

## Extravagances at the Cagayan de Oro Water Board Lead to Moves to Turn it into a Cooperative

By Cong Corrales  
Tuesday, 19 July 2011

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The proposed 30 percent water rate increase—pending at the Local Water Utilities Administration (LWUA)—proposed by the Cagayan de Oro Water District (COWD) on June 1, 2011 has revived calls to turn the facility into a cooperative.

“We will fight this increase. We will be forced to intervene since water is a very basic service. I’m not against turning the water district into a cooperative,” said city councilor Alden Bacal -- present chair of the committee on public utilities -- while past committee chair Ian Mark Nacaya said discussion on the proposal to turn the COWD into a consumers’ cooperative should be made and studied again in view of the planned increase in water rates.

The pronouncements came after Roman Catholic Archbishop Antonio Ledesma and his group

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Bishop-Businessmen's Conference (BBC) asked the Commission on Audit (COA) for copies of its reports on the COWD's finances from 2007 to 2010. The group wants to examine the finances of the facility and its management.

Meanwhile, the board chair of COWD said the utility's officials welcome any group that wants to examine the facility's finances.

"We respect it," said COWD board chair Joel Baldelovar, in reference to the BBC's request for copies of audit reports.

"We have nothing to hide," he said. However, Baldelovar claimed he was not the chairperson of the board at the time -- from 2005 to 2006 -- when state auditors noted "operational inefficiencies, illegal disbursements and operational mismanagement" in the water district.

**Happy days**

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In 2009, the COWD spent some PhP 2.5 million (USD 59,524) for honorariums alone. These were excessive, government auditors said in an official report for that year.

The 2009 COA report stated that COWD should have spent only a maximum of PhP 1.350 million (USD 32,143) for honorariums and that it overpaid its board members by some PhP 1.155 million (USD 27,500) based on the rates which LWUA had set in Memorandum No. 003-004 issued on September 27, 2004.

Auditors said the 2004 LWUA memorandum provided a PhP 20,000 (USD 476) ceiling for honorariums and benefits for every director each month.

They said the memo also suspended additional allowances and other benefits to members of the board in compliance with the Administrative Order 103 which directs the continued adoption of austerity measures in government.

In a letter to COWD general manager Proceso Pag-ong Jr., COA regional director Alfredo Reyes said auditors noted that the COWD continued granting excessive honorariums despite the LWUA memorandum.

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Reyes said auditors found out that, each of the COWD directors were paid a total of PhP 33,600 (USD 800) a month or PhP 8,400 (USD 200) per meeting from January to July in 2009.

The rates, however, even increased despite COA's findings. In August 2009, COWD board members started receiving PhP 10,400 (USD 247) each for every meeting or PhP 42,000 (USD 1,000) a month.

The COA said the honorariums were not the only things that were excessive. It said the directors also gave themselves all sorts of allowances and benefits based on resolutions, which the board itself approved on different dates.

"The same exceeded the maximum authorized rate of PhP 20,000 monthly, thus held without legal basis," Reyes said.

On December 1, 2009, for instance, the COWD board granted its members with financial assistance and a cash gift of PhP 5,000 (USD 119) each.

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The COWD board is composed of broadcast executive Joel Baldelovar as chairperson, Emmanuel Malicdin, Bebiana Sarmiento, Soc Anthony del Rosario, Ruben Vegafria and another broadcaster Sandy Bass Sr.

Auditors also noted that except for Malicdin, the COWD directors charged their cell phone bills, including pre-paid cards, to the COWD. Here is the breakdown: Bass, PhP 29,289.90 (Globe, USD 697); Baldelovar, PhP 40, 128.03 (Smart, USD 697); Del Rosario, PhP 22,500 (pre-paid cards, USD 536); Vegafria, PhP 30,000 (pre-paid cards, USD 714); and Sarmiento, PhP 30,000 (pre-paid cards, USD 714).

Reyes said the COWD's justification for the perks was that it has appealed its case before the COA central office and there was no ruling yet.

### **Cooperative movement revival**

The consortium, which by now, has been officially recognized by the government through the Cooperative Development Authority Region 10 as the Water Service Cooperative of Cagayan de Oro (Watercoop), once again caught a glimpse of fervor of taking over the city's water district.

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Councilor Bacal, current chairperson of the council's public utilities committee, said a 30 percent increase in water rates was too much.

"If GOCCs (government-owned and -controlled corporations) cannot handle the facility, let the people handle this through cooperativism," said Nacaya.

Meanwhile, the Bagong Alyansang Makabayan (Bayan) in Northern Mindanao said an increase in water rates here is expected given that COWD's main and only water supplier, Rio Verde Water Consortium Inc., is a private corporation.

"We have anticipated this because COWD has continued to operate with a private entity," said Kristine Lim, the group's spokesperson.

Lim also called on city hall to financially support COWD to improve water services in the city. "If they were able to set aside a budget for the beautification of city hall and other infrastructure projects, they should do the same thing for this very basic service," Lim said.

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### Nothing to hide



Ladele Sagrado, COWD's acting public relations division manager defended the facility's proposed 30 percent water rate increase: "It is long overdue and is not exorbitant." She said the water district here has relatively lower rates compared to other tap water providers in Mindanao.

