



PROJECT 2030 WATER MAIN REPLACEMENT



Customer Advisory Committee Meeting #4 Summary

Tuesday, February 5, 2019, 6:30-9:15 pm

INTRODUCTION

Richard Moses, Vice Chair of the Customer Advisory Committee (CAC), called the meeting to order at 6:32 p.m. After welcoming the members of the CAC, he turned the meeting over to Laura Mason-Smith, the CAC meeting facilitator, who reviewed with the CAC the **Meeting Agenda**:

1. Introductions
2. Public Comment
3. Approve minutes of December 11, 2018 CAC Meeting #3
4. Spending and Funding Options (Technical Memorandum 4)
 - a. Spending Overview
 - b. Funding Overview
 - c. Spending/Funding Alternatives
 - d. Questions/Answers and Group Dialogue
5. Public Comment
6. Next Steps
7. Close

Laura reiterated that meeting materials are provided electronically to the CAC members in advance of and following their meetings and are posted on the CHWD website, [Customer Advisory Committee Section](#). In addition, meeting summaries that provide an overview of each of the CAC meetings as well as a video of the meetings are posted to the website to be available to the CAC members and the general public.



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ATTENDEES

CAC Members:

Kimberly Berg	Commercial Representative
Julie Beyers	Residential Representative
Ray Bohlke	Residential Representative
Patti Catalano	Residential Representative
Katherine Cooley	Institutional Representative
Michael Goble	Residential Representative
Suzanne Guthrie	Residential Representative
Andrew Johnson	Residential Alternate
Doug MacTaggart	Residential Representative
Bren Martinez	Residential Representative
Dave Mitchell	Institutional Representative
Richard Moses	Residential Representative and CAC Vice Chair
Mike Nishimura	Commercial Representative
David Paige	Residential Representative
Aimee Pfaff	Residential Representative
Peg Pinard	Residential Representative
Chris Ralston	Institutional Representative
Ray Riehle	CHWD Director
Noe Villa	Institutional Representative

Unable to attend were:

Deborah Cartwright	Residential Represent
Wes Ervin	Commercial Representative
James Monteton	Residential Representative
Richard Moore	Residential Representative
Jenna Moser	Residential Representative and CAC Chair
Cyndi Price	Institutional Representative
Javed Siddiqui	Residential Representative

CHWD Staff:

Chris Castruita	Management Services Supervisor/Chief Board Clerk
Tamar Dawson	Assistant Engineer
Paul Dietrich	Project Manager
David Gordon	Operations Manager
Madeline Henry	Management Services Specialist/Deputy Board Clerk
Rex Meurer	Water Efficiency Supervisor
Missy Pieri	Engineering Manager/District Engineer
Susan Sohal	Administrative Services Manager
Hilary Straus	General Manager

Consultants:

Roger Kohne	Harris & Associates
Andrew MacDonald	Harris & Associates
Habib Isaac	Raftelis Financial Consultants, Inc.
Laura Mason-Smith	Mason-Smith Success Strategies
Steve Winchester	Harris & Associates



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PUBLIC COMMENT

There was no public comment.

APPROVAL OF DECEMBER 11, 2018, CAC MEETING #1 MINUTES

The minutes of the December 11, 2018, CAC Meeting #3 were unanimously approved without comments or changes.

SPENDING AND FUNDING OPTIONS – Technical Memorandum #4

Project 2030 Manager Missy Pieri reviewed the 2019 CAC Meeting Schedule, progress to date, and the topics for the upcoming CAC meetings. She also referenced the Technical Memorandum #4 which outlined the background for the evening's meeting (please see the CHWD Website section on Project 2030 CAC Meeting #4 for the slide presentation detail).

Spending Overview

Roger Kohne provided a recap of previously discussed spending concepts such as risk factors (likelihood of failure and consequence of failure), benchmarks, replacement costs, and water main survival probability. He then outlined seven potential spending options.

Funding Overview

Habib Isaac provided a recap of previously discussed funding concepts:

- Funding 101 Review
- General Funding Example
- Funding Options
- Funding Applied to Spending

Spending/Funding Alternatives

Habib then reviewed with the CAC members twenty-one different spending/funding alternatives, how they would work, and their implications to the District and its customers.

CAC members identified questions about the spending/funding alternatives which were then answered by the District Staff and Consultants (please see the summary of questions and answers below).



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CAC MEMBER QUESTIONS AND DISTRICT ANSWERS

Q1: What happens to water main replacements not completed after 2080?

A1: *The amount of water mains to be replaced varies based on the spending option selected by the CAC. The District will need to continue with main replacement work beyond 2080. The findings of this study will be revisited in the future. The District will continue to update the capital improvement program and revisit assumptions as necessary.*

Q2: Can the entire project be broken up into smaller scopes, which can have different funding/prefunding/debt options to better spread costs to specific expenses?

A2: *At this stage in the project, the Project Team has not gone into that level of detail. The phasing plan will show pipeline prioritization using principles derived with input by the CAC. This pipeline prioritization will continue to be analyzed during the implementation phase at the operational level, after the Project 2030 Study is complete.*

Q3: Does CHWD have a survival probability goal?

A3: *The District has not established a survival probability goal. There are benchmarks for replacement; however, there is not an industry standard for survival probability. To date, the Project Team has used the survival probability numbers as a point of comparison across the alternatives.*

Q4: What is the population expectation over 50 years?

A4: *Technical Memorandum 1 Water Demand Forecast covers population and water demand forecast through year 2050. This analysis was completed using Sacramento Area Council of Governments (SACOG) projections. There is a lot of variability in assumptions going into projections after 2050, and they become less accurate. The Technical Memorandum 1 Water Demand Forecast predicts a population increase of 18% by 2050.*

Q5: Would remaining bad pipe be replaced after 2080? We will still have 28% bad pipe?

A5: *Please refer to answer A2.*



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Q6: How is the prefund rate calculated?

A6: *Prefunding is used to reduce impact to revenue adjustments in the first ten years of the project, as well as level out revenue adjustments throughout the project duration.*

Q7: Are funding increases placed in general fund or reserve?

A7: *Proposition 218 states that the District can only generate revenue based on costs incurred. Costs of the utility also include reserve funding. Anything above normal operating expenses goes into the reserve funds. Reserve policies are established by the Board, and targets are identified. If Project 2030 includes prefunding, the CAC could recommend that a designated reserve be established by the Board to set aside those funds.*

Q8: How much do we consider is sufficient for a prefunding reserve until 2030? Does that set the monthly impact at \$2.85?

A8: *There are ten alternatives within the 21 provided that include prefunding which the CAC can review for consideration. The purpose of prefunding is explained in Q&A7. The monthly bill impact at the current baseline case is \$2.85. Prefunding is not part of the baseline case.*

Q9: What is the rate increase in dollars for FY 30-40?

A9: *The Project Team could break it down for each decade but it would be a lot of information. Once the CAC has selected four options, the Project Team will provide this information for each decade. The Project 2030 Study is a long-term capital improvement program/financial strategy for water mains. A multi-year rate adoption could be recommended as part of the plan (a potential prefunding alternative). However, Proposition 218 only allows agencies to set rates over a five-year time period.*

Q10: What is the historic interest rate on bonds?

A10: *Over the past twenty years the interest rate on bonds has averaged in the low 4%. The model assumes a conservative interest rate on bonds at 5%. Given the District's current financial position, if the market increases and rates are higher the District may not need to issue debt if it is not advantageous.*



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Q11: Could Board members be expected to vote for this constant increase without public "outcry?"

