



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: November 7, 2008 REPORT NO: 08-167

ATTENTION: Council President and Members of the City Council,
City Council Meeting of November 17, 2008

SUBJECT: Proposed Water Rate Increase to offset the increase in rates charged
by the San Diego County Water Authority and to fund an Indirect
Potable Reuse Demonstration Project

REFERENCE: Office of the Independent Budget Analyst Report No. 08-92
Report to City Council No. 08-125
Report to City Council No. 08-118
Report to City Council No. 06-100

REQUESTED ACTION:

- Authorize a water rate increase of \$0.20 per equivalent dwelling unit based upon meter size and an increase of 8.50% applied to all customer classes and tiered consumption rates equally in order to offset the increase in the wholesale cost of water purchased by the City from the San Diego County Water Authority (CWA).
- Authorize a water rate increase of 3.08% % applied to all customer classes and tiered consumption rates equally in order to fund an Indirect Potable Reuse Demonstration Project.

STAFF RECOMMENDATION:

- Approve a water rate increase of \$0.20 per equivalent dwelling unit based upon meter size and an increase of 8.50% applied to all customer classes and tiered consumption rates equally in order to offset the increase in the wholesale cost of water purchased by the City from the San Diego County Water Authority (CWA).
- Approve a water rate increase of 3.08% % applied to all customer classes and tiered consumption rates equally in order to fund an Indirect Potable Reuse Demonstration Project.

SUMMARY:

Noticing and Legal Requirements

On November 5, 1996, the voters of the State of California approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218, effective July 1, 1997, added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. 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

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proposed fee increases. 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. As of January 1, 2008, the California Legislature clarified the noticing and protest procedures required under Proposition 218 by enacting Government Code Section 53755.

At the September 8, 2008 City Council meeting, the City Council authorized the Water Department to mail the approved Proposition 218 Notice to property owners of record and City of San Diego water bill customers, advising them of the proposed increases to the water rates and fees, and informing them of the City Council hearing date for public comment. The City Council approved the hearing date of November 17, 2008 to consider adoption of the proposed increases to the existing water base fees and commodity charges. The Proposition 218 Notices were mailed October 1, 2008 and October 2, 2008.

Section 67.0508 of the San Diego Municipal Code Section stipulates that water rates may be automatically adjusted as necessary to proportionately compensate for any increase in the wholesale cost of water purchased by the City of San Diego ("the City"). Notice of such adjustment must be given to the Mayor and City Council by report and to the public by publication in the City's official newspaper on or before the thirtieth day prior to the effective date of the adjustment.

RATE INCREASE FOR CWA PASS-THROUGH:

Background

The City has managed and operated the water system since 1901 after purchasing the privately owned San Diego Water and Telephone Company. Since then the system has been expanded to supply approximately 270,000 accounts at the start of FY 2008, delivering approximately 230,000 acre-feet of water per year.

While the City has grown, local water sources have remained static. In general, approximately 10 percent of the City's water supply is derived from local water sources. The balance of the City's water supply is purchased from the CWA. These purchases from the CWA include treated water that is delivered to the City's water distribution system and raw water that is transported to the City's water treatment plants. The City owns and operates three water treatment plants with a combined current capacity of nearly 330 million gallons per day (MGD). Twenty nine (29) treated water storage facilities within the water system ensure consistent delivery to the 114 different pressure zones with the aid of 49 water pump stations.

Wholesale Water Rate Pass-Through

San Diego mostly relies upon imported water from Northern California and the Colorado River. The City currently purchases approximately 90 percent of its water from CWA, which in turn purchases water from Metropolitan Water District of Southern California (Metropolitan). CWA periodically increases the rates it charges the City for water. These increases are based on CWA costs for infrastructure, operations, maintenance, and water purchases from Metropolitan. The increased costs are then passed through by CWA to the agencies that purchase water from CWA. These increased costs are known as "pass-throughs".

On April 24, 2008, the CWA Board of Directors ("CWA Board") adopted the 2008 Long Range Financing Plan update, which included updates to CWA's cost of water, capital improvement program, and other economic assumptions which would affect water purchase rates being

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charged to their participating agencies. On June 26, 2008, CWA staff made a presentation to the CWA Board disclosing the need for a rate increase based on the additional infrastructure, operations, maintenance, and water purchase costs. At that meeting the CWA Board approved the rate increase recommendation (see attached report and ordinance from CWA). As a result, on January 1, 2009, CWA will be increasing the rates for water purchases to all their participating agencies, including the City of San Diego.

CWA pass-through rate increases were not part of the City's 4-year, 6.5% annual water rate increase approved by the City Council as part of the Water Department's 4-year capital improvement plan in February 2007 (Report to the City Council No. 07-039). When the 4-year, 6.5% annual increases were presented to the City Council, the Council was advised that the proposed rate increases did not include any future CWA pass-through increases as none were finalized or approved by the CWA Board at the time. The Council was advised that it was the intent of the Water Department to request authorization to notice any future pass-throughs, and to apply any appropriate rate increases as they became approved by CWA.

Staff is recommending the adoption of the following water rate increases in order to maintain cost/revenue neutrality and to maintain consistency with the City's 4-year water rate plan previously approved. This recommendation is consistent with Municipal Code Section 67.0508. The noticing for the proposed rate increases has adhered to the City's current Proposition 218 Notice procedures enacted by the City Council in 2007 through Resolution R-302245.

Current and Proposed Rates

Water rates are comprised of two components: the Base Fee and the Commodity Rate. The Base Fee is based upon meter size and is used to recover the meter related charges associated with the water system. The Commodity Rate recovers variable cost components of the water system based upon water usage. The proposed base fee and commodity rate increases are presented below.

Increase in Base Fee

On June 26, 2008, the CWA Board voted to increase its meter-based Infrastructure Access Charge (IAC). Based on multiplication factors established by CWA, each meter size is converted into a number of household meter equivalents (equivalent dwelling units) and rate increases are applied accordingly. The table below represents the proposed "pass-through" monthly increases to the base fee based upon meter size.

PROPOSED CWA PASS-THROUGH INCREASES			
BASE FEE (Based on Meter size)			
Meter size	Current	Anticipated Increase	Rate as of January 1, 2009
5/8 inch	\$ 16.32	\$ 0.20	\$ 16.52
3/4 inch	\$ 16.32	\$ 0.20	\$ 16.52
1 inch	\$ 23.86	\$ 0.34	\$ 24.20
1 1/2 inch	\$ 41.10	\$ 0.66	\$ 41.76
2 inch	\$ 62.66	\$ 1.06	\$ 63.72
3 inch	\$ 113.29	\$ 2.00	\$ 115.29
4 inch	\$ 185.49	\$ 3.34	\$ 188.83
6 inch	\$ 364.36	\$ 6.66	\$ 371.02
8 inch	\$ 579.86	\$ 10.66	\$ 590.52
10 inch	\$ 832.01	\$ 15.34	\$ 847.35
12 inch	\$ 1,549.64	\$ 28.66	\$ 1,578.30
16 inch	\$ 2,699.37	\$ 50.00	\$ 2,749.37

The base fee for a Single Family Dwelling customer (typical meter size of less than 1 inch) will increase by \$0.20 per month, from \$16.32 to \$16.52.

Increase in Water Commodity Charge

On June 26, 2008, the CWA Board voted to increase the rate and charges for the melded supply charge for water, the transportation rate, the storage charge, and customer service charge. As all of these charges are based on water deliveries or are the City's portionate share of CWA's total cost to deliver water, these charges are recovered through the Water Department's Commodity charge. Definitions for these CWA charges are described in the attached CWA Report, dated June 18, 2008. As a direct result of the increases in commodity related charges from CWA, the Water Department will need to generate an additional 8.50% in revenue from the commodity fee portion of the water bill. A direct application of a 8.50% increase will be applied to all customer classes and tiered consumption rates equally (see table below).

PROPOSED CWA PASS-THROUGH INCREASES			
COMMODITY FEE (Based on Meter size)			HCF=Hundred Cubic Feet
Customer Classification	Current	Anticipated Increase	Rate as of January 1, 2009
Single Family Dwelling			
Tier 1 (First 7 HCF used)	\$2.505	\$0.213	\$2.718
Tier 2 (Second 7 HCF used)	\$2.717	\$0.231	\$2.948
Tier 3 (Usage above 14 HCF)	\$3.051	\$0.259	\$3.310
Multi-family Dwelling	\$2.717	\$0.231	\$2.948
Commercial	\$2.606	\$0.222	\$2.828
Industrial	\$2.606	\$0.222	\$2.828
Irrigation	\$2.784	\$0.237	\$3.021
Temporary Construction	\$2.784	\$0.237	\$3.021

The commodity charge for a Single Family Dwelling customer with the usage of 14 HCF per month will increase monthly by \$3.11 [(7 HCF x \$0.213 per HCF) + (7 HCF x \$0.231 per HCF)], from \$36.56 to \$39.67.

The following table outlines the overall monthly effect of the CWA increases to the base fee and commodity charge for a typical Single Family Dwelling customer with the usage of 14 HCF per month:

EFFECT OF WATER RATE INCREASES ON THE TYPICAL SINGLE FAMILY DWELLING MONTHLY BILL (14 HCF usage)		
Single Family Dwelling	Current	January 1, 2009
Base Fee		
3/4 inch meter	\$ 16.32	\$ 16.52
Commodity Fee*		
Tier 1 (1-7 HCF)	17.54	19.03
Tier 2 (8-14 HCF)	19.02	20.64
Total	\$ 52.88	\$ 56.19

*Assumes 7 HCF used per rate Tier.

The new water fees and rates effective January 1, 2009, will raise the monthly bill of a Single Family Dwelling customer using 14 HCF per month by approximately \$3.31 to \$56.19 per month. This represents a 6.26% increase in the current water bill, which is \$52.88 per month.

**RATE INCREASE FOR INDIRECT POTABLE REUSE/RESERVOIR
AUGMENTATION DEMONSTRATION PROJECT (Demonstration Project):**

Background

In January 2004, the San Diego City Council (City Council) directed the City Manager to conduct a study to evaluate options for increasing the use of recycled water produced at the City's two water reclamation plants (Resolution R-298781). During the hearing, staff was also directed to research and prepare a report on the health effects of reuse options and to involve the public in this effort. The Water Reuse Report, dated March 2006, outlines the process undertaken to develop the six options to maximize reuse, provides details on stakeholder involvement and public outreach activities, and the water quality research undertaken to assess public health concerns [www.sandiego.gov/water/waterreusestudy]. The Water Reuse Study stakeholders identified Reservoir Augmentation at the City's San Vicente Reservoir, also known as the North City -3 strategy, to be the preferred reuse strategy.

At their October 29, 2007 meeting, the City Council voted for the Mayor or his designee to undertake the following tasks: 1) execute a one-year demonstration project to begin on July 1, 2008; 2) conduct a current flow and detention study at San Vicente Reservoir; 3) perform an independent energy and economic analysis for all water supply options in the Long-Range Water Resource Plan; 4) lead a community education and outreach effort to begin in January 2008; and 5) report back in January 2008 on progress made on the community outreach efforts. This City Council action became official on December 3, 2008.

On December 4, 2007, the City Council requested the Water Department add the Demonstration Project to the Integrated Regional Water Management Plan (IRWMP) document being submitted to the California Department of Water Resources (DWR) for consideration of Proposition 50 funding. In December 2007, the Water Department worked with the County Water Authority and the County of San Diego to do a last minute modification to the Integrated Water Management Plan to include the IPR Demonstration Project as part of the region's Integrated Water Management Plan (IRWMP) grant application. In June the City received notification that the IRWMP grant submitted to DWR for Prop 50 funding would receive a full award of \$25 million, of which the Demonstration Project award is for \$1,072,835.

**Indirect Potable Reuse and Reservoir Augmentation Demonstration Project
(Demonstration Project)**

The primary purpose of the Demonstration Project will be to explore the feasibility of the project's treatment technology to produce water that can be sent to a reservoir and later be distributed as drinking water. It is proposed that the Demonstration Project be operational for two years. During this time, the advanced treated water will be frequently tested to determine the effectiveness of the treatment equipment in removing contaminants; the equipment will be monitored for flow and overall performance; operating data will be gathered and analyzed to refine operation and maintenance estimates for a full scale system; and tours can be conducted as part of the public outreach effort. Securing the regulatory approval of the California Department of Public Health (DPH) is also a paramount consideration. DPH is the state agency that would

grant the permit for this advanced treated water to reside in the San Vicente Reservoir, and be sent to water treatment plants for additional treatment and distribution as potable drinking water.

Water Department staff has had detailed meetings and exchanges with DPH to understand both the regulatory requirements and the project approval process, as well as determine the project criteria and permit conditions. Because this process is new, as DPH has not issued a permit for Indirect Potable Reuse through Reservoir Augmentation in the State of the California, the process has been necessarily longer and more detailed.

The first meeting with DPH staff from the San Diego office took place in December 2007. The Water Department also hired RMC Water and Environment (RMC), an engineering consultant firm, to prepare a project work plan to present to DPH for their review and comment. On March 5, 2008, Water Department staff and RMC met with DPH staff in their Sacramento offices. The proposed scope of the Demonstration Project was presented to them; and on April 4, 2008, the City received DPH comments to further refine the design and operating parameters, research to monitor, outreach elements including an Independent Advisory Panel for the project, and regulatory guidelines. The Water Department also talked to Orange County to learn about their regulatory process, their project and outreach program.

Given the highly technical and detailed plan needed to effectively address DPH comments and concerns, the Water Department and RMC have moved forward prudently to effectively address DPH comments and concern, update plans, develop the proposed scope of work, and fine tune the cost and budget for the Demonstration Project which is estimated at \$11,811,000.

The Demonstration Project to be funded by the proposed rate increase would provide the technical, environmental, public outreach and stakeholder involvement, regulatory and funding requirements necessary to implement a full-scale project. The Demonstration Project would:

- Design, construct and operate a demonstration-scale advanced water treatment (AWT) plant at the North City Water Reclamation Plant; the size of the plant is proposed to be 700 gallons per minute or one million gallons a day (MGD);
- Conduct a study of San Vicente Reservoir to establish residence time and water quality parameters and conditions of AWT water in the reservoir;
- Define the state's regulatory requirements for a full-scale (16 MGD) project;
- Perform a pipeline alignment study;
- Conduct a public outreach and education program.

If the Demonstration Project meets regulatory requirements and provides evidence of the viability of the Indirect Potable Reuse/Reservoir Augmentation process (IPR/RA), the City would then explore the feasibility of constructing full scale IPR/RA plant to send advanced treated water to San Vicente Reservoir via a 23-mile pipeline, where, after months of blending and additional treatment, would be redistributed as potable water. A separate rate increase and additional Council action would be required to initiate a full scale IPR/RA project.

Demonstration Project Budget		
TASKS AND BUDGETS *		
1	Project Management and Administration	\$1,688,000
2	Independent Advisory Panel; coordination, meetings, and reports	\$250,000
3	Advanced Water Treatment [AWT] Demonstration Plant AWT Demo Plant design & engineering services AWT Demo Plant construction management AWT Demo Plant equipment procurement, fabrication & installation; and site prep AWT Demo Plant operations; labor, expendables, and energy Laboratory sampling and analyses; data management and archiving; reporting	\$7,400,000
4	Reservoir Detention Study / Limnology Study Develop and calibrate hydrodynamic model of reservoir	\$385,000
5	Conveyance Pipeline; conceptual design from AWT plant to San Vicente Reservoir	\$50,000
6	Public Education Outreach Community meetings, presentations, tours Printed materials Web site Stakeholder Involvement	\$1,700,000
7	Contingency	\$338,000
TOTAL PROJECT BUDGET		\$11,811,000
* Assumes a 1.0 MGD [700 gpm] AWT Demo Plant operated for 24 months		

Should the rate increase be approved, it is estimated that the Demonstration Project would begin in early 2009 and be completed by 2013.

