

Notice of Public Hearing on Proposed Water Rate Adjustments Beginning in 2022

Thank you for your continued support of the Citrus Heights Water District (CHWD or District). We commit to balancing current needs with planning tomorrow's water system.

Our commitment to you - our valued customer - is demonstrated through responsive customer service, capital improvements, infrastructure maintenance, water efficiency programs, and legislative and supplier advocacy to protect your interests.

We also strive to maximize value for our customers and keep our overhead low, while maintaining and upgrading the facilities that deliver safe and reliable drinking water to more than 20,000 service connections.

We are planning for long-term reliability of our water supply through infrastructure replacements and expanded access to groundwater resources with three critical system improvements:

1. Project 2030 - replacing aging water mains
2. Replacing aging water meters
3. Expanding groundwater supply

Public Hearing: Wednesday, November 10, 2021 at 6:30 p.m.

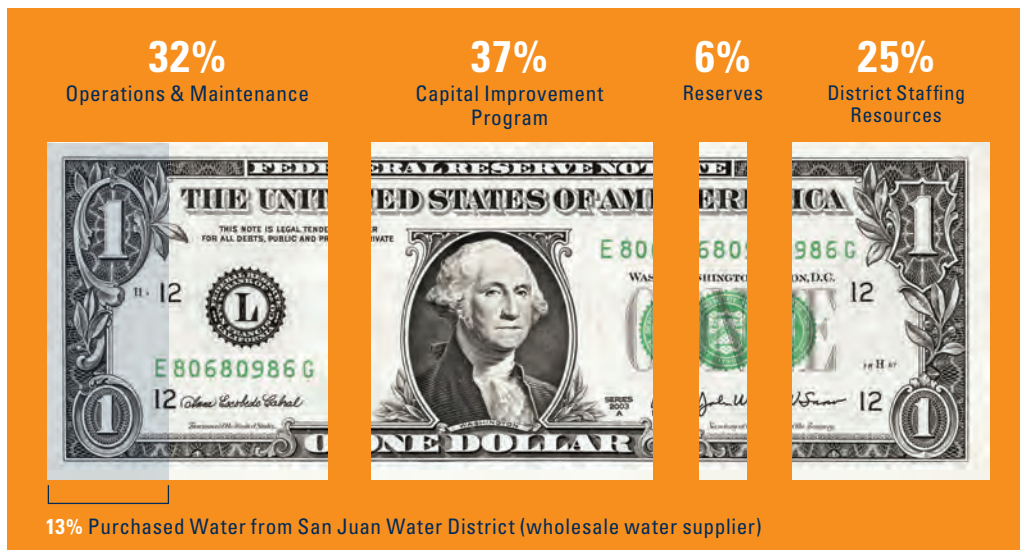
**Hearing Location: Citrus Heights Community Center, South Flex Room A
 6300 Fountain Square Drive, Citrus Heights, California**

The Citrus Heights Water District Board of Directors will hold a Public Hearing on Wednesday, November 10, 2021, at 6:30 p.m. to consider the adoption of rate adjustments as described in detail in this notice.

Separately, we are also working to meet the challenge of an exceptional drought year.

CHWD will request a rate adjustment for 2022 to ensure that the District can balance short-term demands and long-term needs. Paying as we go and maintaining contingency funding reduces over-reliance on debt financing, saves costs to our customers over time, and mitigates large and unexpected expenses in the future. Gradual rate adjustments also help avoid significant and unplanned rate adjustments to respond to failing infrastructure.

The Cost of Delivering Safe Water



Water main repair

The Cost of Delivering Safe Water

CHWD has a proven record of providing quality service at low rates. CHWD rates remained unchanged in 2021, even while the District absorbed a \$200,000 increase from CHWD's wholesale water supplier, San Juan Water District (SJWD).

In the District's annual budget, 37% is invested in the Capital Improvement Program; 25% funds the District's staffing resources; 32% is operations and maintenance costs, including 13% for water purchased from SJWD; and 6% is contributed to designated reserves.

The District has worked hard to develop a proposed funding plan that balances investment in the District's critical infrastructure projects to protect future water supply while also helping protect against the possibility of water shortages and anticipated rate increases from SJWD.

Increased Water Purchase Rates from San Juan Water District

CHWD purchases treated surface water from Folsom Lake through SJWD, a wholesale water provider. It is important to note that while CHWD did not increase rates in 2021, SJWD did increase wholesale water rates. CHWD absorbed an estimated \$200,000 in increased costs from SJWD in 2021. These increases are expected to compound in future years due to SJWD's anticipated wholesale water rate increases. SJWD delayed updating their financial plan and future rate increases, creating more uncertainty for its retail agencies including CHWD.

