

## Water wars : State's error could cost local water agencies millions

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The Central Coast Water Authority is putting up a fight after learning it may be forced to pay millions of dollars to the California Department of Water Resources because of a billing error.

The state agency recently alerted members of the State Water Contractor Board, including the Central Coast Water Authority, about a projected cash flow shortage due to undercollection over the past year.

Ray Stokes, executive director of the Central Coast Water Authority, said he was blindsided by the announcement met with state officials Tuesday in Sacramento.



Ray Stokes, general manager of the Central Coast Water Authority, met with state officials Tuesday in Sacramento.  
STEVE YEATER/ASSOCIATED PRESS

"The DWR is taking it very seriously. I will say they are putting significant resources on the issue," Mr. Stokes said. "I am doing everything possible to minimize the impacts to our local water agencies."

Mr. Stokes wrote a letter to the director of the Department of Water Resources last week.

"We have already spent millions on supplemental water," due the drought, Mr. Stokes explained.

The Central Coast Water Authority buys water from the State Water Project and operates a pipeline system that brings the water to Santa Barbara County. The authority is made up of eight member agencies, including cities of Santa Barbara, Santa Maria, Buellton and Guadalupe, and four water districts, including Goleta, Montecito and Carpinteria Valley.

The Department of Water Resources manages the State Water Project and bills each of California's 29 water contractors, including the Central Coast Water Authority, at the beginning of each fiscal year on July 1.

DWR officials informed the water contractors last week that the agency somehow underestimated its costs for 2013 and 2014, and the bills paid by the water contractors for those years did not cover all of the department's expenses.

To make up for the miscalculation, which exceeds \$100 million, according to Mr. Stokes, the Department of Water Resources plans add what it needs to this year's bill.

That could result in an additional \$4 million to \$7 million for the Central Coast Water Authority.

"We don't have that kind of money in our reserves," said Mr. Stokes, and that means the costs will likely be passed down to the member agencies.

In his letter, Mr. Stokes wrote the projected increases could create the "biggest financial impact in the history of CCWA" because this year's budget has already been adopted and funds have already been collected by member agencies.

Montecito Water District could be among the local water agencies hardest hit.

"This could cost us well over half a million dollars in an unbudgeted special assessment. Our direct costs to cover the drought to date are over \$2.1 million," General Manager Thomas Mosby said.

"We are estimating that cost and more regarding special drought expenditures moving into the coming fiscal

year," Mr. Mosby said. "This places Montecito in a precarious financial dilemma."

Mr. Stokes said he was told the undercollection is partly due to hiring to fill about 125 vacant positions at the Department of Water Resources, and pay increases for many employees in 2013.

The water contractors supported those pay increases after the DWR experienced a "mass exodus" of its most qualified employees, Mr. Stokes said.

"We were encouraging the state government to allow for those increases," said Mr. Stokes. "We are still fully behind them, and want them to maintain qualified personnel."

Because billing is done in advance, Mr. Stokes said those increases were not included in the 2013 billing cycle, and for some reason, they were not included in the 2014 cycle either.

The exact amount each state water contractor will owe is still not entirely clear. The Department of Water Resources is expected to send out a bill with 2015 budget estimates by next week, Mr. Stokes said.

Mr. Stokes said he was told during Tuesday's meeting that state officials will look for ways to reduce the charges.

Mr. Stokes will meet with the CCWA operating committee and board of directors next month to discuss the issue.

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