



2015-2016 Operating Budget and 2015-2019 Financial Plan

The El Dorado Irrigation District Board of Directors adopted the District's current operating budget during the December 8, 2014, regularly scheduled Board meeting, also included and adopted is the 2015-2019 Financial Plan.

The Board adopted the budget and plan as recommended in Option 3 in the Agenda Item Summary (AIS).

EL DORADO IRRIGATION DISTRICT

Subject: Consideration of the 2015-2016 Operating Budgets and the 2015-2019 Financial Plan

Board Action:

March 20, 2000:	The Board adopted a multi-year operating budget process.
November 13, 2012:	The Board adopted the 2013-2014 operating budget.
October 28, 2013:	The Board adopted the 2014 mid-cycle operating budget.
November 10, 2014:	The Board held a workshop on the 2015-2016 operating budget.
November 10, 2014:	The Board held a workshop on the 2015-2019 financial plan.

Board Policy and Administrative Regulations:

BP 3010: It is the responsibility of the General Manager to inform the Board about financial operations of the District so the Board can make informed decisions and fully discharge its legal responsibilities in a fiscally sound manner. The Board shall adopt a two-year operating budget and may modify it prior to the end of the year.

AR 3011: It is the responsibility of the General Manager to develop the budget based on the priorities and needs of the District and its customers. The budget and any budget modification shall:

1. Include, but not be limited to, operating expenses, debt, construction, and reserve funds;
2. Meet all legal requirements;
3. Support the District's mission;
4. Maintain prudent levels of reserves in water, wastewater, hydroelectric, and recreation to fund contingencies that meet the District's debt service requirements;
5. Allow the District to meet its financial obligations, including bond covenants;
6. Be consistent with a financial plan that guides the District in satisfying its multi-year commitments; and
7. Encourage public participation through required disclosures and public hearings.

Responsibility for overseeing the budget development process is assigned to the Director of Finance. Once the annual budget is prepared, the Board shall act on it.

AR 3012: The purpose of the 5-Year Financial Plan is to establish the cost of funding the operations and maintenance, capital expenditures, and debt expenses required to meet the Districts' mission of providing high quality water, wastewater treatment, recycled water, hydro-power, and recreational services in an environmentally and fiscally responsible manner, meeting the District's debt covenant requirements to its bond holders and matching future revenues to those costs.

Summary of Issues-Budget:

January 1, 2015 starts the beginning of the District’s two-year operating budget cycle. In accordance with Board Policy 3010, the Board adopts a two-year budget and conducts a mid-cycle review to determine any changes that may be needed in the second year of the cycle. At the beginning of this two-year cycle, the economy within the District’s service area appears to be slowly recovering.

Projected 2015 revenues within the original budget proposal presented in November 2014 were about \$0.8 million higher than the 2014 adopted budget. Rate increases in that budget of 5% for each utility would add about \$1.7 million in rate revenue. Later in this agenda item five different revenue scenarios are presented in a financial forecast reflecting projected cash flow to fund the CIP and bond coverage outcomes. More detailed forecasts for each scenario by total district, water utility and wastewater utility are attached to this agenda item and reflect the beginning cash reserves, financing proceeds (if any), the revenue for that forecast, operating expenses, debt payments, cash provided from operations after servicing the debt, CIP expenditures and finally the projected end-of-year cash balance.

Facility Capacity Charge (FCC) revenues for four of the revenue scenarios are projected at \$5 million per year in their respective 2015-2019 forecasts. These amounts represent an increase of \$2 million over the adopted 2014 budget, reflecting staff’s tempered optimism concerning the extent of the building recovery. Scenario 5 projects \$9 million in FCC revenues for each year 2015-2019 which assumes approximately 300 FCC sales per year.

As a reminder, water and wastewater FCCs are comprised of a few components when combined create the FCC charge for either utility. The water FCC has three components differing if potable or dual-plumbed:

	Potable		Dual-Plumbed	
Water utility:				
Buy-in	\$3,208	18.25%	\$3,598	22.65%
Water supply	3,187	18.13	1,275	11.12
Future CIP	<u>11,183</u>	<u>63.62</u>	<u>7,598</u>	<u>66.23</u>
	\$17,578	100.00%	\$11,471	100.00%
Wastewater utility:				
Buy-in	\$6,020	46.80%	\$6,020	46.80%
Future CIP	<u>6,842</u>	<u>53.20</u>	<u>6,842</u>	<u>53.20</u>
	\$12,862	100.00%	\$12,862	100.00%

Property tax revenues appeared to have stabilized and are on the increase within El Dorado County as reflected in the 2015 projection for the 1% property tax revenue of just under \$10 million. Going forward a modest 2% growth will be applied to property tax revenues in the financial forecasts 2016-2019.

In preparing for the 2015 operating budget, staff was given the direction to develop their program budgets using a 2% or less inflation rate over the current, adopted 2014 operating budget. The 2% inflation rate was also used in the projections for the 2010-2011 Cost of Service Study and in the recent 2014A bond refinancing. At \$44.374 million, the 2015 budget proposal reflects a 3.3% increase over the \$42.975 million 2014 adopted budget for operating expenses before the letter of credit fee (LOC) which backs the District’s variable rate debt obligations (VRDO).

The successful renewal of the LOC with Citibank reduced the annual LOC fee by about \$220,000. Therefore the net change in the proposed operating budget for 2015 is an increase of 2.7% over the 2014 adopted operating budget. Staff is also proposing, as part of this budget, the elimination of five and one-half vacant positions. Including these eliminated 5.5 positions for 2015 there have been 90 positions eliminated since January 1, 2008, a 29.4% reduction in staffing. The proposed 2.7% increase in the 2015 operating budget is a testament to staff's continued commitment to cost-containment.

The District also continues to benefit from the weak financial market as presented at the November 2014 Board workshop. Throughout 2014, the rate on the District's VRDO debt, which reset weekly, stayed below 0.25%. For 2015 and 2016, the budgeted rate for this debt will be estimated, on an annual basis, at 3.0%.

Staff developed the proposed 2015 operating budget using the revenue forecast from the Cost of Service Study, adjusted for known differences, and using the Cost of Service expenditure budgets with the revised 2015 operating budget targets. The proposed 2016 operating budget is essentially a 2% increase over the 2015 proposal.

Summary of Issues-Financial Plan:

The Board annually adopts an ongoing five-year capital improvement plan (CIP) for the District. Additionally the District prepares a two-year budget which, in the off years, is adjusted and reapproved to meet changes in the District's financial situation for the upcoming year. A long-term financing 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.

The goals and objectives of a financial plan are to:

- Establish necessary operating and maintenance costs, debt expenses and funding available for pay-as-you-go projects.
- Generate revenues able 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, A+; Moody's, A1).
- 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 large monetary, 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 facility capacity charge (FCC) revenue added in.
- Maintain a 1.25x to 1.50x debt coverage ratio when FCC revenue is excluded, with a minimum acceptable ratio of 1.0x.

Staff Analysis/Evaluation:

In anticipation of each two-year budget cycle and mid-cycle review, staff prepares projected operating revenues and expenditures for Board consideration. The Finance Department estimates items based on relevant economic factors such as interest rates, investments, and market trends. At the beginning of the budget review, Finance staff provides department heads and division managers with actual operating costs for the past two years through the most recent month of the current year, along with projections to the current year's end. Based on past and current expenditures, operational commitments for the coming year, workload indicators, and budget goals, staff developed the proposed operating budget for the upcoming year and presented it at the November 10, 2014 meeting.

During the budget and financial plan workshop discussions on that day, several Board members requested different revenue forecasts using various rate and Facility Capacity Charge (FCCs) projections. Those forecasts will be shown later within this summary as well as how those forecasts fit within the financial plan's goals and objectives as stated in Administrative Regulation 3012.

During the budget discussion in November, Board members also requested that two expense items be altered within the proposal. The first item is to restore the medical reimbursement benefit the Board and senior management receive to \$5,000 annually per individual. The net increase to the operating budget would be \$30,000. The second item was a request to eliminate the election expense of \$60,000 to recognize the anticipated election-cost savings from a pending proposal to move to an even-year Board election. Upon review of the procedures surrounding this proposal, it was determined that the District would incur a one-time expense in 2015 of about \$30,000 to inform each of the registered voters in the District, by mail, of the change. Therefore, the expense was reduced to \$30,000 but not eliminated.

With the two change requests netting to zero, no change was needed to the total operating budget originally presented.

Analysis of Revenue Projections for Fiscal Year 2015:

Table 1 reflects five different revenue projections for 2015. Appendices 1-5 attached will show each scenario's projected outcome for fiscal years 2015-2019 district-wide and individually for the water and wastewater utilities. Appendix 6 shows how each scenario would affect the bi-monthly bills of residential users in 2015 and 2016. The rate and FCC differences in the scenarios are listed below, followed by an explanation of the items not changing between scenarios:

- Scenario 1- 1. Rate increase of 5% in each utility for each year, 2015-2019
2. FCC revenue of \$5 million in each year, 2015-2019

- Scenario 2- 1. Rate increase of 3% in each utility for each year, 2015-2019
2. FCC revenue of \$5 million in each year, 2015-2019

- Scenario 3- 1. Rate increases for water and recycled water of 0%, 5%, 5%, 4%, and 3% for 2015-2019
2. Rate increases for wastewater of 0%, 0%, 5%, 4%, and 3% for 2015-2019
3. FCC revenue of \$5 million in each year, 2015-2019

- Scenario 4- 1. Rate increase of 0% in each utility for 2015 and 2% each year, 2016-2019
2. FCC revenue of \$5 million in each year, 2015-2019

- Scenario 5- 1. Rate increase of 0% in each utility for 2015 and 2% each year, 2016-2019
 2. FCC revenue of \$9 million in each year, 2015-2019

For modeling purposes one-half of the FCCs collected is set aside for the projected future CIP projects and included in the yearend Restricted-Growth CIP cash balance therefore it is not included in the Unrestricted/Unreserved cash available for pay-as-you-go projects.

Projected property tax revenues in 2015 reflect a continuation of the increase realized in 2014 of about \$600,000 and then inflated by 2% annually thereafter. Hydroelectric power revenues for 2015 are anticipated to be \$5 million reflective of the loss of power during the months of January and February 2015 related to the Esmeralda Tunnel partial collapse and the anticipation of resuming normal operations on March 1, 2015. For 2016-2019, power revenues are expected to return to the \$6-\$10 million range and are included at \$8 million.

The scenario projections discussed above for 2015 are shown in Table 1 below:

Table 1: Various Revenue Projections for 2015 (in millions)

(Complete 2015-2019 forecasts are attached as Attachments 1-5 and are broken down by total district, water utility and wastewater utility)

	Scenario 1 (1)(2)(3)	Scenario 2 (2)(3)(4)	Scenario 3 (2)(3)(5)	Scenario 4 (2)(3)(5)	Scenario 5 (3)(5)(6)
Water Sales and Services	\$ 29.287	\$ 28.730	\$ 27.892	\$ 27.892	\$ 27.892
Wastewater Sales and Services	20.617	20.224	19.635	19.635	19.635
Recycled Water Sales	1.638	1.607	1.560	1.560	1.560
Hydropower Sales	5.000	5.000	5.000	5.000	5.000
Investment Income	0.550	0.550	0.550	0.550	0.550
FCCs	5.000	5.000	5.000	5.000	9.000
Debt Surcharges	1.979	1.979	1.979	1.979	1.979
Property Tax	9.955	9.955	9.955	9.955	9.955
Other Income	2.006	2.006	2.006	2.006	2.006
Recreation	1.102	1.102	1.102	1.102	1.102
Total Revenues	\$ 77.134	\$ 76.153	\$ 74.679	\$ 74.679	\$ 78.679

- (1) 5% rate increase previously authorized for water, wastewater and recycled water
 (2) FCC revenue \$5 million
 (3) Hydroelectric revenue \$5 million for 2015 related to Esmeralda Tunnel
 (4) 3% rate increases for water, wastewater and recycled water
 (5) 0% rate increases for water, wastewater and recycled water in 2015
 (6) FCC revenue \$9 million

Analysis of 2015 and 2016 Budget and Expense Projections:

Table 2 shows the 2015-2016 proposed budgets by departments as was discussed in the Budget Workshop on November 8, 2014. The proposed 2015 operating budget is forecasted to increase 3.3% over the 2014 adopted budget, before the effect of the LOC renewal, and 2.7% including the effects of that renewal. The 2016 budget is inflated by 2% over the 2015 budget as was reflected in the financial plan within the cost of service study and the recent 2014A bond refinancing. The proposed 2015 budget absorbs another 5.5 full-time equivalent (FTE) positions, bringing the District's staff down to 216 budgeted full-time positions.