The table of water rates which LWUA approved in Mindanao showed that the Gingoog City Water District is charging more than the COWD. The Gingoog facility's minimum charge for households is PhP 208 (USD 5) while COWD charges PhP 168 (USD 4) only. Nasipit Water District charges slightly higher than the Gingoog water district at PhP 209. COWD's current minimum charge for households is PhP 168 for 10 cubic meters, roughly equivalent to 50 drums of tap water. This means that for every drum of water, COWD charges PhP 3.36 (less than a dollar).

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Nevertheless, under the proposed rates increase, the charge would be PhP 4.37 for the same volume of tap water. "The revenue that we generate from our operations is used to fund the expansion and improvement of services. That is aside from the daily operating expenses and paying our loans to LWUA and other banks," Sagrado said. She said an increase in rates would allow COWD to carry out projects to rehabilitate and improve its facilities. "The increase we implemented in 2007 was to fund our projects for improvement which we have already implemented now," Sagrado said.

"We have to increase our water rates because all of the [costs of] consumables (e.g. fuel, pipes, etc.) we use to sustain our operations have all increased as well. Supposed to be, last year pa 'yan kaya lang (it was for last year but) we reconsidered because [prices of] commodities and all other bills have increased also," Sagrado said.

"We presented these accomplished projects in all of our public hearings," said Sagrado.

She said the COWD was required to submit a board resolution justifying the request for increase, financial statements, financial projections, and documentation of the public hearings. "Of course, representatives from LWUA attend these public hearings. They check if the proposed increase is properly explained to the consumers and more importantly if they understand the need for an increase," Sagrado said. Councilor Bacal, chair of the city council's committee on public utilities, said he has yet to get hold of a copy of COWD's report.



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"Wala pa mo-submit sa (COWD has not submitted their) report on the public hearings they conducted. Di pa mi makalihok (Without it, we can't act on it)," said Bacal. Sagrado said the COWD has already presented the proposed water rates increase to the city council last March 8 and to Bacal's committee last March 22.

### **Coop gears up for campaign to repeal law on water districts**

Dr. Anselmo Mercado, chair of the Watercoop, said the Provincial Water Utilities Act of 1973 (Presidential Decree 198) has been the leading obstacle to the quest to take over the COWD. The Marcos-era law prohibits private entities to own and operate water districts.

If the newly registered coop Watercoop succeeds in lobbying for the repeal of the law on water districts and win the support of water consumers here, including local officials, it could get a chance at taking over the COWD.

"We feel that there is a need to review this decree and open up the possibilities for other models of ownership, control, operation, and management (of) water facilities," Mercado stated in a copy of a letter to Rep. Isidro Lico of Ating Koop.

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In August 2009, a consortium of "millionaire cooperatives" led by the First Community Cooperative (FICCO) organized in an effort to take over the COWD, which was then suffering financially. The COWD's woes were aggravated when the Bureau of Internal Revenue moved to garnish its assets for its failure to pay taxes.

Mercado said then that the consortium could turn around the financial condition of the water district. "We can turn the cash flow of the facility from negative PhP 7.4 million (USD 176,190) to PhP 123.5 million (USD 2.94 million)," Mercado said.

CDA regional director Orland Ravanera recently said he would meet with congressional representatives in Manila this Tuesday to discuss and possibly draft a House bill that would make water districts in the country open to privatization.

"I also call on our local legislators to join us in our movement to repeal PD 198," said Ravanera. "They should take it upon themselves to advance the cause of the people." The proposal to turn COWD into a cooperative was revived after the facility submitted a proposal to increase water rates here by over 30 percent.

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Councilors Nacaya and Bacal expressed support to turn COWD into a cooperative in separate interviews. Ravanera said: "It is about time for them to support the best interests of the consumers."

"We have already showed that the increasing non-revenue water, ancillary charges and not to mention the perks the board of directors enjoy are affecting the efficiency of the water facility, the burden of which will be shouldered by the consumers," Ravanera said.

He said if the problems on ancillary charges, perquisites, and increasing non-revenue water were addressed, there would not be a need to increase water rates. Ravanera said: "Water consumers will be willing to pay as long as the utility is managed well. They should be prudent and judicious in their perks." He said the cooperative movement would make sure a law would be crafted to enable residents to convert COWD into a cooperative.

Sagrado, COWD acting public relations division manager, said the last time the facility increased its rates was in 2007.

She said the rate increases they implemented in 2007 funded COWD's service expansion project, which focused mainly on pipeline rehabilitation.

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"Since the COWD is the very first water district in the country, you can just imagine how old the pipes are," Sagrado said. She said the 30-percent increase COWD is seeking would be spent for other projects like upgrading of equipment and gadgets. Sagrado said the allowances and other benefits received by COWD officials were set and approved by the LWUA. "The perks are always supported by LWUA guidelines," she said.

Cagayan de Oro 2nd District Rep. Rufus Rodriguez, in a phone interview, had expressed interest in studying Ravanera's proposal.

"I will study Ravanera's proposal and we'll see if we can author a bill to repeal PD 198," Rodriguez said.

Meanwhile, the local cooperative movement sees this development an inch closer to the realization of their advocacy. ***Philippine Public Transparency Reporting Project***

*(The author is a freelance news correspondent based in Northern Mindanao.)*

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