Financial Management Plan

February 28, 2025

Table of Contents

Executive Summary

The Interim Third-Party Manager ("ITPM") has prepared this update to the Financial Management Plan (the "Plan") in accordance with paragraph 5. V. of the Stipulated Order on the Sewer System dated October 5, 2023, requiring the Financial Management Plan be "updated as warranted." The Plan presented herein include the following key findings:

- Current cashflow remains challenged with monthly expenses exceeding revenues indicating JXN Water is experiencing an operating deficit, which is currently being met with rapidly diminishing federal grant funds.
- Additionally, the City of Jackson had fully depleted the required reserve funds (below) prior to transferring the Water and Sewer Enterprise to the ITPM in accordance with the sewer order entered on September 30, 2023. *(See "Cash Flow Challenges" on page 21)*
  - Operations and Maintenance Fund (1/12th of annual budget)
  - Contingent Fund (2/12th of annual budget)
  - Depreciation Fund (minimum of $100,000)
- The ITPM has had no reserves to rely on and had to "borrow" heavily from local ARPA match funds. These funds will need to be replenished to fully leverage the Mississippi Municipality & County Water Infrastructure Grant Program Act ("MCWI"). *(See "Cash Flow Challenges" on page 21)*
- During 2024, JXN Water was unsuccessful in getting changes made to the Consolidated Appropriations Act of 2023 ("CAA 2023"), the language of which limits the use of $450 million provided by the CAA 2023 to eligible expenses under section 1452 of the Safe Drinking Water Act (Drinking Water State Revolving Loan Funds). Except for the small amount of Drinking Water State Revolving Loan debt, the overwhelming majority of the existing debt does not meet the eligibility requirements of section 1452 and, as such, cannot be refinanced or retired using the CAA 2023 funding.
- JXN Water must replenish and maintain adequate reserves. *(See "Historical Financial Challenges" on page 6 and "Cash Flow Challenges" on page 21)*
- With the completion of the meter replacement program, addressing the several thousand premises without accounts, and establishing a process for severance and reconnection of services, 2025 will focus collection efforts on all accounts. Ensuring that everyone receiving public water has an account and improving the overall collection rate are critical to the long-term sustainability of JXN Water.
- In 2024, JXN Water sought additional capital funding to address the lack of reserves, operating cash, and local match requirements for US Army Corps of Engineers projects funded under section 219 of the Water Resources Development Act. Many factors challenged the potential financing (*See "Cash Flow Challenges" on page 21*), including but not limited to the System's historical and current inability to meet the requirements under the General Bond Resolution and an unclear legal path to issue tax-exempt debt. JXN Water did not complete this financing, due

to the multiple challenges it faced and because near-term cash flow relief was provided through the permitted use of some additional section 1452 grant funding.

- Over the past year, JXN Water has collected significantly more data on the System's customer accounts and usage than was available when JXN Water assumed control of the System. Additionally, JXN Water now has more complete information regarding the System's operating and capital needs. The improved information has led to refinements to and greater confidence in the System's financial projections.
- To address the System's critical financial challenges, the ITPM plans to seek a rate increase (i.e., 24.7% increase in the *volumetric* rate across all customer tiers) in Spring of 2025. The rate adjustment would increase the average monthly residential bill by $8.88, which is 11.7% higher than the current rates. *(See "Financial Modeling" on page 22)*
- Even with the 2025 rate increase, the financial projections indicate the System will continue to face acute financial challenges in the near-term. To avoid the System's cash balance going negative, and to provide match-funding to keep grant funds flowing to important projects, the financial projections indicate that JXN Water will need additional financial assistance (e.g., grants or loans) in 2025. As stated previously, improving the System's collection rate is critical for both the short and long-term financial health of JXN Water.

Introduction

The Plan for the City of Jackson Mississippi's (the "City") Water and Sewer System (the "System") was originally developed in accordance with paragraph 6.p. of the Interim Stipulated Order (the "Water Order") entered on November 29, 2022, in case 3:22-cv-00686-HTW-LGI, the United States of America v. the City of Jackson, Mississippi and updated in January 2024 in accordance with paragraph 5.v. of the Stipulated Order on Sewer System (the "Sewer Order" and collectively with the Water Order, the "Orders") entered on October 5, 2023, in case no. 3:12-cv-790-HTW-LGI, the United States of America v the City of Jackson, Mississippi. The Orders appoint an Interim Third-Party Manager to stabilize the System, build confidence in the System's ability to supply reliable and safe drinking water to customers, and address problems plaguing the City's sewer system.

The Order requires the Plan to include short-term, mid-term, and long-term funding needs; identify possible sources for those needs; opportunities for debt-restructuring; suggested rate structure changes, including the mechanism for assessing customers for water and sewage uses; and alternative governance options.

The Sewer Order was entered effectively at the end of the City's fiscal year, October 5, 2023. In accordance with the Sewer Order, billing and collection of all funds generated through the operation of the System were assumed by JXN Water (rather than the City) beginning October 5, 2023. Similarly, all indebtedness and related responsibilities were transferred to JXN Water as of October 5, 2023. JXN Water has elected for its fiscal year to end on December 31. As such, JXN Water's first fiscal year included approximately three months (October – December 2023) and the first full fiscal year ended December 31, 2024.

The Plan has been prepared by the ITPM, in consultation with PFM Financial Advisors LLC ("PFM"), one of the largest financial advisory firms in the nation, and Stantec Consulting Services Inc., with engineering and rate consulting expertise in the water and sewer industry. The analyses presented herein includes projected revenues and revenue requirements for fiscal year 2025 through fiscal year 2044 (the "Planning Period"). Specifically, the Financial Management Plan addresses the following elements:

- Assesses the financial capability of the System to meet current and future anticipated financial obligations,
- Evaluates various funding strategies, including rate structure and rate changes needed to meet financial objectives,
- Develops a financial plan through fiscal year 2044 sufficient to fund System operations and capital financing needs, and
- Establishes minimum financial goals for the System to provide for future financial stability.

The Plan reflects budgeted operating expenses and revenues, along with planned capital needs. The Plan was developed based upon the information available to the ITPM at the time of the report.

Background

The water system failed in the summer of 2022 due to unanticipated treatment challenges created by severe flooding. A Federal disaster was declared on August 30, 2022, as water pressures and water quality had been impacted across the City and access to safe, reliable drinking water was disrupted for the 150,000 people that live and work in the City.

The City, like many older core municipalities, has experienced a loss in population over the past decades, leaving a smaller number of customers to pay to maintain an oversized and aging water system. The loss of customers does not reduce the costs of operating and maintaining a drinking water system, as those costs are largely fixed and are only incrementally impacted by reduced consumption. Plant sizes remain unchanged, requiring the same staffing. The size of the distribution system and related storage facilities do not change with population loss. The only savings of a reduced population is found in the incremental reduction in chemicals and power used to treat and distribute the water, a very small percentage of the cost of providing reliable and safe drinking water to a city of 150,000 spread over more than 100 square miles.

Since 2013, the sewer system has been under a federal consent decree to undertake, among other things, the evaluation and rehabilitation of certain infrastructure; the development of numerous programs to ensure proper capacity, management, operations and maintenance; and the implementation of certain work required by two prior administrative orders between the City and the Mississippi Department of Environmental Quality. The City failed to achieve significant progress under the consent decree. As a result, the sewer system experienced recurring sewer failures that spilled raw sewage into homes, businesses, streets, yards, waterways, and other properties. Additionally, the sewer system released untreated or under-treated wastewater into the Pearl River in response to certain wet weather events.

The System is also stressed with aging infrastructure and escalating costs of repair and replacement. As stated in the Moody's Investors Service ("Moody's") rating report dated October 24, 2022, "*The System* *has struggled for years to effectively manage and resolve its infrastructure challenges, which is a key component of the System's failure to improve."* Exacerbating the cost of infrastructure, the System faced major construction cost inflation, including materials and labor. For example, iron and steel prices increased over 40% between December 2020 and September 2023 (PPI: Iron and Steel). The Consumer Price Index increased by 18% over the same period (CPI: U.S. Cities) and inflationary figures are significantly higher than in previous years adding cost pressures to the System's ratepayers in all other aspects of their lives.

The loss of revenue caused by a shrinking population and the escalating costs of infrastructure and maintenance must be made up with increases in rates. Increased rates could lead to further population loss as citizens with the means could move to adjacent suburban communities with lower taxes and/or utility costs. The cycle is a slow death spiral that many cities in the United States have faced over the past four decades.

In the City's case, the issue is complicated by its high poverty rate with over one-quarter of the population at or below the Federal poverty level[1] (25.9% per U.S. Census Bureau). Unable to raise rates without significant impact to those at or below the poverty level, the City was unable to generate the needed funds for operations, maintenance, and regular reinvestment, resulting in a System that had suffered from underinvestment and minimal maintenance. The result was a system that had little to no capacity to overcome any interruption like source water changes, or large or numerous (due to cold weather) pipe breaks. Without adequate revenues, staffing levels could not be maintained at necessary levels and the existing staff were overworked.

This Plan was developed with a focus on getting the System onto a path to sustainable, affordable operation that can reliably provide safe drinking water to all current users of the System and can provide a more safe and reliable wastewater system. Through advocates for the City across all levels of government, business, non-profits, foundations, and community organizations, significant funding was provided to the City to get the drinking water portion of the System's infrastructure back to a stable and reliable condition. Getting and keeping the water and wastewater portion of the System operated and maintained safely and reliably requires on-going regular investments funded by the residents of the City through a local revenue stream generated by the System's customers.

