



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEWER SERVICE AND USE
CHARGES AND STORM SEWER
SERVICE CHARGES

DATE: 5-30-07

Approved

Ray Winer

Date

6/5/07

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

1. Hold public hearing on proposed FY 2007-08 Sewer Service and Use Charges and Storm Sewer Service Charges and proposed maximums for rate increases in FY's 2008-09 and 2009-10; and direct staff to return during the FY 2008-09 and 2009-10 budget cycles with recommendations for rate increases in FY 2008-09 and 2009-10 consistent with staff recommended maximum rate increases for those years;
2. Adopt a resolution setting Sewer Service and Use Charge rates for FY 2007-08 to reflect the following rates:

<u>Category</u>	<u>2007-08 Monthly Rates</u>
Single-Family Residential	\$23.56
Multi-Family Residential	\$13.42 per unit
Mobile Home	\$13.46 per unit
Non-monitored commercial and industrial	See Attachment A
Monitored industrial	See Attachment A

3. Adopt a resolution setting Storm Sewer Service Charges rates for FY 2007-08 to reflect the following proposed rates:

<u>Category</u>	<u>2007-08 Monthly Rates</u>
Single Family Residential and Duplex	\$4.53
Mobile Home	\$2.27 per unit
Large Multi-Family Residential (5 or more units)	\$2.48
Residential Condominium	\$2.48 per unit
Small Multi-Family Residential (3-4 units)	\$8.60
Commercial, institutional, and industrial	\$7.93 plus \$2.20/acre to \$39.64 plus \$7.51/acre

OUTCOME

The approval of the recommendations contained in this memorandum will result in the following outcomes:

- Council would implement a three-year rate strategy to increase the Sewer Service and Use Charge residential rates by up to 9% in fiscal year 2007-2008, and up to 15% in fiscal years 2008-2009 and 2009-2010.
- Council would implement a three-year rate strategy to increase the Storm Sewer Service Charge rates by up to 9% in fiscal year 2007-2008, and up to 30% in fiscal years 2008-2009 and 2009-2010.
- San José's sewer and storm rates would remain competitive with those charged by other cities. The additional funds would enable the City to address aging infrastructure repair and replacement needs in San José to ensure reliable utility service and protect health and safety.

Approval of the proposed increased rates for Sewer Service and Use Charge and Storm Sewer Service Charge would prepare the City for covering increased costs in the operating and capital budgets necessary over the next several years to respond to new Wastewater discharge permit and Stormwater permit requirements and to carry out critical projects, including: rehabilitation of the Treatment Plant's electrical distribution system and key treatment facilities; rehabilitation of 34,000 feet of trunk sewers; rehabilitation of nine sewer pump stations that are currently in degraded condition; storm sewer pump station rehabilitation; storm sewer system improvements in Alviso; and neighborhood storm sewer improvements along heavily-utilized pedestrian corridors.

BACKGROUND

Each year, the Council reviews the rates for Sewer Service and Use Charges (SSUC) and Storm Sewer Service Charges (SSSC) to determine whether adjustments are necessary to align revenue with program costs. The uses for which SSUC revenue can be allocated are restricted by Municipal Code Section 15.12.450 to "the acquisition, construction, reconstruction, maintenance and operation of the sanitary sewer system of the City of San José; as well as the principal and interest on any bonds, loans, and advances for the construction of the system." The purposes of the SSSC, as stated in Municipal Code Section 15.16.1250 are: "for the acquisition, construction, reconstruction, maintenance, and operation of the storm drainage system of the City of San José, to repay principal and interest on any bonds, loans and advances and for any other purposes set forth in Section 15.16.1430."

For the majority of users, these two charges are billed as a single line amount on property tax assessments. However, sanitary sewer charges for monitored industrial users (in excess of

25,000 gallons per day) are individually calculated and are billed on a monthly basis. The revenue received by the City is deposited to the SSUC and SSSC funds based on the rates established for the respective charges. This memorandum presents separate descriptions of the proposed rate increases in SSUC and SSSC.

In the Mayor's June Budget Message for Fiscal Year 2005-2006, staff was asked to present a strategy that explains the relationship between future rate increases and key projects so the public understands how sanitary sewer rates improve neighborhoods. Included in Attachments C and D is the response to this direction, which was expanded to include information about neighborhood improvements, related to both sanitary and storm sewer rate increases.

