



# **El Dorado Irrigation District Operation Budget and Financial Plan Board Approved December 9, 2019**

## **2019 –2020 Mid-Cycle Operating Budget and 2020 -2024 Financial Plan**

**The Board adopted the revised 2019–2020 Mid-cycle Operating Budget and 2020–2024 Financial Plan, including the implementation of previously approved 3% rate increases for 2020 for water and recycled water, with 0% increase for wastewater for 2020.**

## EL DORADO IRRIGATION DISTRICT

**Subject:** Consideration to adopt the 2019–2020 Mid-Cycle Operating Budget, and 2020–2024 Financial Plan, including the implementation of previously approved 3% rate increases for 2020 for water and recycled water, with 0% increase for wastewater for 2020.

### **Previous Board Actions**

March 20, 2000—Board adopted a multi-year operating budget process.

December 10, 2018—Board adopted the 2019 – 2020 operating budget in the amount of \$51.190 million for 2019 and \$53.238 million for 2020 and the 2019 – 2023 Financial Plan using 3% annual rate increases for each of the water and recycled water utilities, with a 2% annual rate increase for the wastewater utility.

November 12, 2019—The Board held a workshop on the 2019 – 2020 Mid-Cycle Operating Budget and the 2020 – 2024 Financial Plan.

### **Board Policies (BP), Administrative Regulations (AR), and Board Authority**

BP 3010 Budget

AR 3011 Budget Development

AR 3012 Budget Management and Five-Year Financial Plan

### **Summary of Issue**

In accordance with Board Policy 3010, the Board adopts a two-year budget and conducts a mid-cycle review to determine any updates that may be needed prior to the second year of the cycle. The Board also adopts annually a five-year Financial Plan and a five-year Capital Improvement Plan (CIP).

### **Background/Discussion**

In anticipation of each two-year budget cycle and mid-cycle review, staff prepares projected operating revenues and expenditures for Board consideration. At the beginning of the budget review, Finance staff provides department heads, managers and supervisors with actual operating costs for the past two years, through the most recent month of the current year, and projections through the current year's end. Based on past and current expenditures, operational commitments for the coming year, workload indicators, and budget goals, staff develops proposed budgets for the upcoming year.

In conjunction with updating the budgeted expenses for the revised 2020 budget, District staff previously updated the District's five-year financial plan using the results of the draft Cost of Service Analysis (COSA). The financial plan reflects the revenue requirements needed to meet the District's annual operating and maintenance costs, maintain a sufficient capital improvement program, and meet debt service requirements.

The updated financial plan reflects revised utility revenue projections based upon comments received from the Board when it was initially presented on October 15, 2019, as well as comments received at the November 12, 2019 workshop. The revisions have not been adopted by the Board but are designed to reflect guidance given to staff. Any future rate increases beyond those in 2020 are

subject to further analysis in the COSA along with meeting the procedural requirements of Proposition 218 (i.e. public notice, protest period, etc.). The financial plan reflects the requirements needed to adequately manage the debt service previously incurred as well as the anticipated future debt service that will be needed to fund major infrastructure replacements reflected within the 5-year CIP. The 5-year financial plan includes a \$60 million bond sale in 2020 (reduced from \$75 million) following direction from the Board and a move of the \$75 million bond sale from 2024 to 2025 to minimize necessary rate increases within the five year financial plan horizon while still completing certain critical end-of-life asset replacements.

### ***Revised 2020 Budget***

As the District approaches the mid-point in this two-year cycle, the economy within the District’s service area continues to be strong. Projected Facility Capacity Charge (FCC) revenues for 2019 will be about \$12.0 million—approximately \$3.0 million lower than originally budgeted—while 2020 FCC revenues are currently projected to grow to about \$19 million. Total projected 2019 revenues are expected to be about \$1.6 million lower than originally budgeted while year-end expenditures are trending near the original budget of \$51.2 million.

Revenue projections for 2020 have been revised from the original 2019 – 2020 two-year budget adopted in December 2018. The original 2020 Budget forecasted revenues at \$95.9 million. This revision projects revenues of \$103.9 million, primarily as a result of increased FCC revenues mentioned above and elucidated below. The original budget for 2020 included previously authorized 3% rate increases for the water, wastewater and recycled water utilities but this revised 2020 budget eliminates the projected rate increase for the wastewater utility. For the three utilities, there is a projected combined decrease in utility rate revenues of \$800,000 from the original 2020 adopted budget.

The significant revenue change is related to the previously mentioned increase in projected 2020 FCC revenues of \$19 million versus \$10.0 million. FCC revenues for 2019 and 2020 were forecasted at \$15.0 and \$10.0 million per year, respectively, reflecting staff’s tempered optimism concerning the extent of the building recovery. As recent history has proved, FCC revenues are volatile and speculative, and conservative revenue assumptions are prudent strategies. Discussions with some of the building community have led staff to revise the 2019 FCC revenue forecast downward from \$15.0 million to \$12.0 million for the 2019 budget year and to increase the FCC projected revenues for 2020 from \$10.0 million to nearly \$19 million.

The 2019 – 2020 operating expense budgets and the 2019 – 2023 financial plan were adopted in December 2018, projecting a 4% growth in operating expenses for 2020 from 2019. The revised 2020 operating budget discussed at the November workshop reflects a 6.7% increase in expenses over the 2019 budget with budget drivers discussed later. Those drivers include 7 proposed new positions spread across multiple departments to maintain service levels with the continually growing customer base and responding to maintenance/replacement of the aging utility infrastructure. Funding the 7 new positions would represent 1.3% of the 6.7% increase.

### ***Analysis of Revenue Projections for Fiscal Years 2019 and 2020***

Table 1 compares the adopted 2019 budget and 2019 year-end revenue projections with the originally adopted 2020 budget and 2020 revised budget proposal. As illustrated in the table, the revised 2020 revenue budget is forecasted to be \$8.0 million higher than when originally adopted related to FCCs projecting \$9 million higher and utility rate revenue about \$800,000 lower.

As included above, water revenues will be about \$700,000 lower for 2019 than budgeted related to the wet spring experienced this year delaying irrigation demand. Wastewater and recycled water revenues are projected to be in line with the budget. Hydroelectric power production was above normal due to the generous snow during the winter and a longer snow melt resulting in about \$2 million more in revenues for 2019. Combining utility and hydroelectric revenues with the reduction of the 2019 FCCs by \$3.0 million, total revenue is projected to be down by \$1.5 million from the original budget.

As discussed in the budget workshop, overall the 2020 revised revenue budget remains very similar to the 2020 adopted budget in the biannual process in 2018. The significant change is related to projected 2020 FCC revenues of \$19 million versus \$10.0 million and utility revenue projected lower by \$800,000 due to elimination of the authorized 3% rate in wastewater rates for 2020.

