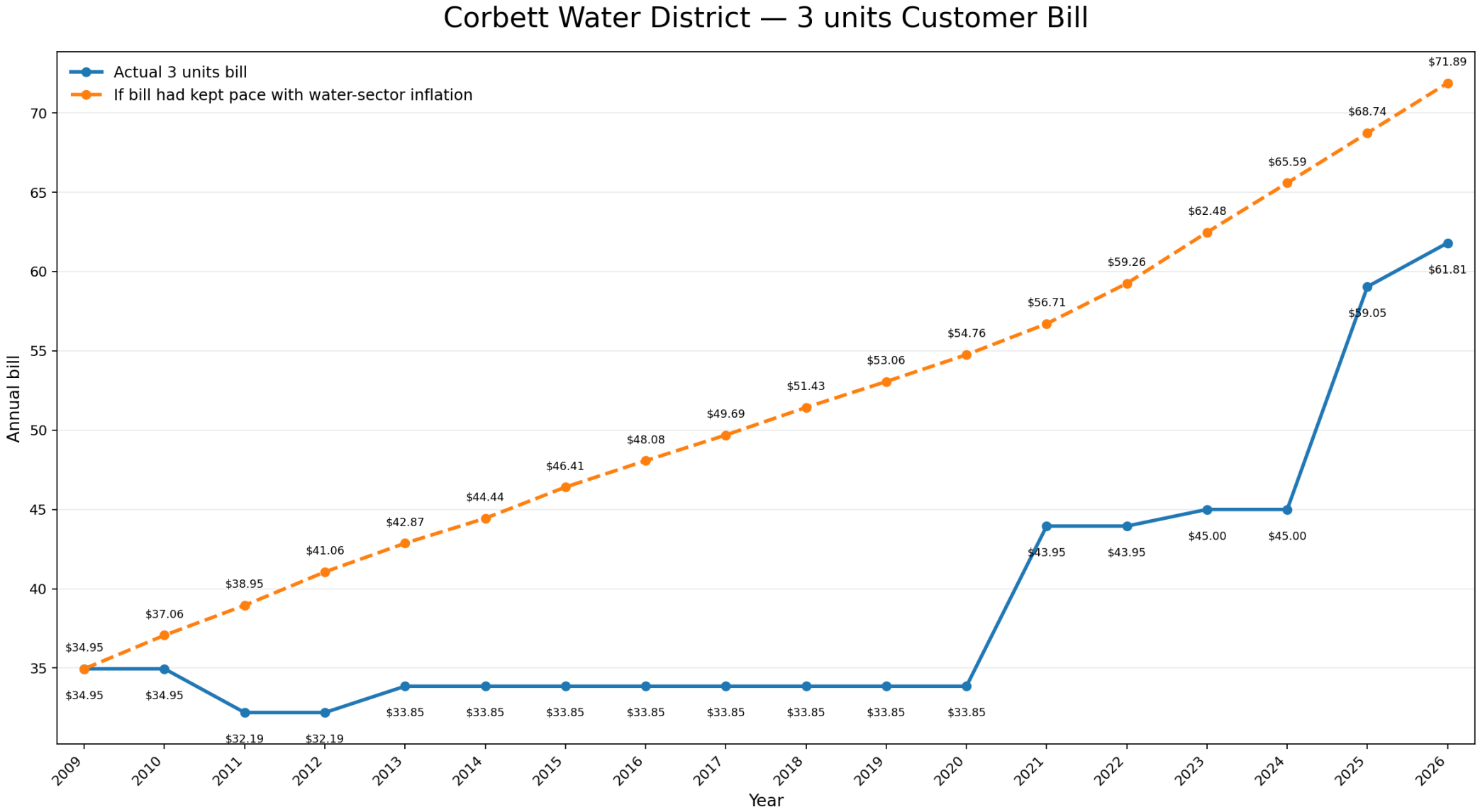
Act Now

Cost Drivers for Water Utilities

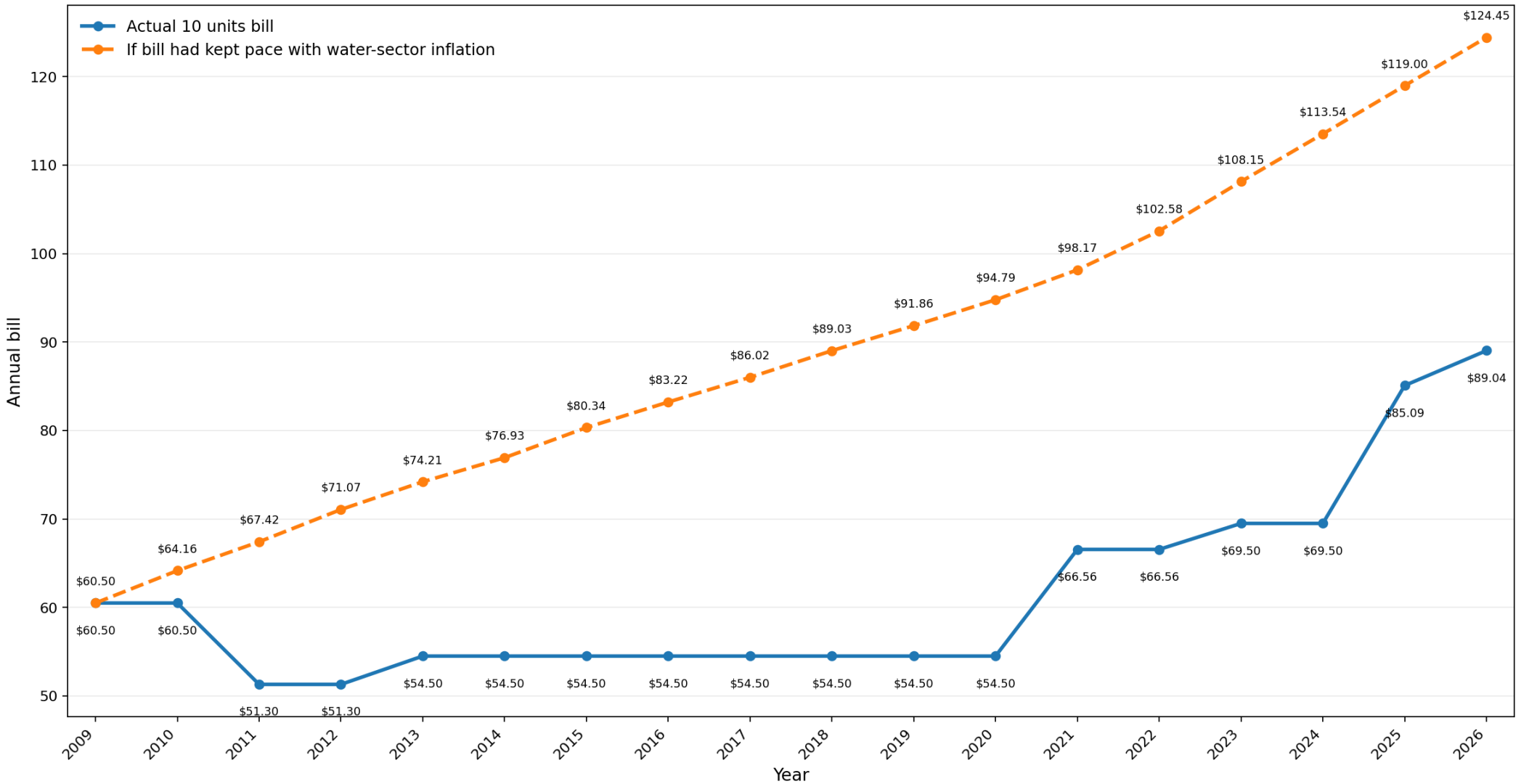
- Repair/Replace Aging Infrastructure
  - Main and Service Line Pipes, Reservoirs, Valves, Meters
- Treatment
  - Filter Pond Sand, Chemicals, Electricity, Fuel
- Machinery and Equipment
  - Pumps, Continuously Monitoring Analyzers, PLC, SCADA, Backhoe, Vac Trailer
- Regulatory Mandates
  - Federal and State Standards (Labs, Lead and Copper Rule)

