



CITY OF HAYWARD

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Cover Memo

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DATE: April 1, 2025

TO: Mayor and City Council

FROM: Public Works Director

SUBJECT

Water and Recycled Water: Recommended Fiscal Year 2026 and Fiscal Year 2027 Water and Recycled Water Rates and Connection Fees

RECOMMENDATION

That the City Council reviews and comments on this report.

SUMMARY

Staff prepared a cost-of-service analyses for providing water and recycled water service to Hayward residents and businesses to calculate appropriate water and recycled water rates and service charges for FY 2026 and FY 2027. This report provides an overview of cost-of-service issues, revenue requirements, and recommended FY 2026 and FY 2027 water and recycled water service rates. Staff is bringing the proposed rates to City Council to obtain comments. After receiving and addressing City 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 17, 2025. If approved, the adopted rate adjustments would take effect on October 1, 2025, and 2026.

The City's water cost of service requirements for FYs 2026 and 2027 are proposed to increase by 6% in FY 2026 and by another 6% in FY 2027. The recommended water rates for FY 2026 and FY 2027 include an overall 6% 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 8.8% increase in the wholesale water rate from San Francisco Public Utilities Commission (SFPUC) and in anticipation of a further increase up to 5.6% effective July 2025.

The City's recycled water's current uniform volume charge is proposed to change to a two-tier rate structure starting in FY 2026 to make it consistent with the current rate structure for using potable water for irrigation. The recommended recycled water commodity rate is proposed to include two tiers, first tier at \$7.70 per CCF for the first 170 CCF, and second tier at \$9.80 per CCF for over 170 CCF. While a few of the 31 current recycled water customers will see a jump of up to 31% in their recycled water cost in FY 2026, their cost will still be up to 25% below the cost of using drinking water for irrigation use. Similar to

water service fees, the City's recycled water fixed service fee for FYs 2026 and 2027 are proposed to increase by 6% in FY 2026 and up to another 6% in FY 2027. Staff recommend that the fixed service fee remain the same as the water service fee for potable water in FY 2026 and FY 2027.

Water and recycled water connection fee analysis has also been prepared. Connection fees are typically paid at the time a new development requests water and recycled water service. For water connection fees (also known as Water Facilities Fees), staff recommend a 10% increase in FY 2026 and another 10% increase in FY 2027. For recycled water connection fee, staff recommend 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.

ATTACHMENTS

Attachment I Staff Report