

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
M E M O R A N D U M**

No. 07-16

DATE: November 28, 2007

TO: Honorable Council President and Members of the City Council

FROM: Andrea Tevlin, Independent Budget Analyst

SUBJECT: Water Reuse Pilot Program

On October 29, 2007, the City Council voted to move forward with implementation of a potable water reuse pilot program. The purpose of the pilot program is to demonstrate that the City can treat reclaimed water to a level that is safe for human consumption. Such a program is the first step in implementing a full scale indirect potable water reuse program, such as reservoir augmentation.

The IBA supports moving forward with a potable water reuse pilot program. The pilot study will provide valuable information on the process, procedures, and potential cost of implementing a full-scale potable water reuse program. It should be noted that moving forward with the pilot program does not commit the City to implementing a full-scale potable reuse program but is simply a means of gathering necessary information. However, not moving forward with a pilot program essentially cuts off this option entirely.

The first step in implementing a pilot program is to initiate a discussion with the California Department of Public Health (DPH) in order to get a clear understanding of what is required, and the steps that need to be taken. While it has been roughly estimated that the cost of a pilot program would be \$10 million to \$15 million, we feel that the initial discussion with DPH is necessary in order to generate more precise cost estimates.

Once the cost of the pilot program is more precisely known, different funding options may then be considered. It has been stated that implementing such a pilot program will require an additional increase in water rates. While this certainly may be an option, we are not convinced that a rate increase is the only option, particularly given that the true cost of the pilot program is still unknown. Other potential funding options may include accessing fund balances or revising the timeline for other long-range water supply capital projects. Additional analysis will be necessary to determine the full range of funding options once the initial discussion with DPH is held and the cost of the pilot program is more precisely known.

We recommend that the Water Department initiate the discussion with DPH and report back to the Council within three months, or some other reasonable time period, with a plan to implement a potable water reuse pilot program, including updated cost estimates, steps to implementation, and

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DPH requirements. This will allow for a more thorough discussion of funding options, as well as any adjustments in timeframe that may be necessary.

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cc: Mayor Jerry Sanders
Jay Goldstone, Chief Operating Officer
Jim Barrett, Water Department Director