SPECIAL DISTRICTS SERVICE REVIEW: PHASE 2 REVISED DRAFT

Burbank Sanitary District
County Sanitation District 2-3
Cupertino Sanitary District
Lake Canyon Community Services District
Lions Gate Community Services District
Midpeninsula Regional Open Space District
Santa Clara County Open Space Authority
West Bay Sanitary District
West Valley Sanitation District

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Prepared for the
Local Agency Formation Commission of Santa Clara County

Prepared by
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ACRONYMS

AB:	Assembly Bill
ABAG:	Association of Bay Area Governments
ADA:	Americans with Disabilities Act
BOE:	State Board of Equalization
BSD:	Burbank Sanitary District
CAFR:	Santa Clara County's Comprehensive Annual Financial Reports
CCR:	California Code of Regulations
CD:	Certificates of Deposit
CEQA:	California Environmental Quality Act
CIP:	Capital Improvement Plan or Program
CKH:	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CSD:	Cupertino Sanitary District
CSD 2-3:	County Sanitation District 2-3
CSDA:	California Special District Association
CVE:	CordeValle Vineyard Estates
CY:	Calendar year
DEH:	County Department of Environmental Health
DFG:	California Department of Fish and Game
DPH:	California Department of Public Health
DWR:	California Department of Water Resources
EIR:	Environmental Impact Report
ERAF:	Educational Revenue Augmentation Fund
FAQ:	Frequently Asked Questions
FTA:	Federal Transit Administration
FTE:	full-time equivalent
FY:	Fiscal year
GIS:	Geographic Information Systems
GM:	General Manger
GP:	General Plan
JPA:	Joint Powers Authority or Agency
LAFCO:	Local Agency Formation Commission
LCCSD:	Lake Canyon Community Services District
LGCSD:	Lion’s Gate Community Services District
LED:	light emitting diode
LOMU:	Letter of Mutual Understanding
MGD:	million gallons per day
MOUs:	Memorandums of Understanding
MROSD:	Midpeninsula Regional Open Space District
NA:	Not applicable
NP:	Not provided
OPEB:	Other Post-Employment Benefit Liability Reduction Reserve
OPR:	Governor’s Office of Planning and Research
PERS:	California Public Employees' Retirement System

PG&E:	Pacific Gas and Electric
RWQCB:	Regional Water Quality Control Board
~~SC~~OSA:	Santa Clara County Open Space Authority
SFE:	single family equivalent
SOI:	Sphere of influence
SSMP:	Sewer System Management Plan
SSO:	Sanitary Sewer Overflow
SWRCB:	State Water Resources Control Board
TDA:	Transportation Development Act
USA:	Urban Service Area
USDA:	U.S. Department of Agriculture
WBSD:	West Bay Sanitary District
WVSD:	West Valley Sanitation District

PREFACE

Prepared for the Local Agency Formation Commission of Santa Clara County (LAFCO), this report is a service review of providers of wastewater and various other services around the County. A service review is defined as a state-required comprehensive study of services within a designated geographic area—in this case, Santa Clara County. This service review focuses on nine local agencies that provide wastewater, open space and other services within Santa Clara County.

CONTEXT

LAFCO of Santa Clara County is required to prepare this service review by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000, et seq.), which took effect on January 1, 2001. The service review examines services provided by public agencies whose boundaries and governance are subject to LAFCO.

CREDITS

The authors extend their appreciation to those individuals at many agencies that provided planning and financial information and documents used in this report. The local agencies have provided a substantial portion of the information included in this report. Each local agency provided budgets, financial statements, various plans, and responded to questionnaires. The service providers provided interviews covering workload, staffing, facilities, regional collaboration, and service challenges.

Santa Clara LAFCO Executive Officer, Neelima Palacherla, who was assisted by Dunia Noel (LAFCO Analyst) and Emmanuel Abello (LAFCO Clerk), provided project direction and review. Steve Borgstrom, at the Santa Clara County Planning Office, prepared maps. The Technical Advisory Committee, composed of LAFCO Commissioners Margaret Abe-Koga and Linda J. LeZotte, appointed by LAFCO; and Saratoga Fire Protection District Fire Commissioner Eugene Zambetti, appointed by the Santa Clara County Special Districts Association, provided input and guidance during the review process.

This report was prepared by Policy Consulting Associates, LLC, and was co-authored by Jennifer Stephenson and Oxana Wolfson.

EXECUTIVE SUMMARY

This report covers nine special districts—three sanitary districts, two sanitation districts, two community services districts, and two open space districts—which provide wastewater, open space and various other services in Santa Clara County. There are other agencies and cities that provide these services as well within the County but they are not covered as a part of this review. A service review is a State-required comprehensive study of services within a designated geographic area, in this case Santa Clara County. The service review requirement is codified in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et seq.). Upon adopting the service review determinations, the Commission will update the spheres of influence (SOIs) of these providers in Santa Clara County. This report recommends SOI updates for the special districts for the Commission's consideration.

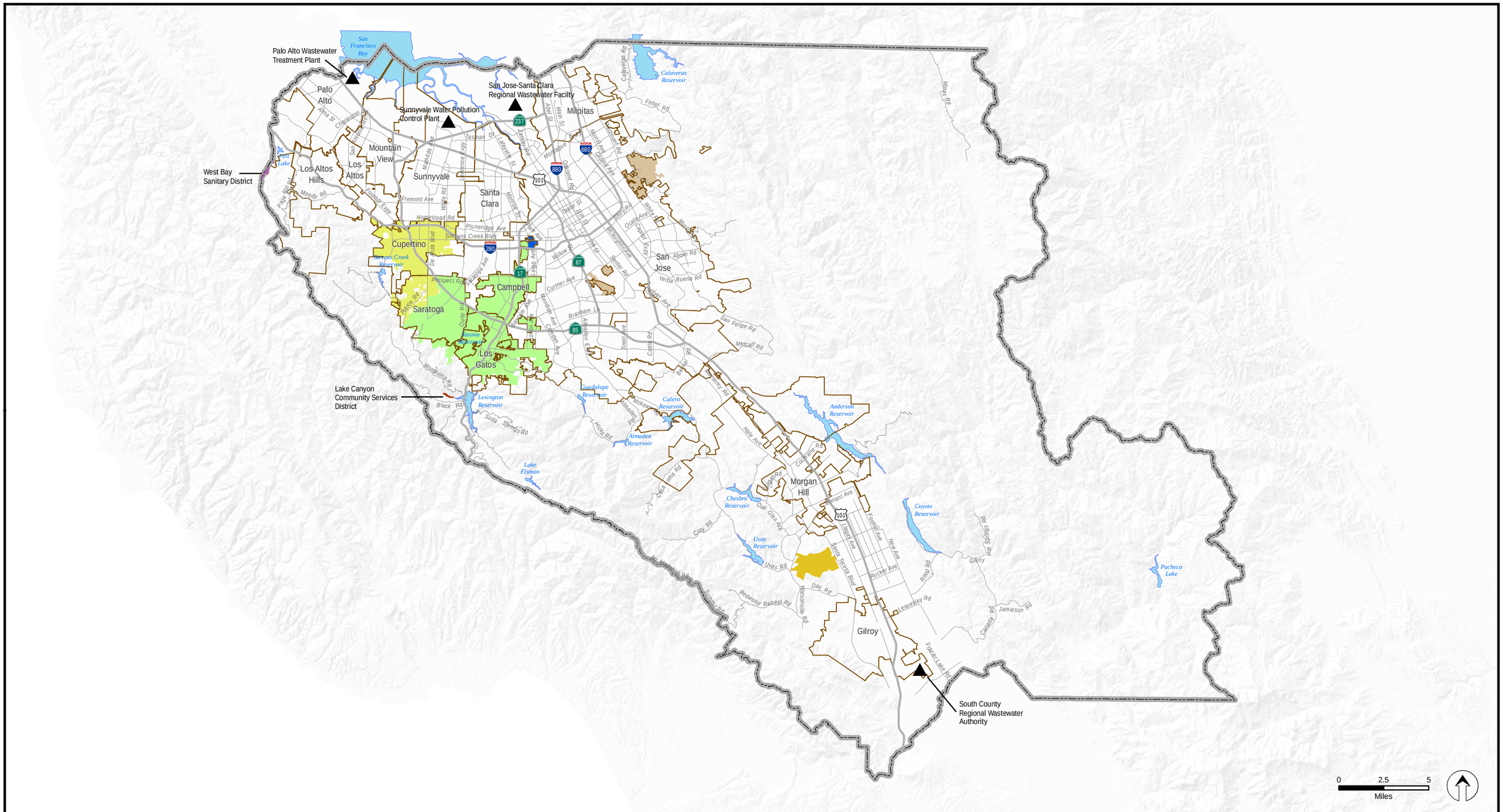
PROVIDERS

Overview

This report reviews wastewater, open space and other services in Santa Clara County, including how these services are provided by the special districts. All agencies covered in this report and the services provided by each are shown in Figure ES-1. For a geographic overview of the agencies covered that provide wastewater services, please refer to Figure ES-2. For maps of the open space agencies, refer to their individual chapters.

Figure ES-1: Special Districts Reviewed

	Wastewater		Other Services								
Agency	Collection	Treatment	Solid Waste Collection	Stormwater Management	Stormwater Maintenance	Street Sweeping	Street Maintenance	Landscaping	Lake System Maintenance	Open Space O&M	Resource Management
Burbank Sanitary District	✓		✓			✓					
County Sanitation District 2-3	✓										
Cupertino Sanitary District	✓										
Lake Canyon Community Services District	✓	✓									
Lion's Gate Community Services District	✓	✓			✓		✓	✓	✓		
Midpeninsula Regional Open Space District										✓	✓
Santa Clara County Open Space Authority										✓	✓
West Bay Sanitary District	✓			✓							
West Valley Sanitation District	✓			✓	✓						



Special Districts Providing Wastewater Services in Santa Clara County

- Burbank Sanitary District
- County Sanitation District 2-3
- Cupertino Sanitation District
- West Valley Sanitation District
- West Bay Sanitary District *

* West Bay Sanitary District includes territory in San Mateo County

- Lake Canyon Community Services District
- Lion's Gate Community Services District
- Wastewater Treatment Plants
- City Limits (Incorporated Areas)

LAFCO
Local Agency Formation Commission of Santa Clara County
August 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. 9/6/2013 12:56:58 PM Y:\Projects\LAFCO\Projects\LAFCO_Wastewater_Services.mxd

Of the nine providers reviewed here, seven provide wastewater collection services, and of those, two agencies also provide wastewater treatment services. Several of the wastewater service providers offer other services as well, such as solid waste collection, street sweeping, street maintenance, and landscaping. Santa Clara County Open Space Authority (~~SC~~OSA) and Midpeninsula Regional Open Space District (MROSD) provide for the operation and maintenance of open space preserves, as well as resource management. West Bay Sanitary District (WBSD) is under the jurisdiction of San Mateo LAFCO, which is responsible for adopting determinations and updating the District's SOI. While MROSD is also a multi-county district, the principal LAFCO responsible for adopting determinations and updating the District's SOI is Santa Clara LAFCO.

Wastewater Services

Seven special districts provide wastewater services of some type within Santa Clara County. Two districts—Lake Canyon Community Services District and Lion's Gate Community Services District—consist of self-contained systems that provide wastewater collection, treatment, and disposal. West Bay SD relies on the South Bayside System Authority (SBSA) for treatment of effluent. SBSA is a joint powers authority, consisting of West Bay SD and the Cities of Redwood City, San Carlos and Belmont. As part of SBSA member agencies share the cost of operating a regional sewage treatment plant.

The other five wastewater providers—Burbank Sanitary District, County Sanitation District 2-3, Cupertino Sanitary District, West Bay Sanitary District, and West Valley Sanitation District—provide only collection services, including owning, operating and maintaining wastewater mains and related infrastructure.

These districts rely on the San Jose-Santa Clara Regional Wastewater Facility (RWF), for wastewater treatment and disposal. The plant was originally constructed in 1956 by the City of San Jose. In 1959, the City of Santa Clara helped to fund upgrades and became a 20 percent owner of the facility. The plant is presently co-owned by the Cities of San Jose and Santa Clara. In the 1960s and 1970s, the City of Milpitas, Cupertino Sanitary District, and the West Valley Sanitation District began sending wastewater to the plant. The plant presently treats and cleans the wastewater of over 1.5 million people that live and work in the 300-square mile area encompassing San Jose, Santa Clara, Milpitas, Campbell, Cupertino, Los Gatos, Saratoga, and Monte Sereno. Wastewater is conveyed from the areas within each 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.

In 1998, the South Bay Water Recycling (SBWR) facility and pipeline was constructed to provide recycled water to wholesale water providers for irrigation, landscape and industrial uses. The facility is operated in conjunction with the RWF, and was created in response to the need to make upgrades at RWF to meet discharge requirements into the bay. SBWR is a joint powers authority that consists of the Cities of San Jose, Milpitas and Santa Clara , West Valley Sanitation District, and Cupertino Sanitation District.

There are other wastewater treatment plants in Santa Clara County that provide services to the cities, but these facilities are not included as part of this review as they do not provide services to the special districts reviewed.

DEMAND

While several services were reviewed in this report, few have well defined demand indicators that are regularly tracked and meaningful for comparison and evaluation purposes. This section provides an overview of demand for wastewater services only, as well as a general discussion of factors affecting wastewater demand.

Wastewater demand is affected primarily by growth in residential population and commercial development, and secondarily by factors such as water usage and conservation efforts. Many of the water demand drivers are also wastewater demand drivers during dry periods. During dry weather, wastewater flows are less than potable water consumed. Water used for outdoor purposes, such as landscape, irrigation, firefighting, street cleaning, and residential car washing, does not flow into the wastewater system.[1]

Additionally, other water conservation efforts in recent years, such as water efficient appliances, have reduced wastewater flows. Ultra-low flush toilets (ULFTs) use one-quarter as much water as older models. Washing machine replacement is effective in reducing wastewater flows. Conventional washers discharge about 42 gallons of water per load compared with 26 gallons for efficient new, frontloading washers.

Wastewater flow includes not only discharges from residences, businesses, institutions, and industrial establishments, but also infiltration and inflow. Infiltration refers to groundwater that seeps into sewer pipes through cracks, pipe joints and other system leaks. Inflow refers to rainwater that enters the sewer system from sources such as yard and patio drains, roof gutter downspouts, uncapped cleanouts, pond or pool overflow drains, footing drains, cross-connections with storm drains, and even holes in manhole covers.[2] Infiltration and inflow tend to affect older sewer systems to a greater degree. Infiltration and inflow rates are highest during or right after heavy rain. They are the primary factors driving peak flows through the wastewater system and a major consideration in capacity planning and costs.

Service Connections

The wastewater providers reviewed in this report serve a total of 91,278 connections, of which 95 percent are residential and the remainder are commercial or industrial. The number of customers served by each agency varies greatly. Lion's Gate CSD and Lake Canyon CSD serve small isolated communities of 33 and 55 connections, respectively. While West Valley SD is the most expansive provider with approximately 44,000 connections. Refer to Figure ES-3 for the number of connections served by each provider.

[1] Although some drains in outdoor stairwells and yards connect to the wastewater system, most water used for outdoor purposes flows into the stormwater system.

[2] A sewer cleanout is a pipe rising from the underground sewer line to the ground surface with a removable cap; it is used to access the sewer line to clear blockages.

Figure ES-3: Wastewater Connections Served by Agency (2013)

Agency	Residential	Commercial	Total
Burbank Sanitary District	1,574	49	1,623
County Sanitation District 2-3	4,684	38	4,722
Cupertino Sanitary District	20,750	1,540	22,290
Lake Canyon Community Services District	55	0	55
Lion's Gate Community Services District	32	1	33
West Bay Sanitary District	18,380	625	19,005
West Valley Sanitation District	42,000	2,000	44,000

Wastewater Flows

The amount of wastewater handled by each district varies based on the number of connections served. Regardless of where treatment is conducted, each district has a maximum treatment capacity, whether allocated by agreement with the agency conducting treatment or as designed in the District's system.

As shown within Figure ES-4, all of the districts reviewed are well within the treatment capacity limitations of their particular system. West Valley SD is nearing capacity, and at present is using 84 percent of its RWF allocated capacity. Conversely, Lake Canyon CSD is making use of only nine percent of the maximum design capacity of its system.

Figure ES-4: Average Daily Wastewater Flow in Million Gallons per Day (2012)

Agency	Average Daily Flow	Treatment Capacity (mgd)	Percent
Burbank Sanitary District	0.29	0.40	73%
County Sanitation District 2-3	1.08	2.26	48%
Cupertino Sanitary District	4.00	7.88	51%
Lake Canyon Community Services District	0.003	0.03	9%
Lion's Gate Community Services District	0.017	0.05	37%
West Bay Sanitary District	4.50	6.60	68%
West Valley Sanitation District	10.10	12.05	84%

FACILITY NEEDS

Each of the providers identified infrastructure needs and deficiencies related to their respective wastewater facilities. The primary need identified among the wastewater providers was the continued inspection of their systems in order to prioritize mains for repair or replacement. Most agencies identified few significant capital needs. Given the relative newness of the Lion's Gate CSD and Lake Canyon CSD systems, there were no immediate capital needs identified by the districts beyond regular maintenance activities. County Sanitation District 2-3 faces significant capital needs related to its collection system, as it suffers from a high rate of sanitary sewer overflows and is legally required to implement an accelerated capital improvement plan, as defined in a recent settlement

agreement with an environmental organization. For further information and background on an agency's respective needs refer to the provider's individual chapter in this document.

In addition to the needs identified within each agency's system, the RWF is in the midst of initiating a five-year capital improvement plan (FY 14-18), which will impact member agencies that rely on the plant for treatment services. The improvements are projected to total $680.9 million. The costs of these improvements will be borne by the member agencies as defined in their respective master agreements. In addition, there are plans to make enhancements to the plant according to the Master Plan Update to increase enhance use of renewable energy sources, and develop habitat and open space areas, among other improvements. These improvements are anticipated to cost approximately $2.2 billion over a period of 30 years. As these improvements are supplemental to the operations of the sewer treatment plant, 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.

FINANCING

Wastewater service charges are the primary financing sources for wastewater enterprises among the agencies reviewed. The open space providers rely on other financing sources. Midpeninsula Regional Open Space District relies primarily on property tax income and land donations, while Santa Clara County Open Space Authority relies almost entirely on benefit assessment revenue.

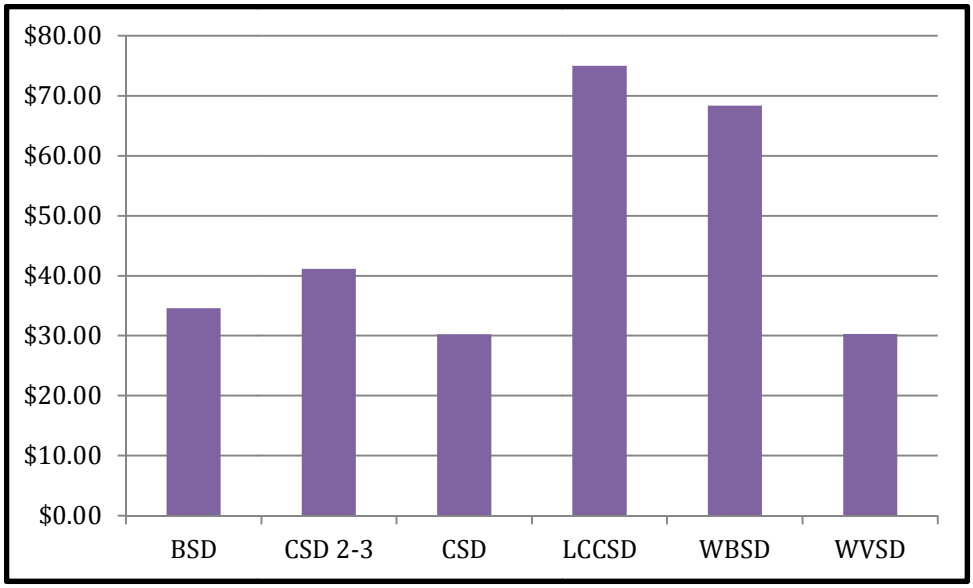
Wastewater service charges are often collected on a parcel's property tax bill as an assessment. Compared with other municipal services, there are relatively few financing constraints for wastewater enterprises. Generally, agencies may establish service charges on a cost-of-service basis. In the past, wastewater providers have not been required to obtain voter approval for rate increases or restructuring; however, based on recent court findings, wastewater providers have been required to complete a Proposition 218 voter protest process when updating rates. The boards of each of the public sector wastewater providers are responsible for establishing service charges. Service charges are restricted to the amount needed to recover the costs of providing wastewater service. The wastewater rates and rate structures are not subject to regulation by other agencies. Service providers can and often do increase rates annually.

For comparison purposes, rates are shown as an average monthly rate for a single-family connection in Figure ES-5. As Lion's Gate CSD charges a flat benefit assessment on each property to cover a multitude of services, the rates dedicated to wastewater services were not identifiable for comparison purposes. Of the other six providers, all charge a flat rate for residential connections and commercial connections are charged based on water use. The median monthly rate among the providers reviewed is $37.86. Cupertino SD charges the lowest rate of the agencies reviewed of $30.25 per month. Lake Canyon CSD charges the highest rate of $75 per month.

The service charges of those member agencies of the San Jose-Santa Clara Regional Wastewater Facility are greatly influenced by significant capital improvements that are planned at the plant over the next five years. In anticipation of these additional charges by

RWF, all of the member districts have initiated rate increases. With the exception of Lake Canyon CSD, all providers reviewed and updated their rates for FY 14. The agencies increased rates by between 1.7 percent (Lion's Gate CSD) and 15 percent (CSD 2-3).

Figure ES-5: Monthly Wastewater Rates for a Single Family Connection (FY 13-14)



Each of the districts self-reported on the adequacy of the existing financing level to provide services. In general, those agencies that rely primarily on wastewater rates and other service charges to finance services reported that financing levels were adequate, while those that rely on property taxes and benefit assessments to finance all services (Midpeninsula Regional Open Space District and Santa Clara County Open Space Authority) reported that financing levels are marginally adequate and are only sufficient to cover existing service levels without enhancements. All agencies reported revenue constraints to some degree, which has led to expenditure cuts and efforts at improved efficiencies.

SERVICE LEVELS

This section reviews indicators of service adequacy, including regulatory compliance, sewer overflows and collection system integrity, as well as transparency and accountability.

Regulatory Compliance

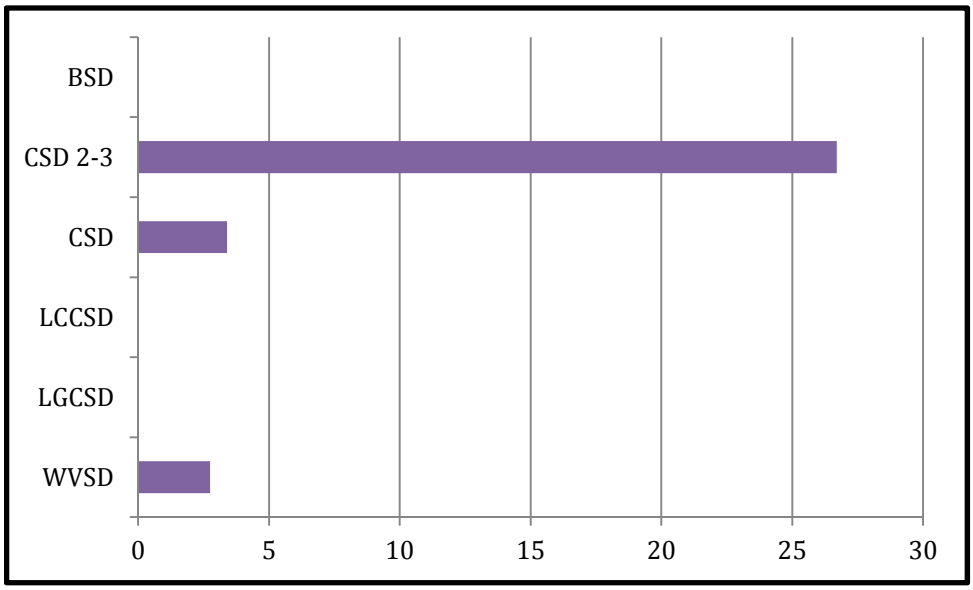
The Regional Water Quality Control Board (RWQCB) enforces the Clean Water Act, National Pollutant Discharge Elimination System (NPDES) permit conditions and other requirements of wastewater providers. The Board may levy fines or order the provider to take specific actions to comply with water quality regulations. Violations of State requirements for wastewater providers and treatment facilities are recorded by the State Water Resources Control Board (SWRCB). Violations are categorized according to severity and type.

Of the districts reviewed, only two had violations during the period from January 1, 2010 to July 1, 2013. County SD 2-3 had 29 violations during that 3.5-year period, all of which were related to sanitary sewer overflows. Cupertino SD had two violations during that same time period, both of which were also related to sanitary sewer overflows. In the case of both districts, these violations did not result in enforcement actions by the RWQCB.

Sewer Overflows

Sewer overflows are discharges from sewer pipes, pumps and manholes. Reduction and prevention of the size and number of sewer overflows is a key objective of SWRCB policy. Wastewater agencies are required to report sanitary sewer overflows (SSOs) to SWRCB. The number of SSOs reported by each agency from January 1, 2010 to July 1, 2013 was acquired from the CIWQS online database and sorted to exclude those overflows that were caused by limitations/problems with customer-controlled piping/facilities. Thus defined, overflows reflect the capacity and condition of collection system piping and the effectiveness of routine maintenance. The sewer overflow rate is calculated as the annual number of overflows per 100 miles of collection mains and shown in Figure ES-6.

Figure ES-6: Annual Sanitary Sewer Overflows per 100 Miles of Main (1/1/2010-7/1/2013)



During the period reviewed, three districts (Burbank SD, Lake Canyon CSD, and Lion's Gate CSD) reported no SSOs. For the other three providers, the SSO rate ranged from 2.75 SSOs per 100 miles of collection main for West Valley SD to 26.7 for County SD 2-3. CSD 2-3 faces a particular challenge with regard to SSOs and significant capital improvements are likely necessary to minimize the occurrence of overflows.

Accountability

During the course of this service review, some deficiencies in accountability and transparency were identified. Of the agencies reviewed, Lake Canyon CSD does not maintain a website where documents and information are publicly accessible. Additionally,

while Lion's Gate CSD has a website, it is only made available to district residents. It is a recommended practice that a public agency maintain a website where all agency information is readily available.

Two special districts reviewed have failed to submit regular audited financial statements to the County. 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.[3] In the case of Lake Canyon CSD, the District must submit audits every five years, but it appears that it has never submitted an audit to the County. ~~SC~~OSA is required to submit audits annually, but has not yet submitted its audit for FY 12. Additionally, all special districts are required to submit adopted budgets to the County Auditor's Office within 60 days of the start of the fiscal year.[4] However, of the nine districts that were reviewed, only West Bay SD and West Valley SD had submitted budgets as required for FY 14.

Timely and complete response to requests for information is a fundamental indicator of the degree of transparency of an agency. During the course of this review, a majority of the districts exhibited complete transparency by cooperating with all of LAFCO's requests in a timely manner. Lake Canyon CSD faced challenges in its responses and required multiple follow-up attempts. While a majority of the requested information was ultimately provided, the response was past due and particular information was never provided. It is recommended that Lake Canyon CSD make improvements to its public request process and adopt a policy outlining how requests are to be handled to completion.

GOVERNANCE ALTERNATIVES

Several governance options were identified over the course of this study, including:

- Continued existence of Burbank SD and continued service within its existing boundaries until all areas have been annexed to the City of San Jose.
- Dissolution of Burbank SD within a certain timeframe with services continued by the City of San Jose, outside of city limits in anticipation of eventual annexation.
- Annexation of the City of Gilroy to Santa Clara County Open Space Authority.
- Annexation of Midpeninsula Regional Open Space District's lands that lie outside of the District's bounds but within its SOI.

[3] Government Code §26909.

[4] Government Code §53901.

BACKGROUND

This report is prepared pursuant to legislation enacted in 2000 that requires LAFCO to conduct a comprehensive review of municipal service delivery and update the spheres of influence (SOIs) of all agencies under LAFCO's jurisdiction. The focus of this report is nine special districts that provide distinct and diverse services throughout the County. This chapter provides the background of the service review requirements and an overview of the process for this particular service review. The outline of the chapter is as follows:

1) The history and purpose of LAFCO,
2) Purpose of the service review,
3) Sphere of influence updating process, and
4) Process and methodology of the review.

LAFCOs, Service Reviews, and Spheres of Influence

History of LAFCO

After World War II, California experienced dramatic growth in population and economic development. With this boom came a demand for housing, jobs and public services. To accommodate this demand, many new local government agencies were formed, often with little forethought as to the ultimate governance structures in a given region, and existing agencies often competed for expansion areas. The lack of coordination and adequate planning led to a multitude of overlapping, inefficient jurisdictional and service boundaries, and the premature conversion of California's agricultural and open-space lands.

Recognizing this problem, in 1959, Governor Edmund G. Brown, Sr. appointed the Commission on Metropolitan Area Problems. The Commission's charge was to study and make recommendations on the "misuse of land resources" and the growing complexity of local governmental jurisdictions. The Commission's recommendations on local governmental reorganization were introduced in the Legislature in 1963, resulting in the creation of a Local Agency Formation Commission, or "LAFCO," operating in each county.

Each LAFCO was formed as a countywide agency to discourage urban sprawl, preserve agricultural and open space resources, promote efficient service provision and encourage the orderly formation and development of local government agencies. LAFCO has jurisdiction over local governmental boundaries, including annexations and detachments of territory, incorporations of cities, formations of special districts, and consolidations, mergers and dissolutions of districts, as well as reviewing ways to reorganize, simplify, and streamline governmental structure. The Commission's efforts are focused on ensuring that services are provided efficiently and economically while agricultural and open-space lands are protected. To better inform itself and the community as it seeks to exercise its charge, LAFCO conducts service reviews to evaluate the provision of services within the County.

LAFCO regulates, through approval, denial, conditions and modification, boundary changes proposed by public agencies or individuals. It also regulates the extension of

public services by cities and special districts outside their boundaries. LAFCO is empowered to initiate updates to the SOIs and proposals involving the dissolution or consolidation of special districts, mergers, establishment of subsidiary districts, and any reorganization including such actions. Otherwise, LAFCO actions must originate as petitions or resolutions from affected voters, landowners, cities or districts.

LAFCO of Santa Clara County consists of seven regular members: two members from the Santa Clara County Board of Supervisors, two city council members with one permanent seat for San Jose as the largest city, two special district members, and one public member who is appointed by the other members of the Commission. There is an alternate in each category. All Commissioners are appointed to four-year terms.

The mandate for LAFCOs to conduct service reviews is part of the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act), California Government Code §56000 et seq. LAFCOs are required to conduct service reviews prior to or in conjunction with sphere of influence updates and are required to review and update the sphere of influence for each city and special district as necessary, but not less than once every five years. LAFCO of Santa Clara County completed and adopted its first round of service reviews and sphere of influence updates prior to January 1, 2008, as required by state law. LAFCO of Santa Clara County is responsible for establishing, reviewing and updating spheres of influence for 44 public agencies in Santa Clara County (15 cities and 28 special districts).

Service Reviews

The service review requirement was enacted by the Legislature months after the release of two studies recommending that LAFCOs conduct reviews of local agencies. The "Little Hoover Commission" focused on the need for oversight and consolidation of special districts, whereas the "Commission on Local Governance for the 21st Century" focused on the need for regional planning to ensure adequate and efficient local governmental services as the California population continues to grow.

Little Hoover Commission

In May 2000, the Little Hoover Commission released a report entitled Special Districts: Relics of the Past or Resources for the Future? This report focused on governance and financial challenges among independent special districts, and the barriers to LAFCO's pursuit of consolidation and dissolution of districts. The report raised the concern that "the underlying patchwork of special district governments has become unnecessarily redundant, inefficient and unaccountable."

In particular, the report raised concern about a lack of visibility and accountability among some independent special districts. The report indicated that many special districts hold excessive reserve funds and some receive questionable property tax revenue. The report expressed concern about the lack of financial oversight of the districts. It asserted that financial reporting by special districts is inadequate, that districts are not required to submit financial information to local elected officials, and concluded that district financial information is "largely meaningless as a tool to evaluate the effectiveness and efficiency of

services provided by districts, or to make comparisons with neighboring districts or services provided through a city or county."[5]

The report questioned the accountability and relevance of certain special districts with uncontested elections and without adequate notice of public meetings. In addition to concerns about the accountability and visibility of special districts, the report raised concerns about special districts with outdated boundaries and outdated missions. The report questioned the public benefit provided by health care districts that have sold, leased or closed their hospitals, and asserted that LAFCOs consistently fail to examine whether they should be eliminated. The report pointed to service improvements and cost reductions associated with special district consolidations, but asserted that LAFCOs have generally failed to pursue special district reorganizations.

The report called on the Legislature to increase the oversight of special districts by mandating that LAFCOs identify service duplications and study reorganization alternatives when service duplications are identified, when a district appears insolvent, when district reserves are excessive, when rate inequities surface, when a district's mission changes, when a new city incorporates and when service levels are unsatisfactory. To accomplish this, the report recommended that the State strengthen the independence and funding of LAFCOs, require districts to report to their respective LAFCO, and require LAFCOs to study service duplications.

Commission on Local Governance for the 21st Century

The Legislature formed the Commission on Local Governance for the 21st Century ("21st Century Commission") in 1997 to review statutes on the policies, criteria, procedures and precedents for city, county and special district boundary changes. After conducting extensive research and holding 25 days of public hearings throughout the State, at which it heard from over 160 organizations and individuals, the 21st Century Commission released its final report, Growth Within Bounds: Planning California Governance for the 21st Century, in January 2000.[6] The report examines the way that government is organized and operates and establishes a vision of how the State will grow by "making better use of the often invisible LAFCOs in each county."

The report points to the expectation that California's population will double over the first four decades of the 21st Century, and raises concern that our government institutions were designed when our population was much smaller and our society was less complex. The report warns that without a strategy open spaces will be swallowed up, expensive freeway extensions will be needed, job centers will become farther removed from housing, and this will lead to longer commutes, increased pollution and more stressful lives. Growth Within Bounds acknowledges that local governments face unprecedented challenges in their ability to finance service delivery since voters cut property tax revenues in 1978 and the Legislature shifted property tax revenues from local government to schools in 1993.

[5] Little Hoover Commission, 2000, page 24.

[6] The Commission on Local Governance for the 21st Century ceased to exist on July 1, 2000, pursuant to a statutory sunset provision.

The report asserts that these financial strains have created governmental entrepreneurism in which agencies compete for sales tax revenue and market share.

The 21st Century Commission recommended that effective, efficient and easily understandable government be encouraged. In accomplishing this, the 21st Century Commission recommended consolidation of small, inefficient or overlapping providers, transparency of municipal service delivery to the people, and accountability of municipal service providers. The sheer number of special districts, the report asserts, "has provoked controversy, including several legislative attempts to initiate district consolidations,"[7] but cautions LAFCOs that decisions to consolidate districts should focus on the adequacy of services, not on the number of districts.

Growth Within Bounds stated that LAFCOs cannot achieve their fundamental purposes without a comprehensive knowledge of the services available within its county, the current efficiency of providing service within various areas of the county, future needs for each service, and expansion capacity of each service provider. Comprehensive knowledge of water and sanitary providers, the report argued, would promote consolidations of water and sanitary districts, reduce water costs and promote a more comprehensive approach to the use of water resources. Further, the report asserted that many LAFCOs lack such knowledge and should be required to conduct such a review to ensure that municipal services are logically extended to meet California's future growth and development.

Service reviews would require LAFCO to look broadly at all agencies within a geographic region that provide a particular municipal service and to examine consolidation or reorganization of service providers. The 21st Century Commission recommended that the review include water, wastewater, and other municipal services that LAFCO judges to be important to future growth. The Commission recommended that the service review be followed by consolidation studies and be performed in conjunction with updates of SOIs. The recommendation was that service reviews be designed to make nine determinations, each of which was incorporated verbatim in the subsequently adopted legislation. The legislature since consolidated the determinations into six required findings, and subsequently added a seventh determination effective July 2012.

Municipal Services Review Legislation

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCO to review and update SOIs not less than every five years and to review municipal services before updating SOIs. The requirement for service reviews arises from the identified need for a more coordinated and efficient public service structure to support California's anticipated growth. The service review provides LAFCO with a tool to study existing and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently.

Effective January 1, 2008, Government Code §56430 requires LAFCO to conduct a review of municipal services provided in the county by region, sub-region or other

[7] Commission on Local Governance for the 21st Century, 2000, page 70.

designated geographic area, as appropriate, for the service or services to be reviewed, and prepare a written statement of determination with respect to each of the following topics:

- Growth and population projections for the affected area;
- The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI (effective July 1, 2012);
- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies (including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence);
- Financial ability of agencies to provide services;
- Status of, and opportunities for shared facilities;
- Accountability for community service needs, including governmental structure and operational efficiencies; and
- Any other matter related to effective or efficient service delivery, as required by commission policy.

Purposes of the Report

This Special District Service Review: Phase 2 will be available for use by LAFCO, the County, cities, special districts, and the public to better understand how services are provided within Santa Clara County. Additionally, the review will be a resource to inform LAFCO decisions, including:

- Updating spheres of influence,
- Initiating or considering jurisdictional boundary changes,
- Considering other types of LAFCO applications, and
- Providing a resource for further studies.

LAFCO will use this report as a basis to update the spheres of influence of the eight special districts.

The report contains a discussion of various alternative government structures for efficient service provision. LAFCO is not required to initiate any boundary changes based on service reviews. However, LAFCO, other local agencies (including cities, special districts or the County) or the public may subsequently use this report together with additional research and analysis, where necessary, to pursue changes in jurisdictional boundaries. Government Code §56375(a) gives LAFCO the power to initiate certain types of boundary changes consistent with a service review and sphere of influence study. These boundary changes include:

- Consolidation of districts (joining two or more districts into a single new successor district);
- Dissolution (termination of the existence of a district and its corporate powers);

- Merger (termination of the existence of a district by the merger of that district with a city);
- Establishment of a subsidiary district (where the city council is designated as the board of directors of the district); or
- A reorganization that includes any of the above.

LAFCO may also use the information presented in the service reviews in reviewing future proposals for annexations or extensions of services beyond an agency's jurisdictional boundaries or for proposals seeking amendment of urban service area boundaries of cities or sphere of influence boundaries of districts.

Other entities and the public may use this report as a foundation for further studies and analysis of issues relating to the services offered by these districts in this County.

Sphere Of Influence Updates

The Commission is charged with developing and updating the sphere of influence (SOI) for each city and special district within the County.[8]

An SOI is a LAFCO-approved plan that designates an agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services, discourage urban sprawl and premature conversion of agricultural and open space lands, and prevent overlapping jurisdictions and duplication of services.

Every determination made by a commission must be consistent with the SOIs of local agencies affected by that determination,[9] for example, territory may not be annexed to a city or district unless it is within that agency's sphere. In other words, the SOI essentially defines where and what types of government reorganizations (e.g., annexation, detachment, dissolution and consolidation) may be initiated. If and when a government reorganization is initiated, there are a number of procedural steps that must be conducted for a reorganization to be approved. Such steps include more in-depth analysis, LAFCO consideration at a noticed public hearing, and processes by which affected agencies and/or residents may voice their approval or disapproval.

SOIs should discourage duplication of services by local governmental agencies, guide the Commission's consideration of individual proposals for changes of organization, and identify the need for specific reorganization studies, and provide the basis for recommendations to particular agencies for government reorganizations.

The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine the SOI of each local governmental agency within the county and to review and update the SOI every five years, as necessary. LAFCOs are empowered to adopt, update and amend the

[8] The initial statutory mandate, in 1971, imposed no deadline for completing sphere designations. When most LAFCOs failed to act, 1984 legislation required all LAFCos to establish spheres of influence by 1985.

[9] Government Code §56375.5.

SOI. They may do so with or without an application and any interested person may submit an application proposing an SOI amendment.

LAFCO may recommend government reorganizations to particular agencies in the County, using the SOIs as the basis for those recommendations. In determining the SOI, LAFCO is required to complete a service review and adopt the seven determinations previously discussed. In addition, in adopting or amending an SOI, LAFCO must make the following determinations:

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

Urban Service Area

In Santa Clara County, the SOI as defined in state law is relevant for special districts; however, for cities, 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 areas. The urban service area (USA) is the more critical boundary considered by LAFCO for the cities, and serves as the primary means of indicating whether an area will be annexed to a city and provided with urban services.

Review and amendment of USA boundaries is the Commission's primary vehicle for encouraging orderly city growth. Within the USAs, LAFCO does not review city annexations and reorganizations if the proposals are initiated by city resolution and meet certain conditions. State law gives cities in Santa Clara County the authority to approve such reorganizations.

SERVICE REVIEW PROCESS AND METHODOLOGY

Standard analytical tools and practices were used to gather and analyze information for the service review. The service review process is outlined as follows:

- **Technical Advisory Committee**: LAFCO formed a committee to provide input on the service review and insight into any particular issues.
- **Outreach**: LAFCO performed outreach and explanation of the project through an informational flier.

- **Establishment of Criteria**: Preliminary general criteria, appropriate to each district, to be used in making the determinations required under the laws governing service reviews were developed, consistent with Santa Clara LAFCO policies on service reviews.
- **Data Discovery**: Collection of data from available online and central data resources (i.e., agency websites), and population information and projections, developed by the Association of Bay Area Governments (ABAG).
- **Request for Information and Interviews**: Creation of a questionnaire for each agency and distribution to the agencies for completion. After reviewing each agency's questionnaire response and submitted documents, the agencies were interviewed to fill in missing information, follow up on current matters, as well as to see what progress was made on issues identified in the previous service review.
- **Drafting of Agency Chapters**: Chapters on each of the agencies were compiled, using a standard format, based on the interviews and data collected. Agencies responded to information requests in varying levels of detail. Reasonable efforts were taken to obtain a level of consistency in the data to make the required determinations and analyze issues.
- **Agency Review for Accuracy**: The chapters were provided to each agency for internal review and comment, to ensure accuracy prior to further analysis and public release of the document.
- **Data Analysis and Service Review Determinations**: Information gathered from the agencies and the interviews was analyzed and applied to the determination criteria to make the required determinations for each agency.
- **Public Review Draft Released**: The draft document is released for public review and comment.
- **LAFCO Hearing**: LAFCO holds a public hearing to discuss and accept public comments on the draft report.
- **Response to Comments**: A comment log, along with a redlined draft of the report, is released indicating a comprehensive list of comments received and any action taken pursuant to the respective comments.
- **Adoption of Final Report**: LAFCO holds a public hearing where the Commission to consider adoption of the final report, determinations and sphere of influence updates, as well as consider next steps for implementing recommendations.

