

**CUPERTINO SANITARY DISTRICT  
SANITARY BOARD MEETING  
WEDNESDAY, AUGUST 5, 2020**

**A\_G\_E\_N\_D\_A**

In accordance with Executive Order N-33-20, meeting to be held at 7:00 p.m. via teleconference [call 1 (866) 899 - 4679 Conference Access Code: 251566821] and anyone interested may also call in. The District Office at 20863 Stevens Creek Blvd, Suite 100, Cupertino is closed.

**1. ROLL CALL:**

**2. MINUTES:**

- A. APPROVAL OF THE MINUTES OF JULY 15, 2020
- B. APPROVED MINUTES OF JULY 1, 2020

**3. PERSONAL PRESENTATIONS:**

THIS PORTION OF THE MEETING IS RESERVED FOR PERSONS DESIRING TO ADDRESS THE BOARD ON ANY MATTER NOT ON THE AGENDA. SPEAKERS ARE LIMITED TO THREE (3) MINUTES.

ALL STATEMENTS REQUIRING A RESPONSE WILL BE REFERRED TO STAFF FOR FURTHER ACTION. IN MOST CASES, STATE LAW WILL PROHIBIT THE BOARD FROM MAKING ANY DECISIONS WITH RESPECT TO A MATTER NOT LISTED ON THE AGENDA.

**4. CORRESPONDENCE:**

NONE

**5. MEETINGS:**

- A. THE REGULAR MEETING OF THE SAN JOSE/SANTA CLARA TREATMENT PLANT TECHNICAL COMMITTEE (TAC) TO BE HELD ON AUGUST 10, 2020
- B. CSRMA TRAINING TO BE HELD AUGUST 11, 2020
- C. THE REGULAR MEETING OF THE SAN JOSE/SANTA CLARA TREATMENT PLANT ADVISORY COMMITTEE (TPAC) TO BE HELD ON AUGUST 13, 2020
- D. CASA VIRTUAL CONFERENCE TO BE HELD AUGUST 12-13, 2020

**6. REPORTS:**

NONE

**CUPERTINO SANITARY DISTRICT  
SANITARY BOARD MEETING  
WEDNESDAY, AUGUST 5, 2020**

**7. UNFINISHED BUSINESS:**

- A. UPCOMING ELECTION STATUS
- B. COVID-19 UPDATES

**8. NEW BUSINESS:**

- A. WORKSHOP – RATE STUDY
- B. TAXROLL REIMBURSEMENT – DISH N DASH
- C. CONFLICT OF INTEREST CODE BIENNIAL REVIEW

**9. STAFF REPORT:**

- A. FUTURE DEVELOPMENT PROJECTS
- B. HYATT HOUSE INSTALLER'S AGREEMENT DISCUSSION

**10. CLOSED SESSION:**

- A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION  
in accordance with government code section Paragraph (1) of Subdivision (d) of Section 54956.9, existing litigation. Name of Case: County Sanitation District 2-3, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitary District and the City of Milpitas v. The City of San Jose, The City of Santa Clara and Does 1 through 50 inclusive.
- B. DISTRICT COUNSEL  
In accordance with government code section 54957, "Public Employment Performance Review." District Counsel review.

**11. CALENDAR ITEMS:**

- A. NEXT REGULAR DISTRICT BOARD MEETING IS SCHEDULED TO BE HELD ON WEDNESDAY, AUGUST 19, 2020

**12. ADJOURNMENT:**

# CUPERTINO SANITARY DISTRICT

## MEETING/EVENT SCHEDULE

### AUGUST 2020

08/05: 1<sup>st</sup> Regular Meeting  
 08/10: TAC  
 08/12-13: CASA Virtual Conference  
 08/13: TPAC  
 08/19: 2<sup>nd</sup> Regular Meeting

AUGUST 2020						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5 1 <sup>st</sup> Regular Meeting	6	7	8
9	10 TAC	11	12 CASA Virtual Conf.	13 TPAC	14	15
16	17	18	19 2 <sup>nd</sup> Regular Meeting	20	21	22
23	24	25	26	27	28	29
30	31					

### SEPTEMBER 2020

09/02: 1<sup>st</sup> Regular Meeting  
 09/07: TAC/Holiday  
 09/10: TPAC  
 09/14: SCCSDA  
 09/16: 2<sup>nd</sup> Regular Meeting

SEPTEMBER 2020						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2 1 <sup>st</sup> Regular Meeting	3	4	5
6	7 Holiday TAC	8	9	10 TPAC	11	12
13	14 SCCSDA	15	16 2 <sup>nd</sup> Regular Meeting	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

### OCTOBER 2020

10/05: TAC  
 10/07: 1<sup>st</sup> Regular Meeting  
 10/08: TPAC  
 10/21: 2<sup>nd</sup> Regular Meeting

OCTOBER 2020						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5 TAC	6	7 1 <sup>st</sup> Regular Meeting	8 TPAC	9	10
11	12	13	14	15	16	17
18	19	20	21 2 <sup>nd</sup> Regular Meeting	22	23	24
25	26	27	28	29	30	31

## CUPERTINO SANITARY DISTRICT BOARD MEETING WEDNESDAY, JULY 15, 2020

The Sanitary Board of the Cupertino Sanitary District convened this date at 7:00 p.m. in accordance with the Executive Order N-33-20 via teleconferencing.

### 1. ROLL CALL:

President Chen called the meeting to order and roll call was taken, with the following members in attendance:

Directors present: Angela S. Chen, Taghi S. Saadati, John M. Gatto, William A. Bosworth, and Patrick S. Kwok.

Staff present: District Manager Benjamin Porter, District Advisor Richard K. Tanaka, and Counsel Marc Hynes.

Public: No one conferenced in.

### 2. MINUTES & BILLS:

- A. On a motion by Director Bosworth, seconded by Director Kwok, by a vote of 5-0-0, the minutes of Wednesday, July 1, 2020 were approved.
- B. By consensus, the Minutes of Wednesday, June 17, 2020 are to be Noted & Filed.
- C. The Board reviewed the June financials for payment. On a motion by Director Gatto, seconded by Director Bosworth, by a vote of 5-0-0, payment of bills was approved.
- D. The Board members will submit their timesheets electronically.

### 3. PERSONAL PRESENTATIONS:

There were none.

### 4. CORRESPONDENCE:

There was none.

### 5. MEETINGS:

The Board discussed attendance of the CASA Virtual Conference to be held August 12-13, 2020. It was decided to support CASA with the attendance by board members and staff.

### 6. REPORTS:

There were none.

CUPERTINO SANITARY DISTRICT BOARD MEETING  
WEDNESDAY, JULY 15, 2020

7. UNFINISHED BUSINESS:

- A. COVID-19 discussion: Manager Porter reported that staff of Mark Thomas can go to the office on a voluntary basis. However, the Cupertino office remains closed.
- B. The Board discussed City of San Jose Joint Interceptor Use invoice received for the unpaid portion. Staff is to send another letter to the City of San Jose requesting that City contact the District Manager to resolve differences and include a copy to the Director of Public Works, Matthew Cano.

8. NEW BUSINESS:

- A. The Board discussed candidate election/nomination forms for the upcoming elections.
- B. The Board reviewed a request for tax roll reimbursement from Oak Creek Center. After discussion, on a motion by Director Gatto, seconded by Director Saadati, by a vote of 5-0-0, the Board approved a reimbursement in the amount of \$5,444.20.
- C. The Board discussed a ratification of letter supporting AB-1672-Wipes. On a motion by Director Gatto, seconded by Director Bosworth, by a vote of 5-0-0, the ratification of the letter was approved.

9. STAFF REPORTS:

- A. Manager Porter and Advisor Tanaka reported on the status of future development projects which included Vallco, Marina, Cupertino Village Boutique Hotel, and Oaks.
- B. Manager Porter reported on the monthly maintenance report.

10. CLOSED SESSION:

President Chen adjourned the regular meeting session and opened the closed session at 8:20 p.m. Board discussed Item 10B, "Public Employment Performance Review" as first item for the Closed Session.

10.B. District Counsel review in accordance with government code section 54957, "Public Employment Performance Review." District Manager Porter and Advisor Tanaka participated in the initial discussion and were dismissed for the balance of the Closed Session.

10.A. Conference with legal counsel – Existing Litigation in accordance with government code section Paragraph (1) of Subdivision (d) of Section 54956.9, existing litigation. Name of Case: County Sanitation District 2-3, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitary District, and the City of Milpitas v. The City of San Jose, The City of Santa Clara, and Does 1 through 50 inclusive.

Closed session was adjourned at 9:06 p.m. and the regular meeting was called to order. Manager Porter and Advisor Tanaka rejoined the regular meeting. There was no reportable action.

CUPERTINO SANITARY DISTRICT BOARD MEETING  
WEDNESDAY, JULY 15, 2020

11. NEXT MEETING:

The next regular District Board meeting is scheduled to be held on Wednesday, August 5, 2020.

12. ADJOURNMENT:

On a motion properly made and seconded, at 9:08 p.m. the meeting was adjourned.

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Secretary of the Sanitary Board

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President of the Sanitary Board

CUPERTINO SANITARY DISTRICT BOARD MEETING  
WEDNESDAY, JULY 1, 2020

The Sanitary Board of the Cupertino Sanitary District convened this date at 7:00 p.m. This meeting was conducted in accordance with the Executive Order N-33-20 via teleconferencing. The District office at 20863 Stevens Creek Blvd, Suite 100, Cupertino was closed.

1. ROLL CALL:

President Chen called the meeting to order and the following proceedings were had to wit: Roll call was taken, with the following members in attendance:

Directors present: Angela S. Chen, Taghi S. Saadati, John M. Gatto, William A. Bosworth, and Patrick S. Kwok.

Staff present: District Manager Benjamin Porter, District Advisor Richard K. Tanaka, and Counsel Marc Hynes.

Public: No public were present on the conference call.

2. MINUTES:

A. On a motion by Director Gatto, seconded by Director Bosworth, by a vote of 5-0-0 the minutes of Wednesday, June 17, 2020 were approved.

B. By consensus, the Minutes of Wednesday, May 20, 2020 are to be Noted & Filed.

3. PERSONAL PRESENTATIONS:

There were none.

4. CORRESPONDENCE:

A. The Board reviewed the CASA Virtual Annual Conference Preliminary Program and Registration. The Board will decide on attendance at the next regular Board meeting.

B. The Board reviewed CSDA Essential Services Act. On a motion by Director Saadati, seconded by Director Kwok, by a vote of 5-0-0 the Board instructed Staff to send the letter it prepared to Congress.

5. MEETINGS:

A. The teleconference meeting of The San Jose/Santa Clara Treatment Plant Technical Advisory Committee (TAC) scheduled to be held July 7, 2020 was canceled.

B. The teleconference meeting of The San Jose/Santa Clara Treatment Plant Advisory Committee (TPAC) scheduled to be held July 9, 2020 was canceled.

6. REPORTS:

There were none.

CUPERTINO SANITARY DISTRICT BOARD MEETING  
WEDNESDAY, JULY 1, 2020

7. UNFINISHED BUSINESS:

- A. Manager Porter reported on COVID-19 updates.
- B. Manager Porter updated the Board on the filing of Form 470. Form 470 was submitted for all Board members well before July 1, 2020.
- C. The Board discussed the District budget for FY 2020-2021. On a motion by Director Gatto, seconded by Director Saadati, by a vote of 5-0-0, the Board approved the budget subject to further discussion with San Jose regarding the O&M charges for the Legacy Lagoon. The Board instructed staff to draft a letter to City of San Jose related to Legacy Lagoon charges included in the O&M budget.

8. NEW BUSINESS:

There was none.

9. STAFF REPORTS:

- A. Manager Porter reported on the status of a property line cleanout requirement related to a permit application for 1052 Bubba Road. The Property owner is not required to install a property line cleanout for this permit because the application improperly identified the extent of the work to the sewer system.

10. CLOSED SESSION:

President Chen adjourned the regular meeting session and opened the closed session at 8:10 p.m. Manager Porter and Advisor Tanaka were excused from the closed session.

- A. Conference with legal counsel – Existing Litigation in accordance with government code section Paragraph (1) of Subdivision (d) of Section 54956.9, existing litigation. Name of Case: County Sanitation District 2-3, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitary District, and the City of Milpitas v. The City of San Jose, The City of Santa Clara, and Does 1 through 50 inclusive.

Closed session was adjourned at 8:32 p.m. and the regular meeting was called to order. Manager Porter and Advisor Tanaka rejoined the regular meeting. There was no reportable action.

11. NEXT MEETING:

The next regular District Board meeting is scheduled to be held on Wednesday, July 15, 2020.

12. ADJOURNMENT:

On a motion properly made and seconded, at 8:36 p.m. the meeting was adjourned.

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Secretary of the Sanitary Board

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President of the Sanitary Board



## CSRMA Webinar: Building a Foundation for Equity in the Workplace

Tue, Aug 11, 2020 8:30 AM - 10:00 AM PDT

[Show in My Time Zone](#)

### Webinar Description:

This 90-minute interactive workshop is designed to allow agency leaders to explore the impact of diversity and equity on their ability to achieve organizational outcomes. We will set the tone for the workshop by discussing personal identity and common examples of systemic racism in the workplace. Then we will focus on deepening participants' understanding of the impact that diversity and equity (or lack thereof) has on staff hiring, engagement, and retention. The session will end by identifying application steps and encouraging continued individual and organizational actions that foster diversity, equity and inclusion in the workplace.

### Webinar Outcomes:

As a result of this workshop, participants will:

- Increase their knowledge of and vocabulary to effectively identify and describe issues of diversity, inclusion, and equity.
- Identify barriers and potential strategies to increase diversity, inclusion and equity in the workplace.
- Encourage continued dialogue and action regarding issues of diversity, difference and identity

### Webinar Agenda:

- Introduction and Workshop Overview
- Dimensions of Diversity
- Systemic Racism Defined
- Exploring Personal Identity: Dimensions of Diversity
- Strategies for Increasing Equity in the Workplace
- Close

\*Required field

First Name\*

Last Name\*

Email Address\*

City

Zip/Postal Code

Organization

Job Title

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# Meeting the Moment

2020 Annual Conference | Aug. 12-13 | Virtual Event

CASAweb.org



## Preliminary Program – 7/14/20

Subject to Change

### **Wednesday, August 12**

9:00 a.m. – 9:15 a.m.	Welcome from CASA President Bill Long
9:15 a.m. – 10:15 a.m.	National Economic Forecast in the Wake of COVID-19 <b>Larry Adam, Raymond James</b>
10:15 a.m. – 10:30 a.m.	BREAK
10:30 a.m. – 11:45 a.m.	COVID-19 Panel: Perspectives on Workforce Transitions, Latest CDC Activities, Updates on Wastewater Based Epidemiology (WBE) Efforts <ul style="list-style-type: none"><li>▪ <b>Eileen White, East Bay Municipal Utility District</b></li><li>▪ <b>Mark Starr, CA Department of Public Health</b></li><li>▪ <b>Amy Kirby / Mia Mattioli, Centers for Disease Control</b></li></ul>
11:45 a.m. – 12:15 p.m.	BREAK
12:15 p.m. – 1:15 p.m.	Lunchtime Water Trivia Event hosted by Pour House
1:15 p.m. – 1:30 p.m.	BREAK
1:30 p.m. – 2:30 p.m.	<b>Roundtables (See Topic List Below, Sign-Up in Advance)</b>
2:30 p.m. – 3:45 p.m.	Federal Legislative Committee Meeting (via Zoom)
3:45 p.m. – 4:00 p.m.	BREAK
4:00 p.m. – 5:00 p.m.	Communications Committee Meeting (via Zoom)

### **Thursday, August 13**

8:00 a.m. – 9:00 a.m.	CSRMA Board of Directors Meeting
8:00 a.m. – 9:00 a.m.	Virtual Women's Networking Breakfast / Coffee
9:00 a.m. – 9:15 a.m.	Welcome from CASA Vice President Jason Dow
9:15 a.m. – 10:00 a.m.	Leading Consciously: An Implicit Bias Primer <b>Cassandra Pye, American Leadership Forum</b>

10:00 a.m. – 10:45 a.m.	Long Term Impacts of COVID-19 <b>Bruce Mehlman: Mehlman Castagnetti Rosen &amp; Thomas</b>
10:45 a.m. – 11:00 a.m.	BREAK
11:00 a.m. – 11:30 a.m.	<b>Interview with Assembly Member Richard Bloom</b> Discussion of Wipes Issues and Legislator of the Year Award Presentation
11:30 a.m. – 12:15 p.m.	Closing the Innovation Gap <b>Jason Carter, Arcadis</b>
12:15 p.m. – 12:30 p.m.	BREAK
12:30 p.m. – 1:15 p.m.	Virtual Luncheon Program: <b>CASA Education Foundation Scholarship Recipient Videos</b> <b>State Legislative Update (Jessica Gauger)</b> <b>Federal Legislative Update (Eric Sapirstein)</b> <b>Passing of the Gavel</b> <b>Annual Member Meeting: Election and Dues Changes Results</b>
1:30 p.m. – 2:45 p.m.	Where Engineering and Finance Meet: Leveraging your Master Plan for a Better System Development Charge <ul style="list-style-type: none"> <li>▪ <b>Andrew Damron, Napa Sanitation District</b></li> <li>▪ <b>Mark Panny, Carollo</b></li> <li>▪ <b>Kevin Mascaro, Western Municipal Water District</b></li> </ul>
2:45 p.m. – 3:00 p.m.	BREAK
3:00 p.m. – 4:00 p.m.	State Legislative Committee (via Zoom)
4:00 p.m. – 5:00 p.m.	Bay Area Biosolids Coalition Meeting

### **Roundtable Topics**

- Communications: Developing a Virtual Tour
- Communications: Best Practices for Teleworking
- COVID-19: Wastewater Based Epidemiology
- COVID-19: Operations, Management, and Financial Impacts of COVID-19
- Regulatory: Microplastics Actions
- Regulatory: PFAS Update
- Regulatory: Ocean Acidification Activities
- Regulatory: Toxic Air Contaminants Rules
- Regulatory: SB 1383 Implementation
- Regulatory: CV Salts Implications for Biosolids Application in the Central Valley
- Legislative: Federal Update on Infrastructure and Stimulus/Funding Efforts
- General: Wastewater 101

### **Additional Recorded Content and Presentations (Available During Conference)**

- “Meeting the Moment” Member Video
- Project Track Presentations (Multiple)
  - These 15 minute “quick hits” cover a number of innovative projects taking place at CASA member agencies on topics as diverse as renewable energy, biosolids management, and

innovate approaches to treatment. Each presentation will contain follow up information for attendees who are interested in further details and specifics about these projects.

- Virtual Facility Tours (Multiple)

All presentations and prerecorded content will be available after the conference dates for those who register.



# Memo

## Item 8A

**To:** Board of Directors  
**From:** Benjamin T. Porter, District Manager-Engineer  
**Date:** August 4, 2020  
**RE:** Rate Study Workshop

### **Background:**

Proposition 218, the “Right to Vote on Taxes Act,” was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing any new or increasing any existing property-related fees and charges. For many years, there was no legal consensus on whether water and sewer service fees met the definition of “property-related fees.” In July 2007, the California Supreme Court confirmed that Proposition 218 applies to water and wastewater (sewer) service fees.

Cupertino Sanitary District (CuSD) has been following the procedural requirements of Proposition 218 for sewer rate increases. These requirements include:

1. **Noticing Requirement** – CuSD has mailed notices of the proposed rate increases to all affected property owners or ratepayers. The notices included the amount of the fee, the basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – CuSD held public hearings prior to adopt the proposed rate increases.
3. **Rate Increases are Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of the affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to sewer rates and charges which include:

1. **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
2. **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service.”
3. **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** - No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** - No fee or charge may be imposed for general governmental services where the service is available to the public at large.

#### **Rate Study Workshop:**

This rate study workshop is intended to seek Board’s guidance in determining methodology and approach to comply with Item 2 and 3 of the Proposition 218 requirements as stated above.

Mark Thomas staff has also completed a rate study for Burbank Sanitary District for FY 2020-21 which dealt with appropriate fee charges to various residential users including ADUs. Staff has obtained two rate studies (City of Milpitas 2018 and West Valley Sanitation District 2018) as a reference to assist this workshop.

As part of this workshop, the discussion will also include potential impacts of COVID-19.

#### **Attachments:**

- 1) City of Milpitas Rate Study, dated November 2018
- 2) West Valley Sanitation Districts Rate Study, dated January 2018
- 3) Burbank Sanitary District Rate Study



## **City of Milpitas** ***Sewer Rate Study*** **Draft Report** **November 2018**

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## Municipal & Financial Services Group

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November 28, 2018

Tony Ndah, P.E.  
Public Works Director  
City of Milpitas Public Works Department  
1265 N. Milpitas Blvd  
Milpitas, CA 95035

***RE: Sewer Rate Study Results***

Dear Mr. Ndah,

The Municipal & Financial Service Group is pleased to submit to the City of Milpitas this report summarizing our completed sewer rate study. This document represents the results of our analysis of the forecasted costs of providing sewer service to the City's customers and our recommendations for recovering these costs over the next five years. The study provides recommendations that will enhance the financial health and stability of the City's sewer operations while equitably charging its customers for the services provided.

It has been a distinct pleasure to work with the City of Milpitas. The dedication and assistance provided by City staff was essential to the completion of this study and should be acknowledged. Thank you for the opportunity to work with the City on this important project.

Very truly yours,

Eric Callocchia  
Senior Manager  
Municipal & Financial Services Group

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## EXECUTIVE SUMMARY

This document has been prepared to present the work performed by the Municipal & Financial Services Group during the sewer rate study for the City of Milpitas. The study provides a financial plan for funding the operating and capital costs of the City's sewer system over a five-year planning period (FY 2019 through FY 2023), as well as a cost of service analysis and rate study. Although this report details rates for five years, the five-year financial plan takes into account the long-term (ten-year) financial needs of the City's system and prepares the City's Sewer Fund for those long-term revenue needs.

### Objective and Scope

The City identified six generally stated work elements in the Scope of Services in its RFP for the Sewer Rate Study:

- Comprehensive financial review of sewer and wastewater finances
- Comprehensive review of financial obligations related to O&M and CIP for the water pollution control plant
- Development of sewer rate structure
- Assessment of the current rate structure as baseline for considering alternative rate designs
- Assessment of the rate design equity among the various customer classes
- Preparation comprehensive final report

The sewer rate study has been completed based on the above stated scope of services, and MFSG's recommendations are documented in this report.

### Guiding Principles

The following principles were used to guide the rate study and were developed with the assistance of City staff:

- The City's Sewer Fund must be financially self-supporting. It is assumed that the cost of operating and maintaining the sewer system must be supported by the sewer fees and charges collected from customers with no support from other City funds. If at any time, other City resources must be used to support the sewer system, repayment, with interest, shall be made in an appropriate amount of time.
- The City should maintain reserves to provide for contingencies and unplanned expenses and to ensure that sufficient funds are generated each fiscal year to allow for appropriate system replacement. The two reserves considered in this report are restricted reserves for capital spending and unassigned, unrestricted reserves based on the City's two reserve policies:

*"The City will maintain working capital...of approximately 25% of the annual operating and maintenance expenses for the Sewer Utility Fund."*

*"In addition, the City will maintain Infrastructure Replacement funds for both Water and Sewer Utilities. The goal is to accumulate at least \$2 million a year from each utility fund to set aside for replacement of infrastructure as the infrastructure reaches the end of its useful life"*

- Sewer rates and charges shall be kept as low as possible *over time*. It is possible to keep rates low for a period by not investing sufficiently in the maintenance of the sewer system, but eventually the system will deteriorate and require substantial investments, leading to the need for significant and immediate rate increases. The assumption that the City will continually reinvest in the sewer system to replace assets as they reach the end of their useful lives is built into the analysis and allows for timely and predictable rate increases.

## Assumptions

The following high-level assumptions were used to guide the rate study and were developed with the assistance of City staff:

- Operating and maintenance expenses: 3.0% escalation rate per year for all operating expenses (personnel, planning, facilities, technology, etc.)
- Customer and water usage/sewage generation changes: 0.0% growth per year
- Miscellaneous (non-rate) revenues: 0.0% growth per year
  - These are the Pooled Interest revenues allocated to the Sewer Fund
- All City of Milpitas capital projects are funded on a PAYGO (cash) basis with no additional debt issued
- CIP spending related to the San José/Santa Clara Regional Waste Water Facility is funded on a PAYGO (cash) basis except for three debt issues of:
  - \$20.0 million in FY 2020
  - \$15.0 million in FY 2021
  - \$5.0 million in FY 2025
- Minimum unassigned, unrestricted cash balance requirement: 90 days (25%) of annual operating expenses
- Minimum of \$2.0 million in Infrastructure Replacement set aside per year.

Depending on availability of data, actual Fiscal Year (FY) 2017, estimated FY 2018 or budgeted FY 2019 data was used as the base upon which forecasted figures were developed. All years within this report refer to the City's fiscal year (June 1 to July 31). While the study identifies needed sewer rates on a year-by-year basis for a 10-year planning period (FY 2019 – FY 2028), the charts and tables within this report provide data for the first five years in which rates and charges have been calculated.

## Findings

The following findings were developed during the study:

- The City's current (FY 2018) sewer rates are not sufficient to fully fund the operating, capital, and cash reserve needs of the City's sewer system.
- The City's current planned reinvestment in its buried sewer assets is insufficient to fully fund the cost of rehabilitation and replacement needs of its buried assets and will allow the continuing decline in the physical condition of its sewer collection system.
- The City's rate calculation methodology generally complies with the Water Environment Federations Manual of Practice 27 - *Financing and Charges for Wastewater Systems*.
- The City currently collects 64% of its Personnel Services costs attributable to the sewer system in its bi-monthly Flat Fee.

- The City charges its Mobile Home Park customer class based on a per person flow assumption of 51 GPD and 2.24 persons per dwelling unit, resulting in a per dwelling unit flow assumption of 114 GPD.
- The City's Sewer Fund contains appropriate reserves given the operational and capital expenses of the City's system and the City's reserve policies.

## Conclusions

Based on our findings, the following conclusions were drawn:

- The City needs to increase sewer rates over the five years of the planning period (FY 2019 to FY 2023) to increase projected revenues to match related expenses.
- The City will need to increase investment in its buried sewer infrastructure over the short and long term.
- Given the City's Sewer Fund balances (restricted for CIP and unassigned, unrestricted) rate increases can be phased-in over a number of years to mitigate the one-time impact on the City's customers.

## Recommendations

Based on our conclusions, MFSG recommends that:

- The City implement rate increases through a multi-year financial plan that utilizes both increased rate revenues and the use of a portion of current cash on hand from the City's Sewer Fund reserves. This will allow the City to smooth rate increases over the planning period and mitigate customer rate shock while meeting both its funding and cash reserve requirements.
- The City collect 100% of its Personnel Services attributable to the sewer system costs in its bi-monthly Flat Fee.
- The City allocate costs to its Mobile Home Park customer class based on the same flow assumption used by the City of San José to allocate operating costs to the City of Milpitas, which is 63 GPD per person and 2.24 persons per dwelling unit, which equals 141 GPD per dwelling unit.
- The City adopt the following rates for the next five fiscal years:

**Exhibit 1.1.1 Recommended Bi-Monthly Sewer Rates**

	Current FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sewer User Rate Revenue Increase		4.0%	8.0%	8.0%	7.0%	6.0%
Month of Implementation		February	July	July	July	July
<b><u>Residential (per Dwelling Unit)</u></b>						
Single-Family	\$90.27	\$97.60	\$102.52	\$111.07	\$118.34	\$124.14
Mobile Home Parks	\$56.97	\$76.03	\$79.86	\$86.53	\$92.19	\$96.71
Multiple-Family	\$69.32	\$74.96	\$78.73	\$85.30	\$90.88	\$95.34
<b>Non-Residential Fixed Flat Fee (per bill)</b>	<b>\$15.27</b>	<b>\$24.30</b>	<b>\$25.03</b>	<b>\$25.78</b>	<b>\$26.55</b>	<b>\$27.35</b>
<b><u>Commercial (per HCF)</u></b>						
Motels and Hotels	\$4.36	\$4.36	\$4.58	\$4.97	\$5.37	\$5.75
General Office	\$4.67	\$4.67	\$5.44	\$5.67	\$6.14	\$6.84
City of Milpitas	\$4.18	\$4.18	\$4.61	\$4.91	\$5.31	\$5.80
Service Stations	\$4.34	\$4.34	\$4.54	\$4.93	\$5.32	\$5.70
Eat/Drink Establishments	\$7.49	\$7.49	\$7.49	\$8.11	\$8.73	\$9.06
Convalescent Hosp/Daycare	\$4.23	\$4.23	\$4.46	\$4.84	\$5.23	\$5.60
Personal Services, Laundries	\$3.95	\$3.95	\$4.23	\$4.56	\$4.92	\$5.31
Electrical/Electronics	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
Machinery Manufacture	\$6.08	\$6.08	\$6.70	\$7.12	\$7.70	\$8.43
<b><u>Monitored Sites (per HCF)</u></b>						
RockTenn (Jefferson Smurfit)	\$4.67	\$8.35	\$8.35	\$9.39	\$10.11	\$10.46
T. Marzetti Co.	\$8.34	\$9.16	\$9.63	\$10.65	\$11.48	\$12.09
Prudential Overall Supply	\$6.70	\$6.70	\$6.70	\$7.08	\$7.66	\$8.42
Siemens Water Tech	\$4.91	\$4.91	\$5.61	\$5.87	\$6.36	\$7.06
Elmwood Rehabilitation	\$5.49	\$5.49	\$5.49	\$5.89	\$6.35	\$6.69
Linear Technology	\$4.59	\$4.59	\$5.47	\$5.71	\$6.18	\$6.88
DS W	\$4.59	\$4.59	\$4.80	\$4.92	\$5.34	\$6.04
Magic Tech & Headway Tech	\$4.53	\$4.62	\$5.82	\$6.07	\$6.57	\$7.32
<b><u>Non-Monitored Sites (per HCF)</u></b>						
Lucky Pure Water	\$3.94	\$3.94	\$4.21	\$4.54	\$4.91	\$5.29
Milpitas Materials	\$3.94	\$3.94	\$4.21	\$4.54	\$4.91	\$5.29
Union Pacific Railroad	\$5.11	\$5.11	\$5.84	\$6.12	\$6.63	\$7.35
Cisco	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
Lifescan	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
<b><u>Institutional (per HCF)</u></b>						
Schools/Colleges	\$6.31	\$6.31	\$7.94	\$8.05	\$8.73	\$9.99

- The City review rates and charges on an annual basis and revise as needed and consider a full cost of service study for all rates and charges every five years.



## 1. BASIS FOR THE STUDY

### 1.1 Objective and Scope

The objective and scope of services set forth between the City of Milpitas (“The City”) and the Municipal & Financial Services Group (“MFSG”) consisted of several related tasks with the goal of developing sewer rate study that would:

- A. Identify and document all current fees and charges levied by the City.
- B. Identify the current rate and fee structure used by the City.
- C. Identify and analyze the costs (personnel, operating, capital, debt service, etc.) incurred to provide each service.
- D. Compile data to develop the total costs associated with each fee area and develop the total costs to include direct plus indirect costs of each service.
- E. Develop and justify rate and user fee recommendations, taking the factors identified above into consideration.
- F. Project any revenue impact of implementing the rate and fee recommendations, as well as the anticipated impact on various user categories.
- G. Provide rate scenarios best suited to meeting the City’s goals of a user-equitable, self-supporting structure that will also encourage conservation.
- H. Present at a City Council meeting the completed study methods, results, analyses and recommendations.

The sewer rate study has been completed based on the above stated scope of services, and MFSG’s recommendations are documented in this report.

### 1.2 Study Background

The City of Milpitas was incorporated in 1954, together with the Milpitas Sanitary District. In 1980, the Sanitary District was dissolved, and the wastewater system moved under the jurisdiction (ownership and operation) of the City government. Since its incorporation, the City has continued to grow, with a current population of about 77,000. The City’s sewer system is operated as a self-supporting enterprise serving about thirteen square miles within the urban service area. Sewage is collected via about 140 miles of sewer collection mains in two service areas – the Valley Floor (mixed use, including residential, commercial and industrial) and the Hillside area, which is residential and located on the east side of the City.

Residential customers are billed bi-monthly on an equivalent dwelling unit (EDU) basis. Non-residential customers are billed monthly based on metered water consumption, with the unit of measurement being one hundred cubic feet (HCF), an amount equal to 748 gallons. Non-residential sewage rates vary based on the use of the property, with rates adjusted to reflect sewage strength (units of pollutants per quantity of sewage).

It has been more than three years since a formal cost of service / rate study has been performed for the City’s sewer system, and major capital improvements have been made and will continue to be made. Rates were last adjusted in August 2015. The City solicited bids for an independent review of the sewer system’s finances, with a focus on long-term sustainability, equitable treatment of the City’s’ customers

and compliance with legal and regulatory requirements, especially the evolving case law related to Proposition 218 and (to a lesser extent) Prop 26.

### 1.3 Guiding Principles

The following principles were used to guide the rate study and were developed with the assistance of City staff:

- The City's Sewer Fund must be financially self-supporting. It is assumed that the cost of operating and maintaining the sewer system must be supported by the sewer fees and charges collected from customers with no support from other City funds. If at any time, other City resources must be used to support the sewer system, repayment shall be made in an appropriate amount of time.
- The City should maintain reserves to provide for contingencies and unplanned expenses and to ensure that sufficient funds are generated each fiscal year to allow for appropriate system replacement. The two reserves considered in this report are restricted reserves for capital spending and unassigned, unrestricted reserves based on the City's two reserve policies:

*"The City will maintain working capital...of approximately 25% of the annual operating and maintenance expenses for the Sewer Utility Fund."*

*"In addition, the City will maintain Infrastructure Replacement funds for both Water and Sewer Utilities. The goal is to accumulate at least \$2 million a year from each utility fund to set aside for replacement of infrastructure as the infrastructure reaches the end of its useful life"*

- Sewer rates and charges shall be kept as low as possible *over time*. It is possible to keep rates low for a period by not investing sufficiently in the maintenance of the sewer system, but eventually the system will deteriorate and require substantial investments, leading to the need for significant and immediate rate increases. The assumption that the City will continually reinvest in the sewer system to replace assets as they reach the end of their useful lives is built into the analysis and allows for timely and predictable rate increases.

### 1.4 Assumptions

The following high-level assumptions were used to guide the rate study and were developed with the assistance of City staff:

- Operating and maintenance expenses: 3.0% escalation rate per year for all operating expenses (Finance Operations, Public Works Administration, Utility Engineering, etc.)
- Customer accounts and sewage generation changes: 0.0% growth per year
- Miscellaneous revenues: 0.0% growth per year
- All City of Milpitas capital projects are funded on a PAYGO (cash) basis with no additional debt service being issued
- CIP spending related to the San José/Santa Clara Regional Waste Water Facility is funded on a PAYGO (cash) basis except for three debt issues of:
  - \$20.0 million in FY 2020
  - \$15.0 million in FY 2021

- \$5.0 million in FY 2025
- Minimum unassigned, unrestricted cash balance requirement: 90 days (25%) of annual operating expenses
- Minimum of \$2.0 million in Infrastructure Replacement set aside per year.

Depending on availability, actual Fiscal Year (FY) 2017, estimated FY 2018 or budgeted FY 2019 data was used as the base upon which forecasted figures were developed. All years within this report refer to the City's fiscal year (June 1 to July 31). While the study identifies needed sewer rates on a year-by-year basis for a 10-year planning period (FY 2019 – FY 2028), the charts and tables within this report provide data for the first five years in which rates and charges have been calculated.

## 2. REVENUE REQUIREMENTS

This section of the report outlines the historical and future costs of operating and maintaining the City's sewer system, which constitute the sewer system's revenue requirements (i.e., the amount of revenue required to be collected from customers). Our approach includes a detailed review of each of the costs incurred by the City attributable to the sewer system. The cost analysis is broken into two main categories of costs: (1) operating costs and (2) capital costs (including debt and cash funding). This section describes each of the categories of costs incurred by the City as it provides sewer service. The costs are based on official documents and data provided by the City.

### 2.1 Operating Costs

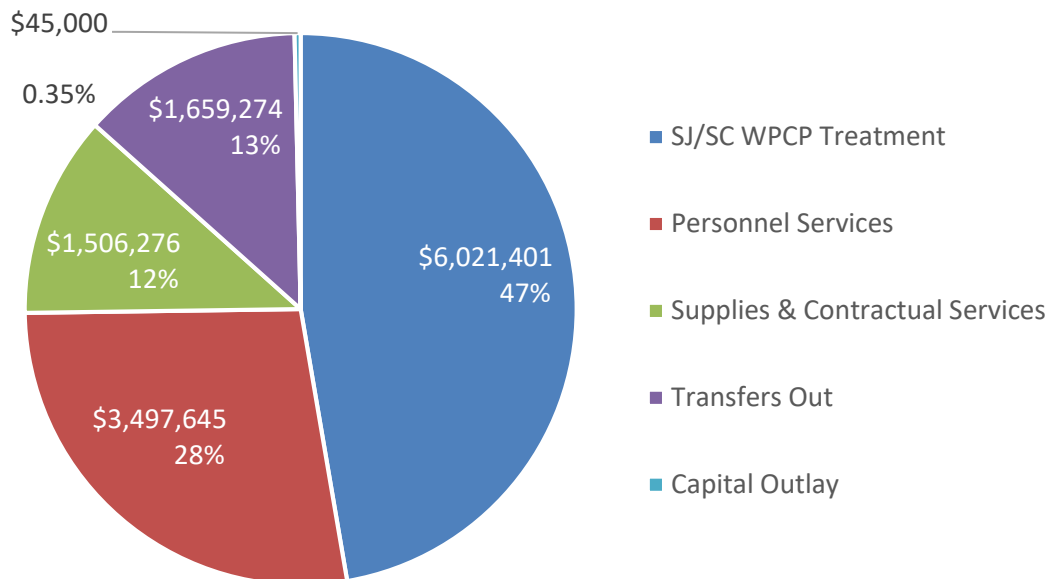
The day-to-day operating and maintenance (O&M) expenses of the sewer system are grouped into the following categories:

- Personnel Services
- Supplies and Contractual Services
- SJ/SC Regional Water Pollution Control Plant (WPCP)
- Transfers Out
- Capital Outlay

The City's largest operating budget line item is the annual payment to the City of San José for Milpitas' proportional share of sewage treatment services provided by the treatment facility owned by the City of San José. This single line item accounts for over 65% of the City's sewer operating budget. Transfers Out of the Sewer Operating Fund include transfers to the City's General Fund, Street Improvement Fund, Park Improvement Fund, General Government Fund, and Storm Drain Fund.

Projected FY 2019 sewer operating expenses total approximately \$12.7 million. This total does not include expenses related to debt service or capital improvements, which are accounted for in our study separately. Exhibit 2.1.1 provides a breakdown of the projected sewer operating expenses by category (with percent of total budget) for FY 2019.

**Exhibit 2.1.1 FY 2019 Projected Sewer Operating Expenses<sup>1</sup>**



It should be noted that the Personnel Services shown above are the salary and benefit costs directly attributable to the Sewer Fund from Finance Operations, Public Works Administration, Utility Engineering, and Utility Maintenance.

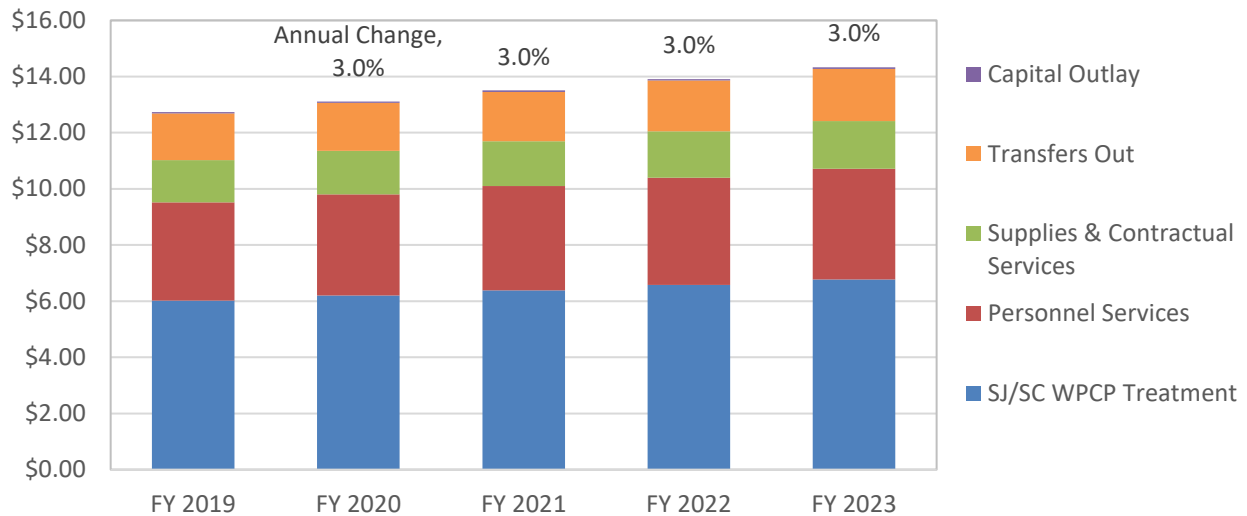
Transfers Out include costs that are incurred by other City funds that directly benefit the City's sewer system, and therefore are properly allocated to be collected via sewer rates within the Sewer Fund. These costs include not only personnel costs, but materials, supplies, and other costs related to projects that impact the sewer system. These are projects performed by other City departments that impact or are in the vicinity of the sewer utility, therefore it is proper that the sewer budget includes these transfers out to pay back other City departments for doing work on the sewer system. These transfers are assumed to continue at the same level as the FY 2019 budget, with 3.0% inflation per year to account for ongoing increases in costs related to City projects.

To project all other operating expenses, FY 2019 sewer budget line items were escalated using various inflation factors on a line item basis. The inflation assumptions for each line item are based on both the City's historical cost increases and the overall trend of the increasing cost of operating wastewater utilities nationwide, which has outpaced overall inflation over the past twenty years.

On average, the sewer operating budget is assumed to increase 3.0% per year. Exhibit 2.1.2 shows sewer budgeted O&M expenses for the base year (FY 2019) and projected O&M expenses for the remaining four fiscal years of the planning period (FY 2020 to FY 2023) with percent change from the previous year.

