



Attachment A-6

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Phone: (972) 680-2000

May 29, 2026
via email

Mr. Kamil Taras
Assistant Director – Finance & Administration
City of Corpus Christi, Texas
1201 Leopard St.
Corpus Christi, Texas 78401

Subject: Update of Cost of Service & Rate Model for FY 2027 – Proposed Scope, Estimated Cost and Expedited Project Schedule

Dear Kamil:

NewGen Strategies and Solutions (NewGen) is pleased to provide the City of Corpus Christi (City) and Corpus Christi Water with our proposed detailed scope of work, estimated project cost, standard billing rates for 2026, and expedited project schedule, which have been enclosed for review by you and Corpus Christi Water.

Task 1 – Project Initiation and Project Management

1.1 Preliminary Data Request

After a Notice to Proceed is received for the Study, the Project Team will provide the City with a preliminary data request that encompasses data needs for completing the Study. The data request will itemize information needed for understanding the financial and operating characteristics and cost drivers of the water, and wastewater utilities as well as any changes to City policies. The preliminary data request will be provided within five (5) days of contract execution, and an initial virtual meeting will be conducted with the City staff to review and clarify the data request and to answer any questions which may arise.

1.2 Kickoff Meeting

After receiving the initially requested data, the Project Team will work with the City to schedule a virtual kickoff meeting. The primary reason for the kickoff meeting is to allow the key Project Team consultants and participants from the City to be introduced and lay the general framework for how the study will be conducted, as well as to chart the critical path towards successfully achieving the project's goals and objectives. This meeting will also allow for the finalization of the proposed work approach, as well as discussion and clarification of the information previously analyzed.

In addition, the project kickoff meeting will allow for the Project Team to gain a better understanding of the goals and objectives, as well as expectations, which the City desires to achieve from the study. As part of the kickoff meeting, the Project Team members will also discuss:

- Political and customer views/opinions of current rates and departmental service/operations, as well as any changes;
- Capital/operational demand changes anticipated over the study's forecast period;
- Initial rate design pricing objectives; and

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- Initial strategies for implementing/communicating possible rate changes.

We expect the kickoff meeting to last approximately two hours. NewGen will provide copies of the agenda and any handouts.

1.3 Update Contract Customer Matrices

Throughout this Study the Project Team will build on our prior knowledge of the City's operations, customer base, and existing customer contracts to update and develop a deeper understanding of the utility and its operations. To facilitate this, after receiving the initially requested data, the Project Team will update contract matrices to identify the following:

- Any new contracts or amendments with contractual elements that must be recognized in the development of appropriate rates including, but not limited to, the specific functionalization methods agreed to between the City and its wholesale customer group along with the specific financial metrics contractually agreed to between the parties and how said metrics drive the revenue requirement and
- Any changes to the variety of water sources and treatment facilities that service the City's customers and how the defined customer classes utilize these facilities.

By updating and further solidifying this understanding early in the engagement, our Project Team will ensure that it is developing appropriate rates reflective of the service provided to a specific customer while recognizing key contractual commitments and minimizing potential conflict with the City's active raw water wholesale water customer group.

1.4 Initial Data and Information Assessment

Once the City has submitted the initially requested data, the data will be reviewed for further discussion and clarification with the City staff. Throughout the course of the project, data received by the Project Team will be sampled and evaluated for accuracy. The sampling and testing of data is imperative regarding the billing data used to set rates. It is essential that the billing data be as accurate as possible in the development of proper cost allocations and reliable revenue projections. The Project Team will work closely with the City's billing staff to extract the appropriate billing data. We have extensive experience with billing software and will request a raw data file for analysis. This will reduce the burden of documentation by the City's utility billing staff and provide the level of detail desired by the Project Team to provide an in-depth analysis of consumption by rate class and consumption tiers enabling careful consideration of the adequacy and equity of the current rate structure.

