



# Municipal Service Review

SAN DIEGO COUNTY  
SANITATION DISTRICT

FINAL

REPORT SUMMARY | August 2019



## General Themes and Conclusions

The San Diego County Sanitation District (SD) serves as the successor agency to multiple special districts that were collectively consolidated into one governing entity in 2011 for purposes of streamlining administration and operations of public wastewater services throughout central and eastern San Diego County. San Diego County SD now serves as the single largest special district wastewater utility in the unincorporated area with an estimated full-time population nearing 150,000. This latter amount represents close to one-third of the total unincorporated population and underlies San Diego County SD's integral role in helping the County of San Diego effectuate its land use policies and accommodate housing opportunities for all incomes. Recent growth within San Diego County SD

and its seven service areas follows historical patterns and falls slightly below countywide averages, and reflects the District generally serves more rural and slower-growth oriented communities.

A review of San Diego County SD relative to San Diego LAFCO's growth management tasks and interests as prescribed under statute produces five central conclusions. These conclusions collectively address the availability, need, and adequacy of San Diego County SD's wastewater services and range in substance from addressing demand-to-capacity relationships in all seven service areas to overall financial standing. The conclusions are independently drawn and sourced to information collected and analyzed by the Commission between 2014 and 2018 and detailed in the agency profile.

## No. 1

### Byproduct of a Successful Reorganization

San Diego County SD has been successful in achieving its formation purpose to improve public wastewater services within its jurisdictional boundary and multiple service areas therein. This improvement is marked by eliminating previously complex and fragmented systems into one streamlined governance structure with greater economies of scale to plan, fund, and implement capital improvements for the benefit of all seven service areas. This success – and among other purposes – serves as a model for other potential reorganizations in San Diego County.

## No. 2

### Regional Distinctions in Service Areas

San Diego County SD serves two distinct regions with markedly different service needs and demographics. Service needs are bifurcated in intensity with the central service areas – Alpine–Lakeside, East Otay Mesa, Spring Valley, and Winter Gardens – involving collection only in contrast to the eastern service areas – Campo, Julian, and Pine Valley – involving collection, treatment, and discharge. Demographics also show ratepayers in the central service areas are generally younger with additional education and income compared to the eastern service areas.

## No. 3

### Adequate and Excess Capacities in Most Service Areas

San Diego County SD has adequate capacity in six of its seven service areas – Alpine–Lakeside, Campo, East Otay Mesa, Julian, Pine Valley, and Spring Valley – to accommodate current and projected near-term demands. This comment is substantiated given none of the systems' average demands generated during the five-year report period exceed 60% of their associated capacities. Capacity in the seventh service area – Winter Gardens – is more limited with average demand tallying 89%.

## No. 4

### Financial Standing Remains Positive

San Diego County SD has experienced a steady decline in its net position during the five-year report period with an overall decrease – and excluding pension obligations – of (1.4%) due to ongoing margin losses that underlie a (38.1%) change in its operating reserve ratio. This decline is largely attributed to San Diego County SD implementing a five-year rate restructure that draws down on reserves in phasing an ultimate 45.0% raise in customer wastewater rates by 2021–2022. Notwithstanding this recent draw down, San Diego County SD remains in good overall financial standing and finished the period with relatively healthy levels of liquidity and capital with the latter reflected by a debt ratio of less than 10%.

## No. 5

### Defer Comprehensive Sphere of Influence Update

A preliminary review indicates a comprehensive update to San Diego County SD's sphere is merited to consider changes involving several of the service areas. This includes – and among other considerations – expanding the sphere to accommodate future wastewater expansions into adjacent lands qualifying as disadvantaged unincorporated communities. The scale and scope of the update suggests a deferral to the next municipal service review would be appropriate and allow additional time to coordinate with San Diego County SD and other interested stakeholders.



Otay Lake City Reservoir





## Recommendations

The following recommendations call for specific action either from San Diego LAFCO and or San Diego County SD based on information generated as part of this report and outlined below in order of their placement in Section 5.0 (Written Determinations). Recommendations for Commission action are dependent on a subsequent directive from the membership and through the adopted work plan.

1. San Diego LAFCO should coordinate with the County of San Diego and develop residential buildout estimates specific to each service area in San Diego County SD and incorporate the information into the next scheduled municipal service review.
2. San Diego LAFCO should coordinate with San Diego County SD to assess opportunities and costs therein to establish public wastewater services for lands adjacent to existing District infrastructure that are urban in nature or qualify as disadvantaged unincorporated communities.
3. San Diego County SD should revisit its agreement with the City of El Cajon to wheel wastewater from the Spring Valley service area to the City of San Diego for treatment and discharge to allow for additional flows given approaching limitations.
4. Unmetered connections to San Diego County SD's collection system in the Spring Valley service area masks true demands generated by the District and merits remedy to more accurately sync future system improvements to user benefits.
5. San Diego LAFCO should revisit the analysis in this report as appropriate in conjunction with completing an upcoming municipal service review on the City of San Diego and its treatment and discharge of wastewater collected – and from among other sources – San Diego County SD's central service areas.
6. San Diego County SD is currently implementing a five-year rate restructure that will increase rates nine percent annually across all service areas through 2021–2022 with the intent of remedying recent margin losses. The next municipal service review serves as an opportunity for the Commission to revisit the topic and San Diego County SD's ability to effectively realign and match costs with rates in step with considering substantive sphere of influence expansions.



**San Diego County SD has been successful in achieving its formation purpose to improve public wastewater services within its jurisdictional boundary and seven service areas therein.**





Hillside in  
Julian, CA

#### » Recommendations

7. San Diego County SD and Otay Water District should explore reorganization options in the Jamacha Basin to better economize existing wastewater services in the area.
8. San Diego County SD is partnering with the City of El Cajon, Padre Dam Municipal Water District, and Helix Water District to develop a reuse program to purify collected wastewater into a new water supply in the central service area. This partnership appropriately responds to the need to establish reliable local water supplies in the region and suggest the Commission merits of potentially expanding San Diego County SD powers to include retail recycled water service.
9. San Diego County SD should take additional efforts to distinguish its role to ratepayers as a stand-alone governmental entity separate from the County of San Diego, and this includes – and among other items – posting meeting information along with associated agendas and minutes on its website.
10. San Diego LAFCO should proceed to affirm San Diego County SD’s sphere with no changes with the explicit intention of preparing a comprehensive update ahead and or as part of the next municipal service review in step with a more holistic assessment of wastewater needs within adjacent lands to District service areas.