

CITY COUNCIL MEETING

June 1, 2021

PRESENTATIONS

WORK SESSION

ITEM #11

WS 21-030

**FY 22 & 23
WATER AND
SEWER RATES**

FISCAL YEARS 2022 and 2023 RECOMMENDED WATER AND SEWER RATES

Alex Ameri, Director of Public Works
June 1, 2021

Introduction

- Council last adopted water and sewer rates in July 2019 for FYs 2020 and 2021
- Recommended adjustments for FY 2022 and 2023
 - Water: Raftelis prepared financial plan, cost of service study and rate recommendations
 - Sewer: Staff prepared Sewer Revenue Program and recommended rates



City of Hayward



City Council Work Session – Water Rates

June 1, 2021

Sanjay Gaur

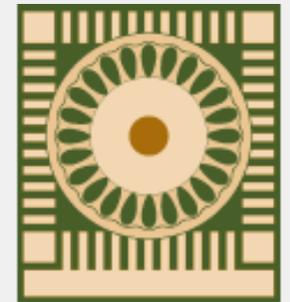
213-262-9304 / sgaur@raftelis.com

Kevin Kostiuik

213-262-9309 / kkostiuk@raftelis.com

Nancy Phan

206-707-9150 / nphan@raftelis.com



CITY OF
HAYWARD
HEART OF THE BAY

Topics

- Goals and Objectives of the Rate Study
- Legal Environment
- Financial Drivers
- Factors Affecting Water Rates
- Financial Plan
- Proposed Water Rates
- Customer Impacts and Bill Comparison

Goals and Objectives of the Rate Study

- Develop a 10-year financial model to understand the financial obligations and risk associated with the water enterprise
- Develop a formal reserve policy associated with the water enterprise to mitigate against future risk
- Conduct a comprehensive cost of service analysis on rates that meets the current court case associated with water rates
 - › Ties the cost of providing service to the rates
 - › Develop an administrative record that shows this nexus
- Develop two years of rates for consideration by City Council

Legal Environment

Cost of Service Requirements

- Proposition 218 (Article XIIC and XIID of California Constitution)
- Proposition 26
- California Government Code 54999

San Juan Capistrano Ruling

- Required nexus between cost of providing service and tiered rates
- Clearly shown in administrative record (report)
- Show your work!

Water Conservation

- Article X of CA Constitution
- SB 606 + AB 1668: calculated efficiency and reporting
- SWRCB Self Certification: three years of adequate supplies

Water System Financial Drivers

- **Wholesale Water Purchase Costs**
 - › Represents two-thirds of City's water operating budget
 - › Cost of water from SFPUC is expected to increase on average about 5% per year
- **Capital Improvement Plan**
 - › \$71.8 million in planned capital expenditures from FY 2022 to FY 2026
 - › City plans to cash fund CIP
- **Reserve Funding**
 - › Recommended reserve policy ensure adequate cash balances for working capital, emergencies, and rate stabilization

Factors Affecting Water Rates

- **Revenue Needs**
 - › Costs determine the revenue needs of the water system
 - › Results in multi-year revenue adjustments
- **Cost of Service Analysis**
 - › Updated cost allocations based on the City's adopted budget and CIP
 - › Impacts each customer class and tier differently
- **Proposed Rate Structure Modifications**
 - › Modest changes to the water rate structure to improve equity, align with new water use patterns, reduce administrative burden, and simplify the rate structure

Rate Objectives

- Improve fairness and equity between customer classes
- Simplify rate structure to enhance customer understanding
- Ensure affordability for essential needs
- Minimize customer impacts

Financial Plan



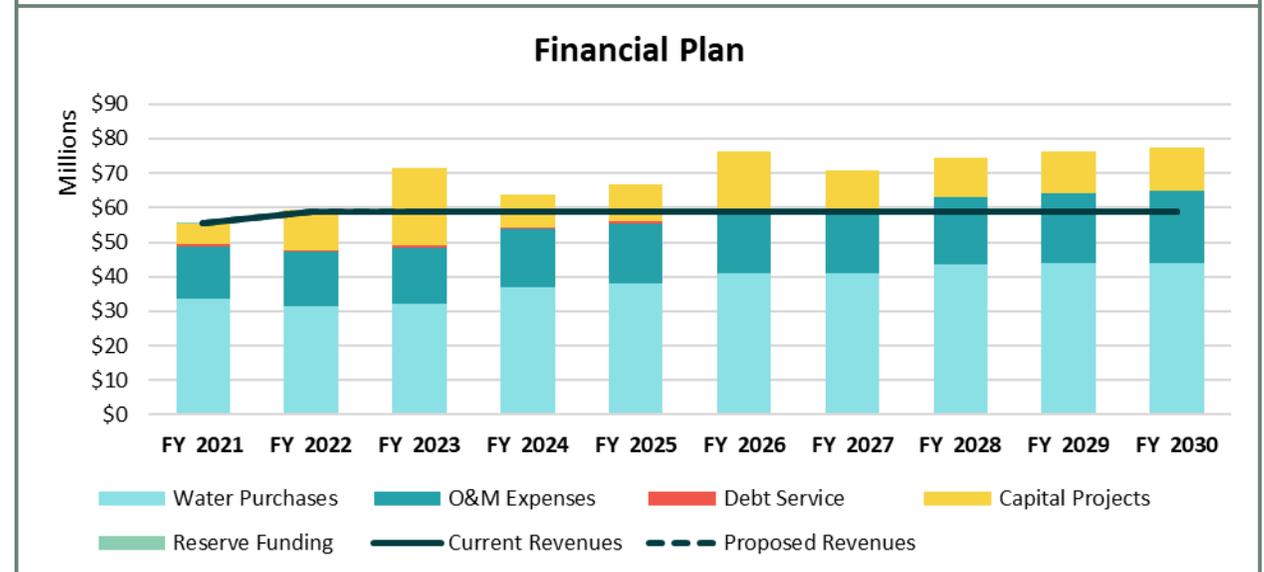
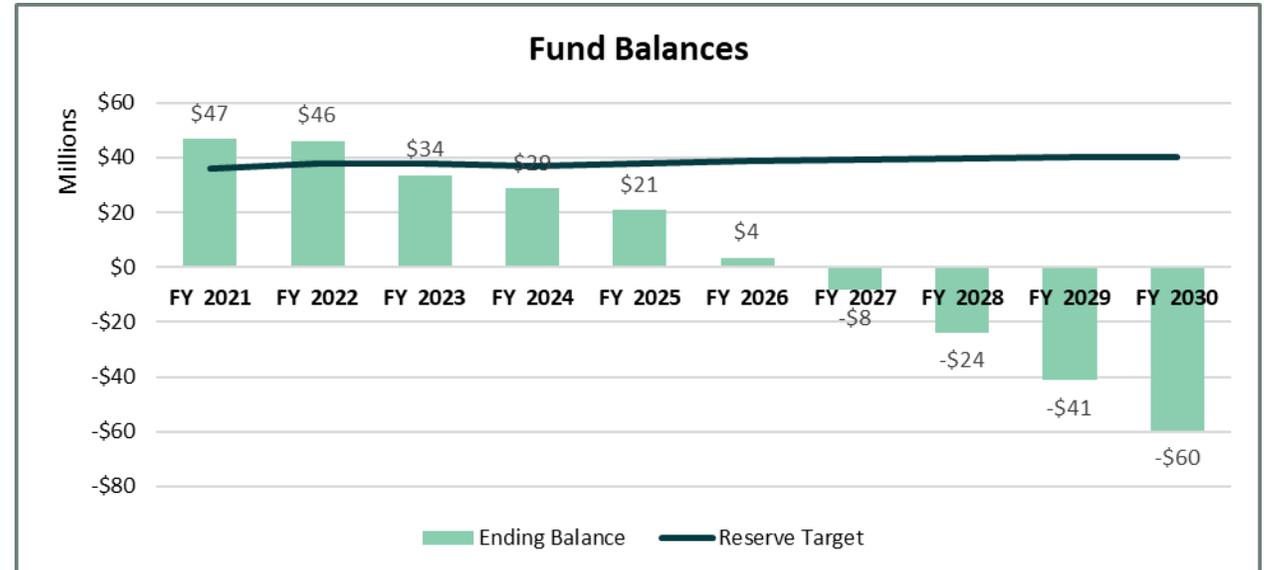
Recommended Reserve Policy

Reserve Targets	Recommended Target Policy	FY 2022 Target
Operating	25% O&M Expenses	\$11,812,352
Capital	One Year of 5-year Average CIP	\$14,361,187
Rate Stabilization	25% of Commodity Revenues	\$11,579,597
Total		\$37,753,136
<i>Days Cash on Hand</i>		353

- Maintain adequate cash to fund O&M expenses and capital projects
- Reduce need for unreasonable rate increases caused by wholesale water costs
- Address emergencies and/or asset failure