Table 2: 2015-2016 Proposed Budgets by Department (in millions)

Departments	2015 Proposed Budget	2016 Proposed Budget
Office of the General Manager	\$ 3.091	\$ 3.166
Communications / Community Relations	0.421	0.427
Finance	7.000	7.135
Human Resources	1.973	2.013
Information Technology	2.084	2.124
Engineering		
-Engineering Administration	0.365	0.369
-Records Management	0.000	0.000
-Water / Hydro Engineering	0.182	0.185
-Wastewater / Recycled Engineering	0.277	0.283
-Drafting/GIS Services	0.383	0.391
-Construction Inspection	0.186	0.190
-Environmental Compliance	1.265	1.290
Operations		
-Administration	0.525	0.531
-Water Operations	10.961	11.183
-Wastewater Operations	10.475	10.685
-Recycled Water Operations	0.519	0.530
-Hydroelectric Operations	3.354	3.421
-Recreation Operations	1.313	1.339
Subtotal	44.374	45.262
Letter of Credit Fee	1.108	1.108
Total Expenses	\$ 45.482	\$ 46.370

Table 3 identifies budget expense by type. The proposed 2015 budget projects slightly lower wage and slightly higher benefit expenses compared to the 2014 budget. Salary expense shown in Table 3 below is comprised of budgeted wages and overtime. There is a slight decrease in budgeted salaries from 2014 to 2015, representing the absorption of the additional 5.5 FTE positions, which combined

with prior year staff reductions, is an almost 30% reduction in staffing levels since January 1, 2008. Budgeted 2015 salaries are comprised of the following:

2014 Budgeted Wages	\$17.332
2014 Budgeted Overtime	<u>.461</u>
2014 Budgeted salaries	\$17.793
2015 Absorbed 5.5 FTEs in Proposed Budget	(.512)
2015 Estimated Benefit of New Hires in Lower Classifications	(.066)
2015 Merit Increases (estimated impact two months)	.027
2015 Cost of Living Increase (estimated impact at 2%)	.300
2015 Budgeted Overtime Increase over 2014	<u>.152</u>
2015 Budgeted Salaries (Table 3)	\$17.694

Table 3 shows the proposed 2015 and 2016 budgets by major expense category.

Table 3: 2015-2016 Proposed Budgets by Expense Type (in millions)

	2015 Proposed Budget	2016 Proposed Budget
Salaries	\$ 17.694	\$ 18.048
Benefits (Table 4)	11.186	11.410
Total Salaries and Benefits	28.880	29.458
Materials and Services		
-Operating Supplies	3.326	3.393
-Chemicals	1.050	1.071
-Administration	3.099	3.161
-Utilities	4.224	4.308
-Professional Services	3.347	3.414
-Repair Services	1.333	1.360
-Insurance	0.785	0.801
-Operating Capital Outlay	0.330	0.336
-Contingency	0.500	0.510
Total Materials and Services	17.994	18.354
Grants	0.000	0.000
CIP and Development Reimbursement Labor Offsets	(2.500)	(2.550)
Subtotal All	44.374	45.262
Letter of Credit Fee	1.108	1.108
Total Expenses	\$ 45.482	\$ 46.370

Table 4 details the breakdown of employee benefits by type. Overall, the 2015 proposed budget for benefits is projected to be 1.4% higher than the 2014 budget, or about \$182,000. This increase is almost entirely attributable to the pension (PERS) increases assessed to the District. The PERS rate, blended for the 2015 calendar year, is projected to be 1.13% higher than the 2014 budget year.

Table 4: Proposed 2015-2016 Benefits Budgets (in millions)

Type	2015 Proposed Budget	2016 Proposed Budget
Medical	\$ 3.426	\$ 3.495
Retiree Health	1.010	1.030
Dental	0.297	0.303
Vision	0.038	0.039
EAP	0.006	0.006
Life	0.043	0.044
Workers' Compensation	0.384	0.392
FICA	1.307	1.333
PERS	4.545	4.636
Medical Reimbursement	0.060	0.061
Vehicle Allowance	0.036	0.037
Other Employee Costs	0.034	0.034
Total Benefits	\$ 11.186	\$ 11.410

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 the ratio of revenues to operating expenditures, including debt payments, is at least 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 ratio of 1.25.

Because of the February 2014 debt refinancing described earlier in this report, the District's annual debt service has been reduced, which improved the realized and projected debt service coverage ratios. Annual debt service was reduced by approximately \$1.2 million, with an overall net present value savings to the District of \$17.2 million.

Comments from the two bond rating agencies concerning the refinancing and future District finances contained some cautions for the District. Both agencies referred to the solid financial plan in place at the time of the bond issue. They both cautioned they could lower the District's excellent bond rating if the coverage projections in that financial plan were materially lower, the District has a significant decrease in cash reserves, and the District has increased its reliance on connection fees or other volatile revenue sources for operations or debt service.

The District's recent weekly interest rates for the VRDO debt, have continued to range below 0.25% for the year. This expense is conservatively budgeted for 2015 and 2016 at 3%. Table 5 shows the revised projected debt service coverages for 2015 for the various rate scenarios listed before.

Table 5: Coverage Projections for 2015 using revenue scenarios 1-5 (in millions)

	Scenario 1 2015 Projected Results (1)(2)(3)	Scenario 2 2015 Projected Results (2)(3)(4)	Scenario 3 2015 Projected Results (2)(3)(5)	Scenario 4 2015 Projected Results (2)(3)(5)	Scenario 5 2015 Projected Results (3)(5)(6)
Estimated Revenues	\$ 77.134	\$ 76.153	\$ 74.680	\$ 74.680	\$ 78.680
Proposed Operating Expenses	(45.482)	(45.482)	(45.482)	(45.482)	(45.482)
Net Revenues	\$ 31.652	\$ 30.671	\$ 29.198	\$ 29.198	\$ 33.198
State Loans (preexisting)	1.079	1.079	1.079	1.079	1.079
Available Net Revenues	30.573	29.592	28.119	28.119	32.119
Debt Service ⁽⁷⁾	17.718	17.718	17.718	17.718	17.718
Debt Service Ratio	1.73	1.67	1.59	1.59	1.81
Internal (1.0) Debt Service Ratio ⁽⁸⁾	1.44	1.39	1.31	1.31	1.31

⁽¹⁾ 5% rate increase previously authorized for water, wastewater and recycled water

⁽²⁾ FCC revenue \$5 million

⁽³⁾ Hydroelectric revenue \$5 million for 2015 related to Esmeralda Tunnel

⁽⁴⁾ 3% rate increases for water, wastewater and recycled water

⁽⁵⁾ 0% rate increases for water, wastewater and recycled water

⁽⁶⁾ FCC revenue \$9 million

⁽⁷⁾ Proposed budgets for 2015 and 2016 assume prepayment of the following year's maturing debt of \$3 million in each year. The District's prepayment in 2014 will reduce the debt service in 2015 by \$3 million.

⁽⁸⁾ Internal 1.0 test is based upon available net revenues, excluding FCCs, being equal to or greater than, the debt service in a given year. Being equal to would be $(\text{available net revenues} - \text{FCCs}) / (\text{debt service}) = 1.00$.

Table 6 reflects projected debt service coverage for 2016 for the various rate scenarios listed before.

Table 6: Coverage Projections for 2016 using revenue scenarios 1-5 (in millions)

	Scenario 1 2016 Projected Results (1)(2)(3)	Scenario 2 2016 Projected Results (2)(3)(4)	Scenario 3 2016 Projected Results (2)(3)(5)	Scenario 4 2016 Projected Results (2)(3)(6)	Scenario 5 2016 Projected Results (3)(6)(7)
Estimated Revenues	\$ 83.133	\$ 81.091	\$ 79.574	\$ 79.083	\$ 83.083
Proposed Operating Expenses	(46.370)	(46.370)	(46.370)	(46.370)	(46.370)
Net Revenues	\$ 36.763	\$ 34.721	\$ 33.204	\$ 32.713	\$ 36.713
State Loans (preexisting)	1.079	1.079	1.079	1.079	1.079
Available Net Revenues	35.684	33.642	32.125	31.634	35.634
Debt Service ⁽⁸⁾	18.765	18.765	18.765	18.765	18.765
Debt Service Ratio	1.90	1.79	1.71	1.69	1.90
Internal (1.0) Debt Service Ratio ⁽⁹⁾	1.64	1.53	1.45	1.42	1.42

(1) 5% rate increase previously authorized for water, wastewater and recycled water

(2) FCC revenue \$5 million

(3) Hydroelectric revenue \$8 million

(4) 3% rate increases for water, wastewater and recycled water

(5) 5% rate increases for water and recycled water and 0% for wastewater

(6) 2% rate increases for water, wastewater and recycled water

(7) FCC revenue \$9 million

(8) Proposed budgets for 2015 and 2016 assume the prepayment on the following year's maturing debt of \$3 million in each year.

(9) Internal 1.0 test is based upon available net revenues, excluding FCCs, being equal to, or greater than, the debt service in a given year. Being equal to would be $(\text{available net revenues} - \text{FCCs}) / (\text{debt service}) = 1.00$.

Table 7 reflects projected debt service coverage for 2017 for the various rate scenarios listed before.

Table 7: Coverage Projections for 2017 using revenue scenarios 1-5 (in millions)

	Scenario 1 2017 Projected Results (1)(2)(3)	Scenario 2 2017 Projected Results (2)(3)(4)	Scenario 3 2017 Projected Results (2)(3)(5)	Scenario 4 2017 Projected Results (2)(3)(6)	Scenario 5 2017 Projected Results (3)(6)(7)
Estimated Revenues	\$ 86.064	\$ 82.879	\$ 82.327	\$ 80.310	\$ 84.310
Forecasted Operating Expenses	(47.275)	(47.275)	(47.275)	(47.275)	(47.275)
Net Revenues	\$ 38.789	\$ 35.604	\$ 35.052	\$ 33.035	\$ 37.035
State Loans (preexisting)	1.079	1.079	1.079	1.079	1.079
Available Net Revenues	37.710	34.525	33.973	31.956	35.956
Debt Service ⁽⁸⁾	27.341	27.341	27.341	27.341	27.341
Debt Service Ratio	1.38	1.26	1.24	1.17	1.32
Internal (1.0) Debt Service Ratio ⁽⁹⁾	1.20	1.08	1.06	0.99	0.99

(1) 5% rate increase previously authorized for water, wastewater and recycled water

(2) FCC revenue \$5 million

(3) Hydroelectric revenue \$8 million

(4) 3% rate increases for water, wastewater and recycled water

(5) 5% rate increases for water, wastewater and recycled water

(6) 2% rate increases for water, wastewater and recycled water

(7) FCC revenue \$9 million

(8) Financial forecast for 2017 assumes the prepayment on the following year's maturing debt of \$3 million

(9) Internal 1.0 test is based upon available net revenues, excluding FCCs, being equal to, or greater than, the debt service in a given year. Being equal to would be $(\text{available net revenues} - \text{FCCs}) / (\text{debt service}) = 1.00$.

