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| Update on State Water Project Issues |
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Background

Carl Torgersen, Department of Water Resources Deputy Director for the State Water Project (SWP), will update the Commission on various SWP operational, staffing, and governance issues that have been discussed in previous meetings.

On July 3, 2013, the Brown Administration finalized an addendum to raise salaries for many specialized job classifications in the State Water Project. Over the past two years, the Commission has strongly supported efforts to address the recruitment and retention crisis facing the State Water Project in order to safely operate and maintain critical facilities and provide reliable water supplies for California.

Contact

Sue Sims
Executive Officer
California Water Commission
Phone: (916) 653-5544

Attachments:

- Letter from Commission to Secretary Laird and DPA, March 29, 2011
- Letter from Commission to Secretary Laird and DPA, July 3, 2012
- Letter from Commission to Sacramento Laird and CalHR, April 23, 2013
- Sacramento Bee article, May 16, 2013
- Sacramento Bee editorial, May 17, 2013
- Sacramento Bee article, July 4, 2013

DEPARTMENT OF WATER RESOURCES
CALIFORNIA WATER COMMISSION
901 P STREET, P.O. BOX 942836
SACRAMENTO, CA 95836-0001
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MAR 29 2011

Honorable John Laird
Secretary for Natural Resources
California Natural Resources Agency
1416 Ninth Street, Room 1311
Sacramento, California 95814

Ronald Yank, Director
Department of Personnel Administration
1515 S Street, North Building, Suite 400
Sacramento, California 95811-7258

The California Water Commission is deeply concerned about a workforce recruitment and retention crisis that is impacting the State Water Project (SWP), and its ability to safely operate and maintain critical facilities and provide reliable water supplies to 25 million Californians and over 700,000 acres of farmland.

At our January 19 meeting, the Department of Water Resources (DWR) provided information to the Commission on its inability to recruit and retain necessary numbers of qualified personnel, particularly in the highly specialized hydroelectric power trades and crafts classifications which are responsible for performing the daily operations and maintenance of the SWP infrastructure. Despite a statewide unemployment rate of 12 percent, qualified workers are not applying for these DWR positions, underscoring both the limited talent pool and DWR's non-competitive salaries for these classifications.

The skills required to run the country's largest state-owned water and power utility - such as purchasing power, scheduling water and power deliveries, and operating and maintaining the SWP's complex infrastructure - are in great demand from private and other public utilities. This is especially true since deregulation of California's energy market in the mid-1990s. However, DWR's civil service pay scales simply have not kept pace with other utilities to attract and retain employees with these highly specialized skills. According to recent salary surveys, DWR's total compensation packages for employees in these classifications are by far the lowest among comparable water and power utilities in California. This problem has been compounded in recent years by numerous administrative actions including furloughs, salary cuts, overtime restrictions, and hiring freezes in response to the State's ongoing General Fund deficit, despite the fact that 100 percent of the SWP operations and maintenance costs are borne by the SWP contractors and their ratepayers, not the General Fund. The need for these highly-skilled employees continues to grow, and yet DWR continues to lose people to similar jobs in higher paying utilities.

Honorable John Laird
Ronald Yank, Director

MAR 29 2011

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DWR conducts an extensive apprentice training program for its hydroelectric trades and crafts classifications. Through the program, apprentices complete three to four years of on-the-job training to reach the journey level. This training represents a significant financial investment for the State, yet many of these employees leave DWR shortly after graduation for significantly higher paying jobs at other utilities.

DWR has been seeking resolution of the pay parity issue with previous administrations for more than 10 years, without success. In the absence of resolution, DWR has been forced to rely heavily on overtime to conduct necessary maintenance and on contracting out millions of dollars of work. The impacts of the recruitment and retention crisis are evident and, if not addressed, will certainly become more severe, perhaps even catastrophic. Staff shortages and inexperience have resulted in a serious backlog of deferred maintenance and increase the probability of operational errors and equipment malfunctions that jeopardize public safety and SWP reliability. For the first time in its 50-year history, the SWP missed water deliveries last fall. Critical equipment was out of service due to the lack of staff needed to perform necessary maintenance and repairs. DWR reported to the Commission that the SWP was unable to export tens of thousands of acre feet from November 2010 through January 2011 due to forced outages at its Delta pumping facilities, increasing the risk that these water supplies may not be available to farms, families and communities later this year. This could result in higher costs passed on to ratepayers for replacement water supplies.

