

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

PACE Engineering, Inc.

March 2, 2026

CPUD Chester Public Utility District





Water Utility

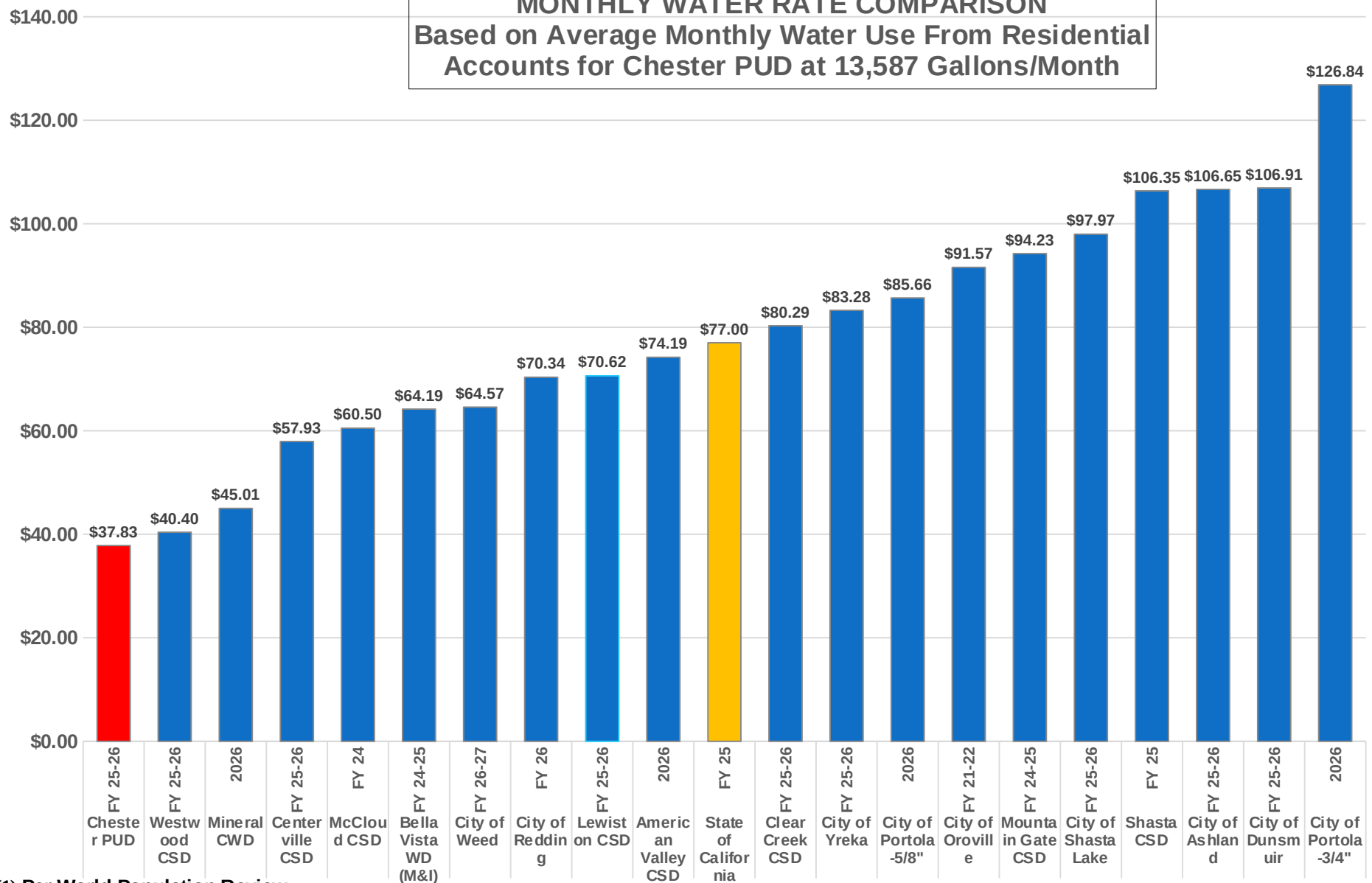
Background of Water Rates

- ❖ Last Rate Study was 2023
- ❖ Nominal rate increases of 1.2%, 6%, 3%, 3%, & 1% were recommended through FY2027-28
- ❖ Currently, 6,000 gallons/month is included with the meter base rates
- ❖ Base meter rates (for larger than 5/8" & 3/4") did not follow recommended AWWA guidelines

Water Rates-cont.

