

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT AND
SACRAMENTO AREA SEWER DISTRICT
MUNICIPAL SERVICE REVIEW



APPROVED ON NOVEMBER 1, 2023

Prepared by *Policy Consulting Associates, LLC*

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ACRONYMS AND DEFINITIONS

AB:	Assembly Bill
ACP:	Asbestos cement pipe
ADWF:	Average dry weather flow
af:	acre-feet
afy:	acre-feet per year
AIPS:	Advanced Integrated Pond Systems
AMP:	Asset Management Plan
BMPs:	Best Management Practices
BOD:	Biochemical Oxygen Demand
BOE:	State Board of Equalization
CAFR:	Comprehensive Annual Financial Report
CCF:	one hundred cubic feet
CCTV:	Closed circuit television
CDFW:	California Department of Fish and Wildlife
CDO:	Cease and Desist Order
CDPH:	California Department of Public Health
CEQA:	California Environmental Quality Act
cfs:	Cubic feet per second
CIP:	Capital Improvement Plan or Program
CKH:	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CPAR:	Corrective or Preventive Actions
CPUC:	California Public Utilities Commission
CSDA:	California Special District Association
CWC:	California Water Code
CY:	Calendar year
DAC:	Disadvantaged Community
DOF:	California Department of Finance
DPR:	direct potable reuse
DUCs:	disadvantaged unincorporated communities
EIR:	Environmental Impact Report

EPA:	U.S. Environmental Protection Agency
ERP:	Emergency Response Plan
FEIR:	Final Environmental Impact Report
FOG:	fats, oil and grease
fps:	feet per second
FTE:	full-time equivalent
FY:	Fiscal year
GIS:	Geographic Information Systems
GM:	General Manger
GMS:	Growth Management System
GP:	General Plan
gpd:	gallons per day
gpm:	gallons per minute
GSA:	Groundwater Sustainability Agency
I/I:	infiltration and inflow
JPA:	Joint Powers Authority or Agency
lf:	linear feet
LAFCo:	Local Agency Formation Commission
MBR:	Membrane bioreactor
MCL:	Maximum Contaminant Level
MFD:	Multi-family dwelling
mg:	millions of gallons
mgd:	Millions of gallons per day
MOUs:	Memorandums of Understanding
MSR:	Municipal Service Review
NA:	Not applicable
NP:	Not provided
NPDES:	National Pollutant Discharge Elimination System
OPEB:	Other Post-Employment Benefits
PDWF:	peak day weather flow
PMWWF:	Peak Maximum Wet Weather Flow
psi:	pounds per square inch

PVC:	polyvinyl chloride
PWWF:	Peak wet weather flow
RCP:	reinforced concrete pipe
RFP:	Request for Proposals
RMS:	Resource Management System
RWQCB:	Regional Water Quality Control Board
SCADA:	Supervisory Control and Data Acquisition
SFD:	Single family dwelling
SGMA:	Sustainable Groundwater Management Act
SOI:	Sphere of influence
SSMP:	Sewer System Management Plan
SSO:	Sanitary Sewer Overflow
SWP:	State Water Project
SWRCB:	State Water Resources Control Board
T&O:	taste and odor
TDS:	Total dissolvable solids
THM:	trihalomethanes
TMDL:	Total maximum daily load
TOC:	Total Organic Carbon
TS:	Time Schedule Order
TSS:	total suspended solids
TTHMs:	total trihalomethanes
USBR:	U.S. Bureau of Reclamation
USDA:	U.S. Department of Agriculture
UV:	Ultraviolet
VCP:	vitriified clay pipe
WLAs:	Waste Load Allocations
WRF:	Water Reclamation Facility
WRR:	water reclamation requirements
WWRF:	Wastewater Reclamation Facility
WWTP:	Wastewater Treatment Plant
ZWF:	Zero Water Footprint

PREFACE

Prepared for the Sacramento Local Agency Formation Commission (LAFCo), this report is a Municipal Services Review (MSR) covering Sacramento Regional County Sanitation District (Regional San) and Sacramento Area Sewer District (SacSewer). An MSR is a state-required comprehensive study of services within a designated geographic area. This MSR focuses on two special districts in Sacramento County that provide wastewater collection and treatment services.

CONTEXT

Sacramento LAFCo is required to prepare this MSR by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000, et seq.), which took effect on January 1, 2001. The MSR examines services provided by Regional San and SacSewer, whose boundaries and governance are subject to LAFCo.

CREDITS

The authors extend their appreciation to those individuals at the two agencies that provided planning and financial information and documents used in this report. The contributors are listed individually at the end of this report.

Sacramento LAFCo staff provided project coordination. This report was prepared by Policy Consulting Associates, LLC and was co-authored by Jennifer Stephenson and Jill Hetland. Jennifer Stephenson served as project manager.

1. EXECUTIVE SUMMARY

This report is a municipal service review (MSR) covering Sacramento Regional County Sanitation District (Regional San) and Sacramento Area Sewer District (SacSewer) prepared for the Sacramento Local Agency Formation Commission (LAFCo). An MSR is a State-required comprehensive study of services provided by special districts or cities. The MSR requirement is codified in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et seq.). This is the first comprehensive MSR for both Districts.

OVERVIEW

Regional San was formed in 1973 through the consolidation of several smaller sanitation districts in Sacramento County. The consolidation was driven by the need to provide more efficient and cost-effective wastewater treatment services to the rapidly growing region. Similarly, SacSewer, formerly known as County Sanitation District 1, was formed in 1978 by the consolidation of four sewer maintenance districts and six county sanitation districts.

Regional San and SacSewer have a symbiotic working structure that capitalizes on significant sharing of resources, such as facilities, personnel, and operational services. Through that structure, many services are provided to the other district.

WASTEWATER SERVICES

The primary function of SacSewer and Regional San is to operate and manage the wastewater collection and treatment system throughout a majority of the urbanized area of Sacramento County. SacSewer is charged with owning, maintaining, operating, and expanding if necessary, the collection system within its boundaries. Wastewater is collected and transmitted into Regional San's interceptor system, then flows to Regional San's EchoWater Resource Recovery Facility (EchoWater Facility), formerly the Sacramento Regional Wastewater Treatment Plant (SRWTP). Regional San's Operations Department operates and maintains the facilities at the Echo Water Facility and recycled water production facilities. The SacSewer Operations Department operates and maintains the interceptor system on behalf of Regional San.

In addition to the core wastewater collection and treatment services, both Districts provide ancillary services aimed at environmental protection, sustainability and innovation, and residential support programs.

Both Districts have established metrics to evaluate their performance annually. Based on these metrics, both Districts appear to provide a high level of services.

FINANCIAL ABILITY TO PROVIDE SERVICES

Regional San and SacSewer have been financially stable and have not increased rates for several years. However, increasing costs in various aspects of their operations, such as labor, chemicals, and electricity costs, as well as capital project expenses, are putting pressure on the Districts to consider rate increases earlier than anticipated to maintain their strong financial position. Both districts were projecting no rate increases until at least FY 27-28 for SacSewer and FY 30-31 for Regional San, but they are now considering rate increases for FY 24-25.

GOVERNANCE STRUCTURE OPTIONS

Regional San and SacSewer are working towards consolidation, with the aim of becoming a single executive and administratively integrated organization. The consolidation would result in greater efficiency, effectiveness, and workforce development opportunities. The proposed reorganized district will be named the Sacramento Area Sewer District and be governed by a 17-member Board with a population-based governance structure consistent with Regional San's existing representation. Fees, rates, revenues, expenses, and financial reserves for collection and treatment will be accounted for separately in Zones of Benefit. Given the level of support for the reorganization within both Districts and by the governing bodies, the well-substantiated recommendation from the Merger Study that enumerated the numerous benefits of the reorganization, and the alignment with one of LAFCo's responsibilities to promote efficiency of services, it is recommended that LAFCo make the appropriate sphere of influence (SOI) changes and consider the proposed reorganization of Regional San and SacSewer.

Regional San and SacSewer submitted an application to LAFCo and were approved to extend sewer services to the unincorporated communities of Franklin and Hood in anticipation of their annexations within one year. The communities rely on septic systems for wastewater disposal, and the aging septic systems in the communities pose a human health risk because of their proximity to nearby potable water wells. Almost all parcels in the two neighborhoods are too small, per Sacramento County ordinances, to accommodate another septic site should their current system fail. In anticipation of annexation, it is recommended that LAFCo amend the SOIs of Regional San and SacSewer to include the two small communities.

2. BACKGROUND

This report is prepared pursuant to legislation enacted in 2000 that requires LAFCo to conduct a comprehensive review of municipal service delivery and update the SOIs of all agencies under LAFCo's jurisdiction. This chapter provides an overview of LAFCo's powers and responsibilities. It discusses legal requirements for preparation of the MSR, and describes the process for MSR review, MSR approval and SOI updates.

LAFCO OVERVIEW

LAFCo regulates, through approval, denial, conditions and modification, boundary changes proposed by public agencies or individuals. It also regulates the extension of public services by cities and special districts outside their boundaries. LAFCo is empowered to initiate updates to the SOIs and proposals involving the dissolution or consolidation of special districts, mergers, establishment of subsidiary districts, and any reorganization including such actions. Otherwise, LAFCo actions must originate as petitions or resolutions from affected voters, landowners, cities or districts.

MUNICIPAL SERVICES REVIEW LEGISLATION

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo review and update SOIs every five years, or as necessary, and to review municipal services before updating SOIs. The requirement for service reviews arises from the identified need for a more coordinated and efficient public service structure to support California's anticipated growth. The service review provides LAFCo with a tool to study existing and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently. Government Code §56430 requires LAFCo to conduct a review of municipal services provided in the county by region, sub-region or other designated geographic area, or by type of service, as appropriate, for the service or services to be reviewed, and prepare a written statement of determination with respect to each of the following topics:

- Growth and population projections for the affected area;
- The location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to the SOI;

- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies (including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any DUCs within or contiguous to the sphere of influence);
- Financial ability of agencies to provide services;
- Status of, and opportunities for shared facilities;
- Accountability for community service needs, including governmental structure and operational efficiencies; and
- Any other matter related to effective or efficient service delivery, as required by commission policy.

MUNICIPAL SERVICES REVIEW PROCESS

The MSR process does not require LAFCo to initiate changes of organization based on service review findings, only that LAFCo identify potential government structure options. However, LAFCo, other local agencies, and the public may subsequently use the determinations to analyze prospective changes of organization or reorganization or to establish or amend SOIs. Within its legal authorization, LAFCo may act with respect to a recommended change of organization or reorganization on its own initiative (e.g., certain types of consolidations), or in response to a proposal (i.e., initiated by resolution or petition by landowners or registered voters). MSRs are exempt from California Environmental Quality Act (CEQA) pursuant to §15306 (information collection) of the CEQA Guidelines. LAFCo's actions to adopt MSR determinations are not considered "projects" subject to CEQA.

SPHERE OF INFLUENCE UPDATES

The Commission is charged with developing and updating the SOI for each city and special district within the county. SOIs must be updated every five years or as necessary. In determining the SOI, LAFCo is required to complete an MSR and adopt the seven determinations previously discussed.

An SOI is a LAFCo-approved plan that designates an agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services and prevent duplication of service delivery. Territory cannot be annexed by LAFCo to a city or a district unless it is within that agency's sphere.

The purposes of the SOI include the following: to ensure the efficient provision of services, discourage urban sprawl and premature conversion of agricultural and open space lands, and prevent overlapping jurisdictions and duplication of services.

LAFCo cannot regulate land use, dictate internal operations or administration of any local agency, or set rates. LAFCo is empowered to enact policies that indirectly affect land use decisions. On a regional level, LAFCo promotes logical and orderly development of communities as it considers and decides individual proposals. LAFCo has a role in reconciling differences between agency plans so that the most efficient urban service arrangements are created for the benefit of current and future area residents and property owners.

The Cortese-Knox-Hertzberg (CKH) Act requires to develop and determine the SOI of each local governmental agency within the county and to review and update the SOI every five years. LAFCos are empowered to adopt, update and amend the SOI. They may do so with or without an application and any interested person may submit an application proposing an SOI amendment.

LAFCo may recommend government reorganizations to particular agencies in the county, using the SOIs as the basis for those recommendations.

In addition, in adopting or amending an SOI, LAFCo must make the following determinations:

- Present and planned land uses in the area, including agricultural and open-space lands;
- Present and probable need for public facilities and services in the area;
- Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide;
- Existence of any social or economic communities of interest in the area if the Commission determines these are relevant to the agency; and
- Present and probable need for water, wastewater, and structural fire protection facilities and services of any DUCs within the existing sphere of influence.

By statute, LAFCo must notify affected agencies 21 days before holding the public hearing to consider the SOI and may not update the SOI until after that hearing. The LAFCo Executive Officer must issue a report including recommendations on the SOI amendments and updates under consideration at least five days before the public hearing.

DISADVANTAGED UNINCORPORATED COMMUNITIES

LAFCo is required to evaluate disadvantaged unincorporated communities (DUCs) as part of this service review, including the location and characteristics of any such communities.

The purpose of Senate Bill (SB) 244 (Wolk, 2011) is to begin to address the complex legal, financial, and political barriers that contribute to regional inequity and infrastructure deficits within DUCs. Identifying and including these communities in the long-range planning of a city or a special district is required by SB 244.

The CKH requires LAFCo to make determinations regarding DUCs when considering a change of organization, reorganization, sphere of influence expansion, and when conducting municipal service reviews. For any updates to an SOI of a local agency (city or special district) that provides public facilities or services related to sewer, municipal and industrial water, or structural fire protection, LAFCo shall consider and prepare written determinations regarding the present and planned capacity of public facilities and adequacy of public services, and infrastructure needs or deficiencies for any DUC within or contiguous to the SOI of a city or special district.

CKH prohibits LAFCo from approving an annexation to a city of any territory greater than 10 acres if a DUC is contiguous to the proposed annexation, unless an application to annex the DUC has been filed with LAFCo. An application to annex a contiguous DUC shall not be required if a prior application for annexation of the same DUC has been made in the preceding five years or if the Commission finds, based upon written evidence, that a majority of the registered voters within the affected territory are opposed to annexation.

Government Code §56033.5 defines a DUC as 1) all or a portion of a "disadvantaged community" as defined by §79505.5 of the Water Code, and as 2) "inhabited territory" (12 or more registered voters), as defined by §56046, or as determined by commission policy.

3. AGENCY OVERVIEW

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Sacramento Regional County Sanitation District (Regional San) was formed in 1973 through the consolidation of several smaller sanitation districts in Sacramento County through a joint effort by the County, City of Sacramento, and the City of Folsom. Regional San assumed responsibility for regional wastewater treatment. The consolidation was driven by the need to provide more efficient and cost-effective wastewater treatment services to the rapidly growing region. Prior to the formation of Regional San, there were several small sewer systems in the County, each with its own wastewater treatment plant and collection system. However, as the population of the region grew, it became clear that a more coordinated and centralized approach to wastewater treatment was needed to ensure the protection of public health and the environment.

Regional San was established as an independent special district under the California Health and Safety Code and operating under and in accordance with the County Sanitation Districts Law codified in Part 3 of Division 5 of the Health and Safety Code, at sections 4700 et seq.

Regional San has now grown to provide wastewater conveyance and treatment services to residential, industrial, and commercial customers throughout the cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento, and West Sacramento; the communities of Courtland and Walnut Grove; and unincorporated Sacramento County in California.

Wastewater is collected by the Sacramento Area Sewer District and the Cities of Folsom, Sacramento, and West Sacramento, and conveyed to the EchoWater Facility, where it is treated and discharged to the Sacramento River. Regional San serves approximately 1.6 million people within the District's boundaries of approximately 386 square miles.

As a byproduct of its wastewater treatment services, Regional San recycles water to irrigate school fields and parks, produces high-quality biosolids to serve as fertilizer, and recycles methane gas by converting it into electrical energy. The District also monitors conditions in the Sacramento River, conserves wetlands, renews woodlands and grasslands, and protects more than 2,000 acres of habitat in the Bufferlands surrounding the EchoWater Facility.

Figure 3-1: Sacramento Regional Sanitation District Overview

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT			
CONTACT INFORMATION			
Contact:	José Ramírez, Senior Civil Engineer		
Address:	10060 Goethe Road, Sacramento, CA 95827		
Website:	www.regionalsan.com		
FORMATION INFORMATION			
Date of Formation:	1973	Agency Type:	Independent Special District
GOVERNING BODY			
Governing Body:	Board of Directors	Members:	17
Manner of Selection:	Appointment by respective member agency.	Length of Term:	Varies
Meetings Location:	Sacramento County Board of Supervisors' Chambers	Meetings Date:	Second and fourth Wednesday of each month at 9:30 a.m.
MAPPING AND POPULATION			
GIS Date:	2023	Population 2022:	~1,600,000 (district estimate)
PURPOSE			
Enabling Legislation:	County Sanitation District Act (Health and Safety Code Section 4700)	Latent Powers:	Water Supplier (H&S Code 4767), Refuse Transfer and Disposal (H&S Code 4741 et.seq.)
Municipal Services Provided) directly or by contract	Municipal Wastewater Services, Recycled Water Services		
AREA SERVED			
LAFCo Approved Boundary Size:	386 sq. miles	Location:	Unincorporated Sacramento County; the cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento, and West Sacramento; and the communities of Courtland, Locke, and Walnut Grove
SOI Size	514 sq. miles	Most recent SOI Amendment:	2021
MUNICIPAL SERVICE REVIEWS			
Past MSRs:	2021		

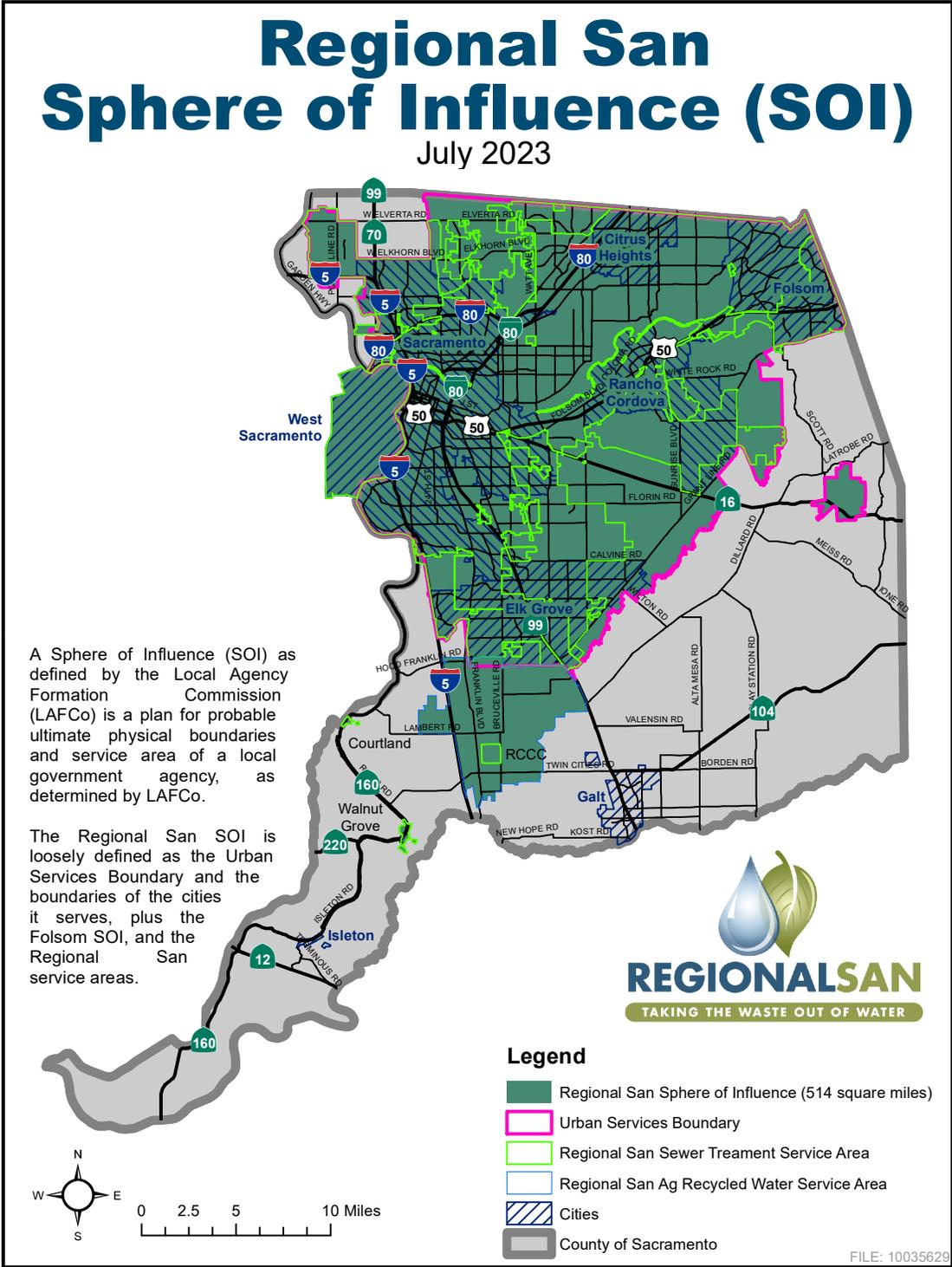
BOUNDARIES AND SPHERE OF INFLUENCE

Regional San's boundaries generally encompass the developed and urbanized areas of Sacramento County, including the cities of Sacramento, Citrus Heights, Rancho Cordova, Folsom, Elk Grove, and the unincorporated areas surrounding those cities, as well as West Sacramento in Yolo County. The District's boundaries were most recently adjusted with the Harvest Water Annexation in 2021, for recycled water services only (Sacramento LAFCo #04-21).

Regional San's sphere of influence (SOI) extends outside of its boundaries to include the area south of the City of Elk Grove, the unincorporated area south of the City of Rancho Cordova, and an area north of the City of Sacramento to the county line. The SOI is generally defined as including the area within the Urban Services Boundary, the territory within the cities that the District serves, the City of Folsom SOI, and the remaining territory within Regional San's service area. Similar to its boundaries, Regional San's SOI was most recently amended in 2021 to be consistent with the Harvest Water Annexation.

Regional San's boundaries and SOI are shown in Figure 3-2.

Figure 3-2: Sacramento Regional County Sanitation District Boundaries and SOI



SACRAMENTO AREA SEWER DISTRICT

Sacramento Area Sewer District (SacSewer), formerly known as County Sanitation District 1, was formed in 1978, under the authority of the same statute as Regional San—County Sanitation Districts Law codified in Part 3 of Division 5 of the Health and Safety Code, sections 4700 et seq. SacSewer was formed by the consolidation of four sewer maintenance districts and six county sanitation districts, which provided sewer service to portions of the Cities of Sacramento and Folsom as well as the urban, unincorporated areas of Sacramento County. This reorganization provided for a common service rate structure for the customers in the affected areas, achieved savings and reduced administrative effort associated with only one sanitation district instead of ten. The District changed its name in 2008 from County Sanitation District 1 to Sacramento Area Sewer District.

SacSewer serves as one contributing agency to the Regional San conveyance and treatment system. SacSewer is responsible for the collection of wastewater from most of the urbanized, unincorporated portions of Sacramento County, the cities of Citrus Heights, Elk Grove, and Rancho Cordova, and some portions of the cities of Sacramento and Folsom. SacSewer owns and operates thousands of miles of lower laterals and main lines and is responsible for the day-to-day operation and maintenance of those pipes and related infrastructure (e.g., pump stations). Regional San is responsible for the conveyance, treatment, and disposal of that wastewater, consisting of the ownership and maintenance of larger interceptor pipes and the EchoWater Facility.

This is the first comprehensive municipal service review covering SacSewer.

