



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

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

DATE: 06-16-08

Approved

Date

6/17/08

COUNCIL DISTRICT: City-Wide

REPLACEMENT

REASON FOR REPLACEMENT

Attachment A of the original memorandum submitted contains two typographical errors under "Section III. Monitored Industries (25,000 gallons per day and over), Item B. Operations & Maintenance Cost Recovery." The 2008-09 Proposed Rate for BOD should be \$200.00 per thousand pounds, and the 2008-09 Proposed Rate for SS should be \$223.00 per thousand pounds. This memorandum contains a revised Attachment A-3.

JOHN STUFFLEBEAN
Director, Environmental Services

For questions, please contact Kate Drayson, Administrative Officer, at (408) 535-8553.

ATTACHMENT A
SEWER SERVICE AND USE CHARGE FUND 541
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2008-09

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

	2007-08 CURRENT RATES	2008-09 PROPOSED RATES	% INCREASE
<u>A. Capital Cost Recovery:</u>			
Annual charge per million gallons per day of FLOW capacity required, plus	\$108,281.00	\$106,680.00	-1.48%
Annual charge per thousand pounds per day of BOD removal capacity required, plus	\$9,200.00	\$8,247.00	-10.36%
Annual charge per thousand pounds per day of SS removal capacity required, plus	\$6,212.00	\$5,527.00	-11.03%
Annual charge per thousand pounds per day of NH ₃ removal capacity required.	\$24,923.00	\$22,568.00	-9.45%
<u>B. Operations & Maintenance Cost Recovery:</u>			
Charge per Hundred Cubic Feet of sewage discharged to the sanitary sewer, plus	\$1.405 (\$1,879/MG)	\$1.714 (\$2,292/MG)	22.02%
Charge per thousand pounds of BOD discharged to the sanitary sewer, plus	\$180.00	\$200.00	11.11%
Charge per thousand pounds of SS discharged to the sanitary sewer, plus	\$203.00	\$223.00	9.85%
Charge per thousand pounds of NH ₃ discharged to the sanitary sewer.	\$1,560.00	\$1,723.00	10.45%

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



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

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

DATE: 05-27-08

Approved

Date

5/30/08

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

1. Adopt a resolution setting the following Sewer Service and Use Charge rates for FY 2008-09:

<u>Category</u>	<u>2008-09 Monthly Rates</u>
Single-Family Residential	\$27.09
Multi-Family Residential	\$15.42 per unit
Mobile Home	\$15.47 per unit
Non-monitored commercial and industrial	See Attachment A
Monitored industrial	See Attachment A

2. Adopt a resolution setting the following Storm Sewer Service Charge rates for FY 2008-09:

<u>Category</u>	<u>2008-09 Monthly Rates</u>
Single Family Residential and Duplex	\$5.88
Mobile Home	\$2.95 per unit
Large Multi-Family Residential (5 or more units)	\$3.22
Residential Condominium	\$3.22 per unit
Small Multi-Family Residential (3-4 units)	\$11.17
Commercial, institutional, and industrial	See Attachment B

OUTCOME

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

- Council would implement a rate increase of 15% for Sewer Service and Use Charges.
- Council would implement a rate increase of 30% for Storm Sewer Service Charges.
- San José's sanitary sewer and storm sewer rates would remain in line with those charged by other cities and agencies. The additional funds would enable the City to address aging infrastructure repair and replacement needs in San José to ensure reliable utility service, protect health and safety, and meet regulatory requirements.

Approval of the proposed increases for Sewer Service and Use Charge (SSUC) rates and Storm Sewer Service Charge (SSSC) rates 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 sewer pump stations that are currently in degraded condition; storm sewer pump station rehabilitation; and neighborhood storm sewer drainage along heavily-utilized pedestrian corridors.

BACKGROUND

Each year, Council reviews the rates for SSUC and 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.

ANALYSIS

SEWER SERVICE AND USE CHARGE

Sewer Service and Use Charge (SSUC) 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.

