



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

**Item No.** 1.A  
**Meeting Date:** April 18, 2023  
**Submitted to:** Honorable Mayor and Members of the City Council  
**Department:** City Manager's Office  
**Staff Contact:** Kristen Steinke, City Attorney  
**Item Title:** **Waive the Full Text Reading of all Ordinances**

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**Summary:** Waive the full text reading of all ordinances included in this agenda. Ordinances shall be introduced and adopted by title only.

### **Environmental Review:**

- Not subject to review  Negative Declaration  
 Categorical Exemption, Section |  Mitigated Negative Declaration

**Fiscal Impact:** None.

**Public Notification:** None.



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

**Item No.** 1.B  
**Meeting Date:** April 18, 2023  
**Submitted to:** Honorable Mayor and Members of the City Council  
**Department:** City Manager's Office  
**Staff Contact:** Joseph Ware, Finance Director  
[jware@lemongrove.ca.gov](mailto:jware@lemongrove.ca.gov)  
**Item Title:** **City of Lemon Grove Payment Demands**

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**Recommended Action:** Ratify Demands.

**Environmental Review:**

- Not subject to review                       Negative Declaration  
 Categorical Exemption, Section |                       Mitigated Negative Declaration

**Fiscal Impact:** None.

**Public Notification:** None.

**City of Lemon Grove Demands Summary**

Approved as Submitted:

Joseph Ware, Finance Director  
For Council Meeting: 04/18/23

ACH/AP Checks 03/28/23-04/10/23 1,091,050.90

Payroll - 04/04/23 144,248.71

Total Demands 1,235,299.61

CHECK NO	INVOICE NO	VENDOR NAME	CHECK DATE	Description	INVOICE AMOUNT	CHECK AMOUNT
ACH	87774705	WEX Bank	03/28/2023	Fuel - Fire Dept - Feb'23	2,655.77	2,655.77
ACH	Mar 21 23	US Treasury	03/28/2023	Federal Taxes 3/21/23	28,121.19	28,121.19
ACH	Refill 3/28/23	Pitney Bowes Global Financial Services LLC	03/28/2023	Postage Usage 3/28/23	250.00	250.00
ACH	Jan23	Home Depot Credit Services	03/30/2023	Home Depot Charges - Jan'23	2,077.14	2,077.14
ACH	Feb22-Mar21 23	California Public Empl Retirement System	03/31/2023	Pers Retirement 2/22/23-3/21/23	79,901.56	79,901.56
ACH	Mar23	Wage Works	03/31/2023	FSA Reimbursement - Mar'23	2,783.49	2,783.49
ACH	Apr 2023	Pers Health	04/04/2023	Pers Health Insurance - Apr23	58,058.44	58,058.44
ACH	1/28/2023 1/30/2023 2/28/2023 1494785 787341 9925779227 8003330280 2/28/2023 2/1/2023 3/6/2023 2/4/2023 9926818421 2/11/2023 2/10/2023 2/1/2023 9927582876 9927582877 787805 2/18/2023 2/19/2023 9928160568 CB 031323	Wells Fargo	04/05/2023	Cox - City Hall Fire Alarm 1/27/23-2/26/23 Cox - Internet/Comm Ctr- 1/30/23-2/28/23 Cox - PEG Circuit Svc- 1/30/23-2/28/23 APA - Membership/Carrasco House of Automation - Install New Keypad/PW Yard Gate Verizon - Fire Protection- 12/21/22-1/20/23 Shredit - Shredding Service 2/9/23 Cox - Phone/City Hall 2/1/23-2/28/23 Cox - Calsense Modem Line: 7071 Mt Vernon/Berry St Pk 2/1/23-2/28/23 Cox - PEG Circuit Svc- 2/7/23-3/6/23 Cox - Phone/Internet/Rec Ctr/3131 School Ln- 2/4/23-3/3/23 Verizon - Modems - Cardiac Monitors - 1/4/23-2/3/23 Cox - Calsense Modem Line: 2259 Washington 2/11/23-3/10/23 Cox - Calsense Modem Line: 8235 Mt Vernon/Berry St Pk 2/9/23-3/8/23 Cox - MainPhone/Fire 2/1/23-2/28/23 Verizon - City Phone Charges- 1/13/23-2/12/23 Verizon - PW Tablets/Fire Inspector Tablet- 1/13/23-2/12/23 House of Automation - Maintenance/PW Yard Gate Cox - Copy Room Fax/City Manager Fax Line- 2/18/23-3/17/23 Cox - Phone/PW Yard/2873 Skyline- 2/19/22-3/18/23 Verizon - Fire Protection/Tablets 3/MDC Engine Tablets-1/21/23-2/20/23 Wells Fargo - Cash Back Award Stmt 3/13/23	94.06 110.39 129.71 298.00 1123.00 394.68 506.58 817.07 27.62 161.04 339.38 42.12 27.62 80.39 488.29 385.01 169.35 630.00 4.37 216.04 394.68 -225.78	6,213.62
ACH	Feb23	San Diego County Sheriff's Department	04/06/2023	Law Enforcement Services - Feb'23	567,032.40	567,032.40
ACH	155539	Aflac	04/06/2023	AFLAC Insurance 4/5/23	1,561.06	1,561.06
ACH	Refill 4/7/23	Pitney Bowes Global Financial Services LLC	04/07/2023	Postage Usage 4/7/23	200.00	200.00
ACH	Mar 22-Apr4 23	Calpers Supplemental Income 457 Plan	04/07/2023	457 Plan 03/22/23-04/04/23	5,705.71	5,705.71
ACH	Apr6 23	Employment Development Department	04/07/2023	State Taxes 4/6/23	8,910.74	8,910.74
17028	23429	Aair Purification Systems	03/29/2023	Installation/Repair Lower Hose Plymovent Exhaust System - Fire	125.00	125.00
17029	IGNV-41Y4-LV3C	Amazon Capital Services Inc	03/29/2023	iPhone Case/Screen Protector - PW	28.00	28.00
17030	#LG2023-01	American Medical Response	03/29/2023	Emergency Medical Services - FY23	29,684.00	29,684.00
17031	2/13/23-3/12/23	AT&T	03/29/2023	Phone Service 2/13/23-3/12/23	97.96	97.96
17032	298529-Feb23 298530-Feb23 298531-Feb23 298532-Feb23 298533-Feb23 298534-Feb23 298535-Feb23 298536-Feb23 298537-Feb23	Burke William & Sorensen LLP	03/29/2023	08250-0001 General Feb'23 08250-0003 Feb'23 08250-0008 Feb'23 08250-0012.002 Feb'23 08250-0011.003 Feb'23 08250-0013 Feb'23 08250-0011.004 Feb'23 08250-0011.005 Feb'23 08250-0015 Feb'23	6,938.80 448.20 945.40 481.40 365.20 1,510.60 182.60 149.40 2,207.80	13,229.40
17033	2022.4947 2022.4948 2022.4950	Chen Ryan Associates Inc	03/29/2023	Prof Svc: Connect Main St Ph 3 thru 2/24/23 Prof Svc: Connect Main St Ph 1-2 thru 2/24/23 Prof Svc: Sidewalk Master Plan (Contract 2022.27) thru 2/24/23	811.00 5,580.00 2,800.00	9,191.00
17034	652	City of El Cajon	03/29/2023	Overtime Reimbursement - Gibson 1/19/23	1,239.38	6,982.15

CHECK NO	INVOICE NO	VENDOR NAME	CHECK DATE	Description	INVOICE AMOUNT	CHECK AMOUNT
	652			Overtime Reimbursement - Pearson 1/20/23	1,368.10	
	654			Overtime Reimbursement - Lucci 2/6/23	421.01	
	654			Overtime Reimbursement - Strand 2/12/23	1,251.08	
	655			Overtime Reimbursement - Hays 1/29/23	1,368.10	
	355			Overtime Reimbursement - Shaba 2/1/23	1,334.48	
17035	55170	Colantuono, Highsmith & Whatley PC	03/29/2023	Legal Svcs: Affordable Housing Feb'23	141.70	141.70
17036	Mar 23	Colonial Life	03/29/2023	Colonial Optional Insurance Mar-23	227.52	227.52
17037	3779	Complete Paperless Solutions, LLC	03/29/2023	Laserfiche Annual Renewal - FY23	3,630.00	3,630.00
17038	0503863	Conway Shield	03/29/2023	Helmet Shield - Shaba	89.08	89.08
17039	7739	D-Max Engineering Inc	03/29/2023	0 Bonita Pl Inspections 2/1/23-2/28/23	84.00	2,738.89
	7740			0 Central Ave Inspections 2/1/23-2/28/23	28.00	
	7741			0 Mt Vernon St Inspections 2/1/23-2/28/23	173.40	
	7741			1896 Noble St Inspections 2/1/23-2/28/23	514.71	
	7743			1993 Dain Dr Inspections 2/1/23-2/28/23	1,098.55	
	7744			3515-3525 Harris St Inspections 2/1/23-2/28/23	64.25	
	7745			7508-7512 Church St Inspections 2/1/23-2/28/23	229.40	
	7746			7946 Broadway Kelvin Inspections 2/1/23-2/28/23	546.58	
17040	18279	Eagle Paving Company, Inc	03/29/2023	CUPCCA #2022-03 FY21-22 Street Rehab Project. Various Locs thru 11/30/22	66,375.76	66,375.76
17041	3/13/23-3/16/23 3/20/23-3/23/23	EsGil, LLC	03/29/2023	75% Building Fees- 3/13/23-3/16/23 75% Building Fees- 3/20/23-3/23/23	10,309.21 11,580.44	21,889.65
17042	AR013494 AR013494	Grossmont Union High School District	03/29/2023	Envelopes #10 - 3000 Regular Entertainer Permit Cards	135.00 25.50	160.50
17043	56820	Harris & Associates Inc	03/29/2023	Sanitation Dist Financial Consulting Svcs thru 2/25/23	25,028.75	25,028.75
17044	HS-5607-0027	Home Start, Inc	03/29/2023	LG Homeless Outreach - Feb'23	84.24	84.24
17045	115602	Horton, Oberrecht, Kirkpatrick & Martha APC	03/29/2023	Legal Svcs: GHC0019886	11,051.75	11,051.75
17046	64	Janazz, LLD SD	03/29/2023	48 Port Switch - PW Yard	428.92	428.92
17047	605043005	Nichols Consulting Engineers, CHTD		Prof Svc: Pavement Mgmt Prog 2022 Update thru 3/3/23	10,350.00	10,350.00
17048	78573711	Occupational Health Centers of CA, A Med Ctr	03/29/2023	Medical Exam - Allen 3/10/23	160.00	160.00
17049	19570A(12) 19570A(13)	Rick Engineering Company	03/29/2023	Prof Svc: FY21-22 Sewer Replacement & Maint Proj(2021-24) Jan'23 Prof Svc: FY21-22 Sewer Replacement & Maint Proj(2021-24) Feb'23	6,594.82 2,064.00	8,658.82
17050	1/21/23-2/21/23	SDG&E	03/29/2023	Gas & Electric 1/21/23-2/21/23	24,888.00	24,888.00
17051	8248110030123	Sparkletts	03/29/2023	PW Yard - Water	100.85	100.85
17052	FAUD-00003656	State Controller	03/29/2023	Annual Street Report 7/1/22-6/30/23	2,639.52	2,639.52
17053	WD-0228998	State Water Resources Control Board	03/29/2023	Annual Permit Fee - Water Discharge Requirement 7/1/22-6/30/23	604.00	604.00
17054	00129220	The East County Californian	03/29/2023	Notice of Public Hearing - General Plan Progress Report 3/24/23	164.50	164.50
17055	24863	Van Dermynen Makus	03/29/2023	Legal Svcs: Matter 02418 thru 2/28/23	1,471.86	1,471.86
17056	E8388	A-Pot Rentals, Inc.	03/29/2023	Portable Restroom Rental - Senior Ctr 3/3/23-3/8/23	306.01	306.01
17057	Request004	Athens Managed Card, Inc.	03/29/2023	CLG Workers' Comp Claims - Mar'23	1,100.96	1,100.96
17058	L2434	Aztec Landscaping Inc	03/29/2023	Powerwash & Sanitize - Downtown Breezeway	650.00	650.00
17059	5516235	Bearcom Group Inc.	03/29/2023	Portable Radios Monthly Contracts 2/22/23-3/21/23	150.00	150.00
17060	19481	BIT Pros Inc	03/29/2023	Kenwood TK5710(G) P25 Radio/Cable	2,424.38	2,424.38
17061	4/4/23	California State Disbursement Unit	03/29/2023	Wage Withholding Pay Period Ending 4/4/23	46.15	46.15
17062	CLG FY20/21Unspent	CalRecycle-Dept of Resource Recycling & Rec	03/29/2023	Reimburse-Unspent Bev Recycle Container Pymt Prog Fund/FY20-21	40.82	40.82
17063	407	City of La Mesa	03/29/2023	Overtime Reimbursement - Bidegain 3/4/23	1,263.21	12,037.15
	407			Overtime Reimbursement - Nenow 3/8/23	1,392.90	
	407			Overtime Reimbursement - Tidball 3/10/23	1,606.68	
	407			Overtime Reimbursement - Wright 3/12/23	1,392.90	
	408			Overtime Reimbursement - Bidegain 3/2/23	1,263.21	
	408			Overtime Reimbursement - Carter 3/1/23	815.41	
	408			Overtime Reimbursement - Granger 2/21/23	1,392.90	
	408			Overtime Reimbursement - Granger 2/23/23	1,392.90	
	408			Overtime Reimbursement - Lopez 2/18/23	1,517.04	
17064	7747	D-Max Engineering Inc	03/29/2023	8373 Broadway Inspections 2/1/23-2/28/23	257.40	1,496.76
	7748			Golden Doors Inspections 2/1/23-2/28/23	201.40	
	7749			Vista Azul Inspections 2/1/23-2/28/23	1,037.96	

CHECK NO	INVOICE NO	VENDOR NAME	CHECK DATE	Description	INVOICE AMOUNT	CHECK AMOUNT
17065	0422320560	DAR Contractors	03/29/2023	Animal Disposal - Mar'23	162.00	162.00
17066	221863	Dell Awards	03/29/2023	Name Plate - Front Desk/Please Ring Bell	12.93	12.93
17067	0321239905	Domestic Uniform Rental	03/29/2023	Shop Towels & Safety Mats 3/21/23	69.35	69.35
17068	3/27/23-3/30/23	EsGil, LLC	03/29/2023	75% Building Fees- 3/27/23-3/30/23	8,050.61	8,050.61
17069	266540	GB Auto Service, Inc.	03/29/2023	4 Tires/Installation/Alignment - LGPW#08 '98 Ford Ranger	958.18	958.18
17070	IN334404	Geotab USA, Inc.	03/29/2023	Monthly ProPlus Plan	197.50	197.50
17071	74230401 SS000234149 SS000234158	Hawthorne Machinery Co	03/29/2023	Equip Rental - Compact Truck Loader/Skid Steer Brush Cutter Equip Repair - Skidsteer- Replace Seat/Electric Switch Equip Repair - Skidsteer- Installed Grill & Bumpers/Hose Bracket	2,599.72 1,391.61 1,693.96	5,685.29
17072	15854 15855 15856	Infrastructure Engineering Corporation	03/29/2023	Prof Svc: 1993 Dain Dr 2/1/23-2/28/23 Prof Svc: Vista Azul 2/1/23-2/28/23 Prof Svc: 7946 Broadway 2/1/23-2/28/23	740.00 1,776.00 755.00	3,271.00
17073	65	Janazz, LLC SD	03/29/2023	IT Services- City Hall- Mar'23	2,500.00	2,500.00
17074	156691 156692 156734 Sheriff-Mar23 TreganzaPk-Mar23	Knott's Pest Control, Inc.	03/29/2023	On Call Pest Control - PW Yard - Mar'23 On Call Pest Control - PW - Mar'23 On Call Pest Control - PW Yard Final - Mar'23 Monthly Bait Stations- Sheriff - Mar'23 Monthly Bait Stations- Treganza Park- Mar'23	125.00 75.00 75.00 60.00 60.00	395.00
17075	5582217	Mallory Safety and Supply, LLC	03/29/2023	Nitrile Gloves	637.77	637.77
17076	4/4/23	MissionSquare	03/29/2023	Deferred Compensation PPE 4/4/23	780.77	780.77
17077	162095	MJC Construction	03/29/2023	Replace Pipe/Install Cleanout/SSO Overflow - 1721 Dayton Dr	20,310.00	20,310.00
17078	83157	Neal Electric Corp	03/29/2023	Instll AC Unit - PW Yard	271.15	271.15
17079	605043003	Nichols Consulting Engineers, CHTD	03/29/2023	Prof Svc: Pavement Mgmt Prog 2022 Update thru 1/6/23	16,688.00	16,688.00
17080	INV00072219	Rapidscale Inc.	03/29/2023	Virtual Hosting/Back Up Svc/Cloud Storage/Svr 2/28/23-3/30/23	4,445.77	4,445.77
17081	225	RXR Plumbing, Inc.	03/29/2023	Plumbing Repair - Berry St Pk - 3/9/23	2,163.00	2,163.00
17082	3/22/23 3/28/23 3/24/23	SDG&E	03/29/2023	3225 Olive- 2/22/23-3/22/23 3410 Washington St- 2/24/23-3/24/23 3500 1/2 Main- 02/22/23-03/22/23	155.23 30.70 101.83	287.76
17083	6438 6546 6635	Spring Valley Lawn Mower Shop	03/29/2023	Brush Cutter Straps Trimmer Line/Bar Nut Sun Hat	61.27 52.19 61.36	174.82
17084	121938888-0015 136511666-0001 136797063-0001 137215613-0001	Sunbelt Rentals Inc.	03/29/2023	Equip Rental - Post Shore - Senior Ctr 2/16/23-6/15/23 Propane Propane Propane	127.97 18.21 26.69 25.57	198.44
17085	14329 14376 14385 14416	T-Man Traffic Supply	03/29/2023	Sign - Streets Stop Signs/Supplies - Streets Signs - Streets Sign Supplies - Streets	35.13 721.09 22.57 563.60	1,342.39
17086	106884	Vinyard Doors, Inc.	03/29/2023	Repair - Fire Bay Door #6	504.00	504.00
					1,091,050.90	1,091,050.90



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

**Item No.** I.C  
**Meeting Date:** April 4, 2023  
**Submitted to:** Honorable Mayor and Members of the City Council  
**Department:** Office of the City Manager  
**Staff Contact:** Greg Jackson, Communications Specialist  
[gjackson@lemongrove.ca.gov](mailto:gjackson@lemongrove.ca.gov)  
**Item Title:** **Award of Contract for City Website Design, Management, and Implementation Services**

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**Recommended Action:** Adopt a resolution (Attachment A) awarding a contract for Website Design, Management, and Implementation Services to GHD Digital and authorize the City Manager to execute any necessary documents.

**Summary:** In support of the City's effort to provide a more efficient end-user City of Lemon Grove website experience, the City invited sealed bids for Website Design, Management, and Implementation Services on February 15, 2023. Bids were publicly opened on March 8, 2023 with four bids submitted. Staff reviewed the four bids and determined that GHD Digital was the most qualified and responsible bidder with a base bid of \$28,250 with an annual recurring fee of \$12,144.

**Discussion:** The City website has been an ongoing topic of discussion for the City. On February 15, 2023, the project was advertised on PlantBids, the City's e-procurement system. The project consists of the complete redesign of the City's website and the implementation of the new front and backend content management system.

On March 8, 2023, the City received four sealed bids for the project. Table 1 lists the companies that submitted bids for the project, their base bid and the cost for maintenance.

**Table 1: Bid Summary**

FY 2022-23 Website Design and Management Services			
<b>Contractor</b>	<b>Base Bid</b>	<b>Maintenance Five Year Term</b>	<b>Base bid w/ maintenance</b>
GHD Digital	\$28,250.00	\$12,144/yr	\$88,970
Revize	\$82,900	\$12,700/yr	\$146,400
Planeteria Media	\$59,800	\$6,120/yr	\$90,400
Jesse James Creative	\$51,000	\$7,200/yr	\$86,400

GHD Digital submitted the lowest base bid of \$28,250 making them the low bidder. They provided the required submittals and their bid was complete and error-free, making them responsive to the initiation to bid. Staff checked their references, overall portfolio and tailored solutions. GHD Digital has provided services for the construction of many municipal website projects including the City of Toronto, City of Kawartha Lakes, and City of Lincoln. References provided positive feedback on their capability to successfully perform the work. This demonstrates that they are capable and responsible. GOVSTACK is the Content Management System (CMS) solution owned, operated, and provided by GHD Digital providing maximum control, flexibility, and ease of use to City Staff, while creating a unique user experience for the community and beyond.

Based on the project scope of work, staff recommends the following project budget:

<b>Description</b>	<b>Amount</b>
Base Bid Costs	\$28,250.00
Maintenance Costs/yr	\$ 12,144.00
<b>Total Costs</b>	<b>\$88,970.00</b>

**Fiscal Impact:** A one-time cost of \$28,250.00 followed by a yearly maintenance cost of \$12,144/year for five (5) years. Website costs are part of the current budget.

**Public Notification:** A notice inviting sealed bids was advertised via PlanetBids on February 15, 2023.

**Staff Recommendation:** Adopt a resolution (Attachment A) awarding a contract for the Website Design, Management, and Implementation Services to GHD Digital and authorize the City Manager to execute any necessary documents.

**Attachments:**

Attachment A – Resolution

Attachment B – Contract with GHD Digital.

**RESOLUTION NO. 2023-\_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE,  
CALIFORNIA, AWARDED A CONTRACT FOR WEBSITE DESIGN,  
MANAGEMENT, AND IMPLEMENTATION SERVICES**

**WHEREAS**, the City of Lemon Grove is seeking to establish a robust website promoting transparency, the sharing of information with residents, and creating a more efficient user experience; and

**WHEREAS**, bids were solicited and four sealed bids were received for the Website Design, Maintenance, and Implementation project; and

**WHEREAS**, bids were opened, read aloud, and the most capable, responsive and responsible bidder was determined to be GHD Digital; and

**WHEREAS**, GHD Digital's project work history was impressive and references checks and communications were positive; and

**WHEREAS**, GHD Digital has successfully performed similar work for other local governments primarily in Canada; and

**WHEREAS**, staff concluded that GHD Digital is both a capable and responsible bidder; and

**WHEREAS**, the City Council finds it in the public interest that a contract for said services be awarded.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Lemon Grove, California hereby:

1. Approves a contract with GHD Digital to provide services for the creation of a new City of Lemon Grove website providing maintenance in the amount of \$28,250.00 followed by a yearly maintenance cost of \$12,144/year for five (5) years; and
2. Authorize the City Manager, or her designee, to negotiate, execute and manage all project documents.

**PASSED AND ADOPTED** on April 18, 2023, by the City Council of the City of Lemon Grove, California, adopted Resolution No. 2023- \_\_\_\_\_, passed by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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**Racquel Vasquez, Mayor**

**Attest:**

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**Deborah Harrington, Interim City Clerk**

**Approved as to Form:**

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**Kristen Steinke, City Attorney**

# City of Lemon Grove



## REQUEST FOR PROPOSALS:

### Website Management and Implementation Services

Proposals Due: **March 8, 2023 at 5:30 p.m.**

Attn: Greg Jackson, Communications Specialist  
City of Lemon Grove  
3232 Main Street  
Lemon Grove, CA 91945



**CITY OF LEMON GROVE**  
Office of the City Manager

**Project Title:** Website Management System – City of Lemon Grove

**Department Requesting:** City Manager’s Department

**RFP Issue Date:** February 15, 2023

**Submittal Deadline:** March 8, 2023, at 5:30 pm (postmarks not accepted)

**Award of Contract (Tentative):** March 15, 2023

**Deliver RFP Submittal To:** Greg Jackson, Communications Specialist  
City of Lemon Grove  
3232 Main Street  
Lemon Grove, CA 91945  
gjackson@lemongrove.ca.gov

## I. INTRODUCTION

### Description of Problem & Need

The City of Lemon Grove is soliciting proposals for a Website Management System and new website design. Systems from responding proposers must, at a minimum, have the following modules: Responsive Design, Agendas and Minutes Manager, Interactive Calendars, Site Search, Accessible online forms, Unique and consistent Design, email alerts, intuitive navigation, easy access, mobile access.

Five (5) hard copies of your proposal, along with electronic versions in PDF and DOC or DOCX formats on USB Flash Media must be delivered to:

Greg Jackson, Communications Specialist  
Lemon Grove City Hall  
3232 Main Street  
Lemon Grove, CA 91945

The City is not planning to hold a pre-proposal bidders conference. All vendor questions should be addressed via email to the Communications Specialist at [gjackson@lemongrove.ca.gov](mailto:gjackson@lemongrove.ca.gov).

Proposals must be clearly identified with the RFP number on the outside of the package. No proposals will be accepted after 5:30 p.m. on March 8, 2023.



## Background

At this time, the City of Lemon Grove seeks responses from firms with experience in designing and building government websites to assist in providing users with a usable and professionally designed website (incorporating the city's branding), that provides a clear and easy global navigation structure, as well as an online engagement platform that allows users to submit online requests, sign up for e-notices/alerts, etc.

The notable goals for the new city web site are to:

- Provide easy access to city services, information, and community resources demonstrating the city's commitment to providing high quality services.
- Encourage the public to access self-service options, where they are available, to increase convenience for the public and increase the efficiency of city operations.
- Convey a sense of place and image consistent with the city brand.

As part of this Request for Proposals (RFP), the City is requesting vendors to recommend the Content Management System (CMS) they feel best meets the city's current needs and describe how they would approach designing the CMS for the city (see detailed requirements and scope of work).

## **II. SCOPE OF SERVICES**

The City of Lemon Grove seeks submittals from qualified companies and/or firms to provide a Website Management System, website design, and Implementation services to the City. The proposals submitted in response to this RFP must conform to the terms, conditions, and scope of work described hereafter.

After receipt of a sealed response to the RFP, review thereof, and selection of a firm, the City will negotiate and prepare an agreement with the proposed contractor to provide aforementioned services. Thereafter, the agreement will be presented to the Lemon Grove City Council for approval. The RFP is put forth with the following requirements for the contractor to:

- A. This RFP is a request for website software, website design, and implementation services. The City will only accept proposals from software firms and not from third-party resellers.
- B. A software vendor may partner with a firm certified to implement its software. In proposals in which the software vendor is partnering with a separate implementation vendor, a transmittal letter must be submitted stating that the implementation vendor is a certified implementer of the proposed software.
- C. The software firm must be the entity providing the responses to the detailed business requirements (Essential Website Management System Functionality).
- D. The City reserves the right to reject any or all proposals if it determines that select proposals are not responsive to the RFP. It also reserves the right to meet and/or correspond with individual vendors at any time to gather additional information.
- E. All third-party software solutions proposed as part of this package to meet the functional requirements are subject to the same requirements of this RFP unless otherwise stated. The primary software vendor will serve as the prime contact for all work related to this RFP.



- F. The City expects to enter into a software licensing agreement and implementation services contract with the prime contractor.
- G. All vendors submitting proposals agree that their pricing is valid for acceptance for a minimum of two years after proposal submission to the City. Pricing must be submitted as a fixed price and shall be broken out as provided in the price proposal section. Proposals that do not submit pricing on a fixed price basis will be eliminated from further consideration. Payment will be tied to agreed-upon milestones. Vendors are to provide all work effort needed to meet the detailed functional requirements as part of their proposal. Pricing, once accepted, shall not change during the implementation period.
- H. As a part of a 5 year commitment, The City requires that licenses for software be "perpetual" (i.e., the City purchases and retains the license to use the software forever) and of a "fixed" price nature (i.e., license fees, maintenance, and support price schedule for first five years are presented).
- I. All firms submitting proposals are encouraged to submit the most competitive proposal possible, as the failure to do so may lead to elimination prior to software demonstrations.
- J. When responding to this RFP, please follow all instructions carefully. Please submit the proposal contents according to the outline specified and submit all hard copies and electronic documents according to the instructions. Failure to follow these instructions may be considered an unresponsive proposal and may result in immediate elimination from further consideration.

#### Record-Keeping

The service provider shall maintain a current list of employees working on the project, and if requested by the City, shall furnish a copy of the list to City staff under the deadline that is provided. Specific information furnished shall include:

- Name
- Resume
- Third-party contractors

#### Estimated Project Schedule – (Go Live date: NLT July 1, 2023)

The applicant must be able to begin providing Website Management services to the City of Lemon Grove immediately after being selected and approved by the Lemon Grove City Council. The selected contractor must be able to provide Website Management services for a minimum of 5 years. If successful, an additional three-year extension could be granted, pursuant to the City's agreement. At the conclusion of the original five-year or each three-year extension, the City under its own discretion may recirculate the RFP.

### **III. PROPOSAL REQUIREMENTS**

The City welcomes responses to the RFP in a format that the firm believes best expresses the qualifications of the firm. Lengthy responses are not expected. Short, concise, yet comprehensive proposals are preferred. All submittals should include the following:

- A. Relevant Experience – A description of at least three similar contracts completed by the individuals or teams that comprise the firm, which clearly demonstrates the requisite expertise. Relevant similar projects should distinguish between the projects of the individuals, companies,



and/or teams that comprise the firm, if applicable. The selected firm should have significant experience and a verifiable track record of accomplishment.

B. Description of the Organization – Detailed information on the proposed work team and their specific role(s) and experience, including board of directors, senior management, corporate history, corporate mission statement, and corporate organizational structure.

C. City References – Provide contact information for three to five cities (clients) with whom the firm has successfully completed similar contracts.

D. Litigation History – Please include a description of any litigation involving the firm or any individuals that comprise the firm that is in any way associated with Web Management, web Design, services. If applicable, please provide any information related to litigation, including case name and number, the venue of the case, and the outcome.

#### **IV. SUBMITTAL DIRECTIONS**

The City reserves the right to reject any or all submittals. No obligation, either expressed or implied, exists on behalf of the City to make an award for the work or for costs incurred in the preparation of the response to the RFP. The City reserves the right to select more than one party to provide these services.

- A. Package to be submitted – Five (5) bound copies and one electronic copy in PDF version of the RFP package must be submitted. Questions regarding this RFP and the City’s specific submission requirements may be directed to Greg Jackson, Communications Specialist. He may be reached by email at [gjackson@lemongrove.ca.gov](mailto:gjackson@lemongrove.ca.gov).
- B. Due Date of RFP Package – All response packages must be submitted no later than **5:30 p.m. on March 8, 2023**, and addressed to:

Attn: Greg Jackson, Communications Specialist  
City of Lemon Grove  
3232 Main Street  
Lemon Grove, CA 91945

\* Incomplete RFP response packages and packages received after the deadline noted above will not be considered.

\* Facsimile copies will not be accepted.

#### **V. PROPOSAL EVALUATION CRITERIA**

In no particular order of importance, the evaluation of the RFP packages will be based on the following criteria:

- A. Relevant Experience – The firms must demonstrate and document experience with respect to similar development and operations, including working with the public sector and/or governmental agency, the quality of work, and meeting requirements, and willingness to work through any and all issues involved in Website Management.
- B. Organization and Structure – A primary desired quality of the firm includes the designation of an experienced professional individual or management team that will be the point of contact with the City throughout the life of the contract.



## Project Objectives

- The City desires to replace its current Website Management System with an integrated system that will improve employee access, community engagement and provide a long-term solution that will integrate with future systems that the City employs to manage the services they provide the residents of the City of Lemon Grove.
- The City desires to replace the current website with a state-of-the-art solution, embracing the best design and functionality practices to date.
- The City seeks a vendor that will continually enhance the proposed solution to support industry best practices and requirements for local government.
- The City wishes to implement the selected solution in order to provide sufficient support during the implementation, without compromising its ongoing operations.
- The City seeks a system that includes easy-to-use reporting tools that will enable end users to access information stored in a single, integrated relational database without requiring programmer support.
- Key business drivers are an inefficient current environment, sophisticated users lacking adequate technology and the number of advanced systems on the market that are suited to government agencies of our size.
- The City prefers a single, integrated solution that offers a robust system to the degree that this is possible through a single vendor. Vendors may propose an integrated, single-source solution including their own or a third-party product in order to provide the required functionality. The City will consider all solutions fairly on the basis of overall functionality, value, and price as further detailed in the section on evaluation criteria.

## Project Scope

The City of Lemon Grove seeks submittals from qualified companies and/or firms to provide a Website Management System and Implementation services to the City. This design service is for the City of Lemon Grove. The new site should also successfully convey the city brand through its visual design.

