City Council Meeting

Item #6: RTC 26-465

Public Hearing: Action on Resolutions Approving Water, Sewer, and Recycled Water Amended Rates to be Effective July 1, 2026

June 9, 2026

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Agenda

1. Rate Setting Timeline
2. Proposed Rates
3. Utilities Overview
4. Water Sources 2025
5. Water Capital Improvement Projects
6. Sewer CIP Improvement Projects (CIP)
7. Proposed Rates
8. Average Residential Water and Sewer Bills
9. Rates Pass-Through
10. Water and Sewer Rates Comparison
11. Utility Rate Assistance Programs
12. Recommendations

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Rate Setting Timeline

- April 25, 2026 – Proposition 218 Notice Arrived in Mailboxes
- May 7, 12, and 18 – Council Briefings
- June 9, 2026 – Rate Hearing
- July 1, 2026 – If Approved by Council, Rates Become Effective

Delivering Affordable High-Quality Services to the Community

City of Santa Clara

Our Mission & Vision

To provide our community with high-quality, reliable, economical and environmentally sustainable water, wastewater and recycled water services in a manner that protects these resources for future generations.

As leaders in the community, we ensure clean water and a sustainable future for generations to come through innovation and managing environmental resources while providing an exceptional level of customer and community service.

Our Utilities

We serve approximately 26,000 service connections, including both residential and commercial customers. The water system includes 335 miles of water mains, 21 active groundwater wells, and seven storage tanks with a total capacity of over 28 million gallons. Potable water delivery is supported by proactive maintenance and capital projects to update infrastructure. A robust sampling program ensures compliance with all federal and state standards. In addition to maintaining water quality, our responsibilities extend to the City's wastewater system.

Our wastewater collection system includes approximately 26,000 sewer connections via 288 miles of sewer mains, and seven lift and pump stations. Our operations include 20% co-ownership of the San José-Santa Clara Regional Wastewater Facility (RWF), which is administered and operated by the City of San José. Furthermore, our commitment to resource sustainability is reflected in our recycled water delivery.

We supply recycled water to approximately 350 accounts via 33 miles of mains. Sourced from the City of San José's South Bay Water Recycling, this water is used solely for non-potable purposes such as irrigation and industrial processes.

Rethinking Drought

Recurring droughts force utilities and consumers to rethink relationships with our most precious resource: clean water. As a utility, we expanded rebate cost-sharing with our regional partners and our customers' participation continued despite the absence of drought conditions. Of the top three years for lawn conversions and other rebate participation, 2025 ranked third (the only year of the three that we were not in drought), proving that Santa Clarans have embraced a conservation mindset.

Making Conservation a California Way of Life in Santa Clara

Our second reporting year under California's new water use efficiency legislation showed that Santa Clara met the conservation challenge. We still have work to do in moving toward the State's current objective of 43 gallons per capita per day; we must not waiver in our commitment to this goal. For us, conservation and sustainability are fundamental strategies, not based on the weather.

Where We Are Now

With Northern Sierra snowpack below 10% of normal despite copious winter rains, drought may be fast approaching. As a utility, we need to prepare for droughts that may continue to come more often. Utilities like ours face revenue challenges and higher costs. Our wholesale partners continue to raise the fees charged to the City each year. Many of them face the same fiscal challenges that that we do. We continue to make significant capital investments in the jointly owned RW. Ongoing investments and loan payments on those investments push our rates higher. We make important long-term investments in all of our systems, build our emergency reserves, and work to keep future rate increases steady, all while providing high quality utility services to our customers.

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Proposed Rates

- Water: 12.2%
- Sewer:
  - Single Family: 12%
  - Multi-Family: 10%
  - Commercial: -17% to 33%
- Recycled Water: 11.4%
- Food/Kindred Products: 33%
- Restaurants: 31%
- Industrial Chemicals: 29%
- Metal Plating: -17%
- Electrical/Electronic Equipment: -10%
- Churches: -7%

Utilities Overview

- **Water**
  - ~27,000 connections, 335 miles of mains, 21 active groundwater wells, and 7 storage tanks (28 million gallons of storage)
- **Sewer**
  - ~27,000 connections, 288 miles of mains, 7 pump stations, and City is 20% co-owner of Regional Wastewater Facility (RWF) with San José
- **Recycled Water**
  - 350 connections, 33 miles of mains, and recycled water accounts for approx. 20% of total water sales during the summer months

