

# Public Workshop on Proposed Rate Increases

**January 13, 2010**



**El Dorado Irrigation District**

# Agenda

- **Welcome and introductions**
- **EID – what we do**
- **Why the rate increases and what would they mean to you**
- **What happens if EID defaults on its bond obligations**
- **Question and answer session**
- **Customer comments**
- **Wrap-up**



# Principal business functions



Wastewater treatment



Water



Recycled water



Recreation



Hydro-electric power generation



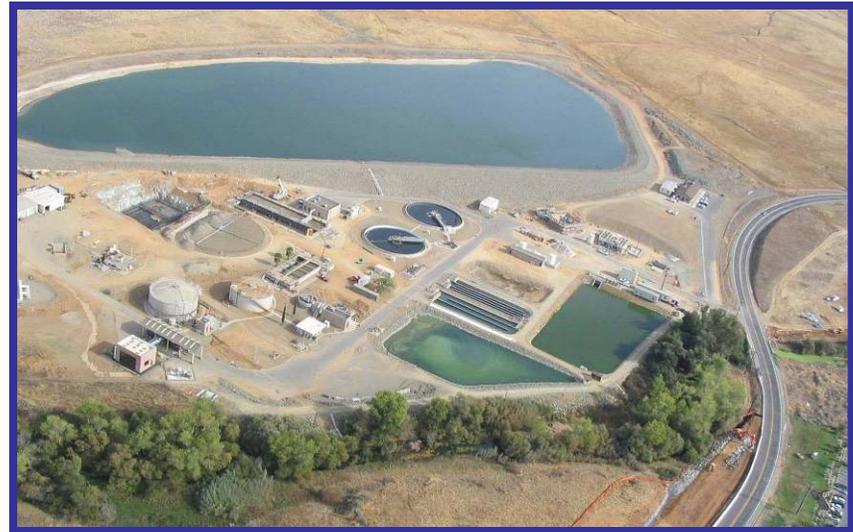
# Water

- 70 miles of canals and ditches
- 5 treatment plants
- 1,300 miles of pipes
- 33 storage reservoirs
- 21 pumping stations
- 42,000 accounts



# Wastewater

- **3 treatment facilities**
- **559-mile collection system**
- **64 pumping stations**
- **21,000 accounts**
- **Recycled water—4,000 accounts**



**El Dorado Hills  
wastewater treatment  
plant**



# 2010 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 staffing from mid 2008



# Overall cuts

- **2009-2010 adopted budget Dec. 15, 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 proposal

- **Staff-proposed rate increases will meet the requirements in the bond covenants**
- **Rate increases will sustain current service levels**
  - **Maintain safe, reliable services**
- **As new hook-up revenues bounce back**
  - **They will be used to pay for capital projects**
  - **That reduces the need to borrow**



# Service levels

- **90% of customers are satisfied or very satisfied**
- **99.9% of customer outages responded to within 2 hours**
- **Wastewater spills kept to no more than 4 per 100 miles in El Dorado Hills**

# What does this mean to you?

<b>Water</b>	<b>Monthly increase 2010</b>	<b>Monthly increase 2014 (cumulative)</b>
<b>Low use 1800 cubic feet (13,464 gallons)</b>	<b>\$6.48</b>	<b>\$14.76</b>
<b>Medium use 2700 cubic feet (20,196 gallons)</b>	<b>\$8.31</b>	<b>\$18.93</b>
<b>High use 8500 cubic feet (63,580 gallons)</b>	<b>\$21.52</b>	<b>\$49.02</b>



# What does this mean to you?

<b>Sewer</b>	<b>Monthly increase 2010</b>	<b>Monthly increase 2014 (cumulative)</b>
<b>Low use 1800 cubic feet (13,464 gallons)</b>	<b>\$16.70</b>	<b>\$38.04</b>
<b>Medium use 2700 cubic feet (20,196 gallons)</b>	<b>\$20.07</b>	<b>\$45.70</b>
<b>High use 8500 cubic feet (63,580 gallons)</b>	<b>\$20.07</b>	<b>\$45.70</b>