Specific site requirements are described in the following sections:

### High-Level Requirements

The following is a list of high-level requirements to consider in the project scope. The deliverables associated with these requirements are defined in the next section.

The new system must include the following:

- Content management capabilities
- Provide the same features as the existing site, at a minimum
- City branding



- Convenient user experience
- Fully functional, both viewing and editing, with the major browsers and operating systems on PC and MAC
- Functional (viewing and editing) with all major mobile devices
- Comply with ADA Section 508 and W3C standards
- Search engine optimization, SEO, and site search functionality
- On-going technical support and design support (if hosted off-site)

## Deliverables

### Content management capabilities

- **Secure administration:** Ability to give site management rights to specific users or groups of users. Rights should be able to be granted to entire site or restricted to specific areas or types of content.
- **User interface:** Ease of use, with minimal technical knowledge and training, is a critical criterion for the selection of a CMS. Ability for staff with no HTML skills to easily manage content on Web pages using basic word processing programs - such as MS Word. Staff should be able to update, delete and create new pages based on predefined templates and insert the pages into the website's navigation.
- **WYSIWYG editor:** Ability for non-technical staff to edit text.
- **Collaborative authoring:** Ability for multiple staff to edit elements of the same web page.
- **Content approval:** Ability for staff to create content that goes through different levels of review and approval before going live on the website.

The workflow process and the number of approvals should be able to be defined by staff.

- **Document management:** Ability to store website content in a main area. Provide a complete list of pages linking to the document. Documents should be able to be stored as PDFs, MS Word, Excel, graphic files and audio or video clips.
- **Email address masking:** Ability to hide email address to prevent spammers from getting the email address of staff.
- **Image library:** library should store a single version of each image in a central place. Images in library should be able to be added to any page of the website. Ability to review and approve the addition of new photos by designated staff.
- **Image insertion:** Ability to insert images and specify right, left, center, top or bottom justification. Ability to wrap text around inserted image.
- **Image resizing:** Ability to automatically resize, scale high-resolution photos to Web resolution size images. Ability to insert automatic alt tags.
- **Content linking:** Ability to link other relevant content on pages – in addition to in line links.
- **Link library:** Ability to see all site links in a central place.



- **Multiple file and image uploading:** Ability to load multiple files and images at one time.
- **Paste from MS word:** Ability for staff to easily cut and paste content from any MS Word document. Website should strip the MS Word formatting and convert to HTML to conform to site style. Website should also retain Web links when copying inline links from MS Word to the website.
- **Spell checker:** Checker allows staff to review webpage content to ensure it is free from spelling errors.
- **Styles:** Consistent style elements, such as text, headers and bulleted lists, throughout the site to create a consistent look. Ability to prevent users from changing page formatting (fonts, colors, etc.) from the predefined style in the templates.
- **Table wizard:** Ability to easily create tables on pages; provide a set of standard options for formatting tables. Ability to paste tables from MS Word and convert formatting to one of the website’s standard options.
- **Undo/redo:** Ability to undo and redo edits to webpages.
- **Version control:** Ability to store previous versions of webpages; ability to restore/revert back to previous versions, including saved drafts and published versions. Ability to view and restore deleted work to webpages; ability to view and restore deleted webpages and sites.
- **Emergency homepage notice:** Ability to display a prominent emergency notice on the homepage of the website.
- **Web-interfaces:** Ability to easily utilize content from the site and other external sources, including the ability to utilize I-frames, “widgets”, or reformat the content, for instance importing information from another government website in a template that retains the city’s brand.
- **Printer friendly pages:** Ability for users to print pages on the website in an easy-to-read document that prints out on 8.5 x 11 paper.
- **Calendar Features**
- **Staff directory**
- **Translation feature**
- **Site map generator**

Website should contain features that enhance the user experience and user interactivity. The following is a list of existing features that should be included in the design and optional features that should be considered.

- Navigation management
- Interactive components
- Community outreach, media and social networking
- Integration of third-party sites and services
- Optional features

#### **Navigation management**



The navigation system should have the required features listed below:

- **Content categories:** Ability to sort site content into categories, making the content easy to target to different pages.
- **Drop down menus:** Ability for website users to quickly view, locate and navigate information.
- **Error 404 (page not found):** Ability for website to display custom Error 404 (page not found) page when the requested page is not available.
- **External link splash page:** Website should be able to generate an external link splash page for pages that take users outside of the city site.
- **Link redirect:** Ability to create vanity URLs, short URLs, and redirect links to pages on the city's website.
- **Navigation control:** Ability to add new pages or move pages anywhere within the website to make it easy and accessible for website visitors. Ability to modify the default navigation settings, including but not limited to hiding/displaying navigation menu items and allowing the inclusion of menu items stored under different sites.
- **Navigation levels:** Ability to place up to two different levels of navigation on certain department sites, such as Recreation & Community Services and Community Development.
- **New windows:** A new window should open whenever the user clicks on a PDF or on an external link (see "external link splash page" above). For all other links, refresh the current/main window.

### **Interactive components**

- **Calendar system (monthly, weekly, daily and yearly views):** Ability for users to find events. Calendar should also have the following features:
  - Recurring events function
  - HTML editing capabilities, including ability to include photos and links
  - Automatic archiving
  - Integration with e-notifications
  - Ability to create and assign filtering categories to events
  - Ability to control which events to include on the homepage of the site
  - Ability to apply different calendar formats, including monthly calendar and a listing of events
  - Automatic RSS feed
- **On-line Resources:** Incorporate the city's Library access to external resource databases and catalogs.
- **On-Line Forms:** Ability to create on-line forms in place of paper forms. Submitted form data should be sent to City staff via email or stored in a database with a user interface for staff to access the stored data.



## Community outreach, media and social networking

Website features should include integrated features for social media:

- **Online newsroom:** Ability to post news to a page or pages on the site. News should have the ability to be automatically archived at a predefined time after publishing and scheduled to be published at a future date and time. News headlines should have the option to be displayed on the homepage in an order defined by staff.
- **E-notifications and subscription based newsletters:** Ability to have people sign up for e-newsletters and the city to send out e-notifications to individuals signed up for an e-news list.
- **Audio and video embedding:** Ability to imbed audio and video in to website pages using a YouTube player.
- **Forwarding page feature:** Ability to forward pages to friends, coworkers, etc. using a simple form that asks for the sender and recipient email addresses and also allows for the ability for the sender to place a short message to the recipient. Recipient should be able to receive forward page.
- **Integrated current social media tools:** Ability for site visitors to share site content through their social media channels including but not limited to Twitter and Facebook, as well as the ability to integrate future social media tools.
- **RSS Feed Reader:** Ability for staff to set up feed readers for important city information.
- **RSS Feeds:** Ability for users to sign up to receive RSS feeds.

## Integration of third-party sites and services

The website must be able to integrate the following third-party tools and databases:

- Video streaming service for City Council meetings.
- iPressroom — City newsroom service (if the CMS does not include an adequate online newsroom).
- Business License — Finance service that allows the payment of business licenses online.
- Class registration — Online class registration service.
- Laserfiche — Document management service that allows the searching of archived documents.
- Third party tools, features and databases should have the same look and feel as the city's website.
- Links to the third-party websites should be able to integrate in to the site's navigation.

## Optional features and services

- Please include features and services listed below, if you can provide them.
- **Content scheduling:** Ability to create content and set up to be published at a later time. Content scheduling should also be able to remove and archive content on a date set up by the user.



## Reports

- **Analytic reports:** Ability to create website reports that analyze website traffic.
- **Broken links reports:** Displays the pages containing broken links and highlights the exact locations of the broken links within each page. Administrator can click on the page's URL to fix the broken links.
- **Misspelled words reports:** Displays the pages containing misspelled words and highlights the misspelled words on that page. Administrator can click on the page's URL to fix the misspelled words.
- **Hot-links reports:** Displays the URLs of all pages linked from a specified page.
- **Blog feature:** Ability to create a blog on the city's website where city can post information and photos, and visitors can leave comments or messages to the city.
- **Calendar features:** Ability to include PDFs as well as photos and links.
- **Survey tool:** Ability to create online surveys. Survey tools should give staff the ability to build an online survey and track the results in real time. The tool should also allow staff to aggregate responses and view them in a report. Typical survey types include multiple choice, multiple select and ranking.
- **Photo gallery/slideshow:** Gallery should house photos of city locations, events and programs for website users to view.
- **Translation:** Ability to translate information on website into different languages.
- **Search and replace:** Ability to search all pages on the website for certain words and replace the old word with a new word in one step.
- **Site map generator:** Ability to allow users to navigate from a central sitemap where they are able to see a snapshot of the overall website structure. Changes made to a page on the website are automatically updated on the site map.
- **Staff directory:** Directory of city staff, departments and other related agencies and contact information and description of their role or area of specialization.
- **Social media content management system:** Ability to post to multiple city social media channels content from the website, and schedule posts for future dates and times.
- **Content writing:** Write new content and edit existing content for maximum appeal to website audiences (if this service is provided, please include in your proposal with cost information).

## VI. SELECTION PROCESS

- A. Initial Review – City staff will conduct an initial review of all RFP responses received. Any incomplete response or a response that does not meet the basic qualifications for the project may be eliminated from further consideration.
- B. Evaluation Process – An evaluation panel composed of City staff (and outside consultants, if needed, as determined by City staff in its sole and absolute discretion) will review the remaining RFP responses. The evaluation panel reserves the right to request additional information.
- C. Interview – The final firms **may be** interviewed by the evaluation panel at a date and time to be determined.



- D. Selection – Following the interview (if conducted), the evaluation panel will make a recommendation to the City Manager for the selection of the firm to enter into negotiations of an agreement. The City Manager, at her sole discretion, may ask the City Council to approve the selection of the firm.

## **VII. GENERAL CONDITIONS**

- A. The City reserves the right to modify or cancel the selection process or schedule at any time. Additionally, the City may seek clarification or additional information from proposals, as it deems necessary for the evaluation of the response.
- B. The RFP does not commit the City to sign an agreement, award a contract, or pay any costs incurred in the preparation of a response to this RFP. City approval will be required.
- C. All documents, conversations, correspondence, etc. between the City and the firms are considered public information that is subject to the laws and regulations that govern the City unless specifically identified otherwise.

## **ASSIGNMENT**

The vendor may not reassign any award made as the result of this RFP without prior written consent from the City.

## **AWARD**

The City reserves the right to award a contract, based on initial offers received from vendors, without discussion and without conducting further negotiations. Under such circumstance, the acceptance of a proposal by the City shall be deemed to be an acceptance of an offer that such acceptance will be binding upon both parties. A proposing offer should therefore be based on the most favorable terms available from a price, business requirements and technical standpoint. The City may also, at its sole discretion, have discussions with those vendors that it deems to fall within a competitive range. The City may enter into negotiations separately with such vendors. Negotiations may continue with a vendor to whom the City has tentatively selected to award a contract. The City shall not be deemed to have finally selected a vendor until a contract has been successfully negotiated and signed by both parties. Contractual commitments are contingent upon the availability of funds, as evidenced by the issuance of a purchase order. The contract, once awarded, will include this RFP document and the selected vendor's response to the RFP and will be the final expression of the agreement between the parties and may not be altered, changed, or amended except by mutual agreement, in writing. All contracts are subject to the approval of the City's legal counsel and City Council.

## **EXECUTION OF AGREEMENT**

The successful vendor shall sign (execute) the final Agreement incorporating all negotiated terms and scope and return such signed Agreements to the City within ten (10) calendar days from the date mailed or otherwise delivered to the successful bidder.

## **APPROVAL OF AGREEMENT**

Upon receipt of the Agreement that has been fully executed by the successful vendor, the City shall complete the execution of the Agreement in accordance with local laws or ordinances and return the fully



executed Agreement to the vendor. Delivery of the fully executed Agreement, along with a City purchase order shall constitute a notice to proceed.

**FAILURE TO EXECUTE THE AGREEMENT**

Failure of the successful vendor to execute the Agreement within ten (10) calendar days from the date mailed or otherwise delivered to the successful vendor shall just cause for cancellation of the award.



# ***City of Lemon Grove***

## **AGREEMENT FOR PROFESSIONAL SERVICES**

This agreement is entered into on the \_\_\_th day of April 2023, by and between the City of Lemon Grove (“City”) and GHD Digital (“Consultant”);

### **1. RECITALS.**

The City desires to employ a consultant to provide professional services. The City has determined that the Consultant is qualified by experience and ability to perform the desired services and that Consultant is willing to perform those services.

### **2. EMPLOYMENT OF CONSULTANT.**

The city agrees to engage the Consultant to perform and the Consultant agrees to perform the services outlined in Section 4 and Attachment A (Consultant’s bid dated March 1, 2023). The Consultant represents that all professional services will be performed directly by the Consultant or under the Consultant’s direct supervision.

### **3. PROJECT COORDINATION AND SUPERVISION.**

The Communications Specialist is the Project Coordinator for the City and will monitor the progress and execution of this agreement.

### **4. SCOPE OF SERVICES.**

Any professional services performed by the Consultant before the Consultant receives written authorization to proceed will be treated as having been done at the Consultant’s own risk and on a volunteer basis.

The Consultant will, in a professional manner, furnish all labor and all personnel; all supplies, materials, equipment, printing, vehicles, transportation, office space, and facilities; all testing, analyses, and calculations; and all other means, except as otherwise expressly specified to be furnished by the City, that are necessary or proper to complete the work and provide the required professional services.

The Consultant will meet the deadlines imposed by the Project Coordinator. When a delay occurs, the Consultant must immediately notify the Project Coordinator in writing of the cause and the extent of the delay. The Project Coordinator will ascertain the facts and the extent of the delay and when justified by the circumstances, may grant an extension of time for the completion of the professional services. A delay caused by circumstances beyond the Consultant’s control will be reason for granting an extension of time for completing services.

### **5. TOTAL COST AND PAYMENT.**

The total cost for all work and deliverables specified in Attachment A, \$28,250 / \$12,144/yr. The Consultant will submit to the City detailed invoices, describing work

performed and the associated costs. City will pay Consultant for undisputed invoiced amounts within thirty (30) days of receiving an invoice.

## **6. LENGTH OF AGREEMENT.**

This agreement is effective as the date noted above Section 1. The agreement will terminate when all work is complete, unless terminated earlier under Section 10.

## **7. CHANGES.**

The City may change the requested services within the general scope of this agreement. Changes may consist of additions, deletions, or other revisions; and the contract sum and the contract time will be adjusted accordingly. All changes must be authorized in writing and executed by Consultant and City.

## **8. OWNERSHIP OF MATERIALS.**

All documents, data, studies, drawings, maps, models, photographs, reports, and other materials prepared by Consultant under this agreement are the property of City. Consultant may retain and use copies of such materials as desired but must deliver all original materials to City. Consultant and City are mutually non-exclusive owners of any electronic files used or created under this agreement; and either party may use, modify, or delete the files without consequence to the other party.

## **9. STANDARD PROVISIONS.**

The Consultant will not discriminate against, harass, or allow the harassment of an employee or applicant for employment because of race, color, religion, sex, or national origin. The Consultant also will not discriminate against, harass, or allow the harassment of any qualified individual with a disability. The Consultant will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, sex, age, marital status, or national origin and will make reasonable accommodation to qualified individuals with disabilities. Affirmative action includes, but is not limited to, the following: employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Consultant will post in conspicuous places accessible to employees and applicants for employment all notices provided by the City that describe the provisions of this non-discrimination clause.

## **10. TERMINATION.**

Either party may terminate this agreement at any time, by giving the other party at least fifteen (15) days' written notice and specifying the effective date of the termination.

The Consultant must provide the originals of all finished and unfinished documents, data, studies, surveys, drawings, maps, reports, or other materials prepared under this agreement to the City by the effective date of termination. The Consultant is entitled to equitable compensation for any work completed, up to the effective date of notice of termination. Compensation may not exceed the total costs authorized in Section 5.

## **11. INTEREST OF CONSULTANT.**

The Consultant (including principals, associates and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered by this agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's services hereunder. Consultant further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this agreement.

The Consultant is not a designated employee within the meaning of the Political Reform Act because the Consultant:

- a. will conduct research and arrive at conclusions with respect to his/her rendition of information, advice, recommendation or counsel independent of the control and direction of the City or of any City official, other than normal agreement monitoring; and
- b. possesses no authority with respect to any the City decision beyond rendition of information, advice, recommendation or counsel. (FPPC Reg. 18700(a)(2).)

## **12. ASSIGNABILITY.**

This agreement may not be assigned by either party without the prior written approval of the other.

## **13. INDEPENDENT CONTRACTOR.**

The Consultant and any subconsultants employed by The Consultant are independent contractors and not employees of the City. Under any provision in this agreement that may appear to give the City the right to direct the Consultant or subconsultants regarding the details of the work or to exercise a measure of control over the work, the Consultant will follow City's direction only regarding the end results of the work.

## **14. NO AGENCY.**

The Consultant is not an agent of the City's and may not make any contracts or commitments for or on behalf of the City without the City's prior written consent.

## **15. AUDIT OF RECORDS.**

At any time during normal business hours and as often as necessary, the Consultant must make available to City all records pertinent to this agreement and must permit City to audit, examine, and reproduce those records. The Consultant will retain financial and program service records for at least four (4) years after termination of or final payment under this agreement.

**16. INSURANCE/WORKER'S COMPENSATION.**

Consultant will maintain Worker's Compensation insurance for all work performed under this agreement. The insurance must meet levels required by the State of California and comply with requirements for City employees.

**17. DISPUTE RESOLUTION.**

Claims or disputes that arise out of this agreement and cannot be settled through negotiation must be submitted to mediation, unless both parties agree in writing to waive mediation. City and Consultant agree to cooperate in good faith to promptly select a mediator, to schedule a mediation session, and to attempt to settle the claim or dispute.

If mediation is unsuccessful or waived, claims and disputes must be decided by arbitration conducted in accordance with the current rules of the American Arbitration Association. Notice of the demand for arbitration must be filed in writing with the other party and with the American Arbitration Association. The demand is to be made within sixty (60) days after a dispute or claim arises or mediation fails or is waived, whichever is later. A demand for arbitration may not be made after the date when legal or equitable proceedings based on the claim or dispute would be barred by the applicable statute of limitations.

The award rendered by the arbitrators is final, and judgment may be entered upon it in accordance with applicable law. This agreement to arbitrate is specifically enforceable under the prevailing arbitration law. Mediation and arbitration fees will be divided equally, unless the parties agree otherwise in writing.

**18. NOTICES.**

All communication to a particular party is deemed made when received by that party at the following name and address:

Lydia Romero	Name
City Manager	Title
City of Lemon Grove	Business Name
3232 Main Street	Address
Lemon Grove, CA 91945	City, ST ZIP

Written communication is conclusively deemed to have been received by the addressee five (5) days after it is deposited in the United States Mail, postage prepaid and properly addressed.

**19. TIME IS OF THE ESSENCE.**

Time is of the essence for every provision of this agreement that states a time for performance and for every deadline imposed by the Project Coordinator.

**20. HOLD HARMLESS.**

To the fullest extent permitted by law (including, without limitation, California Civil Code Sections 2782 and 2782.6), the Consultant shall defend (with legal counsel reasonably acceptable to the Public Agency), indemnify and hold harmless Public Agency and its officers, agents, departments, officials, representatives and employees (collectively "Indemnitees), from and against any and all claims, loss, cost, damage, injury (including, without limitation, injury to or death of an employee of the Consultant or its Subconsultants), expense and liability of every kind, nature and description (including, without limitation, incidental and consequential damages, court costs, attorneys' fees, litigation expenses and fees of expert consultants or expert witnesses incurred in connection therewith and costs of investigation) that arise out of, pertain to, or relate to, directly or indirectly, in whole or in part, the negligence, recklessness, or willful misconduct of Consultant, any Subconsultant, anyone directly or indirectly employed by them, or anyone that they control (collectively "Liabilities"). Such obligations to defend, hold harmless and indemnify any Indemnitee shall not apply to the extent that such Liabilities are caused in part by the sole negligence, active negligence, or willful misconduct of such Indemnitee.

To the extent there is an obligation to indemnify under this Section (X), Consultant shall be responsible for incidental and consequential damages resulting directly or indirectly, in whole or in part, from Consultant's negligence, recklessness, or willful misconduct.

**21. SEVERABILITY.**

If a portion of this agreement is determined to be invalid or unenforceable, the rest of the agreement is not affected and remains valid and enforceable.

**22. BINDING.**

This agreement is binding upon and inures to the benefit of each party's heirs and successors.

**23. GOVERNING LAW.**

This agreement is governed by and will be construed in accordance with the laws of the State of California. Any action brought to enforce or interpret any portion of this agreement must be brought in San Diego County, California.

**24. ENTIRE AGREEMENT.**

This document sets forth the entire understanding of the parties regarding the rendering of professional services. All other agreements and understandings are superseded by this document and do not affect this document in any way.

CITY OF LEMON GROVE

ATTEST:

APPROVED AS TO CONTENT:

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Deborah Harrington,  
City Clerk

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Lydia Romero, City Manager

APPROVED AS TO  
FORM:

GHD Digital

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Kristin Steinke  
City Attorney

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Michelle Teichman/Market leader



# LEMON GROVE SANITATION DISTRICT

## DISTRICT BOARD STAFF REPORT

**Item No.** 2

**Meeting Date:** April 18, 2023

**Submitted to:** Honorable Chair and Members of the District Board

**Department:** Sanitation District

**Staff Contact:** Izzy Murguia, Public Works Director

[imurguia@lemongrove.ca.gov](mailto:imurguia@lemongrove.ca.gov)

**Item Title:** **Public Hearing and Introduction of Ordinance No. 33 Amending Ordinance No. 32 Describing Methods for Calculating Lemon Grove Sanitation District Sewer Service Charges**

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**Recommended Action:** Staff recommends that the District Board:

1. Conduct a public hearing;
2. Make a finding regarding the number of written protests received; and
3. Introduce and conduct first reading, by title only, of Ordinance No. 33 (**Attachment A**).

**Summary:** Sewer rates are evaluated periodically to maintain adequate revenues to recover operating and capital costs. The previous sewer rate study was completed in 2017 and recommended a five-year financial plan with incremental adjustments to rates. The most recent rate adjustment occurred in FY 2021-22. There was no adjustment to rates in FY 2022-23. Current sewer rates are effective through June 30, 2023. The next five-year period is FY 2023-24 through FY 2027-28.

On December 21, 2021, the District Board awarded an agreement with Harris and Associates (Harris) to perform the new Five-Year Sewer Rate Study. Harris was tasked with the following:

- Evaluate existing sewer rates and rate equitability among user classifications;
- Identify alternative methods to adjust the commercial rate structure based on flow from potable water records;
- Recommend updated sewer service rates for the upcoming five-year period;
- Recommend appropriate reserve levels for operational and capital needs based on industry and financial standards; and
- Prepare and complete noticing and mailing requirements for Proposition 218 ballot process on behalf of the District.

On January 17, 2023, after receiving a report from Harris and discussing the information contained in the presentation, the Board directed staff to work with Harris to finalize the Rate Study and proceed with the public noticing process, in accordance with Proposition 218 requirements.

The proposed Ordinance amends four sections of Ordinance No. 32, Article III: Section 30 (Establishment of Sewer Service Charges), 30.1 (Determination of Annual Sewer Service Charge), 30.2 (Sewer Service Charges for Residential Units), and 30.3 (Assignment of Sewer Capacity for Commercial/Industrial Business Units). Ordinance No. 33 also amends Article III to add three new sections, 30.4 (Appeal Process), 30.5 (Refund/Reduction of Sewer Service Charges), and 30.6 (Back Charges for Unpaid Sewer Service).

**Discussion:**

The District is legally required to generate sufficient revenue to fully fund its sewer programs. All revenues generated by annual sewer service charges are used solely to recover the full cost of ongoing operations and maintenance, capital improvements and replacements, the District’s share of existing Metro wastewater treatment facilities, and the District’s share of the City of San Diego’s Pure Water Program costs. The Pure Water Program is a multi-phased water and wastewater capital improvement program that will divert treated water from the Point Loma Wastewater Treatment Plant’s outfalls and recycle a valuable and limited resource that is currently discharged to the ocean.

Rate History:

Historically, the Board has implemented incremental rate increases, allowing the District to remain financially stable. It is important to note that when it was feasible, the Board reduced the amount of each year’s increase from the original projection because there was no financial need that would have supported the full projected change. The table below compares the approved projected rate increases versus the actual change implemented by the Board over the past ten fiscal years.

Fiscal Year	Projected Change	Actual Change	Fiscal Year	Projected Change	Actual Change
FY 2013/14	+3.75%	+3.5%	FY 2018/19	+5.75%	+3%
FY 2014/15	+3.75%	+1.72%	FY 2019/20	+5.75%	+3%
FY 2015/16	+3.75%	+1.72%	FY 2020/21	+5.75%	+3%
FY 2016/17	+0%	+0%	FY 2021/22	+5.75%	+3%
FY 2017/18	+5.75%	+5.75%	FY 2022/23	0%	0%

Highlights of the Five-Year Rate Study:

Key findings and recommendations of the Rate Study (**Attachment B**) include:

- The District has sound financial conditions, with sufficient financial reserves;
- Confirms that the operating reserve policy should remain at 40% of annual operating expenses;
- Recommends that the flat rate structure based on Equivalent Dwelling Units (EDU's) for residential properties remains in place;
- Determines that a flow-based rate structure for commercial properties ensures that these properties are charged their fair share of their load on the sewer system; and
- Recommends three percent annual rate adjustments in years two (2) through five (5) due to projected increases in treatment costs and required capital projects.

### Recommended Changes to Ordinance

#### **Establishment of customer classes and wastewater strength assignment.**

Section 30 establishes four customer classes based on wastewater strength and impact on the sewer system: Residential, Commercial-Low, Commercial-Medium, and Commercial-High. Due to reduced water use, primarily through conservation measures, the average wastewater discharge flows per Equivalent Dwelling Unit (EDU) has been reduced from 240 gallons per day to 166 gallons per day.

**Residential Sewer Charges.** Section 30.1 establishes the proposed sewer service charges for residential properties for Fiscal Years 2023-24 through 2027/28. Residential customers will continue to be charged a flat rate per dwelling unit. Beginning in FY 2023-24, a proposed sewer service charge is recommended for vacant residential parcels where sewer service is connected and “readily available” to serve the property. The charge will be an annual fixed amount per dwelling unit for residential parcels to recover fixed sewer system costs incurred by the District regardless of the actual volume or strength of wastewater discharge.

**Convert commercial rate structure from flat rate based on EDU's to volume-based.** A volume-based rate structure is recommended for commercial customers due to the wide disparity in the volume of wastewater and constituent level of sewage strength discharged into the sewer system by the distinct types of commercial properties. This structure intends to create equitable recovery of system costs for this class based on the proportionate cost of providing service to the different categories of commercial customers, and is based on the respective volume and strength of wastewater discharged into the sewer system.

Section 30.2 assigns sewer discharge for commercial properties based on the volume of wastewater discharged into the sewer system as measured by metered water usage and the strength of sewage discharged into the system for each commercial customer class as identified in Section 30. A base rate equivalent to one (1) EDU (675 cubic feet per month or 166 gallons per day for 365 days per year) and constituent levels of sewage strength of 200 mg/l BOD and 200 mg/l SS (Commercial-Low) is recommended for properties in the Commercial-Low category. Higher sewer service charges will be assessed for metered water consumption over 675 cubic feet per month and/or higher constituent levels of

sewer strength for commercial properties. Section 30.3 establishes the proposed sewer service rates for commercial classifications for Fiscal Years 2023-24 through 2027/28.

Similar to the charge for vacant residential parcels mentioned above, a charge for vacant commercial parcels is proposed for parcels where sewer service is connected and “readily available” to serve the property. The charge will be an annual fixed amount per account for commercials to recover fixed sewer system costs incurred by the District regardless of the actual volume or strength of wastewater discharge.

**Clarification of appeals process, refund/reduction of sewer charges, and back charges for unpaid sewer service.** Section 30.4 includes language formalizing the process for both commercial and residential property owners to submit an appeal of their annual sewer service charge. Property owners are required to provide factual data justifying the request for an adjustment. Potential reasons for adjustments may include re-classification of commercial strength; percentage of wastewater returned to the sewer system is less than the amount calculated for the customer classification due to a substantial portion of the water used for commercial/industrial process, recreational, horticultural, agricultural, or other purposes where water does not enter the sewer system; assigned volume of wastewater does not accurately reflect the actual water usage or volume of wastewater for the property; water being supplied to a property through a separate meter that is used strictly for irrigation; or water leaks occurring during the measurement period used to calculate the charge. Staff has developed an application for commercial and residential property owners to use when submitting an appeal (**Attachment C**).

Sections 30.5 (Refund/Reduction of Sewer Service Charges) and 30.6 (Back Charges for Unpaid Sewer Service) establish the authority for approval of refunds of sewer service charges for properties which have been over-charged and requirement of back charges for properties which have been discharging into the sewer system without payment of sewer service charges or connection fees.

#### Public Noticing Process:

Article XIIID of the California Constitution (Proposition 218) requires that a written notice be mailed to the owner of each parcel upon which the rates and charges will be imposed at least 45 days prior to conducting a public hearing. If written protests from a majority of property owners are not received, the rate adjustments are then considered for approval by the District Board.

On March 3, 2023, notices of the public hearing were mailed to affected property owners (**Attachment D**). 7,202 notices were mailed. In order to deny approval of the rate adjustments, 3,602 (50% +1) valid written protests must be received by the District Clerk. As of April 12, 2023, the District Clerk has received three (3) valid written protests to the recommended establishment of a maximum wastewater rate increases for the upcoming five years.

A final tabulation of protests received will be provided at the public hearing at the April 18, 2023 District Board meeting as written protests may be accepted by the District Clerk through the end of the public hearing.

Staff recommends, at the conclusion of the public hearing, that the Board make a finding that there were or were not a majority of property owners of the identified parcels upon which will receive the proposed rate adjustments received. If the District does not receive a majority in written protests, the Board will be authorized to adopt the proposed rates.

Next Steps:

If the proposed sewer rates are approved and subsequently adopted at the May 2, 2023 Board meeting, the rates will become effective July 1, 2023. In the interim, Staff will work with the consultant to educate commercial customers regarding the new volume-based rate structure and potential impacts on individual properties' bills.

Harris and Associates will prepare the annual sewer service charges for submittal to the County of San Diego by the August 10, 2023 deadline. Prior to submittal to the County, the Board will consider a resolution approving the engineer's report detailing sewer service charges for Fiscal Year 2023-24.

Staff will evaluate the projected revenues and anticipated expenditures of the Sanitation District each fiscal year in order to confirm the appropriate rate increase is warranted to maintain the District's operations and capital needs. Staff will return to the Board to consider the recommended rates if any assumption of expenditures significantly increases or decreases.

**Environmental Review:**

- Not subject to review                       Negative Declaration  
 Categorical Exemption, Section |                       Mitigated Negative Declaration

**Fiscal Impact:** Adoption of the recommended rates will enable the District to meet its operational and capital revenue requirements. Total customer revenue collections will be revenue neutral for Fiscal Year 2023-24. The rate for residential properties will remain unchanged at \$655.20 per living unit. Bill impacts will vary for individual commercial customers in that year because of the proposed change to a volume-based rate structure for proposed new categories of commercial customers.

Increases of three percent (3%) per year are projected for the following four fiscal years.

**Public Notification:** In compliance with Proposition 218, a public notice was mailed to all district users on March 3, 2023, 45 days prior to the public hearing date.

**Staff Recommendation:** Staff recommends that the District Board:

1. Conduct a public hearing;
2. Make a finding regarding the number of written protests received; and
3. Introduce and conduct first reading, by title only, of Ordinance No. 33.

**Attachments:**

Attachment A – Ordinance No. 33 Amending Ordinance No. 32 Describing Methods for Calculating Sewer Service Charges

Attachment B – March 2023 Five-Year Sewer Rate Study  
Attachment C – Application for Review of Sewer Service Charge  
Attachment D – Proposition 218 Notice of Public Hearing

# ATTACHMENT A

## ORDINANCE NO. 33

### AN ORDINANCE AMENDING ORDINANCE NO. 32 OF THE LEMON GROVE SANITATION DISTRICT DESCRIBING METHODS FOR CALCULATING SEWER SERVICE CHARGES

The Board of Directors of the Lemon Grove Sanitation District does ordain as follows:

**SECTION 1.** Ordinance No. 32, Article III shall be amended to read as follows:

#### ARTICLE III

#### SEWER SERVICE CHARGES

SECTION 30. ESTABLISHMENT OF SEWER SERVICE CHARGES. There is hereby levied and assessed upon each premise within the District that discharges sewage into the sewer lines of the District and upon each person owning, letting, or occupying such premises an annual sewer service charge.

