11. CITY OF MILPITAS

AGENCY OVERVIEW

The City of Milpitas was incorporated as a General Law city on January 26, 1954. Milpitas is a full service city providing a range of services including: community development and neighborhood services (planning, housing, child care services, graffiti abatement, and neighborhood improvement); building inspection; redevelopment; economic development; police protection; fire protection; public works (engineering, traffic and streets, flood protection, capital improvement projects, city buildings and facilities, fleet maintenance, trees and landscaping, street lights and signals, and utilities); library; and parks and recreation (recreation, parks, cultural arts and theater, community center, senior center, teen center, and sports center). City services (including wastewater, solid waste, parks and recreation, storm water drainage, law enforcement, and library) were studied in the August 2006 South Central Santa Clara County Service Review.

Water services to the City are provided through the Utility Engineering and Utility Maintenance sections of the Public Works Department, which also includes sewer, recycled water, storm drainage and solid waste. Water services were studied as part of the Countywide Water Service Review in June 2005.

Type and Extent of Services

Services Provided

The Water Program of the City's Utility section provides drinking water to residential, commercial, industrial and institutional customers within the City. The Utility section oversees water project planning, design, engineering and construction; water quality; system maintenance and operation; backflow prevention; and leak detection. Milpitas also participates in the South Bay Water Recycling (SBWR) Program, has a water conservation program, and is supported by the Santa Clara Valley Water District (SCVWD) water conservation program.

The City has two sources of potable water and one recycled water source. Potable water is derived from imported water from the State Water Project (SWP) and the federal Central Valley Project (CVP) through the SCVWD; and from the San Francisco Public Utilities Commission (SFPUC) Regional Water System. Recycled (non-potable) water for irrigation and industrial purposes is produced at the San Jose-Santa Clara Water Pollution Control Plant (WPCP) and distributed by SBWR.

Service Area

The City's water service area includes all water service customers within the city limits, consisting of approximately 13.6 square miles.

Services to Other Agencies

The City does not provide services to other agencies.

Contracts for Water Services

The City contracts with SCVWD and SFPUC for treated potable water, and with SBWR for recycled water.

Collaboration

The City is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), and serves on the BAWSCA Technical Advisory Committee, the Long-Term Reliable Water Supply Strategy Committee, the Drought Implementation Plan Committee, the Water Quality Committee, and the Water Resource Committee. Milpitas also collaborates with SCVWD and serves on the following SCVWD Subcommittees: Water Conservation; Emergency Preparedness; Finance; Groundwater; Recycled Water; Water Quality; Water Retailers; Water Supply; Treated Water; and the Water Commission.

Boundaries

The Milpitas water service boundary is the same as the city limits. The present bounds encompass approximately 13.6 square miles. Milpitas is located within the Santa Clara Groundwater Sub-basin.

ACCOUNTABILITY AND GOVERNANCE

The City operates under a city council-city manager form of government with a five-member City Council elected at-large and a City Manager appointed by the City Council.

The Mayor is elected for a two-year term. Councilmembers are elected to overlapping four-year terms. The Vice Mayor is selected by the Council to serve a two-year term. Current member names, positions, and term expiration dates are shown in Figure 11-1.

Figure 11-1: City of Milpitas City Council

City of Milpitas				
Utility Engineering Section Contact Information				
Contact:	Kathleen Phalen, Acting Assistant City Engineer			
Address:	455 E. Calaveras Boulevard, Milpitas, CA 95035			
Telephone:	408-586-3345			
E-mail/Website:	kphalen@ci.milpitas.ca.gov/www.ci.milpitas.ca.gov			
City Council				
Member Name	**Position**	**Term Expiration**	**Manner of Selection**	**Length of Term**
Jose Esteves	Mayor	November 2012	Elected At-large	2 years
Pete McHugh	Vice Mayor	November 2012	Elected At-large	4 years
Debbie Giordano	Councilmember	November 2012	Elected At-large	4 years
Armando Gomez	Councilmember	November 2014	Elected At-large	4 years
Althea Polanski	Councilmember	November 2014	Elected At-large	4 years
Meetings				
Date:	First and Third Tuesday at 7:00 PM			
Location:	Council Chambers, City Hall, 455 E. Calaveras Boulevard, Milpitas			
Agenda Distribution:	Posted on the City website, and available at the City Clerk's Office and the Library.			
Minutes Distribution:	Available on the 'Agendas and Minutes' page of the City website, along with agendas and reports.			

