

The City of



Public Utilities

FACT SHEET

Water and Wastewater Rate Increases

Questions and Answers

Why are water and wastewater rates increasing?

The City of San Diego's Public Utilities Department is dedicated to providing reliable water and wastewater services in a cost-effective manner while protecting our water resources and the public's health. Water and wastewater services are full cost-recovery.

This means that the City recovers the costs to fund operations and system improvements from customers. The Public Utilities Department does not generate a profit and is not supported by the City's General Fund.

The City owns and operates nine reservoirs, four wastewater (sewer) treatment facilities, three water treatment plants, two ocean outfalls and 131 pump stations, and maintains more than 6,350 miles of water and sewer mains.

Public Utilities strives to keep costs low, however some costs, such as the price of purchasing imported water, are beyond the department's control. The City purchases as much as 85% to 90% of all its drinking water. When the suppliers increase the cost of this water, the City must pay more.

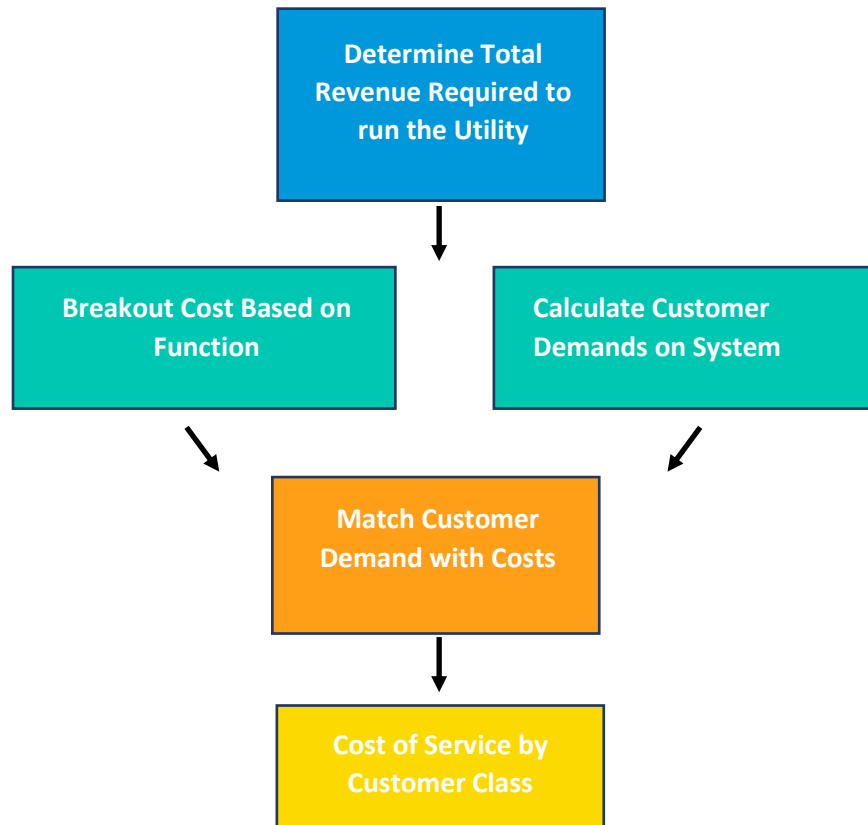
In addition, the City must finance routine rehabilitation and replacement of aging infrastructure to ensure we are providing reliable service that is in compliance with state and federal regulations. The City issues debt to pay for these improvements so that the cost of these improvements is paid by the utility payers over the useful life of the infrastructure.

Last year, the City conducted a cost of service study on wastewater (sewer) rates to evaluate future revenue requirements for operating and capital costs. Wastewater rates have not increased in 10 years. The study found that if the City's sewer rates remain unchanged, there will not be enough revenue to provide necessary wastewater and recycled water services between fiscal years 2022 and 2025. The full cost of service study is available at www.sandiego.gov/rate-increases.



What is a Cost of Service Study?

To ensure customers are being charged in accordance with legal requirements, the City routinely goes through a cost of service process, wherein the costs to run the utilities are allocated based on the proportion of each customer class' impact on the system.



How much are water and wastewater rates increasing?

As proposed, wastewater rates will increase 5% beginning in January 2022, up to 4% in both 2023 and 2024 and up to 3% in 2025. Operations and project needs are analyzed annually, and the increase in future years may be lower than these figures. Historically, the City has implemented lower than projected increases when the financial and operational needs do not match the assumptions in the cost of service.