ANALYSIS

SEWER SERVICE AND USE CHARGE

Public Notices of the proposed rate increase for fiscal year 2007-2008 were mailed on April 27, 2007, to over 213,000 Sewer Service and Use residential and non-residential customers advising them of the proposed increase. The notice also covered proposed SSUC residential increases for additional amounts of up to 15% annually for services beginning July 1, 2008, and July 1, 2009.

Rates are assigned by groupings, based on the type of use. Residential customers are assigned a flat rate. Rates for most non-residential customers are based on winter water usage and flow strength. A small number of industrial users are billed on a monthly basis based on actual wastewater discharge and flow strength.

Rate increases recommended for the residential customer categories for FY 2007-08 are:

<u>Category</u>	<u>% Increase</u>
Single-Family Residential	8.92%
Multi-Family Residential	8.58%
Mobile Home	8.81%

These recommendations would increase the single-family monthly rate by \$1.93 from \$21.63 to \$23.56; the multi-family monthly rate from \$12.36 to \$13.42; and the mobile home monthly rate from \$12.37 to \$13.46. Proposed SSUC rates for FY 2007-08 are included in this document as Attachment A.

The rate increases recommended for commercial and industrial categories will range from approximately 7% to 14% depending on the nature of the sewage discharge. The rate increases recommended for large monitored companies will average 10.02%. The proposed SSUC rates for fiscal year 2007-2008 are included in this document as Attachment A.

Industrial rates are based on the volume of flow and the strength of the wastewater from residential, institutional, commercial, and industrial properties. Flow is measured as the average wastewater flow, and strength is measured in terms of biochemical oxygen demand (BOD), suspended solids (SS), and ammonia (NH₃). The rate structure was designed to apportion the cost of wastewater treatment services to properties in proportion to their relative contribution of flow and strength to the system. This structure is dictated by State revenue guidelines and allows rates to reflect the costs of providing service to residential and non-residential properties.

As a reminder, effective July 1, 2007 some non-residential customers' user classifications will change based on Council's adoption in FY 2003-04 of staff's recommendation to reduce the number of businesses in the "Miscellaneous" classification to create more equity among customers in this and other classes. Staff is developing an outreach plan to all identified customer that will experience a higher rate due to this reclassification. If property owners feel that the reclassification of their sanitary sewer account has been made in error or is not correct, they may file an appeal to request additional review of the use of their property and the nature of its wastewater discharge to the sanitary sewer system.

Fund Balance

Since 1998, expenditures have exceeded revenues, resulting in the use of fund balance to meet expenditures. To offset this deficit spending, staff has deferred capital projects, returned prior year debt-service savings to the SSUC fund, and used Sewer Service Connection Fee Funds to pay the debt service for the recycled water program.

Staff's guideline is to maintain a SSUC fund reserve of two to three months expenses, currently between \$15 and \$23 million, in order to withstand financial emergencies and offset future capital costs. The proposed 9% rate increase will keep the fund reserve just above the \$15 million level. Without the proposed increase, the fund reserve would drop below \$9 million in fiscal year 2007-2008, necessitating even greater increases in fiscal year 2008-2009 and beyond as the fund balance falls well below acceptable levels.

Program Expenditures

The Sewer Service and Use Program costs for fiscal year 2007-2008 are detailed in the Special Fund Section of the 2007-2008 Proposed Operating Budget, pages X-33 through X-42. These costs are associated with the City's wastewater collection and treatment systems which include the San José/Santa Clara Water Pollution Control Plant (Plant) and the 2,200-mile San José sewage collection system. The various elements comprising this system are on average 30 to over 50 years old and have reached the end of their useful life. The age and harsh environment under which these systems operate have resulted in system-wide vulnerabilities and high risk conditions for possible failures that could result in Plant down time, sanitary sewer overflows,

and regulatory permit violations. Outdated sewer maintenance equipment is resulting in insufficient cleaning and maintenance of several miles of sewers, mostly in residential areas, heightening concerns about potential sanitary sewer overflows. In addition to the current infrastructure condition and inadequate maintenance program resources, these systems are facing increasing regulatory requirements that necessitate additional resource allocations for operation and maintenance of the sanitary sewer collection and treatment systems.

Proposed Rate Increases

In the FY 2004-05 Adopted Operating Budget, Council approved a three-year SSUC rate increase strategy, including residential increases of up to 4.5% annually. Prior to the rate increases for FY 2004-05, SSUC rates had remained unchanged for ten years.

Due to a continuing economic downturn and inflationary pressures, current year projections indicate that expenditures will exceed revenues, resulting in deficit spending by approximately \$4,000,000. Projections for FY 2007-08 indicate that expenditures will continue to exceed revenues and, absent adequate rate increases, that this revenue shortfall will reduce the SSUC fund balance to substantially below the ending fund balance goal minimum of \$15 million in 2007-08.

