

# Environmental & Utility Services

# Annual Funds

# Management Report



## **Environmental and Utility Services City Service Area City of San José**

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### **Mission:**

*“Provide environmental leadership through policy development, program design, and reliable utility services.”*

The Environmental and Utility Services (E&US) City Service Area (CSA) programs and services are delivered by the Departments of Environmental Services, Transportation, and Public Works to achieve the following outcomes:

- ❑ Reliable Utility Infrastructure
- ❑ Healthy Streams, Rivers, Marsh, and Bay
- ❑ “Clean and Sustainable” Air, Land, and Energy
- ❑ Safe, Reliable, and Sufficient Water Supply

Between the three departments, with a total of 654 employees and an annual operating budget of \$230 million, the CSA administers the City’s major utilities including the Sanitary Sewer and Storm Sewer collection systems, the San José/Santa Clara Water Pollution Control Plant, South Bay Water Recycling, the Municipal Water System, and Recycle Plus solid waste collection and processing.

Additional activities and major initiatives include:

- ❑ Protect water quality and wildlife habitat around the San Francisco Bay and Santa Clara Valley;
- ❑ Design and implement zero-waste programs to further increase landfill diversion;
- ❑ Provide a sufficient supply of potable water for residents and businesses along the eastern high-growth section of San José;
- ❑ Leverage resources and help business and industry meet environmental regulations through partnerships and technical assistance;
- ❑ Promote sustainable practices through energy efficiency and renewable energy, Green Building Programs, Environmentally Preferable Procurement, and water conservation.

**Environmental & Utility Services**

**Annual Funds  
Management Report**



**2008 - 2009**

**ENVIRONMENTAL & UTILITY SERVICES CITY SERVICE AREA  
ANNUAL FUNDS MANAGEMENT REPORT  
2008 – 2009**

PREPARED BY THE ENVIRONMENTAL SERVICES DEPARTMENT

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# TABLE OF CONTENTS

<b>Introduction</b>	<b>i</b>
<b>Integrated Waste Management Fund 423</b>	<b>1</b>
<b>Water Utility Fund 515</b>	<b>17</b>
<b>Sewer Service &amp; Use Fund 541</b>	<b>29</b>
<b>Storm Sewer Operating Fund 446</b>	<b>45</b>
<b>Appendix</b>	
<b>Appendix A Integrated Waste Management Fund Rates &amp; Charges</b>	<b>A-1</b>
<b>Appendix B Water Utility Fund Rates &amp; Charges</b>	<b>B-1</b>
<b>Appendix C Sewer Service &amp; Use Fund Rates</b>	<b>C-1</b>
<b>Appendix D Storm Sewer Operating Fund Rates</b>	<b>D-1</b>

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March 1, 2010

Honorable Mayor and City Council:

Attached is the Environmental and Utility Services (E&US) City Service Area's (CSA) Annual Funds Management Report. This report summarizes key aspects of the Special and Enterprise Revenue Funds that support the CSA's services and activities. The four funds presented in this document are funded by ratepayer fees and assessments and are managed by the Environmental Services Department. This Report is prepared by Environmental Services in collaboration with the Departments of Public Works and Transportation.

The format of this Report has changed from prior versions to provide more current revenue and expenditure information and expanded discussions of each Fund's programs and accomplishments as well as its major issues and challenges. Whereas previous Annual Funds Management Reports presented Adopted Budget revenue and expenditure information, this year's Report uses 2008-2009 Year-End Actual revenue and expenditure data.

Each Fund section discusses the Fund's purpose and history, programs and accomplishments, source and use of funds, revenues and expenditures, rate setting methodology and comparisons, and major challenges.

We believe that this Report will provide useful information during the course of future policy setting and budget deliberations. If you have suggestions for improving it in future, please feel free to contact me.



John Stufflebean  
Director, Environmental Services

cc: City Manager

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# INTEGRATED WASTE MANAGEMENT FUND 423

The Integrated Waste Management Fund supports the activities of the Environmental Services Department's core service to Manage Recycling and Garbage Services. As contributor to the Environment and Utility Services City Service Area, these services are designed to protect public health, safety, and the environment and to maximize diversion from landfills by promoting solid waste reduction, reuse, and recycling.

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## PURPOSE OF THE FUND

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The Fund was established by the San José City Council to segregate Integrated Waste Management Program-related revenue and costs from the General Fund, providing a vehicle to improve both management control and policy oversight by clearly delineating revenues and costs. The Fund provides the means for clear analysis of the need and timing for future rate increases and facilitates increased responsiveness and adaptability to meet customer needs, comply with ever-changing environmental regulations, and support San José Green Vision goals.

## FUND HISTORY

The Integrated Waste Management Fund was established on December 13, 1994, by the adoption of Ordinance No. 24746. The activities covered, which were previously supported within the General Fund, encompass the garbage and recycling services and the billing operations related to those services for the City of San José.

Prior to the implementation of Recycle Plus, the City's solid waste collection program, in July of 1993, the City typically adjusted garbage and recycling rates annually. Since implementation of Recycle Plus 16 years ago, rates have been increased as needed and services to the City's residents have been enhanced, diversion rates have tripled, and customer satisfaction with the program has improved.

In October 2007, the City of San José announced its Green Vision for the future, providing a comprehensive approach to achieve sustainability through technology and innovation. The Fund has further expanded its provisions to include Zero Waste programs that support the Green Vision goals. These programs are focused on increasing environmental benefits to the community, improving quality of service, supporting local, State and national mandates, and addressing fiscal impacts.

## FUND GOALS AND GUIDELINES

Key goals include ensuring the financial integrity of the Fund and cost recovery of programs. A contingency reserve of \$1.6 million was established to mitigate unknowns such as contract terminations due to labor strikes, contractor default, voluntary withdrawal, or failure to perform.

## **INTEGRATED WASTE MANAGEMENT FUND 423**

Another key goal is to maintain cost recovery for the residential Recycle Plus program. Cost recovery evaluation considerations include various aspects such as contractual obligations, program changes, growth, and changing economic conditions (i.e., labor, fuel, general inflation) to determine the impact on the Fund in future years and to incorporate the necessary adjustments into future projections.

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## **PROGRAMS AND ACCOMPLISHMENTS**

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Garbage and recycling services provided under the Integrated Waste Management Fund are administered through the Residential and Business and Civic Services Programs. As described later in this report, these programs provide the oversight and direction to achieve City objectives and State mandates related to solid waste management.

### **RESIDENTIAL SERVICES**

This program manages contracts for Recycle Plus garbage, recycling, yard trimmings, and street sweeping services for all single-family and multi-family properties, including the weekly collection, processing, and disposal of solid waste for one million San José residents. Major accomplishments in 2008-2009 include:

#### **Increased multi-family recycling in San José**

Through a collaborative effort between the City and GreenWaste Recovery, Inc., San José has achieved a multi-family diversion rate of almost 80%, making San José the best performing multi-family program in the nation, and earning the 2009 Recycling Systems - Gold Excellence Award to the City of San José and GreenWaste Recovery from the Solid Waste Association of North America. GreenWaste's new facility began processing waste in July 2008 and includes state-of-the-art sorting of recyclables and organics composting.

#### **Garbage Rate Assistance (GRA)**

This program provides reduced garbage rates and special services for low income and disabled residents, as well as those with certain medical conditions or special hardship circumstances. Recently, multilingual GRA applications have been made accessible on the City's web site to make it easier to apply for the program. GRA customers have increased by almost 18% from approximately 1,700 in 2007 to 2,000 in 2008.

#### **Residential Neighborhood Clean-Up (NCU) Program**

This program works in partnership with the Planning, Building, and Code Enforcement Department (PBCE) to provide solid waste collection, processing, and disposal for the residential neighborhood cleanups and requires that 50-75% of collected waste be diverted from landfills. Recent enhancements include:

- Participation of non-profits at NCU's
- The City is taking advantage of grant opportunities to recycle tires at the events
- The collection of universal waste such as batteries and fluorescent tubes and lamps to provide residents a convenient option for disposal of these items

### **BUSINESS AND CIVIC SERVICES**

The Business and Civic Services Program manages over 20 commercial franchised haulers operating in the City of San José. The team also provides technical assistance to businesses in the City to help increase waste reduction and recycling in the commercial sector. Major accomplishments in 2008-2009 include:

**Construction and Demolition Diversion Deposit (CDDD) Program**

Recently, the CDDD Program reconciled outstanding deposits, which included notification of depositors and a mechanism was implemented to track the status of each deposit. Over 17,000 letters were sent out to reconcile these deposits and reconcile any outstanding deposits, resulting in unclaimed deposits totaling \$9.06 million through June 2009.

**Public Litter Cans (PLC Program)**

The PLC Program manages the City's public litter can disposal contract and the placement and maintenance of public litter cans throughout the city. Over 800 litter cans are cleaned, painted, and maintained to ensure they are presentable and in good working order. Over 2,500 graffiti tags were removed by this program in 2008-09.

**Recycle at Work**

The City facilities Garbage and Recycling Program provides garbage and recycling service to all 140 City facilities including parks, libraries, community centers, the Airport, and City Hall. The program has achieved an 82% recycling rate, the highest of any City program in the nation.

**Special Events**

The Special Events and Venues Recycling Program provides garbage and recycling services for special events and major venues in the City, aiming to achieve zero waste and incorporating sustainability. In 2008, the program achieved a 97% diversion rate for major events such as the Jazz Festival, Italian-American Family Fiesta, and Tapestry Arts Festival. This program was presented with the 2009 California Resource Recovery Association's "Working Towards Zero Waste" Award and the 2009 Governor's Environmental and Economic Leadership Award for "Waste Reduction."

**San José "Go Green" Schools Program (SJGGSP)**

"Go Green" Schools Program provides an environmental resource center for K-12 in approximately 300 schools in San José. The pilot program to divert lunch waste at Union School District resulted in the district increasing its overall diversion by 30% and diverting more than 90% of its lunchtime food waste, achieving an overall 63% diversion from landfill. In 2008, the SJGGSP was recognized by the National Recycling Coalition with the Outstanding K-12 School Program Award. San José is leading bay area-wide coordination to regionalize the efforts of this program.

**ZERO WASTE AND ORGANICS**

The Zero Waste Planning and Disposal program implements the Zero Waste Strategic Plan to help the City achieve the Green Vision Goal Zero Waste to landfills by 2022 through programs that emphasize waste reduction, reuse, recycling, composting, and other means of reusing discarded materials. The team also develops Zero Waste programming, advocates and helps develop legislation that supports increased recycling, and works on all related waste management government activity.

Diverting organics, the largest single component of the landfilled waste stream, will play a key role in achieving San José's zero waste goal. The Organics Program is designed to provide planning and technical support for the capture of organics. The program diverts organic material from all generation sectors including commercial, residential, schools, civic, and regional sources, with some of this material being considered for energy generation projects. Major accomplishments in 2008-2009 include:

**Comprehensive Zero Waste Strategic Plan (ZWSP)**

The Organics team played a key role in the development of the City's Zero Waste Strategic Plan, a document that details the City's plan to achieve its Green Vision Goal #5 of sending zero waste to landfills by 2022 and converting waste to energy. The ZWSP was adopted by Council in October 2008.

**Commercial Infrastructure Development for Organics Processing and Energy Generation**

The Organics team helped San José take a significant step in converting organics to energy by assisting with Memorandum of Understanding with Zero Waste Energy Development Company to negotiate a potential lease of the 40-acres of San José/Santa Clara Water Pollution Control Plant Lands to site a privately run anaerobic digestion facility which could process up to 150,000 tons of organic waste per year. The Organics team also helped develop the Commercial Solid Waste Redesign, which will help streamline organics diversion for the largest percentage of the City's waste stream.

**Compost Market Development**

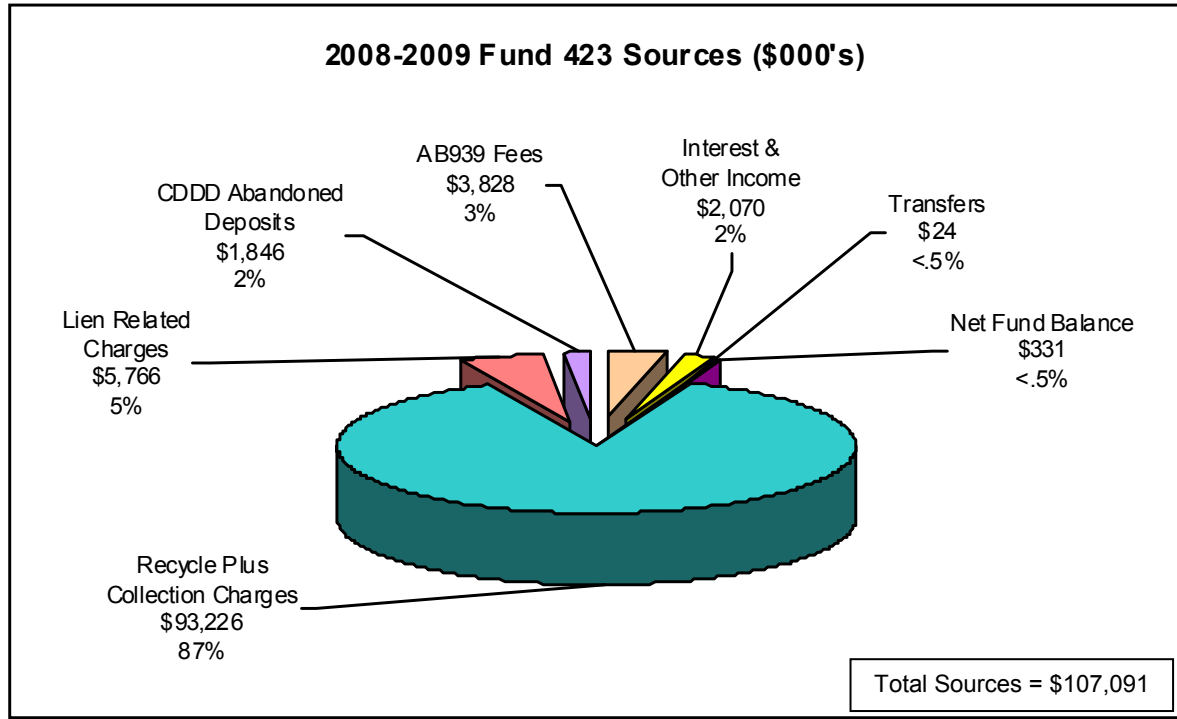
The Organics team initiated several efforts to support California's State Roadmap for organics diversion and add to the State Organics Diversion Toolbox. Significant additions to the State Toolbox included working with the California Integrated Waste Management Board (CIWMB) to develop and host the State's first compost specification workshop, creating a compost specifications booklet, and developing web-based marketing tools.

Compost market development activity in 2008-2009 also included spearheading efforts to bring the Bay Friendly Gardening and Landscaping Program, which promotes sustainable gardening and landscaping, to Santa Clara County. In 2008-2009, the team coordinated four Bay Friendly Gardening stakeholder meetings attended by more than fifteen agencies countywide and created a Bay Friendly stakeholder database for future resource coordination.

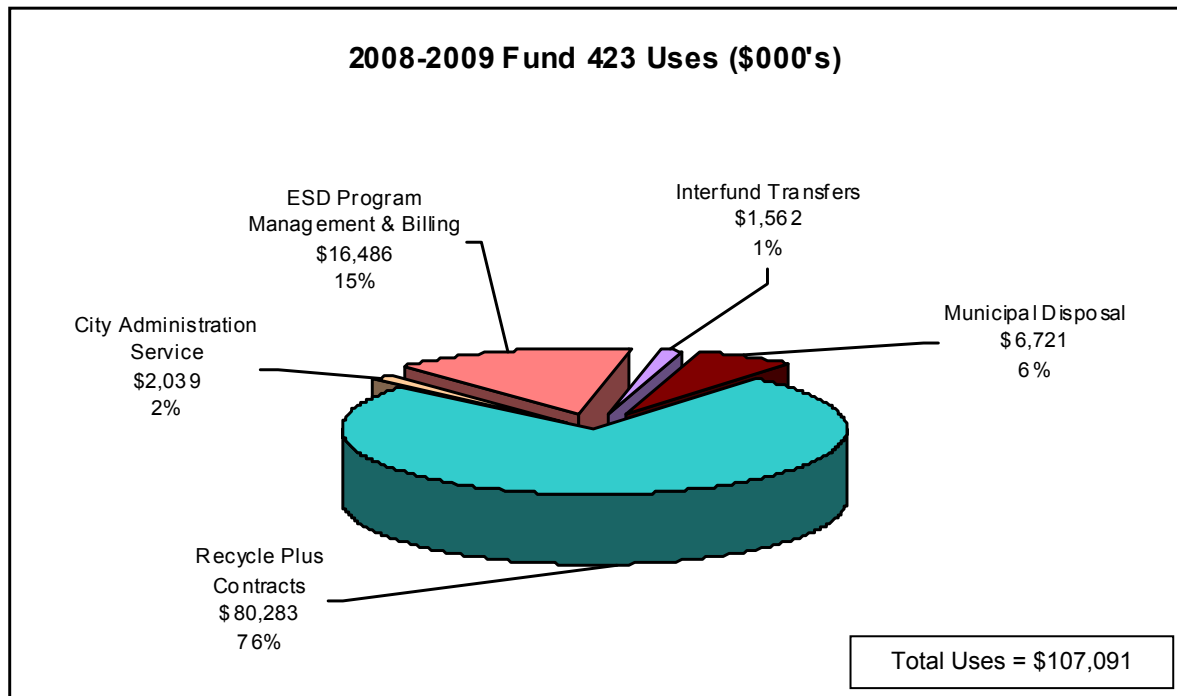
**SOURCES AND USES OF FUNDS**

Figures 1 and 2 show the actual sources and uses of funds for 2008-2009.

