



**Consideration of the
2017-2018
Operating Budget
and
2017-2021
Financial Plan**

El Dorado Irrigation District

November 14, 2016

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
- **Dec. 8, 2014:** Board adopted the 2015-2016 operating budget and the 2015-2019 Financial Plan
- **Nov. 9, 2015:** Board adopted the 2016 mid-cycle operating budget and the 2016-2020 Financial Plan
- **October 24, 2016:** Board held a workshop on the 2017-2018 operating budget and 2017-2021 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.**

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
 - Avoid volatility in rate adjustments
 - Maintain strong credit ratings (S&P, AA-; Moody's, Aa3)
 - Maintain cash reserves \$60-\$80 million

Summary of Issues

- **Staff analysis/evaluation**
- **2017–2018 revenue projections**
- **2017–2018 operating budget expense projections**
- **Debt service coverage**
- **2017-2021 five-year forecast**
- **Projected cash reserve balances by scenario**

October 24, Budget Workshop

- Results
 - Staff presented 2017 and 2018
 - Revenue projections with previously adopted rate increases
 - Operating expense proposals
 - Projected results of operating revenues, operating expenses, debt, CIP expenditures and debt coverage

October 24, Budget Workshop

- Results

- A Board member asked staff to create two additional proposals:

- Proposal 1 - adjust the 2017 and 2018 wastewater rate increases down to 0% versus previously adopted 5% for 2017 and 4% for 2018
 - Identified as Scenario 2 later in this presentation

October 24, Budget Workshop

- Results

- A Board member asked staff to create two additional proposals:

- Proposal 2 –

- Adjust water and recycled water rate increases to 3% for 2017 and 2018 and wastewater to 0% for 2017 and 2018 versus previously adopted 5% for 2017 and 4% for 2018

- Adjust Hydroelectric revenues from \$8.0 million to \$7.0 million

- Adjust FCC revenues from \$5.0 million to \$7.5 million

- Identified as Scenario 3 later in this presentation

October 24, Budget Workshop

- Results
 - A second Board member asked staff to create an additional proposal subsequent to the posting of the budget AIS:
 - Proposal –
 - Reduce rate increases to 3% for 2017 and 2018 (down from 5% and 4% respectively) and retain previously adopted 3% increases for 2019 and 2020
 - No changes to hydroelectric or FCC revenues
 - Identified as Scenario 4 later in this presentation

October 24, Budget Workshop

- Results
 - Budget proposals will be presented later in this presentation as follows-
 - Scenario 1 – original staff proposed budget from Board Workshop on October 24, 2016
 - Scenario 2 – first proposal from Board member
 - Scenario 3 – second proposal from Board member
 - Scenario 4 – proposal from second Board member



2017-2018
Operating Budget Expense Projections



2016-2018 Operating Budget Summary by Expense Type

(in millions)

	2016 Adopted Budget	2016 Revised Projections	2017 Proposed Budget	2018 Proposed Budget
Wages	\$ 17.936	\$ 17.598	\$ 17.717	\$ 18.071
Benefits (Table 4)	11.555	11.617	12.420	13.101
Salaries and Benefits	29.491	29.215	30.137	31.172
CIP and Development				
Reimbursement Labor Offsets	(2.833)	(2.321)	(2.954)	(3.013)
Net personnel expense	26.658	26.894	27.183	28.159
Materials and Services				
-Operating Supplies	3.524	3.496	3.921	3.999
-Chemicals	0.896	0.789	0.904	0.922
-Administration	3.427	3.221	3.453	3.522
-Utilities	4.601	4.294	4.386	4.474
-Professional Services	3.546	3.457	3.381	3.449
-Repair Services	1.047	1.047	1.674	1.284
-Insurance	0.922	1.171	0.777	0.793
-Operating Capital Outlay	0.322	0.400	0.277	0.283
-Contingency	0.500	0.000	0.500	0.500
Total Materials and Services	18.785	17.875	19.273	19.226
Subtotal All	45.443	44.769	46.456	47.385
Letter of Credit Fee	1.108	1.108	0.000	0.000
Total Expenses	\$ 46.551	\$ 45.877	\$ 46.456	\$ 47.385

2016 – 2018 Employee Benefits by Type

(in millions)

