

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: April 27, 2015

Approved

D. D. Syll

Date

4/28/15

INFORMATION

**SUBJECT: REPORT ON PROPOSITION 218 RATE NOTICING PROCESS FOR
UTILITY RATE CHANGES BEGINNING 2015-2016**

In April 2015, the Environmental Services Department (ESD) mailed public notices to utility rate payers in San José, advising them of proposed rate increases and their right to submit a protest to the increase as required by California law (Proposition 218). ESD issued notices for the following utilities: Sewer Service and Use Charge and Municipal Water System potable and recycled water rates. For Recycle Plus Residential Garbage and Recycling services, the rate increase noticing process for 2014-2015, 2015-2016, and 2016-2017 was completed in April 2014.

To allow for Council consideration of rate changes in June 2015, the City must provide rate increase notices in spring 2015. This timing allows sufficient time for a 45-day protest period for notice recipients and to conduct a required public hearing at the close of the protest period as required by State law. Details on the rate increase proposal are discussed below. This noticing process requires the City to prepare and mail nearly 252,300 individual notices. Given the time sensitivity of this process and the magnitude of the noticing effort, the production process is currently underway.

Sewer Service and Use Charge Rates

On April 22, 2015, public notices were mailed to approximately 227,000 residential and commercial Sewer Service and Use Charge ratepayers, advising them of Sewer Service and Use Charge rate increase proposals, including information on how to submit a protest to the increase (see Attachments A, B, and C for draft notices). The Sewer Service and Use Charge pays for costs associated with the City's wastewater collection and treatment systems.

The residential public notice sets forth a maximum Sewer Service and Use Charge rate increase of 5.5 percent for 2015-2016. Due to the findings of the Sanitary Sewer Flow Study, completed

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in late 2014, the change in the monthly Sewer Service and Use Charge differs across residential categories from a \$0.08 decrease for single-family residences to a \$6.09 increase for mobile home customers. The public notices for commercial and monitored industries set forth a maximum Sewer Service and Use Charge rate increase of up to 14 percent depending on the nature of sewage discharge for 2015-2016. The proposed residential increases for Sewer Service and Use Charge would decrease the rate for single-family residences from \$33.83 to \$33.75 per month, increase the rate for multiple-family residences from \$19.35 to \$22.62 per dwelling unit per month, and increase the rate for mobile home residences from \$19.39 to \$25.48 per mobile home unit per month. If approved by Council, the new rates would become effective July 1, 2015. The public notice and hearing also cover potential residential rate increases in 2016-2017 and 2017-2018 of up to 7.0 percent and potential commercial rate increases up to 15.0 percent.

Sewer Service and Use Charge rates were last increased in 2011-2012. The proposed rate increase in this notice is needed for continued rehabilitation and replacement of critical infrastructure and equipment at the Regional Wastewater Facility.

Municipal Water System Rates

On April 22, 2015, public notices were mailed to approximately 25,300 record owners/account holders in the Municipal Water System service area, advising them of proposed rate increases for potable and recycled water (see Attachments D and E for draft notices). The San Jose Municipal Water System provides water to Evergreen, Edenvale, Coyote Valley, and North San José. Mailing the notices as scheduled will allow sufficient time for a 45-day protest period for notice recipients prior to the public hearing and Council consideration of increased rates on June 9, 2015.

The notice sets forth a maximum Municipal Water rate increase of up to 29.0 percent for 2015-2016. Any increased water rates approved by Council would become effective July 1, 2015.

Municipal Water rates were last increased in 2014-2015. The primary drivers for the 2015-2016 rate increase are the rising cost of wholesale water from the Santa Clara Valley Water District and the San Francisco Public Utilities Commission, revenue loss associated with decreased water sales, and the funding of investments in the water utility to ensure that it remains in reliable condition.

Recycle Plus Rates

Public notices of a proposed three-year rate strategy for 2014-2015 through 2016-2017 were mailed last year, on March 17, 2014, to more than 220,000 residential property owners, advising them of Recycle Plus rate increase proposals for garbage, recycling, yard trimmings, and street sweeping services.

For 2015-2016, ESD is recommending a Recycle Plus rate increase up to 3.0 percent for single-family dwelling (SFD) and up to 5.0 percent for multi-family dwelling (MFD) rate payers. Recycle Plus rates were last increased in 2014-2015. The 3.0 percent increase for single-family

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dwellings will fund annual cost of living adjustments for the haulers and the sorting of garbage to collect recycling from an additional 20 percent of SFD residences in Hauler District A. This service is estimated to achieve an increase in diversion from approximately 30 percent to 60 percent in District A. The 5.0 percent increase in MFD rates will bring rates to cost recovery as growth and service level increases due to higher occupancy rates have contributed to increased contractual expenditures.

