



CITY OF HAYWARD

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

Cover Memo

File #: PH 23-026, **Version:** 1

DATE: June 20, 2023

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Utility Rate Adjustments: Adopt a Resolution Amending the Master Fee Schedule and Approving the Proposed FY 2024 and FY 2025 Water, Sewer, Recycled Water Rates and Connection Fees and Finding the Action is Exempt from CEQA Review

RECOMMENDATION

That the Council adopts resolutions amending the Master Fee Schedule and approving the proposed water, sewer, and recycled water rates (Attachment II) and connection fees (Attachment III) and finding this action exempt from CEQA review.

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. The analyses were prepared by Raftelis Financial Consultants, Inc., (Raftelis), a consulting firm that specializes in financial advising for utilities and public agencies. Staff brought the proposed rates to Council to obtain comments during a work session on April 18, after which the appropriate and necessary public noticing procedures were implemented in accordance with state law prior to the public hearing. 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 10% in FY 2024 and are anticipated to increase by 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 35% in FY 2024 and by 10% in FY 2025. 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 \$6.76 per CCF is 23% lower than the proposed potable irrigation water rate at \$8.80 per CCF for the first 170 CCF or 348 gallons per day, and 40% lower than proposed potable irrigation water rate at \$11.20 for over 170 CCF.

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 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.

Staff implemented the notification requirements of Proposition 218 for the proposed rate increase by sending written notice of the proposed rates to all affected property owners. Notices were also sent to bill payers of record and tenants in the interest of full transparency. Council may not take action on the proposed rates if a majority of property owners, about 19,000, submit written protests. The City Clerk will tabulate and report the final number at the end of the public hearing.

Capacity charges are not subject to Proposition 218 requirements and were not included in the Proposition 218 notice. A separate notice of the proposed connection fee changes was sent to developers, Building Industry Association, and the Chamber of Commerce Government Relations Committee (GRC). Proposed connection fee adjustments information was posted on the City's website and public hearing notice of the proposed adjustment was published on the newspaper.

ATTACHMENTS

- Attachment I Staff Report
- Attachment II Resolution - Utility Rate Increase
- Attachment III Resolution - Utility Connection Fees
- Attachment IV Top Water Users by Customer Class in 2022