Rates are assigned by groupings, based on the type of use. Residential customers are assigned a flat rate. Non-residential customers are assigned a rate based on their type of flow strength, and their annual charges are calculated using winter water usage. A small number of large industrial users are billed on a monthly basis based on actual wastewater discharge and flow strength.

Public Notices of a proposed three-year rate strategy for FY 2007-08 through 2009-10 were mailed on April 27, 2007, to over 213,000 residential and non-residential SSUC customers advising them of proposed rate increases. The notice informed customers of proposed SSUC residential increases of up to 15% annually for services beginning July 1, 2008, and July 1, 2009.

Rate increases recommended for the residential customer categories for FY 2008-09 are:

<u>Category</u>	<u>% Increase</u>
Single-Family Residential	14.98%
Multi-Family Residential	14.90%
Mobile Home	14.93%

These recommendations would increase the monthly single-family rate by \$3.53 from \$23.56 to \$27.09; the monthly multi-family rate from \$12.36 to \$15.42; and the monthly mobile home rate from \$12.37 to \$15.47. Proposed residential SSUC rates for FY 2008-09 are included in this document as Attachment A.

The rate increases recommended for non-residential categories will range from approximately 11.6% to 17.3% depending on the rate category. The rate increases recommended for large monitored companies will average 15.02%. The proposed non-residential SSUC rates for FY 2008-09 are included in this document as Attachment A.

Fund Balance

Staff's guideline is to maintain a SSUC fund balance reserve of two to three months expenses, currently between \$18 and \$27 million, in order to withstand financial emergencies and offset future capital costs. Due to escalating capital project costs, increases in the cost of energy, and the increasing maintenance required to maintain the wastewater collection and treatment system infrastructure, the use of fund balance has been required to cover expenditures. As a result, fund balance reserves have been below targeted levels for several years. The proposed 15% rate increase for FY 2008-09 will start increasing the fund balance reserve toward targeted levels, which will become more critical as the Plant Master Plan approaches completion and needs financing for implementation.

Program Expenditures

The SSUC Program costs for FY 2008-2009 are detailed in the Special Fund Section of the FY 2008-09 Proposed Operating Budget, pages X-49 through X-57. 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

Due to escalating operating, maintenance, and capital program costs, current year projections indicate that expenditures will again exceed revenues, resulting in deficit spending by approximately \$20 million in FY 2007-08. Projections indicate that expenditures will continue to exceed revenues and this revenue shortfall will reduce the SSUC fund balance to substantially below the ending fund balance goal minimum of \$18 million in FY 2008-09.

Consequently, in order to maintain adequate funding for necessary system operations and maintenance requirements, and to continue to substantially expand capital improvements in order to address the aging infrastructure, rate increases are recommended for FY 2008-09. The proposed rate increases will raise the monthly single-family residence SSUC rate by \$3.53, from \$23.56 to \$27.09 per month.

STORM SEWER SERVICE CHARGE

Storm Sewer Service Charge (SSSC) rates are based on the relative quality and quantity of storm water runoff contributed by residential and non-residential 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 are calculated individually. Rates for non-residential properties include a charge based on acreage plus a flat charge reflecting runoff characteristics.

Public Notices of a proposed three-year rate strategy for FY 2007-08 through 2009-10 were mailed on April 27, 2007, to over 213,000 SSSC residential and non-residential customers advising them of the proposed increases. The notice informed customers of proposed SSSC residential increases of up to 30% annually for services beginning July 1, 2008, and July 1, 2009.

Rate increases recommended for the residential customer categories for FY 2008-09 are:

<u>Category</u>	<u>% Increase</u>
Residential	29.8%
Mobile Home	30.0%
Condominium	29.9%
Large Multi-Family	29.9%
Small Multi-Family	29.9%

These recommendations would increase the single-family monthly rate by \$1.35, from \$4.53 to \$5.88. The rate increases recommended for non-residential categories will not exceed 30.4%. Proposed SSSC rates for FY 2008-09 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 \$1.6 and \$3.2 million, in order to withstand financial emergencies and offset future capital costs. Due to limited availability of funds, the fund balance reserve has remained below minimum levels for many years in order to maximize funding of capital projects and permit compliance activities. It is projected that the proposed 30% rate increase for FY 2008-09 will raise the fund balance reserve to \$1.9 million and within the targeted reserve range.

