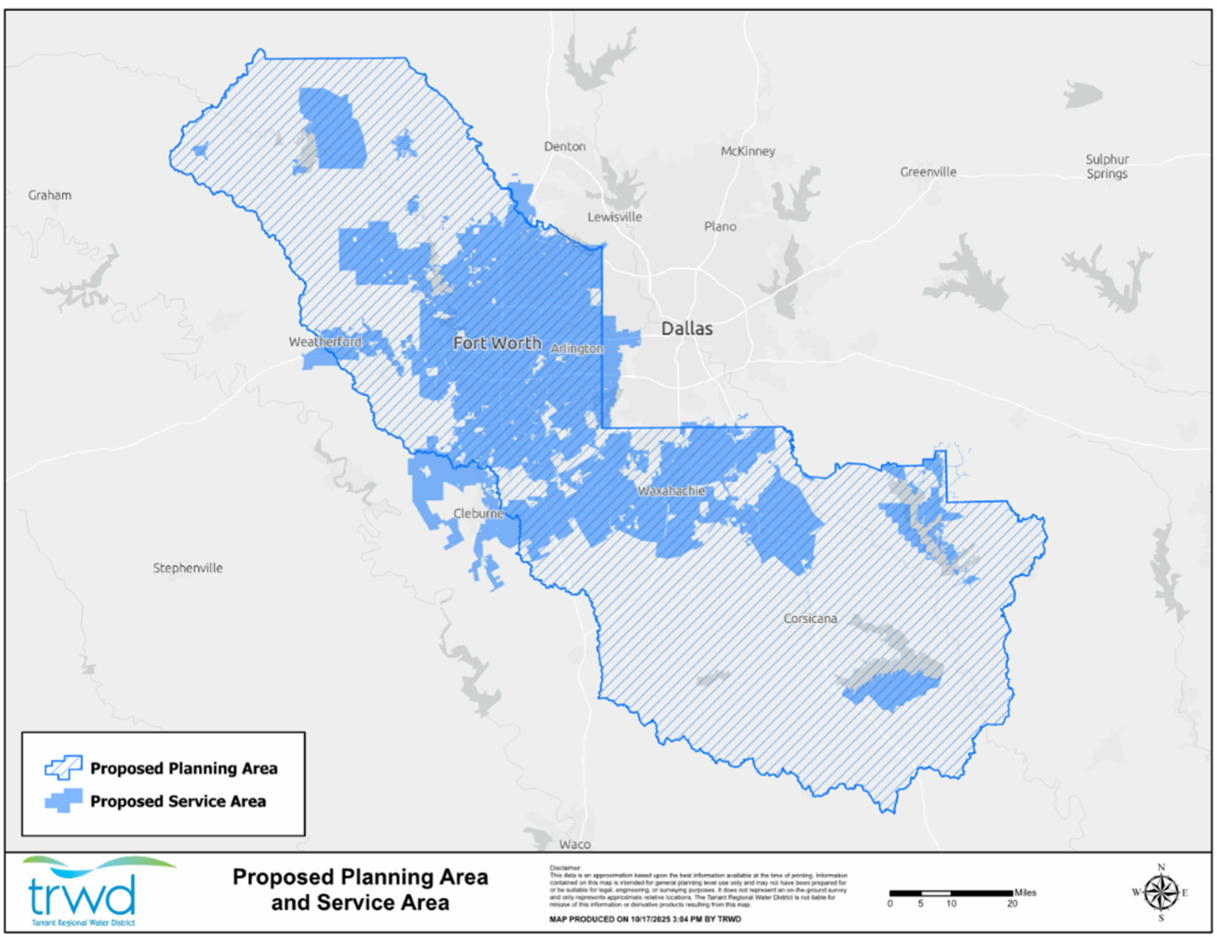
- The District's 2023-2026 Strategic Plan was adopted by the Board of Directors to align the Board and staff on priorities.

- The Integrated Water Supply Plan, finalized in August 2025, is the District's 50-year strategic plan to ensure water supply reliability to this growing region. It establishes projected timing of new water supply projects and which projects are most likely to be developed and in what probable sequence. The Integrated Water Supply Plan influences the annual budget primarily by driving employee related expenditures and by defining some projects that will be part of the Capital Improvement Program, which drives debt service in the annual budget.

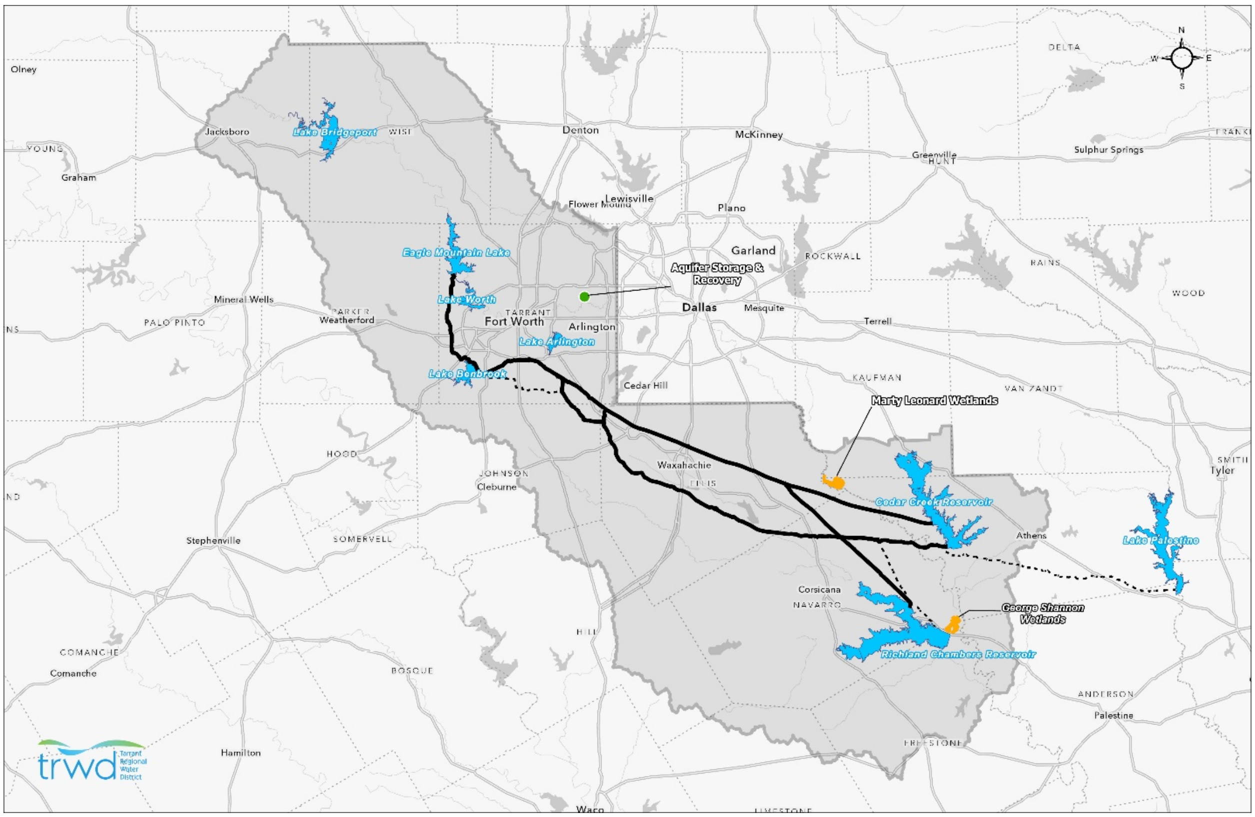
- Each year staff presents a 5-year Capital Improvement Program (CIP) to the Customer Advisory Committee and TRWD Board of Directors. The CIP provides timing and preliminary cost projections for large, debt-financed capital projects in the water supply system. The primary purposes of these projects are to 1) build infrastructure to *deliver* water to its customers; and 2) build or expand water *supplies*. The impact of the CIP is seen in the annual budget primarily as debt service and employee related expenditures.

- The Strategic Plan, Integrated Water Supply Plan, other District planning, and the Capital Improvement Program culminate in the District's annual operating budget. Each September the Board of Directors adopts an annual budget for the October 1st start of the District's fiscal year.

The Revenue Fund is the source of funds to build and maintain a water supply system that serves 2.5 million people across 11 counties and over 70 communities. The District's service area, shown in the figure below, captures the customers currently served directly by TRWD or indirectly through our customers. The figure also shows the District's planning area, where the District plans to provide raw water supply but is not currently capable of doing so due to lack of transmission infrastructure or adequate supply (or a lack of customers requesting supply at this time in that area).



The annual revenue fund budget primarily funds operations and maintenance of the water supply system, shown in the figure below. The system includes 260+ miles of pipeline that can deliver 560 million gallons per day. Cash funding of small capital projects is included in the annual budget. It also includes debt service for the major capital projects in the CIP and some cash funding for CIP projects (pay-as-you-go funding).




"The Amendatory Contract" is the contract that governs TRWD's water supply service to the Initial Contracting Parties (Fort Worth, Arlington, Mansfield and the Trinity River Authority) and allows Additional Party Contracts for water service to communities not served by the Initial Contracting Parties. Per the Amendatory Contract, the only contingency funding included in the Revenue Fund is a reserve for debt service. The debt service reserve covers the highest year of debt service on funds borrowed for capital improvements. In 2018 the Customer Advisory Committee (with representatives from Fort Worth, Arlington, Mansfield and the Trinity River Authority) adopted a not-to-exceed $5 million pumping power contingency fund, which was fully funded by excess budget in the same year.

Below is a summary table of the proposed Fiscal Year 2027 Revenue Fund Budget.

| **Proposed FY27 Revenue Fund Budget** | | | |
|---|---|---|---|
| Expenditures | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed |
| Operating Expenditures | $70,038,351 | 87,940,255 | 96,460,601 |
| System Improvements & Capital | 25,848,860 | 26,932,996 | 24,647,675 |
| Debt Service | 80,069,793 | 84,861,223 | 102,607,023 |
| Total Expenditures | $175,957,004 | $199,734,474 | $223,715,299 |
| | | | |
| Revenues | | | |
| Sale of Water | 158,351,130 | 186,752,516 | 205,335,423 |
| Dallas Water Utility - IPL | 3,932,758 | 4,000,000 | 4,400,000 |
| Interest Income | 9,974,032 | 5,500,000 | 10,000,000 |
| Water Conservation Contributions | 1,123,521 | 1,217,918 | 1,217,918 |
| Other Income | 2,575,563 | 2,264,040 | 2,761,958 |
| Total Revenues | $175,957,004 | $199,734,474 | $223,715,299 |
| | | | |
| System Rate (per thousand gallons) | $1.19284 | $1.43092 | $1.50818 |

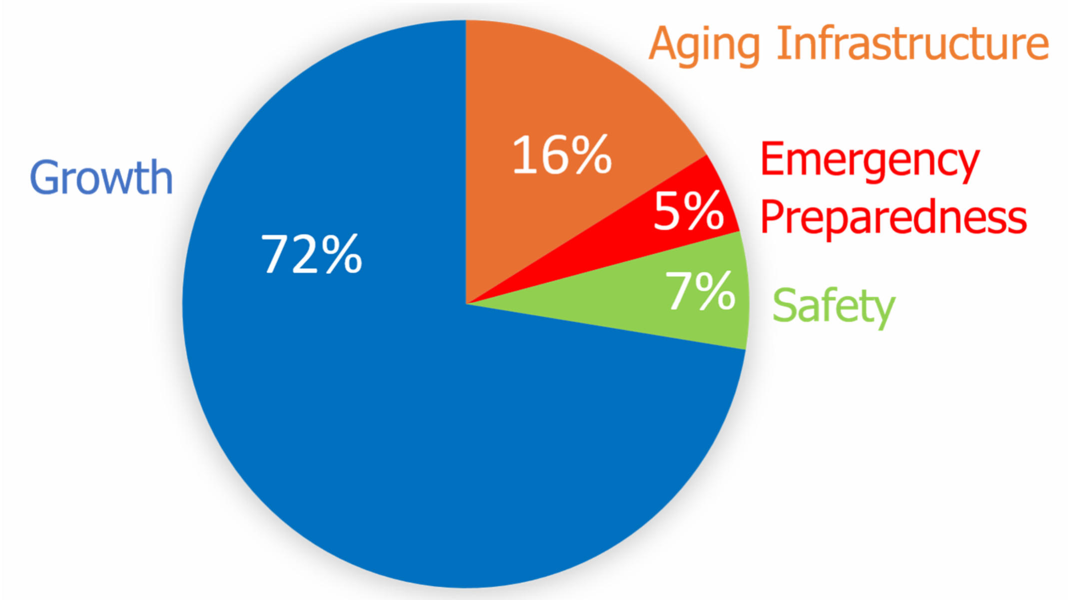
# Fiscal Year 2027 Revenue Fund

Because of sustained growth and the need to replace aging infrastructure, the District has consistently forecasted increases in expenditures. However, staff has made it possible to maintain a nearly flat Revenue Fund rate, increasing in line with typical inflation, because we have absorbed the gradually increasing impact of the Capital Improvement Program with existing staff and budget. However, we are now beginning the heavy delivery period of the District's $2.3 billion 5-year Capital Improvement Program.

