

CITY OF SAN DIEGO
M E M O R A N D U M

DATE: July 11, 2007
TO: Rod Greek, Deputy Director, Water Department
FROM: Kyle Elser, Interim Internal Auditor, Office of the Auditor & Comptroller
SUBJECT: **San Diego County Water Authority Pass Through Calculations Review**



Mr. Greek,

At your request, we have reviewed the proposed San Diego County Water Authority (SDCWA) pass through calculations, and the resulting rate increases as stated in the Proposition 218 notice.

Our procedures were limited to reviewing documentation of the SDCWA rates effective January 1, 2008 and tracing these rates to the Water Department's calculations of the projected rate increases necessary to offset the City's increased purchase costs. The calculations were reviewed for mathematical accuracy. Also, calculations in the draft Proposition 218 Noticing of Proposed Water Rate Adjustments were reviewed, and Water Department staff was notified of a minor calculation change that is needed. We did not audit the underlying assumptions such as average water usage.

Based on the information provided, the estimated increased cost to the City of purchased water, from January 1, 2008 through June 30, 2008 is \$4,455,300. The estimated revenue generated by the proposed rates is \$4,455,341. The increased revenue calculated appears reasonable to cover the increased cost of purchased water. These estimates are based on projected water demand, which could vary from the actual amounts.

During our review, we found no material errors in the mathematical accuracy of the calculations used.

Please contact me if you have any questions.

cc: Honorable Mayor Jerry Sanders
Honorable Audit Committee Members
Jay M. Goldstone, COO, City of San Diego
David Jarrell, Assistant Deputy Chief of Public Works
James Barrett, Water Department Director
Sam Gray, Program Manager, Water Department
Chris Ojeda, Supervising Management Analyst, Water Department