

RESOLUTION NUMBER R-278756

ADOPTED ON OCTOBER 7, 1991

WHEREAS, San Diego Municipal Code section 67.55 provides that water service charges shall be established by resolution of the City Council upon the giving of ten (10) days' notice of intention to establish, amend or increase said charges; and

WHEREAS, said notice of intention has been given by posting in the office of the City Clerk; and

WHEREAS, the Citizens' Committee to Review the Implementation of the City of San Diego Drought Water Rates ("Committee") has prepared a final report and recommendations, attached hereto as City Clerk's Document No. RR-278756; and

WHEREAS, the people of the City of San Diego have met and exceeded the water conservation goals previously established by the San Diego County Water Authority and the Council of the City of San Diego on a voluntary basis; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, as follows:

1. That the final report and recommendations of the Committee be and are hereby accepted, and that the efforts made by the Committee members on behalf of the citizens of the City of San Diego be and are hereby acknowledged.

2. That the following recommendations of the Committee and endorsed by the Manager, be and are hereby adopted:

(A) That the water rate structures and rates which are currently in effect be retained.

(B) That customers may combine meters for billing and water conservation purposes effective January 1, 1992 (nine or fewer meters) and effective July 1, 1992 (more than nine meters) provided that a cost-recovery fee is paid as established by the Water Utilities Department.

(C) That information pertaining to customers' lot size be developed, if time and funding permit, beginning January 1, 1992.

(D) That an implementation ordinance be developed in preparation for future drought periods which would provide for waiver of drought surcharges, adjustments to target conservation goals, establishment of goals for new customers, and an appeal process.

(E) That, subject to appropriation by the Council in fiscal year 1993, provision be made for the annualized payment of drought surcharges, if any, by all customer classes.

(F) That in the event of future drought, all customer classes be allowed to establish target conservation goals derived from averaging their base year water usage.

3. That the prior actions of this Council pertaining to the implementation of drought related water rate structures, as memorialized in Council Resolution No. R-278442, adopted on July 30, 1991, be and are hereby rescinded.

4. That the City Manager be and he is hereby directed to:

(A) Develop preliminary recommendations with respect to both water and sewer rate structures for presentation to this Council in January of 1992.

(B) Develop and present to this Council a water rate proposal which takes into consideration then-current drought conditions and revenue requirements in the Spring of 1992, for implementation on or about July 1, 1992.

(C) Consult and seek input from the Committee on matters pertaining to the setting of both water and sewer rates in the future.

APPROVED: JOHN W. WITT, City Attorney

By Ted Bromfield
Ted Bromfield
Chief Deputy City Attorney

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09/18/91
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**CITIZENS' COMMITTEE TO REVIEW
THE IMPLEMENTATION OF THE
CITY OF SAN DIEGO DROUGHT WATER RATES**

FINAL REPORT

DOCUMENT NO. PP-278756

FILED OCT 07 1991
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

FORMATION OF CITIZENS' COMMITTEE

On July 30, 1991 the City Council approved a drought-related water rate structure. This structure was adopted to assist the City meet its water conservation goal. The goal is to use 20% less water in 1991 than was used in 1989. The City Manager requested that he be given flexibility in administering the new rates. The City Council asked the City Manager to develop guidelines to fairly and equitably administer the new rates and to form a Citizens' Committee to assist in this endeavor.

The City Manager called upon members of the Mayor's and Manager's Water Conservation Advisory Boards to participate in this process. A total of eight members from both Boards volunteered to assist and to represent the interests of various customer classes. The names of the Committee members and the interests which they represent are shown on Appendix 1.

COMMITTEE'S OBJECTIVES

On August 27, 1991 the Committee held its first public meeting. City staff explained the parameters established by the City Council, the City's role in administering the new drought-related water rates, and the Committee's role in representing the needs of various customer classes.

Staffing and Funding Parameters

The City Council directed the City Manager to develop guidelines to administer the new drought-related water rates equitably and fairly. In providing this direction, the Council set forth the following parameters:

1. The guidelines must not change the drought-related rates structure and rates.
2. Administration of the guidelines must not require additional staffing or funding.
3. The guidelines must be available to the City Council for review on September 23, 1991.
4. The guidelines must be ready for implementation on October 1, 1991.

