



DATE: June 26, 2018

TO: Mayor and City Council

FROM: Maintenance Services Director

SUBJECT Adopt Resolutions to Approve the Engineer's Report, Reconfirm Base Maximum Assessment Amount, Confirm the Assessment Diagram and Fiscal Assessment, Order the Levy and Collection of Fiscal Assessments, and Approve Funding Recommendations and Appropriate Special 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 2019

RECOMMENDATION

That the City Council adopts the attached resolutions:

1. Approving the Engineer's Report,
2. Reconfirming the Base Maximum Assessment Amount,
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

For FY 2019, funds for Maintenance District No. 1 (MD 1) are estimated to be in deficit due to additional costs charged to the District. The attached engineer's report has been updated from the June 5, 2018 meeting to reflect this change. Staff is recommending that a Proposition 218 election be held to request an increase in the maximum base assessment, set in 1995 at \$243.92. In the interim, before the election is held, staff is recommending setting the FY 2019 assessment rate at its maximum base assessment amount of \$243.92, which is the same amount charged last year.

MD 1 was established in 1995 to fund 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 (Flood Control District) to transfer ownership and maintenance responsibility of the facility to the Flood Control District. The City acts as an intermediary, whereas the City established the maintenance district and

receives the annual assessment revenue, and then annually reimburses the Flood Control District 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 2019 tax roll. In addition, staff will plan for and conduct a Proposition 218 election in FY 2019.

BACKGROUND

On May 23, 1995, the City Council ordered the formation of MD 1 to provide for the maintenance, operation, and capital replacement for storm drainage improvements near Stratford Road and Russ Lane. As a result, the Storm Water Lift Station (SWLS) was constructed to pump storm water run-off for the maintenance district. The facility includes a masonry building that houses the Supervisory Control and Data Acquisition (SCADA) System, a generator, and a total of four pumps. 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 maximum base assessment rate was set in 1995 at \$243.93 and did not include an annual inflation factor increase.

Upon construction of the facility, the Flood Control District was asked to take over ownership and maintenance of the pumping station facility, since the Flood Control District operated similar facilities within the City. The agreement signed by both parties calls for the City to reimburse the Flood Control District for annual expenses and make an annual capital replacement fund contribution.

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 includes:

1. A description of the improvements to be operated, maintained, and serviced;
2. The FY2019 recommended budget;
3. The FY 2019 recommended assessment rate; and
4. Map of the benefit zone (assessment diagram).

DISCUSSION

Annual costs for the storm water pump station can vary from year to year, based upon the level of maintenance and/or repair performed by the Flood Control District. The Flood Control District is required to provide the City with an annual report and future year budget estimate. This year, the FY 2018 invoice included a doubling of the annual maintenance costs over the FY 2017 amount (\$32,022 vs. \$14,044). The City has requested financial reports to substantiate these costs. The FY 2018 and 2019 estimated charges contained in the 2018 Annual Report also include new charges for consultant studies that the Flood Control District has already contracted for and started. This was the first time that the City has been informed of \$203,000 in consultant studies. The studies have been commissioned as part of an evaluation of all 24 of the county's pump stations, to include

this one. The two studies include: 1) a facility condition assessment of the pump station, and 2) a new system to remotely monitor and control the station (SCADA). Once the studies are complete, there will likely be additional expenses related to addressing any repairs or equipment replacement that the studies may identify. As a basis for comparison, the City hired Francisco and Associates in 2015 to update the capital replacement estimates for this pump station. At that time, the cost to replace capital equipment was \$60,622.

For FY 2019, the fund's balance is estimated to end the year in a negative amount of \$210,926. Because the maintenance district's assessment is already being charged at the maximum base amount (243.93), any increase to the charge rate will require a Proposition 218 election of the 174 property owners. For an increase in the annual assessment rate to be approved, 50% plus 1 of the weighted ballots returned to the City would need to approve the increase.

To address this maintenance district's negative fund balance, staff will:

1. Request Payment Plan Options - Request that the Flood Control District spread the payments for the estimated \$203,000 in consultant contracts over several years. In 2001, the Flood Control District did allow the City to repay a \$37,001 SCADA cost over eight years.
2. Perform Community Engagement - Conduct community meetings with the maintenance district's property owners to inform them of the reason for the proposed increase in their annual assessment rate.
3. Hold a Proposition 218 Election - Conduct a Proposition 218 election to request property owners vote on whether the annual assessment rate can be increased.

FISCAL IMPACT

Staff has evaluated the operating fund balance maintained by the City (FY 2019 end of year estimate of negative \$210,926) and the capital reserve fund balance maintained by Flood Control District (FY 2019 end of year estimate \$91,902) and concur that the combined fund balances are not sufficient to fund the current obligations.

For FY 2019, staff is recommending that a total of \$42,442 be assessed over 174 parcels and that a Proposition 218 election be held. Should a Proposition 218 election be successful, an increased assessment rate would be charged in FY 2020. While there is no fiscal impact to the City's Storm Water Fund currently, the lack of a successful Proposition 218 ballot initiative will result in the City ultimately being responsible for the pump station expenses.

STRATEGIC INITIATIVES

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

PUBLIC CONTACT

To provide community engagement, City staff:

1. Mailed a notice to each property owner;
2. Posted an online survey to measure maintenance satisfaction;
3. Held a community engagement meeting on May 22;
4. Introduced this item at the June 5, 2018 Council meeting;
5. Published a legal notice in the June 15, 2018 East Bay Times; and
6. Continued the public hearing from June 19, 2018 to June 26, 2018.

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 2019 tax roll.

Prepared by: Denise Blohm, Management Analyst II

Recommended by: Todd Rullman, Maintenance Services Director

Approved by:



Kelly McAdoo, City Manager