As a minimum requirement the bond covenants to the District's bondholders require the District to meet the 1.25x coverage test. 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 the Board imposed an internal requirement that the District's debt service ratio, excluding FCCs, be at least 1.0. 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 FCC revenue or other potentially volatile forms of revenue as cautioned by Standard & Poor's and Moody's Investor Services in the recent comments to the District's 2014 bond refinancing.

In 2015 and 2016 all scenarios meet the 1.25x test. In 2017 both scenarios 3 and 4 fail to meet it. Both scenarios 4 and 5 also do not meet the internal 1.0x test in 2017, while all scenarios meet it for 2015 and 2016. The only difference between scenario 5 and scenario 4 is the higher FCC revenue assumption in scenario 5. As reflected in Table 8, past reliance on FCC revenues masked the District's lack of rate or other non-rate revenues. When the economic downturn in 2008 devastated FCC revenues, the District did not meet its 1.25x coverage requirement. The District was not performing the internal 1.0x test then; had it been, the test would have been met only in 2006. This

over-reliance on FCCs required multi-year double digit rate increases, significant employee layoffs, and a restructuring of the debt to enable the District to meet its ongoing bondholder obligations. The 1.0x test must be always met to avoid repeating the over-reliance on the FCC revenue that occurred from 2003 to 2009.

Table 8: Debt Service Coverage FY2003-2013 (in millions)

Fiscal Year	Net Revenues	Debt Service	Coverage	FCCs	Coverage if FCCs Excluded
2003	\$13.044	\$7.414	1.76	\$12.775	0.04
2004	10.312	11.435	0.90	9.835	0.04
2005	18.578	11.624	1.60	15.884	0.23
2006	36.284	15.561	2.33	11.470	1.59
2007	27.349	15.276	1.79	15.237	0.79
2008	25.919	17.792	1.46	11.453	0.81
2009	12.125	14.755	0.82	1.099	0.75
2010	22.224	16.133	1.40	0.577	1.37
2011	32.888	19.865	1.69	2.773	1.55
2012	27.681	17.777	1.59	2.301	1.46
2013	35.886	16.406	2.27	5.453	1.92

Conclusion:

The 2015-2016 operating budget and the 2015-2019 financial plan present a number of challenging financial issues because of ongoing national, state, and local economic conditions, as well as the local drought situation. Staff approached both processes with the two overriding priorities staff always has: maintaining a reliable level of service to customers that protects public health, safety, and the environment; and demonstrating fiscal responsibility. Staff believes both of these objectives will be achieved under the proposed 2015-2016 Operating Budgets and the staff-recommended scenario for the 2015-2019 Financial Plan. Staff also believes that if the projected revenues are met and the operating budgets are not significantly exceeded because of unforeseen circumstances, there will be enough net revenue in 2015-2019 to meet the 1.25 coverage requirements in the District's bond covenants and enough revenue, excluding FCCs, to meet our internal 1.0 test.

Staff recommends Scenario 1 for the following reasons:

1. It limits future rate increases to 5% or less, thereby avoiding rate shock;
2. It generates cash flow each year in the \$10-\$14 million range to fund annual pay-as-you-go construction projects and allowing debt financing to be used judiciously for specific large, long-lived capital projects (see APPENDIX 1, end of year Unrestricted/Unreserved cash balance);
3. It meets the required coverage tests for our bond holders (1.25x) and the internal coverage test (1.0);
4. It creates annual coverage requirements closer to 1.70x-2.00x with FCCs and 1.30x-1.50x without FCCs, in accordance with the AR3012 goals and objectives; and
5. It creates overall end-of-year cash reserves near the high end required under AR3012 without over-reliance on FCCs.

Staff does not recommend Scenarios 4 and 5 for the following reasons:

1. Neither scenario meets any of the 1.0x coverage tests in 2017, nor the District-wide and wastewater 1.0x coverage tests in 2018.
2. Scenario 4 does not meet the District-wide and water 1.25x coverage tests in 2017, 2018, and 2019, nor the wastewater 1.25x coverage test in 2017 and 2018.
3. Scenario 5 relies on increased FCC revenue forecasts to meet the 1.25x coverage tests,
4. Scenario 4 does not generate sufficient revenue from rates to fund the Board-approved CIP (see APPENDIX 4, 2019 end of year Unrestricted/Unreserved cash balance),
5. Scenario 5 does generate revenue to fund the Board-approved CIP but relies on FCC revenues to do so (see APPENDIX 5, 2019 end of year Unrestricted/Unreserved cash and Restricted-Growth CIP (FCCs) cash balances). With over 60% of the water FCC and 50% of the wastewater FCC comprised of a future growth component, staff believes that the Board should not rely on 100% of the FCC charges to fund the CIP and pay-as-you-go projects. At a minimum the excess FCCs related to capacity expansion should be set aside for the projected future CIP projects.

Board Decision/Options:

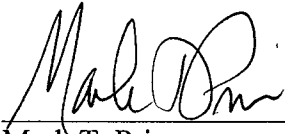
- Option 1: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 5% annual rate increases (Scenario 1).
- Option 2: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 3% annual rate increases (Scenario 2).
- Option 3: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 0, 5, 5, 4, 3% annual rate increases for the water and recycled water utilities and 0, 0, 5, 4, 3% annual rate increase for the wastewater utility (Scenario 3).
- Option 4: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using a 0% rate increase in 2015 and 2% annual rate increases for 2016-2019 (Scenario 4).
- Option 5: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using a 0% rate increase in 2015, 2% annual rate increases for 2016-2019 and using \$9 million projected FCCs (Scenario 5).
- Option 6: Take other action as recommended by the Board.
- Option 7: Take no action.

Staff/General Manager Recommendation:

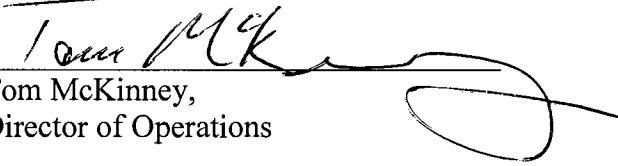
- Option 1: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 5% annual rate increases (Scenario 1).

Supporting Documents Attached:

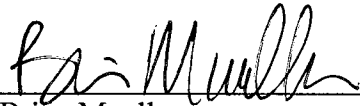
- Appendix 1: AR 3012, page 16
Appendix 2: Scenario 1 2015-2019 forecast, pages 17-20
Appendix 3: Scenario 2 2015-2019 forecast, pages 21-24
Appendix 4: Scenario 3 2015-2019 forecast, pages 25-28
Appendix 5: Scenario 4 2015-2019 forecast, pages 29-32
Appendix 6: Scenario 5 2015-2019 forecast, pages 33-36
Appendix 7: Bi-monthly bill comparisons by scenario and billing combinations, pages 37-38
2015-2016 Operating Budget/2015-2019 Financial Plan
December 8, 2014



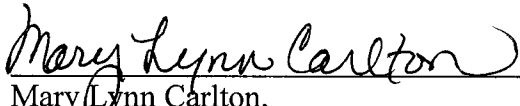
Mark T. Price,
Director of Finance



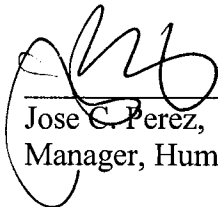
Tom McKinney,
Director of Operations



Brian Mueller,
Director of Engineering



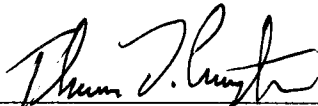
Mary Lynn Carlton,
Director of Communications/
Customer Services



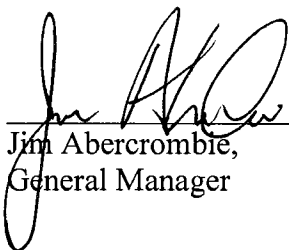
Jose C. Perez,
Manager, Human Resources



Tim Ranstrom,
Director of Information Technology



Thomas D. Cumpston,
General Counsel



Jim Abercrombie,
General Manager

Purpose of the 5-Year Financial Plan

- The 5-year financial plan establishes the cost of funding the operations and maintenance, capital expenditures, and debt expenses required to meet the Districts' mission of providing high quality, wastewater treatment, recycled water, hydro-power, and recreational services in an environmentally and fiscally responsible manner, meeting the District's debt covenant requirements to its bond holders and matching future revenues to those costs
- Long term financial planning
 - Avoids volatile rate adjustments
 - Better manages debt
 - Better manages prepayment of debt
 - Funds the Capital Improvement Plan
 - Provides a plan for meeting debt covenant requirements
 - Sets clear, public goals and expectations

Goals and Objectives of Financial Plan

- Establish necessary operating and maintenance costs, debt expenses, and pay-as-you-go project costs
- Generate adequate revenues to fund those costs, meet debt covenants and maintain adequate cash reserves
- Avoid "rate shock"
 - Small annual rate adjustments are better than years of zero rate increases followed by double digit increase to make up the shortfall
- Maintain strong credit ratings with rating agencies (S&P-A+ and Moody's-A1)
- Maintain cash reserves between \$60 million and \$80 million
- Maintain CIP funding levels to replace high priority capital assets prior to end of life, avoiding critical asset failures
- Maintain 1.7 to 2.0 debt coverage ratio with Facility Capacity Charges (FCC)
- Maintain 1.25 debt coverage ratio without FCC's
 - In all years, meet Finance Control test that annual operating revenue, excluding FCC's, must equal or exceed total annual operating expenses plus debt payments

Revenue Scenario 1

TOTAL DISTRICT

El Dorado Irrigation District 2015/16 Budget Forecast 2015-2019 forecast	W	5.0%	5.0%	5.0%	5.0%	5.0%
	WW	5.0%	5.0%	5.0%	5.0%	5.0%
	RW	5.0%	5.0%	5.0%	5.0%	5.0%
		Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Total Debt Proceeds		-	46.0	-	-	-
Total revenues		77.1	83.1	86.1	88.5	92.4
Total maintenance and operation costs		45.5	46.4	47.3	48.2	49.1
Net revenues		31.6	36.7	38.8	40.3	43.3
Pre-existing state obligations		1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations		30.5	35.6	37.7	39.2	42.2
Senior debt service		17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements		12.8	62.8	10.4	11.9	14.9
Cash balance - January 1	✓	71.1	65.1	99.5	81.0	77.5
Total Cash Available for Capital Projects or Debt PrePayment		83.9	127.9	109.9	92.9	92.4
total CIP		(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31		65.1	99.5	81.0	77.5	79.4
Senior debt service coverage (1.25x test)		1.72	1.89	1.38	1.44	1.55
Alternative senior debt coverage						
Total FCCs in revenue above		5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation		5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)		1.44	1.63	1.20	1.25	1.36
Breakdown of end of year cash balance						
Unrestricted/Unreserved		19.6	23.6	19.4	15.4	14.6
Restricted-debt reserves		13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)		7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds		-8.4	19.3	2.3	0.0	0.0
Reserved		12.9	43.1	28.6	28.8	31.3
Operating		11.4	11.6	11.8	12.1	12.3
Capital replacement reserves		16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves		3.4	3.4	3.4	3.4	3.4
Self insurance reserves		1.0	1.0	1.0	1.0	1.0
Total		65.1	99.5	81.0	77.5	79.4

Scenario 1 above meets the cash reserve targets of AR 3012 while almost meeting both debt service coverage goals for all years of between 1.70-2.00x with facility capacity charge revenues (FCCs) and 1.25-1.50x without FCCs. It provides the necessary revenues to also fund the annual pay-go projects (\$8-\$10 million) within the 2015-2019 CIP as well as servicing the potential debt financing planned in 2016 necessary for funding the large identified long-lived capital projects also in the plan. The scenario meets the goal of low, single-digit rate increases.

