



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: 5/1/2018
Placement: Set hearing
Estimated Time: 15 minutes on
6/19/2018
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, 568-3010
Director(s)

Contact Info: Mark A. Schleich, P.E., Deputy Director, 882-3605

SUBJECT: Laguna County Sanitation District, Ordinance Relative to Service Charges,
Connection Fees, and Trunk Line 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) Receive and file with the Clerk of the Board the fixed charge report for fiscal year 2018-2019.
- b) Set a public hearing on June 19, 2018 to:
 - i) Adopt the ordinance amending Ordinance No. 3130 and Ordinance 4142 to revise service charges, connection fees and other related fees;
 - ii) Adopt the resolution authorizing the collection of said charges on the tax roll;
 - iii) Adopt the findings in the Notice of Exemption that the proposed action is for the establishment of rates 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.

Summary Text:

This item is on the agenda in order to set a hearing on the departmental agenda to consider the adoption of rates for service charges, connection fees, and trunk line fees for fiscal year 2018-2019. The service charge is proposed to increase by \$27.50 for annual fee of \$1009.49 per typical user. The 2.8 percent increase is consistent with the Consumer Price Index for 2017. Adjustments to the connection and trunk line fees are based on the appropriate index as noted below.

Background:

The Laguna County Sanitation District is a dependent special district of the County and provides wastewater services to customers in the Orcutt and unincorporated Santa Maria areas. It 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 service charges, connection fees, and trunk line fees. The adoption of this action requires a 2/3 vote per Section 5471 of the Health and Safety Code.

Prior year rate adjustments were based on a financial model with a multi-year rate 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>). Engineering and environmental review for the Phase 1 plant upgrade and related projects are underway.

FY	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
Proposed	7%	11%	11%	12%	12%	8%	1.9%	2.8%
Actual	7%	11%	11%	12%	12%	6%	1.9%	2.8%

The proposed rate increase is intended provide the appropriate capital replacement and reserve funds in addition to keeping up with inflationary costs and is based on the 2017 Consumer Price Index for All Urban Consumers (Los Angeles-Riverside-Orange County area). Future year adjustments to establish the reserve balances are also expected to correlate with inflationary factors.

Service Charges

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 \$981.99 to \$1,009.49 per year, or from \$81.83 to \$84.12 on a monthly basis).

Rate 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 10,537 parcels that receive sewer service. In addition staff will hold an open house on June 2, 2018 at 10:00 am to showcase the reclamation plant facilities as well as to address questions and concerns from rate payers.

Connection Fees

Connection fees are equity buy-in fees that ensure new customers pay a fair share of existing facilities and necessary upgrades or improvements. This action increases the connection fee from \$7,219 to \$7,457 per residential unit equivalent (RUE) based on the Los Angeles Construction Cost Index (CCI) as prescribed by ordinance, which was 3.3% for 2017.

Trunk Fees

The Dutard-Solomon trunk line fee is a developer impact mitigation fee for new customers that utilize the Dutard-Solomon segment of the Solomon Creek trunk sewer completed by the District in 2001. Based on an increase in the Los Angeles CCI of 3.3%, the fee for RUE will increase from \$1,024 to \$1,058 per RUE.

The Bradley-Solomon segment of the Solomon Creek trunk line was constructed by a developer in 2006. 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 and expires upon the connection of 403 residential units or 25 years. The agreement uses the prime interest rate for annual adjustments which was 4.5% for 2017. Therefore, this trunk fee will increase from \$2,436 to \$2,546 per RUE.

Performance Measure:

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

Fiscal and Facilities Impacts:

The proposed rates and fees are based on the FY 2018-2019 operating budget (excludes capital expense) and reserve policy. The attached amending ordinance will adjust existing service rates and fees as discussed above.

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
Sewer Charges		\$ 12,781,400.00	
Total	\$ -	\$ 12,781,400.00	\$ -

The proposed service charge revenue represents the District's proposed operating budget, including reserves. The majority of this revenue is billed on the tax roll while governmental agencies are billed by mail. Revenue from fees will depend upon the number of new connections.

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 Section 6066 of the Government Code. **The recommended dates for publication are June 5 and June 12, 2018.**

- 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
 - Sheila de la Guerra, Resource Recovery & Waste Management Division in Santa Barbara

Attachments:

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

<http://santabarbara.legistar.com/LegislationDetail.aspx?ID=973679&GUID=A032160F-7E27-4061-B60F-BDAC8C74A852>.

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

Copy:

Julie Hagen, Deputy Public Works Director of Finance and Administration