WAGGONER

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November 13, 2025

Ms. Heather Paul
Director
Office of Community Development
P.O. Box 94095
Baton Rouge, LA 70804

Subject: Rate Study, St. Tammany Parish Department of Utilities

Dear Ms. Paul:

Waggoner Engineering has completed the Rate Study (Attachment 1) for the Water Sector Program (WSP) Grantee, St. Tammany Parish Department of Utilities. A rate study with a required summary of actions will be presented by the utility staff to the legally responsible person for the community water system and provide the information to you separate from this letter.

Waggoner has concluded that the rate study prepared complies with the State's requirements. The recommended rate increases are expected to keep up with expenses for operations and maintenance as well as capital projects. Waggoner has prepared the required summary of actions from the rate study (Attachment 2) and documentation for the utility to provide to DOA and LDH that the decision to implement the rate analysis findings was accepted by the utility (Attachment 3). The St. Tammany Parish Department of Utilities is recommended to implement the rate study completed in October 2025. The enclosed report details these findings.

Please let us know if you need any further information regarding this rate study review.
Sincerely,

Andrew Alleman, P.E.
Project Manager
Waggoner Engineering

Attachments: 1) Rate Study, 2) CPI Ordinance Example, 3) Summary of Recommended Actions, 4) Rate Study Acceptance Documentation

cc: Grady Reed/HDR, Chris Tissue/St. Tammany Department of Utilities

ATTACHMENT 1:
Rate Study Report

WAGGONER

St. Tammany Parish Government

Department of Utilities Rate Study

Prepared For the Louisiana Division of Administration

October 2025

Introduction

HDR Engineering, Inc. (HDR) is working as a subconsultant to Waggoner Engineering as part of a team to conduct rate studies as needed for the Office of Community Development for the State of Louisiana. These rate studies are to be performed for public water systems and community sewerage systems that apply to the State of Louisiana Water Sector Program for project funding. This study is a prerequisite for the applicant to meet the Water Sector Program requirements and receive an award of funds.

Specifically, the goal of each study is to achieve the objectives of the Water Sector Program and determine if rates charged by the water/wastewater system will produce a fair and reasonable revenue stream currently, and in the future for the water/wastewater system, allowing for the current operations, maintenance, debt service and the changes as a result of the improvements to be funded under Act 410 of the 2021 Regular Session of the Louisiana Legislature.

If a community water system has had a rate study completed within the year prior to application for the Program, then a new rate study is not required, and the existing rate study can be reviewed to determine if it meets the requirements for project funding.

St. Tammany Parish Department of Utilities (Utility) has applied for funding through this program. This application was completed in or around October 2021. The Utility has not completed a recent rate study; therefore, a rate model has been developed and a high-level rate study completed in order to determine if the utility is financially sound and to prepare a financial plan for a 10-year period. This report summarizes the results of that rate study and the available data provided for each requirement contained in Act 410 in order to receive grant funding.

Review existing revenues, compare to expenses, and determine if there are any deficiencies in the current rate structure. Determine the required rates to meet expenses, capital, and funding costs for future needs of the system with a minimum sustainability factor of 1.15.

Background of the Financial Plan

As part of the utility financial review, a financial plan was also developed. This plan is intended to show future cash flows (both revenue and expenses) and to provide guidance on needed rate increases to fund both operation and maintenance expenses as well as future capital needs of the utility.

This study incorporated data from several smaller utilities systems previously acquired by of St. Tammany Parish Government. These included Tammany Utilities West, Cross Gates, North Shore, and others. The data presented is the sum of the data from all utilities. For example, the

total expenses given in this report are the sum of the expenses for all utilities. Furthermore, each utility has a separate water and/or wastewater rate system. This report assumes that all utilities under the control of the Department of Utilities will adopt a common water and wastewater rate structure as presented in this report. Operating under a single rate structure is administratively simpler to manage and will allow the Utility and manage revenue by customer class in lieu of geographic location. A combined rate structure is a normal recommended practice for utilities with multiple systems under ownership and operation of a single entity like the Department of Utilities.

The Utility provided historical revenue and expense data for Fiscal Years (FY) 2022, 2023 and 2024. The proposed budget for FY 2025 was also provided. The expense data provided included a detailed budget for all departments associated with providing water and wastewater services. The Utility also provided the number of water and wastewater customers by customer class and the water and wastewater volume billed for each customer class over a full 12-month period. This information, and the developed CIP, was used to build a financial planning model for the Utility. This model forecasts future revenue and expenditures of the Utility under varying assumptions including customer growth rates and varying levels and timing of capital improvement spending. The model provides projections for a 10-year period from 2025 until the end of 2034.

To develop a projection of revenues, a new combined rate structure for all utilities was created with input from the Utility for the FY 2025 Budget. This new rate structure was designed to generate a similar amount of revenue as the current rate structure does for the FY 2025 budget. The 2025 consolidated rate structure was intended to estimate the revenue within 5% of the FY 2025 proposed budget. This proposed consolidated rate structure is shown in Table 1 & 2. The proposed rates as well as the number of customers and volume billed in each customer class were used to calculate the revenue generated for each year of the 10-year period. In addition to rate revenues, the Utility also receives revenue from other sources, such as NSF fees, connection fees, maintenance fees, interest, and other fees and charges. These other revenues total approximately $2.7 million per year. In some cases, these other revenues needed to be split between the water utility and the wastewater utility. This was done with input from the Department of Utilities. For example, revenue from late fees was split evenly between the water and wastewater utility, while all of the revenue associated with sewer connection fees was assigned to the wastewater utility.