Actual bill for 3 units vs. bill that kept pace with inflation



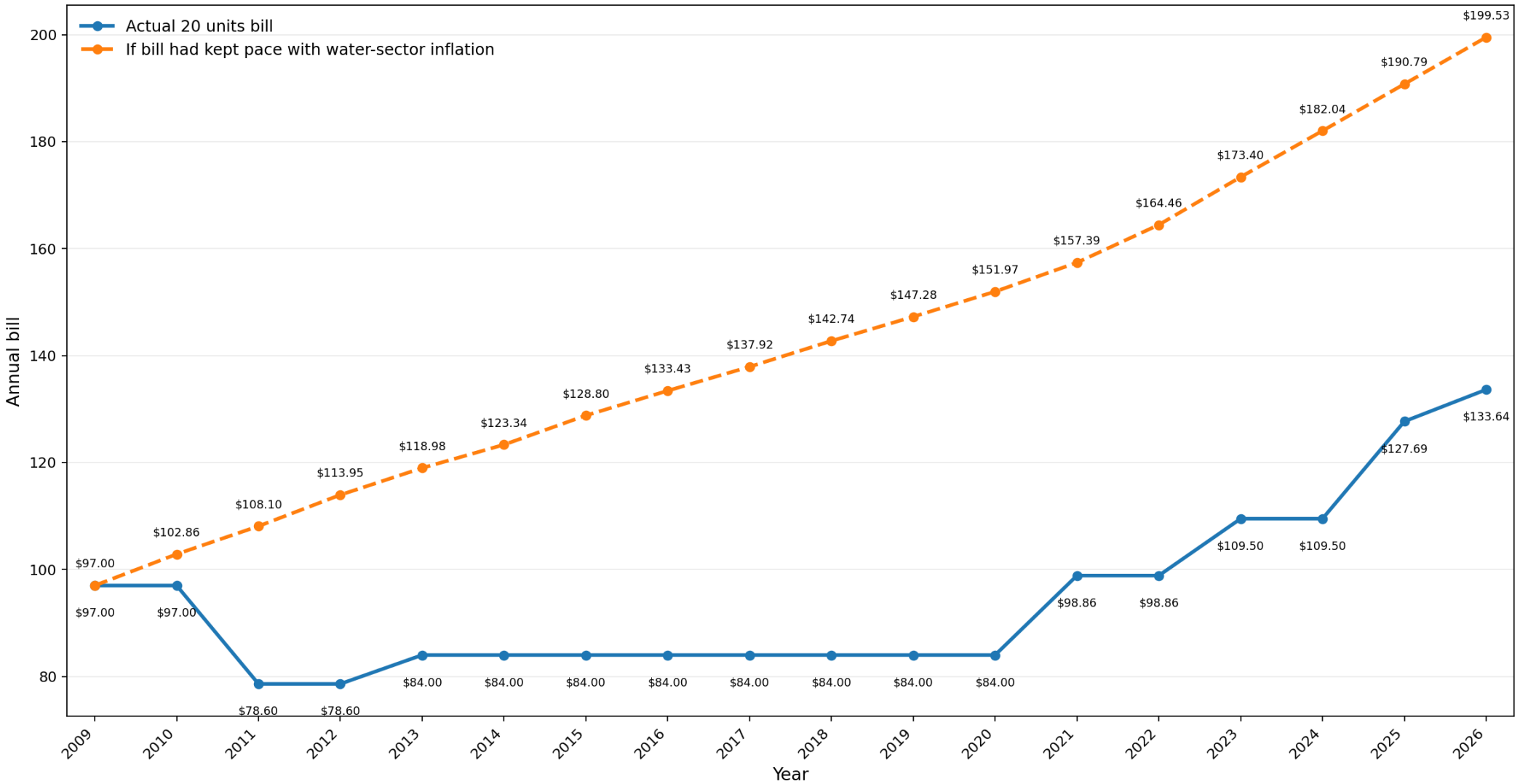
Inflation comparison uses BLS CPI for Water and Sewer and Trash Collection Services (CUUR0000SEHG). 2009 is the starting point. 2025 uses the 11 available monthly observations; 2026 uses the June 2026 index.