Proposed Temporary Rate Increase for the Demonstration Project

\$1.1 million in project costs will be reimbursed through a grant provided by Proposition 50 funding. In order to raise the \$10,711,000 of additional revenue required to pay for the Demonstration Project, commodity rates are proposed to be increased for a period of approximately 18 months starting January 1, 2009. The increase in rates would stay in effect until such time as the amount of revenue generated by this rate increase totaled \$10,711,000. At that time, the rate increase would be reversed. It is estimated that this rate increase could be eliminated by July 1, 2010, assuming current levels of water sales are maintained.

The rate increase is proposed to apply only to the commodity charge and not to the base fee. The Proposition 218 notice for this rate increase reflects two alternative rates depending on whether the CWA related rate increase is approved or not approved. If the CWA related rate increase is approved, the proposed increase to the commodity charge needed to raise the \$10,711,000 of additional revenue is 3.08% applied equally to all customer classes and tiers. The impact of these rate increases is displayed in the table below:

PROPOSED COMMODITY FEE (Based on Water Usage) IF BOTH CWA PASS-THROUGH AND IPR RELATED RATE INCREASES ARE APPROVED				
Customer Classification	Current	CWA Pass-Thru Increase	IPR Related Increase	Rate as of January 1, 2009
Single Family Dwelling				
Tier 1 (First 7 HCF)	\$2.505	\$0.213	\$0.077	\$2.795
Tier 2 (Second 7 HCF)	\$2.717	\$0.231	\$0.084	\$3.032
Tier 3 (above 14 HCF)	\$3.051	\$0.259	\$0.094	\$3.404
Multi-family Dwelling	\$2.717	\$0.231	\$0.084	\$3.032
Commercial	\$2.606	\$0.222	\$0.080	\$2.908
Industrial	\$2.606	\$0.222	\$0.080	\$2.908
Irrigation	\$2.784	\$0.237	\$0.086	\$3.107
Temporary Construction	\$2.784	\$0.237	\$0.086	\$3.107

If these rate changes go into effect, the combined bill impact on a typical Single Family Dwelling using 14 HCF per month would be \$4.43 per month or an increase of 8.4% per month. The table below shows the bill impact to a typical customer.

EFFECT OF WATER RATE INCREASES ON THE TYPICAL SINGLE FAMILY DWELLING MONTHLY BILL (14 HCF usage)				
Single Family Dwelling		Current		January 1, 2009
Base Fee				
	3/4 inch meter	\$ 16.32	\$	16.52
Commodity Fee*				
	Tier 1 (1-7 HCF)	17.54		19.57
	Tier 2 (8-14 HCF)	19.02		21.22
	Total	\$ 52.88	\$	57.31

*Assumes 7 HCF used per rate Tier. Assumes increases from both CWA and IPR.

However, if the CWA related rate increase is not approved, the increase to the commodity charge necessary to raise the same amount of revenue would be 3.26% applied equally to all customer classes and tiers. The impact of this rate increase on commodity charges is displayed in the table below:

PROPOSED COMMODITY FEE (Based on Water Usage) IF IPR RELATED RATE INCREASE IS APPROVED BUT CWA PASS-THROUGH IS NOT APPROVED				
Customer Classification	Current	CWA Pass Thru Increase	IPR Related Increase	Rate as of January 1, 2009
Single Family Dwelling				
Tier 1 (First 7 HCF)	\$2.505	\$0.000	\$0.082	\$2.587
Tier 2 (Second 7 HCF)	\$2.717	\$0.000	\$0.089	\$2.806
Tier 3 (above 14 HCF)	\$3.051	\$0.000	\$0.099	\$3.150
Multi-family Dwelling	\$2.717	\$0.000	\$0.089	\$2.806
Commercial	\$2.606	\$0.000	\$0.085	\$2.691
Industrial	\$2.606	\$0.000	\$0.085	\$2.691
Irrigation	\$2.784	\$0.000	\$0.091	\$2.875
Temporary Construction	\$2.784	\$0.000	\$0.091	\$2.875

If these rate changes go into effect, the bill impact on a typical Single Family Dwelling using 14 HCF per month would be \$1.19 per month or an increase of 2.3% per month. The table below shows the bill impact to a typical customer.

EFFECT OF WATER RATE INCREASES ON THE TYPICAL SINGLE FAMILY DWELLING MONTHLY BILL (14 HCF usage)			
Single Family Dwelling		Current	January 1, 2009
Base Fee			
	3/4 inch meter	\$ 16.32	\$ 16.32
Commodity Fee*			
	Tier 1 (1-7 HCF)	17.54	18.11
	Tier 2 (8-14 HCF)	19.02	19.64
	Total	\$ 52.88	\$ 54.07

*Assumes 7 HCF used per rate tier. Assumes increases from IPR only.

Proposition 218 Notices

The Proposition 218 Notice (Attachment 2), which was mailed October 1, 2008 and October 2, 2008, illustrates the proposed rate increases for the CWA related increase and the Demonstration Project related increase showing the effect of approving the CWA increase alone, approving both the CWA and Demonstration Project increases, or approving the Demonstration Project increase alone. Recipients of the notice are given the option of protesting to either the CWA increase and/or the Demonstration Project increase.

FISCAL CONSIDERATIONS:

The increased revenue from the approval of these actions will offset the increase in the cost of purchased water from CWA and fund the IPR Demonstration Project.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

CWA rate increase: At the July 28, 2008, City Council meeting, the Water Department presented information on the Proposition 218 Notice requirements for the CWA water rate increase. On September 8, 2008, staff presented a combined Proposition 218 notice to include the CWA rates and rates for the IPR/RA Demonstration Project.

Demonstration Project: The Water Reuse Study report was presented to the NR&C on July 26, 2006. An evening public workshop, sponsored by NR&C, was held on October 27, 2006. A presentation on the Water Reuse Study and Recycled Water Master Plan was made to the City Council on October 29, 2007. At this meeting, the Council voted to receive the Water Reuse Study Final Draft report and directed staff to develop a plan to implement the Reuse Study's NC-3 strategy. The Mayor vetoed this action, and the City Council's vote on this was reaffirmed on December 3, 2007.

Water staff has made two presentations on the Demonstration Project to members of the Independent Rates Oversight Committee (IROC), and has provided periodic updates to the Natural Resources and Culture Committee (NR&C).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The Independent Rates Oversight Committee (IROC) held a publicly noticed Special Meeting on August 21, 2008, to discuss the proposed noticing for rate increases associated with the CWA Pass-Through and the Demonstration Project. The IROC voted unanimously (6-0) in favor of supporting the noticing of both rate increases as presented in Attachment 2 of this report.

Proposition 218 notices were mailed on October 1, 2008 and October 2, 2008.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The Water Department's customer base and property owners were mailed notice that the City Council will hold a public hearing on November 17, 2008 to consider adoption of the proposed increase to the existing water fees and rates. This notice also informed the customers how to register a protest against these rate increases. If adopted, the adjusted fees and rates would become effective January 1, 2009.

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Alex Ruiz
Assistant Water Department Director

 11.6.08
J.M. Barrett
Director of Public Utilities

- Attachment:
1. San Diego County Water Authority Report, dated June 18, 2008
 2. Proposition 218 Notice of Proposed Water Rates Increases
 3. City Auditor Review of the CWA Pass Through Increase in San Diego Water Rates
 4. City Auditor Review of the IPR rate increase

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Construction along North Harbor Drive will be restricted during the Holiday Moratorium from the Thanksgiving Day to the New Year. In addition the construction work from Grape Street to the Airport will be completed at night between the hours of 9:00 P.M. to 6:00 A.M.

**San Diego County Water Authority**

June 18, 2008

Attention: Board of Directors

Adopt Water Authority rates and charges for fiscal year 2008-2009 and calendar year 2009, and continue the annual Standby Availability Charge for fiscal year 2008-2009 as currently imposed (Action)

Purpose

To adopt Ordinance No. 2008-___ setting rates and charges for water, services and facilities effective fiscal year 2008-2009 and calendar year 2009, and adopt Ordinance 2008-___ continuing the Water Standby Availability Charge at its current level.

Administrative and Finance Committee Recommendation

Adopt Ordinance No. 2008-___ setting rates and charges for delivery and supply of water, use of facilities and provision of services for fiscal year 2008-2009 and calendar year 2009 and adopt Ordinance No. 2008-___ continuing the Water Standby Availability Charge at its current level.

Alternative

Modify the proposed rates and charges to obtain full cost recovery in the upcoming year.

Fiscal impact

The water rates and charges, in combination with existing taxes, the System and Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income and the Standby Availability Charge are expected to raise revenues sufficient to meet the Water Authority's revenue requirement and bond covenants.

Background

In mid 2006, the Board addressed concerns about increases in construction bids following the award of San Vicente Pipeline and Lake Hodges Pump Station by creating the Comprehensive Reliability and Cost Assessment Ad-Hoc Committee (CRACA). The CRACA committee conducted a thorough evaluation of the cost and reliability impacts of each project included in the Capital Improvement Program (CIP) as well as other important long-term planning assumptions (*i.e.* local supplies, conservation, etc.). On April 10, 2007, the Board approved the preferred alternative recommended by CRACA, known as the Revised Baseline. The Revised Baseline provides the foundational assumptions upon which the Water Authority's long-term planning is based.

On June 28, 2007, the Board adopted the Multi-Year Budget for fiscal years 2007-2008 and 2008-2009 and set rates and charges for calendar year 2008. It delayed the setting of calendar year 2009 rates and charges. At that time, it was staff's recommendation to set calendar year 2009 rates and charges as part of the Mid-Term Budget Update when both the economic and water supply outlook for calendar year 2009 would be clearer.

On April 24, 2008, the Board adopted the 2008 Long Range Financing Plan (LRFP) update. As part of LRFP update, the water supply, water sales (*i.e.* impact of conservation), cost of water (*i.e.*

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MWD's adopted calendar year 2009 rates), CIP expenditure projections, alternative water supply costs (i.e. spot transfers, Semitropic) and other economic assumptions that make up the foundation of the Revised Baseline were updated to reflect staff's current estimates. Based upon all of these updated assumptions, a high and low rate forecast was developed to support long-term planning. The LRFP calendar year 2009 rate increase was projected to be between 8.8% and 12.3%.

On May 21, 2008, the Water Authority closed its Series 2008A COPs issuance, which includes a partial current refunding of the 1997A COPs. The debt service schedule for the Series 2008A has been integrated into the calendar year 2009 rates and charges. The true interest cost on this debt issue is the second lowest on a new money issuance and the debt structure utilized will provide significant rate relief during the 2013-2020 time period.

On June 12, 2008, the Administrative and Finance (A&F) Committee reviewed staff's recommended calendar year 2009 rates and charges. After review, the A&F Committee concurred with staff's recommendation and is recommending that the proposed calendar year 2009 rates and charges, as published for the public hearing, be considered along with input from the public by the Board.

Previous Board Action: On May 22, 2008, the Board adopted Resolution 2008-6 setting the time and place for a public hearing on June 26, 2008 to receive comments on the proposed calendar year 2009 rates and charges.

Discussion

Table 1 below summarizes the calendar year 2009 rates and charges being recommended to the Board by the A&F Committee. These rates are consistent with the preliminary rate and charge projections included in the updated Long-Range Financing Plan and what was provided to the Water Authority's member agency finance officers and general managers on April 9, 2008 and April 15, 2008, respectively.

The amount of revenue to be generated by each rate category (revenue requirement) is determined by computing the total annual expenditures associated with the each rate category. The annual expenditures consist of budgeted cash payments and long- and short-term debt service payment streams associated with the different capital projects that support the Authority's Customer Service, Storage, Supply, Treatment and Transportation functions. The Operating Budget is also allocated in a similar fashion to the Authority's functional areas. Revenues from taxes, Water Standby Availability Charges, Infrastructure Access Charges, System and Treatment Capacity Charges, investment income and other miscellaneous income (collectively Non-Commodity Revenues) are credited to the amount to be recovered from the Customer Service, Storage and Supply rates and charges. Each rate and charge is then set to recover the revenue requirement calculated.

Table 1 – Summary of Water Authority Rates and Charges

Table 1 – Summary of Water Authority Rates and Charges			
Water Authority Rates and Charges	CY 2007 Previous	CY 2008 Current	CY 2009 Recommended
Customer Service Charge	\$14,200,000	\$15,200,000	\$16,000,000
Storage Charge	\$17,700,000	\$22,200,000	\$23,000,000
Transportation Rate (\$/AF)	\$60	\$60	\$64
IAC	\$1.56/ME ⁴	\$1.70/ME	\$1.90/ME
Melded M&I Supply Rate (\$/AF) ¹	\$365	\$390	\$463
Melded M&I Treatment Rate (\$/AF)	\$147	\$164	\$168
Standby Availability Charge per parcel or acre, whichever is greater ²	\$10	\$10	\$10
MWD Rates and Charges Directly Passed on or Allocated to Water Authority Member Agencies			
	CY 2007 Previous	CY 2008 Current	CY 2009 Adopted
Untreated Tier 2 Supply Rate \$/AF ³	\$427	\$449	\$528
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$261	\$322
Interim Agricultural Water Program Treated (\$/AF)	\$364	\$394	\$465
Replenishment Water Rate Untreated (\$/AF)	\$238	\$258	\$294
Replenishment Water Rate Treated (\$/AF)	\$360	\$390	\$436
MWD Capacity Charge	\$8,812,800	\$8,812,800	\$8,812,800
Readiness-to-Serve Charge ²	\$9,370,996	\$9,782,918	\$10,864,851
¹ SSOA water receives a credit of \$70/AF on the melded M&I supply rate ² Fiscal Year Charge ³ Agencies exceeding their Tier 1 allocation pay the MWD bundled Tier 2 Supply Rate (System Access Rate, System Power Rate and Water Stewardship Rate) instead of the M&I Melded Supply Rate ⁴ ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.			

The following rates and charges are being proposed effective on January 1, 2009:

Customer Service Charge. The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority and to develop policies and implement programs that benefit the region as a whole. Research, development and planning costs associated with new supplies are examples of costs that are included in Customer Service category. The Customer Service Charge is allocated among the member agencies on the basis of each agency's three-year rolling average of all deliveries (including all users, member agencies and third-party wheeling throughput). The recommended Customer Service Charge for calendar year 2009 is \$16,000,000.

Storage Charge. The Storage Charge is set to recover costs associated with the Emergency Storage Program. Allocation of the Storage Charge is based on all non-agricultural water deliveries and will be allocated among the member agencies using a pro rata share of each agency's three-year rolling average of non-agricultural deliveries (including all users, member agencies and third-party wheeling throughput). The recommended Storage Charge for calendar year 2009 is \$23,000,000.

Transportation Rate. The Transportation Rate is a uniform rate set to recover capital, operating and maintenance costs of the Water Authority's aqueduct system including all facilities used to physically transport the water to member agency meters. All users, member agencies and third-party wheelers pay the Transportation Rate. Member agencies not receiving water from Water Authority transportation facilities do not pay the Transportation Rate. The Transportation Rate is levied on each acre-foot of water as delivered by the Water Authority through its facilities. The recommended Transportation Rate for calendar year 2009 is \$64/AF.

Infrastructure Access Charge (IAC). In June 1998, the IAC was adopted as an additional source of fixed revenue to improve coverage of the Water Authority's projected fixed expenditures. The IAC is levied on all retail water meters within the Water Authority's service area. The fixed charge is levied against each member agency for the purpose of maintaining a minimum ratio of projected fixed revenues to projected fixed expenditures of 25% on any future fiscal year. The recommended IAC for calendar year 2009 is \$1.90/ME.

Melded Untreated M&I Supply Rate. The Water Authority has a melded supply rate which recovers the cost of water supply incurred by the Water Authority. These costs include the purchase of water from MWD, the Imperial Irrigation District (IID), the Coachella and All American Canal, costs of MWD wheeling for non-MWD water supplies, and certain other costs associated with the Quantification Settlement Agreement. The recommended Melded Untreated M&I Supply Rate for calendar year 2009 is \$463/AF.

