LOWER NECHES VALLEY AUTHORITY

ANNUAL OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM

PROPOSED FISCAL YEAR 2027 BUDGET

LOWER NECHES VALLEY AUTHORITY

PROPOSED SUMMARY BUDGET FOR FISCAL YEAR 2027

Division	2026 Budget	2026 Estimate	Proposed Budget	$ Change (2026 Estimate)	$ Change (2026 Budget)	% Change (2026 Budget)
Fresh Water Supply						
Revenue	43,190,501	45,139,352	46,135,235	995,884	2,944,734	6.8%
Expense	(25,020,448)	(25,271,667)	(27,319,748)	2,048,081	2,299,300	9.2%
Funds Available	18,170,053	19,867,685	18,815,488	(1,052,198)	645,435	3.6%
Capital and Other Uses	(18,170,053)	(19,500,000)	(18,815,488)	684,512	(645,435)	3.6%
Change in Net Position	-	367,685	-	(367,685)	-	
Water Treatment Plant						
Revenue	1,728,969	1,665,000	1,687,250	22,250	(41,719)	-2.4%
Revenue Bond Payment	780,000	780,000	800,000	20,000	20,000	2.6%
Expense	(1,728,969)	(1,355,629)	(1,706,498)	(350,869)	22,471	-1.3%
Funds for Bond Payment	(780,000)	(780,000)	(800,000)	(20,000)	(20,000)	2.6%
Change in Net Position	-	309,371	(19,248)	(328,619)	(19,248)	
Wastewater Treatment Plant						
Revenue	10,636,068	10,636,068	12,352,004	1,715,937	1,715,937	16.1%
Expense	(10,636,068)	(10,636,068)	(12,352,004)	(1,715,937)	(1,715,937)	16.1%
Change in Net Position	-	-	-	-	-	
Total						
Revenue	55,555,538	57,440,419	60,174,489			
Expense	(53,046,569)	(54,627,734)	(60,193,737)			
Change in Net Position	-	677,056	(19,248)			

LNVA

LOWER NECHES VALLEY AUTHORITY

September 25, 2026

Lower Neches Valley Authority
Board of Directors

Proposed 2027 Fresh Water Supply Division Budget

Revenue

The Fresh Water Supply (FWS) 2027 Annual Operating Budget Revenue increased $2,944,734 (6.8%) to $46,135,235. Increased water rates to fund the Long-Term Capital Improvement Plan ($2.4M) is the main contribution to the revenue increase. Rice irrigation revenue is expected to decrease with the current state of the rice market and holding the irrigation rate steady from FY2026.

Expenses

The FWS Operating Expenses increased $2,353,585 (9.4%) to $27,374,033, largely due to increases in funding for health insurance ($0.89M) and depreciation ($0.85M).

Capital Improvement Plans

The Five-Year Capital Improvement Plan funding decreased by $1,740,000 to $7,400,000. The Long-Term Capital Improvement Plan funding increased by $2,363,199 to $11,393,252. The combined plans represent an increase over FY2026 of $623,199. This funding is available due to the increase in Municipal, Industrial, and Mining water rates.

LOWER NECHES VALLEY AUTHORITY
FRESH WATER SUPPLY DIVISION
PROPOSED SUMMARY BUDGET FOR FISCAL YEAR 2027

	2025 Budget	2025 Actual	2026 Budget	2026 Estimate	Proposed Budget	$ Change (2026 Estimate)	$ Change (2026 Budget)	% Change (2026 Budget)
Operating Revenue								
Raw Water Sales	33,214,300	35,281,338	37,541,075	37,771,855	40,253,200	2,481,345	2,712,125	7%
Clean Rivers Program	159,703	186,694	170,497	170,497	175,120	4,623	4,623	3%
SWB Fed/ Local Share	565,530	2,296,344	714,676	1,950,000	763,335	(1,186,665)	48,659	7%
Drought Surcharge					-	-	-	na
Total Operating Revenue	**33,939,533**	**37,764,376**	**38,426,248**	**39,892,352**	**41,191,655**	**1,299,304**	**2,765,407**	**7%**
Non-Operating Revenue								
Interest and Late Fees	3,010,000	3,507,554	3,010,000	3,030,000	3,010,000	(20,000)	-	0%
Leases, Royalties & Cross.Fees	204,000	2,423,013	205,000	680,000	255,000	(425,000)	50,000	24%
NRTC Mgmt & Operating Fee	763,103	748,825	817,397	753,000	898,336	145,336	80,939	10%
IDC Mgmt & Operating Fees	678,663	678,663	673,849	675,000	672,244	(2,756)	(1,605)	0%
FEMA and TDEM Payments	-	-	-	-	-	-	-	na
Miscellaneous Revenue	32,999	239,590	58,007	109,000	108,000	(1,000)	49,993	86%
Total Non-Operating Revenues	**4,688,765**	**7,597,644**	**4,764,253**	**5,247,000**	**4,943,580**	**(303,420)**	**179,327**	**4%**
TOTAL REVENUES	**38,628,298**	**45,362,020**	**43,190,501**	**45,139,352**	**46,135,235**	**995,884**	**2,944,734**	**7%**

LOWER NECHES VALLEY AUTHORITY
FRESH WATER SUPPLY DIVISION
PROPOSED SUMMARY BUDGET FOR FISCAL YEAR 2027

	2025 Budget	2025 Actual	2026 Budget	2026 Estimate	Proposed Budget	$ Change (2026 Estimate)	$ Change (2026 Budget)	% Change (2026 Budget)
Operating Expenses								
Neches Operation & Maintenance								
Neches Water Supply	1,566,829	1,491,382	1,889,863	2,316,073	2,002,636	(313,437)	112,773	6%
Neches Pumping Plants	4,107,140	4,415,670	4,460,197	4,310,958	4,730,770	419,812	270,573	6%
Neches Canal Maintenance	2,963,670	3,030,164	4,734,013	4,572,383	5,063,502	491,119	329,489	7%
Total Neches	**8,637,639**	**8,937,217**	**11,084,073**	**11,199,415**	**11,796,908**	**597,494**	**712,835**	**6%**
Devers Operation & Maintenance								
Devers Pumping Plants	701,970	852,855	659,744	537,850	713,894	176,045	54,150	8%
Devers Canal Maintenance	1,600,030	1,451,062	1,609,670	1,560,837	1,737,644	176,807	127,974	8%
Total Devers	**2,302,000**	**2,303,917**	**2,269,414**	**2,098,686**	**2,451,538**	**352,852**	**182,124**	**0**
Consolidated Operating Expenses								
Depreciation Expense	3,000,000	3,189,186	3,150,000	3,781,460	4,000,000	218,540	850,000	27%
Overhead & Support Services:								
Overhead	6,186,470	6,524,129	1,077,796	1,111,542	1,219,692	108,150	141,896	13%
Safety/Health/Environ	413,390	133,152	254,586	171,682	250,288	78,606	(4,298)	-2%
Network	251,800	268,709	316,070	304,730	386,065	81,334	69,995	22%
I&E	409,320	420,096	726,875	646,012	807,209	161,197	80,334	11%
Service Center	426,270	443,630	407,925	381,657	433,962	52,305	26,037	6%
Devers Office	23,500	23,331	113,500	109,450	112,500	3,050	(1,000)	-1%
Vehicles/ Equipment	1,034,010	1,001,601	1,166,291	1,078,388	1,171,144	92,756	4,853	0%
Real Estate Administration	395,338	259,835	430,949	434,311	458,699	24,388	27,750	6%
Engineering	899,644	1,090,622	1,399,385	1,426,426	1,692,575	266,149	293,190	21%
Main Office	403,650	305,348	344,462	358,453	333,672	(24,781)	(10,790)	-3%
Transfer Out-PN, Ned, Jeff. Cnty.	-	-	-	-	-	-	-	na
Economic Development (exp)	-	-	-	170,255	-	(170,255)	-	na
Bond Amortization	4,096	4,096	4,096	4,096	4,096	-	-	0%
Administration	1,841,171	1,601,917	2,275,026	1,995,105	2,201,400	206,295	(73,626)	-3%
Total Consolidated	**15,288,659**	**18,454,839**	**11,666,961**	**11,973,566**	**13,071,302**	**1,097,736**	**1,404,341**	**12%**
Total Operating Expenses	**26,228,298**	**29,695,972**	**25,020,448**	**25,271,667**	**27,319,748**	**2,048,081**	**2,299,300**	**9%**
Funds Available for Other Uses	**12,400,000**	**15,666,048**	**18,170,053**	**19,867,685**	**18,815,488**	**(1,052,198)**	**645,435**	**4%**
Capital and Other Uses								
Capital Improvements:								
Water Delivery	9,500,000	15,149,585	9,140,000	19,500,000	7,400,000	(12,100,000)	(1,740,000)	-19%
Water Supply Development	-	-	-	-	-	-	-	na
Long Term CIP Funding	2,600,000	-	9,030,053	-	11,415,488	11,415,488	2,385,435	na
Economic Development	300,000	393,504	-	-	-	-	-	#DIV/0!
Total Capital and Other Uses	**12,400,000**	**15,543,089**	**18,170,053**	**19,500,000**	**18,815,488**	**(684,512)**	**645,435**	**4%**
TOTAL EXPENSES AND OTHER USES	**38,628,298**	**45,239,061**	**43,190,501**	**44,771,667**	**46,135,235**	**1,363,569**	**2,944,734**	**7%**
CHANGE IN NET POSITION	**0**	**122,959**	**0**	**367,685**	**(0)**	**(367,685)**	**(0)**	

September 25, 2026

Lower Neches Valley Authority
Board of Directors

Proposed 2027 WRTP Division Budget

The West Regional Water Treatment Plant (WRTP) is a potable water facility providing improved drinking water to the communities along the Bolivar Peninsula in Galveston County, Texas. The plant is designed to maintain compliance with all TCEQ and US EPA drinking water standards and has a capacity of 5 million gallons per day (MGD), of which 100% is contracted to Bolivar Peninsula Special Utility District (BPSUD). The WRTP expenses are supported by BPSUD.

Revenue

The WRTP 2027 Annual Operating Budget Revenue is projected to be $2,487,250, which includes the repayment of debt funding of $800,000 for 2027. A fixed cost rate of $102,000 per month and $1.09 per 1,000 gallons used is proposed to generate this revenue.

Expenses

The WRTP Operating Expenses decreased $22,471 (-1.3%) to $2,506,498 largely due to Utilities expenses.

- *Personnel Service* expenses only increased by $10,266 (1.6%) due to staffing turnover.
- *Supplies* increased by $4,500 (1.9%) with the price of process chemicals increasing.
- *Utilities* decreased by $24,014 (-4.4%) with sludge handling ($50,000) expenses decreasing.
- *Services* decreased by $8,223 (-7.4%) due to the liability insurance projected decreases.

LOWER NECHES VALLEY AUTHORITY
WEST REGIONAL TREATMENT PLANT
FOR FISCAL YEAR 2027

Program Revenue/Expenses	2025 Budget	2025 Actual	2026 Budget	2026 Estimate	Proposed Budget	$ Change (2026 Estimate)	$ Change (2026 Budget)	% Change (2026 Budget)
Summary								
Operating Revenue								
Bolivar SUD	1,821,843	1,546,457	1,728,969	1,665,000	1,687,250	22,250	(41,719)	-2%
Debt Funding	725,000	725,000	780,000	780,000	800,000	20,000	20,000	3%
TOTAL REVENUES	$ 2,546,843	$ 2,271,457	$ 2,508,969	$ 2,445,000	$ 2,487,250	$ 42,250	$ (21,719)	-1%
Operating Expenses								
Personnel Services	645,623	667,221	633,096	525,283	643,362	118,079	10,266	2%
Supplies	228,500	241,078	231,000	229,750	235,500	5,750	4,500	2%
Utilities	656,000	958,430	549,524	316,075	525,510	209,435	(24,014)	-4%
Maintenance	204,000	93,591	204,000	175,292	199,000	23,708	(5,000)	-2%
Services	87,720	73,799	111,349	109,229	103,126	(6,103)	(8,223)	-7%
TOTAL Operating Expenses	1,821,843	2,034,120	1,728,969	1,355,629	1,706,498	350,869	(22,471)	-1%
Debt Payment	725,000	725,000	780,000	780,000	800,000	20,000	20,000	3%
TOTAL EXPENSES & USES	$ 2,546,843	$ 2,759,120	$ 2,508,969	$ 2,135,629	$ 2,506,498	$ 370,869	$ (2,471)	0%
NET INCOME (BUDGET BASIS)	$ -	$ (487,662)	$ -	$ 309,371	$ (19,248)	$ (328,619)	$ (19,248)	

September 25, 2026

Lower Neches Valley Authority
Board of Directors

Proposed 2027 North Regional Treatment Plant Division Budget

The LNVA North Regional Treatment Plant (LNVA-NRTP) was constructed to treat industrial wastewater streams from participating area industries. The treatment plant is a centralized aggressive secondary biological wastewater treatment facility (conventional activated sludge) that is owned by the Neches River Treatment Corporation (NRTC), a wholly owned subsidiary of ExxonMobil Oil Corporation. The Authority operates the NRTP in accordance with the agreement between the LNVA and NRTC titled Contract for Operation of the North Regional Treatment Plant for Transportation, Treatment, and Disposal of Wastewater. The NRTC is responsible for 100% of all costs associated with operation of the facility.

The NRTP 2027 Annual Operating Budget amount is $12,352,004 as compared to the 2026 Budget amount of $10,636,068. The 2027 Budget increase of $1,715,937 (16%) is primarily due to the following:

<u>Variable Expense</u>

<u>Electrical Power: $60,800</u>
Based on 2027 Est $/KWH and Actual Annual KWH.

<u>Process Chemicals: $29,380</u>
Based on projected process chemical addition requirements for NRTP User Loading projections.

<u>Biological Solids Processing and Outhauling: $96,587</u>
NRTP excess biosolids are transferred via pipeline to ExxonMobil Beaumont Refinery for processing and outhauling. ExxonMobil provides LNVA the projected solids handling costs to be included in the annual budget.

<u>Fixed Expense</u>
Plant Labor: $78,595
The overall cost increase for this category is primarily due to a wage adjustment consistent with market wage rates. No new positions were added.

<u>Maintenance: $1,040,400</u>
The overall cost increase for this category is primarily due to:

1) Costs ($755,500) associated with two (2) required clarifier T/A projects.
2) Costs ($355,000) associated with installation of a new flow control valve and actuator, and manual block

Administration: $332,900

The overall cost increase for this category is primarily due to:

1) Labor costs associated with increased engineering department staff support requirements for NRTP routine and major maintenance projects.
2) Labor costs associated with wage rate increases and expanded scope of work for LNVA non-NRTP administrative and clerical staff providing support to the NRTP.

Laboratory: $8,500

The overall cost increase for this category is primarily due to:

Vendor and service provider cost increases for laboratory chemicals, supplies, and outside lab regulatory monitoring sample analysis.

R/S/M: $66,975

The overall cost increase for this category is primarily due to annual cost increases associated with:

1. Replacement of LNVA vehicles assigned to the NRTP ($29,000).
2. NRTP liability insurance ($15,000).
3. Safety and Fire Protection equipment replacement ($7,500).
4. Regulatory Fees ($3,500).
5. Security guard service (&$7,675).

Regulatory Projects: $1,800

Cost increases associated with the NRTP Lab Accreditation Program, and RCRA Solid Waste and Groundwater Monitoring Regulatory Programs.