Actual bill for 10 units vs. bill that kept pace with inflation

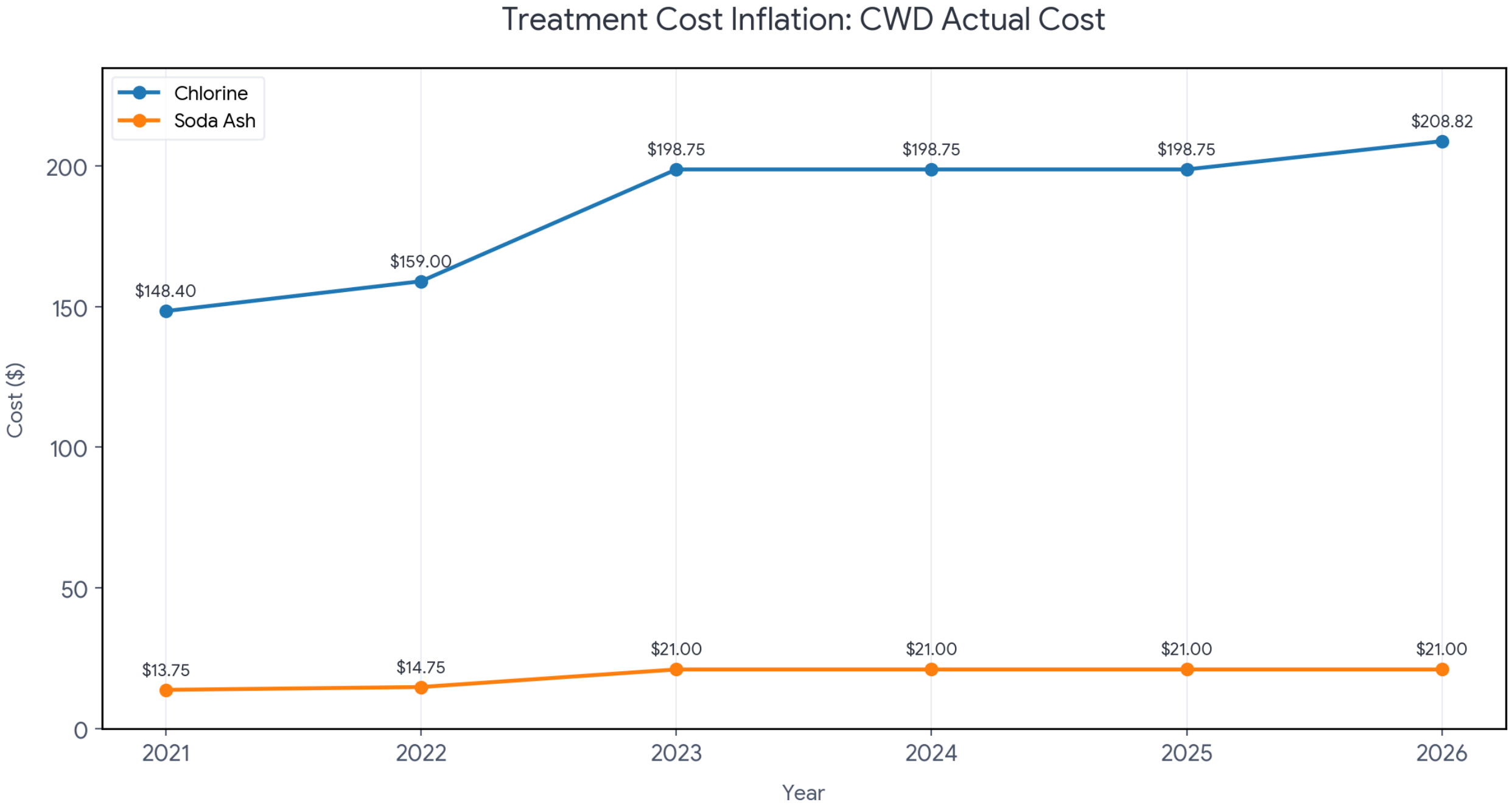


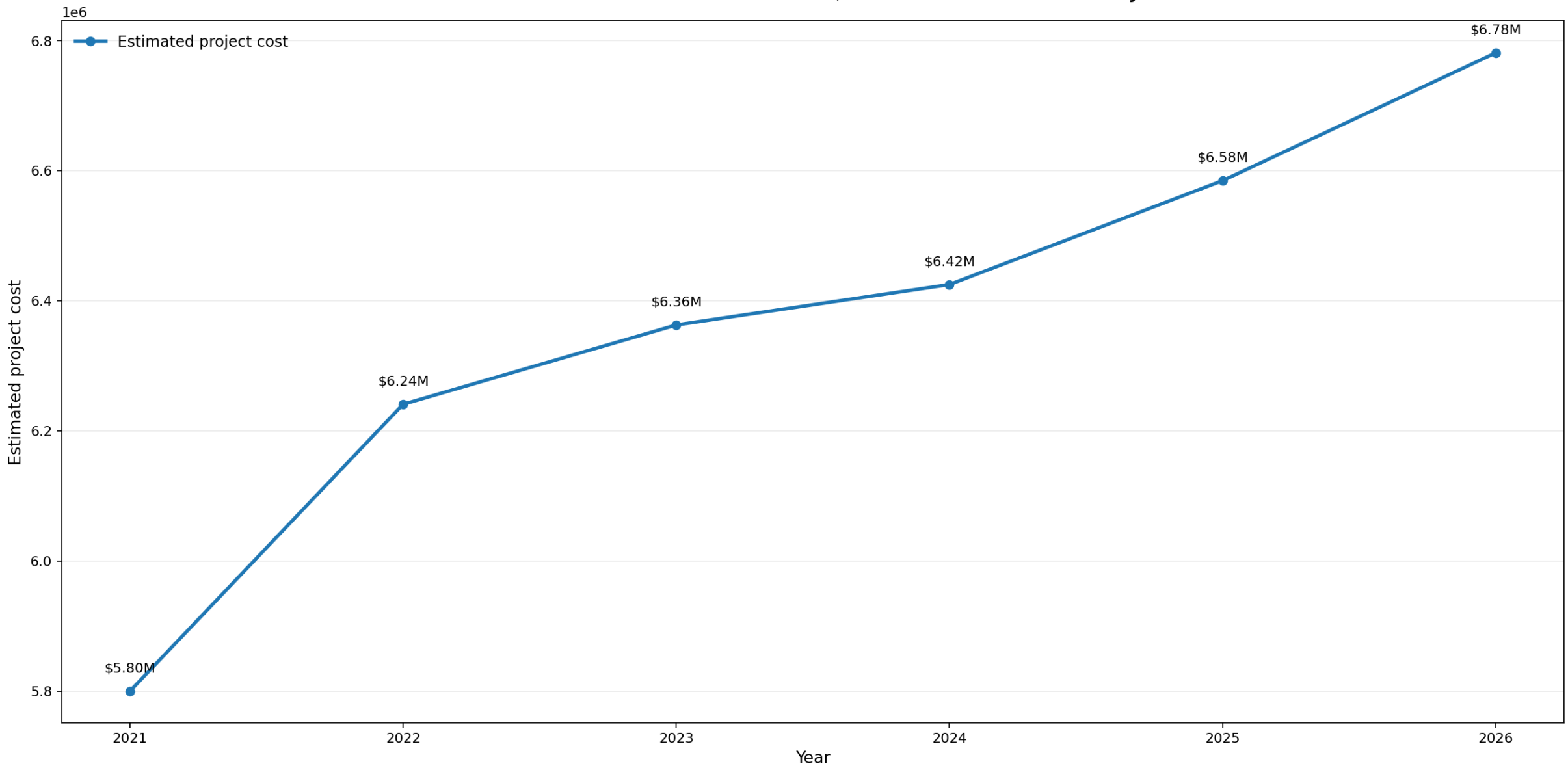
Inflation comparison uses BLS CPI for Water and Sewer and Trash Collection Services (CUUR0000SEHG). 2009 is the starting point. 2025 uses the 11 available monthly observations; 2026 uses the June 2026 index.

