

R.R. S.C. Water Crisis

4/3/77

Water rationing cuts income

Water rationing could be ended in the Live Oak area by the Santa Cruz city council next week.

But thanks to a highly successful rationing program throughout its service area, the city water department is forecasting a possible deficit of \$500,000 by the end of 1977.

The department has already used up its \$300,000 operations depreciation fund, said engineering operations superintendent John McGuire.

The Soquel Creek County Water District, which supplies water to Capitola, Soquel, Aptos and La Selva Beach, doesn't foresee any serious financial difficulties resulting from its customers using less water this summer.

Soquel District Manager Bob Johnson has repeatedly told his board that a rate hike might be necessary this fall to recover lost revenues from the summer-long propaganda campaign to conserve water.

A revenue review had been scheduled for this fall, but Johnson said it had been delayed because of his staff's involvement in the completion of a \$1.2-million capital improvement program.

"We have no calculations on the revenue, but it looks like we'll be holding our own because of the

increased number of customers."

The Santa Cruz city council rejected a general rate increase last spring in the wake of Director Morris Allen's forecast of a deficit budget. However, the out-of-city (Live Oak) rate is nearly double the 43 cents per 100 cubic feet (750 gallons) paid by Soquel Creek customers.

While Johnson isn't sure about the need for a revenue hike in the mid-county district because of water conservation, increased electric bills from Pacific Gas and Electric may necessitate an increase.

"The original rate study (1974) indicated that for every six per cent increase in electric rates, we should require a one cent increase in the water rates (approximately two per cent.)"

The electric rates have been raised several times since the rate study was completed, Johnson noted, "but there has been no increase in water rates since then."

Johnson said many customers had made 25 per cent cuts in their water usage this year, "but the overall water use was only 10 per cent under the previous year."

"We budgeted for a 10-15 per cent decrease in revenue per customer knowing that we would increase our customers this year by about 400."

"We are paying our bills without any difficulty. And at the end of the present capital outlay period, we'll have a million dollars available for the construction of iron and manganese removal plants next year."

The district tries to keep the ratio between operational-long term debt and capital outlay funds at 60-40 of its income.

When the operational ratio edges towards 70 per cent, the district considers a rate hike to move it downward again, as happened in 1975.

Johnson said the district budgeted its 1976-77 ratio at 67.8 per cent for expenses and long term debt, or \$760,227 for the district's day-to-day operations and bond debt service.

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