

Chester Public Utility District Special Board Meeting Presentation Water and Sewer Utility Rate Study Update by

PACE Engineering, Inc.

March 30, 2026

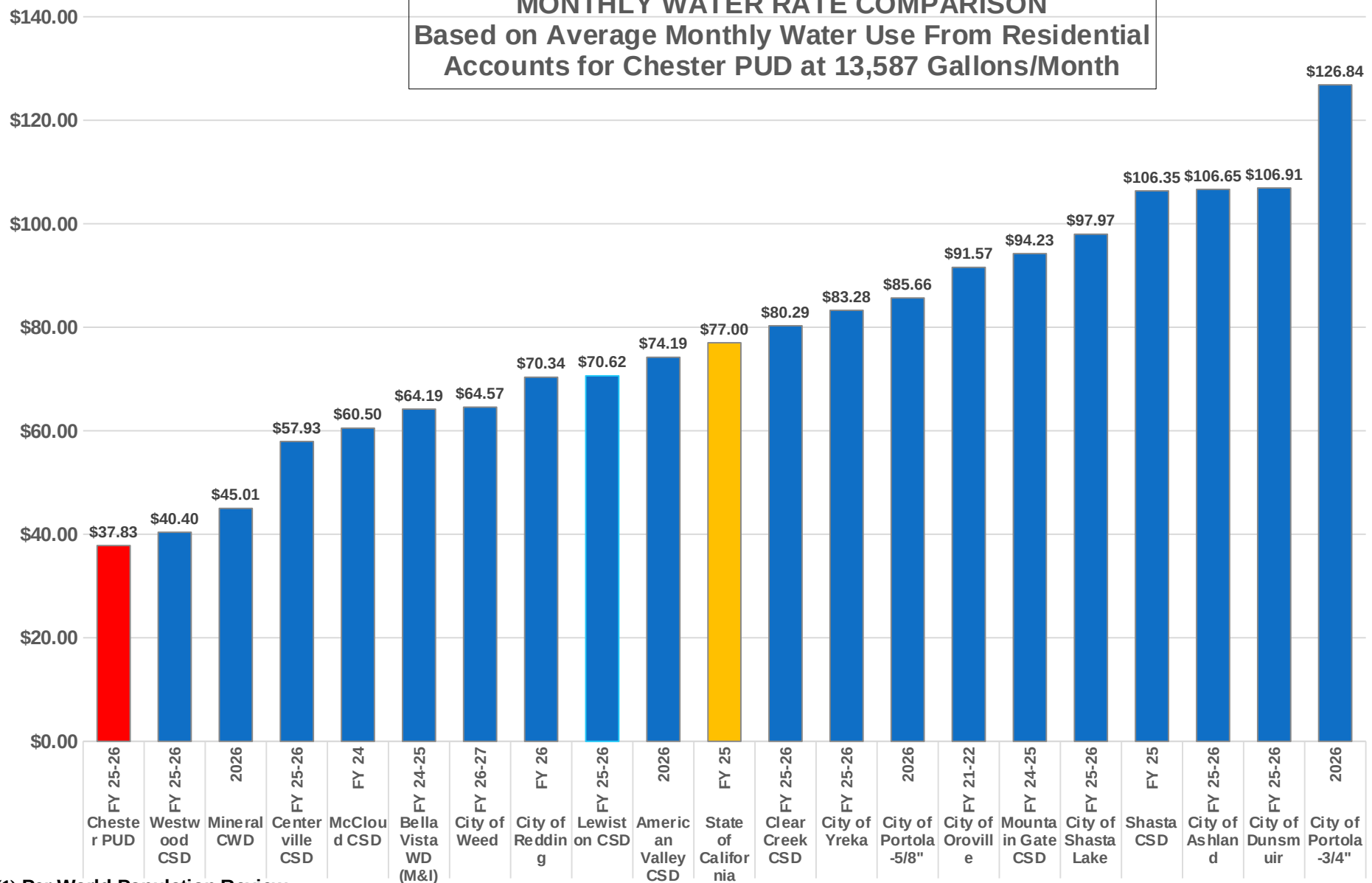
CPUD Chester Public Utility District





Water Utility

MONTHLY WATER RATE COMPARISON
Based on Average Monthly Water Use From Residential
Accounts for Chester PUD at 13,587 Gallons/Month



(1) Per World Population Review.