Historical Financial Challenges

In 1971, the City's water and sewer systems were separated, and, over time, the City established separate funds to account for the different operations of the systems: the Water Fund, the Jackson Disposal System Fund, the Rankin Sewage Disposal System Fund, and the Madison Sewage Disposal System Fund. Following the issuance of the Water & Sewer Revenue Refunding Bonds, Series 1993-A and pursuant to the General Bond Resolution adopted March 11, 1993 (the "General Bond Resolution"), and as amended, the Water System and the Jackson Sewage Disposal System, along with the Water Fund and the Sewer Fund, were combined[2]. As such, holders of bonds issued under the General Bond Resolution are legally entitled to the net revenues of the combined System for payment of their bonds.

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[1] Source: US Census Bureau population estimates, of July 1, 2023

[2] *Source: City of Jackson, Mississippi, Water & Sewer System Revenue Refunding Bonds, Series 2016 – Official Statement, Appendix B.*

Currently, $149 million of bonds are outstanding under the General Bond Resolution and are payable through December 2040.

Like many other communities which sought to upgrade their metering technology, the City experienced persistent challenges with its billing system (i.e., unbilled revenue) and the implementation of its new metering system in 2015. Aging receivables, or uncollected revenues, exceeded $56 million from known customer accounts, through the City's fiscal year ending September 30, 2021. A review of water accounts as compared with assessor data indicated over 6,500 parcels in the City had improvements but no corresponding water accounts. While there may have been valid reasons for this discrepancy, the majority were believed to be receiving water services without an account and would not be included in the $56 million.

Due to these challenges, the System was transferred to JXN Water with uncertainty regarding consumption patterns and, consequently, the ability to collect adequate operating revenues. The City implemented a rate increase that went into effect in 2021, however, the expected revenue increase was hampered due to the challenges with billing and collections.

The City had a unique and challenged history with metering water for billing purposes. The City entered into a contract with Siemens in 2015 to replace their existing meters with advanced metering infrastructure ("AMI") and integrate the AMI with a completely new billing system. That contract failed to result in an operable metering and billing system. The City and its attorneys successfully sued Siemens and recovered the $90 million spent on the contract less 30 percent in attorney's fees.

As a result of the failed contract and the delays in getting a replacement metering and billing system installed, thousands of customers went years without a functioning meter and without a bill for services. Bills that were produced were often in question as the Siemens meters were subject to any number of failures and issues. Most bills were based on estimated consumption and due to the lack of confidence in the system (and the COVID 19 pandemic), shutoff for non-payment was suspended, allowing customers to receive services without payment and without consequence.

A new AMI metering contract was awarded in 2020 and meters were installed in the City in accordance with the contract. The new meter replacement project was substantially completed in 2024. Additionally, the 6,000+ premises with improvements and no corresponding water accounts have been addressed, with approximately 1,600 of those converted to new accounts. In conjunction with the new meter installations, JXN Water has taken several steps intended to increase the collection rate, which is critical to improving the financial stability of the System. Those steps include, but are not limited to, the implementation of a billing system upgrade, the creation of a new customer call center, focused outreach to customers regarding billing system changes, beginning turnoffs for nonpayment, revising billing and collection policies/practices, and the creation of a new customer assistance fund.

Historical strains on finances described above eroded the System's liquidity, creating a need for support from the City's General Fund and 1% infrastructure tax funds.[3] S&P Global Ratings ("S&P"), in a report, dated September 1, 2022, noted transfers of $14.5 million from the General Fund from fiscal years 2018 to 2020 and the City's issuance of an "emergency" general obligation note of $7 million in fiscal year 2020 to support utility operations.

[3] To the best knowledge of JXN Water, based on the City's audited financial statements through FY 2022.

As a result of these financial challenges, the System failed to meet several General Bond Resolution requirements in recent fiscal years. The General Bond Resolution, requirements include, and are not limited to, the following:

- The "Rate Covenant," (Section 6.01 of the General Bond Resolution) which requires Net Revenues of the System in each fiscal year must be:
  - 120% of the sum of the annual debt service requirement on the bonds in each fiscal year, and
  - 100% of the sum of:
    - The annual debt service requirement on all bonds (including subordinate debt). all indebtedness payable from Net Revenues) in each fiscal year,
    - The amounts required to be paid during the fiscal year into any debt service reserve fund and contingent fund, and
    - The amount of all other charges and lines payable out of the revenues during each fiscal year.
- The "Additional Bonds Test" (Section 3.02 of the General Bond Resolution) to issue additional new money bonds requires a certificate of the City and an Independent Consulting Engineer [or Engineering Firm] that asserts that no Event of Default has occurred and is continuing. A failure to comply with any of the covenants in the General Bond Resolution or any Series Resolution is considered an "Event of Default."
- The "Debt Service Reserve Account" (Section 6.03 of the General Bond Resolution) or subaccount must be equal to an amount which is the lesser of (1) 10% of the lesser of the par amount or the proceeds of such bond, (2) maximum annual debt service requirement for all outstanding bonds, and (3) 125% of the annual debt service requirement for all outstanding bonds; but not exceeding the maximum amount of Bond proceeds which may be deposited to the Account.
- Establishment & Maintenance of Certain Funds (Section 6.03 of the General Bond Resolution) – The City shall establish and maintain, among other funds and accounts,
  - Operation and Maintenance ("O&M") Fund equal to one month (1/12th) of operating expenses;
  - A Bond Fund where it shall deposit on a monthly basis one-sixth (1/6th) of the next interest payment due on all outstanding bonds and one-twelfth (1/12th) of the next principal payment due on all outstanding bonds (together, the "1/6th and 1/12th payments");
  - A Contingent Fund equal to two months (2/12th) of operating expenses; and
  - A Depreciation Fund equal to an amount as determined to be appropriate, but not less than $100,000.

In December 2023 and May 2024, respectively, Moody's and S&P withdrew their credit rating on System debt due to insufficient financial information. Both reports cited the lack of timely fiscal year-end 2022 financial statements from the City. Prior to the ratings withdrawals, System debt was rated 'Ba2' by Moody's and 'BB-' by S&P, which were non-investment grade and considered to have "major ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments"[4]. The lack of credit ratings and the continued failure to meet the existing General Bond Resolution requirements, severely impair the System's ability to access the municipal bond market to support its capital program and refinance existing debt.

To secure investment grade credit ratings in the future, the System will need to meet its various General Bond Resolution requirements, demonstrate steady growth of cash and reserve balances, and strengthen revenue collections.

Financial Tenets

Several financial tenets are foundational to the Financial Management Plan's development:

- One-time funding should be used for one-time expenses such as, capital improvement and debt prepayment, or as a "bridge" for operation and maintenance until a recurring and sustainable revenue stream can be developed.
- Rates for services must be equitable, affordable, and sustainable.
- Estimates for mid-term and long-term revenues and expenditures should be realistic but on the conservative side because of the significant unknowns and uncertainties regarding the future of the System.
- When possible, large capital investments should be supported by the benefiting users over the life of the assets. In other words, the System should strategically use financing to ensure future generations of users pay their fair share of long-life assets.
- Annual reinvestment should be at or above 2% of the plant value. See Appendix A for the calculation for the System included in this Plan.

Summary of the Financial Management Plan's Action Items

The Plan is based upon several imperative actions in the short, medium, and long-term designed to meet the System's needs.

To the extent possible, the short-term goals that were established in the first Financial Management Plan, dated January 31, 2024, were achieved. JXN Water implemented a new billing rate structure effective February 1, 2024, produced audited financial statements for the fiscal year ended 2023, and established policies and procedures related to billing. JXN Water has been unable to use federal funding to retire a meaningful portion of the existing debt, which remains a significant financial burden on the System.

[4] S&P Global Ratings Definitions

Short-Term (January 2024 – June 2025)

- Implement new billing rate structure for customers by Q1 2024. ACCOMPLISHED.
- Produce audited financial statements. ACCOMPLISHED.
- Establish operations policies, including billing, collections, and billing dispute policies. CONTINUING.
- Retire outstanding debt using a portion of the $450 million provided through the Consolidated Appropriations Act, 2023. UNSUCCESSFUL – SO FAR.

Medium-Term (June 2025 - 2029)

- Significantly improve and stabilize collections from the System's users.
- Lower debt service on the outstanding debt.
- Establish written financial goals as governing principles establishing (i) minimum days cash on hand (e.g., 90 days), (ii) targeted debt service coverage (e.g., 1.30x), (iii) full funding plan of capital program, and (iv) establishment of cash fund capital / pay-go target of $20 million per year to align with rating agency metrics for water and sewer utilities rated in the 'A' category.
- Develop a new governance structure for the utility management.

Long-Term (2030 & Beyond)

- Build to an investment grade credit that is sustainable and affordable for the users of the System.
- Fund portions of the capital improvement plan with current revenues, ramping up to the policy target of $20 million per year by FY 2035.
- Look for opportunities to consolidate water treatment plants and sewer treatment facilities.

Introduction to Financial Plan Analysis

The primary issue addressed in the analysis is revenue sufficiency. The results are meant to provide a framework to achieve the System's financial goals in light of the new rate structure, cost of operating and capital improvement needs and determine the future levels of revenues required to sustain financial stability. The Plan also looks to address opportunities to reduce costs, such as the existing debt service costs of the System.