Consequently, in order to maintain the adequate funding for necessary system operations and maintenance requirements, rate increases across all sectors are recommended for fiscal year 2007-2008. These proposed rate increases will increase the monthly single-family residence SSUC rate by \$1.93, from \$21.63 to \$23.56 per month.

The residential increase in this three year strategy would not exceed 9% in 2007-08 and 15% in fiscal years 2008-09 and 2009-10, while the commercial, industrial, and institutional rate increase would range between 3% in 15% in 2007-08 and between 6% and 25% in fiscal years 2008-09 and 2009-10. Increases for monitored industrial customers would average 10.02% in 2007-08 and 17% in fiscal years 2008-09 and 2009-10

STORM SEWER SERVICE CHARGE

Public notices of the proposed rate increase for 2007-08 were mailed on April 27, 2007 to over 213,000 Storm Sewer Service residential and non-residential customers advising them of the proposed increase. The notice also covered proposed SSSC increases for additional amounts up to 30% per year for services beginning July 1, 2008, and July 1, 2009.

Rates are based on the relative quality and quantity of storm water runoff contributed by residential, institutional, commercial, and industrial properties. The rate structure was designed to apportion the cost of storm sewer service to properties in proportion to their relative contribution of flow and pollution to the system. This structure allows rates to reflect the costs of providing service to residential and non-residential properties.

Rates are assigned by groupings, based on the type of use. Residential customers are assigned a flat rate. Rates for all other uses including commercial and light industrial, heavy industrial, parking lots, schools, churches, and colleges are calculated individually. Rates for these parcels include a charge based on acreage plus a flat charge reflecting runoff characteristics.

Rate increases recommended for the residential customer categories for FY 2007-08 are:

<u>Category</u>	<u>% Increase</u>
Residential	8.90%
Mobile Home	8.62%
Condominium	8.78%
Large Multi-Family	8.78%
Small Multi-Family	8.87%

These recommendations would increase the single-family monthly rate by \$0.37, from \$4.16 to \$4.53. The rate increases recommended for commercial, institutional, and industrial categories will not exceed 9.45%. Proposed SSSC rates for FY 2007-08 are included in this document as Attachment B.

Fund Balance

Staff's guideline is to maintain a SSSC fund reserve of one to two months expenses, currently between \$1.3 and \$2.6 million, in order to withstand financial emergencies and offset future capital costs. The proposed 9% rate increase will keep the fund reserve below the \$1.3 million level. Without the proposed increase, the fund reserve would require deferral of nearly one-half of the Storm Sewer Capital Projects proposed for 2007-2008, necessitating even greater increases in fiscal year 2008-2009 and beyond as the fund balance falls well below acceptable levels.

Program Expenditures

Three major factors impact the costs of programs supported by this fund: 1) aggressive pollution control programs mandated by the City's National Pollution Discharge Elimination System (NPDES) Storm Water Permit; 2) the increasing age of the storm sewer system, which results in higher maintenance costs and a growing need for replacement and rehabilitation; and 3) increased operations and maintenance associated with system growth due to new construction and development.

Storm sewer operating expenses have been gradually increasing since FY 2001-02 due to rising personal services costs and permit compliance costs. As part of the Countywide Storm Water Program, the Environmental Services Department filed the application for renewal of the City's five-year NPDES Storm Water Permit. This impending regional permit is expected to drive additional resource needs at both the municipal and countywide levels, with permit adoption expected during FY 2007-2008.

As a result of limited available funds, the Storm Sewer Capital Fund will maintain only a modest capital improvement program. For FY 2007-08, \$2.85 million has been earmarked for storm pump station replacements, storm sewer outfall rehabilitation and storm water improvements along special corridors. This will continue to address the aging storm sewer infrastructure by replacing or rehabilitating the oldest and least reliable pump stations and outfalls, and by designing and constructing improvements to reduce the risk of localized stormwater backup.

Proposed Rate Increases

In the FY 2005-06 Adopted Operating Budget, Council approved a three-year Storm Sewer Service Charge rate increase strategy, including residential increases of up to 4.5% annually. Due to a continuing economic downturn and inflationary pressures, current year projections indicate that expenditures will exceed revenues, resulting in deficit spending of approximately \$2.2 million. Projections for FY 2007-08 indicate that expenditures will continue to exceed revenues. To maintain ability to fund necessary system operations and maintenance requirements, a new three-year rate strategy with increases across all sectors are recommended for 2007-08. The residential increase in this three year strategy would not exceed 9% in 2007-08 and 30% in fiscal years 2008-09 and 2009-10, while the commercial, industrial, and institutional rate increase would not exceed 10% in 2007-08 and 31% in fiscal years 2008-09 and 2009-10.

