2020 Budget & Rate Setting

BOARD MEETING OF NOVEMBER 25, 2019
November 25, 2019 Agenda

Hold three Public Hearings:

B-1 Proposed Water Rates and Miscellaneous Charges and Fees Effective 2020

B-2 Proposed 2020 Operating and Capital Improvement Budget & Transfers to Designated Reserves

B-3 Proposed Capacity Charges Effective 2020
Budget Process

Strategic Planning (Jun 04)

Financial Model Study Session (Aug 21)

Proposed Budget & Funding Options (Sept 18)
  • Board Direction

Prop 218 Notice (Oct 10)
  • Notice mailed to customers

Community Meetings (Oct & Early Nov)
  • Public Information & Engagement

Introduction of Proposed Misc. Charges and Fees (Oct 16)
  • Board Direction

Budget & Rate Adoption (Nov 25)
  • Public Hearings
  • Rate Adoption
Background/Introduction

- Budget Overview and Summary
  - About the Budget
  - Key Issues for 2020
- Operational Briefings – Budget Requests, Including Capital Improvement Program (CIP)
- Proposed Funding Option and Impacts
- Public Outreach
- Public Hearing
- Policy Direction
Budget Overview and Summary
Strategic Planning Priorities for 2020

- Continue CHWD Policy updates
  - Financial Policies
  - Engineering Policies

- Easements and Annexations

- Expanded Public Information/Public Engagement
  - Water Smart Classes
  - Website Redesign

- Implementation of Electronic Document Record Management System

- Strategic Engagement with Sacramento Suburban and San Juan Water Districts regarding Water Supply Management

- Groundwater Well Projects
  - Well Site Property Acquisition
  - Design of Well No. 7

- Long Term Planning
  - Consideration & Implementation of Project 2030 – Water Main Replacements
  - Complete Meter Replacement Program Study
About the Budget – Transfers to Reserves

San Juan Wholesale Charge 15%
Salary/Benefits 26%
Rate Revenue 96%
Collection Fees/Penalties 3%
Grants/Other 1%
Operations/Maintenance 25%
Capital Improvement Program 28%

Transfers out to all other Funds and Reserves 6%
About the Budget – Transfers to Reserves

- Water Efficiency Reserve Target ($200,000)
- Water Supply Reserve (based on annual Board contribution)
- Debt Services Reserve (Restricted) (Annual cost of 2010 COP Debt)
- Employment Related Benefits Reserve (GASB 45, Lx. Bal. & RR)
- Fleet Equipment Reserve (10% of equipment and machinery capital assets)
- Rate Stabilization Reserve ($1 million)
- Water Meter Replacement Reserve (based on annual Board contribution)
- Operating Reserve (Monies in excess of the 90 day obligation)
- Capital Improvement Reserve (5% of Audited Financial Statement Assets)
Usage Trend—The Challenge of Funding Based on Usage

Water Demand

Declining/Flat Demand: New Normal
2020 Proposed Budget

Total Proposed Budget $20,583,013
2020 Proposed Budget

Total Proposed Budget $20,583,013

Operations/Maintenance, Capital & Transfer to Reserves 74%

Salary & Benefits 26%
Summary of Costs

Operating Budget:
- A 2020 Operating Budget of $13.63 million
  - Implements Strategic Planning items and Special Projects identified by the Board as priorities for 2020

Funds and Reserves Transfers:
- Water Supply Reserve – $1 million
- Water Meter Replacement Reserve – $200,000

Capital Improvement Budget:
- Total 2020 Capital Improvement Budget is $5.7 million*
  ($3.1 million in 2020 projects, with another $2.6 million in projects carried over from prior years)

