



Quality ■ Value ■ Reliability ■ Customer Service  
For all of San Diego...every day!



# Water Rates Proposal

## Proposed Increase to Potable Water Rates

City of San Diego Public Utilities

October 2015



# Public Utilities Department



## Excellence in Serving our Customers

Provide services to the 8<sup>th</sup> largest US city and surrounding area

1.4M water & 2.5M sewer customers

Award Winning and Efficient Operations



## Water Supply

Reliance on imported water

State Drought Mandate and Enforcement

Investing in Pure Water



## Finances

Water Fund Budget

Cost of Service Study Process

Proposed Rates

## What's the latest? Why the increases?

- Increased cost to buy water from our suppliers
  - MWD and CWA **already approved** rate hikes
- New **desalinated water** supply coming online
  - Higher costs to pay for water effective January 2016
- Investments to create new **local water supply**
  - Pure Water San Diego
- Repair and replace **aging infrastructure**
  - Replace 35 miles of aging pipeline every year
- Credit worthiness
  - Retain good credit to reduce borrowing costs

# Water Supply:

## 1.) Reliance on Purchased Water

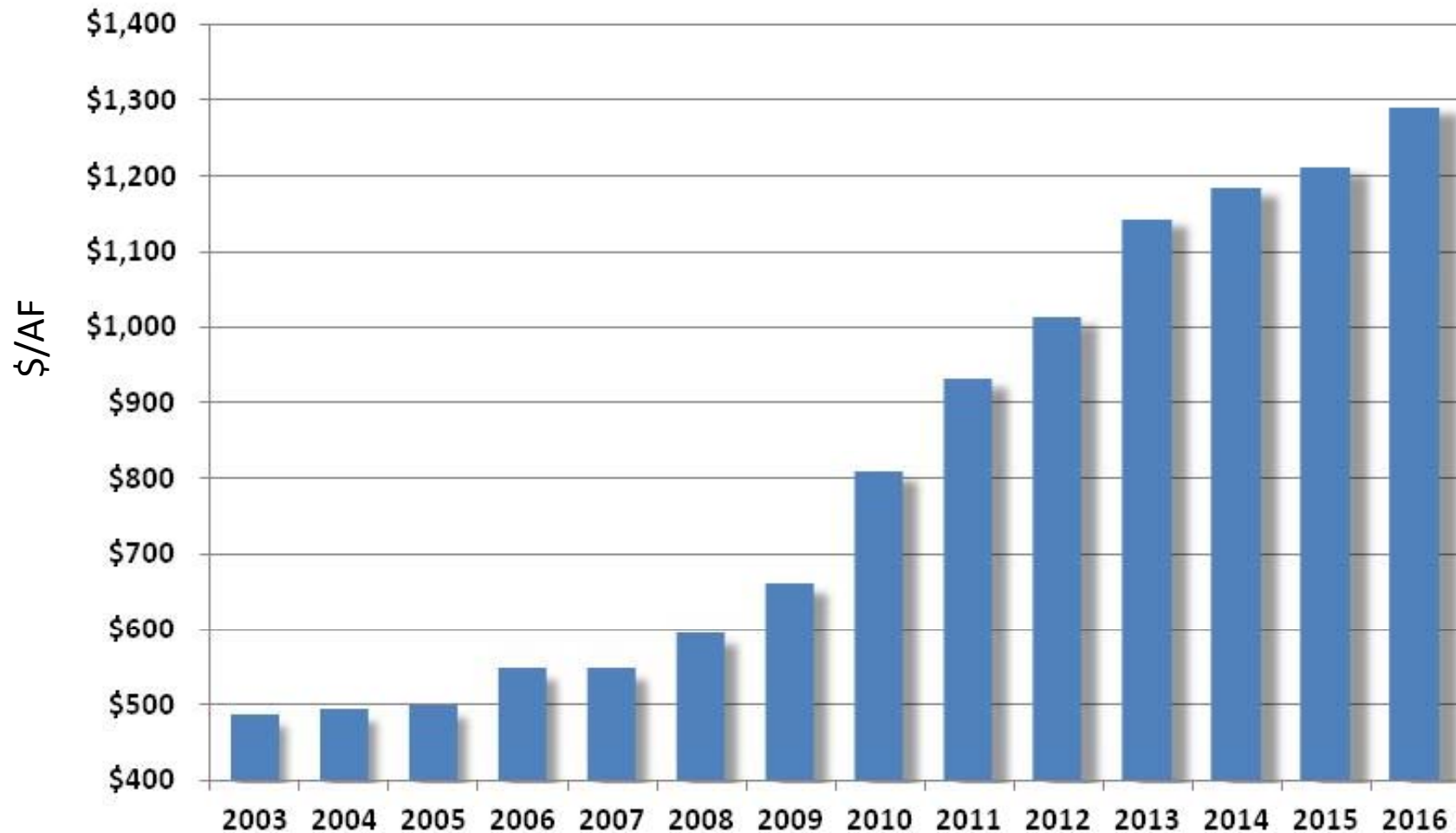
- San Diego purchases between 85-90% of the water our customers use
  - Owns and operates nine local reservoirs – low water supply levels
- Metropolitan Water District (MWD) and San Diego County Water Authority (CWA) price increases:
  - Imported water costs
  - Desalination