**Figure 1**



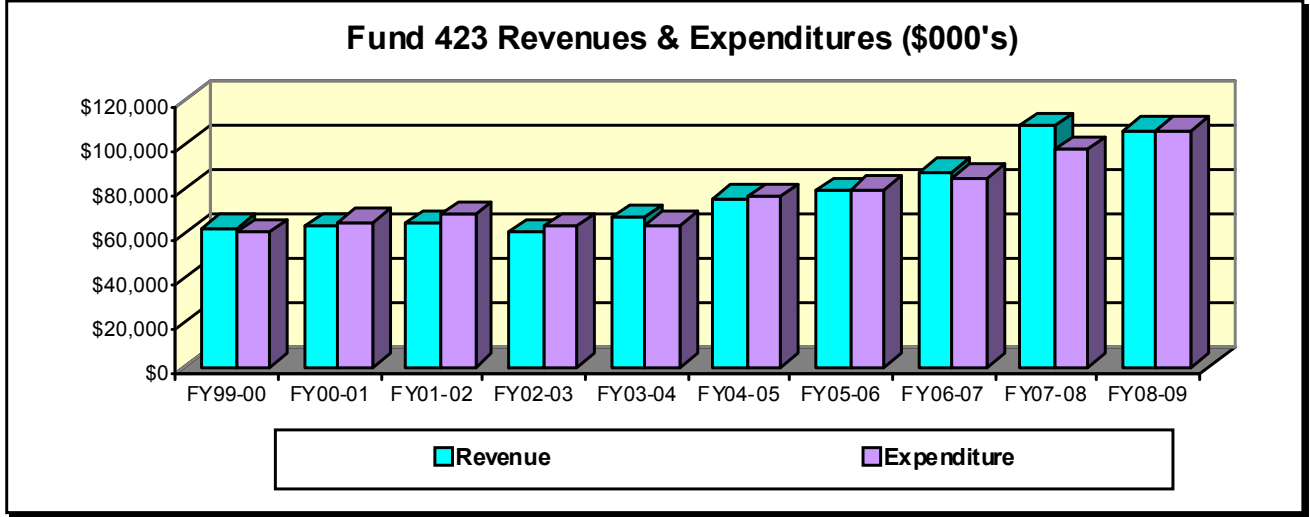
**Figure 2**



**REVENUES, EXPENDITURES, AND FUND BALANCE**

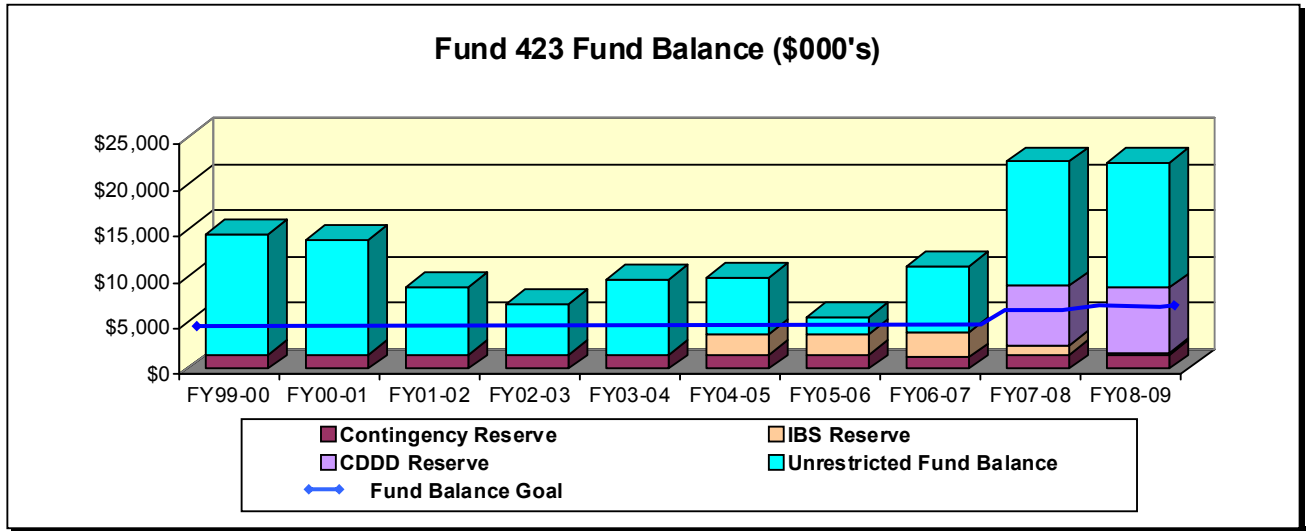
Figures 3 and 4 show a ten-year history of current revenues, expenditures, and fund balance for 1999-2000 through 2008-2009.

**Figure 3**



	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09
<b>Rev.</b>	\$62,973	\$63,818	\$64,764	\$61,118	\$67,863	\$75,948	\$79,571	\$88,264	\$109,190	\$106,737
<b>Exp.</b>	\$60,986	\$65,350	\$68,674	\$63,276	\$64,131	\$76,986	\$79,999	\$85,789	\$ 97,997	\$107,091

**Figure 4**



	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09
<b>Unrestricted Fund Balance</b>	\$13,082	\$12,574	\$ 7,449	\$ 5,611	\$ 8,295	\$ 6,144	\$ 1,788	\$ 7,088	\$13,559	\$13,603
<b>CDDD Reserve</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	\$ 6,459	\$ 6,975
<b>IBS Reserve</b>	-0-	-0-	-0-	-0-	-0-	\$ 2,300	\$ 2,300	\$ 2,810	\$ 920	\$ 248
<b>Contingency Reserve</b>	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,219	\$ 1,600	\$ 1,561
<b>Fund Balance Goal</b>	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 4,000	\$ 5,100	\$ 5,300	\$ 5,500	\$ 7,000	\$ 7,400

## REVENUES - INTEGRATED WASTE MANAGEMENT FUND

The majority (87%) of revenues come from Recycle Plus residential ratepayer charges and is restricted to use on the Recycle Plus Program. For 2008-2009, actual Recycle Plus revenues were \$3.4 million (3.5%) below budgeted levels due to a reduction of garbage and recycling services for multi-family dwellings and lower than anticipated new residential households.

Additional revenues include:

- AB939 Fees - AB939 fees, which are collected from Commercial Solid Waste Franchised Haulers and landfill tipping fees, have decreased during the past several years, primarily the result of a softening in the economy as well as increased recycling.
- Interest - The Fund earns interest at the City's investment rate. Interest revenue has averaged approximately \$1.3 million annually for the past three years.
- CDDD - Unclaimed deposits for the Construction and Demolition Diversion Deposit (CDDD) program resulted in \$1.8 million being recognized as revenue for 2008-2009.
- Lien Related Charges - Lien related revenue increased by 31% from \$2.9 million in 2007-2008 to \$3.8 million in 2008-2009 due to increasing the number of lien cycles from three to four times annually, as well as the downturn in the economy.
- Transfers - The Fund received a one-time transfer of \$24,000 from the Emergency Reserve Fund.

## EXPENDITURES - INTEGRATED WASTE MANAGEMENT FUND

The majority of expenditures go toward garbage and recycling hauler contractor payments (76%), the disposal agreement with International Disposal Corporation (IDC) (6.4%), construction costs for the Environmental Innovation Center (EIC) and Household Hazardous Waste facility at Las Plumas (3.6%), and billing and program management (15%).

In 2008-2009, overall expenditure savings totaled \$9.3 million (8%). The majority of these savings (\$3.9 million) resulted from delays in the renovation of the Las Plumas site which resulted in funds being re-budgeted into 2009-2010. Other savings were generated from the IDC agreement, residential hauler contracts, and various Environmental Services Department (ESD) programs.

As part of its strategy to staff various City events and implement pilot programs while being as cost-effective as possible, the Integrated Waste Management Program (IWM) utilizes interns extensively. As a result of the significantly increased program activity in order to meet the City's Green Vision Goals, intern use in ESD increased during 2008-2009 resulting in the need to transfer expenditure savings from the non-personal appropriation to personal services. By year-end, ESD personal services were almost 100% expended; however, they accounted for only 10% of the total actual expenditures for the Fund.

**REVENUES - GENERAL FUND**

Although less than 1% of the E&US CSA's expenses are funded by the General Fund, two significant revenue streams fall under the solid waste program and are presented in this section of the Funds Management Report.

Commercial Solid Waste Franchise fees have decreased over the past several years, and it is forecast that this trend will continue through 2011-2012, after which, it is projected to stabilize. The decrease in fees seen over the last few years is primarily due to the general decline in economic activity and subsequent decrease in the volumes of Commercial Solid Waste collected by the franchised commercial waste haulers.

The Disposal Facility Tax (DFT) revenues are business taxes based on the tons of solid waste disposed at landfills within the City of San José, as provided in Chapter 4.10 of the Municipal Code. This revenue stream varies due to factors that affect the amount of waste generated and how it is disposed, such as: economic activity (retail sales and employment); weather (water content of solid waste); diversion programs; and price sensitivity to disposal rates (high rates may cause haulers to transport solid waste to landfills outside of City limits). The amount of waste disposed has dropped progressively in recent years. Between 2007-2008 and 2008-2009, DFT revenue dropped by \$1.7 million, or 12%.

**EXPENDITURES - GENERAL FUND**

General Fund solid waste services are provided by the IDC for the various City government facilities and civic programs. General Fund IDC costs for 2008-2009 totaled \$460,000, which amounts to 6.3% of the \$7.3 million total Citywide IDC disposal costs. It should be noted that almost all of this expenditure is paid back to the City as Disposal Facility Taxes, Enforcement Fees, and Countywide AB939 Fees or as services provided by the Countywide Household Hazardous Waste Program.

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## RATE HISTORY AND METHODOLOGY

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### RATE HISTORY

Since implementation of Recycle Plus 16 years ago, services to the City's residents have been enhanced periodically including the introduction of commingled recycling, the 20-gallon mini garbage cart option, and yard trimmings cart subscription services. Since 2002-2003, the average annual rate increase has been 8% for single-family and 6% for multi-family.

For 2008-2009, Council approved rate increases of 4.5% for single-family dwellings (SFD) and 8.0% for multi-family dwellings (MFD) to cover escalating fuel and labor costs, and the implementation of the multi-family compostables program Citywide. These increases were necessary to maintain cost recovery and adequate reserve levels.

### RATE SETTING METHODOLOGY

Recycle Plus rates are driven by two main factors: 1) maintaining the program cost recovery, and 2) maintaining a prudent fund balance and reserves.

In order to maintain minimum fund balance levels, rates must be set that ensure that the Recycle Plus program is operating at cost recovery. Revenues and expenditure for the single-family and multi-family programs are isolated, so that cost recovery can be analyzed separately for the two programs. A combination of program efficiencies and rate increases is used to balance revenues and expenditures to keep programs as close to 100% cost recovery as possible, while still providing quality services for San José residents.

When setting Recycle Plus rates, staff maintains a minimum ending fund balance equal to approximately one month's operating expenditures for the Recycle Plus and disposal contracts. This prudent balance serves as a contingency reserve in the event of service disruptions or other emergencies. In the event of a contractor default, the City may need to use this fund balance to secure emergency services from a different contractor.

The following factors are the primary drivers influencing Recycle Plus rate increases:

- Annual Adjustments to Recycle Plus Agreements - The Recycle Plus agreements provide for annual compensation adjustments to account for changes in costs incurred by the service providers. Annual adjustments are consistent with the practice for multi-year contracts. The residential ratepayers fund the Recycle Plus Program, and approximately 86% of this revenue is used to compensate the Recycle Plus contractors. Consequently, compensation adjustments can significantly impact customer rates.

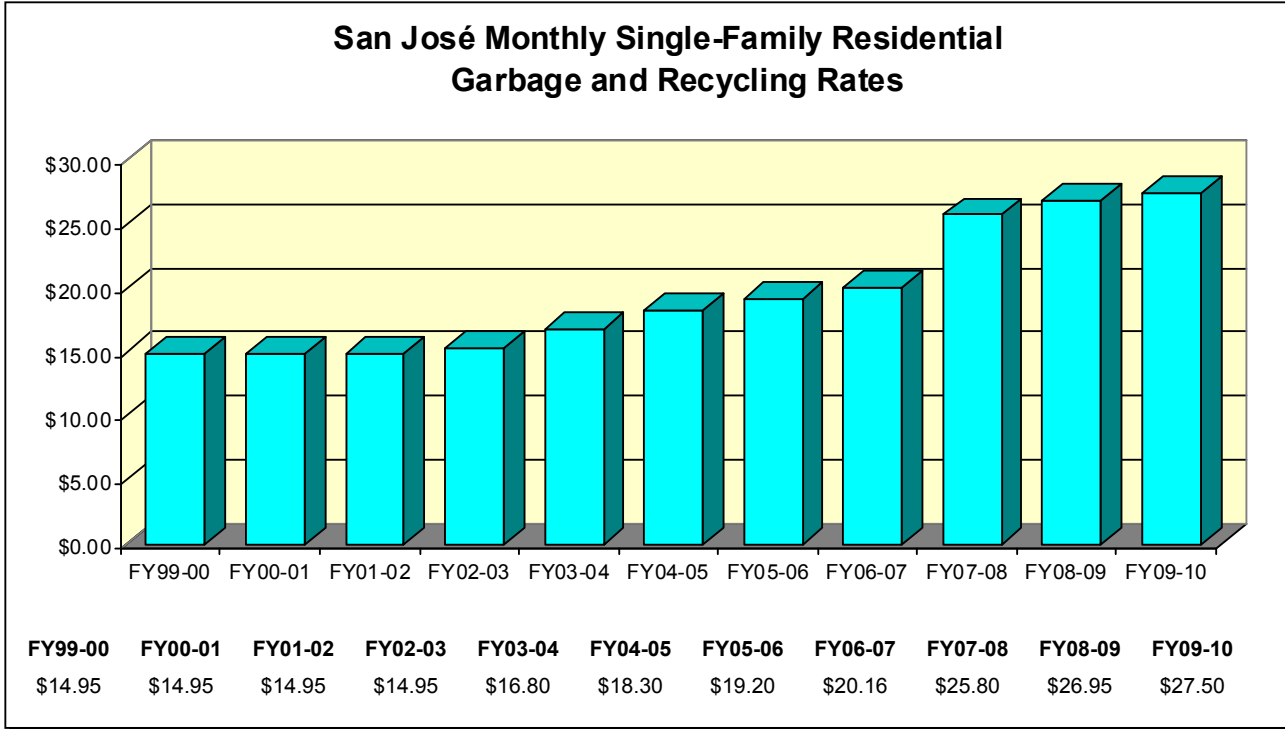
Each Recycle Plus contractor is required to submit operating cost statements annually that detail collection expenditures (processing costs excluded). The

amount of the annual adjustment is determined by first calculating the Refuse Rate Index (RRI) for each agreement, which is designed to accurately reflect annual changes to contractor expenditures. Rather than relying on a single index (such as the Consumer Price Index) to make annual contract adjustments, the RRI uses five indices published by the U.S. Bureau of Labor Statistics (BLS). These indices reflect national cost changes for labor, diesel fuel, biodiesel fuel, vehicle replacement and vehicle maintenance, and for other miscellaneous costs. Based on the annual contractor expenditure statements, a weighting is determined for each of the BLS indices. The RRI includes a fuel component, so with the exception of 2009-2010, the RRI's have been relatively high in recent years (over 5%).

- Internal (City) Costs - These non-contractual expenditures include overhead, program management, and billing and customer service. Expenditures related to the Integrated Billing System (IBS) have driven cost increases in this category over the last few years.
- Program Enhancements / Contract Changes - Permanent changes to the Recycle Plus program and new contract procurements may trigger rate increases. In 2008–2009 for example, a new multi-family composting program necessitated an additional 4% rate increase.

Figure 5 below illustrates the historical trend of San José’s monthly single-family residential Garbage and Recycling Rates from 1999-2000 through 2009-2010. Current rates and charges are detailed in Appendix A.

**Figure 5**



**RATE COMPARISONS**

Table 2 below compares San José’s monthly garbage and recycling rate for typical single-family dwellings with other Santa Clara County cities and agencies. This survey of other cities was conducted in April. It is important to note that services included with these rates vary widely from city to city, and that San José’s services generally are more robust (more frequent collections, additional services included such as street sweeping, etc.). In addition, some solid waste programs may have funding sources other than rate-payer revenue.

**Table 2**  
**Single-Family Dwelling Garbage and Recycling Program**  
**32 Gallon Rate Comparisons**

<b>Santa Clara County Cities</b>	<b>Current Monthly Rate</b>
Los Altos Hills	\$33.76
Milpitas	\$30.11
Los Altos	\$28.11
Unincorporated County Districts	\$20.37-\$33.76
<b>San José (Current)</b>	<b>\$27.50</b>
Palo Alto	\$26.58
Gilroy	\$26.22
<b>Countywide Weighted Average</b>	<b>\$25.62</b>
Sunnyvale	\$25.31
Monte Sereno	\$23.98
Morgan Hill	\$23.35
Santa Clara	\$21.10
Saratoga	\$20.97
Cupertino	\$19.89
Campbell	\$19.03
Los Gatos	\$18.95
Mountain View	\$16.40

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## **MAJOR ISSUES AND CHALLENGES**

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### **PROGRAM ISSUES AND CHALLENGES**

One of the core challenges facing Integrated Waste Management Program (IWM) and the Integrated Waste Management Fund is developing and enhancing programs that help San José meet its Green Vision goals and increasing recycling processing capacity in order for the City to achieve Zero Waste. To address this, IWM will continue to encourage and support development of recycling facilities in San José and will also research new technologies for recycling or composting organic wastes to identify technologies that could be suitable for piloting or demonstration projects.

#### **Recycle Plus Contracts**

The current Recycle Plus contracts are scheduled to expire in 2013 however, City staff is currently negotiating with the haulers to extend the contracts. Preparation of the RFP's, proposal evaluation, and hauler transition are complex activities and require significant staff time, outreach, and education. In addition to the current services provided, additional services in the existing or new contracts may include capturing food waste, yard trimmings, and other organics from residential garbage for recycling.

#### **Diversions**

Increasing waste diversion for San José increases the costs of the City's collection and processing agreements and decreases commercial and landfill AB939 fee revenue in the near term. Staff is forecasting decreasing revenue over the next several years, primarily due to increased diversion and reduced waste generation. It is also estimated that any increases in waste generation resulting from economic recovery will be offset by waste exports, additional diversion programs in other jurisdictions, and by waste reduction in both manufacturing and packaging. Staff is undertaking an extensive effort to develop a new basis for calculating AB939 fees, in order to minimize the impact of reduced disposal on revenue.

Construction and Demolition (C&D) waste continues to be a significant portion of the City's waste stream. In 2009-2010, IWM will be rolling out enhancements to the Construction and Demolition Diversion Deposit Program (CDDD) to increase C&D diversion and bring the program requirements into alignment with San José's Green Vision. These enhancements will encourage facility operators to improve and expand processing capabilities and increase diversion. The new requirements would set a 75% overall diversion standard and set out minimum processing capabilities specific to each facility type.

#### **Las Plumas Environmental Innovation Center**

Development of the Las Plumas Environmental Innovation Center (EIC) will be on-going during 2009-2010. The EIC will be a showcase for environmental programs and environmental design, demonstrating new technologies and providing training opportunities in emerging green industries. The EIC will also support waste diversion

activities by hosting a used building material retail store, as well as demonstrating innovative building materials.

### **Residential Household Hazardous Waste**

Residential Services manages the contract with the County of Santa Clara for the operation of the Household Hazardous Waste (HHW) program in San José. In 2009-2010, a new HHW drop-off site (Las Plumas Environmental Innovation Center) will be opening, providing San José residents with a more convenient and frequently open drop-off location. The new modern facility will be designed to LEED™ standards and will also showcase sustainability programming and education to residents and businesses.

### **Other Challenges**

IWM will continue to support neighborhood cleanliness by developing strategies to mitigate the impact of parked cars on street sweeping effectiveness. IWM will also be piloting alternatives for yard trimmings collections to address, in part, the watershed impacts of loose-in-the-street collection.

IWM faces an on-going challenge to ensure that the Integrated Billing System (IBS) is as efficient and effective as possible, thereby reducing operating costs. In 2009-2010 staff, must also evaluate ways to address Oracle's planned end-of-support for the revenue management module of IBS in 2011.

## **REGULATORY CHALLENGES**

The impact of waste diversion on greenhouse gas emissions is an emerging focus of state and federal policy makers. The California Global Warming Solutions Act of 2006 (AB32), the landmark state legislation aimed at mitigating climate change, provides challenges and opportunities for IWM as well. In December 2008, the California Air Resources Board adopted the AB32 Scoping Plan, the official blueprint for implementing AB32. The Scoping Plan includes provisions for mandatory commercial recycling at all businesses in California and encourages diversion of organics from landfills through composting and anaerobic digestion. IWM will continue to play an active role in the State's rulemaking process as it develops the mandatory commercial recycling requirements called for in the Scoping Plan. The formal rulemaking process is expected to begin in early 2010 with completion of the regulation by the end of 2010 or early 2011.

## **REVENUE CHALLENGES**

Recycling programs have historically been funded from fees on solid waste disposed at landfills. The City's fee for the residential collection programs is used to pay for garbage, recycling, and yard trimmings collection as well as street sweeping services. Commercial haulers pay a franchise fee based on the volume of solid waste collected for disposal. In addition, the City receives General Fund revenue from the Disposal Facility Tax assessed on landfills within the City. Over the medium to long-term, as the City's zero waste programs become more successful in reducing the need for disposal, City revenues will decrease, particularly in the General Fund.

