

April 12, 2017

STATEMENT OF PROCEEDINGS

The Minutes of the

***SANITATION DISTRICT
REGULAR MEETING***

COUNTY OF SAN DIEGO

STATEMENT OF PROCEEDINGS
SAN DIEGO COUNTY SANITATION DISTRICT
REGULAR MEETING
MEETING AGENDA
WEDNESDAY, APRIL 12, 2017, 9:00 A.M.
BOARD OF SUPERVISORS NORTH CHAMBER
1600 PACIFIC HIGHWAY, ROOM 310, SAN DIEGO, CALIFORNIA

MORNING SESSION: Meeting was called to order at 9:04 a.m.

PRESENT: Directors Dianne Jacob, Chairwoman; Kristin Gaspar, Vice Chairwoman; Greg Cox; Bill Horn; also David Hall, Clerk of the Board.

ABSENT: Director Ron Roberts.

Approval of the Statement of Proceedings/Minutes for the meetings of February 15, 2017 and March 22, 2017.

ACTION:

ON MOTION of Director Horn, seconded by Director Cox, the Board of Directors of the San Diego Sanitation District approved the Statement of Proceedings/Minutes for the meetings of February 15, 2017 and March 22, 2017, on Consent.

AYES: Cox, Jacob, Gaspar, Horn

ABSENT: Roberts

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.

Sanitation District Agenda Items

Agenda # Subject

1. 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; AND ADOPT PASS-THROUGH ORDINANCE FOR CERTAIN SEWER RATES (2/15/2017 – SET HEARING; 4/12/2017 – HOLD HEARING)
 (4 VOTES)

**SA1. 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; AND ADOPT PASS-THROUGH ORDINANCE
FOR CERTAIN SEWER RATES (2/15/2017 – SET HEARING;
4/12/2017 – HOLD HEARING) (DISTRICTS: 1 & 2)**

OVERVIEW:

On February 15, 2017 (SA1), the Board of Directors set a Hearing for April 12, 2017.

The San Diego County Sanitation District (District) provides wastewater service to nearly 36,000 parcels in the unincorporated county located in eight service areas including Spring Valley, Lakeside, Winter Gardens, Alpine, Campo, and East Otay Mesa. The District operates and maintains an extensive sewer network of over 420 miles of pipelines and pump stations, as well as three local wastewater treatment plants. In addition to a robust preventative maintenance program, District staff conduct on-going system-wide asset inspections and manage a long-term capital rehabilitation and replacement program to ensure the continued operating integrity of the system. Field crews are on call 24 hours a day, 7 days a week to respond to emergencies and ensure protection of public health, property and the environment.

To fund operations and capital improvements, the District relies on revenue from sewer service charges collected from its customers. Total revenue must be sufficient to ensure proper operation and maintenance and to provide safe, adequate wastewater service to its customers. This requires that the District periodically review its fee structure and conduct a financial analysis to measure whether revenue projections are sufficient to cover the anticipated costs of operating the wastewater system. The District recently completed such an analysis of the required anticipated costs, which identified additional revenue requirements over the next five years. The analysis took into consideration the differing costs of providing treatment and disposal to various types of non-residential customers, such as restaurants and car washes, to ensure that charges were proportionately and fairly distributed as required by California law.

The financial analysis concluded that current wastewater service charges, which were last adjusted in 2011, will not be sufficient to meet the increasing cost of District operating and capital expenses over the next five years. Further, at current rates, reserve funds will fall below levels required by state guidelines and Board Policy I-99: Expenditure and Use of Revenue for Replacement and Improvement of Sanitation District Facilities. Based on this analysis, an increase in sewer service charges of nine percent per year, over the next five years is recommended. If approved, beginning July 1, 2017, monthly residential rates would increase from \$28.00 to \$30.52 during the first year, and at the end of five years the monthly rate would be \$43.08, which is below the average charged by other jurisdictions within the San Diego region.

To assist the District in reducing administrative costs associated with potential increases in wholesale charges for sewage treatment from the City of San Diego for use of the Metropolitan Wastewater System (Metro), which are set by the City, staff is also recommending the adoption of a pass-through ordinance. Adoption of the proposed pass-through ordinance would enable the District to increase sewer service charges by the amount of future cost increases imposed by the City for operation of the Metro system in a more efficient way. The proposed pass-through ordinance is limited by state law to a term of five years so it would cover the same period of time as the rate increase recommended as part of today's actions.

In addition, staff is recommending that delegations of authority be provided to allow County staff working on behalf of the District to acquire or dispose of interests in property, enter into public works, goods and services contracts, and contract on an emergency basis subject to the same limitations that currently apply to the County. Since County staff serves as staff for the District, it is efficient to allow for the performance of District functions under the same circumstances as are applicable to the County.

FISCAL IMPACT:

The recommended fee adjustments would increase District Sewer Service Charge revenue by \$1.6 million in Fiscal Year (FY) 2017-18. At the end of the five year rate adjustment period in FY 2021-22, annual District Sewer Service Charge revenue would be \$10.0 million more than at present. The new revenue level achieved in FY 2021-22 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.

BUSINESS IMPACT STATEMENT:

If an increase in sewer service charges is approved following the April 12, 2017 public hearing, then during the first year (FY 2017-18) local businesses' sewer fees would increase between 2.5% and 9.0% depending on the type of business and sanitary flow characteristics. During the second through fifth years (FY 2018-19 through FY 2021-22) all businesses would experience an across-the-board 9.0% increase each year. Additional information is provided in the Proposed Sewer Service Charge Adjustment section below.

RECOMMENDATION:

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 35,976 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 35,976 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)**

ACTION:

Noting for the record that the Clerk reported a total of 94 protests received, which is less than half of the 35,976 property owners within the district; ON MOTION of Director Jacob, seconded by Director Cox, the Board of Directors of the Sanitation District closed the Hearing and took action as recommended, adopting Ordinance No. 10475 (N.S.), entitled: SAN DIEGO COUNTY SANITATION DISTRICT FEES AND CHARGES FOR THE PROVISION OF SEWER SERVICE; and Ordinance No. 10476 (N.S.), entitled: AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY SANITATION DISTRICT AUTHORIZING PASS-THROUGH OF INCREASES IN CERTAIN SEWER RATES; and directed the Chief Administrative Officer to review the rates of apartment units versus single-family units and report back to the Board.

AYES: Cox, Jacob, Gaspar, Horn

ABSENT: Roberts

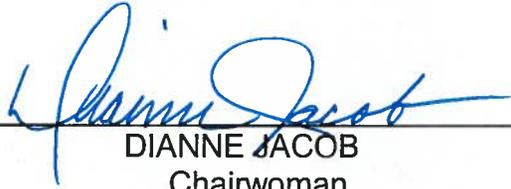
There being no further business, the Board of Directors of the San Diego County Sanitation District adjourned at 10:04 a.m.

DAVID HALL
Clerk of the Board of Directors
of Sanitation District

Notes By: Miller

NOTE: This Statement of Proceedings sets forth all actions taken by the County of San Diego Board Directors of 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 Tuesday May 02, 2017.



DIANNE JACOB
Chairwoman

Attest:



DAVID HALL
Clerk of the Board