Review Criteria

Each agency under LAFCO jurisdiction is assessed in each category using the criteria described below.

Growth and population projections for the affected area

- The amount and percent of population growth projected by the Association of Bay Area Governments between 2010 and 2035.

The location and characteristics of any disadvantaged unincorporated communities

- The existence of any disadvantaged unincorporated communities as a determined by the Department of Water Resources, based on its definition of size of "community."

Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

- Capacity constraints as reported by the agency.
- Percent of wastewater capacity in use in 2012.
- Infrastructure needs and agency's plans to address these needs, as reported by the agency, or identified in capital improvement plans.
- Management practices: To establish public trust and accountability, best management practices include 1) preparing a budget before the beginning of the fiscal year, 2) conducting periodic financial audits, 3) maintaining relatively current financial records, 4) evaluating rates and fees periodically, 5) planning and budgeting for community service needs, 6) adopted policies related to expense reimbursement, conflict of interest, code of ethics, Brown Act compliance, and public requests for information, and 7) an established process to address complaints.

Financial ability of agency to provide services

- The adequacy of the level of financing and any financing challenges or constraints as reported by the agency.
- Rates: The degree to which the rates (and other revenue, if applicable) are able to cover annual operating and capital costs, anticipated future capital costs, and maintain a healthy a reserve.
- Capital planning: Whether or not the agency has an up-to-date capital improvement plan with estimated timing and anticipated financing sources for each project.
- Capital reserves: the capital reserve fund balance as of June 30, 2012 and the anticipated capital funding needs based on identified infrastructure needs and estimated costs.
- Reserves: the audited unrestricted fund balance as of June 30, 2012. A reserve of three months of operating costs is considered a minimum.

Status of and opportunities for shared facilities

- The degree of existing cost minimization efforts through facility, personnel and equipment sharing.
- The potential for facility, personnel, and equipment sharing as reported by the agency.

Accountability for community service needs, including governmental structure and operational efficiencies

- Public Access and Outreach: Agency efforts to engage and educate constituents through outreach activities and availability of information on a website, in addition to compliance with open meeting and public records laws.
- Governance and Service Delivery Options: The potential to restructure the governance of agencies and/or service providers, or change the service provider with the goal of increasing service efficiency.

1. *BURBANK SANITARY DISTRICT*

AGENCY OVERVIEW

Burbank Sanitary District (BSD) provides sewer collection services for unincorporated islands within the City of San Jose. The District contracts with the San Jose-Santa Clara Regional Wastewater Facility for wastewater treatment and disposal. Additionally, BSD provides solid waste collection and street sweeping services through franchise agreements with private contractors. Santa Clara LAFCO last conducted a service review covering BSD in 2006.

BSD was established in 1940 to acquire, build, operate, and maintain a wastewater disposal system and provide solid waste and street sweeping services within an unincorporated area of Santa Clara County.

The principal act that governs the District is the Sanitary District Act of 1923.[10] 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.[11] 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.[12]

Boundaries

BSD consists of two non-contiguous unincorporated areas that are surrounded by the City of San Jose and within San Jose's Urban Service Area (USA). Since the last MSR, two areas have been detached from the District, subsequent to the territory being annexed into San Jose. The District's bounds presently encompass 0.28 square miles.

Sphere of Influence

LAFCO adopted a zero SOI for the District in 1983, in order to recognize the long-term policy of LAFCO and the County that unincorporated islands within cities' USAs should annex to cities and receive city services.

As LAFCO and County policies regarding pocket areas and service provision remained the same since adoption of the existing SOI, LAFCO reaffirmed the zero SOI for BSD in 2006.

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

[11] California Health & Safety Code §6512.

[12] Government Code §56824.10.

Type and Extent of Services

Services Provided

The District owns and maintains the sewer lines within the District's boundaries.

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.

Street sweeping services are provided through a service contract with Enviro-Commercial Sweeping, Inc. Streets within the District are cleaned once a week.

Solid waste collection services (including billing services) are currently provided through a service contract with Green Waste Recovery~~Waste Management Inc~~. Solid waste services include refuse, recyclable and yard trimmings collection.

Service Area

The District serves properties in an area mainly from Forest Avenue south to Moorpark Avenue and from Bascom Avenue east to Richmond Avenue.

BSD serves only areas within its bounds, and does not presently provide these services outside of its bounds. The District is not aware of any unserved areas that rely on private septic systems within its bounds.

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. BSD entered into a master agreement with these cities for wastewater treatment in 1985. The agreement establishes capacity rights and obligations for the operation, 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. According to the agreement, as areas are annexed into San Jose, these areas are detached from BSD and the infrastructure and associated capacity at the treatment plant are transferred to the City. Currently, BSD reportedly continues to pay the debt payment to the cities for those annexed areas, even upon transfer of related capacity at the treatment plant, where improvements and expansion were financed by the debt in question. Finally, the extent of the District's capital obligations with regard to master plan improvements at the plant are not fully described and are outdated.

As previously mentioned, the District also contracts with Enviro-Commercial Sweeping for street sweeping services. The contract started in January 2001 and expired in 2004.

The cost for Enviro-Commercial's services is based on the terms of the expired contract. The District reported that a new contract will be negotiated this year.

Additionally, solid waste services are provided by franchise agreement with Green Waste Recovery~~Waste Management, Inc~~. Green Waste Recovery ~~Waste Management~~ also conducts its own billing for these services directly to district residents. The contract started in July 2007 and expires on June 30, 2017.

Collaboration

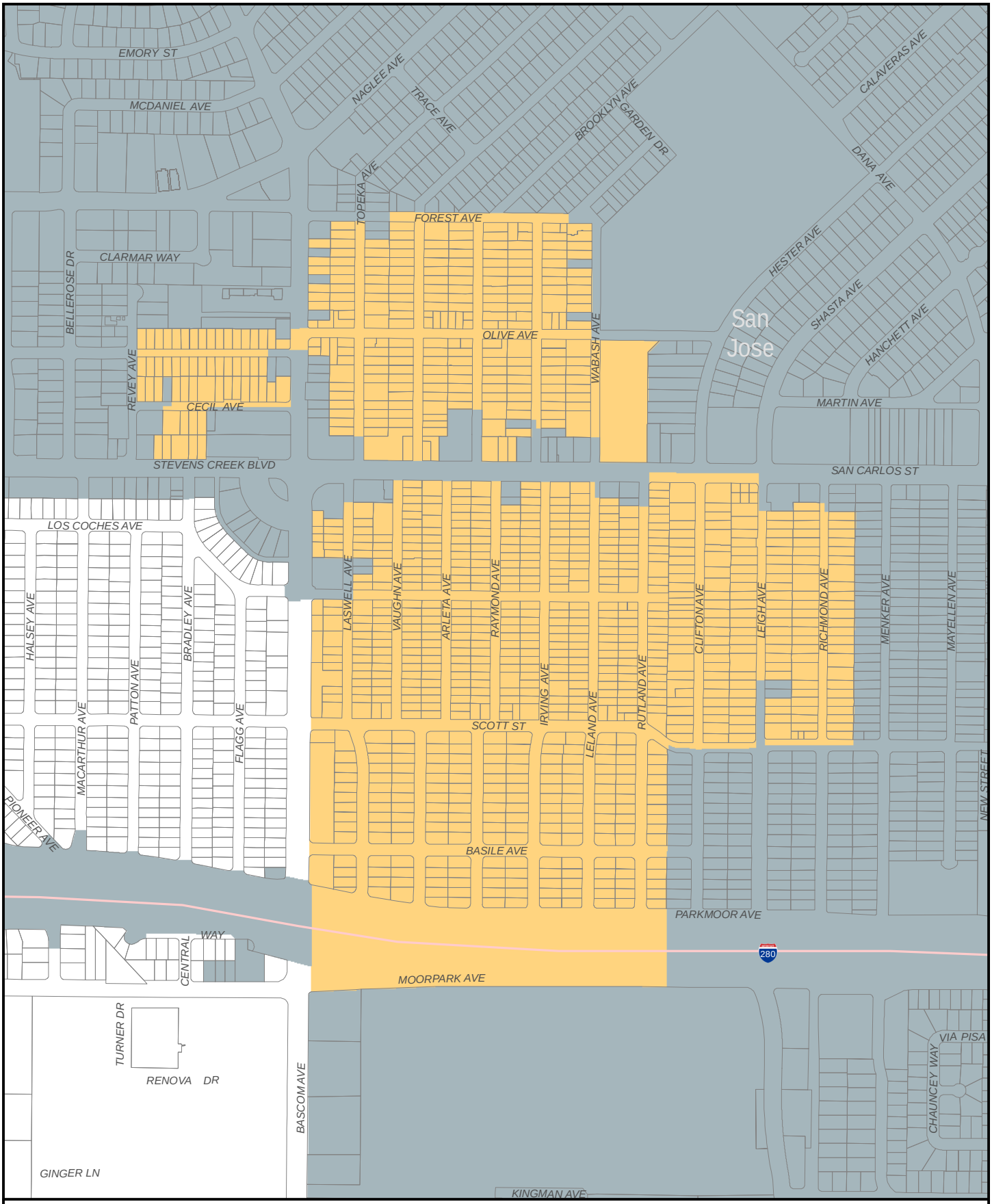
BSD collaborates and partners with other agencies in providing services. BSD is a member of the South Bay Water Recycling (SBWR) joint powers authority in conjunction with the Cities of San Jose, Milpitas and Santa Clara, and several other special districts. In 1998, the facility and pipeline was constructed to provide 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.

Similar to other special districts in the area, wastewater from within BSD flows through City of San Jose mains on its way to the treatment plant. ~~City sewage also flows through the District's collection system.~~ Consequently, the District and the City of San Jose were parties to an agreement, which granted the District permission to discharge its sewage to the City's outfall sewer system, and granted the City permission to transport its sewage through the District's collection system and outfall under rare occasions. Under this exchange of rights, the District was to pay the City $2,668.72 per year, and the City was to pay the District $579.06 per year, for a net payment of $2,089.66 from the District to the City. After the expiration of the agreement on June 30, 1983, the District continued to make payments to the City until approximately 1997. Since that time, the District has used the City's outfall but has not made payments.

Additionally, the District is a member of the California Association of Sanitation Agencies (CASA).

Overlapping and Neighboring Service Providers

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



Burbank Sanitary District

Burbank Sanitary District

District has a zero Sphere of Influence

Parcels

Incorporated Areas

0 250 500
Feet

LAFCO
Local Agency Formation Commission of Santa Clara County

June 2013

This map created by the Santa Clara County Planning Office. The G.I.S data was compiled from various sources. While deemed reliable, the Planning Office assumes no liability. 7/1/2013 12:38:15 PM I:\Projects\LAFCO\Projects\LAFCO_burbank_Sanitary_District.mxd

ACCOUNTABILITY AND GOVERNANCE

The District is governed by a five-member Board, which is to be elected to four-year terms. However, the District has not held a contested election since at least 2005, and board members have generally run unopposed or have been appointed by the County Board of Supervisors.

Prior to an election (in an election year), the County Registrar of Voters publishes a legal notice in a local newspaper of the District's choice to announce any upcoming board terms that are expiring. Any persons interested in running for the position (incumbent or otherwise), must file with the County Registrar of Voters. If no more than one person is running for each available position, then the Board of Supervisors can consolidate the election and appoint individuals without conducting the election. If no one runs for a position, then the Board of Supervisors is empowered to appoint any person to the office who is qualified on the date when the election would have been held.[13]

The process for appointment by the Board of Supervisors differs by district. There are no formal policies or standardized procedures on the part of the Board of Supervisors defining how openings are to be announced, how long the application period should be open, and the manner for interviews, etc. BSD reported that when filling a vacant position mid-term, any interested candidate's information is solicited and interviews are agendized and conducted as part of the Board's regular meeting. The district board then appoints someone to fill the position and the appointment is confirmed by the Board of Supervisors.

The current member names, positions, and term expiration dates are shown in Figure 1-2.

Figure 1-2: BSD Governing Body

Burbank Sanitary District					
District Contact Information					
Contact:	Richard Tanaka~~Steve Machida~~, District Manager				
Address:	20863 Stevens Creek Boulevard #100, Cupertino, CA 95014				
Telephone:	(408) 255-2137				
Website:	http://www.burbanksanitary.org/				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Soren Spies	President	2006~~9~~	12/2013	Elected	4 years
Michelle Kaelker-Boor	Secretary	2012	12/2015	Appointed	4 years
Michael Yoder	Director	2005~~9~~	12/2013	Elected	4 years
Keri Russo	Director	2010~~09~~	12/2013	Elected	4 years
Bruce Smith	Director	2008~~11~~	12/2015	Elected	4 years

[13] Elec. Code, § 10515(a).

Meetings	
Date/Time:	Every third Tuesday of each month at 7:00 pm
Location:	District Board Room, located at 20863 Stevens Creek Boulevard in Cupertino
Agenda Distribution:	Agendas are posted at the District office, Burbank Luther School District, and on the District's website.
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 every third Tuesday of each month at 7:00 pm in the District Board Room, located at 20863 Stevens Creek Boulevard in Cupertino. Directors receive a $115.50 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 ethics training in August 2012. The District does not have a policy regarding 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.[14] The District reported that there were no reimbursements over $100 in 2012.

Agendas for board meetings are posted online and outside the front entrance of the district office, and at the Burbank Luther School District. Meeting minutes are a 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 flyers regarding the annual spring clean-up to district residents. BSD's website contains information on the District's services, Board of Directors, Board of Directors' meeting agendas and minutes, meeting schedule, and rates. It is recommended that the District also make available its budget and audited financial statement on its website.

Complaints to BSD 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.

BSD has operational regulations and several policy resolutions that provide a framework for the District's operations. The District does not have policies specific to Brown Act compliance, public requests for information, or code of ethics. While the District is not legally required to have policies related to these specific topics, it is considered a best management practice for agencies to maintain such policies.

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)

[14] Government Code 53065.5

which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. The District does have a policy regarding conflicts of interest.[15]

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 BSD 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 of its own. Management services are provided by contract with 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 one 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 were roughly one FTEs regularly maintaining the system.

All contract vendors, the field inspectors, and office accounting report to the head of administration. The head of administration and operations manager report to the district manager/engineer, who in turn reports to the Board of Directors.

BSD 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 Ms. Jennifer Faught from Myers Nave as legal counsel.

BSD maintains several plans and documents to guide district efforts. The District adopts an annual budget, biennially audits its financial statements, and has developed a sewer system management plan (SSMP). The District's SSMP outlines several general service goals, such as "Prevent sewer system overflows, protect the public health and keep the environment clean."

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 monthly board meetings. District and contractor workload are tracked in

[15] Resolution 237, adopted October 17th, 2012.

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. BSD 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.[16] In the case of BSD, the District must submit audits every two years.[17] The most recent audit for BSD was completed for FYs 09 and 10. The District is in the process of completing its audit for FYs 11 and 12. T~~As of the drafting of this report, t~~he audit for FY 12 has~~d not~~ been submitted to the County.

POPULATION AND PROJECTED GROWTH

Land Uses

The district area is located within an unincorporated island of the City of San Jose. The District is generally built out and comprised of predominately single-family residential and some commercial uses. Planned land uses throughout the District area are generally similar to those of the existing uses.

Current Population

Based on 2010 Census data, the District's population as of 2010 was approximately 3,756.

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

[16] Government Code §26909.

[17] BOS Resolution No. 2011-537.

registered voters, or as determined by commission policy, where the median household income is less than 80 percent of the statewide annual median.[18]

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.[19] DWR did not identify any disadvantaged communities within Santa Clara County.[20]

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

Association of Bay Area Governments (ABAG) has projected a population growth rate of 41 percent from 2010 to 2035, or 1.4 percent annually, for the City of San Jose. As BSD is an unincorporated island within the City, this growth rate could be applied to the District as well. However, the territory within the District is generally built out, meaning most lots are developed, and most future growth would be limited to infill development and redevelopment at greater densities, which can only occur following annexation to San Jose. Therefore, actual growth within the District is expected to be minimal. For the purposes of this report it is assumed that the population of the District will remain roughly the same through 2035 with minimal growth.

Water conservation will likely offset (if not overcome) population growth as the primary factor affecting the amount of sewage coming from the District.

Additionally, the City of San Jose continues to annex bits and pieces of property, which will put small downward pressure on our population. The District encompasses unincorporated islands within the City of San Jose and 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. The District anticipates that eventually all territory will be annexed into San Jose, and the District will cease to exist.

The District forecasts service needs based on historical demand and growth data and current census information. The District has stated that the existing infrastructure has the ability to accommodate infill development within the District's service area. However, overall growth is expected to be minimal, as the District lands are generally built out with some potential for redevelopment or expansion on existing residences. In 2012, the District made use of 72.5 percent of its treatment plant capacity allocation of 0.4 million gallons per day. Additionally, a recent flow study conducted by the District showed that at

[18] Government Code §56033.5.

[19] 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.

[20] 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.

peak usage mains in the system reached a maximum of 50 percent of available capacity of the pipeline.

FINANCING

Financial Adequacy

BSD reported that the current financing level was generally adequate. There have been reportedly no 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.

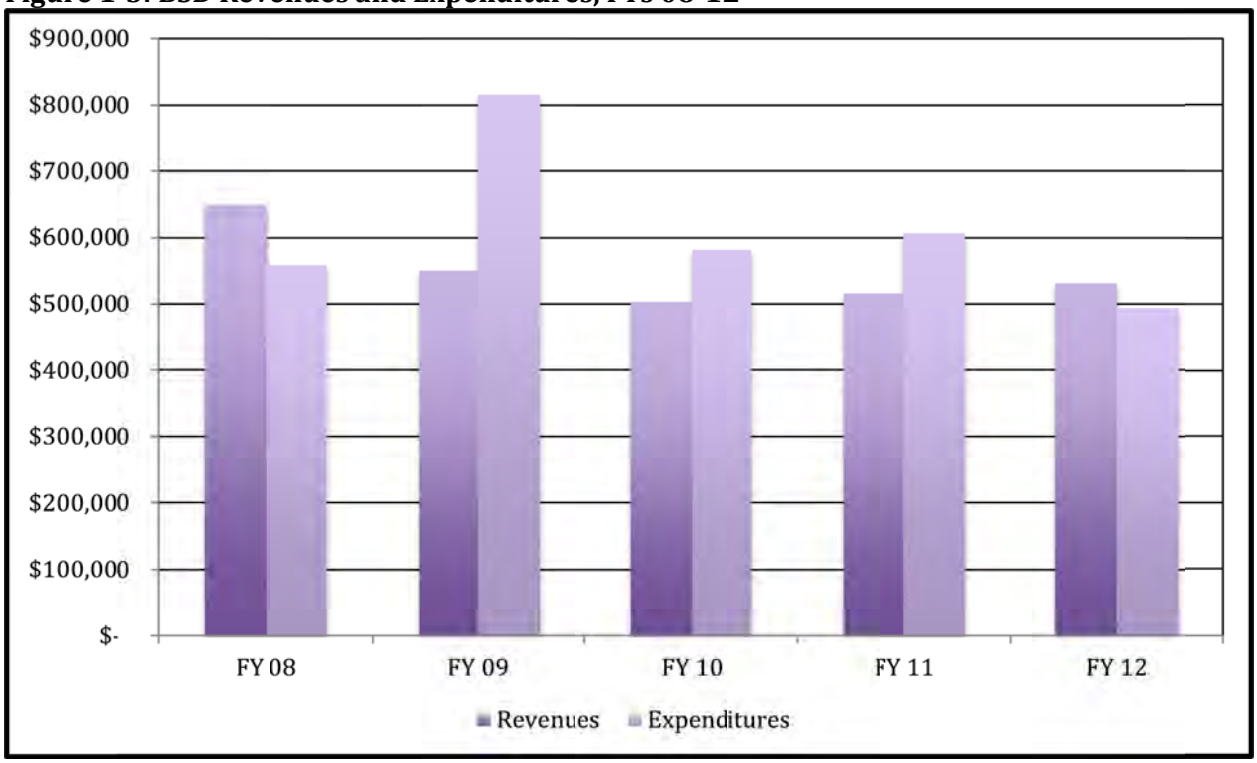
The City of San Jose is facing a major rebuild of the wastewater treatment plant during the next decade, which is projected to be $680.9 million in capital improvement projects that will be constructed over the next five years FYs 14-18. The District's share of capital costs of future improvements and operation and maintenance costs are 0.239 percent and 0.276 percent, respectively. As this project is implemented, BSD's payments for the plant are anticipated to take up a significantly greater portion of the District's annual expenditures. The District recently completed three consecutive rate increases for FYs 12, 13, and 14 of four percent each. The District will review the rates again next year, to assess the need for a new rate increase schedule to cover anticipated RWF costs.

In addition, there are plans to make enhancements to the plant through the Master Plan Update to enhance use of renewable energy sources, and develop habitat and open space areas, among other improvements. These improvements are anticipated to cost approximately $2.2 billion over a period of 30 years. As these improvements are supplemental to the operations of the sewer treatment plant, 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. Depending on the outcome of negotiations regarding 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 two years, as shown in Figure 1-3. The District is reportedly spending down its reserves, as it anticipates the territory it is presently serving will be taken on by the City of San Jose, and the District will cease to exist.

It should be noted that in the previous service review, it was identified that as part of the District's FY 05 audit there certain deficiencies found in the operation of internal control that could adversely affect the District's ability to initiate, record, process, and report financial data. Since then, these deficiencies have been rectified, and no deficiencies were identified in the District's FY 10 audit.

Figure 1-3: BSD Revenues and Expenditures, FYs 08-12



Source: BSD Financial Statements

Revenue Sources

In FY 12, the District received $0.53 million in revenue. The District's revenues are derived principally from service charges, which consisted of 97.8 percent of revenue sources. Figure 1-4 below provides the District's sources of revenues in FY 12.

Figure 1-4: BSD Revenues ,FY 12

Type of Revenue	Amount of Revenue	% of Total
Charges for Services	$519,920.71	97.88%
Other fees	$1,080.00	0.21%
Interest and Investment Income	$10,281.30	1.94%
TOTAL	**$531,282.01**	100%

Source: As reported by BSD.

Rates

The purpose of the sewer service charge is to raise revenues to pay the costs of maintenance, operation, construction, and reconstruction of the District's wastewater facilities used for the collection, conveyance, treatment, and disposal of wastewater,

Sewer rates most recently changed for FY 14, and this is the last year of a three-year rate increase. Residential and non-residential rates changed by four percent between FYs 12 and 13 and by four percent between FYs 13 and 14. Rates are reviewed annually by the District. The District plans to review the rates again next year to assess the need for a new rate increase schedule.

Residential customers are charged a set monthly rate for wastewater services, while commercial and industrial customers are charged rates that are based on the type of business and the amount of water used (hundred cubic feet of consumption). These rates are collected on the property tax bill. The current rates for FY 14 are shown in Figure 1-5.

Figure 1-5: BSD Wastewater Rates, FY 14

Rate Category	Rate
Residential (Monthly Rate)	
Single Family Connection	$34.60
Multiple Family Connection (each dwelling)	$19.67
Commercial (per hundred cubic feet)	
Garages and Service Stations	$3.33
Restaurants and Bars	$7.63
Retail, commercial, office, school, other	$2.86

Charges for street sweeping services are levied and contained within property tax bills. The current charge for street sweeping services is $13.08 annually per parcel.

The District's rates for solid waste services are dependent upon the size of the garbage cart used. The service includes recycling, and disposal of yard trimmings. The contract provider directly bills residents for these services and collects the revenues. The following are the residential curbside collection rates effective July 1, 2013.

20 gallons - $18.33

35 gallons - $22.53

65 gallons – $35.30

95 gallons - $48.08

Expenditures

In FY 12, the District's total expenditures amounted to $0.5 million, as depicted in Figure 1-6. Payments to RWF for treatment and outfall maintenance constituted 52 percent of expenditures in that year. Other significant expenditures included management, accounting, and repairs and maintenance.

Figure 1-6: BSD Expenditures, FY 12

Type of Expenditure	Amount	% of Total
RWF	$77,321.49	15.72%
~~Engineering~~	~~$11,564.00~~	~~2.35%~~
Management/Engineering~~Accounting~~	$143,321.50~~131,757.50~~	29.14~~26.79~~%
Supplies	$165.84	0.03%
Repairs and Maintenance	$38,612.00	7.85%
Outfall Maintenance	$177,634.00	36.12%
Depreciation	$15,487.00	3.15%
Membership Fees	$1,193.00	0.24%
Insurance	$2,497.15	0.51%
Emergency Funds	$2,385.00	0.49%
Miscellaneous	$33,179.63	6.75%
TOTAL	**$491,796.61**	**100%**

Source: As reported by BSD.

Capital Outlays

BSD does not have a formal multi-year capital improvement plan (CIP). Capital projects are identified on an annual basis during the budget process, as well as when needs are identified throughout the year~~day~~. Additionally, the District has developed a repair and replacement program that is updated annually.

Reserves

At the end of FY 12, the District maintained $1.7 million in unrestricted assets. As previously mentioned, the Board's goal is to have no reserves once the entire district is annexed into the City of San Jose. Consequently, BSD is spending down the reserves in anticipation of dissolution.

Debt

The District does not hold title to any treatment plant assets, nor is it directly or legally responsible for any related outstanding long-term debt. However, as long as the District continues to be a part of agreements with RWF, it will be responsible for a predetermined share of the plant's annual debt service payments.

The District makes debt service payments on two bonds and a loan used to finance the SBWR projects. 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 $81,150,000 of revenue bonds were issued. The Series A bonds have a fixed interest rate. The Series B bonds had a variable rate. The proceeds from the 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. 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

Wastewater Collection

The District owns and operates approximately 5.3~~seven~~ miles of sanitary sewer main lines and lateral sewers. The majority of the District's sewer lines were constructed prior to 1955 and are made out of vitrified clay pipe. The entire system is gravity fed with no pump stations. A system-wide videotape inspection of all sewer mains was conducted in 2006-07 and revealed that most of the lines were in fair to good condition. Deficient areas were identified and added to the ~~capital improvement plan for~~ repair and replacement program. All issues identified in 2006-07 have reportedly been repaired. In 2013 Bsd completed another video inspection. The District has since prepared a map of defects and severities, which should guide repair and replacement efforts for the next several years.

The mains convey sewage from the District and eventually to the City of San Jose sewer system, ending up for treatment at the RWF in Alviso. 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 to 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 0.4 mgd, of which the District used 0.29 mgd or 72.5 percent in 2012.

Infrastructure Needs

The District developed a repair and replacement~~CIP~~ program in 2007 and has completed numerous repairs and pipe replacement since that time. Data revealed that during times of peak sewage flows, the pipes were less than half full. Average flows in the pipes were less than one quarter full at all five metered locations. Because no flow capacity issues have been identified within the system, all capital~~CIP~~ projects focus on replacement or repair of existing pipes. Because the District is completely built out and no new developments are expected to significantly impact the sewer system, upsizing the system capacity has not been necessary. Additionally, inflow and infiltration does not play a major role in the District's system capacity. This can be attributed to the soil conditions, lack of trees, and flat elevations within the District. The replacement program~~CIP~~ is updated each year as new projects are identified and the District has adequate reserve funds to complete at least $100,000 in projects each fiscal year.

As the District lands are expected to eventually become a part of the City of San Jose, the District should coordinate with San Jose regarding the financing of infrastructure upgrades.

The District reported that there is a challenge with multiple parcels~~connections~~ on the same lateral, which causes access issues. ~~As new houses are built a lateral extension is required.~~BSD has contracted with Pacific Underground Construction to build a new sewer line on Olive Avenue to allow each parcel to have its own lateral connection. Once the

separate Olive Avenue connections are made, the District will have eliminated all known lateral sharing amongst parcels.

The District also identified a particular challenge related to access to lower laterals. A minority 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. As new buildings are constructed, clean outs are installed as a requirement.

Shared Facilities

As previously mentioned, the District practices extensive facility sharing by receiving wastewater treatment from RWF and as a member of SBWR. Additionally, BSD shares some mains that lead to the treatment plant with the City of San Jose.

As the District's facilities are limited, no other opportunities for sharing facilities have been identified.

Street Sweeping

The District does not own any facilities and equipment with regard to street sweeping. This service is provided entirely by the contracting agency.

Infrastructure Needs

The contracting agency is responsible for any necessary infrastructure improvements. No infrastructure needs on the part of the District were identified with regard to street sweeping.

Shared Facilities

The District does not conduct facility sharing with regard to street sweeping.

Solid Waste Collection

The District does not own any facilities and equipment with regard to solid waste collection. This service is provided entirely by the contracting agency.

Infrastructure Needs

The contracting agency is responsible for any necessary infrastructure improvements. No infrastructure needs on the part of the District were identified with regard to solid waste collection.

Shared Facilities

The District does not directly conduct facility sharing with regard to solid waste collection; however all of the waste collected from within the District is disposed of at regional facilities that process waste from other areas as well.

DEMAND FOR SERVICES

Wastewater Collection

The District provides sewer service to approximately 1,623 customers—1,574 residential customers and 49 commercial customers. The District maintains an inventory of connections throughout the service area, including each of the tributary cities as well as the unincorporated County areas.

The District reported that flow had slightly declined in recent years, due to annexations of territory by the City of San Jose. The District's average daily flow over the last four years is shown in Figure 1-7.

Figure 1-7: BSD Average Daily Flow (mgd), 2009-2012

Service Level	2009	2010	2011	2012
Average Daily Flow	0.33	0.303	0.29	0.29

Source: As reported by BSD.

Street Sweeping

The District is responsible for street sweeping on 14 miles of streets (gutters on both sides of seven miles of streets) within the District. All streets within the District are cleaned once a week.

Solid Waste Collection

In 2012, Green Waste Recovery~~Waste Management, Inc.~~ collected 874~~1,295~~ tons of solid waste from within BSD.

SERVICE ADEQUACY

Wastewater Collection

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 1-8.

BSD has had no violations related to sewer services in the period from January 1, 2010 to July 7, 2013. Consequently, there have been no enforcement actions issued by the RWQCB during that time.

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. BSD reported zero overflows during

the period from January 1, 2010 thru July 1, 2013, and consequently the annual overflow rate during this 3.5 year period is zero.

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 (peak wet weather flow of 0.61 mgd) to average dry weather flow (0.3 mgd). A peaking factor of about 3.0 is a generally accepted factor for the design of small diameter pipe. Based on a flow study conduction in 2009, the District has a peaking factor of 2, which is general within industry standards.

Figure 1-8: BSD 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	0	Priority Violations	0
Service Adequacy Indicators			
Total Employees (FTEs)	1.0	Sewer Overflows 2010 - 2013[2]	0
MGD Collected per FTE	0.290	Sewer Overflow Rate[3]	0
Sewer Miles per FTE	7.0	Peaking Factor	2.0
Infiltration and Inflow			
BSD conducted a flow study in 2009 and 2010. During that time, there were a number of rain events, but it was determined by the contracting firm that conducted the study that the District's system did not exhibit symptoms of excessive infiltration and inflow.			
Collection System Inspection Practices			
BSD recently started the process of conducting CCTV inspections of all pipes within the system. It was anticipated that all lines would be inspected within a month of implementation. The inspection will aid the District in rating all pipelines with a National Association of Sewer Service Companies (NASSCO) score, which ranks sewer mains between one (excellent condition) and five (worst condition).			
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.			

Street Sweeping

Street sweeping service adequacy may be gauged based on customer satisfaction. For the purposes of this report, the number of complaints related to street sweeping is used as the indicator of resident contentment with services received. In 2012, BSD reported that it had received no complaints related to street sweeping.

Solid Waste Collection

The California Public Resources Code (PRC 41780) requires all jurisdictions to achieve 50 percent solid waste diversion after the year 2000. Diversion rates are defined as the percentage of total solid waste that a jurisdiction diverted from being disposed in landfills through reduction, reuse, recycling programs, and composting programs. Of the waste collected in 2012, approximately 55 percent was diverted. Based upon this information, the District was above this goal.

GOVERNANCE STRUCTURE OPTIONS

Over the course of this review two governance structure options were identified with regard to Burbank Sanitary District—1) continued existence and service within its existing boundaries until all areas have been annexed to the City of San Jose and 2) dissolution within a certain timeframe with services continued by the City of San Jose outside of city limits in anticipation of annexation.

At present, BSD faces a particular challenge in planning for its eventual dissolution. It has been the long-term goal of LAFCO and the County that unincorporated islands should be annexed to the cities. Likewise, the City of San Jose has a General Plan policy that states that unincorporated islands should be annexed. BSD is entirely surrounded by the City of San Jose and consists of territory that is anticipated to be eventually annexed by the City in its entirety. As areas are annexed into the City, they are concurrently detached from BSD. All infrastructure and related capacity is transferred to the City, and wastewater services are continued by the City of San Jose. This process poses three challenges to BSD—difficulties in coordinating maintenance of mains with San Jose, struggles in planning for eventual nonexistence in an unknown timeframe, and a declining number of connections that will eventually reach (or may already have reached) a level that lacks economies of scale for the District to provide services.

As areas are annexed, only the related infrastructure associated with the particular parcels is transferred to the City, which can occasionally consist of an access point for an entire main—portions of which BSD still owns and is responsible for maintaining. BSD has reported that at times it has been difficult to receive the City of San Jose's approval to access district-owned sections of the main through the access point now owned by the City. Additionally, an annexation may result in the transfer of a large segment of main, through which flow from the District collects, and the operations of which impact the upstream operations of BSD's system. Mains of this nature require collaboration with the City, given the dual impact that the function of the main has on both agencies. BSD has offered assistance in maintaining mains outside of its bounds, which impact services within its bounds; however, the City of San Jose has not accepted these offers to date.

While it is anticipated that San Jose will annex all territory within BSD, the timeframe within which this will occur is unknown. The City, as the land use authority, controls the schedule of the annexations, and BSD has no input as to timing. As such, BSD must attempt to plan for financing of its system's capital needs and spend down its reserves without a deadline, which places the District in a continual planning limbo.

Finally, as connections are detached from BSD, it results in less revenue for the District. Eventually, the overhead and operations of the District will become inefficient given the dwindling number of connections being served. This lack of economies of scale will result in high rates compared to other providers to continue the operations of the District.

In consideration of the challenges faced by BSD discussed here, two governance options were identified. First, BSD could continue to exist and provide services within its existing boundaries until all areas have been annexed to the City of San Jose. Under this option, the City could annex territory within the District, but BSD would continue to own the

infrastructure and provide services to the territory that is within the District as its boundaries exist now. Once all properties within BSD had been annexed by the City, the District would be dissolved and the City would take on wastewater, solid waste collection, and street sweeping services. In this manner, the outcome would ultimately be the same with BSD dissolving and the City providing services, but it would allow the District to continue to provide services until that time, eliminating some of the challenges previously identified.

This alternative would have the following potential advantages and disadvantages, should conditions remain unchanged.

Figure 1-9: Advantages and Disadvantages of BSD Continuing Services

Advantages	Disadvantages
Issues revolving around future coordination of services and maintenance and operations of the systems between BSD and the City would be minimized, and the agencies would only have to address existing issues.	There is the potential that this option could cause confusion among residents as to whether they reside within the City of San Jose.
The option may eliminate the struggles that the District might face should its customer base become even smaller, leading to greater inefficiencies. ~~too small to efficiently provide services~~.	The District would continue to struggle with the timeframe for which it should plan for the conclusion of its business.

Another alternative is the dissolution of BSD within a certain timeframe to allow for the District to adequately plan for and complete its capital improvement plans and make use of remaining funds for the benefit of the District's customers. Upon dissolution, all district infrastructure would be transferred to the City of San Jose and the City would take over the provision of wastewater, solid waste, and street sweeping services outside of the city limits. Given that eventual annexation of the territory in question is anticipated, services outside of the City's bounds would adhere with LAFCO's policies regarding extra-territorial service provision. While both alternatives would ultimately have the same outcome with the City taking on all ~~wastewater~~ services offered by the District, this option would clearly identify a schedule for dissolution, thus allowing the District to better plan for the conclusion of its business.

This alternative would have the following potential advantages and disadvantages, should conditions remain unchanged.

Figure 1-10: Advantages and Disadvantages of BSD Dissolution

Advantages	Disadvantages
Issues revolving around coordination of services and maintenance and operations of the systems between BSD and the City would be eliminated.	There is the potential that this option could cause confusion among residents as to whether they reside within the City of San Jose.
The option may eliminate the struggles that the District might face should its customer base become too small to	

efficiently provide services.	
Allows the District to better plan for the conclusion of its business.	
Customers may become accustomed to the City's services, which may expedite annexation.	
Cost savings may occur, which could be passed on to the rate payer, by reducing administrative and Board of Director costs.	

Given that there were more advantages to the dissolution of BSD identified, it is recommended that this option be the subject of additional study to determine the level of benefit in terms of services and anticipated costs and savings. It is also recommended that LAFCO facilitate a meeting between the two parties, BSD and the City of San Jose, to discuss these alternatives, identify a preferred option, and outline how to proceed with the collaboration. BSD has reported that it is amenable to meeting with the City to begin discussions of next actions.

BURBANK SANITARY DISTRICT SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- Based on GIS analysis of 2010 Census data, Burbank Sanitary District (BSD) encompasses a population of approximately 3,756.
- As the area is entirely built-out, it is anticipated that the District will experience nominal inflow~~e zero to minimal~~ growth over the next 25 years.
- BSD consists of an unincorporated island surrounded by the City of San Jose and will shrink in size as areas are annexed to the City. Hence, the maximum service area of the District is defined by its current boundaries.

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 73 percent of its treatment capacity allocation. The District appears to have sufficient capacity at present and for the minimal anticipated growth well into the future.
- It is recommended that BSD 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 and address district debt payments when capacity is transferred to the City upon annexation.
- BSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant. The District and the City previously operated under a joint-use agreement that expired in 1983. It is recommended that the District negotiate a new agreement with the City.
- There are opportunities for enhanced collaboration and coordination with the City of San Jose, with respect to financing the upgrading of mains that flow into and

affect the city system, as well as coordination of access and maintenance as small sections of the District's system are annexed and transferred into the City.

- Based on the District's regulatory compliance history, sewer system overflow rate, and collection system integrity, as indicated by comprehensive collection system inspection practices and infiltration and inflow rates within industry standards, BSD's wastewater services appear to be adequate.
- No significant infrastructure needs were identified related to the collection system's integrity or capacity. Capital needs are identified and addressed on an annual basis.
- BSD recently started the process of conducting CCTV inspections of all pipes within the system. The inspection will aid the District in prioritizing capital improvement needs.
- 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.
- No capacity concerns were identified regarding street sweeping and garbage collection services.
- BSD does not own any infrastructure related to street sweeping and solid waste collection services.
- The District continues to operate under an expired contract with Enviro-Commercial Sweeping. The District plans to negotiate a new contract in 2013.

Financial Ability of Agency to Provide Services

- BSD reported that the current financing level was generally adequate. There have been reportedly no 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 and pressure by the State to upgrade collection systems will create a need for enhanced revenues in the coming years.
- The District recently completed three consecutive rate increases for FYs 12, 13, and 14 of four percent each. The District will review the rates again next year, to assess the need for a new rate increase schedule to cover anticipated RWF costs.
- In the previous service review, it was identified as part of the District's FY 05 audit there were certain deficiencies found in the operation's internal controls. Since then, these deficiencies have been rectified, and no deficiencies were identified in the District's FY 10 audit.
- The District is negotiating with the Cities of San Jose and Santa Clara regarding the District's capital financing obligations for non-essential improvements to the plant and enhancements to recycled water production. Future revenue needs will be dependent on the outcome of these negotiations.

- In three of the past five fiscal years the District's expenditures exceeded revenues.
- BSD maintains a high level of reserves equivalent to almost three years of district expenditures.

Status and Opportunities for Shared Facilities

- BSD 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, BSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant.
- No additional opportunities for facility sharing were identified.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- BSD 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. While BSD keeps its financial reporting and budgets up-to-date, it is recommended that the District also make available its budget and audited financial statement on its website. The District fully cooperated with LAFCO requests for information.
- BSD has operational regulations and several policy resolutions that provide a framework for the District's operations. While not legally required, the District does not have policies specific to Brown Act compliance, public requests for information, nor code of ethics, which is considered a best management practice. Additionally, the District should adopt a policy on expense reimbursements as legally required.
- ~~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 and adopt a policy on expense reimbursements as required by law.~~
- Two governance structure options were identified for BSD—1) continued existence and service within its existing boundaries until all areas have been annexed to the City of San Jose and 2) dissolution within a certain timeframe with services continued by the City of San Jose outside of city limits in anticipation of annexation.

BURBANK SANITARY DISTRICT SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

Burbank Sanitary District has a zero SOI.

Recommended Sphere of Influence Boundary

Given that LAFCO and County policies regarding pocket areas and service provision have remained unchanged and continue to encourage the annexation of unincorporated islands to the surrounding cities, it is anticipated that the City of San Jose will eventually annex all territory within BSD. Consequently, regardless of the outcome of the governance structure options presented in this report, it is anticipated that BSD will ultimately cease to exist. It is recommended that in anticipation of the eventual dissolution of the District, that LAFCO reaffirm BSD's zero SOI.

Proposed Sphere of Influence Determinations

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

- Burbank Sanitary District (BSD) provides sewer collection services for unincorporated islands within the City of San Jose. The District contracts with the San Jose-Santa Clara Regional Wastewater Facility for wastewater treatment and disposal. Additionally, BSD provides solid waste collection and street sweeping services through franchise agreements with private contractors.

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

- The district is located within an unincorporated island of the City of San Jose. The District is generally built out and comprised of predominately single-family residential and some commercial uses. Planned land uses throughout the District area are generally similar to those of the existing uses.
- There are no agricultural or open space lands within the District's bounds.