The financial model allows the water and wastewater utility rates to be adjusted each year as a percentage increase. The total customer count can also be adjusted each year to reflect population growth, and the collection rates can also be adjusted. It should be noted that the customer growth rate was set at 2.5% annually for residential growth, 2.0% annually for multi-family connection growth, and 1.0% annually for commercial growth. No additional growth was projected for industrial customers.

On the expenditures side, a 3% rate of inflation was assumed on all expenditures, including personnel, maintenance, and supply costs. Future capital projects were assumed to either be debt funded, or cash funded. All cash funded projects are funded out of the Utility’s Operation

and Maintenance (O&M Fund) as the Utility does not have funds set aside for capital projects. It should also be noted that the provided CIP only went to 2029. However, monies were budgeted for future projects this year as shown in the model. The model can be adjusted in future years once those projects are developed. It is important to understand that neither HDR Engineering nor Waggoner Engineering are acting as the Utility's municipal financial advisor, and all assumptions described above were for estimated rate impacts only.

Current Utility Assessment

As summarized above, data contained within the rate model to determine revenues and expenses was derived from data provided by the Utility. This section will provide a more detailed discussion and summary of that data.

As proposed, the Utility would charge a different water demand charge (or the fixed portion of the monthly water bill) to non-residential and industrial customers based on meter size. This is the best management practice as it more accurately captures costs of providing water to high volume customers. All residential customers would be charged the same demand charge.

All metered gallons beyond the minimum usage in the demand charge would be billed at volume charge rate. These volume charge amounts vary by customer class. In addition to metered customers, the Utility also serves a limited number of customers who have no water meter. These customers are charged a flat rate. Under the proposed rates, this flat rate would vary depending on the customer type and is based on the average use for metered customers with the same type.

Moving forward, it is important to note that many utilities will have separate volume rates for residential and non-residential customers as it is sometimes appropriate to have a different volume rate structure for each customer class depending on their use characteristics. In many cases, commercial customers will have a flat rate for all gallons used due to the lack of homogeneity within this rate class. However, many utilities will employ an increasing tiered structure for residential volume rates in realization that those customers with a higher use are placing higher costs on the utility due to sizing facilities for this peak summertime use.

The wastewater rate structure is similar to the water rate structure with a fixed demand charge for each metered customer. The demand charge is higher for commercial and industrial customers than it is for residential and multi-family customers. There are also a limited number of flat rate wastewater customers. The rates for these customers were based on the average billed volume for metered customers. This proposed consolidated rate structure is shown in Table 1 & 2.

Table 1: Proposed Water Rate Structure for 2025

MONTHLY WATER SERVICE			
Flat Rate			
Customer	Flat Rate		
Flat Rate Residential	$42.09		
Flat Rate Multi-Family	$389.87		
Flat Rate Non-Residential	$123.00		
Metered Rate			
Customer	Min Usage	Fixed Charge	Volume Charge
Residential	2,000	$25.06	$4.40 per 1000 gallons
Multi-Family with Master Meter	2,000	Same as Non-Residential Meter Size*	$4.90 per 1000 gallons
Non-Residential 5/8" or 3/4" Meter	2,000	$54.40	$4.90 per 1000 gallons
Non-Residential 1" Meter	2,000	$90.67	$4.90 per 1000 gallons
Non-Residential 1.5" Meter	2,000	$115.90	$4.90 per 1000 gallons
Non-Residential 2" Meter	2,000	$150.50	$4.90 per 1000 gallons
Non-Residential 3" Meter	2,000	$189.90	$4.90 per 1000 gallons
Non-Residential 4" Meter	2,000	$228.90	$4.90 per 1000 gallons
Non-Residential 6" Meter	2,000	$315.80	$4.90 per 1000 gallons
Non-Residential 8" Meter	2,000	$505.28	$4.90 per 1000 gallons
Industrial	2,000	Same as Non-Residential Meter Size	$4.70 per 1000 gallons

*Assumed to be a 1” meter in financial model

Table 2: Proposed Wastewater Rate Structure for 2025

MONTHLY WASTEWATER SERVICE			
Flat Rate			
Customer	Flat Rate		
Flat Rate Residential	$46.10		
Flat Rate Multi-Family	$173.58		
Flat Rate Non-Residential	$138.43		
Metered Rate			
Customer	Min Usage	Fixed Charge	Volume Charge
Residential	2,000	$32.25	$4.62 per 1000 gallons
Multi-Family with Master Meter	2,000	Same as Non-Residential Meter Size*	$4.62 per 1000 gallons
Non-Residential 5/8" or 3/4" Meter	2,000	$50.71	$4.62 per 1000 gallons
Non-Residential 1" Meter	2,000	$67.39	$4.62 per 1000 gallons
Non-Residential 1.5" Meter	2,000	$107.97	$4.62 per 1000 gallons
Non-Residential 2" Meter	2,000	$140.21	$4.62 per 1000 gallons
Non-Residential 3" Meter	2,000	$176.90	$4.62 per 1000 gallons
Non-Residential 4" Meter	2,000	$213.27	$4.62 per 1000 gallons
Non-Residential 6" Meter	2,000	$294.19	$4.62 per 1000 gallons
Non-Residential 8" Meter	2,000	$613.92	$4.62 per 1000 gallons
Industrial	2,000	Same as Non-Residential Meter Size	$5.71 per 1000 gallons

*Assumed to be a 1” meter in financial model

The Utility has a reported fund balance of $9,713,769 in the proposed FY26 Budget at the beginning of the year, which includes 3 months of operating reserve. With no rate increases this balance is expected to decline, which will limit funding for any unexpected spending or emergency projects that must be completed. Total estimated expenses (for both utilities combined) for FY26 are approximately $22.2 million. Total estimated revenue in FY 26 is $23.0 million, assuming the recommended rate increases are implemented. While the water utility appears to be generating sufficient revenue, the wastewater utility does not, and rate increases are needed to eliminate a deficit.