City's Role

The City's role is to administer the new drought-related water rates fairly and equitably. As such, City staff developed a preliminary proposal consistent with its role and presented it to the Committee. The proposal included seven basic assumptions:

1. The financial integrity of the Water Utilities Department must be maintained.

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2. Customers should be given an opportunity to request a waiver of the drought surcharge under certain conditions. The drought surcharge is one component of the new drought-related rate structure.
3. Customers should be given an opportunity to adjust their 1989 water consumption base year under certain conditions. An adjustment would result in a revised water consumption target for 1991. The City's current goal is to utilize 20% less water than was used in 1989.
4. A 1989 water consumption base year should be established for all new customers. To do otherwise would exempt these customers from the need to achieve the City's water conservation goal.
5. Waivers to the drought surcharge and/or adjustments to the 1989 base year should be approved if the customer completes a self-certification form and provides appropriate documentation.
6. The water conservation measures employed by customers should be considered when evaluating requests for waivers of the drought surcharge.
7. An appeals process should be established to assist customers who are denied a waiver of the drought surcharge and/or an adjustment to the 1989 base year.

City staff provided a list of the conditions which they feel warrant a waiver to the drought surcharge and/or an adjustment to the 1989 water consumption base year. These conditions are changes in occupancy, increased landscaping, health and safety concerns, medical conditions, and conservation measures employed during or prior to the 1989 base year. Staff also put forth a list of conditions which they feel do not warrant waivers or adjustments. These conditions are water usage for swimming pools and spas; domestic animals and pets; as well as the codes, covenants and regulations of homeowners' associations.

A presentation on water rates was given to the Committee by the Water Utilities Department's Rate Analyst. He provided a brief overview of the current water rates and a detailed explanation of the new drought-related water rates.

City staff put forth a recommendation to change the way some customers are billed. The customers impacted would be those who have multiple meters associated with a "loop system." A "loop system" consists of multiple water meter connections which serve a single loop, grid, or interconnected internal water system. "Loop systems" are generally installed by customers who have critical or extensive water needs that cannot be met through one water meter (e.g., hospitals, educational institutions, and the Navy, etc.). Staff's recommendation would enable customers with "loop systems" to combine the consumption of multiple meters of the same type, at the same location, for water conservation and billing purposes.

Committee's Role

The role of the Committee was threefold. First, to review the preliminary proposal developed by City staff; second, to identify the strengths and weaknesses of the proposal in terms of equity and fairness; and third, to identify additional guidelines which enhance the fair and equitable administration of the new drought-related water rate structure.

With this information as a backdrop, the Committee asked questions of City staff, took public testimony, and began its deliberations. Four additional meetings were held. Each meeting was noticed and public testimony was taken. The Committee's discussion and public testimony focused on following major issues:

1. Water Rate Structure and Rates
2. Infrastructure Needs of the Water Utilities Department
3. Adoption of an Implementation Ordinance which would define when the drought is over and allow for:
 - a. waivers to the drought surcharge,
 - b. adjustments to the 1989 water consumption base year,
 - c. establishment of a 1989 base year for new customers, and
 - d. an appeals process.
4. New Billing Methods

The Committee's discussion of these issues and recommendations are more fully described in the following paragraphs.

WATER RATE STRUCTURE AND RATES

Drought-Related Water Rates and Structure

Recommendation #1 - Retain the rate structure and rates which are currently in effect until an equitable water conservation-inducing rate structure is proposed, reviewed by the Committee and the public, and adopted by the City Council.

The drought-related water rates adopted by the Council on July 30, 1991 for Single and Multi-family customers have two rate structures and multiple rate tiers. Single-family customers who use 24 hundred cubic feet (hcf) of water or less each month have two rate tiers - one for consumption of 10 hcf or less and another for consumption of 11 hcf or above. Customers who use 25 hcf or more per month have three rate tiers - one for consumption of 10 hcf or less, one for consumption of 11 through 49 hcf, and another for consumption of 50 hcf or more. The same structure and rates apply to Multi-family customers, however, the breakdown by hcf differs.