In addition, the decline in operational reliability is increasing the cost of water for SWP customers through higher costs to meet the SWP's electrical power demands. The SWP is the largest single consumer of electricity in California. To reduce energy costs, pumping is generally scheduled "off peak" when energy demands and prices are lowest. However, limited pumping capacity due to the shortage of operations and maintenance staff is restricting the ability to manage power uses efficiently, forcing more pumping loads into the higher priced "on-peak" electricity market. DWR estimates that SWP energy costs will increase between \$25-30 million for 2011 without the ability to optimize the pumping schedules.

DWR has outlined the issues in a letter to the Department of Personnel Administration dated February 18, 2011 (attached). In the last several months, both the Little Hoover Commission and the Public Policy Institute of California have recommended reorganizing SWP governance as a long-term solution to a number of issues. While this may represent a long-term solution, the Commission sees the need for more immediate action on compensation and labor relations issues by the Administration and the Legislature and to address the current recruitment and retention issues and reverse the troubling decline in SWP operational reliability.

Honorable John Laird
Ronald Yank, Director

MAR 29 2011

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Consistent with its statutory authority to review the operation of the SWP and report to the Legislature, the Commission is asking Legislature and the Administration to quickly resolve this recruitment and retention crisis. The present situation is not sustainable. California owes its economic development to the forward-thinking leaders of the 1950's and 1960's, and to the employees who operate and maintain the SWP. Yet these workforce issues continue to impact the reliability of California's water system, the state's economy, its farms, and its people.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony Saracino". The signature is fluid and cursive, with a long horizontal stroke at the end.

Anthony Saracino, Chair
California Water Commission

California Water Commission Members:

Andrew Ball
Joseph Byrne
Dave Cogdill
Daniel Curtin
Joe Del Bosque
Kimberley Delfino
Luther Hintz
Paul Kelley
Sue Sims, Executive Officer

Attachment

Memorandum

Date: FEB 18 2011

To: Ronald Yank, Director
Department of Personnel Administration
1515 S Street, North Building, Suite 400
Sacramento, California 95811-7258

From: Department of Water Resources

Subject: Recruitment and retention crisis within the State Water Project

California's State Water Project (SWP) is the largest State-built, State-operated multipurpose water and power system in the United States. The SWP supplies water to approximately 25 million people (two-thirds of the State's population) and to over 700,000 acres of farmland, supporting California's \$36.6 billion agriculture industry.

The SWP is experiencing a severe recruitment and retention crisis with its Operations and Maintenance (O&M) workforce. Inability to recruit and retain experienced personnel in the specialized hydroelectric power and utility craftworker classifications is directly impacting the Department of Water Resources' (DWR) ability to safely operate and maintain critical SWP facilities.

These specialized, department-specific classifications are unique to state government. Disparity between DWR's payscales and the median of those of other comparable public-sector utilities now exceed 30 percent. DWR has been working with the former Governor's Office and the Department of Personnel Administration on this issue for over seven years without resolution.

Equipment malfunctions and operational errors due to deferred maintenance, inexperience, and staff shortages threaten the safety of DWR employees and the public. Catastrophic failure of a SWP facility may result in loss of life and property in the immediate area and long-term interruption of critical SWP water supplies to the San Francisco Bay Area, San Joaquin Valley, Central Coast, and southern California. With two-thirds of the State's \$1.7 trillion gross domestic product generated within the SWP service area, the indirect costs of an extended SWP service interruption to California's economy could be several billion dollars.

