

April 05, 2023

STATEMENT OF PROCEEDINGS

The Minutes of the

***SANITATION DISTRICT
REGULAR MEETING***

COUNTY OF SAN DIEGO

STATEMENT OF PROCEEDINGS
COUNTY OF SAN DIEGO SANITATION DISTRICT
REGULAR MEETING
WEDNESDAY, APRIL 5, 2023, 9:00 AM
COUNTY ADMINISTRATION CENTER, ROOM 310
1600 PACIFIC HIGHWAY
SAN DIEGO, CA 92101

A. **REGULAR SESSION:** Meeting was called to order at 9:04 a.m.

PRESENT: Directors Nora Vargas, Chair; Joel Anderson; Jim Desmond; also, Ryan Sharp, Assistant Clerk of the Board of Directors.

ABSENT: Directors Terra Lawson-Remer, Vice-Chair; Nathan Fletcher

B. Statement (just cause) and/or Consideration of a Request to Participate Remotely (emergency circumstances) by a Director, if applicable.

C. Non-Agenda Public Communication: Opportunity for members of the public to speak to the Board on any subject matter within the Board's jurisdiction but not an item on today's agenda.

D. Approval of the Statement of Proceedings/Minutes for the meeting March 01, 2023.

ACTION:

ON MOTION of Director Desmond, seconded by Director Anderson, the Board of Directors of the San Diego County Sanitation District approved the Statement of Proceedings/Minutes for the meeting of March 01, 2023.

AYES: Vargas, Anderson, Desmond

ABSENT: Lawson-Remer, Fletcher

NOTICE: THE BOARD OF SUPERVISORS MAY TAKE ANY ACTION WITH RESPECT TO THE ITEMS INCLUDED ON THIS AGENDA. RECOMMENDATIONS MADE BY COUNTY STAFF DO NOT LIMIT ACTIONS THAT THE BOARD OF SUPERVISORS MAY TAKE. MEMBERS OF THE PUBLIC SHOULD NOT RELY UPON THE RECOMMENDATIONS IN THE BOARD LETTER AS DETERMINATIVE OF THE ACTION THE BOARD OF SUPERVISORS MAY TAKE ON A PARTICULAR MATTER.

Agenda Items

Agenda #	Subject
1.	NOTICED PUBLIC HEARING: SECOND CONSIDERATION AND ADOPTION OF ORDINANCES: SET A HEARING TO CONSIDER SEWER RATE ADJUSTMENTS AND HOLD HEARING TO AMEND DISTRICT FEE ORDINANCE FOR SEWER SERVICES PROVIDED BY THE SAN DIEGO COUNTY SANITATION DISTRICT; ADOPT PASS-THROUGH ORDINANCE FOR CERTAIN SEWER RATES; AND RELATED CEQA EXEMPTION (2/8/2023 - SET HEARING AND FIRST READING OF ORDINANCE(S); 4/5/2023 - HOLD HEARING AND SECOND READING UNLESS ORDINANCE(S) MODIFIED AT SECOND READING) (4 VOTES)

1. **SUBJECT: NOTICED PUBLIC HEARING:
SET A HEARING TO CONSIDER SEWER RATE ADJUSTMENTS AND
HOLD HEARING TO AMEND DISTRICT FEE ORDINANCE FOR
SEWER SERVICES PROVIDED BY THE SAN DIEGO COUNTY
SANITATION DISTRICT; ADOPT PASS-THROUGH ORDINANCE
FOR CERTAIN SEWER RATES; AND RELATED CEQA EXEMPTION
(2/8/2023 - SET HEARING AND FIRST READING OF ORDINANCE(S);
4/5/2023 - HOLD HEARING AND SECOND READING UNLESS
ORDINANCE(S) MODIFIED AT SECOND READING)
(DISTRICTS: 1, 2 & 4)**

OVERVIEW

On February 8, 2023 (SA01), the Board of Directors of the San Diego County Sanitation District set a Hearing for April 05, 2023.

