



# CITY OF HAYWARD

Hayward City Hall  
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## Cover Memo

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**DATE:** June 17, 2025

**TO:** Mayor and City Council

**FROM:** Director of Public Works

### **SUBJECT**

Utility Rate Adjustments: Adopt a Resolution Amending the Master Fee Schedule, Approving the Proposed FY 2026 and FY 2027 Water and Recycled Rates and Facilities Fees, and Finding the Actions are Exempt from CEQA Review

### **RECOMMENDATION**

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

### **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 presented the proposed rates to City Council to obtain comments during a work session on April 1, 2025, after which the appropriate and required public hearing notice procedures were implemented in accordance with state law prior to this evening's public hearing. If approved, the adopted rate adjustments would take effect on October 1, 2025, and October 1, 2026.

The City's water cost of service requirements for FYs 2026 and 2027, if approved, increases annually by 6% on October 1, 2025, and by another 6% on October 1, 2026. The recommended water rates for FY 2026 and FY 2027 include the same 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. If approved, the water rate increases will take effect on October 1 of each fiscal year, resulting in an annual fiscal year increase of approximately 4.5%. The proposed rate adjustments will allow the City to recoup some of the intended temporary use of reserves to cushion the impacts of the large San Francisco Public Utilities Commission (SFPUC) wholesale rate increases due to a 15.9% increase in FY 2023, 9.7% increase in FY 2024, an 8.8% increase in FY 2025 and a further increase of 2.3% effective July 1, 2025, from the wholesale water rate from SFPUC. Even with these proposed rate increases, it is anticipated that between \$4M to \$6M of the Water Fund reserves will be used during each of the next two fiscal years.

Additionally, as part of Hayward’s strategic roadmap to invest in infrastructure, the City Council has established a goal to replace an average of 2 miles of water pipelines each year. However, due to the increase in construction and material costs, at the current funding level, the City is replacing an average of 1.66 miles per year. In FY 2024, \$5.5 million was allocated to replace the water lines and \$6 million has been budgeted for FY 2025. To support these ongoing efforts, a portion of the water rate is allocated to funding the water lines replacement and the recommended FY 2026 - FY 2035 Capital Improvement Program (CIP) includes \$6 million in FY 2026 and \$6.3 million in FY 2027 to the water capital replacement fund. The costs associated with replacing and maintaining infrastructure through capital improvement programs are one of the financial driving factors influencing the water rate increases. Additionally, the continued escalation in construction and material costs further contributes to the need for rate adjustments.

Staff implemented the notification requirements of Proposition 218 for the proposed water rate increase by sending written notice of the proposed water rates to all affected property owners, about 36,000 in total. Written protests are only valid and counted if received from property owners within 45 days of noticing. Notices were also sent to an additional 9,000 billpayers and tenants to inform them of the proposed water rate increase. City Council may not take action on the proposed water rates if a majority of property owners, about 17,000, submit written protests.

The City’s recycled water’s current single-tier volume charge is proposed to change to a two-tier rate structure starting in FY 2026 to be consistent with the current rate structure for using drinking water for irrigation. The staff report for April 1, 2025, work session outlined the initial recommended recycled water commodity rate with two tiers: the first tier at \$7.70 per CCF for the first 170 CCF, and the second tier at \$9.80 per CCF for usage over 170 CCF in FY 2026. To reduce the rate impact on Hayward businesses, Staff have revised the initial recommendation and proposed a phased-in approach by lowering the second-tier rate from \$9.80 to \$8.70 per CCF in FY 2026. The proposed rates for FY 2026 and FY 2027 are displayed in the table below:

<b>Recycled Water</b>	<b>Bi-Monthly Tiers (CCF)</b>	<b>Current</b>	<b>Proposed Oct 1, 2025</b>	<b>Proposed Oct 1, 2026</b>
<b>Tier 1</b>	1 - 170 CCF	\$7.44	\$7.70	\$8.16
<b>Tier 2</b>	>170 CCF	\$7.44	\$8.70	\$10.39

With the proposed rates, the cost increase for customers in FY 2026 will range between 3.4% to 14.3% and the FY 2027 increase will range between 5.6% to 16.1%. Even with the proposed rate increases, the recycled water rates provide a discount of up to 33%, in the first year and up to 25% in the second year, compared to the use of drinking water for irrigation. Similar to water service fees, the City’s recycled water fixed service fee is proposed to increase by 6% in FY 2026 and 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.

Under the notification requirements of Proposition 218, written notice of the proposed recycled water rates was sent to 47 affected recycled water parcel owners. Notices were also sent to an additional 64 billpayers and tenants on record to inform them of the proposed recycled water rate increase. City Council may not take action on the proposed recycled water rates if a majority of parcels owners, about

23, submit written protests.

Water and Recycled Water Facilities Fees, also referred to as connection fees, are not subject to Proposition 218 requirements and were not included in the Proposition 218 notice. A separate notice of the proposed facilities fee increases was sent to developers, Building Industry Association, and the Chamber of Commerce Government Relationship Council (GRC). Staff attended a GRC meeting in May, presented the proposed water rates and facilities fees, and responded to questions. Proposed facilities 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	Water & Recycled Water Rates Resolution
Attachment III	Facilities Fees Resolution
Attachment IV	Summary of Protest Letters