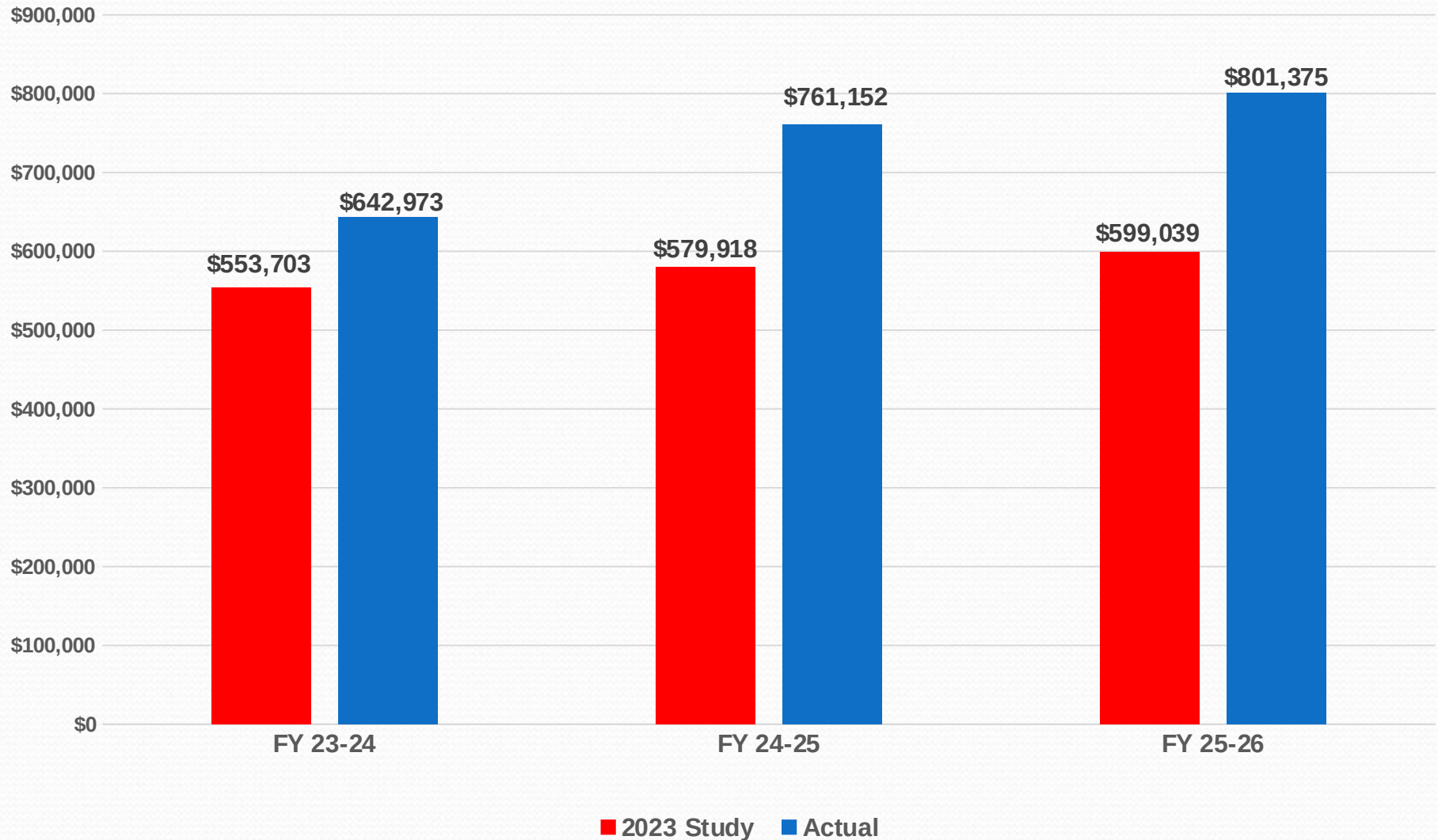
- ❖ 37% of residential accounts use less than 6,000 gallons/month
 - ❖ These accounts are subsidizing those that use more water
- ❖ Larger (than $\frac{3}{4}$ " meters) are not paying a meter base rate commensurate with the cost to replace said meter
 - ❖ Accounts with small meters are subsidizing those with larger meters

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.