This is a request for the San Diego County Sanitation District (District) Board of Directors (Board) to select a sewer rate for the District. The sewer rate allows for full cost recovery of providing sewer service operations, maintenance, customer service, emergency response, and funds the Capital Improvement Program (CIP) for sewer infrastructure. In addition, the Board is requested to approve the Fee Ordinances supporting the newly selected fees and charges for the District.

Using cost recovery funding, the District provides sewer service to nearly 37,000 customers in the unincorporated county located in eight service areas including Alpine, Campo, East Otay Mesa, Lakeside, Pine Valley, Spring Valley, and Winter Gardens. The District's priority is to provide a well-maintained sewer system that protects the health and well-being of the community, protects water quality, and the environment. Through the services, the County of San Diego (County) balances environmental, community, and economic interests to enhance the quality of life for residents and visitors in the unincorporated area of San Diego County.

Board Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* directs departments to recover the full cost of services provided to agencies or individuals. Exceptions require specific Board approval. Every five years District staff develop a sewer fee package that is presented to the Board. The last sewer fee package was adopted by the Board on April 12, 2017 (SA01) and included rate increases of approx. 9% each year over a 5-year period that included Fiscal Year (FY) 2017-18 through FY 2021-22. Since that time, the District has continued to provide services to the public at the approved sewer rates, with the last increase ending June 30, 2022.

The three sewer fee options proposed today will also determine the level of funding for the Sanitation District Capital Improvement Projects (CIP). Funding will be used to plan the rehabilitation and replacement of the most critical sewer infrastructure within the District. The fee increase will be per year for five consecutive fiscal years starting in FY 2023-24 and ending in FY 2027-28. A financial assessment in 2022 (Attachment H) was used to develop the proposed fee options. The minimum proposed increase of 5% per year would fund the District's CIP at the current level of \$4 million per year within an 18-year timeframe. The staff-recommended increase of 5.75% per year would increase annual CIP funding to \$5 million

per year within a 15-year timeframe. The highest proposed fee of a 10.25% per year would increase annual CIP spending from \$4 million per year to \$9 million per year, within 8 years. Each proposed fee will allow the District to accelerate the replacement of higher-risk infrastructure while still maintaining sewer rates at or below the regionwide average for sewer rates. If the District does not impose any rate increases today, the District will need to use an average of \$6.6 million in the operation fund reserves each year in order to fund the difference between annual revenues of \$38.4 million and annual operating costs of \$45 million. With no fee increase, the operation fund reserves will be exhausted by FY 2026-27.

The District has also worked to contain costs where possible and has approximately \$1 million per year in savings from streamlining measures and efficiencies. The District has implemented cost savings programs by utilizing property tax roll invoicing to collect annual sewer service charges which guarantees payments, streamlines sewer billing process, and avoids passing administrative billing service costs to sewer customers. The District leverages technology and data-driven programs to efficiently allocate resources such as labor, equipment, and materials to operate and maintain the sewer system. Without these efficiencies, sewer fees would have needed to generate an additional \$1 million per year.

In addition to today's sewer rate adjustment, the District is recommending the approval of adjusted sewer capacity and annexation fees. The sewer capacity fee is collected prior to issuing building permits for all new or expanded connections to the sewer system. The last adjustment to these fees was adopted in FY 2008-09. The annexation fee is collected prior to building permit issuance for parcels that have been approved by the Board of Supervisors and the San Diego Local Agency Formation Commission to be annexed to the District. The proposed annexation fee is a uniform fee based on the value of the District's wastewater collection system.

Lastly, the District is recommending the approval of a pass-through ordinance for wholesale wastewater treatment charges. This ordinance reduces the administrative costs associated with potential increases in wholesale charges for wastewater treatment from the City of San Diego (City) for use of the Metropolitan Wastewater System (Metro), which is set independently by the City. The proposed pass-through ordinance is limited by State law to a term of five years, so it would cover the same period as the District rate increase recommended as part of today's actions.

