#330-B
10/27/26

(R-2027-80)
(COR. COPY 2)

RESOLUTION NUMBER R- 317001

DATE OF FINAL PASSAGE OCT 30 2026

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING ADJUSTMENTS TO WATER RATES IN ACCORDANCE WITH THE 2026 WATER MEMORANDUM MODIFYING THE 2025 WATER COST OF SERVICE STUDY AND PROPOSITION 218 AND RELATED ACTIONS.

## RECITALS

The Council of the City of San Diego (Council) adopts this Resolution based on the following:

A. The Public Utilities Department (PUD) provides water for City of San Diego (City) customers through the City's water system, which extends over 404 square miles with over 3,000 miles of pipeline, and includes multiple reservoirs, treatment plants, and pump stations (Water System).

B. PUD also operates the City's wastewater system, which includes multiple treatment plants and pump stations, and serves over 2.3 million regional customers (Wastewater System). The Wastewater System has two sub-systems, the Municipal Sub-System, which collects and conveys wastewater generated by City customers, and the Metropolitan Sub-System which is a regional wastewater treatment and disposal system. Additionally, the North City Water Reclamation Plant and South Bay Water Reclamation Plant, which treat wastewater and produce recycled water, are part of the Metropolitan Sub-System.

C. The Water System, Municipal Sub-System and Metropolitan Sub-System are all supported by enterprise funds with revenue derived from rates and charges to customers for water and wastewater service. These rates and charges are determined through a process prescribed by State law, which includes Council approval of any rate adjustments at a public hearing.

D. On October 28, 2025, Council passed R-361495, approving adjustments to the water, wastewater and recycled water rates in accordance with the City of San Diego Water Financial Plan, Cost of Service, and Rate Study dated July 8, 2025 (Final Water COSS) and City of San Diego Wastewater Financial Plan, Cost of Service, and Rate Study dated July 8, 2025 (Final Wastewater COSS) (collectively, Final COSS).

E. In July 2015, the City was named in a class action, Patz et al. v. City of San Diego (Patz), alleging that the City's tiered water rates for single-family residences violated Article XIIID of the California Constitution, section 6 (Proposition 218). The Trial Court found in favor of the plaintiffs on September 14, 2021, finding that the tiered-rate structure utilized by the City was unconstitutional, among other findings. After exhausting all legal appeals, the City Council passed R-316919 on August 25, 2026, approving a settlement agreement to end the Patz litigation which includes payment of approximately $40 million to the class in addition to requiring the City to adopt a new rate structure that complied with the Court's ruling.

F. PUD retained a consultant, Stantec, Inc., to assist in developing a unitary volumetric rate, which is provided in the 2026 Memorandum Modifying the 2025 Water Cost of Service Study (Stantec Memo). The Stantec Memo utilizes the same total revenue requirement established by Council under R-361495, adjusting the rate structure to comply with the settlement agreement, Court ruling, and Proposition 218. The Stantec Memo is included with the back-up materials provided by Staff for this item and replaces the tiered-rating system with a unitary rate.

G. Proposition 218 requires the City hold a public hearing on any proposed new or increased rates and fees and mail a written notice at least 45 days prior to the public hearing. The

proposed rates may not be imposed if, prior to the close of the public hearing, written protests are submitted by a majority of the parcels subject to the proposed rates.

H. California Government Code section 53759.1 provides a mechanism for exhausting administrative remedies that prohibits a person or entity from bringing a judicial action or proceeding alleging noncompliance with Proposition 218 for any new, increased, or extended fee, unless that person or entity has submitted a written objection to that fee that specifies the grounds for alleging noncompliance, provided that the local agency complies with certain requirements.

I. On July 24, 2026, the City mailed Notice of Public Hearing to the address to which the Department customarily mails the regular customer billing statement pursuant to California Government Code section 53755, in accordance with the requirements of Proposition 218, and the procedures adopted by the Council in Resolution R-302245 (Jan. 17, 2007).

J. The Notice of Public Hearing also complied with California Government Code section 53759.1 and Resolution R-316353 (July 31, 2025) implementing procedures related to the exhaustion of administrative remedies.

K. The City received 27 timely written objections and the City responded to each objection by providing the substantive basis and reasons for rejecting each objection. Each objection and the City's written responses were included in the published agenda materials for the Council's consideration at the public hearing.