A portion of this additional revenue will be shifted to the Storm Sewer Capital Fund while the other portion will cover increased operating costs and regulatory requirements. During the annual budget process the Environmental and Utility Services City Service Area will evaluate and prioritize its operating and capital needs and allocate resources accordingly. As a result, the projected capital transfer may increase or decrease in future years.

ALTERNATIVES

If the recommended rate increase is not approved or approved at a lower amount, the level of deficit spending will increase and fund balances will fall below recommended levels. This will result in a combination of significantly higher rate increase recommendations in future years along with continued deferral of critical capital projects in the storm, sewer, and treatment plant infrastructure.

PUBLIC OUTREACH

Proposition 218 Notifications and Letters of Protest

Although the criteria listed below does not apply, on April 27, 2007, Public Notices were sent to over 220,000 Sewer Service and Use Charge (SSUC) and Storm Sewer Service Charge (SSSC) residential and non-residential customers advising them of proposed rate increases. The notices also covered proposed SSUC increases for additional amounts of up to 15% annually for services beginning July 1, 2008, and July 1, 2009, and proposed SSSC increases for additional amounts up to 30% per year for services beginning July 1, 2008, and July 1, 2009.

As of May 25, the mid-point in the Proposition 218 protest period, the City Clerk's Office had received 758 letters of protest in response to the Public Notices. Written protests have been received by mail, fax, email, and hand delivery to the City Clerk's Office. 31 protests did not provide an Assessor's Parcel Number (APN) required for the protest to be counted. Substantive protests totaled 854 for the proposed SSUC rates and 802 for the proposed SSSC rates. A Supplemental Memo will be submitted to Council shortly before the June 19 Public Hearing to report on the number of additional protests and comments received by the City Clerk's Office.

The majority of protest letters received to date simply indicate a wish to protest without offering any specific reasons. Of the letters with comments, most cite economic hardship as the reason for the protest. Other reasons for protesting the rate increases include being over burdened with taxes and fees in general and unreasonable increases in SSUC and SSSC rates.

Proposition 218 requires that a rate increase be denied upon receipt of written protests from at least 50% of affected property owners. As of May 25, under one-half of one percent of San José property owners had formally protested both the proposed Sewer Service and Use Charge and Storm Sewer Service Charge rate increases.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

COORDINATION

This memorandum has been coordinated with the Departments of Public Works and Transportation, as well as the Offices of the City Attorney and City Manager.

HONORABLE MAYOR AND CITY COUNCIL

05-29-07

Subject: Proposed Sewer Service and Use Charge and Storm Sewer Service Charges

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COST IMPLICATIONS

Not applicable.

BUDGET REFERENCE

Not applicable.

CEQA

Not a project.



JOHN STUFFLEBEAN

Director, Environmental Services

For questions please contact Kate Drayson, Administrative Officer at 535-8553 or
Chuck Griffen, Senior Analyst at 975-2574.

Attachments

ATTACHMENT A

**SEWER SERVICE AND USE CHARGE FUND 541
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2007-08**

I. RESIDENTIAL RATES

	2006-07 CURRENT RATES		2007-08 PROPOSED RATES		% INCREASE
	Per Month	Per Year	Per Month	Per Year	
	Single-Family Residence	\$21.63	\$259.56	\$23.56	
Multiple-Family Residence (per unit)	\$12.36	\$148.32	\$13.42	\$161.04	8.58%
Mobile Home (per unit)	\$12.37	\$148.44	\$13.46	\$161.52	8.81%

