

El Dorado rate hikes might ease after customers vent

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El Dorado Irrigation District officials held out hope that 35 percent increases in water and sewer rates, proposed to take effect in February, could be cut in half.

Board members said they have taken to heart customer concerns expressed in recent community workshops and letters protesting increases that would boost rates about 79 percent over a five-year period.

General Manager Jim Abercrombie on Monday outlined what he dubbed "Plan B," a four-pronged approach aimed at limiting this year's increase to no more than 18 percent. It would be followed by a 15 percent increase in 2011 and increases of 5 percent for each of the next three years.

To "smooth out" the rate hikes, Abercrombie said staff members are working to refinance bonds issued in 2003.

Dave Houston of Citigroup, the district's bond underwriting firm, said the refinancing was unlikely to hurt the district's bond rating. "It's a responsible way of dealing with a recession," Houston said.

To generate additional revenue, the board authorized staff to negotiate an agreement to sell power produced by its hydroelectric plant to Pacific Gas and Electric Co. A long-term agreement to sell power at a fixed rate could yield \$6 million to \$10 million annually, a significant increase over the \$3.5 million projected for 2010 under an agreement with Sempra Energy Solutions, officials said.

The board stopped short of endorsing a proposal to reduce the district's annual capital improvement budget from \$41 million to \$25 million. It called for a workshop to evaluate specific cuts.

The "nice to do" projects have been eliminated, director Harry Norris said, so the next to go are "should do" projects.

"It is a financially driven (capital improvement program) to try to minimize rates," Abercrombie said.

A \$25 million program "may be appropriate for a year or two," he said, "but I wouldn't recommend it any longer than that."

The fourth part of the plan involves reducing employee costs. Salaries and benefits account for about 75 percent of the operating budget, but board members said the staff has been cut by 20 percent in the past year and further cuts would be difficult.

Employee contract negotiations are under way but won't be completed by the Feb. 4 rate

hearing, officials said.

Written protests from more than 50 percent of district property owners would block the rate increases. The board said increases are needed to meet debt service requirements. Defaulting on current bond obligations would make it more expensive to obtain financing in the future.

WHAT'S NEXT

Community workshops:

- 6 p.m. Wednesday, Oak Ridge High School cafeteria, 1120 Harvard Way, El Dorado Hills.
- 6 p.m. Thursday, Cameron Park Community Services District Community Center, 2502 Country Club Drive, Cameron Park.

Board hearing on rate increase:

- 6 p.m. Feb. 4, El Dorado Adventist School gymnasium, 1900 Broadway, Placerville.

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