LOWER NECHES VALLEY AUTHORITY
NORTH REGIONAL TREATMENT PLANT
FOR FISCAL YEAR 2027

Acct#	Acct Description	2025 Budget	2025 Actual	2026 Budget	Proposed Budget	$ Change (2026 Estimate)	$ Change (2026 Budget)	% Change (2026 Budget)
	Revenues							
4164	Neches River Treatment Corp	9,979,053	8,791,201	10,636,068	12,352,004	3,636,544	1,715,936	16%
	Expenses					-		
670	Operating Labor	4,655,170	4,266,948	4,906,993	4,985,587	819,662	78,595	2%
671	Direct Plant O&M	2,111,899	2,447,213	2,449,899	3,580,479	1,150,844	1,130,580	46%
672	Indirect Plant Operating Expenses	703,600	740,028	771,150	846,625	79,625	75,475	10%
673	Biological Solids	2,095,684	939,281	2,143,626	2,240,213	1,207,540	96,587	5%
674	Special Projects	84,000	95,824	84,000	84,000	17,041	-	0%
675	Regulatory Projects	68,600	43,507	60,400	62,200	30,631	1,800	3%
679	Administrative Support	260,100	258,400	220,000	552,900	331,200	332,900	151%
	Total Department	$ 9,979,053	$ 8,791,201	$ 10,636,068	$ 12,352,004	$ 3,636,544	1,715,937	16%
	Net Incr (Decr) in Reserves				-	-	(0)	na

Lower Neches Valley Authority
Water Rates Schedule
2027 Proposed

Raw Water Rate Schedule	Year 2026	2027	Per Unit	Rate Change	% Change
Contracted					
Spot Purchase (3)	$5.000	$5.400	1,000 Gallons	$0.400	8.00%
Industrial - Contracted (1) (5)	$0.500	$0.540	1,000 Gallons	$0.040	8.00%
Municipal - Contracted (1)	$0.375	$0.405	1,000 Gallons	$0.030	8.00%
M&I - Excess Rate	$1.000	$1.080	1,000 Gallons	$0.080	8.00%
Mining - Reservoir	$1.500	$1.620	1,000 Gallons	$0.120	8.00%
Mining - Excess Rate	$3.000	$3.240	1,000 Gallons	$0.240	8.00%
Agriculture Water					
Rice Irrigation Rate (2)	$40.70	$40.70	Acre-Foot	$0.00	0.00%
Crawfish Water	$40.70	$40.70	Acre-Foot	$0.00	0.00%
Ag-Rice Crop	$40.70	$40.70	Acre-Foot	$0.00	0.00%
Ag-Turf/Hay/Leveling/Livestock, other	$40.70	$40.70	Acre-Foot	$0.00	0.00%
Other					
Reservation Rate - Industry	$81.47	$87.99	Acre-Foot	$6.52	8.00%
Reservation Rate-Municipality	$61.10	$65.99	Acre-Foot	$4.89	8.00%
Duck Water (Recreation) (4)	$40.70	$40.70	Acre-Foot	$0.00	0.00%
Potable Water (Bolivar SUD)	$102,000	$102,000	Month	$0.00	0.00%
	$1.050	$1.090	1,000 Gallons	$0.040	5.71%
North Regional Water Treatment	100% Cost Reimbursement				
Plus: Management Fee	$7,500	$7,500	Month	$0.00	0.00%
30% of Operating Labor (Est.)	$56,837	$61,540	Month	$4,703	8.27%
Allocation of Overhead	$21,675	$46,075	Month	$24,400	112.57%

(1) $200 per month minimum; Plus Fuel Surcharge when Natural Gas rate exceeds $4.50 per MMBTU
(2) consumption of 3.50 acre-feet per acre farmed on unmetered 1st crop rice fields and consumption of 1.50 acre-feet per acre farmed on unmetered 2nd crop rice fields.
(3) In 2019, the spot purchase is split from the excess rate
(4) $250 sign-up fee per turn-out (TO) per customer. A minimum purchase of ten (10) acre-feet shall be paid in advance at the current year's published Ag Rate. Additional water may be purchased and prepaid in increments of five (5) acre-feet.
(5) Industrial water from Trinity River diversions are 'Industrial - Contracted' plus cost of water provided by others.