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

- BSD encompasses an unincorporated island within the City of San Jose and 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.
- 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 73 percent of its treatment capacity allocation. The District appears to have sufficient capacity at present and for the minimal anticipated growth well into the future.
- It is recommended that BSD 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 and address district debt payments when capacity is transferred to the City upon annexation.
- BSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant. The District and the City previously operated under a joint-use agreement that expired in 1983. It is recommended that the District negotiate a new agreement with the City.
- There are opportunities for enhanced collaboration and coordination with the City of San Jose, with respect to financing the upgrading of mains that flow into and affect the city system, as well as coordination of access and maintenance as small sections of the District's system are annexed and transferred into the City.
- Based on the District's regulatory compliance history, sewer system overflow rate, and collection system integrity, as indicated by comprehensive collection system inspection practices and infiltration and inflow rates within industry standards, BSD's wastewater services appear to be adequate.
- No capacity concerns were identified regarding street sweeping and garbage collection services.
- The District continues to operate under an expired contract with Enviro-Commercial Sweeping. The District plans to negotiate a new contract in 2013.

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 an unincorporated island that is entirely surrounded by the City of San Jose. The District is part of the social and economic community of San Jose.

2. *COUNTY SANITATION DISTRICT 2-3*

AGENCY OVERVIEW

County Sanitation District 2-3 (CSD 2-3) is a dependent special district of the County that provides sewer collection services in three unincorporated islands surrounded by the City of San Jose. 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 2-3 in 2006.

The District was consolidated in December 1977 by the merger of County Sanitation Districts 2 and 3, which were originally formed in May 1948 and May 1953, respectively.

The principal act that governs the District is the County Sanitation District Act.[21] The principal act empowers the District to own, control, manage, and dispose of any interest in real or personal property necessary or convenient for the construction, maintenance, and operation of a sewerage system and sewage disposal or treatment plant, or a refuse transfer or disposal system, or both and to acquire, construct, and complete sewage collection, treatment and disposal works, and refuse transfer or disposal.[22] 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.[23]

Boundaries

The District's bounds encompass three non-contiguous unincorporated islands largely surrounded by the City of San Jose, consisting of two neighborhoods—Alum Rock and the County Fairgrounds. The District's existing bounds encompass approximately 3.76 square miles.

Since the last service review was conducted for CSD 2-3, seven areas have been annexed into the City of San Jose and detached from the District.

Sphere of Influence

LAFCO adopted a zero SOI for CSD 2-3 in 1982. This was done to recognize the long-term policy of LAFCO and the County that unincorporated islands within city Urban Service Areas (USAs) should be annexed to cities and receive city services. As LAFCO and County policies regarding island areas and service provision have remained the same since adoption of the SOI, LAFCO reaffirmed the zero SOI for CSD 2-3 in 2006.

[21] California Health & Safety Code, Div. 5, Pt. 3, §§ 4700-4858.

[22] California Health & Safety Code §§ 4738-4767.5.

[23] Government Code §56824.10.

Type and Extent of Services

Services Provided

CSD 2-3 provides wastewater collection services, including owning, operating, and maintaining the collection system within its bounds. 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 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 and into South San Francisco Bay.

Service Area

With regard to wastewater services, CSD 2-3 serves only areas within its bounds, and does not presently provide these services outside of its bounds. The District serves the unincorporated areas of East San Jose in the vicinity of the Alum Rock area (District 2) and unincorporated areas including the County Fairgrounds and southern areas (District 3).

There are some parcels within CSD 2-3's bounds that are not connected to the district wastewater system, as they rely on private septic tanks. 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. However, the District reported that there were often constraints to these areas connecting to the district system, such as topography requiring a pump station instead of gravity flow.

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 2-3 entered into an ~~master~~ agreement with these cities for wastewater treatment in 1984. The agreement establishes capacity rights and obligations for the operation, 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. According to the agreement, as areas are annexed into San Jose, these areas are detached from CSD 2-3 and the infrastructure and associated capacity at the treatment plant are transferred to the City. Currently, CSD 2-3 reportedly continues to pay the debt payment to the cities for those annexed areas, even upon transfer of related capacity at the treatment plant, where improvements and expansion were financed by the debt in question. Finally, the extent of the District's capital obligations with regard to master plan improvements at the plant are not fully described and are outdated.

Collaboration

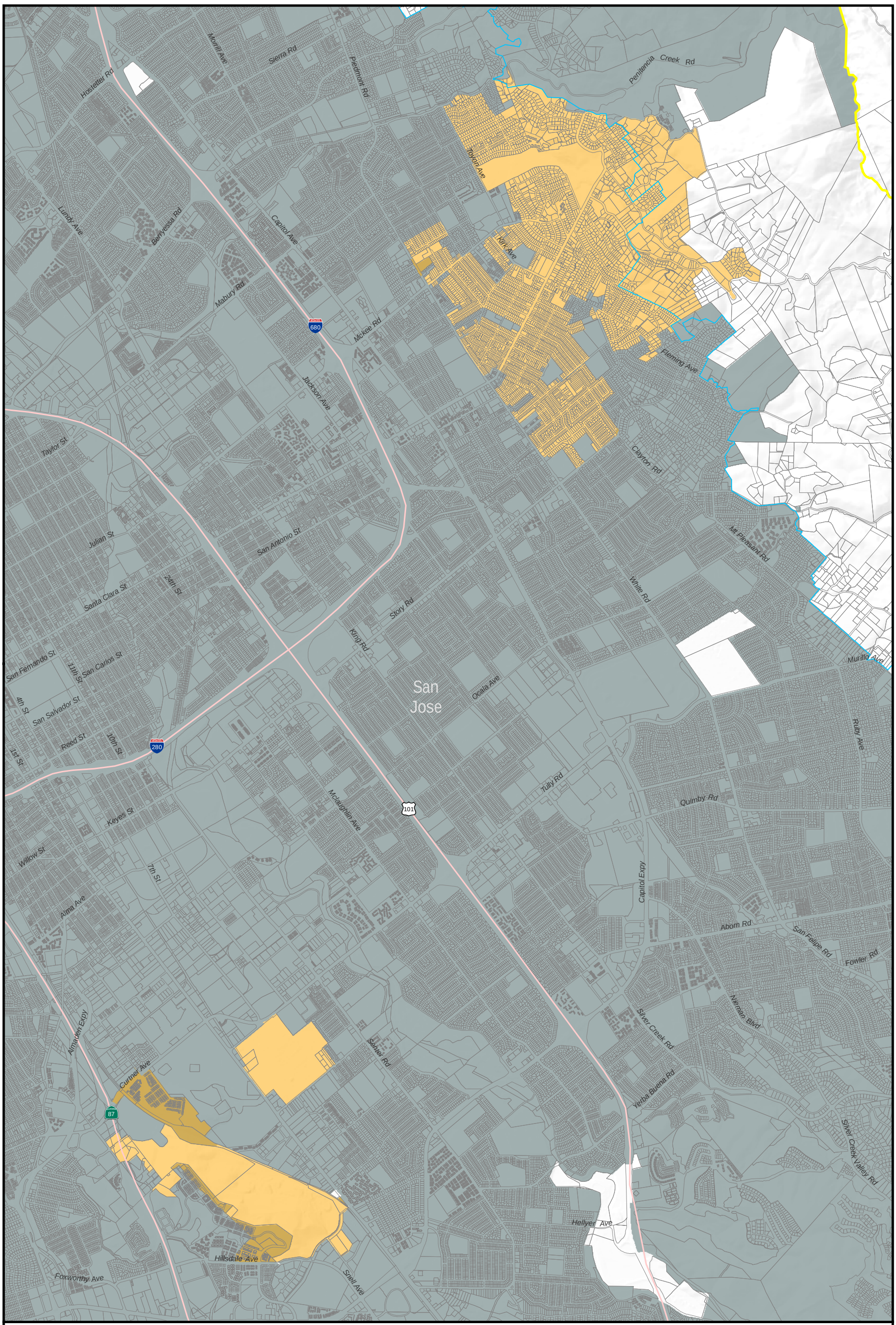
CSD 2-3 collaborates and partners with other agencies in providing services. CSD 2-3 is a member of the South Bay Water Recycling (SBWR) joint powers authority in conjunction with the Cities of San Jose, Milpitas and Santa Clara, and several special districts. In 1998, the facility and pipeline was constructed to provide 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.

The collected wastewater from both areas within CSD 2-3 is conveyed to the RWF through mains and interceptor lines shared with the City of San Jose. The District previously maintained a joint use agreement with the City, which expired in 2009. The agreement defined how operations, maintenance and capital improvements were to be funded. As of the drafting of this report, the two agencies were working to negotiate terms for a new agreement.

Additionally, the District is a member of 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 2-3's bounds.



County Sanitation District No. 2-3

- Incorporated Areas
- Cities Urban Service Area
- Cities Sphere of Influence (SOI)
- Parcels
- County Sanitation District 2-3

District has a zero Sphere of Influence

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

Being a dependent special district, the County Board of Supervisors serves as the District's governing Board of Directors. The five county supervisors are elected to four-year terms of office with a three-term limit. Current board member names, positions, and term expiration dates are shown in Figure 2-2.

Figure 2-2: CSD 2-3 Governing Body

County Sanitation District 2-3					
District Contact Information					
Contact:	Richard Tanaka, District Manager				
Address:	20863 Stevens Creek Boulevard #100, Cupertino, CA 95014				
Telephone:	408-255-2137				
Website:	http://www.csd2-3.org/index.html				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Mike Wasserman	District 1	2010	11/2014	Elected	4 years
Cindy Chavez	District 2	2013	11/2016	Elected	4 years
Dave Cortese	District 3	2008	11/2016	Elected	4 years
Ken Yeager	District 4, President	2006	11/2014	Elected	4 years
Joe Simitian	District 5	2012	11/2016	Elected	4 years
Meetings					
Date:	Tuesdays at 9:00 am (Every other Tuesday)				
Location:	County of Santa Clara Board of Supervisors' Chambers at 70 West Hedding Street, San Jose				
Agenda Distribution:	Posted online and at the County Government Center				
Minutes Distribution:	Posted online and at the County Government Center				

The Board of Supervisors meets every other Tuesday morning at the Board of Supervisors' chambers in the County Government Center located at 70 West Hedding Street in San Jose. 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.

Each member of the Board of Supervisors receives $143,000 annually in salary. Government Code §53235 requires that if a local government provides compensation or reimbursement of expenses to its board members, that local government must establish a written policy on reimbursements, and the board members must receive two hours of training in ethics at least once every two years. The County has adopted policies related to expense reimbursements, and the members of the Board of Supervisors have completed biennial ethics training as required. 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.[24] The County was able to provide a list of reimbursements made to each Supervisor in 2012.

Agendas and minutes for the meetings are posted on the bulletin board at the County Government Center, and are published online on the county website. If special noticing is required, a local newspaper is also utilized. The website also contains video archives of previous Board of Supervisors' meetings.

The District conducts constituent outreach in addition to legally required agenda posting via its website (separate from the County's website) and by sending its annual report to district residents. CSD 2-3's website contains information on the District's services, annual reports, and sewer system management plan. It is recommended that the District also make available its rates, budget and audited financial statement on its website, as well as provide a link to the County Board of Supervisor's website where constituents can access board meeting agendas and minutes pertaining to CSD 2-3.

Complaints to CSD 2-3 are received in person or via phone, email, or letter. The District tracks all complaints to resolution. The district manager is responsible for ensuring that all complaints are addressed. The District reported that it had received five complaints in 2012 related to rate increases.

The Board of Supervisors has adopted a policy manual that articulates the ethical standards and administrative policies for the Board. This policy manual was updated in April 2013 and is published on the county website. The rules of the Board includes policies requiring observance of Brown Act requirements. The policies also include a code of ethics, as well as requirements regarding the Public Records Act.

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 County adopted a resolution regarding conflicts of interest in 1997.

Government Code §87203 requires persons who hold office to disclose their investments, their interests in real property and their incomes, and file these forms with the Fair Political Practices Commission each year. All four of the current members of the Board of Supervisors have filed the Form 700 Statement of Economic Interest forms in 2013.

[24] Government Code 53065.5

MANAGEMENT AND STAFFING

The District does not have any employees of its own. Management services are provided by contract with 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. Repairs and maintenance activities are provided as scheduled or needed with outside contractors and overseen by Mark Thomas and Company field inspection personnel. Maintenance is provided by contracting companies, including Able Construction, Rotor Rooter, and S&M Construction. Currently, Mark Thomas & Company, Inc. dedicates 2 full-time equivalents (FTEs) to administration, management, and inspection of the District. 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 were roughly two FTEs regularly maintaining the system.

Vendors, administrators and engineers report to the deputy district manager/engineer, who is managed by the district manager. The district manager reports to the Board at regular meetings.

CSD 2-3 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 Mr. Mark Bernal with County Counsel's Office as legal counsel.

CSD 2-3 maintains several plans and documents to guide district efforts. The District adopts an annual budget, annually audits its financial statements, has developed 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 monitors and reviews monthly the following performance criteria: total number of sanitary sewer overflows (SSOs), number of SSOs categorized by cause (roots, grease, debris, pipe failure, capacity, pump station failure, and others), portion of sewage contained compared to total volume spilled during an SSO, volume of spilled sewage discharged to surface water, and miles of sanitary sewer lines cleaned.

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~~ B~~b~~oard of Supervisors' 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 2-3 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.[25] In the case of CSD 2-3, the District must submit audits annually. CSD 2-3 has submitted its audit to the County for FY 12.

POPULATION AND PROJECTED GROWTH

Land Uses

The unincorporated District area is primarily surrounded by the City of San Jose. The District is an urban area that is predominately 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.

Current Population

Based on 2010 Census data, the District's population as of 2010 was approximately 19,257.

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.[26]

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.[27] DWR did not identify any disadvantaged communities within Santa Clara County.[28]

[25] Government Code §26909.

[26] Government Code §56033.5.

[27] 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.

[28] 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.

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

Association of Bay Area Government (ABAG) has projected a population growth rate of 41 percent from 2010 to 2035, or 1.4 percent annually, for the City of San Jose. As CSD 2-3 is an unincorporated island within the City, this growth rate could be applied to the District as well. However, the territory within 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, actual growth within the District is expected to be minimal. For the purposes of this report it is assumed that the population of the District will remain the same through 2035.

CSD 2-3 encompasses unincorporated islands within the City of San Jose and 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.

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 not aware of any potential significant developments within its bounds.

CSD 2-3 forecasts service needs based on historical demand and growth data and current census information. The District has stated that the existing infrastructure has the ability to accommodate infill development within the District's service area. However, overall growth is expected to be minimal, as the District lands are generally built out. In 2012, the District made use of 47.56 percent of its treatment plant capacity allocation of 2.26 million gallons per day.

FINANCING

Financial Adequacy

CSD 2-3 reported that the current financing level was generally adequate. The District reported that there have been minimal impacts on the District's revenues from the recent recession, however, the District's revenues have been reduced as a result of the annexation of approximately 1,500 parcels to the City of San Jose and subsequent detachment from the District between 2008 and 2010, reduced water use by non-residential accounts, as well as lower interest returns on District's investments.

Additionally, the District anticipates its capital budget will need to increase threefold, due to rising operating and capital improvement costs for upgrades at the treatment plant, the more aggressive State and Regional Board compliance mandates, and an environmental

group's legal enforcement to construct/replace aging infrastructure. Consequently, there will be 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 0.6 percent and 1.003 percent, respectively. As this project is implemented, CSD 2-3's payments for the plant are anticipated to take up a significantly greater portion of the District's annual expenditures. It is unknown how the City of San Jose is planning to allocate the district charges for the treatment plant upgrade and whether the City will be bonding or utilizing a "pay as you go" scenario for the improvements. The tributary dischargers are recommending that the City use bonds to fund the improvements to stabilize rates for all member agencies over a given period of time.

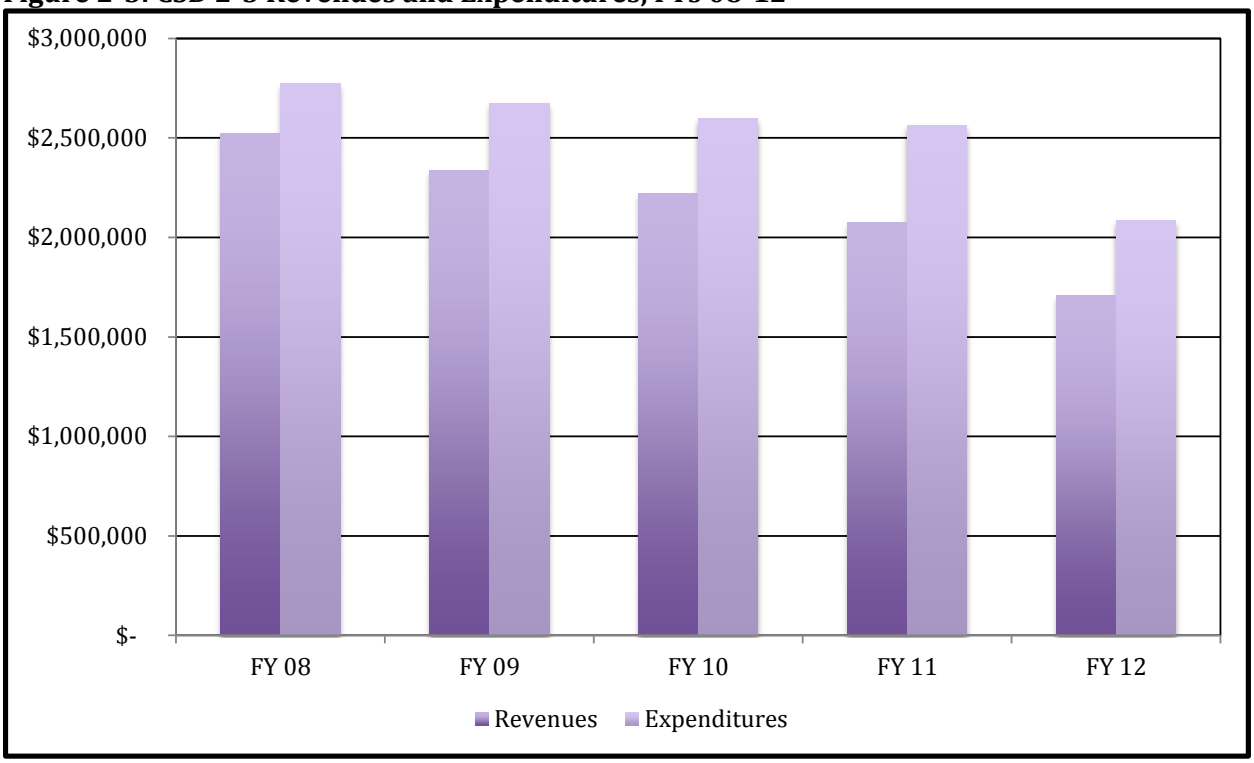
In addition, there are plans to make enhancements to the plant through the Master Plan Update to enhance use of renewable energy sources, and develop habitat and open space areas, among other improvements. These improvements are anticipated to cost approximately $2.2 billion over a period of 30 years. As these improvements are supplemental to the operations of the sewer treatment plant, 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. Depending on the outcome of negotiations regarding these capital improvements, the District may need to further enhance its revenue sources to finance its obligations.

In FY 13, the District was approached by Northern California River Watch (River Watch) to review the statistics, operations and maintenance of the system. River Watch found several areas of concern including alleged violations of the Clean Water Act and the Federal Resource Conservation and Recovery Act associated with the District's operation of its collection system. The Parties, through counsel, engaged in negotiations following that meeting, which subsequently lead to resolution of all claims and disputes made by River Watch through a settlement agreement rather than pursuing an extended lawsuit. The items that the District will address are items that are in the existing workplan, but the implementation schedule has been accelerated beyond the planned budget. The District will need to spend approximately $500,000 each year over the next seven years to address the terms in the River Watch agreement.

As a result of these anticipated increased costs, the Board chose to raise rates by 15 percent for FY 14 to ensure continued adequate financing to cover RWF costs.

Over the past five fiscal years (FYs 08 to 12), district expenditures have exceeded district revenues in five years, as shown in Figure 2-3. In an effort to keep rates lower, the District has been using some of its reserves each year to cover operating and capital expenditures. Revenues have declined since FY 08, due to the reasons previously discussed. Similarly, expenditures have declined over the past five years as well.

Figure 2-3: CSD 2-3 Revenues and Expenditures, FYs 08-12



Source: Financial Statements, FYs 08-12.

Revenue Sources

In FY 12, the District received $1.7 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 two percent of the District's income, while interest and sales of assets made up the remaining revenue. Figure 2-4 below provides the District's sources of revenue in FY 12.

Figure 2-4: CSD 2-3 Revenues, FY 12

Type of Revenue	Amount of Revenue	% of Total
Charges for Services	$ 1,634,662	95.7%
Other fees	$ 30,290	1.8%
Interest and Investment Income	$ 42,681	2.5%
TOTAL	**$ 1,707,633**	100.0%

Source: Financial Statements, FY 12.

Rates

The District's revenue is gained solely from service charges and connection fees. Service charges are collected as part of the property tax bill. Service charges are evaluated annually along with preparation of the budget.

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. In FY 13, the District's service charges were increased by 25 percent in anticipation of 1) building

funds for system capital improvements and the District's share of the capital improvements at RWF, 2) increasing the maintenance frequency of the sanitary sewer system, and 3) the State's requirement to increase system reliability. The District has determined that in FY 14 an additional increase of 15 percent is needed to cover the capital improvements, operation expenditures and to comply with the mandates set by the State and Regional Water Quality Control Boards.

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.

The District charges a flat rate for each residential connection. Commercial connections pay a minimal flat rate of $1.44 per year for infiltration and inflow and fees for each hundred cubic feet of flow. The rates for residential and commercial connections are shown in Figure 2-5.

Figure 2-5: CSD 2-3 Wastewater Rates, FY 14

Rate Category	Rate
Residential (Monthly Rate)	
SFR/Condo/Townhome Per Unit	$41.12
Duplex/Apartment Per Unit	$23.15
Mobile Home Per Unit	$23.23
Church Premise	$41.12
Commercial (per hundred cubic feet)	
Retail or Profession Office	$3.68
Domestic Laundry	$3.32
Restaurant	$6.34
Auto repair shops and Service Stations	$3.94
Motels/hotels	$3.92
Medical	$3.71
Convalescent homes	$3.97
Other commercial or industrial uses	$3.68
Recreation and Country Clubs	$4.61
County fairgrounds	$24.70

Expenditures

In FY 12, the District's total expenditures amounted to $2.1 million, as depicted in Figure 2-6. Payments to RWF for treatment constituted 33 percent of expenditures in that year. Other significant expenditures included repairs and maintenance (37 percent) and management and engineering (11 percent).

Figure 2-6: CSD 2-3 Expenditures, FY 12[29]

Type of Expenditure	Amount	% of Total
Treatment	$677,647	32.5%
Joint Use Lines	$160,000	7.7%
County agenda fees	$10,000	0.5%
Management and Engineering	$228,328	11.0%
Repairs and Maintenance	$768,194	36.8%
Accounting and clerical	$74,335	3.6%
Legal Services	$43,401	2.1%
Audit Services	$13,890	0.7%
Office	$7,601	0.4%
Depreciation	$58,299	2.8%
Membership Fees	$12,391	0.6%
Travel and meetings	$1,330	0.1%
Insurance	$29,431	1.4%
Utilities	$208	0.0%
TOTAL	**$ 2,085,055**	**100.0%**

Source: Financial Statements, FY 12.

Capital Outlays

The District has a five-year capital improvement plan (CIP) for FY 12 through FY 17. Total planned capital outlays over that period were planned to be approximately $1.2 million, with a large proportion of expenditures on capacity improvements from a six-inch main to eight-inch main in the Alum Rock area of the District, the district-wide video inspection and pipe improvement program, and repair and replacement of root infested lateral connections at mains. Since the time this CIP was created, the District entered into the settlement agreement with River Watch, and has agreed to accelerate its workplan and plans to now spend approximately $500,000 annually over the next five years.

Reserves

The District has a management practice to maintain approximately $1.5 million in reserves for contingencies. The District also maintains a separate reserve for capital improvements, as well as cash tax collection to be used for six months of operations. At the end of FY 12, the District had $6 million in unrestricted net assets. Of the unrestricted net assets, the District needs approximately $1.6 million to pay for operations and maintenance from July of each year to as late as January for the revenues to be received from tax collection. Therefore, the lowest cash available to District generally occurs in December-January time frame prior to the receipt of the revenues from tax collection. It is the District policy to maintain $1 million minimum in cash account. This leaves a balance of $3.4 million, which consists of capital improvement and emergency reserves. With an estimated

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

emergency reserve in the amount of $0.5 million, this leaves a balance of $2.9 million for capital projects for both treatment plant upgrades and district's collection system upgrades. District finances collection system upgrades from this reserve fund . District plans to dedicate $500,000 annually for district's infrastructure/collection system upgrades, estimated over next 5 years.~~of which the District plans to dedicate $500,000 annually to capital projects over the next five years.~~ The District finances infrastructure upgrades by utilizing reserve funds. ~~The District has ample funds to finance infrastructure upgrades planned for in its CIP over the next five years in its reserve funds.~~

Debt

Based on CSD 2-3's agreement with the City of San Jose, the District reimburses the City for a proportionate share of debt service on bonds issued in 1995 for the construction and expansion of the treatment plant to satisfy state and federal permit requirements. The outstanding balances of the bonds were refinanced in 2005. The District has no ownership interest in the plant, but makes the above payments on a calculated schedule based on flow capacity.

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 $81,150,000 of revenue bonds were issued. The Series A bonds have a fixed interest rate. The Series B bonds had a variable rate. The proceeds from the 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. 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 46 miles of mains and sewers and one pump station. The oldest sewer lines are over 60 years old. The sewer lines are composed of vitrified clay pipes, polyvinyl chloride pipes and cast iron pipes. Generally, the mains are considered in fair to poor condition.

The District's sewage is collected, then transmitted through joint-use mains, interceptors and trunk lines by contractual agreement with the City of San Jose to the RWF for 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 2.26 mgd, of which the District used 1.077 mgd or 47.65 percent in 2012.

Infrastructure Needs

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.

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 ultimately annexed into the City. This project is estimated to cost approximately $2 million.

The State and Regional Board Water Quality Control Boards have been implementing a more aggressive campaign to reduce the number of SSO's in all collection and treatment sanitary sewer systems throughout California. This means that all treatment and collection agencies will be required to enhance maintenance activities and more aggressively replace sanitary sewer mains, manholes and laterals in the system that have been less efficient. All agencies are expected to increase their maintenance and capital budgets and construct pipeline replacement projects on a five to ten-year cycle until all problematic pipelines have been addressed. Given that the District suffers from a particularly high rate of SSOs, there are likely significant required capital improvements to minimize the occurrence of overflows.

The District is still in the process of inspecting the system and identifying and prioritizing issues. The District is planning to CCTV the entire system over seven years, and rate sections based on the National Association of Sewer Service Companies (NASSCO) conditions, which ranks sewer mains on a scale of one (excellent condition) to five (worst condition). Those mains rated as fours or fives will be repaired or replaced.

The District also identified a particular challenge related to access to lower laterals. Many properties lack property line cleanouts. 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 by receiving wastewater treatment from RWF and as a member of SBWR. Additionally, CSD 2-3 shares some mains and pump stations that lead to the treatment plant with the City of San Jose.

No additional opportunities for facility sharing were identified.

DEMAND FOR SERVICES

The District provides sewer service to approximately 4,722 customers—4,684 residential customers and 38 commercial customers. The District maintains an inventory of connections throughout the service area.

The District reported that flow had declined over recent years due to annexations to the City of San Jose, which detached approximately 1,500 connections from the District's system. The District's average daily flow over the last four years is shown in Figure 2-7.

Figure 2-7: CSD 2-3 Average Daily Flow (mgd), 2009-2012

Service Level	2009	2010	2011	2012
Average Daily Flow	1.52	1.474	1.436	1.077

Source: As reported by CSD 2-3.

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 2-8.

CSD 2-3 has had 29 violations related to sewer system overflows in the period from January 1, 2010 to July 7, 2013. All violations were related to SSOs 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 2-3 reported 43 overflows (all mainline) during the period from January 1, 2010 thru July 1, 2013, and consequently the annual overflow rate during this 3.5 year period is 26.7. This overflow rate is exceptionally high compared to other providers in the area. A majority of the SSOs appear to be caused by root intrusions and grease deposits. It is anticipated that the District's planned inspection and repair efforts will greatly enhance the integrity of the system.

Figure 2-8: CSD 2-3 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	29	Priority Violations	0
Service Adequacy Indicators			
Total Employees (FTEs)	2.0	Sewer Overflows 2010 - 2013[2]	43
MGD Collected per FTE	0.539	Sewer Overflow Rate[3]	26.7
Sewer Miles per FTE	23.0	Peaking Factor	2.1
Infiltration and Inflow			
The most recent Flow Monitoring and Inflow/Infiltration Study was completed in June 2009. Additional CCTV is needed to assess the exact location of the I/I sources. The District is in the midst of developing an I/I reduction program. Once the follow-up analysis and CCTV is completed, the rehabilitation program will be compiled.			
Collection System Inspection Practices			
The District is planning to CCTV inspect its entire system over a seven year period. The inspection will aid the District in rating all pipelines with a National Association of Sewer Service Companies (NASSCO) score, which ranks sewer mains between one (excellent condition) and five (worst condition). In addition to this inspection program, the District is required to video inspect all sewer mains within 200 feet of a creek within one year, as part of a settlement agreement with River Watch. The District plans to comply with this requirement within one year.			
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.			

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 (peak wet weather flow of 2.02 mgd) to average dry weather flow (0.96 mgd). A peaking factor of about 3.0 is a generally accepted factor for the design of small diameter pipe. The District's system has a peaking factor of 2.1 during wet weather periods, meaning wet weather flow is 2.1 times greater than flow during dry periods, due to infiltration and inflow. A peaking factor of 2.1 is generally considered within industry standards, and recent flow study found minimal issues with I/I.

GOVERNANCE STRUCTURE OPTIONS

While CSD 2-3 faces the same challenges as Burbank Sanitary District in terms of consisting of islands of unincorporated lands within the City of San Jose that are anticipated to eventually be annexed into the City, there is a small portion of the District that lies outside of the City's Urban Service Area and as such is not likely to be annexed in the near term. Given that an area is outside the Urban Service Area, residents will continue to require services from CSD 2-3, and there are limited options as to how these services may be provided. In the case of Burbank Sanitary District, LAFCO may support the City of San Jose temporarily providing services to an unincorporated area outside of the City's limits in

anticipation of annexation. However, as areas outside of the Urban Service Area are not planned to be annexed into the City in the foreseeable future, urban services outside of its bounds would be contrary to LAFCO policy. Consequently, it is anticipated that there will be a need for CSD 2-3 to continue to exist and provide services with certain improvement to those services.

In particular, the District needs to address structural integrity issues that have resulted in a particularly high rate of sewer system overflows. The District has plans to accelerate its capital improvement schedule, based on the settlement agreement with River Watch. The District anticipates that these improvements will enhance the integrity of the system. Simultaneously, these improvements will spend down the District's high level of reserves.

COUNTY SANITATION DISTRICT 2-3 SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- Based on GIS analysis of 2010 Census data, County Sanitation District 2-3 (CSD 2-3) encompasses a population of approximately 19,257.
- As the area is entirely built-out, it is anticipated that the District will experience no to minimal growth over the next 25 years.
- CSD 2-3 encompasses unincorporated islands within the City of San Jose and 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.

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 48 percent of its treatment capacity allocation. The District appears to have sufficient capacity at present and for the minimal anticipated growth well into the future.
- It is recommended that CSD 2-3 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 and address district debt payments when capacity is transferred to the City upon annexation.
- CSD 2-3 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.
- There are opportunities for enhanced collaboration and coordination with the City of San Jose, with respect to financing the upgrading of mains that flow into and

affect the city system, as well as coordination of access and maintenance as small sections of the District's system are annexed and transferred into the City.

- Based on the District's unsatisfactory regulatory compliance history and significant sewer system overflow rate, it appears that services are inadequate and the system is in need of substantial improvements.
- 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.
- CSD 2-3 is still in the process of inspecting the system and identifying and prioritizing issues. The District is planning to CCTV the entire system over seven years. It is recommended that the District accelerate its inspection plans in order to properly address the issues the system is facing.
- The District plans to spend approximately $500,000 annually on capital improvements over the next five years, with a large proportion of expenditures on capacity improvements, the district-wide video inspection and pipe improvement program, and repair and replacement of root infested lateral connections at mains.
- 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 2-3 reported that the current financing level was generally adequate. The District reported that there have been minimal impacts on the District's revenues from the recent recession; however, the District's revenues have been reduced as a result of the annexations by the City of San Jose, reduced water use by non-residential accounts, as well as lower interest returns on District's investments.
- 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, pressure by the State to upgrade collection systems, and a settlement agreement with environmental group requiring acceleration of the District's capital improvements will create a need for enhanced revenues in the coming years.
- In FY 13, the District's service charges were increased by 25 percent in anticipation of significant capital expenses. The District determined that in FY 14 an additional increase of 15 percent is needed to cover all expenses.
- The District is negotiating with the Cities of San Jose and Santa Clara regarding the District's capital financing obligations for non-essential improvements to the plant and enhancements to recycled water production. Future revenue needs will be dependent on the outcome of these negotiations.

- In each of the past five fiscal years the District's expenditures exceeded revenues.
- CSD 2-3 maintains a high-level of reserves equivalent to almost three years of district expenditures. A significant portion of these reserves will be used to address the substantial capital needs of the system over the next five years.

Status and Opportunities for Shared Facilities

- CSD 2-3 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 2-3 and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant.
- No additional opportunities for facility sharing were identified.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- CSD 2-3 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. While CSD 2-3 keeps its financial reporting and budgets up-to-date, it is recommended that the District also make available its rates, budget and audited financial statement on its website, as well as provide a link to the County Board of Supervisor's website where constituents can access board meeting agendas and minutes pertaining to CSD 2-3. The District fully cooperated with LAFCO requests for information.
- The Board of Supervisors has adopted a policy manual that articulates the ethical standards and administrative policies for the Board. All current members of the Board of Supervisors have filed the Statement of Economic Interest forms in 2013 and completed biennial ethics training. The County has adopted an ordinance on expense reimbursements for the Board of Supervisors.
- 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.
- No governance structure options were identified for CSD 2-3.

COUNTY SANITATION DISTRICT 2-3
SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

County Sanitation District 2-3 currently has a zero SOI.

Recommended Sphere of Influence Boundary

It is recommended that LAFCO adopt a zero SOI.

It should be noted that there are areas within the District that are outside the City of San Jose's USA. By definition land outside a USA will not be annexed to the City within the next five years, and thus will not be able to receive urban services. It is anticipated that the areas within CSD 2-3 that are within the USA will eventually be annexed by the City; however, those areas that are presently within CSD 2-3 but outside the USA will continue to require the services provided by the District or an alternative service provider.

Proposed Sphere of Influence Determinations

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

- County Sanitation District 2-3 (CSD 2-3) is a dependent special district of the County that provides sewer collection services in three unincorporated islands surrounded by the City of San Jose. 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 unincorporated District area is primarily surrounded by the City of San Jose. The District is an urban area that is predominately 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.
- There are no agricultural or open space lands located within the District.

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

- CSD 2-3 encompasses unincorporated islands within the City of San Jose and 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.
- 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 areas within CSD 2-3 that are outside the City of San Jose's Urban Service Area will continue to require the District's services.

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 48 percent of its treatment capacity allocation. The District appears to have sufficient capacity at present and for the minimal anticipated growth well into the future.
- It is recommended that CSD 2-3 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 and address district debt payments when capacity is transferred to the City upon annexation.
- CSD 2-3 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.
- There are opportunities for enhanced collaboration and coordination with the City of San Jose, with respect to financing the upgrading of mains that flow into and affect the city system, as well as coordination of access and maintenance as small sections of the District's system are annexed and transferred into the City.
- Based on the District's unsatisfactory regulatory compliance history and significant sewer system overflow rate, it appears that services are inadequate and the system is in need of substantial improvements.

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

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 not fully described and are outdated.

Collaboration

CSD collaborates and partners with other agencies in providing services. CSD is a member of the South Bay Water Recycling (SBWR) joint powers authority 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 to provide 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.

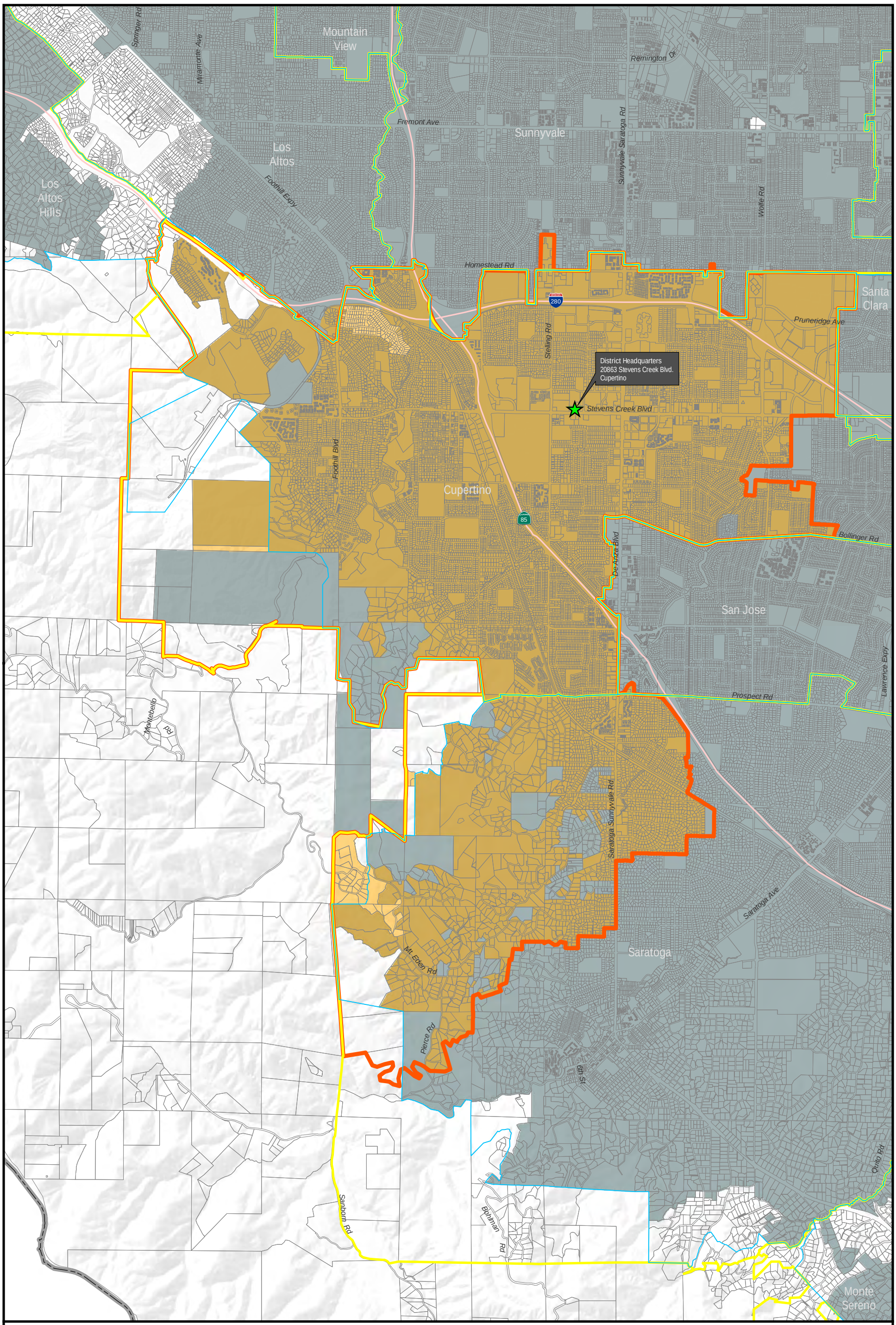
CSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant. The two agencies have previously operated under a joint use agreement to define how operations, maintenance and capital improvements will be funded and which agency will be considered the lead 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. ~~It is recommended that the District also make available its budget and audited financial statement on its website.~~

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~~2.5~~ 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 7.875 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.

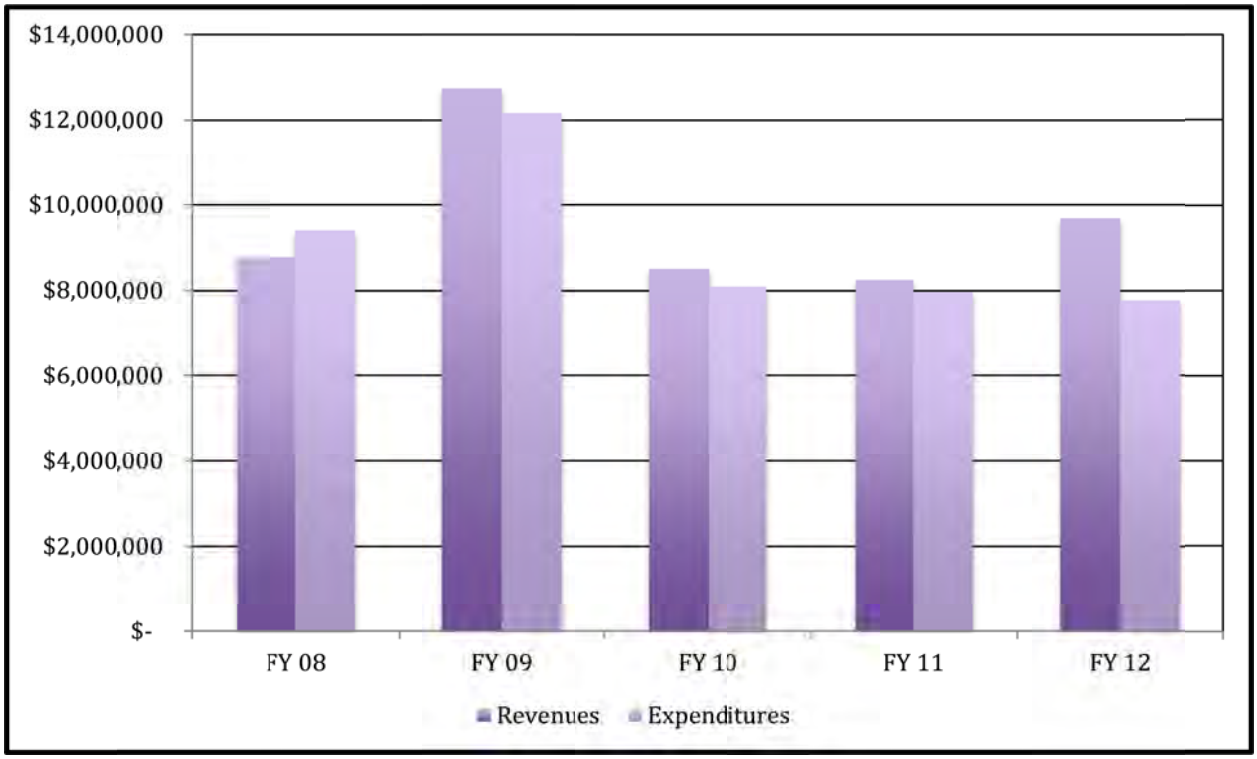
The City of San Jose is facing a major rebuild of the wastewater treatment plant during the next decade, which is projected to be $680.9 million in capital improvement projects that will be constructed over the next five years. The District's share of capital costs of future improvements and operation 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 use of renewable energy sources, and develop habitat and open space areas, among other improvements. These improvements are anticipated to cost approximately $2.2 billion over a period of 30 years. As these improvements are supplemental to the operations of the sewer treatment plant, 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." Depending on the outcome of negotiations regarding 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 ~~capital contributions from a developer in that year and~~ 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 e~~E~~xpenditures have slightly declined over the last five~~three~~ fiscal years, when the payoff of the bond in FY 09 is excluded.~~FYs~~.