Figure 3-3: Sacramento Area Sewer District Overview

SACRAMENTO AREA SEWER DISTRICT			
CONTACT INFORMATION			
Contact:	José Ramírez, Senior Civil Engineer		
Address:	10060 Goethe Road, Sacramento, CA 95827		
Website:	Sacsewer.com		
FORMATION INFORMATION			
Date of Formation:	1978	Agency Type:	Independent Special District
GOVERNING BODY			
Governing Body:	Board of Directors	Members:	10
Manner of Selection:	Appointment by respective member agency.	Length of Term:	Varies
Meetings Location:	Sacramento County Board of Supervisors' Chambers	Meetings Date:	Second and fourth Wednesday of each month at 9:30 a.m.
MAPPING AND POPULATION			
GIS Date:	2023	Population 2022	1,200,000 (district estimate)
PURPOSE			
Enabling Legislation:	County Sanitation District Act (Health and Safety Code Section 4700)	Latent Powers:	Water Supplier (H&S Code 4767), Refuse Transfer and Disposal (H&S Code 4741 et.seq.)
Municipal Services Provided) directly or by contract	Municipal Wastewater Services (sewerage collection)		
AREA SERVED			
LAFCo Approved Boundary Size:	281 sq. miles	Location:	Unincorporated areas of Sacramento County; the cities of Citrus Heights, Rancho Cordova, and Elk Grove; and portions of the cities of Folsom and Sacramento
SOI Size:	454 sq. miles	Most recent SOI Amendment:	2021 -Elk Grove Multisport Park Complex SOI Amendment
MUNICIPAL SERVICE REVIEWS			
Past MSRs:	None		

BOUNDARIES AND SPHERE OF INFLUENCE

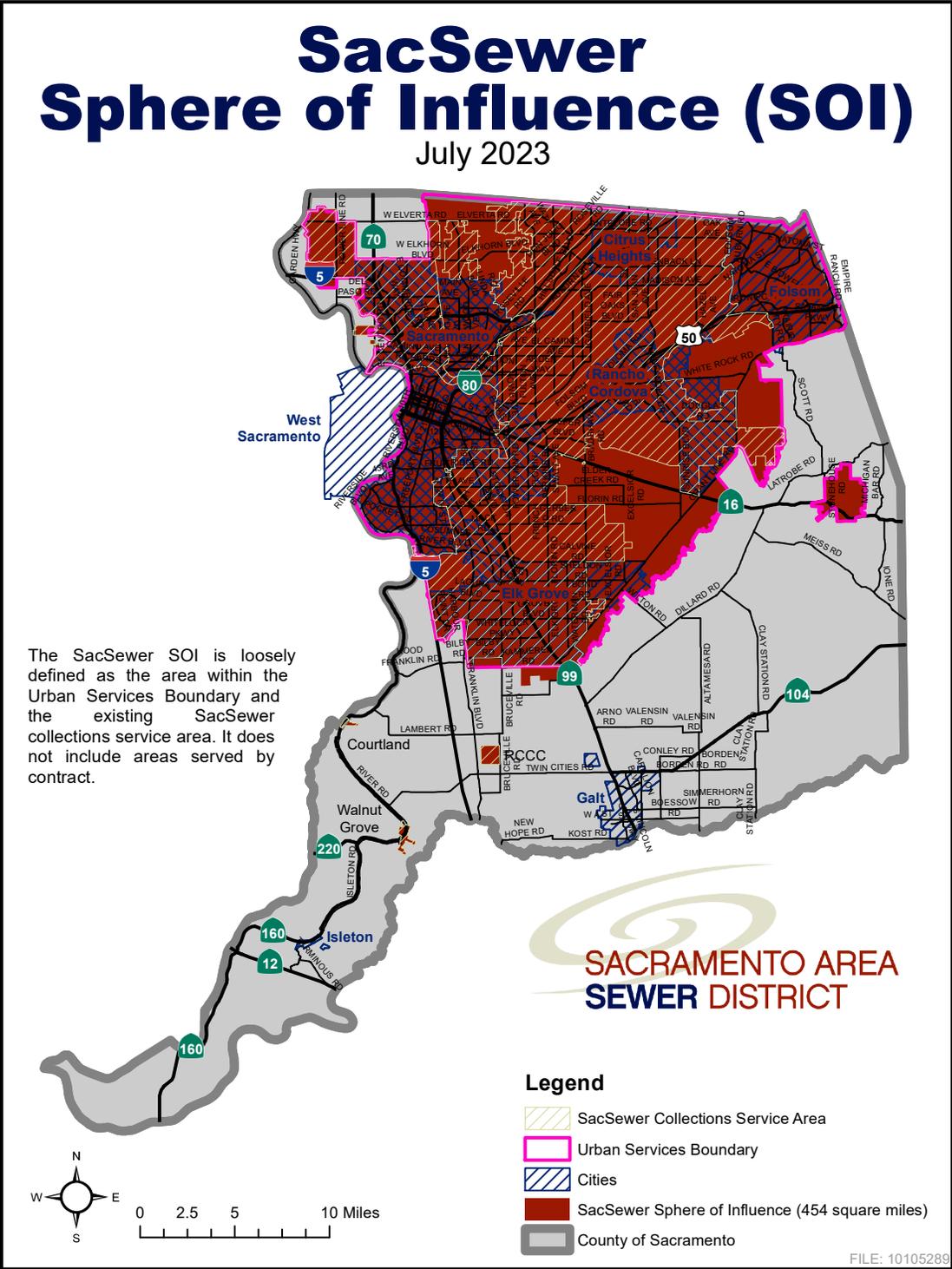
SacSewer’s boundaries encompass approximately 281 square miles, consisting of unincorporated portions of Sacramento County, and some or all of the cities of Sacramento and Folsom, Citrus Heights, Elk Grove and Rancho Cordova. The boundaries consist of four non-contiguous territories—the primary urban portion of the County, the Rio Consumnes Correctional Center located south of the City of Elk Grove, the communities of Locke and Walnut Grove along State Route 160, and the community of Courtland located next to the Sacramento River and along State Route 160. SacSewer’s boundaries were most recently changed in 2018 and 2021 as part of a reorganization to include Elk Grove Crossing and the Elk Grove Multisport Park Complex into the Elk Grove city limits and the boundaries of SacSewer and Regional San as the identified wastewater providers for the project.¹

SacSewer’s SOI generally encompasses the territory within the Urban Services Boundary and SacSewer’s existing boundaries. The SOI extends outside of SacSewer’s boundaries to include the entirety of the City of Folsom, the remainder of the City of Sacramento and an unincorporated area north of the City of Sacramento to the county line, the remainder of the City of Rancho Cordova and the unincorporated area to the east and south of the City, the remainder of the City of Elk Grove, and the non-contiguous area inside the Urban Services Area to the south of Latrobe Road. Similar to its boundaries, SacSewer’s SOI was most recently amended in 2018 and 2021 as part of the Kammerer/ Highway 99 Feletto Reynolds Ranch and Wackman Ranch (LAFCO#07-15) (Elk Grove Crossing) and Elk Grove Multisport Park Complex Annexation (LAFCO #04-15) to be consistent with the annexation territory.

SacSewer’s boundaries and SOI are shown in Figure 3-4.

¹ Resolution LAFCO# 2021-10-0602-02-21.

Figure 3-4: Sacramento Area Sewer District



4. ACCOUNTABILITY AND GOVERNANCE

GOVERNANCE

Regional San is overseen by a 17-member Board of Directors consisting of the five Sacramento County Supervisors, five city councilmembers from the City of Sacramento, two councilmembers from the City of Elk Grove, and single representatives from Yolo County and the cities of Citrus Heights, Folsom, Rancho Cordova, and West Sacramento. The same individuals compose the Sacramento County Sanitation Districts Financing Authority (SCSFDA) Board.

SacSewer is overseen by a 10-member Board of Directors consisting of the five Sacramento County Supervisors and a member of the governing body of the cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova and Sacramento, and appointed by that city's governing body. All 10 Directors also sit on the Regional San Board and the SCSFDA Board.

The compensation for the members of the Board of Directors is \$100 per meeting attended including payroll taxes for each member of the Board and not to exceed \$200 per month. There are no benefits provided.

Meetings for all three agencies (Regional San, SacSewer and SCSFDA) are held simultaneously with the agenda broken down into distinct sections for "district separate matters." Meetings are typically held on the second and fourth Wednesday of each month at 9:30 a.m. at the Sacramento County Board of Supervisors' Chambers. Agendas for meetings are posted on a separate website dedicated to agendas, action summaries, and meeting recordings (agendanet.saccounty.gov). Meetings are videotaped and cablecast live on Metrocable 14 on the Comcast, Consolidated Communications, and AT&T U-Verse Systems. They are closed captioned for hearing impaired viewers and webcast live at <http://metro14live.saccounty.net>. Meetings are rebroadcast on Sundays at 6:00 pm. Meetings are also broadcast live on KUBU radio on 96.5 FM. DVD copies are available for checkout through the County Library System seven to ten days following the meeting.

ACCOUNTABILITY

The following figure identifies efforts to meet State laws designed to ensure transparency and accountability. Generally, the two districts meet the requirements outlined in State laws regarding the Brown Act and website materials, as well as best practices to ensure easy access

to significant planning documents and financial reports. Both districts' websites are easily navigated and make available a substantial amount of information and documentation that is clear and concise for the customer. However, neither district's website appeared to make available the Annual Compensation Reports nor the State Controller's Office Financial Transaction Reports as required. It is recommended that the districts add these two reports to their websites in an easily accessible location.

Figure 4-1: Transparency and Accountability Indicators

TRANSPARENCY AND ACCOUNTABILITY	REG SAN	SACSEWER
Agency website ² (GC §53087.8)	Yes	Yes
Contact information available on website (GC §53087.8 (a)(3))	Yes	Yes
Annual Compensation Report (GC §53891 and 53908)	No	No
Adopted budget available on website	Yes	Yes
State Controller's Office Financial Transaction Report available on website (GC §53891 and 53893)	No	No
Notice of public meetings provided	Yes	Yes
Agendas posted on website (GC §54954.2)	Yes	Yes
Public meetings are live streamed	Yes	Yes
Minutes and/or recordings of public meetings available on website	Yes	Yes
Master Plan available on website	Yes	No
Strategic Plan available on website	Yes	Yes
Sanitary Sewer Management Plan available on website	Yes	Yes
Enterprise System Catalogue available on website (GC §6270.5 (a))	Yes	Yes
Efforts to engage and educate the public on the services to the community	Yes	Yes
Staff and governing board member ethics training and economic interest reporting completed	Yes	Yes
Compliance with financial document compilation, adoption, and reporting requirements	Yes	Yes
Adherence to open meeting requirements	Yes	Yes

² As of January 1, 2020 independent special districts are required to maintain websites according to Government Code Sections 6270.6 and 53087.8 to provide the public easily accessible and accurate information about the district. Government Code Section 53087.8 lists what must be included on the website.

OUTREACH EFFORTS

Both districts have engaged in varying efforts over the last several years to identify the services each provides, i.e., branding, logos, etc., and ensuring customers and stakeholders understand the differences in the agencies, their roles and responsibilities and how to access them. In particular, SacSewer has engaged in extensive research and work regarding its branding with the goal of ensuring its customers know how to respond or whom to contact should a sewer problem arise. Agency outreach effort to inform customers about services provided and engage the public through educational programs are described in this section.

In 2022, following two years of COVID-19 pandemic shutdowns, Regional San reinstated many of its traditional in-person public outreach opportunities. The District's outreach activities focus on educational opportunities through partnerships, public tours of the treatment plant and the Bufferlands, social media engagement, source control messaging educating customers on how they can impact environmental change from home, hosting community events in the Bufferlands, and a virtual treatment plant tour. Regional San makes available several unique educational programs. The elementary school outreach program, "Go with the Flow," is an interactive, performance-style presentation that reached nearly 9,300 students at 21 elementary schools throughout Regional San's service area in 2022. Regional San, in partnership with SacSewer, continues to fund the Confluence Regional Partnership Program, which awards grants to fund community programs that expand the Sacramento region's environmental, educational, and economic vitality. In 2022, Regional San funded several projects, including the Save the American River Association, which removed debris from the bottom of Steelhead Creek, and an interactive wastewater education exhibit at the Museum of Science and Curiosity. In 2022, the Confluence Program obligated nearly \$3.5 million dollars for various efforts. Finally, in 2022, Regional San, in partnership with Sacramento Splash, opened Nicolaus Dairy to students throughout the Sacramento region. Following extensive renovations to much of the property, Nicolaus Dairy is now home to Project of AWE (Agriculture, Water, Energy, and the Environment)—an immersive educational experience offering hands-on activities in these fields. In 2022, about 2,300 students visited Nicolaus Dairy.

In 2022, SacSewer took part in 13 community outreach events throughout their service area with an outreach booth and distribution of educational pamphlets. SacSewer's field trucks were present at nine outreach events offering the community an up-close view of some of the equipment used on a daily basis. Other SacSewer outreach efforts offered in conjunction with area partners include the Elementary School Outreach Program: "Go with the Flow," the Access Sacramento's High School Public Service Announcement Contest, and the Laguna

Creek High School Green Energy Technology Academy. SacSewer also utilizes Facebook, Instagram, and Twitter to disseminate information to educate customers and community members about sewer-friendly practices, industry-related content, and helpful at-home tips. Finally, for six years, SacSewer has conducted a customer awareness advertising campaign designed to promote the District's services and strengthen brand awareness with featured radio spots, billboards, digital ads, and a TV commercial. SacSewer plans to introduce new digital advertising platforms and Spanish advertising assets that continue to deliver the message to contact the District at any time if experiencing a sewer problem.

SacSewer has conducted a significant outreach program and is in direct contact with customers. According to the Districts Merger Study (2019), SacSewer has most of the direct-to-retail-customer contact, while Regional San has much less. As a result, beyond the treatment plant being the end of the wastewater utility system, few members of the public understand the scope of Regional San's functions or make any real distinction about its roles or responsibilities along the wastewater continuum.³ The primary direct-to customer services are provided throughout the SacSewer structure including a Customer Service Liaison. SacSewer Operations provides customer service, permit services for sewer impact fees, dispatch, and claims management.

The Communications Department also provides customer service related to media relations, project outreach, public education, internet design and maintenance, customer communications, events outreach, and social media. Public Records Act requests for both districts are managed by the Information Management Section of SacSewer. The Communications Department is copied on the requests and responses.

AWARDS AND RECOGNITION

As a result of the standard of services provided by both districts, they have been recognized with several awards for their performance. Regional San has received various awards as a local and national leader in municipal wastewater treatment. Awards received over the last three years includes:

- 2022 - 2022 Grand Prize-Design Award from the American Academy of Environmental Engineers and Scientists for the Biological Nutrient Removal Project

³ Districts Merger Study, 2019, p. 27.

- 2022 - 2022 50th Anniversary of the Clean Water Act Award from the American Academy of Environmental Engineers and Scientists for the Biological Nutrient Removal Project
- 2022 - 2022 Gold Award from the American Advertising Federation for the Biological Nutrient Removal Project videotorial
- 2022 - 2022 Recognition from the State Water Board and the California Water Quality Monitoring Council for Regional San's ongoing role in sewage surveillance during the COVID-19 pandemic
- 2016 -2022 Utility of the Future recognition for recovering resources from wastewater, engaging communities, forming unique partnerships, and building an internal culture of innovation
- 2022 Certificate of Achievement for Excellence in Financial Reporting for the 25th consecutive year from the Government Finance Officers Association for the fiscal year ended June 2021
- 2022 - 2021 Outstanding Public Works Project from the Sacramento Section of the American Society of Civil Engineers for the EchoWater Project
- 2022 - 2022 Influence Award from the California Capital Chapter of the Public Relations Society of America for the Biological Nutrient Removal Project videotorial
- 2022 Merit Award from the American Council of Engineering Companies of California 2022 Engineering Excellence for Bradshaw Equalization Structure Pipeline Project
- 2022 Merit Award from the American Council of Engineering Companies of California 2022 Engineering Excellence for Nitrifying Sidestream Treatment Project
- 2022 California Water Environment Association, Sacramento Area Section, named treatment plant operations and maintenance manager Michael Melady, 2022-2023 Supervisor of the Year
- 2021 - 2020 Outstanding Water Award from the American Society of Civil Engineers, Sacramento Section, for Regional San's Nitrifying Sidestream Treatment Project
- 2021 - 2020 Outstanding Water Award from the American Society of Civil Engineers, Sacramento Section, for Regional San's Bradshaw Equalization Structure Pipeline Project
- 2021 Project of the Year — Environment Category from the American Public Works Association, Sacramento Chapter, for the Bradshaw Equalization Structure Pipeline
- 2021 - 2021 Project of the Year — Environment Category from the American Public Works Association, Sacramento Chapter, for the Nitrifying Sidestream Treatment Project

- 2021 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the fiscal year ended June 2020
- 2020 Award of Distinction (shared with the Sacramento Area Sewer District) – California Public Information Officials
- 2020 Project of the Year – Sacramento Chapter, American Public Works Association
- 2020 \$150,000 for the Channel Aeration Blower Project – SMUD
- 2020 California—Public Works Project Achievement Award: Effluent System Reliability Project –The Construction Management Association of America–Northern
- 2020 Outstanding Small Project of the Year: Effluent System Reliability Project – American Society of Civil Engineers – Sacramento Chapter

Similarly, SacSewer has received various awards for various aspects of district administration and wastewater collection operations. Awards from the last three years includes:

- 2022 Certificate of Achievement for Excellence in Financial Reporting for the 25th consecutive year from the Government Finance Officers Association for the fiscal year ended June 2021
- 2021 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association
- 2020 Outstanding Urban or Land Development Project Award from the Sacramento Section of the American Society of Civil Engineers for the Freeport Septic Conversion Project
- 2020 Project of the Year Award in the Environment (Wastewater) category from the Sacramento chapter of the American Public Works Association for the Freeport Septic Conversion Project
- 2020 Excellence in Public Information and Communications Award from the California Association of Public Information Officials for the Fats, Oils, and Grease Newsletter
- 2020 Award of Distinction from the California Association of Public Information Officials for the Fats, Oils, and Grease Newsletter
- 2020 Award of Distinction from the California Association of Public Information Officials for the Elementary Schools Outreach Program

5. PLANNING AND MANAGEMENT

STAFFING

Regional San employs 452 full-time positions,⁴ in FY 22-23, and on average 4 part-time, 15 seasonal, and 17 student positions. SacSewer Operations employs 324 full-time positions in the same budget year. Positions in the Departments of Finance, Communications, Internal Services, and Policy and Planning are used by both districts and are accounted for in Regional San's annual budget and reimbursed by SacSewer to Regional San. Employees diligently track their time used for each district separately in a robust time sheet system. All district employees are County of Sacramento staff and are under the umbrella of the County Human Resources system.⁵ The human resources disciplines of recruitment, compensation and benefits, employee and labor relations, legal and risk management, are all provided by Sacramento County. Regional San reimburses the County of Sacramento for the reasonable actual costs incurred by the County in providing personnel.

Through Sacramento County, both districts offer a package of employee benefits that are comparable to and competitive with other wastewater utilities and public agencies in the region. These include Sacramento County Employees' Retirement System pension benefits; health, dental and vision insurance; life insurance; short-term and long-term disability insurance; paid vacation leave, sick leave, and holidays; education assistance programs and others.

All new hires go through a probationary period. The probationary period is an extension of the testing process and can last from a period of six months up to a year. Once the probationary period is successfully completed, the hire becomes a regular employee.

Per the existing Master Interagency Agreement (MIA) between the County of Sacramento, Regional San, and SacSewer, various supplementary contract services are provided by the County or through its organizational system – such as annual audits. Both districts utilize a variety of contractual and consulting services from private firms to support delivery of services. Example contractual and consulting services include, but are not limited to, the following:

- Legal counsel,
- Engineering design,

⁴ Sacramento Regional County Sanitation District, Budget FY 22-23, p. 38.

⁵ Master Interagency Agreement, Section 36, 2021, pg. 13.

- Architectural design,
- Construction,
- Hauling and disposal,
- Information technology,
- Financial advisory and investment,
- Financial auditing,
- Public information and outreach,
- Laboratory services, and
- Building and facilities maintenance

In 2019, Regional San and SacSewer conducted a Staffing and Support Services Study to assess advantages and disadvantages of the Districts continuing to use Sacramento County staff to determine if services provided by the County of Sacramento could be performed more efficiently and cost-effectively by the districts themselves with district employees. Ultimately, the study recommended the districts bring staffing and the majority of support services in-house. Benefits of employing district staff include the following:⁶

- In many cases, significant cost savings as a result of elimination of large indirect costs associated with the current method of service provision.
- Enables the proposed merged district to identify organizational culture, priorities, and mission independent from the County.
- Allows specialized staff to be recruited in a more efficient manner to perform essential duties specific to the wastewater industry.
- Ability to attract and retain more qualified staff to perform essential duties specific to the wastewater industry.
- Level of sewer service will be unaffected by collateral impacts from the County's financial conditions.
- Enables the Districts to manage its full operations and future based upon policy decisions made by their collective Boards and administration.
- More efficient employment practices that are on par with other similarly situated organizations.

⁶ Regional San and SacSewer, Staff Memorandum Re: Future Staffing and Legal Merger for Sacramento Regional County Sanitation District and Sacramento Area Sewer District, 2022, p. 3.

- Eliminates confusion of identity among district staff that have to identify themselves as both district and county employees.

Bringing most of the services currently provided by County departments in-house could save the Districts an estimated \$927,000 annually—including both direct savings and avoided costs. While these savings are not substantial when compared to the total operating budget of both Districts, district staff reported that the operational control and flexibility with the change in staffing models will allow the Districts to pursue policies and practices that will benefit the Districts and their customers.⁷

This is an ongoing process, and the Boards have authorized moving forward with the proposed alternative recommended in the staff memorandum for the August 24, 2022, districts meeting. All staff currently assigned to the Sanitation Districts Agency, plus new positions to provide Human Resources services, will become District employees. The Districts and the County will jointly review remaining functions currently provided by the County to determine if there was mutual agreement that the County would continue to provide the identified services to the District through a Service Level Agreement. If either party is unwilling to proceed with a Service Level Agreement, then the District would obtain those services either through additional District staffing or through a contract with a third party.

Because the County's role in the MIA will expire in 2024, the intent is to make a decision on the preferred structure and strategy prior to that date and hire staff under the newly merged district.

ORGANIZATIONAL STRUCTURE

Employees of both districts are Sacramento County employees provided through agreement with both agencies. Through the years, the staff and management have been part of various County departments, but in 2009 the County established the Sanitation Districts Agency (SDA) as a separate agency within the County organizational structure. The position of District Engineer reports to the Board of Directors of each district and represents both agencies on the County's executive leadership team.⁸

SacSewer and Regional San are administered by the District Engineer, two Operational Departments, the Internal Services Department (ISD), the Finance Department, the Communications Department, and the Department of Policy and Planning supporting both

⁷ Management Partners, Sacramento Area Sewer District and Regional San Districts Merger Study, 2019, p. 3.

⁸ Management Partners, Sacramento Area Sewer District and Regional San Districts Merger Study, 2019, p. 5.

agencies. ISD, Finance, Communications, and Policy and Planning report directly to the District Engineer and function to provide more efficient and seamless administrative support to both SacSewer and Regional San. This structure evolved over a period of years to reduce redundant and inconsistent operations within the individual district structures. Two organizational units perform basic administrative functions—ISD and the Finance Department. In 2012, ISD was created to consolidate SacSewer and Regional San administrative service functions such as preparation of agendas, accounting, purchasing, information technology, and training. While understanding the roles and responsibilities of these functions, each District maintains distinct management and operational structures, as well as a range of separate business systems. Examples of business processes and systems that remain distinctly different within the districts but are managed by ISD include time keeping, document management, purchasing, and application development and system management tools.

ISD is broken down into eight units—1) Administrative, Fiscal, Payroll, and Personnel, 2) Human Resources, 3) Information Technology, 4) Real Estate Management, 5) Training and Development, 6) Purchasing, Contracts, and Stores, 7) Cyber Security, and 8) Organizational Development.

The other major administrative unit is the Finance Department, which reports directly to the District Engineer. The Department is responsible for the annual budgets, management of the treasuries of the Districts, including public financial reporting and managing the debt portfolio.

The Policy and Planning Department is responsible for legislative and regulatory affairs, strategic asset management, long-term planning, wastewater source control, scientific research, rate and fee development, the development of internal policies that relate to both districts, and the development of external policies that affect ratepayers and the community. Some of these functions relative to SacSewer have remained within SacSewer operations.

The Communications Department provides customer service related to media relations, project outreach, advertising, public education, internet design and maintenance, customer communications, events outreach, and digital communications, such as social media.