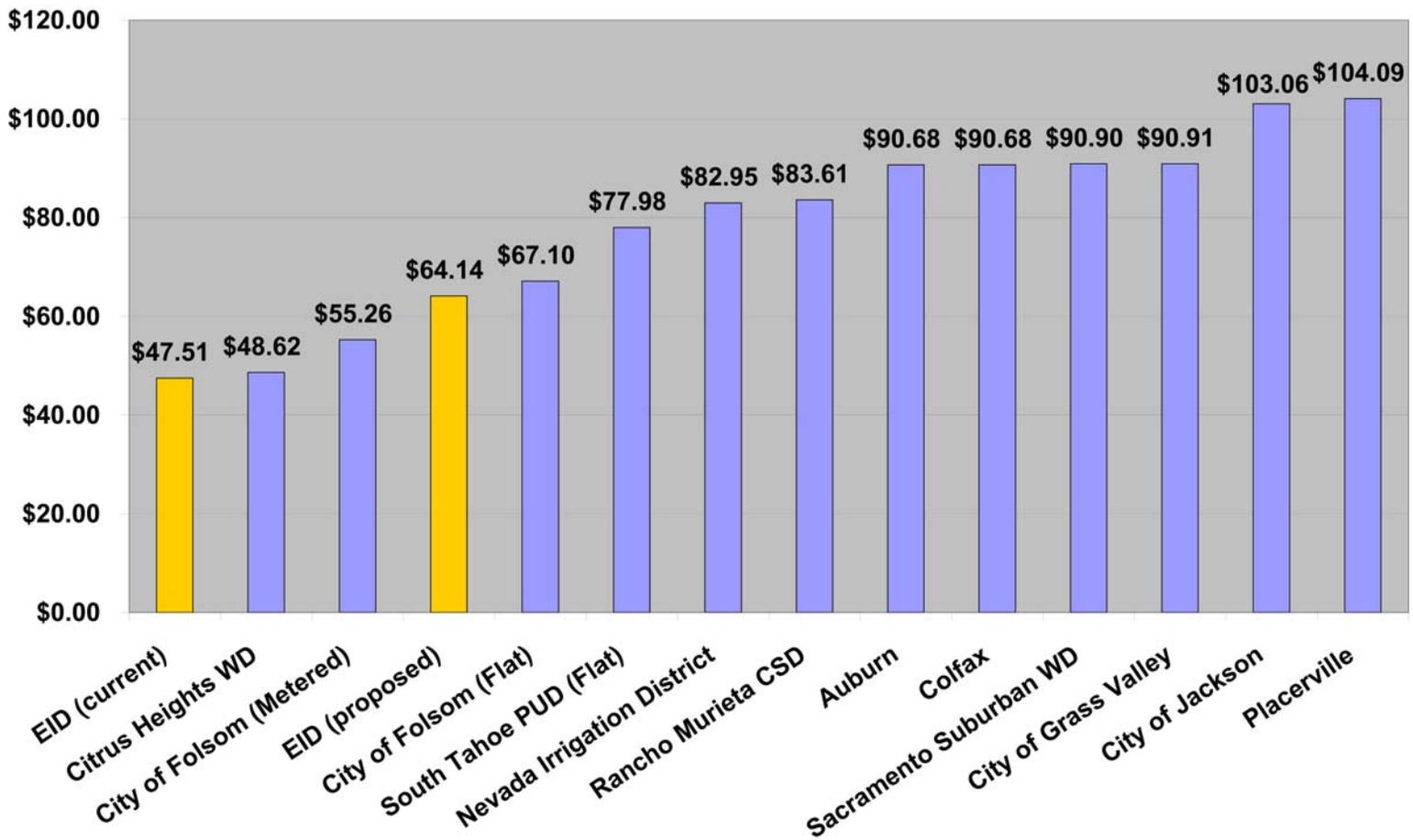
# What does this mean to you?