Water Fund Expense Compare



Fixed Expense Breakdown

Account Code	Account Description	Actual (FY 24-25)	Budgeted (FY 25-26)	Fixed Cost Percentage	Estimated Fixed Cost	Variable Cost Percentage	Estimated Variable Cost
Combined	Wages, Taxes, Benefits	\$314,272	\$336,392	100%	\$336,392	0%	\$0
50400	Supplies	\$9,194	\$9,470	75%	\$7,103	25%	\$2,368
50450	Repairs	\$42,033	\$43,294	50%	\$21,647	50%	\$21,647
50500	Maintenance	\$5,209	\$5,365	50%	\$2,683	50%	\$2,683
50660	Annexation Expenses	\$0	\$0	100%	\$0	0%	\$0
50700	Engineering	\$650	\$670	80%	\$536	20%	\$134
50800	Utilities - All	\$172,504	\$177,679	40%	\$71,072	60%	\$106,607
New	Street Light Utilities	\$15,844	\$15,844	100%	\$15,844	0%	\$0
60700	Insurance	\$24,603	\$25,341	100%	\$25,341	0%	\$0
New	Office Expense	\$0	\$0	90%	\$0	10%	\$0
60900	Postage	\$6,099	\$6,282	100%	\$6,282	0%	\$0
61100	Auto Expense	\$9,236	\$9,513	95%	\$9,037	5%	\$476
61200	Equipment	\$34,968	\$36,017	75%	\$27,013	25%	\$9,004
61250	Legal Expense	\$7,203	\$7,419	100%	\$7,419	0%	\$0
61300	Professional Services	\$97,707	\$100,638	100%	\$100,638	0%	\$0
61700	Dues and Fees	\$17,804	\$18,338	100%	\$18,338	0%	\$0
61750	Training and Travel	\$6,326	\$6,516	100%	\$6,516	0%	\$0
61800	Other Expenses	-\$4,390	\$650	100%	\$650	0%	\$0
60825	Grants	\$0	\$0	100%	\$0	0%	\$0
61850	Interest Expense	\$1,890	\$1,947	100%	\$1,947	0%	\$0
61900	Depreciation	\$0	\$0	100%	\$0	0%	\$0
70300	Gain/Loss of Assets	\$0	\$0	100%	\$0	0%	\$0
Inact	Interfund Transfer to Street Lights	\$0	\$0	100%	\$0	0%	\$0
	Subtotal	\$761,152	\$801,375		\$658,457		\$142,918
					82.2%		17.8%

Financial State 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.

Partial Example of SLA Reserve

Category	Asset No.	Short-Term Asset	Replacement Cost	Expected Life, Yrs	Percent Assigned to Water Fund	Estimated Cost	Annual Reserve Allocation
Vehicles	221	Ram 1500 Quad Cab	\$34,882	10	50%	\$17,441	\$1,744
Vehicles	5785	2017 ford escape (1/3)	\$2,658	10	50%	\$1,329	\$133
Equipment	214	tractor with front loader cab	\$35,153	10	50%	\$17,577	\$1,758
Equipment	258	radios	\$19,973	10	50%	\$9,987	\$999
Equipment	263	conference room audio visual sys	\$16,554	10	50%	\$8,277	\$828
Equipment	274	bendix king digital p25 radios	\$7,468	7	50%	\$3,734	\$533
Equipment	275	fire radios	\$6,360	7	50%	\$3,180	\$454
Office Equipment	267	mite phone systems 1/3 a	\$4,088	7	50%	\$2,044	\$292
Office Equipment	276	Panasonic cf 32 Toughbook (4)	\$19,263	5	50%	\$9,632	\$1,926
Building and Improvements	206	exhaust system for station bays 198 Main	\$44,465	20	50%	\$22,233	\$1,112
Building and Improvements	251	fire sprinklers @1/2 251 CPUD	\$10,989	15	50%	\$5,495	\$366
Building and Improvements	255	Roofing @ 1/2 251 CPUD	\$10,117	15	50%	\$5,059	\$337
Building and Improvements	401	Asphalt Apron 251 CPUD	\$9,975	15	50%	\$4,988	\$333
Building and Improvements	-	Drainage Project 251 CPUD	\$10,500	15	50%	\$5,250	\$350
Building and Improvements	-	Drainage Project 251 CPUD	\$26,740	15	50%	\$13,370	\$891
Equipment	-	Well No.1 Pump/Motor Replacement	\$40,000	20	100%	\$40,000	\$2,000
Equipment	-	Well No.1 Electrical Replacement	\$40,000	20	100%	\$40,000	\$2,000
Equipment	-	Well No.1 LPG Heater	\$7,500	10	100%	\$7,500	\$750
Building and Improvements	-	Well No.1 Roof	\$10,000	20	100%	\$10,000	\$500
Building and Improvements	-	Well No.1 Painting	\$10,000	10	100%	\$10,000	\$1,000
Equipment	-	Well No.2 Pump/Motor Replacement	\$40,000	20	100%	\$40,000	\$2,000
Equipment	-	Well No.2 Electrical Replacement	\$40,000	20	100%	\$40,000	\$2,000
Equipment	-	Well No.2 LPG Heater	\$7,500	10	100%	\$7,500	\$750

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
 - ❖ SCADA Improvements
 - ❖ Tank Recoating and other improvements