Table 2 – Melded Untreated M&I Supply Rate Calculation

	<u>CY 2009</u>
Acre-Foot Sales (A/F) (000's)	
MWD Tier I	399.0
IID	60.0
Canal Water Delivery Costs	38.0
Supplemental Supply Purchases – CY 2009	25.0
TOTAL A/F SALES	<u>522.0</u>
Water Purchase Cost (in Millions)	
MWD Tier 1 Water Purchases	\$164.4
IID Water Purchases	35.3
Canal Water Purchases	10.8
Supplemental Supply – Purchases CY 2009	13.2
Supplemental Supply – Purchases CY 2008	2.8
Supplemental Supply – Storage Costs	3.8
Subtotal Water Purchases	<u>\$230.3</u>
Additional Costs (in Millions)	
Canal Cost Differential and Operating Budget Costs	\$4.4
IID Socioeconomic Payment	3.3
Prior Year Cost of Sales Recovery (2003 & 2004)	1.3
QSA Environmental	2.4
Subtotal Other Costs	<u>\$11.40</u>
TOTAL SUPPLY COST	<u>\$241.7</u>
A/F RATE (Total Supply Cost /Total A/F Sales)	\$463

Standby Availability Charge. The County Water Authority Act limits the maximum annual Standby Availability Charge to \$10 per acre or parcel, whichever is greater. Beginning before November 6, 1996, the Water Authority has determined that the maximum annual standby availability charge should be levied on property within the Water Authority's service area. To provide necessary funding for the CIP, the General Manager recommends that the charge continue at the \$10 maximum for fiscal year 2008-2009. The Standby Availability Charge rate is effective July 1, 2008. The amount of this charge has not changed since the adoption of Proposition 218 in 1996. The justification for imposition of this charge is the same as for when the charge was initially levied and as it was imposed before November 6, 1996.

Melded M&I Treatment Rate. The Water Authority has a melded treatment rate, which recovers the costs of providing treated water. The melded treatment rate includes costs associated with MWD, Helix, and Olivenhain treatment facilities, as well as the costs associated with the Water Authority's treatment plant. The recommended Melded M&I Treatment Rate for calendar year 2009 is \$168/AF.

Table 3 – Melded Treatment Rate Calculation

	<u>CY 2009</u>
Acre-Foot Sales (A/F) (000's)	
MWD	78.2
Water Authority	87.5
Helix	10.0
Olivenhain	9.1
TOTAL A/F SALES	184.8
Cost (in Millions)	
MWD	\$12.5
Water Authority	15.2
Helix	1.9
Olivenhain	1.5
TOTAL TREATMENT COSTS	\$31.1
Estimated Cost (Total Treatment Costs/Total A/F Sales)	\$168

The following MWD rates and charges are passed on directly or allocated to the member agencies as follows:

Replenishment Rate. For CY 2009, the untreated replenishment water rate will increase from its current level of \$258/AF to \$294/AF. The treated replenishment water rate will increase from its current level of \$390/AF to \$436/AF, reflecting MWD’s increasing treatment costs.

Agricultural Water Rate. For CY 2009, the untreated agricultural water rate will increase from its current level of \$261/AF to \$322/AF. The treated agricultural water rate will increase from \$394/AF to \$465/AF, consistent with the increase in the untreated rate.

MWD Capacity Charge. For CY 2009, the Capacity Charge (formerly the Capacity Reservation Charge) is \$6,800 per cubic foot second (cfs) of maximum daily flow requested by a MWD member agency. The Capacity Charge is a fixed charge levied on an agency’s maximum daily flows over the three previous fiscal years. It recovers the cost of providing peak capacity within the distribution system, and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries. As part of a separate surface reservoir operating agreement to manage seasonal peaking, the Water Authority is expected to reserve its full available capacity. The Capacity Charge will be unchanged and set at \$8,812,800. The Water Authority’s Board has directed that the Capacity Charge will be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

**Table 4 - Calendar Year 2009 MWD Capacity Charge Allocation
(Capacity Reservation Charge)**

Member Agency	Coincident Peak Week Deliveries (AF) ¹					5-year average share ²	CY2009 Charge
	8/12/2003	5/4/2004	7/19/2005	7/18/2006	8/11/2007		
Carlsbad M.W.D.	453.0	526.0	499.8	595.9	565.8	3.4059%	300,156
Del Mar, City of	32.0	33.9	36.2	42.9	36.1	0.2367%	21,037
Escondido, City of	730.4	899.2	686.9	663.9	823.5	5.0140%	441,876
Fallbrook P.U.D.	507.0	539.1	508.8	545.5	562.9	3.5106%	309,380
Helix W.D.	577.5	774.4	469.3	536.0	558.6	3.6356%	338,037
Lakeside W.D. ²	126.4	125.2	115.4	146.3	95.5	0.8025%	70,721
Oceanside, City of	688.9	797.7	798.4	679.6	915.4	5.6780%	473,949
Olivenhain M.W.D.	547.3	655.0	678.4	695.7	700.6	4.3248%	381,134
Otay W.D.	866.1	1,028.2	893.6	1,184.1	1,082.8	6.9265%	610,419
Padre Dam M.W.D. ²	369.0	391.9	411.4	456.2	472.9	2.7726%	244,339
Pendleton M.R.	2.0	2.7	1.0	2.2	2.3	0.0134%	1,184
Poway, City of	311.5	500.8	365.4	336.8	378.6	2.4954%	219,910
Rainbow M.W.D.	844.9	908.8	939.8	970.9	839.1	5.9355%	523,086
Ramona M.W.D.	187.8	299.7	205.7	215.8	353.2	1.6637%	146,622
Rincon Del Diablo M.W.D.	213.4	241.5	285.1	251.0	231.0	1.5249%	136,345
San Diego, City of	5,110.5	5,316.8	4,293.5	4,181.8	5,176.0	31.7387%	2,797,063
San Diegouito W.D.	123.9	179.8	142.4	206.2	122.5	1.0218%	90,004
Santa Fe I.D.	248.8	372.9	280.3	401.8	296.5	2.1099%	185,944
Sweetwater Authority						0.0000%	
Vallecitos W.D.	415.0	487.5	549.3	631.1	566.4	3.4921%	307,753
Valley Center M.W.D.	1,395.1	1,451.6	1,438.1	1,592.3	1,426.1	9.6268%	648,392
Vista I.D.	551.5	625.5	297.7	271.3	646.5	3.1536%	277,922
Totals	14,421.8	16,298.4	14,176.5	14,921.5	16,046.6	100.0000%	\$ 8,812,800

¹Charge is allocated based on a five-year rolling average of member agency deliveries during regional peak weeks. Annual charges are rounded to the nearest dollar.

²Lakeside Water District's proportional share of annual peak week deliveries is based on actual meter delivery records provided by Padre Dam M.W.D.

³Percentages shown are rounded.

Readiness-to-Serve Charge. MWD's Readiness-to-Serve Charge differs from the other MWD charges in that it is set on a fiscal year basis. The total Readiness-to-Serve Charge will increase from its current level of \$82,000,000 to \$92,000,000 for fiscal year 2009. The Authority's share is set at \$23,529,822. After credits from the MWD Standby Charge, and administrative costs, the net Authority share is \$10,864,851. MWD's Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge will be allocated among MWD member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). This allocation will be revised each year. Revenues equal to the amount of Standby Charges will continue to be credited against the member agency's Readiness-to-Serve Charge obligation unless a change is requested by the member agency. The Board has directed that the Water Authority's Readiness-to-Serve Charge will be passed through proportionally to member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

Table 5 - Readiness-to-Serve Charge Allocation

Member Agency	10-Year Average Deliveries (AF) ¹	FY09 RTS Charge ²	Net Stand-By Charge Credits ³	FY09 RTS Net Charge	Monthly Charge
Carsbad M.W.D.	18,653	\$ 890,220	\$ (391,288)	\$ 498,922	\$ 41,577
Del Mar, City of	1,408	67,102	(24,864)	42,438	3,537
Escondido, City of	20,032	956,034	(224,375)	731,659	60,972
Fallbrook P.U.D.	8,584	408,674	(284,489)	125,185	10,432
Helix W.D.	35,426	1,690,717	(787,437)	903,280	75,273
Lakeside W.D. ⁴	4,568	218,009	(171,568)	46,441	3,870
Oceanside, City of	28,453	1,357,928	(651,526)	706,402	58,867
Olivenhain M.W.D.	19,304	921,290	(423,185)	498,105	41,509
Oray W.D.	33,822	1,614,166	(849,079)	765,087	63,757
Padre Dam M.W.D. ⁴	14,623	697,887	(535,514)	162,373	13,531
Pendleton Military Reservation	83	3,961	(34)	3,927	327
Poway, City of	13,634	650,687	(285,149)	365,538	30,462
Rainbow M.W.D.	9,149	436,639	(548,608)	(111,969)	(9,331)
Ramona M.W.D.	7,269	346,915	(421,261)	(74,346)	(6,196)
Rincon Del Diablo M.W.D.	7,366	351,545	(311,694)	39,851	3,321
San Diego, City of	205,514	9,808,220	(4,315,570)	5,492,650	457,721
San Diegoito W.D.	5,148	245,890	(161,297)	84,593	7,038
Santa Fe I.D.	8,832	421,510	(150,460)	271,050	22,588
Sweetwater Authority	9,554	455,968	(419,780)	36,208	3,017
Vallecitos W.D.	14,863	709,341	(431,309)	278,032	23,169
Valley Center M.W.D.	19,386	447,950	(684,990)	(237,040)	(19,753)
Vista I.D.	16,577	791,143	(406,330)	384,813	32,086
Yuma M.W.D.	34	1,628	(65,450)	(63,822)	(5,318)
Contract Water	746	35,603	76	35,679	2,973
Totals	493,026	\$ 23,629,822	\$ (12,664,974)	\$ 10,964,851	\$ 905,405

¹10-year rolling average of firm MWD deliveries based on FY98-FY07 period and rounded to nearest acre-foot. Annual and monthly are rounded to nearest dollar.

²Effective date is July 1, 2008.

³Net of \$12,715,463 in standby-charge credits and \$50,492 in MWD administrative fees.

⁴Lakeside W.D. is allocated 23.83% of Padre Dam M.W.D.'s deliveries prior to January 2008. Lakeside W.D.'s deliveries after January 2008 are being metered separately from Padre Dam M.W.D.'s deliveries.

After consideration of public comments at the Public Hearing on June 26, 2008, the staff recommends that the Board adopt ordinances setting the water rates and charges for fiscal year 2008-2009 and calendar year 2009, and continue the existing Standby Availability Charge for fiscal year 2008-2009.

Prepared by: David G. Shank, Rate and Debt Administrator
 Reviewed by: Eric Sandler, Director of Finance/Treasurer
 Approved by: Paul A. Lanspery, Deputy General Manager

Attachments:

- June 12, 2008 Board Memorandum
- Ordinance 2008 - ____ (Rate Ordinance)
- Ordinance 2008 - ____ (Standby Charge Ordinance)

**San Diego County Water Authority**

June 5, 2008

Attention: **Administrative and Finance Committee**

Discussion and Consideration of Proposed Calendar Year 2009 Rates and Charges and the Annual Standby Availability Charge (Action)**Staff recommendation**

Recommend adoption of the proposed calendar year 2009 rates and charges for water, services and facilities, and to continue the existing Annual Water Standby Availability Charge at its current level to the full Board for consideration at the June 26, 2008 public hearing.

Alternative

Recommend adoption of alternative rates and charges for calendar year 2009.

Background

In mid 2006, the Board addressed concerns about increases in construction bids following the award of San Vicente Pipeline and Lake Hodges Pump Station by creating the Comprehensive Reliability and Cost Assessment Ad-Hoc Committee (CRACA). The CRACA committee conducted a thorough evaluation of the cost and reliability impacts of each project included in the Capital Improvement Program (CIP) as well as other important long-term planning assumptions (*i.e.* local supplies, conservation, etc.). On April 10, 2007, the Board approved the preferred alternative recommended by CRACA, known as the Revised Baseline. The Revised Baseline provides the foundational assumptions upon which the Water Authority's long-term planning is based.

On June 28, 2007, the Board adopted the Multi-Year Budget for fiscal years 2007-2008 and 2008-2009 and set rates and charges for calendar year 2008. It delayed the setting of calendar year 2009 rates and charges. At that time, it was staff's recommendation to set calendar year 2009 rates and charges as part of the Mid-Term Budget Update when both the economic and water supply outlook for calendar year 2009 would be clearer.

On April 24, 2008, the Board adopted the 2008 Long Range Financing Plan (LRFP) update. As part of LRFP update, the water supply, water sales (*i.e.* impact of conservation), cost of water (*i.e.* MWD's adopted calendar year 2009 rates), CIP expenditure projections, alternative water supply costs (*i.e.* spot transfers, Semitropic) and other economic assumptions that make up the foundation of the Revised Baseline were updated to reflect staff's current estimates. Based upon all of these updated assumptions, a high and low rate forecast was developed to support long-term planning. The LRFP calendar year 2009 rate increase was projected to be between 8.8% and 12.3%.

On May 21, 2008, the Water Authority closed its Series 2008A COPs issuance, which includes a partial current refunding of the 1997A COPs. The debt service schedule for the Series 2008A has

been integrated into the calendar year 2009 rates and charges. The true interest cost on this debt issue is the second lowest on a new money issuance and the debt structure utilized will provide significant rate relief during the 2013-2020 time period.

Previous Board Action: On May 22, 2008, the Board adopted Resolution 2008-6 setting the time and place for a public hearing on June 26, 2008 to receive comments on the proposed calendar year 2009 rates and charges.

Discussion

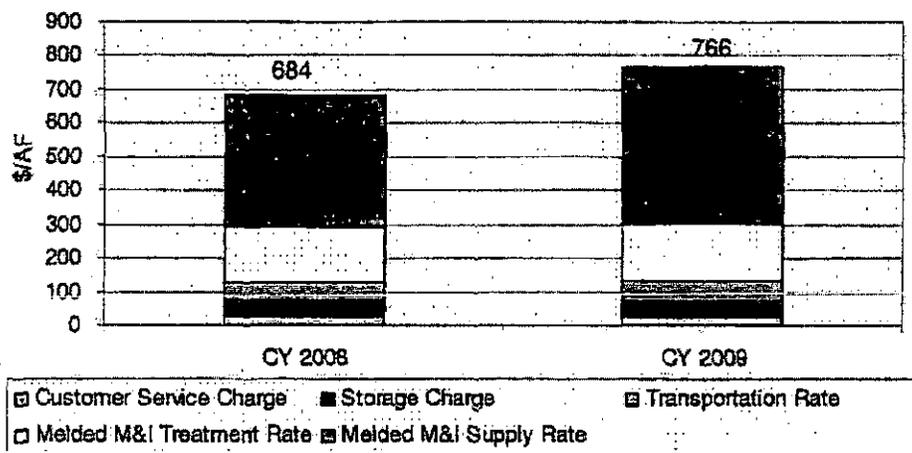
Table 1 below summarizes the rates and charges being proposed for calendar year 2009. These rates are consistent with the preliminary rate and charge projections included in the updated LRFP and what was provided to the Water Authority's member agency finance officers and general managers on April 9, 2008 and April 15, 2008, respectively.