In addition, as necessary, the Project Team will conduct informal interviews with the City staff during our review of the historical data to ensure that the Project Team understands the information provided. From this data review and assessment, the Project Team will also work to gain a comprehensive understanding of the utilities' operating environment, including identification of key financial, regulatory, operational, and political issues to be addressed. As needed, follow-up one-on-one interviews may be conducted with the City staff to ensure the Project Team has a full and complete understanding of the utility prior to proceeding with the cost of service analysis.

1.5 Ongoing Project Management

To ensure the City's overall goals and objectives are met, proper management and control of the project is critical. NewGen understands the importance of proper project management and has assembled a team well versed in the proper control and coordination needed to successfully execute this engagement. Throughout the course of the Project, the Project Director and Project Manager will maintain consistent,

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constant, and open communication with key City stakeholders. We are also committed to maintaining appropriate staffing to ensure the Project is delivered on time, on budget, and results in actionable recommendations.

Task 2 – Update Consumption and Revenue Analysis

At a foundational level, rates are simply a fraction, with revenue requirements serving as the numerator and the units of service (e.g., number of customers or accounts, consumption, billed flow, etc.) representing the denominator. If the denominator of the rate calculation is inaccurate, the rates resulting from the analysis may be insufficient. As such, an accurate determination of service units and a projection of customers and usage is critical to a proper rate analysis. The following tasks will be utilized in Task 2 to ensure the integrity of the rates developed from this Study.

2.1 Analyze Detailed Usage/Peak Demands

A key step in a study of this type is to gain an understanding of the make-up of the customers served by the systems and how and when they use water (and generate sewage) throughout the year. This is necessary for determining appropriate cost allocations, to develop demand projections, to evaluate the appropriateness of the current rate structures, and to evaluate potential alternative rate structures. To facilitate this review, NewGen will request the most recent year of detailed consumption at the customer account level. The customer and customer usage data will be statistically analyzed to identify usage patterns, including seasonal usage and customer class peaking. Demand ratios (max week, max day, max hour, etc.) will be identified and considered in this analysis, as will peak demands related to any large customers or customer classes.

2.2 Demand Forecast

The demand forecast will be based on historical usage patterns, including the interval analysis conducted in Task 2.1, water facilities plan, and discussions with the City as to projected water demand. We will compare projected customer growth with the City's plans to confirm consistency with such plans. If there are deviations from the City's plans, we will document the basis for and reasonableness of such deviations.

As part of developing the demand projections, it may be necessary to incorporate the estimated impact of elasticity of demand within the revenue projections. Elasticity of demand is the economic concept that recognizes the relationship between the quantity demanded of a good and a change in the price of that good or service. Failure to recognize this relationship, particularly regarding water sales, can result in an inaccurate estimate of revenue on a going-forward basis. The Project Team will presume industry standards, long-term elasticity standards within its calculations, where necessary.

The demand projections will be developed for a ten-year period, by customer class. One of the key variables that must be developed is the rate of growth in the utility, including the numbers and types of new customers to be added year by year as well as increases (or decreases) in water usage over time by existing customers. Where possible, sensitivity analyses will be conducted to produce a potential range of service units and forecasted demand, with specific emphasis on the impact of weather and fluctuations in larger accounts.

2.3 Realizable Revenue Under Current Rates

After determining and forecasting service units, the Project Team will calculate the water and wastewater revenue streams anticipated to be generated under current rates. The results of this analysis will be compared to actual and budgeted revenue performance to determine the overall accuracy and

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appropriateness of the forward-looking projections. This process will also serve as a “check” on the billing data provided to ensure the integrity of developed rates and recommendations.

Task 3 – Update Multi-Year Financial Plan

The model previously developed by our team will be updated to address operations and maintenance (O&M) costs, debt service, demand/usage, capital improvement program plan (CIP) costs, cost of service, etc.