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

~~The District has a management practice to maintain approximately $1.5 million in reserves for contingencies. The District also maintains a separate reserve for capital improvements. At the end of FY 12, the District had a total of $17.8 million in 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.

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

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.

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 $81,150,000 of revenue bonds were issued. The Series A bonds have a fixed interest rate. The Series B bonds had a variable rate. The proceeds from the 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. 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.
- 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.
- The District is negotiating with the Cities of San Jose and Santa Clara regarding the District's capital financing obligations for non-essential improvements to the plant and enhancements to recycled water production. Future revenue needs will be dependent on the outcome of these negotiations.
- 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. ~~While CSD keeps its financial reporting and budgets up-to-date, it is recommended that the District make available its budget and audited financial statement on its website where it is readily accessible by the public.~~ 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

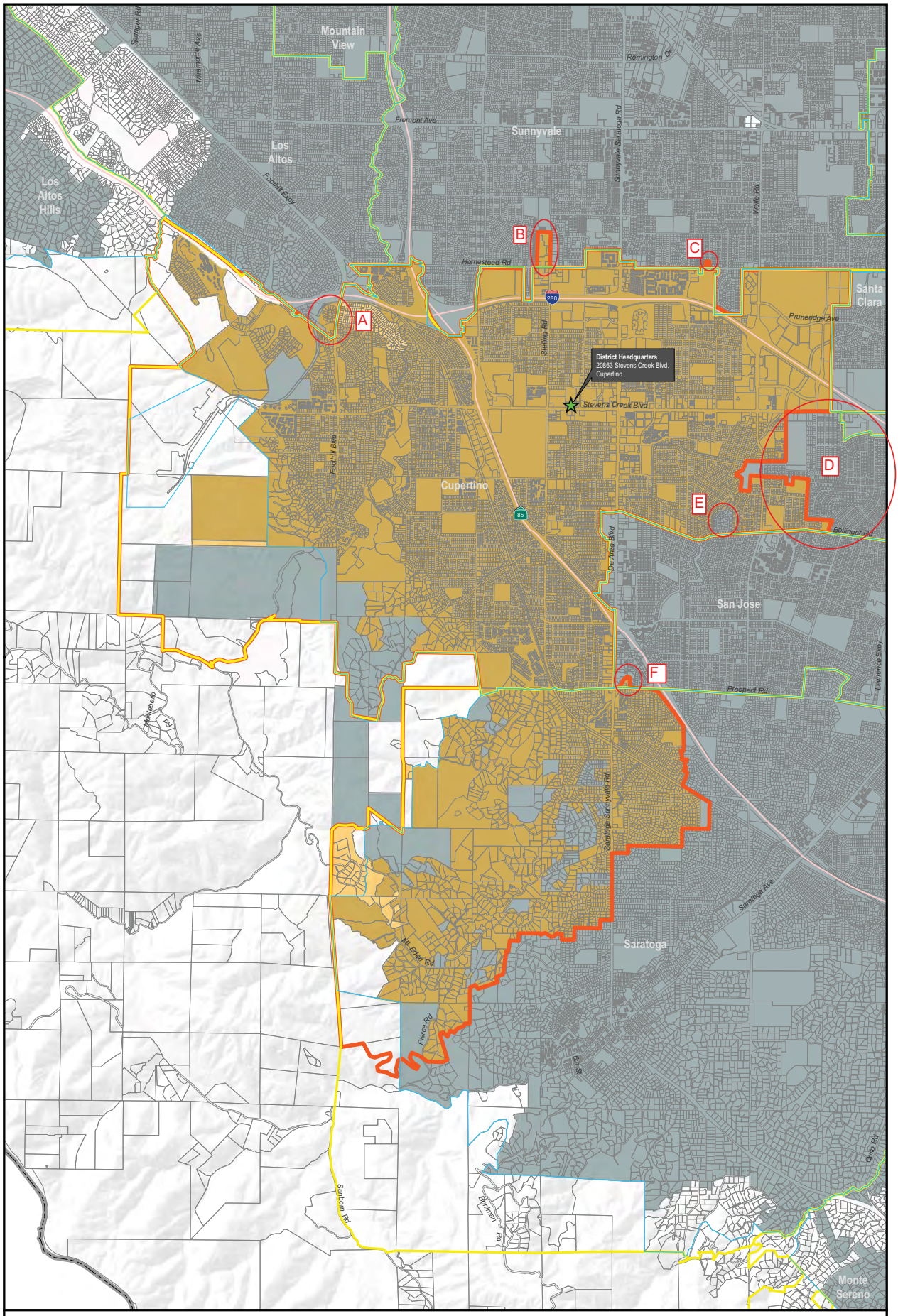
It is recommended that as part of this SOI update, that the Commission address 1) areas of overlap or gaps along the shared boundary with Sunnyvale, Los Altos, Cupertino and San Jose, 2) areas of overlap or gaps along the shared boundary with West Valley Sanitation District and 3) areas outside of the 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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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.

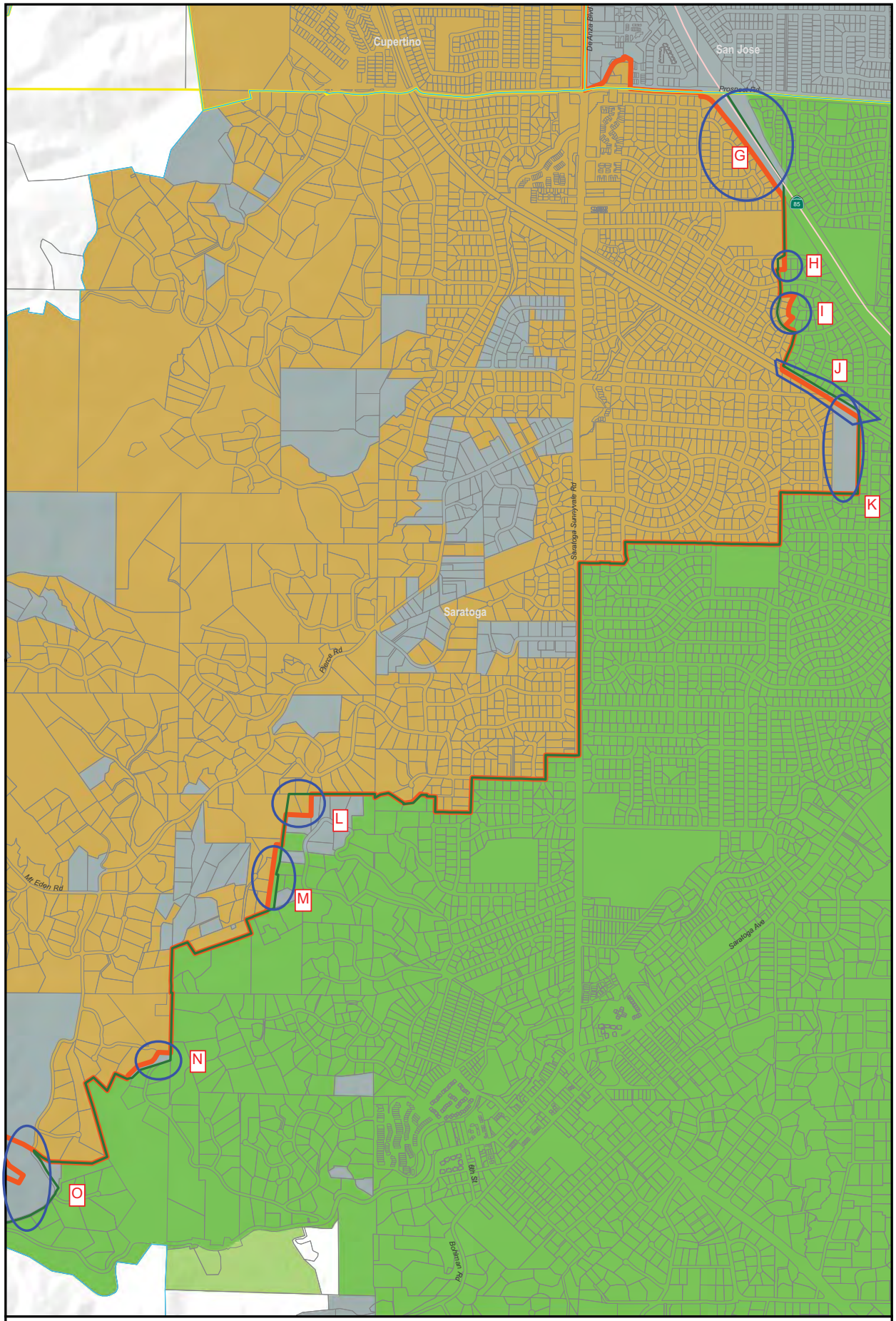
Area G (no assigned parcel number) consists of a single parcel just to the west of SR 85 where there is a gap in the bounds and SOI between the two agencies. Given that the parcel is purely a buffer along the highway, it will likely not require wastewater services in the future. However, given that both 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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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.

4. *LAKE CANYON COMMUNITY SERVICES DISTRICT*

AGENCY OVERVIEW

Lake Canyon (LCCSD) was formed in February 1993 as an independent special district to provide wastewater services to the unincorporated community of Lake Canyon. The formation took place after the Santa Clara County Health Department found significant inadequacies with on-site septic systems of individual property owners in Lake Canyon, including cesspools, septic tank-seepage pit systems, septic tank/leachfields, and grey-water systems. The newly formed district was authorized to provide collection, treatment and disposal of wastewater. A service review for the District was last conducted in 2007.

The principal act that governs the District is the Community Services District Law.[42] Community service districts (CSDs) may potentially provide a wide array of services, including water supply, wastewater, solid waste, police and fire protection, street lighting and landscaping, airport, recreation and parks, mosquito abatement, library services; street maintenance and drainage services, ambulance service, utility undergrounding, transportation, abate graffiti, flood protection, weed abatement, hydroelectric power, among various other services. CSDs are required to gain LAFCO approval to provide those services permitted by the principal act but not performed by the end of 2005 (i.e., latent powers).[43]

Boundaries

LCCSD's boundaries encompass the unincorporated community of Lake Canyon located approximately three miles west of the Town of Los Gatos along Beardsley Creek. The community is surrounded by undeveloped hillsides, including land owned by the Santa Clara County Parks and Recreation Department, the Santa Clara Valley Water District and the Lake Canyon Mutual Water Company. The District encompasses 0.06 square miles.

Sphere of Influence

The sphere of influence of LCCSD is coterminous with its boundaries.

Type and Extent of Services

Services Provided

LCCSD provides collection, treatment and disposal of wastewater. Lake Canyon subdivision is served by a central collection system, utilizing on-site septic tanks and small-

[42] Government Code §61000-61226.5.

[43] Government Code §61106.

diameter effluent sewers. From a central lift station at the east end of the community, the effluent is pumped to and disposed of in a community leachfield system on a two-acre portion of sloping grassland.

Service Area

LCCSD provides services exclusively to the community of Lake Canyon. The District does not serve any residents or areas outside of its boundaries. All developed lots within Lake Canyon are served by LCCSD.

Service to Other Agencies

LCCSD does not provide contract services to other agencies.

Contracts for Services

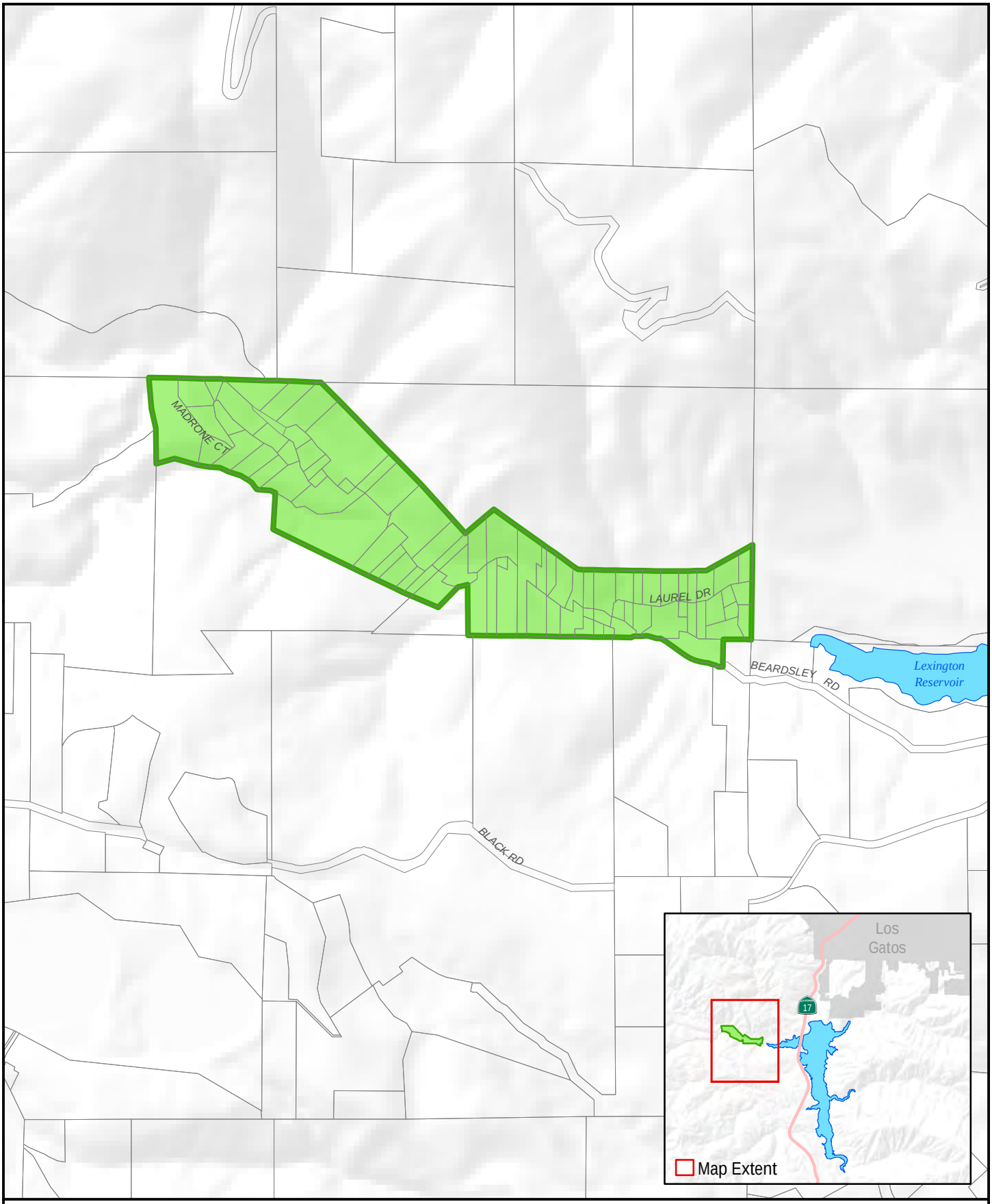
LCCSD contracts for the part-time services of a general manager The District does not have any contracts with public agencies for service delivery.

Collaboration

LCCSD is a member of the Santa Clara County Special Districts Association. The District does not participate in any regional plans or joint powers authorities (JPAs).

Overlapping and Neighboring Service Providers

There are no other agencies providing duplicative wastewater services within LCCSD's bounds. The nearest wastewater provider to the District is West Valley Sanitation District (WVSD), which is located to the northeast of LCCSD; WVSD's boundary is not adjacent to Lake Canyon CSD.



Lake Canyon Community Services District

- Lake Canyon Community Services District SOI
- Lake Canyon Community Services District
- Parcels

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June 2013

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ACCOUNTABILITY AND GOVERNANCE

LCCSD is governed by a five-member Board of Directors appointed by the County Board of Supervisors. According to the Community Services District Law, the term of office of each member of the board must be four years. However, there is no limit to the number of terms a director may serve. The District is not aware of the legal requirement regarding the term limits and considers the terms of its board members indefinite. As defined by the District's enabling act, the District's board members may serve an indefinite number of four-year terms. The current member names, positions, and term expiration dates are show in Figure 4-2. One board member position is currently vacant, due to a director resignation. It is unclear how long the position has been vacant. LCCSD is currently looking for a district resident to submit an application to the Board of Supervisors for an appointment to the district Board of Directors. LCCSD did not provide the term start or expiration dates for any of its board members.

Figure 4-2: LCCSD Governing Body

	Lake Canyon Community Services District				
	District Contact Information				
Contact:	Stacey Johnson, General Manager				
Address:	P.O. Box 866, Los Gatos, CA 95031				
Telephone:	(408) 395-1187				
Email:	staceyallenjohnson@yahoo.com				
Website:	www.lakecanyon.com				
	Board of Directors				
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Aaron Behman	President	N/P[44]	N/P	Appointed	4 Years
Phil Label	Director	N/P	N/P	Appointed	4 Years
Kirk Epperly	Director	N/P	N/P	Appointed	4 Years
Jeremy Dybdahl	Director	N/P	N/P	Appointed	4 Years
Vacant	Director	N/A	N/P	Appointed	4 Years
	Meetings				
Date/Time:	First Monday of every month at 7 pm				
Location:	Lake Canyon Mutual Water Company filtration plant at 19605 Manzanita Dr, Los Gatos, CA				
Agenda Distribution:	Agendas are posted at the entrance to the community				
Minutes Distribution:	Minutes are mailed to each property owner and available upon request				

In the case of LCCSD, the District functions entirely within County Supervisorial District 1; consequently, the District 1 Supervisor is responsible for nominating appointees to the

[44] Not Provided.

District and making a recommendation for appointment to the full Board of Supervisors.[45] There are no formal policies defining how openings are to be announced, how long the application period should be open, and the manner for interviews, etc. In the case of LCCSD, the District attempts to find interested Lake Canyon residents to fill out applications. Because the District's Board is entirely appointed and does not conduct elections, the Registrar of Voters does not track the composition of the Board and term expiration dates and this information is not made available on the County's website.

The district Board meets every first Monday of the month at seven pm. Meetings are held at the filtration plant that belongs to the mutual water company owned by property owners in the Lake Canyon community. LCCSD board members receive no compensation. 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. LCCSD has not provided its policies on expense reimbursements and has not informed LAFCO whether its board members have conducted ethics training in the last two years as required.

The Board of Directors' meeting agendas are posted at the entrance to the Lake Canyon community. Minutes are mailed to every property owner. The District conducts constituent outreach, in addition to legally required agenda posting, via a community newsletter. The Lake Canyon community maintains a website where it posts information, primarily related to the mutual water company. It is recommended that the District utilize this website to post information about LCCSD activities, including meeting agendas and minutes, contact information and complaint forms, and other documents related to the CSD.

LCCSD reported that complaints may be submitted at board meetings, via email or a phone call to the general manager. The general manager is responsible for handling complaints. The District does not track complaints received, but there is a section in agendas and minutes where current complaints or comments are recorded. LCCSD reportedly received no complaints in 2012.

The District did not provide an adopted set of rules or policies that guide the efforts of the Board, including policies specifically related to public requests for information, code of ethics, and Brown Act compliance.

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 was unable to provide a conflict of interest code.

Government Code §87203 requires persons who hold office to disclose their investments, interests in real property and incomes by filing appropriate forms with the

[45] Resolution of the Board of Supervisors of the County of Santa Clara Relating to the Appointment Process for Districts and Committees Which Function Only within One Supervisorial District, adopted May 20, 2003.

Fair Political Practices Commission each year. All but one LCCSD director have submitted the required Form 700s for 2013.

MANAGEMENT AND STAFFING

LCCSD has no employees, but hires a contractor as a general manager who does bookkeeping and manages the wastewater system and equipment. The general manager dedicates about 15 hours a month to managing the District's operations.

Every month the general manager provides the Board of Directors with operational status and financial reports. Although the Board does not formally evaluate the general manager, it approves the general manager's monthly payment, based on the provided updates.

To monitor the agency's workload, the general manager submits an invoice, which contains a description of hours and tasks and keeps maintenance logs.

The operations and productivity of the District are not routinely evaluated via such means as benchmarking or annual reports. LCCSD does not have performance measures in place that are used to determine service adequacy. The District does not adopt a budget, financial statements, capital improvement plan (CIP) or any other planning documents. LCCSD puts together profit and loss statements, which are not audited by an outside entity.

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 District has not submitted its budget for FY 13-14 to the County, as reported by the Santa Clara County Auditor's Office.

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.[46] In the case of LCCSD, the District must submit audits every five years.[47] The District has never submitted its audits to the County as required.

[46] Government Code §26909.

[47] Resolution 2010-377.

POPULATION AND PROJECTED GROWTH

Land Uses

Land use in the District's boundaries is entirely residential.

Current Population

Based on an average household size of 2.9 throughout Santa Clara County, the 55 developed parcels within LCCSD have approximately 160 residents.

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.[48]

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.[49] DWR did not identify any disadvantaged communities within Santa Clara County.[50]

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

The District reported that it had not observed any growth, since the formation of LCCSD. In addition to the 55 developed lots, there were 10 vacant lots in the subdivision in 1993, and there have been no changes since then. Similarly, no growth is expected in the future. A majority of the empty lots are either under one acre in size and would not be developable, due to county regulations, or are located on canyon slopes where it is difficult to build.

[48] Government Code §56033.5.

[49] 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.

[50] 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.

FINANCING

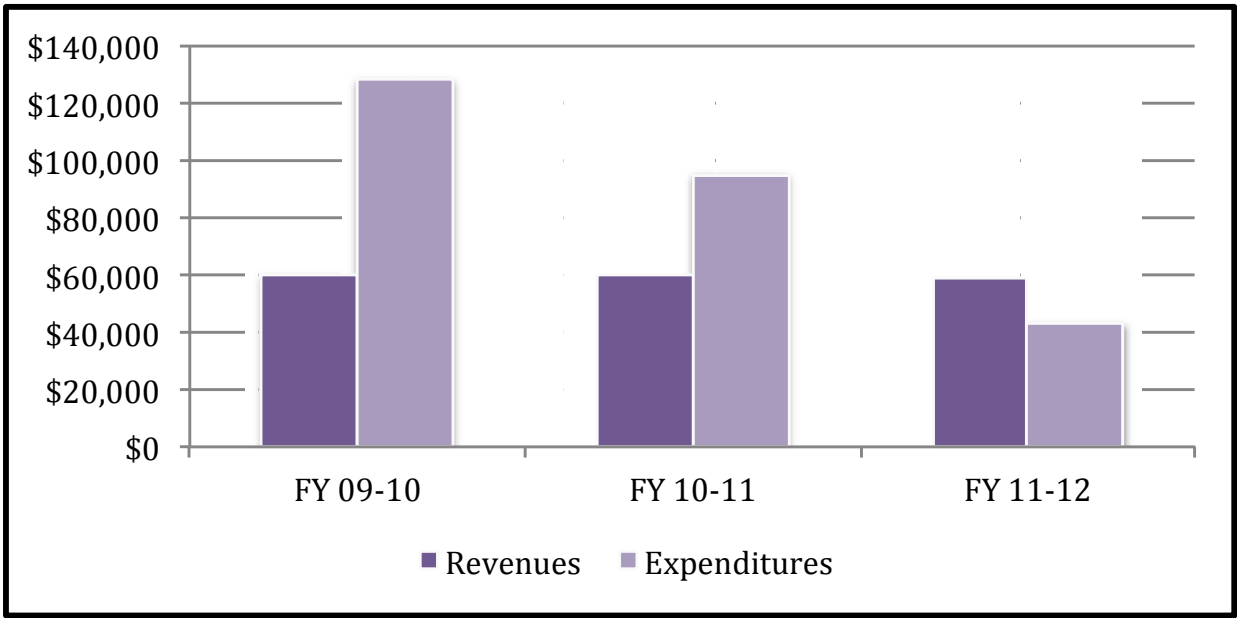
Financial Adequacy

LCCSD reported that current financing levels were sufficient to provide an adequate level of services. No challenges to financing, including the recent economic recession, were identified.

As shown in Figure 4-3, in FYs 10 and 11, expenditures largely exceeded revenues. In FY 12, revenues exceeded expenses by $15,270. The difference in expenditures reported for FY 12 was due to the exclusion of depreciation expenses for that year. The District failed to provide depreciation expenses for FY 12 to correct this difference.

Expenses for the purposes of this report include depreciation costs. While the District's revenue covered current operating costs in each year, depreciation costs were not accounted for. This indicates that the District's system and equipment are aging at a greater pace than for what the District is planning for capital replacement or improvement in the future.

Figure 4-3: LCCSD Revenues and Expenditures, FYs 10-12



Source: Profit and Loss statements provided by LCCSD.

Revenue Sources

In FY 12, the District received $58,544 in total revenue, as shown in Figure 4-4. A majority of the District's revenues comes from a property assessment in the amount of $900 per parcel. LCCSD does not receive any property taxes or charge its residents any fees. Another minor source of revenue in FY 12 was reimbursements.

Figure 4-4: LCCSD Revenue FY 12

Type of Revenue	Amount	% of Total
Property Assessments	$58,137.75	99%
Reimbursed expenses	$405.86	1%
TOTAL	**$58,544**	**100.0%**

Source: Profit and Loss Statement, FY 12.

Expenditures

In FY 12, the District's total expenditures amounted to $43,273, as depicted in Figure 4-5. The primary expenditures of the District consisted of contract labor (26 percent), interest expenses (30 percent), insurance (five percent), legal and professional fees (10 percent), licenses and fees (12 percent), repair and maintenance (six percent), and utilities (five percent). Other expenses included bank charges, dues and subscriptions, workers compensation, payroll service fees, printing and postage, and supplies.

Figure 4-5: LCCSD Expenditures FY 12

Type of Expenditure	Amount	% of Total
Bank charges	$283.51	1%
Contract labor	$11,231.89	26%
Dues & Subscriptions	$269.46	1%
Insurance	$2,339.14	5%
Workers Comp	$568.46	1%
Interest Expense	$13,338.78	30%
Legal & Professional	$4,277.55	10%
Licenses & Fees	$5,437	12%
Payroll service fee	$236.22	1%
Printing & Postage	$454.51	1%
Repair & Maintenance	$2,669.32	6%
Supplies	$108.62	1%
Utilities	$2,058.95	5%
TOTAL	**$43,273.41**	**100.0%**

Source: Profit and Loss Statement, FY 12.

Capital Outlays

The District does not plan for capital improvements. LCCSD reports that because the existing system is not sophisticated and due to the District regularly performing repairs and maintenance, the only items that could need replacement are the sewer lines, for which the life expectancy is 75 to 100 years. Minor improvements to the system performed by LCCSD are done as part of the operating budget. Maintenance and repair costs reportedly have not risen significantly and there is no lack of funding for any required capital improvements.

Reserves

LCCSD maintains one reserve fund as a requirement by the State of California, which provided the District with a conditional grant. The condition of the grant was to repay a

certain share of the grant back. The required reserve fund contains $150,000, which will be available to LCCSD when the balance of the loan is repaid.

LCCSD failed to provide its unrestricted fund balance at the end of FY 12.

Debt

The District's long-term debt is represented by the conditional grant discussed in the *Reserves* section. The purpose of the grant was the initial installation of wastewater facilities and infrastructure for LCCSD. U. S. Bank is the administrator of the balance, which is due to be repaid. Payments are made by LCCSD twice a year; the debt is scheduled to be repaid in 15 years. The debt balance at the end of FY 12-13 was reportedly about $150,000.

INFRASTRUCTURE AND FACILITIES

Lake Canyon subdivision is served by a central collection system, utilizing on-site septic tanks and small-diameter effluent sewers. From a central lift station at the east end of the community, the effluent is pumped to and disposed of in a community leachfield system on a two-acre portion of sloping grassland.

The system includes 12,500 of plastic sewer lines that were constructed in 1994 and consist of 10,000 feet of main and 2,500 feet of lateral lines.

The community leachfield consists of a dual system, equal in capacity to 200 percent of the estimated peak design flow of approximately 17,000 gallons per day (gpd). The leachfield is located on a grassland area that has been used historically for pasturing of animals. The leachfield consists of approximately 5,840 feet of trench (2,920 feet per each half of the system) and covers approximately two acres. Treatment alternates between the two sides of the leachfield system. While one half is operating, the other half is offline. Flows between the two sides are switched once every six months. The system was constructed to serve build out of the parcels within the Lake Canyon community. The maximum flow of the system was projected to be 17,060 gpd, with an average daily flow of 14,400 gpd.

Infrastructure Needs

LCCSD does not conduct any capital improvement planning; capital improvements to the sewer system are a part of the District's regular maintenance. LCCSD reported that it did not foresee any major improvements in the near future. The wastewater lines' life expectancy is 75 to 100 years; therefore, it is reportedly not a need for which the District currently has to plan. The fiberglass and cement tanks are also reportedly of good quality and expected to last a while.

Maintenance expenditures are a part of the operating budget and amount to about $20,000 annually. Annual capital improvements include replacing filters in pump tanks. Select old filters are replaced with new ones, which are easier to maintain every year as part of regular maintenance.

Shared Facilities

LCCSD does not share its facilities with other agencies, neither does it use facilities that belong to other agencies.

DEMAND FOR SERVICES

LCCSD provides sewer service to 55 residential connections. The number of connections has not changed since the formation of the District.

The District's average daily flow over the last four years is shown in Figure 4-6. The flow steadily increased from 2009 to 2011, after which it dropped to previous levels.

Figure 4-6: LCCSD Average Daily Flow (mgd), 2009-2012

Service Level	2009	2010	2011	2012
Average Dry Weather Flow	0.002835	0.002970	0.003018	0.002858

Source: As reported by LCCSD.

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 4-7.

LCCSD has had no violations related to sewer services in the period from January 1, 2010 to July 7, 2013. Consequently, there have been no enforcement actions issued by the Regional Water Quality Control Board (RWQCB) during that time.

Wastewater agencies are required to report sewer system overflows (SSOs) to the State Water Resources Control Board (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. LCCSD reported no overflows, during the period from January 1, 2010 thru July 1, 2013, and consequently the annual overflow rate during this 3.5 year period is zero.

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 did not provide dry weather and wet weather flows, but reported that flow was generally consistent throughout the year and that the system is not greatly affected by infiltration and inflow.

Figure 4-7: LCCSD 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	0	Priority Violations	0
Service Adequacy Indicators			
Total Employees (FTEs)	0.09	Sewer Overflows 2010 - 2013[2]	0
MGD Treated per FTE	0.028	Sewer Overflow Rate[3]	0
Sewer Miles per FTE	26	Peaking Factor	NP
Infiltration and Inflow			
No infiltration and inflow issues.			
Collection System Inspection Practices			
The District conducts visual inspection of its system when needed.			

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.

(4) NP- Not Provided

GOVERNANCE STRUCTURE OPTIONS

No alternative governance structure options were identified with regard to LCCSD, due to its remote nature and a lack of other agencies that could take on the District's operations. Given the lack of other alternatives, it is recommended that the District continue its existence as an independent special district; however, certain improvements to LCCSD's management, governance and accountability are necessary to bring the District into legal compliance and ensure transparency. Under this alternative, the District would be required to make certain defined improvements within a determined time period. Improvements that are most critical to ensure that the District is meeting legal requirements and accountable to the public include the following:

- Ensure all board members submit Form 700s as required by law.
- Conduct biennial ethics training as required by law.
- Adopt and/or make available appropriate bylaws and policies.
- Prepare a budget prior to the beginning of the fiscal year.
- Submit the budget to the County Auditor's Office within 60 days of the start of the new fiscal year.
- Conduct a five-year audit as required by law, and submit the audit to the County Auditor's Office.
- Account for future capital improvement needs (i.e., depreciation) when determining rates.
- Become aware of board terms and expiration dates, and fill the vacant board position.
- Make information and documents available to constituents through a website.
- Clearly define how public information requests are to be handled to ensure full and timely response.

LAKE CANYON COMMUNITY SERVICES DISTRICT SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- Lake Canyon Community Services District (LCCSD) population is approximately 160 people, based on the average household size in Santa Clara County.
- There were 10 vacant lots in the subdivision in 1993, and there have been no changes since then.
- No growth is expected in the future. A majority of the empty lots are either under one acre in size and would not be developable, due to county regulations, or are located on canyon slopes where it is difficult to build.

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

- LCCSD provides sewer service to 55 residential connections. The number of connections has not changed since the formation of the District.
- The District's infrastructure is designed to serve the entire Lake Canyon community at build out.
- Wastewater flows steadily increased from 2009 to 2011, after which it returned to previous levels.
- LCCSD does not conduct any capital improvement planning; capital improvements to the sewer system are a part of the District's regular maintenance.
- LCCSD reported that it did not foresee any major capital improvements in the near future, given the relatively young age of the system. Annual capital improvements consist of replacing filters in the pump tanks. The District may not have sufficient funds saved in the future for major repair or replacement as revenues do not cover depreciation expense.

- Based on indicators of service adequacy including regulatory compliance, sewer system overflows (SSOs), and collection system integrity, the District appears to provide adequate services. LCCSD has had no violations or SSOs since at least 2010.
- District management methods do not generally meet accepted best management practices. The District does not prepare a budget before the beginning of the fiscal year, does not conduct annual or regular financial audits, does not prepare any planning documents, and does not formally evaluate its contractor or the operations of the District as a whole.
- Since LCCSD does not prepare budgets or audit its financial statements, the District does not regularly submit these documents to the County as legally required.

Financial Ability of Agency to Provide Services

- LCCSD reported that current financing levels were sufficient to provide an adequate level of services.
- The District's expenditures largely exceed revenues. While the District's revenue covered current operating costs in each year, depreciation costs were not accounted for. This indicates that the District's system and equipment are aging at a greater pace than for what the District is planning in capital expenditures in the future.
- A majority of the District's revenues comes from a property assessment in the amount of $900 per parcel. LCCSD does not charge its customers any fees.
- Maintenance and capital improvement expenditures are a part of the operating budget and amount to approximately $20,000 annually.
- LCCSD maintains one reserve fund as a requirement by the State of California. The required reserve fund contains $150,000, which will be available to LCCSD when the balance of the loan is repaid.
- The unrestricted fund balance at the end of FY 11-12 was not provided by the District.

Status and Opportunities for Shared Facilities

- LCCSD does not share its facilities with other agencies, nor does it use facilities that belong to other agencies.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- The District generally lacked accountability and transparency with regard to governance as it did not adopt an annual budget prior to the start of the fiscal year, not all members of the Board filed Form 700 Statements of Economic Interest, board members have not completed ethics training, and the District does not make its information available to the public through a website.

- The District failed to provide its policies and/or bylaws and it could not be determined what policies the District has adopted.
- The District is not aware of board member terms as outlined in the CSD enabling act, and board member term expiration dates. It is recommended that the District identify when board member terms are expiring. It is also recommended that the District fill the one vacant board position.
- During the course of this service review process, LCCSD demonstrated partial accountability in its disclosure of information and cooperation with Santa Clara LAFCO. The District responded to the questionnaires and cooperated with interview and document requests; however, LCCSD's response to written questionnaires required multiple follow-up attempts. Some of the requested information was never provided.
- Necessary improvements to the District's operations to ensure legal compliance include 1) ensuring all board members submit Form 700s as required by law, 2) conduct biennial ethics training, 3) adopt appropriate bylaws and policies, 4) prepare an annual budget and submit it to the County Auditor's Office, 5) conduct a five-year audit and submit to the County Auditor's Office, and 6) comply with public information requests.

LAKE CANYON COMMUNITY SERVICES DISTRICT SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

Lake Canyon Community Services District's (LCCSD) SOI is presently coterminous with its bounds.

Recommended Sphere of Influence Boundary

It is recommended that LAFCO reaffirm the District's coterminous SOI. LCCSD, which includes the unincorporated community of Lake Canyon, contains a small isolated territory about three miles west of Los Gatos. The community is surrounded by undeveloped hillsides, and the nearest wastewater provider is West Valley Sanitation District (WVSD), which is about two miles away from LCCSD. Given the remote nature of the development, which is not anticipated to grow outward, and location isolated from cities and other districts that provide wastewater services, it is appropriate to reaffirm the District's existing coterminous SOI.

Proposed Sphere of Influence Determinations

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

- Lake Canyon Community Services District (LCCSD) provides collection, treatment and disposal of wastewater to the community of Lake Canyon.
- LCCSD provides services exclusively to the community of Lake Canyon. The District does not serve any residents or areas outside of its boundaries. All developed lots within Lake Canyon are served by LCCSD.

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

- The District contains entirely residential land uses.
- The District's bounds and proposed SOI do not include agricultural or open space lands.

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

- LCCSD provides sewer service to 55 residential connections. The number of connections has not changed since the formation of the District.
- The number of connections is not expected to increase in the future. A majority of the empty lots in the subdivision are either under one acre in size or on steep hillsides and would not be developable.
- The subdivision is not projected to grow outwards, and the District will not gain new customers via annexations.

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

- The District's infrastructure is designed to serve the area within LCCSD at build out.
- Wastewater flows steadily increased from 2009 to 2011, after which it returned to previous levels.
- Based on indicators of service adequacy including regulatory compliance, sewer system overflows (SSOs), and collection system integrity, the District appears to provide adequate services. LCCSD has had no violations or SSOs since at least 2010.
- District management methods do not generally meet accepted best management practices. The District does not prepare a budget before the beginning of the fiscal year, does not conduct annual or regular financial audits, does not prepare any planning documents, and does not formally evaluate its contractor or the operations of the District as a whole.
- Since LCCSD does not prepare budgets or audit its financial statements, the District does not regularly submit these documents to the County as legally required.
- LCCSD reported that it did not foresee any major improvements in the near future. Infrastructure is appropriately maintained, but the District may not have sufficient funds saved in the future for major repair or replacement as revenues do not cover depreciation expense.

Existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency

- The unincorporated Lake Canyon community is considered a community of interest for LCCSD as customers benefiting from the District's services and contributors of property assessment revenue to the District.

5. LION'S GATE COMMUNITY SERVICES DISTRICT

AGENCY OVERVIEW

Lion's Gate Community Services District (LGCSD) provides sewer collection and treatment services, roadway maintenance, stormwater drainage maintenance, maintenance of a lake system and related wells, and landscaping to the community of CordeValle. The last service review for the District was conducted in 2006.

The District was formed in 1998 to provide sewage collection, wastewater treatment and potable water in the CordeValle subdivision. In August 2000, the District, upon voter approval, expanded its service range pursuant to a petition of the property owners. New services included maintenance of roadways, landscaping, gates, and other common improvements, maintenance of the lake system and related wells, maintenance of storm drains and drainage easements, and maintenance of utilities within the streets, as the streets are private.

The principal act that governs the District is the State of California Community Services District Law.[51] CSDs may potentially provide a wide array of services, including water supply, wastewater, solid waste, police and fire protection, street lighting and landscaping, airport, recreation and parks, mosquito abatement, library services; street maintenance and drainage services, ambulance service, utility undergrounding, transportation, abate graffiti, flood protection, weed abatement, hydroelectric power, among various other services. CSDs are required to gain LAFCo approval to provide those services permitted by the principal act but not performed by the end of 2005 (i.e., latent powers).[52]

Boundaries

LGCSD is located in southern Santa Clara County between the cities of Morgan Hill and Gilroy and southwest of the unincorporated community of San Martin. The District is bound on the eastern side by Coolidge Avenue (Santa Teresa Boulevard) and Turlock Avenue and on the western side by Watsonville Road. The northern and southern boundaries are generally defined by two ranges of east-west hills, which form a nearly enclosed valley (Hayes Valley) in the central portion of the District. The CordeValle community consists of 41 residential lots, an 18-hole golf course, a 110-acre vineyard, a clubhouse, 45 overnight lodging units at the golf course, a swim and tennis center, and an equestrian center. The District's existing bounds consist of approximately 2.7 square miles. There have been no boundary changes since LGCSD's formation.

[51] Government Code §61000-61226.5.

[52] Government Code §61106.

Sphere of Influence

The sphere of influence (SOI) of LGCSD is coterminous with its boundaries. In 2006, the Commission reaffirmed the District's coterminous SOI.

Type and Extent of Services

Services Provided

LGCSD provides wastewater collection services to the CordeValle community. The District also treats wastewater at its treatment plant—equipped with a batch reactor system and retention ponds for filtration.

In addition, LGCSD provides roadway maintenance on 2.5 miles of streets (some of the roads in CordeValle are maintained by the District, while others are the responsibility of the Golf Club) and stormwater drainage maintenance. Stormwater runs off into the lakes and the drainage system does not require regular cleaning. The District monitors the stormwater drainage system during heavy rain to ensure the water is flowing, keeps gutters clean, and puts in traps to collect leaves.

