PLEDGE OF ALLEGIANCE
Preview of CAC Meeting #8 on September 10th, 2019

Meeting Take Away’s

Determine the Top Alternative

Market Research Results

Review of Remaining 2 Alternatives

Approve Meeting #6 Summary

Public Comment
PUBLIC COMMENT
APPROVE MEETING #6
SUMMARY – MARCH 19, 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
- Market Research
- Phasing and Implementation Plan

Public Engagement
REVIEW OF REMAINING 2 ALTERNATIVES
## 2 Alternatives Selected for Market Research

<table>
<thead>
<tr>
<th>Alt</th>
<th>Funding Description</th>
<th>System Replaced by 2080</th>
<th>Cost 2018 ($)</th>
<th>Annual Spending</th>
<th>Additional Cost (Interest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4</td>
<td>Prefunding ($22.5M), with Debt (4% of funding)</td>
<td>72%</td>
<td>$390M</td>
<td>$7.8M</td>
<td>$48M</td>
</tr>
<tr>
<td>6.4</td>
<td>Prefunding ($29.4M), with Debt (9% of funding)</td>
<td>89%</td>
<td>$480M</td>
<td>$9.6M</td>
<td>$132M</td>
</tr>
</tbody>
</table>
### PREFUNDING COMPONENT

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Prefunding</th>
<th>Annualized (10 years)</th>
<th>Monthly Meter Surcharge (1”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4</td>
<td>$22.5M</td>
<td>$2.25M</td>
<td>$8.63</td>
</tr>
<tr>
<td>6.4</td>
<td>$29.4M</td>
<td>$2.94M</td>
<td>$11.27</td>
</tr>
</tbody>
</table>

- Isolate Prefunding from other District revenue requirements
- Identify ways prefunding could be implemented
  - Example reflects charge by meter size that remains constant for 10 years
MARKET SURVEY REVIEW
SURVEY RESEARCH PROCESS

Kick-Off Meeting

Review Existing Data

CAC Workshop No. 6

Review Process and Request Input

Develop Sample Design

Pretest & Program

Field Survey Versions

Analysis & Reporting

Post-Project Support

CAC Workshop No. 7 Presentation of Findings

PROJECT 2030
WATER MAIN REPLACEMENT

15
Citrus Heights Water District:
2019 District Survey

June 12, 2019
Overview and Research Objectives

The Citrus Heights Water District commissioned Godbe Research to conduct a survey of local voters and ratepayer non-voters with the following research objectives:

- Gauge awareness of the District;
- Gauge the public’s perceptions on the job the District is doing to provide water service and managing public funds;
- Assess potential support for a rate/surcharge increase proposal that could be considered by the Board of Directors to replace aging underground water mains or water pipelines;
- Prioritize projects and programs to be funded by the increase;
- Test the influence of informational and critical statements on potential support;
- Determine if there is a rate/surcharge threshold; and
- Identify demographic and/or voter behavioral characteristics to validate the sample is representative of the District’s voter population.
Methodology Overview

- **Data Collection**: Landline (82), cell phone (29), and text to online (494) interviewing

- **Universe**: 35,194 Registered voters, 4,912 Ratepayer non-voters

- **Fielding Dates**: May 2 through May 8, 2019

- **Interview Length**: 20 minutes

- **Sample Size**: n=504 Registered voters, n=101 Ratepayer non-voters, n=605 All respondents

- **Margin of Error**: ± 4.33% Registered voters, ± 3.95% All respondents
Key Findings
Q1. Seen, Heard or Read About CHWD

- Voters
  - Yes: 34.9%
  - No: 60.6%
  - DK/NA: 4.4%

- Non-voters
  - Yes: 56.4%
  - No: 35.6%
  - DK/NA: 7.9%
Q2. What Seen, Heard or Read About CHWD I

- Newsletter/Pamphlets/Flyers/Bill insert: 40.4% (Voters), 42.1% (Non-voters)
- Higher rates/Fees/Increasing/Too high: 16.7% (Voters), 17.5% (Non-voters)
- Construction/Projects/Upgrades/Repairs/Improvements: 15.8% (Voters), 8.8% (Non-voters)
- Water service provider: 5.7% (Voters), 8.8% (Non-voters)
- Water quality report: 4.3% (Voters), 8.8% (Non-voters)
- Online/Website: 3.7% (Voters), 5.3% (Non-voters)
- Positive - General Mention: 3.6% (Voters), 0.0% (Non-voters)
- Water restrictions: 3.1% (Voters), 3.5% (Non-voters)
- Water testing: 2.7% (Voters), 0.0% (Non-voters)
- Unsafe water/Contaminated: 2.6% (Voters), 0.0% (Non-voters)
- Policies/Regulations: 2.2% (Voters), 0.0% (Non-voters)
Q2. What Seen, Heard or Read About CHWD II