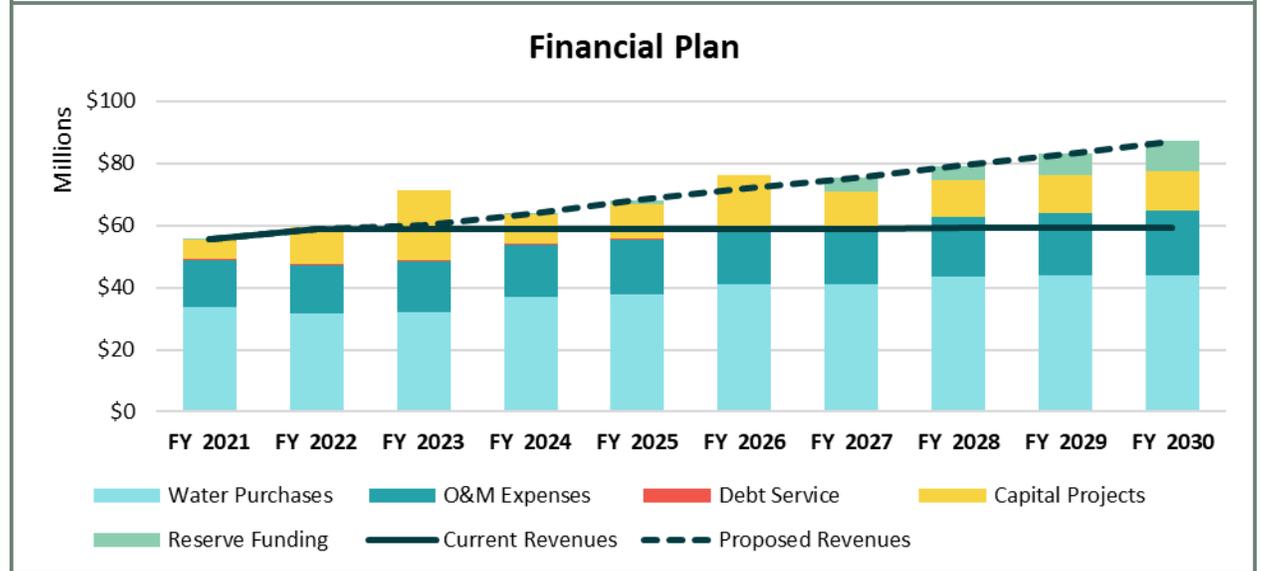
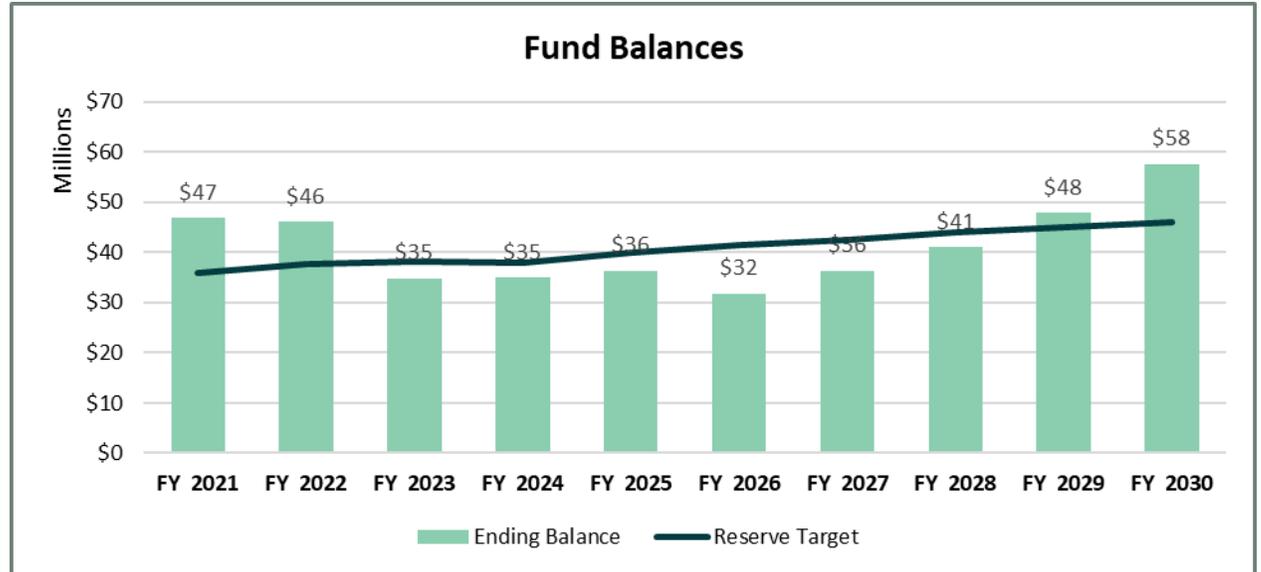
Status Quo Financial Plan

Fiscal Year	Revenue Adjustment	Effective Month
2022	0%	October
2023	0%	October
2024	0%	October
2025	0%	October
2026	0%	October
2027	0%	October
2028	0%	October
2029	0%	October
2030	0%	October



Proposed Financial Plan

Fiscal Year	Revenue Adjustment	Effective Month
2022	0%	October
2023	3%	October
2024	7%	October
2025	7%	October
2026	5%	October
2027	5%	October
2028	5%	October
2029	5%	October
2030	5%	October



Proposed Water Rates



Proposed Rate Structure Modifications

- **Harmonize Residential Rate Classes**
 - › Combine Single Family and Multi-Family (2-4 and 5+ Units) classes
 - › Simplify rate structure to enhance customer understanding
 - › Ensure equity among users, especially for indoor water needs
- **Separate Commercial/Industrial and Irrigation Classes**
 - › Irrigation customers produce a significantly higher peak on the water system due to seasonal water use
 - › Ensure Irrigation customers pay for fair share of extra-capacity related costs
- **Eliminate Outside City Surcharge**
 - › Current surcharge accounts for 0.1% of water rate revenues
 - › Reduce administrative burden and simplify rate structure

Proposed Tier Definitions

Bi-Monthly Tiers	Current Tiers (ccf*)	Proposed Tiers (ccf)	Rationale
All Residential			
Tier 1	8	8	Low winter use (indoor)
Tier 2	25 / 20	18	Peak summer use (outdoor)
Tier 3	25+ / 20+	18+	
Commercial / Industrial			
Tier 1	200	110	Average use of the class
Tier 2	200+	110+	
Irrigation			
Tier 1	200	170	Average use of the class
Tier 2	200+	170+	

*ccf = centum cubic feet, or hundred cubic feet, which equals 748 gallons

Proposed Bi-Monthly Service Charges

Meter Size	Current* FY 2021	Proposed FY 2022	Proposed FY 2023
Low Income	\$11.20	\$10.95	\$11.28
5/8"	\$32.00	\$31.28	\$32.22
3/4"	\$43.51	\$43.65	\$44.96
1"	\$65.91	\$68.39	\$70.45
1 1/2"	\$144.31	\$130.25	\$134.16
2"	\$254.00	\$204.47	\$210.61
3"	\$641.00	\$439.51	\$452.70
4"	\$1,269.80	\$785.88	\$809.46
6"	\$2,240.00	\$1,614.69	\$1,663.14
8"	\$3,101.00	\$3,470.25	\$3,574.36
10"	\$3,734.80	\$5,202.11	\$5,358.18

* Current rates shown are for Inside City

Proposed Bi-Monthly Fire Service Charge

Fire Line Diameter	Current* FY 2021	Proposed FY 2022	Proposed FY 2023
5/8"	\$25.00	\$6.65	\$6.85
3/4"	\$25.00	\$6.72	\$6.93
1"	\$25.00	\$6.93	\$7.14
1 1/2"	\$25.00	\$7.66	\$7.89
2"	\$25.00	\$8.93	\$9.20
3"	\$25.00	\$13.49	\$13.90
4"	\$25.00	\$21.34	\$21.99
6"	\$29.00	\$49.52	\$51.01
8"	\$42.00	\$98.13	\$101.08
10"	\$42.00	\$171.25	\$176.39

* Current rates shown are for Inside City

Proposed Bi-Monthly Water Usage Rates

Customer Class	Current* Tiers (ccf)	Current* FY 2021	Proposed Tiers (ccf)	Proposed FY 2022	Proposed FY 2023
Residential					
Tier 1	8	\$5.80	8	\$6.04	\$6.23
Tier 2	25	\$7.14	18	\$7.18	\$7.40
Tier 3	25+	\$8.41	18+	\$8.82	\$9.09
Commercial / Industrial					
Tier 1	200	\$6.95	110	\$6.56	\$6.76
Tier 2	200+	\$8.29	110+	\$7.70	\$7.94
Irrigation					
Tier 1	200	\$6.95	170	\$7.76	\$8.00
Tier 2	200+	\$8.29	170+	\$9.88	\$10.18
Hydrant	Uniform	\$6.95	Uniform	\$7.31	\$7.53

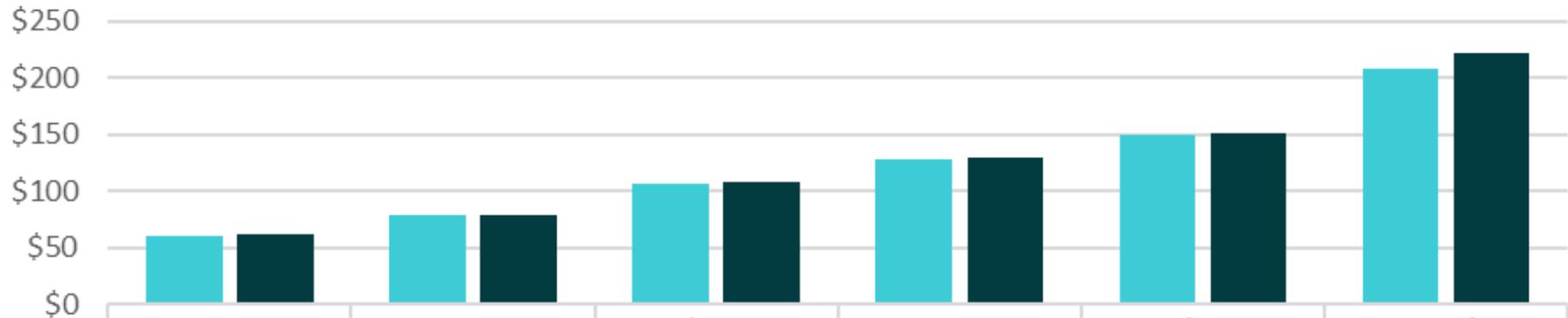
* Current rates shown are for Inside City, Residential rates and tiers are for Single Family