Table 1 – Summary of Water Authority Rates and Charges			
Water Authority Rates and Charges	CY 2007 Previous	CY 2008 Current	CY 2009 Recommended
Customer Service Charge	\$14,200,000	\$15,200,000	\$16,000,000
Storage Charge	\$17,700,000	\$22,200,000	\$23,000,000
Transportation Rate (\$/AF)	\$60	\$60	\$64
IAC	\$1.56/ME ⁴	\$1.70/ME	\$1.90/ME
Melded M&I Supply Rate (\$/AF) ¹	\$365	\$390	\$463
Melded M&I Treatment Rate (\$/AF)	\$147	\$164	\$168
Standby Availability Charge per parcel or acre, whichever is greater ²	\$10	\$10	\$10
MWD Rates and Charges Directly Passed on or Allocated to Water Authority Member Agencies			
	CY 2007 Previous	CY 2008 Current	CY 2009 Adopted
Untreated Tier 2 Supply Rate \$/AF ³	\$427	\$449	\$528
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$261	\$322
Interim Agricultural Water Program Treated (\$/AF)	\$364	\$394	\$465
Replenishment Water Rate Untreated (\$/AF)	\$238	\$258	\$294
Replenishment Water Rate Treated (\$/AF)	\$360	\$390	\$436
MWD Capacity Charge	\$8,812,800	\$8,812,800	\$8,812,800
Readiness-to-Serve Charge ²	\$9,370,996	\$9,782,918	\$10,864,851
¹ SSOA water receives a credit of \$70/AF on the melded M&I supply rate			
² Fiscal Year Charge			
³ Agencies exceeding their Tier 1 allocation pay the MWD bundled Tier 2 Supply Rate (System Access Rate, System Power Rate and Water Stewardship Rate) instead of the M&I Melded Supply Rate			
⁴ ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.			

As shown in Figure 1 on the following page, the proposed calendar year 2009 rates and charges result in an estimated 11.9% increase in the treated water rate. The proposed rates incorporate a degree of smoothing. Rates based on full cost recovery would result in an overall increase of 13.7%. The proposed calendar year 2009 rates and charges are slightly lower than the calendar year 2009 high rate

projections that were included in the LRFP. With the exception of the Melded M&I Supply Rate, calendar year 2009 rates are consistent with those presented to the Board in the Multi-Year Budget for fiscal years 2007-2008 and 2008-2009. It should be noted that fixed charges are presented on a \$/AF rate and are a function of the underlying sales forecast. Though customer impacts will vary by Member Agency, the proposed treated water rate increase results in an estimated \$3.42 increase in the average monthly household water bill.

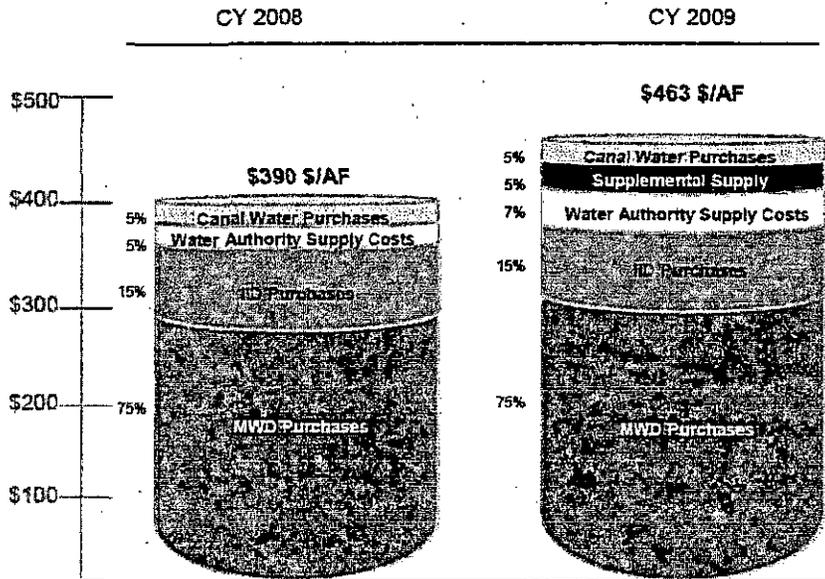
Figure 1: Overall Treated Water Rate for CY 2008 and 2009
Overall Increase of 11.9%



Water Authority Rate Charge	CY 2008 Rates	Proposed CY 2009 Rates	Proposed CY 2009 Increase	Increase in Percent
Melded M&I Supply Rate	\$390	\$463	\$73	18.7%
Melded M&I Treatment Rate	164	168	\$4	2.4%
Transportation Rate	60	64	\$4	6.6%
Storage Charge	44	44	\$0	0.0%
Customer Service Charge	26	27	\$1	3.8%
Total Cost of Treated Water (\$/AF)	\$684	\$766	\$82	11.9%

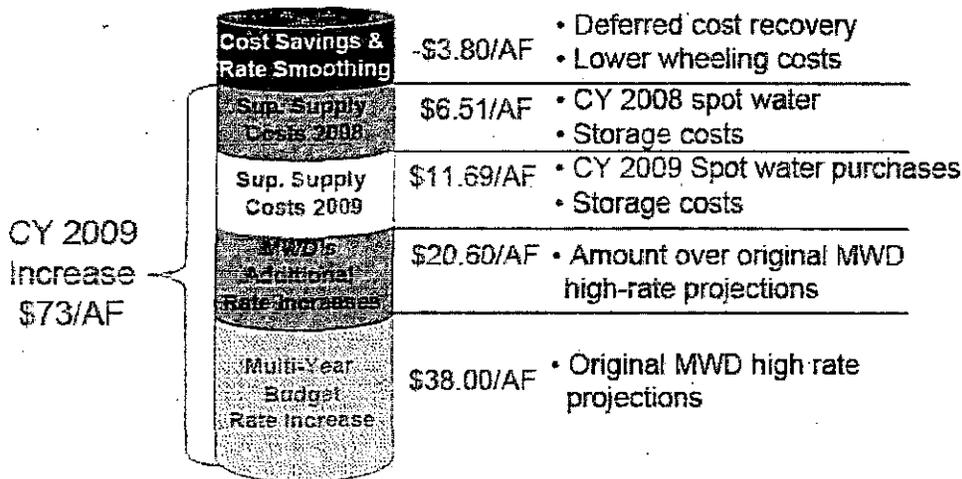
As can be seen above, the largest increase for calendar year 2009 is in the Melded M&I Supply Rate. Figure 2 on the following page provides a break down of the cost components of the Melded M&I Supply Rate. The main driver of the increase in the Melded M&I Supply Rate is the sharp increase in the cost of water purchased from MWD. The 17.4% increase in the calendar year 2009 cost of untreated water from MWD combined with the Water Authority's purchase of supplemental water supplies result in the proposed calendar year 2009 Melded M&I Supply rate increase of 18.7%. As shown below, the cost of MWD purchases is the largest cost component of water supply costs, which limits the Water Authority's ability to mitigate MWD rate shocks. The increase in the Water Authority Supply Costs, which includes the cost recovery of QSA, IID and other commitments, is due to the recovery of calendar year 2008 costs associated with supplemental supplies (discussed below).

Figure 2: Melded M&I Supply Rate Breakdown



The \$73/AF increase in the Melded M&I Supply Rate is attributable to several different cost pressures. These different cost pressures are illustrated in Figure 3 below and discussed on the following page.

Figure 3: Components of Melded M&I Supply Rate Increase



- **The Multi-Year Budget** – The Melded M&I Supply Rate estimates provided in the Multi-Year Budget included a \$38/AF rate increase for calendar year 2009. The rate increase was based upon, among other things, MWD’s “High” rate projections.

- **MWD's Additional Rate Increases** – MWD's adopted calendar year 2009 Tier 1 Supply Rate Subtotal increased from the projected "High" rate for calendar 2009 of \$385/AF (used in the Multi-Year Budget) to the adopted rate of \$412/AF. The unanticipated \$27/AF increase results in a \$20.60/AF increase in the Water Authority's average supply cost.
- **Supplemental Water Supply and Storage Costs (CY 2009)** – As part of the Stage II DMP activities, in calendar year 2009, the Water Authority plans on purchasing supplemental water supplies. In addition to the supplemental supply water purchases, the Water Authority also anticipates making payments for the operations and maintenance of groundwater storage facilities. The combined impact of these costs is an \$11.69/AF increase in the average cost of water.
- **Calendar Year 2008 Supplemental Supply Cost Recovery** – The calendar year 2008 Melded M&I Supply Rate does not include any of the additional costs associated with supplemental water supply purchases and storage. Since the water purchases were budgeted at MWD's rate, only the additional cost of the supplemental supply is not recovered with the calendar year 2008 rate. These costs can only be recovered with future rates and charges (i.e. CY 2009 and beyond). In addition, the supplemental storage costs incurred in calendar year 2008 must also be recovered on future rates. To mitigate the rate impacts in calendar year 2009 and beyond, the additional cost of supplemental water is recovered over 2-years (CY 2009 & CY 2010) and the storage costs are recovered over 5-years (CY 2009-CY 2013). The recovery of these costs increases the average cost of water by \$6.51/AF.
- **Rate Smoothing and Cost Savings** – Because MWD's Tier 1 Rate Subtotal increases were limited to the Tier 1 Supply Rate, the cost of the Water Authority's canal and IID water was less than budgeted. This is due to the fact that MWD's wheeling rate did not increase in calendar year 2009 as was projected under MWD's "High" rate forecast. In addition, the recovery of a portion of QSA environmental costs was smoothed out to provide some rate relief in calendar year 2009. The combined impact of the lower costs of transfer water and rate smoothing reduced the cost of water by \$3.80/AF.

Looking forward, water supply availability and costs combined with a weak economic outlook make for challenging financial times. While the cost of supplemental supplies do have a rate impact, the Board's decisive actions and commitment to providing a reliable water supply for the region have well positioned the Water Authority to better meet future water demands and avoid the economic costs of supply shortfalls. In addition, Water Authority staff are participating on MWD's Rate Task Force to evaluate MWD's rate and charge structure and look for ways to mitigate future rate shocks.

Prepared by: David G. Shank, Rate and Debt Administrator
 Reviewed by: Eric Sandler, Director of Finance/Treasurer
 Approved by: Paul A. Lanspery, Deputy General Manager

ORDINANCE NO. 2008-

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES AND PROVISION OF SERVICES

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates, the Board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service." and

WHEREAS, subdivision (j) of Section 7 of the County Water Authority Act provides in part, that the Authority's Board of Directors, "as far as practicable, shall fix such rate or rates for water as will result in revenues which will pay the operating expenses of the Authority, provide for required maintenance, and provide for the payment of the interest and principal of the bonded debt;" and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water availability standby charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a system capacity charge, water treatment capacity charge, an infrastructure access charge, a readiness-to-serve charge and a water rates and charges; and

WHEREAS, the Board of Directors, upon recommendation of the Rate Study Subcommittee and the Fiscal Policy Committee, enacted Ordinance 2002-03, "An Ordinance of the Board of Directors of the San Diego County Water Authority Setting Rates and Charges for the Delivery and Supply of Water, Use of Facilities and Provision of Services", which established a new structure for water rates and charges; and

WHEREAS, the new structure for water rates and charges replaced the Municipal and Industrial and Special Agricultural Water Rate with rates and charges according to five categories called: Customer Service, Storage, Transportation, Treatment and Supply; and

WHEREAS, the supply charge recovers the costs to the Water Authority of water it supplies to its member agencies, and

WHEREAS, on May 26, 2005, the Board of Directors adopted Ordinance No. 2005-03 increasing the System Capacity Charge and establishing the Water Treatment Capacity Charge; and

WHEREAS, on May 21, 2002, the Authority filed a Notice of Exemption pursuant to the California Environmental Quality Act (CEQA) for the project described as "Establishment of water supply and delivery rates and charges including: Customer Service Charge, Emergency Storage Program Charge, Transportation Rate, Supply Service Charge, Capacity Reservation Charge and Readiness-to-Serve Charge, and maintaining the Infrastructure Access Charge and Standby Availability Charge" stating the project is exempt from the requirements of CEQA pursuant to the statutory exemption of Public Resources Code Section 21080(b)(8) and stating as the reason therefore: "Project involves establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing and leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas."; and

WHEREAS, the Authority has adopted a policy of diversifying its supplies and in furtherance of that policy is evaluating several potential Authority programs to augment and enhance supplies from the Metropolitan Water District, including: local ocean water desalination, regional water treatment, and water transfers in addition to the transfer from the Imperial Irrigation District; and

WHEREAS, these potential new supply programs are incurring capital costs for research, development and planning, the costs of which are appropriately recovered through the Customer Service Charge subject to reimbursement from future revenues collected through the Supply Charge if and when a new supply is approved and implemented; and

WHEREAS, the Director of Finance has presented a report dated June 12, 2008 the Administrative and Finance Committee describing the proposed rates and charges of be collected from the member agencies (the "Report"); and

WHEREAS, the Administrative and Finance Committee recommended that the proposed rates and charges set forth in the Report be considered by the Board along with public input; and

WHEREAS, the Clerk of the Board caused a notice to be published pursuant to Section 6066 of the Government Code in newspapers of general circulation printed and published within the Water Authority which fixed Thursday, June 26, 2008 at 9:00 a.m. or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, in the Board room of the Water Authority, 4677 Overland Avenue, San Diego, California as the time and place for a public hearing to consider objections and protests to the schedule of charges as proposed by Resolution 2008-06; and

WHEREAS, the Board of Directors has considered the information contained in the Report, the testimony and other evidence presented during the public hearing, the recommendations of the Administrative and Finance Committee; and

WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Report are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests to the rates and charges as proposed and recommended in the Report are overruled;
4. The Report is approved;
5. The rates and charges as proposed and recommended in the Report are reasonable, fair, proper and necessary to meet the Authority's revenue requirements and fund its capital, operations, maintenance and other costs.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

1. The Authority's revenues from taxes, water rates and charges consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a standby availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including payments of such charges pursuant to Section 5.3 of the County Water Authority Act; an infrastructure access charge levied pursuant to Section 5.00.050 (c) of the Administrative Code; a capacity charge levied pursuant to Section 5.9 of the County Water Authority Act and established by Ordinance No. 97-1 in an amount as amended in accordance to Ordinance No. 2005-3; and water rates and charges having the following components as described in this ordinance: customer service, storage, transportation, treatment and supply.

2. Ad valorem taxes, the standby availability charge and the system and water treatment capacity charges are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until January 1, 2009, with the exception of the Readiness-to-Serve Charge, which shall continue until July 1, 2008.

3. Commencing January 1, 2009, the amount of the infrastructure access charge to be paid monthly by each member agency of the Authority, shall be \$1.90 per equivalent meter within the territory of the member agency and determined according to Table 1 attached hereto and made a part hereof.

4. Effective January 1, 2009, the Customer Service Charge is fixed at \$16,000,000. Commencing January 1, 2009 the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 attached hereto and made a part hereof.

5. Effective January 1, 2009, the Storage Charge is fixed at \$23,000,000. Commencing January 1, 2009 the amount of the monthly Storage Charge to be paid by each member agency to the Authority for Storage as set forth in Table 3 attached hereto and made a part hereof.

6. Effective January 1, 2009, the Transportation Rate is fixed at \$64 per acre-foot of water delivered by the Authority through Authority facilities. Effective January 1, 2009, the Transportation Rate is fixed at \$64 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate.

7. Effective January 1, 2009, the Melded Municipal and Industrial Treatment Rate shall be set at \$168 per acre-foot.

8. (a) Each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California, the Imperial Irrigation District, or other sources of supply that may become available to the Authority. It is the intent of the Authority to charge the melded rate for supply representing the cost of water to the Authority for the appropriate class of service. Effective January 1, 2009, the Melded Untreated Municipal and Industrial Supply Rate shall be set at \$463 per acre-foot to reflect the cost of the supply of untreated municipal and industrial water to the Water Authority.

(b) Effective January 1, 2009 as part of the Supply Charge, each member agency shall pay to the Authority a MWD Capacity Charge determined according to the method as set forth in the to Table 4 attached hereto and made a part hereof.

(c) Effective July 1, 2008 as part of the Supply Charge, each member agency shall pay a MWD Readiness-to-Serve Charge determined according to Table 5 attached hereto and made a part hereof.