It was previously determined that the rate structure that existed when the System was transferred to the ITPM, and the revenues being generated with that rate structure, were not sufficient to meet the System's operating and capital costs. As a result, the ITPM implemented a new rate structure that was expected to generate sufficient revenues in the short-term (see "Basis of Rate Design" herein) assuming collection levels increase to near industry standards, 95 percent or greater.

The ITPM through PFM, prepared a financial projection of revenues and expenditures for the System. A comparison of projected revenues and expenditures provides insight into the adequacy of overall revenue levels to meet current and future needs.

The Plan evaluates the following basic metrics:

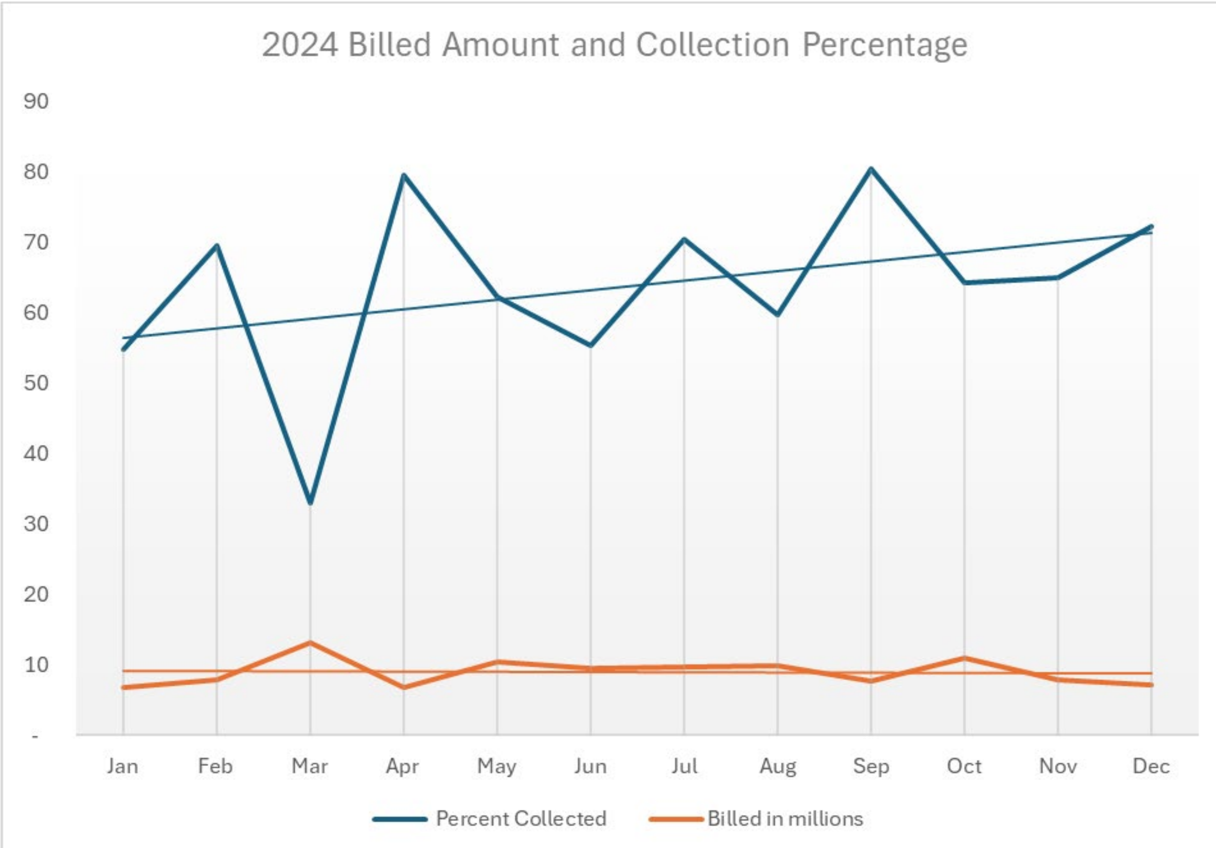
- Projection of operating expenses and capital improvement plan costs.
- Projection of revenues under the new rate structure.
- Forecast of potential additional needed revenue increases.

The financial performance of the scenarios modeled was evaluated based on the following requirements:

- Collect revenues sufficient to meet annual operating expenses by FY 2025.
- Meet the Rate Covenant under the General Bond Resolution by FY 2027.
- Fund the Operating and Maintenance Fund to the minimum required under the General Bond Resolution (i.e., 1 month of budgeted operating expenses) by FY 2029.
- Fund the Contingent Fund to the minimum required under the existing General Bond Resolution (i.e., 2 months of budgeted operating expenses) by FY 2029.
- Reach targeted minimum debt service coverage of 1.30x by FY 2029.
- Provide $20 million per year of sustainable capital improvement plan, pay-as-you-go funds annually by FY 2035.

A critical component of improving the System's financial performance is increasing the System's collection efforts. JXN Water has substantially resolved legacy metering and billing issues that have hampered collection of revenues. In 2024, JXN Water implemented multiple measures designed to increase the collection rate of the System, such as billing 1,600 customers that previously did not have active accounts, correcting inaccurate bills, and beginning shutting off service for non-payment. Additionally, JXN Water has established a process, and is currently working on updating its billing systems, to quickly re-establish services after a payment is made, as such, collection efforts will continue to be stepped up. The ultimate goal is to increase revenue collection rates to 90% or higher (from 56% as of June 2023) over the next 3 years.

The percentage of billed revenue collected moved from approximately 56% in January 2024 to nearly 70% at the end of the year. The upward trend is clearly demonstrated in the chart that follows.



JXN Water has identified more than 14,000 accounts that are receiving services, have new meters, get regular bills based on metered consumption, yet do not pay their bills. These accounts will be the focus of increased collection efforts in 2025.

Funding Requirements

Operating expenses consist of all costs that are necessary and appropriate for the operation, maintenance, and administration of the System during each year.

Projections of operating expenses include expenses such as contracts, personal services, supplies, and other services and charges. Projected operation and maintenance expenses for the System increase from $104 million in FY 2025 to more than $177 million in FY 2044. The operating expense projections in this Plan were updated and refined (compared to the January 2024 Plan) based on the past year of experience and negotiated operating contracts. There is a relatively optimistic estimate of flat operating expenses in FY 2026, then a 3% per year of increase applied to operating expenses thereafter. The optimism is based on having a national utility operator contracted to operate and maintain the System. Costs are projected to come down with the efficiencies and upgrades made with a contract operator. The net growth of 3% is inclusive of the potential savings.

Current annual debt service, including principal and interest payments on all existing debt, for the System is approximately $20.5 million for FY 2025.

Capital Funding and Project Program

A significant amount of Federal grant funding has been provided to the System. This includes:

Water Funds

- $150 million for technical assistance and grants under section 1442(b) of the Safe Drinking Water Act (42 U.S.C. 300j–1(b)) with up to 3% reserved for EPA and MSDH administrative costs. The awarded grant initially totaled $145,961,591 ($150M less EPA and MSDH administrative costs). In 2024, working closely with MSDH and EPA, JXN Water was able to "reimburse" the 1442(b) grant for SRF eligible expenses paid for with the 1442(b) grant funds. This resulted in transferring $27,944,104.07 of SRF funding (Section 1452) to this 1442(b) grant. At the end of 2024, the new 1442(b) grant total was $173,905,695.07 of which $158,621,540.77 was spent leaving a balance of $15,284,154.30.

- $450 million to remain available until expended, for capitalization grants under section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j–12). The requirements of section 1452(d) of the Safe Drinking Water Act, for the funds appropriated under this paragraph in this Act, each State shall use 100% of the amount of its capitalization grants to provide additional subsidization to eligible recipients in the form of forgiveness of principal, grants, negative interest loans, other loan forgiveness, and through buying, refinancing, or restructuring debt or any combination. (Consolidated Appropriations Act 2023)

- In 2024, MSDH approved JXN Water's revised intended use plan as follows obligating nearly $360 million of the $450 million appropriation. Until the costs on these projects are firmer, JXN Water is unlikely to add new projects for the $90 million balance.

Project Description	Loan Amount Requested	Cumulative Loan Amount Requested
Primary Drinking Water Standards Projects		
Intake Structure Repair	$5,500,000	$5,500,000
Existing Facilities Upgrade (Meeting Primary Standards)		
Emergency Small Diameter Pipe Replacement	$5,182,149	$10,682,149
Emergency Distribution System Optimization	$19,793,757	$30,475,906
Chemical Feed Repair	$24,000,000	$54,475,906
Small Diameter Pipe Replacement	$47,602,400	$102,078,306
Treatment Process Renewals	$90,000,000	$192,078,306
Distribution System Optimization	$96,057,100	$288,135,406
Other		
Emergency Lead Service Line Inventory	$2,968,198	$291,103,604
Debt Retirement – SRF Loan 2	$14,562,349	$305,665,953
Debt Retirement – SRF Loan 3	$18,410,826	$324,076,779
COJ Obligation Bond S2013 – DW Infrastructure Materials	$34,940,271	$359,017,050

- $2.8 million through an EPA State and Tribal Assistance Grant ("STAG") included in the Congressional-directed spending portion of the Consolidated Appropriations Act 2023. In 2024

JXN Water requested this appropriation be redirected. The request to change the $2.8 million "City of Jackson—General Filter Repairs at the J.H. Fewell Water Treatment Plant" allocation to "City of Jackson for Savanna Wastewater Treatment Plant Improvements" was approved on December 11, 2024.

