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File #: 2026-4775 **Agenda Date:** 1/28/2026 **Agenda Item No:** 7.

FROM: Robert Thompson, General Manager
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SUBJECT:

COMPENSATION TO GOVERNMENT ENTITIES AS A RESULT OF THE ORANGE COUNTY SANITATION DISTRICT ACQUIRING REAL PROPERTY IN THEIR JURISDICTION

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve a policy which states that Orange County Sanitation District (OC San) should not compensate government entities for potential loss of revenue, including sales tax, property tax or economic opportunity when OC San acquires real property in the entity's jurisdiction.

BACKGROUND

During a recent OC San real property purchase process, the Board discussed whether OC San should be responsible for making up property and sales tax revenue another government entity might forego as a result of OC San acquiring real property for its operations.

The Board tasked staff and the General Counsel to research this issue and report back to the Board. Staff and General Counsel have completed the analysis and determined that OC San is not responsible for, and should not compensate government entities for, loss of revenue, real or estimated. OC San has no obligation or authority to pay the equivalent of private party taxes, real or estimated, to another government entity when acquiring property. OC San is responsible for paying its fair share of the cost of its operations including normal and customary cost recovery fees for cities such as permit fees, connection fees, inspection fees, traffic impact fees, and the like.

RELEVANT STANDARDS

- Protect OC San assets
- Ensure the public's money is wisely spent
- Build brand, trust, and support with policy makers and community leaders

PROBLEM

Currently, OC San does not have a policy regarding compensation to government entities when OC San acquires real property in another government entity's jurisdiction.

PROPOSED SOLUTION

Approve a policy stating OC San does not compensate government entities for real or estimated lost revenue when OC San acquires real property in the government entity's jurisdiction.

TIMING CONCERNS

N/A

RAMIFICATIONS OF NOT TAKING ACTION

The Board will lack clarity regarding potential compensation to government entities should OC San purchase real property in the future. This could result in delays, inconsistencies, and operational impacts.

PRIOR COMMITTEE/BOARD ACTIONS

N/A

ADDITIONAL INFORMATION

OC San is a duly organized County Sanitation District as defined by the California Health and Safety Code, Section 4700. As such OC San has certain rights and responsibilities defined in State statute. OC San has a right to buy and sell property for its necessary operations. It has a right to use public rights-of-way without paying fees or buying additional property rights to the underlying owner (HSC 4759) and it is not subject to property tax levies on its owned property.

All Orange County cities and many Orange County special districts - including OC San -- are impacted by the tax-exempt status of the Federal, State, County, school district, and other regional special districts, together with non-profit uses, which negatively affect property tax revenue. It is inequitable to the ratepayers within OC San's service area that do not live in a particular area where land is acquired to pay for lost future revenue of another city where they are not receiving services.

A similar example of this principle is that OC San did not request any compensation from a city in the OC San service area that recently purchased 2.86 acres of private property to build a new fire station. OC San had received a property tax increment that is now lost.

California law severely limits OC San's ability to tax and charge fees and pay taxes to host agencies not otherwise due. The regulatory requirements placed upon OC San by federal, state, and local governments are driving the need for OC San to expand its property footprint. The ever-increasing clean air and clean water treatment requirements force OC San to increase the treatment works and administrative support footprint to meet the more stringent requirements.

CEQA

N/A

FINANCIAL CONSIDERATIONS

The recommended action will have no fiscal or budgetary impact.

ATTACHMENT

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

N/A