



STEERING COMMITTEE

Agenda Report

Headquarters
18480 Bandilier Circle
Fountain Valley, CA 92708
(714) 593-7433

File #: 2026-4995

Agenda Date: 6/24/2026

Agenda Item No: 22.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

AGREEMENT WITH IRVINE RANCH WATER DISTRICT FOR THE COLLECTION OF REGIONAL TREATMENT FEES FOR FISCAL YEAR 2026-27

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve and authorize the General Manager to execute the Implementation Agreement between Orange County Sanitation District and Irvine Ranch Water District, in a form approved by General Counsel.

BACKGROUND

In November 2025, the Board of Directors approved the Flow Exchange Agreement between Orange County Sanitation District (OC San) and Irvine Ranch Water District (IRWD). This agreement simplified existing arrangements under the guiding principle for wastewater to flow by gravity to existing facilities for treatment.

OC San has two revenue areas - Consolidated Revenue Area (CRA) and Revenue Area 14 (RA14). The Flow Exchange Agreement updated the revenue area boundary so that customers whose wastewater flows by gravity to OC San are in the CRA and customers whose wastewater flows by gravity to IRWD are in RA14. This boundary change goes into effect on July 1, 2026, and customers in each revenue area will continue to pay regional transmission and wastewater treatment fees to the associated agency thereafter.

Those customers that shifted to CRA were not part of OC San's previous Proposition 218 process; therefore, OC San cannot assess its current service fees to these customers until a new Proposition 218 process is complete and adopted with a planned effective date of July 1, 2027.

RELEVANT STANDARDS

- Maintain collaborative and cooperative relationships with regulators, stakeholders, and neighboring communities
- Maintain a culture of improving efficiency to reduce the cost to provide the current service level or standard

PROBLEM

Customers that transferred from RA14 to CRA of OC San cannot be assessed its sewer service fees by OC San until a new rate setting and Proposition 218 process has been completed and adopted. OC San assesses fees differently than IRWD and does not have a good way to assess these customers their current fees.

PROPOSED SOLUTION

Approve the Implementation Agreement to allow IRWD to continue collection of regional transmission and wastewater treatment fees from customers that transferred from RA14 to CRA and remit the revenue to OC San.

TIMING CONCERNS

The Implementation Agreement needs to be in place before July 1, 2026, to ensure continued collection of regional transmission and wastewater treatment fees to customers within the transfer areas.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will not be able to collect revenue from the customers within the transfer area until the new Proposition 218 process has been completed and is adopted.

PRIOR COMMITTEE/BOARD ACTIONS

November 2025 - Approved and authorized the General Manager to execute the Flow Exchange Agreement between Orange County Sanitation District and Irvine Ranch Water District, in a form approved by General Counsel; and Approved and authorized the General Manager to execute the GAP Flows Agreement between Orange County Sanitation District, Irvine Ranch Water District, and Orange County Water District, for a term of 20 years, in a form approved by General Counsel.

ADDITIONAL INFORMATION

The proposed Implementation Agreement allows for IRWD to continue to collect current regional wastewater transmission, treatment, and disposal fees from customers within the agreement transfer areas and remit the revenue on behalf of OC San for Fiscal Year 2026-27. IRWD will retain five percent of the revenue for administrative costs and remit the remainder to OC San.

CEQA

N/A

FINANCIAL CONSIDERATIONS

If the Implementation Agreement is not approved, OC San will forego potential revenue from the new direct customer base.

ATTACHMENT

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

- Implementation Agreement