

Dallas flushes water, income

Audit: City's lost track of 26.3 billion gallons; official defends agency

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By COLLEEN McCAIN NELSON / The Dallas Morning News

Dallas Water Utilities cannot account for more than 17 percent of the water – about 26.3 billion gallons – produced in the last fiscal year, according to a newly released audit.

A long list of operational and accounting deficiencies has resulted in lost revenue and lost water, the audit says. And the department has failed to make essential infrastructure improvements that could save money.

A rate increase might be necessary to replace aging infrastructure, according to the audit. The report, which was produced by the city auditor, drew sharp responses from some City Council members, who called the water department's failings "an absolute embarrassment."

But department officials disputed the findings and said steps have already been taken to cure several of the problems cited.

"We are making changes," said Maria Alicia Garcia, the water department's assistant director for business.

Still, council members said the audit raises serious questions about missing water and basic accounting practices.

"This is a shambles," council member Mitchell Rasansky said. "It's unconscionable to know your water department is operating like this."

The cost of producing the 26.3 billion gallons of water that was unaccounted for is more than \$7.5 million. "That is lost revenue and lost opportunity," council member Veletta Forsythe Lill said. The American Water Works Association and the Environmental Protection Agency have said that less than 10 percent of the water produced should be unaccounted for. The report lists several factors that have contributed to the lost water, including worn-out meters that don't accurately record usage and the department's failure to install a leak-detection system. Auditors estimate that a \$1 million leak-detection system would prevent the loss of more than \$8 million of water.

Ms. Garcia said the amount of unaccounted-for water was inflated. She said about 12 percent of water produced is not accounted for – a number that she said still exceeds the industry standard. "But we're not that far away from 10 percent," she said. The department is considering plans to spend more money on infrastructure improvements, Ms. Garcia said.

"We need to look at spending more on replacement," she said. The audit found that a majority of the water department's infrastructure has surpassed its serviceable life and that the city is replacing pipelines at a slower rate than industry guidelines suggest. A rate increase could be necessary to sufficiently improve the infrastructure, the audit says.

But council member Mary Poss said the department must first balance its books and streamline its operations. "The city cannot ask for a rate increase without first having its own shop in order," she said.

The audit, which analyzed the department's operations and finances for the last five years, found an account that was out of balance by more than \$9 million for two years. The report also detailed the department's failure to reconcile the amount of water produced with the water billed.

Ms. Garcia said that the account in question now has been balanced and that all accounts have been reconciled in recent months.

Terrace Stewart, former director of the water department, recently left the city for a job in the private sector. A permanent replacement has not been named.

Ms. Garcia said the audit raises valid questions about accounting and operations but ignores other, more important functions of the department.

"We're trying to provide high-quality water," she said. "We have other things we need to be doing." Council members said the audit raises questions about oversight of the department. The water utility is an enterprise fund. Unlike most city departments, which are funded with tax dollars from the general fund, the water department is funded with water revenues.

Because the utility is not part of the city's general fund budget, it is not always subject to the same level of scrutiny as other city departments, said council member Alan Walne. "We don't look at it to the degree that we do to parks and recreation because that's being paid for with the general fund," he said. "They're a more autonomous entity." That could change, Ms. Lill said.

"The council should take a more active role," she said. "We need to see a plan for correcting these issues and a timeline for doing that."

E-mail cmccain@dallasnews.com