

Meeting Date: 5/25/10

AGENDA REPORT

City of Santa Clara, California

Agenda Item # 84



Date: May 10, 2010

To: City Manager for Council Action

From: Director of Water & Sewer Utilities

Subject: Public Hearing: Adoption of Resolutions Approving Water Rate Schedule 2010-1, Recycled Water Rate Schedule 2010-2, and Sewer Service Charges Schedule S-10 for Fiscal Year 2010-11.

EXECUTIVE SUMMARY:

Staff is requesting the adoption of a 9.6% increase in the potable water rate, a 9.3% increase in recycled water base quantity charge, and a 19% increase in sewer service and use fees. The Water and Sewer Rate Report for FY 2010-11 provides information on proposed revenues, expenditures and impacts of the proposed rate increases on customer bills and is attached to this memorandum.

Water Rates

When Council approved an 8.5 % water rate increase last year, staff advised Council that a series of wholesale water price increases were proposed by both the San Francisco Public Utilities Commission and South Bay Water Recycling. These increases coupled with reductions in water usage resulting from conservation and the economic downturn have resulted in the need for significant cost reductions and retail rate increases for the City of Santa Clara over several years. The Utility has previously instituted cost savings initiatives and moderate rate increases, which has minimized rate spikes to our customers, but has also required the short-term use of the Utility's reserve to offset revenue shortfalls. Staff's current evaluation of financial requirements of the water utility indicates that a 9.6% increase in the potable water rate is needed at this time. In addition, the minimum monthly charges for water service are proposed to increase between 9.0% and 9.6%. The monthly charges for Fire Services and Cross Connection Control are proposed to be increased from between 5.0% and 9.6%. These increased rates and charges coupled with cost reduction strategies such as redeploying utility staff to work on recycled water projects funded in part by federal stimulus grants, is sufficient to stabilize the Water Fund for FY 2010-11.

Recycled Water Rates

Staff has determined that recycled water rates will need to be increased by 9.3% to offset increased costs including wholesale cost increases by South Bay Water Recycling for recycled water used for landscape irrigation and industrial use. A 9.3% increase to the recycled water retail base quantity charge is sufficient to stabilize the Recycled Water Fund for FY 2010-11, while still allowing recycled water prices to provide a significant financial incentive for its use. Staff is also proposing to increase the credit offered to recycled water customers for Landscape Irrigation Otherwise Served By A Private Well from \$0.60 to \$0.69, and increase the credit from \$1.06 to \$1.15 offered to recycled water customers for Industrial Process Water Otherwise Served By A Private Well.

At the close of the public hearing, staff will request that Council adopt a resolution approving 9.6% potable

TO: City Manager for Council Action
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water increase, a 9.3% recycled water base quantity increase, an increase in the credit from \$0.60 to \$0.69 offered to recycled water customers for Landscape Irrigation Otherwise Served By A Private Well, increase the credit from \$1.06 to \$1.15 offered to recycled water customers for Industrial Process Water Otherwise Served By A Private Well, increase the minimum monthly charges for water service by between 9.0% and 9.6%, and increase monthly charges for Fire Services and Cross Connection Control from between 5.0% and 9.6% to become effective on billing cycles beginning July 1, 2010 to coincide with the new wholesale rate increases. A copy of the resolution establishing Water Rate Schedule 2010-1 and Recycled Water Rate Schedule 2010-2 are attached to this memorandum.

Sewer Rates

The sewer service and use fees are the primary source of revenue to fund the Sewer Utility. The cost of treating the sewage at the jointly owned San Jose-Santa Clara Water Pollution Control Plant (SJ/SC Plant) is the major portion (75%) of the Sewer Utility operating budget. In addition to the operating costs, sewer service and use charges are the source of funding for sewer capital projects both within the City boundaries and at the SJ/SC Plant. The SJ/SC Plant staff has proposed \$393.5 million in capital improvement projects in the next five years, with the City's portion being \$4.0 million in FY 10-11 and \$7.1 million in FY 11-12. In addition, the City has proposed a total of \$14.3 million in collection system improvement projects in the next two fiscal years.

Even with the proposed increase in sewer service and use fee, the sewer utility revenues will be insufficient to fund the operating expenses and capital improvement projects anticipated in FY 10-11. The sewer utility will be using an estimated \$4.1 million in reserves to cover the revenue shortfall this fiscal year. A copy of the resolution establishing Sewer Service Charges Schedule S-10 is attached to this memorandum.

Public Outreach

A notice, as required by Article XIII D of the California Constitution, was sent to all current utility customers in the City (26,504 separate utility customers from the City's Utility Billing System) with a range of possible rate increases indicated that could be up to 9.6% for the water utility, up to 9.3% for the base recycled water rate, and up to a 19% increase in sewer rates. The notice also included a detailed table showing the sewer rate increases and impacts for each customer type. This notice was mailed on April 9, 2010, more than 45 days prior to tonight's meeting. The proposed rate increases are within the range of possible increases provided in the notice.

Staff made presentation to the members of the Santa Clara Chamber of Commerce on May 4, 2010 regarding the proposed rate increases. A copy of the presentation was given to the Chamber for distribution to their membership that could not attend the presentations. Staff also made a presentation to the Citizen's Advisory Committee in May regarding the proposed rate increases.

