

CITY OF
HAYWARD
HEART OF THE BAY

Sewer and Water Connection Fee Term Payments

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Sewer and Water Connection Fee Term Payments

Purpose of Connection Fees

- Connection fees:
 - Buy into public investments in sewer and water system infrastructure
 - Pay for new development share of future system improvements to add capacity, meet future demand and improve reliability
- Sewer connection fees – new connections to sewer system or for increased discharge from existing connection
- Water facilities fee – new connections to water system



Sewer and Water Connection Fee Term Payments

Sewer Connection Fees

- Residential fees assessed on a per-unit basis – current fee for single-family unit: \$7,700
- Non-residential fees individually calculated based on volume and characteristics of discharge – additional fees owed if discharge exceeds purchased amount
- Council adopted temporary provisions to decrease sewer connection fees for businesses with high waste strength, e.g. food-related – reduces some fees by up to 50%
- Even with temporary reductions, a small number of fees can be significant



Sewer and Water Connection Fee Term Payments

Non-Residential Sewer Connection Fees

- Nearly fifty non-residential sewer connection fees paid over the past three years
- More than 50% were between \$7,700 and \$25,000
- Twelve fees collected were between \$25,000 and \$100,000
- Small number, fewer than 10, ranged from \$100,000 to \$500,000
- Two exceeded \$500,000, including Russell City Energy Center



Sewer and Water Connection Fee Term Payments

Sewer Connection Fee Payment Agreements

- Current: allowed for fees that exceed \$25,000 – three-year maximum term
- Proposed:
 - Retain \$25,000 threshold
 - Increase maximum term to ten years, subject to City Manager approval
- Interest to be determined based on LAIF returns and other public investment interest rates, and other factors



Sewer and Water Connection Fee Term Payments

Sewer Connection Fee Term Payment Benefits

- Provides flexibility to work with businesses to reduce upfront impacts of large sewer connection fees
- Facilitates economic (growth) development goals and strategies
- Provides opportunity to measure actual wastewater discharge and ensure that connection fee is commensurate with discharge – not much more
- May encourage water conservation and water pollution source reduction



Sewer and Water Connection Fee Term Payments

Sewer Connection Fee Term Payment

Potential Challenges

- Internal policies and procedures needed to ensure fair and consistent application of terms
- Potential for defaulting increases with longer terms
 - Sewer capacity capped at amount purchased
 - Business may be violation of wastewater discharge permit, which has consequences
 - Binding agreement – City may restrict water service for non payment
- Only a handful of businesses have failed to pay



Sewer and Water Connection Fee Term Payments

What About Water Facilities Fees?

- Residential fees assessed on a per-unit basis – current fee for single-family unit: \$7,618
- Non-residential fees based on meter size – majority are 2 inches or less
- One-time fee – unlike sewer, no additional fees assessed based on actual water demand



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Non-Residential Water Facilities Fees

- About 100 non-residential water connection fees paid over the past three years
- Vast majority, more than 80, were 1.5-inch meters or smaller, with connection fees ranging from \$6,100 to \$30,500
- Ten installations were 2-inch meters with a facilities fee of \$48,700
- Small number, fewer than 10, were larger than 2 inch meters – 6 3-inch meters (\$97,500/meter) and 1 8-inch meter for Russell City Energy Center (\$487,400)



Sewer and Water Connection Fee Payment Terms

Water Facilities Fee Payments

- Payable in full prior to water service installation – no changes recommended
- Payment agreements not typically used for water fees historically in Hayward or by other agencies
 - Fee based on service size – standard, verifiable calculation
 - Vast majority of meters are 1.5 inches or smaller, with a fee of less than \$30,500
 - Standard cost of development – typically included in business financial plan
 - Water fee is typically much lower than sewer



Sewer and Water Connection Fee Payment Terms

Water Facilities Fees - Issues with Term Payments

- Little recourse if a businesses chooses to stop paying before a payment agreement is fully paid, short of restricting water use – unlike sewer capacity, water consumption not regulated by permit
- Impractical and unrealistic to collect additional water facilities fees from next business – there is a normal and reasonable expectation that water service would be fully available

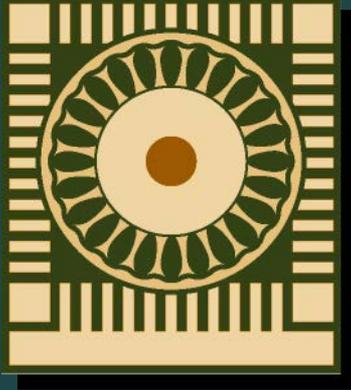


Sewer and Water Connection Fee Payment Terms

Recommendation

- Approve Code modifications to provide more flexibility for sewer connection fee term payments
- Including water facilities fee term payments is not recommended





Questions/Discussion