**Table 1: Revenue Projections for 2019 and 2020 (in millions)**

	<b>2019 Adopted Budget</b>	<b>2019 Revised Projections</b>	<b>2020 Adopted Budget</b>	<b>2020 Proposed Budget</b>
Water Sales and Services (1)	\$ 31.930	\$ 31.200	\$ 32.888	\$33.020
Wastewater Sales and Services (1)(2)	21.760	21.875	22.834	21.945
Recycled Water Sales (1)	2.180	2.250	2.264	2.264
Hydropower Sales	8.000	10.000	8.000	8.000
Investment Income	0.750	0.750	0.750	0.750
FCCs	15.000	11.979	10.000	18.778
Debt Surcharges	2.416	2.416	2.424	2.430
Property Tax	12.207	12.207	12.452	12.452
Other Income	2.761	2.761	2.771	2.773
Recreation	1.440	1.440	1.468	1.468
<b>Total Revenues</b>	<b>\$ 98.444</b>	<b>\$ 96.878</b>	<b>\$95.851</b>	<b>\$103.880</b>

- (1) 2020 projections include a 3% rate increase for water and recycled water rates, with no increase for wastewater.
- (2) Net of low income assistance program

***Analysis of 2019 and 2020 Budgeted Expense Projections***

Table 2 compares the adopted 2019 budget and 2019 year-end expense projections by department with the originally adopted 2020 budget and 2020 revised budget proposal. In total, the 2019 expenses are projected to be on target with what was adopted. The revised 2020 operating budget is forecasted to increase 2.6% over the previously adopted 2020 budget.

As previously presented, changes to the 2020 departmental programs are related mainly to a few items. First, the 2020 proposed budget includes 7 new positions that are detailed below and account for an additional \$675,000 in the budget or 1.3% of the total 2.6%.

- Finance                      Meter Technician I
- Info Technology          Information Technology Analyst I
- Engineering              Environmental Compliance Inspector I
- Water                        Water Treatment Plant Operator III
- Water                        Construction and Maintenance Worker I– 2 positions (water line replacement)
- Senior Construction and Maintenance Worker (water line replacement)

As discussed during the budget workshop, two other material additions to the 2020 revised budget are an additional \$200,000 included in Finance for fuel for anticipated PG&E Public Safety Power Shutoff (PSPS) events in 2020 and \$1.1 million for the recoating of Reservoir 2 and 2A tanks in Camino which is an increase related to the approach in the maintenance. The remaining departmental budget changes are minor and continue to be in line with the previously adopted budget.

**Table 2: Operating Budget Expenses for 2019 and 2020 by Department (in millions)**

<b>Departments</b>	<b>2019 Adopted Budget</b>	<b>2019 Revised Projections</b>	<b>2020 Adopted Budget</b>	<b>2020 Proposed Budget</b>
Office of the General Manager	\$ 3.110	\$ 2.642	\$ 3.234	\$ 3.193
Communications	0.374	0.382	0.389	0.410
Finance	7.242	7.500	7.532	7.826
Human Resources	3.152	2.838	3.278	3.429
Information Technology	1.931	2.121	2.008	2.241
Engineering				
-Engineering Administration	0.557	0.700	0.579	0.687
-Development Services	0.436	0.474	0.453	0.481
-Water / Hydro Engineering	0.307	(0.029)	0.319	0.064
-Wastewater / Recycled Engineering	0.004	(0.177)	0.004	0.045
-Drafting/GIS Services	0.514	0.512	0.535	0.514
-Construction Inspection	(0.125)	0.356	(0.130)	(0.081)
-Environmental Compliance	1.674	1.478	1.741	1.930
Operations				
-Administration	0.365	0.176	0.380	0.343
-Water Operations	12.134	12.647	12.619	13.524
-Wastewater Operations	11.078	11.101	11.522	11.188
-Recycled Water Operations	0.399	0.337	0.415	0.396
-Hydroelectric Operations	6.293	6.421	6.545	6.472
-Recreation Operations	1.745	1.737	1.815	1.970
<b>Total Expenses</b>	<b>\$ 51.190</b>	<b>\$ 51.215</b>	<b>\$ 53.238</b>	<b>\$ 54.632</b>

Table 3 below identifies budget expense by type. The revised 2020 budget projects a \$750,000 increase in wages. This is attributed to the final Board approved cost-of-living (COLA) wage adjustment of 5% for 2019 not known when the original 2020 budget was adopted and for the 7 new positions.

Addition costs related to salaries budget-	
2019 COLA	\$ 360,000
New positions	<u>390,000</u>
	<u>\$ 750,000</u>

The increase in total benefits is almost entirely related to the increase in the wages identified above. Using the direct overhead rate of 69.4%, the benefits increase by \$520,000. These two items increased the 2020 adopted budget by 2.4%.

**Table 3: Adopted Operating Budget Expenses for 2019 and Proposed 2020 by Expense Type (in millions)**

Type	2019 Adopted Budget	2019 Revised Projections	2020 Adopted Budget	2020 Proposed Budget
Salaries	\$ 18.816	\$ 19.029	\$ 19.569	\$ 20.313
Benefits (Table 4)	14.225	14.015	14.794	15.382
Salaries and Benefits	<b>33.041</b>	<b>33.044</b>	<b>34.363</b>	<b>35.695</b>
CIP and Development				
Reimbursement Labor Offsets	(4.759)	(3.906)	(4.949)	(5.388)
Net Personnel Expense	<b>28.282</b>	<b>29.138</b>	<b>29.414</b>	<b>30.307</b>
Materials and Services				
-Operating Supplies	4.169	4.627	4.335	4.120
-Chemicals	1.121	1.035	1.165	1.071
-Administration	3.814	3.825	3.968	4.113
-Utilities	5.217	5.170	5.426	5.588
-Professional Services	5.710	4.181	5.938	5.618
-Repair Services	1.576	2.226	1.639	2.489
-Insurance	0.772	0.855	0.803	0.896
-Operating Capital Outlay	0.279	0.158	0.290	0.180
-Contingency	0.250	0.000	0.260	0.250
Total Materials and Services	<b>22.908</b>	<b>22.077</b>	<b>23.824</b>	<b>24.325</b>
<b>Total Expenses</b>	<b>\$ 51.190</b>	<b>\$ 51.215</b>	<b>\$ 53.238</b>	<b>\$ 54.632</b>

Table 4 details the breakdown of employee expenses by benefits type. Overall, the revised 2020 budget for benefits is 4.0% higher than the adopted 2020 budget, which is essentially the increase related to the direct overhead rate of 69.4% applied to the increase in wages.