Actual bill for 20 units vs. bill that kept pace with inflation

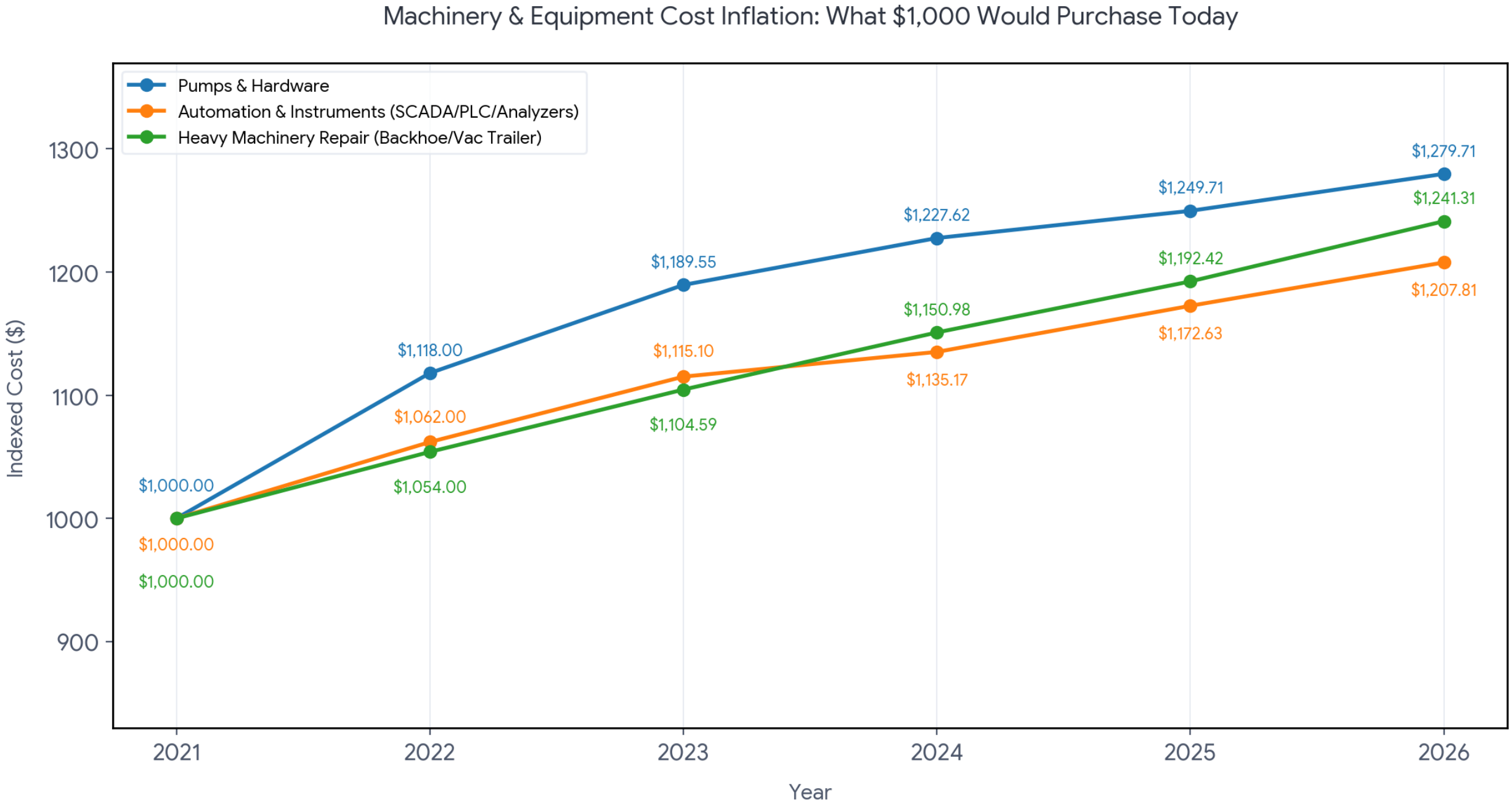


Inflation comparison uses BLS CPI for Water and Sewer and Trash Collection Services (CUUR0000SEHG). 2009 is the starting point. 2025 uses the 11 available monthly observations; 2026 uses the June 2026 index.