There is currently some debt associated with the Utility; however, the Utility does have capacity to issue debt if needed in the future to fund capital programs. Future debt issues are modeled to fund the larger CIP projects. The utility should also explore additional grant opportunities to fund projects when possible, which may need a 25% match or more depending on the grant source.

Proposed Financial Plan

The utility has identified $61.3 million in capital spending over the next ten-years ($36.5 million for water projects and $24.8 million for wastewater projects). Much of this spending is associated with rehabilitation and replacement of existing capital assets and Tables 5 and 6 show the projected funding source for each project.

The yearly total expenses are projected to generally increase in a stable manner during the planning period. Limited amounts of cash capital projects are assumed to be funded from the operations fund beginning. The expenses shown in Table 7 and Figure 1 include all expenses associated with the Utility and are for the combined water and wastewater utility. Total Utility expenses are projected to increase from $20.6 million in FY25 to $31.2 million in FY34, in part due to an additional $3.3 million per year of debt payments associated with funding projects within the CIP. Over this same time, revenue from rates and other sources is projected to increase from $19.9 million in FY25 to $33.1 million in FY34 if the planned rate increases are implemented (Table 7 and Figure 1).

Rate increases are needed for the Water and Wastewater Utility in 2026 according to the schedule in Table 3 & 4, and annual inflationary increases thereafter. However, water rate increases can likely be delayed until sometime in the future as long as annual inflationary increases continue. The planned rate increases are shown in Figure 2 and Figure 3. The Utility's revenues may outpace the actual expenses after 2026 if capital projects do not occur or expenses do not increase with inflation. The Utility may voluntarily choose not to implement the inflationary increase in 2027 or defer to a later year when revenue would be required for an acceptable operating reserve, sustainability factor, debt service coverage ratio and other key financial indicators in the proposed year. The Utility will also implement a maximum sewer bill of no more than $94 per month for a residential customer, which had previously been implemented at the Utility.

Table 3: Proposed Water Rate Structure for 2026

MONTHLY WATER SERVICE			
Flat Rate			
Customer	Flat Rate		
Flat Rate Residential	$44.19		
Flat Rate Multi-Family	$401.56		
Flat Rate Non-Residential	$126.69		
Metered Rate			
Customer	Min Usage	Fixed Charge	Volume Charge
Residential	2,000	$26.06	$4.53 per 1000 gallons
Multi-Family with Master Meter	2,000	Based on non-residential meter size*	$5.05 per 1000 gallons
Non-Residential 5/8" or 3/4" Meter	2,000	$56.03	$5.05 per 1000 gallons
Non-Residential 1" Meter	2,000	$93.39	$5.05 per 1000 gallons
Non-Residential 1.5" Meter	2,000	$119.38	$5.05 per 1000 gallons
Non-Residential 2" Meter	2,000	$155.02	$5.05 per 1000 gallons
Non-Residential 3" Meter	2,000	$195.60	$5.05 per 1000 gallons
Non-Residential 4" Meter	2,000	$235.77	$5.05 per 1000 gallons
Non-Residential 6" Meter	2,000	$325.27	$5.05 per 1000 gallons
Non-Residential 8" Meter	2,000	$520.44	$5.05 per 1000 gallons
Industrial	2,000	Based on non-residential meter size	$4.84 per 1000 gallons

*Assumed to be a 1” meter in financial model

Table 4: Proposed Wastewater Rate Structure for 2026

MONTHLY WASTEWATER SERVICE			
Flat Rate			
Customer	Flat Rate		
Flat Rate Residential	$55.32		
Flat Rate Multi-Family	$208.30		
Flat Rate Non-Residential	$166.12		
Metered Rate			
Customer	Min Usage	Fixed Charge	Volume Charge
Residential	2,000	$41.40	$5.54 per 1000 gallons
Multi-Family	2,000	Based on non-residential meter size*	$5.54 per 1000 gallons
Non-Residential 5/8" or 3/4" Meter	2,000	$92.46	$5.54 per 1000 gallons
Non-Residential 1" Meter	2,000	$110.00	$5.54 per 1000 gallons
Non-Residential 1.5" Meter	2,000	$129.57	$5.54 per 1000 gallons
Non-Residential 2" Meter	2,000	$168.25	$5.54 per 1000 gallons
Non-Residential 3" Meter	2,000	$212.28	$5.54 per 1000 gallons
Non-Residential 4" Meter	2,000	$255.93	$5.54 per 1000 gallons
Non-Residential 6" Meter	2,000	$353.03	$5.54 per 1000 gallons
Non-Residential 8" Meter	2,000	$736.70	$5.54 per 1000 gallons
Industrial	2,000	Based on non-residential meter size	$6.85 per 1000 gallons

*Assumed to be a 1” meter in financial model

With the proposed rate increases and the projected demand increases, the Utility is projected to generate yearly revenues from the water utility of $10.7 Million in FY26 and $15.3 Million in FY34. The Utility is projected to generate yearly revenues from Wastewater utility of $12.3 Million in FY26 and $18.0 Million in FY34.

It is our opinion that the current and planned rate increases are adequate to meet the planned expenses of the utility (both operational and capital) with a sustainability factor of at least 1.15 during the planning period.