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. The City's five-year NPDES Storm Water Permit is currently under negotiation with the Water Board with adoption of the new Municipal Regional Permit targeted for fall 2008. The permit, which will direct significant enhancements to municipal maintenance activities, water quality monitoring, enforcement programs, and application of treatment and flow control measures on additional development projects, will require significant funding increases. In order to ensure funds are available to implement the permit requirements once approved, a \$2.9 million reserve is budgeted in the Storm Sewer Operating Fund.

As a result of limited available funds, the Storm Sewer Capital Fund has maintained only a modest capital improvement program for the past eight years. With the proposed 30% rate increase, additional funds can be programmed for capital projects for FY 2008-09. A total of \$3.4 million would be transferred to the capital fund, an increase of \$575,000 (20%) over last year's budget, to address storm pump station replacements, storm water improvements along special corridors, and GIS system improvements. This will continue to address the aging storm sewer infrastructure by replacing or rehabilitating the oldest and least reliable pump stations, designing and constructing improvements to reduce the risk of localized stormwater backup, and bringing the storm sewer GIS mapping up to date.

Proposed Rate Increases

Due to escalating capital program construction costs, more stringent regulatory requirements, and other inflationary pressures, current year projections indicate that expenditures will again exceed revenues, resulting in deficit spending by approximately \$1 million in FY 2007-08. Projections for FY 2008-09 indicate that expenditures will continue to exceed revenues and, absent adequate rate increases, this revenue shortfall will reduce the SSSC fund balance to below the ending fund balance goal minimum in FY 2008-09.

In order to maintain adequate funding for system operations and maintenance requirements, new permit requirements, and capital improvements in order to address the aging infrastructure, rate increases are recommended for FY 2008-09. These proposed rate increases will raise the monthly single-family residence SSSC rate by \$1.35, from \$4.53 to \$5.88.

ALTERNATIVES

If the recommended rate increases are not approved or approved at a lower amount, the level of deficit spending will increase and fund balances will fall below recommended reserve 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, sanitary sewer, and treatment plant infrastructure.

PUBLIC OUTREACH

Proposition 218 Notifications and Letters of Protest

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 for 2007-08. The notices also covered proposed SSUC increases for additional amounts of up to 15% annually for SSUC 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.

Proposition 218 requires that a rate increase be denied upon receipt of written protests from at least 50% of affected property owners. By the end of the protest period, less than 1% of property owners protested to the proposed 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, Transportation, Finance, and the Offices of the City Attorney and City Manager.

COST IMPLICATIONS

Not applicable.

HONORABLE MAYOR AND CITY COUNCIL
05-27-08

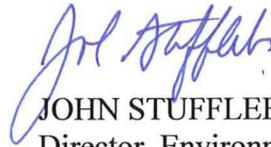
Subject: Proposed Sewer Service and Use Charge and Storm Sewer Service Charges
Page 8

BUDGET REFERENCE

Not applicable.

CEQA

Not a project.

A handwritten signature in blue ink, appearing to read "John Stufflebean".

JOHN STUFFLEBEAN
Director, Environmental Services

For questions please contact Kate Drayson, Administrative Officer, at (408) 535-8553.

Attachments

ATTACHMENT A

**SEWER SERVICE AND USE CHARGE FUND 541
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2008-09**

I. RESIDENTIAL RATES

	2007-08 CURRENT RATES		2008-09 PROPOSED RATES		% INCREASE
	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>	
Single-Family Residence	\$23.56	\$282.72	\$27.09	\$325.08	14.98%
Multiple-Family Residence (per unit)	\$13.42	\$161.04	\$15.42	\$185.04	14.90%
Mobile Home (per unit)	\$13.46	\$161.52	\$15.47	\$185.64	14.93%