- $4.8 million through an EPA STAG included in the Congressional-directed spending portion of the CAA 2023. In 2024, JXN Water requested to change the $4.8 million "City of Jackson for Savanna Wastewater Treatment Plant Phase 1B Improvements" allocation to "City of Jackson for Savanna Wastewater Treatment Plant Improvements." That request was approved on February 21, 2025.
- $4 million through an EPA Community Grant. The initial award was made under this grant in 2024. $1.3 million was awarded to JXN Water for the purchase of the administrative facility at 1054 Greymont Avenue in Jackson.

Water & Sewer Funds

- $139 million to design and construct improvements to the Sewer System and Water System through the US Army Corps of Engineers under the Water Resources Development Act Section 219 program.
- $46 million in ARPA funds, $23 million of which the City received in a direct allocation from the COVID-19 relief measure, and an equal amount it may receive through a matching grant program established by the State of Mississippi[5]. This funding was fully obligated as of the August 30, 2024, in compliance with the Mississippi Municipal and County Water Infrastructure Program ("MCWI"). JXN Water has two active grants under this program, one for the water system (Filters and other improvements at the OB Curtis WTP) and the other for sewer system repairs and improvements (3 term contracts awarded in 2024).

These sources combine for approximately $800 million available to address the System's infrastructure and other needs. Each of these funding streams comes with restrictions on the permitted uses. Importantly, many of these funds are currently restricted for use on the Water System only. As described further under "Debt Restructuring Evaluation," this limits the ability to restructure debt that was issued for both water and sewer purposes. Furthermore, this limitation imposes an additional burden of reporting and allocating funds when the System accounting, as required under the existing General Bond Resolution, is based on a combined water and sewer system. As such, JXN Water sought additional flexibility to use the federal funds for either or both water or sewer purposes through a legislative amendment; however, those efforts were unsuccessful in 2024. Furthermore, not all of the federal funds are available immediately. The Plan incorporates the use of these funds and the permitted uses, as the funds become available.

There are tremendous capital needs to make the System safe, reliable, and sustainable. The Water Order includes 13 priority projects and the Sewer Order includes 11 priority projects as well as fixing emergency sewer failures at more than 200 locations. These are in addition to other needs already identified during the ARPA process and with the USCOE 219 funding. Distribution system improvements

[5] *Reported: https://www.wlbt.com/2023/01/05/800m-federal-funding-secured-shore-up-jacksons-water-system/*

remain largely undefined pending a modeled analysis of the System, with the exception of the replacement of the 109 miles of small pipes (4 inches and less) throughout the System.

Basis of Rate Design

The prior rate structure (i.e., prior to February 1, 2024) could not sustainably fund either the current or long-term needs of the System. As a result, JXN Water developed a new rate structure founded on three critical public policy needs of (1) ensuring safe drinking water is available to everyone, all the time, (2) increasing revenue to ensure the revenues are sufficient at all times to pay the expenses of operating and maintaining the System, while (3) removing barriers for all users to pay for these services. Everyone needs to pay their share to support these essential community services but with recognition of the disconnect between the System design (to serve a population of 300,000) against the current reality of serving approximately half that customer base, across the same footprint and still losing customers.

Income disparity that exists across any population is perhaps the single biggest barrier for all users to pay for services at a level sufficient to generate the revenue necessary to be self-sustaining. Because, as noted above, the costs per connected customer increase as serviced populations decrease, JXN Water was faced with a serious dilemma in rate design and revenue collection. Without taking into account each class of users' ability to pay, JXN Water's rate structure is unlikely to result in increased revenue and is likely to see increased (avoidable) expenses for payment monitoring and collection actions.

Water and sewer services are essential public services. The US has a long-established policy of assisting people to meet their survival need for food with the Supplemental Nutrition Assistance Program ("SNAP"). Through this Federally funded, state administered program, low-income people are provided assistance to pay for food. These SNAP beneficiaries have been recognized by the US Government and the State of Mississippi as being differently situated than the general population and eligible to participate in the SNAP program to meet the US policy of eliminating hunger.

As this population has already been classified as differently situated by the State of Mississippi, JXN Water also identifies SNAP beneficiaries as a classification of users differently situated than other residential customers. By creating its "SNAP" classification of users, JXN Water sought to address the biggest barrier to all users paying for essential services – the ability to pay. This classification in turn will improve the overall ability of JXN Water to *increase* revenue collections while reducing the cost and impact of collection efforts. Minimizing the cost of collection efforts frees up revenues to apply to the cost of maintenance and operations, keeping rates for all customers as low as possible. Minimizing all operating costs is foundational to good rate design given that rates must recover the full cost of system operations in addition to capital investment.

Differential classification of users is permitted by Section 21-27-7 of the Mississippi Code of 1972 as amended by HB698 during the 2023 session:

> *"While a municipality may set different rates for different classifications of users, a municipality shall not discriminate in setting rates among members of the same classification."*

Similarly, the Mississippi Attorney General's Office has instructed that utilities may "create different classifications of users which have a *reasonable basis* and *relationship to accomplishment of a public policy objective*." Miss. A.G. Op., Gillespie (Jan. 24, 1990) (emphasis added).

To that end, in early 2024, JXN Water created and implemented user classifications for water and sewer services as follows:

- Commercial User – Connections with meters 1 ½ inch and larger
- Residential User – Connections with meters less than 1 ½ inch
- SNAP User – Customers who receive SNAP benefits from the State of Mississippi

JXN Water Rate Structure: Historically, the cost to provide water and sewer services in the US are often not specifically related to the structure of the rates used to recover the costs. In other words, the majority of service costs are *fixed* in nature and associated with the infrastructure operation and maintenance, the labor, capital investment, and any debt the system may be carrying. The variable costs associated with the amount of water consumed (used) is limited to the chemicals used to treat the water and or wastewater and the energy (electricity) needed to move it through a distribution or collection system. The fixed costs are high; the variable costs are low. This explains why a decline in serviced population does not result in reciprocal cost savings associated with a decline in the amount of water consumed. The cost exists in the fixed infrastructure and must be spread across a lower number of connected users. The decrease (or increase) in consumption has a negligible impact on the cost of operating the system. Yet, the majority of utilities across the United States over-allocate fixed costs to the volumetric portion of the rate structure.

The legislature amended Section 21-27-7 of the Mississippi Code of 1972 with HB698 to clearly acknowledge this historical misalignment between a rate based nearly entirely on consumption and one with costs more appropriately aligned with the actual cost allocation of providing water services between consumptive costs and fees necessary for the non-variable costs to provide such services:

> *"The calculation of a user's bill shall be limited to the actual amount of volumetric usage, plus those fees reasonable and necessary for the cost of capital expenses, system operation and maintenance, and debt service."*

Accordingly, the current rate structure for JXN Water includes the following volumetric and availability fee components:

- A Volumetric Component applied to all customers' actual water use in an inclining block structure. These blocks were established based on consumption data from 2023 derived from the new meters installed in the JXN Water system. The inclining blocks were established as follows and apply to all classes of customers:

    - Consumption of the first 50 CCF — $ 6.00 per CCF
    - Consumption of between 51 CCF and 150 CCF — $14.96 per CCF
    - Consumption of between 151 and 350 CCF — $17.45 per CCF
    - Consumption of more than 350 CCF — $19.95 per CCF

  Note, this volumetric component is *not* limited to the variable costs only. Instead, it seeks to defray both the variable costs and some portion of the fixed costs across all classifications.

- A monthly Availability Fee to cover costs of system operations, maintenance, capital, and debt service for both the water and sewer systems is applied as follows:

Residential and Commercial Customer Classifications

▪ 5/8-inch meter	$ 40.00
▪ 1-inch meter	$ 60.00
▪ 1 ½ inch meter	$ 200.00
▪ 2-inch meter	$ 320.00
▪ 4-inch meter	$ 640.00
▪ 6-inch meter	$ 1,280.00
▪ 8-inch	$ 2,560.00
SNAP Customer Classification	$ 10.00

Under the rate structure implemented February 2024, the average customer using 6 CCF with a 5/8-inch meter is estimated to have a monthly water and sewer combined bill (on average) of $76.00 or 13.4% ($9.19) higher than the average under the prior rate structure. This was a very reasonable average increase for this class of customers given the condition of the water/sewer systems.

Though JXN Water implemented a rate structure with the new SNAP Customer Classification, the majority of SNAP beneficiaries that are also users of the System are not receiving the benefit of this lower rate. To date, JXN Water has not been able to obtain a list of current SNAP beneficiaries. As such, these customers cannot be automatically enrolled in this rate classification. JXN Water has provided SNAP beneficiaries with a process to enroll in this rate classification, but uptake to date has been limited. Judge Wingate issued an order requiring the federal and State government agencies to provide JXN Water with the SNAP list for its customers solely to allow JXN Water to properly classify SNAP recipients in the SNAP rate category. Rather than complying and, thereby, providing assistance to SNAP recipients in Jackson, the federal and State governments elected to appeal that order. That appeal is pending before the U.S. Court of Appeals for the Fifth Circuit. A decision is expected within the next 60 days.