The annual sewer service charges are designed to recover the cost of ongoing sewer operations, required improvements to the sewer system, and repair and replacement of existing sewer system assets. In general, these costs include, without limitation, (1) the District's annual cost to provide customer service functions and collect and transport wastewater, (2) the District's annual cost for wastewater treatment and disposal as fees paid to the City of San Diego for capacity and use of the San Diego Metropolitan Sewer System, and (3) the District's share of the regional Pure Water San Diego Program. Total annual costs are allocated to users of the District's system by classification of type of property ("customer class") based on the number of accounts, volume of wastewater, and constituent levels of sewer strength discharged into the sewer system, as measured by milligrams per liter (mg/l) of biochemical oxygen demand (BOD) and suspended solids (SS).

The structure of the annual sewer service charges uses a combination of equivalent dwelling units (EDU) for residential users and volume-based rates for commercial users. Residential users are one (1) EDU per dwelling unit. The annual sewer service charges for each residential user shall be a flat rate per EDU and not based on water usage. Commercial users are grouped based on their estimated sewage strengths into three (3) classes of users (low, medium, and high) strength. Each commercial customer shall be charged for sewer service based on water usage. Potable water delivered through the water meter shall be used to estimate the volume of wastewater discharge for commercial customers. Each year, 100% of the property's bi-monthly metered water usage records from Helix Water District for a recent 12-month period shall be used to estimate the volume of wastewater and determine the upcoming year's annual sewer service bill unless the discharger or legal owner presents evidence to the contrary, and this evidence is satisfactory to the District Engineer (or designee). The District Engineer (or designee) may adjust the user's annual sewer service bill in proportion to the estimated volume of wastewater discharged to the sewer. See Section 30.4 for Appeal process.

Where metered water usage data is unavailable for a commercial parcel connected to the sewer system (and for parcels newly connected), the volume of sewer discharge for the parcel will be estimated using (1) permit records, (2) the average commercial volume of sewer discharge, or (3)

other estimation method as determined by the District Engineer (or designee) unless the discharger or legal owner presents evidence to the contrary and this evidence is satisfactory to the District Engineer (or designee). The District Engineer (or designee) may adjust the user's annual sewer service bill in proportion to the estimated volume of wastewater discharged to the sewer. See Section 30.4 for Appeal process. The estimated volume of wastewater discharge shall be used for the calculation of the sewer service charge until 12 months of consecutive metered water usage records is collected. For this ordinance, the average commercial volume of sewer discharge per account is 3,248 cubic feet per month (6,496 cubic feet per bi-monthly period).

For this ordinance, properties are classified as either residential or commercial. Commercial properties are further categorized into the three (3) strength categories (low, medium, and high) based on the constituent level of sewage strength discharged into the sewer system that is typically generated for the type of business. Exhibit 1 lists the types of properties included within the residential class and the commercial classifications, which are based on the discharge characteristics, by property type, as set forth in the current edition of the California State Water Resources Control Board publication *"Policy for Implementing The State Revolving Fund For Construction of Water Treatment Facilities"*.

EXHIBIT 1: CUSTOMER CLASSES AND WASTEWATER STRENGTH ASSIGNMENT			
RESIDENTIAL (≤ 200 mg/l BOD & SS)	COMMERCIAL - LOW (≤ 200 mg/l BOD & SS)	COMMERCIAL - MEDIUM (201-400 mg/l BOD & SS)	COMMERCIAL - HIGH (401-800+ mg/l BOD & SS)
Single-family	Basic commercial	Bars without dining	Auto steam cleaning
Condominium	Car wash	Commercial laundry	Bakery, wholesale
Mobile home	Convalescent	Hotel/motel without dining	Bars with dining
Duplex	Laundromat	Mixed use	Special manufacturing
Tri-plex	Light manufacturing	Shopping centers/theaters	Hotel/motel with dining
Four-plex	Office building/storage	Repair shop/service station	Industrial laundry
Apartment	Medical/dental/veterinary		Supermarket/deli
	School/college		Mortuary
			Restaurant
			Septage hauler

1 - mg/l = milligrams per liter; BOD = biochemical oxygen demand; SS = suspended solids.

Each user under the authority of this ordinance is assigned to the residential customer class or one of the three (3) commercial strength classes for purposes of calculating and assessing the sewer service charges. For property types not listed in Exhibit 1, the District Engineer (or designee) shall assign each user under the authority of this ordinance to a customer classification based on comparable industry standards for purposes of assessing the sewer service charges.

For this ordinance, the discharge characteristics of an average residential user is one (1) EDU and shall be composed of wastewater flow of 675 cubic feet per month (or 166 gallons per day for 365 days per year) and constituent levels of sewage strength of 200 mg/l BOD and 200 mg/l SS.

For this ordinance, the discharge characteristics for purposes of assessing sewer service charges for commercial customers shall be a minimum of one (1) EDU equal to 675 cubic feet per month (or 166 gallons per day for 365 days per year) and constituent levels of sewage strength of 200 mg/l BOD and 200 mg/l SS. Higher sewer service charges shall be assessed for metered water usage over 675 cubic feet per month (1,350 per bi-monthly period) and/or higher constituent levels of sewer strength per Exhibit 1.

The District Engineer (or designee) shall assign EDUs for each residential customer which shall be equal to the number of dwelling units for purposes of assessing the sewer service charges. For commercial customers, the District Engineer (or designee) shall assign the flow quantity and strength category for each commercial parcel based upon actual metered water usage and the strength of wastewater that is typically generated for each type of commercial customer. The number of dwelling units, water usage, and strength classification so assigned shall be used in computing the sewer service charges for residential and commercial customers.

**SECTION 30.1. Residential Sewer Service Charges.** Annual sewer service charges shall be determined for residential customers as follows:

Residential customers shall be assessed an annual sewer service charge based on a Rate per EDU (per dwelling unit) as shown in Exhibit 2. Vacant residential properties connected to the sewer system shall be assessed an annual fixed charge per dwelling unit to recover fixed sewer system costs incurred regardless of the actual volume or strength of wastewater discharge.

Annual sewer service charges for Fiscal Years 2023/24 through 2027/28 are shown in Exhibit 2.

EXHIBIT 2: RESIDENTIAL SEWER SERVICE CHARGES					
Residential Categories	MAXIMUM ANNUAL SEWER SERVICE CHARGES				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
A. Occupied Residential - \$/dwelling unit	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
B. Vacant Residential - \$/dwelling unit	\$58.64	\$60.40	\$62.21	\$64.08	\$66.00

The annual sewer service charge (SSC) for residential customers shall be calculated using the formula below:

$$SSC = \text{EDU value (number of dwelling units)} \times \text{applicable year sewer service charge}$$

For example, for FY 2023/24 the formula for an occupied single-family home (1 dwelling unit) would be as follows:

$$SSC = 1 \times \$655.20 = \$655.20$$

The formula for an occupied 4-unit multi-family dwelling the formula would be as follows:

$$SSC = 4 \times \$655.20 = \$2,620.80$$

For a vacant single-family residential property, the formula would be as follows:

$$SSC = 1 \times \$58.64 = \$58.64$$

For subsequent fiscal years, the formula is the same but the rate per dwelling unit changes each year through FY 2027/28 per the schedule shown in Exhibit 2.

**SECTION 30.2. Assignment of Sewer Discharge for Commercial Customers.** Assignment of sewer discharge for commercial/industrial properties shall be based on (1) the volume of wastewater discharged into the sewer system as measured by metered water usage and (2) the constituent level of sewage discharged into the sewer system as determined by the assigned commercial strength class by property type as shown in Exhibit 1. The discharge characteristics for purposes of assessing sewer service charges for commercial customers shall be a minimum of one (1) EDU equal to 675 cubic feet per month (or 166 gallons per day for 365 days per year)

and constituent levels of sewage strength of 200 mg/l BOD and 200 mg/l SS. Higher sewer service charges will be assessed for metered water consumption over 675 cubic feet per month and/or higher constituent levels of sewer strength per Exhibit 1 and Exhibit 3.

**SECTION 30.3. Commercial/Industrial Sewer Service Charges.** Annual sewer service charges shall be determined for commercial customers as follows:

The commercial sewer service charge includes an annual base charge per parcel that includes recovery of customer-related costs and the first 675 cubic feet of metered water supplied per month (1,350 cubic feet per bi-monthly basis), plus a volume charge per 100 cubic feet (Hcf) of water over the amount of water included in the base charge. Each commercial user shall pay a minimum annual charge of one base rate plus a volume charge for all consumption over 675 cubic feet per month that varies depending on the commercial strength classification assigned to each commercial user.

Annual sewer service charges for Fiscal Years 2023/24 through 2027/28 are shown in Exhibit 3.

EXHIBIT 3: COMMERCIAL SEWER SERVICE CHARGES					
Commercial Categories	MAXIMUM ANNUAL SEWER SERVICE CHARGES				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
A. Occupied Commercial					
1. Base Charge - \$/parcel (includes first 675 cubic feet of water per month)	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
2. Volume Charge - \$/hcf (over 675 cubic feet of water per month)					
Commercial-Low	\$7.04	\$7.26	\$7.47	\$7.70	\$7.93
Commercial-Medium	\$8.95	\$9.22	\$9.50	\$9.78	\$10.08
Commercial-High	\$13.18	\$13.57	\$13.98	\$14.40	\$14.83
B. Vacant Commercial - \$/account	\$80.23	\$82.64	\$85.12	\$87.67	\$90.30

1 - One cubic foot is equivalent to 7.48 gallons. 675 cubic feet is equivalent to 5,049 gallons. Hcf= 100 cubic feet.

The volume charge component of the SSC for individual commercial property sewer bills for FY 2023/24 shall be calculated based on each parcel’s FY 2020/21 actual bi-monthly metered water usage supplied by the Helix Water District. Sewer bills in subsequent fiscal years will be calculated based on each parcel’s actual bi-monthly metered water usage for the prior fiscal year (July through June).

The formula for calculating the commercial customer annual sewer service charge (SSC) is shown below:

$$\text{Bi-Monthly Commercial Customer SSC} = (\text{Base Charge}/6) + ((W_{Q-L,M,H} - (2 \times 675)) \times \text{Rate})$$

$$\text{Annual Commercial Customer SSC} = \text{Sum of Bi-Monthly Commercial SSC for the FY}$$

In the above formula, the terms are defined as follows:

Base Charge = Minimum annual Base Charge per account. The charge changes each year based on the schedule shown in Exhibit

3. On a bi-monthly basis the charge is equal to the Base Charge divided by 6 months. The Base Charge includes 675 cubic feet of metered water usage per month or 1,350 cubic feet per bi-monthly water consumption records.

$W_Q =$	Bi-Monthly metered water usage measured in cubic feet for each commercial customer as provided by Helix Water District.
675 =	Monthly metered water usage allowance measured in cubic feet that is included in the Base Charge for each commercial parcel. Since bills are calculated on bi-monthly usage, the formula multiplies 675 cubic feet by 2 which is equal to 1,350 cubic feet.
Rate <sub>L, M, H</sub>	The Volume Charge per hundred cubic feet (Hcf) as shown in Exhibit 3 for commercial properties based on the strength categories of commercial-low, commercial-medium, and commercial-high.

Vacant commercial properties connected to the sewer system shall be assessed an annual fixed charge per account to recover fixed sewer system costs incurred regardless of the actual volume or strength of wastewater discharge.

For example, for FY 2023/24 the formula for a vacant commercial property would be as follows:

$$SSC = 1 \times \$80.23 = \$80.23$$

**SECTION 30.4. Appeal Process.** The owner or agent of a commercial or residential property subject to the sewer service charge may apply in writing to the District Engineer (or designee) for an exception as herein provided. The applicant shall complete an official application for review of annual sewer service charges, supplied by the District, and provide necessary factual data to support such application. If the District Engineer (or designee) agrees that charges for the user should be adjusted, the District Engineer (or designee) may approve a re-computation of the user's annual sewer service bill.

Upon denial by the District Engineer (or designee), any applicant dissatisfied with such decision may appeal same in writing to the Executive Director. The Executive Director's decision shall be final.

The following are potential justifications for an exception:

- A. **Commercial Strength Classification.** The property discharges a lower strength BOD and SS concentration than their assigned commercial strength classification.
- B. **Return to Sewer Factor.** A portion of the user's metered water usage, larger than ten percent, is not discharged into the sewer system ("return to sewer") due to a substantial portion of the water used for commercial/industrial process, recreational, horticultural, agricultural, or other purposes where water does not enter the sewer system.

- C. **Estimated Water Usage.** The assigned volume of wastewater does not accurately reflect the actual water usage or volume of wastewater of the property.
- D. **Property with Separate Irrigation Meters.** When water is supplied to premises by one or more water meters and one or more of such water meters does not provide water which is discharged into the sewer system.
- E. **Leaks.** When excessive water consumption is caused by unknown water pipe leaks.

**SECTION 30.5 Refund/Reduction of Sewer Service Charges.** The Executive Director (or designee) is authorized to reduce the sewer service charge of over-charged parcels. The Executive Director (or designee) is authorized to allow refunds of annual sewer service charges to property owners which have been over-charged for sewer service charges. Only those amounts which were over-charged will be refunded and without accrued interest. Refunds may be issued for up to three years in arrears during which the property owner was over-charged for sewer service.

**SECTION 30.6 Back Charges for Unpaid Sewer Service.** The Executive Director (or designee) is authorized to require back charges if a property has been discharging into the sewer system without payment of sewer service charges or connection fees. The back charges may be imposed up to three years in arrears.

**SECTION 2. DATE OF LEVY OF NEW CHARGES.** The five-year schedule of sewer service charges (SSC) referenced above shall take effect on July 1, 2023, July 1, 2024, July 1, 2025, July 1, 2026, and July 1, 2027, in the manner allowed by law. The SSC shall be placed on customers' annual property tax bills or by direct mail for tax-exempt properties.

**NOW, THEREFORE, BE IT RESOLVED** that the District Board of Lemon Grove Sanitation District, Lemon Grove, California, does ordain as follows:

Section 1. The following recitals are true and correct.

Section 2. This Ordinance shall be effective thirty (30) days following its adoption. Within fifteen (15) days following its adoption, the District Clerk shall publish the title thereof, as a summary as required by state law.

**INTRODUCED** by the District Board on April 18, 2023. **PASSED AND ADOPTED** by the District Board of the Lemon Grove Sanitation District, Lemon Grove, State of California, on \_\_\_\_\_, 2023 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

\_\_\_\_\_  
Racquel Vasquez, District Chair

**Attest:**

\_\_\_\_\_  
Deborah Harrington, Interim District Clerk

**Approved as to Form:**

\_\_\_\_\_  
Kristen Steinke, District Attorney



# **FIVE-YEAR SANITATION DISTRICT RATE STUDY**

**MARCH 2023**



Prepared by



**Harris & Associates**

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**Technical Appendix**

Detailed Analyses for Five-Year Sanitation District Rate Study

## ***Acronyms and Abbreviations***

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AWWA	American Water Works Association
Board	Lemon Grove Sanitation District Board
BOD	Biochemical Oxygen Demand – A Measure of Sewage Strength
CIP	Capital Improvement Program
County	San Diego County
COS	Cost of Service
District	Lemon Grove Sanitation District
EDU	Equivalent Dwelling Unit
FY	Fiscal Year (begins July 1; ends June 30)
FYE	Fiscal Year Ending June 30
GFOA	Government Finance Officers Association
GPD	Gallons per Day
HCF	Hundred Cubic Feet (foot)
CF	Cubic Feet (foot)
O&M	Operations and Maintenance
Metro	City of San Diego Metropolitan Wastewater System
MFR	Multi-Family Residential
Mg/l	Milligrams per Liter
PA	Participating Agencies – Metro Regional Wastewater Disposal Agreement
Study Period	Fiscal Years 2023/24 through 2027/28
SFR	Single Family Residential
SS	Suspended Solids – A Measure of Sewage Strength
SSC	Sewer Service Charge(s)
WEF	Water Environment Federation

“Sewer Service Charges,” “Charges,” “Sewer Rates,” “Rates” used interchangeably in the Report

## ***Executive Summary***

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The Lemon Grove Sanitation District (“District”) retained Harris & Associates (“Harris”) in December 2021 to conduct a Five-Year Sanitation District Rate Study (“Study”). The Study examined the District’s cost of providing sewer services, the sufficiency of revenues generated from current sewer service charges (SSC), and the rate structures applied to sewer customers. This report describes the methodology, findings, and conclusions of the Study.

The key objectives and outcomes of this Study are a culmination of industry best practice, consultant recommendations, and District policy direction. Key objectives were to:

- Set rates sufficient to sustain ongoing operations and maintenance, pay debt service obligations, fund new capital investments, and maintain adequate cash reserves.
- Design sewer rate structures that align with revenue needs, Board pricing objectives and industry standards for cost-based rates. In particular, the District was interested in evaluating a potential change in rate structure methodology for commercial customers from a rate per equivalent dwelling unit (EDU) to a volume-based rate structure relying on metered water records and wastewater strength characteristics.
- Safeguard system sustainability while promoting fair and reasonable rates for customers.

To accomplish the above-stated objectives, this Study developed a five-year financial plan and rate revenue adjustment strategy to recover the costs of sewer system operations, evaluated the current sewer rate structure, and incorporated cost-based rate-setting principals in the design of proposed modifications to the current rate structure.

The sewer utility is intended to operate as a self-sustaining enterprise, with revenue collections sufficient to support the costs of ongoing operations, required improvements to the system, and repair and replacement of existing sewer system assets. To maintain the balance of annual revenues and expenditures, periodic adjustments to sewer service charges are necessary.

Study findings indicate that FY 2023/24 sewer revenues are projected to be sufficient to cover total sewer expenditures for that year. No system-wide rate revenue adjustment is planned for FY 2023/24. Additional rate revenues are necessary over the study period to accommodate annual cost escalation, fund the capital program, and maintain stable cash reserves. Total sewer service charge revenues are proposed to increase 3.0% annually for FY 2024/25 through FY 2027/28.

In addition, Study findings indicate that a restructuring of the Rate per EDU for commercial customers will better align the District’s pricing objectives, commercial customer demands, and best practice trends in utility rate setting.

The current sewer service charge structure is a rate per equivalent dwelling unit (Rate per EDU) that is based upon the classification of type of property. The current annual charge is \$655.20 per EDU. Each property is assigned EDUs based upon such classification of property, and the number of assigned EDUs is multiplied by the Rate per EDU to determine a property’s annual sewer service charge. Residential EDUs are based on the number of dwelling units. The method of assignment of commercial EDUs is based on a variety of measures used to estimate the volume of wastewater discharge by type of business, such as building square footage, hotel/motel living units, number of school pupils and number of restaurant seats.

Due to the wide disparity in the volume of wastewater and constituent level of sewage strength discharged into the sewer system by the distinct types of commercial properties, a volume-based structure for commercial customers may enhance equitable recovery of system costs for this class

based on the proportionate cost of providing service to categories of commercial customers based on the respective volume and strength of wastewater discharged into the sewer system.

For this Study, a proposed hybrid sewer rate structure was developed for District consideration that (1) maintains the current Rate per EDU for the residential class and (2) modifies the Rate per EDU structure for commercial customers to a volume-based structure incorporating metered water usage and wastewater strength characteristics. While total customer revenue collections will be revenue neutral for the utility in FY 2023/24, customer bill impacts will vary for individual commercial customers in that year because of the proposed change to a volume-based rate structure for proposed new categories of commercial customers. No change to the current rate structure, or current sewer service charge, is proposed for residential customers in FY 2023/24. A five-year schedule of proposed sewer service charges was developed, shown on Exhibit ES-1, for Board approval and implementation through the public rate adoption process.

**Exhibit ES-1. Proposed Five-Year Sewer Service Charges**

CUSTOMER CLASS	MAXIMUM ANNUAL PROPOSED SEWER SERVICE CHARGES				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Proposed Sewer Rate Adjustment:</b>	<b>Varies for Commercial</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Residential</b>					
A. Occupied Residential - \$/dwelling unit	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
B. Vacant Residential - \$/dwelling unit	\$58.64	\$60.40	\$62.21	\$64.08	\$66.00
<b>Commercial/Industrial Facilities</b>					
A. Occupied Commercial					
<b>1. Base Charge - \$/parcel</b> (includes first 675 cubic feet of water per month)	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
<b>2. Volume Charge - \$/hcf</b> (over 675 cubic feet of water per month)					
<b>Commercial-Low</b>	\$7.04	\$7.26	\$7.47	\$7.70	\$7.93
<b>Commercial-Medium</b>	\$8.95	\$9.22	\$9.50	\$9.78	\$10.08
<b>Commercial-High</b>	\$13.18	\$13.57	\$13.98	\$14.40	\$14.83
B. Vacant Commercial - \$/account	\$80.23	\$82.64	\$85.12	\$87.67	\$90.30

1 - One cubic foot is equivalent to 7.48 gallons. 675 cubic feet is equivalent to 5,049 gallons. Hcf = 100 cubic feet.

## **Section 1    Rate Study Introduction**

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### **1.1    Background**

The Lemon Grove Sanitation District (“District”) manages and maintains a system of gravity sewer collection pipes, manholes, one pump station and its associated force main. The District transports its sewage to the City of San Diego’s Metropolitan Wastewater System (“Metro”). Pursuant to the Regional Wastewater Disposal Agreement, Metro provides wholesale treatment and disposal services to the District and other cities and districts, collectively referred to as the Participating Agencies (“PA”). The District primarily serves the 27,413 population of the City of Lemon Grove.

The District, as a separate entity from the City of Lemon Grove with separate financing, is operated as an enterprise fund by the City. The elected five-member City Council serves as the Board of Directors (“Board”) for the District. As an enterprise fund, the District must generate revenues from sewer service charges (SSC) sufficient to recover the full cost of ongoing operations and maintenance, capital improvements and replacements, the District’s share of existing Metro facilities, and the District’s share of the City of San Diego’s Pure Water Program costs. The Pure Water Program is a multi-phased water and wastewater capital improvement program that will divert treated water from the Point Loma Wastewater Treatment Plant’s outfalls and recycle a valuable and limited resource that is currently discharged to the ocean.

The District’s SSC is an annual charge shown on the sewer customer property tax bill or by direct mail for tax-exempt parcels. The District’s last rate increase was adopted by the Board on June 1, 2021 (Ordinance No. 32) which established the annual SSC for fiscal year (FY) 2021/22. On June 7, 2022, the Board passed Resolution No. 2022-313 to extend the current SSC for FY 2022/23.

### **1.2    Five-Year Sanitation District Rate Study**

The District retained Harris & Associates (“Harris”) in December 2021 to conduct a Five-Year Sanitation District Rate Study (“Study”). The Study examined the District’s cost of providing sewer services, the sufficiency of revenues generated from current sewer service charges (SSC), and the rate structures applied to sewer customers. This report describes the methodology, findings, and conclusions of the Study.

The original Study schedule called for developing the proposed schedule of sewer service charges for the five-year period, FY 2022/23 through FY 2026/27. During the Study, the District decided to delay the Study schedule for an additional year to provide sufficient time to thoroughly evaluate a potential change in rate structure for commercial customers (further discussed herein). Relevant portions of the Study analyses were updated to reflect the extended schedule and the five-year proposed sewer service charges were developed for FY 2023/24 through FY 2027/28.

### **1.3    Study Objectives and Methodology**

The key objectives and outcomes of this Study are a culmination of industry best practice, consultant recommendations, and District policy direction. Key objectives were to:

- Set rates sufficient to sustain ongoing operations and maintenance, pay debt service obligations, fund new capital investments, and maintain adequate cash reserves.
- Design sewer rate structures that align with revenue needs, Board pricing objectives and industry standards for cost-based rates. In particular, the District was interested in evaluating a potential change in rate structure methodology for commercial customers from a rate per equivalent dwelling unit (EDU) to a volume-based rate structure relying on metered water records and wastewater strength characteristics.

- Safeguard system sustainability while promoting fair and reasonable rates for customers.

The methods used to complete the Study were influenced by legislative guidance, analytical principles that are accepted and widely followed throughout the industry, and consultant experience in performing similar studies.

Resources included:

- Articles 13C and 13D of the California Constitution
- Proposition 218
- American Water Works Association, Manual of Water Supply Practices, *Principles of Water Rates, Fees, and Charges* (AWWA Manual M1)
- California Water Resources Control Board, *Commercial User Strength Characteristics*
- Water Environment Federation, Manual of Practice No. 27, *Financing and Charges for Wastewater Systems*
- Government Finance Officers Association (GFOA), *Best Practices*

A comprehensive rate study typically involves three interrelated analyses to address the adequacy and equity of utility rates. These components include a Revenue Requirement Analysis, a Cost-of-Service Analysis, and a Rate Design Analysis as described below:

1. **Revenue Requirement Analysis** – Compares annual sources of funds (revenue) to annual expenditures to determine the overall annual utility rate adjustment required.
2. **Cost-of-Service Analysis** – Allocates the revenue requirement to the customer classes of service to assign class cost shares in a fair and equitable manner.
3. **Rate Design Analysis** – Considers both the level and the structure of the rates to collect the target level of sewer service revenues.

A detailed and comprehensive process was used to review the District's rates. As part of the Study process, Harris worked closely with the District to arrive at rate recommendations that achieve near-term District goals, consider industry best practice, and comply with legal requirements. Several meetings were held with District staff and management to validate input parameters, review interim findings, and receive policy direction. From this process, proposed rates were developed and presented to the Board on January 17, 2023.

## 1.4 Report Organization

This Report presents the assumptions and results of each major Study component, organized as shown below. A Technical Appendix includes the detailed analyses for the Study.

1. Rate Study Introduction
2. Revenue Requirements Analysis
3. Cost-of-Service Analysis
4. Rate Design Analysis

## **Section 2    Revenue Requirement Analysis**

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The revenue requirement analysis forms the basis for the five-year financial plan and overall rate adjustment strategy for the utility. It also forms the basis for establishing a sewer rate structure that recovers the total costs of operating the sewer system. Linking utility rate levels to a financial plan helps to enable sound financial performance for the utility and establishes a clear and reasonable relationship between the rates imposed on utility customers and the costs incurred to provide them service. Key elements include:

- Financial policy recommendations
- Revenue and expense forecast
- Capital funding plan
- Annual cash flow projections
- System-wide percentage rate revenue adjustments

### **2.1    Financial Policies**

To establish adequate rates, it is essential that the District define its benchmarks for financial performance. The purpose of financial policies is to promote the financial integrity and stability of the utility and to provide for sustainability of utility services. These policies serve to:

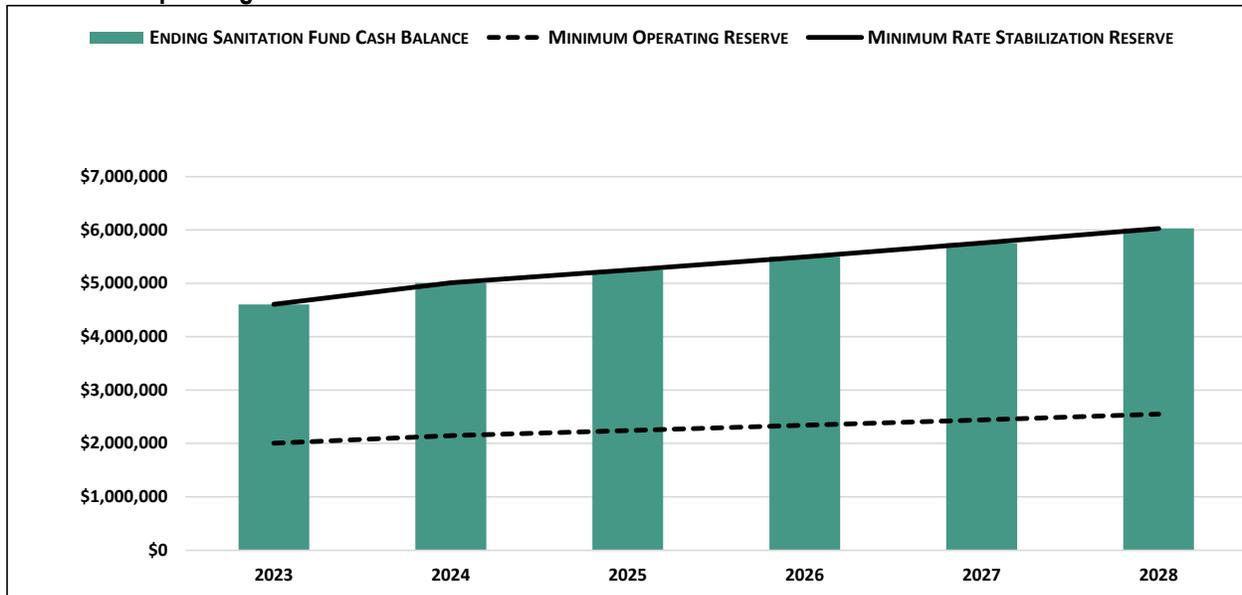
- Establish the foundation for financial budgeting and performance measurement.
- Improve the District's ability to weather financial disruptions.
- Identify uses for specific cash reserves.
- Facilitate an appropriate segregation of financial resources ensuring they are used for their intended purposes.
- Offer guidance for and consistency with fiscal management and planning decisions.
- Promote stable rates over time.

#### **2.1.1    Operating Reserve**

Operating reserves provide a liquidity cushion to protect the financial viability of the utility from the risk of short-term variations in revenues and expenses – primarily caused by billing cycles, unanticipated operating expenses, and/or lower than expected revenue collections. Target funding levels are typically expressed as a percentage of annual operating and maintenance (O&M) expense with the minimum requirement varying with the expected risk of variation. Industry practice ranges from about 25% to 50% of O&M. A higher end target is prudent for the District given that the utility incurs expenses throughout the year but only collects revenues twice a year from semi-annual tax roll payments. Furthermore, the District has limited control over Metro costs, which are about 55% to 60% of total O&M expenses over the study period.

Consistent with historical practice, the District's operating reserve is comprised of two components: (1) a working capital reserve equal to 40% of total District and Metro capacity & treatment costs to manage the natural fluctuations in revenue and expense cycles and (2) a rate stabilization reserve equal to one year of Metro capacity & treatment costs to hedge against unexpected future increases in Metro costs. The total operating reserve ranges from about \$4.6 million to \$6.1 million over the study period.

## Exhibit 2-1. Operating Reserve

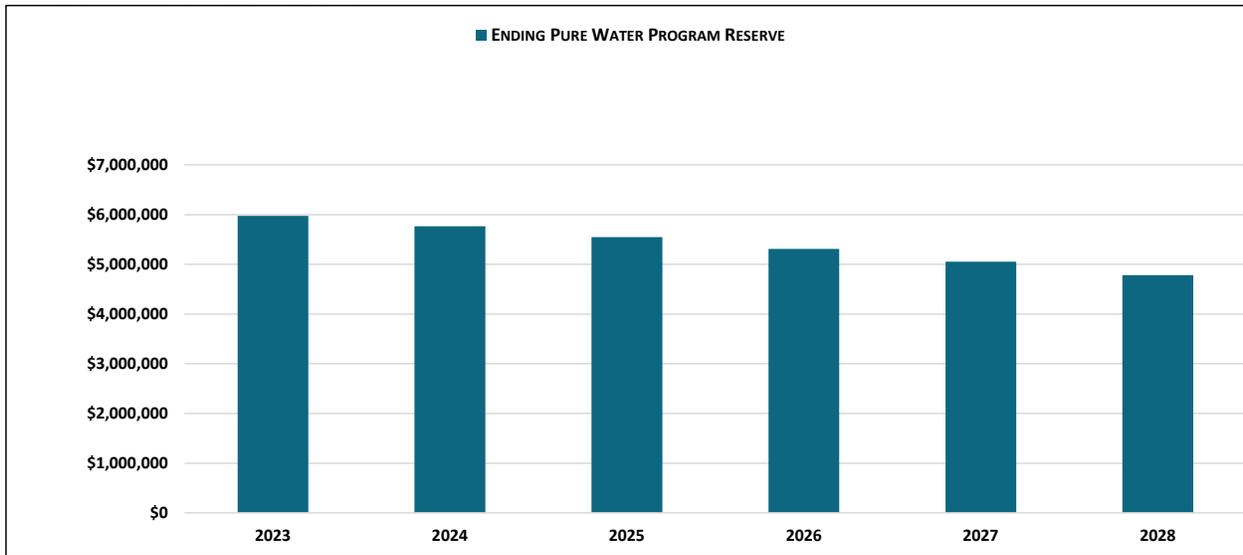


### 2.1.2 Pure Water Reserve

The District's Pure Water Fund was established at the time of the 2017 sewer rate study at \$3.7 million – equal to the average annual Metro capacity and treatment costs for FY 2016/17 through FY 2021/22. Additional rate-funded contributions were made to the reserve over the next several years. The initial intent of this reserve was to build the cash balance over time to cash fund a portion of the District's share of the future Pure Water Program capital costs. Since then, the approach has changed whereby the City of San Diego will debt-finance the capital costs and allocate a share of resulting debt service payments and annual operating cost to each participating agency. This Study assumes that the cash balance will be drawn down annually to pay forecasted Pure Water Program costs. The beginning balance for FY 2022/23 is \$6.2 million and projected to decline to \$4.8 million by the end of the study period.