Table 5. Proposed Funding Plan for Water Capital Projects

Project Name	Source of Funding	Estimated Project Cost by Year										Ten-Year CIP Total
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Bedico Water Storage Tank	Debt	$ -	$ -	$ 350,000	$ -	$ 5,000,000	$ -	$ -	$ -	$ -	$ -	$ 5,350,000
Bedico/Faubourg Water Main	Debt	$ 440,000	$ -	$ -	$ 1,250,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,690,000
Ben Thomas Water Well	Debt	$ -	$ -	$ 200,000	$ -	$ 1,000,000	$ -	$ -	$ -	$ -	$ -	$ 1,200,000
Briarwood Water System Modeling	Cash	$ -	$ -	$ -	$ 350,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 350,000
Diversified Water Tower Recondition	Cash	$ -	$ -	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200,000
Faubourg Water Storage Tank	Debt	$ -	$ -	$ -	$ 100,000	$ -	$ 1,500,000	$ -	$ -	$ -	$ -	$ 1,600,000
Faubourg Water Well Rehabilitation	Debt	$ -	$ -	$ -	$ 300,000	$ 900,000	$ -	$ -	$ -	$ -	$ -	$ 1,200,000
Fox Branch Water Tank Removal	Cash	$ -	$ -	$ 150,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 150,000
Goodbee Elevated Water Storage Tank	Debt	$ -	$ -	$ 350,000	$ -		$ 5,000,000	$ -	$ -	$ -	$ -	$ 5,350,000
Lake Hills Water Well	Cash	$ -	$ -	$ -	$ 250,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 250,000
Madisonville Woods/Faubourg Water Main	Debt	$ -	$ -	$ 300,000	$ 1,200,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,500,000
Medcath/Tamanend Water Main	Debt	$ 567,500	$ -	$ -	$ 3,350,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,917,500
Northridge Water Tank	Cash	$ -	$ -	$ -	$ 100,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,000
St. Gertrude Water Interconnect	Debt	$ -	$ -	$ 450,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 450,000
St. Joe Water Main	Debt	$ -	$ -	$ -	$ -	$ -	$ 1,250,000	$ -	$ -	$ -	$ -	$ 1,250,000
Timber Branch Water Well Rehabilitation	Cash	$ -	$ -	$ -	$ 450,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 450,000
Placeholder Project (Debt)	Debt	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000,000	$ 2,060,000	$ 2,121,800	$ 2,185,454	$ 8,367,254
Placeholder Project (Cash)	Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ 750,000	$ 772,500	$ 795,675	$ 819,545	$ 3,137,720

Table 6. Proposed Funding Plan for Wastewater Capital Projects

Project Name	Source of Funding	Estimated Project Cost by Year										Ten-Year CIP Total
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Fox Branch WWTP Decommission	Debt	$ -	$ -	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ -	$ 2,000,000
Oshsner Blvd. SFM	Debt	$ -	$ -	$ 1,800,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,800,000
Ozone Park SFM	Cash	$ -	$ -	$ -	$ -	$ 450,000	$ -	$ -	$ -	$ -	$ -	$ 450,000
Preferred Equities WWTP	Debt	$ 500,000	$ -	$ -	$ -	$ 8,500,000	$ -	$ -	$ -	$ -	$ -	$ 9,000,000
Placeholder Project (Debt)	Debt	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000,000	$ 2,060,000	$ 2,121,800	$ 2,185,454	$ 8,367,254
Placeholder Project (Cash)	Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ 750,000	$ 772,500	$ 795,675	$ 819,545	$ 3,137,720

Table 7. Income Statement Summary

Item	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
BEGINNING FUND BALANCE	$ -	$ -	$ 9,713,769	$ 10,515,705	$ 11,405,167	$ 11,741,451	$ 12,673,918	$ 13,888,670	$ 13,833,493	$ 14,211,536	$ 15,060,202
REVENUES											
Operating Revenues	$ 19,861,312	$ 19,935,428	$ 22,999,987	$ 24,069,293	$ 25,190,398	$ 26,371,026	$ 27,613,397	$ 28,921,459	$ 30,298,100	$ 31,747,178	$ 33,271,481
Operating Transfers In	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenues	$ 19,861,312	$ 19,935,428	$ 22,999,987	$ 24,069,293	$ 25,190,398	$ 26,371,026	$ 27,613,397	$ 28,921,459	$ 30,298,100	$ 31,747,178	$ 33,271,481
EXPENDITURES											
O&M Expenses (less capital)	$ 13,516,166	$ 15,903,223	$ 17,130,320	$ 17,621,729	$ 18,127,881	$ 18,649,217	$ 19,186,194	$ 19,739,280	$ 20,308,958	$ 20,895,727	$ 21,500,099
Operating Capital	$ 546,000	$ -	$ 300,000	$ 309,000	$ 318,270	$ 327,818	$ 337,653	$ 347,782	$ 358,216	$ 368,962	$ 380,031
Debt Service Requirements											
Debt Service - Existing Debt	$ 2,860,454	$ 2,522,408	$ 2,488,976	$ 2,454,712	$ 2,431,578	$ 2,431,623	$ 2,429,373	$ 2,429,783	$ 2,426,938	$ 2,430,738	$ 2,430,738
Debt Service - Proposed New Debt	$ -	$ 49,040	$ 98,080	$ 207,296	$ 531,177	$ 1,224,837	$ 2,028,710	$ 2,479,573	$ 2,735,322	$ 2,998,742	$ 3,270,066
Total Debt Service	$ 2,860,454	$ 2,571,448	$ 2,587,056	$ 2,662,007	$ 2,962,755	$ 3,656,460	$ 4,458,083	$ 4,909,356	$ 5,162,259	$ 5,429,480	$ 5,700,803
Transfers											
Operating Transfers	$ 1,908,136	$ 1,825,898	$ 1,880,675	$ 1,937,095	$ 1,995,208	$ 2,055,064	$ 2,116,716	$ 2,180,218	$ 2,245,624	$ 2,312,993	$ 2,382,383
Cash CIP/ Other Capital Transfers	$ 773,000	$ -	$ 300,000	$ 650,000	$ 1,450,000	$ 750,000	$ 300,000	$ 1,800,000	$ 1,845,000	$ 1,891,350	$ 1,939,091
Total Transfers	$ 2,681,136	$ 1,825,898	$ 2,180,675	$ 2,587,095	$ 3,445,208	$ 2,805,064	$ 2,416,716	$ 3,980,218	$ 4,090,624	$ 4,204,343	$ 4,321,473
Total Expenditures	$ 19,603,756	$ 20,300,569	$ 22,198,050	$ 23,179,832	$ 24,854,114	$ 25,438,560	$ 26,398,646	$ 28,976,636	$ 29,920,057	$ 30,898,512	$ 31,902,406
NET REVENUE	257,556	(365,141)	801,936	889,461	336,285	932,467	1,214,752	(55,176)	378,042	848,666	1,369,075
ENDING FUND BALANCE	$ -	$ -	$ 10,515,705	$ 11,405,167	$ 11,741,451	$ 12,673,918	$ 13,888,670	$ 13,833,493	$ 14,211,536	$ 15,060,202	$ 16,429,276