Privately Funded Customer Assistance - JXN Water has worked with the Mississippi Community Foundation to create and administer a donor-supported fund to assist customers with paying their bills during personal financial crisis. Payment plans are also available to assist all customers.

Overview of Existing Debt

The System's outstanding debt includes:

- Water and Sewer Revenue bonds, issued under the General Bond Resolution ("GBR") adopted March 11, 1993 ("GBR Debt"). The GBR Debt is secured by a pledge of net revenues of the combined System. This debt was issued in the capital markets, with the most recent bond issuance in 2016 (which has since matured). As of January 1, 2025, there was $149 million of GBR Debt outstanding. It is important to note that 99% of the GBR Debt can be prepaid at any time, with no penalty. This is because the System has reached the optional call dates on the bonds and has been unable to refinance because the System has not been and is not currently in compliance with its General Bond Resolution. For FY 2025, debt service on the GBR Debt totals approximately $17 million.

Series	Original Issue Size	Delivery Date	Final Maturity	Outstanding Par*	Next Call Date
2011A	$46,720,000	8/18/11	9/1/34	$23,750,000	Anytime
2011B	2,565,000	8/18/11	9/1/34	1,495,000	N/A
2012A	63,045,000	8/29/12	9/1/34	51,060,000	Anytime
2013	89,990,000	6/27/13	12/1/40	72,205,000	Anytime
Totals	**$238,635,000**			**$148,510,000**	

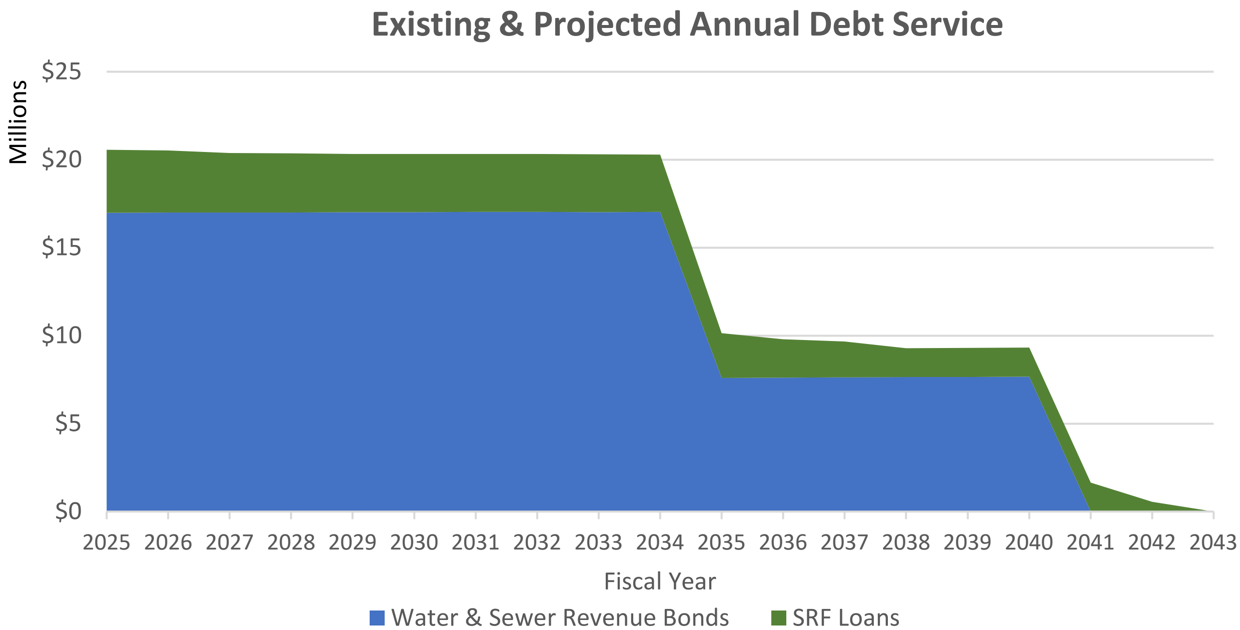
*Outstanding as of January 1, 2025

- Clean Water Revolving Loan Fund ("CWRLF") loans. This debt was not issued under the General Bond Resolution, rather, it is paid from the City's sales tax rebate payments before they are distributed to the City. The System then reimburses the City's General Fund for that sales tax reduction. As of January 1, 2025, there was approximately $42 million of this type of debt outstanding. For FY 2025, debt service on these loans totals approximately $3.5 million. JXN Water is in the process of extending the final maturity on most of the CWRLF loans from 20 years to 30 years, with no change in the interest rate. This change is expected to reduce debt service payments by approximately $1.2 million per year, in the near-term.

In November 2024, JXN Water defeased (or retired) all of its outstanding Drinking Water Revolving Loan Fund debt, totaling $33.0 million using a portion of its $450 million section 1452 capitalization grant. This was the only debt eligible for retirement using this grant funding. This debt generated approximately $52k per month, or $624k annually, in debt service savings.

For FY 2025, based on currently outstanding debt, debt service on the combined System's debt totals approximately $20.5 million (see graph that follows). The $20.5 million payment is equivalent to approximately 22% of projected FY 2025 System operating revenues. The System's aggregate debt service to final maturity in FY 2043 is approximately $263 million, of which $204 million will be paid over the next 10 years (including FY 2025).[6]

[6] Existing and projected debt service excludes debt service on the City's $7M GO Note that was issued for water and sewer purposes. Debt service reflects the pending extension of the CWRLF loan final maturity dates from 20 years to 30 years.



Debt Restructuring Options

Reducing the System's debt burden is critical to the future financial viability of the utility. Ideally, the System would find resources to pay off the outstanding debt.

The benefits of paying off the outstanding debt include:

- Creates significant annual cash flow savings. The savings would be immediate, with an estimated $20.5 million of savings annually in FY 2026. The elimination of the debt burden and related savings would more quickly re-establish the financial solvency and creditworthiness of the System.

- Allows the System to fund a portion of its future capital improvements with pay-as-you-go ("pay-go") funding. As noted previously, this Plan targets the use of $20 million per year in pay-go funding by FY 2035. Absent grant funding, pay-go funding is the lowest cost method of funding capital improvements because no interest costs are incurred.

- Assuming all water and sewer bonds are paid off, allows the System to close the existing General Bond Resolution. This would cure the covenant breaches that are currently present. This would also allow the System to establish a new General Bond Resolution to govern the issuance of future debt. Such new resolution could modernize the covenants that currently date back to 1993. A new resolution would also give the System flexibility to amend the organizational and operational structure, if desired.

- If all of the SRF loans are paid off, the City's sales tax rebate payments would not be used to pay the System's SRF debt. This would alleviate a current liability for the City and be viewed favorably in the context of the City's creditors.

As described under “Historical Financial Challenges,” the System has not complied with all of the covenants under the General Bond Resolution for several years, particularly its Rate Covenant. ***As such, it appears that an Event of Default has occurred and is continuing. As a result, without a waiver or curing the defaults, the System is legally prohibited from refinancing its debt through the issuance of bonds under the existing General Bond Resolution.***

As outlined in the original Financial Management Plan dated January 2023, JXN Water intended to use a portion of the $450 million provided under section 1452 of the Safe Drinking Water Act to retire all debt as soon as practicable. In pursuing this option, JXN Water encountered a challenge that prohibited it from implementing the plan. Specifically, as outlined under “Capital Funding and Project Program,” most of the federal funding available to JXN Water, including the $450 million section 1452 capitalization grant is limited to use on water projects. Due to the lack of available documentation from the City regarding the use of the original bond proceeds, JXN Water was unable to ensure that through a restructuring, the federal funds would be limited to use on eligible water projects, except for the Drinking Water Revolving Fund Loans, which were clearly used for water projects and therefore, were retired in November 2024.

In 2024, JXN Water explored options to restructure its outstanding debt to lower debt service in the near-term (i.e., defer debt service payments), creating cash flow relief while the System and collections stabilize. JXN Water, its legal advisors, and its financial advisor found a potential pathway to restructure the outstanding debt, despite the ongoing defaults under the existing GBR. Because JXN Water was able to meet its most immediate cash flow needs by unlocking $52 million of the $450 million section 1452 capitalization grant in November 2024, JXN Water paused its efforts to restructure its debt.

Options to manage the System’s debt include:

- **After Achieving Financial Stability Use Available Free Cash Flow to Prepay Debt**. After JXN Water addresses its collections and debt issues, it can begin to replenish its reserves and consistently generate positive cash flows. That would allow it to use a portion of its available cash to prepay debt at any time, with no penalty. This would eliminate the future interest payments associated with the debt. Because of the System’s current cash flow challenges (see “Cash Flow Challenges”), this option cannot be implemented as of the time of this report.

- **Refinance System Debt for Near-Term Cash Flow Relief**. As needed, the System may restructure its existing debt by deferring payments due. The potential benefit of this option would be to create an immediate reduction in debt service. In all likelihood, this option would significantly increase the System’s total debt service in the long-term, however, it would help ensure the System can continue to meet its obligations and continue delivery of services to customers. This option is generally not preferred but may become necessary if the System’s cash position continues to deteriorate.

- **Refinance System Debt for Savings Following Financial Stabilization**. A refinancing is more likely to result in debt service savings when a) the financial condition of the System improves such that it is able to achieve adequate debt service coverage (i.e., current net revenues divided by debt service), b) the System is able to once again secure investment grade ratings, and c) the System’s long-term governance is known and established. Key to stabilizing the financial condition of the System is improving the revenue collection rate. This option may take a while to come to fruition.

