

# Public Workshop on Proposed Rate Increases

**January 28, 2010**



**El Dorado Irrigation District**

# Agenda

- **Welcome and introductions**
- **2010 budget**
- **Why the rate increases and what would they mean to you**
- **What happens if EID defaults on its bond obligations**
- **Questions and answers**
- **Wrap-up**



# 2010 Budget—Revenues

(millions of \$)

	<b>Original Projections</b> (made in 2008 for 2009-2010 budget)	<b>Revised Projections</b>
<b>Revenues</b>	<b>\$62.553</b>	<b>\$55.499</b>
<b>New hook-up revenues</b>	<b>\$16.138</b>	<b>\$ 3.000</b>
<b>Total revenues</b>	<b>\$78.691</b>	<b>\$58.499</b>



# 2010 Budgeted Expenditures

(millions of \$)

	<b>Expenditures before cuts/deferrals</b>	<b>Expenditures after cuts/deferrals</b>
<b>Operations</b>	<b>\$51.591</b>	<b>\$43.316</b>
<b>Capital expenditures</b>	<b>\$45.800</b>	<b>\$40.500</b>
<b>Debt payments</b>	<b>\$22.531</b>	<b>\$22.531</b>



# Current staffing below 2002 level

## Personnel reductions

- 11 unfilled positions eliminated
- 12 retirees not backfilled
- 8 management positions eliminated
- 31 additional employees laid off
- Staff reduced to 252.5 budgeted positions for 2010
- 20% reduction in staff from mid-2008



# Overall cuts

- **2009-2010 budget adopted December 2008**
  - **\$6 million in personnel reductions from 2008 to the 2009 budget**
  - **\$300,000 in material and services expense reductions for 2009**
- **2010 budget lowest since 2006**



# Why rate increases?

- **EID sells bonds to finance major capital projects**
- **Bond covenants legally require budgets that show net revenues will exceed debt costs by 25 percent**
- **New hook-up fees helped meet that requirement in the past**
  - **Kept rates down for existing customers**



# Why rate increases?

- **New hook-up revenues fell short by \$13 million from projections for 2009**
  - **Economy crashed in 2008**
  - **Housing market fell drastically**
- **Significant upturn in new construction not anticipated for several years**



# 2010 debt coverage shortfall

(millions of \$)

<b>Revenue</b> (w/o hook-up fees)	<b>\$ 55.499</b>
<b>Operating expenses</b>	<b><u>43.316</u></b>
<b>Net revenues</b>	<b>12.183</b>
<b>Debt payments</b>	<b><u>22.531</u></b>
<b>Shortfall</b> (from 1.0 test)	<b>(\$10.348)</b>
<b>New hook-up fees</b>	<b>3.000</b>
<b>25% of \$22.531</b>	<b>( <u>5.633</u> )</b>
<b>Total shortfall</b>	<b>(\$12.981)</b>



# Staff's original proposal

- **Rate increases would meet the requirements in the bond covenants**
- **Budget with rate increases had to be adopted by end of 2009**
- **Rate increases would sustain current service levels**
- **As new hook-up revenues bounce back**
  - **They will be used to pay for capital projects**
  - **That reduces the need to borrow**



# Staff's original proposal

## **Rate increases for water, wastewater, and recycled water**

- **35 percent in 2010**
- **15 percent in 2011**
- **5 percent in each of 2012, 2013, 2014**
- **Approximately 80 percent cumulative**



# “Plan B”

- **Customers expressed concerns over the initial proposal**
- **Staff listened and has worked to reduce impact on customers**
- **Option — “Plan B” — presented to EID board on Monday, January 25**