**Table 4: Adopted Benefits Budget Expenses for 2019 and Proposed 2020 by Expense Type (in millions)**

Type	2019 Adopted Budget	2019 Revised Projections	2020 Adopted Budget	2020 Proposed Budget
Medical	\$ 3.655	\$ 3.470	\$ 3.728	\$ 4.065
Retiree Health	1.840	1.840	1.895	1.920
Dental/Vision	0.374	0.335	0.389	0.340
EAP	0.006	0.006	0.006	0.006
Life	0.018	0.018	0.019	0.060
Workers' Compensation	0.354	0.345	0.354	0.261
FICA	1.367	1.441	1.376	1.463
PERS	6.486	6.400	6.900	7.078
Medical Reimbursement	0.055	0.055	0.055	0.055
Vehicle Allowance	0.030	0.030	0.030	0.030
Other Employee Costs	0.040	0.075	0.042	0.104
<b>Total Benefits</b>	<b>\$ 14.225</b>	<b>\$ 14.015</b>	<b>\$ 14.794</b>	<b>\$ 15.382</b>

### ***Debt Service Coverage***

The installment purchase agreements associated with the District’s debt issuances require the District—to the fullest extent permitted by law—to fix, prescribe, and collect rates and charges so that revenues exceed operating expenditures, including debt payments, by a minimum ratio of 1.25. The District may make adjustments from time to time in its rates and charges, but cannot reduce those rates and charges unless the District’s net revenues from reduced rates and charges will at all times be sufficient to meet the debt service coverage minimum of 1.25.

Table 5 shows that the revised projected debt service coverage for 2019 and 2020.

**Table 5: Revised Debt Service Coverage Projections for 2019 and 2020 (in millions)**

	<b>2019 Adopted Budget</b>	<b>2019 Revised Projections</b>	<b>2020 Adopted Budget</b>	<b>2020 Proposed Budget</b>
Estimated Revenues	\$ 98.444	\$ 96.878	\$ 95.851	\$ 103.880
Estimated Operating Expenses	(51.190)	(51.215)	(53.238)	(54.632)
Net Revenues	\$ 47.254	\$ 45.663	\$ 42.613	\$ 49.248
State Loans (preexisting)	1.079	1.079	1.079	1.079
Available Net Revenues	46.175	44.584	41.534	48.169
Debt Service <sup>(1)</sup>	22.102	22.102	22.036	21.464
Debt Service Ratio	2.09	2.02	1.89	2.24
Internal (1.0) Debt Service Ratio <sup>(2)</sup>	1.41	1.47	1.43	1.37

(1) Proposed budgets for 2020 assume the prepayment on the following year’s maturing debt of \$6 million. The District’s prepayment in 2019 will reduce the debt service in 2020 by \$6 million.

(2) Internal 1.0 test is based upon available net revenues being equal to, or greater than, the debt service in a given year. Being equal to would be (available net revenues)/ (debt service) =1.00 (District goal = 1.25 to 1.50x)

Beginning with the first Certificate of Participation bond sale in 2003, the District has included FCC revenue in meeting its debt coverage requirements. In 2010, however, the Board also imposed an internal requirement that its debt service ratio, excluding FCCs, be at least 1.0 with the goal between 1.25x and 1.50x. The test is identical to the bond document test of 1.25x, except it excludes FCCs from the calculation. By creating budgets that meet this test, the District is assured it is meeting all of its obligations for a given year, including operating expenses and debt payments, without relying on volatile FCC revenue. The District is projected to meet this internal debt service ratio test for 2019 and 2020.

As reflected in Table 5 above, the District is projecting it will exceed this internal 1.0 ratio requirement for 2019 – 2020. As detailed in Table 6 below, the District exceeded the 1.25x coverage requirement every year since 2003, except for 2004 and 2009. In 2004, the State of California took local property tax revenues to help meet the State’s debt obligations. If the District had not received any FCCs during those years, however, the coverage test would not have been met prior to 2010 except for 2006, when the District received approximately \$8.0 million in reimbursements from the Federal Emergency Management Agency. Beginning in 2010 with extensive cost cutting to operating expenses, the new power sales contract with PG&E, restructuring some of the outstanding debt and the adoption of a series of rate increases, the District has met the coverage test without FCCs.

**Table 6: Debt Service Coverage FY2003-2018 (in millions)**

<b>Fiscal Year</b>	<b>Net Revenues</b>	<b>Debt Service</b>	<b>Coverage</b>	<b>FCCs</b>	<b>Coverage if FCCs Excluded</b>
<b>2003</b>	\$13.044	\$7.414	1.76	\$12.775	0.04
<b>2004</b>	10.312	11.435	0.90	9.835	0.04
<b>2005</b>	18.578	11.624	1.60	15.884	0.23
<b>2006</b>	36.284	15.561	2.33	11.470	1.59
<b>2007</b>	27.349	15.276	1.79	15.237	0.79
<b>2008</b>	25.919	17.792	1.46	11.453	0.81
<b>2009</b>	12.125	14.755	0.82	1.099	0.75
<b>2010</b>	22.224	16.133	1.40	0.577	1.37
<b>2011</b>	32.888	19.865	1.69	2.773	1.55
<b>2012</b>	27.681	17.777	1.59	2.301	1.46
<b>2013</b>	35.886	16.406	2.27	5.453	1.92
<b>2014</b>	29.301	15.189	2.00	4.543	1.63
<b>2015</b>	39.383	15.513	2.65	13.924	1.69
<b>2016</b>	40.694	15.542	2.74	12.417	1.88
<b>2017</b>	56.130	23.206	2.49	14.022	1.85
<b>2018</b>	50.339	23.585	2.19	20.050	1.30

***Financial Plan***

The Board annually adopts an ongoing five-year capital improvement plan (CIP) for the District. As described in previous budget workshops and Board meetings, a long-term financial plan is used to balance the ongoing operational financing needs with the capital needed to fund the ongoing CIP while providing safe and reliable services to our customers.

Using a long-term financial plan can avoid making volatile rate adjustments, better manage the use of debt financing, structure debt payments, assist in planning for the funding of capital projects and create a plan to meet bondholder obligations.

As set forth in Administrative Regulation 3012, the goals and objectives of EID’s financial plan are to:

- Establish necessary operating and maintenance costs, debt expenses and funding available for pay-as-you-go projects.
- Generate sufficient revenues to fund those costs, meet bondholder obligations and maintain adequate cash reserves.
- Avoid customer “rate shock” through the use of small, annual rate adjustments.
- Maintain strong credit ratings to obtain better interest rates when debt is issued (S&P, AA-; Moody’s, Aa3).
- Maintain cash reserves between \$60 million and \$80 million.
- Maintain CIP funding levels to replace high-priority capital assets prior to end of life in order to avoid critical asset failures and provide safe and reliable services to our customers.