Type	2016 Adopted Budget	2016 Revised Projections	2017 Proposed Budget	2018 Proposed Budget
Medical	\$ 3.550	\$ 3.451	\$ 3.600	\$ 3.672
Retiree Health	1.331	1.467	1.437	1.466
Dental	0.356	0.330	0.350	0.357
Vision	0.042	0.035	0.045	0.046
EAP	0.006	0.006	0.006	0.006
Life	0.043	0.029	0.043	0.044
Workers' Compensation	0.293	0.293	0.295	0.301
FICA	1.325	1.274	1.302	1.328
PERS	4.515	4.579	5.205	5.742
Medical Reimbursement	0.040	0.056	0.060	0.061
Vehicle Allowance	0.030	0.030	0.036	0.037
Other Employee Costs	0.024	0.067	0.041	0.041
Total Benefits	\$ 11.555	\$ 11.617	\$ 12.420	\$ 13.101



2017-2021 Revenue Projection Scenarios

Scenario Differences

	2017	2018	2019	2020	2021
Rates					
Scenario 1					
Water	5.0%	4.0%	3.0%	3.0%	3.0%
Wastewater	5.0%	4.0%	3.0%	3.0%	3.0%
Recycled water	5.0%	4.0%	3.0%	3.0%	3.0%
Scenario 2					
Water	5.0%	4.0%	3.0%	3.0%	3.0%
Wastewater	0.0%	0.0%	3.0%	3.0%	3.0%
Recycled water	5.0%	4.0%	3.0%	3.0%	3.0%
Scenario 3					
Water	3.0%	3.0%	3.0%	3.0%	3.0%
Wastewater	0.0%	0.0%	3.0%	3.0%	3.0%
Recycled water	3.0%	3.0%	3.0%	3.0%	3.0%

Scenario Differences

	2017	2018	2019	2020	2021
Rates					
Scenario 4					
Water	3.0%	3.0%	3.0%	3.0%	3.0%
Wastewater	3.0%	3.0%	3.0%	3.0%	3.0%
Recycled water	3.0%	3.0%	3.0%	3.0%	3.0%

Scenario Differences

(in millions)

	2017	2018	2019	2020	2021
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Other revenues

Scenarios 1 & 4

FCCs	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Hydroelectric	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00

Scenario 2

FCCs	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Hydroelectric	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00

Scenario 3

FCCs	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50
Hydroelectric	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00

2017 Revenue Projections by Scenario

(in millions)

	2017 Scenario 1 (1)(2)(3)	2017 Scenario 2 (2)(3)(4)	2017 Scenario 3 (5)(6)(7)
Water Sales and Services	\$ 29.767	\$ 29.767	\$ 29.200
Wastewater Sales and Services	21.016	20.015	20.015
Recycled Water Sales	1.900	1.900	1.900
Hydropower Sales	8.000	8.000	7.000
Investment Income	0.750	0.750	0.750
FCCs	5.000	5.000	7.500
Debt Surcharges	2.400	2.400	2.400
Property Tax	11.299	11.299	11.299
Other Income	2.016	2.016	2.016
Recreation	1.384	1.384	1.384
Total Revenues	\$ 83.532	\$ 82.531	\$ 83.464

Scenario 4 reduces Scenario 1 rate revenues as follows: water-\$0.566 million and wastewater-\$0.401 million, for a combined total of \$0.967 million

2018 Revenue Projections by Scenario

(in millions)

	2018 Scenario 1 <small>(1)(2)(3)</small>	2018 Scenario 2 <small>(2)(3)(4)</small>	2018 Scenario 3 <small>(5)(6)(7)</small>
Water Sales and Services	\$ 30.958	\$ 30.958	\$ 30.076
Wastewater Sales and Services	22.031	20.175	20.175
Recycled Water Sales	1.992	1.992	1.900
Hydropower Sales	8.000	8.000	7.000
Investment Income	0.750	0.750	0.750
FCCs	5.000	5.000	7.500
Debt Surcharges	2.408	2.408	2.408
Property Tax	11.525	11.525	11.525
Other Income	2.026	2.026	2.026
Recreation	1.411	1.411	1.411
Total Revenues	\$ 86.101	\$ 84.245	\$ 84.771

Scenario 4 reduces Scenario 1 rate revenues as follows: water-\$0.882 million; wastewater-\$0.627 million; recycled water by \$0.019 million, for a combined total of \$1.528 million