L. On October 6, 2026, the Council held a noticed public hearing to consider the proposed water rates. Prior to proceeding with the protest tabulation and public hearing, the Council considered all timely written objections and the City's written responses and found that

they did not warrant any clarifications to or reductions in the proposed water rates provided in the Stantec Memo, that the Council did not require further review of the objections or responses, and that the protest tabulation and public hearing under Proposition 218 could proceed.

M. The City did not receive written protests from a majority of the identified parcels by the close of the public hearing on October 6, 2026, which was conducted in accordance with Proposition 218 and Resolution R-302245.

N. After the public hearing concluded, the Council voted to continue deliberations of the item to the Council meeting on October 27, 2026, at 2:00 PM.

O. The Office of the City Attorney prepared this Resolution based on the information provided by City staff (including information provided by affected third parties and verified by City staff), with the understanding that this information is complete and accurate.

ACTION ITEMS

Be it resolved by the Council of the City of San Diego:

1. The written objections and the City's written responses do not warrant any clarifications to or reductions in the proposed water rates provided in the Stantec Memo, that the Council does not require further review of the objections or responses, and that the protest tabulation and public hearing under Proposition 218 can proceed, as found by the Council at the public hearing on October 6, 2026.

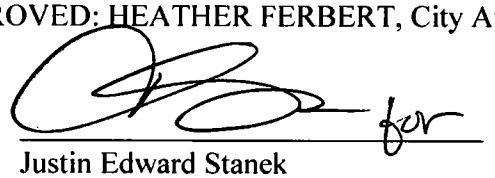
2. The Council approves the following adjustments to water rates:

PUD make adjustments consistent with the Stantec Memo that modify the water rate structure from a tiered volumetric rate for Single Family Residential customers to a unitary volumetric rate for all customer classes and adjust the Base Charges and Private Fire Protection Charges accordingly, effective January 1, 2027. The adjustments are to be based on the same

total revenue requirement used to establish the previously authorized rate adjustments of up to 14.5% otherwise scheduled to take effect January 1, 2027.

3. The Council finds that the revenues derived from the rates established by this Resolution do not exceed the funds required to provide water services; shall not be used for any other purpose than that for which the rates and charges are imposed; do not exceed the proportional cost of the service attributable to each parcel upon which the charges are imposed; provide services which are immediately available to the customer; and are not levied for general governmental purposes.

APPROVED: HEATHER FERBERT, City Attorney

By  for

Justin Edward Stanek
Deputy City Attorney

JES:cc:at:jdf
September 22, 2026
October 2, 2026 COR. COPY
October 21, 2026 COR. COPY 2
Or.Dept: PUD
CC No. N/A
Doc. No. 4563145

(R-2027-80)
(COR. COPY 2)

I certify that the Council of the City of San Diego adopted this Resolution at a meeting held on OCT 27 2026.

DIANA J.S. FUENTES
City Clerk

By Connie Patterson
Deputy City Clerk

Approved: 10/30/26
(date)

TODD GLORIA, Mayor

Vetoed: _____
(date)

TODD GLORIA, Mayor

#33DB

Passed by the Council of The City of San Diego on October 27, 2026, by the following vote:

| Councilmembers | Yeas | Nays | Not Present | Recused |
|---|---|---|---|---|
| Joe LaCava | ☒ | ☐ | ☐ | ☐ |
| Jennifer Campbell | ☒ | ☐ | ☐ | ☐ |
| Stephen Whitburn | ☒ | ☐ | ☐ | ☐ |
| Henry L. Foster III | ☐ | ☒ | ☐ | ☐ |
| Marni von Wilpert | ☐ | ☐ | ☒ | ☐ |
| Kent Lee | ☐ | ☒ | ☐ | ☐ |
| Raul A. Campillo | ☒ | ☐ | ☐ | ☐ |
| Vivian Moreno | ☒ | ☐ | ☐ | ☐ |
| Sean Elo-Rivera | ☒ | ☐ | ☐ | ☐ |

Date of final passage OCT 30 2026.

**(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)**

AUTHENTICATED BY:

TODD GLORIA
Mayor of The City of San Diego, California.

(Seal)

DIANA J.S. FUENTES
City Clerk of The City of San Diego, California.

By _____, Deputy

Office of the City Clerk, San Diego, California

Resolution Number **R-317001**