Customer Advisory Committee Meeting 6

MARCH 19, 2019
PLEDGE OF ALLEGIANCE
MEETING AGENDA

Public Comment

Approve Meeting #5 Summary

Review of Top 5 Alternatives

Activity to Select Top 2 Alternatives

Market Research Introduction

Public Comment

Preview of CAC Meeting #7 on June 11th, 2019

Meeting Take Away’s
PUBLIC COMMENT
PUBLIC COMMENT
APPROVE MEETING #5
SUMMARY –
FEBRUARY 25, 2019
WHERE WE ARE & WHERE WE ARE GOING
PROJECT 2030
WATER MAIN REPLACEMENT

PROJECT OVERVIEW

2030 WATER MAIN REPLACEMENT PROJECT
PUBLIC ENGAGEMENT/CAC WORKSHOPS

**2018**
- **Orientation**
  - District Background
  - Brown Act Primer
  - Conflict of Interest
  - CAC Process and Logistics
- **Workshop #1**
  - Project 2030 Overview
  - Selection of CAC Chair and Vice Chair
- **Workshop #2**
  - Main Replacement Basics
  - Introduction to Utility Benchmarking
  - Asset Inventory Results
- **Workshop #3**
  - Main Replacement Findings and Costs
  - Funding Concepts Introduction
  - Supply Concepts Introduction
- **Workshop #4**
  - Water Demand Forecast
- **Workshop #5**
  - Financial Model for Alternatives
- **Workshop #6**
  - Water Main Assessment
- **Workshop #7**
  - Cost Estimates
- **Workshop #8**
  - Water Main Assessment

**2019**
- **Document Scanning**
- **Asset Inventory/Polygon Dev.**
- **Demand Forecast**
- **Water Main Assessment**
- **Cost Estimates**
- **Phasing Plan**
- **Funding Options**
- **Market Research**
- **Implementation Plan**
- **Final BOD Meeting**

**Public Engagement**

**Orientation**
- **3/19/18**
  - District Background
  - Brown Act Primer
  - Conflict of Interest
  - CAC Process and Logistics

**Workshop #1**
- **5/28/18**
  - Project 2030 Overview
  - Selection of CAC Chair and Vice Chair

**Workshop #2**
- **8/28/18**
  - Main Replacement Basics
  - Introduction to Utility Benchmarking
  - Asset Inventory Results

**Workshop #3**
- **12/11/18**
  - Main Replacement Findings and Costs
  - Funding Concepts Introduction
  - Supply Concepts Introduction

**Workshop #4**
- **2/5/19**
  - Water Demand Forecast

**Workshop #5**
- **2/24/19**
  - Up to 10 Options for Scenarios (S)
  - Selection of up to 4 S&W Alternatives

**Workshop #6**
- **3/9/19**
  - Market Research Primer
  - Review Pros and Cons of the S&W Alternatives

**Workshop #7**
- **3/15/19**
  - Financial Model for Alternatives
  - Financial Model Updates
  - Market Research Findings