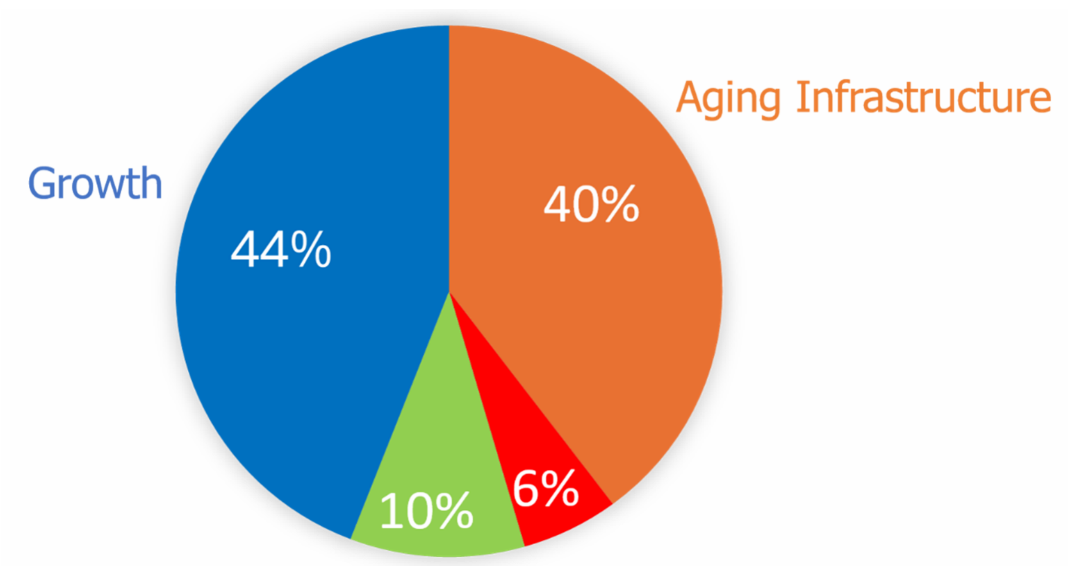
## Driver 1: Capital Improvements Due to Growth and Aging Infrastructure

North Texas accounts for one-third of the State's economy. Our booming economy is driving growth in the District's service area and has positioned Texas as the eighth largest economy in the world. The District currently serves 2.5 million people in North Texas and the State projects that will grow to 5 million by the year 2080. Our service area has grown by an average of 65,000 people per year for the last five years.

As shown in the chart below, growth drives 72% of the projected Capital Improvement Program expenditures over the next 5 years. Replacement of aging infrastructure accounts for another 16%.




However, investment in aging infrastructure is more heavily weighted in the early years of the District's Capital Improvement Program, as shown in the chart below. Growth drives 44% of the projected Capital Improvement Program expenditures over the next 2 years while aging infrastructure accounts for 40%.




TRWD has a rigorous asset management system that prolongs the life of our assets, often beyond industry averages. However, the District was established in 1924 and many large assets are in need of significant investment or replacement due to age.

| Reservoir | Age (Years) |
|---|---|
| Bridgeport | 94 |
| Eagle Mountain | 94 |
| Cedar Creek | 62 |
| Richland Chambers | 42 |

| Pipeline System | Age (Years) |
|---|---|
| Cedar Creek System | 56 |
| Kennedale Balancing Reservoir | 53 |
| Richland Chambers System | 42 |
| Benbrook Connection | 30 |
| Eagle Mountain Connection | 20 |
| Integrated Pipeline | 0-11 |

| Facility | Age (Years) |
|---|---|
| Eagle Mountain Office And Service Center | 66 |
| Fort Worth Operations | 66 |
| Cedar Creek Office And Service Center | 61 |
| Bridgeport Office And Service Center | 54 |
| Richland Chambers Office And Service Center | 37 |
| Administration Office | 25 |
| Vic Henderson Office | 17 |
| Annex Office | 13 |

The Fiscal Year 2027 annual budget includes debt service to fund the near-term CIP expenditures, including projects for growth:

- Marty Leonard Wetlands at Cedar Creek Reservoir
- Mary's Creek Reuse supply, which will increase the District's capacity to reuse water by up to 271 million gallons every day.
- Integrated Pipeline (IPL) connection to Richland-Chambers Reservoir

It also includes debt service to fund aging infrastructure replacement projects and improve employee and public safety:

- Cedar Creek pipeline replacement (the 50+ year old, 72" pipeline is being replaced with 90" and 102" steel pipe)
- Construction of the new TRWD Service Center
- Replacing and upgrading electrical equipment in pump stations across the system

In Fiscal Year 2027, the debt service budget is approximately $102.6 million, which includes a $350 million issuance.

## Driver 2: Maintain and Operate a Growing System

The annual operating budget includes:

1. Debt service (as described above in Driver 1: Capital Improvements Due to Growth and Aging Infrastructure).
2. System Improvements and Capital: consisting of shorter-term projects that enhance and rehabilitate the current system and capital needed to support that system (such as heavy equipment, fleet, large HVAC projects, etc.).
3. Operating expenditures.

Operating expenditures include costs like pumping power, or the electricity required to pump water from the District's eastern sources (Cedar Creek and Richland-Chambers Reservoirs) to our customers. This is one of the largest single annual expenditures behind debt service. Pumping power varies significantly from year to year because it is dependent on rainfall quantity and timing, reservoir levels, temperature, and other climate factors. Over the last ten years, annual pumping power has been as low as $9 million and as high as $30 million. The Customer Advisory Committee agrees that predicting pumping power is not feasible and supports the District's budget of $19 million each year.  A $5 million pumping power contingency is available upon authorization if needed.

Fiscal Year 2027 also includes maintenance expenditures, used for:

- Pipelines and pump stations
- Pipeline chemicals to control water quality
- Facilities and grounds
- Equipment and fleet
- Payment to USACE for their maintenance of Lake Benbrook Dam
- Cost sharing for stream gauging stations owned by the United States Geologic Survey (USGS) and some owned and operated by TRWD.

Fiscal Year 2027 also includes system improvements and capital expenditures that will fund several projects and pieces of equipment, such as:

- Construction and repair on the Eagle Mountain dam spillway
- Various pump and valve projects
- Additional heavy equipment and fleet upgrades (trucks, pickups, trailers)
- Payment to the Trinity River Authority for rights to reuse water that will supply the Marty Leonard Wetlands.

Each year the District budgets cash funding for capital projects. This budget is available as "pay-as-you-go" instead of debt financing some capital projects, which saves money for our customers in the long-term.

The District is committed to providing the public with a clean, plentiful water supply and being a good steward of our watersheds and the environment. Funds are allocated for the District's robust water conservation program, watershed protection programs, water quality monitoring, and public outreach and events. The District is budgeting to pay a portion of the water conservation program; the City of Dallas and North Texas Municipal Water District contribute to the partnership and make additional expenditures within their own budgets for messaging specific to their service areas. The conservation program currently saves about 70 million gallons per day, or 25.5 billion gallons per year, enough to supply approximately 250,000 people annually.

Support services make up 24% of the overall Revenue Fund budget. The largest portion of this cost is the District's investment in its people. Employee related expenses are explained in a subsequent section below. Support services also include budget for:

- Professional services, which includes legal fees, audit fees, and consulting fees for items such as engineering, legislative, information technology, and financial services.
- Administrative support, which includes utilities (excluding pumping power), insurance, memberships, etc.
- Information technology costs.

## Driver 3: Develop the Next Major Water Supply

The Integrated Water Supply Plan, finalized in August 2025, is the District's 50-year strategic plan to ensure water supply reliability to this growing region. It establishes projected timing of new water supply projects, which projects are most likely to be developed, and in what probable sequence. That planning and ongoing monitoring of our water supply demands and resources have shown it is time for TRWD to implement a new major water supply strategy.

The Fiscal Year 2027 budget does not include line items or categories specific to the new water supply. However, work on this strategy requires significant time from executive staff, engineering, legal, finance, and some support services. Work on the new water supply is driving additional employee related expenditures, legal fees, and  consulting fees.

The 5-year Capital Improvement Program does not include cost for the next major water supply because major design and construction costs will be beyond the 5-year window. In the subsequent 5 years, the annual operating budget will include costs to begin implementation.

## Employee Related Expenses

The Employee Related budget includes salaries and taxes, health insurance, retirement contributions, and other employee-related expenditures. The Fiscal Year 2027 Employee Related budget has an atypically large increase. Significant savings have been realized elsewhere to compensate for this increase because an investment in staff in Fiscal Year 2027 is the District's highest priority to successfully execute in the coming years of growth.

There are three drivers for the budget increase. First, actual employee-related expenditures were 8% less than budget in Fiscal Year 2025. To close that gap, the employee-related expenditures budget in 2026 was *decreased* by 2% while still planning for merit increases, vacancy fill, and a small number of added positions. It is now clear that was too aggressive, especially as hiring improved and vacancies were filled more successfully than anticipated.

Second, employee-related costs continue to be affected by benefit cost escalation, particularly health insurance. Those costs compound across the existing workforce and new positions.

Third, the District is now in the heavy delivery period of its $2.3 billion, 5-year Capital Improvement Program. This is driving the need for personnel to keep up with the additional workload and avoid significant risk to our water supply system.

The current authorized Revenue Fund staffing level for Fiscal Year 2026 is 253 Full-Time Equivalents (FTEs). The proposed Fiscal Year 2027 Revenue Fund staffing level is 274 FTEs, which is a net increase of 21 FTEs. The District is currently deferring hiring until 2027 except for vacancies in critical roles that, if not filled, would risk operations, project delivery, or other critical functions.

The District also continues to review where work should be contracted rather than staffed internally. Because of our sustained growth, the analysis shows internal staffing is more cost-effective and lower risk over the short and long term.

The proposed FY27 Revenue Fund FTE additions generally fall into these areas:

- Construction inspectors who support active capital projects and can later transition into operations roles as those assets are placed into service.
- Operations and maintenance personnel needed to maintain added and aging capital assets, including welding, equipment operation, right-of-way, cathodic protection, instrumentation and electrical, and related field support.
- Finance and procurement staff needed to support the added volume and complexity of contracts, purchasing, and financial administration.
- Engineering staff needed to support the capital project workload, growth-related projects, and replacement of aging infrastructure.
- Facilities maintenance staff needed to support both aging facilities and new facilities being added to the system.
- Network administrators for our growing information technology system.

## Integrated Pipeline – Dallas Water Utilities

The District and Dallas Water Utilities (DWU) share costs on certain portions of the Integrated Pipeline project. Per the contract between TRWD and DWU, Dallas pays the District for direct costs and labor hours incurred specifically on joint sections of the transmission system and on sections of the system paid for and used 100% by Dallas (such as the system between Lake Palestine and Cedar Creek Reservoir). Indirect operations and maintenance costs, and indirect capital replacement costs are allocated between TRWD and DWU based on each entity's share of the system's asset value. In Fiscal Year 2027, Dallas will pay $4.4 million to TRWD to operate, maintain, and manage design and construction of the Integrated Pipeline system.

In the coming years, Dallas's payment to the District will decrease because the District continues to add to the integrated pipeline system while Dallas is nearly complete with its portion. Therefore, TRWD's share of the system's asset value will increase and Dallas's payment to TRWD will decrease.

# Cost Saving Measures

The District is seeking federal and state funding in order to decrease costs to the customers. Staff has also found areas to tighten the budget, defer projects, and absorb increases.

TRWD is pursuing funding in the form of low-interest loans and grants from several sources, including:

- The Building Resilient Infrastructure and Communities (BRIC) federal program
- United States Bureau of Reclamation (USBR) federal grant for large scale water recycling projects
- Water supply and infrastructure grants from the Texas Water Development Board
- Low-interest loans from the State Water Implementation Fund for Texas (SWIFT)

Several other cost saving measures are described below.

<u>Property Insurance</u>

As the District's infrastructure ages, the associated risk increases, making strategic insurance coverage for some components even more critical. The expense to secure such coverage for all four dams in a single year would be exceptionally high. To address this, the District is developing a strategy that spreads the cost over several years, ensuring we achieve the necessary coverage at the most economical rate possible. This approach aligns with the infrastructure's age and risk profile and represents a substantial deferred cost to revenue.

<u>Employee Related</u>

In light of the 2027 increase in employee related expenditures, we are delaying additions to staff that maintain assets in the eastern portion of our system. Teams in information technology, physical security, and facilities are deferring maintenance and lifecycle projects to make room for the extra travel required by existing staff to maintain assets across our large service area. Although staff will be stretched thin, management believes we can manage the increased workload in 2027 with a manageable level of risk to our critical water supply assets.

The District is currently utilizing a combination of internal and outsourced resources for construction inspection on the Integrated Pipeline (IPL) and Capital Improvement Projects. Where advantageous, we are hiring staff to serve as resident inspectors because of significant cost savings as compared to outsourcing this function. The District has also selected multiple third-party construction management firms to promote a deeper bench, healthy competition, and additional industry expertise.

For long-range water supply planning, the District relies on both internal expertise and external consultants as needed. The majority of the District's water supply planning, reservoir system modeling, water rights permitting, and policy efforts are done with in-house expertise. This reduces consulting costs and positions the District as the foremost expert on its own system, and as an industry leader in policy discussions in Texas, and even in the country.

Energy Procurement

District staff monitor and operate our water supply system to meet customer water demands while also prioritizing energy efficiency. This planning is largely done in-house by staff that also respond to urgent system needs during unplanned outages. The District manages risk, like energy prices that occurred during winter storm Uri, through a sophisticated energy procurement strategy and pumping strategy.