- Fund more costly, long-lived assets via debt while using excess operational cash for smaller, pay-as-you-go projects.
- Maintain a 1.7x to 2.0x debt service coverage ratio with FCC revenue added in.
- Maintain a 1.25x to 1.50x debt coverage ratio when FCC revenue is excluded

### *Purpose of a Financial Plan*

In November 2014, staff made a presentation to the Board discussing reasons the District needed to prepare long-term financial plans in order to balance the financial needs of operations with the need for capital improvements. The plan would be used to establish necessary costs for operations and maintenance, debt service, and pay-as-you-go construction projects. It would also establish the amount of total revenues needed to fund the operating costs, fund debt payments while also meeting bond covenants, and maintain adequate cash reserves.

Long-term financial plans are also used to forecast and implement rate adjustments needed to meet the financial goals of the District through the use of small, annual rate increases without creating rate shock resulting from large, double-digit increases. Additional financial plan goals include maintaining strong credit ratings and maintaining funding for critical asset replacement prior to end of life to avoid asset failures. With multiyear financial plans in place, including rate increases showing the ability of a utility to meet its operational and financing obligations, the bond rating agencies gain confidence in the utility, rate its credit higher, and ultimately reduce the cost of borrowing.

In staff's opinion, the success of the District's 2016 financing transactions did not alter the District's need to implement the previously adopted rate increases for 2017 – 2020. Additionally, the adopted rate increases were included within the financial forecast for 2016 – 2020 provided to the rating agencies and bond-buying community in each of the 2016 financing transactions, as were the resulting actual debt payment requirements for the newly issued bonds. Those projections were instrumental in the District obtaining its credit rating enhancements. Unfortunately, the Board through the years has reduced or entirely eliminated planned rate increases via the budget process. The results of not implementing planned rate increases combined with an increased need for capital replacement to maintain our infrastructure, has created increased pressure on cash positions in future years. The ongoing 2019 Cost of Service Analysis (COSA) will attempt to address this issue by implementing a systematic approach, over time, to address the source of revenue and funding needed by the District.

### *5-Year Financial Plan Review*

The previously discussed 2020 – 2024 financial plan has been updated to reflect some revenue assumption changes for 2020 – 2024, accelerating the planned bond sale in previous forecasts from 2021 to 2020 and estimating the issue amount at \$60 million as requested by the Board, delaying a planned 2024 bond issuance until 2025, and incorporating spending estimates from the adopted 2020 – 2024 Capital Improvement Plan (CIP). Following is a brief review of the previously adopted financial plan and changes added as guided by the Board during the budget workshop session on November 12th.

The proposed financial plan for 2020 – 2024 reflects the growth in the CIP addressing the replacement of critical infrastructure, the effects of previously adopted rate increases that were reduced or eliminated, and the need for capital financing. Water and recycled water rates are projected to rise 3% in 2020 as previously authorized. This plan also projects increases in rates, subject to completion of the COSA and subsequent Proposition 218 procedural requirements, of 5.0% for water and recycled water in each year for 2021 – 2024, while wastewater reflects no rate increases

for 2020 – 2022, and 1% increases for 2023 – 2024. The issues, referenced above, are components addressed within the 2019 COSA.

Changes to the previous forecast as outlined at the November workshop:

1. Projected Rate Increases Subject to COSA and Proposition 218 Process—Water and recycled projected rate increases for 2021 – 2024 are 5% annually. When presented at the November workshop they were 5.0%, 5.5%, 6.0%, and 6.5% for the years 2021 – 2024.
2. Long-term Debt—At the November workshop the proposed 2020 – 2024 financial plan reflected two \$75 million bond sales, one in 2020 and one in 2024. This proposal reduces the 2020 bond issue down to \$60 million and reflects a delay in the 2024 bond issue to fiscal 2025.

By the end of 2019, after a planned debt prepayment of \$6.0 million in December, EID’s outstanding debt will be approximately \$294.6 million, down from a high of \$394 million in 2010, a reduction over the past 9 years of about \$100 million.

Appendices 1 – 12 show details of departmental expenses.

**Financial Plan Update:** The District-wide five-year financial plan follows with separate water and wastewater projections presented in subsequent tables.

Total District	Projected <u>2020</u>	Projected <u>2021</u>	Projected <u>2022</u>	Projected <u>2023</u>	Projected <u>2024</u>
Total Debt Proceeds	\$ 60.0	-	-	-	-
Total Revenues	103.9	95.4	90.7	93.5	96.5
Total Maintenance and Operation Costs	54.6	56.6	58.4	60.1	61.9
Net Revenues	49.3	38.8	32.3	33.4	34.6
Pre-existing State Obligations	1.1	1.1	1.1	1.1	0.9
Net Revenues Available After Pre-existing Obligations	48.2	37.7	31.2	32.3	33.7
Senior Debt Service	21.5	19.6	15.0	15.0	15.0
Cash Available from Current Year Activities for Capital Projects or Other Improvements	86.7	18.1	16.2	17.3	18.7
Cash Balance - January 1	99.5	132.8	107.6	94.8	82.1
Total Cash Available for Capital Projects or Debt Pre-payment	186.2	150.9	123.8	112.1	100.8
Total CIP	(47.4)	(37.3)	(23.0)	(24.0)	(35.7)
Debt Reserve Paydown on New Debt	-	-	-	-	-
Pre-funding Debt	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Other Receipts-Insurance, FEMA and OES	-	-	-	-	-
Cash Balance - December 31	\$ 132.8	107.6	94.8	82.1	59.1
Senior Debt Service Coverage (1.25x test)	2.24	1.92	2.08	2.15	2.25
Internal Senior Debt Coverage					
Total FCCs in Revenue Above	18.8	10.0	5.0	5.0	5.0
\$\$\$ of FCCs Removed from Calculation	18.8	10.0	5.0	5.0	5.0
Internal Senior Debt Coverage (1.0x test)	1.37	1.41	1.75	1.82	1.91

Water Utility Only	Projected <u>2020</u>	Projected <u>2021</u>	Projected <u>2022</u>	Projected <u>2023</u>	Projected <u>2024</u>
Total Debt Proceeds	60.0	-	-	-	-
Total Revenues	65.7	61.9	59.0	61.2	63.5
Total Maintenance and Operation Costs	35.7	37.0	37.9	39.1	40.2
Net Revenues	30.0	24.9	21.0	22.1	23.3
Pre-existing State Obligations	1.1	1.1	1.1	1.1	0.9
Net Revenues Available After Pre-existing Obligations	28.9	23.8	20.0	21.0	22.4
Senior Debt Service	13.4	13.5	10.8	10.9	10.9
Cash Available from Current Year Activities for Capital Projects or Other Improvements	75.5	10.3	9.1	10.1	11.5
Cash Balance - January 1	60.4	93.3	68.9	57.8	45.6
Total Cash Available for Capital Projects or Debt Pre-payment	136.0	103.6	78.0	67.9	57.1
Total CIP	(39.5)	(31.5)	(17.1)	(19.2)	(28.1)
Debt Reserve Paydown on New Debt Pre-funding Debt	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Other Receipts-Insurance, FEMA and OES	-	-	-	-	-
Cash Balance - December 31	93.3	68.9	57.8	45.6	25.9
Senior Debt Service Coverage (1.25x test)	2.16	1.76	1.84	1.93	2.06
Internal Senior Debt Coverage					
Total FCCs in Revenue Above	10.57	5.90	2.95	2.95	2.95
\$\$\$ of FCCs Removed from Calculation	10.57	5.90	2.95	2.95	2.95
Internal Senior Debt Coverage (1.0x test)	1.37	1.33	1.57	1.66	1.79