Water rates are projected to increase approximately 3% as a pass through of a projected increase by the San Diego County Water Authority (SDCWA). This figure is an estimate based on historical past increases from SDCWA. The actual increase will be determined after the SDCWA Board considers the proposal, likely in June 2021. More information about SDCWA is available at www.sdcwa.org.

Where is all the money going to that the City collects from water and sewer fees?

Making sure San Diegans have clean water and effective sewer service is expensive, partly due to the regulations we must follow. Approximately \$240 million of the Public Utilities Fiscal Year 2021 budget is



expected to go toward the purchase of imported water and the remaining 58% of the department's budget will pay for maintenance, upkeep and debt service for the City's water system.

Seventy-one percent of the operating budget for the wastewater utility goes toward maintenance, upkeep and operations of the City's wastewater systems and 29% is for debt service.

The City is also continuing its investment in the Pure Water Program, a landmark water recycling project that will avoid wastewater treatment cost increases and reduce discharges to the ocean. Just as importantly, it will greatly reduce the need for the City to purchase imported water. The Pure Water project represents 40% of the total wastewater capital program over the rate increase period.

What is Proposition 218?

On Nov. 5, 1996, California voters approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain several provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. It dictated that individual assessment charges, such as water and sewer rates, must be proportional to the share of the total cost for each customer. This means customers cannot be charged more than it costs the City to provide them with service. It also means we cannot subsidize service for customers.

Article XIII D, section 6(a)(1) imposes noticing procedures for imposing a new or increasing an existing property-related fee or charge. This initiative changed the way the public is notified of proposed fee increases. Specifically, it requires that notices be mailed to all property owners of record at least 45 days in advance of the date on which a proposed property related fee increase may be adopted.

What is a pass through charge?

San Diego relies heavily upon imported water from Northern California and the Colorado River. The City historically has purchased approximately 85% to 90% of its annual water needs from the San Diego County Water Authority (SDCWA), which in turn purchases its water from the Metropolitan Water District of Southern California. Historically, SDCWA increases water rates annually. These increases are based on SDCWA costs for infrastructure, operations, maintenance and other costs required to obtain water on behalf of member agencies. SDCWA incorporates all its costs into its water charges which are *passed through* to member agencies, like the City of San Diego.

In June of each year, the SDCWA board approves wholesale water rate increases which will increase the City's water purchase costs commencing the following year on Jan. 1. The City is proposing to pass through the cost to buy water from SDCWA to customers.

What is the City doing to improve operational efficiency and keep costs low for ratepayers?

In recent years, the Public Utilities Department has improved efficiency and instituted a number of changes to maximize the investment of rate payer funding. These changes include:



- Replacement and upgrades of water and wastewater infrastructure that have reduced pipeline leaks and breaks.
- Increased preventative maintenance to extend the useful life of equipment and infrastructure.
- Sought out low interest state and federal funding including refinancing a loan for the Pure Water project with the U.S. EPA that will save an estimated \$293 million for rate payers.

What can I do to lower my water and sewer bill?

The amount of water you use has a direct impact on your final bill amount. You can use water more efficiently, repair leaks and ensure that you have the most efficient plumbing fixtures and toilets, washing machines, dishwashers and shower heads. The Public Utilities Department offers all kinds of tips, hints, programs and rebates to help you save water. For more information, visit: www.wastenowater.org.

Where can I find assistance to pay my utility bills?

San Diego residents facing financial hardship due to the COVID-19 pandemic may qualify for funding through the Housing Stability Assistance Program to cover the costs of rent, utilities and internet service. To apply, visit www.covidassistance.sdhc.org.

In addition, the City offers the Help to Others (H2O SD) program, a bill payment assistance option for qualified low- and fixed-income water utility customers. For details, visit the City's website at www.sandiego.gov/h2o.

Can the public provide input regarding these rate increases?

Yes. The Public Utilities Department will hold a series of public forums throughout the city where citizens can learn more information and provide feedback. Once the schedule of forums is ready, it will be posted on the City's website at www.sandiego.gov/rate-increases. Also, the rate increases were presented at the City Council's Budget and Government Efficiency Committee on April 7, 2021, and the full Council is expected vote on the proposal in mid-September. Meetings are open to the public.

Customers will be provided with a notice at least 45 days in advance of the date a proposed rate increase is being considered. It will include a mailer that will allow a customer to formally note opposition to the rate increase.

Where can I find out more information about these rate adjustments?

Visit us on the City's website at www.sandiego.gov/rate-increases.

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