



Questions and Answers

From Public Forums on Water and Wastewater Rate Increases

Revised Sept. 8, 2021

Below are answers to questions that were raised during recent public forums regarding proposed water and wastewater rate increases.

Question: I wanted to confirm calculations in terms of the equitable distribution to the different classes. This is a significant increase for single family residents. That is the largest increase of any of the classes and just wanted to confirm that your calculations shows that single family residences use more sewer than the other classes. Is that correct?

Answer: Yes, the cost increase is associated with the change in customer characteristics, not just the volume, but also includes the relative strength of the wastewater. Not only did we have our consultant review this information, but the City's Office of the Independent Budget Analyst had its independent consultant, Stantec, review our [cost-of-service study](#) to ensure that proportionality requirement of Proposition 218 was met.

Question: Will there be a review of the rate increases?

Answer: In advance of the January implementation date for each of those subsequent fiscal years (after January 2022), we will review our actual expenses. We will review any changes to determine whether we can offset or reduce any of those increases up to the maximum authorized by City Council at its September meeting. The increases cannot be higher than this maximum amount.

Question: How much of these wastewater rates are paying for [Pure Water](#) Phase 1?

Answer: Per the cost-of-service study, the additional revenue being raised by the 2022 rate increase in its first 12 months is \$13.9 million. Of that \$13.9 million, \$972,000 is expected to cover increases in Pure Water operations expenses paid by the sewer utility or 6.99% of the 12 months revenue increase. The Public Utilities Department expects to pay \$7.65 million more in total (an average of \$1.84 million a year) over the four years covered under the rate case, than was expended in fiscal year 2021.

Although Pure Water Phase 1 is a key component of our capital improvement program and accounts for approximately 41% of our total fiscal years 2022-2025 capital costs, the department's use of low interest State Revolving Funds loans reduces the impact of the program until after substantial completion of the capital project which is expected in 2025 and spreads the costs over a 30-year period. The department expects to pay \$4.4 million in debt service during the cost-of-service period for the Pure Water program on behalf of the sewer utility from 2022 to 2025.

In summary, if all the maximum rate increases are done over the four-year rate case, \$101.4 million in additional revenue would be raised from the rate increases, which would support \$11.77 million in additional expenses for the sewer utilities portion of the Pure Water program during the period or 11.61% of the additional rate revenue. Please note the following simplifying assumption was used for this analysis:

- All Pure Water costs are being picked up by City of San Diego ratepayer revenue. This assumption does not account for the contribution of the 14 member agencies of the Metro Joint Powers Authority. These jurisdictions and their users pay their proportionate share of the costs based on the City's agreements with the jurisdiction on a year-by-year basis and based on their actual use of the system, which impacts the share paid by San Diego ratepayers. The numbers above represent the high-end estimate that could be paid by City of San Diego ratepayers.
- All increases in the Pure Water Program are covered by rate increases, instead of savings in other areas of the utility. The Public Utilities Department has many functions that have varying degrees of expenditures in any given year which can offset the increase in one program over the other. This assumption assumes that none of the increases in the Pure Water program are absorbed with other savings, which provides a high-end estimate.

Question: Why did the Public Utilities Department wait 10 years for this rate increase?

Answer: The last cost-of-service process was done in advance of the 2009 recession. The revenues from that rate increase were able to fund the department's operations and capital needs longer than expected. It is not a best practice to go this long without a cost-of-service study and the Public Utilities Department aims to go through the cost-of-service process closer to every three to five years in the future.

Question: What is the timeline on Governor Drive replacement of sewer lines?

Answer: There are currently two sewer projects along Governor Drive:

- B18095 - AC Water & Sewer Group 1048 (S) (<https://cipapp.sandiego.gov/CIPDetail.aspx?ID=B18095>)
- B19087 - University City Improv 1 (S) (<https://cipapp.sandiego.gov/CIPDetail.aspx?ID=B19087>)

B18095 is in design phase and is expected to start construction in June 2022 and be complete in January 2025. B19087 is in design phase and is expected to start construction in June 2022 and be complete in September 2024. A map of capital projects in the city can be found at <https://webmaps.sandiego.gov/cippublic/>. Pages for individual projects can be found at <https://cipapp.sandiego.gov/cipdistrictnav.aspx>

Question: Are accessory dwelling units (ADUs) classified as multi-family or single-family residential customer?