Treatment Cost Inflation: CWD Actual Cost
Chlorine
Soda Ash
$148.40
$159.00
$198.75
$198.75
$198.75
$208.82
$13.75
$14.75
$21.00
$21.00
$21.00
$21.00
200
150
100
50
0
Cost ($)
2021
2022
2023
2024
2025
2026
Year



Based on ENR's 20-city national-average Construction Cost Index (CCI), using July index values. The comparison starts with a $5.8 million project in July 2021.

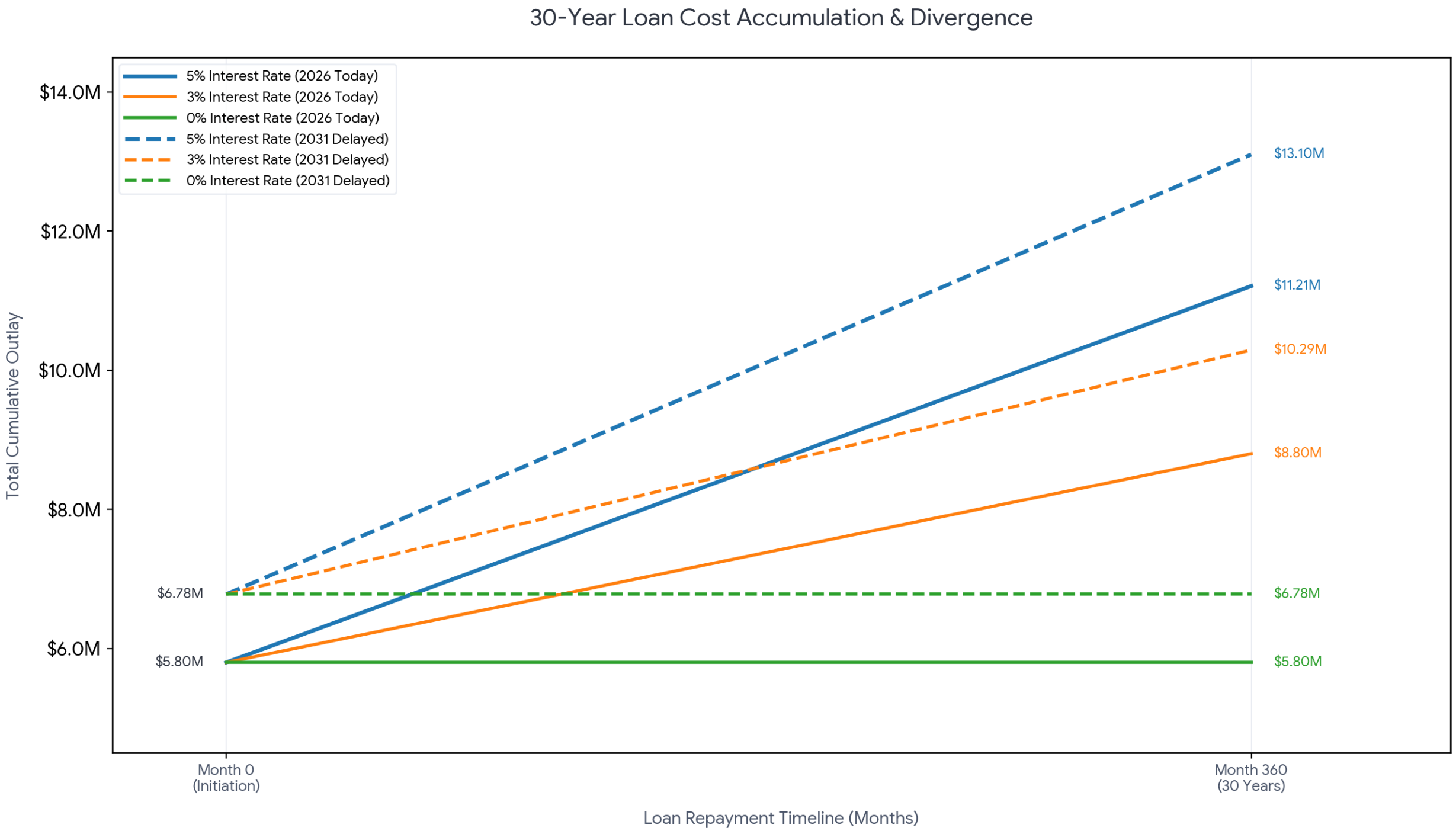

Machinery & Equipment Cost Inflation: What $1,000 Would Purchase Today
Pumps & Hardware
Automation & Instruments (SCADA/PLC/Analyzers)
Heavy Machinery Repair (Backhoe/Vac Trailer)
Indexed Cost ($)
1300
1200
1100
1000
900
2021
2022
2023
2024
2025
2026
Year
$1,000.00
$1,118.00
$1,189.55
$1,227.62
$1,249.71
$1,279.71
$1,000.00
$1,062.00
$1,115.10
$1,135.17
$1,172.63
$1,207.81
$1,000.00
$1,054.00
$1,104.59
$1,150.98
$1,192.42
$1,241.31

Potential Impact of Delaying a $5.8 Million Water Project

Scenario A: 5% Interest Rate	Borrow Today (2026)	Borrow in 5 Years (2031)	Net Increase
Project cost	$5,800,000	$6,781,020	+$981,020
Monthly payment	$31,136	$36,402	+$5,266
Monthly Payment ÷ 1,100 (Number of Customers)	$28.31	$33.09	+$4.79
Total interest (30 years)	$5,408,835	$6,323,693	+$914,858
Total lifecycle payments	$11,208,835	$13,104,714	+$1,895,878

Scenario B: 3% Interest Rate	Borrow Today (2026)	Borrow in 5 Years (2031)	Net Increase
Project cost	$5,800,000	$6,781,020	+$981,020
Monthly payment	$24,453	$28,589	+$4,136
Monthly Payment ÷ 1,100 (Number of Customers)	$22.23	$25.99	+$3.76