(d) This section shall be administered in accordance with the Report approved by this ordinance.

9. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

10. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

11. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until superseded on July 1, 2008 for fiscal year charges, or January 1, 2009 for calendar year charges as provided in this ordinance.

12. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir and of Section 8.2 (e) of the Agreement Between the San

Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict).

13. For the purposes of Section 6 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be "water delivered by the Authority through Authority facilities" - DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.

PASSED, APPROVED AND ADOPTED, this 26th day of June, 2008

AYES: Unless noted below all Directors present voted aye.

NOES:

ABSTAIN:

ABSENT:

Fern M. Steiner,
Chair

ATTEST:

Mark W. Watton,
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2008-_____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board

Table 1 - Infrastructure Access Charge Allocation

Member Agency	IAC Equivalent Meters (ME) as of 12/31/07 ¹	Rate (\$/ME)	CY09 Annual Charge	Monthly Charge
Carlsbad M.W.D.	34,852	1.90	\$ 794,628.00	\$ 66,219
Del Mar, City of	2,519	1.90	57,432	4,786
Escondido City of	34,423	1.90	784,848	65,404
Fallbrook P.U.D.	11,849	1.90	270,156	22,513
Helix W.D.	64,305	1.90	1,466,160	122,180
Lakeside W.D.	7,961	1.90	181,512	15,126
Oceanside City of	55,370	1.90	1,262,436	105,203
Olivenhain M.W.D.	27,685	1.90	631,224	52,602
Otay W.D.	57,258	1.90	1,305,480	108,790
Padre Dam M.W.D.	25,755	1.90	587,220	48,935
Pendleton Military Reservation		1.90		
Poway, City of	17,628	1.90	401,916	33,493
Ranbow M.W.D.	13,118	1.90	299,088	24,924
Ramona M.W.D.	10,678	1.90	243,456	20,288
Rincon Del Diablo M.W.D.	9,494	1.90	216,468	18,039
San Diego, City of	386,670	1.90	8,816,076	734,673
San Dieguito W.D.	14,836	1.90	338,256	28,188
Santa Fe I.D.	10,408	1.90	237,300	19,775
Sweetwater Authority	42,180	1.90	961,704	80,142
Vallecitos W.D.	25,156	1.90	573,552	47,796
Valley Center M.W.D.	15,206	1.90	346,692	28,891
Vista I.D.	34,966	1.90	797,220	66,435
Yuma M.W.D.	473	1.90	10,788	899
Totals	902,790		\$ 20,583,612	\$ 1,715,301

¹Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.

Table 2 - Customer Service Charge Allocation

Member Agency	3-Year Average Deliveries (AF) ¹	CY09 Annual Charge	Monthly Charge
Cansbad M.W.D.	21,171	565,363	47,114
Del Mar, City of	1,367	36,505	3,042
Escondido, City of	25,043	668,763	55,730
Fallbrook P.U.D.	18,082	482,872	40,239
Helix W.D.	34,111	910,920	75,910
Lakeside W.D. ²	4,563	121,853	10,154
Oceanside, City of	32,058	856,096	71,341
Olivenhain M.W.D.	23,681	632,391	52,699
Otay W.D.	40,470	1,080,735	90,061
Padre Dam M.W.D. ²	15,552	415,310	34,609
Pendleton Military Reservation	60	1,602	134
Poway, City of	14,665	391,623	32,636
Rainbow M.W.D.	29,653	791,871	65,989
Ramona M.W.D.	11,478	306,542	25,545
Rincon Del Diablo M.W.D.	8,237	219,966	18,331
San Diego, City of	206,068	5,502,959	458,581
San Diego W.D.	5,681	151,709	12,642
Santa Fe I.D.	10,580	282,535	23,545
Sweetwater Authority	10,299	275,031	22,919
Vallecitos W.D.	19,860	530,353	44,196
Valley Center M.W.D.	44,461	1,187,313	98,943
Vista I.D.	17,896	477,905	39,825
Yuma M.W.D.	3,355	189,861	15,822
Contract Water	746	19,922	1,660
Totals	599,148	\$ 16,000,000	\$ 1,333,333

¹ Three-year rolling average of firm and agricultural MWD deliveries based on FY05-FY07 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

² Lakeside W.D. is allocated 22.82% of Padre Dam M.W.D.'s deliveries prior to January 2008. Lakeside W.D.'s deliveries after January 2008 are being metered separately from Padre Dam M.W.D.'s deliveries.

Table 3 - Emergency Storage Charge Allocation

Member Agency	3-Year Average Deliveries (AF) ¹	CY09 Annual Charge	Monthly Charge
Carlsbad M.W.D.	20,356	\$ 914,092	\$ 76,174
Del Mar, City of	1,367	61,386	5,116
Escondido, City of	20,401	916,113	76,343
Fallbrook P.U.D.	8,877	398,624	33,219
Helix W.D.	34,111	1,531,765	127,647
Lakeside W.D. ²	4,386	196,955	16,413
Oceanside, City of	29,914	1,343,297	111,941
Olivenhain M.W.D.	22,395	1,005,654	83,805
Oray W.D.	40,375	1,813,050	151,088
Padre Dam M.W.D. ²	14,466	649,600	54,133
Pendleton Military Reservation	60	2,694	225
Poway, City of	14,024	629,752	52,479
Rainbow M.W.D.	10,148	455,699	37,975
Ramona M.W.D.	7,038	316,043	26,337
Rincon Del Diablo M.W.D.	7,532	338,227	28,186
San Diego, City of	205,643	9,234,461	769,537
San Diego City W.D.	5,681	255,107	21,259
Santa Fe I.D.	10,407	467,329	38,944
Sweetwater Authority	10,299	462,480	38,540
Vallecitos W.D.	17,404	781,532	65,128
Valley Center M.W.D.	10,015	449,727	37,477
Vista I.D.	17,317	777,625	64,802
Yuma M.W.D.	(27)	(1,212)	(101)
Totals	512,189	\$ 23,000,000	\$ 1,916,667

¹Three-year rolling average of firm, non-agricultural MWD deliveries based on FY05-FY07 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

²Lakeside W.D. is allocated 23.94% of Padre Dam M.W.D.'s deliveries prior to January 2008. Lakeside W.D.'s deliveries after January 2008 are being metered separately from Padre Dam M.W.D.'s deliveries.

**Table 4 - Calendar Year 2009 MWD Capacity Charge Allocation
(Capacity Reservation Charge)**

Member Agency	Coincident Peak Week Deliveries (AF) ¹					5-year average share ²	CY2009 Charge
	8/12/2003	8/4/2004	7/19/2005	7/18/2006	8/11/2007		
Carlsbad M.W.D.	453.0	526.0	499.8	530.3	565.8	3.1059%	300,156
Del Mar, City of	32.0	33.9	36.2	42.9	36.1	0.2387%	21,037
Escondido, City of	730.4	899.2	686.9	663.9	823.5	5.0140%	441,876
Fallbrook P.U.D.	507.0	539.1	508.8	545.5	562.9	3.5108%	309,380
Helix W.D.	577.5	774.4	463.3	536.0	558.8	3.8358%	338,037
Lakeside W.D. ²	126.4	125.2	115.4	146.3	95.5	0.8025%	70,721
Oceanside, City of	688.9	797.7	798.4	879.6	915.4	5.3780%	473,949
Olivenhain M.W.D.	547.3	655.0	678.4	699.7	700.6	4.3248%	381,134
Otay W.D.	866.3	1,028.2	1,093.6	1,184.1	1,082.8	6.9265%	640,419
Padre Dam M.W.D. ²	369.0	391.9	411.4	458.2	472.9	2.7726%	244,339
Pendleton M.R.	2.0	2.7	3.0	2.2	2.3	0.0134%	1,184
Poway, City of	311.5	500.8	365.4	336.8	378.6	2.4954%	219,910
Rainbow M.W.D.	844.9	908.3	939.6	970.9	838.1	5.9355%	523,066
Ramona M.W.D.	187.8	298.7	205.7	215.8	353.2	1.8637%	146,622
Rimco/De/ Diablo M.W.D.	213.4	241.5	235.1	251.0	231.0	1.5449%	136,145
San Diego, City of	5,110.5	5,316.8	4,293.5	4,181.8	5,176.0	31.7387%	2,797,063
San Dieguito W.D.	123.9	179.8	142.4	206.2	122.5	1.0213%	90,004
Santa Fe I.D.	248.8	372.9	280.3	401.8	296.9	2.1099%	185,944
Sweetwater Authority						0.0000%	
Vallecitos W.D.	415.0	487.5	549.3	631.1	566.4	3.4921%	307,753
Valley Center M.W.D.	1,395.1	1,451.8	1,438.1	1,592.3	1,426.1	9.6268%	848,392
Vista I.D.	551.5	825.5	297.7	271.3	846.5	3.1536%	277,922
Yuma M.W.D.	119.6	140.5	136.4	164.8	193.7	0.9955%	87,727
Totals	14,421.8	16,298.4	14,176.9	14,921.5	16,046.6	100.0000%	\$ 8,812,800

¹Charge is allocated based on a five-year rolling average of member agency deliveries during regional peak weeks. Annual charges are rounded to the nearest dollar.

² Lakeside Water District's proportional share of annual peak week deliveries is based on actual meter delivery records provided by Padre Dam M.W.D.

³ Percentages shown are rounded.

Table 5 - Readiness-to-Serve Charge Allocation

Member Agency	10-Year Average Deliveries (AF) ¹	FY09 RTS Charge ²	Net Stand-By Charge Credits ³	FY09 RTS Net Charge	Monthly Charge
Carlsbad M.W.D.	18,853	\$ 890,220	\$ (391,298)	498,922	\$ 41,577
Del Mar, City of	1,406	67,102	(24,664)	42,438	3,537
Escondido, City of	20,032	956,034	(224,375)	731,659	60,972
Fallbrook P.U.D.	8,584	409,674	(284,489)	125,185	10,432
Helix W/D	35,426	1,690,717	(787,437)	903,280	75,273
Lakeside W.D. ⁴	4,568	218,009	(171,568)	46,441	3,870
Oceanside, City of	28,453	1,357,928	(651,528)	706,402	58,867
Olivenhain M.W.D.	19,304	921,290	(423,185)	498,105	41,509
Otay W/D	33,822	1,614,166	(949,079)	665,087	55,424
Padre Dam M.W.D. ⁴	14,623	697,887	(535,514)	162,373	13,531
Pendleton Military Reservation	63	3,961	(34)	3,927	327
Poway, City of	13,634	650,887	(285,149)	365,538	30,462
Rainbow M.W.D.	9,149	436,639	(548,608)	(111,969)	(9,331)
Ramona M.W.D.	7,269	346,915	(421,261)	(74,346)	(6,196)
Rincon Del Diablo M.W.D.	7,366	351,545	(311,694)	39,851	3,321
San Diego, City of	205,514	9,808,220	(4,315,570)	5,492,650	457,721
San Diego W/D	5,148	245,690	(181,297)	64,393	5,333
Santa Fe I.D.	8,832	421,510	(150,460)	271,050	22,588
Sweetwater Authority	9,554	455,968	(419,760)	36,208	3,017
Vallecitos W.D.	14,863	709,341	(431,309)	278,032	23,169
Valley Center W/D	18,306	877,350	(684,000)	193,350	16,113
Vista I.D.	16,577	791,143	(406,330)	384,813	32,068
Yuma M.W.D.	34	1,623	(85,450)	(83,827)	(6,986)
Contract Water	746	35,603	76	35,679	2,973
Totals	493,026	\$ 23,529,822	\$ (12,664,971)	\$ 10,864,851	\$ 905,405

¹10-year rolling average of firm MWD deliveries based on FY98-FY07 period and rounded to nearest acre-foot. Annual and monthly are rounded to nearest dollar.

²Effective date is July 1, 2008.

³Net of \$12,715,463 in standby-charge credits and \$50,492 in MWD administrative fees.

⁴Lakeside W.D. is allocated 23.83% of Padre Dam M.W.D's deliveries prior to January 2008. Lakeside W.D's deliveries after January 2008 are being metered separately from Padre Dam M.W.D's deliveries.

ORDINANCE NO. 2008-

ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY FIXING A WATER STANDBY AVAILABILITY CHARGE ON LAND WITHIN THE BOUNDARIES OF THE WATER AUTHORITY FOR FISCAL YEAR 2008-09 AT THE CURRENT AMOUNT OF \$10 PER ACRE OR PARCEL LESS THAN AN ACRE

WHEREAS, pursuant to Section 5.2 of the County Water Authority Act (Stats. 1943, c. 545) and Article 23 of the Water Authority's Administrative Code, on May 23, 2001 the Water Authority adopted Resolution No. 2002-06 setting forth the schedule of a Water Standby Availability Charge proposed to be established by ordinance on land within the boundaries of the Water Authority for fiscal year 2001-02; and

WHEREAS, the Clerk of the Board caused a notice to be published pursuant to Section 6066 of the Government Code in newspapers of general circulation printed and published within the Water Authority which fixed Thursday, June 26, 2008 at 9:00 a.m. or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, in the Board room of the Water Authority, 4677 Overland Avenue, San Diego, California as the time and place for a public hearing to consider objections and protests to the schedule of charges as proposed by Resolution 2008-06; and

WHEREAS, the Water Authority has considered any and all objections or protests received at or before the public hearing along with the recommendation of the Administrative and Finance Committee, and has overruled all such objections and protests, if any; and

WHEREAS, the Water Standby Availability Charge as proposed by Resolution 2008-06 is necessary to provide revenues for funding capital facilities and improvements benefiting property within the territory of the Water Authority; and

WHEREAS, the Long Range Financing Plan adopted by the Board of Directors considers the use of the Water Standby Availability Charge as a necessary means of assisting to provide a revenue source to help fund cash and debt service requirements to pay the cost of capital improvements necessary to continue meeting the supplemental water needs of the Water Authority's member agencies; and

WHEREAS, the Board of Directors has determined, adoption of standby charges is not subject to CEQA pursuant to Section 15378(b)(5) of the State CEQA Guidelines regarding the creation of government funding mechanisms that do not involve any commitment to any specific project that may have potentially significant physical impacts on the environment. Any project proposed to be funded by this charge will have appropriate CEQA documentation completed prior to initiation of any activities, which could result in physical impacts on the environment; and

WHEREAS, it is considered fair, reasonable, proper and necessary that the Water Standby Availability Charge be adopted as proposed; and

WHEREAS, the Water Standby Availability Charge adopted by this ordinance is a continuation of the standby availability charge in the amount fixed and levied prior to November 6, 1996 and annually each year thereafter; and

WHEREAS, the Board of Directors has previously considered evidence regarding the administrative cost of processing applications for deferral of the Water Standby Availability Charge.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Recitals Constitute Findings.

The foregoing recitals are true and correct and shall constitute legislative findings by this Board.

Section 2. Schedule of Charges.

There is hereby fixed a Water Standby Availability Charge of ten dollars (\$10) per acre of land within the Water Authority or ten dollars (\$10) for a parcel less than one acre.

Section 3. Charge Applicable to Each Parcel of Land.

The Water Standby Availability Charge shall be applicable to each parcel of land as established by and according to the records of the County Assessor of San Diego County. The charge for each parcel which includes more than one acre shall be determined by multiplying the total number of acres in said parcel by ten dollars (\$10).

Section 4. Definition.

The term "each parcel of land", as used in Section 3, shall mean each parcel of land assigned a parcel number by the San Diego County Assessor, including those with both 8-digit and 10-digit numbers, except (i) all numbered parcels included in Assessor Map Book 760 (identified as Possessory Interests) and Assessor Map books 770 through 779 (identified as Mobile Homes Located on Rented or Leased Lands), and, (ii) all numbered parcels included in Assessor Land Use Code designations where the second and third digit numbers are 90 and 91 (identified as Lands Owned by Public Entities Outside the Corporate Boundaries of the Public Owner). Numbered parcels in Assessor Land Use Code designations where the second and third digits are 07 (identified as Time-Share Interests) shall each be charged an equal pro-rata share of the amount that would have been charged to the 8-digit parcel number of which it is a part.