Customer Impacts & Bill Comparison



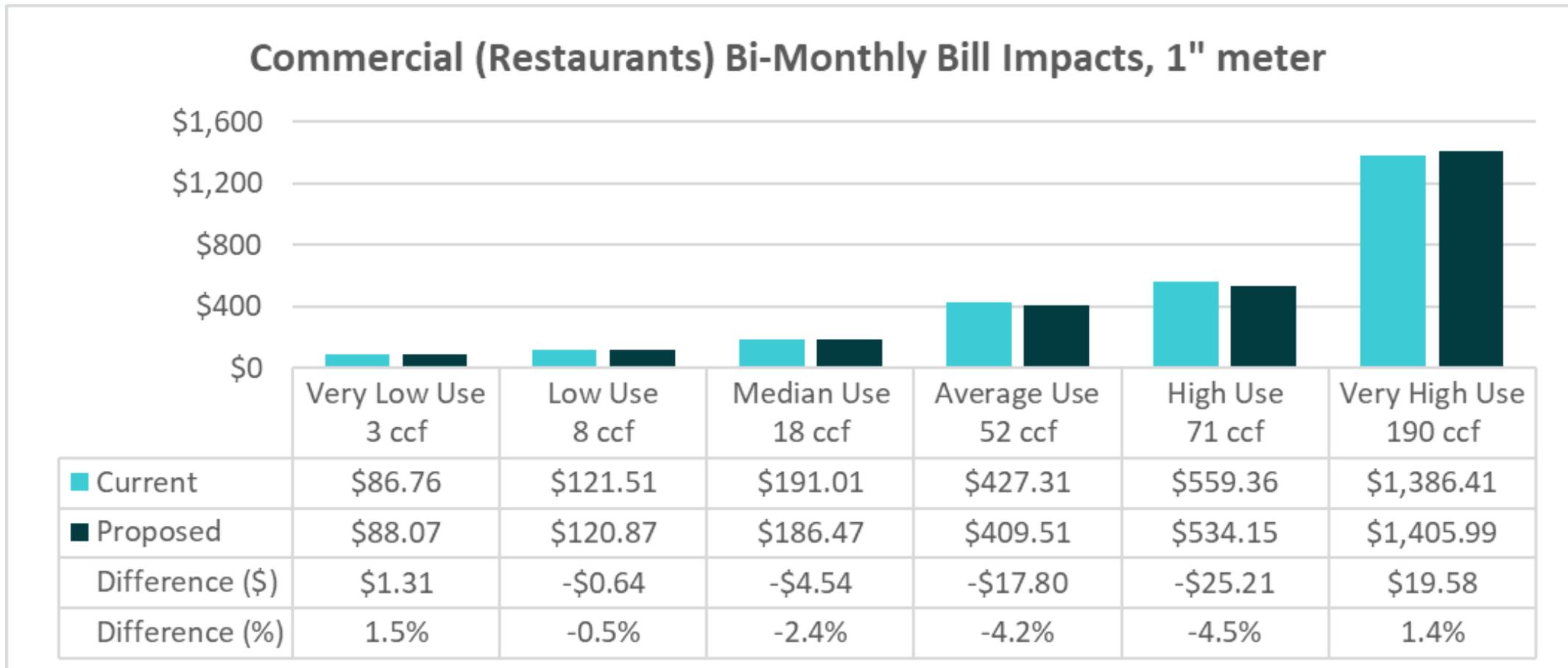
Single Family Bill Impacts

Single Family Bi-Monthly Bill Impacts, 5/8" meter

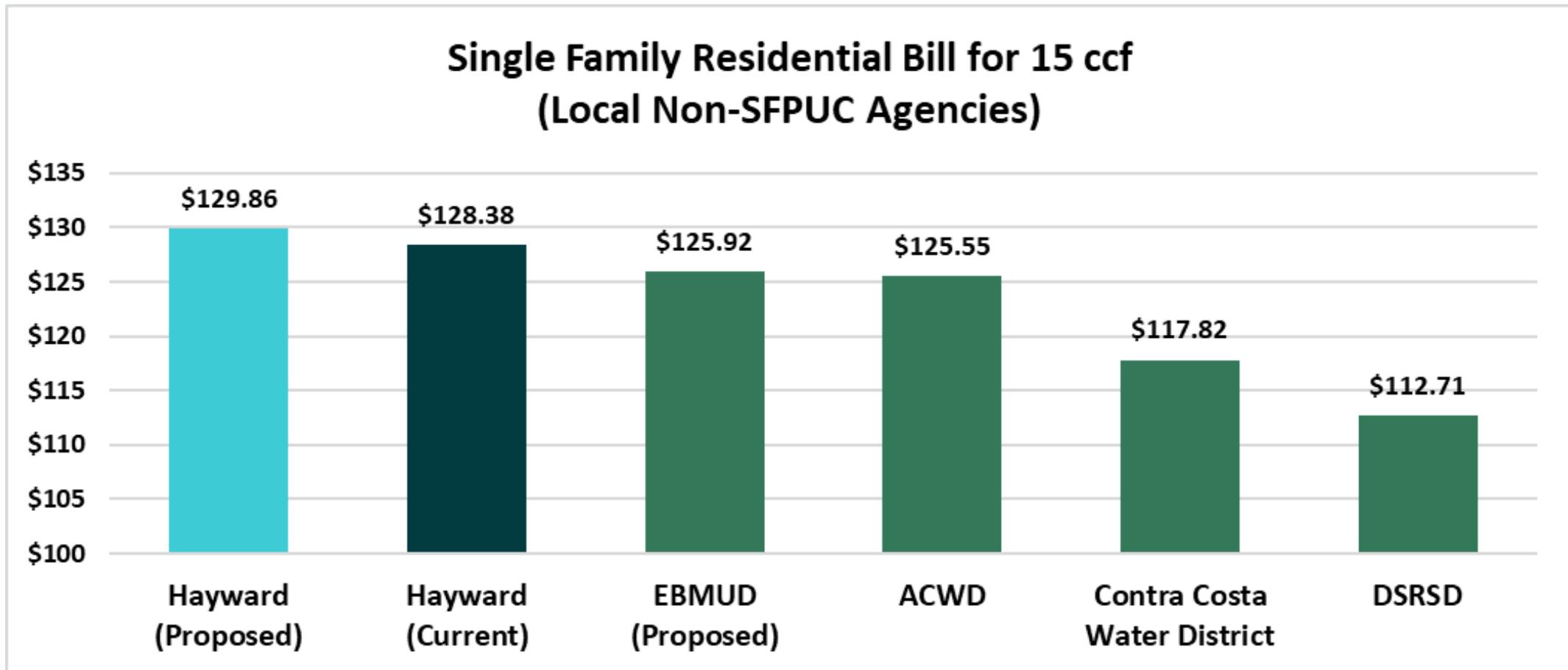


	Very Low Use 5 ccf	Low Use 8 ccf	Median Use 12 ccf	Average Use 15 ccf	High Use 18 ccf	Very High Use 26 ccf
■ Current	\$61.00	\$78.40	\$106.96	\$128.38	\$149.80	\$208.19
■ Proposed	\$61.48	\$79.60	\$108.32	\$129.86	\$151.40	\$221.96
Difference (\$)	\$0.48	\$1.20	\$1.36	\$1.48	\$1.60	\$13.77
Difference (%)	0.8%	1.5%	1.3%	1.2%	1.1%	6.6%

