



United States Department of the Interior

BUREAU OF RECLAMATION

Mid-Pacific Regional Office

2800 Cottage Way

Sacramento, California 95825-1898

IN REPLY
REFER TO:

OCT 2 1987

MP-360

To: Project Superintendent, Folsom, Fresno, Redding, Tracy, Willows

From: **Acting** Regional Director /s/ Lawrence F. Hancock

Subject: Procedures for Voluntary Payment of O&M Deficits by CVP Water Contractors

The PL 99-546 requirement that operation and maintenance (O&M) deficits incurred after fiscal year (FY) 1985 be repaid with interest has triggered irrigation districts interest in the financial impacts of such interest bearing deficits on their operations. Several districts have indicated a desire to voluntarily pay their FY 1986 deficits including accrued interest and have informally requested information as to the manner and method such payment can be accomplished.

On July 30, 1987 a Regional policy was adopted on the acceptance and handling of voluntary deficit payments. This memorandum establishes the procedures to be used in the making and processing of such voluntary payments.

Beginning with October 1, 1987 (FY 1988), contractors desiring to avoid O&M deficit interest charges shall be responsible for paying by September 30 of each fiscal year, the difference between the full O&M and lesser contract rate(s) for all water purchased for delivery for that fiscal year at the lesser contract rate. If this voluntary payment is made, interest will not be charged on such repaid portion of the deficit. Any additional and/or remaining deficit attributable to factors other than differences between O&M rates and contract rates will be due and payable within 30 days after a final accounting of the annual deficit has been completed and the contractors have been notified of such deficit amounts. For this portion of deficit, interest will not be charged on deficit payments received within the 30-day grace period, but will be charged on any remaining deficit balance not repaid within the grace period.

For FY 1987, the procedures indicated in the preceding paragraph will also apply, except that contractors will have until October 31, 1987 rather than September 30, 1987 to make payment for the difference between the full O&M and lesser contract rate(s) for all water delivered for FY 1987 at the lesser contract rate(s). This extended period for payment without being charged interest is in recognition that these procedures were not in place until the end of the fiscal year, which did not allow ample time to make payment by September 30, 1987.

O&M deficits arising in FY 1986 must be repaid with interest accruing through the date of payment as such deficits were incurred prior to the time this voluntary repayment policy was adopted and in force. Additionally, there have been no voluntary remittances to date of FY 1986 deficits by water contractors.

For payment of FY 1986 interest bearing deficits, and any subsequent deficits and interest not repaid under this voluntary payment policy, contractors desiring to repay such deficits should submit a request for an accounting from the Bureau of the exact payment required as of a specific date to pay off their respective annual deficit(s), with accrued interest, if applicable. The Financial Analysis and Service Branch (FASB) of the Regional Project Investment and Repayment Division will provide the payment amounts and will perform the necessary accounting for interest calculations, recording payments and maintaining the individual contractor records.

To ensure proper accounting, it will be important that CVP water contractors making voluntary payment of O&M deficit(s) transmit such payment along with an explanatory letter specifically identifying the particular annual deficit(s) for which payment is being tendered. It is also important that any such receipts and transmittals be forwarded directly to the FASB in the Sacramento Regional Office for recording of the payment(s) and updating and maintaining individual contractor records. Transmittal of such receipts to the Denver Centralized Finance Office will be done by the FASB.

These procedures are effective upon receipt and water contractors should be advised of the availability of these procedures for their use in making decisions relative to the payment of O&M deficits, including accrued interest. Questions or comments concerning the foregoing should be addressed to Mr. C. L. Winn or Mr. Jim Bjornsen at FTS 460-5258.



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IN REPLY
REFER TO:
MP-350

JUL 30 1987

To: Regional Director
From: Regional Project Investment and Repayment Officer
Subject: Voluntary Payment of O&M Deficits by CVP Water Contractors

In recent months a number of irrigation districts have made inquiries relative to the financial impacts on them of interest on annual operation and maintenance (O&M) deficits required by PL 99-546. It is apparent that the interest consideration on O&M deficits has caused various districts to analyze their respective financial concerns and to make decisions regarding payment of these deficits. Several districts have in fact indicated a desire to voluntarily pay the FY86 deficit including accrued interest and have informally requested information as to the manner and method such payment should be accomplished.

At this time no formal procedure is in place to accept and properly account for these voluntary payments. We believe, however, that it is in the best interests of the Bureau, irrigation districts and the general public that these deficits are paid as promptly as possible. We further believe that early payment also meets the intent of PL 99-546, specifically full recovery of O&M deficits from the individual contractor (with accrued interest, if applicable).

Therefore, it is recommended that CVP water contractors who desire to make voluntary payment of O&M deficits are furnished with the exact payment amount as of a specific date and advised to forward such payment with an explanatory letter stating the particular annual deficit(s) for which payment is tendered. In those instances where final accounting of the annual deficit has not yet been determined, the contractors will be advised of the estimated O&M deficit (including accrued interest). The contractors will also be informed that a final billing adjustment or refund will be made when the accounting is finished. The Financial Analysis and Services Branch will perform the necessary accounting for interest calculations, recording payments, and maintaining the individual contractor records.

We are not aware of any reason that adoption of this procedure should trigger RRA considerations or conflicts with provisions of existing water contracts.