At the Council meeting, Council will need to open the Public Hearing and hear protests regarding the proposed rates. In addition, the Council meeting will be the last opportunity for City utility customers to return written protests against the proposed rates. At the close of the Public Hearing the protests will be tabulated. If a majority of utility customers protest the proposed rates, the Council will be unable to raise the water or sewer rates. If there is not a majority protest of the rates, Council may increase the utility rates limited to the range contained in the written notice.

TO: City Manager for Council Action
FROM: Director of Water & Sewer Utilities
SUBJECT: Adoption of Resolutions Approving Water Rate Schedule 2010-1, Recycled Water Rate Schedule 2010-2, and Sewer Service Charges Schedule S-10 for Fiscal Year 2010-11. Page - 3

ADVANTAGES AND DISADVANTAGES OF ISSUE:

The wholesale price increases implemented by our water supplier coupled with reduced sewer flows and reduced water sales resulting from the economic downturn and conservation efforts have resulted in the need for retail rate increases. Staff proposes to reduce costs by shifting staff to work on federal stimulus funded recycled water projects. Staff has proposed implementing a series of steady increases over several years to minimize rate shock to our ratepayers.

The proposed water rate increases will meet the expected financial needs of the Water Utility. The Sewer Utility requires a series of rate increases to fund the conveyance pipeline capacity improvements and the City's share of needed improvements to the SJ/SC Plant over the next five years. The sewer rate increases proposed for this year, coupled with the use of reserves, will meet the Sewer Utility's immediate needs for funding. The identified disadvantages include: our ratepayers will see their water and sewer charges increase, and the Utilities' use of cash reserves to minimize the rate increases reduces each Utility's reserves and reduces the interest revenues the Utilities receive from reserves.

ECONOMIC/FISCAL IMPACT:

The Water and Sewer Utilities need the additional revenue provided by the proposed rate increases in order to meet the budgetary requirements for Fiscal Year 2010-11 including funding necessary capital improvements to the City's infrastructure, infrastructure at the San Jose Santa Clara Water Pollution Control Plant, and increased resource, operations and maintenance costs.

Water cost data for various user categories is presented in detail in the Water and Sewer Rate Report attached to this memorandum. The proposed water rate will increase a typical single-family residential consumer¹ bill by approximately \$2.88 per month after July 1 (to \$32.88 based on 12 HCF/month).

Sewer service fees for single family and multifamily residential would be increased by \$3.10 per month from \$16.30 to \$19.40 per month on July 1, 2010. The potential impact to the average non-residential customer's monthly sewer bill is presented in detail in the Water and Sewer Rate Report for FY 2010-11.

Staff has recently completed a study in conjunction with the Electric Utility and determined that even with the adoption of the proposed increases, Santa Clara residents and customers continue to receive the lowest combined water, sewer, and electric utility rates in the nine Bay Area Counties.

TO: City Manager for Council Action
FROM: Director of Water & Sewer Utilities
SUBJECT: Adoption of Resolutions Approving Water Rate Schedule 2010-1, Recycled Water Rate Schedule 2010-2, and Sewer Service Charges Schedule S-10 for Fiscal Year 2010-11. Page - 4

RECOMMENDATION:

That the Council:

1. Open the public hearing to receive testimony regarding the proposed changes to the water, recycled water, and sewer rates.
2. Adopt a resolution approving Water Rate Schedule 2010-1 and Recycled Water Rate Schedule 2010-2, setting the City of Santa Clara's water rates for FY 2010-11, effective immediately for water delivered on or after June 1, 2010 and billed beginning July 1, 2011.
3. Adopt a resolution approving Sewer Service Schedule S-10 setting sewer service charges for FY 2010-11 effective immediately for services provided on or after June 1, 2010 and billed on or after July 1, 2010.



Alan Kurotori
Director of Water & Sewer Utilities

APPROVED:


Jennifer Sparacino
City Manager

Documents Related to this Report:

- 1) *Resolution for Water Service Charges*
- 2) *Resolution for Sewer Service Charges*
- 3) *Water and Sewer Rate Report for FY 2010/11*

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF SANTA CLARA,
CALIFORNIA, ESTABLISHING WATER RATE
SCHEDULE 2010-01 AND RECYCLED WATER RATE
SCHEDULE 2010-02 FOR CITY SERVICE**

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, all water furnished to customers by the City of Santa Clara shall be charged, paid for and supplied only in accordance with such applicable schedules, rules and regulations as the City Council shall adopt pursuant to the provisions of Section 13.15.010 [entitled “Purpose and Intent”] of “The Code of the City of Santa Clara, California” (SCCC) and the Rules and Regulations for Water Service of the City of Santa Clara ;

WHEREAS, Article XIII D of the California Constitution requires that utility customers be given a minimum of 45 days notice of any proposed rate increase;

WHEREAS, notice of a Public Hearing was mailed to utility customers on April 9, 2010, at least 45 days prior to the Public Hearing;

WHEREAS, the notice was sent to 26,504 utility customers;

WHEREAS, the City Council has reviewed the Water Rate Schedule 2010-01 and Recycled Water Rate Schedule 2010-02 (the “Rate Schedules”) attached and incorporated into this Resolution by reference;

WHEREAS, the amounts shown on the Rate Schedules reflect the actual costs to provide utility services; and

WHEREAS, the City Council has conducted a Public Hearing at which it reviewed all protests regarding the proposed rate increases.

**NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA
AS FOLLOWS:**

1. That based on a tabulation of all protests received prior to the close of the Public Hearing, ___ protests were received which do not constitute a majority of affected utility customers.

2. That Water Rate Schedule 2010-01 and Recycled Water Rate Schedule 2010-02, both attached to this Resolution and incorporated by this reference, are hereby adopted and shall be effective per Section 4 of this Resolution.

3. Constitutionality, severability. If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

4. Effective date. All previously adopted water rate schedules, to the extent that they are inconsistent with those contained herein, are superseded by those charges as set forth in Water Rate Schedule 2010-01 and Recycled Water Rate Schedule 2010-02 beginning on July 1, 2010, and for all subsequent billing cycles.

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I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE ___ DAY OF _____, 2010, BY THE FOLLOWING VOTE:

AYES: COUNCILORS:

NOES: COUNCILORS:

ABSENT: COUNCILORS:

ABSTAINED: COUNCILORS:

ATTEST: _____
ROD DIRIDON, JR.
CITY CLERK
CITY OF SANTA CLARA

Attachments Incorporated by Reference:

1. Water Rate Schedule 2010-01
2. Recycled Water Rate Schedule 2010-02

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CITY OF SANTA CLARA

WATER RATE SCHEDULE 2010-01
(Replaces Water Rate Schedule 2009-1)

ADOPTED BY RESOLUTION NUMBER 10-_____, May 25, 2010

RATE W-1, METERED POTABLE WATER SERVICE

Applicability - Applicable to all metered potable water service.

(1) MONTHLY QUANTITY CHARGES:

All potable water use, **\$1.22** per Hundred Cubic Feet (HCF). The Monthly Quantity Charge recovers the annual cost to operate the Water Utility, other than groundwater charges, treated water purchased from others for resale, and energy.

(2) WATER & ENERGY COST ADJUSTMENT (WECA) CHARGE:

A Water and Energy Cost Adjustment (WECA) Charge of **\$1.52** per HCF shall be added to all Monthly Quantity Charges. The WECA Charge recovers the cost the City pays annually for groundwater charges, treated water purchased from others for resale, and energy.

The sum of (1) and (2) is **\$2.74** per HCF.

(3) MINIMUM MONTHLY METER RATES:

The minimum monthly meter rate will entitle the customer to the quantity of water that monthly minimum charge will purchase at the Monthly Quantity Charge plus WECA Charge.

<u>WATER METER SIZE</u>	<u>MINIMUM CHARGE</u>
5/8 x 3/4 inch	\$ 8.40
1 inch	13.40
1½ inch	24.20
2 inch	34.10
3 inch	94.60
4 inch	134.20
6 inch	263.90
8 inch	403.70
10 inch	498.30
12 inch	640.20

(4) SPECIAL CONDITIONS:

- (a) **OUTSIDE CITY LIMITS:** Water service will not normally be provided to properties outside the City Limits except in special situations authorized by City Council. All rates shall be at one and one-half (1.5) times regular City rates.
- (b) **AGRICULTURAL USERS:** Customers who receive water from the City for agricultural purposes, and upon application and presenting evidence to the City that such water qualifies for the lower agricultural pump taxes levied by the Santa Clara Valley Water District, shall receive a credit of \$0.26 per HCF for the quantities of water used.

Rate W-2 Not used.

RATE W-3, FIRE SERVICES

Applicability - Applicable to separate fire services (automatic sprinklers, private fire hydrants, etc.) required by the City of Santa Clara or insurance underwriters.

(1) MONTHLY FIRE SERVICE CHARGE:

<u>SERVICE SIZE</u>	<u>MONTHLY CHARGE</u>
2 inch	\$10.56
4 inch	16.60
6 inch	28.60
8 inch	41.80
10 inch	62.70
12 inch	84.70

(2) SPECIAL CONDITIONS:

Fire Service charges are imposed for maintenance and operation of the metering components, including capital replacement. No charge will be made for water used to extinguish fires or for testing. Any other usage of water through leakage or for general use shall result in the imposition of regular water service rates (RATE W-1) for a minimum of three (3) billing cycles or longer, until such time as illicit use of water through the fire service connection has ceased. Continued water usage through a fire service is a violation of City's Rules and Regulations and may cause interruption of service.

RATE W-4, CROSS CONNECTION CONTROLS

Applicability - Applicable to all service connections where a public cross connection control device has been required by the City or County Health Department.

(1) MONTHLY CHARGE:

<u>SIZE OF SERVICE</u>	<u>MONTHLY CHARGE</u>
1 inch	\$8.00
2 inch	15.60
3 inch	22.00
4 inch	27.50
6 inch	38.50
8 inch	47.30
10 inch	57.20

CITY OF SANTA CLARA

RECYCLED WATER RATE SCHEDULE 2010-02

(Replaces Water Rate Schedule 2009-2)

ADOPTED BY RESOLUTION NUMBER 10-_____, May 25, 2010

RATE RW-1, METERED RECYCLED WATER SERVICE

Applicability - Applicable to all metered service connections served by the City of Santa Clara Recycled Water System, except for those specific recycled water uses described in Rates RW-2 and RW-3.

(1) MONTHLY QUANTITY CHARGES:

All use: **\$1.64** per hundred cubic feet (HCF).

