

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
NORTHERN DIVISION

THE UNITED STATES OF AMERICA, ET AL

PLAINTIFF

v.

CASE NO. 3:12cv790-TSL-RPM

THE CITY OF JACKSON, MISSISSIPPI

DEFENDANTS

CITY OF JACKSON'S REPORT TO COURT CONCERNING RATE INCREASE PROPOSED
BY JXN WATER, INCLUDING RECOMMENDATIONS AND REQUESTS

Throughout November of this year, the Court held a series of hearings relating to a rate increase proposed and recommended by JXN Water. JXN Water has represented that the proposed rate is a 12% increase to water bills¹, and that the increase is necessary to ensure the continued operation and financial viability of JXN Water. *See* generally “Status Conference Presentation” dated November 5, 2025, attached as Exhibit 1. JXN Water, through Interim Third Party Manager (“ITPM”) Ted Henifin, has stated that without this proposed rate increase, JXN Water will default on the City’s debt obligations and that raw sewage will flow into streets and streams. *See* Letter from Ted Henifin to Mayor John A. Horhn, dated December 12, 2025, attached as Exhibit 2.²

¹ A Stantec bond feasibility study dated August 8, 2025, described the rate increase as “a 24.7% volumetric increase” with future “rate increases indexed at 4% per annum effective January 1, 2027 and effective Jan 1 of each following year.” *See* Exhibit 4, p. vii. The City notes that this description appears inconsistent with the plan presented to the Court on November 5, 2025. *See* Exhibit 1, p. 2. The City is also aware of litigation before this Court that alleges that the rate increase will be substantially higher for certain citizens, especially those who live in apartment complexes.

² Mr. Henifin’s letter appears to actively discourage State financial support because the “utility needs to be self-supporting to ensure sustainable operations and to meet state law.” *See* p. 2 of 3. His position is especially frustrating given ongoing efforts by Mayor Horhn to obtain short term State assistance and given Mr. Henifin’s acceptance of and free spending of over \$600 million in federal assistance, including approximately \$150 million which would be available to supplement the very operations and

At a hearing held on November 19, the Court ordered that the City would be given the opportunity to examine JXN Water finances through Michael Thomas, with whom the City had already contracted to assist in analyzing the City's finances. The Court ordered the City to submit a written report to include the City's recommendations about the rate increase proposed by JXN Water.

The City attaches Mr. Thomas's report as Exhibit 3 and submits this report.

To summarize, the governing authorities of the City do not support the rate increase that JXN Water has proposed. The rate is unfair because of its size, because rate payers have already been subject to one official rate increase and another unofficial one in the form of a new \$40.00 availability charge, and because it overly burdens the 60% of rate payers who are already paying their share. With the assistance of Mr. Thomas, the City makes specific recommendations that should result in increased annual revenues of approximately \$30 million and which identify an additional \$75 million in funds which can be gradually returned to the system; which decreases short term debt obligations by millions of dollars; which optimizes the chance to obtain additional financing from State legislation; and which provides for expert analysis of the needs of the system and the paying ability of rate payers. The City also provides specific action items which must be implemented by JXN Water to operate with fiscal responsibility.

Finally, because of the critical nature of the request, the City highlights one ask of the Court that it explains in more detail below: **that the Court order JXN Water to deposit a \$1,516,815.00 bond payment with the trustee on or before January 15, 2026.**

The City further makes the following specific findings and recommendations:

management which Mr. Henifin now seeks from the rate payers if JXN Water had not already spent all of it in only three years.

**INCREASE ANNUAL REVENUE BY APPROXIMATELY \$30 MILLION THROUGH
IMPROVEMENTS TO BILLING AND COLLECTIONS**

1. The Court should order JXN Water to work directly with the City to identify all locations which are receiving water without an account and to establish accounts for each such location. Mr. Henifin represented to the Court that there are approximately 6,000 such locations. Without an account, these locations do not receive a bill and do not pay a bill. Using JXN Water's estimate of an average bill of \$84.88/month³, this represents additional monthly system revenue of \$509,280.00, which is **annual revenue of \$6,111,360.00**.⁴

2. The Court should also order JXN Water to work directly with the City to increase the number of accounts which are not paying bills. Mr. Henifin represented to the Court that there are approximately 12,000 such accounts. Using JXN Water's estimate of an average bill of \$84.88/month, this represents additional monthly system revenue of \$1,018,560.00, which is **annual revenue of \$12,222,720.00**.

- a. The data studied by Mr. Thomas indicates that the numbers are substantially higher than those represented by Mr. Henifin. For example, in November of 2025, 17,832 residential customers received bills but did not pay. In October of 2025, 20,047 residential customers received bills but did not pay. *See* page 5 of Mr. Thomas's report. For context, those 20,000 accounts represent additional monthly system revenue of \$1,697,600.00, which is **annual revenue of \$20,371,200.00**.
- b. The data also indicates that a substantial number of commercial accounts are not paying their bills. In November of 2025, 2,113 commercial customers received

³ *See* Stantec Report on JXN Rate Structure Analysis and Revenue Estimation dated February 13, 2025, attached as Exhibit 4.

⁴ Except where otherwise indicated, the numbers cited in this report are for water and sewer billings only. These amounts do not include sanitation fees.

bills but did not pay. The prior month, there were 1,818 such customers. At the time this report was prepared, data was not available to estimate the additional revenue which could be generated by raising collection rates for commercial customers.

3. The Court should also order JXN Water to seek a rate increase for customers who live more than one mile outside the city limits. Those customers have not been subject to the same rate increases that all other customers have. To implement a rate increase for those customers requires JXN Water to apply to the Public Service Commission (“PSC”). Today, after operating the system for three years, JXN Water has made no effort to do so. The Court should order JXN Water to do so immediately.

a. Currently, customers living within the city limits or within a mile of the city limits pay a \$40.00 availability charge and additionally pay \$6.00/CCF volumetrically. In contrast, customers living more than a mile outside the city limits do not pay the \$40.00 availability charge and pay only \$1.48/CCF volumetrically. *See* Exhibit 4, p. 3. There are approximately 4,172 such customers. Because those customers do not pay for sewer, their bills will remain lower than other customers. However, even assuming a \$40/month water bill, charging them the same rate as all other customers should generate an **additional annual system revenue of approximately \$1,000,000-2,000,000.00**.

4. Enacting the above measures should result in **additional annual revenues of at least \$20,334,080.00**. Applying the data reviewed by Mr. Thomas instead of the estimates represented by Mr. Henifin, the additional revenue increases to at least **\$28,482,560.00**. Increasing collection rates on commercial customers will further increase system revenues by an indeterminate amount.

a. These numbers are critical to any discussion about setting equitable rates and an equitable rate structure. JXN Water is requesting a series of rate increases that it projects will result in the following annual system revenue⁵:

5 Year Projection with Rate Increases – New Debt (\$50 million) + \$54 million reallocation of SRF covers full shortage.

Year	Rate Increase	Total Billed	Collection Rate	Total Revenue	(Shortage)/Surplus (OP EX only)		With Debt Svc	Required Revenue (Shortage)/Surplus (OP EX and Debt Service)
					\$	(22,000,000.00)		
2025	12%	\$112,000,000.00	75%	\$ 84,000,000.00	\$ 115,000,000.00	\$ (22,000,000.00)	\$ 133,847,170.20	\$ (33,847,170.20)
2026	0%	\$135,000,000.00	80%	\$108,000,000.00	\$115,000,000.00	\$ (7,000,000.00)	\$140,975,310.32	\$ (32,975,310.32)
2027	5%	\$141,750,000.00	90%	\$127,575,000.00	\$115,000,000.00	\$ 12,575,000.00	\$140,975,310.32	\$ (13,400,310.32)
2028	5%	\$148,837,500.00	95%	\$141,395,625.00	\$115,000,000.00	\$ 26,395,625.00	\$140,975,310.32	\$ 420,314.68
2029	2.5%	\$152,558,437.50	95%	\$144,930,515.63	\$115,000,000.00	\$ 29,930,515.63	\$144,375,310.32	\$ 555,205.30
						\$ 39,901,140.63		\$ (79,247,270.87)

b. An increase in revenue of \$28,482,560.00 (plus additional commercial collections) would increase the system revenue to \$112,482,560.00, and should be achievable in 2026 and 2027. This increase would meet the projections set by JXN Water for that same time frame without implementing any rate increase.

SUPPLEMENT TOTAL SYSTEM REVENUE WITH APPROXIMATELY \$75 MILLION BY COLLECTING UNPAID BILLS

5. The Court should also order JXN Water to work directly with the City to begin collecting amounts which have been billed but not collected. Water/sewer delinquencies from October of 2023 thru December of 2025 equal **\$74,434,949.13**. *See* Exhibit 3, p. 5. While it is not realistic to expect to collect all of this amount immediately, a formal collections procedure should begin to collect these amounts, which will further increase revenue. Even collections of only \$10,000,000.00 per year against these amounts would increase system annual system revenue to approximately \$122 million.

SUPPLEMENT TOTAL SYSTEM REVENUE WITH STATE LEGISLATION

6. It is premature to predict what specific State legislation may be implemented to assist the system. However, the City represents that specific legislation will be presented and considered by

⁵ Exhibit 1, p. 2.

the State legislature. If passed, such legislation is expected to create a new short-term revenue stream to be used specifically to cover operations and/or debt obligations of the water and sewer system.

7. The City expects to provide a separate report to the Court in the first or second week of January with more specific information about legislative progress. That report will likely include suggestions that the Court can implement which will assist the Legislature in its process.

**REDUCE THE DEBT OBLIGATIONS OF THE SYSTEM OVER THE NEXT
SEVERAL YEARS THROUGH REFINANCING DEBT**

8. The City had hoped to include in this Report details about the results of refinancing efforts over its sewer and water debts. While the City cannot yet do that, it can represent affirmatively that a significant refinancing is imminent. The City can provide specific details to the Court under seal or *in camera* through its financial advisors. While not at liberty to disclose the specifics publicly, the City states that within the first two quarters of 2026, a refunding and restructuring of existing debt will be announced which will result in a substantial reduction of debt payments over the next few years. Even assuming that JXN Water's projected need of revenues of \$144,930,515.63 is accurate, the refinancing will substantially reduce the revenue needed to pay bond obligations.

