



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

Department Name: Public Works
Department No.: 054
For Agenda of: 4/9/2019
Placement: Set hearing
Estimated Time: Admin 5/21/2019
15 minutes on 6/4/2019

Continued Item: No
If Yes, date from:
Vote Required: 2/3

TO: Board of Directors, Laguna County Sanitation District

FROM: Department Scott D. McGolpin, P.E., Director, (805) 568-3010
Director(s)

Contact Info: Leslie Wells, Deputy Director, (805) 882-3605

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; Third, Fourth and Fifth Supervisorial Districts

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence:

As to form:

Recommended Actions:

That the Board of Directors:

- a) Set hearing on May 21, 2019 on the administrative agenda to:
 - i) Receive and file with the Clerk of the Board the fixed charge report for fiscal year 2019-2020;
 - ii) Introduce an ordinance amending Ordinance No. 3130 and Ordinance 4142 to revise service charges, connection charges and other fees for the Laguna County Sanitation District;
- b) Set hearing on June 4, 2019 on the departmental agenda (estimated time 15 minutes) to:
 - i) Direct the Clerk to count and report the number of written protests, if no majority protest;
 - ii) Adopt (second reading) an ordinance amending Ordinance No. 3130 and Ordinance 4142 to revise service charges, connection charges and other fees;
 - iii) Adopt the resolution authorizing the collection of said charges on the tax roll;

- iv) Adopt the findings in the Notice of Exemption that the proposed action is for the establishment of charges for services provided by the Laguna County Sanitation District, that no expansion of services or facilities will result, and that any increased revenues will be used for meeting operating expenses and financial reserve needs and requirements, and that the action is therefore exempt from the California Environmental Quality Act pursuant to 14 CCR Section 15273 and approve the filing of a Notice of Exemption on that basis;
- v) 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 2019-2020. The sewer service charge is proposed to increase by \$38.36 for an annual fee of \$1,047.85 per typical user. The 3.8 percent increase is consistent with the Consumer Price Index for 2018 (annual average). Adjustments to the connection charge and trunk sewer fees are based on the appropriate index as noted below.

Background:

The Laguna County Sanitation District is a dependent special district of the County, which provides wastewater services to customers in the Orcutt and unincorporated Santa Maria areas and is regulated by the Regional Water Quality Control Board (RWQCB) under Waste Discharge Requirements Order R3-2011-0217. The service territory is located in the Third, Fourth and Fifth Supervisorial Districts. The recommended actions address sewer service charges, connection charges, and trunk sewer fees. The adoption of this action requires a 2/3 vote per Section 5471 of the Health and Safety Code.

Prior year sewer service charge adjustments were based on a financial model with a multi-year schedule as shown in the table below to fund the replacement of aged equipment and facility upgrades as described in the *Laguna County Sanitation District Wastewater Reclamation Plant Facilities and Financial Master Plan*. This plan was presented to your Board on October 11, 2011 (see <http://santabarbara.legistar.com/LegislationDetail.aspx?ID=973679&GUID=A032160F-7E27-4061-B60F-BDAC8C74A852>).

Fiscal Year	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
Proposed Change	7%	11%	11%	12%	12%	8%	6.0%	6.0%	3.0%
Proposed Rate	\$49.10	\$54.50	\$60.49	\$67.75	\$75.88	\$81.96	\$86.87	\$92.09	\$94.85
Actual Change	7%	11%	11%	12%	12%	6%	1.9%	2.8%	3.8%
Actual Rate	\$49.10	\$54.50	\$60.49	\$67.75	\$75.88	\$80.31	\$81.83	\$84.12	\$87.32

The financial model presented in 2011 was intended to provide adequate revenues to build reserves and accommodate debt service to finance major plant improvements. The original anticipated date for debt service was fiscal year 2014-2015, however, this date is now expected to be in fiscal year 2019-2020, and for this reason the proposed increase since fiscal year 2017-2018 has been in line with the Consumer Price Index (annual average for All Urban Consumers Los Angeles-Long Beach-Anaheim area) rather than those proposed in the 2011 plan. This index is 3.8% for 2018. It is anticipated that future year rate adjustments based on the CPI will keep up with inflationary costs and provide the same level of capital replacement and reserves as the proposed model, however, rates adjustments will occur over a longer period of time.