<table>
<thead>
<tr>
<th>Category</th>
<th>2020 Proposed Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities</td>
<td>$1,189,278.00</td>
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<tr>
<td>GroundWater</td>
<td>$865,334.00</td>
</tr>
<tr>
<td>Misc</td>
<td>$260,000.00</td>
</tr>
<tr>
<td>Water Main</td>
<td>$2,169,464.00</td>
</tr>
<tr>
<td>Interconnection/Mutual Aid</td>
<td>$52,065.00</td>
</tr>
<tr>
<td>Water Valves</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Water Services</td>
<td>$850,000.00</td>
</tr>
<tr>
<td>Water Meter</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Fire Hydrants</td>
<td>$160,000.00</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$5,746,141.00</td>
</tr>
</tbody>
</table>
Operational Briefings
General Manager’s Office
General Manager’s Office
Key Accomplishments for 2019

**Reporting/Compliance**
- SB 555 Water Loss
- SWRCB/DWR Reporting-monthly compliance report
- Executive Order compliance

**Water Efficiency**
- Customer Service Requests
- **Public Outreach - 5 WaterSmart classes**
- School Education
- Annual Poster Contest

**Meters**
- Reads/Re-reads/Zero Reads reduced to a manageable level
- Repaired/Replaced 25% of CHWD’s large meters
- Replaced 44 small meters
- Replaced 182 meter registers
- Meter installations for new developments
General Manager’s Office
Key Accomplishments for 2019

Safety

Regulatory Compliance
- Initiated development of a State and Federally compliant Emergency Operations Plan
- Initiated development of a Standardized Emergency Respiratory Protection Program
- Developed a “Lock Out/ Block Out” Policy

Training/Education
- First Aid/CPR/AED (Renewal)
- Respirator Fit Test (Renewal)
- Blood-borne Pathogens
- Fire Extinguisher (hands on)
- Group Safety Presentations
- Asbestos Cement Pipe
- Silica Awareness/Hazards
- Hazard Communication

Loss Prevention
- Safety Committee
- Corporation Yard Emergency Response Labeling & Map
- Installed an Emergency Audio Alert System at Corporation Yard
General Manager’s Office

Key Initiatives for 2020

- Water Efficiency Legislative Compliance (SB 606/AB 1668 & SB 555)
- **Public Outreach – Value-added services to customers on current water efficiency programs**
- Reduce response time for meter repair and replacements
- Safety compliance and training
- Poster Contest – Annual water efficiency education to students
- Water Efficiency Demonstration Garden at Stock Ranch Community Garden

- Enforcement of the Inspection Warrant Process for access to meters
- Rebates – High Efficiency Toilets and Washers, Smart Irrigation Controllers, Residential Pressure Reducing Devices
- **Increase landscape irrigation reviews for customers**
- Contract Services for special projects such as state-mandated regulations
- Increasing Community Presence: Howl ’O Ween parade, Citrus Heights Senior Health Fair, and Sunday FunDay
Administrative Services Department
Administrative Services Department
Key Accomplishments for 2019

- CHWD’s First Comprehensive Annual Financial Report (CAFR) Award
- On boarding of new IT support services firm
- 4 Software Upgrades (ESRI/GIS, Cogsdale, GreatPlains, Cityworks)
- New Software (Innovyze – Project 2030 Software purchase)
- Electronic Document Records Management System Vendor Selection
- Senior Management Analyst
- On boarding of new PR Firm

- Public Outreach
- 6 Customer Advisory Committee Meetings
- 8 Visits with Neighborhood Associations
- Citrus Heights Chamber Sponsorship
- Completed Policy Updates (e.g., HR)
- OPEB Unfunded Actuarial Liability Funding
- Increased customer participation of online bill pay
- Implementation of Time and Entry System
Human Resources

- CalPERs pension & OPEB Unfunded Actuarial Liability (UAL) accelerated pay-down $521,500
- 4.5% - Includes Pay for Performance and COLA (BLS CPI for All Urban Consumers (CPI-U)).
- $65,000 for Rewards and Recognition Program in the Employment-Related Benefits Reserve Fund as part of CHWD’s Pay for Performance system.
- Proposed Water Distribution Operator Position
- Implement Human Resources Management System