Specifically, redesigns of the Palo Alto Solid Waste System and the Sunnyvale SMaRT Station, which is operated by the City of Sunnyvale and recycles municipal solid waste from Sunnyvale, Mountain View, and Palo Alto, are expected to reduce disposal at Kirby Canyon Landfill in San José by about 20,000 tons in 2009-2010 and an additional 4,000 tons per year thereafter. Two new diversion programs in the City of Santa Clara should reduce disposal at Newby Island Landfill by about 3,000 tons in 2009-2010, 9,000 more in 2010-2011, and 6,000 more thereafter. Also, the City's new commercial collection system anticipated for July 2012 could reduce local disposal from 100,000 to 150,000 tons per year. IWM assumes that any increases from economic recovery will be offset by waste exports, additional diversion programs in other jurisdictions, and by waste reduction in both manufacturing and packaging. Further, the State of California's AB32 mandatory commercial recycling by 2013 will also reduce landfill disposal as more regional municipalities implement commercial recycling programs to meet state requirements. IWM continues to identify alternate fee strategies, not based on disposal, to ensure stable revenues.

# **WATER UTILITY FUND 515**

The Water Utility Fund supports the activities of the Environmental Services Department's core service to Manage Potable Water by developing, operating, and maintaining the San José Municipal Water System, and working to ensure adequate future water supplies for our community.

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## **PURPOSE OF THE FUND**

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The Fund was established by the San José City Council to support the delivery of water service to customers in the San José Municipal Water System (Muni Water) service areas established by Council and to segregate Water Utility-related revenues and costs from the General Fund. The Fund provides a vehicle to improve both management control and policy oversight by clearly delineating revenues and costs.

## **FUND HISTORY**

In May 1961, the City of San José purchased the Evergreen Water Company and established the San José Municipal Water System (Muni Water). The Water Utility Fund was established by the adoption of Ordinance No. 8849. In 1966, the North San José and Alviso service areas were added to Muni Water with the annexation of the City of Alviso. In 1983 and 1986, the San José City Council established the Edenvale and Coyote service areas, respectively.

The initial investment to purchase and improve the Evergreen system came in the form of loans from the City's General Fund. These loans were repaid with interest by 1970, and Muni Water has been completely self-supporting since then.

Since inception, Muni Water has grown from a relatively small water utility to the third largest water retailer in the County of Santa Clara, with almost 27,000 connections serving a population currently estimated at over 120,000. The economies of scale resulting from growth of the system in recent years, coupled with increased efficiency, has resulted in reductions in water cost relative to other retailers in the County. Today, Muni Water offers some of the lowest water rates in the San Francisco Bay Area.

## **FUND GOALS AND GUIDELINES**

The goal of the Fund is to administer all revenues derived from operations conducted in the Consolidated Potable Water Service Area. The service areas include those designated as Edenvale, Evergreen, Coyote, Alviso, and North San José. Such operations include capital rehabilitation and replacement of the system, operations and maintenance, ensuring adequate water supply, billing services, and administration.

Pursuant to passage of Ordinance No. 26903 by Council in June 2003, revisions to the Consolidated Water Utility Fund were made, which limits the amount of transfers that may be made to the General Fund beginning with 2004-2005. The changes brought

## **WATER UTILITY FUND 515**

about by the ordinance affect the annual Rate of Return (ROR) and overhead transfers from the Water Utility Fund to the General Fund. Under the ordinance, the total funds that may be transferred to the General Fund in a given fiscal year are limited to a percentage of actual revenues received in the immediately preceding fiscal year. In 2005-2006 and subsequent years, the maximum that may be transferred to the General Fund is limited to 8% of water revenues, excluding interest. This maximum annual transfer ceiling encompasses both ROR and any direct and indirect overhead costs that may be assigned to the Water Utility Fund for citywide services.

City staff recommended that the annual Rate of Return and the In-Lieu Fees payments to the General Fund be phased out. This was approved by City Council during the 2008-2009 budget process. 2008-2009 was the final year for which these transfers were scheduled to occur.

As part of Ordinance No. 26903, two separate reserves were established beginning in 2004-2005. The first is a Rate Stabilization Reserve, which is calculated each year at 5% of water sales revenue. This is based on the estimated revenue for the prior fiscal year. This reserve is to be available to postpone the need for a rate increase if, for example, wholesale water or power prices increase unexpectedly during a given year. The second reserve is the Capital Rehabilitation Reserve. Funds equal to 7% of water sales revenue are to be reserved each year in the Water Capital Fund 500. This is also based on the estimated revenue for the prior fiscal year.

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## **PROGRAMS AND ACCOMPLISHMENTS**

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The Water Utility Fund supports the day-to-day operations and the Capital Improvement Program of Muni Water. Major accomplishments in 2008-2009 include:

### **Operations & Maintenance**

- 5,232 water quality samples were taken in 2008-2009 and compliance with State and federal water quality standards was achieved for 99.5% of those samples taken.
- Muni Water implemented a water budget for its customers to encourage water conservation, in order to achieve the 15% water conservation goal as directed by City Council in May 2009.
- Muni Water's retail water rates for the typical residential customer were 24% below the average of the other local water retailers in San José.
- Retail water sales for 2008-2009:
  - Potable: 20,175 Acre Feet<sup>1</sup>
  - Recycled: 3,946 Acre Feet

### **Capital Improvements**

- Water Valve Rehabilitation Project - This project located and exercised all system water valves, plotted the location using GPS, and replaced malfunctioning valves. Exercising the valves periodically, and archiving the exact location, will insure functionality in case of an emergency and improve operation efficiency.
- Norwood Pump Station Replacement Project - This project consisted of the replacement and upgrade of an existing pump station that had reached the end of its useful life. The redesign improved operating efficiency and system operations.
- Villa Vista Reservoir Rehabilitation Project - This project rehabilitated a 300,000 gallon steel reservoir serving portions of the Evergreen service area. The protective coating on the existing reservoir had severely deteriorated and required rehabilitation to prevent premature replacement of the reservoir.
- North First Street Parallel Main Replacement Project - This project replaced an existing techite pipe distribution main. The techite main had proven to be unreliable, resulting in disruption to traffic, increased costs, and water loss.

### **Billing and Customer Account Support**

Funding of these services is in support of the City's Integrated Billing System (IBS), primarily through ESD's partners, the Departments of Finance and Information Technology. In 2008-2009, over 150,000 bills were issued to Muni Water customers.

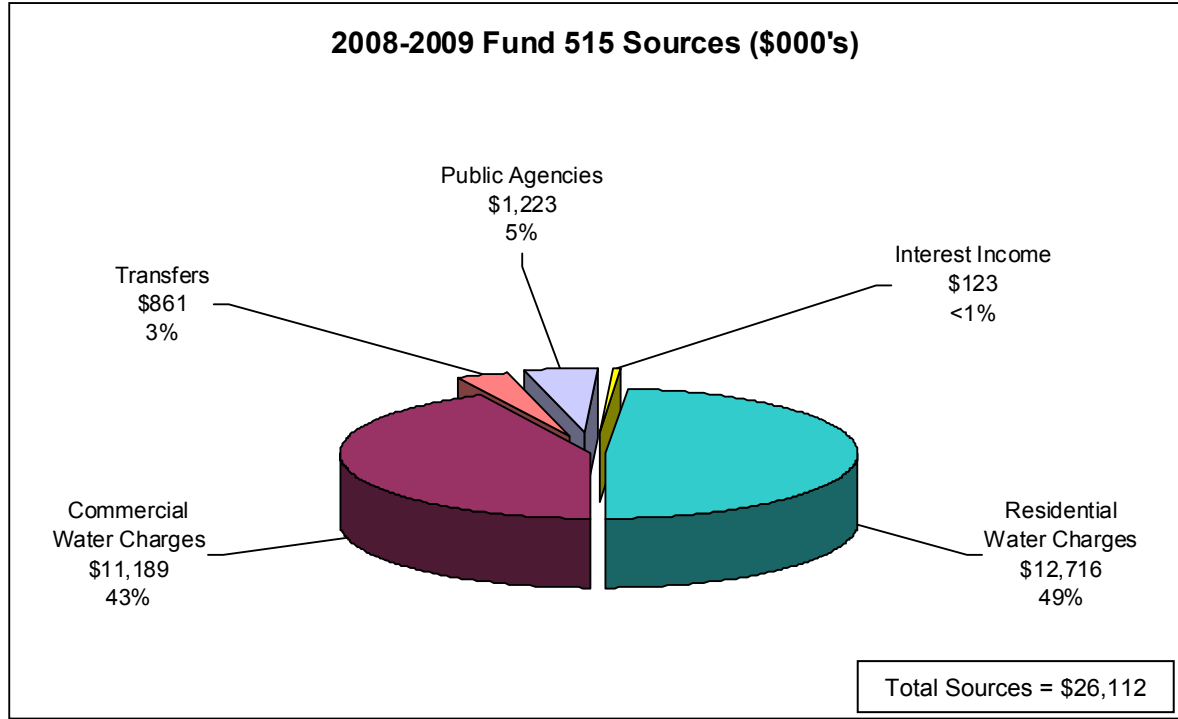
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<sup>1</sup> Acre Foot = approx. 325,828 gallons

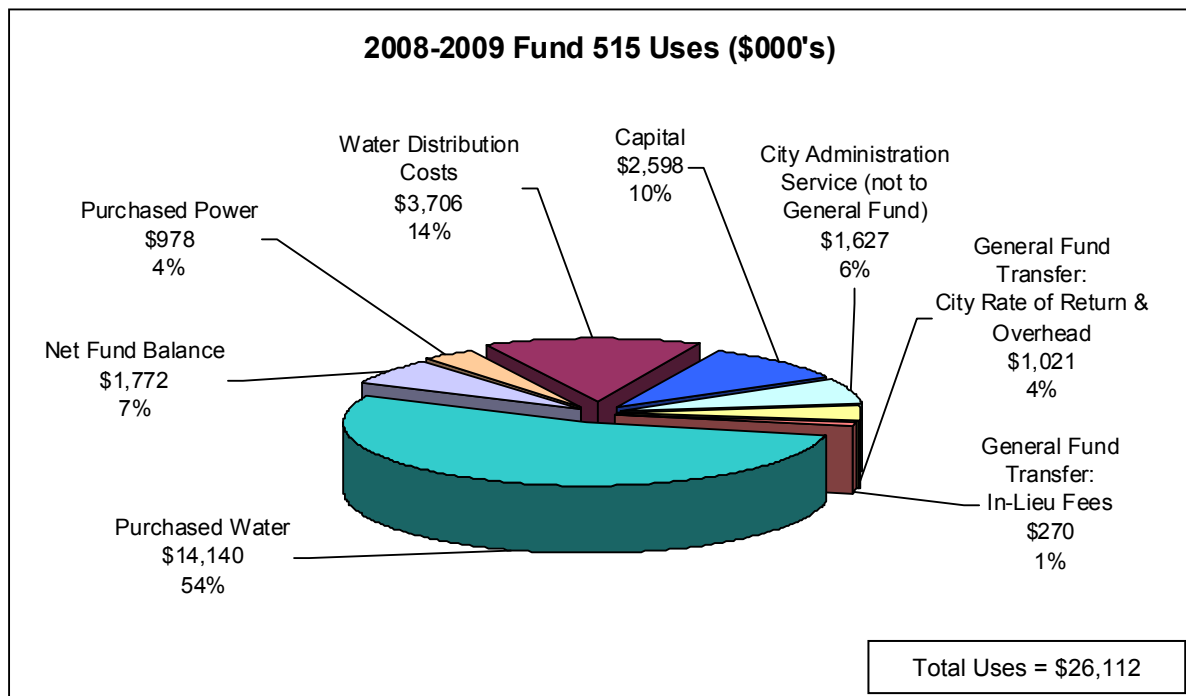
**SOURCES AND USES OF FUNDS**

Figures 1 and 2 show the actual sources and uses of funds for 2008-2009.

**Figure 1**



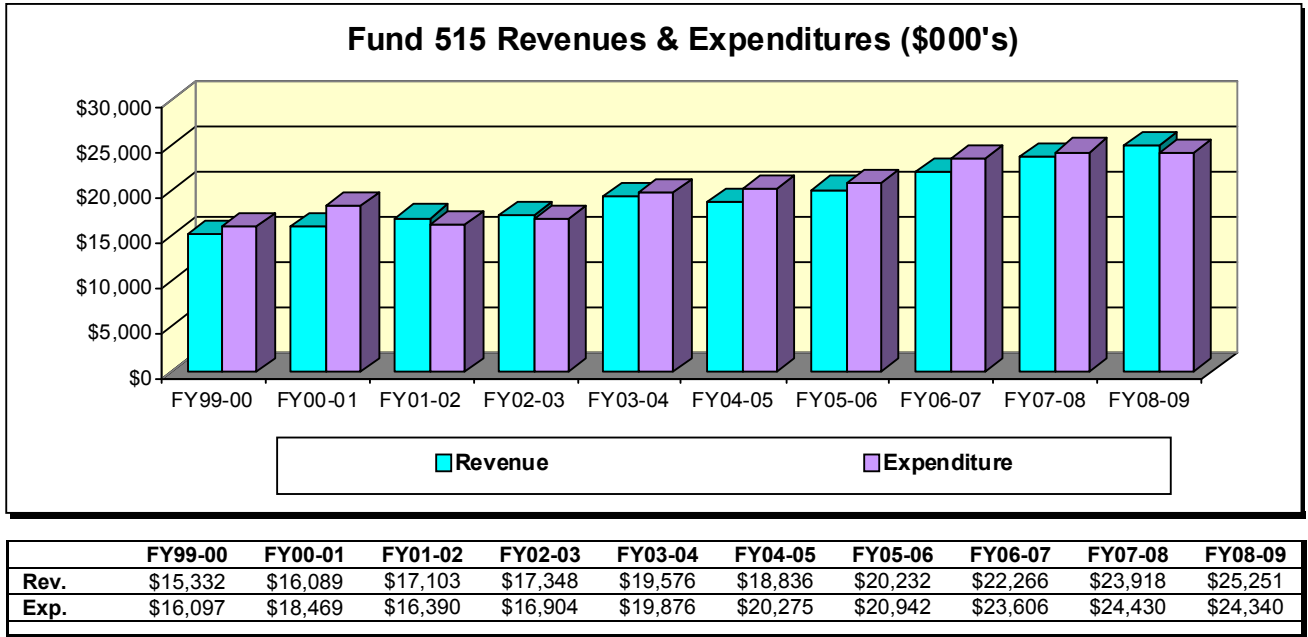
**Figure 2**



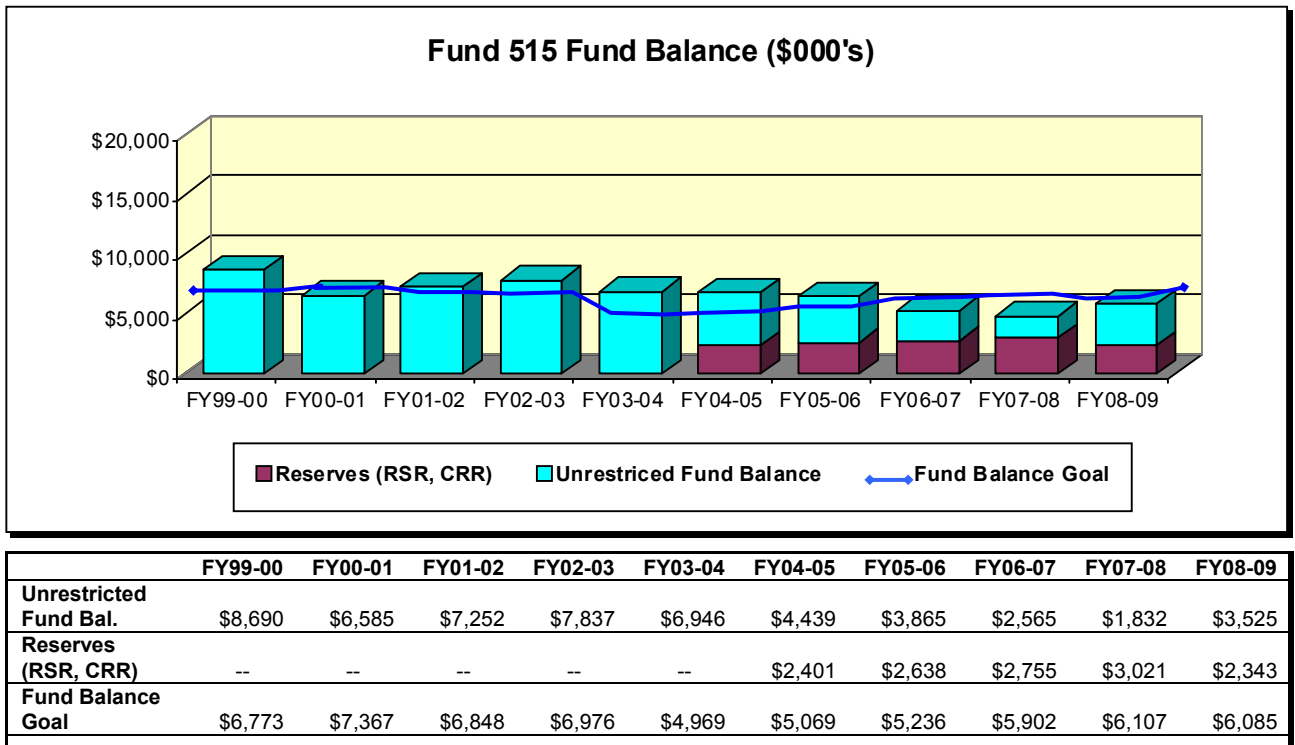
**REVENUES, EXPENDITURES, AND FUND BALANCE**

Figures 3 and 4 show a ten-year history of current revenues, expenditures, and fund balance for 1999-2000 through 2008-2009.

**Figure 3**



**Figure 4**



## **WATER UTILITY FUND 515**

### **REVENUES**

Residential customers within the service area represented 50% of the revenues for the Water Utility Fund in 2008-2009, with commercial, public agencies, and interest making up the balance. Water delivered to customers in 2008-2009 was down slightly from the prior year, largely a result of the economic downturn and the call for voluntary water conservation. Water sales are expected to remain flat this year, or may decrease further, as more customers reduce consumption in accordance with current water conservation goals set by the City.

The Fund also received a one-time transfer of \$826,000 from the closing of the dormant Alviso-Area Water Utility Funds and \$35,000 from the reconciliation of the In-Lieu Fees.

### **EXPENDITURES**

Wholesale water purchased from the Santa Clara Valley Water District, the San Francisco Water District, and South Bay Water Recycling, comprised the largest Fund expenditure in 2008-2009 at \$14.1 million (56%).

Water distribution costs in 2008-2009 were \$3.7 million (15%). This percentage of expenditures has remained steady, as greater efficiencies in operations and maintenance continue to be a primary goal at Muni Water and staffing has not increased in recent years.

Transfers to the Water Utility Capital Program were \$2.6 million (10%), which included repayment of a transfer from the Sewage Treatment Plant Connecting Fee Fund 539 to fund the City's commitment to development of the water utility infrastructure in the North Coyote Valley. It is estimated that this repayment will be completed by 2012-2013.

Energy costs remained mostly steady in 2008-2009 at \$978,000 (4%), with prices generally trending upward each year. This is also a result of lower water demand by customers, thus less demand for pump station energy.

Approximately \$1.3 million (5%) was transferred this year to the City's General Fund for In-Lieu Fees, annual Rate of Return (ROR), and overhead. As mentioned previously, the ROR and In-Lieu Fees transfers have been phased out after 2008-2009, so this represents the final year of those transfers.

City administrative costs were \$1.6 million (6%). This includes the Water Utility's share of the Integrated Billing System (IBS) and other administrative costs on behalf of Muni Water by ESD and other City departments.

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## **RATE HISTORY AND METHODOLOGY**

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### **RATE HISTORY**

Muni Water's two principal sources of revenue are water sales and fixed monthly meter service charges. Rates are established to pay for operating costs and capital improvements. Under California Public Utilities Commission (CPUC) guidelines, water companies may recover 50% of their fixed costs in quantity charges and 50% in monthly meter charges. The 2008-2009 meter charges recovered approximately 42% of fixed system costs. Revenue derived from the meter charge covers fixed costs such as maintenance, transmission and distribution, customer account, and administrative and general expenses, which have increased due to inflationary factors and system growth.

### **RATE SETTING METHODOLOGY**

In order to maintain the fiscal health of the Water Utility Fund, Muni Water must have the ability to pass through future wholesale water and other cost increases to its customers in the form of higher retail rates as is the standard practice of water retailers.

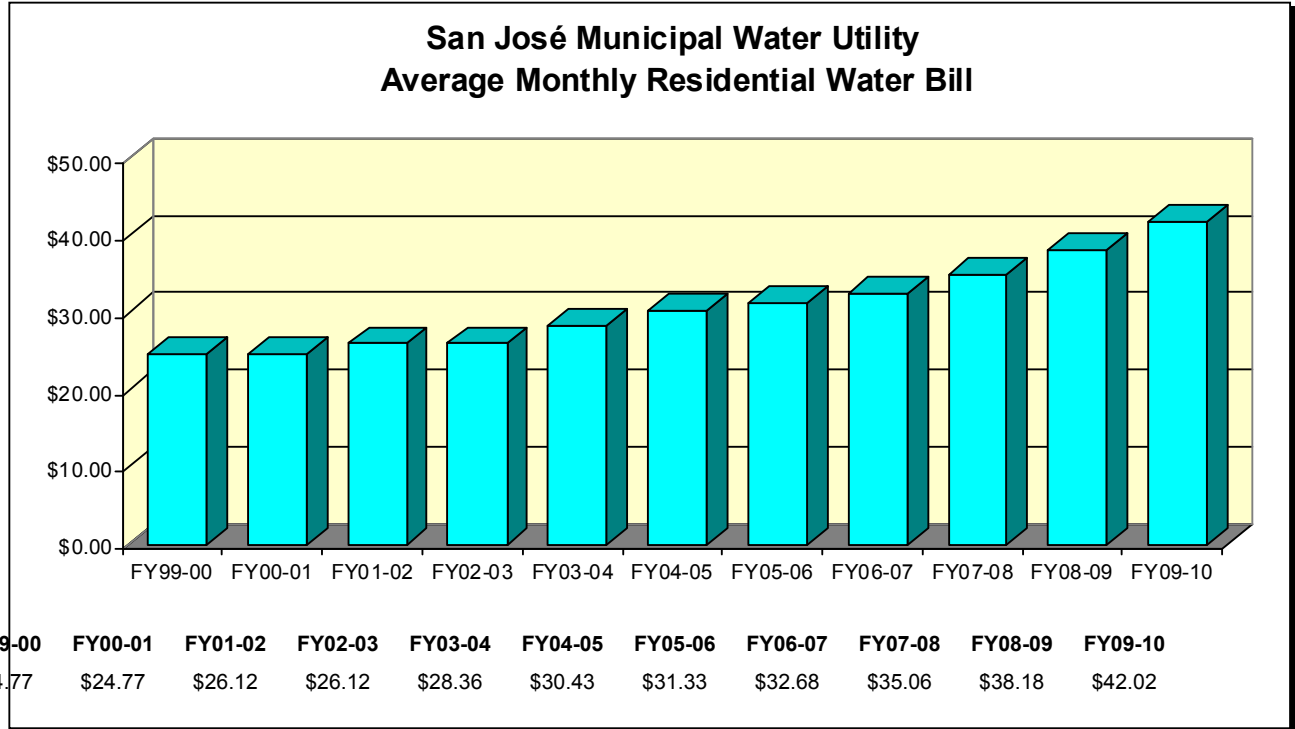
A three-step approach is used to develop water rates. First, the costs associated with providing water service that are to be recovered through water rates are defined as revenue requirements. Costs are identified from the Fund's approved fiscal year budget. Projects identified in Muni Water's Capital Improvement Program are included as capital cost recovery expenses. Additional revenue from interest income is included.

Second, the identified revenue requirements are allocated, first by functional category and then by customer class, to determine the cost of serving each customer class. The allocation accounts for factors such as peak and average demand placed by customer classes on the system.

Finally, costs are allocated, and water rates are designed to ensure a fair balance between conservation incentives through volume rates and guaranteed system revenue through fixed service charges. The revenue generated by volume rates recovers the costs associated with providing peak and average water demand to the system. Volume rates are assessed differently for residential and nonresidential customers. Residential rates are developed under a four-block inclining rate structure to encourage conservation, while nonresidential rates are developed under a uniform (single block) rate structure. Fixed service charges recover the fixed costs related to providing basic service to the system. Service charges are assessed on a "per bill" and "per equivalent meter" basis.

Figure 5 illustrates the historical trend of the average monthly residential water bill in Muni Water’s service areas. Current Muni Water rates and charges are detailed in Appendix B.

**Figure 5**



Note: Average bills are based on a calculation of 15 units (1 unit = 748 gallons of water).

**RATE COMPARISONS**

Table 1 compares a typical monthly single-family Muni Water bill (15 units or 375 gallons per day) with other San Francisco Bay Area water utilities. The rate survey were taken in September 2009.

**Table 1  
Monthly Single-Family Dwelling Water Rate Comparison**

<b>San Francisco Bay Area Water Utilities</b>	<b>Monthly Charges</b>
City of Burlingame	\$87.10
City of Palo Alto	\$77.64
Marin Water District	\$61.07
City of Redwood City	\$59.96
City of San Francisco	\$54.99
Cal Water Company – Livermore	\$53.11
San José Water Company	\$51.65
City of Mountain View	\$48.72
City of Hayward	\$48.28
City of Santa Clara	\$45.15
East Bay Municipal District	\$44.97
City of Milpitas	\$43.53
Alameda County Water District	\$43.31
<b>San José Municipal Water System</b>	<b>\$42.02</b>
City of Sunnyvale	\$41.15
Great Oaks Water Company	\$37.04

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## MAJOR ISSUES AND CHALLENGES

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### SYSTEM NEEDS

Continuing investment in the water system's infrastructure through the Capital Improvement Program (CIP) is required in order to maintain Muni Water's reliability in distributing water to customers. This presents a challenge due to the continual balancing act of prioritizing CIP projects for rehabilitation and repair with the need to keep retail rate increases to customers at the minimum requirement, especially in this economically difficult period. Funding for the CIP comes from revenues from two sources: transfers to the Water Utility Capital Fund from the Water Utility Fund (based primarily on water sales); and developer fee revenue (for new water services, meters, and engineering and inspection). Due to the slow economy, fee revenues are not what they have been in previous years of growth. This has resulted in increasing reliance on transfers from the Water Utility Fund in order to fund the CIP.

### WATER SUPPLY

Securing imported water from the wholesale suppliers, the Santa Clara Valley Water District and the San Francisco Water District, will continue to pose a challenge in future years. The projected growth in population and jobs in the City and County has resulted in the Santa Clara Valley Water District (District) forecasting that water demand will exceed supply by 2030 during normal years. In addition, other challenges to adequate water supply include reduced precipitation and reductions in allocation of imported water due to pumping restrictions in the Sacramento-San Joaquin River Delta (Delta). Long term, these challenges include risks to the Delta that impact water supply and quality, rising capital costs to construct and repair infrastructure, mounting regulations, contract negotiations to preserve existing imported water allocations, ecological need to maintain flows for fish and other aquatic species, and adverse impacts from global climate change.

### WHOLESALE WATER COSTS

In order to maintain the fiscal health of the Fund, Muni Water must have the ability to pass-through future wholesale water and other cost increases to its customers in the form of higher retail rates as is the standard practice of water retailers. Based upon information received from the two wholesale water providers, the Santa Clara Valley Water District (SCVWD) and the San Francisco Water District (SFWD), wholesale rates will continue to increase annually over the next ten years.

### WATER SALES REVENUE

Drought and the slow economy have a negative impact on water sales and reduce overall revenues to the Fund. Calls for conservation such as San José's current 15% target results in less water sold to customers, which translates to less revenue coming into the Fund. Similarly, the slow economy has resulted in a variety of effects such as higher than

typical vacancy rates for residences and businesses and less water use when buildings sit empty.

### **REGULATORY ISSUES**

Increasing water quality regulations are the trend at both the State and federal levels. This carries with it increased testing and sampling of water and will require more staff time and laboratory resources to comply with all regulatory requirements. Recent regulations, including the federal Unregulated Contaminant Monitoring Regulation (Part II), Stage 2 Disinfectants and Disinfection Byproducts Rule, and Groundwater Rule require additional resources in order to ensure compliance. In addition to the increased frequency of sampling events and laboratory costs generally associated with increased water quality related regulations, additional staff time is required to prepare the compliance plans and operational procedures, and to conduct the necessary coordination with regulatory agencies. As the number of regulatory requirements increases, it can be expected that the additional resources and costs required to ensure compliance will increase as well.

### **STAFF TRAINING**

Muni Water staff is required to maintain their State certifications in water treatment and distribution; this requires each employee to accumulate contact hours achieved through training related to these certifications. This required staff training must occur on work time and presents a challenge in coordinating this training around other obligations associated with operating and maintaining the water utility.

### **INTEGRATED BILLING SYSTEM**

The City is facing the end of technical support for the Integrated Billing System (IBS). Muni Water staff continues to work with other IBS partners to identify solutions to maintain the City's billing services in accordance with the requirements existing in the current technological environment.

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# SEWER SERVICE AND USE CHARGE FUND 541

The Sewer Service and Use Charge Fund supports the activities of one core service in the Department of Transportation, Sanitary Sewer Maintenance, and two core services for the Environmental Services Department, Manage Wastewater and Manage Recycled Water. The latter are accomplished by operating the San José/Santa Clara Water Pollution Control Plant (Plant) and South Bay Water Recycling (SBWR) as regional utilities under the appropriate state and federal regulations designed to protect public health and the environment. Treated wastewater from the Plant is either discharged into San Francisco Bay or diverted into a 110-mile-long recycled water distribution system serving San José, Santa Clara, and Milpitas.

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## PURPOSE OF THE FUND

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The Fund was established by the San José City Council to account for the City's sewer service and use charge revenues that are to be used for the acquisition, maintenance, and operation of the City's sewage collection and treatment system.

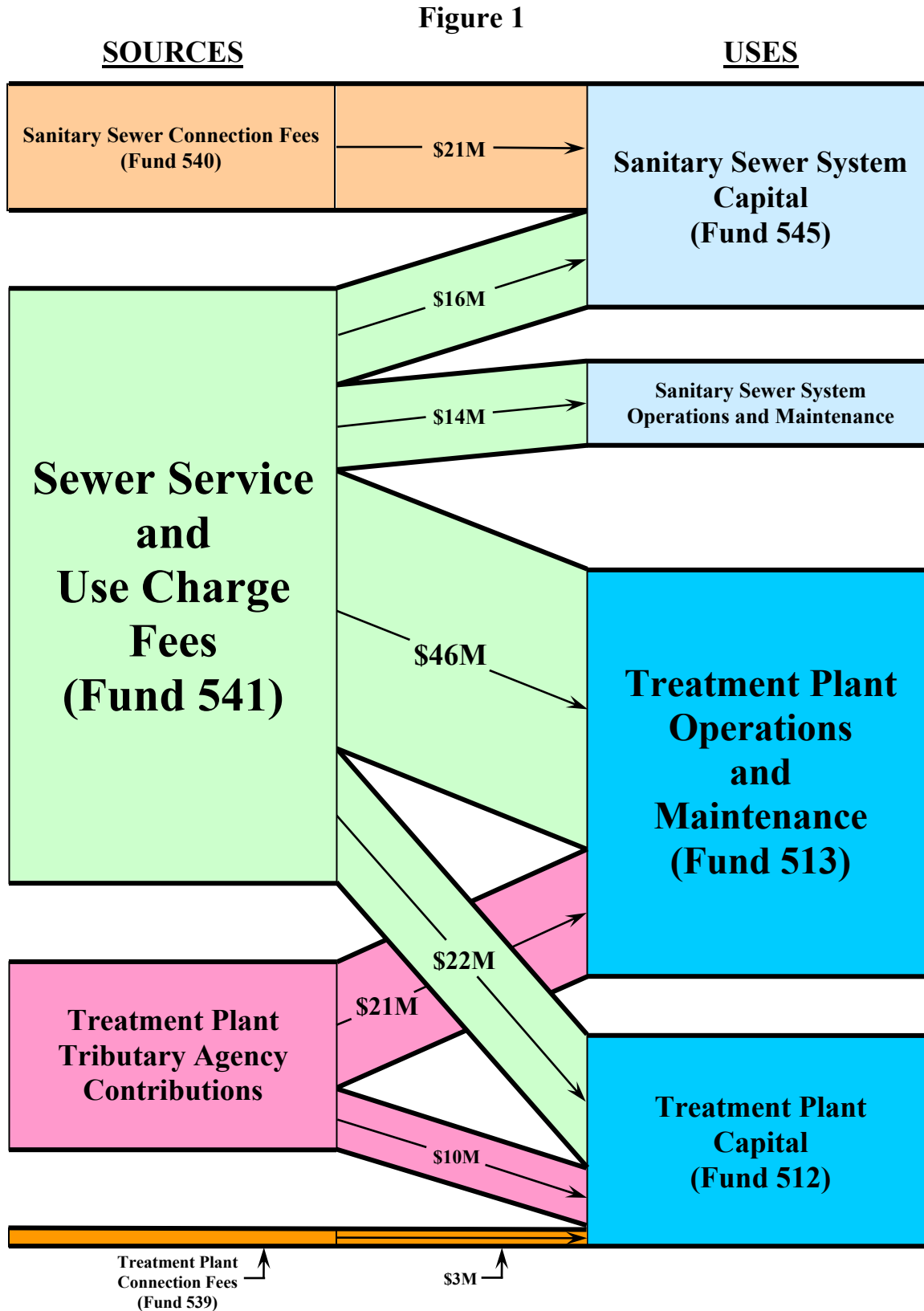
## FUND HISTORY

In 1959, the City of San José entered into an agreement with the City of Santa Clara to jointly own and operate the San José/Santa Clara Water Pollution Control Plant (Plant) to provide its customers with sanitary sewer service. Under the agreement, the City of San José serves as the administering agency and is responsible for operating and maintaining the Plant. The Sewer Service and Use Charge Fund was established on July 20, 1959, by Council adoption of Ordinance #7308.

As a result of further actions since then, a number of other municipalities and sanitary sewer districts (Tributary Agencies) are now served by the Plant. The geographic area served encompasses San José, Santa Clara, Campbell, Cupertino, Los Gatos, Milpitas, Monte Sereno, Saratoga, and adjacent unincorporated areas of Santa Clara County.

The Fund is one of 15 funds that together comprise the City's Wastewater Treatment System Enterprise. Other funds in the Enterprise include the Plant's operating, capital, renewal, and replacement funds; the Sanitary Sewer Capital Fund; the Plant's and the sanitary sewer system's connection fee funds; the South Bay Water Recycling funds, and the Clean Water Financing Authority (CWFA) and the CWFA debt services funds.

Figure 1 below illustrates the flow of funds through the Wastewater Treatment System Enterprise in 2008-2009 and is followed by a brief description of each fund.



- San Jose/Santa Clara Treatment Plant Capital Fund (512) – Accounts for the costs of acquisition, construction, or development of capital assets at the Plant.
- San Jose/Santa Clara Treatment Plant Operating Fund (513) – Accounts for the operation and maintenance of the Plant.
- Sewage Treatment Plant Connecting Fee Fund (539) – Collects revenues from new residential, commercial, and industrial connections to the Plant to pay for San Jose’s share of the costs of the acquisition, construction, reconstruction, or enlargement of the Plant.
- Sanitary Sewer Connecting Fee Fund (540) – Collects the revenues from new residential, commercial, and industrial connections to the sanitary sewer system to pay for the construction, reconstruction, and acquisition of land for the system.
- Sewer Service and Use Charge Fund (541) – Accounts for the financing, construction, and operation of San Jose’s sanitary sewer system and the Plant.
- Sewer Service and Use Charge Capital Fund (545) – Provides money to pay the costs of construction, rehabilitation, and maintenance of the sanitary sewer collection system for the City of San Jose.
- Treatment Plant Tributary Agency Contributions – Revenues from participating Tributary Agencies for their share of the costs of the operation, maintenance, and capital costs of the Plant.

## FUND GOALS AND GUIDELINES

In July 1996, fund balance guidelines were implemented for all Wastewater Treatment System Enterprise funds to ensure that the funds and necessary rate adjustments are adequately managed. These guidelines were developed in collaboration with the Finance Department, the City Attorney’s Office, and the City Manager’s Budget Office and included the establishment of operating reserves in all wastewater funds. Under these fund balance guidelines, the reserve goal for Fund 541 is two months of annual expenditures which was approximately \$15 million in 2008-2009. If annual revenue falls below the amount needed to fund the operating costs of the wastewater collection, treatment, and recycling system, the guidelines specify the following prioritized activities to receive funding from reserves:

1. Operating and maintenance costs for both the Plant and the sanitary sewer collection system;
2. Debt service for San José’s allocable share of outstanding bond and loan debt;
3. Capital and major replacement costs.

Costs for the Plant are estimated annually by Environmental Services Department (ESD) staff and are reviewed and recommended as proposed capital and operating budgets by the Treatment Plant Advisory Committee (TPAC) to the San José City Council that serves as the administering agency. The adopted budgets are allocated to each agency in accordance with the provisions of the Wastewater Master Agreements.

Each Tributary Agency is responsible for its allocated share of Plant costs, as well as its own sewage collection system maintenance, operation, and capital costs; debt service on bonds issued by the agency for sewerage purposes; and any other sewer service related

costs. Each agency is also responsible for establishing and collecting its respective sewer service and use charges, connection fees, or other charges for sewer service. A revenue program is prepared annually by each agency to establish its sewer service and use charge rates. Rates are established by ordinance or resolution of the governing body of each entity. The agencies' revenue programs, ordinances and resolutions are submitted to the City of San José for review to determine conformance with State Water Resources Control Board (SWRCB) revenue program guidelines and are then submitted by San José to the SWRCB for review and certification.

The Plant's agencies' cost allocations for 2008-2009 are shown in Table 1 below.

**Table 1**  
**Water Pollution Control Plant Agencies**  
**2008-2009 Cost Allocations**

Agency	Capital Cost	O&M Costs
City of San José	67.256%	65.297%
City of Santa Clara	12.928%	12.551%
West Valley Sanitation District	6.697%	8.866%
City of Milpitas	7.488%	6.245%
Cupertino Sanitary District	4.288%	5.155%
County Sanitation District 2-3	0.826%	1.455%
Burbank Sanitary District	0.239%	0.310%
Sunol Sanitary District	0.278%	0.121%

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## **PROGRAMS AND ACCOMPLISHMENTS**

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The Sewer Service and Use Charge Fund supports the day-to-day operations and the Capital Improvement Programs of the Plant and San José's Sewage Collection System. Major accomplishments in 2008-2009 include:

### **WATER POLLUTION CONTROL PLANT**

#### **Operations & Maintenance**

- The Operating and Maintenance Program continued its core function of meeting the Plant's NPDES permit by producing reusable bio-solids, recycled water, and high quality effluent for discharge into the San Francisco Bay.
- 2008 marked the seventh consecutive year that the Plant has had no violations of its NPDES permit.
- During the Dry Weather season, the Plant discharged 92 million gallons per day (mgd) into the Bay, well below the 120 mgd summer flow trigger.
- South Bay Water Recycling (SBWR) use for summer 2008 averaged 14.7 mgd (9.3 mgd on an annual basis). This reflects continued growth in use of recycled water for irrigation, agriculture, and industrial purposes.
- The initial phase of the new Computerized Maintenance Management System (CMMS) for the Plant was completed and went live in July 2009. Implementation of the CMMS marked a critical milestone in developing a comprehensive asset management program that, when fully developed, will significantly impact the Plant's primary goals of increasing reliability, efficiency, and cost effectiveness.
- Multiple energy savings projects were completed during 2008-2009 as the Plant continues to make significant progress towards its goal of reducing energy consumption by 20% by 2011. Over the past three years, the Plant has reduced total energy consumption by 10%.

#### **Capital Improvements**

- The Plant Wet Weather Reliability Improvements Project was completed during 2008-2009. This project increases the Plant's wet weather flow peak capacity from 271 (mgd) to 400 mgd which will reduce overload on certain treatment processes and increases operational flexibility during peak storm flows. This \$79 million project included a new flow equalization basin, sewage pump station, filter influent pump station, and an additional piping system.
- During 2008-2009, as part of the Plant Electrical Reliability Program, an \$11.3 million construction project commenced to install new switchgear and cables to create an interim ring buss distribution system. This project is expected to be completed in 2009-2010.
- The construction of the Alternative Disinfection project began in 2008-2009 to replace the gaseous chlorine and sulfur dioxide system with liquid sodium hypochlorite and sodium bisulfite system, a safer alternative. This \$7.7 million project included new chemical storage tank stations, transfer stations, and chemical feed and distribution piping systems. This project is expected to be completed in early 2010-2011.

- Significant milestones were reached in the development of the Plant Master Plan:
  - A consultant team completed a detailed evaluation of the Plant's ability to handle future flows and loads as well as potential future regulatory requirements and developed preliminary alternatives for liquids treatment, solids treatment, and energy management at the Plant.
  - In November 2008, the project's independent Technical Advisory Group (TAG), composed of wastewater and energy experts, met for the first time to review the approach to the Master Plan.
  - A land use workshop, to discuss ideas for uses of the buffer lands, including revenue generation, was held in January 2009.
  - The project's first community workshop was held in May 2009 at the Plant, with more than 100 participants who took a Plant tour, followed by an open house, project presentation, and public input session.
  - A 20-member Community Advisory Group composed of members of the public from the eight tributary cities and representing a wide array of interests was formed to provide consistent public feedback.

## **SANITARY SEWER COLLECTION SYSTEM**

### **Operations & Maintenance**

- In 2008-2009, the percentage of sewer line segments that were unobstructed remained high at 98%.
- Approximately 586 miles of sewer lines were cleaned, and Staff's ability to resolve system obstructions within four hours was 91%.
- Ninety-four percent of Priority A (service completely severed) in-house repairs were temporarily and permanently resolved within 24 and 48 hours, respectively, and 73% of Priority B and C (service exists at limited capacity and future service impacts identified) were completed within established time guidelines.
- In March 2009, six new combination cleaning trucks (commonly known as vactor trucks) were added to the fleet, replacing older, out-dated sewer cleaning equipment. The Department of Transportation (DOT) now has a compliment of eleven vactor trucks for responding to blockages and other emergencies and performing preventive maintenance sewer line cleaning. The existing staff will be able to increase the performance and reliability of the sanitary sewer system by performing preventive maintenance on an additional 100 miles each year, a 27% increase. This will result in fewer sewer blockages and overflows, improve the reliability of the sewer system, and position the City to meet environmental and regulatory requirements. This fleet of eleven vactors will enable the City to achieve a complete sanitary sewer cleaning cycle of approximately six years. The prior cleaning cycle was approximately thirteen years.
- DOT led the development and certification of the City's Sanitary Sewer Management Plan (SSMP), as required by the State Water Resources Control Board and adopted in August 2008. The SSMP established and documented the standards, procedures, and protocols for all elements of the City's sanitary sewer collection program. The primary goals of the SSMP are to significantly reduce the occurrence of sanitary sewer overflows and sewer backups to homes, and protect our local and regional waterways.

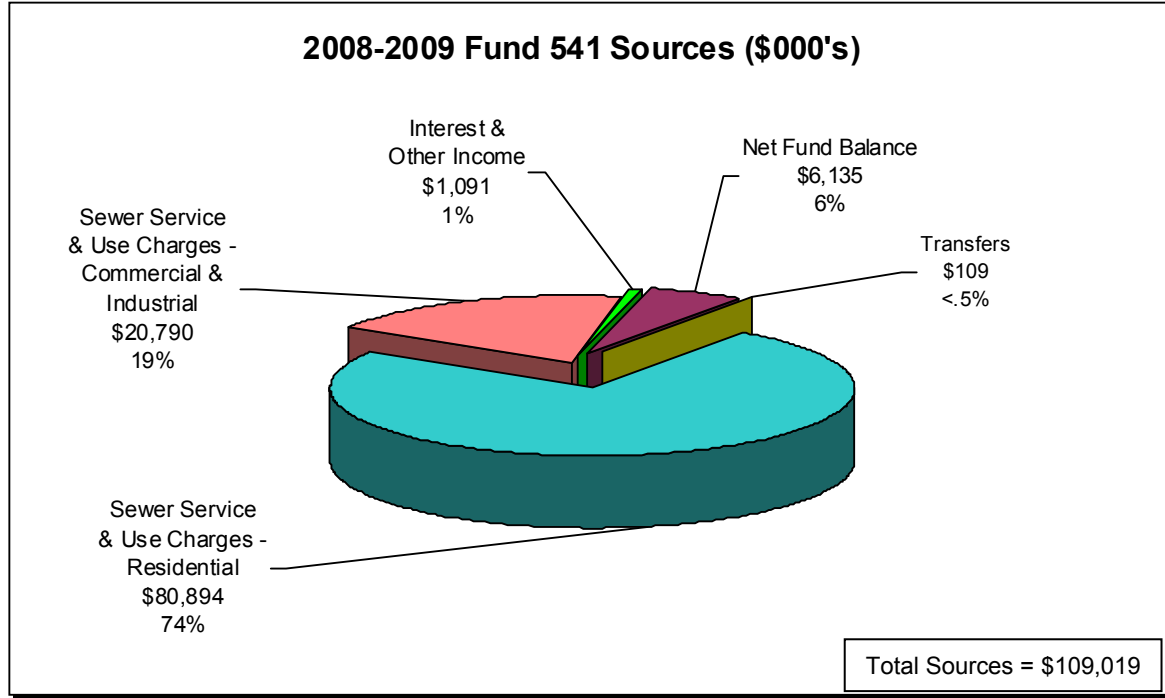
**Capital Improvements**

- The Sanitary Sewer Capital Improvement Program continued to construct sewer improvement projects that either enhanced sewer capacity in substantially built-out areas or rehabilitate existing sewers, with higher priorities given to those with extensive, severe deterioration.
- During 2008-2009, approximately 13,000 feet of sewers were rehabilitated, and 2,900 feet of new pipe were installed.
- The Sanitary Sewer Flow Monitoring Program (Master Planning) project continued to provide critical data needed to complete the Sanitary Sewer Capacity Assessment Phase II Study for the City's East and West Service areas and update the Phase I Capacity Master Plan for the South, Central, and North Areas.
- During 2008-2009, over 80 sites were monitored for dry- and wet-weather flow data and over five hundred sanitary sewer manhole elevations were surveyed. The data from these projects is combined with the City's Geographic Information System to develop network models used in capital project planning.

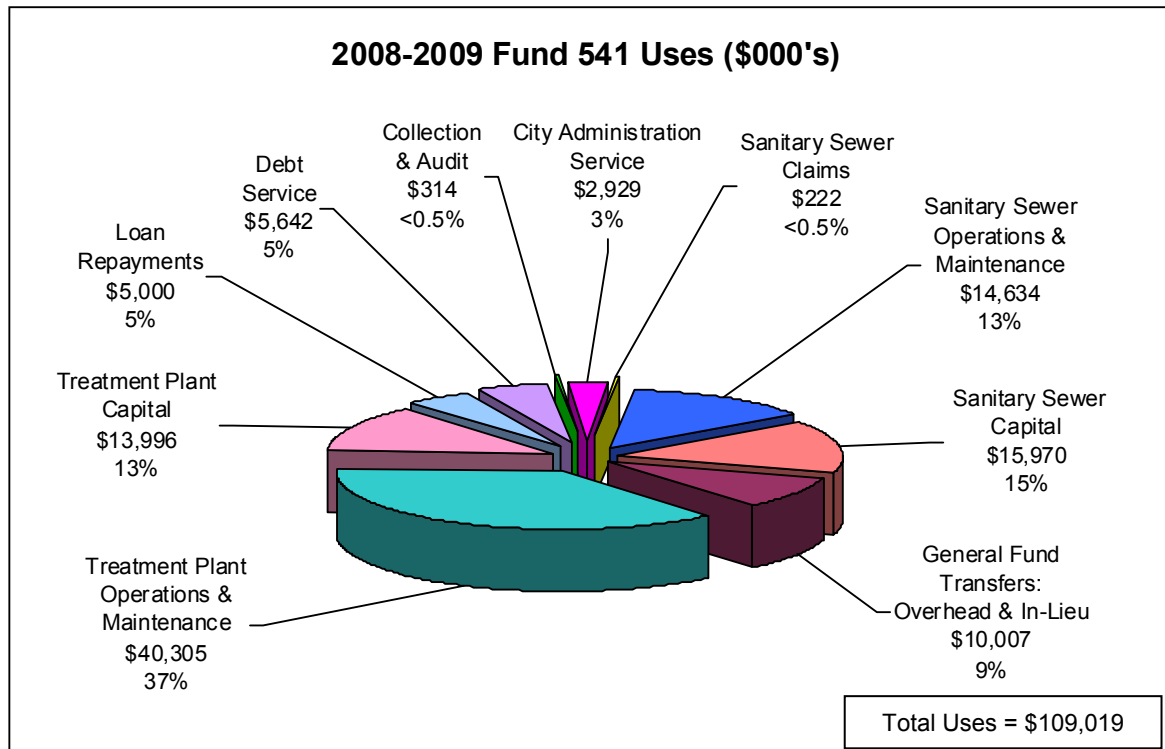
**SOURCES AND USES OF FUNDS**

Figures 2 and 3 below show the actual sources and uses of funds for 2008-2009.

**Figure 2**



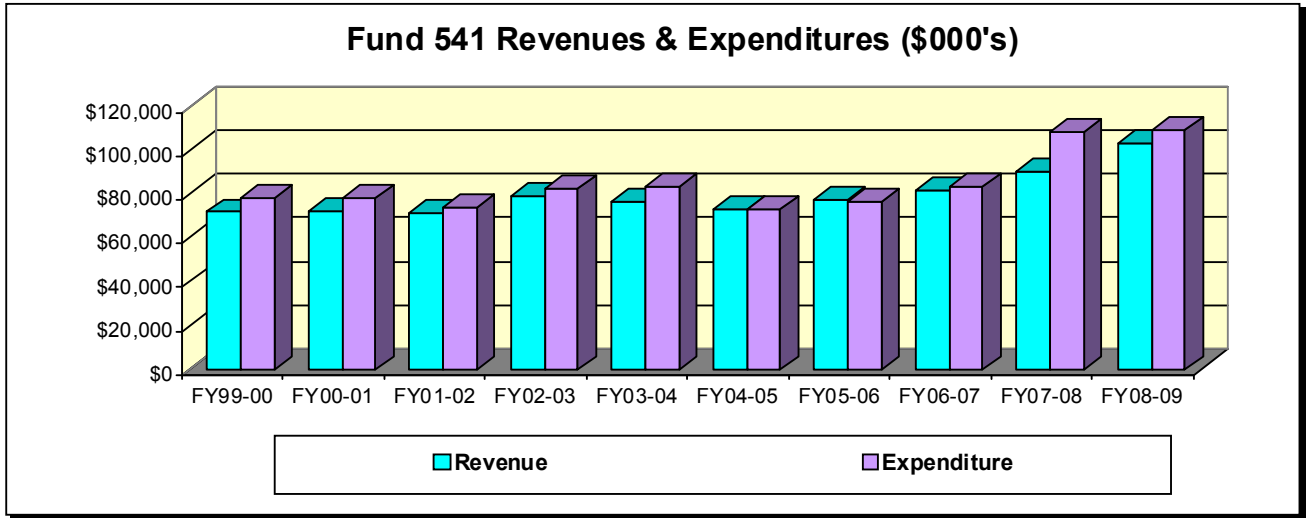
**Figure 3**



## REVENUES, EXPENDITURES, AND FUND BALANCE

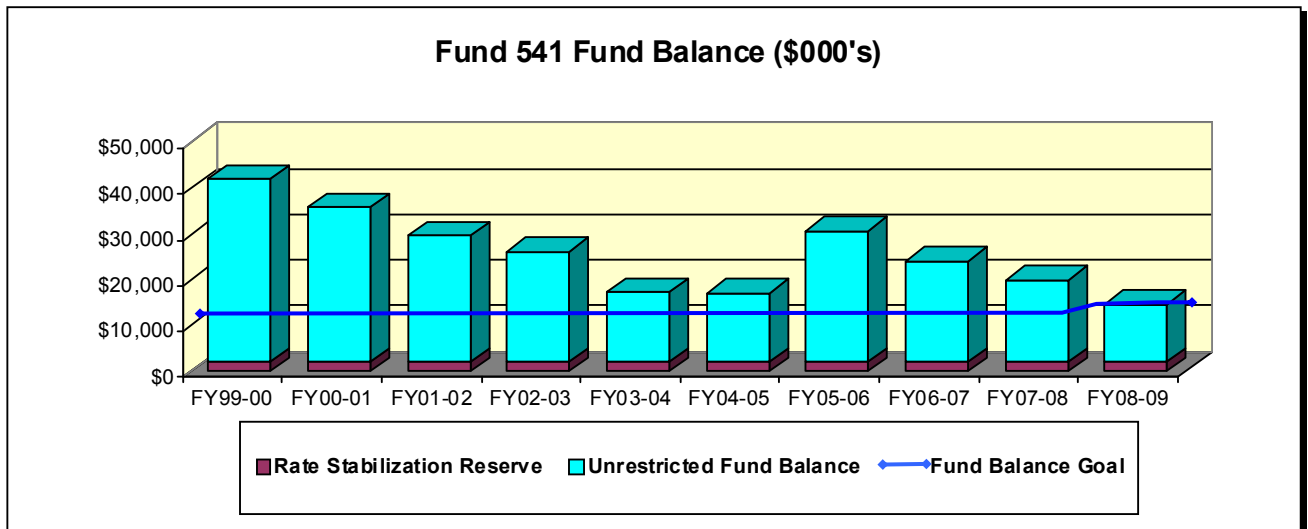
Figures 4 and 5 below show a ten-year history of current revenues, expenditures, and fund balance for 1999-2000 through 2008-2009.

**Figure 4**



	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09
<b>Rev.</b>	\$71,492	\$71,727	\$71,093	\$78,462	\$75,813	\$72,726	\$77,142	\$81,240	\$89,921	\$102,775
<b>Exp.</b>	\$77,618	\$77,910	\$73,528	\$82,374	\$82,986	\$72,899	\$76,235	\$83,034	\$108,239	\$109,019

**Figure 5**



	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09
<b>Unrestricted Fund Balance</b>	\$40,075	\$33,949	\$27,767	\$24,218	\$15,361	\$15,109	\$28,634	\$22,071	\$17,956	\$12,536
<b>Rate Stabilization Reserve</b>	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
<b>Fund Balance Goal</b>	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$15,000

## REVENUES

Sewer Service and Use Charge revenues are collected from residential, commercial, and industrial users through the annual property tax assessments, except for monitored industrial users, those who discharge in excess of 25,000 gallons per day, which are hand billed monthly. Residential customers represent about 80% of the revenues collected in 2008-2009, with commercial, institutional, and industrial customers making up the balance. Additional revenue comes from interest earnings and minor miscellaneous sources. The Fund also received transfers of \$100,000 from the Treatment Plant Income Fund for Plant lands lease proceeds and \$9,000 from the Emergency Reserve Fund.

For 2008-2009, total revenues were approximately \$2 million higher than budgeted due to larger than estimated residential and commercial assessments revenue and interest earnings. Revenues from industrial customers continued to decline as a proportion of total assessment revenues, reflecting the continued migration of industry from San José. The minimal growth in residential and commercial assessment revenue reflects the lack of new development activity resulting from the economic downturn. The economic downturn has also reduced Connection Fees by approximately 67%, reflecting the dramatic decline in development activity over the past few years.

## EXPENDITURES

At \$58.9 million, the majority (54%) of the \$109 million in 2008-2009 expenditures in this fund supported the operation and maintenance of the sewage collection (\$12.4 million) and treatment systems (\$46.5 million). Whereas in the past there have typically been significant expenditure savings in this fund, several factors have combined to result in less than 1% savings this year:

- At the Plant, staffing costs have increased reflecting the addition of maintenance and engineering positions to address the aging infrastructure of the facility;
- The cost of concrete, steel, copper wire, chemicals, and other supplies used in Plant maintenance have increased dramatically without a corresponding increase in the Plant's budget;
- Sanitary sewer maintenance costs have increased due to one-time new equipment and equipment replacement purchases related to improved maintenance of the system.

Capital expenditures have increased substantially over the past few years as the Plant has increased its investment in its infrastructure. The Plant is 53 years old and has significant infrastructure needs related to replacement and rehabilitation of major pieces of equipment and facilities. As a result, the transfer to the Treatment Plant Capital Fund has increased substantially over the past few years to its current level of \$18.5 million in order to address critical infrastructure issues, particularly in the areas of the electrical system, structural rehabilitation, digesters, and piping and valves. In addition, approximately \$5 million has been spent over the last two years to develop a Plant Master Plan to address long-term infrastructure and equipment replacement needs.

Transfers to the Sanitary Sewer Capital Fund have remained relatively stable over the past few years with an annual investment between \$14.5 and \$16 million. As the collection system infrastructure continues to age, the funding needs are expected to increase to meet the rehabilitation and replacement needs of the system infrastructure.

Fund transfers for debt service payments for 2008-2009 include \$5.6M for ongoing servicing of bonds related to the construction of the South Bay Water Recycling System and loan repayments of \$5M for a one time inter-fund loan to support capital projects until increased fees could be generated.

All other expenditures were at estimated levels and cover costs such as administration, collection, audit, and sanitary sewer claims.

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## RATE HISTORY AND METHODOLOGY

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### RATE HISTORY

Residential, commercial, and industrial users of the City's wastewater treatment system pay Sewer Service and Use Charge fees to fund the City's share of the following:

- Operation, maintenance, and capital costs at the San José/Santa Clara Water Pollution Control Plant;
- Plant equipment replacement and modification;
- Operation, maintenance, and capital costs of the City's sewage collection system;
- Debt Service on Revenue Bonds and State Revolving Fund Loans for Plant Capital Improvements and Water Reuse Facilities;
- Implementation of watershed management programs in support of the Plant's National Pollutant Discharge Elimination System (NPDES) permit;
- Administrative and management services including public education and outreach;
- In-Lieu-of-Fee transfers to the General Fund.

In 1998-1999, the City received low interest funding from the State Water Resources Control Board (SWRCB) under the State Revolving Fund (SRF) Loan program for capital projects for the Plant. These loans save the City millions of dollars in interest costs. The conditions of the loans require the City to comply with Section 204(b)(1) of the Clean Water Act, Federal and State regulations, and the policies of the SWRCB. These regulations require the City to develop a wastewater revenue program that:

- Collects adequate revenues to fund the operations, maintenance, and replacement costs of the sewage collection and treatment systems;
- Maintains a wastewater capital reserve fund;
- Develops equitable rates for different types of users based on flow and strength.

As a result of the ongoing implementation of operational and staffing efficiencies both at the Plant and in DOT's sewer maintenance program, rates were not increased from 1995-1996 through 2003-2004, and from 2004-2005 through 2006-2007, rates were increased by a modest 4.5% annually. In an effort to begin addressing the significant infrastructure issues associated with both the Plant and the sewage collection system, Council approved rate increases of 9% in 2007-2008, and 15% in 2008-2009, generating an additional \$20.3 million over two years to support the capital infrastructure needs of both systems.

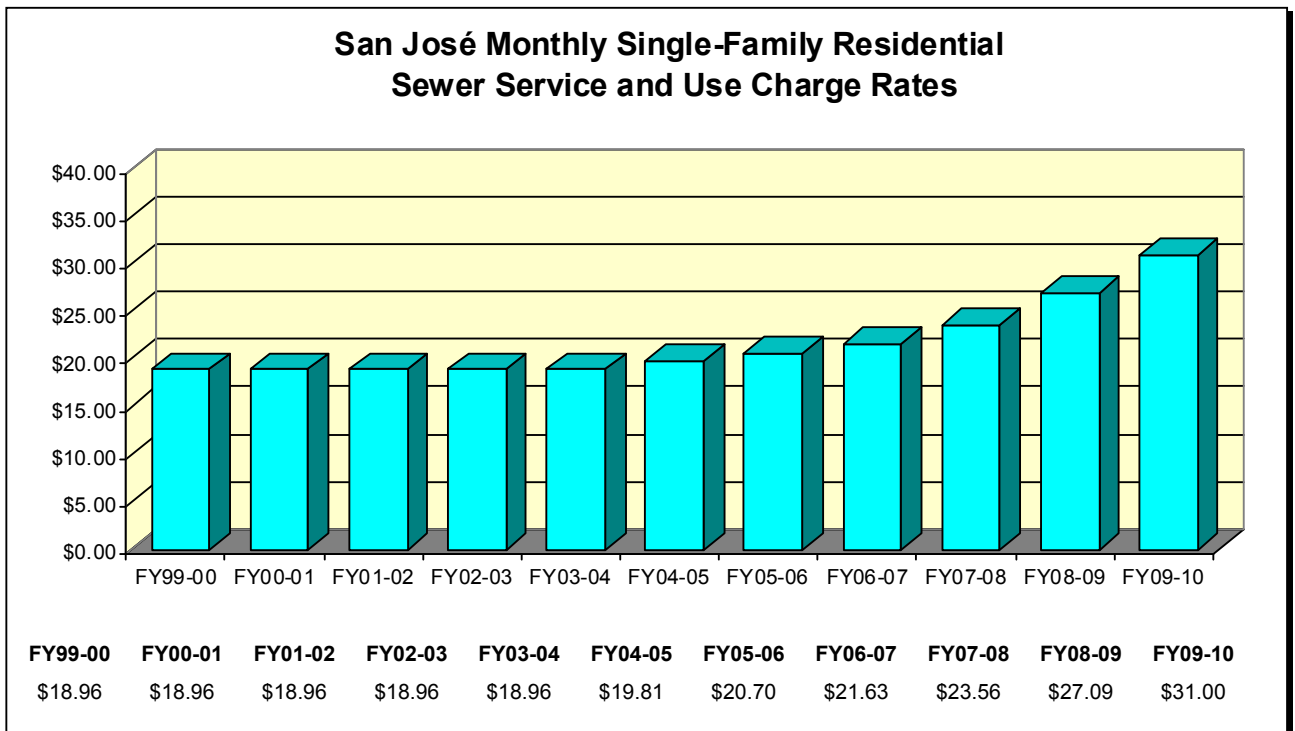
**RATE SETTING METHODOLOGY**

Sewer Service and Use Charge (SSUC) rates are based on the volume of flow and strength of the wastewater from residential, commercial, institutional, and industrial properties. Flow is measured as the average wastewater flow, and strength is measured in terms of biochemical oxygen demand (BOD), suspended solids (SS), and ammonia (NH<sub>3</sub>). The rate structure was designed to apportion the cost of wastewater treatment services to properties in proportion to their relative contribution of flow and strength to the system. This structure is dictated by State revenue guidelines and allows rates to reflect the costs of providing service to residential and non-residential properties.

Rates are assigned by groupings, based on the type of use. Residential customers are assigned a flat rate. Non-residential customers are assigned a rate based on their type of flow strength, and their annual charges are calculated using annualized winter water usage. A small number of large industrial users are billed on a monthly basis based on actual wastewater discharge and flow strength.

Figure 6 below shows illustrates the historical trend of San José’s monthly single-family residential Sewer Service and Use Charge rates from 1999-2000 through 2009-2010. Current rates are detailed in Appendix C.

**Figure 6**



Note: Prior to the rate increase in 2004-2005, the last rate increase occurred in 1994-1995.

**RATE COMPARISONS**

Table 2 below compares San José's monthly Sewer Service and Use Charge rate for typical single-family dwellings with other San Francisco Bay Area municipalities and agencies with comparable sewage treatment plants. The rate survey was taken in November 2009.

**Table 2**  
**Single-Family Dwelling**  
**Sewer Service and Use Charge Rate Comparisons**

<b>San Francisco Bay Area Agencies</b>	<b>Monthly Rates</b>
City of Milpitas <sup>1</sup>	\$32.54
<b>City of San José<sup>1</sup></b>	<b>\$31.00</b>
Burbank Sanitation District <sup>1</sup>	\$29.58
City of Sunnyvale	\$27.97
County Sanitation District 2-3 <sup>1</sup>	\$26.25
Central Contra Costa Sanitary District	\$25.92
City of Palo Alto	\$24.65
Cupertino Sanitation District <sup>1</sup>	\$24.00
West Valley Sanitation District <sup>1</sup>	\$23.35
Union Sanitation District	\$23.00
East Bay Municipal Utilities District	\$16.23
City of Santa Clara <sup>1</sup>	\$16.30

<sup>1</sup> San José/Santa Clara Water Pollution Control Plant agencies.

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## **MAJOR ISSUES AND CHALLENGES**

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Over the next several years, the increasing investment in the capital rehabilitation of both the Plant and the sewage collection system will need to be sustained in order to return the systems to their designed integrity and efficiency and avoid the potential of system failures. This can only be achieved with continued, but moderate, rate increases.

### **WATER POLLUTION CONTROL PLANT**

The primary challenge for the Plant, as it has been for the past several years, is the increased and sustained funding needed for the capital rehabilitation of the aging infrastructure. In 2007, a consultant identified approximately \$1 billion in Plant infrastructure rehabilitation and replacement needs, after which, the Plant hired a consultant and embarked on a three-year master planning process, a major component of which is the rehabilitation and replacement of the Plant's oldest assets, which are between 30 and 50 years old. Upon the completion of this effort, the Plant expects to have a comprehensive investment plan that will both rehabilitate major assets and incorporate technologic advances within the sewage treatment process to improve efficiency and minimize the overall environmental impact of the system. The Plant Master Plan will be the blueprint for the Plant's development over the next 30 years and will cover expected wastewater flows and loads to the Plant, rates, staffing, Plant infrastructure, use of the buffer lands, and biosolids processing.

The greatest challenge of this effort will be the coordination of construction activities and implementing complex process changes to a 24-hour operations facility without compromising the quality and reliability of the treatment process. In order to accomplish this, it is anticipated that additional staffing will be required to implement such extensive changes to the treatment process. As the Plant Master Plan is implemented, the operational efficiency and reliability of the Plant will increase and continue to ensure public health of the community as well as the protection of the local eco-system.

### **SANITARY SEWER COLLECTION SYSTEM**

Approximately 80% of the City's sewer pipes are between 37 and 57 years old. This greatly increases the occurrences of pipe sags, cracks, and separation of joints, which makes the system more susceptible to blockages. In addition, the average age of the City's 16 sanitary sewer pump stations is over 30 years. It is commonly expected that a pump station be rehabilitated with new pumps, motors, and control systems every twenty years.

The Departments of Transportation (DOT) and Public Works are collaboratively preparing a Sanitary Sewer Condition Assessment Study to begin a comprehensive evaluation of the physical condition of the existing collection system. The study would establish the ground work for identifying funding needs and priorities for the ongoing maintenance and rehabilitation of the sewer collection system. It is expected that significant investment needs (tens of millions of dollars) in system rehabilitation and maintenance will be identified.

One of the challenges in the near future is the anticipated new environmental mandates related to the operation and maintenance of the collection system. As a result, more stringent maintenance and operation requirements are anticipated, increasing demand on resources for DOT in both personnel and equipment. The anticipated higher standards include establishment of video inspection cycle for the entire sanitary sewer collection system, reduction in line cleaning cycle to 2-3 years, faster response time to spills and backups, significant reduction of grease build-up in sewers, and significant reduction of sewer spills and backups to homes and other buildings.

DOT is proactively developing an ambitious and challenging proposal for a pilot “High Performing Team Service Agreement” for their Sewer Line Cleaning Program. The proposed agreement would be between the department’s service unit and the City Manager’s Office. The paramount goal of the agreement is to achieve higher levels of performance and/or reduce costs. The service/cost information would be verified by the City Auditor’s Office.

For 2009-2010 and beyond, major challenges for the Sanitary Sewer Capital Program are to balance project delivery priorities between responding to urgent neighborhood sewer repair projects to address sewer back-ups/overflows and other scheduled capital improvement projects. Also, due to changes between General Plan (GP) 2020 and the Envision 2040, reprioritizing some capacity enhanced projects that were identified under the Master Plan Phase I (which was based on the GP 2020) will be necessary.

Asset management and interconnection data sharing are necessary to coordinate DOT’s maintenance data with Public Work’s master plan, condition assessment, and CIP data. This is a long-term challenge for both departments and the Information Technology Department.

# **STORM SEWER OPERATING FUND 446**

The Storm Sewer Operating Fund supports the Environmental Services Department's core service to Manage Urban Runoff Quality by implementing programs to reduce or eliminate pollution from entering the storm sewer system and waterways to protect the health of South San Francisco Bay and its watershed. It also supports the Department of Transportation's core service Storm Sewer Management to maintain and operate the storm sewer system.

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## **PURPOSE OF THE FUND**

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The Fund was established by the San José City Council to improve the quality of the City's storm and surface water runoff and to meet the costs of increasing Federal, State, and regional regulatory requirements. This interdepartmental fund supports programs that ensure regulatory compliance, protect the quality of stormwater runoff, maintain storm sewer infrastructure, and operate the storm sewer collection system. The Departments of Environmental Services, General Services, Public Works, Transportation, and Planning, Building and Code Enforcement manage the key programs. Staff in these departments plan and administer pollution prevention activities and manage the acquisition, repair, construction, reconstruction, operations, and maintenance of the storm sewer system.

## **FUND HISTORY**

Under the Clean Water Act, the City of San José is responsible for the quality of water discharged through its storm sewer system into local creeks and, ultimately, the San Francisco Bay. Water quality emerged as a major factor in stormwater management in the late 1980s, resulting in amendments to the Clean Water Act in 1987. These amendments established a permit system requiring agencies that discharge stormwater into natural water bodies to take specific actions to improve water quality and prevent pollution.

In 1989, San José joined with 14 other Santa Clara County agencies to form the Santa Clara Valley Urban Runoff Management Pollution Prevention Program (SCVURPP). This was done to more effectively collaborate as they negotiated with the San Francisco Bay Regional Water Quality Control Board as to the terms of the proposed joint National Pollutant Discharge Elimination System (NPDES) permit. In 1990, SCVURPP received its first NPDES Stormwater permit, one of the first in the nation. The City of San José has dual responsibilities under the permit. As a discharger, the City is responsible for specific activities to prevent and reduce stormwater pollution within its jurisdiction. As a co-permittee, the City shares responsibilities to support the activities of the regional program. To effectively track the costs of this program, the City established the Storm Sewer Operating Fund on June 15, 1991, by the adoption of Ordinance No. 23781.

**FUND GOALS AND GUIDELINES**

Formal guidelines for determining the appropriate fund balance level have not been established for the Fund. However, because most of the assessment revenues are collected by the Santa Clara County Tax Collector's Office twice a year through the tax rolls and remitted to the City, an adequate level of fund balance reserves is needed to maintain adequate cash flow until the County payments are received. Therefore, the Fund's guideline is to maintain a reserve of one to two months expenses.

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## **PROGRAMS AND ACCOMPLISHMENTS**

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The Storm Sewer Operating Fund supports programs that provide a variety of services to San José residents. The Environmental Services Department (ESD) coordinates and monitors City NPDES Stormwater permit compliance activities which include enforcing illegal dumping codes; inspecting over 4,000 industrial and commercial facilities and construction sites for pollution control measures per year; providing education and information to residents; working with co-permittee agencies on watershed protection issues; incorporating pollution prevention measures into municipal operations; and providing compliance reports to regulatory agencies. Storm sewer operation, maintenance, and rehabilitation are provided by the Departments of Transportation (DOT) and Public Works. Major accomplishments in 2008-2009 include:

### **Operations & Maintenance**

- DOT field crews cleaned and inspected 29,800 storm drain inlets, resulting in the removal of approximately 430 cubic yards of debris. Cleanings prevent flooding of streets as well as of the entry of potential pollutants into creeks, rivers, and the San Francisco Bay.
- The City performed approximately 61,000 curb miles of street sweeping, removing an additional 8,200 tons of debris that would have otherwise washed into the storm drain system with stormwater runoff.
- Street sweeping restriction signage and enforcement were expanded by 20 curb miles, reducing the number of parked cars and allowing for more effective sweeping on sweep days.
- Alternatives to improve the longevity and legibility of painted stencil markings on storm drains were piloted. Thermoplastic inlet markers were installed in areas of the City with higher incidences of illegal dumping reports and in Alviso which is subject to high volumes of stormwater runoff.
- One-hundred-eighty metal inlet markers were installed as a part of DOT's Americans with Disabilities Act (ADA) curb ramp retrofit program. Data will be collected and analyzed to assess the effectiveness and durability of the different marker types.
- Three street sweeper trucks that had exceeded their useful life were replaced, reducing maintenance expenses and improving sweeping effectiveness.

### **Capital Improvements**

- Several older pumps stations were rehabilitated to reduce the risk of localized flooding. Improvements included engine replacements at the Oakmead Pump Station and electrical upgrades at the Gold Street Pump Station.
- A fourth year of Neighborhood Storm Drainage Improvement projects was completed to address drainage concerns along special corridors. Projects included Dent Avenue and Chateau Drive storm drain improvements, as well as significant improvements in the Albany/Kiely area.

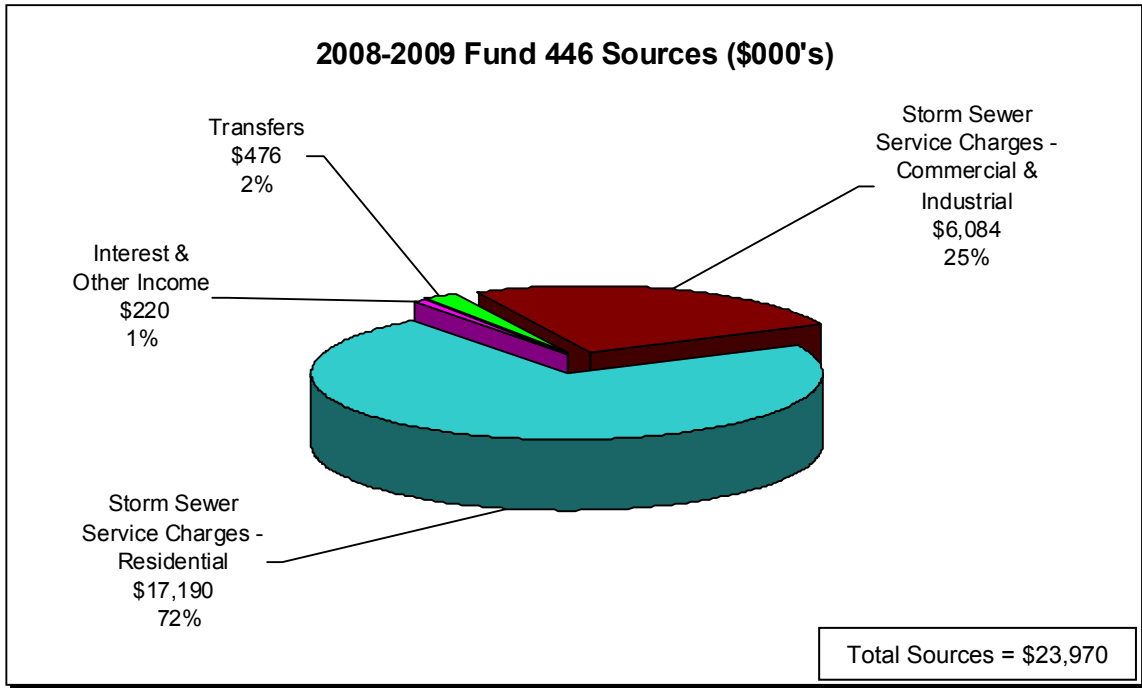
**Pollution Control and Permit Compliance**

- The weed control grazing program, which uses goats and sheep to eliminate weeds, expanded its efforts from 67 acres to nearly 600 acres and, as a result, avoided the application of 77 pounds of pesticides which can be carried into creeks with stormwater runoff.
- Trash and litter removal and control were addressed on many fronts including:
  - Clean-ups implemented in partnership with the Santa Clara Valley Water District that removed 11,000 pounds of debris from Coyote Creek and Guadalupe River;
  - Weekly and monthly homeless encampment clean-ups implemented in coordination with the Housing and Police Departments that resulted in removal of 369,200 pounds of debris;
  - On-going public education and collaboration with other local agencies focusing on litter prevention.
  - Eighty-four catch basin inserts were installed as part of a multi-year structural trash management pilot study.
- City staff inspected more than 4,900 commercial and industrial facilities for compliance with stormwater best management practices. This represents an 8% increase over the number of facilities inspected in 2007-2008.
- More than 70 training sessions were conducted for City staff on various procedures and issues related to stormwater programs including conferences, inspectors training, Environmental Services Department University, and computer training.
- The City expanded its education and outreach efforts through development of a new residential brochure entitled “You are the Solution to Water Pollution” and translated this cornerstone educational piece into Spanish and Vietnamese.
- More than 345,000 pieces of outreach materials were distributed to residents and businesses. These include Best Management Practices (BMPs) disseminated by the City’s Environmental Inspectors, City staff at outreach events, and self-serve BMPs downloaded from the City website.
- Of the 62 private development projects that incorporated hydraulically-sized stormwater management measures in 2008-2009, over half used landscaped-based treatment controls, either as the sole treatment or paired with mechanical treatment. This increased use of Low Impact Development (LID) stormwater management practices, such as using permeable pavement in parking areas, is an example of the program’s success in providing outreach to and collaboration with the development community.
- Staff in the Departments of Environmental Services, Public Works, and Planning, Building, and Code Enforcement negotiated extensively with the Regional Water Quality Control Board to develop a feasible Municipal Regional Permit, which was adopted in October 2009.
- Approximately 200 approved private development sites now fall under the City’s Best Management Practices (BMP) Operation and Maintenance Verification Program. These sites are inspected to verify that post-construction BMPs are correctly installed and properly maintained by property owners and managers.

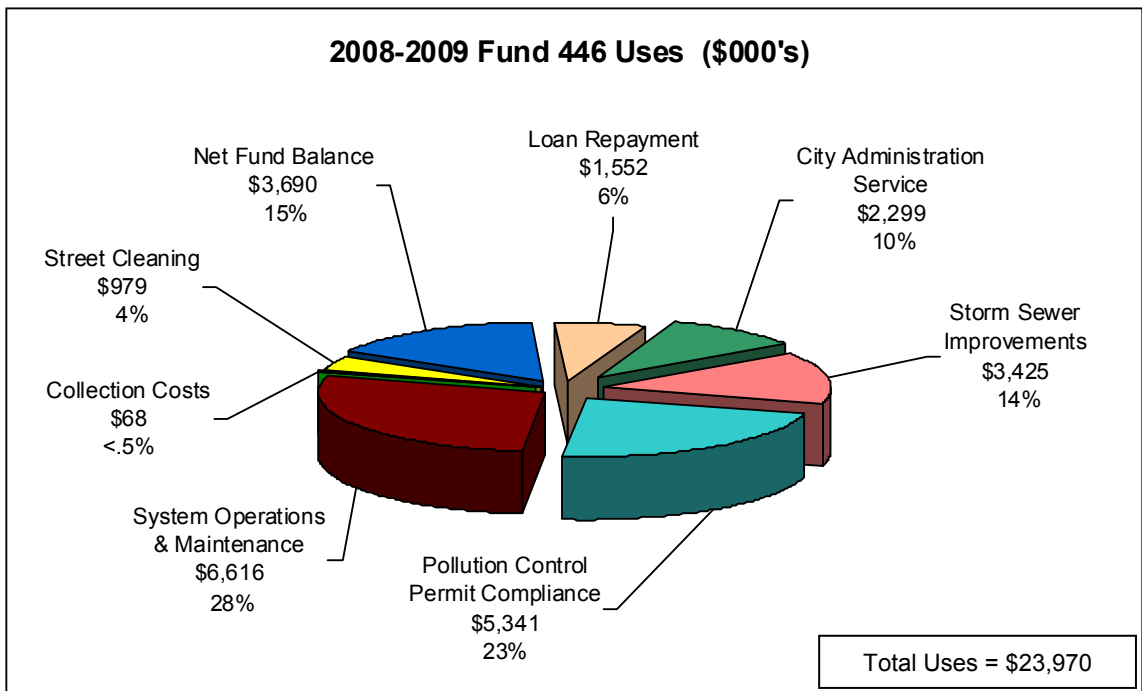
**SOURCES AND USES OF FUNDS**

Figures 1 and 2 below show the actual sources and uses of funds for 2008-2009.

**Figure 1**



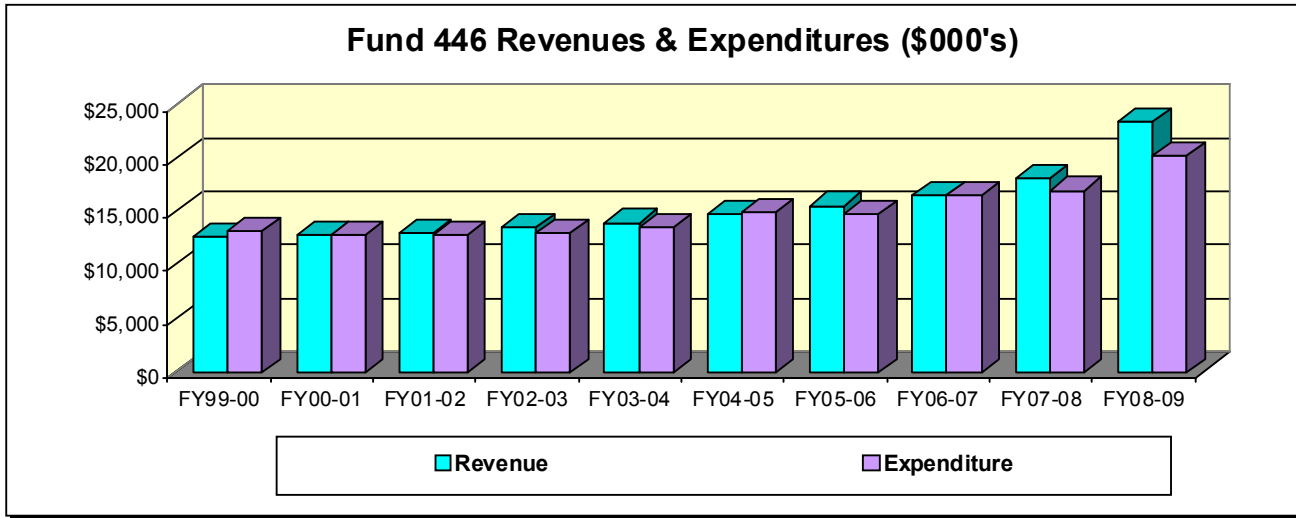
**Figure 2**



## REVENUES, EXPENDITURES, AND FUND BALANCE

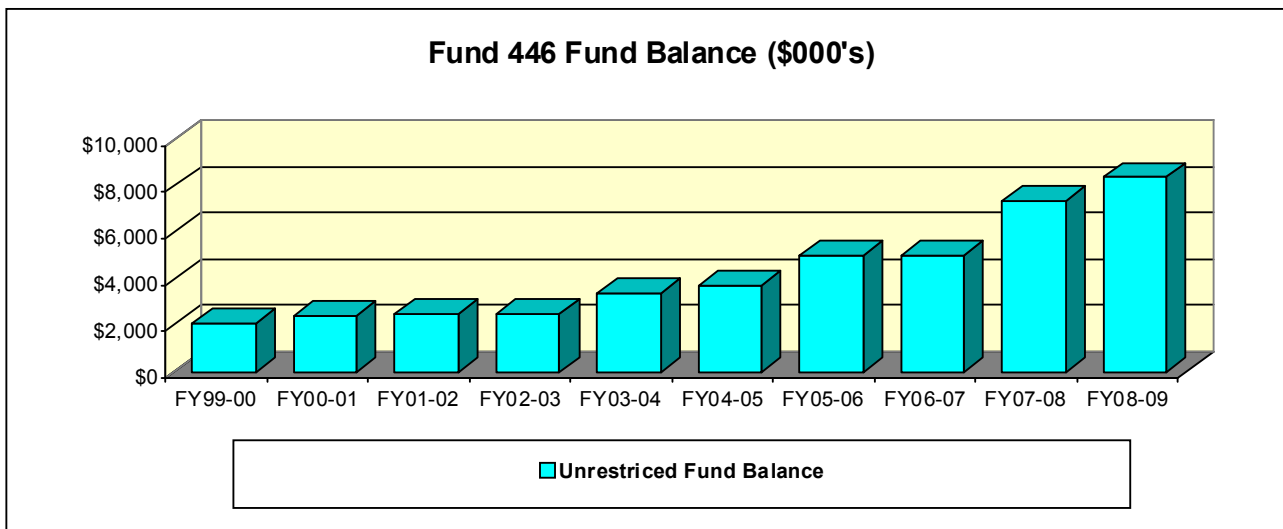
Figures 3 and 4 below show a ten-year history of current revenues, expenditures, and fund balance for 1999-2000 through 2008-2009.

**Figure 3**



	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09
<b>Rev.</b>	\$12,630	\$12,806	\$12,945	\$13,444	\$13,976	\$14,709	\$15,547	\$16,569	\$18,036	\$23,494
<b>Exp.</b>	\$13,175	\$12,819	\$12,801	\$12,987	\$13,567	\$14,867	\$14,763	\$16,502	\$16,965	\$20,280

**Figure 4**



	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09
<b>Unrestricted Fund Balance</b>	\$2,113	\$2,437	\$2,502	\$2,501	\$3,395	\$3,734	\$5,019	\$5,013	\$7,369	\$8,388

## **REVENUES**

The primary source of revenue for the Fund is assessments on residential, commercial, and industrial land parcels. For 2008-2009, assessments included a 30% rate increase to address the increased demands of implementing the NPDES Stormwater permit requirements as well as to fund critical storm sewer system infrastructure needs and equipment.

For 2008-2009, assessment revenues ended the year approximately \$660,000, or 3%, above budgeted levels. Additionally, interest earnings and other miscellaneous revenue were 6% higher than budgeted, adding another \$81,000 to the Fund.

The Fund also received a one-time transfer of \$476,000 from the Emergency Reserve Fund.

## **EXPENDITURES**

Expenditures and transfers for 2008-2009 totaled \$20.3 million, representing a savings of \$3.34 million. Savings were generated largely from the Department of Transportation (\$1.9 million) due to an unusually dry winter season; ESD (\$1.2 million) as a result of projects being phased into 2009-2010; yard trimmings collection and street sweeping (\$48,000); and collective savings of \$235,000 in various support departments, overhead, and workers' compensation claims savings. A portion of these savings were a result of program delays.

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## **RATE HISTORY AND METHODOLOGY**

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### **RATE HISTORY**

When first established, the rate structure for Storm Sewer Service Charges was based on wastewater discharge and charges were applied only to properties with a sanitary sewer connection. Properties not connected to the sanitary sewer were not charged for stormwater conveyance, including properties such as parking lots with large paved areas that contributed significant runoff to the system.

In 1998, the City hired a consultant to develop a rate structure that would more equitably distribute costs among the properties served by the system. City Council adopted a new rate structure in 1999 that includes charges for all properties served by the storm sewer system and is directly tied to characteristics of stormwater discharge.

Long-range projections reflect increased costs for water quality programming for permit compliance and an aging storm sewer infrastructure that requires increased rehabilitation. In order to continue addressing these needs, a 30% rate increase was adopted by Council for 2008-2009. Following an assessment of operating and capital needs, a 30% rate increase was also adopted for 2009-2010 to continue efforts to adequately fund the operation and maintenance of the City's storm sewer system, to realign eligible expenditures from the General Fund, to ensure the quality of stormwater runoff, and to fund necessary capital improvements to the storm sewer system.

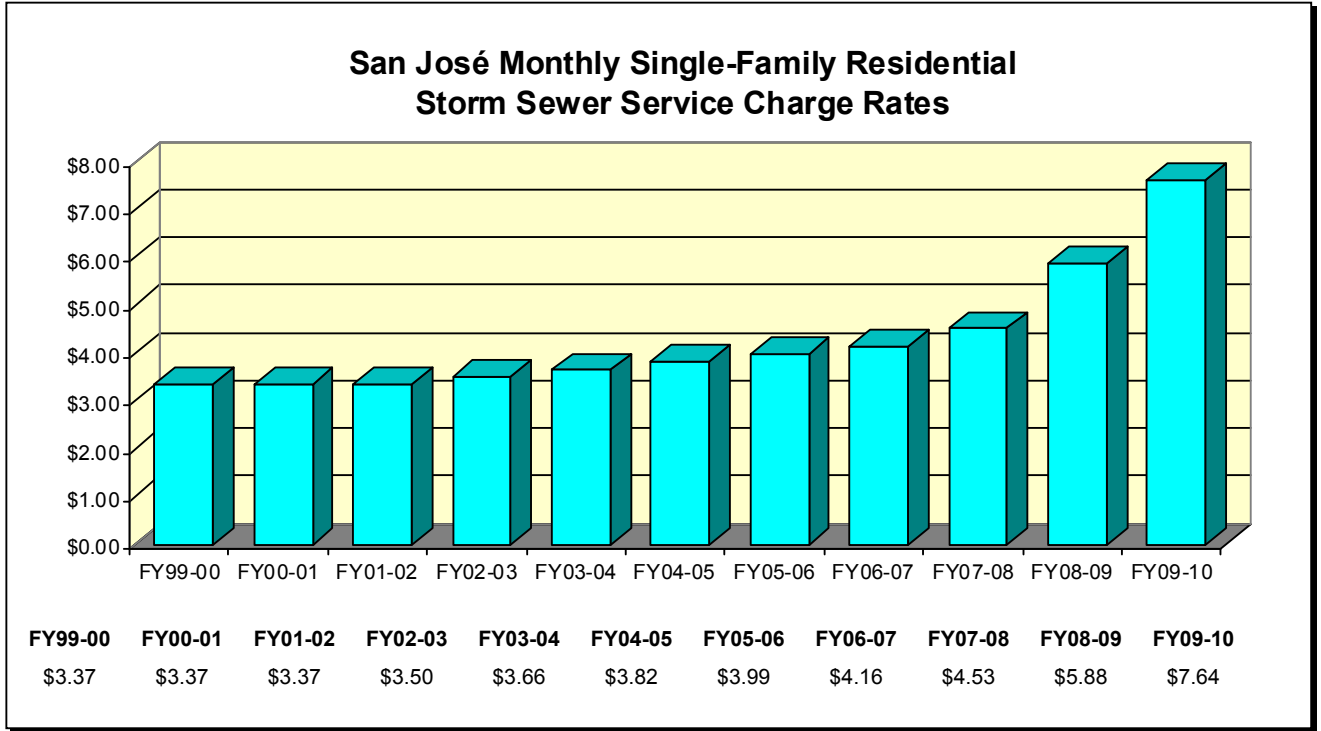
### **RATE SETTING METHODOLOGY**

Storm Sewer Service Charge rates are based on the relative quality and quantity of stormwater runoff contributed by residential, commercial, institutional, and industrial properties. The rate structure is designed to apportion the costs of storm sewer service to properties in proportion to their relative contribution of flow and pollutants into the system. This structure allows rates to reflect the costs of providing service to residential and non-residential properties.

Rates are assigned by groupings, based on the type of use. There are four residential flat rates. Rates for all other uses, including commercial and light industrial, heavy industrial, parking lots, schools, churches, and colleges are calculated individually. Rates for these parcels include a charge based on acreage plus a flat charge reflecting typical runoff characteristics for each type of discharger.

Figure 6 below illustrates the historical trend of San José’s monthly single-family residential Storm Sewer Service Charge rates from 1999-2000 through 2009-2010. Current rates are detailed in Appendix D.

**Figure 6**



**RATE COMPARISONS**

Table 1 below compares San José’s monthly Storm Sewer Service Charge rate for typical single-family dwellings with those of other San Francisco Bay Area cities. It should be noted that for some agencies, storm sewer costs are included with the sanitary sewer fees. The rate surveys were taken in September 2009.

**Table 1**  
**Single-Family Dwelling**  
**Monthly Storm Sewer Service Charge Comparisons**

<b>San Francisco Bay Area Cities</b>	<b>Monthly Rates</b>
Palo Alto <sup>1</sup>	\$ 8.76
Berkeley <sup>2</sup>	Variable
<b>San José</b>	<b>\$ 7.64</b>
Concord	\$ 2.92
Hayward <sup>3</sup>	\$ 2.38
Fremont <sup>4</sup>	\$ 1.13

<sup>1</sup> Rate is based on single family resident parcel size, less than 6,000 sq ft \$8.76/month, 6000-11,000 sq ft \$10.95/month, 11,000+ sq ft \$15.33/month.

<sup>2</sup> Rate is based on a formula that includes the parcel square footage multiplied by .4 divided by the standard runoff rate.

<sup>3</sup> Rate is based on single-family residence on .25 acre (minimum). Service charge is parcel size multiplied by .4 runoff factor multiplied by \$285.60.

<sup>4</sup> Rate is for a single family residence with 6-7 rooms.

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## MAJOR CHALLENGES

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The current NPDES Stormwater permit was approved in February 2001 and has been administratively extended pending the adoption of the next permit, which is being developed as a Municipal Regional Permit for stormwater. A second formal draft of the permit was released in February 2009 and will direct stormwater programming for 77 agencies, mostly cities, throughout the Bay Area. The permit was adopted in October 2009 and will require:

- New and expanded programs to reduce pollutants discharged through the storm sewer system, such as mercury, pesticides, and trash;
- Expanded implementation of treatment and flow controls on new development projects;
- Expanded water quality monitoring and regional studies;
- Rigorous data collection and reporting to demonstrate compliance.

The City has tried to anticipate the requirements and compliance costs of the new NPDES Stormwater permit and align resources to allow for swift response and implementation upon permit adoption. The first phase of investment was programmed as part of the 2008-2009 Adopted Operating Budget and includes programs to address the impacts of trash in creeks, expanded enforcement activities, and special studies to evaluate the effectiveness and feasibility of implementing methods to address high priority pollutants such as mercury and PCBs. A reserve has been established in the Storm Sewer Operating Fund to address the initial demands of implementing the new permit provisions and will be appropriated as the permit requirements become more clearly defined after its adoption. Staff will continue to analyze operational, capital, and regulatory compliance needs and develop funding proposals and a rate strategy for Council consideration as needed.

The storm sewer infrastructure continues to age and require more rehabilitation and replacement. While annual transfers into the Storm Drainage Capital Fund have increased over the last several years, the storm capital program still has significant unfunded needs, including development of a system master plan.

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## APPENDIX A

### INTEGRATED WASTE MANAGEMENT FUND 423 SCHEDULE OF RECYCLED PLUS SINGLE-FAMILY MONTHLY RATES AND CHARGES Effective July 1, 2009 Resolution # 74905

Service Level	20-Gallon Garbage Cart	32-Gallon Garbage Cart	64-Gallon Garbage Cart	96-Gallon Garbage Cart	128-Gallon Garbage Cart (96+32)	160-Gallon Garbage Cart (96+64)	192-Gallon Garbage Cart (96+96)	224-Gallon Garbage Cart (96+96+32)	One 96-Gal. Shared Garbage Cart	Two 96-Gal. Shared Garbage Carts
	Rates	Rates	Rates	Rates	Rates	Rates	Rates	Rates	Rates	Rates
Standard Service	\$ 25.90	\$ 27.50	\$ 55.00	\$ 82.50	\$ 110.00	\$ 137.50	\$ 165.00	\$ 192.50	\$ 70.86	\$ 105.77
On-Premises Collection	\$ 82.00	\$ 83.59	\$ 111.08	\$ 138.57	\$ 166.06	\$ 193.55	\$ 221.03	\$ 248.52	\$ 126.96	\$ 217.97
On-Premises Disabled	\$ 25.90	\$ 27.50	\$ 55.00	\$ 82.50	\$ 110.00	\$ 137.50	\$ 165.00	\$ 192.50	N/A	N/A
LIRA	\$ 18.13	\$ 19.25	\$ 27.50	\$ 41.25	\$ 55.00	\$ 68.75	\$ 82.50	\$ 96.25	N/A	N/A
LIRA – Large Family	N/A	N/A	\$ 41.25	\$ 61.88	\$ 82.50	\$ 103.13	\$ 123.75	\$ 144.38	N/A	N/A
Special Medical	N/A	N/A	\$ 27.50	\$ 55.00	\$ 82.50	\$ 110.00	\$ 137.50	\$ 165.00	N/A	N/A
Hardship	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	N/A	N/A
Small Business	N/A	\$ 34.16	\$ 61.69	\$ 89.19	\$ 116.72	\$ 144.23	\$ 171.75	\$ 199.29	N/A	N/A
On-Premise Small Business	N/A	\$ 90.26	\$ 117.79	\$ 145.29	\$ 172.82	\$ 200.33	\$ 227.85	\$ 255.39	N/A	N/A

**APPENDIX A (continued)**

**INTEGRATED WASTE MANAGEMENT FUND 423  
SCHEDULE OF RECYCLED PLUS SINGLE-FAMILY MONTHLY RATES AND CHARGES  
Effective July 1, 2009  
Resolution # 74905**

<b>Additional Services</b>	<b>Rates and Charges</b>
Cart Exchanges	\$15.00 for each exchange in excess of once per fiscal year
Container charge for repeated cart requests or abuse of cart	\$60.00 plus the actual container replacement cost, including delivery costs
Yard Trimmings Cart	\$4.00 per month
Extra Garbage Stickers	\$6.25 per sticker
Large Item Collection	\$25.00 for each 3 items
Missing/Stolen Carts	Free
Contaminated Recycling Cart	\$15.00 per incident per cart

## APPENDIX A

### INTEGRATED WASTE MANAGEMENT FUND 423 SCHEDULE OF RECYCLED PLUS MULTI-FAMILY MONTHLY RATES AND CHARGES Effective July 1, 2009 Resolution # 74905

Garbage Bin Size (cu yd)	Standard Recycling Bin Size (cu yd)		Number of Collections Per Week (Recycling Collection Once Per Week)					Extra Pick Up
			1	2	3	4	5	
1	1	Rates	\$ 91.01	\$ 164.82	\$ 238.66	\$ 312.50	\$ 386.34	\$ 39.16
1.5	1.5	Rates	\$ 114.31	\$ 209.71	\$ 305.12	\$ 400.54	\$ 495.93	\$ 44.56
2	2	Rates	\$ 138.21	\$ 255.21	\$ 372.21	\$ 489.18	\$ 606.16	\$ 49.99
3	3	Rates	\$ 184.90	\$ 345.06	\$ 505.20	\$ 665.34	\$ 825.47	\$ 60.84
4	4	Rates	\$ 231.62	\$ 434.92	\$ 638.20	\$ 841.51	\$1,044.82	\$ 71.71
5	5	Rates	\$ 278.31	\$ 524.75	\$ 771.22	\$1,017.70	\$1,264.15	\$ 81.97
6	6	Rates	\$ 325.01	\$ 614.64	\$ 904.23	\$1,193.85	\$1,483.48	\$ 93.38
8	8	Rates	\$ 418.40	\$ 794.34	\$1,170.24	\$1,546.18	\$1,922.11	\$ 115.08

- (1) For bins without wheels, the monthly service rates set out above are reduced by \$4.00 multiplied by the number of collections per week except for 6 and 8 cubic yard bins which include the deduction.
- (2) Additional recycling capacity and/or collection frequency to be considered upon request.