# Water Supply:

## Increasing Cost of Purchased Water



## Water Supply:

### 2.) Desalination & Pure Water - New Water Resources

- Carlsbad Desalination Plant completion (regional)
- The City's Pure Water Program is a phased, multi-year program that:
  - Uses proven technology to produce a safe, sustainable and high quality water supply
  - Is drought-proof and locally-controlled to significantly improve our water reliability



- Is a cost-effective investment for San Diego's future water needs



# Water Supply:

## Pure Water - A New Water Resource

Initial  
Phase  
2021

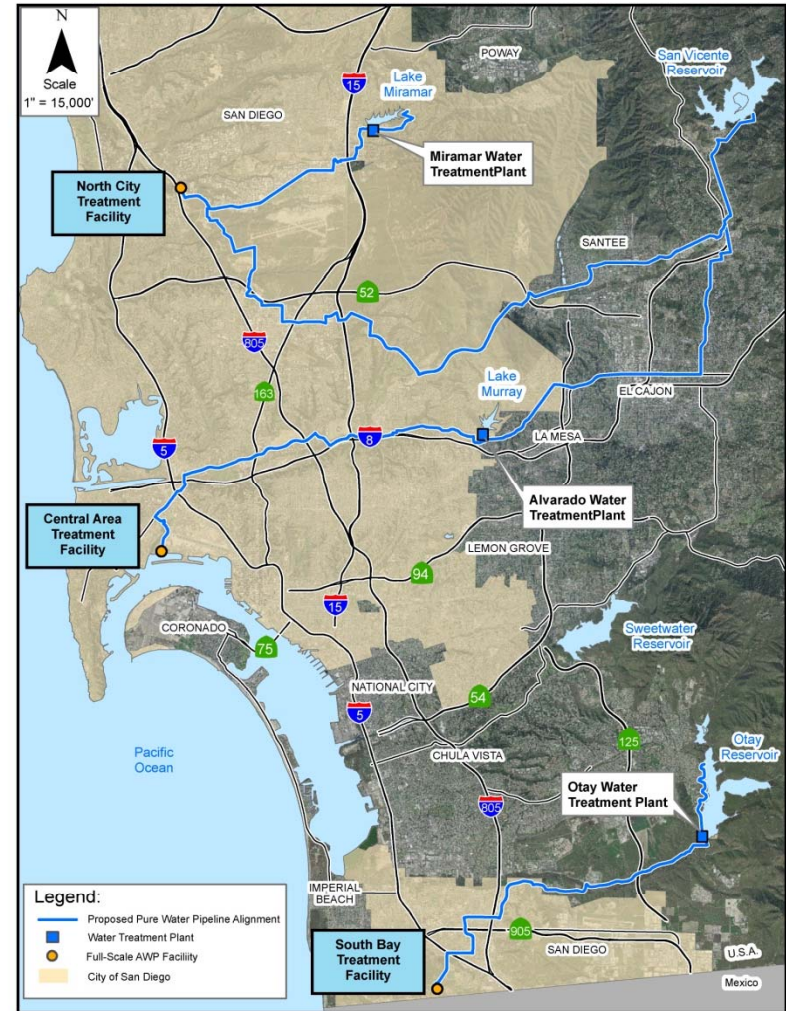
Up to 30 MGD

Recycled water will be purified at North City Plant and delivered to San Vicente or Miramar Reservoir