Risk Management

- ACWA JPIA
  - General Liability: $80,000 for 10/1/19 through 9/30/20
  - Workers Compensation: $91,500 for 1/1/19 through 12/31/19 based on last 2 years
  - Property: $22,000 for 4/1/19 through 3/31/20
Human Resources

Proposed New Position:

Water Distribution Operator I

Responsible for installing, maintaining, and repairing valves, mains, services and related water distribution system facilities

Ensures each crew has a minimum of 3 staff
- 2018/19 – 3 crews (9 FTE) average 1.5 FTE/day on leave factor (e.g., vacation, sick & training)
- Capital and emergency repairs/replacements require a minimum of 3 staff

Temporary workforce
- Lacks State Required Certifications to work on water facilities unsupervised
- Cannot drive specialized heavy equipment

Cost Allocation

<table>
<thead>
<tr>
<th>Estimated Annual Cost Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Range:</td>
</tr>
<tr>
<td>Other Employer’s Cost:</td>
</tr>
</tbody>
</table>

Estimated Annual Cost (based on midpoint of salary range): $103,156
Temporary Labor Savings $(15,000)

Net Impact to Budget $88,156
## Administrative Services Department
### 2020 Key Initiatives and Expenses

### Public Information/Public Outreach
- Citrus Heights Chamber Sponsorship
- Waterline
- Prop 218 Notice
- Social Media
- Special Projects – Website Redesign
- Customer Advisory Committee
- **Develop Communications Strategic Plan**

### Information Technology
- Develop 5-year IT Strategic Plan
- **Implement Document Management System**
- Implement HRIS (Human Resources Information System) Software

### Clerk of the Board
- Brown Act Compliance
- FPPC Compliance/Filings
- Public Meeting Management
- Intergovernmental Relations/Legislative Affairs

### Finance
- Review and Update CHWD Policies
- Issue an RFP and select a consultant for Audit Services
- Increased costs due to increased customer participation of online bill pay.
San Juan Water District – Wholesale

- 2.21% increase to CHWD customers’ rate
- Shortfall in Reserves for Capital Needs – $60 million

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected SJWD-W Rate Increase</th>
<th>Impact on CHWD Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>9%</td>
<td>2.13%</td>
</tr>
<tr>
<td>2020</td>
<td>9%</td>
<td><strong>2.21%</strong></td>
</tr>
</tbody>
</table>

Regional Debt Comparison

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Debt Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Dorado Irrigation District</td>
<td>309,403,494</td>
</tr>
<tr>
<td>Sacramento Suburban Water District</td>
<td>81,429,132</td>
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<tr>
<td>Elk Grove Water District</td>
<td>46,035,000</td>
</tr>
<tr>
<td>City of Roseville</td>
<td>40,873,573</td>
</tr>
<tr>
<td>San Juan Water District</td>
<td>38,313,568</td>
</tr>
<tr>
<td>Carmichael Water District</td>
<td>19,925,000</td>
</tr>
<tr>
<td>Rio Linda Elverta CWD</td>
<td>7,420,165</td>
</tr>
<tr>
<td>Citrus Heights Water District</td>
<td><strong>3,078,027</strong></td>
</tr>
<tr>
<td>Fair Oaks Water District</td>
<td>-</td>
</tr>
<tr>
<td>City of Lincoln</td>
<td>-</td>
</tr>
<tr>
<td>Rancho Murieta CSD</td>
<td>-</td>
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</table>
Operations Department
# Operations Department
## Key Accomplishments for 2019

