

2020 Budget & Rate Setting

BOARD MEETING OF NOVEMBER 25, 2019

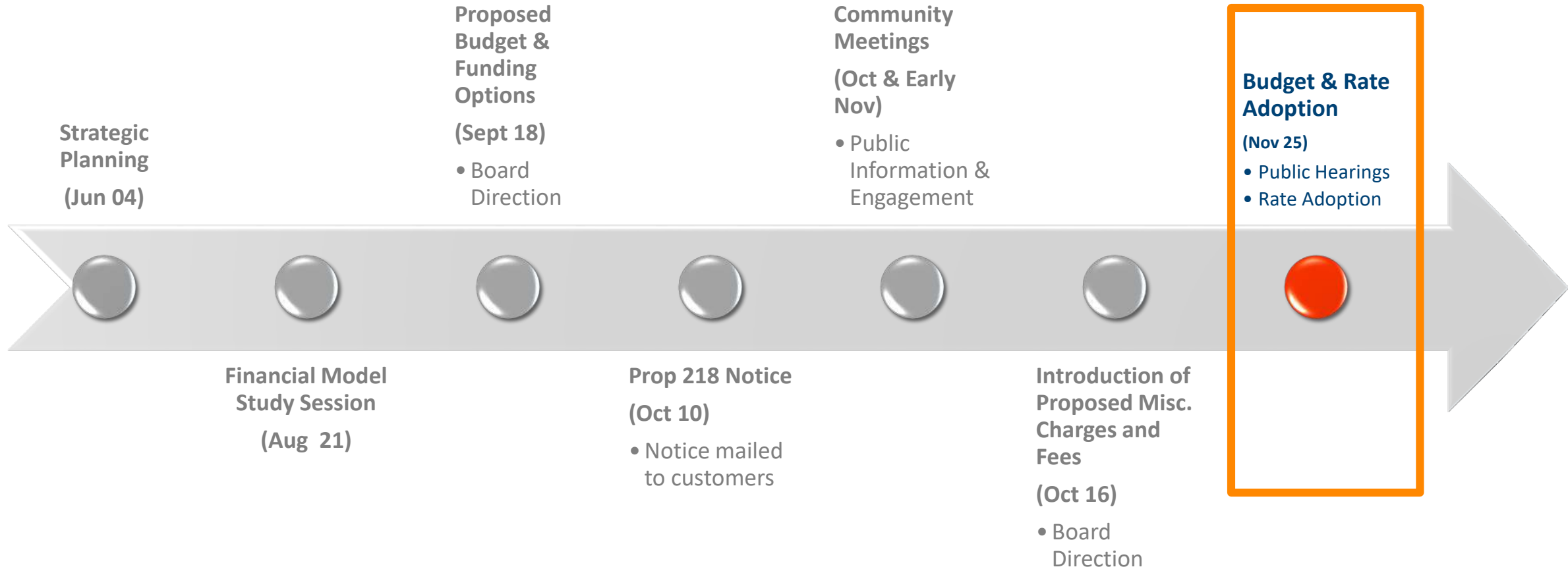


November 25, 2019 Agenda

Hold three Public Hearings:

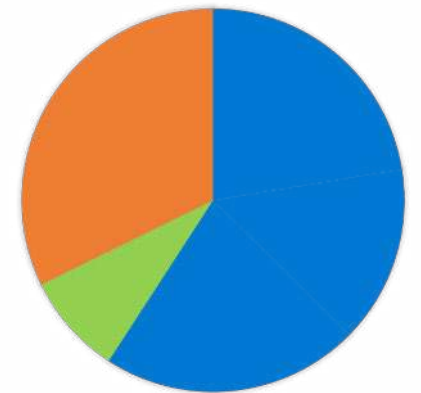
- B-1 Proposed Water Rates and Miscellaneous Charges and Fees Effective 2020**
- B-2 Proposed 2020 Operating and Capital Improvement Budget & Transfers to Designated Reserves**
- B-3 Proposed Capacity Charges Effective 2020**

Budget Process



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





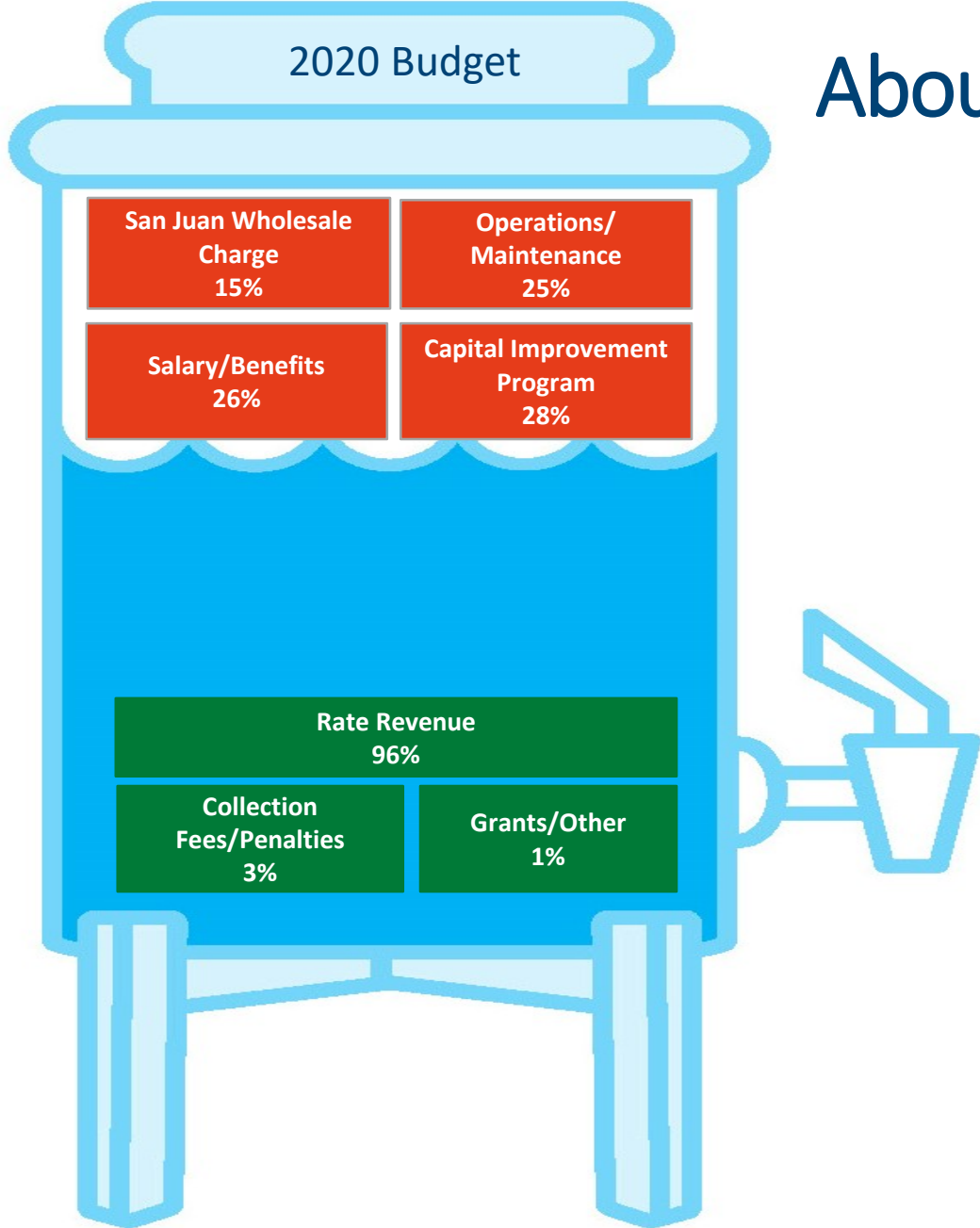
Budget Overview and Summary

Strategic Planning Priorities for 2020

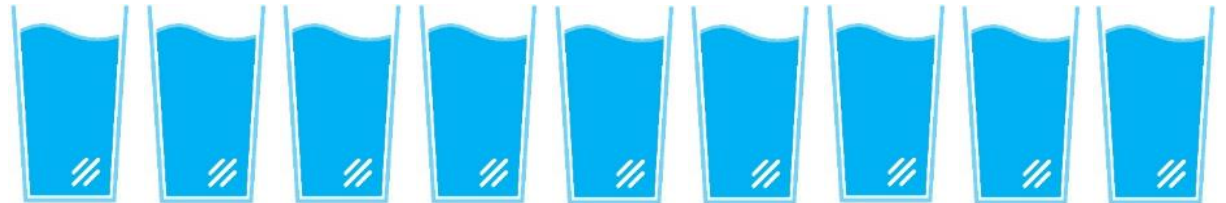
- Continue CHWD Policy updates
 - Financial Policies
 - Engineering Policies
- Easements and Annexations
- Expanded Public Information/Public Engagement
 - Water Smart Classes
 - **Website Redesign**
- Implementation of Electronic Document Record Management System
- Strategic Engagement with Sacramento 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**

