



ADMINISTRATION COMMITTEE

Administration Building
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Agenda Report

File #: 2023-2806

Agenda Date: 2/22/2023

Agenda Item No: 22.

FROM: Robert Thompson, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

SUBJECT:

PROPOSED ORDINANCE ADOPTING REGIONAL SEWER SERVICE CHARGES

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

- A. Motion to read Ordinance No. OC SAN-58 by title only and waive reading of said entire Ordinance;
- B. Introduce Ordinance No. OC SAN-58 entitled, "An Ordinance of the Board of Directors of Orange County Sanitation District Adopting Regional Sewer Service Charges and Repealing Ordinance No. OCSD-49"; and
- C. Set March 22, 2023 as the date of the Public Hearing to hear protests and for the second reading of the Ordinance No. OC SAN-58.

BACKGROUND

The Orange County Sanitation District's (OC San) current five-year sewer fee rate schedule expires at the end of the current fiscal year. OC San engaged HDR Engineering, Inc., an engineering consulting firm, to provide an independent analysis of OC San's cash flow modeling and a comprehensive cost of service study to ensure the appropriate allocation of costs and fees. This study has been completed and received and filed by the Board in December of 2022, and demonstrates that OC San's proposed fees are appropriate and reasonable and will support projected capital and operating requirements. Based upon the Study, the Facilities Master Plan, forecasted operating expenses, and cash flow modeling, staff recommends annual increases on average of 3.5%. It is anticipated that this increase will be less than average inflation rates and will support OC San's programs while maintaining appropriate reserves levels.

The proposed five-year rate schedule provides for equitable and proportionate distribution for the cost of service of operating OC San's wastewater system:

<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
\$358	\$371	\$384	\$397	\$411

RELEVANT STANDARDS

- Stable rates, no large unforeseen rate increases

PROBLEM

OC San's Board of Directors approved a five-year rate schedule which expires at the end of the current fiscal year.

PROPOSED SOLUTION

Adopt an Ordinance with the new proposed five-year rate schedule based on the 2022 rate study completed by HDR Engineering, Inc.

TIMING CONCERNS

February 3, 2023 - Notifications Mailed

February 22, 2023 - First Reading of the Ordinance

March 22, 2023 - Public Hearing, Second Reading, and Adoption of the Ordinance

July 1, 2023 - Ordinance takes effect

RAMIFICATIONS OF NOT TAKING ACTION

Existing sewer service fees will be insufficient to support OC San's operating expenses and new facilities included in the Facilities Master Plan.

PRIOR COMMITTEE/BOARD ACTIONS

December 2022 - Receive and file the Orange County Sanitation District's 2022 Wastewater Rates, Fees, and Charges Study completed by HDR Engineering, Inc.

March 2018 - Adopted Ordinance No. OCSD-49.

December 2017 - Adopted the 2017 Facilities Master Plan as OC San's New Master Plan for Future Capital Planning.

ADDITIONAL INFORMATION

Based on the results of the rate study completed by HDR Engineering, Inc., OC San staff is in the process of recommending a five-year revenue program which includes an increase on average of 3.5% annually for the next five years.

Rate Development Schedule

- 1) June 2022 - Board Meeting - Budget and 10-year Cashflow Approval
- 2) May 2022 - November 2022 - Development of the Independent Rate Study
- 3) December 2022 - Administration Committee - Rate Study Review and Approval
- 4) December 2022 - Board Meeting - Independent Rate Study Review and Approval

- 5) December 2022 - Board Meeting - Approval to issue Proposition 218 Notices
- 6) February 2023 - Proposition 218 Notice Mailed
- 7) February 2023 - Administration Committee - Introduce Rate Ordinances -Budget Assumptions for 2023-24
- 8) February 2023 - Board Meeting - Rate Ordinances - First Reading
- 9) March 2023 - Board Meeting - Rate Ordinances - Second Reading - Adoption

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Ordinance No. OC SAN-58 (Redlined)
- Ordinance No. OC SAN-58 (Clean)
- Cost Saving Measures Memorandum