At the time of this Study, projections for Pure Water Program costs beyond the FY 2022/23 budget amount were not available. Best available information for future projections estimated a range for the District of staying at the existing annual contribution with a potential variance of an 11% increase depending on costs. There is not yet any Pure Water Program debt service costs. Harris recommends that the District monitor actual costs and future projections against the annual draw down of the reserve to ensure sewer rates are adequate to pay future costs as the reserve is drawn down over time.

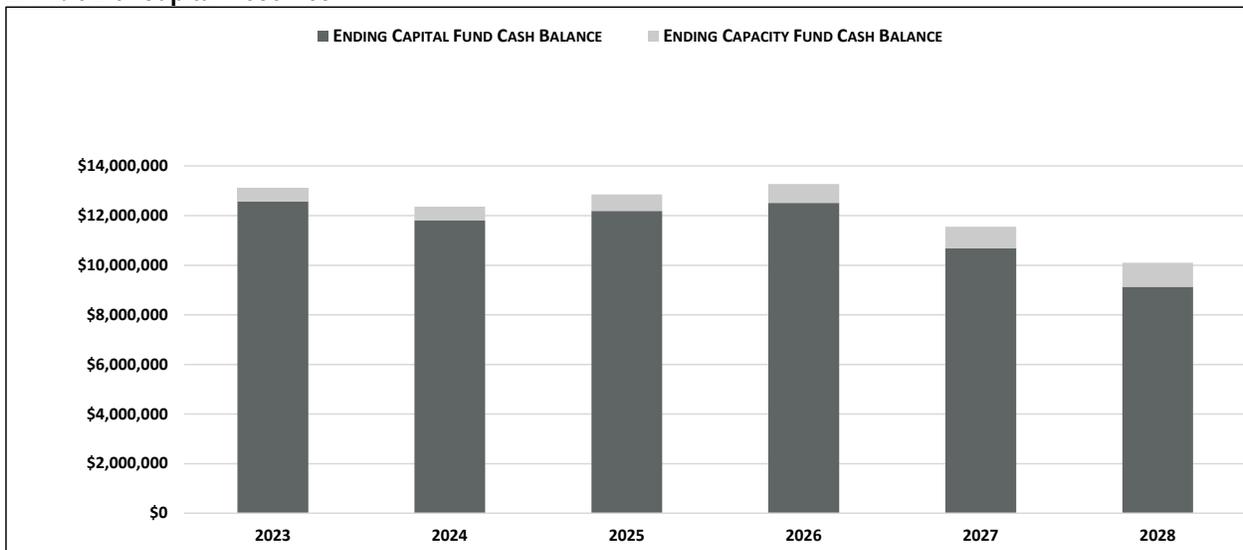
**Exhibit 2-2. Pure Water Reserve**



**2.1.3 Capital Reserve**

In addition to protecting against variations in operating costs and revenues, it is prudent to maintain a capital reserve to manage the prioritized capital program and meet emergency capital outlays. The analysis incorporates a minimum capital reserve equal to \$3 million based on the five-year average capital spending plan. It is important to emphasize that this is a minimum target only. Higher reserves are recommended to maintain a stable cash position to address known and unknown expenditures. The District plans to cash fund its annual capital program and avoid issuance of new debt to the extent practical. Capital expenditures tend to fluctuate widely from year to year and can be substantial in any given year. By maintaining a stable cash position, reserves may accumulate in lower capital spending years and be used to pay capital in higher spending years. The capital reserves, including the Capital Fund and Capacity Fund (connection fees), may go up or down in any given year depending on the level of expenditure in that year, and averages about \$11.5 million per year.

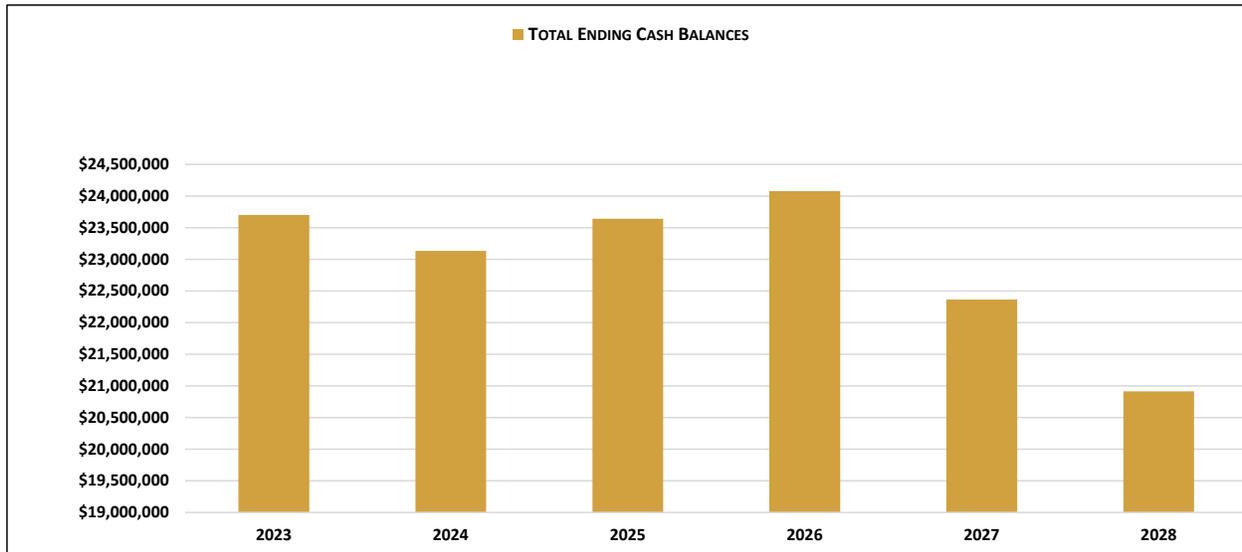
**Exhibit 2-3. Capital Reserves**



## 2.1.4 Total Cash Reserves

Total cash reserves may go up or down in any given year, primarily driven by the capital spending plan and annual draw down of the Pure Water reserve, and averages about \$23 million per year.

Exhibit 2-4. Total Cash Reserves



The District has healthy reserves that promote the financial stability of the sewer utility. The proposed rate adjustments, as presented herein, will help the District maintain its sound financial position to provide safe and reliable sewer service to its customers. Each cash reserve and policy objective serve a purpose and together protect the District against the risk of unforeseen changes in revenues and/or expenditures.

## 2.1.5 Debt Management

The District does not have outstanding debt obligations for the sewer utility. The debt-related policies described below are provided for future reference.

### 2.1.5.1 Debt Reserves

A restricted debt reserve is often a requirement associated with the issuance of revenue bonds and some other forms of debt. The reserve is typically set equal to annual or maximum annual debt service payments (principal and interest). The reserve is held through the term of repayment and used for the final payment.

### 2.1.5.2 Debt Service Coverage

Debt service coverage is also a requirement associated with revenue bonds and some other forms of debt. Under this requirement, the utility agrees to collect sufficient annual system revenues to meet all operating expenses, pay annual debt service, and collect an additional multiple of that debt service. Debt service coverage typically ranges from 1.10 to 1.50 times annual debt service payments.

### 2.1.5.3 Debt-to-Fixed Assets Ratio

Another useful measurement in assessing the debt burden of a utility is the capital structure: the outstanding debt as a percentage of net capital assets (original cost less accumulated depreciation). This metric indicates the degree of leveraged assets: how much of the capital asset value is offset by financial obligations to outside parties. Industry best practice suggests that a capital structure of less than or equal to 35% to 50% debt is appropriately conservative.

## 2.2 Operating Forecast

The operating forecast focuses on annual expenses incurred to operate, maintain, and manage the sewer system and annual revenue collections to meet those expenses. The baseline for this forecast is the adopted FY 2022/23 budget adjusted for future years to incorporate cost escalation, anticipated customer growth, and known or anticipated future expenditures.

### 2.2.1 Key Assumptions

Key economic assumptions used in preparing the operating forecast were based on a historical review of actual performance and discussion with District staff:

- According to District projections, customer growth is expected to be nominal, increasing about 0.25% (27 new equivalent units) per year FY 2024/25 through FY 2027/28.
- Interest earnings on cash balances were conservatively assumed at 1.0% annually (slightly below the 5-year average California Local Agency Investment Fund of 1.4%).
- Miscellaneous revenues were assumed to remain at current budgeted levels.
- Annual cost escalation was assumed as follows:
  - District O&M expense: 3.50% annually.
  - Metro annual wastewater capacity and treatment costs: rough estimate of 10.0% FY 2023/24 and 5.0% annually FY 2024/25 through FY 2027/28 (Metro future year projections were not available at the time of this study).
  - Metro annual Pure Water Program costs: rough estimate of 10.0% FY 2023/24 and 5.0% annually FY 2024/25 through FY 2027/28 (Metro future year projections were not available at the time of this study).
- Transfer from the Sanitation Operating Fund to the Gas Tax Fund maintained at historical amount of \$100,000 annually.
- Transfer from the Sanitation Operating Fund to the Capital Fund maintained at historical amount of \$1.5 million annually. This serves as a minimum annual contribution from rates to help fund capital replacement and improvement projects.

### 2.2.2 Operating Revenues

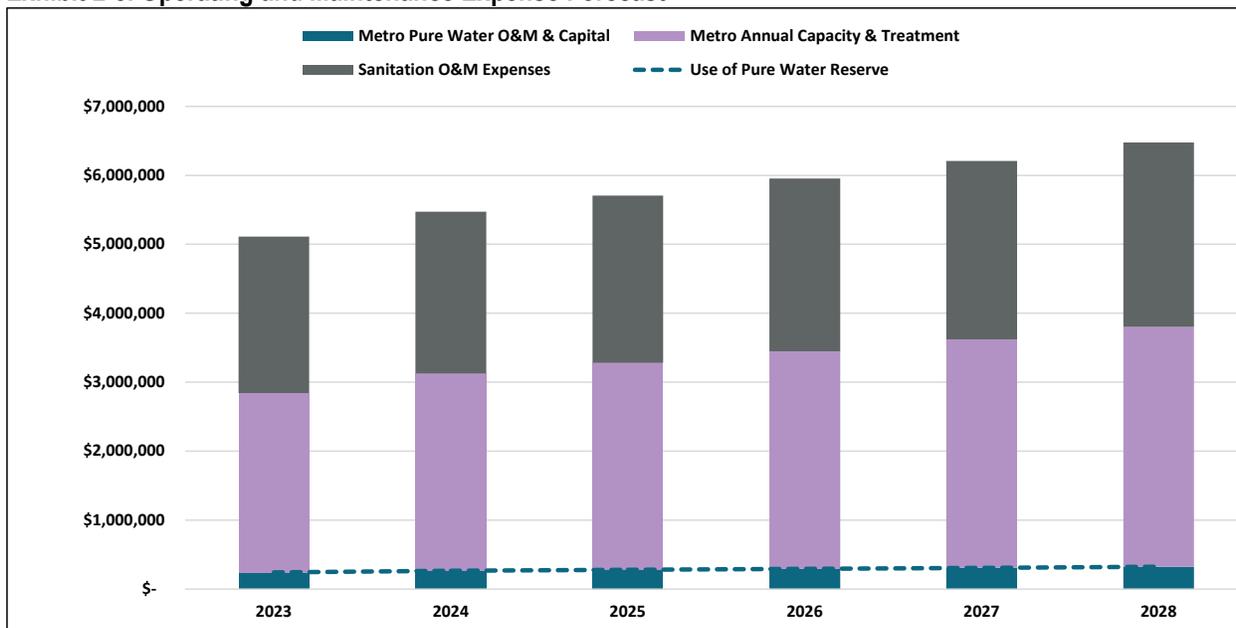
Sewer operating revenues are categorized as sewer service charges and other operating revenues (interest earnings and other miscellaneous revenues). Sewer service charge revenues under the existing rate structure are based on the current annual rate per EDU of \$655.20 applied to the total benefiting units and sewer assessments accepted to the County tax roll for FY 2021/2022. At that time, the tax roll data showed a total of 6,824 sewer customer parcels, 10,846 total EDUs, and total sewer assessments of \$7,106,684. A test of reconciling the number of EDUs multiplied by the rate per EDU resulted in calculated sewer revenues of \$7,106,029, which was used as the baseline for future projections. Future year revenues under current rates are forecasted to incorporate customer growth over the study period. Total operating revenues at existing rates are projected to increase from FY 2022/23 revenues of \$7.2 million to \$7.3 million by the end of the study period.

### 2.2.3 Operating and Maintenance (O&M) Expenses

District sanitation O&M expense is budgeted at \$2.3 million for FY 2022/23, increasing to \$2.7 million by the end of the study period. This includes District costs for salaries and benefits, general operating expense, and contracted services. Metro annual capacity and treatment costs are budgeted at \$2.6 million for FY 2022/23, increasing to \$3.5 million, and Pure Water Program costs are budgeted at \$241,200 in FY 2022/23, increasing to \$322,500. Note that the Pure Water

Program costs are planned to be funded from the Pure Water reserve with no impact on rates. Total O&M expenses are projected to increase from FY 2022/23 budgeted costs of \$5.1 million to \$6.5 million by the end of the study period.

**Exhibit 2-5. Operating and Maintenance Expense Forecast**



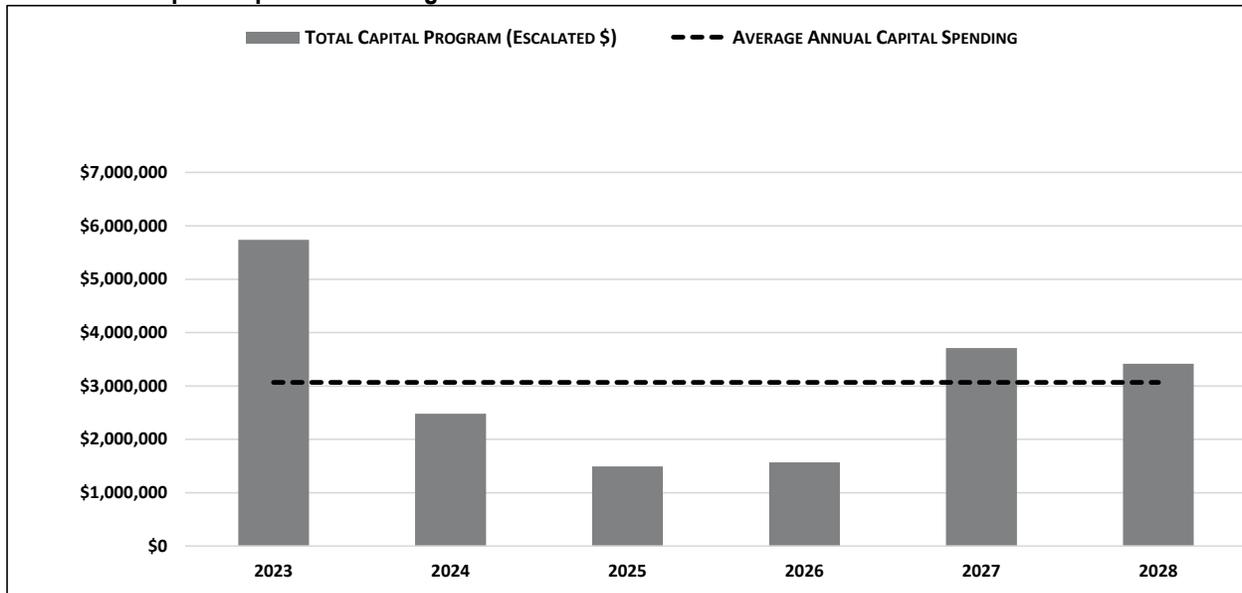
### 2.3 Capital Improvement Program

The District provided a sewer system capital improvement program (CIP) totaling \$16.6 million (current day dollars) for the FY 2022/23 budget year and projected five-year study period. The projects include the sewer video inspection program, annual sewer rehabilitation projects, vehicle replacements, and capital-related professional contract services.

It is reasonable to assume that the costs will be higher in the future when projects are scheduled for completion. The estimated costs are escalated to make sure the funding is appropriate to match the anticipated costs. The financial projections include construction cost escalation of 4.0% annually. The individual project estimated costs have been escalated from FY 2022/23 dollars to the scheduled year of completion. The total estimated planning level cost for the CIP is \$18.4 million including construction cost escalation. The average annual cost is \$3.1 million.

The District plans to execute the capital projects as necessary to balance the sewer system improvement and replacement needs with the ability to fund the CIP with capital cash reserves and annual contributions from rates without new borrowing in the next five years.

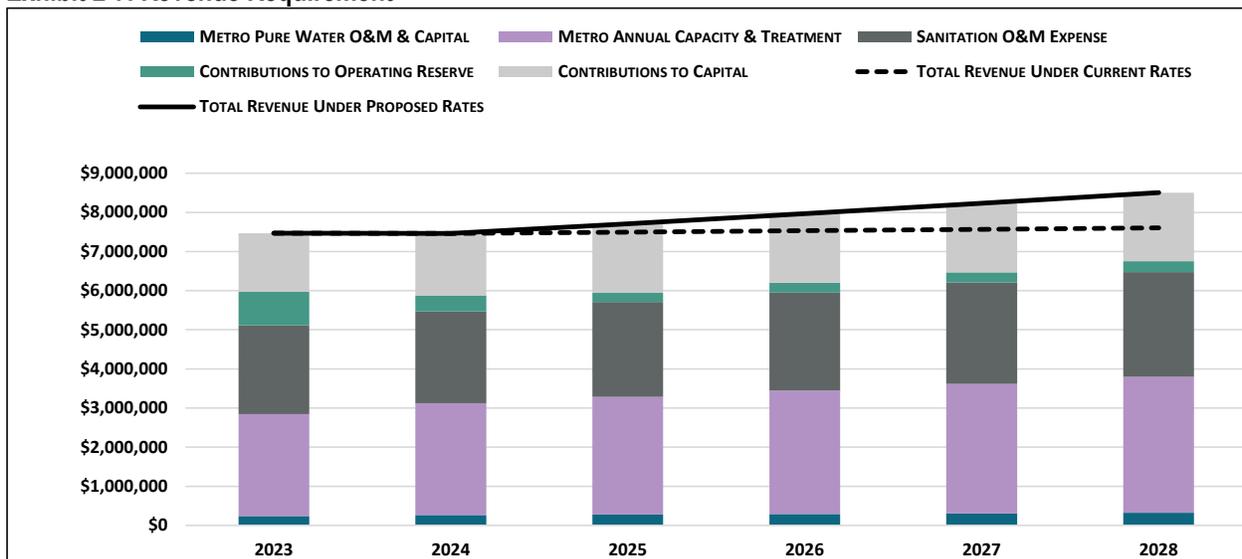
## Exhibit 2-6. Capital Improvement Program



## 2.4 Revenue Needs Assessment

The revenue needs assessment evaluates the sufficiency of current sewer utility revenues in meeting forecasted obligations of the utility and designs a rate adjustment strategy to close any revenue shortfall. A five-year financial projection was developed for the Operating Fund to determine the level of revenue required for the District to properly operate and maintain its system and to meet its fiscal policy objectives during the study period. The baseline for this forecast is the adopted FY 2022/23 budget, with revenues and expenditures forecasted over the study period based on the economic assumptions previously described.

### Exhibit 2-7. Revenue Requirement



The sewer utility is intended to operate as a self-sustaining enterprise, with revenue collections sufficient to support the costs of ongoing operations, required improvements to the system, and repair and replacement of existing sewer system assets. To maintain the balance of annual revenues and expenditures, periodic adjustments to sewer service charges are necessary.

FY 2023/24 sewer revenues are projected to be sufficient to cover total sewer expenditures for that year. No system-wide rate revenue adjustment is planned for FY 2023/24. As illustrated in Exhibit 2-7, additional rate revenues are necessary over the study period to accommodate annual cost escalation and continued rate-funded contributions to the capital reserve to fund near-term capital expenditures and maintain stable cash reserves. To close the revenue gap for the following four years, total sewer service charge revenues are proposed to increase 3.0% annually for FY 2024/25 through FY 2027/28. These adjustments provide for:

- Cash funding of the capital program
- Recovering District/Metro O&M expenses
- Maintaining stable cash reserves

The proposed rate revenue adjustments represent the maximum proposed increases for each year. The District will monitor this plan annually to evaluate changes in revenue collections and expenditures, and the timing of capital project execution over the five-year period and determine if lower rate adjustments can be accommodated.

It is important at this point in the discussion to emphasize that, while total customer revenue collections will be revenue neutral for the utility in FY 2023/24, customer bill impacts will vary for individual commercial customers in that year because of the proposed change to a volume-based rate structure for proposed new categories of commercial customers. No change to the current rate structure, or current sewer service charge, is proposed for residential customers in FY 2023/24. Further discussion on this topic is provided in Section 3, Cost-of-Service Analysis and Section 4, Rate Design Analysis.

## 2.5 Annual Cash Flow by Fund

Exhibits 2-8 through 2-11 on the following pages present the annual cash flows for each District Fund and the total ending annual cash balances for all District Funds combined.

### Exhibit 2-8. Operating Fund Cash Flow

OPERATING FUND (#15)	FYE	2023	2024	2025	2026	2027	2028
<b>Beginning Cash Balance</b>	\$	3,750,723	\$ 4,605,868	\$ 5,010,038	\$ 5,247,065	\$ 5,495,472	\$ 5,755,811
<b>Cash Resources</b>							
Sewer Service Charge Revenues, with Adjusted Rates	\$	7,106,029	\$ 7,106,029	\$ 7,338,185	\$ 7,577,226	\$ 7,824,054	\$ 8,078,923
Interest Earnings and Other Operating Revenues		120,000	91,059	95,100	97,471	99,955	102,558
Transfer from Pure Water Fund		241,199	265,318	278,584	292,514	307,139	322,496
<b>Total Cash Resources</b>	\$	7,467,228	\$ 7,462,406	\$ 7,711,869	\$ 7,967,210	\$ 8,231,148	\$ 8,503,977
<b>Cash Uses</b>							
<b>Operating &amp; Maintenance (O&amp;M) Expense</b>							
District Operating & Maintenance Expense	\$	2,169,850	\$ 2,245,795	\$ 2,324,398	\$ 2,405,751	\$ 2,489,953	\$ 2,577,101
Metro O&M, PAYGO & Debt Service		2,601,034	2,861,138	3,004,195	3,154,405	3,312,125	3,477,731
Metro Pure Water O&M		130,115	143,126	150,282	157,796	165,686	173,971
Metro Pure Water Capital Cost		111,084	122,192	128,302	134,717	141,453	148,526
Subtotal Operating & Maintenance Expense	\$	5,012,083	\$ 5,372,251	\$ 5,607,177	\$ 5,852,670	\$ 6,109,217	\$ 6,377,328
<b>Other Expenditures</b>							
Transfer to Gas Tax	\$	100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total Rate-Funded Capital Contributions		1,500,000	1,585,985	1,767,666	1,766,134	1,761,592	1,753,798
Subtotal Other Expenditures	\$	1,600,000	\$ 1,685,985	\$ 1,867,666	\$ 1,866,134	\$ 1,861,592	\$ 1,853,798
<b>Total Cash Uses</b>	\$	6,612,083	\$ 7,058,236	\$ 7,474,842	\$ 7,718,803	\$ 7,970,809	\$ 8,231,126
<b>Addition to / (Use) of Reserves</b>	\$	855,145	\$ 404,171	\$ 237,027	\$ 248,407	\$ 260,339	\$ 272,851
<b>Ending Cash Balance</b>	\$	4,605,868	\$ 5,010,038	\$ 5,247,065	\$ 5,495,472	\$ 5,755,811	\$ 6,028,662
<i>Minimum Operating/Rate Stabilization Reserve Target</i>	\$	4,605,868	\$ 5,010,038	\$ 5,247,065	\$ 5,495,472	\$ 5,755,811	\$ 6,028,662

1 –Note that the beginning cash balance for FY 2022/23 is stated in the District’s financial records as \$13,432,792. The portion of cash reserves above that required for the minimum operating/rate stabilization reserve was moved to the Capital Fund to help pay annual capital expenditures.

### Exhibit 2-9. Pure Water Fund Cash Flow

PURE WATER FUND (#17)	FYE	2023	2024	2025	2026	2027	2028
Beginning Cash Balance	\$	6,178,726	\$ 5,972,528	\$ 5,766,935	\$ 5,546,020	\$ 5,308,966	\$ 5,054,917
<b>Cash Resources</b>							
Interest Earnings		35,000	\$ 59,725	\$ 57,669	\$ 55,460	\$ 53,090	\$ 50,549
<b>Total Cash Resources</b>	\$	<b>35,000</b>	<b>\$ 59,725</b>	<b>\$ 57,669</b>	<b>\$ 55,460</b>	<b>\$ 53,090</b>	<b>\$ 50,549</b>
<b>Cash Uses</b>							
Transfer to Sanitation Operating Fund	\$	241,199	\$ 265,318	\$ 278,584	\$ 292,514	\$ 307,139	\$ 322,496
<b>Total Cash Uses</b>	\$	<b>241,199</b>	<b>\$ 265,318</b>	<b>\$ 278,584</b>	<b>\$ 292,514</b>	<b>\$ 307,139</b>	<b>\$ 322,496</b>
<b>Addition to / (Use) of Reserves</b>	\$	<b>(206,199)</b>	<b>\$ (205,593)</b>	<b>\$ (220,915)</b>	<b>\$ (237,053)</b>	<b>\$ (254,050)</b>	<b>\$ (271,947)</b>
<b>Ending Cash Balance</b>	\$	<b>5,972,528</b>	<b>\$ 5,766,935</b>	<b>\$ 5,546,020</b>	<b>\$ 5,308,966</b>	<b>\$ 5,054,917</b>	<b>\$ 4,782,970</b>

### Exhibit 2-10. Combined Capital Fund and Capacity Fund Cash Flow

COMBINED CAPITAL FUND (#16) AND CAPACITY FUND (#19)	FYE	2023	2024	2025	2026	2027	2028
Beginning Cash Balance	\$	17,318,896	\$ 13,123,776	\$ 12,358,438	\$ 12,850,904	\$ 13,273,495	\$ 11,554,133
<b>Cash Resources</b>							
Sewer Capacity Fee Revenue	\$	15,000	\$ -	\$ 95,152	\$ 95,390	\$ 95,628	\$ 95,867
Interest Earnings		30,400	131,238	123,584	128,509	132,735	115,541
Rate-Funded Capital Contributions		1,500,000	1,585,985	1,767,666	1,766,134	1,761,592	1,753,798
<b>Total Cash Resources</b>	\$	<b>1,545,400</b>	<b>\$ 1,717,222</b>	<b>\$ 1,986,402</b>	<b>\$ 1,990,032</b>	<b>\$ 1,989,955</b>	<b>\$ 1,965,206</b>
<b>Cash Uses</b>							
Capital Expenditures	\$	5,690,520	\$ 2,432,560	\$ 1,443,936	\$ 1,517,442	\$ 3,659,318	\$ 3,368,065
Other Expenditures		50,000	50,000	50,000	50,000	50,000	50,000
<b>Total Cash Uses</b>	\$	<b>5,740,520</b>	<b>\$ 2,482,560</b>	<b>\$ 1,493,936</b>	<b>\$ 1,567,442</b>	<b>\$ 3,709,318</b>	<b>\$ 3,418,065</b>
<b>Addition to / (Use) of Reserves</b>	\$	<b>(4,195,120)</b>	<b>\$ (765,338)</b>	<b>\$ 492,466</b>	<b>\$ 422,591</b>	<b>\$ (1,719,362)</b>	<b>\$ (1,452,859)</b>
<b>Ending Cash Balance</b>	\$	<b>13,123,776</b>	<b>\$ 12,358,438</b>	<b>\$ 12,850,904</b>	<b>\$ 13,273,495</b>	<b>\$ 11,554,133</b>	<b>\$ 10,101,274</b>

1 –Note that the beginning cash balance for FY 2022/23 is stated in the District’s financial records as \$7,064,636. See note above regarding the re-allocation from the Operating Fund to the Capital Fund.

### Exhibit 2-11. Total Combined Funds Ending Cash Balance

TOTAL COMBINED FUNDS	FYE	2023	2024	2025	2026	2027	2028
<b>Fund No. Fund</b>							
15 Operating Fund	\$	4,605,868	\$ 5,010,038	\$ 5,247,065	\$ 5,495,472	\$ 5,755,811	\$ 6,028,662
16 & 19 Combined Capital Fund and Capacity Fund		13,123,776	12,358,438	12,850,904	13,273,495	11,554,133	10,101,274
17 Pure Water Fund		5,972,528	5,766,935	5,546,020	5,308,966	5,054,917	4,782,970
<b>Total Ending Cash Balances</b>	\$	<b>23,702,171</b>	<b>\$ 23,135,411</b>	<b>\$ 23,643,989</b>	<b>\$ 24,077,934</b>	<b>\$ 22,364,861</b>	<b>\$ 20,912,906</b>

## Section 3 Cost-of-Service Analysis

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A cost-of-service (COS) analysis determines the appropriate level of revenue recovery from customer classes commensurate with the demands that they place on the sewer system. Detailed cost allocations, along with appropriate customer class designations, can provide guidance for the design of fair and equitable sewer rates.

### 3.1 Methodology

The COS analysis was performed for the “test year” FY 2023/24, representing the period in which proposed rates are expected to be in effect. Consistent with industry practice, key elements include:

- Identify sewer system service functions
- Allocate assets and expenses to service functions
- Determine appropriate grouping of customers
- Allocate costs to proposed customer classes

### 3.2 Functional Cost Allocation

The COS analysis begins with a functional allocation of sewer system costs. The purpose of this exercise is to categorize the total test year rate revenue requirement into functions of sewer service, which can then be examined for cost recovery from rates according to the way different classes of customers use or place demands on the sewer system. Sewer system service functions include those to provide customer service, to collect and convey the volume of user flows, to treat the volume of user flows, and to treat the strength of user flows. In summary:

- **Customer** – Customer-related costs are associated with services that do not vary by sewer volume or strength. These costs are most closely related to the number of sewer customers connected to the system.
- **Flow** – Flow related costs are associated with services to manage and process the total volume of sewer flow through the collection and conveyance system.
- **Strength** – Strength costs are associated with the treatment of sewerage to required discharge standards. A portion of treatment-related costs is influenced by the total volume of sewage process, which is categorized as “flow” costs, while other treatment costs can vary depending on sewage strength, measured by biochemical oxygen demand (BOD) and suspended solids (SS).

The total revenue requirement was allocated to these functions of service based on a detailed review of the District’s sanitation plant assets and the operating forecast. Sanitation plant assets were categorized as customer, collection and conveyance, or general plant. The costs for each category were then assigned to the Customer and Flow service functions to develop allocation factors for assigning the District’s portion of the revenue requirement for non-treatment-related expenses. District operating expense were allocated to the Customer and Flow service functions based on the plant allocation factors or directly assigned to the Customer component. The resulting allocation is 13% Customer and 87% Flow.

Metro expenses were allocated to the Flow, BOD, and SS functions in accordance with the allocations provided by the City of San Diego for the District’s share of FY 2023/24 capacity and treatment costs and Pure Water Program costs. The planned annual drawn down from the Pure Water Fund is netted against the annual Pure Water Program costs because those costs are not

planned to be paid through rates. The resulting composite Metro cost allocation is 50% Flow, 26% BOD and 24% SS. The Metro allocations by category are shown below for reference:

- Treatment – Capacity & Treatment: 50.31% Flow, 25.68% BOD and 24.01% SS
- Treatment – Pure Water O&M: 42.63% Flow, 30.49% BOD and 26.88% SS
- Treatment – Pure Water Capital: 48.20% Flow, 27.50% BOD and 24.30 SS
- Treatment – Composite total Pure Water: 45.20% Flow, 29.11% BOD, 25.69% SS

The FY 2023/24 revenue requirement, as determined in Section 2, Revenue Requirement, is \$7.1 million. This represents the revenue to be generated by sewer service charges.