For the first time in its history, the SWP missed water deliveries last fall due to equipment limitations which were directly tied to staffing shortages, staff turnover, and inexperience. In November 2010, the SWP plant Operating Availability (OA) fell below 70 percent as a direct result of these maintenance staffing issues. Consequently, the SWP lost approximately 77,000 acre-feet of Delta water exports through December 31, 2010, due to forced unit outages at its Delta pumping facilities. That volume of water is enough to supply over 150,000 homes for one year. These export losses cannot be recovered at a later date due to stringent State and federal environmental restrictions on the timing and quantity of Delta water exports.

Ronald Yank, Director

FEB 18 2011

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Staffing issues also affect other critical aspects of SWP operations beyond water delivery. The continuing decline in OA will soon impact the SWP's electrical resource adequacy commitments with the California Independent System Operator (CAISO), which will increase SWP energy costs by over \$200,000 per month for the Delta facilities alone. In 2010, DWR faced maximum penalties exceeding \$7,000,000 in fines for violations of new federal energy grid reliability standards. DWR's exposure to future violations, fines, and sanctions is expected to increase significantly in 2011 and beyond as a result of new federal energy reliability standards and continued SWP staffing shortages.

Interruption of SWP service on a temporary basis may be necessary to ensure the safe and continued delivery of water and power into the future. While operating the SWP out of regulatory compliance and without proper maintenance may serve short-term water supply needs, it would do so at great risk to life and property. It would also compromise the long-term operability of the SWP and expose DWR to millions of dollars in potential fines or severe regulatory sanctions including the removal of SWP facilities from the electrical power grid.

The situation is not sustainable; DWR must work together with your Department and the Governor's Office to resolve our recruitment and retention crisis. I invite you to meet with us here in Sacramento or at one of our SWP facilities to discuss these challenges further and explore both short-term and long-term solutions. I look forward to your reply.



Mark W. Cowin
Director
(916) 653-7007

cc: Governor's Office
IUOE

DEPARTMENT OF WATER RESOURCES**CALIFORNIA WATER COMMISSION**

1416 NINTH STREET, P.O. BOX 942836
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Anthony Saracino
Chair

July 3, 2012

Joseph Byrne
Vice Chair

Andrew Ball
Member

Daniel Curtin
Member

Joe Del Bosque
Member

Kimberley Delfino
Member

Luther Hintz
Member

The Honorable John Laird
Secretary for Natural Resources
1416 Ninth Street, Suite 1311
Sacramento, California 95814

Julie Chapman, Director
Department of Personnel Administration
1515 S Street, North Building, Suite 400
Sacramento, California 95811

Dear Secretary Laird and Director Chapman:

Sue Sims
Executive Officer

In a letter dated March 29, 2011, the California Water Commission urged the Brown administration to take action to resolve a serious workforce recruitment and retention crisis that is impacting the reliability of the State Water Project (SWP) operations and the safety of its employees. We understand that the Department of Water Resources (DWR) has brought this issue to the Department of Personnel Administration's attention, and has met on numerous occasions with yourselves and other Administration officials to provide additional information. The California Water Commission wishes to express its ongoing support for a reasonable and expedited resolution to this important matter.

Over the past year, recruitment and retention for personnel in the specialized hydroelectric power trades and crafts classifications have continued to pose a major challenge to DWR. The salaries already define the bottom of the pay range for the hydroelectric industry in California, and the 5% salary reduction for all state employees in the FY 2012/13 budget will only exacerbate the problem. Due to the issues resulting from this pay disparity between the state and other public and private utilities, DWR has been unable to fill many of its authorized positions. For instance, 93 new positions were approved for FY 2011/12 but approximately one-third of those positions were not filled due to lack interest from qualified candidates. Impacts of a limited and less experienced workforce include a significant backlog of maintenance needs and an ongoing decline in operational availability (OA), as well as greater challenges in meeting regulatory requirements and maintaining a world-class safety program.

