



**To:** Steven J. Machida, Director of Engineering/City Engineer  
**Subject:** Fiscal Year 2016/17 Water Rate Initiative Report  
**Date:** 7.15.2016  
**From:** Douglas Dove, President; Michael DeGroot, Financial Analyst

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## Background

Bartle Wells Associates (BWA) has been retained by the City of Milpitas to analyze the impact of a voter initiative to alter the City's Fiscal Year (FY) 2016/17 water rates. The initial water rate study was completed by BWA in December 2015 and recommended water rates for FY 2015/16 and FY 2016/17. The recommended water rates were adopted on December 15<sup>th</sup> 2015.

This memorandum was prepared based on the assumptions of key variables such as expenses, water purchase volumes, and water sales used in BWA's initial 2015 water rate study. Since the time the initial rate study was prepared, several key variables have changed which are not included in this analysis:

- San Francisco Public Utilities Commission (SFPUC) wholesale water rate increase of 9.3% from \$3.75/hundred cubic foot (hcf) (15-16) to \$4.10/hcf (16-17). BWA's study projected a rate of \$3.79/hcf for 16-17.
- Santa Clara Valley Water District (SCVWD) wholesale water rate increase of 18% from \$2.28/hcf (15/16) to \$2.69/hcf (16-17). BWA's study projected a rate of \$2.68/hcf for 16-17.

Key objectives of BWA's analysis include:

1. An analysis of the rates proposed in the Initiative Measure relative to the San Juan Capistrano decision and Proposition 218.
2. Whether the Initiative Measure will impair the City's financial ability to maintain the water system and whether enough revenue will be collected to adequately fund all operations, maintenance, capital infrastructure needs, water quality/safety, water supply functions and meet the City's 30% (90 day) water reserve fund policy.
3. Whether the Initiative Measure will provide enough revenue for the City to meet contractual obligations with San Francisco Public Utilities Commission (SFPUC) and the Santa Clara Valley Water District (SCVWD) to purchase water from both wholesalers.
4. An analysis if the Initiative Measure's tier 1 rate will collect enough revenue to comply with the cost for service.
5. Show how the initiative rates are not based on the cost of service.

**FY 2016/17 Initiative Measure & BWA Proposed Water Rates**

Table 1  
 City of Milpitas - Water Rate Initiative Report  
 FY 2016/17 Initiative Measure & BWA Proposed Water Rate Schedule

**Volumetric Charges (\$/HCF\*)**

<b>Category</b>	<b>Initiative Measure proposed FY 16-17 rate per HCF</b>	<b>City Adopted BWA proposed FY 16-17 rate per HCF**</b>
Residential		
0-10	\$3.35	\$6.43
11-20	\$4.45	\$6.43
21-30	\$6.00	\$6.43
>30	\$6.42	\$6.43
Commercial	\$6.42	\$6.43
Industrial, Institutional, Construction	\$6.42	\$6.43
Potable Irrigation	\$6.42	\$6.43
Ed Levin Park***	\$3.79	\$3.79
City of Milpitas	\$6.43	\$6.43
Recycled Irrigation	\$4.08	\$2.78
Recycled Industrial, Dual-plumbed, Construction	\$2.65	\$2.78
Recycled City of Milpitas	\$2.78	\$2.78

\*1 HCF = 748 gallons

\*\*Includes capital surcharge

\*\*\*County of Santa Clara rate is established by contract to be equivalent to the SFPUC wholesale rate

**Analysis of Initiative Measure Proposed Rates Legal Compliance**

BWA believes the Initiative Measure rates are similar to the tiered rates that were successfully challenged in the **Capistrano Taxpayers Assn., Inc. v. City of San Juan Capistrano** case as not being in compliance with the requirements of California Proposition 218 because the tiered rates must be correlated to the actual cost of providing water at those tiered levels. The Initiative Measure residential tiered rates, which range from \$3.35 to \$6.42 per hcf, do not appear to be based on the cost of service, which was determined to be a flat \$6.43 per hcf under BWA FY 2016/17 proposed rates. The Initiative Measure rates amount to a rate discount for residential customers, however no alternative source of non-rate funding is identified to cover the cost of water service. The Initiative Measure discount for residential rates is estimated to be \$4.5 million in FY 2016/17 enterprise revenue.

Additionally, Initiative Measure recycled water rates effectively roll back to those charged in 2014/15 for certain customers (\$4.08 for recycled irrigation; \$2.65 for recycled industrial, dual plumbed and construction). The Initiative Measure recycled rates do not correlate to cost of service and collect an estimated \$500,000 over the

cost of providing recycled water, as calculated by BWA (\$2.78 per hcf for FY 2016/17). Rates which exceed the cost of providing service are not in compliance with Proposition 218.

The FY 2016/17 potable volumetric rate of \$6.43 per hcf is designed to recover the cost of potable water purchases, personnel services, administrative costs, and services and supplies. \$1.30 of the \$6.43 rate is identified separately as a “capital surcharge” and is intended to recover debt service costs and cash funded capital expenditures. The FY 2016/17 recycled water rate of \$2.78 per hcf includes a \$0.17 charge for capital costs.

### **Constitutional Rate Requirements**

The California Constitution includes two key articles that directly govern or impact the City’s water rates: Article 10 and Article 13D. The water rates developed in BWA’s 2015 water rate study were designed to comply with both of these constitutional mandates as well as various provisions of the California Water Code and Government Code that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the City’s cost of providing water service; b) allocate costs in proportion to the cost for serving each customer class; and c) promote conservation and discourage waste.

### **Article 13D, Section 6**

Proposition 218 was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility service charges such as water, sewer, and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. The substantive requirements of Article 13D, Section 6 require the City’s water rates to meet the following conditions:

1. Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
2. Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
4. No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.
5. No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

**Capistrano Taxpayers Assn., Inc. v. City of San Juan Capistrano**

The Court of Appeals of California clarified the requirements of Proposition 218 as it relates to tiered water in their written April 20<sup>th</sup>, 2015 Opinion as follows:

*“...the trial court did not err in ruling that Proposition 218 requires public water agencies to calculate the actual costs of providing water at various levels of usage...To comply with [Article XIII D, section 6] subdivision (b)(3), City Water [San Juan Capistrano] also had to correlate its tiered prices with the actual cost of providing water at those tiered levels. Since City Water did not try to calculate the actual costs of service for the various tiers, the trial court's ruling on tiered pricing must be upheld simply on the basis of the constitutional text.”*

## Financial Impact of Initiative Measure Rates

**Table 2** shows a comparison of rate revenue between the current fiscal year (2015/16), Initiative Measure rate revenue, and BWA proposed rates for FY 2016/17. If the Initiative Measure proposed rates are put in place by July 1, 2016, the City of Milpitas is estimated to under collect approximately \$4 million in revenue in FY 2016/17 alone compared to BWA proposed rates.

Table 2  
City of Milpitas - Water Rate Initiative Report  
Projected Water Service Revenues

Project Revenues	Prorated 2015/16 <sup>1</sup> Revenue	Projected		Deficiency
		Initiative Measure Rates 2016/17	City Adopted BWA Rates 2016/17	
Potable Capital Surcharge			\$3,911,700	\$3,911,700
Recycled Capital Surcharge			70,757	\$70,757
Potable Water Meter Charges	\$4,829,223	\$6,351,981	6,351,981	\$0
Recycled Water Meter Charges	253,489	425,503	425,503	\$0
Potable Water Volumetric Charges	12,444,524	14,793,366	15,446,056	\$652,690
Recycled Water Volumetric Charges	1,570,465	1,652,922	1,086,329	(\$566,593)
	\$19,097,701	\$23,223,773	\$27,292,327	\$4,068,554

*% Increase from Prior Fiscal Year*

*22%*

*43%*

<sup>1</sup> Includes 9 months of FY 14-15 rates and 3 months of adopted FY 15-16 rates

**Table 3** shows cash flow for the water enterprise based on the Initiative Measure rates and the BWA rate study proposed overall increases of 8% FY 2017/18 and 5% in FY 2018/19. Under Initiative Measure rates, the water enterprise will not meet its 30% (90 days) of annual operating expenses fund reserve target (approximately \$7 million in FY 2016/17). BWA projects the water enterprise will draw down the Operating Fund to \$4.4 million in FY 2016/17, and will accrue a deficit of about -\$944,000 in FY 2017/18 and -\$5.4 million in FY 2018/19. Additionally, net revenues will not be adequate to meet debt coverage requirements on a projected \$25.5 million financing for capital improvements nor will it provide for capital improvement projects outlined in the 5 year CIP.

The graphical presentations below display projected impact of revenue, expenses, and fund balances under the Initiative Measure proposed rates under various scenarios:

**Figure 1:** Water enterprise revenue under Initiative rates, excluding bond revenue. Expenditures include bond funded project costs.

**Figure 2:** Water enterprise 30% operating reserve target versus reserves generated by Initiative rates based on **Figure 1**.

**Figure 3:** Comparison of water enterprise revenue under City adopted and Initiative rates, including bond revenue. Expenditures include bond funded project costs.

**Figure 4:** Water enterprise 30% operating reserve target versus reserves generated by Initiative rates based on **Figure 3**.

Table 3  
City of Milpitas - Water Rate Initiative Report  
Cash Flow Projection - Operating Fund (Initiative Measure Rates Implemented)

	Estimated	Projected			
	2014/15	Budget 2015/16	2016/17	2017/18	2018/19
<b>Beginning Fund Balance (Operating Fund)</b>					
Cash and Cash Equivalents		\$7,276,000	\$15,103,000	\$4,386,000	-\$944,000
<b>REVENUES</b>					
		Adopted 1/15/2016	Initiative	Projected	Projected
<b>Overall Rate Increases</b>		<b>Rate Restructure</b>	Measure Rates	<b>8.0%</b>	<b>5.0%</b>
<b>Operating Revenue<sup>1</sup></b>					
Potable Meter Charges	\$4,478,476	\$4,829,223	\$6,351,981	\$6,860,502	\$7,203,510
Recycled Meter Charges	206,657	253,489	425,503	459,543	482,518
Potable Volumetric Charges	15,966,897	12,444,524	14,793,366	15,975,456	16,778,391
Recycled Volumetric Charges	1,937,743	1,570,465	1,652,922	1,820,127	1,946,990
Other Operating Revenue	175,000	175,000	175,000	175,000	175,000
<i>Subtotal Operating Revenue</i>	22,764,773	19,272,701	23,398,773	25,290,629	26,586,408
<b>Non-Operating Revenue</b>					
<b>Bond (4.25% 30-Years)</b>		<b>25,540,000</b>			
Subventions and Grants	45,000	45,000	45,000	45,000	45,000
Interest Income	98,000	98,000	98,000	98,000	98,000
Developer Contributions	0	0	0	0	0
<i>Subtotal Non-Operating Revenue</i>	143,000	25,683,000	143,000	143,000	143,000
<b>TOTAL REVENUES</b>	<b>\$22,907,773</b>	<b>\$44,955,701</b>	<b>\$23,541,773</b>	<b>\$25,433,629</b>	<b>\$26,729,408</b>
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
SFPUC Wholesale Water (Est.)	\$8,576,105	\$10,083,024	\$10,193,107	\$10,215,417	\$11,485,483
SCVWD Wholesale Water (Est.)	3,004,819	2,291,200	2,634,880	3,030,112	3,484,629
Recycled Water Expenses (Est.)	603,531	810,590	1,013,238	1,291,878	1,647,144
Personnel Services <sup>3</sup>	2,597,769	2,702,000	2,810,000	2,922,000	3,039,000
Transfers Out (General Fund Admin Cost Reimb.) <sup>3</sup>	2,366,459	2,461,000	2,559,000	2,661,000	2,767,000
Services and Supplies <sup>3</sup>	1,917,115	1,994,000	2,074,000	2,157,000	2,243,000
Additional Operating Expenses	-	1,422,275	2,125,600	1,186,024	1,233,265
<i>Subtotal Operating Expenses</i>	19,065,799	21,764,089	23,409,825	23,463,431	25,899,521
<b>Non-Operating Expenses</b>					
Ed Levin Rate Reduction		2,609	6,896	7,966	8,461
Capital Expenditures (Transfer Out)	3,225,000	15,362,000	9,320,000	5,770,000	3,795,000
<b>Bond Debt Service</b>	-	-	<b>1,522,139</b>	<b>1,522,139</b>	<b>1,522,139</b>
<i>Subtotal Non-Operating Expenses</i>	3,225,000	15,364,609	10,849,035	7,300,105	5,325,600
<b>TOTAL EXPENSES</b>	<b>\$22,290,799</b>	<b>\$37,128,698</b>	<b>\$34,258,860</b>	<b>\$30,763,536</b>	<b>\$31,225,121</b>
Net Revenues	\$616,974	\$7,827,003	(\$10,717,088)	(\$5,329,908)	(\$4,495,713)
<b>Ending Fund Balance (Operating Fund)</b>					
	<b>\$7,275,776</b>	<b>\$15,103,003</b>	<b>\$4,385,912</b>	<b>(\$943,908)</b>	<b>(\$5,439,713)</b>
Debt Service Coverage (Currently No Debt)					
Net Operating Revenues	3,698,974	(2,491,388)	(11,052)	1,827,198	686,888
Total Debt Service	0	0	1,522,139	1,522,139	1,522,139
<i>Coverage</i>	-	-	(0.0)	1.2	0.5
Unrestricted Fund Reserve Target					
30% Operating Expenses	\$5,719,740	\$6,529,227	\$7,022,947	\$7,039,029	\$7,769,856
<i>Target Met</i>	Yes	Yes	No	No	No
<b>Total Deficiency</b>	<b>\$1,556,036</b>	<b>\$8,573,777</b>	<b>(\$2,637,035)</b>	<b>(\$7,982,937)</b>	<b>(\$13,209,569)</b>

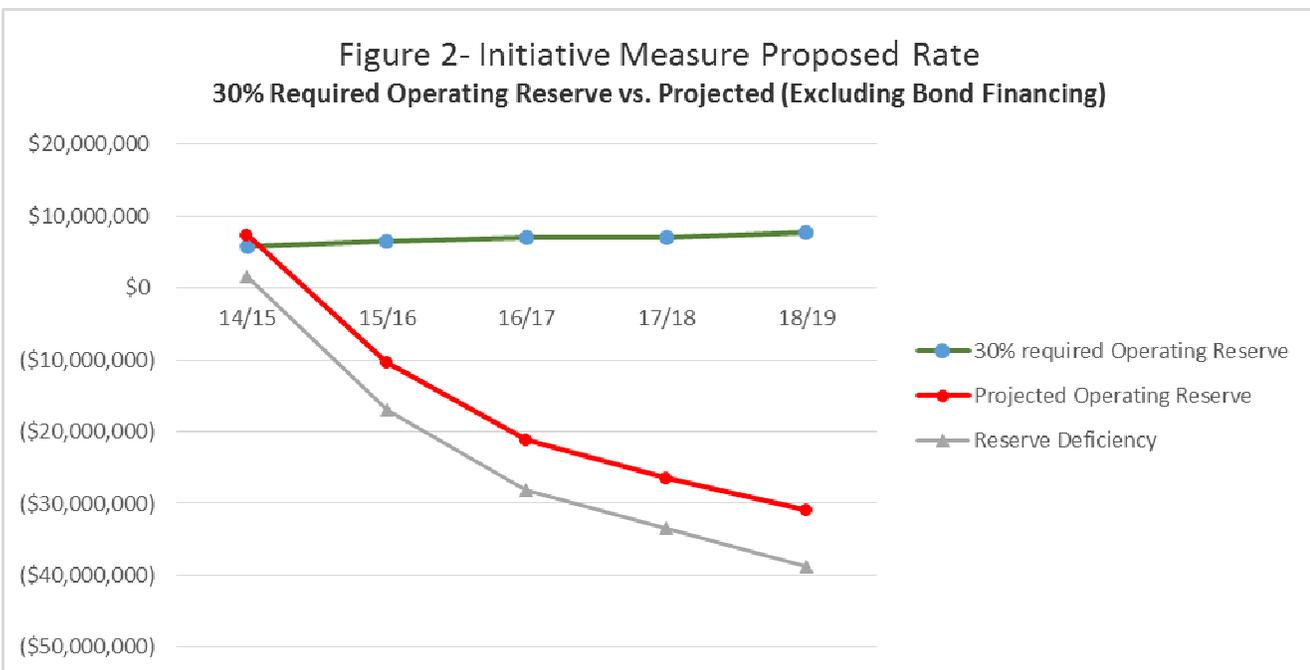
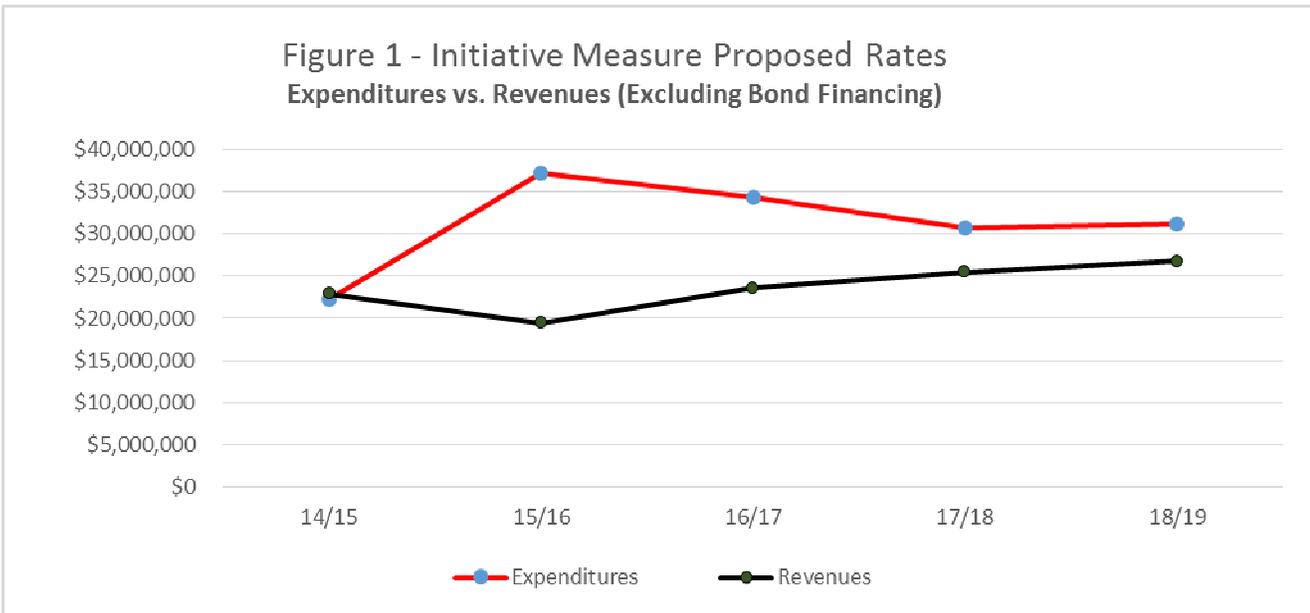
1 Charges prorated to take into account 2015/16 proposed rates effective January 1st, 2016 rather than July 1st, 2015

2 Equal to three years of capital expenses

3 2014/15 Actuals from Finance Department

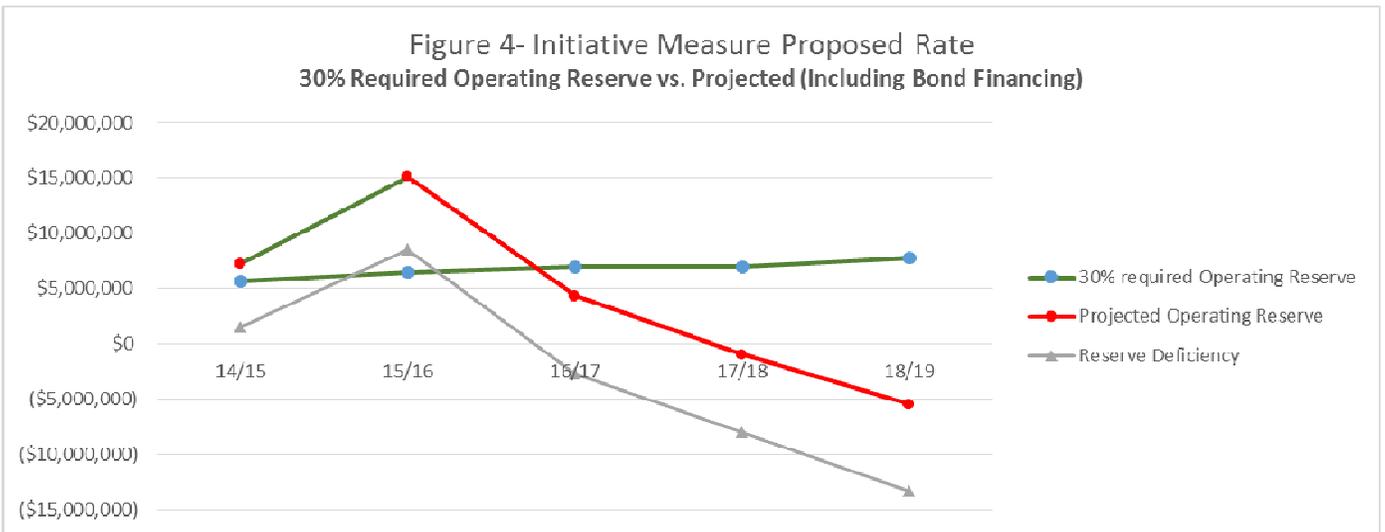
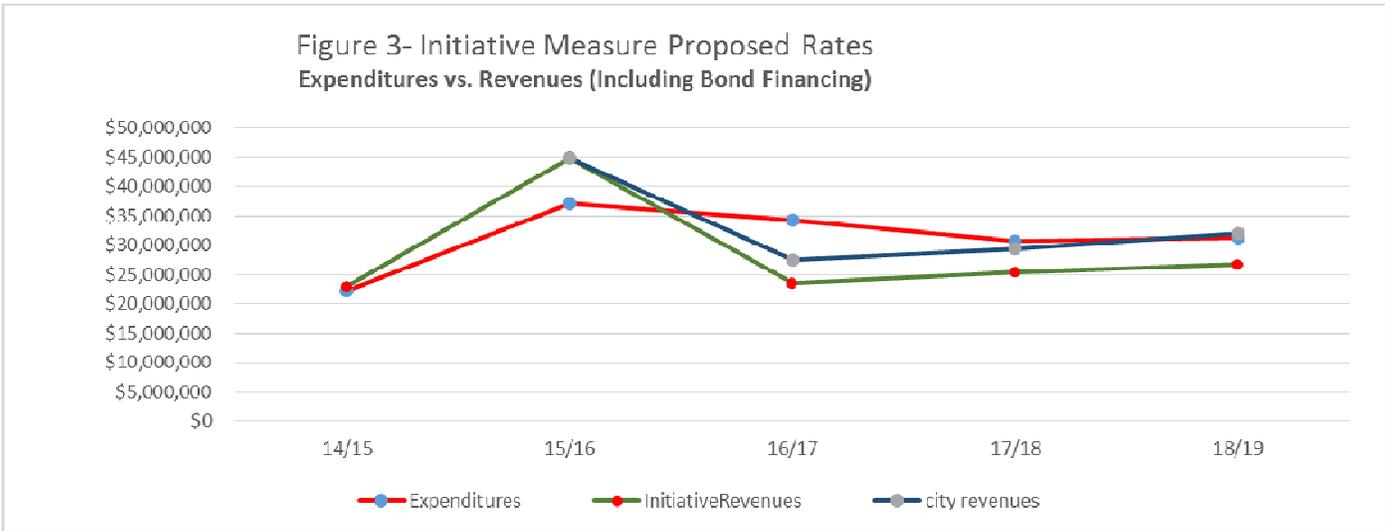
**Figure 1 & 2**

**Initiative revenues without bond revenue, expenditures include bond funded projects costs**



**Figure 3 & 4**

**Initiative & City revenues with bond revenue, expenditures include bond funded projects costs**



The impact of the revenue loss is that the City will not be able to fund all of its capital improvement program, shown in **Table 4**. Initiative Measure rates propose to eliminate the capital surcharge, which is intended to collect approximately \$4 million per year to fund potable and recycled water projects. Approximately \$1.5 million of surcharge revenue is projected to cover annual principal and interest costs associated with the \$25.5 million debt financing for capital projects. Funding projects with debt is important for ensuring costs benefitting future users are paid for by future users. The remaining capital projects are proposed to be cash funded.

Planned capital improvement projects are necessary for maintaining water supply reliability, offsetting demand for potable water, and an easing of the burden of reducing consumption on potable customers to meet State mandated cutback requirements. The existing City water rates are structured to recover the cost of potable water, personnel, administration, services, supplies and programmed capital improvements. Altering the timing, scheduling and function of the services on the water system will have a detrimental effect on the operations, maintenance and needed improvement to the City water system leading to system failure. Deferring or eliminating programmed water projects will lead to additional water main breaks, violations from State regulators, inability to deliver water, potential water contamination or water quality issues, impairment for fire suppression, increase system water loss and system pipeline corrosion.

**Appendix A – Water Distribution System Required Operations and Maintenance Activities:** details the required mandated activities to sustain a safe and reliable water system. Each activity and function requires the City to respond and address. With reduced funding, maintaining water quality and supply will be the highest priority, while routine activities such as valve exercising, pump station maintenance and record management will be curtailed. Over time, the backlog of work will impact the ability to provide safe water supply.

**Appendix B – Water Capital Program:** details the water system projects included in the City’s Five Year Capital Improvement Program that are funded by the capital surcharge. The table describes the purpose of the project and the long term consequences if the project is deferred or eliminated.

**Appendix C – Initiative Measure to be Submitted Directly to the Voters:** details the proposed water rates by the Initiative.

Table 4  
City of Milpitas - Water Rate Initiative Report  
5 Year Capital Program

Description	15-16	16-17	17-18	18-19	19-20	20-21	Total
Rate Study Plan Estimates (Includes Water Fund and bonds)	\$15,362,000	\$9,320,000	\$5,770,000	3,795,000	\$7,620,000	-	\$41,867,000
Adopted 5 Yr CIP Updated (Includes Grants, Developer, unfunded, etc)	-	\$13,790,000	\$7,670,000	\$12,600,000	\$17,190,000	\$12,995,000	\$51,250,000
<b>Total</b>	-	<b>\$23,110,000</b>	<b>\$13,440,000</b>	<b>\$16,395,000</b>	<b>\$24,810,000</b>	<b>\$12,995,000</b>	<b>\$90,750,000</b>

**Capital Projects Included Within the 5 Year CIP (included in alphabetical order)**

- 2nd SCVWD Water Reservoir and Pump Station
- Abel Street Pipeline Extension
- Automated Water Meter Replacement
- BART Project - Water Improvements
- Cathodic Protection Improvements
- Construction Water
- Hydrant Replacement
- Los Coches Backbone
- Lower Berryessa Creek Water Line
- Minor Water Projects 2017 & 2018
- Minor Water Projects 2019-20
- Recycled Water Pipeline Infill Project
- Recycled Water Pipeline Segment 1
- Recycled Water Pipeline Segment 2
- Recycled Water Pipeline Segment 3
- Recycled Water Pipeline Segment 4
- Recycled Water Pipeline Segment 5
- SCVWD Second Water Supply Turnout
- Supervisory Control And Data Acquisition
- Water Conservation Program
- Water O&M Database Management
- Water System Replacement Study
- Water System Seismic Improvements
- Well Upgrade Project

**Table 5** shows a calculation of FY 2016/17 City adopted volumetric rates in comparison with Measure Initiative rates. The proposed residential Tier 1 of \$3.35 is below the estimated water purchase cost of \$3.63/hcf.

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Table 5  
 City of Milpitas - Water Rate Initiative Report  
 Residential Volumetric Rate

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City Approved FY 2016/17 Volumetric Unit Rate	\$6.43
Capital Surcharge (To Fund Improvements)	<u>(\$1.30)</u>
Subtotal non-capital	\$5.13
Water Purchase = 2/3 SFPUC +1/3 SCVWD; (Weighted average of .67*\$4.10/hcf + .33x\$2.69/hcf)	\$3.63
Admin/Services & Delivery	\$1.50

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**INITIATIVE RESIDENTIAL WATER RATES**

**Quantity Charges (per hcf)**

Residential (bimonthly tiers)	
1 - 10 hcf bimonthly	\$3.35
11 - 20 hcf bimonthly	\$4.45
21 - 30	\$6.00
31+	\$6.42

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## Appendix A

Table A-1 includes a list of water utility mandates to insure a safe water supply.

<b>Table A-1 Water Distribution System - Required Operations and Maintenance Activities</b>		
Activity	Purpose	Potential Consequences
Customer Service Requests	Investigate and respond to customer service inquiry, request, or concern	Water loss, water quality for customer, potential health and safety
Underground Service Alert Locate Requests	State mandated; protection of infrastructure; protect water quality	Water break, illicit use, cross connection
Water quality Sampling (Bacteriological, chemical, physical)	State mandated requirement; protect water quality	Potential Water contamination undetected
Repair Water Main Leaks and Customer Service Line Leaks	Prevent water loss; prevent interruption in water service to customer; prevent contamination; Ensure health and safety of water supply	Significant water waste, potential water contamination, impair water supply for fire suppression
Repair/Replaced Water Meters	Accurately measure water use; properly bill customer; prevent water waste	Increased system water loss, increased loss in revenue, increase water waste
Exercise/Repair Valves	Prevent inability to shut off or isolate water distribution system for repair, water quality issues, or fire suppression needs	Valves will not operate properly during emergencies
Water System Flushing including exercising blowoffs	Protect water quality, prevent water age	Maintain water quality within distribution system
Test and Repair Backflow Devices	State mandated; protect water quality	Potential Water contamination undetected
Service Fire Hydrants (including repair, replace, painting hydrants/curbs, set blue reflectors)	Necessary in order to provide for fire protection and insurance rating	Inoperable Fire Hydrants, risk to provide fire suppression during emergencies, impact to insurance rating
Potable Pump Station Maintenance	Ensure proper operation of all equipment, including pumps control, water quality monitoring equipment and alarms	System failures, inability to deliver water to customers, potential water contamination, water suppression unavailable or limited during fire event
Compliance and Regulatory Reporting	State and regional mandated requirements, protect water quality, proper training and certifications, documentation and reporting	Violations/fines from regulators, compromise health and safety of drinking water to consumers

## Appendix B

Table B-1 is a list of the water projects included in the City of Milpitas 16-21 Five Year Capital Improvement Program that are funded by the capital surcharge

<b>Table B-1 Water Capital Program</b>		
Project	Purpose	Potential Consequences
7076 Well Upgrade Project	Installs transfer switch, upgraded controls, and water quality treatment to Pinewood Well and completes Curtis Well	Transfer switch and controls improve well operations. Lack of water quality treatment reduces customer acceptance of Pinewood Well. Curtis Well is not a functional well
7100 Seismic Improvements	Install pipe to backbone standard which allows pipe to withstand ground movement	Significant ground movement will cause existing pipes to break
7115 Cathodic Protection Improvements	Measure and replenish sacrificial anodes that protect metallic pipe and fittings	Metallic pipes with consumed anodes are subject to failure due to corrosion
7121 Automated Water Meter Replacement	Replace aging infrastructure with new technology for meter reading	Aging meters tend to under-register; City collects less revenue; water loss increases
7125 BART Project	Upsize water pipe and install to backbone standard	Existing pipes have less capacity to move large volumes of water near proposed new water supply turnout. Work is nearly complete
7126 Water Conservation	Meet regulatory requirement to respond to complaints and enforce water conservation	Violations/fines from regulators
7127 Supervisory Control and Data Aquisition	Provides real-time water system data, such as tank levels, pump operational status, system pressure, and flow rates, to water operators. Operators use this information to identify operational problems, such as high velocities, low pressures, and pressure spikes, which are indicators of pipe breaks	Operators must visit facilities to determine cause of customer complaints, alarms, implement corrective actions, and to collect data
Minor Water Projects	Provide some funding for various minor projects, such as security enhancements	Delays to implement small projects
Recycled Water Pipeline Segment 1	Extends recycled water system to large irrigation users to convert to recycled water and save potable water for drinking	Large irrigation customers continue to use potable water. Eliminate reservoir or find another reservoir site
Water O&M Data Management	Integrates and expands the City's computerized water system databases	Continue with existing data bases; some are hard copy and difficult to search
Water System Replacement Study	Reviews pipe reaching its useful life to determine whether replacement is needed in the near future	Replace pipelines when they experinece catastrophic failures
Water valve replacement	Replace water valves which have a useful life of 20 years	Several water system valves are inoperable; delaying ability to shut down water lines and impacting greater number of customers

## Appendix C

### INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The City Attorney has prepared the following title and summary of the chief purpose and points of the proposed measure:

#### Initiative Measure Regarding the City of Milpitas Water Rates and Charges

This Measure would amend Milpitas Municipal Code, Title VIII, Chapter 1, Section VIII-1-6.13 with regard to water rates and charge based on quantity per hundred cubic feet or "HCF." On December 15, 2015, the City Council of the City of Milpitas adopted Ordinance No. 120.47 imposing new water rates and charges. Ordinance No. 120.47 amended Milpitas Municipal Code Section VIII-1-6.13 impose new quantity charges per HCF to include both a volumetric charge and a capital surcharge, as follows:

<b>Rates Effective Dates for Volumetric Charges (\$/HCF)</b>			<b>Capital Surcharge</b>
<b>Customer Class</b>	<b>1/15/16</b>	<b>4/01/16</b>	
Residential:	\$4.75	\$5.13	\$1.30
Commercial, Industrial, Institutional, Construction	\$4.75	\$5.13	\$1.30
Irrigation (potable)	\$4.75	\$5.13	\$1.30
City Accounts (potable)	\$4.75	\$5.13	\$1.30
Ed Levin Park	\$3.75	\$3.79	NA
Recycled - Irrigation	\$2.42	\$2.78	NA
Recycled - Industrial/Dual Plumbed/Construction Water	\$2.42	\$2.78	NA
City Accounts (recycled)	\$2.42	\$2.78	NA

The Measure would impose a volumetric charge different from the city's volumetric charge and eliminate the capital surcharge. The legality of this proposed Measure is unknown at this time.

The Measure would replace the City of Milpitas' new quantity charges per HCF with the following:

<b>Quantity Charge per HCF</b>	
<b>Category</b>	<b>Charge</b>
Residential: 0-10 HCF	\$3.35
Residential: 11-20 HCF	\$4.45
Residential: 21-30 HCF	\$6.00
Residential: >30 HCF	\$6.42
Commercial, Industrial, Institutional, Construction	\$6.42
Potable Irrigation	\$6.42
Ed Levin Park	\$3.79
City of Milpitas	\$6.43

Keep the current rate of \$4.00 for Recycle Irrigation, Recycled Industrial, Dual plumbed, Construction at \$2.65, and Recycled City of Milpitas \$2.70