

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE ESTABLISHING CHARGES FOR POTABLE WATER SERVICE EFFECTIVE JULY 1, 2026, AND SUPERSEDING RESOLUTION NO. RES2025-180

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 3, 2025, in Resolution No. RES2025-180; 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 65% 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 2026-2027 are based on the results of RFC's study; and

WHEREAS, the total cost to operate, maintain, and rehabilitate the water utility system (excluding any reserves) has a budget of \$81.0 million in Fiscal Year (FY) 2025-2026 and \$81.9 million in FY 2026-2027, as shown in the FY 2026-2027 Operating Budget; and

WHEREAS, changes to water rates are primarily related to the increased cost of wholesale water that SJMWS purchases from the San Francisco Public Utilities Commission and Valley Water and an annual transfer of \$8.8 million to the Water Utility Capital Fund for planned infrastructure improvements; and

WHEREAS, in April 2026, 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 effective July 1, 2026; and

WHEREAS, the April 2026 notices contained the maximum meter charges and water quantity rates 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 2, 2026, this Council conducted a public hearing on the proposed rates and charges set forth in the April 2026 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 2, 2026, 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 lower than the rates and charges set forth in the April 2026 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, 2026, 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.

MONTHLY METER CHARGE (based on meter size)		
Meter Size	2025-26 Charges	Charges Eff. July 1, 2026
5/8-inch	\$39.35	\$39.35
3/4-inch	\$39.35	\$39.35
1-inch	\$69.57	\$69.57
1.5-inch	\$119.92	\$119.92
2-inch	\$180.36	\$180.36
3-inch	\$371.73	\$371.73
4-inch	\$653.77	\$653.77
6-inch	\$1,429.33	\$1,429.33
8-inch	\$2,436.55	\$2,436.55
10-inch	\$3,846.68	\$3,846.68

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

MONTHLY QUANTITY CHARGE (per HCF*)		
Service Area/Zone	2025-26 Charges	Charges Eff. July 1, 2026
Evergreen/Edenvale – Zone 1	\$8.12	\$8.63
Evergreen/Edenvale – Zone 2	\$8.26	\$8.77
Evergreen/Edenvale – Zone 3/4	\$8.68	\$9.19
Evergreen/Edenvale – Zone 5/6	\$9.22	\$9.73
North San José/Alviso	\$8.86	\$9.29
Coyote	\$3.30	\$3.47

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

C. Private Fireline Charge

BIMONTHLY PRIVATE FIRELINE CHARGE		
Service Size	2025-26 Charges	Charges Eff. July 1, 2026
2-inch	\$26.40	\$26.40
3-inch	\$39.59	\$39.59
4-inch	\$52.77	\$52.77
6-inch	\$79.14	\$79.14
8-inch	\$105.50	\$105.50
10-inch	\$131.89	\$131.89

D. **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.

2. The foregoing schedule of rates and charges set forth in this Resolution shall be subject to change by a resolution of the City Council.
3. This Resolution is effective on July 1, 2026, and supersedes Resolution No. RES2025-180.
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.

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ADOPTED this _____ day of _____, 2026, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, MMC
City Clerk