ORDER AN AFFORDABILITY STUDY BY A QUALIFIED EXPERT

9. In reviewing the data provided by Mr. Thomas and in discussions with the City's financial advisors, it has become clear that the City needs an affordability study to be performed by a qualified expert. Such a study must analyze the system to determine the reasonable costs needed to operate Jackson's water and sewer system. It must also analyze the system's rate payers to determine a reasonable rate structure and amounts; that is, what can our rate payers reasonably be expected to pay. The City has begun soliciting quotes and time frames needed from experts and is also open to suggestions from the Court.

REQUIRE JXN WATER TO OPERATE WITHIN ITS REVENUE AND TO RE-PRIORITIZE ITS EXPENDITURES

10. The City wants to reiterate what it has said repeatedly: the engineering and infrastructure work performed by JXN Water and Mr. Henifin have been a success. The City is not adverse to JXN Water or Mr. Henifin. However, it is apparent that the financial work performed by JXN Water and Mr. Henifin have not been a success. The City does not believe this to be in any real dispute. In fact, just today, Mr. Henifin himself admitted as much:

“We figured we’d get around to the billing at some point,” Henifin said in a recent interview at his Belhaven office. “Unfortunately the timing between running through the (\$150 million of) federal funds and us getting to the billing weren’t exactly aligned.”

“So we’re finding the need to get the billing done and collections up faster than we would’ve liked. But I still don’t think we would’ve done it any differently. You got to get the water system and sewer working before you can start beating on people about paying their bill.”

<https://mississippitoday.org/2025/12/19/price-of-reliable-water-means-shutoffs-for-jacksonians/>

11. With respect to Mr. Henifin and the work that he has done to repair and improve the water and sewer infrastructure, this statement gets to the heart of the current problem. The financial structure of JXN Water has been backwards since Day 1, and it should have been created differently. The Court cannot change the past, but it can certainly change the future. The City simply asks that the Court order JXN Water to do what the City must do and what every citizen and rate payer must do: live within its means.⁶

⁶ On December 11, Mr. Henifin testified to a joint meeting of the House Select Committee on Capital City Revitalization and the Senate Study Committee that

JXN Water must prioritize bond repayment as its first expense, starting with a January payment.

12. The starting point must be to determine what current revenue is. It appears that JXN Water has done that.

13. Next, JXN Water must prioritize paying the system's bonded indebtedness. To date, JXN Water has not done so, to the point that the system would have defaulted in the last quarter of 2025 if the City had not stepped in and made a scheduled bond payment of \$5,049,468.75 out of City revenues. This is in addition to a 2024 bond payment the City made in the amount of \$1,399,450. *See Exhibit 3, p. 6.*

14. The next scheduled payment is due on March 1, 2026, in the amount of \$1,516,815.00. The bonds are secured by a tax intercept pledge, which requires the debt service payment to be deposited with the bond trustee 45 days before the March 1 payment date, which is January 15, 2026. If not deposited by January 15, 2026, the City's sales tax which is remitted monthly from the state through the Mississippi Department of Revenue (the "DOR") will be intercepted by DOR before reaching the City and paid directly from DOR to the bond trustee. Exhibit 3, p. 6.

"The city through several administrations has consistently demonstrated they lack such fiscal responsibility, chronically underfunding the water system, failing to raise rates, failing to collect from users... failing to invest in people, equipment or infrastructure," he said. "The city's... public audit shows the system operated at significant loss in 2022, losing \$20.9 million."

Henifin also was critical of the current mayor, who has come out against Henifin's plans to raise water rates, as well as members of the city council, some of whom voted against the rate increase in the spring.

<https://www.wlbt.com/2025/12/19/water-likely-be-forefront-jacksons-2025-legislative-agenda-heres-what-city-is-asking/>

On November 5, 2025, Mr. Henifin represented to this Court that JXN Water was projected to operate at a more significant loss in 2025, losing \$49.8 million. *See Exhibit 1, p. 2 (Year 2025 entry in the chart labeled "5 Year Projection without rate increase...") Required Revenue with Debt Svc = \$133,847,170.20, less Total Revenue of \$84,000,000.00.* The City notes that the last column on the chart indicates a loss of **only** \$33.8 million, but based on the numbers provided, the loss is \$49.8 million. As the chart says, it is just math.

15. The activation of the sales intercept would adversely impact the City's budget and cash flow, and it would be the first time in State history that such action was necessary. It would also likely have a negative impact on the City's efforts to refinance existing water and sewer debt.

16. The City requests that the Court order JXN Water to deposit the \$1,516,815.00 payment with the trustee on or before January 15, 2026.⁷

17. The City further requests that the Court order that going forward, JXN Water must prioritize all future bond payments. Mr. Henifin has frequently cited the City's bond obligations to this Court, to the public, and to the State Legislature. He fully understands the legal obligations to make these payments, and he understands that he is responsible for paying the debt. JXN Water collects the revenue that secures the debt, and JXN Water must prioritize paying the debt.

18. JXN Water will likely respond that it cannot afford to make the bond payments because it has obligated itself to making approximately \$7.6 million in monthly contractual payments. *See Exhibit 3, pp 6-7.* This response must fail for at least two critical reasons.

JXN Water must pay its operations and maintenance costs with revenue remaining after paying debt.

19. First, sound business practice requires JXN Water to set aside sufficient monthly revenue to make all bond payments. Mr. Henifin has correctly stated on numerous occasions that the system while in control of the City was underfunded. However, the City has made every bond payment. JXN Water must do the same. Put another way, the City has never defaulted—has never failed to make a bond payment. This is because those payments must be the first priority of the system.

20. Second, Mr. Henifin knew what debt obligations the system had when he was appointed as ITPM. The obligations he and/or JXN Water has contracted were all subsequent to his knowledge of that indebtedness. Sound financial practice dictates that JXN Water must plan to spend

⁷ The City's refinancing will not occur before the debt payment that is due in January.

within its revenue and obligations, not that it rely on the 60-64% of the rate payers who are already paying to keep paying more.⁸ In short, it is JXN Water's duty to bring expenses in line with current revenues without defaulting on debt obligations.

21. A corollary to the above is that JXN Water must only spend on Operations and Maintenance the amounts available after collecting revenue and paying debt, and it must budget for capital improvements with amounts remaining, if any.⁹ It is unreasonable for JXN Water to obligate itself to spend money it does not have and then look to paying citizens for more. What JXN Water has effectively done is spend its way into forcing a rate increase. The Court should order it to stop.

22. Properly prioritizing system expenditures creates two positive incentives: to increase revenues to provide resources for more repairs and improvement, and to spend taxpayer money responsibly by “right-sizing” the system. That may (and likely will) require JXN Water to renegotiate contracts and engage in more robust competitive procurement. It may also require JXN Water to further engage with the City to find efficiencies. Perhaps it is possible to recruit and train qualified personnel to work directly for JXN Water, or to be employed by the City and loaned to JXN Water, eliminating the premium that must be paid to the various private contractors with whom JXN Water has engaged.

⁸ While Mr. Henifin has frequently stated that his collection rate is above 70%, the data provided to Mr. Thomas is clear. *See Ex. 3, p. 5.* In only one month—February of 2024—has JXN Water received more than 70% of the bills it has sent to residential customers. In 2025, the system has only collected more than 65% of bills once and not one time after March. Perhaps of more concern is that JXN Water's collection rate of commercial accounts is strikingly similar. Commercial collections hit 70% in February of 2024 but have fluctuated between 56% and 68% in 2025.

⁹ The City understands that rate increases of some sort will be necessary over time. Inflation and modernization alone will mandate this from time to time. However, the utility's financial structure must include as many rate payers as possible and operate in a fiscally responsible manner. Rate increases are not meant to be an open checkbook.

JXN Water must end its reliance on City contributions.

23. Every time the City contributes to JXN Water finances (intentionally or otherwise), it is a *de facto* rate increase—it is money from the tax payers that is spent by JXN Water and not for the purpose it was intended.

24. To date, City has made approximately \$6.5 million in debt payments on behalf of JXN Water. Exhibit 3, p. 6. Additionally, JXN Water has “held” approximately \$5.5 million in sanitation fees which were due in 2024 and an additional \$8.5 million in sanitation fees which were due in 2025. Exhibit 3, pp. 3-4.¹⁰ It appears that an additional \$13.7 million in sanitation fees have not been collected. Exhibit 3, p. 5. All of that represents money which should be part of the City’s annual budget.¹¹

CONCLUSION

Mr. Henifin has on several occasions represented to the Court and the public that he does not have enough money to perform all of the work he wants to perform. Neither does the City. The City is legally required to balance its budget. It cannot expect its citizens to pay more when it overspends. It cannot expect a federal court to order the citizens to pay more when it overspends. It cannot expect an act of Congress to allocate \$56 million to be added to the City’s operations, much less \$600 million.

Every dollar that JXN Water keeps from the City is a dollar that is owed on a contract, or to pay an employee (including fire and police officers), or to pave a street, or to contribute to some other city service.

¹⁰ Mr. Henifin has stated directly to this Court that he has no legal authority to keep money that is paid by citizens for sanitation services.

¹¹ According to Mr. Thomas, sanitation amounts owed to the City are likely understated. Mr. Henifin reports that when he collects payments for less than the amount billed, all amounts are credited to the water and sewer bill before any amounts are credited to the sanitation bill. If true, that will result in under collecting of sanitation fees. The City believes that under payments must be credited to water/sewer and sanitation on a *pro rata* basis.

The City already operates on a thin budget. Now it is operating on a budget that is at least \$20 million smaller. To balance the budget, the City will have to reduce services and downsize its workforce. To be blunt, the City will have to make extremely difficult choices about who keeps their jobs, what benefits it can provide to those who remain, what roads get paved, and what contracts it must terminate. At the same time, the City is exploring every option it can think of to deliver municipal services for less, to become more efficient, and to increase revenues.

The City is asking no more of JXN Water than for it to do the same.

Should the Court have any questions or require additional information, the City is prepared to respond.

DATED: December 19, 2025.