Figure 5-1: Sanitation Districts Agency Organizational Chart

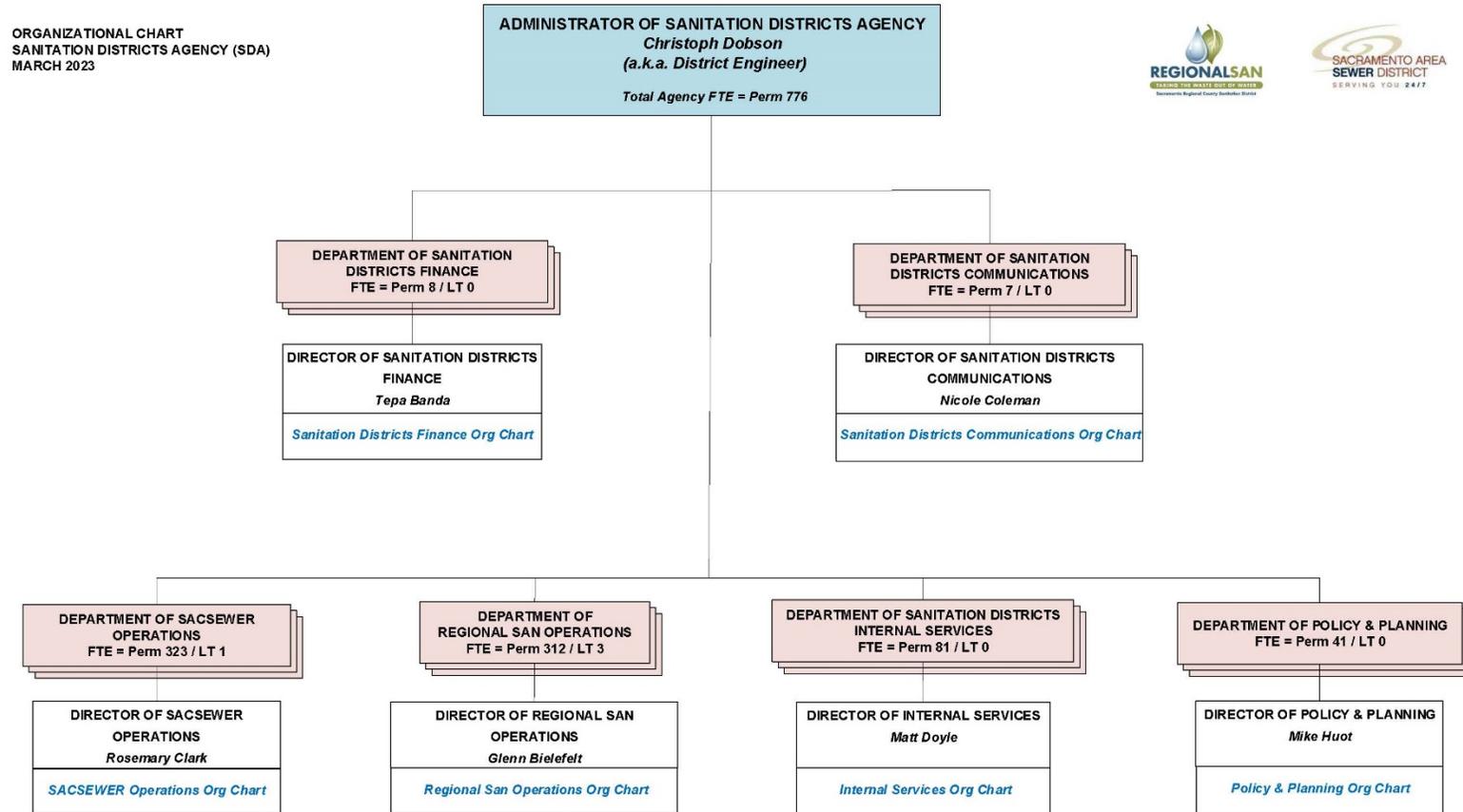


Figure 5-2: SacSewer Organizational Chart

SacSewer Executive Management Team

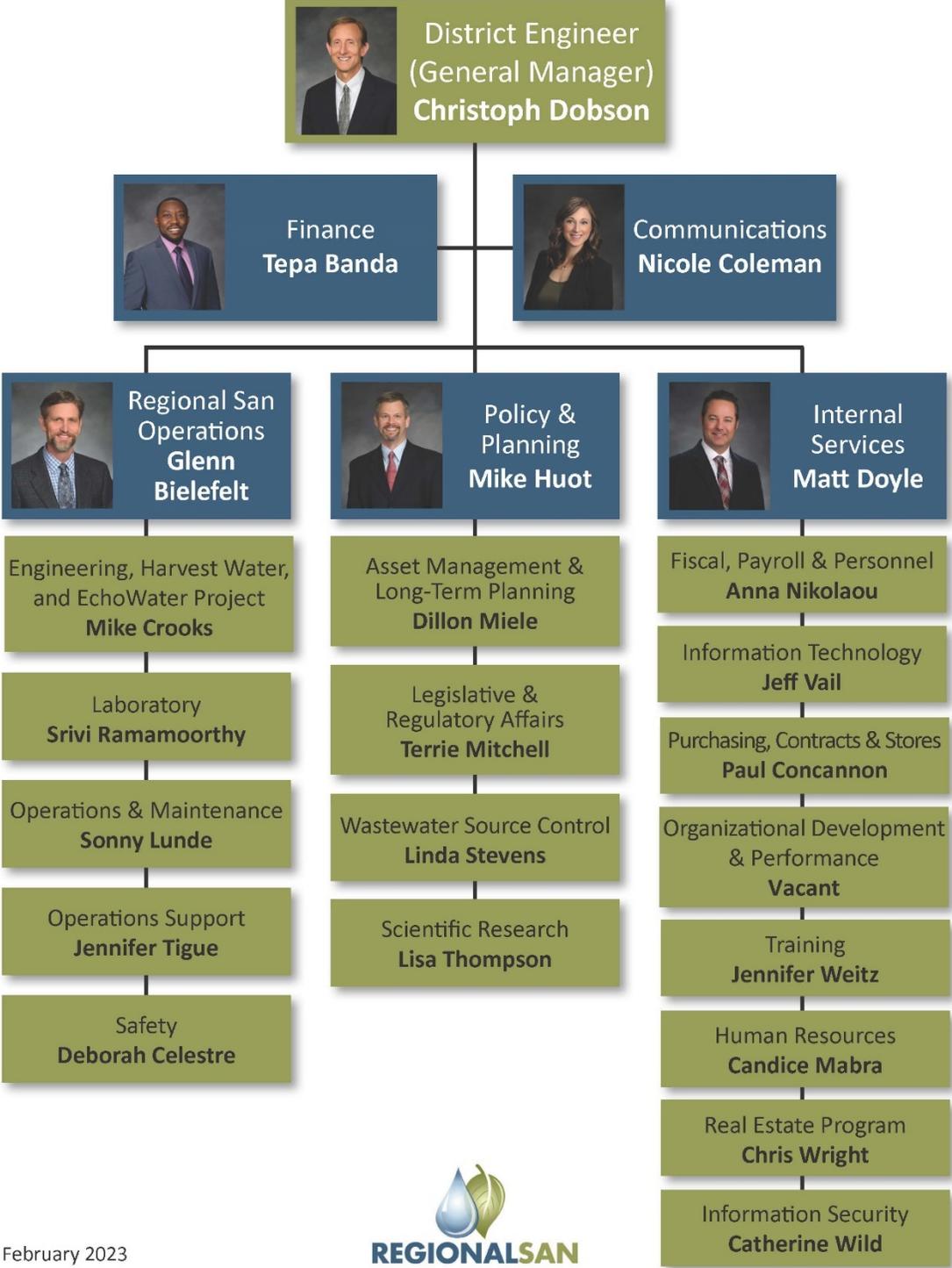


February 2023



Figure 5-3: Regional San Organizational Chart

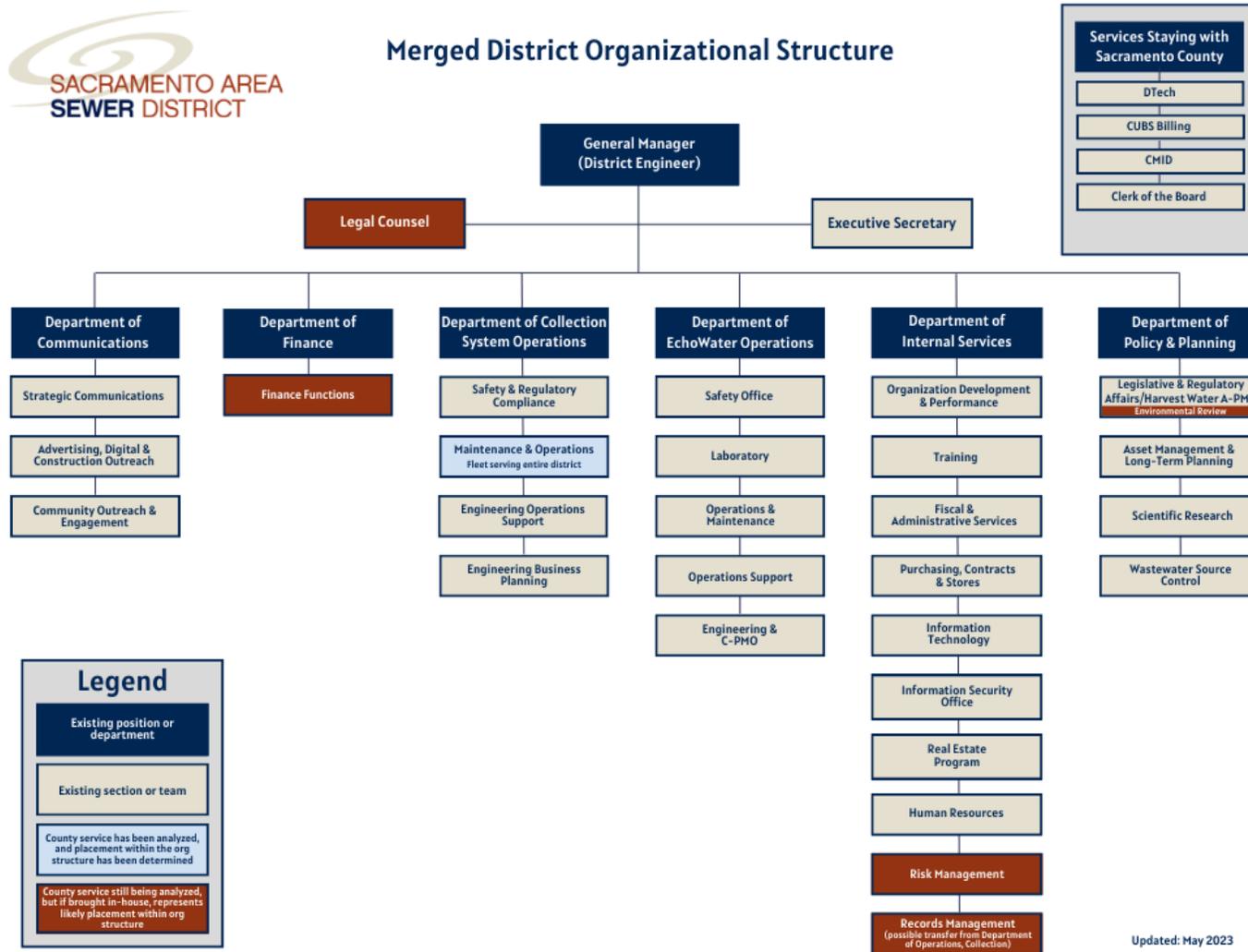
Regional San Executive Management Team



February 2023



Figure 5-4: Merged District Proposed Organizational Structure



PLANNING EFFORTS

FINANCIAL PLANNING PRACTICES

The Finance Department produces two budgets (including capital budgets) and annual financial reports, one for SacSewer and one for Regional San. These are prepared with assistance from the operating departments. The current budgets consolidate internal services and administrative functions across the two entities. Each agency's revenue streams have also been pledged separately to bondholders to pay back their respective bonded indebtedness. Debt management therefore requires a separate accounting of revenue streams, expenses, and reserves for each entity.

The Districts have an independent auditor to provide an independent audit of both district's financial statements, which is designed to be part of a broader, federally mandated "single audit" at the level that meets the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

The Districts make use of long-term financial planning strategies. The Districts each compile a Long-Term Financial Plan that features a ten-year financial forecast, an analysis of economic trends impacting the Districts, the ten-year Capital Funding Projection, and debt management status. The plan details long-term action items for debt management, asset management, reserve building, and other financial issues. The 10-year Capital Funding Projection accounts for capital projects already in progress and projects that are expected to begin within the ten-year timeframe. The Long-Term Financial Plan and incorporated financial projections are updated annually to ensure operational and capital needs are met.

Additionally, the following financial reports are provided on regular intervals to each District's Board of Directors:

1. Quarterly: Section 6505.5(e) of the Government Code and the terms of the Joint Exercise of Powers Agreement between Regional San and SacSewer, which created the Financing Authority, requires a quarterly report in writing. This report is presented to the Boards of Directors of the Financing Authority, Regional San, and SacSewer and describes the amount of money held by the Treasurer of the Financing Authority, and the amount of receipts and payout since the last report.

2. Semi-Annual: Per the Master Derivative Policy Statement as of June 12, 2013, and to include additional transparency and accountability provisions of the 2010 Dodd-Frank legislation, a semi-annual report of swap agreements is presented to the Board of Directors. The reporting requirements include highlights of all material changes to swap agreements since the last report, market value of the interest rate swap agreements, the credit rating of each swap counterparty, a 25 basis point movement (up or down) with the appropriate swap index, and summary of each swap agreement.
3. Annual: The Financing Authority, Regional San, and SacSewer individually prepare Annual Comprehensive Financial Reports (ACFR), which are audited by an independent Certified Public Accounting firm. The ACFR is prepared for presentation to governing boards and to meet statutory reporting requirements, and certain bond covenant requirements. Also, a report is prepared on each District's Internal Control over Financing Reporting, an Independent Auditor's Report, Basic Financial Statements, and Required Supplementary Information. The Auditor prepares a separate report on each District's compliance with Bond covenants, to ensure that there are no deficiencies in compliance with terms, covenants, provisions, or conditions of the Trust Agreement and the Master Installment Purchase Contracts.

MANAGEMENT PLANNING PRACTICES

Annual State of the District Reports are prepared for both districts to assess district performance based on identified metrics over the last calendar year. The goal of the State of the District report is to provide ratepayers, stakeholders, elected officials, and staff a recap of each District's most significant events and achievements from the past year, as well as an overview of general financial and organizational information. State of the District reports have been produced since 2012.

Both districts have compiled strategic plans—Regional San in 2016 and SacSewer in 2017. Many of the components of the plans are similar in intent, if not precisely in language. The variations surface in the goals, since each agency lists some specifics to their operations; however, five are similar or overlap. SacSewer has goals specifically related to customer service due to their level of direct contact with customers. Regional San has additional goals related to environmental protection, because they discharge wastewater and dispose of solids into the environment.

Regional San's Strategic Plan is entitled *A Blueprint for Responding to Future Challenges and Opportunities*. The 10-year Strategic Plan provides a guiding organizational blueprint for the years 2016–2026. The plan confirms Regional San's Vision and Mission as a public utility

dedicated to high-quality service and environmental and financial sustainability, incorporating sustainability principles and effective resource management to minimize Regional San's environmental impact. The plan also outlines the specific goals, objectives, and work plans Regional San will pursue to move the organization to where it needs to be in 2026.

SacSewer's Strategic Plan outlines the District's vision, mission, values, and specific goals and objectives. The plan provides SacSewer with five goals to continue to build on successes during the five-year period from 2017 to 2022, consisting of:

1. Enhance business practices,
2. Manage assets responsibly,
3. Ensure financial stability and sustainability,
4. Be a workplace of choice, and
5. Enhance communication and collaboration.

OPERATIONAL PLANNING PRACTICES

Sanitary Sewer Management Plan

Both Districts have developed Sanitary Sewer Management Plans (SSMP) as mandated by the State Water Resources Control Board Order No. 2022-0103-DW/Q, Statewide General Waste Discharge Requirements for Sanitary Sewer Systems. The purpose of the Order is to require agencies to prepare a plan and schedule for measures to be implemented to reduce sanitary sewer overflows, as well as measures to effectively clean-up and report sanitary sewer overflows. Regional San's and SacSewer's SSMPs were last updated in 2019 and 2021, respectively. As required by law, the Districts also conduct periodic SSMP audits at least every two years. The audit is intended to evaluate the effectiveness of the SSMP's programs, identify potential weaknesses, and determine improvement opportunities for use in future SSMP modifications.

Master Plans

Regional San's Regional Interceptor Master Plan 2000 is a long-range master plan for the large diameter interceptors that transport wastewater to the Sacramento Regional Wastewater Treatment Plant and includes interceptor upgrades/expansions to accommodate anticipated growth through 2035. The plan uses land use and population projections to determine wastewater needs, geographically based sewer-billing information to predict existing flows, and Sacramento Council of Governments (SACOG) geographically based population projections

to predict areas of future growth and development densities. The Interceptor Sequencing Study (ISS) was prepared to evaluate the proposed interceptor facilities identified in Regional San's Interceptor Master Plan 2000, to determine if there were other alternatives including delaying, realigning, or eliminating proposed interceptors.

Regional San developed the 2020 Master Plan covering the Sacramento Wastewater Treatment Plant in 2008. The plan provides a phased program of recommended wastewater treatment facilities needs and management programs to accommodate planned growth and to meet existing and anticipated regulatory requirements through the year 2020. The 2020 Master Plan addresses both public health and environmental protection issues while ensuring reliable service at affordable rates for Regional San customers. The key goals of the 2020 Master Plan are to provide sufficient capacity to meet growth projections and an orderly expansion of EchoWater Facility, to comply with applicable water quality standards, and to provide for the most cost-effective facilities and programs from a watershed perspective.

In 2000, Regional San developed the Bufferlands Master Plan. The purpose of the Bufferlands Master Plan was to establish a long-term, cost-effective management direction for the Bufferlands that would maintain the existing buffer zone, provide for future expansion and changes in operation of the EchoWater Facility and protect and enhance the area's environmental resources. The master plan provides guidelines and policies for alternative land uses, for visitor use and access, and for vegetation and wildlife management.

Capacity Plans

SacSewer updated its 2020 Sewer System Capacity Plan in 2020. The overall goal of the plan is to estimate the future capital improvement needs of the SacSewer trunk sewer system, both in capacity relief projects for the existing system and expansion projects to serve newly developed areas. This plan provides for sewerage facilities and relief sewers to address future development within SacSewer's service area and to minimize the risk from potential sewer overflows that could occur during storm events. This plan also addresses the financial aspects of the SacSewer Trunk Expansion Program.

Other

Regional San's Water Recycling Opportunities Study evaluated local recycled water opportunities for highly treated wastewater.

Regional San's Solids Management Plan was developed to evaluate biosolids handling, storage, reuse, and disposal methods to identify the long-term need and timing of additional biosolids management facilities to meet future demand.

6. GROWTH AND POPULATION PROJECTIONS

This section reviews historical and recent population and economic growth, projected growth, and growth areas.

LAND USE

Sacramento County encompasses 994 square miles across seven cities (Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova, and Sacramento) and unincorporated areas in the northern portion of the Central Valley. It is primarily comprised of agricultural land followed by residential space. Generally, this region plans to focus on urban development that offers transportation, natural areas, and industrial and commercial uses to support its growing population. Low density development, such as single-family housing, accounts for 95 percent of the County's developed residential land, while the remaining five percent is dedicated to medium density developments like apartments and condominiums.⁹

Regional San and SacSewer service areas are largely in line with the County's Urban Services Boundary (USB). The USB is a boundary that was established in 1993 by the Sacramento County Board of Supervisors to help manage the growth of the Sacramento region. The USB is a line that separates urban development from rural development, and its purpose is to promote more efficient use of land and resources by directing growth to areas that already have infrastructure and services in place, rather than allowing development to sprawl out into rural areas. The USB is intended to be a long-term planning tool, and its establishment has had several effects on development in the Sacramento region:

- Encouraging infill development: The USB has encouraged developers to build within the existing urban area, leading to more infill development and the revitalization of older urban areas.
- Promoting transportation alternatives: By limiting development outside the boundary, the USB has encouraged the development of alternative transportation options, such as public transit and bike lanes, to connect urban areas.

⁹ Sacramento County, General Plan Land Use Element, Amended 10/6/20, p. 5

- Preserving natural resources: The USB preserves agricultural land and natural resources outside the boundary, by preventing urban sprawl from encroaching on these areas.
- Managing growth: The USB manages the pace and location of growth in the Sacramento region, by directing development to areas that are already served by infrastructure and services.

This boundary is essentially coterminous with the majority of the County’s urban and developed areas, encompassing five of its seven cities including: Sacramento, Citrus Heights, Rancho Cordova, Folsom, Elk Grove. The USB is intended to only contain an amount of land supply that is able to receive urban services within an area limited by its natural resources. Presently, the USB corresponds to the Urban Policy Area, which identifies the area within the USB that is anticipated to receive urban levels of infrastructure and services during a 25-year planning period. These boundaries are designed to concentrate development within established areas in an effort to prevent urban sprawl and promote efficiency related to providing services.¹⁰ The GP specifically states that future development should target infill sites, vacant space, underutilized parcels, structures in need of rehab or reuse, and existing communities, particularly near commercial corridors.¹¹

The County’s General Plan, in coordination with the City General Plans, guides the development of this land and, along with other planning documents, outlines strategies and policies for providers like Regional San and SacSewer to provide services.

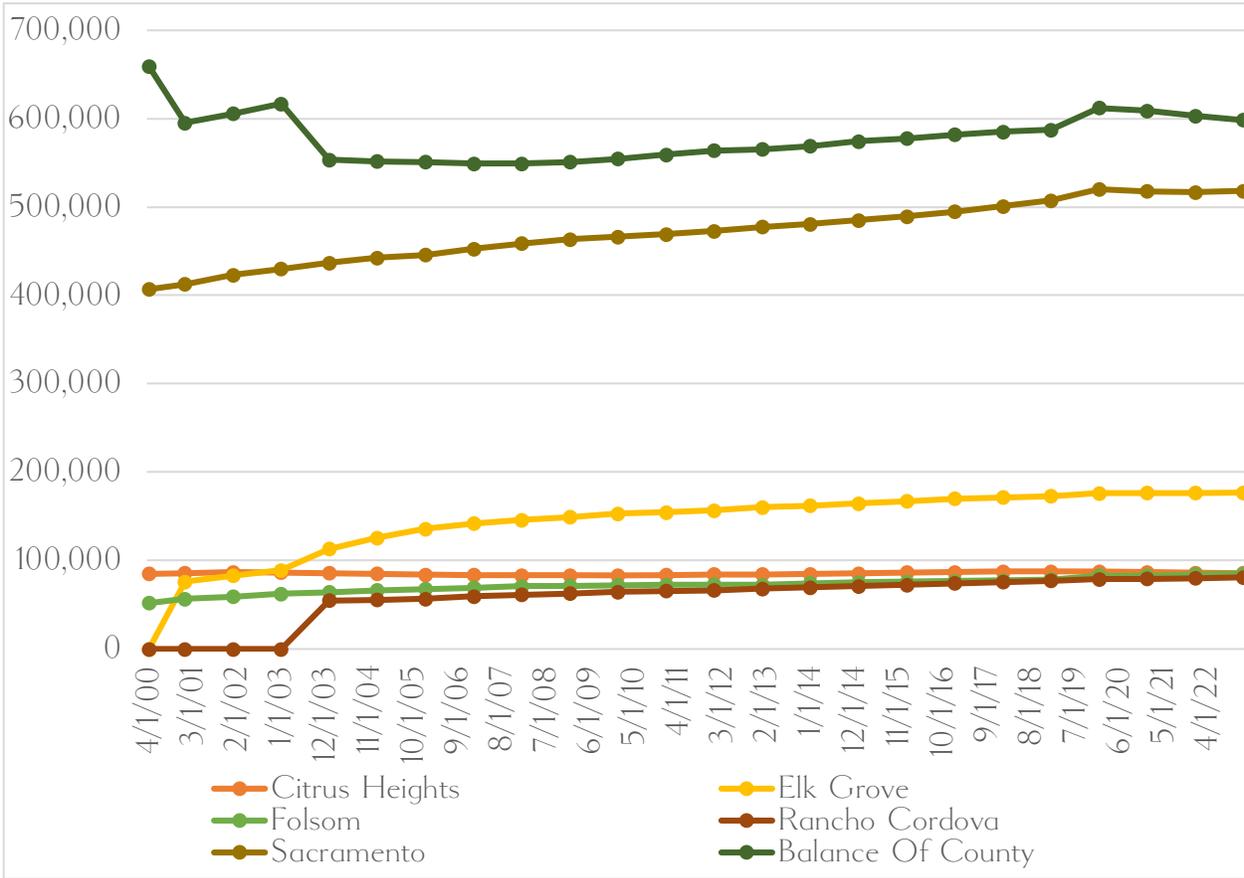
¹⁰ Sacramento County, General Plan Land Use Element Background to the 1993 General Plan as Amended, p. 20

¹¹ Sacramento County, General Plan Land Use Element, Amended 10/6/20, p. 6

HISTORICAL POPULATION TRENDS

The population of Sacramento County has grown rapidly since the 1950s. The City of Folsom, for example, nearly doubled its population every ten years between its incorporation in 1946 until the year 2000, growing from a community of 1,690 in 1950 to 51,884 in 2000 and 82,943 by 2020. This is a trend that is similar for all five cities within the USB in Sacramento County, according to population estimates from the California Department of Finance, as seen in Figure 6-1.

Figure 6-1: Sacramento County Historical Population Growth, 2000-2023

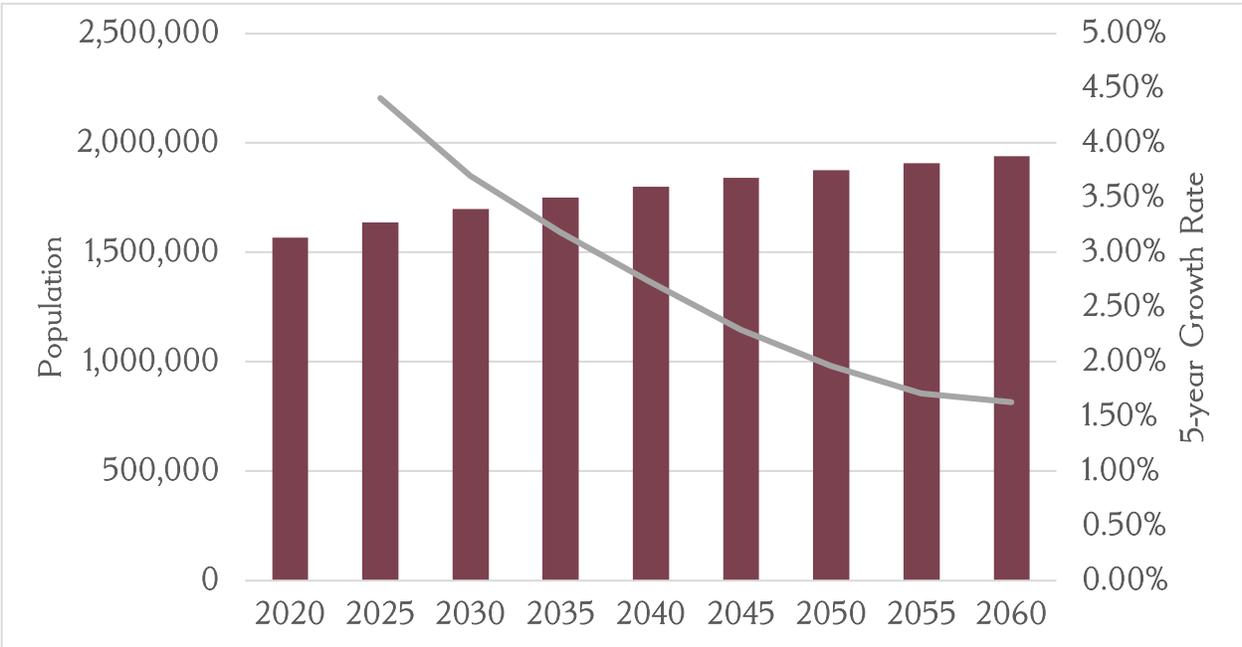


The City of Sacramento is by far the largest city in the County with a population that has grown by 27 percent between 2000 and 2023. Elk Grove, however, has seen the fastest rate of growth, increasing its population by 132 percent since its incorporation in 2000. In contrast, the Citrus Heights population is more than half that of Elk Grove but has only grown one percent since 2000.

POPULATION PROJECTIONS

Both districts make use of population projections from the California Department of Finance (DOF) for planning documents. Current countywide DOF population projections shown in Figure 6-1 are available from 2020 to 2060. The DOF projections anticipate the Sacramento County population to increase from 1.57 million to 1.94 million by 2060 which equates to an average annual growth rate of 0.53 percent over the 40-year time period. However, the projections anticipate a declining growth rate each five-year period, with an average annual growth rate of 0.87 percent from 2020 to 2025 and a 0.32 percent annual growth rate from 2055 to 2060.

Figure 6-2: Sacramento County Department of Finance Population Projections, 2020-2060



While the Sacramento Area Council of Governments (SACOG) does not have like data for this same time frame, it does predict overall regional trends through 2050 as part of developing the 2024 Metropolitan Transportation Plan/Sustainable Communities Strategy. These projections indicate Sacramento County is set to outpace job growth and population estimates compared to nationwide metrics with an annual growth rate of 0.66 percent regionwide through 2050,¹² which is somewhat higher than the 0.53 percent annual growth rate projected by DOF.

¹² SACOG, Sacramento Region Draft Growth Projections Technical Memo, 2019, p.2.