- Water conservation efforts: 1.8% (Voters), 3.5% (Non-voters)
- Water meter replacements: 1.7% (Voters), 0.0% (Non-voters)
- Customer/familiar: 1.4% (Voters), 1.8% (Non-voters)
- Lack of investment: 1.0% (Voters), 0.0% (Non-voters)
- 2030 project: 0.9% (Voters), 0.0% (Non-voters)
- Water main replacement: 0.9% (Voters), 3.5% (Non-voters)
- Negative - General Mention: 0.5% (Voters), 1.8% (Non-voters)
- Went to meetings: 0.4% (Voters), 1.8% (Non-voters)
- Other Mention: 0.8% (Voters), 0.0% (Non-voters)
- None/Nothing: 0.8% (Voters), 0.0% (Non-voters)
- Not Sure/DK/NA: 15.2% (Voters), 8.8% (Non-voters)
Q3. Opinion of Job the District is Doing to Provide Water Service

**Voters**
- Very favorable: 22.6%
- Somewhat favorable: 37.0%
- Somewhat unfavorable: 8.9%
- Very unfavorable: 4.7%
- DK/NA: 26.9%

**Non-voters**
- Very favorable: 29.7%
- Somewhat favorable: 37.6%
- Somewhat unfavorable: 6.9%
- Very unfavorable: 5.9%
- DK/NA: 19.8%

**Ratio Fav to Unfav**
- Voters: 4.4 to 1
- Non-voters: 5.2 to 1
Q4. Opinion of Job the District is Doing to Manage Public Funds

**Ratio Fav to Unfav**
- Voters: 2.4 to 1
- Non-voters: 1.5 to 1
Q5. Knowledge of Whether District is a City Department or Independent Public Agency

- **Voters**
  - Department of the City of Citrus Heights: 30.7%
  - Independent public agency: 24.2%
  - DK/NA: 45.2%

- **Non-voters**
  - Department of the City of Citrus Heights: 28.7%
  - Independent public agency: 30.7%
  - DK/NA: 40.6%
Q6. Uninformed Support for Option 6.4
Sample A

In order to replace 220 of the 250 miles of aging underground water mains or water pipelines in the Citrus Heights Water District, including transmission mains, distribution mains, and 15 water mains that cross creeks and are at heightened risk for failure, shall the Citrus Heights Water District Board of Directors approve a $480 million-dollar, 60 year replacement plan requiring an average annual water rate increase of 3.97 percent?

Do you support or oppose this proposal?
Q7. Uninformed Support for Option 5.4
Sample B

In order to replace 180 of the 250 miles of aging underground water mains or water pipelines in the Citrus Heights Water District, including transmission mains, distribution mains, and 15 water mains that cross creeks and are at heightened risk for failure, shall the Citrus Heights Water District Board of Directors approve a $390 million-dollar, 60 year replacement plan requiring an average annual water rate increase of 3.99 percent?

Do you support or oppose this proposal?
Q8. Seen, Heard or Read About Project 2030 – Water Main Replacement Project

- **Voters**
  - Yes: 13.5%
  - No: 78.5%
  - DK/NA: 7.9%

- **Non-voters**
  - Yes: 17.8%
  - No: 76.2%
  - DK/NA: 5.9%
Q9. Features of the Proposal

Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: “Much More Likely” = +2, “Somewhat More Likely” = +1, “No Effect” = 0, “Somewhat Less Likely” = -1, and “Much Less Likely” = -2.