<sup>1</sup> Source: CityofMilpitasbudgetFY2018-19.pdf

**Exhibit 2.1.2 Projected Sewer Operating Expenses**



Increases in years beyond FY 2023 are assumed to continue at the pace of 3.0% per year.

## 2.2 Capital Costs

The annualized capital costs related to providing sewer service are generally comprised of existing debt service and any anticipated capital projects, which may be funded via the issuance of debt (typically bonds, loans or similar financial instruments) or funded from cash (either reserves on hand or cash collected from rates). This section will detail the capital costs that are projected for the City's sewer system over the next ten years.

### 2.2.1 Existing Debt Service

On December 1, 2006, the Milpitas Public Financing Authority issued Certificates of Participation, 2006 Series A (Sewer COPs), in the original principal amount of \$9,535,000 to finance certain sewer facilities within the City. These sewer facilities included replacement of appurtenances at the Main Sewage Pump Station (February 2007 to November 2008), and the improvements were constructed to provide sewer service for all customers within the City. The Sewer COPs are collateralized by net revenues from the City's Sewer System Installment Sale Agreement. In FY 2018, the City refinanced the 2006 COPs with new Wastewater Bonds with a principal balance of \$4,725,000. Annual principal and interest payments continue through FY 2027.

Exhibit 2.2.1 shows the future debt payments included in this analysis related to the 2017 Wastewater Bonds.

**Exhibit 2.2.1 2017 Wastewater Bond Payment Schedule<sup>2</sup>**

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Principal	\$480,000	\$460,000	\$475,000	\$495,000	\$515,000
Interest	\$170,273	\$187,500	\$173,700	\$154,700	\$134,900
<b>Total Debt Service</b>	<b>\$650,273</b>	<b>\$647,500</b>	<b>\$648,700</b>	<b>\$649,700</b>	<b>\$649,900</b>
% Change		(0.4%)	0.2%	0.2%	0.0%

The City's sewer debt service payments are accounted for in MFSG's rate projections.

**2.2.2 Planned City of Milpitas Sewer Capital Improvement Projects**

The City's capital improvement program (CIP) includes two distinct cost centers. The first is a list of projects approved by the City of Milpitas to repair, rehabilitate, or replace the City's sewer assets. The other capital cost is the portion of the SJ/SC WPCP capital improvements that the City of Milpitas is obligated to pay towards the repair, rehabilitation and replacement of the WPCP's assets.

Included in MFSG's rate projections is an analysis of the City's buried infrastructure. MFSG used data provided by the City to identify the average useful life and replacement cost of the City's sewage collection system pipes. The City's asset database contains information regarding the material, length, and vintage of its sewer pipes, which is summarized below.

**Exhibit 2.2.2 Summary of City of Milpitas Sewer Pipes<sup>3</sup>**

Pipe Material	Total Length (LF)	% of Total Length	Avg Year Installed	Avg Year to Replace	Total Replacement Cost
Reinforced Concrete	40,060	5.35%	1984	2009	\$36,778,618
Vitrified Clay	665,389	88.83%	1973	2048	\$386,045,097
Acrylonitrile-Butadiene-Styrene (ABS)	6,975	0.93%	1978	2035	\$4,083,750
Polyvinyl Chloride (PVC)	14,250	1.90%	1984	2044	\$8,426,500
Cured in Place	50	0.01%	1975	1980	\$32,500
Ductile Iron	280	0.04%	1965	2025	\$126,000
Stainless Steel	22,015	2.94%	1980	2060	\$14,644,507
<b>Total/Average</b>	<b>749,019</b>	<b>100.0%</b>	<b>1974</b>	<b>2046</b>	<b>\$450,136,972</b>

Based on the install year and the assumed useful life of each the City's sewer pipe segments, about 3.7% of the total length of the City's pipe has reached the end of its useful life, with a replacement cost of \$25,128,616. MFSG's analysis calculated that on average, an additional \$3.38 million is needed each year to properly reinvest in the City's Sewer System. However, this additional line replacement cost is not included in this analysis because the City is currently planning a detailed condition assessment of its buried assets within the next fiscal year, the results of which will be a much more detailed and accurate sewer line replacement plan that the City plans to implement at the end of that study. It is anticipated that the results of that study will be incorporated into the City's next cost of service study, impacting rates beginning in FY 2024.

Exhibit 2.2.3 provides a breakdown of the City of Milpitas' planned CIP spending included in this analysis.

<sup>2</sup> Source: 2017 Wastewater Bond Debt Service Schedule.pdf

<sup>3</sup> Source: SW depreciation.xlsx, Tab B-Sewer Pipe Components

**Exhibit 2.2.3 Planned Sewer Capital Improvement Projects<sup>4</sup>**

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sewer Condition Assessment (6119)	\$100,000	\$50,000	\$50,000	\$50,000	\$50,000
Sewer Overflow Improvement (6123)	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Pump Station Treatment Improv. (6125)	\$150,000				
Minor Sewer Projects (6126)	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Supervisory Control and Data Acquisition		\$1,550,000			
System Hydraulic Modeling 17-19 (6129)	\$50,000	\$50,000			
Sewer Cathodic Protection Improv (6131)	\$625,000				
Master Plan 2019 (6132)	\$450,000				
Seismic Study 19 - 20		\$100,000			
System Replacement (6133)	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Pump Station Treatment Improv (6125)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Main Lift Station Odor Control (6130)	\$300,000	\$1,950,000	\$0	\$0	\$0
MFSG Model Adjustment	\$115,000	\$184,910	\$1,225,000	\$1,225,000	\$1,225,000
<b>Total City of Milpitas Capital Expenses</b>	<b>\$2,515,000</b>	<b>\$4,609,910</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>

The model adjustment listed above is a placeholder that aligns the model's project listing with the City's policy of setting aside at least \$2.0 million per year in Infrastructure Replacement. Although the City has not identified specific projects in fiscal years 2021, 2022, and 2023, as projects are added to the City's adopted CIP, the adjustment can be removed, and the actual projects entered. The above projections ensure that the rates recommended by MFSG are in compliance with the City's reserve policy.

The above planned projects are assumed to be 100% funded by the City's sewer user rates, as opposed to the capacity fees it charges new customers, for several reasons. First, historically the City has used capacity fees collected each year to reduce the cost of treatment capital allocated to the City by San José, not reduce the spending on City CIP projects. Second, the City's CIP projects are all rehabilitative in nature and are not increasing the capacity of the system, and therefore should be paid for by the current users of the system. Finally, capacity fees are unpredictable and if the City based its CIP funding on the collection of a certain amount of capacity fees, in cases where the City collects less in capacity fees than planned, user rates would need to be adjusted to make up the shortfall. For these reasons, 100% of the City's CIP is assumed to be funded with user rates.

All the City of Milpitas CIP costs shown above are assumed to be PAYGO (cash) funded each year. That is, the City will not issue any debt to pay for the sewer asset rehabilitation projects listed above.

### 2.2.3 SJ/SC Regional Waste Water Facility Capital Expenses and Projected Debt Service

One hundred percent of the City of Milpitas' sewer flow is transported to and processed at the SJ/SC Regional Waste Water Facility. Therefore, the City pays a share of both the operating and capital costs of the facility. For operating costs, the City is billed based on the proportional flow sent to the facility from the City as a percentage of the facility's total flow each year. For capital costs, the City is billed a fixed percentage of the facility's capital program based on the City's buy-in of the facility's total treatment capacity. Currently, the City's capacity buy-in is 7.65% of the facility's total capacity.

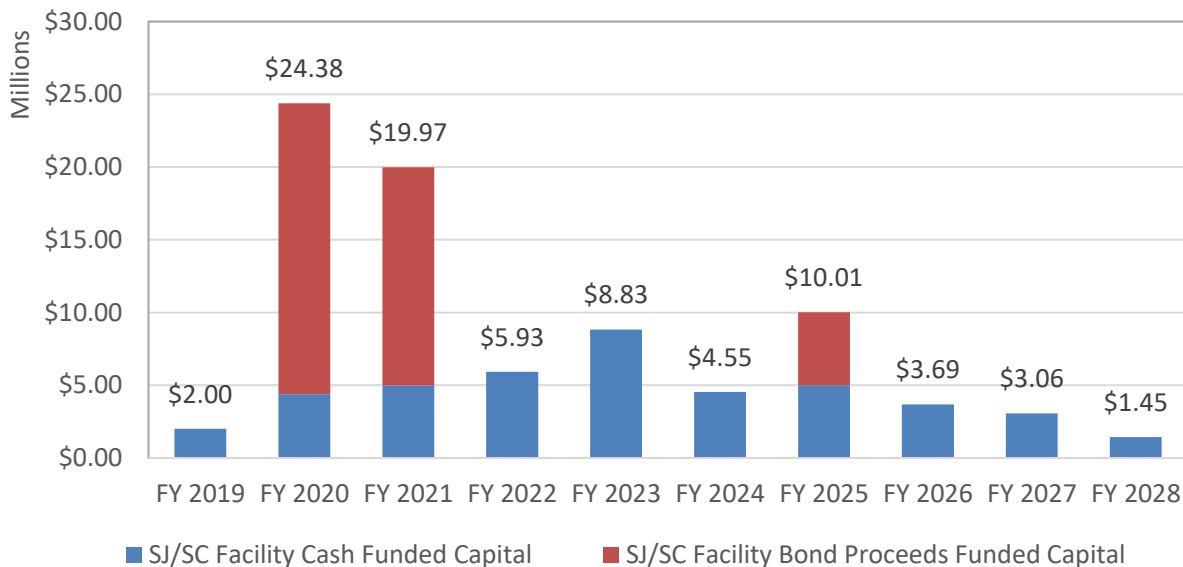
Each year, the City of San José gives to the City of Milpitas a ten-year projection of the capital costs related to the SJ/SC Regional Waste Water Facility and the portion of those costs that the City of Milpitas is

<sup>4</sup> Source: City of Milpitas 2018 Capital Improvement Plan



obligated to pay. These costs have been historically volatile, with large differences in the amount due on a year to year basis. The current projected ten-year SJ/SC Regional Waste Water Facility capital costs that must be recovered by the City of Milpitas, along with the funding source assumed each year, are shown in Exhibit 2.2.4.

**Exhibit 2.2.4 Ten-Year Projection of SJ/SC Regional Waste Water Facility Capital Costs<sup>5</sup>**



MFSG's analysis included the assumption that the City will utilize three debt issues to pay for the SJ/SC Regional Waste Water Facility capital payments during the next ten years:

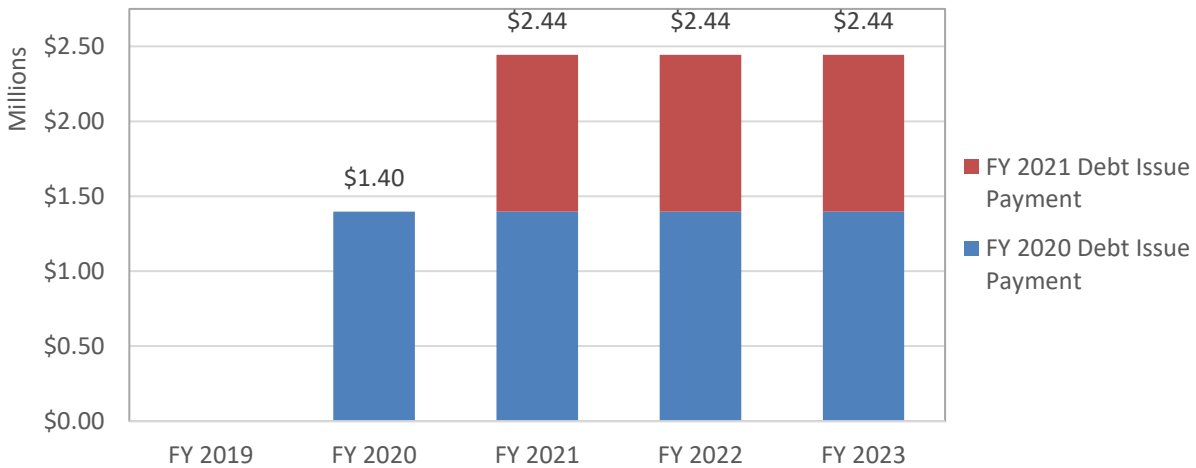
- \$20,000,000 in FY 2020
- \$15,000,000 in FY 2021
- \$5,000,000 in FY 2025

The use of bond proceeds to fund this major expense will smooth out the rate impact on the City's customers and allow for the long-term planning of rate increases due to SJ/SC Regional Waste Water Facility capital expenses. Over the ten-year projection shown above, the average annual cash spending on SJ/SC Regional Waste Water Facility capital is about \$4.38 million dollars. The City's rates must also support the debt service resulting from the three new bond issues assumed above.

Each of these bond issues is assumed to have issuance costs equal to 1.5% of the principal amount, an interest rate of 5.5% and a payment term of 30 years. These are conservative assumptions, as the City may qualify for lower interest rate terms. The projected total debt service obligation of the City of Milpitas that is the result of the two debt issues within the five-year planning period is shown below in Exhibit 2.2.5.

<sup>5</sup> Source: CIP Allocation for RWF (17MAY2018).pdf

**Exhibit 2.2.5 Projected New Debt Service Payments**



The impact of these additional debt service payments has been factored into MFSG's rate projections. Overall, MFSG's approach takes into account the annual cash needs of the City's sewer system, so the capital cash needs vary from the actual spending in years where the City issues debt. To illustrate the impact on rates, Exhibit 2.2.6 shows the sources and uses of capital funds for the five-year projection.

**Exhibit 2.2.6 Sources and Uses of Sewer Capital Funds**

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Sources of Capital Funds:</b>					
City of Milpitas Sewer Rates	\$4,515,000	\$10,386,512	\$9,416,007	\$10,371,129	\$13,271,577
Loan Proceeds	\$ -	\$20,000,000	\$15,000,000	\$ -	\$ -
<b>Total Sources of Capital Funds:</b>	<b>\$4,515,000</b>	<b>\$30,386,512</b>	<b>\$24,416,007</b>	<b>\$10,371,129</b>	<b>\$13,271,577</b>
<b>Uses of Capital Funds:</b>					
City of Milpitas Capital Projects	\$2,515,000	\$4,609,910	\$2,000,000	\$2,000,000	\$2,000,000
SJ/SC Capital Projects	\$2,000,000	\$24,379,853	\$19,971,696	\$5,926,818	\$8,827,266
SJ/SC Debt Service	\$ -	\$1,396,749	\$2,444,311	\$2,444,311	\$2,444,311
<b>Total Uses of Capital Funds:</b>	<b>\$4,515,000</b>	<b>\$30,386,512</b>	<b>\$24,416,007</b>	<b>\$10,371,129</b>	<b>\$13,271,577</b>

The sources for the above table are as follows: Loan Proceeds: Exhibit 2.2.4; City of Milpitas Capital Projects: Exhibit 2.2.3; SJ/SC Capital Projects, Exhibit 2.2.4; SJ/SC Debt Service: Exhibit 2.2.5.

The total capital needs each year that must be generated from rates is the first line under sources of capital funds, City of Milpitas Sewer Rates. That is the total cash capital spending and debt service that must be supported by rates each year.

## 2.3 Sewer Revenue Requirements

The total annual cost of operating the City's sewer system (the gross revenue requirements) includes operating and maintenance expenses and current and future capital costs. The sum of these costs, less any miscellaneous revenues, is the amount that needs to be recovered from user rates (referred to as the net revenue requirement).

The term “miscellaneous revenues” refers to two distinct revenue sources of the Sewer Fund. The first is the amount of interest income generated by the Sewer Fund reserves, which is allocated to the Fund each year. These revenues are estimated to be \$395,000 in FY 2018 and are estimated to be \$446,000 in FY 2019. MFSG’s model projects that these revenues will remain constant throughout the projection period.

The other miscellaneous revenue that is accounted for within the Sewer Fund is called Development revenue. These are the capacity charges levied by the City to new customers of the sewer system. These charges were estimated to be \$1.0 million in FY 2018 and FY 2019. MFSG’s analysis does not include these revenues going forward for two reasons. First, these revenues are unpredictable. The City is reaching buildout, and although some infill development will result in capacity fees being paid to the City’s Sewer Fund in the years to come, MFSG considered the conservative approach of not reducing the revenue needs of the sewer system by any amount of Development revenue. Second, in the case that the City does collect Development revenue, those monies are directed to the City’s capital improvement plan to pay down projects that have been approved each fiscal year. In the case that those projects are fully funded, the City augments its capital reserves with the Development revenue. In either case, MFSG’s approach does not include Development revenues in order to avoid any case in which the City collects less in Development revenues than projected, resulting in the need to either draw down on capital reserves more than predicted, or raise user rates to compensate for the difference in projected vs. actual revenues.

MFSG’s calculated rates assume that the entire system must be supported by its existing customer base. This is a conservative approach that will result in rates that will fully fund the projected costs of the system without the use of any Development revenue. Any Development revenue collected in fiscal years 2019 to 2023 will only improve the financial forecasts provided in this study.

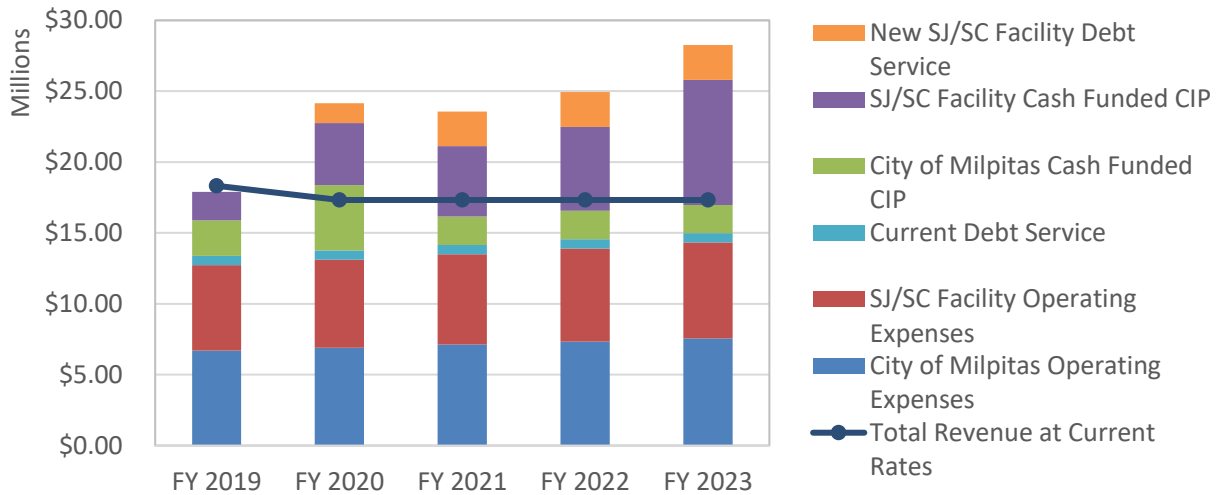
Exhibit 2.3.1 shows the revenue requirements (with percent change from the previous year) for the first five years of the planning period for the City’s sewer system.

***Exhibit 2.3.1 Sewer Net Revenue Requirements Projection***

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
City of Milpitas Operating Expenses	\$6,708,195	\$6,909,441	\$7,116,724	\$7,330,226	\$7,550,133
SJ/SC Facility Operating Expenses	\$6,021,401	\$6,202,043	\$6,388,104	\$6,579,747	\$6,777,140
City of Milpitas Cash Funded CIP	\$2,515,000	\$4,609,910	\$2,000,000	\$2,000,000	\$2,000,000
SJ/SC Facility Cash Funded CIP	\$2,000,000	\$4,379,853	\$4,971,696	\$5,926,818	\$8,827,266
Current Debt Service	\$650,273	\$647,500	\$648,700	\$649,700	\$649,900
New SJ/SC Facility Debt Service	\$ -	\$1,396,749	\$2,444,311	\$2,444,311	\$2,444,311
<b>Total Revenue Requirement</b>	<b>\$17,894,869</b>	<b>\$24,145,496</b>	<b>\$23,569,536</b>	<b>\$24,930,803</b>	<b>\$28,248,750</b>
Less Miscellaneous Revenues	<b>(\$1,446,000)</b>	<b>(\$446,000)</b>	<b>(\$446,000)</b>	<b>(\$446,000)</b>	<b>(\$446,000)</b>
<b>Net Revenue Requirement</b>	<b>\$16,448,869</b>	<b>\$23,699,496</b>	<b>\$23,123,536</b>	<b>\$24,484,803</b>	<b>\$27,802,750</b>
<b>% Change</b>		<b>44.1%</b>	<b>(2.4%)</b>	<b>5.9%</b>	<b>13.6%</b>

The revenue requirements of the City’s sewer system fluctuate greatly with the varying levels of capital infrastructure investment. Exhibit 2.3.2 shows how the revenue requirements of the system compare on an annual basis to the City’s revenues at the current (FY 2018) sewer rates.

***Exhibit 2.3.2 Sewer Revenue Requirement vs. Revenue at Current Rates***



The City's current rates cannot support the long-term cash needs of the system, specifically the major capital investment needed to fund the SJ/SC Facility capital requirements. MFSG's rate plan phases in rate increases to account for the overall trend in capital investment, as well as the increases in ongoing operating costs. However, before calculating rates, a detailed customer and consumption analysis must be performed. The next section of this report details this analysis.

### 3. CUSTOMERS AND USAGE

This section provides a summary of sewer customer accounts and sewage generation.

#### 3.1 Customer Account and Usage Summary

The City currently provides sewer service to a population of over 77,000. Exhibit 3.1.1 provides a breakdown of most recently available (FY 2017) sewer customers by class. The rightmost column shows the percentage of metered water that is considered as billable sewer flow for each customer class. For example, Lucky Pure Water is only billed based on 29.19% of its metered water usage, because it has been determined based on their commercial process that 70.81% of its metered water does not end up as sewer effluent.

*Exhibit 3.1.1 FY 2017 Customers and Usage by Class<sup>6</sup>*

Customer Class	FY 2017 Accounts	FY 2017 Adjusted Usage (HCF)	% of Billed Water Used for Sewer
<b><u>Residential Dwelling Units*</u></b>			
Single-Family	12,427	1,097,580	100.00%
Mobile Home Parks	521	35,847	100.00%
Multiple-Family	10,067	682,820	100.00%
<b><u>Commercial</u></b>			
Motels and Hotels	25	102,661	100.00%
General Office	355	174,990	100.00%
City of Milpitas	35	12,680	100.00%
Service Stations	38	17,654	100.00%
Eat/Drink Establishments	179	212,372	100.00%
Convalescent Hosp/Daycare	21	16,397	100.00%
Personal Services, Laundries	58	35,194	100.00%
Electrical/Electronics	147	150,403	100.00%
Machinery Manufacture	18	4,349	100.00%
<b><u>Monitored Sites</u></b>			
RockTenn (Jefferson Smurfit)	1	2,848	29.76%
T. Marzetti Co.	2	13,815	79.84%
Prudential Overall Supply	2	19,742	100.00%
Siemens Water Tech	2	43,450	100.00%
Elmwood Rehabilitation	5	93,018	100.00%
Linear Technology	6	105,018	100.00%
DS W	2	654	100.00%
Magic Tech & Headway Tech	4	43,542	100.00%

<sup>6</sup> Source: FY 18-19\_Forms 1-6.xls

Customer Class	FY 2017 Accounts	FY 2017 Adjusted Usage (HCF)	% of Billed Water Used for Sewer
<b><u>Non-Monitored Sites</u></b>			
Lucky Pure Water	1	352	29.19%
Milpitas Materials	1	16	0.72%
Union Pacific Railroad	1	26	100.00%
Cisco	5	11,752	21.00%
Lifescan	1	221	100.00%
	9	12,366	
<b><u>Institutional</u></b>			
Schools/Colleges	64	23,803	100.00%

\* Residential Customers are measured in Dwelling Units and billed a bi-monthly fixed fee without measured usage. The usage shown is an estimate based on per Dwelling Unit values of: 3.54 persons per Single Family, 2.24 persons per Mobile Home, and 2.73 persons per Multiple-Family unit.

Residential customers are measured in Dwelling Units in order to estimate the billable flow from each residential account without the use of measured water consumption.

Each residential account is one Dwelling Unit. However, the number of persons per Dwelling Unit vary for each class. The source of these values in San José's 2015 Flow Study, Table 2.5 on page 11. The values are based on census track data from the 2012 American Community Survey (ACS) data, estimated to 2015 values:

- 3.54 persons per Single Family
- 2.24 persons per Mobile Home
- 2.73 persons per Multiple-Family.

To estimate the total flow of each residential class, a value of 51 gallons per day (GPD) is assigned to each person. Therefore, each Single Family account is assumed to use 51 GPD times 3.54 persons, equal to 181 GPD per account. Multiple-Family accounts are assumed to use 51 GPD times 2.73 persons, equal to 139 GPD per account. As of FY 2018, Mobile Home Parks are not charged the full allocation for the assumption of 35,847 HCF per year assessed by the SJ/SC facility, based on 63 GPD per person, or 141 GPD per account. Mobile Home accounts are assumed to use 51 GPD (in line with Single and Multiple Family allocations) times 2.24 persons, equal to 114 GPD per account.

The City currently bills Mobile Home Parks for 114 GPD per unit, resulting in a bi-monthly rate that is lower than the cost incurred by the City to provide sewer service to such Mobile Home Park. MFSG's study assumes that the Mobile Home Park rate is immediately brought to an allocation of 141 GPD per dwelling unit, in line with the flow parameters used by the City of San José when allocating operational treatment costs to the City of Milpitas. Section 6.2 of this report contains a more thorough discussion of this issue.

Several of the City's sewer customers receive sewer bills based on adjusted usage. MFSG's analysis assumes that these usage adjustments will remain constant for the entire projection period. The usage values above represent the adjusted usage that is used to calculate each customer's sewer bill.

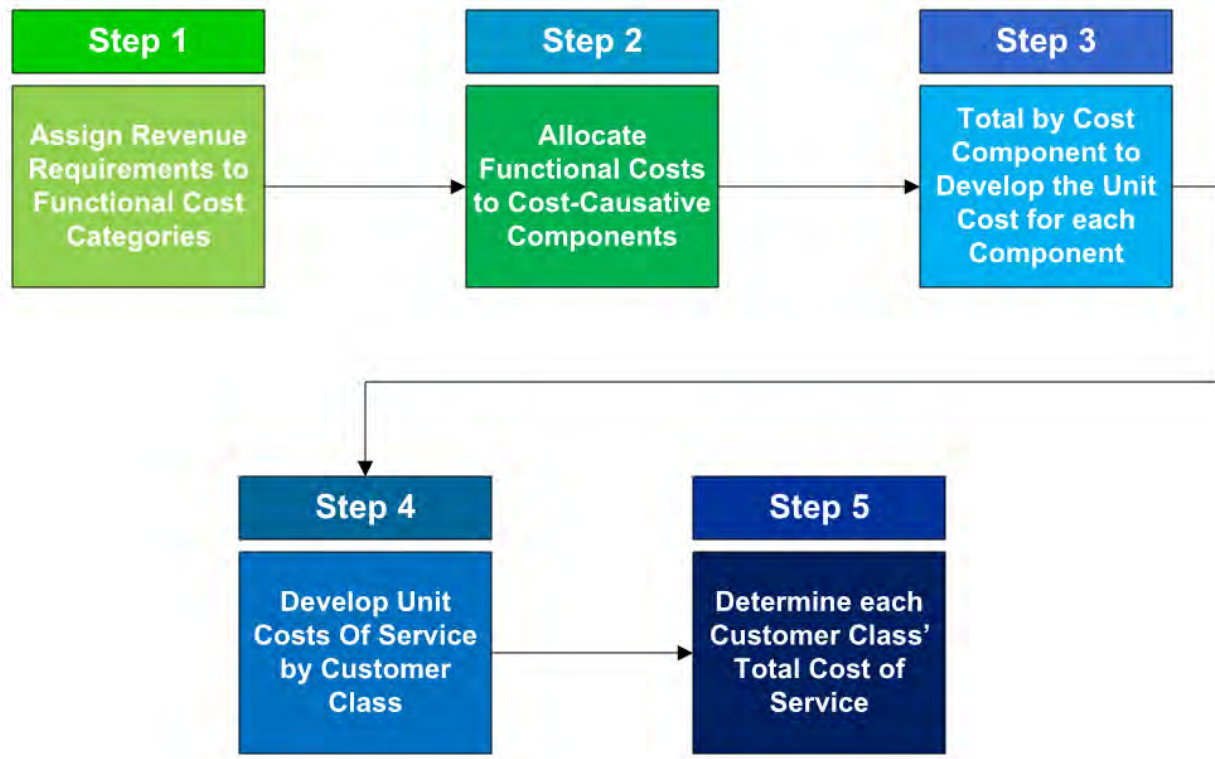
The number of customer accounts and dwelling units was held at its current level for MFSG's analysis, with zero growth in the number of customers each year. This is a conservative projection, as the City will experience some development, and therefore increase in customers, over the five-year planning period.

## 4. COST OF SERVICE ANALYSIS

### 4.1 General Overview of Cost of Service Principles

The general industry standard practice of allocating sewer costs among a system's customer is outlined in the Water Environment Federation's *Manual of Practice 27: Financing and Charges for Wastewater Systems*.

**Exhibit 4.1.1 General Cost of Service Process**



The first step of the cost of service analysis is to determine the revenue requirement, which was outlined in Section 2 of this report. Once the operating and capital costs are determined, they each must be separated into functional cost categories. Then, each functional cost category must be allocated to one of four cost causative components: Flow, Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS) and Total Nitrogen (NH<sub>3</sub>). A brief description of each of these components is as follows:

- Flow is simply the volume of effluent that must be treated by a treatment process.
- Biochemical Oxygen Demand (BOD) is the amount of dissolved oxygen needed (i.e. demanded) by aerobic biological organisms to break down organic material present in a given water sample.
- Total suspended solids (TSS) is the dry-weight of suspended particles, that are not dissolved, in a sample of water that can be trapped by a filter that is analyzed using a filtration apparatus.

- Ammonia Nitrogen ( $\text{NH}_3$ ) must undergo nitrification, the microbial process by which reduced nitrogen compounds (primarily ammonia) are sequentially oxidized to nitrite and nitrate.

Because each customer class produces different levels of flow and concentration of pollutants, it is important to properly allocate the costs of the sewer system to these cost causative components to properly charge each customer class based on the costs that it incurs.

In general, the City's current rates adhere to the industry standard outlined above. The cost of service exercise performed for the City of Milpitas includes two separate allocations:

1. Allocation of Personnel Services costs to a "Flat Fee" based on Dwelling Units per customer class; and
2. Allocation of all other O&M and Capital costs based on the four cost causative components of Flow, BOD, TSS and  $\text{NH}_3$ .

The resulting rates represent the equitable distribution of the City's sewer costs among each of its customer classes. MFSG's cost of service allocations utilize the same framework as the City's current rate calculations, however MFSG's analysis assumes a greater allocation of costs to the City's Flat Fee, as detailed in the next section.

#### **4.2 Allocation of Personnel Services to a Flat Fee**

The City's FY 2019 Sewer Fund Personnel Services cost is equal to \$3,497,645, as set forth in the City's budget. These costs are all related to the direct administration and customer service functions of the City's Sewer Fund. Currently, the City allocates a portion of its Personnel Services costs to a "Flat Fee" that is allocated between Residential and Non-Residential customers based on Dwelling Units (residential customers) and accounts (non-residential customers). In FY 2018, the City allocated about \$2.2 million to this fee. MFSG's recommendation is to include the full cost of Personnel Services in the Flat fee and continue to allocate those costs between Residential and Non-Residential customers based on Dwelling Units and accounts.

The City's Personnel Services costs are the salaries and benefits directly associated with providing sewer service to the City's customers through the functions of Finance Operations, Public Works Administration, Utility Engineering and Utility Maintenance. The most equitable method of distributing these costs between Residential and Non-Residential customers is doing so based on Dwelling Units (for residential) and accounts (for non-residential). The costs are distributed to residential and non-residential customers based on the total number of dwelling units or accounts in each class, as shown in O.



**Exhibit 4.2.1 FY 2019 Allocation of Personnel Services Costs**

	DU / Accounts	% Allocation	FY 2019 Costs
<b>Personnel Services</b>			<b>\$3,497,645</b>
<b>Flat Fee Cost Allocation</b>			
Residential	23,015	95.9%	\$3,355,774
Non-Residential	973	4.1%	\$141,871
Flat Fee per Month per Account (Non-Residential)			\$12.15
Additional Cost per HCF for Residential			\$1.85

The \$3,355,774 (Source: Exhibit 2.1.1) then must be allocated to the three residential customer classes. MFSG recommends that the City continue to allocate these costs to the three residential classes based on each class' assumed flow (HCF per year, Source: Exhibit 3.1.1), as shown in Exhibit 4.2.2.

**Exhibit 4.2.2 FY 2019 Allocation of Personnel Services Costs to Residential Customers**

Residential Flat Fee Allocation	HCF per Year	% Allocation	Residential Flat Fee Costs
Single-Family (70)	1,097,580	60.4%	\$2,027,935
Mobile Home Parks (72)	35,847	2.0%	\$66,232
Multiple-Family (71)	682,820	37.6%	\$1,261,607
<b>Total Residential Flat Fee Revenue</b>			<b>\$3,355,774</b>

The above costs are included in the proposed FY 2019 bi-monthly fee charged to all Residential customer accounts. Added to these costs are the other operational and capital costs described in the next section.

For Non-Residential customers, the proposed FY 2019 Flat Fee revenue is \$141,871. There are 973 non-residential accounts, so this revenue is collected as a \$24.30 fee per bi-monthly bill for each Non-Residential customer account.

### 4.3 Development of Unit Costs of Service for Non-Personnel Operating and Capital Cost Categories

The first step of the remaining cost of service exercise is to isolate the operating costs the City incurs between collection costs (allocated 100% based on Flow) and treatment costs (allocated to Flow, BOD, TSS and NH<sub>3</sub>). This is simple for the City of Milpitas, because the only operating cost related to treatment is the line item in the City's budget that is the operating payment to the SJ/SC Regional Waste Water Facility. The other costs of the city can be split between Supplies and Contractual Services, Capital Outlay, and Transfers Out to other funds, which are purely related to the City's operation and maintenance of its collection system. Supplies and Contractual Services include the cost the City pays for the material it needs to complete its work, such as minor tools, chemicals, and small equipment. The City also uses contractual services to support staff with repair and maintenance work. The City budgets for Services and supplies each year to the annual budget process and the budgeted amounts are based on the projected work-plan for the upcoming fiscal year.

The second step in the City's cost of service process is also very straightforward. Because 100% of the City's costs are not related to treatment, those cost categories can be allocated 100% to the cost causative component of flow. The allocation percentages for treatment costs related to the SJ/SC Facility are given to the City of Milpitas by the City of San José on an annual basis.

The third step in the cost of service process is to simply multiply each cost category's total by the percentage allocation for each cost causative component, resulting in the total operating cost by cost causative component Source: Exhibit 2.1.1). The first three steps of the cost of service process for the system's operating costs are shown in Exhibit 4.3.1.

***Exhibit 4.3.1 FY 2019 Operating Costs by Functional Cost Categories and Cost Causative Components***

Functional Cost Categories	FY 2019 Costs	Flow	BOD	TSS	NH <sub>3</sub>
Supplies & Contractual Services	\$1,506,276	100.0%	0.0%	0.0%	0.0%
Capital Outlay	\$45,000	100.0%	0.0%	0.0%	0.0%
Transfers Out	\$1,659,274	100.0%	0.0%	0.0%	0.0%
SJ/SC WPCP Treatment	\$6,021,401	33.8%	24.9%	21.6%	19.6%
<b>Total</b>	<b>\$9,231,951</b>	<b>\$5,248,734</b>	<b>\$1,501,978</b>	<b>\$1,300,803</b>	<b>\$1,180,435</b>

The system's capital costs (Sources: Exhibits 2.2.1, 2.2.3 and 2.2.4) must also be allocated to the four cost causative components in the same manner. The functional cost categories for capital expenses are the City's existing debt, the City's CIP and the CIP payment the City of Milpitas must pay for the treatment services provided at the SJ/SC Regional Waste Water Facility. The first three steps of the cost of service allocation is shown in Exhibit 4.3.2.

***Exhibit 4.3.2 FY 2019 Capital Costs by Functional Cost Categories and Cost Causative Components***

Functional Cost Categories	FY 2019 Costs	Flow	BOD	TSS	NH <sub>3</sub>
Existing Debt Service	\$650,273	69.7%	13.5%	7.3%	9.5%
City of Milpitas Capital Projects	\$2,515,000	81.7%	9.0%	5.8%	3.4%
SJ/SC Facility Capital Projects	\$2,000,000	81.7%	9.0%	5.8%	3.4%
<b>Total</b>	<b>\$5,165,273</b>	<b>\$4,143,347</b>	<b>\$495,564</b>	<b>\$309,455</b>	<b>\$216,906</b>

Although the City's capital projects are focused on the collection system owned by the City, those projects are necessary to provide both collection and treatment services for the City's customers, and therefore it is appropriate to allocate those capital costs in the same way as the SJ/SC Facility costs.

The debt service allocations are based on the use of the funds raised by the 2006 Series A Sewer Certificates of Participation. Both the City of Milpitas CIP and SJ/SC Facility CIP are allocated based on the total plant costs given to the City of Milpitas by the City of San José.

Using the above allocations, MFSG has calculated the cost basis for each of the City's sewer service functions, completing steps one, two and three of the cost of service process. The fourth step is developing units of service for each customer class.

#### **4.4 Development of Unit Costs of Service by Cost Causative Component**

The City collects data on each of its customer classes, including the "loading" of each pollutant tracked within the sewer cost of service analysis. Flow is tracked as million gallons per day (MGD), while the pollutant loadings are tracked as pounds per day (lbs/day) based on the yearly active days for each customer class, which range from 176 to 365. Exhibit 4.4.1 shows the annual loadings of each cost causative component for the most recently available Fiscal Year.

**Exhibit 4.4.1 Cost Causative Component Data by Customer Class**

Customer Class	FY 2017 Units (HCF)	Flow (MGD)	BOD (lbs/day)	TSS (lbs/day)	NH3 (lbs/day)	Days Active
Single-Family	1,097,580	2.249	4.693	4.693	0.657	365
Mobile Home Park	35,847	0.073	0.153	0.153	0.021	365
Multiple-Family	682,820	1.399	2.919	2.919	0.409	365
Motels and Hotels	102,661	0.210	0.544	0.212	0.012	365
General Office	174,990	0.502	0.544	0.335	0.046	261
City of Milpitas	12,680	0.029	0.032	0.020	0.003	323
Service Stations	17,654	0.036	0.054	0.085	0.000	365
Eat/Drink Establishments	212,372	0.435	4.540	2.034	0.036	365
Convalescent Hosp/Daycare	16,397	0.034	0.064	0.024	0.004	365
Personal Services, Laundries	35,194	0.072	0.090	0.066	0.003	365
Electrical/Electronics	150,403	0.431	0.108	0.054	0.108	261
Machinery Manufacture	4,349	0.012	0.030	0.057	0.000	261
RockTenn (Jefferson Smurfit)	2,848	0.006	0.109	0.006	0.001	365
T. Marzetti Co.	13,815	0.033	0.659	0.066	0.000	313
Prudential Overall Supply	19,742	0.057	0.250	0.134	0.001	261
Siemens Water Tech	43,450	0.125	0.009	0.367	0.001	261
Elmwood Rehabilitation	93,018	0.191	0.660	0.497	0.035	365
Linear Technology	105,018	0.301	0.234	0.179	0.050	261
DS W	654	0.002	0.000	0.000	0.000	261
Magic Tech & Headway Tech	43,542	0.125	0.447	0.002	0.001	261
Lucky Pure Water	352	0.001	0.001	0.000	0.000	365
Milpitas Materials	16	0.000	0.000	0.000	0.000	365
Union Pacific Railroad	26	0.000	0.000	0.000	0.000	261
Cisco	11,752	0.034	0.008	0.004	0.008	261
Lifescan	221	0.001	0.000	0.000	0.000	261
Schools/Colleges	23,803	0.101	0.110	0.084	0.025	176
<b>Total</b>	<b>2,901,202</b>	<b>6.458</b>	<b>16.260</b>	<b>11.991</b>	<b>1.423</b>	

To determine the unit rate for operating expenses, each customer class' loading in each cost causative component is multiplied by that customer class' days active. These values are summed to arrive at the blended unit rate of operating costs. For example, Single Family users produced 4.693 lbs/day of BOD, times 365 days active, giving a total lbs/year of 1,712.79. The lbs/year value is determined for each customer class, and then they are added together to arrive at the total lbs/year of 5,708.85. In step three, the annual operating cost of BOD treatment was determined to be \$1,501,978 (see Exhibit 4.3.1), therefore the per unit operating cost of BOD treatment is \$1,501,978 divided by 5,708.85, which equals \$263. This method of determining the unit cost of operating the system is used because it takes into account both the volume and strength of each class' sewer effluent as well as the number of days per year each customer class is active, resulting in a blended per unit cost of operating the whole system on an annual basis.

The capital unit rate is simply the total cost of each cost causative component (as identified in step three) divided by the total loading in each cost causative component shown at the bottom of the above exhibit. For example, the total capital cost of treating TSS was calculated as \$309,455 per year (see exhibit 4.3.2), and the total loading of TSS is 11.991 lbs/year. Therefore, the total capital unit rate for TSS is \$309,455 divided by 11.991, which equals \$25,807. This method of calculating capital costs is straightforward and does not take into account the days active of each customer class, because the capital needs of the system are present regardless of how much the system is being utilized throughout the year. It is assumed that

all customers have access to the system at all times during the year and that capital costs must be recovered from all customers proportionately based on flow and strength of their sewer effluent.

Exhibit 4.4.2 shows the unit rates for each cost causative component.

***Exhibit 4.4.2 Blended Unit Rate by Cost Causative Component***

Unit Rates	Flow	BOD	TSS	NH <sub>3</sub>
Operating	\$2,419	\$263	\$307	\$2,398
Capital	\$641,539	\$30,478	\$25,807	\$152,394

#### **4.5 Determination of Cost of Service by Customer Class**

The last step of the cost of service process is simple. Each customer class' appropriate cost in each or the cost causative components are equal to:

- Operating: Unit Rate x Customer Class Loading x Days Active
- Capital: Unit Rate x Customer Class Loading

Each of these calculations results in a class by class accounting for the costs caused by each customer class.