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

Financial Plan Recommendations

- ❖ Begin funding a SLA Reserve, beginning in FY2026-27 @ \$131,556 per year
- ❖ Consider financing options to re-coat existing water tanks
- ❖ Take out a \$2.5M, zero-interest loan to replace all water meters and make SCADA improvements
- ❖ 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	\$200,344	\$163,847	\$212,545	\$218,921	\$225,489
	Short-Lived Asset Reserve	\$0	\$0	\$131,556	\$263,112	\$394,668	\$526,224
	Capital Projects Reserve	\$217,107	\$255,699	\$188,238	\$9,480	\$2,064	\$90,802
REVENUE							
	Rates	\$701,522	\$768,259	\$896,800	\$1,043,424	\$1,158,866	\$1,274,753
	Other	\$141,181	\$152,216	\$159,608	\$167,278	\$174,212	\$180,206
	Interest	\$7,320	\$7,539	\$7,766	\$7,999	\$8,238	\$8,400
EXPENSES							
	Operating	\$801,375	\$825,416	\$850,178	\$875,684	\$901,954	\$929,013
	Short-lived Asset-Annual Contribution	\$0	\$131,556	\$131,556	\$131,556	\$131,556	\$131,556
CAPITAL PROJECTS							
	10-year Tank Maintenance Program	\$0	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
CAPITAL PROJECT-DEBT SERVICE							
	Water Meter Replacement	\$0	\$0	\$110,000	\$110,000	\$110,000	\$110,000
	SCADA System Replacement	\$0	\$0	\$27,500	\$27,500	\$27,500	\$27,500
ENDING RESERVE BALANCES							
	Operating Reserve-Checking Acct	\$200,344	\$163,847	\$212,545	\$218,921	\$225,489	\$232,253
	Short-Lived Asset Reserve	\$0	\$131,556	\$263,112	\$394,668	\$526,224	\$657,780
	Capital Projects Reserve	\$255,699	\$188,238	\$9,480	\$2,064	\$90,802	\$274,328
	TOTAL RESERVES	\$456,043	\$483,641	\$485,137	\$615,653	\$842,515	\$1,164,361
	Percentage Operating Reserve	25.0%	19.9%	25.0%	25.0%	25.0%	25.0%

Proposed Changes to Water Rates

- ❖ Eliminate 6,000 gallons of water in base meter rate.
- ❖ Standby fees should be 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
- ❖ 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**

Current and Proposed Meter Factors

Water Meter Size, In	Current Meter Factors (Ratio of Meter size to 5/8” Size)	Proposed Cost-Based Meter Factors per AWWA M1 & Recommended in 2023 Rate Study
5/8	1.00	1.00
3/4	1.00	1.00
1	1.43	1.67
1-1/2	2.49	3.33
2	3.77	5.33
3	6.75	10.00
4	11.01	16.67
6	21.67	33.33