2020 Budget

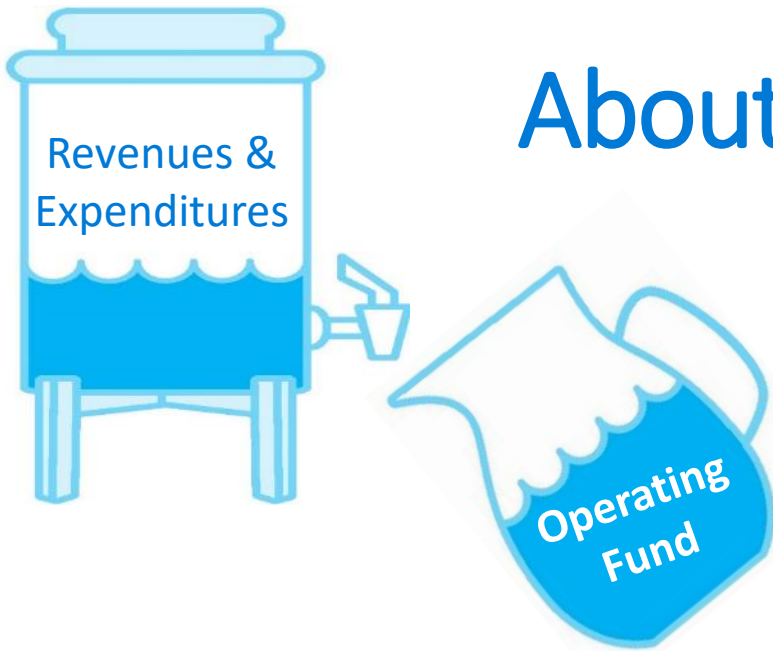
About the Budget – Transfers to Reserves



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, Lv. Bal. & RR)

Fleet Equipment Reserve
(10% of equipment and machinery capital assets)

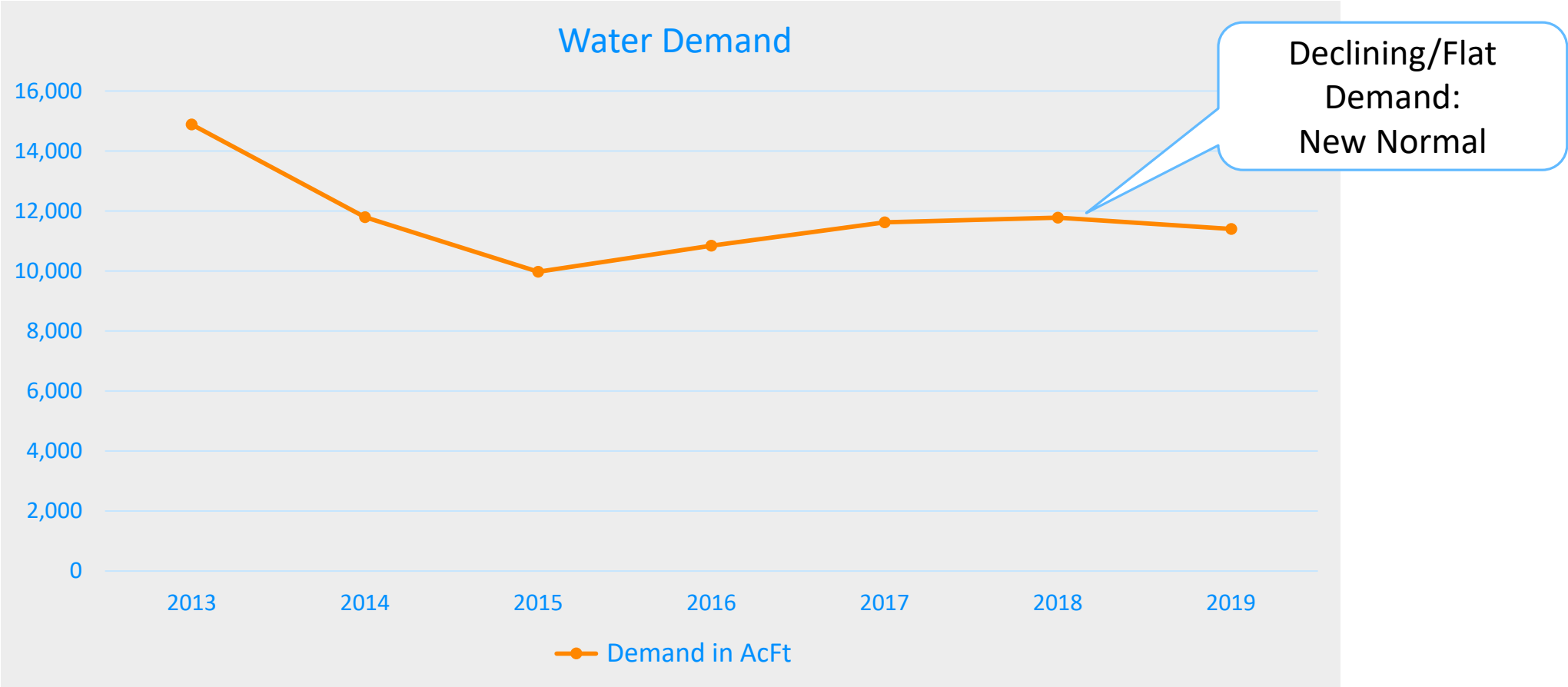
Rate Stabilization Reserve
(\$1 million)

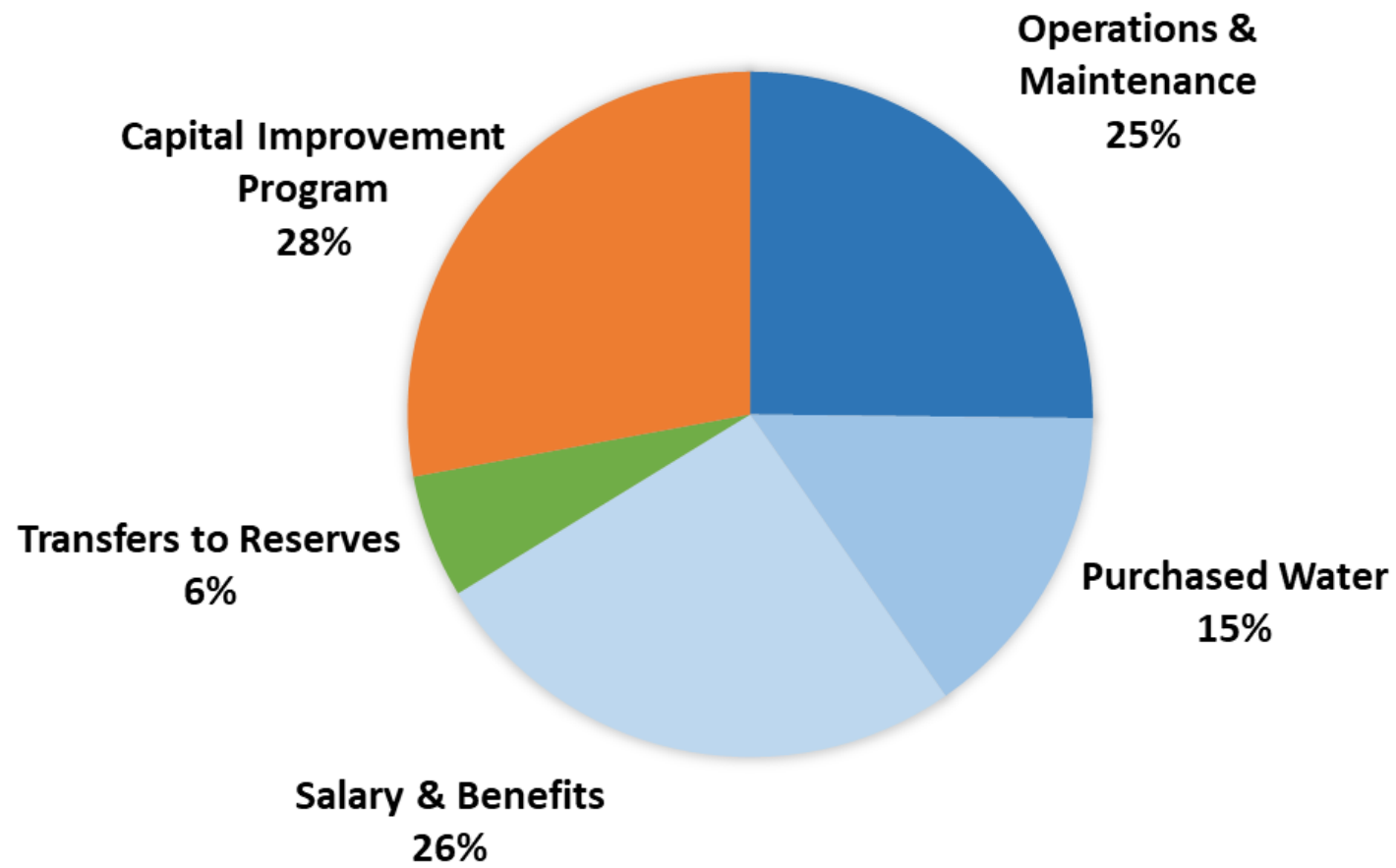
Water Meter Replacement Reserve
(based on annual Board contribution)