***Exhibit 4.5.1 FY 2019 Operating Costs by Customer Class and Cost Causative Component***

<b>Customer Class</b>	<b>FY 2019 Total \$</b>	<b>Flow (\$/year)</b>	<b>BOD (\$/year)</b>	<b>TSS (\$/year)</b>	<b>NH3 (\$/year)</b>
Single-Family	\$3,537,074	\$1,985,696	\$450,629	\$525,614	\$575,135
Mobile Home Park	\$115,520	\$64,852	\$14,717	\$17,166	\$18,784
Multiple-Family	\$2,200,463	\$1,235,329	\$280,343	\$326,992	\$357,800
Motels and Hotels	\$272,549	\$185,730	\$52,265	\$23,795	\$10,759
General Office	\$409,578	\$316,585	\$37,359	\$26,816	\$28,819
City of Milpitas	\$29,679	\$22,940	\$2,707	\$1,943	\$2,088
Service Stations	\$46,626	\$31,939	\$5,219	\$9,469	\$0
Eat/Drink Establishments	\$1,079,785	\$384,215	\$435,964	\$227,812	\$31,795
Convalescent Hosp/Daycare	\$42,210	\$29,665	\$6,193	\$2,670	\$3,682
Personal Services, Laundries	\$82,391	\$63,672	\$8,670	\$7,416	\$2,635
Electrical/Electronics	\$351,387	\$272,103	\$7,410	\$4,322	\$67,553
Machinery Manufacture	\$14,521	\$7,868	\$2,071	\$4,582	\$0
RockTenn (Jefferson Smurfit)	\$16,916	\$5,153	\$10,425	\$661	\$678
T. Marzetti Co.	\$85,868	\$24,993	\$54,309	\$6,380	\$186
Prudential Overall Supply	\$64,128	\$35,716	\$17,145	\$10,706	\$562
Siemens Water Tech	\$109,006	\$78,608	\$628	\$29,380	\$390
Elmwood Rehabilitation	\$318,396	\$168,284	\$63,411	\$55,645	\$31,055
Linear Technology	\$251,991	\$189,994	\$16,091	\$14,303	\$31,603
DS W	\$1,186	\$1,183	\$2	\$0	\$0
Magic Tech & Headway Tech	\$110,378	\$78,774	\$30,662	\$158	\$782
Lucky Pure Water	\$823	\$636	\$75	\$54	\$58
Milpitas Materials	\$36	\$28	\$3	\$2	\$3
Union Pacific Railroad	\$69	\$47	\$8	\$14	\$0
Cisco	\$27,456	\$21,261	\$579	\$338	\$5,278
Lifescan	\$516	\$400	\$11	\$6	\$99
Schools/Colleges	\$63,396	\$43,063	\$5,082	\$4,560	\$10,691
<b>Total Operating Costs</b>	<b>\$9,231,951</b>	<b>\$5,248,734</b>	<b>\$1,501,978</b>	<b>\$1,300,803</b>	<b>\$1,180,435</b>

**Exhibit 4.5.2 FY 2019 Capital Costs by Customer Class and Cost Causative Component**

Customer Class	FY 2019 Total \$	Flow (\$/year)	BOD (\$/year)	TSS (\$/year)	NH3 (\$/year)
Single-Family	\$1,807,244	\$1,443,005	\$143,020	\$121,101	\$100,117
Mobile Home Park	\$59,024	\$47,128	\$4,671	\$3,955	\$3,270
Multiple-Family	\$1,124,312	\$897,714	\$88,975	\$75,339	\$62,284
Motels and Hotels	\$158,913	\$134,970	\$16,588	\$5,482	\$1,873
General Office	\$353,972	\$321,734	\$16,582	\$8,640	\$7,016
City of Milpitas	\$20,726	\$18,838	\$971	\$506	\$411
Service Stations	\$27,048	\$23,210	\$1,656	\$2,182	\$0
Eat/Drink Establishments	\$475,597	\$279,209	\$138,366	\$52,488	\$5,535
Convalescent Hosp/Daycare	\$24,779	\$21,557	\$1,966	\$615	\$641
Personal Services, Laundries	\$51,189	\$46,270	\$2,752	\$1,709	\$459
Electrical/Electronics	\$297,655	\$276,529	\$3,289	\$1,392	\$16,445
Machinery Manufacture	\$10,392	\$7,996	\$919	\$1,476	\$0
RockTenn (Jefferson Smurfit)	\$7,323	\$3,744	\$3,309	\$152	\$118
T. Marzetti Co.	\$43,032	\$21,180	\$20,100	\$1,714	\$38
Prudential Overall Supply	\$47,493	\$36,297	\$7,609	\$3,450	\$137
Siemens Water Tech	\$89,727	\$79,887	\$279	\$9,467	\$95
Elmwood Rehabilitation	\$160,644	\$122,292	\$20,125	\$12,821	\$5,406
Linear Technology	\$212,529	\$193,085	\$7,142	\$4,608	\$7,693
DS W	\$1,204	\$1,202	\$1	\$0	\$0
Magic Tech & Headway Tech	\$93,907	\$80,056	\$13,609	\$51	\$190
Lucky Pure Water	\$509	\$462	\$24	\$12	\$10
Milpitas Materials	\$22	\$20	\$1	\$1	\$0
Union Pacific Railroad	\$56	\$48	\$3	\$4	\$0
Cisco	\$23,258	\$21,607	\$257	\$109	\$1,285
Lifescan	\$437	\$406	\$5	\$2	\$24
Schools/Colleges	\$74,283	\$64,900	\$3,345	\$2,179	\$3,860
<b>Total Capital Costs</b>	<b>\$5,165,273</b>	<b>\$4,143,347</b>	<b>\$495,564</b>	<b>\$309,455</b>	<b>\$216,906</b>

By adding each customer class' operating and capital cost recovery, it can be determined what percentage of annual rate revenue should be generated by each customer class. Exhibit 4.5.3 shows the results of the cost of service analysis.

**Exhibit 4.5.3 Cost of Service Result by Customer Class**

Annual Cost Recovery Per Class	Total O&M	Total Capital	Total \$	O&M %	Capital %
Single-Family	\$3,537,074	\$1,807,244	<b>\$5,344,318</b>	38.3%	35.0%
Mobile Home Park	\$115,520	\$59,024	<b>\$174,544</b>	1.3%	1.1%
Multiple-Family	\$2,200,463	\$1,124,312	<b>\$3,324,775</b>	23.8%	21.8%
Motels and Hotels	\$272,549	\$158,913	<b>\$431,462</b>	3.0%	3.1%
General Office	\$409,578	\$353,972	<b>\$763,550</b>	4.4%	6.9%
City of Milpitas	\$29,679	\$20,726	<b>\$50,404</b>	0.3%	0.4%
Service Stations	\$46,626	\$27,048	<b>\$73,674</b>	0.5%	0.5%
Eat/Drink Establishments	\$1,079,785	\$475,597	<b>\$1,555,382</b>	11.7%	9.2%
Convalescent Hosp/Daycare	\$42,210	\$24,779	<b>\$66,990</b>	0.5%	0.5%
Personal Services, Laundries	\$82,391	\$51,189	<b>\$133,580</b>	0.9%	1.0%
Electrical/Electronics	\$351,387	\$297,655	<b>\$649,043</b>	3.8%	5.8%
Machinery Manufacture	\$14,521	\$10,392	<b>\$24,913</b>	0.2%	0.2%
RockTenn (Jefferson Smurfit)	\$16,916	\$7,323	<b>\$24,240</b>	0.2%	0.1%
T. Marzetti Co.	\$85,868	\$43,032	<b>\$128,900</b>	0.9%	0.8%
Prudential Overall Supply	\$64,128	\$47,493	<b>\$111,621</b>	0.7%	0.9%
Siemens Water Tech	\$109,006	\$89,727	<b>\$198,733</b>	1.2%	1.7%
Elmwood Rehabilitation	\$318,396	\$160,644	<b>\$479,040</b>	3.4%	3.1%
Linear Technology	\$251,991	\$212,529	<b>\$464,520</b>	2.7%	4.1%
DS W	\$1,186	\$1,204	<b>\$2,389</b>	0.01%	0.02%
Magic Tech & Headway Tech	\$110,378	\$93,907	<b>\$204,284</b>	1.2%	1.8%
Lucky Pure Water	\$823	\$509	<b>\$1,332</b>	0.01%	0.01%
Milpitas Materials	\$36	\$22	<b>\$59</b>	0.0004%	0.0004%
Union Pacific Railroad	\$69	\$56	<b>\$124</b>	0.001%	0.001%
Cisco	\$27,456	\$23,258	<b>\$50,714</b>	0.3%	0.5%
Lifescan	\$516	\$437	<b>\$954</b>	0.01%	0.01%
Schools/Colleges	\$63,396	\$74,283	<b>\$137,679</b>	0.7%	1.4%
<b>Total Annual Cost</b>	<b>\$9,231,951</b>	<b>\$5,165,273</b>	<b>\$14,397,224</b>	<b>100.00%</b>	<b>100.00%</b>

The results shown above allow the equitable distribution of annual costs to each customer class. In any given fiscal year, the net operating revenue requirement is multiplied by the O&M percentage shown above for each customer class to determine that class' O&M cost responsibility. The same is done for annual capital costs. In each year, the rate determined for each customer class is equal to:

- Residential Customers:

$$\frac{[Flat Fee Allocation + (O\&M Net Revenue Requirement \times \% O\&M Allocation from Cost of Service) + (Capital Net Revenue Requirement \times \% Capital Allocation from Cost of Service)]}{(Billable Dwelling Units \times 6)}$$

The total residential costs are divided by six times the residential billable dwelling units to account for bi-monthly billing. Each customer will receive six sewer bills throughout the year, and therefore the total annual cost must be spread over six times the number of customers.

- Non-Residential Customers:

$$\begin{aligned} & \text{Bi Monthly Flat Fee} \\ & + \\ & \frac{[(O\&M \text{ Net Revenue Requirement} \times \% O\&M \text{ Allocation from Cost of Service}) + \\ & \text{(Capital Net Revenue Requirement} \times \% \text{ Capital Allocation from Cost of Service)}]}{\text{Annual Billable Units in HCF}} \end{aligned}$$

Non-residential customers are billed on flow, so the basis for each rate is the total flow in HCF from each customer class.

The City's rates can now be calculated on an annual basis, given assumed operating and capital costs. The next section of this report details a financial plan developed by MFSG to plan for the major operational and capital investments that the City will need to make in its sewer system over the next five to ten years.



## 5. FINANCIAL PLAN AND PROPOSED RATES

### 5.1 Total Revenue Projections at Current Rates

In Section 2, the projected costs (revenue requirements) of the system were presented and, in Section 3, projected customers and sewage generation were presented. In this section, we use the results of the cost of service analysis presented in Section 4 to determine an appropriate financial plan and set sewer rates for the next five years.

#### 5.1.1 Revenues vs. Expenses at Current Rates

The adequacy of revenues from current rates was evaluated in order to determine if existing rates are sufficient to recover the revenue requirements. Exhibit 5.1.1 compares the revenue requirements with total revenue projections at current rates for the base year and the first five years of the planning period.

**Exhibit 5.1.1 Sewer Revenue Requirements and Revenue at Current Rates**

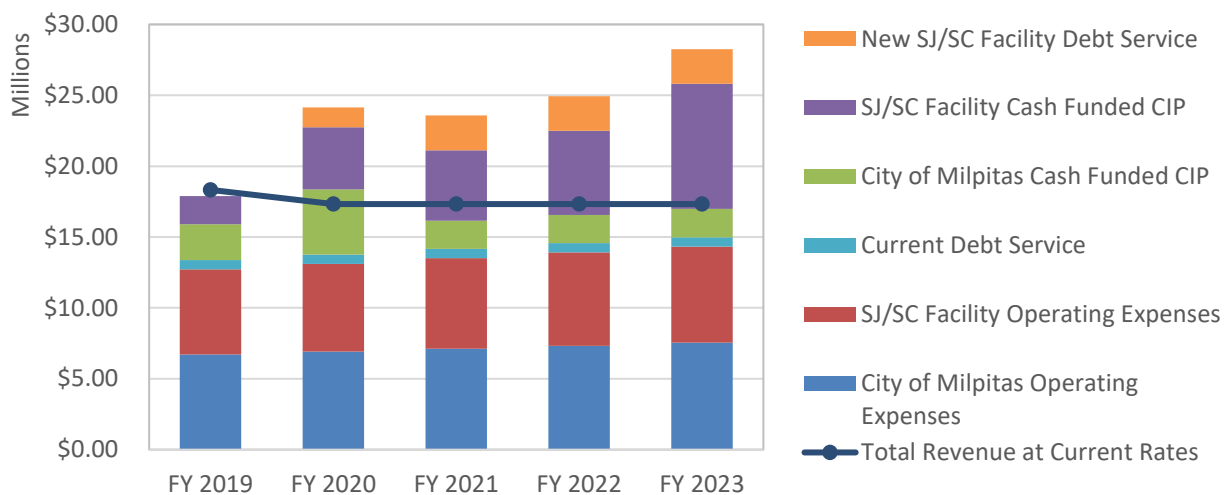
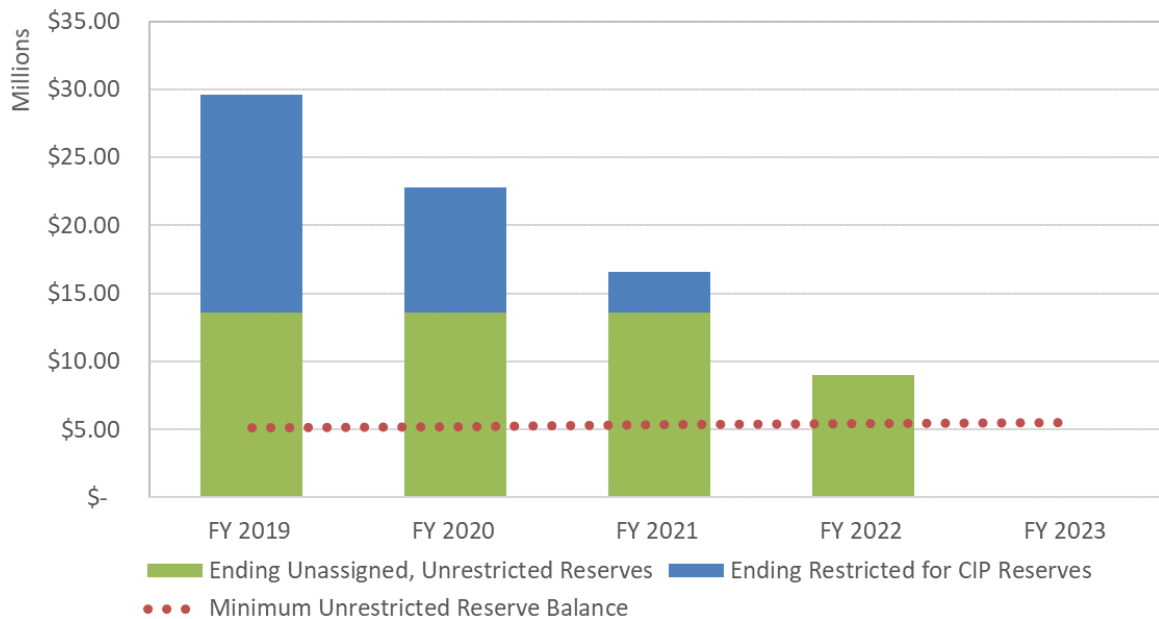


Exhibit 5.1.1 demonstrates that revenue collected at current sewer rates is insufficient to cover the revenue requirements in some years from FY 2020 to FY 2023. Current sewer rates would continue to not to generate sufficient revenue to fund the revenue requirements over the remainder of the long-term planning period. This has a significant impact on the sewer fund's financial health.

#### 5.1.2 Projected Sewer Fund Cash Balances at Current Rates

When considering the five-year rate plan, it is important to consider the long-term impact of rate changes made in early years. If the City were to not adjust rates in the five-year timeframe, the sewer system would experience heavy deficits over both the five-year and ten-year timeframe. Exhibit 5.1.2 shows the five-year sewer fund cash balance projection under the scenario in which the City does not adjust rates in any fiscal year. To be consistent with the City's budget documents, all cash balance charts in this report show the combined balance of the City's Sewer Fund, Sewer Fund CIP, Treatment Plant Construction Fund, Sewer 2017 Bonds Fund, and Sewer Infrastructure Replacement Fund.

***Exhibit 5.1.2 Sewer Fund End of Year Balance at Current Rates (Five-Year Projection)***



Under the current sewer rates, the Sewer Fund operating cash balance would be completely depleted in FY 2023. MFSG recommends that the City implement annual rate increases immediately to position the fund for the future investments needed in the sewer system.

## 5.2 Recommended Financial Plan and Rates

Given the results of the projections under current rates, MFSG recommends a phased in financial plan that will generate sufficient revenue over the five-year planning period to fully fund the sewer system and maintain the recommended minimum cash balance in the sewer fund, as well as position the fund for the long-term investments needed in the City's sewer infrastructure. Exhibit 5.2.1 shows MFSG's recommended sewer rates. It should be noted that in FY 2019, the projections assume that the City implement the new rates on February 1, 2019, just over halfway through the Fiscal Year. Each subsequent year assumes that the City adopt rates effective on July 1 of each Fiscal Year.

**Exhibit 5.2.1 Recommended Sewer Rates**

	Current FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sewer User Rate Revenue Increase per Year		4.0%	8.0%	8.0%	7.0%	6.0%
Month of Implementation		February	July	July	July	July
<b><u>Residential (per Dwelling Unit)</u></b>						
Single-Family	\$90.27	\$97.60	\$102.52	\$111.07	\$118.34	\$124.14
Mobile Home Parks	\$56.97	\$76.03	\$79.86	\$86.53	\$92.19	\$96.71
Multiple-Family	\$69.32	\$74.96	\$78.73	\$85.30	\$90.88	\$95.34
<b>Non-Residential Fixed Flat Fee (per bill)</b>	<b>\$15.27</b>	<b>\$24.30</b>	<b>\$25.03</b>	<b>\$25.78</b>	<b>\$26.55</b>	<b>\$27.35</b>
<b><u>Commercial (per HCF)</u></b>						
Motels and Hotels	\$4.36	\$4.36	\$4.58	\$4.97	\$5.37	\$5.75
General Office	\$4.67	\$4.67	\$5.44	\$5.67	\$6.14	\$6.84
City of Milpitas	\$4.18	\$4.18	\$4.61	\$4.91	\$5.31	\$5.80
Service Stations	\$4.34	\$4.34	\$4.54	\$4.93	\$5.32	\$5.70
Eat/Drink Establishments	\$7.49	\$7.49	\$7.49	\$8.11	\$8.73	\$9.06
Convalescent Hosp/Daycare	\$4.23	\$4.23	\$4.46	\$4.84	\$5.23	\$5.60
Personal Services, Laundries	\$3.95	\$3.95	\$4.23	\$4.56	\$4.92	\$5.31
Electrical/Electronics	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
Machinery Manufacture	\$6.08	\$6.08	\$6.70	\$7.12	\$7.70	\$8.43
<b><u>Monitored Sites (per HCF)</u></b>						
RockTenn (Jefferson Smurfit)	\$4.67	\$8.35	\$8.35	\$9.39	\$10.11	\$10.46
T. Marzetti Co.	\$8.34	\$9.16	\$9.63	\$10.65	\$11.48	\$12.09
Prudential Overall Supply	\$6.70	\$6.70	\$6.70	\$7.08	\$7.66	\$8.42
Siemens Water Tech	\$4.91	\$4.91	\$5.61	\$5.87	\$6.36	\$7.06
Elmwood Rehabilitation	\$5.49	\$5.49	\$5.49	\$5.89	\$6.35	\$6.69
Linear Technology	\$4.59	\$4.59	\$5.47	\$5.71	\$6.18	\$6.88
DS W	\$4.59	\$4.59	\$4.80	\$4.92	\$5.34	\$6.04
Magic Tech & Headway Tech	\$4.53	\$4.62	\$5.82	\$6.07	\$6.57	\$7.32
<b><u>Non-Monitored Sites (per HCF)</u></b>						
Lucky Pure Water	\$3.94	\$3.94	\$4.21	\$4.54	\$4.91	\$5.29
Milpitas Materials	\$3.94	\$3.94	\$4.21	\$4.54	\$4.91	\$5.29
Union Pacific Railroad	\$5.11	\$5.11	\$5.84	\$6.12	\$6.63	\$7.35
Cisco	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
Lifescan	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
<b><u>Institutional (per HCF)</u></b>						
Schools/Colleges	\$6.31	\$6.31	\$7.94	\$8.05	\$8.73	\$9.99

Note that the impact of the revenue increase identified on the top line of the above chart does not necessarily reflect the rate increase for any given customer class. The rates charged to each class consider a number of factors, including that class' allocation of Flow, BOD, TSS and NH<sub>3</sub> costs. The financial plan only defines the total increase in revenue each year. The rates are calculated to meet that revenue target given the changing allocations of operating and capital expenses that are projected each year.

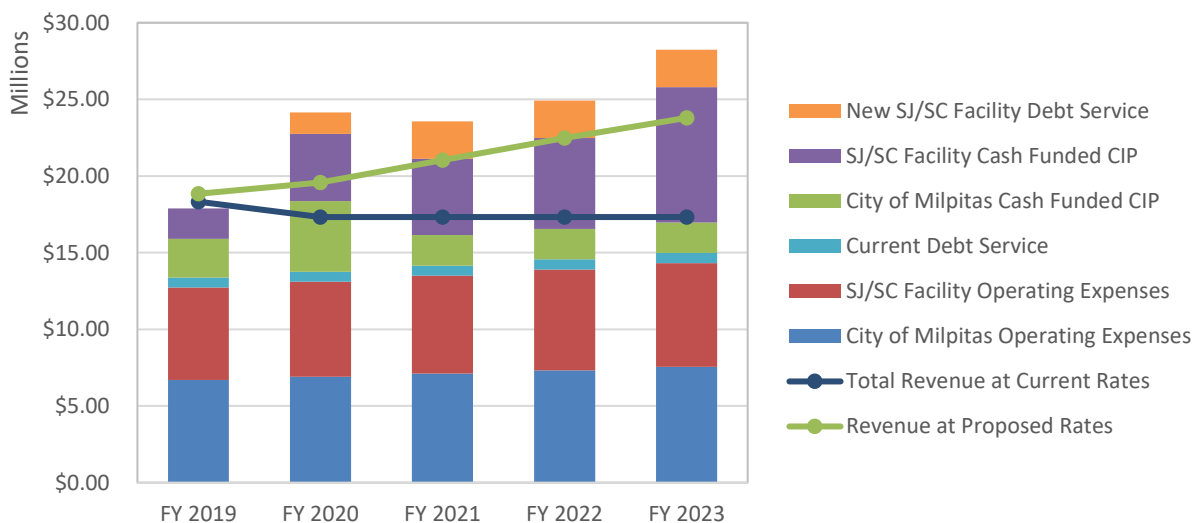
### 5.3 Total Revenue Projections at Proposed Rates

To maintain the financial health of the City's sewer operations over the first five years of the planning period, sewer rate revenue needs to be increased. In addition to covering the revenue requirements, revenue must also be enough to satisfy the minimum cash balance specified of 180 days operating expenses outlined in Section 2.1.

#### 5.3.1 Sewer Revenues vs. Expenses at Proposed Rates

MFSG proposes the use of the current cash balance as well as adjusting rates on a multi-year basis to provide a sound financial basis for the City's sewer system. The flowing exhibit shows the revenue increases proposed by MFSG's rate plan.

***Exhibit 5.3.1 Sewer Revenue vs. Expenses Under Proposed Revenue Increases***



MFSG's rate plan for the sewer system depends on the multi-year usage of cash on hand to mitigate ("smooth out") one-time rate increases. Over the five-year rate plan, the City's sewer system will depend on a blend of increased rate revenues and the spending down of cash reserves. Due to the cash balance position of the sewer fund at the beginning of FY 2019, MFSG believes that a long-term phase-in is appropriate for the City's sewer rates.

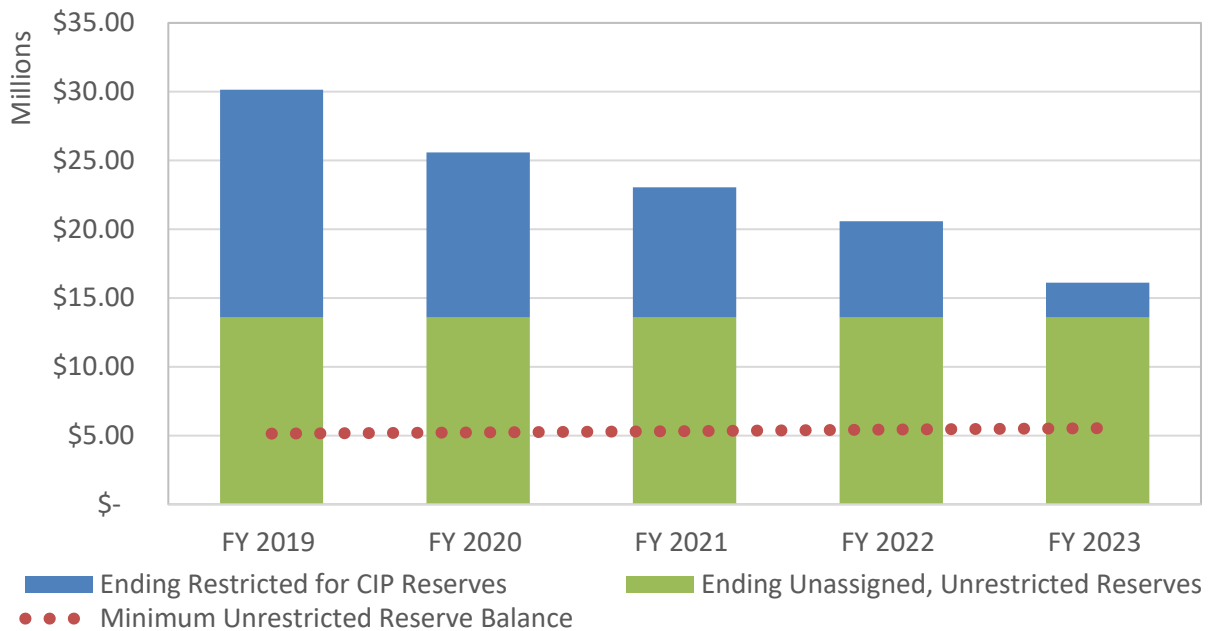
### 5.4 Sewer Fund Cash Balance Projections at Proposed Rates

Under MFSG's proposed financial plan the City maintains the recommended reserve balance in each year of the five-year planning period. Under the proposed plan, the City maintains at least 180 days of cash within the Sewer Fund, which is the minimum that MFSG recommends.

#### 5.4.1 Sewer Fund Balance at Proposed Rates

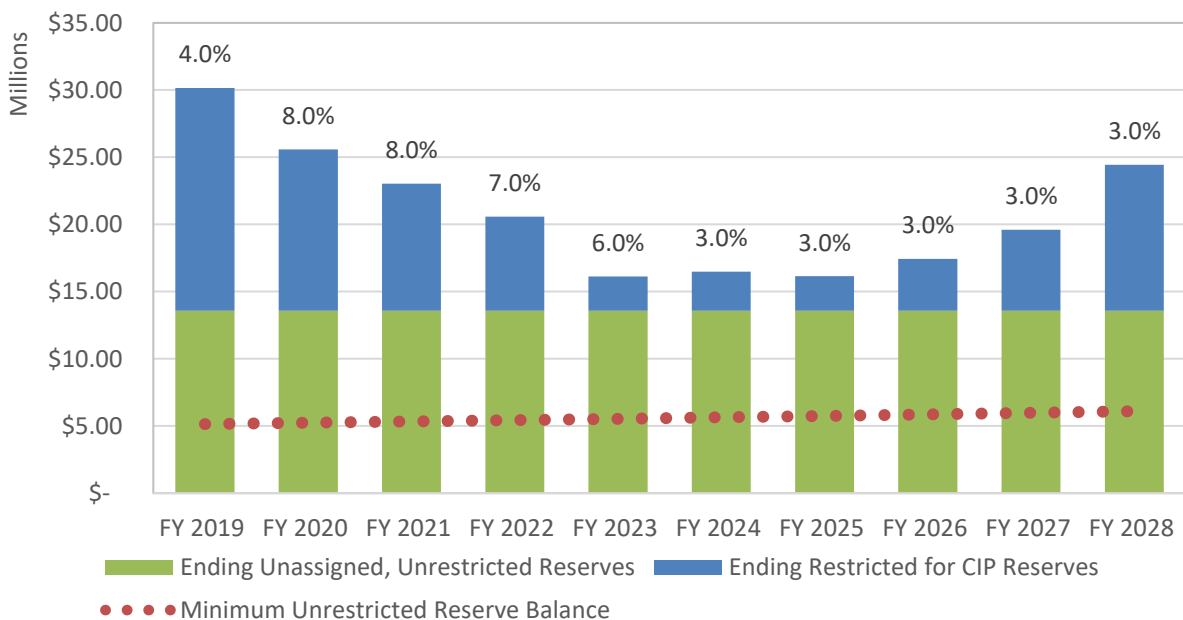
Sewer fund cash on hand will be used to phase in the revenue increases needed to support the long-term financial needs of the sewer system. Exhibit 5.4.1 shows the proposed draw-down on the sewer system's cash balance to phase in the appropriate rate increases.

**Exhibit 5.4.1 Sewer Fund Projected Balance under Proposed Rates (Five-Year)**



The sewer system's cash on hand will be utilized over portions of the projection to mitigate the need for higher sewer rate increases. Under the current projections the City's sewer rates will be consistently cash flow positive in year six of the projection (FY 2024). However, at no time with the City's Sewer Fund fall below the recommended 180 days of operating expenses. Exhibit 5.4.2 shows the long term (ten-year) projection of the City's Sewer Fund balance.

**Exhibit 5.4.2 Sewer Fund Projected Balance under Proposed Rates (Ten-Year)**



The long-term projection includes 3.0% increases in operating expenses, the continuation of the City's FY 2023 CIP, the long-term projections of the SJ/SC WPCP capital costs, and 3.0% rate increase in each year after FY 2023. The percentages shown above the bars in the exhibit are the assumed revenue increases each fiscal year. It should be noted that the City will re-examine its sewer rate each year, and that these long-term projections will change with each future analysis.

A major consideration when projected the future revenue needs of the City's system is the impact that the proposed rates will have on the City's customers. The following section describes the projected impact on the City's sewer customers.

## 6. CUSTOMER BILL IMPACTS AND BILL COMPARISON

### 6.1 Bi-monthly Bill Impact of Recommended Rates

Exhibit 6.1.1 shows the percentage impact each year on customer bills. Because MFSG recommends adjusting rates to account for the updated cost of service results, the impact differs amongst the customer classes.

**Exhibit 6.1.1 Sample Percentage Change in Bi-Monthly Bills by Customer Class**

		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sewer User Rate Revenue Increase		4.0%	8.0%	8.0%	7.0%	6.0%
Month of Implementation		February	July	July	July	July
<b><u>Residential (per Dwelling Unit)</u></b>						
Single-Family		8%	5%	8%	7%	5%
Mobile Home Parks		33%	5%	8%	7%	5%
Multiple-Family		8%	5%	8%	7%	5%
<b><u>Commercial (per HCF)</u></b>						
	<b>Average Bi-Monthly Usage (HCF)*</b>					
Motels and Hotels	684	0%	5%	9%	8%	7%
General Office	82	2%	16%	4%	8%	11%
City of Milpitas	60	3%	10%	6%	8%	9%
Service Stations	77	3%	4%	8%	8%	7%
Eat/Drink Establishments	198	1%	0%	8%	8%	4%
Convalescent Hosp/Daycare	130	2%	5%	8%	8%	7%
Personal Services, Laundries	101	2%	7%	8%	8%	8%
Electrical/Electronics	171	1%	16%	4%	8%	11%
Machinery Manufacture	40	3%	10%	6%	8%	9%
<b><u>Monitored Sites (per HCF)</u></b>						
RockTenn (Jefferson Smurfit)	475	79%	0%	12%	8%	4%
T. Marzetti Co.	1,151	10%	5%	11%	8%	5%
Prudential Overall Supply	1,645	0%	0%	6%	8%	10%
Siemens Water Tech	3,621	0%	14%	5%	8%	11%
Elmwood Rehabilitation	3,101	0%	0%	7%	8%	5%
Linear Technology	2,917	0%	19%	4%	8%	11%
DS W	55	3%	4%	3%	8%	12%
Magic Tech & Headway Tech	1,814	2%	26%	4%	8%	11%
<b><u>Non-Monitored Sites (per HCF)</u></b>						
Lucky Pure Water	59	4%	7%	7%	8%	7%
Milpitas Materials	3	35%	4%	4%	5%	5%
Union Pacific Railroad	4	24%	8%	4%	6%	7%
Cisco	392	0%	16%	4%	8%	11%
Lifescan	37	5%	15%	4%	8%	10%
<b><u>Institutional (per HCF)</u></b>						
Schools/Colleges	62	2%	25%	1%	8%	14%

\* Average bi-monthly usage for Non-Residential customers is calculated for each customer class as:  
(Total Annual Flow/Customer Accounts)/6

The sample bill increases for each customer class vary from year to year due to varying levels of operating and capital spending needs. Each year, rates are calculated based on that year's operating and capital costs, which are allocated to each customer class based on the Flow, BOD, TSS, and NH<sub>3</sub> loadings show in Exhibit 4.4.1 of this report.

The total Sewer Fund rate revenue increase each year will be equal to the percentage shown on the top line of the above table.

## 6.2 Consideration of Mobile Home Park General Fund Subsidy

In 2015, the City of San José was presented with "Technical Memorandum No. 3" as a part of the "Phase 3 Flow and Load Study" performed by Carollo Engineers. The purpose of the study was to update the flow data used when allocating the treatment costs of the SJ/SC Regional Waste Water Facility to the Facility's Tributary Agencies, which include the Cities of San José, Santa Clara and Milpitas, as well as Cupertino Sanitary District, County Sanitation District No. 2-3, West Valley Sanitation District, and Burbank Sanitary District. The conclusion of that analysis was:

*"Milpitas' mobile home data showed very low per-capita flow rates (approximately 30 GPCD in some years). After a close examination of the mobile home data, Carollo found two issues. The first was that the number of data points was very small, totaling only four accounts. The other issue was that although the consumption values for each account changed significantly from year to year, the number of units was relatively consistent. These issues led to the conclusion that the number of units in the database was incorrect, possibly due to fluctuating vacancies, and the number of data points too small to draw large conclusions. Therefore, Milpitas's mobile home data was not used in this analysis because a statistically significant number of reliable data points were not available."*

– Carollo Engineers, Technical Memorandum No. 3 (2015) at p. 12

The final recommendation of Carollo's Flow study was to allocate 141 GPD per person to the City of Milpitas Mobile Home account, equivalent to 63 GPD per person. This was based on a weighted average of all Tributary Agencies due to the lack of data quoted above. City staff has since replaced the water meters at the mobile home parks and the more accurate data from the new water meters and sewer flow monitoring will be incorporated into future flow and load studies.

As a matter of rate setting policy, the 2015 sewer rate study set Mobile Home Park sewer rates based on an allocation of 51 GPD, which is in line with both Single Family and Multiple Family flow data. This resulted in a rate for Mobile Home Park customers based on 114 GPD per dwelling unit (2.24 persons per unit) rather than 141 GPD per unit. Therefore, the City's Mobile Home Park customers were paying a rate to the City of Milpitas that was lower than the costs allocated to those customers by the City of San José.

MFSG recommends aligning the City's rate calculation with the cost allocation made by the City of San José. That is, MFSG recommends that the City of Milpitas calculate Mobile Home Park rates using the 141 GPD per dwelling unit. This allocation results, as shown previously, in a significant increase in Mobile Home Park rates when compared with Single Family and Multiple Family rates.

MFSG was asked to consider mitigating the impact of the rate increases on Mobile Home Park customers via the use of a subsidy from unrestricted non-rate revenues. California's Proposition 218 does not allow the subsidy of any rate class via charging other rate classes higher fees within the same fund. That is, in



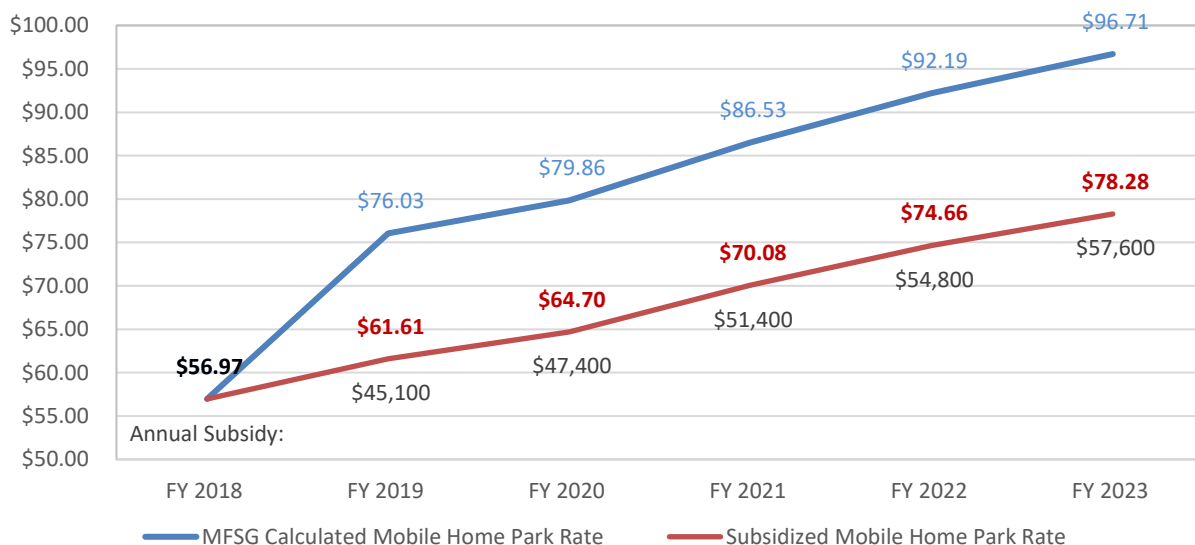
order to reduce the cost for any given rate payer, the City is only allowed to introduce the subsidy from unrestricted revenues, typically from the General Fund. MFSG considered a subsidy over the course of the five-year rate projection from the City's general fund to reduce the rate impact on Mobile Home Park rate payers to equal the proposed rate impact on Single Family and Multiple Family users. This analysis is shown in Exhibit 6.2.1.

**Exhibit 6.2.1 Mobile Home Park Subsidy Calculation**

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
MFSG Calculated Mobile Home Park Rate	\$56.97	\$76.03	\$79.86	\$86.53	\$92.19	\$96.71
% Increase		33%	5%	8%	7%	5%
<b>Mobile Home Park Rate Subsidy</b>	<b>\$45,100</b>	<b>\$47,400</b>	<b>\$51,400</b>	<b>\$54,800</b>	<b>\$57,600</b>	
Subsidized Mobile Home Park Rate	\$61.61	\$64.70	\$70.08	\$74.66	\$78.28	
	8%	5%	8%	7%	5%	

This subsidy brings the Mobile Home Park rate increases in line with those of SFR and MFR customers. Exhibit 6.2.2 shows the subsidy graphically.

**Exhibit 6.2.2 Percentage Change in Bi-Monthly Bills by Customer Class**



The annual subsidy to the Sewer Fund would not impact the total revenue projections presented in this report, as the subsidy would be transferred into the Sewer Fund to compensate for the reduced revenue generated from Mobile Home Park customers each year. All other rates shown in MFSG's recommended rate table remain unchanged under this scenario. While the total amount of the subsidy from the General Fund to offset mobile home park sewer costs would be \$45,100 in the first year of the plan, the subsidy would gradually increase each year to account for the compounding nature of the proposed rate increases.

### 6.3 Single Family Bi-Monthly Sewer Bill Comparison

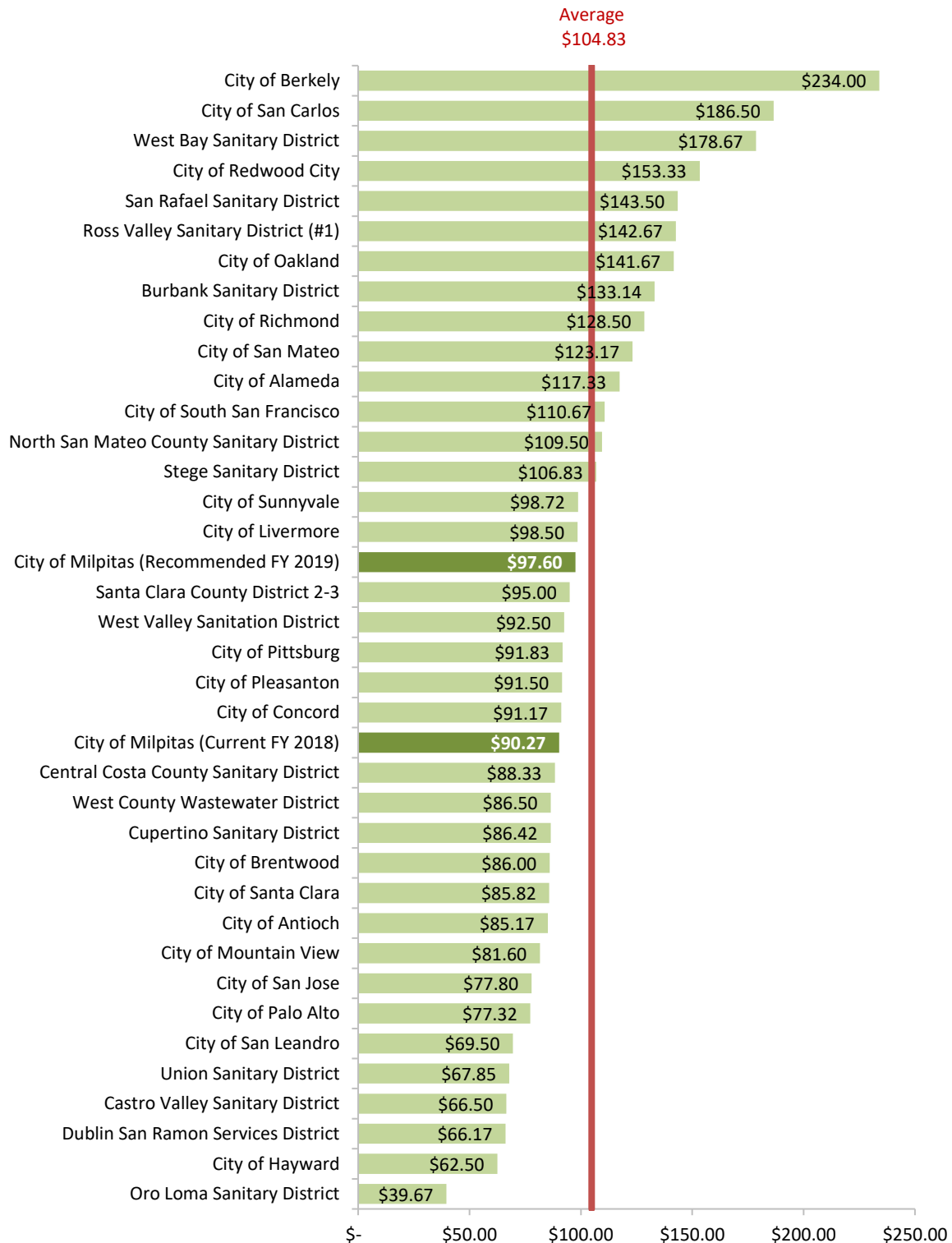
Exhibit 6.3.2 shows the City's current FY 2018 and recommended FY 2019 Single-Family bi-monthly rate as compared to several other wastewater agencies. In general, the wastewater agencies listed above meet two criteria:

1. Within 50 miles of the City of Milpitas
2. Have at least 100 miles of collection system and/or 5 MGD of treatment capacity.