# TRWD Revenue Fund - Water Supply
# FY27 Budget Highlights

Tarrant Regional Water District ("the District") enriches communities and improves the quality of life through water supply, flood control, and recreation. The District has approved a strategic plan to invest in our people, meet the rapid growth in our communities, further enhance our fiscal responsibility, and improve community stewardship.

The District's Capital Improvement Plan (CIP) addresses the continued growth in our service area, the aging infrastructure of our system, the emergency preparedness and resilience of our system, as well as employee and public safety. The planned CIP program for the next five years (2027-2031) is estimated to cost $2.3 billion of which $350 million is planned for fiscal year 2027 (FY27). The Revenue Fund budget for fiscal year 2027 shows an increase in the water rate of 5.40%. This increase consists of; (1) debt payments for FY27's CIP expenditures, (2) an increase in the purchase of capital equipment - mainly due to the fleet lifecycle management program which supports growth and safety, (3) an increase in maintenance cost largely due to repairs and improvements for aging infrastructure. Some of these capital projects will be <u>cash funded</u> in order to be as strategic as possible to reduce interest expense and have less impact on the long term rate. All of these cost increases are described in more detail in the expense portion of the budget.

In FY27 the District's CIP expenditures include:

- **Growth - Water Supply and Transmission**
  - <u>Marty Leonard Wetlands</u> – this project will reuse water from Fort Worth and Trinity River Authority water reclamation facilities.
  - <u>Mary's Creek Reuse Supply</u>- this project will capture and reuse water from Fort Worth's newest water reclamation facility.
  - <u>Integrated Pipeline (IPL) Connection to Richland Chambers</u> **-** Section 16 of the IPL will connect the future pump station on Richland Chambers reservoir to the rest of the IPL water transmission system.

- **Aging Infrastructure**
  - <u>Cedar Creek Pipeline Replacement</u> - replacing distressed pipe on the 50 year old pipeline. The older pipe is being replaced with larger 90" and 102" welded steel pipes which will provide increased transmission capacity.
  - <u>Service Center</u> - the current operations facility is obsolete, undersized, and in the path of the new bypass channel. The new service center will accommodate the current workload and allow for future growth.

- **Employee and Public Safety**
  - <u>Electrical Buildings</u> - replacing and upgrading electrical equipment in pump stations across the system. The current equipment is dated and does not have modern safety features. In addition to improved employee and public safety, these updates will provide equipment reliability and give the District the capability to increase its operating capacity.

# TRWD Revenue Fund - Water Supply
# FY27 Budget Summary

### TRWD Purpose
Enriching communities and improving the quality of life through water supply, flood control, and recreation.

### Water Supply Overview
The District supplies water to 2.5 million people in an 11-county service area, making it one of the largest water suppliers in the state. The District provides raw water to more than 50 direct wholesale customers in north central Texas, the largest of which include Fort Worth, Arlington, Mansfield, and the Trinity River Authority.

The District's service area population is projected to nearly double in the next 50 years. In anticipation of this growth, the District has begun planning new water supply sources. The District has a long-range water supply resilience and diversification plan to ensure a reliable water supply in extreme and challenging conditions. The District is leading efforts to determine how to optimize regional water supply across north central Texas.

Below is the proposed Revenue Fund budget for fiscal year 2027. The Revenue Fund is supported by annual revenues from water sales and other miscellaneous income items that cover 100% of the annual cost of building, operating, and maintaining the Water Supply System.

### Proposed FY27 Revenue Fund Budget

| Expenditures | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Change % |
|---|---|---|---|---|
| Operating Expenditures | $ 70,038,351 | $ 87,940,255 | $ 96,460,601 | 9.69 % |
| System Improvements & Capital | 25,848,860 | 26,932,996 | 24,647,675 | (8.49)% |
| Debt Service | 80,069,793 | 84,861,223 | 102,607,023 | 20.91 % |
| **Total Expenditures** | **$ 175,957,004** | **$ 199,734,474** | **$ 223,715,299** | **12.01 %** |

| Revenues | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Change % |
|---|---|---|---|---|
| Sale of Water | $ 158,351,130 | $ 186,752,516 | $ 205,335,423 | 9.95 % |
| Dallas Water Utility - IPL | 3,932,758 | 4,000,000 | 4,400,000 | 10.00 % |
| Interest Income | 9,974,032 | 5,500,000 | 10,000,000 | 81.82 % |
| Water Conservation Contributions | 1,123,521 | 1,217,918 | 1,217,918 | — % |
| Other Income | 2,575,563 | 2,264,040 | 2,761,958 | 21.99 % |
| **Total Revenues** | **$ 175,957,004** | **$ 199,734,474** | **$ 223,715,299** | **12.01 %** |

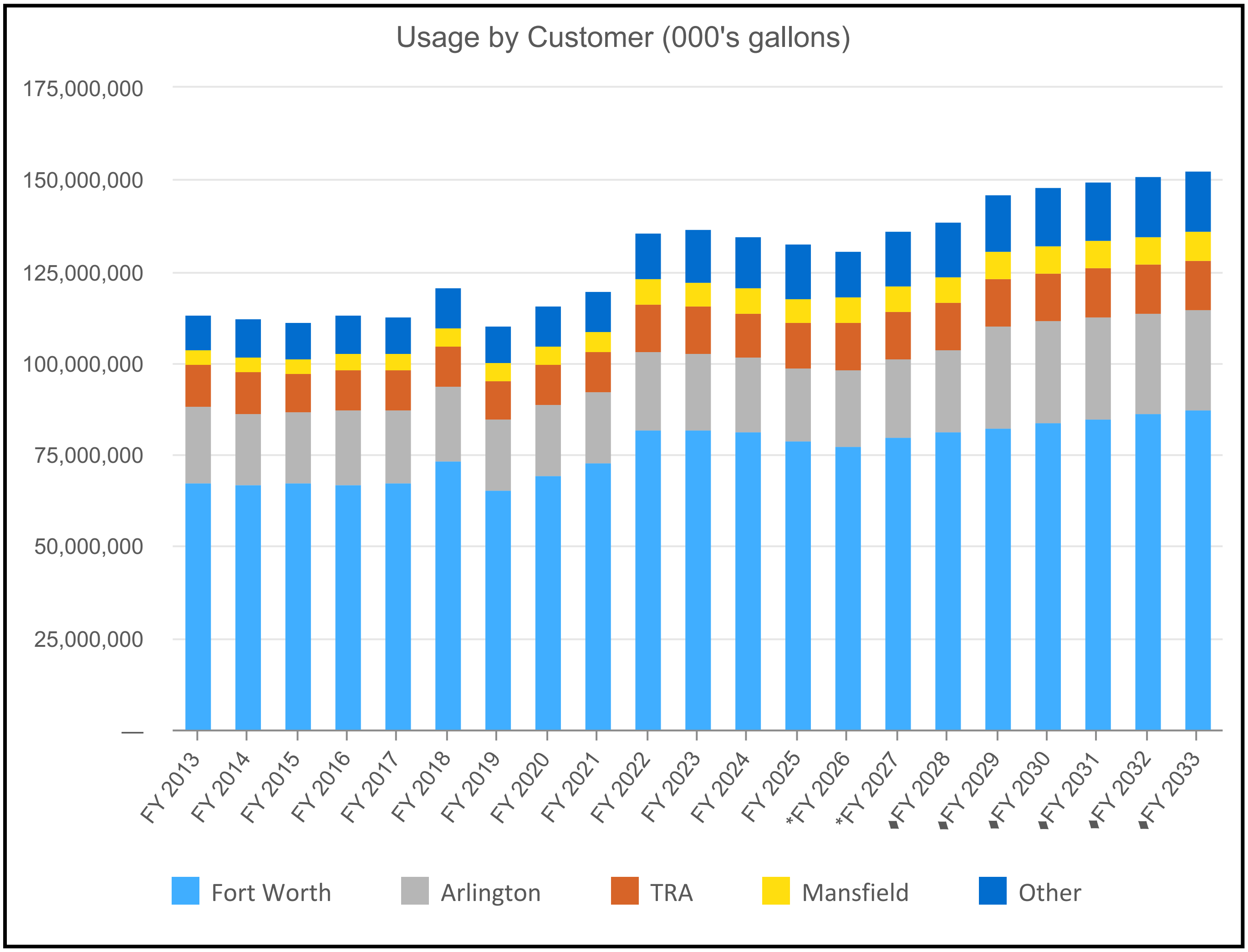
| | FY25 Actual Rate | FY26 Budgeted Approved Rate | FY27 Budgeted Proposed Rate | Change % |
|---|---|---|---|---|
| System Rate | $ 1.19284 | $ 1.43092 | $ 1.50818 | 5.40 % |

## Water Supply Demands

Demand for water supply is based on many factors including population growth, water conservation, weather patterns, lake levels, and changing population lifestyles. All of these factors impact both current and future demands. The District continues to focus on water affordability as well as preparing for those future demands.

The graph below shows water usage for the past 13 years, budgeted usage for fiscal years 2026 and 2027, and projected usage for fiscal years 2028 - 2033. The District is currently preparing for future demands by expanding transmission system infrastructure, developing new sources of supply, and replacing aging infrastructure.

Note that the timing for new water supply sources and transmission system expansion is based on projections for **dry year** usage to ensure adequate system capacity for all customers during those years. In the graph below, the years 2022 and 2024 are examples of dry years with higher water usage. The data from these types of dry years provides valuable input for the models that project future dry-year water supply needs.




*Budgeted
◈Projected

## System Rate Calculation

The sale of water revenue is estimated using the budgeted raw water rate multiplied by the estimated water usage for fiscal year 2027. This budgeted rate, expressed in dollars per 1,000 gallons, is calculated by taking the budgeted expenditures for fiscal year 2027, subtracting other income sources, and dividing that number by the estimated usage in gallons. Each fiscal year, the four primary customers provide their estimated usage for the year. The other customers' estimated usage is based on historical data combined with overall customer trends.

| Net System Revenue Requirements | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance | Change % |
|---|---|---|---|---|---|
| Total Expenditures | $ 175,957,004 | $ 199,734,474 | $ 223,715,299 | $ 23,980,825 | 12.01 % |
| Less: Other Revenues Not Through Sale of Water | (17,605,874) | (12,981,958) | (18,379,876) | (5,397,918) | 41.58 % |
| **Net System Revenue Requirement** | **$ 158,351,130** | **$ 186,752,516** | **$ 205,335,423** | **$ 18,582,907** | **9.95 %** |

| Projected Usage Gallonage (000's) | FY25 Actual Water Usage | FY26 Budgeted Water Usage | FY27 Budgeted Water Usage | Variance | Change % |
|---|---|---|---|---|---|
| Fort Worth | 79,055,161 | 77,555,740 | 80,208,006 | 2,652,266 | 3.42 % |
| Arlington | 20,127,035 | 20,761,976 | 21,395,750 | 633,774 | 3.05 % |
| * Trinity River Authority | 12,132,793 | 13,285,517 | 12,608,861 | (676,656) | (5.09)% |
| Mansfield | 6,610,849 | 6,789,304 | 6,925,090 | 135,786 | 2.00 % |
| ** Other Customers | 14,825,012 | 12,119,640 | 15,010,385 | 2,890,745 | 23.85 % |
| **Total Gallonage (000's)** | **132,750,850** | **130,512,177** | **136,148,092** | **5,635,915** | **4.32 %** |

*The Trinity River Authority’s projected usage decreased in FY27 due to the detection and correction of a major leak in their system

**The Other Customers projected usage for FY27 is based on their five year average of actual usage, the increase is not attributed to one single customer

| Calculated System Rate | FY25 Actual Rate | FY26 Budgeted Approved Rate | FY27 Budgeted Proposed Rate | Variance | Change % |
|---|---|---|---|---|---|
| District Rate | $ 1.19284 | $ 1.43092 | $ 1.50818 | $ 0.07726 | 5.40 % |

## System Rate Model

The District utilizes a rate model to project future water rates. The District's estimated water supply expenses are combined with projections for raw water usage to calculate a projected water rate for future years. Projected Operations and Maintenance expenses are estimated to increase 10% each year while Pumping Power is generally held steady. Usage projections for fiscal year 2027 are provided by the customers. Usage for future years is the greater of customer projections or the dry-year model projections.

