



EL DORADO IRRIGATION DISTRICT **NEWS RELEASE**

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FOR IMMEDIATE RELEASE

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EID BOARD ADOPTS 2012 OPERATING BUDGET Budget Nearly Flat Compared to 2011 and \$5 Million Less Than 2008 Budget

Placerville, Calif. — At its November 14 meeting, the El Dorado Irrigation District Board of Directors adopted the 2012 mid-cycle operating budget in the amount of \$42.970 million. In accordance with board policy, the board adopts a two-year budget and conducts a mid-cycle review to determine any changes that may be needed in the second year of the cycle. Mark Price, EID's finance director, reported that the 2012 operating expense budget was nearly flat compared to the 2011 adopted budget and is \$1.1 million less than the previously adopted second year of the 2011–2012 biennial budget. According to Price, staff had many challenges in developing a flat 2012 operating budget revision. "Increased personnel costs, due to the expiration of wage and benefit concessions bargained for with the employees' association for 2010 and 2011, as well as a 3.5 percent increase to the employer's PERS contribution are among the reasons for the challenge," said Price. "Additionally, the district's expected property tax revenues are now estimated to be about \$1.1 million less for the 2012 budget year versus what was projected eighteen months ago," he said. According to Price, the 2012 operating budget is \$5 million less than that in 2008.

Price also reported that the revised revenue projections for 2012 are slightly higher at \$71.931 million than the \$71.729 million originally adopted in December 2010 for the 2011–2012 biennial budget. "This revenue budget contains the results of the cost of services study. The increase in water sales and services projected within the study are offset by the reduced property tax collections," said Price. Price also reported that for 2012, the debt service reflected in the 2012 revised proposed budget is reduced by \$2 million reflecting the prepayment the district will make in late 2011 to an irrevocable trust recently authorized by the board. A similar prepayment is expected to be made in late 2012 for the district's 2013 debt obligation. "If projected revenues are met and staff can meet the budget expectations, then there will be enough net revenue in 2012 to meet and exceed the 1.25 debt service ratio requirements in the district's bond covenants and enough revenue, excluding FCCs, to exceed the existing internal 1.0 internal debt service coverage test," said Price. "The prepayment of this debt each year is like a rate stabilization fund," said EID General Manager Jim Abercrombie, "and it is good to do it whenever we can."

50-50 Cost Recovery Allocation Methodology Selected

On a 4-1 vote, the board adopted the cost recovery allocation methodology of collecting 50 percent of revenue from fixed charges and 50 percent of revenue from variable commodity charges for water, wastewater and recycled water, returning it to the cost recovery methodology used by the district prior to 2008. This decision came after an extensive fifteen month cost of services study was completed by rate consultant, Greg Clumpner of HDR Inc., in conjunction with a community-based panel comprised of five volunteer local business people and five district staff members. During the process, the board was provided with updates during 13 public meetings. "The study found that the 50-50 cost recovery method creates a more reliable, less volatile revenue stream that is not heavily influenced by wet or dry years. This change will help stabilize the district's debt service and also improve financial forecasting, as it allows us to collect the majority of our fixed costs so we don't have to rely on facility capacity charges (FCCs or hookup fees)," said Abercrombie. The final study results were presented to the public in meetings

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in late October. Formal notification of rate changes will occur in early 2012 when the District issues a Proposition 218 notice.

Recreational Turf Rate Classification to Increase

The board unanimously adopted a change to the recreational turf rate classification, based upon the recommendation of the cost of services study committee, which will more appropriately allocate the true cost of services for this rate class. Currently, the recreational turf rates are not adequate to cover the actual cost of providing services, as they are approximately 50 percent lower than single family residential rates for similar water service. With this change, the recreational turf rates will become comparable to single family residential rates. “The district has met with various customers within this rate class, primarily schools, to discuss proposed changes. We have also provided and will continue to provide water efficiency audits and grant-funded water efficiency devices to assist these customers with water conservation in an effort to reduce their consumption and better control costs,” said Abercrombie. “The district has set aside \$100,000 in grant funds to provide schools, community services districts, and other recreational turf customers with water conservation devices and will be holding meetings with those affected in the coming months.”

In an effort to allow customers time to implement these water conservation measures and help reduce the financial impact of this change, the rate change will not occur until January 1, 2013, allowing them to continue their current rate until that time. Board member George Osborne noted that no one wants to overburden the already financially-strapped schools, but since the courts have intervened and applied Proposition 218 to water districts and does not allow subsidization among rate classes, the District has no choice but to take this action. As with the 50-50 change, formal notification of this rate change will occur in early 2012 when the district issues a Proposition 218 notice.

Board Member Harry Norris Honored with Resolution

The board presented Board President Harry Norris with a resolution honoring his many years of exemplary public service to the community, including his eight years serving on the EID board. All of Norris’ fellow board members and many community members made heartfelt remarks to Norris affirming his exemplary service to EID and the community. Board member George Wheeldon commented that, “One of the many things I admire about you, Harry, is your courteous response to people who differ with you and how you still recognize all of the people’s different viewpoints. You will be missed.” This meeting was Norris’ last meeting as an EID board member.



Harry Norris (L) with Board Vice President Bill George

In other business, the Board—

- Received a PG&E Golden Spotlight Award for the district’s 2010 efforts in excelling in power conservation by participating in PG&E’s voluntary demand response program’s peak day pricing events. This is the fifth consecutive year that EID has received this award for its efforts in power curtailment for the El Dorado Hills water treatment plant and Folsom Lake raw water pump station, which saves the district an estimated \$200,000 dollars annually in avoided power cost.
- Acknowledged awards for the district’s Sly Park Recreation Area, including the *Mountain Democrat* newspaper’s Reader’s Choice Award, where the readers voted the park as the Best Recreation Facility in the area for the fourth consecutive year. Also acknowledged awards from *El Dorado Style* magazine for Favorite Kid’s Activity and *SacTown* magazine for Great Places to Hike (the Park’s waterfall.)
- Awarded a construction contract to Clyde G. Steagall, Inc. in the not-to-exceed amount of \$979,598 and authorized additional funding of \$288,000 for construction management and inspection by district staff,

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specialty inspection by the design consultant, geotechnical testing by the geotechnical engineer, relocation of the PG&E electrical service and project contingency, for a total funding request of \$1,267,598 for the Timberline lift station upgrade project in El Dorado Hills.

- Authorized staff to proceed with the information technology (IT) business continuity plan to mitigate risks to the district's IT infrastructure and approved a capital improvement plan funding request in the amount of \$305,000 to begin work on phase one of the project.
- Conducted performance reviews for EID General Manager Jim Abercrombie and General Counsel Tom Cumpston, and approved three-year extensions to each of their employment contracts.

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EID is a public agency dedicated to providing high quality water, wastewater treatment, recycled water, hydropower, and recreation services in an environmentally and fiscally responsible manner.