Operating Reserve
(Monies in excess of the 90 day obligation)

Capital Improvement Reserve
(5% of Audited Financial Statement Assets)

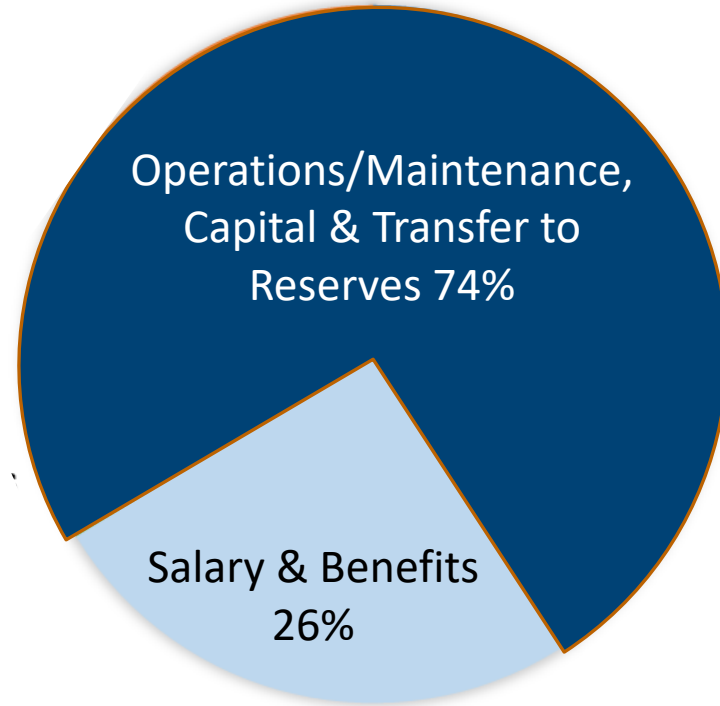
Usage Trend— The Challenge of Funding Based on Usage





2020 Proposed Budget

Total Proposed Budget \$20,583,013



2020 Proposed Budget

Total Proposed Budget \$20,583,013

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)

Category	2020 Proposed Expense
Facilities	\$ 1,189,278.00
GroundWater	\$ 865,334.00
Misc	\$ 260,000.00
Water Main	\$ 2,169,464.00
Interconnection/Mutual Aid	\$ 52,065.00
Water Valves	\$ 100,000.00
Water Services	\$ 850,000.00
Water Meter	\$ 100,000.00
Fire Hydrants	\$ 160,000.00
Grand Total	\$ 5,746,141.00

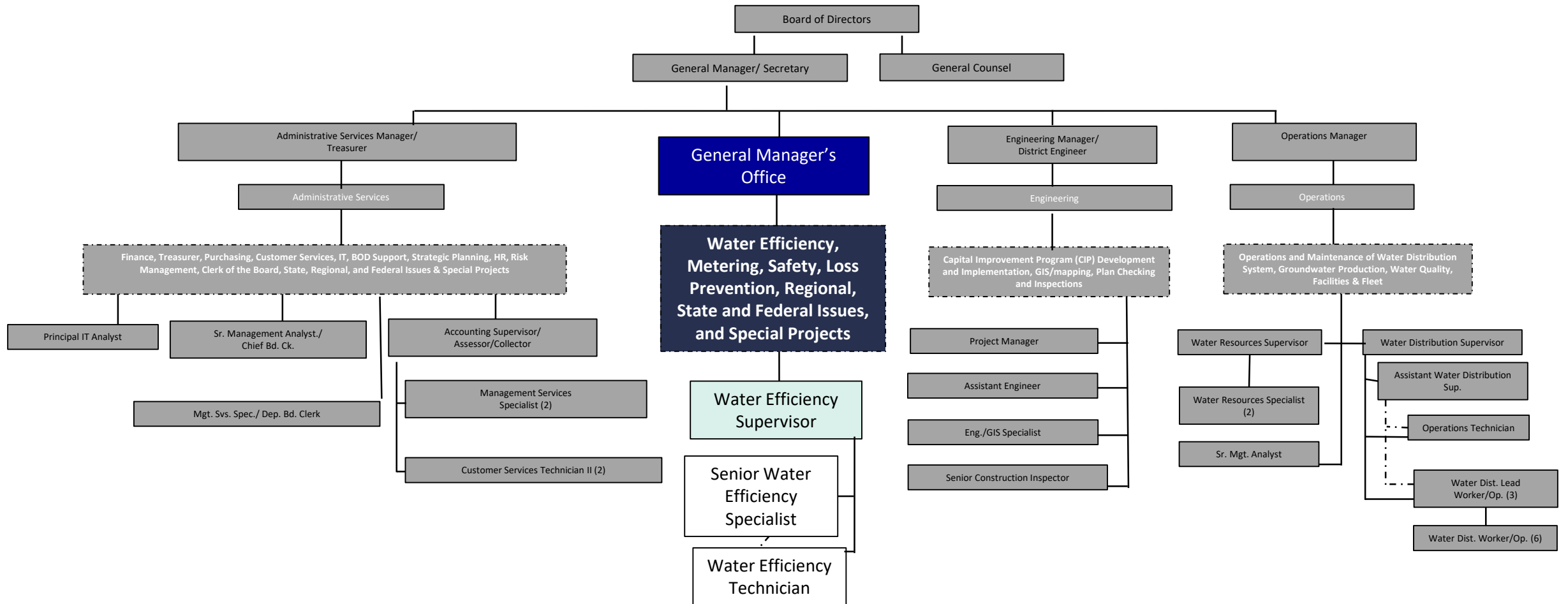


Operational Briefings

General Manager's Office



The Organization (Current)