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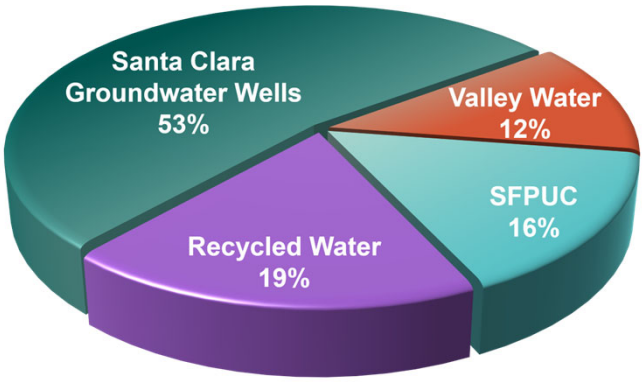
Water Sources 2025



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Water CIP

- $5.57 million budgeted for FY 26/27 and FY 27/28
- City's largest expenditures the next 2 years include:
  - Water Main Replacement Projects
    - Annually City crews replace ~10,000 ft. of main
  - Well Improvement Projects
    - Well rehabilitation and new disinfection systems
- The CIP budget has been carefully managed to minimize the need for rate increases beyond 12.2%

City Crews Replacing Water Main

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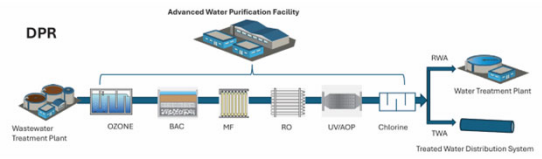
Water CIP

- **Santa Clara Valley Water District's** 5-year infrastructure investment plan
- Focuses on reliable water supplies, improving environmental stewardship, and modernizing critical infrastructure
- Key projects include:
  - Dam Seismic Retrofits and Improvements ($3.4B)
  - Rinconada Water Treatment Plant Improvements ($720M)
  - Pure Water Silicon Valley ($2.6B)



Pure Water Silicon Valley

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Sewer CIP

- $30.33 million budgeted for FY 26/27
  - $21.86 million is the City's contribution to RWF
- $29.55 million budgeted for FY 27/28
  - $23.43 million is the City's contribution to RWF
- City key projects include:
  - Condition Assessment includes pipe inspections
  - System Improvements includes replacement of pipes
  - Capacity Improvements includes upsizing of pipes

City Crews Repairing Sewer Pipe

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Sewer CIP

- FY 26/27 rate impacts are primarily borne by commercial costumers
- RWF key projects include:
  - Aeration Basins Upgrades ($319M)
  - Digester Facility Upgrades ($213M)
  - Primary Clarifier Rehabilitation Phase 1 ($163M)
  - Pump Station Improvements Phase 1 ($144M)


Digester Facilities Upgrades

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Proposed Rates

- The adopted water rates for the purchase of water includes the Operations and Maintenance (O&M) and CIP costs for each supplier
- Santa Clara Valley Water (Valley Water)
  - 9.1% rate increase for both treated surface water and groundwater sources
- San Fransico Public Utilities Commission (SFPUC)
  - 7.4% rate increase

Proposed Rate Changes

- Water: 12.2%
- Sewer:
  - Single Family: 12%
  - Multi-Family: 10%
  - Commercial: -17% to 33%
- Recycled Water: 11.4%
- Food/Kindred Products: 33%
- Restaurants: 31%
- Industrial Chemicals: 29%
- Metal Plating: -17%
- Electrical/Electronic Equipment: -10%
- Churches: -7%

Proposed Rates

- Commercial sewer rate increases explained
  - RWF CIPs are the primary driver in the commercial rate increases
  - Customers are charged based on how much they discharge (flow) and how difficult that discharge is to treat (treatment)
  - Flow (Conveyance): Is the amount of sewer discharged into the sewer system (more flow requires larger pipes, pumps, and infrastructure capacity)
  - Strength (Treatment): Is the concentration of pollutants in the sewer water, such as biochemical oxygen demand and total suspended solids

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Proposed Rates

- Why Water and Sewer Rates Do Not Match the Consumer Price Index (CPI)?
  - Water and sewer utilities are infrastructure-intensive services, and their costs do not increase at the same rate as the CPI
  - CPI measures changes in the cost of common consumer goods and services
  - Utilities are primarily driven by infrastructure, regulatory, and construction-related costs, which increase faster than CPI
  - Rate adjustments typically exceed CPI when needed to maintain the integrity and reliability of the water and sewer utility systems

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Average Residential Water Bill

- Residents will see an increase of **$14.40/month**
  - $118.68 to $133.08
  - 12 HCF (8,976 gal) is considered a high-end user
  - The best way to lower your bill is to conserve!

