



The Waterfront

Behind-the-Scenes Tour of Wastewater Treatment Plant

Wastewater treatment is a complex and expensive proposition affected by population, geography, and especially by local, state, and federal regulations. In El Dorado County, EID maintains nearly 21,000 sanitary sewer system connections across 77 square miles of erratic terrain. Some 561 miles of pipeline—assisted by 64 sewage lift (or pumping) stations to overcome topographical challenges—carry effluent from customers' homes and businesses to four plants for treatment.

So what actually happens to the effluent that goes down your drains and toilets? EID is offering free tours of its El Dorado Hills wastewater treatment plant on the second Thursday in May, June, and July. To sign on for one of the tours, contact Jim Murphy at 530-642-4408, or by e-mail at jmurphy@eid.org, and let him know which date you prefer. All tours are limited to 25 participants, and EID customers will have priority.

Last year's tours were real eye openers for the participants, who like most of us do not often think about the wastewater treatment process until we get our bills and wonder how the costs are determined.

In the first tour in March of this year, attendee Min Yao, a former EPA employee, and her daughter Tiffany Wong learned a lot. "The tour is definitely educational for everyone, especially for my daughter," said Yao. Tiffany plans to use information she learned on the tour for her entry in the State Nature Bowl Competition in May.



The wastewater tours give attendees an overview of what goes into the collection and treatment of wastewater. Tiffany Wong, a fourth-grader at California Montessori Project, Shingle Springs, gathers information for her project.



Students have a chance to learn about interviews—the good and the bad. They tour the headquarters building and learn about the range of jobs at EID. Students also put what they learn into practice during mock interviews, complete with critical tips and encouraging feedback.

EID Reaches Out to Community Teens

For 16 years, EID has participated in a special program called PRO-Teens (Providing Real Opportunities for Teens). The program was started by El Dorado County Judge Eddie Keller as a opportunity for real-world work visits. Twice a year EID hosts six to eight senior high school students from the Charter Community Day School's Home Study Academy II.

The students attend four class sessions and six site visits at partnering businesses around the county. EID is the final stop in the program. The students learn skills on how to research, apply, interview, and maintain a job. The secondary focus is on teaching the students how to continue on to higher education and increase their skills so that they succeed in the workforce.

"EID's segment is the culmination of the whole program, and always the students' favorite. Other segments teach application process and resume writing skills, then EID takes everything the students have learned and applies it to a real life situation," said program teacher, Steve Bryant. "Students arrive a bundle of nerves. And when they leave you can see them walking a little taller and feeling more confident about what life after high school has to offer."



Jim Abercrombie

Message from the General Manager

As you may have heard, the District has initiated its process of redistricting. As mandated by law, the District must adjust its division boundaries using the 2010 census as a basis to ensure that the population is evenly distributed among the District's five divisions. To accomplish this complex and difficult task, we have formed an advisory committee comprised of citizens from each of the five divisions to develop recommendations for redistricting. Tom Cumpston, EID's General Counsel, is also a member of the committee, serving as project manager. You can read about their impressive backgrounds by visiting our website at www.eid.org, but I want to introduce them here as well. The public members include Maryann Argyres, Camino, Division 1; John Winner, Placerville, Division 2; Patrick J. Riley, Placerville, Division 3; Denny Davis, Cameron Park, Division 4; and Bob Luca, El Dorado Hills, Division 5.

The committee will be working for the next few months to come up with recommendations for the redistricting process. The public is invited to sit in on the meetings and observe the committee at their work. Written comments will be accepted at any time. Once the committee comes up with its recommendations, we will also be holding public outreach meetings during the summer to obtain feedback. Meeting dates, times, and more information, including a detailed "Frequently Asked Questions" document, may be found on our website.

Another way to get involved and learn more about the District is to attend one of our tours. For the second year in a row, we are offering tours of our wastewater and water treatment plants. The dates and details are listed in this issue of the *Waterfront* and on our website at www.eid.org. Join us and learn what it takes for us to provide you with safe and reliable water and wastewater services.

In closing, please be sure to read the Question and Answer series on page three. Mark Price, EID's Director of Finance, discusses the District's process for capital improvement funding as well as the new business financial model implemented by the District. In future newsletters, we will be discussing EID's budgeting and financing processes, the efforts that we have taken to reduce costs, and the results of the cost-of-services study. I look forward to sharing this information with you.

The News—Briefly



Harry Norris (L) and Tim Sullivan

EID Receives ASCE "Outstanding Small Water Project" Award

On March 9, 2011, EID's Flume 51 project was recognized by the American Society of Civil Engineers with an award for "Outstanding Small Water Project" in the state of California.

"The Flume 51 project has been a real success for the District and its construction

partners," said EID Senior Engineer Tim Sullivan. "This is the third time this project has been honored over the last year, and this award is particularly gratifying as it was singled out for being the best small water project in all of California."