Revenue Scenario 1

WATER UTILITY only

El Dorado Irrigation District WATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	5.0%	5.0%	5.0%	5.0%	5.0%
	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	45.9	50.7	52.4	54.1	56.0
Total maintenance and operation costs	27.9	28.4	29.0	29.5	30.1
Net revenues	18.1	22.3	23.4	24.6	25.9
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	17.0	21.2	22.3	23.5	24.8
Senior debt service	10.2	11.3	16.8	16.7	16.7
Cash Available from Current Year Activities for Capital Projects or Other Improvements	6.8	55.9	5.6	6.8	8.0
Cash balance - January 1	48.4	43.5	75.0	56.6	52.8
Total Cash Available for Capital Projects or Debt PrePayment	55.2	99.4	80.6	63.4	60.9
total CIP	(10.1)	(22.8)	(22.4)	(9.0)	(8.3)
Pre funding debt	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Cash balance - December 31	43.5	75.0	56.6	52.8	51.0
Senior debt service coverage (1.25x test)	1.66	1.88	1.33	1.40	1.48
Alternative senior debt coverage					
Total FCCs in revenue above	2.39	2.39	2.39	2.39	2.39
\$\$\$ of FCCs removed from calculation	2.39	2.39	2.39	2.39	2.39
Potential senior debt coverage (1.0x test)	1.43	1.66	1.19	1.26	1.34

Revenue Scenario 1

WASTEWATER UTILITY only

El Dorado Irrigation District WASTEWATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	WW RW	5.0%	5.0%	5.0%	5.0%	5.0%
		Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds		-	-	-	-	-
Total revenues		31.2	32.5	33.7	34.4	36.4
Total maintenance and operation costs		17.6	18.0	18.3	18.7	19.0
Net revenues		13.6	14.5	15.4	15.7	17.3
Pre-existing state obligations		-	-	-	-	-
Net revenues available after pre existing obligations		13.6	14.5	15.4	15.7	17.3
Senior debt service		7.5	7.5	10.6	10.6	10.6
CIP expenditures		-	-	-	-	-
CIP - IT Master Plan		-	-	-	-	-
Cash Available from Current Year Activities for Capital Projects or Other Improvements		6.1	7.0	4.8	5.2	6.8
Cash balance - January 1		22.7	21.7	24.7	24.6	24.9
Total Cash Available for Capital Projects or Debt PrePayment		28.8	28.7	29.5	29.7	31.7
total CIP		(5.7)	(2.6)	(3.5)	(3.4)	(1.7)
Pre funding debt		(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Cash balance - December 31		21.7	24.7	24.6	24.9	28.6
Senior debt service coverage (1.25x test)		1.81	1.94	1.45	1.49	1.64
Alternative senior debt coverage						
Total FCCs in revenue above		2.61	2.61	2.61	2.61	2.61
\$\$\$ of FCCs removed from calculation		2.61	2.61	2.61	2.61	2.61
Potential senior debt coverage (1.0x test)		1.47	1.59	1.21	1.24	1.39

Revenue Scenario 2

TOTAL DISTRICT

El Dorado Irrigation District 2015/16 Budget Forecast 2015-2019 forecast	W	3.0%	3.0%	3.0%	3.0%	3.0%
	WW	3.0%	3.0%	3.0%	3.0%	3.0%
	RW	3.0%	3.0%	3.0%	3.0%	3.0%
		Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Total Debt Proceeds		-	46.0	-	-	-
Total revenues		76.2	81.1	82.9	84.1	86.6
Total maintenance and operation costs		45.5	46.4	47.3	48.2	49.1
Net revenues		30.7	34.7	35.6	35.9	37.5
Pre-existing state obligations		1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations		29.6	33.6	34.5	34.8	36.4
Senior debt service		17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements		11.9	60.8	7.2	7.5	9.1
Cash balance - January 1		71.1	64.2	96.6	74.9	67.0
Total Cash Available for Capital Projects or Debt PrePayment		83.0	125.0	103.8	82.4	76.1
total CIP		(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31		64.2	96.6	74.9	67.0	63.1
Senior debt service coverage (1.25x test)		1.67	1.79	1.26	1.27	1.33
Alternative senior debt coverage						
Total FCCs in revenue above		5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation		5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)		1.39	1.52	1.08	1.09	1.15
Breakdown of end of year cash balance						
Unrestricted/Unreserved		18.7	20.7	13.3	4.9	-1.7
Restricted-debt reserves		13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)		7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds		-8.4	19.3	2.3	0.0	0.0
Reserved		12.9	43.1	28.6	28.8	31.3
Operating		11.4	11.6	11.8	12.1	12.3
Capital replacement reserves		16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves		3.4	3.4	3.4	3.4	3.4
Self insurance reserves		1.0	1.0	1.0	1.0	1.0
Total		64.2	96.6	74.9	67.0	63.1

Scenario 2, above, meets the cash reserve targets of AR 3012 while missing both debt service coverage goals contained within the administrative regulation of between 1.70-2.00x with facility capacity charge revenues (FCCs) and 1.25-1.50x without FCCs, except in 2016. It also comes near to providing the necessary revenues to fund the annual pay-go projects (\$8-\$10 million) within the 2015-2019 CIP as well as servicing the potential debt financing planned in 2016 which is necessary for funding the large identified long-lived capital projects also in the plan. The scenario also depletes the Unrestricted/Unreserved cash balance by 2019 although it meets the goal of low, single-digit rate increases.

Revenue Scenario 2

WATER UTILITY only

El Dorado Irrigation District WATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	3.0%	3.0%	3.0%	3.0%	3.0%
	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	45.4	49.5	50.5	51.6	52.7
Total maintenance and operation costs	27.9	28.4	29.0	29.5	30.1
Net revenues	17.5	21.1	21.6	22.1	22.6
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	16.5	20.0	20.5	21.0	21.5
Senior debt service	10.2	11.3	16.8	16.7	16.7
Cash Available from Current Year Activities for Capital Projects or Other Improvements	6.2	54.7	3.8	4.3	4.8
Cash balance - January 1	48.4	42.9	73.3	53.1	46.8
Total Cash Available for Capital Projects or Debt PrePayment	54.6	97.7	77.1	57.4	51.6
total CIP	(10.1)	(22.8)	(22.4)	(9.0)	(8.3)
Pre funding debt	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Cash balance - December 31	42.9	73.3	53.1	46.8	41.7
Senior debt service coverage (1.25x test)	1.61	1.77	1.22	1.25	1.29
Alternative senior debt coverage					
Total FCCs in revenue above	2.39	2.39	2.39	2.39	2.39
\$\$\$ of FCCs removed from calculation	2.39	2.39	2.39	2.39	2.39
Potential senior debt coverage (1.0x test)	1.37	1.56	1.08	1.11	1.14

Revenue Scenario 2

WASTEWATER UTILITY only

El Dorado Irrigation District WASTEWATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	WW RW	3.0%	3.0%	3.0%	3.0%	3.0%
		Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds		-	-	-	-	-
Total revenues		30.8	31.6	32.3	32.5	33.9
Total maintenance and operation costs		17.6	18.0	18.3	18.7	19.0
Net revenues		13.1	13.6	14.0	13.8	14.9
Pre-existing state obligations		-	-	-	-	-
Net revenues available after pre existing obligations		13.1	13.6	14.0	13.8	14.9
Senior debt service		7.5	7.5	10.6	10.6	10.6
CIP expenditures		-	-	-	-	-
CIP - IT Master Plan		-	-	-	-	-
Cash Available from Current Year Activities for Capital Projects or Other Improvements		5.7	6.1	3.4	3.3	4.3
Cash balance - January 1		22.7	21.3	23.4	21.9	20.3
Total Cash Available for Capital Projects or Debt PrePayment		28.4	27.4	26.8	25.2	24.6
total CIP		(5.7)	(2.6)	(3.5)	(3.4)	(1.7)
Pre funding debt		(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Cash balance - December 31		21.3	23.4	21.9	20.3	21.5
Senior debt service coverage (1.25x test)		1.76	1.82	1.32	1.31	1.41
Alternative senior debt coverage						
Total FCCs in revenue above		2.61	2.61	2.61	2.61	2.61
\$\$\$ of FCCs removed from calculation		2.61	2.61	2.61	2.61	2.61
Potential senior debt coverage (1.0x test)		1.41	1.47	1.08	1.06	1.16

Revenue Scenario 3

TOTAL DISTRICT

El Dorado Irrigation District 2015/16 Budget Forecast 2015-2019 forecast	W	0.0%	5.0%	5.0%	4.0%	3.0%
	WW	0.0%	0.0%	5.0%	4.0%	3.0%
	RW	0.0%	5.0%	5.0%	4.0%	3.0%
		Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Total Debt Proceeds		-	46.0	-	-	-
Total revenues		74.7	79.6	82.3	84.1	86.6
Total maintenance and operation costs		45.5	46.4	47.3	48.2	49.1
Net revenues		29.2	33.2	35.0	35.9	37.5
Pre-existing state obligations		1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations		28.1	32.1	33.9	34.8	36.4
Senior debt service		17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements		10.4	59.3	6.6	7.5	9.1
Cash balance - January 1		71.1	62.7	93.6	71.3	63.4
Total Cash Available for Capital Projects or Debt PrePayment		81.5	122.0	100.2	78.8	72.5
total CIP		(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31		62.7	93.6	71.3	63.4	59.5
Senior debt service coverage (1.25x test)		1.59	1.71	1.24	1.27	1.33
Alternative senior debt coverage						
Total FCCs in revenue above		5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation		5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)		1.31	1.44	1.06	1.09	1.15
Breakdown of end of year cash balance						
Unrestricted/Unreserved		17.2	17.7	9.7	1.3	-5.3
Restricted-debt reserves		13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)		7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds		-8.4	19.3	2.3	0.0	0.0
Reserved		12.9	43.1	28.6	28.8	31.3
Operating		11.4	11.6	11.8	12.1	12.3
Capital replacement reserves		16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves		3.4	3.4	3.4	3.4	3.4
Self insurance reserves		1.0	1.0	1.0	1.0	1.0
Total		62.7	93.6	71.3	63.4	59.5

Scenario 3, above, meets the cash reserve targets of AR 3012 while missing both debt service coverage goals contained within the administrative regulation of between 1.70-2.00x with facility capacity charge revenues (FCCs) and 1.25-1.50x without FCCs, except in 2016. It provides the necessary revenues to fund the annual pay-go projects (\$8-\$10 million) within the 2015-2019 except for the years 2017 and 2018, while also providing the ability to service the potential debt financing (planned in 2016) necessary for funding the large identified long-lived capital projects also in the plan. The scenario also depletes the Unrestricted/Unreserved cash balance by 2019 although it meets the goal of low, single-digit rate increases.