**APPENDIX A (continued)**

**INTEGRATED WASTE MANAGEMENT FUND 423  
SCHEDULE OF RECYCLED PLUS MULTI-FAMILY MONTHLY RATES AND CHARGES  
Effective July 1, 2009  
Resolution # 74905**

**Customer Owned Bin Deduction or Bin Rental Fee**

	Bin Size (cubic yards)							
	1	1.5	2	3	4	5	6	8
Rates	\$ (11.33)	\$ (12.46)	\$ (14.01)	\$ (16.34)	\$ (18.67)	\$ (21.00)	\$ (23.34)	\$ (28.01)

**Compactor Service**

Per Collection, Per Cubic Yard	
Rate	\$ 43.52

(1) Package rate includes service for recycling compactor of equal size to garbage bin.

## APPENDIX A (continued)

### INTEGRATED WASTE MANAGEMENT FUND 423 SCHEDULE OF RECYCLED PLUS MULTI-FAMILY MONTHLY RATES AND CHARGES Effective July 1, 2009 Resolution # 74905

#### Bin Push Service

Rates include push of equal distance for recycling bin.

Distance (in feet)		Number of Pushes Per Week					Extra Pick-Up
		1	2	3	4	5	
Up to 25	Rates	\$ 20.39	\$ 40.78	\$ 61.17	\$ 81.56	\$ 101.95	\$ 12.64
50	Rates	\$ 40.78	\$ 81.56	\$ 122.34	\$ 163.12	\$ 203.90	\$ 25.28
75	Rates	\$ 61.17	\$ 122.34	\$ 183.51	\$ 244.68	\$ 305.85	\$ 37.92
100	Rates	\$ 81.56	\$ 163.12	\$ 244.68	\$ 326.24	\$ 407.80	\$ 50.56
125	Rates	\$ 101.95	\$ 203.90	\$ 305.85	\$ 407.80	\$ 509.75	\$ 63.20
150	Rates	\$ 122.34	\$ 244.68	\$ 367.02	\$ 489.36	\$ 611.70	\$ 75.84
175	Rates	\$ 142.73	\$ 285.46	\$ 428.19	\$ 570.92	\$ 713.65	\$ 88.48
200	Rates	\$ 163.12	\$ 326.24	\$ 489.36	\$ 652.48	\$ 815.60	\$ 101.12

- (1) For regular pushes greater than 200 feet, the monthly charge is \$20.39 multiplied by the number of 25 foot increments multiplied by the number of collections per week. Example: The monthly rate for a 276 foot push for a bin collected 3/week is figured as  $12 * \$20.39 * 3 = \$734.04$
- (2) For extra pushes greater than 200 feet, the push charge is 0.62 times \$20.39 multiplied by the number of 25 foot increments.

**APPENDIX A (continued)**

**INTEGRATED WASTE MANAGEMENT FUND 423  
SCHEDULE OF RECYCLED PLUS MULTI-FAMILY MONTHLY RATES AND CHARGES  
Effective July 1, 2009  
Resolution # 74905**

**Cart Push Service**

<b>Distance (in feet)</b>		<b>Regular Push</b>	<b>Extra Push</b>
up to 25	Rates	N/A	N/A
26-50	Rates	\$ 20.39	\$ 12.64
51-75	Rates	\$ 40.78	\$ 25.28
76-100	Rates	\$ 61.17	\$ 37.92
101-125	Rates	\$ 81.56	\$ 50.56
126-150	Rates	\$ 101.95	\$ 63.20
151-175	Rates	\$ 122.34	\$ 75.84
176-200	Rates	\$ 142.73	\$ 88.48

- (1) Push rates apply to either 1 cart or to a set of 2 carts.
- (2) For regular pushes greater than 200 feet, the monthly charge is \$20.39 multiplied by the number of 25 foot increments minus 1.
- (3) For extra pushes greater than 200 feet, the charge is 0.62 times \$20.39 multiplied by the number of 25 foot increments minus 1.

**APPENDIX A (continued)**

**INTEGRATED WASTE MANAGEMENT FUND 423  
SCHEDULE OF RECYCLED PLUS MULTI-FAMILY MONTHLY RATES AND CHARGES  
Effective July 1, 2009  
Resolution # 74905**

**Contaminated Recycling Collection**

**Bins**

<b>yBin Size (cu. yd.)</b>		<b>Pick-Up Charge</b>
1	Rate	\$ 31.90
1.5	Rate	\$ 44.58
2	Rate	\$ 49.99
3	Rate	\$ 60.85
4	Rate	\$ 71.71
5	Rate	\$ 81.96
6	Rate	\$ 92.25
8	Rate	\$ 115.08

**Carts**

<b>Number of Carts</b>		<b>Pick-Up Charge</b>
1	Rate	\$ 31.90
2	Rate	\$ 49.17
3	Rate	\$ 88.51
4	Rate	\$ 98.33
5	Rate	\$ 137.69
6	Rate	\$ 147.53
7	Rate	\$ 186.90
8	Rate	\$ 196.74
9+	Rate	\$24.59/cart

(1) Extra Pick-Up rates apply to the collection of recycling bins or carts which are contaminated with garbage.

**APPENDIX A (continued)**

**INTEGRATED WASTE MANAGEMENT FUND 423  
SCHEDULE OF RECYCLED PLUS MULTI-FAMILY MONTHLY RATES AND CHARGES  
Effective July 1, 2009  
Resolution # 74905**

Additional Services	Rates and Charges	
<b><u>Large Item Collection</u></b>		
Per-Item Charge (1-3):	\$	55.50
Each additional item:	\$	18.50
<b><u>Garbage Overflow</u></b>		
Delivery and Pick-Up of Bin Rental Rate	\$	40.18
		Regular monthly charge for bin service prorated to the number of weeks the overflow bin is requested.
<b><u>Lock Services</u></b>		
Lock Installed, Plus Key	\$	180.45
Lock 3 Carts Together	N/A	\$ 109.18 /three
Repaired, Including Lock	\$	116.76
Repaired, Excluding Lock	\$	98.57
Removed (damaged by customer)	\$	133.43
Removed (requested by customer)	\$	66.71
Special Services, Welding or Retrofit	\$	66.10 /hour
<b><u>Other Services</u></b>		
Service Level Changes (bin or 2 carts) (in excess of once per year)	\$	25.00
Container Cleaning (bin or 2 carts) (in excess of once per year)	\$	25.00
Yard Trimmings Cart	N/A	\$ 10.02
Hardship Rate (for uninhabitable properties)	\$	0.00

## APPENDIX B

### WATER UTILITY FUND 515 SCHEDULE OF BI-MONTHLY RATES AND CHARGES FOR WATER SERVICE

Resolution No. 74977

Effective July 1, 2009

#### Bi-Monthly Quantity Charges for Single Family Dwellings (\$ per HCF)

TIER	EVERGREEN ZONE 1	EVERGREEN ZONE 2	EVERGREEN ZONES 3, 4	EVERGREEN ZONES 5, 6	EDENVALE	COYOTE	ALVISO	NSJ	McCARTHY DIXON
0-14 HCF	\$1.98	\$2.08	\$2.17	\$2.28	\$1.98	\$1.98	\$1.98	\$1.98	N/A
>14-28 HCF	\$2.27	\$2.35	\$2.45	\$2.56	\$2.27	\$2.27	\$2.27	\$2.27	N/A
>28-42 HCF	\$2.51	\$2.62	\$2.71	\$2.82	\$2.51	\$2.51	\$2.51	\$2.51	N/A
>42 HCF	\$2.77	\$2.87	\$2.97	\$3.05	\$2.77	\$2.77	\$2.77	\$2.77	N/A

#### Bi-Monthly Quantity Charges for Multi Family Dwellings (\$ per HCF)

TIER	EVERGREEN ZONE 1	EVERGREEN ZONE 2	EVERGREEN ZONES 3, 4	EVERGREEN ZONES 5, 6	EDENVALE	COYOTE	ALVISO	NSJ	McCARTHY DIXON
0-14 HCF x (# of units)	\$1.98	\$2.08	\$2.17	\$2.28	\$1.98	\$1.98	\$1.98	\$1.98	N/A
>14-28 HCF x (# of units)	\$2.27	\$2.35	\$2.45	\$2.56	\$2.27	\$2.27	\$2.27	\$2.27	N/A
>28-42 HCF x (# of units)	\$2.51	\$2.62	\$2.71	\$2.82	\$2.51	\$2.51	\$2.51	\$2.51	N/A
>42 HCF x (#of units)	\$2.77	\$2.87	\$2.97	\$3.05	\$2.77	\$2.77	\$2.77	\$2.77	N/A

#### Bi-Monthly Quantity Charges for Non-Residential (\$ per HCF)

TIER	EVERGREEN ZONE 1	EVERGREEN ZONE 2	EVERGREEN ZONES 3, 4	EVERGREEN ZONES 5, 6	EDENVALE	COYOTE	ALVISO	NSJ	McCARTHY DIXON
All HCF	\$2.27	\$2.35	\$2.45	\$2.56	\$2.27	\$2.27	\$2.27	\$2.27	\$4.83

**APPENDIX B (continued)**

**WATER UTILITY FUND 515  
SCHEDULE OF BI-MONTHLY RATES AND CHARGES FOR WATER SERVICE  
Resolution No. 74977  
Effective July 1, 2009**

**Bi-Monthly Service Charges**

<b>METER SIZE</b>	<b>RATE CODE</b>	<b>EVERGREEN ZONE 1</b>	<b>EVERGREEN ZONE 2</b>	<b>EVERGREEN ZONES 3, 4</b>	<b>EVERGREEN ZONES 5, 6</b>	<b>EDENVALE</b>	<b>COYOTE</b>	<b>ALVISO</b>	<b>NSJ</b>	<b>DETECTOR CHECK ALL AREAS</b>
5/8 inch	A	\$17.34	\$17.34	\$17.34	\$17.34	\$17.34	\$17.34	\$17.34	\$17.34	N/A
3/4 inch	B	\$17.72	\$17.72	\$17.72	\$17.72	\$17.72	\$17.72	\$17.72	\$17.72	N/A
1 inch	C	\$30.82	\$30.82	\$30.82	\$30.82	\$30.82	\$30.82	\$30.82	\$30.82	N/A
1.5 inch	D	\$61.64	\$61.64	\$61.64	\$61.64	\$61.64	\$61.64	\$61.64	\$61.64	N/A
2 inch	E	\$95.02	\$95.02	\$95.02	\$95.02	\$95.02	\$95.02	\$95.02	\$95.02	\$18.00
3 inch	F	\$179.78	\$179.78	\$179.78	\$179.78	\$179.78	\$179.78	\$179.78	\$179.78	\$36.00
4 inch	G	\$274.80	\$274.80	\$274.80	\$274.80	\$274.80	\$274.80	\$274.80	\$274.80	\$54.00
6 inch	H	\$359.56	\$359.56	\$359.56	\$359.56	\$359.56	\$359.56	\$359.56	\$359.56	\$72.00
8 inch	I	\$513.66	\$513.66	\$513.66	\$513.66	\$513.66	\$513.66	\$513.66	\$513.66	\$90.00
10 inch	J	\$642.10	\$642.10	\$642.10	\$642.10	\$642.10	\$642.10	\$642.10	\$642.10	\$108.00
Former Well	K	\$60.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## APPENDIX C

### SEWER SERVICE AND USE CHARGE FUND 541 SCHEDULE OF SERVICE RATES Effective July 1, 2009 Resolution #74976

#### I. RESIDENTIAL:

CLASSIFICATION	Monthly Rates	Annual Rates
Single-Family	<b>\$31.00</b>	<b>\$372.00</b>
Multi-Family (per unit)	<b>\$17.73</b>	<b>\$212.76</b>
Mobile Home	<b>\$17.77</b>	<b>\$213.24</b>

#### II. COMMERCIAL (less than 25,000 gallons per day):

Rates are per Hundred Cubic Feet (HCF) of Sewage Discharged

CLASSIFICATION	Rates	CLASSIFICATION	Rates
Meat Packers	<b>\$3.67</b>	Association/Community Services	<b>\$2.92</b>
Dairy Product Processors	<b>\$5.02</b>	Business Parks	<b>\$2.99</b>
Wholesale Bakeries	<b>\$4.48</b>	Building Construction/Field Offices	<b>\$2.99</b>
Soft Drink Bottlers	<b>\$4.44</b>	Parking Lots	<b>\$2.75</b>
Wineries	<b>\$7.85</b>	Gas Service Stations	<b>\$3.03</b>
Paper Pulp Mills	<b>\$5.70</b>	Showroom, Body Shop & Detail, & Trucking	<b>\$3.27</b>
Plating Works	<b>\$2.59</b>	Manufacturing Paint Products	<b>\$2.99</b>
Electrical Equipment	<b>\$2.95</b>	Concrete Companies	<b>\$2.99</b>
Machinery Manufacturers	<b>\$3.84</b>	Paper Recovery	<b>\$2.99</b>
Film Service Laboratories	<b>\$2.87</b>	General Industries	<b>\$2.99</b>
Soft Water Services	<b>\$2.62</b>	Chemical Manufacturing	<b>\$2.99</b>
Car Washes	<b>\$2.79</b>	Ice Plants	<b>\$2.99</b>
Automotive Steam Cleaners	<b>\$5.20</b>	Pubs	<b>\$3.17</b>
Printing Plants	<b>\$3.69</b>	Amusement Parks	<b>\$3.15</b>
Restaurants	<b>\$5.09</b>	Athletic Clubs, Fitness	<b>\$2.89</b>
Hotels-Motels	<b>\$3.06</b>	Cemeteries	<b>\$2.89</b>
Hospitals and Convalescent Homes	<b>\$2.96</b>	Country Clubs (Golf)	<b>\$3.05</b>
Private Schools, Colleges & Universities	<b>\$3.48</b>	Lounges, Clubs, Billiards	<b>\$3.05</b>
Public Schools, Colleges & Universities	<b>\$3.48</b>	Convenience Stores	<b>\$2.89</b>
Repair Shops & Service Stations	<b>\$3.11</b>	Boarding and Rooming	<b>\$3.10</b>
Domestic Laundries	<b>\$2.76</b>	Cleaners (Commercial Laundries)	<b>\$3.64</b>
Business Office/Condos	<b>\$2.92</b>	Plazas and Malls	<b>\$3.28</b>
Government Agencies	<b>\$2.92</b>	Nurseries (Growers)	<b>\$3.46</b>
Medical Center/Clinics	<b>\$2.98</b>	Laboratories (Commercial and Industrial)	<b>\$3.48</b>
Beauty Salons	<b>\$3.07</b>	Cafés and Ice-creams	<b>\$5.41</b>
Commercial and Department Stores	<b>\$3.07</b>	Donuts and Bakeries	<b>\$5.41</b>
Storage/Warehouses	<b>\$2.89</b>	Supermarket Groceries	<b>\$4.96</b>
Health Care	<b>\$2.97</b>	Mortuaries (Embalming)	<b>\$4.96</b>
Theaters	<b>\$3.05</b>	Catering	<b>\$5.14</b>
		Miscellaneous Commercial and Industrial Premises	<b>\$2.92</b>

**APPENDIX C (continued)**

**SEWER SERVICE AND USE CHARGE FUND 541  
SCHEDULE OF SERVICE RATES  
Effective July 1, 2009  
Resolution #74976**

**III. MONITORED INDUSTRIES (25,000 gallons per day and over):**

**A. CAPITAL COST RECOVERY:**

Annual charge per million gallons per day of FLOW capacity required, plus	<b>\$249,616</b>
Annual charge per thousand pounds per day of BOD removal capacity required, plus	<b>\$ 24,289</b>
Annual charge per thousand pounds per day of SS removal capacity required, plus	<b>\$ 16,526</b>
Annual charge per thousand pounds per day of NH <sub>3</sub> removal capacity required.	<b>\$ 67,204</b>

**B. OPERATIONS & MAINTENANCE COST RECOVERY:**

Annual charge per million gallons of sewage discharged to the sanitary sewer, plus	<b>\$ 2,373</b>
	(\$1.775/HCF)
Annual charge per thousand pounds of BOD <sup>1</sup> discharged to the sanitary sewer, plus	<b>\$ 187</b>
	(\$0.187/Klbs)
Annual charge per thousand pounds of SS <sup>2</sup> discharged to the sanitary sewer, plus	<b>\$ 212</b>
	(\$0.212/Klbs)
Annual charge per thousand pounds of NH <sub>3</sub> <sup>3</sup> discharged to the sanitary sewer.	<b>\$ 1,635</b>
	(\$1.635/Klbs)

<sup>1</sup> Biochemical Oxygen Demand

<sup>2</sup> Suspended Solids

<sup>3</sup> Ammonia

## APPENDIX D

### STORM SEWER OPERATING FUND 446 SCHEDULE OF SERVICE RATES Effective July 1, 2009 Resolution #74976

#### **I. RESIDENTIAL:**

CLASSIFICATION	Monthly Rates	Annual Rates
Single-Family & Duplex	\$ 7.64	\$ 91.68
Mobile Home Park (Per Unit)	\$ 3.83	\$ 45.96
Multi-Family (3-4 Units)	\$14.51	\$174.12
Multi-Family (5 or more units, Per Unit)	\$ 4.18	\$ 50.16
Condominium (Per Unit)	\$ 4.18	\$ 50.16

#### **II. NON-RESIDENTIAL:**

CLASSIFICATION	Monthly Rates		Annual Rates	
	Rate Times Acreage	Plus Flat Amount	Rate Times Acreage	Plus Flat Amount
Church	\$ 7.44	\$26.91	\$ 89.28	\$322.92
College/University	\$ 7.44	\$26.91	\$ 89.28	\$322.92
Commercial, Light Industrial, & Miscellaneous (.2 acre and over)	\$12.65	\$53.81	\$151.80	\$645.72
Commercial, Light Industrial & Miscellaneous (under .2 acre)	\$12.65	\$26.91	\$151.80	\$322.92
Heavy Industrial	\$12.65	\$67.27	\$151.80	\$807.24
Open Space	\$ 7.44	\$13.46	\$ 89.28	\$161.52
Parking Facility	\$13.40	\$53.82	\$160.80	\$645.84
School	\$ 3.70	\$13.46	\$ 44.40	\$161.52



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