Scenario 1

5-Year Forecast

	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Total Debt Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 50.0
Total revenues	83.5	86.1	88.2	90.4	91.8
Total maintenance and operation costs	46.5	47.4	48.3	49.3	50.3
Net revenues	37.0	38.7	39.9	41.1	41.5
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	35.9	37.6	38.8	40.0	40.4
Senior debt service	25.1	25.5	25.5	25.2	21.6
Cash Available from Current Year Activities for Capital Projects or Other Improvements	10.8	12.1	13.3	14.8	68.8
Cash balance - January 1	123.4	109.9	87.9	75.5	74.2
Total Cash Available for Capital Projects or Debt PrePayment	134.2	122.0	101.2	90.3	143.0
total CIP	(21.3)	(31.1)	(22.7)	(13.1)	(16.1)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	\$ 109.9	\$ 87.9	\$ 75.5	\$ 74.2	\$ 123.9
Senior debt service coverage (1.25x test)	1.43	1.47	1.52	1.59	1.87
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)	1.23	1.28	1.33	1.39	1.64

Scenario 1

5-Year Forecast

Projected End of Year Cash

	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	\$ 20.0	\$ 15.0	\$ 12.6	\$ 8.5	\$ 5.5
Restricted-debt reserves	3.5	3.5	3.5	3.5	3.5
Restricted-Growth CIP (FCCs)	21.2	23.7	26.2	28.7	31.2
Restricted-CIP from bonds	32.4	12.7	0.0	0.0	50.0
	<u>57.1</u>	<u>39.8</u>	<u>29.7</u>	<u>32.2</u>	<u>84.7</u>
Reserved					
Operating	11.6	11.9	12.1	12.3	12.6
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>32.8</u>	<u>33.1</u>	<u>33.3</u>	<u>33.5</u>	<u>33.8</u>
Total	<u>\$ 109.9</u>	<u>\$ 87.9</u>	<u>\$ 75.5</u>	<u>\$ 74.2</u>	<u>\$ 123.9</u>

Scenario 1

5-Year Forecast

- Scenario 1 –
 - Meets cash reserve targets of AR 3012
 - 1.7-2.0x coverage only in 2021 and 1.43-1.59x for others
 - 1.2-1.6x internal coverage test (1.25x or higher desired)
 - Generates cash flow for pay-go projects from \$10-\$18 million annually
 - Days of cash available
 - 2017-416 days
 - 2021-285 days

Scenario 2

5-Year Forecast

	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Total Debt Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 50.0
Total revenues	82.5	84.2	86.3	88.4	89.7
Total maintenance and operation costs	46.5	47.4	48.3	49.3	50.3
Net revenues	36.0	36.8	38.0	39.1	39.4
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	34.9	35.7	36.9	38.0	38.3
Senior debt service	25.1	25.5	25.5	25.2	21.6
Cash Available from Current Year Activities for Capital Projects or Other Improvements	9.8	10.2	11.4	12.8	66.7
Cash balance - January 1	123.4	108.9	85.0	70.7	67.4
Total Cash Available for Capital Projects or Debt PrePayment	133.2	119.1	96.4	83.5	134.1
total CIP	(21.3)	(31.1)	(22.7)	(13.1)	(16.1)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	\$ 108.9	\$ 85.0	\$ 70.7	\$ 67.4	\$ 115.0
Senior debt service coverage (1.25x test)	1.39	1.40	1.45	1.51	1.77
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)	1.19	1.20	1.25	1.31	1.54

Scenario 2

5-Year Forecast

Projected End of Year Cash

	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	\$ 19.0	\$ 12.1	\$ 7.8	\$ 1.7	\$ (3.4)
Restricted-debt reserves	3.5	3.5	3.5	3.5	3.5
Restricted-Growth CIP (FCCs)	21.2	23.7	26.2	28.7	31.2
Restricted-CIP from bonds	32.4	12.7	0.0	0.0	50.0
	<u>57.1</u>	<u>39.8</u>	<u>29.7</u>	<u>32.2</u>	<u>84.7</u>
Reserved					
Operating	11.6	11.9	12.1	12.3	12.6
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>32.8</u>	<u>33.1</u>	<u>33.3</u>	<u>33.5</u>	<u>33.8</u>
Total	<u>\$ 108.9</u>	<u>\$ 85.0</u>	<u>\$ 70.7</u>	<u>\$ 67.4</u>	<u>\$ 115.0</u>

