



Reforms Will End Raids on Ratepayer Funds More than \$3 Million Being Returned to Water Department

More than \$3 million in refunds and savings will be returned to the Water Department under a plan approved by the City’s new leadership team. The amount includes costs for a host of projects that had been inappropriately paid for with funds by Water Department ratepayers.

The return of the funds comes as a result of reforms put in place by the City’s new leadership team following a comprehensive evaluation of financial practices used in



the Water and Wastewater Departments. The evaluation included an audit of the department’s enterprise fund. The audit was initiated by the new leadership team earlier this year and a report on the audit process is included in this edition of *Waterline*.

The reforms come as part of the City’s commitment to ensuring the appropriate use of the Water Enterprise Fund. Earlier this year, a San Diego County Grand Jury investigation called into question the City’s “Service Level Agreement” process with the Water Department. Service Level Agreements allow City departments to provide staff and services to one another.

In its report issued on April 25, 2006, the Grand Jury criticized the City for not maintaining accurate records and accounting practices for the Service Level Agreements in place between the Water and other City Departments.

At the direction of City leaders, changes have already been initiated that will speed the return of funds to the Water Department and that will immediately apply stringent accounting controls, oversight and review mechanisms for all Service Level Agreements. For a fact sheet on changes to the City’s Service Level Agreement process, visit: www.sandiego.gov/mayor/pdf/slafacts.

Every Department staff member continues to work on improving efficiencies and to maintain an open and honest account of costs and services delivered to the citizens of San Diego. The return of \$3 million to the Water Department, the audit and the comprehensive improvements to the Service Level Agreement process are examples of that work. 💧

Audit Reveals Need for Tighter Controls City Set To Reform Accounting Practices for Water Fund

The City is set to immediately pay back the Water Department for a number of financial transfers that outside auditors have labeled as inappropriate. The City will return the funds as part of its ongoing effort to maintain the integrity and focused use of Water Department money.

The City hired the auditing firm of Mayer Hoffman McCann P.C. to review how the Water Department spent proceeds from the sale of bonds, how the department used funds gathered from recent rate increases, and how the Department was charged for Service Level Agreements by other City departments.

The auditor did not find any evidence of abuse of ratepayer funds, or the misuse of bond proceeds. It did find a number of “questionable” charges made to

Building a Better System for Everyone in San Diego

Water Rates Fund Important Upgrades and Improvements to Our Water System

The water rate increases approved by the City Council in 2002 have allowed the Water Department to enhance and improve our drinking water system. Here's a quick look into completed and planned improvements.

Alvarado Water Treatment Plant - Upgrade and Expansion

Since 1950, the Alvarado Water Treatment Plant, known as the "heart" of our water system, has provided clean drinking water to the residents of San Diego. Today Alvarado serves more than 630,000 residents living and working in the central area of the City.

Previous water rate increases have allowed the City to complete the first phase of critical upgrades for the treatment plant. Plant capacity is currently 120 million gallons per day (mgd) and will be increased to 200 mgd by completion of the expansion and improvement project. The recently completed 35 million gallon Earl Thomas Reservoir adjacent to the Alvarado plant is the world's largest pre-stressed concrete drinking water reservoir.

Additional improvements underway at Alvarado include the renovation of the operations building and the installation of state-of-the-art security measures. New ozone facilities are also included in this phase of improvements. The entire improvement project is scheduled for completion in 2011.

Miramar Water Treatment Plant - Upgrade and Expansion

The Miramar Water Treatment Plant is also undergoing a significant upgrade and expansion. When complete, the capacity of this plant will increase from 140 million gallons per day to 215 million gallons per day.

The plant and its adjacent reservoir began operating in 1962 and today remain a vital part in the City's water storage and treatment system. More than 570,000 customers receive their water from Miramar.

The current phase of the Miramar project involves multiple improvements including the construction of 12 new filters and the installation of de-aeration and ozone facilities. This construction phase is now more than 60 percent complete and is on schedule for summer 2007 completion. Subsequent phases of the upgrade and expansion project will continue through 2012.

Audit Reveals

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other Water Department accounts. These included:

- \$238,475 transferred to the General Fund for the Equal Opportunity Contracting Program;
- \$280,000 transferred to the General Fund for construction costs for the "Kiddie Hall" day care playground area;
- \$79,629 transferred to the General Fund for lobbying contracts;
- \$35,085 transferred to a Special Training Fund for reimbursement of the Career Development & Mentoring Program.

The City will return all of this money to the Water Department in response to the auditor's concerns.

The auditor also found that certain transactions made by the Department were not adequately supported with detailed records in keeping with the City's policies. The auditor did not find any evidence of fraud or misuse of Department funds in these transactions, only a lack of detail in transaction records.

Based on the auditor's concerns, the City will be taking steps to improve accounting practices for the Water Department. Also, because the San Diego County Grand Jury addressed Service Level Agreements in their critical report earlier this year, the City has already implemented accounting changes regarding those agreements.

At the City's direction, the auditor will continue to review the Water fund accounts. The City will take whatever remedial actions are necessary to address each of the findings included in the auditor's final report.

All of these changes will ensure that Water Department funds remain available exclusively for the operation, maintenance and improvement of our water treatment and delivery system. 💧



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Rate Increase Approved by Previous Council Goes Into Effect July 1

Future Rate Increases Opposed Pending Resolution of Audit Issues

In April of 2002, the San Diego City Council decided to implement a series of six percent water rate increases. The last of that series takes effect on July 1 of this year.

The Council approved the rate increases in 2002 to help fund improvements to the Water Department's aging storage, treatment and delivery system. As with each of the previous rate increases, funds from this year's rate change will be used to upgrade, expand and maintain that system. The rate increase will be reflected on the first bill you receive for water used after July 1.

