August 24, 2026

Dear Prairie Grove Utilities Customers:

As you are already aware, 2026 has been a particularly challenging year for the operation of the Prairie Grove water system. The drier-than-normal winter and extremely dry summer have caused the soil to shrink and shift, placing additional stress on the system's approximately 60-year-old water distribution lines. This has resulted in a significant and seemingly continuous number of water line leaks.

The water system began experiencing an unusually high number of leaks in the fall of 2025. Unfortunately, the number of new leaks has not decreased as we approach the end of FY 2026. These continued leaks have placed an even greater demand on our already undersized water well and the 2-inch emergency water supply line from the City of Diboll.

During FY 2026, ANRA field staff made 18 repairs to water distribution lines and customer-side service lines. Collectively, these water line breaks resulted in the loss of more than 8 million gallons of treated water. This substantial water loss helps explain why we have continued to experience difficulty maintaining adequate water levels in the ground storage tanks, particularly during the late spring and summer months when demand increases significantly.

The increased water demand and system losses have also resulted in higher operating costs. These costs include both the purchase of additional water from the City of Diboll and the labor, materials, and equipment necessary to locate and repair the numerous water line breaks.

Attached is a condensed version of the FY 2027 Annual Budget for Prairie Grove Utilities. The budget includes a column showing actual FY 2026 year-to-date and projected year-end expenses. Comparing the FY 2026 actual expenses with the FY 2027 budget provides a clear picture of the increased costs associated with purchasing water and maintaining and repairing the aging water treatment and distribution system.

The FY 2027 budget assumes that the number of water line breaks will decline from the unusually high level experienced during FY 2026. However, we must also recognize that the cost of goods, materials, equipment, labor, and other services continues to increase. The water and wastewater industry has experienced particularly significant cost increases since the COVID-19 pandemic, especially in construction, materials, equipment, and labor.

Depending on the particular cost category and inflation measure used, industry-specific construction and infrastructure costs have increased substantially since 2020. These increased costs directly affect Prairie Grove Utilities because maintaining an aging water system requires increasingly expensive materials, equipment, contracted services, and labor.

Our goal in preparing the FY 2027 budget is to provide reliable water service while maintaining the system in a financially responsible manner. We will continue to monitor water usage, system losses, repair costs, and purchased-water expenses throughout the coming year and will make every effort to control costs while maintaining the level of service our customers expect. Unfortunately, many of these factors are beyond ANRA's control.

We appreciate your patience and understanding as we continue working to address the challenges facing the Prairie Grove water system. We also appreciate the cooperation of our customers as we work together to protect and maintain this important community resource.

Sincerely,

Prairie Grove Utilities

Angelina & Neches River Authority
Prairie Grove Utilities
FY 2027 Budget

	FY 2027 Budget	FY 2026 Actual Costs
Revenue		
Water Sales	$ 219,981.98	$ 192,673.19
Total Revenue	$ 219,981.98	$ 192,673.19
Direct Expenses		
Utilities	$ 5,675.00	$ 5,214.03
Repairs & Maintenance	$ 25,690.00	$ 48,971.41
Wholesale Water Purchase	$ 30,000.00	$ 37,025.85
Supplies, Fees & Insurance	$ 13,263.25	$ 14,292.43
Reserve, Repairs & Maintenance	$ 5,000.00	$ -
Depreciation	$ 8,495.10	$ -
Laboratory & Contract Services	$ 4,738.40	$ 3,939.00
Sub Total	$ 92,861.75	$ 109,442.72
Operations Labor		
Operations Labor	$ 64,301.91	$ 58,796.26
Admistrative Labor	$ 42,867.94	$ 39,197.51
	$ 107,169.85	$ 97,993.77
Debt Service		
PGU-Prosperity Bond Series 2023-Principal	$ 11,000.00	$ 10,916.64
PGU-Prosperity Bond Series 2023-Interest	$ 8,403.48	$ 8,970.00
Sub Total	$ 19,403.48	$ 19,886.64
Total Expenses	$ 219,435.08	$ 227,323.13
Net Revenue	$ 546.90	$ (34,649.94)

Note:
1) FY 2026 costs for Direct Expenses based on actual expenses for 11 months and are estimated for the month of August 2026.
2) Operations Labor covers all field and administrative staff time, vehicles, SCADA, billing systems, cyber security, etc.