

**General Manager's - Monthly Report**

OID recently completed a refunding of \$26 million in municipal bonds it had secured back in 2009. Refunding bonds is a process like refinancing your house. In 2009 OID had borrowed money at the beginning of the "great recession" at a 5.4% interest rate. OID was able to secure a refinancing of the remaining debt on those bonds at 3.0%. OID ended up saving about \$4.7 million over the 21 year refinancing period (\$275,000 annually); not bad.

Since the recession "the process" of borrowing money in the amounts OID was looking at has become equivalent to being strip searched on the pitcher's mound during the 7<sup>th</sup> inning of a Giants-Dodger game. There is no stone left unturned by the rating agency in their quest to know EVERYTHING about one's business operation. They do this to provide institutional investors with insight and assurance of the credit worthiness and business savvy of the bond seller, in this case OID, in meeting its long term repayment obligations. The end product of this microscopic analysis of OID's business is the assignment of a bond rating on OID's risk.

The benefit of this process to OID constituents is a clear picture about the operations and management capability of OID. This rating process strips out the politics, the noise, the hype, the rhetoric and provides an unbiased independent third party analysis of the core operations driving OID. That being said, I thought I would provide what Standard & Poor's (S&P) put in their Rational Report that was provided to the Institutional investors who purchased OID's Double A (AA) Rated Bonds. As presented to the OID Board on August 17<sup>th</sup>, the AA Bond Rating that was reaffirmed by S&P is the highest rating an irrigation district in the United States can attain.

**S&P Rationale Summary Excerpts with regard to Enterprise Risk:**

"Our assessment of the district's enterprise risk profile as strong reflects the stable and predictable revenue and cash-flow streams from very low-risk water service and a good operations framework. Based on our operational management assessment we view the district to be a '2' on a six-point scale, with '1' being the strongest. Good alignment between the system's operation characteristics and management is good and comprehensive. The district has ample water supply to meet long term demands. Management is confident that water transfers and contracts will be secured in the future to continue the robust financial metrics."

**S&P Rationale Summary Excerpts with regard to Financial Risk:**

"Our assessment of the system's financial risk profile as extremely strong reflects the district's very strong all-in coverage with recognizing the concentration of revenues depend on hydrology, extremely strong liquidity position, low leverage, manageable capital needs and good financial management framework. Based on our financial management assessment, we view the district to be a '2' on a six-point scale with '1' being the strongest. Liquidity has been at least 1,055 days during the past five years with an anticipated unrestricted cash balance at the end of 2016 of \$53.1 million.

**S&P Rationale Summary Excerpts with regard to Outlook:**

The stable outlook reflects our view of the district's strong economic base, affordable service rates, and ample water supply.

In a nutshell, this is your OID. OID did not get in this position by luck or chance. This has been accomplished by the Board of Directors over the past fifteen years through their planning, management and resource commitment of OID's hydroelectric and water assets. That leadership took OID from a hand-to-mouth organization to a well-positioned business centric public enterprise. As constituents, you can be comfortable with that leadership. While a seasoned Board of Directors is important in managing OID's future challenges, that future is nearing upon us quickly. In the month of September, the State of California Water Resources Control Board will be issuing a revised Water Quality Control Plan for the Bay-Delta Estuary. That "plan" if and when implemented, portends to take 120,000 acre feet (20% of your water rights) from OID and SSJID to meet its flow objectives. My topic next month will be "our future" and how we collectively address and meet this new challenge.

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## Water Report as of September 1, 2016

Facility	Max Storage (af)	Current Storage (af)	% Capacity	Inflow (cfs)	Storage Change Since 9/1 (af)
New Melones - Federal	2,419,523	544,400	22%	770	(38,345)
Donnells	64,325	33,807	52%	96	(19,099)
Beardsley	97,802	77,175	79%	176	(10,181)
Tulloch	66,968	64,216	96%	1,403	(1,320)

New Melones Inflow since Oct = 924,198 af  
OID 2015/16 Water Allocation = 300,000 af  
OID Water Used since Oct 1 = 157,296 af  
Projected Use Sept 1-Sept 30 = 30,844 af  
Total Projected Use Oct 1-Sept 30 = 188,140 af  
Water Sold this year (April/May) = 42,500 af  
Water made available for local use = 5,000 af  
Local Water Used to date = 345 af  
Projected OID water lost to Federal Government on September 30 = 69,360 af



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