Decisions made by SJWD's Board of Directors directly impact CHWD's customers. For decades, a super-majority of SJWD Board members have lived in Granite Bay. Currently, four out of five SJWD Board members are Granite Bay residents.

Fee increases paid to SJWD have been and will be communicated to our customers to ensure that SJWD costs to CHWD and its customers are transparent and clear. To ensure that there are sufficient revenues to provide water service, CHWD is proposing to pass through to its customers any increases in the rates for wholesale water and other charges that SJWD imposes on CHWD. If approved, the CHWD Board will implement any SJWD pass-through adjustments for a five-year period commencing January 1, 2022, through and including December 31, 2026, upon a 30-day written notice to customers. CHWD will continue to advocate for our customers and we encourage all CHWD customers to attend SJWD board meetings and make your voices heard. **Find out more at [sjwd.org/board-meetings](https://www.sjwd.org/board-meetings).**



Updated Water Shortage Fee Schedule

During drought-related water shortages, the District generally sees a decrease in water sales while incurring increased costs associated with the purchase of short-term supplemental water supplies and higher levels of water efficiency program management.

As CHWD water shortage rates were last updated and applied more than five years ago, CHWD is proposing an adjustment to the Water Shortage Fee Schedule to bring it into alignment with the State of California drought stages, highlighted in the updated CHWD Urban Water Management Plan (UWMP). The Board of Directors will not be acting to apply the water shortage rates at this time and will consider implementing these rates if and when they are determined to be necessary in the future. The District will provide advance notice to customers prior to implementation.



Groundwater Wells

Additional Groundwater Capacity Plan

Periods of drought are a reality in California. In dry years, we cannot rely on surface water alone. Groundwater wells help us manage water supply during a drought.

While Folsom Reservoir must serve statewide water supply and environmental needs, the groundwater basin is the Greater Sacramento region's "underground" reservoir, available to help meet local needs. In fact, groundwater meets more than a third of the area's water supply needs during a normal year, and even more during drought periods.

While this underground water supply is being depleted in other parts of the state, the Sacramento region's groundwater aquifers are more stable and sustainable. Building on the historic Water Forum Agreement in 2000, local water managers created three groundwater management institutions – the Sacramento Groundwater Authority, Sacramento Central Groundwater Authority and West Placer Groundwater Management Program – to address each part of the region's varying needs without damaging the long-term health of our groundwater.

Groundwater wells tap into these water sources inside a vast and deep aquifer. The aquifer is naturally replenished in wet years, but also mechanically by various technologies that pump water down into the aquifer, lessening reliance on surface water from Folsom Lake.

CHWD is investing resources in developing groundwater wells to diversify customer water supply – providing the District with the flexibility to obtain some of the highest quality water at the most affordable price and reducing the District's reliance on surface water.

The District is always looking for grant funding opportunities for groundwater well investment, which helps to minimize the impact on customers. For example, in 2020 CHWD obtained a \$1.1M state grant for the construction of a new high capacity groundwater well. This year, CHWD has requested \$585,000 in federal funding. If approved, these federal funds, on top of State and local funding, will help move CHWD's groundwater expansion forward.

Over the next decade, CHWD plans to construct at least two new groundwater wells to help achieve our goal of long-term water reliability and rate stability.



METER REPLACEMENT PROGRAM

ACCURACY + EFFICIENCY + TECHNOLOGY

In 1992, the State of California required all new water connections to be metered. In 1997, CHWD began a Voluntary Residential Metering Program for all customer connections. Through this program and other installation projects, the District became fully metered in December 2006 and began metered billing in January 2008.

These meters will soon approach the end of their lifespans. The District formed a partnership with 11 local water agencies to complete a regional Water Meter Planning Study which includes a review of existing meter inventory, an assessment of new meter technology, meter testing options, and future financial planning strategies. The goal is to replace aging water meters and implement a meter testing program. By creating this regional consortium of agencies, the District, along with these other agencies, seeks to reduce costs through economies of scale for bulk meter purchases, a regional meter testing program, and other service enhancements.

CHWD anticipates that the new generation of meters being considered for installation could provide real-time measurements of water usage. These meters would allow customers to track their water usage on demand and make it easier to detect small leaks before they become big problems. The District will continue to provide regular updates regarding implementation of the Meter Replacement Program to its customers.