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

	2007-08 CURRENT RATES	2008-09 PROPOSED RATES	% INCREASE
	<u>Charge Per Hundred Cubic Feet of Sewage Discharged</u>	<u>Charge Per Hundred Cubic Feet of Sewage Discharged</u>	
Meat Packers	\$2.64	\$3.01	14.02%
Dairy Product Processors	\$3.89	\$4.39	12.85%
Wholesale Bakeries	\$3.26	\$3.68	12.88%
Soft Drink Bottlers	\$3.21	\$3.62	12.77%
Wineries	\$5.70	\$6.58	15.44%
Paper Pulp Mills	\$4.31	\$4.81	11.60%
Plating Works	\$1.81	\$2.12	17.13%
Electrical Equipment	\$2.10	\$2.44	16.19%
Machinery Manufacturers	\$2.84	\$3.24	14.08%
Film Service Laboratories	\$2.07	\$2.41	16.43%
Soft Water Services	\$1.81	\$2.12	17.13%
Car Washes	\$1.96	\$2.28	16.33%
Automotive Steam Cleaners	\$3.91	\$4.38	12.02%
Printing Plants	\$2.72	\$3.11	14.34%
Restaurants/Delis	\$3.94	\$4.44	12.69%
Hotel-Motels	\$2.27	\$2.63	15.86%
Hospitals and Convalescent Homes	\$2.20	\$2.55	15.91%
Private Schools, Colleges & Universities	\$2.45	\$2.80	14.29%
Public Schools, Colleges & Universities	\$2.45	\$2.80	14.29%
Repair Shops & Service Stations	\$2.28	\$2.64	15.79%
Domestic Laundries	\$2.03	\$2.37	16.75%
Business Office/Condos	\$2.09	\$2.43	16.27%
Government Agencies	\$2.09	\$2.43	16.27%

ATTACHMENT A

**SEWER SERVICE AND USE CHARGE FUND 541
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2008-09**

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

	2007-08 CURRENT RATES	2008-09 PROPOSED RATES	% INCREASE
	Charge Per Hundred Cubic Feet of Sewage Discharged	Charge Per Hundred Cubic Feet of Sewage Discharged	
Medical Center/Clinic	\$2.12	\$2.45	15.57%
Beauty Salon	\$2.22	\$2.56	15.32%
Commercial & Department Stores	\$2.22	\$2.56	15.32%
Storage/Warehouse	\$2.14	\$2.49	16.36%
Health Care	\$2.20	\$2.56	16.36%
Theatre	\$2.28	\$2.64	15.79%
Association/ Communities Services	\$2.09	\$2.43	16.27%
Business Parks	\$2.12	\$2.46	16.04%
Building Construction/ Field Office	\$2.12	\$2.46	16.04%
Parking Lot	\$2.02	\$2.36	16.83%
Gas Service Station	\$2.25	\$2.60	15.56%
Auto Showroom, Body Shop, Detail, and Trucking	\$2.41	\$2.77	14.94%
Manufacturing Paint Products	\$2.12	\$2.46	16.04%
Concrete Company	\$2.12	\$2.46	16.04%
Paper Recovery	\$2.12	\$2.46	16.06%
General Manufacturing Industries	\$2.12	\$2.46	16.04%
Chemical Manufacturing	\$2.12	\$2.46	16.04%
Ice Plant	\$2.12	\$2.46	16.04%
Pub	\$2.32	\$2.68	15.52%
Amusement Park	\$2.25	\$2.60	15.56%
Athletic Club, Fitness	\$2.14	\$2.49	16.36%
Cemetery	\$2.14	\$2.49	16.36%
Country Clubs (Golf)	\$2.27	\$2.63	15.86%
Lounges, Clubs, Billiards	\$2.27	\$2.63	15.86%
Convenience Store	\$2.14	\$2.49	16.36%
Boarding/Rooming	\$2.31	\$2.67	15.58%
Cleaners (Commercial Laundry)	\$2.70	\$3.09	14.44%
Plaza/Mall	\$2.46	\$2.83	15.04%
Nursery (Grower)	\$2.56	\$2.94	14.84%
Laboratories (Commercial & Industrial)	\$2.50	\$2.87	14.80%
Café & Ice-creams	\$4.03	\$4.51	11.91%
Donuts & Bakery	\$4.03	\$4.51	11.91%
Supermarket Groceries	\$3.86	\$4.35	12.69%
Mortuary (Embalming)	\$3.86	\$4.35	12.69%
Catering	\$3.92	\$4.41	12.50%
Miscellaneous Commercial, Institutional, & Industrial Premises	\$2.09	\$2.43	16.36%