Several notes should be made about the exhibit below. It is important to recognize the context of the chart. The bi-monthly cost shown is as of the latest available data, with all rates being currently effective as of the time of this report. That is, the chart does not reflect the individual financial performance of each agency's sewer system.

While the comparison is relevant in terms of customer perception, it cannot be relied upon for the purposes of rate setting. Our report details the specific and unique financial and operational profile of the City of Milpitas' sewer system, and MFSG has recommended rates that will raise the appropriate revenue to meet the City's costs. The other service providers shown below may or may not be charging rates that fully fund the operating, capital and reserve needs of each system.

**Exhibit 6.3.2 Single Family Bi-Monthly Sewer Bill Comparison**



## 7. FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The following findings, conclusions and recommendations were developed during the study.

### 7.1 Findings

The following findings were developed during the study:

- The City's current (FY 2018) sewer rates are not sufficient to fully fund the operating, capital, and cash reserve needs of the City's sewer system.
- The City's current planned reinvestment in its buried sewer assets is insufficient to fully fund the cost of rehabilitation and replacement needs of its buried assets and will allow the continuing decline in the physical condition of its sewer collection system.
- The City's rate calculation methodology generally complies with the Water Environment Federations Manual of Practice 27 - *Financing and Charges for Wastewater Systems*.
- The City currently collects 64% of its Personnel Services costs in its bi-monthly Flat Fee.
- The City charges its Mobile Home Park customer class based on a per person flow assumption of 51 GPD and 2.24 persons per dwelling unit, resulting in a per dwelling unit flow assumption of 114
- The City's Sewer Fund contains appropriate reserves given the operational and capital expenses of the City's system and the City's reserve policies.

### 7.2 Conclusions

Based on our findings, the following conclusions were drawn:

- The City needs to increase sewer rates over the five years of the planning period (FY 2019 to FY 2023) to increase projected revenues to match related expenses.
- The City will need to increase investment in its buried sewer infrastructure over the short and long term.
- Given the City's Sewer Fund balances (restricted for CIP and unassigned, unrestricted) rate increases can be phased-in over a number of years to mitigate the one-time impact on the City's customers.

### 7.3 Recommendations

Based on our conclusions, MFSG recommends that:

- The City implement rate increases through a multi-year financial plan that utilizes both increased rate revenues and the use of a portion of current cash on hand. This will allow the City to smooth rate increases over the planning period and mitigate customer rate shock while meeting both its funding and cash reserve requirements.
- The City collect 100% of its Personnel Services costs in its bi-monthly Flat Fee.
- The City allocate costs to its Mobile Home Park customer class based on the same flow assumption used by the City of San José to allocate operating costs to the City of Milpitas, which is 63 GPD per person and 2.24 persons per dwelling unit, which equals 141 GPD per dwelling unit.
- Adopt the following rates for the next five fiscal years:

**Exhibit 7.3.1 Recommended Bi-Monthly Sewer Rates**

	Current FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Sewer User Rate Revenue Increase		4.0%	8.0%	8.0%	7.0%	6.0%
Month of Implementation		February	July	July	July	July
<b><u>Residential (per Dwelling Unit)</u></b>						
Single-Family	\$90.27	\$97.60	\$102.52	\$111.07	\$118.34	\$124.14
Mobile Home Parks	\$56.97	\$76.03	\$79.86	\$86.53	\$92.19	\$96.71
Multiple-Family	\$69.32	\$74.96	\$78.73	\$85.30	\$90.88	\$95.34
<b>Non-Residential Fixed Flat Fee (per bill)</b>	<b>\$15.27</b>	<b>\$24.30</b>	<b>\$25.03</b>	<b>\$25.78</b>	<b>\$26.55</b>	<b>\$27.35</b>
<b><u>Commercial (per HCF)</u></b>						
Motels and Hotels	\$4.36	\$4.36	\$4.58	\$4.97	\$5.37	\$5.75
General Office	\$4.67	\$4.67	\$5.44	\$5.67	\$6.14	\$6.84
City of Milpitas	\$4.18	\$4.18	\$4.61	\$4.91	\$5.31	\$5.80
Service Stations	\$4.34	\$4.34	\$4.54	\$4.93	\$5.32	\$5.70
Eat/Drink Establishments	\$7.49	\$7.49	\$7.49	\$8.11	\$8.73	\$9.06
Convalescent Hosp/Daycare	\$4.23	\$4.23	\$4.46	\$4.84	\$5.23	\$5.60
Personal Services, Laundries	\$3.95	\$3.95	\$4.23	\$4.56	\$4.92	\$5.31
Electrical/Electronics	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
Machinery Manufacture	\$6.08	\$6.08	\$6.70	\$7.12	\$7.70	\$8.43
<b><u>Monitored Sites (per HCF)</u></b>						
RockTenn (Jefferson Smurfit)	\$4.67	\$8.35	\$8.35	\$9.39	\$10.11	\$10.46
T. Marzetti Co.	\$8.34	\$9.16	\$9.63	\$10.65	\$11.48	\$12.09
Prudential Overall Supply	\$6.70	\$6.70	\$6.70	\$7.08	\$7.66	\$8.42
Siemens Water Tech	\$4.91	\$4.91	\$5.61	\$5.87	\$6.36	\$7.06
Elmwood Rehabilitation	\$5.49	\$5.49	\$5.49	\$5.89	\$6.35	\$6.69
Linear Technology	\$4.59	\$4.59	\$5.47	\$5.71	\$6.18	\$6.88
DS W	\$4.59	\$4.59	\$4.80	\$4.92	\$5.34	\$6.04
Magic Tech & Headway Tech	\$4.53	\$4.62	\$5.82	\$6.07	\$6.57	\$7.32
<b><u>Non-Monitored Sites (per HCF)</u></b>						
Lucky Pure Water	\$3.94	\$3.94	\$4.21	\$4.54	\$4.91	\$5.29
Milpitas Materials	\$3.94	\$3.94	\$4.21	\$4.54	\$4.91	\$5.29
Union Pacific Railroad	\$5.11	\$5.11	\$5.84	\$6.12	\$6.63	\$7.35
Cisco	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
Lifescan	\$4.59	\$4.59	\$5.35	\$5.58	\$6.04	\$6.72
<b><u>Institutional (per HCF)</u></b>						
Schools/Colleges	\$6.31	\$6.31	\$7.94	\$8.05	\$8.73	\$9.99

- The City review rates and charges on an annual basis and revise as needed and consider a full cost of service study for all rates and charges every five years.



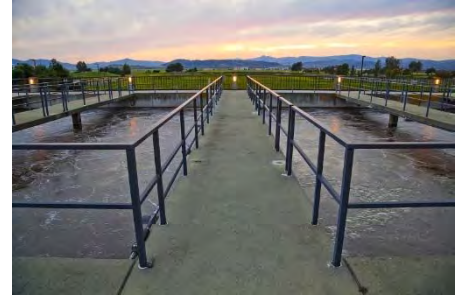
**MFSG ♦ 911-A Commerce Road ♦ Annapolis, MD 21401 ♦ 410.266.9101 ♦ [mfsgllc.com](http://mfsgllc.com)**

**PROPOSED MAXIMUM BI-MONTHLY RATE SCHEDULE**

**FY 2018/19 to FY 2022/23**

**Bi-Monthly Water Rates - Meter Charges**

<u>Meter Size</u>	<u>Current</u>	<u>Proposed</u> <u>2018/19</u>	<u>\$ Increase</u>	<u>Proposed</u> <u>2019/20</u>	<u>\$ Increase</u>	<u>Proposed</u> <u>2020/21</u>	<u>\$ Increase</u>	<u>Proposed</u> <u>2021/22</u>	<u>\$ Increase</u>	<u>Proposed</u> <u>2022/23</u>	<u>\$ Increase</u>
5/8"	\$19.44	\$27.01	<b>\$7.57</b>	\$28.63	<b>\$1.62</b>	\$30.34	<b>\$1.72</b>	\$32.17	<b>\$1.82</b>	\$34.10	<b>\$1.93</b>
3/4"	29.16	40.51	<b>11.35</b>	42.94	<b>2.43</b>	45.52	<b>2.58</b>	48.25	<b>2.73</b>	51.14	<b>2.89</b>
1"	48.60	67.52	<b>18.92</b>	71.57	<b>4.05</b>	75.86	<b>4.29</b>	80.41	<b>4.55</b>	85.24	<b>4.82</b>
1-1/2"	97.20	135.03	<b>37.83</b>	143.13	<b>8.10</b>	151.72	<b>8.59</b>	160.83	<b>9.10</b>	170.48	<b>9.65</b>
2"	155.52	216.05	<b>60.53</b>	229.02	<b>12.96</b>	242.76	<b>13.74</b>	257.32	<b>14.57</b>	272.76	<b>15.44</b>
3"	291.60	405.10	<b>113.50</b>	429.40	<b>24.31</b>	455.17	<b>25.76</b>	482.48	<b>27.31</b>	511.43	<b>28.95</b>
4"	486.00	675.16	<b>189.16</b>	715.67	<b>40.51</b>	758.61	<b>42.94</b>	804.13	<b>45.52</b>	852.38	<b>48.25</b>
6" & above	972.00	1,350.33	<b>378.33</b>	1,431.35	<b>81.02</b>	1,517.23	<b>85.88</b>	1,608.26	<b>91.03</b>	1,704.76	<b>96.50</b>
<u>Detector Check/ RPDa/DCDA</u>											
2 inch	31.10	43.21	<b>12.11</b>	45.80	<b>2.59</b>	48.55	<b>2.75</b>	51.46	<b>2.91</b>	54.55	<b>3.09</b>
3 inch	58.32	81.02	<b>22.70</b>	85.88	<b>4.86</b>	91.03	<b>5.15</b>	96.50	<b>5.46</b>	102.29	<b>5.79</b>
4 inch	97.20	135.03	<b>37.83</b>	143.13	<b>8.10</b>	151.72	<b>8.59</b>	160.83	<b>9.10</b>	170.48	<b>9.65</b>
6 inch and above	194.40	270.07	<b>75.67</b>	286.27	<b>16.20</b>	303.45	<b>17.18</b>	321.65	<b>18.21</b>	340.95	<b>19.30</b>
<b>Volumetric Charges (per hcf)</b>											
Residential	5.13	5.31	<b>0.18</b>	5.63	<b>0.32</b>	5.97	<b>0.34</b>	6.32	<b>0.36</b>	6.70	<b>0.38</b>
Commercial/Industrial/Institutional and Construction	5.13	5.31	<b>0.18</b>	5.63	<b>0.32</b>	5.97	<b>0.34</b>	6.32	<b>0.36</b>	6.70	<b>0.38</b>
Potable Irrigation	5.13	5.31	<b>0.18</b>	5.63	<b>0.32</b>	5.97	<b>0.34</b>	6.32	<b>0.36</b>	6.70	<b>0.38</b>
Santa Clara County (Ed Levin Park)	3.79	4.10	<b>0.31</b>	4.10	<b>0.00</b>	4.10	<b>0.00</b>	4.10	<b>0.00</b>	4.47	<b>0.37</b>
Recycled Irrigation	2.78	3.57	<b>0.79</b>	3.79	<b>0.21</b>	4.01	<b>0.23</b>	4.25	<b>0.24</b>	4.51	<b>0.26</b>
Recycled Water Industrial / Dual Plumbed	2.78	3.57	<b>0.79</b>	3.79	<b>0.21</b>	4.01	<b>0.23</b>	4.25	<b>0.24</b>	4.51	<b>0.26</b>
Recycled Water: City of Milpitas	2.78	3.57	<b>0.79</b>	3.79	<b>0.21</b>	4.01	<b>0.23</b>	4.25	<b>0.24</b>	4.51	<b>0.26</b>
<b>Capital Surcharge (all potable use, per hcf)</b>	1.30	1.08	<b>-0.22</b>	1.08	<b>0.00</b>	1.08	<b>0.00</b>	1.08	<b>0.00</b>	1.08	<b>0.00</b>



# **West Valley Sanitation District FINANCIAL PLAN & RATE STUDY**

**January 2018**



**BARTLE WELLS ASSOCIATES**

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## Executive Summary

### Purpose

West Valley Sanitation District (“WVSD” or “District”) retained Bartle Wells Associates (“BWA”) to develop a financial plan and cost of service study for the District’s rates (referred herein as “sewer service charges”) to ensure financial stability over the next five years (FY 2018/19 to FY 2022/23). WVSD last completed a rate study and Proposition 218 process in 2013 resulting in approved rate increases of 10%, 10%, 10%, 9.5%, and 9% from FY 2013/14 to FY 2017/18. The final increase was implemented July 1, 2017, resulting in the District reaching the end of the 5-year rate increase plan. The BWA 2013 Rate Study also projected outer year rate increases of 7.5%, 3.5%, 3.5%, 3%, and 0% from FY 2018/19 to FY 2022/23. The prior rate projections were based on WVSD issuing \$23 million bonds in FY 2013/14 and capital improvement projections from the City of San Jose for the San Jose-Santa Clara Regional Wastewater Facility.

San Jose’s actual and projected expenditures on capital improvements substantially deviated from 2013 projections, allowing the District to cash fund its obligation. However, over the next five years, WVSD is now facing the need to fund nearly \$90 million of infrastructure projects related to its share of the rehabilitation of the San Jose-Santa Clara Regional Wastewater Facility (“RWF”) and the ongoing rehabilitation of its own sewer collection system with funding needs near \$10 million for total of \$100 million. The District needs to develop a plan to fund this extraordinary level of infrastructure improvements, while maintaining its financial strength and minimizing impacts to ratepayers.

### Current Sewer Service Charges

**Table 1** shows the District’s current sewer service charge schedule. Residential customers are charged a fixed rate while nonresidential customers (i.e., “Grouped Industrial and Commercial”) are charged a variable amount based on average winter water usage from the prior year. Sewer service charges are collected on the tax roll.

---

**Table 1**  
**West Valley Sanitation District**  
**Current Sewer Service Charges**

<b>RESIDENTIAL</b>	Current (2017/18) <u>Per Month</u>
Single-Family Dwelling	\$43.77
Multiple Dwelling Unit	\$30.55
Mobile Home	\$30.55
<b>GROUPED INDUSTRIAL AND COMMERCIAL</b>	
<u>Grouped Industrial</u>	<u>Per HCF*</u>
Winery	\$13.41
Printing Works	\$6.21
Machinery Manufacturing	\$6.50
Electrical Equipment	\$4.38
Film Service	\$4.61
Plating Works	\$4.19
Industrial Laundry	\$8.74
Car Wash	\$3.53
<u>Commercial</u>	
Restaurant	\$8.64
Hotel-Motel	\$4.48
Gas Station-Repair	\$4.78
Domestic Laundry	\$3.92
Retail/Office/Misc.	\$4.65
Hospitals	\$4.16
Schools	\$5.23
<b>ZONE SPECIFIC ADDITIONAL RATE</b>	<u>Per Month</u>
Hillside Zone Rate (per parcel)	\$4.17

\*1 HCF = 748 gallons

*\*The volume of wastewater discharged for each customer is determined from the customer's average winter water consumption from the previous year.*

---

## **Guiding Principles for Rate Development**

Carefully considered and constructed policies that establish a rationale and a consistent approach to the financial health of the District are key factors for adopting rate design, level of rate increases, and longer-term financial goals. Identifying potentially contentious rate concerns and addressing them as part of the rate study is key in fulfilling the District's mission in developing and analyzing the rates needed to support the District. The Board of Directors considered key guiding principles and provided the framework for developing the rates. The following principles guided the District's rate setting recommendations:

- 1. The District establishes predictable and cost based rates to the extent possible.**

Striving for cost-based rates is an important element in achieving rates that will be fair and equitable, and also meet the District's financial needs. Although cost responsibility among classes of service is not essential to the financial stability of the District, it is important that customers are aware rates are fair and equitable, as well as meeting the requirements of state law.

- 2. Rates reflect a balance between debt funding versus pay-as-you-go in a manner that minimizes rate increases using short-term and long-term funding instruments.** This principle ensures the District meets coverage ratios specified in bond covenants and avoids falling into disrepair because it provides a specific means for the District to adhere to its legal obligations of maintaining the financial health of the sewer system. These requirements are intended to assure bondholders that the District will have sufficient revenue to repay them.

- 3. Rates meet the "fair and equitable" requirements of Prop 218 in compliance with all applicable federal, state, and local laws and regulations.** Certain federal, state, and local laws have an impact on processes involved in setting the District's rate structure—most notably Proposition 218. It is imperative that the rate structure be established in compliance with these laws and regulations.

- 4. Rates do not differentiate within a customer class and are set to reflect actual cost of service.** Establishing rates that are uniform for a class of service is the approach most commonly used by utilities across the United States. Utilities generally recognize that differences for service exist within a customer class of service, but also recognize the advantages of a uniform structure.
- 5. Rates are set to fully fund costs to operate and maintain the sewer system and to maintain prudent cash operating reserves and compliance with outstanding debt covenants.** Establishing rates that fully fund ongoing operation and maintenance needs and comply with regulatory requirements provides a specific means for the District to adhere to its current legal obligations of maintaining the general financial health of the District's sewer system.

### **District Legal Authority**

The statutory authority for levying sewer rates is included in Health and Safety Code section 5471 which states:

*“...any entity shall have power, by an ordinance or resolution approved by a two-thirds vote of the members of the legislative body thereof, to prescribe, revise and collect, fees, tolls, rates, rentals, or other charges for services and facilities furnished by it, either within or without its territorial limits, in connection with its water, sanitation, storm drainage, or sewerage system.”*  
(California Health and Safety Code 5471)

### **Proposition 218**

Proposition 218, the “Right to Vote on Taxes Act”, was approved by California voters in November 1996 and is codified as Articles XIIC and XIID of the California Constitution. Proposition 218 establishes requirements for imposing any new or increasing any existing property-related fees and charges.

The District must follow the procedural requirements of Proposition 218 for all sewer rate increases. These requirements include:

1. **Noticing Requirement:** The District must mail a notice of the proposed rate increases to all affected property owners. The notice must specify the amount of the fee, the basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing:** The District must hold a public hearing prior to adopting the proposed rate increases. The hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest:** At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established a number of substantive requirements that apply to sewer rates and charges, including:

1. **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service.”
2. **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** - No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** - No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water, sewer, and refuse collection are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to procedural requirements of Proposition 218.

### **Proposed Sewer Service Charges**

**Table 2** shows the proposed sewer service charges. Rate changes are recommended to be phased in over the next five years to minimize the impact to customers. The proposed rates are based on a detailed analysis of estimated flows, loadings characteristics for each customer class and District's cost of service projections in **Table 5**.

**Table 2**  
**West Valley Sanitation District**  
**Proposed Sewer Service Charges**

RESIDENTIAL	2017-2018		2018-2019		2019-2020		2020-2021		2021-2022		2022-2023	
	Month	Month	Change	Month	Change	Month	Change	Month	Change	Month	Change	
Single-Family Dwelling	\$43.77	\$46.25	5.7%	\$48.87	5.7%	\$51.63	5.7%	\$54.56	5.7%	\$57.65	5.7%	
Multiple Dwelling Unit	\$30.55	\$32.96	7.9%	\$35.55	7.9%	\$38.35	7.9%	\$41.38	7.9%	\$44.64	7.9%	
Mobile Home	\$30.55	\$31.53	3.2%	\$32.54	3.2%	\$33.58	3.2%	\$34.65	3.2%	\$35.76	3.2%	
Accessory Dwelling Unit	-	\$31.53	-	\$32.54	3.2%	\$33.58	3.2%	\$34.65	3.2%	\$35.76	3.2%	
GROUPED INDUSTRIAL AND COMMERCIAL												
Grouped Industrial	Per HCF*	Per HCF*	Change	Per HCF*	Change	Per HCF*	Change	Per HCF*	Change	Per HCF*	Change	
Winery	\$13.41	\$14.22	6.0%	\$15.08	6.0%	\$15.99	6.0%	\$16.95	6.0%	\$17.97	6.0%	
Printing Works	\$6.21	\$6.46	4.1%	\$6.72	4.1%	\$7.00	4.1%	\$7.28	4.1%	\$7.57	4.1%	
Machinery Manufacturing	\$6.50	\$6.77	4.2%	\$7.06	4.2%	\$7.36	4.2%	\$7.67	4.2%	\$7.99	4.2%	
Electrical Equipment	\$4.38	\$4.56	4.1%	\$4.75	4.1%	\$4.94	4.1%	\$5.14	4.1%	\$5.35	4.1%	
Plating Works	\$4.19	\$4.24	1.1%	\$4.29	1.1%	\$4.33	1.1%	\$4.38	1.1%	\$4.43	1.1%	
Industrial Laundry	\$8.74	\$9.03	3.4%	\$9.34	3.4%	\$9.65	3.4%	\$9.97	3.4%	\$10.31	3.4%	
Car Wash	\$3.53	\$3.77	6.7%	\$4.02	6.7%	\$4.29	6.7%	\$4.57	6.7%	\$4.88	6.7%	
Commercial												
Restaurant	\$8.64	\$9.30	7.6%	\$10.00	7.6%	\$10.76	7.6%	\$11.58	7.6%	\$12.46	7.6%	
Hotel-Motel	\$4.48	\$4.78	6.8%	\$5.11	6.8%	\$5.45	6.8%	\$5.82	6.8%	\$6.22	6.8%	
Gas Station-Repair	\$4.78	\$5.03	5.3%	\$5.30	5.3%	\$5.59	5.3%	\$5.88	5.3%	\$6.20	5.3%	
Domestic Laundry	\$3.92	\$4.18	6.7%	\$4.46	6.7%	\$4.76	6.7%	\$5.08	6.7%	\$5.42	6.7%	
Retail/Office/Misc.	\$4.65	\$4.79	3.0%	\$4.94	3.0%	\$5.09	3.0%	\$5.24	3.0%	\$5.40	3.0%	
Hospitals	\$4.16	\$4.48	7.6%	\$4.82	7.6%	\$5.18	7.6%	\$5.57	7.6%	\$6.00	7.6%	
Schools	\$5.23	\$5.41	3.4%	\$5.60	3.4%	\$5.79	3.4%	\$5.99	3.4%	\$6.19	3.4%	
ZONE SPECIFIC ADDITIONAL RATE												
	Month	Month	Change	Month	Change	Month	Change	Month	Change	Month	Change	
Hillside Zone Rate (per parcel)	\$4.17	\$8.33	100%	\$8.33	0%	\$8.33	0%	\$8.33	0%	\$8.33	0%	

\*1 HCF = 748 gallons

\*The volume of wastewater discharged for each customer is determined from the customer's average winter water consumption from the previous year.



## **Financial Plan**

### **Historical Financials**

**Table 3** shows the District's historical financials. The District is in good financial condition. District expenses have remained relatively stable, with the exception of a one-time increase in Salaries & Benefits in FY 2016/17 due to a pension liability pay off. The District has built up prudent fund reserves of about \$32 million as of July 1, 2017, however, the RWF capital program is expected to drive down reserves to about \$21 million by the end of the fiscal year, approaching minimum policy reserve requirements, and risking current credit ratings.

### **Capital Improvement Program**

**Table 4** shows the District's total capital program including its share of RWF projects, noted as "WWTP projects." WVSD capital projects vary between \$5 million and \$6 million per year with the bulk coming from the District sewer rehabilitation program. While District capital expenses remain stable, WWTP projects vary each year from \$2.5 million to \$17.1 million. The bulk of the capital program is expected to be paid from FY 2017/18 to FY 2020/21. Total capital over these four years alone totals approximately \$90 million.

**Table 3**  
**West Valley Sanitation District**  
**Historical and Current Operating Budgets**

	Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Modified Budget 2017/18
<b>BEGINNING BALANCE</b>	<b>\$29,626,878</b>	<b>\$27,152,290</b>	<b>\$30,790,693</b>	<b>\$35,330,011</b>	<b>\$32,047,785</b>
<b>Operating Revenues</b>					
Sewer Service Charges	\$18,469,963	\$20,579,912	\$22,470,418	\$23,525,355	\$25,634,238
Clean Water Program (NPS)	-	-	-	-	-
Connection Fees	1,204,883	1,164,779	3,273,929	665,530	720,000
Capacity Fees	534,505	595,418	779,258	242,019	280,000
<u>Other Operating Revenues</u>	<u>569,841</u>	<u>565,243</u>	<u>474,348</u>	<u>532,200</u>	<u>504,850</u>
Total Operating Revenues	\$20,779,192	\$22,905,352	\$26,997,953	\$24,965,104	\$27,139,088
<b>Other Revenues</b>					
Interest Income	\$145,313	\$158,141	\$224,690	\$335,231	\$308,287
Commercial Paper Proceeds	-	-	-	-	-
<u>Other Income</u>	<u>98,362</u>	<u>39,553</u>	<u>172,565</u>	<u>98,861</u>	<u>4,225</u>
Total Other Revenues	\$243,675	\$197,694	\$397,255	\$434,092	\$312,512
<b>Total Revenues</b>	<b>\$21,022,867</b>	<b>\$23,103,046</b>	<b>\$27,395,208</b>	<b>\$25,399,196</b>	<b>\$27,451,600</b>
<b>Operating Expenses</b>					
Salaries & Benefits	\$4,422,619	\$4,442,825	\$4,694,602	\$10,033,316	\$5,406,718
District Maintenance & Operations	1,652,706	1,549,759	1,877,080	1,836,416	2,879,010
Treatment Plant Operations	6,177,658	6,681,850	8,094,142	7,284,703	9,735,726
Commercial Paper Cost	-	-	-	-	-
<u>Clean Water Program</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	\$12,252,983	\$12,674,434	\$14,665,824	\$19,154,435	\$18,021,454
<b>Other Expenses</b>					
Debt service	\$1,464,251	\$1,456,860	\$1,461,710	\$796,062	\$823,234
<u>Capital Outlay</u>	<u>9,780,221</u>	<u>5,333,349</u>	<u>6,728,356</u>	<u>8,730,925</u>	<u>19,599,731</u>
Total Other Expenses	\$11,244,472	\$6,790,209	\$8,190,066	\$9,526,987	\$20,422,965
<b>Total Expenses</b>	<b>\$23,497,455</b>	<b>\$19,464,643</b>	<b>\$22,855,890</b>	<b>\$28,681,422</b>	<b>\$38,444,419</b>
<b>Net Revenues</b>	<b>(\$2,474,588)</b>	<b>\$3,638,403</b>	<b>\$4,539,318</b>	<b>(\$3,282,226)</b>	<b>(\$10,992,819)</b>
<b>ENDING BALANCE</b>	<b>\$27,152,290</b>	<b>\$30,790,693</b>	<b>\$35,330,011</b>	<b>\$32,047,785</b>	<b>\$21,054,966</b>

Source: West Valley Sanitation District 2013/14, 2014/15, 2015/16, 2016/17 and modified 2017/18 budgets

**Table 4**  
**West Valley Sanitation District**  
**Capital Improvement Program**

Projects	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<u>Joint Projects with San Jose/Santa Clara (1)</u>								
WWTP Projects	\$10,633,825	\$13,727,420	\$17,121,034	\$15,286,004	\$2,565,271	\$7,917,967	\$6,825,945	\$3,807,451
Equipment Replacement	144,565	144,565	144,565	144,565	144,565	144,565	144,565	144,565
<u>Joint Trunk Sewer Participation</u>	<u>1,732,500</u>	<u>3,888,000</u>	<u>2,648,000</u>	<u>871,000</u>	<u>1,392,000</u>	<u>1,392,000</u>	<u>1,441,000</u>	<u>1,491,000</u>
Total Joint Plant CIP	\$12,510,890	\$17,759,985	\$19,913,599	\$16,301,569	\$4,101,836	\$9,454,532	\$8,411,510	\$5,443,016
<u>District Projects</u>								
District Sewer Rehabilitation	\$4,200,000	\$3,350,000	\$3,200,000	\$3,100,000	\$3,650,000	\$3,000,000	\$3,000,000	\$3,000,000
Septic System Abandonment	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Miscellaneous Construction	1,562,372	1,345,000	1,345,000	1,345,000	1,345,000	1,345,000	1,345,000	1,345,000
<u>Non-construction Capital (2)</u>	<u>313,000</u>	<u>696,330</u>	<u>511,952</u>	<u>304,952</u>	<u>768,875</u>	<u>796,000</u>	<u>824,000</u>	<u>853,000</u>
Total District Projects	\$6,185,372	\$5,501,330	\$5,166,952	\$4,859,952	\$5,873,875	\$5,251,000	\$5,279,000	\$5,308,000
<b>Total Capital Outlay</b>	<b>\$18,696,262</b>	<b>\$23,261,315</b>	<b>\$25,080,551</b>	<b>\$21,161,521</b>	<b>\$9,975,711</b>	<b>\$14,705,532</b>	<b>\$13,690,510</b>	<b>\$10,751,016</b>

(1) WWTP Joint Projects with San Jose/Santa Clara costs from 5.18.2017 TPAC "CIP Agency Allocations - Ten Year Forecast"  
Joint Trunk Sewer Participation and District Projects from District "FY 2018-2027 Capital Improvement Program"

(2) Beginning after year 2022/23, District project costs are estimated using 3.5% annual increases

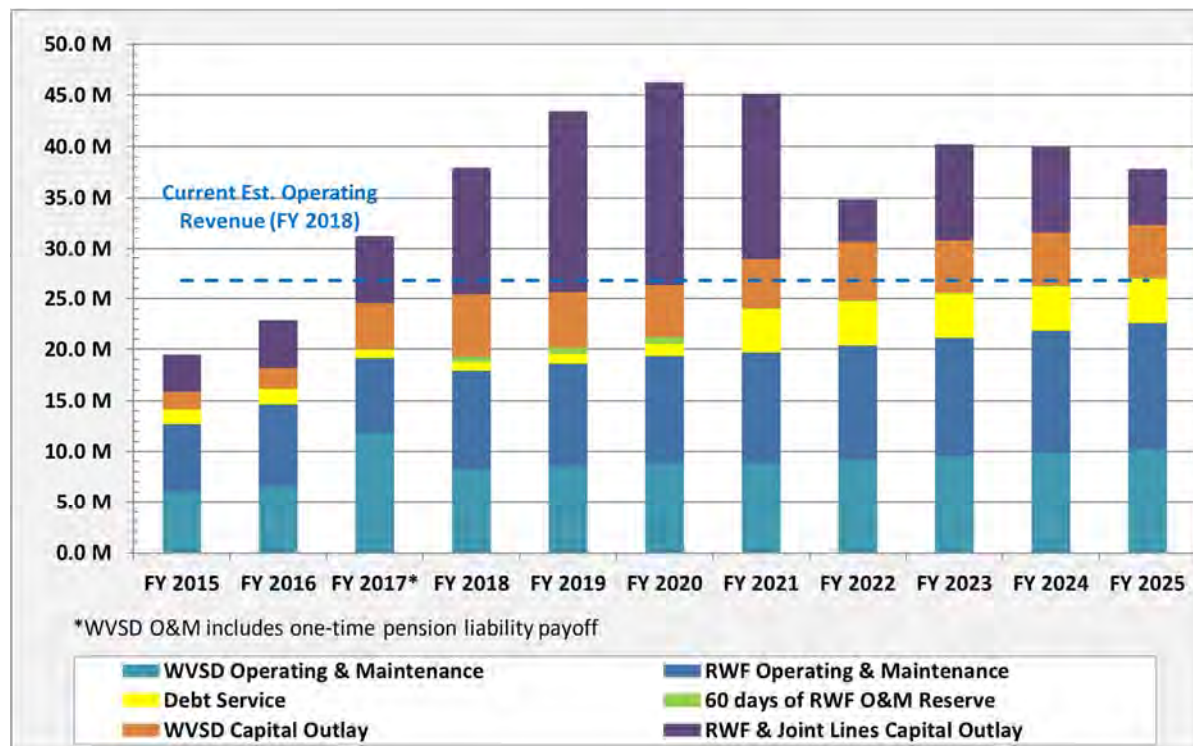
### No Rate Increase Scenario

Cash pay-as-you-go for capital from rates is not a viable option in the near term based on the magnitude of RWF capital program and will require debt financing in some form. WVSD is currently generating approximately \$8.3 million per year for cash funded capital (enough to fully cash fund local District projects) but is facing total capital costs of \$21-\$25 million each year from FY 2018/19 to FY 2020/21 including both District and RWF projects. The District's total current operating revenue and projected expenses are shown graphically in **Figure 1**.

BWA recommends that the District phases in rate increases to the extent possible to meet reserve targets and debt coverage requirements while providing stable predictable rate increases.

**Appendix A** shows the impact of not raising rates on the District's financial position and debt financing using a line of credit of approximately \$57 million. Without rate increases, the District would dip below reserve requirements in FY 2021/22 and miss required coverage on projected debt in FY 2023/24.

**Figure 1 – District Revenues and Expenses**



### **District Cost of Service Projection**

A combination of sewer service charge increases and external financing is required to maintain financial stability primarily due to the magnitude of the RWF program and escalating operations and maintenance costs and to a lesser extent, the District operations and maintenance cost estimated to increase at approximately 3.5% per year. **Table 5** shows BWA's WVSD financial projections used to determine required sewer service charge increases and debt timing and amounts.

The District does not have enough cash reserves to fully fund capital requirements. WVSD maintains an operating reserve policy equal to eight months of operating expenses, plus one year of debt service, plus one year of District only capital projects and a vehicle replacement reserve. The District's total operating reserve target is estimated to be \$19.6 million in FY 2018/19, while July 1, 2018 reserves are projected to be \$20 million.

To meet operating reserve requirements and fund capital obligations, BWA recommends that the District obtains a line of credit to fund the next three years of debt-eligible capital projects (est. \$57 million). BWA estimates that the District requires 6% sewer service charge revenue increases each year for the next five years (FY 2018/19 to FY 2022/23) to meet both reserve policy targets and projected debt service coverage.

### **Recommended Financing Plan**

A line of credit is typically an agreement with a bank to provide funds up to an agreed-upon limit. BWA projections assume a 0.5% interest-rate on the undrawn amount and 1.25% plus a floating rate on the drawn amount. The floating rate is typically based on 1 to 3-month interest rate index such as LIBOR or US treasury bills.

BWA recommends a line of credit due to its flexibility and the timing uncertainty of major RWF projects. The risk of negative arbitrage—or paying interest on a large unspent capital fund balance—is eliminated. The District's risk of variable rate debt, exposure to interest rate swings, can be minimized by paying off drawn funds with variable rates and replacing them with long-term fixed-rate debt.



The line of credit is projected to be repaid with the \$57 million bond issuance in FY 2020/21.

Revenue bonds are supported by the revenue generated by a particular enterprise and are paid off over a period of 20 to 30 years. They require a debt service coverage ratio of between 1.25 times to 1.5 times (Calculated as annual net operating revenues divided by total annual debt service.). Issuance costs are typically 1% of bond proceeds and take approximately three months to obtain funding.

The District successfully sold revenue bonds in 2010 and received an AA+ rating from Standard & Poor's. BWA projections assume 30 years at 5.5% interest.

### **Outstanding and Projected Debt Service**

**Table 6** shows the District's debt service schedule. The existing debt includes a State Revolving Fund ("SRF") loan issued with the Clean Water Financing Authority that will be paid off in FY 2018/19 and a Sewer Revenue Refunding Bonds Series 2010 which will be paid off in FY 2030/31. Outstanding principal on the refunding bonds is estimated to be less than \$5 million.

The total annual debt service is estimated to be \$4.3 million per year after the District issues a projected \$57 million bond in FY 2020/21.

**Table 5**  
**West Valley Sanitation District**  
**District Cost of Service Projection (Line of Credit & \$57MM Bond)**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Beginning Fund Balance (1)</b>	<b>\$21,054,966</b>	<b>\$22,570,370</b>	<b>\$27,335,836</b>	<b>\$33,562,240</b>	<b>\$32,436,369</b>	<b>\$27,792,858</b>	<b>\$25,450,536</b>
Proposed SSC Percent Revenue Increase	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
<b>Operating Revenues</b>							
Sewer Service Charges	\$26,767,000	\$28,373,000	\$30,075,000	\$31,880,000	\$33,793,000	\$35,821,000	\$37,970,000
5-Phase in Service Charge Variance (Table 12)	(\$10,357)	(\$14,094)	(\$14,091)	(\$9,654)	\$0		
Connection Fees (4)	727,000	734,000	741,000	748,000	755,000	763,000	771,000
Capacity Fees (4)	283,000	286,000	289,000	292,000	295,000	298,000	301,000
Hillside Fees	157,000	157,000	157,000	157,000	157,000	157,000	157,000
Other Operating Revenues (2,4)	432,000	436,000	440,000	444,000	448,000	452,000	457,000
Total Operating Revenues	\$28,355,643	\$29,971,906	\$31,687,909	\$33,511,346	\$35,448,000	\$37,491,000	\$39,656,000
<b>Other Revenues</b>							
Interest Income (3)	\$108,000	\$117,000	\$141,000	\$172,000	\$167,000	\$144,000	\$132,000
Bond Issue			56,970,121				
Line of Credit Draw Down	16,458,096	20,935,737	19,012,228				
Other Income	4,225	4,225	4,225	4,225	4,225	4,225	4,225
Total Other Revenues	\$16,570,321	\$21,056,962	\$76,127,574	\$176,225	\$171,225	\$148,225	\$136,225
<b>Total Revenues</b>	<b>\$44,925,965</b>	<b>\$51,028,868</b>	<b>\$107,815,483</b>	<b>\$33,687,571</b>	<b>\$35,619,225</b>	<b>\$37,639,225</b>	<b>\$39,792,225</b>
<b>Operating Expenses (5)</b>							
Salaries & Benefits	\$5,596,000	\$5,792,000	\$5,995,000	\$6,205,000	\$6,422,000	\$6,647,000	\$6,880,000
District Maintenance & Operations	2,980,000	3,084,000	2,892,000	2,993,000	3,098,000	3,206,000	3,318,000
Treatment Plant Operations (6)	9,976,000	10,464,000	10,831,000	11,211,000	11,603,000	12,009,000	12,429,000
Clean Water Program	0	0	0	0	0	0	0
Total Operating Expenses	\$18,552,000	\$19,340,000	\$19,718,000	\$20,409,000	\$21,123,000	\$21,862,000	\$22,627,000
Net Revenues for Debt Service/Capital	\$26,373,965	\$31,688,868	\$88,097,483	\$13,278,571	\$14,496,225	\$15,777,225	\$17,165,225
Debt Service Coverage	9.7	8.9	2.9	3.0	3.3	3.6	3.9
<b>Other Expenses</b>							
RWF O&M Reserve (60 Days)	\$573,354	\$635,556	\$61,167	\$63,333	\$65,333	\$67,667	\$70,000
Line of Credit Cost	430,726	760,907	1,272,106				
LOC Payoff			56,406,061				
Other Debt service	593,165	446,388	2,970,224	4,365,398	4,368,870	4,361,370	4,363,070
Capital Outlay	23,261,315	25,080,551	21,161,521	9,975,711	14,705,532	13,690,510	10,751,016
Total Other Expenses	\$24,858,560	\$26,923,402	\$81,871,079	\$14,404,443	\$19,139,736	\$18,119,547	\$15,184,086
<b>Total Expenses</b>	<b>\$43,410,560</b>	<b>\$46,263,402</b>	<b>\$101,589,079</b>	<b>\$34,813,443</b>	<b>\$40,262,736</b>	<b>\$39,981,547</b>	<b>\$37,811,086</b>
<b>Net Total Revenues</b>	<b>\$1,515,404</b>	<b>\$4,765,466</b>	<b>\$6,226,404</b>	<b>(\$1,125,872)</b>	<b>(\$4,643,511)</b>	<b>(\$2,342,322)</b>	<b>\$1,981,139</b>
<b>Ending Fund Balance</b>	<b>\$22,570,370</b>	<b>\$27,335,836</b>	<b>\$33,562,240</b>	<b>\$32,436,369</b>	<b>\$27,792,858</b>	<b>\$25,450,536</b>	<b>\$27,431,674</b>
<b>District Reserve Target (7)</b>	<b>\$19,604,000</b>	<b>\$20,004,000</b>	<b>\$23,009,000</b>	<b>\$24,634,000</b>	<b>\$24,518,000</b>	<b>\$25,060,000</b>	<b>\$25,630,000</b>
Target Met?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Treatment Plant Operational Reserve (8)</b>	<b>\$1,108,444</b>	<b>\$1,744,000</b>	<b>\$1,805,167</b>	<b>\$1,868,500</b>	<b>\$1,933,833</b>	<b>\$2,001,500</b>	<b>\$2,071,500</b>

(1) Unrestricted cash reserves only

(2) Permit, inspection, and other miscellaneous fees including labor and overhead billed for services provided by District staff. Excludes Hillside Assessment

(3) Interest earnings assume 0.5% interest on District beginning fund balance and .25% interest on San Jose Held O&M Reserves

(4) Escalated with 1.0% growth

(5) Operating expenses escalate by 3.5% annually during projection period

(6) Treatment Plant O&M 2017/18 updated from 5.12.2017 "TPAC 2017/18 Proposed Operating Budget" page 2. Expenses escalated by 3.5% plus WVSD's estimated share of additional O&M (TPAC V - 142)

(7) Target is equal to 8 months of operating expenses, 1 year of annual debt service, 1 year of District-only capital projects, and a vehicle replacement reserve

(8) Treatment Plant Operational Reserve Contribution estimated based on meeting 60 days of WWTP O&M expenses by 2019/20

**Table 6**  
**West Valley Sanitation District**  
**District Cost of Service Projection (Line of Credit & \$57MM Bond)**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<u>Clean Water Financing Authority</u>							
2005 Series A	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>SRF Loan</u>	<u>152,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Clean Water Financing Debt	\$152,402	\$0	\$0	\$0	\$0	\$0	\$0
<u>District Debt Service</u>							
Sewer Revenue Refunding Bonds Series 2010	\$440,763	\$446,388	\$446,238	\$445,547	\$449,019	\$441,519	\$443,219
Line of Credit Cost (1)	430,726	760,907	1,272,106	0	0	0	0
<u>2020/21 Bond Series, or Loan (2)</u>	<u>0</u>	<u>0</u>	<u>2,523,986</u>	<u>3,919,851</u>	<u>3,919,851</u>	<u>3,919,851</u>	<u>3,919,851</u>
Total District Debt Service	\$871,489	\$1,207,295	\$4,242,330	\$4,365,398	\$4,368,870	\$4,361,370	\$4,363,070
Total Debt Service	\$1,023,891	\$1,207,295	\$4,242,330	\$4,365,398	\$4,368,870	\$4,361,370	\$4,363,070

(1) Undrawn rate 0.5%. Drawn rate estimated to increase from 1.75% to 2.25% and credit line from \$25 million to \$57 million

(2) Financing is established at approximately \$57 million at 5.5% interest for 30 years, including 1% for transaction costs. Transaction costs are included in debt service



## **Financial Plan Alternative Options**

BWA analyzed two other financing and rate increase alternatives which are detailed in **Appendix B**. Alternative A involves issuing long term debt for one year of capital in FY 2018/19 and two years in FY 2019/20, totaling about \$57 million. Five-year rate increases are recommended at 6.5% each year. Alternative B involves issuing about \$63 million of long term debt in FY 2018/19. Five-year rate increases are recommended at 6.17% each year.