Financial Status of Water Fund

- ❖ Currently funding an adequate operating reserve but not:
 - ❖ Short-lived Asset (SLA) Reserve
 - ❖ Capital Projects Reserve
- ❖ SLA Reserve replaces assets with useful life of 5 to 20 years, i.e., pumps, motors, electrical, computers, vehicles, etc.
- ❖ Capital Projects Reserve replaces infrastructure with longer than 20-year life, i.e., pipelines, structures, tank coatings, etc.

Current Capital Replacement Needs

- ❖ In 2022, District applied for a planning grant to complete planning/design for a \$23.9M Project, which included:
 - ❖ Water main replacement
 - ❖ Well Improvements
 - ❖ Replacing Water Meters
 - ❖ SCADA Improvements
 - ❖ Tank Recoating and other improvements
- ❖ The project is not eligible for grant funding under current funding eligibility rules

Pressing Capital Replacement Needs

- ❖ The following capital improvements are considered critical for addressing near-term:
 - ❖ Water Meter Replacement- About 1,300 Meters
 - ❖ SCADA Improvements
 - ❖ Tank Recoating and O&M

Capital Improvement Funding Options

- ❖ Wait for grant climate to change
 - ❖ Not likely to change in near future
- ❖ Raise rates enough to “pay-as-you-go”
 - ❖ Can’t raise rates enough to make a difference
- ❖ Consider long-term maintenance agreement with Water Tank vendor (Tank Re-painting)
- ❖ Consider funding with long-term loans
 - ❖ SWRCB DWSRF offers a 20-year, zero-interest loan

Meter Replacement Options

CHESTER PUBLIC UTILITY DISTRICT WATER METER REPLACEMENT OPTIONS FINANCIAL EVALUATION

Option:	1	2	3	4	5
Metering Option:	RADIO, FIXED AMI	RADIO, FIXED AMI	RADIO, AMR	PD/TURBINE	PD/TURBINE
Installed by:	Public Works Contractor	District Staff-Resources	District Staff-Resources	District Staff-Resources	District Staff-Resources
Finance Method:	DWSRF Loan, 0%, 20 yrs	DWSRF Loan, 0%, 20 yrs	DWSRF Loan, 0%, 20 yrs	DWSRF Loan, 0%, 20 yrs	Conv. Loan, 4.865%, 20 yrs
Requires Water Rates to be 1.5% of MHI:	Yes	Yes	Yes	Yes	No
Requires Funding Application Expenses:	Yes	Yes	Yes	Yes	No
Estimated Time to Completion:	4-5 years	6-7 years	6-7 years	6-7 years	3-4 years

Meter Replacement Options-cont.

CHESTER PUBLIC UTILITY DISTRICT WATER METER REPLACEMENT OPTIONS FINANCIAL EVALUATION

Option:	1	2	3	4	5
Metering Option:	RADIO, FIXED AMI	RADIO, FIXED AMI	RADIO, AMR	PD/TURBINE	PD/TURBINE
Funding Application Costs:	\$211,500	\$194,000	\$181,000	\$158,000	\$0
Final Engineering & Construction Management:	\$388,000	\$172,000	\$142,000	\$88,000	\$0
District Implementation Costs:	\$55,000	\$90,000	\$70,000	\$55,000	\$45,000
Construction Costs:	\$2,958,900	\$2,451,960	\$2,033,170	\$1,250,270	\$1,250,270
Annual Loan Debt Service:	\$198,737	\$159,938	\$133,439	\$85,320	\$113,014
Annual Savings:	(\$37,523)	(\$37,523)	(\$39,571)	\$0	\$0
Net Annual Cost:	\$161,214	\$122,415	\$93,868	\$85,320	\$113,024
Total Interest Paid:	\$0	\$0	\$0	\$0	\$733,324

Meter Replacement Options-cont.