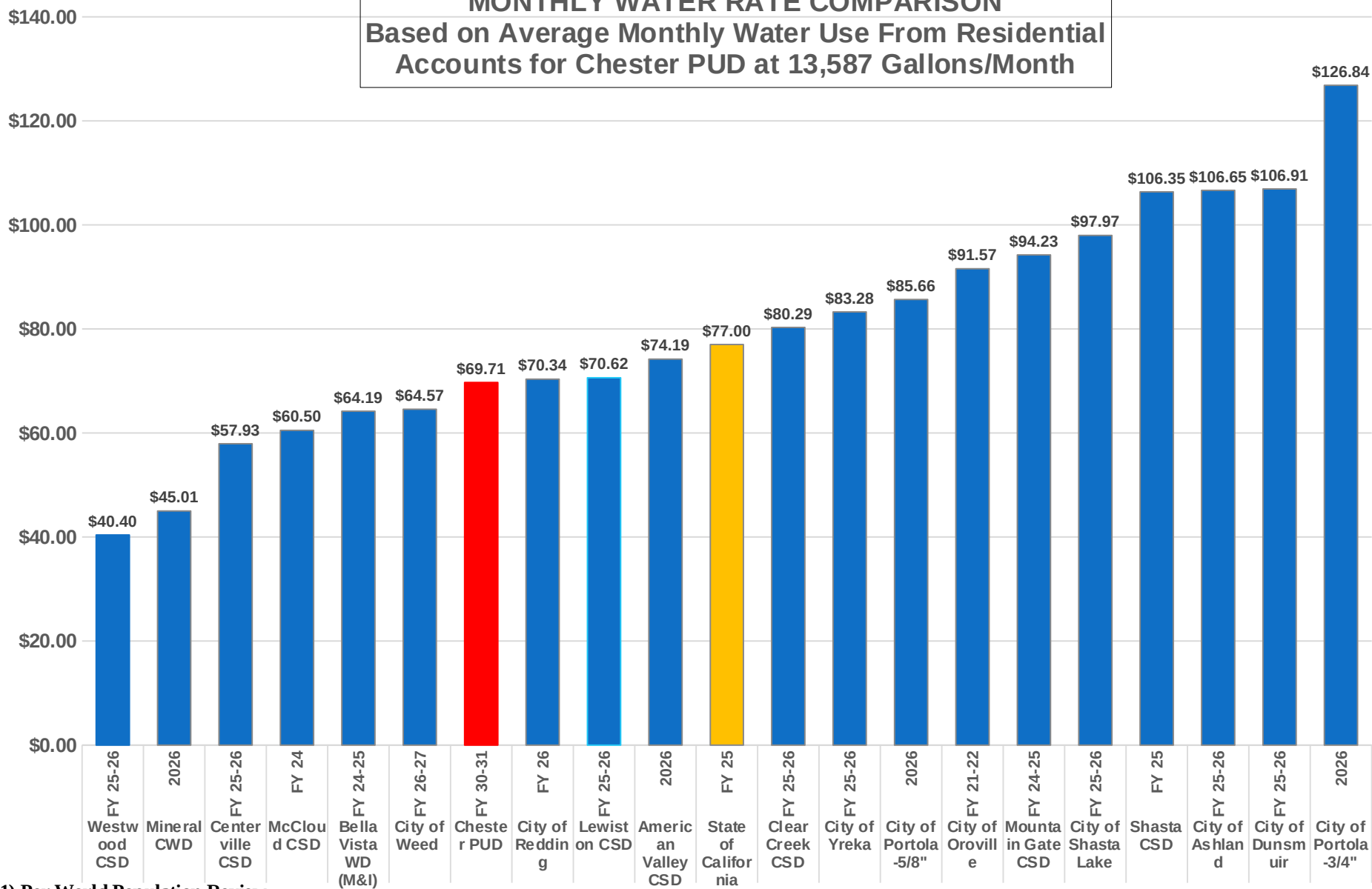
Current and Modified Base Meter Rates

Water Meter Size, In	Current FY 2025-26 Base Meter Rates	FY 2025-25 Base Meter Rate after Removing 6,000-Gallons from Base Rates
5/8	\$30.01	\$27.02
3/4	\$30.01	\$27.02
1	\$42.80	\$45.12
1-1/2	\$74.77	\$89.98
2	\$113.13	\$144.02
3	\$202.64	\$270.20
4	\$330.51	\$450.42
6	\$650.18	\$900.58

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	\$34.21	\$40.37	\$46.83	\$51.51	\$56.66
3/4-in	\$30.01	\$34.21	\$40.37	\$46.83	\$51.51	\$56.66
1-in	\$42.80	\$57.13	\$67.42	\$78.20	\$86.02	\$94.63
1 1/2-in	\$74.77	\$113.92	\$134.43	\$155.94	\$171.53	\$188.69
2-in	\$113.13	\$182.35	\$215.17	\$249.60	\$274.56	\$302.01
3-in	\$202.64	\$342.11	\$403.69	\$468.29	\$515.11	\$566.63
4-in	\$330.51	\$570.30	\$672.96	\$780.63	\$858.70	\$944.56
6-in	\$650.18	\$1,140.27	\$1,345.51	\$1,560.80	\$1,716.88	\$1,888.56
Variable 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						
Tier 1	\$0.00	\$0.58	\$0.69	\$0.80	\$0.88	\$0.96
Tier 2	\$1.03					
Commercial						
Tier 1	\$0.61	\$0.58	\$0.69	\$0.80	\$0.88	\$0.96
Tier 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 tiered rates. All water accounts will pay the same tiered rate.						
3. Tiered rate is per 1,000 gallons/month.						

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

Background of Sewer Rates

- ❖ Last Rate Study was 2023
- ❖ No rate increases were proposed.
- ❖ All customers pay a flat monthly rate, regardless of meter size
- ❖ Commercial customers pay \$1.16/1,000 gallons after consuming 32,800 gallons of water