Maintenance of the lake system includes algae control, placing aerators in lakes to ensure adequate air, a pumping system to ensure circulation, and pumping water for irrigation of the golf course. LGCSD is responsible for landscaping of the common areas, including edges of the roads, trees, and perimeters of the community.

CordeValle also maintains a well system that feeds the lake system. Well water is drawn to the lakes, from which it is further pumped for irrigation of the golf course, subdivision entrance, roadways, and vineyard amenities.

All services provided by LGCSD are delivered by third party contractors.

Service Area

LGCSD serves only areas within its bounds, and does not presently provide services outside of its bounds. However, the main well, which the District is drawing water from is located outside of the district boundaries on Highland Avenue.

The only areas within the District where wastewater services are not provided are the undeveloped lots. Some roadways and common areas in the District are maintained by the Golf Club instead of the CSD.

Services to Other Agencies

LGCSD does not provide services to other agencies.

Contracts for Services

As was previously mentioned, LGCSD contracts with third party companies for delivery of all of the District's services. Operations and maintenance of the wastewater treatment plant and sewer system, stormwater drainage maintenance, maintenance of the lake system and the water well system are provided by Sterling Environmental Engineering. Alpine Landscaping, headquartered in Gilroy, delivers landscaping services in select LGCSD

common areas. The District hires a contractor as needed to maintain roadways. There is no consistent vendor of roadway maintenance; the contractor is determined by a bidding process.

Compass Management Group, contracted by LGCSD, manages the District, including coordinating payments to vendors, organizing board meetings and being responsible for day-to-day operations. Accounting is done by Batista & Co., CPAs; Patel and Associates performs annual audits. Legal counsel is delivered by Berding and Weil.

Collaboration

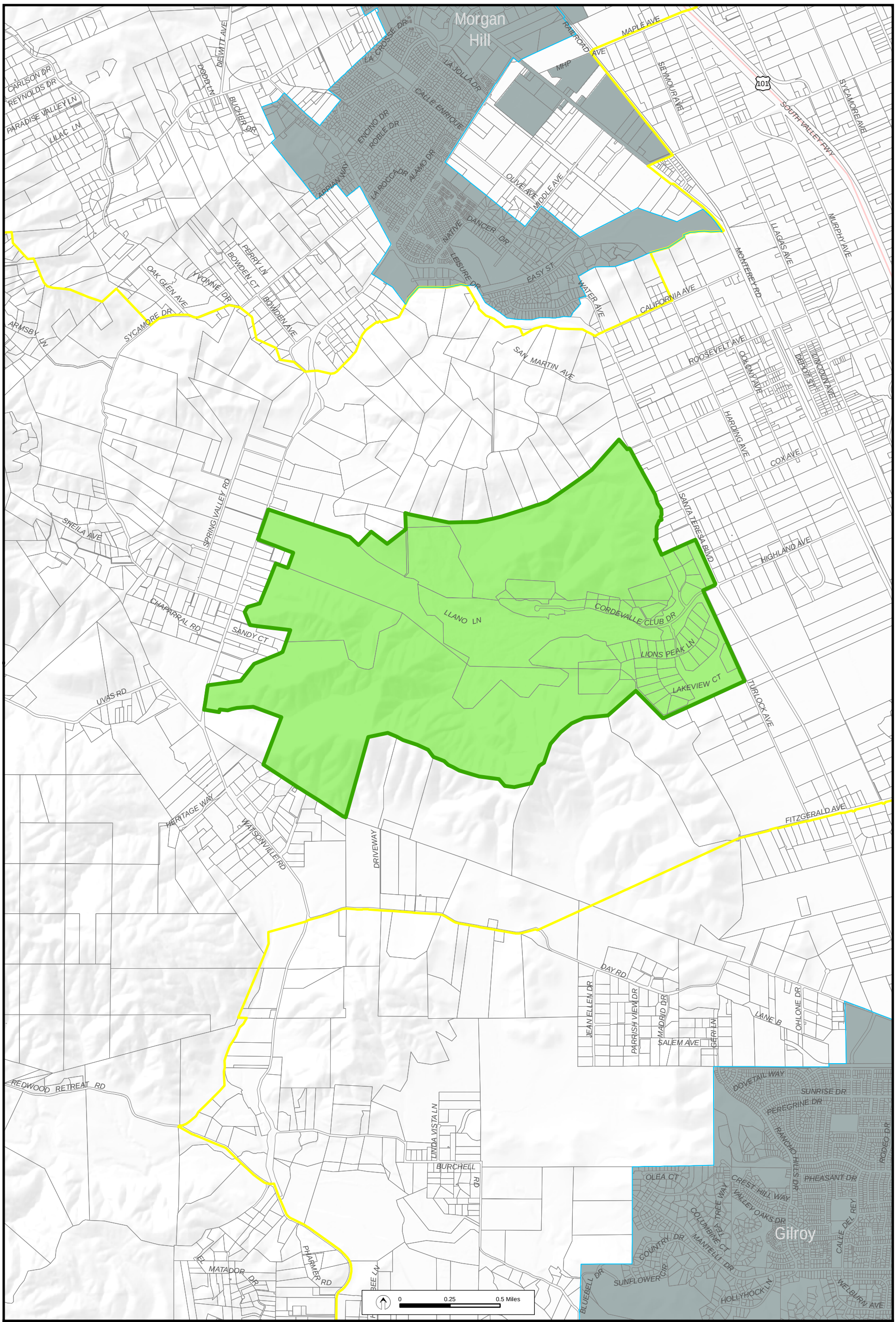
LGCSD reported that it did not collaborate with other agencies, nor did it participate in any regional plans, joint powers authorities or organizations.

Overlapping and Neighboring Service Providers

Services are not duplicated by other providers within LGCSD's bounds. Landscaping of some common areas and maintenance of select roads are delivered by the Golf Club within the District, but areas where each entity provides services are clearly defined to ensure there is not a duplication of services.

While the County is responsible for stormwater services in the unincorporated areas, the roads within CordeValle are not a part of the county public road system and Santa Clara does not provide stormwater services within the District's boundaries.

CordeValle also has a homeowner's association (HOA) that provides some services within the subdivision. The HOA is known as the Cordevalle Vineyard Estates (CVE). The only service provided by CVE is architectural review and control administered by a committee of three volunteer owners. The CVE is essentially non-functional, as the CVE does not collect assessments, does not have a Board of Directors, and does not provide any other services to the LGCSD members or the CordeValle community. There is occasional confusion among the residents on whether an issue is the responsibility of the HOA or the District.



Lion's Gate Community Services District

- Cities Urban Service Area
- Cities Sphere of Influence (SOI)
- Incorporated Areas
- Parcels
- Lion's Gate Community Services District SOI
- Lion's Gate Community Services District

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 presently governed by a five-member Board of Directors elected at-large to four-year terms. From the inception of the District until 2007, the developer of the subdivision (O'Brien Homes) held all three seats on the Board. In 2007, LGCSD transitioned to a five-member board consisting of residents of the subdivision. The Board is to be elected; however, because of the lack of interested candidates and contested elections, the County Board of Supervisors continues to appoint LGCSD board members. This reflects a lack of outreach to area residents or small pool of available residents.

Prior to an election (in an election year), the County Registrar of Voters publishes a legal notice in a local newspaper of the District's choice to announce any upcoming board terms that are expiring. Any persons interested in running for the position (incumbent or otherwise), must file with the County Registrar of Voters. If no more than one person is running for each available position, then the Board of Supervisors can consolidate the election and appoint individuals without conducting the election. If no one runs for a position, then the Board of Supervisors is empowered to appoint any person to the office who is qualified on the date when the election would have been held.[53]

The process for appointment by the Board of Supervisors differs by district. There are no formal policies or standardized procedures on the part of the Board of Supervisors defining how openings are to be announced, how long the application period should be open, and the manner for interviews, etc. In the case of LGCSD, when there is a board opening, constituents are notified through the agenda for regular board meetings. At the meeting, the Board will make a motion to make an appointment of an interested individual. There is no interview process, as there is a limited pool of residents from which the District may draw, and filling the Board is often a challenge. Following the motion of appointment, the County Board of Supervisors is notified for approval of the appointment.

The current member names, positions, and term expiration dates are shown in Figure 5-2.

[53] Elec. Code, § 10515(a).

Figure 5-2: LGCSD Governing Body

Lion's Gate Community Services District					
District Contact Information					
Contact:	Kurtis Shenefiel, Managing Agent- Compass Management Group				
Address:	77 Las Colinas Lane, San Jose, CA 95119				
Telephone:	408-226-3300				
Fax:	408-226-3406				
Website:	lgcsd@gocompass.com				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Joe Forgy	Chair	Jan. 2009	11/2013	Appointed	4 years
Kevin Stuart	Director	Jan. 2007	11/2013	Appointed	4 years
George Maciel	Director	Jan. 2012	12/2015	Appointed	4 years
Greg Seyfert	Director	Nov. 2009	12/2015	Appointed	4 years
Cheryl Bartlett	Director	Jun. 2013	12/2015	Appointed	4 years
Meetings					
Date/Time:	Quarterly – usually on the second Thursday of the month but dependent on Director and facility availability				
Location:	1 Cordevalle Club Drive, San Martin, CA 95046				
Agenda Distribution:	Agendas are mailed to all members of Lion's Gate.				
Minutes Distribution:	Meeting minutes are posted on the Lion's Gate member website.				

Board meetings are conducted quarterly and are held in the community club house at 1 Cordevalle Club Drive. Directors do not receive any compensation. 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. The District's management company has reportedly sent all the information to the board members regarding the ethics training requirement, but the board members have not yet conducted ethics training to date. The District has never had a request from a Director for an expense reimbursement nor issued a reimbursement. The District has a written policy on reimbursements in its bylaws. 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.[54] LGCSD reported that there had been no reimbursements in the history of the District's existence.

[54] Government Code 53065.5

The Board of Directors' meeting agendas are mailed to every member of the Lion's Gate community. Meeting minutes are posted on the member website. The website is not public, and requires a member's login name and password, which only district residents may receive. Beyond the legally required agendas and minutes, the website reportedly makes available financial statements and other homeowner information.

LGCSD receives various customer requests through phone calls, fax, and email to Compass Management Group. The manager is responsible for handling requests and complaints. The District does not consider customer requests as complaints. LGCSD records requests and complaints received, and reported that there were multiple requests but no complaints received in 2012.

LGCSD has a Policy Manual that provides a framework and direction for district governance and administration. Included in the manual, are policies on code of ethics and conduct, public records requests, and Brown Act requirements as related to the Board's regular meetings and special meetings.

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's Policy Manual includes a policy regarding conflicts of interest.

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 (FPPC) each year. Santa Clara County reported that LGCSD has never filed the Form 700s with the County. As mentioned, the District has a conflict of interest code that outlines submitting these forms to the County, but district members have reportedly not filled out the forms since at least 2007, when residents were placed on the Board. The State Code does not provide for exceptions to this filing requirement, and it is recommended that all board members begin filing the required forms with the County and FPPC.

MANAGEMENT AND STAFFING

LGCSD does not employ any personnel directly. All district operations and management are conducted through third-party contractors. Compass Management Group is responsible for the day-to-day operations of the District. The management company reported that it was not able to gauge the number of hours that were dedicated to District activities in any given week. Alpine Landscaping provides LGCSD a dedicated landscaping maintenance crew that consists of an irrigation technician, a spray technician, a supervisor, and managers who oversee all landscape operations within the District. Alpine Landscaping estimates that it dedicates about one full-time equivalent (FTE) employee to perform work for the District. Sterling Environmental Engineering reported that it dedicated three full-time technicians to services provided for LGCSD. One and a half full-time technicians maintain the wastewater collection and treatment services.

All contractors involved in the District's operations are accountable to their managers and the heads of their respective companies. The liaisons from their contracted firms report to the LGCSD Board of Directors. There is no formal evaluation process for the contracted firms, but informal evaluation is ongoing. Based on the visible condition of the property, contracts are renewed. Contractors usually receive monthly flat-rate fees. In addition to the flat-rate fee, Sterling Environmental Engineering also occasionally charges for materials and chemicals used.

The performance of LGCSD is not routinely evaluated; the District informally assesses its performance based on feedback from homeowners.

Documents used by the District to guide its planning and operational efforts include the annually adopted budget, the annually audited financial statement, a reserve plan for repair and replacement, and a Sanitary Sewer Management Plan.

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. LGCSD 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.[55] In the case of LGCSD, the District must submit audits annually. LGCSD has submitted its audit to the County for FY 12.

POPULATION AND PROJECTED GROWTH

Land Uses

Land uses within the district boundaries are residential, open space and recreational.

Current Population

Based on an average household size of 2.9 in Santa Clara County, the 32 developed lots within the District have an estimated population of 93 residents. This does not include transient population attributed to the resort.

[55] Government Code §26909.

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.[56]

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.[57] DWR did not identify any disadvantaged communities within Santa Clara County.[58]

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

The District reported that it had observed no growth in the population of LGCSD in the last few years. Out of the 41 planned homes in the development, 32 have been completed to date, five are owned by the golf course and two are currently under construction. With the two undeveloped lots remaining, the District projects little change in demand upon build out of the community.

FINANCING

Financial Adequacy

LGCSD reported that financing was adequate to deliver services. One challenge to financing, however, has been identified. There are a limited number of homeowners in the development to support the extensive operations of the CSD and the community as a whole, which is especially costly due to the maintenance of the massive lake system.

In the last three years, the District undertook a number of efforts to improve its operational efficiency. LGCSD made changes in the contract with Sterling Environmental Engineering in regards to better chemical dosing in the lake, which reduced maintenance costs. Previously, a significant amount of algae harvesting was required, which was very costly for the District. LGCSD also started employing ozone treatment at the plant, which reduced chemical costs and enabled the District to change its treatment permit, allowing

[56] Government Code §56033.5.

[57] 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.

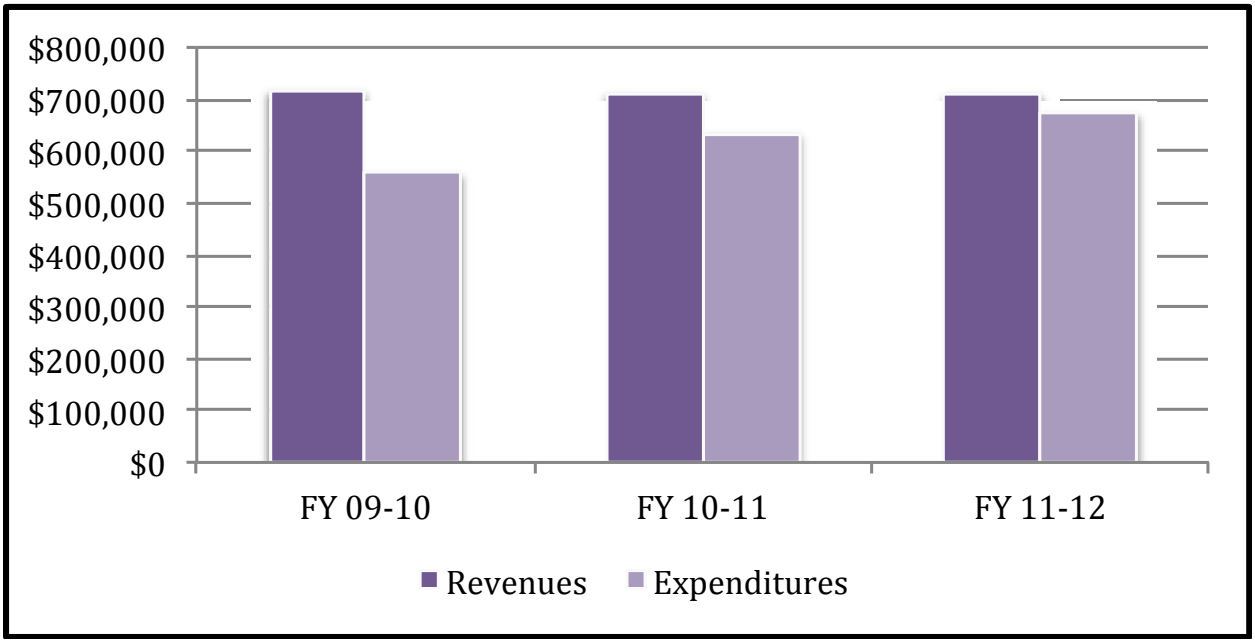
[58] DWR maps and GIS files are derived from the US Census Bureau's American Community Survey (ACS) and are compiled for the five-year period 2006-2010.

for treated water to be placed directly into the lakes. As a result, water treatment has been so successful that the Regional Water Quality Control Board (RWQCB) has reduced testing requirements, which has also lowered costs.

The District's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. LGCSD has an operating fund and a reserve fund. The operating fund serves as the general operating fund for community services, with the exception of long-term major repair projects. It is used to account for all financial resources for the District's services. The reserve fund is used to account for the revenues and expenditures of the District's long-term major repair projects.

Over the past three fiscal years (FYs 10 to 12), district revenues have exceeded expenditures, as shown in Figure 5-3. Revenues have remained fairly constant over the last three years, while expenditures slightly increased in FYs 11 and 12.

Figure 5-3: LGCSD Revenues and Expenditures, FYs 10-12



Source: Audited Financial Statements for FY 2010 through FY 2012 (includes operating and reserve funds)

Revenue Sources

In FY 12, the District received $711,028 in revenue as depicted in Figure 5-4. The District's primary revenue source is property tax assessments, which constituted almost 100 percent of revenues. Other minor sources of revenue included interest income and other income.

Figure 5-4: LGCSD Revenues ,FY 12

Type of Revenue	Amount of Revenue	% of Total
Property tax assessments	$ 710,110	100%
Capacity fees	$ 595	0%
Interest and Investment Income	$ 323	0%
TOTAL	**$ 711,028**	**100.0%**

Source: Audited Financial Statements, FY 12.

Rates

LGCSD does not charge its residents any fees for service provision. The District's operations are supported almost entirely by tax assessments. The Lion's Gate community members, which includes the 41 residential lot owners and one golf course and resort, are assessed each year. Assessments are levied on the property tax bill. Assessments are determined by the District at the beginning of each year by adopting the annual budget. Assessments for FY 14 are $8,724.43 per residential lot (developed and undeveloped). The District reviews the assessment each year during the budget process to ensure that it is adequate. In FY 13, the assessment went up by 1.7 percent.

Additionally, the District collects a payment from the golf course. The payment is dependent on the size of the District's budget in that year. The golf course payment constitutes roughly half of the District's revenue.

Expenditures

In FY 12, the District's total expenditures amounted to $673,164, as depicted in Figure 5-5. Most of the funds were spent on lake system maintenance (32.1 percent), wastewater treatment (26 percent) and landscaping (16 percent). Other expenditures included other maintenance (three percent), capital expenses (10 percent), and general administration (14 percent).

Lake system maintenance expenses were $29,149 over budget in FY 12, due to greater chemical use to improve water clarity and minimize algae growth. Additionally, water costs, due to evaporation, were higher than budgeted. In the same year, landscaping expenses were $7,131 under budget, and wastewater treatment expenses were $14,784 under budget.

Figure 5-5: LGCSD Expenditures, FY 12

Type of Expenditure	Amount	% of Total
Lakes	$ 216,649	32.1%
Landscaping	$ 104,189	15.5%
Wastewater treatment	$ 177,216	26.3%
Other maintenance	$ 17,969	2.7%
Capital expenditure	$ 63,754	9.5%
General administration	$ 93,387	13.9%
TOTAL	**$ 673,164**	**100.0%**

Source: FY 12 Audited Financial Statements.

Capital Outlays

LGCSD has a reserve plan adopted in 2013, which outlines plans for repair and replacement of capital amenities for the next 30 years. Capital improvement needs are divided into general, wastewater treatment facility and landscaping and well systems. The District projects to spend $44,150 in FY 13, $95,378 in FY 14, $11,246 in FY 15, $72,060 in FY 16, and $60,890 in FY 17. From FY 18 through FY 42, LGCSD is planning to spend $5,115,801 on capital improvements.

Reserves

During FY 12, the District established a reserve fund for capital projects. As of June 30, 2012, the District's total fund balance was $727,795, of which $623,721 was attributed to the reserve fund and $104,074 was dedicated to the operating fund.

The District retains construction deposit funds on behalf of the Cordevalle Vineyard Estates (CVE). All construction deposit funds are collected and distributed at the direction of the Architectural Review Committee of the CVE. Deposit funds are collected from CVE lot owners (who are also members of the District) to ensure that the projects comply with the guidelines of the CVE. These deposits are refundable upon satisfactory completion of the projects as determined by the Architectural Review Committee. No interest is payable on these deposits. The construction deposit balance at the end of FY 12 was $73,670.

Debt

LGCSD does not have any long-term debt.

INFRASTRUCTURE AND FACILITIES

Wastewater

All residences and facilities within the Lion's Gate community, with the exception of the golf course maintenance building, are served by a central wastewater collection, treatment and disposal system. Because the golf course maintenance building is located remotely, it is served by a separate septic and leachfield system. The sewer system was designed to serve the community at build-out. The system was reported to have adequate capacity.

The central sewer system collects wastewater in approximately four miles of eight-inch gravity flow sewers and conveys it to the wastewater treatment facility located near the eastern site boundary, approximately 200 feet west of Turlock Avenue. The mains were installed in about 2000, just prior to development of the subdivision. The mains are composed of a combination of concrete, cast iron and polyvinyl chloride (PVC). The wastewater is collected by gravity flow, so step pumps, lift stations and force mains are not utilized.

There are two lift stations and pumps at the easterly border of the property at Turlock. The lift stations pump all wastewater from the bottom of the sumps collected through gravity flow up to the treatment facility.

The treatment facility, which provides tertiary treatment, began operation in 2001. The maximum demand capacity of the facility is 0.046 million gallons per day. The operator of the treatment plant provides monthly operations reports to the Regional Water Quality Control Board (RWQCB), which inspects the treatment plant at least once a year.

Every month, approximately 3,000 gallons of liquid sludge is transported by a local hauler via a tanker truck to either the Gilroy wastewater treatment plant or the Watsonville wastewater treatment plant for sludge processing and disposal. This service is provided without a contract. Treated water (reclaimed water) is either disposed of by percolation, spray irrigation of property at the treatment plant, or discarded into the lakes. Turf grass includes three to four acres of open-space grasslands on the west side of the storage pond.

Infrastructure Needs

The District reported that given the young age of the system, there were no significant or immediate infrastructure needs for the wastewater system other than routine maintenance.

Shared Facilities

LGCSD shares facilities and resources with the Lion's Gate golf course and resort and the Cordevalle Vineyard Estates as part of the Lion's Gate community. The District maintains the water wells owned by the golf course and retains construction deposit funds on behalf of the CVE. Additionally, the District makes use of the Gilroy and Watsonville treatment plants for sludge disposal.

The District did not identify any further opportunities for facility sharing with regard to wastewater services.

Stormwater

LGCSD operates the stormwater drainage system, which consists of the detention basin and underground storm drains. The District considers the system to be in excellent condition. The District owns only those stormwater facilities that are on LGCSD property. The golf club owns and maintains the drainage system on its property.

Infrastructure Needs

The District is not aware of any existing infrastructure needs with regard to the stormwater system.

During the recent heavy rain events at the end of 2012, the District's detention basin was near capacity. However, this does not appear to be a regular occurrence.

Shared Facilities

LGCSD does not practice facility sharing with regard to its stormwater facilities and drainage system. No future opportunities for facility sharing were identified.

Lake System Maintenance

LGCSD performs maintenance of five lakes located in the Lion's Gate community. Maintenance infrastructure includes the pump system for water circulation, which was reported to be in excellent condition. Given the reduction of algae in the lakes, the overall condition of the lakes has greatly improved.

Infrastructure Needs

The District reported that were no existing infrastructure needs with regard to the lake system.

Shared Facilities

The lake system is used for the irrigation of the golf course. No further opportunities for facility sharing were identified.

Roadway Maintenance

The District maintains 2.5 miles of roadways in the community. The streets were reported to be in fair condition, due to some damage from heavy construction equipment over the past few years.

Infrastructure Needs

The District performed a slurry seal in 2010 on all of the roads for which it has responsibility.

The District would like to repair the damage to the roads caused by heavy construction equipment during building in the area. There is no timeline as to when these improvements will occur; however, the District is in the process of identifying funding, the best repair methods, and a contractor.

Shared Facilities

The golf club shares the responsibility of roadway maintenance with the District by maintaining the streets not maintained by LGCSD. No additional opportunities for facility sharing were identified.

Landscaping

The District performs landscaping services in the community's common areas that are on LGCSD property, specifically at the edges of roadways and perimeter of the community, and tree care throughout the community. The District does not maintain streetscaping on private lots. All landscaped common areas are reportedly in excellent condition.

Infrastructure Needs

The District reported that only routine maintenance is necessary for the landscaping at present.

Shared Facilities

The District landscapes common areas on LGCSD property used by residents and visitors of the community, as well as the golf club and resort.

Water

LGCSD makes use of two wells for the purpose of refilling the lake system.

The well water feeds the lake system, through which the District irrigates the golf course and common areas within the community, including the entrance, roadways, lakes, and vineyard amenities. The golf course operates the pump and irrigation system.

LGCSD does not have its own potable water system. All potable water is supplied by West San Martin Water Company, which owns and maintains all potable water infrastructure.

Infrastructure Needs

There were no imminent infrastructure needs with regard to the wells.

Shared Facilities

As already mentioned, the District operates infrastructure owned by the golf club. Water used for irrigation benefits all the residents who use common areas and vineyard amenities.

DEMAND FOR SERVICES

Wastewater Collection

The District provides sewer service to approximately 33 customers—32 residential connections and the golf course/resort. The residential lots comprise approximately 15 percent of the wastewater system volume; the other 85 percent result from the golf course/resort operation. LGCSD will be adding two more residential connections in the near future, as two residences are currently under construction.

The District's average annual flow over the last four years is shown in Figure 5-6. Flow over the last four years has remained relatively constant, given that the system serves a limited number of connections, which has remained approximately the same over the last few years.

Figure 5-6: LGCSD Average Annual Flow (mgd), 2009-2012

Service Level	2009	2010	2011	2012
Average Dry Weather Flow	0.0170	0.0185	0.0181	0.0169

Source: As reported by LGCSD.

Stormwater

Sterling Environmental Engineering reported that it technically did not provide operation and maintenance of the stormwater system under contract; however, it does

currently place the storm drain interceptors out before each year's rainy season and collect them after the season is over. In 2012, Sterling provided service to a plugged drain and repaired the issue. Reportedly, the company spent about 40 hours on the stormwater system in 2012.

Lake System Maintenance

Sterling Environmental Engineering dedicates 1.5 technicians on a full-time basis to provide service for the lake system year round. This amounts to 60 hours per week.

Roadway Maintenance

Given that roadway maintenance does not occur annually, but instead is on a rotating schedule (i.e., slurry seal every five years), the number of staffing hours dedicated to roadway maintenance is generally limited, unless it is a year in which capital improvements are planned. In 2012, district contractors spent no time on road maintenance; no direct road maintenance was performed. There were some funds spent in 2012 on a consultant to investigate road failures and evaluate cause and repair options.

Landscaping

Alpine Landscaping reported that the company tried to spend a consistent number of weekly/monthly hours on site to meet the expectations of LGCSD. The number of hours varies depending on the season. Alpine Landscaping spends on average about 32 to 36 hours of maintenance time per week, approximately six to eight hours of technician time per month and two to three hours of supervisor/management time per month.

Water

Sterling Environmental Engineering was not able to provide the amount of time it spent on maintaining the well system. LGCSD did not provide information about service demand for the well system.

SERVICE ADEQUACY

Wastewater

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 5-7.

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. LGCSD reported no overflows during the period from January 1, 2010 thru July 1, 2013, and consequently the annual overflow rate during this 3.5 year period is zero.

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 1.7 during wet weather periods, meaning wet weather flow (peak wet weather flow of 0.029 mgd) is 1.7 times greater than flow during dry periods(average dry weather flow of 0.017 mgd), due to infiltration and inflow. A peaking factor of 1.7 is generally considered within industry standards.

The District reported that currently it was not experiencing any major I/I issues during the wet weather season. However, LGCSD does experience a spike in flows when there is a very hard and sustained downpour of rain, as the drains around the pool and jacuzzis at the golf club drain into the wastewater collection piping. The District experienced very heavy I/I several years ago and dating back to the inception of the wastewater facility. Each occurrence was troubleshot to find the source, which was usually a home that was being newly constructed and where rain water flowed into piping that was left open.

Figure 5-7: LGCSD 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	0	Priority Violations	0
Service Adequacy Indicators			
Total Employees (FTEs)	1.5	Sewer Overflows 2010 - 2013[2]	0
MGD Treated per FTE	0.011	Sewer Overflow Rate[3]	0
Sewer Miles per FTE	2.7	Peaking Factor	1.7
Infiltration and Inflow			
There are currently no I/I issues during wet weather season.			
Collection System Inspection Practices			
The collection system is inspected visually on a daily basis (Monday-Friday). Inspected infrastructure includes the liftstation vault, the liftpumps, the floats that call for the pumps to turn on and off, the radio control, and the SCADA alarm system. The SCADA alarm system monitors the liftstation and the wastewater plant 24 hours a day, 365 days a year.			

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.

Stormwater

This section reviews indicators of service adequacy. With regard to stormwater services, NPDES regulatory compliance and drain blockages are the primary indicators of adequacy.

Given that Santa Clara County is the land use authority in unincorporated areas, it is responsible for NPDES compliance and therefore the District has had no related violations.

In order to ensure that stormwater systems continue to operate satisfactorily, regular maintenance and clean out of debris is necessary to minimize blockages during wet weather events. In 2012, the District reported that it had no blockages that needed to be addressed, as the result of runoff not draining properly.

Lake System Maintenance

Indicators regarding service adequacy for lake maintenance are minimal. For the purposes of this report, the number of resident complaints regarding inadequate maintenance may be indicative of the level of service received. The District reported that it had received no complaints in 2012, which implies that lake maintenance services are adequate.

Presence of algae may also be an indicator of the level of service received. As previously reported, the District has recently been able to greatly reduce the level of algae in the lakes through new chemicals.

Roadway Maintenance

This section reviews indicators of roadway maintenance service adequacy. Roadway condition is the primary indicator of adequacy. Given that the roadway is not part of the public roadway system, the condition of the road is not included in the County's Road Index, which rates roads according to the pavement condition index. Consequently, for the purposes of this, report, the condition of the roadway is as reported by the District. All roads maintained by the District are reportedly in fair condition.

Landscaping

Similar to lake maintenance services, indicators regarding service adequacy for landscaping are minimal. For the purposes of this report, the number of resident complaints regarding inadequate maintenance may be indicative of the level of service received. The District reported that it had received no complaints in 2012, which implies that landscaping services are generally adequate.

Water

Indicators of adequacy of well maintenance services are limited to the number of unplanned well outages. The District reported that it had experienced no unplanned well outages in 2012.

GOVERNANCE STRUCTURE OPTIONS

At present, Lion's Gate CSD is operating much like a homeowner's association instead of a public agency, by providing services to a small contained development with limited access. At the time of LGCSD's formation, the decision was made to make services available to the community through a community services district; however, the formation of the District was not a condition for the construction of the CordeValle development. The community of CordeValle appears to enjoy its privacy, having strict gated access and a website accessible only by community members. The District has difficulty complying with legal requirements for public agencies. Board members do not file Form 700s; there is a lack of interested candidates for the District's Board of Directors, due to the small size of the community; the website is not accessible to the general public, and neither are the board meetings, due to the community gate that restricts access to non-residents.

In addition to the CSD, there is also the CordeValle Vineyard Estates (CVE) homeowner's association (HOA). The HOA provides limited services and is not a fully functioning organization, as it does not collect property assessments, does not have a board of directors, and only conducts architectural review and control. There is occasional confusion among the residents on whether an issue is the responsibility of the HOA or the District. While not as regulated as a public agency, California HOAs are subject to the Davis-Sterling Act.[59] While the Act does not expressly identify what kinds of facilities an HOA can operate, courts have termed HOAs as mini governments.[60] In doing so, one court noted, "…the association provides to its members, in almost every case, utility services, road maintenance, street and common area lighting, and refuse removal. In many cases, it also provides security services and various forms of communication within the community." It is recommended that LGCSD work closely with the HOA to clarify to homeowners which agency provides the various services within the community.

LGCSD should make multiple improvements to its governance, accountability and management in order to operate as a public agency. Board members must start filing Form 700s and conducting ethics training as legally required. Operations of the District should become more transparent and open to the general public, which includes unlocking the district website to be accessible to the general population, making meetings open for participants other than subdivision residents and disseminating agendas and minutes to the broader public. In addition, LGCSD should increase its outreach to its residents to attract interested candidates for its Board of Directors to ensure the Board is selected through an election process as intended.

[59] California Civil Code §1350 et seq.

[60] *Cohen v. Kite Hill Community Assn.* (1983) 142 Cal.App.3d 642, 651.

LION'S GATE COMMUNITY SERVICES DISTRICT SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- Lion's Gate Community Services District's (LCCSD) population is approximately 93 people, based on the number of developed lots and average household size in the County.
- The District reported that it had observed no growth in the population of LGCSD in the last few years.
- Out of the 41 planned homes in the development, 32 have been completed to date, five are owned by the golf course and two are currently under construction.

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

- The District provides sewer service to approximately 33 customers—32 residential customers and the golf course. LGCSD will be adding two more residential connections in the near future, as two residences are currently under construction.
- With the two undeveloped lots remaining, the District projects little change in demand upon build out of the community.
- Flow over the last four years has remained relatively constant, given that the system serves a limited number of connections, which has remained approximately the same over the last few years.
- The sewer system was designed to serve the community at build-out. The system was reported to have adequate capacity.
- The maximum demand capacity of the treatment plant is 0.046 million gallons per day.

- The District reported that given the young age of the wastewater system there were no significant or immediate infrastructure needs for the wastewater system other than routine maintenance.
- The District is not aware of any existing infrastructure needs with regard to the stormwater system, lake system, landscaped areas, or well system.
- The District would like to repair the damage to the roads caused by heavy construction equipment during building in the area.
- LGCSD plans for its capital improvements through its reserve plan for repair and replacement.
- Based on indicators of service adequacy including regulatory compliance, sewer system overflows (SSOs), and collection system integrity, the District appears to provide adequate services. LGCSD has had no violations or SSOs at least since 2010.
- The stormwater system, lake system, landscaping, and well system appear to be in adequate condition. Roads within the District were reported to be in fair condition.
- District management methods generally meet accepted best management practices. The District prepares a budget before the beginning of the fiscal year, conducts annual financial audits, maintains current transparent financial records, and has an established process to address complaints.
- LGCSD has not yet submitted its budget to the County for FY 14, but has submitted its audit for FY 12.

Financial Ability of Agency to Provide Services

- LGCSD reported that financing was adequate to deliver services. However, a challenge is a limited number of homeowners in the development to support the extensive operations of the CSD and the community as a whole.
- Over the past three fiscal years (FYs 10 to 12), district revenues have exceeded expenditures. Revenues have remained fairly constant over the last three years, while expenditures slightly increased in FYs 11 and 12.
- The District's primary revenue source is benefit assessments, which constituted almost 100 percent of revenues.
- During FY 12, the District established a reserve fund for capital projects. As of June 30, 2012, the District's total fund balance was $727,795, of which $623,721 was attributed to the reserve fund and $104,074 was dedicated to the operating fund.

Status and Opportunities for Shared Facilities

- LGCSD shares facilities and resources with the Lion's Gate golf course and resort and the Cordevalle Vineyard Estates as part of the Lion's Gate community. The District maintains the water wells owned by the golf course and retains construction deposit funds on behalf of the HOA. Additionally, the District makes use of the Gilroy and Watsonville treatment plants for sludge disposal.

- The golf club shares the responsibility of roadway maintenance with the District by maintaining the streets not maintained by LGCSD. The lake system is used for the irrigation of the golf course.
- The District landscapes common areas on LGCSD property used by residents and visitors of the community, as well as the golf club and resort.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- The District demonstrated partial accountability. LGCSD adopts an annual budget prior to the start of the fiscal year and posts agendas; however, does not maintain a website where information is made available to the public outside of the development. LGCSD board members do not file Form 700s.
- LGCSD has a policy manual that provides a framework and direction for district governance and administration. Included in the manual, are policies on code of ethics and conduct, public records requests, and Brown Act requirements as related to the Board's regular meetings and special meetings. The District's policy manual includes a policy regarding conflicts of interest.
- Continued existence of LGCSD with multiple improvements to its governance, accountability and management is recommended. Board members must start filing Form 700s and conducting ethics training as legally required. Operations of the District should become more transparent and open to the general public, which includes unlocking the district website to be accessible to the general population, making meetings open for participants other than subdivision residents and disseminating agendas and minutes to the broader public. In addition, LGCSD should increase its outreach to its residents to attract interested candidates for its Board of Directors.

LION'S GATE COMMUNITY SERVICES DISTRICT SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

Lion's Gate Community Services District's (LGCSD) SOI is presently coterminous with its bounds.

Recommended Sphere of Influence Boundary

It is recommended that LAFCO reaffirm the District's coterminous SOI. LGCSD, which includes the unincorporated community of CordeValle, contains a small isolated territory between the cities of Morgan Hill and Gilroy and southwest of the unincorporated community of San Martin. Given the remote nature of the development, which is not anticipated to grow outward, and location isolated from cities and other districts that provide wastewater and other services, it is appropriate to reaffirm the District's existing coterminous SOI.

Proposed Sphere of Influence Determinations

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

- Lion's Gate Community Services District (LGCSD) provides sewer collection and treatment services, roadway maintenance, stormwater drainage maintenance, maintenance of a lake system and related wells, and landscaping to the community of CordeValle. All services provided by LGCSD are delivered by third party contractors.
- LGCSD serves only areas within its bounds, and does not presently provide services outside of its bounds. However, the main well, from which the District is drawing water, is located outside of the District's boundaries on Highland Avenue.
- The only areas within the District where wastewater services are not provided are the undeveloped lots. Some roadways and common areas in the District are maintained by the golf club.

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

- The County is the land use authority for the unincorporated areas. The District contains residential, recreational and open space land uses.
- While there are open-space lands within LGCSD, no impacts on agricultural resources, open space or Williamson Act contracts will occur as no service changes are proposed.

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

- The CordeValle community consists of 41 lots, an 18-hole golf course, a 110-acre vineyard, a clubhouse, 45 overnight lodging units at the golf course, a swim and

tennis center, and an equestrian center. Thirty two lots are built out with two more currently under construction.

- Out of 41 lots five are owned by the golf course. With the two residential undeveloped lots remaining, the District projects little change in demand upon build out of the community.
- The subdivision is not projected to grow outwards, and the District will not gain new customers via annexations.

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

- Based on indicators of service adequacy including regulatory compliance, sewer system overflows (SSOs), and collection system integrity, the District appears to provide adequate wastewater services. LGCSD has had no violations or SSOs at least since 2010.
- All other services are also adequately provided; the stormwater system, lake system, roadway system, landscaped areas and wells are in good working condition and have not experienced any complaints from residents.
- The maximum demand capacity of the wastewater facility is 0.046 million gallons per day.
- The proposed wastewater treatment facility is not designed to provide capacity beyond the needs of the development. In addition, there are constraints on the area available for the required effluent disposal pond, which would make it extremely difficult to expand the size of the pond.
- District management methods generally meet accepted best management practices. The District prepares a budget before the beginning of the fiscal year, conducts annual financial audits, maintains current transparent financial records, and has an established process to address complaints.
- LGCSD has not yet submitted its budget for FY 14 to the County; the audit for FY 12 has been submitted.
- No significant infrastructure needs were identified.

Existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency

- All district residents and businesses are considered a community of interest for LGCSD as customers benefiting from the District's services and contributors of property assessment revenue to the District, including subdivision residents, the golf club and the vineyard.

6. MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

AGENCY OVERVIEW

Midpeninsula Regional Open Space District (MROSD) owns and manages over 62,000 acres of land in 26 open space preserves, 24 of which are open to the public. While the District operates in three counties—Santa Clara, San Mateo and Santa Cruz—Santa Clara LAFCO is the principal LAFCO for MROSD, as the assessed value of property within the District is greatest in Santa Clara County. As principal LAFCO, Santa Clara LAFCO is responsible for adopting service review determinations and updating the District's sphere of influence (SOI). The last service review for the District was completed in 2007.

MROSD was formed in 1972 as an independent special district after the voters passed Measure R—a voter initiated ballot measure to form the District.

The principal act that governs the District is Public Resources Code §§5500-5595. The principal act requires the District to benefit its properties and residents in at least the following respects: 1) enhance recreational opportunities and expanded access to recreational facilities; 2) improve quality of life for all communities by protecting, restoring, and improving the district's park, wildlife, open-space, and beach lands; 3) preserve canyons, foothills, and mountains and development of public access to these lands; 4) protect the diverse historical, cultural, and archaeological values of the territory of the district; 5) increase economic activity and expanded employment opportunities within the district; 6) increase property values, resulting from the required benefits; and 7) provide benefits to all properties within the regional district, including positive impacts on air and water quality, capacity of roads, transportation and other public infrastructure systems, schools, and public utilities.

Boundaries

The District's boundaries encompass an area of 556 square miles in northern Santa Clara and southern San Mateo Counties and a small portion of Santa Cruz County, and includes unincorporated territories and 17 cities—Atherton, Cupertino, East Palo Alto, Half Moon Bay, Los Altos, Los Altos Hills, Los Gatos, Menlo Park, Monte Sereno, Mountain View, Palo Alto, Portola Valley, Redwood City, San Carlos, Saratoga, Sunnyvale, and Woodside.

MROSD originally included only lands in the northern and western portions of Santa Clara County. In June 1976, the southern and eastern portions of San Mateo County were annexed into the District. MROSD annexed a small portion of the northern tip of Santa Cruz County in 1992 making it the only tri-County park or open space district in California. In September 2004, the District completed the Coastside Protection Program, which extended its boundary area to the Pacific Ocean in San Mateo County, from the southern borders of Pacifica to the San Mateo/Santa Cruz county line. This last annexation increased the size of the District from 331 to 556 square miles.

Sphere of Influence

The District's SOI is generally coterminous with its boundary, except for the southernmost portion, which includes the unincorporated lands of the Sierra Azul Open Space Preserve.