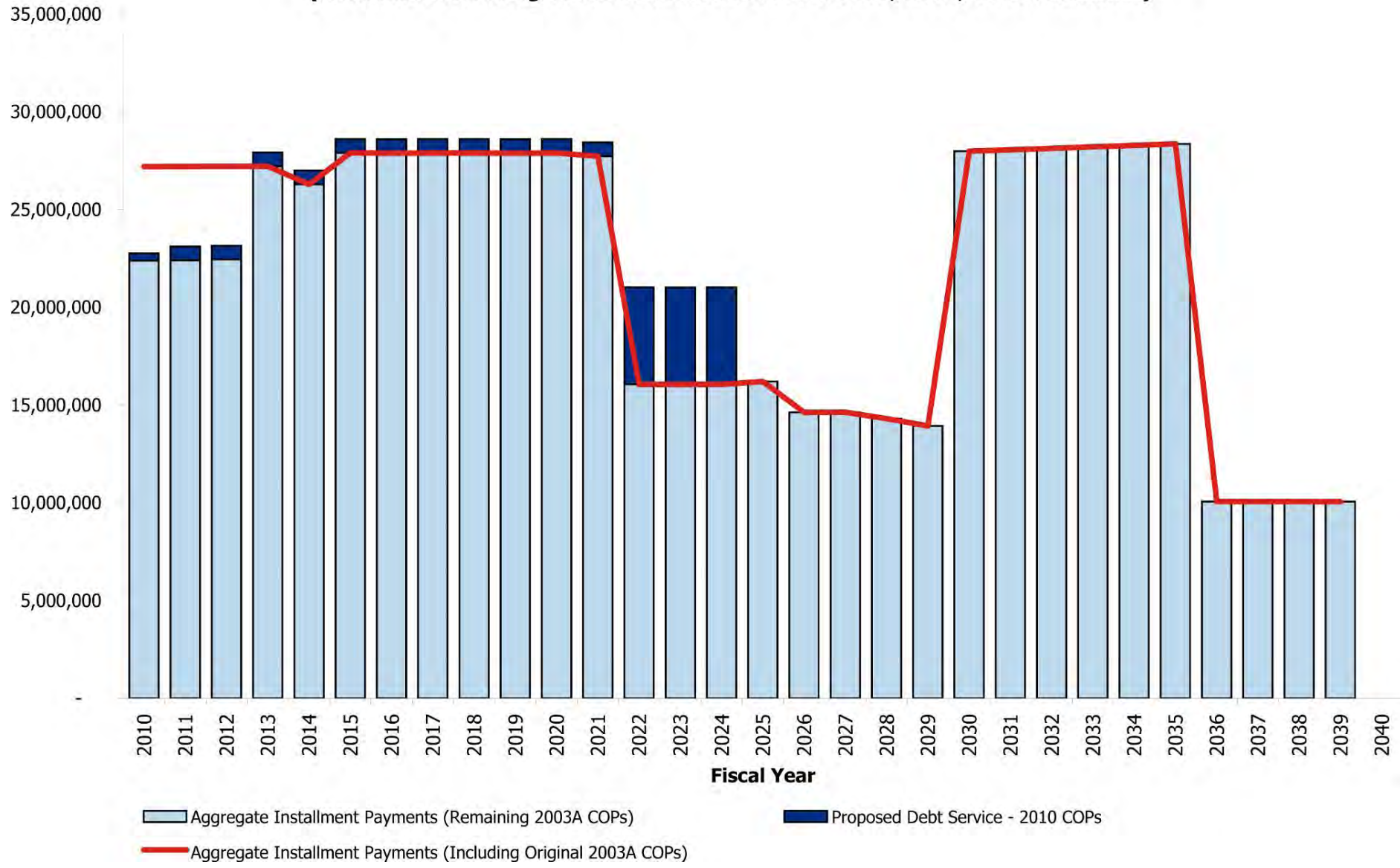


# Plan B's four-legged approach

- **Improved prices for hydroelectric power**
- **Restructuring of the district's debt**



**El Dorado Irrigation District - Proposed Rate Relief Bond Restructuring**  
*(Advanced Refunding of the Series 2003A COPs: 2010, 2011, 2012 Maturities)*



# Plan B's four-legged approach

- **Defer additional capital improvement projects**
- **More operating budget cuts, including negotiations with employees' union**



# Plan B's proposed rate increases

- **18 percent in 2010**
- **15 percent in 2011**
- **5 percent in 2012**
- **Approximately 42 percent three-year cumulative**
- **In 2012: complete a new capital improvement plan with associated rates before 2013 borrowing**



# How would residential bills change?

<b>Water (two-month use)</b>	<b>Monthly increase 2010</b>	<b>Monthly increase 2012 (cumulative)</b>
<b>Low use 1800 cubic feet (13,464 gallons)</b>	<b>\$3.33</b>	<b>\$7.87</b>
<b>Medium use 2700 cubic feet (20,196 gallons)</b>	<b>\$4.28</b>	<b>\$10.09</b>
<b>High use 8500 cubic feet (63,580 gallons)</b>	<b>\$11.07</b>	<b>\$26.13</b>



# How would residential bills change?

<b>Wastewater (two-month use)</b>	<b>Monthly increase 2010</b>	<b>Monthly increase 2012 (cumulative)</b>
<b>Low use 1800 cubic feet (13,464 gallons)</b>	<b>\$8.59</b>	<b>\$20.27</b>
<b>Medium use 2700 cubic feet (20,196 gallons)</b>	<b>\$10.32</b>	<b>\$24.35</b>
<b>High use 8500 cubic feet (63,580 gallons)</b>	<b>\$10.32</b>	<b>\$24.35</b>



