



For immediate release: July 22, 2009

State Poised to Raid Local Coffers EID Board Officers: “No Solution to State Budget Woes”

Placerville, CA. . . . In the wake of a budget agreement announced by California’s legislative leaders and Governor Schwarzenegger, El Dorado Irrigation District (district) board president George Wheeldon and vice president John Fraser denounced one of the agreement’s main provisions.

“We are adamantly opposed to state ‘borrowing’ of local property tax revenues,” Wheeldon said. “State lawmakers claim they included no tax increases in their agreement. But by taking local revenues away from local governments in very tough economic times, the state’s making it all but impossible for water agencies like us to hold the line on rates. If we’re forced to seek a rate increase, it’s nothing more than an indirect state tax on our customers.”

In late May, the board unanimously adopted a resolution condemning recommendations to trigger Proposition 1A, which allows the state to borrow eight percent of local property tax revenues during declared financial emergencies. If the borrowing falls heaviest on water and wastewater districts, as happened in 2004 and 2005, the district stands to lose as much as \$10 million to \$11 million—equal to nearly one fourth of its 2009 operating budget. District staff calculated that every \$1 million in lost property tax revenues equates to a 3 percent rate hike for water, wastewater, and recycled water services, if the board is forced to take that route.

“This is definitely no solution to the state’s budget woes,” said Fraser. “Proposition 1A requires the state to pay back the revenues in three years with interest. Unless this deep recession turns around quickly, there will be no money to do that. It seems to me the state’s simply digging an ever deeper hole rather than truly resolving their budget difficulties.”

Fraser also said the state could help ease the pain by eliminating unfunded mandates “that do little to improve the services we provide. Take our hydropower generation system, for example. It produces state-certified renewable energy and provides drinking water for EID customers. We operate it under both federal and state dam-safety regulations. The state could save a lot of money by eliminating duplicative oversight by the Division of Safety of Dams. And EID could save even more because we wouldn’t have to pay for state inspections, complete costly studies, and make improvements that our federal safety regulator deems unnecessary.”

“We have a long list of similar ideas that we are happy to share with state lawmakers,” he added.

Wheeldon said the state “is making it very difficult for fiscally prudent utilities like the district to continue to provide a safe and reliable water supply without a rate increase.” He pointed out that EID has been diligently cutting its budget for two years, starting with a 10 percent reduction in the 2008 budget. In early September 2008, the district downsized its management ranks—eliminating and downgrading 18 positions—to save an additional \$1.1 million in the 2008 budget and \$1.4 million a year thereafter. When Wall Street imploded a week later, the district cut another \$5 million through more reductions in supplies and services, the elimination of 8 vacant positions and 12 full-time equivalent positions through early retirements, a 12.5 percent reduction in Board member income, and the unfortunate layoff of 31 employees. The result was a 19 percent reduction in the overall workforce from early 2008 levels and a 2009 budget that is nearly \$2 million less than the 2007 budget.

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