

CITY OF
HAYWARD
HEART OF THE BAY

**Proposed Municipal Code Amendment
Related to Changes in
Sewer Connection Fees for Existing Uses
Upon Changes in Ownership or Use**

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Purpose of Sewer Connection Fees

- Sewer Connection fees:
 - Pay for new development share of future system improvements to add capacity, meet future demand and improve reliability
 - Buy into recent public investments in sewer system infrastructure
- Assessed for all new connections to sewer system
- Non-residential customers also pay for substantial increased discharge from existing connection



Sewer Connection Fee Calculations

- Standard flat per-unit fee for residential properties
- Non-residential fees commensurate with actual discharge
- Sewer connection fees in place since mid 1970s
- Consistent policies and procedures for calculating and collecting fees implemented in mid 1990s
- Purchased sewer capacity remains with property in perpetuity without further payment



“Grandfathered” Capacity Rights

- Municipal Code Section 11-3.255(e) allows existing users to enjoy pre-1996 capacity without payment if:
 - Property boundaries are not expanded
 - The use of the property does not change
 - 50% or more of the ownership remains the same
 - Volume and strength of wastewater does not increase
- Businesses initiated after 1996 required to purchase needed sewer capacity commensurate with their discharge



Issue Related to “Grandfathered” Capacity

- Currently “Grandfathered” capacity cannot be transferred to new owners
 - Examples
 - Provision difficult to implement consistently
 - Sometimes viewed as an unexpected and unreasonable cost
 - Inconsistent with practices of other agencies



Proposed Municipal Code Amendment

- Require payment for pre-1996 uses only if wastewater discharge increases
- Proposed Amendment would:
 - Eliminate new sewer connection fees solely upon change in ownership or change in use
 - Result in a more equitable and defensible sewer connection fees
 - Bring Hayward's practices into line with other agencies



Proposed Revision to HMC Section 11-3.255

(c) Existing Uses Not Subject to Payment of Sewer Connection Fees. Existing sewer uses, or so-called “grandfathered” uses, which initiated operations prior to 1996, shall not be subject to payment of sewer connection fees as long as the ~~following conditions are met:~~ volume and waste strength of discharge from the property does not increase.

- ~~• The property boundaries are not expanded; and~~
- ~~• The use of the property does not change; and~~
- ~~• 50% or more of the ownership remains the same; and~~
- ~~• The volume and waste strength of discharge from the property does not increase.~~



Economic and Fiscal Impact

Economic Benefit

- Will have economic benefit to those entities that purchase existing businesses in Hayward

Fiscal Impact

- Implementation of current property-related provisions is challenging due to difficulties in tracking changes
- In many cases, fees related to changes in ownership, property use and property boundaries have not been collected, so overall fiscal impact would be minimal



Cost of Sewer Capacity – A Related Topic

- Cost occasionally cited as issue of concern and potentially discouraging factor to businesses
- Fees increased in last decade due to needed capital improvements
- As a result, sufficient capacity available to meet demands from diverse industrial sector – critical factor for many businesses
- Costs for improvements must be shared equitably by both existing and new customers



Comparison with Nearby Agencies

- Hayward's fees remain competitive with nearby sewer service providers
- Hayward allows extended payment agreements
 - Mitigates cash flow impacts
 - Not common among sewer agencies
- Survey of published fees for food-related businesses included in staff report

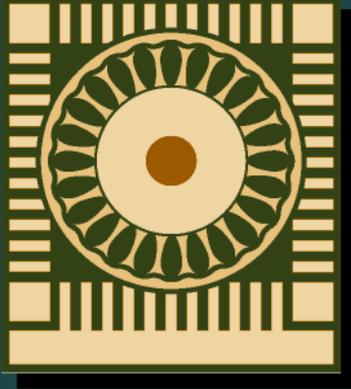


Food-Related Businesses – Comparison of Connection Fees with Other Agencies

Discharge Characteristics	City of Hayward	Oro Loma Sanitary District	City of San Leandro	Union Sanitary District	Dublin San Ramon Services District	City of Livermore	EBMUD
Low Volume/ High Waste Strength	\$210,300	\$267,200	\$167,300	\$263,400	\$426,800	\$266,600	\$200,300
High Volume/ Low Waste Strength	\$689,500	\$717,600	\$463,300	\$486,800	\$1,448,700	\$626,100	\$259,100
High Volume/ High Waste Strength	\$881,500	\$1,102,800	\$687,300	\$1,086,700	\$1,763,700	\$1,121,300	\$838,200

Note: EBMUD charges are related to treatment only. Cities served by EBMUD may have their own collection system “connection” fees.





Questions/Discussion