| | FY26 Approved | FY27 Proposed | FY28 Projected | FY29 Projected |
|---|---|---|---|---|
| SYSTEM OPERATIONS | | | | |
| Operations and Maintenance | $ 68,940,255 | $ 77,460,601 | $ 86,934,565 | $ 95,628,021 |
| Pumping Power | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 |
| Capital & System Improvements | 26,932,996 | 24,647,675 | 8,000,000 | 8,000,000 |
| **TOTAL SYSTEM OPERATIONS** | **114,873,251** | **121,108,276** | **113,934,565** | **122,628,021** |
| CURRENT DEBT SERVICE | $ 79,967,748 | $ 80,016,496 | $ 79,914,963 | $ 79,862,226 |
| PROPOSED BOND DEBT SERVICE | | | | |
| 2026 Issue - $250m | 4,864,125 | 16,006,861 | 16,010,111 | 16,008,236 |
| 2026 Issue - refunding | | (623,950) | (626,825) | (627,700) |
| 2027 Issue - $350m | | 7,142,266 | 24,331,875 | 24,336,375 |
| 2028 Issue - $450m | | | 9,182,928 | 31,288,750 |
| 2029 Issue - $478m | | | | 9,754,222 |
| 2030 Issue - $520m | | | | |
| 2031 Issue - $340m | | | | |
| 2032 Issue - $255m | | | | |
| 2033 Issue - $255m | | | | |
| BOND PAYING AGENT FEES | 29,350 | 65,350 | 30,050 | 30,400 |
| **TOTAL DEBT SERVICE** | **84,861,223** | **102,607,023** | **128,843,102** | **160,652,509** |
| **TOTAL EXPENDITURES** | **$ 199,734,474** | **$ 223,715,299** | **$ 242,777,667** | **$ 283,280,530** |
| **LESS: OTHER INCOME** | **$ 12,981,958** | **$ 18,379,876** | **$ 20,750,000** | **$ 25,058,255** |
| **NET SYSTEM REQUIREMENTS** | **$ 186,752,516** | **$ 205,335,423** | **$ 222,027,667** | **$ 258,222,275** |
| **PROJECTED WATER USE (1000 GAL.)** | **2026** | **2027** | **2028** | **2029** |
| FORT WORTH | 77,555,740 | 80,208,006 | 81,328,036 | 82,750,729 |
| ARLINGTON | 20,761,976 | 21,395,750 | 22,392,825 | 27,600,750 |
| TRINITY RIVER AUTHORITY | 13,285,517 | 12,608,861 | 12,928,806 | 13,066,160 |
| MANSFIELD | 6,789,304 | 6,925,090 | 7,063,590 | 7,204,860 |
| OTHER | 12,119,640 | 15,010,385 | 15,200,000 | 15,400,000 |
| **TOTAL USAGE** | **130,512,177** | **136,148,092** | **138,913,257** | **146,022,499** |
| PROJECTED SYSTEM WATER RATES ($/1000 GAL.) | | | | |
| **System Rate** | **$ 1.43092** | **$ 1.50818** | **$ 1.59832** | **$ 1.76837** |
| **PROJECTED SYSTEM REVENUE: ($)** | | | | |
| FORT WORTH | $ 110,976,078 | $ 120,967,871 | $ 129,988,127 | $ 146,334,173 |
| ARLINGTON | 29,708,732 | 32,268,578 | 35,790,873 | 48,808,427 |
| TRINITY RIVER AUTHORITY | 19,010,515 | 19,016,394 | 20,664,353 | 23,105,847 |
| MANSFIELD | 9,714,953 | 10,444,262 | 11,289,869 | 12,740,881 |
| OTHER | 17,342,238 | 22,638,318 | 24,294,445 | 27,232,947 |
| **TOTAL SYSTEM REVENUE** | **$ 186,752,516** | **$ 205,335,423** | **$ 222,027,667** | **$ 258,222,275** |

(Continued on next page)

## System Rate Model

| | FY30 Projected | FY31 Projected | FY32 Projected | FY33 Projected |
|---|---|---|---|---|
| SYSTEM OPERATIONS | | | | |
| Operations and Maintenance | $ 105,190,823 | $ 115,709,907 | $ 131,024,454 | $ 144,126,899 |
| Pumping Power | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 |
| Capital & System Improvements | 5,000,000 | 5,000,000 | 10,000,000 | 31,000,000 |
| **TOTAL SYSTEM OPERATIONS** | **129,190,823** | **139,709,907** | **160,024,454** | **194,126,899** |
| CURRENT DEBT SERVICE | $ 75,639,440 | $ 70,159,334 | $ 69,733,717 | $ 69,290,766 |
| PROPOSED BOND DEBT SERVICE | | | | |
| 2026 Issue - $250m | 16,010,736 | 16,007,111 | 16,006,861 | 16,009,236 |
| 2026 Issue - refunding | (627,825) | (627,200) | (625,850) | |
| 2027 Issue - $350m | 24,336,125 | 24,335,500 | 24,333,750 | 24,335,000 |
| 2028 Issue - $450m | 31,286,625 | 31,285,750 | 31,285,125 | 31,288,625 |
| 2029 Issue - $478m | 33,234,875 | 33,234,875 | 33,234,875 | 33,233,875 |
| 2030 Issue - $520m | 10,611,306 | 36,152,000 | 36,152,875 | 36,152,000 |
| 2031 Issue - $340m | | 6,938,172 | 23,640,500 | 23,638,125 |
| 2032 Issue - $255m | | | 5,203,700 | 17,728,125 |
| 2033 Issue - $255m | | | | 5,203,700 |
| BOND PAYING AGENT FEES | 30,750 | 31,100 | 31,450 | 31,800 |
| **TOTAL DEBT SERVICE** | **190,522,032** | **217,516,642** | **238,997,003** | **256,911,252** |
| **TOTAL EXPENDITURES** | **$ 319,712,855** | **$ 357,226,549** | **$ 399,021,457** | **$ 451,038,151** |
| **LESS: OTHER INCOME** | **$ 26,258,255** | **$ 23,558,255** | **$ 19,958,255** | **$ 21,358,255** |
| **NET SYSTEM REQUIREMENTS** | **$ 293,454,600** | **$ 333,668,294** | **$ 379,063,202** | **$ 429,679,896** |

| **PROJECTED WATER USE (1000 GAL.)** | **2030** | **2031** | **2032** | **2033** |
|---|---|---|---|---|
| FORT WORTH | 84,173,422 | 85,254,878 | 86,336,334 | 87,417,790 |
| ARLINGTON | 27,600,750 | 27,600,750 | 27,600,750 | 27,600,750 |
| TRINITY RIVER AUTHORITY | 13,203,513 | 13,340,867 | 13,381,247 | 13,421,627 |
| MANSFIELD | 7,348,960 | 7,495,940 | 7,575,987 | 7,764,703 |
| OTHER | 15,600,000 | 15,800,000 | 16,000,000 | 16,200,000 |
| **TOTAL USAGE** | **147,926,645** | **149,492,435** | **150,894,318** | **152,404,870** |
| PROJECTED SYSTEM WATER RATES ($/1000 GAL.) | | | | |
| **System Rate** | **$ 1.98378** | **$ 2.23201** | **$ 2.51211** | **$ 2.81933** |
| **PROJECTED SYSTEM REVENUE: ($)** | | | | |
| FORT WORTH | $ 166,981,937 | $ 190,289,560 | $ 216,886,412 | $ 246,459,755 |
| ARLINGTON | 54,753,943 | 61,605,092 | 69,336,134 | 77,815,672 |
| TRINITY RIVER AUTHORITY | 26,192,926 | 29,776,920 | 33,615,171 | 37,840,020 |
| MANSFIELD | 14,578,754 | 16,730,997 | 19,031,717 | 21,891,274 |
| OTHER | 30,947,040 | 35,265,725 | 40,193,768 | 45,673,175 |
| **TOTAL SYSTEM REVENUE** | **$ 293,454,600** | **$ 333,668,294** | **$ 379,063,202** | **$ 429,679,896** |

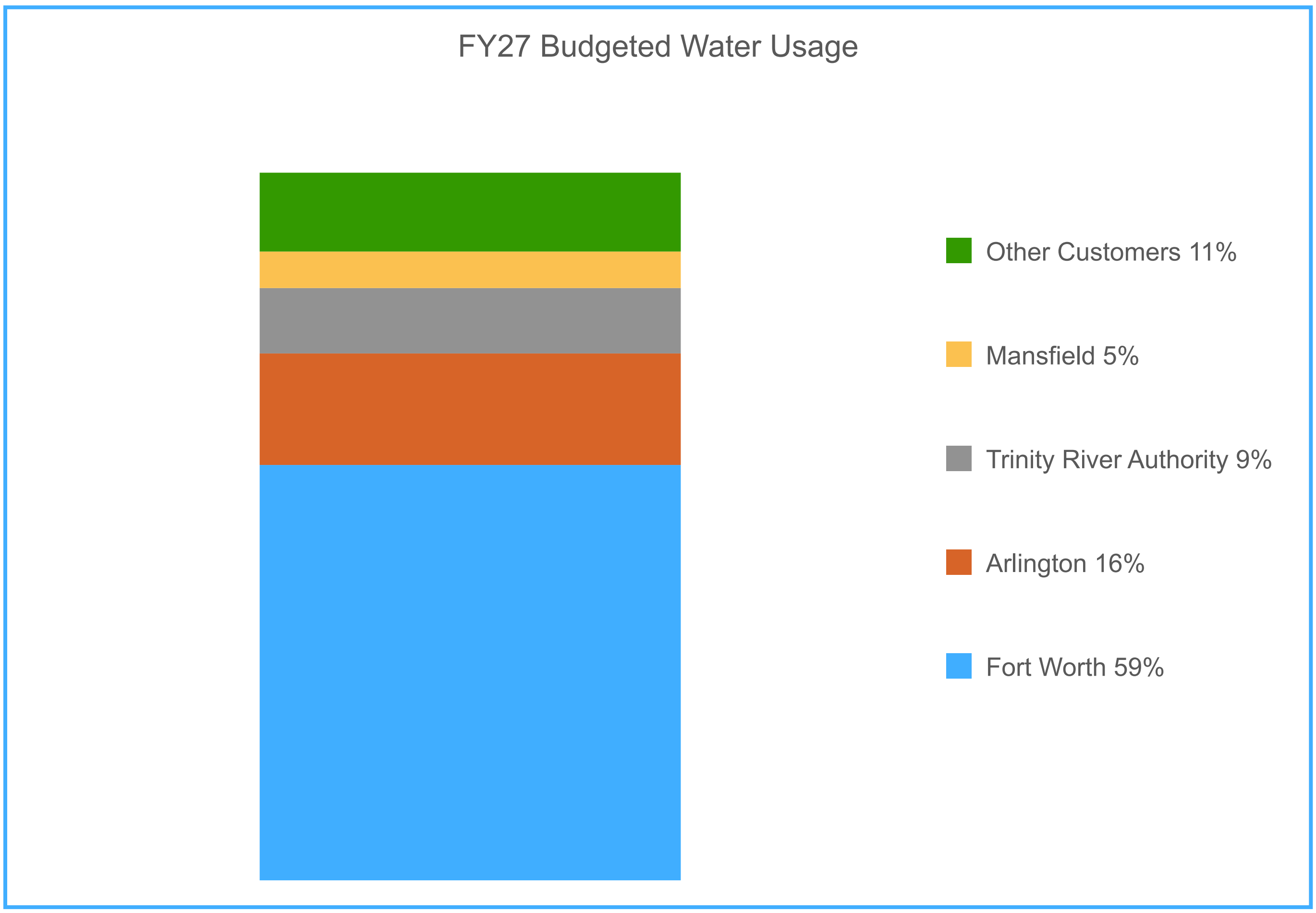
## Water Usage Projections

The District's four primary customers, the cities of Fort Worth, Arlington, Mansfield, and the Trinity River Authority, provide an estimate of their usage to the District each year. The usage for other customers is estimated using historical data of reported usage.

| | Gallonage (000'S) | FY25 Actual Water Usage | FY26 Budgeted Water Usage | FY27 Budgeted Water Usage | Variance | Change % |
|---|---|---|---|---|---|---|
| | Fort Worth | 79,055,161 | 77,555,740 | 80,208,006 | 2,652,266 | 3.42 % |
| | Arlington | 20,127,035 | 20,761,976 | 21,395,750 | 633,774 | 3.05 % |
| * | Trinity River Authority | 12,132,793 | 13,285,517 | 12,608,861 | (676,656) | (5.09)% |
| | Mansfield | 6,610,849 | 6,789,304 | 6,925,090 | 135,786 | 2.00 % |
| ** | Other Customers | 14,825,012 | 12,119,640 | 15,010,385 | 2,890,745 | 23.85 % |
| | **Total Gallonage (000's)** | **132,750,850** | **130,512,177** | **136,148,092** | **5,635,915** | **4.32 %** |

*The Trinity River Authority's projected usage decreased in FY27 due to the detection and correction of a major leak in their system

**The Other Customers projected usage for FY27 is based on their five year average of actual usage, the increase is not attributed to one single customer



# Revenue Fund: Expenditures

# Expenditures Summary

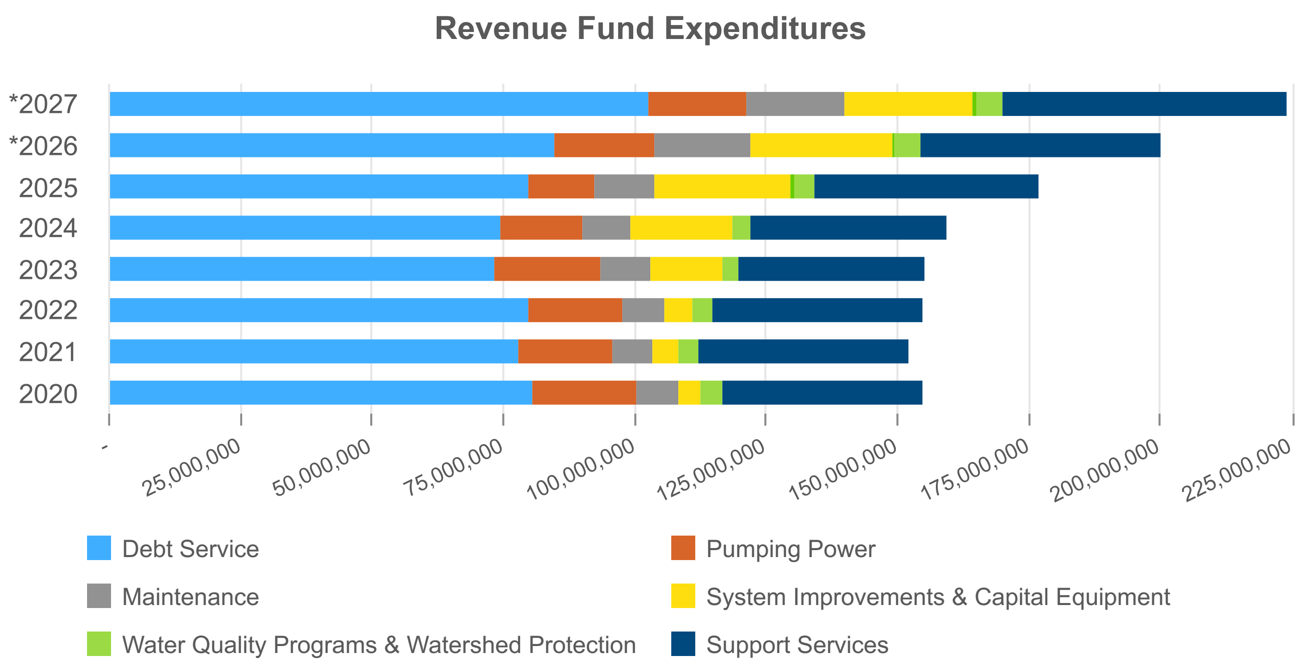
Delivering a reliable and resilient water supply to 2.5 million customers requires a combination of long-term planning and constant evaluation of the current system needs. Pumping power and maintenance provide a consistent supply of water through the existing system, while debt issuances for large capital projects, system improvements, and capital equipment allow the District to continue building the system needed to meet the rapid growth in the community.