The Honorable John Laird
Julie Chapman, Director
July 3, 2012
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For example, between 2005 and 2012, the OA of SWP pumping units dropped from 92% to 77% in part because of the lack of staff to maintain, repair, and operate the system at full capacity. In addition to threatening the reliability of the SWP to make deliveries for water supply, reduced OA also threatens the ability of the SWP to meet downstream temperature requirements for fish and other ecosystem needs more difficult. The reduced OA also restricts the SWP's ability to manage power use effectively, shifting additional pumping loads into the higher priced "on-peak" electricity market which results in higher water delivery costs. DWR estimates that these excess energy costs caused by lower OA have added approximately \$50 million in operational costs in 2011 alone. Furthermore, the SWP's ability to be flexible in managing its power resources can, at times, allow the SWP to provide wide public benefit by helping stabilize California's power grid, so when SWP OA is restricted, the opportunity to provide this key additional public benefit can be lost.

DWR believes its recruitment and retention issues, and the many resulting challenges, can be significantly resolved by aligning pay for skilled trades and crafts workers with industry standards. The increased cost to address these issues and achieve pay parity is estimated at approximately \$12 million annually. ***These additional costs would have no impact to the State's General Fund as the costs would be paid from SWP funds received through water delivery charges to State Water Contractors*** (who have also sent letters urging the administration to help resolve these same issues). This is a fraction of the annual energy and compliance costs currently being incurred by the SWP because of these issues, and even more importantly, it represents a prudent and necessary investment to maintain the safety of our personnel, equipment and the public.

The California Water Commission once again urges the Administration to address this critical issue facing our state's water system.

Sincerely,



Anthony Saracino, Chair
California Water Commission

Attachment (March 29 Letter)

cc: Mark Cowin, Director

DEPARTMENT OF WATER RESOURCES**CALIFORNIA WATER COMMISSION**

1416 NINTH STREET, P.O. BOX 942836
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Joseph Byrne
Chair

April 23, 2013

Joe Del Bosque
Vice Chair

Andrew Ball
Member

The Honorable John Laird
Secretary for Natural Resources
1416 Ninth Street, Suite 1311
Sacramento, California 95814

Daniel Curtin
Member

Kimberley Delfino
Member

RE: State Water Project Recruitment and Retention

Luther Hintz
Member

Dear Secretary Laird:

Anthony Saracino
Member

At its April 17, 2013 meeting, the California Water Commission heard presentations from the Department of Water Resources (DWR), State Water Project (SWP) employees, and labor representatives detailing more examples of how the long-standing workforce recruitment and retention crisis continues to threaten the ability of the SWP to operate safely and deliver reliable water supplies to millions of Californians.

Sue Sims
Executive Officer

The Commission wishes to reiterate our strong support for action to resolve the salary compensation inequities between the SWP and other public and private utilities that are contributing to problem of maintaining a highly skilled and experienced workforce. We are greatly encouraged by reports that, thanks to your leadership on this issue, productive discussions to address these critical issues are taking place.

The salary gap between many SWP job classifications and their counterparts in other utilities continues to grow. For example, salaries for the Senior Water and Power Dispatcher classification are currently 65% below the median for other comparable positions in the industry. This pay disparity has numerous negative impacts on SWP operations and maintenance, some of which were presented to Commission at its April 2013 meeting:

- **State Water Project Reliability:** Since 2004, there has been a steady decrease in the Operational Availability of the State Water Project, due in large part to limited staff resources to perform maintenance and optimize operations. This directly reduces the SWP's ability to deliver water to agricultural and urban customers, particularly in light of pumping restrictions during certain times of the year to protect fragile ecosystems. The decreased flexibility also increases energy

costs that are then passed on to consumers and businesses. Between 2011 and 2012, the SWP incurred an additional \$70 million in energy costs through missed opportunities to pump water during less expensive, non-peak hours.

- SWP Apprentice Program: DWR conducts an extensive apprentice training program for its hydroelectric trades and crafts classifications at an average cost of \$300,000-\$400,000 for three to four years of on-the-job training. Currently, many, if not most of these individuals, leave DWR shortly after completing the program for significantly higher paying jobs at other utilities, effectively rendering DWR's investment worthless.
- Outside Contracts: There are many instances in which the SWP has entered into contracts with private companies to perform work that could be done by its own workforce. Addressing the recruitment and retention issue would allow the SWP to reduce contracting out in some areas, resulting in a savings to ratepayers.
- Thermalito Pumping Generating Plant Fire: While not a direct result of the actions of SWP staff, it is worth noting that damage from the fire which destroyed the plant in November 2012 will cost millions of dollars in lost power generation in 2013 and potentially hundreds of millions in clean-up costs and reconstruction. These impacts may have been significantly minimized with on-site staffing of the pumping plant, had adequate personnel resources been available.