Issuing long-term debt in the near term allows the District to lock in historically low fixed interest rates. However, if RWF projects do not execute as planned, and has historically occurred, the District could end up with a large unspent fund balance. The negative difference between the interest earned and paid on bond proceeds is known as “negative arbitrage” and would likely occur if projects are delayed. Therefore, Alternative A offers a moderate level of both interest rate risk and negative arbitrage risk by spreading the issuances across two years, while Alternative B has the least interest rate risk and the highest risk of negative arbitrage.

BWA ultimately recommends WVSD to obtain a line of credit and repay it with \$57 million of revenue bonds in FY 2020/21. This option has the lowest risk of negative arbitrage (paying interest on unspent funds) and the lowest financing costs over the projection period. While this option has the highest interest rate risk (interest rates rising before 30-year debt issue and variable rate short-term debt) the District can hedge interest rate risk by paying off the line of credit with fixed rate bonds earlier than projected as projects come through. This is the preferred option due to lowest potential financing costs under prevailing interest rates and the high uncertainty of the RWF capital program.

## Cost of Service / Rate Development

### Hillside Zone Rate

**Table 7** shows the development of the Hillside Zone Rate which is charged only to customers located in the hillside zone. There are 1,570 contributing parcels within the hillside zone. The hillside zone rate recovers the additional costs to serve these parcels. Sanitary sewers in the hillside zone are subject to failure due to land subsidence or erosion and have a shorter life cycle than the pipelines outside of the hillside zone. The basis of the proposed Hillside Zone Rate is the costs of the Santa Rosa easement sewer realignment phases one and two projects, which total approximately \$4.5 million. The costs for these projects are recovered over 30 years. As additional projects are required to maintain service levels, project cost will be added to the principal balance and then divided by the total number of parcels in the hillside zone and the useful life of the project to determine the new rate. The cumulative projects will result in replacing all pipelines by the end of their life cycle. The proposed rate methodology equitably allocates project costs across all hillside parcels while maintaining level of services due to decreased pipeline service life.

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**Table 7**  
**West Valley Sanitation District**  
**Hillside Zone Rate**

<u>Hillside Costs</u>	<u>10-Year Total</u>	<u>\$4,550,000 - 30 Year No Interest</u>		
Santa Rosa Esmt Sewer Realignment Ph1	\$1,750,000	\$151,667		
Santa Rosa Esmt Sewer Realignment Ph2	<u>\$2,800,000</u>			
	\$4,550,000			
<u>Current Rate</u>	<u>\$/Annual</u>	<u>Proposed Rate</u>	<u>\$/Annual</u>	<u>% Increase</u>
Hillside Zone Rate	\$50.00	Hillside Zone Rate	\$100.00	100.00%
Hillside Parcels Subject to Rate	1,570	Hillside Parcels Subject to Rate	1,570	
Annual Revenue	\$78,500	Annual Revenue	\$157,000	

## **Sewer Service Charge Development**

**Table 8** shows the estimated flows and loadings discharge of the District's customer base derived from WVSD Adopted Revenue Program FY 2017/18. The District has approximately 43,281 residential equivalent dwelling units. There are 2,990 nonindustrial commercial customer accounts and 45 industrial accounts.

Flow for the residential classes is estimated by standard factors (flow, biochemical oxygen demand, suspended solids, and ammonia). Average winter water consumption is used for nonresidential flows. Strength for each customer class is estimated based on industry standard factors for each customer class. The total flow and loadings are estimated for the District.

**Table 9** shows an allocation of costs from **Table 5** for FY 2018/19. Non sewer service charge sources of revenue such as capacity fees are subtracted to determine the total sewer service charge revenue requirement of \$26,767,000. The costs are allocated to flow and strength factors (flow, biochemical oxygen demand, suspended solids, and ammonia) in accordance to the State Water Resources Control Board's Revenue Guidelines for wastewater agencies. The cost for flow and strength categories is divided by the total flows in hundred cubic foot (hcf) and strength in pounds (lbs) from **Table 8** to determine a unit rate for each category.

**Table 10** calculates the total current revenue for each customer class based on the current rates and billable units (dwelling units for residential and winter water usage for nonresidential). The proposed rates are calculated by multiplying the unit rates from **Table 9** times the flow and loadings estimated discharge for each customer class from **Table 8** and dividing by the billable units (dwelling units for residential and winter water usage for nonresidential).

**Table 11** shows the proposed rates based on an immediate structure change as calculated in **Table 10** for FY 2018/19. The rates are increased by the 6% calculated rate increase from **Table 5** for years FY 2019/20 to FY 2022/23.

The geometric average increase for the five years is shown under “Annual Average %” on the far-right column. BWA recommends increasing the current rates by the “Annual Average %” increase to phase in the rate structure change and increases over the five years. The final proposed rates in **Table 2** are calculated based on this method. **Table 12** shows the differences in revenue collected between an immediate structure change and the phased in rates. The phase in results in an immaterial loss in revenue.

**Table 8**  
**West Valley Sanitation District**  
**Flows and Loadings Estimate - FY 2017/18 (1)**

	# of Sewer EDUs / Accounts	Est. Mo Flow (hcf)	Working Days Per	Projected Wastewater Flow				Strength (mg/l)			Loadings (lbs)		
				hcf	mg	mgd	gpd	BOD	SS	NH3	BOD	SS	NH3
<b>Residential</b>													
Single Family	31,520	7.56	365	2,860,757	2,140.00	5.863	5,863,000	250	250	35	4,465,543	4,465,543	625,176
Multi Family	11,449	5.86	365	804,603	601.89	1.649	1,649,000	250	250	35	1,255,958	1,255,958	175,834
Mobile Homes	<u>312</u>	4.69	365	<u>17,566</u>	<u>13.14</u>	<u>0.036</u>	<u>36,000</u>	250	250	35	<u>27,419</u>	<u>27,419</u>	<u>3,839</u>
<b>Total Residential</b>	43,281			3,682,926	2,755.02	7.548	7,548,000				5,748,920	5,748,920	804,849
<b>Non-Industries</b>													
Eating / Food Preparation	356		360	140,525	105.12	0.292	292,000	1250	560	10	1,096,773	491,354	8,774
Hotel / Motel	32		365	41,962	31.39	0.086	86,000	310	121	7	81,222	31,703	1,834
Hospital / Convalescent	68		365	145,404	108.77	0.298	298,000	230	85	15	208,813	77,170	13,618
Schools / Colleges	216		270	76,880	57.51	0.213	213,000	130	100	30	62,403	48,003	14,401
Gas Station / Repair Shops	128		365	10,735	8.03	0.022	22,000	180	280	0	12,065	18,767	0
Domestic Laundries	25		365	15,126	11.32	0.031	31,000	150	110	5	14,167	10,389	472
Retails / Office	<u>2,165</u>		305	<u>347,790</u>	<u>260.17</u>	<u>0.853</u>	<u>853,000</u>	130	80	11	<u>282,302</u>	<u>173,724</u>	<u>23,887</u>
<b>Total Non-Industries</b>	2,990			778,422	582.30	1.795	1,795,000				1,757,745	851,110	62,987
<b>Grouped Industries</b>													
Winery	3		278	446	0.33	0.0012	914	1,870	1,200	3	5,207	3,341	8
Printers	2		286	535	0.40	0.0014	1,097	250	500	0	836	1,671	0
Mchry Mnft	17		286	1,797	1.34	0.0047	3,683	290	550	0	3,254	6,171	0
Elec Equip	1		286	841	0.63	0.0022	1,724	30	15	30	158	79	158
Film Service	0		286	0	0.00	0.0000	0	160	60	0	0	0	0
Soft Water	0		286	0	0.00	0.0000	0	3	55	0	0	0	0
Plate Works	4		274	147	0.11	0.0004	300	10	60	1	9	55	1
Ind Laundry	1		273	36	0.03	0.0001	75	670	680	2	153	155	0
Car Wash	<u>17</u>		253	<u>61,960</u>	<u>46.35</u>	<u>0.1832</u>	<u>126,985</u>	20	150	0	<u>7,737</u>	<u>58,031</u>	<u>0</u>
<b>Total Grouped Industries</b>	45			65,763	49.19	0.1932	134,778				17,353	69,503	167
<b>Total</b>	<b>46,316</b>			<b>4,527,110</b>	<b>3,387</b>	<b>9.54</b>	<b>9,477,778</b>				<b>7,524,019</b>	<b>6,669,533</b>	<b>868,003</b>

(1) Flow and loadings from District "WVSD Adopted Revenue Program FY 2017/18"

**Table 9**  
**West Valley Sanitation District**  
**Rate Revenue Requirements**

Costs Allocated to All Customers	2018/19	Allocation % (1)				Allocation \$				Projected Loadings (lbs)			
		Flow	BOD	SS	NH3	Flow	BOD	SS	NH3	Flow (hcf)	BOD	SS	NH3
<b>Operating Cost Component</b>										4,527,110	7,524,019	6,669,533	868,003
<u>Administration</u>													
Salaries & Benefits	\$5,596,000	33.955%	22.212%	22.293%	21.540%	\$1,900,122	\$1,242,984	\$1,247,516	\$1,205,378	\$0.42	\$0.17	\$0.19	\$1.39
<u>Sewage Collection</u>													
District Maintenance & Operations	\$2,980,000	33.955%	22.212%	22.293%	21.540%	\$1,011,859	\$661,918	\$664,331	\$641,892	\$0.22	\$0.09	\$0.10	\$0.74
<u>Sewage Disposal</u>													
Treatment Plant Operations	\$9,976,000	33.955%	22.212%	22.293%	21.540%	\$3,387,351	\$2,215,869	\$2,223,950	\$2,148,830	\$0.75	\$0.29	\$0.33	\$2.48
<b>Operating Expenses</b>	<b>\$18,552,000</b>	<b>33.955%</b>	<b>22.212%</b>	<b>22.293%</b>	<b>21.540%</b>	<b>\$6,299,332</b>	<b>\$4,120,770</b>	<b>\$4,135,797</b>	<b>\$3,996,101</b>	<b>\$1.39</b>	<b>\$0.55</b>	<b>\$0.62</b>	<b>\$4.60</b>
Less: Misc Operating Revenue (2)	(\$544,225)	33.955%	22.212%	22.293%	21.540%	(\$184,792)	(\$120,883)	(\$121,324)	(\$117,226)	(\$0.04)	(\$0.02)	(\$0.02)	(\$0.14)
<b>Rate Funded Operating Expenses</b>	<b>\$18,007,775</b>					<b>\$6,114,540</b>	<b>\$3,999,887</b>	<b>\$4,014,473</b>	<b>\$3,878,875</b>	<b>\$1.35</b>	<b>\$0.53</b>	<b>\$0.60</b>	<b>\$4.47</b>
<b>Capital Cost Component</b>													
<u>Administration</u>													
Non-construction Capital	\$2,660,654	68.855%	18.355%	6.292%	6.498%	\$1,831,993	\$488,363	\$167,408	\$172,889	\$0.40	\$0.06	\$0.03	\$0.20
<u>Sewage Collection</u>													
District Construction & Joint Trunk	\$8,693,000	100.000%	0.000%	0.000%	0.000%	\$8,693,000	\$0	\$0	\$0	\$1.92	\$0.00	\$0.00	\$0.00
<u>Sewage Disposal</u>													
Treatment Plant Capital & Equip	\$11,907,661	68.855%	18.355%	6.292%	6.498%	\$8,199,020	\$2,185,651	\$749,230	\$773,760	\$1.81	\$0.29	\$0.11	\$0.89
<u>Debt Service</u>	\$1,023,891	68.855%	18.355%	6.292%	6.498%	\$705,000	\$187,935	\$64,423	\$66,532	\$0.16	\$0.02	\$0.01	\$0.08
<b>Capital Expenses</b>	<b>\$24,285,206</b>	<b>80.003%</b>	<b>11.785%</b>	<b>4.040%</b>	<b>4.172%</b>	<b>\$19,429,014</b>	<b>\$2,861,949</b>	<b>\$981,062</b>	<b>\$1,013,182</b>	<b>\$4.29</b>	<b>\$0.38</b>	<b>\$0.15</b>	<b>\$1.17</b>
Less: Hillside Rate Revenue	(\$157,000)	68.855%	18.355%	6.292%	6.498%	(\$108,102)	(\$28,817)	(\$9,878)	(\$10,202)	(\$0.02)	(\$0.00)	(\$0.00)	(\$0.01)
Less: Debt Proceeds for Capital	(\$16,458,096)	68.855%	18.355%	6.292%	6.498%	(\$11,332,222)	(\$3,020,884)	(\$1,035,543)	(\$1,069,447)	(\$2.50)	(\$0.40)	(\$0.16)	(\$1.23)
Less: Capacity Fees	(\$1,010,000)	80.003%	11.785%	4.040%	4.172%	(\$808,035)	(\$119,026)	(\$40,801)	(\$42,137)	(\$0.18)	(\$0.02)	(\$0.01)	(\$0.05)
	(\$17,625,096)					(\$12,248,360)	(\$3,168,727)	(\$1,086,223)	(\$1,121,786)	(\$2.71)	(\$0.42)	(\$0.16)	(\$1.29)
<b>Rate Funded Capital Expenses</b>	<b>\$6,660,110</b>					<b>\$7,180,654</b>	<b>(\$306,777)</b>	<b>(\$105,162)</b>	<b>(\$108,605)</b>	<b>\$1.59</b>	<b>-\$0.04</b>	<b>-\$0.02</b>	<b>-\$0.13</b>
<b>Total Rate Funded Expenses</b>	<b>\$24,667,885</b>					<b>\$13,295,194</b>	<b>\$3,693,110</b>	<b>\$3,909,312</b>	<b>\$3,770,270</b>	<b>\$2.94</b>	<b>\$0.49</b>	<b>\$0.59</b>	<b>\$4.34</b>
<b>Plus: Net Revenues</b>	\$2,099,115	60.061%	16.301%	11.945%	11.694%	\$1,260,744	\$342,168	\$250,737	\$245,466	\$0.28	\$0.05	\$0.04	\$0.28
<b>Rate Revenue Requirement, All Users</b>	<b>\$26,767,000</b>	<b>54.380%</b>	<b>15.076%</b>	<b>15.542%</b>	<b>15.003%</b>	<b>\$14,555,938</b>	<b>\$4,035,278</b>	<b>\$4,160,049</b>	<b>\$4,015,736</b>	<b>\$3.22</b>	<b>\$0.54</b>	<b>\$0.62</b>	<b>\$4.63</b>

(1) Operating allocation in accordance with the State Water Resources Control Board's Revenue Program Guidelines for Wastewater Agencies

(2) Permit, inspection, and other miscellaneous fees including labor, interest income, and overhead billed for services provided by District staff. Excludes Hillside Rate

**Table 10**  
**West Valley Sanitation District**  
**Rate Calculation, FY 2018/19**

	# of Sewer Dwelling Units / Accounts	Projected Wastewater Flow	Loadings (lbs)			Current Revenue FY 2017/18	Proposed Revenue FY 2018/19	Current Rates FY 2017/18	Proposed Rates FY 2018/19	% Increase (Decrease)	\$ Increase (Decrease)
		hcf	BOD	SS	NH3						
<b>Unit Rates</b>		<b>\$3.22</b>	<b>\$0.54</b>	<b>\$0.62</b>	<b>\$4.63</b>						
<b>Residential</b>								<b>\$ per Month</b>	<b>\$ per Month</b>		
Single Family	31,520	2,860,757	4,465,543	4,465,543	625,176	\$16,555,565	\$17,270,753	\$43.77	\$45.66	4.3%	\$1.89
Multi Family	11,449	804,603	1,255,958	1,255,958	175,834	\$4,197,203	\$4,857,491	\$30.55	\$35.36	15.7%	\$4.81
Mobile Homes	312	17,566	27,419	27,419	3,839	\$114,379	\$106,046	\$30.55	\$28.32	-7.3%	(\$2.23)
Accessory Dwelling Unit						-	-	-	\$28.32	-	-
<b>Total Residential</b>	43,281	3,682,926	5,748,920	5,748,920	804,849	\$20,867,147	\$22,234,291				
<b>Non-Industries</b>								<b>\$ Per HCF of Flow</b>	<b>\$ Per HCF of Flow*</b>		
Eating / Food Preparation	356	140,525	1,096,773	491,354	8,774	\$1,214,136	\$1,387,118	\$8.64	\$9.87	14.2%	\$1.23
Hotel / Motel	32	41,962	81,222	31,703	1,834	\$187,991	\$206,741	\$4.48	\$4.93	10.0%	\$0.45
Hospital / Convalescent	68	145,404	208,813	77,170	13,618	\$604,882	\$690,644	\$4.16	\$4.75	14.2%	\$0.59
Schools / Colleges	216	76,880	62,403	48,003	14,401	\$402,081	\$377,223	\$5.23	\$4.91	-6.2%	(\$0.32)
Gas Station / Repair Shops	128	10,735	12,065	18,767	0	\$51,311	\$52,691	\$4.78	\$4.91	2.7%	\$0.13
Domestic Laundries	25	15,126	14,167	10,389	472	\$59,294	\$64,897	\$3.92	\$4.29	9.4%	\$0.37
Retails / Office	2,165	347,790	282,302	173,724	23,887	\$1,617,223	\$1,488,517	\$4.65	\$4.28	-8.0%	(\$0.37)
<b>Total Non-Industries</b>	2,990	778,422	1,757,745	851,110	62,987	\$4,136,918	\$4,267,832				
<b>Grouped Industries</b>											
Winery	3	446	5,207	3,341	8	\$5,980	\$6,349	\$13.41	\$14.24	6.2%	\$0.83
Printers	2	535	836	1,671	0	\$3,324	\$3,211	\$6.21	\$6.00	-3.4%	(\$0.21)
Mchry Mnft	17	1,797	3,254	6,171	0	\$11,680	\$11,372	\$6.50	\$6.33	-2.6%	(\$0.17)
Elec Equip	1	841	158	79	158	\$3,684	\$3,567	\$4.38	\$4.24	-3.2%	(\$0.14)
Plate Works	4	147	9	55	1	\$614	\$514	\$4.19	\$3.51	-16.2%	(\$0.68)
Ind Laundry	1	36	153	155	0	\$319	\$298	\$8.74	\$8.16	-6.6%	(\$0.58)
Car Wash	17	61,960	7,737	58,031	0	\$218,720	\$239,566	\$3.53	\$3.87	9.5%	\$0.34
<b>Total Grouped Industries</b>	45	65,763	17,353	69,503	167	\$244,321	\$264,878				
<b>Total</b>	<b>46,316</b>	<b>4,527,110</b>	<b>7,524,019</b>	<b>6,669,533</b>	<b>868,003</b>	<b>\$25,248,387</b>	<b>\$26,767,000</b>				
						% Increase	6.0%				

\*As a point of comparison, residential users would pay \$6.04/hcf under a volumetric rate structure in FY 2018/19

**Table 11**  
**West Valley Sanitation District**  
**Sewer Rates, Not Phased In**

<b>RESIDENTIAL</b>	2017-2018	2018-2019		2019-2020		2020-2021		2021-2022		2022-2023		
	<u>Month</u>	<u>Month</u>	<u>Change</u>	<u>Month</u>	<u>Change</u>	<u>Month</u>	<u>Change</u>	<u>Month</u>	<u>Change</u>	<u>Month</u>	<u>Change</u>	<u>Annual Avg %</u>
Single-Family Dwelling	\$43.77	\$45.66	4.3%	\$48.40	6.0%	\$51.30	6.0%	\$54.38	6.0%	\$57.65	6.0%	5.7%
Multiple Dwelling Unit	\$30.55	\$35.36	15.7%	\$37.48	6.0%	\$39.73	6.0%	\$42.11	6.0%	\$44.64	6.0%	7.9%
Mobile Home	\$30.55	\$28.32	-7.3%	\$30.02	6.0%	\$31.83	6.0%	\$33.73	6.0%	\$35.76	6.0%	3.2%
Accessory Dwelling Unit	-	\$28.32	-	\$30.02	6.0%	\$31.83	6.0%	\$33.73	6.0%	\$35.76	6.0%	-
<b>GROUPED INDUSTRIAL AND COMMERCIAL</b>												
<u>Grouped Industrial</u>	<u>Per HCF*</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>	
Winery	\$13.41	\$14.24	6.2%	\$15.09	6.0%	\$16.00	6.0%	\$16.96	6.0%	\$17.97	6.0%	6.0%
Printing Works	\$6.21	\$6.00	-3.4%	\$6.36	6.0%	\$6.74	6.0%	\$7.15	6.0%	\$7.57	6.0%	4.1%
Machinery Manufacturing	\$6.50	\$6.33	-2.6%	\$6.71	6.0%	\$7.11	6.0%	\$7.54	6.0%	\$7.99	6.0%	4.2%
Electrical Equipment	\$4.38	\$4.24	-3.2%	\$4.50	6.0%	\$4.76	6.0%	\$5.05	6.0%	\$5.35	6.0%	4.1%
Film Service	\$4.61											
Plating Works	\$4.19	\$3.51	-16.2%	\$3.72	6.0%	\$3.95	6.0%	\$4.18	6.0%	\$4.43	6.0%	1.1%
Industrial Laundry	\$8.74	\$8.16	-6.6%	\$8.65	6.0%	\$9.17	6.0%	\$9.72	6.0%	\$10.31	6.0%	3.4%
Car Wash	\$3.53	\$3.87	9.5%	\$4.10	6.0%	\$4.34	6.0%	\$4.60	6.0%	\$4.88	6.0%	6.7%
<u>Commercial</u>												
Restaurant	\$8.64	\$9.87	14.2%	\$10.46	6.0%	\$11.09	6.0%	\$11.76	6.0%	\$12.46	6.0%	7.6%
Hotel-Motel	\$4.48	\$4.93	10.0%	\$5.22	6.0%	\$5.54	6.0%	\$5.87	6.0%	\$6.22	6.0%	6.8%
Gas Station-Repair	\$4.78	\$4.91	2.7%	\$5.20	6.0%	\$5.52	6.0%	\$5.85	6.0%	\$6.20	6.0%	5.3%
Domestic Laundry	\$3.92	\$4.29	9.4%	\$4.55	6.0%	\$4.82	6.0%	\$5.11	6.0%	\$5.42	6.0%	6.7%
Retail/Office/Misc.	\$4.65	\$4.28	-8.0%	\$4.54	6.0%	\$4.81	6.0%	\$5.10	6.0%	\$5.40	6.0%	3.0%
Hospitals	\$4.16	\$4.75	14.2%	\$5.03	6.0%	\$5.34	6.0%	\$5.66	6.0%	\$6.00	6.0%	7.6%
Schools	\$5.23	\$4.91	-6.2%	\$5.20	6.0%	\$5.51	6.0%	\$5.84	6.0%	\$6.19	6.0%	3.4%

\*1 HCF = 748 gallons

\*The volume of wastewater discharged for each customer is determined from the customer's average winter water consumption from the previous year.



**Table 12**  
**West Valley Sanitation District**  
**Rate Phase In, All Customers**

	Current Rates		FY 2018/19		FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23	
	Units	Revenue	Not Phased In Revenue	Phased In Revenue	Not Phased In Revenue	Phased In Revenue	Not Phased In Revenue	Phased In Revenue	Not Phased In Revenue	Phased In Revenue	Not Phased In Revenue	Phased In Revenue
<b>RESIDENTIAL</b>												
Single-Family Dwelling	31,520	\$16,555,565	\$17,270,753	\$17,492,914	\$18,306,998	\$18,483,333	\$19,405,418	\$19,529,829	\$20,569,744	\$20,635,576	\$21,803,928	\$21,803,928
Multiple Dwelling Unit	11,449	\$4,197,203	\$4,857,491	\$4,527,882	\$5,148,941	\$4,884,614	\$5,457,877	\$5,269,450	\$5,785,350	\$5,684,606	\$6,132,471	\$6,132,471
Mobile Home	312	\$114,379	\$106,046	\$118,038	\$112,409	\$121,813	\$119,153	\$125,710	\$126,302	\$129,731	\$133,881	\$133,881
<b>GROUPED INDUSTRIAL AND COMMERCIAL</b>												
<u>Grouped Industrial</u>												
Winery	446	\$5,980	\$6,349	\$6,341	\$6,730	\$6,724	\$7,134	\$7,130	\$7,562	\$7,560	\$8,016	\$8,016
Printing Works	535	\$3,324	\$3,211	\$3,459	\$3,404	\$3,599	\$3,608	\$3,745	\$3,825	\$3,896	\$4,054	\$4,054
Machinery Manufacturing	1,797	\$11,680	\$11,372	\$12,172	\$12,054	\$12,685	\$12,777	\$13,219	\$13,544	\$13,776	\$14,357	\$14,357
Electrical Equipment	841	\$3,684	\$3,567	\$3,835	\$3,781	\$3,992	\$4,008	\$4,156	\$4,248	\$4,326	\$4,503	\$4,503
Film Service	-	\$0										
Plating Works	147	\$614	\$514	\$621	\$545	\$628	\$578	\$635	\$613	\$642	\$649	\$649
Industrial Laundry	36	\$319	\$298	\$330	\$316	\$341	\$335	\$352	\$355	\$364	\$376	\$376
Car Wash	61,960	\$218,720	\$239,566	\$233,368	\$253,940	\$248,996	\$269,176	\$265,671	\$285,327	\$283,463	\$302,447	\$302,447
<u>Commercial</u>												
Restaurant	140,525	\$1,214,136	\$1,387,118	\$1,306,415	\$1,470,346	\$1,405,708	\$1,558,566	\$1,512,548	\$1,652,080	\$1,627,508	\$1,751,205	\$1,751,205
Hotel-Motel	41,962	\$187,991	\$206,741	\$200,743	\$219,146	\$214,359	\$232,294	\$228,900	\$246,232	\$244,426	\$261,006	\$261,006
Gas Station-Repair	10,735	\$51,311	\$52,691	\$54,046	\$55,852	\$56,926	\$59,203	\$59,960	\$62,756	\$63,155	\$66,521	\$66,521
Domestic Laundry	15,126	\$59,294	\$64,897	\$63,255	\$68,791	\$67,481	\$72,918	\$71,990	\$77,293	\$76,800	\$81,931	\$81,931
Retail/Office/Misc.	347,790	\$1,617,223	\$1,488,517	\$1,666,524	\$1,577,828	\$1,717,327	\$1,672,498	\$1,769,678	\$1,772,848	\$1,823,626	\$1,879,218	\$1,879,218
Hospitals	145,404	\$604,882	\$690,644	\$650,777	\$732,083	\$700,154	\$776,008	\$753,278	\$822,569	\$810,432	\$871,923	\$871,923
Schools	76,880	\$402,081	\$377,223	\$415,925	\$399,856	\$430,246	\$423,848	\$445,060	\$449,279	\$460,384	\$476,235	\$476,235
<b>Difference</b>	<b>844,184</b>	<b>\$25,248,387</b>	<b>\$26,767,000</b>	<b>\$26,756,643</b>	<b>\$28,373,020</b>	<b>\$28,358,926</b>	<b>\$30,075,401</b>	<b>\$30,061,310</b>	<b>\$31,879,925</b>	<b>\$31,870,271</b>	<b>\$33,792,721</b>	<b>\$33,792,721</b>
			-\$10,357		-\$14,094		-\$14,091		-\$9,654		\$0	

# Appendix A – No Rate Increase Scenario

**Table 1**  
**West Valley Sanitation District**  
**No Rate Increases - District Cost of Service Projection (Line of Credit & \$57MM Bond)**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Beginning Fund Balance (1)</b>	<b>\$21,054,966</b>	<b>\$20,981,947</b>	<b>\$22,548,727</b>	<b>\$23,858,442</b>	<b>\$15,982,444</b>	<b>\$2,632,153</b>	<b>(\$10,488,949)</b>
SSC Percent Revenue Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Operating Revenues</b>							
Sewer Service Charges	\$25,248,000	\$25,248,000	\$25,248,000	\$25,248,000	\$25,248,000	\$25,248,000	\$25,248,000
Connection Fees (4)	727,000	734,000	741,000	748,000	755,000	763,000	771,000
Capacity Fees (4)	283,000	286,000	289,000	292,000	295,000	298,000	301,000
Hillside Fees	77,220	77,220	77,220	77,220	77,220	77,220	77,220
<u>Other Operating Revenues (2,4)</u>	<u>432,000</u>	<u>436,000</u>	<u>440,000</u>	<u>444,000</u>	<u>448,000</u>	<u>452,000</u>	<u>457,000</u>
<b>Total Operating Revenues</b>	<b>\$26,767,220</b>	<b>\$26,781,220</b>	<b>\$26,795,220</b>	<b>\$26,809,220</b>	<b>\$26,823,220</b>	<b>\$26,838,220</b>	<b>\$26,854,220</b>
<b>Other Revenues</b>							
Interest Income (3)	\$108,000	\$109,000	\$117,000	\$124,000	\$85,000	\$18,000	\$0
<u>Bond Issue</u>			<u>56,970,121</u>				
<u>Line of Credit Draw Down</u>	<u>16,458,096</u>	<u>20,935,737</u>	<u>19,012,228</u>				
<u>Other Income</u>	<u>4,225</u>	<u>4,225</u>	<u>4,225</u>	<u>4,225</u>	<u>4,225</u>	<u>4,225</u>	<u>4,225</u>
<b>Total Other Revenues</b>	<b>\$16,570,321</b>	<b>\$21,048,962</b>	<b>\$76,103,574</b>	<b>\$128,225</b>	<b>\$89,225</b>	<b>\$22,225</b>	<b>\$4,225</b>
<b>Total Revenues</b>	<b>\$43,337,541</b>	<b>\$47,830,182</b>	<b>\$102,898,794</b>	<b>\$26,937,445</b>	<b>\$26,912,445</b>	<b>\$26,860,445</b>	<b>\$26,858,445</b>
<b>Operating Expenses (5)</b>							
Salaries & Benefits	\$5,596,000	\$5,792,000	\$5,995,000	\$6,205,000	\$6,422,000	\$6,647,000	\$6,880,000
District Maintenance & Operations	2,980,000	3,084,000	2,892,000	2,993,000	3,098,000	3,206,000	3,318,000
Treatment Plant Operations (6)	9,976,000	10,464,000	10,831,000	11,211,000	11,603,000	12,009,000	12,429,000
<u>Clean Water Program</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Operating Expenses</b>	<b>\$18,552,000</b>	<b>\$19,340,000</b>	<b>\$19,718,000</b>	<b>\$20,409,000</b>	<b>\$21,123,000</b>	<b>\$21,862,000</b>	<b>\$22,627,000</b>
Net Revenues for Debt Service/Capital	\$24,785,541	\$28,490,182	\$83,180,794	\$6,528,445	\$5,789,445	\$4,998,445	\$4,231,445
Debt Service Coverage	8.13	6.26	1.70	1.50	1.33	1.15	0.97
<b>Other Expenses</b>							
RWF O&M Reserve (60 Days)	\$573,354	\$635,556	\$61,167	\$63,333	\$65,333	\$67,667	\$70,000
<u>Line of Credit Cost</u>	<u>430,726</u>	<u>760,907</u>	<u>1,272,106</u>				
<u>LOC Payoff</u>			<u>56,406,061</u>				
Other Debt Service (4)	593,165	446,388	2,970,224	4,365,398	4,368,870	4,361,370	4,363,070
<u>Capital Outlay</u>	<u>23,261,315</u>	<u>25,080,551</u>	<u>21,161,521</u>	<u>9,975,711</u>	<u>14,705,532</u>	<u>13,690,510</u>	<u>10,751,016</u>
<b>Total Other Expenses</b>	<b>\$24,858,560</b>	<b>\$26,923,402</b>	<b>\$81,871,079</b>	<b>\$14,404,443</b>	<b>\$19,139,736</b>	<b>\$18,119,547</b>	<b>\$15,184,086</b>
<b>Total Expenses</b>	<b>\$43,410,560</b>	<b>\$46,263,402</b>	<b>\$101,589,079</b>	<b>\$34,813,443</b>	<b>\$40,262,736</b>	<b>\$39,981,547</b>	<b>\$37,811,086</b>
<b>Net Total Revenues</b>	<b>(\$73,019)</b>	<b>\$1,566,780</b>	<b>\$1,309,715</b>	<b>(\$7,875,998)</b>	<b>(\$13,350,291)</b>	<b>(\$13,121,102)</b>	<b>(\$10,952,641)</b>
<b>Ending Fund Balance</b>	<b>\$20,981,947</b>	<b>\$22,548,727</b>	<b>\$23,858,442</b>	<b>\$15,982,444</b>	<b>\$2,632,153</b>	<b>(\$10,488,949)</b>	<b>(\$21,441,590)</b>
<b>District Reserve Target (7)</b>	<b>\$19,604,000</b>	<b>\$20,004,000</b>	<b>\$23,009,000</b>	<b>\$24,634,000</b>	<b>\$24,518,000</b>	<b>\$25,060,000</b>	<b>\$25,630,000</b>
Target Met?	Yes	Yes	Yes	No	No	No	No
<b>Treatment Plant Operational Reserve (8)</b>	<b>\$1,108,444</b>	<b>\$1,744,000</b>	<b>\$1,805,167</b>	<b>\$1,868,500</b>	<b>\$1,933,833</b>	<b>\$2,001,500</b>	<b>\$2,071,500</b>

(1) Unrestricted cash reserves only

(2) Permit, inspection, and other miscellaneous fees including labor and overhead billed for services provided by District staff. Excludes Hillside Assessment

(3) Interest earnings assume 0.5% interest on District beginning fund balance and .25% interest on San Jose Held O&M Reserves

(4) Escalated with 1.0% growth

(5) Operating expenses escalate by 3.5% annually during projection period

(6) Treatment Plant O&M 2017/18 updated from 5.12.2017 "TPAC 2017/18 Proposed Operating Budget" page 2. Expenses escalated by 3.5% plus WVSD's estimated share of additional O&M (TPAC V - 142)

(7) Target is equal to 8 months of operating expenses, 1 year of annual debt service, 1 year of District-only capital projects, and a vehicle replacement reserve

(8) Treatment Plant Operational Reserve Contribution estimated based on meeting 60 days of WWTP O&M expenses by 2019/20

# Appendix B – Financial Plan Alternative Options

## Alternative A - Two Debt Issues

**Table 1**  
West Valley Sanitation District  
District Self Fund Option - Two Debt  
Issues (\$57MM Debt Issued)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Beginning Fund Balance (1)</b>	<b>\$21,054,966</b>	<b>\$22,562,588</b>	<b>\$44,848,493</b>	<b>\$31,900,940</b>	<b>\$31,377,723</b>	<b>\$27,528,212</b>	<b>\$26,203,890</b>
Proposed SSC Percent Revenue Increase	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	3.06%
<b>Operating Revenues</b>							
Sewer Service Charges	\$26,890,000	\$28,638,000	\$30,499,000	\$32,481,000	\$34,592,000	\$36,840,000	\$37,966,000
Clean Water Program (NPS)	-	-	-	-	-	-	-
Connection Fees (4)	727,000	734,000	741,000	748,000	755,000	763,000	771,000
Capacity Fees (4)	283,000	286,000	289,000	292,000	295,000	298,000	301,000
Hillside Fees	157,000	157,000	157,000	157,000	157,000	157,000	157,000
Other Operating Revenues (2,4)	432,000	436,000	440,000	444,000	448,000	452,000	457,000
Total Operating Revenues	\$28,489,000	\$30,251,000	\$32,126,000	\$34,122,000	\$36,247,000	\$38,510,000	\$39,652,000
<b>Other Revenues</b>							
Interest Income (3)	\$108,000	\$117,000	\$229,000	\$164,000	\$162,000	\$143,000	\$136,000
Bond or Loan Proceeds	16,622,677	40,347,444					
Other Income	4,225	4,225	4,225	4,225	4,225	4,225	4,225
Total Other Revenues	\$16,734,902	\$40,468,669	\$233,225	\$168,225	\$166,225	\$147,225	\$140,225
<b>Total Revenues</b>	<b>\$45,223,902</b>	<b>\$70,719,669</b>	<b>\$32,359,225</b>	<b>\$34,290,225</b>	<b>\$36,413,225</b>	<b>\$38,657,225</b>	<b>\$39,792,225</b>
<b>Operating Expenses (5)</b>							
Salaries & Benefits	\$5,596,000	\$5,792,000	\$5,995,000	\$6,205,000	\$6,422,000	\$6,647,000	\$6,880,000
District Maintenance & Operations	2,980,000	3,084,000	2,892,000	2,993,000	3,098,000	3,206,000	3,318,000
Treatment Plant Operations (6)	9,976,000	10,464,000	10,831,000	11,211,000	11,603,000	12,009,000	12,429,000
Clean Water Program	0	0	0	0	0	0	0
Total Operating Expenses	\$18,552,000	\$19,340,000	\$19,718,000	\$20,409,000	\$21,123,000	\$21,862,000	\$22,627,000
Net Revenues for Debt Service/Capital	\$26,671,902	\$51,379,669	\$12,641,225	\$13,881,225	\$15,290,225	\$16,795,225	\$17,165,225
Debt Service Coverage	7.6	3.3	2.9	3.2	3.5	3.9	3.9
<b>Other Expenses</b>							
RWF O&M Reserve (60 Days)	\$573,354	\$635,556	\$61,167	\$63,333	\$65,333	\$67,667	\$70,000
Debt service	1,329,611	3,377,658	4,366,089	4,365,398	4,368,870	4,361,370	4,363,070
Capital Outlay	23,261,315	25,080,551	21,161,521	9,975,711	14,705,532	13,690,510	10,751,016
Total Other Expenses	\$25,164,280	\$29,093,765	\$25,588,777	\$14,404,443	\$19,139,736	\$18,119,547	\$15,184,086
<b>Total Expenses</b>	<b>\$43,716,280</b>	<b>\$48,433,765</b>	<b>\$45,306,777</b>	<b>\$34,813,443</b>	<b>\$40,262,736</b>	<b>\$39,981,547</b>	<b>\$37,811,086</b>
<b>Net Total Revenues</b>	<b>\$1,507,622</b>	<b>\$22,285,904</b>	<b>(\$12,947,552)</b>	<b>(\$523,218)</b>	<b>(\$3,849,511)</b>	<b>(\$1,324,322)</b>	<b>\$1,981,139</b>
<b>Ending Fund Balance</b>	<b>\$22,562,588</b>	<b>\$44,848,493</b>	<b>\$31,900,940</b>	<b>\$31,377,723</b>	<b>\$27,528,212</b>	<b>\$26,203,890</b>	<b>\$28,185,029</b>
<b>District Reserve Target (7)</b>	<b>\$19,604,000</b>	<b>\$20,004,000</b>	<b>\$23,009,000</b>	<b>\$24,634,000</b>	<b>\$24,518,000</b>	<b>\$25,060,000</b>	<b>\$25,630,000</b>
Target Met?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Treatment Plant Operational Reserve (8)</b>	<b>\$1,108,444</b>	<b>\$1,744,000</b>	<b>\$1,805,167</b>	<b>\$1,868,500</b>	<b>\$1,933,833</b>	<b>\$2,001,500</b>	<b>\$2,071,500</b>

(1) Unrestricted cash reserves only

(2) Permit, inspection, and other miscellaneous fees including labor and overhead billed for services provided by District staff. Excludes Hillside Assessment

(3) Interest earnings assume 0.5% interest on District beginning fund balance and .25% interest on San Jose Held O&M Reserves

(4) Escalated with 1.0% growth

(5) Operating expenses escalate by 3.5% annually during projection period

(6) Treatment Plant O&M 2017/18 updated from 5.12.2017 "TPAC 2017/18 Proposed Operating Budget" page 2. Expenses escalated by 3.5% plus WVSD's estimated share of additional O&M (TPAC V - 142)

(7) Target is equal to 8 months of operating expenses, 1 year of annual debt service, 1 year of District-only capital projects, and a vehicle replacement reserve