Today's request is for the Board to introduce the Sanitation Fee Ordinance with a sewer rate adjustment at a percentage to be determined by the Board and Pass-Through Ordinance; set a public hearing for April 5, 2023, regarding the adoption of fees and receive any written protests in compliance with Proposition 218, followed by the adoption of the sewer rate adjustment fees at a percentage to be determined by the Board on April 5, 2023. The ordinance(s) will be introduced on February 8, 2023, and, if approved, will be scheduled for adoption on April 5, 2023. If the proposed ordinance(s) is altered on April 5, 2023, then on that date a subsequent meeting will be selected for the ordinance(s) adoption. Upon completion of the recommended actions, the Clerk of the Board shall file a certified copy of the adopted ordinances.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Conduct a public hearing to receive written protests from property owners affected by the proposed sewer rate increase and verify the number of protests received from property owners within the District.
2. Upon Clerk's verification that any written protests received represent less than half of the 36,715 property owners within the District, submit for consideration and adoption (second reading) the Ordinance entitled: SAN DIEGO COUNTY SANITATION DISTRICT FEES AND CHARGES FOR THE PROVISION OF SEWER SERVICE.
(4 VOTES)
3. Upon Clerk's verification that any written protests received represent less than half of the 36,715 property owners within the District, submit for consideration and adoption (second reading) the Ordinance entitled: AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY SANITATION DISTRICT AUTHORIZING PASS-THROUGH OF INCREASES IN CERTAIN SEWER RATES.
(4 VOTES)

EQUITY IMPACT STATEMENT

The San Diego County Sanitation District (District) strives to preserve, enhance, and promote quality of life and environmental resources for the District through the implementation of programs and projects that improve regional community health and environmental quality, while simultaneously complying with mandatory federal and State regulations governing sewer discharges. The District evaluated the Healthy Places Index (HPI) of each sewer service area to help prioritize projects; Alpine - 64.3 percentile, Campo - 15.6 percentile; East Otay Mesa - 26.7 percentile; Julian - 12.9 percentile, Pine Valley 55.6 percentile; Spring Valley - 56.4 percentile, Lakeside - 48.5 percentile, and Winter Gardens - 48.5 percentile. The HPI combines 25 community characteristics, like access to health care, housing, education, and more, into a single indexed HPI score. The healthier a community, the higher the HPI score. In addition, the District evaluated the average Cal EnviroScreen 4.0 percentile score of each sewer service areas; Alpine - 10, Campo - 63; East Otay Mesa - 57; Julian - 22, Pine Valley - 13; Spring Valley - 36; Lakeside - 31, and Winter Gardens - 38, which represents the potential exposures to pollutants and adverse environmental conditions caused by pollution. A higher score represents a California community that is disproportionately burdened by multiple sources of pollution. The services, maintenance, and infrastructure enhancements realized from the revenues generated by approved fee ordinances will benefit the District's communities by reducing the risk of sewage spills and adverse impacts on water quality.

SUSTAINABILITY IMPACT STATEMENT

Implementation of an ordinance amending the San Diego County Sanitation District sewer rates has social, health and well-being, and environmental sustainability benefits. The initiative will provide for essential sewer system operation, maintenance, and capital improvement, which contribute to the County's sustainability goal of providing just and equitable access to County services. A well-maintained sewer system will protect the health and well-being of everyone in the region and protect water quality, which are both County sustainability goals. This initiative would help create a healthy, strong, and resilient community.

FISCAL IMPACT

The current annual revenue is approximately \$38.4 million, with Sanitation District expenses approximately at \$45.0 million. Fund balance reserves of \$6.6 million was used to balance the budget. The proposed fee increase will be per year for five consecutive fiscal years starting in FY 2023-24 and ending in FY 2027-28 and will ensure full cost recovery of annual O&M expenses.

If the Board adopts recommendation 2A for a 5% increase, fee adjustments would increase District Sewer Service Charge revenue by \$1.41 million in Fiscal Year (FY) 2023-24. At the end of the five-year rate adjustment period in FY 2027-28, annual District Sewer Service Charge revenue would be \$46.28 million, which is \$7.88 million more than the current revenue. This fee increase would maintain the current level of approximately \$4 million in annual capital improvement funding within an 18-year timeframe. The new revenue level achieved in the next five fiscal years will be sufficient to fund the cost of operation and maintenance, capital projects, and provide adequate operational and capital reserves to meet State guidelines. There will be no change in net General Fund cost and no additional staff years.

If the Board adopts recommendation 2B for a 5.75% increase, fee adjustments would increase District Sewer Service Charge revenue by \$1.62 million in Fiscal Year (FY) 2023-24. At the end of the five-year rate adjustment period in FY 2027-28, annual District Sewer Service Charge revenue would be \$47.6 million, which is \$9.20 million more than the current revenue. This fee would increase the annual capital improvement funding from \$4 million to approximately \$5 million per year within a 15-year timeframe. The new revenue level achieved in the next five fiscal years will be sufficient to fund the estimated cost of operation and maintenance, an increased level of capital projects, and provide adequate operational and capital reserves to meet State guidelines. There will be no change in net General Fund cost and no additional staff years.

If the Board adopts recommendation 2C for a 10.25% increase, fee adjustments would increase District Sewer Service Charge revenue by \$2.88 million in Fiscal Year (FY) 2023-24. At the end of the five-year rate adjustment period in FY 2027-28, annual District Sewer Service Charge revenue would be \$56.33 million, which is \$17.93 million more than the current revenue. This fee would increase the annual capital improvement funding from \$4 million to approximately \$9 million within an 8-year timeframe. The new revenue level achieved in the next five fiscal years will be sufficient to fund the estimated cost of operation and maintenance, an increased level of capital projects, and provide adequate operational and capital reserves to meet State guidelines. There will be no change in net General Fund cost and no additional staff years.

If the District does not impose any rate increases today, the District will need to use an average of \$6.6 million in the operation fund reserves each year in order to fund the difference between annual revenues of \$38.4 million and annual operating costs of \$45 million. With no fee increase, the operation fund reserves will be exhausted by FY 2026-27.

BUSINESS IMPACT STATEMENT

These recommendations would enable the San Diego County Sanitation District to maintain high quality services. These services enhance the livability of communities and ensure the health and safety of residents by facilitating a resilient sewer system. If approved, a sewer rate increase will support future County construction contracts that are competitively and publicly bid and help stimulate the local economy by creating primarily construction-related employment opportunities. All workers employed on public works projects must be paid prevailing wages determined by the California Department of Industrial Relations, according to the type of work and location of the project. The prevailing wage rates are usually based on rates specified in collective bargaining agreements.

ACTION:

ON MOTION of Director Anderson, seconded by Director Desmond, the Board of Directors of the San Diego County Sanitation District closed the Hearing and took the following actions:

1. Conducted a public hearing to receive written protests from property owners affected by the proposed sewer rate increase and verified that a majority protest was not received from property owners within the District.
2. Continued this item to May 3, 2023, to further consider and adopt recommendations 2 and 3.

AYES: Vargas, Anderson, Desmond

ABSENT: Lawson-Remer, Fletcher

There being no further business, the Board of Directors of the San Diego County Sanitation District adjourned at 10:42 a.m.

ANDREW POTTER
Clerk of the Board of Directors
of Sanitation District

Notes By: Perez

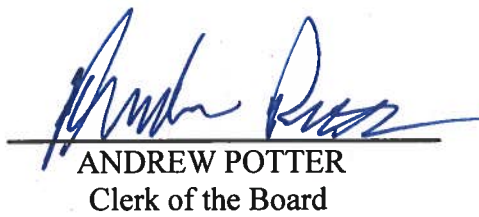
NOTE: This Statement of Proceedings sets forth all actions taken by the County of San Diego Board of Directors of the Sanitation District on the matters stated, but not necessarily the chronological sequence in which the matters were taken up.

Approved by the Board of Directors, on Wednesday, May 03, 2023.



NORA VARGAS
Chair

Attest:



ANDREW POTTER
Clerk of the Board