The discussions at the Commission's April meeting, in addition to previous concerns that have been presented to us, present a compelling case that the inability to maintain the level of skill required to effectively operate and maintain the SWP has increased the risk of catastrophic infrastructure loss and requires immediate action. Failure to address these challenges will exacerbate a problem already costing water users millions of dollars annually in added costs for energy, water supplies, maintenance and repair, and contracting for services that could be performed by SWP employees.

We further recognize the need to evaluate options for organizational changes and improvements in business practices that will enhance the long term reliability of the SWP. These may include new governance models such as those proposed by the Little Hoover Commission in 2010 and the Public Policy Institute of California in 2011, as well as management changes that are expected to be identified in an administrative issues study being prepared for DWR.

The Honorable John Laird
April 23, 2013
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The Commission thanks you for your leadership and commitment to improve the SWP's critical mission capability and to protect public and employee safety, natural resources, and the reliable delivery of water to California homes, farms and businesses.

Sincerely,

A handwritten signature in black ink on a light gray rectangular background. The signature is cursive and reads "Joe Byrne".

Joe Byrne, Chair
California Water Commission

cc: Mark Cowin, Director, Department of Water Resources
Carl Torgersen, SWP Deputy Director, Department of Water Resources

THE SACRAMENTO BEE sacbee.com

California short on key state water workers, officials say

jortiz@sacbee.com

Published Thursday, May. 16, 2013

California officials say the state cannot retain enough trained workers to efficiently run and maintain its complex water delivery system, a problem that has consequences for cities and farms statewide.

State pay for some key jobs, they say, has fallen so far behind the industry's standard that the Department of Water Resources serves as a farm system for private utilities and other government entities.

The problem costs taxpayers extra tens of millions of dollars each year to move water around the state, officials say, because facilities aren't managed efficiently.

"There has been a talent drain in some critical areas," said Daniel Curtin, who sits on the California Water Commission, a panel appointed by the governor. "There are key facilities that are unmanned. That tells you that we could use a few more players, but the salaries are lagging behind industry standards."

The department manages California's main water delivery system, including the State Water Project, and works with local water districts to manage the state's resources. It has about 3,400 budgeted positions this year, and expects to fill about 96 percent of them, according to state budget documents.

But the vacancy rate among the department's 670 hydroelectric plant trades and crafts positions – workers who run and maintain the vast State Water Project – has run between 10 percent and 15 percent for the last two years. Currently, according to department figures, 90 of those key positions aren't filled.

Sean Rossi, a senior hydroelectric plant operator whose job for the state includes monitoring water and power in the San Joaquin Valley region, said utilities such as Pacific Gas and Electric Co. and government entities such as the federal Bureau of Reclamation routinely go after newly trained state Water Resources employees.

"As soon as they finish their apprenticeship, they're offered jobs. Some utilities will call and recruit us at work," Rossi said. "I don't blame people for leaving."

One small but crucial work group, senior water and power dispatchers, exemplify the water department's recruiting and retention problem.

The state needs seven senior water dispatchers to oversee the 700-mile-long State Water Project. The complex system of reservoirs, aqueducts, pumping plants and power stations delivers water to 25 million Californians and to 1,200 acres of farmlands, a total area roughly the size of Rhode Island.

Water Resources has just five senior dispatchers, who earn \$72,000 to \$86,600 annually – 65 percent below the industry's median for the job, according to a recent letter by California Water Commission Chairman Joseph Byrne.

