



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Arenas

**SUBJECT: MARCH BUDGET MESSAGE  
FOR FISCAL YEAR 2021-2022**

**DATE:** March 16<sup>th</sup>, 2021

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Approved *Sylvia Arenas*

Date: 3/16/2021

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## **RECOMMENDATION**

Direct the City Manager to produce a Manager's Budget Addendum to provide a clear pathway to reducing the expected double-digit increase in the San Jose Municipal Water rates – including reviewing strategies related to reducing Valley Water's wholesale rate increase, as well as reviewing strategies to utilize federal assistance to cover the costs incurred by the system due to families' inability to pay water bills.

## **BACKGROUND**

The COVID-19 pandemic has intensified the economic hardships that so many of our families were already going through. Now is not the time to add an additional burden to our families by increasing our Municipal water rates by more than 10%, especially when low-income families are struggling to pay rent, utility bills, and struggling to keep a roof over their heads. With no legal path to provide targeted relief for low-income families that use our muni system, it's vital that we continue to do everything possible to cost control our system overall – while avoiding at all cost turning off water on low-income families.

Approximately 66% of San Jose Municipal Water Company's operating expenses consist of purchasing water from wholesalers, including Valley Water -- which serves families in our most underserved communities. Last year, I worked closely with ESD staff, and we successfully advocated for a 0% rate increase to the Valley Water's Board of Directors. However, this year they are projecting 10% rate increases in wholesale water, which would ultimately result in water rate increases for San Jose residents part of the Muni Water system.

At the upcoming joint meeting with Valley Water and up until their final rate increase vote later this spring, it's vital that city staff take every possible step to advocate and negotiate for a substantially lower rate increase.

Valley Water rates are the biggest contributor towards our Muni rates going up, but they're not the only thing raising rates. We should be working broadly to keep down rate increases wherever possible. This year, one of the biggest factors impacting rates are the high number of delinquent accounts. These accounts now threaten to overwhelm Muni's bad debts reserve account, which will lead to additional substantial rate increases.

The federal government is currently working on putting together a financial relief package for water bill assistance and debt relief to low-income residents, with \$500M approved in December. The City should take advantage of this opportunity, which is why I am directing staff to commit to following & pursuing state and federal funding -- which would ensure that we keep water rates down and prevent water shut offs to residents in our hardest hit communities during these hard times.

While the first priority should be targeting federal funds dedicated towards this program, I have heard from Environmental Services that this dedicated funding may not be committed soon enough to prevent this year's rate increase. Staff should pursue smart short-term steps, such as using a portion of the general COVID funds into Muni's bad debt reserve, at least as a place holder.