GROWTH STRATEGIES

The County and the Cities are the land use authorities within their respective jurisdiction. Although the Districts are not land use authorities, they still produce and adopt strategic plans and policies that address growth in their service area. One example of this is Regional San's 10-Year Strategic plan which discusses the need to invest in repairing or replacing aging infrastructure to ensure safety and efficiency in their operations, rate increases to meet funding needs, and increasing recycled water use to accommodate non-potable demands as growth in the region continues. SacSewer likewise has a strategic plan spanning a five-year time frame. Their planning efforts address similar issues that effect and are impacted by regional growth and development such as prioritizing how to correct aging infrastructure and maintaining the funding needed to deliver adequate services.

According to Regional San and SacSewer, the County and five cities they work with aim to be transparent with the Districts in terms of development and permitting. In fact, there is dedicated staff that coordinates with the Districts to determine if capacity exists to serve any annexed areas, and that they are kept informed throughout the planning process. The Master Interagency Agreement between both Districts, the County and the Cities also states that area outside of the Districts' jurisdiction may be annexed only as long as it is classified for that type of use according to General Plan documents, and that area also annexes to a contributing agency.¹³

¹³ Sacramento County, Regional San, SacSewer, City of Folsom, City of Elk Grove, City of Sacramento, City of Citrus Heights, City of Rancho Cordova, Master Interagency Agreement, 2021, p. 12

7. DISADVANTAGED UNINCORPORATED COMMUNITIES

LAFCo is required to evaluate disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. The intent and history of this requirement is outlined in the Background Section of this report.

A disadvantaged unincorporated community is defined as any area with 12 or more registered voters, or as determined by commission policy, where the median household income is less than 80 percent of the statewide annual median.¹⁴

The Sacramento Area Council of Governments (SACOG) identified disadvantaged communities in Sacramento County to the census tract level 2016. SACOG has also developed map layers with 2020 census data; however, the maps do not reflect the level of detail as the 2016 versions. Maps of all areas that meet the definition of a disadvantaged community in Sacramento are shown in Figures 7-1, 7-2, and 7-3.¹⁵

¹⁴ Government Code §56033.5 defines a DUC as 1) all or a portion of a “disadvantaged community” as defined by §79505.5 of the Water Code, and as 2) “inhabited territory” (12 or more registered voters), as defined by §56046, or as determined by commission policy.

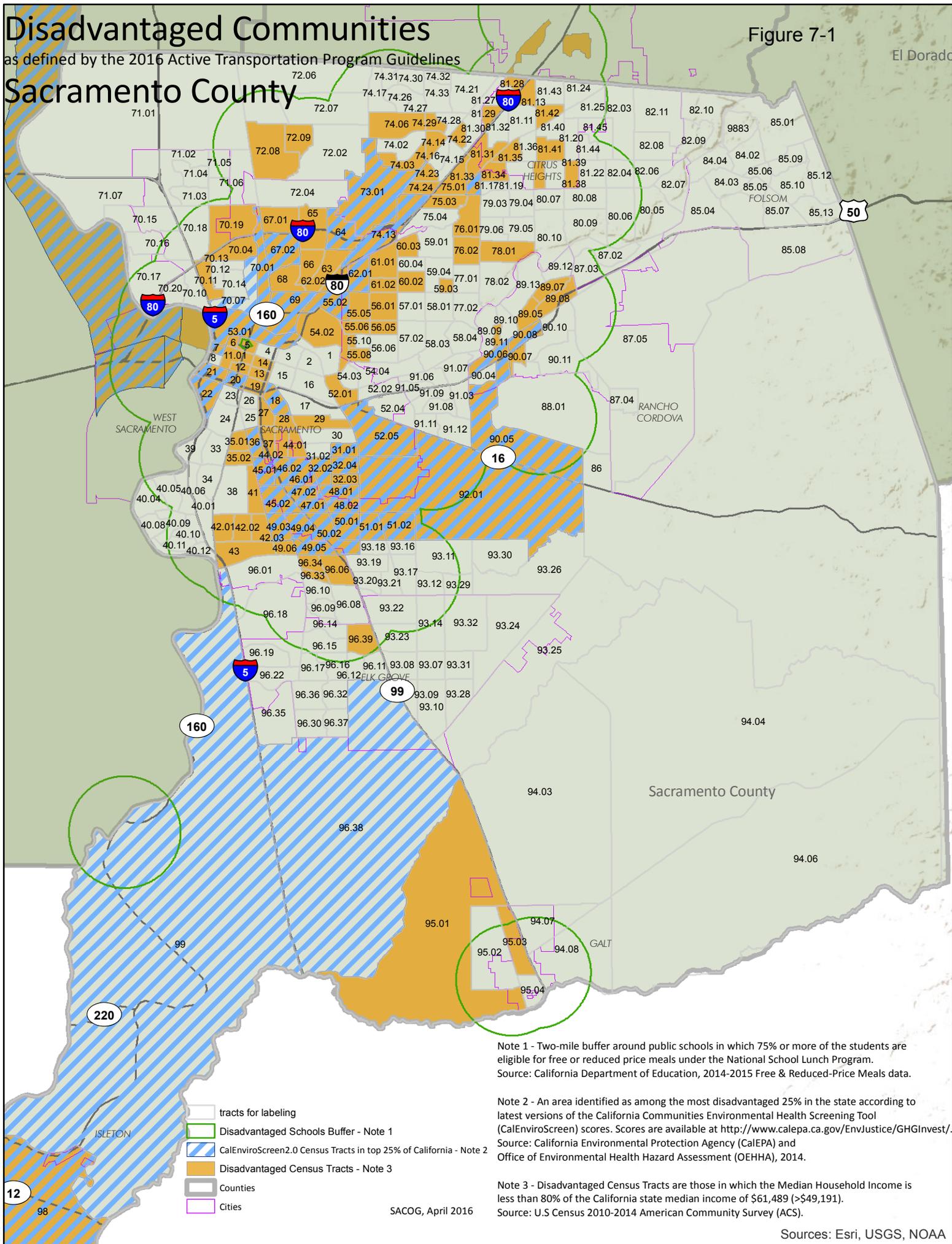
¹⁵ <https://www.sacog.org/sites/main/files/file-attachments/disadvantagedcommunities2016.pdf>

Disadvantaged Communities

as defined by the 2016 Active Transportation Program Guidelines

Sacramento County

Figure 7-1



- tracts for labeling
- Disadvantaged Schools Buffer - Note 1
- CalEnviroScreen2.0 Census Tracts in top 25% of California - Note 2
- Disadvantaged Census Tracts - Note 3
- Counties
- Cities

Note 1 - Two-mile buffer around public schools in which 75% or more of the students are eligible for free or reduced price meals under the National School Lunch Program. Source: California Department of Education, 2014-2015 Free & Reduced-Price Meals data.

Note 2 - An area identified as among the most disadvantaged 25% in the state according to latest versions of the California Communities Environmental Health Screening Tool (CalEnviroScreen) scores. Scores are available at <http://www.calepa.ca.gov/EnvJustice/GHInvest/>. Source: California Environmental Protection Agency (CalEPA) and Office of Environmental Health Hazard Assessment (OEHHA), 2014.

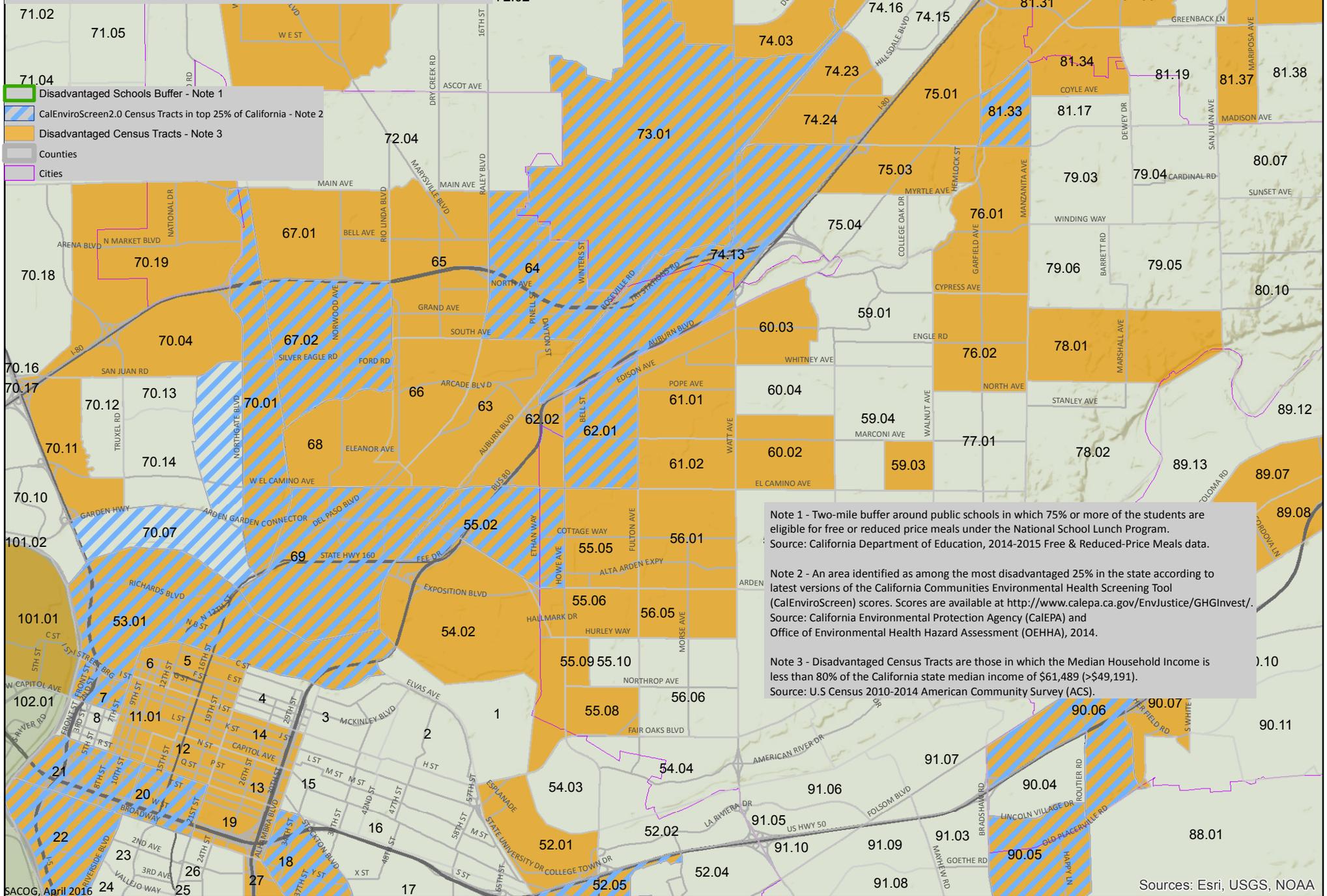
Note 3 - Disadvantaged Census Tracts are those in which the Median Household Income is less than 80% of the California state median income of \$61,489 (>\$49,191). Source: U.S Census 2010-2014 American Community Survey (ACS).

Disadvantaged Communities

as defined by the 2016 Active Transportation Program Guidelines

North Sacramento

Figure 7-2



- 71.04 Disadvantaged Schools Buffer - Note 1
- CalEnviroScreen 2.0 Census Tracts in top 25% of California - Note 2
- Disadvantaged Census Tracts - Note 3
- Counties
- Cities

Note 1 - Two-mile buffer around public schools in which 75% or more of the students are eligible for free or reduced price meals under the National School Lunch Program.
Source: California Department of Education, 2014-2015 Free & Reduced-Price Meals data.

Note 2 - An area identified as among the most disadvantaged 25% in the state according to latest versions of the California Communities Environmental Health Screening Tool (CalEnviroScreen) scores. Scores are available at <http://www.calepa.ca.gov/EnvJustice/GHGInvest/>.
Source: California Environmental Protection Agency (CalEPA) and Office of Environmental Health Hazard Assessment (OEHHA), 2014.

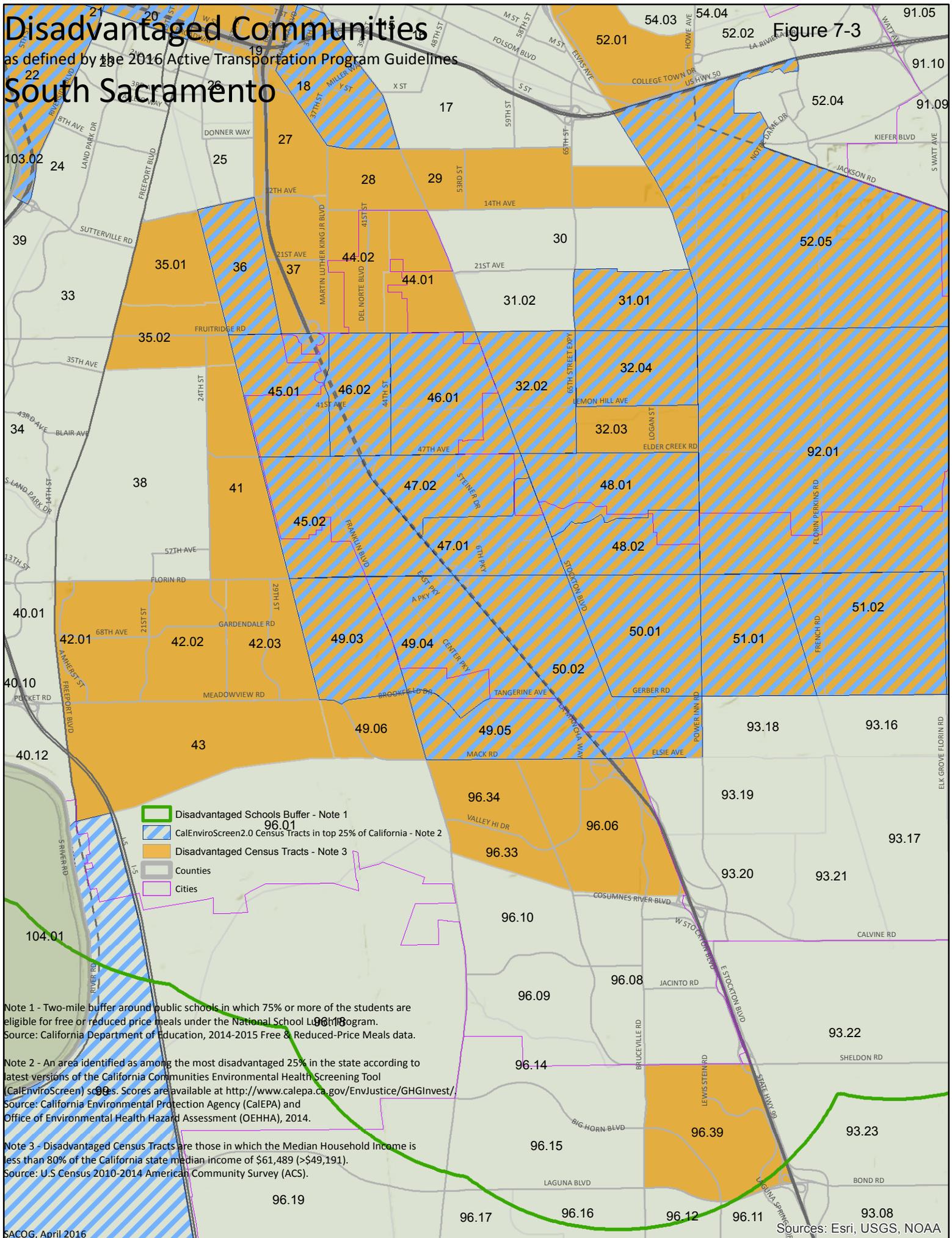
Note 3 - Disadvantaged Census Tracts are those in which the Median Household Income is less than 80% of the California state median income of \$61,489 (>\$49,191).
Source: U.S Census 2010-2014 American Community Survey (ACS).

Disadvantaged Communities

as defined by the 2016 Active Transportation Program Guidelines

South Sacramento

Figure 7-3



- Disadvantaged Schools Buffer - Note 1
- CalEnviroScreen2.0 Census Tracts in top 25% of California - Note 2
- Disadvantaged Census Tracts - Note 3
- Counties
- Cities

Note 1 - Two-mile buffer around public schools in which 75% or more of the students are eligible for free or reduced price meals under the National School Lunch Program.
 Source: California Department of Education, 2014-2015 Free & Reduced-Price Meals data.

Note 2 - An area identified as among the most disadvantaged 25% in the state according to latest versions of the California Communities Environmental Health Screening Tool (CalEnviroScreen) scores. Scores are available at <http://www.calepa.ca.gov/EnvJustice/GHGInvest/>.
 Source: California Environmental Protection Agency (CalEPA) and Office of Environmental Health Hazard Assessment (OEHA), 2014.

Note 3 - Disadvantaged Census Tracts are those in which the Median Household Income is less than 80% of the California state median income of \$61,489 (>\$49,191).
 Source: U.S Census 2010-2014 American Community Survey (ACS).

8. FINANCIAL ABILITY TO PROVIDE SERVICES

Regional San and SacSewer have established strong financial positions while being good stewards of the customers' rates and fees collected, as indicated by the Districts' healthy reserves, strong credit ratings, and careful management of ratepayer funds allowing rates to remain unchanged for several years. Regional San and SacSewer continue to meet their financial obligations for operating and capital needs, while maintaining healthy cash reserves.¹⁶ The Districts' respective Long Term Financial Plans indicate a continued projection of no rate increases until FY 27-28 for SacSewer and FY 30-31 for Regional San. However, with recent inflation, there are several pressures on the Districts to consider rate increases sooner than anticipated to maintain a strong financial position.

Similar to other utility providers in the State, costs are significantly increasing in various aspects of both Districts' operations and capital projects. Labor costs have increased recently with establishment of seven new positions and filling of 15 vacancies in combination with inflation resulting in a four percent cost-of-living adjustment (COLA) this year. Increasing costs associated with personnel have resulted in an annual increase of expenditures of \$7 million for Regional San and \$4 million for SacSewer.¹⁷

Rising chemical costs, due to a volatile market with limited competition, have also led to a substantial increase in expenses, particularly for Regional San with an associated annual cost increase of \$12 million.¹⁸

Electricity rates are projected to increase five percent annually, this increase is anticipated to be compounded due to additional electricity usage for the tertiary treatment facilities and the Harvest Water pump station once fully online.

Escalation of capital project costs from original estimates resulting in substantial funding gaps has the most significant impact on both Districts' expenses. Project estimates occur several years before project finalization, during which time related costs are subject to inflation. Costs associated with average rates of inflation are generally accounted for; however, in 2021 and 2022, costs associated with construction inputs experienced record high inflation rates of 19.6

¹⁶ Regional San, Comprehensive Annual Financial Statement, FY 21-22, p. v.

¹⁷ Regional San and SacSewer, Presentation to the Boards: Presentation Regarding The Financial Pressures Affecting The Sacramento Regional County Sanitation District And The Sacramento Area Sewer District, March 8, 2023.

¹⁸ Ibid.

percent and 11.2 percent respectively.¹⁹ This significant rise in costs has created large funding gaps for large capital projects that started years ago. Regional San’s Harvest Water project has a funding gap of \$275 million, and its BioGeneration Facility Project was budgeted at \$104 million for FY 22-23 but is now estimated at \$125 million. SacSewer’s Rio Cosumnes Correctional Center pump station rehabilitation project has increased by \$5.2 million and North Area Corp Yard rehabilitation has increased by \$12.4 million.²⁰

Due to the multitude of simultaneously increasing expenses that are outside of the control of the Districts, Regional San and SacSewer are considering rate increases that would become effective July 2024 in order to continue to maintain their healthy financial position.

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT

Regional San’s revenue is generated from two main sources—monthly service charges paid by existing customers and sewer impact fees paid by new customers connecting to the system. A smaller fraction of revenues are from non-operating sources, mainly consisting of interest income on invested cash balances and a lesser amount of revenue from recycled water service fees.

The following table summarizes selected financial information for Regional San’s wastewater operations.

¹⁹ The Construction Association, 2022 Construction Inflation Alert, December 2022.

²⁰ Regional San and SacSewer, Presentation to the Boards: Presentation Regarding The Financial Pressures Affecting The Sacramento Regional County Sanitation District And The Sacramento Area Sewer District, March 8, 2023.

Figure 8-1: Sacramento Regional County Sanitation District Financial Summary (in thousands), FY 21-22

SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT	
FY 21-22 SANITATION BUDGET NET (IN THOUSANDS)	\$43,513
Operating Revenues	\$295,736
Operating Expenditures (inc. debt service)	\$252,223
ENDING FUND BALANCE AS % OF OPERATING REVENUES	147%
Ending Fund Balance (as of June 30, 2022)	435,100
DEBT AS A % OF OPERATING REVENUES	14%
Total Debt Outstanding (as of June 30, 2022)	\$2,075,610
MONTHLY WASTEWATER RATES AS A % OF HOUSEHOLD INCOME	0.6%
Typical Monthly Rate for Single Family Residence (not including SacSewer rate)	\$37
Median Monthly Household Income, 2017-2021 (not in thousands)	\$6,369
PENSION+OPEB TOTAL PAYMENTS % OF REVENUE	3%
Pension+OPEB Payments (before additional contributions)	\$8,887
Unfunded Pension Liability	\$4,038
Unfunded OPEB Liability	\$4,237

BALANCED BUDGET

Recurring operating deficits are a warning sign of fiscal distress. In the short-term, reserves can backfill deficits and maintain services. However ongoing deficits eventually will deplete reserves.

Regional San's FY 21-22 operating revenues (excluding capacity charges) exceed expenditures (including debt) by \$43.5 million, or about 15 percent.

FUND BALANCES, RESERVES, AND LIQUIDITY

Fund balances and reserves should include funds for cash flow and liquidity, in addition to funds to address longer-term needs. Cash reserves should be adequate to respond to system emergencies, temporary deficits, economic downturns and fiscal emergencies, as well as to fund needed capital improvements.

The District's balance declined about \$45.3 million from FY 20-21 to FY 21-22, to an ending balance of \$435.1 million or about 147 percent of operating revenues; this ending balance is

allocated to Unreserved Cash Reserves and other reserve funds as specified below (\$358.3 million) and Restricted Cash (\$76.8 million). Regional San maintains sufficient reserves to weather any contingencies, such as unexpected expenditures or to offset temporary fluctuations in revenues.

Regional San's liquidity ratio, which is positive (current assets exceed current liabilities), indicates the short-term (less than one year) availability of these funds if needed. Regional San's financial policies require a General Reserve of 25 percent of projected operating costs to be maintained to cover additional costs that could be incurred during times of emergency.

Future expansion, equipment and infrastructure replacement, and other capital costs are funded via reserves, summarized in Figure 8-2.

Figure 8-2: Sacramento Regional County Sanitation District Reserve Funds

RESERVE	ENDING JUNE 30, 2022	DESCRIPTION
General Reserve	\$36,352,000	Covers emergency costs and unexpected expenditures or offsets fluctuations in revenues.
Facilities Closure Reserve	\$13,153,845	A Facilities Closure Reserve is mandated by the State of California to finance closure and post-closure costs of the solids storage basins and the dedicated lined disposal sites at the EchoWater Facility. This reserve is increased as needed to ensure sufficient funding will be available at the time of closure of the facilities as mandated by State law.
Equipment Replacement	\$1,188,685	This reserve was created to replace existing heavy equipment (i.e., tractors, cranes) thereby eliminating the need for debt financing in years when heavy equipment is replaced. This reserve is increased by 2.5% each year to reflect inflation.
Confluence Program Reserve	\$10,000,000	This reserve supports programs for economic incentives, educational programs, the Sewer Lifeline Rate Assistance Program, and other community partnership programs. These programs are supported by non-rate/non-fee revenues and are now combined under the Confluence Program.
Expansion Reserve	\$20,908,124	This reserve was created to fund facility expansions required by customer growth. It is designed to be used when expansion projects are under construction, but impact fees decline due to a sudden slowdown in growth. No changes to this reserve are envisioned for the forecast period.
Replacement Reserve	\$89,109,768	This reserve funds future rehabilitation and replacement of existing facilities and major components when they reach the end of their useful lives. This reserve will be increased by 2.5% each year during the forecast period to offset the impacts of inflation. Also, this reserve will increase by an additional \$1.1 million each fiscal year from 2020-21 through 2023-24 for the added components of the EchoWater Project that will need to be replaced in the future. This reserve helps avoid issuing debt to replace existing assets.
Rate Stabilization Reserve	\$23,200,000	This reserve is available to ensure minimum debt coverage ratios as required by bond agreements are met when revenues decline or operating expenses increase unexpectedly.
CWSRF & SPA Loan Reserve	\$31,648,677	This reserve is required by the terms of the CWSRF loan that will finance the EchoWater Project and the Proposition 1 loan that financed a portion of the Campbell Power Plant. The reserve will be equal to the annual debt service required under the loan agreements beginning at \$2 million in FY 17-18 and reaching an estimated maximum of approximately \$60 million in FY 24-25.
Unreserved Cash	\$209,538,391	This is defined as all of the cash reserves not specifically designated by the Board of Directors, loan agreements, or laws and regulations. Unreserved cash provides a flexible source of funding to take advantage of opportunities to maximize long-term economic benefits for ratepayers, provide an additional cushion for unexpected expenses or revenue loss, and mitigate any negatives that might be noted by rating agencies. Unreserved cash also provides policymakers with the opportunity to consider the early repayment or restructuring of debt for savings, or financing of future capital project expenditures without the need for additional debt.

NET POSITION

An agency’s "Net Position" as reported in its ACFR represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other liabilities). A positive Net Position provides an indicator of financial soundness over the long-term.

Regional San had a total net position of \$1.5 billion at the end of FY 21-22. Regional San’s net position increased by \$114.6 million during FY 21-22. The main cause of the increase was the result of Regional San’s normal operations. In FY 20-21, the District’s net position decreased by \$50.6 million, as a result of the Swap termination costs due to two debt restructuring transactions made during the year.²¹

RATES AND CHARGES

Sewer service rates are set based on Regional San’s expected costs as laid out in the pro-Forma found in the Long Term Financial Plan. All users of the Regional San sewer system are required to pay sewer use charges to Regional San. Rates are based on the wastewater characteristics of the user. User categories include residential users; commercial users; City of West Sacramento Metered Commercial Users; Industrial Users, Groundwater Remediation Dischargers, and Temporary Discharge Permit Users; Liquid Waste Haulers; and Users Outside the District’s Service Area.