Type and Extent of Services

Services Provided

MROSD's mission is to purchase, permanently protect, and restore lands forming a regional open space greenbelt, preserve unspoiled wilderness, wildlife habitats, watershed, viewshed, and fragile ecosystems, and provide opportunities for low-intensity recreation and environmental education.

The District owns 26 preserves ranging from 55 to nearly 18,500 acres, 24 of which are open to the public free of charge, 365 days a year, from dawn until half an hour after sunset. Some district trails are closed seasonally or during and immediately following periods of bad weather to provide for safe use and to protect preserve resources. Open space preserves are generally kept in a natural condition in order to best protect the environment and wildlife habitat and are developed with only the amenities needed to provide low-intensity recreation. Improvements may include gravel or asphalt parking areas, restrooms, signed trails for hiking, bicycling, equestrian and dog use, and an occasional picnic table or bench.

In addition to preserve maintenance, MROSD is involved in resource management, which includes management of both natural and cultural resources. Natural resource management generally consists of protecting, restoring, enhancing, and monitoring native vegetation and wildlife, and monitoring and protecting the quality of geological and hydrological conditions. Cultural resource management consists of identifying and evaluating and protecting archeological sites, key historical structures, and cultural landscapes.

Service Area

MROSD reported that it did not have any unserved areas within its district boundary. While any resident from within or outside district boundaries can visit the District's open space preserves, there are preserves owned by the District which are not open to the public. These areas may be considered unserved; however, the District maintains these closed preserves in anticipation of future operations as open preserves.

MROSD provides services throughout the District and outside of its boundaries, specifically in the southern part of its SOI and to a small portion outside of its SOI in Santa Cruz County where MROSD owns and operates Sierra Azul Open Space Preserve. In addition, the District owns Loma Prieta Ranch located outside of its boundaries and SOI in Santa Cruz County between Sierra Azul Open Space Preserve in Santa Clara County and the Forest of Nisene Marks State Park in Santa Cruz County. The Ranch was added to the Sierra Azul Open Space Preserve.

Service to Other Agencies

MROSD has a contract with Santa Clara County to operate and maintain the County's Rancho San Antonio County Park. The contract was signed in July of 2000. For the period of July 1, 2014 through June 30, 2015, the County will pay the District $313,507, of which $50,000 is for support of Deer Hollow Farm.

Contracts for Services

MROSD contracts for services with several agencies. Due to the need for 24-hour response to all MROSD lands by rangers, firefighters, medical professionals, and armed law enforcement personnel, it is more cost effective for the District to contract for dispatch services. MROSD has been contracting with the City of Mountain View since 1993, and with Santa Clara County from 1974 to 1993 for provision of countywide radio dispatch services on the MROSD-owned radio frequencies. In addition, the District contracted with Santa Clara County for additional sheriff patrol services from 2008 to 2010 to assist with special enforcement issues at the Mt. Umunhum Area of the Sierra Azul Open Space Preserve.

Collaboration

MROSD collaborates and partners with several agencies in providing services. Additionally, the District is a member of several associations, which promote information sharing and continued tracking of current trends and practices. The District partners with the Bay Area Ridge Trail Council and San Francisco Bay Trail Project to complete missing portions of regional trails. MROSD also collaborates with Bay Area Critical Linkages Project administered by the Bay Area Open Space Council and partners with Santa Clara County Parks and Recreation department on the creation of the Parkland Acquisition Plan. MROSD reviews and comments on the Plan Bay Area regional planning project administered by Metropolitan Transportation Commission and Association of Bay Area Governments.

MROSD is a member of the California Joint Powers Insurance Authority (CalJPIA) through which it receives workers' compensation and liability insurance. Midpeninsula Regional Open Space District Financing Authority, which the District is a member of, provides financial assistance to MROSD to fund acquisition of land to preserve and use as open space. The District also participates in the Redwood City Successor Agency Oversight Board that oversees and administers the dissolution of the local redevelopment agency.

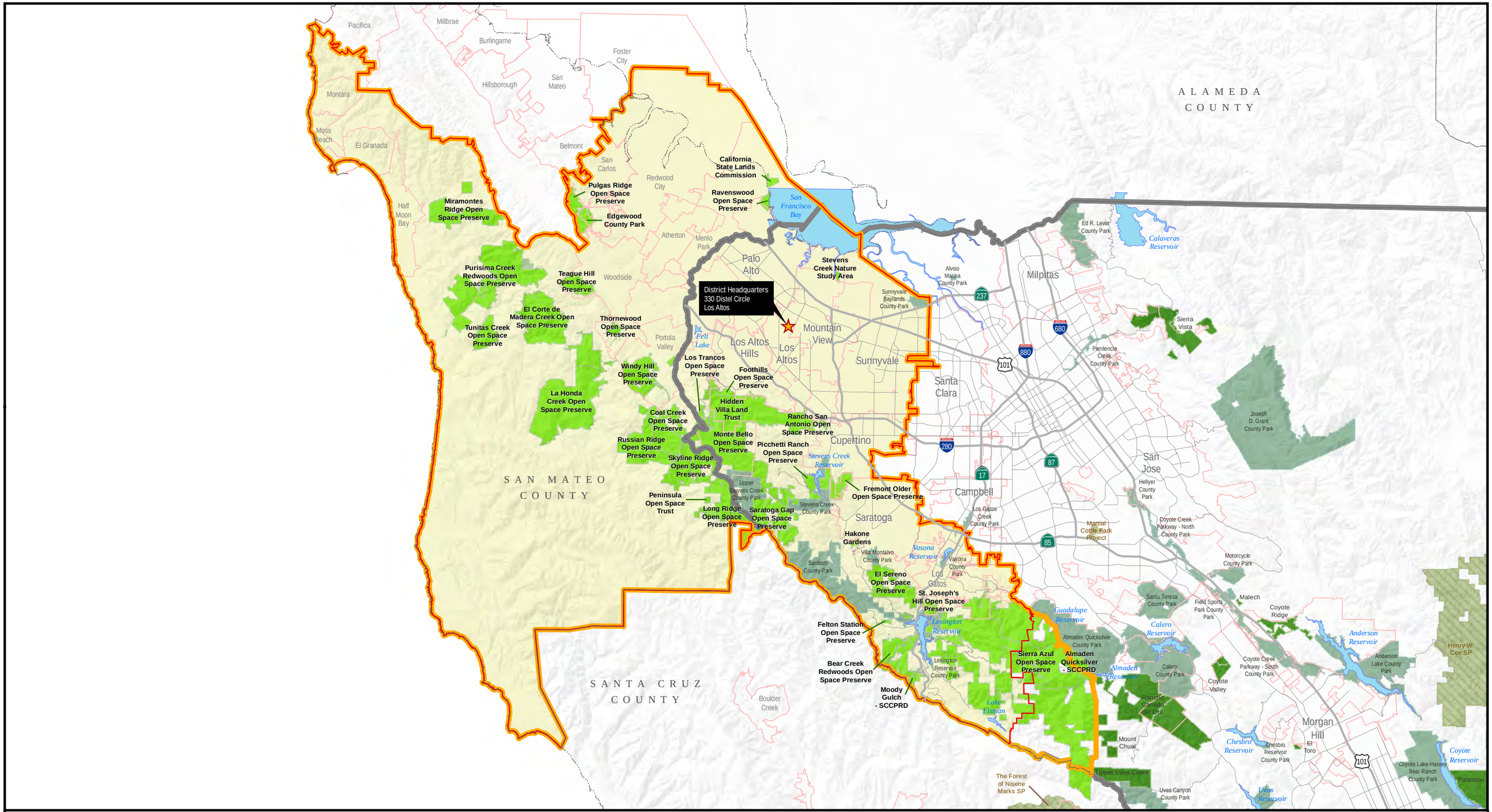
The District is also a member of multiple organizations and associations, including American Planning Association, American Society of Landscape Architects, Association of Bay Area Government, Association of Environmental Professionals (AEP), American Society of Safety Engineers (ASSE), Bay Area Open Space Council, Bay Area Ridge Trail Council, California City Clerks Association, California Association of Regional Park and Open Space Administrators (CARPOSA), California Invasive Plant Council, California Native Plant Society, Cal-ICMA (International City/County Management Association), CA Public Employee Labor Relations Association (CalPELRA), CA Special Districts Association (CSDA), International Erosion Control Association, International Institute of Municipal Clerks, Jasper Ridge Coordination Committee, Land Trust Alliance, Public Agency Risk Management Association (PARMA), PERS Public Agency Coalition, Northern California City Clerks Association, San Francisco Bay Joint Venture, San Mateo Fire Safe, Santa Clara

County Special Districts Association, Santa Clara County City Managers Association, Santa Clara County Fire Safe Council, Society of American Foresters, Society for Range Management, South Skyline Fire Safe, and The Wildlife Society.

Overlapping and Neighboring Service Providers

Since the District is an independent special district with the single purpose of preserving regional open space lands in a natural condition, the District's service fills a gap in the need for open space protection, passive recreation opportunities, and open space management services that other agencies do not have the capacity to provide. The only other entities in the District that provide similar services are Santa Clara and San Mateo Counties through their county park systems and the Santa Clara County Open Space Authority (~~SC~~OSA). Open space preserves managed by ~~SC~~OSA are located within the ~~SC~~OSA boundary area and do not overlap with the territory of MROSD. Some parks operated by the counties, which also offer open space recreation such as hiking and biking, are located within MROSD's boundaries. Those parks owned by Santa Clara County include Villa Montalvo, Sanborn County Park, Rancho San Antonio County Park (operated by MROSD under contract), Lexington Reservoir County Park, Los Gatos Creek Trail, Stevens Creek County Park, and Upper Stevens Creek County Park. The parks operated by San Mateo County include Fitzgerald Marine Reserve, Quarry Park,, Edgewood Park, Huddart Park, Wunderlich Park, Memorial Park, Pescadero Creek Park, and Sam McDonald Park. However, unlike open space preserves operated by MROSD that offer low intensity, passive recreation and are generally kept in their natural condition, County parks often times contain more amenities and higher intensity uses such as group picnicking facilities, RV camping opportunities, sports fields, and landscaped areas.

Because resource management is offered as a part of its range of services provided, MROSD provides some similar services with Guadalupe Coyote Resource Conservation District (GCRCD), San Mateo Resource Conservation District (SMRCD) and Santa Clara Valley Water District (SCVWD), but the services offered by MROSD are limited to the preserves that they own. GCRCD and SMRCD have the goal of conserving resources, specifically related to watershed, floodplain, riparian corridor and land management, waterway protection and restoration, habitat preservation, erosion prevention, invasive species control, and scientific studies, education and information. SCVWD's stewardship responsibilities include creek restoration and wildlife habitat protection, pollution prevention efforts and a commitment to natural flood protection. MROSD provides similar natural resource management services in the form of creek restoration, grassland management, sudden oak death monitoring, pond enhancements, and wildlife inventories, but the breadth of these services is more comprehensive and is limited to MROSD lands.



Midpeninsula Regional Open Space District (MROSD)

- Midpeninsula Regional Open Space District Sphere of Influence
- Midpeninsula Regional Open Space District
- Midpeninsula Regional Open Space District Preserves
- Santa Clara County Open Space Authority Preserves
- Santa Clara County Parks
- California State Parks
- City Limits (Incorporated Areas)
- County Areas

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Miles

LAFCO
Local Agency Formation Commission of Santa Clara County
August 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

MROSD is divided into seven geographic wards of approximately equal populations, each represented by an elected board member who serves a four-year term of office. The last contested election took place in 2008. Board members also participate in five committees—the action plan and budget committee, legislative, funding and public affairs committee, planning and natural resources committee, real property committee, and board appointee evaluation committee. The current member names, positions, and term expiration dates are show in Figure 6-2.

Figure 6-2: MROSD Governing Body

Midpeninsula Regional Open Space District					
District Contact Information					
Contact:	Jennifer Woodworth, District Clerk				
Address:	330 Distel Circle, Los Altos, CA				
Telephone:	650-691-1200				
Fax:	650-691-0485				
Email:	mradcliffe@openspace.org				
Website:	openspace.org				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Pete Siemens	Ward 1, Treasurer	1992	December 2014	Elected	4 years
Yoriko Kishimoto	Ward 2, Secretary	2010	December 2016	Elected	4 years
Jed Cyr	Ward 3, President	1996	December 2016	Elected	4 years
Curt Riffle	Ward 4	2006	December 2016	Elected	4 years
Nonette Hanko	Ward 5	1973	December 2014	Elected	4 years
Larry Hassett	Ward 6	2000	December 2014	Elected	4 years
Cecily Harris	Ward 7, Vice-President	2008	December 2016	Elected	4 years
Meetings					
Date/Time:	2nd and 4th Wednesday of each month at 7 pm.				
Location:	Board Room, 330 Distel Circle, Los Altos, CA 94022				
Agenda Distribution:	Posted online.				
Minutes Distribution:	Posted online after board approval.				

Board meetings take place on the second and fourth Wednesday of the month, at 7:00 pm. These Board meetings are held in the MROSD'S administrative office in Los Altos and are open to the public. Offsite meetings regarding coast-side related items or items pertaining to the San Mateo County LAFCO Conditions of Approval for the Coastal Area Annexation are held as needed at public locations in the vicinity of Half Moon Bay. In accordance with California Public Resources Code §5536 and §2.30 of the Board's Rules and Procedures, each District Board member may receive compensation in an amount not to exceed $100 per day for each attendance at a Board meeting and no Board member may receive more than $500 compensation in any one calendar month, for a total maximum potential of $6,000 per year each. Accordingly, with seven board members, the maximum a

Board could receive is $42,000 per year for all seven members combined. Actual cumulative compensation in FY 13 was $31,500.

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. The District has a written policy on reimbursements. The last time the board members received ethics training was in 2012. 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.[61] MROSD provided the list of reimbursements for FY 12.

The Board of Directors' meeting agendas and minutes are posted on the district website. If a resident wishes to have a hard copy of the agenda mailed to them prior to the meeting, that resident may request that service by calling the District's Clerk's office. This service costs $25 annually.

The District conducts constituent outreach through disseminating informational updates, calendar items, and educational materials to constituents via hard copy and electronic methods. Specific examples include quarterly newsletters, periodic electronic communication (eblasts), press releases, brochures, and preserve sign boards. The District maintains a contact database, which hosts constituent contact information, providing an opportunity for individuals and groups to sign up for and receive specific district information that interests them. In addition, district staff and volunteers provide information to preserve visitors and other constituents at Bay Area outreach events. MROSD's website contains information on the District's services, Board of Directors, Board of Directors' meeting agendas and minutes, meeting schedule, budgets, district news, and projects and plans.

Constituents may submit complaints in person, by telephone, by letter and/or by email to the full Board or individual board members, as well as to district staff and the district Ombudsperson.[62] All public complaints are addressed, and if addressed to the entire Board of Directors, are answered by formal Board-approved letters. Annual reports of complaints received by the district Ombudsperson and formal complaints regarding peace officers, that are logged yearly by the District's Operations Manager, are presented to the Board. The District, however, does not yet maintain a comprehensive database of complaints. In 2012 approximately two informal complaints related to preserve uses were received per month. There was no report submitted by the district Ombudsperson and no formal complaints against peace officers received for calendar year 2012. Depending on the subject, complaints could be handled by a supervisor, department manager, general manager or board member.

[61] Government Code 53065.5

[62] The Ombudsperson is an appointee of the Board of Directors who follows up on resident and neighbor inquiries or complaints to attempt and resolve misunderstandings or conflicts that have not been resolved satisfactorily by District staff. The Ombudsperson works independently and objectively to assist in maintaining positive relations with District residents and neighbors.

MROSD has adopted Rules of Procedure that provide a framework and direction for district governance and administration. Included in the Rules of Procedure, are policies on code of ethics and conduct, public records requests, and Brown Act requirements as related to the Board open and closed meetings.

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 has adopted a conflict of interest code.

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. The District's conflict of interest code outlines that the district clerk maintain the original forms. As a courtesy MROSD reported that the District sends copies of its board members' Form 700s to San Mateo, Santa Clara and Santa Cruz counties; however, only San Mateo County reported that it had received the 2013 forms.

MANAGEMENT AND STAFFING

Headed by the General Manager, the District's staff consists of 104 full-time and 18 part-time employees in six departments, which include administration, natural resources, real property, public affairs, planning, and operations. A majority of district staff is in operations. The District reported that overall it had 111 full time equivalents (FTEs) and 120 FTEs taking into account all the temporary employees.

MROSD is currently divided into two geographical areas staffed out of two primary field offices, one located at Rancho San Antonio Open Space Preserve and another on Skyline Boulevard at Skyline Ridge Open Space Preserve, with a field outpost, located off Hicks Road in Los Gatos. The District administrative staff members are located at the administrative office on Distel Circle, off El Camino Real in Los Altos and include professionals in accounting, environmental analysis, human resources, law, open space planning, resource management, real property, and public affairs (including volunteer and docent programs). Approximately 25 permanent staff at each field office (the field outpost is staffed out of the Rancho San Antonio Open Space Preserve primary field office) provide patrol, maintenance, and visitor services. Rangers are primarily responsible for the day-to-day patrol and visitor contact on MROSD's preserves. All rangers have law enforcement capability focused primarily on resource protection and are trained in fire suppression, defensive tactics, and emergency medical response, which they use to supplement and assist the State, County and local jurisdictional agencies that have primary responsibility for MROSD lands. The field staff includes permanent and seasonal open space technicians, as well as equipment mechanic operators, all of whom are responsible for building and maintaining the system of trails, and for performing resource management activities within the preserves. A number of these staff who choose to volunteer, are also trained in fire suppression and emergency medical response. In addition, there are over 500 volunteers who assist the District each year.

MROSD performs regular employee evaluations twice a year. The District tracks the workload of its employees by department and does semi-annual action plan review. MROSD is currently transitioning to the process of recording detailed information about hours spent on overall department tasks. The new system will help MROSD to understand in greater detail how resources are allocated to meet public needs.

MROSD also conducts reviews of the District's overall performance. The District has a budget and an action plan, which lay out the schedule and funding for high priority projects for the year. MROSD further conducts a mid-year review and makes adjustments as needed. At the end of the year, management reviews how actual expenditures match the planned numbers and goals. In addition, the District's controller has a 30-year financial model that projects growth and tracks expenditures, actual growth, operations, and capital.

The District's mission is to acquire and preserve a regional greenbelt of open space land in perpetuity, protect and restore the natural environment, and provide opportunities for ecologically sensitive public enjoyment and education. In 1999, the Board of Directors developed a basic policy to guide the agency and provide information to the public about the mission, purpose, strategic direction, and major elements of District's operations. The District adopted a capital improvement plan (CIP) with the planning horizon of three years, which is updated annually. MROSD reported that in FY 15 the CIP planning horizon would be increased to five years. Other documents used by the District to guide its efforts include the annually adopted budget, the annually audited financial statement, regional open space study, master plan, strategic plan, and various project plans.

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. MROSD 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.[63] In the case of MROSD, the District must submit audits annually. MROSD has submitted its audit to the County for FY 12.

[63] Government Code §26909.

POPULATION AND PROJECTED GROWTH

Land Uses

The territory within the District's bounds is composed of well-established communities that are nearly built out, including the cities of Atherton, Cupertino, East Palo Alto, Half Moon Bay, Los Altos, Los Altos Hills, Los Gatos, Menlo Park, Monte Sereno, Mountain View, Palo Alto, Portola Valley, Redwood City, San Carlos, Saratoga, Sunnyvale, and Woodside. The District's boundary area and SOI also contain undeveloped and unincorporated areas, which include open space and agricultural lands.

Current Population

Based on MROSD's estimate of 2010 Census data, the District's population was approximately 705,528.

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.[64]

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.[65] DWR did not identify any disadvantaged communities within Santa Clara County.[66]

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

Based on data provided by ABAG as part of its Plan Bay Area project, the District reported that the increasing number of high-tech jobs has played a role in increasing the population of the Bay Area, which in turn increases the service demand for open space areas. The District does not anticipate any new housing developments on district-owned

[64] Government Code §56033.5.

[65] 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.

[66] 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.

and managed land. Projected population growth throughout MROSD's boundary will result in a fast growing demand for open space services.

MROSD is currently undergoing a two-year long Vision Plan process that includes extensive public outreach and input. The Vision Plan will help inform and guide how and where the District prioritizes its projects, land management and nature recreation facilities development over the next 40 years and focusing on the next 10 to 15 years.

Moderate 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 Atherton will experience three percent growth over the 25-year period from 2010 to 2035.[67] The City of Cupertino is anticipated to experience four percent growth, East Palo Alto 32 percent, Half Moon Bay seven percent, Los Altos seven percent, Los Altos Hills three percent, Los Gatos two percent, Menlo Park 21 percent, Monte Sereno six percent, Mountain View 26 percent, Palo Alto 36 percent, Portola Valley zero percent, Redwood City 26 percent, San Carlos 17 percent, Saratoga zero percent, Sunnyvale 21 percent, and Woodside zero percent over the same period. Unincorporated areas of Santa Clara County are anticipated to have 19 percent growth over the same period, and in San Mateo County nine percent.[68] Based on these growth projections, the average estimated growth for MROSD between 2010 and 2035 is 12 percent; it is anticipated that the District's population will be 790,192 by 2035.

FINANCING

Financial Adequacy

The District reports that current revenues are adequate to maintain the existing level of service, but growth in the District's operating expenses continues to outpace revenue growth. Without a new funding source, the ability of the District to purchase land will be severely constrained by 2017. However, the District will be able to sustain slow, but steady operational growth into the foreseeable future, as long as the property tax base formula is not diverted or diminished.

Like most other non-enterprise districts reliant upon property tax revenue, MROSD has faced financing challenges in the last few years. District revenues remained largely flat for several years and have only recently begun to increase again. In order to reduce costs, the District implemented certain measures including freezing salaries for 15 months (no cost-of-living adjustments), decreasing the employer paid member contribution (EPMC) to the District's pension plan (CalPERS), increasing employee cost share of some benefit premiums, and implementing a hiring freeze.

The District has also been working on reducing costs and increasing its operational efficiency. Such measures included converting certain operations to digital, creating a new

[67] ABAG, Projections 2009, 2009.

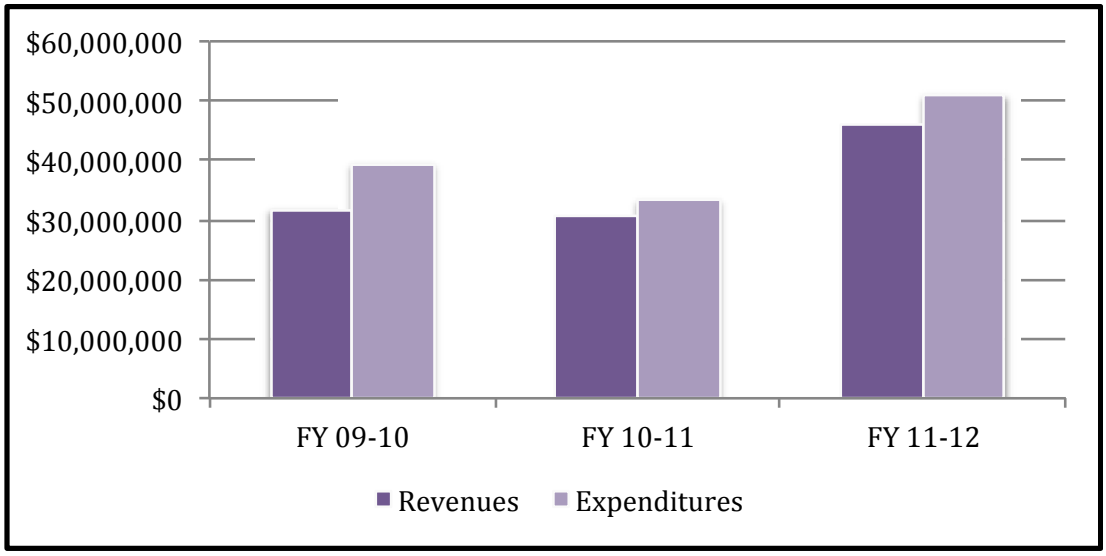
[68] Since the portion of the District in Santa Cruz County is very small its population growth are not expected to significantly affect MROSD's population projections.

district clerk position, connecting the budget and action plan and reviewing results with the Board, and creating administrative policies and procedures to increase efficiency and reduce costs. MROSD also started vision and strategic planning, engaged a large number of volunteers, and continued to apply for multiple grants. In addition, the District implemented a new radio system that now allows staff to communicate throughout the District. The cost containment strategies implemented by the District to further decrease costs included researching and purchasing alternative energy systems such as hybrid, electric and photo voltaic when efficient and using and expanding paperless methods.

MROSD is also exploring new revenue sources, such as a parcel tax, general obligation bonds, fees for services, and new contracts for services, such as the one the District has with Santa Clara County.

Over the past three fiscal years[69] (FYs 09-10 to 11-12), district expenditures have exceeded revenues in each year as shown in Figure 6-3.

Figure 6-3: MROSD Revenues and Expenditures, FYs 09-10 through 11-12



Source: Audited Financial Statements for FY 09-10 through FY 11-12

Revenue Sources

The District's revenue largely comes from property taxes and grants. In FY 11-12, the District received almost 65 percent of its tax revenue from Santa Clara County and close to 35 from San Mateo County. Tax revenue increased by 5.4 percent in FY 11-12 compared to a decline of 1.3 percent in FY 10-11.

In FY 11-12, the District received $46 million in revenue, as depicted in Figure 6-4. The District's revenue sources were property tax, grant income, investment income, property management, land donation, and other income.

[69] MROSD's fiscal year is April 1st through March 31st.

In FY 11-12, MROSD received gifts of land totaling $13.9 million, including the Hawthorns property in Portola Valley, appraised at $10.9 million and $3 million from the Peninsula Open Space Trust (POST). Grant income was mostly tied to acquisitions of specific parcels of land. The District received a total of $1 million of land acquisition grants in FY 11-12, $500,000 each from the California Coastal Conservancy and the Habitat Conservation Fund.

MROSD leases certain land and structures to others under operating leases, with terms generally on a month-to-month basis. Rental income was about $1 million in FY 12.

Figure 6-4: MROSD Revenues, FY 11-12

Type of Revenue	Amount of Revenue	% of Total
Property Tax	$ 28,737,153	62%
Grant Income	$ 1,452,738	3%
Investment Income	$ 374,544	1%
Property Management	$ 1,319,580	3%
Other Income	$ 240,203	1%
Land Donation	$ 13,927,600	30%
TOTAL	**$ 46,051,818**	**100.0%**

Source: Audited Financial Statements, FY 11-12.

Rates

The District does not charge any fees for the use of its preserves, nor does it collect any assessment taxes from its residents.

Expenditures

In FY 11-12, the District's total expenditures amounted to $51 million, as depicted in Figure 6-5. Expenses are divided into three categories which consisted of current expenses (salaries, benefits, directors, and services and supplies), capital outlay (new land purchases, land acquisition support costs, structures and improvements, equipment, and vehicles) and debt service (principal and interest and fiscal charges).

Figure 6-5: MROSD Expenditures, FY 11-12

Type of Expenditure	Amount	% of Total
Salaries	$ 7,911,094	16%
Benefits	$ 3,238,516	6%
Directors	$ 28,900	0.05%
Services and supplies	$ 2,817,329	5.5%
New land purchases	$ 23,996,584	47%
Land acquisition and support	$ 197,646	0.4%
Structures and improvement	$ 1,397,807	3%
Equipment	$ 1,387,533	3%
Vehicles	$ 210,423	0.4%
Debt principal	$ 4,456,684	9%
Debt interest and fiscal charges	$ 5,355,160	10%
TOTAL	**$ 50,997,676**	**100.0%**

Source: Audited Financial Statements, FY 11-12.

Capital Outlays

MROSD plans its capital improvements in a three-year capital improvement plan which is reviewed every year as a part of the Action Plan review process. MROSD has budgeted $5.5 million for capital expenditures in FY 12-13.

About 21 percent of the unrestricted balance is projected to be used for land acquisition in FY 12-13, as the approved budget for FY 12-13 forecasts land purchases totaling $12.1 million.

In FY 11-12, MROSD added $24 million of land and associated structures. The largest acquisition, the $10.9 million Hawthorns property in Portola Valley, was a gift from the owner. Accompanying this gift was a $2 million endowment to manage the property. The second largest acquisition, the $3.6 million Madonna Creek Ranch, was funded by a $3 million gift from the Peninsula Open Space Trust and a $500,000 grant from the Habitat Conservation Fund. The District completed two other large acquisitions from POST in FY 11-12—the $3.6 million October Farm property and $3.1 million addition to the Russian Ridge Open Space Preserve. The District received a $500,000 grant from the Coastal Conservancy to partially fund the latter purchase. Net of grants and gifts, the District used $9.1 million of cash for land purchases in FY 11-12, up slightly from $8.8 million in FY 10-11. The District added $10 million and $17.5 million of land and associated structures in FYs 10-11 and 09-10, respectively.

The large capital spending increase in FY 11-12 was due to completing the long-planned radio system upgrade, and the delay and deferral of several capital improvement projects.

In FY 12, the District added $24 million of land, representing 91 percent of the total increase of capital assets, and has committed $4.8 million of its fund balance for various uncompleted capital projects.

Reserves

The District reported that it had a goal of keeping a minimum of about $5 million as its undesignated fund balance. At the end of FY 12, the District had an unrestricted fund balance of $42.7 million. About 21 percent of the unrestricted balance will be used for land acquisition in FY 13. Another $2 million of the unrestricted balance is an endowment to provide stewardship to the new Hawthorns property.

MROSD also has a Debt Service Fund, which is a reserve fund required by the terms of the District's 2004 Revenue Bonds. The fund, which contains $1.6 million, is held by the bond trustee and will be used to make the final debt service payment.

Debt

The District's total debt service in FY 12 was $9.81 million, consisting of $5.36 million of principal and $4.46 million of interest.

At the end of FY 12, the District's long-term debt included $2.5 million of subordinated notes issued to sellers in district land purchase transactions, $102.7 million of MROSD Authority revenue bonds sold to the public in 2004, 2007 and 2011, $19 million of district

refunding promissory notes sold to the public in 2005 and 2012, and $16.4 million of accrued interest, unamortized premium and unamortized lost on refunding.

As shown in Figure 6-6, the District's long-term debt is represented by five promissory notes and four revenue bonds.

Figure 6-6: MROSD Long-Term Debt

Liability	Balance FY 12
Promissory Notes	
Hunt Living Trust Promissory Note	$1,500,000
Daloia Land Purchase Contract Promissory Note	$117,846
2005 Refunding Promissory Note	$3,165,000
2010 Bergman Note	$850,000
2012 Refunding Promissory Notes	$15,790,000
Revenue Bonds	
1999 Lease Revenue Bonds[70]	$0
2004 Revenue Bonds	$31,446,515
2007 Series A Revenue Refunding Bonds and Series B-T Taxable Revenue Refunding Bonds	$52,820,000
2011 Revenue Bonds	$20,500,000

Source: Audited Financial Statements, FY 12

In FY 12, the District went to the State Legislature and applied for an expansion of its promissory note term from 20 years to 30 years. The Legislature approved the petition and refinanced the District's debt, which freed up a significant portion of MROSD's funds for operations.

INFRASTRUCTURE AND FACILITIES

As shown in Figure 6-7, MROSD's infrastructure consists of 26 open space preserves and 220 miles of trails ranging from easy to challenging terrain.

MROSD has two primary field office/shop facilities, at Rancho San Antonio Open Space Preserve and Skyline Ridge Open Space Preserve, to serve the Foothills and Skyline areas, respectively. MROSD has a nature center as well as an interpretative farm/working homestead, both open the general public. There are five historic structures and other potentially historic structures on MROSD properties. There are three existing wildlife observation platforms, which are structures meant to facilitate viewing wildlife and the landscape, while limiting or directing public access to the site. The District has one hike-in camp, which offers four primitive campsites not accessible by vehicle where camp stoves are allowed but not open fire. The camp also offers a pit toilet and water for washing. There are about 31 existing parking areas, including 14 that are formally-developed public parking lots providing access to preserves, including restrooms, trailhead signs and maps.

[70] Advance refunded by the 2012 promissory notes.

As reported by the District, the condition of MROSD's facilities, including the preserves, range from excellent, to good, to fair, based on historical use practices of the lands the District has acquired, and the ability of MROSD to rank in order of critical need the priorities to fund and implement proper resource management improvements and practices.

Figure 6-7: MROSD Opens Space Preserves

Facility	Location	Acreage	Amenities
Bear Creek Redwoods	Santa Clara, Santa Cruz	1,432	10.3 miles of trails. Public access for hiking and horseback riding in designated areas is available by permit only.
Coal Creek	San Mateo, Santa Clara	508	5.4 miles of trails, including a historic trail. The preserve's 5 miles of trails provide important trail connections between Skyline Blvd and Alpine Road for hikers, bicyclists and equestrians.
El Corte de Madera Creek	San Mateo	2,817	36 miles of multiuse trail are available for exploration at this 2,817-acre preserve. While this preserve is popular with bicyclists, it also has lots of hiking and horseback riding opportunities.
El Sereno	Santa Clara	1,415	The preserve's 7.4 miles wide, gradual trails are open to hikers, bicyclists and equestrians. A 3-mile trek along the ridge offers visitors panoramic views of Lexington Reservoir, Sierra Azul and St. Joseph's Hill Open Space Preserves, and the South Bay.
Foothills	Santa Clara	212	A grassy ridgetop surrounded by steep chaparral-covered slopes, with oak-madrone woodland in the ravines and on the north-facing slopes. A 0.4 mile trail leads from Page Mill road to a grassy knoll, offering a view of the South Bay.
Fremont Older	Santa Clara	739	This preserve offers a variety of experiences to hikers, bicyclists and equestrians: open hayfields, Seven Springs Canyon and Hunters Point, a 900-foot hilltop offering views of the Santa Clara Valley. There are 14.7 miles of trails.
La Honda Creek	San Mateo	5,759	A special permit is required to access this preserve. Open to equestrians and hikers. There are 3.7 miles of trails.
Long Ridge	San Mateo, Santa Cruz	2,035	Open to hikers, cyclists and equestrians. The Bay Area Ridge Trail runs through the preserve, connecting Long Ridge with Skyline Ridge Open Space Preserve. This portion of the Ridge Trail is one of the longest continuous segments (13 miles) extending from Sanborn-Skyline County Park to the northern boundary of Russian Ridge Open Space Preserve.
Los Trancos	San Mateo, Santa Clara	274	Rolling grassland knolls alternating with oak woodland and shaded forest. Located in the Santa Crus Mountins above Palo Alto this is considered a spot to learn about earthquake geology. There is a 1.5 mile self-guided tour of the San Andreas Fault Trail. There are 5.2 miles of trails.
Miramontes Ridge	San Mateo	1,152	In July 2010, the name of Mills Creek Open Space Preserve was changed to Miramontes Ridge Open Space Preserve because the ridge, which climbs eastward from the edge of Half Moon Bay to Skyline Boulevard, is locally known as Miramontes Ridge, and the new name better acknowledges the land's historic heritage. Public access is currently limited pending trail planning and development.
Monte Bello	Santa Clara, San Mateo	3,277	Approximately 15.5 miles of trails are available to explore. The 3,177-acre preserve is one of the District's richest in wildlife and ecosystem diversity. The preserve encompasses the upper Stevens Creek watershed from Monte Bello Ridge to Skyline Ridge.
Picchetti Ranch	Santa Clara	308	Winery built in the late 1890s and operated for many years under the Picchetti Brothers label. The District purchased the winery, homestead, and surrounding property in 1976. There are 3.7 miles of trails.
Pulgas Ridge	San Mateo	366	An easy-access "connector" trail links the preserve's parking area with the 0.8-mile Cordileras Trail, which is designated to accommodate wheelchairs, strollers, or visitors desiring a less strenuous open space experience.There are six miles of trails.
Purisima Creek Redwoods	San Mateo	4,412	24 miles of developed trails and historical logging roads provide opportunities for easy walks or long, strenuous hikes or rides.

Figure 6-7: MROSD Opens Space Preserves Continued

Facility	Location	Acreage	Amenities
Rancho San Antonio	Santa Clara	3,988	This preserve, combined with the adjoining 165-acre county park offers diverse environments, cultural history and variety of activities. The most popular activities are jogging and hiking. Stretching bars are avaiable at the restroom parking area and equestrian staging area. The park provides hiking, bicycling and equestrian trails, which connect with additional trails within the open space preserve. There are 24.2 miles of trails.
Ravenswood	San Mateo	376	Comprised of 2 noncontiguous areas located south of the Dumbarton Bridge and adjacent to San Francisco Bay. The marsh attracts a variety of migrating birds, including sandpipers, dowitchers, and avocets. Great blue herons, white pelicans and egrets are also common. There are bicycle and pedestrian trails (1.3 miles) along the levee surrounding the marsh, a 12-car parking lot and 2 observation decks. the trails and observation decks are wheelchair-accessible.
Russian Ridge	San Mateo, Santa Clara	3,137	10.4 miles of trails are available at Russian Ridge. The Bay Area Ridge Trail continues north from Skyline Ridge Open Space Preserve along the ridge to Rapley Ranch Road, providing views of both the Pacific Ocean and the San Francisco Bay.
St. Joseph's Hill	Santa Clara	270	St. Joseph's Hill offers challenging trails for hikers, bicyclists and equestrians. There are 4.2 miles of trails.
Saratoga Gap	Santa Clara, Santa Cruz	1,542	1.2-mile multiuse Saratoga Gap Trail provides opportunites for bikers, cyclists and equestrians
Sierra Azul	Santa Clara, Santa Cruz	18,446	Serpentine grasslands, hard, rocky and steep chaparral, dense stands of bay trees and shaded forests. There are also deep ravines and riparian corridors some containing seasonal or year-round water flow. There are 24.4 miles of trails.
Skyline Ridge	San Mateo, Santa Clara	2,143	Offers 10.9 miles of trail for exploration. Two 1-mile trails are accessible to wheelchairs and baby strollers: one encircling Alpine Pond and another hugging the shores of Horseshoe Lake. Several picnic tables overlook Horseshoe Lake. Views of the Lambert Creek watershed, Butano Ridge and Portola State Park.
Stevens Creek Shoreline Nature Study Area	Santa Clara	55	Offers a 0.5 mile trail where one may see pied-billed grebes, great blue herons, coots and shovelers. There are clapper rails and salt marsh harvest mice, two endangered species that depend on this habitat to survive.
Teague Hill	San Mateo	626	Private property and California Water Service Company property make it difficult to visit the majority of Teague Hill. Currently, there is only one designated trail that touches Teague Hill Preserve, and there are no plans in the near future to create additional designated trails.
Thornewood	San Mateo	167	Thornewood is a 167-acre preserve offering nice, easy hikes or horseback rides through beautiful surroundings. The preserve's ¾-mile Schilling Lake Trail gradually winds through sunlit canopies of big-leaf maples and moss-covered oaks and ends under the shade of the giant redwoods that surround the lake. There are 1.5 miles of trails.
Tunitas Creek			Closed to public.
Windy Hill	San Mateo	1,335	Variety of habitats along the preserve's 12.2 miles of trails. Hikers and equestrians use the Hamms Gulch, Eagle, Razorback Ridge, and Lost Trails to make an 8-mile loop through ridges to the valley floor and back. The Anniversary Trail provides a short hike to Windy Hill, with views of the bay and surrounding valley. Popular with cyclists are Spring Ridge Trail which descends from Skyline Blvd and continues along a grassy ridge to Portola Valley. Hang gliding, paragliding and remote control glidign are allowed by obtaining a special permit.
Total		**56,791 acres**	

Infrastructure Needs

The District's Action Plan outlines planned projects and describes their purpose, scope, schedule, budget, district departments involved and impacted, and board committees responsible for review. Planned projects are divided into district-wide key projects and projects related to various programs (including greenbelt preservation, property right stewardship, revenue generation, public safety, law enforcement and fire protection, agricultural land stewardship, public recreation and access, long range planning, geographic and information systems services, public recreation access, environmental restoration and remediation, cultural resource stewardship, staff facility infrastructure, resource management, administrative support, public information, media and outreach, legislative, community involvement and education, human resources, district clerk services, financial management, and legal and risk management). Projects are scheduled to be completed between FYs 13-14 and 16-17 and are estimated to cost about $15.3 million, excluding the projects for which the cost is yet to be determined.

Some of the current key projects include:

- **Mindego Gateway Project** - In partnership with Peninsula Open Space Trust (POST), the District is proposing to construct a new parking lot/staging area and two new connector trails in the Mindego Area of Russian Ridge Open Space Preserve. POST will also construct a commemorative site adjacent to the staging area to honor the conservation achievements of its former president Audrey Rust. These new public-access facilities collectively form the proposed Mindego Gateway Project.
- **El Corte de Madera Creek Watershed Protection Program** - After a 1.5-year permitting process involving six federal, state, and local agencies, the District is preparing to begin construction on the remaining moderate- and high-priority Watershed Protection Program work for the El Corte de Madera Creek Open Space Preserve. Work is scheduled to occur at multiple sites over the next three years. Implementation of these Watershed Protection Plan and other trail upgrades and drainage improvements is designed to prevent sediment delivery to Lawrence and El Corte de Madera Creeks in order to improve water quality for downstream fish species, improve overall watershed health, and improve the trail experience for preserve visitors.
- **Cooley Landing** - Following the completion of Phase I, Cooley Landing Park opened in October 2012. Phase I design and construction included site remediation, trail access, road improvements, some parking, benches, and a picnic area. MROSD is partnering with the City of East Palo Alto on this park, as it encompasses a portion of the Ravenswood Open Space Preserve. East Palo Alto's new Nature Education Center building will be designed and completed over the next year and a half.
- **La Honda Creek Master Plan**- The District has completed a 30-year use and management master plan for this Preserve that aims to balance the preservation of viable agriculture, cultural history, and the natural environment with public education and low-intensity recreation.

- **Sierra Azul and Bear Creek Master Plan** - In response to high public interest and the successful procurement of outside funding to clean the Mt. Umunhum summit with the goal of opening this mountain peak to public use, the District has shifted staff resources to focus on the planning process for this particular site. The master planning process aims to provide the public with greater opportunities for recreation access, interpretation, and education, while protecting the natural, cultural, and historic resources of the landscape. The District is developing a long-term vision for these public lands and addressing opportunities for access and regional trail connectivity, species and habitat protection, safety concerns, and maintenance issues, among others. Sierra Azul Open Space Preserve is partially located outside of the District's boundaries and a small portion extends outside its SOI into Santa Cruz County.