(2) MINIMUM MONTHLY METER RATES:

The minimum monthly meter rate will entitle the customer to the quantity of water which the stated monthly minimum charge will purchase at the Monthly Quantity Charge.

<u>WATER METER SIZE</u>	<u>MINIMUM CHARGE</u>
5/8 x 3/4 inch	\$ 8.40
1 inch	13.40
1½ inch	24.20
2 inch	34.10
3 inch	94.60
4 inch	134.20
6 inch	263.90
8 inch	403.70
10 inch	498.30
12 inch	640.20

(3) SPECIAL CONDITIONS:

- (a) **OUTSIDE CITY LIMITS:** Water service will not normally be provided to properties outside the City Limits except in special situations authorized by City Council. All rates shall be at one and one-half (1.5) times regular City rates.
- (b) **LANDSCAPE IRRIGATION OTHERWISE SERVED BY A PRIVATE WELL:** Customers who receive recycled water from the City for landscape irrigation purposes and upon application and presenting evidence to the City that such water would otherwise be provided by a well which qualifies pump taxes levied by the Santa Clara Valley Water District, shall receive a credit of \$0.69 per HCF for the quantities of water used.
- (c) **INDUSTRIAL PROCESS WATER:** Customers who receive recycled water from the City for use in an industrial process, shall receive a credit of \$0.35 per HCF for the quantities of water used.
- (d) **INDUSTRIAL PROCESS WATER OTHERWISE SERVED BY A PRIVATE WELL:** Customers who receive recycled water from the City for use in an industrial process and upon application and presenting evidence to the City that such water would be otherwise provided by a well which qualifies for the pump taxes levied by the Santa Clara Valley Water District, shall receive a credit of \$1.15 per HCF for the quantities of water used, plus a fixed rate of \$50.00 per month.

RATE RW-2, BULK RECYCLED WATER

Applicability - Applicable to all reclaimed water delivered in bulk quantities to tank trucks or similar vessels.

(1) MINIMUM CHARGE:

\$10.00 per truck or vessel

(2) QUANTITY CHARGE:

\$5.00 per thousand gallons, to the next highest thousand gallons based on the stated capacity of the truck or vessel.

RATE RW-3, FIRE SERVICES

Applicability - Applicable to separate fire services (automatic sprinklers, private fire hydrants, etc.) required by the City of Santa Clara or insurance underwriters.

(1) MONTHLY FIRE SERVICE CHARGE:

<u>SERVICE SIZE</u>	<u>MONTHLY CHARGE</u>
2 inch	\$10.56
4 inch	16.60
6 inch	28.60
8 inch	41.80
10 inch	62.70
12 inch	84.70

(2) SPECIAL CONDITIONS:

Fire Service charges are imposed for maintenance and operation of the metering components, including capital replacement. No charge will be made for water used to extinguish fires or for testing. Any other usage of water through leakage or for general use shall result in the imposition of regular water service rates (RATE RW-1) for a minimum of three (3) billing cycles or longer, until such time as illicit use of water through the fire service connection has ceased. Continued water usage through a fire service is a violation of City's Rules and Regulations and may cause interruption of service.

RATE RW-4, CROSS CONNECTION CONTROLS

Applicability - Applicable to all service connections where a public cross-connection control device has been required by the City or County Health Department.

(1) MONTHLY CHARGE:

<u>SIZE OF SERVICE</u>	<u>MONTHLY CHARGE</u>
1 inch	\$8.00
2 inch	15.60
3 inch	22.00
4 inch	27.50
6 inch	38.50
8 inch	47.30
10 inch	57.20

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF SANTA CLARA,
CALIFORNIA, PURSUANT TO SECTION 13.10.090
(ENTITLED "RATES- USERS WITHIN CITY") OF THE
"CODE OF THE CITY OF SANTA CLARA, CALIFORNIA"
ESTABLISHING MONTHLY SEWER CHARGES**

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, Section 13.10.090 of "The Code of the City of Santa Clara" (SCCC") provides that the City Council may by resolution establish the monthly sewer service charges;

WHEREAS, Article XIII D of the California Constitution requires that utility customers be given a minimum of 45 days notice of any proposed rate increase;

WHEREAS, notice of a Public Hearing was mailed to utility customers on April 9, 2010, at least 45 days prior to the Public Hearing;

WHEREAS, the notice was sent to 26,504 utility customers;

WHEREAS, the City Council has reviewed the Schedule S-10 attached and incorporated into this Resolution by reference;

WHEREAS, the amounts shown on Schedule S-10 reflect the actual costs to provide utility services; and

WHEREAS, the City Council has conducted a Public Hearing at which it reviewed all protests regarding the proposed rate increases.

NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

1. That based on a tabulation of all protests received prior to the close of the Public Hearing, ___ protests were received which do not constitute a majority of affected utility customers.

2. That Schedule S-10 attached to this Resolution and incorporated by this reference, is hereby adopted and shall be effective per Section 4 of this Resolution.

3. Constitutionality, severability. If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

4. Effective date. All previously adopted monthly sewer service charges, to the extent that they are inconsistent with those contained herein, are superseded by those charges as set forth in Schedule S-10 beginning on July 1, 2010, and for all subsequent billing cycles.