Long  
Term  
2035

83 MGD

Recycled water will be purified at the Central Area Treatment Facility and South Bay Plant and delivered to San Vicente and Otay Reservoirs



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# Water Delivery Reliability:

## Infrastructure Investments

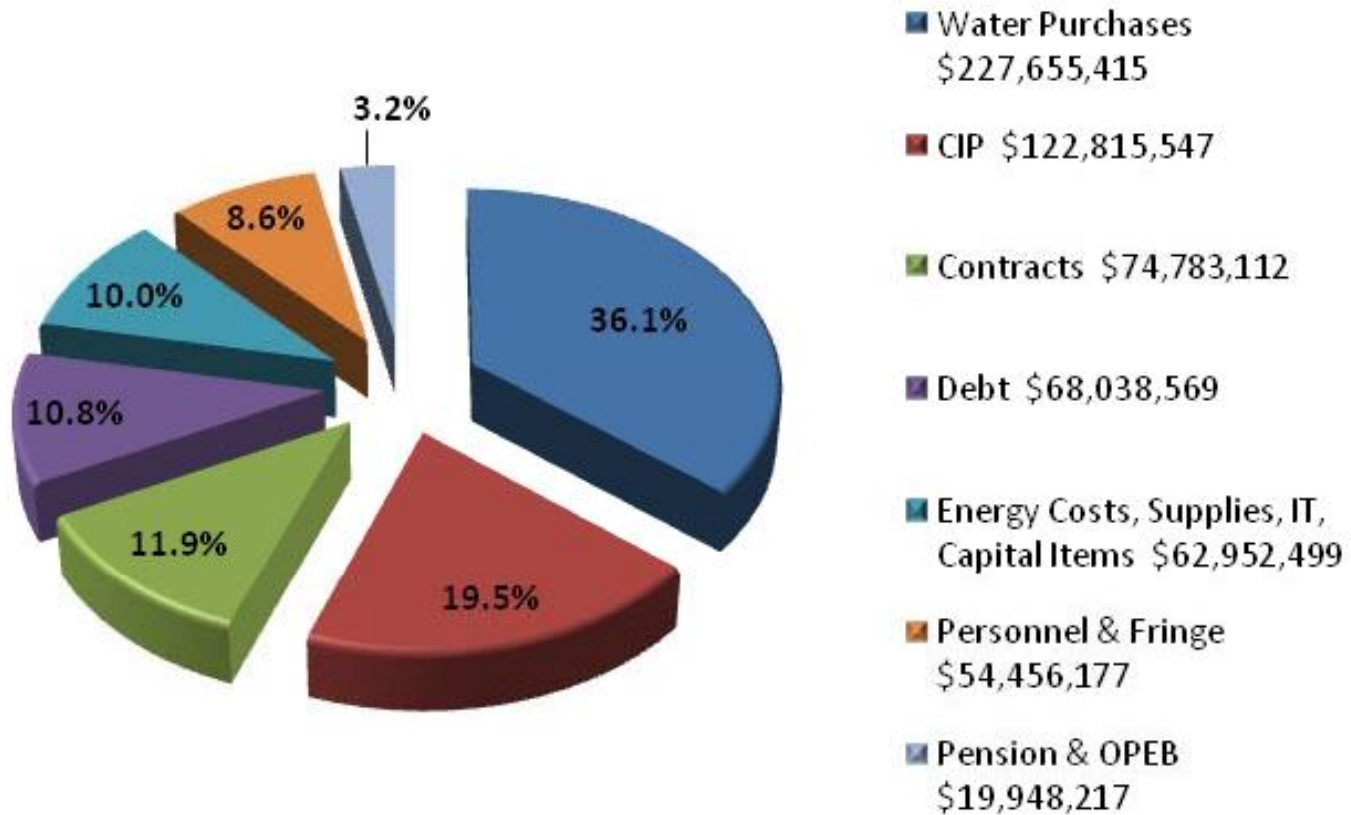
<b>Capital Improvement Program - Water Projects &amp; Pure Water Program Projects Per Year</b>					
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Groundwater Projects	\$ 92,900	\$ 116,500	\$ 1,506,200	\$ 7,657,300	\$ 1,950,500
Other	14,441,300	23,131,600	19,557,200	7,029,600	4,346,200
Pipelines	34,756,200	40,400,900	38,389,200	35,991,600	36,158,900
Transmission Pipelines	31,325,900	49,200,200	28,457,300	37,175,300	95,266,200
Pump Station	9,924,500	10,261,000	12,626,800	5,185,900	11,325,900
Water Storage Projects	5,315,700	24,193,900	21,016,100	24,372,500	28,850,400
Water Treatment Plants	7,925,700	27,124,700	17,599,400	3,545,800	157,558,300
<b>Total Capital Improvement Projects</b>	<b>\$ 103,782,200</b>	<b>\$ 174,428,800</b>	<b>\$ 139,152,200</b>	<b>\$ 120,958,000</b>	<b>\$ 335,456,400</b>