- **With Proper Legislative Amendments, Refinance System Debt Using the $450 million Capitalization Grant.** As stated previously, JXN Water has been unable to use the $450 million grant to retire a meaningful portion of its debt, as originally intended, because of restrictions on the use of the grant funding. If the authorizing legislation for this section 1452 capitalization grant is amended, JXN Water could revisit this plan. If possible, the unallocated grant funds (approximately $90 million) plus some of the funding which has been identified for use could be redirected to prepay substantially all of the existing debt at no cost, creating the greatest financial benefit for the System than any of the other debt options described above.

	Cost of Full Pay-Off (on December 1, 2025)	Debt Service Savings (FY 2026)
Water & Sewer Revenue Bonds	$142.2 million	$17.0 million
SRF Loans	$41.9 million	$3.5 million
Total	**$184.1 million**	**$20.5 million**

Cash Flow Challenges

In October 2023, when JXN Water assumed responsibility from the City for billing and collection of all funds generated through the operation of the System, the Sewer Order required the City to transfer all System revenues, including existing balances and reserves in System accounts to JXN Water. The transfer included the following:

- Balance in the Consent Decree Supplemental Environmental Project fund $ 651,327.24
- ARPA Local Match Funds for Sewer $8,828,041.00

Balances (if any) in the following funds (as established in the General Bond Resolution) were not transferred and as such, the ITPM assumes these funds were totally depleted by the City prior to the Sewer Order taking effect on October 5, 2023 (no financial statements are available to confirm this assumption).

- Operations and Maintenance Fund (1/12th of annual budget)
- Contingent Fund (2/12th of annual budget)
- Depreciation Fund (minimum of $100,000)

Additionally, establishing water accounts required customers making a deposit at the time the account opened. Prior to October 2023, the City of Jackson had collected those deposits. At the time of the transfer of full responsibility for revenue and debt of the water system to JXN Water in October 2023, the liability for deposits totaled $5,549,011.02.

As discussed previously, the $778 million in federal funding that has been allocated to the System is subject to a number of limitations regarding its use. While collections of the System's revenues have generally increased over the past six months and a new rate structure was effective beginning January

2024, operating expenses are exceeding operating revenues monthly. Revenues will need to exceed expenses before the System can begin to build up its fund balances and reserves. In other words, in the near-term, the System lacks capacity to fund its minimum operating and expense needs. To meet current needs, in 2024, the ITPM was forced to borrow from the local ARPA funds, held for match for future ARPA projects. At this time, the ARPA funding has been fully expended.

At the same time, in order to release certain federal funding, JXN Water needs to first contribute matching funds. More specifically, JXN Water is seeking to unlock approximately $40 million in funding available through the US Army Corps of Engineers under the Water Resources Development Act Section 219 program in order to complete certain high-priority sewer projects. To unlock this funding, JXN Water must first contribute its matching requirement.

In 2024, JXN Water spent significant time exploring a potential issuance of additional debt to provide 1) sufficient monies to fill up the various funds as required by the General Bond Resolution, 2) monies as determined by the ITPM to fund any operating deficits, and 3) monies as determined by the ITPM to pay for the match requirements of certain grant funding. JXN Water also explored restructuring its outstanding debt. The potential financing was challenged by many factors, such as the System's historical and current inability to meet the requirements under the General Bond Resolution and by the limited passage of time since the new rate structure and billing system had taken effect. Another significant challenge was determining the appropriate issuer of the debt, given JXN Water's unique interim status. Based on JXN Water's current legal structure, there were complications in finding a path for JXN Water to issue debt for new projects on a tax-exempt basis, which is a typical advantage (i.e., lower cost) available for most municipal projects. JXN Water determined not to pursue the debt issuance in 2024 but may need to revisit this in the near-term.

In late 2024, JXN Water's acute cash flow needs were filled by working collaboratively with Mississippi's Department of Public Health to successfully release $52 million in funding from the $450 million in section 1452 capitalization grants. This funding was used to a) reimburse JXN Water for previous eligible expenses and pay down approximately $33 million in eligible outstanding Drinking Water Revolving Fund loans. The reimbursement of previous eligible expenses served as working capital to fill shortfalls in monthly revenue and expenses. Currently, the System is operating at a financial deficit of approximately $3 million per month. Based on the System's current collections and monthly expenses, the System's reserves would be depleted by the Summer of 2025.

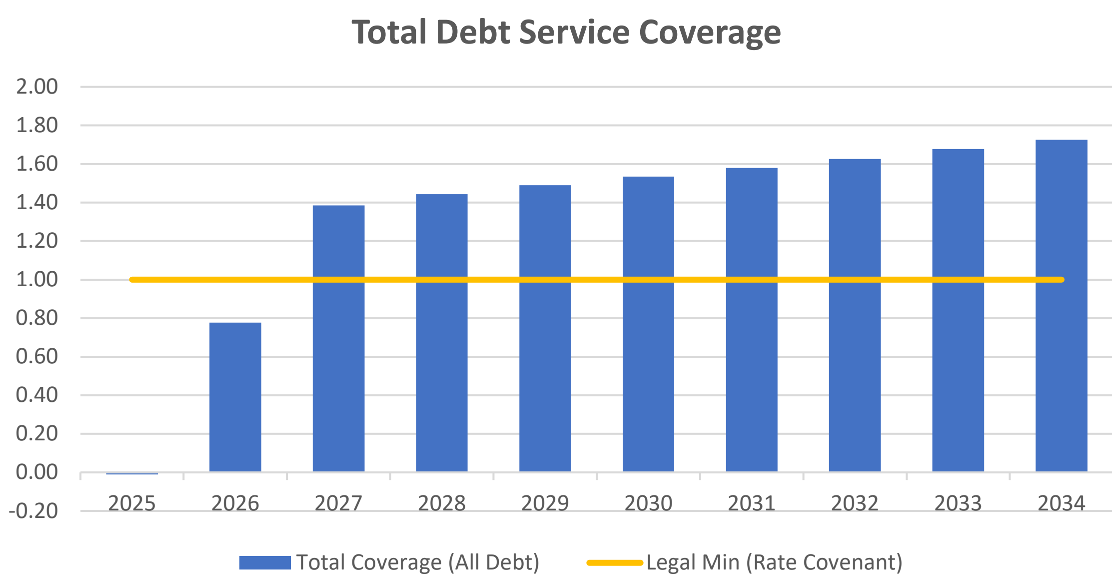
Financial Modeling

With the new rate structure in place, JXN Water established a good foundation for the long-term sustainability of the System. However, given the critical cash flow challenges, additional revenue increases are required for the System to remain sustainable. In spring of 2025, the ITPM plans to seek a rate increase (i.e., approximately 25% increase in the *volumetric* rate) across all tiers. With this adjustment, the average monthly **residential bill** (based on 6 CCF of usage) would increase from $76.00 to $84.88, an increase of just under 12%. The change is expected to generate approximately $22.9 million in additional billed revenue. Assuming a 60% collection rate, the increase generates an additional $13.7 million in annual revenue for the System. The planned rate adjustment attempts to balance the wealth levels of JXN Water's customers with the financial needs of the System.

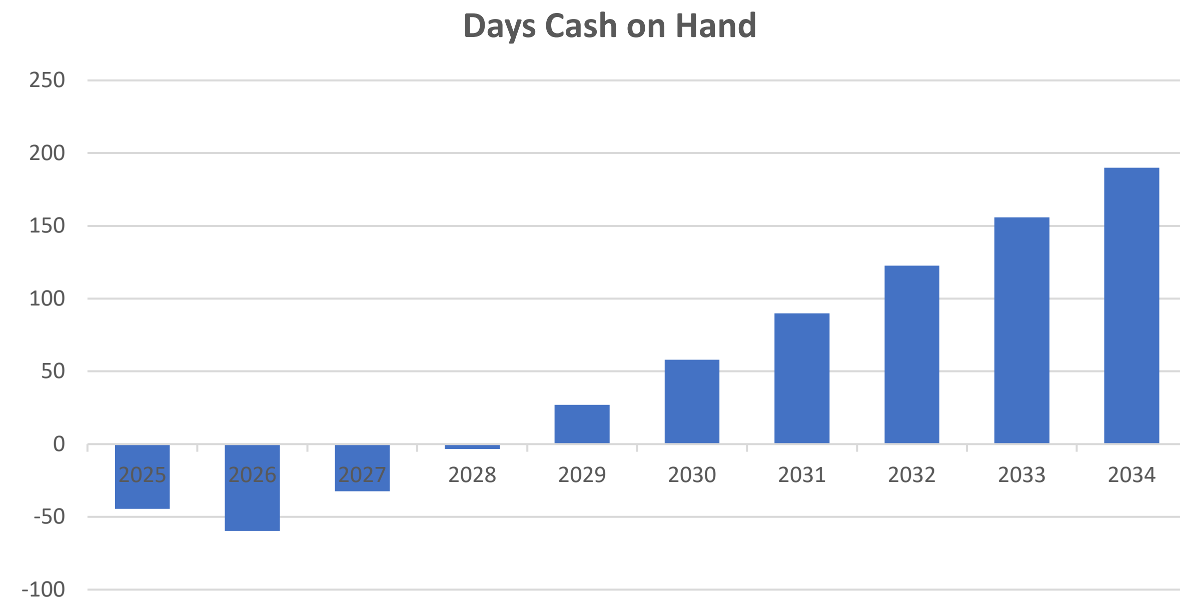
The financial projections assume that the collection rate increases throughout 2025, averaging 70% for 2025 as a whole. For 2026, the collection rate is projected to be 80% on average, then increases to 90% over time. The projections conservatively assume that JXN Water receives the SNAP customer data that it has requested from the state, which would increase the number of customers enrolled in that tier of customers paying the lowest rate.

