



DATE: June 24, 2025

TO: Mayor and City Council

FROM: Maintenance Services Director

SUBJECT: Engineer's Report MD-1: Adopt a Resolution to Approve the Final Engineer's Report, Confirm the Maximum Base Assessment Rate, Confirm the Fiscal Assessment Rate, Confirm the Assessment Diagram, Order the Levy and Collection of Fiscal Assessment; and Adopt a Resolution to Approve Funding Recommendations and Appropriate Revenue and Expenditure Budgets for Maintenance District No. 1 - Storm Drainage Pumping Station and Storm Drain Conduit - Pacheco Way, Stratford Road and Ruus Lane, for Fiscal Year 2026

RECOMMENDATION

That the City Council adopts two resolutions (Attachment II and III):

1. Approving the Engineer's Report,
2. Confirming the Maximum Base Assessment (MBA) amounts,
3. Confirming the Fiscal Assessment Rate,
4. Confirming the Assessment Diagram,
5. Ordering the Levy and Collection of the Fiscal Assessment,
6. Approving the Funding Recommendation, and
7. Appropriating Revenue and Expenditure budgets for Maintenance District No. 1 for Fiscal Year 2026.

SUMMARY

This annual report is being provided, as required by the Hayward Municipal Code, to approve the annual assessment rate and expenditure budget. If the City Council adopts the attached resolutions, the revenue and expenditure budgets will be appropriated, and the final Assessor's tax roll will be prepared and filed with the County Auditor's Office allowing the assessments to be included in the FY 2026 tax roll.

MD 1 was formed in 1995 as a financial funding mechanism to fund the ongoing operation, maintenance, repair, and replacement of a Storm Water Lift Station (SWLS) in perpetuity. The SWLS was built by the developer as a condition of development for construction of the Stratford Village neighborhood. The SWLS is the only privately built SWLS in the City, built only to service the

Stratford Village neighborhood. Following construction of the facility, the Alameda County Flood Control District (County) was asked to take over ownership and maintenance of the facility since the County operated similar facilities within the City and the County. The agreement signed by both parties calls for the City to act as an intermediary, using District funds to reimburse the County for annual expenses and supply District funds annually for a capital replacement fund.

The FY 2026 assessment charged to the 174 property owners is being recommended to be levied at the maximum amount allowed by law (\$243.92), which is the same as the previous year. The District's account balance is currently negative, and staff will be analyzing options to remedy the deficit account balance. The negative balance can be contributed to the following factors:

1. The District was formed without the inclusion of an annual inflation factor in its Maximum Base Assessment Rate calculation.
2. Maintenance & Operation (M&O) charges from the County are inconsistent, and in recent years have gotten larger.
3. The Countywide System Upgrade charge to this district is \$503,980.
4. The recent Proposition 218 Election to increase the assessment did not pass.

BACKGROUND

Annual Report Compliance

In compliance with Section 10-10.25 of the Hayward Municipal Code, an annual Engineer's Report is required to be submitted to the Council. The report is attached (Attachment III) and includes:

1. Description of the improvements to be operated, maintained, and serviced;
2. FY 2026 recommended budget;
3. FY 2026 maximum base assessment rate;
4. FY 2026 recommended assessment rate; and
5. Map of the benefit zone (assessment diagram).

Formation

On June 6, 1995, the Council ordered the formation of MD 1 to provide for the maintenance, operation, and capital repair and replacement of storm drainage improvements. A Storm Water Lift Station (SWLS) was constructed to pump storm water run-off outside the neighborhood and into a flood control channel (Ward Creek). The drainage basin includes 29.1 acres, of which 24.7 acres are residential, 1.9 acres are for a park site, and 2.5 acres are for the collector streets of Stratford Road and Ruus Lane. Pacheco Way does not drain into this basin system nor does the industrial property to the south. The total number of lots in the drainage basin is 174. The original assessment rate did not include an annual inflation factor, which impedes the District's ability for revenue to keep up with expenses.