## Finances:

### Total Water FY 2016 Budget \$630,649,536



# Proposed Water Rate Increases

Rate Increase Driver	2016 January	2016 July	2017 July	2018 July	2019 July
Increased imported water cost Carlsbad Desalination, Pure Water, Aging Infrastructure, Smart Meters, State drought mandate, Reserve Requirement	9.8%	6.9%	6.9%	5.0%	7.0%
Department Operations	0.0%	0.0%	0.0%	0.0%	0.0%
<b>TOTAL INCREASE</b>	<b>9.8%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>5.0%</b>	<b>7.0%</b>

## ◆ Conduct Review of Funds

The County Water Authority (CWA) Rate Increase that must be passed through to the City is projected to be 2.5% in 2017 and 2018, and 3.0% in 2019. The City will only pass through to its customers the actual CWA pass through rate increase impact between 2.5% and 7%. The CWA pass through will not exceed 7% annually through 2019.

Use of \$32M from the Rate Stabilization Reserve (January 2016).

# Water Consumption & Meter Charges

**Fixed Charge / Month**

Meter Size	Current Rates	Proposed FY 2016
5/8", 3/4"	\$20.31	\$22.26
1"	\$27.51	\$29.50
1.5"	\$43.96	\$46.04
2"	\$64.53	\$66.72
3"	\$112.86	\$115.32
4"	\$181.75	\$184.59
6"	\$352.44	\$356.23
8"	\$558.10	\$563.03
10"	\$798.72	\$804.98
12"	\$1,483.55	\$1,493.60
16"	\$2,580.72	\$2,596.85