CHESTER PUBLIC UTILITY DISTRICT WATER METER REPLACEMENT OPTIONS FINANCIAL EVALUATION

Option:	1	2	3	4	5
Metering Option:	RADIO, FIXED AMI	RADIO, FIXED AMI	RADIO, AMR	PD/TURBINE	PD/TURBINE
FY 2026-27:	\$36.01	\$36.01	\$36.01	\$36.01	\$36.01
FY 2027-28:	\$42.49	\$42.49	\$42.49	\$42.49	\$39.61
FY 2028-29:	\$48.44	\$48.44	\$48.44	\$48.44	\$42.78
FY 2029-30:	\$48.44	\$48.44	\$48.44	\$48.44	\$44.49
FY 2030-31:	\$48.44	\$48.44	\$48.44	\$48.44	\$46.27

Meter Replacement Options-cont.

CHESTER PUBLIC UTILITY DISTRICT WATER METER REPLACEMENT OPTIONS FINANCIAL EVALUATION

Option:	1	2	3	4	5
Metering Option:	RADIO, FIXED AMI	RADIO, FIXED AMI	RADIO, AMR	PD/TURBINE	PD/TURBINE
Avg Current Water Bill:	\$37.83	\$37.83	\$37.83	\$37.83	\$37.83
Avg FY 2026-27 Water Bill:	\$44.30	\$44.30	\$44.30	\$44.30	\$44.30
Avg FY 2030-31 Water Bill:	\$59.58	\$59.58	\$59.58	\$59.58	\$57.41

Financial Plan Recommendations

- ❖ Begin funding a SLA Reserve, beginning in FY2026-27 @ \$137,233 per year
- ❖ Execute Tank Maintenance Agreement with STS for \$130,000/year for six years
- ❖ Take out a zero-interest loan to replace all water meters
- ❖ Implement rate increases over five years.
- ❖ Maintain Operating Reserve at 25% of annual expenditures

Draft Water Financial Plan

		Budgeted (FY 25-26)	Projected (FY 26-27)	Projected (FY 27-28)	Projected (FY 28-29)	Projected (FY 29-30)	Projected (FY 30-31)
STARTING RESERVE BALANCES							
	Operating Reserve-Checking Acct	\$190,288	\$191,969	\$197,728	\$203,660	\$209,769	\$216,062
	Short-Lived Asset Reserve	\$0	\$0	\$137,233	\$274,467	\$411,700	\$548,933
	Capital Projects Reserve	\$217,107	\$297,574	\$58,838	\$153,909	\$398,339	\$425,776
REVENUE							
	Rates	\$701,522	\$861,026	\$1,029,456	\$1,180,779	\$1,210,511	\$1,210,511
	Other	\$141,181	\$153,102	\$160,653	\$168,072	\$172,702	\$176,162
	Interest	\$7,370	\$7,590	\$7,819	\$8,053	\$8,294	\$8,458
EXPENSES							
	Operating	\$767,875	\$825,416	\$814,638	\$839,077	\$864,250	\$890,177
	Short-lived Asset-Annual Contribution	\$0	\$137,233	\$137,233	\$137,233	\$137,233	\$137,233
CAPITAL PROJECTS							
	10-year Tank Maintenance Program	\$0	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
	DWSRF Loan Application	\$0	\$196,500	\$15,000	\$0	\$0	\$0
CAPITAL PROJECT-DEBT SERVICE							
	Water Meter Replacement	\$0	\$0	\$0	\$0	\$198,737	\$198,737
	SCADA System Replacement	\$0	\$0	\$0	\$0	\$27,500	\$27,500
ENDING RESERVE BALANCES							
	Operating Reserve-Checking Acct	\$191,969	\$197,728	\$203,660	\$209,769	\$216,062	\$222,544
	Short-Lived Asset Reserve	\$0	\$137,233	\$274,467	\$411,700	\$548,933	\$686,167
	Capital Projects Reserve	\$297,574	\$58,838	\$153,909	\$398,339	\$425,776	\$430,720
	TOTAL RESERVES	\$489,543	\$393,799	\$632,036	\$1,019,808	\$1,190,772	\$1,339,431
	Percentage Operating Reserve	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Proposed Changes to Water Rates