<b>Water and Sewer</b>	<b>Monthly increase 2010</b>	<b>Monthly increase 2014 (cumulative)</b>
<b>Low use 1800 cubic feet (13,464 gallons)</b>	<b>\$23.18</b>	<b>\$52.80</b>
<b>Medium use 2700 cubic feet (20,196 gallons)</b>	<b>\$28.38</b>	<b>\$64.63</b>
<b>High use 8500 cubic feet (63,580 gallons)</b>	<b>\$41.59</b>	<b>\$94.72</b>



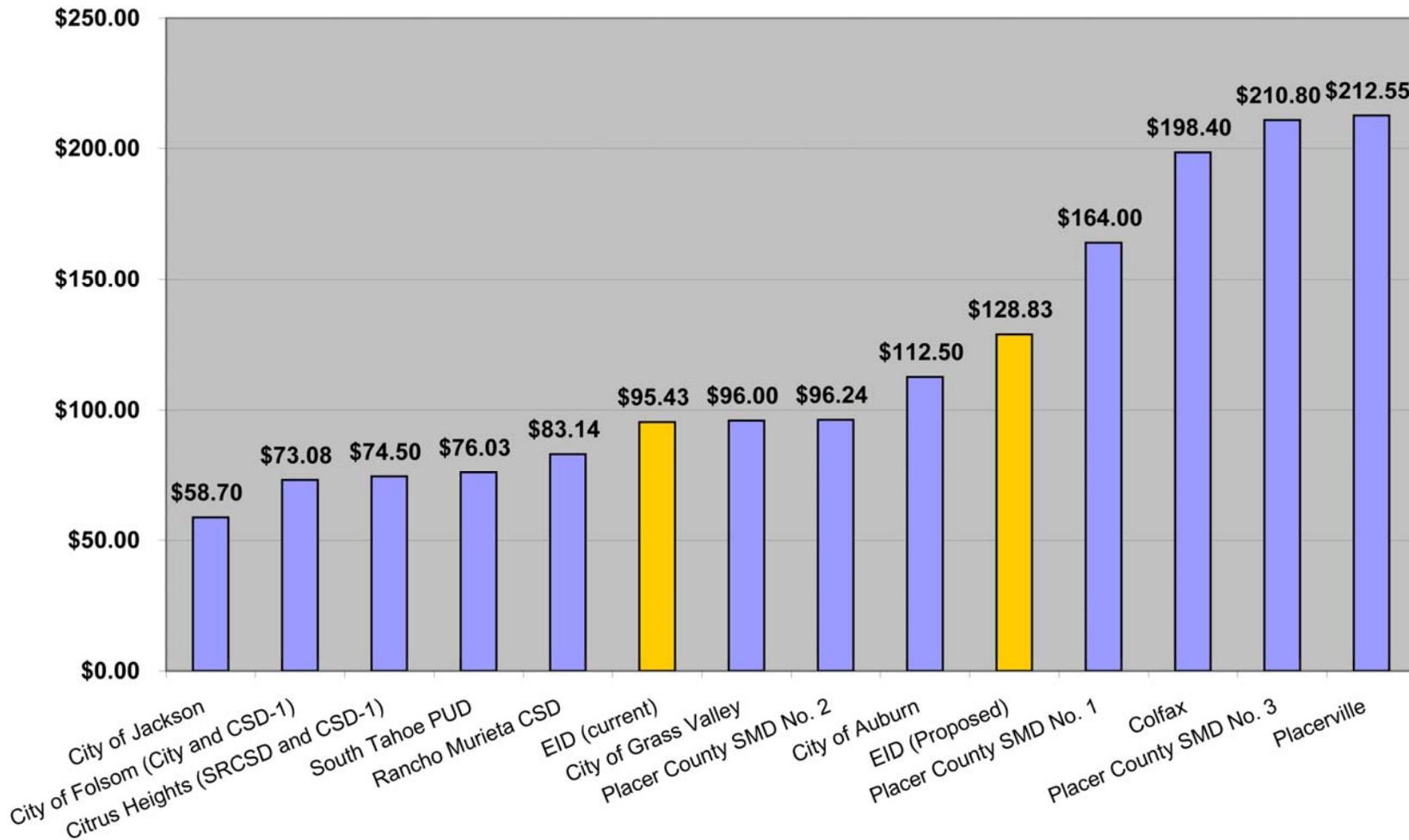
# Water comparison chart

**Regional Water Bill Comparison, October 2009**  
For Bi-Monthly Service, Single Family Residence, 2700 cubic feet 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**

