



LEARNING TO PRESERVE AND PROTECT THIS FINITE NATURAL RESOURCE

For additional information about the cost of water and related issues, please visit our WATER U, West Campus online at wateru.whcrwa.com

The Mandate

The groundwater withdrawal in Harris and Galveston counties are regulated by the Harris-Galveston Subsidence District (HGSD), a special purpose district created by the Texas Legislature in 1975 for the purpose of reducing land subsidence.

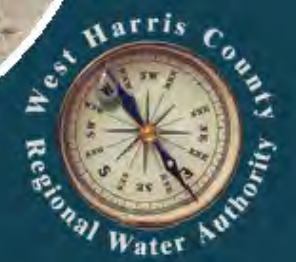


The HGSD requires the West Harris County Regional Water Authority to convert to alternate water via a 30% reduction of groundwater usage by 2010, 60% by 2025, and 80% by 2035.



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THE RISING COST OF WATER



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The WHCRWA was created by the Texas Legislature in 2001 to comply with groundwater reduction as mandated by the Harris Galveston Subsidence District (HGSD) by securing a long-term supply of quality drinking water as well as promoting water conservation. The HGSD Conversion Requirements included reducing groundwater pumpage 30 percent by 2010 (accomplished); 60 percent by 2025; and 80 percent by 2035. This means we have to find and secure an alternative supply of water instead of getting all of our water from groundwater wells.

To accomplish the HGSD groundwater reduction mandate, the WHCRWA has four major components of water supply/infrastructure projects which include the Luce Bayou Interbasin Transfer Project, the Northeast Water Purification Plant Expansion Project, the Surface Water Supply Project, and our internal distribution lines connecting to local MUDs.

Following the flow of water, the Luce Bayou Interbasin Transfer Project involves building a pump station, 3 miles of twin 96" pipelines and a series of canals totaling 23 miles which will move up to 500 million gallons (MG) of water each day from the Trinity River into Lake Houston.

Next, the Northeast Water Purification Plant (NEWPP) Expansion Project on Lake Houston will increase the City of Houston's 80 MG per day plant capacity to treat an additional 320 million gallons of water each day.



The treated water will then flow through the Surface Water Supply Project (SWSP) pipeline to west Harris County. The SWSP will deliver 150 million gallons of water each day through massive 96" waterlines from the NEWPP, delivering a portion to the WHCRWA and the other portion to our partner, the North Fort Bend Water Authority (NFBWA).

The SWSP project involves the construction of two massive pump stations to assist in moving the water along 52 miles of pipeline.

The final step is to deliver the water from the pump stations within our boundaries to the individual MUDs through our internal distribution lines.

The first two projects, the Luce Bayou Interbasin Transfer Project and NEWPP Expansion Project are well along in their construction, while work on the first section of the Surface Water Supply Project started in 2020.

So, how much will everything cost?

In all, the WHCRWA will have to issue approximately \$1.8 Billion in bonds to comply with the HGSD 60 percent surface water conversion mandate. Since the Authority must have all the money available for each individual project before that project can begin, the WHCRWA plans to sell an additional \$550 million in bonds through 2025 to be able to fully implement the 60 percent conversion requirement.

The Authority does not charge a property tax, and therefore we must charge sufficient rates to cover the debt service payments as well as our

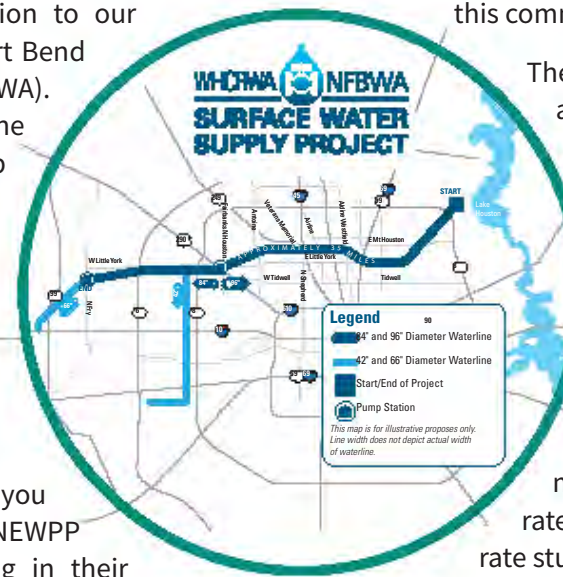
operating costs. An extensive rate analysis is performed every other year to make sure that our rates continue to match up with our cost projections as well as the debt payments for the bonds. The WHCRWA Board of Directors is committed to keeping the cost of water as low as possible and to keeping any rate increases reasonable and consistent with this commitment.

The Authority has not had an annual rate increase above \$0.25/1,000 gallons (\$2.50 per 10,000 gallons used) since 2013. Changes in rates have been driven by the construction project costs required to meet the HGSD conversion mandate -- and the need to meet debt service in a slow, steady manner rather than in abrupt rate increases -- in response to rate study recommendations, budget projections, and customer input.

The WHCRWA currently has \$795 million in low interest SWIFT bonds outstanding, including two additional SWIFT bond issues in 2020 in the amounts of \$62.6 million and \$15 million, with rates as much as 0.50 percent below the open market rates.

The SWIFT program saves the Authority and its ratepayers millions of dollars each year for an estimated \$.60/1,000 gallons off the Authority's ultimate rate.

The WHCRWA Board of Directors has approved a rate increase effective January 1, 2021 of \$0.25 per 1,000 gallons of surface water delivered (from \$3.60/1000 gal. to \$3.85/1000 gal.) and for well water pumped (from \$3.20/1000 gal. to \$3.45/1000 gal.).



Luce Bayou



NEWPP