

9.0 COUNTY SANITATION DISTRICT 2-3

The wastewater services that are provided by County Sanitation District 2-3 are evaluated within this service review.

9.1 LOCATION, ADMINISTRATION, AND OPERATIONS

County Sanitation District No. 2-3 is located within two unincorporated areas that are surrounded by the City of San Jose. The District was consolidated in December 1977 from District 2 and District 3, which were formed in May 1948 and May 1953, respectively, pursuant to Health and Safety Code 4700 et seq. The District is governed by the Santa Clara County Board of Supervisors. The Board meets regularly on the first and third Tuesday of each month. When the District has public matters to be heard at the meetings, the Chair of the Board announces that they are now acting as directors of the District. On more routine matters, the Chair announces at the beginning of the meeting that they are sitting as the County Board of Supervisors and the governing board for the various special districts in the County. District meetings and activities are held pursuant to the Brown Act. Meeting agendas are posted on the County's website and outside of the County Board Chambers. If special noticing is required, a local newspaper is also utilized.

The District prepares an annual budget and periodically has an independent auditor's report prepared. The most recent audit was compiled for the fiscal year ending June 30, 2005. The District's revenue is gained solely from service charges and connection fees. Service charges are evaluated annually along with preparation of the budget. Currently, there are no revenue or operating constraints that affect the District's services. In FY 2004-2005 the District's revenues totaled \$2,038,712 and expenditures totaled \$1,632,799; meaning that revenues exceeded expenditures by \$405,913. At the end of FY 2004-2005 the District had an unrestricted fund balance of \$6,537,430; and a restricted fund balance of \$86,545, which is reserved for debt service. The District has stated that the unrestricted fund balance has been accrued over time to be used for funding of the District's CIP and that the District currently allocates approximately \$300,000 per year to upgrade old infrastructure. Based on this figure the District has ample funds for necessary improvements. The District has adopted a 5-year CIP, which projects expected improvements for 20 years. The Santa Clara County Grand Jury is currently compiling information regarding these reserve funds for a Grand Jury Report. Information gathered will include a detailed cost of expected future improvements.

The District provides sanitary sewer services to approximately 8 square miles, with approximately 90 miles of sewer lines and 7,000 connections. The District is also empowered to operate solid waste disposal facilities and sell water. However, these services are not provided by the District. Wastewater that is collected within the District flows to the City of San Jose's facilities for treatment and disposal. The District contracts with the City of San Jose and pays its proportionate cost for use of the City owned sewer lines between the District and the treatment plant, and for the treatment and disposal of waste.

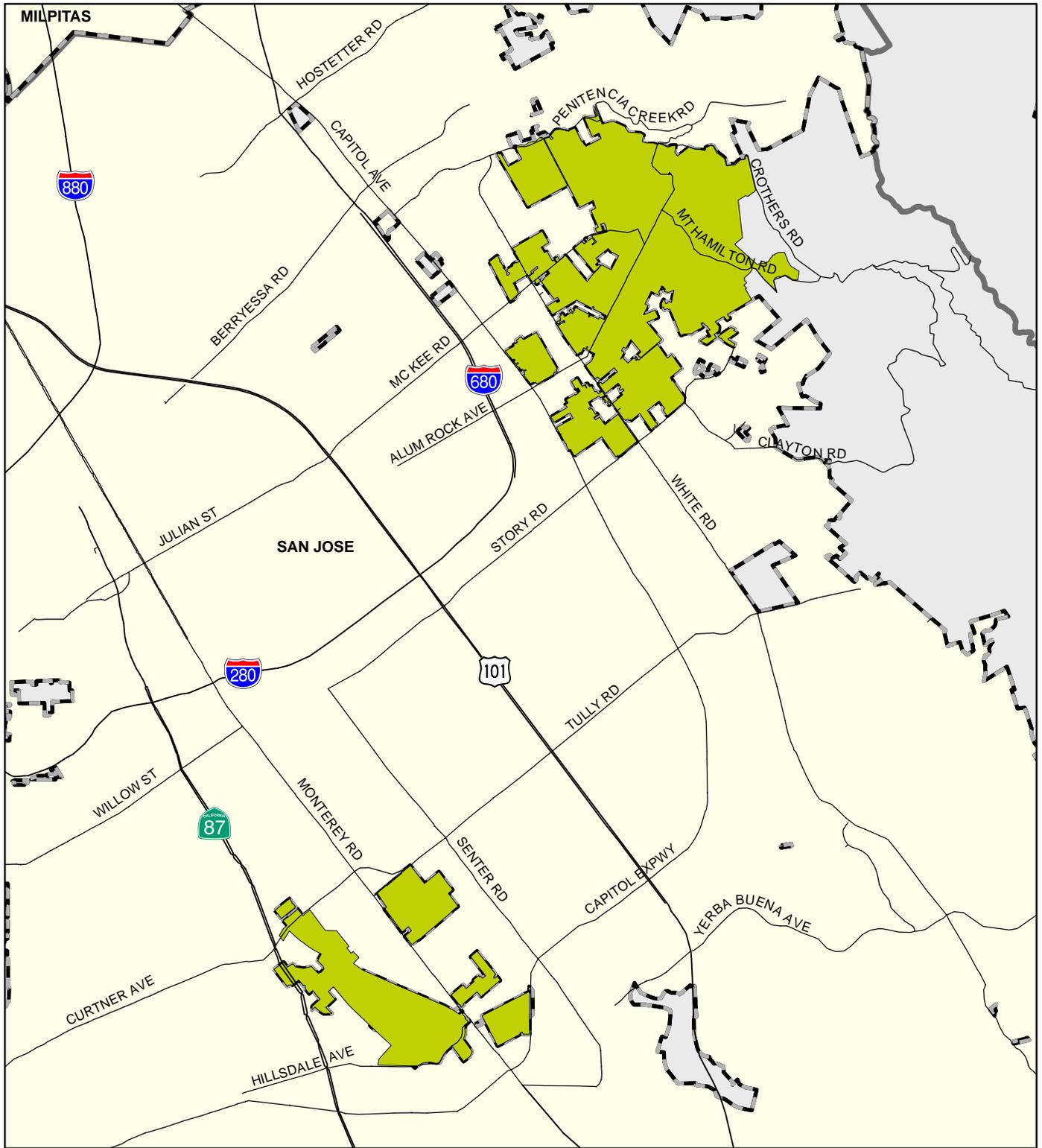
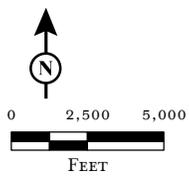


FIGURE 9.1

LSA



- Legend**
-  Surrounding City Sphere of Influence
 -  Surrounding City Limits
 -  Unincorporated Areas
 -  County Sanitation District No. 2-3

*Santa Clara County
LAFCO Municipal Service Reviews*

County Sanitation District No. 2-3

The District does not have any employees of its own. Management services are provided by contract with an engineering consulting firm. Sanitary sewer maintenance work is provided by contract with service providers. The maintenance contractors must provide insurance limits required by the District, hold appropriate licenses, and exhibit good safety records.

The District has stated that the average daily flow is approximately 1.5 mgd and that the existing system has the capacity to accommodate growth and infill development within the existing boundaries. The District’s facilities have existing infrastructure deficiencies, which include several mains that need to be upgraded from six- to eight-inch mains. This increase in main size is needed because the existing six-inch mains flow into the City of San Jose’s system which consists of eight-inch mains. The City of San Jose has proposed a joint venture with the District to increase the line size because it would ensure proper functioning of the wastewater system and allow for increased densities when the area is annexed into the City. In addition, the District has planned to upgrade and replace the pump station. The District has stated that it would finance these upgrades by utilizing allocated reserve funds.

The majority of the District is surrounded by the City of San Jose. The District will shrink in size as the unincorporated areas it serves are annexed to the City. Hence, the probable maximum service area of the District is defined by its current boundaries. The District lands are predominately developed with a mix of industrial, commercial, and varied residential uses, including trailer parks.

Wastewater Rate Comparison

Residential customers are charged a set monthly rate for services, while commercial and industrial customers are charged rates that are based on the type of business and the percentage of sewage compared to the amount of water used. Table 9.A compares the District’s wastewater rates to those of nearby jurisdictions.

Table 9.A: Existing Monthly Wastewater Rates

	County Sanitation District 2-3	Burbank Sanitary District	San Jose
Residential: single-family	\$22.50	\$26.04	\$20.70
Residential: multifamily	\$12.66	\$14.81	\$11.84
Commercial and industrial	From \$16.88 up, depending on use.	From \$18.49 up, depending on use.	\$1.66–\$4.88 per HCF ¹ ; calculated depending on use.

¹ Hundred Cubic Feet

9.2 SERVICE REVIEW DETERMINATIONS FOR THE COUNTY SANITATION DISTRICT 2-3

The Service Review guidelines prepared by the State Office of Planning and Research recommend that issues relevant to the jurisdiction be addressed through written determinations called for in the CKH Act. Based on the above information, following are the written determinations for the District.

Infrastructure Needs and Deficiencies

1. The District's facilities have existing infrastructure deficiencies, including several mains that need to be upgraded and a pump station that the District has planned to replace.

Growth and Population

1. ABAG has adopted a population growth rate of 1.43 percent annually through 2025 for the City of San Jose. As the District is surrounded by the City, this could be applied to the District lands. However, the District is generally built out, and most future growth would be limited to infill development and redevelopment, which can only occur following annexation to San Jose. Therefore, the actual growth within the District can be expected to be minimal.
2. The District will shrink in size as portions are annexed to the City. Hence, the maximum service area of the District is defined by its current boundaries.

Financing Constraints and Opportunities

1. The District's revenue is gained solely from service charges and connection fees. Currently, there are no revenue or operating constraints that affect the District's services.
2. The District finances infrastructure upgrades by utilizing reserve funds. The District has ample funds for infrastructure upgrades in its reserve funds. The District is in the process of preparing information detailing the need and potential use of reserve funds for a Grand Jury report.

Cost-Avoidance Opportunities

1. The County provides many administrative financial services to the District. This structure provides cost savings because the District only pays for its portion of administrative overhead expenses and the specific services that are needed.
2. The District is governed by the Santa Clara County Board of Supervisors. District matters are heard during the same meeting as other County agenda items. This governing structure avoids the cost of having a separate Board of Trustees for the District.

Opportunities for Rate Restructuring

1. Service charges are evaluated annually along with preparation of the budget. The District's current rates for services are similar to other wastewater service providers in the San Jose area.

Opportunities for Shared Facilities

1. The District shares trunkline and wastewater treatment plant capacity with the City of San Jose. As the District's facilities are limited, no other opportunities for sharing facilities have been identified.

Government Structure Options

1. It has been the long-term goal of LAFCO and the County that unincorporated pockets should be annexed to the cities. Likewise, the City of San Jose has a General Plan policy that states that unincorporated pockets should be annexed. Therefore, it is recommended that the City annex the District areas, provide service directly to the new City areas, and that the District be dissolved.

Evaluation of Management Efficiencies

1. The District does not have employees of its own, and it contracts for services with either the City of San Jose or with private contractors. This is an efficient management structure, as the District does not need to pay for the cost of employees and only pays for the services that are rendered.
2. The overall management of wastewater service provision to the District area would appear to be more efficient if the areas were annexed into the City of San Jose and the District were dissolved.

Local Accountability and Governance

1. The County Board of Supervisors is the governing body for the District in addition to other various special districts in the County. Meeting agendas are posted on the County's website and outside of the County Board Chambers along with the Board's other agenda items.

9.3 SOI RECOMMENDATION FOR COUNTY SANITATION DISTRICT 2-3

Current SOI Boundary

The County Sanitation District No. 2-3 is located within two unincorporated areas that are largely surrounded by the City of San Jose and within San Jose's USA. LAFCO adopted the existing zero SOI for the District in 1982. This was done to recognize the long-term policy of LAFCO and the County that unincorporated pockets within cities USAs should be annexed to cities and receive city services.

SOI Recommendation

As LAFCO and County policies regarding pocket areas and service provision have remained the same since adoption of the existing SOI, it is recommended that LAFCO reaffirm the existing zero SOI for County Sanitation District 2-3.

9.4 SOI DETERMINATIONS FOR COUNTY SANITATION DISTRICT 2-3

As detailed previously in Section 1.1.2, Government Code section 56425 requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information above, the following determinations are provided to update the existing District SOI.

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The unincorporated District area is primarily surrounded by the City of San Jose. The District is an urban area that is developed with a mix of industrial, commercial, and varied residential uses. Planned land uses throughout the District area are generally similar to those of the existing uses.

Finding: Future Development within the District is expected to consist of infill development and redevelopment, which can only occur after annexation to the City of San Jose.

2. The Present and Probable Need for Public Facilities and Services in the Area

The population of San Jose is projected by ABAG to grow 1.43 percent annually through 2025. As the District is primarily surrounded by the City, this could be applied to District lands. However, the District is generally built out, and most future growth would be limited to infill development and redevelopment, which can only occur after annexation to the City of San Jose. Therefore, actual growth within the District boundaries would be low.

Finding: The need for additional wastewater facilities and services is expected to be low in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services That the Agency Provides or Is Authorized to Provide

The properties within the District receive wastewater services. For the most part, the present capacity of public facilities and provision of service appears to be adequate. However, several of the District's sewer mains need to be upgraded to a larger capacity, and the pump station is planned to be replaced and upgraded. The increase in sewer capacity is needed as the lines flow into the City of San Jose's system. San Jose has proposed this as a joint venture to ensure proper functioning and allow for increased densities when the area is annexed into the City.

Finding: For the most part, the present capacity of public facilities and provision of service appears to be adequate.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They Are Relevant to the Agency

The District encompasses unincorporated islands that are predominately surrounded by the City of San Jose.

Finding: The District is part of the social and economic community of San Jose.