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EID Board Adopts New Rates under “Plan B” and Sets New Financial Practices in Motion

Placerville, CA... The El Dorado Irrigation District board of directors adopted a resolution that approves new rates for water, wastewater, and recycled water services during a public meeting on February 4.

Under the new rates, residential customers using 2,700 cubic feet of water every two months—fairly typical in the district’s service area—will see an increase of about \$6.66 on their 2010 two-month bills. Residential customers with both water and wastewater services, again using 2,700 cubic feet of water, would see an increase of about \$29.20 on their 2010 two-month bills.

“Our customers made it clear they felt the original increases we proposed were just too high,” said EID general manager Jim Abercrombie. “We went back to the drawing board and developed ‘Plan B,’ which cut the 2010 rate increase by about half.”

To get to Plan B, staff significantly reduced the nearly \$13 million gap between projected revenues in 2010 and the amount needed to meet legal requirements contained in the district’s bond covenants. Abercrombie said that was accomplished through a combination of “first, even more reductions in our operating budget and second, higher revenue projections.”

Specifically, staff:

- Projected higher revenues from sales of the hydro-electric power EID generates. Negotiations with buyers indicate the district can anticipate annual power revenues of \$6 million to \$10 million, rather than the \$3.5 million estimated in the 2010 budget.
- Reduced expenses in the budget through a restructure of the district’s debt payments, leveling them off over the life of the debt. This conserves cash and reduces the payments approximately \$4 million in each of the next three years.

Protest Validation Results and Process

Under Proposition 218, parcel owners or tenants of parcels affected by proposed increases in property-related fees or charges—like water and wastewater rates—can protest the increases. If valid, written protests are submitted for 50% plus 1 of the parcels affected by the proposals, the rates cannot be raised.

The results of the validation process for EID’s proposed rate increases follow.*

# of parcels per service	# of protests per service	% of protests
Water 38,774	6,810	17%
Wastewater 20,612	4,294	21%
Recycled water 3,980	645	16%

* If a parcel has more than one service (for example, water, wastewater, and recycled water), the protest was counted in all service categories.

A protest was invalidated if:

- It failed to include the property address or parcel number and a search of the EID and county databases found no match.
- It was for the same parcel as another protest—Proposition 218 allows only one protest per parcel.
- The parcel in question had no EID service.
- The parcel in question was outside EID’s retail service area.

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- Staff will seek board approval to defer even more capital improvement projects, which means a delay in future borrowing and its associated costs.
- Negotiations with the employees' union continue and are expected to lead to lower personnel costs.

Regarding rates, the resolution that the board adopted:

- Authorized an 18% increase in water, wastewater, and recycled water rates for 2010, 15% in 2011, and 5% in 2012, 2013, and 2014.
- Implemented only the first three years of rate increases.
- Required separate board action, a public hearing, and a showing of need before implementing rate increases for 2013 and 2014.

The resolution also included a number of actions related to future rate changes and financial practices, as follows.

- Directed the general manager to recommend at least \$1 million in additional cuts in operating expenses without compromising safe, reliable services and to present the recommendations to the board by April 12 of this year. Any rate increases that have been authorized would be reduced in accordance with any additional expense reductions in any given year.
- Initiated a new practice that calls for public hearings before the district borrows in the future. This will give customers an opportunity to discuss the need for the borrowing, and it will give the district an opportunity to ask customers to support the borrowing—with any changes in rates fully explained and approved in advance after compliance with Proposition 218.
- Directed staff to conduct a cost of service study this year, using an independent expert well versed in accepted standards and in coordination with a community-based ratepayer advisory committee. The results and recommendations are to be presented to the board before the end of the year.
- Established a new internal financial control test to require that projected annual revenues will fully cover annual operating expenses and debt payments, even if the district receives no new hook-up revenues. This will prevent the district from becoming overly reliant on new hook-up fees in the future.
- Directed staff to prepare a report that reconciles capital expenditures against bond proceeds, new hook-up revenues, rates, and other funding and present it to the board in 2010.

“These directives will guide our financial management in the future,” Abercrombie said. “They respond to ideas and concerns raised in our public workshops. And they are aimed at ensuring the district continues to deliver safe, reliable services in a financially responsible way and with reasonable rates for our customers.”

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