Storm Sewer Service Charge Rates

No rate increase is proposed for the Storm Sewer Service Charge for 2015-2016. Storm Sewer Service Charge rates remain at 2014-2015 levels, unchanged since 2011-2012. The Storm Sewer Service Charge provides funding for the maintenance of the storm sewer system; to improve the quality of the City's storm and surface water runoff to meet increasing federal, State, and regional regulatory requirements; and to rehabilitate aging system infrastructure. In order to protect water quality in local streams and the South San Francisco Bay, the National Pollutant Discharge Elimination System (NPDES) stormwater permit requires the City to implement activities and controls to prevent pollutants from entering the storm sewer collection system and receiving waters. The need for a rate increase will be reassessed annually and any necessary increases will be brought forward for City Council consideration as part of the annual Proposed Budget process.

Conclusion

Public hearings to review the protests received as part of the Proposition 218 process will be conducted at the Council meeting on June 9, 2015. Actual utility rate changes for 2015-2016 will be brought to Council for consideration in June 2015.

/s/

KERRIE ROMANOW

Director, Environmental Services

For more information, please contact Allen Fong, Administrative Officer, at (408) 975-2619.

- A – Notice for Sanitary Sewer Use Charge Rates – Residential
- B – Notice for Sanitary Sewer Use Charge Rates – Commercial
- C – Notice for Sanitary Sewer Use Charge Rates – Monitored Industries
- D – Notice for Municipal Water System Rates
- E – Notice for Municipal Water System Recycled Water Rates



**NOTICE OF PUBLIC HEARING:
PROPOSED SEWER SERVICE AND USE CHARGE RATE INCREASES**

Rate Increases

At the June 9, 2015 public hearing, the Department of Environmental Services will be proposing an overall fund increase of up to 5.5 percent for sanitary sewer services beginning July 1, 2015 to June 30, 2016. There are different amounts for each customer category listed below. When added with the commercial and industrial categories, the overall fund increase is up to 5.5 percent. See the Cost Allocation section of this rate notice for additional information. If the City Council adopts these proposed increases, the monthly impacts to residential households would be as follows:

**SEWER SERVICE AND USE CHARGES
SCHEDULE OF PROPOSED RATES
2015-2016**

<u>RATES FOR RESIDENTIAL CUSTOMER CATEGORIES</u>					
	2014-15 CURRENT RATES		2015-16 PROPOSED RATES		MONTHLY CHANGE
	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>	
Single-Family Residence	\$33.83	\$405.96	\$33.75	\$405.00	-\$0.08
Multiple-Family Residence (per unit)	\$19.35	\$232.20	\$22.62	\$271.44	\$3.27
Mobile Home (per unit)	\$19.39	\$232.68	\$25.48	\$305.76	\$6.09

This notice also covers possible Sewer Service and Use Charge fund increases of up to 7 percent in fiscal year 2016-2017, effective July 1, 2016, and in fiscal year 2017-2018, effective July 1, 2017. The City Council will set the exact rates closer to July 1 for each subsequent fiscal year of up to 7 percent, based on refined calculations.

Effective Date of Rate Increases

If the City Council approves the proposed increases at its June 9, 2015 meeting, your Sewer Service and Use Charge will appear on your fiscal year 2015-2016 property tax bill, and is due November 1, 2015. If the Council does not approve the proposed rate charges, current rates will remain in effect. The Council may approve any amount of increase in these charges up to the maximums stated in the notice.

If you need assistance determining the impact of the proposed rate adjustments on the charge against your property, or have questions, please call our Customer Contact Center at (408) 535-3500.

Deadline for Protests: June 8, 2015

If you wish to file a protest of the proposed increases to the Sewer Service and Use Charges, you must follow these rules for your protest to be included in the official tally presented to the City Council:

- Protests must be in writing and received by the City prior to the close of the 45-day protest period deadline of June 8, 2015.
- City Council will accept oral and written testimony at the public hearing regarding the proposed fees.
- ***You must indicate the Assessor's Parcel Number(s)*** of the property(ies) you own that are subject to the proposed rate adjustment. The parcel number is printed at the top of the cover letter.

- Submit *written* protests to the Office of the City Clerk in the form of a letter, fax, or e-mail to:

Mail (or hand-deliver)	Fax	E-mail
Sewer Services Rate Increase City of San José – Office of the City Clerk 200 E. Santa Clara St., 2 nd Fl. Wing San José, California 95113-1905	(408) 292-6207 Sewer Services Rate Increase	SewerRateProtest@sanjoseca.gov

Reason for the Proposed Increases

The proposed increases will enable the City to ensure reliable utility services and protect public health and safety.