- ❖ Eliminate 6,000 gallons of water in base meter rate.
- ❖ The current Standby Fee policy needs to be rescinded as all water connections should pay the equivalent of a full meter fixed charge to compensate for a fair portion of the District's fixed cost
- ❖ Decrease consumption rate to account for shifting more revenue to fixed expenses
 - ❖ Current: 74%/26% - Fixed/Consumption
 - ❖ Desired: 82%/18% - Fixed/Consumption

Proposed Changes to Water Rates

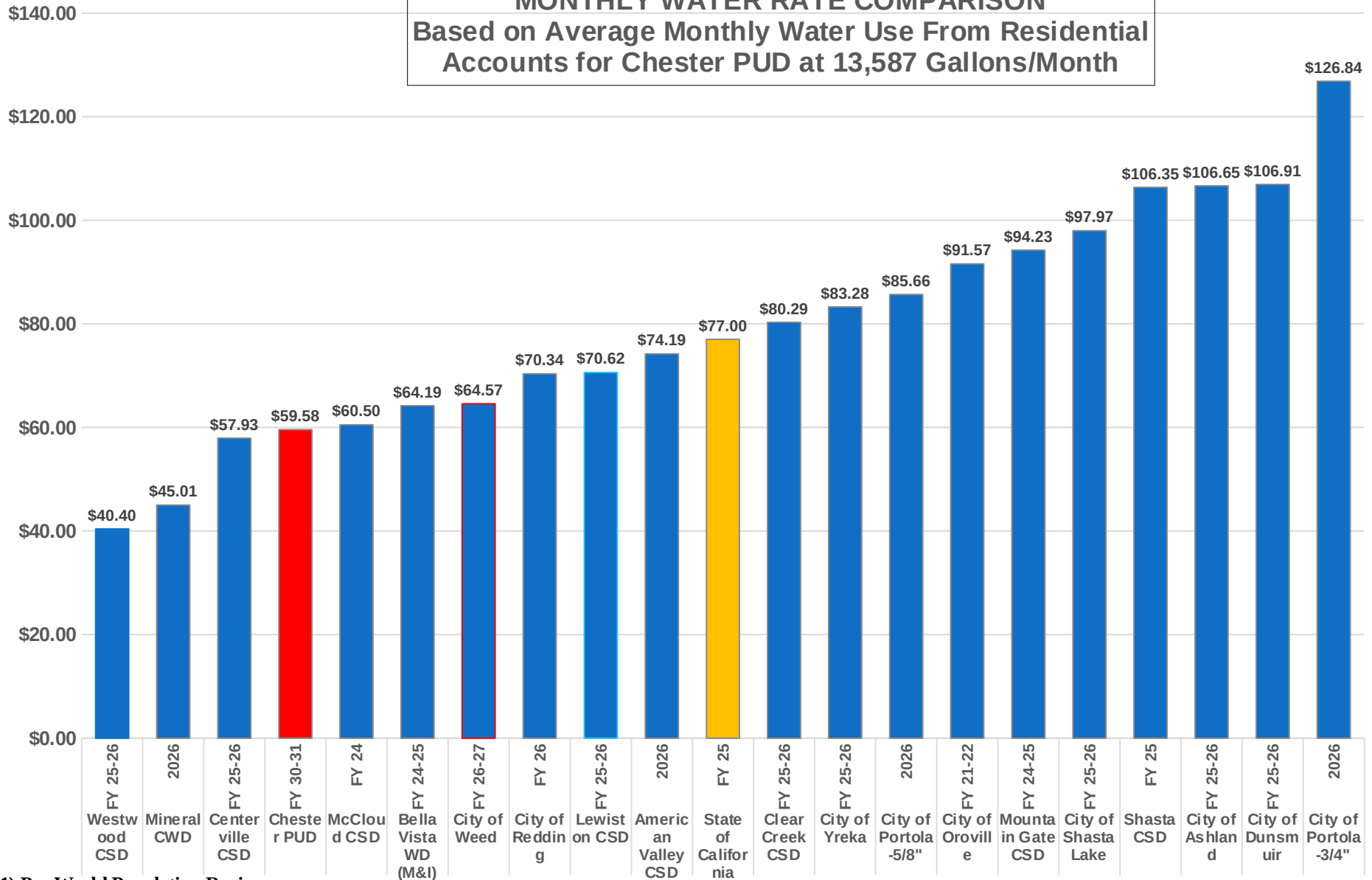
- ❖ Dedicated fire services shall pay 15% of the fixed base meter charge based on an estimation that approximately 15% of the costs to operate the District's water system go toward fire protection
- ❖ Change meter factors to match AWWA guidelines and recommendations from 2023 rate study
 - ❖ **This will have major rate impacts on those accounts with larger than 5/8" and 3/4" meters**

