Customer Advisory Committee Meeting 5

FEBRUARY 26, 2019
PLEDGE OF ALLEGIANCE
MEETING AGENDA

Public Comment

Approve Meeting #4 Summary

Spending/Funding Alternatives Background

Spending and Funding Alternative Activity

Report and Review Top Recommendations

Public Comment

Preview of CAC Meeting #6 on March 19th, 2019

Meeting Take Away’s
APPROVE MEETING #4
SUMMARY –
FEBRUARY 5, 2019
WHERE WE ARE & WHERE WE ARE GOING
PROJECT 2030 SCOPE

- Asset Inventory
- Future Water Demand Projections
- Water Main Assessment & Costs
- Funding Strategy/Rate Analysis
- Water Main Replacement Phasing Plan
- Implementation Plan

Public Engagement
Three Primary Funding Options

- Prefund Start FY20
- PAYGO
- Debt
• All Funding Options includes a PAYGO Component
  • Can’t prefund entire project before 2030
  • 100% debt funding is not possible
• Funding Variations
  1. No Prefunding; No Debt
  2. Prefunding; No Debt
  3. No Prefunding with Debt
  4. Prefunding with Debt
### SPENDING AND FUNDING

<table>
<thead>
<tr>
<th>Spending</th>
<th>PAYGO</th>
<th>Prefunding</th>
<th>Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100M; $2M / Yr</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$150M; $3M / Yr</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$200M; $4M / Yr</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$320M; $6.4M / Yr</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$390M; $7.8M / Yr</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$480M; $9.6M / Yr</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$510M; $10.2M / Yr</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Generates 21 different spending / funding options
Key Considerations
Key Considerations

1. Annual Average Revenue Increase
   • Are adjustments smooth and consistent?
   • How much do adjustments fluctuate for certain alternatives?
   • Are there any spikes in revenue needs?

2. Pre-Funding
   • Dedicated revenue put aside in preparation for project
   • Besides actual dollars set aside, slowly increases revenue from 2020 through 2029, reduces significant increases in the early years of the project.
   • Built up funding may also be leveraged as a reserve or matching funds to obtain low interest rate loans
   • Adjustments today, pay dividends throughout the project

3. Debt
   • Spreads cost over the useful life of facilities; lower annual cost
   • Generates inter-generational equity
   • Causes total project cost to increase due to incurring interest
SPENDING/FUNDING
ALTERNATIVE ACTIVITY
**ALTERNATIVE 1: BASELINE**

**Scenario Manager**

- **Saved Scenarios:**
  - 1. **Baseline**
  - 2.1 $150M (No Prefunding; No Debt)
  - 2.2 $150M (Prefunding; No Debt)
  - 3.1 $200M (No Prefunding; No Debt)
  - 3.2 $200M (Prefunding; No Debt)
  - 4.1 $320M (No Prefunding; No Debt)
  - 4.2 $320M (Prefunding; No Debt)

- **Save Current Scenario**

**Ability to load and toggle between alternative**

**Save 4 Preferred Alternatives**
1. Type in Group and Alt #
2. Click save
3. Scenario will populate at bottom of list
4.1 $320M
(No Refunding; No Debt)

SPENDING METRICS

FUNDING METRICS

RELATIVE SYSTEM RISK

Data from Worksheet Populates

Dollar Breaks into Funding Components
## ALTERNATIVE 7.4: $510M

<table>
<thead>
<tr>
<th>Spending</th>
<th>Total Cost</th>
<th>Water Main % Replaced</th>
<th>2080 Survival Probability</th>
<th>Annual Rev Increase</th>
<th>Debt</th>
<th>Prefund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>$510M</td>
<td>94%</td>
<td>16.50%</td>
<td>4.07%</td>
<td>15%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Charts and Data from last time will also show as tables
TABLE GROUP ACTIVITY
BREAK
REPORT & REVIEW TOP RECOMMENDATIONS
PUBLIC COMMENT
PUBLIC COMMENT
TOPICS FOR MEETING 6

• Review the Key Considerations for selected Spending/Funding Alternatives

• Narrow down Spending/Funding Alternatives to 2-3 Alternatives

• Market Research Overview
Next Meeting: Tuesday, March 19th, 2019

**Time:** 6:30 pm – 9:15 pm

**Location:** Citrus Heights Community Center, Hall A
VISIT THE CAC WEBPAGE

chwd.org/customer-advisory-committee/
PARTICIPANT TAKEAWAY’S