<table>
<thead>
<tr>
<th>Feature Description</th>
<th>Sample Group</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Replace 15 water mains that cross creeks and are at a heightened risk for failure</td>
<td>Entire Sample</td>
<td>0.87</td>
</tr>
<tr>
<td>B. Replace the majority of aging distribution mains from 4 inches to 12 inches in diameter</td>
<td>Sample A – Option 6.4</td>
<td>0.67</td>
</tr>
<tr>
<td>E. Replace up to 209 miles of distribution mains from 4 inches to 12 inches in diameter</td>
<td>Sample B – Option 5.4</td>
<td>0.59</td>
</tr>
<tr>
<td>A. Replace 15 miles of transmission mains, pipes larger than 12 inches in diameter. Transmission mains transport...</td>
<td>Tier 1</td>
<td>0.58</td>
</tr>
<tr>
<td>D. Replace fire hydrants and water services to residences and businesses</td>
<td>Tier 2</td>
<td>0.57</td>
</tr>
<tr>
<td>H. Replace up to 169 miles of distribution mains from 4 inches to 12 inches in diameter</td>
<td>Tier 3</td>
<td>0.54</td>
</tr>
<tr>
<td>G. Replace 89 percent of the transmission and distribution mains by 2080</td>
<td></td>
<td>0.51</td>
</tr>
<tr>
<td>J. Replace 72 percent of the transmission and distribution mains by 2080</td>
<td></td>
<td>0.39</td>
</tr>
<tr>
<td>F. Increase rates 6 percent for the first 20 years and then the rate increases would be as low as 2.8 percent during...</td>
<td></td>
<td>-0.26</td>
</tr>
<tr>
<td>I. Increase rates 5.5 percent for the first 10 years and then the rate increases would be as low as 2.8 percent during...</td>
<td></td>
<td>-0.39</td>
</tr>
</tbody>
</table>

Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: “Much More Likely” = +2, “Somewhat More Likely” = +1, “No Effect” = 0, “Somewhat Less Likely” = -1, and “Much Less Likely” = -2.
Q10. Informational Statements I

M. It is much more cost effective to be proactive and plan replacement instead of reacting to emergency failures

O. The proposal does not increase property taxes at all

B. It is less costly to replace aging water mains based on thoughtful engineering analysis before they break than…

A. The transmission mains were installed in the 1950s and many are more than 60 years old and nearing the end of…

G. Transmission main failures at creek crossings could cause major environmental damage costing ratepayers…

I. Planned replacement of transmission and distribution mains saves ratepayers millions of dollars in…

N. The project costs will be spread out over a 60-year period so today’s ratepayers won’t pay all the costs

J. The planned replacement of aging transmission and distribution mains allows the Water District to…

E. Transmission main breaks can cause sink holes and close an entire street for weeks

C. Main breaks are very costly and can cause service outages, and damage streets, sidewalks, and private…

P. Planning for transmission and distribution main replacement will reduce the risk of water mains breaking

Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: “Much More Likely” = +2, “Somewhat More Likely” = +1, and “No Effect” = 0.
Q10. Informational Statements II

<table>
<thead>
<tr>
<th>Statement</th>
<th>Entire Sample</th>
<th>Sample A – Option 6.4</th>
<th>Sample B – Option 5.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>L. The District has been well managed and has very low staff costs compared to other similar water districts</td>
<td>1.06</td>
<td>1.04</td>
<td>1.04</td>
</tr>
<tr>
<td>S. Prefunding allows the District to collect rates from 2020 to 2030, that cannot be spent on anything else, then the...</td>
<td>1.04</td>
<td>1.04</td>
<td>0.98</td>
</tr>
<tr>
<td>T. The prefunding approach to financing the projects helps to even out the rate increases, saving the...</td>
<td>1.04</td>
<td>0.81</td>
<td>0.76</td>
</tr>
<tr>
<td>K. The proposal would use a combination of prefunding and debt financing to maximize water main replacement...</td>
<td>0.98</td>
<td>0.98</td>
<td>0.96</td>
</tr>
<tr>
<td>H. Planned replacement of transmission and distribution mains will prevent major service disruptions that could...</td>
<td>0.98</td>
<td>0.76</td>
<td>0.72</td>
</tr>
<tr>
<td>F. 50 to 75 percent of the mains need to be replaced between 2030 and 2080</td>
<td>0.96</td>
<td>0.72</td>
<td>0.53</td>
</tr>
<tr>
<td>U. The rate increases would be between 2.8 percent and 6 percent over the life of the project</td>
<td>0.81</td>
<td>0.76</td>
<td>0.53</td>
</tr>
<tr>
<td>V. The rate increases would be between 2.8 percent and 5.5 percent over the life of the project</td>
<td>0.76</td>
<td>0.72</td>
<td>0.49</td>
</tr>
<tr>
<td>D. The project does not include replacing or installing individual water meters</td>
<td>0.72</td>
<td>0.53</td>
<td>0.49</td>
</tr>
<tr>
<td>Q. The Citrus Heights Water District is an independent public agency that is not part of the City of Citrus Heights</td>
<td>0.53</td>
<td>0.49</td>
<td>0.49</td>
</tr>
<tr>
<td>R. The Citrus Heights Water District is an independent public agency that purchases most of its water from the...</td>
<td>0.49</td>
<td>0.49</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: “Much More Likely” = +2, “Somewhat More Likely” = +1, and “No Effect” = 0.
Q11. Critical Statements