Figure 8-3: Sacramento Regional County Sanitation District Rates

CATEGORY	CURRENT RATE
Single Family Residential	\$37.00/month for each single-family residence
Multi-Family Residential	\$27.75/month for each multi-family dwelling unit
Age-Restricted Residential Developments	\$22.20/month for each age-restricted dwelling unit
Commercial	Basic rate (\$37.00) times factor in ordinance
Industrial, Groundwater & Temporary	Flow = \$783 per MG TSS = \$255 per 1,000 lbs. BOD = \$378 per 1,000 lbs. TKN = \$1,158 per 1,000 lbs. Pathogens = \$399 per MG domestic flow

²¹ Regional San, Comprehensive Audited Financial Report, FY 21-22, p. 4.

Starting in 2011, the Board of Directors approved annual rate increases totaling \$17 per month, per equivalent single-family dwelling (ESD), mainly to fund the EchoWater Project. The monthly rate increased from \$20 per ESD in 2011 to \$37 per ESD on July 1, 2018. In April of 2017, the Board approved the final set of rate increases needed to support the EchoWater Project that took the monthly rate per ESD up to \$37. In May of 2019, the Board approved an ordinance amendment to freeze the monthly service rate per ESD at \$37 through the fiscal year 2020-21. A combination of increasing revenue from growth, operating cost containment, reduced capital spending projections, and low-cost financing for the EchoWater Project have resulted in no need for increasing monthly service rates beyond the current \$37 level over the last few years.

A historically high inflation environment has characterized the U.S. economy since 2021, increasing Regional San's operating and capital project costs. As such, prices of treatment chemicals, skilled labor, and construction materials—such as concrete and steel needed to complete construction projects—continue to rise. These rising costs pressure monthly rates that have not increased since 2018, and staff continues to study the impacts of these unforeseen challenges on Regional San and future rates.

Recycled water service rates are set as a percentage of the local water purveyor's potable water rate. Regional San wholesales recycled water to the Sacramento County Water Agency at 60 percent of the potable water rate set by the Sacramento County Water Agency. Regional San retails water to Campbell Power Plant (formerly SPA Cogeneration Plant) based on 90 percent of the City of Sacramento's potable water rate. This higher rate also compensates Regional San for the recycled water transmission pipeline that they built to the Campbell Power Plant.

Sewer impact fees include the capital and financing cost necessary to add new connections to the system and the estimated cost for Regional San to review and process the reports and plans required to connect to the sewer system. All users discharging directly or indirectly into the Regional San's sewer system are required to pay for a portion of the capital investment of the system. These amounts are included in the Sewer Impact Fee, the Incremental Sewer Impact Fee, or such other fees as are required. Sewer Impact Fees are reviewed periodically and adjusted as necessary to account for items such as Regional San costs, inflation, etc. A Sewer Impact Fee must be paid for all parcels served by the Regional San's sewer system and are based on the connection occurring within infill or a new community.

The fee structure for impact fees is tiered based on the location of new development within Regional San. Effective July 1, 2019 sewer impact fees for new residential and new commercial users increased from \$6,146 to \$6,479 per ESD and fees for the "infill" tier increased from

\$3,359 to \$3,602 per ESD. The rate did not change for FY 2022-23. Sewer impact fee revenue decreased by 24 percent and increased by 22.5 percent in FY 21-22 and FY 20-21, respectively, due mostly to changes in construction activity. These fees are generated by development and thus remain sensitive to construction trends. A separate impact fee structure exists for new industrial connections dependent on flow and contaminant type.

Factors that can affect impact fee revenues include fee increases, the proportion of growth in infill versus new communities, new construction levels, level of impact fee credits used, proportion of commercial development versus residential development, and levels of redevelopment.

Figure 8-4: Regional San Impact Fees

USER TYPE	AREA	SEWER IMPACT FEES PER ESD	
		July 1, 2021 - June 30, 2022 (no fee increase for this fiscal year)	July 1, 2022 - June 30, 2023 (no fee increase for this fiscal year)
Single-Family Residential and Commercial	Infill	\$3,602	\$3,602
	New	\$6,479	\$6,479
Multi-Family Residential	Infill	\$2,701	\$2,701
	New	\$4,859	\$4,859
Age-Restricted Residential Development	Infill	\$2,161	\$2,161
	New	\$3,887	\$3,887

Source: https://www.sacsewer.com/sites/main/files/file-attachments/sif_info_outreach_doc_june_2020_final_non_booklet_format_letter_size.pdf?1651763624

LONG-TERM DEBT

Regional San has approximately \$2.3 billion in total long-term obligations, including \$857.2 million in obligations with the Clean Water State Revolving Fund (CWSRF) as of June 30, 2022. Long-term obligations are comprised of Regional San's revenue bonds, State Revolving Fund, loans with a contributing agency, capital leases, landfill closure and post-closure liability, compensated absences, derivative borrowing, and the Financing Authority's long-term

obligations. Additional information on long-term debt obligations can be found on pages 36-46, Note 5 of the notes to the basic financial statements.

Regional San's long-term debt obligations decreased by approximately \$66.9 million during FY 21-22, as a result of scheduled debt service payments. Regional San's long-term debt obligations increased by approximately \$150.3 million during FY 20-21, as a result of new debt, debt refinancing, and scheduled debt service payments.

On April 7, 2015, the State Water Resources Control Board approved CWSRF loans of up to \$1.39 billion for the EchoWater Project with an interest rate of 1.6 to 1.7 percent. The master loan is divided into eight separate loans—one for each of the eight major projects. Each loan, after completion of its project, will amortize separately over a 30-year period. Once the EchoWater Project is complete, Regional San will have long-term debt totaling approximately \$2.7 billion. Of this total, roughly \$200 million, or seven percent, is variable-rate debt, most of which is hedged with swaps that convert the debt into fixed-rate debt. Another \$1 billion, or 38 percent, is traditional fixed-rate bonds. The remaining \$1.5 billion, or 55 percent, is from the EchoWater Project loan agreements with the State of California through the Clean Water State Revolving Fund. These loans have an average interest rate of 1.68 percent with a 30-year repayment term. This low interest loan is expected to save ratepayers more than \$500 million in interest compared to traditional bond financing.

In 2022, Regional San maintained an excellent, investment-grade credit rating with significant rating agencies—Moody's Aa2, Standard & Poors AA, and Fitch A+. All three agencies categorized Regional San's outlook as "Stable."

PENSION AND OPEB LIABILITIES

Unfunded pension and OPEB liabilities present one of the most serious fiscal challenges facing many cities and districts. Total annual pension payments and potential changes in current pension costs do not appear to be a significant adverse factor relative to Regional San's total budget.

Regional San's labor force are employees of the County of Sacramento (County). As such, the District participates in the County of Sacramento's Cost-Sharing Defined Benefit Pension Plan as part of Sacramento County Employees' Retirement System (SCERS) and the Retiree Healthcare Plan (HC Plan) established by the County and referred to as Other Post Employment Benefits (OPEB).

Pension liabilities decreased from \$76.41 million in FY 20-21 to \$4.04 million in FY 21-22, which is a reduction of 95 percent over that time period primarily attributed to investment performance. Similarly, OPEB liability decreased from \$5.27 million FY 20-21 to \$4.24 million in FY 21-22, equating to a reduction of 20 percent during that time frame.

CAPITAL ASSETS

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technical changes.

As a general indicator, the California Municipal Financial Health Diagnostic compares changes in the value of assets and asset improvements.²² Persistent and substantially negative trends, particularly without a reasonable plan for stabilizing declines, raise caution and warning signs. This negative condition can occur if repairs and replacements do not keep pace with aging infrastructure.

Depreciation typically spreads the life of a facility over time to calculate a depreciation amount for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

Capital Assets, net of accumulated depreciation, totaled \$3.3 billion and \$3.2 billion as of June 30, 2022 and 2021, respectively. This corresponded to an increase in total capital assets of \$85.6 million and an increase of \$155.6 million during those fiscal years, respectively. The change in accumulated depreciation of \$1.1 billion was more than offset by additions to capital value.

From July 1, 2021 to June 30, 2022, construction in progress increased by \$116.1 million. Construction projects started but not completed at year-end added \$136.7 million to construction in progress and was offset by \$20.6 million that was transferred out to structures and equipment during the year. A majority of the activity in construction in progress is attributable to the EchoWater Project. From July 1, 2020 to June 30, 2021, construction in progress increased by \$114 million. \$206.3 million was added and was offset by \$92.3 million of completed projects that were transferred to structures.

The Capital Funding Projection is included as part of the Long Term Financial Plan (LTFP), which is a tool to help focus resources on the issues influencing Regional San's financial position over the next 10 years and better align its financial capacity with its mission. The LTFP

²² The California Municipal Financial Health Diagnostic: Financial Health Indicators, League of California Cities, 2014.

identifies financial risks and opportunities and identifies strategies for meeting those challenges while providing the most value for the District's ratepayers. The LTFP is updated and is brought forth for Board approval, at least once per year.

SACRAMENTO AREA SEWER DISTRICT

SacSewer’s revenue is generated from two main sources—monthly service charges paid by existing customers and sewer impact fees paid by new customers connecting to the system. A smaller fraction of revenues are from non-operating sources, mainly consisting of interest income on invested cash balances.

Total operating revenues, which consist of sewer service fees and other revenues increased by \$6.1 million in FY 21-22 and decreased by \$7.3 million in FY 20-21. In FY 21-22, revenues from sewer service fees increased by \$4.4 million, due to the return to normalcy after the COVID-19 global pandemic. In FY 20-21, sewer service fee revenues decreased by \$2.1 million, also due to the COVID-19 global pandemic. A portion of the decrease was from SacSewer allowing credits for certain businesses that were closed due to the lockdown caused by the COVID-19 global pandemic.

The following table summarizes selected financial information for SacSewer’s wastewater operations.

Figure 8-5: Sacramento Area Sewer District Financial Summary

SACRAMENTO AREA SEWER DISTRICT	
FY 21-22 SANITATION BUDGET NET (IN THOUSANDS)	(\$10,301)
Operating Revenues	\$111,197
Operating Expenditures (inc. debt service)	\$121,498
ENDING FUND BALANCE AS % OF OPERATING REVENUES	118%
Ending Fund Balance (as of June 30, 2022)	130,978
DEBT AS A % OF OPERATING REVENUES	65%
Total Debt Outstanding (as of June 30, 2022)	\$170,188
MONTHLY WASTEWATER RATES AS A % OF HOUSEHOLD INCOME	0.3%
Typical Monthly Rate for Single Family Residence (not including Regional San rate)	\$19.85
Median Monthly Household Income, 2017-2021 (not in thousands)	\$6,369
PENSION+OPEB TOTAL PAYMENTS % OF REVENUE	5%
Pension+OPEB Payments (before additional contributions)	\$5,842
Unfunded Pension Liability	\$2,684
Unfunded OPEB Liability	\$3,037

BALANCED BUDGET

Recurring operating deficits are a warning sign of fiscal distress. In the short-term, reserves can backfill deficits and maintain services. However ongoing deficits eventually will deplete reserves.

SacSewer's FY 21-22 operating revenues (excluding capacity charges) were less than expenditures (including debt) by \$10.3 million, or about nine percent.

FUND BALANCES, RESERVES, AND LIQUIDITY

Fund balances and reserves should include funds for cash flow and liquidity, in addition to funds to address longer-term needs. Cash reserves should be adequate to respond to system emergencies, temporary deficits, economic downturns and fiscal emergencies, as well as to fund needed capital improvements.

The District's balance declined about \$0.76 million from FY 20-21 to FY 21-22, to an ending balance of \$130.98 million or about 118 percent of operating revenues; this ending balance is allocated to Unreserved Cash Reserves and other reserve funds as specified below (\$125.5 million) and Restricted Cash (\$5.5 million). SacSewer maintains sufficient reserves to weather any contingencies, such as unexpected expenditures or to offset temporary fluctuations in revenues.

SacSewer's liquidity ratio, which is positive (current assets exceed current liabilities), indicates the short-term (less than one year) availability of these funds if needed. However, the largest portion of SacSewer's net position (92 percent and 92 percent at June 30, 2022 and 2021, respectively) reflects its net investment in capital assets (e.g., land, structures and improvements, equipment, and construction in progress), less any related debt still outstanding used to acquire those assets. Although SacSewer's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining amount (8 percent and 8 percent at June 30, 2022 and 2021, respectively) may be used to meet SacSewer's ongoing obligations to customers and creditors. SacSewer's financial policies require a General Reserve of 25 percent of projected operating costs to be maintained to cover additional costs that could be incurred during times of emergency.

Future expansion, equipment and infrastructure replacement, and other capital costs are funded via reserves, summarized in Figure 8-6.

Figure 8-6: Sacramento Area Sanitation District Reserve Funds

RESERVE	ENDING JUNE 30, 2022	DESCRIPTION
General Reserve	\$20,092,270	Designated for general reserve and is established to provide for emergency costs and other unexpected expenditures, or to offset temporary fluctuations in revenues. This reserve is targeted at a level equal to 25 percent of operating expenses, and provides protection from rate increases that might result from short-term cost spikes from emergencies, regulatory changes, or legal (lawsuit) settlements.
Metro Airpark	\$2,743,641	Designated to provide for additional future maintenance and repair expenses expected in the area. Increases annually by a 2 percent general inflation factor to cover cost increases resulting from inflation.
Confluence Program Reserve	\$3,000,000	This reserve supports programs for economic incentives, educational programs, the Sewer Lifeline Rate Assistance Program, and other community partnership programs. These programs are supported by non-rate/non-fee revenues and are now combined under the Confluence Program.
Upper-Lateral Revolving Loan Fund Reserve	\$500,000	Designated to provide a base revolving loan fund for low interest loans for customers that need to replace failing upper lateral sewer pipes on their property.
McClellan Business Park Reserve	\$1,689,344	Designated to finance a future construction project to increase capacity when expected growth occurs. Increases annually by a 2 percent general inflation factor to cover cost increases resulting from inflation.
Relief Projects Reserve	\$ -	Designated to finance projects that provide relief or improve capacity in areas that already have sewer infrastructure. This reserve was consumed by the Mission Trunk Rehabilitation and the Don Julio/Watt Avenue Sewer Relief Projects in FY 20-21.
Asset Replacement	\$9,580,632	Designated to finance replacements of pipelines, buildings, and equipment assets as they reach the end of their useful lives. The changes in this reserve are based on asset replacement needs identified annually in the SacSewer Asset Management Plan.
Rate Stabilization Reserve	\$4,000,000	Designated to ensure debt coverage ratios of at least 1.20x, as required by bond agreements, and is available if revenues decline without requiring an immediate increase in rates.
Undesignated	\$89,372,565	The remaining balance in the unrestricted net position is undesignated by the Board of Directors.

NET POSITION

An agency's "Net Position" as reported in its ACFR represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other liabilities). A positive Net Position provides an indicator of financial soundness over the long-term.

SacSewer's total net position as of June 30, 2022 and 2021 was \$855.1 million and \$821.3 million, respectively. SacSewer's total net position increased by \$33.8 million in FY 21-22 and by \$11.9 million in FY 20-21, respectively. The increase for FY 21-22 is primarily based on net nonoperating expenses offset by capital contributions. In fiscal year 2021-22, there was \$162 thousand in operating income, \$10.9 million net nonoperating expenses, offset by contributed capital of \$44.5 million.

RATES AND CHARGES

SacSewer has not had a rate increase since 2010. While the District had anticipated that rate increases would not be necessary for several more years, a historically high inflation environment that has characterized the U.S. economy since last year continues to increase SacSewer's operating and capital project costs. Prices of materials, such as electronics and steel, needed to complete construction projects continue to rise. These rising costs are putting pressure on monthly rates, and staff continues to study the impacts of these unforeseen challenges on SacSewer and future rates.

Current customer rates are shown in Figure 8-7. Rates are a flat monthly rate dependent on the type of wastewater customer.

Figure 8-7: Sacramento Area Sewer District Rates

CATEGORY	CURRENT RATE
Single Family Residential	\$19.85 per month \$39.70 bimonthly
Multi-Family Residential	\$14.89 per mo. \$29.78 bimonthly
Industrial	Variable Rate: Per MG = \$72.73 Per 1,000 lbs. TSS = \$5.10

New SacSewer customers pay impact fees to cover the cost of added infrastructure necessary to support growth. Effective July 1, 2021, the amount charged for impact fees increased. Sewer impact fees for the "relief" area increased from \$748 per ESD to \$777 per ESD. Sewer impact fees for "expansion" areas increased from \$3,301 per ESD to \$3,414 per ESD. Revenues associated with sewer impact fees decreased by 37 percent in FY 21-22. In contrast, revenues from sewer impact fees increased by 79 percent in FY 20-21. The decrease in impact fee revenue can be attributed to one-time connections associated with various large business developments in FY 20-21. Although population growth in the Sacramento region has remained steady throughout the past decade, development growth has been volatile. This fluctuation in the impact fee revenue source makes it an unreliable source of income, preventing SacSewer from relying on impact fees from growth in order to meet its debt service and capital needs. SacSewer plans to increase impact fees on July 1, 2023 and July 1, 2024.

Figure 8-8: Sacramento Area Sewer District Impact Fees

CATEGORY		BILLING UNIT & CHARGE	
		Relief	Expansion
Single-Family Residential	Parcels recorded prior to 7/1/03	\$782 per ESD	\$3,727 ²³ per ESD
	Parcels recorded on/after 7/1/03	\$4,689 per net acre	\$22,360 ²⁴ per net acre
Multi-Family Residential		\$4,689 per net acre	\$22,360 ⁶ per net acre
Commercial		\$4,689 per net acre	\$22,360 ⁶ per net acre
Non-Defined Commercial Users		\$782 per ESD	\$3,727 ⁵ per ESD
Public Parks and Public Schools		\$782 per ESD	\$3,727 ⁵ per ESD
Industrial Users and Groundwater Remediation Dischargers		Based on flow: \$45 per 1,000 gallons of flow based on maximum monthly discharge	
Upcoming Impact Fees			
Areas	Current	Effective 7/1/23	Effective 7/1/24
Relief	\$4,689/acre (\$782/ESD)	\$4,716/acre (\$786/ESD)	\$4,742/acre (\$790/ESD)
Expansion	\$22,360/acre (\$3,727/ESD)	\$24,404/acre (\$4,067/ESD)	\$26,241/acre (\$4,374/ESD)

²³ Developer Project Costs: \$3,128, SacSewer Costs: \$598.

²⁴ Developer Project Costs: \$18,770, SacSewer Costs: \$3,590.

LONG-TERM DEBT

Long-term obligations totaled \$170.2 million and \$171.8 million as of June 30, 2022 and 2021, respectively. These amounts were comprised of loans payable to the Sacramento County Sanitation Districts Financing Authority (SCSDFA) and compensated absences. The decrease in long-term obligations in FY 21-22 was primarily due to \$1.18 million in scheduled debt service payments. Similarly, the decrease in long-term obligations in FY 20-21 was primarily due to \$1.13 million in scheduled debt service payments.

In August 2010, on behalf of SacSewer, the SCSDFA issued \$110.7 million in Federally Taxable Direct Subsidy Build America Bonds (BABs) (Series 2010A) and Tax-exempt Revenue Bonds for \$15.9 million (Series 2010B). SacSewer was to originally receive revenue from federal subsidies for the BABs of \$63.8 million over the life of the bonds. Due to the sequestration, the amount may be reduced to approximately \$60 million. In May 2015, on behalf of SacSewer, SCSDFA issued \$45.4 million in Revenue Bonds that were used to fully defease the outstanding Revenue Bonds, Series 2005 of approximately \$130 million. As of June 30, 2022, SacSewer has long-term revenue bond debt of \$161 million, with \$115 million in Series 2010 revenue bonds and \$46 million in Series 2015 revenue bonds. The District has no plans to issue further bonds in the near future.

SacSewer maintains excellent investment grade credit ratings with the major rating agencies as follows: Moody's Aa2, Standard and Poors AA+, Fitch AA+. All rating agencies classified SacSewer's outlook as "Stable."

PENSION AND OPEB LIABILITIES

Unfunded pension and OPEB liabilities present one of the most serious fiscal challenges facing many cities and districts. Total annual pension payments and potential changes in current pension costs do not appear to be a significant adverse factor relative to SacSewer's total budget.

SacSewer's labor force are employees of the County of Sacramento (County). As such, the District participates in the County of Sacramento's Cost-Sharing Defined Benefit Pension Plan as part of Sacramento County Employees' Retirement System (SCERS) and the Retiree Healthcare Plan (HC Plan) established by the County and referred to as Other Post-Employment Benefits (OPEB).

Pension liabilities decreased from \$44.7 million in FY 20-21 to \$2.7 million in FY 21-22, which is a reduction of 94 percent over that time period primarily attributed to investment performance.

Similarly, OPEB liability decreased from \$3.3 million FY 20-21 to \$3.0 million in FY 21-22, equating to a reduction of nine percent during that time frame.

CAPITAL ASSETS

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technical changes.

As a general indicator, the California Municipal Financial Health Diagnostic compares changes in the value of assets and asset improvements.²⁵ Persistent and substantially negative trends, particularly without a reasonable plan for stabilizing declines, raise caution and warning signs. This negative condition can occur if repairs and replacements do not keep pace with aging infrastructure.

Depreciation typically spreads the life of a facility over time to calculate a depreciation amount for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

Capital Assets, net of accumulated depreciation, totaled \$947 million and \$919 million at June 30, 2022 and 2021, respectively. This corresponded to an increase in capital assets of \$28 million for the fiscal year ended June 30, 2022 and an increase of \$17.3 million for the fiscal year ended June 30, 2021. This increase in capital value in both years was largely due to development in the Sacramento area and the addition of 5,150 new connections over the two-year time period. The change in accumulated depreciation of \$0.7 million was more than offset by additions to capital value.

In FY 21-22, construction in progress increased by \$27 million due to \$29 million in additions offset by \$2 million in completion of ongoing projects. This increase is mainly due to increases in Lower Lateral Replacement Projects, the Sailor Bar Pump Station Rehabilitation Project, and the Highlands Sewer Relief Project. When completed projects are placed into service, they are transferred to structures, improvements, or equipment. Software, structures, improvements, and equipment increased by \$39 million. The majority of the increase was from \$41 million of contributed capital during the year.

In order to adequately address emerging aging infrastructure issues, SacSewer has developed asset sustainability strategies for main lines, pump stations, force mains, lower laterals, and reinforced concrete pipe. Estimates of cost increases and appropriate reserve levels associated

²⁵ The California Municipal Financial Health Diagnostic: Financial Health Indicators, League of California Cities, 2014.

with the sustainability strategies are evaluated annually and included in financial projections and budgets.

The Long Term Financial Plan (LTFP) is comprised of data regarding financial performance measures, critical issues, a 10-year financial forecast and forecast assumptions, and a 10-year Capital Funding Projection that serves as the strategic document to estimate SacSewer's funding needs. The LTFP is updated annually, and the last update was presented to the SacSewer Board of Directors in July 2022.

9. WASTEWATER SERVICES

TYPE AND EXTENT OF SERVICES

SERVICES PROVIDED

The primary functions of SacSewer and Regional San is to operate and manage the wastewater collection and treatment system throughout a majority of the urbanized area of Sacramento County. SacSewer is charged with owning, maintaining, operating, and expanding if necessary, the collection system within its boundaries. Wastewater is collected and transmitted into Regional San’s interceptor system, then flows to Regional San’s EchoWater Facility. Regional San’s Operations Department operates and maintains the facilities at the EchoWater Facility and recycled water production facilities. The SacSewer Operations Department operates and maintains the interceptor system on behalf of Regional San.

In addition to the core wastewater collection and treatment services, both Districts provide ancillary services aimed at environmental protection, sustainability and innovation, and residential support programs, as shown in Figures 9-1 and 9-2.

Figure 9-1: Regional San Programs

PROGRAM NAME	DESCRIPTION
Environmental Protection	
Don't Flush Your Meds	Educates the community on prescription drug disposal options. These options will prevent misuse and keep medications out of waterways
Be Mercury Free	Collaborates with the Sacramento Stormwater Quality Partnership to educate Sacramento residents and businesses about the sources and effects of mercury. Also provides information on how to reduce the amount of mercury entering the Sacramento River watershed.
Dental Office Amalgam Wastewater Compliance Program	Dentists that place or remove amalgam are required to install amalgam separators and follow two Best Management Practices to eliminate waste amalgam discharge to the sewer.
Delta Regional Monitoring Program	The program is a stakeholder directed project formed to develop water quality data necessary for improving the understanding of Delta water quality issues.
Science Program	Provides scientific support to a wide range of research evaluations, studies, and collaborations, with the goal of better understanding the current and future effects of effluent discharge on the Sacramento- San Joaquin Delta.