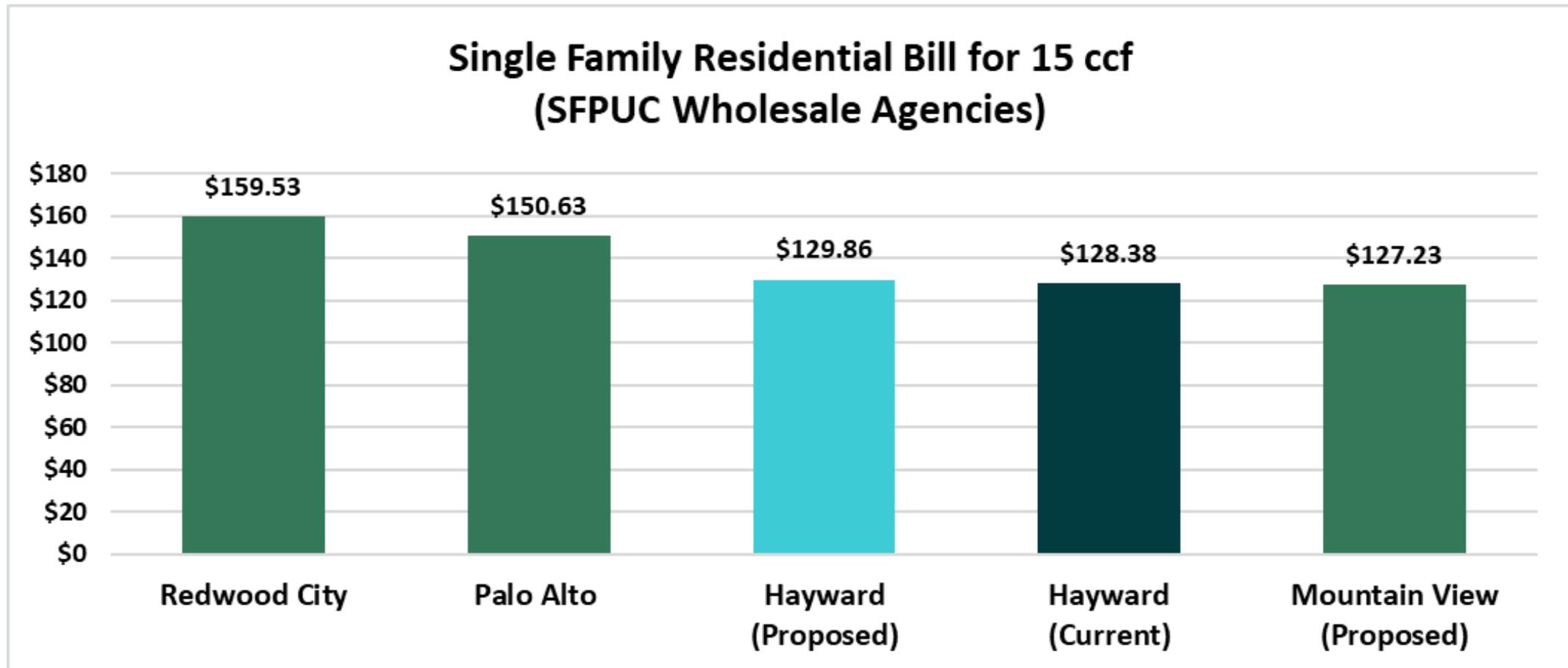
Commercial (Restaurant) Bill Impacts



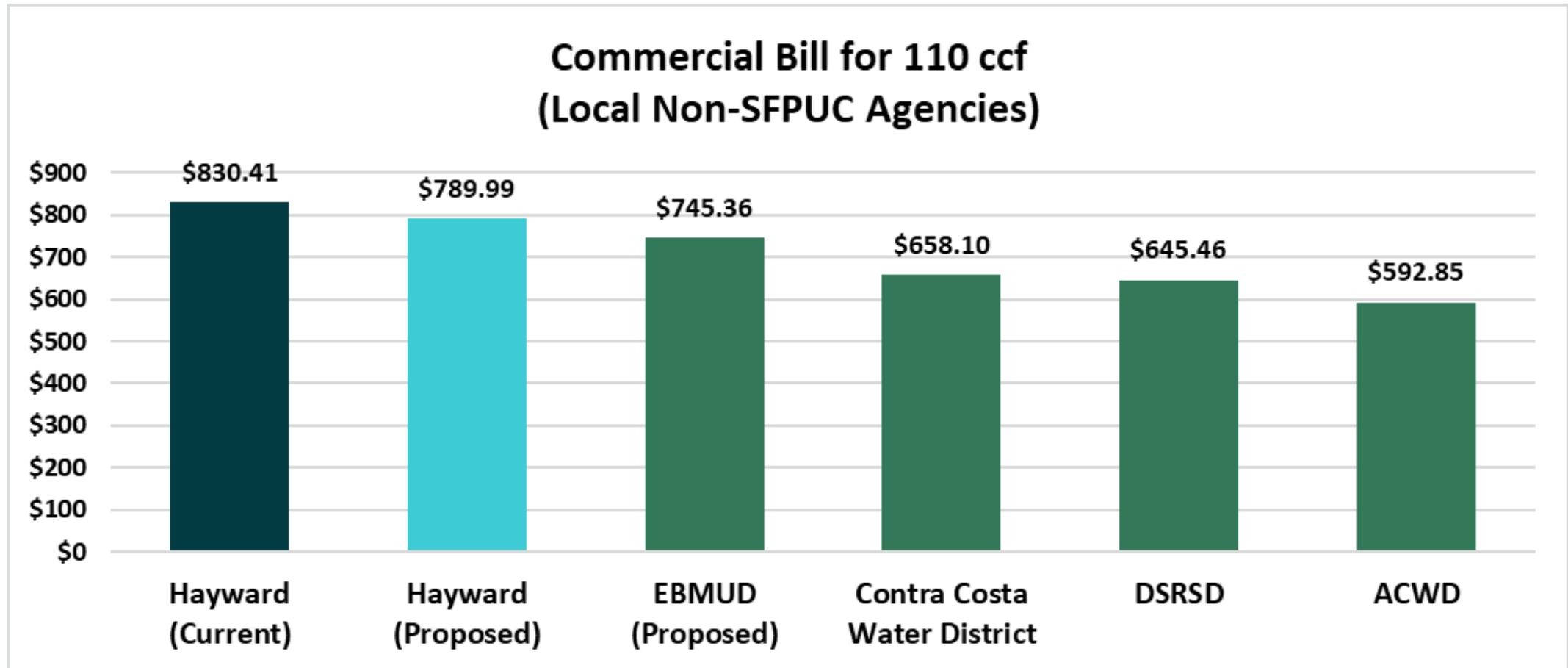
Single Family Bill Comparison



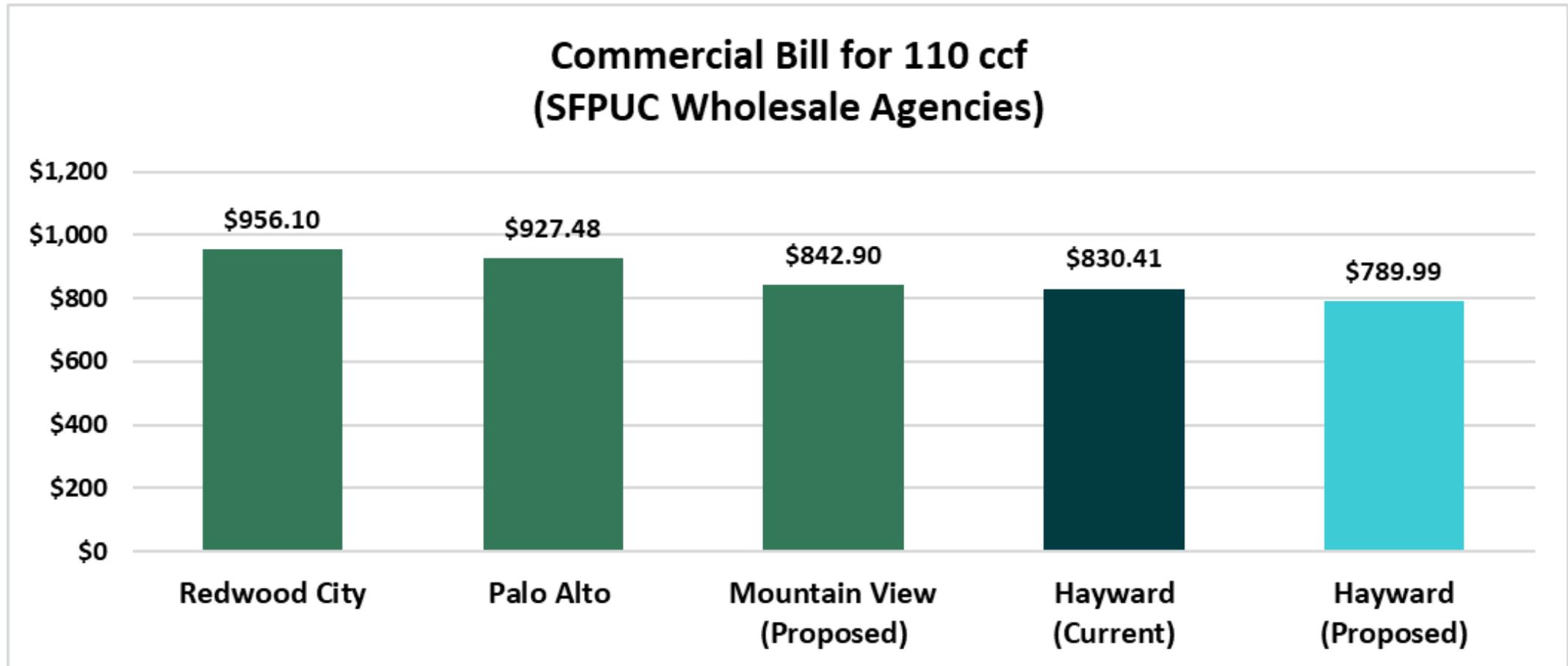
Single Family Bill Comparison



Commercial Bill Comparison



Commercial Bill Comparison



Water Costs for Everyday Activities



- 1 load of laundry: 17¢
- 8 minute shower: 14¢
- 1 toilet flush: 2¢
- 1 gallon of drinking water: 1¢



Thank you!

Contact:

Sanjay Gaur

213-262-9304 / sgaur@raftelis.com

Kevin Kostiuk

213-262-9309 / kkostiuk@raftelis.com

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206-707-9150 / nphan@raftelis.com

Sewer Rate Overview



- Rates pay for collection, treatment, and disposal of wastewater
 - Residential – three tiers (Standard, Economy, Lifeline)
 - Non-residential – based on water consumption and wastewater strength
- Factors Affecting FY 2022 and 2023 Sewer Rates:
 - Operating, maintenance, and replacement costs
 - WPCF improvements to meet regulatory requirements
 - Changes in industrial wastewater discharge

Recommended FY 2022 and FY 2023 Sewer Rate Changes

Residential	Non-Residential
3.8% increase in each year	3.5% to 3.8% increase in each year

Current and Proposed Monthly Residential Sewer Service Fees

Customer	Current	Proposed FY 2022	\$ Change	% Change	Proposed FY 2023	\$ Change	% Change
Single Family	\$35.81	\$37.17	\$1.36	3.8%	\$38.58	\$1.41	3.8%
Multifamily	\$31.87	\$33.08	\$1.21	3.8%	\$34.34	\$1.26	3.8%
Mobile Home	\$25.06	\$26.01	\$0.95	3.8%	\$27.01	\$1.00	3.8%
Economy	\$16.78	\$17.41	\$0.63	3.8%	\$18.07	\$0.66	3.8%
Lifeline	\$8.39	\$8.71	\$0.32	3.8%	\$9.04	\$0.33	3.8%

Current and Proposed Non-Residential Sewer Service Fees

Wastewater Component	Current	Proposed FY 2022	% Change	Proposed FY 2023	% Change
Volume (per ccf)	\$3.08518	\$3.20168	3.8%	\$3.32258	3.8%
CBOD ¹ (per pound)	\$0.72029	\$0.74430	3.3%	\$0.76912	3.3%
SS ² (per pound)	\$0.96338	\$0.99791	3.6%	\$1.03367	3.6%

1. *CBOD = carbonaceous biochemical oxygen demand*

2. *SS = suspended solids*

Examples of Impacts on Local Businesses Per CCF of Water Consumption*

Customer	Current	Proposed FY 2022	\$ Change	% Change	Proposed FY 2023	\$ Change	% Change
Small restaurants (without grease interceptor)	\$10.08	\$10.44	\$0.36	3.5%	\$10.81	\$0.37	3.5%
Larger restaurants (with grease interceptor)	\$7.78	\$8.06	\$0.28	3.5%	\$8.34	\$0.28	3.5%
Office/Retail	\$5.83	\$6.05	\$0.22	3.8%	\$6.28	\$0.23	3.8%
Commercial Laundry	\$5.90	\$6.11	\$0.21	3.5%	\$6.33	\$0.22	3.5%