(8) Treatment Plant Operational Reserve Contribution estimated based on meeting 60 days of WWTP O&M expenses by 2019/20

## Alternative A - Two Debt Issues

**Table 2**  
**West Valley Sanitation District**  
**District Self Fund Option - Two Debt Issues (\$57MM Debt Issued)**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<u>Clean Water Financing Authority</u>							
2005 Series A	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>SRF Loan</u>	<u>152,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Clean Water Financing Debt	\$152,402	\$0	\$0	\$0	\$0	\$0	\$0
<u>District Debt Service</u>							
Sewer Revenue Refunding Bonds Series 2010	\$440,763	\$446,388	\$446,238	\$445,547	\$449,019	\$441,519	\$443,219
2018/19 Bond Series, or Loan (1)	736,446	1,143,730	1,143,730	1,143,730	1,143,730	1,143,730	1,143,730
<u>2019/20 Bond Series, or Loan (2)</u>	<u>0</u>	<u>1,787,540</u>	<u>2,776,122</u>	<u>2,776,122</u>	<u>2,776,122</u>	<u>2,776,122</u>	<u>2,776,122</u>
Total District Debt Service	\$1,177,209	\$3,377,658	\$4,366,089	\$4,365,398	\$4,368,870	\$4,361,370	\$4,363,070
Total Debt Service	\$1,329,611	\$3,377,658	\$4,366,089	\$4,365,398	\$4,368,870	\$4,361,370	\$4,363,070

(1) Financing is established at approximately \$16.6 million at 5.5% interest for 30 years, including 1% for transaction costs. Transaction costs are included in FY 2018/19 debt service

(2) Financing is established at approximately \$40.3 million at 5.5% interest for 30 years, including 1% for transaction costs. Transaction costs are included in FY 2019/20 debt service

**Alternative B - Single Debt Issue 2018/19**

**Table 3**  
**West Valley Sanitation District**  
**District Self Fund Option - One Debt**  
**Issue (\$63MM Debt Issue)**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Beginning Fund Balance (1)</b>	<b>\$21,054,966</b>	<b>\$66,726,636</b>	<b>\$47,307,925</b>	<b>\$33,676,783</b>	<b>\$32,347,975</b>	<b>\$27,555,874</b>	<b>\$25,135,962</b>
Proposed SSC Percent Revenue Increase	6.17%	6.17%	6.17%	6.17%	6.17%	6.17%	6.17%
<b>Operating Revenues</b>							
Sewer Service Charges	\$26,805,000	\$28,458,000	\$30,213,000	\$32,076,000	\$34,054,000	\$36,154,000	\$38,383,000
Clean Water Program (NPS)	-	-	-	-	-	-	-
Connection Fees (4)	727,000	734,000	741,000	748,000	755,000	763,000	771,000
Capacity Fees (4)	283,000	286,000	289,000	292,000	295,000	298,000	301,000
Hillside Fees	157,000	157,000	157,000	157,000	157,000	157,000	157,000
Other Operating Revenues (2,4)	432,000	436,000	440,000	444,000	448,000	452,000	457,000
Total Operating Revenues	\$28,404,000	\$30,071,000	\$31,840,000	\$33,717,000	\$35,709,000	\$37,824,000	\$40,069,000
<b>Other Revenues</b>							
Interest Income (3)	\$108,000	\$338,000	\$241,000	\$173,000	\$167,000	\$143,000	\$131,000
Bond or Loan Proceeds	62,923,000						
Other Income	4,225	4,225	4,225	4,225	4,225	4,225	4,225
Total Other Revenues	\$63,035,225	\$342,225	\$245,225	\$177,225	\$171,225	\$147,225	\$135,225
<b>Total Revenues</b>	<b>\$91,439,225</b>	<b>\$30,413,225</b>	<b>\$32,085,225</b>	<b>\$33,894,225</b>	<b>\$35,880,225</b>	<b>\$37,971,225</b>	<b>\$40,204,225</b>
<b>Operating Expenses (5)</b>							
Salaries & Benefits	\$5,596,000	\$5,792,000	\$5,995,000	\$6,205,000	\$6,422,000	\$6,647,000	\$6,880,000
District Maintenance & Operations	2,980,000	3,084,000	2,892,000	2,993,000	3,098,000	3,206,000	3,318,000
Treatment Plant Operations (6)	9,976,000	10,464,000	10,831,000	11,211,000	11,603,000	12,009,000	12,429,000
Clean Water Program	0	0	0	0	0	0	0
Total Operating Expenses	\$18,552,000	\$19,340,000	\$19,718,000	\$20,409,000	\$21,123,000	\$21,862,000	\$22,627,000
Net Revenues for Debt Service/Capital	\$72,887,225	\$11,073,225	\$12,367,225	\$13,485,225	\$14,757,225	\$16,109,225	\$17,577,225
Debt Service Coverage	2.9	2.3	2.6	2.8	3.1	3.4	3.7
<b>Other Expenses</b>							
RWF O&M Reserve (60 Days)	\$573,354	\$635,556	\$61,167	\$63,333	\$65,333	\$67,667	\$70,000
Debt service	3,380,886	4,775,830	4,775,680	4,774,989	4,778,461	4,770,961	4,772,661
Capital Outlay	23,261,315	25,080,551	21,161,521	9,975,711	14,705,532	13,690,510	10,751,016
Total Other Expenses	\$27,215,555	\$30,491,936	\$25,998,367	\$14,814,033	\$19,549,326	\$18,529,137	\$15,593,677
<b>Total Expenses</b>	<b>\$45,767,555</b>	<b>\$49,831,936</b>	<b>\$45,716,367</b>	<b>\$35,223,033</b>	<b>\$40,672,326</b>	<b>\$40,391,137</b>	<b>\$38,220,677</b>
<b>Net Total Revenues</b>	<b>\$45,671,670</b>	<b>(\$19,418,711)</b>	<b>(\$13,631,142)</b>	<b>(\$1,328,808)</b>	<b>(\$4,792,101)</b>	<b>(\$2,419,912)</b>	<b>\$1,983,548</b>
<b>Ending Fund Balance</b>	<b>\$66,726,636</b>	<b>\$47,307,925</b>	<b>\$33,676,783</b>	<b>\$32,347,975</b>	<b>\$27,555,874</b>	<b>\$25,135,962</b>	<b>\$27,119,510</b>
<b>District Reserve Target (7)</b>	<b>\$19,604,000</b>	<b>\$20,004,000</b>	<b>\$23,009,000</b>	<b>\$24,634,000</b>	<b>\$24,518,000</b>	<b>\$25,060,000</b>	<b>\$25,630,000</b>
Target Met?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Treatment Plant Operational Reserve (8)</b>	<b>\$1,108,444</b>	<b>\$1,744,000</b>	<b>\$1,805,167</b>	<b>\$1,868,500</b>	<b>\$1,933,833</b>	<b>\$2,001,500</b>	<b>\$2,071,500</b>

(1) Unrestricted cash reserves only

(2) Permit, inspection, and other miscellaneous fees including labor and overhead billed for services provided by District staff. Excludes Hillside Assessment

(3) Interest earnings assume 0.5% interest on District beginning fund balance and .25% interest on San Jose Held O&M Reserves

(4) Escalated with 1.0% growth

(5) Operating expenses escalate by 3.5% annually during projection period

(6) Treatment Plant O&M 2017/18 updated from 5.12.2017 "TPAC 2017/18 Proposed Operating Budget" page 2. Expenses escalated by 3.5% plus WVSD's estimated share of additional O&M (TPAC V - 142)

(7) Target is equal to 8 months of operating expenses, 1 year of annual debt service, 1 year of District-only capital projects, and a vehicle replacement reserve

(8) Treatment Plant Operational Reserve Contribution estimated based on meeting 60 days of WWTP O&M expenses by 2019/20

**Alternative B - Single Debt Issue 2018/19**

**Table 4**  
**West Valley Sanitation District**  
**District Self Fund Option - One Debt Issue (\$63MM Debt Issue)**

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<u>Clean Water Financing Authority</u>							
2005 Series A	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>SRF Loan</u>	<u>152,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Clean Water Financing Debt	\$152,402	\$0	\$0	\$0	\$0	\$0	\$0
<u>District Debt Service</u>							
Sewer Revenue Refunding Bonds Series 2010	\$440,763	\$446,388	\$446,238	\$445,547	\$449,019	\$441,519	\$443,219
<u>2018/19 Bond Series, or Loan (1)</u>	<u>2,787,721</u>	<u>4,329,442</u>	<u>4,329,442</u>	<u>4,329,442</u>	<u>4,329,442</u>	<u>4,329,442</u>	<u>4,329,442</u>
Total District Debt Service	\$3,228,484	\$4,775,830	\$4,775,680	\$4,774,989	\$4,778,461	\$4,770,961	\$4,772,661
Total Debt Service	\$3,380,886	\$4,775,830	\$4,775,680	\$4,774,989	\$4,778,461	\$4,770,961	\$4,772,661

(1) Financing is established at approximately \$63 million at 5.5% interest for 30 years, including 1% for transaction costs. Transaction costs are included in FY 2018/19 debt service

**Figure 1 – Alternatives Bill Comparison**

<b>SFR Monthly Bill</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Proposed - (Line of Credit & FY 2021 Bond)	\$43.77	\$45.66	\$48.40	\$51.30	\$54.38	\$57.65	\$61.10	\$64.77
Alternative A - Two Debt Issues	\$43.77	\$45.87	\$48.85	\$52.03	\$55.41	\$59.01	\$62.84	\$64.77
Alternative B - Single Debt Issue 2018/19	\$43.77	\$45.73	\$48.54	\$51.54	\$54.72	\$58.09	\$61.67	\$65.47

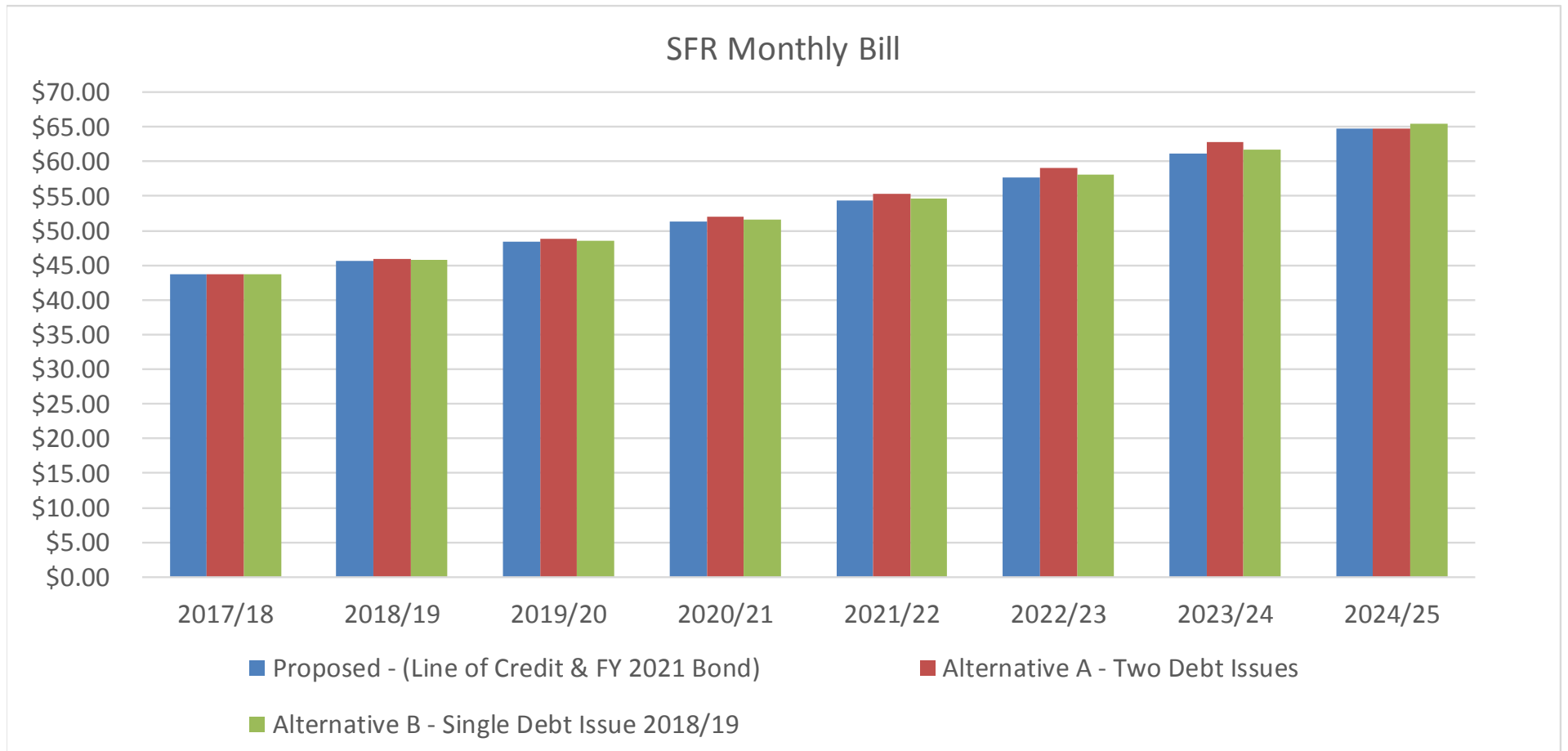
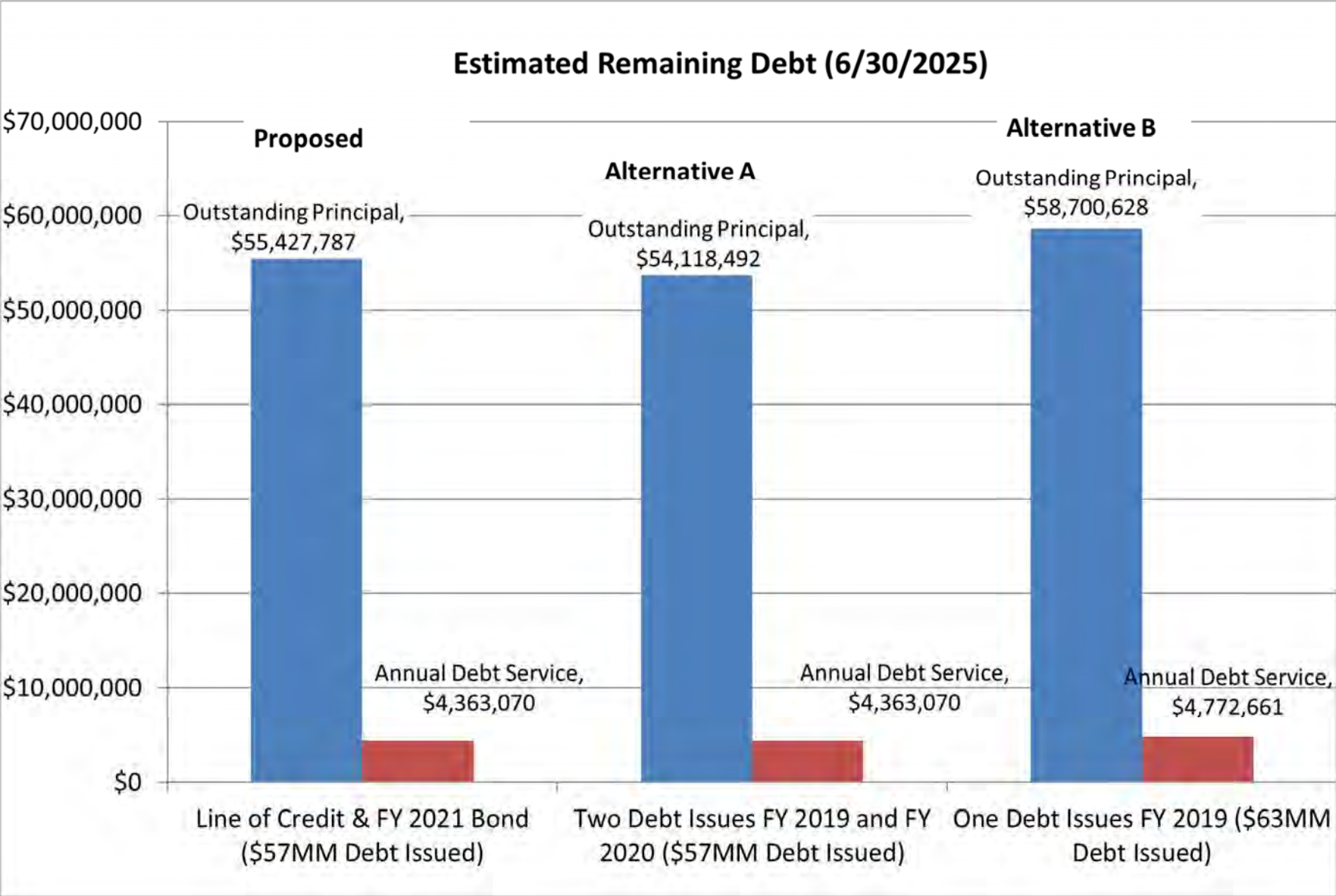
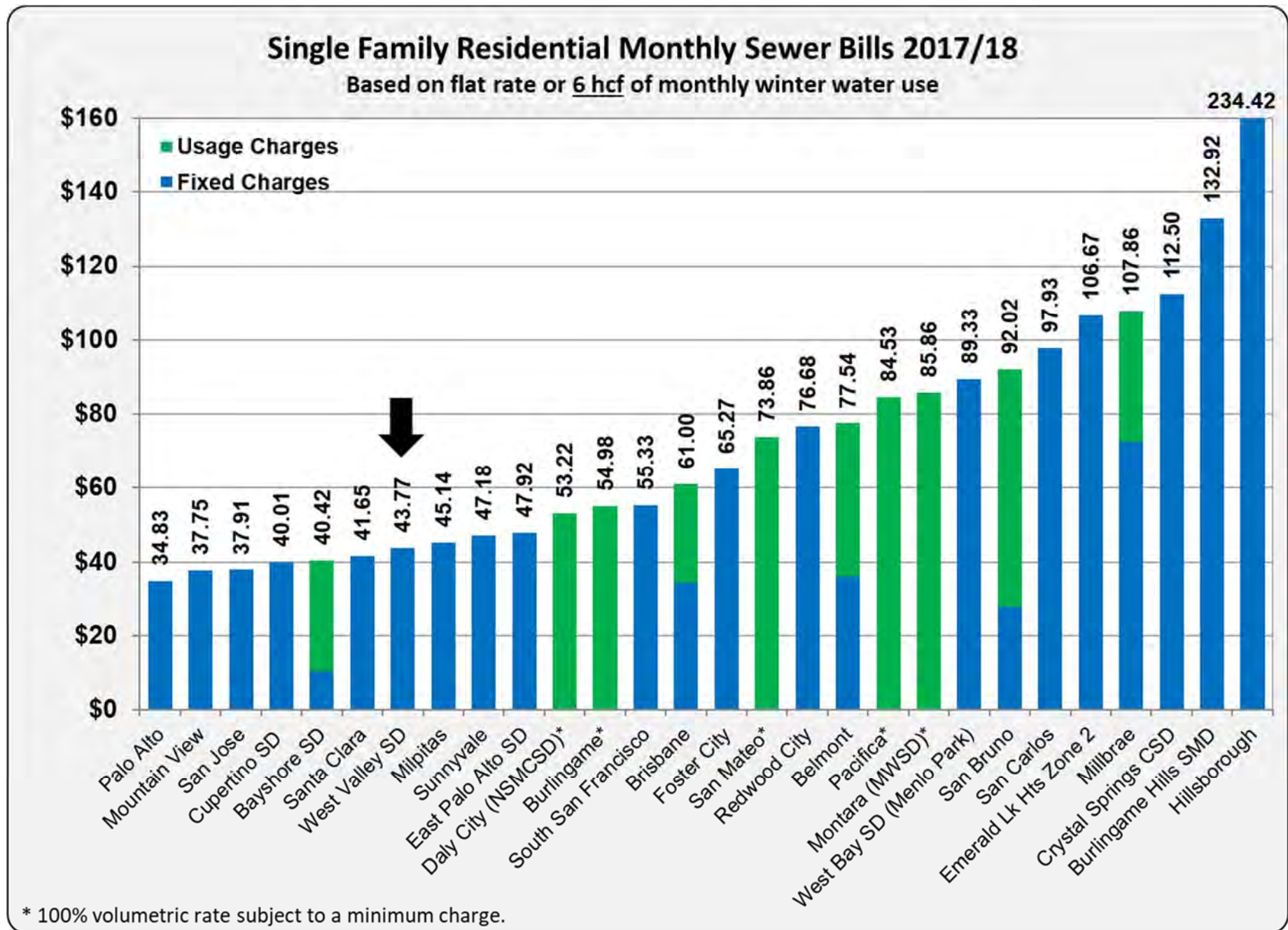


Figure 2 – Alternatives Estimated Outstanding Debt Comparison





## Appendix C – Regional Sewer Rate Survey



**Proposition 218 Notification  
NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING  
ON SEWER RATES**

[O\_NAME ]  
[O\_NAME1]  
[O\_STREET]  
[O\_CITY, O\_STATE O\_ZIP]

Regarding APN Number: [L\_APN]; [L\_STREET], [L\_CITY]

**Hearing Date & Time: May 9, 2018, at 6:00 PM or as soon thereafter as possible**  
**Hearing Location: 70 North First Street, Campbell, CA 95008**  
**Questions or More Information: (408) 385-3050**

***Why Am I Receiving This Notice?***

The property listed above receives sewer service from **West Valley Sanitation District (District)**. The District collects from your property a service charge for sewer services, and the charge appears on your annual property tax bill from Santa Clara County. The District is proposing to increase its annual service rates. As a result, you are receiving this notice in accordance with Proposition 218, a state law that establishes procedural requirements for imposition of new and increased utility charges. The procedural requirements include providing mailed notice to each owner of a parcel subject to new or increased charges of the amount of the proposed charge, the basis for calculating the charge, the reasons for the charge, and the date, time and location of a public hearing on the proposed charge.

This notice is intended to provide you with information on the services provided by West Valley Sanitation District, the proposed service rates, the reasons for the increase in the annual service rates, the bases for rate calculation, and information on a public hearing on the proposed rate changes.

***What Services Does West Valley Sanitation District Provide?***

West Valley Sanitation District provides wastewater collection and disposal service to homes and businesses in the cities of Campbell, Monte Sereno, Los Gatos, parts of Saratoga, and some unincorporated areas of the County. The wastewater is collected through a network of sewer mains and conveyed to the regional wastewater treatment plant in San Jose where it is treated to the highest state standards. The District continuously operates and maintains a safe and reliable sewer system 24 hours a day, 7 days a week.

***Why is a Rate Increase Needed?***

West Valley Sanitation District's sewer service charge remains competitive within the Bay Area. The proposed rate increases will enable the District to ensure reliable sewer services and protect public health and safety. The charges collected are for both the collection and treatment of wastewater, and the rate increases included in this Notice cover the costs of operating the collection and treatment system, as well as maintaining 602 miles of sewer lines, and paying for replacement of aging infrastructure. In addition, the District contracts with the City of San Jose for the treatment of the wastewater and the District is responsible to collect the fees necessary to cover the City of San Jose's increasing costs to operate the treatment plant. The City of San Jose is facing a major rebuild of its wastewater treatment plant and the proposed rate increases are needed to address the District's share of capital improvement projects that will be constructed at the plant. Details regarding the City of San Jose's rebuilding of the plant can be found at <http://www.sanjoseca.gov/index.aspx?NID=1665>. The proposed rate increases will help fund the needed improvements to ensure the Plant and the District continue to perform the vital role of protecting public health and safety while complying with regulatory requirements.

***Basis of Proposed Rates***

Article XIID of the California Constitution (also known as Proposition 218) requires that providers of public utility services levy service charges that are clearly linked to the cost of providing the service. The cost of service calculation includes expenses such as labor, energy, chemicals and other supplies, and the cost of providing required maintenance of the system. The rates proposed herein are designed to meet all legal requirements and fairly and equitably recover the required revenue from all customer classes. The rates were developed by Bartle Wells Associates, an independent consultant retained by the District. The District worked with the consultant to conduct a complete and thorough rate study, and the final findings of that report, which include the detailed calculations showing the basis for these fees, are available from the District upon request.

### ***Proposed Rate Changes***

Based on the findings of the rate study report prepared by Bartle Wells Associates, West Valley Sanitation District is proposing to increase sewer service charges. The increases were phased in over five years to mitigate the impacts to customers. See current charges and rate changes listed on the schedule below:

Rate Effective Date	Current	July, 1 2018		July, 1 2019		July, 1 2020		July, 1 2021		July, 1 2022	
<b>RESIDENTIAL</b>	<u>Monthly</u>	<u>Monthly</u>	<u>Change</u>	<u>Monthly</u>	<u>Change</u>	<u>Monthly</u>	<u>Change</u>	<u>Monthly</u>	<u>Change</u>	<u>Monthly</u>	<u>Change</u>
Single-Family Dwelling	\$43.77	\$46.25	5.7%	\$48.87	5.7%	\$51.63	5.7%	\$54.56	5.7%	\$57.65	5.7%
Multiple Dwelling Unit	\$30.55	\$32.96	7.9%	\$35.55	7.9%	\$38.35	7.9%	\$41.38	7.9%	\$44.64	7.9%
Mobile Home	\$30.55	\$31.53	3.2%	\$32.54	3.2%	\$33.58	3.2%	\$34.65	3.2%	\$35.76	3.2%
Accessory Dwelling Unit	-	\$31.53	-	\$32.54	3.2%	\$33.58	3.2%	\$34.65	3.2%	\$35.76	3.2%
<b>GROUPED INDUSTRIAL AND COMMERCIAL</b>											
<u>Grouped Industrial</u>	<u>Per HCF*</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>	<u>Per HCF*</u>	<u>Change</u>
Winery	\$13.41	\$14.22	6.0%	\$15.08	6.0%	\$15.99	6.0%	\$16.95	6.0%	\$17.97	6.0%
Printing Works	\$6.21	\$6.46	4.1%	\$6.72	4.1%	\$7.00	4.1%	\$7.28	4.1%	\$7.57	4.1%
Machinery Manufacturing	\$6.50	\$6.77	4.2%	\$7.06	4.2%	\$7.36	4.2%	\$7.67	4.2%	\$7.99	4.2%
Electrical Equipment	\$4.38	\$4.56	4.1%	\$4.75	4.1%	\$4.94	4.1%	\$5.14	4.1%	\$5.35	4.1%
Film Service	\$4.61	\$4.61	0.0%	\$4.61	0.0%	\$4.61	0.0%	\$4.61	0.0%	\$4.61	0.0%
Plating Works	\$4.19	\$4.24	1.1%	\$4.29	1.1%	\$4.33	1.1%	\$4.38	1.1%	\$4.43	1.1%
Industrial Laundry	\$8.74	\$9.03	3.4%	\$9.34	3.4%	\$9.65	3.4%	\$9.97	3.4%	\$10.31	3.4%
Car Wash	\$3.53	\$3.77	6.7%	\$4.02	6.7%	\$4.29	6.7%	\$4.57	6.7%	\$4.88	6.7%
<u>Commercial</u>											
Restaurant	\$8.64	\$9.30	7.6%	\$10.00	7.6%	\$10.76	7.6%	\$11.58	7.6%	\$12.46	7.6%
Hotel-Motel	\$4.48	\$4.78	6.8%	\$5.11	6.8%	\$5.45	6.8%	\$5.82	6.8%	\$6.22	6.8%
Gas Station-Repair	\$4.78	\$5.03	5.3%	\$5.30	5.3%	\$5.59	5.3%	\$5.88	5.3%	\$6.20	5.3%
Domestic Laundry	\$3.92	\$4.18	6.7%	\$4.46	6.7%	\$4.76	6.7%	\$5.08	6.7%	\$5.42	6.7%
Retail/Office/Misc.	\$4.65	\$4.79	3.0%	\$4.94	3.0%	\$5.09	3.0%	\$5.24	3.0%	\$5.40	3.0%
Hospitals	\$4.16	\$4.48	7.6%	\$4.82	7.6%	\$5.18	7.6%	\$5.57	7.6%	\$6.00	7.6%
Schools	\$5.23	\$5.41	3.4%	\$5.60	3.4%	\$5.79	3.4%	\$5.99	3.4%	\$6.19	3.4%

\*1 HCF = 748 gallons

\*The volume of wastewater discharged for each customer is determined from the customer's average winter water consumption from the previous year.

### ***Proposition 218 Hearing Process***

**PLEASE CONTACT US:** If you have questions or comments about the proposed rate increases, you may address the Board of Directors and/or submit written comments concerning the proposed rate changes at the following public hearing:

West Valley Sanitation District Board of Directors will consider the proposed rate increases at a public hearing at

**6:00 pm, Wednesday, May 9, 2018  
70 North First Street,  
Campbell, California, 95008**

Under Proposition 218, if you are the owner of record of a parcel or parcels subject to the proposed rate increase, or a tenant directly liable for payment of the fees subject to the proposed rate increase, you may file a written protest. Written protests must be submitted in accordance with Resolution No.13.03.04 Adopting Guidelines for the Submission and Tabulation of Protests Pursuant to Article XIII D of the California Constitution (Proposition 218), attached hereto to this Notice and must meet all requirements in Section 3 of the attached Resolution. Signed, written protests must be mailed in a sealed envelope to the following address:

Secretary of the Board  
West Valley Sanitation District  
100 East Sunnyside Avenue  
Campbell, CA 95008

**\*\*All written protests must be received prior to the close of the public hearing on May 9, 2018.\*\***

If written protests are submitted by a majority of the affected parcel owners, the rate increase will not be imposed.

**Proposition 218 Notification**  
**NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING**  
**ON HILLSIDE ZONE ADDITIONAL SEWER RATE**

[O\_NAME ]  
[O\_NAME1]  
[O\_STREET]  
[O\_CITY, O\_STATE O\_ZIP]

Regarding APN Number: [L\_APN]; [L\_STREET], [L\_CITY]

**Hearing Date & Time: May 9, 2018, at 6:00 PM or as soon thereafter as possible**  
**Hearing Location: 70 North First Street, Campbell, CA 95008**  
**Questions or More Information: (408) 385-3050**

***Why Am I Receiving This Notice?***

The property listed above receives sewer service from **West Valley Sanitation District (District)**. The District collects from your property a service charge for sewer services, and the charge appears on your annual property tax bill from Santa Clara County. The District is proposing to increase its annual service rates. As a result, you are receiving this notice in accordance with Proposition 218, a state law that establishes procedural requirements for imposition of new and increased utility charges. The procedural requirements include providing mailed notice to each owner of a parcel subject to new or increased charges of the amount of the proposed charge, the basis for calculating the charge, the reasons for the charge, and the date, time and location of a public hearing on the proposed charge. Separately, the District has notified you of a proposed increase in the sewer charge for sewer services. This notice addresses an increase in the additional "Hillside Zone Rate" that the District charges to recover costs due to land subsidence and erosion.

***What Services Does West Valley Sanitation District Provide?***

West Valley Sanitation District provides wastewater collection and disposal service to homes and businesses in the cities of Campbell, Monte Sereno, Los Gatos, parts of Saratoga, and some unincorporated areas of the County. The wastewater is collected through a network of sewer mains and conveyed to the regional wastewater treatment plant in San Jose where it is treated to the highest state standards. The District continuously operates and maintains a safe and reliable sewer system 24 hours a day, 7 days a week.

***Why is the Hillside Zone Additional Rate Needed?***

The Hillside Zone Rate recovers the additional costs to serve parcels within the zone located in the hillside of the District service area. Sanitary sewers in the hillside zone are subject to failure due to land subsidence or erosion and have a shorter life cycle than the pipelines outside of the hillside zone. The Hillside Zone Additional Sewer Rate is being increased to recover the costs of \$4.5 million in projected hillside improvements to maintain a safe and reliable sewer service to the 1570 hillside parcels. To minimize the impact on property owners within the hillside zone, the District is proposing to recover the costs of improvements within the zone over a 30-year period. As additional projects are required to replace or relocate pipelines, project cost will be added to the principal balance and then divided by the total number of parcels in the hillside zone and the useful life of the project to determine the new rate. The cumulative projects will result in replacing all pipelines by the end of their life cycle. The proposed rate methodology equitably allocates project costs across all hillside parcels while maintaining level of services due to decreased pipeline service life.

***Basis of Proposed Rates***

Article XIIID of the California Constitution (also known as Proposition 218) requires that providers of public utility services levy service charges that are clearly linked to the cost of providing the service. The cost of service calculation includes expenses such as labor, energy, chemicals and other supplies, and the cost of providing required maintenance of the system. The rates proposed herein are designed to meet all legal requirements and fairly and equitably recover the required revenue from all customer classes. The rates were developed by Bartle Wells Associates, an independent consultant retained by the District. The District worked with the consultant to conduct a complete and thorough rate study, and the final findings of that report, which include the detailed calculations showing the basis for these fees, are available from the District upon request.

**Proposed Rate**

As noted on Page 1, the District is separately proposing to increase sewer service charges. The parcel listed on Page 1 of this notice is located in the Hillside Zone and is subject to the additional "Hillside Zone Rate" listed on the schedule below:

Rate Effective Date	Current	July, 1 2018		July, 1 2019		July, 1 2020		July, 1 2021		July, 1 2022	
ZONE SPECIFIC ADDITIONAL RATE	Monthly	Monthly	Change	Monthly	Change	Monthly	Change	Monthly	Change	Monthly	Change
Hillside Zone Rate (per parcel)	\$4.17	\$8.33	100%	\$8.33	0%	\$8.33	0%	\$8.33	0%	\$8.33	0%

**Proposition 218 Hearing Process**

**PLEASE CONTACT US:** If you have questions or comments about the proposed rate increases, you may address the Board of Directors and/or submit written comments concerning the proposed rate changes at the following public hearing:

West Valley Sanitation District Board of Directors will consider the proposed rate increases at a public hearing at

**6:00 pm, Wednesday, May 9, 2018  
70 North First Street,  
Campbell, California, 95008**

Under Proposition 218, if you are the owner of record of a parcel or parcels subject to the proposed rate increase, or a tenant directly liable for payment of the fees subject to the proposed rate increase, you may file a written protest. Written protests must be submitted in accordance with Resolution No.13.03.04 Adopting Guidelines for the Submission and Tabulation of Protests Pursuant to Article XIII D of the California Constitution (Proposition 218), attached hereto to this Notice and must meet all requirements in Section 3 of the attached Resolution. Signed, written protests must be mailed in a sealed envelope to the following address:

Secretary of the Board  
West Valley Sanitation District  
100 East Sunnyside Avenue  
Campbell, CA 95008

**\*\*All written protests must be received prior to the close of the public hearing on May 9, 2018.\*\***

If written protests are submitted by a majority of the affected parcel owners, the rate increase will not be imposed.

## RESOLUTION NO. 13.03.04

### A RESOLUTION OF THE BOARD OF DIRECTORS OF WEST VALLEY SANITATION DISTRICT ADOPTING GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS PURSUANT TO ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION (PROPOSITION 218)

WHEREAS, West Valley Sanitation District (District) levies charges for utility services, such as an annual sewer service and use charge for properties within the District's jurisdiction and connected to the District's sewer system, pursuant to the authority granted by state law; and

WHEREAS, the purpose of this annual charge is to reimburse the District for the costs it incurs in operating, maintaining and improving its sewer system, and the administrative services and maintaining adequate reserves, as well as to reimburse the District's share of operation and maintenance of the San Jose/Santa Clara Water Pollution Control Plant.

WHEREAS, Section 6 of Articles XIII D of the California Constitution and Government Code Section 53755 impose certain notice, hearing, and protest procedures that are applicable to rate increases for property-related services, such as water and sewer services; and

WHEREAS, the Board of Directors desires to establish a uniform set of procedures applicable to the submission and tabulation of protests submitted against future utility rate increase proposals; and

WHEREAS, it is the Board of Directors' intent in adopting this resolution to adopt fee modification proceedings which are consistent and in compliance with, Articles XIII C and XIII D of the California Constitution and with the Proposition 218 Omnibus Implementation Act.

NOW THEREFORE, the Board of Directors of the West Valley Sanitation District does hereby resolve as follows:

**Guidelines for the Submission and Tabulation of Protests.** The Board of Directors of the West Valley Sanitation District (District) adopts the following guidelines to govern the submission and tabulation of protests against proposed utility rate increases.

#### **SECTION 1. Definitions.**

Unless the context clearly indicates another meaning was intended, the following definitions shall apply:

1. "Fee" or "Charge" means any levy, other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.
2. "Parcel" means a County Assessor's parcel, the owner or occupant of which is subject to the proposed utility charge that is the subject of the hearing.

3. "Record Owner" means the owner of a Parcel whose name and address appears on the County Assessor's last equalized secured property tax assessment roll, or in the case of any public entity, the State of California, or the United States, means the representative of that public entity at the address of that entity known to the District.
4. "Tenant" means either: (a) a utility customer to whom the District sends utility bills for the Parcel in question as reflected in the billing records of the District at the time the notice of a public hearing with respect to a utility rate increase has been given; or (b) any person who provides evidence, satisfactory to the Secretary to the Board, that he or she is a Tenant of the Parcel in question. Evidence that a person is a Tenant may include, but shall not be limited to, a driver's license indicating that the person's address is the same as that of the Parcel in question, any utility bill showing that the person resides at the Parcel in question, or a copy of lease agreement relating to the Parcel in question that is signed by that Person. The Secretary to the Board's determination as to the sufficiency of any such evidence shall constitute a final action of the District and shall not be subject to any appeal.

## **SECTION 2. Written Notification of Proposed Modified Fee or Charge.**

1. The District shall provide written notice by mail of the proposed increase in Fee or Charge to the Record Owner of each identified Parcel upon which the modified fee is proposed for imposition. Such notice shall include the amount of the modified Fee or Charge proposed, the reason for the proposed Fee or Charge, the basis upon which the amount of the proposed Fee or Charge is calculated, and the date, time, and location of a public hearing on the proposed Fee or Charge (Notice of Public Hearing).
2. Failure of any person to receive a Notice of Public Hearing shall not invalidate the proceedings conducted hereunder and Section 6, Article XIII D of the California Constitution.

## **SECTION 3. Submission of Protests.**

1. Any Record Owner or Tenant may submit a written protest to the Secretary to the Board, either by delivery to the Secretary to the Board of the West Valley Sanitation District at 100 East Sunnyside Avenue, Campbell, California 95008, or by submitting the written protest to the Secretary to the Board at the public hearing. Preferably, mailed protests will note on the envelope "Service Charge Protest."
2. To be valid, each protest shall:
  - a. Be in writing;
  - b. Identify the affected Parcel (by assessor's parcel number or street address) for the Secretary to the Board to verify that such Parcel is within the District's jurisdiction and is connected to the District's sewer system;
  - c. Identify the Record Owner or Tenant making the protest, and if a Tenant, include sufficient evidence that he or she is a Tenant of the Parcel in question;
  - d. Clearly state its opposition to the proposed Fees or Charges;
  - e. Be signed and bear the original signature of the Record Owner or Tenant submitting the protest; and
  - f. Be sealed in an envelope.



3. The following protests will not be accepted or considered by the District Board of Directors in its tabulation of protests:
  - a. Protests submitted by e-mail or facsimile;
  - b. Verbal protests;
  - c. Any protests received after the public hearing; and
  - d. Any protests that appear tampered with or otherwise invalid based upon their appearance, method of delivery, or other circumstances.
4. Each Record Owner or Tenant may submit a protest, but only one protest will be counted per Parcel. Any one protest submitted in accordance with these rules will be sufficient to count as a protest for that Parcel.
5. Any person who submits a protest may withdraw it by submitting to the Secretary to the Board a written request that the protest be withdrawn. The withdrawal of the protest shall contain sufficient information to identify the affected Parcel and the name of the Record Owner or Tenant who submitted the protest and the request that it be withdrawn. To effectively be withdrawn, the request to withdraw must be received prior to the close of the public hearing.
6. To ensure transparency and accountability in the tabulation of protests, protests will be maintained in confidence until tabulation begins following the public hearing.
7. Once a protest is opened during tabulation, it becomes a disclosable public record, as required by state law.
8. A fee protest proceeding is not an election.

#### **SECTION 4. Public Hearing.**

1. Not less than forty-five (45) days after mailing the notice of the proposed Fee or Charge modification to the Record Owners of each identified Parcel upon which the fee is proposed for modification, the Board of Directors shall conduct a public hearing upon the proposed Fee or Charge modification. At the public hearing, the Board of Directors shall consider all written protests against the proposed modification that meet the requirements of Section 3 above.
2. Although verbal comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the Board of Directors welcomes input from the community during the public hearing on the proposed Fees or Charges. At the public hearing, the Board of Directors shall hear all public testimony regarding the proposed modification and accept written protests until the close of the public hearing.
3. The Board of Directors may impose reasonable time limits on both the length of the entire hearing and the length of each speaker's testimony.
4. If additional time is necessary for public testimony, the Board of Directors may continue the public hearing to a later date.



## **SECTION 5. Tabulation of Protests**

1. At the conclusion of the public hearing, the Secretary to the Board shall complete tabulation of all the written protests, including those received during the public hearing.
2. The Secretary to the Board shall determine the validity of all protests received in accordance with Section 3. The Secretary to the Board's decision, after consultation with legal counsel, that a protest is not valid, shall constitute a final action of the District and shall not be subject to any appeal.
3. The Secretary to the Board shall report the results of the tabulation to the Board of Directors upon completion. If review of the protests demonstrates that the number received is manifestly less than one-half of the Parcels served by the District with respect to the Fee or Charge that is the subject of the protest, then the Secretary to the Board may advise the Board of Directors of the absence of a majority protest without determining the validity of all protests.
4. If, at the conclusion of the public hearing, the Secretary to the Board determines that additional time to tabulate the protests will be required, the Secretary to the Board shall advise the Board of Directors, which may adjourn the meeting to allow for the tabulation to be completed. The Board of Directors shall then declare the time and place of tabulation, which shall be conducted in a place where interested members of the public may observe the tabulation, and the Board of Directors shall declare the time at which the meeting shall be resumed to receive and act on the tabulation report of the Secretary to the Board.

## **SECTION 6. Majority Protest.**

A majority protest exists if written protests are timely submitted and not withdrawn by the Record Owners or Tenants representing a majority (50% plus one) of the total number of Parcels subject to the proposed modification of Fee or Charge.

