



## EID RATE HIKE MEETING TURNS CONTENTIOUS MANY EXCLUDED AS RATEPAYERS COMPLAIN

Numerous angry El Dorado Hills residents were unceremoniously turned away from the EID rate increase meeting at the El Dorado Hills main fire station on January 13, as the doors were closed in their face by fire department officials. The excuse used to deny the residents a voice at the meeting was that the room was filled to its 200-person capacity.

Protesters who were left outside of the meeting loudly accused the EID of setting the meeting at such a small venue in order to deny irate ratepayers a voice in the meeting. "Obviously they scheduled a spot where there wasn't enough room," said one of the shut-outs. "They don't want to hear what we have to say."

Those who were lucky enough to get into the meeting voiced frustration with the EID's rate-raising process. One El Dorado Hills resident said the small notice from EID regarding the proposed increase was sent during the Christmas holiday season and overlooked by many.

Since a 51 percent protest response from rate payers is required to stop the increase, many attendees said that they are concerned that the number might not be met, or under-reported, because EID is the one doing the counting.

### *EID Claims*

EID claims that the district does not anticipate receiving enough revenue to cover operating expenses while continuing to meet its legally required debt service obligations—payments they must make—in 2010 and beyond. This means that EID does not have the income to both run EID operations and also pay back the debt it has borrowed. Added to this is the requirement of the lenders that EID have adequate reserves of at least 25 percent as a cushion against hard times.

Based on EID's projected revenue shortfalls, EID says that they have acted over the past two years to cut their operating expenses significantly. The EID has cut more than \$7 million out of the 2010 budget that was initially adopted by the EID board in late 2008. The EID's final 2010 budget, adopted in November, requires an additional \$1 million in cuts by the beginning of 2010. The final 2010 budget will be less than any EID annual budget since 2006, according to an EID spokesman. However, the projected revenues for years 2010 and later still fall short of what EID says is needed. The major shortfall in EID revenue is blamed on the loss of new connection charges.

### *Connection Charges*

EID's past use of connection fee revenues—the money that EID gets for new water connections—as a revenue source for repaying bonds and maintaining adequate financial reserves has emerged as a contentious issue.

Critics charge that counting the revenue from hookup fees, which depend entirely on new home building activity, is risky. They compare that to someone borrowing money and thinking that they will be able to pay the loan back by using their overtime pay.

EID says that for the past several years, revenue collected from new residential home development—along with a series of modest rate increases—helped to stabilize the district's budget and kept existing customers' rates down. But residential development in El Dorado County crashed, and predictions are it will be some time before housing starts rebound. Instead of the \$14 million EID projected to receive in 2009 from new hook-up charges and \$16 million projected for 2010, it is likely the district will receive only \$1 million this year, and EID's 2010 projections from hookups has dwindled to \$3 million.

EID says that the proposed rates are designed to bring in the revenue needed to both cover their operating expenses and meet their debt service obligations.

### *Foreseeing the Housing Bust*

Detractors say that EID should have known that a housing bust was coming. Claims that there was no warning of the housing crisis were repudiated in an August 2008 article in the *The New York Times*, which reported that Richard F. Syron, the CEO of Freddie Mac, the congressionally chartered institution that buys mortgages from lenders and resells them as securities on the secondary mortgage market, received a memo from David Andrukonis, the company's former chief risk officer in 2003, warning him that Freddie Mac was financing risk-laden loans that threatened Freddie Mac's financial stability. In his memo, Mr. Andrukonis

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## MEETING *(continued)*

wrote that these loans “would likely pose an enormous financial and reputational risk to the company and the country.” The article revealed that more than two-dozen high-ranking executives said that Mr. Syron had simply decided to ignore the warnings. Other cautions came as early as 2001, when the late Federal Reserve governor Edward Gramlich warned of the risks posed by subprime mortgages.

Reuters news agency reported in October 2007 that a Merrill Lynch analyst too had warned in 2006 that companies could suffer from their subprime investments.

On the basis of 2006 market data that were indicating a marked decline, including lower sales, rising inventories, falling median prices and increased foreclosure rates, some economists have concluded that the correction in the U.S. housing market began in 2006.

