



CITY COUNCIL ADOPTS FUNDING PLAN FOR CRITICAL WATER AND WASTEWATER UPGRADES

The San Diego City Council voted on February 26, 2007 to adopt recommendations for repairing and improving the City's crumbling water and wastewater systems. The approved plan will allow the City to address the regulatory mandates, court orders and other needs facing these systems.

The package of improvements approved by the City Council will let the City get back on track toward meeting its regulatory responsibilities and ensuring the safety and reliability of these systems into the future.

The Water Department will soon begin construction of the next round of projects called out in a Compliance Order issued by the California Department of Health Services. The Metropolitan Wastewater Department will begin the next set of projects required of the City under a consent decree issued by a federal court on behalf of the Environmental Protection Agency.

By adopting the package of improvements, the Council also endorsed the implementation of the safeguard plan for protecting ratepayer funds. The safeguard plan includes four specific elements:

- Creation of a new **Independent Rates Oversight Committee (please see enclosed bill insert).**
- Installation of a **"Dedicated Reserve from Efficiencies and Savings"** to help offset future rate increases in both systems.
- Annual **audits** for both systems.
- **Limiting future "Bid-to-goal" contracts** with City employees to one year.

Each of these safeguards elements is being implemented to help assure ratepayers that revenues generated from the rate increases will be used efficiently and for the purposes called out in the rate increase proposal.



In making its decision to adopt the plan, the City Council took testimony in support of the rate proposal from community leaders representing a diverse group of organizations, many of which had conducted independent analyses of the rate package. The groups represented before the City Council included the San Diego County Taxpayers Association, environmental organizations including San Diego Coastkeeper, the San Diego Regional Chamber of Commerce and community groups and organizations. 💧

Applications are now being accepted for Rates Oversight Committee

San Diegans are invited to apply to become a member of the new Independent Rates Oversight Committee (IROC). This committee, formed as part of the San Diego City Council's adoption of new water and sewer service rates, will review and analyze finances and efficiency measures in both systems.

An application form to join the IROC is enclosed in this water/sewer bill. Applications can also be found at www.sandiego.gov/iroc/app.pdf

The IROC will advise the City regarding budgets, project priorities and financial management of the Water and Metropolitan Wastewater Departments.

The new 11 member Committee will include ratepayer representatives and professional experts in the finance, accounting, legal and auditing industries. Applications will be reviewed and members will be nominated by the Mayor and confirmed by the City Council.

The IROC will meet every other month at a minimum and more often if deemed necessary by the chair of the Committee. It will replace the current Public Utilities Advisory Committee and will continue to conduct public meetings to gather input from ratepayers and other stakeholders interested in the City's water and wastewater system.

For more information about the IROC, please see the enclosed application form. 💧

WASTEWATER RATES TO INCREASE MAY 1

City residents can expect to pay 8.75% more

On February 26, the San Diego City Council voted to adopt a four-year package of rate increases for the City's wastewater system. The package will raise consumer rates by 8.75% beginning May 1 of this year. Subsequent increases of 8.75% beginning on May 1, 2008, 7% beginning on May 1, 2009 and 7% beginning on May 1, 2010 were also included in the new rates package.

"The adoption of this rate package was a result of collaboration among City officials and the community," notes Dr. Timothy Bertch, Director of the City's Metropolitan Wastewater Department. "The Council's approval reflects our understanding of the importance of a comprehensive wastewater system upgrade and the need to fairly apportion system costs across every customer class."

The City continues to successfully provide wastewater services to more than 1.3 million City residents through nearly 3,000 miles of wastewater pipes and four major treatment plants. Nonetheless, its aging infrastructure is in need of upgrades. The package of rate increases approved by Council will provide sufficient revenue over four years to obtain bonds and finance a total of \$650 million dollars for capital improvements. The majority of projects are planned for the collection system, including the replacement of approximately 45 miles of aging wastewater pipes per year.

The Council-approved rate increases also will allow the City to remain in compliance with federal and state environmental regulations, as well as resolve litigation with the Environmental Protection Agency and local environmental groups over the City's past wastewater spill history. The City has already seen a 77% reduction in wastewater spills since Calendar Year 2000 when there was an average of one wastewater spill per day. In 2006, that number had been reduced to 84 spills with only ten reaching public waters.

In addition to the rate increases, the cap on the volume of wastewater charged for a single-family residence was raised from 1,400 to 2,000 cubic feet, ensuring all water users will pay their fair share of costs for upgrading and maintaining the wastewater system. All rates were determined based on a Cost of Service Study, which ties the billing rate to the amount of water used and the chemical strength and characteristics of the wastewater generated.

Detailed information about the new package of rate increases can be found on the City's website at www.sandiego.gov/mwwd or by calling Water & Wastewater Billing Services at (619) 515-3500

WATER RATES WILL INCREASE JULY 1

The San Diego City Council has approved a new package of rate increases for the City's water system that will go into effect on July 1. The Council's decision will provide the water system with a 6.5% boost in revenue in each of the next four years. The impact of the rate increase on individual customers will vary depending on the size of their water meter and the amount of water used each month.

"This rate increase will enable us to upgrade our water storage, treatment and delivery systems," said Jim Barrett, Water Department Director. "It will also allow us to comply with federal and state environmental and safe drinking water rules, including a State Department of Health Services Compliance Order."

The Water Department worked with independent consultants to prepare a thorough Cost of Service Study (available at www.sandiego.gov/water) that set the basis for the changes in rates adopted by the City Council. The Study found that rates for all customer classes needed adjustments in order to ensure that each class is paying its fair share. These changes included lowering the level of costs to be derived from fixed monthly usage charges and increasing costs to be recovered from charges for the amount of water used by customers. The chart below describes the impact of the new rate structure for single-family domestic customers with a normal 3/4-inch meter. The chart is described using the standard hundred cubic feet of water (HCF) used by most water system operators. One HCF is equal to 748.05 gallons.

| | Existing | July 1, 2007 |
|----------------------------------|----------|--------------|
| Base Fee for single family users | \$15.87 | \$15.18 |
| First 7 HCF (per HCF) | \$ 1.731 | \$ 2.262 |
| HCF 8-14 (per HCF) | \$ 2.163 | \$ 2.461 |
| HCF 15 and above | \$ 2.372 | \$ 2.775 |

Other customer classes will also have rate increases. For the new rates for multi-family domestic, commercial, industrial, temporary construction and irrigation please go to www.sandiego.gov/water and click on Water Rate Information.

Customers with any other questions are encouraged to call a Water Department Customer Service Representative at 619-515-3500.



THE CITY OF SAN DIEGO

Important Water Department Numbers

(All phone numbers are 619 area code)

- To report a water line break or a sewer overflow **515-3525**
- To ask a question about your water or sewer bill **515-3500**
- To find out where you can pay your bill **515-3500**
- For Water Conservation Program information **515-3500**
- To establish or cancel water or sewer services **515-3500**
- To ask about San Diego's drinking water **668-3232**
- For Lakes Recreation Program information **465-3474**
- To schedule a presentation through the Speaker's Bureau **533-6638**
- To ask the location of a City water or sewer line **527-7482**
- Capital Improvements Projects Hotline **533-4679**
- San Diego City Lakes Hotline **465-3474**
- To report water theft from the Water Department **533-4146**