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

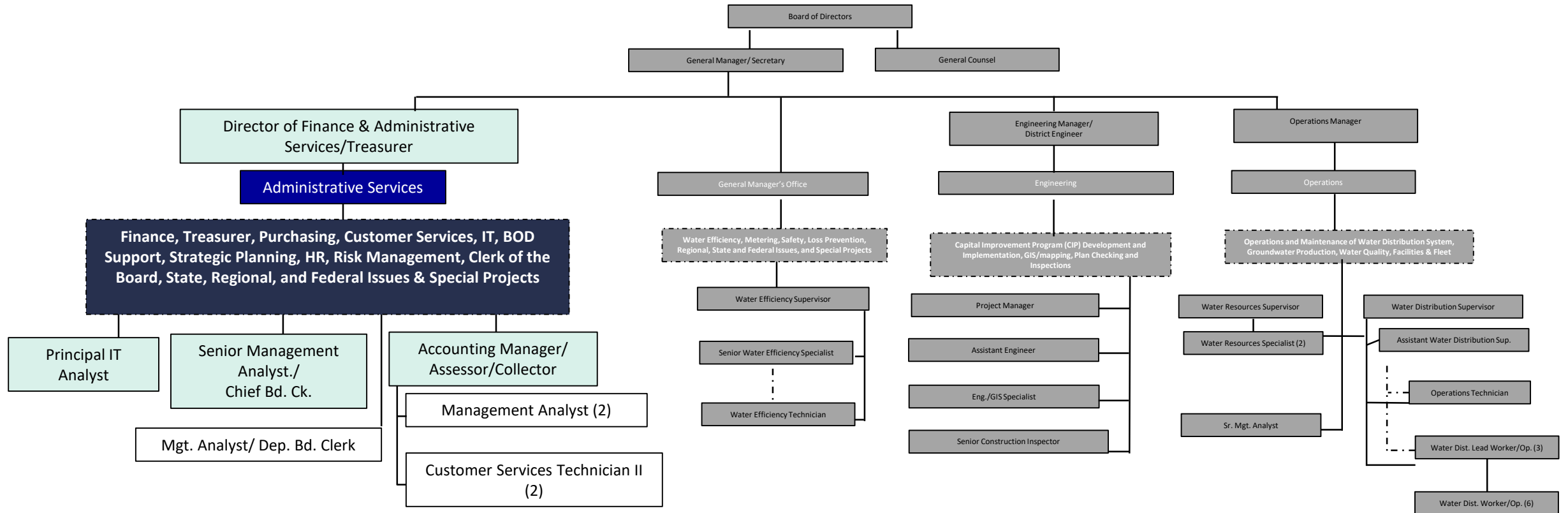
Key Initiatives for 2020

- 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



The Organization



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

Administrative Services Department

2020 Key Initiatives and Expenses

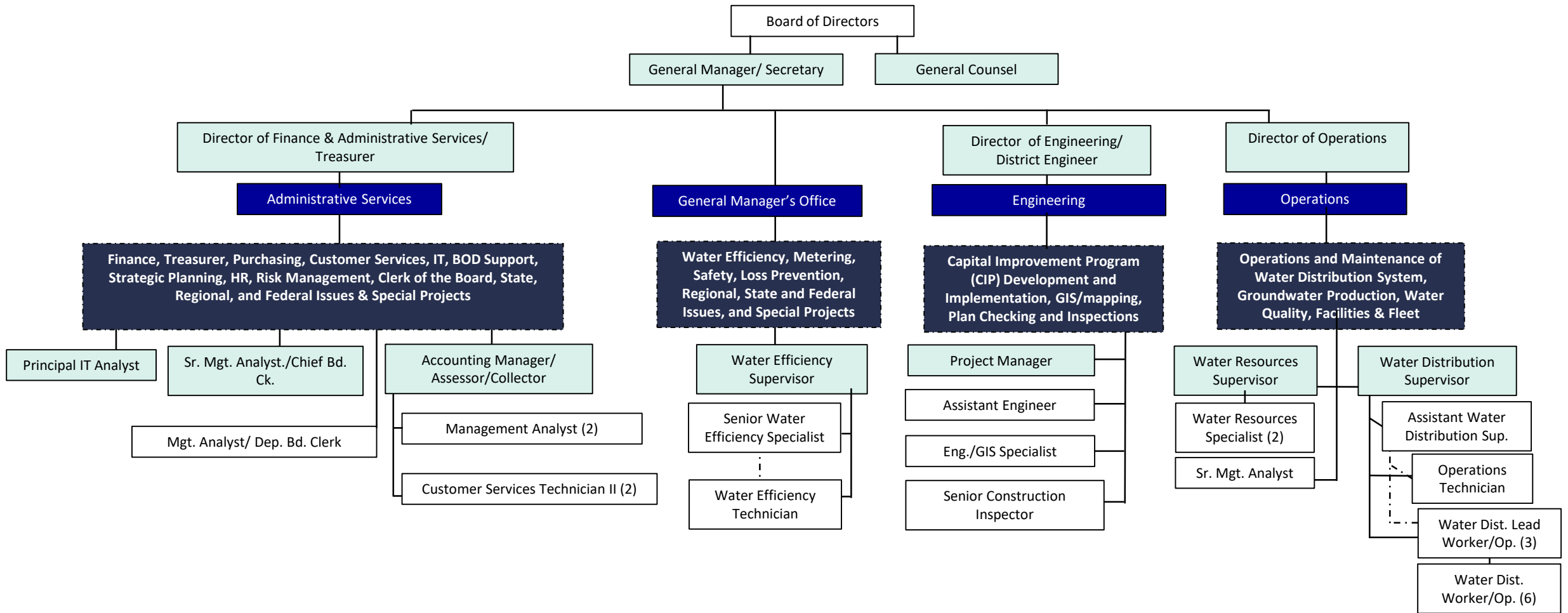
Human Resources

- 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

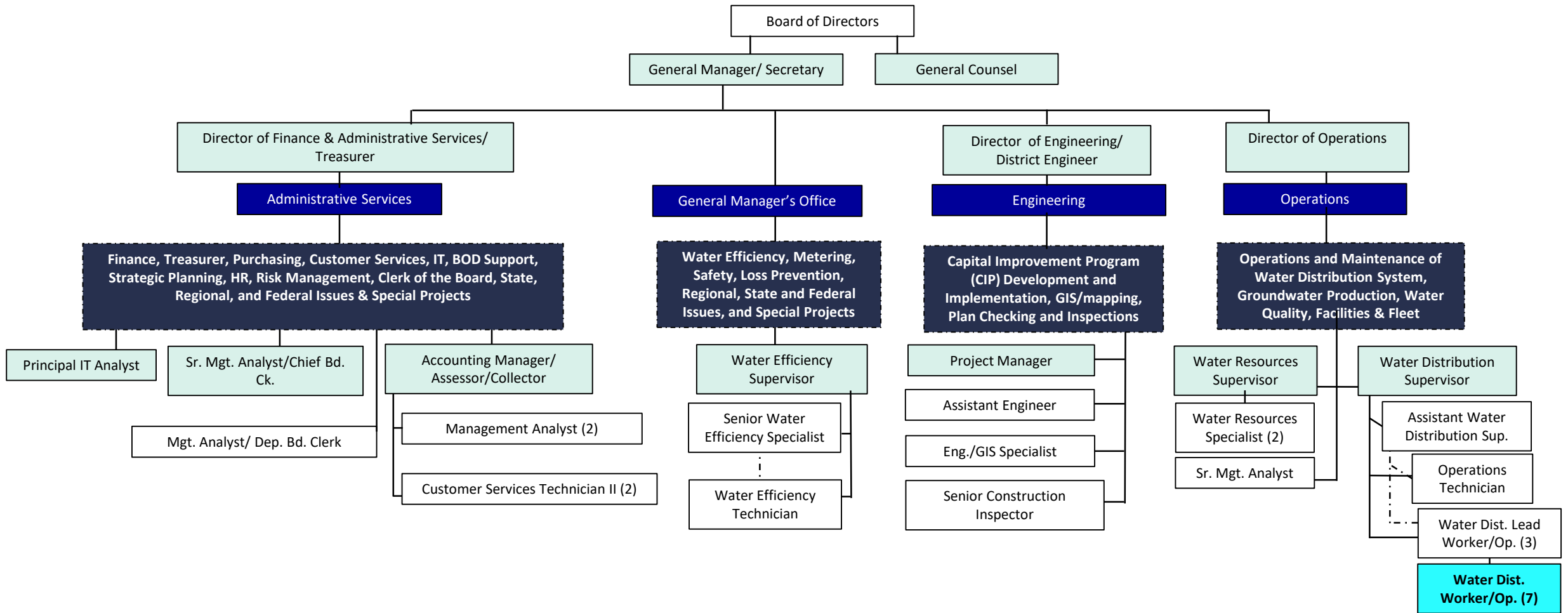
Risk Management

- 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

The Organization (Current)



The Organization (Proposed)



36 FTEs Proposed

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	
Estimated Annual Cost Factors	
Salary Range:	\$59,363 - \$80,142
Other Employer's Cost:	\$28,494 - \$38,468
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**

Clerk of the Board

- Brown Act Compliance
- FPPC Compliance/Filings
- Public Meeting Management
- Intergovernmental Relations/Legislative Affairs

Information Technology

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

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.

Administrative Services Department 2020 Key Initiatives and Expenses

San Juan Water District – Wholesale

Regional Debt Comparison

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

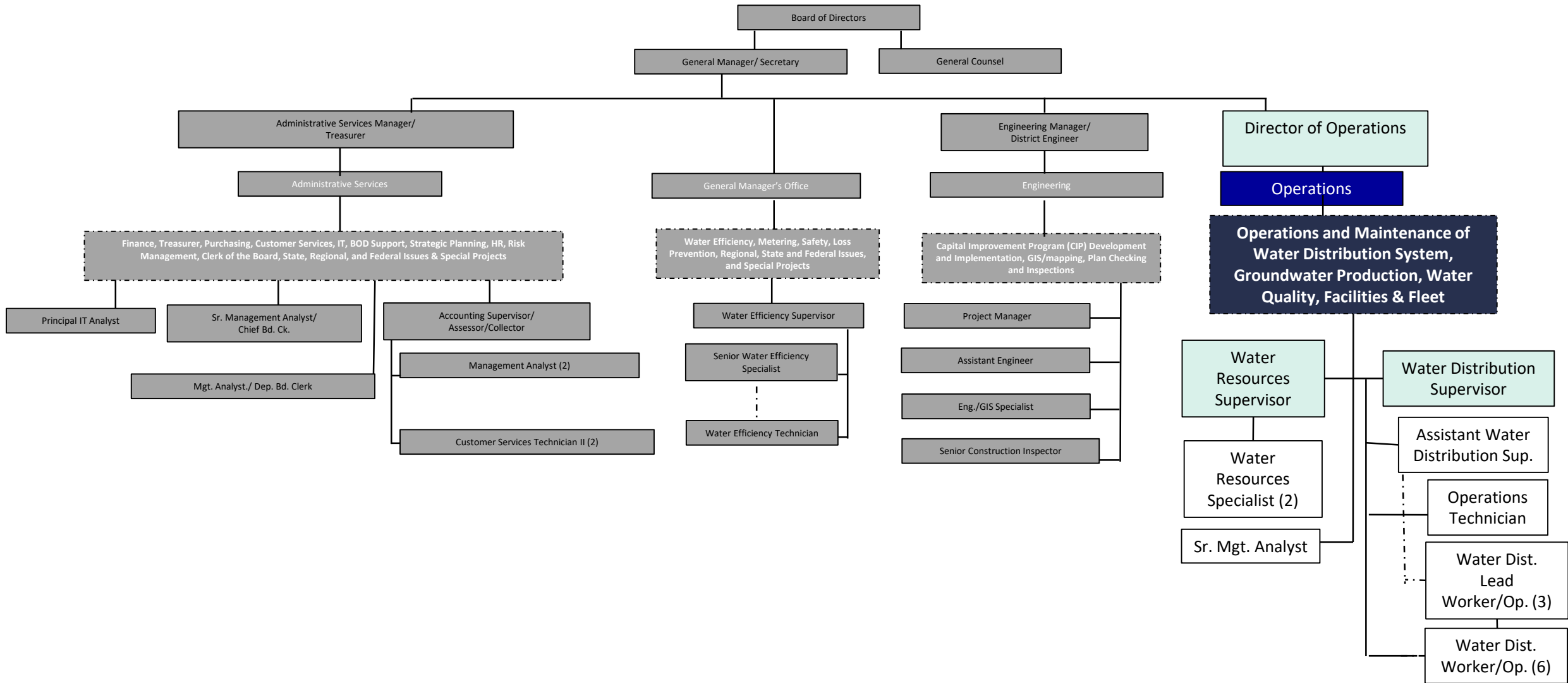
Year	Projected SJWD-W Rate Increase	Impact on CHWD Rates
2019	9%	2.13%
2020	9%	2.21%