Section 5. Deferral of Charge.

A. Application for Deferred Charge

1. Purpose - Situations may arise when, due to special circumstances applicable to the owner's parcel of land, an owner has no present or future intention to utilize, with respect to the parcel, water provided by the Water Authority, a member agency, sub-agency or agent on a parcel of land as defined in Section 4. The purpose of this section is to permit an evaluation by the Water Authority, on a case-by-case basis, of the circumstances pertaining to such situations to determine whether a deferral of charges should be approved according to the terms and conditions herein provided.

2. Application - Any owner of a parcel of land who believes that payment of the Water Standby Availability Charge fixed against such parcel should be deferred may file an application with the Water Authority for deferral of the charge, as follows:

a) The application shall include a statement describing the circumstances and factual elements supporting the request for deferral.

b) The General Manager shall consider the request within sixty (60) days after the filing of a completed application. If the application for deferral meets the established criteria, the General Manager may decide whether to approve the request and order the charge deferred accordingly. If the request is denied, the applicant shall be notified in writing stating the reasons for the denial.

3. Appeal to Board of Directors - If the General Manager denies a request, the owner may file an appeal with the Board of Directors within sixty (60) days after such denial. No new application for deferral need be considered by the General Manager until expiration of twelve (12) months from the date of a denial unless differently directed by the Board of Directors.

B. Deferred Charges on Restricted Parcels.

1. Criteria - the levy of the charge may be deferred annually as to any parcel of land that meets each of the following criteria:

a) The owner of such parcel makes an application requesting deferral of the charge as defined in Subsection 5.A.2.

b) The parcel that is the subject of the request will become subject to enforceable restrictions which prohibit the use of water on the parcel, except

by means of natural precipitation or runoff; provided, however, if considered appropriate by the General Manager, local water may be used for limited domestic, stock watering and irrigation uses.

c) The owner executes an agreement, approved by the General Counsel and executed by the General Manager on behalf of the Water Authority that:

- (i) establishes enforceable restrictions pertinent to the subject parcel consistent with this ordinance and binding upon the owner and the owner's successors in interest;
- (ii) establishes the obligation of the owner or the owner's successors in interest to pay, upon termination of the agreement, all deferred Water Standby Availability Charges, plus interest thereon, compounded annually, and accruing at the legal rate from the date such charges would have been otherwise due and payable;
- (iii) establishes the duration of the deferral;
- (iv) shall be recorded in the official records of the County Recorder.

2. Administrative Fee - an application for deferral shall not be deemed complete and shall not be processed unless the applicant pays an administrative fee of \$500.00. A request for termination of a deferral agreement shall not be processed unless the applicant pays an administrative fee of \$500.00. The General Manager may waive the administrative fee for an application for deferral under the following circumstances: 1) if the purpose of the deferral is to permit or accommodate the conveyance of the parcel, or an interest therein, to a public agency or other entity for the purposes of establishing a permanent open space or habitat conservation area; 2) if the agreement for a single parcel deferral is not recorded in the official records of the County Recorder within 90 days of receipt of a complete application; and 3) if the agreement for a multiple parcel deferral is not recorded in the official records of the County Recorder within 120 days of receipt of a complete application.

C. Parcels Included in a Government Preservation Program.

The General Manager may amend or terminate an existing Water Standby Availability Charge Deferral Agreement, and/or execute a substitute agreement, if deemed necessary for inclusion of a parcel in a government program for the preservation of habitat and/or species.

D. Refunds.

1. If a request for deferral of charges is granted, the deferral shall become effective at the beginning of the fiscal year in which a completed application is received by the Water Authority, provided the completed application was received by May 1. If the completed application is received after May 1, the deferral, if

granted, shall become effective at the beginning of the next fiscal year. The Water Authority shall refund standby charges paid by the applicant for any period after the effective date of the deferral.

2. If it is determined that a refund of any previously fixed Water Standby Availability Charge is appropriate because the subject parcel qualifies for deferral of charges, the amount refunded shall be added to the amount of deferred charges due under Subsection 5.B.1(c)(ii) and will be subject to the legal interest rate compounded annually.

E. Enforcement Procedures.

In order to ensure that terms and conditions of the deferral agreement are being met, the General Manager shall;

1. maintain a record of all parcels approved for deferral of the Water Standby Availability Charge;
2. make a written report to the Board of Directors in August of each calendar year showing all parcels with deferred annual Water Standby Availability Charges and the amount of the deferred charges and accrued interest;
3. cause each such parcel to be physically inspected every three years from the date of deferment;
4. give written notice to each member agency and sub-agency as to each parcel of land within such agency;
5. report to the Board of Directors any instances where the terms of the agreement are being violated;
6. take such other actions or procedures considered appropriate.

Section 6. Implementation.

The General Manager is instructed to develop procedures which will, as expeditiously as practical, implement actions necessary so that county officers will only collect the Water Standby Availability Charge from each parcel of land as defined in Sections 3 and 4 hereof. If a Water Standby Availability Charge is improperly billed or collected, the General Manager shall take appropriate steps to cause a refund to be made in the amount improperly charged or collected.

Notwithstanding either (a) the provisions of any deferral agreement recorded prior to the date of this ordinance, or (b) the provisions of any prior ordinance relating to Water Standby Availability Charges, no waiting period for use of water following termination of a

deferral agreement and no surcharge shall be collected for any deferral agreement terminated after the effective date of this ordinance; instead the provisions of this ordinance shall apply to the termination of any deferral agreement effective as of the effective date of this ordinance.

Section 7. Refund of Charges.

The Water Authority reserves the right, upon receipt of a written request, to make refunds of charges collected and paid to the Water Authority by the San Diego County Tax Collector or other county official if a charge was levied on land which was not within the boundaries of the Water Authority at the time the charge was fixed, if the land was detached from the Water Authority prior to the end of the calendar year immediately following the calendar year within which the charge was fixed, or if a charge was fixed, levied, or collected without legal right. If a refund is authorized by the Board of the Water Authority, it shall be made to the person who paid the charge or to his/her assignee.

Section 8. Description of Land Parcels.

The Director of Finance shall furnish to the Board of Supervisors and the County Auditor of San Diego County schedules and information which contain a description of each parcel of land within the Water Authority upon which a Water Standby Availability Charge is to be levied and collected for the 2008-09 fiscal year, together with the amount of the availability charge fixed by the Water Authority on each parcel of land which is to be added to the assessment roll.

Section 9. Direction to Board of Supervisors.

Pursuant to Section 5.2(e) of the County Water Authority Act, the Board of Supervisors of San Diego County is hereby directed to levy, in addition to other taxes levied, the Water Standby Availability Charge in the amounts for the respective parcels as fixed by this ordinance.

Section 10. Collection and Payment.

Pursuant to Section 5.2(f) of the County Water Authority Act, all county officers charged with duties of collecting taxes shall collect the Water Authority's charges and pay the same to the Water Authority after deducting reasonable administrative costs incurred in levying and collecting the Water Standby Availability Charge.

Section 11. Transmittal.

The Clerk of the Board is authorized and directed to transmit forthwith a certified copy of this ordinance to the presiding officer of the governing body of each public member agency and, also, to the presiding officer of the Board of Supervisors and the County Auditor of San Diego County.

PASSED, APPROVED AND ADOPTED, this 26th day of June, 2008

AYES: Unless noted below all Directors present voted aye.

NOES:

ABSTAIN:

ABSENT:

Fern M. Steiner,
Chair

ATTEST:

Mark W. Watton,
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2008-_____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board



THE CITY OF SAN DIEGO
 202 C Street, MS 2P
 San Diego, California 92101

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Notice of Public Hearing Information Inside

NOVEMBER 11, 2008
 2:00 PM
 City Administration Building
 202 C Street, 12th Floor
 Council Chambers

Interested parties are invited to attend. Read inside to learn more.

The San Diego City Council will hold a public hearing to consider increasing water rates.

Notice of Public Hearing

THE CITY OF SAN DIEGO



ATTACHMENT 2

000375

Notice of Public Hearing
November 17, 2008
 2:00 p.m.

PROPOSED WATER SERVICE RATES AND CHARGES

The San Diego City Council will be holding a public hearing to consider proposed adjustments in water rates. The meeting will be held November 17, 2008, at 2 p.m. At this hearing the Council will consider the recommendation to increase water rates to recover the increased cost charged by the County Water Authority for wholesale water; and a separate water rate increase to fund the Council approved Indirect Potable Reuse/Reservoir Augmentation Demonstration Project.

PROPOSED NEW WATER RATES BASED ON COUNTY WATER AUTHORITY ACTION

On June 26, 2008 the San Diego County Water Authority (CWA) voted to increase the rates it charges for imported water beginning on January 1, 2009. This rate increase applies to all county water agencies, including the City. Because local water supplies are very limited, the City must buy approximately 90% of the water it supplies to its customers from the CWA. Because the City is required to recover the costs for water purchases, it must "pass through" these increased charges to its own customers.

The CWA based its increase on the costs for its own infrastructure, operations and maintenance. The CWA increase also reflects the cost it pays to purchase water from the region's largest water wholesaler, the Metropolitan Water District of Southern California. The CWA has approved increases to both its fixed infrastructure access charge and its commodity charges, which are based upon the amount of water purchased. This rate increase does not include any increase for City infrastructure, operations or maintenance.

Proposed Fee Increases

There are two parts to water rates charged by the City of San Diego to you as a customer. These are the Base Fee and the Commodity Fee. The Base Fee is levied to recover the

fixed charges associated with the operation and maintenance of the water system and the charges paid by the City to access the CWA water supply infrastructure. The Commodity Fee is levied to recover the variable costs based on the amount of water used by water system customers. The proposed rate increase will affect both the Base Fee and the Commodity charge.

Proposed Base Fee Rate Adjustments Due to CWA "Pass Through"

The following table illustrates how the proposed water rate increase will affect the base fee for water system customers. This fee is applied to each meter equivalent and increases as the meter size increases. The figures included in the table are based on charges per month.

AN IMPORTANT NOTE:

Over 90 percent of the single Family Residential customers have meter sizes less than 1 inch. That means that the vast majority of Single Family Residential customers will see their base fee rise by 20 cents per month. If you need assistance to determine your meter size, please call the City's Water Department Customer Service Division at (619) 515-3500.

PROPOSED CWA PASS THROUGH INCREASE - MONTHLY BASE FEE (Based on Meter Size)

Meter Size	Current	Anticipated Increase	Rate as of January 1, 2009
5/8 inch	\$16.32	\$0.20	\$16.52
3/4 inch	\$16.32	\$0.20	\$16.52
1 inch	\$23.86	\$0.34	\$24.20
1 1/2 inch	\$41.10	\$0.66	\$41.76
2 inch	\$62.66	\$1.06	\$63.72
3 inch	\$113.29	\$2.00	\$115.29
4 inch	\$185.49	\$3.34	\$188.83
6 inch	\$364.36	\$6.66	\$371.02
8 inch	\$579.86	\$10.66	\$590.52
10 inch	\$832.01	\$15.34	\$847.35
12 inch	\$1,549.64	\$28.66	\$1,578.30
16 inch	\$2,699.37	\$50.00	\$2,749.37

Proposed Commodity Fee Adjustments Due to CWA "Pass Through":

In addition to an increase in the base fee for fixed charges, the CWA "pass through" costs proposed by the City will also raise the commodity fee. The City is proposing to raise commodity fees by 8.5% for each hundred cubic feet (HCF) of water consumed within the City's tiered water rate system. A hundred cubic feet of water equals approximately 748 gallons. The typical Single Family Residential customer uses 14 HCF (or 10,472 gallons) each month.

PROPOSED CWA PASS THROUGH INCREASE - MONTHLY COMMODITY FEE (Based on Water Usage)

Customer Classification	Current	Total Increase	January 1, 2009 (with CWA Pass Through)
Single Family Dwelling			
Tier 1 (First 7 HCF used)	\$2.505	\$0.213	\$2.718
Tier 2 (Second 7 HCF used)	\$2.717	\$0.231	\$2.948
Tier 3 (Usage above 14 HCF)	\$3.051	\$0.259	\$3.310
Multi-family Dwelling	\$2.717	\$0.231	\$2.948
Commercial	\$2.606	\$0.222	\$2.828
Industrial	\$2.606	\$0.222	\$2.828
Irrigation	\$2.784	\$0.237	\$3.021
Temporary Construction	\$2.784	\$0.237	\$3.021

Example:

When combined with new base fees, the increased commodity charges will effectively raise total water rates for a typical Single Family Residential Customer by approximately 6.26% (\$3.31 per month). The exact amount of increase will vary among customers because of their varying levels of water consumption.

PROPOSED CWA PASS THROUGH EFFECT OF WATER RATE INCREASE ON THE MONTHLY COST TO THE TYPICAL SINGLE FAMILY DWELLING (14HCF USAGE)

	Current	January 1, 2009 (with CWA Pass Through)
Residential Base Fee		
3/4 inch meter	\$16.32	\$16.52
Commodity Fee*		
Tier 1 (1-7 HCF)	\$17.54	\$19.03
Tier 2 (8-14 HCF)	\$19.02	\$20.64
TOTAL	\$52.88	\$56.19

* Assumes 7 HCF used per rate tier

NOTE:

To help promote conservation, the City uses a tiered billing structure that increases the costs for water used by residential customers. The first tier rate applies to water usage up to 7 HCF per month. The second, higher, tier rate applies to all water used over 7 HCF and up to 14 HCF per month (the amount used by a typical Single Family Residential customer). The third, highest, tier rate applies to all water used in excess of 14 HCF per month.

Please note that the City recently moved to a bi-monthly billing cycle. This means that each water bill you receive now includes charges for two months of service.

More information about water rates is available at www.sandiego.gov/water or by calling (619) 515-3500.

PROPOSED TEMPORARY INDIRECT POTABLE REUSE/RESERVOIR AUGMENTATION DEMONSTRATION PROJECT WATER RATE INCREASE

On December 3, 2007, the San Diego City Council voted to initiate a Demonstration Project to help determine the feasibility of using reclaimed water to augment local drinking water supplies. The Demonstration Project would examine the process for Indirect Potable Reuse through Reservoir Augmentation (IPR/RA). The City Council is proposing to temporarily raise water rates for City Water Department customers, beginning January 1, 2009.

The total cost of the Demonstration Project is \$11,811,000. In order to acquire these funds, the City Council is proposing to raise rates for City water customers for a period of

approximately 18 months beginning January 1, 2009. The proposed increase would generate \$10.7 million in revenue. The remaining \$1.1 million in project costs will be reimbursed through a grant provided by Proposition 50 funding. The rate increase would raise commodity rates (the charges for water used by City customers) by 3.26%. Because the rate increase would apply only to the commodity charges and not the base fee paid by customers the effective rate increase for a typical single family residential customer would be 2.3% or \$1.19 per month. Based upon existing water sales projections, this temporary increase is expected to end approximately July 1, 2010.

The Demonstration Project will provide the technical, environmental, regulatory, funding and public outreach requirements necessary to implement a full scale project. If the Demonstration Project meets regulatory requirements and provides evidence of the viability of the IPR/RA process, the City would then explore the feasibility of constructing a full scale IPR/RA plant to send advanced treated water to San Vicente Reservoir via a 23-mile pipeline where, after months of blending and additional treatment, it would be redistributed as potable water. A separate rate increase and additional Council action would be required to initiate a full scale IPR/RA project.

Demonstration Project

The proposed Demonstration Project to be funded by the rate increase being proposed by the City Council would:

- Allow the City to design, construct and operate a demonstration-scale advanced water treatment (AWT) plant at the North City Water Reclamation Plant intended to produce approximately 1 million gallons per day of AWT water;

- Conduct a study of San Vicente Reservoir to establish how long AWT water would reside in the reservoir;
- Define the state's regulatory requirements for the IPR/RA demonstration project;
- Allow the City to perform an independent energy and economic analysis for the IPR/RA program; and
- Allow the City to conduct a public outreach and education program regarding Indirect Potable Reuse.