ATTACHMENT A
SEWER SERVICE AND USE CHARGE FUND 541
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2008-09

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

	2007-08 CURRENT RATES	2008-09 PROPOSED RATES	% INCREASE
<u>A. Capital Cost Recovery:</u>			
Annual charge per million gallons per day of FLOW capacity required, plus	\$108,281.00	\$106,680.00	-1.48%
Annual charge per thousand pounds per day of BOD removal capacity required, plus	\$9,200.00	\$8,247.00	-10.36%
Annual charge per thousand pounds per day of SS removal capacity required, plus	\$6,212.00	\$5,527.00	-11.03%
Annual charge per thousand pounds per day of NH ₃ removal capacity required.	\$24,923.00	\$22,568.00	-9.45%
<u>B. Operations & Maintenance Cost Recovery:</u>			
Charge per Hundred Cubic Feet of sewage discharged to the sanitary sewer, plus	\$1.405 (\$1,879/MG)	\$1.714 (\$2,292/MG)	22.02%
Charge per thousand pounds of BOD discharged to the sanitary sewer, plus	\$180.00	\$223.00	11.11%
Charge per thousand pounds of SS discharged to the sanitary sewer, plus	\$203.00	\$203.00	9.85%
Charge per thousand pounds of NH ₃ discharged to the sanitary sewer.	\$1,560.00	\$1,723.00	10.45%

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 2008-09**

RESIDENTIAL RATES

	2007-08 Current Rates	2008-09 Proposed Rates	% Increase
A. Single-Family Residential and Duplex if connected to the system prior to July 1, 2008	\$54.36 per year	\$70.56 per year	29.8%
Single-Family Residential and Duplex if connected to the system after July 1, 2008	\$4.53 per month	\$5.88 per month	
B. Mobile Home, per unit if connected to the system prior to July 1, 2008	\$27.24 per year	\$35.40 per year	30.0%
Mobile Home, per unit if connected to the system after July 1, 2008	\$2.27 per month	\$2.95 per month	
C. Residential Condominium, per unit if connected to the system prior to July 1, 2008	\$29.76 per year	\$38.64 per year	29.9%
Residential Condominium, per unit if connected to the system after July 1, 2008	\$2.48 per month	\$3.22 per month	
D. Large Multiple Family Residential, (5 or more units), if connected to the system prior to July 1, 2008	\$29.76 per year	\$38.64 per year	29.9%
Large Multiple Family Residential, (5 or more units), if connected to the system after July 1, 2008	\$2.48 per month	\$3.22 per month	
E. Small Multiple Family Residential, (3-4 units), if connected to the system prior to July 1, 2008	\$103.20 per year	\$134.04 per year	29.9%
Small Multiple Family Residential, (3-4 units), if connected to the system after July 1, 2008	\$8.60 per month	\$11.17 per month	