Sustainability & Innovation	
Water Recycling Program	Regional San's Water Recycling Facility produces up to 3.5 million gallons per day (mgd) of recycled water for use at neighboring parks, landscaped street medians, and commercial and school sites in the Phase I service area in the City of Elk Grove, which includes the Laguna West, Lakeside, and Stone Lakes communities. The program is in partnership with SCWA, which distributes recycled water to customers and monitors recycled water use. Other program projects include the Campbell Power Plant, which will provide up to 1 mgd of recycled water for use in Campbell Power Plant cooling towers, and a recycled water fill station for residential and commercial use. Regional San is currently working with SCWA and the City of Sacramento to expand recycled water service into the Phase II service area (East Franklin and Laguna Ridge communities in Elk Grove) and the southwest portion of the City of Sacramento, respectively. Harvest Water will provide up to 50,000 AFY of Title 22 disinfected tertiary recycled water from the EchoWater Facility to 16,000 acres of currently irrigated agricultural lands in South Sacramento County and 400 acres of wetlands at Stone Lakes National Wildlife Refuge.
Biogas Recycling Program	Methane gas or "biogas," created as a by-product of wastewater solids digestion is recycled at the Carson Ice-Gen cogeneration facility owned by SMUD. The electrical power produced with the EchoWater Facility digester gas can provide energy for about 5,800 households annually.
Biosolids Recycling Program	The EchoWater Facility produces approximately 26,000 dry tons of biosolids annually. Approximately 70 percent of the biosolids are treated and injected into on-site land disposal units. In partnership with Synagro, the remainder is beneficially recycled into fertilizer and soil enhancer. The program also includes conducting outreach to educate the public, farmers, and community leaders about the benefits of biosolids recycling.
Solar Energy Project	Regional San constructed a solar energy array at the SRWTP. The array will increase and diversify its green energy portfolio, provide a clean and sustainable energy source, and reduce energy costs. Regional San entered into a power purchase agreement with Tesla, which will finance, own, and operate the array. The estimated savings to Regional San over 25 years is about \$10 million.
Project AWE	In collaboration with the Elk Grove Unified School District and other community partners, this program provides educational programs focusing on agriculture, water, energy, and the environment at the Nicolaus Dairy for K-12 students.
Confluence Regional Partnership Program	In collaboration with SacSewer, this program funds projects that advance environmental, educational, and economic vitality in the Sacramento region.
Residential Programs	
Rate Assistance Program	Regional San offers eligible low-income customers a savings of \$90 to \$150 per year on the conveyance and treatment portion of their sewer bill, depending on the type of dwelling.
Septic Tank Conversion Loan Program	Regional San provides low-interest loans, up to \$25,000, for property owners currently on septic systems who want to connect to the public sewer system.
Water Efficient Toilet Rebate Program	In partnership with the Regional Water Authority, provide rebates for replacing high water consumption fixtures with more water-efficient fixtures. Water customers may be eligible to receive a rebate of up to \$175 for the installation of a high-efficiency toilet.

Figure 9-2: SacSewer Programs

PROGRAM NAME	DESCRIPTION
Environmental Protection	
Stop the Clog	The Stop the Clog program is sponsored by SacSewer and is designed to reduce sewer backups and overflows by educating people about the proper disposal of fats, oils, and grease (FOG). The program prioritizes areas more likely to have an overflow for both outreach and education and maintenance and operation efforts.
No Wipes in the Pipes	SacSewer runs an educational campaign to reduce the flushing of wipes into the sewer system. Disposable wipes cause serious problems for the sewer system, as they do not break down and require increased monitoring, maintenance, and repair. When wipes and other materials interact with food grease or invasive roots in the sewer, they bind together, causing blockages and creating the potential for overflows. Sewer backups can be both messy and costly to clean up.
Sustainability & Innovation	
Sacramento Area Creeks Council Partnership	For the past few years, SacSewer has partnered with the Sacramento Area Creeks Council (SACC) to educate residents about the sewer system and help protect local creeks. In addition to funding assistance, SacSewer has helped with several other opportunities for collaboration, including participation in Creek Week activities, incorporation of creek protection messages on SacSewer outreach materials, and a labeling program on sewer manholes along creeks to make them easily identifiable. The labeling program's purpose is to increase public awareness and provide an easy way to report sewer problems.
Solar Energy Project	SacSewer installed solar panels to reduce electricity expenditures at the warehouse building at 10060 Goethe Road that helps the building use 28% less energy than California's energy code.
Confluence Regional Partnership Program	In collaboration with Regional San, this program funds projects that advance environmental, educational, and economic vitality in the Sacramento region.
Residential Programs	
Rate Assistance Program	SacSewer offers eligible low-income customers a savings of \$18.75 to \$25 per year on the local wastewater collection portion of their sewer bill, depending on the type of dwelling.
Upper Lateral Loan Program	SacSewer's Upper Lateral Loan Program provides low-interest loans up to \$15,000 for upper lateral repair or replacement.

Sustainability Initiatives

Both SacSewer and Regional San have implemented initiatives designed to enhance the resiliency and environmental sustainability of their operations. The initiatives are summarized in Figure 9-3. They have participated together in several sustainability initiatives, such as the Confluence Regional Partnership.

Recently an Environmental Sustainability Program team was formed to coordinate the sustainability policies and plans of the two districts, and proposals were requested from consultants to develop an agency-wide sustainability policy, establish goals and objectives in pursuit of this policy, establish actions and targets designed to achieve these goals and objectives, and assess funding opportunities and resource needs for the above.

Figure 9-3: Agency Sustainability Initiatives

REGIONAL SAN	SACSEWER
Echo Water Project	Sewer Overflow Prevention
Water Recycling Program (for landscape irrigation, industrial use, and irrigation of agricultural lands and habitat lands)	Participation in Sacramento Area Creeks Council
Biogas Recycling (into renewable energy)	Participation in the Confluence Regional Partnership
Biosolids Recycling (into fertilizer)	Solar - warehouse building at 10060 Goethe Road
Solar Energy	LEED certified office building
Energy efficiency	
Chemical use efficiency	
Habitat and wildlife management (Bufferlands)	
Delta Sustainability	
Participation in the Confluence Regional Partnership	
LEED Certified office building	
Source: Management Partners, Districts Merger Study, 2019, p. 19.	

SERVICES TO OTHER AGENCIES

All services provided by each agency in the system as well as the County of Sacramento are outlined in the Master Interagency Agreement (MIA). The MIA is the agreement between Regional San, SacSewer, the County of Sacramento, and the cities of Folsom, Sacramento, and West Sacramento dated November 1, 1974, and as subsequently amended (most recently in 2021) which defines the interrelationship of the signatory agencies. The current MIA was extended and the County being a signatory will expire in June 30, 2024.

The scope of services provided by Regional San include the following:

- 1) Finance, construct, reconstruct, operate, and maintain all facilities for the treatment and disposal of sanitary sewage and industrial waste delivered to it and originating from within the local service area of each Contributing Agency;

- 2) Finance, construct, and reconstruct facilities for the storage, treatment, and discharge of combined flow originating within the combined system operated by Sacramento City;
- 3) Finance, construct, reconstruct, operate, and maintain all interceptor sewers for the conveyance of wastewater from a Contributing Agency or a major portion of a Contributing Agency to the EchoWater Facility; and
- 4) Finance and construct interceptor sewers to convey combined flow from Sump No. 1 and Sump No. 2 to the Sacramento City Combined Wastewater Treatment Plant site, to storage or to point of discharge.

Contributing Agencies are those public entities, other than Sacramento County, who are parties to the MIA that contribute wastewater from their systems to the Regional San system. Each Contributing Agency is required to provide the following local services:

- 1) Finance, construct, reconstruct, operate, and maintain all collector and trunk sewers for wastewater originating within its local service area; and
- 2) Dispose of all wastewater originating within its local service area to Regional San facilities.

As of July 1, 2020, the SacSewer Interceptor Operations and Management team became responsible for Regional San conveyance facilities, which includes 11 pump stations and 169 miles of interceptor pipe. This transition aims to enhance the efficiency of the interceptor system's operation. A total of 23 staff members from Regional San were transferred to SacSewer. Additionally, Regional San will provide reimbursement to SacSewer for the costs associated with maintenance and operations.

Both Regional San and SacSewer operate under a symbiotic working structure, leveraging extensive resource sharing. This includes shared facilities, personnel, and operational services. As a result of this collaborative framework, numerous services are efficiently provided to each other's respective districts.

CONTRACTS FOR SERVICES

Contract services related to wastewater services are provided and/or received according to the MIA.

OVERLAPPING SERVICE PROVIDERS

While Regional San’s boundaries overlap those of SacSewer and other contributing agencies, the MIA between the signatory agencies describes the roles and responsibilities of each of the member agencies. Based on the clearly defined roles in the agreement, there does not appear to be an existing potential for duplication of facilities or services with overlapping agencies.

COLLABORATION

Regional San and SacSewer partner with several agencies and take part in regional efforts on various projects, programs, and initiatives with a particular focus on environmental protection and stewardship. Each of the District’s participation in regional programs is shown in Figures 9-4 and 9-5.

Figure 9-4: Regional San Participation in Regional Programs

PROGRAM NAME	DESCRIPTION
Economic Development	
Business Environmental Resource Center (BERC)	BERC provides multi-agency, non-regulatory compliance and permitting assistance. Regional San provides financial and technical resources along with sitting on its steering committee.
Environmental Protection	
Central Valley Clean Water Association	CVCWA was primarily formed to concentrate resources to effect reasonable local, state, and federal regulations impacting entities operating municipal wastewater treatment plants and wastewater and storm drain collections systems in the Central Valley.
WateReuse Association	The WateReuse Association is the nation’s only trade association solely dedicated to advancing laws, policy, funding, and public acceptance of recycled water.
Sacramento Central Groundwater Authority	SCGA is a joint powers authority that sustainably manages the groundwater basin south of the American River and north of the Cosumnes River in Sacramento County.
Sacramento Groundwater Authority	SGA is a joint powers authority that sustainably manages the groundwater basin north of the American River in Sacramento County.
Sacramento Area Creeks Council	The Sacramento Area Creeks Council preserves, protects, restores, and maintains the natural streams in urban communities through education, advocacy, financial support, and technical expertise
Regional Water Management	
Regional Water Authority	The Regional Water Authority (RWA) is a joint powers authority representing two dozen water providers and affiliates/associates in the greater Sacramento region. Regional San is an associate member of RWA. RWA is recognized as a leader for its integrated and collaborative approach in assisting its members’ effective management of the region’s water resources in support of a sustainable environment, healthy communities, a vibrant economy, and water supply reliability and resilience under future climate conditions.

Figure 9-5: SacSewer Participation in Regional Programs

PROGRAM NAME	DESCRIPTION
Environmental Protection	
Central Valley Clean Water Association	CVCWA was primarily formed to concentrate resources to effect reasonable local, state, and federal regulations impacting entities operating municipal wastewater treatment plants and wastewater and storm drain collections systems in the Central Valley.
Sacramento Area Creeks Council	The Sacramento Area Creeks Council preserves, protects, restores, and maintains the natural streams in urban communities through education, advocacy, financial support, and technical expertise
Residential Programs	
Rental Housing Association (RHA)	RHA has partnered with SacSewer to educate its members and tenants about sewer problems related to fats, oils, and grease (FOG). Proper FOG disposal is important to help reduce sewer overflows that are costly and environmentally hazardous.

WASTEWATER INFRASTRUCTURE AND FACILITIES

COLLECTION SYSTEM

SacSewer serves approximately 305,543 sewer service connections and maintains and operates approximately 4,600 miles of main lines and lower lateral pipes, 68,346 manholes, and 106 pump stations.

Also part of the collection system are Regional San's pipelines consisting of 111 miles of gravity sewer interceptors ranging in size from 36 to 144 inches in diameter, 58 miles of force mains, 11 pump stations with peak wet weather capacity starting at 10 mgd and increasing to 264 mgd.

Sewage from customers' homes and businesses enters the SacSewer system through lower laterals—small pipes connecting the property owner's plumbing to the SacSewer main line. Once in the main line, sewage flows into a system of larger pipes called trunk lines. Trunk lines connect to Regional San's system, which conveys sewage to the wastewater treatment plant.

The sewer system is designed to allow gravity to do much of the work to keep sewage moving. However, there are some low-lying areas that require a little help. SacSewer owns and operates 106 pump stations and approximately 90 miles of pressurized force main pipes. The District's pump stations pump sewage from the low-lying areas through a force main to a higher point, where it can again travel by gravity.

More than half of the collection system is less than 30 years old. Depending on the composition of the pipelines, the average useful life is between 50 and 100 years. SacSewer has started planning for its aging infrastructure.

Figure 9-6: SacSewer Collection System Age, 2023

YEARS OLD	MAIN LINES	LOWER LATERALS
0-9	5%	9%
10-19	10%	12%
20-29	14%	15%
30-39	14%	16%
40-49	15%	18%
50-59	19%	14%
60-69	16%	8%
70+	6%	2%
Unknown	1%	6%

Maintenance and Operations

SacSewer conducts preventative maintenance on a regular basis through various manners of inspection, cleaning, and repair. Should a main or lateral require construction, the District would do either a cleanout installation and repair or a lower lateral pipe repair and replacement. SacSewer makes use of Television Inspection to assess system needs. Cleaning is conducted on both lower laterals and main lines. In 2022, SacSewer cleaned 4,514,593 feet of pipelines, dispatched 6,948 service calls, and completed 146,798 work orders. Maintenance, inspection and cleaning statistics are reported in SacSewer’s Annual State of the District reports and are shown in in the following figures for 2014 to 2022. As shown, cleaning, inspection, and work orders declined in 2020 due to limited staffing during the Covid Pandemic; however, calls dispatched rose during that time period.

Figure 9-7: Main and Lateral Miles Cleaned, 2014-2022

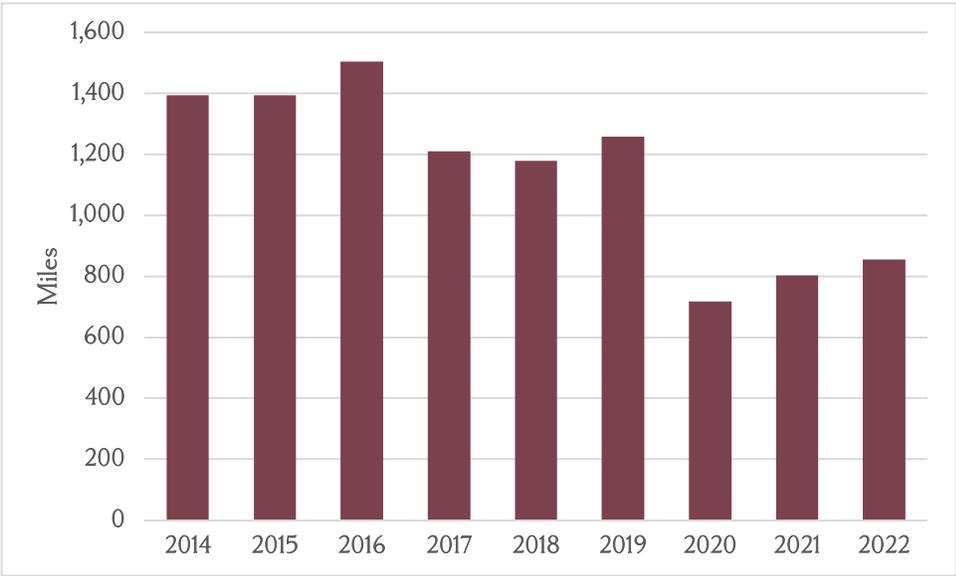


Figure 9-8: Miles of Main Line Pipe Video-Inspected, 2014-2022

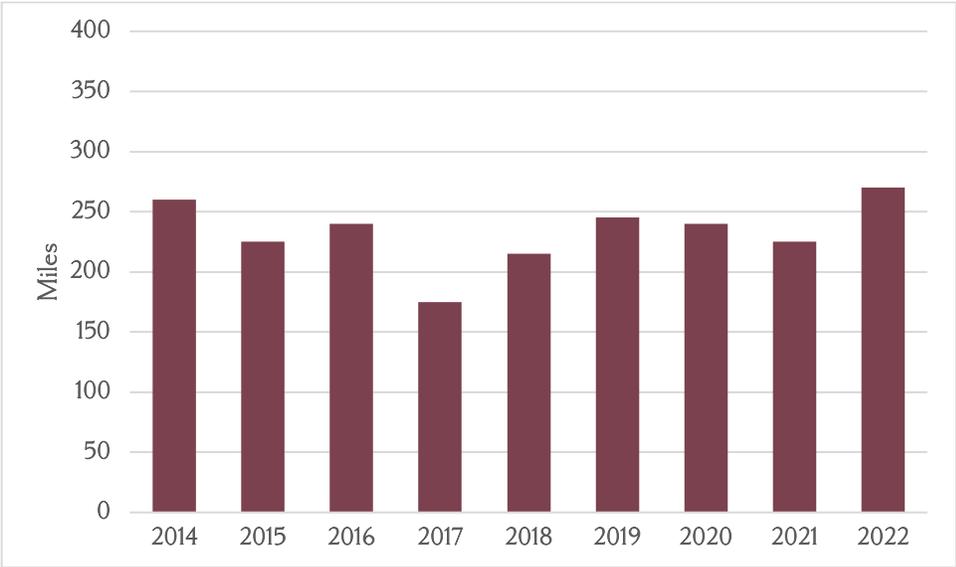


Figure 9-9: SacSewer Service Calls Dispatched, 2014-2022

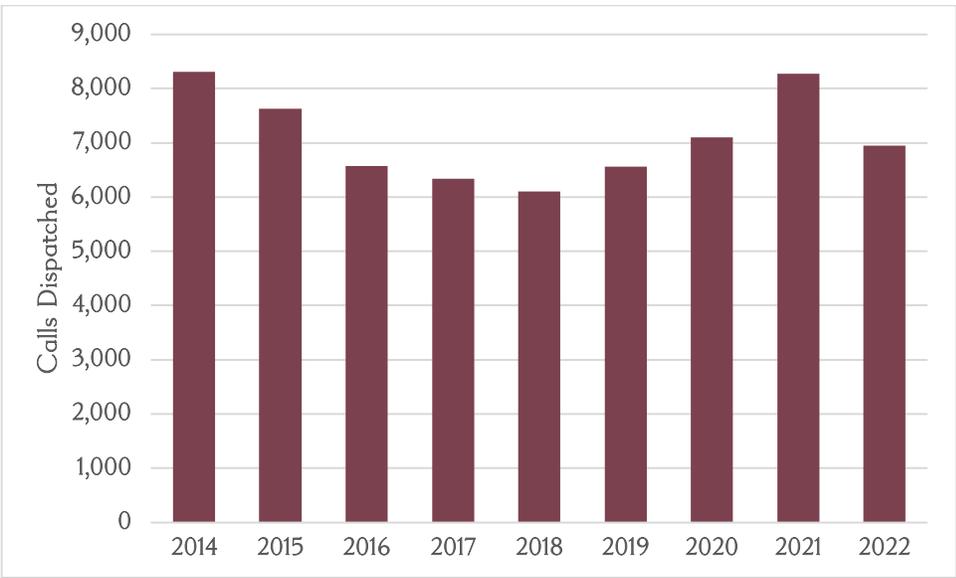
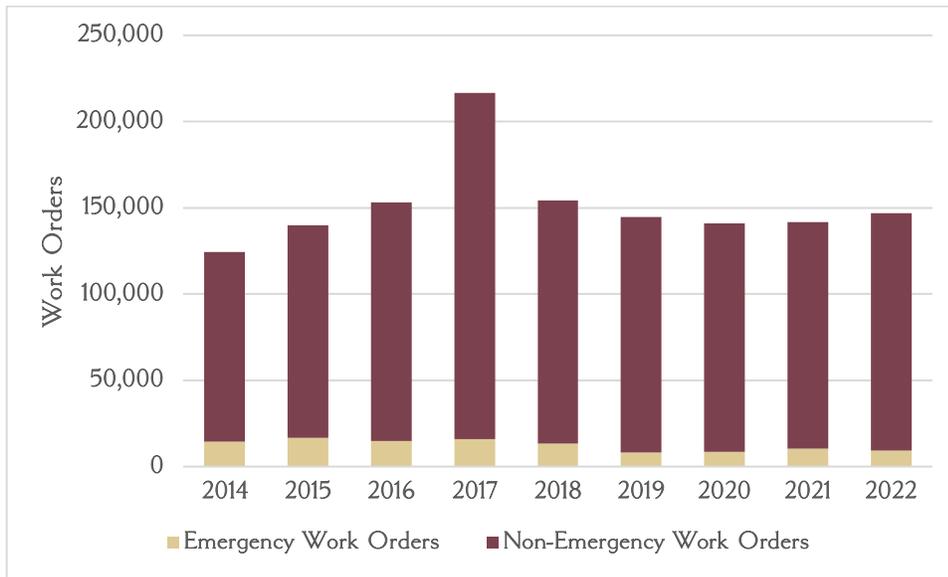


Figure 9-10: SacSewer Completed Work Orders, 2014-2022



System Integrity

All wastewater agencies are required to report sanitary sewer overflows (SSOs) to SWRCB. Sewer overflows are discharges from sewer pipes, pumps and manholes. Overflows reflect the capacity and condition of collection system piping and the effectiveness of routine maintenance. The sewer overflow rate is calculated as the number of overflows per 100 miles of collection piping per year. Over the last four complete years (2019-2022) there were 3,033 SSO events in all categories. SacSewer’s spill rate indice is significantly lower than the State and regional municipal average in all categories, with the exception of Category 1 and Category 3 lateral spills. Figures 9-11 and 9-12 show the spill rate and net volume spills indice, which is a comparison the size of the spill and population served. SacSewer’s volume of spills is significantly lower with the State and regional averages in all categories and pipeline type.

Figure 9-11: SacSewer Sanitary Sewer Overflows Spill Rate, 2019-2022

SPILL RATE INDICE (SPILLS/100 MILES/YEAR) ²⁶									
	Category 1			Category 2			Category 3		
	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified
SacSewer	0.52	2.81	0.04	0.08	0.16	0.0	2.56	39.36	0.0
State Municipal Average	2.21	0.92	1.09	1.06	0.39	1.67	3.14	20.34	0.65
Region Municipal Average	2.71	1.06	2.96	1.64	0.14	3.74	4.09	39.42	0.49

²⁶ <https://ciwqs.waterboards.ca.gov>

Figure 9-12: SacSewer Sanitary Sewer Overflows Net Volume, 2019-2022

NET VOLUME SPILLS INDICE (GALLONS/1,000 CAPITA/YEAR) ²⁷									
	Category 1			Category 2			Category 3		
	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified
SacSewer	122.71	25.3	28.11	0.12	0.43	0.0	0.33	2.11	0.0
State Municipal Average	1977.27	174.69	2116.64	522.76	4.41	1250.91	32.24	2.85	3.05
Region Municipal Average	4953.33	379.01	7537.47	1008.41	0.14	3828.4	69.04	4.99	5.38

CVRWQCB enforces the Clean Water Act, permit conditions and other requirements of wastewater providers. Violations of State requirements for wastewater providers and treatment facilities are recorded by SWRCB. The Board may levy fines or order the provider to take specific actions to comply with water quality regulations. The District is regulated through Statewide Waste Discharge Requirements General Order for Sanitary Sewer Systems.

In December 2021, SacSewer entered into a settlement agreement and stipulation for entry of Administrative Civil Liability Order with the Central Valley Regional Water Quality Control Board for violations of the Statewide General Waste Discharge Requirements for sanitary sewer systems with regard to SSOs that occurred between October 2016 and September 2021 into surface waters.

Capital Projects

Sailor Bar Pump Station Rehabilitation: Located in the American River Parkway near Fair Oaks, the aging Sailor Bar Pump Station is undergoing a major upgrade consisting of replacing and updating the station's equipment, raising the site above the 100-year floodplain, and installing two wet wells, valve vaults, and a new facilities building. The new station will provide operational redundancy and reliability, increase functional efficiency, and reduce the risk of an overflow. The existing station continues to operate while the new station is built. Construction began in early 2021, and the project is expected to be complete by late spring 2023.

Creek Crossing Project: This project is to replace or rehabilitate sewer pipes at several creek crossing sites in Citrus Heights, Carmichael, and Fair Oaks. These pipe crossings were identified as part of the Sewer System Management Plan and are being prioritized for improvement due to degrading site conditions, such as structural support failure from erosion,

²⁷ <https://ciwqs.waterboards.ca.gov>

undermining, or exposure. The sites are located near residential areas, parks, and roadways. Design is nearly complete, with construction anticipated to begin mid-2023 and last into 2024.

Highlands Sewer Relief Project: The Highlands Sewer Relief Project in the North Highlands area began in early fall 2021 and has made steady progress. The project includes installing a new gravity sewer and force main, upsizing some existing gravity pipe, and upgrading an existing pump station while decommissioning another. These upgrades will improve sewer system performance and increase sewer capacity in the area.

WASTEWATER TREATMENT PLANT

In 1982, after 10 years of construction, the Sacramento Regional Wastewater Treatment Plant and a vast interceptor pipeline system to link to each of the area's local sewer collection systems began service.

In 2010, to meet the stricter NPDES discharge permit requirements, Regional San established the EchoWater Project. The EchoWater Project constructed new secondary and tertiary processes at the EchoWater Facility (formerly the SRWTP) to produce disinfected tertiary Title 22 equivalent treated recycled water. In September 2020, Regional San began the operation of three of the eight basins in the new biological nutrient removal treatment process. As of May 2023, the EchoWater Project is complete.

The following important steps take place during the wastewater treatment process:

- Influent Screening
- Grit and Scum removal
- Primary Sedimentation
- Biological nutrient removal
- Secondary Sedimentation
- Secondary Effluent Screening
- Coagulation and polymer addition
- Granular media filtration
- Disinfection with sodium hypochlorite

The EchoWater Facility receives an average influent flow of approximately 139 mgd and discharges an average of 115 mgd of treated wastewater (effluent). The EchoWater Facility is permitted to discharge up to 181 MGD of average dry weather flow to the Sacramento River.

Average dry weather flow is determined annually based on the average daily flow for May to October.

Regulatory Compliance

Regional San operates the EchoWater Facility under National Pollutant Discharge Elimination System (NPDES) CA0077682 Order R5-2021-0019-01. In 2010, a substantially changed discharge permit was issued by the RWQCB that resulted in the need to construct significant new treatment processes at the EchoWater Facility (these new processes are known as the EchoWater Project). The 2010 discharge permit required the Regional San to add an advanced, or "tertiary," treatment process. Citing possible effects on the Delta ecosystem from ammonia contained in Regional San's discharge, as well as concerns over public health regarding pathogens, the 2010 discharge permit was one of the most restrictive wastewater treatment permits issued in the State of California. The permit was then reissued relatively unchanged in 2016 and again in 2021.

As a result of the 2010 discharge permit, the EchoWater Project constructed treatment processes to remove ammonia, most nitrates and to produce Title 22 equivalent tertiary recycled water. The EchoWater Project was completed in May 2023.