Respectfully Submitted on Behalf of
Defendant City of Jackson, Mississippi,

/s/ Drew M. Martin
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CERTIFICATE OF SERVICE

I certify that on the date indicated below I provided this Report to the Court by electronic mail to [Wingate Chambers@mssd.uscourts.gov](mailto:Wingate_Chambers@mssd.uscourts.gov).

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DATED: December 19, 2025.

/s/ Drew M. Martin



Status Conference Presentation

November 5, 2025

Need for a Rate Increase – It is Just Math!

5 Year Projection without Rate Increase – No New Debt – Shortage partially made up with \$54 million reallocation of SRF.

Year	Rate Increase	Total Billed	Collection Rate	Total Revenue	Op Ex	(Shortage)/Surplus (OP EX only)	Required Revenue	(Shortage)/Surplus (OP EX and Debt Service)
							With Debt Svc	
2025	0%	\$112,000,000.00	75%	\$ 84,000,000.00	\$115,000,000.00	\$ (22,000,000.00)	\$ 133,847,170.20	\$ (33,847,170.20)
2026	0%	\$112,000,000.00	80%	\$ 89,600,000.00	\$115,000,000.00	\$ (25,400,000.00)	\$ 133,847,170.20	\$ (44,247,170.20)
2027	0%	\$112,000,000.00	90%	\$100,800,000.00	\$115,000,000.00	\$ (14,200,000.00)	\$ 133,847,170.20	\$ (33,047,170.20)
2028	0%	\$112,000,000.00	95%	\$106,400,000.00	\$115,000,000.00	\$ (8,600,000.00)	\$ 133,847,170.20	\$ (27,447,170.20)
2029	0%	\$112,000,000.00	95%	\$106,400,000.00	\$115,000,000.00	\$ (8,600,000.00)	\$ 133,847,170.20	\$ (27,447,170.20)
						\$ (78,800,000.00)		\$ (166,035,851.00)

5 Year Projection with Rate Increases – New Debt (\$50 million) + \$54 million reallocation of SRF covers full shortage.

Year	Rate Increase	Total Billed	Collection Rate	Total Revenue	Op Ex	(Shortage)/Surplus (OP EX only)	Required Revenue	(Shortage)/Surplus (OP EX and Debt Service)
							With Debt Svc	Debt Service)
2025	12%	\$112,000,000.00	75%	\$ 84,000,000.00	\$115,000,000.00	\$ (22,000,000.00)	\$ 133,847,170.20	\$ (33,847,170.20)
2026	0%	\$135,000,000.00	80%	\$108,000,000.00	\$115,000,000.00	\$ (7,000,000.00)	\$ 140,975,310.32	\$ (32,975,310.32)
2027	5%	\$141,750,000.00	90%	\$127,575,000.00	\$115,000,000.00	\$ 12,575,000.00	\$ 140,975,310.32	\$ (13,400,310.32)
2028	5%	\$148,837,500.00	95%	\$141,395,625.00	\$115,000,000.00	\$ 26,395,625.00	\$ 140,975,310.32	\$ 420,314.68
2029	2.5%	\$152,558,437.50	95%	\$144,930,515.63	\$115,000,000.00	\$ 29,930,515.63	\$ 144,375,310.32	\$ 555,205.30
						\$ 39,901,140.63		\$ (79,247,270.87)

No One Likes Rate Increases

- JXN Water does not want to raise rates. The ITPM does not want to raise rates.
 - The SNAP Ratepayer Classification was created to ease the pain of rate increases on those most challenged to pay. This was the first customer classification based on SNAP in the country.
- **The Water Crisis' root cause was the lack of financial resources. City Council was unwilling to raise rates and the Administration was unwilling to collect revenues.**
- This is not about **WANT** – this is about **NEED**.
- **NEED** for rate increase is not new. Financial Management Plans (2023, 2024, 2025) all called for rate increases if debt was not retired using SRF funds.
- The ITPM is a trustee of the water system and it his duty to ensure the system is financially viable. Raising rates to ensure financial viability and sustainability is the ITPM's duty to the citizens of Jackson.

Rates **Must** be Set to Recover Operations Costs as Well as Debt Service – This is Not Optional!

- This is a REQUIREMENT of the City of Jackson's General Bond Resolution – adopted in 1993 to protect bondholders' investment in the City.
- This is a requirement of Mississippi state law.

Code of Mississippi §21-27-7 Waterworks

(b) The governing authorities of a municipality shall establish and maintain rates and charges in equitable proportion to the use of the services and benefits rendered by the waterworks systems and water treatment facilities serving the municipal area. From time to time the governing authorities **shall** adjust such rates, to the end that the revenues therefrom will be sufficient at all times to pay the expenses of operating and maintaining such works, facilities and systems and all of the municipality's obligations under any contract or bond resolution with respect thereto. 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.

Amending the 2023 CAA – First Attempt Using Funds for Retirement of Debt – Second for Reallocation of Funding

- Worked with Mississippi US Senators to amend language in the 2023 CCA to allow debt retirement
 - March 24, 2023 – Reached out with request to amend language. Continued working with Senate staff and US EPA throughout 2023 and 2024. Was unable to get amendment with language that would accomplish debt retirement largely due to the co-mingled water/sewer debt as well as the need to meet SRF project requirements at time of construction.
- Changed tactics and goal in January 2025. Reached out to Senator Wicker with request to amend CAA appropriation split between SRF and 1442(b). Worked throughout 2025 with Wicker's staff to get language approved by US EPA and Appropriations Committees.
- Language included in US House of Representatives Continuing Resolution released on September 16, 2025 and passed in the House on September 19, 2025.
 - Mississippi delegation voted 3-1 in favor of CR with the language needed to move \$54 million from the SRF authorization to the 1442(b) authorization – **NOT NEW MONEY! REALLOCATION OF FUNDING PROVIDED IN 2023 CAA.**

Current Status of Reallocation Request

- Language is in the House passed Continuing Resolution
- **If/when** the CR is passed, funds will move to US EPA. Either the existing grant will be amended to add \$54 million or a new grant will be awarded. Actual funding may take 3 – 6 months from Congressional approval to reach JXN Water. Funds are provided on a reimbursable basis – drawn down after costs have been incurred.
 - A draft workplan has been submitted
 - Limited to eligible drinking water expenditures
 - Jacobs Operation and Maintenance Contract
 - Wicker Construction Drinking Water System Maintenance and Repairs
 - Sustainability Partners Water Meter Costs (Meters as a Service)
- **CANNOT BE USED FOR DEBT SERVICE PAYMENTS OR ANY SEWER EXPENSE.**

Efforts to Exhaust All Other Alternatives

- There have been no other alternatives presented to date. The need for a recurring source of revenue to meet debt obligations remains unresolved 9 months after identifying that need in the 2025 Financial Management Plan.
 - Rumors of a new dedicated tax revenue source are just that. Additionally, the ITPM has no authority to tax or direct tax revenues.
- One-time funding cannot resolve this issue. Any one-time funding (whether Siemens money, past due balances from multi-family and other customers, or an appropriation from the State or Feds), would be used to bridge the gap between monthly local revenues and operating expenses. It would not obviate the need for a rate increase.
- JXN Water continues to work with multi-family properties. 2 have filed for TROs which have delayed collection efforts. One has been settled, one is still in negotiations, one TRO was lifted and the property shutoff (still without payment). 35 properties owe more than \$100,000, but several are in active payment arrangements which protects from shutoff while balance is paid off and others are in the collections process now.
- **All other alternatives have been exhausted. Funding is needed now. Should some new revenue source be provided in the future, rates could be rolled back.**

Collection Efforts

Billing and Collections Improvements

At the end of Q3 2025, JXN Water had made significant improvements in the billing and collection for water services as shown in the table below. During Q3 JXN Water ramped up collection efforts, putting nearly 1,000 accounts per week into collections.

	Monthly Avg Oct-Dec 23	Monthly Avg 2024	Monthly Avg 2025 (YTD)	Percent Increase 2023-2025
Number of Bills	48,682	50,989	54,193	11.3
Dollars Billed	\$ 6,401,117	\$ 8,953,825	\$ 9,410,787	47.0
Number of Payments	26,101	30,369	33,298	27.6
Dollars Received	\$ 3,862,821	\$ 5,554,790	\$ 6,547,804	69.5
Collection Rate (Bills/Payment)	53.6%	59.6%	61.5%	14.7
Collection Rate (Revenue)	60.3%	62.0%	69.6%	15.4

This rapid progress is remarkable given the culture of non-payment established over the past decade by the City.

Meter Turn Off Non Payment Completed 2025							
Activity	Mar	Apr	May	Jun	Jul	Aug	Sep
Meter Turn Off Non Payment	14	110	231	327	768	395	1796

*Data available since 3/31/2025

I always receive my monthly bill.



JXN Water makes it easy to pay my monthly bill.

