

June 2, 2021

Ms. Angela Brandt
Orange County Sanitation District
10844 Ellis Avenue
Fountain Valley, CA 92708

Subject: Summary of Findings and Recommendations for OCSD Capital Facilities Capacity Charge for Accessory Dwelling Units

Dear Ms. Brandt:

Orange County Sanitation District (District or OCSD) retained Carollo Engineers, Inc. (Carollo) to review its Capital Facilities Capacity Charge (CFCC) for accessory dwelling units (ADU) in response to recent legislation governing impact fees on these housing units. Senate Bill 13 and Assembly Bills 68 and 881 outlined standards for special districts that charge impact fees for new developments, including ADUs, which would apply to the District’s CFCC.

Carollo performed the District’s independent rate and charge study for the District in 2017 (2017 Study), updating the CFCC at that time. Carollo’s primary goal in this letter is to summarize its analysis and provide recommendations for adjusting OCSD’s CFCC to meet both legal guidance received to date as well as cost allocations established for the CFCC during the 2017 Study. This letter is not intended to provide legal guidance and does not offer any assurances of compliance.

Assessment of the Existing CFCC under New Regulatory Framework

Current CFCC

The District uses an equivalent dwelling unit (EDU) approach for CFCC. The EDU approach takes new applications for sewer service and measures the projected demand for capacity relative to a 3-bedroom SFR household. This provides a common unit of measurement for all classes of customers.

Residential CFCC

OCSD’s current residential CFCC is calculated based on density and bedroom count. Single family residential (SFR), multi-family residential (MFR), and studios are charged different rates due to the different typical occupancy rates for each. The current rates as of July 1, 2020, are shown in Table 1. Prior to mid-2020, ADUs were charged the 1-bedroom rate for SFR of \$3,083.

Table 1 Current Residential CFCC

Bedrooms	SFR	MFR	Studios
5+ bedrooms	\$6,912	-	-
4 bedrooms (or greater for MFR)	\$5,918	\$5,371	-
3 bedrooms	\$4,973	\$4,426	-
2 bedrooms	\$4,029	\$3,482	-
1 bedroom	\$3,083	\$2,486	\$1,591

Non-Residential CFCC

OCSD’s current non-residential CFCC is calculated based on square footage and estimated flow. There are three categories of flow to reflect the varied levels and strengths of sewer discharge from different non-residential users. The current rates as of July 1, 2020, are shown in Table 2.

Table 2 Current Non-Residential CFCC

Use Category	CFCC per 1,000 sq. ft.
Low Demand	\$335
Average Demand	\$2,082
High Demand	\$4,947

Alignment with New Regulatory Framework

The recently passed legislation stipulates that ADUs built outside an existing SFR dwelling (i.e., new detached ADUs and conversion of spaces in multi-family buildings) may be charged a fee that is proportional to the burden of the unit based on square footage.

The calculation of the District’s CFCC for both residential and non-residential units are based on the same common EDU approach, where a 3-bedroom single family home is equal to one EDU. Costs were originally allocated to the two different fees in line with how many EDUs residential and non-residential classes have. They are assessed on different bases because of the available data, with residential units charged based on bedrooms and non-residential units charged based on square footage. Based on this approach, a residential unit and non-residential with the same wastewater needs would be assessed approximately the same CFCC amount.

Updated CFCC for ADU

Carollo recommends that OCSD adjust its CFCC structure to best align with this new legislation while still recovering costs associated with new service connections. Carollo is providing the following recommendations:

- No changes are recommended for the existing SFR, MFR, or Studio rates.
- For new ADUs, it is recommended that the CFCC be based on the non-residential average demand rate multiplied by the ADU square footage.

This approach is expected to provide a reasonable assessment of the capacity costs associated with a new ADU connection.

Because the OCSD CFCC was calculated in the 2017 Study using an EDU approach, this adjustment is projected to remain in line with the cost and revenue allocation outlined in the 2017 Study.

It is also recommended that the District look specifically at a ADU CFCC during its next rate update.

Carollo appreciates the opportunity to continue providing the District with rate and fee consulting services. If you have any questions about the guidance contained in this letter or any of the assumptions or inputs that were used in this analysis, please do not hesitate to contact us. Thank you.

Sincerely,

CAROLLO ENGINEERS, INC.



Jennifer Ivey
Project Manager, Vice President