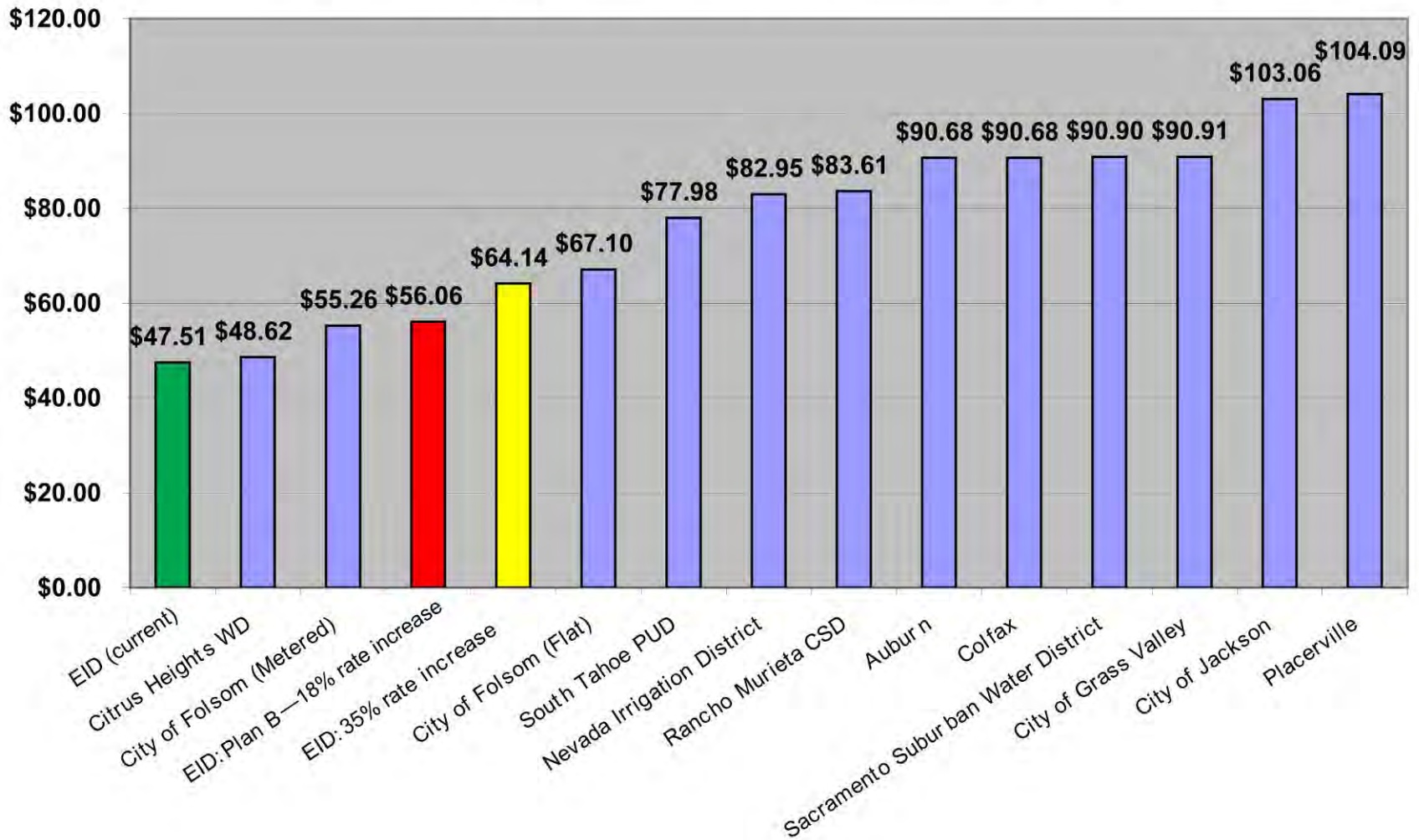
# How would residential bills change?

<b>Water and Wastewater (two-month use)</b>	<b>Monthly increase 2010</b>	<b>Monthly increase 2012 (cumulative)</b>
<b>Low use 1800 cubic feet (13,464 gallons)</b>	<b>\$11.92</b>	<b>\$28.14</b>
<b>Medium use 2700 cubic feet (20,196 gallons)</b>	<b>\$14.60</b>	<b>\$34.44</b>
<b>High use 8500 cubic feet (63,580 gallons)</b>	<b>\$21.39</b>	<b>\$50.48</b>