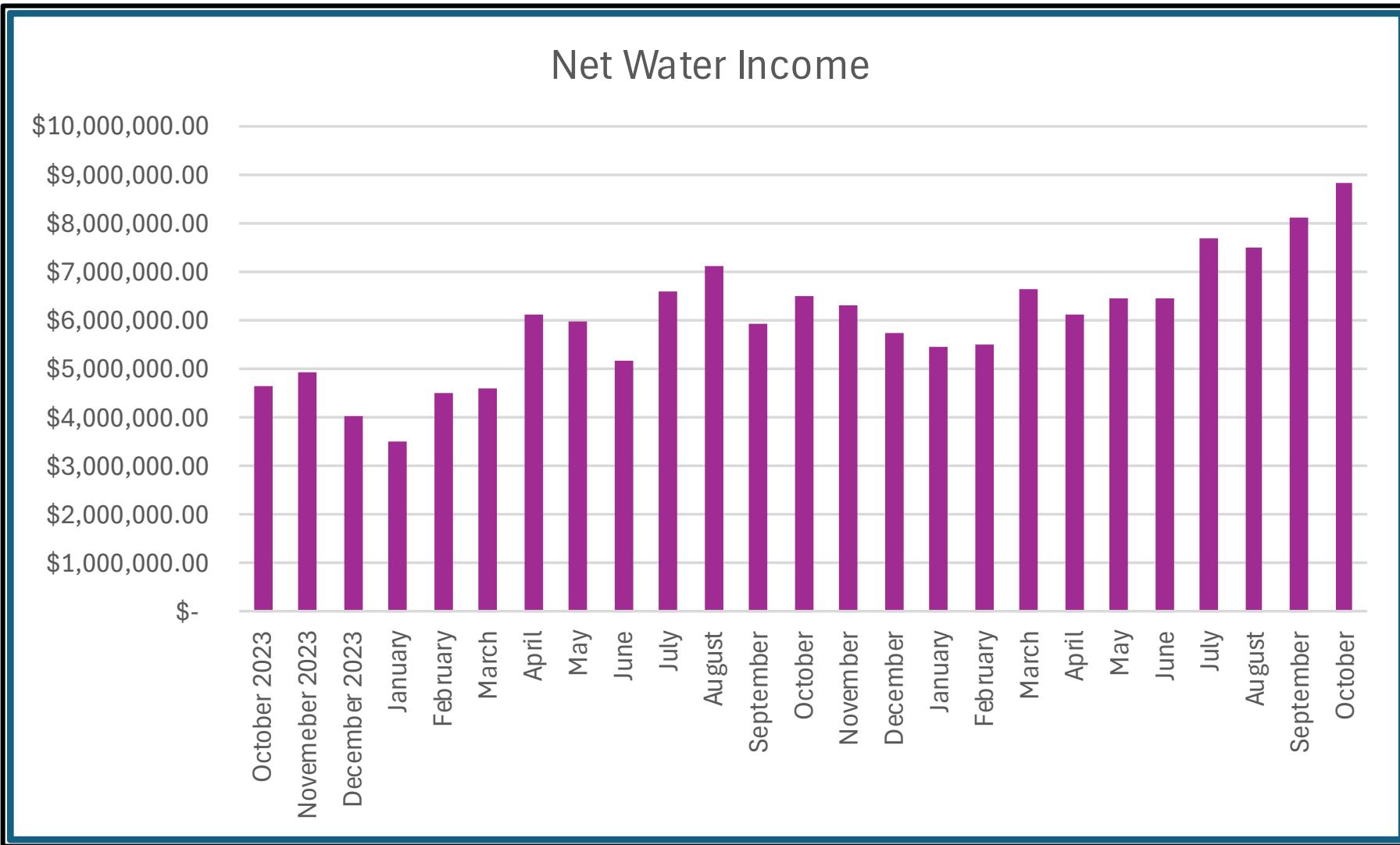


People without accounts are being encouraged to go to JXNWater.com and open an account. Advertisements include the fact there will be no penalty or interest through December 31, 2025.

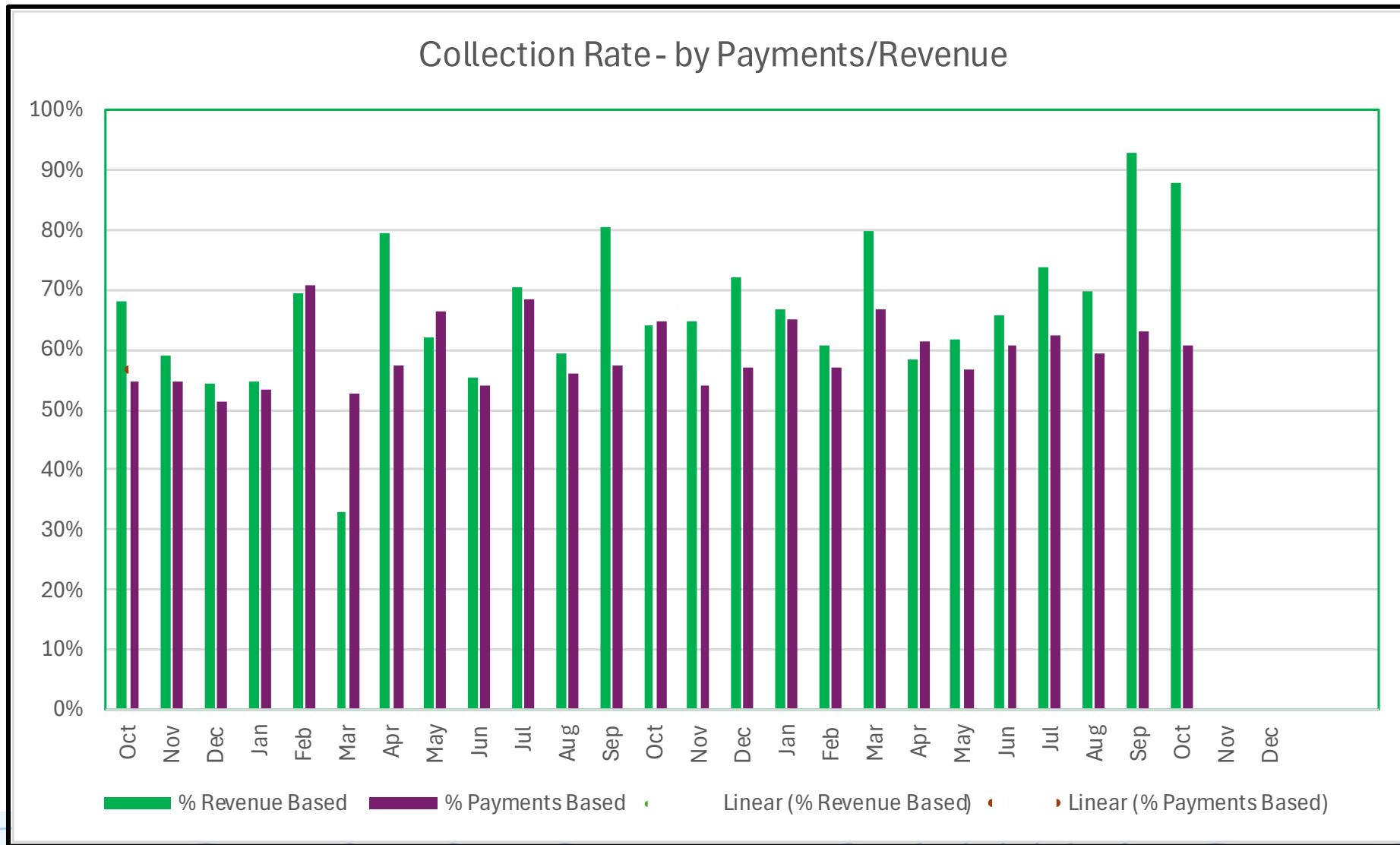
Although this Court still has a few cases before it that are unresolved, to date no one has been threatened with imprisonment for non-payment!

Despite widespread anecdotes to the contrary, the survey conducted in June 2025 reveals the majority of customers (70 percent) are receiving monthly bills and 64 percent believe JXN Water makes it easy to pay! (See inset below).

Collection Efforts

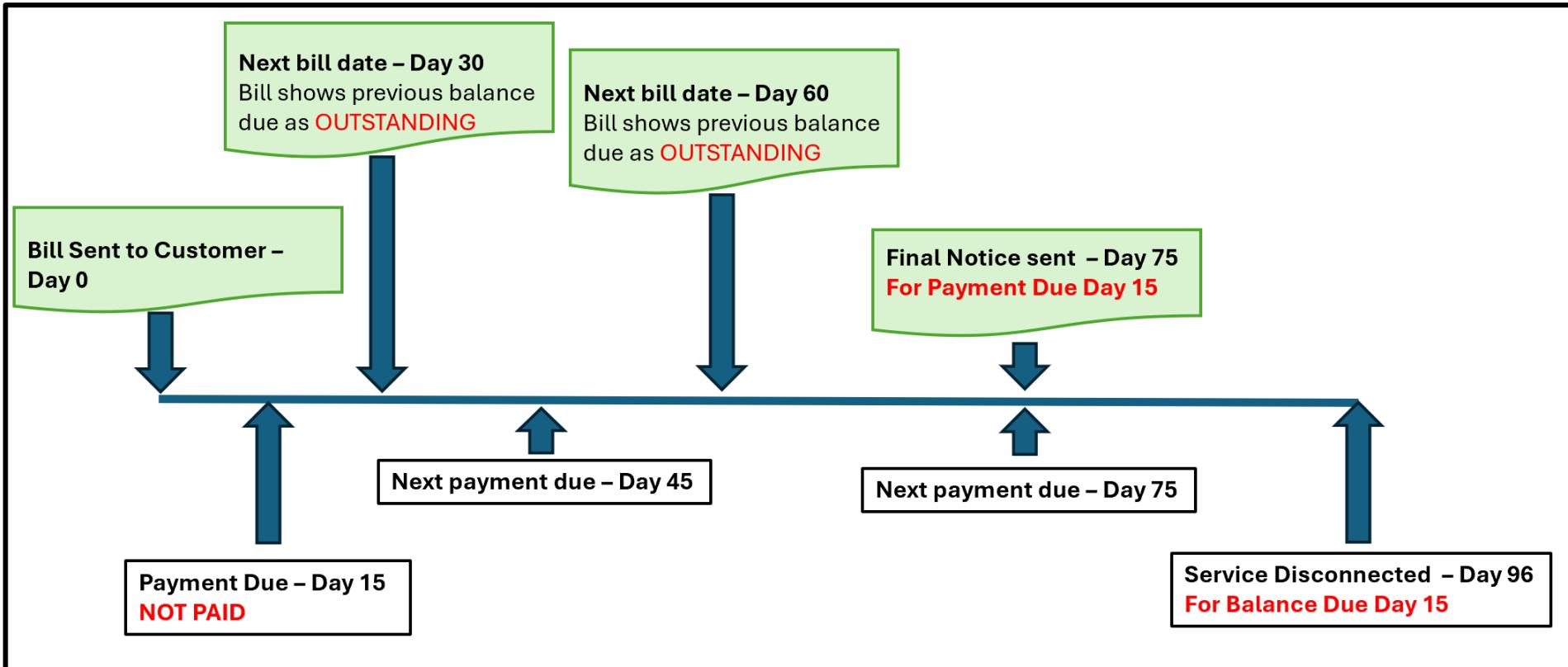


Collection Efforts



Typical Billing Timeline and Notices

Customers* receive 3 bills and a final notice before service is disconnected – 81 days after the payment was due!