The District plans to issue $350 million of debt in fiscal year 2027 as part of the funding for the CIP plan. The District continuously reviews its expenditures, debt and system usage to maintain the most cost efficient way to pay for the system. This year we will be cash funding some of our capital projects to reduce the amount of debt that needs to be issued and therefore reduce long term system costs by incurring less interest expense.

The maintenance of the system includes routine and annual maintenance (such as pump and motor maintenance) as well as repair and improvement projects. In fiscal year 2027, Maintenance increased $66 thousand largely due to the repair and improvement projects planned for 2027 (see details on the Maintenance Expenditures page).

The system is supported through administrative and professional services, information technology, and a diverse, well-trained workforce committed to being ready when the public needs them most. Support Services increased $8.4 million in 2027. This is largely due to the proposed employee additions to support the Water Supply function; see details on the Support Services & Employee-Related Expenditures page.

| Budget Categories | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Debt Service | $ 80,069,793 | $ 84,861,223 | $ 102,607,023 | $ 17,745,800 |
| Pumping Power | 12,546,795 | 19,000,000 | 19,000,000 | — |
| Maintenance | 11,221,859 | 18,279,722 | 18,345,942 | 66,220 |
| System Improvements & Capital | 25,848,860 | 26,932,996 | 24,647,675 | (2,285,321) |
| Environmental Stewardship & Public Outreach | 3,698,718 | 4,817,400 | 4,885,110 | 67,710 |
| Support Services | 42,570,979 | 45,843,133 | 54,229,549 | 8,386,416 |
| **Total Expenditures** | **$ 175,957,004** | **$ 199,734,474** | **$ 223,715,299** | **$ 23,980,825** |




*Budgeted amounts

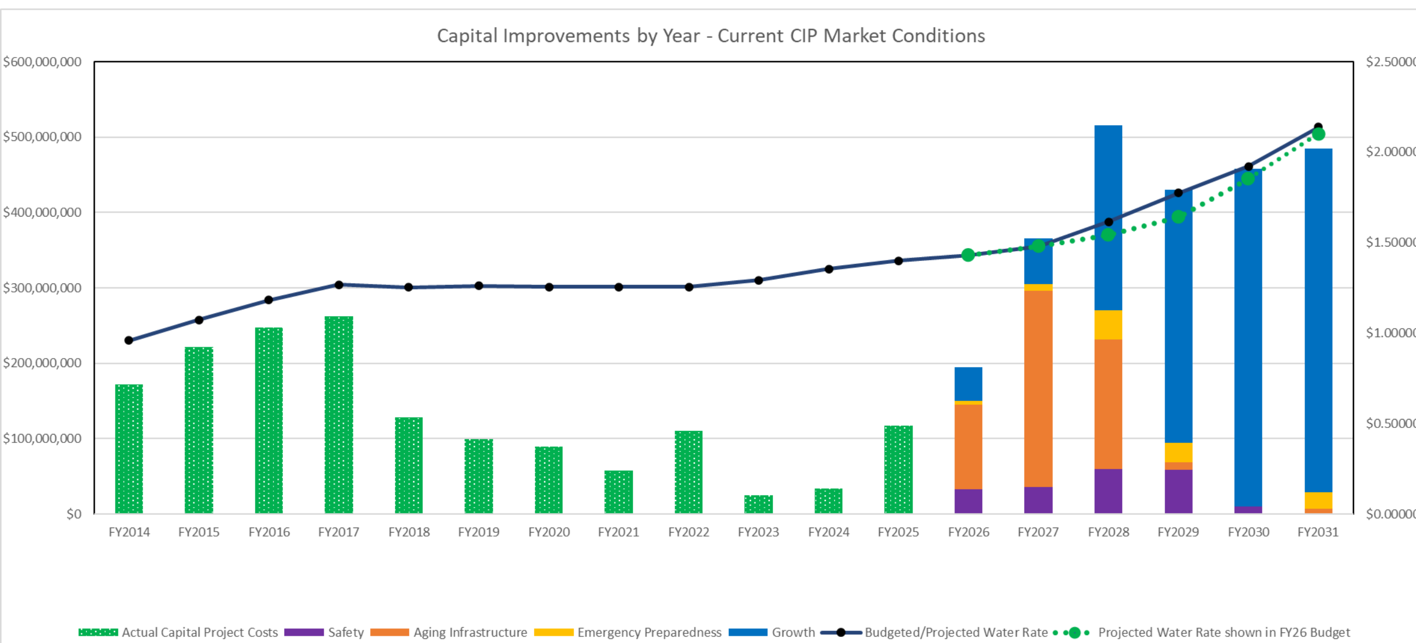
## Debt Service Expenditures

The District is sensitive to the tension always present between providing reliable water supply service and doing so at the most affordable level. One key factor in keeping the water supply rate low is the issuance of debt, which distributes costs between current and future rate payers. In fiscal year 2027 the District is planning to issue $350 million in debt (see rate model for more details). The District is continuing to apply for funding opportunities at the State and Federal level (this funding could reduce the proposed issuance).

The FY27 issuance will fund the CIP project expenditures in 2027; largely the costs are related to project costs:

- Aging Infrastructure→the Cedar Creek pipeline replacement project and the construction of the new Service Center
- Growth - Water Supply and Transmission→the continuation of the IPL Project and the design of the Marty Leonard Wetlands

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| **Debt Service** | **$ 80,069,793** | **$ 84,861,223** | **$ 102,607,023** | **$ 17,745,800** |

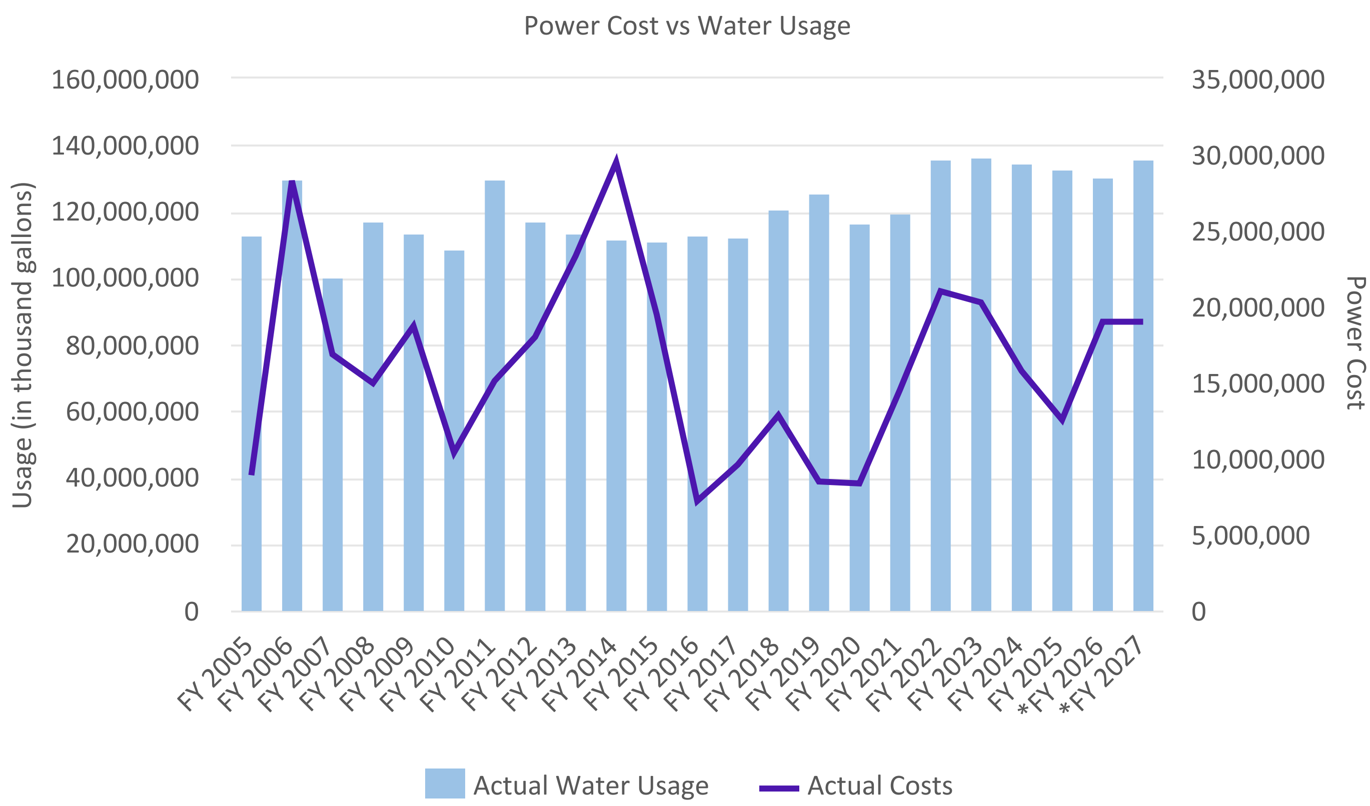


## Pumping Power Expenditures

Pumping power is the cost of electricity needed to deliver water to the District's customers. Water usage and costs do not always have a direct correlation. From fiscal year 2014 to fiscal year 2016 the actual water usage stayed fairly level, but the cost of power dropped from $30 million to $10 million. The greater impact on actual costs is the amount of rainfall leading into the fiscal year and the overall unit cost of electricity.

Due to the unpredictability of rainfall and power costs, the District and the Customer Advisory Committee have agreed to maintain a steady pumping power budget to reduce budget volatility since the amount of water to be pumped each year can fluctuate greatly. To help offset costs in years where pumping power is higher than budget, the customers also approved a pumping power contingency fund that is currently fully funded at $5 million.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Pumping Power | $ 12,546,795 | $ 19,000,000 | $ 19,000,000 | $ — |




*Budgeted amounts

## Maintenance Expenditures

The water supply maintenance budget consists of the costs needed to keep the existing water supply system functioning as intended. There were some increases and decreases by budget category resulting in a modest overall increase of $66,220 (%) in fiscal year 2027.

A large portion of the decrease in the Pipeline & Pump Station budget is due to the renegotiation of the Variable Frequency Drive maintenance contracts.

In FY27 the Facilities & Grounds Maintenance budget includes various projects which address aging infrastructure and employee safety. These projects are expected to grow as our system ages; in FY27 the budgeted projects include updates to facilities throughout the Richland Chambers compounds and repairs at the  Cedar Creek and Richland Chambers dams. In addition to the budgeted projects, the annual routine maintenance costs in FY27 have an increase of 13% due to higher vendor and material expenses.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Pipeline & Pump Station | $ 4,190,031 | $ 8,710,900 | $ 7,752,700 | $ (958,200) |
| Pipeline Chemicals | 914,420 | 1,745,000 | 1,500,000 | (245,000) |
| Facilities & Grounds Maintenance | 3,070,053 | 4,304,908 | 5,425,525 | 1,120,617 |
| Equipment & Fleet | 1,123,543 | 1,204,979 | 1,185,766 | (19,213) |
| Maintenance Support | 975,282 | 1,324,075 | 1,400,851 | 76,776 |
| Benbrook Reservoir O&M | 603,096 | 625,000 | 650,000 | 25,000 |
| Stream Gauging Stations | 345,434 | 364,860 | 431,100 | 66,240 |
| **Total** | **$ 11,221,859** | **$ 18,279,722** | **$ 18,345,942** | **$ 66,220** |

## System Improvements and Capital Expenditures

The Revenue Fund system improvements and capital budget generally consists of shorter-term projects that enhance and rehabilitate the current system and capital needed to support the system. In fiscal year 2027 the District will cash fund some of the capital projects to avoid having to incur debt and pay interest for these projects; see next page for further details.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance | |
|---|---|---|---|---|---|
| Pump & Valve Projects | $ 874,169 | $ 1,437,000 | $ 785,000 | $ (652,000) | 1 |
| Construction & Repair Projects | 3,546,500 | 2,326,000 | 250,000 | (2,076,000) | 2 |
| Capital Equipment | 1,047,517 | 3,675,950 | 4,599,370 | 923,420 | 3 |
| Water Supply Contract | 149,918 | 570,000 | 570,000 | — | |
| Cash Funding for Capital Projects | 20,230,756 | 18,924,046 | 18,443,305 | (480,741) | |
| **Total** | **$ 25,848,860** | **$ 26,932,996** | **$ 24,647,675** | **$ (2,285,321)** | |

1 - The FY26 Pump & Valve Project budget included the Fuel System Upgrade project; this project is anticipated to be complete in the fiscal year and will not carry over into FY27.