Revenue Scenario 3

WATER UTILITY only

El Dorado Irrigation District WATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	0.0%	5.0%	5.0%	4.0%	3.0%
	<u>Projected 2015</u>	<u>Projected 2016</u>	<u>Projected 2017</u>	<u>Projected 2018</u>	<u>Projected 2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	44.6	49.2	50.8	52.2	53.3
Total maintenance and operation costs	27.9	28.4	29.0	29.5	30.1
Net revenues	16.7	20.8	21.9	22.7	23.2
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	15.6	19.7	20.8	21.6	22.1
Senior debt service	10.2	11.3	16.8	16.7	16.7
Cash Available from Current Year Activities for Capital Projects or Other Improvements	5.4	54.4	4.0	4.8	5.4
Cash balance - January 1	48.4	42.1	72.2	52.2	46.5
Total Cash Available for Capital Projects or Debt PrePayment	53.8	96.5	76.2	57.1	51.9
total CIP	(10.1)	(22.8)	(22.4)	(9.0)	(8.3)
Pre funding debt	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Cash balance - December 31	42.1	72.2	52.2	46.5	42.0
Senior debt service coverage (1.25x test)	1.52	1.75	1.24	1.29	1.32
Alternative senior debt coverage					
Total FCCs in revenue above	2.39	2.39	2.39	2.39	2.39
\$\$\$ of FCCs removed from calculation	2.39	2.39	2.39	2.39	2.39
Potential senior debt coverage (1.0x test)	1.29	1.53	1.10	1.15	1.18

Revenue Scenario 3

WASTEWATER UTILITY only

	WW RW	0.0%	0.0%	5.0%	4.0%	3.0%
		0.0%	5.0%	5.0%	4.0%	3.0%
		<u>Projected 2015</u>	<u>Projected 2016</u>	<u>Projected 2017</u>	<u>Projected 2018</u>	<u>Projected 2019</u>
El Dorado Irrigation District	WW	0.0%	0.0%	5.0%	4.0%	3.0%
WASTEWATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	RW	0.0%	5.0%	5.0%	4.0%	3.0%
Total Debt Proceeds		-	-	-	-	-
Total revenues		30.1	30.4	31.5	31.9	33.3
Total maintenance and operation costs		17.6	18.0	18.3	18.7	19.0
Net revenues		12.5	12.4	13.2	13.2	14.2
Pre-existing state obligations		-	-	-	-	-
Net revenues available after pre existing obligations		12.5	12.4	13.2	13.2	14.2
Senior debt service		7.5	7.5	10.6	10.6	10.6
CIP expenditures		-	-	-	-	-
CIP - IT Master Plan		-	-	-	-	-
Cash Available from Current Year Activities for Capital Projects or Other Improvements		5.0	4.9	2.6	2.6	3.6
Cash balance - January 1		22.7	20.6	21.5	19.2	17.0
Total Cash Available for Capital Projects or Debt PrePayment		27.8	25.6	24.1	21.9	20.7
total CIP		(5.7)	(2.6)	(3.5)	(3.4)	(1.7)
Pre funding debt		(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Cash balance - December 31		20.6	21.5	19.2	17.0	17.6
Senior debt service coverage (1.25x test)		1.67	1.66	1.25	1.25	1.34
Alternative senior debt coverage						
Total FCCs in revenue above		2.61	2.61	2.61	2.61	2.61
\$\$\$ of FCCs removed from calculation		2.61	2.61	2.61	2.61	2.61
Potential senior debt coverage (1.0x test)		1.32	1.31	1.00	1.00	1.10

Revenue Scenario 4

TOTAL DISTRICT

El Dorado Irrigation District 2015/16 Budget Forecast 2015-2019 forecast	W	0.0%	2.0%	2.0%	2.0%	2.0%
	WW	0.0%	2.0%	2.0%	2.0%	2.0%
	RW	0.0%	2.0%	2.0%	2.0%	2.0%
		Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Total Debt Proceeds		-	46.0	-	-	-
Total revenues		74.7	79.1	80.3	81.0	82.8
Total maintenance and operation costs		45.5	46.4	47.3	48.2	49.1
Net revenues		29.2	32.7	33.0	32.8	33.7
Pre-existing state obligations		1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations		28.1	31.6	31.9	31.7	32.6
Senior debt service		17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements		10.4	58.8	4.6	4.4	5.3
Cash balance - January 1		71.1	62.7	93.1	68.8	57.8
Total Cash Available for Capital Projects or Debt PrePayment		81.5	121.5	97.7	73.2	63.1
total CIP		(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31		62.7	93.1	68.8	57.8	50.1
Senior debt service coverage (1.25x test)		1.59	1.68	1.17	1.16	1.19
Alternative senior debt coverage						
Total FCCs in revenue above		5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation		5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)		1.31	1.41	0.99	0.98	1.01
Breakdown of end of year cash balance						
Unrestricted/Unreserved		17.2	17.2	7.2	-4.3	-14.7
Restricted-debt reserves		13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)		7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds		-8.4	19.3	2.3	0.0	0.0
Reserved		12.9	43.1	28.6	28.8	31.3
Operating		11.4	11.6	11.8	12.1	12.3
Capital replacement reserves		16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves		3.4	3.4	3.4	3.4	3.4
Self insurance reserves		1.0	1.0	1.0	1.0	1.0
Total		62.7	93.1	68.8	57.8	50.1

Scenario 4, above, does not meet the cash reserve targets of AR 3012 and misses both debt service coverage goals contained within the administrative regulation of between 1.70-2.00x with facility capacity charge revenues (FCCs) and 1.25-1.50x without FCCs for years 2017-2019. This scenario also does not meet the internal coverage test in 2017 and 2018. It only provides the necessary revenues to fund the annual pay-go projects (\$8-\$10 million) within the 2015-2019 CIP in years 2015 and 2016 (see Unrestricted/Unreserved cash balance lines for 2015-2019 in forecast) but does service the potential debt financing planned in 2016 which is necessary for funding the large identified long-lived capital projects also in the plan. The scenario also depletes the Unrestricted/Unreserved cash balance by 2018, a year earlier than scenarios 2 and 3, although it meets the goal of low, single-digit rate increases.

Revenue Scenario 4

WATER UTILITY only

El Dorado Irrigation District WATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	0.0%	2.0%	2.0%	2.0%	2.0%
	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	44.6	48.4	49.1	49.8	50.6
Total maintenance and operation costs	27.9	28.4	29.0	29.5	30.1
Net revenues	16.7	20.0	20.1	20.3	20.5
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	15.6	18.9	19.1	19.2	19.4
Senior debt service	10.2	11.3	16.8	16.7	16.7
Cash Available from Current Year Activities for Capital Projects or Other Improvements	5.4	53.6	2.3	2.5	2.6
Cash balance - January 1	48.4	42.1	71.4	49.7	41.6
Total Cash Available for Capital Projects or Debt PrePayment	53.8	95.7	73.6	52.1	44.2
total CIP	(10.1)	(22.8)	(22.4)	(9.0)	(8.3)
Pre funding debt	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Cash balance - December 31	42.1	71.4	49.7	41.6	34.3
Senior debt service coverage (1.25x test)	1.52	1.67	1.14	1.15	1.16
Alternative senior debt coverage					
Total FCCs in revenue above	2.39	2.39	2.39	2.39	2.39
\$\$\$ of FCCs removed from calculation	2.39	2.39	2.39	2.39	2.39
Potential senior debt coverage (1.0x test)	1.29	1.46	0.99	1.00	1.01

Revenue Scenario 4

WASTEWATER UTILITY only

El Dorado Irrigation District WASTEWATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	WW RW	0.0% 0.0%	2.0% 2.0%	2.0% 2.0%	2.0% 2.0%	2.0% 2.0%
		Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds		-	-	-	-	-
Total revenues		30.1	30.7	31.2	31.2	32.3
Total maintenance and operation costs		17.6	18.0	18.3	18.7	19.0
Net revenues		12.5	12.7	12.9	12.5	13.2
Pre-existing state obligations		-	-	-	-	-
Net revenues available after pre existing obligations		12.5	12.7	12.9	12.5	13.2
Senior debt service		7.5	7.5	10.6	10.6	10.6
CIP expenditures		-	-	-	-	-
CIP - IT Master Plan		-	-	-	-	-
Cash Available from Current Year Activities for Capital Projects or Other Improvements		5.0	5.3	2.3	1.9	2.7
Cash balance - January 1		22.7	20.6	21.9	19.3	16.4
Total Cash Available for Capital Projects or Debt PrePayment		27.8	25.9	24.2	21.2	19.0
total CIP		(5.7)	(2.6)	(3.5)	(3.4)	(1.7)
Pre funding debt		(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Cash balance - December 31		20.6	21.9	19.3	16.4	15.9
Senior debt service coverage (1.25x test)		1.67	1.71	1.22	1.18	1.25
Alternative senior debt coverage						
Total FCCs in revenue above		2.61	2.61	2.61	2.61	2.61
\$\$\$ of FCCs removed from calculation		2.61	2.61	2.61	2.61	2.61
Potential senior debt coverage (1.0x test)		1.32	1.36	0.97	0.93	1.01

Revenue Scenario 5

TOTAL DISTRICT

El Dorado Irrigation District 2015/16 Budget Forecast 2015-2019 forecast	W	0.0%	2.0%	2.0%	2.0%	2.0%
	WW	0.0%	2.0%	2.0%	2.0%	2.0%
	RW	0.0%	2.0%	2.0%	2.0%	2.0%
	Projected	Projected	Projected	Projected	Projected	Projected
	2015	2016	2017	2018	2019	
Total Debt Proceeds	-	46.0	-	-	-	
Total revenues	78.7	83.1	84.3	85.0	86.8	
Total maintenance and operation costs	45.5	46.4	47.3	48.2	49.1	
Net revenues	33.2	36.7	37.0	36.8	37.7	
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1	
Net revenues available after pre existing obligations	32.1	35.6	35.9	35.7	36.6	
Senior debt service	17.7	18.8	27.3	27.3	27.3	
Cash Available from Current Year Activities for Capital Projects or Other Improvements	14.4	62.8	8.6	8.4	9.3	
Cash balance - January 1	71.1	66.7	101.1	80.8	73.8	
Total Cash Available for Capital Projects or Debt PrePayment	85.5	129.5	109.7	89.2	83.1	
total CIP	(15.8)	(25.4)	(25.9)	(12.4)	(10.0)	
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	
Cash balance - December 31	66.7	101.1	80.8	73.8	70.1	
Senior debt service coverage (1.25x test)	1.81	1.89	1.32	1.31	1.34	
Alternative senior debt coverage						
Total FCCs in revenue above	9.00	9.00	9.00	9.00	9.00	
\$\$\$ of FCCs removed from calculation	9.00	9.00	9.00	9.00	9.00	
Potential senior debt coverage (1.0x test)	1.31	1.41	0.99	0.98	1.01	
Breakdown of end of year cash balance						
Unrestricted/Unreserved	19.2	21.2	13.2	3.7	-4.7	
Restricted-debt reserves	13.4	13.4	13.4	13.4	13.4	
Restricted-Growth CIP (FCCs)	9.9	14.4	18.9	23.4	27.9	
Restricted-CIP from bonds	-8.4	19.3	2.3	0.0	0.0	
Reserved	14.9	47.1	34.6	36.8	41.3	
Operating	11.4	11.6	11.8	12.1	12.3	
Capital replacement reserves	16.8	16.8	16.8	16.8	16.8	
Routine capital replacement reserves	3.4	3.4	3.4	3.4	3.4	
Self insurance reserves	1.0	1.0	1.0	1.0	1.0	
Total	32.6	32.8	33.0	33.3	33.5	
	66.7	101.1	80.8	73.8	70.1	

Scenario 5, above, does meet the cash reserve targets of AR 3012 but misses both debt service coverage goals contained within the administrative regulation of between 1.70-2.00x with facility capacity charge revenues (FCCs) and 1.25-1.50x without FCCs for years 2017-2019. This scenario also does not meet the internal coverage test in 2017 and 2018. It reflects that it provides the necessary revenues to fund the annual pay-go projects (\$8-\$10 million) within the 2015-2019 CIP Plan in all years by using the higher FCC revenue forecasts to fund the projects (see Unrestricted/Unreserved cash balance and Restricted-Growth CIP (FCCs) lines for 2015-2019 in forecast) and services the potential debt financing planned in 2016 which is necessary for funding the large identified long-lived capital projects also in the plan. The scenario also depletes the Unrestricted/Unreserved cash balance by 2019 although it meets the goal of low, single-digit rate increases.