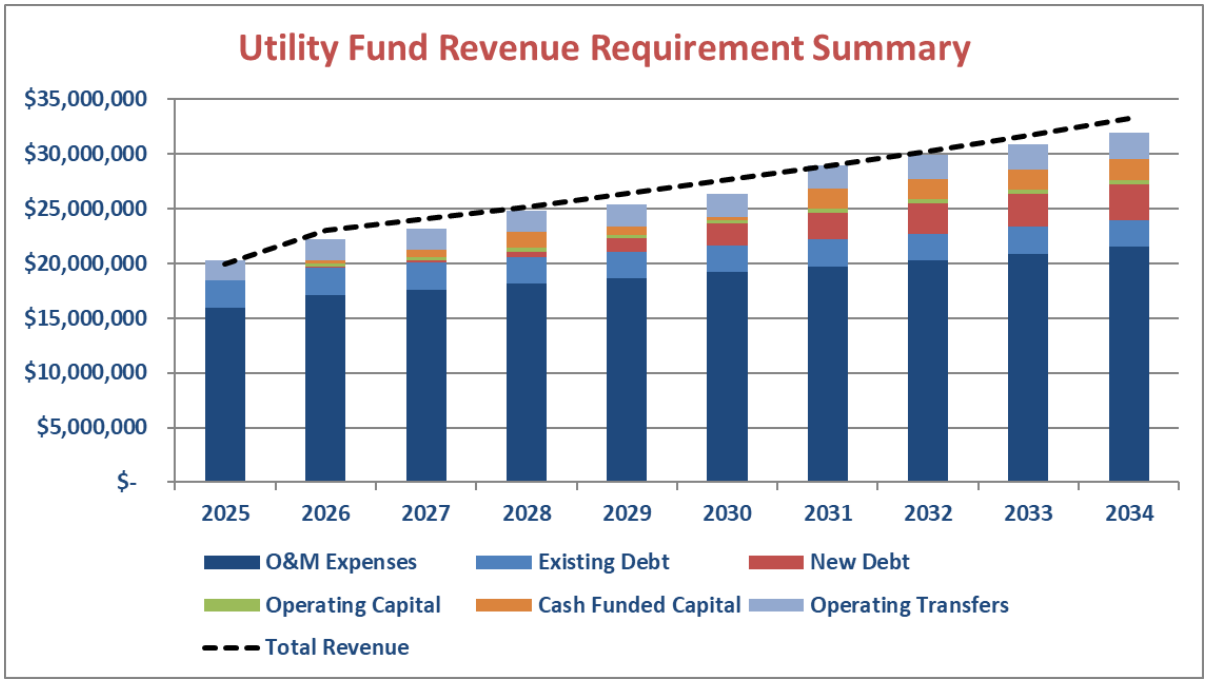

Figure 1. Total Revenue Requirement Summary

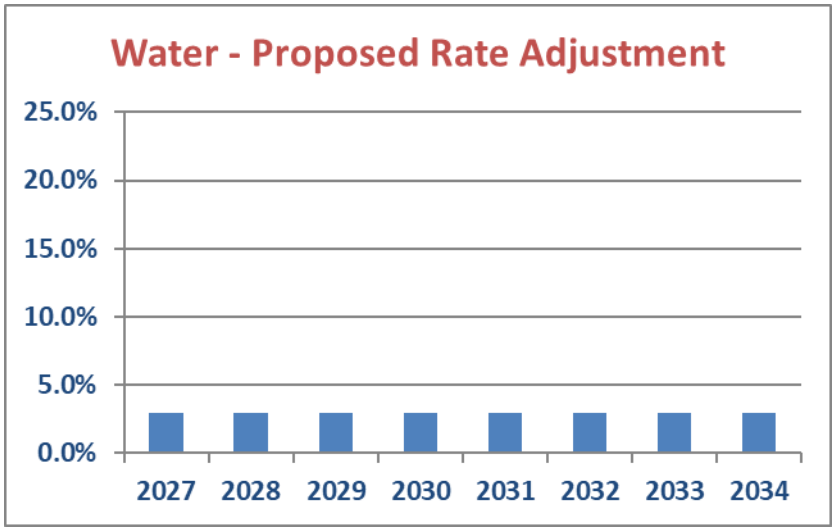

Figure 2. Proposed Rate Adjustments for Water Utility

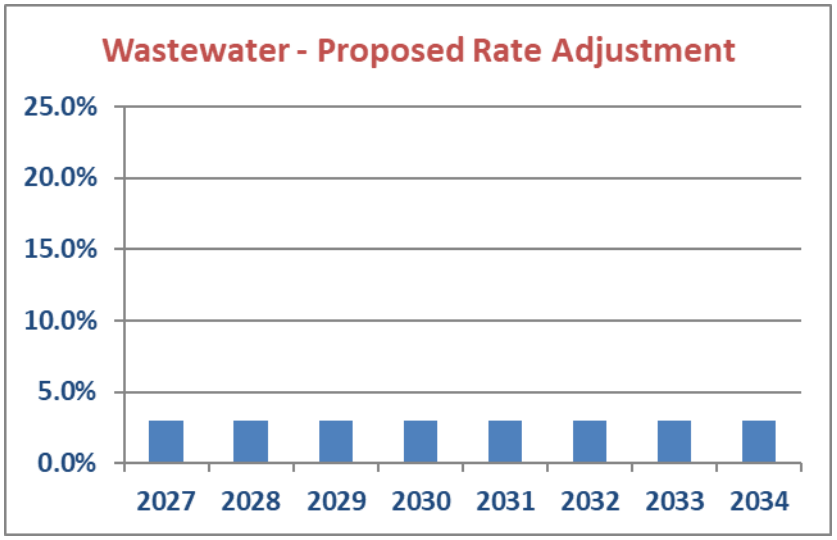

Figure 3. Proposed Rate Adjustments for Wastewater Utility

Project demands for the system created by population projections

The projected demands contained in the rate model vary based on the projected growth rate in the number of connections in each rate class. For both the water and wastewater systems, the annual growth rate in the number of connections was set at 2.5% for residential connections, 2.0% for multi-family connections, 1.0% for commercial connections, and no additional growth for industrial customers. The number of water customers is modeled to grow from 15,999 customers in FY25 to 19,762 customers in FY34. The number of wastewater customers is modeled to grow from 13,991 customers in FY25 to 17,260 customers in FY34.

Due to the projected annual increase in connections, the water and wastewater demand is projected to increase in line with the increase in the number of customers. There are no projected changes to the water use at the individual customer level, i.e., per connection, in the model.

It is our opinion that this requirement has been met.

Identify the system's most important asset and require a Contingency Fund that would fund the replacement of this asset in twenty years

For FY 2026, the Utility has a proposed fund balance of approximately $9,713,769, which includes 3 months of operating reserve, for the water and wastewater systems combined. Implementing the recommended rate increases would allow the Utility to not only increase this fund balance, but it would also give the Utility funds that can be used to pay off existing debts and have money available for the replacement of the Utility's assets when they reach the end of their useful life.

The Utility incorporates a large area and has many important assets. Included in these assets are 16 water systems, 55 wastewater treatment plants, and 32 water wells, among many other assets like lift stations, storage tanks, water towers, etc. When each asset reaches the end of its useful life, the Utility will need to replace it. However, most of these important assets contain many components that are redundant; therefore, the entire system will not be replaced at any single time. Instead, only individual components will need to be replaced when each component reaches the end of its useful life.