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I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE ___ DAY OF _____, 2010, BY THE FOLLOWING VOTE:

AYES: COUNCILORS:

NOES: COUNCILORS:

ABSENT: COUNCILORS:

ABSTAINED: COUNCILORS:

ATTEST: _____
ROD DIRIDON, JR.
CITY CLERK
CITY OF SANTA CLARA

Attachments Incorporated by Reference:

1. Schedule S-10

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**SCHEDULE S-10
MONTHLY SEWER SERVICE CHARGES
EFFECTIVE JULY 1, 2010**

A. Residential Users:

Single family dwelling units (including single family dwellings with accessory units):
\$19.40 per month

Multiple dwelling structures including, but not limited to, duplexes, retirement homes, mobile home courts, college dormitories and high-rise apartment, etc. per dwelling unit:
\$19.40 per month

B. Miscellaneous Users:

For all users other than residential users and major commercial and industrial users, the monthly service charges for each month shall be as follows, depending on the appropriate North American Industrial Classification System (hereinafter referred to as NAICS class):

NAICS CLASS	DESCRIPTION	SERVICE CHARGE \$/HCF ₁	SEWAGE VOLUME AS A PERCENTAGE OF METERED WATER USE
111998, 311XXX, 3121XX	Food and Kindred Products	\$4.88	70%
322XXX	Paper	\$5.15	80%
211112, 325XXX	Industrial Chemical	\$3.70	90%
332812, 332813	Metal Plating	\$1.81	90%
332XXX, 333XXX, 33411X, (excepting 332812, 332813, 333314)	Machinery Manufacturers	\$3.26	90%
334XXX, 335XXX, 33632X (excepting 33451X, 33411X, 334611)	Electric & Electronic Equip.	\$1.94	90%
4411XX, 4412XX, 4471XX	Auto Dealers & Service Station	\$2.53	90%
722110, 722410	Restaurants	\$4.91	90%
721XXX	Motels & Hotels	\$2.49	90%
561740, 811490, 8123XX	Laundries	\$2.18	90%
561990	Industrial Water Treatment	\$1.69	90%
8111XX, 812930	Repair Shops & Car Washes	\$2.52	90%
713XXX	Amusement Parks	\$2.61	90%
621XXX, 622XXX, 623XXX	Hospitals & Convalescent Homes	\$2.38	90%
611XXX	Schools & Colleges	\$2.56	24%
8131XX	Churches	\$2.43	35%
Commercial/Industrial/Miscellaneous not otherwise specified in this schedule of charges		\$2.19	90%

In no case shall the minimum charge be less than \$19.40 per month.

₁ HCF is the volume of sewage measured in hundred cubic feet, equal to 748 gallons

The volume of sewage shall be based upon a fixed percentage of water usage as noted, or based on standard methods acceptable to the Director of Water & Sewer Utilities (hereinafter "Director").

C. Major Commercial and Industrial Users are those having (1) a sewage discharge of at least 25,000 gallons per day, or having a daily discharge which is (2) intermittent or irregular in strength, amount or nature. Major Commercial and Industrial Users shall have monthly sewer charges, which may consist of all of the following charges:

Annual Capital Cost Recovery:

Volume: \$407,329 per million gallons per day of flow capacity
BOD: \$25,110 per 1,000 lbs. per day of B.O.D. removal capacity²
SS: \$22,995 per 1,000 lbs. per day of S.S. removal capacity³
NH₃: \$109,523 per 1,000 lbs. per day of NH₃ removal capacity⁴

Operating and Maintenance Cost Recovery:

Volume: \$2,078.67 per million gallons.
BOD: \$ 230.93 per 1,000 lbs.²
SS: \$ 347.53 per 1,000 lbs.³
NH₃: \$1,639.74 per 1,000 lbs.⁴

D. All classes of user shall be charged \$3.11 per year for infiltration/inflow, which is already included in the rates shown under Tables A and B.

The volume of sewage shall be based upon a fixed percentage of water usage as noted, or based on standard methods acceptable to the Director.

The City may require the installation of special metering and sampling devices whenever the Director deems that such devices are required to determine the volume and/or strength of the sewage. A customer may also request the installation of a special metering device. Whenever special metering devices are installed, they shall be devices approved by the Director, and the cost of furnishing and installing said devices shall be borne by the customer.

² BOD, Biochemical Oxygen Demand, is the quantity of oxygen utilized in the biological oxidation of organic matter under standard laboratory conditions for 5 days at a temperature of 20 degrees Centigrade. The determination of the charge for BOD is as follows: BOD in parts per million x 8.34 x volume in million gallons = pounds of BOD.

³ SS, Suspended Solids, is that which either floats on the surface or is in suspension in sewage and which is determined by laboratory filtering. The determination of the charge for Suspended Solids is as follows: SS in parts per million x 8.34 x volume in million gallons = pounds of Suspended Solids.

⁴ NH₃, Ammonia, is that form of nitrogen in the tri-negative oxidation state, which is chemically definable as the compound NH₃. The determination of the charge for Ammonia is as follows: NH₃ in parts per million x 8.34 x volume in million gallons = pounds of Ammonia.

City of Santa Clara Water and Sewer Utilities

1500 Warburton Ave
Santa Clara CA 95050

Water and Sewer Rate Report for FY2010-11

Providing customers with a dependable supply of safe, healthful and potable water and collecting, treating and disposing of their wastewater in an efficient, cost effective and environmentally sound manner.

