



DATE: July 18, 2017

TO: Mayor and City Council

FROM: Director of Utilities & Environmental Services

SUBJECT Water Service Area: Consent to East Bay Municipal Utility District's Filing of a Change of Organization Application with the Alameda County Local Agency Formation Commission to Update EBMUD's Service Area Boundaries

RECOMMENDATION

That the City Council adopts the attached resolution consenting to East Bay Municipal Utility District's (EBMUD's) filing of a Change of Organization Application with the Alameda County Local Agency Formation Commission (LAFCo) to update EBMUD's service area boundaries.

SUMMARY

On January 26, 2016, the City Council approved a water service area rearrangement with EBMUD to resolve issues related to the provision of water service to properties within both the City of Hayward corporate boundaries and the EBMUD service area. This rearrangement was formalized in a letter agreement. EBMUD intends to submit a Change of Organization application with the LAFCo, which requires a resolution from the Hayward City Council consenting to the reorganization of EBMUD's service area. This action would be the first step in formalizing the approved service area rearrangement.

BACKGROUND

Hayward provides water service to residents and businesses within the corporate City limits, as well as a limited number of properties outside of the City boundaries. EBMUD serves municipalities in Alameda and Contra Costa County; however, EBMUD's service area also includes some properties within the City of Hayward, generally located in the northern and eastern areas. Utility districts, like EBMUD, are permitted to serve properties that are included in their official service area. Cities that provide utility services are likewise permitted to serve properties within their corporate boundaries. Agencies are encouraged to find mutually agreeable solutions when overlaps occur.

As developments are proposed on parcels in certain parts of the eastern and northern areas of Hayward, where both agencies have facilities and can serve developments, EBMUD and City staffs review water service facilities to determine which agency is best positioned to serve the development without undue hardship and serious financial repercussions. In 2015, City staff negotiated with EBMUD regarding three such properties and reached an amicable solution,

which was approved by the City Council on January 26, 2016. A copy of the staff report for this action can be obtained at:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=2555227&GUID=B4AA1707-4085-4CA6-9CBD-015C2D3A2442>

In brief, the three affected parcels are:

- 1818 Hill Avenue and 22788 Templeton Street – to be served by Hayward
- Southwest corner of 2nd and Walpert – to be served by Hayward
- Former Mervyn's site at 22301 Foothill Blvd and 1155 Hazel Avenue– to be served by EBMUD

In addition to the three properties identified above, for which developments have been proposed, there are several properties that are wholly or partially in EBMUD's service area but are served by Hayward, as well as several properties that are outside of EBMUD's service area but served by EBMUD and some that are bisected by EBMUD's service area boundary line.

The City and EBMUD entered into an Agreement on Water Service Boundary Within the City of Hayward, dated May 4, 2016, to effectuate the agreed-to service area rearrangement and to exclude the Hill Avenue and Templeton Street and the 2nd and Walpert properties from EBMUD's service area and consent to EBMUD serving the former Mervyn's site. The document also memorializes agreement that EBMUD will detach any properties along its service area boundary that are currently served by Hayward and attach properties along the boundary that are outside of its service area but served by EBMUD, to reflect actual water service conditions.

DISCUSSION

Pursuant to the term of the May 4, 2016 letter agreement, EBMUD is pursuing a formal service area boundary adjustment by submitting a Change of Organization application with LAFCo. LAFCo serves as the state-mandated local agency that oversees boundary changes to cities and special districts in Alameda County. If approved by LAFCo, this Change of Organization would update EBMUD's service area map to reflect the changes described in the Background. In all, this action would result in the detachment of about 170 acres of property from EBMUD's service area and the attachment of about 100 acres.

LAFCo requires that EBMUD include with its application a resolution by the Hayward City Council consenting to EBMUD's service area boundary change. The attached draft resolution satisfies this requirement.

After EBMUD files the application with LAFCo, the Alameda County Assessor's Office will generate a property tax allocation and revenue report for the affected properties. At that time, Hayward and EBMUD will negotiate a property tax exchange agreement, which will be brought to both governing bodies for consideration.

ECONOMIC AND FISCAL IMPACTS

There are no economic or fiscal impacts associated specifically with the recommended action. The rearrangement itself allows the developers of the Hill and Templeton and the 2nd and Walpert properties to benefit from paying much lower connection fees, since the City's fees for single-family homes are significantly less than EBMUD's fees. Service to the former Mervyn's site by EBMUD does not result in appreciably higher connection fees, since the EBMUD fees for multi-family and commercial development are comparable to those charged by the City.

The Alameda County Assessor's Office will prepare a property tax allocation and revenue report for the affected properties. While the net gain or loss to the City has not been determined, the fiscal impact is not expected to be significant, given the relatively small difference in the acreages. There are no expected changes to property owner tax obligations as a result of the EBMUD service area boundary change.

SUSTAINABILITY FEATURES

Future developments on any of the affected properties must conform to similar strict water efficiency and conservation regulations.

NEXT STEPS

If Council concurs, staff will provide EBMUD with a copy of the signed resolution. At a future date, staff will return to the City Council with a proposed property tax exchange agreement.

Prepared and Recommended by: Alex Ameri, Director of Utilities & Environmental Services

Approved by:



Kelly McAdoo, City Manager