<table>
<thead>
<tr>
<th>Operations Projects</th>
<th>Status/Number Completed</th>
<th>2019 Budget</th>
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</thead>
<tbody>
<tr>
<td>Water Service Connections</td>
<td>229</td>
<td>$957,700</td>
</tr>
<tr>
<td>Water Valves</td>
<td>7</td>
<td>$148,540</td>
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<tr>
<td>Fire Hydrants</td>
<td>15</td>
<td>$159,150</td>
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<tr>
<td>Emergency Water Main Replacements</td>
<td>1</td>
<td>$66,843</td>
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<tr>
<td>Water Meter Replacements</td>
<td>44</td>
<td>$129,086</td>
</tr>
<tr>
<td>Highland/Rinconada Drainage Project – City</td>
<td>COMPLETE</td>
<td>$45,000</td>
</tr>
<tr>
<td>Wind Way and Longwood Way Main Replacement</td>
<td>COMPLETE</td>
<td>$327,158</td>
</tr>
<tr>
<td>Well #8 – Test Hole Drilling</td>
<td>COMPLETE</td>
<td>$130,100</td>
</tr>
<tr>
<td>Bac-T samples</td>
<td>800+</td>
<td>-</td>
</tr>
<tr>
<td>USA Tickets</td>
<td>9,275+</td>
<td>-</td>
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<tr>
<td>Groundwater Production</td>
<td>236 AF (as of Nov. 1, 2019)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$1,963,577</td>
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</table>
Operations Projects Completed in 2019

2019 OPERATIONS PROJECTS SUMMARY
- Service Replacements
- Valve Replacements
- Hydrant Replacements
- Meter Replacements

Distribution Mains 4" >
CHWD Boundary
Operations Department
2020 Key Initiatives

Water Distribution System - Operations and Maintenance
  ▪ Water Service Leaks

Groundwater Well - Operations and Maintenance
  ▪ Variable Frequency Drive at Bonita Well

Groundwater Well Development
  ▪ Land Acquisition & Design – Highland Ave.
  ▪ Transfer of Operating Funds to Water Supply Reserve for Future Well Development (CIP Smoothing Program)
  ▪ Disposal of Old Well Sites
  ▪ Aquifer Storage and Recovery (ASR) Assessment

Update Mutual Aid & Intertie Agreements
  ▪ SJ WCA’s updating Mutual Aid Agreement (2008) and Agency Specific Intertie Agreements

Water Supply Agreement
  ▪ Water Shortage Agreement

Water Meter Replacement Study
  ▪ Develop Plan for replacement of Gen 2 & Beyond
  ▪ Water Meter Testing Program
  ▪ Long Range Financial Plan
  ▪ CAC & Customer Engagement
Groundwater Well Program
6 Groundwater Wells
• Total production – 8,000 gpm (11.7 MGD)
• Production with one (top production) well out of service – 6,000 gpm (8.8 MGD)

2018 Water System Demands
• Average annual demand – 7,300 gpm (10.5 MGD)
• Average demand (July) – 12,700 gpm (18.3 MGD)
• Maximum demand (Peak hour) – 23,000 gpm

gpm = gallons per minute
MGD = Million Gallons per Day
Well Development Costs

- ~$3M to Construct a Well
- 4–Year Development Process

**Phases:**

1. Property Acquisition
2. Test Hole Drilling
3. Environmental Assessment
4. Design
5. Drilling
6. Equipment and Facility Construction
Water Supply Reserve

Established: August 2016

Current Balance: $1,123,000*

*$1,623,000 -$500,000 (authorized for purchase of Wells #7 & #8)

Annual Contribution: Board Decision

Purpose: Provide funds for water supply maintenance and development to minimize diverting funds from water main replacements
Water Supply Reserve – Current Outlay

Funding will come from year-to-year CIP Budgeting.