II. INSTITUTIONAL, COMMERCIAL, AND INDUSTRIAL RATES (less than 25,000 gallons per day)

	2006-07 CURRENT RATES		2007-08 PROPOSED RATES		% INCREASE
	Charge Per Hundred Cubic Feet of Sewage Discharged		Charge Per Hundred Cubic Feet of Sewage Discharged		
	Meat Packers	\$2.40	\$2.64	10.00%	
Dairy Product Processors	\$3.45	\$3.89	12.76%		
Wholesale Bakeries	\$2.92	\$3.26	11.65%		
Soft Drink Bottlers	\$2.86	\$3.21	12.24%		
Wineries	\$5.14	\$5.70	10.90%		
Paper Pulp Mills	\$3.80	\$4.31	13.42%		
Plating Works	\$1.72	\$1.81	5.23%		
Electrical Equipment	\$1.96	\$2.10	7.15%		
Machinery Manufacturers	\$2.59	\$2.84	9.66%		
Film Service Laboratories	\$1.94	\$2.07	6.70%		
Soft Water Services	\$1.72	\$1.81	5.23%		
Car Washes	\$1.84	\$1.96	6.52%		
Automotive Steam Cleaners	\$3.47	\$3.91	12.68%		
Printing Plants	\$2.48	\$2.72	9.68%		
Restaurants/Delis	\$3.52	\$3.94	11.94%		
Hotel-Motels	\$2.10	\$2.27	8.10%		
Hospitals and Convalescent Homes	\$2.04	\$2.20	7.85%		
Private Schools, Colleges & Universities	\$2.23	\$2.45	9.87%		
Public Schools, Colleges & Universities	\$2.23	\$2.45	9.87%		
Repair Shops & Service Stations	\$2.12	\$2.28	7.55%		
Domestic Laundries	\$1.90	\$2.03	6.84%		
Business Office/Condos	\$1.95	\$2.09	7.18%		
Government Agencies	\$1.95	\$2.09	7.18%		

ATTACHMENT A

**SEWER SERVICE AND USE CHARGE FUND 541
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2007-08**

II. INSTITUTIONAL, COMMERCIAL, AND INDUSTRIAL RATES (less than 25,000 gallons per day) continued

	2006-07 CURRENT RATES	2007-08 PROPOSED RATES	% INCREASE
	Charge Per Hundred Cubic Feet of Sewage Discharged	Charge Per Hundred Cubic Feet of Sewage Discharged	
Medical Center/Clinic	\$1.97	\$2.12	7.62%
Beauty Salon	\$2.05	\$2.22	8.30%
Commercial & Department Stores	\$2.05	\$2.22	8.30%
Storage/Warehouse	\$2.00	\$2.14	7.00%
Health Care	\$2.05	\$2.20	7.32%
Theatre	\$2.11	\$2.28	8.06%
Association/ Communities Services	\$1.95	\$2.09	7.18%
Business Parks	\$1.97	\$2.12	7.62%
Building Construction/ Field Office	\$1.97	\$2.12	7.62%
Parking Lot	\$1.90	\$2.02	6.32%
Gas Service Station	\$2.09	\$2.25	7.66%
Auto Showroom, Body Shop, Detail, and Trucking	\$2.22	\$2.41	8.56%
Manufacturing Paint Products	\$1.97	\$2.12	7.62%
Concrete Company	\$1.95	\$2.12	8.72%
Paper Recovery	\$1.97	\$2.12	7.62%
General Manufacturing Industries	\$1.97	\$2.12	7.62%
Chemical Manufacturing	\$1.97	\$2.12	7.62%
Ice Plant	\$1.97	\$2.12	7.62%
Pub	\$2.15	\$2.32	7.91%
Amusement Park	\$2.08	\$2.25	8.18%
Athletic Club, Fitness	\$2.00	\$2.14	7.00%
Cemetery	\$2.00	\$2.14	7.00%
Country Clubs (Golf)	\$2.11	\$2.27	7.59%
Lounges, Clubs, Billiards	\$2.11	\$2.27	7.59%
Convenience Store	\$2.00	\$2.14	7.00%
Boarding/Rooming	\$2.14	\$2.31	7.95%
Cleaners (Commercial Laundry)	\$2.46	\$2.70	9.76%
Plaza/Mall	\$2.27	\$2.46	8.37%
Nursery (Grower)	\$2.35	\$2.56	8.94%
Laboratories (Commercial & Industrial)	\$2.29	\$2.50	9.17%
Café & Ice-creams	\$3.55	\$4.03	13.52%
Donuts & Bakery	\$3.55	\$4.03	13.52%
Supermarket Groceries	\$3.45	\$3.86	11.89%
Mortuary (Embalming)	\$3.45	\$3.86	11.89%
Catering	\$3.47	\$3.92	12.97%
Miscellaneous Commercial, Institutional, & Industrial Premises	\$1.95	\$2.09	7.18%

