

# **LAGUNA COUNTY SANITATION DISTRICT**

## **Prudent Planning**

### **SUMMARY**

Since 2010, when the yearly residential charge for sewer service in the Orcutt area by the Laguna County Sanitation District (LCSD) was \$551.47, the sewer service charge has increased by 87 percent to the current 2016 yearly charge of \$963.68. What has driven the 87 percent increase? The Santa Barbara County Grand Jury (Jury) investigated the reasons for the increases. The Jury found that the Sanitation District used prudent planning and that the increased sewer fees were justified.

### **METHODOLOGY**

The Santa Barbara County Grand Jury (Jury) interviewed key members of the Santa Barbara County Public Works Department and visited the LCSD treatment facility. The Jury reviewed consulting reports commissioned by LCSD, as well as its 2011 presentation to the Santa Barbara County Board of Supervisors (BOS) for the plans to upgrade and expand the facility.

### **OBSERVATIONS**

The LCSD was created in 1958 by the Santa Barbara County Local Agency Formation Commission to take over the existing operations of a privately owned sewer and wastewater treatment facility that was then serving the unincorporated areas of Santa Maria not served by another district. LCSD began operation in 1959 and is a dependent special district of Santa Barbara County. It is the largest utility that the Santa Barbara County Public Works Department oversees. LCSD serves approximately 11,700 residential and business customers. It currently collects 2.4 million gallons per day (mgd) of wastewater through a system of 128 miles of pipes, manholes, a lift (pump) station and the wastewater treatment facility. The facility is rated to treat 3.2 mgd of effluent but its permitted capacity is limited to 2.4 mgd by the Regional Water Quality Control Board. This limitation is due to the high salt content of the treated effluent, which is largely attributable to home regenerating water softeners.

In 1997, the Santa Barbara County Planning and Development Department published the Orcutt Community Plan which addressed the assets and challenges faced by this unincorporated portion of the northwest part of the County. One of the challenges that confronted the then 40-year-old LCSD plant was the high salt content of the effluent, which limited the plant's use of its full treatment capacity. The other was that "...theoretical full build out...creates a potential demand of 2.1 mgd above the 2.4 mgd currently treated, thus exceeding the plant's capacity by 1.3 mgd." This limits its ability to serve any additional customers.

## **LAGUNA COUNTY SANITATION DISTRICT**

During the course of its first 50 years of operation, the LCSD made upgrades to its plant and collection system in 1974 and 1986 as well as a minor upgrade in 2001. Between 2001 and 2015, the District engaged three wastewater-consulting firms to help formulate a plan to address the repair or replacement of equipment that was nearing or had passed its useful life expectancy.

In 2001, LCSD hired a consulting firm, Ch2MHILL (CH), which produced a report entitled “Wastewater/Reclamation Treatment Plan Conceptual Master Plan for Build Out to 7 mgd.” This report reevaluated the connection fee (developer capacity impact fee) based on the regulatory compliance upgrade and anticipated future improvements. This report cost \$24,703. In 2006 and 2007, CH produced two reports for the Golden State Water Company Region 1 Headquarters (the purveyor of water to this area). CH later used these two reports as part of a study it did in 2010 for the District.

In 2008, CH produced another report entitled “Feasibility Study of Treated Wastewater Discharge Options.” This report analyzed the costs of various effluent discharge mechanisms (recharging aquifer, discharge to creeks and/or ocean), environmental regulations, permitting and physical capability/limitation factors. The cost of this report was \$98,000.

In 2009, LCSD hired Penfield and Smith to produce another report entitled “Draft Sewer Collection System Master Plan.” This report assessed the existing and future sewer system capacity. The State Water Resources Control Board had established new requirements in 2006. It then became the responsibility of each wastewater agency to know the capacity of its sewer system and how it would be impacted by future development. The cost of this report was \$92,440.

In 2010, CH was hired again and, using the findings of the past studies, produced a report entitled “Wastewater/Reclamation Plant Facilities Financial Master Plan.” The purpose of the study was to “...provide a clear direction for the design and implementation of the next expansion and upgrade to the LCSD’s facility as well as to meet increased regulations.” This report, which cost \$279,260, described a Phase I upgrade (replace existing substandard equipment) and a Phase II expansion of the entire system (future capacity increase). It became the basis for the LCSD’s request to the BOS for approval to move forward with Phase I at an estimated cost of \$34 million.

Between 2011 and 2015, user fees were increased by approximately 11 percent per year in order to better position the district for future borrowing needs. By increasing reserves, it enabled the LCSD to qualify for lower interest rates on future bond issues.

After approval by the BOS in 2011, customers were notified of meetings where they would be informed of the plan to repair and upgrade the facility and how that work was to be funded through a yearly increase in their sewer fees over a five-year period. After this series of public meetings, LCSD management implemented the rate increases that began immediately.

While LCSD was planning to upgrade its facilities, it also studied the feasibility of clean renewable energy. LCSD had methane reactors that were in constant need of expensive repairs and were inefficient and unreliable. Electricity costs were between \$300,000 to \$400,000 per year. In 2010-11, taking advantage of a Federal Clean Energy Program, LCSD installed a one megawatt solar voltaic system. With the solar panels fully functioning, the sale of excess electricity back to the power company has

## **LAGUNA COUNTY SANITATION DISTRICT**

reduced the average annual cost of electricity to between \$30,000 and \$40,000, a 90 percent reduction. This cost savings is due to overproduction of power during the day and subsequent sale of that power back to the grid.

In spite of these cost-cutting measures, the estimated costs of construction, labor and materials had increased substantially from initial estimates. In 2015, LCSD hired another wastewater consulting engineering firm, Carollo, at a cost of \$354,828, to assist the District's management to reconfigure the proposed upgrades. The \$34 million budget and fee increases that the District had originally planned were now inadequate. The components in Phase I of the project that went over budget were rolled over into Phase II as the build out actually takes place. Carollo issued its report, entitled "Phase I Plant Upgrades Project and Project Development Report." It recommended the most comprehensive and cost effective proposal for implementing Phase I. Implementation of the Phase I project will be presented to the BOS in the fall of 2017 for final approval. At that time, the LCSD will be in a good position to finance Phase I at a favorable interest rate.

### **CONCLUSION**

The 2016-17 Santa Barbara County Grand Jury found that the Santa Barbara County Department of Public Works, Laguna County Sanitation District and Santa Barbara County Auditor-Controller carefully planned a comprehensive process to fund system upgrades and replacements with the least financial impact on its customers.

The Jury found that the Laguna County Sanitation District's management exercised comprehensive planning and forward-looking leadership on behalf of its customers.