Regional San strives to comply with all regulatory requirements for the discharge of treated municipal wastewater and delivery of recycled water. Regional San maintains permits with Sacramento County, Central Valley Regional Water Quality Control Board, State Water Resources Control Board, and Sacramento Metropolitan Air Quality Management District. Examples of reports submitted in various frequencies in compliance with respective regulations are listed below:

- NPDES Discharger Self-Monitoring Reports (Frequency – Monthly, Quarterly, Semi-Annually, Annually)
- NPDES Annual Operations Report
- Chronic Whole Effluent Toxicity Reports (Frequency – Monthly, Annual)
- Industrial Waste Pretreatment Program Reports (Semi-Annually, Annually)
- Master Water Reclamation Permit Order No. 97-146 Effluent and Site Monitoring Reports (Quarterly) (to be rescinded by the Regional Board in Fall 2023)
- Water Reclamation Requirements for Recycled Water Use (General Order) No. 2016-0068-DDW (Frequency – Annual) (Effective May 2023 and covers distribution of recycled water)

- The National Pollutant Discharge Elimination System (NPDES) CA0077682 Order R5-2021-0019-01 covers the production of recycled water.
- EchoWater Facility Emissions of Air Criteria Pollutants and HAPS Reports (Quarterly, Annually)
- Solids Waste Discharge Requirements (WDRs) Order No. R5-2015-0133 Solids Disposal Operations Site Monitoring (Semi-Annually)
- Statewide General WDRs for Sanitary Sewer Systems Order No. WQ-2022-0103-DWQ, Sewer System Overflow Reporting including No-Spill Certifications (As-Needed, Monthly, Annually)

Capital Projects

The most significant EchoWater Facility project at present is the previously mentioned EchoWater Project, which was developed to comply with the NPDES permit issued by the RWQCB. The Project involved the implementation of more than 20 interrelated construction projects with an estimated cost of \$1.73 billion. Construction of the EchoWater Project began in May 2010 and was completed in 2023.

Regional San is currently undertaking the Harvest Water Project, which will use the disinfected tertiary recycled water produced as result of the EchoWater Project. Harvest Water will increase the beneficial reuse of highly treated recycled water that would otherwise be discharged to the Sacramento River. Regional San will provide up to 50,000 acre-feet a year of Title 22 disinfected treated tertiary recycled water from the EchoWater Facility to 16,000 acres of currently irrigated agricultural lands in the Harvest Water service area and 400 acres of managed wetlands at the Stone Lakes National Wildlife Refuge. Regional San will continue to support existing and future recycled water demands with the implementation of the EchoWater Project.

Another significant project that Regional San is undertaking is the BioGeneration Facility, which will use biogas (i.e. methane), a byproduct of the solids treatment process, to produce renewable electricity and heat for the plant. The facility is anticipated to initially produce 7–10 megawatts of renewable power—offsetting Regional San’s utility power purchases. Procurement was revised in 2022 at the direction of the Board to include alternative technology options. When built, the BioGeneration Facility will reduce emissions of criteria pollutants and provide the treatment plant with biogenic heat and power source with reduced greenhouse gas emissions. This facility will also include an optional hydrogen-producing technology for regional market use of hydrogen in the future. Project completion is expected in early 2026.

System Integrity

All wastewater agencies are required to report sanitary sewer overflows (SSOs) to SWRCB. Sewer overflows are discharges from sewer pipes, pumps and manholes. Overflows reflect the capacity and condition of collection system piping and the effectiveness of routine maintenance. The sewer overflow rate is calculated as the number of overflows per 100 miles of collection piping per year. Over the last four complete years (2019-2022) there were 10 SSO events in all categories. Regional San's spill rate indice is significantly lower than the State and regional municipal average in all categories. Figures 9-13 and 9-14 show the spill rate and net volume spills indice, which is a comparison the size of the spill and population served. Regional San's volume of spills is significantly lower with the State and regional averages in all categories and pipeline type.

Figure 9-13: Regional San Sanitary Sewer Overflows Spill Rate, 2019-2022

SPILL RATE INDICE (SPILLS/100 MILES/YEAR) ²⁸									
	Category 1			Category 2			Category 3		
	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified
Regional San	0.91	N/A	0.15	0.15	N/A	0.0	0.45	N/A	0.15
State Municipal Average	2.21	N/A	1.09	1.06	N/A	1.67	3.14	N/A	0.65
Region Municipal Average	2.71	N/A	2.96	1.64	N/A	3.74	4.09	N/A	0.49

Figure 9-14: Regional San Sanitary Sewer Overflows Net Volume, 2019-2022

NET VOLUME SPILLS INDICE (GALLONS/1,000 CAPITA/YEAR) ²⁹									
	Category 1			Category 2			Category 3		
	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified	Mains	Laterals	Not Specified
Regional San	3.82	N/A	0.0	0.0	N/A	0.0	0.0	N/A	0.0
State Municipal Average	1977.27	N/A	2116.64	522.76	N/A	1250.91	32.24	N/A	3.05
Region Municipal Average	4953.33	N/A	7537.47	1008.41	N/A	3828.4	69.04	N/A	5.38

INFRASTRUCTURE NEEDS

Infrastructure planning is fundamental to optimizing the renovation of aging assets and the addition of new assets. The driving force for most new SacSewer assets is growth, whereas

²⁸ <https://ciwqs.waterboards.ca.gov>

²⁹ <https://ciwqs.waterboards.ca.gov>

the driving force for new Regional San assets is new regulatory requirements. Each district manages the planning for infrastructure development independently.

Because both Districts incorporate capital planning into their Long Term Financial Plan allowing proper planning to address any significant and minor infrastructure needs as well as conduct regular asset replacement, there are no major unfunded or inadequately addressed infrastructure needs for either District. This proactive planning approach combined with a policy of a regular maintenance schedule and little to no deferred maintenance, greatly minimizes/eliminates outstanding needs.

While the age of the EchoWater Facility and the interceptor system is a critical issue, programs have been implemented to address the condition of the treatment plant and conveyance system assets through condition assessment inspections, repairs, rehabilitations, and replacements to ensure reliable and sustainable wastewater treatment systems are maintained.

Significant changes in the regulatory requirements that govern the Districts' operations could cause capital and/or operating costs to rise beyond the projected levels. The SWRCB adopted new Sanitary Sewer State Wastewater Discharge Regulations in December 2022, with an effective date of June 5, 2023.

SHARED FACILITIES

Regional San and SacSewer practice extensive facility sharing with each other and with the other MIA signatories. The two Districts are headquartered in the same building and share a warehouse and corporation yard. Also, the contributors to Regional San's system and treatment plan practice facility sharing. Finally, the County provides support services to the Districts, such as HR, and while not strictly facility sharing it is a form of resource sharing to enhance efficiencies.

WASTEWATER FLOW

COLLECTION

SacSewer's collection system collected and conveyed approximately 34 billion gallons of waste in 2021 and 29.6 billion gallons in 2022.

Wastewater collection systems can be impacted by significant wet weather events due to infiltration and inflow (I/I). All wastewater providers experience I/I to some degree, which can result in overflows and higher flows at the treatment facilities. SacSewer's system has a low

level of rain dependent infiltration and inflow (RDI/I) that is within industry standards with an I/I of 0.7 percent.³⁰

AVERAGE ANNUAL FLOWS

Since the early 2000s, EchoWater Facility flows have been substantially reduced through water conservation, closure of water-intensive industries, and other factors. Although the EchoWater Facility is permitted to discharge up to 181 MGD of average dry weather flow, it currently receives an average influent flow of 139 MGD and discharges an average of 115 MGD of treated effluent.

Figure 9-15: EchoWater Facility Average Annual Wastewater Flows

YEAR	ANNUAL AVERAGE INFLUENT FLOW (MGD) ³¹	AVERAGE DRY WEATHER INFLUENT FLOW (MGD) ³²	ANNUAL AVERAGE EFFLUENT FLOW (MGD) ³³	AVERAGE DRY WEATHER EFFLUENT FLOW (MGD) ³⁴
2015	122	119	106	99
2016	129	124	115	105
2017	149	126	132	109
2018	136	137	116	107
2019	148	141	124	106
2020	136	128	108	103
2021	139	128	115	107
2022	160	152	108	98

³⁰ SacSewer, System Capacity Plan Update, 2020, p. 17.

³¹ Annual Average Influent Flow is based on Total Influent Flows from January-December each year. Total Influent flows include water received from the collections systems, recycled water flows, return flows from plant processes, and return water from the emergency storage basins that may have been used during a diversion.

³² Average Daily Dry Weather Influent Flow is the average of the 3 lowest flow consecutive months between May – October. The influent flow lowest three consecutive months do not always correlate with the effluent flow lowest three consecutive months. For example, in 2015, the lowest influent flows occurred from May, June, and July, whereas the average dry weather effluent flow was calculated using June, July, and August flows.

³³ Annual Average Effluent Flow is based on Final Effluent Flow to the Sacramento River from January-December each year.

³⁴ Average Daily Dry Weather Effluent Flow is the average of the three lowest consecutive flows that occurred between May – October.

WET WEATHER FLOWS

Peak wet weather flows (PWWF) are indicative of the degree of I/I experienced in a system when expressed as a peaking factor (peak wet weather flow/average dry weather flow).

Figure 9-16: EchoWater Facility Peak Wet Weather Flows

YEAR	PEAK WET WEATHER FLOW (MGD)	PEAKING FACTOR (PWWF/ADWF)
2015	225	1.89
2016	267	2.16
2017	381	3.02
2018	312	2.28
2019	411	2.92
2020	268	2.10
2021	306	2.39
2022	374	2.46

CAPACITY

SacSewer has an approved planning document analyzing sewer conveyance needs of the area within the County's Urban Services Boundary. Relief, rehabilitation, and expansion projects that are needed to meet demand are identified in SacSewer's Sewer System Capacity Plan.

SacSewer's Sewer System Capacity Plan also identifies future relief and expansion projects within their service area. The System Capacity Plan Update evaluates the capacity of the existing collection system through hydraulic modeling and identifies future needs to meet projected demand. The model assessed the system during a storm event to determine areas that may be prone to surcharging or overflows, which may be indicative of a lack of sufficient capacity. Systems with model-predicted overflows were identified as being potentially capacity deficient. The model results indicated more potentially capacity-deficient systems in the northern area of the SacSewer system (especially within the ARD trunk shed) compared to the southern area. A total of 19 systems were identified with existing potential capacity constraints. Some predicted overflows were not labeled with the deficient system identifiers because these systems currently have relief projects underway (e.g., the Watt/Don Julio sewer project, Sailor Bar pump station project). In addition, there are model-predicted overflows in the Upper Dry Creek area that were not labeled because they are caused by a potential capacity deficiency in the Regional San's interceptor system (not the SacSewer's system). Regional San already has this system monitored and has plans to address the deficiency once it is confirmed. Under build-out conditions, the model identified seven systems, which are predicted to have capacity

constraints due to growth and development. In total, expansion of the collection system to address existing capacity constraints are estimated to cost \$92.4 million (in 2020 dollars) and future capacity needs are estimated to be \$61.6 million to be addressed.³⁵ The plan also identifies system expansion needs for future growth.

The EchoWater Project upgrades provide Regional San an average dry weather flow capacity of 181 mgd, which reportedly provides sufficient capacity for approximately 40 years. No increased hydraulic capacity for the EchoWater Facility was determined to be needed.

SERVICE ADEQUACY

Each district has established service levels for a variety of key metrics. The Districts define service levels as "high-level measures that reflect how each district is meeting its mission from the perspective of their customers." The metrics common to both districts relate to controlling sewage spills. In addition, both districts have key performance indicators used to measure the efficiency of operations.

Figure 9-17: Service Level Metrics

REGIONAL SAN	SACSEWER
Water Quality Violations	Service Call Response Time
Wastewater Treatment Plant Odor Events	Service Restoration Time
Interceptor Odor Events	Development Submittal Review Time
Major Wastewater Treatment Plant Spills	Customer Satisfaction
Major Sanitary Sewer Overflows	Main Line Overflow Rate
Biosolids Recycled	Lower Lateral Overflow Rate
Water Recycled	Backup into Structures Rate
Source: Management Partners, Districts Merger Study, 2019, p. 25.	

REGIONAL SAN SERVICE METRICS

In 2022, Regional San met four of its six metric targets related to wastewater services as follows:

³⁵ SacSewer, SASD System Capacity Plan Update, 2020, p. 47.

Water Quality Violations - Violations occur when the quality of water discharged from the treatment plant to the Sacramento River does not meet regulatory requirements. *Target: No more than five water quality violations per year.* In 2022, Regional San met this target with two water quality violations.

Major Sanitary Sewer Overflows - A major sanitary sewer overflow occurs when sewage overflows the wastewater conveyance system (interceptor pipelines) in an amount greater than 1,000 gallons and/or reaches creeks, rivers, or other surface waters. *Target: No more than one major sanitary sewer overflow per year.* In 2022, Regional San did not meet this target as it experienced three major overflow events, due to unusually heavy rains and an underground pipe that failed.

Major Wastewater Treatment Plant Spills - A major wastewater treatment plant spill occurs when wastewater that is not fully treated leaves the treatment plant property, gets into a stream or river, endangers public health, and/or creates a nuisance. *Target: Zero major treatment plant spills has been set as the target for this service level.* Regional San met this goal in 2022 with no major spills at the plant in that year.

Interceptor Odor Events - An interceptor odor event occurs when odors released from the interceptor pipelines and pump stations are easily recognized by the average person and reported to Regional San staff. *Target: No more than six interceptor odor events per year.* Regional San did not meet this target in 2022, as it experienced 11 odor events due to unexpected equipment failures and operational problems.

Wastewater Treatment Plant Odor Events - A wastewater treatment plant odor event occurs when odors released from the wastewater treatment plant site are easily recognized by the average person and reported to Regional San staff. *Target: No more than eight wastewater treatment plant odor events per year.* In 2022, the Regional San met this goal with four odor events in the year.

Biosolids Recycled - During the wastewater treatment process, organic matter is removed from the water, treated, disinfected, and converted to a fertilizer product called biosolids. This service level reflects the amount of biosolids recycled as fertilizer. *Target: Recycle enough biosolids to fertilize between 3,000 and 3,650 acres.* Regional San met this target by producing sufficient recycled biosolids to fertilize the equivalent of 3,663 acres, in 2022.

SACSEWER SERVICE METRICS

Since 2008, SacSewer has shared its annual performance on the identified seven key service levels with customers. In 2022, SacSewer continued to serve its customers at a consistently high level—meeting or exceeding all seven service levels for a fifth consecutive year, as described in its 2022 State of the District report. SacSewer has defined its service level metrics as follows:

Service Call Response Time – Measures the percentage of on-time arrivals to a customer service request call. *Target: SacSewer staff will arrive onsite within two hours of a customer service request call for 95% of all service calls occurring within any calendar month.* In 2022, SacSewer was able to meet this goal 99% of all service calls.

Service Restoration Time – Measures the percentage of customers whose sewer service is restored within the on-time window with no sewer use limitation for the customer. *Target: SacSewer staff will restore service within four hours of receipt of the customer call for 90% of all service interruptions occurring within any calendar month. The on-time window is extended to six hours when excavation of the lower lateral is needed.* In 2022, SacSewer met its target 97% of all service interruptions.

Development Submittal Review Time – Measures the percentage of development applications, improvement plans, and sewer study submittals that are reviewed and returned to the development community within the time standards established. *Target: SacSewer staff will return comments within the review time standards for 90% of all complete developer submittals within any calendar month.* In 2022, SacSewer returned comments within review time standards on 96% of submittals.

Customer Satisfaction – Indicates the percentage of positive responses from customers via an anonymous survey. After a service call, the District contacts each customer asking them to rate the overall quality of the service provided. *Target: 90% of customers responding to the survey will rate the service they received as good or excellent.* In 2022, SacSewer achieved a 96% customer satisfaction rate of good or excellent.

Main Line Overflow Rate – Measures sewer overflows originating within the District’s system per 100 miles of sewer main lines in any calendar month, regardless of the volume or whether the sewage enters a waterway. *Target: A rate of 0.45 sewer overflows or lower per 100 miles of sewer main lines per month.* In 2022, SacSewer met this target with a main line sewer overflow rate of 0.23.

Lower Lateral Overflow Rate – Measures sewer overflows originating within the District’s system per 100 miles of sewer lower lateral in any calendar month, regardless of the volume or whether the sewage enters a waterway. Target: A rate of 7.3 sewer overflows or lower per 100 miles of sewer lower lateral lines per month. In 2022, SacSewer met this target with a lower lateral sewer overflow rate of 3.3.

Backups Into Structures Rate – Measures the number of times, per 10,000 connections, that a stoppage in the District’s sewer system causes sewage to back up into a structure within any calendar month. Target: 0.64 events or lower per 10,000 connections to SacSewer’s system. In 2022, SacSewer met this goal with a backup rate of 0.43.

10. RECYCLED WATER SERVICES

Regional San’s cutting-edge Water Recycling Program has provided an environmentally responsible and safe water supply for non-potable purposes, such as landscape irrigation, industrial uses, and environmental restoration.

Regional San owned and operated a 5 MGD tertiary treatment Water Reclamation Facility (WRF). The WRF supplied Title 22 equivalent tertiary filtered and disinfected recycled water for unrestricted use. With the completion of the EchoWater Project in May 2023 and its Tertiary Treatment Facilities (TTF) coming online, the WRF will be decommissioned. The TTF include tertiary filtration and disinfection to treat secondary effluent from the Biological Nutrient Removal (BNR) facility, implemented primarily to comply with the new permit effluent limits for ammonia and nitrogen.

Regional San’s Petition for Change WW28 allows use of recycled water in urban areas with peak daily flow not to exceed 10 mgd. Regional San has an approved Wastewater Change Petition WW0092, which allows the use of 50,000 acre feet per year of recycled water for Harvest Water. Harvest Water is expected to come online in 2026.

Currently, Regional San wholesales recycled water to the Sacramento County Water Agency (SCWA) and retails recycled water to the Campbell Power Plant (formerly the Sacramento Power Authority Cogeneration Plant). Since April 2003, SCWA has been retailing up to 3.5 MGD of recycled water to irrigate neighboring parks, landscaped street medians, and commercial and school sites in the Laguna West, Lakeside and Stone Lakes developments in the City of Elk Grove. Since July 2020, the Campbell Power Plant uses up to 1 MGD of recycled water in South Sacramento. The recycled water is used in the plant’s cooling tower, which helps to significantly reduce the amount of potable water used at the plant for non-potable purposes.

TYPE AND EXTENT OF SERVICES

SERVICES PROVIDED

Regional San provides recycled wastewater services in an effort to conserve water resources. This is a way to reuse highly treated wastewater for non-potable uses.

Existing Recycled Water Service in Urban Areas

Recycled water is used to irrigate street medians, commercial landscaping, parks, and school sites in the Laguna West, Lakeside, and Stone Lakes communities in the City of Elk Grove.

Regional San cooperated with the Campbell Power Plant and staff from the Sacramento Municipal Utility District (SMUD) to complete construction of recycled water facilities which serves up to 1 MGD (1,000 acre- feet per year (AFY)) of recycled water to the Campbell Power Plant's cooling tower. Recycled water service to the Campbell Power Plant started in July 2020.

Lastly, Regional San provides customers a recycled water fill station. In 2015, Regional San obtained Division of Drinking Water and Regional Water Board approvals to implement the Recycled Water Fill Station Project. The project allows residential and commercial customers to transport recycled water from the fill stations during the dry season. The water can be used anywhere within Regional San's service area for all applicable uses of recycled water as identified under Title 22. Each user has a Recycled Water Permit. To obtain this permit, Regional San provided training that identifies the parties, the responsibility of each party, and site information related to the use of recycled water.

Future Recycled Water Service in Agricultural Areas

Harvest Water will provide up to 50,000 AFY of Title 22 disinfected tertiary recycled water from the EchoWater Facility to 16,000 acres of currently irrigated agricultural lands in South Sacramento County and 400 acres of managed wetlands at the Stone Lakes National Wildlife Refuge. Harvest Water is anticipated to be completed in 2026. The project will entail building a pumping station, transmission main, and a distribution system.

SERVICE AREA

Overall, the Regional San service area covers approximately 383 square miles. The EchoWater Facility is stationed near the City of Elk Grove and is the largest inland wastewater treatment plant in the State of California. Regional San operates throughout Sacramento County including unincorporated areas and the Cities of Elk Grove, Sacramento, Folsom, Citrus Heights, Rancho Cordova, and West Sacramento which was annexed to its service area in 2004. Altogether, the District serves a population of 1.6 million through 169 miles of interceptor pipelines. The District's recycled wastewater services more specifically are concentrated closer to the water reclamation facility in the City of Elk Grove and Laguna area in order to irrigate schools, parks, street medians, commercial landscaping and sporting fields in Laguna West, Lakeside, and the Stonelakes developments.

SERVICES TO OTHER AGENCIES

Regional San provides recycled water services to a myriad of agencies in the greater Sacramento region, some of which have been mentioned previously.

City of Elk Grove/Sacramento County Water Agency

Recycled water is currently used for urban landscape irrigation purposes for schools, parks and landscape street corridors in the in the Laguna West, Lakeside, and Stone Lakes communities in the City of Elk Grove. Regional San wholesales recycled water to SCWA. SCWA operates and maintains the distribution system and sells recycled water to its customers.

City of Sacramento/ Campbell Cogen

Regional San only currently serves recycled water to the SMUD Campbell Power Plant on 47th Avenue for its cooling towers only.

In the future, Sacramento park, school, and golf course landowners can convert to using recycled water for irrigation. Most of the customers in the City of Sacramento will be served from the transmission main completed in 2017 to the Campbell Power Plant. These customers will include Bill Conlin Youth Sports Complex, Bartley Cavanaugh Golf Course, a Verizon data center, and streetscapes.

In 2017, Regional San constructed a service line for a future satellite recycled water fill station that would be located at the intersection of 25th Street and 24th Street. This fill station is intended for use by the City of Sacramento Department of Utilities, municipal, and commercial users in the future.

CONTRACTS FOR SERVICES

Regional San does not contract for services from other providers with respect to its recycled water services.

OVERLAPPING SERVICE PROVIDERS

There are no other providers of recycled water within Regional San's boundaries.

COLLABORATION

Regional San collaborates on various aspects of service provision to improve efficiency and effectiveness. The most notable collaboration to provide the District's Water Recycling

Program is between the Regional San and SCWA, which distributes the water and monitors its use.

Additionally, the Sacramento Water Recycling Coalition was instated as a means to help advance the provision of recycled water by seeking political support and funding. To that end, other significant partnerships between local, regional, state, and federal agencies, include³⁶:

- City of Sacramento
- County of Sacramento
- City of Elk Grove
- Sacramento Central Groundwater Authority
- Regional Water Authority
- Sacramento Power Authority
- Sacramento Municipal Utility District
- Sacramento County Farm Bureau
- State Department of Water Resources
- Central Valley Regional Water Quality Control Board
- US Bureau of Reclamation

These relationships are focused on creating more reliable services in part through expansion via increased funding and infrastructure opportunities, and integrated management in the region.

RECYCLED WATER SUPPLY

Due to the construction of the EchoWater Project, recycled water deliveries were significantly impacted. Over the last five years, Regional San has produced 1,605 acre-feet of recycled water for distribution and use for irrigation or other industrial uses. With the completion of the EchoWater Project in 2023, recycled water deliveries are expected to increase significantly.

³⁶ Regional San Water Recycling Program, 10 Year Update Report, 2004-2014, p. 5

Figure 10-1: Recycled Water Produced During Irrigation Season (2018-2022)

RECYCLED WATER PRODUCED (ACRE-FEET)					
	2018	2019	2020	2021	2022
Recycled Water	52	0	350	0	1,203
Source: Regional San's Water Reclamation Facility Quarterly Site Monitoring Reports and GeoTracker					

RECYCLED WATER DEMAND

Regional San holds two Petitions for Change (Water Rights) that stipulates the use of the recycled water for urban applications such as landscape irrigation and industrial applications, and agricultural irrigation and habitat enhancement uses.

Figure 10-2 provides the recycled water delivery for urban landscape irrigation and industrial use (cooling tower).

Figure 10-2: Recycled Water Delivery, 2018-2022

DELIVERY OF RECYCLED WATER (ACRE-FEET)					
USER TYPE	2018	2019	2020	2021	2022
Landscape Irrigation	20	0	322	0	479
Industrial Use	0	0	29	0	306
Harvest Water ¹	0	0	0	0	0
Source: Regional San Recycled Water Invoice to SCWA Notes: 1) The Harvest Water is anticipated to begin service to customers in 2026.					

RECYCLED WATER INFRASTRUCTURE AND FACILITIES

Recycled water is produced by Regional San at the EchoWater Facility. Once wastewater enters the facility, it is treated and disinfected to tertiary levels before being discharged to the Sacramento River. Portions of the treated wastewater are then sent through the TTF to produce Title 22 tertiary disinfected recycled water.

The oldest transmission system is in Elk Grove, called Phase I. This system is south of the EchoWater Facility. All the transmission lines and distribution system pipelines have been installed. Regional San has been providing service to this area since 2003.

Campbell Power Plant is served by a transmission line, completed in 2017, which runs north from EchoWater Facility along 24th Street and then east along 47th Avenue to SMUD's Campbell Power Plant. Most of the future customers in the City of Sacramento will be served by this recycled water transmission. These customers will include Bill Conlin Youth Sports Complex, Bartley Cavanaugh Golf Course, a Verizon data center, and streetscapes. This transmission main will also serve the Satellite Fill Station at the intersection of 24th Street and 25th Street.

Other facility and infrastructure projects in Regional San include:

- City of Elk Grove Phase II Expansion Project: a collaboration between Regional San and SCWA that will meet a maximum daily demand of 5-6 MGD
- City of Sacramento Recycled Water Expansion Project: intended to serve the City of Sacramento with a daily maximum demand of 3.3 MGD
- City of Elk Grove's Proposed Southeast Policy Area (SEPA): a collaboration between Regional San, the City of Elk Grove, and SCWA to provide recycled water to SEPA with an estimated daily demand of up to 2.6 MGD
- Harvest Water facilities will be constructed, including a pump station, 44 miles of transmission and distribution pipelines ranging in size from 12 inches to 66 inches, and on-farm connections.