ATTACHMENT A
SEWER SERVICE AND USE CHARGE FUND 541
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2007-08

III. MONITORED INDUSTRIES (25,000 gallons per day and over)

	2006-07 CURRENT RATES	2007-08 PROPOSED RATES	% INCREASE
<u>A. Capital Cost Recovery:</u>			
Annual charge per million gallons per day of FLOW capacity required, plus	\$84,627.00	\$108,281.00	27.95%
Annual charge per thousand pounds per day of BOD removal capacity required, plus	\$4,040.00	\$9,200.00	127.72%
Annual charge per thousand pounds per day of SS removal capacity required, plus	\$2,696.00	\$6,212.00	130.42%
Annual charge per thousand pounds per day of NH ₃ removal capacity required.	\$11,018.00	\$24,923.00	126.20%
<u>B. Operations & Maintenance Cost Recovery:</u>			
Charge per Hundred Cubic Feet of sewage discharged to the sanitary sewer, plus	\$1.393 (\$1,862/MG)	\$1.405 (\$1,879/MG)	0.90%
Charge per thousand pounds of BOD discharged to the sanitary sewer, plus	\$161.00	\$180.00	11.80%
Charge per thousand pounds of SS discharged to the sanitary sewer, plus	\$180.00	\$203.00	12.78%
Charge per thousand pounds of NH ₃ discharged to the sanitary sewer.	\$1,333.00	\$1,560.00	17.03%

FLOW - Sewage discharge FLOW
BOD - Biochemical Oxygen Demand
SS - Suspended Solids
NH₃ - Ammonia
MG - Million Gallons

ATTACHMENT B

**STORM SEWER OPERATING FUND 446
PROPOSED RATES
FISCAL YEAR 2007-08**

RESIDENTIAL RATES

	2006-07 Current Rates	2007-08 Proposed Rates	% Increase
A. Single-Family Residential and Duplex if connected to the system prior to July 1, 2006	\$49.92 per year	\$54.36 per year	8.90%
Single-Family Residential and Duplex if connected to the system after July 1, 2006	\$4.16 per month	\$4.53 per month	
B. Mobile Home, per unit if connected to the system prior to July 1, 2006	\$25.08 per year	\$27.24 per year	8.62%
Mobile Home, per unit if connected to the system after July 1, 2006	\$2.09 per month	\$2.27 per month	
C. Residential Condominium, per unit if connected to the system prior to July 1, 2006	\$27.36 per year	\$29.76 per year	8.78%
Residential Condominium, per unit if connected to the system after July 1, 2006	\$2.28 per month	\$2.48 per month	
D. Large Multiple Family Residential, (5 or more units), if connected to the system prior to July 1, 2006	\$27.36 per year	\$29.76 per year	8.78%
Large Multiple Family Residential, (5 or more units), if connected to the system after July 1, 2006	\$2.28 per month	\$2.48 per month	
E. Small Multiple Family Residential, (3-4 units), if connected to the system prior to July 1, 2006	\$94.80 per year	\$103.20 per year	8.87%
Small Multiple Family Residential, (3-4 units), if connected to the system after July 1, 2006	\$7.90 per month	\$8.60 per month	

ATTACHMENT B

**STORM SEWER OPERATING FUND 446
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2007-08**

COMMERCIAL, INSTITUTIONAL, & INDUSTRIAL RATES

	2006-07 Current Rates	2007-08 Proposed Rates	% Increase
F. Open Space, annual charge if connected to the system prior to July 1, 2006	\$87.00	\$95.16	9.38%
	-PLUS-	-PLUS-	
	\$48.48	\$53.04	9.41%
	per acre	per acre	
Open Space, monthly charge if connected to the system after July 1, 2006	\$7.25	\$7.93	
	-PLUS-	-PLUS-	
	\$4.04	\$4.42	
	per acre	per acre	
G. School, annual charge if connected to the system prior to July 1, 2006	\$87.00	\$95.16	9.38%
	-PLUS-	-PLUS-	
	\$24.12	\$26.40	9.45%
	per acre	per acre	
School, monthly charge if connected to the system after July 1, 2006	\$7.25	\$7.93	
	-PLUS-	-PLUS-	
	\$2.01	\$2.20	
	per acre	per acre	
H. Church, annual charge if connected to the system prior to July 1, 2006	\$174.00	\$190.32	9.38%
	-PLUS-	-PLUS-	
	\$48.48	\$53.04	9.41%
	per acre	per acre	
Church, monthly charge if connected to the system after July 1, 2006	\$14.50	\$15.86	
	-PLUS-	-PLUS-	
	\$4.04	\$4.42	
	per acre	per acre	
I. College/University, annual charge if connected to the system prior to July 1, 2006	\$174.00	\$190.32	9.38%
	-PLUS-	-PLUS-	
	\$48.48	\$53.04	9.41%
	per acre	per acre	
College/University, monthly charge if connected to the system after July 1, 2006	\$14.50	\$15.86	
	-PLUS-	-PLUS-	
	\$4.04	\$4.42	
	per acre	per acre	