Protecting Our Future: Infrastructure Investments

Currently, approximately 37% of the District's operating budget is reinvested back into the water system through the Capital Improvement Program. Capital improvement projects help CHWD maintain its infrastructure and keep it up to date, increase needed capacity, and allow the District to continue providing great service to our customers.

CHWD is asking for your support for Project 2030, which addresses CHWD's aging water mains to ensure an uninterrupted source of safe and reliable water to customers. CHWD is also continuing its investment in groundwater wells and looking ahead to meter replacements.

PROJECT 2030 WATER MAIN REPLACEMENT



Project 2030 plans for the replacement of most of CHWD's water mains, which begin aging out in 2030.

The District's service area urbanized mostly between 1960-1985. During that time, water mains were installed by private developers and inspected by CHWD staff. These water mains became donated assets to the District, and it became CHWD's responsibility to operate, maintain, and replace them.

Today, CHWD operates and maintains over 250 miles of pipeline that distribute water throughout the District's 12.8-square-mile service area. The life span of a water main is approximately 70 years, which means replacement must begin in 2030 to ensure long-term water reliability. With a technical team of engineering and financial experts, CHWD's Customer Advisory Committee evaluated how to phase, cost, and fund replacement of more than 70% of our water mains.

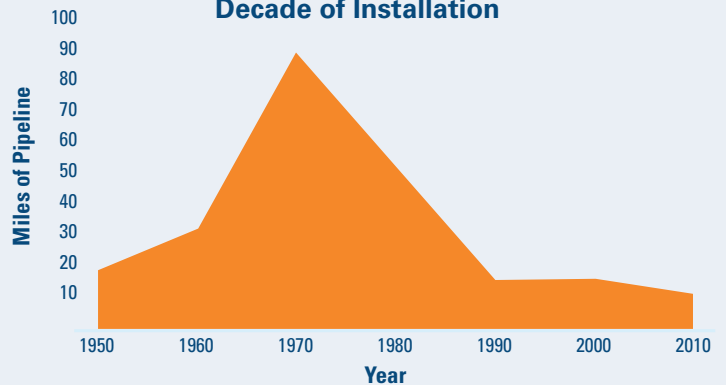


Out of Sight, But Not Forgotten

Just because water mains are underground and cannot be seen does not make them any less important. Reliable water mains deliver water to our residences and businesses. Water main failure can be caused by multiple issues including age, pipe material, and location (tree roots, spanning creeks, etc.). Failed water mains can lead to service disruptions and water loss.

CHWD is planning for the future today. Preparing to replace water mains before they reach critical condition is the safest and most cost-efficient way to address aging infrastructure. Proactively replacing pipes minimizes disruptions to homes, schools, and businesses - versus waiting for a crisis situation that could lead to service disruption and a greater economic and financial cost.

**Pipeline Inventory
Decade of Installation**



PROJECT 2030

WATER MAIN REPLACEMENT



Community Leadership

Recognizing the significant need ahead, the CHWD Board of Directors called together a group of customers in 2018 and 2019 to study ways to fund the replacement of the District's water mains and put forth their recommendations. The Customer Advisory Committee (CAC) is comprised of 24 community members who dedicated their time and effort on behalf of their neighbors and fellow business owners to explore, in-depth, a difficult problem and work through 21 separate scenarios to find the best and most fair way to phase and fund water main replacements for the CHWD community.



The CAC worked with a technical team to consider the water main replacement options while analyzing key financial and technical issues that promote equity of funding between today's and future CHWD customers. The CAC then presented its recommendation to the CHWD Board of Directors on June 8, 2021. The Board approved the CAC's recommendation and developed a plan to fund work through 2080. The proposed plan implements a dedicated water main replacement charge, which promotes transparency and accountability. All CAC meetings were recorded and are available for viewing at CHWD's YouTube channel and website. **Learn more at chwd.org/project-2030.**

Remaining ahead of anticipated water main replacement needs will minimize system failure, service disruption, and failure-related expenses due to deferred replacements.

Protecting Our Future Together

Reliable water delivery infrastructure promotes healthy, livable communities and strong local economies. When we all work together, we can accomplish a lot. With support from the current and next generation of CHWD's customers, we can protect our water future and keep taps flowing with clean, safe and reliable water for families, businesses, and the community, today and in the future.

