



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jeffrey Provenzano

**SUBJECT:** General Authorization for  
Water Resources Division  
Grant Applications

**DATE:** May 26, 2026

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Approved

Date:

6/5/26

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**COUNCIL DISTRICTS: 2, 4, 7, 8**

## **RECOMMENDATION**

Adopt a resolution authorizing the City Manager or her designee to:

- (a) Apply for, negotiate, and execute any documents, and take other actions necessary to receive funds from state, federal, regional, industry, or other local agencies in the form of grant opportunities to fund projects within the Environmental Services Department's Water Resources Division related to water supply, customer financial support, infrastructure, or other similar utility efforts.
- (b) Negotiate and execute all grant documents, including agreements, amendments, and requests for payment, necessary to accept and secure grant funds.

## **SUMMARY AND OUTCOME**

City Council's approval of this recommendation would result in enhanced administrative capacity to pursue external funding sources, allowing for more proactive grant application efforts and faster implementation of grant-funded projects. This authorization would provide the flexibility needed to respond to emerging funding opportunities while maintaining appropriate oversight through the existing municipal code framework governing the City Manager's spending authority. Utilizing all available grant funding opportunities will decrease the dependence on ratepayer funding to complete projects, thereby potentially reducing the impact of future rate increases related to utility funding needs.

## **BACKGROUND**

The Environmental Services Department's (ESD) Water Resources Division includes both South Bay Water Recycling (SBWR) and the San José Municipal Water System (SJMWS) and serves a substantial customer base across multiple service areas.

SBWR provides recycled water to water retailers including SJMWS, San Jose Water Company, the City of Santa Clara, and the City of Milpitas, who then distributes it to their customers. SBWR bills these retailers quarterly based on their water usage, operating as a ratepayer-funded system that enhances regional water sustainability, while reducing demand on drinking water supplies.

SJMWS provides drinking water to portions of the City of San José across four major service areas: North San José/Alviso, Evergreen, Edenvale, and Coyote Valley. SJMWS is one of three retail water suppliers in the City, providing potable and recycled water service to 27,000 metered connections with a service population of approximately 146,824 residents, or roughly 14.5% of the City's population. As a critical utility within Silicon Valley, SJMWS is committed to delivering reliable, efficient, and sustainable water services to meet current and future demands.

SJMWS is a ratepayer-funded utility, intended to operate at full cost recovery. Water customers are billed on a bi-monthly basis and charged a flat service charge based on the size of their water meter, as well as a quantity charge per unit of water used. Beyond regular customer payments, the system would benefit from additional funding sources that would mitigate the need to increase water rates to fund projects and provide customer support programs. This diverse funding approach would allow the group to maintain infrastructure investments, ensure reliable water delivery, and provide critical water services to San José residents and businesses through a combination of direct customer payments and external financial support programs.

Together, these divisions represent the City's comprehensive approach to water resource management, with the municipal system operating as one of three drinking water suppliers in San José alongside privately-owned utilities, while SBWR provides high quality recycled water and supports environmental stewardship and conservation efforts throughout the service area.

## **ANALYSIS**

Grant opportunities can provide critical financial support that offsets the impacts of water rate increases to fund essential infrastructure and service improvements, allowing the Water Resources Division to pursue important projects while maintaining

rate stability for customers. The Water Resources Division could potentially apply for various types of grants including federal infrastructure grants for water system upgrades, state water quality improvement grants, and customer assistance grants. As an example, the SJMWS previously received grant funding through the California Water Arrearage Payment Program, a low-income customer which provided financial assistance to customers through the American Rescue Plan Act.

Staff recommends City Council approval of a resolution authorizing the City Manager or her designee to apply for grant programs offered by state, federal, regional, industry, or other local agencies and to negotiate and execute all grant documents, including agreements, amendments, and requests for payment, necessary to accept and secure grant funds. The proposed resolution would streamline the City's ability to pursue and secure critical funding opportunities for various municipal projects and programs, ensuring timely response to grant application deadlines and efficient management of grant-funded initiatives once awarded. ESD shall bring forward to City Council any items that require approval for a project's budgetary allocation and appropriation actions necessary for such programs and services where City funds are required to contribute matching funds or otherwise fully fund the remainder of a given project.

Currently, SJMWS has applied for a grant opportunity from Valley Water, which would contribute funds for the utility's Advanced Metering Infrastructure project. This resolution authorizing the City Manager to negotiate and execute grant documents would be necessary to receive the Valley Water grant, as it would provide the administrative authority to accept the funding and implement the associated project

### **EVALUATION AND FOLLOW-UP**

No additional follow-up action with the City Council is expected at this time. ESD shall bring forward to City Council any items that require approval for a project's budgetary allocation and appropriation actions necessary for such programs and services where City funds are required to contribute matching funds or otherwise fully fund the remainder of a given project.

### **FISCAL IMPACTS**

Obtaining grants could measurably decrease the required City funding for Water Resources Division projects by providing external, non-ratepayer financial resources that reduce the burden on local revenue sources, thereby helping mitigate customer rate increases. When grant funding is successfully secured, those dollars could cover a substantial portion of project costs that would otherwise need to be funded through rate increases or other financial mechanisms such as Commercial Paper notes.

For example, the \$24 million Advanced Metering Infrastructure<sup>1</sup> project budget was approved by City Council with financing secured through the issuance of tax-exempt commercial paper notes amortized over 10 years, with payments sourced from the Water Utility Capital Fund. Grant funding would directly reduce the amount needed to be drawn from this capital fund. By securing grants that cover infrastructure expenses, SJMWS could preserve the Water Utility Capital Fund for other critical projects and avoid the need to take on additional debt or divert funds that would otherwise be used for upgrading or maintaining existing infrastructure and services. This approach not only protects the financial health of the water utility but also minimizes the impact on ratepayers by ensuring that external funding sources bear a portion of the project costs rather than concentrating the entire burden on local customers through rate increases.

### **COORDINATION**

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

### **PUBLIC OUTREACH**

This memorandum will be posted on the City Council Agenda website for the June 16, 2026 City Council meeting.

### **BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT**

No board, commission, or committee recommendation or input is associated with this action.

### **CEQA**

Not a Project, File No. PP17-004, Government Funding Mechanism, or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

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<sup>1</sup> <https://sanjoseca.govnita.com/api/workspace/Resolutions/files/2134365431912/view>

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**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.

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Jeffrey Provenzano, P.E.

Director

Environmental Services Department

For questions, please contact John Tang, Deputy Director, Environmental Services Department, at [John.Tang@sanjoseca.gov](mailto:John.Tang@sanjoseca.gov) or (408) 277-3671.