**Commodity Charge (per HCF)**

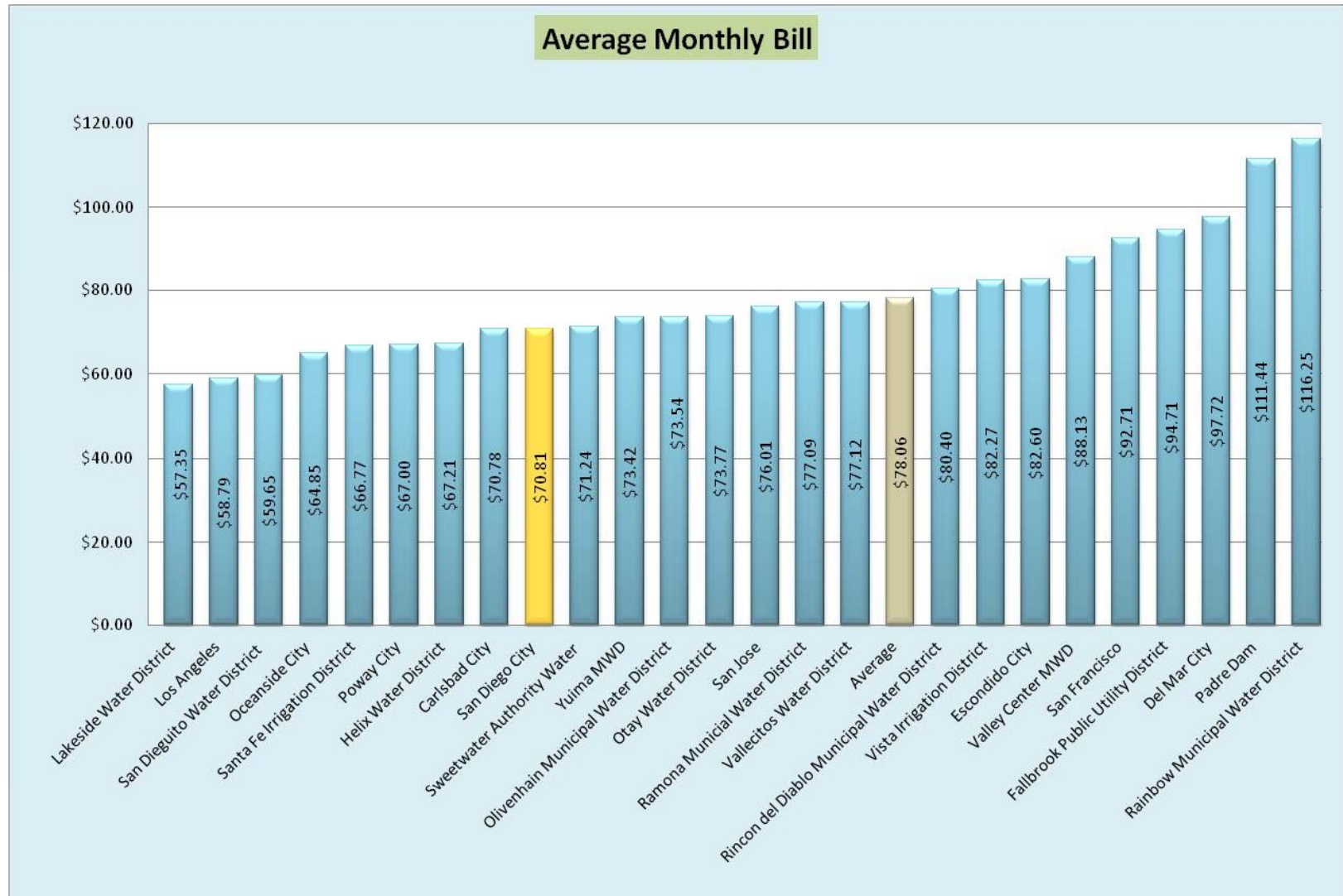
Customer Class	Current Rates	Proposed FY 2016
Single Family		
Tier 1 (0-4 HCF)	\$3.90	\$4.24
Tier 2 (5-12 HCF)	\$4.36	\$4.75
Tier 3 (13-18 HCF)	\$6.23	\$6.79
Tier 4 (19+ HCF)	\$8.77	\$9.55
Other Classes		
Multi Family	\$4.65	\$5.12
Commercial/Industrial	\$4.47	\$5.02
Construction/Irrigation	\$4.95	\$5.67

Water sales are 80% variable (commodity) and 20% fixed (meter)

# Single Family Residential Bill Impact

Customer Class	Monthly Bills - Proposed Rates	
	Existing Rates	FY 2016
	(\$)	(\$)
4hcf	\$ 35.89	\$ 39.24
7hcf	\$ 48.99	\$ 53.50
12hcf	\$ 70.81	\$ 77.27
24hcf	\$ 160.81	\$ 175.32