Name	Total Debt Outstanding
El Dorado Irrigation District	309,403,494
Sacramento Suburban Water District	81,429,132
Elk Grove Water District	46,035,000
City of Roseville	40,873,573
San Juan Water District	38,313,568
Carmichael Water District	19,925,000
Rio Linda Elverta CWD	7,420,165
Citrus Heights Water District	3,078,027
Fair Oaks Water District	-
City of Lincoln	-
Rancho Murieta CSD	-

Operations Department



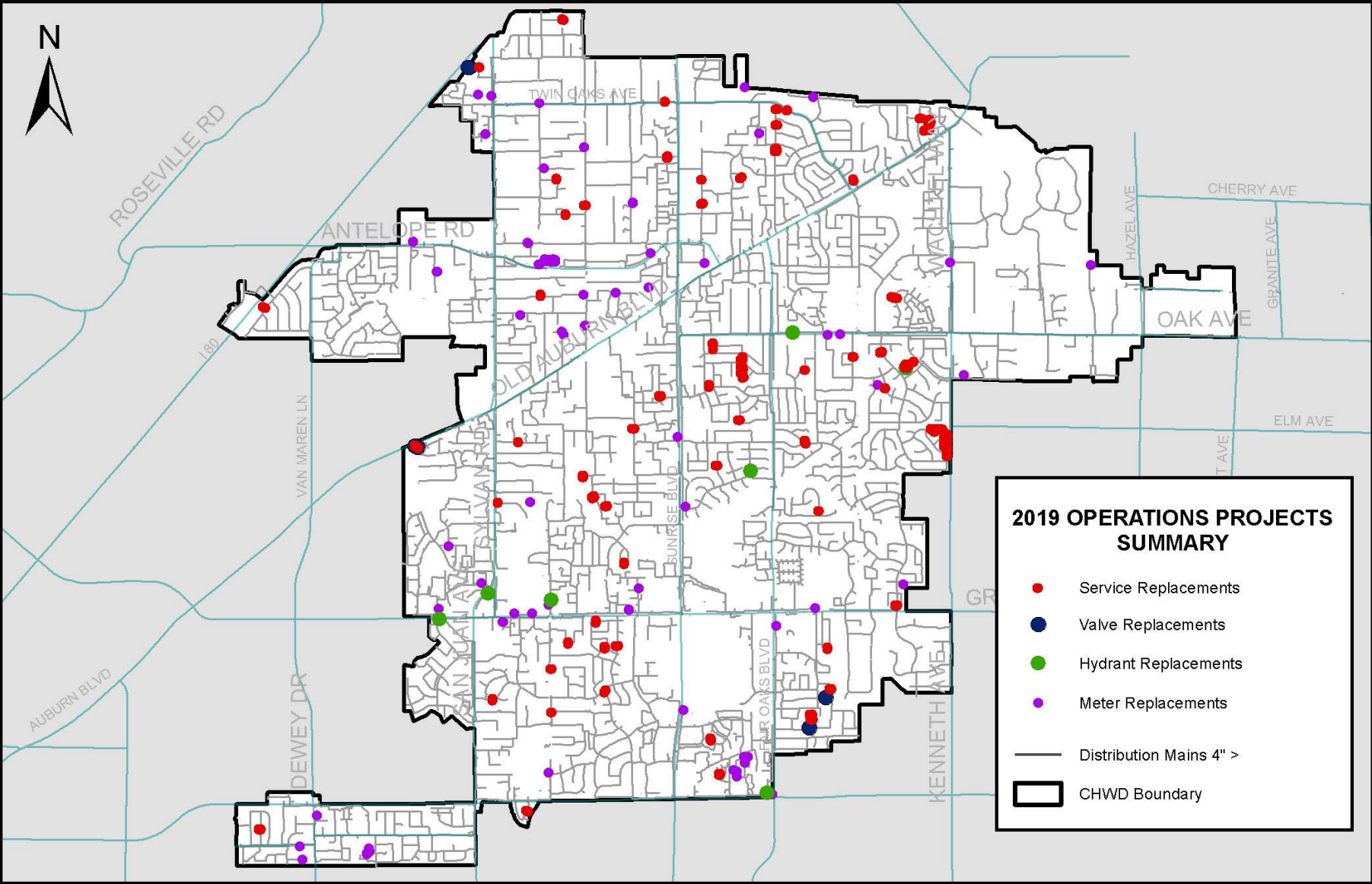
The Organization



Operations Department Key Accomplishments for 2019

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

Operations Projects Completed in 2019



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



Current Wells (Overview)

6 Groundwater Wells

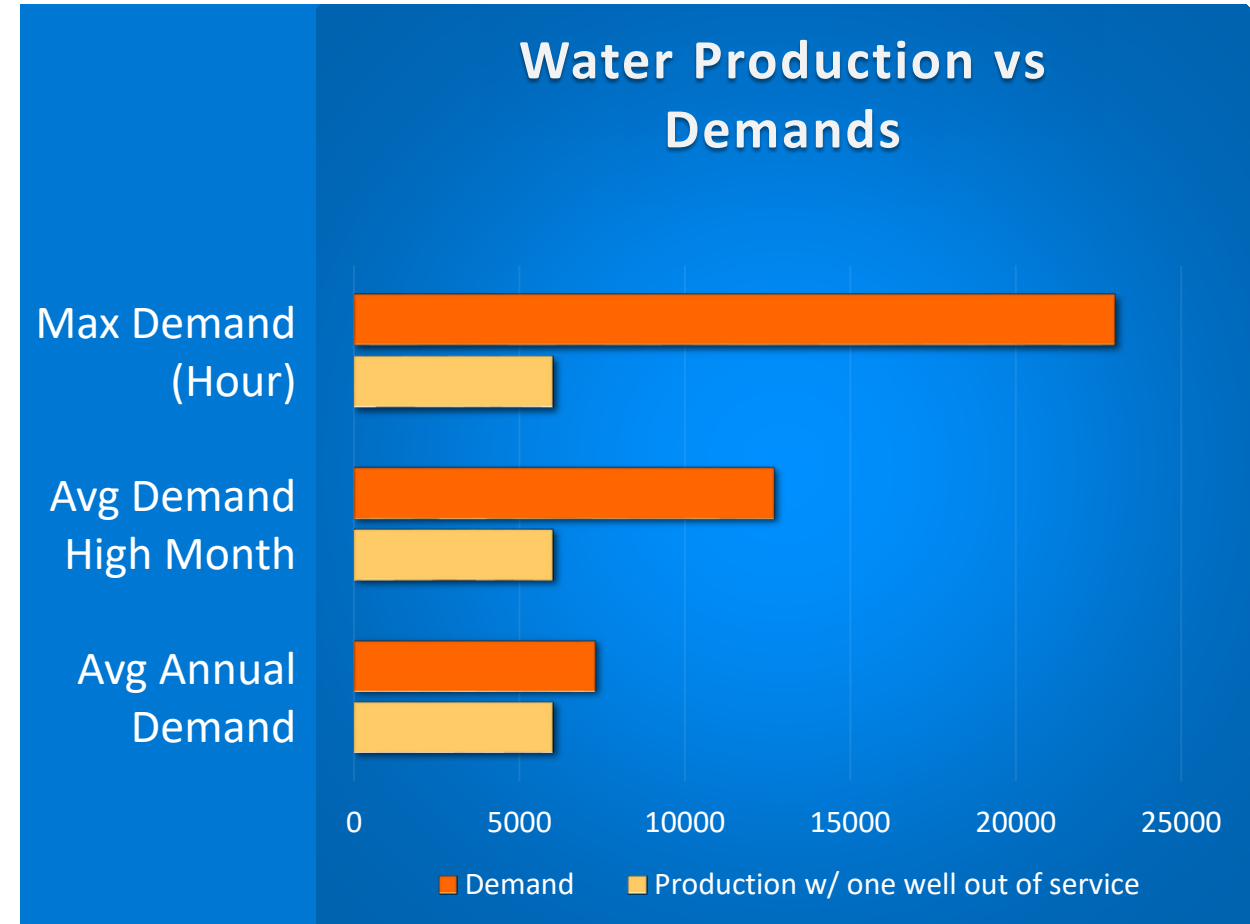
- Total production – 8,000 gpm (11.7 MGD)
- Production with one (top production) well out of service – 6,000 gpm (8.8 MGD)