Introduction

The City of Santa Clara Water and Sewer Utilities are municipal utilities owned and operated by the City of Santa Clara for the benefit of the residents and businesses that call Santa Clara home. The Water and Sewer Utilities have a proud 115 year history of providing exceptional services while striving to maintain affordability for customers.

The Water and Sewer Utilities develop projections of total water sales based on historic water sales, the City's 2005 Urban Water Management Plan, general planning principles, and general trends in water sales in various customer classes.

Revenue requirements for the City of Santa Clara Water and Sewer Utilities are calculated using the cash-needs approach, which is considered the standard methodology for municipal utilities. The Water and Sewer Utilities also considers the expenditures necessary to maintain the infrastructure critical to providing services to the customers. The information analyzed as part of the budget development process includes review of water main replacement schedules, pump replacement schedules, salaries and benefits costs, wholesale water costs, equipment replacement, sewer main replacements, wastewater treatment cost, as well as other maintenance schedules. From this analysis the Utilities develops the estimates of revenues necessary to operate and maintain the utilities. This analysis occurs annually.

The estimated expenditures and revenues for fiscal year 2010-11 are based on the most recent budgetary information. The projected expenditures and revenues for fiscal year 2010-11 listed in the tables in this report were developed as part of the City's budgeting process. The amounts shown in the tables represent consolidated totals of broad areas of expenditure or revenues. The consolidation of this information is meant to facilitate the understanding of the information, make the review of this information easier, and fully comply with all applicable laws, including but not limited to the California Constitution, Article XIIID, Section 6.

This report also examines the potential impacts the proposed rate increases will have on utility customers. Estimates of monthly bill amounts and increases are calculated for each customer type.

Water Utility

Revenues and Expenses

The table below shows the estimated revenues and expenses for the water utility for FY 2009-10 and the proposed revenues and expenses for FY 2010-11.

At the time that this report is being prepared, the Santa Clara Valley Water District (SCVWD) has not held its final hearing to set the wholesale water rates. That hearing is scheduled to occur on May 25, 2010. SCVWD Staff has proposed holding the wholesale water rate at the current level for the next year. Therefore the current wholesale cost of groundwater and treated surface water were used in developing the proposed production cost. The wholesale rate charge by the San Francisco Public Utilities Commission (SFPUC) is proposed to increase by \$109 per acre-foot (15.2%) effective July 1, 2010.

The proposed retail water rate increase of 9.6% is primarily due to the reduced water sales from the economic downturn, and conservation. The cost of water from the City's wholesale water suppliers, and increased costs for replacement of aging infrastructure including in the FY 2010-11 capital improvement projects have contributed to the need for increase revenue. Other components of the City's water rates include operations and maintenance costs, including labor, and the cost of support that the utility receives from other City departments for administrative services and equipment, such as human resources, vehicles and communication equipment.

Table 1 Water Utility Revenues and Expenditures

	Adopted FY 2009-10	Proposed FY 2010-11
Source of Funds		
Customer service charges & fees	\$26,929,970	\$23,873,826
Use of money and property	\$383,200	\$327,000
Other Revenue	\$611,105	\$700,000
Total source of funds	\$26,929,970	\$24,900,826
Use of Funds		
Resource and production costs	\$15,355,980	\$12,964,000
Capital improvements	\$2,538,000	\$2,591,000
Services from other departments	\$2,451,001	\$2,551,378
Salaries and benefits	\$5,303,168	\$5,745,501
Right of Way Rental Fee	\$1,354,010	1,167,000
Other operating expenditures*	\$913,930	\$963,175
Total use of funds	\$27,916,089	\$25,982,054
Into/(out of) reserves	\$(986,119)	\$(1,081,228)

*estimated

Impact of Water Rate Increases

The impact of the proposed water rate increases is directly dependant on the amount of water the customer uses in their home or business. The Water Utility charges a commodity based rate. The current rate of \$2.50 per hundred cubic feet (HCF) is proposed to increase by \$0.24 per HCF (9.6%) to \$2.74 per hundred cubic feet (HCF). An average single family detached home typically uses between 12 and 15 HCF per month. Table 2 shows calculations of several examples of the potential impact of the proposed rate on a range of usages.

Table 2 Impact of Rate Increase on Customer Bills

Water	Usage (HCF)	Current Monthly Bill	Proposed Monthly Bill	Amount of Increase per month
Residential	12	\$30.00	\$32.88	\$2.88
Commercial	100	\$250.00	\$274.00	\$24.00
Industrial (Medium)	1,000	\$2,500.00	\$2,740.00	\$240.00
Industrial (Large)	10,000	\$25,000.00	\$27,400.00	\$2400.00
Industrial / Commercial Average Impact	Average Usage per Account (HCF)			
Average Commercial	44	\$110.00	\$120.56	\$10.56
Food and Kindred Products	108	\$270.00	\$295.92	\$25.92
Paper Manufacture	11	\$27.50	\$30.14	\$2.64
Industrial Chemical	72	\$180.00	\$197.28	\$17.28
Metal Plating	45	\$112.50	\$123.30	\$10.80
Machinery Manufacturers	31	\$77.50	\$84.94	\$7.44
Electric & Electronic Equip.	144	\$360.00	\$394.56	\$34.56
Auto Dealers & Service Stations	35	\$87.50	\$95.90	\$8.40
Restaurants	53	\$132.50	\$145.22	\$12.72
Motels & Hotels	229	\$572.50	\$627.46	\$54.96
Laundries	80	\$200.00	\$219.20	\$19.20
Industrial Water Treatment	No Current Customers			
Repair Shops & Car Washes	27	\$67.50	\$73.98	\$6.48
Amusement Parks	367	\$917.50	\$1005.58	\$88.08
Hospitals & Convalescent Homes	210	\$525.00	\$575.40	50.40
Schools & Colleges	104	\$260.00	\$284.96	\$24.96
Churches	137	\$342.50	\$375.38	\$32.88

