



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Submitted on:
(COB Stamp)

Department Name: PW /LCSD
Department No.: 054
Agenda Date: April 21, 2026
Placement: Set-Hearing
Departmental on
June 9, 2026 and
Administrative on
June 23, 2026
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Directors, Laguna County Sanitation District
FROM: Department Director(s): Chris Sneddon, P.E., Director
Contact: Kevin Thompson, P.E., Civil Engineer, Specialist
SUBJECT: **Laguna County Sanitation District, Ordinance Relative to Service Charges, Connection Charges, and Trunk Sewer Fees and Resolution Relative to Collection of Service Charges on the Tax Roll; Fourth and Fifth Supervisorial Districts**

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors, acting as the Board of Directors of Laguna County Sanitation District, conduct a hearing on the Departmental Agenda on June 9, 2026 to consider the following actions:

- a) Receive and file with the Clerk of the Board the fixed charge report for fiscal year 2026-2027 (Attachment A);
- b) Approve the introduction (First Reading) of an Ordinance Amending Ordinance Nos. 3130 and 4142 to Change the Annual Service Charge, Connection Charge, and the Dutard-Solomon and Bradley-Solomon Trunk Sewer Fees (Attachment B);
- c) Read title: "An Ordinance of the Laguna County Sanitation District Amending Ordinance No. 3130 Adopted November 19, 1979, Which Established Service Charges, Connection Charges, and Other Rules and Regulations as Amended by Ordinance No. 4142 Adopted December 9, 1993 Establishing Trunk Sewer Fees. This Amending Ordinance Changes the Annual Service Charge and Connection Charge for Single Family and Duplex Dwelling Units,

Apartments, Condominiums, Trailer Spaces, Mobile Homes and Non-residential Development; and also Changes the Dutard-Solomon and Bradley-Solomon Trunk Sewer Fees,” and waive reading of the Ordinance in full;

- d) Direct the Clerk of the Board to count and report the number of written protests, if any;
- i. If no majority protest, set a hearing (Second Reading) on the Administrative Agenda for June 23, 2026 to:
 1. Adopt the Ordinance Amending Ordinance Nos. 3130 and 4142 to Change the Annual Service Charge, Connection Charge, and the Dutard-Solomon and Bradley Solomon Trunk Sewer Fees;
 2. Adopt the Resolution authorizing the collection of said charges on the tax roll (Attachment C); and
 3. Determine that the above actions are statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15273(a)(1), (2), (3), and (4) of the CEQA Guidelines because they are modifications of service charges, connection charges, and trunk line fees for the purposes of meeting operating and capital expenses, as well as for meeting financial reserve needs required to maintain services within this existing service area, and the modifications in charges and fees are not for the construction of capital projects for the expansion of the service system and approve the filing of a Notice of Exemption on that basis.
 - ii. If majority protest, take no action and provide direction to staff.

Summary Text:

This item is on the agenda in order to set a hearing on the departmental agenda to consider the adoption of sewer service charges, connection charges, and trunk sewer fees for fiscal year 2026-2027. The sewer service charge is proposed to increase by approximately 2.4% for single family dwellings, 2.4% for multi-family, while commercial varies based on water usage and school by attendance counts, to meet a required overall revenue adjustment of 3.0%. For a typical single-family dwelling, this is an increase of \$27.98 per year for a total annual amount of \$1,206.19. For reference, the annual average 2025 Consumer Price Index for All Urban Consumers Los Angeles-Long Beach-Anaheim area published by the US Bureau of Labor Statistics was 3.2% for 2025. Adjustments to the connection charge and trunk sewer fees are based on the appropriate index as noted.

Discussion:

These actions are required to set sewer rates and other charges and fees for the upcoming fiscal year, as well as to arrange for collection of certain charges on the tax roll. These revenues pay for the operation, maintenance, and repair of Laguna County Sanitation District facilities, capital improvements, debt service, and related expenses. These actions comply with the California Constitution and other state laws and regulations.

