



**COUNCILMEMBER DAVID ALVAREZ**

City of San Diego  
Eighth District

**MEMORANDUM**

**DATE:** August 26, 2013

**TO:** Walt Ekard, Interim City Manager (Chief Operating Officer)  
Ann Sasaki, Interim Director, Public Utilities Department

**FROM:** Councilmember David Alvarez

**SUBJECT:** Wastewater Cost of Service Study

On July 31, 2013, the Natural Resources and Culture (NR&C) Committee unanimously voted to move a Cost of Service Study concerning water and wastewater rates to the City Council. The motion recommended water rate adjustments in 2014 and 2015 and no change for wastewater rates based on the conclusions reached in the Cost of Service Study.

On August 5, 2013, the City Auditor's performance audit entitled "*Performance Audit of the Industrial Wastewater Control Program: Outdated Fees, Billing Lapses, And Inadequate Controls Limit Program Cost Recovery*" was released. The report concluded that the Public Utilities Department has not adequately updated industrial wastewater customer fees and that the program does not achieve cost recovery.

The City Auditor's report is troubling and the issues raised in it concerning the fee structure and billing procedures need to be addressed so as to allow for full cost recovery for the program. As such, I recommend that the Public Utilities Department immediately re-evaluate the wastewater Cost of Service Study and bring forward rate adjustment recommendations to NR&C to address the issues raised in the report.

The upcoming Cost of Service Study for water customers should continue to move forward to the City Council in September, as the recommended rate adjustments included in that study are both appropriate and critical to implement by 2014.

Thank you for your attention to this matter. Your timely response is appreciated.

CC: Honorable City Councilmembers  
Honorable Mayor Bob Filner  
Eduardo Luna, City Auditor  
Andrea Tevlin, Independent Budget Analyst