Note: The above rating questions have been abbreviated for charting purposes, and responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Sample A – Option 6.4</th>
<th>Sample B – Option 5.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. The proposal will cost ratepayers $48 million dollars in interest charges</td>
<td>1.12</td>
<td>1.12</td>
</tr>
<tr>
<td>D. The project will take 60 years to complete allowing costs to spiral out of control</td>
<td>1.04</td>
<td>1.04</td>
</tr>
<tr>
<td>C. The Water District has increased rates every year for the last four years, now they want even more ratepayer...</td>
<td>1.04</td>
<td>1.04</td>
</tr>
<tr>
<td>B. The Water District wastes money on expensive consultants and 'Taj Mahal' like facilities for...</td>
<td>1.02</td>
<td>1.02</td>
</tr>
<tr>
<td>A. The Water District spends 25 percent of every ratepayer dollar on staff salaries, benefits and pensions...</td>
<td>0.97</td>
<td>0.97</td>
</tr>
<tr>
<td>G. The total project and interest will cost ratepayers more than 1.6 billion dollars when accounting for inflation...</td>
<td>0.95</td>
<td>0.95</td>
</tr>
<tr>
<td>I. The total project and interest will cost ratepayers more than 1.3 billion dollars when accounting for inflation...</td>
<td>0.93</td>
<td>0.93</td>
</tr>
<tr>
<td>F. The proposal will cost ratepayers $132 million dollars in interest charges</td>
<td>0.91</td>
<td>0.91</td>
</tr>
<tr>
<td>E. Prefunding is just a way for the Water District to collect money from ratepayers years before they actually start...</td>
<td>0.87</td>
<td>0.87</td>
</tr>
</tbody>
</table>

55.3% 47.4%
In order to replace 220 of the 250 miles of aging underground water mains or water pipelines in the Citrus Heights Water District, including transmission mains, distribution mains, and 15 water mains that cross creeks and are at heightened risk for failure, shall the Citrus Heights Water District Board of Directors approve a $480 million-dollar, 60 year replacement plan requiring an average annual water rate increase of 3.97 percent? Do you support or oppose this proposal?
Q13. Support for Option 6.4, 2.97% Alternative
Sample A

Instead of an average rate increase of 3.97 percent, would you support an average annual rate increase of 2.97 percent to replace aging transmission and distribution mains?
In order to replace 180 of the 250 miles of aging underground water mains or water pipelines in the Citrus Heights Water District, including transmission mains, distribution mains, and 15 water mains that cross creeks and are at heightened risk for failure, shall the Citrus Heights Water District Board of Directors approve a $390 million-dollar, 60 year replacement plan requiring an average annual water rate increase of 3.99 percent? Do you support or oppose this proposal?
Q15. Support for Option 5.4, 2.99% Alternative

Sample B

Instead of an average rate increase of 3.99 percent, would you support an average annual rate increase of 2.99 percent to replace aging transmission and distribution mains?
Summary & Recommendations

- There is limited awareness of the district among registered voters, although awareness is somewhat higher among the non-voter ratepayer segment.
- Favorability ratios for job performance and management of fiscal resources were good, but again large segments of registered voters do not have any opinion.
- Awareness of the “Project 2030 - Water Main Replacement Project” is also limited.
- The survey revealed a base of voter support for a rate/surcharge increase.
  - Support for the rate/surcharge increase in Option 6.4 was 62.5% on the first test and 61.8% on the second test, among registered voters. When lowered by 1% to 2.97%, support for the rate/surcharge increased to 65.7%, but the difference is not statistically significant.
  - Similarly, support for the rate/surcharge increase in Option 5.4 was 53.8% on the first test and 55.1% on the second test, among registered voters. When lowered by 1% to 2.99%, support for the rate/surcharge increased to 62.8%, a larger numeric increase, but still not statistically significant.
  - There is not a statistically significant difference between the two options.
Top tier features of the measure (listed below) were:

- Replace 15 water mains that cross creeks and are at a heightened risk for failure.
- Replace the majority of aging distribution mains from 4 inches to 12 inches in diameter.
- Replace up to 209 miles of distribution mains from 4 inches to 12 inches in diameter.
- Replace 15 miles of transmission mains, pipes larger than 12 inches in diameter. Transmission mains transport water from the local water treatment plant to the Citrus Heights Water District community.
- Replace fire hydrants and water services to residences and businesses.
Summary & Recommendations

Key messages that voters would find of interest were:

- It is much more cost effective to be proactive and plan replacement instead of reacting to emergency failures.
- The proposal does not increase property taxes at all.
- It is less costly to replace aging water mains based on thoughtful engineering analysis before they break than incurring emergency replacement costs.
- The transmission mains were installed in the 1950s and many are more than 60 years old and nearing the end of their useful life.
- Transmission main failures at creek crossings could cause major environmental damage costing ratepayers millions of dollars more to replace the main and repair the environmental damage, than replacing them before they fail.
Potential areas of concern that were tested included:

- The proposal will cost ratepayers $48 million dollars in interest charges.
- The project will take 60 years to complete allowing costs to spiral out of control.
- The Water District has increased rates every year for the last four years, now they want even more ratepayer money.
- The Water District wastes money on expensive consultants and 'Taj Mahal' like facilities for administrators.

Given the survey findings, Godbe Research believes that the Citrus Heights Water District Board of Directors should be confident enough in the level of community support to move the “Project 2030 - Water Main Replacement Project” process forward.

However, the limited awareness of the District, its job performance and the “Project 2030 - Water Main Replacement Project” are clear indicators that a public outreach effort is essential to explaining the district’s plan for main replacement and the key features and benefits to the community.
QUESTIONS
“STRAW VOTE” TO GET A SENSE OF THE COMMITTEE’S INITIAL PREFERRED ALTERNATIVE
TABLE GROUP
DISCUSSION
Given that the market research results show that both Alternatives have a majority of support that is not significantly different, which Alternative do you support more?
STEPS FOR IMPLEMENTATION
STEPS FOR IMPLEMENTATION

• Identify steps between now and 2030

• Project 2030 Implementation
  • Technical
  • Public Engagement
  • Financial
STEPS BETWEEN NOW & 2030

• Review with Staff and recommend steps to take prior to construction starting

• Some examples of these tasks
  ▪ Pipe inspections
    • Determine interval and data to collect
  ▪ Sampling and testing of removed pipes
  ▪ Updates to Risk Model
    • Replaced pipe locations
    • Break locations, pipe age and pipe type
    • Main leak locations and leak size
    • New pipe locations (from development)
    • Validate current CIP projects
IMPLEMENTATION – Technical

• Consider the following:
  ▪ Construction standards, standard detail updates
  ▪ Project delivery methods
  ▪ Staffing resources
  ▪ Organizational charts
  ▪ Other logistics such as office space
  ▪ Coordination with City/County projects (pavement maintenance)

• Technical items that will be needed:
  ▪ Construction Plans and Specifications
  ▪ Updated risk model
IMPLEMENTATION – Public Engagement

• Consider the following:
  ▪ Continue public engagement through a variety of ways
  ▪ Other Education platforms

• Technical items that will be needed:
  ▪ Public Engagement Strategy
  ▪ Benchmarks and regular measurement and reporting against established benchmarks
  ▪ Rapid response engagement plan(s)
IMPLEMENTATION – Financial

• Consider the following:
  ▪ Financial model updates, timing for regular updates
  ▪ Flexibility

• Technical items that will be needed:
  ▪ Bond planning
  ▪ Cash flow projections
PUBLIC COMMENT
TOPICS FOR MEETING 8

• Review of Implementation and Phasing for the Top Alternative
• Review Final Board Recommendation
PREVIEW OF CAC MEETING 8
MEETING 8

Next Meeting: Tuesday, September 10th, 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