PASSED AND ADOPTED this 13<sup>th</sup> day of March, 2013, by the following vote:

AYES: Anstandig, Leonardis, Low, Page, Yeager

NOES: None

ABSENT: None

ABSTAIN:

S/Ken Yeager  
CHAIRPERSON OF THE BOARD OF DIRECTORS

ATTEST: S/Lesha Luu

APPROVED AS TO FORM: S/Sarah Olinger



**Burbank Sanitary District**

20863 Stevens Creek Blvd., Suite 100  
Cupertino, CA 95014  
Phone (408) 255-2137 Fax (408) 253-5173  
[www.burbanksanitary.org](http://www.burbanksanitary.org)

**"Serving the Burbank Community since 1940"**

**February 19, 2020**

**TO:** BURBANK BOARD OF DIRECTORS

**FROM:** Benjamin Porter, District Manager-Engineer

**SUBJECT:** Set Public Hearing on Proposed Sanitary Service Rates for Fiscal Year 2021-22.

**RECOMMENDED ACTION:**

It is recommended that the Board of Directors approve Resolution No. 276 to set the date of May 19, 2020 at 7:00 P.M. at the Rose Garden San Jose Public Library Community Room, 1580 Naglee Avenue, San Jose, CA, as the Public Hearing date to consider changes to the District's sanitary service rate structure and take action on the Sewer Service Charges to be collected on the County Tax Roll commencing with Fiscal Year 2020–21.

**REASON FOR RECOMMENDATION:**

Burbank Sanitary District needs to update its rate structure and increase its rates to fund the operations and capital improvements at the San Jose-Santa Clara Regional Wastewater Facility (Treatment Plant) and for the District's own internal collection system. Due to age and condition of these systems, it is no longer possible to effectively manage the District without increasing the rates to cover expenditures.

The Treatment Plant is undertaking a major rehabilitation program and upgrading the plant due to its age. The Treatment Plant is over 50 years old and much of the infrastructure needs to be rehabilitated, replaced or upgraded to meet regulatory discharge requirements. The Treatment Plant operates as a continuous non-stop process that has been working since 1956. The aging infrastructure along with the harsh wastewater environment has resulted in system-wide vulnerabilities that increase the potential for possible failure. The estimated 10-year capital improvement cost for the Treatment Plant improvements is approaching \$2.2 billion of which BSD's share will be approximately 0.2% or \$4.4 million.

The table below shows a breakdown of the Master Plan capital improvement costs for each agency (Tributary Discharger) that flows to the Treatment Plant.



## Burbank Sanitary District

20863 Stevens Creek Blvd., Suite 100

Cupertino, CA 95014

Phone (408) 255-2137 Fax (408) 253-5173

[www.burbanksanitary.org](http://www.burbanksanitary.org)

**"Serving the Burbank Community since 1940"**

<b>Tributary Discharger</b>	<b>%</b>	<b>Cost of \$2.2B</b>
City of San Jose	66.1	\$1,454 M
City of Santa Clara	14.3	\$314 M
City of Milpitas	7.6	\$167 M
West Valley Sanitation District	6.8	\$150 M
Cupertino Sanitary District	4.4	\$96.7 M
CSD 2-3	0.6	\$13.2 M
Burbank Sanitary District	0.2	\$4.4M

With the City of San Jose's increasing expenditures on O&M, CIP, and the CIP cash reserve requirements, the District's cash reserves will continue to diminish and without rate increases and the District will not have enough cash to fund the projected level of expenses.

### **ANALYSIS:**

Staff has completed a rate study to look at the possibility of creating parity between single family and multi-family rates. The current district rates for these two categories are based on 1970 data and have not been updated since. The table below shows the District's current monthly rates, as well as the percent difference between single-family and multi-family rates, compared to those from other Tributary Agencies.

	<b>Milpitas</b>	<b>San Jose</b>	<b>West Valley</b>	<b>Santa Clara</b>	<b>Cupertino</b>	<b>CSD 2-3</b>	<b>Burbank</b>
<b>Single-Family</b>	\$51.26	\$40.07	\$48.87	\$42.91	\$48.40	\$47.50	\$76.56
<b>Multi-Family</b>	\$39.38	\$26.86	\$35.55	\$42.91	\$48.40	\$26.73	\$43.52
<b>Single Family as a Percentage of Multi-Family</b>	77%	67%	73%	100%	100%	56%	57%

All Tributary Agencies have made changes to their single family and multi-family rates, except for Burbank Sanitary District and County Sanitation District 2-3.

To create parity and fairness between single family and multi-family rates, the City of San Jose, in cooperation with Tributary Agencies, performed a water usage study over a three year period from 2012 to 2015. The study used census data to determine the density of people per household. Winter water consumption was used to determine the residential flow per person



## Burbank Sanitary District

20863 Stevens Creek Blvd., Suite 100

Cupertino, CA 95014

Phone (408) 255-2137 Fax (408) 253-5173

[www.burbanksanitary.org](http://www.burbanksanitary.org)

**"Serving the Burbank Community since 1940"**

which was then used to determine the flow per household. This study was completed in 2015 with the following results for Burbank Sanitary District:

Housing Type	GPD/Household
Single-Family	152
Multi-Family	124

District staff find it to be a reasonable methodology to use actual water usage between single family and multi-family to set the rates for each category. Also, in addition to these two categories for residential dwelling units, staff is also recommending a new category, which would be for Accessory dwelling unit (ADU) at 70% of the single-family rate. Currently, all ADUs are grouped with single family dwellings in the District rate structure. Since ADUs were not investigated as part of the 2015 flow study, the District staff assumed an ADU generates approximately 70% of the flow of a single family dwelling, and therefore will be charged at 70% of a single family dwelling.

Staff has also completed a financial analysis based on the Treatment Plant 10-Year CIP expenditure plan, the 2020-21 treatment plant operations and maintenance budget. This analysis considers one rate increase and the District's projected capital expenses over the next five years.

To date, the City of San Jose has not provided financing for the needed capital projects at the treatment plant and has advised the Tributary Agencies that they need to come up with their own financing or pay cash. The attached analysis assumes that the District will pay cash each year to the City of San Jose for the treatment plant capital expenditures and no State Revolving Fund (SRF) loan would be made available for the District to perform its own capital projects. This analysis assumes in FY 20-21, the District will pay cash for the Second Year District CIP in the amount of \$450,000.

The following table shows the staff recommended monthly rates for FY 2020-21.



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Housing Type	Existing Rates	Proposed Rates	Percent Difference
Single Family	\$76.56	\$75.69	-1.13%
Multi-Family	\$43.53	\$62.07	42.6%
ADU	\$76.56	\$52.98	-30.8%
Commercial*	\$54.87	\$59.26	8%
Garage*	\$217.67	\$235.08	8%
Restaurant*	\$229.34	\$247.69	8%
School*	\$54.87	\$59.26	8%

*\*Rate CCF is used to calculate charge if annual total is greater than the minimum charge.*

These rates were calculated based on a total District revenue increase of 8%. Based on this analysis, it is the staff's recommendation to set a public hearing to consider these rates for FY 2020-21.

### **Action:**

The Board to adopt Resolution No. 276 which will establish the following:

1. Intent to Consider an Increase in Sewer Service Charges as noted above for Fiscal Year 2020-2021.
2. Establish the Time and Place for Public Hearing for the Proposed Increase for May 19, 2020.
3. Notice of Public Hearing as Required by Law.

### **ATTACHMENTS:**

- 1) Resolution No. 276
- 2) Rate Increase Study



# BURBANK SANITARY DISTRICT

## PUBLIC HEARING TO CONSIDER SANITARY SEWER SERVICES RATE ADJUSTMENT FOR FY 2020-2021

### AGENDA

- 1) PUBLIC HEARING - STAFF PRESENTATION
  - a) Who we are
  - b) Normalizing sewer rates between single family residences and multi-family units
  - c) Adding new category: Accessory Dwelling Unit
  - d) Rate increase adjustment consideration
- 2) PUBLIC COMMENTS
- 3) BOARD DISCUSSION
- 4) BOARD ACTION

PUBLIC HEARING  
May 19, 2020





# CONSIDERATION TO ADJUST SINGLE FAMILY RATES AND MULTI-FAMILY UNITS

- Board conducted six workshops
  - August 20, 2019
  - October 8, 2019
  - November 5, 2019
  - January 7, 2020
  - January 28, 2020
  - February 18, 2020
- Goal
  - Creating greater parity between service charges for single family and multi-family dwelling units
- The Following slides summarize workshop process



# WORKSHOP PROCESS

## SINGLE FAMILY VS. MULTI-FAMILY RATES

The Board looked at existing rate structures

Tier	FY 19-20 rate per month	FY20-21 rate per month per ORD 63	# of Units
Single Family Residence (including ADUs)	\$76.56	\$82.68	940
Multi-Family Residence	\$43.53	\$47.02	645





# WORKSHOP PROCESS

## SINGLE FAMILY VS. MULTI-FAMILY RATES

Compared to rates with other agencies

	Milpitas	San Jose	West Valley	Santa Clara	Cupertino	CSD 2-3	Burbank
Single Family	\$51.26	\$40.07	\$48.87	\$42.91	\$48.40	\$47.50	\$76.56
Multi-Family	\$39.38	\$26.86	\$35.55	\$42.91	\$48.40	\$26.73	\$43.52
Percentage	77%	67%	73%	100%	100%	56%	57%



# WORKSHOP PROCESS

## SINGLE FAMILY VS. MULTI-FAMILY RATES

### Engineering studies to make rate adjustments

- Used data from City of San Jose Flow Study completed in 2015
  - Single family used 152 gallons per day
  - Multi-family used 124 gallons per day per unit
- Based on this data and neighboring agency charge rates, multi-family rates of 82% of the single family is justifiable and provides parity and reasonable cost allocation

### Proposed rate adjustments

	Current Rate	Proposed Rate
Single Family	\$76.56	\$78.32
Multi-Family	\$43.52	\$64.23
Percentage	57%	82%



# ACCESSORY DWELLING UNITS (ADU)

- There is no adopted definition for ADU
- ADUs are currently charged the same rate as a single family unit
- Add new classification for ADU
- ADU will be defined as follows:
  - A detached residential dwelling unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family detached dwelling is situated.
  - An attached residential dwelling will have the same function as the detached residential dwelling as defined above, except when attached, it shall have a separate entry and solid wall separating the units from each other.



# ADU WORKSHOP SUMMARY

The Board conducted several workshops – topics included:

- AB 2299
- Rate structures used by other agencies
- Appropriate/reasonable rate for ADU in relation to single family rates

Use	Rates							
	0%	50%	60%	70%	75%	80%	90%	100%
SFR	\$81.18	\$77.18	\$76.43	\$75.69	\$75.33	\$74.96	\$74.25	\$73.56
MFR	\$66.57	\$63.29	\$62.67	\$62.07	\$61.77	\$61.47	\$60.89	\$60.32
ADU	\$0.00	\$38.59	\$45.86	\$52.98	\$56.49	\$59.97	\$66.83	\$73.56

During the workshops, staff recommended using 70% of the single family rate for ADU

- Slightly lower than multi-family rates of 82%
- Comparable to other agency charges for ADU
- Reasonable, justifiable, defensible



# RECOMMENDED RATE ADJUSTMENTS

Type of Services	Current Rates	Proposed Rates for FY 2020-2021
Residential Per Unit (Single Family/Townhouse/Condo)	\$918.72/Year \$76.56/Month	\$908.28/Year \$75.69/Month
Residential Multiple Per Unit (Duplex/Apartment)	\$522.36/Year \$43.53/Month	\$744.84/Year \$62.07/Month
Accessory Dwelling Unit (AD&U)	Same as SFR	\$635.76/Year \$52.98/Month
Commercial Properties	\$6.32/HCF * \$658.44/Year Minimum	\$6.83/HCF \$711.12/Year Minimum
Restaurant	\$16.89/HCF * \$2,752.08/Year Minimum	\$18.24/HCF \$2,972.28/Year Minimum
Garage **	\$7.37/08HCF * \$2,612.04/Year Minimum	\$7.96/HCF \$2,821.00/Year Minimum

If we do nothing, Ordinance No. 63 adopted on 7/2/2019 will govern the rates.

For FY 2020-21 (SFR -\$992.16 and MDU-\$564.24)

For FY 2021-22 (SFR -\$1,071.60 and MDU-\$609.36)

For FY 2022-23 (SFR - \$1,157.28 and MDU-\$658.08)

For FY 2023-24 (SFR - \$1,249.92 and MDU-\$710.64)



# Memo

Item 8B

**To: Board of Directors**  
**From: Benjamin T. Porter, District Manager-Engineer**  
**Date: August 4, 2020**  
**RE: Reimbursement of Sewer Service Charges for DISH N DASH at 20750 Stevens Creek Blvd, Cupertino (APN: 359-08-029)**

**Summary:**

On November 26, 2019 Nick Adamson, the property manager for Dish N Dash, contacted CUSD about its sanitary sewer charge and the calculation. He claimed that the water meters were not correctly recorded by California Water Company (CAW) and requested a site visit and verification.

An onsite field verification was conducted on February 21, 2020 with CAW staff, CUSD staff and Nick Adamson. CAW on March 4, 2020 confirmed that the water meter information provided to us earlier was incorrect. CAW reconfirmed meter readings as follows:

- 1) Two meters are for irrigation use.
- 2) One of the meters had an incorrect address.
- 3) There is only one water meter for Dish N Dash operations.

This business changed ownership from Islands Restaurant to Dish N Dash in 2018. The District estimated water usage at 1,366 HCFY for the FY 2019-20 tax roll. The actual water usage was 1,262 HCFY. The Owner also contested that FY 2018-19 should only be charged for 50% of the fee because the restaurant not in full operation and should be corrected for prior two fiscal years (FY 2014-15 and 2015-16). The owner has now agreed with the District that there would be no discount for FY 2018-19 and no prior adjustments for FY 2014-15 and 2015-16 will be made. With this concurrence from the owner and with the corrected information, the District recalculated the sewer service charges as follows:

Taxroll sewer service charges for FY 2016-17, 2017-18 and 2018-19						
Water usage 2017 HCFY	Water Usage 2018 HCFY	Water Usage 2019 HCFY	2019 Amount	2018 Amount	2017 Amount	Class
493	628	<b>1,260</b>	\$12,494.30	\$5,560.45	\$4,043.11	Restaurant
331	1,134	<b>921</b>	\$435.60	\$388.91	\$360.10	Irrigation
1,127	1,222	<b>1,366</b>	\$13,544.80	\$10,813.23	\$9,234.38	Restaurant

Total                                      \$26,474.70      \$16,762.60      \$13,637.60

After Correction						
2017 HCFY	2018 HCFY	2019 HCFY	2019 Amount	2018 Amount	2017 Amount	Class
493	628	<b>1,260</b>	\$435.60	\$388.91	\$360.10	Irrigation
331	1,134	<b>921</b>	\$435.60	\$388.91	\$360.10	Irrigation
1,127	1,222	<b>1,262</b>	\$12,514.10	\$10,813.23	\$9,234.38	Restaurant

Total                                      \$13,385.30      \$11,591.06      \$9,954.59

Overcharged amount                      \$13,089.40      \$5,181.54      \$3,683.01

Recommended Reimbursement      \$21,943.94

***Recommendation:***

Staff recommends that the Board approve a reimbursement amount of \$21,943.94

***Attachment:***

Property tax bills and proof of payments



County of Santa Clara  
Department of Tax and Collections  
70 West Hedding Street  
East Wing, 6th Floor  
San Jose, California 95110-1767

SECURED PROPERTY TAX BILL

TAX YEAR: 2017-18

For July 01, 2017 through June 30, 2018

ASSESSOR'S PARCEL NUMBER (APN): 359-08-029

66 POTRERO AVE  
SAN FRANCISCO CA 94103

TAX BILL INFORMATION

PROPERTY ADDRESS:  
20750 STEVENS CREEK BL  
CUPERTINO CA 95014

LIEN DATE:  
12:01AM, JANUARY 1, 2017

BILL ID: 4845849  
BILL SUFFIX: 00  
TAX RATE AREA: 013-003

BILL CREATED: 10/02/2017

SEC-REG-20180711 282703

CONTACT INFORMATION

Department of Tax and Collections: www.sccdtac.org  
Tax Bill: (408) 808-7900  
Office of the Assessor: www.scc-assessor.org  
Assessed Value: (408) 299-5300  
Change of Address: (408) 299-5526  
Exemptions: (408) 299-6460  
Special Assessments: www.sccgov.org/SA

SUMMARY OF TAXES

Assessed Value of the Property	1,649,306
Less Exemption	0
Net Assessed Value	1,649,306
Taxes Due	\$19,579.88
Special Assessments	14,813.02
Penalties, Cost, Return Check Charges	0.00
Less Amount Paid	0.00
Total Amount Due	\$34,392.90

(DETAILS OF TAX CALCULATIONS ARE ON THE REVERSE SIDE)

IMPORTANT MESSAGES

Your 2017/18 Secured Property Tax Bill has a new format! For a detailed summary of the key changes, please visit [www.sccdtac.org](http://www.sccdtac.org) or consult the enclosed bill legend. Note that not all your tax bill may be deductible. Consult your tax preparer for details.

New! The County now accepts partial payments on tax bills. See website or call for details.



PAY YOUR TAXES ONLINE  
[taxpayment.sccdtac.org](http://taxpayment.sccdtac.org)



E-Check payments are free. Check online for credit card fees.

Sign up to receive email reminders for important announcements related to your property tax bills at: [www.sccdtac.org/subscribe](http://www.sccdtac.org/subscribe)

2017-2018 COUNTY OF SANTA CLARA SECURED PROPERTY TAXES - 2ND INSTALLMENT

SEC-REG-20180711  
282703

20171002/20180711

2

20750 STEVENS CREEK BL  
CUPERTINO CA 95014

APN: 359-08-029-00

MAKE CHECKS PAYABLE TO: SCC DTAC

PLEASE WRITE YOUR APN AND INSTALLMENT NUMBER ON YOUR CHECK.  
1ST INSTALLMENT MUST BE PAID BEFORE 2ND INSTALLMENT.



MAIL TO:

DEPARTMENT OF TAX AND COLLECTIONS  
PO BOX 60534  
CITY OF INDUSTRY, CA 91716-0534

DUE: February 01, 2018

DELINQUENT AFTER April 10, 2018

AMOUNT DUE \$17,196.45

\$18,936.09 IF NOT PAID BY 04/10/2018, INCLUDES 10% AND \$20.00 COST.

1 0035908029 0000 2 00001719645 6

2017-2018 COUNTY OF SANTA CLARA SECURED PROPERTY TAXES - 1ST INSTALLMENT

SEC-REG-20180711  
282703

20171002/20180711

1

20750 STEVENS CREEK BL  
CUPERTINO CA 95014

APN: 359-08-029-00

MAKE CHECKS PAYABLE TO: SCC DTAC

PLEASE WRITE YOUR APN AND INSTALLMENT NUMBER ON YOUR CHECK.  
1ST INSTALLMENT MUST BE PAID BEFORE 2ND INSTALLMENT.



MAIL TO:

DEPARTMENT OF TAX AND COLLECTIONS  
PO BOX 60534  
CITY OF INDUSTRY, CA 91716-0534

DUE: November 01, 2017

DELINQUENT AFTER December 10, 2017

AMOUNT DUE \$17,196.45

\$18,936.09 IF NOT PAID BY 12/10/2017, INCLUDES 10% AND \$20.00 COST.

1 0035908029 0000 1 00001719645 7



CALCULATION OF TAXES  
TAX YEAR: 2017-18  
For July 01, 2017 through June 30, 2018  
APN: 359-08-029

ASSESSED VALUES		DETAIL OF TAXES			
		TAXING AGENCY	VALUE	RATES (%)	AMOUNT
LAND	457,154	LAND, IMPROVEMENTS, PERSONAL PROPERTY 1% MAXIMUM LEVY CO BOND 2008 HOSP FAC CO LIBRARY RETIREMENT CO RETIREMENT LEVY CO. HOUSING BOND 2016 COMM COLLEGE BONDS ELEM OR UNIF SCH BONDS HIGH SCHOOL BONDS MID PENINSULA OPEN SPACE 2014 TOTAL ASSESSED VALUE TAXES	1,649,306	1.000000	19,477.62
IMPROVEMENTS	1,192,152		1,649,306	0.008200	
TOTAL LAND AND IMPROVEMENTS	1,649,306		1,649,306	0.002400	
PERSONAL PROPERTY	0		1,649,306	0.038800	
TOTAL ASSESSED VALUE	1,649,306		1,649,306	0.012660	
LESS HOMEOWNER'S EXEMPTION			1,649,306	0.022000	
LESS OTHER EXEMPTION			1,649,306	0.049600	
			1,649,306	0.046400	
			1,649,306	0.000900	
NET ASSESSED VALUE	1,649,306			1.180960	
		LAND AND IMPROVEMENTS SCVWD-STATE WATER PROJ	1,649,306	0.006200	102.26
		TOTAL LAND & IMPROVEMENT TAXES		0.006200	
		ROUNDING ADJUSTMENT			0.00
		TAXES DUE			\$19,579.88

PAYMENTS	
PAYMENTS APPLIED TO 1ST INSTALLMENT	0.00
PAYMENTS APPLIED TO 2ND INSTALLMENT	0.00
AMOUNT PAID	\$0.00

PARCEL TAX / SPECIAL ASSESSMENTS				
SA#	TAXING AGENCY	NAME	CONTACT	AMOUNT
*728	Santa Clara Valley Water District	SCVWD Safe, Clean Water	408-265-2600 X3041	464.72
*745	Cupertino Union School District	Cupertino Measure A 2014	408-252-3000 X61419	250.00
827	City of Cupertino	Cupt/Envir/Storm	408-777-3242	132.62
847	Santa Clara County - Vector Control	SCC Vector Control	800-273-5167 X105	22.52
848	Santa Clara County - Vector Control	Mosquito Asmt #2	800-273-5167 X105	20.90
851	County Library District JPA	Library JPA CFD 2013-1	408-293-2326 X3004	77.42
881	Santa Clara Valley Water District	SCVWD Flood - North Central	408 630-2810	97.24
885	Cupertino Sanitary District	Cupertino Sanitation	408-253-7863 X7302	13,637.60
*896	Fremont Union High School District	FUHSD Measure J 2014	408-522-2219	98.00
980	San Francisco Bay Restoration Authority	SFBRA Measure AA 2016	888-508-8157	12.00
PARCEL TAX/ASSESSMENTS TOTAL				\$14,813.02

INSTALLMENT 1	
DUE DATE	11/01/2017
DELINQUENT AFTER	12/10/2017
TAXES AND SPECIAL ASSESSMENTS	\$17,196.45
10% DELINQUENT PENALTY	0.00
DELINQUENT COST	0.00
RETURNED CHECK CHARGE	0.00
LESS AMOUNT PAID	0.00
TOTAL INSTALLMENT AMOUNT	\$17,196.45

INSTALLMENT 2	
DUE DATE	02/01/2018
DELINQUENT AFTER	04/10/2018
TAXES AND SPECIAL ASSESSMENTS	\$17,196.45
10% DELINQUENT PENALTY	0.00
DELINQUENT COST	0.00
RETURNED CHECK CHARGE	0.00
LESS AMOUNT PAID	0.00
TOTAL INSTALLMENT AMOUNT	\$17,196.45

\* Exemptions may be available for seniors and/or homeowners with disabilities. Contact the specific agencies above.

SEC-REG-20180711 282703 20171002/20180711

PAYMENT OPTIONS - New! The County now accepts partial payments. See website or call for details.

**BY MAIL OR INDEPENDENT DELIVERY SERVICE**

**Make check or money order payable to: SCC DTAC**

MAIL TO: ADDRESS STATED ON THE FRONT OF YOUR PAYMENT STUB

For your convenience, use the envelope provided and RETURN THE APPROPRIATE STUB(S) WITH YOUR PAYMENT. Include your mailing address and the Assessor's Parcel Number (APN) of the bill being paid on your check or money order. A returned check charge will be added for all checks returned unpaid by the bank. If returned after the delinquency date, additional penalties will apply.

To avoid penalties, property tax payments must be received or postmarked in a United States Postal Service (USPS) office by the delinquency date of April 10, 2018. If a payment is received after the delinquency date with no postmark, the payment is considered late and penalties will be imposed in accordance with State law. If April 10, 2018 falls on Saturday, Sunday, or a County holiday, payments made by 5:00 p.m. on the next business day are not considered delinquent.

**Metered postage dates are not considered USPS postmarks for determining timeliness.**

If a payment is sent through an independent delivery service, it must be deposited for shipment with an independent delivery service that is an Internal Revenue Service designated delivery service ([https://www.irs.gov/irb/2016-18\\_IRB/ar07.html](https://www.irs.gov/irb/2016-18_IRB/ar07.html)) in a sealed envelope or package, properly addressed with the required fee prepaid; delivery of which shall not be later than 5:00 p.m. on the next business day after the delinquency date. Send independent delivery service payments to: Lockbox 60534 Secured, 2525 Corporate Park, #250 Monterey Park, CA 91754


**IN-PERSON (WALK IN)**

DELIVER in person to:

Department of Tax and Collections  
70 West Hedding St.  
East Wing, 6th Floor  
San Jose CA 95110

Office Hours: 8:00 a.m. to 5:00 p.m. Monday - Friday, excluding County holidays  
Phone Hours: 9:00 a.m. to 4:00 p.m. Monday - Friday, excluding County holidays

**SECOND INSTALLMENT PAYMENT MUST BE RECEIVED IN OUR OFFICE BY 5:00 p.m. ON APRIL 10, 2018**








Scan me

**PAY ONLINE**

**[taxpayment.sccdtac.org](https://taxpayment.sccdtac.org)**

THERE IS NO FEE IF YOU PAY BY ELECTRONIC CHECK

CREDIT CARD CONVENIENCE FEE AMOUNTS ARE DETAILED ON THE WEBSITE



Any payment accepted with the notation of "paid in full" or similar wording will not constitute satisfaction of the obligation if there is still a balance remaining after the posting of the payment.

PAYMENT OPTIONS - New! The County now accepts partial payments. See website or call for details.

**BY MAIL OR INDEPENDENT DELIVERY SERVICE**

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MAIL TO: ADDRESS STATED ON THE FRONT OF YOUR PAYMENT STUB

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San Jose CA 95110

Office Hours: 8:00 a.m. to 5:00 p.m. Monday - Friday, excluding County holidays  
Phone Hours: 9:00 a.m. to 4:00 p.m. Monday - Friday, excluding County holidays

**FIRST INSTALLMENT PAYMENT MUST BE RECEIVED IN OUR OFFICE BY 5:00 p.m. ON DECEMBER 10, 2017**








Scan me

**PAY ONLINE**

**[taxpayment.sccdtac.org](https://taxpayment.sccdtac.org)**

THERE IS NO FEE IF YOU PAY BY ELECTRONIC CHECK

CREDIT CARD CONVENIENCE FEE AMOUNTS ARE DETAILED ON THE WEBSITE



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County of Santa Clara  
Department of Tax and Collections  
70 West Hedding Street  
East Wing, 6th Floor  
San Jose, California 95110-1767

SECURED PROPERTY TAX BILL

TAX YEAR: 2018-19

For July 01, 2018 through June 30, 2019

ASSESSOR'S PARCEL NUMBER (APN): 359-08-029

66 POTRERO AVE  
SAN FRANCISCO CA 94103

SUMMARY OF TAXES

Assessed Value of the Property	\$1,682,292
Less Exemption	0
Net Assessed Value	\$1,682,292
Taxes Due	\$19,671.06
Special Assessments	17953.98
<b>Total Amount Due</b>	<b>\$37,625.04</b>
Penalties, Cost, Return Check Charges	\$0.00
Less Amount Paid	0.00
<b>Current Amount Due</b>	<b>\$37,625.04</b>

(DETAILS OF TAX CALCULATIONS ARE ON THE REVERSE SIDE)

TAX BILL INFORMATION

PROPERTY ADDRESS:  
20750 STEVENS CREEK BL  
CUPERTINO CA 95014

BILL ID: 5530824  
BILL SUFFIX: 00  
TAX RATE AREA: 013-003

BILL CREATED: 09/18/2018

ASSESSEE AS OF 12:01AM, JANUARY 1, 2018 LIEN DATE:

SEC-REG-20190430

282062

CONTACT INFORMATION

Department of Tax and Collections: [www.sccdtac.org](http://www.sccdtac.org)  
Tax Bill: (408) 808-7900  
Office of the Assessor: [www.scc-assessor.org](http://www.scc-assessor.org)  
Assessed Value: (408) 299-5300  
Change of Address: (408) 299-5526  
Exemptions: (408) 299-6460  
Special Assessments: [www.sccgov.org/SA](http://www.sccgov.org/SA)

IMPORTANT MESSAGES

Your 2018/19 Secured Property Tax Bill has a new format! For a detailed summary of the key changes please visit [www.sccdtac.org](http://www.sccdtac.org). Note: Consult your tax preparer for details regarding deductions.

New! The County now accepts partial payments on tax bills. See website or call (408) 808-7900

PAY YOUR TAXES ONLINE



<http://taxpayment.sccdtac.org>

<http://WhereDoTaxesGo.org>

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2018-2019 COUNTY OF SANTA CLARA SECURED PROPERTY TAXES - 2ND INSTALLMENT

SEC-REG-20190430

282062

20180918/20190430

2

20750 STEVENS CREEK BL  
CUPERTINO CA 95014

APN: 359-08-029-00



MAKE CHECKS PAYABLE TO: SCC DTAC

PLEASE WRITE YOUR APN AND INSTALLMENT NUMBER ON YOUR CHECK.  
1ST INSTALLMENT MUST BE PAID BEFORE 2ND INSTALLMENT.



MAIL TO:

DEPARTMENT OF TAX AND COLLECTIONS  
PO BOX 60534  
CITY OF INDUSTRY, CA 91716-0534

DUE: February 01, 2019

DELINQUENT AFTER April 10, 2019

AMOUNT DUE

\$18,812.52

\$20,713.77 IF NOT PAID BY 04/10/2019, INCLUDES 10% AND \$20.00 COST.

1 0035908029 0000 2 00001881252 3

2018-2019 COUNTY OF SANTA CLARA SECURED PROPERTY TAXES - 1ST INSTALLMENT

SEC-REG-20190430

282062

20180918/20190430

1

20750 STEVENS CREEK BL  
CUPERTINO CA 95014

APN: 359-08-029-00



MAKE CHECKS PAYABLE TO: SCC DTAC

PLEASE WRITE YOUR APN AND INSTALLMENT NUMBER ON YOUR CHECK.  
1ST INSTALLMENT MUST BE PAID BEFORE 2ND INSTALLMENT.



MAIL TO:

DEPARTMENT OF TAX AND COLLECTIONS  
PO BOX 60534  
CITY OF INDUSTRY, CA 91716-0534

DUE: November 01, 2018

DELINQUENT AFTER December 10, 2018

AMOUNT DUE

\$18,812.52

\$20,713.77 IF NOT PAID BY 12/10/2018, INCLUDES 10% AND \$20.00 COST.

1 0035908029 0000 1 00001881252 4

CALCULATION OF TAXES

TAX YEAR: 2018-19

For July 01, 2018 through June 30, 2019

APN: 359-08-029

ASSESSED VALUES		DETAIL OF TAXES			
		TAXING AGENCY	VALUE	RATES (%)	AMOUNT
LAND	466,297	LAND, IMPROVEMENTS, PERSONAL PROPERTY 1% MAXIMUM LEVY CO BOND 2008 HOSP FAC CO LIBRARY RETIREMENT CO RETIREMENT LEVY CO. HOUSING BOND 2016 COMM COLLEGE BONDS ELEM OR UNIF SCH BONDS HIGH SCHOOL BONDS MID PENINSULA OPEN SPACE 2014 TOTAL ASSESSED VALUE TAXES	1,682,292	1.000000	
IMPROVEMENTS	1,215,995		1,682,292	0.007200	
TOTAL LAND AND IMPROVEMENTS	1,682,292		1,682,292	0.002400	
PERSONAL PROPERTY	0		1,682,292	0.038800	
TOTAL ASSESSED VALUE	1,682,292		1,682,292	0.010500	
LESS HOMEOWNER'S EXEMPTION			1,682,292	0.021700	
LESS OTHER EXEMPTION			1,682,292	0.039700	
			1,682,292	0.043000	
			1,682,292	0.001800	
NET ASSESSED VALUE	\$1,682,292			1.165100	19,600.40
		LAND AND IMPROVEMENTS SCVWD-STATE WATER PROJ TOTAL LAND & IMPROVEMENT TAXES	1,682,292	0.004200	70.66
		ROUNDING ADJUSTMENT			0.00
				TAXES DUE	\$19,671.06
		Visit <a href="http://www.sccgov.org/tra">http://www.sccgov.org/tra</a> for Tax Rate information			

PARCEL TAX / SPECIAL ASSESSMENTS					INSTALLMENT 1	
SA#	TAXING AGENCY	NAME	CONTACT	AMOUNT	DUE DATE	11/01/2018
*0728	SANTA CLARA VALLEY WATER DIST	SAFE, CLEAN WATER	408-630-2810	481.28	DELINQUENT AFTER	12/10/2018
*0745	CUPERTINO UNION SCHOOL DIST	MEASURE A 2014	408-252-3000 x61419	250.00	TAXES AND SPECIAL ASSESSMENTS	\$18,812.52
0827	CITY OF CUPERTINO	CUPT/ENVIR/STORM 1992	408-777-3242	132.62	10% DELINQUENT PENALTY	0.00
0847	SANTA CLARA COUNTY-VECTOR CTRL	SCCO VECTOR CONTROL	800-273-5167 x105	22.52	DELINQUENT COST	0.00
0848	SANTA CLARA COUNTY-VECTOR CTRL	MOSQUITO ASMT #2	800-273-5167 x105	20.90	RETURNED CHECK CHARGE	0.00
0851	SANTA CLARA COUNTY-LIBRARY JPA	LIBRARY JPA CD 2013-1	408-293-2326 x3004	77.42	LESS AMOUNT PAID	0.00
0881	SANTA CLARA VALLEY WATER DIST	FLOOD CTL DEBT-N CENTRAL	408-630-2810	96.64	TOTAL INSTALLMENT AMOUNT	\$18,812.52
0885	CUPERTINO SANITARY DISTRICT	CUPERTINO SANITARY DIST	408-255-7863 x7302	16,762.60	INSTALLMENT 2	
*0896	FREMONT UNION HIGH SCHOOL DIST	MEASURE J 2014	408-522-2219	98.00	DUE DATE	02/01/2019
*0980	SF BAY RESTORATION AUTHORITY	MEASURE AA	888-508-8157	12.00	DELINQUENT AFTER	04/10/2019
		TOTAL		\$17,953.98	TAXES AND SPECIAL ASSESSMENTS	\$18,812.52
					10% DELINQUENT PENALTY	0.00
					DELINQUENT COST	0.00
					RETURNED CHECK CHARGE	0.00
					LESS AMOUNT PAID	0.00
					TOTAL INSTALLMENT AMOUNT	\$18,812.52

\* Exemptions may be available for seniors and/or homeowners who meet eligibility requirements. Contact the specific agencies above for more information.

SEC-REG-20190430 282062 20180918/20190430

PAYMENT OPTIONS - New! The County now accepts partial payments. See website or call for details.

**BY MAIL OR INDEPENDENT DELIVERY SERVICE**

**Make check or money order payable to: SCC DTAC**

MAIL TO: ADDRESS STATED ON THE FRONT OF YOUR PAYMENT STUB

For your convenience, use the envelope provided and RETURN THE APPROPRIATE STUB(S) WITH YOUR PAYMENT. Include your mailing address and the Assessor's Parcel Number (APN) of the bill being paid on your check or money order. A returned check charge will be added for all checks returned unpaid by the bank. If returned after the delinquency date, additional penalties will apply.

To avoid penalties, property tax payments must be received or postmarked in a United States Postal Service (USPS) office by the delinquency date of April 10, 2019. If a payment is received after the delinquency date with no postmark, the payment is considered late and penalties will be imposed in accordance with State law. If April 10, 2019 falls on Saturday, Sunday, or a County holiday, payments made by 5:00 p.m. on the next business day are not considered delinquent.

**Metered postage dates are not considered USPS postmarks for determining timeliness.**


If a payment is sent through an independent delivery service, it must be deposited for shipment with an independent delivery service that is an Internal Revenue Service designated delivery service ([https://www.irs.gov/irb/2016-18\\_IRB/ar07.html](https://www.irs.gov/irb/2016-18_IRB/ar07.html)) in a sealed envelope or package, properly addressed with the required fee prepaid; delivery of which shall not be later than 5:00 p.m. on the next business day after the delinquency date. Send independent delivery service payments to: Lockbox 60534 Secured, 2525 Corporate Park, #250 Monterey Park, CA 91754

**IN-PERSON (WALK IN)**

DELIVER in person to: Department of Tax and Collections  
70 West Hedding St.  
East Wing, 6th Floor  
San Jose CA 95110

Office Hours: 8:00 a.m. to 5:00 p.m. Monday - Friday, excluding County holidays  
Phone Hours: 9:00 a.m. to 4:00 p.m. Monday - Friday, excluding County holidays

**SECOND INSTALLMENT PAYMENT MUST BE RECEIVED IN OUR OFFICE BY 5:00 p.m. ON APRIL 10, 2019**












**PAY ONLINE**

<http://taxpayment.sccdtac.org>

THERE IS NO FEE IF YOU PAY BY ELECTRONIC CHECK

CREDIT CARD CONVENIENCE FEE AMOUNTS ARE DETAILED ON THE WEBSITE





Any payment accepted with the notation of "paid in full" or similar wording will not constitute satisfaction of the obligation if there is still a balance remaining after the posting of the payment.

PAYMENT OPTIONS - New! The County now accepts partial payments. See website or call for details.

**BY MAIL OR INDEPENDENT DELIVERY SERVICE**

**Make check or money order payable to: SCC DTAC**

MAIL TO: ADDRESS STATED ON THE FRONT OF YOUR PAYMENT STUB

For your convenience, use the envelope provided and RETURN THE APPROPRIATE STUB(S) WITH YOUR PAYMENT. Include your mailing address and the Assessor's Parcel Number (APN) of the bill being paid on your check or money order. A returned check charge will be added for all checks returned unpaid by the bank. If returned after the delinquency date, additional penalties will apply.

To avoid penalties, property tax payments must be received or postmarked in a United States Postal Service (USPS) office by the delinquency date of December 10, 2018. If a payment is received after the delinquency date with no postmark, the payment is considered late and penalties will be imposed in accordance with State law. If December 10, 2018 falls on Saturday, or a County holiday, payments made by 5:00 p.m. on the next business day are not considered delinquent.

**Metered postage dates are not considered USPS postmarks for determining timeliness.**


If a payment is sent through an independent delivery service, it must be deposited for shipment with an independent delivery service that is an Internal Revenue Service designated delivery service ([https://www.irs.gov/irb/2016-18\\_IRB/ar07.html](https://www.irs.gov/irb/2016-18_IRB/ar07.html)) in a sealed envelope or package, properly addressed with the required fee prepaid; delivery of which shall not be later than 5:00 p.m. on the next business day after the delinquency date. Send independent delivery service payments to: Lockbox 60534 Secured, 2525 Corporate Park, #250 Monterey Park, CA 91754

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70 West Hedding St.  
East Wing, 6th Floor  
San Jose CA 95110

Office Hours: 8:00 a.m. to 5:00 p.m. Monday - Friday, excluding County holidays  
Phone Hours: 9:00 a.m. to 4:00 p.m. Monday - Friday, excluding County holidays

**FIRST INSTALLMENT PAYMENT MUST BE RECEIVED IN OUR OFFICE BY 5:00 p.m. ON DECEMBER 10, 2018**












**PAY ONLINE**

<http://taxpayment.sccdtac.org>

THERE IS NO FEE IF YOU PAY BY ELECTRONIC CHECK

CREDIT CARD CONVENIENCE FEE AMOUNTS ARE DETAILED ON THE WEBSITE





Any payment accepted with the notation of "paid in full" or similar wording will not constitute satisfaction of the obligation if there is still a balance remaining after the posting of the payment.



County of Santa Clara  
Department of Tax and Collections  
70 West Hedding Street  
East Wing, 6th Floor  
San Jose, California 95110-1767

SECURED PROPERTY TAX BILL

TAX YEAR: 2019-2020

for July 01, 2019 through June 30, 2020

ASSESSOR'S PARCEL NUMBER (APN): 359-08-029

66 POTRERO AVE  
SAN FRANCISCO CA 94103

SUMMARY OF TAXES

Assessed Value of the Property	\$1,715,936
Less Exemption	0
Net Assessed Value	\$1,715,936
Taxes Due	\$20,145.06
Special Assessments	27,985.46
<b>Total Amount Due</b>	<b>\$48,130.52</b>
Penalties, Cost, Return Check Charges	\$0.00
Less Amount Paid	0.00
<b>Current Amount Due</b>	<b>\$48,130.52</b>

(DETAILS OF TAX CALCULATIONS ARE ON THE REVERSE SIDE)

TAX BILL INFORMATION

PROPERTY ADDRESS:  
20750 STEVENS CREEK BL  
CUPERTINO CA 95014

BILL ID: 6081557  
BILL SUFFIX: 00  
TAX RATE AREA: 013-003

BILL CREATED: 09/14/2019

ASSESSEE AS OF 12:01AM, JANUARY 1, 2019 LIEN DATE:

SEC-REG-20191105

281321

CONTACT INFORMATION

Department of Tax and Collections: [www.sccdtac.org](http://www.sccdtac.org)  
Tax Bill: (408) 808-7900  
Office of the Assessor: [www.sccassessor.org](http://www.sccassessor.org)  
Assessed Value: (408) 299-5300  
Change of Address: (408) 299-5526  
Exemptions: (408) 299-6460  
Special Assessments: [www.sccgov.org/SA](http://www.sccgov.org/SA)

IMPORTANT MESSAGES

For an explanation of key areas on your bill, please review the enclosed sample tax bill. Consult your tax preparer for details regarding deductions.

DTAC accepts partial payments.

GO GREEN! Sign up at [www.sccassessor.org/register](http://www.sccassessor.org/register) to receive your property tax bill electronically.

PAY ELECTRONICALLY



[taxpayment.sccdtac.org](http://taxpayment.sccdtac.org)



SCC DTAC App

Visit [www.WhereDoTaxesGo.org](http://www.WhereDoTaxesGo.org) for tax distribution details.

