



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

Cover Memo

File #: WS 23-013, **Version:** 1

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Utility Rate Adjustments: Review Recommended FY 2024 and FY 2025 Water, Sewer, and Recycled Water Rates and Connection Fees

RECOMMENDATION

That Council reviews and comments on this report.

SUMMARY

Cost-of-service analyses have been prepared for providing water, sewer, and recycled water service to Hayward residents and businesses to calculate appropriate water, sewer, and recycled water rates and service charges for FY 2024 and FY 2025. This report provides an overview of cost-of-service issues, revenue requirements, and recommended FY 2024 and FY 2025 water, sewer, and recycled water service rates. The analyses were prepared by Raftelis Financial Consultants, Inc., (Raftelis), a consulting firm that specializes in financial advising for utilities and public agencies. Staff is bringing the proposed rates to Council to obtain comments. After receiving and addressing Council's comments, staff will implement appropriate and necessary public noticing procedures in accordance with state law prior to a public hearing, currently scheduled for June 20, 2023. If approved, the adopted rate adjustments would take effect on October 1, 2023 and 2024.

The Water Rate Study documents the City's water cost of service requirements for FYs 2024 and 2025, which will increase by a maximum of 10% in FY 2024 and are anticipated to increase by a maximum of another 10% in FY 2025. The recommended water rates for FY 2024 and FY 2025 include an overall 10% increase to both bi-monthly fixed service fees and commodity rates in each of the two years for both residential and non-residential customers. The proposed rate adjustments will allow the City to recoup some of the revenue losses and the use of reserves last year due to a 15.9% increase in the wholesale water rate from San Francisco Public Utilities Commission (SFPUC) and in anticipation of a further increase of 9.7% effective July 2023.

The Sewer Rate Study documents the City's sewer cost-of-service requirements for FYs 2024 and 2025, which will increase by 7% in FY 2024 and are anticipated to increase by another 7% in FY 2025. Staff recommends an overall increase of 7% across all customer classes per year, including all commercial

and industrial customers. The proposed rate adjustments will allow the City to keep pace with the cost of sewer service collection, treatment, and disposal, including developing reserves to pay for upcoming capital costs, and ensure that costs are recovered equitably.

The Recycled Water Rate Study documents the City's recycled water cost of service requirements for FYs 2024 and 2025, which will increase by 10% in FY 2024 and are anticipated to increase by another 10% in FY 2025. The recommended recycled water rates for FY 2024 and FY 2025 include a 10% increase to the uniform volume charge per year. Staff recommends that the service fee be the same as the water service fee for potable water in FY 2024 and FY 2025. The recommended recycled water commodity rate at \$5.68 per CCF is 35% lower than the proposed potable water rate for irrigation at \$8.80 per CCF for the first 170 CCF of usage.

Water, Sewer, and Recycled Water connection fee analyses have also been prepared by Raftelis. Connection fees are typically paid at the time a new development requests water, sewer, and recycled water service. The water connection fees (also known as Water Facilities Fees) have not been adjusted since 2012 and sewer connection fees were last adjusted in 2011. While the analyses recommend a 23% increase for water connection fee and a 102% increase for sewer connection fee, staff is recommending phase-in increases of 10% for water and 25% for sewer fees in the interest of maintaining the economic recovery and fostering business development. For the recycled water connection fee, staff recommends the fee to be the same as the recommended water connection fee, as the City plans for expansion of the recycled water system and adding more customers.

The executive summary prepared by Raftelis, included as Attachment II to this report, provides information regarding all the proposed rate and fee adjustments.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Executive Summary