The City Council meets on the first and third Tuesday at 7:00 PM in the City Council Chambers. Agendas are posted on the City website, and are available at the City Clerk's Office and the Library on the Friday before a meeting. Complete agenda packets, including minutes and reports, are available for review on the City website.

Council meetings are broadcast live on Milpitas Cable Channel 15. Meetings are also webcast as live streaming video, and are archived on the City website.

The City does not have a water-related advisory commission or committee. The Finance Subcommittee (two Councilmembers) meets as needed to review City financial matters, including water rate adjustments. The Subcommittee's agendas, reports and minutes are posted on the City website.

The Public Works Department and Engineering Division webpages offer basic information on the Utility section's primary functions of water, sewer, recycled water, and storm drainage. Detailed information regarding the water supply and the water distribution system is not provided; however links are readily accessible to the 2010 Urban Water Management Plan, the 2009 Water Master Plan Update, Annual Water Quality Reports, Rates and Charges, and the Water Conservation program. A detailed contact list of personnel is not provided, but inquiries can be submitted by e-mail to the Public Works Director, or by calling the Public Works Director or the Public Works Department general number listed on the City website under the 'Contact the City' link.

If a customer is dissatisfied with the City's water services, that customer may write a letter to the Public Works Director, or contact the Public Works Department as indicated above. The City does not have an electronic complaint form. In calendar year 2010 there were a total of 79 water-related complaints; three for odor/taste, 21 for color, one for turbidity, 42 for pressure, and 12 for water outages. These complaints accounted for 0.48 percent of the 16,351 customers served.

The City demonstrated full accountability and transparency in its disclosure of information and cooperation with Santa Clara LAFCO. The Water Program responded to the questionnaires and cooperated with all document requests.

MANAGEMENT AND STAFFING

Daily operations of the Water Program are under the direction of the Director of Public Works-City Engineer, who reports directly to the City Manager. As an integrated operation, the Public Works Department has a total of 89.0 full time equivalent (FTE) positions organized into eleven major functions: Utility Engineering; Land Development; Design and Construction; Traffic; Engineering Administration; Public Works Administration; Utility Maintenance; Fleet Maintenance; Facility Maintenance; Street Maintenance; and Trees and Landscape Maintenance. The Utility Maintenance section consists of water, sewer, recycled water, and storm drainage. A total of 15.62 FTE positions are dedicated to the Water Enterprise Fund, as detailed in Figure 11-2. The Recycled Water Fund has 2.1 FTE positions.

Figure 11-2: Water Program Staff Allocation

Position	FTE	Position	FTE
Public Works		Engineering	
Director of Public Works/City Engineer	0.20	Acting Assistant City Engineer	0.50
Office Specialist	0.50	Associate Civil Engineer	0.95
Senior Maintenance Supervisor	0.62	Assistant Civil Engineer	0.40
Water System Operator	0.90	Public Information Specialist	0.25
Assistant Water System Operator	0.90	Administrative Analyst II	0.20
Equipment Maintenance Worker III	0.54	Administrative Analyst I	0.50
Equipment Maintenance Worker II	0.47	Engineering Aide	0.50
Maintenance Worker III	1.62		
Maintenance Worker II	2.03	Finance	
		Senior Accountant	0.75
		Fiscal Assistant	2.25
		Water Meter Reader	1.54
		Total	15.6

Performance evaluations of all employees are conducted annually. The probation period for new employees is twelve months, with evaluations quarterly. The agency tracks the employees' workload through work logs, service requests, and performance measures that are included in the annual budget. The Department will be adding 'Maintenance

Connection' software to track workload, billings, permitting, and department activities on a single platform.

To increase efficiency, 'Radio read' water meters are being installed along medians and landscape areas that are difficult to access.

The City adopted its 2010 Urban Water Management Plan on June 7, 2011. A Utility Rate Analysis for Water and Sewer with rate recommendations was accepted by Council on February 15, 2011. A Water and Sewer Master Plan Environmental Impact Report (EIR) was adopted May 4, 2010. The City updated its Water Master Plan in 2009. A Water Emergency Response Plan was prepared in September of 2004. A Financial Utility Master Plan was prepared in April of 2003. Capital improvements are considered over a five-year planning period as part of the budget process.

POPULATION AND PROJECTED GROWTH

The 2010 United States Census population for Milpitas is 66,790. The average household size is 3.34 per the United States Census.

ABAG projects that the population of Milpitas will increase to 106,000 by 2035, a 58.7 percent increase over the twenty-five year period.

Milpitas, along with San Jose, Santa Clara and Gilroy are expected to experience the highest growth rates between 2010 and 2035. Milpitas will have the highest percentage of growth at 58.7 percent, followed by Gilroy at 42.6 percent and San Jose at 30.7 percent.

A comprehensive update of the City's General Plan was completed in 1994. Further amendments have been made every few years after. A January 2002 Update incorporated the Midtown Specific Plan and included revisions to the General Plan land use map and text for consistency between these documents. A 2008 Update incorporated the Transit Area Specific Plan for transit-oriented development around the VTA Light Rail and BART transit hub near the Great Mall. A 2010 Update revised planning estimates and coordinated boundaries between the specific plans.

The Land Use Element briefly addresses water as part of Public Utilities and Services in Section 2.6. It contains one general guiding principle and two general implementation policies.

FINANCING

Financial Adequacy

The Water Utility Fund (Water Fund) is an enterprise fund in which charges for services generate the necessary funds to provide the services. No General Fund monies are utilized by the Fund. The Water Fund is dedicated to water service including administration, operations, maintenance, and billings and collections. The Water Fund is a parent fund with four related funds: Capital Improvement Program (CIP), Water Line Extension Fund; Water Infrastructure Fund; and Recycled Water Fund. The CIP Fund holds funding for the design and construction of approved water CIP projects. The Water Line Extension Fund holds developer connection fees and is used to fund the CIP. The Water Infrastructure Fund is a reserve fund for future water infrastructure replacement projects. The Recycled Water Fund is used for recycled water operation, maintenance and capital improvements.

Revenue Sources

In FY 08-09, the Water Fund generated $4.6 million, in FY 09-10 the Fund generated $12.8 million, and in FY 10-11 the Fund was projected to generate $13.5 million.

In FY 10-11, the Water Fund generated in excess of $13.5 million in direct operating revenue from the following sources:

Pooled Interest Allocation	$50,000	0.4%
Water Service Agreements	$15,000	0.1%
Water Meter Sales	$15,040,000	111.4%
Construction Water	$20,000	0.1%
Miscellaneous Other Revenue	$130,000	1.0%
Transfer in from Recycled Water	$879,000	6.5%
Transfer out to General Fund (for indirect expenditures)	($1,788,178)	(13.2%)
Transfer out to CIP Fund	($845,000)	(6.3%)
Total	$13,500,822	100%

As indicated above, significant revenues are derived from water sales. These revenues are expected to increase each year as the City passes on the increased costs for wholesale water.

Rates

Beginning July 1, 2011, the City raised its water rates by an average of 19.2 percent over the FY 10-11 rates. These increases are due to the increase in wholesale costs for water from both of the City's wholesale water suppliers (SFPUC and SCVWD), plus the impact of reduced water sales due to the slow economy. The rate increase translates to an average of $6.63 per month for a single-family residence using 23 CCF (hundred cubic feet) per month, where each CCF is equal to 748 gallons. The City expects water rates to increase by 7 percent to 8 percent each year for the next several years, primarily due to the SFPUC's $4.6 billion in seismic improvements to the Hetch Hetchy water delivery system, and lagging water sales (due to the slow economy and water conservation) which are 12.5 percent lower than projected.

The City also revamped its water rate structure, going from two residential tiers to four in order to better coordinate the costs for service and improve water conservation. Tier 1 (0 to 10 CCF) would remain at $1.77 per CCF per month; a new Tier 2 (11-20 CCF) would be $2.76 per CCF per month; Tier 3 (21-30 CCF) would remain at $3.72 per CCF per month; and a new Tier 4 (more than 31 CCF) would be $4.17 per CCF per month.

Expenditures

For FY 11-12, the Water Fund expenditure is expected to total over $19.1 million (which includes funding for CIP), and is 13.6 percent of the City total expenditure (all funds) of $140.8 million.

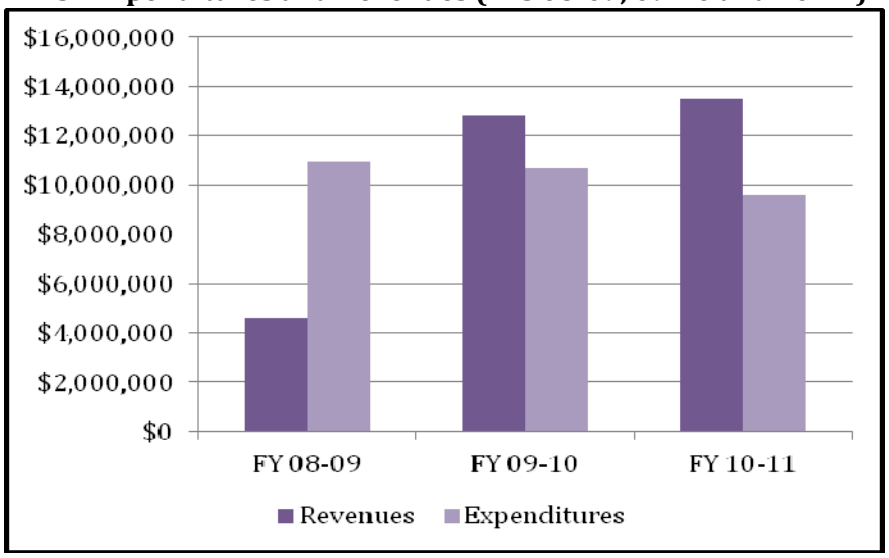
In FY 08-09, the Water Fund spent a total of $10.9 million, in FY 09-10 the Fund spent $10.7 million, and in FY 10-11 the Fund was projected to spend $9.6 million. Primary expenses totaling $9.6 million in FY 10-11 were:

Receivables	$300,000	3.1%
Utilities	$300,000	3.1%
Non-Departmental	$6,600,000	68.8%
Utility Maintenance	$1,400,000	14.6%
Utility Engineering	$600,000	6.2%
Miscellaneous	$400,000	4.2%

The non-departmental expenses were primarily for purchasing wholesale water from SFPUC and SCVWD.

Figure 11-3: Expenditures and Revenues (FYs 08-09, 09-10 and 10-11)

Figure 11-3 provides a comparison of revenues and expenses for the last three fiscal years. General accounting practices typically show "transfers out" as revenues. For example, in FY 08-09, there was an $8.7 million transfer to the CIP fund, which reflects an atypical low revenue value in the graph.



Capital Outlays

The current budget includes 27 capital improvement projects scheduled over the five-year planning period, six of which are funded for FY 11-12 as follows:

❖ Curtis Well pump station upgrade	$1,600,000
❖ Water System 'backbone' seismic improvements	$200,000
❖ Abel Street/Carlos Street main line extension	$350,000
❖ Reservoir Cleaning	$50,000
❖ Turnout improvements; valve testing/replacement	$150,000
❖ Water Meter Replacement, medians	$75,000
Total	$2,425,000

Particular focus is being placed on water line extensions; and well and pump upgrade, rehabilitation and maintenance. Over the five-year CIP period, the City will expend $33.1 million on water-related improvements.

Long-term Debt

The Water Fund does not have any long-term debt.

Reserves

The City has two reserve fund policies relating to water: maintain an annual operating and maintenance reserve of 30 percent of operating and maintenance expenses; and deposit $2 million annually into the water infrastructure fund. As of June 30, 2011, the fund balance for the Water Enterprise Fund stood at $4,996,623, or 52 percent of operating and maintenance expenses for FY 10-11. This fund balance can be considered to be the Operating and Maintenance Reserve and would be sufficient to fund water operations for 6.2 months.

For FY 11-12, $2,075,000 of the Water Fund reserves will be utilized to fund capital improvement projects.

WATER SUPPLY

The City of Milpitas receives wholesale potable water directly from two supply sources—SFPUC and SCVWD. In addition to these two potable supply sources, the City receives non-potable recycled water from South Bay Water Recycling (SBWR) for landscape irrigation and industrial uses in selected areas west of Interstate 680. The City's emergency water supply consists of two local groundwater wells and three emergency interties—one with the San Jose Water Company and two with the Alameda County Water District.

The City's water supply is treated surface water provided by SFPUC (61 percent) and SCVWD (32 percent). The remaining seven percent is recycled water provided by SBWR. The City does not provide any water treatment or groundwater recharge. All water is pre-treated by the wholesaling agencies. The City's available and projected water supplies are shown in Figure 11-4.

Figure 11-4: City of Milpitas Retail Agency Supply Projections (AFY)

Source	Contracted Volume	2010	2015	2020	2025	2030	2035
SFPUC	10,340	6,744	7,920	8,614	9,242	9,858	9,858
SCVWD	Varies	3,484	3,697	4,380	5,769	7,169	9,186
SBWR	No Limit	807	1,109	1,333	1,546	1,759	1,983
Total		11,034	12,726	14,328	16,557	18,786	21,027

Source: Master Agreement Supply Assurance for SFPUC;
2010 City of Milpitas UWMP, Table 3-13 for SCVWD & SBWR.

SFPUC Water

The City of Milpitas purchases water from SFPUC for a portion of its domestic surface water supply through its 2009 Master Agreement. The agreement between the City and SFPUC was negotiated by the Bay Area Water Supply and Conservation Agency (BAWSCA). Per the agreement, the 26 SFPUC wholesale customers have a combined supply assurance of 184 million gallons per day. The City's guaranteed portion of the supply assurance is referred to as the individual supply guarantee. Milpitas' individual supply guarantee is 9.23 million gallons per day (or approximately 10,340 acre feet per year (AFY). The City projects using 9,838 acre feet or 95 percent of its individual supply guarantee in 2035. Water from SFPUC is delivered to the City through Bay Division Pipelines 3 and 4.

SCVWD Water

Water from SCVWD is delivered to the City from the Penitencia or Santa Teresa Water Treatment Plants via the Milpitas Pipeline. Water purchased from SCVWD is governed by a contract between SCVWD and the City. The actual contract amount is adjusted periodically based on an annual delivery schedule request that the City submits every three years. However, there is no maximum supply guarantee. This schedule is binding for the subsequent three-year period, and the City's annual purchase must be at least 90 percent of the maximum year contained in the schedule. The City's monthly "supply guarantee" is at least 15 percent of the total estimated yearly amount. In 2010, the City made use of 3,484 acre feet of water from SCVWD. The City anticipates nearly tripling its use of SCVWD water by 2035 at 9,186 acre feet.

The SFPUC and SCVWD potable water supply sources are not blended under normal operating conditions. Due to their different characteristics, the indiscriminate blending of these two supplies could lead to potential water quality problems such as the generation of undesirable taste and odors. Hence, the City's water system is physically separated via isolation valves in the distribution pipeline network. These isolation valves can be manually opened to allow emergency backup of SFPUC supply for the SCVWD zones and vice versa.

Drought Allocations

The SFPUC water supply is subject to reductions during drought conditions. As part of the water supply agreement, a water shortage allocation plan between SFPUC and its wholesale customers was adopted in 2009, and addresses shortages of up to 20 percent of system-wide use. The Tier 1 Shortage Plan allocates water from the regional water system between San Francisco Retail and the wholesale customers during system-wide shortages of 20 percent or less. The water supply agreement also includes a Tier 2 Shortage Plan, which allocates the available water among the SFPUC wholesale customers. A new Tier 2 plan was approved by the BAWSCA agencies in 2011, which provides the framework for allocating the wholesale Tier 1 water allocation between the different BAWSCA agencies. The new Tier 2 water shortage plan is in effect until 2018. For details, refer to the 'Drought Allocations' section of Chapter 23, San Francisco Public Utilities Commission.

Recycled Water

In 1998, the South Bay Water Recycling (SBWR) facility and pipeline was constructed to provide recycled water from the San Jose-Santa Clara Water Pollution Control Plant to wholesale water providers for irrigation, landscape and industrial uses. SBWR is a joint powers authority that consists of the Cities of San Jose, Milpitas and Santa Clara, West Valley Sanitation District, and Cupertino Sanitation District.

SBWR currently provides recycled water to San Jose Municipal Water System customers in the City of San Jose, the City of Milpitas, the City of Santa Clara, and the San Jose Water Company. Recycled water from SBWR is delivered through a connection at the Milpitas' western edge. Service began in October of 1997 and provides recycled water primarily to business and retail areas in the City's western and southern areas. The City's recycled water distribution system consists of approximately 20 miles of mainline and approximately 180 service connections. Recycled water purchase is governed by contract with SBWR. There is no maximum supply allocation, as recycled water supply is unrestricted for the foreseeable future. In 2010, the City purchased 807 acre feet. The City anticipates making greater use of recycled water in the future with projected use more than doubling between 2010 and 2035.

Emergency Preparedness

Water Supply Hazards

The Water Utility is on call 24/7 and is prepared to respond to any leaks or breaks in a timely manner.

The City is currently upgrading its 'backbone' water delivery system to withstand a seismic event. This is an ongoing project that is part of the five-year capital improvement program.

Emergency Water Supply

An emergency backup water supply is provided by above-ground water storage tanks, with an effective capacity of 16.27 million gallons. This storage capacity can provide one day of emergency water under a maximum daily demand scenario.

Interties and Back-up Supply

The City currently has interties to the San Jose Water Company and the Alameda County Water District through service connections for use during emergency situations. At present, no proposed transfers are anticipated.

The City has one existing groundwater well (Pinewood) for emergency supply, with one future well (Curtis) to be constructed in early 2012.

WATER DEMAND

The City's projected water demands based on the total of single family, multi-family, commercial, industrial, institutional, potable irrigation, recycled irrigation, and unaccounted for water losses for five-year time periods to 2035 are shown in Figure 11-5. By 2035, water use (through water sales) is projected to amount to 21,027 AFY with 8.1 percent assumed for system losses of the total projected water use. Figure 11-5 also shows the projected water demands in acre-feet per year (AFY) with active conservation assumed (and as projected by SCVWD).

Figure 11-5: City of Milpitas Projected Water Demands

Planning Horizon	Total Projected Water Demands (AFY)	Projected Demand after Conservation Savings (AFY)
2010	11,034	
2015	12,726	15,280
2020	14,328	16,240
2025	16,557	17,220
2030	18,786	18,240
2035	21,027	19,320

Sources: 2010 City of Milpitas, Urban Water Management Plan, Chapter 3, Table 3-11, page 11 and SCVWD Urban Water Management Plan, 2010, Table 4-1, Retailer Demand Projects after Conservation Savings

When accounting for dry and multiple dry-year sequences, the City's supplies, even when shorted, is adequate to cover projected demand increases to 2030, as shown in Figure 11-6. However, during multiple dry-year sequences, supplies would be curtailed below projected demands for that time. Shortages, based on existing entitlements, would likely occur in those years. Although the City has diversified its sources of supply between the two wholesalers, it is still vulnerable to shortages caused by successive dry years.

Figure 11-6: Water Supply Availability and Reliability across Water Year Types (MGD)

	Normal Year		Single Dry Year		Multiple Dry Third Year		
	Supply	Demand	Supply	Demand	Supply	Demand	Difference
2015	13.52	11.36	11.95	11.36	10.94	11.36	-0.42
2020	14.33	12.79	12.76	12.79	11.75	12.79	-1.04
2025	15.76	14.78	14.19	14.78	13.18	14.78	-1.60
2030	17.20	16.77	15.63	16.77	14.62	16.77	-2.15
2035	19.20	18.77	17.63	18.77	16.62	18.77	-2.15
Source: 2010 City of Milpitas UWMP, Tables 5-11, 5-12 and 5-13.							

WATER INFRASTRUCTURE AND FACILITIES

The Milpitas water system is a comprehensive water storage and delivery system. The City is divided two service areas. The SFPUC service area is divided into five pressure zones and is supplied by four turnouts. The SCVWD service area is divided into two pressure zones and is supplied by one turnout.

The City's has one local groundwater well (Pinewood) and one future well (Curtis) for emergency water supply purposes.

Water Treatment Facilities

Milpitas does not have any water treatment facilities.

Water Storage Facilities

The City has five active storage tanks (Gibraltar SF, Gibraltar SC, Ayer, Tularcitos, and Minnis) with a combined storage capacity of 16.27 MG.

Conveyance and Distribution Facilities

The water distribution system is composed of approximately 213 miles of distribution lines. The distribution system also consists of five pump stations. The system also features 4,858 isolation valves, 1,840 fire hydrants, 1,766 backflow prevention devices, and 16,351 water service connections.

The City reported that in calendar year 2010 there were 173 main line breaks or leaks, and 69 service connection breaks or leaks. The City did not issue any 'boil water' orders or report any water outages.

Infrastructure Needs & Capital Improvement Program

The current capital improvement program identifies 27 capital improvement projects scheduled over the five-year planning period. Particular focus is being placed on extending water lines and rehabilitation of pumps. Refer to the Financing Section for details.

Shared Facilities

The City does not share any facilities with any other agencies or organizations.

WATER QUALITY

Source Water

For the SFPUC system, the major water source originates from spring snowmelt flowing down the Tuolumne River to the Hetch Hetchy Reservoir, where it is stored. This pristine water source is located in the well-protected Sierra region and meets all Federal and State criteria for watershed protection. DPH and the EPA have granted the Hetch Hetchy water source a filtration exemption, based on the SFPUC's disinfection treatment practice, extensive bacteriological-quality monitoring, and high operational standards. In other words, the source is so clean and protected that the SFPUC is not required to filter water from the Hetch Hetchy Reservoir. Water from the Hetch Hetchy is supplemented by run-off collected in the Alameda and Peninsula Watersheds. This water is treated at two water treatment plants prior to distribution.

Overall groundwater quality in Santa Clara County is very good and water quality objectives are achieved in most wells. Public water supply wells throughout the County deliver high quality water to consumers, almost always without need for treatment. The most significant exceptions are nitrate and perchlorate, which have impacted groundwater quality predominately in South County. In the future, new and more stringent drinking water quality standards could also affect the amount of groundwater pumped from the basin.

According to the California Department of Public Health (CDPH) Drinking Water Source Assessment, which evaluates the vulnerability of water sources to contamination, the SVCWD's surface source waters are susceptible to potential contamination from sea water intrusion and organic matter in the Delta and from a variety of land use practices, such as agricultural and urban runoff, recreation activities, livestock grazing, and residential and industrial development. Local sources are also vulnerable to potential contamination from commercial stables and historic mining practices.

Treated Water

Quality of treated water can be evaluated according to several measures. For the purposes of this report, the following indicators are used: the number of violations as reported by the EPA since 2000, the number of days in full compliance with Primary Drinking Water Regulations in 2010, and any deficiencies identified by DPH as prioritized health concerns. The City's water wholesalers, SFPUC and SCVWD, conduct their own testing.

The City does not treat its water supply. Treated water is received from the SFPUC Hetch Hetchy system and the SCVWD water treatment plants. According to the EPA Safe Drinking Water Information System, neither SFPUC nor SCVWD had health or monitoring violations within the last 10 years with regard to its treatment systems.

According to the federal Environmental Protection Agency (EPA) through its Safe Drinking Water Information System (SDWIS), the City of Milpitas did not have any health based violations during the 2000-2010 period. The City had one monitoring and reporting violation in October of 1999, with State compliance achieved in March 2000.

The City's 2010 Water Quality Report indicates that the City's potable water supply from all sources met all state and federal drinking water health standards. In order to verify that water quality standards are met, drinking water samples are collected weekly throughout the City and analyzed for a variety of regulated and unregulated contaminants. Samples are tested by a contracted certified laboratory. Of the parameters tested, none were found to be higher than the California Department of Public Health (CDPH) allows.

