

Addressing San Diego's water needs

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Just last month, for the first time in more than five years, Wall Street decided to loan money to the city of San Diego. Anyone with a home mortgage understands how important credit is in modern-day America. It is the way we purchase “big ticket” items such as housing, automobiles and our children's education. Likewise, government entities must rely on credit markets to purchase expensive items such as water and sewer systems. Debt undertaken to build long-term infrastructure is a good investment.

When he took office, San Diego Mayor Jerry Sanders inherited a financial market that no longer trusted the city with borrowed revenues. The city's pension and retirement problems, as well as larger budget imbalances and a lack of completed audits, had to be addressed before Wall Street bankers would restore access to the bond market – where municipal governments borrow money.

During his first term in office, Mayor Sanders and his team successfully reformed the city's financial management and reporting processes. He revamped government through a business process reengineering initiative that cut more than 700 positions from the city's payrolls in its first year. He completed five audits in less than two years. He also brought the city's true financial picture into clearer focus with a strong long-term financial plan. With the return to the bond market, Wall Street has added its vote of confidence to the mayor's work. The benefits of these reforms will accrue to us all.

Moreover, the city, which had targeted about \$60 million from the bond offering, raised \$157 million at the very attractive interest rate of 4.53 percent – another way confidence was expressed in San Diego. The Water Revenue Bond will allow the city to pay off a \$57 million private short-term loan due last month, as well as refinance about \$94.2 million of a 1998 loan. As a result, the city will save some \$5.6 million in interest costs over 12 years – which can be reinvested in other water system improvements.

In 2008, the San Diego region imported more than 80 percent of its water to meet the demand of its more than 3 million residents and its \$168 billion annual economy. According to estimates by the San Diego County Water Authority, the 2008 annual water use for the San Diego region was more than 650,000 acre-feet.

Access to reliable water is critical to our quality of life and to the attraction and retention of important 21st-century industries such as biotech. The San Diego region will not remain a viable biotech stronghold if we cannot provide the water needed to support research and the commercialization of life-saving products – or if the supply of water is too costly for business.

It may not seem like a milestone achievement on the surface but, in fact, rejoining the credit market is vital to the health of our economy. Our city's credibility has been restored on Wall Street, enabling this, and other, important regional investments – as long as the city exercises financial discipline and stays on the path of reform. We must never permit our city's financial status to be jeopardized again.

For the foreseeable future, our region will continue to rely heavily on water imports and transfer agreements to sustain our quality of life.

As we move forward, we will be looking closely at three things:

First, policies and funding needed to balance the interests of the Sacramento-San Joaquin River Delta's ecosystem with Southern California's need for a stable water supply. Right now, the Delta is failing as a reliable water delivery system and as a sustainable ecosystem. Ongoing regulatory and legal conflicts over the Delta's ecosystem underscore the immediate need to invest in permanent fixes that improve the reliability of this vital water supply source.

Second, a regional strategy that accomplishes at least 10 percent – and probably more like 20 percent – water conservation by 2012. Current consumption rates cannot continue without the threat of mandatory conservation. In so doing, we must not penalize individuals and companies that have already moved boldly and aggressively to curtail their use of water.

And third, development of a regional consensus on a recycled water supply by 2013 or earlier. Work is under way to determine the safety and effectiveness of reusing water that's already been down the drain, and this will underpin a strategy for widespread recycled water use.

Re-entry into the bond market is an important development in our city's economic vitality. Mayor Sanders and his team have done their part. It is time for the business community and civic leaders to engage in the process of implementing a long-term strategy to address our regional water supply. Business is part of the solution, and the potential for a sound solution will be enhanced by its engagement.