To meet the financial goals and objectives stated herein and remain sustainable, throughout the planning period, further adjustments (e.g., additional revenue, reduced debt service costs, and/or additional grant or loan funding) are required. In other words, the 2025 rate adjustments and funding sources in-hand are not projected to fully solve the System's financial challenges. The financial projections indicate that the System's debt service coverage will be within the targeted range by 2027, but cash is the critical challenge. The projections indicate that the System will have a negative cash balance of approximately $13 million by the end of 2025, absent further adjustments. The negative cash position is projected to continue to weaken over time until the collections rate reaches above 85%.

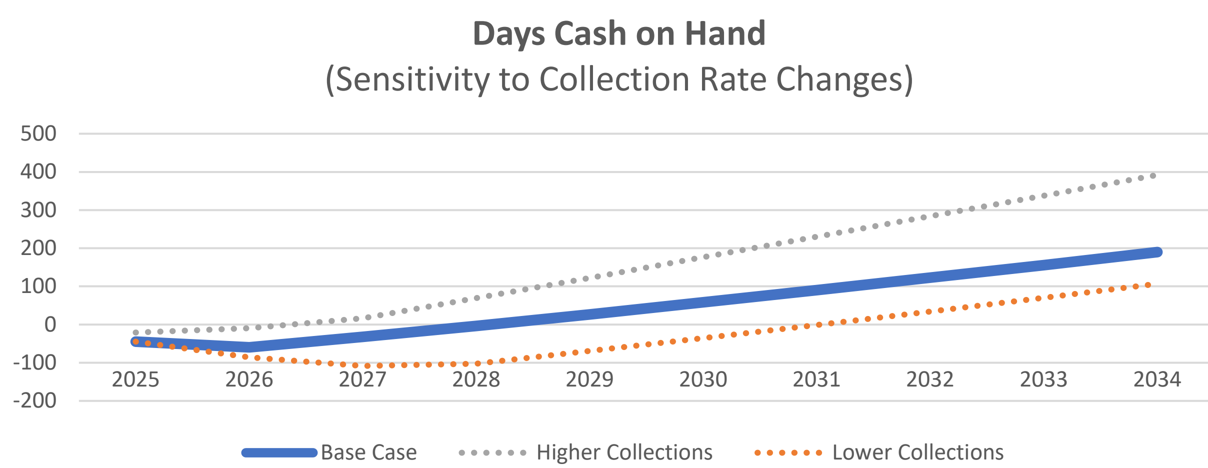
The graph that follows shows debt service coverage (i.e., net revenues divided by debt service). Higher debt service coverage is better. As described under "Summary of the Financial Management Plan's Actions Items," JXN Water is medium-term goal is to reach total debt service coverage of at least 1.3x by 2029.



The graph that follows shows days cash on hand (i.e., unrestricted cash and investments expressed relative to days of operating expenses). Higher days cash on hand is better. A negative days cash on hand number means the System is not financially sustainable.



To show the criticality of improving the System's collection rate, the graph that follows shows the projected days cash on hand, assuming the only change is to the annual collection rate.



Assumed Collection Rates

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Higher Collections	75%	85%	90%	95%	95%	95%	95%	95%	95%	95%
Base Case	70%	80%	90%	90%	90%	90%	90%	90%	90%	90%
Lower Collections	70%	75%	80%	85%	90%	90%	90%	90%	90%	90%

Future Governance Models

The Orders include future governance as an element to be addressed in the Plan. There are many potential options ranging from putting the System back under traditional City government as part of the Public Works Department to full privatization. The concept of privatization does not appear feasible or desirable for the City. The City would be challenged to find any entity willing to compensate them for the value of the assets based on their current condition, history of failures, and liability for future failures. Preliminary discussions with other investor-owned water utility companies clearly demonstrated the lack of interest in purchasing or even operating the System in the near term. With the significant investments that the Federal, State and ratepayers (pay-go) partnership will make over the next 20-years, the System will become more attractive to investor-owned utilities in the future. After this incredible public investment, privatization would essentially equate to a $1B gratuity to any private purchaser (unless these funds were returned to the City as part of any sale).

One likely superior option would be the creation of a local utility authority for the System that includes all customers of the system including the customers in Ridgeland, Hinds County and Byram. This is a viable option under current state law but may not achieve the long-term goals of a sustainable and reliable water system with an entity bound by procurement and human resource rules and regulations typically applicable to political subdivisions. Enabling legislation that frees the entity from those procurement and human resource limitations may make that option more attractive. Keeping local politics out of board appointments would also be a challenge.

Putting the System back under the management of the City of Jackson as a city department would be very challenging, in the opinion of the ITPM and many of JXN Water's customers. The ability to attract and retain talent has become challenging for local governmental entities across the country. With the City of Jackson's current civil service system, this challenge cannot be overstated. Another challenge is the City's history of procurement and contract management, including delayed payment from the City to vendors. The JXN Water model is based on contract operations for nearly all utility functions. These contractors expect and deserve professional contract management. The City's history cannot be overcome easily and building trust with the necessary contract partners will take years of successful performance, something that the City of Jackson cannot build immediately.

Creation of any future governance to operate JXN Water should only occur with judicial oversight. The Court should participate in the establishment of whatever entity provides future governance and some overlap transition time should be built into any plan. Additionally, judicial oversight should remain in place until at least all the Federal funding has been obligated per this Plan, estimated to be no earlier than the end of FY 2028. A determination as to further need for judicial oversight can be made at that time.

Recommendations

Based upon this Plan the following actions will be undertaken by the ITPM after further consultation with key stakeholders:

- In Spring 2025, increase the *volumetric* rate across all tiers of approximately 25%, as shown in the financial projections herein. As part of this overall increase to all customer classifications, the typical residential bill would increase less than 12 percent.

- Further ramp up collection efforts, including an aggressive severance of service strategy.
- Continue efforts to address the System's near-term cash flow challenges, including seeking additional grant and/loan funding.
- If and when feasible, pay-off or refinance the System's existing debt.
- Continue to refine the concept for future governance.
- Refine and update this Plan as new information becomes available.

APPENDIX A - Calculation of Recurring Re-investment Needs Based on Plant Value

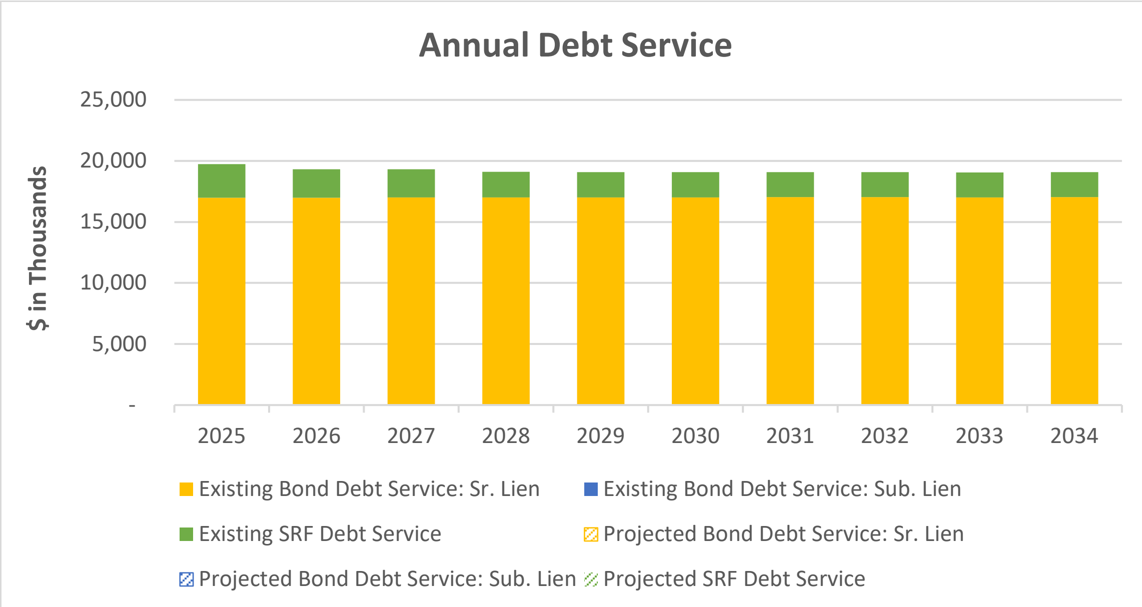
From the City's FY 2022 Annual Comprehensive Financial Report (latest available data)