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*

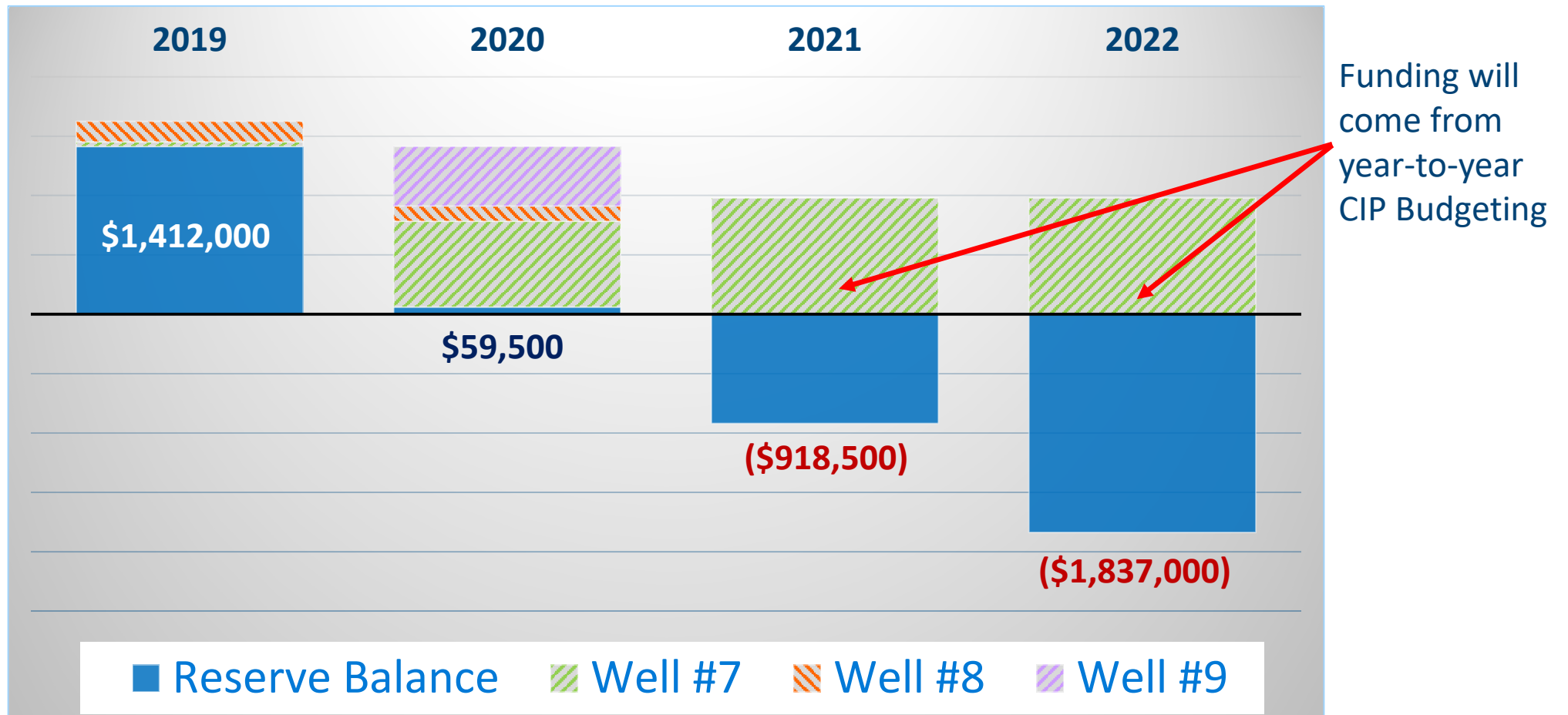
**\$1,623,000 - \$500,000 (authorized for purchase of Wells #7 & #8)*

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



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

Planning for Meter Replacements

1st Generation Meters

- Implemented from 1998-2007
- 17,500 Connections
- **Install/Retrofit Cost: \$9.7 million**

2nd Generation Meters

- Projected Implementation ~ Meter Study
- 20,000 Connections
- Estimated Cost: \$10+ million

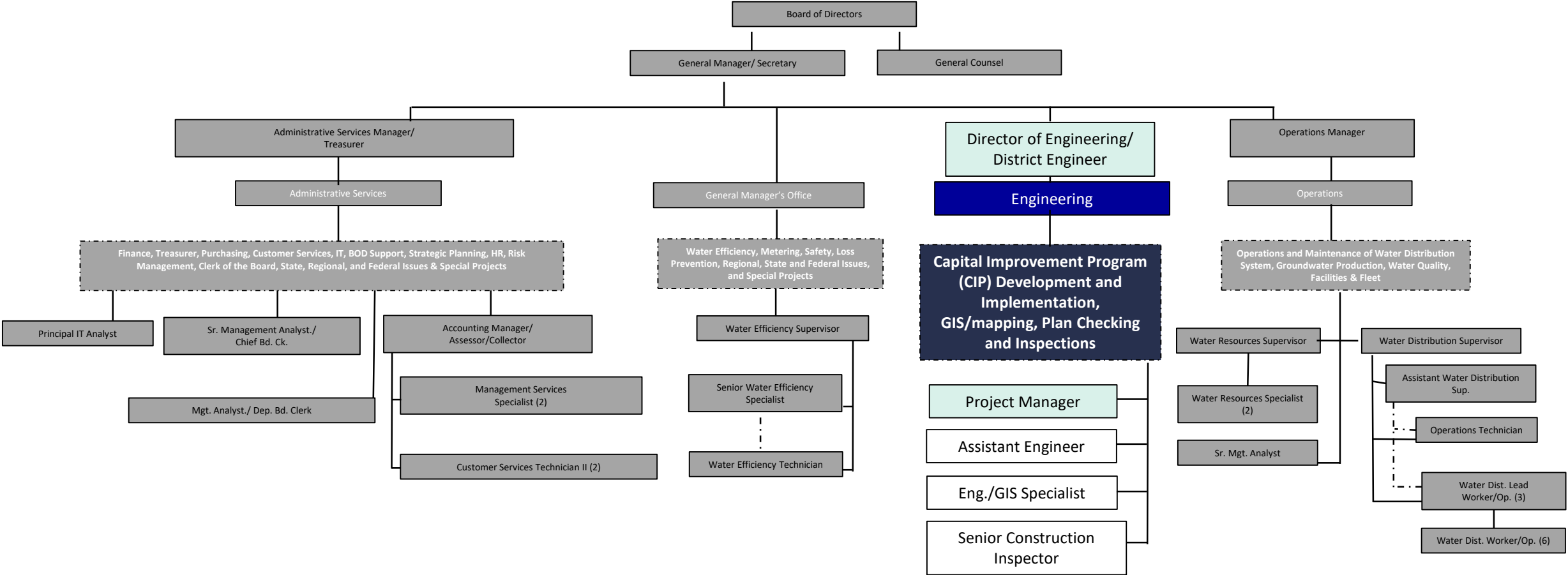
Operations Department 2020 Key Projects

Proposed Projects	Cost
Water Service Connections	\$850,000
Water Valves	\$100,000
Fire Hydrants	\$160,000
Water Main Replacements	\$70,000
Water Meter Replacements	\$100,000
Existing Groundwater Well Improvements	\$150,000
Annual Fleet and Field Equipment	\$380,000
Facilities O&M	\$100,000
Highland Well Design	\$563,500
Well Site #9 Property Acquisition	\$500,000
Total	\$2,973,500

