

# Our Water & Wastewater Systems – Building a Framework for Life



**The City of San Diego's Public Utilities Department is responsible for providing safe drinking water 24 hours a day, 7 days a week, 365 days a year.** Providing safe and reliable drinking water requires making sure the water treatment plants function properly, the pipelines and pump stations are in good working order, and emergency repairs are made promptly.



Eighty-five percent of the water used by San Diego residents and businesses comes to the city through a large, complex system of pipelines connecting us to northern California and the Colorado River. Our enviable quality of life and economy relies on this

supply of "imported water." But there is a cost to bringing this precious resource to San Diego from hundreds of miles away – and those costs have doubled since 2008 and are expected to continue to increase in the years to come.

The City's wholesale water supplier, the San Diego County Water Authority, has increased the cost of water it sells to the City every year – but the Public Utilities Department has worked hard to absorb rate increases in 2012 and 2013 rather than increase water rates for its customers. Unfortunately the Department cannot continue this practice. The Department has taken several steps to cut operational costs and become more efficient, allowing the City to forgo the Water Authority's rate increases for the past two years. In addition, the City has invested heavily in its drinking water infrastructure and replaced aging pipelines in the system, but we can no longer do this and absorb the increased cost of water from our wholesale supplier without additional rate revenues.

To continue to provide safe drinking water to residents and businesses in San Diego and maintain the City's water utility financial strength, water rates must be increased to keep pace with increasing water supply costs. The City of San Diego is proposing to increase water rate revenues by 7.25% on January 1, 2014, and 7.5% on January 1, 2015.

Among other things, absorbing all of the Water Authority's rate increases has reduced the city's debt service coverage ratio to near minimum levels. Debt service coverage is similar to an individual's credit rating. The City, just like any individual or business owner who wishes to borrow money for an important purpose, must show it has the ability to pay back the money that it borrows to construct the projects that keep water flowing from treatment plants to taps.



## Debt Service Coverage Ratio and Why It Matters

Debt service coverage ratio is the amount of annual revenue available to be used to pay interest, principal or lease payments. When an individual or business owner needs to borrow money from a bank or other lender, that individual or owner has to show that he or she has enough financial capability – annual income – to pay back the loan and associated interest on the loan. The City has to operate the same way when it issues bonds to upgrade and maintain its water treatment and delivery system: it has to show bond rating agencies that it has enough annual revenue to pay for, or "cover," the interest on the debt it will incur when those bonds are issued. So the higher the debt service coverage ratio, the lower the interest on the bond – and lower interest rates help keep water rates more affordable for all customers.

For the next two years, the City intends to pay for capital construction projects on a "pay as you go" basis using available cash and reserves. Paying for pipeline repairs and other smaller projects with budgeted revenue will allow the system to be maintained.

**Personnel**  
\$46,328,993



**Contracts**  
\$40,535,932



**Non-Personnel  
Expense**  
\$50,356,598



**Debt**  
\$67,211,200



**Water Purchases**  
\$209,074,594



**Capital  
Improvement  
Projects**  
\$49,836,598



**Pension & OPEB\***  
\$20,773,464

**Grand Total \$484,117,379**

\*Other Post-Employment Benefits

## What is the City doing to keep water rate increases as low as possible?

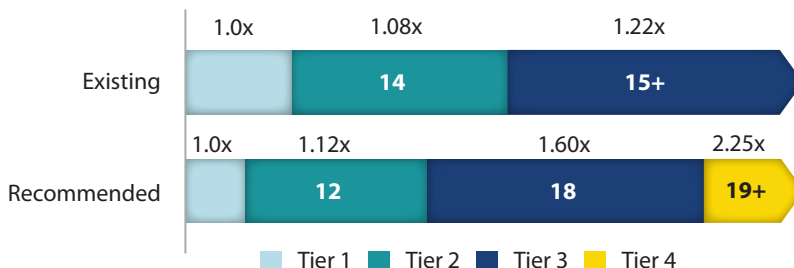
The City has done a lot in terms of making its operations much more efficient. For example, the number of full-time employees in the Public Utilities Department has been significantly reduced without affecting service quality. Outstanding debt has also been reduced and the City will continue to seek lower interest rate loans. Projected savings from low interest loans is \$148 million.

## What can I do to lower my water bill?

You can use water more efficiently, repair leaks and ensure that you have the most efficient plumbing fixtures such as toilets, washing machines, dishwashers and showerheads. To recognize those customers who use water efficiently, the City's water rate structure will be changed from a three-tier structure to a four-tier structure.

Here are the proposed billing tiers:

### SFR MONTHLY TIER RATE STRUCTURE (HCF)



SINGLE FAMILY RESIDENTIAL BILL IMPACT			
Single-Family Monthly Use	Monthly Bills - Proposed Rates		
	Existing	CY 2014	CY 2015
	(\$)	(\$)	(\$)
4 hcf	33.77	33.45	35.95
7 hcf	44.60	45.69	49.09
12 hcf	64.20	66.09	70.99
25 hcf	120.44	158.34	170.15

## Will my water bill change?

The Public Utilities Department will see an overall revenue increase of 7.25%. The amount an individual customer will see on their bill will vary depending on the amount of water they use. City customers who use a small amount of water may see a reduction in their bill, particularly those with smaller meters. And since the meter charges are proposed to be reduced starting in 2014, a large portion of the City's customers will actually see a decrease in their rates even though the Department is recommending an increase for the commodity portion of the bill, or the amount of water used by the customer.

Meter Size	Meter Charge	
	Existing Rates	Recommended
	(\$/monthly)	(\$/monthly)
5/8", 3/4"	19.33	18.89
1"	28.46	25.59
1.5"	49.34	40.89
2"	75.44	60.03
3"	136.74	104.98
4"	224.15	169.07
6"	440.73	327.86
8"	701.64	519.16
10"	1,006.94	742.99
12"	1,875.82	1,380.05
16"	3,267.86	2,400.67

For additional resources please visit: <http://www.sandiego.gov/water/conservation/>