EID to Hold ADA Workshop

El Dorado Irrigation District (EID) is holding an Americans with Disabilities Act (ADA) workshop on Wednes-
day, September 12, at 2:00 p.m. in the District’s boardroom at the headquarters building at 2890 Mosquito Road in Placerville.

The District is asking the general public to review and provide improvement recommendations to its ADA, Title II-Self-Evaluation and Transition Draft Plan. The draft plan may be viewed by visiting the District’s website at www.eid.org. You may also call the ADA EID coordinator at 530-642-4045 or e-mail at adacoordinator@eid.org to request a copy.

Comments and recommendations to the draft plan will be accepted until September 24, 2012, at 5:00 p.m. Please send written comments to the e-mail address above or mail to: ADA Coordin-
ator, El Dorado Irrigation District, 2890 Mosquito Road, Placerville, CA 95667.

In accordance with the Americans with Disabilities Act and California law, it is the policy of the El Dorado Irrigation District to offer its public programs, services, and meetings in a manner that is readily accessible to everyone, including individuals with disabilities. If you are a person with disabilities and require information or materials in an appropriate alternative format; or if you require any other accommodation for this workshop or any other public meeting the District holds, please contact the ADA coordinator at the number or address above at least 72 hours prior to the workshop or other meeting. Advance notification within this guideline will enable the District to make reasonable accommodations to ensure accessibility.

DEBT RESTRUCTURE, continued from page 3

as FCCs are collected they will be used to meet current bond

payments, fund capital improvements or pay bonds off early.

With this refinancing of the debt, our debt ratio is projected to be 1.46 for 2012 because of the money saved from lower interest rates on the 2012 bonds and due to the restructuring of the principal payments into the future. If you take placed new FCC revenue out of the formula, the ratio is projected to be 1.31 which still exceeds our legal requirement of 1.25. We are always mindful of the debt ratio because of the uncertainty of the FCC fees collected as a result of new construction.

Debt ratio is also a measure that rating agencies use to assess the health of agencies’ finances. If you don’t meet the debt ratio as required by the bondholders, your ratings will go down and it will cost you more money in interest rates. That’s why it is imperative that the District meet or exceed its debt ratio.

What are the District’s ratings by the rating companies?

Standard and Poor’s increased EID’s credit rating to A+ from A. Moody’s still ranks EID A1, but upgraded its outlook to “stable” from “N/A,” which is pretty significant. This has happened because the District has significantly reduced operating costs over the past several years by reducing staff by over 30 percent, renegotiating key employee benefits with the District’s employees, negotiating a financially healthier hydroelectric power contract with PG&E, restructuring debt in tandem with a viable long-term financial plan which included modifying rate structures and raising rates which reduced our reliance on the previously mentioned, and unreliable, FCC income.

Did the District receive any upside from the increased ratings from the agencies?

Yes, we were pleased to see that when we completed the financing, the new refunding bonds totaling $50.7 million were sold at a premium, meaning the bond investors were willing to pay more than face value due to the District’s positive financial position. This premium netted the District an additional $6.6 million and went into the escrow account with the $50.7 million to pay off the 2003A bonds and accrued interest.

Additionally, because of EID’s strong credit fundamentals, we were able to procure insurance for the bonds which then allowed us to purchase a surety policy to fund the debt service reserve requirement yielding an additional present value savings of $800,000 which is included in the over $2 million savings mentioned earlier.

CIP Tour, Public Workshop Set for September

On September 11 at 9 A.M., EID will be holding a tour of your city’s capital improvement plan (CIP) projects. The tour starts at District headquarters in Placerville and reservations are required. Later that month, on September 26th at 6 p.m., a CIP public workshop will be held at District headquarters in Placerville. More information is available on our website.

A CIP is a five-year plan that is updated each year to identify and plan for necessary improvements that ensure the safety and reliability of the District’s infrastructure. The EID Board of Directors reviews and adopts an updated plan every year, only approving specific project funding on an as required basis. Through the preparation and adoption of the CIP, the District can ensure that adequate long-term funding is secured to pay for these important projects.