As shown in Exhibit 3-1, the allocation of the total revenue requirements is 8% Customer, 72% Flow, and 10% each for BOD and SS. The next step is to allocate the total costs for each of the service functions to the customer classes in proportion to each class's demand by function.

### Exhibit 3-1. Allocation of Revenue Requirement to Service Functions

REVENUE REQUIREMENT	Test Year FY 2023/24	FUNCTIONS OF SERVICE			
		Customer	Flow	Wastewater Strength	
				BOD	SS
<b>Total District Expenses</b>	\$ 3,845,795	\$ 495,999	\$ 3,349,795	\$ -	\$ -
Less: Other Revenues	(91,059)	(11,744)	(79,315)	-	-
Addition to/(Uses) of Reserves	490,155	63,216	426,939	-	-
<b>Rate Revenue Requirement</b>	<b>\$ 4,244,891</b>	<b>\$ 547,472</b>	<b>\$ 3,697,420</b>	<b>\$ -</b>	<b>\$ -</b>
% Allocation	100%	13%	87%	0%	0%
<b>Total Metro Expenses</b>					
Metro Annual Capacity & Treatment	\$ 2,861,138	\$ -	\$ 1,439,498	\$ 734,722	\$ 686,917
Pure Water O&M & Capital	265,318	-	119,916	77,243	68,160
Less: Use of Pure Water Reserve	(265,318)	-	(119,916)	(77,243)	(68,160)
<b>Rate Revenue Requirement</b>	<b>\$ 2,861,138</b>	<b>\$ -</b>	<b>\$ 1,439,498</b>	<b>\$ 734,722</b>	<b>\$ 686,917</b>
% Allocation	100%	0%	50%	26%	24%
<b>Rate Revenue Requirement</b>	<b>\$ 7,106,029</b>	<b>\$ 547,472</b>	<b>\$ 5,136,918</b>	<b>\$ 734,722</b>	<b>\$ 686,917</b>
% Allocation	100%	8%	72%	10%	10%

## 3.3 Customer Class Cost Allocation

Customer class allocation involves distributing the functionalized test year revenue requirement to the proposed customer classifications based on each class's demand characteristics. These allocations draw upon account data, metered water usage records and system planning criterion and /or industry standards. This analysis defines the total test year revenue that should be generated from each customer class to achieve a reasonably equitable system of cost recovery from rates.

### 3.3.1 Proposed Customer Classes

The sewer system customer base is comprised of residential properties including single family residential, condominiums, multi-family residential, and mobile homes, and commercial properties including several types of businesses, industrial and institutional customers. Residential customers represent about 95% of system customers with commercial customers representing the remaining 5%.

A key distinction in demand characteristics for this Study is the wastewater strength concentrations of the several types of commercial properties connected to the sewer system. District sewer customer data was analyzed to evaluate appropriate grouping of commercial customers that have similar service demands. Proposed customer classes were identified for assessing cost of service and establishing cost-based rates. Exhibit 3-2 lists the types of

properties included within the existing residential class and the proposed new commercial classifications.

### Exhibit 3-2. Proposed Customer Classes

PROPOSED CUSTOMER CLASSES AND WASTEWATER STRENGTH ASSIGNMENT			
RESIDENTIAL (NO CHANGE)	COMMERCIAL - LOW	COMMERCIAL - MEDIUM	COMMERCIAL - HIGH
(<= 200 mg/l BOD & SS)	(<= 200 mg/l BOD & SS)	(201-400 mg/l BOD & SS)	(401-800+ mg/l BOD & SS)
Single Family	Basic Commercial	Bars without Dining	Auto Steam Cleaning
Condominium	Car Wash	Commercial Laundry	Bakery, Wholesale
Multi-Family	Convalescent	Hotel/Motel without Dining	Bars with Dining
Mobile Home	Laundromat	Mixed Use	Special Manufacturing
	Light Manufacturing	Shopping Centers/Theaters	Hotel/Motel with Dining
	Office Building/Storage	Repair Shop/Service Station	Industrial Laundry
	Medical/Dental/Veterinary		Supermarket/Deli
	School/College		Mortuary
			Restaurant
			Septage Hauler

1 - mg/l = milligrams per liter; BOD = biochemical oxygen demand; SS = suspended solids.

2 - For commercial property types not listed in the table above, the Lemon Grove District Engineer will determine the appropriate classification.

### 3.3.2 Customer Class Demand Characteristics

Detailed customer data was analyzed for FY 2020/21 including the number of customer parcels submitted for the San Diego County tax roll, County use codes for the several types of properties, and metered water usage records provided by the Helix Water District (the most recent data available at the time of this Study). These statistics were then projected to the FY 2023/24 test year based on projections of customer growth. Exhibit 3-3 summarizes the key demand characteristics for each customer class.

### Exhibit 3-3. Customer Class Demand Characteristics

CUSTOMER CLASS DEMAND CHARACTERISTICS	Total Water Usage	Estimated Annual Flow	Return to Sewer	Wastewater Strength	
				Average BOD & SS	Ratio to Residential
				mg/l	
Residential	801,997	715,567	89%	200	1.00
Commercial - Low	109,917	109,917	100%	200	1.00
Commercial - Medium	23,351	23,351	100%	400	2.00
Commercial - High	9,822	9,822	100%	800	4.00
Total	945,086	858,657	91%		

1 - Hcf = 100 hundred cubic feet; mg/l = milligrams per liter.

The following methods were used for the analysis:

- Total water usage was derived from actual metered water usage records for the Helix Water District's FY 2020/21 bi-monthly billing cycles.
- Sewer flow is not measured for individual customers, and as such, it is customary practice to use metered water usage to estimate sewer flow. In recognition of the significant amount of water used by residential customers for lawn irrigation, car washing, or other purposes not discharged to the sewer system, estimated residential sewer flow is based on the average winter period water usage (November through April). This annualized volume – as opposed to total actual water use – is referred to as a “return to sewer” factor. Estimated sewer flow for commercial customers is based

on total actual water usage. While there may be exceptions for water used in a commercial product or process, customary practice is to use total actual water usage for commercial customers.

- Wastewater strength assumptions are based on the standards provided by the California Water Resources Control Board, *Commercial User Strength Characteristics*. Residential customers discharge domestic-level wastewater strength, assumed at 200 milligrams per liter (mg/l). General commercial properties (Low) are assumed to discharge domestic-level wastewater strength like residential customers. Other commercial properties range in wastewater strength depending on the type of business.

The “ratio to residential” factor is used to weight the sewer flow to recognize the higher wastewater strength concentrations discharged into the sewer system.

Exhibit 3-4 summarizes the resulting units of service for each class that are used to allocate the functionalized costs to the customer classes.

#### Exhibit 3-4. Customer Class Units of Service

CUSTOMER CLASS UNITS OF SERVICE	FUNCTIONS OF SERVICE			
	Customer	Flow	Wastewater Strength	
			BOD	SS
	<i>No. of Accounts</i>	<i>Annual Flow (Hcf)</i>	<i>Weighted Flow (Hcf)</i>	<i>Weighted Flow (Hcf)</i>
Residential	6,457	715,567	715,567	715,567
Commercial - Low	305	109,917	109,917	109,917
Commercial - Medium	40	23,351	46,702	46,702
Commercial - High	22	9,822	39,286	39,286
<b>Total</b>	<b>6,824</b>	<b>858,657</b>	<b>911,472</b>	<b>911,472</b>

1 - Hcf= 100 hundred cubic feet.

### 3.3.3 Distribution of Costs to Customer Classes

Exhibit 3-5 summarizes each customer class’s percentage share of the functionalized costs and the resulting allocation of the total revenue requirement of \$7.1 million to each class. The respective percentages are applied to the total costs allocated to each service function to determine the share of total costs assigned to each class.

### Exhibit 3-5. Customer Class Cost Shares by Function

CUSTOMER CLASS % SHARE OF UNITS OF SERVICE	FUNCTIONS OF SERVICE				Total
	Customer	Flow	Wastewater Strength		
			BOD	SS	
Residential	94.6%	83.3%	78.5%	78.5%	83.2%
Commercial - Low	4.5%	12.8%	12.1%	12.1%	12.0%
Commercial - Medium	0.6%	2.7%	5.1%	5.1%	3.0%
Commercial - High	0.3%	1.1%	4.3%	4.3%	1.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

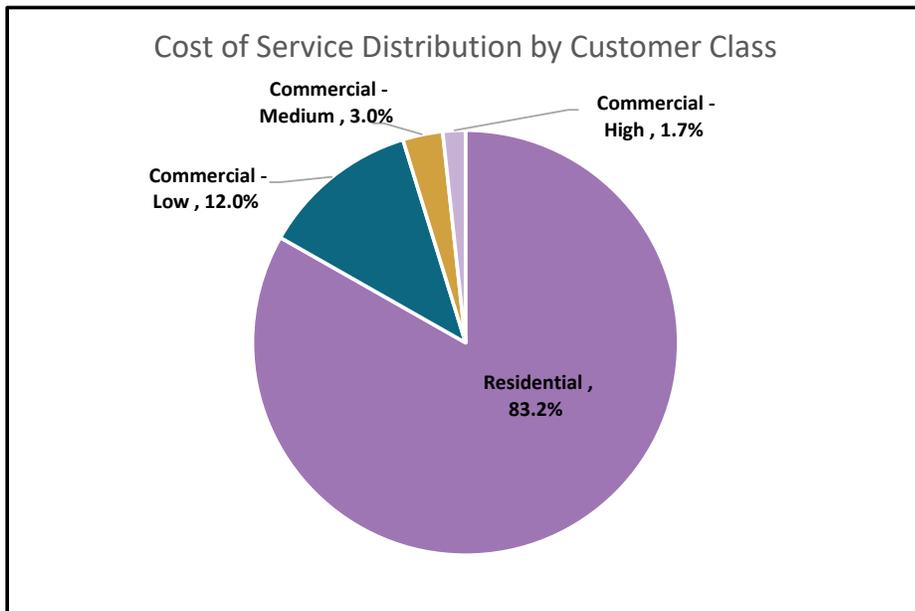
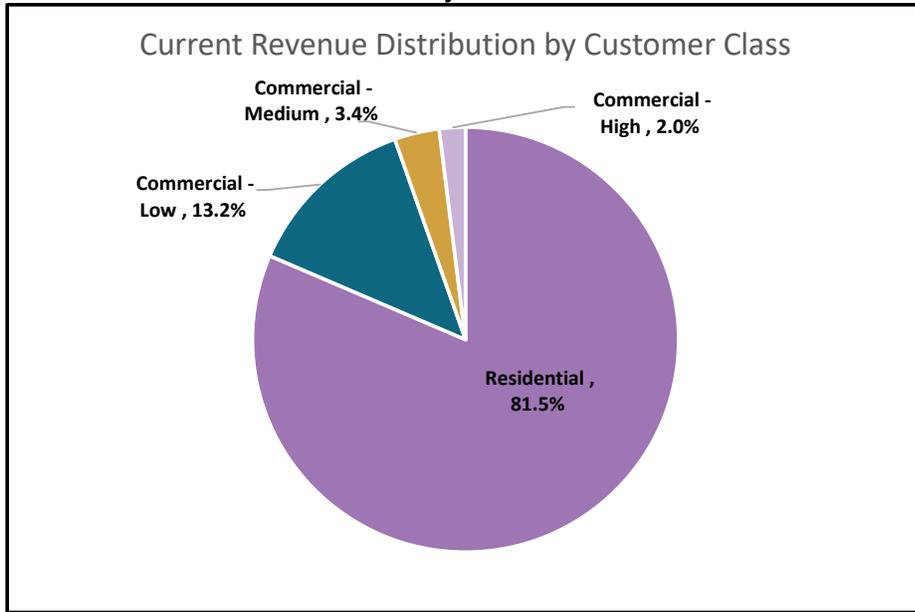
CUSTOMER CLASS \$ SHARE OF UNITS OF SERVICE	FUNCTIONS OF SERVICE				Total
	Customer	Flow	Wastewater Strength		
			BOD	SS	
Residential	\$ 518,018	\$ 4,280,883	\$ 576,806	\$ 539,276	\$ 5,914,983
Commercial - Low	24,464	657,581	88,602	82,837	853,485
Commercial - Medium	3,219	139,697	37,646	35,196	215,758
Commercial - High	1,770	58,758	31,668	29,607	121,803
<b>Total</b>	<b>\$ 547,472</b>	<b>\$ 5,136,918</b>	<b>\$ 734,722</b>	<b>\$ 686,917</b>	<b>\$ 7,106,029</b>

The following process was used:

- Total customer costs are allocated to the classes based on their proportionate share of total number of accounts.
- Flow costs are allocated to the classes based on their proportionate share of estimated annual sewer flow.
- Wastewater strength costs are allocated to the classes based on their proportionate share of BOD and SS concentration weighted by the established wastewater strength ratios for each class.

Exhibit 3-6 shows the revenue generated by each customer class under existing rates and under the COS results.

**Exhibit 3-6. Distribution of Revenues by Customer Class**



## Section 4 Rate Design Analysis

The principal considerations in rate design are to establish rates for customers that generate sufficient revenues for the utility and that are proportionate to the cost of providing service. The rate structure should provide a stable level of revenues that are not overly impacted by changes in annual sewer flows that would result in the need for significant rate increases to maintain the annual funding need. Other considerations should include District pricing objectives, ease of understanding and implementation, and impact on customer bills.

### 4.1 Existing Sewer Rate Structure

The current annual sewer service charge structure, as shown on Exhibit 4-1, is a rate per equivalent dwelling unit (Rate per EDU) that is based upon the classification of type of property, as listed and determined by District Ordinance.

#### Exhibit 4-1. Current Sewer Service Charges

CURRENT SEWER SERVICE CHARGE (RATE PER EDU)	\$655.20
CLASSIFICATION	EDU
<b>Residential</b>	
Single Family (per dwelling unit)	1.00
Condominium (per dwelling unit)	1.00
Multi-Family (per dwelling unit)	1.00
Mobile Home (per dwelling unit)	1.00
<b>Commercial/Industrial Facilities</b>	
<b>A. FOOD SERVICE ESTABLISHMENTS:</b>	
1. Take-out restaurants with disposable utensils, no dishwasher, and no public restrooms	3.00
2. Miscellaneous food establishments - ice cream/yogurt shops, bakeries (sales on premises only)	3.00
3. (i) Take-out/eat in restaurants with disposable utensils, but with seating and public restrooms <sup>1</sup>	3.00
(ii) Restaurants with re-usable utensils, seating and public restrooms <sup>1</sup>	3.00
One EDU is assigned for each 6-seat unit as follows:	
0 -18 seats <sup>1</sup>	3.00
Each additional 6-seat unit	1.00
<b>B. HOTELS AND MOTELS:</b>	
1. Per living unit without kitchen	0.38
2. Per living unit with kitchen	0.60
<b>C. COMMERCIAL, PROFESSIONAL, INDUSTRIAL BUILDINGS, ESTABLISHMENTS NOT SPECIFICALLY LISTED HEREIN:</b>	
1. Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.	1.20
Each additional 1,000 sq. ft., or portion thereof	0.70
2. Where occupancy type or usage is unknown at the time of application for service	
First 1,000 sq. ft. of gross building floor area	1.20
Each additional 1,000 sq. ft. gross building floor area, or portion thereof	0.70
<b>D. SELF-SERVICE LAUNDRY PER WASHER</b>	
	1.00
<b>E. CHURCHES, THEATERS, AND AUDITORIUMS PER EACH 150 PERSON SEATING CAPACITY, OR PORTION THEREOF</b>	
	1.50
<b>F. SCHOOLS</b>	
1. Elementary schools for 50 pupils or fewer	1.00
2. Junior High Schools for 40 pupils or fewer	1.00
3. High School for 24 pupils or fewer	1.00
<b>Additional EDUs will be prorated based upon the above values</b>	

1 - Minimum EDU assignment is shown.

Each property is assigned EDUs based upon such classification of property, and the number of assigned EDUs is multiplied by the Rate per EDU to determine a property's annual sewer service charge. Residential EDUs are based on the number of dwelling units. The method of assignment of commercial EDUs is based on a variety of measures used to estimate the volume of wastewater discharge by type of business, such as building square footage, hotel/motel living units, number of school pupils and number of restaurant seats.

Industry best practice has trended toward volume-based sewer rates for all customers, plus an account servicing charge, or base charge. For administrative practicality, many utilities maintain flat rates per dwelling unit for residential customers and charge commercial customers based on metered water usage. Since sewer contribution is not measured for individual customers, water usage is commonly used as a surrogate for estimated sewer contribution.

The COS analysis indicates that the existing Rate per EDU structure recovers a reasonable share of costs for the residential class. All residential customers are assumed to discharge domestic wastewater strength levels and contribute similar volumes of wastewater to the sewer system. As such, the current Rate per EDU structure suggests a fair method for recovering the costs to serve this class.

Due to the wide disparity in the volume of wastewater and constituent level of sewage strength discharged into the sewer system by the distinct types of commercial properties, a change from the Rate per EDU structure to a volume-based structure for commercial customers may enhance equitable recovery of system costs for this class based on the varying demands placed on the system by type of business. This structure will better align the sewer service charges to the proportionate cost of providing service to categories of commercial customers based on the respective volume and strength of wastewater discharged into the sewer system.

## 4.2 Proposed Sewer Rate Structure

The focus of rate design for this Study is the proposed transition to volume-based sewer rates for commercial customers. Harris suggests that the District consider transitioning to a volume-based sewer rate structure for residential customers as well. The District intends to evaluate residential volume-based sewer rates in the next five-year rate-setting process.

For this Study, a proposed hybrid sewer rate structure was developed for District consideration that (1) maintains the current Rate per EDU for the residential class and (2) modifies the Rate per EDU structure for commercial customers to a volume-based structure incorporating metered water usage and wastewater strength characteristics. Exhibit 4-2 on the following page presents the proposed sewer service charges for FY 2023/24 through FY 2027/28, followed by further description of the proposed charges for each customer class.

**Exhibit 4-2. Proposed Five-Year Sewer Service Charges**

CUSTOMER CLASS	MAXIMUM ANNUAL PROPOSED SEWER SERVICE CHARGES				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Proposed Sewer Rate Adjustment:</b>	<b>Varies for Commercial</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Residential</b>					
A. Occupied Residential - \$/dwelling unit	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
B. Vacant Residential - \$/dwelling unit	\$58.64	\$60.40	\$62.21	\$64.08	\$66.00
<b>Commercial/Industrial Facilities</b>					
A. Occupied Commercial					
<b>1. Base Charge - \$/parcel</b> (includes first 675 cubic feet of water per month)	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
<b>2. Volume Charge - \$/hcf</b> (over 675 cubic feet of water per month)					
<b>Commercial-Low</b>	\$7.04	\$7.26	\$7.47	\$7.70	\$7.93
<b>Commercial-Medium</b>	\$8.95	\$9.22	\$9.50	\$9.78	\$10.08
<b>Commercial-High</b>	\$13.18	\$13.57	\$13.98	\$14.40	\$14.83
B. Vacant Commercial - \$/account	\$80.23	\$82.64	\$85.12	\$87.67	\$90.30

1 - One cubic foot is equivalent to 7.48 gallons. 675 cubic feet is equivalent to 5,049 gallons. Hcf = 100 cubic feet.

#### **4.2.1 Residential Sewer Service Charges**

The proposed sewer service charges retain the current Rate per EDU structure for occupied residential parcels, where the Rate per EDU is applied to the number of dwelling units. No change to the current sewer service charge is proposed for residential customers for July 1, 2023 (FY 2023/24). Beginning July 1, 2024 (FY 2024/25), the sewer service charge for residential customers is proposed to be adjusted annually pursuant to the schedule shown on Exhibit 4-2.

#### **4.2.2 Commercial Sewer Service Charges**

The proposed sewer service charges for commercial customers revise the Rate per EDU methodology to include an annual base charge per parcel that includes recovery of customer-related costs and the first 675 cubic feet of metered water supplied per month (8,100 cubic feet on an annual basis), plus a volume charge per 100 hundred cubic feet (hcf) of water usage over the amount of water included in the base charge.

The commercial base charge is set equal to the residential rate per dwelling unit. The allowance of 675 cubic feet of water per month included in the base charge is consistent with the estimated average annual sewer flow per unit of the residential class. Under this design, the base charge serves as a minimum charge for occupied commercial customers, consistent with the District's current approach of assigning a one (1) EDU minimum for commercial customers. This approach also helps to stabilize the level of annual revenue collections to mitigate material changes in commercial customer water usage in any given year.

A unique volume charge is established for each of three (3) proposed classes of commercial properties (Low, Medium, and High) to recognize the constituent level of sewage strength discharged into the sewer system that is typically generated for the type of business. The base charge per account applies to all occupied commercial properties while the volume charge varies by each commercial wastewater strength class.

A change in the commercial rate structure to the proposed volume-base structure will result in varying levels of decreases and/or increases to individual commercial customer sewer bills for the first year of new rate structure implementation (FY 2023/24). Each customer's sewer bill impact will depend on the current assignment of EDUs for the property as compared to the property's actual metered water usage and the assigned wastewater strength classification under the proposed structure. Beginning July 1, 2024 (FY 2024/25), the sewer service charge for all categories of commercial customers is proposed to be adjusted annually pursuant to the schedule shown on Exhibit 4-2.

#### **4.2.3 Vacant Property Sewer Service Charges**

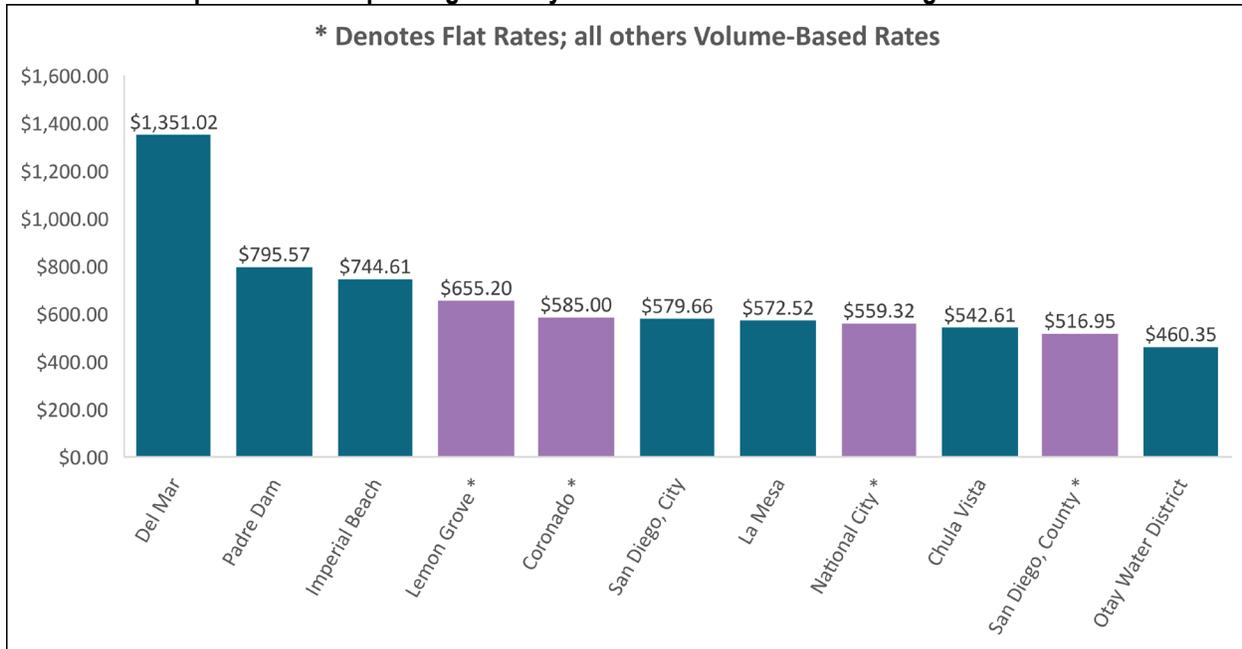
Beginning in FY 2023/24, the proposed sewer service charges for vacant parcels connected to the sewer system will include an annual fixed charge per dwelling unit for residential parcels and a fixed charge per account for commercial parcels to recover fixed sewer system costs incurred regardless of the actual volume or strength of wastewater discharge. Beginning July 1, 2024 (FY 2024/25), the sewer service charge for vacant parcels is proposed to be adjusted annually pursuant to the schedule shown on Exhibit 4-2.

### **4.3 Survey of Sewer Bill Impacts**

Exhibit 4-3 presents a comparison of annual sewer bills for a sample single family residential customer based on 675 cubic feet of water usage/sewer flow per month.

This survey is provided for information only. While it may be interesting to note what other utilities are charging for sewer service, it is important to emphasize that each system should be self-supporting and many other factors could be affecting the level of charges, including size of area, customer base, age of infrastructure, financial performance benchmarks, frequency of rate adjustments, and so on.

**Exhibit 4-3. Comparison of Sample Single Family Residential Annual Sewer Charge**



1 - Current rates from Website research; assumes 675 cubic feet of flow per month

**4.4 Harris’ Principal Assumptions and Considerations**

In preparing this Study report and the opinions and recommendations included herein, Harris has relied on several principal assumptions and considerations regarding financial matters that may occur in the future. This information and assumptions, including the District’s budgets, capital improvement costs, and information from District staff were provided by sources we believe to be dependable, although Harris has not independently verified this data.

While we believe Harris’ use of such information and assumptions is reasonable for the purposes of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results are expected to vary from those projected to the extent that actual future conditions differ from those assumed by Harris or provided to Harris by others.

## Technical Appendix. Detailed Analyses for Five-Year Sanitation District Rate Study

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Technical Appendix can be viewed at: <https://www.lemongrove.ca.gov/city-hall/public-works>  
(click on “2023 Five-Year Sanitation District Rate Study”)



## Application for Review of Annual Sewer Service Charge

Date			
Name			
Address			
City, State, Zip Code			
Phone		Email	
Assessor's Parcel Number (as it appears on your property tax bill)			
Helix Water District Account Number			
No. of Persons in Household		Parcel Size (acres)	

Article III, Section 30.4 of the Lemon Grove Sanitation District Code specifies under what conditions exceptions or adjustments may be made to the annual sewer service charge by the District Engineer or his/her designee. **The applicant is responsible for attaching factual data in support of any claim for an exception or adjustment to this application.** No exception or adjustment will be allowed for charges paid three years or more prior to the date of this application (Section 30.5). This form must be returned to the Lemon Grove Sanitation District, 3232 Main Street, Lemon Grove, CA 91945.

I am requesting an administrative review of my annual sewer service charge for the following reason(s):

- The property discharges a lower strength BOD and SS concentration than the assigned commercial strength classification.
- The percentage of return to sewer is less than the amount calculated due to a substantial portion of the water used for commercial/industrial process, recreational, horticultural, agricultural, or other purposes where water does not enter the sewer system.
- The assigned volume of wastewater does not accurately reflect the actual water usage or volume of wastewater discharged from the property.
- Water is supplied to the property through multiple water meters and one or more water meters do not provide water that is discharged into the sewer system.
- Excessive water consumption is caused by a water leak
- Ownership of the property has changed during the period in which the water consumption for the property was recorded and the amount of water used is not representative of the actual consumption.

I hereby attest that the above information is correct and true:

Applicant Signature	Date:
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For Internal Use Only

Application review ed by:	Title:
Date of review :	
Request for exception/adjustment:	<input type="checkbox"/> Accepted <input type="checkbox"/> Declined
Reason for decline/acceptance:	

Adjusted annual sewer service charge:	Year Adjusted:
Customer notified of judgment by:	<input type="checkbox"/> Mail/Email <input type="checkbox"/> Telephone



## NOTICE OF PUBLIC HEARING: PROPOSED ADJUSTMENTS FOR SEWER SERVICE CHARGE

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THE LEMON GROVE SANITATION DISTRICT ("District"), in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act, hereby gives notice that a public hearing regarding proposed adjustments for sewer service charges will be held on **April 18, 2023, at 6:00 PM** at the Lemon Grove Community Center located at 3146 School Lane in the City of Lemon Grove. The Public Hearing will be for hearing public testimony and receiving written protests on the proposed sewer service charges. At the public hearing, the District may continue the hearing to a future date without further written notice.

The sewer service charge is an annual charge shown on your property tax bill or by direct mail for tax-exempt parcels. On June 1, 2021, the District Board adopted Ordinance No. 32, which established the annual sewer services charges for FY 2021/22. On June 7, 2022, the Board passed Resolution No. 2022-313 to extend the current sewer service charges for FY 2022/23. Any future rate adjustments require compliance with procedures outlined in Article XIID of the California Constitution.

A sewer rate study, "Five-Year Sanitation District Rate Study" ("Study"), was conducted on behalf of the District by Harris & Associates. The Study examined the District's cost of providing sewer services, the sufficiency of revenues generated from current sewer service charges, and the rate structures applied to sewer customers. The proposed adjustments to sewer service charges are based on the findings of the Study as presented to the District Board on January 17, 2023. The Study can be viewed at [www.lemongrove.ca.gov/publicworks](http://www.lemongrove.ca.gov/publicworks) and is also on file and available for public review at the Lemon Grove Sanitation District, Office of the District Clerk, located at 3232 Main Street, Lemon Grove, CA 91945.

This notice includes the proposed schedule of annual sewer service charges for FY 2023/24 through FY 2027/28. Upon conclusion of the public hearing, the District Board will consider the proposed sewer service charges. If the proposed charges are adopted by the District Board, the charges will become effective July 1 of each fiscal year and the charges will be placed on customers' property tax bills or by direct mail for tax-exempt parcels. The proposed sewer service charges cannot exceed the charges adopted by the District Board without providing further written notice to property owners.

This notice provides information on (1) reasons for the sewer service charge adjustments, (2) how sewer service charges are calculated, (3) how customers can receive more information on the effect of the proposed sewer service charges on their sewer bills, and (4) how to file a protest of the proposed sewer service charge adjustments.

## REASONS FOR PROPOSED SEWER SERVICE CHARGE ADJUSTMENTS

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The District is proposing to adjust its sewer service charges. The District's sewer utility is intended to operate as a self-sustaining enterprise, with revenue collections sufficient to support the costs of ongoing operations, required improvements to the system, and repair and replacement of existing sewer system assets. To maintain the balance of annual revenues and expenditures, periodic adjustments to sewer service charges are required.

- The proposed sewer service charge adjustments were developed to help ensure the health and safety of the community and meet regulatory standards, while protecting the District's financial health and charging fair and reasonable rates to customers. The proposed sewer service charge adjustments as shown on Table 3 would allow the District to meet the day-to-day operating costs of utility operations, fund an adequate level of capital investment, and maintain prudent cash reserves. Revenues derived from the District's sewer service charges will be used solely for the actual and necessary expenses of providing sewer service.
- In addition to the overall utility need for sewer service charge adjustments, the District is proposing to revise the current methodology used to calculate the charges for commercial customers. The revised method may result in an increase or decrease in sewer service charges for individual commercial properties depending upon each property's estimated volume of wastewater and constituent levels of sewage strength discharged into the sewer system.

Based on the evaluation of system costs and customer class characteristics for number of customers served and estimated volume and strength of wastewater discharge, the current sewer rate structure generates revenues in line with the costs to serve the residential customer class. No change to the current sewer rate structure, or sewer service charge, is proposed for residential customers for July 1, 2023 (FY 2023/24). Beginning July 1, 2024 (FY 2024/25), the sewer service charge for residential customers is proposed to be adjusted annually pursuant to the schedule shown on Table 3. The proposed change in methodology used to calculate sewer service charges for commercial customers will more closely align the charges to the proportionate cost of providing service to categories of commercial customers based on the respective volume and strength of wastewater discharge. This change in methodology will not increase the total revenue required to be collected for the utility in FY 2023/24 but will re-allocate sewer system cost recovery between classes of customers based on their service characteristics. Following the

restructuring of commercial sewer service charges effective July 1, 2023, the charges for commercial customers are proposed to be adjusted annually beginning July 1, 2024 (FY 2024/25) pursuant to the schedule shown on Table 3.