Sewer Service and Use Charges are paid by residential, institutional, commercial, and industrial users of the sanitary sewer system. The charge covers costs associated with the San José-Santa Clara Regional Wastewater Facility and San José's 2,200-mile sewage collection system, including operations and maintenance; capital and equipment improvements; and administration.

For most properties, the Sewer Service and Use Charge is combined with the Storm Sewer Charge on the annual property tax bill and collected by the County of Santa Clara. ***This notice relates only to the Sewer Service and Use Charge, and the proposed rate increases are separate and apart from the Storm Sewer Charge.***

Cost Allocations – The City established a policy to analyze sewer flows every 10 years and update cost allocations according to customer groups. This analysis was conducted in 2014 and rates are adjusted based on sewer flow, and water use data. The current study uses updated population estimates for a five-year period from the 2012 American Community Survey to update the average household size. On a Countywide basis, household sizes for both multi-family and mobile homes have increased substantially since 1975. Residential water consumption is based on the winter months of January, February, and March. The assumption is that water consumption during the winter months would be primarily indoor consumption and best approximates residential sewer discharges. Residential units comprise approximately 79 percent of system users (single-family 52 percent, multiple-family 24 percent, mobile homes 2 percent) and non-residential units comprise approximately 21 percent of the total systems users. Due to changes in average household size and estimated sewer flow, the costs allocated to multiple-family and mobile home dwelling units increased, while the allocation of costs to single family dwelling units decreased.

Facility Funding Needs – The Facility has successfully served the community for 57 years, working non-stop to protect our health, bay, and economy. A master plan adopted by the San José City Council in November 2013 recommended over 120 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately \$2.1 billion, with over \$1 billion to be invested in the next 10-15 years. Some of the objectives in the master plan include pursuing energy self-sufficiency through renewable energy generation and efficiency, resource recovery of recycled water, biogas production and biosolids reuse, and rigorous review of new technologies. This is balanced with maintaining cost-effective operations, enhancing and/or restoring natural habitat, while increasing the reliability of the wastewater treatment system. Aging pipes, pumps, concrete, and electrical systems need immediate and long-range attention in order to continue those successful operations well in the future. A capital improvement program of this size requires significant financial resources. The proposed rate increase will help fund these needed improvements to ensure the Facility continues to perform its vital role while complying with current and future regulatory requirements.

Sanitary Sewer System Funding Needs – The sanitary sewer collection system, like the treatment Facility, also needs additional resources to operate and maintain the system in a manner that complies with new, stricter state regulations. Additional staffing will be added to address ongoing maintenance issues, and new equipment will be purchased to improve the effectiveness of sewer line cleaning.



Environmental Services Department

**NOTICE OF PUBLIC HEARING:
PROPOSED SEWER SERVICE AND USE CHARGE RATE INCREASES**

Rate Increases

At the June 9, 2015 public hearing, the Department of Environmental Services will be proposing commercial, institutional, and industrial rate increase of up to 11 percent depending on the nature of your sewage discharge, for fiscal year 2015-2016 (July 1, 2015 to June 30, 2016). Please refer to the attached schedule for more detailed information.

This notice also covers possible Sewer Service and Use Charge rate increases of up to 15 percent in fiscal year 2016-2017, effective July 1, 2016, and in fiscal year 2017-2018, effective July 1, 2017. The City Council will set the exact rates closer to July 1 for each subsequent fiscal year of up to 15 percent, based on refined calculations.

Effective Date of Rate Increases

If the City Council approves the proposed increases at its June 9, 2015 meeting, your new Sewer Service and Use Charge would become effective July 1, 2015. If the Council does not approve the proposed rate charges, current rates will remain in effect. The Council may approve any amount of increase in these charges up to the maximums stated in the notice.

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- Submit ***written*** protests to the Office of the City Clerk in the form of a letter, fax, or e-mail as shown below:

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Facility Funding Needs –The Facility has successfully served the community for 57 years, working non-stop to protect our health, bay, and economy. A master plan adopted by the San José City Council in November 2013

recommended over 120 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately \$2.1 billion, with over \$1 billion to be invested in the next 10-15 years. Some of the objectives in the master plan include pursuing energy self-sufficiency through renewable energy generation and efficiency, resource recovery of recycled water, biogas production and biosolids reuse, and rigorous review of new technologies. This is balanced with maintaining cost-effective operations, enhancing and/or restoring natural habitat, while increasing the reliability of the wastewater treatment system. Aging pipes, pumps, concrete, and electrical systems need immediate and long-range attention in order to continue those successful operations well in the future. A capital improvement program of this size requires significant financial resources. The proposed rate increase will help fund these needed improvements to ensure the Facility continues to perform its vital role while complying with current and future regulatory requirements.

Sanitary Sewer System Funding Needs – The sanitary sewer system, like the treatment Facility, also needs additional resources to operate and maintain the system in a manner that complies with new, stricter regulations. Additional staffing will be added to address ongoing maintenance issues, and new equipment will be purchased to improve the effectiveness of sewer line cleaning.

Cost Allocations – In addition to the review of operating and capital budgets, the City established a policy to analyze sewer flows every 10 years and update cost allocations according to customer groups. This analysis was conducted in 2014 and rates are adjusted based on sewer flow, and water use data. State guidelines require that rates must recover costs of operations and maintenance (including replacement) from users of the system in proportion to the volume and strength of sewage discharged. This assures users are charged equitably. This proposed rate increase also includes updated cost allocation adjustments by customer groups.

**SEWER SERVICE AND USE CHARGES
SCHEDULE OF PROPOSED RATES
2015-2016**

INSTITUTIONAL, COMMERCIAL, AND INDUSTRIAL RATES (less than 25,000 gallons per day)

	2014-15 CURRENT RATES	2015-16 PROPOSED RATES	PERCENT INCREASE
	<u>Charge Per Hundred Cubic Feet of Sewage Discharged</u>	<u>Charge Per Hundred Cubic Feet of Sewage Discharged</u>	
Meat Packers	\$4.07	\$4.46	9.58%
Wholesale Bakeries	\$4.78	\$5.24	9.62%
Soft Drink Bottlers	\$4.76	\$5.22	9.66%
Wineries	\$7.79	\$8.48	8.86%
Paper Pulp Mills	\$5.85	\$6.38	9.06%
Plating Works	\$3.08	\$3.40	10.39%
Electrical Equipment	\$3.41	\$3.75	9.97%
Machinery Manufacturers	\$4.18	\$4.58	9.57%
Film Service Laboratories	\$3.30	\$3.63	10.00%
Soft Water Services	\$3.11	\$3.43	10.42%
Car Washes	\$3.27	\$3.60	10.09%
Automotive Steam Cleaners	\$5.41	\$5.91	9.24%
Printing Plants	\$4.05	\$4.44	9.63%
Restaurants/Delis	\$5.24	\$5.72	9.16%
Hotel-Motels	\$3.43	\$3.76	9.62%
Hospitals and Convalescent Homes	\$3.35	\$3.67	9.55%
Private Schools, Colleges & Universities	\$3.96	\$4.35	9.85%
Public Schools, Colleges & Universities	\$3.96	\$4.35	9.85%
Repair Shops & Service Stations	\$3.50	\$3.84	9.71%
Domestic Laundries	\$3.17	\$3.48	9.78%
Business Office/Condos	\$3.36	\$3.69	9.82%
Government Agencies	\$3.36	\$3.69	9.82%
Medical Center/Clinic	\$3.43	\$3.77	9.91%
Beauty Salon	\$3.49	\$3.84	10.03%
Commercial & Department Stores	\$3.49	\$3.84	10.03%
Storage/Warehouse	\$3.29	\$3.60	9.42%
Health Care	\$3.36	\$3.68	9.52%
Theatre	\$3.43	\$3.76	9.62%
Association/ Communities Services	\$3.36	\$3.69	9.82%
Business Parks	\$3.45	\$3.79	9.86%
Building Construction/ Field Office	\$3.45	\$3.79	9.86%
Parking Lot	\$3.16	\$3.47	9.81%
Gas Service Station	\$3.41	\$3.73	9.38%
Auto Showroom, Body Shop, Detail, and Trucking	\$3.65	\$4.00	9.59%
Manufacturing Paint Products	\$3.45	\$3.79	9.86%
Concrete Company	\$3.45	\$3.79	9.86%

INSTITUTIONAL, COMMERCIAL, AND INDUSTRIAL RATES (less than 25,000 gallons per day) Continued