A May 2006 Fortune magazine report on the US housing bubble states: “The great housing bubble has finally started to deflate . . . In many once-sizzling markets around the country, accounts of dropping list prices have replaced tales of waiting lists for unbuilt condos and bidding wars over humdrum three-bedroom colonials.”

A May 16, 2006, CNNMoney.com article by senior writer Chris Isidore was headlined: “Housing slowdown to be widely felt—Slowdown in residential building and home sales will be felt throughout the economy; weaker jobs and consumer spending expected.”

National home sales and prices both fell dramatically in March 2007—the steepest plunge since the 1989 Savings and Loan crisis. According to National Association of Realtors data, sales were down 13% to 482,000 from the peak of 554,000 in March 2006, and the national median price fell nearly 6% to \$217,000 from a peak of \$230,200 in July 2006.

### ***EID Has Cost Cuts***

EID says that during the past two years it acted to reduce expenses significantly. They refinanced \$110 million in bonds in early 2008 to lower their debt repayments; they reduced management positions for savings of \$1.1 million in 2009 and \$1.4 million annually beginning in 2010; they reduced operating costs by \$5 million in the fall of 2008 by laying off 31 employees, eliminating vacant positions, effectively cutting nearly 20 percent of its workforce from early 2008 levels.

EID has also deferred capital improvement projects to reduce borrowing and repayment obligations. All in all, EID says that its 2010 budget is now less than any district budget since 2006.

### ***Irate Citizens' Complaints***

The following exchanges took place at the fire department meeting, according to articles in the Mountain Democrat that reported the event:

El Dorado Hills retirement community's Four Seasons Civic League president, John Raslear, promised his group would file a complaint with the El Dorado County Grand Jury to have EID's finances investigated.

“In regards to the Grand Jury, I'm an open manager. We're a transparent operation,” EID General Manager Jim Abercrombie said. He added that the district's financial reports for the last three years are on the district's Website. “I encourage you to come and look at it.” Abercrombie was appointed GM in September 2009.

“EID did a very good job of using all the money in the good years,” said John Pierson, a Cameron Park owner of rental units. “You didn't do a good job of raising rates a little bit. Now you're looking for a bailout. Why didn't you hit a medium ground and spread the pain between EID and the customers? In hard times you maintain; in good times you improve.”

“We are in discussions with the employee association to see how we can get through this, how to minimize the rate increase,” Abercrombie said.

“State employees get 2 percent at 55 (retirement),” said El Dorado Hills resident Mike Harper. “EID gets 2.7 percent at 55. Seems EID is out of whack. I don't mind if they get 2.7 percent as long as they pay for it.” Pierson, who has known Abercrombie since he was a PG&E district manager in Placerville, added, “If Jim (Abercrombie) had been running this district we wouldn't be here.”

### ***Additional Meetings Set***

The next scheduled workshop will be at the Pollock Pines Community Center, Monday, January 18, 2010, at 6:00 PM. The EID has scheduled two additional meetings to accommodate the unexpected number of irate citizens: Wednesday, January 27, 2010, at 6:00 PM at the Oak Ridge High School Cafeteria, 1120 Harvard Way, El Dorado Hills; and Thursday, January 28, 2010, at 6:00 PM at Cameron Park Community Service District, 2502 Country Club Drive,

Cameron Park.

The official public hearing by the EID Board of Directors, where the board will announce its decision on the amount of the rate increase, will be held on 6 p.m. February 4 at 6 PM in the Board of Supervisors meeting room, 330 Fair Lane, Placerville. ~



## **EID RATE PROTEST GAINS MOMENTUM**

### **Ratepayers Exercise Their Right To Say No**

The rate increase proposed by El Dorado Irrigation District (EID) is encountering headwinds in the form of many protest letters voting against the rate hike. If more than half of the ratepayers say no to the new rates, they cannot be imposed according to Article 13D of the state constitution, which is also known as Proposition 218.

According to long-time county residents, this is the first time that there has been an organized push-back to an EID rate increase that they can remember.

Critics of the rate increase credit the Citizens Against Rate Extortion (CARE), a grass-roots organization based in Cameron Park and El Dorado hills, for spearheading the effort to send the EID board the message that they do not want the large rate increases. The proposed increases would boost the rates for EID water and sewer services 80 percent over four years.