City Owned Well

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Average Residential Sewer Bill

- Single Family Residents will see an increase of **$6.90/month**
  - $57.56 to $64.46
- Multi-Family Residents will see an increase of **$5.11/month**
  - $53.15 to $58.26

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Rates Pass-Through

- **Water rate increase covers:**
  - Water purchases which account for **53.6%** of the proposed rate increase
  - The remaining **46.4%** covers the City's O&M and CIP costs

- **Sewer rate increase covers**
  - Regional Waste Facility O&M and CIP costs which account for **70.1%** of the proposed rate increase
  - The remaining **29.9%** covers the City's O&M and CIP costs of the sewer collection system

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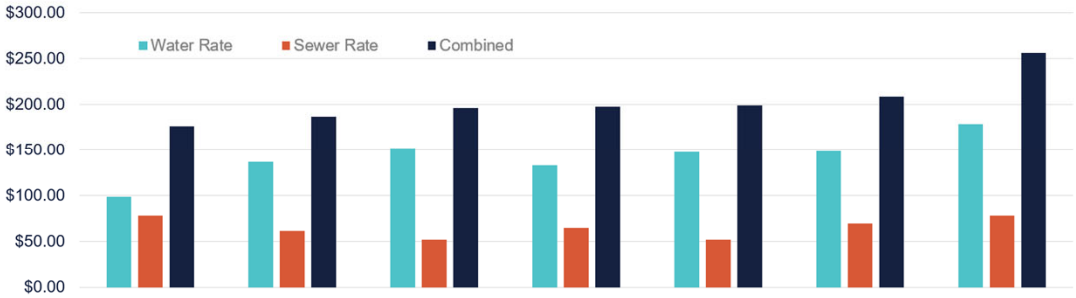
Water & Sewer Rate Comparison



	Sunnyvale	Mountain View	San Jose (Muni)	**Santa Clara**	SJWC	Milpitas	Palo Alto
Water Rate (12 HCF)	$98.57	$136.75	$151.90	$133.08	$147.48	$148.36	$178.60
Sewer Rate	$77.79	$61.50	$51.73	$64.46	$51.73	$69.46	$77.84
Combined	**$176.36**	**$186.76**	**$196.15**	**$197.54**	**$199.21**	**$208.90**	**$256.44**

*All rates are proposed for FY26-27

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Utility Rate Assistance Programs

- City Low Income Rate Assistance Program (Water Rate Assistance Program)
  - Funded by Water & Sewer Cell Tower Revenues
- Utility Low Income Rate Assistance (Help Your Neighbor Program)
  - Funded by customer utility bill donations
- Sacred Heart Community Services Assistance Program
  - Funded by Valley Water

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Recommendations

- At the close of the Public Hearing, if the protests from property owners are not a majority:
  - Adopt the Resolution Approving Water Rate Schedule 2026-01 and Recycled Water Rate Schedule 2026-02 for City Water Service Rates to be Effective July 1, 2026
  - Adopt the Resolution Approving Sewer Rate Schedule S-26 for City Sewer Service Rates to be Effective July 1, 2026

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QUESTIONS?

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Tap Water Versus Bottled Water

- Cost per gallon comparison
  - City tap water cost 1.4 cents per gallon ($0.014 per gallon)
  - Bottled water cost an average wholesale price of $1.44 per gallon*
- Regulatory Agencies
  - Tap water is regulated by the US EPA and State Water Resources Control Board
  - Bottled water is regulated by the US Food and Drug Administration
- Tap water undergoes comprehensive monitoring, reporting, and public notification requirements

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Landscape Rebate Program

- Residential Landscape Conversion Rebates
  - Single-family and multifamily residences under 5 units can receive up to $5,000 per site
  - Landscape conversion: is converting turf to a vibrant garden

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Landscape Rebate Program

- Commercial Landscape Rebates (Commercial, Industrial, Institutional, multifamily with 5 units or greater) can receive up to $110,000 per site
  - Landscape conversion: is converting turf to a vibrant garden
  - Lawn to mulch conversion: is replacing lawn with 3 inches of mulch

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Landscape Rebate Program

FREE Indoor Water Conservation Devices

- **Water Wise Indoor Survey Kit** — Mandarin, Vietnamese, Spanish & English 
- **Kitchen Aerator** — 1.5 gallons per minute 
- **Bath Aerator** — 1.0 gallon per minute 
- **Showerhead** — White or silver, High pressure, low flow 
- **Toilet Flapper** — With chain 
- **Toilet Leak Detection Dye Tabs** — (2) 

FREE Outdoor Water Conservation Devices

- **Rules of Thumb for Water-Wise Gardening** — English 
- **Garden Hose Nozzle** — 7 spray settings with auto shut-off 
- **Moisture Meter** — Probes to 6" depth 
- **Flathead Irrigation Screwdriver** — for sprinkler heads 1/8" magnetized 

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