

State water agency explains billing issues : State's miscalculations may result in higher water rates and threaten supplemental water

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The California Department of Water Resources is looking for ways to cut spending, after billing miscalculations over the past two years resulted in an unprecedented large "spike" in costs to the state's water contractors.

Each year, DWR sends a bill to the State Water Project contractors, including the Central Coast Water Authority, for projected costs for the upcoming year.

"There is, in the State Water Project water supply contracts themselves, an inherent difficulty in the SWP billing process in that the bills are prepared 6-18 months prior to the costs being incurred and prior to knowing how much water will be available for delivery. So, forecasted scenarios and expected budgets are used," explained Ted Thomas, with DWR's Public Affairs Office. "Historically, while operating costs have increased over time, we did not encounter any large 'spikes' in costs."

That is not the case this year.

Local state water contractors learned last week DWR grossly underestimated its costs for both the 2013 and 2014 fiscal years, and planned to charge state water contractors more this year to make up that \$100 million deficit.

"The combined known under-collection for 2013 and the projected 2014 under-collection will result in overall operating costs that will be 7-10 percent higher in 2015, and will be reflected in the 2015 Statement of Charges," Mr. Thomas explained.

DWR officials said there are several reasons for the spike.

"Beginning in 2013 there were some significant increases due to a number of factors; elimination of furloughs, increase in SWP maintenance staff (123 new positions), and a larger than normal number unexpected maintenance projects. These costs we not included in the projections and resulted in an under billing," Mr. Thomas said.

The City of Santa Barbara's acting Water Resources Manager said the error should have been avoided.

"Aside from the unexpected maintenance projects, the other two factors should have been forecasted well in advance," he said. "It also doesn't sound like DWR operates with any type of budget reserves. Typically, budget reserves can act as a shock absorber for unexpected maintenance issues so the customers (Water Agencies) have time to prepare for increases in service costs of this magnitude in the future."

While the exact numbers aren't expected out until next week when DWR sends the bill for 2015, Ray Stokes, CCWA's Executive Director said the projected increases could equate to a \$4 to \$7 millions for CCWA, and its member agencies, including the Goleta, Carpinteria Valley and Montecito Water Districts, and the cities of Santa Maria and Santa Barbara.

He said the higher bill would also have a significant impact because this year's CCWA budget has already been adopted and funds have already been collected.

DWR officials are now working to identify program areas where a deferral of projects and reduction in operating costs could be achieved without jeopardizing the ability to deliver what water may be available in 2015, Mr. Thomas said. "When these areas can be identified, DWR will issue a revised billing reflecting a



Lake Cachuma is shown in April.
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reduction," he added.

While that is good news to the many local water agencies, who will likely get stuck with the higher bill, some believe the burden to cover the additional costs should ultimately fall on state agency. "It sounds like an honest mistake, but it's their mistake," said Charles Hamilton, General Manager of the Carpinteria Valley Water District.

Based on preliminary numbers, Mr. Hamilton said Carpinteria could be responsible for \$250 to \$400,000 in additional costs.

In order to come up with the money, he said the District may have to dip into reserves or raise customer rates, yet again. The CVWD is currently going through the process of raising rates, due to increased drought-related costs.

Mr. Hamilton expects to have a mid-year budget review with the CVWD board of directors sometime in November to come up with a plan.

Meanwhile, Montecito Water District's General Manager Thomas Mosby said the increases could hamper his district's ability to purchase much-needed supplemental water during the current water shortage crisis. "The impact to MWD customers has not been fully identified at this time since we do not know the magnitude of the special assessment for the upcoming fiscal year," Mr. Mosby said.

The City of Santa Maria's Director of Utilities, Richard Sweet, is also awaiting the official numbers before he gets too concerned. "Ray Stokes, CCWA Manager, has been very effective at negotiating the most beneficial solution for member agencies," said Mr. Sweet.

While Goleta Water District General Manager John McInnes said the GWD has not budgeted for any additional expenses, he also is waiting for the DWR bill.

According to DWR officials, the state agency has assigned a task force to review the overall billing development process. "(DWR will) institute additional checks and balances to ensure the process will not allow for any future significant under billing," he said. "DWR is actively looking for opportunities to mitigate and reduce impacts to its customers."

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