

Agenda Report

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SUBJECT:

PROPOSITION 218 NOTIFICATIONS

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Direct staff to prepare and mail Proposition 218 compliant notifications to affected property owners outlining a five-year regional sewer service fee schedule with annual increases of approximately 3.5 percent for fiscal years 2023-24 through 2027-28; and
- B. Authorize the General Manager to select a service provider for preparing, printing, and mailing the Proposition 218 compliant notifications and execute a Purchase Order for an amount not to exceed \$370,000.

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 presented to the Administration Committee at this meeting as a separate agenda item. Based on this information, 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.

RELEVANT STANDARDS

- Stable rates based on a validated cost structure which minimizes unforeseen rate increases.

PROBLEM

Proposition 218 requires that OC San notify the affected property owners within OC San's service area of proposed rate increases and to conduct a public hearing that coincides with the second reading of the ordinance. Notices must be mailed to property owners 45 days prior to the public hearing.

PROPOSED SOLUTION

With Board approval, a notice of rate changes will be mailed to every affected property owner within OC San's service area. These rates will be scheduled for adoption through the ordinance process that requires a public hearing, two Board meetings, and a 2/3 majority approval of the Board. The estimated cost of mailing will not exceed \$370,000 for approximately 500,000 notifications.

TIMING CONCERNS

Rate approval schedule:

- December 2022: Administration & Operations Committees - Rate Structure presentation
- December 2022: Board Meeting - Approval of Proposition 218 Notices
- February 2023: Proposition 218 45-day notices mailed for Sanitary Sewer Fees
- February 2023: Board Meeting - 1st Reading of the Ordinance
- March 2023: Board Meeting - 2nd Reading of the Ordinance, Public Hearing & Adoption
- July 1, 2023: New rates go into effect

Due to the critical, time-sensitive nature of this procurement, staff recommends proceeding with procurement per Section 1.07.B of OC San's Purchasing Ordinance, and that the Board of Directors delegate to the General Manager the authority to execute a Purchase Order with a service provider to prepare, print, and mail the notices.

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

N/A

ADDITIONAL INFORMATION

The Proposed Annual Single Family Residential Fee Schedule:

Current	\$347
FY 2023-24	\$358
FY 2024-25	\$371
FY 2025-26	\$384
FY 2026-27	\$397
FY 2027-28	\$411

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:

N/A