The Utility's most important asset considered for this rate study would include drilling a new well, a water well pump, motor and various electrical components related to that water well. Estimates for these costs are approximately $3.3 Million. See Faubourg Water Well Rehabilitation Costs in the Capital Plan, Table 5 for rehabilitation costs that only include upgrading the existing Water Well. The additional drilling of a new water well is estimated to cost another $2.1 Million. This total cost of $3.3 Million was confirmed with the Department of Utilities that these would be typical costs for a Water Well replacement project in this area. Accounting for inflation would put a total project cost at approximately $6.0 Million in 20 years. A transfer of $300,000 per year would be needed to fund this project in the future. A restricted

contingency is recommended to be established for the funding of the replacement of this asset or other capital improvement projects related to the water or wastewater system. The fund shall be called “Department of Utilities Contingency Fund.” A transfer of $300,000 per year into the restricted contingency fund to be established from this rate study is recommended for the funding of this account over a twenty-year period. During the next rate study, within the next 5 years, the Utility shall evaluate the annual transfer amount and the target fund amount at the end of the twenty year period to ensure this contingency meets the best interests of the Utility.

It is our opinion that if modeled rate increases are implemented, the Utility will generate adequate funds to cover the failure of system components and create a contingency fund.

Review the funding requirements for capital equipment and other fixed asset replacement and recommend a prudent reserve policy for operations, capital replacement, and emergencies

The Department of Utilities currently follows a policy for maintaining a minimum fund balance for each fund based on the major funding source of the fund. For the Utility, the policy is to maintain three months of operating costs. Assuming the recommended rates are implemented, the operating reserve would achieve approximately six months of operating costs by the end of the 10 year projection. This increase in reserve to six months would be the best practice to avoid future conditions where the utility has gaps in revenue. The Utility should consider revising their current policy or making a goal of the Utility to maintain six months of operating costs as this is in the best interest of the Utility.