This scenario is also riskier than scenario 4 because it relies on higher FCC revenues to make the 1.25x coverage test, provide pay-go funding and increased end-of-year cash balances. With over 60% of the water FCC and 50% of the wastewater FCC comprised of a future growth component, staff believes that the Board should not rely on 100% of the FCC charges to fund the CIP and pay-as-you-go projects. At a minimum the excess FCCs related to capacity expansion should be set aside for the projected future CIP projects. Over reliance on FCCs and their volatility, as opined by Moody's, would subject the District to a potential downgrade in its bond rating.

Revenue Scenario 5

WATER UTILITY only

El Dorado Irrigation District WATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	0.0%	2.0%	2.0%	2.0%	2.0%
	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	46.5	50.3	51.0	51.7	52.5
Total maintenance and operation costs	27.9	28.4	29.0	29.5	30.1
Net revenues	18.6	21.9	22.0	22.2	22.4
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	17.5	20.8	21.0	21.1	21.3
Senior debt service	10.2	11.3	16.8	16.7	16.7
Cash Available from Current Year Activities for Capital Projects or Other Improvements	7.3	55.5	4.2	4.4	4.6
Cash balance - January 1	48.4	44.0	75.2	55.4	49.2
Total Cash Available for Capital Projects or Debt PrePayment	55.7	99.5	79.4	59.8	53.8
total CIP	(10.1)	(22.8)	(22.4)	(9.0)	(8.3)
Pre funding debt	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Cash balance - December 31	44.0	75.2	55.4	49.2	43.9
Senior debt service coverage (1.25x test)	1.71	1.84	1.25	1.26	1.27
Alternative senior debt coverage					
Total FCCs in revenue above	4.31	4.31	4.31	4.31	4.31
\$\$\$ of FCCs removed from calculation	4.31	4.31	4.31	4.31	4.31
Potential senior debt coverage (1.0x test)	1.29	1.46	0.99	1.00	1.01

Revenue Scenario 5

WASTEWATER UTILITY only

El Dorado Irrigation District WASTEWATER UTILITY 2015/16 Budget Forecast 2015-2019 forecast	WW RW	0.0% 0.0%	2.0% 2.0%	2.0% 2.0%	2.0% 2.0%	2.0% 2.0%
		Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds		-	-	-	-	-
Total revenues		32.2	32.8	33.3	33.2	34.4
Total maintenance and operation costs		17.6	18.0	18.3	18.7	19.0
Net revenues		14.6	14.8	15.0	14.6	15.3
Pre-existing state obligations		-	-	-	-	-
Net revenues available after pre existing obligations		14.6	14.8	15.0	14.6	15.3
Senior debt service		7.5	7.5	10.6	10.6	10.6
CIP expenditures		-	-	-	-	-
CIP - IT Master Plan		-	-	-	-	-
Cash Available from Current Year Activities for Capital Projects or Other Improvements		7.1	7.4	4.4	4.0	4.7
Cash balance - January 1		22.7	22.7	26.1	25.5	24.7
Total Cash Available for Capital Projects or Debt PrePayment		29.8	30.1	30.5	29.5	29.4
total CIP		(5.7)	(2.6)	(3.5)	(3.4)	(1.7)
Pre funding debt		(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Cash balance - December 31		22.7	26.1	25.5	24.7	26.3
Senior debt service coverage (1.25x test)		1.95	1.99	1.42	1.38	1.45
Alternative senior debt coverage						
Total FCCs in revenue above		4.69	4.69	4.69	4.69	4.69
\$\$\$ of FCCs removed from calculation		4.69	4.69	4.69	4.69	4.69
Potential senior debt coverage (1.0x test)		1.32	1.36	0.97	0.93	1.01


APPENDIX 7

Bi-monthly bill comparisons by scenario and billing combination:

Residential Water only		Bi-monthly Bill			Bi-monthly increase		% inc	% inc
		2014	2015	2016	2015	2016	2015	2016
Scenario 1	low	\$ 68.82	\$ 72.26	\$ 75.88	\$ 3.44	\$ 3.62	5.00%	5.00%
	medium	\$ 115.29	\$ 121.05	\$ 127.11	\$ 5.77	\$ 6.06	5.00%	5.00%
	high	\$ 228.12	\$ 239.53	\$ 251.51	\$ 11.41	\$ 11.98	5.00%	5.00%
Scenario 2	low	\$ 68.82	\$ 70.88	\$ 73.01	\$ 2.06	\$ 2.13	3.00%	3.00%
	medium	\$ 115.29	\$ 118.74	\$ 122.30	\$ 3.46	\$ 3.56	3.00%	3.00%
	high	\$ 228.12	\$ 234.96	\$ 242.01	\$ 6.84	\$ 7.05	3.00%	3.00%
Scenario 3	low	\$ 68.82	\$ 68.82	\$ 72.26	\$ -	\$ 3.44	0.00%	5.00%
	medium	\$ 115.29	\$ 115.29	\$ 121.05	\$ -	\$ 5.77	0.00%	5.00%
	high	\$ 228.12	\$ 228.12	\$ 239.53	\$ -	\$ 11.41	0.00%	5.00%
Scenario 4 & 5	low	\$ 68.82	\$ 68.82	\$ 70.20	\$ -	\$ 1.38	0.00%	2.00%
	medium	\$ 115.29	\$ 115.29	\$ 117.59	\$ -	\$ 2.31	0.00%	2.00%
	high	\$ 228.12	\$ 228.12	\$ 232.69	\$ -	\$ 4.57	0.00%	2.00%

Residential Water & Sewer		Bi-monthly Bill			Bi-monthly increase		% inc	% inc
		2014	2015	2016	2015	2016	2015	2016
Scenario 1	low	\$ 171.79	\$ 180.39	\$ 189.41	\$ 8.59	\$ 9.02	5.00%	5.00%
	medium	\$ 257.04	\$ 269.90	\$ 283.40	\$ 12.86	\$ 13.50	5.00%	5.00%
	high	\$ 470.70	\$ 494.24	\$ 518.96	\$ 23.54	\$ 24.72	5.00%	5.00%
Scenario 2	low	\$ 171.79	\$ 176.95	\$ 182.25	\$ 5.15	\$ 5.30	3.00%	3.00%
	medium	\$ 257.04	\$ 264.75	\$ 272.69	\$ 7.71	\$ 7.94	3.00%	3.00%
	high	\$ 470.70	\$ 484.82	\$ 499.37	\$ 14.12	\$ 14.54	3.00%	3.00%
Scenario 3	low	\$ 171.79	\$ 171.79	\$ 175.24	\$ -	\$ 3.44	0.00%	2.00%
	medium	\$ 257.04	\$ 257.04	\$ 262.81	\$ -	\$ 5.77	0.00%	2.24%
	high	\$ 470.70	\$ 470.70	\$ 482.11	\$ -	\$ 11.41	0.00%	2.42%
Scenario 4 & 5	low	\$ 171.79	\$ 171.79	\$ 175.23	\$ -	\$ 3.44	0.00%	2.00%
	medium	\$ 257.04	\$ 257.04	\$ 262.18	\$ -	\$ 5.14	0.00%	2.00%
	high	\$ 470.70	\$ 470.70	\$ 480.12	\$ -	\$ 9.42	0.00%	2.00%

Residential Water, sewer & recycled water		Bi-monthly Bill			Bi-monthly increase		% inc	% inc
		2014	2015	2016	2015	2016	2015	2016
Scenario 1	low	\$ 178.15	\$ 187.07	\$ 196.42	\$ 8.91	\$ 9.36	5.00%	5.00%
	medium	\$ 256.54	\$ 269.37	\$ 282.84	\$ 12.83	\$ 13.47	5.00%	5.00%
	high	\$ 474.00	\$ 497.71	\$ 522.60	\$ 23.70	\$ 24.89	5.00%	5.00%
Scenario 2	low	\$ 178.15	\$ 183.50	\$ 189.00	\$ 5.35	\$ 5.50	3.00%	3.00%
	medium	\$ 256.54	\$ 264.24	\$ 272.16	\$ 7.70	\$ 7.92	3.00%	3.00%
	high	\$ 474.00	\$ 488.22	\$ 502.87	\$ 14.22	\$ 14.64	3.00%	3.00%
Scenario 3	low	\$ 178.15	\$ 178.15	\$ 181.91	\$ -	\$ 3.76	0.00%	2.11%
	medium	\$ 256.54	\$ 256.54	\$ 262.28	\$ -	\$ 5.74	0.00%	2.24%
	high	\$ 474.00	\$ 474.00	\$ 485.58	\$ -	\$ 11.57	0.00%	2.44%
Scenario 4 & 5	low	\$ 178.15	\$ 178.15	\$ 181.72	\$ -	\$ 3.57	0.00%	2.00%
	medium	\$ 256.54	\$ 256.54	\$ 261.67	\$ -	\$ 5.13	0.00%	2.00%
	high	\$ 474.00	\$ 474.00	\$ 483.49	\$ -	\$ 9.48	0.00%	2.00%



**Consideration of the 2015-2016
Operating Budget
and
2015-2019 Financial Plan**

**El Dorado Irrigation District
December 8, 2014**

Presentation Summary

- **Previous Board Action**
- **Board Policies/Administrative Regulations**
- **Summary of Issues**
- **Staff Analysis/Evaluation**
- **Board Discussion/Guidance**

Previous Board Action

- **Mar. 20, 2000: Board adopted a multi-year operating budget process**
- **Nov. 13, 2012: Board adopted the 2013-2014 operating budget**
- **Oct. 28, 2013: Board adopted the 2014 mid-cycle operating budget**
- **Nov. 10, 2014: Board held a workshop on the 2015-2016 operating budget**
- **Nov. 10, 2014: Board held a workshop on the 2015-2019 financial plan**

Board Policy/Administrative Regulations

- **BP 3010: Board shall adopt a two-year operating budget and may modify it prior to the end of the year. It is the responsibility of the General Manager to inform the Board about financial operations of the District so the Board can make informed decisions and fully discharge its legal responsibilities in a fiscally sound manner.**

Board Policy/Administrative Regulations

- **AR 3011**: It is the responsibility of the General Manager to develop the budget based on the priorities and needs of the District and its customers.
- Responsibility for overseeing the budget development process is assigned to the Director of Finance.

