

April 17, 1978

Big Water Rate Increase Foreseen In Santa Cruz

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Some 60,000 persons - equal to more than a third of the county's population - face the impacts of possibly big water rate increases in the next few months.

With a projected Santa Cruz water budget showing an estimated \$854,000 deficit in fiscal 1978-79, and with construction and operating costs soaring, the city Water Commission this morning agreed to set up a study session within the next month to determine how much of a rate increase should be recommended to the Santa Cruz City Council.

The need for the rate increase hit several of the commissioners hard, for they have been taking much flak from customers who have been made fighting mad by the drought surcharge now being levied on all bills.

On the surcharge issue, Commissioner Mel Calender said: "I wish now that they had gone along with increasing the rates back then to pay as we went along."

This concept of raising rates was given to the Santa Cruz Council in early 1977 as one way to make up for a deficit anticipated to be incurred by the contemplated water rationing program. But the council would not accept the recommendation at that time, opting to use other means to keep the projected deficit small while avoiding giving customers bigger bills to pay when they were being forced to use less water.

A presentation this morning by Morris Allen, Santa Cruz water director, showed the Water Department has had deficits in each of the past five years. One was only about \$5,000 in a \$2 million budget. Rates were raised to cope with a \$227,900 deficit in the following year, 1975-76, but then the first year of the drought hit hard and there was a \$438,067 deficit in 1976-77.

All the foregoing deficits were made up from

accumulated surplus revenue and depreciation accounts.

So the \$331,469 deficit projected for the current fiscal year because of reduced water sales during rationing is having to be made up in part through the drought surcharge, council contributions of federal revenue sharing funds and another resort to depreciation funds.

In the fiscal year ahead, however, the Water Commission is calling for a big increase in maintenance work to make up for use of depreciation funds and skipped maintenance work in the past. Hence the projected \$854,000.

Another reason for the proposed rate increase is that water production costs have soared to 78 cents per 100 cubic feet. This cost is derived by dividing operating expenses by 100 cubic feet of water sold.

The cost was 62 cents per 100 cubic feet in 1977, 51 cents in 1976, 44 cents in 1975 and only 35 cents in 1968.

In 1977 the average sales price for water was about 50 cents per 100 cubic feet, meaning the city lost 12 cents on each 100 cubic feet sold . . . and sales declined sharply, as well, because of rationing.

Commissioner Lorette Wood said, and other commissioners agreed, glumly: "Well, it's pretty obvious we need a raise."

The baring of district finances indicated that people who have claimed the Water Department makes a profit on its service have not gone to the trouble of getting the true facts, it was noted.

But even though the Water Department must end each year without a deficit - according to law - the commissioners expect to be blasted again when they tell the council in a few months exactly how big a big water rate increase will have to be to keep the department solvent.

Allen recently told the council the department serves some 19,500 connections from which an estimated 60,000 persons get their water.