A11: *The project team would not speak for current or future Board Members, but based on experience when an agency's budget is tight and revenues are low, capital expenses are cut. Capital expenses do not go away, they just get deferred. That deferment becomes higher risk to the agency and its rate payers. Given that higher level of risk, reserves should be increased to address unplanned repairs in the system. Typically, agencies that need significant revenue adjustments do so to pay for capital improvements needs.*

Q12: What are the percentage increases related to actual bills? We need key numbers for a typical family of four for the various Alternatives.

A12: *Information was provided for all alternatives for 2020-2030, and can be viewed within all alternatives in the February 5, 2019 presentation posted at <http://chwd.org/customer-advisory-committee/>. Those monthly bill impacts reflect a typical single family residence with a one-inch meter using 20 units of water.*



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CAC PROCESS AND LOGISTICS OVERVIEW

The CAC reviewed the updated schedule of 2019 CAC meetings ([see the CAC Document Library on the website for the schedule graphic](#)). These after-dinner meetings and the high-level topics anticipated for each of the meetings are shown below.

Workshop #5: February 26, 2019, 6:30-9:15 pm, Citrus Heights Community Center
Analyze the Considerations Related to the Spending/Funding Alternatives Select up to 4 Spending/Funding Alternatives
Workshop #6: March 2019, 6:30-9:15 pm, Citrus Heights Community Center
Market Research Primer Review the Pros and Cons of the Spending/Funding Alternatives Selection of up to 2-3 Spending/Funding Alternatives for Market Research
Workshop #7: March 2019, 6:30-9:15 pm, Citrus Heights Community Center
Market Research Results Develop Final Recommendation to the Board Steps for Implementation Plan
Workshop #8: September 10, 2019, 6:30-9:15 pm, Citrus Heights Community Center
Review Implementation Review Final Board Recommendation

Executive Director Hilary Straus indicated that the Presentation Materials would be available on the Project 2030 website on Wednesday, February 6. In addition, he encouraged any of the Committee members who would like to review the topics further can call Missy Pieri or Chris Castruita to schedule a meeting. Ms. Pieri indicated that the Alternatives Matrix will be emailed to the CAC members and available online and in a hard-copy 11 x 17" format in the District Office.



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CAC MEMBER COMMENTS

The CAC members indicated what they were taking away from the Meeting as:

1. I appreciate everyone's active participation throughout this process.
2. This has been a lot of information to absorb and review.
3. I wonder if we should poll people at the beginning to narrow down our discussions.
4. I am disappointed to not be able to attend the meeting on February 26.
5. This is a lot to absorb, and I am curious which projects we will replace year by year.
6. We need to keep in mind that the Meter Replacement Project isn't incorporated in this project.
7. It would be clearer if we could see all other impacts at once (such as the Meter Replacement Project).
8. It will be very important to continue to demonstrate transparency in the funding process.
9. It is amazing how a small change in funding can make a big difference.
10. The preparation for this and the other CAC meetings has been outstanding, and it is always presented in an interesting way to help everyone understand and learn.
11. This complicated material has been presented in a well-thought-out way.
12. I appreciate seeing all twenty-one alternatives; it is a lot of information to digest.
13. I spent several days trying to figure this out, and it's been very helpful to get the explanations at tonight's meeting.
14. I'm thinking a lot about inter-generational equity and how we can best put the costs on those that will really benefit from the replacements.
15. I appreciate the group, the questions, and everyone's skills and abilities.
16. It was very helpful to have the handouts printed on paper so that we could take notes on them.
17. It was good to look at the numbers, the monthly rate increases, and the impact on different generations.
18. We had very interesting conversations with each other. Sixty years is a long time, and we need to face the reality of what we want to do and what the public will bear. This will be a hard sell. We need to determine a realistic replacement level and assess that reality over the next twenty-three years.
19. All that we've learned is starting to come together for me, and I'm looking forward to the next meeting.
20. I so appreciate the staff for their time and effort.



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PUBLIC COMMENTS

None

CLOSE

CAC Vice Chair Richard Moses thanked the CAC members, District staff, and consultants for their participation and adjourned the meeting at 9:15 p.m.