As proposed, the Demonstration project would begin in early-2009 and be completed by 2013.

There are two parts to water rates charged by the City of San Diego to you as a customer. These are the Base Fee and the Commodity Fee. The Base Fee is levied to recover the fixed charges associated with the operation and maintenance of the water system and the charges paid by the City to access the CWA water supply infrastructure. The Commodity Fee is levied to recover the variable costs based on the amount of water used by water system customers. This proposed rate increase will only affect the Commodity charge.

PROPOSED MONTHLY COMMODITY FEE IF ONLY DEMONSTRATION PROJECT RATE INCREASE IS APPROVED
(Based on Water Usage)

Customer Classification	Current	IPR-Related Increase	Rate as of January 1, 2009
Single Family Dwelling			
Tier 1 (First 7 HCF used)	\$2.505	\$0.082	\$2.587
Tier 2 (Second 7 HCF used)	\$2.717	\$0.089	\$2.806
Tier 3 (Usage above 14 HCF)	\$3.051	\$0.099	\$3.150
Multi-family Dwelling	\$2.717	\$0.089	\$2.806
Commercial	\$2.606	\$0.085	\$2.691
Industrial	\$2.606	\$0.085	\$2.691
Irrigation	\$2.784	\$0.091	\$2.875
Temporary Construction	\$2.784	\$0.091	\$2.875

Example:

The increased commodity charges will effectively raise total water rates for a typical Single Family Residential Customer by approximately 2.3% (\$1.19 per month). The exact amount of increase will vary among customers because of their varying levels of water consumption.

PROPOSED EFFECT OF DEMONSTRATION PROJECT ON THE MONTHLY COST TO THE TYPICAL SINGLE FAMILY DWELLING (14 HCF)

Residential Base Fee	Current	January 1, 2009
3/4 inch meter	\$16.32	\$16.32
Commodity Fee*		
Tier 1 (1-7 HCF)	\$17.54	\$18.11
Tier 2 (8-14 HCF)	\$19.02	\$19.64
TOTAL	\$52.88	\$54.07

* Assumes 7 HCF used per rate tier. Assumes increases from IPR only.

NOTE:

To help promote conservation, the City uses a tiered billing structure that increases the costs for water used by residential customers. The first tier rate applies to water usage up to 7 HCF per month. The second, higher, tier rate applies to all water used over 7 HCF and up to 14 HCF per month (the amount used by a typical Single Family Residential customer). The third, highest, tier rate applies to all water used in excess of 14 HCF per month.

Please note that the City recently moved to a bi-monthly billing cycle. This means that each water bill you receive now includes charges for two months of service.

More information about water rates is available at www.sandiego.gov/water or by calling (619) 515-3500.

Notice of Public Hearing
November 17, 2008
 2:00 p.m.

RATES IF BOTH THE PASS THROUGH AND IPR/RA DEMONSTRATION PROJECT ARE APPROVED

The City Council may approve increases in water rates to pay for both the CWA Pass Through and fund the Demonstration Project. The following tables describe what water rates would be if this occurs. Please note the Demonstration Project increase would be applied to the Commodity Fee only.

PROPOSED MONTHLY BASE FEE (Based on Meter size) IF BOTH THE CWA PASS THROUGH AND IPR RATE INCREASES ARE APPROVED

Meter Size	Current	CWA Pass Through Increase	Rate as of January 1, 2009
5/8 inch	\$16.32	\$0.20	\$16.52
3/4 inch	\$16.32	\$0.20	\$16.52
1 inch	\$23.86	\$0.34	\$24.20
1 1/2 inch	\$41.10	\$0.66	\$41.76
2 inch	\$62.66	\$1.06	\$63.72
3 inch	\$113.29	\$2.00	\$115.29
4 inch	\$185.49	\$3.34	\$188.83
6 inch	\$364.36	\$6.66	\$371.02
8 inch	\$579.86	\$10.66	\$590.52
10 inch	\$832.01	\$15.34	\$847.35
12 inch	\$1,549.64	\$28.66	\$1,578.30
16 inch	\$2,699.37	\$50.00	\$2,749.37

PROPOSED MONTHLY COMMODITY FEE (Based on Water Usage) IF BOTH CWA PASS THROUGH AND IPR RELATED RATE INCREASES ARE APPROVED

Customer Classification	Current	CWA Pass Through Increase	IPR Related Increase	Rate as of January 1, 2009
Single Family Dwelling				
Tier 1 (First 7 HCF)	\$2.505	\$0.213	\$0.077	\$2.795
Tier 2 (Second 7 HCF)	\$2.717	\$0.231	\$0.084	\$3.032
Tier 3 (Above 14 HCF)	\$3.051	\$0.259	\$0.094	\$3.404
Multi-family Dwelling	\$2.717	\$0.231	\$0.084	\$3.032
Commercial	\$2.606	\$0.222	\$0.080	\$2.908
Industrial	\$2.606	\$0.222	\$0.080	\$2.908
Irrigation	\$2.784	\$0.237	\$0.086	\$3.107
Temporary Construction	\$2.784	\$0.237	\$0.086	\$3.107

Example:

When combined with new base fees, the increased commodity charges will effectively raise total water rates for a typical Single Family Residential Customer by approximately 8.4% (\$4.43 per month). The exact amount of increase will vary among customers because of their varying levels of water consumption.

PROPOSED EFFECT OF WATER RATE INCREASE ON THE THE TYPICAL SINGLE FAMILY DWELLING MONTHLY BILL (14HCF USAGE)

Single Family Base Fee	Current	January 1, 2009
3/4 inch meter	\$16.32	\$16.52
Commodity Fee*		
Tier 1 (1-7 HCF)	\$17.54	\$19.57
Tier 2 (8-14 HCF)	\$19.02	\$21.22
TOTAL	\$52.88	\$57.31

NOTE:

To help promote conservation, the City uses a tiered billing structure that increases the costs for water used by residential customers. The first tier rate applies to water usage up to 7 HCF per month. The second, higher, tier rate applies to all water used over 7 HCF and up to 14 HCF per month (the amount used by a typical Single Family Residential customer). The third, highest, tier rate applies to all water used in excess of 14 HCF per month.

Please note that the City recently moved to a bi-monthly billing cycle. This means that each water bill you receive now includes charges for two months of service.

* Assumes 7 HCF used per rate tier. Assumes increases from both CWA and IPR.

More information about water rates is available at www.sandiego.gov/water or by calling (619) 515-3500.

You can protest the proposed rate adjustments

You can use the coupon in this notice to register your protest against either or both of the proposed water rate adjustments. You can also choose to write a letter to the City, following the requirements below, or appear at the public hearing listed on the front cover of this notice to submit your written protest.

How Can I Participate?

Interested parties can comment on the proposed rates. California law prohibits the City from implementing the new rates if a majority of the affected property owners file written protests opposing the rates before the end of the public hearing. Written protests must be received by the City Clerk, Mail Station No. 2P, City Administration Building, 202 "C" Street, San Diego, CA 92101, before the end of the public hearing which is scheduled for 2:00 pm, November 17, 2008. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of a record property owner or utility customer. Email protests will not be accepted. Although oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest, the Mayor and City Council welcome input from the community during the public hearing.



USE THIS FORM TO PROTEST EITHER OR BOTH OF THE PROPOSED WATER RATE INCREASES

TEMPORARY INDIRECT POTABLE REUSE (IPR) / DEMONSTRATION PROJECT

I _____ protest this proposed increase to water rates.

Property Address or Assessor's Parcel Number: _____

Signature: _____

CHECK THIS BOX TO PROTEST

CWA PASS THROUGH

I _____ protest this proposed increase to water rates.

Property Address or Assessor's Parcel Number: _____

Signature: _____

CHECK THIS BOX TO PROTEST

If you wish to use this form as your protest to one or both of the rate increases, you must provide complete information on each protest you care to submit under these protest procedures and mail in a stamped envelope to: City Clerk, City Administration Building, 202 C Street, MS 2P, San Diego, CA 92101.

Some customers will receive multiple Notices In order to ensure that all San Diegans are informed about possible water rate increases, these Notices are being sent both to property owners and to City of San Diego Water Department customers.

This material is available in alternative formats upon request to accommodate persons with disabilities or non-English speakers. To order information in an alternative format, or to arrange for a sign language or oral interpreter at the **November 17, 2008** hearing, please call the Clerk's office on or before November 10, 2008 at (619) 533-4000 (voice) or (619) 236-7012 (TTY).

C00381



ATTACHMENT 3

THE CITY OF SAN DIEGO

July 11, 2008

Jim Barrett
Director of Public Utilities
City of San Diego

Subject: **Agreed-Upon Procedures Review of the Increase in San Diego Water Rates Pursuant to the San Diego County Water Authority Water Rate Increases**

We performed the agreed-upon procedures review requested by the Water Department related to the proposed increase in water rates for San Diego rate payers, pursuant to San Diego County Water Authority rate increases, effective January 1, 2009. In summary, the procedures we agreed to perform related to verifying the mathematical accuracy of the proposed rate increases calculated by the Water Department.

We conducted our work in accordance with Generally Accepted Auditing Standards. These standards provide guidance on performing and reporting on the results of agreed-upon procedures. By specifying the procedures we agreed to perform, the Water Department is responsible for ensuring that the procedures are sufficient to meet their purposes, and we make no representation in that respect. Our review is intended solely for the information and use of the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

We were not requested to, and did not conduct an audit of the water rate setting process which would have entailed additional procedures. Such additional procedures may have identified other matters, if they existed, that would have been reported to you. We initiated our agreed-upon procedures on June 26, 2008, and completed our work on July 10, 2008.



000382

Jim Barrett
Page 2 of 2

The agreed-upon procedures and the results of our work in the report attached were provided in draft to the Water Department for review and comments and they concurred with its contents. Key contributors to this report were Kyle Elser, Judy Zellers, and Farhat Popal. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Eduardo Luna". The signature is fluid and cursive, with a large initial "E" and a long, sweeping tail.

Eduardo Luna
City Auditor

cc: Jay M. Goldstone, Chief Executive Officer
Alex Ruiz, Assistant Director, Water Department
Rod Greek, Deputy Director, Water Department

Water Department Agreed-Upon Procedures Review Report

Background

The City of San Diego purchases water from the San Diego County Water Authority (SDCWA). On June 26, 2008, the Board of Directors of the SDCWA authorized an increase in the cost of water purchased from SDCWA, effective January 1, 2009. Therefore, the Water Department has proposed an increase to the rates paid by the City of San Diego customers. Prior to increasing rates, a Proposition 218 public notice to rate payers is required.

The Water Department prepared a calculation of the increased rates which are to be revenue neutral to the City. They provided us with the calculations, which will be included in the public notice, and requested that we perform agreed-upon procedures on their calculations. Their calculations included the following:

- The increase in base rates per meter, based on water meter sizes
- The increase in costs to purchase water from the SDCWA, based on SDCWA rate changes and estimated water purchases
- The increased revenue from San Diego rate payers necessary to offset the purchase costs based on estimated water sales
- The allocation of the increased revenues to customers, based on water usage

Agreed-Upon Procedures and Results

1. Trace the January 1, 2009 water purchase costs to the SDCWA ordinance.

Result: We traced the rates effective as of January 1, 2009 from the SDCWA ordinance to the rates used by the Water Department in their calculations. Payments to the SDCWA for in lieu taxes are based on budgeted estimates and are the responsibility of the Water Department. As such, we did not confirm the calculation of these estimates. The rates established by the SDCWA agreed to the rates used in the Water Department calculations.

2. Verify the prior year purchase costs used to calculate the change in costs between the calendar year 2008 rates and 2009.

Result: We verified the SDCWA rates, effective January 1, 2008, based on the prior year SDCWA ordinance. Payments to the SDCWA for in lieu taxes were traced to the prior year estimate. The prior year SDCWA rates agreed to the rates used in the Water Department calculations.

3. Verify the mathematical accuracy of the Water Department calculations of projected increases in water purchase costs and the revenues required to offset the purchases for calendar year 2009.

Result: The change in SDCWA rates between January 1, 2008 and January 1, 2009 were mathematically accurate.

The projected total increases in water purchase costs and the revenues required to offset the purchases for calendar year 2009 are based on estimates of acre feet of water purchased and sold, which may vary depending on usage. The confirmation of estimates was outside of the scope of our agreed-upon procedures and is the responsibility of the Water Department.

Based on Water department estimates, we verified the mathematical accuracy of the projected costs and revenues.

4. Verify the allocation of rate increases to rate payers.

Result: There are two components to the water rate; a base rate based on meter size and a commodity rate based on usage. Base rate increased a flat amount per meter size (equivalent dwelling unit). We verified the accuracy of the flat fee increase based on meter size. The Water Department calculated the percentage required increase in revenues due to the SDCWA rate increases and increased each rate payer's usage rate by this percentage. We verified the mathematical accuracy of the percentage increase in rates and traced the resulting rates to the Proposition 218 Notice provided by staff.

000385



ATTACHMENT 4

THE CITY OF SAN DIEGO

August 15, 2008

Jim Barrett
Director of Public Utilities
City of San Diego

Subject: Agreed-Upon Procedures Review of the Water Department's Proposed Rate Increase for the Indirect Potable Reuse (IPR) Demonstration Project, and the Combined Proposed IPR Rate Increase in Conjunction with the Previously Reviewed SDCWA Pass Through Rate Increase Calculations.

We performed another agreed-upon procedures review that was requested by the Water Department related to the additional proposed rate increase to cover the costs of the IPR Demonstration Project, and the combined proposed IPR rate increase in conjunction with the previously reviewed San Diego County Water Authority pass through rate increase calculations (report dated July 11, 2008). In summary, the procedures we agreed to perform related to verifying the mathematical accuracy of the proposed rate increases calculated by the Water Department.

We conducted our work in accordance with Generally Accepted Auditing Standards. These standards provide guidance on performing and reporting on the results of agreed-upon procedures. By specifying the procedures we agreed to perform, the Water Department is responsible for ensuring that the procedures are sufficient to meet their purposes, and we make no representation in that respect. Our review is intended solely for the information and use of the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

We were not requested to, and did not conduct an audit of the water rate setting process which would have entailed additional procedures. Such additional procedures may have identified other matters, if they existed, that would have been reported to you. We initiated our agreed-upon procedures on August 4, 2008, and completed our work on August 13, 2008.



000386

Jim Barrett
Page 2 of 2

The agreed-upon procedures and the results of our work in the report attached were provided in draft to the Water Department for review and comments and they concurred with its contents. Key contributors to this report were Kyle Elser and Farhat Popal. Please contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Eduardo Luna".

Eduardo Luna
City Auditor

cc: Jay M. Goldstone, Chief Executive Officer
Alex Ruiz, Assistant Director, Water Department
Rod Greek, Deputy Director, Water Department

Water Department Agreed-Upon Procedures Review Report

Background

The City of San Diego purchases water from the San Diego County Water Authority (SDCWA). On June 26, 2008, the Board of Directors of the SDCWA authorized an increase in the cost of water purchased from SDCWA, effective January 1, 2009. Therefore, the Water Department proposed an increase to the rates paid by the City of San Diego customers. We previously reviewed the accuracy of these calculations and issued a report dated July 11, 2008. Subsequently, the City of San Diego is planning an Indirect Potable Reuse (IPR) and Reservoir Augmentation Demonstration Project for half of FY2009 and all of FY2010. In order to pay for this project, the Water Department is proposing a percentage increase in commodity water charges in FY2009 through FY2010, and an equal percentage decrease in rates in FY2011. Prior to increasing rates, a Proposition 218 public notice to rate payers is required.