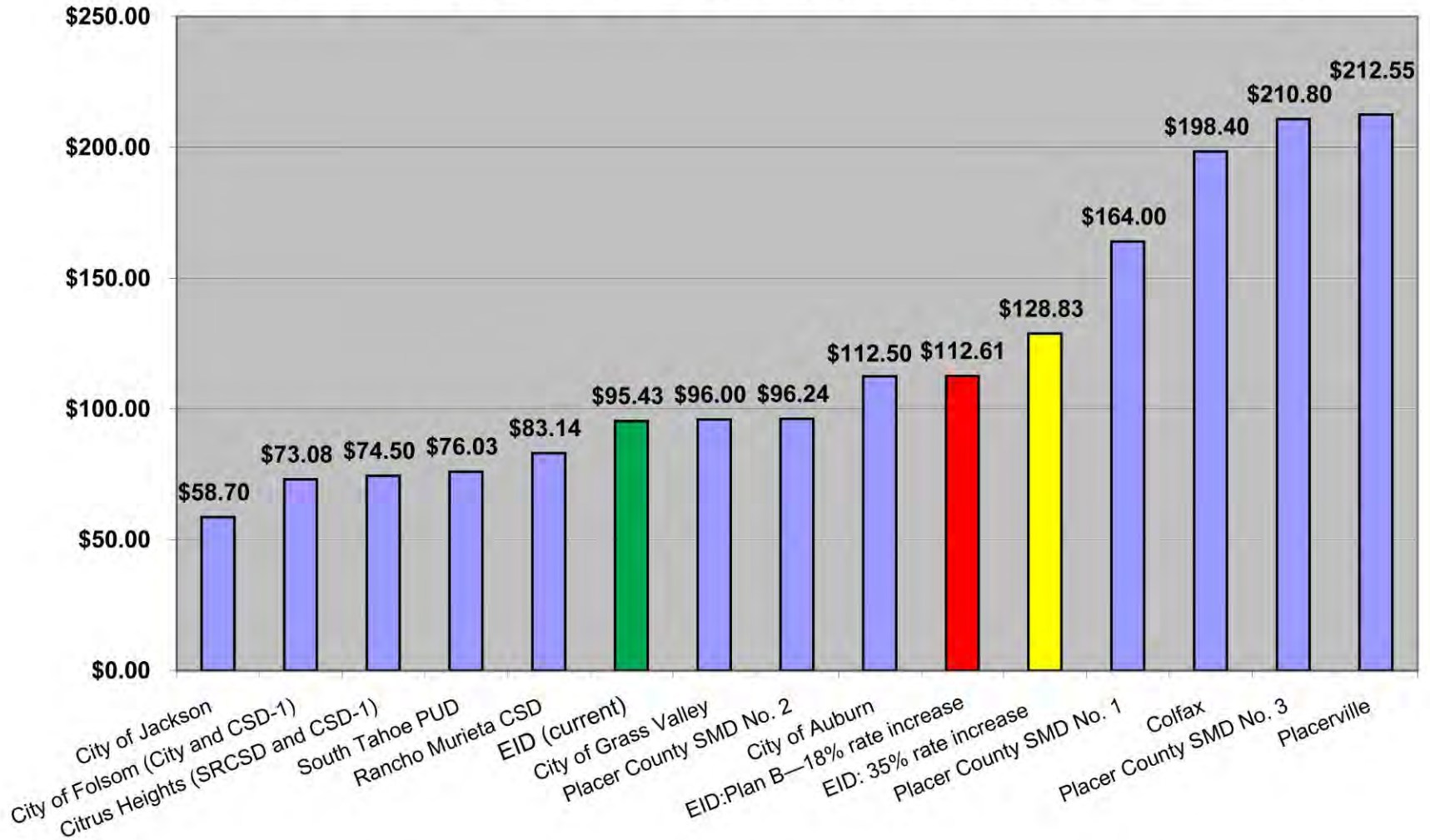
# Water comparison chart

**Regional Water Bill Comparison Oct 2009**  
For Bi-Monthly Service—Single Family Residence—2700 cf usage



# Wastewater comparison chart

**Regional Sewer Bill Comparison October 2009**  
For Bi-Monthly Service—Single Family Residence—1800 cf of winter usage



# What happens if EID defaults?

## The legal side

- **Bondholders can**
  - **Send a notice of default**
  - **Insist on a remedy in 30 days**
  - **Demand immediate payment of all outstanding debt and accrued interest**



# What happens if EID defaults?

## The legal side

- **Accelerated debt repayment**
- **Bondholders and EID's credit guarantors can sue**
  - **Court order for EID to raise rates/cut costs to meet debt covenant**
  - **Mandatory or prohibitory injunction**
  - **Court or appointed trustee running EID**



# What happens if EID defaults?

## The financial side

- **EID will lose its A+ credit rating**
- **Millions of \$\$ in additional interest costs on existing debt**
- **Millions of \$\$ of higher interest costs on future borrowing**
  - **If borrowing is even possible**
- **Higher costs for line of credit**