# Water Rate Comparison



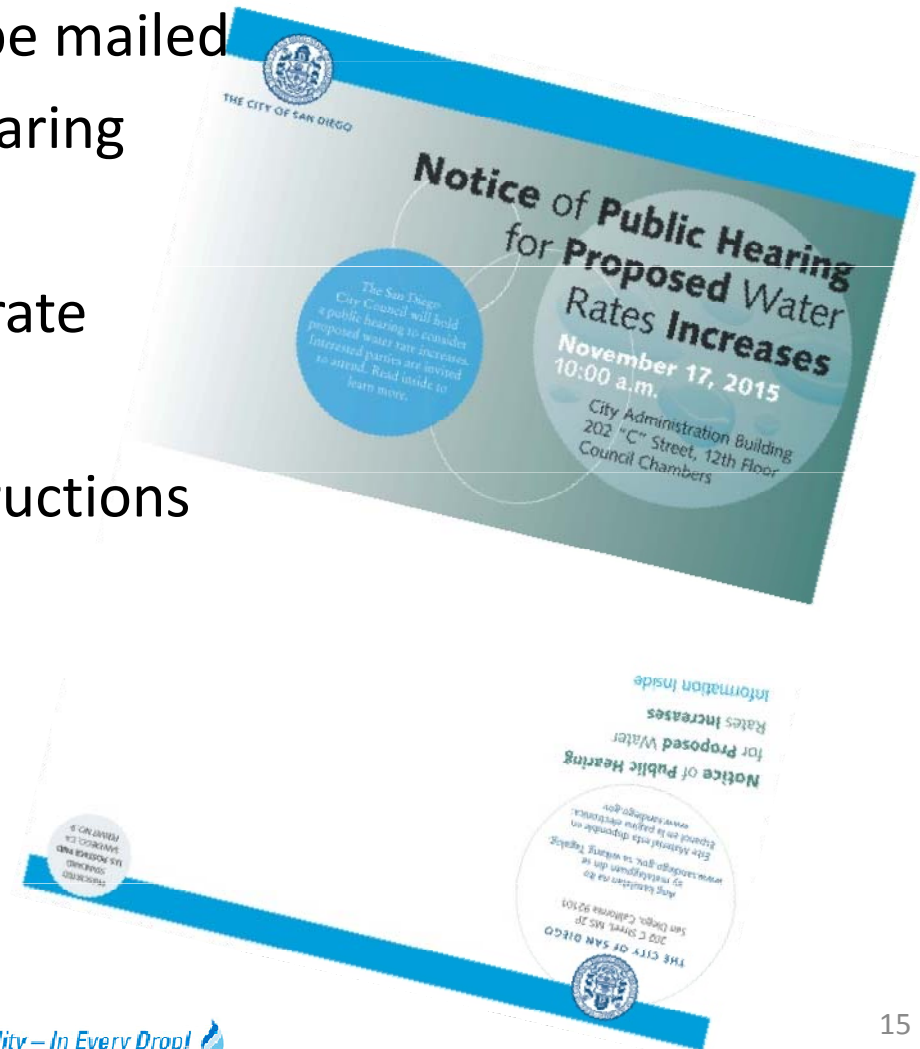


# Impact of No Rate Increases

- **Impact to our operations**
  - Reduction in infrastructure maintenance and repair
  - Inability to purchase water to deliver to customers
  - No funding to develop water supply reliability
- **Not meeting the required debt coverage**
  - Ineligible for **grants** and loans
  - Inability to obtain **financing**
  - **Default** on the existing debt
    - The bond holder could **force** a rate increase
    - Demand full **payment** of debt

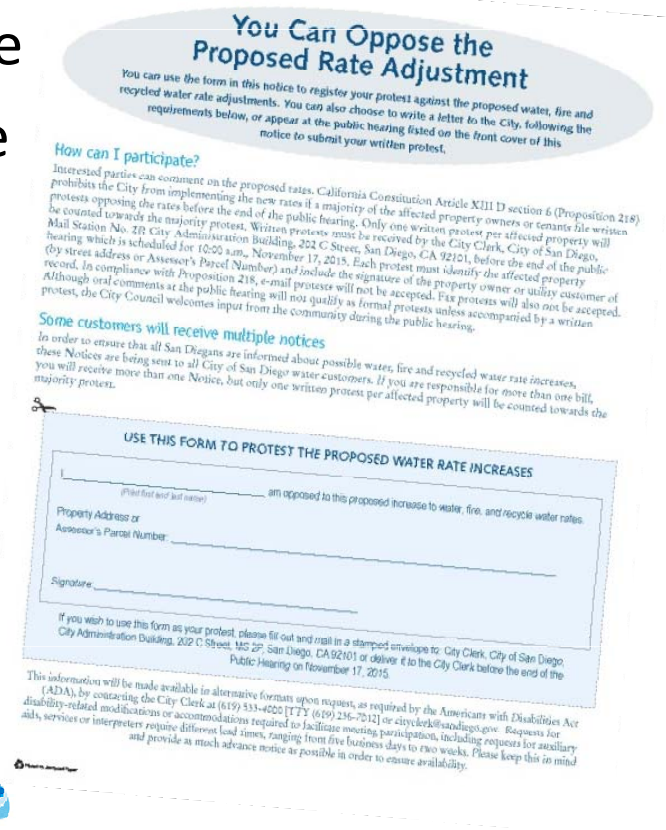
# Proposition 218 – Notice of Public Hearing

