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2005/06 and 2006/07 Utility Rate Analysis

City Council
May 3, 2005

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Utility Section, Engineering Division

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1. EXECUTIVE SUMMARY

Water

1. **Premises:**
   - Use Financial Utility Master Plan (Master Plan) guidelines to accomplish long-term financial objectives
   - Begin to build Fund Balance to achieve a minimum operating fund balance of 30% of annual operating and maintenance costs over the next few years
   - Continue to maintain 1st- tier residential rates at no less than the average of wholesale rates (October 1995 Council policy)
   - San Francisco Public Utilities Commission has built up a fund balance due to delays in expenditures for system improvements. Wholesale rates have been reduced but will increase over future years to fund improvements (estimated to be near $2.8 billion in the next 20 years)
   - Recognition of need to build the Water Fund balance to pay for future system improvements projected to be about $15 million over the next 20 years.

2. **Assumptions:**
   - **General**
     - Continue to defer non-critical capital improvement projects until adequate fund balance is achieved
     - Beginning Fund Balance projected to be $2.6 million on 7/1/2005 (minimum recommended balance is $3.8 million)

   - **Revenues**
     - No significant increase in annual water volume sold (based on recent historical trend)

   - **Expenses:**
     - *Santa Clara Valley Water District (SCVWD) wholesale rate based on 3.0%* increase in 05/06 and a 3.0% increase in 06/07
     - San Francisco Public Utility Commission (SFPUC) wholesale rate based on 9.7% decrease for 05/06 with no change in 06/07
     - Future rate changes: Both wholesalers are projecting future annual rate increases

3. **Findings and Recommendations:**
   - **Rates:**
     - Increase bi-monthly cost for typical residential customer (using 26 hundred cubic feet bi-monthly) from $58.40 for 04/05 to $63.26 for 05/06 and $67.44 for 06/07
     - Per the agreement with the County[a], change the rate for Ed Levin Park to match SFPUC wholesale water rate, from $1.16 to $1.02 per hcf

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[a] Agreement with county is to supply potable water at wholesale rate in exchange for use of county land for site of water system reservoir.

- Set City water rate at $1.10 per hcf for 05/06 and $1.12 per hcf for 06/07, which is the average wholesale water rate
- Increase all other rates by 8.2% for 05/06 and 6.7% for 06/07

- Fund balance projection: Water fund balance will increase from $2.6 million on 7/1/2005 to $3.5 million on 7/1/2007 (near minimum balance of $3.8 million)
- With the increases recommended, Milpitas is projected to remain in the lower third when compared to neighboring communities, as shown in Exhibit C-III.

Recycled Water

1. **Premises:**
   - Recycled water use provides environmental advantages relative to conserving drinking water supply and limiting discharges to the South San Francisco Bay as required by the Regional Water Quality Control Board. Continue to establish rates that are lower than potable water rates to encourage recycled water use and decrease dependence on potable water
   - Maintain fund balance at minimum of 25% of annual operation and maintenance expenses
   - Use Master Plan guidelines to accomplish long-term financial objectives

2. **Assumptions:**
   - **General**
     - Continue existing incentive for recycled water use by setting recycled water irrigation rates at 80% of potable irrigation rates and recycled water industrial rates at 50% of potable water industrial rates
     - Beginning Fund balance of $1.4 million on 7/1/05

   - **Revenues**
     - Assume no increase in recycled water sales volume in 05/06 and minimal increase in 06/07
     - Assume South Bay Water Recycling Program (SBWRP) continues to reimburse the City for majority of operational expenses

   - **Expenses:**
     - SBWRP wholesale rate based on 0% increase in 05/06 and 11% increase in 06/07 (from $0.55/hcf to $0.61/hcf).
     - Future rate changes: The wholesale recycled water rate continues to increase over the next few years based on SBWRP projections, and as described in the Master Plan.
     - Projected "lost revenue" [(a)] transfer to the Water fund of $439,875 in 05/06 and $509,521 in 06/07

3. **Findings and Recommendations:**
   - Increase irrigation recycled water rate from $2.70 per hcf to $2.92 for 05/06 and $3.11 for 06/07
   - Continue existing incentive for recycled water use by setting recycled water irrigation rates at 80% of potable irrigation rates and adjust other recycled water rates
   - Fund balance projection: $2.0 million on 7/1/2007. City anticipates future CIP expenditures, which will impact this balance

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(a) Lost revenue is revenue "lost" to the Water Fund (due to potable water that has been replaced by recycled water). Transfer from Recycled Water Fund to Water Fund is made in order to keep potable water operations level and services whole.

Sewer

1. **Premises:**
   - Use Utility Financial Master Plan guidelines which establish long term objectives[a]
   - Maintain minimum fund balance equal to 25% of annual operation and maintenance costs

2. **Assumptions**
   - **General:**
     - Continue to defer non-critical capital improvement projects until adequate fund balance is achieved
     - Beginning Fund Balance of $5.5 million projected for 7/1/2005

   - **Revenues:**
     - Assume annual sewer discharge volume to remain same as last year (based on recent historical trend)
     - Interest revenue of $188,000

   - **Expenses:**
     - **Water Pollution Control Plant (WPCP):**
       - $4.9 million capital and O & M costs

     - **City Cost:**
       - Increase of $382,348 in City departmental & non-departmental cost in FY05/06 and 4% increase in FY06/07

3. **Recommendations and findings:**
   - **Rate Change:** Increase single-family residential customer rates from $50.25 in 05/06 to $54.77 and from $54.77 in 06/07 to $59.70 in the bimonthly bill and make proportional increases in all other customer rates based on strength of discharge

   - Fund balance projection: $1.60 million on July 1, 2007

   - With the recommended increases, Milpitas still compares well with neighboring communities. Figure C-III shows that Milpitas is projected to be in the lower third of utility rates.

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[a] Adopted by the Council on April 15, 2003

Introduction

City Council
May 3, 2005

Prepared by:

Utility Section, Engineering Division

2. INTRODUCTION

Utility Needs: The City has completed several evaluations which provide a firm basis for identifying utility needs. *Among the completed studies are:*

- Utility Master Plans – establish facility improvements and additions to meet current and future demands.
  - 2002 Water System Plan
  - 2004 Sewer System Plan
  - 2001 Storm Water System Plan
- 2002 Water System Seismic Improvements Evaluation – identifies retrofits needed to provide seismic protection
- 2002 Water and Sewer Infrastructure Replacement Evaluation – establishes facility retrofit/replacement schedule based on useful life of facilities

The information from the evaluations, along with information on wholesale increases and City operating costs, have been incorporated into a Financial Utility Master Plan. This Master Plan was adopted by the City Council on April 15, 2003 and is the basis for comprehensive rate setting.

Financial Utility Master Plan: The Master Plan provides a firm, defensible premise for stable long-term funding, so continued quality services with balanced budgets can be maintained. This Master Plan addresses the following, among others:

- City costs: provide steady annual rate increases for City cost recovery including utility operation and maintenance, capital improvement projects, infrastructure replacement
- *Wholesale costs: pass through external costs, such as wholesale water* purchase and wastewater treatment
- Balances: establish and maintain minimum fund reserves, including drought contingency
- Connection fees: periodically update connection fees to fair cost recovery levels

The Master Plan provides a 20-year utility cash flow analysis. It develops estimates of future expenditures and identifies revenue sources. This utility rate analysis is consistent with Master Plan guidelines, validates and projects trends for City revenues and expenditures, and recommends water, recycled water, and sewer rate adjustments.

2005/06 and 2006/07 Water Rate Analysis

City Council
May 3, 2005

Prepared by:

Utility Section, Engineering Division

3. WATER RATE ANALYSIS

Introduction

This section provides background information and analysis for FY 05/06 and FY 06/07 water rates. It includes exhibits of historical information and a copy of the proposed Water Service Charges Ordinance (No. 120.43). On April 21, 2005, staff placed a public hearing notice in the Milpitas Post to notify all interested citizens of the water rate hearing. Staff also provided a copy of the Public Hearing Notice to the Building Industry Association on April 21, 2005.

Santa Clara Valley Water District (SCVWD) wholesale rates are expected to increase by 3.0% in 05/06 and 3.0% in 06/07. San Francisco Public Utilities Commission (SFPUC) wholesale rates will decrease by 9.7% in 05/06 with no change in 06/07. The SFPUC wholesale rate decrease is due to a delay in the completion of certain SFPUC Capital Improvement Program (CIP) projects. However, it is important to note that SFPUC has planned projects totaling several billion dollars that are expected to be completed within the next 10 to 20 years which will lead to double digit rate increases in the future. These projects have been required by the State in order to improve system reliability.

Staff is recommending water rate increases of 8.2% in 05/06 and 6.7% in 06/07 for most categories. Bi-monthly charges for residential customers using 26 hundred cubic feet (hcf) bimonthly will increase from $58.40 to $63.26 for 05/06 and $67.44 for 06/07. Staff projects a slight increase in the fund balance from $2.6 million in June 2005 to $3.5 million in June 2007. The balance would remain below the minimum recommended amount of $3.8 million.

Key observations that may be made are:

- Our water wholesaler suppliers (SFPUC and SCVWD) project continued rate increases over the next several years.
- Milpitas Capital improvement projects have been adjusted to include only major crucial projects in order to maintain adequate fund balances. Adequate balances are necessary to provide funding in the event of emergencies.
- Milpitas' typical single family resident continues to enjoy competitive water rates when compared to neighboring communities.

Goals

- Maintain objectives and principles identified in the City's Financial Utility Master Plan.

- Begin to build fund balance to gradually achieve at least 30% of City annual Operation and Maintenance costs. The ending 06/07 water fund balance is projected to be about $3.5 million or about 28% of City O&M costs. City O&M costs include water purchases and transfers to General Fund, but exclude CIP costs.

- Maintain first tier residential rates no less than the average of wholesale water rates (October 1995 Council policy).

Revenues

The projected sales for the next two years include a slight increase in residential demand due to new developments. Over the last several years, the City and the Water Pollution Control Plant Conservation Program has successfully worked with and reduced water use for the high-consumption industrial customers, thereby reducing water volumes and revenues. Staff projects potable water sales for 05/06 to be 4.8 million hcf, equal to the volume of water sold in 04/05. FY 06/07 potable water sales are projected to increase slightly to 4.9 million hcf. Based upon the rate analysis and with the proposed rates, metered water sales (quantity charges and water meter charges) is estimated to generate revenues totaling approximately $13.9 million for 05/06 and $15.0 million in 06/07. This compares to $13.2 million anticipated for 04/05.

Staff estimates "lost revenue" due to recycled water sales replacing potable water sales will be $439,875 in 05/06 and $509,521 in 06/07. This revenue would be transferred from the Recycled Water Fund to the Water Fund to keep the Water Fund "whole" (retain the same level of funding to meet water operating expenses). A more detailed description of the "lost revenue" calculation is found in the Recycled Water Section.

Expenditures

Staff projects a slight increase in wholesale water purchases from 5.2 million hcf in 04/05 to 5.3 million hcf in 06/07 (difference from potable water sales is due to lost water from leaks, line breaks etc).

SCVWD is targeting wholesale rate increases in April. This rate analysis is based upon a 3.0% increase to $1.17 per hcf in 05/06 and a 3.0% increase to $1.20 per hcf in 06/07. The San Francisco Public Utility Commission (SFPUC) has approved a 9.7% rate decrease to $1.02 per hcf in 05/06 with no change in 06/07. The SFPUC wholesale rate decrease is due to a delay in the completion of certain SFPUC CIP projects. However, as stated previously, it is important to note that multi-billion dollar projects are expected to be completed within the next 10 to 20 years which will lead to double digit rate increases in the future.

The proposed 5-year Capital Improvement Program includes Water project appropriations totaling $1,190,000 in 05/06 and $3,025,000 in 06/07 funded from the water fund, as shown on Exhibit VI.

Water Rates

For metered water service, staff recommends the following increases:

➲ Quantity Charges: [a]

Categories	Tiers	Current Rate	2005/2006	2005/2007 Rate
Residential Customers (per dwelling Unit	1-20 hcf bimonthly	$1.29 per hcf	$1.40 per hcf	$1.49 per hcf
	21+ hcf bimonthly	$2.71 per hcf	$2.93 per hcf	$3.13 per hcf
	Typical 26 hcf single family bimonthly charge (26 hcf and 5/8" meter)	$58.40	$63.26	$67.44
Commercial, Industrial, & Institutional Customers		$2.95 per hcf	$3.19 per hcf	$3.40 per hcf
Potable Irrigation Customers		$3.37 per hcf	$3.65 per hcf	$3.89 per hcf
Santa Clara County (Ed Levin Park) [a]		$1.16 per hcf	$1.02 per hcf	$1.02 per hcf
City of Milpitas Accounts		$1.15 per hcf	$1.10 per hcf	$1.12 per hcf

(a) By agreement with the county in exchange for siting a reservoir on county lands, this rate is set to be equivalent to the SFPUC wholesale rate.

➲ Bimonthly Fixed Meter Charges:

Categories	Current Rate	2005/2006 Rate	2006/2007 Rate
Domestic Residential Meters (Typical 5/8" meter) Same increase for other sizes	$16.34	$17.68	$18.86
Domestic Non-Residential Meters (Typical 3/4" meter) Same increase for other sizes	$18.33	$19.83	$21.16
Fire Service Residential (Typical 2" detector check valve)	$26.13	$28.27	$30.16
Fire Service Non-Residential (Typical 2" detector check valve)	$27.63	$29.90	$31.90

Exhibits

- **Exhibit W-I**
  This graph shows projected water fund balances for the next 5 years.

- **Exhibit W-II**
  This graph shows actual water purchases from 79/80 through 03/04, and projected water purchases by wholesaler (SFPUC, SCVWD, and South Bay Water Recycling) from 04/05 through 12/13. The decrease in 97/98 and 98/99 purchases is attributed to unusual wet weather (El Nino effect) which resulted in less need for water. In recent years a decrease was observed due to the loss of some large industrial water use customers (Komag and AMC in particular) and a downturn in economy.

- **Exhibit W-III**
  This graph shows actual water sales by customer categories from 79/80 through 03/04, and projected water sales from 04/05 through 12/13.

- **Exhibit W-IV**
  With the recommended rates, this summary shows estimated revenues and expenditures for 05/06 and 06/07. Based upon assumptions stated in this document, staff projects a $3.5 million water fund balance at the end of 06/07.

- **Exhibit W-V**
  This table shows a summary of proposed 05/06 and 06/07 Water System Capital Improvement Project appropriations.

- **Exhibit W-VI**
  A summary of proposed 5-Year Water Capital Improvement Projects (2006-2010) is provided.

- **Exhibit W-VII**
  This table shows the revenue from quantity sales from 83/84 through 03/04 and projected revenues for 04/05 through 09/10.

- **Exhibit W-VIII**
  This graph shows actual water expenditure from 89/90 through 03/04 and projected water expenditure components from 04/05 through 09/10.

- **Exhibit W-IX**
  This pie chart shows the 05/06 revenue breakdown (quantity charges only) by user categories for the recommended rates based upon water usage. Residential users include single-family, duplexes, condos/townhouses, multi-family, and mobile home parks.

- **Exhibit W-X**
  This pie chart shows the 06/07 revenue breakdown (quantity charges only) by user categories for the recommended rates based upon water usage. Residential users include single-family, duplexes, condos/townhouses, multi-family, and mobile home parks.

- **Exhibit W-XI**
  This chart shows the breakdown of average single family residential bi-monthly water bills by prorating non-City (wholesale water) expenses and City (O&M and capital) expenses.

- **Exhibit W-XII**
  This graph shows a historical trend since 70/71 of 1st-tier residential rates in Milpitas compared to wholesale rates from the San Francisco Public Utilities Commission (SFPUC) and the Santa Clara Valley Water District (SCVWD).

- **Exhibit W-XIII**
  The proposed Ordinance No. 120 revisions are shown.

EXHIBIT W-I

Estimated Water Fund Balances (Fund 400)

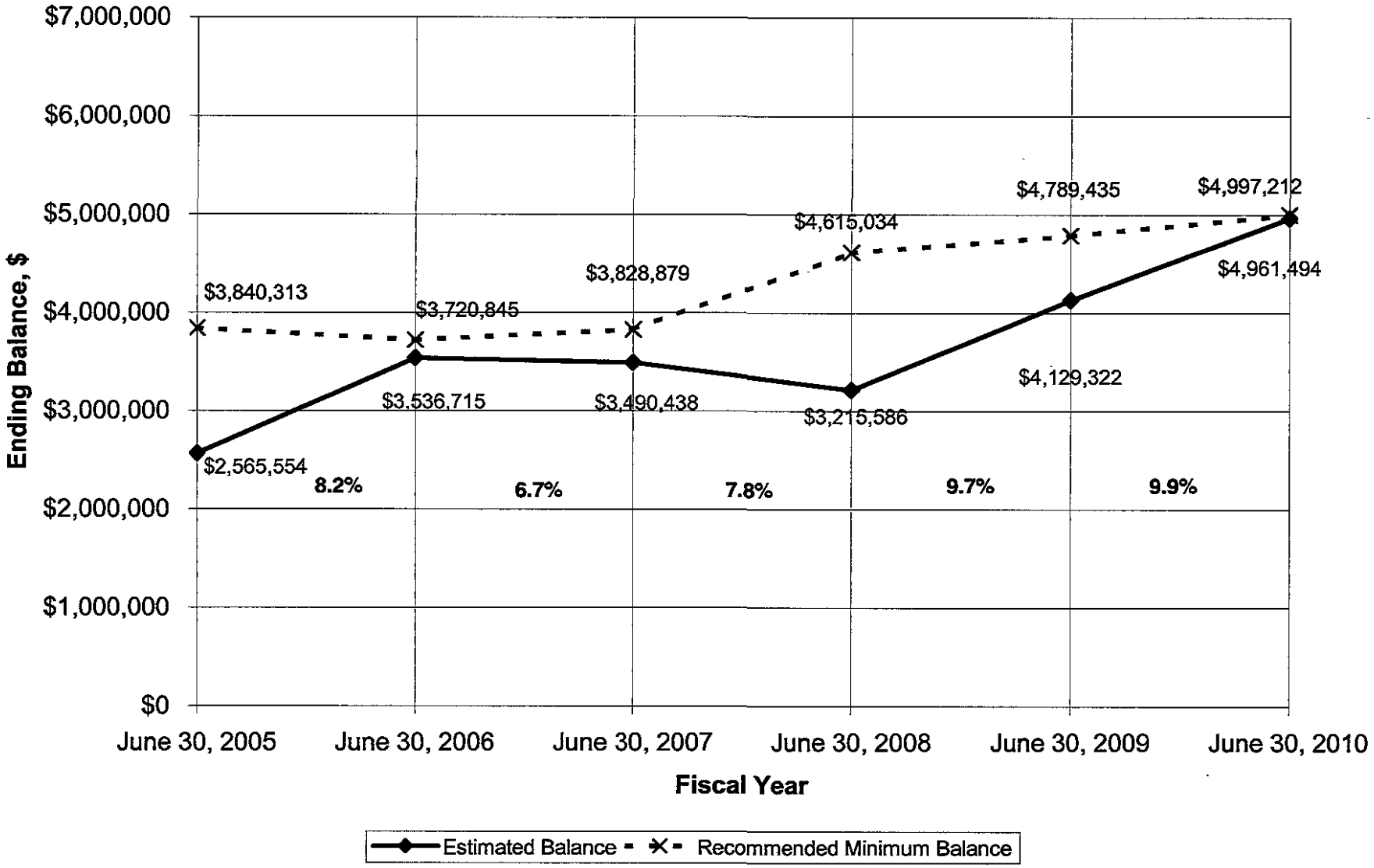


EXHIBIT W-II

Water Wholesale Purchases (for 05/06 and 06/07 Water Rate Analysis)

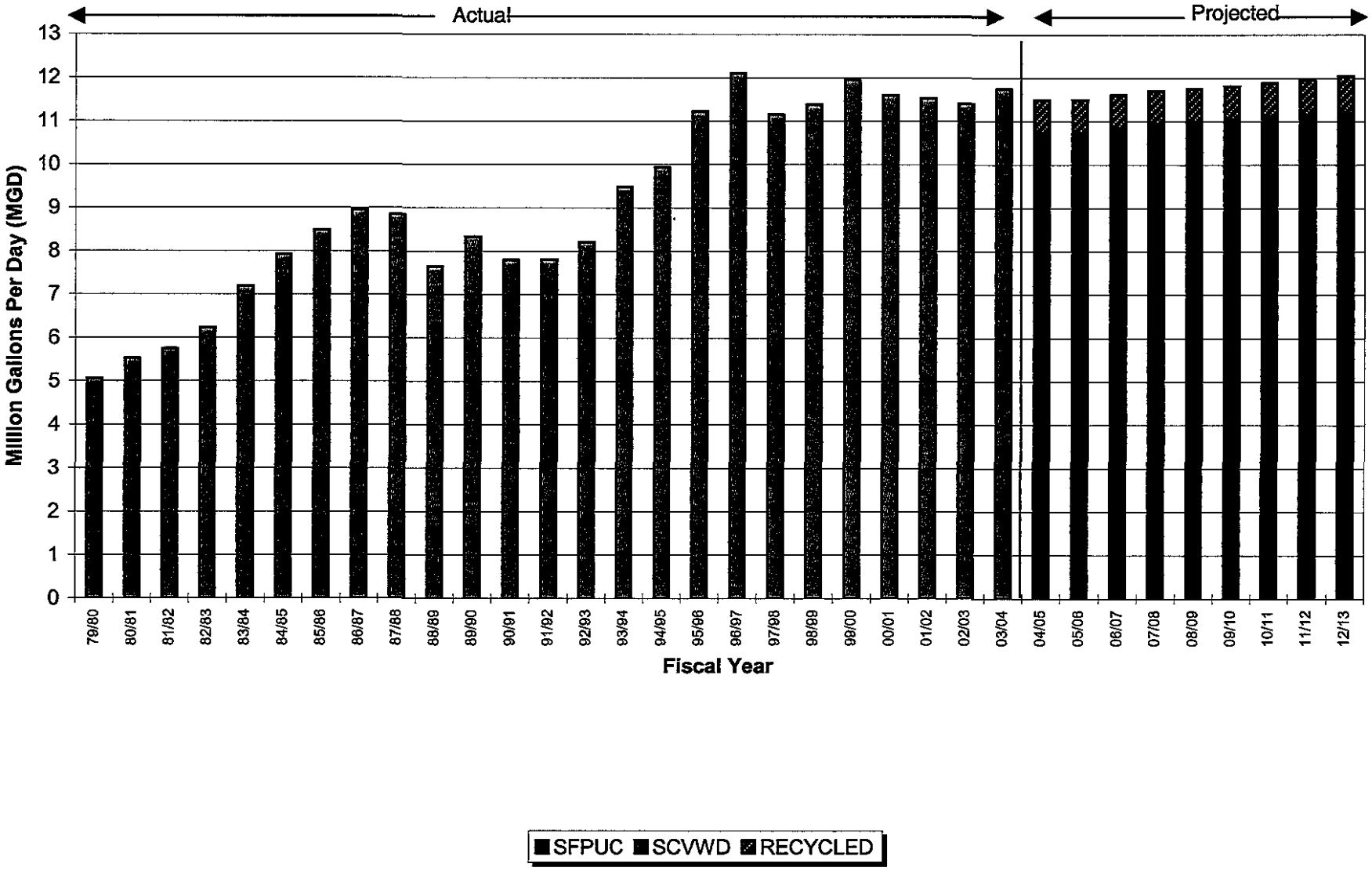


EXHIBIT W-III

Water Sales (for 05/06 and 06/07 Water Rate Analysis)

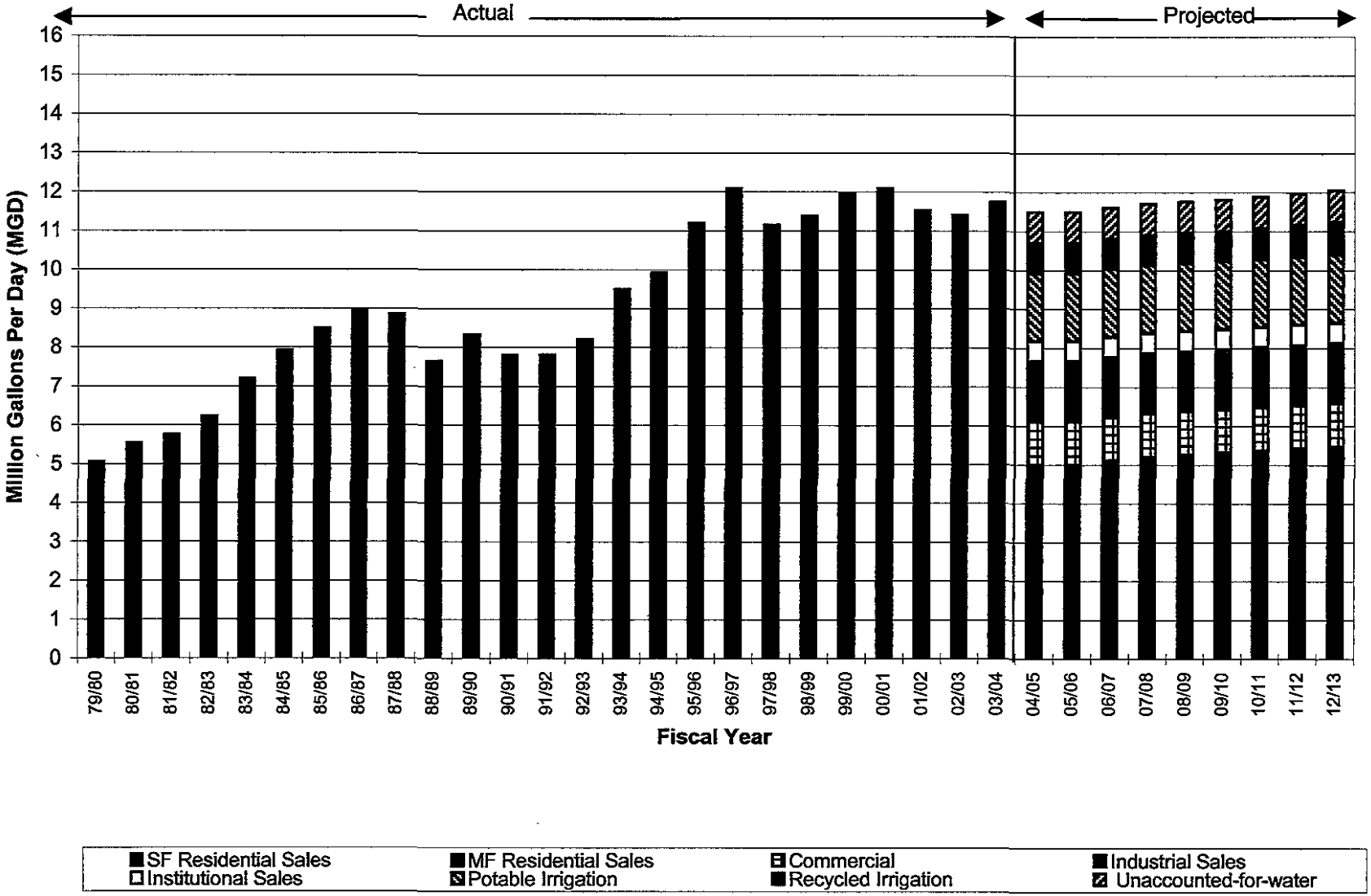


EXHIBIT W-IV
PROJECTED WATER REVENUES AND EXPENDITURES FOR 05/06 and 06/07

Description	05/06 Projected	06/07 Projected
BEGINNING BALANCE, JULY 1, 2004	**$2,565,554**	**$3,536,715**
REVENUES:		
Interest on Pooled Investments	$178,000	$178,000
Water Service Agreements (Meter Sales)	$18,000	$18,000
Metered Water Sales:		
Quantity Charges	$11,939,106	$12,873,700
Water Meter Charges	$1,988,996	$2,162,430
Subtotal: Metered Water Sales	$13,928,102	$15,036,130
Other Water Sales	$0	$0
Miscellaneous Revenue	$0	$0
¶ Operating Transfer from Recycled Water	$439,875	$509,521
* Operating Transfer to General Fund	($3,204,489)	($3,332,669)
Operating Transfer to Sewer Fund (Partial loan repayment)	$0	$0
Operating Transfer to CIP	($1,190,000)	($3,025,000)
Total Revenues	**$10,169,488**	**$9,383,982**
TOTAL REVENUES + BEGINNING BALANCE	**$12,735,042**	**$12,920,698**
EXPENDITURES:		
Departmental	$2,774,047	$2,885,009
Non-departmental (except wholesale water)	$524,280	$545,251
SFPUC Wholesale Water	$3,800,000	$3,800,000
SCVWD Wholesale Water	$2,100,000	$2,200,000
Total Expenditures	**$9,198,327**	**$9,430,260**
ENDING BALANCE	**$3,536,715**	**$3,490,438**

¶ Lost Potable Water Sales = Revenues "lost" to the Water Fund (potable water has been replaced by recycled water).

* Operating transfer to General Fund (consistent with the proposed 05/06 budget).

EXHIBIT W-V
Summary of 05/06 and 06/07 Water CIP Appropriations

05/06 CIP Appropriations						
Project	CIP #	Water Fund	RDA Fund	Sewer Fund	Street Fund	Total Funding
Miscellaneous Minor Water Projects	7066	$35,000	$0	$0	$0	$35,000
Water System Seismic Impv	7100	$315,000	$0	$0	$0	$315,000
Cathodic Protection	7050	$0	($100,000)	$0	$0	($100,000)
Well upgrade project	7076	$500,000	($500,000)	$0	$0	$0
Water Sample Station Improvements	7099	$40,000	$0	$0	$0	$40,000
Gibraltar Res and PS Impv.	7101	$170,000	$0	$0	$0	$170,000
Ayer Res & Pump Sta Imp	New	$100,000	$0	$0	$0	$0
Public Works Security	New	$25,000	$25,000	$25,000	$25,000	$100,000
Bart Extension Coordination and Planning	New	$5,000	$35,000	$5,000	$5,000	$50,000
TOTAL COST		**$1,190,000**	**($600,000)**	**$0**	**$30,000**	**$610,000**

06/07 CIP Appropriations						
Project	CIP #	Water Fund	RDA Fund	Sewer Fund	Street Fund	Total Funding
Miscellaneous Minor Water Projects	7066	$35,000	$0	$0	$0	$35,000
16" S. Milpitas Steel line Repl/Main repl Study	7098	$2,200,000	$0	$0	$0	$2,200,000
Water System Air Relief Valve Modifications	7086	$200,000	$0	$0	$0	$200,000
Water Sample Station Improvements	7099	$30,000	$0	$0	$0	$30,000
Water Main Replacement Study	New	$45,000	$0	$0	$0	$45,000
Bart Extension Coordination and Planning	New	$5,000	$85,000	$5,000	$5,000	$100,000
Carlo/Railroad Water Line	New	$510,000	$0	$0	$0	$510,000
Total Cost		$3,025,000	$85,000			$3,120,000

CITY OF MILPITAS
SUMMARY OF WATER IMPROVEMENT PROJECTS
2005 - 2010 CAPITAL IMPROVEMENT PROGRAM

SUMMARY OF COSTS

	PROJECT	TOTAL COST	PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	2009-10
7066	Minor Water Projects	335,000	145,000	35,000	35,000	40,000	40,000	40,000
7076	Well Upgrade Project	500,000	0	500,000				
7086	Water System Air Relief Valve Modifications	995,000	330,000	0	200,000	465,000	0	0
7098	South Milpitas Water Line Replacement	2,600,000	400,000	0	2,200,000	0	0	0
7099	Water Sample Station Improvements	96,000	26,000	40,000	30,000	0	0	0
7100	Water System Seismic Improvements	437,951	122,951	315,000	0	0	0	0
7101	Gibraltar Reservoir & Pump Station	2,325,000	55,000	170,000	0	700,000	700,000	700,000
New	Ayer Reservoir & Pump Station	1,200,000	0	100,000	0	0	0	1,100,000
New	Bart Extension Coordination and	25,000	5,000	5,000	5,000	5,000	5,000	
New	Brian-Santos Court Water Line	50,000	0	0	0	0	50,000	0
New	Cathodic Protection Repairs	750,000	0	0	0	0	250,000	500,000
New	Public Works Security	25,000	0	25,000				
New	Railroad Ave. / Carlo Street Pipeline	510,000	0	0	510,000	0	0	0
New	Sunnyhills Turnout Pressure Reducing	20,000	0	0	0	0	20,000	0
New	Water Main Replacement Study	45,000	0	0	45,000	0	0	0
New	***Water System Replacement 07-08***	***700,000***	***0***	***0***	***0***	***700,000***	***0***	***0***
New	***Water System Replacement 08-09***	***700,000***	***0***	***0***	***0***	***0***	***700,000***	***0***
New	***Water System Replacement 09-10***	***700,000***	***0***	***0***	***0***	***0***	***0***	***700,000***
	Defunding Subtotal							
	Funding Subtotal			***1,190,000***				
	TOTAL COST	**$12,013,951**	**$1,083,951**	**$1,190,000**	**$3,025,000**	**$1,910,000**	**$1,765,000**	**$3,040,000**

SUMMARY OF AVAILABLE FINANCING

Water Fund	1,190,000	3,025,000	1,905,000	1,760,000	3,040,000
RDA Tax Inc.	0	0	0	0	0
Water Line Extension Fund	0	0	0	0	0
Sewer Fund	0	0	0	0	0
RDA Bond Proceeds	0	0	0	0	0
Other Sources	0	0	0	0	0
TOTAL AVAILABLE	**$1,190,000**	**$3,025,000**	**$1,905,000**	**$1,760,000**	**$3,040,000**

NOTES

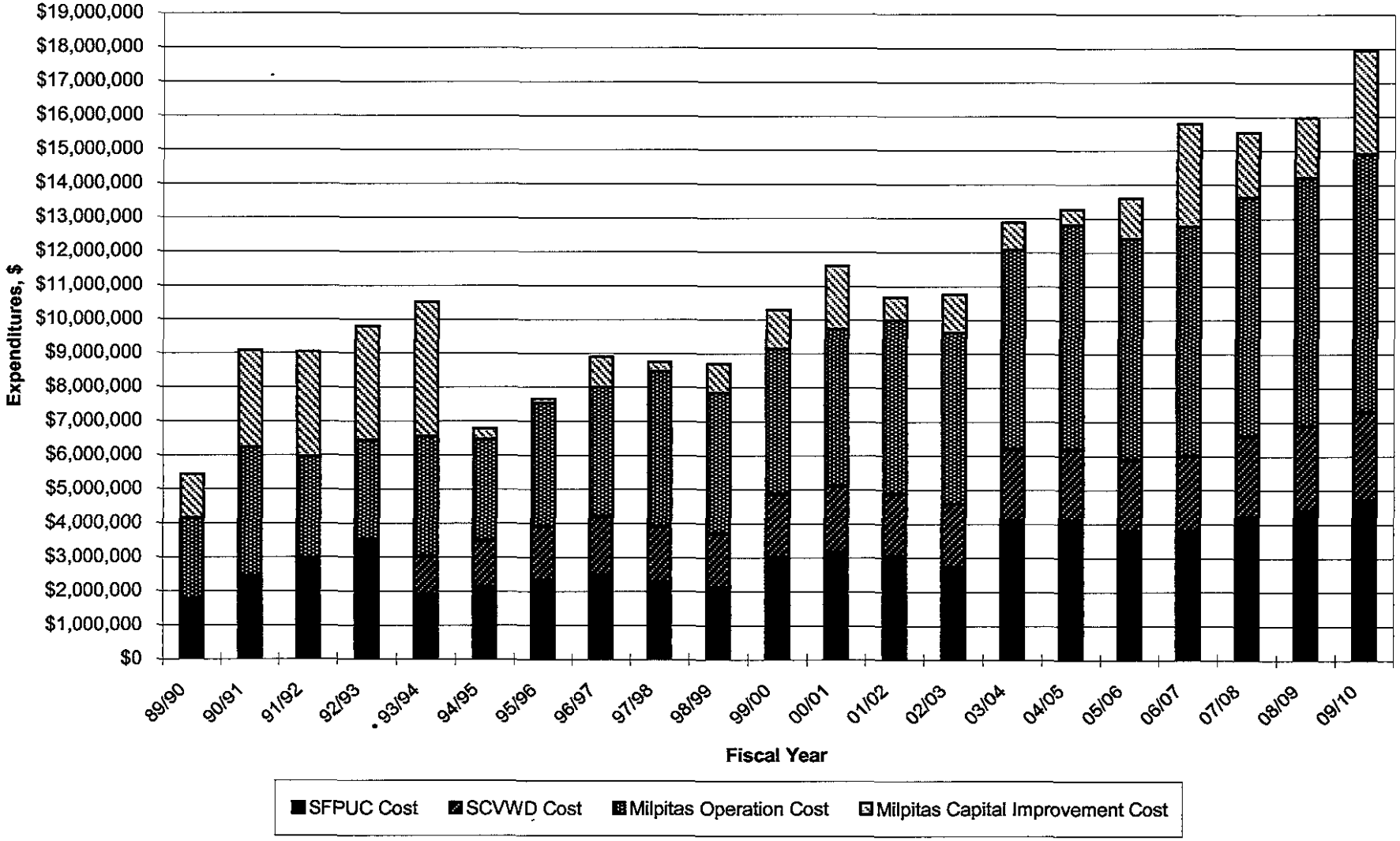
EXHIBIT W-VII

Historical and Projected Water Revenues
(Quantity Sales Revenues)

Fiscal Year	Metered Water Sales	Excess use Revenues	Total Revenues
1983/84	$2,998,761	$0	$2,998,761
1984/85	$2,867,324	$0	$2,867,324
1985/86	$2,877,120	$0	$2,877,120
1986/87	$3,114,617	$0	$3,114,617
1987/88	$3,027,804	$0	$3,027,804
1988/89	$2,986,276	$869,490	$3,855,766
1989/90	$3,252,339	$74	$3,252,413
1990/91	$3,329,782	$692,365	$4,022,147
1991/92	$4,086,594	$995,893	$5,082,487
1992/93	$4,829,631	$973,409	$5,803,040
1993/94	$5,280,000	$0	$5,280,000
1994/95	$5,768,900	$0	$5,768,900
1995/96	$7,225,406	$0	$7,225,406
1996/97	$7,164,358	$0	$7,164,358
1997/98	$7,350,735	$0	$7,350,735
1998/99	$7,908,529	$0	$6,537,751
1999/00	$9,164,138	$0	$7,782,320
2000/01	$8,598,686	$0	$8,598,686
01/02	$8,734,466	$0	$8,734,466
02/03	$9,026,334	$0	$9,026,334
03/04	$9,933,920	$0	$9,933,920
04/05	$11,411,004	$0	$11,411,004
05/06	$11,939,106 *	$0	$11,939,106 *
06/07	$12,873,700 *	$0	$12,873,700 *
07/08	$13,933,438 *	$0	$13,933,438 *
08/09	$15,272,903 *	$0	$15,272,903 *
09/10	$16,846,956 *	$0	$16,846,956 *

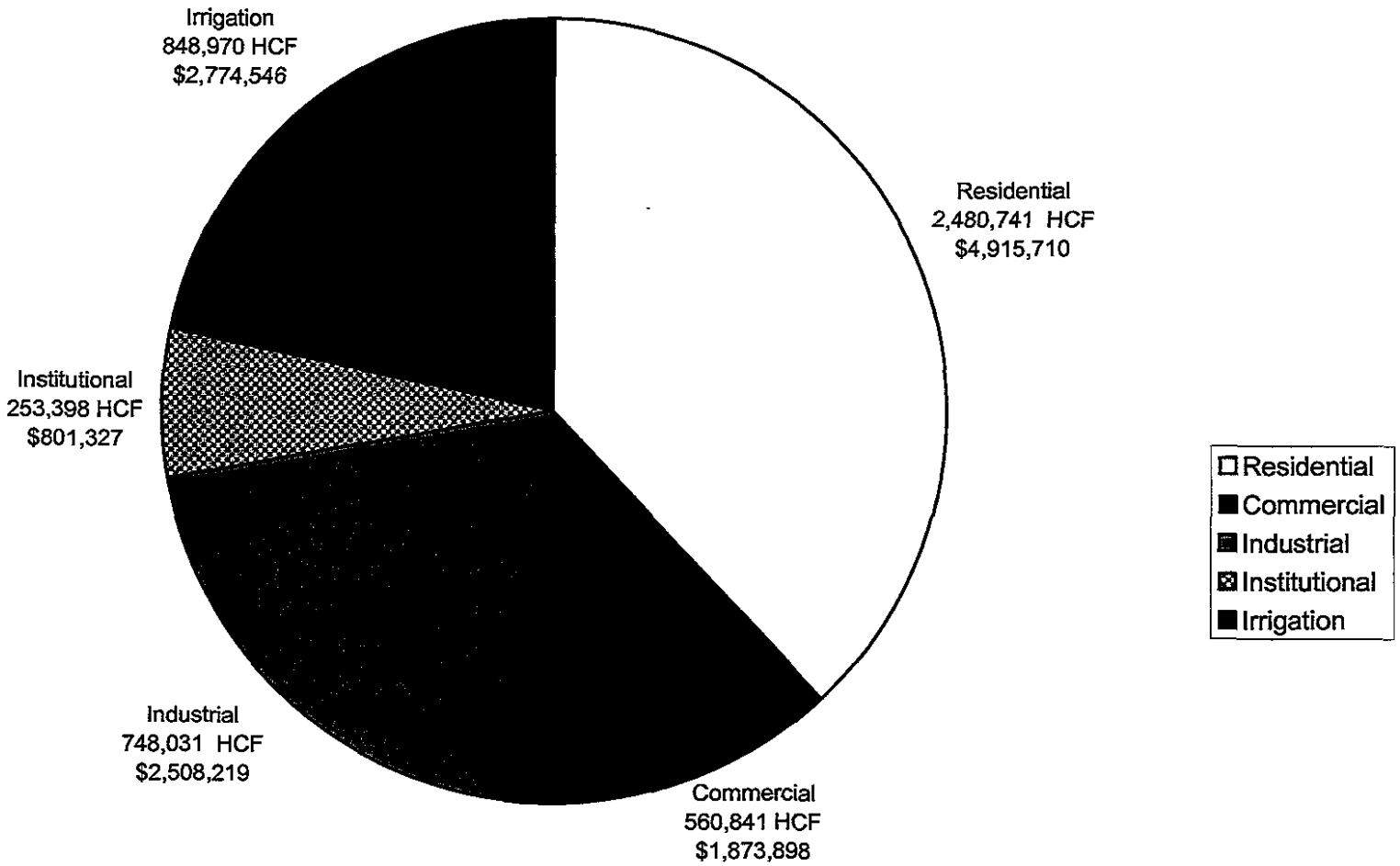
* Projected at recommended rates

EXHIBIT W-VIII
Historical and Projected Water Expenditures
(includes all funding sources)



• The City began purchasing SCVWD water in August '93.

EXHIBIT W-X
06/07 Water Revenue Based on User Category
(Water Fund 400 only)



Total Revenue from Quantity Sales = $12,873,700
Total Projected Water Sales = 4,891,981 HCF

xExhibitx

06.07 $Rev Pie Chart

Exhibit W-XI
City of Milpitas
Projected Average Single Family Residential Bi-Monthly Water Charges (26 hcf)

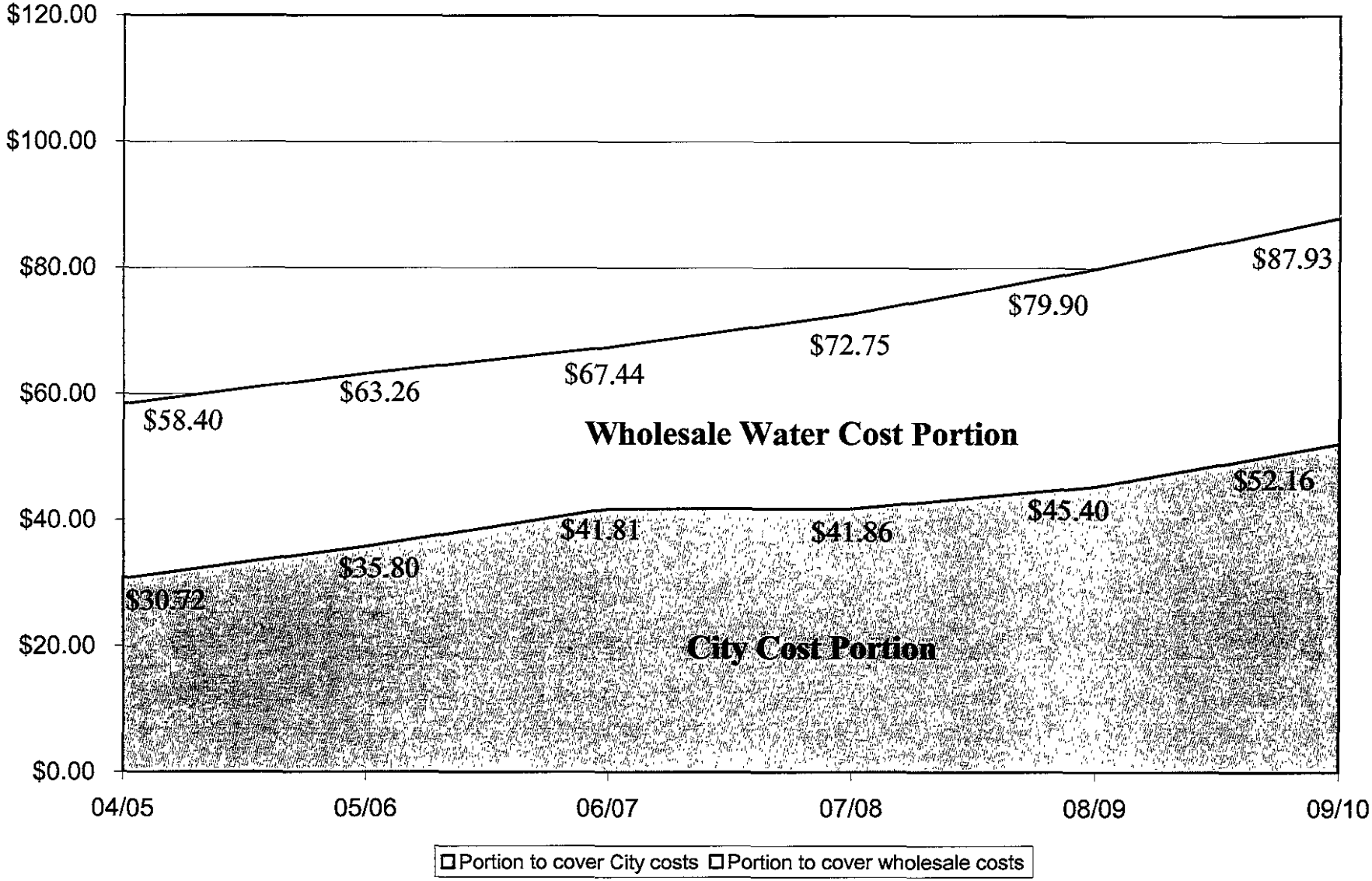
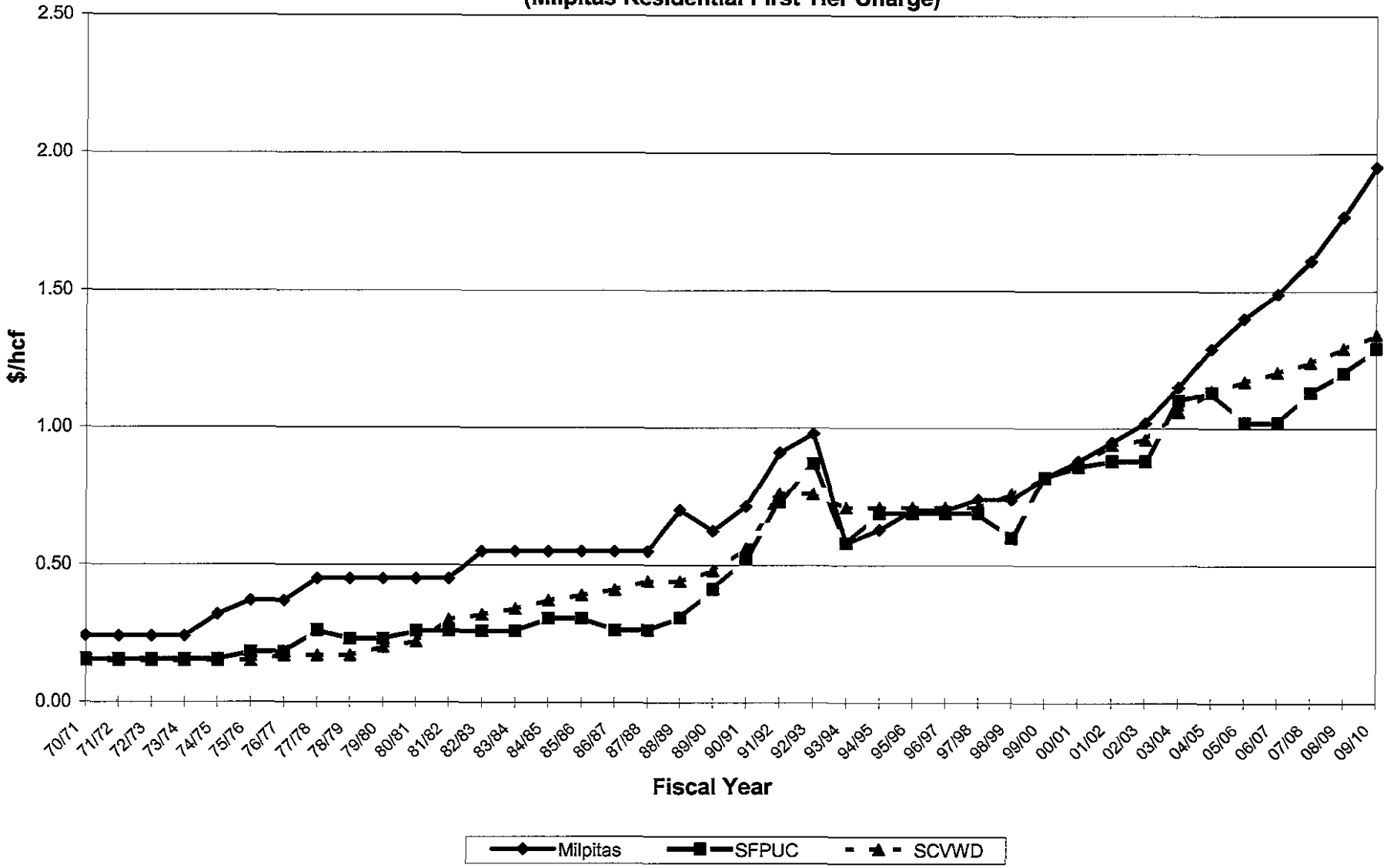


Exhibit W-XII
Historical Comparison Residential Customer Water Rates w/ Wholesale Cost
(Milpitas Residential First Tier Charge)



The City began purchasing SCVWD water in August '93.

REGULAR

NUMBER: **120.43**

TITLE: **AN ORDINANCE OF THE CITY OF MILPITAS AMENDING SECTIONS 6.13, 6.14, 6.15 AND 6.16, CHAPTER 1, TITLE VIII OF THE MILPITAS MUNICIPAL CODE, RELATING TO QUANTITY CHARGES, BIMONTHLY WATER METER CHARGES, FIRE SERVICE CHARGES AND EFFECTIVE DATE OF WATER RATES.**

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of May 3, 2005, upon motion by Councilmember _____ and was adopted (second reading) by the City Council at its meeting of June 7, 2005, upon motion by Councilmember_____. Said Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES: ()

NOES: ( )

ABSENT: ()

ABSTAIN: ( )

ATTEST:

APPROVED:

_____
Donna Biles, Deputy City Clerk

_____
Jose Esteves, Mayor

APPROVED AS TO FORM:

_____
Steven T. Mattas, City Attorney

ORDAINING CLAUSE:

THE CITY COUNCIL OF THE CITY OF MILPITAS DOES ORDAIN AS FOLLOWS:

Exhibit W-XIII

Amendment to Section VIII-1-6.13. Title VIII, Chapter 1, Section 6.13 of the Milpitas Municipal Code is hereby amended to read as follows:

VIII-1-6.13 Quantity Charges:

The quantity charges per hundred cubic feet for metered water service shall be as follows:

Categories	**Tiers**	**~~2004/05 Rates~~ 2005/2006 Rate**	**2006/2007 Rate**
Residential customers (per dwelling unit)	1-20 hcf	~~$1.29~~ $1.40	$1.49
	21+ hcf	~~$2.71~~ $2.93	$3.13
Commercial, Industrial, ~~&~~ Institutional, and Construction Meter		~~$2.95~~ $3.19	$3.40
Recycled Industrial Process Use		~~$1.48~~ $1.60	$1.70
Recycled Sanitary Use (Inside Dual Plumbing)		~~$1.48~~ $1.60	$1.70
Potable Irrigation		~~$3.37~~ $3.65	$3.89
Recycled (Formerly Served by Wells)		~~$0.63~~ $0.68	$0.68
Recycled (Agricultural Service)		~~$0.27~~ $0.32	$0.32
For City Accounts (Recycled)		~~$.055~~ $0.55	$0.61
Recycled (All other)		~~$2.70~~ $2.92	$3.11
Santa Clara County (Ed Levin Park)		~~$1.16~~ $1.02	~~$1.6~~ $1.02
City of Milpitas accounts (potable)		~~$1.15~~ $1.10	$1.12

No adjustments shall be granted to any water account holder due to variation in the days of service for any bimonthly billing period. Acceptable days of service range from 50 to 69 days per bimonthly billing period.

Amendment to Section VIII-1-6.14. Title VIII, Chapter 1, Section 6.14 of the Milpitas Municipal Code is hereby amended to read as follows:

VIII-1-6.14 Bimonthly Water Meter Charges:

Water Meter Charges:
The bimonthly charges for water meters shall be made on the basis of the size of the water meter (excluding Recycled Irrigation Formerly Served by Wells and Agricultural Service customers), and shall be as follows:

a) For Residential Customers:

Exhibit W-XIII

Water Meter Size, inches	2005/2006 Charges, $	2006/2007 Charges, $
5/8	~~$16.34~~ $17.68	$18.86
3/4	~~$17.37~~ $18.79	$20.05
1	~~$24.67~~ $26.69	$28.48
1-1/2	~~$31.11~~ $33.66	$35.92
2	~~$40.60~~ $43.93	$46.87
3	~~$108.70~~ $117.61	$125.49
4	~~$137.74~~ $149.03	$159.02
6	~~$210.19~~ $227.43	$242.67
8	~~$275.40~~ $297.98	$317.94
10	~~$398.64~~ $431.33	$460.23

b) For Non-Residential Customers (excluding Recycled Irrigation Formerly Served by Wells and Agricultural Service customers):

Water Meter Size, inches	2005/2006 Charges, $	2006/2007 Charges, $
5/8	~~$17.24~~ $18.65	$19.90
3/4	~~$18.33~~ $19.83	$21.16
1	~~$26.08~~ $28.22	$30.11
1-1/2	~~$32.88~~ $35.58	$37.96
2	~~$42.87~~ $46.39	$49.50
3	~~$114.79~~ $124.20	$132.52
4	~~$145.43~~ $157.36	$167.90
6	~~$221.99~~ $240.19	$256.28
8	~~$290.85~~ $314.70	$335.78
10	~~$421.01~~ $455.53	$486.05

c) For Recycled Irrigation Formerly Served by Wells and Agricultural Service Customers:

$60.00 bimonthly

Amendment to Section VIII-1-6.15. Title VIII, Chapter 1, Section 6.15 of the Milpitas Municipal Code is hereby amended to read as follows:

VIII-1-6.15 Fire Service Charges:

The bimonthly charges for fire services provided by detector check valves shall be made on the basis of the size of the detector check valve, and shall be as follows:

a) For Residential Customers:

Detector Check Valve Size, inches	2005/2006 Charges, $	2006/2007 Charges, $
2	~~$26.13~~ $28.27	$30.16
3	~~$39.24~~ $42.46	$45.30
4	~~$43.60~~ $47.18	$50.34
6	~~$56.71~~ $61.36	$65.47
8	~~$69.76~~ $75.48	$80.54
10	~~$82.85~~ $89.64	$95.65

b) For All Other Customers:

Detector Check Valve Size, inches	2005/2006 Charges, $	2006/2007 Charges, $
2	~~$27.63~~ $29.90	$31.90
3	~~$41.45~~ $44.85	$47.85
4	~~$46.05~~ $49.83	$53.17
6	~~$59.90~~ $64.81	$69.15
8	~~$73.66~~ $79.70	$85.04
10	~~$87.46~~ $94.63	$100.97

Water service for fire services provided by detector check values shall be used solely for the purpose of fire protection and testing of such fire protection systems. In the event that water service provided by detector check valves is used for purposes other than such purposes, a quantity charge of $14.75 per hundred cubic feet shall be imposed for water use that exceeds one hundred cubic feet per billing period.

Amendment to Section VIII-1.6.16. Title VIII, Chapter 1, Section 6.16 of the Milpitas Municipal Code is hereby amended to read as follows:

VIII-1-6.16 Effective Date of Water Rates:

~~The charges for construction water meter use in Section 6.05, late bill payments in Sections 6.9 and 6.10, discontinuance of service in Sections 6.10, restoration of discontinued service in 6.11, as well as the~~ The 05/06 water quantity charges in Section 6.13, the water meter charges in Section 6.14, and the fire service charges in Section 6.15 as established by Ordinance No. 120.~~42~~ 43 shall become effective for utility bills issued on or after ~~August 6, 2004~~ August 1, 2005 for meters read on or after ~~July 26, 2004~~ July 18, 2005. All bills mailed thereafter shall be based upon these charges. The 06/07 water quantity charges, water meter charges and fire service charges will become effective for utility bills issued on or after August 7, 2006 for meters read or after July 24, 2006. All bills mailed thereafter shall be based upon these charges.

2005/06 and 2006/07 Recycled Water Rate Analysis

City Council
May 3, 2005

Prepared by:

Utility Section, Engineering Division

4. RECYCLED WATER RATE ANALYSIS

Introduction

This section provides background information and an analysis of recycled water rates for fiscal years 05/06 and 06/07. The City began purchasing recycled water from the City of San Jose in October 1997. Since that time, several irrigation customers permanently switched to recycled water from potable water. In addition, large developments such as Cisco and McCarthy Center have begun recycled water irrigation use. As of February 2005 Milpitas has about 160 recycled water customers.

On April 21, 2005, staff placed public hearing notices in the Milpitas Post to notify all interested citizens of the recycled water rate hearing. Staff also sent a copy of the Public Hearing Notice to the Building Industry Association on April 21, 2005.

Goals

- Adhere to objectives and principles established by the 2003 Utility Financial Master Plan to accomplish long-term fund goals and stability.

- Maintain a positive operating fund balance. Staff estimates the starting recycled water fund balance to be $1.4 million in 05/06. This includes advance money from South Bay Water Recycling Program (SBWRP) for future reimbursable expenses.

  For fiscal years 05/06 and 06/07, staff is recommending to set recycled irrigation rates at 80% of potable and other recycled categories at 50% of potable. Staff projects the recycled water fund balance will increase from $1.4 million at the beginning of fiscal year 05/06 to $2.0 million at the end of fiscal year 06/07. Maximum reimbursement from SBWRP for O&M (including unforeseen emergencies) is estimated at $35,000 for 05/06 and $102,000 for 06/07.

Revenues

Staff projects no change in recycled water sales of 376,700 hundred cubic feet (hcf) for 05/06 and a slight increase in 06/07. Based upon staff's recommended rates, metered recycled water sales (quantity charges and water meter charges) will generate revenues totaling $1.08 million in 05/06 and $1.17 million in 06/07 compared to a projected $0.9 million in 04/05.

Staff estimates "lost revenue" to water sales from recycled water sales to be $439,875 in 05/06 and $509,521 in 06/07. This revenue would be transferred from the Recycled Water Fund to the Water Fund to maintain consistent water program funding due to potable water revenue decreases resulting from recycled water use.

Lost Revenue

The "lost revenue" is calculated by applying the potable margin (retail rate less wholesale cost) to the usage of the former potable water customers. Approximately 57% of the total recycle water usage in 05/06 and 06/07 is attributed to former potable customers and would contribute to the lost transfer amount.

Under the operating and maintenance agreement with SBWR, Milpitas operating expenses associated with the maintenance of the distribution system pipeline are reimbursable. The reimbursement amounts were $30,000, $42,000, $30,000, $41,000, $40,000, $20,000, and $77,500 for 97/98, 98/99, 99/00, 00/01, 01/02, 02/03, and 03/04 respectively. Budgeted amounts include emergency work and other non-routine tasks that are provided on an as needed basis that may result in expenditure spikes.

Expenditures

For 05/06 staff projects no change over projected 04/05 recycled water purchases of 376,700 hcf use since no new customers are expected to connect to the system. For FY 06/07 staff projected a slight increase in recycled water purchases due to a few new customers. The recycled water wholesale rate is assumed to remain at the 04/05 rate of $0.55/hcf and increase to $0.61/hcf for 06/07.

Recycled Water Rates

Staff recommends the recycled rates be adjusted to match increases to the potable water rates in order to maintain a cost differential and advantage for use of recycled water, to result in recycled water rates remaining at about 80% of potable water rates. Continued incentive to use recycled water would be maintained.

For metered recycled water service, the following increases are recommended:

- **Quantity Charges:**

Categories	Current Rate (per hcf)	05/06 Rate (per hcf)	06/07 Rate (per hcf)
Recycled Industrial Process Use	$1.48	$1.60	$1.70
Recycled Sanitary Use Inside Dual Plumbing	$1.48	$1.60	$1.70
Recycled (Formerly Served by Wells)	$0.63	$0.68	$0.68
Recycled (Agricultural Service)	$0.27	$0.32	$0.32
Recycled (All other)	$2.70	$2.92	$3.11
For City Accounts (Recycled)	$0.55	$0.55	$0.61

Bimonthly Water Meter Charges:

Categories	Current Rate	05/06 Rate	06/07 Rate
Industrial Process Use, Sanitary Use and Irrigation-all others - For a typical 3/4" meter (Similar % rate change for all other meter sizes)	$18.33	$19.83	$21.16
Irrigation (Agricultural Service and Formerly Served by Wells)	$60.00	$60.00	$60.00

Exhibits

- **Exhibit R-I Estimated Recycled Water Fund Balances (Fund 406)**

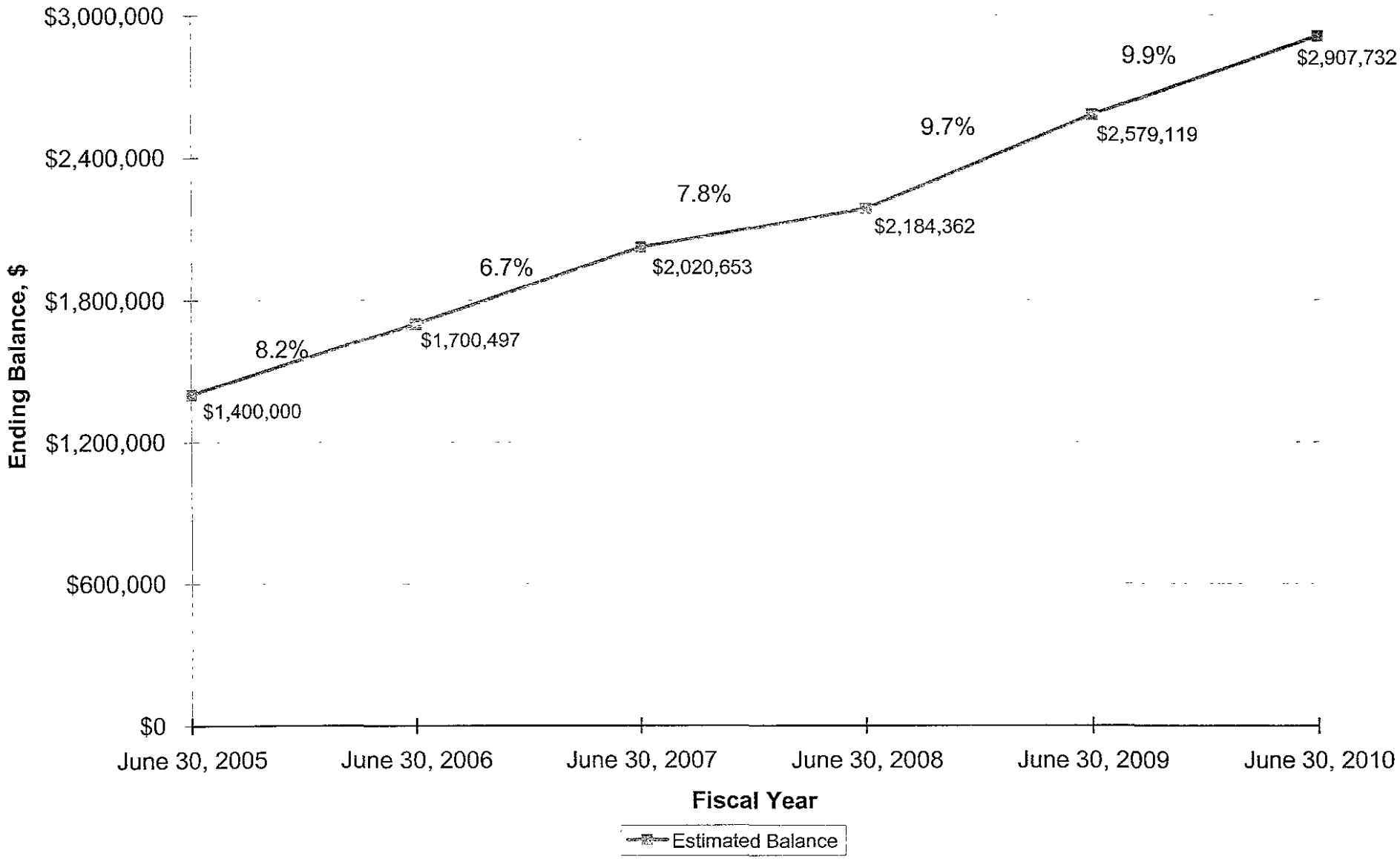
  This graph shows projected recycled water fund balances for the next 5 years.

- **Exhibit R-II Projected Recycled Water Revenues and Expenditures**
  With recommended rates, this summary shows estimated revenues and expenditures for 05/06 and 06/07.

- **Exhibit R-III Actual and Projected Recycled Water Revenues**
  This table shows the actual revenue from recycled water sales since 97/98 and the projected sales from 04/05 through 09/10 revenues from sales.

Please refer to Exhibit XIII in the Water Rate Analysis for the proposed ordinance revisions which include recycled water service charges.

EXHIBIT R-1
Estimated Recycled Water Fund Balances (Fund 406) (a)



(a) Recycled water fund does not require a minimum babalce since the South Bay Water Recycling Program owns the system and pays for its operation.

EXHIBIT R-II
PROJECTED RECYCLED WATER REVENUES AND EXPENDITURES

Description	05/06 Projected	06/07 Projected
Beginning Balance, July 1, 2005	$1,400,000	$1,700,497
Deduct for San Jose Pre-paid O&M	$0	$0
Milpitas available fund balance	**$1,400,000**	**$1,700,497**
REVENUES:		
Interest	$45,000	$33,000
Water Service Agreements	$0	$0
Metered Water Sales		
Quantity Charges	$1,037,951	$1,118,199
Water Meter Charges	$46,699	$50,912
Subtotal: Metered Water Sales	$1,084,650	$1,169,111
Reimbursements (O&M, In-Kind Services)	$35,000	$102,000
Transfer to Sewer Fund (Sewer Loan Payments)	$0	$0
Operating Transfer to General Fund	($59,000)	($61,360)
@ Operating Transfer to Water Fund	($439,875)	($509,521)
Total Revenues	**$665,775**	**$733,230**
TOTAL REVENUES + BEGINNING BALANCE	**$2,065,775**	**$2,433,726**
EXPENDITURES:		
Departmental:	$157,688	$163,996
Non-Departmental:		
Services & Supplies		
Recycled Water Purchases	$207,590	$229,078
Subtotal: Services & Supplies	$207,590	$229,078
Total: Non-Departmental	$207,590	$229,078
Total Expenditures	**$365,278**	**$393,074**
Ending Milpitas Balance	**$1,700,497**	**$2,040,653**
(San Jose O&M Pre-paid Balance)	$0	$0
Ending Total Balance	**$1,700,497**	**$2,040,653**

@ Lost Revenues = Revenue "lost" to the Water Fund (potable water has been replaced by recycled water).

EXHIBIT R - III

Actual and Projected Recycled Water Revenues
(Metered Recycled Water Sales = Quantity + Meter Charges)

Fiscal Year	Metered Water Sales	
1996/97	$0	
1997/98	$5,152	
1998/99	$201,231	
1999/00	$315,000	
2000/01	$424,549	
2001/02	$627,058	
2002/2003	$746,574	
2003/2004	$820,000	
2004/2005	$903,517	
2005/2006	$1,084,650	*
2006/2007	$1,169,111	*
2007/2008	$1,258,550	*
2008/2009	$1,361,888	*
2009/2010	$1,491,893	*

* Projected at recommended rates

2005/06 and 2006/07 Sewer Rate Analysis

City Council
May 3, 2005

Prepared by:

Utility Section, Engineering Division

5. SEWER REVENUE PROGRAM

Introduction:

This Section includes historical information which provides the premise for the proposed sewer rates over two years. Premises for rate adjustments, rate change recommendations, and a copy of the proposed Sewer Service Charges, Ordinance No. 208.40 are provided. A Public Hearing Notice has been published in the Milpitas Post on April 21, 2005 to notify interested citizens of the sewer rate hearing. Staff also sent a copy of the public hearing notice to the Building Industry Association on April 21, 2005.

Revenues:

As in past years, the Sewer Revenue Program has been prepared in accordance with the Environmental Protection Agency (EPA) mandated guidelines. These guidelines require that the City collect sewer services charges based on benefits received by the discharging customers. These benefits are determined by flow volume, and the strength of biochemical oxygen demand (BOD), suspended solids (SS), and ammonia (NH3) in the discharge. The revenue program has been prepared based on an allocation of sewer service cost among these four parameters. Thus, there is an intrinsic relationship for charges among users; change of any one-user rate due to changes in parameter strength can result in reallocation of costs to other user's rates.

Staff is recommending 9% change over each of the next two years in Single Family residential rates consistent with the Master Plan. Rates for all other categories are distributed based upon strengths and flows consistent with EPA guidelines. It is observed that several industrial customers have decreased their discharge volumes but, as a consequence, are discharging higher strength wastewater.

This sewer rate analysis is based on projected discharge of 7.49 million gallons per day (MGD) for 2005/06 and 7.58 MGD for 2006/07. The discharge for 2005/06 is projected based upon FY 05-06 first 8 months of actual discharge. For 2006/07, volume is based on no increase in industrial and commercial customers and increase of 200 condominiums and 150 single family homes. The Sewer Fund Balance on July 1, 2005 is projected to be $5.5 million. Even with the recommended rate adjustments, expenses are expected to continue to exceed revenues, and the Sewer Fund Balance is expected to decrease from $5.5 million to $3.1 million during the coming fiscal year and drop further to $1.6 million by end of fiscal year 2006/07.

Rate Factors:

The following key factors are used in developing rate adjustments:

- The 2003 Financial Utility Master Plan (Master Plan) provides the basis for long-term financial program and resulting rates

- Residential flow projections and cost allocations to determine rates are based upon standards established through EPA guidelines

- A decrease in total sewage volume is expected in FY 05/06 (based on projection from July 2004 to February 2005 discharge). The total decrease between 04/05 and 05/06 is expected to be about 4.7%

- Starting Sewer Fund Balance is estimated $5.5 million (July 1, 2005)

- San Jose/Santa Clara Water Pollution Control Plant (WPCP) 2005/06 CIP cost is $0.61 million and O & M cost is $4.29 million and 2006/07 CIP cost is $0.65 million and O & M cost is $4.46 million

- The City of Milpitas CIP Sewer Fund expenditure in 2005/06 is $2.09 million and 2006/07 is $1.85 million

- There will be a transfer of $2.36 million in 2005/06 and $2.45 million in 2006/07 to the General Fund

Sewer Rate Recommendations:

Staff recommends the following rates:

Sewer Rates Summary Table

Category	2005/06	2006/07
Single Family bimonthly bill	$54.77	$59.70
Mobile Home bimonthly bill	$24.57	$26.88
Multiple Family bimonthly bill	$39.49	$43.14
Commercial customers per hundred cubic feet (hcf) rate	6 categories – $2.06 to $3.50	7 categories – $2.20 to $3.93
Industrial customers per hcf rate	15 categories – $0.02 to $3.46	15 categories – $0.02 to $3.91
Institutional customers per hcf rate	3 categories – $2.13 to $2.75	3 categories – $2.29 to $2.91
Flat fee bimonthly per account (applied to commercial, industrial, and institutional customers only)	$9.24	$10.08

For 2005/06 - For a Single Family bimonthly bill of $54.77, $31.80 is attributed to City costs and $22.97 to wholesale costs.
For 2006/07 - For a Single Family bimonthly bill of $59.70, $33.94 is attributed to City costs and $25.76 to wholesale costs.

By an agreement with the City of San Jose, wastewater from the North McCarthy Blvd located in San Jose is pumped over to the San Jose/Santa Clara Water Pollution

Control Plant for treatment at our operating cost. The Water Pollution Control Plant does not charge us for treatment of this volume. This cost is escalated based on the Consumer Price Index and results in a charge of $459 bimonthly for any discharge up to 75,000 gallons per day (maximum flow). An excess flow charge of $100 for each 1,000 gallons per day in excess of the Maximum Flow or part thereof is also applied.

Exhibits:

Exhibit S-I, City of Milpitas Average Sewer Flow, illustrates historical and projected sewer discharge volumes by customer categories. Residential customer projections are based upon estimated per capita average discharge volumes consistent with EPA guidelines. All other volumes are projected based upon estimated water use.

Exhibit S-II, Summary of Projected Sewer Revenues and Expenditures, shows the anticipated revenues and expenditures for FY 2005/06 and FY 2006/07. The proposed Sewer Revenue program includes total operating and capital expenditures of $11.68 million for FY 2005/06 and $11.83 million for FY 2006/07. Exhibit S-II identifies the expected sources of revenues for FY 2005/06 and FY 2006/07. As seen, $9.14 million in FY 2005/06 and $10.07 million revenue is projected from Sewer Use Charges. The bimonthly flat fee revenue, which is collected from each non-residential customer account, is proposed to increase by 9% each year.

It is assumed that other key revenue sources listed in Exhibit S-II, are:

- Interest totaling $188K each year

Key expenses, summarized in Exhibit S-II, are:

- Milpitas Non-Departmental costs (includes services and supplies) of $664,605 for FY 2005/06 and $691,189 for FY 2006/07

- Milpitas Departmental costs (Utility Engineering, Utility Maintenance, Utilities) of $1.66 million for FY 2005/06 and $1.73 million for FY 2006/07

- Milpitas share of San Jose CIP of $613,00 for FY 2005/06 and $648,065 for FY 2006/07

- Milpitas share of San Jose O & M of $4.28 million for FY 2005/06 and $4.45 million for FY 2006/07

- Milpitas CIP of $2.09 million in FY 2005/06 and $1.85 million in FY 2006/07 funded by Sewer Fund

- Operating transfer of $2.35 million in FY 2005/06 and $2.45 million in FY 2006/07 to General Fund for indirect City costs

Exhibit S-III, Historical & Projected Sewer Revenues, summarizes historical, and the FY 2005/06 and FY 2006/07 projected sewer use charge revenues.

Exhibit S-IV, Projected Revenues by Category (2005/06 Rates), summarizes the sources of anticipated sewer revenues by customer categories for FY 2005/06.

Exhibit S-V, Projected Revenues by Category (2006/07 Rates), summarizes the sources of anticipated sewer revenues by customer categories for FY 2006/07.

Exhibit S-VI, Single-Family Customer Sewer Rate History, shows the history of single family customers bimonthly rates and the recommended 2005/06 and 2006/07 rates.

Exhibit S-VII, Sewer Fund (450) - Projected Year Ending Balance, shows anticipated balances based upon best information available for revenues and expenses.

Exhibit S-VIII, 2005/06 Non-Residential Customers Characteristics & Costs By User, shows details used to allocate charges among users per EPA cost allocation guidelines. The proposed rates and percent changes are also shown.

Exhibit S-IX, 2006/07 Non-Residential Customers Characteristics & Costs By User, shows details used to allocate charges among users per EPA cost allocation guidelines. The proposed rates and percent changes are also shown.

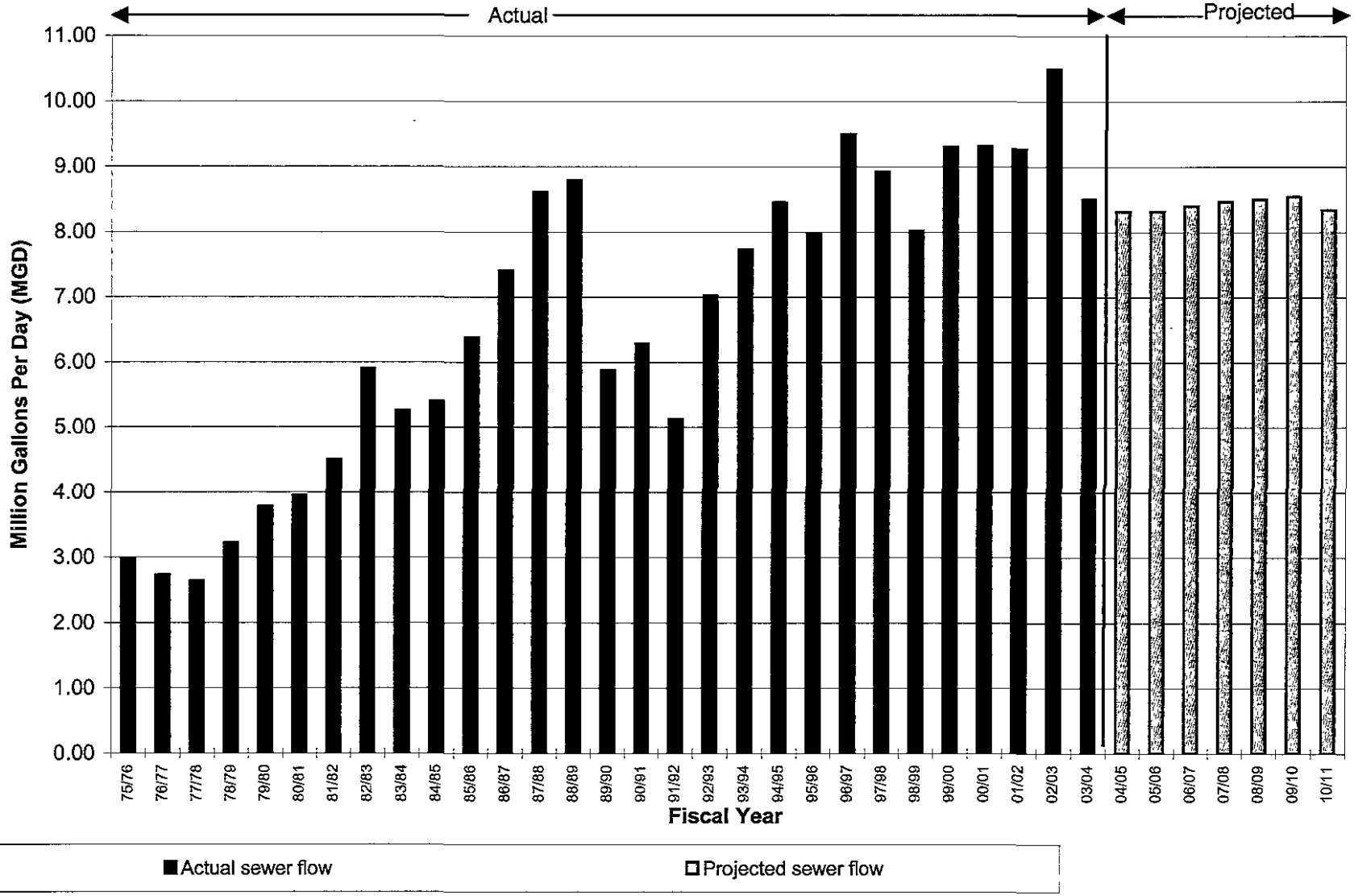
Exhibit S-X, 2005/06 Residential Bimonthly Service Charge Calculations, summarizes the proposed residential customer rates. The cost allocation was determined consistent with EPA guidelines.

Exhibit S-XI, 2006/07 Residential Bimonthly Service Charge Calculations, summarizes the proposed residential customer rates. The cost allocation was determined consistent with EPA guidelines.

Exhibit S-XII, Summary of Sewer Improvement Projects, summarizes the projected five-year CIPs.

Exhibit S-XIII, Sewer Service Charge and Connection Fee, is a copy of the proposed Sewer Rate Ordinance, Ordinance No. 208.40.

Exhibit S-I
City of Milpitas Sewer Flows



1) Actual means data from Sewer Flow Meter and includes I/I
2) Projected data does not include I/I

EXHIBIT S-II
SUMMARY OF PROJECTED SEWER REVENUES AND EXPENDITURES

Description	2005/06 Proposed Budget	2006/07 Proposed Budget
Beginning Balance at the start of FY	**$5,497,901**	**$3,174,901**
Revenues:		
Use charges including flat fee	$9,149,215	$10,075,369
Property taxes, interest	$208,000	$188,000
Transfer to General Fund	-$2,356,733	-$2,451,002
Total Revenues	**$7,000,482**	**$7,812,367**
Total revenues including beginning fund balance	**$12,498,383**	**$10,987,268**
Expenses:		
Milpitas CIP	$2,090,000	$1,850,000
Non-Departmental costs	$664,605	$691,189
Departmental costs	$1,669,477	$1,736,256
SJ/SC WPCP CIP cost	$613,000	$648,065
SJ/SC WPCP O & M cost	$4,286,400	$4,457,856
Total Expenses	**$9,323,482**	**$9,383,366**
Projected Operating Fund Balance at the end of FY	**$3,174,901**	**$1,603,902**

EXHIBIT S-III
Historical and Projected Sewer Revenues
(User Charges, Fund 450-3628)

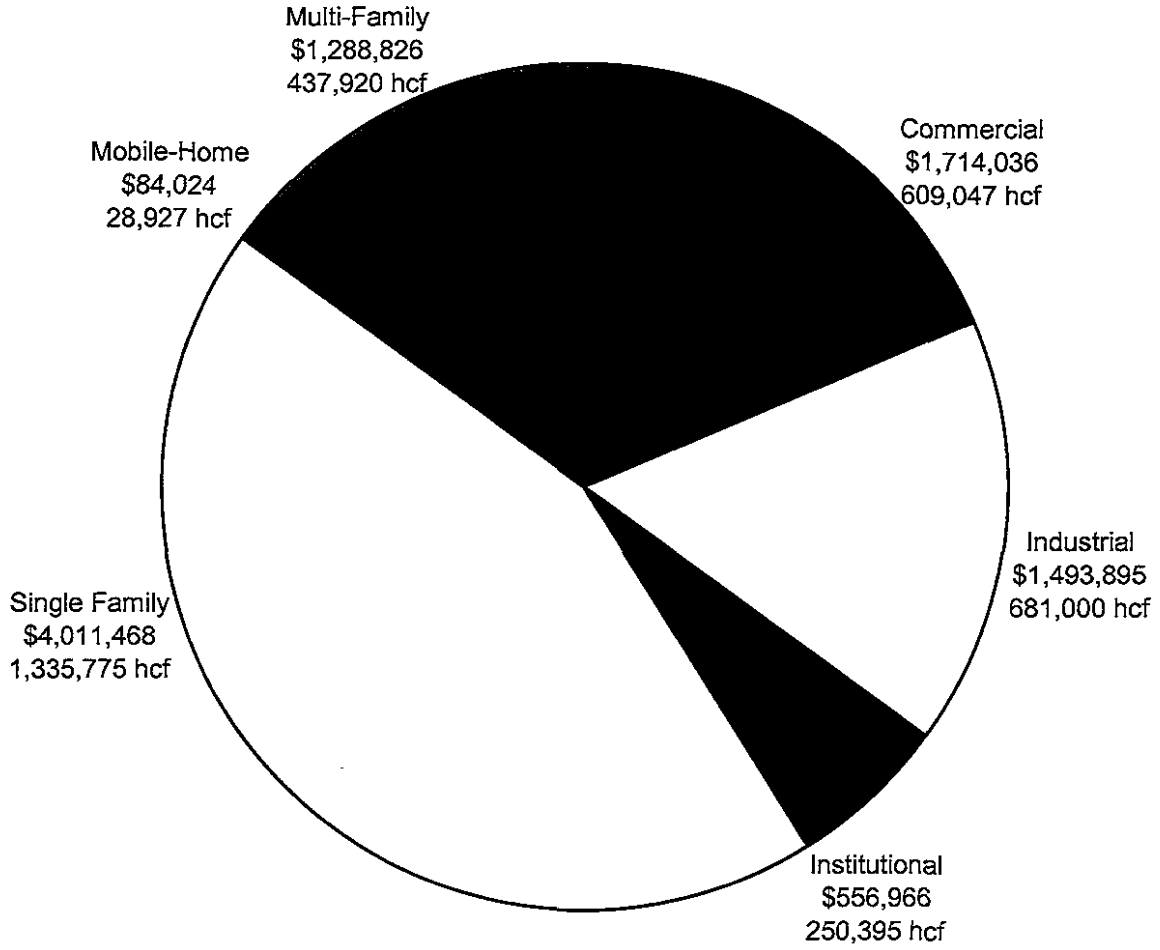
Fiscal Year	Actual Revenues
1985-86	$ 3,107,165
1986-87	$ 3,291,722
1987-88	$ 3,477,260
1988-89	$ 3,383,159
1989-90	$ 3,911,586
1990-91	$ 4,070,280
1991-92	$ 4,883,848
1992-93	$ 6,107,441
1993-94	$ 6,114,781
1994-95	$ 6,142,392
1995-96	$ 6,716,015
1996-97	$ 6,739,981
1997-98	$ 6,784,079
1998-99	$ 6,795,163
1999-00	$ 7,064,243
2000-01	$ 7,168,026
2001-02	$ 6,690,861
2002-03	$ 6,546,961
2003-04	$ 7,634,543
2004-05 (i)	$ 8,361,910
2005-06 (ii)	$ 9,149,215
2006-07 (ii)	$ 10,075,369

Notes:

(i) 2004-05 revenues are projected revenues as of March, 2005

(ii) 2005/06 & 2006/07 projected revenues as discussed in this report.

EXHIBIT S-IV
Projected Revenues by User Category (2005/06)



Total Revenue from sales= $9,149,215

Total Volume = 3,343,064 hcf

■ Commercial □ Industrial ■ Institutional □ Single Family ■ Mobile-Home ■ Multi-Family

EXHIBIT S-VI
Single-Family Customers Sewer Rate History

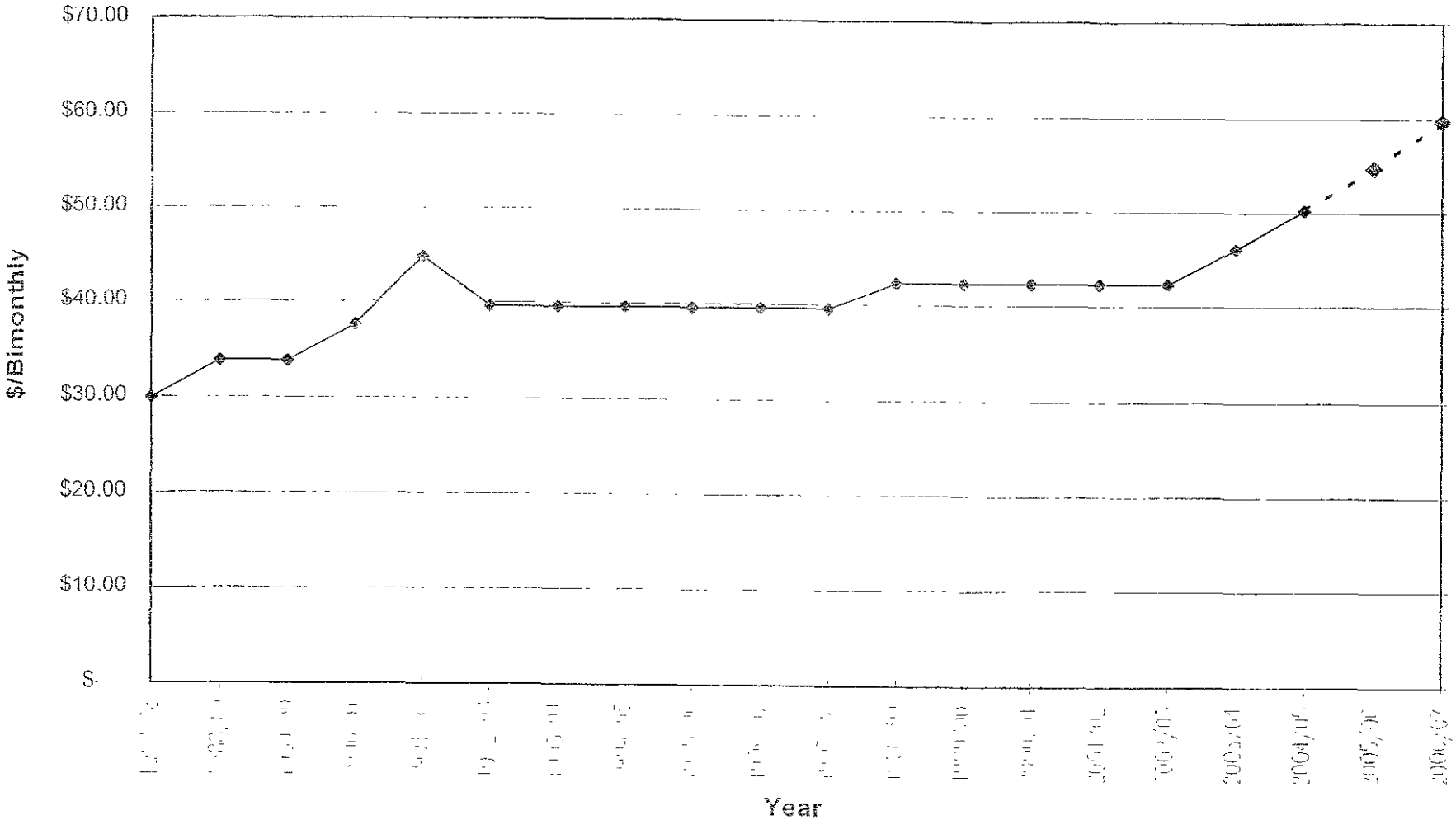


EXHIBIT S-VII
Sewer Fund (450) - Projected Year Ending Balances

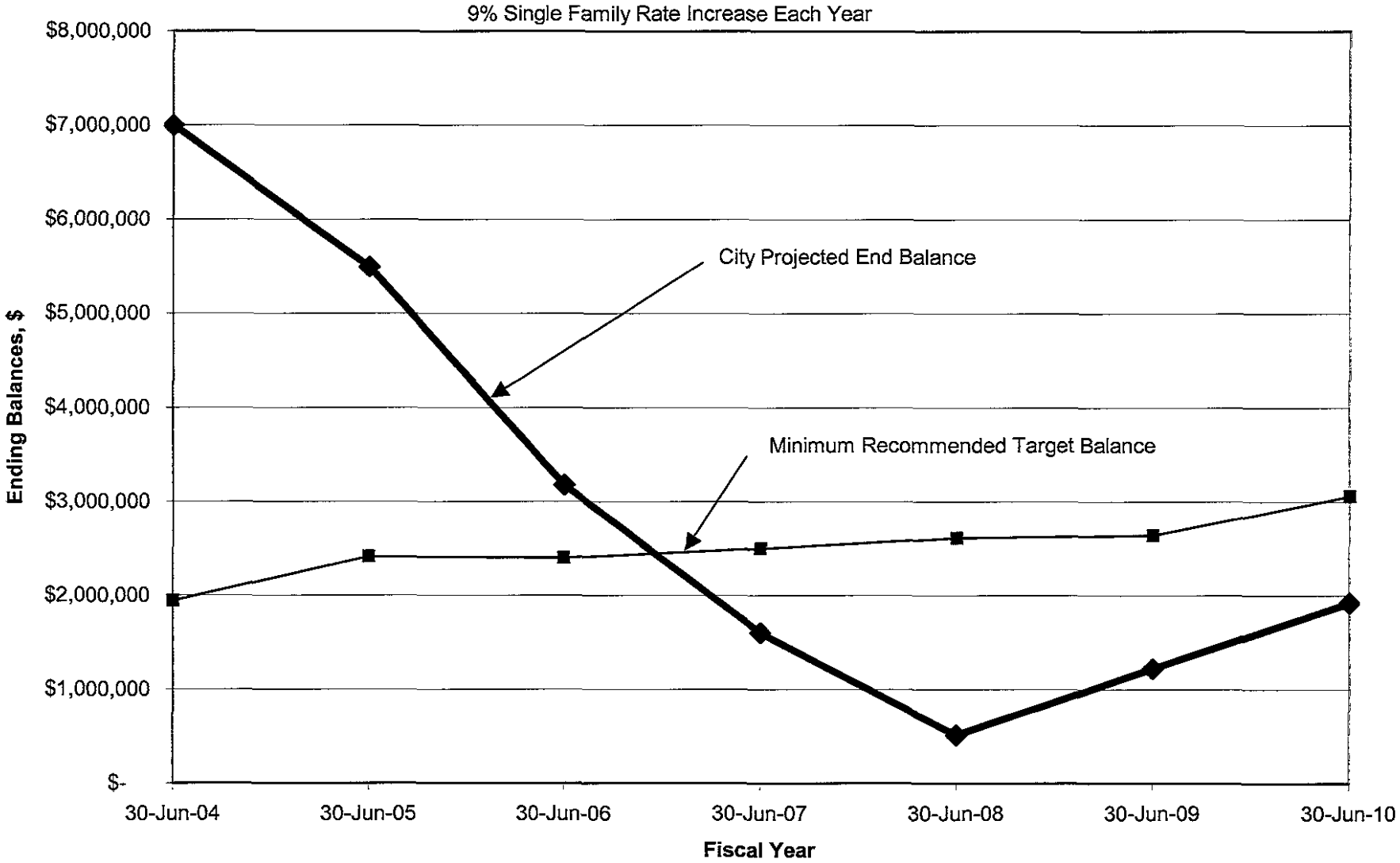


EXHIBIT S-VIII
2005/06 Non-Residential Customers Characteristics & Costs by Use

Name(Sewer Code)	Total Capital Costs	Total O & M Ccosts	Flat Rate	Total Costs	Percent of Total	Annual Loading HCF	Current Unit Rate	Proposed Unit Rate	Percent Change
COMMERCIAL (Rev Code 5)							**COMMERCIAL (Rev Code 5)**		
Motels and Hotels(Y) (76)	$47,892	$153,233	$1,386	$202,512	2.21	90,801	1.98	2.22	12.12
General Office(J) (61)	$146,305	$333,046	$24,846	$504,197	5.51	212,733	1.91	2.25	17.80
City of Milpitas (Z2) (77)	$10,984	$30,867	$1,997	$43,847	0.48	19,716	1.83	2.12	15.85
Service Stations(S) (73)	$7,020	$21,504	$2,052	$30,576	0.33	12,755	1.98	2.24	13.13
Eat/Drink Establishments(O) (66)	$214,719	$659,124	$9,428	$883,271	9.65	249,827	3.44	3.50	1.74
New Company -Bart Lammersen	$0	$0	$0	$0	0.00	0	0 00		
Personal Services, Laundrys(P) (67)	$11,506	$36,353	$1,775	$49,634	0.54	23,216	1.80	2.06	14.44
	---	---	---	---	---	---			
	$438,426	$1,234,127	$41,483	$1,714,036	18.73	609,047			
INDUSTRIAL (Rev Code 6)							**INDUSTRIAL (Rev Code 6)**		
Jefferson Smurfit - 29.76% (R) (69)	$1,865	$5,926	$55	$7,846	0.09	3,258	0 54	.57	4.81
T. Marzetti Co.- 72.39% (N) (65)	$20,465	$50,301	$111	$70,876	0 77	14,751	4.89	3.46	(29.33)
Prudential Overall Supply (U) (75)	$9,759	$21,711	$111	$31,581	0 35	12,077	2.27	2.61	14.98
Loral-Fairchild(E1) (53) - Lockheed Martin	$25,813	$84,466	$222	$110,502	1 21	61,184	1.50	1.80	20.00
US Filters (D) (51) - 100%	$30,375	$71,828	$111	$102,314	1.12	46,511	1.96	2.20	12.24
Sipex (E10) (85)	$43,299	$101,875	$166	$145,340	1.59	73,025	1.66	1.99	19.88
Lucky Pure Water - 50.61% (J1) (62)	$387	$1,237	$55	$1,679	0.02	790	0.96	1.09	13.18
Calistoga Mtn Spring Water - 42.73% (A) (50)	$4,230	$9,829	$55	$14,114	0 15	7,097	1.04	1.17	12 17
Milpitas Materials - 0.81% (M) (64)	$33	$74	$55	$163	0 00	47	0.01	.02	74 79
Union Pacific Railroad (J2) (83)	$184	$391	$55	$631	0 01	203	3.13	2.84	(9.27)
Headway Tech. (E9) (84)	$50,960	$114,405	$111	$165,476	1.81	67,844	2 02	2.44	20.79
Electrical/Electronics(E) (52)	$170,322	$413,259	$9,484	$593,064	6 48	264,186	1.89	2.21	16 93
Machinery Manufacture(L) (63)	$4,679	$10,392	$1,109	$16,180	0 18	5,294	2 54	2.85	12.20
Linear Technology (E3) (55)	$29,933	$99,363	$333	$129,629	1 42	69,492	1.62	1.86	14.81
Seagate technology (E8) (82)	$24,527	$79,694	$277	$104,499	1 14	55,244	1.61	1.89	17.39
	---	---	---	---	---	---			
	$416 832	$1,064,751	$12,312	$1,493,895	16 33	681,000			
INSTITUTIONAL (Rev Code 7)							**INSTITUTIONAL (Rev Code 7)**		
Schools/Colleges(T) (74)	$31,194	$50,148	$2,884	$84,226	0 92	29,622	2.30	2.75	19.57
Convalescent Hosp/Daycare(Q) (68)	$5,942	$18,913	$887	$25,742	0 28	11,418	1.93	2.18	12.95
Elmwood Rehabilitation - 100% (G) (60)	$104,156	$342,675	$166	$446,998	4 89	209,355	1.98	2.13	7.58
	---	---	---	---	---	---			
	$141,292	$411,736	$3,938	$556,966	6.09	250,295			

EXHIBIT S-IX

2006/07 Non-Residential Customers Characteristics & Costs by Use

Name(Sewer Code)	Total Capital Costs	Total O & M Ccosts	Flat Rate	Total Costs	rcent Total	Annual Loading HCF	Name(Sewer Code)	Current Unit Rate	Proposed Unit Rate	Percent Change
COMMERCIAL (Rev Code 5)							COMMERCIAL (Rev Code 5)			
Motels and Hotels(Y) (76)	$47,367	$169,563	$1,526	$218,457	217%	90,801	Motels and Hotels(Y) (76)	2.22	2 39	7.66
General Office(J) (61)	$144,655	$364,209	$27,231	$536,095	5 32	212,733	General Office(J) (61)	2.25	2.39	6.22
City of Milpitas (Z2) (77)	$10,847	$33,755	$2,116	$46,717	0.46	19,716	City of Milpitas (Z2) (77)	2.12	2.26	6.60
Service Stations(S) (73)	$6,941	$23,789	$2,259	$32,988	0.33	12,755	Service Stations(S) (73)	2.24	2.41	7.59
Eat/Drink Establishments(O) (66)	$212,330	$768,417	$10,257	$991,005	9.84	249,827	Eat/Drink Establishments(O) (66)	3.50	3.93	12.29
New Company -Bart Lammersen	$0	$0	$0	$0	0.00	0	New Company -Bart Lammersen	0 00		
Personal Services, Laundrys(P) (67)	$11,379	$39,761	$1,954	$53,093	0 53	23,216	Personal Services, Laundrys(P) (67)	2.06	2.20	6 80
	$433,519	$1,399,493	$45,343	$1,878,355	18 64	609,047				
INDUSTRIAL (Rev Code 6)							INDUSTRIAL (Rev Code 6)			
Jefferson Smurfit - 29 76% (R) (69)	$1,844	$6,628	$60	$8,532	0.08	3,258	Jefferson Smurfit - 20.98% (R) (69)	0.57	.62	8.79
T. Marzetti Co.- 72.39% (N) (65)	$20,251	$59,885	$121	$80,257	0.80	14,751	T. Marzetti Co - 57% (N) (65)	3.46	3.91	13.13
Prudential Overall Supply(U) (75)	$9,654	$24,251	$121	$34,026	0 34	12,077	Prudential Overall Supply(U) (75)	2.61	2.81	7.66
							0			
Loral-Fairchild(E1) (53) - Lockheed Martin	$25,531	$90,385	$242	$116,158	1.15	61,184	Loral-Fairchild(E1) (53) - 88 54% Lockhee	1.80	1 89	5.00
US Filters (D) (51) - 100%	$30,035	$78,368	$121	$108,523	1 08	46,511	US Filters (D) - 100%	2.20	2.33	5.91
Sipex (E10) (85)	$42,825	$109,219	$181	$152,225	1 51	73,025	Sipex (E9 new category)	1.99	2 08	4.52
Lucky Pure Water - 50.61% (J1) (62)	$382	$1,353	$60	$1,796	0 02	790	Lucky Pure Water - 48% (J1)	1.09	1.17	7.32
Calistoga Min Spring Water - 42 73% (A) (50)	$4,184	$10,524	$60	$14,769	0 15	7,097	Calistoga Min Spring Water - 54% (A)	1.17	1.22	4.55
Milpitas Materials - 0.81% (M) (64)	$33	$81	$60	$174	0.00	47	Milpitas Materials - 0 6% (M)	0.02	.02	6.17
Union Pacific Railroad (J2) (83)	$182	$441	$60	$684	0.01	203	Union Pacific Railroad (J2)	2 84	3.08	8.45
Headway Tech. (E9) (84)	$50,414	$126,621	$121	$177,156	1.76	67,844	Headway Tech. (E10 new category)	2.44	2.61	6.97
Electrical/Electronics(E) (52)	$168,351	$451,673	$10,135	$630,160	6.25	264,186	Electrical/Electronics(E)	2.21	2.35	6.33
Machinery Manufacture(L) (63)	$4,634	$11,734	$1,269	$17,638	0 18	5,294	Machinery Manufacture(L)	2.85	3 09	8.42
Linear Technology(E3) (55)	$29,603	$106,991	$363	$136,956	1 36	69,492	Linear Technology(E3)	1.86	1.97	5.91
Seagate technology (E8) (82)	$24,259	$85,968	$302	$110,530	1.10	55,244	Seagate technology (E8)	1.89	2.00	5 82
	$412,182	$1,164,124	$13,279	$1 589,584	15.78	681,000				
INSTITUTIONAL (Rev Code 7)							INSTITUTIONAL (Rev Code 7)			
Schools/Colleges(T) (74)	$30,846	$55,486	$3,204	$89,536	0 89	29,622	Schools/Colleges(T) (74)	2.75	2.91	5.82
Convalescent Hosp/Daycare(Q) (68)	$5,864	$20,866	$907	$27,636	0.27	11,418	Convalescent Hosp/Daycare(Q) (68)	2.18	2.34	7.34
Elmwood Rehabilitation - 100% (G) (60)	$102,998	$377,359	$181	$480,538	4.77	209,355	Elmwood Rehabilitation - 100% (G) (60)	2.13	2.29	7.51
	$139,708	$453,711	$4,292	$597,710	5 93	250,395				

EXHIBIT S-X
2005/06 Residential Bimonthly Service Charges Calculations

	Units	Single Family	Mobile Home Parks	Multiple Family*
Number of Accounts		12207	4	1597
Number of Dwelling Units		12207	570	5439
Average Household Size	Persons	3.45	1.60	2.75
Per Capita Discharge	gpd	65	65	60
Household Daily Discharge	gpd	224	104	165
Household Annual Discharge	HCF	109	51	81
Total Annual Discharge	HCF	1335773	28927	437919
Unit Sewer Charge		$54.77	$24.57	$39.49
PROPOSED TOTAL BIMONTHLY CHARGE		$54.77	$24.57	$39.49
Charges due to City Costs		$31.79	$14.26	$22.92
Charges due to Wholesale Costs		$22.98	$10.31	$16.57
CURRENT TOTAL BIMONTHLY CHARGE		$50.25	$22.76	$36.48
% Difference in Bimonthly Charge		9.00	7.95	8.25

*Multiple Family includes duplexes, condominiums, townhomes, and apartments.

EXHIBIT S-XI

2006/07 Residential Bimonthly Service Charges Calculations

	Units	Single Family	Mobile Home Parks	Multiple Family*
Number of Accounts		12557	4	1613
Number of Dwelling Units		12557	570	5484
Average Household Size	Persons	3.45	1.60	2.75
Per Capita Discharge	gpd	65	65	60
Household Daily Discharge	gpd	224	104	165
Household Annual Discharge	HCF	109	51	81
Total Annual Discharge	HCF	1374072	28927	441555
Unit Sewer Charge		$59.70	$26.88	$43.14
PROPOSED TOTAL BIMONTHLY CHARGE		$59.70	$26.88	$43.14
Charges due to City Costs		$33.94	$15.28	$24.53
Charges due to Wholesale Costs		$25.76	$11.60	$18.61
CURRENT TOTAL BIMONTHLY CHARGE		$54.77	$24.57	$39.49
% Difference in Bimonthly Charge		9.00	9.40	9.24

*Multiple Family includes duplexes, condominums, townhomes, and apartments.

EXHIBIT S-XII

CITY OF MILPITAS
SUMMARY OF SEWER IMPROVEMENT PROJECTS
2005 - 2010 CAPITAL IMPROVEMENT PROGRAM

SUMMARY OF COSTS

PROJECT		TOTAL COST	PRIOR YEARS	2005-06	2006-07	2007-08	2008-09	2009-10
6057	Misc. Minor Sewer Projects	568,000	393,000	35,000	35,000	35,000	35,000	35,000
6073	Sewer Deficiency & Structural Corr. Program	3,005,027	1,592,027	25,000	480,000	608,000	300,000	0
6079	Main SPS Site Improvements	750,000	750,000	0	0	0	0	0
8167	S. Main/Great Mall Dr Sewer Replacement	945,000	400,000	0	0	0	0	545,000
new	Great Mall S. Main to Montague	1,271,000	26,000	0	220,000	1,025,000	0	0
new	Main Sewer Pump Station Improvements (New)	3,122,951	122,951	2,000,000	1,000,000	0	0	0
new	Montague West of Geat Mall	440,000	55,000	0	65,000	320,000	0	0
new	Sewer Replacement Study (New)	45,000	0	0	45,000	0	0	0
new	Sewer System Replacement 07-08	5,000	5,000	0	0	0	0	0
new	Sewer System Replacement 08-09	0	0	0	0	0	0	0
new	Sewer System Replacement 09-10	0	0	0	0	0	0	0
new	Sewer Treatment Capacity (New)	0	0	0	0	0	0	0
new	South Bay Water Recycling Program, Phase (New)	700,000	0	0	0	0	700,000	0
new	Rehabiliation of existing Capital Assests or Systems	25,000	0	25,000	0	0	0	0
new	Mandatory or Committed Projects	20,000	0	5,000	5,000	5,000	5,000	0
	Defunding Subtotal							
	Funding Subtotal			***2,090,000***	***1,850,000***	***1,993,000***	***1,040,000***	***580,000***
	TOTAL COST	**$10,876,978**	**$3,343,978**	**$2,090,000**	**$1,845,000**	**$1,988,000**	**$1,035,000**	**$580,000**

SUMMARY OF AVAILABLE FINANCING

Sewer Fund	2,090,000	1,845,000	1,905,000	1,760,000	3,040,000
RDA Tax Inc.	1,000,000	0	0	0	0
Sewer Infrastructure	275,000	2,400,000	700,000	700,000	700,000
Funded by Other Sources	*8,700,000*	*0*	*0*	*0*	*0*
TOTAL AVAILABLE	**$3,365,000**	**$4,245,000**	**$2,605,000**	**$2,460,000**	**$3,740,000**

Exhibit XIII

REGULAR

NUMBER: **208.40**

TITLE: **AN ORDINANCE OF THE CITY OF MILPITAS AMENDING SECTIONS 6.01, CHAPTER 2, TITLE VIII OF THE MILPITAS MUNICIPAL CODE, RELATING TO SEWER SERVICE CHARGES**

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of May 3, 2005, upon motion by Councilmember and was adopted by the City Council at its meeting of 2005, upon motion by Councilmember . Said Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES: ( )

NOES: (0)

ABSENT: (0)

ABSTAIN: (0)

ATTEST:

APPROVED:

Donna Biles, Deputy City Clerk

Jose S. Esteves, Mayor

APPROVED AS TO FORM:

Steve Mattas, City Attorney

ORDAINING CLAUSE:

THE CITY COUNCIL OF THE CITY OF MILPITAS DOES ORDAIN AS FOLLOWS:

Exhibit XIII

SECTION VIII-2-6.01 OF THE MILPITAS MUNICIPAL CODE IS HEREBY AMENDED TO READ AS FOLLOWS:

The following amounts shall be assessed upon each premise maintaining a sewer connection with the City's sewage system.

1. RESIDENTIAL - Bimonthly for each dwelling unit

Category	FY 20045/056	FY 2006/07
Single Family Per Dwelling Unit	~~$50.25~~54.77	$59.70
Multi-Family Per Dwelling Unit	~~$36.48~~39.50	$43.14
Mobile Home Parks Per Dwelling Unit	~~$22.76~~24.57	$26.88

2. COMMERCIAL, INDUSTRIAL AND MISCELLANEOUS PREMISES

a) Flat Rate: For non-residential accounts, there shall be a flat rate assessed every billing cycle during which normal billing takes place, regardless of the amount of sewage discharged, in the amount of ~~$8.48~~9.24 for FY 05/06 and $10.08 for FY 06/07 per bimonthly period to defray billing and sewer system administration costs.

b) Quantity and Strength Charges: For each commercial, industrial, or miscellaneous premises, a charge for each one hundred cubic feet of water used per billing cycle shall be charged as follows:

Category	FY 20045/056	FY 2006/07
Motels, Hotels & Senior Citizen Housing Developments	~~$1.98~~2.22	$2.39
General office, banks, government offices general merchandise, retail, and shopping centers; building, hardware, and gardening material facilities; amusement centers, and theaters	~~$1.91~~2.25	$2.39
City of Milpitas	~~$1.83~~2.12	$2.26
Service stations, repair shops, and car washes	~~$1.98~~2.24	$2.41
Eating and drink establishments	~~$3.44~~3.50	$3.93
Personal services – laundry, barber/beauty shops, cleaners	~~$1.80~~2.06	$2.20
Jefferson Smurfit Corporation	~~$0.54~~0.57	$0.62
T. Marzetti Co.	~~$4.89~~3.46	$3.91
Prudential Overall Supply	~~$2.27~~2.61	$2.81
Loral-Fairchild-Lockheed	~~$1.50~~1.80	$1.89
US Filter	~~$1.96~~2.20	$2.33
Sipex Corporation	~~$1.66~~1.99	$2.08
Lucky Pure Water	~~$0.96~~1.09	$1.17
Calistoga Mountain Spring Water	~~$1.04~~1.17	$1.22
Milpitas Material	~~$0.01~~0.02	$0.02
Union Pacific Railroad	~~$3.13~~2.84	$3.08
Headway Technology Corporation	~~$2.02~~2.44	$2.61
Electrical and electronics design, fabrication, assembly and storage facilities	~~$1.89~~2.21	$2.35
Metal fabrication, machinery, and tool fabrication facilities	~~$2.54~~2.85	$3.09
Linear Technology Corporation	~~$1.62~~1.86	$1.97
Seagate Technology	~~$1.61~~1.89	$2.00
Schools, colleges and churches	~~$2.30~~2.75	$2.91

Exhibit XIII

Convalescent hospitals, day care centers, and health service facilities	~~$1.93~~2.18	$2.34
Elmwood Rehabilitation center	~~$1.98~~2.13	$2.29

c) City of San Jose for properties known as North McCarthy Properties $~~450~~ 459 bimonthly for any discharge up to 75,000 gallons per day (Maximum Flow). Excess flow charge of $100 for each 1,000 gallons per day in excess of the Maximum Flow or part thereof.

3. Purpose of Charge: The purpose of these charges is to defray the cost of operation and maintenance of the City's facilities, the cost of sewage treatment, and the debt service for the revenue bonds to finance the City's proportionate share of capital improvements at the San Jose/Santa Clara Water Pollution Control Plant.

Effective Date: The sewer service charges in Section 6.01 as established by Ordinance 208.~~39~~ 40 for FY 2005/06 shall become effective for utility bills issued on or after August ~~6~~1, 20045, for meters read on or after July ~~26~~18, 20045. All bills mailed thereafter shall be charged these charges. The sewer service charges for FY 2006/07 shall become effective for utility bills issued on or after August 7, 2065, for meters read on or after July 24, 2006. All bills mailed thereafter shall be charged these charges.

Comparisons with Other Cities

City Council
May 3, 2005

Prepared by:

Utility Section, Engineering Division

6. RATE COMPARISON WITH OTHER CITIES

- **Exhibit C- I**
  This table summarizes water, sewer, storm, and solid waste rate charges in the surrounding Santa Clara Valley area as of March 2005 for single-family residences using 26 hcf of water over two months. Milpitas' proposed total charges for single-family residents is the fifth lowest of the 14 agencies surveyed. Note that none of the 13 agencies surveyed have projected 05/06 rates available at the time of the survey and Milpitas rates may compare more favorably against the actual rates. Staff assumed a regional annual average increase of 8.1% for water and 7% for sewer to project the rates of the other agencies.

- **Exhibit C-II**
  This graph compares Milpitas' proposed water, sewer, storm and solid waste rates with neighboring cities' current rates. As seen Milpitas proposed bi-monthly charge of $165.06 is below the average of $175.58.

- **Exhibit C-III**
  This graph compares Milpitas' proposed 05/06 water, sewer, storm, and solid waste with projected 05/06 charges for those agencies surveyed. The average Milpitas bimonthly charge of $165.06 is below the survey average of $186.27.

EXHIBIT C-I

BiMonthly Utility Charge Comparison (Single Family Residents)

For single family residents using 26 HCF water over two months (5/8" meter)

City		WATER 03/04	WATER 04/05	WATER 05/06	WATER 04/05 increase		SEWER 03/04	SEWER 04/05	SEWER 05/06	SEWER 04/05 increase		STORM 03/04	STORM 04/05	STORM 05/06			Solid Waste 03/04	Solid Waste 04/05	Solid Waste 05/06			COMBINED 03/04	COMBINED 04/05	COMBINED 05/06	COMBINED 04/05 increas	
SANTA CLARA +	SW1	$52.76	$56.52	$61.10	$3.76	7.1%	$17.70	$18.76	$20.07	$1.06	6.0%	$0.32	$0.32	$0.32	$0.00	0 0%	$36 40	$40.68	$42.07	$4 28	11 8%	$107.18	$116.28	$123.56	$9.10	8.5%
SUNNYVALE	SW2	$44.13	$46.33	$50.08 #	$2.20	5.0%	$37.66	$39.54	$42.31 #	$1.88	5.0%	$0.00	$0.00	$0.00	$0.00	0.0%	$53 52	$55.68	$57 58	$2.16	4 0%	$135.31	$141.55	$149.97	$6.24	4.6%
S. J. (Muni.) +	SW1	$50.26	$54.12	$58.50	$3.86	7.7%	$37.92	$41.33	$44.23 #	$3.41	9.0%	$7.00	$7.64	$7.64	$0.64	9.1%	$67.20	$73.20	$75 70	$6 00	8 9%	$162.38	$176.29	$186.07	$13.91	8.6%
MOUNTAIN VIEW	SW1	$52.16	$65.32	$70.61 -#	$3.16	5.1%	$31.10	$33.90	$36.27 #	$2.80	9.0%	$0.00	$0.00	$0.00	$0.00	0.0%	$55 00	$56 60	$58 54	$1.60	2 9%	$148.26	$155.82	$165.42	$7.56	5.1%
UNION CITY	W2,S3,SW1	$58.12	$66.30	$71.67 #	$8.18	14.1%	$32.90	$34.55	$36.97	$1.65	5.0%	$0.00	$0.00	$0.00	$0.00	0.0%	$87 86	$90 88	$93 99	$3.02	3 4%	$178.88	$191.73	$202.63	$12.85	7.2%
FREMONT	W2,S3,SW1	$58.12	$66.30	$71.67 #	$8.18	14.1%	$32.90	$34.55	$36.97	$1.65	5.0%	$0.00	$0.75	$0.75	$0.75	0.0%	$48 88	$48 88	$50.55	$0 00	0 0%	$139.90	$150.48	$159.94	$10.58	7.6%
MILPITAS +	SW2	$52.12	$58.40	$63.19 **	$6.28	12.0%	$46.10	$50.25	$54.77 **	$4.15	9.0%	$0.00	$0.00	$0.00	$0.00	0.0%	$44.84	$44.84	$47.10	$0 00	0.0%	$143.06	$153.49	$165.06	$10.43	7.3%
CUPERTINO +	W1,S2,SW1	$66.36	$70.77	$76.50 #	$4.41	6.6%	$36.00	$36.00	$38.52 #	$0.00	0.0%	$3.38	$2.00	$2.00	-$1.38	-40.8%	$70.64	$71 52	$73 97	$0 88	1.2%	$176.38	$180.29	$190.99	$3.91	2.2%
CAMPBELL +	W1,S1,SW1	$66.36	$70.77	$76.50 #	$4.41	6.6%	$35.60	$38.50	$41.20	$2.90	8.1%	$3.25	$3.25	$3.25	$0.00	0.0%	$59 96	$59 96	$62 01	$0.00	0 0%	$165.17	$172.48	$182.96	$7.31	4.4%
LOS GATOS +	W1 S1,SW1	$66.36	$70.77	$76.50 #	$4.41	6.6%	$35.60	$38.50	$41.20	$2.90	8.1%	$3.40	$3.40	$3.40	$0.00	0.0%	$66 14	$66 14	$68 40	$0.00	0 0%	$171.50	$178.81	$189.50	$7.31	4.3%
S. J. (W. Co.) +	S4,SW1	$66.36	$70.77	$76.50 #	$4.41	6.6%	$37.92	$41.33	$44.23 #	$3.41	9.0%	$7.00	$7.64	$7.64	$0.64	9.1%	$67 20	$73 20	$75 70	$6.00	8 9%	$178.48	$192.94	$204.07	$14.46	8.1%
PALO ALTO	SW1	$92.87	$102.42	$110.72	$9.55	10.3%	$38.05	$38.50	$41.20	$0.45	1.2%	$8.50	$8.50	$8 50	$0.00	0 0%	$74 10	$81 50	$84.29	$7 40	10 0%	$213.52	$230.92	$244.70	$17.40	8.1%
SANTA CRUZ	SW2	$56.66	$88.56	$95.73 #	$31.90	56 3%	$54.00	$57.00	$60.99 #	$3.00	5.6%	$3.54	$3.54	$3.54	$0.00	0.0%	$88.00	$88 00	$91 01	$0 00	0 0%	$202.20	$237.10	$251.27	$34.90	17 3%
SAN MATEO	W3,SW3	$73.08	$75.64	$81.77 #	$2.56	3 5%	$49.32	$58.50	$62.60 #	$9.18	18.6%	$0.99	$0.99	$0.99	$0.00	0.0%	$44.80	$44.80	$46 33	$0 00	0.0%	$168.19	$179.93	$191.68	$11.74	7.0%
MILPITAS PROPOSED	**	$52.12	$58.40	$63.19	$6.28	12.0%	$46.10	$50.25	$54.77	$4.15	9.0%		$0.00	$0.00			$44.84	$44.84	$47 10	$0.00	0.0%	$143.06	$153.49	$165.06		
						8 11%					7 05%											$163.60	$175 58	$186.27		

05/06 rates not available until end-June or early-July. Assume regional annual average increase of 8.1% for water and 7% for sewer.

** Assumes 8.2% Water Rate and 9% Sewer Rate Increase.

+ Discharges sewage to the San Jose/Santa Clara Water Pollution Control Plant.

UTILITY SERVICES PROVIDED BY THE CITY UNLESS OTHERWISE NOTED.

WATER SERVICE:

- W1 San Jose Water Company
- W2 Alameda County Water District
- W3 *California Water Service Co*

SEWER SERVICE

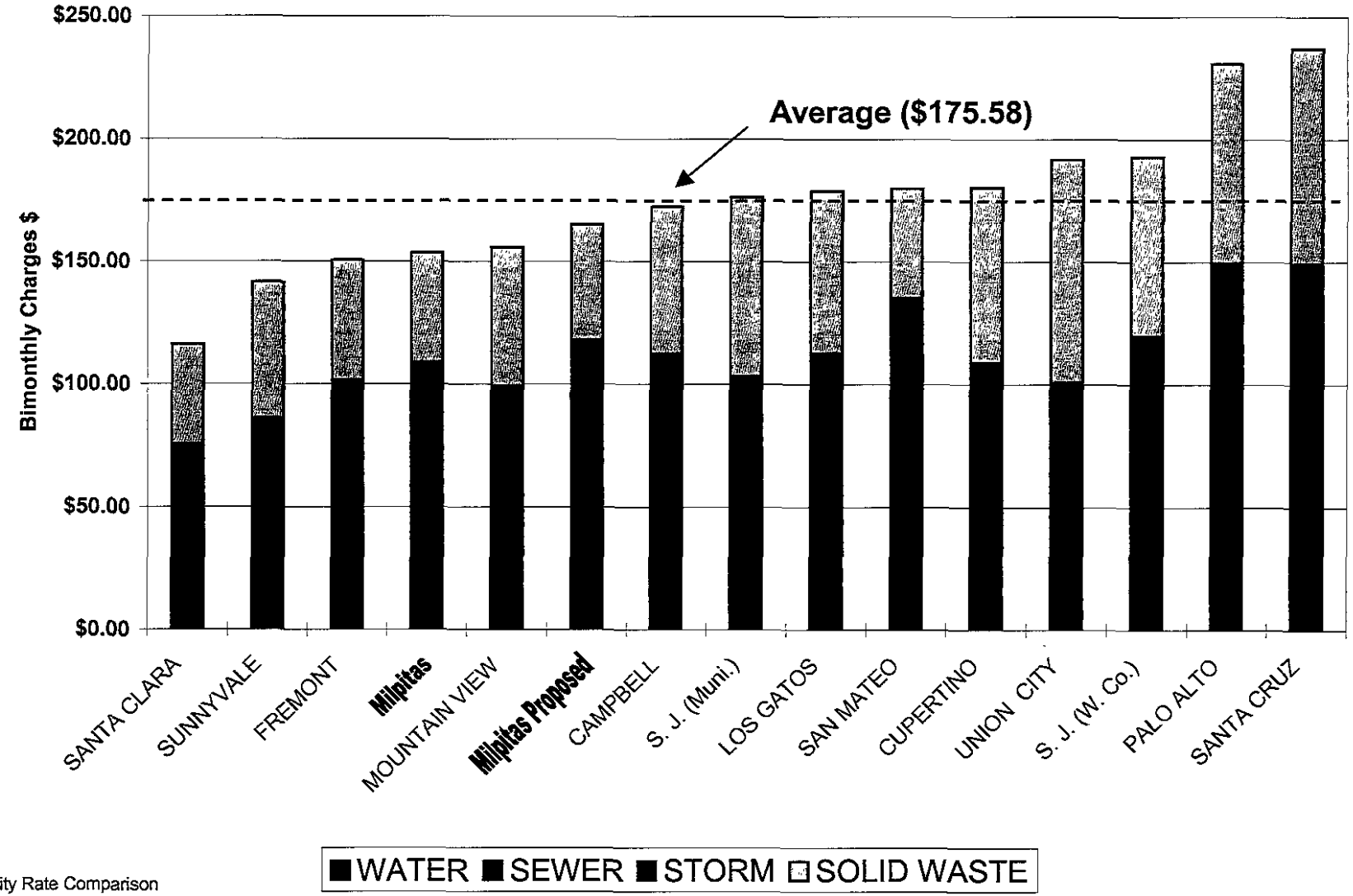
- S1 West Valley Sanitation Distnct
- S2 Cupertino Sanitary Distnct
- S3 Union Sanitary Distnct
- S4 City of San Jose

SOLID WASTE SERVICE·

Exhibit C-II

MILPITAS PROPOSED 05/06 RATE COMPARED TO CURRENT 04/05 RATES

For Single Family residents using 26HCF water over two months (5/8" meter)



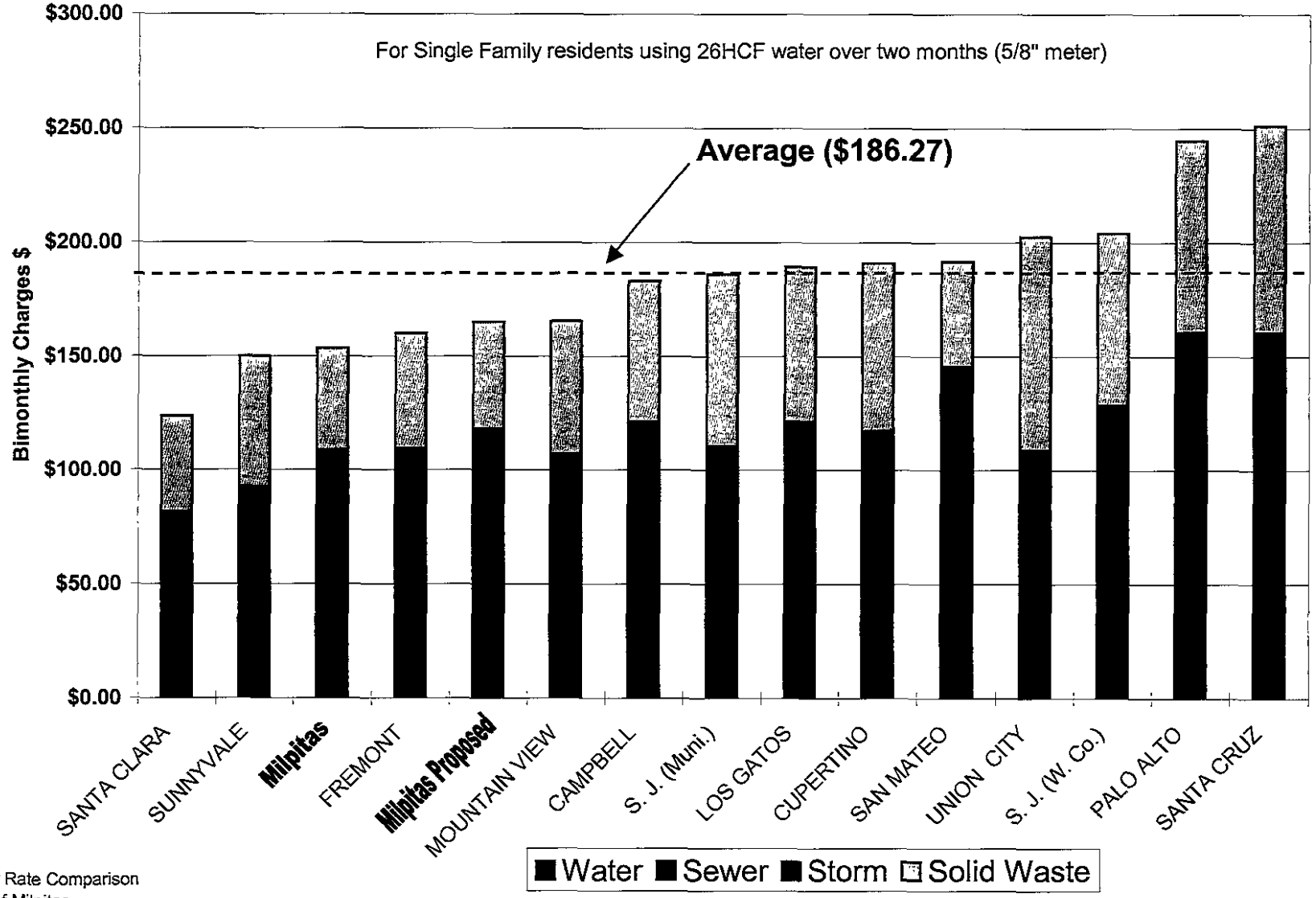
Utility Rate Comparison
City of Milpitas
05/06, 06/07 Utility Rate Analysis

Exhibit A4
(C) CURRENT w solid waste

4/25/2005
12:44 PM
C3

Exhibit C-III

05/06 Utility Charge Comparison
assumes average increase of 8.1% for water and 7% for sewer



Utility Rate Comparison
City of Milpitas
05/06, 06/07 Utility Rate Analysis

Exhibit A4
(C) PROJECTED w sw)

4/25/2005
12:44 PM
C4