

EID hydro revenue strong this year; will help pay bond early

By Michael Raffety - Editor Mountain Democrat

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In a mid-year update of the El Dorado Irrigation District's two-year budget, Finance Director Mark Price reported that hydropower income was so strong that he suggested putting \$2 million in an escrow account to pay off a bond coming due in 2012.

That recommendation won a unanimous endorsement from the Board of Directors Oct. 24.

"I would think the rating agencies would look with favor on this," said Director George Wheeldon.

"We're prepaying only a few months, but we get a year's worth of coverage," said Director Harry Norris.

"Next year the \$2 million will be split between water and wastewater. It's hedging for the future," said General Manager Jim Abercrombie.

In March 2012 a \$5 million bond matures and must be paid off.

Hydro Manager Dan Downey reported that due to the cold spring and slow snow melt the power plant made \$11.5 million as of the end of September compared to \$8 million in budget revenue. Though the power plant is shut down for the October upgrades of high priority flume sections, he said last December the plant made \$500,000.

The escrow account "will not affect 2011 debt service coverage of 1.34" and "will have a beneficial effect on the debt service rates for next year," Price said.

The district is required by its bond covenants to maintain at least a 1.25 debt service ratio. That means revenues must exceed expenditures, including debt payments, by at least 1.25 times. The revised debt service ratio for 2011 is 1.34 and for 2012 is 1.47.

He called the escrow account a "defeasement," meaning that the district is retiring part of the debt in advance. That will leave a balance of \$3 million to retire the 2004A Certificate of Participation.

The escrow account is an "irrevocable trust," Price said.

While hydro sales were \$3.5 million more than budgeted, the cool, wet spring meant less water used on home landscaping, so water sales were down nearly \$1.8 million from the 2011 budget adopted in December 2010. Projections of actual revenues and expenditures were as of the end of September.

Property tax revenue continued a downward spiral. The district had budgeted \$10.4 million, but is now projecting \$9.5 million for 2011 and \$9.3 million for 2012.

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Record low interest rates meant that the \$902,000 investment income for 2011 has been revised to \$750,000 and \$850,000 for 2012.

Price reported a lot of counter activity indicating an increase in hookup fees as interested parties are paying staff for engineering research relating to bringing water to a new homes. Though the budgeted amount for Facility Capacity Charges was \$2 million and revised projections for 2011 are \$1.4 million, Price is projecting \$3 million for 2012.

Total revenue for 2011 has been revised upward 0.97 percent from \$69.146 million to \$69.820 million. The revised 2012 proposed budget of \$71.931 forecasts a 3 percent increase in revenue over the revised 2011 projection, according to Price's figures.

Currently cost of living increases, merit and longevity pay raises are frozen for district employees. As negotiated, those expenses become unfrozen the last two months of 2012, with employees getting a 1 percent COLA and step increases. Also, a position in the finance department remained unfilled most of the year, Price said.

Salaries for 2011 were budgeted at \$17.296 million, but due to furloughs affecting everyone from the general manager on down, the actual expenditures are projected to be \$16.923 million. A revised forecast for 2012 put salaries at \$17.528 million.

An additional factor in that projection is that Price's office, instead of averaging employee health plan costs, determined what coverage each employee had (single or dependents) and came up with a more precise total.

Total expenditures are forecast to go up 1.19 percent from a revised \$42.462 million to \$42.970 million.

The general manager's budget was revised downward for 2011 to \$2.026 million but is projected to be \$2.586 million in 2012. Included in the GM's 2012 budget is an allocation of \$500,000 for contingencies. That is up from \$200,000 in the 2011 budget revision.

"Why not hold it in a contingency fund instead of blaming the general manager?" asked Director George Osborne.

"I'm comfortable with designating it contingency in my budget," Abercrombie said.

An additional expense, courtesy of then-Assemblywoman Fran Pavley in 2006 is Assembly Bill 2544, which required public agencies to provide its retired employees the same medial benefits it pays its current employees.

EID has been paying out \$5,000 a year for that expense on a pay-as-you-go basis. Now, however, on a 5-0 vote, the district will send \$5,000 a year to a CalPERS trust fund. After enough has built up in the fund to be actuarially sound the district will switch its retirees to the CalPERS health care irrevocable trust fund.

In response to a question from Cameron Park resident Greg Prada, Abercrombie said the district has fewer than 170 vehicles used for meter reading, warehouseman, compliance officers, etc.

“A lot of vehicles are in the general pool,” Board President Harry Norris said.

Price said his office is in the process of assigning vehicle expenses to the departments that use them.

“We are capturing the main data now.”

Michael Raffety

Michael Raffety has been editor of the Mountain Democrat since 1989 and was managing editor beginning in 1986. He was city editor prior to that, having started here in 1979. He was the first person at the Mountain Democrat to be given the title of city editor. He also was an adjunct professor at the El Dorado Center from 1980-2003.

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• **Greg Prada** October 26, 2011 - 10:00 pm

Saw my name referenced regarding the above article by Mt D Editor Michael Raffety when I did a search of my name in the Mt D. Since I didn't stay for this agenda item, I was most curious how I could be quoted in this article. So I did the \$.99 Mt D "Day Pass" drill to pull up the following article. What a crock! Editor Raffety not only reports the news, he makes up the news! And he distorts the news by taking discussions out of context! Fully 75% of this article was discussed much earlier during EID's budget discussion, during which I WAS in attendance. Further note that when asked how many vehicles EID has, Mark Price had no idea... he guessed "over 200"... this after I have been "dogging" Board President Harry Norris and EID for 12 full months as to how many vehicles EID has and how they are controlled. So after one year, EID has been so serious about vehicle control, they STILL had no idea as to how many they have. As for the article's headline "pay bond early"... what a charade! EID is using an accounting gimmick to pay \$2 million in December 2011 that otherwise would be paid four months later in March 2012. This gimmick allows EID to manipulate the bond coverage ratio for 2012... a year in which the Water Enterprise Debt ratio coverage is extremely tight... and will be dependent on more accounting gimmicks by GM Abercrombie. Why doesn't EID cut back its huge \$17 million of Overhead spending instead? And don't forget that EID plans to come back soon and raise an additional \$60 million new debt. Mark Price mentioned that in the earlier session but "crack reporter" Raffety failed to report that far more significant tidbit. So a far more forthright headline would have been: "EID to raise \$60 million more debt..." "Cooks books" to make 2012 Debt ratios appear favorable". As EID's General Counsel Tom Cumpston previously advised me regarding another Mt D article by Mr, Raffety, "My advice to you is don't believe everything you read in the papers". So when you consider Editor Raffety's published October 25th endorsement for Harry Norris and George Osborne for EID Directors, please also note Tom Cumpston's advice to me.