Engineering Department



The Organization



Engineering Department Key Accomplishments for 2019

2019 Projects	Comment	2019 Budget (Includes 2018)	YTD Percent Complete
Wind Way 8", Longwood Dr 6" (Construction)	Construction by Operations Complete	\$327,158	100%
Pleasant View Dr 8" (Construction)	Construction/Inspection Complete	\$701,900	100%
Michigan Dr 8" and 6" (Easements, Design & Construction)	Easement Acquisition Complete In Design	\$249,258	100% Easement 75% Design
Cologne Way (Easements, Design & Construction)	Easement Acquisition Complete In Design	\$220,471	100% Easement 75% Design
Quiet Oak Lane (Construction)	Construction/Inspection Complete	\$127,654	100%
Old Auburn Road – Daffodil & Wooddale Way (Design & Construction)	Design Complete In Construction	\$150,465	100% Design 95% Const.
Watson Way 8" (Design & Construction)	Design Complete In Construction	\$406,401	100% Design 95% Const.
Patton Ave 8" (Design & Construction)	Design Complete In Construction	\$67,679	100% Design 95% Const.
Total		\$2,250,986	

Engineering Department Key Accomplishments for 2019 (continued)

2019 Private & City/County Developments	
5	Accepted Projects
3	Approved Projects Currently Under Construction (CHWD Performing Inspection) <ul style="list-style-type: none">- 6920 Auburn Blvd – Stock Ranch Plaza – Parcel 11- Mariposa Avenue Safe Routes to School Phase III (City of Citrus Heights)- Studio Movie Grill
2	Approved Projects Awaiting Construction
8	Projects Under Plan Review
341	Work Orders with Mapping Updates

Other Key Accomplishments:

- Completed the Customer Advisory Committee Meetings for the Project 2030 Study
- Started the District-wide Annexation Project



Project 2030 Water Main Replacement Study

Goal/Task Description	Status
Develop Asset Inventory	Complete
Develop Water Demand Forecast	Complete
Develop Water Main Replacement Options	Complete
Develop Water Main Replacement Cost Estimates	Complete
Develop Funding Options	Complete
Develop Phasing Plan	Complete
Complete Market Research	Complete
Develop Implementation Plan	Complete
Prepare Final Report	Expected in Q4 2019
Present CAC Recommended Alternative to Board along with Funding Plan and Public Engagement Strategy	Expected in Q1/Q2 2020

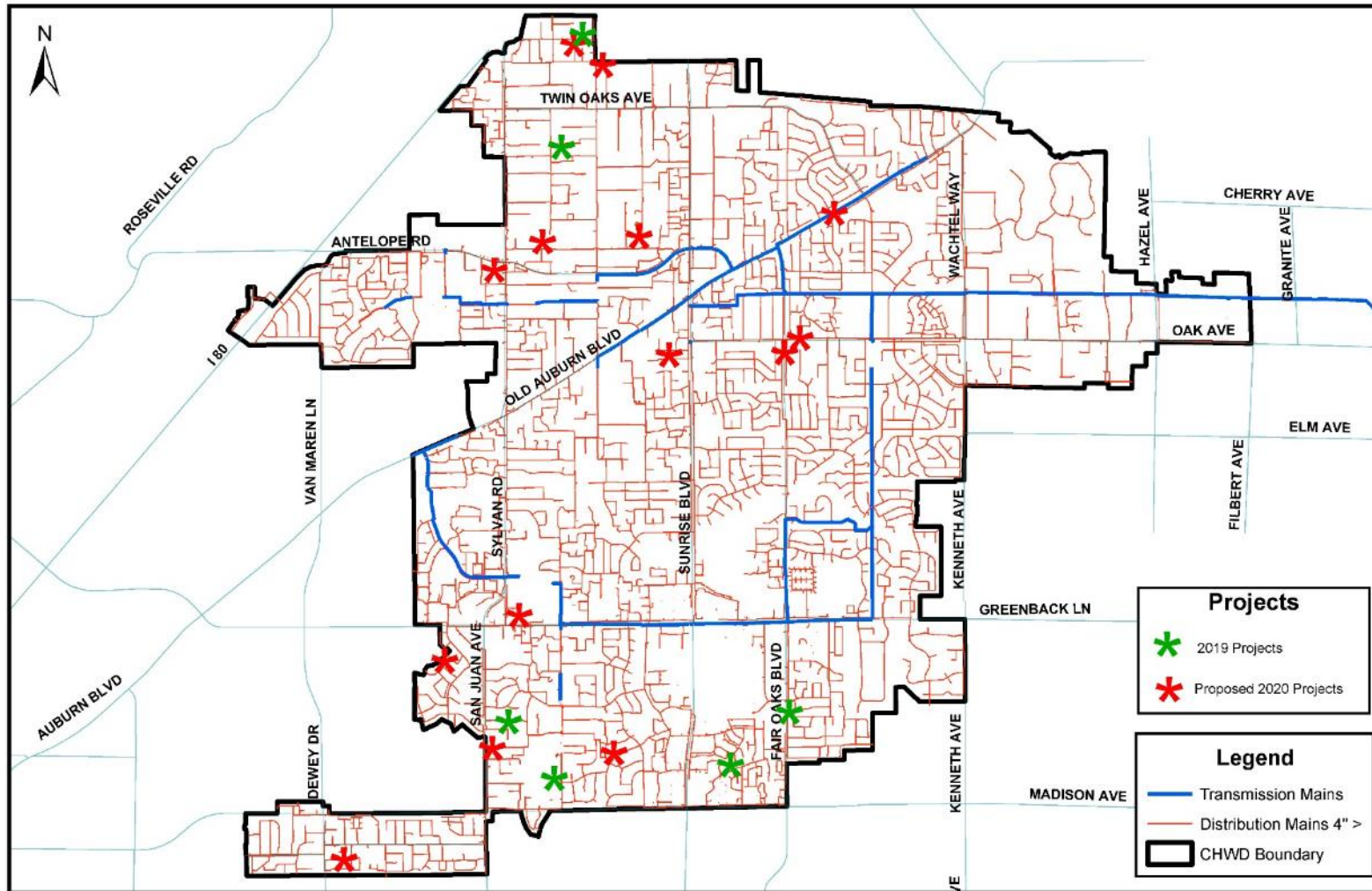
Engineering Department 2020 Key Initiatives

- **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

Engineering Department 2020 Key Projects

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

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

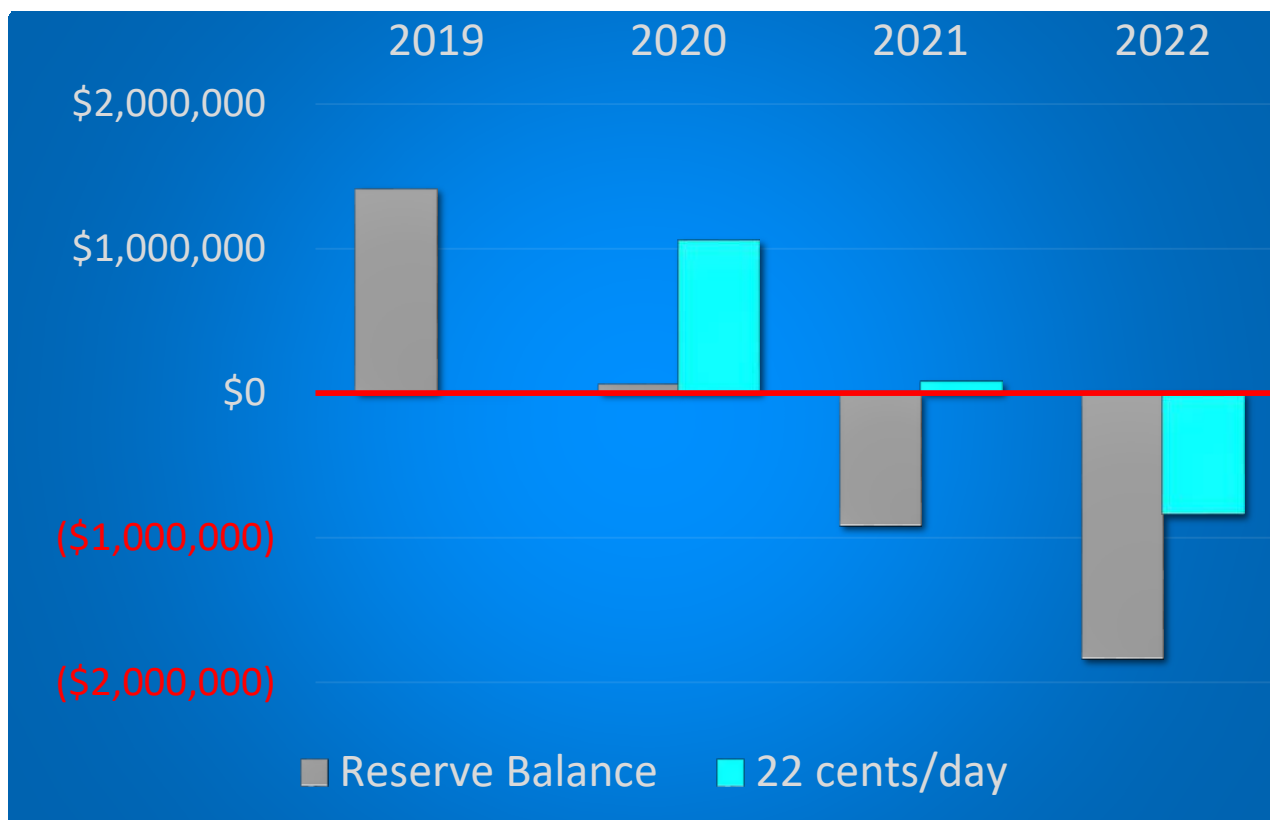
Proposed Funding

Meet Reserve Policies Targets, Builds CIP as Submitted; Funds New WDO Position; Replenishes Water Supply Reserve (\$1 million), Funds Water Meter Reserve (\$200k)

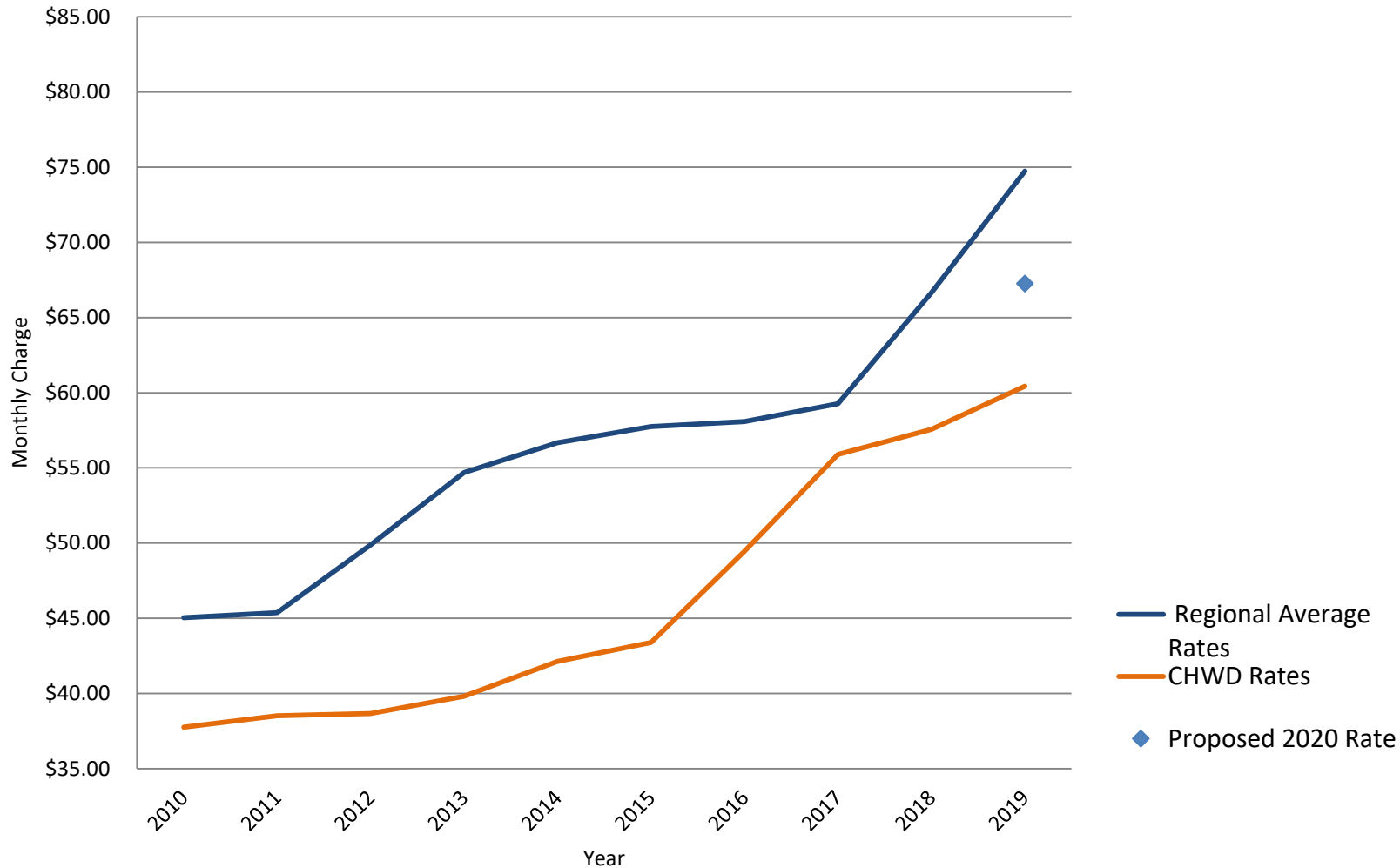
- ✓ Meets Min Reserve Policy Targets
- ✓ Fund Water Supply Reserve - \$1,000,000
- ✓ Fund Water Meter Reserve - \$200,000
- ✓ Will Fund Proposed Water Distribution Operator
- ✓ Includes SJWD rate increase pass-through
- ✓ Builds CIP as submitted by staff

• 22 cents/day

Water Supply Reserve



Regional Average



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

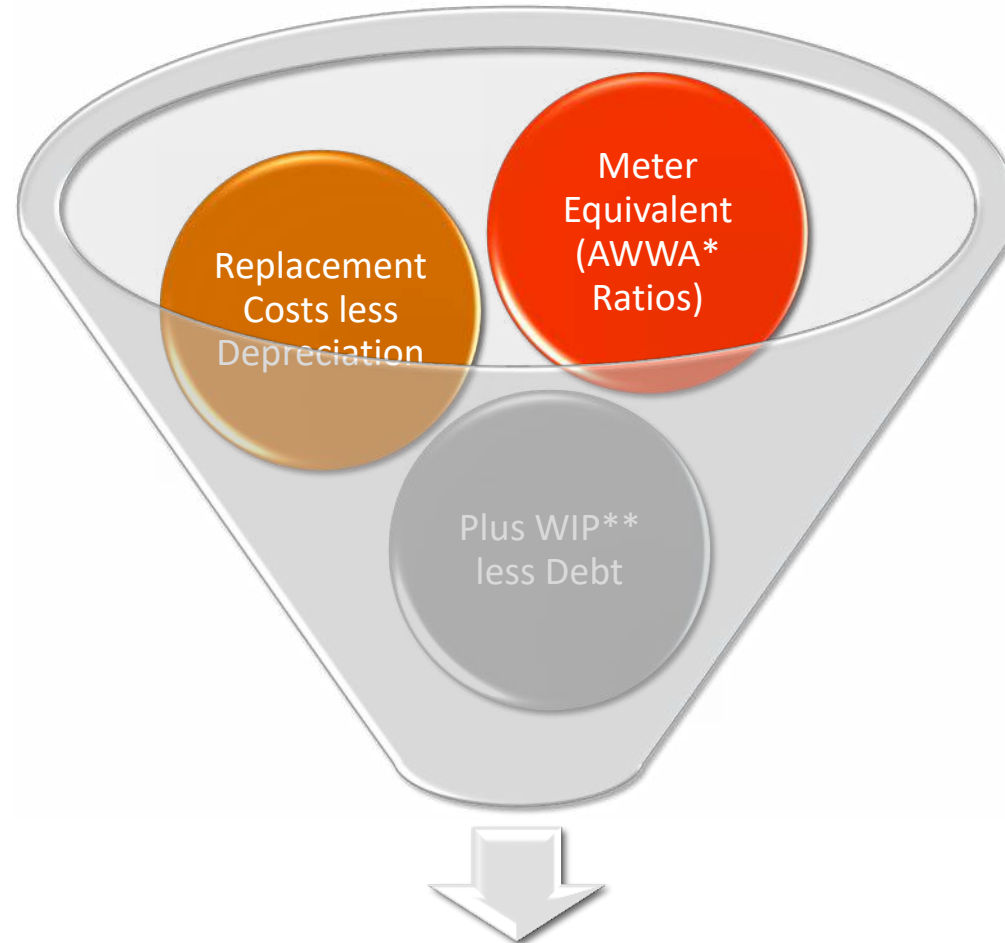


Capacity Fees

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

* 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

Reason	Count of Prop 218 Letters
1. Generic protest letter with no detail	10
2. I've reduced consumption but prices go up	6
3. You should have planned more	4
4. I'm on a fixed income	8
5. Too expensive already	10
Grand Total	38



Policy Direction

Recommended Action

- B – 1.** Hold a Public Hearing on the Proposed **Water Rates, Miscellaneous Fees and Charges**. Adopt Resolution 20-2019 implementing the proposed rate schedule effective 2020.

- B – 2.** Hold a Public Hearing on the **Operating & Maintenance and Capital Improvement Budgets** for 2020, and adopt Resolution 21-2019 approving the 2020 Operating and Capital Improvement Budgets.

- B – 3.** Hold a Public Hearing on the **Capacity Charges** for 2020. Adopt Resolution 22-2019 implementing the proposed rate schedule effective 2020.

Questions, Comments and Policy Direction

