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Desert Water Agency may tap cash reserves to slake financial thirst

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Desert Water Agency officials are looking into dipping into the operating fund reserves for next year, fishing for $1.9 million to cover expenses for uncompleted capital projects.

The agency's board of directors approved a budget of more than $69 million for fiscal year 2009-2010 with a 4-0 vote during its Tuesday meeting. Board vice president Ronald E. Starrs was absent.

A number of things contributed to having to use the reserves, agency General Manager David Luker said.

The recession has not spared the agency, which serves Palm Springs, parts of Cathedral City and some outlying areas of Riverside County.

With an increase in home foreclosures, fewer people are paying water bills, Luker said. And the building industry, which has slowed considerably, no longer generates the amount of money it once did for the agency.

New expenses are another reason for using reserve funds, Luker said.

Officials have had to pay $70,000 “just to keep using the trucks we already have,” he said. They needed to retrofit the vehicles to meet new air-quality regulations that went into effect this year.

And while conservation helps with saving water, it also has an adverse effect on business, he said.

However, the budget can change, finance director Martin S. Krieger pointed out. With state officials trying to balance the state budget, the figures for the agency's budget could change depending on how much money the state needs.

This fiscal year has also been financially challenging for the agency.

Although the books haven't officially closed for the 2008-09 year, earlier this year the agency looked at taking about $6 million out of its operating and general fund reserves for this year ending June 30.

To keep up with expenditures, the agency also cut costs.

Two jobs in the engineering department were not filled, employee benefits were cut during the past two years and this year's employees did not receive cost-of-living increases, Luker said.