- **2019**: Reserve Balance - $1,412,000
- **2020**: Reserve Balance - $59,500
- **2021**: Reserve Balance - ($918,500)
- **2022**: Reserve Balance - ($1,837,000)
Significance of the Water Supply Reserve

- Present value and cash flow
- Sustainability; minimizes diversion of funds from other CIP expenditures, (e.g. water main & water meter replacements)
- Authorized and projected draw-downs of the water supply reserve
- Helps maintain and complete the build out of the groundwater program
  - Supply reliability & price stability
  - Groundwater management through ASR
  - Managing system-wide pressure, including fire flows
  - Increase in conjunctive use
    - Utilizing groundwater during dry years/restrictions on surface water
Water Meter Replacement Reserve

**Established:** January 2017

**Current Balance:** $1,530,000

**Annual Contribution:** Board Decision

**Purpose:** Provide funds for the replacement of water meters

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**Planning for Meter Replacements**

1\(^{st}\) Generation Meters
- Implemented from 1998-2007
- 17,500 Connections
- Install/Retrofit Cost: $9.7 million

2\(^{nd}\) Generation Meters
- Projected Implementation ~ Meter Study
- 20,000 Connections
- Estimated Cost: $10+ million
## Proposed Projects

<table>
<thead>
<tr>
<th>Proposed Projects</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Service Connections</td>
<td>$850,000</td>
</tr>
<tr>
<td>Water Valves</td>
<td>$100,000</td>
</tr>
<tr>
<td>Fire Hydrants</td>
<td>$160,000</td>
</tr>
<tr>
<td>Water Main Replacements</td>
<td>$70,000</td>
</tr>
<tr>
<td>Water Meter Replacements</td>
<td>$100,000</td>
</tr>
<tr>
<td>Existing Groundwater Well Improvements</td>
<td>$150,000</td>
</tr>
<tr>
<td>Annual Fleet and Field Equipment</td>
<td>$380,000</td>
</tr>
<tr>
<td>Facilities O&amp;M</td>
<td>$100,000</td>
</tr>
<tr>
<td>Highland Well Design</td>
<td>$563,500</td>
</tr>
<tr>
<td>Well Site #9 Property Acquisition</td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,973,500</strong></td>
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Engineering Department
The Organization
# Engineering Department Key Accomplishments for 2019

<table>
<thead>
<tr>
<th>2019 Projects</th>
<th>Comment</th>
<th>2019 Budget (Includes 2018)</th>
<th>YTD Percent Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind Way 8”, Longwood Dr 6” (Construction)</td>
<td>Construction by Operations Complete</td>
<td>$327,158</td>
<td>100%</td>
</tr>
<tr>
<td>Pleasant View Dr 8” (Construction)</td>
<td>Construction/Inspection Complete</td>
<td>$701,900</td>
<td>100%</td>
</tr>
<tr>
<td>Michigan Dr 8” and 6” (Easements, Design &amp; Construction)</td>
<td>Easement Acquisition Complete</td>
<td>$249,258</td>
<td>100% Easement 75% Design</td>
</tr>
<tr>
<td>Cologne Way (Easements, Design &amp; Construction)</td>
<td>Easement Acquisition Complete</td>
<td>$220,471</td>
<td>100% Easement 75% Design</td>
</tr>
<tr>
<td>Quiet Oak Lane (Construction)</td>
<td>Construction/Inspection Complete</td>
<td>$127,654</td>
<td>100%</td>
</tr>
<tr>
<td>Old Auburn Road – Daffodil &amp; Wooddale Way (Design &amp; Construction)</td>
<td>Design Complete</td>
<td>$150,465</td>
<td>100% Design 95% Const.</td>
</tr>
<tr>
<td>Watson Way 8” (Design &amp; Construction)</td>
<td>Design Complete</td>
<td>$406,401</td>
<td>100% Design 95% Const.</td>
</tr>
<tr>
<td>Patton Ave 8” (Design &amp; Construction)</td>
<td>Design Complete</td>
<td>$67,679</td>
<td>100% Design 95% Const.</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$2,250,986</strong></td>
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Engineering Department
Key Accomplishments for 2019 (continued)

2019 Private & City/County Developments

<table>
<thead>
<tr>
<th>5</th>
<th>Accepted Projects</th>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>Approved Projects Currently Under Construction (CHWD Performing Inspection)</td>
</tr>
<tr>
<td></td>
<td>- 6920 Auburn Blvd – Stock Ranch Plaza – Parcel 11</td>
</tr>
<tr>
<td></td>
<td>- Mariposa Avenue Safe Routes to School Phase III (City of Citrus Heights)</td>
</tr>
<tr>
<td></td>
<td>- Studio Movie Grill</td>
</tr>
<tr>
<td>2</td>
<td>Approved Projects Awaiting Construction</td>
</tr>
<tr>
<td>8</td>
<td>Projects Under Plan Review</td>
</tr>
<tr>
<td>341</td>
<td>Work Orders with Mapping Updates</td>
</tr>
</tbody>
</table>

Other Key Accomplishments:
- Completed the Customer Advisory Committee Meetings for the Project 2030 Study
- Started the District-wide Annexation Project
<table>
<thead>
<tr>
<th>Goal/Task Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Asset Inventory</td>
<td>Complete</td>
</tr>
<tr>
<td>Develop Water Demand Forecast</td>
<td>Complete</td>
</tr>
<tr>
<td>Develop Water Main Replacement Options</td>
<td>Complete</td>
</tr>
<tr>
<td>Develop Water Main Replacement Cost Estimates</td>
<td>Complete</td>
</tr>
<tr>
<td>Develop Funding Options</td>
<td>Complete</td>
</tr>
<tr>
<td>Develop Phasing Plan</td>
<td>Complete</td>
</tr>
<tr>
<td>Complete Market Research</td>
<td>Complete</td>
</tr>
<tr>
<td>Develop Implementation Plan</td>
<td>Complete</td>
</tr>
<tr>
<td>Prepare Final Report</td>
<td>Expected in Q4 2019</td>
</tr>
<tr>
<td>Present CAC Recommended Alternative to Board along with Funding Plan and Public Engagement Strategy</td>
<td>Expected in Q1/Q2 2020</td>
</tr>
</tbody>
</table>
Engineering Department
2020 Key Initiatives

- **Complete** $2 Million +/- of Water Main Replacement and Installation (includes fire hydrants and water services)

- **Begin** Project 2030 Implementation Plan subject to Board approval (Public Engagement, Funding Program and Technical Components)

- **Complete** District-wide Annexation Project

- **Begin** District-wide Easement Project

- **Complete** Pre-Architectural Study/Master Plan for the Corporation Yard

- **Begin** Plans, Specifications, & Estimate for the Corporation Yard Improvements
<table>
<thead>
<tr>
<th>Description</th>
<th>2020 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michigan Drive (Construction)</td>
<td>$112,875</td>
</tr>
<tr>
<td>Cologne Way (Construction)</td>
<td>$46,598</td>
</tr>
<tr>
<td>Robie Way 8” (Construction)</td>
<td>$314,536</td>
</tr>
<tr>
<td>Admiral Avenue (Construction)</td>
<td>$261,129</td>
</tr>
<tr>
<td>Whyte Ave &amp; Langley Ave (Construction)</td>
<td>$659,420</td>
</tr>
<tr>
<td>Rowan Way 8” &amp; 6” at Grady Drive (Construction)</td>
<td>$90,676</td>
</tr>
<tr>
<td>Fair Oaks Boulevard (Design)</td>
<td>$56,439</td>
</tr>
<tr>
<td>Langley Avenue &amp; Chance Drive (Design)</td>
<td>$67,019</td>
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<tr>
<td>Marsala Court (Design)</td>
<td>$7,482</td>
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<tr>
<td>Skycrest School (Design)</td>
<td>$13,765</td>
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<tr>
<td>Walnut Drive (Design)</td>
<td>$17,133</td>
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<tr>
<td>Wisconsin Drive (Design)</td>
<td>$33,238</td>
</tr>
<tr>
<td>Pre-Architectural Study Corporation Yard/Master Plan</td>
<td>$100,000</td>
</tr>
<tr>
<td>Plans, Specifications, &amp; Estimate for Preferred Alt – Corporation Yard</td>
<td>$25,000</td>
</tr>
<tr>
<td>Other City Partnership Opportunities – City of Citrus Heights Drainage, Road Improvements</td>
<td>$150,000</td>
</tr>
<tr>
<td>Other Miscellaneous Infrastructure Projects</td>
<td>$110,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,065,310</strong></td>
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</tbody>
</table>
2019 & 2020 Proposed Water Main Projects
Budget Cost Recap

- 2020 Strategic Planning Items & Special Projects Included
- Continued Capital Improvement Program
- Transfers to Water Supply & Water Meter Replacement Reserves
- Continued Accelerated Payoff of Pension and OPEB UAL Costs
- Increased Field Operations Staffing Resources
- Includes SJWD Rate Increase
Proposed Funding
Meet Reserve Policies Targets, Builds CIP as Submitted; Funds New WDO Position; Replenishes Water Supply Reserve ($1 million), Funds Water Meter Reserve ($200k)

- Meets Min Reserve Policy Targets
- Fund Water Supply Reserve - $1,000,000
- Fund Water Meter Reserve - $200,000
- Will Fund Proposed Water Distribution Operator
- Includes SJWD rate increase pass-through
- Builds CIP as submitted by staff

Proposed Funding

- 22 cents/day

Water Supply Reserve

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserve Balance</th>
<th>22 cents/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$2,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>2020</td>
<td>$1,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>2021</td>
<td>$1,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>2022</td>
<td>$1,000,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

- 2019 Reserve Balance: $2,000,000
- 2020 Reserve Balance: $1,000,000
- 2021 Reserve Balance: $1,000,000
- 2022 Reserve Balance: $1,000,000

- 22 cents/day spent each year
What does it mean for me?

The proposed rate adjustment, based on average consumption for a family of four in a single family home with a one-inch water meter, is about 22 cents per day.

10% below regional average.
Capacity Fees
Capacity Fees

- Financial Model rebuild: develop a capacity charges module to the new Financial Model.

- Proposed Capacity Charges for 2020 are calculated in accordance with District Policy No. 7500, Capacity Charges.

- Capacity charges are a method for ensuring that new connections, reconnections or enlarged connections to the District’s water system are assessed for their equitable share of capacity in the existing facilities and assets of the District.
Calculation Methodology – Capacity Fees

Water System Capacity (Buy-In) Charge per Meter Size

- Replacement Costs less Depreciation
- Meter Equivalent (AWWA* Ratios)
- Plus WIP** less Debt

* American Water Works Association (AWWA)
** Work in Progress (WIP)
Public Outreach
Proposed Public Information and Public Engagement Strategy for 2020 Budget

Audiences
- Customers at large
- 8 Citrus Heights Neighborhood Associations
- Orangevale Community Meeting
- Citrus Heights Community Meeting
- Service Clubs
  - Rotary
  - Kiwanis

Channels
- Proposition 218 Notice
- Hand-out
- Updated informational web page
- Public presentation to the City’s Neighborhood Associations, the Citrus Heights & Orangevale Community Meetings (Supervisor Frost), and the Chamber of Commerce
- District’s social media and website
## Prop 218 Total Letters Received

<table>
<thead>
<tr>
<th>Reason</th>
<th>Count of Prop 218 Letters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Generic protest letter with no detail</td>
<td>10</td>
</tr>
<tr>
<td>2. I’ve reduced consumption but prices go up</td>
<td>6</td>
</tr>
<tr>
<td>3. You should have planned more</td>
<td>4</td>
</tr>
<tr>
<td>4. I’m on a fixed income</td>
<td>8</td>
</tr>
<tr>
<td>5. Too expensive already</td>
<td>10</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>38</strong></td>
</tr>
</tbody>
</table>
Policy Direction
Recommended Action


Questions, Comments and Policy Direction