The Committee's discussion and public testimony demonstrated that some residential customers who achieve the City's water conservation goal, could receive significantly higher water bills. Under the drought-related water rates adopted on July 30, 1991, customers who achieve the 20% water conservation goal, yet use 25 hcf or more each month, would pay considerably more. Customers who have large families, large lots, and/or irrigation requirements for slope erosion or fire prevention purposes could find themselves in this situation.

The drought-related water rates for Commercial and Industrial customers have one rate structure and three rate tiers. The tiers are based upon achievement of the City's water conservation goal. One rate is paid if customers reduce water consumption by 20% or more, another is paid if consumption is reduced by 6 to 19%, and yet another is paid if consumption is reduced by 6% or less.

The water usage requirements of many Commercial and Industrial customers may have changed since 1989. These changes may include increased production, change in business operations, technological changes and/or change in facility type or size. For these reasons some Commercial and Industrial customers may not be able to achieve the City's 20% water conservation goal and, thus, would receive significantly higher water bills. The economic impact of the higher water billings could negatively affect many San Diego businesses.

The drought-related water rates structure adopted on July 30, 1991 does not reward customers who achieve the City's water conservation goal. In fact, some customers who achieve the goal could receive significantly higher water billings. For this reason, the Committee recommends that the rate structure and rates currently in effect be retained until an equitable water conservation-inducing rate structure is proposed, reviewed by the Committee and the public, and adopted by the City Council.

Drought Surcharge

Recommendation #2 - Implement a 25% drought surcharge for all customer classes; assess the surcharge on the water consumption in excess of the water conservation goal; and waive surcharges for Single and Multi-family customers whose monthly water usage is less than 10 hcf and 4 hcf, respectively.

The drought-related water rate structure adopted on July 30, 1991 includes a drought surcharge for Single and Multi-family customers only. Customers who do not achieve the City's water conservation goal would be assessed the surcharge. In the case of Single-family customers, the surcharge is equal to 25% of the total water usage or \$10, whichever is greater. For Multi-family customers the surcharge is equal to 25% of the total water usage or \$5, whichever is greater.

The Committee recommends that a drought surcharge be implemented for all customer classes. This recommendation is based upon the City of San Diego's need to conserve water, and to be consistent with the drought-related water rates adopted by Council on

July 30, 1991. The recommended surcharge would be equal to 25% of the water consumption in excess of the conservation goal. It is also recommended that surcharges be waived for Single and Multi-family customers consuming less than 10 hcf or 4 hcf, respectively.

The Committee feels this recommendation provides equity as all customer classes would be subject to the drought surcharge. Additionally, since only the amount of water consumption in excess of the conservation goal is surcharged, customers are billed more fairly.

INFRASTRUCTURE NEEDS OF THE WATER UTILITIES DEPARTMENT

Recommendation #3 - Consider the infrastructure needs of the Water Utilities Department during City Council's discussion on water rates.

Ensuring a reliable water supply for the City of San Diego is a high priority of the Committee. As such, the Committee is concerned about the infrastructure of the Water Utilities Department. Rate increases have occurred to offset the increased costs of purchasing water from the San Diego County Water Authority. However, a general rate increase has not occurred since July 1, 1987.

In the Spring of 1991, the City Manager recommended approximately \$6.0 million in cuts to the Water Utilities Department's capital improvements program to balance the budget. Rate increases may be needed to pay for the operational, maintenance, and capital improvement activities needed to ensure a reliable water supply for the City of San Diego.

IMPLEMENTATION ORDINANCE

Recommendation #4 - Adopt an implementation ordinance which would be effective until the drought is over and allow for:

1. waivers to the drought surcharge,
2. adjustments to the 1989 water consumption base year,
3. establishment of a 1989 base year for new customers, and
3. an appeals process.

A new City ordinance will be required to implement several of the Committee's recommendations. As the recommendations are based upon the statewide drought, the ordinance must define when the drought is over and cease to be effective at that time. The Committee's recommendation to implement a drought surcharge would be included in the implementation ordinance. As the drought surcharge is a financial penalty for failure to achieve the City's water conservation goal, the Committee recommends that customers have an opportunity to apply for a waiver of the drought surcharge and/or an adjustment to their 1989 water consumption base year.

