



ADMINISTRATION COMMITTEE

Agenda Report

Administration Building
10844 Ellis Avenue
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File #: 2023-2734

Agenda Date: 2/8/2023

Agenda Item No: 6.

FROM: James D. Herberg, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

SUBJECT:

PROPOSED ORDINANCE ADOPTING CAPITAL FACILITIES CAPACITY CHARGES

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Motion to read Ordinance No. OC SAN-XX by title only and waive reading of said entire Ordinance;
- B. Introduce Ordinance No. OC SAN-XX entitled, "An Ordinance of the Board of the Orange County Sanitation District Adopting Capital Facilities Capacity Charges, and Repealing Ordinance No. OCSD-57"; and
- C. Set March 22, 2023 as the date of the Public Hearing to hear protests and for the second reading of Ordinance No. OC SAN-XX.

BACKGROUND

The Capital Facilities Capacity Charge (CFCC) is a one-time, non-discriminatory charge imposed at the time a building or structure is newly connected to Orange County Sanitation District's (OC San) system, or an existing structure is expanded or increased. This charge is to pay a portion of the capacity costs and for access to capacity in the system. Based upon the rate study conducted by HDR Engineering, Inc., the Facilities Master Plan, forecasted operating expenses, and cash flow modeling, staff recommends the 3-bedroom base rate for the residential CFCC remain unchanged for Fiscal Year (FY) 2023-24 at \$5,719 and will adjust by the Engineering News Record Construction Cost Index each year thereafter.

The non-residential CFCC schedule for FY 2023-24 will decrease by 33% and will adjust by the Engineering News Record Construction Cost Index each year thereafter.

<u>Use Category</u>	<u>FY 2023-24*</u>
Low Demand	\$ 242
Average Demand	\$1,485
High Demand	\$3,521

*per thousand square feet

The Supplemental Capital Facilities Capacity Charges (SCFCC) are fees to Industrial Permittees that exceed their annual baselines for Flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS). Flow and BOD will adjust by the Engineering News Record Construction Cost Index each year after FY 2023-24. The schedule for TSS is below.

	<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>
FLOW	\$0.002140	ENR	ENR	ENR	ENR
BOD	\$0.500630	ENR	ENR	ENR	ENR
TSS	\$0.303640	\$0.336440	\$0.369240	\$0.402040	\$0.434930

FLOW - Gallons Per Day

BOD - Pounds Per Day

TSS - Pounds Per Day

RELEVANT STANDARDS

- Stable rates, no large unforeseen rate increases

PROBLEM

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

PROPOSED SOLUTION

Adopt an Ordinance with updated fee schedules based upon the 2022 Rate Study performed by HDR Engineering, Inc. and received and filed by the Board in December 2022.

TIMING CONCERNS

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

Revenues will be insufficient to support the Facilities Master Plan adopted in December 2017.

PRIOR COMMITTEE/BOARD ACTIONS

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

July 2021 - Adopted Ordinance No. OCSD-57.

December 2017 - Approved the 2017 Facilities Master Plan and Rate Study.

ADDITIONAL INFORMATION

To ensure the appropriate allocation of costs and fees, OC San engaged an engineering consulting firm, HDR Engineering, Inc., to provide an independent analysis of OC San's cash flow modeling and a cost of service study. The study demonstrates that OC San's proposed fees are appropriate and reasonable and will support its projected capital and operating requirements.

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-XX (Redlined)
- Ordinance No. OC SAN-XX (Clean)