Wastewater Utility Only	Projected <u>2020</u>	Projected <u>2021</u>	Projected <u>2022</u>	Projected <u>2023</u>	Projected <u>2024</u>
Total Debt Proceeds	-	-	-	-	-
Total Revenues	38.1	33.6	31.7	32.4	33.0
Total Maintenance and Operation Costs	18.9	19.7	20.4	21.1	21.7
Net Revenues	19.2	13.9	11.3	11.3	11.3
Pre-existing State Obligations	-	-	-	-	-
Net Revenues Available After Pre-existing Obligations	19.2	13.9	11.3	11.3	11.3
Senior Debt Service	8.1	6.0	4.1	4.1	4.1
Cash Available from Current Year Activities for Capital Projects or Other Improvements	11.2	7.9	7.2	7.2	7.2
Cash Balance - January 1	39.0	39.4	38.7	37.0	36.5
Total Cash Available for Capital Projects or Debt Pre-payment	50.2	47.3	45.8	44.2	43.7
Total CIP	(7.9)	(5.8)	(5.9)	(4.8)	(7.7)
Debt Reserve Paydown on New Debt Pre-funding Debt	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)
Other Receipts-Insurance, FEMA and OES	-	-	-	-	-
Cash Balance - December 31	39.4	38.7	37.0	36.5	33.2
Senior Debt Service Coverage (1.25x test)	2.38	2.30	2.73	2.73	2.74
Internal Senior Debt Coverage					
Total FCCs in Revenue Above	8.20	4.10	2.05	2.05	2.05
\$\$\$ of FCCs Removed from Calculation	8.20	4.10	2.05	2.05	2.05
Internal Senior Debt Coverage (1.0x test)	1.37	1.62	2.23	2.24	2.24

## ***Conclusion***

The 2020 proposed operating budget process continues to present a number of challenging financial issues due to the growing need for capital replacement within the District, past decisions on rate increase implementation, and the need to maintain adequate service levels and comply with regulatory requirements. Like all of EID's budgets, staff approached the process with two overriding priorities: maintaining a reliable level of service to customers that protects public health and safety, and the environment; and demonstrating fiscal responsibility. Staff believes both of these objectives are met under the revised proposed 2020 operating budget. Staff also believes that if the projected revenues are met and the operating budgets are not significantly exceeded because of unforeseen circumstances, the 1.25 coverage requirements in the District's bond covenants will be met while the District's internal 1.25-1.5x goal, excluding FCCs, will also be met.

This proposed revised 2020 budget and the 2020 – 2024 financial plan accomplish the following:

1. Meets the required coverage tests for our bond holders (1.25x) and the internal coverage goal of 1.25x to 1.50x;
2. Eliminates the authorized wastewater rate increase for 2020;
3. Generates net operating cash flow for the short term to fund annual pay-as-you-go construction projects while using debt financing judiciously for specific large, long-lived capital projects.

### **Board Options**

**Option 1:** Adopt the revised 2019–2020 Mid-cycle Operating Budget and 2020–2024 Financial Plan, including the implementation of previously approved 3% rate increases for 2020 for water and recycled water, with 0% increase for wastewater for 2020.

**Option 2:** Take other action as directed by the Board.

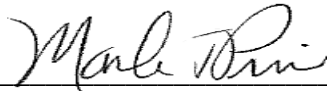
**Option 3:** Take no action.

### **Staff/General Manager Recommendation**

Option 1

### **Attachments**

- Appendix 1: Total District Summary of Materials and Services by Account
- Appendix 2: Office of the General Manager Materials and Services by Account
- Appendix 3: Communications Materials and Services by Account
- Appendix 4: Finance Materials and Services by Account
- Appendix 5: Human Resources Materials and Services by Account
- Appendix 6: Information Technology Materials and Services by Account
- Appendix 7: Engineering Materials and Services by Account
- Appendix 8: Water Operations Materials and Services by Account
- Appendix 9: Wastewater Operations Materials and Services by Account
- Appendix 10: Recycled Water Operations Materials and Services by Account
- Appendix 11: Hydroelectric Operations Materials and Services by Account
- Appendix 12: Recreation Materials and Services by Account



