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Water rates may be rising

El Dorado Irrigation District will vote a $1.07-a-month surcharge to bridge a budget shortfall.

By Cathy Locke -- Bee Staff Writer
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Residential water customers in the El Dorado Irrigation District likely will be asked to pay an additional $1.07 per month for the next three years to help offset a shift in property tax revenue to balance the state budget.

During a budget workshop Monday, district board members said a 4.3 percent surcharge for all water customers appeared to be the best option for bridging the revenue gap created by last-minute state budget negotiations. The surcharge, if approved, would expire after three years.

"I really believe the surcharge is the way to go," said director Harry Norris.

He urged staff members to determine as precisely as possible how much the district needs to generate through the surcharge.

"We have a lot more credibility if we do the math and let people know why we're doing it," he said. "We're not doing it to line our pockets. We're doing it to make ends meet."

Phil Knapik, acting director of finance and management services, said the surcharge would amount to $1.07 per month for the average residential customer, $1.28 for the average domestic irrigation account and $2.02 per month for agricultural water users.

The board will consider approving a two-year operating budget Tuesday.

Under the terms of its financial plan, the district must generate enough revenue to cover 125 percent of its operating expenses and debt-service payments, Kna pik said.

The district in June had anticipated losing $2.6 million annually for two years because of the shift of property tax revenue to balance the state budget. But in final legislative negotiations, fire protection, police, hospital, library, transit, mosquito and vector control districts were exempted from the tax shift, leaving districts that can generate revenue through fees and service charges to cover the shortfall.

As a result, the El Dorado Irrigation District will lose $5.2 million annually for two years.

The district's proposed operating budget projects $49 million in revenues and $35 million in operating expenses for 2005 and $55 million in revenues and $36.3 million in operating expenses in 2006.

In addition to $304,000 in pre-existing debt, the district must make debt payments of $11.4 million in 2005 and $16.4 million in 2006. To maintain the required debt-service coverage ratio, Kna pik said, the district must generate an additional $600,000 in revenue in 2005 and $2.2 million in 2006.

Alternatives to the proposed surcharge include reducing operating expenses and drawing on the district's rate stabilization reserves.

The district cut operating costs by more than $1 million earlier this year by reducing the number of temporary employees, telephone services costs and chemical costs at wastewater treatment plants. Those reductions, coupled with water and wastewater rate increases approved in August, were designed to offset the $2.6 million annual loss initially anticipated.

Directors and staff members Monday voiced reluctance to dip into rate stabilization reserves to compensate for the additional loss, citing the state's continued fiscal uncertainties.

"I support keeping the rate-stabilization fund intact," said General Manager Ane Deister. "It is a rainy-day fund, and we don't know what is going to happen."

Because of actions it has taken over the past three years, the El Dorado Irrigation District is better positioned to weather the revenue losses than many other water agencies, Knapik said. Some agencies anticipate rate increases of up to 30 percent, he said, noting that the Santa Clara Valley Water Agency likely will have to eliminate about 90 employees and raise rates.

Reviewing the district's "return on investment" for 2002-04, Human Resources Director Mich ael Dugan, reported that increased costs for employee salaries and benefits, workers' compensation, engineering services and legislative advocacy rose approximately $8.6 million over the past three years.

During the same period, the district reduced expenditures in several areas including consulting, contractual and legal services, and acquired $8.8 million in new grant revenues. The result was $22.7 million return on investment, or a net savings of about $14 million.

The proposed 2005 budget calls for 10 new positions. Eight would be funded by the operating budget and two by the district's capital improvement program. The capital improvement program budget will be presented to the board for approval in January.

David Powell, director of facilities management, said departments would cover the cost of new employees within their existing budgets. He proposed adding four employees to the district's drinking water division in a step toward operating water treatment plants around the clock.

If departments can add positions without increasing their budgets, director John Fraser said one might conclude there was some fat in those budgets.

Deister said the district has demonstrated over the past two years that the the cost of new positions often can be offset by reduced costs for overtime and contractual services.

"If we have less overtime, we have less safety issues, which leads to a decrease in workers' compensation," she said.

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Go to: Sacbee / Back to story