The American Water Works Association (AWWA) recently completed a study of the nation’s water infrastructure called Buried No Longer: Confronting America’s Water Infrastructure Challenge. The study concluded that “restoring existing water systems as they reach the end of their useful lives and expanding them to serve a growing population will cost at least $1 trillion over the next 25 years, if we are to maintain current levels of water service.” This is a sobering conclusion on the national level, but it’s something that EID tackles every year in its thorough and ongoing capital planning process.

EID has a lot of assets in the ground—about $800 million worth, spread over 220 square miles. Assuming a 50-year life expectancy for these assets, the District should be spending an average of $15 to $20 million a year to replace or repair them each year to keep up with maintaining the system and providing safe and reliable service to our customers. That is our number one job, and we all take pride in providing excellent service to our customers.

To read the complete AWWA report, go to www.awwa.org and search for “infrastructure challenge.” To read EID’s latest capital improvement plan, click on “I Want To...” and then select “Learn more about District finances.”
In this edition of the Waterfront’s Question and Answer series you will read about how the District recently saved customers money by restructuring its debt payment. This unique opportunity was really a win-win for both our customers and the District as it generated $2 million in present value savings for our customers and a bond premium of $6.6 million which was used to refund $56.3 million in 2003 A COPs and associated interest with $50.69 million in Series 2012 A and Series 2012 B Bonds. These savings will go into an escrow account to pay off some bonds at an earlier date. As discussed by Mark Price, EID’s finance director, the District went out to market and refinanced some new revenue refunding bonds so that we could reduce the District’s interest rate to one which was much lower than the existing rate. The market reacted very favorably to this offering, even outperforming our early expectations. The bottom line was that the debt restructuring that the Board of Directors approved was an excellent and forward-thinking strategy that begins saving money right away.

“Recent EID restructured some of its debt. Can you tell me how much debt EID has and why the District restructured it?”

We’d like to begin by reviewing the amount of debt the District has and what it was spent on. In order to pay for the necessary capital improvement plan (CIP) projects the District has had over the years to ensure the safety and reliability of its water and wastewater delivery and treatment systems, and catch up on deferred maintenance, we have had to finance those costs through debt. These improvements were also necessary to ensure that we met state and federal regulatory requirements. To pay for these necessary improvements, the District went out to the bond market to raise the necessary amount of money needed. We know you covered the subject of CIP’s in last fall and winter’s Waterfront editions, so we won’t go further into CIP spending but will only focus on how we pay for the debt.

The District currently has a debt portfolio of approximately $365.6 million in outstanding obligations. This consists of $17.5 million in various state loans and $348.1 million in publicly issued debt which is comprised of $2.7 million in general obligation bonds; $232.9 million in tax-exempt fixed rate revenue certificates of participation/bonds; $118.6 million in taxable fixed rate revenue bonds; and $110.7 million in taxable variable revenue refunding bonds. These savings will go into an escrow account to pay for these necessary improvements, the District went out to the bond market to raise the necessary amount of money needed. We know you covered the subject of CIP’s in last fall and winter’s Waterfront editions, so we won’t go further into CIP spending but will only focus on how we pay for the debt.

“The District recently saved customers money by restructuring its debt payment. This unique opportunity was really a win-win for both our customers and the District as it generated $2 million in present value savings for our customers and a bond premium of $6.6 million...”

Jim Abercrombie

Message from the General Manager
Making Your Dollars Work for You, Our Customer

In closing, I’d like to invite you to join us in our annual fall capital improvement plan tour and workshop to learn about what necessary capital projects we’ll be undertaking in the upcoming year. These projects are necessary to ensure the District can continue to provide its customers with the safest and most reliable service possible. The tour will be held on Tuesday, September 11, at 9:00 a.m., departing from our headquarters building. Reservations are required. The workshop will be held on Wednesday, September 26, at 6:00 p.m. at our headquarters building in Placerville. For more information, please visit our website.
The News—Briefly

**Water Quality Report**

The Comprehensive Annual Financial Report (CAFR) is a thorough and detailed look at the District’s finances. The CAFR includes a financial overview, discussion of the local economy, and an organization chart of the District, as well as the independent auditor’s report, management’s discussion and analysis, and audited basic financial statements and other statistical information. You can find the latest CAFR by clicking on "I Want To..." and selecting "Learn more about District finances.”