1 HCF = 748 gallons

Sewer Utility

Revenues and Expenses

The table below shows the projected revenues and expenses for the sewer utility for FY 2009/10 and the estimated revenues and expenses for FY 2010/11. Revenues to the Sewer Utility have decrease significantly over the amount budgeted in the previous fiscal year due to the economic downturn, a shift in business types, and water conservation. These factors have resulted in a decrease in flow.

The proposed sewer rate increase is due to increased costs for

- The City's share of capital projects required at the San Jose/Santa Clara Water Pollution Control Plant where all of the City's sewage is treated
- Capital projects within the City sewer collection system to fund rehabilitation of a major trunk line and
- Funding for capacity improvements with the system.
- Operations and maintenance costs, including labor, replacement and improvements in the City's sewer collection system,
- Support that the utility receives from other City departments for administrative services and equipment, such as human resources, vehicles and communication equipment.

The largest contributors to the proposed expenses of the Sewer Utility are the Resource and Production Cost (54.1%) and Capital Improvement Projects (28.2%). These two categories of expenses account for 82.3% of the \$23.6 million of estimated expenditures in the coming fiscal year. Just the SJ/SC Plant estimated expenditures for operating and capital expenses will exceed all estimated revenue from customer service charges and fees. The remaining categories account for 17.7% of estimated expenditures as follows; 8.3% for Salaries and Benefits, 4.2% for Right of Way expenses, 4.1% for Internal Service Fund Allocations, and 1.1% for Other Operating Expenditures.

In order to increase revenue sufficiently to cover the projected expenses this next fiscal year, rate would necessitate an increase by an amount that would be higher than any historic increase. The revenue from Customer Service Charges and Fees would need to equal \$22,705,705 in order for overall estimated revenues to equal estimated expenditures. In FY 2009-10, the revenue from Customer Service Charges and Fees is currently estimated to be approximately \$16.1 million. If it is assumed that sewer flows do not vary significantly from the previous year, a 41% would be necessary to balance the estimated revenues and expenditures.

The Sewer Utility's financial reserves have historically been used to cover the short term revenue shortfalls and to reduce rate shock to customers. As noted in Table 2 below, approximately \$5 million in reserves are being used in FY2009-10 to make up the shortfall in revenues due to the economic downturn. The current capital reserves of the Utility are approximately \$13 million. The budgeted capital expenditures of the next 5 years total \$65.4 million (FY2010-11 through FY2014-15) with \$18.8 million of

the total being budgeted for FY2011-12. The use capital reserves is not sustainable given the significant operating and capital expenditures for the wastewater treatment.

Therefore, the needed revenue will be obtained through a rate increase and the usage of reserves. It was determined that a 19% increase would be proposed with the understanding that this would result in the usage of estimated \$4.1 million in reserves to make up for the difference between projected revenues and expenditures. Future rate increase will be necessary for several years in order to reach cost recovery and maintain the fiscal stability of the Sewer Utility.

Table 2 Sewer Utility Revenues and Expenditures

	Adopted 09/10	Proposed 10/11
Revenues		
Customer service charges & fees	\$17,849,367	\$18,632,575
Sewer connection fees	\$720,000	\$300,000
Use of money and property	\$867,900	\$637,200
Total source of funds	\$19,437,267	\$19,569,775
Expenses		
Resource and production costs	\$12,770,999	\$12,794,189
Capital Improvements	\$6,255,000	\$6,669,396
Services from other departments	\$974,854	\$977,980
Salaries and benefits	\$1,850,032	\$1,950,689
Right of Way Fee	\$1,060,800	\$980,200
Other operating expenditures	\$263,849	\$270,451
Debt Service	\$1,216,000	\$0
Total expenditures	\$24,391,534	\$23,642,905
Into/(out of) reserves	(\$4,954,267)	(\$4,083,130)

Impact of Sewer Rate Increases

The impact of the proposed sewer rate change for residential customers is an increase of \$3.10/month for single family and multifamily units. The residential sewer rate is a flat rate that is independent of the volume of sewage discharged. The proposed monthly rates for both single family and multifamily residential are shown in Table 3.

The impact of the proposed sewer rate increase on industrial customers will vary depending on both the volume of sewage discharged each month and the type of operations. Table 3 shows calculations for each industry type. The volumes used for each calculation are based on average water usage for the particular industry type based on 2009 data from the City's utility billing system.