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act as an intermediary, using District funds to reimburse the County for annual expenses and supplying annual District funds to be deposited into a capital replacement fund. The storm water pumping facility includes a masonry building that houses the Supervisory Control and Data Acquisition (SCADA) System, generator, and four pumps.

Static, Unchangeable Maximum Base Assessment Rate

As part of any district formation, a base annual M&O budget is established, along with a capital replacement estimate. These figures form the basis for the Maximum Base Assessment (MBA) rate, which is the maximum charge that a parcel can be assessed annually. As costs generally increase over time by inflation, many district MBAs include an annual inflation factor in the original calculation so that the assessment revenue can keep up with increases in expenses. In the case of this district, an inflation adjustment factor was not included in the original calculation; therefore, the MBA cannot be increased without holding a successful Proposition 218 ballot election.

Countywide System Upgrade

In 2018, the County notified the City of its Countywide System Upgrade Project. Stratford Village's SWLS cost for this upgrade now totals \$503,980. This cost includes consultant fees, SCADA updates, and equipment rehabilitation.

Failed Proposition 218 Election

On May 4, 2021, the Council initiated a Proposition 218 election, with results tallied on June 22, 2021. The majority of the property owners who submitted ballots rejected a low-interest, long-repayment term \$379,000 transfer of funds to pay for needed capital improvements, and to add an annual inflation factor to the maximum amount that can be charged annually. The measure overwhelmingly failed, with 69% of ballots cast (45/65) rejecting the increased assessment and inclusion of an annual inflation factor.

DISCUSSION

This district was established 26 years ago and did not include an inflation factor adjustment for revenue so that income could keep pace with expenditures. Over the years, the district has struggled to pay for basic M&O costs and contribute to a capital reserve, as seen below.

M&O is performed by the County under contract. Over the years, charges for M&O have been inconsistent. In FY 2017 and 2018, M&O charges had increased so much that the City delayed payment for one year to have discussions with the County.

In April 2018, the County alerted the City of additional Stratford Village SWLS District costs. The County advised that they had commissioned consultants to complete a Pump Station Equipment Condition Assessment and were purchasing a new SCADA system which required design and construction consultants. The consultant studies and construction were systemwide, with the Stratford Village SWLS District's charges totaling \$503,980 as shown on the following page. To date, a total of \$283,056 in payments have been made, leaving an outstanding balance of \$220,924, which will be paid in FY 26. This amount will be fully paid in FY26.

Stratford Village SWLS District - Portion of Countywide System Upgrade

Total Consultant Fees	\$166,491
SCADA Construction	\$255,000
Equipment Rehabilitation (0-5 Years)	\$49,248
Equipment Rehabilitation (5-10 Years)	\$33,241
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Total Cost	\$503,980
Less: Payments Made	(\$283,056)
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Remaining Balance to be Paid in FY26	\$220,924

For FY 2026, the District will collect a net annual amount of \$41,721. For FY 2026, the District will budget \$4,827 in annual expenses and pay the remaining unpaid balance.

FISCAL IMPACT

Staff has evaluated the District's operating balance and confirms that the account has a negative balance which will continue to be negative through FY 2026.

PUBLIC CONTACT

City staff: 1) mailed a postcard notice to property owners to let them know of the recommended FY 2026 assessment rate, and to alert them to three Public meetings where they could provide input (May 28, June 3, and June 24); 2) held a virtual community meeting via Zoom on May 28; and 3) will publish a legal notice in the East Bay Times on or before June 14, 2025.

NEXT STEPS

If the City Council adopts the two attached resolutions (Attachment II and III), the Final Engineer's Report (Attachment IV) will be approved, the revenue and expenditure budgets will be appropriated, and the final Assessor's tax roll (Attachment V) will be prepared and filed with the County Auditor's Office allowing the assessments to be included in the FY 2026 tax roll.

Prepared by: Manny Grewal, Management Analyst

Recommended by: Todd Rullman, Maintenance Services Director

Approved by:



Michael Lawson, J.D.
Acting City Manager