

**NOTICE OF PUBLIC HEARING:
PROPOSED SEWER SERVICE AND USE CHARGE RATE INCREASES**

Rate Increases

At the June 23, 2015 public hearing, the Department of Environmental Services will be proposing an overall fund increase of up to 5.5 percent for sanitary sewer services beginning July 1, 2015 to June 30, 2016. There are different amounts for each customer category listed below. When added with the commercial and industrial categories, the overall fund increase is up to 5.5 percent. See the Cost Allocation section of this rate notice for additional information. If the City Council adopts these proposed increases, the monthly impacts to residential households would be as follows:

**SEWER SERVICE AND USE CHARGES
SCHEDULE OF PROPOSED RATES
2015-2016**

<u>RATES FOR RESIDENTIAL CUSTOMER CATEGORIES</u>					
	2014-15 CURRENT RATES		2015-16 PROPOSED RATES		MONTHLY CHANGE
	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>	
Single-Family Residence	\$33.83	\$405.96	\$33.75	\$405.00	-\$0.08
Multiple-Family Residence (per unit)	\$19.35	\$232.20	\$22.62	\$271.44	\$3.27
Mobile Home (per unit)	\$19.39	\$232.68	\$25.48	\$305.76	\$6.09

This notice also covers possible Sewer Service and Use Charge fund increases of up to 7 percent in fiscal year 2016-2017, effective July 1, 2016, and in fiscal year 2017-2018, effective July 1, 2017. The City Council will set the exact rates closer to July 1 for each subsequent fiscal year of up to 7 percent, based on refined calculations.

Effective Date of Rate Increases

If the City Council approves the proposed increases at its June 23, 2015 meeting, your Sewer Service and Use Charge will appear on your fiscal year 2015-2016 property tax bill, and is due November 1, 2015. If the Council does not approve the proposed rate charges, current rates will remain in effect. The Council may approve any amount of increase in these charges up to the maximums stated in the notice.

If you need assistance determining the impact of the proposed rate adjustments on the charge against your property, or have questions, please call our Customer Contact Center at (408) 535-3500.

Deadline for Protests: June 19, 2015

If you wish to file a protest of the proposed increases to the Sewer Service and Use Charges, you must follow these rules for your protest to be included in the official tally presented to the City Council:

- Protests must be in writing and received by the City prior to the close of the 45-day protest period deadline of June 19, 2015.
- City Council will accept oral and written testimony at the public hearing regarding the proposed fees.
- ***You must indicate the Assessor's Parcel Number(s)*** of the property(ies) you own that are subject to the proposed rate adjustment. The parcel number is printed at the top of the cover letter.

- Submit *written* protests to the Office of the City Clerk in the form of a letter, fax, or e-mail to:

Mail (or hand-deliver)	Fax	E-mail
Sewer Services Rate Increase City of San José – Office of the City Clerk 200 E. Santa Clara St., 2 nd Fl. Wing San José, California 95113-1905	(408) 292-6207 Sewer Services Rate Increase	SewerRateProtest@sanjoseca.gov

Reason for the Proposed Increases

The proposed increases will enable the City to ensure reliable utility services and protect public health and safety.

Sewer Service and Use Charges are paid by residential, institutional, commercial, and industrial users of the sanitary sewer system. The charge covers costs associated with the San José-Santa Clara Regional Wastewater Facility and San José’s 2,200-mile sewage collection system, including operations and maintenance; capital and equipment improvements; and administration.

For most properties, the Sewer Service and Use Charge is combined with the Storm Sewer Charge on the annual property tax bill and collected by the County of Santa Clara. ***This notice relates only to the Sewer Service and Use Charge, and the proposed rate increases are separate and apart from the Storm Sewer Charge.***

Cost Allocations – The City established a policy to analyze sewer flows every 10 years and update cost allocations according to customer groups. This analysis was conducted in 2014 and rates are adjusted based on sewer flow, and water use data. The current study uses updated population estimates for a five-year period from the 2012 American Community Survey to update the average household size. On a Countywide basis, household sizes for both multi-family and mobile homes have increased substantially since 1975. Residential water consumption is based on the winter months of January, February, and March. The assumption is that water consumption during the winter months would be primarily indoor consumption and best approximates residential sewer discharges. Residential units comprise approximately 79 percent of system users (single-family 52 percent, multiple-family 24 percent, mobile homes 2 percent) and non-residential units comprise approximately 21 percent of the total systems users. Due to changes in average household size and estimated sewer flow, the costs allocated to multiple-family and mobile home dwelling units increased, while the allocation of costs to single family dwelling units decreased.

Facility Funding Needs – The Facility has successfully served the community for 57 years, working non-stop to protect our health, bay, and economy. A master plan adopted by the San José City Council in November 2013 recommended over 120 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately \$2.1 billion, with over \$1 billion to be invested in the next 10-15 years. Some of the objectives in the master plan include pursuing energy self-sufficiency through renewable energy generation and efficiency, resource recovery of recycled water, biogas production and biosolids reuse, and rigorous review of new technologies. This is balanced with maintaining cost-effective operations, enhancing and/or restoring natural habitat, while increasing the reliability of the wastewater treatment system. Aging pipes, pumps, concrete, and electrical systems need immediate and long-range attention in order to continue those successful operations well in the future. A capital improvement program of this size requires significant financial resources. The proposed rate increase will help fund these needed improvements to ensure the Facility continues to perform its vital role while complying with current and future regulatory requirements.

Sanitary Sewer System Funding Needs – The sanitary sewer collection system, like the treatment Facility, also needs additional resources to operate and maintain the system in a manner that complies with new, stricter state regulations. Additional staffing will be added to address ongoing maintenance issues, and new equipment will be purchased to improve the effectiveness of sewer line cleaning.