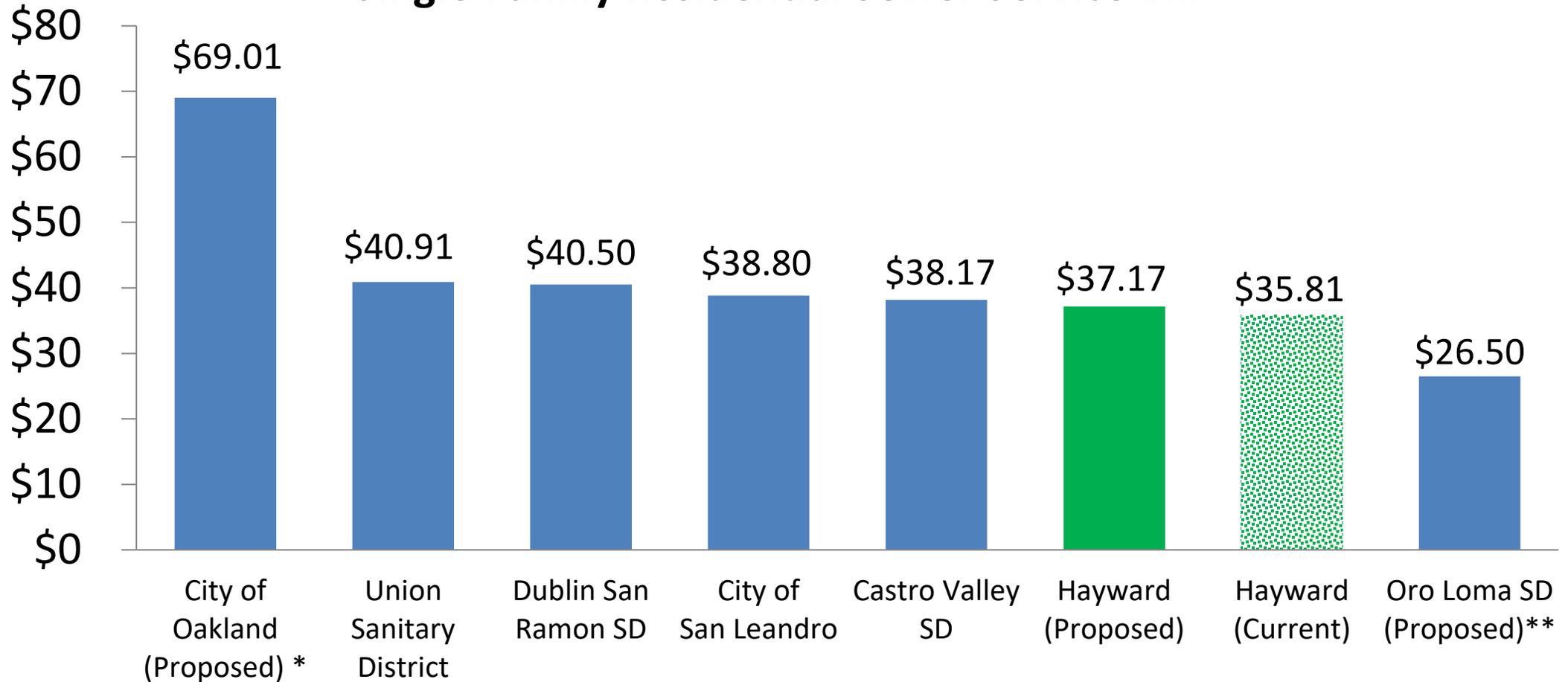
* One CCF = 748 gallons. Rates for customers without a separate irrigation meter

Deferral of Sewer Rate Adjustment for Restaurants

- Restaurant sector especially impacted by COVID-19
- Returning to “normal” business may take more time than for other businesses given the discretionary nature of eating out
- Staff recommends:
 - Deferring the FY2022 rate adjustments for restaurants
 - Implementing the full two-year adjustment on October 1, 2022

Sewer Bill Comparison

Single-Family Residential Sewer Service Bill



* Includes updated EBMUD treatment charges (\$26.98) & City of Oakland collection charges (\$42.03)

** Receives lump sum payment from CVSD

Water and Sewer Connection Fees

- Pay for infrastructure needed to serve new development
- No fee increases recommended



Recycled Water Rates

- Pay for treatment and distribution of recycled water
- Anticipated start of delivery in Summer 2021
- No fee increases recommended



Schedule

Work Session: June 1

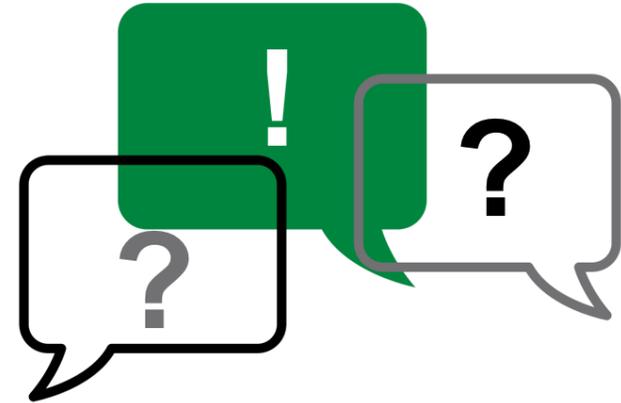
Public Noticing: June 4 – July 20

Public Hearing and adoption of rates: July 20

Effective dates: October 1, 2021 & October 1, 2022

Work Session Format

1. Public comments
2. Council questions & discussion



ITEM #13

LB #21-019

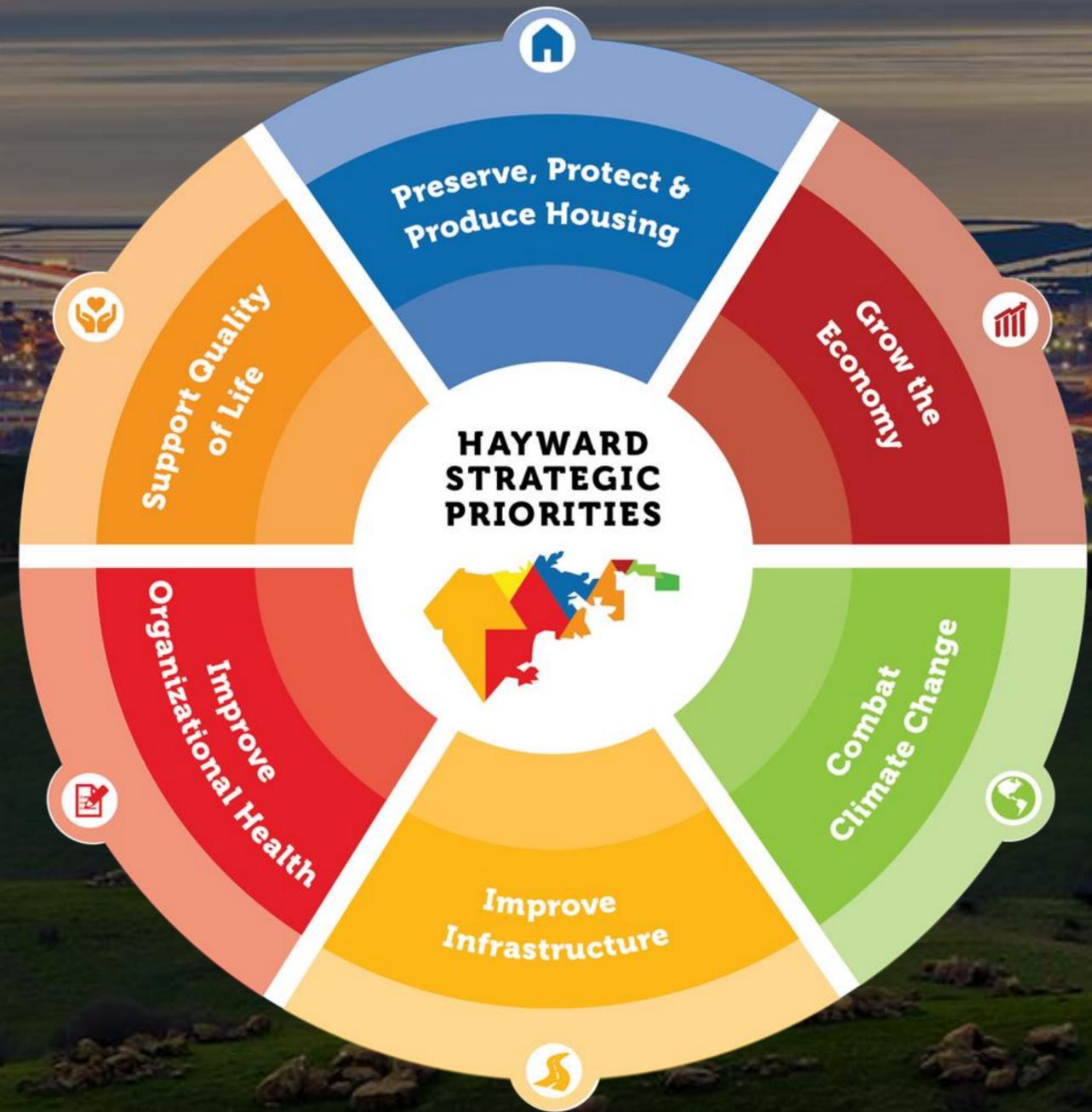
FY 21-23

STRATEGIC ROADMAP

Strategic Roadmap Update



Council Meeting
June 1, 2021





Timeline

January 2020 – Council adopted the three-year Strategic Roadmap

Pandemic, economic downturn, and other 2020 events

Fall 2020 – Staff working groups created proposals to revise timelines and add projects