3.1 Development of Revenue Requirements and Financial Plan

While the focus of this Study will be on the development of the cost of providing water and wastewater service to the City’s customers, the revenues and expenses related to the provision of raw and wholesale treated water service (contracted customers) will not be overlooked. Our approach includes a detailed review of each of the costs incurred by the City to ensure the cost of service is developed while maintaining compliance with contractual requirements. The cost analysis can be broken down into four main categories of costs: O&M costs, capital improvements, existing debt service (including compliance with debt service coverage requirements), and any contributions needed to meet debt service coverage and reserve requirements. The total amount of cash required on an annual basis for all purposes and from all sources is called the “Revenue Requirements.”

The completion of this task will provide a comprehensive ten-year forecast of revenue requirements for the City water and wastewater systems with the ability to change assumptions (capital financing, economic assumptions, etc.) and immediately see the impact on revenue requirements. At this point, the Project Team will provide an assessment of the adequacy of the current rates and their ability to recover the full cost of service, as well as an assessment of the current rate structure’s performance as a baseline for comparing recommended changes.



Review of Operating and Maintenance Costs

Using the City’s current operating budget as a starting point, we will review the adequacy of budgeted O&M costs. To the extent that costs are directly identified to specific functions of the water and wastewater systems, they will be documented. Any indirect support from other City funds will be reviewed for appropriateness. O&M expenses will be forecasted based on estimated annual inflation rates at the budgetary account line-item level. The forecast for operating expenditures will be based on:

- Review of historical operating expenditure increases by individual budget account line item,
- Any additional information that would increase the accuracy of the estimates (e.g., staffing increases/decreases, etc.), and
- Identifying and assessing the impact of the current capital improvement program on operating expenditures.

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Review of Capital Improvement Plans and Evaluate Potential Capital Financing Sources

We will review the City's most recently adopted capital improvement plans for the water and wastewater systems to gain a better understanding of the City's forward-looking capital plans. NewGen will then examine the types and levels of various funding sources available to pay for the capital and operating costs of the utility systems, and the impacts of various approaches will be quantified. While it is presumed that all operating and maintenance costs will be funded via user rates, there are various approaches to funding capital expenses. Typically, a utility might use a mix of financing sources including grants, cash or pay-as-you-go (PAYGO) funding from revenues, General Obligation or Revenue Bonds, or State Revolving Fund (SRF) Loans. Based on the proposed funding of each capital project within the City's capital plan, NewGen will incorporate those impacts into revenue requirements. If so desired by the City, the Project Team will work closely with City Staff, the City's engineers, and the City's financial advisors to develop detailed capital planning and funding scenarios for the Rate Study.

Analyze Current and Projected Debt Service

NewGen will document the annual principal and interest payments for existing debt service related to the utility systems. Those projects or categories of projects contained in the CIP plan, and which are anticipated to be debt-funded will be identified, and projections of debt service will be developed. The City's practices on types of debt (general obligation bonds, revenue bonds, SRF loans, frequency of borrowing, etc.) will be determined, as will typical debt structure (e.g., payment term, level principal payments vs. level debt service) and assumed interest rate. Additionally, the Project Team will ensure that the revenue requirements account for, and support agreed debt-service coverage factors and reserve requirements for both priority and subordinate debt.

Evaluate the Adequacy of Reserves

The wise use and management of financial reserves provide many advantages to a utility, such as rate stabilization and "smooth" rate increases, as well as enhanced credit ratings and resulting interest savings. NewGen will review the adequacy of the City's current reserves or fund balances based on the City policy and our industry expertise. The analysis will include development of recommended target balances for the City's water and wastewater reserves or fund balances. The maintenance of adequate reserves and contingency funding for emergency preparedness have been elevated to greater levels since 2021's Winter Storm Uri, which highlighted the need for back-up power generation and other extreme weather preparedness. The Project Team will discuss the City's level of contingency planning with City Staff as it relates to reserves or fund balance, as well as Capital Outlays.