Preliminary Water Rates

Fixed Charge	Budgeted (FY 25-26)	Projected (FY 26-27)	Projected (FY 27-28)	Projected (FY 28-29)	Projected (FY 29-30)	Projected (FY 30-31)
5/8-in	\$30.01	\$36.01	\$42.49	\$48.44	\$48.44	\$48.44
3/4-in	\$30.01	\$36.01	\$42.49	\$48.44	\$48.44	\$48.44
1-in	\$42.80	\$60.14	\$70.97	\$80.90	\$80.90	\$80.90
1 1/2-in	\$74.77	\$119.92	\$141.51	\$161.32	\$161.32	\$161.32
2-in	\$113.13	\$191.94	\$226.49	\$258.20	\$258.20	\$258.20
3-in	\$202.64	\$360.12	\$424.94	\$484.43	\$484.43	\$484.43
4-in	\$330.51	\$600.32	\$708.38	\$807.55	\$807.55	\$807.55
6-in	\$650.18	\$1,200.28	\$1,416.33	\$1,614.62	\$1,614.62	\$1,614.62
Consumption Charge	Budgeted (FY 25-26)	Projected (FY 26-27)	Projected (FY 27-28)	Projected (FY 28-29)	Projected (FY 29-30)	Projected (FY 30-31)
Residential						
1	\$0.00	\$0.61	\$0.72	\$0.82	\$0.82	\$0.82
2	\$1.03					
Commercial						
1	\$0.61	\$0.61	\$0.72	\$0.82	\$0.82	\$0.82
2	\$0.00					
Notes:						
1. Beginning July 1, 2026, no water will be included with the base meter rate.						
2. Beginning July 1, 2026, there will be no distinction between Residential & Commercial consumption rates. All accounts will pay the same consumption rate.						
3. Consumption rate is per 1,000 gallons/month.						

Note: The rates shown for FY 2030-31 are \$8.22 less per month than what was shown in the March 2, 2026, presentation, through lots of hard work by District staff.

MONTHLY WATER RATE COMPARISON
Based on Average Monthly Water Use From Residential
Accounts for Chester PUD at 13,587 Gallons/Month



(1) Per World Population Review.