Answer: When a new ADU and an existing residence share the existing meter, the existing residential customer is changed from a single-family to multi-family.

Question: In the cost-of-service study, was AB 1668 from 2017 considered? This is the requirement that people reduce their water use which means that if water use is lower, sewer use is also lower.

Answer: Yes, we take into consideration any state mandates and we take into consideration any of the current data characteristics. What we have seen in this region is that reduction does drive some of these rate increases. But a lot of our costs are fixed, so even if volumes do go down, we still require the same amount of effort to maintain our system to ensure that we're able to perform this service every single day.

Question: With the increased rates generating millions in new funding, what projects will be implemented in 2022?

Answer: If you visit the City's website at www.sandiego.gov/finance you can go to the proposed or adopted City budgets, which have all the water and wastewater projects that we're receiving funding for 2022. One of the largest capital projects is the Pure Water program, with Phase 1 currently under construction with an expected completion in 2025. The City plans to install at least 35 miles of water and sewer mains each fiscal year to replace old and outdated pipelines. Other major upcoming projects are rehabilitation to our pump stations as well as backup energy generators for our critical facilities.

Question: Who is receiving the Proposition 218 notice? Is it rate payers or all residents?

Answer: The Proposition 218 notice was mailed to all customers who pay water and sewer bills. The notice is also posted on the City's website at www.sandiego.gov/rate-increases, and links to the notice were posted on the City's social media channels.

Question: Will the Pure Water project make rates even higher, or will they go down?

Answer: Rate increases will help us pay for the Pure Water project. However, once Pure Water is completed, it will allow us to avoid the costly upgrade of the Point Loma Wastewater Treatment Plant for a secondary treatment process. In addition, Pure Water will be providing us with a local water supply, reducing our need to purchase imported water.

Question: I thought the Pure Water project had a co-generation component to reduce electricity cost. Was this considered in the cost-of-service study?

Answer: Cogeneration currently takes place at two City facilities: the Metro Biosolids Center and the Point Loma Wastewater Treatment Plant. There are plans as part of Pure Water to consider solar energy as well cogeneration to help offset some of the energy costs. The City is always reviewing potential renewable energy sources to move us to more clean energy as one of the mandates in the City's Climate Action Plan.

Question: The rate increase of \$7 is a 20% increase in the first year. Why not spread it out?

Answer: In order to comply with Proposition 218, the City is required to do a cost of service process and ensure proportionality. We are unable to spread that out because the revenue we're receiving from each customer class, whether that is single family or commercial or multifamily, must be proportional to the

use of our system or the cost that they're incurring on that system. Since it's been such a long time since we last did this cost-of-service study, it is a big increase in this first year.

Question: What responsibility do developers and contractors have when they build new commercial or residential buildings?

Answer: They do have requirements that they pay for the capacity fees. There are development fees that they are required as part of the proposed rate increases.

Question: Many people confuse wastewater and stormwater. Are you speaking strictly about wastewater or do the two systems intersect at some point?

Answer: At the current time, the wastewater and stormwater systems do not intersect. The cost-of-service study focused only on the wastewater system.

Question: What is the relationship between the Stormwater and Public Utilities departments? Sometimes storms cause sewage spills; what will this new rate period do to help avoid these?

Answer: Both City departments work together to decrease sewer spills. The rate increases will allow us to continue maintaining and improving our water and wastewater systems.

Question: Does the Public Utilities Department favor the concept of all new homes that will be built to have some sort of attractive water saving attachments/equipment (like the state mandate for solar power in new homes being built in California)?

Answer: It's an interesting idea. While there may not currently be a state mandate regarding water saving devices for new homes, the City does offer [rebates](#) on a number of ways to save water including rain barrels, turf replacement, etc.

Question: Another way to achieve cost containment is to reduce consumption by encouraging conservation by customers, thereby reducing costs of purchasing from the San Diego County Water Authority. What role does conservation play in the strategy to manage the water supply for San Diego?

Answer: Water conservation is very important because water is such a valuable resource. The City actively encourages residents and businesses to save water. Our [Water Conservation program](#) provides water saving tips as well as rebates for water saving devices and projects. And the City has had [permanent water use restrictions](#) in place for a few years now.