Develop Revenue Requirements

The sum of the O&M costs, annualized capital costs (debt service plus cash purchases of capital assets), and any contributions to reserves constitutes the revenue requirement – the amount of money that must be raised from all sources over a given year. This amount becomes significant when sensitivity analyses are performed to evaluate miscellaneous revenues, since any shortfall in miscellaneous revenues must be offset by either drawing down fund balance or increasing user rates. The gross revenue requirement less miscellaneous revenues result in the net revenue requirement to be collected from customers.

As part of the complete development of revenue requirements, the Project Team will forecast revenue requirements over a ten-year period and incorporate key assumptions including, but not limited to population changes, inflation rates, increase in contractual obligations, contractor costs, anticipated new

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or augmented programs and staffing levels, and capital improvements. All assumptions will be clearly defined and discussed with the City staff prior to finalizing the revenue requirements projection.

Task 4 – Water and Wastewater Cost of Service

During the Cost of Service Study, NewGen will identify specific cost of service methodology issues and review these with City Management, the Corpus Christi Water Project Team, and the Public Involvement Committee. The two most employed methods for water utility cost allocation are base-extra capacity and commodity-demand methodologies. However, it is not uncommon for the base-extra capacity method to yield a lower cost of service for the residential customer class based on the way the commodity-demand method limits the costs divided by total volume of consumption to variable costs (e.g., chemicals and electricity), whereas the base-extra capacity method also includes costs associated with providing service at average annual rates of consumption. Further, as mentioned in the AWWA M1,¹ the base-extra capacity method also identifies the lowest rates possible at perfect load factor (or constant rate of consumption), which can prevent a utility from establishing rates that could result in the sale of water below cost. These concepts will be important to discuss and evaluate as part of the public involvement process.

Task 5 – Rate Design and Benchmarking

5.1 Evaluation of Current Rate Design

Based on the goals and objectives that are determined during preliminary discussions with the City, the Project Team will perform an evaluation of the current rate structure's ability to achieve these goals and objectives. We will communicate a list of strengths and weaknesses of the current rate structure, as well as potential changes which may better achieve these goals and objectives.

On completion of this Rate Design and Benchmarking task, the Project Team will prepare a draft report for the City to review. Upon review, the Project Team will meet with the City to make any necessary changes, which will be used to guide our completion of Task 6. In developing the proposed rates, the Project Team will also discuss with the key stakeholders any limitations and/or guidelines when incorporating the cost of services results developed in earlier tasks into the rate design. For example, if it is not politically feasible to move immediately to cost of service-based rates for a particular class of customers, we will seek to set boundaries on the overall changes seen by a customer class and/or identified group of customers. When needed, the implementation of structural changes or significant adjustments through a phased-in approach, combined with ratepayer education, helps minimize the financial impact on customers and increases public acceptance and understanding.

5.2 Development of Rates

Based on the rate design plan developed in Task 5.1, the Project Team will develop a rate design for the City's consideration. Please note that based on past experiences, the Project Team anticipates up to two alternative water rate designs and up to two alternative wastewater rate designs. The recommendations for a ten-year rate plan will be developed to include the following objectives:

- Rates will be developed with consideration of the recovery of cost of serving each of the respective classes of customers based on industry standards,

¹ American Water Works Association, Manual of Water Supply Practices, M1, *Principles of Water Rates, Fees and Charges, Seventh Edition*, 2017, Page 70.

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- Consideration and identification of the fixed and variable elements of the rate,
- Compatibility with the existing utility billing computer software, and
- The ease of communicating and explaining changes in the rates to ratepayers.

5.3 Determination of Realizable Revenue with Alternative Rate Structures

The Project Team will analyze and compare the revenues forecasted to be generated under proposed rates to the forecasted cost of service to determine the adequacy of the rate structures to meet the City's financial goals, including debt service coverage requirements and fund balance. Finally, the monthly impact on customer bills under the proposed rates will also be examined, along with the impact on the City's revenue stability.

5.4 Rate Comparison Review

NewGen's Study will include data and graphics to facilitate comparison of the City's current and proposed bills for a typical residential customer compared to the bills of residential customers of at least seven of the largest Texas cities, as well as utilities of comparable size and service characteristics. A rate comparison of the current rates will be compared to both the new rates and those of comparable cities.

Task 6 – Public Involvement and City Council Meetings (with Presentations)

NewGen will develop presentations based on the findings and draft reports and present them to the City Management Team, Corpus Christi Water Project Team, special customer groups, and the City Council. Draft versions of the PowerPoint presentations will be provided to the Corpus Christi Water Project Manager for review, comment, and approval prior to finalization.

Deliverables

- Draft and final PowerPoint presentations
- Up to eight meetings with City Staff, City Council members, and specific customer groups
- Up to two City Council Meetings to present the draft report and proposed rates
- A revised final report will be finalized after rates are adopted by the City Council as discussed in Task 7 below

Task 7 – Report

The Project Team will develop a draft report summarizing analyses conducted, as well as findings, conclusions, recommendations, and associated rationale for all relevant components of the cost of service and rate design study shortly after completion of Task 5. The risks of potential challenges to various issues will be identified and discussed. The report shall include an Executive Summary and a full discussion of the impacts of the recommendations on revenue requirements, cost of service and rates.

NewGen will provide the draft report to the City Management Team and the Corpus Christi Water Project Team and will meet virtually to discuss the report. NewGen will then compile all comments and revise the report, as appropriate. The revised draft report will be shared with the City Council prior to their consideration to adopt the recommended rates. A final report will then be provided after adoption of rates in early October 2026.

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Deliverables

- Draft and final reports
- Up to ten meetings to present and discuss findings with City Staff, City Council, and specific customer groups
- One digital PDF copy of the final report

If you require any further information, please feel free to contact Andy McCartney at (817) 475-5813 or by email at amccartney@newgenstrategies.net.

Sincerely,

NewGen Strategies and Solutions, LLC

DocuSigned by:



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Richard L. Campbell

Managing Director – Water and Wastewater

Enclosures:

Estimated Cost

Hourly Rates by Position

Expedited Project Schedule

Corpus Christi Water Rate Study for Determination of FY 2027 Rates

Employee	Hours	Hourly Billing Rate	Total
Richard Campbell	96	\$ 400	38,400
Andy McCartney	418	\$ 310	129,580
Tia Carnes	52	\$ 220	11,440
Andrea Campbell	440	\$ 205	90,200
Steve Doogue	24	\$ 250	6,000
Administrative Staff	32	\$ 145	4,640
	1,062		\$ 280,260

Other: Travel Expenses 3 Trips for 3 people @ \$3,000/Trip \$ 9,000
 Other: Travel Expenses 5 Trips for 2 people @ \$2,000/Trip \$ 10,000

Estimated Total Cost of 2027 Rate Study **\$ 299,260**
 Existing Funding for 2027 Rate Study **\$ 114,573**
 Additional Funding Request (05/29/2026) **\$ 184,687**

Tasks

- 1 - Project Initiation and Project Management
- 2 - Update Consumption and Revenue Analysis
- 3 - Develop Revenue Requirements & Multi-Year Financial Plan
- 4 - Water & Wastewater Cost of Service Allocations'
- 5 - Rate Design and Monthly Bill Comparisons
- 6 - Project Meetings and City Council Meetings (with Presentations)
- 7 - Report

Tasks by Hours

Employee	Task 1	Task 2	Task 3	Task 4	Task 5	Task 6	Task 7	Hours
Richard Campbell	-	-	-	-	-	80	16	96
Andy McCartney	48	2	24	24	24	240	56	418
Tia Carnes	24	28	-	-	-	-	-	52
Andrea Campbell	16	24	96	96	88	72	48	440
Steve Doogue	-	24	-	-	-	-	-	24
Administrative Staff	-	-	-	-	-	16	16	32
	88	78	120	120	112	408	136	1,062

Tasks by Dollars

Employee	Task 1	Task 2	Task 3	Task 4	Task 5	Task 6	Task 7	Total
Richard Campbell	-	-	-	-	-	32,000	6,400	\$ 38,400
Andy McCartney	14,880	620	7,440	7,440	7,440	74,400	17,360	\$ 129,580
Tia Carnes	5,280	6,160	-	-	-	-	-	\$ 11,440
Andrea Campbell	3,280	4,920	19,680	19,680	18,040	14,760	9,840	\$ 90,200
Steve Doogue	-	6,000	-	-	-	-	-	\$ 6,000
Administrative Staff	-	-	-	-	-	2,320	2,320	\$ 4,640
	\$ 23,440	\$ 17,700	\$ 27,120	\$ 27,120	\$ 25,480	\$ 123,480	\$ 35,920	\$ 280,260

Effective Hourly Rate \$ 266.36 \$ 226.92 \$ 226.00 \$ 226.00 \$ 227.50 \$ 302.65 \$ 264.12 \$ 263.90

Employee	Task 1	Task 2	Task 3	Task 4	Task 5	Task 5	Task 5	Hours
Richard Campbell	-	-	-	-	-	80	16	96
Andy McCartney	48	2	24	24	24	240	56	418
Tia Carnes	24	28	-	-	-	-	-	52
Andrea Campbell	16	24	96	96	88	72	48	440
Steve Doogue	-	24	-	-	-	-	-	24
Administrative Staff	-	-	-	-	-	16	16	32
	88	78	120	120	112	328	120	1,062

Employee	Task 1	Task 2	Task 3	Task 4	Task 5	Task 5	Task 5	Total
Richard Campbell	-	-	-	-	-	32,000	6,400	\$ 38,400.00
Andy McCartney	14,880	620	7,440	7,440	7,440	74,400	17,360	\$ 129,580
Tia Carnes	5,280	6,160	-	-	-	-	-	\$ 11,440
Andrea Campbell	3,280	4,920	19,680	19,680	18,040	14,760	9,840	\$ 90,200
Steve Doogue	-	6,000	-	-	-	-	-	\$ 6,000
Administrative Staff	-	-	-	-	-	2,320	2,320	\$ 4,640
	\$ 23,440	\$ 17,700	\$ 27,120	\$ 27,120	\$ 25,480	\$ 123,480	\$ 35,920	\$ 280,260

\$ 266.36 \$ 226.92 \$ 226.00 \$ 226.00 \$ 227.50 \$ 376.46 \$ 299.33 \$ 263.90

Corpus Christi Water Rate Model Development

NewGen Strategies and Solutions 2026 Billing Rates

Position	Hourly Billing Rate
Partner	\$285 – \$455
Principal	\$285 – \$455
Senior Manager	\$240 – \$315
Manager	\$205 – \$240
Senior Consultant	\$185 – \$205
Consultant	\$170 – \$185
Administrative Services	\$145

Note: Billing rates are subject to change based on annual reviews and salary increases.

Corpus Christi Water Update FY 2027 Cost of Service & Rate Model Project Task Schedule																																	
Task	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31		
Week	2/02	2/9	2/16	2/23	3/2	3/9	3/16	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	7/27	8/3	8/10	8/17	8/24	8/31		
1.1 Preliminary Data Request	█																																
1.2 Kick-off Meeting	★	█																															
1.3 Update Contract Customer Matrices																																	
1.4 Initial Data and Information Assessment								★																									
1.5 Ongoing Project Management									★																								
2.1 Analyze Detailed Usage/Peak Demands																																	
2.2 Demand Forecast																																	
2.3 Realizable Revenue Under Current Rates																																	
3 Update Multi-Year Financial Plan																																	
4 Update Water & Wastewater Cost of Service																																	
5 Rate Design & Benchmarking																																	
6 City Council Meetings																																	
7 Reports																																	

Notes:
 ★ Signifies a virtual or in-person meeting with City staff, specific customer groups, and/or City Council Members
 ◆ Issuance of Draft or Final Report