**Workshop #8**
- **3/19/19**
  - Main Replacement Phasing
  - Market Research Results

**Workshop #9**
- **9/10/19**
  - Review Implementation
  - Review Final Board Recommendation

**Workshop #10**
- **9/10/19**
  - Implementation Plan
  - Field Inspection Program

*If needed*
REVIEW OF TOP 5 ALTERNATIVES
## TOP 5 ALTERNATIVES SELECTED FROM THE FEBRUARY 25th CAC MEETING

<table>
<thead>
<tr>
<th>Alt</th>
<th>Funding Description</th>
<th>Cost 2018$ (million)</th>
<th>Annual Spending (million)</th>
<th>Pre-Funding (million)</th>
<th>System Replaced by 2080</th>
<th>Total Votes</th>
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</thead>
<tbody>
<tr>
<td>4.4</td>
<td>Prefunding, with Debt</td>
<td>$320</td>
<td>$6.4</td>
<td>$16.0</td>
<td>59%</td>
<td>10</td>
</tr>
<tr>
<td>5.2</td>
<td>Prefunding, No Debt</td>
<td>$390</td>
<td>$7.8</td>
<td>$29.0</td>
<td>72%</td>
<td>9</td>
</tr>
<tr>
<td>5.4</td>
<td>Prefunding, with Debt</td>
<td>$390</td>
<td>$7.8</td>
<td>$22.5</td>
<td>72%</td>
<td>12</td>
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<tr>
<td>6.4</td>
<td>Prefunding, with Debt</td>
<td>$480</td>
<td>$9.6</td>
<td>$29.4</td>
<td>89%</td>
<td>10</td>
</tr>
<tr>
<td>7.4</td>
<td>Prefunding, with Debt</td>
<td>$510</td>
<td>$10.2</td>
<td>$19.2</td>
<td>94%</td>
<td>6</td>
</tr>
</tbody>
</table>
## Project 2030
### Water Main Replacement

### System Replacement by Decade

<table>
<thead>
<tr>
<th>Alt</th>
<th>Funding Description</th>
<th>System Replaced by 2040</th>
<th>System Replaced by 2050</th>
<th>System Replaced by 2060</th>
<th>System Replaced by 2070</th>
<th>System Replaced by 2080</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4</td>
<td>Prefunding, with Debt</td>
<td>12%</td>
<td>24%</td>
<td>36%</td>
<td>47%</td>
<td>59%</td>
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<tr>
<td>5.2</td>
<td>Prefunding, No Debt</td>
<td>14%</td>
<td>29%</td>
<td>43%</td>
<td>58%</td>
<td>72%</td>
</tr>
<tr>
<td>5.4</td>
<td>Prefunding, with Debt</td>
<td>14%</td>
<td>29%</td>
<td>43%</td>
<td>58%</td>
<td>72%</td>
</tr>
<tr>
<td>6.4</td>
<td>Prefunding, with Debt</td>
<td>18%</td>
<td>36%</td>
<td>53%</td>
<td>71%</td>
<td>89%</td>
</tr>
<tr>
<td>7.4</td>
<td>Prefunding, with Debt</td>
<td>19%</td>
<td>38%</td>
<td>57%</td>
<td>76%</td>
<td>94%</td>
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</table>
### SPENDING AND FUNDING

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>PAYGO</th>
<th>Prefunding</th>
<th>Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4 $320M; $6.4M / Yr</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>5.2 $390M; $7.8M / Yr</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>5.4 $390M; $7.8M / Yr</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>6.4 $480M; $9.6M / Yr</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>7.4 $510M; $10.2M / Yr</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

- 5 Remaining Alternatives
- All alternatives have prefunding
### PREFUNDING COMPONENT

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Prefunding</th>
<th>Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4 $320M; $6.4M / Yr</td>
<td>$16M</td>
<td>$1.6M</td>
</tr>
<tr>
<td>5.2 $390M; $7.8M / Yr</td>
<td>$29M</td>
<td>$2.9M</td>
</tr>
<tr>
<td>5.4 $390M; $7.8M / Yr</td>
<td>$22.5M</td>
<td>$2.25M</td>
</tr>
<tr>
<td>6.4 $480M; $9.6M / Yr</td>
<td>$29.4M</td>
<td>$2.94M</td>
</tr>
<tr>
<td>7.4 $510M; $10.2M / Yr</td>
<td>$19.2M</td>
<td>$1.92M</td>
</tr>
</tbody>
</table>

- Isolate Prefunding from other District revenue requirements
- Set amount to generate over 1st 10 years
• Charge must be tied to cost of service
  • Reserves, required coverage for debt compliance, and net income targets are all considered part of costs
• Charge shall be used for the sole purpose identified
  • A 2030 Project reserve may be established for Prefunding
• Charge on any parcel shall not exceed the proportional cost of service attributable to the parcel
  • How should cost be recovered?
    • Fixed cost vs Variable cost
  • Surcharge by meter size as a separate line item on bill
    • Size of meter reflects demand placed on the system
### PREFUNDING AS SURCHARGE