Question: Will you adjust rates into future every few years and not wait till a large percentage increase is needed?

Answer: Absolutely. The best practice is to conduct a cost-of-service study every three to five years, and that's our plan going forward.

Question: About 50% of the water I use goes into the sewer system because the other 50% is used to water plants. Therefore, I am overcharged for sewer usage as it is calculated on total water delivered.

Answer: Wastewater fees are calculated during a [winter monitoring period](#), a time when people are less likely to be using outdoor irrigation. This system, rather than a flat rate for all customers, more fairly apportions the costs of running the sewer system.

Question: Many large residential buildings projects in Council District 1 are using loopholes to build completely new buildings by calling the project a “remodel.” In this case, developers of many large luxury homes (likely hundreds) are not paying development fees. Are there any plans to try to access these missing development fees to address this increased demand on services?

Answer: The City will review this issue and consider addressing this in future policies.

Question: Why wouldn't the City cap building of new commercial and residential projects due to the fact that we have a water shortage?

Answer: City leaders are evaluating this and take into consideration our efforts to ensure that we have water reliability. And new commercial and residential projects tend to use less water than older ones.

Question: Could you tell me what the discount is for multi families because we have a granny flat. Are we entitled to some kind of discount for two different families?

Answer: There are no discounts offered. When you were going through the permitting process, an evaluation would have been made as to what size meter that you would need. That's going to set what rates that you would pay. In general, if an accessory dwelling unit can trigger somebody changing from a single-family resident to a multifamily resident, unless you have separate readers, then you need both single family residences.

Question: Starting June, all the way through 2024 and or 2025, portions of Governor Drive will be involved with sewer line replacements. And as you know, and I'm sure the left hand knows what the right hand is doing. The Pure Water project cuts right across Governor Drive. So, it looks like our families in University City are going to have a lot to deal with the traffic control, access for emergency vehicles, events that normally takes place on Governor, which is our only major east-west access. Does the City realize how much chaos it will create by digging up Governor and Genesee at the same time? We will have problems getting in and out of our community along with our Fire and Police departments.

Answer: We've received a lot of feedback from University City residents regarding their concerns about infrastructure projects in their area. The City's Engineering and Capital Projects Department will be coordinating the projects to minimize impacts to the community as best as possible. And we will continue to keep residents in the area informed with regularly updated information as these projects move forward.

Question: Will Public Utilities be posting the proposed rate increases on Nextdoor?

Answer: The City has posted information about the proposed rate increases on Nextdoor as well as on other social media channels, including Facebook, Instagram and Twitter. In addition, the City has issued two news releases about the rate increases and worked with local news media. The [City's website has a page](#) with details about the increases, including the Proposition 218 notice, answers to questions, a rate calculator, and links to sign up for public forums like these. We will continue to provide updates to keep the public informed.

Question: Why are San Diegans paying one of the largest water rates in the country?

Answer: We import 85% to 90% of our drinking water and need to purchase that water from the San Diego County Water Authority. They in turn purchase the water from the Metropolitan Water District of Southern California. We're subject to their costs and the rates they set to pump, store and treat water from Northern California and the Colorado River. One of the things that's unique about the San Diego area, as opposed to other parts of Southern California, is that our region lacks substantial groundwater.

Question: What assumptions are used related to water use and sewer charges in the City's cost of service study?

Answer: [Page 32 of the wastewater cost of service study](#) provides information about the assumptions that the City uses specifically to address the concerns you raised regarding sewage charges for water that does not return as wastewater (pool evaporation and landscape use were two of the concerns mentioned).

In summary, the cost-of-service study makes three assumptions to address these concerns:

- The City looks at water usage during the [winter monitoring period](#) when outdoor water usages tend to be at its lowest level.
- The City then assumes that during this period, 95% of this winter water usage across all single-family residential class is returned to the sewer system and uses this value in distributing costs between customer classes.
- Finally, the City caps individual winter water usage at 20 HCF (hundred cubic feet) for use in sewer billing. This cap assumes single family residents using more than 20 HCF of water are invariably being used for activities that do not return to the sewer and are not included in sewer bills.

###