



DATE: June 4, 2019

TO: Mayor and City Council

FROM: Maintenance Services Director

SUBJECT: Adopt Resolutions to Approve the Engineer's Report, Reconfirm Maximum Base Assessment Rate, Confirm the Assessment Diagram and Fiscal Assessment, Order the Levy and Collection of Fiscal Assessments, and Approve Funding Recommendations and Appropriate Revenue Funds for Maintenance District No. 1- Storm Drainage Pumping Station and Storm Drain Conduit - Pacheco Way, Stratford Road and Ruus Lane - for Fiscal Year 2020

RECOMMENDATION

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

1. Approving the Engineer's Report,
2. Reconfirming the Maximum Base Assessment Rate,
3. Confirming the Assessment Diagram and Fiscal Assessment,
4. Ordering the Levy and Collection of Fiscal Assessments,
5. Approving the Funding Recommendations, and
6. Appropriating Revenue and Expenditure budgets for Maintenance District No. 1.

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 replace services.

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 2020 tax roll. In addition, staff will plan for and conduct a Proposition 218 election in FY 2020.

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. The SWLS includes a masonry building that houses the Supervisory Control and Data Acquisition (SCADA) System, generator, and four pumps.

In August 1995, the City and County signed an agreement that allowed the County to take over ownership, maintenance, and operation of the SWLS, since the County operated similar facilities within the City. The agreement signed by both parties calls for the County to submit an itemized budget estimate to the City before December 1 preceding each fiscal year, and for the City to provide monies no later than March 1 and July 1 for the operation, maintenance, and capital equipment replacement of the SWLS.

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 IV) and includes:

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

DISCUSSION

In FY 2018, the County hired two consultants to conduct a countywide SWLS assessment and to design and construct a new countywide SCADA system. Subsequently, the County issued a \$108,000 invoice to the City based on agreements the County had entered without communicating the expense to the City. This same fiscal year, the SWLS maintenance and operation costs 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, \$34,624 respectively) and that the \$65,115 consultant costs incurred to date 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 CY 2020.

For FY 2020, the budget includes maintenance and operation expense, along with the cost for a Proposition 218 election. The budget does not include the SCADA construction costs, estimated at \$270,000. Including only operational expenses in the FY 2020 budget, the District is estimated to end FY 2020 in the negative (-\$24,298). The negative account balance estimate is based in part to 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 MBA rate calculation in 1995.

When the district was formed, a base, annual maintenance and operation budget was established, along with a capital replacement estimate. These figures established the base MBA rate, which is the legal maximum charge that a parcel can be assessed annually. As costs generally increase over time with inflation, many MBAs include an annual inflation factor in the original calculation so that the annual rate can keep up with typical 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 Proposition 218 election of the 174 property owners. 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.

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

1. **Request Payment Plan Options** – The City has requested 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 to request that property owner vote to consider an assessment rate increase.

Staff has retained SCI as the Engineer of Record to conduct the Proposition 218 election and is prepared to perform community engagement, together with the County and 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 of a Proposition 218 election; 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 all affected property owners to provide detail of their recommended FY 2020 assessment rate, and to inform them about three meetings where they could provide input (April 11, May 14, and June 4); 2) held a public meeting on April 11 at City Hall; 3) provided an online survey to measure maintenance satisfaction; 4) published a legal notice in the East Bay Times on May 17, 2019; and 5) presented a Consent Item to the City Council on May 14, 2019, setting this public hearing date.

NEXT STEPS

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 2020 tax roll.

Prepared by: Denise Blohm, Management Analyst II

Recommended by: Todd Rullman, Maintenance Services Director

Approved by:



Kelly McAdoo, City Manager