Purpose

This policy defines the financial planning and budgeting requirements to provide funding for replacement and improvement of sanitary sewerage systems and facilities within the San Diego County Sanitation District ("District").

Definitions

For the purpose of this policy the following are defined:

1. Capital facilities or assets are wastewater treatment plants, pumping stations, force mains, meter stations, interceptors and trunk systems.

2. Capital facility replacement means replacement of facilities with a like capacity or "in- kind" facility.

3. Capital facility improvement means replacement, upgrade or construction of facilities to provide capacity consistent with General Plan requirements for population growth and distribution.

Background

The District is financed primarily through sewer service charges. Additional funds may be obtained through grants, assessments, bonds, developer contributions, and/or loans.

Routine replacement or repair of sewerage systems and facilities is funded by annual sewer service charges (SSC). Replacement of facilities is usually required when facilities reach the end of their useful life. For major facilities, useful life ranges from 25 to 60 years. Sewerage systems and facilities may also be replaced in the event of catastrophic failures.

It is common industry practice that users of a sewer facility fund a capital replacement reserve. An appropriate way to do this is through setting aside a portion of the annual SSC so that funds are available for replacement projects when required. Likewise, new user capacity fees, developer contributions, assessments, and bonds fund construction of new facilities or improve existing facilities to increase capacity.

In some instances, improvements for required additional capacity and replacement due to obsolescence or end of useful life may occur concurrently. In such cases, it is appropriate that costs be shared by both existing and future users. However, every effort must be made to ensure existing users are not required to fund facilities for system expansion.

The District periodically prepares a Facility Master Plan Update that evaluates the condition of the sewerage system and assesses the capacity of facilities, accounting for planned growth, changes in regulatory requirements, and analysis of inflow and infiltration to the system. The Master Plan identifies a long-range capital improvement plan and associated financial plan to address existing and projected system deficiencies and serves as the basis for setting sewer service charges and development-related fees.

Policy

It is the policy of the Board of Supervisors, acting as the Board of Directors of the San Diego County Sanitation District that:

1. The District shall prepare a five-year Capital Improvement Program, which documents the District's replacement and improvement plans for major capital facilities. The plan shall be updated annually. Project costs shall be segregated as to replacement or capital improvement.

2. The District shall maintain separate accounting for replacement and improvement reserves. Funds shall be placed in a single operational reserve account (Fund Balance).

3. The Fund Balance shall be utilized as an operational reserve. At a minimum, operational reserve balances shall:

    - Provide for all emergency replacements that can reasonably be anticipated; and
    - Provide for funding 50% of the annual operations budget

4. Existing users of the District's sewerage system shall provide funds for future replacement or rehabilitation of all system facilities. Funds for replacement shall be obtained from annual sewer service charges or the District's operational reserve account. If funds are available, the annual contribution to the reserve account shall be based on the uniform annual payment required to fully fund anticipated major replacements in the five-year Capital Improvement Program.

5. New users shall provide funds for improvement of facilities or for new facilities. The connection fee charged new users per equivalent dwelling unit shall be reviewed annually to ensure that the fee is sufficient to provide for the cost of additional capacity required to serve the new users. The fee for capacity shall include treatment plant capacity, either purchased from the City of San Diego Metropolitan Wastewater Department (METRO), or capacity constructed at the District-operated treatment

plants, plus collection and transmission system capacity. The cost of the capacity may be estimated for future facilities or may be based on actual costs (adjusted for inflation) of existing facilities.

6. Funds for improvements to provide capacity for future growth or development shall be obtained from the following sources: District connection fees, special connection fees, annexation fees, developer contributions, sale of property, bonds and miscellaneous sources, such as interest, special charges, etc. These funds shall be placed in the District's operational reserve and/or used to fund capital improvement projects.

7. The future cost for replacing or improving facilities shall be computed using an inflation rate projected from previous inflation rates determined from the Engineering News Record Construction Cost Index.

8. An expected useful life span shall be established for each facility based on engineering or industry standards and the District's experience.

Sunset Date

This policy will be reviewed for continuance by 12-31-27.

Board Action

08-03-83 (28)
10-17-89 (54)
04-14-99 (11)
06-22-05 (21)
12-09-08 (33)
12-04-13 (13 and SA03)
11-18-2020 (6)

CAO Reference

1. Department of Public Works