The CDPH Annual Water System Sanitary Survey conducted in October of 2010 identified the following items for follow-up action (with status in parentheses):

- Provide a timetable to implement cross connection control surveys; (submitted to CDPH on July 15, 2011);
- Apply for and obtain an amended water supply permit (including a Facility Operations Plan) from CDPH for installation of a chloramine boosting station at the Gibraltar Booster Pump Station (in progress);
- Submit the completed amended permit applications for the completed chloramination treatment facility at the Pinewood Well, and for the development and construction of the Curtis Well (in progress);
- Monitor the Pinewood Well for asbestos and two quarters of synthetic organic chemicals (SOC) or request a monitoring waiver (asbestos waiver approved by CDPH on December 3, 2010; SOC monitoring completed December 2010);
- Make corrections to the draft Nitrification Action Plan (NAP) as identified by CDPH including a flushing and valve maintenance program (in progress);

- Provide updated data sheets for those facilities which have undergone changes, including the Gibraltar Pump Station (submitted to CDPH on July 15, 2011); and

- Submit a revised Groundwater Rule Triggered Source Monitoring Plan for the Pinewood Well (submitted to CDPH on July 11, 2011 and approved by CDPH on August 2, 2011).

The survey also identified minor deficiencies related vent screens on tanks and booster pumps, and rust on the interior of the Minnis Tank. These deficiencies will be remedied by early fall 2011.

CITY OF MILPITAS
SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- The current 2010 population of Milpitas is 66,790.
- ABAG estimates that Milpitas will grow by 58.7 percent over the next 25 years to an estimated population of 106,000.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- By the year 2020, Milpitas will experience water supply shortfalls in drought years, with up to a 2,400 acre foot per year shortfall in the third year of consecutive drought by 2035.
- Milpitas will rely on groundwater pumping from its two municipal wells, increased use of recycled water, and more stringent water conservation programs to make up for any drought-related shortfalls.
- Continued emphasis on water conservation, use of recycled water, and higher water rates are expected to curtail the City's demand for water.
- The Milpitas water supply and distribution system has sufficient capacity to serve all water customers within its service area.
- Emergency backup water supply is provided by above-ground water storage tanks, with an effective capacity of 16.27 million gallons. This storage capacity can provide one day of emergency water under a maximum daily demand scenario.
- The City's capital improvement program is placing particular focus on water line extensions and well and pump upgrade, rehabilitation and maintenance. Over the five-year capital improvement plan period, the City will expend $33.1 million on water-related improvements.
- The City provides high quality water based on city compliance with drinking water regulations. The City did not have any health based violations during the 2000-2010 period.
- City management methods appear to generally meet accepted best management practices. The City prepares a budget before the beginning of each fiscal year, has a detailed Capital Improvement Program, conducts periodic financial audits,

maintains relatively current transparent financial records, regularly evaluates rates and fees, tracks employee and department workload, and has established a process to address complaints.

Financial Ability of Agency to Provide Services

- As an Enterprise Fund, the Milpitas Water Utility Fund has sufficient financial resources to provide an adequate level of service. However, rate increases will be required to insure that revenues exceed expenditures.
- The City utilizes its Water Utility Fund to "transfer out" revenues for water-related capital improvement projects, resulting in a lower revenue amount in the budget than is actually the case.
- Beginning July 1, 2011, the City raised its water rates by an average of 19.2 percent over the FY 10-11 rates. The City expects water rates to increase by 7 percent to 8 percent each year for the next several years.
- The City revamped its water rate structure, going from two residential tiers to four in order to better coordinate the costs for service, and to improve water conservation.

Status and Opportunities for Shared Facilities

- The City practices facility sharing by receiving potable water through the SFPUC distribution system and the SCVWD distribution system.
- The City has interties with the San Jose Water Company and the Alameda County Water District for use during emergency situations.
- South Bay Water Recycling currently provides recycled water to the City of Milpitas for use in landscape irrigation and industrial uses.
- The City is a member of the Bay Area Water Supply and Conservation Agency and serves on a number of BAWSCA committees. Milpitas also collaborates with Santa Clara Valley Water District and serves on a number of SCVWD subcommittees.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- Accountability is best ensured when contested elections are held for governing body seats, constituent outreach is conducted to promote accountability and ensure that constituents are informed and not disenfranchised, and public agency operations and management are transparent to the public. The City demonstrated accountability with respect to all of these factors.

- The City does not have a water-related advisory commission or committee.
- To increase efficiencies, the Public Works Department will be adding 'Maintenance Connection' software to track workload, billings, permitting, and department activities on a single platform. In addition, 'radio read' water meters are being installed along medians and landscape areas that are difficult to access.
- The City's water rate structure is designed as an 'inclining block tier' which charges proportionally higher water rates for higher water users and promotes more efficient use of water.
- No government structure options have been identified for Milpitas.