* To manage the collections process, JXN Water is putting groups of accounts into collections based on geography – to make the field work more efficient. At the current rate of 500 to 1000 per week, all accounts will be worked by mid 2026.

Status of Sanitation Account

2025	Billed Amount	Collected	Paid to City	
January	\$ 1,555,790.49	\$ 1,042,167.46	\$ 1,042,167.46	67%
February	\$ 1,556,903.13	\$ 1,123,386.76	\$ 1,123,386.76	72%
March	\$ 1,528,086.54	\$ 1,054,266.76	\$ 1,054,266.76	69%
April	\$ 1,564,656.33	\$ 1,118,250.59		71%
May	\$ 1,665,055.12	\$ 996,395.95		60%
June	\$ 1,593,383.69	\$ 964,912.49		61%
July	\$ 1,590,287.11	\$ 979,074.90		62%
Aug	\$ 1,593,784.87	\$ 1,000,502.65		63%
Sep	\$ 1,610,318.71	\$ 1,298,901.05		81%
Oct				
Nov				
Dec				
Amount Due to City 10/3/25	\$ 6,358,037.63			

As of 10/3/2025 the City owes JXN Water \$6,934,537.20 for the zoo account (balance accrued since 12/2022).

In Summary

While great progress has been made, work continues to make the water system resilient and sustainable, including financially stable as we work towards our goal of water for all, all the time. The Federal funding that has been supplementing JXN Water's operating budget has been exhausted. This proposed rate increase is necessary to move the system towards sustainability and is **REQUIRED** to meet the covenants the City entered with bondholders in 1993. **Without an increase in rates, the system will be short of meeting annual obligations by \$34 million in 2025 with a cumulative 5-year shortage of over \$100 million.**

If JXN Water is to meet the debt obligations of the Water System in 2026 and beyond, this rate increase needs to happen now. There is no time left to wait.

Without this rate increase, JXN Water is unable to borrow additional needed funds to bridge the gap between local revenue collections and current expenses.

Without this rate increase JXN Water is unable to borrow additional needed funds from MDEQ to resolve two current dry-weather SSOs, or make needed repairs and upgrades to the sewer treatment plants and pumping stations.



The Interim Third-Party Manager
of the Jackson Water System

EXHIBIT

2

December 12, 2025

Mayor John A. Horhn
City Hall
219 S. President Street
Jackson, MS 39201

VIA Email: jhorhn@jacksonms.gov

Re: Report on JXN Water Finances

Dear Mayor Horhn,

I understand from discussions with Pieter that Michael Thomas is to brief City Council on his findings at their meeting on December 16, 2025. I have been responsive to all of Michael's requests and look forward to reading his report as soon as it is available. I would appreciate a copy once you can release it.

I appeared before the Mississippi House of Representatives' Select Committee on Capital City Revitalization yesterday. I discussed progress made on stabilizing the water and sewer system since JXN Water assumed our current role in late 2022. I also discussed our financial recovery plan and the critical need for a rate increase to put the system on a financially sustainable path, requiring no state intervention. The relevant comments made yesterday are repeated below:

LONG TERM FINANCIAL STRATEGY

We have had success in billing and collections as well. Our order of priority was to fix the water system, fix the sewer system, and then turn to fix the billing system. This has taken more time than anticipated, but the progress has been significant.

Monthly revenues have doubled from approximately \$4 million in late 2023 to more than \$8.5 million in October 2025. Approximately 75% of the revenue billed each month is collected, up from around 60% in late 2023. Getting everyone paying their fair share remains our top priority.

Unfortunately, even if everyone had a bill and was paying their bills, we would not generate enough revenue to meet our financial obligations, state law revenue mandates, or to honor the covenants made by the City with their bond holders.

The current rates will only generate enough revenue to meet our operating expenses (assuming everyone is paying their bills – which is, of course, not the case). There is no money left to pay our debt obligations. There is no money left to build up any reserves. We fall short by over \$20 million per year of meeting all obligations. This flies in the face of current state law as amended in the 2023 session.

§21-27-7 (1) (b) The governing authorities of a municipality shall establish and maintain rates and charges in equitable proportion to the use of the services and benefits rendered by the waterworks systems and water treatment facilities serving the municipal area. From time to time the governing authorities shall adjust such rates, to the end that the revenues therefrom will be sufficient at all times to pay the expenses of operating and maintaining such works, facilities and systems and all of the municipality's obligations under any contract or bond resolution with respect thereto. 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.

Pursuant to the federal order which governs our work, JXN Water has developed a financial plan that makes the utility solvent in 2029 and financially viable for generations to come.

This plan requires an immediate 12% rate increase which has been opposed by two City administrations and is currently paused by Judge Wingate. Without this increase JXN Water will be unable to meet the system's debt obligations (\$20 million) in 2026. Without this increase JXN Water will be unable to borrow SRF funds from MDEQ to make needed repairs to the sewer system to protect public health and the environment. Without this increase, JXN Water will be unable to maintain the current level of service, likely seeing the system regress and ultimately fail again due to under investment.

In addition to ensuring affordable and cost-effective operation of the water and sewer systems for our ratepayers today, the rate increase is the key to a financially viable operation and our ability to support major economic growth opportunities, here in the crossroads of the South.

Without the rate increase the system will need a significant infusion of cash, now and for the indefinite future. A state bailout seems unlikely and would require tens of millions of dollars just to delay the rate increase. The utility needs to be self-supporting to ensure sustainable operations and to meet state law.

While the JXN Water plan does not require state investment, an appropriation to support JXN Water's working capital needs could offset some or all of the need to borrow from private sources to cover the annual projected deficits through 2027. If not an

appropriation, a new loan program to provide access to working capital below private market rates would be very helpful. However, with the rate increase and good fiscal management going forward, the utility can become financially sustainable without a state assistance.

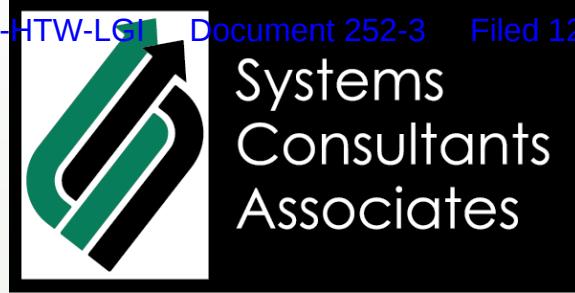
The City's endorsement of the proposed rate increase is the key to stopping raw sewage from flowing into our streets and streams and keeping the system on the path to financial stability and sustainability. As agreed to in court, the City is to provide Judge Wingate its position on the proposed rate increase by December 19th based on Michael Thomas' review of JXN Water financials.

We have come so far with the water and sewer system, let's not put that progress at risk. New development is popping up throughout the city, development that would not happen without a stable water system. I beg you to demonstrate the financial leadership necessary to meet the moment and support the rate increase. I further urge you to ask the same of the City Council and for them to convey to the public and Judge Wingate that while they do not like rate increases (no one does) they see the need to support this essential increase to ensure reliable and effective water and sewer services can be provided to all customers for generations to come.

Sincerely,



Interim Third-Party Manager



To: Mayor John Horhn
 From: Michael Thomas
 Re: Jackson Water Review of Revenues
 (Collections) and Expenses

December 19, 2025

Mayor Horhn,

Below is my report of the noted areas for Jackson Water.

1. Sanitation Collections and Remittances to the City of Jackson

I began my review by looking at Sanitation billings and collections from the beginning per Jackson Water's CPA, Kim Hardy with Matthews, Cutrer and Lindsay, P.A. The following information for calendar years 2023 and 2024 was provided:

JXN Water Sanitation Billing/Collections October - December 2023					Estimated Customers Billed (@\$37 Per)
Month	Billings	Collections	Collections as a % of billings		
January	\$ -	\$ -	#DIV/0!		
February	-	-	#DIV/0!		
March	-	-	#DIV/0!		
April	-	-	#DIV/0!		
May	-	-	#DIV/0!		
June			#DIV/0!		
July			#DIV/0!		
August			#DIV/0!		
September			#DIV/0!		
October	1,490,600.66	1,028,249.33	69%	40,286.50	
November	1,493,184.38	902,189.51	60%	40,356.33	
December	<u>1,491,689.04</u>	<u>970,589.34</u>	<u>65%</u>	<u>40,315.92</u>	
	<u>4,475,474.08</u>	<u>2,901,028.18</u>	<u>65%</u>		

JXN Water Sanitation Billing/Collections January - December 2024				
Month	Billings	Collections	Collections as a % of billings	Estimated Customers Billed (@ \$37 Per)
January	\$ 1,501,497.09	\$ 1,312,906.01	87%	40,581
February	1,505,367.25	1,115,751.69	74%	40,686
March	1,505,376.41	986,537.14	66%	40,686
April	1,506,898.52	1,083,477.99	72%	40,727
May	1,503,642.58	985,996.08	66%	40,639
June	1,502,820.02	881,433.81	59%	40,617
July	1,540,862.19	1,000,244.61	65%	41,645
August	1,522,455.24	907,340.39	60%	41,147
September	1,529,946.70	949,252.68	62%	41,350
October	1,541,666.17	1,082,512.71	70%	41,667
November	1,568,478.41	891,256.69	57%	42,391
December	\$ 1,554,087.04	\$ 1,047,298.00	67%	42,002
	<u>\$ 18,283,097.62</u>	<u>\$ 12,244,007.80</u>	<u>67%</u>	

JXN Water Sanitation Billing/Collections January - December 2025				
Month	Billings	Collections	Collections as a % of billings	Estimated Customers Billed (@ \$37 Per)
January	\$ 1,558,514.82	\$ 1,031,440.73	66%	42,122
February	1,488,679.42	909,405.70	61%	40,235
March	1,520,026.52	1,076,558.82	71%	41,082
April	1,776,549.65	1,025,991.81	58%	48,015
May	1,784,800.30	937,661.11	53%	48,238
June	1,729,723.45	980,479.93	57%	46,749

July	1,607,942.24	1,053,926.41	66%	43,458
August	1,593,784.87	1,000,502.65	63%	43,075
September	1,617,299.38	1,298,901.05	80%	43,711
October	1,625,241.00	1,147,026.05	71%	43,925
November	1,581,219.84	1,251,734.47	79%	42,736
December				
	<u>\$ 17,883,781.49</u>	<u>\$ 11,713,628.73</u>	<u>62%</u>	
	\$ 40,642,353.19	\$ 26,858,664.71		
Delinquencies		\$ 13,783,688.48		

The last two columns were added by me to estimate collection rate and billing customers each month based on the \$37 sanitation fee.