SHARED FACILITIES

By and large, Regional San does not practice facility sharing with regard to water recycling services. However, it does partner with other agencies on joint projects and initiatives as previously described. Regional San Harvest Water Program will collaborate with the U.S. Fish and Wildlife Service (USFWS) to provide recycled water services to Stone Lakes National Wildlife Refuge. Similarly, Regional San will collaborate with the Bureau of Land Management to provide a recycled water pipeline for serving recycled water to the Cosumnes River Preserve to provide irrigation water for the restoration of wetland habitat.

INFRASTRUCTURE NEEDS

As mentioned in previous sections, the EchoWater Project was completed and the Harvest Water Project is in progress. Both projects are intended to improve the Regional San's facilities and infrastructure to meet the NPDES permit and expand recycled water services throughout the Regional San service area.

CAPACITY

Regional San's Petition for Change WW28 allows the use of recycled water in urban areas with peak daily flow not to exceed 10 mgd.

In August 2016, Regional San filed a Wastewater Change Petition WW0092 with the State Water Resources Control Board (SWRCB), Division of Water Rights pursuant to Water Code section 1210 et seq. The Petition sought authorization to reduce the quantity of Regional San's treated wastewater discharged from the EchoWater Facility into the Sacramento River and to direct that water (as recycled water) to the Harvest Water Project. In September 2019, the SWRCB issued an Order approving the petition for changes in the place and purpose of use for 50,000 AFY of treated wastewater.

With a target of 50,000 AFY, the EchoWater Facility will also be able to provide an adequate recycled water supply to the Harvest Water service area.

Regional San's level of services and facilities are adequate to serve current and future wastewater treatment and recycled water demands.

RECYCLED WATER SERVICE ADEQUACY

Regional San has developed metrics to measure the level of services provided annually. For recycled water services, the District has adopted one metric regarding the volume of recycled water produced.

This metric reflects the amount of tertiary-treated wastewater that is used for beneficial purposes, such as irrigation, instead of being discharged to the Sacramento River. The target service level is to recycle enough water to irrigate between 200 and 300 acres per year. In 2022, the District exceeded its target by producing sufficient recycled water to irrigate an equivalent of 344 acres.

Regional San has not had any recycled water quality permit violations that were attributed to recycled water distribution infrastructure deficiencies.

11. GOVERNANCE STRUCTURE OPTIONS

REORGANIZATION OF REGIONAL SAN AND SACSEWER

Regional San and SacSewer are working towards consolidation of the two districts with the aim of coming together under a single executive and administratively integrated organization structure that provides a seamless service model to customers and member agencies.

Regional San and SacSewer are independent, county sanitation districts, operating under authority of the County Sanitation District Act of the Health and Safety Code. The Districts provide complementary services in overlapping service areas, serve many of the same customers, and share support staffing—including the same General Manager and nearly all of the same executive staff. However, they are separate legal entities, maintain separate finances and rate structures, and are governed by separate Boards of Directors. The current arrangement is the result of a historical evolution of the two organizations by circumstance rather than a strategically planned effort to provide the most efficient and effective sewage collection and treatment service to the community.³⁷

In 2019, the Districts hired a consultant to perform a comprehensive assessment of the advantages and disadvantages of merging the SacSewer and the Regional San into one wastewater agency. Ultimately, the District Merger Study recommended that there are greater opportunities for efficiency, effectiveness, and workforce development through an organizational consolidation rather than remaining as separate districts and therefore recommended the districts pursue a merger. The institutional barriers of separate districts would be removed, allowing for more integrated services and economies of scale. The consolidation would empower internal and administrative services functions to lead and innovate, and significantly expand workforce and professional development opportunities. Consolidation would ultimately result in greater efficiency and effectiveness, reduce waste and duplication, and position the organization to meet changing expectations in the industry and its workforce. Of note was that most wastewater agencies the size of SacSewer and Regional San combined provide both sewer collection and treatment services as a synergistic, integrated service model within the industry.

The Merger Study identified extensive benefits to the two districts, becoming a single district including but not limited to:

³⁷ Regional San and Sac Sewer, One District Quarterly Report, January 2023, p. 1.

- Broadens the policy and leadership decision-making under a shared mission and vision;
- Increases the impacts of legislative and regulatory advocacy position;
- Consolidates and streamlines policy decisions under one Board;
- Establishes a single service provider that will operate more efficiently
- Increases opportunities to expand expertise and broaden the pool of resources;
- Provides better clarity for customers;
- Solidifies unity among the workforce and organizational culture;
- Integrates training and staff development, becoming more efficient and consistent;
- Enhances the ability for the Districts to recruit and retain the highest quality employees;
- Enables a broader forum to engage stakeholders across both Districts; and
- Streamlines and consolidates processes and documentation such as strategic plans, master plans, annual reports, hydraulic modeling for interceptors and the collection system, ordinances, permits, and digital content management.

PROPOSED STRUCTURE

On August 24, 2022, the District Boards directed staff to pursue implementation of a reorganization between Regional San and SacSewer. Since that time, both Boards have approved the composition of the Board and the name of the reorganized district. The Merger Study also identified certain conditions that will need to be included as conditions of the reorganization.

The proposed structure and identified conditions for the reorganized district are as follows:

- **Board Composition** - Maintain a 17-member Board and population-based governance structure for the reorganized district, which fully represents both the Regional San and SacSewer service areas, and the population-based design will retain appropriate representation for incorporated and unincorporated areas.
- **District Name** - The reorganized district's legal name shall be the Sacramento Area Sewer District.
- **Zones of Benefit** - With a reorganization of this nature, rates, revenues and expenses, and financial reserves would still need to be accounted for separately (for collection and for treatment), because the collection side and the treatment side have different and distinct customer bases, and different and distinct methods for calculating and assessing

rates to those customer bases. Those distinct calculations would likely need to be maintained for distinct customer classes to address Proposition 218 requirements.

- **Debt Management** - The Districts' bond counsel offered some possible approaches to addressing bond debt in a successor agency, including obtaining bondholder permission to consent to the creation of combined credit (if determined to have merit or be necessary), prematurely retiring or calling of existing debt, or maintenance of the separate debt and revenue streams until the current debt is retired.
- **Organizational Structure** - The Districts have developed an organizational structure for the reorganized district.

The Merger Study also recommends that an Implementation Action Plan (IAP) be developed to guide the effort. An IAP identifies the actions across major functional areas that would need to be taken, assigns lead responsibility for doing so and establishes a schedule by which they would be accomplished. Content that is recommended at a minimum to be addressed:

1. Legislative and legal processes to consolidate
2. A successor governance structure
3. Regulatory permits
4. Debt management
5. Financial structure, policies and procedures
6. Branding
7. Organizational structure
8. Employee transitions
9. Communication internally and externally
10. Change management objectives to create an integrated organizational culture
11. Stakeholder engagement

Development of a Change Management Plan will also be critically important to its success according to the Merger Study. Any change management effort should include development of a communication plan, a road map for change sponsors, integrated training programs, and a plan for responding to resistance.

NEXT STEPS

The Districts are moving forward with compiling an application to Sacramento LAFCo and seeking a sponsor for State legislation.

Following adoption of this Municipal Service Review, an updated Sphere of Influence will need to be adopted by Sacramento LAFCo that is consistent with the proposed reorganization. The boundaries and existing SOIs of the two Districts are shown in Figure 11-1. The proposed SOI will depend upon the preferred reorganization arrangement—consolidation or annexation/dissolution. Regional San’s and SacSewer’s SOIs are substantially similar in most areas. Regional San’s SOI extends outside SacSewer’s SOI to encompass the City of West Sacramento and the unincorporated territory south of the City of Elk Grove. Aligning the reorganized district’s SOI with Regional San’s would likely be the preferred alternative as it promotes logical boundaries, lends itself to the most streamlined process towards reorganization without several SOI changes, and keeps with the intent of Regional San’s SOI in these areas.

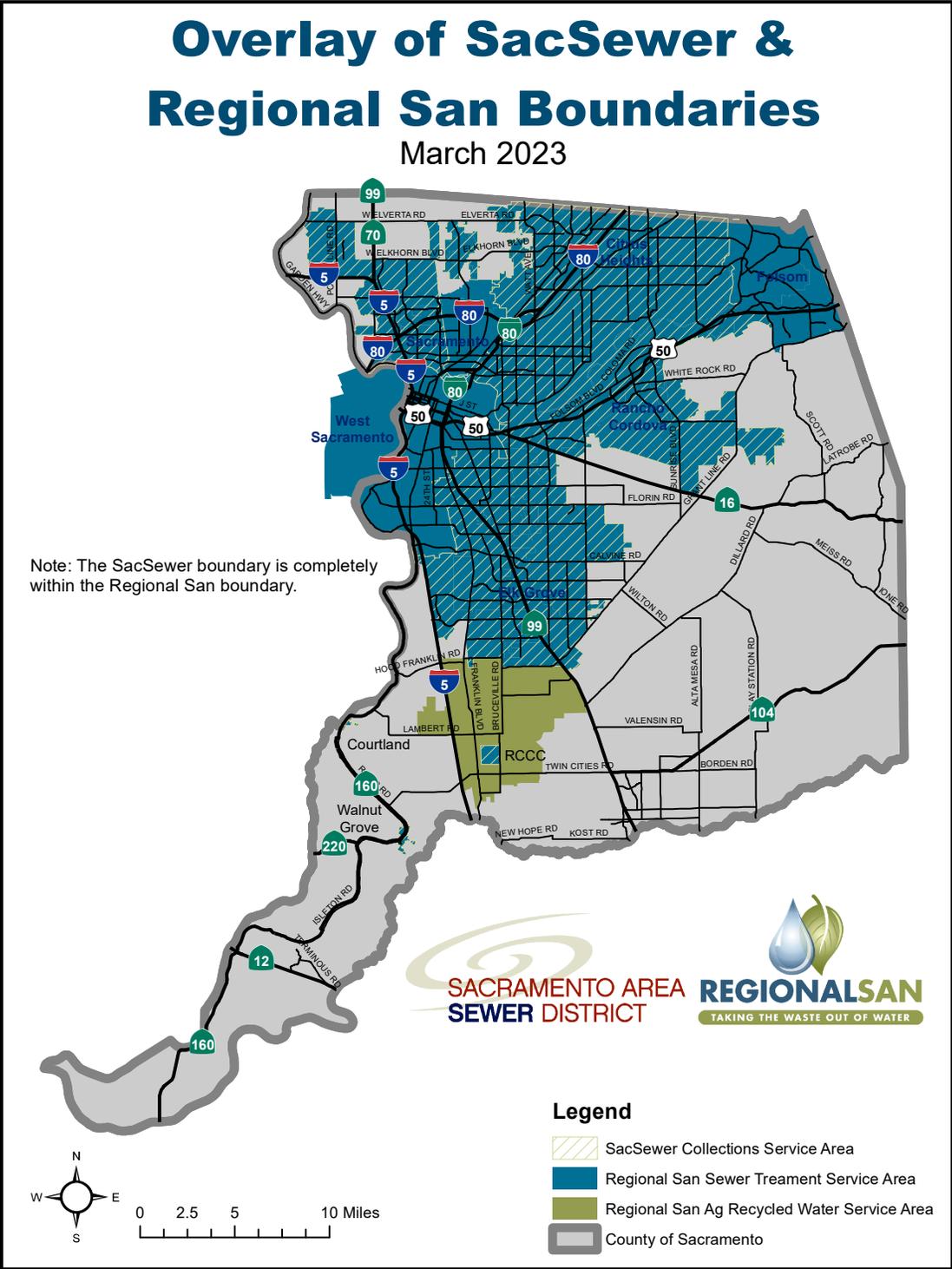
Information about the Sacramento LAFCo application process has been discussed with LAFCo staff and is readily available on LAFCo’s website. A component of the application process is the Plan for Services, which is a critical element of LAFCo’s application review process. It is recommended that the Districts start compilation of a Plan for Services, making use of content from this MSR, that includes a plan for providing services within the affected territory to include the following, in addition to any additional information required by the Commission or the Executive Officer (Government Code §56653):

1. An enumeration and description of the services currently provided or to be extended to the affected territory.
2. The level and range of those services.
3. An indication of when those services can feasibly be extended to the affected territory, if new services are proposed.
4. An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
5. Information with respect to how those services will be financed.

Given the level of support for the reorganization within both Districts and by the governing bodies, the well-substantiated recommendation from the Merger Study that enumerated the numerous benefits of the reorganization, and the alignment with one of LAFCo’s responsibilities

to promote efficiency of services, it is recommended that LAFCo make the appropriate SOI changes and consider the proposed reorganization of Regional San and SacSewer.

Figure 11-1: Regional San and SacSewer Overlap Map



SOI AMENDMENT AND ANNEXATION OF FRANKLIN AND HOOD COMMUNITIES

Regional San and SacSewer submitted an application to Sacramento LAFCo and were approved to extend sewer services to the unincorporated communities of Franklin and Hood in anticipation of their annexations within one year. The communities rely on septic systems for wastewater disposal, and the aging septic systems in the communities pose a human health risk because of their proximity to nearby potable water wells. Almost all parcels in the two neighborhoods are too small, per Sacramento County ordinances, to accommodate another septic site should their current system fail. Statistics on each of the communities are shown in Figures 11-2 and 11-3. Both communities are considered Disadvantaged Unincorporated Communities with annual median incomes less than 80 percent of the statewide median income.

Figure 11-2: Hood Community Statistics

HOOD COMMUNITY	
Number of Parcels	137
Number of Residents	289
Annual Median Household Income	\$33,000
Number of Permitted Septic Systems	20
Number of Unpermitted Septic Systems	60
Number of Septic Systems at or Near Failing	Unknown
Source: Sacramento Regional County Sanitation District and Sacramento Area Sanitation District, Request for Information, March 30, 2023.	

Figure 11-3: Franklin Community Statistics

FRANKLIN COMMUNITY	
Number of Parcels	48
Number of Residents	100
Annual Median Household Income	\$56,500
Number of Permitted Septic Systems	7

Number of Unpermitted Septic Systems	Unknown ³⁸
Number of Septic Systems at or Near Failing	Unknown
Source: Sacramento Regional County Sanitation District and Sacramento Area Sanitation District, Request for Information, March 30, 2023.	

Potential funding has been identified for the necessary extension of infrastructure to these communities as follows:

Figure 11-4: Hood and Franklin Infrastructure Funding Sources

POTENTIAL FUNDING SOURCES			
Community	Residential (Potential State Grant)		ARPA Funding for all Parcels
	Minimum	Maximum	
Hood	\$12,750,000	\$14,646,000	\$2,125,000
Franklin	\$4,124,000	\$4,124,000	
Source: Sacramento Regional County Sanitation District and Sacramento Area Sanitation District, Request for Information, March 30, 2023.			

The Districts intend to begin construction of the infrastructure extension in September 2024 and complete the project by November 2025.

Figure 11-5: Hood and Franklin Project Schedule

TASK	COMPLETION DATE
CEQA Issued	December 2022
Preliminary Design	May 2023
Final Design Approval	February 2024
Bid Advertisement	August 2024
Contract Award	September 2024
Begin Construction	September 2024
Construction Completion	November 2025
Operational Setup	December 2025

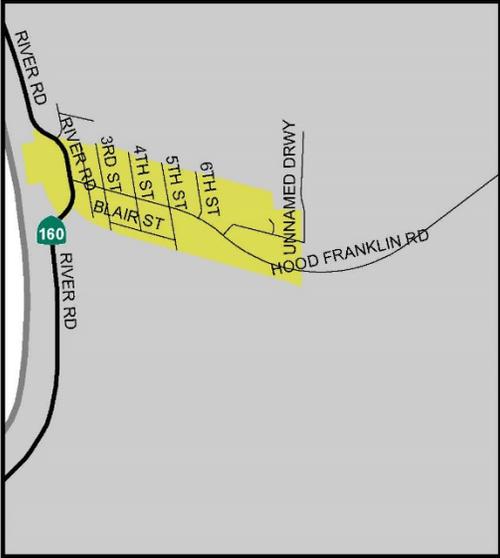
In anticipation of annexation, it is recommended that Sacramento LAFCo amend the SOIs of Regional San and SacSewer to include the two small communities as shown in Figure 11-5.

³⁸ All parcels are believed to have an onsite septic system. Parcels without permits may have unpermitted systems.

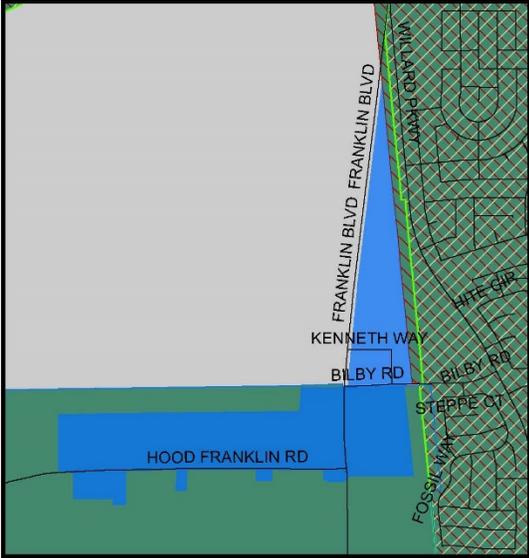
Figure 11-6: Franklin and Hood Proposed SOI Amendment Areas

SacSewer and Regional San SOIs with Hood, Franklin, and Elk Grove Crossing SOI Annexation Areas

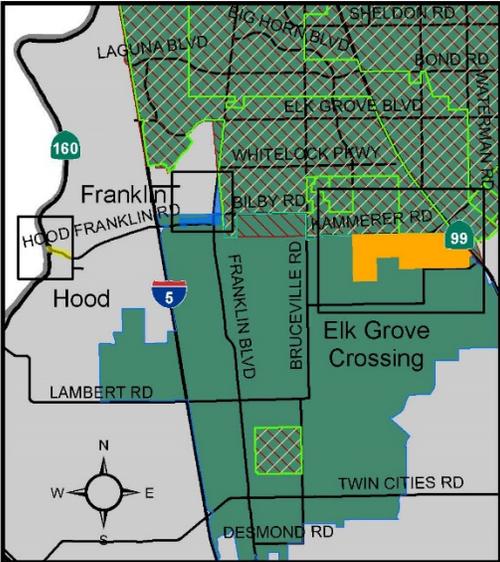
April 2023



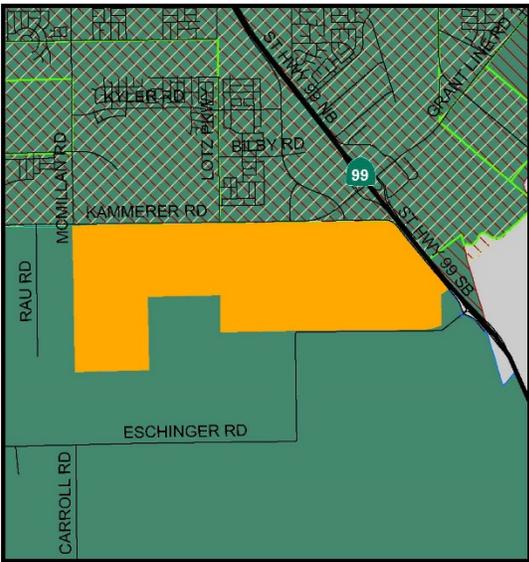
Hood SOI Annexation



Franklin SOI Annexation



Key Map



Elk Grove Crossing



- Elk Grove Crossing
- Hood Annexation
- Franklin Annexation
- Regional San Sewer Treatment Service Area
- Regional San SOI
- SacSewer Collections Service Area
- SacSewer SOI
- County of Sacramento
- Regional San Ag Recycled Water Service Area

12. MUNICIPAL SERVICE REVIEW DETERMINATIONS

GROWTH AND POPULATION PROJECTIONS

- Sacramento Regional County Sanitation District (Regional San) and Sacramento Area Sewer District (SacSewer) serve a majority of Sacramento County's populated urban core with their service areas aligning largely with the County's Urban Services Boundary. As of January 2023, the County had an estimated population of 1.57 million, of which Regional San's boundaries encompass a majority, of which SacSewer estimated that it served approximately 1.2 million.
- Both districts make use of population projections from the California Department of Finance (DOF) for planning documents. The DOF projections anticipate the Sacramento County population to increase from 1.57 million to 1.94 million by 2060 based on a declining growth rate each five-year period, with an average annual growth rate of 0.87 percent from 2020 to 2025 declining to 0.32 percent annual growth from 2055 to 2060.

THE LOCATION AND CHARACTERISTICS OF DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE AGENCY'S SOI

- The Sacramento Area Council of Governments (SACOG) identified disadvantaged communities in Sacramento County to the census tract level 2016. Approximately 110 census tracts within Sacramento County were identified as disadvantaged or severely disadvantaged at that time.
- The Franklin and Hood communities proposed for annexation are categorized as disadvantaged unincorporated communities with annual median incomes of less than 80 percent of the statewide median. The Hood community consists of 137 parcels and a population of 289. The Franklin community consists of 48 parcels and approximately 100 residents. Both communities rely on aging septic systems that pose a human health risk due proximity to nearby potable water wells and require connection to the SacSewer and Regional San systems to address this issue.

PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES, INCLUDING INFRASTRUCTURE NEEDS AND DEFICIENCIES

- Relief, rehabilitation, and expansion projects that are needed to meet existing and future conveyance demand are identified in SacSewer’s Master Sewer System Capacity Plan. A total of 19 capacity-deficient systems are concentrated in the northern area of the SacSewer system. Additionally, there are seven systems which are predicted to have capacity constraints due to growth and development. In total, expansion of the collection system to address exiting capacity constraints are estimated at \$92.4 million (in 2020 dollars) and future capacity needs are estimated to be \$61.6 million.
- The EchoWater Project upgrades provides Regional San sufficient treatment capacity for the next 40 years. No increased hydraulic capacity for the EchoWater Facility was determined to be needed to meet existing and future demand needs.
- Both Districts have established metrics to evaluate their performance annually. Based on these metrics, both Districts appear to provide a high level of services. In 2022, Regional San met four of its six metric targets related to wastewater services. The District continues to work towards further minimizing major sanitary sewer overflows and interceptor odor events. In 2022, SacSewer continued to serve its customers at a consistently high level—meeting or exceeding all seven identified service metrics for a fifth consecutive year.
- Both Districts appropriately and proactively plan for necessary capital improvements and associated funding needs over the next 10 years in their respective Long Term Financial Plans, which are updated annually. Because both Districts conduct long-term capital planning to address any significant and minor infrastructure needs, as well as conduct regular asset replacement, there are no major unfunded or inadequately addressed infrastructure needs for either District. This proactive planning approach combined with a policy of a regular maintenance schedule and little to no deferred maintenance, greatly minimizes or fully eliminates outstanding needs.

FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

- Regional San and SacSewer have established strong financial positions while being effective stewards of the customers’ rates and fees collected, as indicated by the

Districts' healthy reserves, positive net positions, strong credit ratings, and careful management of ratepayer funds allowing rates to remain unchanged for several years. Regional San and SacSewer continue to meet their financial obligations for operating and capital needs, while maintaining healthy cash reserves.

- The Districts' respective Long Term Financial Plans indicate a continued projection of no rate increases until FY 27-28 for SacSewer and FY 30-31 for Regional San. However, with recent inflation, there are several pressures on the Districts to consider rate increases sooner than anticipated. Escalation of capital project costs from original estimates resulting in substantial funding gaps has the most significant impact on both Districts' expenses. Regional San and SacSewer are considering rate increases that would become effective in FY 23-24 to continue to maintain their healthy financial position.
- While unfunded pension and OPEB liabilities have been significant for both Districts, investment performance has greatly reduced the associated liability from FY 20-21 to FY 21-22 by 95 percent for Regional San and 94 percent for SacSewer.

STATUS OF, AND OPPORTUNITIES FOR, SHARED FACILITIES

- Regional San and SacSewer practice extensive facility sharing with each other. The two Districts are headquartered in the same building and share a warehouse and corporation yard. The two districts provide complementary services in overlapping service areas, serve many of the same customers, and share support staffing—including the same General Manager and nearly all of the same executive staff.
- The Districts practice extensive resource sharing through the Master Interagency Agreement (MIA) between Regional San, SacSewer, the County of Sacramento, and the cities of Folsom, Sacramento, and West Sacramento, which defines the interrelationship of the signatory agencies.
- The County provides support services to the Districts, such as HR, and while not strictly facility sharing it is a form of resource sharing to enhance efficiencies.
- Consolidation of Regional San and SacSewer would fully maximize potential efficiencies associated with facility and resource sharing.

ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

- Regional San and SacSewer generally meet State laws for transparency and accountability, including making information easily accessible to the public, maintaining a compliant website, providing ethics training and economic interest reporting, following financial reporting requirements, and adhering to open meeting requirements. In addition, both Districts go beyond these requirements through public outreach programs. In particular, SacSewer has engaged in extensive research and work regarding its branding.
- Neither District’s website makes available the Annual Compensation Reports nor the State Controller’s Office Financial Transaction Reports as required. It is recommended that the Districts add these two reports to their websites in an easily accessible location.
- Regional San and SacSewer are working towards consolidation of the two districts with the aim of coming together under a single executive and administratively integrated organization structure that provides a seamless service model to customers and member agencies. Given the level of support for the reorganization within both Districts and by the governing bodies, the well-substantiated recommendation from the Merger Study that enumerated the numerous benefits of the reorganization, and the alignment of LAFCo’s responsibility to promote efficiency of services, it is recommended that LAFCo make the appropriate SOI changes in anticipation of the proposed reorganization.
- Regional San and SacSewer submitted an application to Sacramento LAFCo to extend sewer services to the Franklin and Hood communities due to public health concerns associated with aging septic systems. The application was approved to extend services in anticipation of their annexations within one year. It is, therefore, recommended that Sacramento LAFCo amend the SOIs of Regional San and SacSewer to include the two communities to enable annexation as required by LAFCo in its previous approval of the extension of services.