Shared Facilities

The District works to form a continuous greenbelt of permanently preserved open space by linking its lands with other public parklands. The District also participates in cooperative efforts, such as the Bay Trail, Bay Area Ridge Trail, and Skyline-to-the-Sea Trail, which are regional trail systems in the Bay Area that include District lands.

MROSD manages Rancho San Antonio County Park as a result of an Operations and Management Agreement with the Santa Clara County Parks and Recreation Department. The District is also working in partnership with the City of East Palo Alto on the formation of Cooley Landing Park which is partially located in Ravenswood Open Space Preserve. Deer Hollow Farm is a working homestead and educational center in Rancho San Antonio Open Space Preserve. It is owned by MROSD but operated by the City of Mountain View Recreation Department with staff assistance from MROSD, a grant from Santa Clara County, and support from the Friends of Deer Hollow Farm.

DEMAND FOR SERVICES

The four major factors influencing service demand for MROSD are population growth, the range of open space opportunities and amenities offered by the District, distance to population centers, and constituent outreach. The wider the range of recreational opportunities, the greater the chance that a resident will find a preferred option, therefore potentially more people would be using services offered by a District. Similarly, the more constituents are aware of the recreational opportunities the more likely a greater number of people will be making use of the District's facilities.

As reported by MROSD, its demand for services has been continuously increasing as people are moving into the Bay Area urban centers for high-tech jobs, and more people are aware of the District's open space opportunities, due to MROSD's extensive constituent outreach efforts. In addition, the District is constantly improving and adding amenities and trails to its preserves. MROSD conducted visitor count surveys from 2007 through 2010 by preserve, results of which confirmed the presumption of increased demand.

SERVICE ADEQUACY

This section reviews indicators of service adequacy, including open space acreage per 1,000 residents, condition of open space preserves and amenities, operating expenditures per acre of land maintained, acres of land maintained per FTE, number and variety of open space opportunities offered, and challenges to adequate service provision.

The amount of open space acreage available to district residents is one determinant of service adequacy. There are several standards for the amount of open space acreage needed, ranging from three to 10.25 acres of developed parks per 1,000 residents. The National Recreation and Park Association (NRPA) recommends that a municipal park system be composed of at least 6.25 to 10.5 acres of developed open space per 1,000 residents. While this standard is directed at municipal park systems, which implies developed open space, the standard is applicable to open space providers as well, including MROSD. MROSD operates over 46,805 acres of open space preserves. Total acreage per 1,000 residents for the open space system in MROSD is 66.3, which greatly exceeds the above mentioned service standards.[71]

The condition of the District's facilities, including preserves and trails were reported to range from excellent and good to fair, as was previously indicated in the *Infrastructure and Facilities* section.

In FY 11-12, MROSD spent about $253 in operating expenditures per acre of parkland currently open to the public. The NRPA Special Report indicates that during the same period, among the agencies throughout the country that operated more than 3,500 acres and responded to the NRPA survey in 2012, the median agency spent about $3,579 per acre in operating expenses. It should be noted that some agencies surveyed by NRPA had more amenities than MROSD, therefore they had to spend more funds on the operation and maintenance of these additional facilities when calculated per acre.

Also in FY 11-12, the median agency throughout the country, that operated more than 3,500 acres and responded to the NRPA survey, maintained 95.3 acres per FTE. To compare, MROSD in FY 12-13, managed 501 acres of land open to the public per FTE (excluding temporary employees). Similar to the previous indicator, fewer FTEs are required to operate and maintain parkland with fewer amenities and recreational programs. As reported by the District, MROSD faces costly land management issues that differ significantly from municipal park systems, such as extensive trail and patrol road maintenance in rough terrain, wildland fire management, invasive weed abatement, forest management, stream and habitat restoration, and bridge and culvert repair and replacement in remote areas. MROSD has a backlog of significant land management issues, but does not have adequate resources to address them. The current number of district staff does not necessarily reflect the number of personnel the District needs to better manage the land.

[71] Used for this indicator are the preserves currently open for public use, which includes 46,805 acres. The District's total land ownership is 59,000 acres.

MROSD makes a large number of open space opportunities available to the public, including 24 large-scale open space preserves. The District also offers a number of activities, including biking, equestrian activities, bird and animal watching, educational opportunities, exercising, and picnicking. The number and diversity of activities and facilities offered appear to be adequate. MROSD recently started conducting polling to find out what the public thinks of its services and what some of the additional needs may be. Early polling results have shown that MROSD is meeting public expectations.

MROSD identified several challenges to adequate service provision in its open space preserves. The major challenge revolves around long-term and ongoing land management, which can include, among many responsibilities, trail and patrol road maintenance, invasive weed management, streambed erosion or sedimentation, bridge or culvert failures, and compliance with rules and regulations. There is a need for additional funding and staff resources to manage the increasing acreage of land managed by the District. MROSD also reported that regulatory requirements could cause project delays, including CEQA requirements for MROSD that are similar to those of land developers and that create a higher work volume and require more resources.

GOVERNANCE STRUCTURE OPTIONS

During the course of this service review, one governance structure option was identified in regard to MROSD—annexation of the remainder of the Sierra Open Space Preserve. Currently, the District provides services outside of its boundary, but within its SOI in the Sierra Azul Open Space Preserve, which is presently bisected by MROSD's bounds. It is recommended that MROSD annex the portion of the Sierra Azul Open Space Preserve located outside of the District's bounds and within its sphere of influence to align the boundary with the SOI, as the District has initiated capital planning efforts within that portion of the preserve in the form of trails and amenities, is conducting regular maintenance, and offers park ranger services to the area.

The District also expressed the desire to annex the Loma Prieta Ranch, which is a part of Sierra Azul Open Space Preserve, and to annex the southern portion of the Bear Creek Redwoods Open Space Preserve. Both territories are owned by MROSD, are located in Santa Cruz County, and are parts of preserves owned and maintained by the District. Although the District currently provides services in the Loma Prieta Ranch and the southern portion of Bear Creek Redwood Open Space Preserve as part of its general services in these preserves, since neither of the territories are currently in the District's SOI their annexation to MROSD is premature. It is recommended that once MROSD chooses to pursue annexation of the two areas discussed here, the District should apply to Santa Clara LAFCO for annexation and a related SOI update. At which time, Santa Clara LAFCO will process the annexation and SOI update according to adopted policies, ensuring proper coordination with Santa Cruz LAFCO.

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- As of 2010, Midpeninsula Regional Open Space District (MROSD) had approximately 705,528 residents, based on 2010 Census data.
- Based on growth projections founded on Association of Bay Area Governments (ABAG) for the area, the average estimated growth for MROSD between 2010 and 2035 is 12 percent; it is anticipated that the District's population will be 790,192 by 2035.

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

- The four major factors influencing service demand for MROSD are population growth, the range of open space opportunities and amenities offered by the District, distance to population centers, and constituent outreach.
- As reported by MROSD, its demand for services has been continuously increasing as people are moving into the Bay Area urban centers for high-tech jobs, and more people are aware of the District's open space opportunities, due to MROSD's extensive constituent outreach efforts. In addition, the District is constantly improving and adding amenities and trails to its preserves.
- MROSD conducted visitor count surveys from 2007 through 2010 by preserve, the results of which confirmed the presumption of increased demand.
- MROSD has not yet submitted its budget to the County for FY 14. The District has submitted its audit to Santa Clara County for FY 11-12.
- The District adopted a capital improvement plan (CIP), with a planning horizon of three years, which is updated annually. Projects scheduled to be completed between FYs 13-14 and 16-17 are estimated to cost about $15.3 million, excluding the projects for which the cost is yet to be determined.

- Based on open space acreage per 1,000 residents, condition of open space preserves and amenities, operating expenditures per acre of land maintained, acres of land maintained per FTE, number and variety of open space opportunities offered, and challenges to adequate service provision, the District's provision of services appears to be adequate.

Financial Ability of Agency to Provide Services

- The District reports that current revenues are adequate to maintain the existing level of service, but growth in the District's operating expenses continues to outpace revenue growth. MROSD is in need of new funding sources.
- Potential new revenue sources include a parcel tax, general obligation bonds, fees for services, and new contracts for services.
- Over the past three fiscal years (FYs 09-10 to 11-12), district expenditures have exceeded revenues in each year.
- The District's revenue largely comes from property taxes and grants. In FY 11-12, the District received 65 percent of its tax revenue from Santa Clara County and 35 from San Mateo County.
- MROSD has budgeted $5.5 million for capital expenditures in FY 12-13.
- The District reported that it had a goal of keeping a minimum of about $5 million as its undesignated fund balance. At the end of FY 12, the District had an unrestricted fund balance of $42.7 million.

Status and Opportunities for Shared Facilities

- The District works to form a continuous greenbelt of permanently preserved open space by linking its lands with other public parklands.
- The District participates in cooperative efforts, such as the Bay Trail, Ridge Trail, and Skyline-to-the-Sea Trail, which are regional trail systems in the Bay Area that include district lands.
- MROSD manages Rancho San Antonio County Park as the result of an Operations and Management Agreement with the Santa Clara County Parks and Recreation Department.
- The District is working in partnership with the City of East Palo Alto on the formation of Cooley Landing Park, which is partially located in Ravenswood Open Space Preserve.
- Deer Hollow Farm is owned by MROSD but operated by the City of Mountain View Recreation Department with staff assistance from MROSD, a grant from Santa Clara County, and support from the Friends of Deer Hollow Farm.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- The District generally demonstrated accountability and transparency with regard to governance by adopting a mission statement, adopting an annual budget prior to the start of the fiscal year, publishing agendas for public meetings as legally required, filing Form 700 Statements of Economic Interest with the County of San Mateo, completion of ethics training by all board members, and by maintaining a website where information is made available to the public.
- The District is meeting its filing requirements for Form 700s as outline in its conflict of interest code. However, as a courtesy MROSD should ensure that it submits copies of its forms with each of the counties in which it has territory.
- MROSD has Rules of Procedure that provide a framework and direction for district governance and administration. Included in the Operating Rules and Procedures, are policies on code of ethics and conduct, public records requests, and Brown Act requirements as related to the Board open and closed meetings. The District has adopted a conflict of interest code, as required by law.
- One governance structure alternative for MROSD was identified, which included annexation of the portion of the Sierra Azul Open Space Preserve located within MROSD's SOI to the District to align its boundary with the sphere of influence.

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

The District's SOI is generally coterminous with its boundary, except for the southernmost portion, which includes the unincorporated lands of the Sierra Azul Open Space Preserve.

Recommended Sphere of Influence Boundary

In the course of this services review, three sphere of influence options were identified: 1) extend the SOI to include the southern portion of Bear Creek Redwoods Open Space Preserve, 2) extend the SOI to include Loma Prieta Ranch, and 3) reaffirm the current SOI.

The southern portion of the Bear Creek Redwoods Open Space Preserve is located in Santa Cruz County and is currently outside of the District's boundaries and SOI. MROSD expressed interest in extending its SOI to include the entire preserve and eventually annex the territory to better reflect its service area. Bear Creek Redwoods Open Space Preserve is already owned by MROSD in its entirety.

Similarly, the District also reported that it was interested in expanding its SOI to include Loma Prieta Ranch, which is located in Santa Cruz County between Sierra Azul Open Space Preserve in Santa Clara County and the Forest of Nisene Marks State Park in Santa Cruz County. The Ranch is currently owned by the MROSD and was added to Sierra Azul Open Space Preserve, as it is adjacent to the preserve. The District's plan is to include the Ranch in its boundary area and make the property a part of a long-term future regional trail connection.

Santa Clara LAFCO has policies regarding how to process proposals outside of Santa Clara County for agencies for which it is the principal LAFCO. Santa Clara LAFCO recognizes the need to collaborate on a regional level when considering a change of organization of a district that affects another county. In order to further this collaboration and assure thorough and consistent consideration of applications affecting more than one county, Santa Clara LAFCO will do one of the following:

- When requested by a LAFCO of an affected county, consider and determine on a case-by-case basis whether it is appropriate to transfer jurisdiction to the LAFCO of the affected County.
- Santa Clara LAFCO will 1) accept an application (which meets the application requirements of both LAFCOs) from the agency in question, 2) forward a copy of the application to the LAFCO of the county containing the subject territory, 3) consult with the staff of the affected LAFCO, 4) accept a written recommendation from the affected LAFCO to be included in the Santa Clara LAFCO Executive Officer's report for consideration at a public hearing, 5) the Commission will consider the Executive Officer's report, the recommendation of the LAFCO containing the subject territory and the comments of affected individuals and agencies in making its determination,

and 6) forward any resolutions and written report of Commission action to the LAFCOs of the affected county.

It is recommended that once MROSD chooses to pursue annexation of the two areas discussed here, the District should apply to Santa Clara LAFCO for annexation and a related SOI update. At which time, Santa Clara LAFCO will process the annexation and SOI update according to adopted policies, ensuring proper coordination with Santa Cruz LAFCO. Consequently, it is recommended that Santa Clara LAFCO reaffirm MROSD's SOI at this time.

Proposed Sphere of Influence Determinations

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

- Midpeninsula Regional Open Space District (MROSD) owns and manages over 62,000 acres of land in 26 open space preserves, 24 of which are open to the public. The District operates in three counties—Santa Clara, San Mateo and Santa Cruz.
- MROSD purchases, permanently protects, and restores lands forming a regional open space greenbelt, preserves unspoiled wilderness, wildlife habitats, watershed, viewshed, and fragile ecosystems, and provides opportunities for low-intensity recreation and environmental education.
- MROSD provides services throughout the District and outside of its boundaries, specifically in the southern part of its SOI where MROSD owns and operates Sierra Azul Open Space Preserve, in the southern portion of Bear Creek Redwoods Open Space Preserve and Loma Prieta Ranch which is a part of Sierra Azul Open Space Preserve located in Santa Cruz County.

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

- The County is the land use authority for the unincorporated areas. Cities are the land use authorities within the respective city boundaries. The District contains a wide range of land uses, from all types of urban uses to large areas of hillside, open space, and agricultural uses.
- Land use plans in the County and its cities include land uses and population growth, which will require continued open space and resource management services.
- Open space services do not induce or encourage growth, but protect agricultural and open space lands. No impacts upon Williamson Act protected land will occur.

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

- The four major factors influencing service demand for MROSD are population growth, the range of open space opportunities and amenities offered by the District, distance to population centers, and constituent outreach.
- As reported by MROSD, its demand for services has been continuously increasing as people are moving into the Bay Area, more people are aware of the District's open space opportunities, and the District adds additional amenities and trails.

- The population of the District is anticipated to increase by about 12 percent by 2035. There is present and anticipated continued need for the District's services as the population of the area continues to increase and urban areas continue to grow.

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

- Based on open space acreage per 1,000 residents, the condition of open space preserves and amenities, operating expenditures per acre of land maintained, acres of land maintained per FTE, the number and variety of open space opportunities offered, and challenges to adequate service provision, it appears that MROSD provides adequate services.
- MROSD conducted visitor count surveys from 2007 through 2010 by preserve, the results of which showed that the District's service demand has increased over the years.
- The District's current revenues are adequate to maintain the existing level of service, but growth in the District's operating expenses continues to outpace revenue growth. MROSD is in need of new revenue sources.
- No significant accountability, administrative, operational, financial, or infrastructure deficiencies were identified. The District generally demonstrated accountability and transparency.
- MROSD has not yet submitted its budget to the County for FY 14, as legally required.
- The District identified multiple infrastructure needs, which it is planning on addressing in the next three years.
- MROSD attempts to increase the capacity of its facilities through collaboration and facility sharing with other agencies.

Existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency

- MROSD serves the residents of the District and of the Bay Area by providing open space and conservation services. All area visitors also benefit from services provided by the District.

7. SANTA CLARA COUNTY OPEN SPACE AUTHORITY

AGENCY OVERVIEW

Santa Clara County Open Space Authority (~~SCOSA~~OSA) owns 12,792 acres of land and has assisted in preserving an additional 3,103 acres of conservation easements and mitigation lands, including open space, parklands, wildlife areas, recreation areas and watershed areas. The last service review for the District was completed in 2006.

~~SCOSA~~OSA was created as an independent special district on February 1, 1993 by the State Legislature.

The principal act that governs the District is the Santa Clara County Open Space Authority Act.~~[72]~~ The principal act empowers the District to preserve open space and create greenbelts needed to counter the continuing conversion of these lands to urban uses, to preserve the quality of life in the County and to encourage agricultural activities.[73] The Act requires that priority for open-space acquisition be focused on those lands closest, most accessible, and visible to the urban area. The remote ranchlands east of the westernmost ridgeline of the Diablo Range shall be acquired as permanent open space only through conservation easement purchases or the granting of lands or conservation easements by owners to ~~SCOSA~~OSA.~~[74]~~[75]

Boundaries

~~SCOSA~~OSA's boundaries include all lands in Santa Clara County, with the exception of lands within the boundaries of Midpeninsula Regional Open Space District (MROSD), MROSD's sphere of influence (SOI), and the City of Gilroy. The cities of Milpitas, Santa Clara, Campbell, San Jose and Morgan Hill passed resolutions stating their intent to be included within ~~SCOSA~~OSA's jurisdiction. The City of Gilroy was the only city within the jurisdiction of the District that opted out of being a part of ~~SCOSA~~OSA. ~~There have been no boundary changes to the District since its creation.~~ The District's boundary encompasses 1,067 square miles.

[72] Public Resources Code §35100, January 1, 2013.

[73] Public Resources Code §35101.

~~[74] Santa Clara County Open Space Authority Enabling Act §35100, January 1, 2013.~~

[75] Public Resources Code §35152.

Sphere of Influence

~~SCOSA~~OSA's SOI is generally coterminous with its boundary, except for the City of Gilroy, which is included in the District's sphere of influence, but excluded from its boundary area.

Type and Extent of Services

Services Provided

~~SCOSA~~OSA owns and provides public access to~~operates~~ two open space preserves (Rancho Cañada del Oro Open Space Preserve and Sierra Vista Open Space Preserve), maintains multi-use trails for hikers, bicyclists and equestrians and has a goal of opening new lands to visitors as funding allows.

The trails are open every day of the year and are free to the public. Currently, Sierra Vista Open Space Preserve is only accessible through Alum Rock City Park (owned and operated by the City of San Jose), which is closed on Mondays. Sierra Vista Preserve is open from 8:00 am to sunset. There is no fee to use Sierra Vista Open Space Preserve; however, vehicles are charged $6 on weekends to use the Alum Rock Park parking lot. From April 16th through September 15th, the Rancho Cañada del Oro Open Space Preserve is open from 6:00 am to sunset, and all other times of the year it is open from 7:00 am to sunset.

~~SCOSA~~OSA also manages and maintains properties that are currently closed to the public, including Diablo Foothills, Palassou Ridge, Coyote Valley, El Toro, and Santa Cruz Mountains properties. These areas are closed for various reasons, including habitat protection, land management, user safety, and funding limitations. Occasionally, the District opens these areas to visitors on special-activity days.

Additionally, ~~SCOSA~~OSA provides a variety of activities, such as guided nature hikes, bike and equestrian rides, photography walks, educational programs for children, and stargazing sessions. All activities are free and open to everyone.

The District engages in resource management, such as protecting waterways and natural resources and removing invasive plants, preserving cultural artifacts and supporting agriculture and ranching. However, due to limited funding for land protection and stewardship, as reported by the District, ~~SCOSA~~OSA aims to invest in projects that improve coordination amongst federal, state and local agencies, leverage funding and partner resources, promote integrated approaches for multiple benefits (water supply, water quality, agriculture, flood management, climate resilience, habitat protection, recreation, and education), and maximize the amount and types of funding.

A distinct feature of ~~SCOSA~~OSA is its Urban Open Space program, which reserves 20 percent of its capital expenditures for open space projects of the participating cities and the County within ~~SCOSA~~OSA jurisdiction. Funds are allocated once a year to cities and the County of Santa Clara based on each agency's percentage of parcels within ~~SCOSA~~OSA jurisdiction. Projects that qualify for funding include land acquisition, environmental restoration, and improvements that provide or enhance open space. This includes projects that increase public appreciation of open space, such as trails, overlooks, and interpretive

signage, and projects that convert surplus or abandoned lands. Requests for open space project funding originate with the participating jurisdictions. City and county staff apply for funds to support specific projects that meet their own and the District's open space requirements and goals.

Service Area

~~SCOSA~~OSA does not provide services outside of its boundaries. The City of Gilroy, which is located outside of the District's boundaries but within its SOI, is unserved.

Although ~~SCOSA~~OSA's enabling act allows for various sources of funding, the District is currently funded by a benefit assessment. ~~SCOSA~~OSA is legally permitted to spend funds obtained by benefit assessments only to serve areas and residents that pay benefit assessments. Lands located east of the Diablo mountain range, which are primarily range lands, do not receive services from ~~SCOSA~~OSA funded by benefit assessment revenues. These lands are served but services are funded by other sources, such as grants or other unrestricted funds. ~~It must be demonstrated that areas and residents that pay benefit assessments receive direct benefit.~~ The ~~SCOSA~~OSA Board of Directors must affirm and approve the assessment annually.

Service to Other Agencies

~~SCOSA~~OSA has been providing land management services by contract to Santa Clara Valley Transportation Authority (SCVTA) since June 2007. The District manages SCVTA's Coyote Ridge Resource Management Plan, which consists of biological monitoring of several endangered, threatened and rare species, invasive plant removal, road and fence maintenance, and grazing management and site security. In addition, ~~SCOSA~~OSA drafts annual reports that capture the activities and findings to track trends. Based on information from the annual reports, the District makes recommendations to SCVTA to alter management techniques to enhance the habitat for the species described in the Coyote Ridge Management Plan.

Contracts for Services

The District has been contracting with CalPERS for retirement benefits since June 27, 1995. ~~SCOSA~~OSA also maintains a contract with the County of Santa Clara (since November 1999) for group health and life insurance benefits. The District contracts with a bookkeeper for 16 hours of bookkeeping services and with an independent IT provider for IT services.

Collaboration

~~SCOSA~~OSA collaborates with other entities in purchasing land and easements and caring for open space lands. The high cost of land in the County makes working with partners essential, as reported by the District. ~~SCOSA~~OSA has contributed to the purchase of easements held by other agencies and has received funding from the Coastal Conservancy, Bay Area Ridge Trail, and state bond funds for some of ~~SCOSA~~OSA's lands. The District has also worked with multiple partners in preserving the County's open space, including The Nature Conservancy, Peninsula Open Space Trust, Midpeninsula Regional Open Space District, Santa Clara County Parks and Recreation, City of San Jose, California

Department of Conservation, National Resource Conservation Service, and Silicon Valley Land Conservancy.

In its resource management efforts, the District partners with the Santa Clara Valley Transportation Authority, the Santa Clara Valley Water District, Resource Conservation Districts, Fire Safe Councils, Santa Clara County Joint Fire Academy, California Fish and Wildlife, and Santa Clara County Sheriff's Office to address issues such as resource and habitat management, invasive plants, wildlife migration, and urban-wildland interface fires.

~~SCOSA~~OSA closely collaborates with Santa Clara County and the cities within its boundaries through the Urban Open Space program, which was described earlier in the *Services Provided* section. Partnerships with these municipal agencies and the County have included the following:

- The City of San Jose has used its Urban Open Space allocations to develop segments of the City's trail network and to enhance its urban parks, including a $3 million contribution toward the Three Creeks Trail. The City also contributed $800,000 to help fund a portion of Rancho Cañada del Oro Open Space Preserve that lies within the City's border.
- In 2006, the ~~SCOSA~~OSA Board of Directors approved $450,000 to make the 287-acre Martial Cottle property, owned by Santa Clara County and the State of California, a historic park. Funding was intended to assist with initial planning and the development of active agriculture or community gardens. Public recreation facilities at the park will include trails and picnic sites.
- In September 2007, the City of Campbell received an allocation of $109,000 for a trail development and revegetation project, which includes trails, landscaping and benches on the site of percolation ponds along Hacienda Avenue.
- ~~SCOSA~~OSA contributed $173,021 to improvements at Edith Morley Park, a 5.5-acre site located adjacent to percolation ponds on Campbell Technology Parkway. The project, approved in 2001, provided wetland preservation, native plantings, walking paths and benches. Edith Morley Park offers recreational amenities as well as a marsh and wetland area for exploration and environmental studies.
- The District allocated $55,000 to the City of Santa Clara in 2000 for the first phase of the San Tomas Aquino/Saratoga Creek Trail. This segment is located near Great America Parkway and Tasman Drive, providing a place for outdoor exercise and recreation to many who work in the area. When completed, the trail will cover 12 miles and provide an alternate transportation route for residents and workers.
- ~~SCOSA~~OSA has made two allocations totaling $457,953 to the City of Santa Clara for development of the Ulistac Natural Area located on Lick Mill Boulevard along the Guadalupe River. The site offers trails, a native plant garden, interpretive signage for visitors and is also a wetland restoration project. Funding from the District's Urban Open Space program contributed toward trail improvements, plant improvements and fencing.
- The Alviso Adobe is a two-story 175-year-old Monterey Colonial style adobe structure that was placed on the National Register of Historic Places in 1997. In

December 2005, the District approved an allocation of $356,837 for a restoration project that includes an orchard, garden and outdoor activity area. The project is pending while the City of Milpitas pursues additional funding.

- In August 2009, the ~~SCOSA~~OSA Board of Directors authorized the allocation of $184,000 for the purchase of a property on El Toro Mountain—the peak that rises on the western edge of the City of Morgan Hill.

The District participates in regional plans, including the Santa Clara Valley HCP/NCCP, Bay Area Critical Linkages, Conservation Lands Network (Bay Area Open Space Council), MTC/ABAG Sustainable Communities Strategy, County General Plan Health Element, Pajaro Regional Water Management Plan, Countywide Trails Master Plan, and County Parks Strategic Acquisition Plan.

The District is also a member of the multiple organizations and associations, including International Association of Business Communicators, National Association of Professional Women, California Farm Bureau, Land Trust Alliance, Bay Area Open Space Council, Society for Rangeland Management, California Special Districts Association, California Parks & Recreation Society, Society for Human Resource Management, CalChamber, Santa Clara County Special Districts Association, Joint Venture Silicon Valley, California Council of Land Trusts, California Invasive Plant Council, Meetup.com, Land Trust Alliance, San Francisco Planning and Urban Research Association (SPUR), American Trails Association, National Audubon Society, Society for Conservation Biology, Save the SF Bay, Association of Environmental Planners (AEP), and Upper Alameda Creek Watershed Partnership.

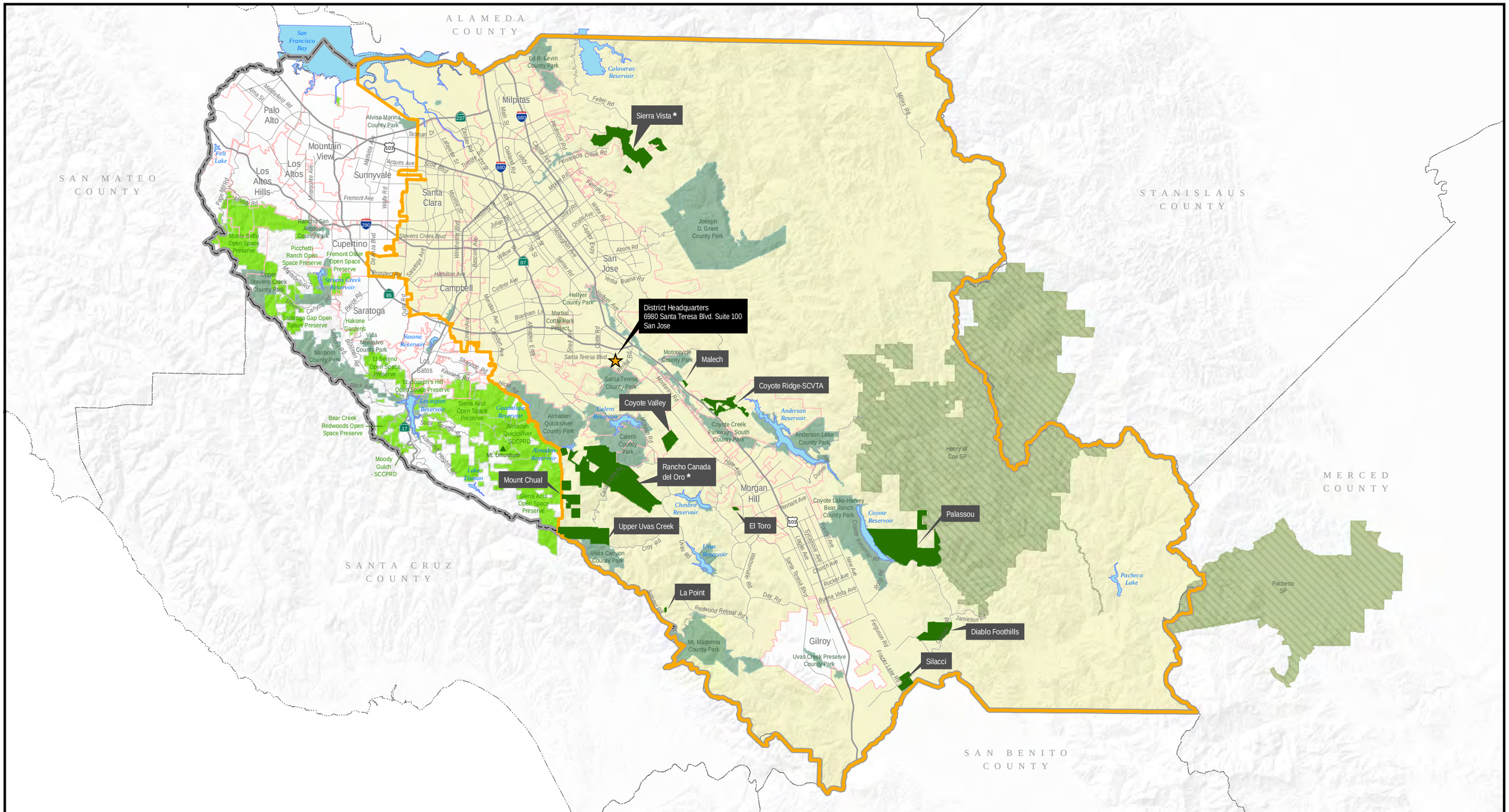
Overlapping and Neighboring Service Providers

The District's service fills a gap in the need for open space protection, passive recreation opportunities, and open space management services that other agencies generally do not have the capacity to provide. The only other entities in Santa Clara that provide similar services are the County through its county park system and MROSD. Open space preserves and trails managed by MROSD are located within MROSD's boundaries and SOI and do not overlap with the service area of ~~SCOSA~~OSA. There are 21 parks operated by the County that also provide open space recreation, such as hiking, biking and equestrian use, which are located within ~~SCOSA~~OSA's boundaries.[76] However, unlike open space preserves operated by ~~SCOSA~~OSA that are kept in their natural condition, county parks contain more amenities such as picnicking facilities, active recreation facilities, RV camping opportunities, and landscaped areas. Through the Urban Open Space program, ~~SCOSA~~OSA financially contributes to the open space and natural improvements made to some of the county parks.

Because resource management is offered as a part of its range of services provided, ~~SCOSA~~OSA provides some similar services with Guadalupe Coyote Resource Conservation

[76] Almaden Quicksilver County Park, Alviso Marina County Park, Anderson lake County Park, Calero County Park, Chesbro Reservoir County Park, Chitactac-Adams Heritage County Park, Coyote Creek Parkway, Coyote Lake-Harvey Bear Ranch County Park, Ed Levin County Park, Hellyer County Park, Joseph D. Grant County Park, Motorcycle County Park, Mt. Madonna County Park, Penitencia Creek, Santa Teresa County Park, Sunnyvale Baylands Park, Uvas Canyon County Park, Uvas Creek Park Preserve, Uvas Reservoir, and Vasona and Los Gatos Creek County Parks.

District (GCRCD), Loma Prieta Resource Conservation District (LPRCSD) and Santa Clara Valley Water District (SCVWD), but the services offered by ~~SCOSA~~OSA are limited to preserves owned by the District. GCRCD has the goal of conserving resources, specifically related to watershed, floodplain, riparian corridor and land management, waterway protection and restoration, habitat preservation, erosion prevention, invasive species control, and scientific studies, education and information. LPRCD advises and assists individuals and public agencies in the prevention of soil erosion, runoff control, development and use of water, land use planning, conservation of wildlife and other related natural resources. SCVWD's stewardship responsibilities include creek restoration and wildlife habitat projects, pollution prevention efforts and a commitment to natural flood protection. ~~SCOSA~~OSA provides only a fraction of the natural resource management services provided by GCRCD, LPRCD and SCVWD and strictly within the district-owned lands. ~~SCOSA~~OSA is developing close relationships with GCRCD and LPRCD in an effort to link resource management efforts and funding. The District is also looking into partnering with SCVWD for water resource protection.



Santa Clara County Open Space Authority (SCOSA)

- Santa Clara County Open Space Authority SOI
- Santa Clara County Open Space Authority
- Properties Managed and Maintained by SCOSA
  - ** Preserves Owned and Operated by SCOSA*
- Santa Clara County Parks
- Midpeninsula Regional Open Space District Preserves in Santa Clara County
- California State Parks
- City Limits (Incorporated Areas)

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LAFCO
Local Agency Formation Commission of Santa Clara County
August 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

~~SCOSA~~OSA's Board of Directors has seven members, each elected to a four-year term and representing an individual geographic district. The last contested election took place in November 2012. The District's enabling act does not limit the number of terms that a board member may hold. The current member names, positions, and term expiration dates are shown in Figure 7-2.

Figure 7-2: ~~SCOSA~~OSA Governing Body

Santa Clara County Open Space Authority					
District Contact Information					
Contact:	Lauren Monack, Administrative Manager				
Address:	6980 Santa Teresa Blvd, Ste. 100, San Jose, CA 95119				
Telephone:	408-224-7476				
Fax:	408-224-7548				
Email:	lmonack@openspaceauthority.org				
Website:	http://www.openspaceauthority.org/				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Alex Kennett	District 1, Director	Sep. 2001	December 2016	Elected	4 years
Jim Foran	District 2, Director	Mar. 2003	December 2014	Elected	4 years
Sequoia Hall	District 3, Director	Mar. 2004	December 2016	Elected	4 years
Dorsey Moore	District 4, Director	Dec. 2012	December 2016	Elected	4 years
Virginia Holtzz	District 5, Chair	Jul. 2005	December 2014	Elected	4 years
Mike Potter	District 6, Director	May 2013	December 2014	Appointed	4 years
Kulwant Gill	District 7, Vice-chair	Mar. 2007	December 2014	Elected	4 years
Meetings					
Date/Time:	2nd and 4th Thursday of each month.				
Location:	Administration office board room				
Agenda Distribution:	Emailed to a list of interested persons and posted on website.				
Minutes Distribution:	Posted online after board approval.				

Regular meetings are conducted at the District's administration office board room on the second and fourth Thursday of every month, except for November and December when regular Board meetings are held on the second Thursday of the month. Closed session begins at 6:30 pm; open session begins immediately following.

Board members receive $75 in compensation per regular or special board meeting with a maximum of two meetings per month. 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. The District has a written policy on reimbursements. The last time the board members received ethics training was in

2011. All the District's board members are currently scheduled to receive ethics training this year. 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.[77] ~~SCOSA~~OSA provided the list of reimbursements for FY 12.

Board meeting notices are posted on the windows at the District's administration and land management offices, on the main sign board at the County building, and on the district website. Agendas are mailed to those who have requested such notifications by mail. Once the minutes have been approved by the Board, they are uploaded to the district website.

The public is apprised of district activities via updates and postings on the district website, which also includes the activities calendar, annual reports and fact sheets, as well as newsletter distribution, e-newsletters, Facebook postings, posting of flyers at community centers, libraries and local government centers and on ~~SCOSA~~OSA sign boards, press releases, public notices in local newspapers, and newspaper ads. ~~SCOSA~~OSA's website contains information on the District's services, Board of Directors, Board of Directors' meeting agendas and minutes, meeting schedule, financial statements, and district news.

The Board of Directors established a Citizens Advisory Committee with the goal of collecting public input, maintaining a channel of communication between the public and the Board, aiding in fostering a positive public image of ~~SCOSA~~OSA, and helping to educate the public about the District's goals and accomplishments.

To submit complaints, customers can access district staff and general contact information from the district website where phone numbers, email addresses, and the mailing address for the District are available. ~~SCOSA~~OSA does not record or track its complaints as there are very few. There were no complaints received in 2012. The general manager is responsible for receiving all complaints and delegating to the appropriate staff member to respond.

~~SCOSA~~OSA has Board Operating Rules and Procedures and an Employee Handbook that provide a framework and direction for district governance and administration. Included in the Operating Rules and Procedures, are policies on code of ethics and conduct, public records requests, and Brown Act requirements as related to the Board open and closed meetings and adoption and distribution of agendas.

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 conflict of interest code, which was last reviewed in 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

[77] Government Code 53065.5

Fair Political Practices Commission each year. All ~~SCOSA~~OSA directors have submitted the required Form 700 for 2013.

MANAGEMENT AND STAFFING

The District consists of both field and administrative staff. Field staff work primarily outdoors and perform a variety of functions, including trail safety and construction, vegetation and resource management, various construction tasks, as well as making contact and sharing information with members of the public. Administrative staff perform numerous functions in support of the District's mission.

The District employs 17 full-time and one part-time (80 percent time) personnel, thus making it 17.8 full-time equivalents (FTEs). The general manager, who is responsible for day-to-day operations, reports to the Board of Directors and manages the executive assistant, administrative manager and assistant general manager. The deputy clerk/office manager, receptionist, communication specialist, volunteer programs supervisor, and coordinator of interpretive programs report to the administrative manager. The assistant general manager administers the open space planner/project manager, conservation planning/GIS tech, and supervising open space technician, who supervises six open space technicians. The District performs employee evaluations annually.

~~SCOSA~~OSA tracks its employee workload through timesheets and work plans. The departmental work plans prioritize and allocate funding to projects in each department for the next three years. Staff are assigned based on the work plans; supervising managers track the projects and the outcomes.

~~SCOSA~~OSA reports that the District evaluates itself through audits and engineers reports. Operations are reviewed through evaluation of the work plan outcomes to ensure that processes in place make efficient use of time and money. The Board of Directors sets goals reflected in the work plans, and based on the results, evaluates the performance of the general manager and of the District as a whole.

The District's mission is to conserve the natural environment, support agriculture and connect people to nature, by protecting open spaces, natural areas, and working farms and ranches for future generations. ~~SCOSA~~OSA also lists a number of operational goals on its website. To plan for its capital improvements, the District started adopting annual work plans in 2011. In 2013, ~~SCOSA~~OSA initiated the development of a five-year capital improvement plan (CIP), which will be updated annually. Other documents used by the District to guide its efforts include the annually adopted budget, the annually audited financial statement, and five-year master plan last updated in 1999. The District is in the process of preparing a 30-year Conservation Vision Plan and a five-year Strategic Plan that will guide the District's annual plans and budgets.

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. ~~SCOSA~~OSA 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.[78] In the case of ~~SCOSA~~OSA, the District must submit audits annually. ~~SCOSA~~OSA has not yet submitted its audit to the County for FY 12.

POPULATION AND PROJECTED GROWTH

Land Uses

The territory within the District's bounds is composed of well-established communities that are nearly built out, including the cities of Milpitas, Santa Clara, Campbell, San Jose and Morgan Hill. The District's boundary area also contains undeveloped and unincorporated areas, which include open space and agricultural lands.

Current Population

Based on 2010 Census data, the District's population as of 2010 was approximately 1,272,600.

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.[79]

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.[80] DWR did not identify any disadvantaged communities within Santa Clara County.[81]

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

[78] Government Code §26909.

[79] Government Code §56033.5.

[80] 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.

[81] 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.

available for this level of analysis, disadvantaged unincorporated communities that meet LAFCO's definition cannot be identified at this time.

Projected Growth

~~SCOSA~~OSA reported that growth within its boundary had been increasing service demand. Santa Clara County is the fastest growing county in the Bay Area region, which is projected to add 750,000 people in the next 30 years. Morgan Hill and Gilroy are the fastest growing cities in the Bay Area. ~~SCOSA~~OSA believes that even limited development in unincorporated lands and around the cities of Gilroy, Morgan Hill and San Jose could threaten agricultural viability and fragment critical habitat and linkages.

The District forecasts service demand by preparing a 30-year conservation vision plan and a five-year strategic plan that will evaluate growth patterns and build-out scenarios under the current County General Plan, which will inform provision of open space services and need for revenue.

High 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 Campbell will experience 17 percent growth over the 25-year period from 2010 to 2035.[82] The City of Milpitas is anticipated to experience 54 percent growth, Morgan Hill 25 percent, San Jose 41 percent, and Santa Clara 37 percent over the same period. Unincorporated areas of Santa Clara County are anticipated to have 19 percent growth over the same period from 2010 to 2035. Based on these growth projections, the average estimated growth for ~~SCOSA~~OSA between 2010 and 2035 is 29 percent; it is anticipated that the District's population will be 1,641,654 by 2035.

FINANCING

Financial Adequacy

~~SCOSA~~OSA reported that its financing was marginally adequate to deliver services. The benefit assessment that funds the District does not fully provide for all of the District's financial needs. As the District's land holdings and stewardship responsibilities have grown, administration, operation and management expenses account for the majority of its budget. This limits available funding for new land conservation projects, land management, stewardship, and provision of increased public service. Without additional and sustainable sources of funding, the District reportedly will no longer be able to provide new services and will be limited to operating and maintaining its existing preserves. Additionally, there will be less funding available for cities through the District's Urban Open Space Program. One of the related challenges for the District is finalizing the opening of lands to the public. ~~SCOSA~~OSA is evaluating other revenue streams to supplement its funding including applying for government grants.