- Lastly, the District is proposing to implement sewer service charges applicable to vacant residential and commercial properties where sewer service is connected and “readily available” to serve the property. Currently, the District does not charge vacant parcels for sewer service. The proposed charges will recover a fair share of fixed costs incurred to operate and maintain the sewer system regardless of whether the property discharges wastewater into the system.

## HOW SEWER SERVICE CHARGES ARE CALCULATED

### CURRENT SEWER SERVICE CHARGES

The current annual sewer service charge is a Rate per EDU that is determined based upon the classification of type of property, as listed and determined by District Ordinance. Each property is assigned equivalent dwelling units (EDU) based upon such classification of property, and the number of assigned EDUs is multiplied by the Rate Per EDU to determine a property’s annual sewer service charge. Residential EDUs are based on the number of dwelling units. The current method of assignment of commercial EDUs is based on a variety of measures used to estimate the volume of wastewater discharge by type of business, such as building square footage, hotel/motel living units, number of pupils and number of seats. The current annual sewer service charge and assignments of EDUs per property classification are shown on Table 1.

TABLE 1: CURRENT SEWER SERVICE CHARGE (RATE PER EDU):		\$655.20
CLASSIFICATION		EDU
<b>Residential</b>		
Single Family (per dwelling unit)		1.00
Condominium (per dwelling unit)		1.00
Multi-Family (per dwelling unit)		1.00
Mobile Home (per dwelling unit)		1.00
<b>Commercial/Industrial Facilities</b>		
<b>A. FOOD SERVICE ESTABLISHMENTS:</b>		
1. Take-out restaurants with disposable utensils, no dishwasher, and no public restrooms		3.00
2. Miscellaneous food establishments - ice cream/yogurt shops, bakeries (sales on premises only)		3.00
3. (i) Take-out/eat in restaurants with disposable utensils, but with seating and public restrooms <sup>1</sup>		3.00
(ii) Restaurants with re-usable utensils, seating and public restrooms <sup>1</sup>		3.00
One EDU is assigned for each 6-seat unit as follows:		
0 -18 seats <sup>1</sup>		3.00
Each additional 6-seat unit		1.00
<b>B. HOTELS AND MOTELS:</b>		
1. Per living unit without kitchen		0.38
2. Per living unit with kitchen		0.60
<b>C. COMMERCIAL, PROFESSIONAL, INDUSTRIAL BUILDINGS, ESTABLISHMENTS NOT SPECIFICALLY LISTED HEREIN:</b>		
1. Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.		1.20
Each additional 1,000 sq. ft., or portion thereof		0.70
2. Where occupancy type or usage is unknown at the time of application for service		
First 1,000 sq. ft. of gross building floor area		1.20
Each additional 1,000 sq. ft. gross building floor area, or portion thereof		0.70
<b>D. SELF-SERVICE LAUNDRY PER WASHER</b>		
		1.00
<b>E. CHURCHES, THEATERS, AND AUDITORIUMS PER EACH 150 PERSON SEATING CAPACITY, OR PORTION THEREOF</b>		
		1.50
<b>F. SCHOOLS</b>		
1. Elementary schools for 50 pupils or fewer		1.00
2. Junior High Schools for 40 pupils or fewer		1.00
3. High School for 24 pupils or fewer		1.00
Additional EDUs will be prorated based upon the above values		

<sup>1</sup> - Minimum EDU assignment is shown.

### PROPOSED SEWER SERVICE CHARGES

The proposed sewer service charges are based on the findings of the Study. The Study included development of a five-year financial plan to determine the overall annual rate adjustments required to recover the full cost of providing sewer service; the allocation of total utility costs to the various classes of customers based on the relative demands placed on the sewer system; and the design of

sewer rate structures and resulting sewer service charges that produce adequate revenues to recover costs and take into consideration the costs to serve each customer class, State legal guidelines, and District policy goals.

Table 2 lists the types of properties included within the residential class and the proposed new commercial classifications for purposes of imposing the proposed sewer service charges shown Table 3.

TABLE 2: PROPOSED CUSTOMER CLASSES AND WASTEWATER STRENGTH ASSIGNMENT			
Residential (No Change)	Commercial-Low	Commercial-Medium	Commercial-High
(<= 200 mg/l BOD & SS)	(<= 200 mg/l BOD & SS)	(201-400 mg/l BOD & SS)	(401-800+ mg/l BOD & SS)
Single Family	Basic commercial	Bars without dining	Auto steam cleaning
Condominium	Car wash	Commercial laundry	Bakery, wholesale
Multi-Family	Department/retail store	Hotel/motel without dining	Bars with dining
Mobile Home	Hospital/convalescent	Mixed use	Special manufacturing
	Laundromat	Shopping centers/theaters	Hotel/motel with dining
	Light manufacturing	Repair shop/service station	Industrial laundry
	Office building/storage		Supermarket/deli
	Medical/dental/veterinary		Mortuary
	School/college		Restaurant
			Septage hauler

1 – mg/l = milligrams per liter; BOD = biochemical oxygen demand; SS = suspended solids

2 – For commercial/industrial property types not listed in the table above, the Lemon Grove District Engineer will determine the appropriate classification

The proposed sewer service charges for FY 2023/24 through FY 2027/28 are shown on Table 3. The proposed sewer service charges retain the current Rate per EDU structure for residential parcels, where the Rate per EDU is applied to number of dwelling units. No change to the current sewer service charge is proposed for residential parcels for July 1, 2023 (FY 2023/24). Beginning July 1, 2024 (FY 2024/25), the sewer service charge for residential parcels will be adjusted annually pursuant to the schedule shown on Table 3.

The proposed sewer service charges for commercial/industrial customers revise the Rate per EDU methodology to include an annual base charge per parcel that includes recovery of customer-related costs and the first 675 cubic feet of metered water supplied per month (8,100 cubic feet on an annual basis), plus a volume charge per 100 hundred cubic feet (Hcf) of water over the amount of water included in the base charge. Three (3) classes of commercial properties (Low, Medium, and High) are proposed to recognize the constituent level of sewage strength discharged into the sewer system that is typically generated for the type of business. The base charge per account applies to all occupied commercial properties while the volume charge varies by each commercial class.

The proposed sewer service charges for vacant parcels connected to the sewer system include an annual fixed charge per dwelling unit for residential parcels and a fixed charge per account for commercial parcels to recover fixed utility costs incurred regardless of the actual volume or strength of wastewater discharge.

TABLE 3: PROPOSED SEWER SERVICE CHARGES BY PROPERTY CLASSIFICATION					
CLASSIFICATION	Maximum Annual Proposed Sewer Rates				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Proposed Sewer Rate Adjustment:</b>	Varies for Commercial	3.00%	3.00%	3.00%	3.00%
<b>Residential</b>					
A. Occupied Residential - \$/dwelling unit	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
B. Vacant Residential - \$/dwelling unit	\$58.64	\$60.40	\$62.21	\$64.08	\$66.00
<b>Commercial/Industrial Facilities</b>					
<b>A. Occupied Commercial</b>					
1. Base Charge - \$/parcel (Includes first 675 cubic feet of water per month)	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
2. Volume Charge - \$/Hcf (over 675 cubic feet of water per month)					
Commercial-Low	\$7.04	\$7.26	\$7.47	\$7.70	\$7.93
Commercial-Medium	\$8.95	\$9.22	\$9.50	\$9.78	\$10.08
Commercial-High	\$13.18	\$13.57	\$13.98	\$14.40	\$14.83
B. Vacant Commercial - \$/account	\$80.23	\$82.64	\$85.12	\$87.67	\$90.30

1 – One cubic foot is equivalent to 7.48 gallons. 675 cubic feet is equivalent to 3,049 gallons. Hcf represents 100 cubic feet of water.

Individual commercial sewer bills for FY 2023/24 will be calculated based on each parcel's FY 2020/21 actual bi-monthly metered water usage supplied by the Helix Water District. Sewer bills in subsequent fiscal years will be calculated based on each parcel's actual bi-monthly metered water usage for the prior fiscal year.

The impact on individual commercial sewer bills for the first year of the restructured commercial sewer service charges (FY 2023/24) will vary, either up or down, depending on the type of property and actual metered water usage in comparison to each customer's assigned EDU under the current rate methodology. During the remaining four years, the charges will incorporate the overall rate adjustments of 3.00% per year applied to the restructured commercial rates. Individual commercial customer bills will vary from year to year depending on their annual metered water usage.

Where metered water usage is unavailable for a parcel connected to the sewer system (and for parcels newly connected), the volume of sewer discharge for the parcel will be estimated to be the average volume of sewer discharge for parcels of the same commercial property classification.

## HOW TO FIND OUT MORE ABOUT THE PROPOSED SEWER RATE ADJUSTMENTS

The Study can be viewed at [www.lemongrove.ca.gov/publicworks](http://www.lemongrove.ca.gov/publicworks) and is also on file and available for public review at the Lemon Grove Sanitation District, Office of the District Clerk, located at 3232 Main Street, Lemon Grove, CA 91945. This notice can be viewed in additional languages at [www.lemongrove.ca.gov/publicworks](http://www.lemongrove.ca.gov/publicworks). To receive more information or for additional questions about the proposed sewer service charge adjustments, please contact the Public Works Director at (619) 825-3814 or via email at [imurguia@lemongrove.ca.gov](mailto:imurguia@lemongrove.ca.gov).

## COMMENTS AND WRITTEN PROTEST

Any property owner that is a part of the District's sewer service or customer that receives sewer services from the District, may submit a written protest to the proposed adjustments to the sewer service charges. Only one protest will be counted per identified parcel. Each protest must (1) be in writing; (2) state that the identified property owner is in opposition to the proposed sewer service charges; (3) provide the location of the identified parcels (by assessor's parcel number or street address); and (4) include the original signature of the property owner submitting the protest.

Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the District Clerk, or at the Public Hearing, so long as it is received prior to the conclusion of the Public Hearing. Please identify on the front of the envelope for any protest, whether mailed or submitted in-person to the District Clerk, that the enclosed letter is for the Public Hearing on the Proposed Sewer Service Charges.

Written protests will be tabulated pursuant to procedures adopted by the District Board. If, at the conclusion of the Public Hearing, written protests received regarding the proposed adjustments to the sewer service charges are not presented by a majority (50% plus 1) of the identified parcels upon which they are proposed to be imposed, the District Board will be authorized to adopt the proposed sewer service charges.

You are hereby notified, pursuant to Government Code, section 53759, that any judicial action or proceeding to attack, review, set aside, void, validate, or annul the City Council's adoption of the proposed sewer rates or to challenge a new, increased, or extended sewer rate or charge must be commenced within 120 days of the effective date or of the date of the final passage, adoption, or approval of the ordinance or resolution adopting the sewer rates.

<b>Prior to the Public Hearing, please mail or hand-deliver written protests to:</b>	<b>You may also hand-deliver written protests at the Public Hearing, to be held at:</b>
Lemon Grove Sanitation District Office of the District Clerk RE: PUBLIC HEARING ON PROPOSED SEWER SERVICE CHARGES 3232 Main Street Lemon Grove, CA 91945	Lemon Grove Community Center April 18, 2023, at 6:00 PM 3146 School Lane Lemon Grove, CA 91945



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

**Item No.** Item 3

**Meeting Date:** April 18, 2023

**Submitted to:** Honorable Mayor and Members of the City Council

**Department:** Community Development Department

**Staff Contact:** Bill Chopyk, Interim Community Development Manager

[bchopyk@lemongrove.ca.gov](mailto:bchopyk@lemongrove.ca.gov)

**Item Title:** **Public Hearing to Consider an Appeal of the Community Development Manager's Decision to Deny Minor Use Permit MUP-220-0004, a Request for Early Separation Findings for a Regulated Use (Medical Marijuana Dispensary) at 6925 – 6935 North Avenue in the General Commercial Zone.**  
**APN 479-013-03-00**

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### **Recommended Action:**

- 1) Conduct the Public Hearing;
- 2) Receive Public Comment; and
- 3) Adopt a Resolution (**Attachment A**) denying an Appeal of the Community Development Manager Decision to deny Minor Use Permit (MUP) MUP-220-0004 for early separation findings in accordance with Lemon Grove Municipal Code (LGMC) Section 17.28.0020 (O) for a proposed medical marijuana dispensary (MMD) at 6925-6935 North Avenue in the General Commercial (GC) zone.

### **Background:**

On September 12, 2022, the Applicant, Pick Axe Holdings LLC, submitted a MUP application (**Attachment B**) for early separation findings for a proposed MMD at 6925-6935 North Avenue. On November 10, 2022, the Community Development Manager (CDM) provided a letter of denial (**Attachment C**) based on the proposed location not meeting the 1000-foot separation requirement from three small family daycare homes. On November 14, 2022, the applicant submitted an Appeal application (**Attachment D**).

The Applicant/Appellant is requesting a City Council hearing to overturn the CDM decision based on a previous Council determination as described in the Appeal Application (Attachment D) as follows:

“This is being appealed because on September 19, 2017 Lemon Grove City Council determined that no licensed daycare centers were within 1000-feet of 6915 North Avenue as measured by the method established under Lemon Grove Municipal Code Section 17.32.090 (B), when City Council considered the unique location of the proposed regulated use and two cumulative impediments located between the protected use and proposed use. City Council found North Avenue property borders a freeway on-ramp, which, due to its unique location partially between North Avenue property and protected uses, can be considered an artificial constructed barrier under LGMC 17.32.090 (B), requiring a person to alter their path between the two locations.”

On June 1, 2017, the Applicant previously submitted a similar Zoning Clearance (ZC) application to seek approval to apply for a Conditional Use Permit (CUP) for a MMD at 6915-35 North Avenue on the same parcel (APN 479-013-03-00). On June 13, 2017, the Development Services Director denied the application (ZC1-700-0016) because the proposed location of the MMD would be within 1000-feet of three State-licensed small family daycares. The applicant subsequently appealed that decision. The appeal hearing was held at the September 19, 2017 City Council meeting. During deliberations on separation findings at 6915 North Avenue it was made clear by the City Council that this Council’s determination in this particular case would not bind the City in future decisions or set a precedent for future development proposals. At the direction of the City Council, a Resolution to overturn the Director’s decisions and grant the appeal was adopted at the October 3, 2017, City Council meeting in Resolution No. 2017-3539 (**Attachment E**).

In the measurement of distance according to LGMC 17.32.090 (B) staff did not analyze natural topographical barriers and constructed barriers such as freeways or flood control channels because there are no freeways or flood control channels located between the project site and the family daycare protected uses. Thus, staff relied upon the literal 1000-foot straight-line distance measurement.

The Cannabis dispensary regulations in Lemon Grove Municipal Code (LGMC) Section 17.32.090 (B) Distance Requirements state:

“The measurement of distance between uses will take into account natural topographical barriers and constructed barriers such as freeways or flood control channels that would impede direct physical access between the uses. In such cases, the separation distance shall be measured as the most direct route around the barrier in a manner that establishes direct access.”

## **Discussion:**

The subject property is a 0.53 acre, triangular shaped lot located on the northwest corner of the Broadway and North Avenue intersection with two driveway access points on North Avenue. The property contains a multi-tenant shopping center that currently includes Sandiegocarforsale.com. Gold Coast Motors used car lot, Rubens TV Repair, Dapper B's Barbershop, Pro-Massage, and Fast Ride Moto motorcycle shop. A large billboard on the northwest corner of the property overshadows the site. The site borders the 94 freeway and a 94-freeway on-ramp and slopes downward toward North Avenue along the eastern-asphalted slope.

The Applicant is seeking approval of a MUP to allow the submittal of a CUP for a MMD as described on the MUP application (**Attachment B**) as follows:

“The proposed project consists of an existing single story commercial building with an approximate square footage of 2,156 sf to be converted into a medical marijuana dispensary. This is an application for development permit located at 6925-6935 North Ave, Lemon Grove, CA 91945. The scope of the project is to include interior remodel of the existing structure with non-loadbearing walls; Site modifications to include parking lot re-striping, pedestrian access from the parking lot and existing right of way and miscellaneous site improvements such as lighting, fencing, and security cameras.”

LGMC 17.28.020 (O) states that the sole purpose of an MUP for Early Separation Findings is to determine if an application meets or does not meet separation requirements. No other approval may be granted as part of this this permit type. The finding is valid for up to one year.

LGMC Section 17.32.090 (B) requires that dispensaries (regulated use) not be located within 1000-feet of (protected uses) public parks, playgrounds, licensed day care facilities, schools, and licensed alcohol and substance abuse treatment centers. It also requires that dispensaries not be located within 1000-feet of another dispensary. These measurements are made between the closest property lines of the regulated use and protected uses.

Staff reviewed the MUP application to determine if the proposal met the 1000-foot separation distance requirements specified in LGMC 17.32.090 (B). In order to identify the location of protected uses, staff relied upon on a variety of resources including, but not limited to, knowledge of the City, site inspections, aerial satellite imagery, website searches, and licensing agencies. On November 1, 2022, staff received a confidential list of licensed day care facilities from the Department of Social Services (DSS) subject to the provision that the list be kept confidential. The DSS list showed three licensed small daycare facilities located within 1,000 feet of the subject property. Staff utilized a GIS program to measure the closest property lines of the subject property and three identified

small licensed daycare facilities (**Attachment F**) and found the following distances separating the properties:

- 7102 Westview Place 825 feet
- 7106 Westview Place 861 feet
- 7110 Westview Place 931 feet

The Community Development Manager denied MUP-220-0004 because the subject property did not meet the strict distance requirements specified in LGMC 17.32.090 (B) (2) that requires dispensaries not be located within 1000-feet of licensed daycare facilities, a “protected use”. LGMC Section 17.32.090 (B) (2) further states: “The measurement of distance between uses will take into account natural topographical barriers and constructed barriers such as freeways or flood control channels that would impede direct physical access between the uses. In such cases, the separation distance shall be measured as the most direct route around the barrier in a manner that establishes direct access”.

Staff’s measurement was based on a 1000-foot straight-line radius from the property line of the project site. The measurement did not consider topographical or built barriers when measuring distances between properties. Westview Place is approximately 25-feet above the elevation of the project site with a vegetated slope and fencing separating the protected uses from the proposed MMD site. The actual walking/driving distance from the protected uses on Westview Place to 6925-35 North Avenue is 0.6 miles or 3,168-feet.

**Required Findings:**

Municipal Code Section 17.28.052 C. requires that the following findings be made to approve a MUP:

1. The *use* is compatible with the neighborhood or the community;
2. The *use* is not detrimental to the health, safety, convenience or general welfare of persons residing or working in the vicinity;
3. The *use* complies with performance standards according to Section 17.24.080;
4. The *use* is consistent with the applicable provisions of the particular zoning district and with the policies and standards of the *general plan*.

In addition to the findings required for the granting of a MUP by Section 17.28.052 C., the decision-making authority shall consider the following:

- A. Whether the approval of the proposed use will violate the minimum requirements set forth in this chapter for distance separations between establishments which dispense, process or cultivate cannabis; and separations between establishments which dispense, process or cultivate cannabis and other specific regulated or protected land uses as set forth in this chapter.
- B. Whether the proposed use complies with Title 17 of the Lemon Grove Municipal Code. (Ord. 458 § 2, 2021; Ord. 443 § 1, 2016)

**Findings made by staff:**

The CDM decision is based on the following findings and determinations:

1. *The use is compatible with the neighborhood or the community.*

No use is authorized with this MUP application submitted pursuant to 17.28.020(O). The proposed use as a MMD requires application for a CUP, the approval of which requires the applicant to demonstrate compliance with all applicable provisions of the Municipal Code and will be subject to site-specific conditions of approval to ensure that the site is compatible with the neighborhood or community to the greatest extent practicable.

2. *The use is not detrimental to the health, safety, convenience or general welfare of persons residing or working in the vicinity.*

No use is authorized with this MUP application submitted pursuant to 17.28.020(O). The proposed use as a MMD requires application for a CUP, the approval of which requires the applicant to demonstrate compliance with all applicable provisions of the Municipal Code and will be subject to site specific conditions of approval to ensure the use is not detrimental to the health, safety, convenience or general welfare of persons residing or working in the vicinity to the greatest extent practicable. Environmental impacts associated with the project will be assessed and mitigated, if necessary, pursuant to the California Environmental Quality Act (CEQA) review of the CUP application.

3. *The use complies with performance standards according to Section 17.24.080.*

No use is authorized with this MUP application submitted pursuant to 17.28.020(O). The proposed use as a MMD requires application for a CUP, the approval of which requires the applicant to demonstrate compliance with applicable performance standards in Section 17.24.080 of the Municipal Code, including, but not limited to: noise, glare, traffic circulation and parking, waste, and fire hazards.

4. *The use is consistent with applicable provisions of the particular zoning district and with policies and standards of the general plan.*

No use is authorized with this MUP application submitted pursuant to 17.28.020(O). The proposed use as a MMD requires application for a CUP, the approval of which requires the applicant to demonstrate compliance with applicable provisions of the particular zoning district and with policies and standards of the general plan.

5. A. *Whether the approval of the proposed use will violate the minimum requirements set forth in this chapter for distance separations between establishments which dispense, process or cultivate cannabis; and separations between establishments which dispense, process or cultivate cannabis and other specific regulated or protected land uses as set forth in this chapter.*

The proposed location for a MMD at 6925-35 North Avenue would violate the minimum distance separations between MMD establishments and other protected uses. Staff identified small family daycare uses on Westview Place within 1000-feet of the project site. Thus, staff could not make this finding in the affirmative.

5. B. *Whether the proposed use complies with Title 17 of the Lemon Grove Municipal Code. (Ord. 458 § 2, 2021; Ord. 443 § 1, 2016).*

No use is authorized with this MUP application. The proposed use as a MMD requires application for a CUP, the approval of which requires the applicant to demonstrate compliance with Title 17 of the Municipal Code.

**Conclusion:**

The City Council must make the MUP findings as stated above in order to approve or deny the Appeal. Staff could not make Finding 5.A in the affirmative. The City Council may deny the Appeal and deny MUP-220-0004. Alternately, the Council may approve the Appeal and approve MUP-220-0004.

If the Appeal is denied, the CDM’s denial of MUP-220-0004 would be upheld. If the Appeal is approved, the Applicant would be eligible to submit a CUP application for a MMD that would require City Council action at a future public hearing.

**Environmental Review:**

- Not subject to review
- Negative Declaration
- Categorical Exemption, Section |            |
- Mitigated Negative Declaration

The purpose of the MUP is for the sole purpose of determining if a MMD at 6925-35 North Avenue meets separation distance requirements. The proposed MUP for Early Separation Findings is not subject to Environmental Review under CEQA because it does not constitute a project as defined by Section 15378 of the CEQA Guidelines.

**Fiscal Impact:** None

**Public Notification:**

Notice of the Public Hearing was given in compliance with LGMC Section 17.28.020(F). On April 7, 2023, a Notice of Public Hearing was published in the San Diego Union Tribune and mailed to all property owners within 1000-feet of the subject property.

**Staff Recommendation:**

- 1) Conduct the public hearing;
- 2) Receive Public Comment; and
- 3) Adopt a Resolution (Attachment A) denying an Appeal of the Community Development Manager Decision to deny Minor Use Permit MUP-220-0004 for early separation findings in accordance with Lemon Grove Municipal Code Section 17.28.0020 (O) for a proposed medical marijuana dispensary at 6925-6935 North Avenue.

**Attachments:**

**Attachment A** – Draft Council Resolution

**Attachment B** – MUP Application

**Attachment C** – CDM Letter of Denial

**Attachment D** – Appeal Application

**Attachment E** – Resolution No. 2017-3539

**Attachment F** – GIS 1000-foot Radius Map

**Attachment A**

**RESOLUTION NO. 2023-**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA, DENYING AN APPEAL OF THE COMMUNITY DEVELOPMENT MANAGER DECISION TO DENY MINOR USE PERMIT MUP-220-0004 FOR EARLY SEPARATION FINDINGS IN ACCORDANCE WITH SECTION 17.28.020(O) FOR A PROPOSED MEDICAL MARIJUANA DISPENSARY AT 6925-6935 NORTH AVENUE, LEMON GROVE, CALIFORNIA.**

*WHEREAS, the California voters approved Proposition 215 in 1996 to ensure that seriously ill Californians have the right to obtain and use cannabis for medical purposes and to encourage elected officials to implement a plan for the safe and affordable distribution of medicine; and*

*WHEREAS, the California State Legislature adopted Senate Bill 420, the Medical Marijuana Program Act, in 2003 to help clarify and further implement Proposition 215 in part by authorizing patients and Primary caregivers to associate within the State of California in order to collectively or cooperatively cultivate cannabis for medical purposes; and*

*WHEREAS, the California State Legislature adopted Assembly Bill 243, Assembly Bill 266, and Senate Bill 643, collectively known as the Medical Marijuana Regulation and Safety Act, in 2015 to establish a statewide regulatory framework and establish the Bureau of Medical Marijuana Regulation for the regulation of medical marijuana activity occurring in jurisdictions across California; and*

*WHEREAS, on November 8, 2016, voters in the City of Lemon Grove passed Measure V, an initiative removing the City's prohibition of medical marijuana dispensaries and establishing performance standards and a permit process by which medical marijuana dispensaries (MMDs) may be established which is codified as Chapter 17.32 in the Lemon Grove Municipal Code (LGMC); and*

*WHEREAS, LGMC Section 17.32.090(B) establishes the distance requirements between dispensaries (including MMDs) as a regulated use and protected land uses, including public parks, playgrounds, licensed day care facilities, schools and alcohol and substance abuse treatment centers as defined in the LGMC; and*

**WHEREAS**, the Applicant, Pick Axe Holdings LLC, submitted a Minor Use Permit (MUP) application on September 12, 2022 for early separation findings. On November 10, 2022 the Community Development Manager (CDM) denied MUP-220-0004; and

**WHEREAS**, an appeal of the CDM decision to deny MUP-220-0004 was filed by the Applicant, Pick Axe Holdings LLC (Appellant) on November 14, 2022; and

**WHEREAS**, Notice of the Public Hearing was given in compliance with LGMC Section 17.28.020(F). On April 7, 2023, a Notice of Public Hearing was published in the San Diego Union Tribune and mailed to all property owners within 1,000 feet of the subject property; and

**WHEREAS**, on April 18, 2023, City Council held a duly noticed public hearing to consider the appeal of the CDM decision to deny Minor Use Permit application MUP-220-0004; and

**WHEREAS**, all findings outlined in LGMC 17.28.050(C) and 17.32.080 must be made in order for the City Council to approve the appeal and approve the request for a Minor Use Permit for Early Separation Findings; and

**WHEREAS**, if all findings outlined in LGMC 17.28.050(C) and 17.32.080 cannot be made then the City Council must deny the Appeal and deny the request for a Minor Use Permit for Early Separation Findings; and

**WHEREAS**, the City Council determined that finding 5.A. outlined in LGMC Section 17.38.080 cannot be made and provided its reasoning as follows:

5. A. Whether the approval of the proposed use will violate the minimum requirements set forth in this chapter for distance separations between establishments which dispense, process or cultivate cannabis; and separations between establishments which dispense, process or cultivate cannabis and other specific regulated or protected land uses as set forth in this chapter.

The proposed location for a MMD at 6925-35 North Avenue would violate the minimum distance separations between MMD establishments and other protected uses. Three small family daycare uses (protected uses) were identified on Westview Place

within 1000-feet of the project site. Thus, this finding cannot be made in the affirmative;  
and

**WHEREAS**, the minor use permit is proposed for the sole purpose of determining if a MMD at 6925-35 North Avenue meets separation distance requirements. The proposed minor use permit for Early Separation Findings is not subject to Environmental Review under the California Environmental Quality Act (CEQA) because it does not constitute a project as defined by Section 15378 of the CEQA Guidelines.

**NOW, THEREFORE, INCORPORATING THE ABOVE STATEMENTS HEREIN AND BASED ON THE RECORD OF THE PROCEEDING, BE IT RESOLVED** that the City Council of the City of Lemon Grove, California, hereby denies the Appeal of the Community Development Manager's decision to deny Minor Use Permit MUP-220-0004 to establish early separation findings for a MMD at 6925-35 North Avenue, thereby denying Minor Use Permit MUP-220-0004, based on the findings above.

**PASSED AND ADOPTED** on \_\_\_\_\_, 2023, the City Council of the City of Lemon Grove, California, adopted Resolution No. \_\_\_\_\_, passed by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

---

**Racquel Vasquez, Mayor**

**Attest:**

---

**Deborah Harrington, City Clerk**

***Approved as to Form:***

---

***Kristen Steinke, City Attorney***



# PLANNING PERMIT APPLICATION

Development Services Department / Planning Division  
 3232 Main Street, Lemon Grove, CA 91945  
 Phone: 619-825-3805 Fax: 619-825-3818  
 www.lemongrove.ca.gov

## APPLICATION REQUEST- SELECT ALL THAT APPLY – (SUBJECT TO OTHER PERMIT REQUIREMENTS)

- |  |   |
|--|---|
| <input type="checkbox"/> Zoning Clearance (ZC)               | <input type="checkbox"/> Tentative Parcel Map (TPM) - 4 or fewer lots |
| <input type="checkbox"/> Pre-Application (PA)                | <input type="checkbox"/> Certificate of Compliance (CC)               |
| <input checked="" type="checkbox"/> Minor Use Permit (MUP)   | <input type="checkbox"/> Zoning Amendment (ZA)                        |
| <input type="checkbox"/> Conditional Use Permit (CUP)        | <input type="checkbox"/> Specific Plan Amendment (SPA)                |
| <input type="checkbox"/> Planned Development Permit (PDP)    | <input type="checkbox"/> General Plan Amendment (GPA)                 |
| <input type="checkbox"/> Minor Modification (MM)             | <input type="checkbox"/> Modification of _____                        |
| <input type="checkbox"/> Variance (VA)                       | <input type="checkbox"/> Time Extension for _____                     |
| <input type="checkbox"/> Boundary Adjustment/Lot Merger (BA) | <input type="checkbox"/> Appeal of _____                              |
| <input type="checkbox"/> Tentative Map (TM) - 5 or more lots | <input type="checkbox"/> Substantial Conformance Review of _____      |
| <input type="checkbox"/> Other                               |   |

<b>APPLICANT:</b>	Christopher O'Neal Williams	<b>PHONE:</b>	(619) 847-8264
<b>ADDRESS:</b>	8260 Broadway	<b>FAX:</b>	
	Lemon Grove, CA 91945	<b>EMAIL:</b>	chris@xmgmedia.com

<b>PROPERTY OWNER:</b>	MATTAR FAMILY TRUST OF 1990	<b>PHONE:</b>	
<b>ADDRESS:</b>	4395 Alta Mira Dr.	<b>FAX:</b>	
	La Mesa CA. 91941	<b>EMAIL:</b>	

<b>CONTACT PERSON:</b>	Christopher Williams	<b>PHONE:</b>	619-847-8264
<b>ADDRESS:</b>	8260 Broadway	<b>FAX:</b>	
	Lemon Grove, CA 91945	<b>EMAIL:</b>	chris@xmgmedia.com

\*If applicant or property owner is a trust, partnership, or corporation, please attach record(s) of ownership listing all trustees, partners, or officers, as applicable.

<b>PROJECT NAME:</b>	NORTH AVE. MMD		
<b>PROJECT ADDRESS:</b>	6925-6935 North Ave, Lemon Grove, CA. 91945		
<b>ASSESSOR PARCEL #:</b>	479-013-03-00	<b>SITE ACREAGE:</b>	

**DETAILED DESCRIPTION OF PROPOSED PROJECT USE, STRUCTURE, AND IMPROVEMENT:**

The proposed project consists of an existing single story commercial building with an approximate square footage of 2,156 sq to be converted into a medical marijuana dispensary. This is an application for development permit located at 6925-6935 North Ave, Lemon Grove, CA 91945. The scope of the project is to include interior remodel of the existing structure with non-loadbearing walls; Site modifications to include parking lot re-stripping, pedestrian access from the parking lot and existing right of way and miscellaneous site improvements such as lighting, fencing, and security cameras.

**APPLICANT CERTIFICATION:**

I hereby certify that the statements furnished in this application and in the supplemental materials present the data and information required for this project to the best of my ability, and that the facts, statements, and information presented are true and correct to the best of my knowledge. In addition, I grant permission to the City of Lemon Grove to reproduce submitted materials, including but not limited to plans, exhibits, photographs, and studies for distribution to staff, Planning Commission, City Council and other agencies in order to process this application.

Signature: *C. Williams*

Date: *June 3, 2022*

Name (please print): *Christopher Williams*

Phone: *(619) 847 8264*

**CONSENT BY PROPERTY OWNER**

If applicant is other than property owner, owner must sign consent to filing. Attach additional sheets if necessary. If property owner is a corporation or trust, a designee authorization letter is required.

