



DATE: May 14, 2019

TO: Mayor and City Council

FROM: Maintenance Services Director

SUBJECT: Adopt a Resolution of Intention to Preliminarily Approve the Engineer's Report and Levy Assessments for Fiscal Year 2020 for Maintenance District No. 1 – Storm Drainage Pumping Station and Storm Drain Conduit Located at Pacheco Way, Stratford Road and Ruus Lane, and Set June 4, 2019, as the Public Hearing Date

RECOMMENDATION

That the City Council adopts the attached resolution (Attachment II).

SUMMARY

Maintenance District No. 1 (MD 1) was established in 1995 to pay for the operation, maintenance, repair, and replacement of a storm drain pumping facility near Stratford Road and Ruus Lane. The City subsequently signed an agreement with the Alameda County Flood Control and Water Conservation District (County) to transfer ownership of the facility to the County, and for the County to operate and maintain the facility. The City acts as an intermediary, whereas the City established the maintenance district and receives the annual assessment revenue, and then annually reimburses the County for their operation, maintenance, repair, and replacement services.

BACKGROUND

On May 23, 1995, the City Council ordered the formation of MD 1 to provide for the maintenance, operation, and capital replacement of storm drainage improvements. The Storm Water Lift Station (SWLS) was constructed to pump storm water run-off for the District. 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.

Because the County operated similar facilities within the City, the County was asked to take over ownership, maintenance, and operation of the storm water pumping facility. The agreement signed by both parties calls for the City to reimburse the County for annual maintenance and operations costs and for the City to make an annual capital contribution to a capital replacement account maintained by the County. The storm water pumping facility includes a masonry building that houses the Supervisory Control and Data Acquisition (SCADA) System, generator, and four pumps.

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

- (1) a description of the improvements to be operated, maintained, and serviced;
- (2) the FY 2020 recommended budget;
- (3) the FY 2020 recommended assessment rate; and
- (4) a map of the benefit zone (assessment diagram).

DISCUSSION

In FY 2018, the County invoiced the City for \$108,000 for consultant studies, which the County entered into an agreement without communicating this added expense to the City. The consultant was hired to assess the condition of all County pump station facilities and design and construct a new countywide SCADA system. This same fiscal year, the FY 2018 maintenance and operation expense tripled from the prior two fiscal years. In response to these unexpected and unbudgeted cost increases, the City delayed the FY 2018 payment pending further discussions with the County.

The City and the County have been in discussions over the past year regarding the increased cost of maintenance and operation, facility consultant studies, and the design and construction of a new SCADA system. The two parties agreed that in FY 2019, the City will issue payment for FY 2018 and FY 2019 maintenance and operating costs (\$45,379 and \$34,624 respectively) and that the \$65,115 in consultant costs incurred will be paid from the District's capital account (resulting in a remaining capital account balance of \$22,195). The two parties have agreed that the City will not make annual \$5,500 capital contributions to the District's capital account until all consultant and SCADA costs have been paid.

Moving forward, the County estimates that the SCADA construction cost for this District's single pump station will be \$270,000. Discussions between the City and County regarding the large SCADA construction cost and payment options are ongoing. The SCADA upgrade is anticipated to be constructed in 2020.

For FY 2020, the budget includes maintenance and operation expense, along with the expense for a Proposition 218 election. The budget does not include the \$270,000 cost for the SCADA construction. Including only the operational expenses in the FY 2020 budget, FY 2020 is estimated to end the year in the negative (-\$24,298). The negative account balance estimate is based in part on the volatile nature of maintenance and operation charges, which can vary greatly from year to year. Secondly, the negative balance is due to the lack of including an annual inflation factor in the original establishment of the Maximum Base Assessment (MBA) rate calculation in 1995.

As part of a district formation, a base annual maintenance and operation budget is established, along with a capital replacement estimate. These figures form the base MBA rate, which is the legal maximum charge that a parcel can be assessed annually. As costs generally increase over the years with the aid of inflation, many MBAs include an annual inflation factor in the original calculation so that charge rates 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 can not be increased without holding a Proposition 218 Ballot election. In order for the ballot measure to pass, a total of 50% plus 1 of the weighted ballots returned to the City would need to be approved by property owners within the District.

To address this maintenance district's negative account balance, the City will:

1. **Request a Payment Plan Options** – The City will request that the County spread the payments for the estimated \$270,000 SCADA construction costs over several years. In 2001, the County did allow the City to repay a \$37,001 SCADA cost over eight years.
2. **Community Engagement** – In partnership with the County, the City will conduct community meetings with the maintenance district's property owners to inform them of the reason for the proposed increased in their annual assessment rate.
3. **Proposition 218 Election** – The City will conduct a Proposition 218 election next fiscal year to request property owners vote on whether the annual assessment rate can be increased.

Staff has retained SCI as the Engineer of Record to conduct the Proposition 218 election this winter, and is prepared to perform community engagement, along with the City's Community and Media Relations Office.

FISCAL AND ECONOMIC IMPACT

Staff has evaluated the District's operating and capital account balances and concurs that the combined account balances are not adequate. The fiscal impact to the City could be as much as \$270,000, depending on the outcome from a Proposition 218 election of the 174 property owners; and agreement, acceptance, and approval by the County to allow a multi-year repayment plan for the new SCADA system. Should this item require additional funding in the future, staff would present a recommendation and funding options to the City Council for approval.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to any of the Council's Strategic Initiatives.

PUBLIC CONTACT

City staff: 1) mailed a notice to property owners to inform them of the recommended FY 2020 assessment rate and to alert them of the community meetings scheduled (April 11, May 14, and June 4); 2) held a community engagement meeting on April 11; 3) provided an online survey to measure maintenance satisfaction; and 4) will publish a legal notice in the East Bay Times on May 17, 2019.

NEXT STEPS

Following this City Council meeting, the City of Hayward is proposing to hold a public hearing on June 4, 2019, to provide an opportunity for any interested person to be heard. After the public hearing, the City Council may adopt a resolution setting the annual assessment amount as originally proposed or as modified. Following the adoption of this resolution, the final assessor's roll will be prepared and filed with the County Auditor's office to be included on the FY 2020 tax roll. Payment of the assessment for each parcel will be made in the same manner and at the same time as payments are made for property taxes. All revenue collected through the assessment must be placed in a special account and can only be used for the purposes stated within this report.

If the City Council adopts the attached resolution of intention, it will hold a noticed public hearing on June 4, 2019, to consider approving the Engineer's Report and order the levy of assessments for FY 2020.

Prepared by: Denise Blohm, Management Analyst II

Recommended by: Todd Rullman, Maintenance Services Director

Approved by:



Kelly McAdoo, City Manager