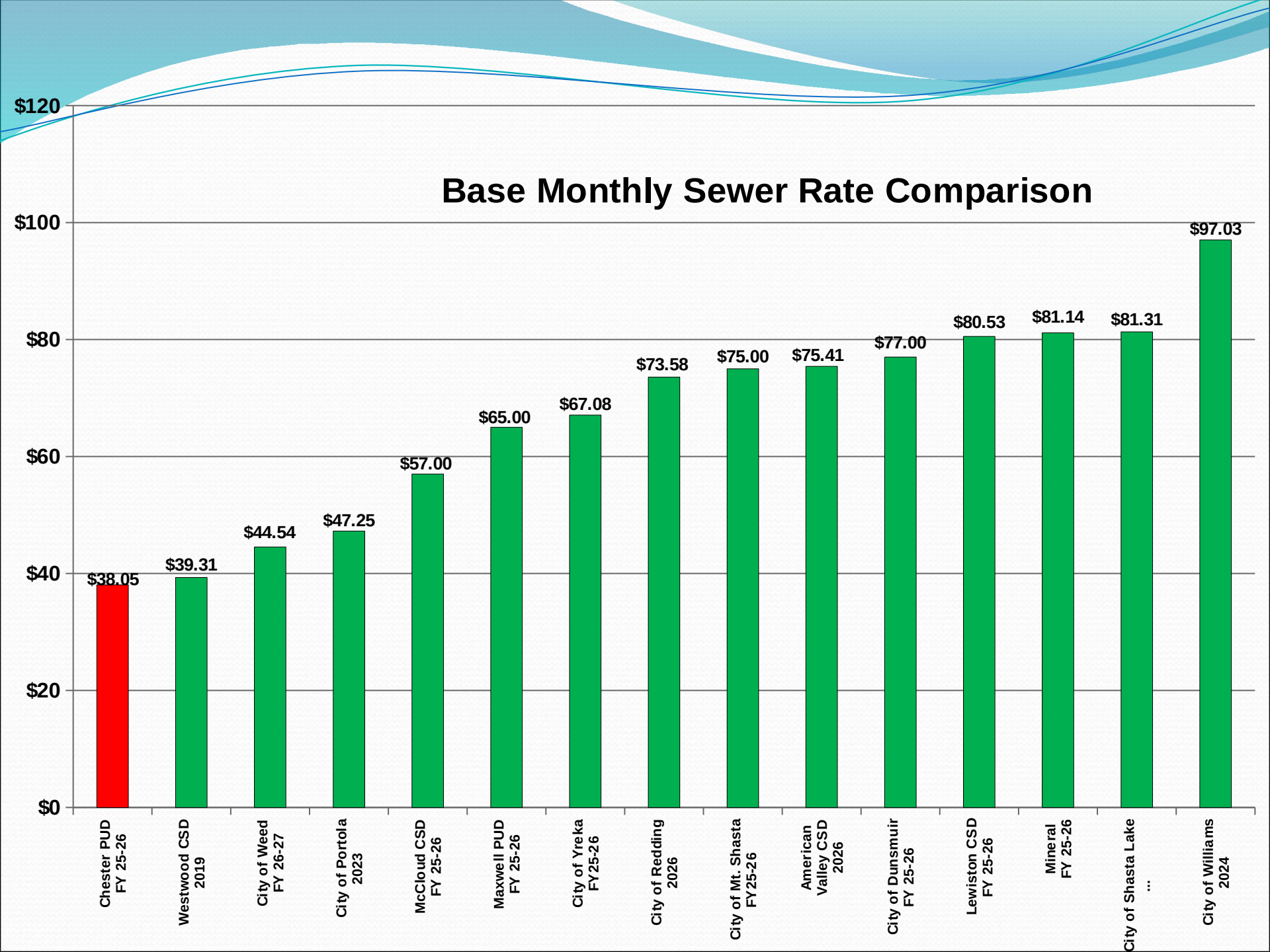


Questions on Water Utility?



Sewer Utility

Base Monthly Sewer Rate Comparison



Financial Status of Sewer Fund

- ❖ Currently NOT funding:
 - ❖ Operating Reserve – Projected to be negative
 - ❖ Short-lived Asset (SLA) Reserve
 - ❖ Capital Projects Reserve
- ❖ Operating Reserve should be 25% of annual operating expenses
- ❖ SLA Reserve replaces assets with useful life of 5 to 20 years, i.e., pumps, motors, electrical, computers, vehicles, etc.
- ❖ Capital Projects Reserve replaces infrastructure with longer than 20-year life, i.e., sewers, manholes, WWTP infrastructure, etc.

Current Capital Replacement Needs

- ❖ The District has received:
 - ❖ CWSRF Planning Grant-WWTP: \$554,089
 - ❖ CWSRF Planning Grant-Collection: \$499,970
- ❖ In next couple months, the District will receive \$19.07M CWSRF grant for WWTP
- ❖ Will be applying for multi-million dollar grant to for Collection Improvements
- ❖ District has approx. \$1.2M in Capital Projects Reserve

Financial Plan Recommendations

- ❖ Use portion of Capital Projects reserve to fund Operating reserve @ 25% annual operating expenses in Year 1 of the Financial Plan
- ❖ Use portion of Capital Projects Reserve to make annual contribution to SLA Reserve - \$360K over five years
- ❖ Given grant opportunities, no new debt for capital improvements
- ❖ Implement rate increases over five years.
- ❖ Maintain Operating Reserve at 25% of annual expenditures