City staff presented the Committee with a list of circumstances which would warrant a waiver of the drought surcharge and/or an adjustment to the 1989 base year. During Committee discussion and public testimony, a number of additional circumstances were identified. These circumstances include changes in occupancy or landscaping, increases in

production, changes in business type, emergency/health/safety reasons, medical conditions, water losses due to undetected plumbing leaks, conservation measures undertaken prior to the 1989 base year, inaccurate or non-functioning meters, and estimated billings. For a more complete description, refer to Appendix 2.

Not all requests for a waiver of the drought surcharge or an adjustment to the 1989 base year will be approved. Therefore, it is recommended that the implementation ordinance include the establishment of the appeals process described in Attachment 3. The appeals process would provide greater fairness and equity in general, and have the following specific benefits:

1. The customer may be unable to achieve the City's water conservation goal due to circumstances that were not previously identified by the Committee. The Committee acknowledges that there may be circumstances warranting waivers or adjustments that were not identified during their discussion or public testimony.
2. The customer would have an opportunity to provide additional information to demonstrate his/her water needs.
3. The customer would have an opportunity to speak directly with the appeals board and the individual who initially disapproved his/her request.

NEW BILLING METHODS

The Committee believes that changes to the current billing system can assist customers achieve the City's water conservation goal. A number of possibilities were discussed by the Committee. The possibilities are defined below.

1. Combining Meters - To combine the water consumption of all meters (of the same type, at the same location) into one account.
2. Annualizing - To review the total consumption for a one-year period and compare it to the target consumption for the same period.
3. Averaging - To divide the total 1989 consumption by 12 months and use the resulting figure as the target consumption for each monthly billing period in 1991.
4. Banking - To carry forward unused portions of target consumption.

Combining Meters

Recommendation #5 - Allow all customer classes to combine nine or less meters (of the same type, at the same location) into one account beginning January 1, 1992 on a first come, first serve basis. A cost recovery fee of approximately \$22 per meter should be paid by customers requesting this service.

Recommendation #6 - Allow all customer classes to combine more than nine meters (of the same type, at the same location) into one account beginning July 1, 1992 on a first come, first serve basis. A cost recovery fee of approximately \$22 per meter should be paid by customers requesting this service.

Currently, each water meter is read and billed separately. The Committee recommends that customers be allowed to combine meters (of the same type, located at the same site) for water conservation and billing purposes. This would enable customers who achieve a 30% savings on one meter and a 10% savings on another to achieve the City's 20% conservation goal on average and, thus, avoid a drought surcharge.

Combining meters is not to be a billing method which would benefit all customers equally. For this reason, it is recommended that a fee be charged for this increased level of service. This recommendation for cost recovery is consistent with Council's direction to administer the rates fairly and equitably without requiring additional funds.

There is one exception to the recommendation for cost recovery. Customers who have "loop systems" would not be required to pay a fee for combining meters. "Loop systems" consist of multiple water meter connections which serve a single loop, grid, or interconnected internal water system. These systems are generally installed by customers who have critical or extensive water needs that cannot be met through one water meter (e.g., hospitals, educational institutions, the Navy, etc.). Therefore, the Committee believes it is unfair to charge them for this service.

The current billing system can combine nine or less meters into one account. The combination of more than nine meters will require modification of the automated billing system. The modifications will require nine months to implement. Therefore, it is recommended that customers be allowed to combine nine or less meters beginning January 1, 1992 on a first come, first serve basis and greater than nine meters beginning July 1, 1992 on a first come, first serve basis.

Annualizing

Recommendation #7 - Annualize the payment of the drought surcharge for all customer classes beginning July 1, 1992. This service would automatically be provided to all customers. The estimated implementation costs of \$110,000 are not presently funded. These costs equate to an approximate increase of \$0.04 in the average monthly billing for a one-year period.

The Committee recommends that customers be allowed to pay drought surcharges either as they are assessed or at the conclusion of each fiscal year. If, at the end of the fiscal year, the customer has conserved 20% on average, the drought surcharge would be waived. The Committee believes that annualization greatly enhances the fair and equitable assessment of drought surcharges.