EID customers may object to the rate increase by sending a letter to the EID. A form protest letter and completion instructions may be found on the internet at CARE's web site [www.stopeid.org](http://www.stopeid.org). ~



[WWW.StopEID.org](http://WWW.StopEID.org)

## THE PRESIDENT'S LETTER



Hello All,

This month's Bulletin covers the latest controversy, that of proposed increases to water and sewer rates. A lot is going on, as you can tell by our front-page story on the troubles of EID.

I think I speak for a lot of us when I say that it's a pity that things got this way. From speaking to some folks who are close to the situation, it appears that the EID kept water and sewer rates low by using up their reserves. Then they bet that housing starts would keep going and that new connection fees would plug any holes in their budget. We all know what happened.

Recriminations aside, what EID needs to do is learn from their mistakes and become a better organization. The law that established the EID over 75 years ago provides only one constituency to which EID is responsible: the ratepayers, the customers of EID. Yes, the state and federal governments tell them what to do about water purity and water rights, but as far as conducting their business affairs, the ratepayers are boss.

So if the ratepayers have to bail out—yes, that's the right word for what is happening—EID, then the ratepayers need to have more of a say in the running of EID. Evidently the fox has been guarding the henhouse, so to speak, so EID must cede more control to the ratepayers to set up a process that hopefully will avoid this situation in the future.

Not that I think that a one-year rate hike is going to solve the problem. I have seen the shape that EID is in. Independent analyses of the EID's finances and operations by BLAC, El Dorado Hills Citizens Alliance, and the Four Seasons Civic League folks have revealed that EID has some serious fence-mending to do, both fiscally and

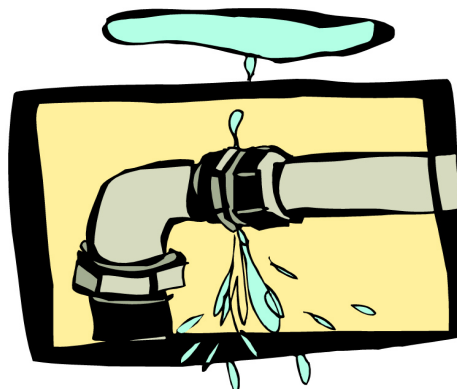
morally. Fiscally as far as getting their finances in order, and morally with respect to treating their customers, the ratepayers better.

The present EID board must meet their ratepayers halfway. They must assure their customers that they have done ALL that they can do to cut costs. I think they can cut more and moderate the rate increases that have been proposed. People are telling me that if the 35 percent rate increase is imposed that it won't be the last the EID has heard from them.

Alas, I fear the worst, but hope for the best. I hope that somehow a compromise can be struck. But it's up to the EID board to bring a compromise to its customers.

*John E. Thomson*

President



Story by Kathy Prevost

### POSSIBLE WATER METER BOX LEAKS IN WOODRIDGE REPORTED

Several neighbors in the Woodridge neighborhood have encountered leaks in the EID water meter boxes (sometimes called vaults) that were installed when their homes were first constructed. These boxes are in the ground close to the street and are usually in front of your house.

The box closest to the street contains your water meter and is the responsibility of EID, while the box closest to your house is the responsibility of the homeowner, and is where most of the leaks have occurred.

Leaks have not been exclusive to either builder (Warmington or Lakemont), and have reportedly been the result of over tightening of the pipe fittings in the meter box closest to their residences. The leaks may sometimes be identified by a hissing noise as the water leaks out, or the presence of a lot of runoff water around the meter box.

In at least one case of which we are aware, a leak was discovered by a passer-by who heard the noise of the leak and reported it to the homeowner. EID dispatched a service person that verified the leak and its location, volunteered to supply the compression fitting to fix the problem, and did so.

Another way to verify a possible leak would be to turn off all water inside the house, or turn of the exterior water valve at the house, and check the water meter numeric read-out to see if it is moving thereby indicating water flow. If it moves, you probably have a leak! ~



### ARE THESE TEN TECHNOLOGIES IN A DEATH SPIRAL?

Take a look at what some of European techies think will soon be going the way of the Walkman, the VCR and the green-screen PC monitor display. Late in 2009, online retailer Pixmania recently offered its views on 2010's most endangered technologies. Pixmania is a pan-European e-tailer of digital photographic and consumer electronic goods.