Scenario 2

5-Year Forecast

- Scenario 2 –
 - Meets cash reserve targets of AR 3012
 - 1.7-2.0x coverage only in 2021 and 1.39-1.51x for others
 - 1.2-1.5x internal coverage test (1.25x or higher desired)
 - Generates cash flow for pay-go projects from \$10-\$17 million annually
 - Reduces cash available for operations in the wastewater fund by \$9 million
 - Unrestricted/unreserved cash balance is negative by 2021
 - Does not offer opportunities to address UALs
 - Days of cash available
 - 2017-407 days
 - 2021-221 days

Scenario 3

5-Year Forecast

	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Total Debt Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 50.0
Total revenues	83.5	84.8	86.8	88.9	90.2
Total maintenance and operation costs	46.5	47.4	48.3	49.3	50.3
Net revenues	37.0	37.4	38.5	39.6	39.9
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	35.9	36.3	37.4	38.5	38.8
Senior debt service	25.1	25.5	25.5	25.2	21.6
Cash Available from Current Year Activities for Capital Projects or Other Improvements	10.8	10.8	11.9	13.3	67.2
Cash balance - January 1	123.4	109.9	86.6	72.8	70.0
Total Cash Available for Capital Projects or Debt PrePayment	134.2	120.7	98.5	86.1	137.2
total CIP	(21.3)	(31.1)	(22.7)	(13.1)	(16.1)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	\$ 109.9	\$ 86.6	\$ 72.8	\$ 70.0	\$ 118.1
Senior debt service coverage (1.25x test)	1.43	1.42	1.47	1.53	1.80
Alternative senior debt coverage					
Total FCCs in revenue above	7.50	7.50	7.50	7.50	7.50
\$\$\$ of FCCs removed from calculation	7.50	7.50	7.50	7.50	7.50
Potential senior debt coverage (1.0x test)	1.13	1.13	1.17	1.23	1.45

Scenario 3

5-Year Forecast

Projected End of Year Cash

	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	\$ 18.7	\$ 11.2	\$ 6.1	\$ (0.7)	\$ (6.6)
Restricted-debt reserves	3.5	3.5	3.5	3.5	3.5
Restricted-Growth CIP (FCCs)	22.4	26.2	29.9	33.7	37.4
Restricted-CIP from bonds	32.4	12.7	0.0	0.0	50.0
	<u>58.4</u>	<u>42.3</u>	<u>33.4</u>	<u>37.2</u>	<u>90.9</u>
Reserved					
Operating	11.6	11.9	12.1	12.3	12.6
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>32.8</u>	<u>33.1</u>	<u>33.3</u>	<u>33.5</u>	<u>33.8</u>
Total	<u>\$ 109.9</u>	<u>\$ 86.6</u>	<u>\$ 72.8</u>	<u>\$ 70.0</u>	<u>\$ 118.1</u>

Scenario 3

5-Year Forecast

- Scenario 3 –
 - Meets cash reserve targets of AR 3012
 - 1.7-2.0x coverage only in 2021 and 1.43-1.53x for others
 - 1.1-1.5x internal coverage test (1.25x or higher desired)
 - Generates cash flow for pay-go projects from \$10-\$17 million annually
 - Reduces cash available for operations by \$12 million with Unrestricted/unreserved cash negative in 2020 and 2021
 - Does not offer opportunities to address UALs
 - Development impact of Measure E is unclear so reliance on higher FCC forecast may not be prudent
 - Reducing hydroelectric revenues is questionable:
 - Current contract began 5/15/10
 - Four non-drought years (2010-2013) revenues averaged \$8.54 million (3 of 4 years averaged \$7.88 million or more)
 - Lower revenues in 2014-2016 resulted from temporary conditions- extended project outages for Esmeralda Tunnel, drought
 - Days of cash available
 - 2017-404 days
 - 2021-197 days

