



CITY OF HAYWARD

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Cover Memo

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DATE: June 1, 2021

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

FY22 and FY23 Water and Sewer Rates: Review and Provide Feedback on Recommended FY 2022 and FY 2023 Water and Sewer Rates

RECOMMENDATION

That Council reviews and comments on this report.

SUMMARY

Cost-of-service analyses have been prepared for providing water and sewer service to Hayward residents and businesses to calculate appropriate water and sewer rates and service charges for FY 2022 and FY 2023. This report provides an overview of cost-of-service issues, revenue requirements, and recommended FY 2022 and FY 2023 water and sewer service rates. Staff prepared the sewer cost-of-service analysis and recommended rates. The water analysis was prepared by Raftelis Financial Consultants, Inc., 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 July 20, 2021. The approved rate adjustments would take effect on October 1, 2021 and 2022.

The Water Rate Study prepared by Raftelis documents the City's water revenue requirements for FYs 2022 and 2023, as well as customer demand patterns and rate equity. For FY 2022, revenue requirements will be unchanged. The recommended water rates for FY 2022 incorporate the results of the cost-of-service analysis and include adjustments to bi-monthly fixed service fees, along with modifications to tier rates to reflect new customer usage and improve equity. The recommended water rate structure would result in an overall 1.2% increase for average residential water users in FY 2022. Commercial and industrial entities could see modest increases, and in some cases, small decreases in water fees. The revenue requirements for FY 2023 increase by 3%, and corresponding water rate adjustments are proposed. The executive summary prepared by Raftelis, included as an attachment to this report, provides information regarding the proposed adjustments.

Staff is proposing increases of 3.8% in residential sewer rates in each of the two years, with non-residential increases between 3.5% to 3.8% per year. Industrial customers with very large volume and/or varying degrees of complexity in their wastewater discharge, would likewise see increases between 3.5% to 3.8% per year. Staff is further proposing to delay implementation of the sewer rate adjustment for restaurants, given the significant impact of the COVID-19 pandemic on this commercial

sector. The proposed rate adjustments will allow the City to keep pace with the cost of sewer service collection, treatment, and disposal, including capital costs.

Regarding water and sewer connection fees, which are the fees typically paid at the time a new development requests water or sewer service, staff is not recommending adjustments in the next two years in the interest of maintaining the economic recovery and fostering business development. Staff will perform a comprehensive review of connection fees in two years.

ATTACHMENTS

Attachment I Staff Report

Attachment II Hayward Executive Summary (City Draft)