Draft Sewer Financial Plan

		Budgeted (FY 25-26)	Projected (FY 26-27)	Projected (FY 27-28)	Projected (FY 28-29)	Projected (FY 29-30)	Projected (FY 30-31)
STARTING RESERVE BALANCES							
	Operating Reserve-Checking Acct	\$33,250	\$202,298	\$208,367	\$214,618	\$221,056	\$236,170
	Short-Lived Asset Reserve	\$0	\$0	\$71,903	\$143,807	\$215,710	\$287,613
	Capital Projects Reserve	\$1,295,210	\$1,080,770	\$1,094,886	\$1,181,658	\$1,317,140	\$1,273,237
REVENUE							
	Rates	\$596,907	\$757,561	\$848,779	\$916,682	\$990,016	\$1,069,218
	Other	\$136,694	\$140,794	\$145,018	\$149,369	\$153,850	\$158,465
	Interest	\$30,200	\$27,200	\$29,600	\$32,000	\$28,000	\$28,000
EXPENSES							
	Operating	\$809,192	\$833,468	\$858,472	\$884,226	\$1,128,753	\$1,162,615
	Short-lived Asset-Annual Contribution	\$0	\$0	\$0	\$0	\$0	\$0
CAPITAL PROJECTS							
		\$0	\$0	\$0	\$0	\$0	\$0
CAPITAL PROJECT-DEBT SERVICE							
		\$0	\$0	\$0	\$0	\$0	\$0
TRANSFERS FROM CAPITAL PROJECTS RESERVE							
	To Operating Reserve	\$244,640	\$0	\$0	\$0	\$0	\$0
	To Short-Lived Asset Reserve	\$0	\$71,903	\$71,903	\$71,903	\$71,903	\$71,903
ENDING RESERVE BALANCES							
	Operating Reserve-Checking Acct	\$202,298	\$208,367	\$214,618	\$221,056	\$236,170	\$290,654
	Short-Lived Asset Reserve	\$0	\$71,903	\$143,807	\$215,710	\$287,613	\$359,517
	Capital Projects Reserve	\$1,080,770	\$1,094,886	\$1,181,658	\$1,317,140	\$1,273,237	\$1,239,917
	TOTAL RESERVES	\$1,283,069	\$1,447,060	\$1,611,986	\$1,825,810	\$1,868,923	\$1,961,991
	Percentage Operating Reserve	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Proposed Changes to Sewer Rates

- ❖ Change user classes to “Residential” & “Non-residential.”
- ❖ All Customers: Switch to wintertime (Dec, Jan, Feb) water use.
 - ❖ Typical wintertime water use for a single-family residence is 6,000 gallons/month.
 - ❖ Reduce the 32,800 gallons in base usage to 6,000 gallons per month.
 - ❖ If fixed charge is \$38.05/month, the usage rate should be: $\$38.05 / 6,000 \text{ gallons} \times 1,000 = \$6.34/1,000 \text{ gallons/month}$.
- ❖ These changes will have large impacts of non-residential customers who use a lot of wintertime water.
 - ❖ Of about 241 accounts, 51 will see monthly bill increase more than \$10/month; 17 will see bills increase greater than \$100/month.
 - ❖ 74% (178) of non-residential accounts would see bills increase less than \$10/month.

Proposed Changes to Sewer Rates

- ❖ Monthly standby charges should be a full monthly fixed charge to compensate for the fixed expenses incurred by the District.
- ❖ For the customers using large amounts of water during the winter, the District is developing an “Adjustments Policy” intended to give District staff the ability to review outside wintertime water use practices and make adjustments to the sewer bill, to reflect, as close as practical, the amount of water being discharged into the sewer.