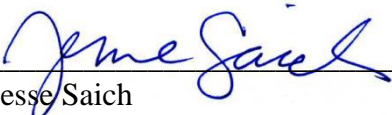
Mark Price  
Finance Director



Dan Corcoran  
Operations Director



Brian Mueller  
Engineering Director



Jesse Saich  
Communications and Media Relations Manager



Jose C. Perez  
Human Resources Director



Tim Ranstrom  
Information Technology Director



Brian Poulsen  
General Counsel



Jim Abercrombie  
General Manager











<b>2020 OPERATING BUDGET</b>				2019 Adopted	2019 Year End	2020 Proposed
<b>FIN - M&amp;S BY ACCOUNT</b>				Budget	Projections	Budget
52105	OFFICE SUPPLIES			28,600.00	28,460.00	28,460.00
52106	OFFICE EQUIPMENT (LESS THAN \$5,000)			5,905.00	9,240.00	7,735.00
52107	COMPUTER HW/SW (LESS THAN \$5,000)			7,943.23	5,750.00	5,750.00
52110	OPERATING SUPPLIES			34,475.43	35,734.34	36,100.00
52115	TELECOM SUPPLIES			2,000.00	3,000.00	7,600.00
52120	FUEL, OIL AND LUBRICATION			475,000.00	700,000.00	700,000.00
52122	PROPANE			17,200.00	17,200.00	17,200.00
52125	REPAIR AND MAINTENANCE SUPPLIES			23,500.00	31,000.00	19,000.00
52130	CLOTHING/UNIFORMS			3,350.00	6,050.00	6,550.00
52135	SAFETY SUPPLIES			10,611.91	8,310.00	8,310.00
52140	METER REPAIR SUPPLIES			114,000.00	114,000.00	129,000.00
52145	VEHICLE REPAIR/MAINT SUPPLIES			226,000.00	376,000.00	257,000.00
52150	SMALL TOOLS			27,750.00	28,326.05	29,676.05
52155	TIRES			75,000.00	75,000.00	80,000.00
52165	SECURITY SUPPLIES			1,544.18	1,800.00	1,800.00
52170	FREIGHT CHARGES			4,660.00	5,178.91	5,322.55
52175	WAREHOUSE ISSUES			500.00	500.00	500.00
52185	COMPLIANCE REQUIREMENTS			2,700.00	0.00	0.00
	<b>SUBTOTAL - OPERATING SUPPLIES</b>			<b>1,060,739.75</b>	<b>1,445,549.30</b>	<b>1,340,003.61</b>
52305	TELEPHONE			20,160.00	19,872.50	20,160.00
52310	POSTAGE			115,250.00	115,200.00	120,300.00
52315	ADVERTISING			0.00	1,000.00	500.00
52320	MEETINGS			250.00	250.00	250.00
52325	TRAVEL			4,435.00	1,844.95	2,135.00
52330	TRAINING			19,392.86	16,714.29	15,500.00
52335	DUES AND SUBSCRIPTIONS			190,600.00	197,245.21	124,400.00
52340	BOOKS AND PUBLICATIONS			3,250.00	2,850.00	2,850.00
52345	PRINTING, BINDING AND COPYING			45,440.00	45,119.88	45,400.00
52365	SOFTWARE LICENSES			50.00	0.00	0.00
52370	SOFTWARE MAINTENANCE			32,825.00	39,734.94	33,125.00
52390	MISCELLANEOUS PERMITS			7,350.00	6,350.00	3,850.00
52400	BANK SERVICE CHARGES			25,000.00	32,769.38	25,000.00
52405	CREDIT CARD DISCOUNT CHARGES			375,000.00	398,858.36	375,000.00
52431	SMART IRRIGATION REBATE			25,000.00	30,000.00	25,000.00
52435	MISCELLANEOUS PENALTIES			0.00	1.00	1.00
52499	MISCELLANEOUS ADMIN EXP.			5,000.00	2,600.00	5,000.00
	<b>SUBTOTAL - ADMINISTRATION</b>			<b>869,002.86</b>	<b>910,410.49</b>	<b>798,471.00</b>
52505	WATER			2,500.00	2,500.00	2,500.00
52510	SEWER			6,000.00	6,000.00	6,000.00
52520	ELECTRICITY			154,660.00	155,160.00	160,160.00
52525	GARBAGE			8,100.00	8,550.00	9,050.00
52530	OTHER UTILITY CHARGES			1,500.00	1,500.00	1,500.00
	<b>SUBTOTAL - UTILITIES</b>			<b>172,760.00</b>	<b>173,710.00</b>	<b>179,210.00</b>
52625	AUDIT AND ACCOUNTING SERVICES			42,250.00	36,860.00	36,860.00
52630	LAUNDRY SERVICE			8,000.00	5,500.00	5,500.00
52635	CONSULTING SERVICES			102,000.00	12,316.43	56,000.00
52640	OTHER CONTRACTUAL SERVICES			176,855.86	170,067.96	178,825.00
	<b>SUBTOTAL - PROFESSIONAL SERVICES</b>			<b>329,105.86</b>	<b>224,744.39</b>	<b>277,185.00</b>
52705	EQUIPMENT RENT			3,000.00	18,000.00	3,000.00
52710	CONTRACTED REPAIRS AND MAINTENANCE			78,500.00	41,000.00	117,000.00
	<b>SUBTOTAL - REPAIR SERVICES</b>			<b>81,500.00</b>	<b>59,000.00</b>	<b>120,000.00</b>
52805	INSURANCE PREMIUMS			1,600.00	1,428.57	1,600.00
	<b>SUBTOTAL - INSURANCE</b>			<b>1,600.00</b>	<b>1,428.57</b>	<b>1,600.00</b>
55100	OFFICE FURNITURE AND EQUIPMENT			2,500.00	0.00	2,500.00
55080	VEHICLES			0.00	27,076.00	33,076.00
55090	TOOLS AND EQUIPMENT			10,750.00	22,227.00	46,000.00
	<b>SUBTOTAL - CAPITAL OUTLAY</b>			<b>13,250.00</b>	<b>49,303.00</b>	<b>81,576.00</b>
	<b>TOTAL</b>			<b>2,527,958.47</b>	<b>2,864,145.75</b>	<b>2,798,045.61</b>
2019-2020 Operating Budget and 2020-2024 Financial Plan					Appendix 5	
November 12, 2019					Page	1 of 1





















# Consideration of Adoption of the 2019-2020 Operating Budget and 2020-2024 Financial Plan

**El Dorado Irrigation District**  
**December 9, 2019**



# Presentation Summary

- Previous Board action
- Summary of issues
- Staff analysis/evaluation
- Board discussion/guidance

# Previous Board Action

- Mar. 20, 2000: Board adopted a multi-year operating budget process
- Dec. 10, 2018: Board adopted the 2019-2020 Operating Budget and the 2019 - 2023 Financial Plan
- Nov. 12, 2019 The Board held a workshop on the 2019-2020 Operating Budget and 2020-2024 Financial Plan



# Summary of Issues

- Staff analysis/evaluation
- 2019-2020 revenue projections
- 2019-2020 operating budget expense projections
- Debt service coverage
- 2020-2024 five-year forecast



# Staff Analysis/Evaluation

- 2020 Operating Budget Considerations:
  - Plan for implementation of the authorized 3% rate increase for Water and Recycled Water utilities
  - Plan for no rate increase for the Wastewater utility
  - Keep operating expenses at original 4% growth rate as adopted in the original 2020 budget



*2019-2020*

# **Revenue Projections**



# Revenues for 2019-2020

- 2019 Revenue Revisions
  - 2019 Revenue projection:
    - Water revenues - \$700,000 lower than budgeted
    - Hydropower - \$2,000,000 higher than budgeted
    - FCCs - \$3,000,000 lower than budgeted



# Revenues for 2019-2020

- 2020 Revenue Revisions
  - 2020 Revenue projection:
    - FCC revenues higher by \$8.8 million
    - Wastewater revenue projected down by \$0.9 million



# Revenues for 2019-2020

- Rate increases for 2020
  - Adopt 3% previously authorized increase for Water and Recycled Water
  - Do not implement 3% previously authorized increase for Wastewater

# Revenues for 2019-2020 (in millions of dollars)

	2019 Adopted Budget	2019 Revised Projections	2020 Adopted Budget	2020 Proposed Budget
Water Sales and Services <sup>(1)</sup>	\$ 31.930	\$ 31.200	\$ 32.888	\$33.020
Wastewater Sales and Services <sup>(1)(2)</sup>	21.760	21.875	22.834	21.945
Recycled Water Sales <sup>(1)</sup>	2.180	2.250	2.264	2.264
Hydropower Sales	8.000	10.000	8.000	8.000
Investment Income	0.750	0.750	0.750	0.750
FCCs	15.000	11.979	10.000	18.778
Debt Surcharges	2.416	2.416	2.424	2.430
Property Tax	12.207	12.207	12.452	12.452
Other Income	2.761	2.761	2.771	2.773
Recreation	1.440	1.440	1.468	1.468
<b>Total Revenues</b>	<b>\$ 98.444</b>	<b>\$ 96.878</b>	<b>\$95.851</b>	<b>\$103.880</b>

(1) 2020 projections include a 3% rate increase for water and recycled water rates, with no increase for wastewater.