Background:

The Laguna County Sanitation District (District) is a dependent special district of the County, which provides wastewater services to customers in the Orcutt area, inclusive of certain unincorporated Santa Maria areas and some areas within the Santa Maria city limits. The District is regulated by

the Regional Water Quality Control Board under orders R3-2020-020 and WQ 2016-0068-DDW, with facilities and the service territory are located in the Fourth and Fifth Supervisorial Districts. The recommended actions address sewer service charges, connection charges, and trunk sewer fees.

The District's long-term capital program was first outlined in the 2011 Facilities and Financial Master Plan, which identified the need for a series of rate adjustments to build reserves, support major capital improvements, and meet debt service obligations. The largest scale project was the Phase 1 plant upgrade, analyzed pursuant to CEQA (17NGD-00000-00015) approved by the Board on July 3, 2018 and recently completed. The District continues to implement a capital improvement program. Planned and budgeted projects include, but are not limited to:

- Electrical Switch Gear Replacements (ELSWG1), FY 27/28 - \$5.0M
- Sludge Storage Pad and Structure (SOLID3), FY26/27 - \$2.7M
- Sludge Thickener or New Beds (SOLID4), FY29/30 - \$2.4M
- Recycled Water Distribution to Rancho Maria Golf Course (RWDIS2), FY26/27 - \$1.7M
- Stormwater Pond Improvements (STMPN2), FY 26/27 - \$1.4M
- Membrane Bioreactor Replacements or Abandonment (MBRPR1), FY 30/31 - \$1.2M
- Deerfield Lift Station Abandonment (DRLFAB), FY28/29 - \$1.1M
- Sewer Collection System Improvements (SEWREP), annually at \$1.0M +/- (varies)
- Other scheduled equipment replacements and preventative maintenance (for example, periodic replacement of membrane filters and recoating of steel water holding tanks)

A 5-year *Sewer Utility Rate and Connection Charge Study* was prepared for the District to plan for rate adjustments for fiscal years 2026-2027 through 2030-2031. The recommendations of the report are to propose a 3% overall revenue increase adjustment each year for that time period, to overcome a total projected deficiency of rate revenue at 15.9% by 2030-2031.

For fiscal year 26-27, the sewer service charge is proposed to increase by approximately 2.4% for single-family and multi-family customers. Nonresidential is calculated based on water usage and schools are based on per capita. The proposed Board action sets rates only for fiscal year 26-27.

The recommended adjustments reflect anticipated operating costs, planned capital improvement projects, long-term infrastructure needs, and the requirement to maintain adequate reserves. In recent years, rate adjustments were intentionally moderated to reduce customer impacts following the major treatment plant upgrade. Continuing artificially low adjustments would create funding gaps, defer necessary capital work, and ultimately require larger increases later. Gradual, predictable adjustments better align with cost escalation and support the long term financial stability of the District.

Additional factors that affect rates are new development (new customers), programmed capital expenses, and reserve balances. Inflation during the COVID-19 pandemic significantly increased construction and equipment costs, reducing capital reserves. The proposed adjustments are consistent with the 2025 annual average Consumer Price Index (CPI for All Urban Consumers Los Angeles-Long Beach-Anaheim area), which was 3.2%. The five-year rate study (Attachment F) incorporates debt service, planned capital improvements, major maintenance,

development trends, and inflationary impacts. Specific recommended changes for rates and fees are described below.

Sewer Service Charges

Sewer service charges are billed on an annual basis to District customers, currently consisting of 11,046 parcels. The charge is billed by category (single-family residences, multiple-family residences, schools, and commercial) and fund operational, maintenance, and replacement costs (including debt service and depreciation) for collection, treatment, and discharge, and recycled water conveyance services. For comparison purposes, in fiscal year 26/27, the rate for a single-family residential unit (SFR) would increase from \$1,178.21 to \$1,206.19 per year, or \$2.34 on a monthly basis.

Sewer service charge increases are noticed to land owners pursuant to Article 13D of the California Constitution. A majority of written protests by parcel land owners or occupants presented to the Board would cause non-imposition of the increase.