Officials at Gov. Jerry Brown's Department of Water Resources declined to be interviewed for this story, but Byrne's April 23 letter to Natural Resources Secretary John Laird called the water project's staffing shortage a "crisis" that threatens to interrupt the system's reliability and is creating "numerous negative impacts" to the statewide water system. Among those he cited:

- High turnover. Apprentice dispatchers, for example, train three or four years to learn how to control system water flows, maintain pumping and power facilities and monitor water quality. The state spends a total \$300,000 to \$400,000 per apprentice.

"Currently, many, if not most of these individuals, leave (the department) shortly after completing the program for significantly higher-paying jobs at other utilities," Byrne wrote.

The department says the problem has been worsening for a decade.

- Less reliable water delivery. The State Water Project doesn't have enough dispatchers to run pumps at full throttle during the best times of the year to minimize effects on fragile ecosystems.

"This directly reduces (the project's) ability to deliver water," Byrne said in the letter.

- Higher operating costs. Between 2011 and 2012, Byrne said, the water project spent an extra \$70 million for energy because it didn't have enough dispatchers to run pumps during non-peak hours when power is cheaper.

- Higher contracting costs. To backfill the staff shortage, the water department contracts out jobs that state employees could do, a practice restricted by state law.

"The last time we challenged one of those contracts, we lost," said Tim Neep, director of the operating engineers union that represents the state's skilled trades and craft workers.

The state's winning defense was, Neep said, "not enough bodies."

Byrne's letter also ties the water department's shortage of dispatchers to a Thanksgiving Day fire at the Thermalito Pumping/Generating Plant near Oroville.

The five-floor plant was destroyed, costing the state millions of dollars in lost power generation and "potentially hundreds of millions in clean-up costs and reconstruction," Byrne wrote.

The fire might not have been as devastating, he said, "had adequate personnel resources been available" to provide on-site staffing.

To help fill the jobs left vacant by those who leave, the department has reclassified the work and lowered qualifications in some instances.

The career path to senior water dispatcher used to take 14 years or more. But with some many lower-level dispatchers leaving for better-paying jobs, water project employees with as little as four years of experience assume those duties under a different job title.

The International Union of Operating Engineers, which represent skilled trades employees at Water Resources, has lobbied the governor's administration for higher pay. Its contract, like those of 18 other state employee bargaining units, expires in early July. All of those groups are negotiating new deals.

The union says the problem is serious enough to warrant a 45 percent pay raise. It's a touchy subject for Brown as he enters contract negotiations involving tens of thousands of employees throughout state government.

"They're worried about setting precedent for the other unions," said operating engineers lobbyist Tim Cremins. "And they're worried about public perception."

Byrne's letter didn't specifically call for wage increases at Water Resources, and Curtin also steered clear of taking a position on boosting pay for key water jobs.

But there's plenty of precedent. Several years ago, state prison nurses and engineers received substantial raises to make the state more competitive with the private sector and local governments.

Other professional groups such as state attorneys and computer programmers have argued for similar pay parity, but their wages remain well below the market standard.

Brown's budget proposals for the coming fiscal year don't hint at any big raises or a wave of new hires for the Department of Water Resources.

The administration has consistently signaled that Brown's agenda doesn't include a round of raises for state employees.

Julie Chapman, the administration's top labor relations official, suggested little will change when she was asked during a recent legislative committee hearing to forecast the outcome of labor talks.

"The governor has made statements," Chapman said, "that he's not going to spend money he doesn't have."

Call The Bee's Jon Ortiz, (916) 321-1043. Follow him on Twitter @thestateworker and read his blog, The State Worker.

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THE SACRAMENTO BEE sacbee.com

Editorial: State must pay enough to keep water workers

Published Friday, May. 17, 2013

Unable to match the salaries of private and some public utilities, California cannot retain enough skilled employees to maintain and operate its complex and vital water delivery system.

As The Bee's Jon Ortiz reported on Thursday, years of staffing shortages and turnover among workers occupying skilled trades and craft positions at state hydroelectric plants have compromised safety and efficiency.

In the short run, the solution will be to negotiate new labor contracts authorizing higher salaries. In the long run, the structure of the state water system must be freed of constraints of state hiring and procurement rules.