- Every customer will be mailed a Notice of Public Hearing
- Detailed information about the proposed rate adjustment
- Includes protest instructions



# Proposition 218 – Know Your Rights

- California Constitution prohibits implementing the new rates if a majority of the affected property owners file written protests opposing the rates
- Each protest must identify the affected property and include an authorized signature
- California law permits only written protests
  - No email or faxed protests



**You Can Oppose the Proposed Rate Adjustment**

You can use the form in this notice to register your protest against the proposed water, fire and recycled water rate adjustments. You can also choose to write a letter to the City, following the requirements below, or appear at the public hearing listed on the front cover of this notice to submit your written protest.

**How can I participate?**

Interested parties can comment on the proposed rates. California Constitution Article XIII D section 6 (Proposition 218) prohibits the City from implementing the new rates if a majority of the affected property owners or tenants file written protests opposing the rates before the end of the public hearing. Only one written protest per affected property will be counted towards the majority protest. Written protests must be received by the City Clerk, City of San Diego, Mail Station No. 28, City Administration Building, 202 C Street, San Diego, CA 92101, before the end of the public hearing which is scheduled for 10:00 a.m., November 17, 2015. Each protest must identify the affected property (by street address or Assessor's Parcel Number) and include the signature of the property owner or utility customer of record. In compliance with Proposition 218, e-mail protests will not be accepted. Fax protests will also not be accepted. Although oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing.

**Some customers will receive multiple notices**

In order to ensure that all San Diegans are informed about possible water, fire and recycled water rate increases, these Notices are being sent to all City of San Diego water customers. If you are responsible for more than one bill, you will receive more than one Notice, but only one written protest per affected property will be counted towards the majority protest.

**USE THIS FORM TO PROTEST THE PROPOSED WATER RATE INCREASES**

I, \_\_\_\_\_ (Print first and last name) am opposed to this proposed increase to water, fire, and recycle water rates.

Property Address or Assessor's Parcel Number: \_\_\_\_\_

Signature: \_\_\_\_\_

If you wish to use this form as your protest, please fill out and mail in a stamped envelope to: City Clerk, City of San Diego, City Administration Building, 202 C Street, MS 28, San Diego, CA 92101 or deliver it to the City Clerk before the end of the Public Hearing on November 17, 2015.

This information will be made available in alternative formats upon request, as required by the Americans with Disabilities Act (ADA), by contacting the City Clerk at (619) 534-4200 TTY: (619) 236-7212 or cityclerk@sandiego.gov. Requests for disability-related modifications or accommodations required to facilitate meeting participation, including requests for auxiliary aids, services or interpreters require different lead times, ranging from five business days to two weeks. Please keep this in mind and provide as much advance notice as possible in order to ensure availability.

## Proposed Rate Increase Timeline

Date	Activity
July 20, 2015	Independent Rates Oversight Committee Approval on Potable Rates Proposal
July 2015	Stakeholder Outreach
August 5, 2015	Environment Committee
September 15, 2015	Council set public hearing
September 2015	Mail public notices
September - November	Community and Stakeholder Outreach
November 17, 2015	Public Hearing at City Council
January 1, 2016	Rate increase effective if adopted

## Next Steps

- Mail the Notice of Public Hearing to all customers:
  - Potable water base fee and commodity charge
  - Recycled water
  - Protest opportunity
- City Council Hearing on November 17
  - Receive public testimony
  - Certify ballot count
  - Deliberate on rate proposal





## San Diego Tap Water Cost Comparison

PER GALLON COST (JULY 2015)		
Milk	\$	3.49
Coffee	\$	10.67
Soda	\$	3.99
Boxed Wine	\$	11.36
Vended Water	\$	0.35
Store Brand Water	\$	1.09
Name Brand Water	\$	1.49
San Diego Tap Water* - <b>DELIVERED</b>	\$	0.009

\* Based on average monthly bill at 12 HCF

## Where to find more information

- Visit:  
[www.sandiego.gov/water/](http://www.sandiego.gov/water/)

- Follow us:



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