Sewer Service Charges

Sewer service charges are billed on an annual basis to District customers by billing category (single-family residences, multiple-family residences, schools, and commercial). They fund operational, maintenance, and replacement costs (including debt service and depreciation) for collection, treatment, and discharge services. For comparison purposes, the rate for a single family residential unit (SFR) would increase from \$1,009.49 to \$1,047.85 per year, or from \$84.12 to \$87.32 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 land owners presented to the Board would cause non-imposition of the increase. There are 10,627 parcels that receive sewer service. In addition, staff will hold an open house on May 11, 2019 at 10:00 am to showcase the reclamation plant facilities as well as to address questions and concerns from rate payers.

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 action increases the connection charge from \$7,457 to \$7,502 per residential unit equivalent (RUE) based on the Los Angeles Construction Cost Index (CCI) as prescribed by ordinance, which was 0.6% for 2018.

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 are collected prior to issuance of a Can-and-Will Serve letter. Based on an increase in the Los Angeles CCI of 0.6%, the fee will increase from \$1,058 to \$1,064 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 and which expires upon the connection of 403 residential units or 25 years. The agreement uses the prime interest rate for annual adjustments which was 5.5% for 2018. Therefore, this trunk sewer fee will increase from \$2,546 to \$2,686 per RUE.

Performance Measure:

This action will increase established charges and fees intended to provide revenues to meet the District's operations and capital expense needs.

Fiscal and Facilities Impacts:

The proposed charges and fees are based on the FY 2019-2020 operating budget (excludes capital expense) and reserve policy. The attached amending ordinance will adjust existing charges and fees as discussed above.

Fiscal Analysis:

Funding Sources	Current FY Cost:	Annualized On-going Cost:	Total One-Time Project Cost
Sewer Charges		\$ 13,508,400.00	
Total	\$ -	\$ 13,508,400.00	\$ -

The proposed service charge revenue will cover the District’s proposed operating budget, including reserves. This amount is proposed to be billed over 10,627 parcels for 12,263 connections. The majority of this revenue is billed on the tax roll while governmental agencies are billed by mail. Revenue from connection charges and trunk sewer fees will depend upon the number of new customers (new development) and reimburse the District (for their costs). District collected connection charges and trunk sewer fees build reserves to be used for capital improvements.

Staffing Impacts:

No new staffing positions are proposed in this budget.

Special Instructions:

- A. Request Clerk of the Board to publish notice of this hearing, as set forth in the attached Notice of Public Hearing, in the Santa Maria Times, pursuant to Health and Safety Code Section 5473.1. **The recommended dates for publication are May 21 and May 28, 2019.**
- B. Request the Clerk of the Board 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; and 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.
- C. Following Board approval, Clerk of the Board to post the Notice of Exemption and forward a stamped copy to Laguna County Sanitation District, attention Angela Arredondo.
- D. Clerk of the Board to forward a certified copy of the executed ordinance and resolution to:
 - Angela Arredondo, Laguna County Sanitation District in Santa Maria
 - Lucy Perez, Resource Recovery & Waste Management Division in Santa Barbara

Attachments:

Attachment A: *Laguna County Sanitation District Wastewater Reclamation Facilities and Financial Master Plan*

http://countyofsb.org/uploadedFiles/pwd/content/RRWMD/LagunaCoSanDist_PDF.pdf

Attachment B: Fixed Charge Report

Attachment C: Ordinance

Attachment D: Resolution

Attachment E: Notice of Exemption

Attachment F: Notice of Public Hearing

Authored by: Martin Wilder, P.E., Utilities Manager (805) 739-8755

Copy: Julie Hagen, CPA, Deputy Public Works Director of Finance and Administration