The Water Department prepared a calculation of the increased rates based on the SDCWA increase in the cost of water and the cost of the IPR project, which are to be revenue neutral to the City. They provided us with the calculations, which will be included in the public notice, and requested that we perform agreed-upon procedures on their calculations. Their additional calculations included the following:

- Estimated cost of IPR project.
- Projected revenue requirements based on Water Department's estimate of the cost of the project.
- Increased revenue to be generated based on estimated water sales.
- Revenue generated by IPR rate increase when taken in conjunction with the SDCWA pass through increase.
- Revenue generated by IPR rate increase without the SDCWA pass through increase.
- Allocation of rate increases to rate payers.

Agreed-Upon Procedures and Results

1. Verify the mathematical accuracy of the Water Department calculations of revenues generated by the IPR Rate Increase substantially offset the costs for the IPR Demonstration Project as estimated by the Water Department.

Result: The calculation of revenues generated by the IPR rate increase were verified to be mathematically accurate, and were found to substantially offset the estimated costs of the project in both the case of the SDCWA Pass Through and the case of no Pass Through increase. Their calculations of estimated project costs, projected water purchases, projected water sales and regulations governing the allocation were not confirmed and are outside the scope of this review.

Water Department Agreed-Upon Procedures Review Report
Page 2 of 2

2. Verify the mathematical accuracy of the calculation of the estimated revenue generated does not change significantly when taken in combination with the SDCWA Pass Through Rate Increase.

Result: Total new revenue from IPR in the case of the SDCWA Pass Through was compared to total new revenue from IPR in the case of no Pass Through. With the Pass Through rate increase included, \$4,164 less is generated compared to the calculation without the Pass Through included. Because the IPR percentages are based on estimated water sales, it is difficult to arrive at the same exact figure as in the no Pass Through scenario. The \$4,164 difference appears to be immaterial.

3. Verify the mathematical accuracy of the allocation of rate increases to rate payers based on the percentage increase used.

Result: The Calculation of projected rates from January 1, 2009 through July 1, 2011 is mathematically accurate.

REQUEST FOR COUNCIL ACTION

(FOR AUDITOR'S USE ONLY)

CITY OF SAN DIEGO

000389

TO: CITY ATTORNEY	2. FROM (ORIGINATING DEPARTMENT): Water Department	3. DATE: 11/5/08
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207
11/17

4. SUBJECT:
PROPOSED WATER RATE INCREASES TO OFFSET THE INCREASE IN RATES CHARGED BY THE SAN DIEGO COUNTY WATER AUTHORITY AND TO FUND AN INDIRECT POTABLE REUSE DEMONSTRATION PROJECT

5. PRIMARY CONTACT (NAME, PHONE, & MAIL STA.) Rod Greek, 619-980-5928, MS 904A	6. SECONDARY CONTACT (NAME, PHONE, & MAIL STA.) Sam Gray, 619-533-4157, MS 910	7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED <input checked="" type="checkbox"/>
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8. COMPLETE FOR ACCOUNTING PURPOSES

FUND	DEPT.	ORGANIZATION	OBJECT ACCOUNT	JOB ORDER	C.I.P. NUMBER	AMOUNT	9. ADDITIONAL INFORMATION / ESTIMATED COST: See attached Report to the City Council
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10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIG. DEPT	<i>[Signature]</i>	11/6/08	8	DEPUTY CHIEF	<i>[Signature]</i>	11-6-08
2	E.A.S.	<i>[Signature]</i>	11/6/08	9	C.O.O.	<i>[Signature]</i>	11-6-08
3	EOCP			10	CITY ATTORNEY	<i>[Signature]</i>	11/6/08
4	DOCKET LIAISON			11	ORIG. DEPT	<i>[Signature]</i>	11/6/08
5	C.F.O./FM	<i>[Signature]</i>	11/6/08	DOCKET COORD: _____ COUNCIL LIAISON _____			
6	C.F.O./AUDITOR	<i>[Signature]</i>	11/6/08	<input checked="" type="checkbox"/> COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO: _____ COUNCIL DATE: 11/17/08			
7				<i>[Signature]</i>			

11. PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

- AUTHORIZE THE PROPOSED WATER RATE INCREASES TO CURRENTLY EFFECTIVE WATER SYSTEM RATES AND FEES IN ORDER TO OFFSET THE INCREASE IN THE WHOLESALE COST OF WATER PURCHASED BY THE CITY FROM THE SAN DIEGO COUNTY WATER AUTHORITY (CWA).
- AUTHORIZE THE PROPOSED WATER RATE INCREASE TO THE CURRENTLY EFFECTIVE WATER SYSTEM COMMODITY FEE IN ORDER TO FUND AN INDIRECT POTABLE REUSE DEMONSTRATION PROJECT.

11A. STAFF RECOMMENDATIONS:
Adopt the Resolution

12. SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION.)

COUNCIL DISTRICT(S): All

COMMUNITY AREA(S): All

ENVIRONMENTAL IMPACT: This activity is not subject to the California Environmental Quality Act pursuant to CEQA Guidelines section 15060(c)(3) because this activity is an organizational or administrative activity of a government that will not result in direct or indirect physical changes in the environment.

- ATTACHMENTS:**
- Report to the City Council
 - San Diego County Water Authority Report, dated June 18, 2008
 - Proposition 218 Notice of Proposed Water Rate Increase
 - City Auditor Review of the Increase in San Diego Water Rates Due to the Increase in Wholesale Cost of Water
 - City Auditor Review of the Increase in San Diego Water Rates Due to the Indirect Potable Reuse Demonstration Project And Review of the Combined IPR Rate Increase in Conjunction with the Pass Through Rate Increase Calculation

CITY CLERK INSTRUCTIONS: Please return one copy of the executed Council Action and a copy of the resolutions to Chris Ojeda, (619) 533-4215, MS910

000391

REPORT TO THE CITY COUNCIL
EXECUTIVE SUMMARY

DATE ISSUED: REPORT NO.
ATTENTION: Council President and Members of the City Council, Council Meeting
of November 17, 2008
ORIGINATING DEPT.: Water Department
SUBJECT: Proposed Water Rate Increases to offset the increase in rates charged
by the San Diego County Water Authority and to fund an Indirect
Potable Reuse Demonstration Project
COUNCIL DISTRICTS: All
STAFF CONTACT: Rod Greek (619) 980-5928
Sam Gray (619) 533-4157

REQUESTED ACTION: Authorize the proposed water rate increase of 8.50% on the commodity fee charged per hundred cubic feet (HCF) of water usage for all customer classes and a base fee increase of \$0.20 per equivalent dwelling unit based upon meter size as related to the increase in the wholesale cost of water purchased by the City from the San Diego County Water Authority (CWA).

Authorize a water rate increase of 3.08% on the commodity fee charged per hundred cubic feet (HCF) of water usage for all customer classes in order to fund the Indirect Potable Reuse Demonstration Project.

STAFF RECOMMENDATION: Adopt the resolution(s).

EXECUTIVE SUMMARY: On April 24, 2008, the CWA Board of Directors ("CWA Board") adopted the 2008 Long Range Financing Plan update, which included updates to CWA's cost of water, capital improvement program, and other economic assumptions which would affect water purchase rates being charged to their participating agencies. On June 26, 2008, CWA staff made a presentation to the CWA Board disclosing the need for a rate increase based on the additional infrastructure, operations, maintenance, and water purchase costs. At that meeting the CWA Board approved the rate increase recommendation. As a result, on January 1, 2009, CWA will be increasing the rates for water purchases to all their participating agencies, including the City of San Diego.

On January 1, 2009, the City intends to increase the currently effective Water system rates and fees across all customer classes in order to pass through the increased wholesale water purchase costs from CWA. The commodity fee will increase by 8.50% per HCF of water usage for all customer classes and the base fee will increase by \$0.20 per equivalent dwelling unit, based upon meter size. For the typical single family residence customer using 14 HCF per month, the fee increases due to the CWA pass-through costs will add approximately \$3.31 to the monthly water bill. This will be a 6.26% increase in the current water bill.

At the July 28, 2008 meeting of the City Council, staff was directed to develop the rate increase necessary to fund an Indirect Potable Reuse (IPR) Demonstration Project. On September 8, 2008, City staff returned to the City Council with a proposed Proposition 218 Notice which included both the rate increase associated with the CWA pass-through and a rate increase to fund the IPR Demonstration Project. At the September 8, 2008 City Council meeting, the City Council authorized the mailing of the Proposition 218 Noticing which outlined the proposed rate increases related to the CWA pass-through and the IPR Demonstration Project. The Proposition 218 Notices were mailed to

000392

property owners of record and City of San Diego water customers on October 1, 2008 and October 2, 2008.

As outlined in the attached report, the IPR demonstration project is estimated to cost \$11,811,000. This amount includes costs for project management; the establishment of an Independent Advisory Panel of scientific and technical experts to advise on the development and implementation of the project; cost of design, construction, and equipment; conceptual design of a conveyance pipeline; and a public outreach and education component. In order to fund the demonstration project, an increase in the commodity rate for all water customers equally would be required. This increase would be 3.08% if the previously described CWA pass-through increase was also approved. In the event the CWA pass-through is not approved, a 3.26% increase to the commodity charge would need to be applied to all customers equally in order to provide the revenue necessary to support the IPR demonstration project. The proposed increase would generate \$10.7 million in revenue. The remaining \$1.1 million in project costs will be reimbursed through a grant provided by Proposition 50 funding.

FISCAL CONSIDERATIONS:

The increased revenue from the approval of these actions will offset the increase in the cost of purchased water from CWA and fund the IPR Demonstration Project.

PREVIOUS COUNCIL COMMITTEE ACTION:

CWA rate increase: At the July 28, 2008, City Council meeting, the Water Department presented information on the Proposition 218 Notice requirements for the CWA water rate increase. On September 8, 2008, staff presented a combined Proposition 218 notice to include the CWA rates and rates for the IPR/RA Demonstration Project.

Demonstration Project: The Water Reuse Study report was presented to the NR&C on July 26, 2006. An evening public workshop, sponsored by NR&C, was held on October 27, 2006. A presentation on the Water Reuse Study and Recycled Water Master Plan was made to the City Council on October 29, 2007. At this meeting, the Council voted to receive the Water Reuse Study Final Draft report and directed staff to develop a plan to implement the Reuse Study's NC-3 strategy. The Mayor vetoed this action, and the City Council's vote on this was reaffirmed on December 3, 2007.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Proposition 218 notices were mailed on October 1, 2008 and October 2, 2008.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The Water Department's customer base and property owners were mailed notice that the City Council will hold a public hearing on November 17, 2008 to consider adoption of the proposed increase to the existing water fees and rates. This notice also informed the customers how to register a protest against these rate increases. If adopted, the adjusted fees and rates would become effective January 1, 2009.

 11/6/08

Alex Ruiz
Assistant Water Department Director

 11.6.08

J.M. Barrett
Director of Public Utilities

RESOLUTION NUMBER R- _____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE CITY COUNCIL APPROVING
WATER RATE INCREASES PURSUANT TO INCREASES
IN THE WHOLESALE COST OF WATER AND FOR FUNDING
AN INDIRECT POTABLE REUSE DEMONSTRATION PROJECT.

WHEREAS, effective January 1, 2009, the San Diego County Water Authority [CWA] will increase its rates for wholesale water purchases to all its participating agencies, including the City of San Diego [City]; and

WHEREAS, in order to pass through the increased wholesale water purchase costs from CWA by implementing proposed water rate increases, City staff prepared Report to City Council No. _____, dated November 6, 2008 which describes in detail the basis and reasons for the proposed water rate increases; and

WHEREAS, the Report to Council provides that commodity rates will need to be temporarily increased for a period of approximately 18 months starting January 1, 2009 in order to raise \$10,711,000 of additional revenue required to pay for an Indirect Potable Reuse Demonstration Project; and

WHEREAS, in accordance with Article XIID, section 6 of the California Constitution, the City noticed a public hearing for November 17, 2008 and mailed notice of the proposed water rate increases described above [Proposition 218 Notice], a copy of which is on file in the office of the City Clerk as Document No. RR- _____; and

WHEREAS, the Proposition 218 Notice was mailed at least 45 days prior to the November 17, 2008 public hearing on the proposed water rate increases, and the City did not

receive written protests from a majority of affected property owners by the close of the public hearing conducted in accordance with Proposition 218 and the procedures previously adopted by the City Council in Resolution R-302245; NOW, THEREFORE,

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

1. That the proposed water rate increases, as referenced in the water rate tables contained within the Proposition 218 Notice, and consistent with the Report to City Council, are approved, as follows:

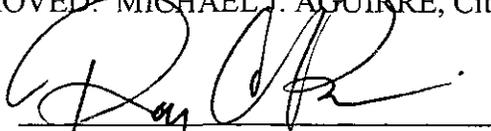
a. A water rate increase of 8.50% applied to all customer classes and tiered consumption rates equally in order to offset the increase in the wholesale cost of water purchased by the City from CWA, effective January 1, 2009; and

b. A water rate increase of \$0.20 per equivalent dwelling unit based upon meter size as related to the increase in the wholesale cost of water purchased by the City from CWA, effective January 1, 2009.

c. A temporary water rate increase of 3.08% applied to all customer classes and tiered consumption rates equally in order to fund an Indirect Potable Reuse Demonstration Project.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By



Raymond C. Palmucci
Deputy City Attorney

RCP:js
11/06/2008
Or.Dept:Water
R-2009-619
Aud. Cert: N/A

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

RESOLUTION NUMBER R- _____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE CITY COUNCIL ADOPTING
FINDINGS IN SUPPORT OF THE STATUTORY EXEMPTION
FROM THE CALIFORNIA ENVIRONMENTAL QUALITY
ACT RELATED TO THE ADJUSTMENT OF WATER RATES.

WHEREAS, the Office of the Mayor has prepared and submitted Report to Council No. _____, dated November 6, 2008 indicating that effective January 1, 2009, the San Diego County Water Authority [CWA] will increase its rates for wholesale water purchases to all its participating agencies, including the City of San Diego [City]; and

WHEREAS, the Report to Council describes in detail the basis and reasons for implementing water rate adjustments in order to pass through the increased wholesale water purchase costs from CWA; and

WHEREAS, Pages 3-4 of the Report to Council states that Staff is recommending the adoption of the proposed water rate adjustments in order to maintain cost/revenue neutrality and to maintain consistency with the City's previously approved 4-year water rate plan; and

WHEREAS, Pages 6-9 of the Report to Council provides that commodity rates will need to be temporarily increased for a period of approximately 18 months starting January 1, 2009 in order to raise \$10,711,000 of additional revenue required to pay for an Indirect Potable Reuse Demonstration Project [Project]; NOW, THEREFORE,

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

1. That, based on the Report to the City Council, none of the revenue from the CWA pass through water rate increases will be used to fund capital projects for the expansion of the water system.

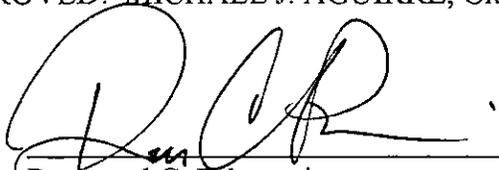
2. That the CWA pass through water rate increases will allow the City to maintain cost/revenue neutrality and to maintain consistency with the City's previously approved 4-year water rate plan.

3. That water commodity rates will be temporarily increased for a period of approximately 18 months starting January 1, 2009 in order to raise \$10,711,000 of additional revenue required to pay for the Project.

4. That, based on the foregoing findings, the Council of the City of San Diego finds that the water rate increases approved pursuant to Resolution Number R-_____ are exempt from the California Environmental Quality Act [CEQA] pursuant to Public Resources Code section 21080(b)(8) and CEQA Guidelines section 15273(a).

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By


Raymond C. Palmucci
Deputy City Attorney

RCP:js
11/06/08
Or.Dept:Water
R-2009-625

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor