

6.4 San José Municipal Water System Potable (Drinking) and Recycled Water Rates and Charges.

Recommendation:

(a) Hold a public hearing on San José Municipal Water System potable and recycled water rates and charges effective July 1, 2024.

(b) Adopt a resolution to increase the current San José Municipal Water System potable water rates and charges effective July 1, 2024.

(c) Adopt a resolution to increase the current San José Municipal Water System recycle rates and charges effective July 1, 2024.

(d) Approve an uncoded ordinance affirming City Council action, if any, taken on the San José Municipal Water System potable and recycled water rates and charges effective July 1, 2024.

CEQA: Statutorily Exempt, File No. PP17-005, Statutory Exemption for Adjustment to Fees, Rates and Fares without changes to or expansion of services. Council Districts 2, 4, 7, 8. (Environmental Services)



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

**SUBJECT: SAN JOSE MUNICIPAL WATER
SYSTEM POTABLE (DRINKING)
AND RECYCLED WATER RATES
AND CHARGES**

DATE: May 13, 2024

Approved

Date

5/23/24

COUNCIL DISTRICT: 2, 4, 7, 8

RECOMMENDATION

- (a) Hold a public hearing on San José Municipal Water System potable and recycled water rates and charges effective July 1, 2024.
- (b) Adopt a resolution to increase the current San José Municipal Water System potable water rates and charges effective July 1, 2024.
- (c) Adopt a resolution to increase the current San José Municipal Water System recycle rates and charges effective July 1, 2024.
- (d) Approve an uncodified ordinance affirming City Council action, if any, taken on the San José Municipal Water System potable and recycled water rates and charges effective July 1, 2024.

SUMMARY AND OUTCOME

Approval of these recommendations will allow the San José Municipal Water System (SJMWS) to update potable and recycled retail water rates effective July 1, 2024, which will help sufficiently generate the appropriate amount of revenue to fund projected utility operating costs as reflected in the Fiscal Year (FY) 2024-2025 Proposed Operating Budget.

BACKGROUND

SJMWS is a rate-funded utility that is intended to operate at full cost recovery to provide water to approximately 27,000 customer accounts, serving a population of over 140,000 people in the

North San José, Alviso, Evergreen, Edenvale, and Coyote Valley areas.

SJMWS purchases potable water for the North San José and Alviso areas from the San Francisco Public Utilities Commission, which delivers treated water through its Hetch Hetchy Aqueduct from the Sierra Nevada Mountain range. Potable water for the Evergreen and Edenvale areas is purchased from the Santa Clara Valley Water District (Valley Water) and comes from the Sacramento-San Joaquin River Delta, delivered through the State Water Project and Federal San Felipe Project, and local groundwater sources. SJMWS supplies all potable water for the Coyote area from local groundwater sources. Recycled water is purchased from South Bay Water Recycling and is retailed to customers in all service areas.

In 2016, the City contracted with Raftelis Financial Consultants to conduct a cost-of-service analysis for the potable water enterprise of SJMWS. The purpose of the analysis was to evaluate the utility's potable system revenue requirements through the development of a financial plan and an up-to-date cost of service evaluation. Raftelis Financial Consultants presented the result of its analysis at the City Council's May 9, 2017 meeting.

In addition to potable water, SJMWS retails recycled water. The revenue requirements of retailing recycled water are collected from recycled water rates. To ensure that the City accurately establishes rates to match revenue requirements, the City contracted with HF&H Consultant, LLC (HF&H) in 2018 to conduct a cost of service analysis.

Proposed rates are based on the analysis performed as part of the Raftelis Financial Consultants and HF&H's studies. Adoption of the resolutions and approval of the ordinance will implement the rate changes for the potable (drinking) and recycled water rates, effective July 1, 2024.

ANALYSIS

Potable Water Rates and Charges

The two principal sources of revenue for SJMWS are water sales and fixed monthly meter service charges. Approximately 65% of SJMWS' potable water revenue is used to purchase water from wholesalers and pay the Valley Water groundwater augmentation fee for groundwater pumped by SJMWS. It is estimated that the total cost to operate, maintain, and rehabilitate the water utility system will be approximately \$68 million in FY 2023-2024 and \$72 million in FY 2024-2025, as shown in the Statement of Source and Use of Funds for the Water Utility Fund included as part of the 2024-2025 Proposed Operating Budget. Changes to water rates are primarily related to the increased cost of wholesale water that SJMWS purchases from Valley Water and San Francisco Public Utilities Commission, with additional cost changes related to increases in energy, offsetting delinquent and uncollected revenue, implementation of the Advanced Metering Infrastructure project, and increased operating and maintenance expenses. Additionally, there is a transfer of \$8.8 million to the Water Utility Capital Fund for

planned infrastructure improvements. SJMWS estimates that the total volume of water sold during FY 2024-2025 will be similar to FY 2023-2024.

A total budgeted revenue adjustment of approximately 5% is necessary to ensure the continued operation of the water utility system, including the purchase of wholesale water. This adjustment is distributed among all customers and amounts to a 3% base increase in fixed (meter) and quantity charges plus a varying pass-through increase to quantity charges based on service area and associated wholesale water supplier. In early 2024, Valley Water notified property owners that wholesale rates for North County groundwater may increase by up to 12.9% in FY 2024-2025. The San Francisco Public Utilities Commission informed wholesale customers of a potential 13.1% maximum rate increase for FY 2024-2025, and subsequently revised its projections to an 8.8% maximum rate increase. On May 14, 2024, the Valley Water Board adopted a 12.9% increase in wholesale water rates and San Francisco Public Utilities Commission adopted an 8.8% increase in wholesale water rates. These wholesale rate adjustments are added to the retail quantity charges as a passthrough rate adjustment.

Valley Water has identified that wholesale water rates are expected to continue increasing over the next 10 years, including 10% annual increases through FY 2033-2034. Furthermore, wholesale rate increases may be higher than currently projected if drought conditions return, wholesaler costs continue to escalate, and/or water use during FY 2024-2025 is lower than wholesalers' estimates. Due to the projected rapid rise in wholesale water rates over the next several years, delaying increases or using reserves to offset FY 2024-2025 retail water rates would negatively impact the Water Utility Fund health and lead to significantly higher SJMWS rate increases in subsequent years.

In April 2024, notices were sent to inform all SJMWS water customers that City Council would be holding a public hearing to consider a potential change in retail water rates and charges starting July 1, 2024. The notice contained the maximum meter charges and water quantity rates that would be proposed for City Council consideration and approval. The rate increase will vary by customer based on service area, pressure zone, and water usage. Based on proposed rates in the initial rate notice, a representative sample increase on an average residential bill based on water usage of 13 hundred cubic feet with a 3/4-inch water meter in the North San José/Alviso service area would be an additional \$18 per month, while the same representative sample residential bill would see a \$16 per month increase in the Evergreen/Edenvale-Zone 1 area.

After notices were sent, San Francisco Public Utilities Commission adopted rates lower than its previously projected maximum increases. After this downward adjustment, under actual proposed rates (**Attachment** - Proposed Rate Schedule), a representative average residential water bill will increase in the North San José/Alviso service area by an additional \$10 per month and \$11 per month in the Evergreen/Edenvale-Zone 1 area.

Financial Assistance and Water Savings Tips

SJMWS has implemented programs to assist with water bill affordability. During early 2022, the City received funding from the California Water and Wastewater Arrearages Payment Program (Arrearages Program) to assist customers with delinquent water bills. Over 1,000 customers received approximately \$541,000 in Arrearages Program funding and an additional \$356,000 waived in late payment charges. Staff applied to the state and received additional funding in an Extended Arrearages Program during FY 2023-2024. During April and May 2024, the City distributed an additional \$976,000 in Extended Arrearages Program funding to approximately 1,300 customers, with an additional \$569,000 waived in late payment charges.

Local implementation of the state's Low-Income Household Water Assistance Program, operated by Sacred Heart Community Service, began in summer 2022 and ran through March 2023. Under this program, eligible residents could receive up to \$15,000 to pay their water bills. While the state's program has ended, Sacred Heart Community Service continues to offer a program to assist low-income Santa Clara County residents with their water bills. Staff will continue to monitor for any additional customer assistance programs which could be implemented and will coordinate as necessary to ensure SJMWS customers are informed of and can participate and receive additional financial support where eligible.

Despite the financial hardship some customers may be experiencing, water service continues to be an affordable public commodity. Including the proposed rate increase, customers pay approximately \$0.01 per gallon of clean drinking water.

Water conservation continues to be the best practice for reducing the impact of higher water rates and saving money. In addition to ongoing outreach and messaging, the City's website (SJEnvironment.org/WaterEfficiency) provides information to customers on water saving tips, along with updates to water use rules for customers and businesses. SJMWS staff is available to assist customer inquiries and provide further resources.

Other Potable Water Agency Charges

Other water agencies within the Bay Area have proposed water rate increases for FY 2024-2025 or may increase water rates to recover wholesale rate increases and other inflationary costs.

Table 1 shows estimated monthly bill figures for general comparison and consideration purposes and are representative of sample residential monthly bills based on water usage of 13 hundred cubic feet (9,725 gallons) with a 3/4-inch water meter. This information is tentative and based on best available information and is subject to change based on the actions of each agency's governing board.

Table 1 – Tentative Local Monthly Bill Comparison			
<u>City/Water Agency</u>	<u>Current Monthly Bill</u>	<u>Proposed Increase</u>	<u>Proposed Monthly Bill</u>
San Francisco	\$165.68	5%	\$174.04
San José Water Company	\$142.03	18%	\$167.42
Palo Alto	\$149.84	10%	\$164.89
Redwood City	\$157.95	N/A	\$157.95
City of San José – SJMWS*	\$143.10	7%	\$152.84
Menlo Park	\$141.39	5%	\$148.52
Milpitas	\$131.55	6%	\$139.97
City of San José – SJMWS**	\$127.24	9%	\$138.28
Mountain View	\$124.17	6%	\$131.71
Foster City	\$112.23	4%	\$116.84
Santa Clara	\$103.61	12%	\$115.63
Sunnyvale	\$95.54	4%	\$99.37
Great Oaks Water Company	\$85.56	12%	\$96.07

* Represents monthly bill for customer in North San José/Alviso service area.

** Represents monthly bill for customer in Evergreen/Edenvale-Zone 1 area.

Recycled Water Charges

In 2018, HF&H examined the cost of service to retail recycled water, resulting in a slight change to the recycled water rate structure. Based on HF&H's analysis, retail recycled water rates were adjusted to a structure which provides increased revenue stability in recovering delivery fixed costs. Recycled water service charge rates were set equal to the potable water service charge rates. A uniform quantity charge rate was set for all retail recycled water customers.

HF&H's recommendation for future years was to continue to set recycled water service charges rates equal to potable water service charge rates and to increase the uniform quantity charge rate proportional to the increase in wholesale water costs. Pursuant to City Council Resolution 79111 (continuing in effect Resolution 68377), recycled water quantity charges will continue to be automatically increased every year in proportion to any increase in wholesale recycled water costs.

As shown in the **Table 2** below, SJMWS's recycled water customers will continue to realize a significant savings over potable water even with the increase to retail recycled water rates. Rate details for recycled water are provided in the Attachment.

Table 2 - Monthly Bill with Proposed Rates effective July 1, 2024				
Example Customers	Current Recycled Water	Proposed Recycled Water	Proposed Potable Water	% Savings
Irrigation Customer: Evergreen Zone 3/4, 450 hundred cubic feet/month, 2-inch meter	\$2,205.96	\$2,474.64	\$3,856.86	36%
Industrial Customer: North San José, 11,000 hundred cubic feet /month, 10-inch meter	\$53,377.64	\$59,929.07	\$99,876.68	40%

Note: 1 hundred cubic feet = 748 gallons

EVALUATION AND FOLLOW-UP

Staff will return annually to the City Council with any recommended changes for the following year's rates. A supplemental memorandum will be submitted to the City Council prior to the June 4, 2024 public hearing to report on the number of written protests and comments received by the City Clerk's Office in response to SJMWS' rate notice. Furthermore, there is a 120-day statute of limitations to challenge any new, increased, or extended fee or charge.

COST SUMMARY/IMPLICATIONS

The 2024-2025 Proposed Operating Budget assume an overall 5.2% water retail sales revenue increase in the Water Utility Fund, generating approximately \$3.6 million in FY 2024-2025 to recover the full cost of operating and maintaining the SJMWS distribution system that includes increased wholesale water costs and capital infrastructure needs. The percentage increase to budgeted revenues is not necessarily representative of a customer's water charges or representative of a monthly increase, as rates vary customer to customer, primarily determined by water supply source, elevation/zone, and usage.

If City Council approves the resolutions changing SJMWS potable and recycled water rates and charges, as recommended in this memorandum, revenue will be generated to support increased utility operating and capital costs, and will ensure sufficient revenues to offset the anticipated write-off of a portion of unpaid bills incurred over the last several years.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, City Clerk's Office, and City Manager's Budget Office.

HONORABLE MAYOR AND CITY COUNCIL

May 13, 2024

Subject: San José Municipal Water System Potable (Drinking) and Recycled Water Rates and Charges

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PUBLIC OUTREACH

In April 2024, public notices were sent directly to all water customers advising them of the proposed rate changes, that a public hearing on the proposed rate change is scheduled for June 4, 2024 and that there is a 120-day statute of limitations to challenge any new, increased, or extended fee or charge. Notices and frequently asked questions were made available to customers in six languages (English, Spanish, Korean, Vietnamese, Chinese, and Tagalog) on the Environmental Services Department's Proposed Rate Change webpage at SanJoseCA.gov/RateNotices. SJMWS published a notice in the Mercury News on May 13, 2024 and mailed a 'Where Your Dollar Goes' conservation postcard to residential customers, in advance of City Council consideration of the proposed rate increases. As of May 4, 2024, the City Clerk's Office had received 124 letters of protest to potable water rates from SJMWS customers and no protests to recycled water rates, in response to the public notices. Written protests have been received by mail, fax, and email.

This memorandum will be posted on the City's Council Agenda website for the June 4, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Statutorily Exempt, File No. PP17-005, Statutory Exemption for Adjustment to Fees, Rates & Fares without changes to or expansion of services.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

KERRIE ROMANOW

Director, Environmental Services

For questions, please contact Jeff Provenzano, Assistant Director, at (408) 277-3671.

Attachment - Proposed Rate Schedule

ATTACHMENT
PROPOSED RATE SCHEDULE

Table 1: Monthly Meter Charge – Potable and Recycled Water

MONTHLY METER CHARGE <i>(based on meter size)</i>		
Meter Size	2024-2025 Charges	New Charges
5/8-inch	\$38.19	\$39.35
3/4-inch	\$38.19	\$39.35
1-inch	\$67.54	\$69.57
1.5-inch	\$116.42	\$119.92
2-inch	\$175.11	\$180.36
3-inch	\$360.90	\$371.73
4-inch	\$634.72	\$653.77
6-inch	\$1,387.70	\$1,429.33
8-inch	\$2,365.58	\$2,436.55
10-inch	\$3,734.64	\$3,846.68

Table 2: Potable Monthly Quantity Charge

MONTHLY QUANTITY CHARGE <i>(per HCF*)</i>		
Service Area/Zone	2024-2025 Charges	New Charges
Evergreen/Edenvale – Zone 1	\$6.85	\$7.61
Evergreen/Edenvale – Zone 2	\$6.98	\$7.75
Evergreen/Edenvale – Zone 3/4	\$7.39	\$8.17
Evergreen/Edenvale – Zone 5/6	\$7.91	\$8.71
North San José/Alviso	\$8.07	\$8.73
Coyote	\$2.81	\$3.10

Table 3: Potable Bimonthly Private Fireline Charge

BIMONTHLY PRIVATE FIRELINE CHARGE		
Service Size	2024-2025 Charges	New Charges
2-inch	\$25.63	\$26.40
3-inch	\$38.43	\$39.59
4-inch	\$51.23	\$52.77
6-inch	\$76.83	\$79.14
8-inch	\$102.42	\$105.50
10-inch	\$128.04	\$131.89

Table 4: Recycled Monthly Quantity Charge

	2024-2025 Charges	New Charges
Monthly Quantity Charge (per HCF*)	\$4.513	\$5.098

*HCF = hundred cubic feet; 1 HCF = 748 gallon



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: May 31, 2024

Approved

Date

5/30/24

COUNCIL DISTRICT: 2, 4, 7, 8

**SUBJECT: SAN JOSE MUNICIPAL WATER SYSTEM POTABLE
(DRINKING) AND RECYCLED WATER RATES AND CHARGES**

REASON FOR SUPPLEMENTAL

This supplemental memorandum reports on the written protests received to date in response to mailed public notices regarding the proposed San José Municipal Water System rates effective July 1, 2024.

ANALYSIS

Public notices were mailed to 25,989 potable water customers and 232 recycled water customers advising them that a hearing would be held on June 4, 2024, prior to City Council consideration of San José Municipal Water System rates effective July 1, 2024. In accordance with Proposition 218, customers were given at least 45 days to file written protests of the proposed rate increase.

As of Tuesday, May 28, 2024, the City Clerk's Office has received 131 protests or emails in response to the potable water public notice, which represents less than one percent of all customers impacted by the change in water retail rates. The City Clerk's Office has not received any protests from recycled water customers in response to the public notice. Protest letters may be submitted through the close of the Public Hearing, at which point the City Clerk will provide a count of all protests received during the protest period.

/s/

KERRIE ROMANOW

Director, Environmental Services

For questions, please contact Jeff Provenzano, Assistant Director, at (408) 277-3671.

RESOLUTION NO. _____

**A RESOLUTION OF THE COUNCIL OF THE CITY OF
SAN JOSE ESTABLISHING CHARGES FOR POTABLE
WATER SERVICE EFFECTIVE JULY 1, 2024, AND
SUPERSEDING RESOLUTION NO. RES2023-199**

WHEREAS, the City of San José (“City”) operates the San José Municipal Water System (“SJMWS”), a retail water service provider serving customers in the North San José, Alviso, Evergreen, Edenvale and Coyote Valley areas; and

WHEREAS, the current rates and charges for potable water service in areas served by the SJMWS were adopted by this Council on June 6, 2023, in Resolution No. RES2023-199; and

WHEREAS, SJMWS purchases potable water from the San Francisco Public Utilities Commission (“SFPUC”), Valley Water (formerly the Santa Clara Valley Water District), and local groundwater sources; and

WHEREAS, the two principal sources of revenue for SJMWS are water sales and fixed monthly meter service charges, with approximately 68% of SJMWS’ revenue used to purchase water from wholesalers and pay the Valley Water groundwater augmentation fee for groundwater pumped by SJMWS; and

WHEREAS, in 2016, the City contracted with Raftelis Financial Consultants (“RFC”) to conduct a cost of service analysis for the potable water enterprise of SJMWS in order to evaluate the utility’s potable system revenue requirements through the development of a Financial Plan and an up-to-date Cost of Service evaluation; and

WHEREAS, RFC presented the result of their analysis at the City Council's May 9, 2017 meeting, and proposed rates for 2024-2025 are based on the results of RFC's study; and

WHEREAS, in 2024-2025, it is estimated that the operating cost of the water utility system will increase to \$72 million, as shown in the 2024-2025 Proposed Operating Budget (Statement of Source and Use of Funds for the Water Utility Fund); and

WHEREAS, changes to potable water rates are primarily related to the projected increased cost of wholesale water and drought-related impacts on water supply and revenue; and

WHEREAS, in February 2024, Valley Water notified property owners that wholesale rates for North County groundwater may increase by 12.9% in FY 2024-25, and SFPUC informed wholesale customers of a maximum 13.1% rate increase; and

WHEREAS, on May 14, 2024, the SFPUC adopted an 8.8% increase in water rates, and the Valley Water Board adopted a 12.9% increase in water rates and these adjustments were added to the retail quantity charges as a pass-through rate adjustment; and

WHEREAS, in April 2024, notices were mailed to inform all SJMWS potable water customers that the City Council would hold a public hearing on June 4, 2024, to consider changes in retail potable water rates and charges effective July 1, 2024; and

WHEREAS, the April 2024 notices contained the maximum meter charges, water quantity rates, and private fireline charges that would be proposed for the City Council's consideration and approval and provided information concerning how SJMWS customers could protest such rates and charges; and

WHEREAS, on June 4, 2024, this Council conducted a public hearing on the proposed rates and charges set forth in the April 2024 notice at which members of the public were afforded the opportunity to speak to such rates and charges; and

WHEREAS, following the conclusion of the public hearing on June 4, 2024, the City Clerk reported to this Council that after counting the protests submitted opposing the proposed rates and charges, there was no majority protest; and

WHEREAS, the potable water meter charges, water quantity rates and private fireline charges that are approved in this Resolution are equal to or lower than the rates and charges set forth in the April 2024 notice to customers and are proportional to the cost of providing potable water service to the various classes of customers served by the SJMWS; and

WHEREAS, the potable water meter charges, water quantity rates and private fireline charges that are approved in this Resolution are necessary to pay the costs of providing potable water service to the customers of the SJMWS, including the expenditures required and allowed under San José Municipal Code Section 4.80.630; and

WHEREAS, revenue generated by the potable water meter charges, water quantity rates and private fireline charges is not anticipated to exceed the total cost of providing potable water service to customers served by the SJMWS, including without limitation, the funding of reasonably required reserves;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. Effective July 1, 2024, the following rates and charges are established for potable water service provided by the San José Municipal Water System:

- A. **Monthly Meter Charges – All Customers** – Charges are stated on a monthly basis for customer convenience; however, actual billing is bi-monthly, with each bi-monthly meter charge being double the stated monthly amount. The Meter Charge is a readiness-to-serve charge, which is added to the bi-monthly Quantity Charge.

Meter Size	Effective July 1, 2024
5/8-inch	\$39.35
3/4-inch	\$39.35
1-inch	\$69.57
1.5-inch	\$119.92
2-inch	\$180.36
3-inch	\$371.73
4-inch	\$653.77
6-inch	\$1,429.33
8-inch	\$2,436.55
10-inch	\$3,846.68

- B. **Potable Quantity Charge** - Billed based on the following rates.

MONTHLY QUANTITY CHARGE (PER HCF*)	
Effective July 1, 2024	
EVERGREEN/EDENVALE	
<i>Zone 1 (Elevation 0 to 275 feet)</i>	
All Residential and Non-Residential	\$7.61
<i>Zone 2 (Elevation 275 to 375 feet)</i>	
All Residential and Non-Residential	\$7.75
<i>Zone 3/4 (Elevation 375 to 630 feet)</i>	
All Residential and Non-Residential	\$8.17
<i>Zone 5/6 (Elevation 630 to 880 feet)</i>	
All Residential and Non-Residential	\$8.71
NORTH SAN JOSE/ALVISO	
All Residential and Non-Residential	\$8.73
COYOTE VALLEY	
All Residential and Non-Residential	\$3.10

*HCF = hundred cubic feet; 1 HCF = 748 gallons

C. Potable Quantity Charges in the McCarthy/Dixon Zone of the Alviso Service Area

Within the McCarthy/Dixon Zone, which is defined as that portion of the Alviso service area that receives water purchased by the City of San José from the City of Milpitas, the potable water quantity charge shall be the total price paid by the City of San José to the City of Milpitas for Milpitas water supplied to the customer, including but not limited to all associated fees, taxes, and charges billed by the City of Milpitas, and that charge shall automatically change concurrently with and equivalent to any change in the costs paid by San José to Milpitas for water. All other applicable rates and charges, including but not limited to SJMWS meter charges and private fireline charges, shall be the same in the McCarthy/Dixon Zone as for all other SJMWS customers.

D. Private Fireline Charge - Billed on a bi-monthly basis, based on the following bi-monthly rates.

Service Size	Effective July 1, 2024
2-inch	\$26.40
3-inch	\$39.59
4-inch	\$52.77
6-inch	\$79.14
8-inch	\$105.50
10-inch	\$131.89

- The foregoing schedule of rates and charges set forth in this Resolution shall be subject to change by a resolution of the City Council.
- This Resolution is effective on July 1, 2024, and supersedes Resolution No. RES2023-199.

4. A challenge to new or increased water rates must be brought within 120 days of the effective date of the final passage, adoption, or approval of the ordinance or resolution approving the rate.

ADOPTED this _____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

RESOLUTION NO. _____

**A RESOLUTION OF THE COUNCIL OF THE CITY OF
SAN JOSE ESTABLISHING CHARGES FOR RECYCLED
WATER SERVICE EFFECTIVE JULY 1, 2024, AND
CONTINUING IN EFFECT THE PROVISIONS OF
RESOLUTION NO. 68377 RELATED TO THE
CALCULATION OF RECYCLED WATER QUANTITY
CHARGES**

WHEREAS, the City of San José operates the San José Municipal Water System (“SJMWS”), a retail water service provider serving customers in the North San José, Alviso, Evergreen, Edenvale and Coyote Valley areas; and

WHEREAS, SJMWS also provides recycled water service with water purchased from the South Bay Water Recycling Program; and