To date, no future rate increases for the Water Department have been approved. The department has been undergoing an extensive review of its budget and finance process. This review is being conducted to ensure that all funds are being allocated properly and used exclusively for critical Water Department projects and activities.

While each of the yearly increases since 2002 raised overall water sale revenue to the Water Department by six percent, the actual amount billed to individual customers has varied depending on the amount of water being used. Individual water users may receive slightly lower, or slightly higher, rates depending on their total water use. For the average water user in San Diego, someone living in a single-family home, the rate increase will be very close to the six percent level. A table describing costs under the

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Rate Changes at a Glance (Based on One Month's Water Use)



More than four years ago, the San Diego City Council decided to implement a series of water rate increases. The last of that series takes effect on July 1 of this year and is described in the table below.

Water bills for customers in single family homes include a base fee that is used to cover the costs for operating and maintaining the City's water system. The bills also include a charge for the amount of water used.

Because the new rate increase raises the base fee, as well as the charge for the amount of water used, some residential customers may receive bills reflecting an increase higher than the six percent overall rate increase approved by the previous Council.

For questions or concerns about your family's water bill, please call a Water Department Customer Service Representative at (619) 515-3500, or visit our website at: www.sandiego.gov/water.

	Previous Rate	Rate Beginning July 1, 2006
Base Fee	\$14.56	\$15.87
First 7 HCF*	\$1.656 per HCF*	\$1.731 per HCF*
8 - 14 HCF*	\$2.070 per HCF*	\$2.163 per HCF*
15 or more HCF*	\$2.270 per HCF*	\$2.372 per HCF*

* HCF means Hundred Cubic Feet. It is a standard measure of water flow used for billing purposes. A Hundred Cubic Feet equals 748.05 gallons. The average customer in a single-family home uses approximately 14 HCF (10,472.7 gallons) each month.

Please note that all other customers served by the Water Department are also affected by the new rates. Monthly charges for these customers include a new base fee determined by the size of their water meters. You can learn more about rates by visiting our web page at www.sandiego.gov/water or by calling a Water Department Customer Service Representative at (619) 515-3500. 💧

Pipelines and Other System Upgrades

Along with upgrades to the main Water treatment plants, improvements to pipelines, pump stations and other parts of the water system throughout the City are either planned or in progress. The list below includes a sampling of completed and future projects.

Storage and Treatment Facilities:

- Bayview (completed), Rancho Peñasquitos (completed) and Rancho Bernardo Reservoirs
- Black Mountain Reclaimed Water Storage Tank (completed)
- Otay Water Treatment Plant

Pipelines:

- Black Mountain Road Pipelines (completed)
- Bonita Pipeline – Phase II (completed)
- Citywide Cast Iron Pipeline Replacement
- Copley Drive Reclaimed Water Pipeline (completed)
- Mid-City Pipeline (completed)
- Miramar Road Pipeline (completed)
- Otay 2nd Pipeline – Cast Iron Replacement
- Otay 2nd Pipeline – Alta View Replacement (completed)
- Science Center Drive Reclaimed Water Pipeline (completed)
- South San Diego Pipeline #2 (completed)
- Torrey Pines Road/La Jolla Boulevard Water Main Replacement, Phases II and III (Phase II completed)

Pump Stations:

- Canyonside Reclaimed Water Pump Station (completed)
- Catalina Pump Station (completed)
- Waring Road Pump Station (completed)

Other Projects:

- Del Mar Heights Pressure Reducing Station
- Eastgate Court Pressure Reducing Station (completed)
- Genetic Center Drive Pressure Reducing Station (completed)
- Otay 2nd Pipeline – Cathodic Protection (completed)
- Telemetry Control System, Phase II

Each of these projects is part of the ongoing effort to insure that City residents will continue to have a safe and reliable water supply.

previous rate and the new rate is included in this edition of *Waterline*.

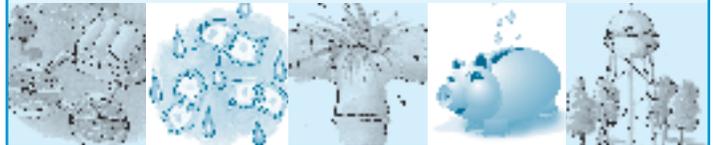
The average residential water customer will now be charged \$43.13 per month. That is just \$0.0041 per gallon of clean, safe water delivered right to the tap in our homes.

The money derived from the rate increase will be used to fund the Capital Improvements Program and the operations and maintenance efforts dedicated to developing safe and reliable water systems for the City. These projects were approved by a previous Mayor and City Council.

A list of the projects to be funded with money derived from this year's rate increase is included in this edition of *Waterline*.

For more information about the new water rates or the monthly billing system, please contact a Water Department Customer Service Representative at (619) 515-3500, or visit our website at: www.sandiego.gov/water. 

Important Water Department Numbers



- To report a water line break or a sewer overflow **515-3525**
- To ask a question about your water or sewer bill **515-3500**
- To find out where you can pay your bill **515-3500**
- For Water Conservation Program information **515-3500**
- To establish or cancel water or sewer services **515-3500**
- To ask about San Diego's drinking water **668-3232**
- For Lakes Recreation Program information **465-3474**
- To schedule a presentation through the Speaker's Bureau **533-6638**
- To ask the location of a City water or sewer line **527-7482**
- Capital Improvements Projects Hotline **533-4679**
- San Diego City Lakes Hotline **465-3474**
- To report water theft from the Water Department **533-4146**

(All phone numbers are 619 area code)

This information is available in alternative formats upon request.

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