

TEXAS WATER CAPITAL NEEDS SURVEY

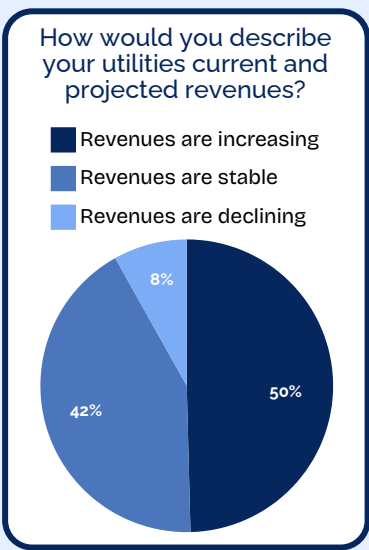
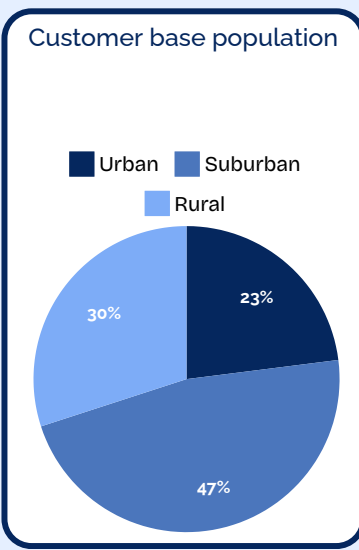
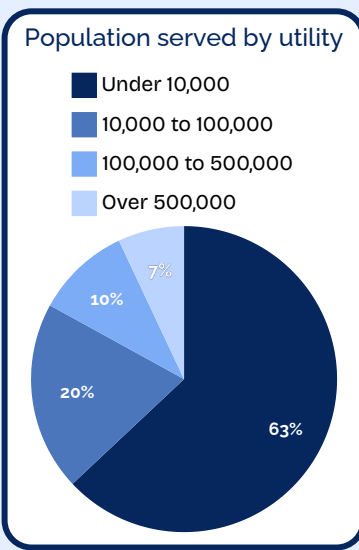
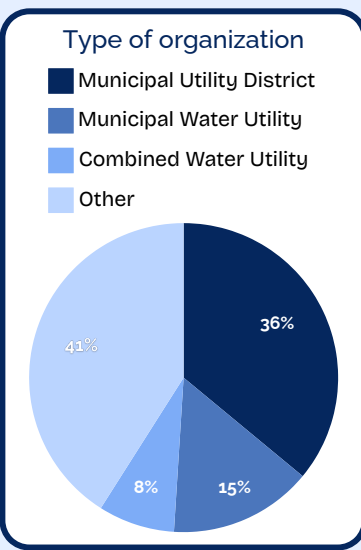


Identifies Keys Trends and Demonstrates Demand for Water Infrastructure Investment

The 2024 Texas Water Capital Needs Survey underscores the critical importance of addressing aging infrastructure as the primary driver for investment in Texas water systems. With significant capital needs estimated over the next decade and beyond, it is evident that sustained investment is essential to meet the growing demands of population growth and ensure regulatory compliance.

This year's survey received a record 246 respondents from water utilities across the state sharing information about their water needs. A plurality of responses came from municipal water districts with 5,000 customers or less and have stable or growing customer bases.

SURVEY DEMOGRAPHICS



TOP WATER INFRASTRUCTURE NEEDS

- 1 Water treatment
- 2 Water main rehabilitation, repair, or replacement
- 3 Water supplies

The greatest driver of future infrastructure projects was identified as being the need to replace aging infrastructure.

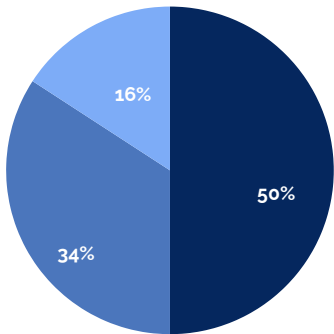
Revenue and Project Finance

- 92% reported that their current or projected revenues were stable or increasing.
- 76% had increased their budgets for construction costs due either to inflationary or supply chain issues.
- 63% had delayed projects.
- 75% are interested in pursuing funding from the new Texas Water Fund or the new Texas Water Supply Funds.
- 81% support dedicated revenues for water similar to transportation.

70% of water utilities DO NOT think the Texas Legislature has allocated sufficient resources and attention to address water policy and facilitate investment in Texas water infrastructure and water supplies.