I/We, as the owner(s) of the subject property, consent to the filing of this application. We further consent and hereby authorize City representative(s) to enter upon my property for the purpose of examining and inspecting the property in preparation of any reports and/or required environmental review for the processing of the application.

Signature: *Doris Mattar*

Date: *June 3, 2022*

Name (please print): *Doris Mattar*

Phone: *619 466-1384*

Signature:  
Name (please print):

Date:  
Phone:

**Note: This application being signed under penalty of perjury and does not require notarization.**

**TO BE COMPLETED BY PLANNING STAFF**

**APPLICATION PROCESSING:**

FILE #(s):

ACTION:

DATE: *9-12-22*

APPROVED       DISAPPROVED

FEES: *500*      RECEIPT #: *45310*

CONDITIONALLY APPROVED (See Below)

ZONE:

LAND USE DESIGNATION:

COMMENTS and/or CONDITIONS:



**CITY OF LEMON GROVE**  
Community Development Department

"Best Climate On Earth"

November 10, 2022

Christopher O'Neal Williams  
8260 Broadway  
Lemon Grove, CA 91945

Mattar Family Trust of 1990  
4395 Alta Mira Drive  
La Mesa, CA 91941

**SUBJECT: Denial of Minor Use Permit No. MUP-200-0004 for Early Separation Findings at 6925-6935 North Avenue, Lemon Grove (APN: 479-013-03-00)**

Dear Mr. Williams,

On September 12, 2022, staff received the subject application to establish a medical marijuana dispensary (MMD) at the subject property in the City of Lemon Grove. The application has been denied for the following reasons, which may not be all inclusive:

- The property is located within 1,000 feet of a State-licensed small family daycare home.

In order for staff to process a conditional use permit application for a MMD, the application must include all of the information required by Chapter 17.32 of the Lemon Grove Municipal Code, as well as the items listed on the City's MMD Planning Permit Checklist. Additionally, the location of the proposed MMD must comply with the zoning requirements and distance restrictions contained within Chapter 17.32.

Zoning requirements found in 17.32.090B2 require that dispensaries not be located within one thousand feet of the closest property lines of the premises of licensed day care facilities. Department of Social Service records indicate that there are three small family daycare homes that are licensed to operate on Westview Place that are within 1,000 feet of the proposed dispensary.

Staff's decision to deny this application may be appealed to the Lemon Grove City Council pursuant to Lemon Grove Municipal Code, Section 17.28.020(I). Appeals must be filed in writing within 10 calendar days of the date on this denial letter and must include an initial filing deposit of \$1,000. The actual appeal cost would be based on staff processing time. Appeals must be filed using forms provided by the Development Services Department.

If any of the required items above are missing, or if the proposed location does not meet the zoning requirements and distance restrictions, then staff cannot process a conditional use permit application. Please review the requirements of Chapter 17.32 and the MMD

November 10, 2022

Page 2

Planning Permit Checklist prior to submitting another application. Please also verify that the site chosen meets the distance restrictions established by Chapter 17.32.

Thank you,



Michael Fellows, AICP



# APPEAL APPLICATION & REQUEST FOR PUBLIC HEARING

Community Development Department / Planning Division  
3232 Main Street, Lemon Grove, CA 91945  
Phone: 619-825-3805 Fax: 619-825-3818  
www.ci.lemon-grove.ca.us

APPLICANT: Pick Axe Holdings LLC. PHONE: 619-384-3171  
ADDRESS: 6925-6935 North Ave, Lemon Grove, CA 91945 FAX:  
EMAIL: chris@xmgmedia.com

CASE/PROJECT NUMBER: MUP-200-0004

DECISION /CONDITIONS OF APPROVAL BEING APPEALED (INCLUDE CONDITION ITEM NUMBERS):  
Location of the proposed MMD must comply with the zoning requirements and distance restrictions contained within chapter 17.32.  
Zoning requirements found in 17.32.090B2 require that dispensaries not be located within one thousand feet of the closest property lines of the premises of licensed day care facilities. Department of social service records indicate that there are three small family daycare homes that are licensed to operate on Westview Place that are within 1,000 feet of the proposed dispensary.

SPECIFIC REASON(S) FOR APPEAL OR REQUEST FOR PUBLIC HEARING:  
This is being appealed because on September 19, 2017 Lemon Grove City Council determined that no licensed daycare centers were within 1,000 feet of 6915 North Avenue as measured by the method established under Lemon Grove Municipal code section 17.32.090 (B), when city council considered the unique location of the proposed regulated use and two cumulative impediments located between the protected use and proposed use. City council found North Avenue property borders a freeway onramp, which, due to its unique location partially between North Avenue property and protected uses, can be considered an artificial constructed barrier under LGMC section 17.32.090(B), requiring a person to alter their path between the two locations. Attach additional sheets if necessary.

Pick Axe Holdings LLC  Agent of Pick Axe Holdings LLC 11/14/2022  
Applicants Signature Date

### TO BE COMPLETED BY PLANNING STAFF

FILE #(s):  
DATE:  
FEES: RECEIPT #:

COMMENTS and/or CONDITIONS:

app # : 0038597  
→ changed over to a permit in Spring brook

RESOLUTION NO. 2017- 3539

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE APPROVING  
AN APPEAL OF A ZONING CLEARANCE DENIAL ALLOWING THE APPLICANT TO  
APPLY FOR A CONDITIONAL USE PERMIT SEEKING TO ESTABLISH A MEDICAL  
MARIJUANA DISPENSARY AT 6915 NORTH AVENUE (ZC1-700-0016),  
LEMON GROVE, CALIFORNIA

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**WHEREAS**, on November 8, 2016, voters in the City of Lemon Grove passed Measure V, an initiative removing the City's prohibition of medical marijuana dispensaries and establishing performance standards and a permit process by which medical marijuana dispensaries may be established; and

**WHEREAS**, Measure V, includes the adoption of Lemon Grove Municipal Code Chapter 17.32 (Medical Marijuana Regulations) which prohibits the establishment of medical marijuana dispensaries within 1,000 feet of certain protected uses, as specifically codified in Lemon Grove Municipal Code Section 17.32.090(B), including licensed daycare facilities; and

**WHEREAS**, Measure V states "measurement is made between the closest property lines of the premises in which the regulated uses and protected uses are located." Measure V further states "the measurement of distance between uses will consider natural topographical barriers and constructed barriers such as freeways or flood control channels that would impede direct physical access between the uses. In such cases, the separation distance shall be measured as the most direct route around the barrier in a manner that establishes direct access." Measure V only references freeways and flood control channels as examples of constructed barriers. A freeway is defined as "an express highway, especially one with controlled access." Flood control is defined as "the act or technique of controlling river flow with dams, dikes, artificial channels, etc., to minimize the occurrence of floods." Examples of constructed barriers only include major linear obstructions traversing for miles where pedestrian access is prohibited or severely limited; and

**WHEREAS**, City staff requested and obtained a confidential list of licensed family daycare homes from the California Department of Social Services; and

**WHEREAS**, to obtain the confidential list of family daycare homes, City of Lemon Grove staff agreed to keep the information confidential as required by the State of California Department of Social Services; and

**WHEREAS**, on March 13, 2017, the City received a confidential list from the California Department of Social Services noting that such facilities are within 1,000 feet of 6915 North Avenue when measured by direct line between the regulated and protected properties; and

**WHEREAS**, on June 1, 2017, after being informed verbally by City staff that the subject property was within 1,000 feet of a licensed daycare facility, and that submittal of a zoning clearance application would result in a denial, the appellant (Christopher O. Williams) filed ZC1-700-0016, an application to apply for a conditional use permit to establish a MMD at 6915 North Avenue, Lemon Grove, CA; and

**WHEREAS**, on June 13, 2017, the Development Services Director denied ZC1-700-0016 because the proposed project site is located within 1,000 feet of a State-licensed daycare facility; and

**WHEREAS**, on June 21, 2017, Pick Axe Holdings, LLC, filed an administrative appeal of the Director's decision (AA1-700-0004). The Appeal was treated as an appeal by Christopher O. Williams, in that Pick Axe Holdings was not the applicant and could not file the appeal. The Appeal stated that the denial letter does not state the licensed daycare home and therefore has not put the applicant on notice for the reason for denial there are no schools or licensed day care facilities within 1,000 feet of the subject property; and

**WHEREAS**, Government Code Section 6254.5(e) of the California Public Records Act specifically exempts government agencies from the requirement to disclose confidential information that was shared between agencies under an agreement to maintain the confidentiality of said information; and

**WHEREAS**, City staff disclosed in writing the address of the three existing daycare facilities, located at 7106 Westview Place, Lemon Grove, on July 25, 2017 as evidenced by the letter attached to the Agenda Item Summary as Attachment "I"; and

**WHEREAS**, on August 15, 2017, the City Council held a duly noticed public hearing to consider AA1-700-0004, an appeal of the Development Services Director's determination to deny ZC1-700-0016 and, at the request of the applicant, the City Council continued the public hearing to September 19, 2017; and

**WHEREAS**, on September 19, 2017, the City Council held a continued public hearing to consider AA1-700-0004, an appeal of the Development Services Director's determination to deny ZC1-700-0016; and

**WHEREAS**, on September 19, 2017, the City Council received oral and written testimony from the Applicant, the Applicant's representatives, Lemon Grove staff and members of the public; and

**WHEREAS**, Mayor Pro Tem Jennifer Mendoza disclosed an *ex parte* (pre-hearing) contact with the Applicant's legal counsel, Gina Austin, to make a request to add clarifying information to an Exhibit supplied by the Applicant; and

**WHEREAS**, the City Council determined that no licensed daycare centers were within 1,000 feet of 6915 North Avenue, as measured by the method established under Lemon Grove Municipal Code ("LGMC") Section 17.32.090(B), when the City Council considered the unique location of the proposed regulated use and two cumulative impediments located between the regulated use and the protected use; and

**WHEREAS**, by straight-line measurement, as determined under LGMC Section 17.32.090(B), the three licensed daycare centers are 853 feet from the Applicant's parcel containing its business location; and

**WHEREAS**, the City Council further finds that testimony about buildings and other impediments between the protected uses and the regulated use are not relevant under LGMC Section 17.32.090(B) in that they are not "natural topographic barriers" or "constructed barriers" and are not considered when applying a straight-line measurement (without barriers) under the applicable measurement section; and

**WHEREAS**, the City Council finds that the Applicant's property location borders a freeway onramp, which, due to its unique location partially between the Applicant's property location and the protected uses, can be considered an artificial constructed barrier under LGMC Section 17.32.090(B), requiring a person to alter their path between the two locations; and

**WHEREAS**, the protected use, located in a *cul du sac* at the end of Westview Place, was bordered by a steep slope with an approximate 25-foot elevation change. Said slope is situated between the protected use and the regulated use and is a natural topographical barrier requiring any person traversing the space between the two uses to alter their path of travel; and

**WHEREAS**, the combination of the constructed (conjunction of Broadway Avenue at the 94 Freeway westbound onramp) and natural topographical (slope at the western property line of the protected use) barrier would require a person to traverse more than 1,000 feet when traveling between the regulated use and the protected use as measured by the most direct route around each barrier in a manner that establishes direct access; and

**WHEREAS**, the City Council further finds that testimony that discussed the vegetation on the slope of the western side of the protected use does not fall within the definition of a "natural topographical barrier" in that it is not part of the natural part of the land mass and is not a topographic or constructed barrier used in altering the straight-line method of measurement under LGMC Section 17.32.090(B); and

**WHEREAS**, the City Council further finds that testimony which discussed the barbed wire fence is not relevant in that it does not qualify as a constructed barrier, such as freeways or flood control channels to deviate from the straight-line method expressed in LGMC Section 17.32.090(B); and

**WHEREAS**, the appeal of this determination is not a project and is not subject to the environmental review requirements of the California Environmental Quality Act (CEQA). The underlying request for a Conditional Use Permit is a discretionary project that will require environmental review.

**NOW, THEREFORE, INCORPORATING THE ABOVE STATEMENTS HEREIN, BE IT RESOLVED** that the City Council of the City of Lemon Grove hereby:

1. Approve Christopher O. Williams' Administrative Appeal No. AA1-700-0004 based on the above-findings and the record of written materials and oral testimony of the Public Hearing conducted on August 15, 2017 and continued to and completed on September 19, 2017.
2. Grants the right to proceed to complete Applicant's Zoning Clearance which would allow allowing the Applicant to request to apply for a conditional use permit to operate a medical marijuana dispensary, at 6915 North Avenue, Lemon Grove, CA., pursuant to the applicable ordinances and building codes.
3. The City Council directs City Staff to process the application of Christopher O. Williams needed to complete any outstanding items on the checklist to allow issuance of a Zoning Clearance and, when the Zoning Clearance is granted, to process a Conditional Use Permit Application to conduct the business of a Medical Marijuana Dispensary under the applicable laws, rules and regulations of the City of Lemon Grove.

///

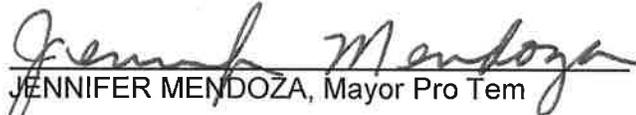
PASSED AND ADOPTED: On October 3, 2017 by the City Council of the City of Lemon Grove, California adopted Resolution No. 2017-3539, passed by the following vote:

**CHAIR TO THE BOARD**

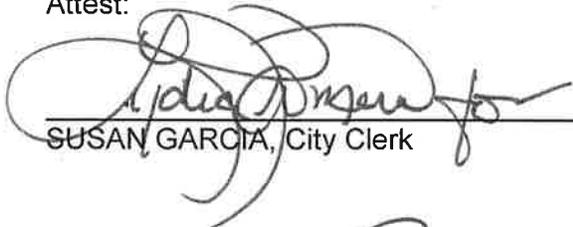
	AYES	NOES	ABSTAIN	ABSENT
Racquel Vasquez	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**BOARD MEMBERS**

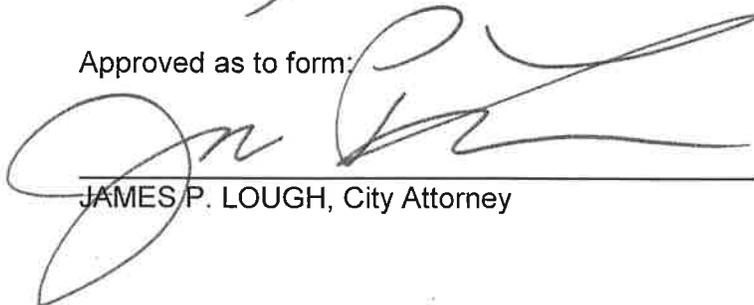
David Arambula	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jerry Jones	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jennifer Mendoza	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Matt Mendoza	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

  
JENNIFER MENDOZA, Mayor Pro Tem

Attest:

  
SUSAN GARCIA, City Clerk

Approved as to form:

  
JAMES P. LOUGH, City Attorney



**CITY OF LEMON GROVE  
NOTICE OF PUBLIC HEARING  
CONTINUED TO JUNE 20, 2023**

NOTICE IS HEREBY GIVEN that the City Council of the City of Lemon Grove will hold a public hearing to consider an appeal of the Community Development Manager's Decision to deny Minor Use Permit No. MUP-220-0004, a request for Early Separation Findings for a Regulated Use (Medical Marijuana Dispensary) at 6925 – 6935 North Avenue in the General Commercial (GC) zone pursuant to Section 17.28.020(O) of the Lemon Grove Municipal Code.

The sole purpose of this MUP appeal application is to determine if the application meets or does not meet required separation requirements. The proposed use would require an application for a Conditional Use Permit (CUP) and a public hearing prior to granting permission to operate a MMD.

DATE OF MEETING: Tuesday, April 18, 2023.  
TIME OF MEETING: 6:00 p.m.  
LOCATION OF MEETING: Lemon Grove Community Center, 3146 School Lane, Lemon Grove, CA 91945  
STAFF: Bill Chopyk, Interim Community Development Manager  
EMAIL: [bchopyk@lemongrove.ca.gov](mailto:bchopyk@lemongrove.ca.gov)  
PHONE NUMBER: (619) 825-3812

ANY INTERESTED PERSON may review the staff report and the plans for this project and obtain additional information at the City of Lemon Grove Planning Department, located in City Hall at 3232 Main Street, Lemon Grove, CA 91945, weekdays, 7:00 a.m. – 6:00 p.m. City Hall is closed every Friday. Also by visiting the City's website at [www.lemongrove.ca.gov](http://www.lemongrove.ca.gov). If you wish to express concerns in favor or against the above, you may appear in person at the above described meeting or submit your concerns in writing to the City Clerk at [dharrington@lemongrove.ca.gov](mailto:dharrington@lemongrove.ca.gov).

If you challenge the matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Clerk at, or prior to, the public hearing. If you have special needs requiring assistance at the meeting, please call the City Clerk's Office at (619) 825-3841 at least 24 hours prior to the meeting so that accommodations can be arranged.

Deborah Harrington, City Clerk, City of Lemon Grove.  
Published: Union Tribune – April 7, 2023  
Reposted 4/19/2023 - Bulletin Board and Website

City Council Meeting  
April 18, 2023  
PH – MUP 220-0004  
Public Comment

**From:** Barbara Gordon <[barbaragordon1@gmail.com](mailto:barbaragordon1@gmail.com)>  
**Sent:** Tuesday, April 18, 2023 8:35 AM  
**To:** Racquel Vasquez <[rvasquez@lemongrove.ca.gov](mailto:rvasquez@lemongrove.ca.gov)>; George Gastil <[ggastil@lemongrove.ca.gov](mailto:ggastil@lemongrove.ca.gov)>; Jennifer Mendoza <[jmendoza@lemongrove.ca.gov](mailto:jmendoza@lemongrove.ca.gov)>; [lianalebaron@gmail.com](mailto:lianalebaron@gmail.com) <[lianalebaron@gmail.com](mailto:lianalebaron@gmail.com)>; Alysson Snow <[asnow@lemongrove.ca.gov](mailto:asnow@lemongrove.ca.gov)>  
**Subject:** Public Comment Item 3

Dear City Council Members,

I urge the City Council to deny the Appeal and deny the request for a Minor Use Permit for Early Separation. As the proposed establishment will violate the minimum requirements set forth in the city's chapter for distance separations from three daycare centers.

We must protect our children. With the increase of commercialization and false advertisement that marijuana is healthy- we have seen a decrease in the perceived risk of harm related to marijuana use. According to the National Institutes of Health, Mayo Clinic, the Cleveland Clinic, and World Health Organization, marijuana is addictive and causes many different types of mental and physiological health problems-especially in children and youth.

Again, I respectfully request you deny the Appeal and the request for a Minor Use Permit for Early Separation because of your concern for young people and the impact of marijuana businesses will have on the city.

Thank you,

Barbara Gordon

Re: conditional use permit MUP 220 0004

We absolutely oppose the marijuana dispensary at 6935 North Ave. Lemon Grove. We are the property owners of 6969 North Avenue. The homeless encampments, sex trafficking, drug sales, and theft are horrific on the street as it is! Lemon Grove used to be a nice, safe area. I grew up on DiFoss St., graduated from Mt. Miguel, and have owned this business property since the 1980's. This business will not lift up the area, but downgrade it further. If we have any problems that we can directly trace to this business because of the clientele we WILL file a lawsuit against the city. Furthermore, I would ask you to ask yourself if this were your business property would you want them nearby.

Thank you

John "Jack" and Celeste Custeau  
Custeau Family Trust  
440 South Hemingway Ave  
Boise Idaho 83709  
208-995-9780

This is a current photo of across the street from our property at 6969 North Ave. next to where they want a marijuana dispensary.



Celeste Custeau

**From:** [dgrace50@aol.com](mailto:dgrace50@aol.com) <[dgrace50@aol.com](mailto:dgrace50@aol.com)>

**Sent:** Tuesday, April 18, 2023 1:37 PM

**To:** Racquel Vasquez <[rvasquez@lemongrove.ca.gov](mailto:rvasquez@lemongrove.ca.gov)>; Alysson Snow <[asnow@lemongrove.ca.gov](mailto:asnow@lemongrove.ca.gov)>; Jennifer Mendoza <[jmendoza@lemongrove.ca.gov](mailto:jmendoza@lemongrove.ca.gov)>; George Gastil <[ggastil@lemongrove.ca.gov](mailto:ggastil@lemongrove.ca.gov)>; 'lianalebaron@gmail.com' <[lianalebaron@gmail.com](mailto:lianalebaron@gmail.com)>; Bill Chopyk <[bchopyk@lemongrove.ca.gov](mailto:bchopyk@lemongrove.ca.gov)>

**Subject:** CITY COUNCIL MEETING - APRIL 18, 2023

*Good Evening Mayor Vasquez and City Councilmembers.*

*AS a mother to adults in their thirties and forties, as well as a public health educator, I am well aware of the unfortunate health outcomes, especially mental health issues that marijuana use causes for young adults.*

*I strongly support the denial of the appeal that is on tonight's agenda with all the data that continues to come before us daily - from the addictiveness of marijuana, to the high level THC found in marijuana today, to the research that shows an increase in heart attacks for those who have used marijuana and to the risk factor for psychosis and schizophrenia caused by marijuana. These are just a few of the problems associated with its use.*

*Please remember Lemon Grove residents don't need access to marijuana, it is everywhere. However good health is precious and the City should only involve themselves in those business activities that will enhance good health.*

*Thank you.*

*Diane Grace*

Good Evening Mayor Vasquez and City Councilmembers.

I am a parent advocate that already has concerns regarding Marijuana businesses in the City, because of the growing body of medical data that suggests that due to the highly concentrated THC marijuana products, marijuana storefronts pose a significant problem to the physical and mental health of young people and their families.

I do not feel that our City needs to facilitate the sale of marijuana in our City including the Minor Use Permit (MUP) at 6925-6935 North Avenue.

The three identified daycare facilities deserved to be considered sensitive uses with no exceptions.

I support the City decision to deny the appeal.

Thank you.

Judi Strang, Parent Advocate

Good Evening City Council,

My public comment is in regard to the dispensary at 8280 Broadway Lemon Grove. The project has now completed more conditions than the other two projects that were allowed a CUP time extension. The 6859 Federal BLVD project asked for an extension AFTER the permit had expired. The staff decision on the staff report stated, "The application was not able to satisfy all resolution conditions required to commence operations before the Sept 4th expiration date. A one-year time extension will allow the applicant to OBTAIN a building permit, complete permitted tenant improvements, satisfy all remaining conditionals of approval, and commence operations."

The 8280 project is asking for an extension for the EXACT same thing, except for the fact that 8280 Broadway already submitted the building permit, the landscape review plan, the encroachment permit, the public improvement plan, grading/erosion control plan, and a detailed landscape and irrigation plan all prior to the CUP expiration date.

I am asking you to reconsider a timely, costly court proceeding. It is common knowledge the court will review the other CUP time extensions (as they were entered on the record last city council meeting) and will see a precedence has been set. There is 0 reason other than the fact the applicant is Chris Williams that you will not be granting this CUP project the same consideration as all of the other projects. I imagine the 8290 applicants you all are favoring will also be entering a lawsuit once the court sees this case. This is nothing more than an abuse of power.

--

Sincerely,

Kathleen McLean  
C- 619-384-3171

Dear Lemon Grove Council Members,

We want the streets of Lemon Grove to be safe for all people, whether they are walking, bicycling, taking transit or driving. We, the undersigned residents and/or homeowners of Lemon Grove are writing to request that the City Council of Lemon Grove require the Public Works Street Division make permanent repairs to the streets on the 2400 & 2500 blocks of Buena Vista Ave. to make our streets livable, safe and comfortable for everyone traveling them.

**The Problem:**

Even before our recent storms, the streets in this area were poorly patched, cracking and riddled with potholes. Since the storms, the street has become much worse. Given that much of this area does not have sidewalks, simply walking to a neighbor's house or to a nearby store can cause a fall due to the poor state of the street. A person, adult or child, riding a bicycle finds it difficult to avoid large cracks and potholes. Just a slight miscalculation can cause a serious injury or worse. Furthermore, cars can be seriously damaged, as hitting one or more of these bad spots when driving on the street is unavoidable. As residents of these blocks, we have no choice but to drive on these streets. The poor upkeep of these streets creates major safety, health and quality of life concerns for us.

**The Solution:**

In order to provide safe and comfortable streets for all users, we urge you to immediately begin the process of having the streets here permanently repaired. These repairs should be permanent street repairs or replacement, not patches and slurry sealing. As we have seen over the past few years, these do not last and when they disintegrate, they become worse each time.

**The Action:**

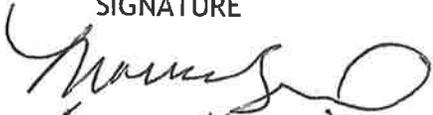
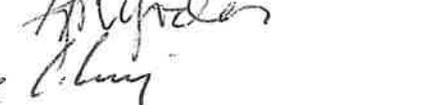
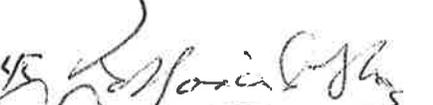
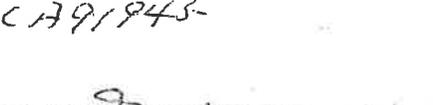
Providing the needed repairs, in the long term, is less costly than paying for all the mishaps, injuries, accidents and car damage that will inevitably result from leaving the streets in their current state of serious disrepair. Please support livable, safe streets in Lemon Grove for the community you serve as council members and take care of this problem before it becomes any worse.

Sincerely,

The Residents & Homeowners of the 2400 & 2500 blocks of Buena Vista and the surrounding area.

Attachments: Signature pages

# BUENA VISTA AVE. LEMON GROVE STREET REPAIR REQUEST

NO.	PRINTED NAME	ADDRESS	SIGNATURE
1	MONICA ZUNIGA	7530 Carls way	
2	Arron Zuniga	7530 Carls way	
3	Sheila Dameron	2346 Main St. L.G.	
4	Robert Dameron	2346 Main St. L.G.	
5	QUINONES, RICHARD	7440 MARH ST LG.	
6	Perez, Gino	2545 Buena Vista LG	
7	Kristin Yoder	2575 Buena Vista Ave	
8	Chris Canning	2514 Buena Vista Ave	
9	Jim K... ..	2446 Buena Vista Ave	
10	Maria Q. Martinez	2446 Buena Vista, 91945	
11	Lynne H... ..	2434 Buena Vista 91945	
12	Amador	2458 BUENA VISTA AVE. LEMON GROVE. CA 91945-	
13		do Fix ASAP REPIRE Road	
14	PRINCE MEDWINTER	2502 BONITA VISTA AVE	
15	Alfonso Camacho	2451 Buena Vista Ave L.G.	
16			
17			
18			
19			
20			



# City of Lemon Grove

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WELCOME TO THE CITY COUNCIL MEETING OF APRIL 18, 2023

BEFORE THE START OF THE MEETING

PLEASE SILENCE YOUR CELL PHONES

# CALL TO ORDER

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# PLEDGE OF ALLEGIANCE

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# CHANGES TO THE AGENDA

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# PRESENTATIONS

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## Lemon Grove Historical Society Essay Awards

# PUBLIC COMMENT

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- Please fill out and submit a speaker slip to the City Clerk **BEFORE** the item on the agenda has been heard at the City Council Meeting to address the Council.
- Speaker slips are located at the entrance of the Chambers.

**ALL SPEAKER RELATING TO PUBLIC COMMENT WILL HAVE 3 MINUTES TO ADDRESS COUNCIL UNLESS OTHERWISE INDICATED BY THE MAYOR.**

# CONSENT CALENDAR

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## 2. PUBLIC HEARING

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Public Hearing and Introduction of Ordinance No. 33, Amending Ordinance No. 32 Describing Methods of Calculating Lemon Grove Sanitation District Sewer Service Charges

PUBLIC HEARING:

# FIVE-YEAR SANITATION DISTRICT RATE STUDY

PROPOSED SEWER RATES

APRIL 18, 2023



Harris & Associates.

