

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
EL DORADO IRRIGATION DISTRICT**

WHEREAS, the District fixes and collects charges for the use of water under the authority of Water Code section 22280(a); and

WHEREAS, the District fixes and collects charges for wastewater disposal service, including the use of recycled water, under the authority of Water Code sections 22176, 22178-22180, 22280(a), and 22975(a); and

WHEREAS, in accordance with the revised 2010 operating budget adopted on November 23, 2009, substantially increased water, wastewater, and recycled water charge revenues are needed in 2010 as part of the total District revenues necessary to meet operating expenses; purchase or lease supplies, equipment or materials; meet financial reserve needs and requirements, including required debt service coverage; and obtain funds for capital projects necessary to maintain service within existing service areas; and

WHEREAS, water, wastewater, and recycled water charge revenues will have to further increase in subsequent years in amounts sufficient to match the effect of projected increases in operating expenses; the purchase or leasing of supplies, equipment, or materials; financial reserve needs and requirements, including required debt service coverage; and the funding of capital projects necessary to maintain service within existing service areas; and

WHEREAS, on December 16 and 17, 2009, the District issued mailed notice of proposed increases in its water, wastewater, and recycled water charges, of a public hearing on the proposed changes, and of the right to object to said changes, to the owner of every affected property in accordance with Article 13D, section 6 of the California Constitution (“Proposition 218 Notice”); and

1           WHEREAS, the District has conducted said public hearing as well as numerous public  
2 meetings, heard and received testimony and other evidence, and considered all objections to the  
3 proposals as set forth in the notice; and

4           WHEREAS, at the close of the public hearing on February 4, 2010, the Board Clerk had  
5 not received a majority protest, as defined by Article 13D, section 6 and implementing legislation,  
6 to any of the proposed rate increases; and

7           WHEREAS, the District has determined that a pending restructuring of its debt obligations,  
8 to be submitted to the District's Board of Directors for authorization on February 8, 2010, will  
9 reduce its debt obligations by approximately \$4 million annually 2010, 2011, and 2012; and  
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11           WHEREAS, the District has determined that a pending power purchase agreement for the  
12 District's hydroelectric power project, of which the District's Board of Directors authorized  
13 negotiation and execution on January 25, 2010, will increase its revenues by approximately \$2.5  
14 million in 2010 and \$4.5 million annually thereafter; and  
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16           WHEREAS, the District has determined that the deferral of additional capital improvement  
17 projects, beyond those initially proposed on December 14, 2009, will enable the District to further  
18 reduce its debt obligations in years 2011 and thereafter by delaying and reducing the District's need  
19 to borrow additional capital funds; and  
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21           WHEREAS, the District believes that a further reduction of annual operating expenses of at  
22 least \$1 million, beyond the \$8 million in overall operating expense reductions achieved in the last  
23 two years, is appropriate and achievable without unacceptably compromising services within the  
24 District's existing service areas; and  
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26           WHEREAS, on February 8, 2010, the District's Board of Directors will consider a further  
27 revised 2010 operating budget that reflects the factors cited above;

1 NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED AS FOLLOWS by the

2 Board of Directors of El Dorado Irrigation District:

3 A. The Board hereby finds as follows:

- 4
- 5 1. It is necessary for the District to increase water, wastewater and recycled water rates
- 6 in order to meet its operating expenses and financial requirements, and to sustain
- 7 safe, reliable water and wastewater disposal services.
- 8
- 9 2. The pending debt restructuring to achieve short-term reductions in debt obligations,
- 10 power purchase agreement to increase operating revenues, and deferral of capital
- 11 improvement projects to delay and reduce future debt obligations make it possible for
- 12 the District to reduce its rate increases from those initially reflected in the revised
- 13 2010 budget and proposed in the public notice.
- 14
- 15 3. Based upon five-year projections of the District's finances, the three factors
- 16 summarized in Finding 2 enable the District to
- 17 a. Reduce its proposed 2010 rate increases from 35% to 18%, and authorize
- 18 increases of no more than 15% in 2011, 5% in 2012, 5% in 2013, and 5% in
- 19 2014; and
- 20 b. Defer the implementation of the proposed 2013 and 2014 increases, so that they
- 21 will not take effect, in whole or part, without further Board action following a
- 22 public hearing and a showing of need.
- 23
- 24 4. These proposed increases to water, wastewater, and recycled water charges have been
- 25 calculated to, and will, have the following characteristics:
- 26 a. They are set for the purposes of, and will not exceed the costs of, meeting
- 27 operating expenses, purchasing or leasing supplies, equipment, or materials,

1 meeting financial reserve needs and requirements, and obtaining funds for capital  
2 projects necessary to maintain service within existing service areas, in  
3 compliance with Public Resources Code section 21080(b)(8);

4  
5 b. The revenues derived from them will not exceed the funds required to provide  
6 water, wastewater, and recycled water service, in compliance with Article 13D,  
7 section 6(b)(1) of the California Constitution;

8 c. The revenues derived from them will not be used for any purpose other than  
9 water, wastewater, and recycled water service, in compliance with Article 13D,  
10 section 6(b)(1) of the California Constitution; and

11 d. The amount of charge imposed on any parcel or person shall not exceed the  
12 proportional cost of the service attributable to the parcel, in compliance with  
13 Article 13D, section 6(b)(1) of the California Constitution.  
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15 5. Additional reductions in operating expenses for personnel, materials, and services  
16 would enable the District to further reduce proposed rate increases in all years in  
17 which those reductions are achieved.

18 6. The District shall conduct, complete, and implement the results of a Cost of Services  
19 study as soon as possible to confirm whether the charges and differences in charges  
20 among various rate classifications are appropriate.  
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22 7. The District shall institute the practice of calculating and approving, consistent with  
23 Article 13D, section 6 of the California Constitution, all service charges necessary to  
24 fund the repayment borrowed capital funds before initiating such borrowing.  
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26 8. The District shall institute an internal financial control test that requires projected  
27 annual revenues, excluding Facility Capacity Charges, to equal or exceed projected

1 annual operating expenses plus debt payments.

- 2 9. The District shall prepare a reconciliation of recent years' capital expenditures  
3 against proceeds, new hook-up revenues, rates, and other funding sources.

4 B. The evidence upon which the foregoing findings are based consists of the  
5 following, all of which are incorporated by reference into the record of proceedings for this  
6 Resolution:  
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- 8 1. This Resolution and the Proposition 218 Notice;
- 9 2. All written materials and oral statements presented by the District and its personnel  
10 at or in connection with the noticed public hearing on this Resolution;
- 11 3. All written materials and oral statements presented by the District, its personnel and  
12 consultants at or in connection with the following public meetings: January 11, 2010  
13 and January 25, 2010 Finance, Rates and Charges Standing Board Committee  
14 meeting, January 25, 2010 Board of Directors meeting, January 13, 18, 26, and 27,  
15 2010 Public Workshops;
- 16 4. The District's adopted 2009-2013 capital improvement program;
- 17 5. All written materials and oral statements presented at or in connection with the  
18 Engineering and Operations Standing Board Committee's deliberations on the 2009-  
19 2013 capital improvement program on March 23, 2009 and the Board's deliberations  
20 on the 2009-2013 capital improvement program on April 13, 2009;
- 21 6. The District's proposed 2010-2014 capital improvement program;
- 22 7. All written materials and oral statements presented by the District and its personnel at  
23 or in connection with the Board's deliberations on the 2010-2014 capital  
24 improvement plan on December 14, 2009, and the Engineering and Operations  
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1 Standing Board Committee’s deliberations on the 2010-2014 capital improvement  
2 program on January 29, 2010;

3 8. The District’s revised 2010 operating budget adopted November 23, 2009;

4 9. All written materials and oral statements presented by the District and its personnel  
5 at or in connection with the Board’s deliberations on the revised 2010 operating  
6 budget on November 9 and November 23, 2009;

7 10. All written materials and oral statements presented by the District and its personnel  
8 at or in connection with the August 10, 2009, Finance, Rates and Charges Standing  
9 Board Committee meeting; and

10 11. The Preliminary and final Official Statements for the District’s Series 2010A  
11 Certificates of Participation.

