



EID cuts back proposed rate increase

By Mike Roberts | Village Life staff writer | February 02, 2010 11:47

The El Dorado Irrigation District's upper management unveiled a reduced rate increase dubbed "Plan B" in El Dorado Hills last week.

The new proposal lowers the first year rate hike from 35 percent to 18 percent, retains the 15 percent and 5 percent increases in years two and three, and puts off the increase in years four and five.

EID brass hoped the resulting 43 percent three year compounded increase would be more palatable than the 80 percent five-year plan discussed at an angry, overflowing Jan. 13 El Dorado Hills workshop. But a disgruntled, mostly senior crowd of about 90 nonetheless browbeat the managers for losing control of district finances.

According to EID General Manager Jim Abercrombie, "Plan B" is the result of outcry from prior workshops and an estimated 4,000 protest letters - well short of the 20,000-plus required to block the increase.

Abercrombie explained the reduction as a result of an improved power contract, restructured debt, further reductions in capital improvements and anticipated employee wage and benefit concessions. He recapped how the 2009 drop-off in new hookup revenue resulted in a \$13 million revenue shortfall, and how the rate increase was necessary to balance the budget and satisfy bond holders.

In response to numerous "why now," and "why so much" questions, Abercrombie opined "We should have been increasing rates slowly over the last 10 years."

Two days earlier, the EID board approved the four-pronged strategy to lower the rate increase.

Because the Akin power plant in Pollock Pines meets "green power" requirements, Abercrombie was able to negotiate a long-term power purchase agreement with PG&E that brings in \$6 to \$10 million per year, instead of the \$3.9 million currently projected for 2010.

In yet another debt restructuring effort, approximately \$12 million in short term payments were pushed out to a projected "lull" in the debt service in 2022 through 2024. The district's bond council confirmed that the practice is common and accepted, according to Abercrombie.

Additional capital improvement cuts are planned, with the next bond sale pushed out two years to 2013 at \$75 million, half of the original plan.

Operating expense reductions, mostly from personnel costs, rounded out Plan B. Abercrombie was confident that negotiations with the employees' association would result in additional savings, and promised something tangible in February. Negotiations with the employees union are confidential.

For the average EID water user, the increase should amount to about \$4 per month next year, he said. Sewer service will rise to by about \$10 per month, roughly half of what was originally proposed.

Glen Bernard led off the questioning by asking how Sacramento held its rate increase to 2 percent.

Abercrombie wouldn't respond to Sacramento's situation, but admitted that EID had used new hookup revenue to hold down rates in the past. He said he hoped to set up a reserve account, funded by a portion of every new hookup fee, to pay for routine infrastructure improvements in the future, so that only large projects would require bond issuance.

Maurice Guterrez, an executive with Environmental Management Corporation in El Dorado Hills, questioned district costs, given the "pristine" mountain water sources that require little treatment. "And you have no industrial discharges to deal with."

Abercrombie said the miles of flumes and the various pump stations required to move water and sewage through the district make movement of fresh and waste water expensive.

Jon Jakowatz, representing the Four Seasons Civic League, questioned the level of medical benefits provided to EID employees and retirees.

Human Resources Director Rob DiNunzio explained that EID employees get full PPO coverage for the least expensive plan in the district, which is currently Kaiser. Retirees get the same coverage, by law, because the health care is provided through PERS, all of which is currently under negotiation, he said, but only for new hires.

Earlier last week former EID Director Al Vargas circulated a letter to local civic groups criticizing EID's business practices at length and in detail.

During the meeting he launched salvos of criticism at the EID managers, calling the agency's debt "staggering," and blaming them for issuing high interest bonds to fund big ticket expansion in El Dorado Hills, projects that he said should have been curtailed sooner. He also questioned the cost of the debt restructuring.

Abercrombie said he'd rather not restructure the debt, but given the circumstances "It was the only prudent way to lower that rate increase."

Operations Manager Tom McKinney and Finance Director Mark Price stepped in to recount the rationale and timing behind the recent history of bond issuance and restructuring.

Vargas criticized the 2002 salary raises and subsequent retirement contribution increases. He decried the expansion of staff that grew the organization to 305 employees. Last year's staffing reductions left EID with 243 filled positions, according to Director Harry Norris.

Later in the week many of Vargas' statistics were refuted by Paul Raveling, president of the El Dorado Hills Citizen's Alliance. Raveling broke rank with other local civic organizations opposing the proposed rate hike, accusing them and Vargas of failing to check the facts. He has accumulated dozens of source documents on EID and the rate increase on the Citizen's Alliance website, www.edhca.net.

Citizens Against Rate Extortion, a grassroots organization formed by local activists John Thompson

and Hal Erpenbeck to protest the rate hike, has announced conditional support of a 15 to 18 percent one-year rate increase. Details are at www.stopEID.org.

At the workshop El Dorado Hills resident Jennifer Clark earned a round of applause by questioning the district's retirement plan. "In the private sector these really generous retirement plans are gone," she said. "We have to plan for our own retirement. I think the EID employees should be serving us, not us serving them."

Abercrombie reported that roughly \$30 million of the district's \$43 million operation expenses are employee-related, "That's not unusual for utilities; 70 to 80 percent is common," and that roughly \$3 million of the employee costs go towards benefits.

Contrary to hypothetical retiree benefits recently cited in the Sacramento Bee, he said, the district currently has 149 retirees at an average age of 66, collecting an average of \$18,968 annually as of 2008. Norris reminded the crowd that the board receives no retirement benefits.

Longtime El Dorado Hills activist John Everett called for the formation of a ratepayers' advisory committee. Abercrombie agreed, as part of the Cost of Service study, which he committed to begin after the rate increase was finalized.

Sherrie Petersen wondered why EID didn't foresee the housing crisis earlier than 2009. Abercrombie reiterated that new hookup revenues didn't drop until 2009.

The district's financial statements indicate that new hookups have dropped every year since 2004, but fail to explain how the revenue stream remained healthy through 2008.

Other questioners wondered if there could be a "Plan C," with even lower rates if union negotiations end favorably.

"The board certainly has the option of reducing the increase, and they're listening," said Abercrombie.

No new notice is required for the "Plan B" rate increase structure, since the original notice only defines a maximum increase. The EID board is free to decide on a lower rate increase.

El Dorado Hills resident Sharon Clark wondered what people on a fixed income are supposed to do.

Abercrombie could only suggest conservation measures, adding that the district is precluded by law from offering lower rates to those fixed income or impoverished rate payers.

The EID board is scheduled to decide the matter at 6 p.m. on Feb. 4 at the Seventh Day Adventist School, 1900 Broadway in Placerville.

mroberts@villagelife.com

The Mountain Democrat Newspaper is published Monday, Wednesday, Thursday & Friday by Mountain Democrat Inc.

All images and text within these cyberpages are copyrighted by the Mountain Democrat © 1360 Broadway, P.O. Box 1088, Placerville, CA 95667 (530) 622-1255 Fax (530) 622-7894

Powered by [PHPography](http://www.phpography.com)