The Utility provided a list of proposed capital projects through 2029; and additional projects placeholder projects were projected through 2034. In the rate model, future capital projects were assumed to either be debt funded, or cash funded. These are noted as placeholder projects in the capital plans in Tables 5 and 6. All cash funded projects are funded out of the Utility’s Operation and Maintenance Fund (O&M Fund), as the Utility does not have funds set aside for capital projects.

It is our opinion that although the Utility has some reserve funds, the Utility should consider implementing a more stringent reserve policy of maintaining 6 months worth of operating costs. Implementing annual rate increases would help the Utility to grow the fund balance and reach that goal by the end of the planning period. The Utility is also taking steps to reduce its operating budget to help the utility maintain a net positive revenue.

Review current water utilization and determine if a large water use rate is necessary

The Utility currently accounts for larger users through their rate structure, which charges each customer class a rate based on their total monthly consumption.

It is our opinion that this requirement has been met.

Provide a recommended policy requiring an annual increase to the rate structure, if necessary, that will recover projected revenue requirements for a ten-year period. Components of the base rates and volume charges should be clearly identified.

The Utility currently has a policy in place that increases the utility rates annually utilizing the Municipal Cost Index (MCI), up to a maximum increase of 4% without council approval. The existing water and wastewater rates greatly vary based on the customer class and the system that the customer is part of. As part of this rate study, the Utility's goal is to implement a common water and wastewater structure so that the customer class is charged consistently across all systems operated by the Department of Utilities. In the rate model, the proposed water rates would not see an increase other than the annual increase discussed above. To generate additional revenue, a large wastewater rate increase may be needed. This increase is shown in Table 4 in this report. Once the recommended increases are implemented the Utility will have a positive net revenue in 2026 and beyond.

It is our opinion that this requirement has been met.

Review miscellaneous fees to assure they are reasonable and not outdated

The Utility charges various miscellaneous fees which generate additional revenue for the Utility. These miscellaneous fees include connection/reconnection fees, tampering fees, deposits, etc.

While the current fees are adequate combined with the rate revenue, it is recommended that the Utility consider increasing these miscellaneous fees to generate additional revenue or undertake a project to analyze these fees and perform a benchmarking study of these fees in the next three years. These fees as they are currently shown appear to be reasonable compared to other utilities.

It is our opinion that this requirement has been met.

Review impact fee levels and methodology to address growth needs

The Utility currently does not have impact fees. The Department of Utilities currently operates a decentralized water and wastewater system with centralized management of the system. While some of these systems are consolidating as part of the program, there is not a need for an impact fee at this time. As new development in the Parish does not impact the overall system treatment, water distribution or wastewater collection capacity, which is what impact fees typically fund.

New developments in the Parish typically build out infrastructure such as wells and wastewater treatment facilities within the subdivision to be donated to The Parish for ownership and operation. These systems are typically separate from the other established systems in the parish and infrastructure is not shared between these systems.

The Utility does charge capacity fees for tying a new subdivision into an existing water or wastewater system. However, these situations are rare and are handled on a case by case basis. The capacity fee is typically based on the cost of improving the existing system to tie in the new subdivision. Which would be charged to the developer of the new subdivision.

It is our opinion that this requirement has been met.

Provide a general discussion on current policies and trends related to payment options, deposit amounts, connections, disconnects, etc., in comparison to other Community Water Systems

Water and sewer bills are due on or before the due date stated on the bill. If payment is not received by the Utility by the due date, a late notice is mailed to the customer and a late fee of 6% is added to the amount due. The late notice indicates the amount past due along with the disconnection date. If payment is not received by the disconnection date, the customer's services are subject to disconnection without further notice. The Utility does not allow extensions on the time allowed to pay a past due balance. Any account disconnected for non-payment must be paid in full, including past due charges, current charges, and a reconnection fee of $100 prior to reconnection of service.

It is our opinion that this requirement has been met.

The rate study should include an easy-to-use electronic model in Microsoft Excel to be used by applicants

The current rate study was completed in Microsoft Excel and will be provided to the Utility.

It is our opinion that this requirement has been met.

Other applicable information

Non-Revenue water (NRW) is the difference between the amount of water produced by the Utility and the billed water, or water consumption. For the 12-month period between January 2021 and December 2021, the Utility had a total NRW percentage of 31.54%. The total volume of water produced in 2021 was 1,675,230,610 gallons, and the total water sold was 1,146,889,705 gallons, which equates to a total quantity of 528,340,905 gallons of Non-Revenue Water. This amount of Non-Revenue Water is approximately 99 gallons per connection per day based on an average of 14,652 average active connections during the period of time reviewed.

The Department of Utilities currently operates a distributed water system with 32 wells, 55 wastewater plants and 300 lift stations. With a distributed system such as this across the parish, the department has a staff of 35 certified operators with additional support staff for operations including engineering staff, administrative staff, and field maintenance to support continual operations 24/7/365 for these systems. Office staff are available to take calls from customers to communicate issues to the utility operators and engineering managers.

For the water system there are 4 sites currently monitored remotely, and a SCADA system is being implemented to monitor and control these sites. On all sites without remote monitoring there are autodialers that will call out an operator if there is an issue at a well. Sites are monitored if they are critical to the water system or the water chemistry requires the system to be monitored. These sites are monitored for pressure, flow, chlorine residual and chemical tank levels. There is currently no SCADA on the elevated storage tanks, but the pressure monitors at the tanks control water wells in the system and are checked during operator rounds. Operators will make rounds at all water facilities and perform daily equipment checks such as pH meter calibrations, chemical pump dosage tests and pull water samples within the system. Chlorine monitors are also calibrated once per week. The Utility also has generators at most of their water systems and perform regular maintenance to maintain the generators, so they function in an emergency. If the operator determines that flushing is needed based on water quality samples then the operator will perform flushing to improve water quality. For any systems that utilize hydropneumatic tanks for pressure and storage, the operators will also check the air and water levels to ensure they are at optimal levels for running the system. Operators and field staff have equipment to repair issues discovered through their daily and weekly checks. In addition to the certified operators, the Utility has a leak repair crew that can handle a majority of the leaks discovered. However, larger jobs that the leak repair crew cannot handle are performed by a contractor as part of a utility maintenance contract.

