



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
For Agenda of: 3/18/2025
Placement: Set Hearings:
Departmental on
5/13/2025 and
Administrative
on 5/20/2025
Estimated Time: 15 minutes on
5/13/2025
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Directors, Laguna County Sanitation District

FROM: Department Director(s): Chris Sneddon, P.E., Director (805) 568-3010
Contact Info: Martin Wilder, P.E., General Manager, (805) 803-8750

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 May 13, 2025 to consider the following actions:

- a) Receive and file with the Clerk of the Board the fixed charge report for fiscal year 2025-2026 (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;

If no majority protest:

- i. Set a hearing (Second Reading) on the Administrative Agenda for May 20, 2025 to:
 1. Consider the adoption 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;
 2. Consider the adoption of a Resolution authorizing the collection of said charges on the tax roll (Attachment D); and
 3. Determine that the above actions are 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.

If majority protest, take no action and provide direction to staff.

Summary:

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 2025-2026. The sewer service charge is proposed to increase by 3.5%. For a typical single family residential user this is an increase of \$39.84 per year for an annual amount of \$1,178.21. The increase is consistent with the annual average 2024 Consumer Price Index for All Urban Consumers Los Angeles-Long Beach-Anaheim area published by the US Bureau of Labor Statistics, which was 3.3% for 2024. 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 (RWQCB) under orders R3-2020-020 and WQ 2016-0068-DDW. 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 adoption of this action requires a 2/3 vote per Sections 5471 and 5473 of the Health and Safety Code.

In 2011 staff presented to the Board a Facilities and Financial Master Plan that indicated a series of rate adjustments were necessary to provide adequate revenues to build reserves, finance major capital improvements, and accommodate debt service. The largest scale project was the Phase 1 plant upgrade, analyzed pursuant to CEQA in 17NGD-00000-00015 approved by the Board on July 3, 2018 and recently completed. More recently a 5-year *Sewer Utility Rate and Connection Charge Study* was prepared for the District to plan for rate adjustments for fiscal years 2020-2021 through 2024-2025. The recommended and adopted rate adjustments for this time period were less than the CPI but were intended to partially keep pace with inflationary factors to prevent significant future rate increases, however this approach is not sustainable for a long term. The rate adjustments and CPI values for the last 5 years and data for next fiscal year is shown in the table below:

Annual CPI	2019	2020	2021	2022	2023	2024
	3.1%	1.6%	3.8%	7.4%	3.5%	3.3%
Rate Adjustment	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
	2.36%	1.5%	1.5%	1.5%	1.5%	3.5%

Additional factors that affect rates are new development (new customers), programmed capital expenses, and reserve balances. Unfortunately, significant inflationary costs occurred during the Covid-19 pandemic that particularly affected the cost of other capital improvements that negatively affected capital reserve balances. Therefore, staff does recommend a 3.5% rate increase consistent with the calendar year 2024 annual average Consumer Price Index (CPI for All Urban Consumers Los Angeles-Long Beach-Anaheim area), which was 3.3%, in order course correct diverging targets in the long-term finance planning model used to account for debt service, planned capital improvements, significant maintenance activities, development, and inflationary impacts. A subsequent 5-year rate study is proposed for fiscal years 2026-2027 through 2030-2031, as supported by the rate study for next year (Attachment F), that will also review changes to the connection charge upon final accounting of the Phase 1 plant upgrade project. 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 11,035 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, the rate for a single family residential unit (SFR) would increase from \$1,138.37 to \$1,178.21 per year, or from \$94.86 to \$98.18 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 adjusted

by the Los Angeles Construction Cost Index (CCI) for the prior year as prescribed by ordinance, which was 1.9% from January 2024 to January 2025. Therefore, the connection charge will increase from \$10,676 to \$10,879 per residential unit equivalent (RUE).

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 1.9%, the fee will increase from \$1,363 to \$1,389 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 7.5% 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 \$3,498 to \$3,760 per RUE.

Fiscal Analysis:

The proposed charges and fees are based on the FY 2025-2026 operating budget and reserve policy. The proposed budget will be billed over 11,035 parcels for 13,245 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.

Special Instructions to Clerk of the Board:

- 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 April 29 and May 6, 2025.**
- 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 on May 20, 2025, 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
 - Auditor-Controller

Attachments:

Attachment A – Fixed Charge Report

Attachment B – Ordinance

Attachment C – Resolution

Attachment D – Notice of Exemption

Attachment E – Notice of Public Hearing

Attachment F – FY 2025-2026 Rate Study

Authored by:

Martin Wilder

Copy:

Julie Hagen