The State Water Project – a vast, aging network of aqueducts, dams, reservoirs, pumping stations and hydroelectric plants – supplies water and power to 25 million people. Its safe and efficient operation is vital to the state's economy and to the health and welfare of the public.

During the last two years, the water project has experienced a 10 percent to 15 percent vacancy rate for the most highly sought-after skilled workers. Approximately 90 of 670 positions within the project are unfilled.

State pay rates are 65 percent lower than industry standards and dangerously restrict the state's ability to recruit and retain the best talent available. As soon as the state trains new hydro plant workers at an average cost of \$300,000 or \$400,000, public and private utilities lure the recruits away with higher paying jobs.

While Gov. Jerry Brown seeks to hold down pay, a laudable goal, skimping on pay for highly skilled, hard-to-retain workers makes no sense in this specific case.

Pay and benefits for State Water Project workers do not come out of the state's general fund. Rather, water contractors, the beneficiaries of the system and their water and power customers pay those costs. The increased efficiency and safety that skilled workers provide more than cover the cost of their higher salaries.

For example, a devastating fire at the Thermalito Pumping and Generating Plant near Oroville last Thanksgiving was blamed in part on understaffing. The fire cost the state millions of dollars in lost power generation. Hundreds of millions more will be needed to rebuild.

Also, in 2011 and 2012 the state had to pay an extra \$70 million for energy because it didn't have the personnel available to operate pumps when demand was low and energy was cheapest.

The State Water Project is not like any other state department. The enterprise faces fierce competition for employees and energy supplies.

State government constraints on hiring, contracting, purchasing spare parts and paying competitive wages reduce reliability and efficiency, and drive up costs.

The issue is not new.

In 2010, the Little Hoover Commission recommended moving the State Water Project into a separate, independent state-owned water authority to "create an organization designed specifically to operate the project." Brown and lawmakers should dust off that report and seriously consider its recommendations.

Clearly, the current system isn't working.

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THE SACRAMENTO BEE sacbee.com

Gov. Brown agrees to hike water agency pay by up to 37%

agebert@sacbee.com

Published Thursday, Jul. 04, 2013

Gov. Jerry Brown has agreed to increase pay by up to 37 percent for water department workers in positions the state has had difficulty staffing.

Brown and representatives from International Union of Operating Engineers (IUOE) finalized an addendum to the union's contract Wednesday to raise the pay by 17.9 percent to 37.4 percent for 741 employees for 34 job classifications in the Department of Water Resources. The raises are effective immediately and are estimated to cost the state \$18.3 million.

State and union officials have said the raises are needed to prevent the drain of State Water Project employees to other higher-paying jobs. The vacancy rate in jobs responsible for running and operating the vast project has run between 10 percent and 15 percent for the last two years.

The agreement comes after California Water Commission Chairman Joseph Byrne warned of a staffing "crisis" in the department. In an April 23 letter to Resources Secretary John Laird, he noted that some employees were being paid "65 percent below the industry's median."

In some cases, the state has spent \$300,000 to \$400,000 to train employees, only to see them lured away from state service by higher salaries elsewhere, department officials have said.

In an effort to retain existing staff in the short term, the agreement prevents workers from immediately using the extra pay to bump up their retirement. The deal says workers cannot apply any of the raise toward their pension calculation if they retire before July 1, 2014 and only half of it if they retire before July 1, 2015. After that, their full salary could be used for pension calculations.

The agreement will affect 19 rank-and-file classes, three manager classes and 12 supervisor classes.

"As one of the largest utilities in the world, it is vitally important that the Department of Water Resources retain highly skilled professionals to ensure timely, efficient deliveries of water to 25 million Californians and thousands of farms and ranches," Richard Stapler, deputy secretary of the Natural Resources Agency, said in a prepared statement. "California's economy relies on a secure, reliable supply of water, and a loss of these professionals to other utilities could also cost the state millions of dollars in missed water deliveries."

Call Amy Gebert, Bee Capitol Bureau, (916) 326-5544.

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