

Public Workshop on Proposed Rate Increases

January 13, 2010



El Dorado Irrigation District

Agenda

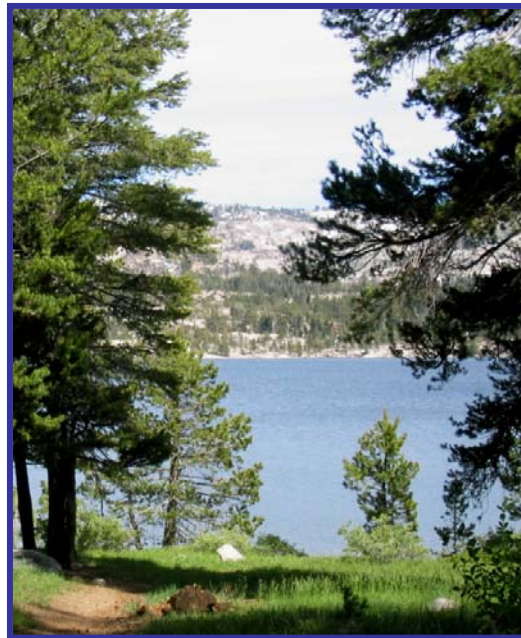
- **Welcome and introductions**
- **EID – what we do**
- **Why the rate increases and what would they mean to you**
- **What happens if EID defaults on its bond obligations**
- **Question and answer session**
- **Customer comments**
- **Wrap-up**



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 \$)

	Original Projections (made in 2008 for 2009-2010 budget)	Revised Projections
Revenues	\$62.553	\$55.499
New hook-up revenues	\$16.138	\$ 3.000
Total revenues	\$78.691	\$58.499



2010 Budgeted Expenditures

(millions of \$)

	Expenditures before cuts/deferrals	Expenditures after cuts/deferrals
Operations	\$51.591	\$43.316
Capital expenditures	\$45.800	\$40.500
Debt payments	\$22.531	\$22.531



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 \$)

Revenue (w/o hook-up fees)	\$ 55.499
Operating expenses	<u>43.316</u>
Net revenues	12.183
Debt payments	<u>22.531</u>
Shortfall (from 1.0 test)	(\$10.348)
New hook-up fees	3.000
25% of \$22.531	(<u>5.633</u>)
Total shortfall	(\$12.981)



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?

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



What does this mean to you?

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



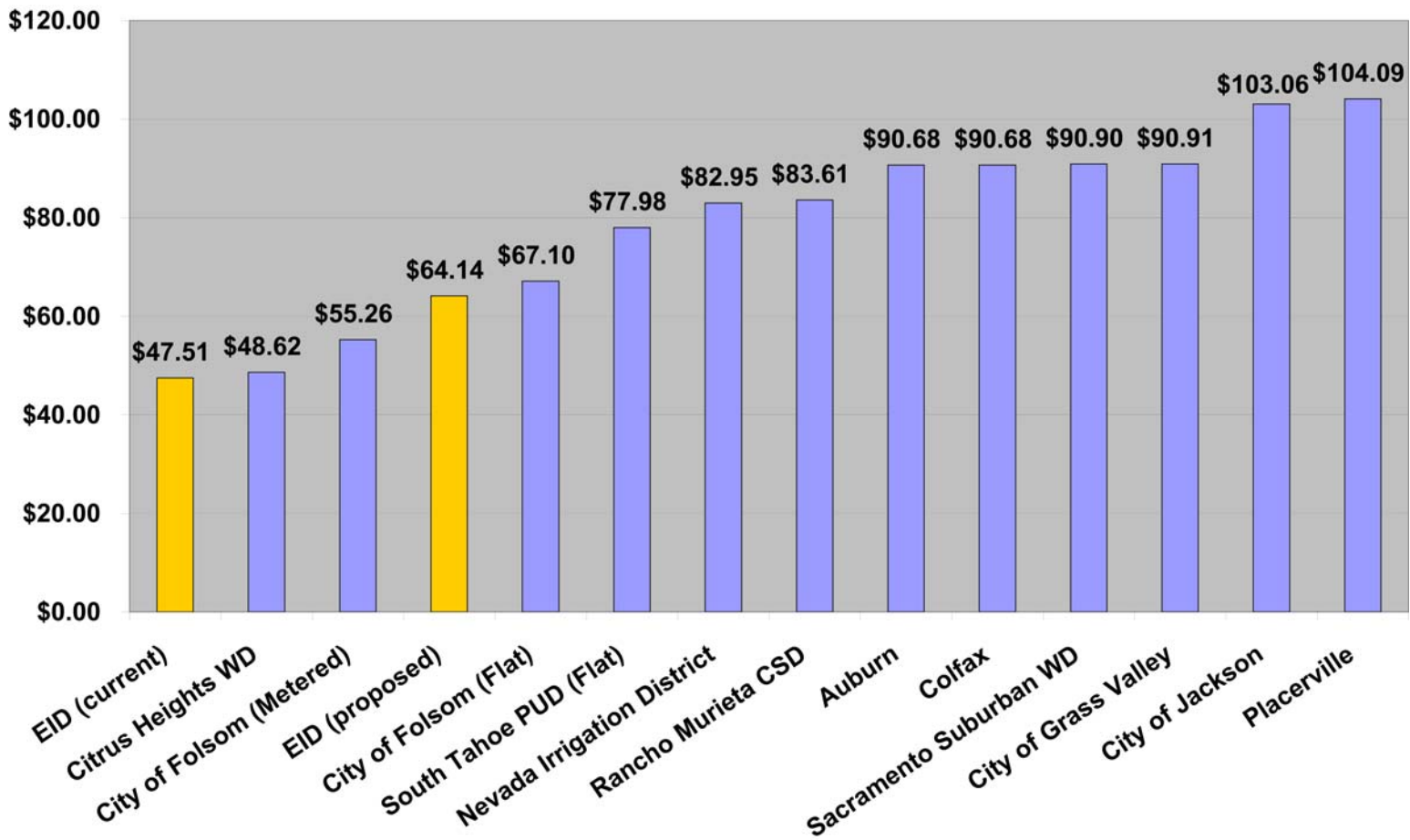
What does this mean to you?