Table 3 Impact of Sewer Rates on Customer Bills

Sewer		Current Rate	Current Monthly Bill		Proposed Monthly Bill	Amount of Increase per Month
Residential (Single Family and Multi Family)		Flat/month	\$16.30		\$19.40	\$3.10
Industrial / Commercial Average Impact	Average Usage per Account (HCF)	Current Rate/HCF	Current Average Monthly Bill	Proposed Rate/HCF	Proposed Average Monthly Bill	Amount of Increase per Month
Average Commercial	40	\$1.84	\$73.60	\$2.19	\$87.60	\$14.00
Food and Kindred Products	76	\$4.10	\$311.60	\$4.88	\$370.88	\$59.28
Paper Manufacture	10	\$4.33	\$43.33	\$5.15	\$51.50	\$8.17
Industrial Chemical	65	\$3.11	\$202.15	\$3.70	\$240.50	\$38.35
Metal Plating	41	\$1.52	\$62.32	\$1.81	\$74.21	\$11.89
Machinery Manufacturers	28	\$2.74	\$76.72	\$3.26	\$91.28	\$14.56
Electric & Electronic Equip.	130	\$1.63	\$211.90	\$1.94	\$252.20	\$40.30
Auto Dealers & Service Stations	32	\$2.13	\$68.16	\$2.53	\$80.96	\$12.80
Restaurants	48	\$4.13	\$198.24	\$4.91	\$235.68	\$37.44
Motels & Hotels	206	\$2.09	\$430.54	\$2.49	\$512.94	\$82.40
Laundries	72	\$1.83	\$131.76	\$2.18	\$156.96	\$25.20
Industrial Water Treatment	No Current Customers	\$1.42		\$1.69		
Repair Shops & Car Washes	24	\$2.12	\$50.88	2.52	\$60.48	\$9.60
Amusement Parks	330	\$2.19	\$722.70	\$2.61	\$861.30	\$138.60
Hospitals & Convalescent Homes	168	\$2.00	\$336.00	\$2.38	\$399.84	\$63.84
Schools & Colleges	25	\$2.15	\$53.75	\$2.56	\$64.00	\$10.25
Churches	48	\$2.04	\$97.92	\$2.43	\$116.64	\$18.72

Allocation of Proposed Revenue Increases

The Water and Sewer Utilities have previously instituted cost savings initiatives and moderate rate increases, which has minimized rate spikes to our customers, but has also required the short-term use of the Utility's reserve to offset revenue shortfalls. The Water and Sewer Utilities is again proposing to use reserves to minimize the current proposed rate increases. The increased revenue from the proposed rate increases will be used to decrease the amount of reserves that will be utilized to meet the expenses in the coming year. The revenue anticipated from these increased rates and charges coupled with cost reduction strategies such as reallocating utility staff to work on recycled water projects funded in part by federal ARRA stimulus grants, is sufficient to stabilize the Water Fund for FY 2010-11.

Summary

The City of Santa Clara Water and Sewer Utilities have proposed increasing the water rates by \$0.24 per HCF (9.6%) to \$2.74 per hundred cubic feet (HCF), in order to fund the ongoing expenditures and capital improvements necessary to operate and maintain the water utility. The specific uses of the revenues received by the utility are outlined both in this report and in the City's Annual budget. The development of the budgets has taken place as part of the City's annual budgeting processes.

The sewer rates are proposed to increase by 19% in order to fund the ongoing expenditures and capital improvements necessary to operate and maintain the sewer utility.

The proposed rate increases are necessary in order for the Utilities to continue to provide customers with the high quality service that the residents and businesses have come to expect from the City of Santa Clara.

Questions regarding this report may be directed to the Director of the Water and Sewer Utilities by calling (408) 615-2000 or by email at water@santaclaraca.gov.

CITY OF SANTA CLARA
AGENDA MATERIAL ROUTE SHEET

Council Date: 5/25/10

SUBJECT: Resolutions approving Water Rate Schedule 2010-1, Recycled Water Rate Schedule 2010-2,
and Sewer Service Charges Schedule S-10 for Fiscal Year 2010-11

PUBLICATION REQUIRED:

The attached Notice/Resolution/Ordinance is to be published _____ time(s) at least _____ days before the scheduled meeting/public hearing/bid opening/etc., which is scheduled for _____, 20__.

AUTHORITY SOURCE FOR PUBLICATION REQUIREMENT:

Federal Codes:

Title _____ U.S.C. § _____
(Titles run 1 through 50)

Federal Regulations:

Title _____ C.F.R. § _____
(Titles run 1 through 50)

City Regulations:

City Charter § _____
(i.e., 1310. Public Works Contracts. Notice published at least once at least ten days before bid opening)

California Codes:

Code _____ § _____
(i.e., Government, Street and Highway, Public Resources)

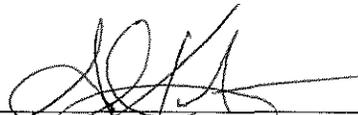
California Regulations:

Title _____ California Code of Regulations § _____
(Titles run 1 through 28)

City Code § _____

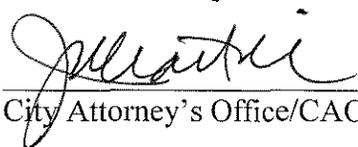
Reviewed and approved:

1. As to City Functions, by



Department Head

2. As to Legality, by

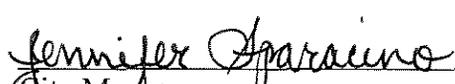


City Attorney's Office/CAO Assign. No 10.0599

3. As to Environmental Impact Requirements, by

Director of Planning and Inspection

4. As to Substance, by



City Manager