February 2021 – Council Retreat and dot voting

April 2021 – Council Work Session to review revisions

Staff Updates Based on Council Feedback

Council Comment	Staff Recommended Action
Support for a permitting process for street vendors and possible incubation programming	Staff has moved Economic Development Project 14d - Sidewalk Vendor Ordinance forward to begin in FY 21/22 There will be a food incubation space and programming at the future Stack Center. Staff is planning to launch pilot programming in FY 21/22
Support for doing an equity analysis of housing and development projects, including looking at CEQA	Staff will incorporate this work into Housing Project 9 - Update the Housing Element Plan, which will begin in FY 21/22
Interest in local hiring incentives	Staff will incorporate this work into Economic Development 3a - Devise plan to maximize workforce development pipelines
Interest in a local innovation and incubator spaces for young people	There will be innovation space at the future Stack Center. Staff is open to working with any community partners to pilot programming in the interim.
Concern about lack of internet connectivity in South Hayward and other neighborhoods	Staff will incorporate this work into Improve Infrastructure 19 - Improve broadband network In addition, the Library is actively exploring partnerships to add Wi-Fi hubs in South Hayward, in particular as part of the stimulus funding expenditure plan
Interest in a staff capacity analysis to better understand workload challenges	Staff completes internal capacity analysis as part of the budget and Strategic Roadmap review and approval process, and will continue to do so as part of further updates to both documents
Desire to see Year 1 completed projects separated from the projects that are in progress	Staff has updated the Roadmap document to include this change

Incorporation of New Initiatives

Policy Innovation Workshop on Community Safety

- 16c - Dispatch Needs Assessment and Capacity
- 16d - Mobile Mental Health Response Team
- 16e - District Command Behavioral Health Clinician
- 16f - Behavioral/Mental Health Coordinator
- 16g - Neighborhood Participatory Budgeting
- 16h - CSO Response to Property Crimes
- 16i - HPD Training Curriculum Working Group
- 16j - Community Feedback/Complaint Liaison

Let's House Hayward Strategic Plan

- Returning to Council for adoption on July 20, 2021

Federal Stimulus Funding Projects

- Returning to Council in July



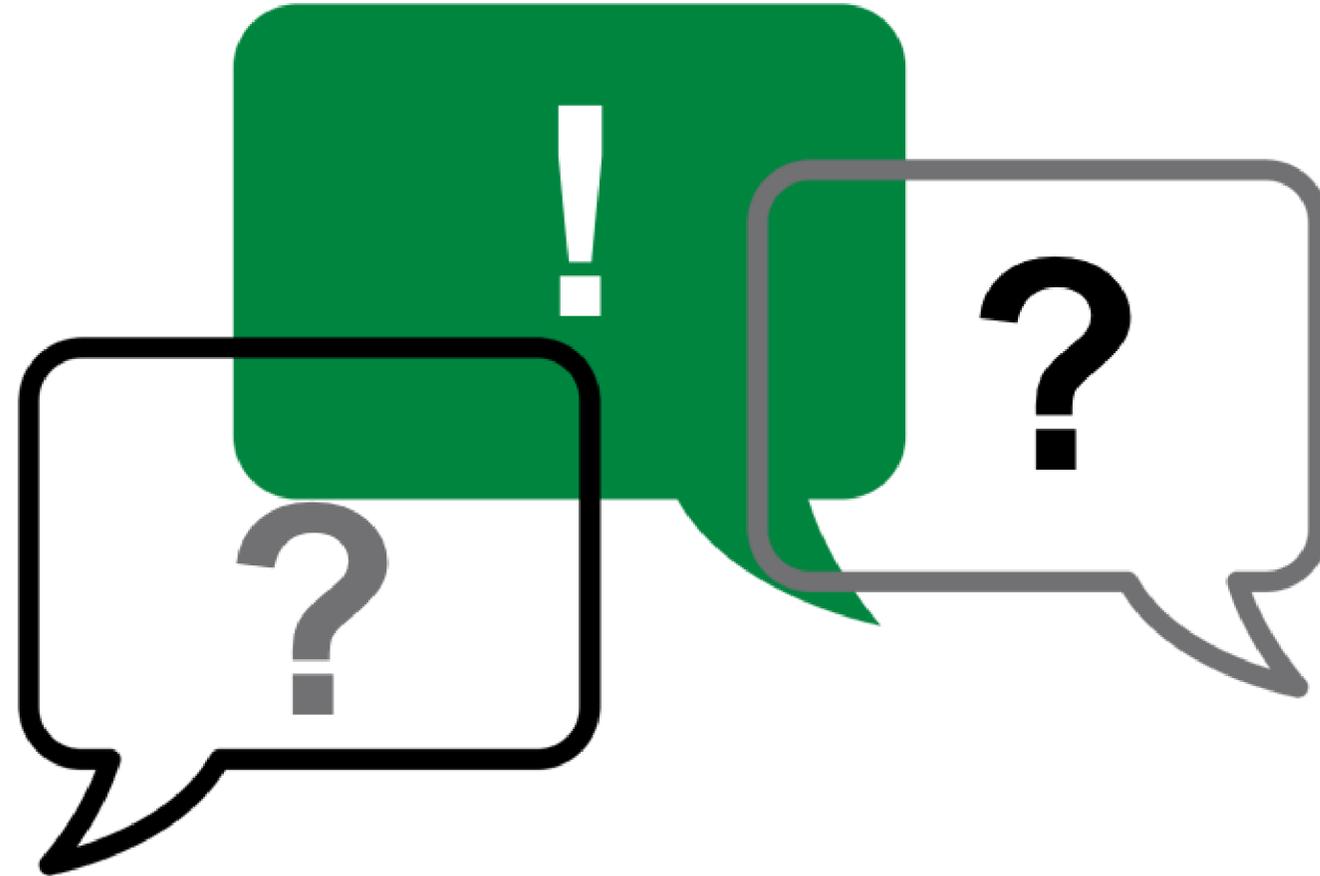
Next Steps

The revised Strategic Roadmap will be included in the FY21/22 budget

The next Roadmap progress report will occur in early 2022 as part of mid-year budget process

Legislative Business Item Format:

- 1) Council Questions
- 2) Public Comments
- 3) Council Discussion and Motion



ITEM #14

PH #21-043

**GANN APPROPRIATIONS
LIMIT FY 2022**

City of Hayward FY 2022 Gann Appropriation Limit



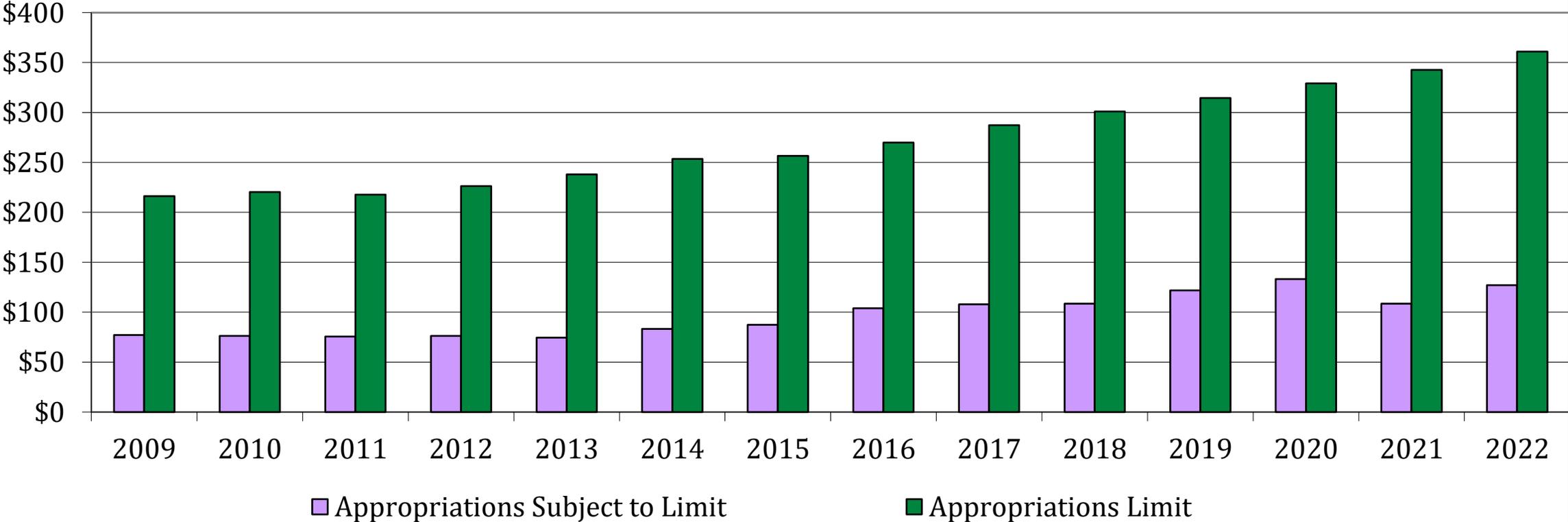
What is a Gann Appropriations Limit?

- State Proposition 4, commonly known as the Gann Initiative, was approved by California voters in November 1979.
- Proposition 4 created Article XIII B of the State Constitution, which placed limits on the amount of revenue that can be spent by government agencies.
- Proposition 111, was approved by the voters in June 1990 and provided new adjustment formulas to the Gann Limit and requires local governments to adopt Gann Appropriations Limits each fiscal year.
- The appropriations limitation imposed by Propositions 4 and 111 creates a restriction on the amount of revenue that can be appropriated in any fiscal year. The limit is based on actual appropriations during the 1978-79 fiscal year and is increased each year using population and inflation growth factors.
- Only revenues that are classified as "proceeds of taxes" are subject to the limit.

Gann Appropriations Limits

FY 2022
Gann Appropriation Limit
\$361 million

Gann Appropriation Limit
(\$ in millions)



Recommendation

- Adopt a Resolution establishing a Gann Appropriation Limit for Fiscal Year 2022.

