



CITY OF HAYWARD

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Cover Memo

File #: PH 25-002, **Version:** 1

DATE: February 18, 2025

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Utility Rate Adjustments: Adopt Resolutions Amending the Master Fee Schedule and Approving the Proposed FY 2026 through FY 2030 Sewer Rates and FY 2026 and FY 2027 Connection Fees, and Finding the Actions are Exempt from CEQA Review

RECOMMENDATION

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

SUMMARY

In response to the adoption of the 3rd Nutrient Watershed Permit Order No. R2-2024-0013 (Watershed Permit), on July 10, 2024 by the San Francisco Bay Regional Water Quality Control Board (Regional Water Board), and its mandate of nutrients reduction, the City must substantially expand the wastewater treatment plant to meet these requirements, currently estimated to cost approximately \$488 million.

No grants or other sources of funding are available. All costs are solely the responsibility of the Wastewater Enterprise Fund. As such, cost-of-service analyses have been prepared for providing sewer service to Hayward residents and businesses to calculate appropriate sewer service charges for FY 2026 through FY 2030. The analyses were prepared by Water Resources Economics, LLC (WRE), 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 December 3, 2024, 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 annually from July 1, 2025, to July 1, 2029.

The Sewer Rate Study documents the City's sewer cost-of-service requirements for FYs 2026 to 2030, which, if approved, increases 12% annually. Staff recommend an overall increase to the total rate revenue 12% annually across all customer classes from FY 2026 through FY 2030, including all residential, commercial, and industrial customers. The proposed rate adjustments will enable the City to fund the required borrowings to fund the implementation of improvements to meet the requirements of the San

Francisco Regional Water Board's newly adopted 3rd Watershed Permit. The adjustments will also allow the City to keep pace with the cost of sewer service collection, treatment, and disposal. This includes building reserves for future capital costs and ensuring that costs are recovered equitably. The required increases are anticipated to moderate after the first five years.

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, about 38,000 in total. In the interest of full transparency, notices were also sent to an additional 12,000 billpayers and tenants on record and were informed that written protests must be submitted within 45 days of noticing. Council may not take action on the proposed rates if a majority of property owners, about 19,000, submit written protests.

Sewer connection fee analyses have also been prepared by WRE. Connection fees are typically paid at the time a new development requests sewer service. While the analyses recommend a 22% total increase in the sewer connection fee, staff is recommending a 10% increase per year for the sewer connection fee over two years, for FY 2026 and FY 2027.

Connection fees are not subject to Proposition 218 requirements and were not included in the Proposition 218 notice. As a courtesy, a separate notice of the proposed connection fee changes was sent to developers, Building Industry Association Bay Area, and the Chamber of Commerce Government Relationship Council (GRC). Staff are planning a presentation to the GRC before this public hearing date. Proposed connection fee adjustments information was posted on the City's website and public hearing notice of the proposed adjustment was published in the newspaper.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Utility Rate Increase
Attachment III	Sewer Connection Fees
Attachment IV	Summary of Protest Letters