Scenario 4

5-Year Forecast

	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Total Debt Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 50.0
Total revenues	82.6	84.6	86.6	88.8	90.1
Total maintenance and operation costs	46.5	47.4	48.3	49.3	50.3
Net revenues	36.1	37.2	38.3	39.5	39.8
Pre-existing state obligations	1.1	1.1	1.1	1.1	1.1
Net revenues available after pre existing obligations	35.0	36.1	37.2	38.4	38.7
Senior debt service	25.1	25.5	25.5	25.2	21.6
Cash Available from Current Year Activities for Capital Projects or Other Improvements	9.9	10.6	11.7	13.2	67.1
Cash balance - January 1	123.4	109.0	85.5	71.5	68.6
Total Cash Available for Capital Projects or Debt PrePayment	133.3	119.6	97.2	84.7	135.7
total CIP	(21.3)	(31.1)	(22.7)	(13.1)	(16.1)
Pre funding debt	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash balance - December 31	\$ 109.0	\$ 85.5	\$ 71.5	\$ 68.6	\$ 116.6
Senior debt service coverage (1.25x test)	1.39	1.42	1.46	1.52	1.79
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)	1.20	1.22	1.26	1.33	1.56

Scenario 4

5-Year Forecast

Projected End of Year Cash

	<u>Projected 2017</u>	<u>Projected 2018</u>	<u>Projected 2019</u>	<u>Projected 2020</u>	<u>Projected 2021</u>
Breakdown of end of year cash balance					
Unrestricted/Unreserved	19.1	12.6	8.6	2.9	(1.8)
Restricted-debt reserves	3.5	3.5	3.5	3.5	3.5
Restricted-Growth CIP (FCCs)	21.2	23.7	26.2	28.7	31.2
Restricted-CIP from bonds	32.4	12.7	0.0	0.0	50.0
	<u>57.1</u>	<u>39.8</u>	<u>29.7</u>	<u>32.2</u>	<u>84.7</u>
Reserved					
Operating	11.6	11.9	12.1	12.3	12.6
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>32.8</u>	<u>33.1</u>	<u>33.3</u>	<u>33.5</u>	<u>33.8</u>
Total	<u>\$ 109.0</u>	<u>\$ 85.5</u>	<u>\$ 71.5</u>	<u>\$ 68.6</u>	<u>\$ 116.6</u>

Scenario 4

5-Year Forecast

- Scenario 4 –
 - Meets cash reserve targets of AR 3012
 - 1.7-2.0x coverage only in 2021 and 1.39-1.52x for others
 - 1.2-1.6x internal coverage test (1.25x or higher desired)
 - Generates cash flow for pay-go projects from \$10-\$17 million annually
 - Reduces cash available for operations by \$7 million with Unrestricted/unreserved cash negative in 2021
 - Does not offer opportunities to address UALs
 - Days of cash available
 - 2017-407 days
 - 2021-232 days

Summary

- Staff recommends Scenario 1 as best meeting AR 3012 goals and objectives
 - Continues to limit rate increases to 5% or less;
 - Generates sufficient cash flow each year to fund annual pay-as-you-go construction projects;
 - Development impact of Measure E is unclear;
 - Creates positive unrestricted/unreserved cash balances and overall end-of-year cash reserves near the high end required by AR 3012 without over reliance on FCCs.
- No scenario includes any extraordinary actions to address UALs

Other Director Items

- In addition to the proposals included in Scenario 2 and 3 the Board member also requested the consideration of the following:
 - Increasing the debt prepayment each year from \$3 million to \$6 million
 - Providing low-income rate assistance
 - 2017-\$200,000 for water customers and \$200,000 for wastewater customers;
 - 2018-\$250,000 for water customers and \$250,000 for wastewater customers

Staff Responses to Other Director Items

- Increasing debt prepayment
 - Although this would improve the debt coverage in the subsequent year, unrestricted/unreserved cash would continue to decrease under Scenarios 2, 3 and 4
 - Prepayment is not considered by rating agencies reviewing the District's financial performance
 - Recommendation: increase prepayment only if a significant impact to operating revenues is foreseen for the following year

Staff Responses to Other Director Items

- Low-income assistance
 - Reduces operating income
 - Known and unknown costs to operate program, reducing resources for day-to-day operations
 - Equity issue if funding source is property taxes
 - Recommendation: await state's AB401 implementation
 - May make our action unnecessary
 - Might have to alter a program created now

Board Decision/Options

Option 1: Adopt the El Dorado Irrigation District 2017-2018 operating budget and the 2017-2021 Financial Plan (Scenario 1), including the implementation of previously approved rate increases for 2017 for water, wastewater and recycled water.

Option 2: Take other action as recommended by the Board.

Option 3: Take no action.

Staff/Acting General Manager's Recommendation

- Option 1

Discussion/Questions