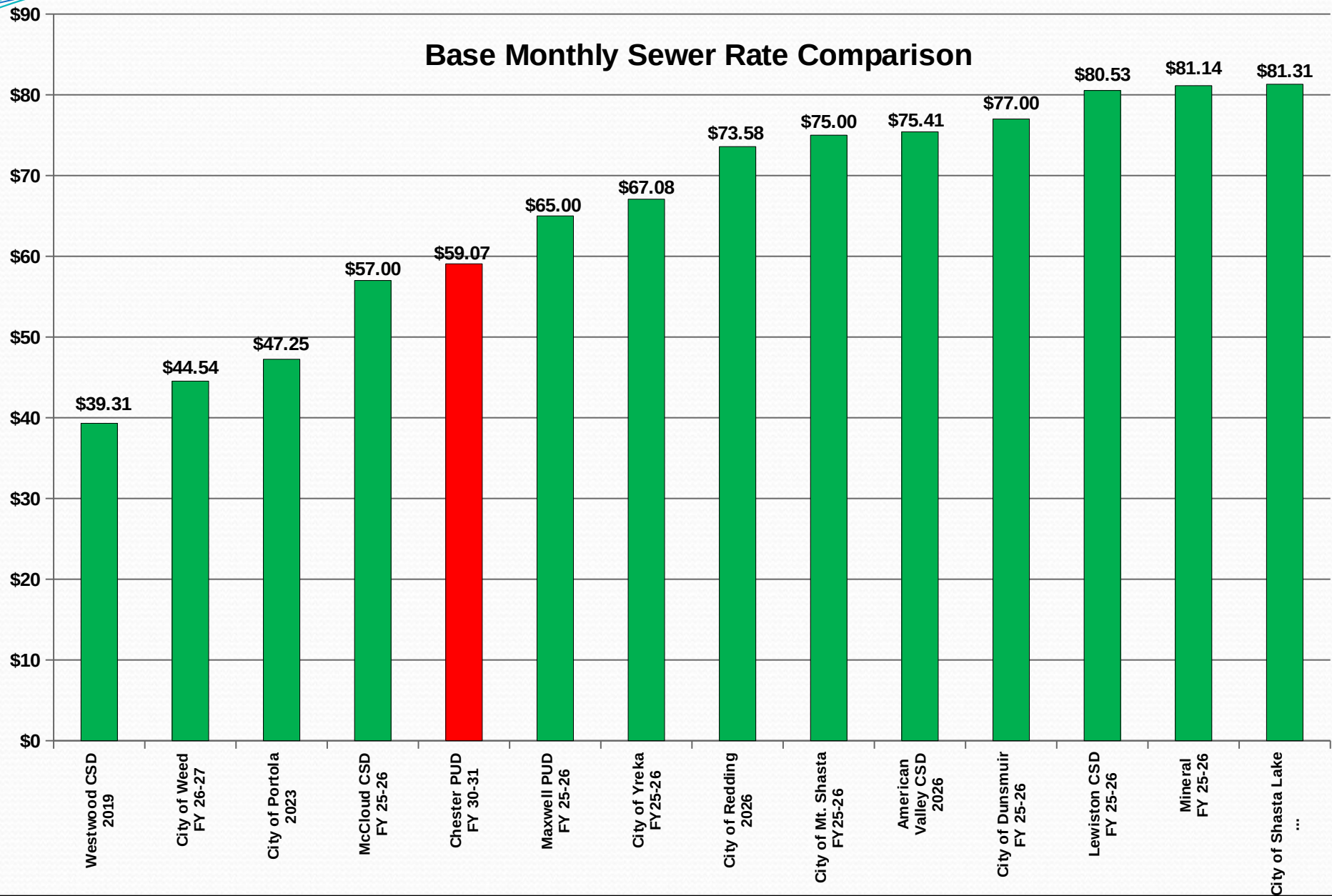
Preliminary Sewer Rates

Customer Class	Budgeted (FY 25-26)	Projected (FY 26-27)	Projected (FY 27-28)	Projected (FY 28-29)	Projected (FY 29-30)	Projected (FY 30-31)
Fixed Charge						
Residential	\$38.05	\$41.09	\$44.38	\$47.93	\$51.77	\$55.91
Non-Residential	\$38.05	\$41.09	\$44.38	\$47.93	\$51.77	\$55.91
Consumption Charge						
All Accounts, \$/1,000 Gallons ¹	\$1.16	\$6.85	\$7.40	\$7.99	\$8.63	\$9.32
Notes:						

1. The Consumption charge applies to wintertime water consumption in excess of 6,000 gallons per month.

Note: The proposed rates for FY 2030-31 are \$12.28 less per month, than what was shown in the March 2, 2026, presentation, through lots of hard work by District Staff.

Base Monthly Sewer Rate Comparison





Questions on Sewer Utility?