12 C. The Board hereby approves the following increases in water, wastewater and  
13 recycled water service charges, effective March 1, 2010, for the 2010 increases and January 1 of  
14 each year thereafter in which increases are implemented:

15	2010	18%
16	2011	15%
17	2012	5%
18	2013	5%
19	2014	5%

20 D. Notwithstanding the foregoing approval, the Board hereby authorizes  
21 implementation of only the 2010, 2011, and 2012 increases. No increases for 2013 or 2014 can  
22 occur without further action of this Board after a public hearing and showing of good cause.

23 E. The Board hereby directs the General Manager to present a proposal for  
24 additional  
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1 reductions in operating expenses for personnel, materials, and services at a public meeting of the  
2 Board no later than April 12, 2010. It is the Board's intent that the General Manager identify at  
3 least \$1 million in reductions that will not unacceptably compromise safe, reliable water and  
4 wastewater service within the District's service areas. Further, the Board directs that all authorized  
5 rate increases be prospectively reduced by an amount commensurate with the projected additional  
6 reductions in expenses that will be achieved in any year.

8 F. The Board hereby directs the General Manager to initiate a competitive  
9 process to retain an independent expert to conduct a Cost of Services Study that includes public  
10 participation and a formal Ratepayer Advisory Committee. It is the Board's intent that this study  
11 shall confirm whether the charges and differences in charges among various rate classifications are  
12 appropriate. The Board further directs the General Manager, before December 31, 2010, to present  
13 the completed study, with any recommendations for action, to the Board for implementation.

15 G. The Board hereby declares that the District shall institute the practice of  
16 calculating and approving, consistent with Article 13D, section 6 of the California Constitution, all  
17 service charges necessary to fund the repayment of borrowed capital funds before initiating such  
18 borrowing in the future.

20 H. The Board hereby directs the General Manager to institute an internal  
21 financial control test in all future operating budgets. The test will require projected annual  
22 revenues, excluding Facility Capacity Charges, to equal or exceed projected annual operating  
23 expenses plus debt payments.

25 I. The Board hereby directs staff to prepare a reconciliation of past capital expenditures  
26 against proceeds, new hook-up revenues, rates, and other funding sources. The period of time  
27 covered by the reconciliation should be sufficient to provide meaningful results in staff's

1 professional judgment. It is the Board's intent that the time period be at least five years, and longer  
2 if feasible given the information available.

3 The foregoing Resolution was introduced at a regular meeting of the Board of Directors of  
4 the EL DORADO IRRIGATION DISTRICT, held on the 4<sup>th</sup> day of February 2010, by  
5 Director Norris, who moved its adoption. The motion was seconded by Director George and a poll  
6 vote taken which stood as follows:  
7


8 AYES: Directors Norris, George, Fraser, and Wheeldon

9 NOES:

10 ABSENT: Director Osborne

11 ABSTAIN:

12  
13 The motion having a majority of votes "Aye", the resolution was declared to have been adopted, and  
14 it was so ordered.

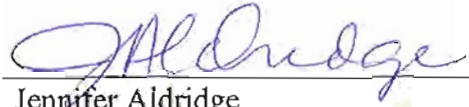
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16   
17 John P. Fraser, President  
18 Board of Directors  
EL DORADO IRRIGATION DISTRICT

19 ATTEST:

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21   
22 Jennifer Aldridge  
23 Clerk to the Board  
EL DORADO IRRIGATION DISTRICT

24 (SEAL)  
25  
26  
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1 I, the undersigned, Clerk to the Board of the EL DORADO IRRIGATION DISTRICT  
2 hereby certify that the foregoing resolution is a full, true and correct copy of a Resolution of the  
3 Board of Directors of the EL DORADO IRRIGATION DISTRICT entered into and adopted at a  
4 regular meeting of the Board of Directors held on the 4<sup>th</sup> day of February, 2010.  
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8 Jennifer Aldridge  
9 Clerk to the Board  
10 EL DORADO IRRIGATION DISTRICT  
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