# RATE STUDY GOALS

## STRATEGIES FOR SUFFICIENT COST RECOVERY

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- 1) Set sewer rates for FY 2023/24 through FY 2027/28 sufficient to:
  - Sustain ongoing operations and maintenance
  - Fund required capital improvements; repair/replacement of existing system assets
  - Maintain adequate cash reserves
- 2) Design sewer rate structures that align with revenue needs and best practice in utility rate setting
  - Evaluate restructuring the current Rate per EDU for commercial customers to a volume-based structure relying on actual water usage and wastewater strength characteristics
- 3) Safeguard system sustainability while promoting fair and reasonable rates for customers

# RATE STUDY COMPONENTS

## SUFFICIENT AND FAIR RATES

### REVENUE REQUIREMENT

- Compares annual sources of funds (revenue) to annual expenditures to determine the overall annual utility rate adjustment required

### COST OF SERVICE

- Allocates the revenue requirements to the customer classes of service to assign class cost shares in a fair and equitable manner

### RATE DESIGN

- Considers both the level and structure of the rate design to collect the target amount of revenue

# FISCAL POLICIES

## BENCHMARKS FOR FINANCIAL PERFORMANCE

### Minimum Operating Reserves (excluded Pure Water Program):

- Working capital equal to 40% of annual operating expenses to manage monthly variations in expenses and semi-annual revenue collections
- Rate stabilization reserve equal to annual Metro expenses to hedge against unexpected future increases

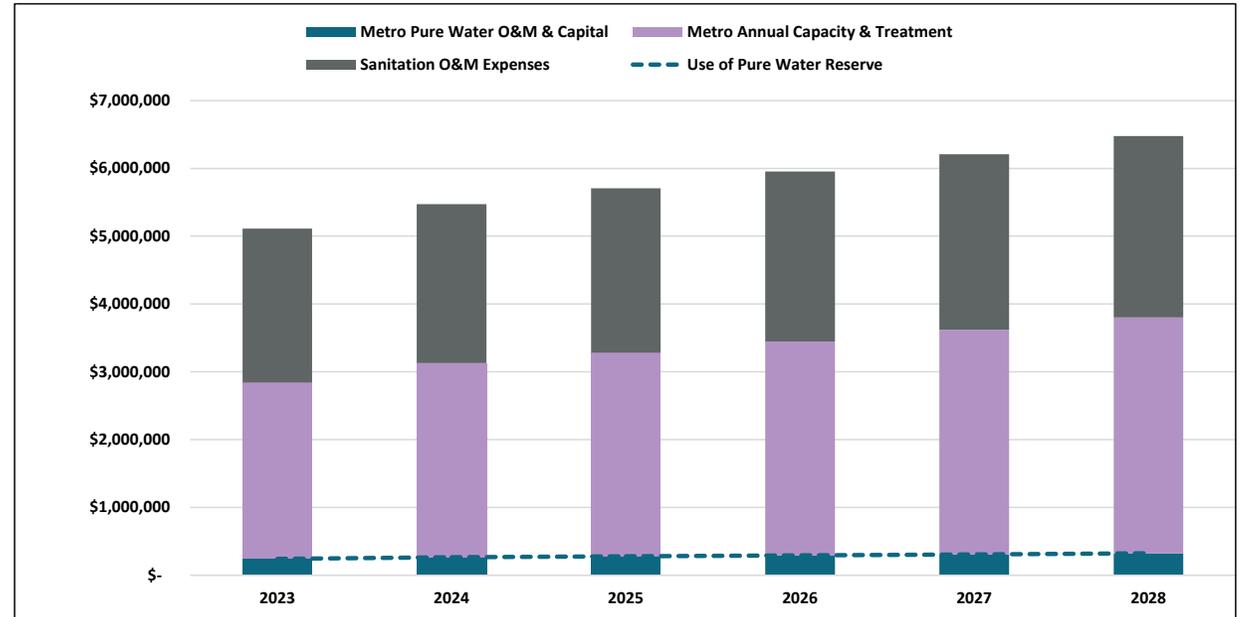
### Other Reserves:

- Capital reserves to manage the prioritized capital program and meet emergency capital outlays; avoid use of debt
- Pure Water Program reserves; annual draw down of reserve to pay forecasted annual Pure Water Program costs

# REVENUE REQUIREMENT

## OPERATING & MAINTENANCE (O&M) EXPENSE

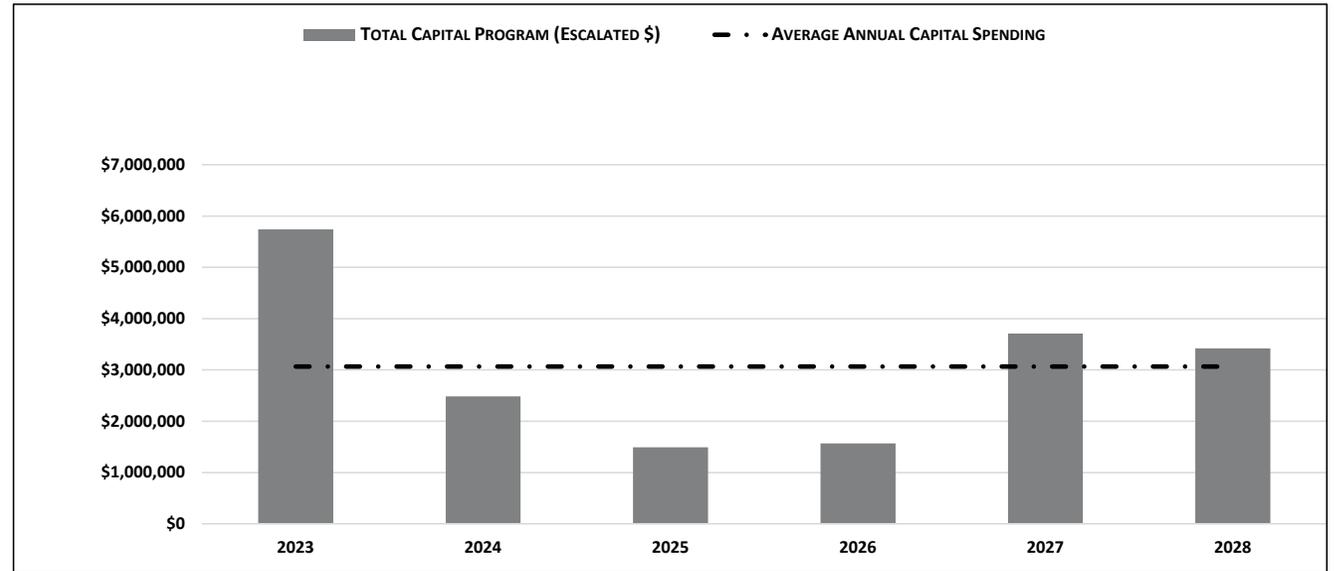
- Metro expenses per FY 2023 forecast plus cost escalation of 10% in FY 2024 and 5% per year thereafter
  - Pure Water O&M and capital costs to be recovered through use of Pure Water Reserve
- District O&M expense per FY 2023 budget plus 3.5% annual cost escalation



# REVENUE REQUIREMENT

## CAPITAL IMPROVEMENT PROGRAM (CIP)

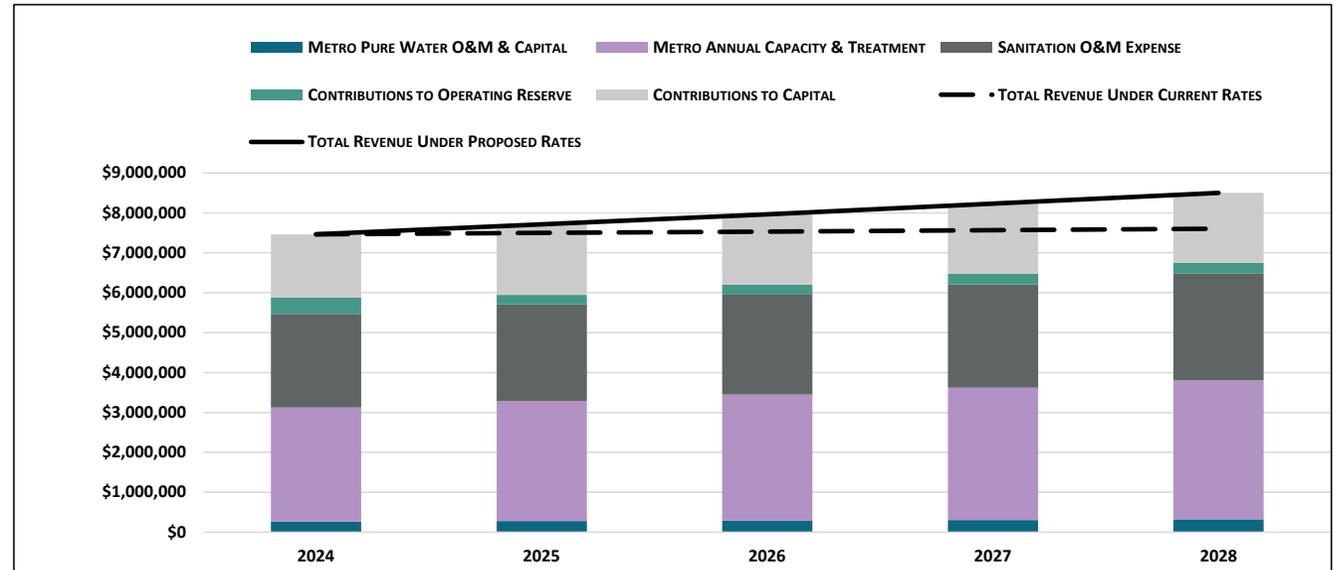
- Average annual capital spending of \$3.1 million
  - Total CIP of \$18.4 million
- Assumed to be funded through rates, capital cash reserves, and sewer capacity charges
  - No new debt planned over study period



# REVENUE REQUIREMENT

## FIVE-YEAR FINANCIAL PLAN

- No overall utility rate revenue increase needed for FY 2024
  - Commercial rates will vary based on cost shares under the proposed volume-based rate structure
- Proposed rate increases for all customer classes of 3.0% per year for FY 2025-FY 2028 provides for:
  - Keeping pace with annual cost escalation
  - Cash funding the capital program
  - Maintaining stable cash reserves

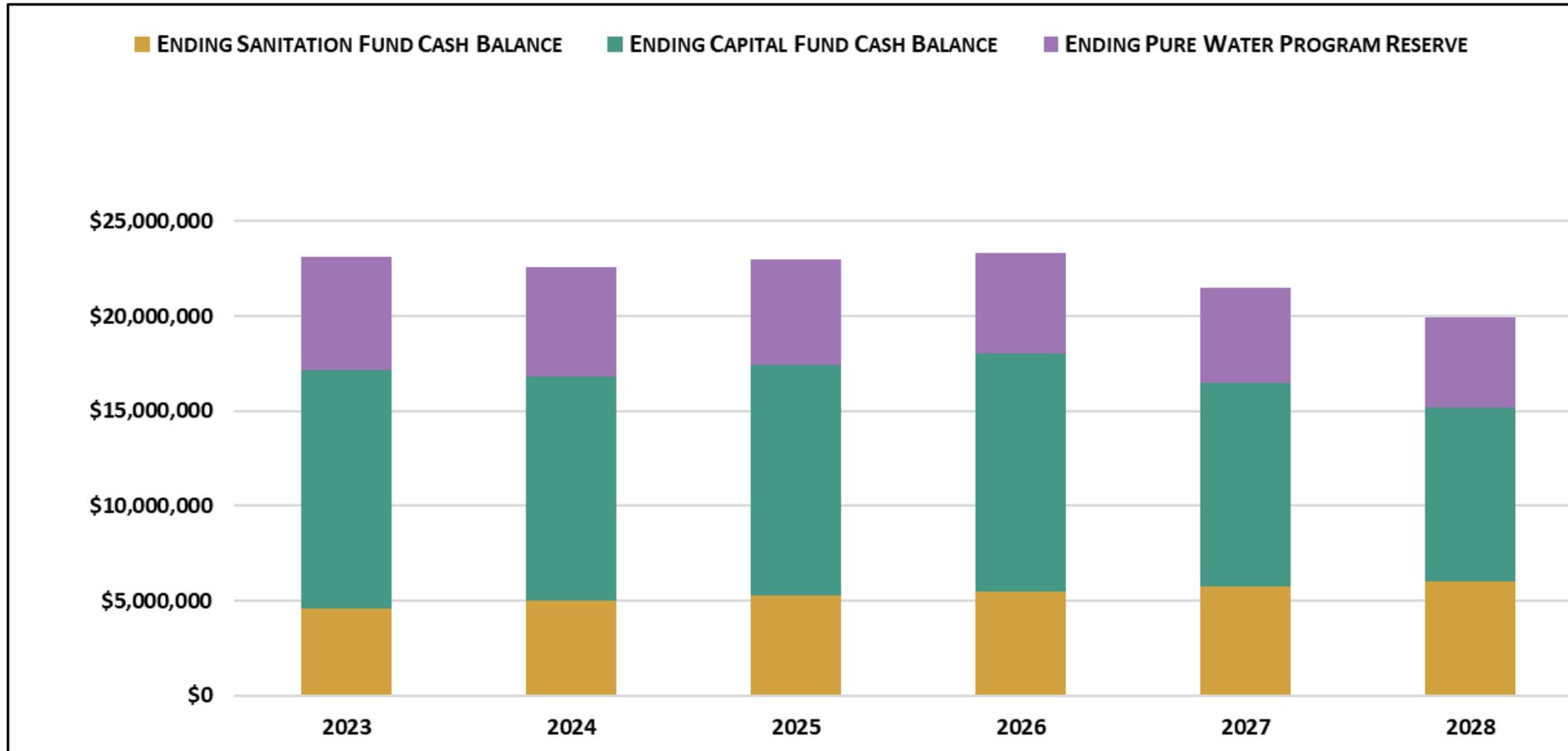


# REVENUE REQUIREMENT

## TOTAL CASH RESERVES



Harris & Associates.



# RATE STRUCTURE EVALUATION

## CURRENT RATE STRUCTURE

- Rate per equivalent dwelling unit (EDU) based on type of property
  - Residential EDUs based on no. of dwelling units
  - Commercial EDUs based on a variety of measures by type of business (e.g., square footage, hotel/motel living units, no. of pupils, and no. of seats)
  - Assigned EDUs for each property are multiplied by the Rate per EDU to determine a property's annual sewer service charge

CURRENT SEWER SERVICE CHARGE (RATE PER EDU)		\$655.20
CLASSIFICATION		EDU
<b>Residential</b>		
Single Family (per dwelling unit)		1.00
Condominium (per dwelling unit)		1.00
Multi-Family (per dwelling unit)		1.00
Mobile Home (per dwelling unit)		1.00
<b>Commercial/Industrial Facilities</b>		
<b>A. FOOD SERVICE ESTABLISHMENTS:</b>		
1. Take-out restaurants with disposable utensils, no dishwasher, and no public restrooms		3.00
2. Miscellaneous food establishments - ice cream/yogurt shops, bakeries (sales on premises only)		3.00
3. (i) Take-out/eat in restaurants with disposable utensils, but with seating and public restrooms <sup>1</sup>		3.00
(ii) Restaurants with re-usable utensils, seating and public restrooms <sup>1</sup>		3.00
One EDU is assigned for each 6-seat unit as follows:		
0 -18 seats <sup>1</sup>		3.00
Each additional 6-seat unit		1.00
<b>B. HOTELS AND MOTELS:</b>		
1. Per living unit without kitchen		0.38
2. Per living unit with kitchen		0.60
<b>C. COMMERCIAL, PROFESSIONAL, INDUSTRIAL BUILDINGS, ESTABLISHMENTS NOT SPECIFICALLY LISTED HEREIN:</b>		
1. Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.		1.20
Each additional 1,000 sq. ft., or portion thereof		0.70
2. Where occupancy type or usage is unknown at the time of application for service		
First 1,000 sq. ft. of gross building floor area		1.20
Each additional 1,000 sq. ft. gross building floor area, or portion thereof		0.70
<b>D. SELF-SERVICE LAUNDRY PER WASHER</b>		
		1.00
<b>E. CHURCHES, THEATERS, AND AUDITORIUMS PER EACH 150 PERSON SEATING CAPACITY, OR PORTION THEREOF</b>		
		1.50
<b>F. SCHOOLS</b>		
1. Elementary schools for 50 pupils or fewer		1.00
2. Junior High Schools for 40 pupils or fewer		1.00
3. High School for 24 pupils or fewer		1.00
<b>Additional EDUs will be prorated based upon the above values</b>		

<sup>1</sup> - Minimum EDU assignment is shown.

# RATE STRUCTURE EVALUATION

## PROPOSED HYBRID RATE STRUCTURE: OVERVIEW

- **Residential:** Maintain Rate per EDU structure
  - While the trend is toward volume-base rates, residential flat rates remain a common industry practice
    - Similarity of volume and strength of wastewater discharged on a per unit basis; ease of implementation and customer understanding
  - Current residential class cost recovery is in line with cost-of-service results
- **Commercial:** Move from Rate per EDU to a volume-based structure relying on actual water usage and wastewater strength characteristics
  - Due to the wide disparity in the volume and strength of wastewater discharged, a volume-based rate structure may enhance equitable cost recovery from individual commercial users
- **Vacant Property:** New rate proposed for vacant parcels connected to the sewer system to recover fixed costs incurred regardless of volume or strength of wastewater discharge

# PROPOSED CUSTOMER CLASSES

## STRENGTH ASSIGNMENT PER INDUSTRY STANDARDS

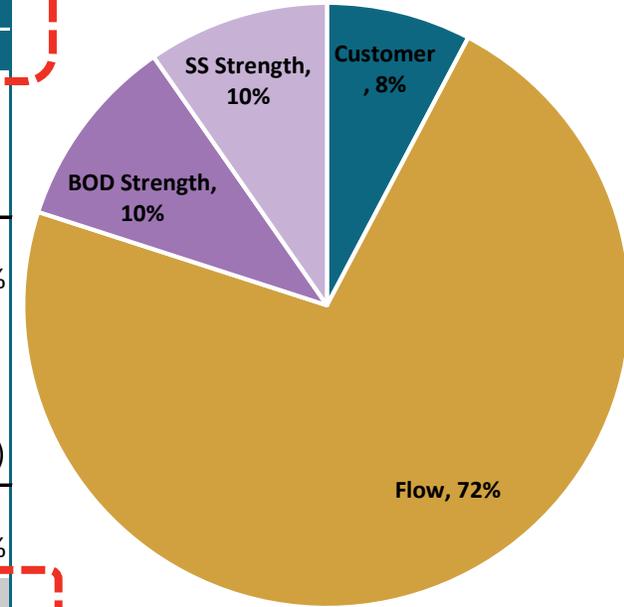
RESIDENTIAL (NO CHANGE) ( $\leq 200$ mg/l BOD & SS)	COMMERCIAL - LOW ( $\leq 200$ mg/l BOD & SS)	COMMERCIAL - MEDIUM (201-400 mg/l BOD & SS)	COMMERCIAL - HIGH (401-800+ mg/l BOD & SS)
Single Family Condominium Mobile Home Multi-Family (e.g., duplex, tri-plex, four-plex, and apartments)	Basic Commercial Car Wash Convalescent Laundromat Light Manufacturing Office Building/Storage Medical/Dental/Veterinary School/College	Bars without Dining Commercial Laundry Hotel/Motel without Dining Mixed Use Shopping Centers/Theaters Repair Shop/Service Station	Auto Steam Cleaning Bakery, Wholesale Bars with Dining Special Manufacturing Hotel/Motel with Dining Industrial Laundry Supermarket/Deli Mortuary Restaurant Septage Hauler

1 - mg/l = milligrams per liter; BOD = biochemical oxygen demand; SS = suspended solids.

# COST OF SERVICE

## ALLOCATION OF REVENUE REQUIREMENTS TO SERVICE FUNCTIONS

REVENUE REQUIREMENT	Test Year FY 2023/24	FUNCTIONS OF SERVICE				
		Customer	Flow	Strength		
				BOD	SS	
<b>Total District Expenses</b>	\$ 3,845,795	\$ 495,999	\$ 3,349,795	\$ -	\$ -	
Less: Other Revenues	(91,059)	(11,744)	(79,315)	-	-	
Addition to/(Uses) of Reserves	490,155	63,216	426,939	-	-	
<b>Rate Revenue Requirement</b>	<b>\$ 4,244,891</b>	<b>\$ 547,472</b>	<b>\$ 3,697,420</b>	<b>\$ -</b>	<b>\$ -</b>	
% Allocation	100%	13%	87%	0%	0%	
<b>Total Metro Expenses</b>						
Metro Annual Capacity & Treatment	\$ 2,861,138	\$ -	\$ 1,439,498	\$ 734,722	\$ 686,917	
Pure Water O&M & Capital	265,318	-	119,916	77,243	68,160	
Less: Use of Pure Water Reserve	(265,318)	-	(119,916)	(77,243)	(68,160)	
<b>Rate Revenue Requirement</b>	<b>\$ 2,861,138</b>	<b>\$ -</b>	<b>\$ 1,439,498</b>	<b>\$ 734,722</b>	<b>\$ 686,917</b>	
% Allocation	100%	0%	50%	26%	24%	
<b>Rate Revenue Requirement</b>	<b>\$ 7,106,029</b>	<b>\$ 547,472</b>	<b>\$ 5,136,918</b>	<b>\$ 734,722</b>	<b>\$ 686,917</b>	
% Allocation	100%	8%	72%	10%	10%	



# COST OF SERVICE

## CUSTOMER CLASS UNITS OF SERVICE

CUSTOMER CLASS UNITS OF SERVICE	FUNCTIONS OF SERVICE			
	Customer	Flow	Wastewater Strength	
			BOD	SS
	<i>No. of Accounts</i>	<i>Annual Flow (Hcf)</i>	<i>Weighted Flow (Hcf)</i>	<i>Weighted Flow (Hcf)</i>
Residential	6,457	715,567	715,567	715,567
Commercial - Low	305	109,917	109,917	109,917
Commercial - Medium	40	23,351	46,702	46,702
Commercial - High	22	9,822	39,286	39,286
<b>Total</b>	<b>6,824</b>	<b>858,657</b>	<b>911,472</b>	<b>911,472</b>

1 - Hcf = 100 hundred cubic feet.

- Sewer flow derived from FY 2021 water usage data from Helix Water District
  - Residential flow based on winter period usage: 675 cubic feet per month per unit
  - Commercial flow based on total water usage
- Strength factors applied to flow to derive weighted flow

# COST OF SERVICE

## CUSTOMER CLASS SHARES BY FUNCTION

CUSTOMER CLASS % SHARE OF UNITS OF SERVICE	FUNCTIONS OF SERVICE				Total
	Customer	Flow	Strength		
			BOD	SS	
Residential	94.6%	83.3%	78.5%	78.5%	83.2%
Commercial - Low	4.5%	12.8%	12.1%	12.1%	12.0%
Commercial - Medium	0.6%	2.7%	5.1%	5.1%	3.0%
Commercial - High	0.3%	1.1%	4.3%	4.3%	1.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

CUSTOMER CLASS \$ SHARE OF UNITS OF SERVICE	FUNCTIONS OF SERVICE				Total
	Customer	Flow	Strength		
			BOD	SS	
Residential	\$ 518,018	\$4,280,883	\$ 576,806	\$ 539,276	\$5,914,983
Commercial - Low	24,464	657,581	88,602	82,837	853,485
Commercial - Medium	3,219	139,697	37,646	35,196	215,758
Commercial - High	1,770	58,758	31,668	29,607	121,803
<b>Total</b>	<b>\$ 547,472</b>	<b>\$5,136,918</b>	<b>\$ 734,722</b>	<b>\$ 686,917</b>	<b>\$7,106,029</b>

# PROPOSED HYBRID RATE STRUCTURE

## RATE STRUCTURE COMPONENTS

### RESIDENTIAL

- **Rate per EDU:** Maintain current rate structure
- **Vacant Property:** Fixed charge per dwelling unit

### COMMERCIAL

- **Base Charge:** Equal to residential Rate per EDU applied per commercial account
  - Includes first 675 cubic feet of water usage per month
- **Volume Charge:** \$ per hundred cubic foot applied to water usage over base charge allowance
  - Rates vary by commercial strength classification (low, medium, high)
- **Vacant Property:** Fixed charge per account

# PROPOSED SEWER SERVICE CHARGES

## RESIDENTIAL

CUSTOMER CLASS	MAXIMUM ANNUAL PROPOSED SEWER SERVICE CHARGES				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Proposed Sewer Rate Adjustment:</b>	n/a	3.00%	3.00%	3.00%	3.00%
<b>Residential</b>					
A. Occupied Residential - \$/dwelling unit	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
B. Vacant Residential - \$/dwelling unit	\$58.64	\$60.40	\$62.21	\$64.08	\$66.00

- Residential Occupied Properties
  - No change to the current sewer service charge for FY 2023/2024
  - Proposed annual rate increases of 3.00% for FY 2024/25 through FY 2027/28
  - Represents a five-year average sewer bill increase per unit of \$16.45 per year (\$1.37 per month)

# PROPOSED SEWER SERVICE CHARGES

## COMMERCIAL

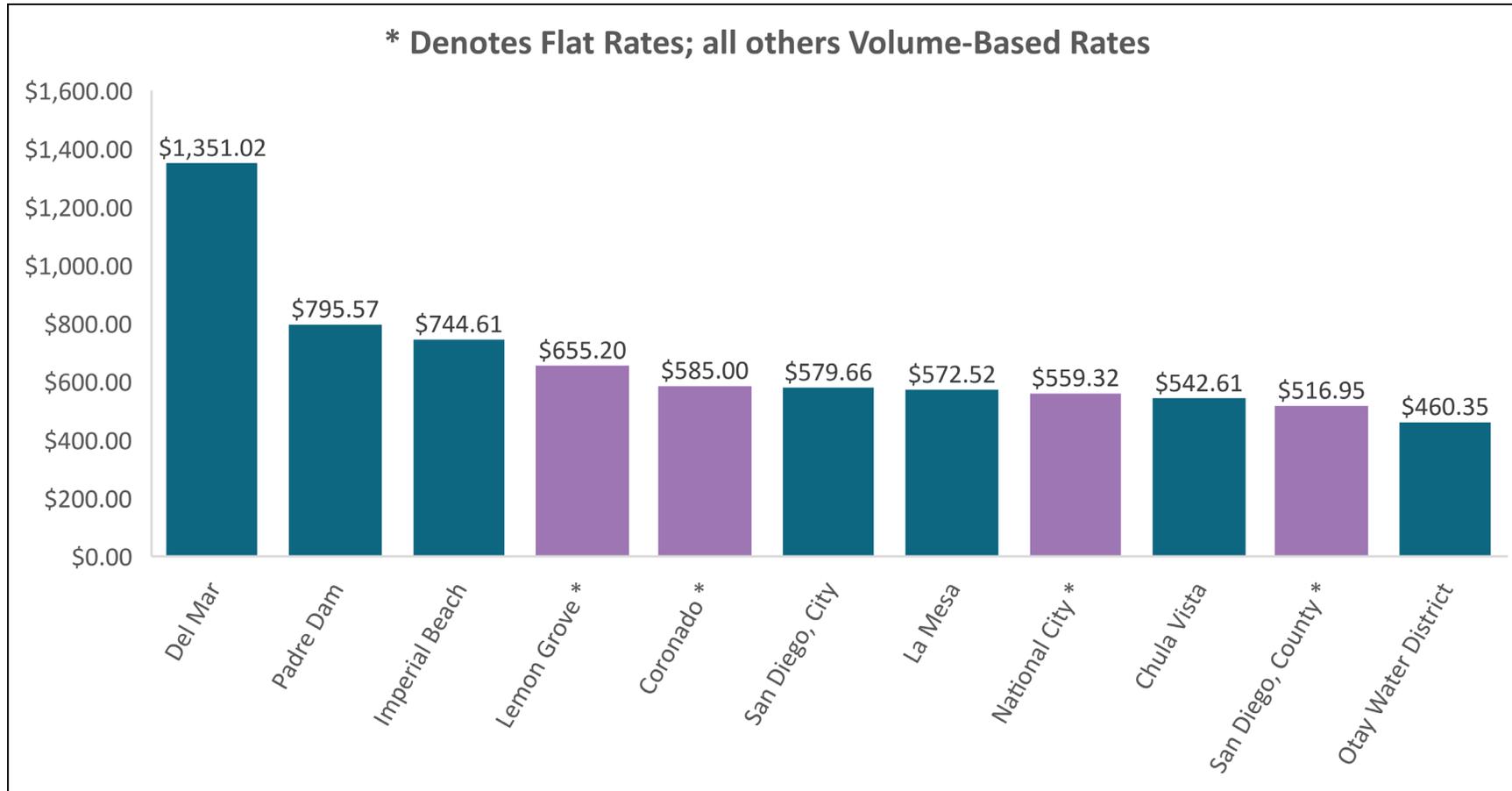
CUSTOMER CLASS	MAXIMUM ANNUAL PROPOSED SEWER SERVICE CHARGES				
	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Proposed Sewer Rate Adjustment:</b>	varies for commercial	3.00%	3.00%	3.00%	3.00%
<b>Commercial/Industrial Facilities</b>					
A. Occupied Commercial					
<b>1. Base Charge - \$/parcel</b> (includes first 675 cubic feet of water per month)	\$655.20	\$674.86	\$695.10	\$715.95	\$737.43
<b>2. Volume Charge - \$/hcf</b> (over 675 cubic feet of water per month)					
<b>Commercial-Low</b>	\$7.04	\$7.26	\$7.47	\$7.70	\$7.93
<b>Commercial-Medium</b>	\$8.95	\$9.22	\$9.50	\$9.78	\$10.08
<b>Commercial-High</b>	\$13.18	\$13.57	\$13.98	\$14.40	\$14.83
B. Vacant Commercial - \$/account	\$80.23	\$82.64	\$85.12	\$87.67	\$90.30

1 - One cubic foot is equivalent to 7.48 gallons. 675 cubic feet is equivalent to 5,049 gallons. Hcf = 100 cubic feet.

- Change in rate structure in FY 2023/24 will result in varying levels of decreases and/or increases for individual commercial customers depending on each property's current assignment of EDUs, actual water usage, and assigned strength category
- Proposed annual rate increases of 3.00% for FY 2024/25 through FY 2027/28

# SURVEY OF SAMPLE ANNUAL SEWER BILLS

## SINGLE FAMILY RESIDENTIAL CUSTOMER [1]



[1] Current rates from Website research; assumes 675 cubic feet of flow per month

# NEXT STEPS

- 
- 1) May 2, 2023 - Second Reading and Adoption of Ordinance No. 33
  - 2) May – June – Outreach/Education for Commercial Customers
  - 3) June - Tax Roll Preparation and Approval of Engineer's Report
  - 4) July 1, 2023 - Rates Become Effective
  - 5) August 10, 2023 – Deadline for Submittal of Charges to County Assessor

# RECOMMENDATION:

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Introduce Ordinance No. 33 of the Lemon Grove Sanitation District Describing Methods for Calculating Sewer Service Charges.

### 3. PUBLIC HEARING

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Minor Use Permit MUP-220-0004 Appeal of CDM Decision to Deny MUP-220-0004 for Early Separation Findings for a Medical Marijuana Dispensary at 6915 North Avenue in the General Commercial Zone.

# Site Location 6925-35 North Ave.



# 6925-35 North Ave. Six Tenant Spaces



# Current Businesses at Project Site

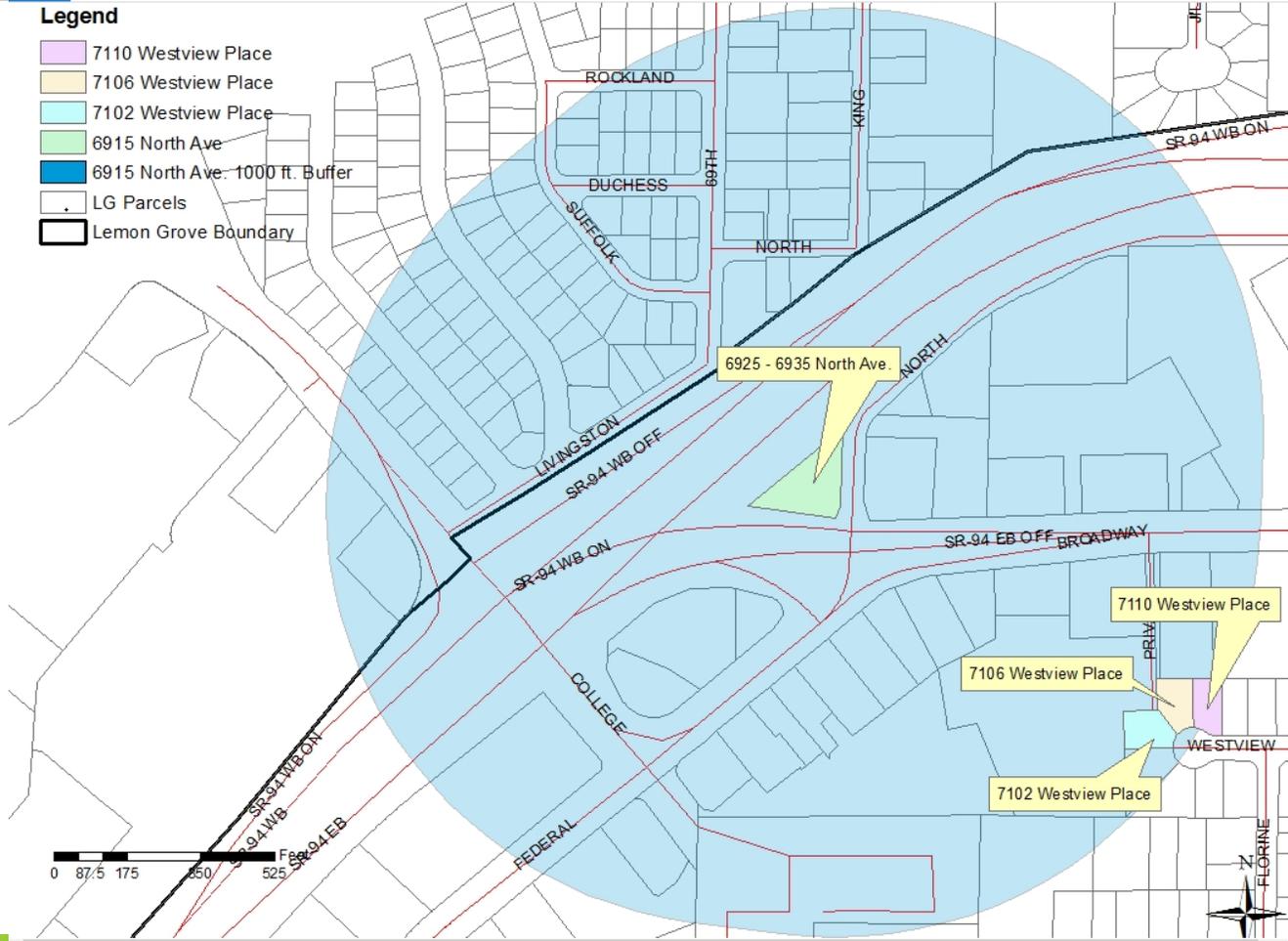
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1. Vacant 6925 North Ave.
  2. Pro-Massage 6927 North Ave.
  3. Dapper B's Barbershop 6929 North Ave.
  4. Rubens TV Repair 6931 North Ave.
  5. Gold Coast Motors 6933 North Ave.
  6. Sandiegocarforsale.com 6935 North Ave.
- Fast Ride Moto 6919 North Ave. (separate building)

# MMD History on Project Site

11/08/2016	Voters in the City of Lemon Grove passed Measure V allowing MMDs.
06/01/2017	Pick Axe Holdings LLC (Applicant) filed a ZC application ZC-700-0016.
06/13/2017	Development Services Director denied ZC Application.
10/03/2017	City Council overturned DSD decision, approved ZC-700-0016.
12/18/2017	CUP application submitted for a MMD, never deemed complete.
04/20/2021	City Council denied CUP-180-0001 (Resolution No. 2021-3807).
09/12/2022	Applicant submitted MUP application for early separation findings.
11/10/2022	Community Dev. Manager denied MUP-220-0004.
11/14/2022	Applicant filed an Appeal of the CDM decision.

# 1000-foot Radius Map



# Topography 25-foot elevation difference

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# 0.6 mile Travel Distance Westview Place – Project Site



# Recommendation:

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1. Conduct the Public Hearing;
2. Receive Public Comment; and
3. Adopt a Resolution denying an Appeal of the Community Development Manager Decision to deny Minor Use Permit MUP-220-0004 for early separation findings.

# CITY COUNCIL REPORTS ON MEETINGS ATTENDED AT THE EXPENSE OF THE CITY

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# CITY MANAGER REPORT

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# ADJOURNMENT

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