**Planned Construction on Durock Rd in October**

EID is planning to begin a sewer pipeline construction project in late October along Durock Road in Shingle Springs. The construction area will be between Oakmont Drive and Pin Lane. In accordance with the County’s encroachment permit, it is anticipated that construction will occur between the hours of 8:30 a.m. and 4:30 p.m. Sewer services will not be affected during construction.

The project is part of the District’s ongoing capital improvement program (CIP) to replace the original sewer pipes for the Mother Lode Force Main. “Projects like these are what projects in late October along Durock Road in Shingle Springs. The construction area will be between Oakmont Drive and Pin Lane. In accordance with the County’s encroachment permit, it is anticipated that construction will occur between the hours of 8:30 a.m. and 4:30 p.m. Sewer services will not be affected during construction.

The project is part of the District’s ongoing capital improvement program (CIP) to replace the original sewer pipes for the Mother Lode Force Main. “Projects like these are what materials, fuel, and services. We have seen our operating expenses drop an impressive 10.15%, or $4.7 million, from 2008 to 2011, by going from a high of $46.3 million down to $41.6 million. We achieved this remarkable reduction in spending by reducing staff over 30 percent and holding the line on expenditures. We will continue to work hard to control expenses, while at the same time remain ever vigilant about ensuring that we maintain safe and reliable services for our customers. We will also continue to strive to perform in the top quartile of similar utilities from an operational performance standpoint, both in minimizing water interruptions and in preventing sanitary sewer outflows. You can read more about the District’s financials in our newly-released Comprehensive Annual Financial Report, located on our website.

In closing, I’d like to invite you to join us in our annual fall capital improvement plan tour and workshop to learn about what necessary capital projects we’ll be undertaking in the upcoming year. These projects are necessary to ensure the District can continue to provide its customers with the safest and most reliable service possible. The tour will be held on Tuesday, September 11, at 9:00 a.m., departing from our headquarters building. Reservations are required. The workshop will be held on Wednesday, September 26, at 6:00 p.m. at our headquarters building in Placerville. For more information, please visit our website.

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In this edition of the Waterfront’s Question and Answer series you will read about how the District recently saved customers money by restructuring its debt payment. This unique opportunity was really a win-win for both our customers and the District as it produced $2 million in present value savings for our customers and a bond premium of $6.6 million which was used to refund $56.3 million in 2003A COPs and associated interest with $50.69 million in Series 2012 A and Series 2012 B Bonds. These savings will go into an escrow account to pay off some bonds at an earlier date. As discussed by Mark Price, EID’s Finance director, the District went out to market and refinanced some new revenue refunding bonds so that we could reduce the District’s interest rate to one which was much lower than the existing rate. The market reacted very favorably to this offering, even outperforming our early expectations. The bottom line was that the debt restructuring that the Board of Directors approved was an excellent and forward-thinking strategy that begins saving money right away.

“…This unique opportunity was really a win-win for both our customers and the District as it produced $2 million in present value savings for our customers and a bond premium of $6.6 million…”

—Jim Abercrombie

Q & A: Restructuring EID’s Debt Payments—Why We Did It and What It Means to EID and Its Ratepayers

EID’s Communications and Community Relations Director Mary Lynn Carlson sat down with EID’s Finance Director Mark Price (left) and Accounting Manager Tony Pasquarello to talk about the implications of restructuring EID’s debt.

Recently EID restructured some of its debt. Can you tell me how much debt EID has and why the District restructured it?

We’d like to begin by reviewing the amount of debt the District has and what it was spent on. In order to pay for the necessary capital improvement plan (CIP) projects the District has had over the years to ensure the safety and reliability of its water and wastewater delivery and treatment systems, and catch up on deferred maintenance, we have had to finance the costs of those projects. These improvements were also necessary to ensure that we met state and federal regulatory requirements. To pay for these necessary improvements, the District went out to the bond market to raise the necessary amount of money needed. We know you covered the subject of CIP’s in last fall and winter’s Waterfront editions, so we won’t go further into CIP spending but will only focus on how we pay for the debt.