It is recommended that all customer accounts be annualized beginning July 1, 1992. Modifications to the current billing system would be required to accomplish this. The cost of the modifications is estimated at \$110,000; and, the estimated time line for completion is nine months. The implementation costs are not presently funded.

Averaging

Recommendation #8 - Allow all customer classes to divide their total 1989 water consumption by 12 months and use the resulting figure as the target consumption for each monthly billing period in 1991. This service would be provided at no cost on a first come, first serve basis beginning January 1, 1992.

Averaging is not a billing method which would benefit all customers. Customers, whose water usage is relatively consistent during all billing periods, could benefit from this option if their water usage during one billing period in 1989 was unusually high or low. On the other hand, Commercial or Industrial customers, whose production varies widely from one billing period to the next, would not benefit from this option.

The cost of offering this customer service is minimal and can be accomplished with existing staff and funding. Therefore, it is recommended that this option be made available to all customers at no cost on a first come, first serve basis beginning January 1, 1992.

Banking

The Committee discussed several variations of banking. The water usage of representative accounts in each customer class were utilized to prepare examples of each variation. It was the consensus of the Committee that the disadvantages of banking outweigh the benefits. Banking is complicated, cumbersome, and can be counterproductive to achievement of the City's water conservation goal. Additionally, banking's one advantage can be accomplished through the implementation of annualizing.

Lot Size Information

Recommendation #9 - Gather lot size information for customer accounts if time and funding permit, beginning January 1, 1991.

The Committee discussed the long-term benefit of collecting lot size information for customer accounts. Southern California has and will continue to experience periods of drought. Lot size information can assist the City develop reasonable water conservation goals for its customers in the future.

It is recommended that lot size information be gathered by existing staff if time permits. It is not recommended that this information be included on customer billings. To do so, may confuse customers and lead them to believe that water billings are based upon lot size.

SUMMARY OF RECOMMENDATIONS

Recommendation #1	Retain the rate structure and rates currently in effect until an equitable water conservation-inducing rate structure is proposed, reviewed by the Committee and the public, and adopted by the City Council.
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- Recommendation #2 Implement a 25% drought surcharge for all customer classes; assess the surcharge on the water consumption in excess of the water conservation goal; and waive surcharges for Single and Multi-family customers whose water usage is less than 10 hcf or 4 hcf, respectively.
- Recommendation #3 Consider the infrastructure needs of the Water Utilities Department during City Council's discussion on water rates.
- Recommendation #4 Adopt an implementation ordinance which would be effective until the drought ends and allow for:
1. waivers to the drought surcharge
 2. adjustments to the 1989 water consumption base year,
 3. establishment of a 1989 base year for new customers,
 4. an appeals process
- Recommendation #5 Allow all customer classes to combine nine or less meters (of the same type, at the same location) into one account beginning January 1, 1992 on a first come, first serve basis. A cost recovery fee of approximately \$22 should be paid by customers requesting this service.
- Recommendation #6 Allow all customer classes to combine more than nine meters (of the same type, at the same location) into one account beginning July 1, 1992 on a first come, first serve basis. A cost recovery fee of approximately \$22 should be paid by customers requesting this service.
- Recommendation #7 Annualize the payment of the drought surcharge for all customer classes beginning July 1, 1992. This service would automatically be provided to all customers. The estimated implementation costs of \$110,000 are not presently funded. These costs equate to an approximate increase of \$0.04 in the average monthly billing for a one-year period.
- Recommendation #8 Allow all customer classes to divide their total 1989 water consumption by 12 months and use the resulting figure as the target consumption for each monthly billing period in 1991. This service would be provided at no cost on a first come, first serve basis beginning January 1, 1992.
- Recommendation #9 Gather lot size information for customer accounts if time and funding permit, beginning January 1, 1992.

OCT 07 1991

Passed and adopted by the Council of The City of San Diego on..... ,
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Abbe Wolfsheimer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ron Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Hartley	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Wes Pratt	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tom Behr	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Bruce Henderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judy McCarty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Filner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Maureen O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

MAUREEN O'CONNOR
Mayor of The City of San Diego, California.

(Seal)

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California.

By *Linda Ferguson*, Deputy.



Office of the City Clerk, San Diego, California

Resolution *R-278756* Adopted **OCT 07 1991**
Number , Deputy.