Total interest (30 years)	$3,003,092	$3,511,039	+$507,947
Total lifecycle payments	$8,803,092	$10,292,060	+$1,488,967

Scenario C: 0% Interest Rate	Borrow Today (2026)	Borrow in 5 Years (2031)	Net Increase
Project cost	$5,800,000	$6,781,020	+$981,020
Monthly payment	$16,111	$18,836	+$2,725
Monthly Payment ÷ 1,100 (Number of Customers)	$14.65	$17.12	+$2.48
Total interest (30 years)	$0	$0	+$0
Total lifecycle payments	$5,800,000	$6,781,020	+$981,020


30-Year Loan Cost Accumulation & Divergence
5% Interest Rate (2026 Today)
3% Interest Rate (2026 Today)
0% Interest Rate (2026 Today)
5% Interest Rate (2031 Delayed)
3% Interest Rate (2031 Delayed)
0% Interest Rate (2031 Delayed)
$14.0M
$12.0M
$10.0M
$8.0M
$6.0M
Total Cumulative Outlay
$13.10M
$11.21M
$10.29M
$8.80M
$6.78M
$6.78M
$5.80M
$5.80M
Month 0
(Initiation)
Month 360
(30 Years)
Loan Repayment Timeline (Months)

The Capital Reinvestment Cliff

- Most businesses write off or deprecate small assets. Water utilities are dealing with the physical collapse of massive, century-old underground iron pipeline networks. Because federal grants have dropped drastically over the last several decades, local production systems must completely fund these enormous capital overhauls via expensive debt financing.
  - Over the last 50 years, the federal government slashed its share of water infrastructure spending from **50% to under 10%**.
  - Because the government stepped back, local cities must pick up **90% of the cost**.