(2) Net of low income assistance program



*2019-2020*

# **Operating Budget Expense Projections**



# Expenditures for 2019-2020

- 2019 Expense Projection:

- Net personnel expense higher related to capitalized labor offset- \$800,000

- Operating supplies projected higher by:

- PSPS – Fuel and generator

- maintenance supplies (est.)

\$320,000

- Other operating repair and

- maintenance supplies

140,000

\$460,000



# Expenditures for 2019-2020

- 2019 Expense Projection (continued):

- Professional services lower related to:

- Consulting services anticipated in 2017 now moved to 2020 \$ 450,000
    - Temporary labor 200,000
    - Other contractual services 650,000
    - Legal fees 140,000
    - Other 60,000

- Net Professional services lower

- by approximately \$1,500,000

# Expenditures for 2019-2020

- 2019 Expense Projection (continued):
  - Repair services higher related to change in classification from professional services - \$650,000

# Expenditures for 2019-2020

- 2020 Expense Projection:

- 2020 budget expense revisions higher by 2.7%:

• Personnel expenses (net)	\$ 890,000
• Material and Services	<u>500,000</u>
	\$ <u>1,390,000</u>

# Expenditures for 2019-2020

- 2020 Expense Projection (continued):
    - Personnel expenses higher by:
      - 2019 salary adjustment \$360,000
      - Seven new positions requested:
        - (1) Meter Services
        - (1) Information Technology
        - (1) Environmental Compliance
        - (1) Water Treatment Plant Operator
        - (3) Water Construction – waterline replacement 390,000 \$750,000
      - Benefits
        - Health – employees \$340,000
        - Health – retirees 25,000
        - PERS – related to new positions 140,000
        - Other benefit changes combined 75,000 580,000
    - Labor offsets – higher estimates than adopted budget related to Water Construction (440,000)
- Net Personnel higher by approximately \$890,000

# Expenditures for 2019-2020

- 2020 Expense Projection (continued):
  - Most expense projections are similar to adopted:
    - PSPS – Added \$240,000 to fuel budget for 2020 within Operating Supplies
    - Repair Services has a tank recoatings for Reservoir 2 and 2A for \$1.1 million within the Water utility which is higher than tank recoating originally budgeted by \$300,000

*2019-2020*

# **Operating Budget Expense Projections**



# 2019-2020 Operating Budget by Department

(in millions of dollars)

Departments	2019 Adopted Budget	2019 Revised Projections	2020 Adopted Budget	2020 Proposed Budget
Office of the General Manager	\$ 3.110	\$ 2.642	\$ 3.234	\$ 3.193
Communications	0.374	0.382	0.389	0.410
Finance	7.242	7.500	7.532	7.826
Human Resources	3.152	2.838	3.278	3.429
Information Technology	1.931	2.121	2.008	2.241
Engineering				
-Engineering Administration	0.557	0.700	0.579	0.687
-Development Services	0.436	0.474	0.453	0.481
-Water / Hydro Engineering	0.307	(0.029)	0.319	0.064
-Wastewater / Recycled Engineering	0.004	(0.177)	0.004	0.045
-Drafting/GIS Services	0.514	0.512	0.535	0.514
-Construction Inspection	(0.125)	0.356	(0.130)	(0.081)
-Environmental Compliance	1.674	1.478	1.741	1.930
Operations				
-Administration	0.365	0.176	0.380	0.343
-Water Operations	12.134	12.647	12.619	13.524
-Wastewater Operations	11.078	11.101	11.522	11.188
-Recycled Water Operations	0.399	0.337	0.415	0.396
-Hydroelectric Operations	6.293	6.421	6.545	6.472
-Recreation Operations	1.745	1.737	1.815	1.970
<b>Total Expenses</b>	<b>\$ 51.190</b>	<b>\$ 51.215</b>	<b>\$ 53.238</b>	<b>\$ 54.632</b>



# 2019-2020 Operating Budget by Expense Type

(in millions of dollars)

Type	2019 Adopted Budget	2019 Revised Projections	2020 Adopted Budget	2020 Proposed Budget
Salaries	\$ 18.816	\$ 19.029	\$ 19.569	\$ 20.313
Benefits (Table 4)	14.225	14.015	14.794	15.382
Salaries and Benefits	33.041	33.044	34.363	35.695
CIP and Development Reimbursement Labor Offsets	(4.759)	(3.906)	(4.949)	(5.388)
Net Personnel Expense	28.282	29.138	29.414	30.307
Materials and Services				
-Operating Supplies	4.169	4.627	4.335	4.120
-Chemicals	1.121	1.035	1.165	1.071
-Administration	3.814	3.825	3.968	4.113
-Utilities	5.217	5.170	5.426	5.588
-Professional Services	5.710	4.181	5.938	5.618
-Repair Services	1.576	2.226	1.639	2.489
-Insurance	0.772	0.855	0.803	0.896
-Operating Capital Outlay	0.279	0.158	0.290	0.180
-Contingency	0.250	0.000	0.260	0.250
Total Materials and Services	22.908	22.077	23.824	24.325
<b>Total Expenses</b>	<b>\$ 51.190</b>	<b>\$ 51.215</b>	<b>\$ 53.238</b>	<b>\$ 54.632</b>





# 2019-2020 Employee Benefits by Type

(in millions of dollars)

Type	2019 Adopted Budget	2019 Revised Projections	2020 Adopted Budget	2020 Proposed Budget
Medical	\$ 3.655	\$ 3.470	\$ 3.728	\$ 4.065
Retiree Health	1.840	1.840	1.895	1.920
Dental/Vision	0.374	0.335	0.389	0.340
EAP	0.006	0.006	0.006	0.006
Life	0.018	0.018	0.019	0.060
Workers' Compensation	0.354	0.345	0.354	0.261
FICA	1.367	1.441	1.376	1.463
PERS	6.486	6.400	6.900	7.078
Medical Reimbursement	0.055	0.055	0.055	0.055
Vehicle Allowance	0.030	0.030	0.030	0.030
Other Employee Costs	0.040	0.075	0.042	0.104
<b>Total Benefits</b>	<b>\$ 14.225</b>	<b>\$ 14.015</b>	<b>\$ 14.794</b>	<b>\$ 15.382</b>