How to Protest the Proposed Rate Adjustment

All property owners receiving CHWD water service and customers of record are invited to attend the Public Hearing on Wednesday, November 10, 2021, at 6:30 p.m. and comment on the proposed rate adjustment that would take effect on January 1, 2022. Proposition 218 allows property owners or customers to file a written protest before or during the public hearing. If written protests are presented by a majority of the affected parcels, a rate adjustment will not be approved. Only one written protest per identified parcel or property will be counted to determine whether there is a majority protest. Protests must be received in writing prior to the close of the Public Hearing to be considered. Electronic delivery of protests by fax or e-mail will not be accepted.

The written protest must be signed by a property owner(s) or customer(s), and must include a description of the affected property, including address and/or Assessor's Parcel Number.

Written protests can be mailed to:

**District Secretary | Citrus Heights Water District
P.O. Box 286, Citrus Heights, CA 95611-0286**

Written protests may also be hand-delivered to CHWD officials or staff at the District Administration Office by 5:30 p.m. on Wednesday, November 10, 2021, or until the close of the Public Hearing on the night of the Board of Directors meeting, Wednesday, November 10, 2021, at 6:30 p.m. at the Citrus Heights Community Center, South Flex Room A, 6300 Fountain Square Drive, Citrus Heights, California.

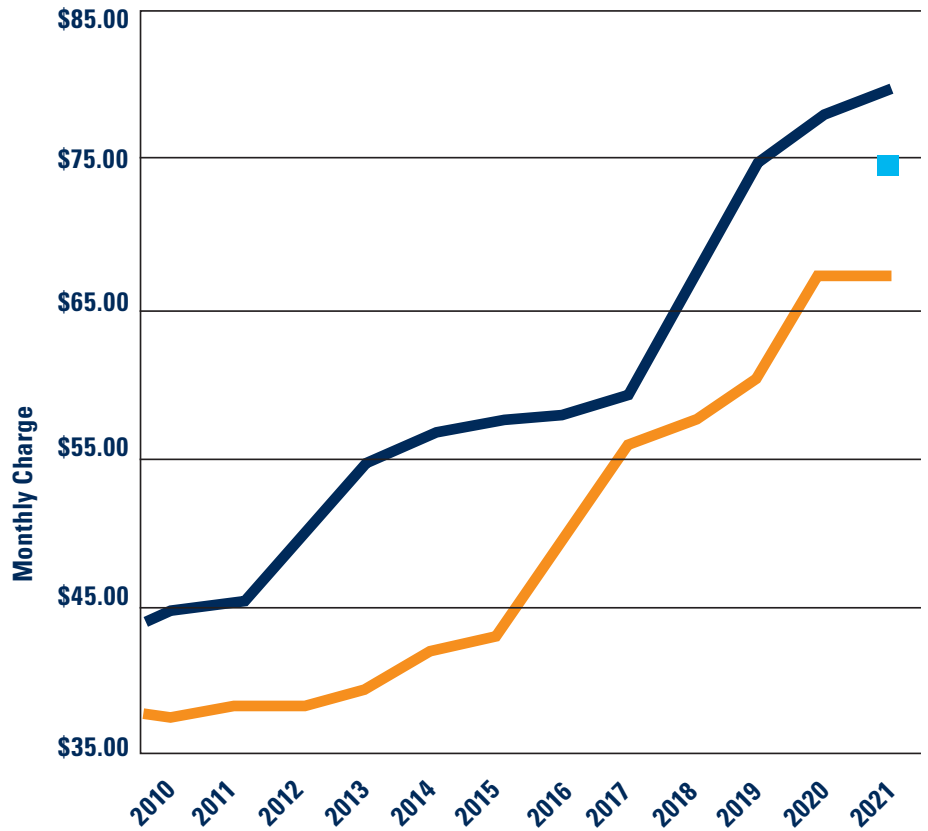
The CHWD Administration Office is located at 6230 Sylvan Road, Citrus Heights, CA 95610. Office Hours are Monday through Thursday, 8 a.m. to 5:30 p.m. For the latest information from CHWD about the proposed rate adjustment, please visit our website: chwd.org/water-rates.

Regional Rate Comparison

Below the Regional Average

Even with the proposed rate adjustment, the average CHWD water bill will be **6.2% below the Sacramento regional average cost as shown to the right.**

- █ Regional Average Rates
- █ CHWD Rates
- █ 2022 Proposed Rate



Summary of Rates

Below is a summary of proposed changes to the bi-monthly customer service charges and usage charges for water consumption.