ITEM #15

PH #21-042

FY 2022

**PROPOSED OPERATING
BUDGET AND CIP**



PROPOSED BUDGET
FISCAL YEAR 2022



FY 2022 Proposed Operating & CIP Budgets Public Hearing & Adoption

June 1, 2021

Where We've Been

Jan/Feb

Budget Kick off

Discussion of FY 2022 Budget Process and Work Session Framework with CBFC

Department budget submittals due

Department budget reviews meetings

CIP Screening Committee

March/April

Department budget review meetings continue

CIP Screening Committee

Presentation of the draft CIP to City Manager

Final Department Budget Submittals due

Budget Document Delivered to Council

May

Saturday Budget Work Session #1

CIP Presentation and Work Session

June

June 1 – Public Hearing (and potential adoption) of Proposed FY 2022 Operating and CIP Budgets

June 8 – Budget Adoption, if not on June 1

FY 2022 Budget Expenditure Summary

City of Hayward Budget	FY 2022
City Funds	
General Fund	184,787,214
Measure C Fund	10,297,697
Special Revenue Funds	11,000,074
Debt Service Funds	9,210,528
Enterprise Funds	92,045,553
Internal Service Funds	37,426,269
	344,767,334
Agency Funds	
Hayward Successor Redevelopment Agency Operating Fund	4,385,845
Housing Authority Fund	218,613
Hayward Shoreline JPA	116,333
	4,720,792
Total City Operating Budget	349,488,126
Total CIP Budget	157,155,390

FY 2022 Proposed Operating Expenditure Budget

in 1,000's	FY 2021 Adopted	FY 2022 Proposed 4/28/2021	FY 2022 Proposed 6/1/2021	Change from 4/28/2020	\$ Change from FY 2021 Adopted	% Change from FY 2021 Adopted
General Fund	\$ 169,567	\$ 184,659	\$ 184,787	\$ 128	\$ 15,220	9.0%
All Other Funds	\$ 157,132	\$ 164,171	\$ 164,701	\$ 530	\$ 7,569	4.8%
Total City Budget	\$ 326,699	\$ 348,830	\$ 349,488	\$ 658	\$ 22,789	7.0%

FY 2022 Proposed Operating Budget Revisions

General Fund

1. Restore previously frozen 1.0 FTE Economic Development Specialist -Increase of \$133,309.
2. Transfer-Out to Risk Management Fund for projected increase in insurance premium expense – Increase of \$225,564.
3. Transfer Out to Capital Funds (General Fund Capital Fund and Information Technology Fund) – Decrease of \$231,000.

All Other Funds

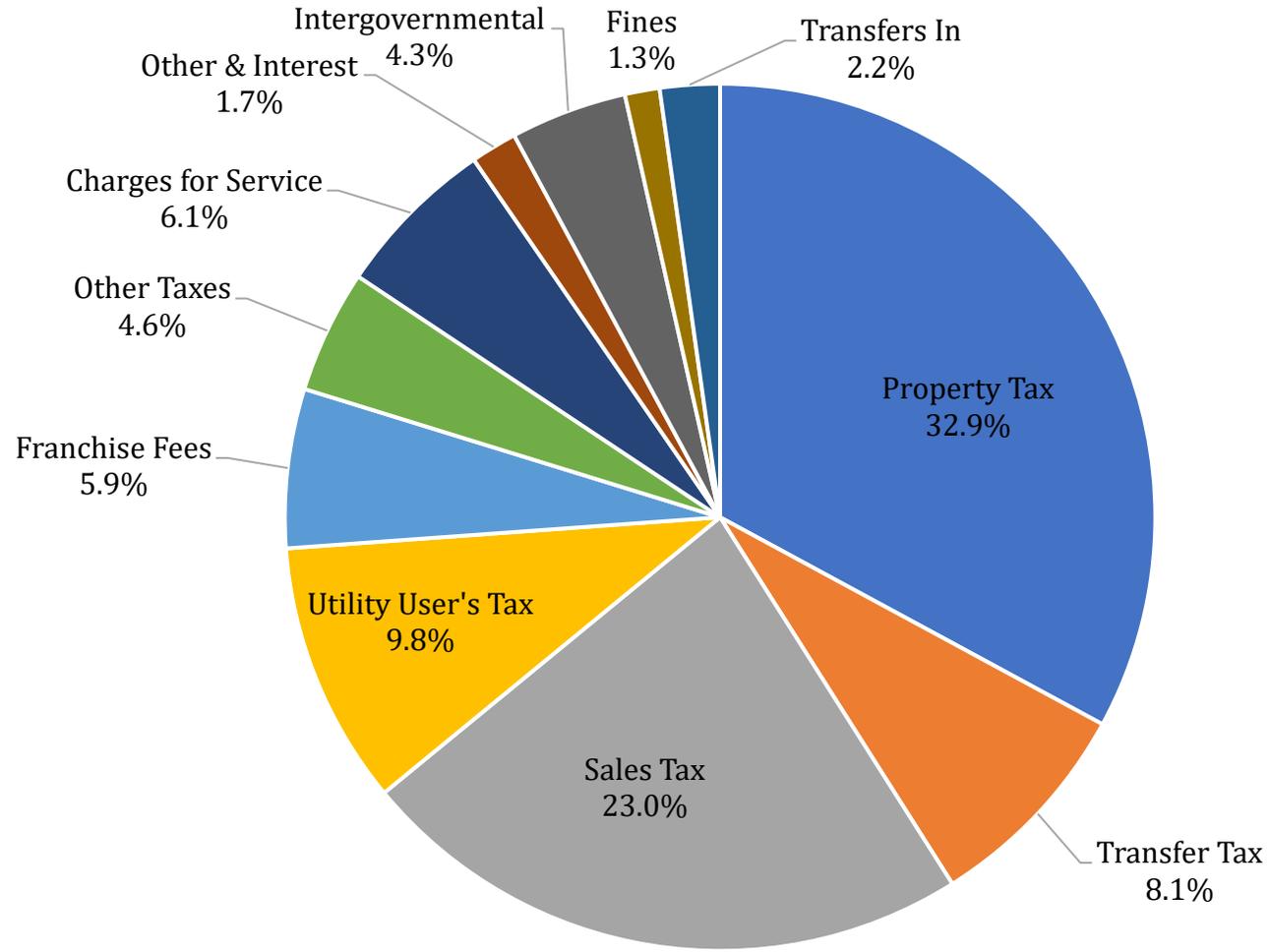
1. Transfer-Out from Local Grants to Information Technology Capital Fund for Highspeed Hayward project – Increase of \$40,000.
2. CDBG Entitlement Award for program income – Increase of \$90,706.
3. Reallocation of personnel expenses to align with project program and fund revenue.
4. Projected increase in General Liability Insurance Premium expense – Increase of \$270,400 the Risk Management Fund.
5. Transfer-Out from Information Technology Operating Fund to Information Technology Capital Fund – Increase of \$51,000.
6. Transfer-Out across several operating funds to Risk Management Fund for projected increase in insurance premium expense – Increase of \$77,751.

General Fund Five Year Forecast Update

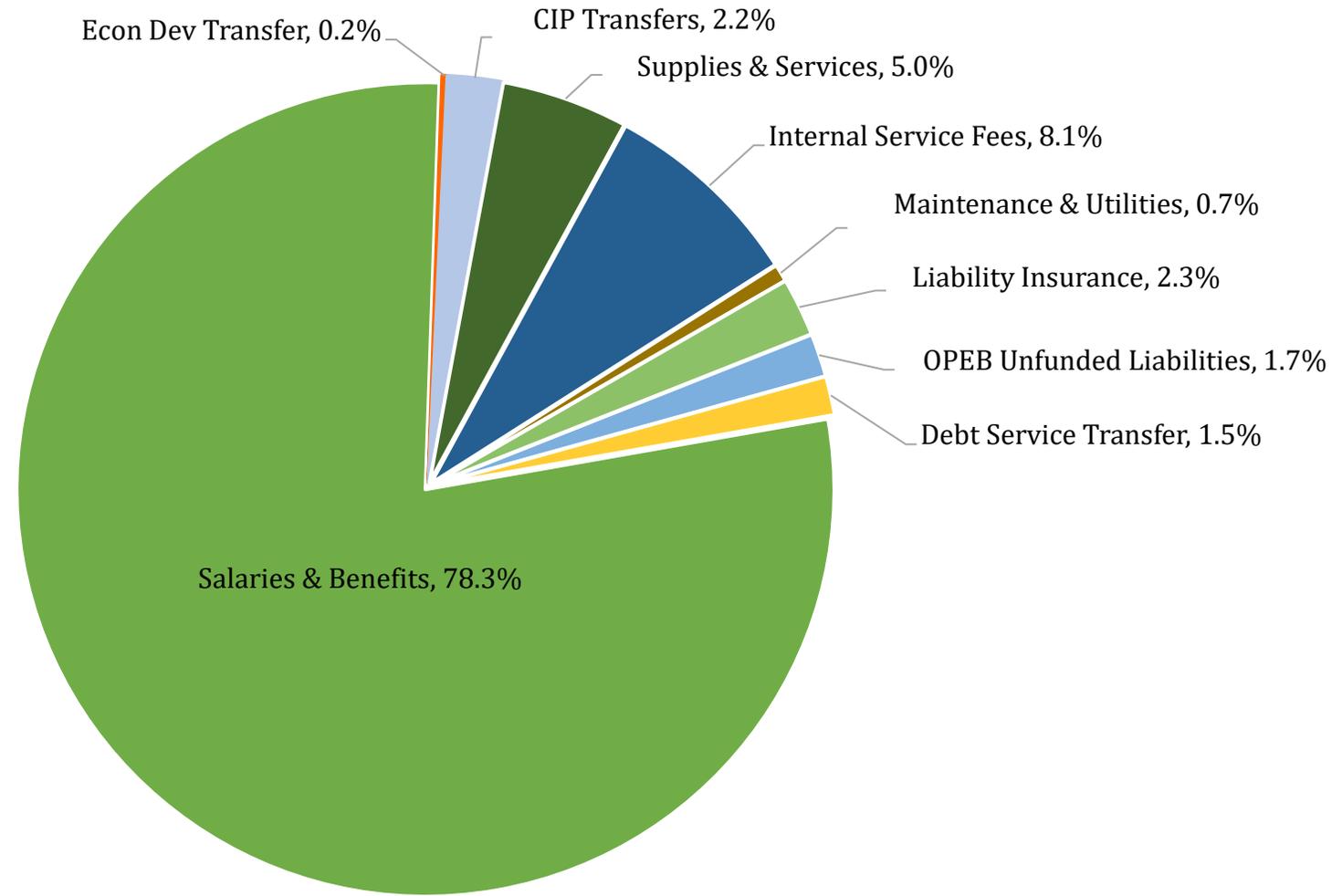
Proposed FY 2022

GENERAL FUND FORECAST (FY 2022 Proposed)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<i>\$ in thousands</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$ 178,634	\$ 184,940	\$ 190,850	\$ 196,418	\$ 201,783
Expenditures	184,787	194,449	200,310	207,104	212,809
<i>Net Change in Reserve - Surplus / (Shortfall)</i>	(6,153)	(9,510)	(9,460)	(10,686)	(11,026)
Beginning Balance	\$28,631	\$22,478	\$12,968	\$3,509	(\$7,177)
<i>Net Change in Reserve - Surplus / (Shortfall)</i>	(6,153)	(9,510)	(9,460)	(10,686)	(11,026)
Ending Balance	\$22,478	\$12,968	\$3,509	(\$7,177)	(\$18,203)

General Fund Revenue by Source



General Fund Expenditures by Category



City's Response to COVID-19 Impacts on Hayward Community

Mobilization and operation of COVID-19 testing and vaccination sites

Operation of weekly food distribution site

Rent Relief Program

Award of local small business grants

Established the COVID-19 Hotline

Distribution of PPE to the resident and local business communities

Installation of workplace safety measures (plexiglass barriers, touchless fixtures, HVAC filtration upgrades, etc.)