ATTACHMENT B

**STORM SEWER OPERATING FUND 446
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2007-08**

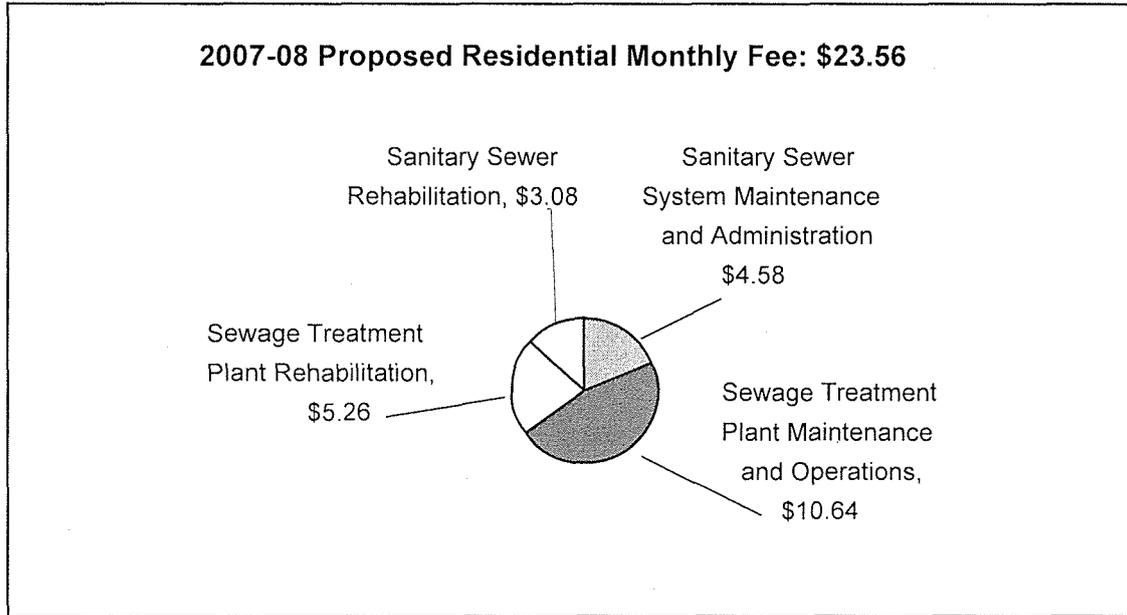
COMMERCIAL, INSTITUTIONAL, & INDUSTRIAL RATES continued

	2006-07 Current Rates	2007-08 Proposed Rates	% Increase
J. Commercial, Light Industrial and Miscellaneous Premises, annual charge if connected to the system prior to July 1, 2006	\$348.12	\$380.52	9.31%
	-PLUS- \$82.56 per acre	-PLUS- \$90.12 per acre	9.16%
Commercial, Light Industrial and Miscellaneous Premises, monthly charge if connected to the system after July 1, 2006	\$29.01	\$31.71	
	-PLUS- \$6.88 per acre	-PLUS- \$7.51 per acre	
K. Small Commercial, Light Industrial and Miscellaneous Premises, (under .2 acre), annual charge if connected to the system prior to July 1, 2006	\$174.00	\$190.32	9.38%
	-PLUS- \$82.56 per acre	-PLUS- \$90.12 per acre	9.16%
Small Commercial, Light Industrial and Miscellaneous Premises, (under .2 acre), monthly charge if connected to the system after July 1, 2006	\$14.50	\$15.86	
	-PLUS- \$6.88 per acre	-PLUS- \$7.51 per acre	
L. Heavy Industrial Premises, annual charge if connected to the system prior to July 1, 2006	\$435.12	\$475.68	9.33%
	-PLUS- \$82.56 per acre	-PLUS- \$90.12 per acre	9.16%
Heavy Industrial Premises, monthly charge if connected to the system after July 1, 2006	\$36.26	\$39.64	
	-PLUS- \$6.88 per acre	-PLUS- \$7.51 per acre	
M. Parking Facility, annual charge if connected to the system prior to July 1, 2006	\$348.12	\$380.52	9.31%
	-PLUS- \$87.36 per acre	-PLUS- \$95.40 per acre	9.21%
Parking Facility, monthly charge if connected to the system after July 1, 2006	\$29.01	\$31.71	
	-PLUS- \$7.28 per acre	-PLUS- \$7.95 per acre	

