RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE ESTABLISHING CHARGES FOR POTABLE WATER SERVICE EFFECTIVE JULY 1, 2023, AND SUPERSEDING RESOLUTION NO. 80556

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 7, 2022, in Resolution No. 80566; 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 2023-2024 are based on the results of RFC's study; and

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WHEREAS, in 2023-2024, it is estimated that the operating cost of the water utility system will increase to $68 million, as shown in the 2023-2024 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; additionally, there is a transfer of $8.8 million to the Water Utility Capital Fund for planned infrastructure improvements, an increase of approximately $1 million from the prior year's levels; and

WHEREAS, in February 2023, Valley Water notified property owners that wholesale rates for North County groundwater may increase by 15% in FY 2023-24, and SFPUC informed wholesale customers of a recommended 11.6% rate increase; and

WHEREAS, on May 9, 2023, the SFPUC adopted a 9.7% increase in water rates, and on May 16, 2023, the Valley Water Board adopted a 14.5% increase in water rates and these adjustments were added to the retail quantity charges as a passthrough rate adjustment; and

WHEREAS, in April 2023, notices were mailed to inform all SJMWS potable water customers that the City Council would hold a public hearing on June 6, 2023 to consider changes in retail potable water rates and charges effective July 1, 2023; and

WHEREAS, the April 2023 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 6, 2023, this Council conducted a public hearing on the proposed rates and charges set forth in the April 2023 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 6, 2023, 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 2023 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, 2023, 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, 2023**
5/8-inch	$38.19
3/4-inch	$38.19
1-inch	$67.54
1.5-inch	$116.42
2-inch	$175.11
3-inch	$360.90
4-inch	$634.72
6-inch	$1,387.70
8-inch	$2,365.58
10-inch	$3,734.64

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

MONTHLY QUANTITY CHARGE (PER HCF*)	
	Effective July 1, 2023
EVERGREEN/EDENVALE	
Zone 1 (Elevation 0 to 275 feet)	
All Residential and Non-Residential	$6.85
Zone 2 (Elevation 275 to 375 feet)	
All Residential and Non-Residential	$6.98
Zone 3/4 (Elevation 375 to 630 feet)	
All Residential and Non-Residential	$7.39
Zone 5/6 (Elevation 630 to 880 feet)	
All Residential and Non-Residential	$7.91
NORTH SAN JOSE/ALVISO	
All Residential and Non-Residential	$8.07
COYOTE VALLEY	
All Residential and Non-Residential	$2.81

*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, 2023
2-inch	$25.63
3-inch	$38.43
4-inch	$51.23
6-inch	$76.83
8-inch	$102.42
10-inch	$128.04

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, 2023, and supersedes Resolution No. 80556.

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ADOPTED this _____ day of _____, 2023, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

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