2 - The FY26 Construction & Repair Project budget included a one-time large repair project that will not carry over into FY27.

3 - The FY27 Capital Equipment budget increases due in part to an ISO 55000-based fleet asset management strategy shift that schedules additional light-duty and heavy-duty pickup replacements in FY27.

## System Improvements and Capital Details

| | FY27 Budget Proposed |
|---|---|
| **Construction & Repair Projects** | |
| Eagle Mountain Old Service Spillway Concrete Repairs | $ 250,000 |
| Cash Funding for Capital Projects | 18,443,305 |
| | **$ 18,693,305** |
| **Pump & Valve Projects** | |
| Eagle Mountain Flow Control Valves | $ 620,000 |
| Comprehensive Industrial Control System Upgrade Project | 165,000 |
| | **$ 785,000** |
| **Capital Equipment** | |
| Rolling Hills HVAC Project | $ 410,000 |
| Communication & Electronic | 951,195 |
| Miscellaneous Equipment | 106,175 |
| Heavy Equipment (drill truck and skid steer) | 810,000 |
| Trucks, Pickup, Trailers | 2,322,000 |
| | **$ 4,599,370** |
| **Water Supply Contract** | **$ 570,000** |
| **Total System Improvements & Capital** | **$ 24,647,675** |

*All individual items listed under "miscellaneous" are $100 thousand or less.

**The District considers machinery or equipment purchases of $10 thousand or more capital equipment.

## Environmental Stewardship & Public Outreach

The District is committed to providing the public it serves with a clean, plentiful water supply and being a good steward of our watersheds and the environment. The Water Conservation Program has enabled the District to defer capital costs as people use less water than initially projected. The program has also expanded services and participation has steadily grown year over year. The programming expenditure increase will allow the District to update the conservation strategic plan with help from a consultant as we engage and involve our customer cities through multiple public input meetings, while we continue to provide additional customer city classes, workshops and events, residential sprinkler system evaluations and landscape consultations, and outreach resources.

The Watersheds Program continues to serve the District's mission by extending the life of our reservoirs by reducing erosion and sedimentation through targeted landowner engagement, education, and assistance. By directly assisting soil and water conservation districts who administer technical and financial assistance to qualifying agricultural producers, the District is leveraging federal and state funding to promote best management practices that help landowners keep soil on their properties and out of our reservoirs. By expanding into new watersheds and reaching new audiences, we are ensuring a reliable source of water for years to come.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Water Conservation Program* | $ 2,912,886 | $ 3,843,140 | $ 3,891,202 | $ 48,062 |
| Watershed Protection | 322,334 | 415,150 | 437,250 | 22,100 |
| Environmental Stewardship | 396,030 | 428,160 | 412,233 | (15,927) |
| Public Outreach & Events | 67,468 | 130,950 | 144,425 | 13,475 |
| **Total** | **$ 3,698,718** | **$ 4,817,400** | **$ 4,885,110** | **$ 67,710** |

* See next page for Water Conservation Program details.

## ***Water Conservation Program Revenues and Expenditures:***

| Program Area | FY26 Budgeted Expenditures | FY27 Budgeted Expenditures | FY27 Budgeted Contributions | TRWD Portion |
|---|---|---|---|---|
| "Water is Awesome" Campaign | $ 2,035,002 | $ 2,035,002 | $ 1,166,668 | $ 868,334 |
| Program Support (evaluations, watering advice, etc.) | 891,138 | 879,500 | 20,000 | 859,500 |
| School Education Program | 373,000 | 409,700 | — | 409,700 |
| Customer City Assistance Program | 350,000 | 350,000 | — | 350,000 |
| Promotional Items | 105,000 | 110,000 | — | 110,000 |
| Rain Barrel & Customer City Workshops | 65,000 | 83,000 | 12,250 | 70,750 |
| Regional Symposiums | 24,000 | 24,000 | 19,000 | 5,000 |
| **Total** | **$ 3,843,140** | **$ 3,891,202** | **$ 1,217,918** | **$ 2,673,284** |

Water Conservation creates resilient and reliable long-term water supplies and promotes the value of water and related infrastructure in our daily lives. Programs focus on customer city support, regional coordination, reducing outdoor water waste, adult classes, youth education, and creating conservation advocates in our communities. Annual highlights include 300+ community classes and events, 1,000+ youth programs, and 2,500+ residential sprinkler system evaluations.

Dallas and NTMWD each contribute $583 thousand per year to the regional "Water is Awesome" Campaign, which covers broadcast TV, radio, digital, and other forms of outreach. The $285 thousand difference between their portions and the District's covers local costs for specific advertising and promotions within our service area and includes billboards, local print ads, local cable ads, and radio ads. Our partners similarly budget additional money for their own local promotions. Additional details regarding the budgeted contribution revenues are shown on page 27.

The approved FY27 budgeted expenditures continue to build on the new "Customer City Assistance Program" to support additional conservation measures. The goal is to provide technical expertise, program support, and financial assistance for customer cities to advance water conservation within their service area. The FY27 budget increase is primarily dedicated to maintaining service levels for the residential sprinkler system evaluation program and supporting additional opportunities within school education and youth programs.

# Support Services
## Summary

Support services makes up 24% of the overall Revenue Fund budget and serves to support the District's efforts in supplying water to customers. The largest portion of this cost is the District's investment in its people, resulting in strong employee retention, low turnover rates, high employee engagement, and a stable culture. Additional details are given on the following pages.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Employee Related | $ 33,260,867 | $ 35,500,737 | $ 43,399,010 | $ 7,898,273 |
| Professional Services | 4,640,629 | 5,022,543 | 4,857,957 | (164,586) |
| Administrative Support | 2,534,303 | 2,680,267 | 2,636,252 | (44,015) |
| Information Technology | 2,135,180 | 2,639,586 | 3,336,330 | 696,744 |
| **Total Support Services** | **$ 42,570,979** | **$ 45,843,133** | **$ 54,229,549** | **$ 8,386,416** |

## Support Services
## Employee-Related Expenditures

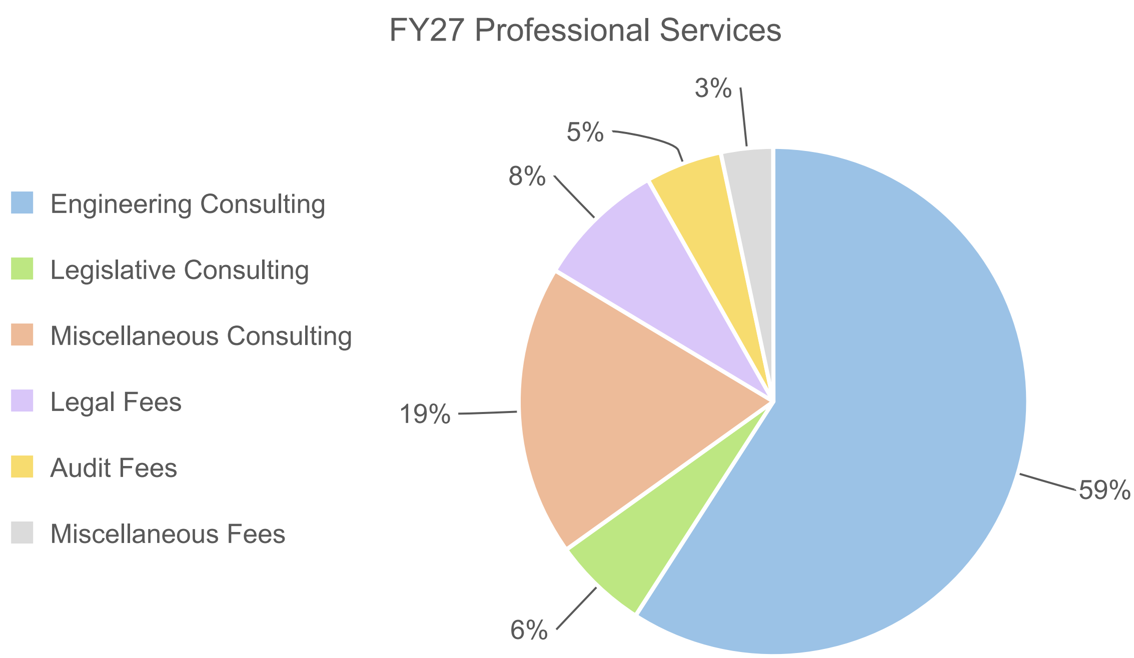
As our customers have continued to grow and provide water to more people (65,000 people are being added to the TRWD service area each year), the District has added staff to meet the growing demand for water. For several years, the District has grown at a moderate rate but projected a more rapid growth rate in anticipation of large capital improvement plan expenditures, the number of projects under contract, and the requirements of meeting rapid growth. Employee-related expenditures are now growing to keep pace with demands for new water supply infrastructure and our efforts to address aging infrastructure (like the 50-year old Cedar Creek Pipeline and even older facilities).

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Salaries and Taxes | $ 23,557,123 | $ 25,181,716 | $ 30,755,085 | $ 5,573,369 |
| Group Health Insurance | 4,679,955 | 5,920,262 | 7,276,974 | 1,356,712 |
| Retirement Contribution | 2,676,444 | 2,750,792 | 3,438,954 | 688,162 |
| Other Post Employment Benefits | 1,361,715 | — | — | — |
| Other Employee-Related Expenditures | 985,630 | 1,647,967 | 1,927,997 | 280,030 |
| **Total** | **$ 33,260,867** | **$ 35,500,737** | **$ 43,399,010** | **$ 7,898,273** |

## Support Services
## Professional Services Expenditures

Professional services are provided by external vendors with specialized technical expertise to support District efforts.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Engineering Consulting | $ 2,447,171 | 2,772,850 | $ 2,871,175 | $ 98,325 |
| Legislative Consulting | 233,507 | 230,250 | 292,350 | 62,100 |
| Miscellaneous Consulting | 1,264,989 | 1,217,717 | 898,493 | (319,224) |
| Subtotal Consulting Fees | 3,945,667 | 4,220,817 | 4,062,018 | (158,799) |
| | | | | |
| Legal Fees | 309,210 | 397,875 | 397,875 | — |
| Audit Fees | 211,081 | 228,254 | 236,582 | 8,328 |
| Miscellaneous Fees | $ 174,671 | 175,597 | $ 161,482 | (14,115) |
| **Total Professional Services** | **$ 4,640,629** | **$ 5,022,543** | **$ 4,857,957** | **$ (164,586)** |



## Support Services
## Administrative Support Expenditures

Administrative support services consist of a variety of overhead expenditures that support the District's water supply system as a whole. These categories tend to remain relatively stable from year to year.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Utility Costs | $ 614,719 | $ 697,688 | $ 636,535 | $ (61,153) |
| Insurance | 749,873 | 839,344 | 938,524 | 99,180 |
| Memberships | 454,993 | 452,600 | 422,113 | (30,487) |
| Administrative Building Leases | 479,796 | 391,554 | 391,554 | — |
| Communication Equipment | 111,634 | 107,813 | 67,178 | (40,635) |
| Legal Notices | 2,342 | 2,600 | 1,570 | (1,030) |
| Other Administrative Support | 120,946 | 188,668 | 178,778 | (9,890) |
| **Total** | **$ 2,534,303** | **$ 2,680,267** | **$ 2,636,252** | **$ (44,015)** |

## Support Services
## Information Technology

Information Technology supports the District's technology needs. In FY27 the District's IT Team is budgeting for two major initiatives: (1) shifting the Microsoft Enterprise licensing to prepare for the greater use of the Copilot AI solution and (2) the Maximo Construction Management Maintenance System required lifecycle upgrade.

| **Information Technology** | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Hardware | $ 660,516 | $ 983,850 | $ 995,900 | $ 12,050 |
| Software | $ 1,474,664 | $ 1,655,736 | $ 2,340,430 | 684,694 |
| **Total Information Technology** | **$ 2,135,180** | **$ 2,639,586** | **$ 3,336,330** | **$ 696,744** |

# Revenue Fund: Revenues

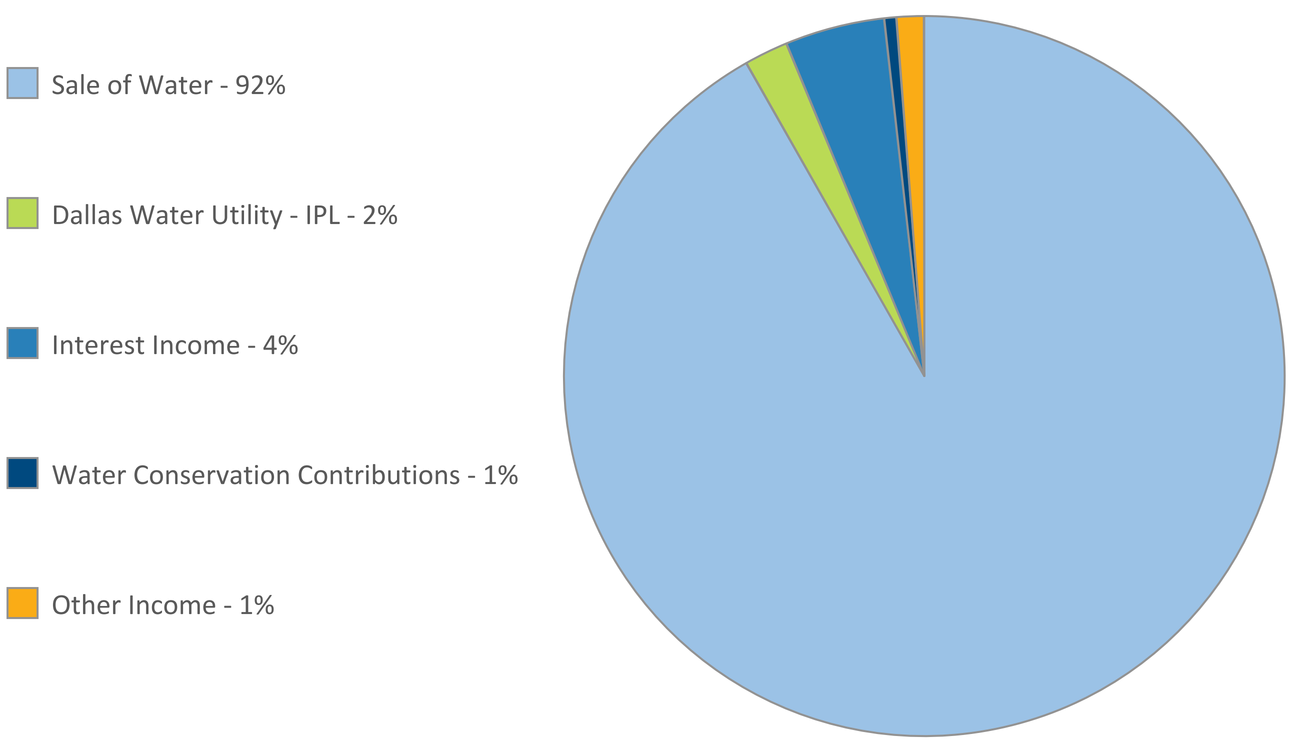
# Sources of Revenue
## Summary

The primary source and largest single component of income to the Revenue Fund is the sale of water, which makes up 92% of the total budgeted revenues for fiscal year 2027. Interest earned on investments, contributions from the water conservation program, and other income (leases, permit revenues, and other water sales) comprise approximately 6% of the budgeted revenues for fiscal year 2027. The proposed interest income increase is largely due to the increase in proposed bond issues for fiscal years 2026 and 2027. These proceeds will be invested based on cashflow needs.The remaining 2% consists of maintenance costs shared with Dallas Water Utilities on the Integrated Pipeline (IPL) project.

| Sources | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Sale of Water* | $ 158,351,130 | $ 186,752,516 | $ 205,335,423 | $ 18,582,907 |
| Dallas Water Utility - IPL* | 3,932,758 | 4,000,000 | 4,400,000 | 400,000 |
| Interest Income* | 9,974,032 | 5,500,000 | 10,000,000 | 4,500,000 |
| Water Conservation | 1,123,521 | 1,217,918 | 1,217,918 | — |
| Other Income | 2,575,563 | 2,264,040 | 2,761,958 | 497,918 |
| **Total Revenues** | **$ 175,957,004** | **$ 199,734,474** | **$ 223,715,299** | **$ 23,980,825** |

*Additional Details on the following pages

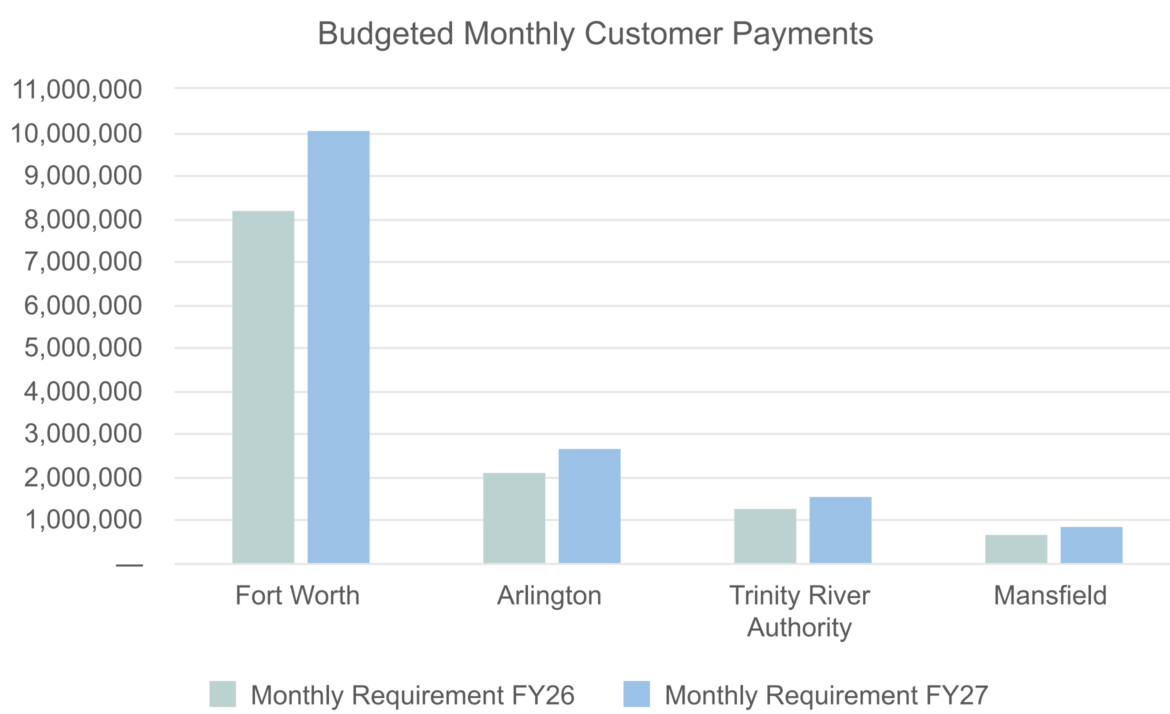
FY27 Budgeted Revenues



# Sources of Revenue
## Sale of Water

### Customer Monthly Payments

| | Fort Worth | Arlington | Trinity River Authority | Mansfield |
|---|---|---|---|---|
| FY 2027 Estimated Usage (000's) | 80,208,006 | 21,395,750 | 12,608,861 | 6,925,090 |
| **FY 2027 Rate per 1,000 Gallons** | **$ 1.50818** | **$ 1.50818** | **$ 1.50818** | **$ 1.50818** |
| **FY27 Budgeted Revenue Requirement** | **$ 120,967,870** | **$ 32,268,578** | **$ 19,016,394** | **$ 10,444,262** |
| FY26 Budgeted Revenue Requirement | $ 110,976,078 | $ 29,708,732 | $ 19,010,515 | $ 9,714,953 |
| **Monthly Requirement FY27** | **$ 10,080,656** | **$ 2,689,048** | **$ 1,584,700** | **$ 870,355** |
| Monthly Requirement FY26 | $ 9,248,007 | $ 2,475,728 | $ 1,584,210 | $ 809,579 |



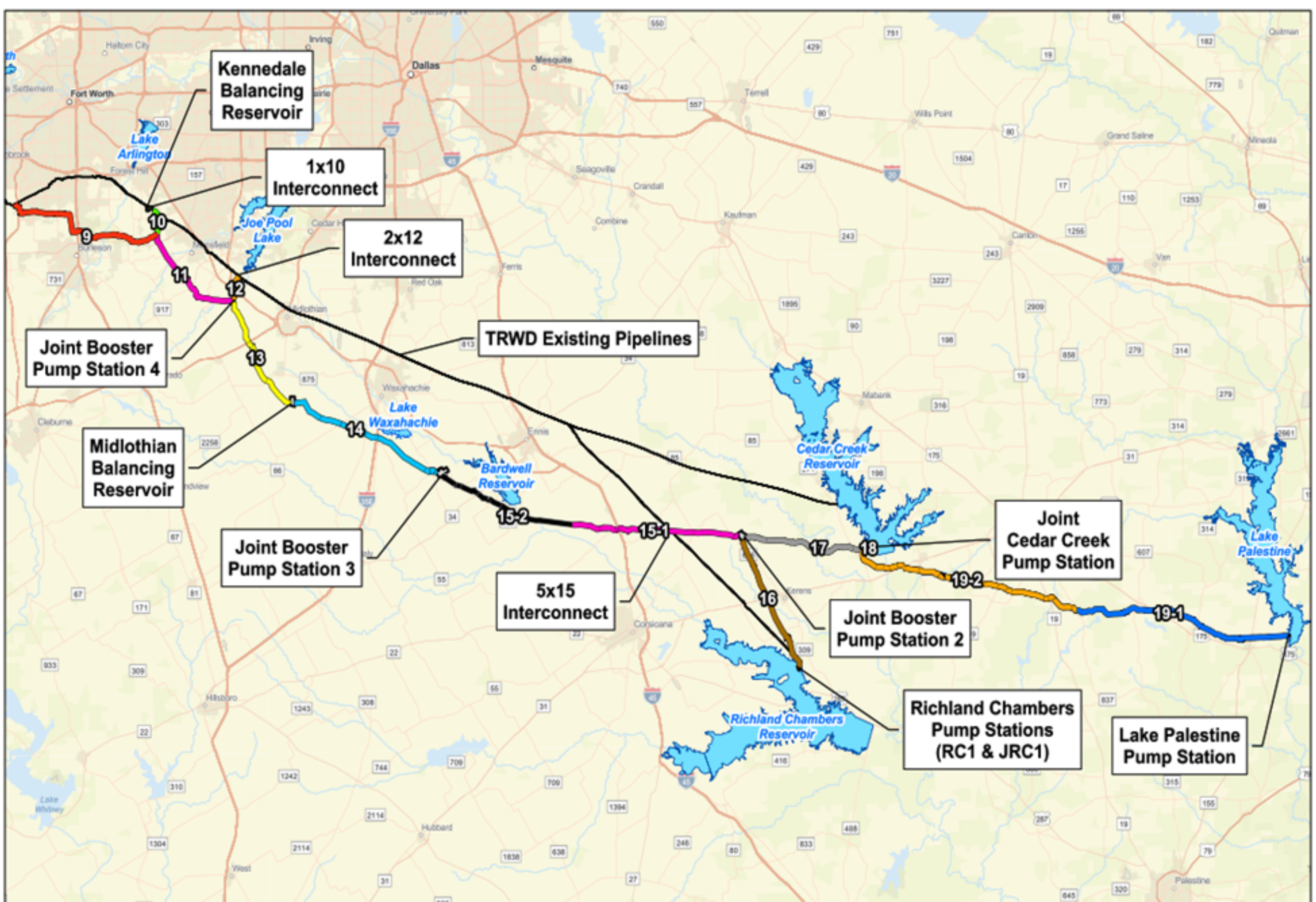
# Sources of Revenue
## Dallas Water Utility - Integrated Pipeline Project

The District and Dallas Water Utilities (DWU) share costs on certain portions of the Integrated Pipeline project. The costs shown below are added as revenues to the Revenue Fund budget to offset a portion of current operating and maintenance (O&M) and capital replacement costs.

Direct O&M costs are incurred specifically on joint or Dallas-only sections of the pipeline system. Direct labor hours are also billed directly to specific portions of the pipeline. Indirect O&M costs and Capital Replacement costs benefit the District water supply system as a whole and are allocated between the District and DWU based on each entity's applicable share of system asset value.

Indirect labor costs similarly are for departments and personnel that provide support to the water supply system overall, and therefore their personnel costs are split based on the system asset value.

| | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Direct O&M Costs | $ 419,843 | $ 500,000 | $ 550,000 | $ 50,000 |
| Direct O&M Labor | 185,005 | 500,000 | 550,000 | 50,000 |
| **Total Direct Operating Costs** | **604,848** | **1,000,000** | **1,100,000** | **100,000** |
| Indirect O&M Costs | 1,419,113 | 1,500,000 | 1,600,000 | 100,000 |
| Indirect O&M Labor | 1,222,245 | 1,000,000 | 1,100,000 | 100,000 |
| Capital Replacement Costs | 686,552 | 500,000 | 600,000 | 100,000 |
| **Total Indirect Operating Costs** | **$ 3,327,910** | **$ 3,000,000** | **$ 3,300,000** | **$ 300,000** |
| **Total DWU Budgeted Revenues** | **$ 3,932,758** | **$ 4,000,000** | **$ 4,400,000** | **$ 400,000** |

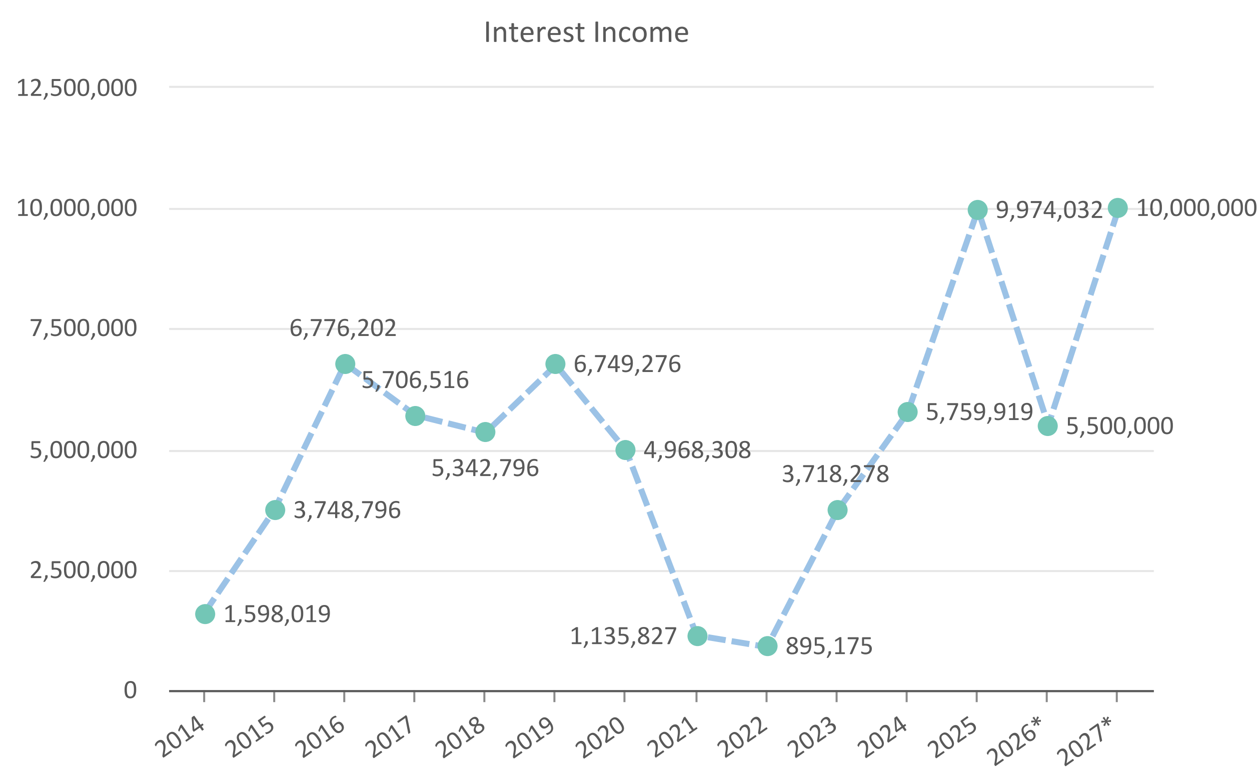


# Sources of Revenue
## Interest Income

The Revenue Fund budgeted interest income includes interest generated from the operating Revenue Fund as well as the Bond Reserve Fund and unspent bond proceeds. The majority of the income comes from the Reserve Fund which holds a balance equal to the largest annual debt service payment, per bond covenant requirements, which can be invested in longer-term investments.

Interest income is expected to increase compared to the fiscal year 2026 budget largely due to the proposed bond issue. These proceeds will be invested based on cashflow needs. To be conservative, the District is assuming a 2.5% interest rate for short-term investments in fiscal year 2027. The District invests in US government and agency fixed income securities as well as investments in Local Government Investment Pools.

The graph below illustrates the actual interest earned on investments for the past 15 years as well as budgeted interest income for fiscal years 2026 and 2027.




*Budgeted Interest Income

# Sources of Revenue
## Water Conservation Contributions

Contribution revenues help offset the District's expenses for the water conservation Program. In fiscal year 2027, these revenues will account for $1.2 million in income for the Revenue Fund.

The five-year memorandum of understanding (MOU) for the regional Public Outreach & Education campaign with the City of Dallas (Dallas) and North Texas Municipal Water District (NTMWD) was renewed in fiscal year 2024 for an additional 5 years. Both Dallas and NTMWD agreed to renew the Public Outreach & Education campaign, also known as "Water is Awesome," at the current budget of $583,334 each.

Water Conservation Program Revenues mainly consist of cost-share agreements with the other major regional wholesale water providers: City of Dallas, North Texas Municipal Water District and Upper Trinity Regional Water District. A memorandum of understanding defines the cost share of the Water is Awesome "Public Outreach & Education", "Program Support (weekly watering advice)" and "Regional Symposium" programs. Additional revenue comes from participant and/or customer city cost-share for rain barrel workshops with Tarrant County Master Gardeners.

| Water Conservation Program Revenues | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed |
|---|---|---|---|
| Public Outreach & Education - City of Dallas | $ 561,761 | $ 583,334 | $ 583,334 |
| Public Outreach & Education - NTMWD | 561,760 | 583,334 | 583,334 |
| Program Support (weekly watering advice)* | | 20,000 | 20,000 |
| Rain Barrel & Customer City Workshops* | | 12,250 | 12,250 |
| Regional Symposium - City of Dallas* | | 5,000 | 5,000 |
| Regional Symposium - NTMWD* | | 5,000 | 5,000 |
| Regional Symposium - UTRWD* | | 5,000 | 5,000 |
| Regional Symposium Registration Fees* | | 4,000 | 4,000 |
| **Total Water Conservation Program Revenues** | **$ 1,123,521** | **$ 1,217,918** | **$ 1,217,918** |

** Actuals for these specific programs offset the expense supported by the contribution*

# Sources of Revenue
## Other Income

The increase in other income is largely due to the interfund annual payments from the General Fund for its portion of the new TRWD Service Center and the new helicopter.

| Other Income | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance |
|---|---|---|---|---|
| Other Water Sales | $ 635,742 | $ 620,000 | $ 1,000,000 | $ 380,000 |
| Contribution Revenue (Capital) | 41,735 | | | — |
| Insurance Refund | 807,975 | | | — |
| Miscellaneous Revenue | 309,290 | | | — |
| Improvement Permit Fees | 194,300 | 225,900 | 245,000 | 19,100 |
| ROW Easement | 5,750 | | | — |
| Sale of Equipment | | 641,900 | 348,790 | (293,110) |
| Sale of Land/Encroachments | | | | — |
| Special Permits | | | | — |
| Lease/Concessions/Marinas | 59,916 | 125,828 | 123,158 | (2,670) |
| Interfund Payments from General Fund | | | | — |
| Existing Helicopter (final payment) | 8,455 | 8,455 | | (8,455) |
| New Helicopter | | 20,094 | 31,778 | 11,684 |
| TRWD Service Center - General Fund Portion | 500,000 | 500,000 | 950,000 | 450,000 |
| Network Equipment Lease | | 100,000 | 15,567 | (84,433) |
| Interfund Payments from Dallas | | | | — |
| Existing Helicopter (final payment) | 12,400 | 12,400 | | (12,400) |
| New Helicopter | | 9,463 | 47,665 | 38,202 |
| **Total Other Income** | **$ 2,575,563** | **$ 2,264,040** | **$ 2,761,958** | **$ 497,918** |

# Revenue Fund FY27 Budget

| Expenditures | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance | Change % | Notes |
|---|---|---|---|---|---|---|
| **Debt Service** | $ 80,069,793 | $ 84,861,223 | $ 102,607,023 | $ 17,745,800 | 20.91 % | 1 |
| **Pumping Power** | 12,546,795 | 19,000,000 | 19,000,000 | — | — % | |
| **Maintenance** | | | | | | |
| Pipeline & Pump Station | $ 4,190,031 | $ 8,710,900 | $ 7,752,700 | $ (958,200) | (11.00)% | |
| Pipeline Chemicals | 914,420 | 1,745,000 | 1,500,000 | (245,000) | (14.04)% | |
| Facilities & Grounds Maintenance | 3,070,053 | 4,304,908 | 5,425,525 | 1,120,617 | 26.03 % | 2 |
| Equipment & Fleet | 1,123,543 | 1,204,979 | 1,185,766 | (19,213) | (1.59)% | |
| Maintenance Support | 975,282 | 1,324,075 | 1,400,851 | 76,776 | 5.80 % | |
| Benbrook Reservoir O&M | 603,096 | 625,000 | 650,000 | 25,000 | 4.00 % | |
| Stream Gauging Stations | 345,434 | 364,860 | 431,100 | 66,240 | 18.15 % | |
| Total Maintenance | 11,221,859 | 18,279,722 | 18,345,942 | 66,220 | 0.36 % | |
| **System Improvements & Capital** | $ 25,848,860 | $ 26,932,996 | $ 24,647,675 | $ (2,285,321) | (8.49)% | |
| **Watershed Protection & Environmental Stewardship** | | | | | | |
| Water Conservation Program | $ 2,912,886 | $ 3,843,140 | $ 3,891,202 | $ 48,062 | 1.25 % | |
| Watershed Protection | 322,334 | 415,150 | 437,250 | 22,100 | 5.32 % | |
| Environmental Stewardship | 396,030 | 428,160 | 412,233 | (15,927) | (3.72)% | |
| Public Outreach & Events | 67,468 | 130,950 | 144,425 | 13,476 | 10.29 % | |
| Total Watershed Protection & Environmental Stewardship | 3,698,718 | 4,817,400 | 4,885,110 | 67,710 | 1.41 % | |
| **Support Services** | | | | | | |
| Employee Related | $ 33,260,867 | $ 35,500,737 | $ 43,399,010 | $ 7,898,273 | 22.25 % | 3 |
| Professional Services | 4,640,629 | 5,022,543 | 4,857,957 | (164,586) | (3.28)% | |
| Administrative Support | 2,534,303 | 2,680,267 | 2,636,252 | (44,015) | (1.64)% | |
| Information Technology | 2,135,180 | 2,639,586 | 3,336,330 | 696,744 | 26.40 % | 4 |
| Total Support Services | 42,570,979 | 45,843,133 | 54,229,549 | 8,386,416 | 18.29 % | |
| **Total Expenditures** | **$ 175,957,004** | **$ 199,734,474** | **$ 223,715,299** | **$ 23,980,825** | **12.01 %** | |

| Revenues | FY25 Actuals | FY26 Budget Approved | FY27 Budget Proposed | Variance | Change % | |
|---|---|---|---|---|---|---|
| Sale of Water | $ 158,351,130 | $ 186,752,516 | $ 205,335,423 | $ 18,582,907 | 9.95 % | |
| Dallas Water Utility - IPL | 3,932,758 | 4,000,000 | 4,400,000 | 400,000 | 10.00 % | |
| Interest Income | 9,974,032 | 5,500,000 | 10,000,000 | 4,500,000 | 81.82 % | 5 |
| Water Conservation Contributions | 1,123,521 | 1,217,918 | 1,217,918 | — | — % | |
| Other Income | 2,575,563 | 2,264,040 | 2,761,958 | 497,918 | 21.99 % | |
| **Total Revenues** | **$ 175,957,004** | **$ 199,734,474** | **$ 223,715,299** | **$ 23,980,825** | **12.01 %** | |

# Revenue Fund FY27 Budget
## Notes

1. Debt Service - the increase is due to the planned issue of $350 million in debt in fiscal year 2027. This issuance will fund the CIP project expenditures in 2027; largely the costs are related to addressing aging infrastructure (the Cedar Creek pipeline replacement project and the construction of the new Service Center) and growth - water supply and transmission (the continuation of the IPL Project, and the design of the Marty Leonard Wetlands).

2. Facilities & Grounds Maintenance - the FY27 the Facilities & Grounds Maintenance budget includes various projects which address aging infrastructure and employee safety. These projects are expected to grow as our system ages; in FY27 the budgeted projects include updates to facilities throughout the Richland Chambers compounds and repairs at the Cedar Creek and Richland Chambers dams. In addition to the budgeted projects, the annual routine maintenance costs in FY27 have an increase of 13% due to higher vendor and material expenses.

3. Employee Related - Employee-related expenditures are now growing to keep pace with demands for new water supply infrastructure and our efforts to address aging infrastructure (like the 50-year old Cedar Creek Pipeline and even older facilities).

4. Information Technology - In fiscal year 2027 the District's IT Team is budgeting for two major initiatives: (1) shifting the Microsoft Enterprise licensing to prepare for the greater use of the Copilot AI solution and (2) the Maximo Construction Management Maintenance System required lifecycle upgrade.

5. Interest Income - Interest income is expected to increase compared to the fiscal year 2026 budget largely due to the proposed bond issue. These proceeds will be invested based on cashflow needs.

**TARRANT REGIONAL WATER DISTRICT**

**AGENDA ITEM 4**

**DATE:** July 7, 2026

**SUBJECT:** **Executive Session**

**FUNDING:** N/A

**RECOMMENDATION:**

Section 551.071 of the Texas Government Code, for Private Consultation with its Attorney about Pending or Contemplated Litigation or on a Matter in which the Duty of the Attorney to the Governmental Body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas Conflicts with Chapter 551

**DISCUSSION:**

- Pending litigation

**Submitted By:**

Stephen Tatum
General Counsel

# Next Scheduled Board Meeting

July 21, 2026 at 9:00 AM