*2019-2020*

# **Debt Service Coverage**



# 2019-2020 Debt Service Coverage

(in millions of dollars)

	<b>2019 Adopted Budget</b>	<b>2019 Revised Projections</b>	<b>2020 Adopted Budget</b>	<b>2020 Proposed Budget</b>
Estimated Revenues	\$ 98.444	\$ 96.878	\$ 95.851	\$ 103.880
Estimated Operating Expenses	(51.190)	(51.215)	(53.238)	(54.632)
Net Revenues	\$ 47.254	\$ 45.663	\$ 42.613	\$ 49.248
State Loans (preexisting)	1.079	1.079	1.079	1.079
Available Net Revenues	46.175	44.584	41.534	48.169
Debt Service (1)	22.102	22.102	22.036	21.464
<b>Debt Service Ratio</b>	<b>2.09</b>	<b>2.02</b>	<b>1.89</b>	<b>2.24</b>
<b>Internal (1.0) Debt Service Ratio(2)</b>	<b>1.41</b>	<b>1.47</b>	<b>1.43</b>	<b>1.37</b>



*2020-2024*

# **Financial Plan & Cash Flow Projections**



# 2020-2024 Five-Year Financial Plan and Cash Flow Projections (in millions of dollars)

Total District	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Total Debt Proceeds	\$ 60.0	-	-	-	-
Total Revenues	103.9	95.4	90.7	93.5	96.5
Total Maintenance and Operation Costs	54.6	56.6	58.4	60.1	61.9
Net Revenues	49.3	38.8	32.3	33.4	34.6
Pre-existing State Obligations	1.1	1.1	1.1	1.1	0.9
Net Revenues Available After Pre-existing Obligations	48.2	37.7	31.2	32.3	33.7
Senior Debt Service	21.5	19.6	15.0	15.0	15.0
Cash Available from Current Year Activities for Capital Projects or Other Improvements	86.7	18.1	16.2	17.3	18.7
Cash Balance - January 1	99.5	132.8	107.6	94.8	82.1
Total Cash Available for Capital Projects or Debt Pre-payment	186.2	150.9	123.8	112.1	100.8
Total CIP	(47.4)	(37.3)	(23.0)	(24.0)	(35.7)
Debt Reserve Paydown on New Debt	-	-	-	-	-
Pre-funding Debt	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Other Receipts-Insurance, FEMA and OES	-	-	-	-	-
Cash Balance - December 31	\$ 132.8	107.6	94.8	82.1	59.1
Senior Debt Service Coverage (1.25x test)	2.24	1.92	2.08	2.15	2.25
Internal Senior Debt Coverage					
Total FCCs in Revenue Above	18.8	10.0	5.0	5.0	5.0
\$\$\$ of FCCs Removed from Calculation	18.8	10.0	5.0	5.0	5.0
Internal Senior Debt Coverage (1.0x test)	1.37	1.41	1.75	1.82	1.91

# 2020-2024 Five-Year Financial Plan and Cash Flow Projections (in millions of dollars) (continued)

Water Utility Only	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Total Debt Proceeds	60.0	-	-	-	-
Total Revenues	65.7	61.9	59.0	61.2	63.5
Total Maintenance and Operation Costs	35.7	37.0	37.9	39.1	40.2
Net Revenues	30.0	24.9	21.0	22.1	23.3
Pre-existing State Obligations	1.1	1.1	1.1	1.1	0.9
Net Revenues Available After Pre-existing Obligations	28.9	23.8	20.0	21.0	22.4
Senior Debt Service	13.4	13.5	10.8	10.9	10.9
Cash Available from Current Year Activities for Capital Projects or Other Improvements	75.5	10.3	9.1	10.1	11.5
Cash Balance - January 1	60.4	93.3	68.9	57.8	45.6
Total Cash Available for Capital Projects or Debt Pre-payment	136.0	103.6	78.0	67.9	57.1
Total CIP	(39.5)	(31.5)	(17.1)	(19.2)	(28.1)
Debt Reserve Paydown on New Debt Pre-funding Debt	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Other Receipts-Insurance, FEMA and OES	-	-	-	-	-
Cash Balance - December 31	93.3	68.9	57.8	45.6	25.9
Senior Debt Service Coverage (1.25x test)	2.16	1.76	1.84	1.93	2.06
Internal Senior Debt Coverage					
Total FCCs in Revenue Above	10.57	5.90	2.95	2.95	2.95
\$\$\$ of FCCs Removed from Calculation	10.57	5.90	2.95	2.95	2.95
Internal Senior Debt Coverage (1.0x test)	1.37	1.33	1.57	1.66	1.79

# 2020-2024 Five-Year Financial Plan and Cash Flow Projections (in millions of dollars) (continued)

Wastewater Utility Only	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Total Debt Proceeds	-	-	-	-	-
Total Revenues	38.1	33.6	31.7	32.4	33.0
Total Maintenance and Operation Costs	18.9	19.7	20.4	21.1	21.7
Net Revenues	19.2	13.9	11.3	11.3	11.3
Pre-existing State Obligations	-	-	-	-	-
Net Revenues Available After Pre-existing Obligations	19.2	13.9	11.3	11.3	11.3
Senior Debt Service	8.1	6.0	4.1	4.1	4.1
Cash Available from Current Year Activities for Capital Projects or Other Improvements	11.2	7.9	7.2	7.2	7.2
Cash Balance - January 1	39.0	39.4	38.7	37.0	36.5
Total Cash Available for Capital Projects or Debt Pre-payment	50.2	47.3	45.8	44.2	43.7
Total CIP	(7.9)	(5.8)	(5.9)	(4.8)	(7.7)
Debt Reserve Paydown on New Debt Pre-funding Debt	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)
Other Receipts-Insurance, FEMA and OES	-	-	-	-	-
Cash Balance - December 31	39.4	38.7	37.0	36.5	33.2
Senior Debt Service Coverage (1.25x test)	2.38	2.30	2.73	2.73	2.74
Internal Senior Debt Coverage					
Total FCCs in Revenue Above	8.20	4.10	2.05	2.05	2.05
\$\$\$ of FCCs Removed from Calculation	8.20	4.10	2.05	2.05	2.05
Internal Senior Debt Coverage (1.0x test)	1.37	1.62	2.23	2.24	2.24

# Board Decision/Options

- Option 1:
  - Adopt the El Dorado Irrigation District 2019-2020 Mid-cycle Operating Budget and 2020-2024 Financial Plan, including the implementation of previously approved 3% rate increases for 2020 for water and recycled water, with 0% increase for wastewater for 2020.
- Option 2:
  - Take other action as directed.
- Option 3:
  - Take no action.



# Staff and General Manager's Recommendation

Option 1

# Discussion / Questions