The following notation from Ms Hardy accompanied the data above.

Based on information above, \$5,549,010.83 collected for 2024 has not been sent to the City of Jackson. This was arrived at using the following report of receipts from Jackson Water provided to me by Jillian Caldwell, comparing receipts from Jackson Water in 2024 against collected as noted in Kim Hardy's report.

I was told this amount (\$5,549,010.83) was not remitted by Mr. Henifin because there was a reserve for customer deposits that was not remitted to Jackson Water and should be held by Jackson Water in case customers are due a return of deposits. I would argue that in the same way that this amount should have been held by the City of Jackson in a Reserve Fund and not spent, Jackson Water should reserve these funds in the same way added to any deposits they have received since taking over management of the Water Sewer Administration.

Payments Received By City of Jackson Per City's Chief Financial Officer

Number	Customer		Invoice date	Due date	Total
Sanitation March 2025	JXN Water, Inc.		05/15/2025	05/15/2025	1,054,266.76
Sanitation Feb 25	JXN Water, Inc.		04/19/2025	04/19/2025	1,123,386.76
Sanitation Jan 25	JXN Water, Inc.		03/18/2025	03/18/2025	1,042,167.46
Sanitation Dec 2024	JXN Water, Inc.		02/23/2025	02/23/2025	1,047,298.00
Sanitation October 24	JXN Water, Inc.		12/16/2024	12/16/2024	1,082,512.71
Sanitation January 20	JXN Water, Inc.		11/15/2024	11/15/2024	891,256.69
Sanitation September	JXN Water, Inc.		09/30/2024	11/14/2024	949,252.68
August 2024	JXN Water, Inc.		08/31/2024	10/15/2024	907,340.39
Sanitation Jan Jun 24	JXN Water, Inc.		08/14/2024	08/14/2024	817,091.70
San July 2024	JXN Water, Inc.		07/31/2024	09/14/2024	1,000,244.81
Jan-Dec 2023 San	JXN Water, Inc.		10/31/2023	12/15/2023	2,901,028.18

Since Ms Hardy expressed concerns about the billing system from May forward, I ask Ted about the system's accuracy, and he directed me to the Jackson Water Financial Dashboard Weekly Reports from which I was able to get the above 2025 data for Sanitation Billings and Collections.

When looking at the 2025 calendar year, it was noted that the City of Jackson had only received three payments through Mach of 2025, amounting to \$3,219,820.98. Subtracting receipts from the Total Sanitation Collection according to Jackson Water's Financial Dashboard Weekly Reports, This report is cash basis and Ms Hardy's report is accrual basis, but taking the total collection for sanitation from January thru December 2025, and subtracting payments received by the City of Jackson from January thru March, (\$11,713,628.33 – 3,219,820.98), there is an estimated \$8,493,807.35 that has been collected in 2025 but not remitted to the City of Jackson for Sanitation. This amount should be remitted to the city immediately and going forward Sanitation collection should be remitted to the city monthly on a specific date along with documentation showing the calculation method used to arrive at the amount remitted.

2. Water Sewer Collections From October 2023 thru November 2025

Review of Jackson Water Financial Dashboard Weekly Reports									
	Commercial Customers			Residential Customers					
Month	Billed	Paid	Commercial Payor Rate	Billed	Paid	Residential Payor Rate	Water/Sewer Billings	Water/Sewer Collections	Billed vs Collection Rate
Oct-23	4973	2491	50%	42806	23647	55%	\$5,890,159.39	\$4,020,268.21	68%
Nov-23	5207	2641	51%	42379	23460	55%	\$7,083,598.46	\$4,173,890.43	59%
Dec-23	5248	2264	43%	45433	23800	52%	\$6,229,594.53	\$3,394,305.00	54%
Jan-24	5152	2469	48%	46440	25066	54%	\$6,815,984.04	\$3,725,585.24	55%
Feb-24	5506	3858	70%	47820	33981	71%	\$7,911,429.42	\$5,497,124.25	69%
Mar-24	5289	2634	50%	47001	25771	55%	\$13,060,584.06	\$4,294,501.51	33%
Apr-24	4991	2883	58%	46283	26631	58%	\$6,817,369.57	\$5,419,816.79	80%
May-24	5222	3328	64%	46091	30698	67%	\$10,448,191.81	\$6,489,124.13	62%
Jun-24	4990	2785	56%	42200	24806	59%	\$9,405,581.53	\$5,197,403.21	55%
Jul-24	5224	3322	64%	46276	32011	69%	\$9,641,192.90	\$6,790,126.00	70%
Aug-24	4578	2757	60%	44624	24870	56%	\$9,807,634.04	\$5,843,447.40	60%
Sep-24	4503	2600	58%	42414	24310	57%	\$7,629,530.91	\$6,139,052.13	80%
Oct-24	5666	3784	67%	50429	32486	64%	\$10,943,081.34	\$7,030,171.92	64%
Nov-24	4373	2493	57%	42094	22585	54%	\$7,945,662.63	\$5,157,787.18	65%
Dec-24	5073	2828	56%	45887	26284	57%	\$7,019,663.84	\$5,073,340.82	72%
Jan-25	5574	3566	64%	48806	31775	65%	\$9,393,137.74	\$6,266,576.22	67%
Feb-25	5281	2953	56%	47138	27042	57%	\$8,814,342.08	5,349,098.85	61%
Mar-25	5283	3501	66%	47209	31610	67%	\$8,132,032.13	6,506,704.99	80%
Apr-25	5335	3447	65%	48626	29769	61%	10,454,474.32	6,093,312.57	58%
May-25	5397	3156	58%	49251	27986	57%	9,829,918.15	6,066,793.39	62%
Jun-25	5541	3388	61%	49306	29933	61%	9,908,222.79	7,406,214.83	75%
Jul-25	5517	3801	69%	49448	30584	62%	9,465,101.62	6,985,065.12	74%
Aug-25	5358	3539	66%	49593	29021	59%	9,789,892.27	7,428,044.86	76%
Sep-25	5458	3570	65%	49420	31044	63%	9,081,895.74	8,439,700.21	93%
Oct-25	5624	3806	68%	50185	30138	60%	9,151,080.82	8,030,907.69	88%
Nov-25	5291	3178	60%	49401	31569	64%	8,472,161.34	7,888,205.39	93%
							\$229,141,517.47	\$154,706,568.34	
							Delinquencies	\$74,434,949.13	

In reviewing Water Sewer Collections, the following observations were made:

- The number of billed customers for both Commercial and Residential has varied widely month to month.
- The rate of dollar collections has increased significantly over the last three months, averaging 91%. This seems to be caused by an increase in collection of delinquent amounts since the percentage of Customers Billed vs Paid lags far behind. Those percentages are 64% of Commercial Customers billed and 62% of Residential Customer billed. We believe a continued focus on collection should yield a significant increase in Water Sewer and Sanitation revenue.
- We also note Water Sewer delinquencies From October 2023 thru December 2025 of \$74,434,949.13 and 13,783,688.48 for Sanitation for the same period. This is a total of **\$88,218,637.61**. This is a significant amount, and we believe focused collection effort could bring a significant percentage of these funds into the Water Sewer and Sanitation accounts.

3. Water Sewer Bonded Debt Service Payments

According to the City of Jackson Financial records, the City has made at least two debt service payments related to Water Sewer Related Bonded Debt. These payments should be made using revenues received from Water Sewer collections. The payments made were \$1,399,450 payments made in 2024 and early 2025 and the December 1, 2025 payment in the amount of \$5,049,468.75 **(total \$6,448,918.75)**. The City should be reimbursed for these payments and any others that have been made since Jackson Water has had control of revenue collections. Going forward, Jackson Water should ensure that the proper amount is set aside to ensure compliance with any requirement established at the time the bonded debt service was created.

This is section is critically important and time sensitive

There is a debt service payment due on March 1, 2026 in the amount of \$1,516,815.00 in connection with certain of the City's outstanding water and sewer bonds. These bonds were also secured by a tax intercept pledge, which requires the debt service payment to be deposited with the bond trustee 45 days before the March 1 payment date which would be January 15, 2026. If not done before January 15, 2026, the City's sales tax which is remitted monthly from the state through the Mississippi Department of Revenue (the "DOR") would be intercepted by DOR before reaching the City and paid directly from DOR to the bond trustee thus adversely impacting the City's budget and cashflow.

4. Jackson Water's Monthly Fixed Costs Contracts Provided by Ted Henefin

Jackson Water contract that are considered monthly "Fixed Costs" by Jackson Water:

• Jacobs Water Treatment Plant O&M per month	Averages \$3 million
• Wicker Drinking Water distribution system maintenance and repair per month	Averages \$1.5 million
• Water Meters (this is for the Sustainability Partners contract) per month	\$530,000
• Meter management (shut offs, installs, changeouts, etc) UMS per month	\$278,000
• Jacobs Sewer Plant O&M per month	\$1.2 million
• Wicker Sewer Repairs per month	\$500,000
• CES Sewer cleaning, maintenance, inspection per month	\$550,000
Total basically fixed costs per month	\$7,558,000

Total monthly "Fixed Cost" contracts noted above total approximately \$7.9M. For the past four months (August thru November 2025), Jackson Water has averaged \$7.9M in Water Sewer Billings collections. This leaves only about \$400K for all other monthly obligations. My observation here is that there has to be a prioritizing of monthly expenses. These fixed costs do not account for normal fixed costs like personnel, building rental, utilities, etc and bonded debt. These expenses have to be prioritized, and other contract costs should be factored in based on remaining monthly revenues less some reserve figure.

Additionally, any look at efficiency of Jackson Water expenses would start with whether the contracts noted above are reasonable.

Average Water Sewer Billing for the past four months is \$9,123,757.54 with average collections for the same period being \$7,946,714.54 provides a collection rate of 87%. This seems to be based on enforcement of shut offs and delinquent collections. These efforts should continue as costs are controlled and properly prioritized.