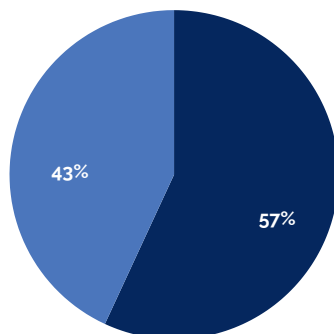
How do you prefer to fund your capital programs?

- Both debt and revenue
- Water user revenue
- Financed through debt

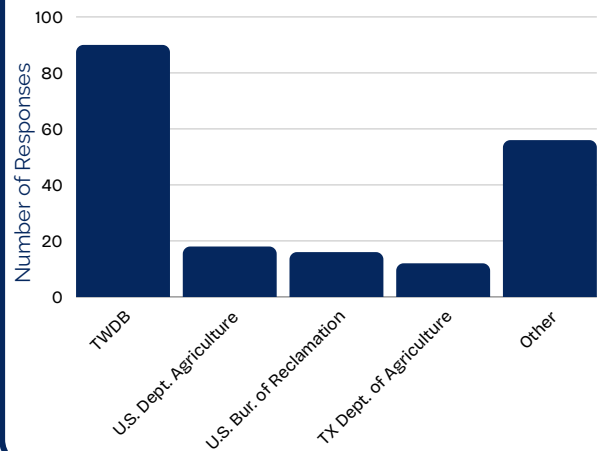


Are your water rates sufficient to fund current and future capital programs?

- Yes
- No

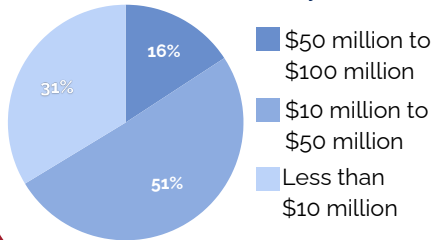


To which state and federal agencies have you applied to or plan to apply to for funding?



WATER UTILITIES WITH 5 THOUSAND TO 10 THOUSAND CUSTOMERS

Estimated capital construction costs over next 10 years



Top water infrastructure needs

- 1 Water treatment
- 2 Wastewater treatment
- 3 Water main rehabilitation

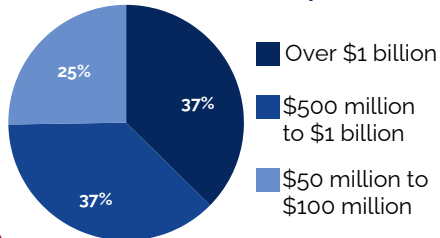
Top drivers of future projects

- 1 Aging infrastructure
- 2 Regulatory compliance
- 3 Population growth

Over the next 20 years, 52% of water utilities with 5-10 thousand customers indicated estimated capital needs of \$10-50 million, 13% \$50-100 million, 7% 100-500 million, 2% \$500 million-\$1Billion, and 2% indicated investment needs in excess of \$1 billion. **70% of respondents indicated they have implemented drought restrictions in the last two years.**

WATER UTILITIES WITH 250 THOUSAND TO 500 THOUSAND CUSTOMERS

Estimated capital construction costs over next 10 years



Top water infrastructure needs

- 1 Water supplies
- 2 Water treatment
- 3 Wastewater treatment

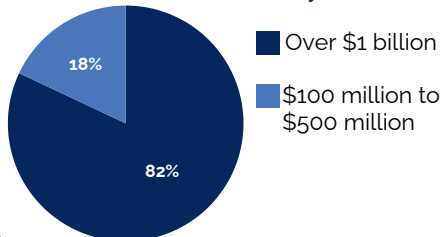
Top drivers of future projects

- 1 Population growth
- 2 Diversifying water supplies
- 3 Regulatory compliance

70% of water utilities with 250-500 thousand customers indicated they were interested in pursuing Aquifer Storage & Recovery (ASR) projects to increase water supplies. 100% indicated they have applied for funding from the Texas Water Development Board. 50% indicated that their water rates were insufficient to fund current and future capital programs

WATER UTILITIES WITH OVER 1 MILLION CUSTOMERS

Estimated capital construction costs over next 10 years



Top water infrastructure needs

- 1 Water supplies
- 2 Water treatment
- 3 Wastewater treatment

Top drivers of future projects

- 1 Population growth
- 2 Aging infrastructure
- 3 Regulatory compliance

55% of water utilities with over 1 million customers indicated an economic development project in their area was turned away, hindered, or altogether halted due to an inability to meet water supply needs or are concerned about future projects being turned away due to water supply needs.