ATTACHMENT C

**SEWER SERVICE AND USE CHARGE FUND 541
RELATIONSHIP BETWEEN RATE INCREASES AND KEY PROJECTS
FISCAL YEAR 2007-08**

The following chart displays how the recommended monthly single-family residential fee is spent:



The total monthly fee of \$23.56 represents a \$1.93 increase from 2006-07 rates as outlined below:

Sanitary Sewer System Maintenance and Administration	\$0.04
Sewage Treatment Plant Maintenance and Operations	\$0.65
Sewage Treatment Plant Rehabilitation	\$1.24
Sanitary Sewer Rehabilitation	<u>\$0.00</u>
	\$1.93

New projects funded by this rate increase include:

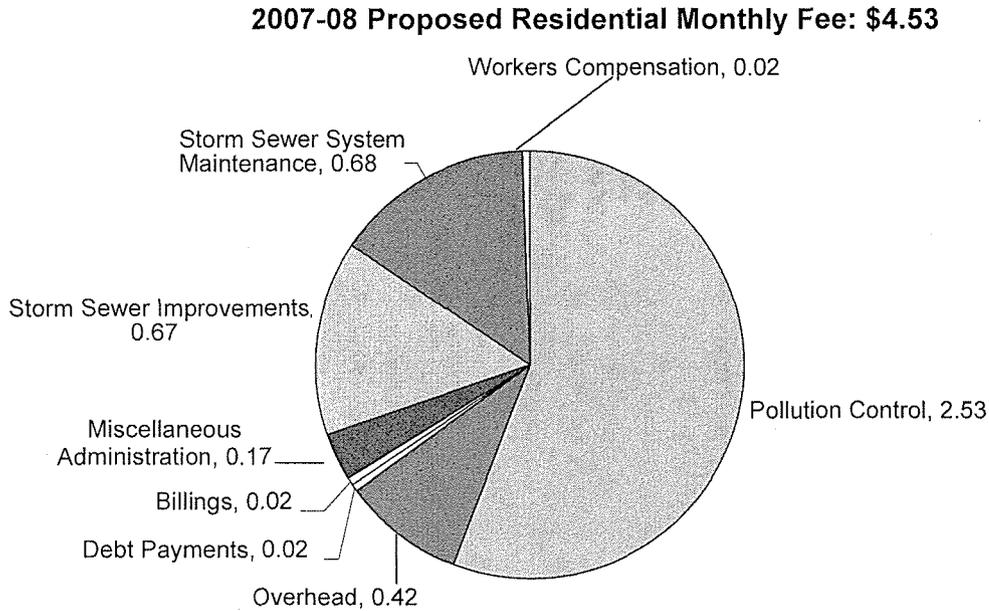
- Development of a Plant Master Plan to cover all aspects of the plant: land use, infrastructure rehabilitation/replacement, disinfection, energy use, bio-solids and other items;
- Design of Electrical Reliability Improvements to begin to address the Treatment Plant's aging electrical system;
- Infrastructure Management System to enable precision asset management and optimal expenditure of capital funds.

The recommended rate increases ensure funding for these increased costs and new programs identified above while maintaining adequate reserves. More importantly, the adjusted rates combined with future rate increases set the stage for future large projects at the Treatment Plant, to address the \$1 billion in capital needs preliminarily estimated for the next 15 years to ensure system reliability, efficiency, and sustainability.

ATTACHMENT D

STORM SEWER OPERATING FUND 446
RELATIONSHIP BETWEEN RATE INCREASES AND KEY PROJECTS
FISCAL YEAR 2007-08

The following chart displays how the recommended monthly single-family residential fee is spent:



The total monthly fee of \$4.53 represents a \$0.37 increase from 2006-07 rates as outlined below:

Storm Sewer Improvements	\$0.280
Pollution Control	\$0.140
Miscellaneous Administration	\$0.070
Storm Sewer System Maintenance	\$0.010
Billings	\$0.010
Debt Payments	(\$0.110)
Overhead	(\$0.030)
	<u>\$0.370</u>

New projects funded by this rate increase include:

- Alviso Storm System Improvements;
- Additional inspection activities to reduce pollutants from construction sites and from commercial and industrial activities.

The recommended rate increases ensure funding for these increased costs and new programs identified above while maintaining adequate reserves. More importantly, the adjusted rates combined with future rate increases set the stage for future costs associated with the new regional stormwater permit and storm sewer infrastructure needs.