Board Policy/Administrative Regulations

- **AR 3012: Purpose of 5-Year Financial Plan**
 - Establishes the cost of funding required to meet the District's mission of providing high quality of services in a fiscally responsible manner for:
 - Operations and maintenance
 - Capital expenditures
 - Debt expenses
 - Meet requirements of District's outstanding debt obligations to the bondholders

Summary of Issues

- **Staff analysis/evaluation**
- **2015–2016 operating budget expense projections**
- **2015–2019 revenue projections-various revenue and results of budgeted expenditure scenarios with projected debt service coverages**
- **Projected cash reserve balances by scenario**

November 10, 2014 Budget Workshop

- Results

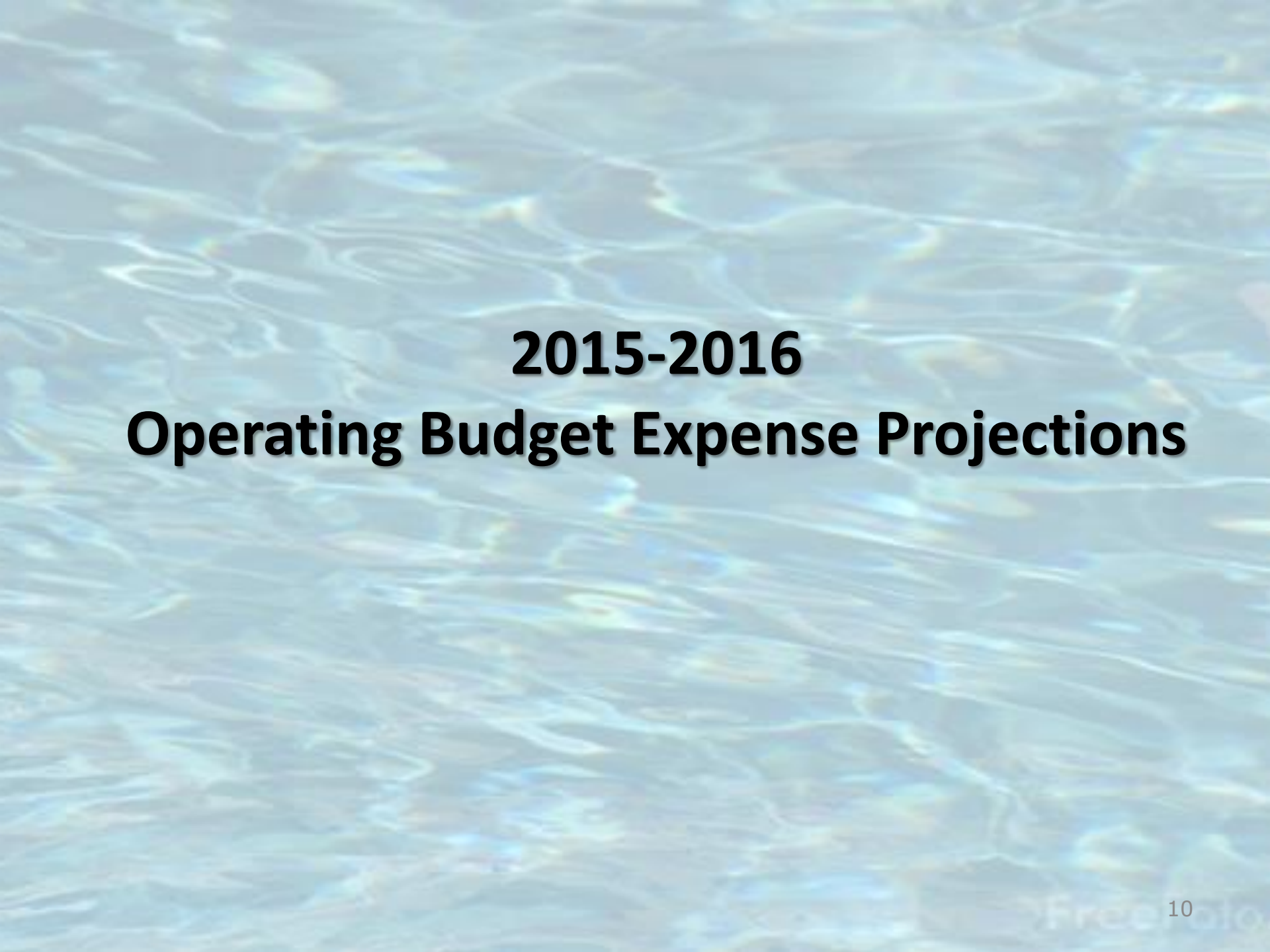
- Staff presented 2015 and 2016 operating expense proposal
- Staff presented 2015 and 2016 revenue projections with previously adopted rate increases
- Staff presented proposed 2015-2016 results of operating revenue, expense, debt, CIP expenditures and debt coverage projections
- Board directed staff to increase medical reimbursement budget from \$2,500 to \$5,000 for positions authorized to receive it
- Board directed staff to decrease projected 2015 election expense
- Staff adjusted the proposed budget for those items with no affect on the overall proposed budget

November 10, 2014

5-Year Financial Plan Workshop

- Results

- Staff presented three 5-year financial plans using various rate proposals attempting to balance the financial objectives to:
 - Generate adequate revenues to fund operating costs, pay debt, meet debt covenants and maintain adequate reserves
 - Maintain current service and reliability levels for ratepayers
 - Avoid customer “rate shock”
 - Maintain strong credit ratings
 - Maintain CIP funding levels to timely replace critical assets to avoid failures
 - Maintain strong debt coverage ratios (covenant and internal tests)
- Board directed staff to return with a few different proposals with various rates and a FCC revenue change



2015-2016
Operating Budget Expense Projections

2015-2016 Operating Budget Proposed by Expense Type

(in millions)

	2015 Workshop Proposed Budget	2015 Proposed Budget	2016 Proposed Budget
Salaries	\$ 17.694	\$ 17.694	\$ 18.048
Benefits (Table 4)	11.156	11.186	11.410
Subtotal Salaries and Benefits	28.850	28.880	29.458
Materials and Services			
-Operating Supplies	3.326	3.326	3.393
-Chemicals	1.050	1.050	1.071
-Administration	3.099	3.099	3.161
-Utilities	4.224	4.224	4.308
-Professional Services	3.377	3.347	3.414
-Repair Services	1.333	1.333	1.360
-Insurance	0.785	0.785	0.801
-Operating Capital Outlay	0.330	0.330	0.336
-Contingency	0.500	0.500	0.510
Subtotal Materials and Services	18.024	17.994	18.354
Grants	0.000	0.000	0.000
CIP and Devel. Reim. Labor Offsets	(2.500)	(2.500)	(2.550)
Subtotal All	44.374	44.374	45.262
Letter of Credit Fee	1.108	1.108	1.108
Total	\$ 45.482	\$ 45.482	\$ 46.370

2015 – 2016 Employee Benefits by Type

(in millions)

	2015 Workshop Proposed Budget	2015 Proposed Budget	2018 Proposed Budget
Medical	\$ 3.426	\$ 3.426	\$ 3.495
Retiree Health	1.010	1.010	1.030
Dental	0.297	0.297	0.303
Vision	0.038	0.038	0.039
EAP	0.006	0.006	0.006
Life	0.043	0.043	0.044
Workers' Compensation	0.384	0.384	0.392
FICA	1.307	1.307	1.333
PERS	4.545	4.545	4.636
Medical reimbursement	0.030	0.060	0.061
Vehicle Allowance	0.036	0.036	0.037
Other Employee Costs	0.034	0.034	0.034
Total	\$ 11.156	\$ 11.156	\$ 11.410



2015-2019 Revenue Projection Scenarios

Scenario Differences

- **Scenario 1**
 - 5% annual rate increases
 - \$5 million in FCC revenue annually
- **Scenario 2**
 - 3% annual rate increases
 - \$5 million in FCC revenue annually
- **Scenario 3**
 - 2015-2019 water and recycled water rate increases of 0%, 5%, 5%, 4% and 3%
 - 2015-2019 wastewater rate increases of 0%, 0%, 5%, 4%, and 3%
 - \$5 million in FCC revenue annually
- **Scenario 4**
 - 0% rate increase in 2015 and 2% annual increases thereafter
 - \$5 million in FCC revenue annually
- **Scenario 5**
 - 0% rate increase in 2015 and 2% annual increases thereafter
 - \$9 million in FCC revenue annually

2015 Revenue Projections by Scenario

	Scenario 1 (1)(2)(3)	Scenario 2 (2)(3)(4)	Scenario 3 (2)(3)(5)	Scenario 4 (2)(3)(5)	Scenario 5 (3)(5)(6)
Water Sales and Services	\$ 29.287	\$ 28.730	\$ 27.892	\$ 27.892	\$ 27.892
Wastewater Sales and Services	20.617	20.224	19.635	19.635	19.635
Recycled Water Sales	1.638	1.607	1.560	1.560	1.560
Hydropower Sales	5.000	5.000	5.000	5.000	5.000
Investment Income	0.550	0.550	0.550	0.550	0.550
FCCs	5.000	5.000	5.000	5.000	9.000
Debt Surcharges	1.979	1.979	1.979	1.979	1.979
Property Tax	9.955	9.955	9.955	9.955	9.955
Other Income	2.006	2.006	2.006	2.006	2.006
Recreation	1.102	1.102	1.102	1.102	1.102
Total Revenues	\$ 77.134	\$ 76.153	\$ 74.679	\$ 74.679	\$ 78.679

(1) 5% rate increase previously authorized for water, wastewater and recycled water

(2) FCC revenue \$5 million

(3) Hydroelectric revenue \$5 million for 2015 related to Esmeralda Tunnel

(4) 3% rate increases for water, wastewater and recycled water

(5) 0% rate increases for water, wastewater and recycled water in 2015

(6) FCC revenue \$9 million

Scenario 1

5-Year Forecast (5, 5, 5, 5, 5)

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	77.1	83.1	86.1	88.5	92.4
Total maintenance and operation costs	45.5	46.4	47.3	48.2	49.1
Net revenues	31.6	36.7	38.8	40.3	43.3
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	30.5	35.6	37.7	39.2	42.2
Senior debt service	17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements	12.8	62.8	10.4	11.9	14.9
Cash balance - January 1	71.1	65.1	99.5	81.0	77.5
Total Cash Available for Capital Projects or Debt PrePayment	83.9	127.9	109.9	92.9	92.4
total CIP	(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	65.1	99.5	81.0	77.5	79.4
Senior debt service coverage (1.25x test)	1.72	1.89	1.38	1.44	1.55
Alternative senior debt coverage					
Total FCCs in revenue above	5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation	5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)	1.44	1.63	1.20	1.25	1.36

Scenario 1

5-Year Forecast (5, 5, 5, 5, 5)

Projected End of Year Cash

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	19.6	23.6	19.4	15.4	14.6
Restricted-debt reserves	13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)	7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds	-8.4	19.3	2.3	0.0	0.0
	12.9	43.1	28.6	28.8	31.3
Reserved					
Operating	11.4	11.6	11.8	12.1	12.3
Capital replacement reserves	16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves	3.4	3.4	3.4	3.4	3.4
Self insurance reserves	1.0	1.0	1.0	1.0	1.0
	32.6	32.8	33.0	33.3	33.5
Total	65.1	99.5	81.0	77.5	79.4

Scenario 1

5-Year Forecast (5, 5, 5, 5, 5)

- Scenario 1-
 - Meets cash reserve targets of AR 3012
 - 1.70-2.00x coverage for 2 years with FCCs and 1.38-1.55x for others
 - 1.25-1.50x coverage w/o FCCs for 4 of 5 years
 - Generates targeted funds for pay-go CIP
 - Meets goal of low, single-digit rate increases

Scenario 2

5-Year Forecast (3, 3, 3, 3, 3)

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	76.2	81.1	82.9	84.1	86.6
Total maintenance and operation costs	45.5	46.4	47.3	48.2	49.1
Net revenues	30.7	34.7	35.6	35.9	37.5
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	29.6	33.6	34.5	34.8	36.4
Senior debt service	17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements	11.9	60.8	7.2	7.5	9.1
Cash balance - January 1	71.1	64.2	96.6	74.9	67.0
Total Cash Available for Capital Projects or Debt PrePayment	83.0	125.0	103.8	82.4	76.1
total CIP	(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	64.2	96.6	74.9	67.0	63.1
Senior debt service coverage (1.25x test)	1.67	1.79	1.26	1.27	1.33
Alternative senior debt coverage					
Total FCCs in revenue above	5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation	5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)	1.39	1.52	1.08	1.09	1.15