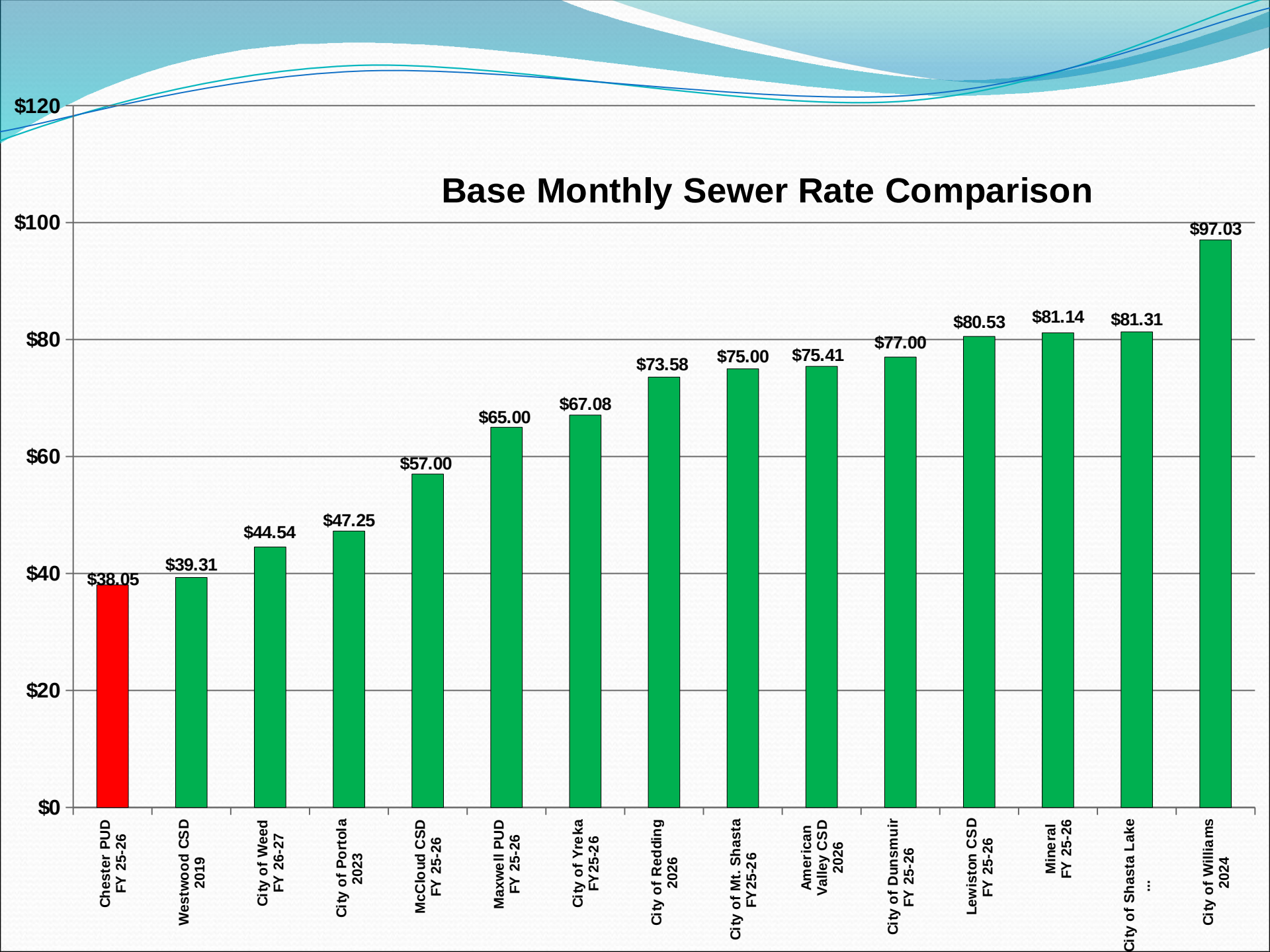
Sewer Rates-cont.

- ❖ The average wintertime water use in CPUD for residential customers is about 6,000 gallons/month
 - ❖ This is the basis for the flat rate charge.
- ❖ Using the current rate of \$38.05/month for 6,000 gallons of sewage, that equates to about \$6.34/1,000 gallons
- ❖ Currently, commercial customers are allowed to consume up to 32,800 gallons/month (equivalent of 5-1/2 homes) and then pay \$1.16/1,000 gallons after that