ATTACHMENT B

**STORM SEWER OPERATING FUND 446
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2008-09**

COMMERCIAL, INSTITUTIONAL, & INDUSTRIAL RATES

	2007-08 Current Rates	2008-09 Proposed Rates	% Increase
F. Open Space, annual charge if connected to the system prior to July 1, 2008	\$95.16	\$124.08	30.4%
	-PLUS-	-PLUS-	
	\$53.04	\$68.76	29.7%
	per acre	per acre	
Open Space, monthly charge if connected to the system after July 1, 2008	\$7.93	\$10.34	
	-PLUS-	-PLUS-	
	\$4.42	\$5.73	
	per acre	per acre	
G. School, annual charge if connected to the system prior to July 1, 2008	\$95.16	\$124.08	30.4%
	-PLUS-	-PLUS-	
	\$26.40	\$34.20	29.6%
	per acre	per acre	
School, monthly charge if connected to the system after July 1, 2008	\$7.93	\$10.34	
	-PLUS-	-PLUS-	
	\$2.20	\$2.85	
	per acre	per acre	
H. Church, annual charge if connected to the system prior to July 1, 2008	\$190.32	\$248.16	30.4%
	-PLUS-	-PLUS-	
	\$53.04	\$68.76	29.7%
	per acre	per acre	
Church, monthly charge if connected to the system after July 1, 2008	\$15.86	\$20.68	
	-PLUS-	-PLUS-	
	\$4.42	\$5.73	
	per acre	per acre	
I. College/University, annual charge if connected to the system prior to July 1, 2008	\$190.32	\$248.16	30.4%
	-PLUS-	-PLUS-	
	\$53.04	\$68.76	29.7%
	per acre	per acre	
College/University, monthly charge if connected to the system after July 1, 2008	\$15.86	\$20.68	
	-PLUS-	-PLUS-	
	\$4.42	\$5.73	
	per acre	per acre	

ATTACHMENT B

**STORM SEWER OPERATING FUND 446
SCHEDULE OF PROPOSED RATES
FISCAL YEAR 2008-09**

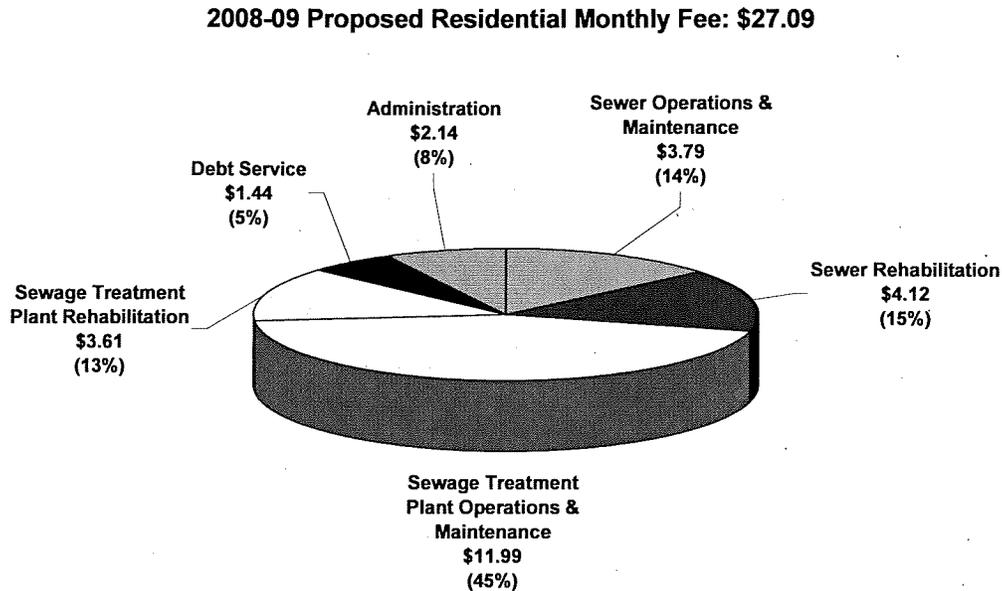
COMMERCIAL, INSTITUTIONAL, & INDUSTRIAL RATES continued