Scenario 2

5-Year Forecast (3, 3, 3, 3, 3)

Projected End of Year Cash

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	18.7	20.7	13.3	4.9	-1.7
Restricted-debt reserves	13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)	7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds	-8.4	19.3	2.3	0.0	0.0
	12.9	43.1	28.6	28.8	31.3
Reserved					
Operating	11.4	11.6	11.8	12.1	12.3
Capital replacement reserves	16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves	3.4	3.4	3.4	3.4	3.4
Self insurance reserves	1.0	1.0	1.0	1.0	1.0
	32.6	32.8	33.0	33.3	33.5
Total	64.2	96.6	74.9	67.0	63.1

Scenario 2

5-Year Forecast (3, 3, 3, 3, 3)

Projected End of Year Cash

- Scenario 2-
 - Meets cash reserve targets of AR 3012
 - 1.70-2.00x coverage for 2016 with FCCs, 1.67x for 2015 and 1.26-1.33x for others
 - 1.25-1.50x coverage w/o FCCs for 2015-2016 and 1.08-1.15x for others
 - Generates targeted funds for pay-go CIP in 2015, 2016, 2019 while missing in 2017-2018
 - Depletes end of year Unrestricted/Unreserved cash balances
 - Meets goal of low, single-digit rate increases

Scenario 3

5-Year Forecast (0, 5(0), 5, 4, 3)

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	74.7	79.6	82.3	84.1	86.6
Total maintenance and operation costs	45.5	46.4	47.3	48.2	49.1
Net revenues	29.2	33.2	35.0	35.9	37.5
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	28.1	32.1	33.9	34.8	36.4
Senior debt service	17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements	10.4	59.3	6.6	7.5	9.1
Cash balance - January 1	71.1	62.7	93.6	71.3	63.4
Total Cash Available for Capital Projects or Debt PrePayment	81.5	122.0	100.2	78.8	72.5
total CIP	(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	62.7	93.6	71.3	63.4	59.5
Senior debt service coverage (1.25x test)	1.59	1.71	1.24	1.27	1.33
Alternative senior debt coverage					
Total FCCs in revenue above	5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation	5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)	1.31	1.44	1.06	1.09	1.15

Scenario 3

5-Year Forecast (0, 5(0), 5, 4, 3)

Projected End of Year Cash

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	17.2	17.7	9.7	1.3	-5.3
Restricted-debt reserves	13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)	7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds	-8.4	19.3	2.3	0.0	0.0
	<u>12.9</u>	<u>43.1</u>	<u>28.6</u>	<u>28.8</u>	<u>31.3</u>
Reserved					
Operating	11.4	11.6	11.8	12.1	12.3
Capital replacement reserves	16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves	3.4	3.4	3.4	3.4	3.4
Self insurance reserves	1.0	1.0	1.0	1.0	1.0
	<u>32.6</u>	<u>32.8</u>	<u>33.0</u>	<u>33.3</u>	<u>33.5</u>
Total	<u>62.7</u>	<u>93.6</u>	<u>71.3</u>	<u>63.4</u>	<u>59.5</u>

Scenario 3

5-Year Forecast (0, 5(0), 5, 4, 3)

Projected End of Year Cash

- Scenario 3-
 - Meets cash reserve targets of AR 3012
 - 1.70-2.00x coverage for 2016 with FCCs, 1.59x for 2015 and 1.24-1.33x for others
 - 1.25-1.50x coverage w/o FCCs for 2015-2016 and 1.06-1.15x for others
 - Generates targeted funds for pay-go CIP in 2015, 2016, 2019 while missing in 2017-2018
 - Depletes end of year Unrestricted/Unreserved cash balances
 - Meets goal of low, single-digit rate increases

Scenario 4

5-Year Forecast (0, 2, 2, 2, 2)

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	74.7	79.1	80.3	81.0	82.8
Total maintenance and operation costs	45.5	46.4	47.3	48.2	49.1
Net revenues	29.2	32.7	33.0	32.8	33.7
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	28.1	31.6	31.9	31.7	32.6
Senior debt service	17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements	10.4	58.8	4.6	4.4	5.3
Cash balance - January 1	71.1	62.7	93.1	68.8	57.8
Total Cash Available for Capital Projects or Debt PrePayment	81.5	121.5	97.7	73.2	63.1
total CIP	(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	62.7	93.1	68.8	57.8	50.1
Senior debt service coverage (1.25x test)	1.59	1.68	1.17	1.16	1.19
Alternative senior debt coverage					
Total FCCs in revenue above	5.00	5.00	5.00	5.00	5.00
\$\$\$ of FCCs removed from calculation	5.00	5.00	5.00	5.00	5.00
Potential senior debt coverage (1.0x test)	1.31	1.41	0.99	0.98	1.01

Scenario 4

5-Year Forecast (0, 2, 2, 2, 2)

Projected End of Year Cash

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	17.2	17.2	7.2	-4.3	-14.7
Restricted-debt reserves	13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)	7.9	10.4	12.9	15.4	17.9
Restricted-CIP from bonds	-8.4	19.3	2.3	0.0	0.0
	<u>12.9</u>	<u>43.1</u>	<u>28.6</u>	<u>28.8</u>	<u>31.3</u>
Reserved					
Operating	11.4	11.6	11.8	12.1	12.3
Capital replacement reserves	16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves	3.4	3.4	3.4	3.4	3.4
Self insurance reserves	1.0	1.0	1.0	1.0	1.0
	<u>32.6</u>	<u>32.8</u>	<u>33.0</u>	<u>33.3</u>	<u>33.5</u>
Total	<u>62.7</u>	<u>93.1</u>	<u>68.8</u>	<u>57.8</u>	<u>50.1</u>

Scenario 4

5-Year Forecast (0, 2, 2, 2, 2)

Projected End of Year Cash

- Scenario 4-
 - Does not meet cash reserve targets of AR 3012
 - Does not meet 1.70-2.00x coverage for any year and fails bond covenant requirements in 2017, 2018 and 2019
 - 1.25-1.50x coverage w/o FCCs for 2015-2016, fails the 1.0x for 2017 and 2018 and is 1.01 for 2019
 - Generates targeted funds for pay-go CIP in 2015-2016 only
 - Depletes end of year Unrestricted/Unreserved cash balances by 2018
 - Meets goal of low, single-digit rate increases

Scenario 5

5-Year Forecast (0, 2, 2, 2, 2) & \$9 million in FCCs

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Total Debt Proceeds	-	46.0	-	-	-
Total revenues	78.7	83.1	84.3	85.0	86.8
Total maintenance and operation costs	45.5	46.4	47.3	48.2	49.1
Net revenues	33.2	36.7	37.0	36.8	37.7
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	32.1	35.6	35.9	35.7	36.6
Senior debt service	17.7	18.8	27.3	27.3	27.3
Cash Available from Current Year Activities for Capital Projects or Other Improvements	14.4	62.8	8.6	8.4	9.3
Cash balance - January 1	71.1	66.7	101.1	80.8	73.8
Total Cash Available for Capital Projects or Debt PrePayment	85.5	129.5	109.7	89.2	83.1
total CIP	(15.8)	(25.4)	(25.9)	(12.4)	(10.0)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	66.7	101.1	80.8	73.8	70.1
Senior debt service coverage (1.25x test)	1.81	1.89	1.32	1.31	1.34
Alternative senior debt coverage					
Total FCCs in revenue above	9.00	9.00	9.00	9.00	9.00
\$\$\$ of FCCs removed from calculation	9.00	9.00	9.00	9.00	9.00
Potential senior debt coverage (1.0x test)	1.31	1.41	0.99	0.98	1.01

Scenario 5

5-Year Forecast (0, 2, 2, 2, 2) & \$9 million in FCCs

Projected End of Year Cash

	Projected <u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	19.2	21.2	13.2	3.7	-4.7
Restricted-debt reserves	13.4	13.4	13.4	13.4	13.4
Restricted-Growth CIP (FCCs)	9.9	14.4	18.9	23.4	27.9
Restricted-CIP from bonds	-8.4	19.3	2.3	0.0	0.0
	<u>14.9</u>	<u>47.1</u>	<u>34.6</u>	<u>36.8</u>	<u>41.3</u>
Reserved					
Operating	11.4	11.6	11.8	12.1	12.3
Capital replacement reserves	16.8	16.8	16.8	16.8	16.8
Routine capital replacement reserves	3.4	3.4	3.4	3.4	3.4
Self insurance reserves	1.0	1.0	1.0	1.0	1.0
	<u>32.6</u>	<u>32.8</u>	<u>33.0</u>	<u>33.3</u>	<u>33.5</u>
Total	<u>66.7</u>	<u>101.1</u>	<u>80.8</u>	<u>73.8</u>	<u>70.1</u>

Scenario 5

5-Year Forecast (0, 2, 2, 2, 2) & \$9 million in FCCs

Projected End of Year Cash

- Scenario 5-
 - Meets cash reserve targets of AR 3012
 - Meets 1.70-2.00x coverage for 2015-2016 and 1.31-1.34 for others (if FCCs are not realized in 2017-2019 coverage would not meet bond covenant requirements)
 - 1.25-1.50x coverage w/o FCCs for 2015-2016, fails the 1.0x for 2017 and 2018 and is 1.01 for 2019
 - Generates targeted funds for pay-go CIP, but relies on FCC revenues to do so
 - Depletes end of year Unrestricted/Unreserved cash balances
 - Meets goal of low, single-digit rate increases

Summary

- Staff recommends Scenario 1-
 - Limits future rate increases to 5% or less avoiding rate shock;
 - Generates cash flow each year to fund annual pay-as-you-go construction projects;
 - Meets the required bond coverage tests for bond holders (1.25x) and internal coverage test (1.0);
 - Creates annual coverage closer to 1.70x-2.00x with FCCs and 1.30x-1.50x without FCCs, pursuant to AR3012 goals and objectives; and
 - Creates overall end-of-year cash reserves near the high end required under AR3012 without over-reliance on FCCs.

Summary

- Staff does not recommend Scenario 4 or 5-
 - Neither scenario meets 1.0x coverage test in 2017 or 2018;
 - Scenario 4 does not meet 1.25x coverage test in 2017-2019;
 - Scenario 4 does not generate the funds every year for pay-as-you-go projects;
 - Scenario 5 relies on higher FCC forecast to meet 1.25x coverage tests; and
 - Scenario 5 relies on FCC expansion revenues to maintain pay-as-you-go construction.

Board Decision/Options

- Option 1: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 5% annual rate increases (Scenario 1).
- Option 2: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 3% annual rate increases (Scenario 2).
- Option 3: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 0, 5, 5, 4, 3% annual rate increases for the water and recycled water utilities and 0, 0, 5, 4, 3% annual rate increase for the wastewater utility (Scenario 3).

Board Decision/Options

- Option 4: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using a 0% rate increase in 2015 and 2% annual rate increases for 2016-2019 (Scenario 4).
- Option 5: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using a 0% rate increase in 2015, 2% annual rate increases for 2016-2019 and using \$9 million projected FCCs (Scenario 5).
- Option 6: Take other action as recommended by the Board.
- Option 7: Take no action.

Staff/General Manager's Recommendation

Option 1: Adopt the El Dorado Irrigation District 2015-2016 operating budget in the amount of \$45.482 million for 2015 and \$46.310 million for 2016 and the 2015-2019 Financial Plan using 5% annual rate increases (Scenario 1).

Discussion/Questions