To reiterate, these are my recommendations for proper financial management:

1. Proper financial operations would require Jackson Water or any organization to Operate within available revenues.
2. Once the commitment is made to operate within available revenues, then prioritization of expenses should be made starting with monthly bonded debt service set aside to cover debt service payments for Water Sewer bonds, personnel salaries, and facility operation. Repairs and maintenance would come from remaining funds.
3. There must be a continued focus on revenue collection based on timely and accurate billing as well as accountability of payment of the billed amounts.
4. Current contracts for water sewer maintenance should be reviewed and considered for competitive bidding to ensure best pricing for services.
5. An affordability rate study is also advised that does not just look at rates for comparable municipalities, but affordability for rate payors as well.



Memo

To:	Ted Henifin	From:	Andrew Burnham
	JXN Water		Benjamin Stewart
		Date:	February 13, 2025

Reference: JXN Rate Structure Analysis and Revenue Estimation

OVERVIEW

This memo summarizes the basis, data, estimates, and assumptions used in evaluating revenue from anticipated rate increases to the existing rate structure for JXN Water that was implemented in 2024. An initial revenue analysis was performed by Stantec in 2023 that was primarily intended to estimate the revenue potential of JXN's new rate structure based on the available billing information, customer count by meter size, and generally conservative estimates and assumptions at the time. This memo presents an updated analysis of revenue estimates based on current billing data, proposed rate increases, and generally conservative estimates and assumptions.

BASIS OF ANALYSIS

The approach to estimating the potential revenue from the existing rate structure with a 24.7% increase to consumption rates centered on examining the most current billing information available. The billing data available at the time of the analysis had some limitations due to historical issues with the meters and billing system. As a result, a number of estimates and assumptions were necessary to derive a conservative estimate of the full annual revenue generation potential of the existing rate structure with the proposed increases to consumption rates. The billing data and assumptions are further outlined in the sections below.

DATA UTILIZED

The analysis used billing data from active Kamstrup meters for the 7 months beginning June 2024 and ending December 2024. To estimate rate revenues for a full 12 months, the analysis estimated consumption for January through May using actual data from months with historically similar precipitation patterns. Specifically, January and February consumption data were assumed to be the same as December actual data. March consumption data were assumed to be the same as November actual data, while April and May consumption data were assumed to be the same as October and September actual data, respectively. Additionally, approximately 7% of JXN customers have Mueller meters that do not report usage volumes. This indicates a significant improvement in the metering infrastructure and completeness of customer information, as approximately 30% of total meters in data from the 2023 analysis were Mueller meters which did not report usage volumes. The data used in the analysis included:

- Monthly usage in cubic feet (CF) for customer with Kamstrup meters.
- Meter sizes for customers with Kamstrup and Mueller meters.

KEY ASSUMPTIONS & DATA LIMITATIONS

A number of assumptions were required due to the lack of usage data from customers with Mueller meters, known errors and omissions in usage data from customers with Kamstrup meters, and the unavailability of a detailed list of customers participating in the Supplemental Nutrition Assistance Program (SNAP).



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Reference: **JXN Rate Structure Analysis and Revenue Estimation**

- **Maximum Billed Water Use:** A maximum of 200,000 cubic feet (CF) per month, or 2,000 hundred cubic feet (CCF), was set to eliminate outliers that might reflect erroneous meter reads to mitigate the potential to overstate billed volume and revenue in the calculation of each customer's average usage and volumetric charge. While some water use at 200,000 CF and above might be legitimate, this analysis erred on the side of conservatism.
- **SNAP Customer Base:** Based on discussions with JXN Water staff and a high-level review of available billing information and typical residential meter sizes, residential customers are generally represented by the 5/8" and 1" meter sizes, and non-residential customers are fundamentally represented by larger meter sizes. With that understanding, an estimated 25% of the residential customer base was assumed to be SNAP recipients based on discussions with staff at JXN Water. This resulted in approximately 13,800 customers in the SNAP customer class. This estimate was another conservative assumption when compared to the latest data from the US Census Bureau (USCB) American Community Survey (ACS) which shows that approximately 10,000 households receive SNAP or other forms of assistance. Based on sensitivity analyses for this assumption, the model shows approximately a \$1 million dollar change in total revenue for every five percent point change in the number of SNAP customers.
- **Zero Usage and Null Bills:** Bills with zero usage were included in the analysis as customers with active accounts but showing no usage, whereas "Null" readings were omitted from the calculation of average usage altogether. Null readings were entries in the billing summary file that were completely missing a bill and were therefore reported as "Null". Approximately 3% of bills were reported as "Null", 10% were billed but with zero usage, and the remaining 87% were bills showing usage. While some of the zero usage and "Null" bills could be erroneous and should in fact be reporting usage, this conservative methodology helped prevent over-estimation of revenue.
- **Average Usage and Bills by Meter Size:** Due to the lack of usage data from customers with Mueller meters (and all pending start customers, regardless of meter type), and the recognition of known errors and omissions in usage from active customers with Kamstrup meters, customer usage and bills were estimated for active Mueller meter accounts and all pending accounts based on the average usage and bills by meter size from active customers with Kamstrup meters.
- **Customers Outside 1 Mile of the City Limits:** The updated analysis separates water-only customers that are beyond 1 mile of the City limits because those customers pay different rates than customers within 1 mile of the City limits or inside the City limits. There were 4,172 meters counted in the billing data classified as outside 1 mile of the City limits. The details of each customer type's rate structure are described in the section below.

RATE STRUCTURE

The current rate structure includes both volumetric rates charged per hundred cubic feet (CCF) and Availability Charges (i.e., fixed monthly charges) that scale by meter size in a manner consistent with industry practices. Specifically, the Availability Charge increases for larger meters based on approximate hydraulic capacity for each meter size. All customers except those outside of 1 mile of the City limits pay Availability Charges based on meter size. Customers outside of 1 mile of the City limits only pay consumptive use charges, which are billed at \$1.48 per CCF with a monthly minimum of \$6.15. Moreover, the current rate structure includes a separate customer classification with lower fixed charges for customers who participate in SNAP. The volumetric rates for those within 1 mile of the City limits or within City limits reflect an inclining

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block rate structure applicable to all customers based upon monthly metered water use that serves to both promote conservation and enhance affordability for lower volume users.

To better fund its ongoing operations, debt service obligations, and capital program, JXN Water intends to increase the current consumption rates by 24.7%. Availability Charges will remain unchanged for all meter sizes. The details of the current rate structure and rates resulting from the 24.7% increase are outlined in the tables below. Customers who receive only water or sewer service pay Availability Charge and volumetric rates equal to exactly one half the rates for customers who receive both utility services.

Table 1: Volumetric Rates

Volumetric Rates	Threshold (CCF)	Current Rate (\$/CCF)	Proposed Rate (\$/CCF)
Tier 1	30	\$6.00	\$7.48
Tier 2	31 - 100	\$12.00	\$14.96
Tier 3	101 - 350	\$14.00	\$17.45
Tier 4	>350	\$16.00	\$19.95
Outside 1 Mile of the City Limits	All Use	\$1.48	\$1.85

Table 2: Monthly Availability Charge

Base Rates	Rate (\$/mo)
Non-SNAP 5/8"	\$40.00
SNAP 5/8"	\$10.00
Non-SNAP 1"	\$60.00
SNAP 1"	\$10.00
1 1/2"	\$200.00
2"	\$320.00
4"	\$640.00
6"	\$1,280.00

The following table shows the calculation of a typical bill for a residential customer receiving both water and sewer service with a 5/8" meter and using six CCF of water per month ¹.

¹ Six CCF is consistent with reporting on JXN Water's website showing typical bills by meter size. This is lower than the average usage calculated for all 5/8" meters in our analysis (which includes some commercial customers), but serves as a useful example of typical residential water use.

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Table 3: Monthly Typical Residential Bill

Typical Bill	Current Bill	Proposed Bill
Availability Charge - 5/8" Meter	\$40.00	\$40.00
Usage (CCF)	6.00	6.00
Tier 1 Rate (\$/CCF)	\$6.00	\$7.48
Volumetric Charge (\$)	\$36.00	\$44.88
Total Bill	\$76.00	\$84.88
Percentage Increase	N/A	11.7%

BILLED REVENUE ESTIMATION

The total billed rate revenue estimation was completed based on the following:

- **Consumption Revenue:** Estimated applying the proposed volumetric rates to each individual customer's average monthly consumption and calculating the average volumetric portion of customer bills by meter size.
- **Base Revenue:** Calculated using the number of customers by meter size and the corresponding Availability Charges. Only customers within 1 mile of the City limits or within the City limits generate base revenue.

This approach allowed for differentiation in usage characteristics for customers with small to large meters, which allowed the estimate to account for more usage in the higher tiers for customers with larger meters and greater usage. The average usage and average bills for each meter size resulting from this analysis are consistent with expectations based on similar analyses of other water and sewer utilities.

The following tables summarize the total revenue calculation with usage and average bills by meter size resulting from the analysis of the provided billing data, the number of active and pending Kamstrup and Mueller meters, the estimated number of SNAP participants, and the resulting Availability Charge revenue, volumetric revenue and total revenue (expressed in millions of dollars) resulting from the 24.7% increase in volumetric rates. It should be noted that the average monthly bill does not necessarily equate to the rates applied to the average monthly usage. This is a result of the fact that the average bill is based on each individual customer's average usage, meaning customers with much higher usage relative to peers at a given meter size pay more in the higher tiers, increasing the overall average bill for each meter size.

