



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Maria Öberg  
Jeff Provenzano

**SUBJECT:** Financial Assistance Pilot  
Program for Water  
Customers

**DATE:** April 20, 2026

Approved

Date:

4/28/26

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

## **RECOMMENDATION**

Adopt a resolution authorizing the City Manager or her designee to establish and implement a financial assistance pilot program to support low-income and/or vulnerable customers of the San José Municipal Water System.

## **SUMMARY AND OUTCOME**

Approval of the recommended action will allow for the implementation of a one-year pilot program (Program) providing financial assistance to low-income and/or vulnerable water customers, minimizing the interruption of water service due to nonpayment.

## **BACKGROUND**

The San José Municipal Water System (SJMWS) is a rate-funded utility, intended to operate at full cost recovery, which provides water to approximately 26,000 customer accounts, serving a population of over 140,000 people in the North San José, Alviso, Evergreen, Edenvale, and Coyote Valley areas. Water customers are billed on a bimonthly basis and charged a flat service charge based on the size of the water meter, as well as a quantity charge per unit of water used.

The City of San José (City) recognizes that many families and individuals in the community are facing ongoing economic hardship and understands the stress that unpaid water bills and shut-off notices can cause. SJMWS regularly distributes outreach with information in multiple languages on how customers can implement water-saving actions to reduce their water bill and save money. All customers are offered payment

plans for past-due balances to help make payments more manageable, with no late fees on the past due amount applied during this period. Customers on an active payment plan are also removed from the City's collections process.

Water customers can establish low-income or vulnerable status with the City, which qualifies them to receive additional support on their water account. This status can be established either by certifying their income to be below set federal poverty levels, or by providing information supporting that they are already enrolled in a state assistance program, such as CalWORKS, Medi-Cal, or the California Special Supplemental Nutritional Program for Women, Infants, and Children. The City's application for establishing low-income and/or vulnerable status is available on the City's website<sup>1</sup>, including an online application form in multiple languages.

### History of Financial Assistance Programs

Numerous programs have been implemented to assist with water bill affordability. During early 2022, the City received funding from the California Water and Wastewater Arrearages Payment Program (Arrearages Program) to assist customers with delinquent water bills. Over 1,000 customers received approximately \$541,000 in Arrearages Program funding and an additional \$356,000 waived in late payment charges. Staff applied to the state and received additional funding for an Extended Arrearages Program during Fiscal Year 2023-2024, during which an additional \$976,000 in Extended Arrearages Program funding was distributed to approximately 1,300 customers with an additional \$569,000 waived in late payment charges.

Local implementation of the state's Low-Income Household Water Assistance Program, operated by Sacred Heart Community Service, began in summer 2022 and ran through March 2023. Under this program, eligible residents could receive up to \$15,000 to pay their water bills. While the state's program has ended, Sacred Heart Community Service continues to offer a program to assist low-income Santa Clara County residents with their water bills.

The City implemented a utility billing amnesty program from April 1, 2025, through September 30, 2025, which provided financial relief to eligible water and garbage utility customers who had delinquent balances on their City utility accounts. Under this program, customers that paid the outstanding principal balance on their utility account could have their late penalty balance waived. Approximately 2,100 water customers benefited from this program, which resulted in the waiver of \$1.2 million in late payment charges and the collection of over \$1 million in delinquent water service charges.

Staff continues to monitor for any additional customer assistance programs that could be implemented and will coordinate as necessary to ensure SJMWS customers are informed of and can participate and receive additional financial support where eligible.

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<sup>1</sup> [www.sanjoseca.gov/WaterPaymentResources](http://www.sanjoseca.gov/WaterPaymentResources)

## **ANALYSIS**

Approximately 65% of SJMWS' potable water revenue is used to purchase water from wholesalers and pay the Valley Water groundwater augmentation fee for groundwater pumped by SJMWS. The Water Utility Fund is fully funded by water rates, with the two principal sources of revenue being water sales and fixed monthly meter service charges. Customer water rates have continued to increase over the years, with rate increases primarily driven by the increasing costs to purchase wholesale water. Water rates are set at levels to recover the full cost of operating and maintaining the SJMWS distribution system.

A collections process is implemented by the City's Finance Department staff in order to minimize uncollected revenue, which helps lessen the need to write off unpaid bills. A policy documenting the collections process, which includes disconnection of water service due to nonpayment, was developed in accordance with state regulations and is published in multiple languages on the City's website.<sup>2</sup> In accordance with the California Health and Safety Code, the policy includes that customers can avoid disconnection by paying their past due balance or entering into a payment plan with the City. This policy also defines the eligibility and application process for the City's low-income and vulnerable customer status.

Disconnection of water service may have a disproportionate impact on low-income or vulnerable populations. Staff are developing a one-year pilot program aiming to provide additional financial support to low-income or vulnerable customers whose water service has been disconnected due to nonpayment. The pilot program will be managed and tracked to allow for evaluation of program effectiveness and cost to implement, and may include a one-time credit of up to \$500 per year to support eligible low-income or vulnerable customer accounts in the collection process.

As private water companies, San José Water Company and Great Oaks Water Company are not subject to the same restrictions on the use of ratepayer funds, and can therefore establish low-income customer assistance rates and programs with their operating revenue. Both companies have established a customer assistance program that provides discounted water rates to established low-income customers. This recommendation would pilot a comparable program for SJMWS customers.

## **EVALUATION AND FOLLOW-UP**

The Finance Department, with support from the Environmental Services Department, will implement the one-year pilot program, while continuing routine invoicing and collections activities for water customers. The pilot program will be evaluated upon its completion.

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<sup>2</sup> [www.sanjoseca.gov/WaterPaymentResources](http://www.sanjoseca.gov/WaterPaymentResources)

## **FISCAL IMPACTS**

Actual costs to fund the pilot program will be dependent upon program implementation and customer need and will be tracked as the pilot program is implemented. Staff estimates that the pilot program implementation could decrease revenue by approximately \$20,000 in the Water Utility Fund. As state legislation prohibits the use of ratepayer funding for purposes other than utility operations, any decrease to Water Utility Fund revenue as a result of the pilot program will be offset by unrestricted funds from collection of late payment charges.

Once received, late payment charges are transferred to the General Fund, with \$300,000 budgeted in the current fiscal year and the same amount recommended for FY 2026-2027. The amount budgeted each year may vary based on the health of the fund, with the actual amount of late payments received varying significantly. The modest cost of the pilot program is not anticipated to significantly impact late payment revenues that would otherwise be transferred to the General Fund.

## **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 May 12, 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.

HONORABLE MAYOR AND CITY COUNCIL

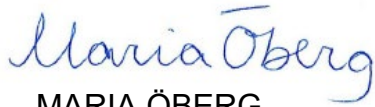
April 20, 2026

**Subject: Financial Assistance Pilot Program for Water Customers**

Page 5

**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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/s/

JEFFREY PROVENZANO, P.E.  
Director of Environmental Services

For questions, please contact Jeff Provenzano, Director, Environmental Services Department, at [Jeffrey.provenzano@sanjoseca.gov](mailto:Jeffrey.provenzano@sanjoseca.gov) or (408) 535-3500.