WHEREAS, the current rates and charges for recycled water service in areas served by the SJMWS were adopted by this Council on June 6, 2023, in Resolution No. RES2023-200 and continued to index recycled water quantity charges to the increases in the wholesale price of recycled water; and

WHEREAS, in April 2024, notices were mailed to inform all SJMWS recycled water customers that Council would hold a public hearing on June 4, 2024, to consider changes in recycled water rates and charges effective July 1, 2024; and

WHEREAS, the April 2024 notices contained the maximum meter charges and recycled water quantity charges that would be proposed for the City Council’s consideration and approval and provided information concerning how SJMWS customers could protest such rates and charges; and

WHEREAS, on June 4, 2024, this Council conducted a public hearing on the proposed rates and charges set forth in the April 2024 notices at which members of the public were afforded the opportunity to speak to such rates and charges; and

WHEREAS, following the conclusion of the public hearing on June 4, 2024, the City Clerk reported to this Council that after counting the protests submitted opposing the proposed rates and charges, there was no majority protest; and

WHEREAS, this Council desires to continue in effect the provisions of Resolution No. 68377 related to the calculation of recycled water charges; and

WHEREAS, the recycled water meter charges and water quantity rates that are approved in this Resolution are necessary to pay the costs of providing recycled water to customers served by SJMWS; and

WHEREAS, revenue generated by the recycled water meter charges and water quantity rates is not anticipated to exceed the total cost of providing recycled water to customers served by the SJMWS;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. Effective July 1, 2024, the service charge for recycled water provided by the San José Municipal Water System shall be as follows:

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MONTHLY METER CHARGE <i>(based on meter size)</i>	
Meter Size	Charge
5/8-inch	\$39.35
3/4-inch	\$39.35
1-inch	\$69.57
1.5-inch	\$119.92
2-inch	\$180.36
3-inch	\$371.73
4-inch	\$653.77
6-inch	\$1,429.33
8-inch	\$2,436.55
10-inch	\$3,846.68

2. Recycled water quantity charges shall continue to be automatically increased each year in proportion to any increase in wholesale recycled water costs, as approved by the City Council in Resolution No. 68377. The provisions of Resolution No. 68377, with respect to the calculation of recycled water quantity charges and automatic annual increases in proportion to wholesale recycled water costs, are continued in effect by this Resolution and for convenience are restated in this Resolution.
3. Effective July 1, 2024, recycled water quantity rates shall be in the amount of \$5.098 per hundred cubic feet (HCF).
4. The foregoing schedule of rates and charges set forth in this Resolution shall be subject to change by the City Council.

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ADOPTED this _____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

ORDINANCE NO.

**AN UNCODIFIED ORDINANCE OF THE CITY OF
SAN JOSE ESTABLISHING CHARGES FOR POTABLE
WATER SERVICE AND RECYCLED WATER SERVICE
EFFECTIVE JULY 1, 2024, SPECIFIED IN THE
RESOLUTIONS**

WHEREAS, on June 4, 2024, the City Council adopted resolutions establishing rates and charges for potable water service and recycled water service provided by the San José Municipal Water System effective July 1, 2024; and

WHEREAS, this Ordinance was found to be categorically exempt from environmental review per the provisions of Section 15273 of the California Environmental Quality Act of 1970, as amended, under File No. PP17-005;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF
SAN JOSE:

SECTION 1. The City Council hereby adopts the findings and amounts of the rates and charges for potable water service provided by the San José Municipal Water System specified in Resolution No. RES2024-____ and the rates and charges for recycled water service provided by the San José Municipal Water System specified in Resolution No. RES2024-____ adopted on June 4, 2024.

SECTION 2. The fees, charges, and rates for the San José Municipal Water System specified in Resolution No. RES2024-____ and Resolution No. RES2024-____ and incorporated into this Ordinance are for property related services as provided in the California Constitution, Article XIID, or for reasonable charges for a specific local government service or product provided directly to the payor that is not provided to those not charged.

SECTION 3. The provisions of this Ordinance shall take effect retroactive to July 1, 2024.

SECTION 4. The rates and charges for potable water service and recycled water service provided by the San José Municipal Water System shall continue until modified or superseded by either resolution or ordinance.

PASSED FOR PUBLICATION of title this _____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk