3. *CUPERTINO SANITARY DISTRICT*

AGENCY OVERVIEW

Cupertino Sanitary District (CSD) provides sewer collection services for the City of Cupertino, portions of the cities of Saratoga, San Jose, Sunnyvale, and Los Altos, and some unincorporated areas within Santa Clara County. The District contracts with the San Jose-Santa Clara Regional Wastewater Facility for wastewater treatment and disposal. Santa Clara LAFCO last conducted a service review covering CSD in 2007.

The District was formed on December 28, 1953, as County Sanitation District Number 7, and was reorganized on April 30, 1956 as the Cupertino Sanitary District.

The principal act that governs the District is the Sanitary District Act of 1923.[30] The principal act empowers the District to acquire, plan, construct, reconstruct, alter, enlarge, lay, renew, replace, maintain, and operate all of the following: garbage dumpsites, garbage collection and disposal systems; sewers, drains, septic tanks, sewage collection, outfall, treatment works and other sanitary disposal systems; stormwater drains, collection, outfall and disposal systems; and water recycling and distribution systems.[31] Districts must apply and obtain LAFCO approval to exercise services authorized by the principal act but not already provided (i.e., latent powers) by the district at the end of 2000.[32]

Boundaries

The District's bounds encompass a majority of the City of Cupertino, approximately one third of the City of Saratoga, minimal areas in the cities of San Jose, Sunnyvale, and Los Altos, and three unincorporated areas within Santa Clara County. The District's existing bounds consist of approximately 12.7 square miles.

Since the last service review was conducted for CSD, the District has completed one annexation to expand its territory. The Prospect Road #6 annexation consisted of 1.1 acres and was approved by LAFCO in March 2007.

Sphere of Influence

During the most recent SOI update in 2007, LAFCO reaffirmed the existing SOI for the CSD. In general, the SOI is presently coterminous with the District's boundary to the north and east, and includes lands outside of the District's boundary to the west. The District's SOI extends beyond the city Urban Service Areas and generally aligns with the city SOIs to the west.

[30] California Health & Safety Code, Div. 6, Pt. 1, §§ 6400-6830.

[31] California Health & Safety Code §6512.

[32] Government Code §56824.10.

Type and Extent of Services

Services Provided

CSD provides wastewater collection services, including owning, operating, and maintaining the collection system within its bounds.

The District contracts with the San Jose-Santa Clara Regional Wastewater Facility (RWF) for wastewater treatment and disposal. Wastewater is conveyed from the areas within the District to the RWF in Alviso for treatment and then either used as recycled water or discharged through Artesian Slough into South San Francisco Bay.

Service Area

With regard to wastewater services, CSD serves only areas within its bounds, and does not presently provide these services outside of its bounds.

There are some pockets of territory within CSD's bounds that are not connected to the district wastewater system, as the areas rely on private septic tanks, particularly in the Saratoga hillside areas. The District does not track the number of septic systems within its bounds and SOI. Properties relying on septic systems are generally required to connect to the district system when owners apply for building permits or when the septic system fails.

There are also several holes in CSD's bounds that are within the City of Saratoga. These areas presently rely on septic systems.

Services to Other Agencies

The District does not provide services to other agencies.

Contracts for Services

The District receives contract services in the form of wastewater treatment and discharge from RWF, which is co-owned by the Cities of San Jose and Santa Clara. CSD entered into a master agreement with these cities for wastewater treatment in 1983. The agreement establishes capacity rights and obligations for the operation and operating, maintenance and capital costs of the plant by member agencies.

It should be noted that the District identified certain deficiencies with regard to the master agreement with the Cities of San Jose and Santa Clara, which may warrant an engineering review and update in the near future to ensure consistency and clarity in the document. Of primary concern to CSD is that the extent of the District's capital obligations with regard to master plan improvements at the treatment plant are reportedly not fully described and are outdated. The City disagrees, and maintains that most of the planned master plan projects are similar in type to those covered in the Master Agreement.

Collaboration

CSD collaborates and partners with other agencies in providing services. CSD participates in the South Bay Water Recycling (SBWR) in conjunction with the Cities of San Jose, Milpitas and Santa Clara, and West Valley Sanitation District. In 1998, the facility and pipeline was constructed in response to discharge requirements at the RWF. The facility

provides recycled water to wholesale water providers for irrigation, landscape and industrial uses. Wastewater treatment is provided by the RWF, while recycled water delivery is provided by SBWR. The City of San Jose manages and administers SBWR.

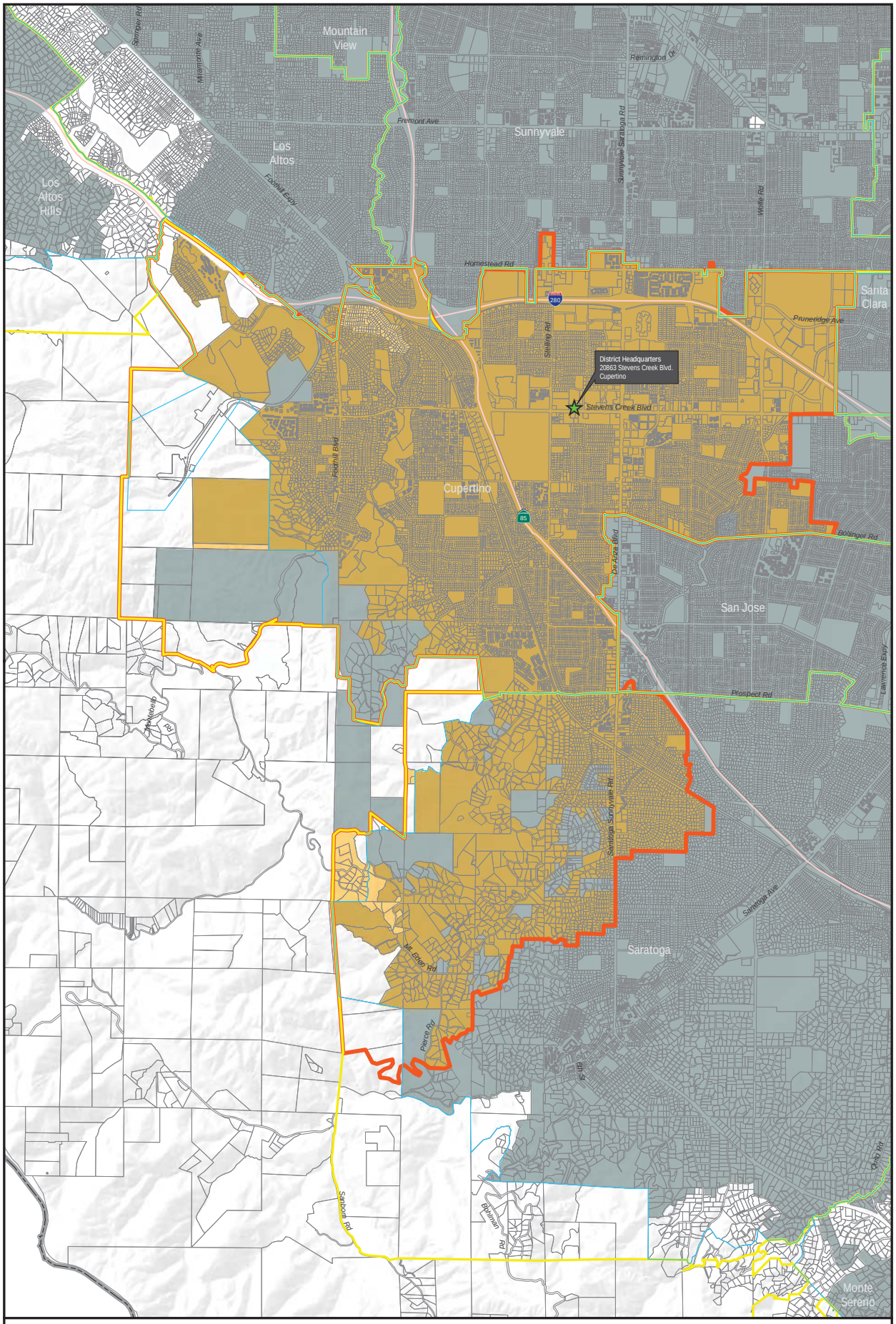
CSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant. The two agencies have previously operated under a joint use agreement to define how operations, maintenance and capital improvements will be funded and which agency will be considered the lead in various circumstances. As of the drafting of this report, the agreement had expired and the two agencies were working to negotiate terms for a new agreement.

CSD also has a sanitary interceptor system agreement with the City of Santa Clara for the conveyance of flow from CSD through the City of Santa Clara. Per the current agreement, CSD contributes 25 percent of any costs related to repairs or rehabilitation of the two major pump stations in the City. The District also pays for pro-rata expenses of joint use sewer trunk lines. This agreement has expired and is currently being negotiated.

Additionally, the District is a member of some associations, which promote information sharing and collaboration, including the California Association of Sanitation Agencies (CASA), and the Bay Area Clean Water Agencies (BACWA).

Overlapping and Neighboring Service Providers

Services are not duplicated by other providers within CSD's bounds.



Cupertino Sanitary District

- Incorporated Areas
- Cities Urban Service Area
- Cities Sphere of Influence (SOI)
- Cupertino Sanitary District SOI
- Cupertino Sanitary District
- Parcels

0 0.25 0.5
Miles

LAFCO
Local Agency Formation Commission of Santa Clara County
June 2013

This map created by the Santa Clara County Planning Office. The GIS data was compiled from various sources. While deemed reliable, the Planning Office assumes no liability.
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ACCOUNTABILITY AND GOVERNANCE

The District is governed by a five-member Board, which is elected to four-year terms. The current member names, positions, and term expiration dates are shown in Figure 3-2.

Figure 3-2: CSD Governing Body

Cupertino Sanitary District					
District Contact Information					
Contact:	Richard Tanaka, District Manager				
Address:	20833 Stevens Creek Boulevard #100, Cupertino, CA 95014				
Telephone:	(408) 253-7071				
Website:	http://cupertinosanitarydistrict.com/				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Bill Bosworth	Secretary	2001	12/2016	Elected	4 years
John Gatto	President	2000	12/2016	Elected	4 years
Bill Kerr	Director	1986	12/2014	Elected	4 years
Steve Andrews	Director	2005	12/2014	Elected	4 years
Angela Chen	Director	2012	12/2014	Elected	4 years
Meetings					
Date/Time:	First and third Wednesdays of each month at 7:30 pm				
Location:	District Board Room, located at 20833 Stevens Creek Boulevard in Cupertino				
Agenda Distribution:	Agendas are posted online and outside the front entrance of the building.				
Minutes Distribution:	Meeting minutes are part of the next meeting's agenda for board approval. The minutes are published on the District's website after approval.				

The Board meets the first and third Wednesdays of each month at 7:30 pm in the District Board Room, located at 20833 Stevens Creek Boulevard in Cupertino. Directors receive a $231 stipend per meeting. Government Code §53235 requires that if a district provides compensation or reimbursement of expenses to its board members, the board members must receive two hours of training in ethics at least once every two years and the district must establish a written policy on reimbursements. As a member of CASA, district board members are eligible to receive ethics training annually through the association. All board members most recently completed the ethics training in August 2012. The District does not appear to have a policy specific to expense reimbursements. Additionally, the District is required to make available to the public a list of reimbursements over $100 made to board members and employees over the last year.[33] The District was appropriately able to provide a list of all reimbursements over $100 made in 2012.

[33] Government Code 53065.5

Agendas for board meetings are posted online and outside the front entrance of the building. Meeting minutes are part of the next meeting's agenda for board approval. The minutes are published on the District's website after approval. The District conducts constituent outreach in addition to legally required agenda posting via its website and by sending its annual report to district residents. CSD's website contains information on the District's services, Board of Directors, Board of Directors' meeting agendas and minutes, meeting schedule, rates, financial, and master planning documents.

Complaints to CSD are received in person or via phone, email, or letter. The District tracks all complaints to resolution. The district manager is responsible for ensuring all complaints are addressed. The District reported that it did not receive any formal complaints in 2012.

CSD has an operations code and various resolutions on policies that provide a framework for the District's operations. The District does not appear to have policies specific to Brown Act compliance, public requests for information and code of ethics. However, with regard to public requests for information, the District does have forms that outline procedures that the District will take when addressing these requests.

The Political Reform Act (Government Code §81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (California Code of Regulations §18730) which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. The District adopted a resolution regarding conflicts of interest and referencing the regulation mentioned above in September 2012.

Government Code §87203 requires persons who hold office to disclose their investments, interests in real property and incomes by filing appropriate forms with the Fair Political Practices Commission each year. All CSD directors have filed the required Form 700 Statement of Economic Interest forms in 2013, as reported by the County.

MANAGEMENT AND STAFFING

The District does not have employees; since 1957, the District has been managed by Mark Thomas & Company, Inc. The district manager, provided by Mark Thomas & Company, is responsible for the day-to-day operations of the District. Operation of the District is overseen by the Board of Directors. Currently, Mark Thomas & Company, Inc. dedicates 6 full-time equivalents (FTEs) to administration, management, and inspection of the District. Maintenance is provided by contracting companies, including Able Construction, Rotor Rooter, and S&M Construction. The number of personnel dedicated to maintenance of the District's system through the contractors is dependent on the need at any given time; however, the District estimated that there are roughly two FTEs regularly maintaining the system, and at periods of peak demand it can be up to 3.5 FTEs.

CSD has retained a certified public accountant to audit the District's Comprehensive Annual Financial Report and prepare the annual financial transaction reports, which are required by the State Controller under Government Code §53891. Additionally, the District retains Harold Toppel as legal counsel.

CSD maintains several plans and documents to guide district efforts. The District adopts an annual budget, annually audits its financial statements, has developed a master plan (1964) and a sewer system management plan, and conducts capital improvement planning in a five-year plan.

The District reviews its operations in its annual report, which assesses what has been completed and accomplished over the last fiscal year. Additionally, the District conducts benchmarking with other similar agencies, particularly with regard to rates. The District also regularly assesses the cause of any sewer system overflows in order to better target maintenance and repair services.

As the District does not have any staff, there are no formal staff evaluations. Administrative services are reviewed through invoices to the District's Board and regular reports at the bi-monthly board meetings. District and contractor workload are tracked in timesheets, which include the tasks completed for both administrative and maintenance activities. Inspectors are issued weekly duty lists to be completed. Maintenance services are also tracked in a daily maintenance log.

Government Code §53901 states that within 60 days after the beginning of the fiscal year each local agency must submit its budget to the county auditor. These budgets are to be filed and made available on request by the public at the county auditor's office. The County has reported that in recent years, it has not been the practice for special districts to file their budgets with the County. CSD has not yet submitted its budget to the County for FY 14.

Special districts must submit a report to the State Controller of all financial transactions of the district during the preceding fiscal year within 90 days after the close of each fiscal year, in the form required by the State Controller, pursuant to Government Code §53891. If filed in electronic format, the report must be submitted within 110 days after the end of the fiscal year. The District has complied with this requirement.

All special districts are required to submit annual audits to the County within 12 months of the completion of the fiscal year, unless the Board of Supervisors has approved a biennial or five-year schedule.[34] In the case of CSD, the District must submit audits annually. CSD has submitted its audit to the County for FY 12.

POPULATION AND PROJECTED GROWTH

Land Uses

The District is composed of well-established communities that are nearly built out. This includes the City of Cupertino, a large portion of Saratoga, and small areas of Sunnyvale and Los Altos, in addition to some unincorporated areas.

[34] Government Code §26909.

Current Population

Based on 2010 Census data, the District's population as of 2010 was approximately 59,244.

Disadvantaged Unincorporated Communities

LAFCO is required to evaluate disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. A disadvantaged unincorporated community is defined as any area with 12 or more registered voters, or as determined by commission policy, where the median household income is less than 80 percent of the statewide annual median.[35]

The California Department of Water Resources (DWR) has developed a mapping tool to assist in determining which communities meet the disadvantaged communities median household income definition.[36] DWR did not identify any disadvantaged communities within Santa Clara County.[37]

However, DWR is not bound by the same law as LAFCO to define communities with a minimum threshold of 12 or more registered voters. Because income information is not available for this level of analysis, disadvantaged unincorporated communities that meet LAFCO's definition cannot be identified at this time.

Projected Growth

Minimal population growth is anticipated within the District's bounds based on the Association of Bay Area Government's (ABAG) projections for Santa Clara County. ABAG projects that the City of Cupertino will experience four percent growth over the 25-year period from 2010 to 2035, or 0.2 percent average annual growth.[38] The City of Saratoga is anticipated to experience zero growth over the same period. Unincorporated areas of the County are anticipated to have 19 percent growth or 0.7 percent average annual growth over the same period. Based on these growth projections, CSD is anticipated to have a population of approximately 61,215 by 2035.[39]

The District reported that growth has been minimal and is not affecting demand for services. The area within the District is largely built out, and most future growth would be limited to infill development and redevelopment. Therefore, actual growth within the District's boundaries is anticipated to be low. The District is aware of two potential

[35] Government Code §56033.5.

[36] Based on census data, the median household income in the State of California in 2010 was $57,708, 80 percent of which is $46,166.

[37] DWR maps and GIS files are derived from the US Census Bureau's American Community Survey (ACS) and are compiled for the five-year period 2006-2010.

[38] ABAG, Projections 2009, 2009.

[39] Assuming approximately one third of the existing population of Saratoga resides within the District.

developments within its bounds, both of which are commercial—an Apple campus and the Main Street Project with office space, a hotel, retail space, and some residential units.

The District forecasts service needs based on historical demand and growth data and current census information. While the Apple campus is anticipated to increase district flow somewhat, the District has indicated that capacity of the system is sufficient to handle the expected increase in flow, given that in 2012, the District made use of 51 percent of its treatment plant capacity allocation of 7.85 million gallons per day.

FINANCING

Financial Adequacy

CSD reported that the current financing level is generally adequate. There have been minimal impacts on the District's revenues from the recent recession. However, it is anticipated that greater maintenance and capital improvement costs at the treatment plant, as well as pressure by the State to upgrade collection systems will create a need for enhanced revenues in the coming years.

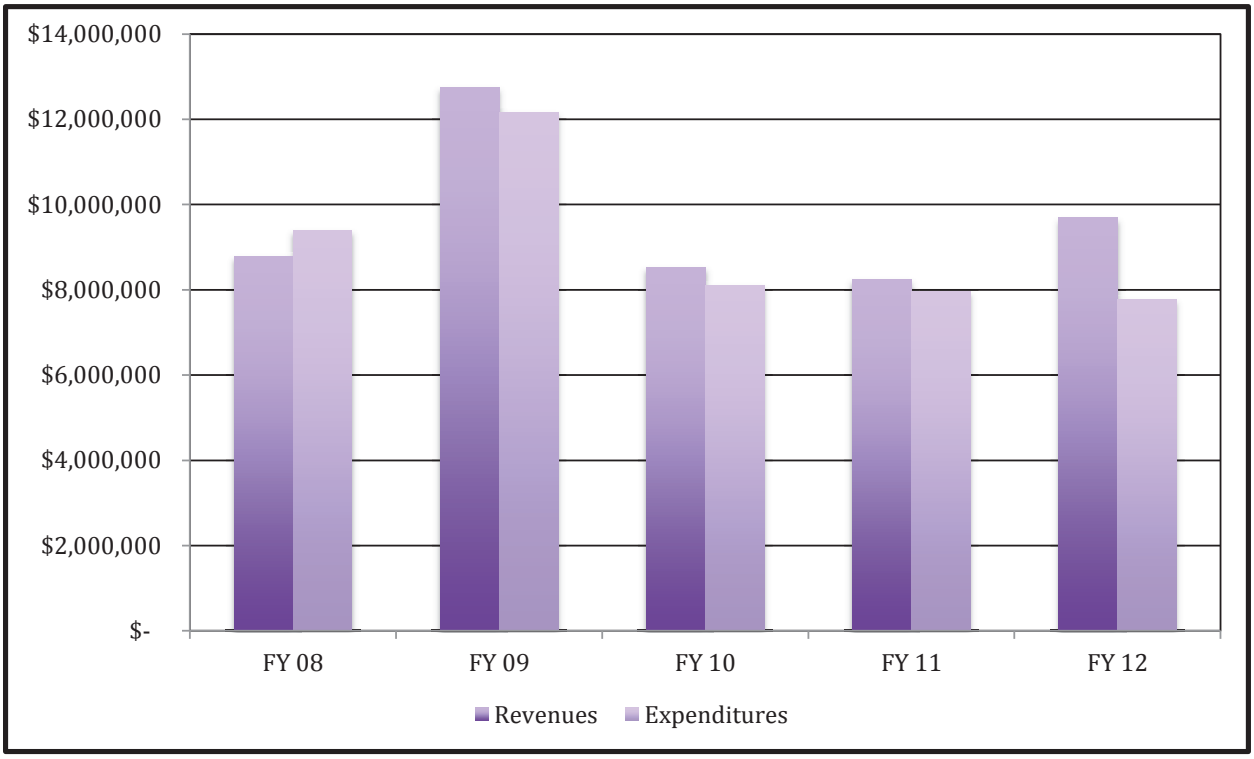
The City of San Jose is facing a major rebuild of the wastewater treatment plant during the next decade, which is projected to be $680.9 million in capital improvement projects that will be constructed over the next five years. The District's share of capital costs of future improvements and operation and maintenance costs are 4.351 percent and 5.193 percent, respectively. As this project is implemented, CSD's payments for the plant are anticipated to take up a significantly greater portion of the District's annual expenditures. As a result of these anticipated increased costs, the District conducted a rate study in 2013 analyzing various rate increase alternatives to ensure continued adequate financing to cover RWF costs. As recommended by the rate study, the District has adopted a 10 percent rate increase for FY 14. In future years, rates will be reviewed annually and potential increases will be considered at that time.

In addition, there are plans to make enhancements to the plant through the Master Plan Update to enhance operations, enhance use of renewable energy sources, and develop habitat and open space areas, among other improvements. These improvements are anticipated to cost approximately $1.52 billion over a period of 30 years. As many of these improvements are considered supplemental to the operations of the sewer treatment plant by the Districts, and not essential to the proper functioning of the plant, member agencies have sent letters to the City of San Jose in opposition of financing these improvements. The CSD Board adopted a resolution stating the need to "ensure that the charges for sanitary sewer service reflect the actual cost of delivering that service and do not include costs for services, facilities, programs, or products that are not received by the District's customers and from which they derive no benefit." The City has reported that it is pursuing third party funding for the habitat projects. Depending on the City's financing plan for these capital improvements, the District may need to further enhance its revenue sources to finance its obligations.

Over the past five fiscal years (FYs 08 to 12), district revenues have exceeded expenditures in four years, as shown in Figure 3-3. In FY 08, expenses exceeded total

revenues by $614,917, due to capital expenditures primarily attributed to implementation of the State mandated SSMP and sewer system overflow plan (SSOP) requirements. Revenues peaked in FY 09, due to gains from sale of capacity rights to Milpitas totaling $3.5 million. Likewise, expenses spiked because the District paid off the 2009 Series A Sewer Revenue Bonds (treatment plant bond financing obligation) in the amount of $1.8 million. Regular expenditures have slightly declined over the last five fiscal years, when the payoff of the bond in FY 09 is excluded..

Figure 3-3: CSD Revenues and Expenditures, FYs 08-12



Source: Comprehensive Annual Financial Reports for FY 2008 through FY 2012 (includes business-type activities and governmental activities)

Revenue Sources

In FY 12, the District received $9.7 million in revenue. The District's revenues are derived principally from sewer service charges, which consisted of 96 percent of revenue sources. Other fees for services consisted of approximately three percent of the District's income, while interest and sales of assets made up the remaining one percent. Figure 3-4 below provides the District's sources of revenues in FY 12.

Figure 3-4: CSD Revenues ,FY 12

Type of Revenue	Amount of Revenue	% of Total
Charges for Services	$ 9,325,856	96.3%
Other fees	$ 249,114	2.6%
Interest and Investment Income	$ 97,569	1.0%
Sale of Assets	$ 9,000	0.1%
TOTAL	**$ 9,681,539**	100.0%

Source: Comprehensive Annual Financial Report, FY 12.

Rates

The District sets its rates to its users to cover the costs of operations, maintenance, and repair, plus any increments for known or anticipated changes in program costs. Rates remained unchanged in FY 13. The District most recently assessed and updated its rates in June 2013. Rates will increase by 10 percent for FY 14. The District reported that this rate increase was necessary, in part due to capital improvements at RWF, and also due to capital improvements required for the District's own collection system.

The District charges a flat rate for each residential connection. Commercial connections pay a minimal flat rate and fees for each hundred cubic feet of flow. Additionally, those connections with particularly high loads of biochemical oxygen demand, suspended solids, and ammonia pay fees based on the load of these compounds per 1,000 pounds per day. The rates for residential and commercial connections are shown in Figure 3-5.

Figure 3-5: CSD Wastewater Rates, FY 14

Rate Category	Rate
Residential (Monthly Rate)	
Per Unit	$30.25
Commercial (per hundred cubic feet)	
Fixed annual charge	$4.81
Auto repair shop	$2.97
Car wash	$2.48
Domestic Laundry	$2.67
Machinery Manufacturers	$4.35
Motels/hotels without food service	$3.03
Motels/hotels with food service	$5.08
Retirement homes with dining	$5.72
Convalescent homes	$2.87
Printing plants	$5.12
Restaurants	$6.19
Retail or professional office	$2.72
Schools, colleges, day care facilities	$3.86

Expenditures

In FY 12, the District's total expenditures amounted to $7.8 million, as depicted in Figure 3-6. Payments to RWF for treatment constituted 69 percent of expenditures in that year. Other significant expenditures included repairs and maintenance (9.1 percent) and depreciation (7.2 percent).

Figure 3-6: CSD Expenditures FY 12[40]

Type of Expenditure	Amount	% of Total
RWF	$5,357,627	69.0%
Engineering	$370,454	4.8%
Management/Accounting	$364,430	4.7%
Supplies	$6,057	0.1%
Repairs and Maintenance	$710,689	9.1%
Outfall Maintenance	$100,788	1.3%
Utilities	$56,464	0.7%
Depreciation	$562,264	7.2%
Membership Fees	$22,436	0.3%
Insurance	$102,450	1.3%
Emergency Funds	$105,033	1.4%
Miscellaneous	$11,232	0.1%
TOTAL	**$7,769,924**	**100.0%**

Source: FY 12 Comprehensive Annual Financial Report.

Capital Outlays

The District had a five-year capital improvement plan (CIP) for FY 12 through FY 17. The District is concluding its flow monitoring effort and will be conducting a hydraulic analysis of the sewer system based on the data gathered. Following the modeling and analysis, the Sewer System Master Plan will be updated and infrastructure and capacity improvement projects will be identified. The District is deferring the development of the five-year CIP plan until FY 14-15. Total planned capital outlays over that period are unknown at this time; however, a large proportion of expenditures will be allocated to infrastructure condition assessment and sewer system replacement and rehabilitation. The CIP will be updated annually based on what projects have been completed and current conditions.

Reserves

At the end of FY 12, the District has a total of $17.8 million in unrestricted net asset. Of the unrestricted net assets, the District allocates approximately $5.5 million to pay for operations and maintenance from July of each year to as late as January while waiting for revenues to be received from property taxes. It is a District policy to maintain $1.5 million minimum in the cash account for contingencies. The remainder is then separated into capital improvement and emergency reserves.

Debt

The District's long-term debt consists of two bonds and a loan used to finance the SBWR projects. At the end of FY 12, the District had a total long-term debt of $7.2 million.

[40] Expenditures include business-type activities and governmental activities.

In September 2005, the District entered into a financing agreement with the Cities of San Jose and Santa Clara and the other tributary agencies of the RWF whereby $54 million of revenue refinancing bonds were issued. The Series A bonds have a fixed interest rate. The Series B bonds in the amount of $21.4 million were refinanced in 2009. The proceeds from both bonds were used to fully refund the 1995 Series A and B bond issue. The agreement calls for semi-annual payments to the City of San Jose.

In FY 99, the District entered into a financing agreement with the Cities of San Jose and Santa Clara and the other tributary agencies of RWF whereby $73,566,018 in State Revolving Fund (SRF) Loan program funds were received, in addition to other federal and state sources. These funds have a fixed interest rate of 1.803 percent. The proceeds were used to additionally finance the SBWR Project. The agreement calls for semi-annual payments in April and October to the City of San Jose.

INFRASTRUCTURE AND FACILITIES

The District operates a collection system, consisting of 294 miles of mains and sewers, 17 pump stations, and one metering station.

The District has some sewer lines that are over 60 years old. A majority of the system consists of vitrified clay pipe material. The District considers the mains to be in generally good condition.

The District contracts with RWF for wastewater treatment and disposal. The District's contract gives the District rights to a percentage of the capacity of their sewage treatment facilities. The contract requires the District pay its share (based on its capacity ratio) of debt service, operation, maintenance, and improvement costs. The District has a fixed capacity allocation of the plant of 7.875 mgd, of which the District used four mgd or 51 percent in 2012.

Infrastructure Needs

The District is implementing a condition assessment and CCTV inspection program along with a flow monitoring study to prioritize long-term rehabilitation and replacement of sanitary sewer main projects. These projects will be programmed into the CIP once the list is established.

The District has evaluated its lines based on the National Association of Sewer Service Companies (NASSCO) conditions, which ranks sewer mains between one (excellent condition) and five (worst condition). The District has identified a few mains that are considered fives, which are in need of replacement. These mains are included in the District's CIP.

The District also identified a particular challenge related to access to lower laterals. Approximately 15 to 20 percent of properties served by the District have property line clean outs. Those without cleanouts are hard to enter in order to perform maintenance and inspections. There are no plans to address this issue in the near future.

Shared Facilities

As previously mentioned, the District practices extensive facility sharing for wastewater treatment from RWF and as a member of SBWR. Additionally, CSD shares some mains and pump stations that lead to the treatment plant with the Cities of San Jose and Santa Clara

Because CSD shares some boundaries with West Valley Sanitation District (WVSD), and is in close proximity to WVSD, it is looking into the possibility of using WVSD for emergency response.

DEMAND FOR SERVICES

The District provides sewer service to approximately 22,290 customers—20,750 residential customers and 1,540 commercial customers. The District maintains an inventory of connections throughout the service area, including each of the cities as well as the unincorporated areas.

The District reported that flow has remained relatively constant over recent years—staying consistently at four mgd average daily flow for each of the past four years (2009-2012). The District's average daily flow over the last four years is shown in Figure 3-7.

Figure 3-7: CSD Average Annual Flow (mgd), 2009-2012

Service Level	2009	2010	2011	2012
Average Annual Flow	4	4	4	4

Source: As reported by CSD.

SERVICE ADEQUACY

This section reviews indicators of service adequacy, including regulatory compliance, sewer system overflows (SSOs), and collection system integrity. These service adequacy measures are outlined in Figure 3-8.

CSD has had two violations related to sewer system overflows in the period from January 1, 2010 to July 7, 2013. Both violations occurred in 2010 and did not result in enforcement actions by the RWQCB.

Wastewater agencies are required to report sewer system overflows (SSOs) to SWRCB. Overflows reflect the capacity and condition of collection system piping and the effectiveness of routine maintenance. One way of measuring collection system performance is to calculate an annualized sewer overflow rate. Some collection system agencies only have a responsibility to maintain sewer mains, while others are similar to the District and are responsible for both sewer mains and laterals. To provide a universally comparable sewer overflow rate, the sewer overflow rate is calculated as the number of overflows per 100 miles of mainline collection piping. CSD reported 49 overflows, of which 35 were on mainlines, during the period from January 1, 2010 thru July 1, 2013, and consequently the annual overflow rate during this 3.5 year period is 3.4.

There are several measures of integrity of the wastewater collection system, including peaking factors, efforts to address infiltration and inflow (I/I), and inspection practices. Peaking factor is defined as the ratio of peak flow to average dry weather flow. A peaking factor of about 3.0 is a generally accepted factor for the design of small diameter pipe. The

District reported that it has a peaking factor of 2.3 during wet weather periods, meaning wet weather flow (peak wet weather flow of 8.5 mgd) is 2.3 times greater than flow during dry periods(average dry weather flow of 3.7 mgd), due to infiltration and inflow. A peaking factor of 2.3 is generally considered within industry standards; however, the District did report that there is a particular section of the system along the foothills that suffers from a higher level of I/I. The District is targeting its efforts in this area to reduce I/I.

Figure 3-8: CSD Wastewater Service Adequacy Indicators

Wastewater Service Adequacy and Efficiency			
Regulatory Compliance Record, 2010-13			
Formal Enforcement Actions	0	Informal Enforcement Actions	0
Enforcement Action Type		***Description of Violations***	
None		N/A	
Total Violations, 2010-13			
Total Violations	2	Priority Violations	0
Service Adequacy Indicators			
Total Employees (FTEs)	2.0	Sewer Overflows 2010 - 2013[2]	49
MGD Collected per FTE	2.0	Sewer Overflow Rate[3]	3.4
Sewer Miles per FTE	147	Peaking Factor	2.3
Infiltration and Inflow			
The District reported that there is one section of the system in particular that suffers from I/I along the foothills. In this area there are sometimes illegal connections with storm drains. The District is working to eliminate these issues.			
Collection System Inspection Practices			
CSD has recently purchased a new CCTV and is working to video inspect all mains and laterals in its system. The District plans to view every pipe in the system once every seven years.			
Notes:			
(1) Order or Code Violations include sanitary sewer overflow violations.			
(2) Total number of overflows experienced (excluding those caused by customers) from January 1, 2010 to July 1, 2013 as reported by the agency.			
(3) Sewer overflows from January 1, 2010 to July 1, 2013 (excluding those caused by customers) per 100 miles of collection piping.			

GOVERNANCE STRUCTURE OPTIONS

During the course of this review, one governance structure option was identified for Cupertino Sanitary District—consolidation of CSD with West Valley Sanitation District (WVSD).

At present, both agencies operate satisfactorily, and no deficiencies to service were identified over the course of this review to prompt a reorganization. However, consolidation of the two agencies was identified as an option for several reasons: 1) the West Valley cities could advance their collaborative working relationship through a single wastewater agency serving the area, 2) the proximity of the two agencies lends itself to enhanced resource sharing, 3) the two systems share infrastructure, including the wastewater treatment plant, and 4) the potential for cost savings through elimination of the administration and governing body of one of the entities.

The cities of Cupertino, Saratoga, Los Gatos, Campbell, and Monte Sereno form the West Valley Mayors and Managers Group, a cooperative entity that promotes regional strategies jointly agreed upon by the members. These cities are almost entirely served by WVSD, with the exception of the City of Saratoga, one third of which is served by CSD, and the of the City of Cupertino, a majority of which is also served by CSD. WVSD's governing body is comprised of representatives from the County and each of the cities within the District's bounds. Consolidation of the two districts may allow for logical boundaries, which would enhance regional decision making among the West Valley cities with regard to wastewater services.

CSD and WVSD share a common boundary that bisects the City of Saratoga. The agencies are adjacent to one another, and flow from each of the districts is collected in some of the same shared mains through the City of San Jose and transported to the same treatment facility. This similarity in service configuration would allow for ease of a single provider in consolidating the two systems and in leveraging all available resources towards unified objectives when negotiating and collaborating with the Cities of San Jose and Santa Clara on various issues.

In general, consolidation may offer opportunities to enhance planning efforts and service, share a single governing body, management personnel, utility staff and equipment, and meet regulatory requirements. A consolidated operation could offer efficiencies in governance, administration and planning. The potential cost savings associated with the reorganization of CSD and WVSD would need to be quantified in a more detailed study.

Certain challenges and incompatibilities related to consolidation of CSD and WVSD were also identified. While the two collection systems are adjacent and flow to the same treatment plant, there are differences in how the collection systems were first constructed. The WVSD system largely relies on gravitational flow and only contains two pump stations, while there are significantly more pump stations in the CSD system, which can be more costly to operate and maintain than a gravitational system. Additionally, should WVSD be named the successor agency, the District reported that additional maintenance facilities in a more central location may be necessary to serve the entire district. Capacity allocations by the RWF would also need to be addressed.

The two districts have not discussed the potential for consolidation to date, and consideration of the benefits and disadvantages of such a consolidation have not been fully reviewed by the agencies. While no deficiencies in service have been identified for either agency, a more detailed review of the benefits and cost savings that consolidation could offer, beyond anecdotal evidence, would shed light on the extent of any cost savings, benefits, or challenges that may be anticipated from the merger of the two districts, and provide an impetus for a consolidation, should the benefits be proven to substantially exceed any costs or drawbacks. In the interim, it is recommended that the districts collaborate further on issues of joint-concern, such as negotiations with the Cities of San Jose and Santa Clara, as well as identify any potential for resource sharing. For example, CSD is considering contracting with WVSD for emergency response services. Preliminary discussions of the two agency's staff is ongoing for WVSD to provide emergency response services to CSD in the event of a catastrophic event. This would likely be in the form of a mutual aid agreement. Further collaboration and resource sharing may provide a setting for consideration of future consolidation on the part of the two agencies.

CUPERTINO SANITARY DISTRICT SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- As of 2010, Cupertino Sanitary District (CSD) had approximately 59,244 residents, based on 2010 Census data.
- Association of Bay Area Governments (ABAG) projects that the City of Cupertino will experience 0.2 percent average annual growth, the City of Saratoga will experience zero growth, and unincorporated areas will experience 0.7 percent average annual growth over the period from 2010 to 2035. Based on these growth projections, CSD is anticipated to have a population of approximately 61,215 by 2035.[41]

Location and Characteristics of any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence

- There are no disadvantaged unincorporated communities within or adjacent to the District's service area based upon mapping information provided by the State of California Department of Water Resources. However, given the large size of the defined community in the census data used, it cannot be discounted that a smaller community that meets the required income definition and has 12 or more registered voters may exist within or adjacent to the District.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- In 2012, the District used approximately 51 percent of its treatment capacity allocation. The District appears to have sufficient capacity at present and for anticipated growth well into the future.
- It is recommended that CSD assess the number of parcels that presently rely on private septic systems within the District's bounds and in any City of Saratoga pockets that are completely surrounded by CSD's bounds, in order to better quantify potential future demand.
- Although the master agreement has not yet expired and is still legally in effect, it is recommended that CSD and the cities of San Jose and Santa Clara update the master agreement with regard to the treatment plant in the near future to describe in detail the extent of the District's capital obligations with regard to master plan improvements.

[41] Assuming approximately one third of the existing population of Saratoga resides within the District.

- CSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant. As of the drafting of this report, the joint-use agreement had been expired for four years and the two agencies were negotiating terms for a new agreement. It is recommended that the two agencies expedite contract negotiations and adopt an agreement in the near future.
- The District's master plan is from 1964. It is recommended that if the District is making use of the plan, then it should be updated to reflect the current conditions of the system.
- Based on the District's regulatory compliance history and collection system integrity, as indicated by comprehensive collection system inspection practices and infiltration and inflow rates within industry standards, CSD's wastewater services appear to be adequate. While not extraordinary, improvements could be made to lower the District's sewer system overflow rate.
- The District is concluding its flow monitoring effort and will be conducting a hydraulic analysis of the sewer system based on the data gathered. Following the modeling and analysis, the Sewer System Master Plan will be updated and infrastructure and capacity improvement projects will be identified. The District is deferring the development of the five-year CIP plan until FY 14-15.
- The District identified a particular challenge related to access to lower laterals. Approximately 15 to 20 percent of properties served by the District have property line clean outs. Those without cleanouts are hard to enter to perform maintenance and inspections. There are no plans to address this issue in the near future.

Financial Ability of Agency to Provide Services

- CSD reported that the current financing level is generally adequate. There have been minimal impacts on the District's revenues from the recent recession.
- There are certain anticipated challenges to ensuring adequate revenues in the future. Greater maintenance and capital improvement costs at the San Jose-Santa Clara Regional Wastewater Facility, as well as pressure by the State to upgrade collection systems will create a need for enhanced revenues in the coming years.
- The District most recently adopted a 10 percent rate increase for FY 14. In future years, rates will be reviewed annually and potential increases will be considered at that time.
- Depending on the City of San Jose's final financing plan for projects identified in the Master Plan Update, there may be a need for enhanced revenues on the part of the District.
- In four of the past five fiscal years the District's revenues exceeded expenditures.
- The District had a formal five-year capital improvement plan (CIP) for FY 12 through FY 17; however, CSD is in the process of conducting an assessment of its system to develop a comprehensive CIP beginning in FY 14.

- The District maintains a healthy reserve fund equivalent to approximately 2.3 years of district expenditures, which is designed to cover annual expenditures, contingencies and capital expenditures.

Status and Opportunities for Shared Facilities

- CSD practices extensive facility sharing by receiving wastewater treatment from the San Jose-Santa Clara Regional Wastewater Facility and as a member of South Bay Water Recycling. Additionally, CSD and the Cities of San Jose and Santa Clara share a portion of their sewer systems and lines that lead to the treatment plant.
- CSD is considering contracting with West Valley Sanitation District for emergency response services.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- CSD demonstrated accountability and transparency in its various aspects of operations. The governing body updates constituents, solicits constituent input, and posts public documents on its website. The District fully cooperated with LAFCO requests for information.
- CSD has an operations code and various resolutions on policies that provide a framework for the District's operations. The District does have an adopted policy regarding conflicts of interest; however, the District does not appear to have policies specific to Brown Act compliance, public requests for information, and code of ethics. It is recommended that the District adopt policies specific to these topics.
- All members of the Board of Directors have filed the Statement of Economic Interest forms in 2013 and completed biennial ethics training.
- Improvements could be made to the District's operations in order to enhance accountability and transparency. The District should file a copy of its annual budget with the County Auditor as required by Government Code §53901. The Board of Directors should adopt a policy on expense reimbursements as part of the their policies and administrative regulations.
- One governance structure option was identified for CSD—consolidation with West Valley Sanitation District. Several benefits and disadvantages of consolidation have been identified; however, a more detailed review of the benefits, disadvantages and cost savings that consolidation could offer is recommended.

CUPERTINO SANITARY DISTRICT SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

In general, the SOI is presently coterminous to the north and south, and includes lands outside of the District's boundary to the east and west. The District's SOI extends beyond the city Urban Service Areas and generally aligns with the city SOIs to the west.

Recommended Sphere of Influence Boundary

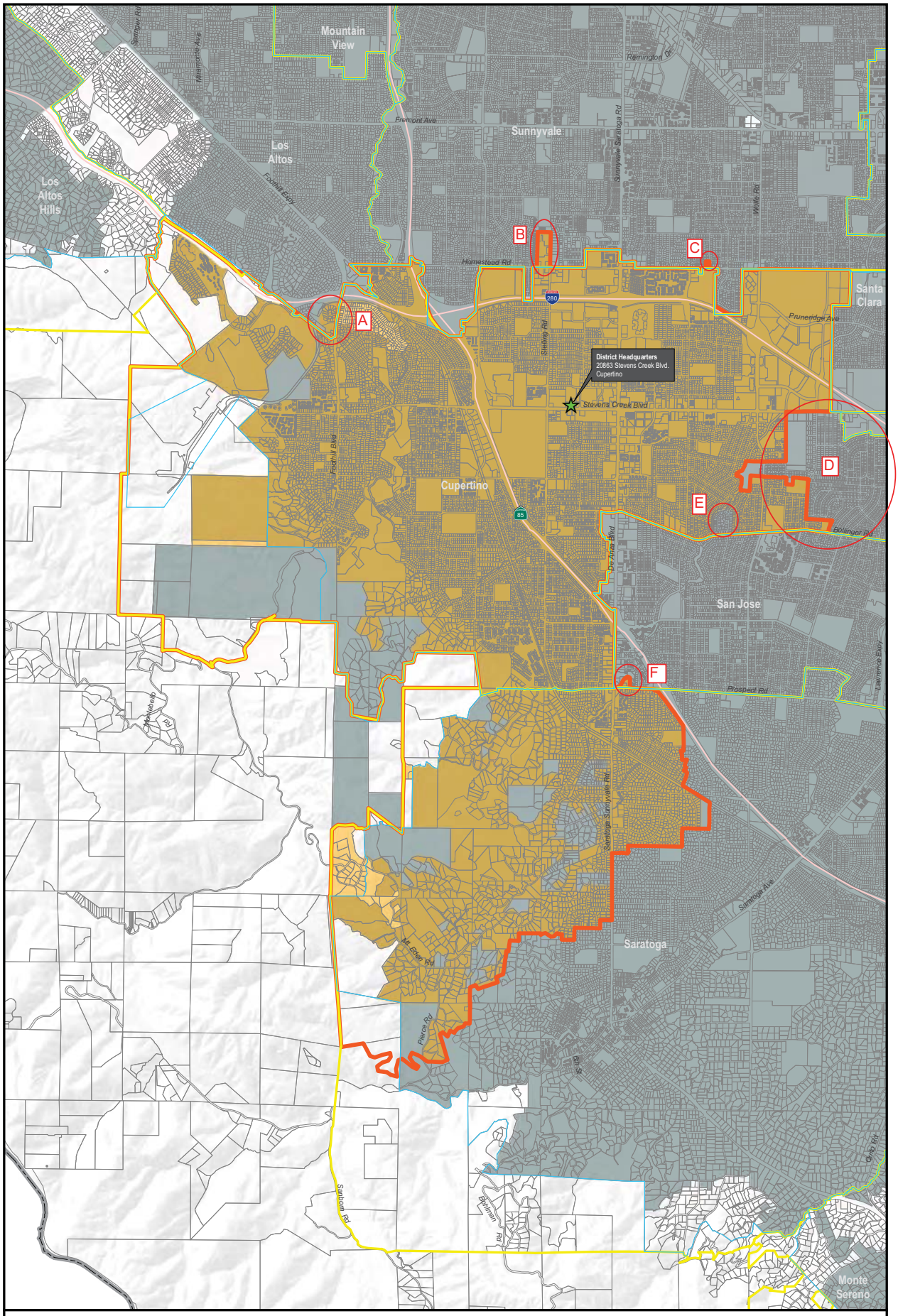
It is recommended that as part of this SOI update, that the Commission address 1) areas of overlap or gaps along the shared boundary with Sunnyvale, Los Altos, Cupertino and San Jose, 2) areas of overlap or gaps along the shared boundary with West Valley Sanitation District and 3) areas outside of the cities' Urban Service Areas that are presently within CSD's SOI.

There are several anomalous areas along CSD's shared boundaries with other agencies where questions arose regarding which agency is currently providing services and which agency would likely be providing services in the future. Six such areas were identified, which are depicted in Figure 3-9 and marked with letters A through F.

Area A is a residential area, which lies within CSD's bounds but outside of its SOI, in the City of Los Altos. While the City provides its own wastewater services, the District is providing services in this area, because there is reportedly a gully to the west that prohibits flow into the Los Altos system. Given topographical constraints, it is anticipated that CSD will continue to serve the area. Consequently, it is recommended that CSD's SOI be expanded to include this area.

Area B (APNs 323-26-014, 323-26-033, 323-26-016, 323-26-034, and 323-26-077) is a commercial area that is within CSD's bounds and SOI. The parcels in question are located within the City of Sunnyvale that provides its own wastewater collection services. The City and CSD both reported that this area is in fact served by the City, and will continue to be served by the City. It does not appear to be necessary for the territory to remain within CSD's bounds; consequently, it is recommended that the area be excluded from CSD's SOI and detached from the District.

Area C (APN 309-46-064) is a single parcel within the City of Sunnyvale that is also within CSD's bounds and SOI. Both agencies corroborated that the parcel is receiving services from CSD. The reasoning as to why this single parcel is connected to the CSD system instead of the Sunnyvale system is unknown; however, given that any change in the connection would require infrastructure changes, it is likely that CSD will continue to serve the area. It is recommended that the area remain within CSD's SOI to reflect its current service area.



Cupertino Sanitary District

- Incorporated Areas
- Cities Urban Service Area
- Cities Sphere of Influence (SOI)
- Cupertino Sanitary District SOI
- Cupertino Sanitary District
- Parcels

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Local Agency Formation Commission of Santa Clara County

June 2013

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Area D is the remaining portion of the City of Cupertino that is not within CSD and its SOI. The area is served by Sunnyvale, as the terrain is such that flow into the Sunnyvale system is appropriate. Given the topography and existing system infrastructure, it is unlikely that CSD would take on services in this area, and it is recommended that CSD's SOI remain unchanged in this area.

Area E is outside CSD's bounds but within its SOI. Similar to Area D this area is served by the City of Sunnyvale. A main transports the flow to the system in the eastern portion of the City of Cupertino. Given the existing system infrastructure, it is unlikely that CSD would take on services in this area, and it is recommended that the area be excluded from CSD's SOI.

Area F is two parcels that are within CSD's bounds and SOI and lie within the City of San Jose. While the City provides its own wastewater collection services, these parcels are served by the District. A creek is located such that effluent would have to cross the creek in order to join the San Jose system. Given the challenge to San Jose providing services to the area, it is likely that CSD will continue services to these parcels. It is recommended that CSD's SOI continue to include the area in question.

In addition to these areas, there are several areas along the shared boundary with West Valley SD where there are overlaps or gaps in bounds and/or SOIs of the two districts. These nine areas are depicted in Figure 3-10 and identified with letters G through O.

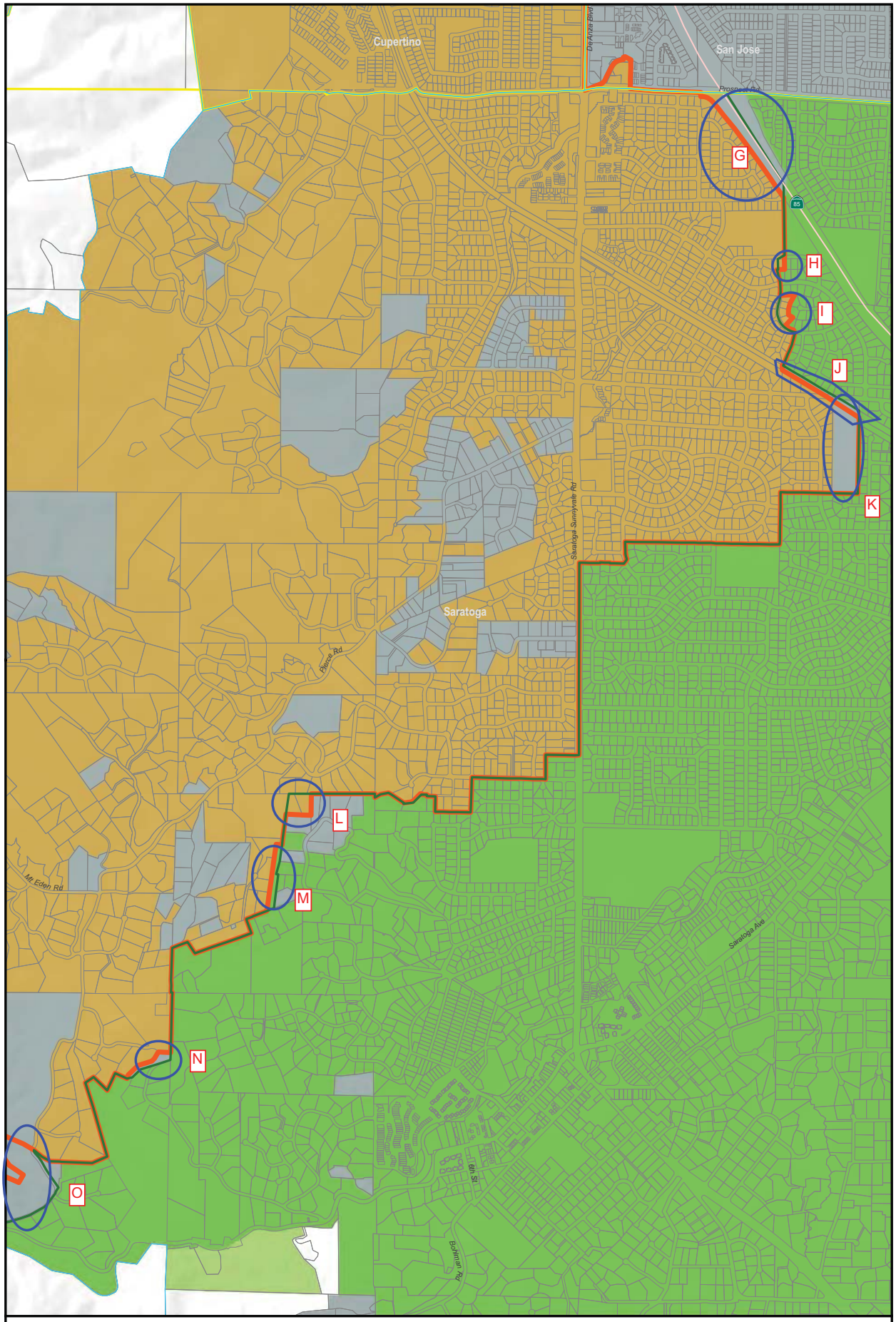
Area G (no assigned parcel number) consists of a single parcel just to the west of SR 85 where there is a gap in the bounds and SOI between the two agencies. Given that the parcel is purely a buffer along the highway, it will likely not require wastewater services in the future. However, given that both sides of the highway are included in WVSD throughout its boundary area, it is recommended that CSD's SOI remain unchanged and the area be included in WVSD's SOI for consistency.

Area H (APN 386-41-012) is a single residential parcel that is within WVSD's SOI as well as CSD's bounds and SOI. The parcel is receiving services from CSD, and as such should remain in CSD's SOI and be removed from WVSD's SOI.

Area I (APNs 386-41-040, 386-41-063, 386-41-062, and 386-41-061) consists of four residential parcels that are within WVSD's SOI as well as CSD's bounds and SOI. All four parcels are receiving services from CSD, and as such should remain in CSD's SOI and be removed from WVSD's SOI.

Area J (APNs 386-44-038 and 393-44-037) consists of two parcels owned by Southern Pacific Railroad. Both parcels are outside of the SOIs of the two districts. Based on tax rate information, one parcel (386-44-038) is within WVSD's bounds (but outside its SOI). It is recommended that both parcels be included in WVSD's SOI and CSD's SOI remain unchanged to reflect the current bounds of the two districts.

Area K (APN 393-17-002) is a single parcel outside of the bounds of both districts but within CSD's SOI. The parcel is owned by San Jose Waterworks and receives services from WVSD. In order to reflect the existing service area, this parcel should be included in WVSD's SOI and the area annexed to the District, and for consistency, the parcel should be excluded from CSD's SOI.



Cupertino/West Valley Sanitation Districts

- Cities Urban Service Area
- Cities Sphere of Influence (SOI)
- Incorporated Areas
- West Valley Sanitation District SOI
- Cupertino Sanitation District SOI
- West Valley Sanitation District
- Cupertino Sanitation District

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LAFCO
Local Agency Formation Commission of Santa Clara County

June 2013

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Area L (APNs 503-29-067 and 503-29-068) consists of two residential parcels where there is an overlap in the SOIs of the two districts. The two parcels are within CSD's bounds and are presently receiving services from CSD, as such, the parcels should remain in CSD's SOI and WVSD's SOI should be reduced to exclude these two parcels.

Area M (APN 503-29-010) is a parcel that is within WVSD's bounds but outside the SOIs of either district. The area consists of a single residential parcel where WVSD provides services. It is recommended that WVSD's SOI be expanded to include this area to better define the District's existing service area and that CSD's SOI remain unchanged in this area.

Area N is a gap between the bounds and SOIs of the districts which consists of a road and open land with no parcel number. Neither district serves the area; however, it is recommended that CSD's SOI remain unchanged and WVSD's SOI be extended to include the area and be contiguous with CSD's SOI in order to eliminate the existing gap.

Area O (APNs 503-72-035 and 503-47-007) consists of two parcels outside of both districts' bounds. One parcel (503-47-035) is a residence within WVSD's SOI and the other parcel is the undeveloped portion of a winery which lies outside the SOI's of both districts. While tax rate information shows that the residential parcel is outside of WVSD's bounds, it is in fact receiving services from the District. This parcel should remain outside of CSD's SOI but within WVSD's SOI and should be annexed to WVSD. Given that the undeveloped winery parcel does not need wastewater services in the near future, it is recommended that this parcel continue to remain outside of the SOI's of both districts and be addressed when the area desires services.

At present, CSD's SOI extends outside of its bounds and is for the most part coterminous with the SOIs of the cities that it serves to the west; consequently, the District's SOI encompasses undeveloped territory, which extends outside of each city's designated Urban Service Area (USA). The USAs are the areas in which the cities (with LAFCO approval) designate where and when urban development should occur. It's expected that lands within USAs will be annexed by cities and provided urban services within a five year period. The inclusion of an area within a city's SOI should not necessarily be seen as an indication that the city will either annex or allow urban development and services in the area. In Santa Clara County, the USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether an area will be annexed and provided with urban services. The manner in which Santa Clara County LAFCO utilizes USAs also fulfills many SOI objectives of the Government Code and LAFCO policies such as directing the location of urban development, ensuring an agency's ability to provide services, and preserving agricultural and open space lands.

When evaluating proposed urban expansions, LAFCO utilizes the agency's existing USA as a more important factor than the agency's existing SOI, because the USA is a shorter-term growth boundary that is directly linked to the ability to provide services. Due to this, SOIs have a broader objective within the County, which includes planning for long-term growth and the ultimate service boundary of the agency. By definition land outside a USA will not be annexed to a city and thus will not be able to receive urban services. A sanitary district provides an urban service which promotes urban development. According to the long-standing joint urban development policies adopted by the cities, the County and

LAFCO, urban development is discouraged in the unincorporated area. It would be contrary to these urban development policies to continue to align CSD's SOI with that of the cities where urban development and services are not supported by land use policy. Outward expansion of the District should be paced with expansion of the cities, and thus it is recommended that CSD's SOI be reduced to include only territory within each city's USA and areas outside of the USAs that are already within the District's bounds.

As far as parcels outside the Urban Service Areas that may require and request wastewater services in the future, perhaps due to failure of a septic system, LAFCO must review such annexations and any necessary SOI amendments on a case by case basis.

Proposed Sphere of Influence Determinations

The nature, location, extent, functions, and classes of services provided

- Cupertino Sanitary District (CSD) provides sewer collection services for the City of Cupertino, one third of the City of Saratoga, minimal territory in the Cities of Sunnyvale, and Los Altos, and some unincorporated areas. The District contracts with the San Jose-Santa Clara Regional Wastewater Facility for wastewater treatment and disposal.

Present and planned land uses in the area, including agricultural and open-space lands

- The District is composed of well-established communities that are nearly built out. This includes the City of Cupertino, a large portion of Saratoga, and small areas of Sunnyvale and Los Altos, in addition to some unincorporated areas. The land within the District's SOI includes hillside and open space lands.
- No impacts on agricultural resources or open space will occur as no service changes are proposed.

Present and probable need for public facilities and services in the area

- The District reported that growth has been minimal and is not affecting demand for services. The area within the District is largely built out, and most future growth would be limited to infill development and redevelopment. Therefore, actual growth within the District's boundaries is anticipated to be low.

Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

- In 2012, the District used approximately 51 percent of its treatment capacity allocation. The District appears to have sufficient capacity at present and for anticipated growth in the short term.
- It is recommended that CSD assess the number of parcels that presently rely on private septic systems within the District's bounds and in any City of Saratoga pockets that are completely surrounded by CSD's bounds, in order to better quantify potential future demand.

- It is recommended that CSD and the cities of San Jose and Santa Clara update the master agreement with regard to the treatment plant in the near future to describe in detail the extent of the District's capital obligations with regard to master plan improvements.
- CSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant. As of the drafting of this report, the joint-use agreement had been expired for four years and the two agencies were negotiating terms for a new agreement. It is recommended that the two agencies expedite contract negotiations and adopt an agreement in the near future.
- Based on the District's regulatory compliance history and collection system integrity, as indicated by comprehensive collection system inspection practices and infiltration and inflow rates within industry standards, CSD's wastewater services appear to be adequate. While not extraordinary, improvements could be made to lower the District's sewer system overflow rate.

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's SOI encompasses lands within the Cities of Cupertino, Saratoga, Sunnyvale and Los Altos, in addition to unincorporated lands. Each city within the District is considered a social or economic community of interest.