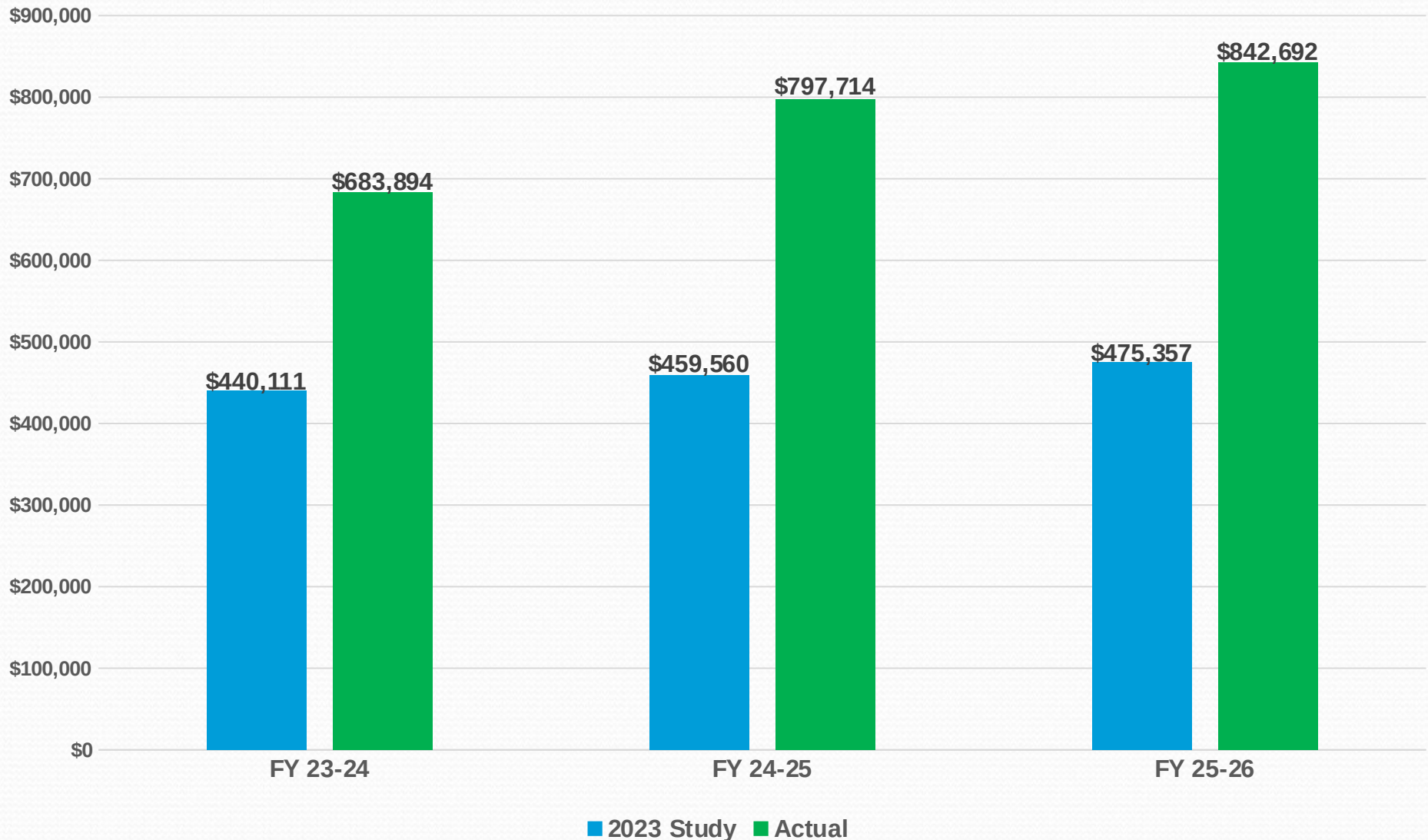
Sewer Rates-cont.

- ❖ The basis for the 32,800 gallons/month from the previous rate study is unclear
- ❖ A better, and more fair approach, is to bill all customers based on wintertime (Jan, Feb, Mar) water use
- ❖ Until Water meters are replaced, will use avg water use over months not being read
- ❖ The theory is that majority of wintertime water use is discharged into the sewer, although that may not be true in all cases, especially for non-res accounts

Base Monthly Sewer Rate Comparison



Sewer Fund Expense Compare



Financial State 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 – \$546K over five years
- ❖ Use portion of Capital Projects Reserve to make annual contribution to SLA Reserve - \$159K 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	\$240,518	\$283,493	\$223,503	\$230,208	\$300,624
	Short-Lived Asset Reserve	\$0	\$0	\$31,806	\$63,612	\$95,418	\$127,224
	Capital Projects Reserve	\$1,295,210	\$1,009,050	\$907,602	\$986,354	\$1,073,506	\$941,474
REVENUE							
	Rates	\$596,907	\$673,311	\$769,962	\$865,127	\$954,797	\$1,050,277
	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	\$842,692	\$867,973	\$894,012	\$920,832	\$1,166,457	\$1,201,451
	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	\$316,360	\$96,842	\$0	\$0	\$128,226	\$4,620
	To Short-Lived Asset Reserve	\$0	\$31,806	\$31,806	\$31,806	\$31,806	\$31,806
ENDING RESERVE BALANCES							
	Operating Reserve-Checking Acct	\$240,518	\$283,493	\$223,503	\$230,208	\$300,624	\$304,983
	Short-Lived Asset Reserve	\$0	\$31,806	\$63,612	\$95,418	\$127,224	\$159,030
	Capital Projects Reserve	\$1,009,050	\$907,602	\$986,354	\$1,073,506	\$941,474	\$940,600
	TOTAL RESERVES	\$1,249,569	\$1,254,707	\$1,305,275	\$1,430,938	\$1,401,128	\$1,436,419
	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 (Jan, Feb, Mar) 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.