For the wastewater system, there are multiple decentralized wastewater treatment plants for subdivisions or regional systems with residential and commercial customers. These treatment plants are controlled at the local control panel at the plant. Similar to the water wells, operators visit these treatment plants daily and perform equipment checks on pumps, blowers, and other equipment. One treatment plant does have a staffer on a day shift to monitor the facility due to the age and type of facility. This facility also dewaters wastewater sludge through a belt press, which is run by an operator onsite as a best practice. The Department of Utilities operates approximately 300 lift stations. Approximately 75 of these stations have autodialers on them, which notify an operator of a high water level that should be addressed. All lift stations, including the ones with autodialers are checked weekly by the operators. The Utility has 2 vacuum trucks, 1 septic hauler truck and a jetter trailer to break apart blockages that occur in the system. After removing blockages, the Utility also has a sewer camera to verify the blockage has been removed.

The Utility does perform preventive maintenance such as replacing peristaltic pump hoses on a monthly basis. In addition, the utility has an asset management plan that they finished last year to document and track assets as they age. This will be tied into a GIS system in the future. Overall, the Utility is responsive to customer needs and is performing the best practices in the industry. The staff complete many repairs in house and have competent and experienced staff to perform the work required by the utility.

Summary

Prior to this rate study, the Utility had a different rate structure for each of their water and wastewater systems. One goal of this rate study was to implement a unified rate structure that makes sense for the Utility and the customers. Another goal was to implement increased water and wastewater rates to help the Utility generate additional revenue, so they no longer run at an operational deficit.

The Utility already had a fund balance policy in place of reserving 3 months' worth of operating expenses to use for system improvements or emergencies. Due to their financial situation, it is recommended that the Utility implement a more stringent policy of reserving 6 months' worth of operating expenses. The Utility's fund balance is projected to meet this goal if the recommended rates are implemented.

This rate study includes a new rate structure that consolidates all the water and wastewater systems into one uniform rate structure. In addition to creating consistency with the utility rates among all customers, this new rate structure would also allow the Utility to generate additional revenue to be used for replacement of critical capital assets.

It is imperative that the utility no longer run at an operational deficit. A more stringent fund balance policy, along with rate adjustments, would allow the Utility to have more available cash to improve their systems, and provide consistent operational revenue to cover expenses and acquire more debt to fund larger capital projects, if needed.

ATTACHMENT 1 - RATE STUDY SUMMARY OF ACTIONS

Community Water System:	All Community Water Systems under the control of St. Tammany Parish Department of Utilities
PWSID:	All Community Water Systems under the control of St. Tammany Parish Department of Utilities
Rate Study Completed by:	Waggoner Engineering; Andrew Alleman, P.E.
Date Rate Study Presented:	October 2025

In accordance with the Community Water System Accountability Rule Financial Sustainability Requirements (LAC 51:XII.409), this rate study was completed by a qualified entity and was presented to the legally responsible person for the community water system on the date in this document. The summary of actions to be completed by the community water system with recommended dates for the completion of the recommended actions are shown in Table 1.

Table 1: Summary of actions to be completed by the Community Water System

Action Description	**Recommended date of completion**
Implement the proposed rate adjustments through 2026, per this rate study to the monthly cost of water and sewer services.	December 2025
Establish the "Water & Wastewater Utility Contingency Fund" to fund the Utilities most critical asset with an annual transfer of $300,000 with a target fund amount of $6.0 million in 20 years. The target fund amount should be re-evaluated during the next rate study.	December 2025
Perform an annual review of the rates (Can be done internally or by a Louisiana Department of Health approved qualified entity).	Annually
Perform a rate study by a Louisiana Department of Health approved qualified entity in 2029, or sooner if the annual review determines a rate adjustment is needed to meet the financial sustainability requirements of the Community Water System Accountability Rule (LAC 51:XII, Chapter 4)	December 2029

ATTACHMENT 2 - RATE STUDY ACCEPTANCE DOCUMENTATION

Community Water System:	All Community Water Systems under the control of St. Tammany Parish Department of Utilities
PWSID:	All Community Water Systems under the control of St. Tammany Parish Department of Utilities
Rate Study Completed by:	Waggoner Engineering, Andrew Alleman., P.E.
Date Rate Study Presented	October 2025

In accordance with the Community Water System Accountability Rule Financial Sustainability Requirements (LAC 51:XII.409), this rate study was completed by a qualified entity and was presented to the legally responsible person for the community water system on the date in this document. The decision was made to implement or reject the rate analysis findings as documented below.

The rate analysis findings as presented in the rate study report attached will be

☐ **IMPLEMENTED**

Or

☐ **REJECTED**

Legally Responsible Person: _____

Signature: _____

Title: _____

Date: _____

This document provides the documentation of this decision for submittal to the Louisiana Department of Health (LDH) in accordance with the Community Water System Accountability Rule Reporting Requirements (LAC 51:XII.411). The Rate Study with this document may be submitted to LDH via email at Water.Grade@la.gov by January 31 to be considered for additional points for the water system grade.