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Table 4: Billed Revenue Estimation – Water and Sewer Customers

Water and Sewer Customers	Typical Consumption & Bill		Kamstrup	Mueller	Billed Revenue Estimate		Total Revenue (\$M)
	Avg. Monthly Usage (CCF)	Avg. Monthly Bill			No. of Meters	No. of Meters	
Non-Snap 5/8"	8.00	\$75.56	34,572	2,285	\$33.42	\$17.69	\$51.11
SNAP 5/8"	8.00	\$75.56	11,524	762	\$11.14	\$1.47	\$12.61
Non-Snap 1"	14.94	\$160.62	1,409	247	\$3.19	\$1.19	\$4.38
Snap 1"	14.94	\$160.62	470	82	\$1.06	\$0.07	\$1.13
1 1/2"	52.65	\$738.67	717	90	\$7.15	\$1.94	\$9.09
2"	94.81	\$1,435.31	1,039	132	\$20.17	\$4.50	\$24.67
4"	306.85	\$5,308.08	356	79	\$27.71	\$3.34	\$31.05
6"	393.81	\$7,248.04	52	24	\$6.61	\$1.17	\$7.78
8"	26.10	\$388.96	5	3	\$0.04	\$0.25	\$0.28
Total			50,144	3,704	\$110.49	\$31.61	\$142.10

Table 5: Billed Revenue Estimation – Water-Only Customers Within 1 Mile of City Limits

Water-Only Within 1 Mile	Typical Consumption & Bill		Kamstrup	Mueller	Billed Revenue Estimate		Total Revenue (\$M)
	Avg. Monthly Usage (CCF)	Avg. Monthly Bill			No. of Meters	No. of Meters	
Non-Snap 5/8"	7.21	\$30.20	1,927	127	\$0.74	\$0.49	\$1.24
SNAP 5/8"	7.21	\$30.20	642	42	\$0.25	\$0.04	\$0.29
Non-Snap 1"	15.37	\$77.27	601	105	\$0.65	\$0.25	\$0.91
Snap 1"	15.37	\$77.27	200	35	\$0.22	\$0.01	\$0.23
1 1/2"	36.48	\$258.07	324	41	\$1.13	\$0.44	\$1.57
2"	47.23	\$332.67	162	21	\$0.73	\$0.35	\$1.08
4"	294.12	\$2,539.96	15	3	\$0.55	\$0.07	\$0.62
6"	187.39	\$1,535.53	2	1	\$0.06	\$0.02	\$0.08
8"	0.00	\$0.00	0	0	\$0.00	\$0.00	\$0.00
Total			3,873	375	\$4.33	\$1.68	\$6.01

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Reference: JXN Rate Structure Analysis and Revenue Estimation

Table 6: Billed Revenue Estimation – Outside 1 Mile of City Limits

Outside 1 Mile	Typical Consumption & Bill		Kamstrup	Mueller	Billed Revenue Estimate		Total Revenue (\$M)
	Avg. Monthly Usage (CCF)	Avg. Monthly Bill	No. of Meters	No. of Meters	Volumetric Revenue (\$M)	Availability Charge Revenue (\$M)	
Non-Snap 5/8"	8.09	\$7.78	2,738	181	\$0.27	\$0.00	\$0.27
SNAP 5/8"	8.09	\$7.78	913	60	\$0.09	\$0.00	\$0.09
Non-Snap 1"	12.29	\$11.92	112	20	\$0.02	\$0.00	\$0.02
Snap 1"	12.29	\$11.92	37	7	\$0.01	\$0.00	\$0.01
1 1/2"	18.65	\$17.78	32	4	\$0.01	\$0.00	\$0.01
2"	92.94	\$86.12	48	6	\$0.06	\$0.00	\$0.06
4"	757.32	\$699.06	9	2	\$0.09	\$0.00	\$0.09
6"	0.00	\$6.15	1	1	\$0.00	\$0.00	\$0.00
8"	0.00	\$6.15	1	0	\$0.00	\$0.00	\$0.00
Total			3,891	281	\$0.54	\$0.00	\$0.54

Table 7: Summary of Meters and Billed Revenue Estimation for All Customers

	Total Kamstrup Meters	Total Mueller Meters	Billed Revenue Estimate		
			Volumetric Revenue (\$M)	Availability Charge Revenue (\$M)	Total Revenue (\$M)
Water and Sewer Customers	50,144	3,704	\$110.49	\$31.61	\$142.10
Water Only Customers					
<i>Within 1 Mile of City Limits</i>	3,873	375	\$4.33	\$1.68	\$6.01
<i>Outside 1 Mile of City Limits</i>	3,891	281	\$0.54	\$0.00	\$0.54
Total	57,908	4,360	\$115.36	\$33.29	\$148.65

Based on this calculation, JXN is projected to generate approximately \$148.65 million dollars of billed revenue per year from its rate structure with the proposed consumption rate increase. Additionally, approximately 22% of the revenue can be considered fixed revenue from the Availability Charge. It should be noted, however, that historical bill collection rates in the JXN service area have been very low. While this has been a challenge in recent years, JXN has been taking measures to remedy this problem, including verifying and correcting customer information in the billing system, replacing faulty meters, and commencing shut-offs for nonpayment for customers with multiple months of delinquent bills.

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Reference: **JXN Rate Structure Analysis and Revenue Estimation**

UTILITY BILL AFFORDABILITY

To better understand the impacts of the new rate structure on customers, it is helpful to evaluate the average residential bills relative to service area incomes. The table below shows the typical residential bill for water and sewer service (estimated using a typical usage for customers with 5/8-inch meters reflecting 6.0 CCF of water use as shown in Table 3) as a percent of the City of Jackson's median household income (MHI) and lowest quintile income (LQI), as well as the typical SNAP participant customer's combined water and sewer bill relative to the LQI.

Table 8: Residential Bill Affordability

Metric	Income Basis	Monthly Bill	Annual Bill	Result
Bill as a Percent of MHI	\$43,238	\$84.88	\$1,018.56	2.4%
Bill as a Percent of LQI	\$17,985	\$84.88	\$1,018.56	5.7%
SNAP Bill as a Percent of LQI	\$17,985	\$54.88	\$658.56	3.7%

* *Income data based on US Census Bureau, American Community Survey, 2023 Estimates*

The United States Environmental Protection Agency (US EPA) generally considers combined water and sewer bills greater than or equal to 4.5% of income to be unaffordable. As demonstrated, the typical residential bill remains below this 4.5% threshold for customers at the MHI level, and for SNAP customers at the LQI level.

Comparing JXN Water's typical combined water and sewer bills under the proposed rates to 15 other utilities in the south region of the US shows that bills for typical JXN Water customers are generally comparable even after the proposed consumption rate increase. Based on current information collected by Stantec and a typical monthly usage of 6.0 CCF, the average combined bill is approximately \$87.95 per month, and the median combined bill is \$86.44 per month for the 15 peer agencies. As shown in Figure 1 below, typical bills for JXN customers under the proposed rates described herein would be below the average and the median based on the current rates of these agencies (many of which are also likely to have rate adjustments in 2025).

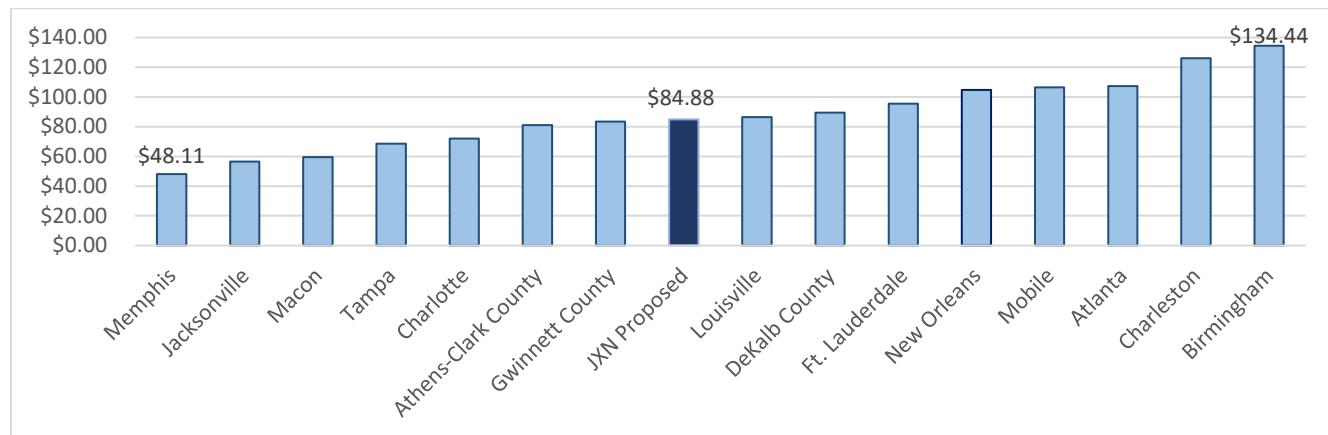


Figure 1: Benchmarking Typical Combined Water and Sewer Bills in Southern US Region at 6 CCF

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Additionally, affordability can be evaluated based on the number of hours worked per month at minimum wage to pay the combined water and sewer bill. Using the Mississippi minimum wage of \$7.25 per hour, and the \$84.88 bill shown in Table 8, this equates to 11.7 hours per month. This drops to 7.6 hours per month when using the SNAP customer class bill of \$54.88. Eight hours per month is generally considered to be a rule of thumb for affordable water and sewer utility service when evaluated using this method, indicating that the proposed rates could have the potential to create some affordability concerns for non-SNAP participants.

RESULTS AND FUTURE CONSIDERATIONS

The rate structure at JXN Water follows a common and industry-accepted approach to charging for water and sewer service. The inclusion of the Availability Charge - a fixed charge that scales with meter size based on hydraulic capacity - and an inclining block volumetric rate structure is a common approach within the industry, and one that helps JXN accomplish its policy objectives.

If the proposed 24.7% increase to volumetric rates is adopted, the revenue estimation analysis, based on data available up to December 2024, provides a conservative initial estimate of approximately \$148.65 million in annual billed revenue under the new rates. As more Kamstrup meters replace Mueller meters, inactive or unbilled accounts are identified and billed as appropriate, and billing systems and practices are improved, the accuracy of accounts and metered water use will improve and allow for this revenue estimate to be further refined.

Finally, while evaluations of economic conditions and utility service affordability within the JXN Water service area demonstrate the challenges facing residents in the region, typical bills relative to MHI, and typical SNAP customer bills relative to LQI and minimum wage incomes, are shown to be within generally accepted ranges for affordability. Still, typical bills for LQI earners not participating in SNAP may result in affordability issues under the proposed rates. JXN Water's typical combined bills under the proposed rates rank slightly below the mid-range of selected agencies around the southern region of the United States based on their current rates (many of which will likely be adjusted in 2025).