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



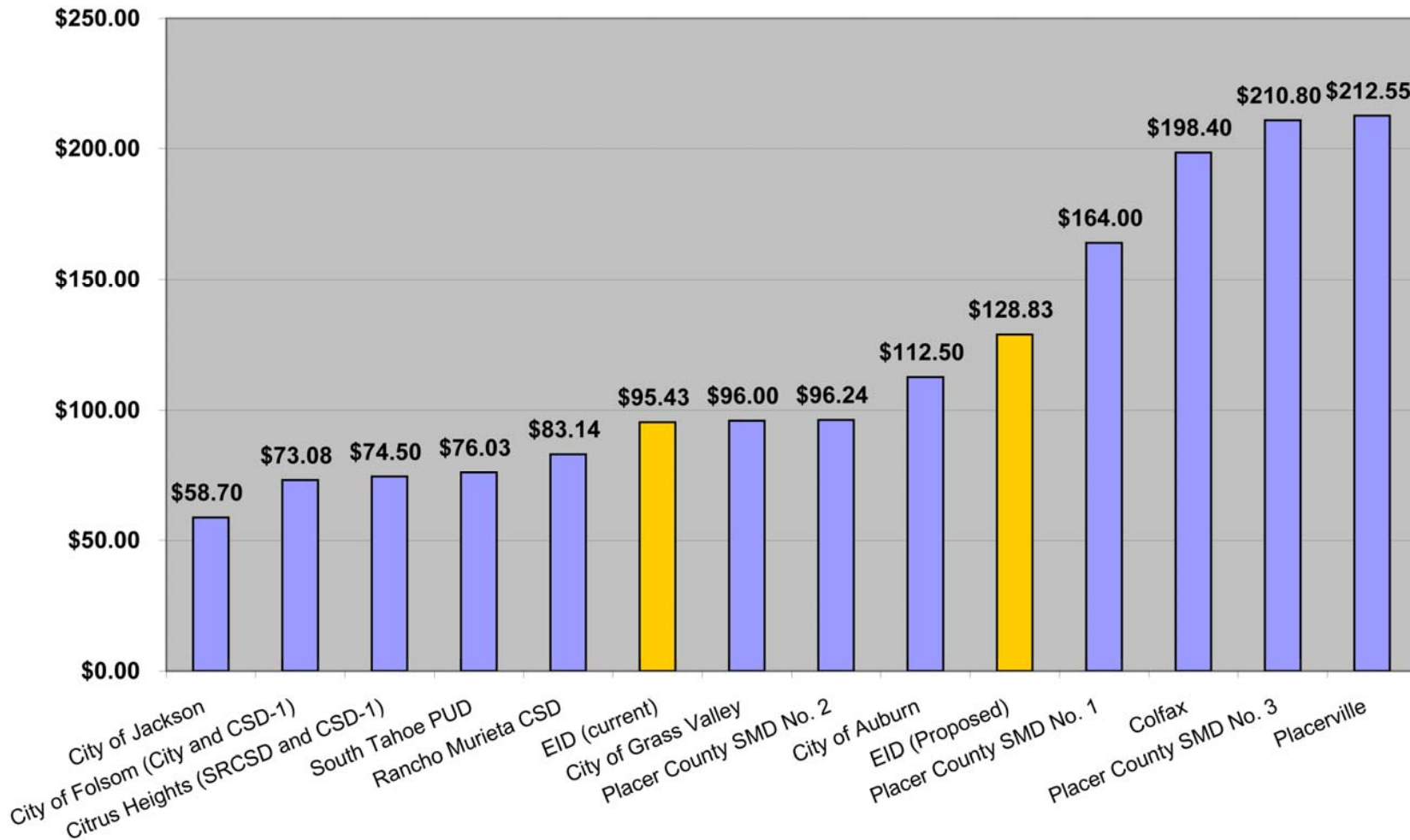
Water comparison chart

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**