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Annualized</th>
<th>Fixed Monthly (1&quot;)</th>
<th>Fixed Monthly 3% Index (1&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4 $320M; $6.4M / Yr</td>
<td>$1.6M</td>
<td>$5.88</td>
<td>$5.13 - $6.69</td>
</tr>
<tr>
<td>5.2 $390M; $7.8M / Yr</td>
<td>$2.9M</td>
<td>$10.66</td>
<td>$9.30 - $12.13</td>
</tr>
<tr>
<td>5.4 $390M; $7.8M / Yr</td>
<td>$2.25M</td>
<td>$8.27</td>
<td>$7.21 - $9.41</td>
</tr>
<tr>
<td>6.4 $480M; $9.6M / Yr</td>
<td>$2.94M</td>
<td>$10.81</td>
<td>$9.43 - $12.30</td>
</tr>
<tr>
<td>7.4 $510M; $10.2M / Yr</td>
<td>$1.92M</td>
<td>$7.06</td>
<td>$6.16 - $8.03</td>
</tr>
</tbody>
</table>

- Assumes an annual rate adjustment of ~3.7% to existing rates
- Project 2030 surcharge could be separate line item on customer bill
- Continues throughout project period
- First 10 years relates to prefunding
TABLE GROUP ACTIVITY
SURVEY METHODOLOGY
OVERVIEW AND OUTLINE
WHY CONDUCT POLLING

- Determine Community Priorities
- Determine Preferred Alternative
- Determine Rate Level
- Identify Key Project Messages
- Gather Information for Public Education & Planning
SURVEY METHODOLOGY

- Random Cluster Sample ensures accurate demographic and geographic representation.
- Multiple Contact Methods include landline, cell, text and email contacts within cluster sample. Third-party matches are employed to improve the contact info.
- Unique ID Codes for Each Voter prevent duplicate surveys from being completed by any respondent.
- 500 Completed Interviews results in a margin of error of +4.35%
- 15-Minute Questionnaire allows for thorough understanding of respondent priorities, attitudes and willingness to support the District’s proposal.
Random cluster sample is accomplished by sampling voters by specific strings of demographic characteristics into proportional numbers of “clusters” or “buckets”. While interviewing, a least one completed interview is required per cluster or bucket.
How to conduct a representative voter polling process

Base contact information for voters in the Citrus Heights Water District used for multiple contact methods (35,194 total voters).

- Voter Landlines = 33%
- Voter Emails = 28%
- Voter Cell Phones = 31%

Telephone Module

Internet Module
QUESTIONNAIRE FLOW CHART

Awareness  Job Performance
Financial Management

Initial Rate Test
- Support for Alt - A
- Support for Alt - B

Features
- Project Specific Details

Informational Statements
- Accountability
  - Need
  - Timeline

Negative Statements
- Accountability Concerns
  - Rate Concerns

Final Rate Test
- Support for Alt - A
- Support for Alt - B

Fallback Test
- Lower Rate Alt - A
- Lower Rate Alt - B

Demographics
- Gender
- Age
- Party
- Ethnicity
- Geography
Survey Research Process

Kick-Off Meeting

Review Existing Data

CAC Workshop No. 6
Review Process and Request Input

Develop Sample Design

Post-Project Support

CAC Workshop No. 7
Presentation of Findings

Analysis & Reporting

Field Survey Versions

Pretest & Program

Develop Program & Pretest

Field Survey

Analysis & Reporting

Presentation of Findings

Kick-Off Meeting

Review Existing Data

CAC Workshop No. 6
Review Process and Request Input

Develop Sample Design
QUESTIONS AND ANSWERS
TOPICS FOR MEETING 7

• Review of Market Research Results
• Review and Development of Board Recommendation
• Introduction to Implementation Planning
Next Meeting: Tuesday, June 11th, 2019

**Time:** 6:30 pm – 9:15 pm

**Location:** Citrus Heights Community Center, Hall C
VISIT THE CAC WEBPAGE
chwd.org/customer-advisory-committee/
PARTICIPANT TAKEAWAY’S
CLOSING