The Pixmania list of endangered gadgets goes as follows: 1. DVD players; 2. Fax machines; 3. Analog TVs; 4. Landline phones; 5. Mobile phone chargers (to be replaced by charging pads); 6. Wii-mote (The Wii Remote, sometimes unofficially nicknamed "Wiimote", is the primary controller for Nintendo's Wii console); 7. Satellite Navigation systems ; 8. Dongle (This funny-sounding computer term has two widely different definitions that are completely unrelated: a little hardware device that plugs into the serial or USB port of a computer to ensure that only authorized users can use certain software applications and a little connector that attaches to a PC card in a laptop on one end, and to an Ethernet cable on the other end. As far as why the name dongle is used, I have no

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**TECHNOLOGY** *(continued)*

idea.); 9. The computer mouse; 10. Chip and PIN credit cards.

According to Pixmania, most of these are facing obsolescence because they're being replaced by newer or more integrated technologies: High Definition video replacing DVD's, email replacing fax, touch screens succeeding the mouse, mobiles (cellphones, Blackberrys, iPhones) replacing landlines and satellite navigation systems, and chip-and-PIN credit cards being relegated to the corner thanks to near-field communications (NFC) based contact-less payment. NFC is all about paying for stuff with your mobile, among other applications.

Predicting the demise of a technology, especially that of a consumer good, is fraught with danger. Too often the technorati or digerati (two popular terms for individuals on the bleeding edge of technology) are so far ahead of the general public as they reach for the latest, coolest gadget.

While beyond the scope of this story, the evolution of a consumer product from adoption to obsolescence depends on so many factors that a vast number of economists are paid vast sums of money to evaluate the life cycle of products. For instance, what will be the life span of 3-D TV? Anyone who lived through the fad of 3-D movies will tell you. But don't tell Sony. ~



*January  
Now is here—  
A fine new start  
For a whole new year.  
The snow comes down  
In the dark of night.  
When we awake  
The world is white.  
In January  
When there's snow,  
We get our sleds  
And away we go.*

— Unknown

**UNION PACIFIC TRANS-SIERRA TUNNEL FIXES**

Union Pacific crews spent 2009 cutting notches in the arched concrete roofs of 15 tunnels, some more than 100 years old, between Rocklin and Donner Summit, so a new generation of taller, double-stacked container freight trains can traverse that rail route.

After the improvements the 140-year-old rail line, which parallels Interstate 80, is expected to handle more freight than ever to and from Chicago and points east.

In some tunnels, where the notching couldn't safely be done, crews temporarily removed the train tracks, dug the floor lower, and then re-laid the tracks. The company also rebuilt some tracks and upgraded the signal systems.

The Sierra tunnel project is part of a \$2.6 billion track upgrade in 23 states that was undertaken in 2008. Until the tunnel project was finished last month, double-stacked trains had to traverse a longer route along the Feather River, limiting the amount of east-west shipments passing through Northern California.

UP officials say the project is the first of several steps to upgrade the historic corridor, route of the first transcontinental railroad. ~

**BLAC ELECTS OFFICERS FOR 2010, SETS FEBRUARY MEETING**

The election of officers for 2010 was held during the January Bass Lake Action Committee meeting. The annual elections are usually held in December, but the December meeting was cancelled due to bad weather, it being felt that it was too cold and snowy for members to safely attend the meeting.

The 2010 officers are: John Thomson, President; Kathy Prevost, Vice President; Tasha Boutselis-Camacho, Treasurer; Fran Thomson, Secretary; and Hal Erpenbeck, Director-at-Large.

The February BLAC meeting will include a discussion of public transportation in El Dorado Hills and vicinity. It will be held on February 1, 2009, at 7:00 PM at the home of John and Fran Thomson, 501 Kirkwood Court, El Dorado Hills, telephone 530-677-3039.

For information contact Vice President Kathy Prevost at 530-6772-6836. ~

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The Bass Lake Bulletin is published monthly by the Bass Lake Action Committee, El Dorado Hills, California

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