Connection Charges

Connection charges are one-time equity buy-in charges that ensure new customers (new development) pay a fair share of existing facilities and necessary upgrades or improvements. These charges are collected prior to occupancy approval of the new development. This charge is usually adjusted by the Los Angeles Construction Cost Index (CCI) for the prior year as prescribed by ordinance, which was 2.8% from January 2025 to January 2026. This charge is reset periodically based on a cost analysis. A recent cost analysis (Attachment F) proved that a cost reset was not necessary because calculations show the periodic increases based on CCI have been appropriate and therefore staff recommends to continue to adjust based on CCI until the next cost analysis in approximately 5 years. The calculated connection charge is \$11,184 per residential unit equivalent (RUE). The prior year charge was \$10,879.

Trunk Sewer Fees

The Dutard-Solomon trunk sewer fee is a one-time developer impact mitigation fee for new customers (new development) that utilize the Dutard-Solomon segment of the Solomon Creek trunk sewer completed by the District in 2001. These fees reimburse the District for constructing the trunk line and are collected prior to issuance of a Can-and-Will Serve letter, which authorizes map recordation. Based on the Los Angeles CCI of 2.8%, the fee will increase from \$1,389 to \$1,428 per RUE.

The Bradley-Solomon trunk sewer fee is a one-time developer impact mitigation fee for new customers (new development) that utilize the Bradley-Solomon Creek segment of the Solomon Creek trunk sewer, which was constructed by a private developer in 2006. These fees are collected prior to issuance of a Can-and-Will Serve letter. The revenue from this fee reimburses the developer subject to the terms of the reimbursement agreement executed by the Board on January 15, 2008, which expires upon the connection of 403 residential units or 25 years. The agreement uses the prime interest rate which was 6.75% in January and is used as the most recent index available at the time for docketing this action. Therefore, this trunk sewer fee will increase from \$3,760 to \$4,014 per RUE.

Fiscal Analysis:

The total projected revenue for the proposed sewer service charges for FY 2026-27 is approximately \$16,433,000. The proposed charges and fees are based on the FY 2026-2027 operating budget and reserve policy for fund 2870. The proposed budget will be billed over 11,046 parcels for 13,338 connections and distributed by customer type. The majority of this revenue is billed on the tax roll while certain customers such as schools are billed by mail.

Revenue from connection charges and trunk sewer fees depend upon the number of new customers from residential and commercial by development during the year. The connection charge is a capacity buy-in charge that provides for the use of existing facilities and builds reserve for future capacity related capital improvements. Both trunk line fees are collected to reimburse the District or private development for the construction of specific trunk lines.

<u>Funding Source</u>	<u>Parcel Count</u>	<u>Annual Revenue</u>
Sewer Charges	11,046	\$16,433,000

Special Instructions:

After the set hearing on April 21, 2026, direct the Clerk of the Board to:

1. Publish hearing notice, as set forth in the attached Notice of Public Hearing (Attachment E), in the Santa Maria Times, two times pursuant to Health and Safety Code Section 5473.1. **The two recommended dates for publication are no later than 14 and 7 days prior to the hearing.**
2. Publish a summary of the ordinance in the Santa Maria Times and post the full text of the ordinance, at least 5 days prior to the hearing.

After the 2nd Reading on June 23, 2026:

3. Publish a summary of the ordinance in the Santa Maria Times with the names of the board members voting for and against and post a certified copy of the ordinance with the names of the board members voting for and against, within 15 days of adoption, pursuant to Section 25124(b)(1) of the Government Code.
4. If the recommended actions are approved, request the Clerk of the Board post the Notice of Exemption (Attachment D) and forward a stamped copy to the Public Works Department office in Santa Maria, attention Kevin Thompson. Public Works to post the Notice of Exemption at the Office of Planning and Research, State Clearinghouse.
5. If the recommended actions are approved, request the Clerk of the Board to email a certified minute order of the ordinance and the resolution to:
 - a. Public Works Department in Santa Maria, attention Kevin Thompson, kethomp@countyofsb.org
 - b. Auditor-Controller at auditor@countyofsb.org

Attachments:

Attachment A – Fixed Charge Report 2026-2027

Attachment B – Ordinance 2026-2027

Attachment C – Resolution 2026-2027

Attachment D – Notice of Exemption 2026-2027

Attachment E – Notice of Public Hearing 2026-2027

Attachment F – 5-Year Rate and Connection Charge Studies

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