Sign up to receive email reminders for important announcements related to your property tax bills at: [www.sccdtac.org/subscribe](http://www.sccdtac.org/subscribe)

2019-2020 COUNTY OF SANTA CLARA SECURED PROPERTY TAXES - 2ND INSTALLMENT

SEC-REG-20191105

281321

20190914/20191105

2

20750 STEVENS CREEK BL  
CUPERTINO CA 95014

APN: 359-08-029-00



MAKE CHECKS PAYABLE TO: SCC DTAC

Please write your APN and installment number on your check.



MAIL  
TO :

DEPARTMENT OF TAX AND COLLECTIONS  
PO BOX 60534  
CITY OF INDUSTRY, CA 91716-0534

DUE: February 01, 2020

DELINQUENT AFTER April 10, 2020

AMOUNT DUE

\$24,065.26

\$26,491.78 if not paid by 04/10/2020, includes 10% and \$20.00 cost.

1 0035908029 0000 2 00002406526 4

2019-2020 COUNTY OF SANTA CLARA SECURED PROPERTY TAXES - 1ST INSTALLMENT

SEC-REG-20191105

281321

20190914/20191105

1

20750 STEVENS CREEK BL  
CUPERTINO CA 95014

APN: 359-08-029-00



MAKE CHECKS PAYABLE TO: SCC DTAC

Please write your APN and installment number on your check.



MAIL  
TO :

DEPARTMENT OF TAX AND COLLECTIONS  
PO BOX 60534  
CITY OF INDUSTRY, CA 91716-0534

DUE: November 01, 2019

DELINQUENT AFTER December 10, 2019

AMOUNT DUE

\$24,065.26

\$26,491.78 if not paid by 12/10/2019, includes 10% and \$20.00 cost.

1 0035908029 0000 1 00002406526 5



## CALCULATION OF TAXES for APN: 359-08-029-00

TAX YEAR: 2019-2020 for July 01, 2019 through June 30, 2020

ASSESSED VALUES	
LAND	475,622
IMPROVEMENTS	1,240,314
<b>TOTAL LAND AND IMPROVEMENTS</b>	<b>1,715,936</b>
PERSONAL PROPERTY	0
<b>TOTAL ASSESSED VALUE</b>	<b>1,715,936</b>
LESS HOMEOWNER'S EXEMPTION	
LESS OTHER EXEMPTION	
<b>NET ASSESSED VALUE</b>	<b>\$1,715,936</b>

PAYMENTS	
PAYMENTS APPLIED TO 1ST INSTALLMENT	0.00
PAYMENTS APPLIED TO 2ND INSTALLMENT	0.00
<b>AMOUNT PAID</b>	<b>\$0.00</b>

DETAIL OF TAXES			
TAXING AGENCY	VALUE	RATES (%)	AMOUNT
LAND, IMPROVEMENTS, PERSONAL PROPERTY			
1% MAXIMUM LEVY	1,715,936	1.000000	
CO BOND 2008 HOSP FAC	1,715,936	0.006900	
CO LIBRARY RETIREMENT	1,715,936	0.002400	
CO RETIREMENT LEVY	1,715,936	0.038800	
CO. HOUSING BOND 2016	1,715,936	0.010000	
COMM COLLEGE BONDS	1,715,936	0.020800	
ELEM OR UNIF SCH BONDS	1,715,936	0.041500	
HIGH SCHOOL BONDS	1,715,936	0.047900	
MID PENINSULA OPEN SPACE 2014	1,715,936	0.001600	
TOTAL ASSESSED VALUE TAXES		1.169900	20,074.72
LAND AND IMPROVEMENTS			
SCVWD-STATE WATER PROJ	1,715,936	0.004100	
TOTAL LAND & IMPROVEMENT TAXES		0.004100	70.35
ROUNDING ADJUSTMENT			-0.01
		TAXES DUE	\$20,145.06

**Visit [www.WhereDoTaxesGo.org](http://www.WhereDoTaxesGo.org) for 1% maximum levy and debt levy distribution information.**

PARCEL TAX / SPECIAL ASSESSMENTS				
SA#	TAXING AGENCY	NAME	CONTACT	AMOUNT
*0728	SANTA CLARA VALLEY WATER DIST	SAFE, CLEAN WATER	408-630-2810	498.28
*0745	CUPERTINO UNION SCHOOL DIST	MEASURE A 2014	408-252-3000 x61419	250.00
0827	CITY OF CUPERTINO	CUPT/ENVIR/STORM 1992	408-777-3255	132.62
0847	SANTA CLARA COUNTY-VECTOR CTRL	SCCO VECTOR CONTROL	800-273-5167 x105	22.52
0848	SANTA CLARA COUNTY-VECTOR CTRL	MOSQUITO ASMT #2	800-273-5167 x105	20.90
0851	SANTA CLARA COUNTY-LIBRARY JPA	LIBRARY JPA CD 2013-1	408-293-2326 x3004	77.42
0881	SANTA CLARA VALLEY WATER DIST	FLOOD CTL DEBT-N CENTRAL	408-630-2810	96.18
0885	CUPERTINO SANITARY DISTRICT	CUPERTINO SANITARY DIST	408-253-7071	26,474.70
*0896	FREMONT UNION HIGH SCHOOL DIST	MEASURE J 2014	408-522-2219	98.00
*0980	SF BAY RESTORATION AUTHORITY	MEASURE AA	888-508-8157	12.00
1011	CITY OF CUPERTINO	2019 CUPT STORM WATER	800-273-5167	302.84
TOTAL				\$27,985.46









INSTALLMENT 1	
DUE DATE	11/01/2019
DELINQUENT AFTER	12/10/2019
TAXES AND SPECIAL ASSESSMENTS	\$24,065.26
10% DELINQUENT PENALTY	0.00
DELINQUENT COST	0.00
RETURNED CHECK CHARGE	0.00
LESS AMOUNT PAID	0.00
<b>TOTAL INSTALLMENT AMOUNT</b>	<b>\$24,065.26</b>

INSTALLMENT 2	
DUE DATE	02/01/2020
DELINQUENT AFTER	04/10/2020
TAXES AND SPECIAL ASSESSMENTS	\$24,065.26
10% DELINQUENT PENALTY	0.00
DELINQUENT COST	0.00
RETURNED CHECK CHARGE	0.00
LESS AMOUNT PAID	0.00
<b>TOTAL INSTALLMENT AMOUNT</b>	<b>\$24,065.26</b>









\* Exemptions may be available for seniors and/or homeowners who meet eligibility requirements. Contact the specific agency above or go to [www.sccdta.org/pte](http://www.sccdta.org/pte) for more information.

SEC-REG-20191105 281321 20190914/20191105

GO GREEN! Sign up at [www.sccassessor.org/register](http://www.sccassessor.org/register) to receive your property tax bill electronically.

 <p><b>PAY ONLINE</b></p> <p><b>taxpayment.sccdtac.org</b></p> <p>There is no fee if you pay by electronic check. Credit card convenience fee amounts are detailed on the website.</p> <div data-bbox="60 1599 625 1666">      </div>	<p><b>MOBILE PAY</b></p> <p>Pay your property taxes using a smartphone or tablet.</p> <p>Use our new mobile app <b>SCC DTAC</b> to pay your property tax bill. Available for devices using IOS and Android operating systems.</p> <div data-bbox="678 1607 1027 1666">   </div>	<p><b>IN-PERSON (WALK IN)</b></p> <p>Deliver in person to: 70 West Hedding St., East Wing, 6th Floor, San Jose, CA 95110</p> <p>Hours of operation (County holidays excluded) : Office: 8:00 a.m. to 5:00 p.m. Monday - Friday Phone: 9:00 a.m. to 4:00 p.m. Monday - Friday</p> <p><b>Second installment payment must be received in our office by 5:00 p.m. on APRIL 10, 2020.</b></p>
<p><b>PAYMENTS BY MAIL</b></p> <p>Use the envelope provided and return the coupon(s) with your payment and include your mailing address and APN(s) on your check or money order. A returned check charge of \$85 will be added for every check returned unpaid by the bank. Penalties will apply if taxes are not paid by the delinquency date.</p> <p>To avoid penalties, property tax payments must be received or postmarked in a United States Postal Service (USPS) office by the delinquency date of April 10, 2020. However, if the delinquency date falls on Saturday, Sunday, or County holiday, payments must be made by 5:00 p.m. on the next business day. If payments are received after the delinquency date with no postmark, penalties will be imposed in accordance with State law. Metered postage dates do not qualify as USPS postmarks.</p> <p>Non-USPS mail via Private Delivery Service must be delivered to: Deluxe/Remitco, Lockbox 60534/Santa Clara Secured, 2525 Corporate Park #250, Monterey Park, CA 91754</p> <p>Private Delivery Service should be a County designated delivery service (<a href="http://www.sccdtac.org/pds">www.sccdtac.org/pds</a>). Payment received date is the date shown by the private delivery service on the packing slip or air bill attached to the outside of the envelope or package containing the remittance.</p>		

GO GREEN! Sign up at [www.sccassessor.org/register](http://www.sccassessor.org/register) to receive your property tax bill electronically.

 <p><b>PAY ONLINE</b></p> <p><b>taxpayment.sccdtac.org</b></p> <p>There is no fee if you pay by electronic check. Credit card convenience fee amounts are detailed on the website.</p> <div data-bbox="60 2271 625 2338">      </div>	<p><b>MOBILE PAY</b></p> <p>Pay your property taxes using a smartphone or tablet.</p> <p>Use our new mobile app <b>SCC DTAC</b> to pay your property tax bill. Available for devices using IOS and Android operating systems.</p> <div data-bbox="678 2279 1027 2338">   </div>	<p><b>IN-PERSON (WALK IN)</b></p> <p>Deliver in person to: 70 West Hedding St., East Wing, 6th Floor, San Jose, CA 95110</p> <p>Hours of operation (County holidays excluded) : Office: 8:00 a.m. to 5:00 p.m. Monday - Friday Phone: 9:00 a.m. to 4:00 p.m. Monday - Friday</p> <p><b>First installment payment must be received in our office by 5:00 p.m. on DECEMBER 10, 2019.</b></p>
<p><b>PAYMENTS BY MAIL</b></p> <p>Use the envelope provided and return the coupon(s) with your payment and include your mailing address and APN(s) on your check or money order. A returned check charge of \$85 will be added for every check returned unpaid by the bank. Penalties will apply if taxes are not paid by the delinquency date.</p> <p>To avoid penalties, property tax payments must be received or postmarked in a United States Postal Service (USPS) office by the delinquency date of December 10, 2019. However, if the delinquency date falls on Saturday, Sunday, or County holiday, payments must be made by 5:00 p.m. on the next business day. If payments are received after the delinquency date with no postmark, penalties will be imposed in accordance with State law. Metered postage dates do not qualify as USPS postmarks.</p> <p>Non-USPS mail via Private Delivery Service should be delivered to: Deluxe/Remitco, Lockbox 60534/Santa Clara Secured, 2525 Corporate Park #250, Monterey Park, CA 91754</p> <p>Private Delivery Service should be a County designated delivery service (<a href="http://www.sccdtac.org/pds">www.sccdtac.org/pds</a>). Payment received date is the date shown by the private delivery service on the packing slip or air bill attached to the outside of the envelope or package containing the remittance.</p>		

Secured Taxes Payment History

Parcel Number  
359-08-029  
Property Address  
20750 STEVENS CREEK BL CUPERTINO CA 95014  
Tax Rate Area  
013-003

Notice: The payment information below does not include any refunds you may have received.  
The Total Paid amount does not include any credit/debit convenience fees charged.

Fiscal Year	APN Suffix	Installment Number	Tax Amount	Additional Charges	My Payments	Payment Posted
2020	00	2	\$24,065.26	\$0.00	\$24,065.26	04/01/2020
2020	00	1	\$24,065.26	\$0.00	\$24,065.26	12/03/2019
2019	00	2	\$18,812.52	\$0.00	\$18,812.52	03/21/2019
2019	00	1	\$18,812.52	\$0.00	\$18,812.52	12/03/2018
2018	00	2	\$17,196.45	\$0.00	\$17,196.45	04/02/2018
2018	00	1	\$17,196.45	\$0.00	\$17,196.45	12/11/2017
2017	00	2	\$17,585.30	\$0.00	\$17,585.30	04/08/2017
2017	00	1	\$17,585.30	\$0.00	\$17,585.30	12/10/2016
2016	00	2	\$17,755.16	\$0.00	\$17,755.16	04/10/2016
2016	00	1	\$17,755.16	\$0.00	\$17,755.16	12/10/2015
2015	00	2	\$17,023.72	\$0.00	\$17,023.72	04/10/2015
2015	00	1	\$17,023.72	\$0.00	\$17,023.72	12/10/2014
2014	00	2	\$10,287.30	\$0.00	\$10,287.30	04/10/2014
2014	00	1	\$10,287.30	\$0.00	\$10,287.30	12/10/2013

**OFFICE OF THE COUNTY COUNSEL  
COUNTY OF SANTA CLARA**James R. Williams  
COUNTY COUNSELCounty Government Center  
70 West Hedding Street  
East Wing, 9<sup>th</sup> Floor  
San José, California 95110-1770Greta S. Hansen  
CHIEF ASSISTANT COUNTY COUNSELRobert M. Coelho  
Tony LoPresti  
Steve Mitra  
Douglas M. Press  
Gita C. Suraj  
ASSISTANT COUNTY COUNSEL(408) 299-5900  
(408) 292-7240 (FAX)**M E M O R A N D U M**

TO: Local Agencies and Districts Required to Submit Conflict of Interest Codes

FROM: Kim Forrester, County Counsel Legal and Compliance Officer *Kim Forrester*

RE: BIENNIAL REVIEW OF CONFLICT OF INTEREST CODES

**DEADLINE FOR BIENNIAL NOTICE TO KIM FORRESTER, OFFICE  
OF THE COUNTY COUNSEL – SEPTEMBER 4, 2020**(SUBMISSION OF BIENNIAL NOTICE IS REQUIRED EVEN IF NO CHANGES  
TO YOUR CODE ARE NECESSARY – SEE STEPS 1 AND 2 BELOW)**IF AN AMENDMENT TO YOUR CONFLICT OF INTEREST CODE IS  
NEEDED, YOUR AMENDED CODE IS DUE TO KIM FORRESTER, AS  
INDICATED BELOW - SEE STEPS 3-6 BELOW**

DATE: June 30, 2020

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The Political Reform Act requires every local government agency to review its conflict of interest code biennially (every even-numbered year) to determine if it is accurate or if the code must be amended.

The review includes:

- reviewing the text of the code;
- adding additional positions that should be designated;
- removing titles of positions that have been abolished or no longer make or participate in making governmental decisions that may foreseeably have a material effect on any financial interest of the position-holder;
- updating the titles of existing designated positions that had a title change;
- reviewing disclosure categories;
- confirming each designated position is assigned to the appropriate disclosure category;
- confirming that consultants are designated; and
- confirming the code includes a section on the disclosure requirements and process for newly-created positions.

To assist you in reviewing your agency's code, please see the attached reference sheet:

To: Local Agencies and Districts Required to Submit Conflict of Interest Codes  
Re: Biennial Review of Conflict of Interest Codes  
June 30, 2020  
Page 2 of 5

➤ **County of Santa Clara Seven Questions to Ask for the 2020 Biennial Review of Your Agency's Conflict of Interest Code**

The law requires that (1) each agency's code text is up-to-date, (2) the code accurately designates positions that make or participate in making governmental decisions, and (3) the code assigns appropriate disclosure obligations to each designated position.

"No conflict of interest code shall be effective until it has been approved by the code-reviewing body." (Gov. Code § 87303.) The County of Santa Clara Board of Supervisors is the code-reviewing body for local agencies whose jurisdiction is solely within the County. As the code-reviewing body, the Board of Supervisors is charged with informing your agency that it must review its conflict of interest code and submit a completed "2020 Local Agency Biennial Notice" (attached) indicating either that amendments are required to your agency's conflict of interest code this year or that amendments are not required. The Office of the County Counsel is the central point of contact for the receipt of each local agency's Biennial Notice and, if applicable, amended conflict of interest code.

Below are the instructions and timelines for your agency:

**Step 1: Using the County of Santa Clara Seven Questions to Ask for the 2020 Biennial Review of Your Agency's Conflict of Interest Code, Review Your Agency's Last County-Approved Code.**

- Use the Last County-Approved Code version of your agency's conflict of interest code for your review. This was included in the biennial review materials sent to your agency. If your agency amended its code since that version, it is not effective since it was not approved by the County Board of Supervisors.
- Answer each of the questions in the document titled, "County of Santa Clara Seven Questions to Ask for the 2020 Biennial Review of Your Agency's Conflict of Interest Code." Your agency's review process should include reviewing current organizational charts and current job duty statements to confirm the positions that need to be designated are listed and assigned to the appropriate disclosure category in your agency's conflict of interest code.
- Also refer to the body of the email sent by Kim Forrester, Office of the County Counsel, regarding potential amendments for your agency's code.



To: Local Agencies and Districts Required to Submit Conflict of Interest Codes  
Re: Biennial Review of Conflict of Interest Codes  
June 30, 2020  
Page 3 of 5

**Step 2: Complete and Submit to Kim Forrester, Office of the County Counsel, the 2020 Biennial Notice by September 4, 2020.**

- Complete the Biennial Notice (attached), indicating either (1) that “an amendment is required” for your agency’s code this year and marking the applicable checkboxes, or (2) indicating that “no amendment is required” to your agency’s code this year. If the agency is returning the form indicating that no amendment is required, an executive officer’s signature must be on the Form.
- By September 4, 2020, submit the Biennial Notice to Kim Forrester at [kim.forrester@cco.sccgov.org](mailto:kim.forrester@cco.sccgov.org). You can also mail it to Kim Forrester, Office of the County Counsel, 70 W. Hedding St., 9th Floor, San Jose, California 95110.
- Every agency must submit a “2020 Local Agency Biennial Notice” even if the agency determines that no changes to its conflict of interest code are required.

**If an amendment to your agency’s conflict of interest code is required, continue with Steps 3-6 below:**

**Step 3: Prepare Proposed Code Amendment and Fill Out the “List of Amendments” Document.**

- Draft the necessary amendments to your agency’s code.
- Fill out the “List of Amendments to Code Since Last County-Approved Code” (attached) electronically in MS Word. This needs to list the changes your agency is proposing between the last County-approved code and the proposed code amendment.

**Step 4: Prior to Agendizing the Code Amendment for Your Agency’s Approval, Email MS Word copies of the Proposed Code Amendment and “List of Amendments” to Office of the County Counsel for Preliminary Review.**

- Prior to agendizing the code amendment for your agency board’s approval, email for preliminary review to Kim Forrester ([kim.forrester@cco.sccgov.org](mailto:kim.forrester@cco.sccgov.org)) in MS Word format:
  1. the proposed code amendment  
and

2. "List of Amendments to Code Since Last County-Approved Code," listing any changes made to the text of your code, the specific titles of positions added or removed from your code, any position title revisions of existing designated positions, disclosure category numbers revised, and designated positions re-assigned to a different disclosure category number.

- **Allow up to 2 weeks turnaround time for the preliminary review.**
- This preliminary review is required to avoid any edits needed after your agency has already taken the amended code to your agency board for approval. If the Office of the County Counsel notes that edits are needed, we will advise you to make those edits before you take the code amendment to your agency board. This saves your agency time and effort.

**Step 5: Following Receipt of the Office of the County Counsel's Response to the Preliminary Review, Make Any Needed Edits and Submit Amended Code to Your Agency Board for Approval**

- Following the Office of the County Counsel's preliminary review and response to your agency, make any necessary edits and then submit the amended code to your agency board for approval.
- Your agency's conflict of interest code should be properly agendized for your governing board's approval to provide notice of your agency's code amendment. Government Code section 87311 requires that "The review and preparation of Conflict of Interest Codes by local government agencies shall be carried out under procedures which guarantee to officers, employees, members, and consultants of the agency and to residents of the jurisdiction adequate notice and a fair opportunity to present their views."
- **Please plan accordingly for deadline purposes so that you can submit it to your governing board with enough time to then be able to submit the adopted amendments to the Office of the County Counsel by October 31, 2020.** This is especially important to note by agencies that may take their code to more than one governing board meeting for approval.

**Step 6: Following Your Agency Board's Approval, Submit the Code Amendment with Date/Proof of Your Agency Board's Approval to Office of the County Counsel by October 31, 2020 (or sooner if available)**

To: Local Agencies and Districts Required to Submit Conflict of Interest Codes  
Re: Biennial Review of Conflict of Interest Codes  
June 30, 2020  
Page 5 of 5

- Following your agency's governing board approval of the amended code, email the complete clean copy of your entire final agency-approved amended conflict of interest code (text, list of designated positions, and disclosure categories) with date/proof of your agency board's approval. The amended code may be submitted via email to [kim.forrester@cco.sccgov.org](mailto:kim.forrester@cco.sccgov.org).
- Your local agency's amended code is not legally effective until it has been approved by the Board of Supervisors as the code-reviewing body.

Once the Office of the County Counsel has accepted the code amendment and submitted it to the County Board of Supervisors for code-reviewing body approval, your agency will receive confirmation of the Board of Supervisor's approval, and updates will be made in eDisclosure to match the updates made to the conflict of interest code.

If you require information about the process for transmitting your Biennial Notice or code amendment to the Office of the County Counsel, please contact Kim Forrester at (408) 299-5902 or [kim.forrester@cco.sccgov.org](mailto:kim.forrester@cco.sccgov.org).

Attachments:

- (1) "2020 Local Agency Biennial Notice"
- (2) "County of Santa Clara Seven Questions to Ask for the 2020 Biennial Review of Your Agency's Conflict of Interest Code"
- (3) "List of Amendments to Code since Last County-Approved Code" Form
- (4) Your Agency's Last County-Approved Conflict of Interest Code

## 2020 Local Agency Biennial Notice

**Name of Agency:** Cupertino Sanitary District

**Mailing Address:** 20863 Stevens Creek Blvd. Suite 100, Cupertino, CA 95014

**Contact Person:** Benjamin T. Porter

**Phone No.** 408-497-3933

**E-mail:** bporter@markthomas.com

Accurate disclosure is essential to monitor whether officials have conflicts of interest and to help ensure public trust in government. The biennial review examines current programs to ensure that the agency's code includes disclosure by those agency officials who make or participate in making governmental decisions.

This agency has reviewed its conflict-of-interest code and has determined that:

☐ **An amendment is required. The following amendments are necessary:**

*(Check all that apply)*

- ☐ Include new positions that must be designated.
- ☐ Revise disclosure categories.
- ☐ Revise the titles of existing positions.
- ☐ Delete positions that have been abolished and/or positions that no longer make or participate in making governmental decisions.
- ☐ Other *(describe)*: Click or tap here to enter text.

☐ **No amendment is required.**

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### Verification (to be completed if no amendment is required)

*This agency's conflict of interest code accurately designates all positions that make or participate in the making of governmental decisions. The disclosure categories assigned to those positions accurately requires that all investments, business positions, interests in real property, and sources of income that may foreseeably be affected materially by the decisions made by those holding the designated positions are reported. The code includes all other provisions required by Government Code Section 87302.*

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*Signature of Chief Executive Officer*

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*Date*

All agencies must complete and return this notice regardless of how recently your code was approved or amended. Please return this notice no later than **September 4, 2020** to:

**Office of the County Counsel**  
**Attn: Kim Forrester**  
**70 W. Hedding Street, 9<sup>th</sup> Floor, East Wing**  
**San Jose, CA 95110**  
**kim.forrester@cco.sccgov.org**

**RESOLUTION NO. 1285**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CUPERTINO  
SANITARY DISTRICT, ADOPTING BY REFERENCE THE MODEL CONFLICT  
OF INTEREST CODE SET FORTH IN TITLE 2, SECTION 18730 OF THE  
CALIFORNIA CODE OF REGULATIONS**

**WHEREAS**, District last adopted Resolution 1258, "Conflict of Interest Code" on October 22, 2014 pursuant to Section 87300 *et seq.* of the California Government Code; and

**WHEREAS**, pursuant to Government Code Section 87302, the Conflict of Interest Code must specifically enumerate the positions within the District, other than those specified in Government Code Section 87200, that involve the making or participating in making decisions that may foreseeably have a material effect on any financial interest, and, for each such enumerated position, the Conflict of Interest Code must state the specific types of investments, business positions, interests in real property and sources of income that are reportable; and

**WHEREAS**, Title 2, Section 18730 of the California Code of Regulations contains the terms of a Model Conflict of Interest Code developed by the Fair Political Practices Commission ("FPPC") that agencies can incorporate by reference, which may be amended from time to time by the FPPC after public notice and hearing to conform to amendments in the Political Reform Act; and

**WHEREAS**, incorporation by reference of the terms of the FPPC's Model Conflict of Interest Code set forth in the California Code of Regulations, and amendments thereto, along with a district-specific appendix designating positions and disclosure categories, may constitute the Conflict of Interest Code of the Cupertino Sanitary District to meet the statutory requirements for adopting such a code and save the District time and resources by minimizing the actions required to keep the Code in conformity with the Political Reform Act; and

**WHEREAS**, Exhibit A attached to this Resolution (No. 1285) has been updated to more accurately reflect position titles;

**NOW, THEREFORE, the Board of Directors of the Cupertino Sanitary District does resolve as follows:**

**Section 1:** The Model Conflict of Interest Code set forth in Title 2, Section 18730 of the California Code of Regulations and any amendments to the Model Conflict of Interest Code subsequently adopted by the Fair Political Practices Commission are hereby incorporated by reference. This resolution and the attached "Exhibit "A," enumerating the positions within the District (in addition to any of those set forth in Government Code Section 87200) that are subject to the provisions of the Conflict of Interest Code and their disclosure categories, together constitute the Conflict of Interest Code of the Cupertino Sanitary District.

**Section 2:** Designated positions shall file statements of economic interests with the District's Filing Official. If statements are received in signed paper format, the District Filing Official shall make and retain a copy and forward the original of this statement to the Santa Clara County Clerk of the Board of Supervisors. If statements are electronically filed using the County of Santa Clara's Form 700 e-filing system, both the Santa Clara County Clerk of the Board of Supervisors and the District Filing Official will receive access to the filed statement simultaneously.

**Section 3:** Statements of Economic Interest shall be made on forms prescribed by the Fair Political Practices Commission. Statements for all public officials and designated employees will be retained by the District. Statements of Economic Interests are public records subject to Government Code section 81008, available for public inspection and reproduction not later than the second business day following the day on which the Statement was received.

**Section 4:** The effective date of the Conflict of Interest Code shall be the date the Code is approved by the code reviewing body. Notwithstanding the effective date, the adoption of this Conflict of Interest Code shall not be considered an original adoption as to those designated officials or employees who have already been filing statements of economic interests for their position with the District; those persons shall not be required to file an additional statement based on the adoption of the amended code. All designated officials and employees shall continue to file statements upon assuming or leaving office.

  
\_\_\_\_\_  
President, Cupertino Sanitary District

I hereby certify that the foregoing is a true and correct copy of a Resolution duly and regularly passed and adopted by the Board of Directors of the Cupertino Sanitary District at a meeting held on the 16<sup>th</sup> day of November, 2016, by the following vote:

AYES: Gatto, Bosworth, Chen, Kwok and Saadati

NOES: None

ABSTAIN: None

ABSENT: None

  
\_\_\_\_\_  
Secretary, Cupertino Sanitary District

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Cupertino Sanitary District Counsel

## EXHIBIT A

### CUPERTINO SANITARY DISTRICT DESIGNATED POSITIONS/DISCLOSURE CATEGORIES

Designated Positions	Disclosure Category
Member of the Board of Directors	1
District Manager	1
District Engineer	1
District Clerk	1
District Counsel	1
Consultant	2
Newly Created Position	*

#### **\*Newly Created Positions**

A newly created position that makes or participates in the making of decisions that may foreseeably have a material effect on any financial interest of the position-holder, and which specific position title is not yet listed in the District's conflict of interest code is included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code, subject to the following limitation: The District Manager may determine in writing that a particular newly created position, although a "designated position," is hired to perform a range of duties that are limited in scope and thus is not required to fully comply with the broadest disclosure requirements, but instead must comply with more tailored disclosure requirements specific to that newly created position. Such written determination shall include a description of the newly created position's duties and, based upon that description, a statement of the extent of disclosure requirements. The District Manager's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Section 81008.)

As soon as the District has a newly created position that must file statements of economic interests, the District's filing official shall contact the County of Santa Clara Clerk of the Board of Supervisors Form 700 division to notify it of the new position title to be added in the County's electronic Form 700 record management system, known as eDisclosure. Upon this notification, the Clerk's office shall enter the actual position title of the newly created position into eDisclosure and the District's filing official shall ensure that the name of any individual(s) holding the newly created position is entered under that position title in eDisclosure.

Additionally, within 90 days of the creation of a newly created position that must file statements of economic interests, the District shall update this conflict-of-interest code to add the actual position title in its list of designated positions, and submit the amended conflict of interest code to the County of Santa Clara Office of the County Counsel for code-reviewing body approval by the County Board of Supervisors. (Gov. Code Sec. 87306.)

## **DISCLOSURE CATEGORIES**

Disclosure Category 1: Persons in this category shall disclose:

(1) all investments, business positions, and income (including gifts, loans and travel payments) from:

(a) all sources subject to the regulatory, permit or licensing authority of the District; and

(b) all sources that provide, plan to provide, or have provided in the last two years, facilities, goods, software, hardware, or related technology, equipment, vehicles, machinery, or services, including training or consulting services, to the District; and

(c) all sources that are engaged in any real estate activity including, but not limited to real estate appraisal, development, construction, planning/architectural design, engineering, sales, brokerage, leasing, lending, insurance, rights of way, and/or studies; and/or property or facilities management/maintenance/custodial and utility services as used by the District or provides capital for the purchase of property used or sold by the District; and

(2) all interests in real property in the District located entirely or partly within the District, or within two miles of the District boundaries, or of any land owned or used by the District.

Disclosure Category 2: Consultants, as defined for purposes of the Political Reform Act, shall disclose pursuant to the broadest disclosure category in the conflict of interest code subject to the following limitation: The District Manager may determine in writing that a particular consultant, although a "designated position", is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements of the broadest category but instead must comply with more tailored disclosure requirements specific to that consultant. Such a determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. All such determinations are public records and shall be retained for public inspection along with this conflict of interest code.



## List of Amendments to Code Since Last County-Approved Code

### County of Santa Clara

#### Local Agency Conflict of Interest Code 2020 Biennial Amendment

**Complete this form in MS Word to submit the MS Word document to Kim Forrester in the Office of the County Counsel.** Use as much space as needed for each item – subsequent questions and answers may move down to additional pages. For each question, compare your last County-approved code (a copy was provided to you) with the amended code you are submitting for the 2020 update. Fill-in Agency Name, check “yes” or “no” for #1, and answer #s 2 through 6 or write N/A.

10

Agency Name: \_\_\_\_\_

1. Did your Agency amend any of the text (any text outside the list of designated positions and disclosure categories) of your conflict of interest code?

☐ Yes

☐ No

2. List any new positions added to your Agency’s list of designated positions and the position’s category number (add additional rows as needed):

Position Title Added	Assigned Disclosure Category No.

3. List any positions removed from your Agency’s list of designated positions, and explain the reason why the position was removed (e.g., position no longer exists due to reorganization, position replaced with new position, position’s job description changed such that the agency determined position is not required to file, etc.) (add additional rows as needed):

Position Title Removed	Reason Position Title Was Removed

4. List any positions that were already listed in your Agency’s list of designated positions, but whose position title has been revised (list both the prior position title and the new position title) (add additional rows as needed):

This only applies to position title changes. If a position was abolished and a new position was created, please enter those above as a removed position and new position.

Prior Position Title	Revised Position Title

5. List the category number of any disclosure category(ies) that was either added to your Agency’s code, or whose text was amended?

Disclosure Category Nos.	
--------------------------	--

6. List any designated position(s) that had its assigned disclosure category no. changed.

Position Title	Prior Disclosure Category No.	New Disclosure Category No.

# **County of Santa Clara**

## **Seven Questions to Ask for the 2020 Biennial Review of Your Agency's Conflict of Interest Code**

**The questions begin on page 3. Pages 1 and 2 provide background reference information.**

### **Background Reference**

- Your agency's conflict of interest code ("code") consists of 3 parts:
  - Text of the Code (incorporation of Regulation 18730 and other required information)
  - List of Designated Positions, with Each Position Assigned to One Disclosure Category
  - List of Disclosure Categories
- Whenever your agency updates its conflict of interest code, it **must** send the updated code to the County of Santa Clara Office of the County Counsel for Board of Supervisors' approval. The Government Code specifies that a local agency's code update is **not** effective until approved by the code-reviewing body, which is the County Board of Supervisors for your agency. If your agency has updated its code but did not send it to the Office of the County Counsel for Board of Supervisors' approval, the revisions are **not** effective by law.
- For responding to the questions that begin on page 3, you must use the code version last approved by the County Board of Supervisors. A copy of your agency's last Board of Supervisors-approved code (County-approved code) was included in the packet of materials sent to your agency.

### **Some Important Things to Remember**

- The Fair Political Practices Commission (FPPC), the state agency that enforces the Political Reform Act, recommends that agencies incorporate FPPC Regulation 18730 by reference for the text of the agency's code because the type of information required to be in the main body of the code is quite complex and Regulation 18730 contains all of these provisions. The FPPC amends the regulation to include legislative and regulatory changes; therefore, by incorporating the Regulation, this component of an agency's code is automatically in compliance.
- The code may also include a link to the text of Regulation 18730 on the FPPC's website. However, the code should **not** include the full text of Regulation 18730, either as part of the code or as an attachment. Because Regulation 18730 is updated by the FPPC regularly, any text included or attached to an agency's code will become out-of-date.
- In addition to incorporating Regulation 18730, the text of each agency's code must provide information on where statements are to be filed—i.e., with the Filing Official of the agency.
- The text of each agency's code must also make it clear that Statements of Economic Interests are public records subject to the disclosure requirements of Government Code section 81008.

- Each agency's code must have a list of designated positions. As part of the biennial review, each agency is expected to review its list of designated positions for any updates needed. This review process should include reviewing current organizational charts and current job duty statements to determine which positions need to be designated and which do not. Each agency is responsible for ensuring that it adequately differentiates between designated employees with different powers and responsibilities. Question 2 below provides information on the types of positions that should be designated in your agency's conflict-of-interest code.
- Each designated position must only be assigned to one disclosure category.
- Each designated position must be listed in singular form (no matter how many individuals may hold that position title).
  - *Example:* Board Member, not Board Members
  - *Example:* Principal, not Principals
- Each designated position should be listed separately, as it is used by the individual(s) in the position.
  - For example, if your agency has both "member" and "alternate member", these should be listed as *separate* designated positions on separate lines in your list of designated positions.
  - However, if someone is serving as "acting" or "interim," in a designated position, a separate title is not listed in the code; the individual simply files under the actual position title.
- Every agency's code must have "Consultant" as a designated position, assigned to a disclosure category that specifies the regulatory rule regarding consultants' disclosure. This must be listed even if your agency currently does not have any consultants.
- Every agency's code must have a section describing the disclosure requirements and process for handling "newly created positions" pending addition to the agency's conflict of interest code.
- Each disclosure category must specify which financial interests (investments, income (including gifts, loans, and travel payments), business positions, and interests in real property) and what sources of those interests must be disclosed.

If your agency's code update does not meet these requirements, the County may request edits before your agency's code amendment can be submitted for code-reviewing body approval.

## **Seven Questions to Ask for the 2020 Conflict of Interest Code Review:**

The question numbers below correspond to the same item numbers on the “List of Amendments to Code Since Last County-Approved Code” document.

**1. Does your agency need to update any of the text portion (any text outside the list of designated positions and disclosure categories) of your agency’s code since your agency’s last County-approved code?**

- A. If the answer is yes, the text revision must be included as part of your agency’s 2020 code update.

*Note: Unless the Office of the County Counsel has identified a required edit to the text portion of your code, your agency likely does not need to make any update to the text portion.*

**2. Has your agency created any new positions or identified any existing positions, since your agency’s last County-approved code, that make or participate in the making of governmental decisions that may foreseeably have a material effect on a position holder’s financial interests?**

**For example, has your agency had a reorganization, added new positions, or have the job duties of an existing position changed to the extent that the position was not previously designated but now should be designated?**

- A. If the answer is yes, and those positions are not included in the list of designated positions in your agency’s last County-approved code, those positions must be added to the list of designated positions in your agency’s 2020 code update.

*Note: It does not matter if a position is currently vacant. If the position title exists in your agency structure and should be designated, the position title must be reflected in the list of designated positions in your agency’s code.*

*Note: Individuals who serve as volunteer members of an agency’s committee may need to be designated if they make or participate in making governmental decisions.*

As a reminder, the following positions should be designated:

- Positions that have authority to vote on a matter, appoint a person, obligate or commit the agency to a course of action, or enter into any contractual agreement on behalf of the agency.
- Positions that have authority to negotiate decisions on behalf of the agency, without significant intervening substantive review.
- Positions that advise or make recommendations to the decision-maker without significant intervening substantive review. If a superior relies on an individual’s professional judgment without significant intervening substantive review, then the individual is participating in making a governmental decision. In other words, if an individual influences the final decision by providing information or suggesting a course of action on which the decision-maker relies, the individual is participating in the decision even if he/she is not making the final decision.

*Note: Positions that manage public investments, as defined in 2 Cal. Code Regs § 18700.3(b), are required to file pursuant to the disclosure requirements specified in Gov. Code § 87200. These positions should not be included in the list of designated positions in your agency's code, but should instead be listed under a separate section of your code titled, "Government Code § 87200 Filers." This only applies to positions that meet the narrow definition as listed in the law; you should consult your agency's counsel if you have questions as to whether any positions meet this definition.*

**3a. Has your agency abolished any positions that are currently listed under the list of designated positions on your agency's last County-approved code?**

- A. If the answer is yes, those abolished positions must be removed from the list of designated positions in your agency's 2020 code update.

*Note: This does not mean to eliminate a position simply because it is vacant; this means the position no longer exists in your agency's organizational structure. Even if a position is currently vacant, if the position title exists in your agency and it is one that should be designated, it must remain listed in the list of designated positions in your agency's code.*

**3b. Has your agency identified any designated positions on your agency's last County-approved code that should not be designated because they do not meet the definition of making or participating in making governmental decisions that may foreseeably have a material effect on a position holder's financial interests?**

- A. If the answer is yes, those positions should be removed from the list of designated positions in your agency's 2020 code update. For example, positions whose duties are clerical, secretarial, ministerial, or manual do not need to be designated.

*Note: This does not mean to eliminate a position simply because it is vacant; if the position title exists in your agency and it is one that should be designated, it must remain listed in the list of designated positions.*

**4. Has your agency revised the title of any positions that are currently listed under the list of designated positions on your agency's last County-approved code?**

- A. If the answer is yes, those position titles must be revised in the list of designated positions in your agency's 2020 code update.

*Note: It is important to note only title changes here; if a former position was replaced with a brand new position, that needs to be treated as an abolished position and newly created position under #s 2 and 3a above, and not as a title change. For example, your agency may conduct an organizational restructuring in which a person who previously held the position of Maintenance Manager is now in a position known as Director of Maintenance. If there was an agency action to create the new Director of Maintenance position, that is a removal of the old position and addition of a new position, not a title change.*

**5. Does your agency need to add a disclosure category or revise any of its existing disclosure categories, as listed on your agency's last County-approved code, to accurately capture the disclosure obligations of your designated positions?**

- A. If the answer is yes, the disclosure category revisions must be reflected in your agency's 2020 code update.

*Note: Each disclosure category must specify which financial interests (investments, income (including gifts, loans, and travel payments), business positions, and interests in real property) and what sources of those interests must be disclosed.*

**6. Does any designated position need to be assigned to a different disclosure category instead of the one it is currently assigned to on your agency's last County-approved code?**

- A. If the answer is yes, the assigned disclosure category for the designated position must be revised in your agency's 2020 code update.

*Note: Remember, each position can only be assigned to one disclosure category.*

*Note: Each designated position should be assigned to a disclosure category that requires disclosure of financial interests and the sources of those interests that relate to the position's job duties. Overbroad disclosure should be avoided. Designated positions can only be required to disclose interests that they may affect in the course of performing the position's duties. For example, if a designated position does not participate in decisions affecting real property, that position should not be assigned to a disclosure category that requires the disclosure of interests in real property.*

**If you answered "yes" to ANY of the questions above:**

If you answered yes to any of the questions above, the law provides that you must update your agency's code in 2020. Please follow the below steps and timelines:

1. Complete the 2020 Biennial Notice Form, indicating "an amendment is required" for your agency's code this year, mark the applicable checkboxes, and submit to Kim Forrester (kim.forrester@cco.sccgov.org) in the Office of the County Counsel by **September 4, 2020**.
2. Prepare an amended code and complete the "List of Amendments to Code Since Last County-Approved Code."
3. **Prior to agendizing the code amendment for your agency board's approval**, email in MS Word format the proposed amended code and "List of Amendments" to Kim Forrester (kim.forrester@cco.sccgov.org) in the Office of the County Counsel for preliminary review. Please allow up to 2 weeks turnaround time for the preliminary review. This preliminary review is required to avoid any edits needed after your agency has already taken it to your agency board for approval.

If the Office of the County Counsel notes that edits are needed, we will advise you to make those edits before you take the code amendment to your agency board. This saves your agency time.

4. Following County Counsel's preliminary review and response to your agency, make any necessary edits and then submit the amended code to your agency board for approval.
5. Once your agency board has approved the amended code, submit the amended code with date of your agency board's approval to Kim Forrester (kim.forrester@cco.sccgov.org) in the Office of the County Counsel by **October 31, 2020**. The Office of the County Counsel will then submit the code to the County Board of Supervisors for code-reviewing body approval. Your code amendment is not effective by law until approved by the County Board of Supervisors.

**If you answered "no" to ALL of the questions above:**

Complete the 2020 Biennial Notice Form, indicating that "no amendment is required" to your agency's code, have an executive officer sign the form, and submit to Kim Forrester (kim.forrester@cco.sccgov.org) in the Office of the County Counsel by **September 4, 2020**. A Biennial Notice Form must be submitted even if your agency determines that no amendments are required.