	2007-08 Current Rates	2008-09 Proposed Rates	% Increase
J. Commercial, Light Industrial and Miscellaneous Premises, annual charge if connected to the system prior to July 1, 2008	\$380.52	\$496.20	30.4%
	-PLUS- \$90.12 per acre	-PLUS- \$116.88 per acre	29.7%
Commercial, Light Industrial and Miscellaneous Premises, monthly charge if connected to the system after July 1, 2008	\$31.71	\$41.35	
	-PLUS- \$7.51 per acre	-PLUS- \$9.74 per acre	
K. Small Commercial, Light Industrial and Miscellaneous Premises, (under .2 acre), annual charge if connected to the system prior to July 1, 2008	\$190.32	\$248.16	30.4%
	-PLUS- \$90.12 per acre	-PLUS- \$116.88 per acre	29.7%
Small Commercial, Light Industrial and Miscellaneous Premises, (under .2 acre), monthly charge if connected to the system after July 1, 2008	\$15.86	\$20.68	
	-PLUS- \$7.51 per acre	-PLUS- \$9.74 per acre	
L. Heavy Industrial Premises, annual charge if connected to the system prior to July 1, 2008	\$475.68	\$620.28	30.4%
	-PLUS- \$90.12 per acre	-PLUS- \$116.88 per acre	29.7%
Heavy Industrial Premises, monthly charge if connected to the system after July 1, 2008	\$39.64	\$51.69	
	-PLUS- \$7.51 per acre	-PLUS- \$9.74 per acre	
M. Parking Facility, annual charge if connected to the system prior to July 1, 2008	\$380.52	\$496.20	30.4%
	-PLUS- \$95.40 per acre	-PLUS- \$123.84 per acre	29.9%
Parking Facility, monthly charge if connected to the system after July 1, 2008	\$31.71	\$41.35	
	-PLUS- \$7.95 per acre	-PLUS- \$10.32 per acre	

ATTACHMENT C

SEWER SERVICE AND USE CHARGE FUND 541 RELATIONSHIP BETWEEN RATE INCREASES AND KEY PROJECTS FISCAL YEAR 2008-09

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



Activities and projects funded by this rate increase include:

- Sewer Condition Assessment to prioritize sewer maintenance projects and reduce overflows;
- Specialized sewer cleaning equipment to more effectively and efficiently clean sewer lines;
- 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;
- Planning of Electrical Reliability Improvements to address the Treatment Plant's aging electrical system;
- Repair and replacement of critical equipment and infrastructure.

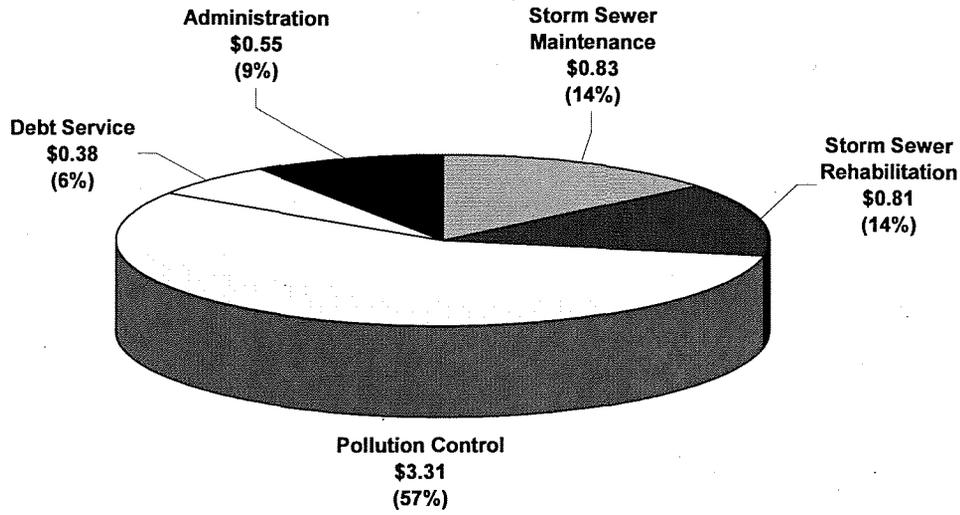
The recommended rate increases ensure funding for these increased costs while maintaining adequate reserves. The adjusted rates combined with future rate increases set the stage for future large projects at the Treatment Plant, to address the \$1 billion in capital needs preliminarily estimated for the 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 2008-09

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

2008-09 Proposed Residential Monthly Fee: \$5.88



Activities and projects funded by this rate increase include:

- Expanded pollution prevention and control;
- Street sweeper replacements;
- Storm pump station rehabilitation and replacements to minimize flooding during storms;
- Geographic Information System improvements for improved infrastructure management.

The recommended rate increases ensure funding for these increased costs and new programs identified above while maintaining adequate reserves. The adjusted rates include a reserve to cover costs associated with the new regional stormwater permit, which is scheduled for adoption this fall.