TYPE OF CHARGE	APPLIED BASIS OR FREQUENCY	2021 ADOPTED	2022 PROPOSED
Charges for Metered Rate Customer Accounts			
Service Charge, Domestic, Commercial & Irrigation Meters			
¾-inch meter	bi-monthly, per meter	\$ 57.54	\$ 56.08
1-inch meter	bi-monthly, per meter	\$ 87.29	\$ 91.33
1½-inch meter	bi-monthly, per meter	\$ 136.86	\$ 150.08
2-inch meter	bi-monthly, per meter	\$ 196.35	\$ 220.58
3-inch meter	bi-monthly, per meter	\$ 384.74	\$ 443.82
4-inch meter	bi-monthly, per meter	\$ 662.36	\$ 773.14
Service Charge, Combination Meters			
Low flow bypass meter	bi-monthly, per meter	\$ 0.00	\$ 0.00
4-inch meter	bi-monthly, per meter	\$ 196.35	\$ 220.58
6-inch meter	bi-monthly, per meter	\$ 384.74	\$ 443.82
8-inch meter	bi-monthly, per meter	\$ 662.36	\$ 772.81
10-inch meter	bi-monthly, per meter	\$ 2,119.86	\$ 2,500.01
Usage Charges for Water Consumed (1 unit = 100 cubic feet = 748 gallons)			
Domestic, Commercial, Irrigation & Combination Meter			
All meter sizes	per unit	\$ 1.1800	\$ 1.1900

Project 2030 Dedicated Charge

TYPE OF CHARGE	APPLIED BASIS OR FREQUENCY	2022 PROPOSED
Charges for Metered Rate Customer Accounts		
Service Charge, Domestic, Commercial & Irrigation Meters		
¾-inch meter	bi-monthly, per meter	\$ 4.20
1-inch meter	bi-monthly, per meter	\$ 10.50
1½-inch meter	bi-monthly, per meter	\$ 21.00
2-inch meter	bi-monthly, per meter	\$ 33.59
3-inch meter	bi-monthly, per meter	\$ 73.48
4-inch meter	bi-monthly, per meter	\$ 132.30
Service Charge, Combination Meters		
Low flow bypass meter	bi-monthly, per meter	\$ 0.00
4-inch meter	bi-monthly, per meter	\$ 33.59
6-inch meter	bi-monthly, per meter	\$ 73.48
8-inch meter	bi-monthly, per meter	\$ 132.26
10-inch meter	bi-monthly, per meter	\$ 440.86

Updated Water Shortage Fee Schedule*

SUPPLY SHORTAGE	STAGE 1 10%	STAGE 2 20%	STAGE 3 30%	STAGE 4 40%	STAGE 5 50%
Water Usage Charges (\$/CCF) (1)					
Standard Water Usage Rate (a)	\$ 1.19	\$ 1.19	\$ 1.19	\$ 1.19	\$ 1.19
Water Shortage Charge (2)	10%	20%	30%	40%	50%
Sample Water Shortage Charges (b)	\$ 0.12	\$ 0.24	\$ 0.36	\$ 0.48	\$ 0.60
Sample Aggregate Usage Rates (a+b)	\$ 1.31	\$ 1.43	\$ 1.55	\$ 1.67	\$ 1.79

Notes:

(1) 1 CCF equals 100 cubic feet which equals 748 gallons of water.

(2) This table shows the proposed Water Shortage Charges applied to the Standard Water Usage Rates, using 2022 as an example. The percentages would be applied to any then-current Standard Water Usage Rates in future years.

*The Board of Directors will not be acting to apply the water shortage rates at this time and will consider implementing these rates if and when they are determined to be necessary in the future. The District will provide advance notice to customers prior to implementation.



Water main repairs and installations.



Postal Customer and Water Consumer in Citrus Heights Water District

CITRUS HEIGHTS WATER DISTRICT

Delivering Today & Planning for the Future

Key Successes for 2021

- Over 2,400 linear feet of water main installed or replaced
- 84 water meters replaced
- 266 water service connections installed or replaced
- 11 water valves and 9 fire hydrants installed or replaced
- More than 160 households assisted with FREE water audits and smart controller installations
- Over 250 attendees at the District's FREE WaterSmart classes



Groundwater Wells

Follow and like our social media to stay informed of CHWD developments, services and community engagement opportunities. You can also sign up for CHWD emails on our website to ensure that this important information lands in your inbox and is never missed. Visit chwd.org/#email-list