	2014-15 CURRENT RATES	2015-16 PROPOSED RATES	% INCREASE
	<u>Charge Per Hundred Cubic Feet of Sewage Discharged</u>	<u>Charge Per Hundred Cubic Feet of Sewage Discharged</u>	
General Manufacturing Industries	\$3.45	\$3.79	9.86%
Chemical Manufacturing	\$3.45	\$3.79	9.86%
Pub	\$3.56	\$3.90	9.55%
Athletic Club, Fitness	\$3.29	\$3.60	9.42%
Cemetery	\$3.29	\$3.60	9.42%
Country Clubs (Golf)	\$3.42	\$3.75	9.65%
Lounges, Clubs, Billiards	\$3.43	\$3.76	9.62%
Convenience Store	\$3.29	\$3.60	9.42%
Boarding/Rooming	\$3.47	\$3.80	9.51%
Cleaners (Commercial Laundry)	\$3.99	\$4.37	9.52%
Plaza/Mall	\$3.63	\$3.97	9.37%
Nursery (Grower)	\$3.82	\$4.19	9.69%
Laboratories (Commercial & Industrial)	\$3.89	\$4.26	9.51%
Café & Ice Creams	\$5.60	\$6.12	9.29%
Donuts & Bakery	\$5.60	\$6.12	9.29%
Supermarket Groceries	\$5.12	\$5.58	8.98%
Mortuary (Embalming)	\$5.12	\$5.58	8.98%
Catering	\$5.32	\$5.80	9.02%
Miscellaneous Commercial, Institutional, and Industrial Premises	\$3.36	\$3.69	9.82%

Environmental Services Department

April 23, 2015

«ParcelOwner»
«OwnerAttn»
«OwnerAddress»
«OwnerAddress2»

Assessor's Parcel Number(s):
«AssessorParcelNumber»
Property Owner of:
«PropertyOwnerOf»

cc Property Occupant: «Tenant»
«TenantAttn»
«TenantAddress»
«TenantAddress2»

**NOTICE OF PUBLIC HEARING:
PROPOSED SEWER SERVICE AND USE CHARGE RATE INCREASES**

Rate Increases

At the June 9, 2015 public hearing, the Department of Environmental Services will be proposing monitored industrial rate increase of up to 14 percent depending on the nature of your sewage discharge, for fiscal year 2015-2016 (July 1, 2015 to June 30, 2016). Please refer to the table on the following page for more detailed information.

This notice also covers possible Sewer Service and Use Charge rate increases of up to 15 percent in fiscal year 2016-2017, effective July 1, 2016, and in fiscal year 2017-2018, effective July 1, 2017. The City Council will set the exact rates closer to July 1 for each subsequent fiscal year of up to 15 percent, based on refined calculations.

Effective Date of Rate Increases

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Facility Funding Needs –The Facility has successfully served the community for 57 years, working non-stop to protect our health, bay, and economy. A master plan adopted by the San José City Council in November 2013 recommended over 120 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately \$2.1 billion, with over \$1 billion to be invested in the next 10-15 years. Some of the objectives in the master plan include pursuing energy self-sufficiency through renewable energy generation and efficiency, resource recovery of recycled water, biogas production and biosolids reuse, and rigorous review of new technologies. This is balanced with maintaining cost-effective operations, enhancing and/or restoring natural habitat, while increasing the reliability of the wastewater treatment system. Aging pipes, pumps, concrete, and electrical systems need immediate and long-range attention in order to continue those successful operations well in the future. A capital improvement program of this size requires significant financial resources. The proposed rate increase will help fund these needed improvements to ensure the Facility continues to perform its vital role while complying with current and future regulatory requirements.

Sanitary Sewer System Funding Needs – The sanitary sewer system, like the treatment Facility, also needs additional resources to operate and maintain the system in a manner that complies with new, stricter regulations. Additional staffing will be added to address ongoing maintenance issues, and new equipment will be purchased to improve the effectiveness of sewer line cleaning.

Cost Allocations – In addition to the review of operating and capital budgets, the City established a policy to analyze sewer flows every 10 years and update cost allocations according to customer groups. This analysis was conducted in 2014 and rates are adjusted based on sewer flow, and water use data. State guidelines require that rates must recover costs of operations and maintenance (including replacement) from users of the system in proportion to the volume and strength of sewage discharged. This assures users are charged equitably. This proposed rate increase also includes updated cost allocation adjustments by customer groups.

CITY OF SAN JOSE
SCHEDULE OF PROPOSED SEWER SERVICE AND USE CHARGES
FISCAL YEAR 2015-16
RATES FOR MONITORED INDUSTRIES

	2014-15 CURRENT RATES	2015-16 PROPOSED RATES
<u>A. Capital Cost Recovery:</u>		
Annual charge per million gallons per day of FLOW capacity required, plus	\$310,387.00	\$352,453.00
Annual charge per thousand pounds per day of BOD removal capacity required, plus	\$22,742.00	\$24,647.00
Annual charge per thousand pounds per day of SS removal capacity required, plus	\$15,288.00	\$16,515.00
Annual charge per thousand pounds per day of NH ₃ removal capacity required.	\$60,834.00	\$63,956.00
<u>B. Operations & Maintenance Cost Recovery:</u>		
Charge per Hundred Cubic Feet of sewage discharged to the sanitary sewer, plus	\$2.117 (\$2,830/MG)	\$2.306 (\$3,083/MG)
Charge per thousand pounds of BOD discharged to the sanitary sewer, plus	\$164.00	\$177.00
Charge per thousand pounds of SS discharged to the sanitary sewer, plus	\$184.00	\$198.00
Charge per thousand pounds of NH ₃ discharged to the sanitary sewer.	\$1,394.00	\$1,482.00

NOTE: Please see next page for an example of an annual Sewer Service and Use Charge calculation for a monitored industrial customer.

FLOW = Sewage discharge FLOW
BOD = Biochemical Oxygen Demand
SS = Suspended Solids
NH₃ = Ammonia
MG = Million Gallons

EXAMPLE

ANNUAL SEWER SERVICE AND USE CHARGE CALCULATION FOR A MONITORED INDUSTRIAL CUSTOMER DISCHARGING 199,553 GALLONS PER DAY*

CAPITAL COST RECOVERY CHARGE

			2014-15 CURRENT RATES			2015-16 PROPOSED RATES					
Annual Flow and Loadings			Rate		Charge	Rate		Charge			
FLOW	0.1996 MGD	X	\$310,387	Per MGD	=	\$ 61,939	\$352,453	Per MGD	=	\$ 70,333	
BOD	0.2111 Klbs/Day	X	\$ 22,742	Per Klbs/Day	=	\$ 4,801	\$ 24,647	Per Klbs/Day	=	\$ 5,203	
SS	0.0474 Klbs/Day	X	\$ 15,288	Per Klbs/Day	=	\$ 725	\$ 16,515	Per Klbs/Day	=	\$ 783	
NH ₃	0.0167 Klbs/Day	X	\$ 60,834	Per Klbs/Day	=	\$ 1,016	\$ 63,956	Per Klbs/Day	=	\$ 1,068	
Total Capital Charge						\$ 68,481	Total Capital Charge \$ 77,387				

OPERATIONS & MAINTENANCE COST RECOVERY CHARGE

			2014-15 CURRENT RATES			2015-16 PROPOSED RATES					
Annual Flow and Loadings			Rate		Charge	Rate		Charge			
FLOW	52.684 MG	X	\$ 2,830	per MG	=	\$ 149,096	\$ 3,083	per MG	=	\$ 162,425	
BOD	55.73 Klbs	X	\$ 164	Per Klbs	=	\$ 9,140	\$ 177	Per Klbs	=	\$ 9,865	
SS	12.51 Klbs	X	\$ 184	Per Klbs	=	\$ 2,302	\$ 198	Per Klbs	=	\$ 2,478	
NH ₃	4.429 Klbs	X	\$ 1,394	Per Klbs	=	\$ 6,174	\$ 1,482	Per Klbs	=	\$ 6,564	
Total O&M Charge						\$ 166,712	Total O&M Charge \$ 181,332				

TOTAL SEWER SERVICE CHARGE FOR CAPITAL AND O&M COST RECOVERY

2014-15 CURRENT RATES **\$235,193** 2015-16 PROPOSED RATES **\$ 258,719**

Sewer Service Charge Increase **\$23,526**

Percent Increase **10.003%**

MGD = Million Gallons per Day
KLBS/Day = Thousands Pounds per Day
MG = Million Gallons
KLBS = Thousand Pounds
BOD = Biochemical Oxygen Demand
SS = Suspended Solids
NH₃ = Ammonia

* Charges are calculated using sewage discharge flow data and lab analysis of sewage samples.



**NOTICE OF PUBLIC HEARING:
PROPOSED POTABLE WATER RATE INCREASE**

On June 9, 2015, at 1:30 p.m. the San José City Council is scheduled to conduct a public hearing on a proposed increase to San Jose Municipal Water System potable water rates. These charges are paid to the City by residential, commercial, institutional, and industrial customers.

At the hearing, the Environmental Services Department will be proposing a rate increase of up to 29.0 percent for fiscal year 2015-16 (July 1, 2015 to June 30, 2016).

Reason for the Proposed Increase

The San Jose Municipal Water System purchases, treats, and delivers an average of 20 million gallons of drinking water per day to residences and businesses in the service areas of Alviso, North San José, Evergreen, Edenvale, and Coyote Valley. The system includes pipelines, pump stations, fire hydrants, storage reservoirs, wells, and water meters as well as facilities and processes required to comply with all state and federal drinking water standards. Water rates are set at a level to generate enough revenue to cover the costs of operating and maintaining this system. The proposed rate increase is needed to cover projected increases in the cost of wholesale water that the San Jose Municipal Water System purchases from the Santa Clara Valley Water District (SCVWD) and San Francisco Public Utilities Commission (SFPUC), to cover the loss of revenue associated with the drought, and to fund investments in the water utility to ensure that it remains in reliable condition.

Deadline to Submit Written Protests: June 9, 2015

If you wish to file a protest of the proposed increase to the water rates, you must follow these rules for your protest to be included in the official tally presented to the City Council:

- Protests must be in writing and received by the City prior to the close of the public hearing on June 9, 2015.
- ***You must indicate your name and the service address*** of the property(ies) you own or rent that is/are subject to the proposed rate adjustment.
- Submit ***written*** protests to the Office of the City Clerk in the form of a letter, fax, or e-mail as shown below:

Mail (or hand-deliver)	Fax	E-mail
San Jose Municipal Water System Rate Increase City of San José – Office of the City Clerk 200 E. Santa Clara St., 2 nd Fl. Wing San José, CA 95113-1905	(408) 292-6207 San Jose Municipal Water System Rate Increase	WaterRateProtest@sanjoseca.gov

Billing Impacts

The proposed potable water rates and charges are shown on Tables 1, 2, and 3. If the City Council adopts the maximum proposed increase, the impact to your bill can be calculated using the proposed rates as shown in the examples below:

Sample Water Bill Calculations Comparing Current and Proposed Rates

Water Bill Amount (without utility tax) = Meter Charge + (Quantity x Rate per HCF)

Residential Example (using Tables 1 and 2):

Residential charges use a four-tiered rate structure, with a higher rate applying as water use exceeds thresholds of 7 HCF increments. In the example below, a resident using 15 HCF will need to calculate the total bill using three of the tiered rates:

Monthly Usage: 15 HCF

Meter Size: 5/8-inch

Zone: 1

Current Rate: $\$12.510 + (7\text{HCF} \times \$2.849) + (7\text{HCF} \times \$3.279) + (1\text{HCF} \times \$3.613) = \$59.02$

Proposed Rate: $\$16.130 + (7\text{HCF} \times \$3.670) + (7\text{HCF} \times \$4.220) + (1\text{HCF} \times \$4.660) = \$76.02$

Non-Residential Example (using Tables 1 and 3):

Monthly Usage: 100 HCF

Meter Size: 2-inch

Zone: 2

Current Rate: $\$68.518 + (100 \text{ HCF} \times \$3.391) = \$407.62$

Proposed Rate: $\$88.380 + (100 \text{ HCF} \times \$4.370) = \$525.38$

HCF = hundred cubic feet; 1 HCF = 748 gallons

Table 1: All Customers Monthly Meter Charge

MONTHLY METER CHARGE <i>(based on meter size)</i>		
Meter Size	2014-15 Current Charges	2015-16 Proposed Charges
5/8-inch	\$12.510	\$16.130
3/4-inch	\$12.774	\$16.470
1-inch	\$22.227	\$28.670
1.5-inch	\$44.456	\$57.340
2-inch	\$68.518	\$88.380
3-inch	\$129.644	\$167.240
4-inch	\$198.163	\$255.630
6-inch	\$259.287	\$334.480
8-inch	\$370.415	\$477.830
10-inch	\$463.039	\$597.320

Table 2: Residential Monthly Quantity Charge

Including an example of a monthly water bill per zone based on a 5/8-inch meter and usage of 15 HCF.

Zones*	2014-15 Current Charges per HCF	2015-16 Proposed Charges per HCF
Zone 1 - Elevation 0 to 275 feet - North San José, Alviso, Edenvale, Coyote Valley, and Evergreen		
Tier 1: 0 to 7 HCF	\$2.849	\$3.670
Tier 2: 7 to 14 HCF	\$3.279	\$4.220
Tier 3: 14 to 21 HCF	\$3.613	\$4.660
Tier 4: > 21 HCF	\$3.988	\$5.140
Zone 1 Example Monthly Water Bill	\$59.01	\$76.02
Zone 2 - Elevation 275 to 375 feet – Evergreen		
Tier 1: 0 to 7 HCF	\$3.001	\$3.870
Tier 2: 7 to 14 HCF	\$3.391	\$4.370
Tier 3: 14 to 21 HCF	\$3.780	\$4.870
Tier 4: > 21 HCF	\$4.141	\$5.340
Zone 2 Example Monthly Water Bill	\$61.034	\$78.680
Zone 3 & 4 - Elevation 375 to 630 feet – Evergreen		
Tier 1: 0 to 7 HCF	\$3.127	\$4.030
Tier 2: 7 to 14 HCF	\$3.530	\$4.550
Tier 3: 14 to 21 HCF	\$3.905	\$5.030
Tier 4: > 21 HCF	\$4.280	\$5.520
Zone 3 & 4 Example Monthly Water Bill	\$63.014	\$81.220
Zone 5 & 6 - Elevation 630 to 960 feet – Evergreen		
Tier 1: 0 to 7 HCF	\$3.293	\$4.240
Tier 2: 7 to 14 HCF	\$3.696	\$4.760
Tier 3: 14 to 21 HCF	\$4.071	\$5.250
Tier 4: > 21 HCF	\$4.391	\$5.660
Zone 5 & 6 Example Monthly Water Bill	\$65.504	\$84.380

Table 3: Non-Residential Monthly Quantity Charge

Zones*	2014-15 Current Charges Per HCF	2015-16 Proposed Charges per HCF
Zone 1 - Elevation 0 to 275 feet - North San José, Alviso, Edenvale, Coyote Valley, and Evergreen	\$3.279	\$4.220
Zone 2 - Elevation 275 to 375 feet – Evergreen	\$3.391	\$4.370
Zone 3 & 4 - Elevation 375 to 630 feet - Evergreen	\$3.530	\$4.550
Zone 5 & 6 - Elevation 630 to 960 feet – Evergreen	\$3.696	\$4.760

* The zone that indicates which charges apply to your service address is indicated at the top of the letter that is attached to this notice.



Environmental Services Department

SAN JOSE MUNICIPAL WATER SYSTEM

April 23, 2015

**NOTICE OF PUBLIC HEARING
PROPOSED RECYCLED WATER RATES**

The San José City Council is scheduled to conduct a public hearing on a proposed increase to the San Jose Municipal Water System recycled water rates on:

Tuesday, June 9, 2015 at 1:30 p.m.
San José City Hall Council Chambers
200 East Santa Clara Street
San José, CA 95113

Please refer to the San José City Council website at www.sanjoseca.gov/CouncilAgenda for the final agenda, which will be posted close to the hearing date.

At the hearing, the City of San José Environmental Services Department will be proposing an increase to the monthly meter charge of up to 29.0 percent for fiscal year 2015-16 (July 1, 2015 to June 30, 2016). The City Council will set the exact rate based on refinements in the calculations, but it will not be higher than the estimate specified. By resolution of the City Council, recycled quantity charge rates are set to increase up to \$0.337 per hundred cubic feet (HCF*) of water for irrigation use, and up to \$0.590 per HCF of water for industrial and agricultural use, to recover increases in wholesale recycled water rates. If you have questions about this notice, please call the Customer Contact Center at (408) 535-3500.
(*1 HCF = 748 gallons)

Reason for the Proposed Increase

The San Jose Municipal Water System purchases and delivers on average three million gallons of recycled water per day to institutional, industrial, and commercial customers. The water system includes pipelines, pump stations, storage reservoirs, and water meters as well as facilities and processes required to comply with all state and federal water standards. Water rates are set at a level to generate enough revenue to cover the costs of operating and maintaining the system. The primary reason for this proposed rate change is to fund an increase in the cost of wholesale water that the San Jose Municipal Water System purchases from South Bay Water Recycling.

Requesting this Notice in Other Formats

In accordance with the Americans with Disabilities Act, this letter can be made available upon request in alternative formats such as Braille, large print, audiotape, or computer disk. Requests can be made by calling (408) 535-3500 (voice) or (800) 735-2929 (California Relay System).

PROPOSED RECYCLED WATER RATE INCREASES

The following tables show the current and proposed recycled water rates and charges:

Table 1: Monthly Meter Charge

MONTHLY METER CHARGE		
All Customers		
Meter Size	2014-15 Current Charges	2015-16 Proposed Charges
5/8-inch	\$12.510	\$16.130
3/4-inch	\$12.774	\$16.470
1-inch	\$22.227	\$28.670
1.5-inch	\$44.456	\$57.340
2-inch	\$68.518	\$88.380
3-inch	\$129.644	\$167.240
4-inch	\$198.163	\$255.630
6-inch	\$259.287	\$334.480
8-inch	\$370.415	\$477.830
10-inch	\$463.039	\$597.320

Table 2: Quantity Charge

RECYCLED WATER RATES		
Quantity Charge		
Use Type	2014-15 Current Charge per HCF	2015-16 Proposed Charge per HCF
Irrigation	\$2.107	\$2.444
Industrial	\$1.873	\$2.463
Agriculture	\$1.827	\$2.417
Irrigation Former Well	\$1.467	\$1.804
Industrial Former Well	\$1.537	\$2.127
Agriculture Former Well	\$1.537	\$2.127

Note: 1 HCF = 748 gallons

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If you wish to file a protest of the proposed increase to the recycled water rates, you must follow these rules for your protest to be included in the official tally presented to the City Council:

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- **You must indicate your name and the service address(es)** of the property(ies) you own or rent that are subject to the proposed rate adjustment.
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