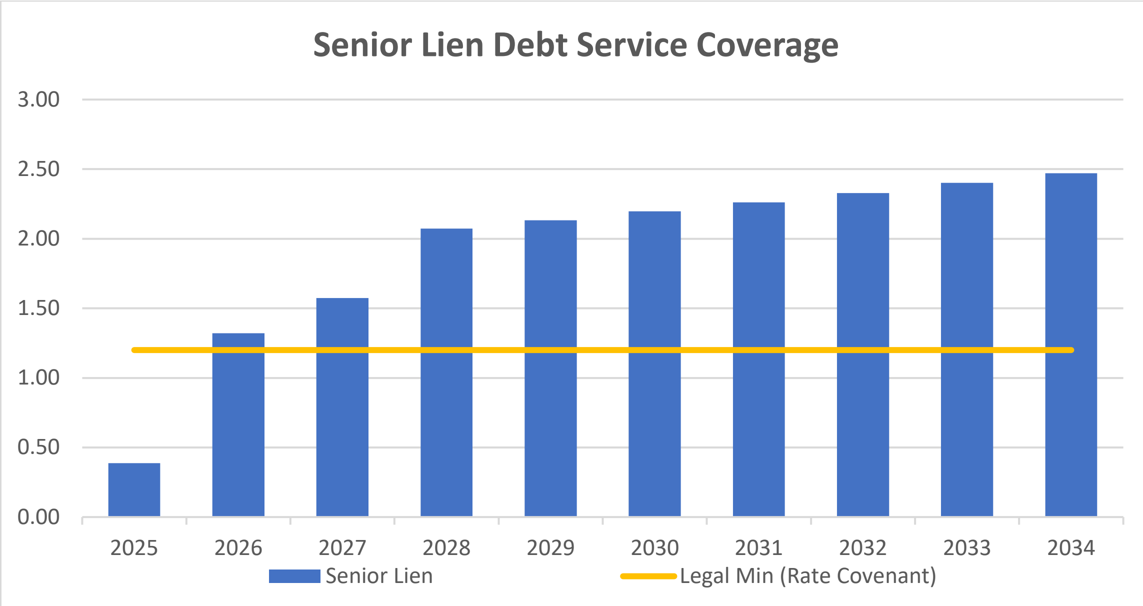
Property, plant, and equipment at cost

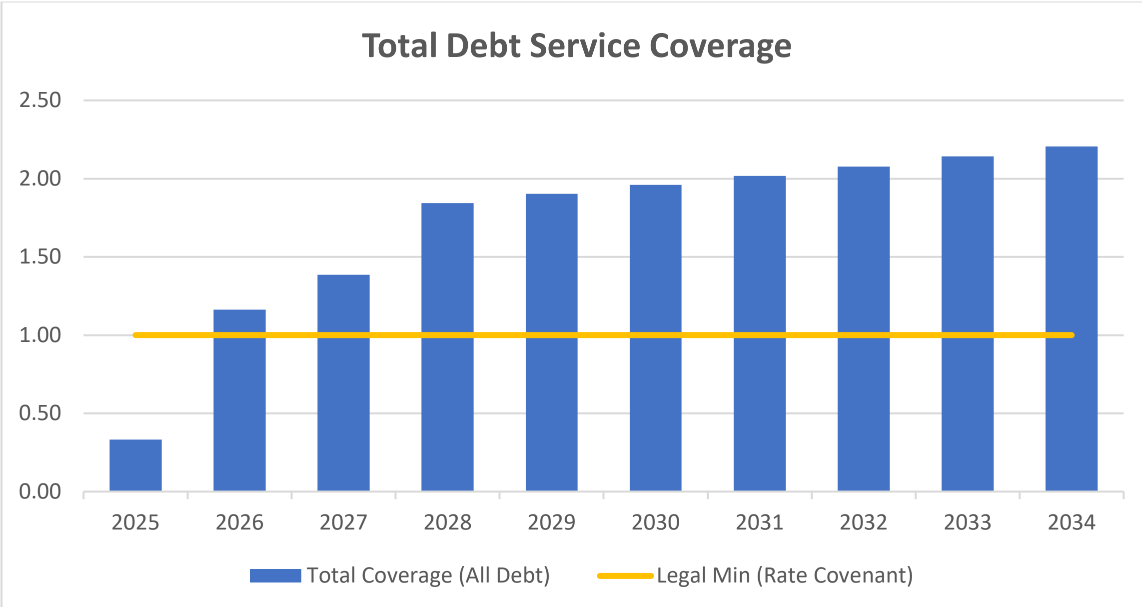
• Land	$1,780,576
• Buildings	3,256,474
• Water plant, distribution system and equipment	829,296,983
	$834,334,033

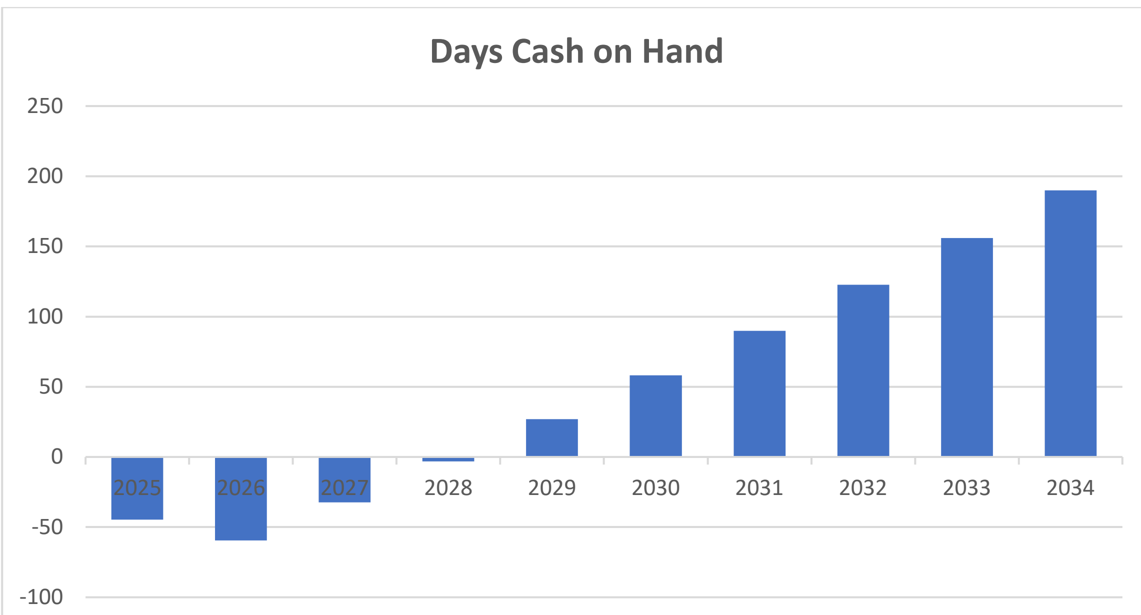
Minimum goal is 2% reinvestment per year = ~$17,000,000
Financial Plan target = $20,000,000 per year or 2.4%

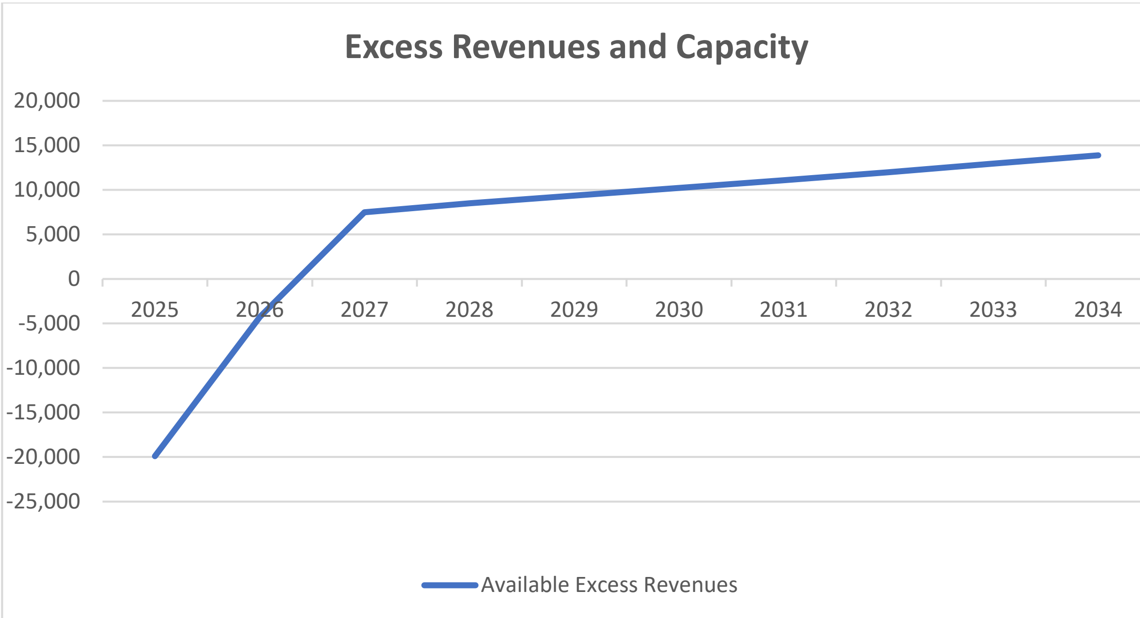
Appendix B– Model Outputs






Total Debt Service Coverage
2.50
2.00
1.50
1.00
0.50
0.00
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
Total Coverage (All Debt)
Legal Min (Rate Covenant)


Days Cash on Hand
250
200
150
100
50
0
-50
-100
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034


Excess Revenues and Capacity
20,000
15,000
10,000
5,000
0
-5,000
-10,000
-15,000
-20,000
-25,000
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
Available Excess Revenues