Flume 51— part of the District's long-term capital improvement program to rehabilitate the Project 184 water conveyance system— was a raised wooden structure traversing steep and unstable landslide-prone slopes. Construction focused on hillside drainage control, landslide material removal, slope grading, and extensive use of woven geotextile fabric to improve soil strength.

"This was a complicated and difficult project and that's why we got recognized for it," said Board President Harry Norris. "I want to congratulate staff and our contractors, Carlton Engineering and Syblon Reid, for their hard work in making this happen."

Save the Dates for Water Treatment Plant Tours

Keep your calendar open in August and September for tours of the El Dorado Hills water treatment plant. Learn how EID treats and distributes water to homes and businesses in our service area. Tours will be held on the following Wednesdays: August 10, August 24, September 14, and September 28. Exact times will be detailed in the next *Waterfront* and online.

Event Center at Sly Park's Jenkinson Lake

Remember to think about the event center at Sly Park's Jenkinson Lake for your next occasion. Situated on a pine-filled acre along the south-western edge of the lake, the event center has room for 100 guests outside and holds up to 50 inside the facility. Amenities include a full kitchen inside and barbecue area outside. To learn more, go to the District's recreation page and click on "Event Center."



Questions and Answers about District Finances

Pictured at right: EID Finance Director Mark Price and EID Communications and Community Relations Director Mary Lynn Carlton



In recent months, I have heard about a new EID business financial model that has been developed and is now in use.

Can you tell me about it and what it includes?

The District is required to annually have revenues exceed its operating expenses and debt service requirements for that year by 125 percent. The revenue consists of rate and hydroelectric revenue, property tax, and other non-operating revenue as well as Facility Capacity Charges (FCCs, also known as hook-up fees). The new financial model now requires the District's revenue—excluding FCC revenue—exceed or be equal to its operating expenses and debt service. Internally this is called the 1.0 test. Rate revenue should pay for operating expenses and debt service expenses.

In the past the District relied too heavily on FCCs to help fund debt service. This past reliance caught up with the District when the real estate market stalled and the FCC revenue almost became nonexistent. At that point it was necessary to raise rates and greatly reduce operating costs in order to meet existing debt service obligations and bondholder covenants. Now, as part of the new plan and in contrast to our past practice, as FCCs are collected, a small percentage will go to make annual debt payments. The rest will go to fund capital improvements or to pay off debt early.

Finally, the new model consists of a 10-year financial forecast with the first year being the currently adopted budget which is tracked on a quarterly basis and is compared to prior years over the same period of time.

What is an operating fund and operating expenses?

An operating fund is the primary fund of the District's water and wastewater systems. Most of the District's revenues, including water and wastewater rate revenue, flow into the operating fund and all operating and maintenance costs, including new equipment purchases, and most debt service payments are funded from here. Funds are also transferred from the operating fund to the capital fund to help support a pay-as-you-go capital improvement project plan. Operating expenses are those expenses that are funded primary from service charge revenue that ratepayer's pay. The expenses include but aren't limited to wages, supplies, chemicals, contracted services and repairs and insurance.

What is a capital fund and what are examples of capital improvement projects paid for out of the capital fund?

A capital fund is used to pay for capital improvement projects. Revenues and other funds for the capital fund include

participation fees paid by new development, facility capacity charges, transfers from the operating fund, debt proceeds, and interest earnings on money in the capital fund. Capital improvement projects are major projects which are larger in scale that increase the

District's ability to provide safe and reliable drinking water and wastewater services. Because of their higher cost, they require specific funding. Examples of capital projects are those related to making improvements to our drinking water and wastewater treatment plants, replacement of aging sewer lines and lift stations, increasing seasonal water storage capacity, and replacement of our water canal flumes, which are part of the District's 22.3-mile High-Sierra water delivery system. There are also projects that are required by state and federal regulation, such as the reservoir line and cover programs and disinfection methods.

How does the District pay for capital improvement projects?

Capital projects are paid for by different means. One way is through issuing bonds, called bond financing, whereby the District issues various types of bonds, including fixed rate certificates of participation payable over a period of time. Another type of bond financing which the District uses is called variable rate demand obligations. This debt carries a variable rate of interest and accounts for about 30 percent of the outstanding long-term debt of the District. For the last year or so the rate of interest on this debt has been less than one-half of one percent on an annual basis. When bond financing is done, it is important to maintain a healthy debt service ratio as mentioned earlier in order to meet the District's obligations to its bondholders. Another way of funding capital projects is by what is called the "pay-as-you-go" method meaning the District pays for smaller capital projects through rates. The District can fund these projects through careful planning and by holding the line on the operating expenses which is a major component of the new business model that it is now working under.