Expansion of shelter for unhouse residents

Placement of sanitation and handwashing stations through the city

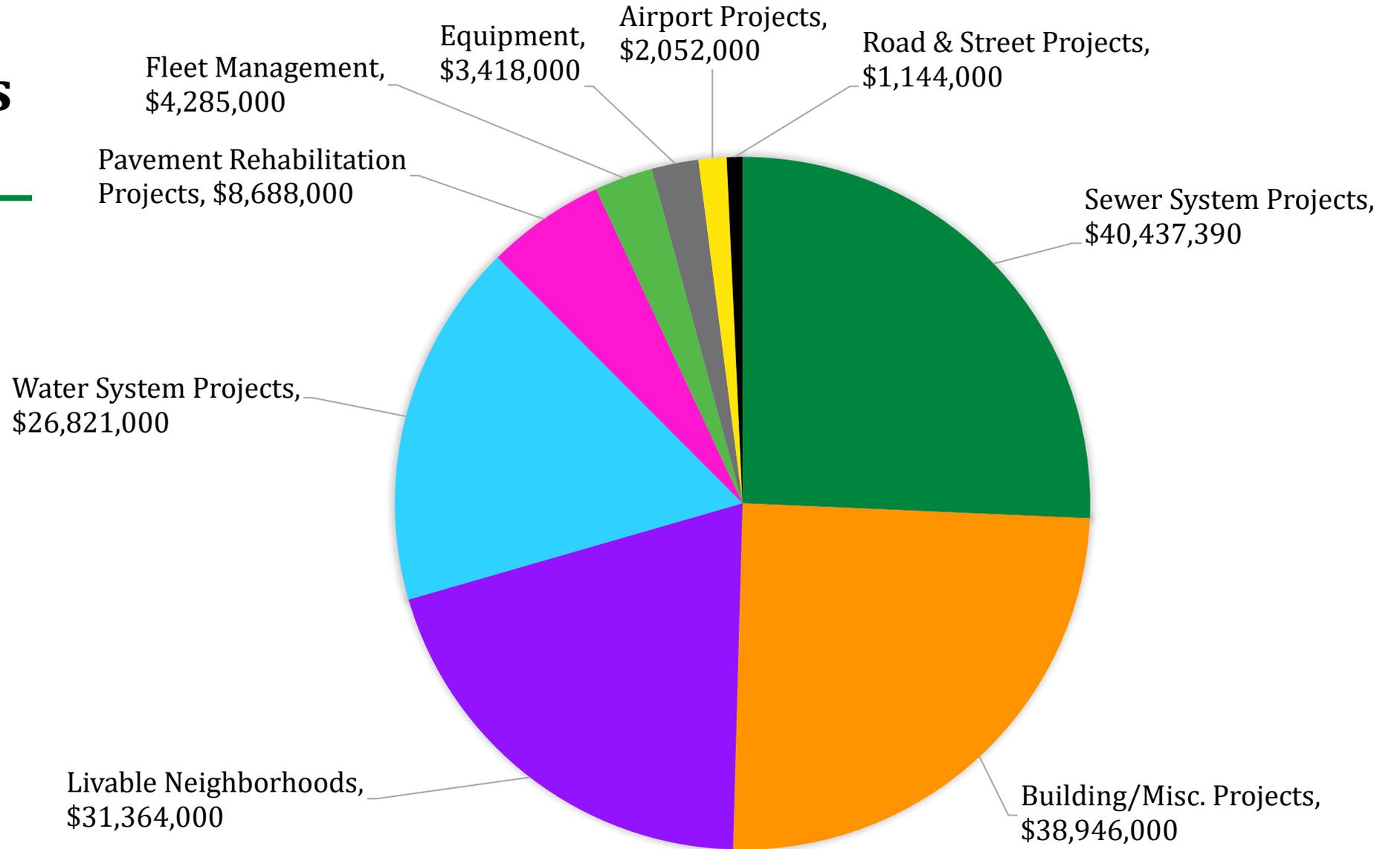
CDGB COVID-19 Grant program funding

Assistance to St. Rose Hospital for the purchase of ventilators

Alameda County Transportation Commission grant funding

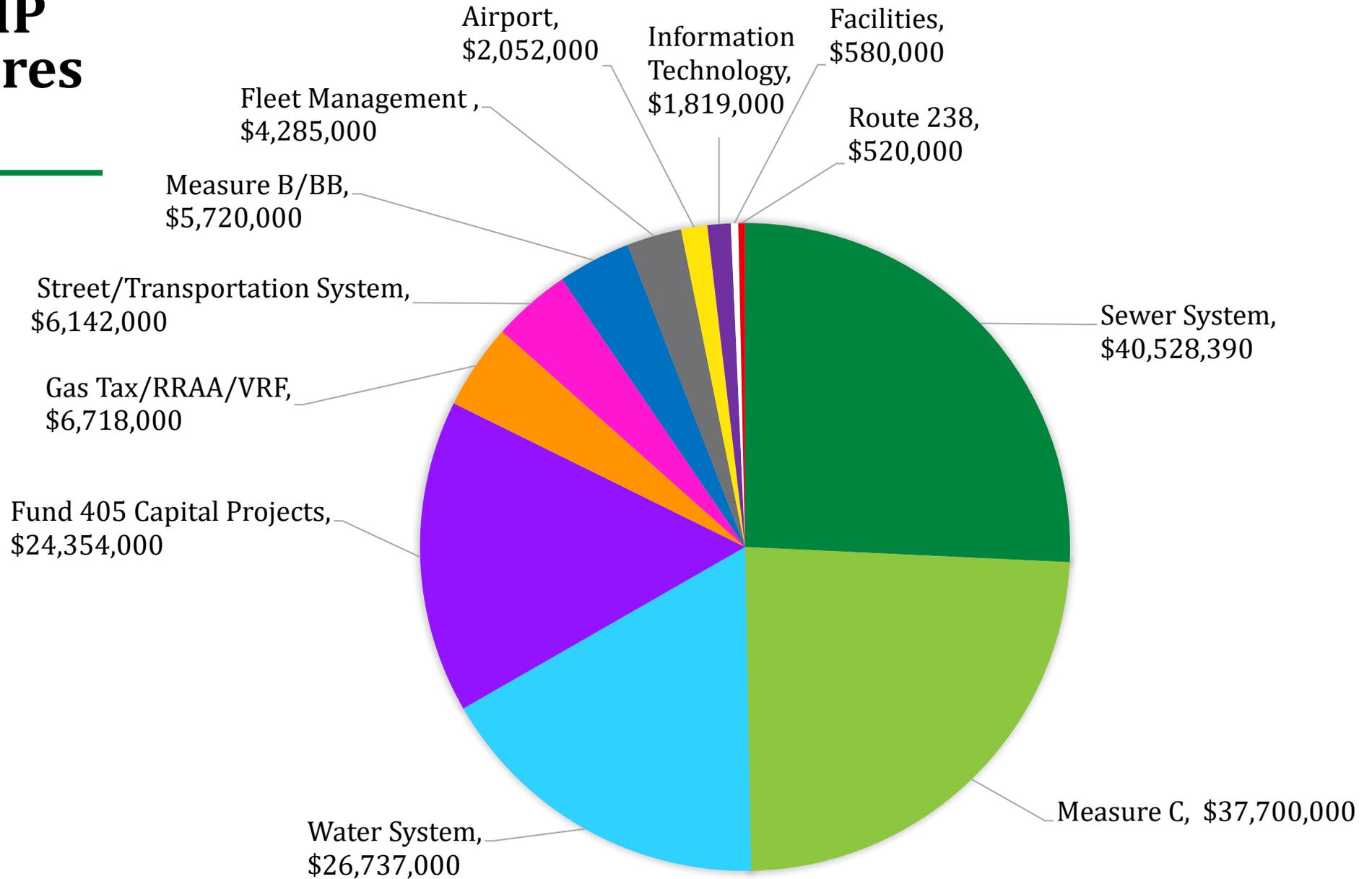
FY 2022 CIP Expenditures by Category

Total:
\$157M



FY 2022 CIP Expenditures by Fund

Total:
\$157M



Recommendation

1. Conduct a Public Hearing in accordance with the City's Charter
 - SECTION 1202. PUBLIC HEARING ON THE BUDGET
2. Adoption of the FY 2022 Operating Budget in accordance with the City's Charter
 - SECTION 1203. ADOPTION OF THE BUDGET After the conclusion of the public hearing, the Council shall further consider the proposed budget and make any revisions thereof that it may deem advisable and thereafter it shall adopt the budget with revisions, if any. Upon final adoption, the budget shall be in effect for the ensuing fiscal year*.

* SECTION 1200. THE FISCAL YEAR Unless otherwise provided by ordinance, the fiscal year of the City shall begin on the first day of July of each year and end on the thirtieth day of June of the following year.

Questions and Discussion