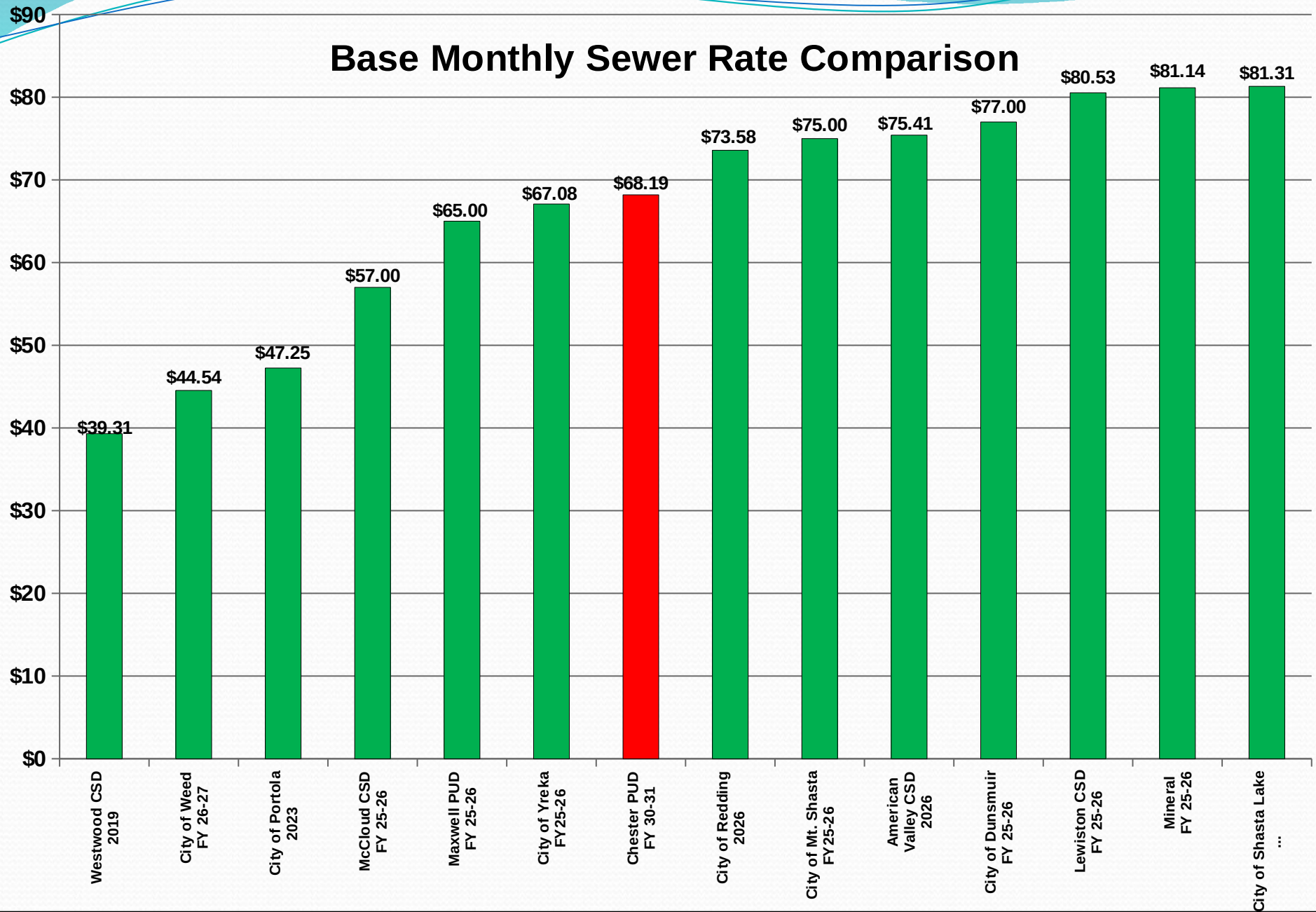
Proposed Changes to Sewer Rates

- ❖ Monthly standby charges should be a full monthly fixed charge to compensate for the fixed expenses incurred by the District.
- ❖ Consider the following:
 - ❖ Visiting non-residential accounts to learn wintertime water-use practices.
 - ❖ Plumbing modifications or additional flowmeters to isolate sewage-generating water supply from other
 - ❖ 6-month grace period for on-site changes to be made, after which time the new rate structure would be implemented

Preliminary Sewer Rates

[illegible]

Base Monthly Sewer Rate Comparison





Questions on Sewer Utility?