The District currently has a debt portfolio of approximately $365.6 million in outstanding obligations. This consists of $17.5 million in various state loans and $348.1 million in publicly issued debt which is comprised of $2.7 million in general obligation bonds; $232.9 million in tax-exempt fixed rate revenue certificates of participation/bonds; $1.8 million in taxable fixed rate revenue bonds; and $110.7 million in taxable variable rate revenue certificates of participation. Overall, our debt portfolio structure is balanced, with approximately 50 percent of all outstanding obligations set to amortize over the next 15 years, with future bonding capacity and principal amortization set to occur between 2022 and 2029.

So let’s drill down a bit and talk specifically about what debt was refinanced last month.

On July 12, 2012, the District successfully went out to market and issued new revenue refunding bonds, referred to as “Revenue Refunding Bonds, Series 2012A and 2012B (taxable).” We did this initially to lower debt payments in 2012-2016 so the recent rate increases could be phased in over the same period of time to meet future debt obligations. Secondly, the restructuring and refunding was done to reduce our interest rate on the outstanding 2003A certificates of participation bonds that we were paying more interest on than we felt we should be paying.

An analogy to think about is that it’s sort of like refinancing your home whenever the market offers lower interest rates. Although the sum of your new payments, over time might be higher than the sum of the payments remaining on the existing debt, there is an economic benefit realized, in today’s dollars due to the savings created using the new lower interest rate. This savings, called the “present value savings,” net of the upfront costs, exceeded $2 million for the District.

The key financing objectives achieved that will directly benefit rate payers are: 1) reduction of debt payments in fiscal years 2012 through 2016 designed to match the cost of service study projections in the financial plan and allowing for the recent rate increases to fully take effect; 2) as described earlier the refunding transaction benefits and costs, viewed over time, generated present value savings of more than $2 million; and 3) overall pricing structure for the Series 2012A Bonds actually reduce the total amount of bonds outstanding by about $3 million. Approximately 50 percent of all existing debt will be retired (paid) over the next 15 years.

I often hear about the District referring to a certain “debt ratio” that it must maintain in order to retain good interest rates and favorable ratings from rating agencies like Moody’s and Standard and Poor’s. Can you tell me what this means?

The term “debt ratio” means ensuring that the District annually has revenues exceeding its operating expenses and debt service requirements for that year by 25 percent. This is a legal covenant the District has with its bondholders. The revenue consists of rate and hydroelectric revenues, property taxes, and other non-operating revenue as well as facility capacity charges (FCCs, also known as hook-up fees). The financial model we use 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. Revenues, without FCCs, should pay for operating expenses and debt service expenses.

We do not want to rely too heavily on FCCs to help fund debt service, as that is what caught us off guard a few years ago when the real estate market dried up and the FCC revenue became almost non-existent. Now, as part of the new financial model, see DEBT STRUCTURE, page 4

“Standard and Poor’s increased EID’s credit rating to A+ from an A.”

—Mark Price

Poor’s increased
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DEBT RESTRUCTURE, continued from page 3

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Additionally, because of EID’s strong credit fundamentals, we were able to procure insurance for the bonds which then allowed us to purchase a surety policy to fund the debt service reserve requirement yielding an additional present value savings of $800,000 which is included in the over $2 million savings mentioned earlier.

CIP Tour, Public Workshop Set for September

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EID has a lot of assets in the ground—about $800 million worth, spread over 220 square miles. Assuming a 50-year life for our assets, and then replacing them every 25 years, if we are to maintain current levels of water service. “This is a sobering conclusion on the national level, but it’s something that EID tackles every year in its thorough and ongoing capital planning process.”

Navigating the New EID Website

EID’s redesigned website (www.eid.org) contains a wealth of information as well as new ways to interact with the content found there.

The image to the left uses red arrows to point out the major navigation routes through the website from the main page. The menus above the main picture include links to all the content on the site.

“About Us” has links to the Board of Directors and information about the District’s history, among other things. “Customers” includes links to the District’s online billing and other information that existing or new customers might need. “Our Services” gives an overview of what the District offers, while “Recreation” provides links to EID’s popular recreation sites. Bidding opportunities can be found under “Doing Business with EID” and “I Want To…” provides links to a number of different areas of the website that we think may be important for visitors, including financial documents and others.

The links immediately below the main picture provide quick links to important content, such as online billing, Board meeting materials, employment opportunities, and the ability to sign up for eNews updates. By signing up, you can get a message when news releases, bidding opportunities, jobs, or other content is posted to the website.