“EID’s general philosophy on debt is to use pay-as-you-go funds for minor construction projects and debt issuances for major, long-term construction projects.”

see FINANCES, page 4

You mentioned the words “debt service ratio” in the previous question, what does that mean?

The debt service ratio is a requirement within the bond documents for the District to meet as a covenant to its bondholders. The District’s bond covenants require the ratio to be at, or exceed, a specific level which for the District is 125 percent. This requirement gives the bondholder the assurance the District will have sufficient resources to pay its annual debt payments. If this ratio is not met the District’s Board of Directors have agreed to adjust rates, expenses or a combination of both to meet the obligation in the subsequent year. If this were not done the District would incur higher borrowing costs for future debt needs, higher costs and fees on the existing variable rate demand obligations and a lowering of its credit ratings.

What is the District’s debt management strategy?

The District manages its debt to ensure high-quality credit, access to credit markets, financial flexibility, and the lowest overall long-term cost of debt—all in compliance with the District’s Debt Management Policy. EID’s general philosophy on debt is to use pay-as-you-go funds for minor construction projects and debt issuances for major, long-term construction

projects. This enables future users to share in the costs without overburdening existing ratepayers. Also, the useful life of the asset exceeds the term of the debt issuance.

How do ratepayers know that the District is making sure they are compliant with its Debt Management Policy?

The Board receives regular updates on the District’s financial condition, results of operations and future looking financial forecast updates. Also, as part of the District’s newly negotiated letter of credit which is used to back its variable rate demand obligations, the bank requires the District to provide updated information regarding the financial projections for the current year on a quarterly basis. If there exists a possibility the District will not meet the 125 percent debt ratio test then the District is required to report to the bank what actions it will take to correct the situation. This requirement is very similar to the requirements of the underlying variable rate debt obligations and for the District’s fixed rate certificates of participation.

Next Issue—

In the next issue, the District will discuss the actions taken to reduce and control operating expenses.

Did You Know?

It is illegal to discharge chlorinated water to the storm drain system. Water in pools, spas, and fountains is treated with a variety of chemicals such as chlorine and other additives. Draining into storm drains can harm our waterways.

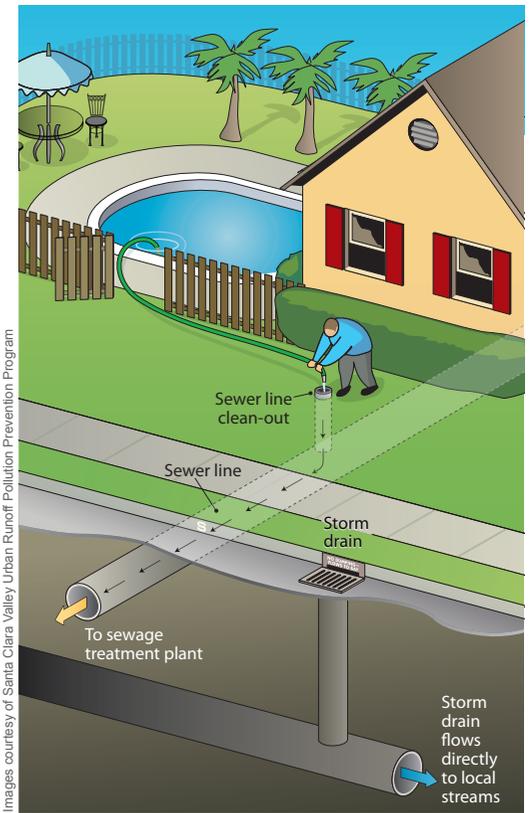
Properly maintained pools, spas, and fountains reduce the need to drain

- Pay attention to the proper chemical levels.
- Maintain the water filtration and circulation systems.
- Manage pH and water hardness. This will reduce copper pipe corrosion that can stain your pool and end up in waterways.
- Hold down algae buildup through regular chlorine use, which prevents the need for the more toxic algaecides. And ask your pool maintenance service or local pool supply store for help in resolving persistent algae problems without using copper algaecides.

How to drain to your sewer cleanout

Look on your property for a small circular cap on a pipe or for a concrete or metal cover marked “Sewer,” “C.O.” or “S.” Cleanouts are often located under them (see illustration).

In either case, remove the cap and place the hose in the pipe to drain. To prevent backflow, don’t let the end of the hose touch the bottom of the sewer pipe while draining.



2011 REGULAR BOARD MEETINGS

January	February	March	April	May	June	July	August	September	October	November	December
10	cancelled	14	11	—	13	—	8	—	11 (T)	14	12
24	28	28	25	23	27	25	22	26	24	—	—

Board meetings generally occur on the second and fourth Monday of each month. The first October meeting takes place on a Tuesday.

The Waterfront is a publication of EID’s Communications and Community Relations Department.