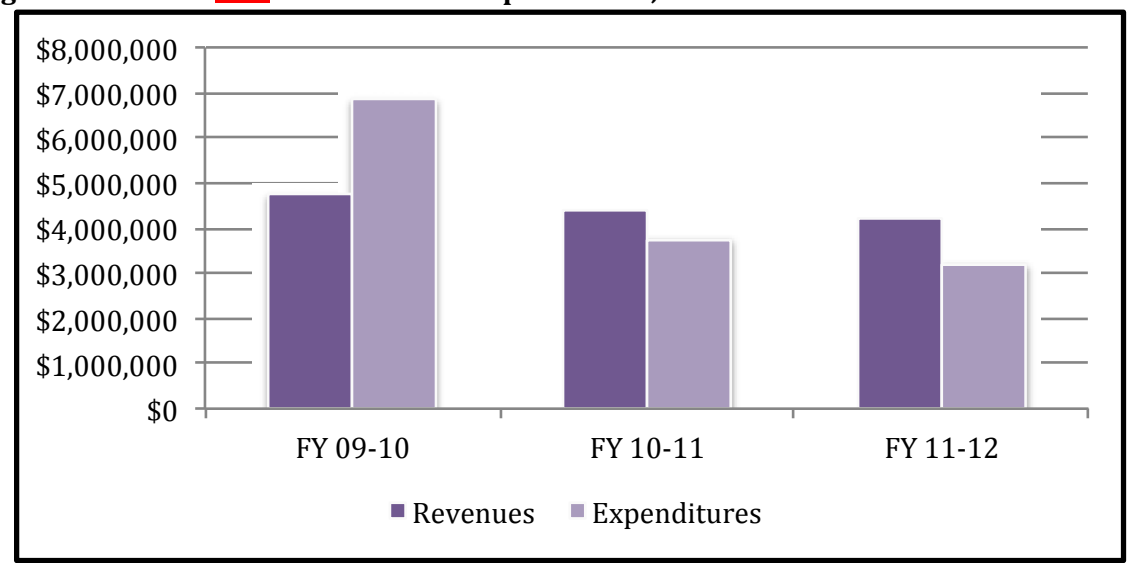
[82] ABAG, Projections 2009, 2009.

While the economic recession provided some opportunities for acquiring land at reduced rates, the availability of funding (government and foundation grants) to support land protection has greatly declined, along with the capacity of conservation partners. As government budgets have declined, there has been an increase in competition for limited public and private funding. There are few, if any, programs that will fund operations and maintenance costs. The new revenue streams being considered by the District are grants, water bonds, transportation measure, climate auction revenue (cap and trade), contract services, and grazing fees.

To improve its operational efficiency and cut costs, ~~SCOSA~~OSA undertook multiple measures, including:

- Delegating operations to specific departments, thus creating divisions of responsibility and assigning managers for work projects,
- Implementing strategic hiring in key areas, including public outreach and deputy clerk office manager positions,
- Establishing a Citizens Advisory Committee,
- Boosting communication and project management between administration and field staff and increasing depth of staffing, so seasonal workers are performing more operating tasks and permanent technicians can train and perform more field tasks,
- Through all-staff meetings, development opportunities and training, developing a cohesive work environment that includes field staff and administrative staff,
- Creating a position for a resource management specialist who would be working on natural resource partnerships, mitigation agreements and implementing Santa Clara Valley Habitat Conservation Plan-related tasks, and
- Developing a plan to restructure the Urban Open Space Program to incorporate cost-sharing with the participating cities and leverage other funding sources.

Figure 7-3: ~~SCOSA~~OSA Revenues and Expenditures, FYs 10-12



Source: Audited financial Statements for FY 2010 through FY 2012

As shown in Figure 6-3, over the past three fiscal years (FYs 10 to 12), district expenditures exceeded revenues in FY 10, due to land management expenditures being higher than usual. In FYs 11 and 12, revenues exceeded expenditures.

Revenue Sources

A majority of ~~SCOSA~~OSA's funding is derived from benefit assessments. In 1994, the Board approved formation of Benefit Assessment District 1, which levies an assessment of $12 on single family homes and an adjusted rate on commercial and industrial properties. The benefit assessment is frozen, so it cannot be changed or increased with inflation. This provides about $4 million in revenues per year. In addition, the District tries to leverage its funds through grants, projects with other agencies, and private donations. ~~SCOSA~~OSA does not receive property tax revenue.

In FY 12, ~~SCOSA~~OSA received revenue that consisted of 98 percent of benefit assessments, and the remaining two percent from investment income, donations and other revenue sources, as shown in Figure 7-4.

Figure 7-4: ~~SCOSA~~OSA Revenues, FY 12

Type of Revenue	Amount of Revenue	% of Total
Assessments	$ 4,150,932	98.3%
Investment Income	$ 55,680	1.3%
Donations	$ 3,644	0.1%
Other revenues	$ 10,903	0.3%
TOTAL	**$ 4,221,159**	**100.0%**

Source: Audited Financial Statements, FY 12.

Rates

The District charges permit fees for special events held at its preserves that start at $250. ~~SCOSA~~OSA has a management agreement with SCVTA for the management of 548 acres owned by SCVTA on top of Coyote Ridge in south San Jose. The District does not receive a net benefit from managing SCVTA property on Coyote Ridge. Instead, ~~SCOSA~~OSA is reimbursed through an endowment funded by SCVTA for costs incurred for managing the property.

~~SCOSA~~OSA compares itself to other similar agencies and looks for best management practices to set appropriate rates. ~~There is currently no developer dedication requirement, but the District is looking into establishing one.~~

Expenditures

In FY 12, the District's total expenditures amounted to $3.2 million, as depicted in Figure 7-5. Most of the funds were spent on administration (48 percent). The rest of the expenses consisted of land management (29 percent), capital outlays (21 percent) and program expenditures (two percent).

Figure 7-5: ~~SCOSA~~OSA Expenditures, FY 12

Type of Expenditure	Amount	% of Total
Administration	$1,535,048	48%
Program	$64,473	2%
Land management	$934,582	29%
Capital outlays	$672,644	21%
TOTAL	**$ 3,206,747**	**100.0%**

Source: Audited Financial Statements, FY 12.

Capital Outlays

~~SCOSA~~OSA is planning to spend over $5 million on capital expenditures in FY 13. Capital expenditures will include land purchases ($5 million), capital improvements ($75,000) and vehicles ($40,000).

In FY 12, the District spent $672,644 on capital outlays. This included the construction of 1.3 miles of the Sierra Vista Trail, clearing of vegetation and road repair of 5.5 miles of ranch roads to incorporate in the existing multi-use trail system, purchase and installation of a 40 foot fiberglass bridge, purchase and installation of trail signs, park benches, picnic table, and split rail fencing within the Sierra Vista Open Space Preserve. Also included in the capital outlays was an electrical upgrade at the District's Blair barn, located at Rancho Canada del Oro Open Space Preserve, to eliminate safety hazards. Acquisitions featured the purchase of two properties totaling 165.5 acres within the Santa Cruz Mountains adjacent to the Rancho Canada del Oro Open Space Preserve. ~~SCOSA~~OSA also purchased a 2012 Ford Expedition, a second ATV and an ATV transport trailer.

Reserves

The District keeps two financial reserves—unrestricted funds and a benefit assessment reserve. At the end of FY 12, ~~SCOSA~~OSA had a balance of $33,881,487 in its unrestricted fund.

At the end of each fiscal year, the District allocates 20 percent of its actual capital expenditures to the Benefit Assessment District 1~~benefit assessment~~ reserve, as required by the policy established at the time the benefit assessment was approved by the voters. Funds from these reserves are allocated to an account for the purpose of holding the funds until the eligible cities within ~~SCOSA~~OSA's jurisdiction apply for them. The maximum amount available to any city is based on the population of each city and the funds must be used for projects related to natural resources and open space through the District's Urban Open Space Program.

Debt

At the end of FY 12, the District's long-term debt attributed to accrued unused leave time amounted to $64,555.

INFRASTRUCTURE AND FACILITIES

The district office, occupied by the administrative personnel, is under an operating lease. The current lease runs from June 1st, 2013 through June 30th, 2015. The rental expense for FY 12 was $96,991.

The ~~SCOSA~~OSA land management office, occupied by the field personnel, is also under an operating lease. The current lease runs from October 2010 through September 2013. The rental expense for FY 12 was $34,800.

~~SCOSA~~OSA currently owns 12,792 acres of land and manages 19 miles of trails. The two preserves owned and operated by the District are Sierra Vista Open Space Preserve and Rancho Cañada del Oro Open Space Preserve.

Sierra Vista Open Space Preserve is located in the foothills east of the City of San Jose above Alum Rock Park and is comprised of 1,843 acres of oak woodlands, grasslands and chaparral communities. Currently, Sierra Vista Open Space Preserve is accessible through Alum Rock City Park owned and operated by the City of San Jose and via a pedestrian access gate along Sierra Road. The preserve currently does not have vehicle access to parking; Alum Rock Park charges $6 per vehicle on weekends to park in its lot. The preserve provides watershed protection for Penitencia Creek and is home to a number of protected wildlife species, such as the red-legged frog, California tiger salamander, golden eagle, mountain lion, bobcat, and grey fox. Cattle grazing within the preserve is used as a natural resource tool to reduce invasive plants and restore native species. No bathrooms, water sources or parking areas are located within the Sierra Vista Preserve.

Rancho Cañada del Oro Open Space Preserve is located in the east foothills of the Santa Cruz Mountains west of Bailey Avenue and McKean Road in south Santa Clara County. The 4,651-acre preserve was opened to the public in 2004 with the dedication of the Bald Peaks and Longwall Canyon trails which adjoin trails within Calero County Park. In addition to public access the preserve protects the upper watershed of Llagas Creek, rare serpentine rock and grassland habitat, and provides critical habitat for a number of protected wildlife species such as Santa Clara Valley Dudleya, Western pond turtle, foothill yellow-legged frog, numerous raptors and large predators. Cattle grazing is used as a natural resource tool on the property to reduce invasive plant species and increase native vegetation populations.

Construction in 2005 of a paved staging area with a restroom, picnic tables and a gravel lot designed for horse trailers made the preserve's trails more convenient for hikers and equestrians. The addition of the Mayfair Ranch and Catamount trails in 2007 provided a direct connection to the higher-elevation trails that enabled the District to open all Rancho Cañada del Oro trails to mountain bike use. The ADA-approved loop trail opened in 2007, provides a nature experience for visitors with limited mobility. The preserve offers several horse troughs, but no water for human consumption is available.

In addition, ~~SCOSA~~OSA operates multiple trails.

Sierra Vista Open Space Preserve trails include:

- **Boccardo Trail** – The three-mile Boccardo Trail, located in Sierra Vista Open Space Preserve, is frequented by over 13,000 trail users annually. Boccardo Trail is first trail ever opened by ~~SCOSA~~OSA. The trail system totals about 10 miles and is a part of the Bay Area Ridge Trail, a 550-mile regional multi-use trail system planned along the ridge lines that encircle the San Francisco Bay.
- **Sierra Vista Trail** – The two-mile Sierra Vista Trail links the western preserve trails with the eastern preserve trail system. The trail is a part of the Bay Area Ridge Trail.
- **Calaveras Fault Trail** – The 4.5-mile trail runs from the Sierra Vista trail and Sierra Road entrance gate to the Penitencia Creek drainage and up along the adjacent ridge to the vista point with views of the San Jose metropolitan area and the Diablo mountain range.

Rancho Cañada del Oro Open Space Preserve trails are:

- **Llagas Creek Loop Trail** - This paved whole-access trail begins at the parking area. Almost a half-mile long, the trail runs through a meadow that offers birding, deer watching, and a vista of flowers and native grasses under oaks and California walnut trees.
- **Mayfair Ranch Trail** - New in 2007, the 3.1-mile trail begins at the staging area and climbs into oak woodlands and savannas to join the Longwall Canyon Trail. At this point visitors can continue into the preserve on a 4.7-mile loop or return to the staging area along a 1.2-mile route that passes into Calero County Park. Bicyclists are prohibited in the county park.
- **Longwall Canyon Trail** - A steep climb, this two-mile trail provides a picnic table and horse trough at its peak. The summit offers panoramic views of the valley floor, Diablo Range and surrounding ridges. It connects to the Bald Peaks Trail, which continues into the preserve.
- **Bald Peaks Trail** - The one-mile segment of the Bald Peaks Trail within Rancho Cañada del Oro joins the Catamount Trail, allowing bicyclists as well as hikers and equestrians to complete a loop that returns to the preserve's staging area. Bald Peaks Trail also continues into Calero County Park, which is closed to mountain bikes.
- **Catamount Trail** - This 1.7 mile trail has steep and moderate stretches as it rejoins the Longwall Canyon Trail. From that point, it is possible to return to the staging area through the county park or along the Mayfair Ranch Trail. Bicyclists must use the Mayfair Ranch Trail.

~~SCOSA~~OSA also manages and maintains properties that are currently closed to the public, including:

- **Diablo Foothills** – The preserve consists of 822 acres of grassland, mixed oak woodland, chaparral and riparian habitats. Located southwest of Gilroy in the western foothills of the Diablo Range, the preserve protects critical habitat for several rare and threatened species such as the California tiger salamander, California red-legged frog and San Joaquin kit fox.

- **Palassou Ridge** – The preserve consists of 3,447 acres of grassland, mixed oak woodland, mixed confier woodland, chaparral, and riparian habitats including sycamore alluvial riparian habitat. Situated to the east of the City of Gilroy the preserve offers a nexus between Coyote Lake County Park and Henry W. Coe Sate Park providing a continuation of protected land for wildlife travel. In addition, the preserve protects a portion of the Coyote Creek watershed.
- **Coyote Valley** – The preserve consists of 348 acres in South San Jose's Coyote Valley. Located along the western edge of the valley the property protects grassland, mixed oak woodland, chaparral, riparian communities and serpentine grasslands and rock outcroppings. The preserve protects upland habitat of the California tiger salamander known to occur on adjacent properties. ~~SCOSA~~OSA plans on developing a vehicle and equestrian parking area and adjacent four-mile trail in the near future.
- **El Toro** – The preserve consists of 28 acres on the southwestern edge of the City of Morgan Hill. It protects the view shed of El Toro Mountain and provides habitat for multiple wildlife species. Primarily consisting of grasslands and chaparral; the preserve also has a small area of mixed oak woodland.
- **Santa Cruz Mountains properties** – The properties consist of 1,436 acres within the Santa Cruz Mountains southwest of San Jose and protect the watersheds of Uvas, Llagas, and Almaden creeks. Santa Cruz Mountain properties abut various other protected areas and enlarge the total amount of protected wildlife corridors that exist within the mountain range. Future acquisitions in the Santa Cruz Mountains by the District or its partners could link these properties to MROSD's Sierra Azul Open Space Preserve, Santa Clara County's Uvas Canyon, Mt. Madonna, Almaden Quicksilver, and Calero County Parks along with the ~~SCOSA~~OSA's Rancho Cañada del Oro Open Space Preserve creating a continuous link of protected land encompassing over 40,000 acres between SRs 17 and 152.

~~SCOSA~~OSA preserves and trails were reported to be in excellent condition. Preserves and trails are monitored and maintained on a near-daily basis by district staff and volunteers. Staff repair trail damage and remove obstructions as quickly as safety and feasibility allow. Trails are a mix of existing dirt ranch roads typically 10 to 12 feet wide and six foot wide constructed trails. All constructed trail segments have a two percent outslope and a maximum grade of 15 percent with a typical grade of less than six percent. In addition to the dirt trails, the District has one all-access trail comprised of a half-mile paved five foot wide trail. All trails with the exception of the Sierra Vista and Llagas Loop trails are multi-use (hiking / mountain biking / equestrian). The Sierra Vista Trail is open to mountain biking and hiking only. The paved Llagas Loop Trail is open to all mobility devices, hiking and mountain biking.

Infrastructure Needs

~~SCOSA~~OSA's annual work plans outline planned projects by department and describe their purpose, scope, schedule, and budget. Plans include opening a new preserve for public access in South San Jose's Coyote Valley featuring a staging area for vehicle and equestrian parking and a four and a half-mile multiple use dirt trail, a vehicle and equestrian parking area at Sierra Vista Open Space Preserve, and an additional two miles of trails for the Bay

Area Ridge Trail. In addition to public access improvements, the District has also prioritized investment in improvement of several key structures within its preserve system.

As was previously mentioned in the *Financing* section of this report, the District's budget for FY 13 planned for over $5 million in capital outlays, which included land purchases, capital improvements and vehicle upgrades.

~~SCOSA~~OSA is currently engaged in preliminary discussions for several land acquisitions throughout its jurisdiction. These acquisitions would provide the basis for future capital improvements such as parking areas and trails.

Shared Facilities

The District conducts facility sharing with other organizations and agencies through its trails that are connected to other regional and local open space and park facilities. For example, the Boccardo, Sierra Vista and Calaveras Fault trails are a part of the 550-mile Bay Area Ridge regional multi-use trail system planned along the ridge lines that encircle the San Francisco Bay. One of the leads of the Mayfair Ranch Trail is to a 1.2-mile route that passes into Calero County Park. Bald Peaks Trail also continues into Calero County Park. The District reported that some of its planned land acquisitions would enhance these shared trail systems.

Additionally, through its Urban Open Space Program, ~~SCOSA~~OSA provides financing for open space facilities owned by Santa Clara County and participating cities in the District.

DEMAND FOR SERVICES

The three major factors influencing service demand for ~~SCOSA~~OSA are population growth, the range of open space opportunities and amenities offered by the District, and constituent outreach. The wider the range of recreational opportunities, the greater the chance that a resident will find a preferred option, therefore potentially more people would be using the services offered by a district. Similarly, the more constituents are aware of the recreational opportunities the more likely a greater number of people will be using the District's facilities.

As reported by ~~SCOSA~~OSA, its demand for services has been continuously increasing, due to population growth in the Bay Area, more recreational opportunities provided by the District, and more aggressive constituent outreach. The District expects more growth in the future and increased demand, not only for open space recreation services but also for conservation and preservation.

~~SCOSA~~OSA has several trail counters on multiple trails within its preserves along with a vehicle counter at the Ranch Canada del Oro staging area. Through direct observations by the district staff, an adjustment factor has been devised to assist in the estimation of the number of visitors to Rancho Canada del Oro Open Space Preserve. Based upon observed averages, the calculated number of visitors to Rancho Canada del Oro Open Space Preserve in 2012 was 39,992. Trail counters were also installed along Sierra Vista Open Space Preserve in 2012 to help gather visitation data. Year 2013, however, was the first full year for data collection of total number of visitors. Monthly trail data numbers from the same

months over the previous years have shown a steady increase in the number of trail users over the years.

SERVICE ADEQUACY

This section reviews indicators of service adequacy, including open space acreage per 1,000 residents, condition of open space preserves and amenities, operating expenditures per acre of land maintained, acres of land maintained per FTE, number and variety of open space opportunities offered, and challenges to adequate service provision.

The amount of open space acreage available to district residents is one determinant of service adequacy. There are several standards for the amount of open space acreage needed, ranging from three to 10.25 acres of developed open space per 1,000 residents. The National Recreation and Park Association (NRPA) recommends that a municipal park system be composed of at least 6.25 to 10.5 acres of developed open space per 1,000 residents. While this standard is directed at municipal park systems, which implies developed open space, the standard is applicable to open space providers as well, including ~~SCOSA~~OSA. ~~SCOSA~~OSA operates 12,792 acres of open space preserves. The total acreage per 1,000 residents for the open space system in ~~SCOSA~~OSA is 10, which is on the higher end of the above mentioned service standards.[83]

All of the District's preserves and trails were reported to be in excellent condition, as was previously indicated in the *Infrastructure and Facilities* section.

In FY 12, ~~SCOSA~~OSA spent about $198 in operating expenditures per acre of parkland currently open to the public. The NRPA Special Report indicates that during the same period among the agencies throughout the country, that operated more than 3,500 acres and responded to the NRPA survey in 2012, the median agency spent about $3,579 per acre in operating expenses. It should be noted that some agencies surveyed by NRPA had more amenities than ~~SCOSA~~OSA, therefore these agencies had to spend more funds on the operations and maintenance of these additional facilities.

Also in FY 12, the median agency throughout the country that operated more than 3,500 acres and responded to the NRPA survey maintained 95.3 acres per FTE. To compare, ~~SCOSA~~OSA in FY 13, managed 719 acres of land open to the public per FTE. Similar to the expenditures per acre, fewer FTEs are required to operate and maintain lands with fewer amenities and recreational programs.

~~SCOSA~~OSA makes a number of open space opportunities available to the public, including two large-scale open space preserves and multiple trails. The District also offers a number of activities, including guided nature hikes, bike and equestrian rides, photography walks, stargazing sessions, and activities for children. The number and diversity of activities and facilities offered appear to be limited for the large size of the District; however, a large number of regional county parks and city parks operating throughout the ~~SCOSA~~OSA territory, and often sponsored by the District, further satisfy the regional demand. The District has conducted two polls among its constituents. The most recent one

[83] Used for this indicator are the preserves currently open for public use.

conducted in May 2013 revealed that ~~SCOSA~~OSA constituents highly value the District's efforts to safeguard water quality and resources, preserve local family farms and healthy food sources, keep open space areas safe and crime free, and protect natural resources from toxins, pollutants and vandalism.

~~SCOSA~~OSA identified challenges to adequate service provision in its open space preserves. The primary challenge is limited funding. Financing limitations can cause delays in implementing capital improvements and acquisition of land. Because of the downturn in the economy, funding is further constrained by the lack of available grant funds and increased competition for funding.

GOVERNANCE STRUCTURE OPTIONS

During the process of this study, two governance structure options were identified for ~~SCOSA~~OSA: 1) annexation of the City of Gilroy and 2) extending services into neighboring counties.

When the OSA was originally formed in 1993, the City of Gilroy initially joined OSA and then subsequently requested detachment from the District which was approved by LAFCO. ~~As was previously mentioned in the *Agency Overview* section of this report, when SCOSA was originally formed in 1993, the City of Gilroy was the only city within its potential jurisdiction that had not passed a resolution to join the District~~. Currently, Gilroy remains outside of the District's boundaries, but within its sphere of influence. Annexation of the City of Gilroy was identified as a logical next step for ~~SCOSA~~OSA, given that Gilroy is the only city within Santa Clara County that is outside of an open space provider's boundaries and City residents are already benefitting from services offered by ~~SCOSA~~OSA outside of the City's limits.

There are several benefits and challenges to this option. Potential benefits to annexation include the following:

- City residents would no longer be excluded from the District's governing activities.
- ~~SCOSA~~OSA could provide the necessary open space and conservation services to the City, which is one of the fastest growing areas within the County and is anticipated to increasingly require these services.
- The City would be eligible to take part in the District's Urban Open Space Program.
- The District would receive increased revenues for services from which city residents are already benefitting.

There are challenges to annexation that will require efforts on the part of ~~SCOSA~~OSA to secure support from the City Council and city residents.

- City property owners would likely be asked to approve an assessment to finance services offered by ~~SCOSA~~OSA in the area.
- The City has chosen to remain outside of ~~SCOSA~~OSA for 20 years, and a proposed change in policy will be highly scrutinized by the public and elected representatives.

While ~~SCOSA~~OSA is currently working with Gilroy on certain conservation efforts, the District has reported that annexation of the City is not an immediate goal of the District. The District anticipates that the process will take time and effort to identify the proper steps for annexation and secure the necessary support from the City Council and city residents. To initiate annexation, the Gilroy City Council would have to adopt a resolution; the annexation process then must be conducted by LAFCO according to the Cortese-Knox-Hertzberg Act, as outlined in the ~~SCOSA~~OSA enabling act.[84] Levying a special tax or assessment in the annexed territory would require notice, hearing and an election.

While far less likely and feasible in the near term, another governance option considered by ~~SCOSA~~OSA is extending its services into neighboring counties. As elaborated by the District, habitats and watersheds are not limited by jurisdictional boundaries and are better protected and managed in their entirety on a regional scale. One example of an area where the District would like to serve is the Pajaro Watershed, which extends primarily into San Benito County, as well as Santa Cruz, and Monterey counties. However, there are certain constraints outlined in the District's own enabling act that limit the possibility of this scenario. Currently, ~~SCOSA~~OSA's enabling act defines the District's maximum jurisdiction as all areas within Santa Clara County, except those areas of the County presently within the boundaries and sphere of influence of the Midpeninsula Regional Open-Space District.[85] The enabling act also only empowers ~~SCOSA~~OSA to acquire and hold land within its maximum jurisdiction.[86] As the enabling act is currently phrased, the District may not annex territory outside of the County. Therefore, the enabling act must be amended to allow for boundary expansion into other counties. ~~SCOSA~~OSA recognizes that this option is unlikely in the near future, and would require significant effort on the part of the District to change state legislation.

[84] Public Resources Code~~Santa Clara County Open Space Authority Enabling Act~~ §35121(b).

[85] Public Resources Code~~Santa Clara County Open Space Authority Enabling Act~~ §35120.

[86] Public Resources Code~~Santa Clara County Open Space Authority Enabling Act~~ §35152.

SANTA CLARA COUNTY OPEN SPACE AUTHORITY SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- As of 2010, Santa Clara County Open Space Authority (~~SCOSA~~OSA) had approximately 1,272,600 residents, based on 2010 Census data.
- Based on Association of Bay Area Governments (ABAG) growth projections for the area, the average estimated growth for ~~SCOSA~~OSA between 2010 and 2035 is 29 percent; it is anticipated that the District's population will be 1,641,654 by 2035.

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 here, 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. Due to data constraints, these smaller communities cannot be identified at this time.

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

- The three major factors influencing service demand for ~~SCOSA~~OSA are population growth, the range of open space opportunities and amenities offered by the District, and constituent outreach.
- As reported by ~~SCOSA~~OSA, its demand for services has been continuously increasing, due to population growth in the Bay Area, more recreational opportunities provided by the District, and more aggressive constituent outreach. The District expects more growth in the future and increased demand, not only for open space recreation services but also for conservation and preservation.
- ~~SCOSA~~OSA has not yet submitted its budget for FY 14 and audited financial statements for FY 12 to Santa Clara County.
- To plan for its capital improvements, the District started adopting annual work plans in 2011. The District's work plans outline planned projects by department and describe their purpose, scope, schedule, and budget. ~~SCOSA~~OSA has prioritized opening a new preserve for public access in South San Jose's Coyote Valley, a vehicle and equestrian parking area at Sierra Vista Open Space Preserve and an additional

two miles of trails. In addition to public access improvements the District is also planning to invest in improvements to several structures.

- Based on open space acreage per 1,000 residents, condition of open space preserves and amenities, operating expenditures per acre of land maintained, acres of land maintained per FTE, number and variety of open space opportunities offered, and challenges to adequate service provision, the District's provision of services appears to be adequate.

Financial Ability of Agency to Provide Services

- ~~SCOSA~~OSA reported that its financing was marginally adequate to deliver services. The benefit assessment that funds the District does not fully provide for all of the District's financial needs.
- While the economic recession provided some opportunities for acquiring land at reduced rates, the availability of funding to support land protection has greatly declined. As government budgets have declined, there has been an increase in competition for limited public and private funding.
- The new revenue streams being considered by the District are grants, water bonds, transportation measure, cap and trade, contract services, and grazing fees.
- Over the past three fiscal years, revenues exceeded expenditures in two years. District expenditures exceeded revenues in FY 10, due to land management expenditures being higher than usual.
- ~~SCOSA~~OSA is planning to spend over $5 million on capital expenditures in FY 13. Capital improvements will include land purchases ($5 million), capital improvements ($75,000) and vehicle purchases ($40,000).
- The District appropriately maintains funds to finance capital investments and contingencies. The District keeps two financial reserves—unrestricted funds and the benefit assessment reserve. At the end of FY 12, ~~SCOSA~~OSA had a balance of $33,881,487 in its unrestricted fund.

Status and Opportunities for Shared Facilities

- The District practices facility sharing through its trails that are connected to other regional and local open space and park facilities.
- Through its Urban Open Space Program, ~~SCOSA~~OSA provides financing for open space and park facilities owned by Santa Clara County and cities in the District.
- Some of the District's planned land acquisitions will connect to trail systems, such as the Bay Area Ridge Trail and other countywide trail systems.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- The District generally demonstrated accountability and transparency with regard to governance by adopting a mission statement, adopting an annual budget prior to the start of the fiscal year, publishing agendas for public meetings as legally required, filing Form 700 Statement of Economic Interest, completing ethics training by all board members, and by maintaining a website where information is made available to the public.
- ~~SCOSA~~OSA has operating rules and procedures and an employee handbook that provide a framework and direction for district governance and administration. Included in the operating rules and procedures, are policies on code of ethics and conduct, public records requests, and Brown Act requirements as related to the Board open and closed meetings and adoption and distribution of agendas. The District adopted a conflict of interest code, which was last reviewed in 2012.
- Two governance structure alternatives for ~~SCOSA~~OSA were identified—annexation of the City of Gilroy and extension of services into neighboring counties to include the entirety of watersheds. However, it is unlikely that ~~SCOSA~~OSA will expand services into neighboring counties in the near future, given constraints to the District's bounds defined by the State Legislature in its enabling act.

SANTA CLARA COUNTY OPEN SPACE AUTHORITY SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

~~SCOSA~~OSA's SOI is generally coterminous with its boundary, except for the City of Gilroy, which is included in the District's sphere of influence, but excluded from its boundary area.

Recommended Sphere of Influence Boundary

Reaffirming the District's current SOI was the only option identified for ~~SCOSA~~OSA throughout the course of this service review. Given the limitations to the District's bounds defined in its enabling act (described in the *Governance Structure Options* section of this report), growth beyond the District's existing SOI is unlikely. Therefore, in order to reflect the District's current service area and its goal of annexing the City of Gilroy in the future, it is appropriate for the Commission to reaffirm ~~SCOSA~~OSA's current SOI.

Proposed Sphere of Influence Determinations

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

- Santa Clara County Open Space Authority (~~SCOSA~~OSA) owns 12,792 acres of land and has assisted in preserving 3,103 acres of conservation easements and mitigation lands, including open space, parklands, wildlife areas, recreation areas and watershed areas.
- ~~SCOSA~~OSA owns and operates two open space preserves (Rancho Cañada del Oro Open Space Preserve and Sierra Vista Open Space Preserve) and maintains multi-use trails for hikers. The District provides resource management on its lands and operates an Urban Open Space program through which it finances park and open space projects run by the County and the cities in the ~~SCOSA~~OSA boundary area.
- All lands within ~~SCOSA~~OSA are served; however, benefit assessment funds can only be used to provide services to areas and residents that pay benefit assessments. ~~SCOSA~~OSA does not provide services outside of its boundaries.

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

- The District contains a wide range of land uses, from all types of urban uses to large areas of hillside, open space, and agricultural uses.
- Land use plans in the County and its cities include land uses and population growth, which will require continued open space and resource management services.
- Open space services provided by ~~SCOSA~~OSA do not induce or encourage growth, but protect agricultural and open space lands. No negative impacts on agricultural land will occur.

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

- Three major factors influencing service demand for ~~SCOSA~~OSA are population growth, the range of open space opportunities and amenities offered by the District, and constituent outreach.
- ~~SCOSA~~OSA's demand for services has been continuously increasing, due to population growth in the Bay Area, more recreational opportunities provided by the District, and more aggressive constituent outreach. The District expects more growth in the future and increased demand, not only for open space recreation services but also for conservation and preservation services.
- The calculated number of visitors to Rancho Canada del Oro Open Space Preserve in 2012 was 39,992. Monthly trail data numbers from Sierra Vista Open Space Preserve from the same months over previous years has shown a steady increase in the number of trail users over the years.
- The population of the District is anticipated to increase by about 29 percent by 2035. There is present and anticipated continued need for the District's services as the population of the area continues to increase and urban areas continue to grow.

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

- Based on open space acreage per 1,000 residents, condition of open space preserves and amenities, operating expenditures per acre of land maintained, acres of land maintained per FTE, number and variety of open space opportunities offered, and challenges to service provision, it appears that ~~SCOSA~~OSA provides adequate services.
- The District's current revenues are marginally adequate to maintain the existing level of service. Without additional and sustainable sources of funding, the District will lack capacity to maintain current level of service and satisfy future demand.
- ~~SCOSA~~OSA attempts to increase the capacity of its facilities through collaboration and facility sharing with other agencies.
- No significant accountability, administrative, operational, or infrastructure deficiencies were identified. The District generally demonstrated accountability and transparency.
- ~~SCOSA~~OSA has not yet submitted its budget for FY 14 or its audit for FY 12 to the County. ~~SCOSA~~OSA could improve its management practices by submitting budgets and audits to Santa Clara County on time as required by law.
- Multiple infrastructure needs were identified; the District has a schedule and financing plan for these improvements.

Existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency

- ~~SCOSA~~OSA serves the residents of the District and of the entire Bay Area by providing open space and conservation services. All area visitors also benefit from services provided by the District.

8. WEST BAY SANITARY DISTRICT

AGENCY OVERVIEW

West Bay Sanitary District (WBSD) provides sanitary sewer services and solid waste collection services to the City of Menlo Park, portions of the Cities of East Palo Alto and Redwood, the Towns of Atherton, Woodside and Portola Valley, portions of unincorporated south San Mateo County, and several parcels in Santa Clara County near Los Trancos Creek.

WBSD is located primarily within San Mateo County, with minimal territory in Santa Clara County. Based on the assessed value of property within the District in each county, San Mateo LAFCO is the principal LAFCO for the District, and will review and update the sphere of influence for the District. This is not a detailed review of the WBSD's services, as San Mateo LAFCO is responsible for reviewing the District, adopting determinations, and updating the sphere of influence. LAFCO of Santa Clara County will not adopt determinations for this District as part of this service review.[87] WBSD is included in this report to ensure a comprehensive review of wastewater service provided by special districts in Santa Clara County. However, any application for boundary change or change of governance would be processed by San Mateo LAFCO, as the principal LAFCO. Santa Clara LAFCO last conducted a service review on WBSD in 2007. San Mateo LAFCO last completed a detailed service review on WBSD in 2009. San Mateo LAFCO's service review was used as the foundation for the content in this chapter, with certain updates.

The District was established in 1902 pursuant to a petition signed by residents requesting the formation of a sanitary district. The District was first known as Menlo Park Sanitary District. It was formed to perform a variety of public health functions including animal control, meat inspection, licensing of plumbers and garbage services in addition to sewage collection. Over time several functions were taken over by other agencies and the District's boundaries expanded with urbanization.

The principal act that governs the District is the Sanitary District Act of 1923.[88] 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.[89] 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.[90]

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[87] Assessed value of property within the District in FY 10-11 in Santa Clara and San Benito Counties was $16.9 million and $124.3 million, respectively.

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

[89] California Health & Safety Code §6512.

[90] Government Code §56824.10.

Boundaries

A large majority of the District is located within San Mateo County; however, a small portion of the District and a few customers (19 parcels) are located within unincorporated areas of northwestern Santa Clara County. The District's boundary within Santa Clara County is located within and adjacent to the northwest boundary of Palo Alto's SOI, along the San Mateo County line, and encompasses approximately 0.1 square miles.

Sphere of Influence

The sphere of influence for WBSD includes its current boundaries plus additional territory, including Portola Valley and Town of Woodside and the service area of East Palo Alto Sanitary District. The District's SOI within Santa Clara County extends outside of its bounds in a small area (12 parcels) in the northern portion of the District within Santa Clara County.

During the most recent SOI update for WBSD, San Mateo LAFCO reaffirmed the SOI as it was adopted in 1985, based on the absence of significant changes since the sphere was adopted that merited amendment to the sphere of influence.

Type and Extent of Services

Services Provided

WBSD provides sewage collection as a direct service and sewage treatment via membership in the South Bayside System Authority (SBSA), as well as garbage collection in certain unincorporated areas within district boundaries through a franchise with Allied Waste as a member of the South Bayside Waste Management Authority (SBWMA).

WBSD owns, operates and maintains the wastewater collection system (including wastewater mains, pumps, and a storage system) within its bounds. Along with the Cities of Redwood City, San Carlos and Belmont, the District is a member of the SBSA for sewage treatment in which member agencies share the cost of operating a regional sewage treatment plant.

The District is responsible for solid waste collection and disposal in certain unincorporated areas within district boundaries, including Ladera, West Menlo and Park, Menlo Oaks. This service in not provided in Santa Clara County. Basic services include weekly garbage collection, every other week recycling and two annual on-call bulky pickups per household. Each jurisdiction sets the level and range of services including size of container, curbside versus yard pick up, etc. The District is a member of SBWMA, which currently contracts with Recology for solid waste collection. SBWMA is a joint powers agreement consisting of the County of San Mateo, ten cities and WBSD. The joint powers authority (JPA) was formed in 1982 to issue bonds to purchase the Shoreway Disposal and Recycling Center in San Carlos. The JPA provides for recycling and solid waste management planning and program implementation, including negotiating contracts for collection services and facility operating contracts. The District has been in negotiations to have San Mateo County take on the garbage franchise and WBSD has filed a notice of withdrawal to

SBWMA. Transfer of a service to another provider is considered "divestiture of service" and requires an application to San Mateo LAFCO pursuant to Government Code §56824.10.

Service Area

WBSD's service area includes the City of Menlo Park, portions of the Cities of East Palo Alto and Redwood, the Towns of Atherton, Woodside and Portola Valley, portions of unincorporated south San Mateo County, and several parcels in Santa Clara County. Within Santa Clara County, the District's bounds extend from Los Trancos Road in the south to just south of Arastadero Road in the north. All parcels within the District's bounds in Santa Clara County receive wastewater services from the District. There are several parcels that are within the District's SOI that rely on private septic systems or are undeveloped. As these private septic systems fail or property is proposed for development, the parcels are annexed into the District and the parcel is connected to WBSD's wastewater collection system.

Service to Other Agencies

WBSD does not provide contract services to other agencies.

Contracts for Services

As previously mentioned, WBSD receives wastewater treatment services from SBSA and solid waste management from SBWMA.

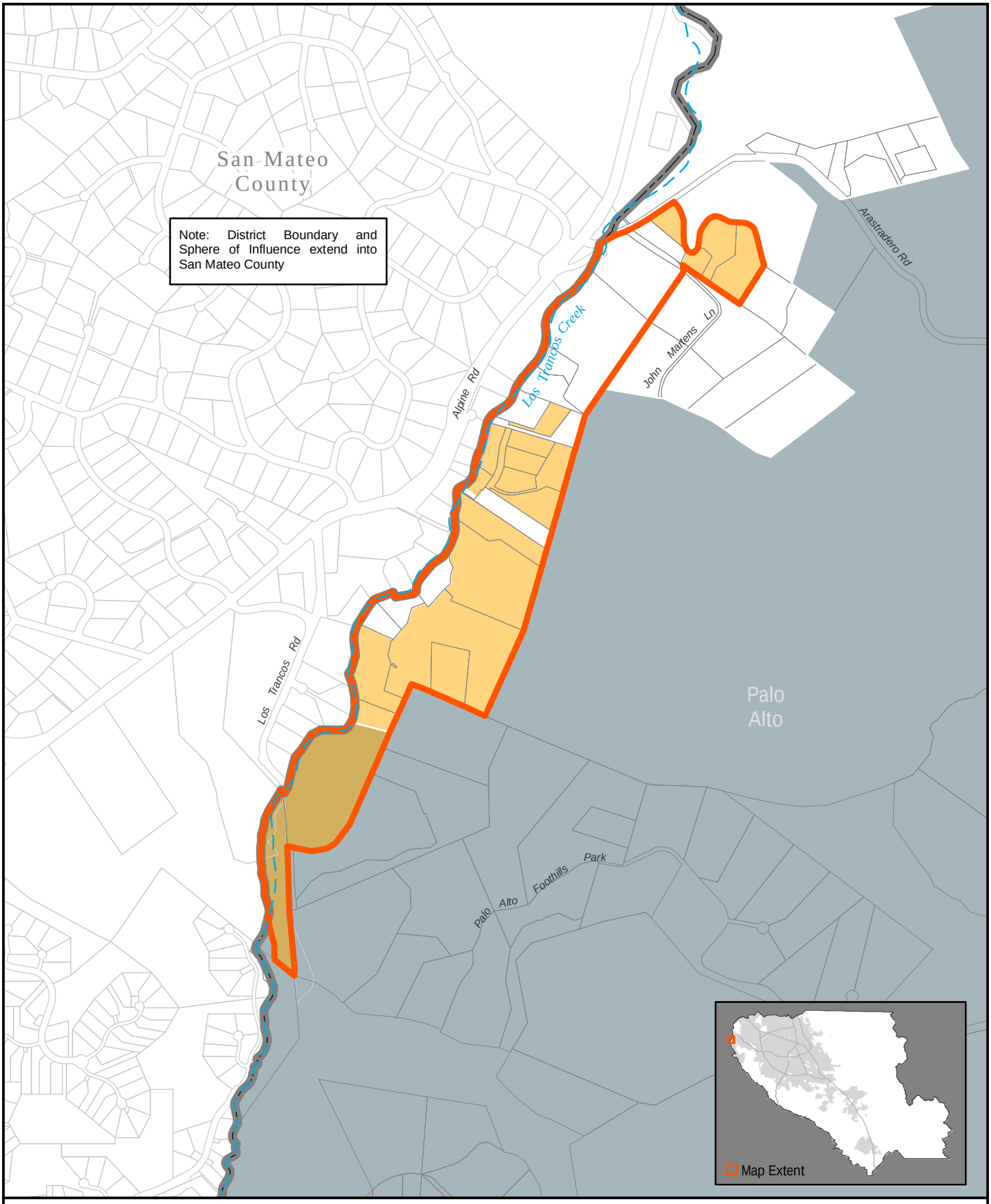
Collaboration

In addition to the two JPAs from which the District receives services, WBSD is a member of several collaborative associations, including the California Water Environment Association, Bay Area Clean Water Association, California Association of Sanitary Agencies, and California Special Districts Association.

Overlapping and Neighboring Service Providers

There are no other agencies providing duplicative wastewater services within WBSD's bounds; however, the District is adjacent to and extends into the City of Palo Alto, which provides its own wastewater services. On the one developed parcel were WBSD overlaps with the City, WBSD provides wastewater collection services, as the parcel is remote from city wastewater infrastructure.

In unincorporated areas in WBSD within Santa Clara County solid waste services are provided by Recology South Bay through a franchise agreement with the County. For the few parcels that are within both WBSD and the City of Palo Alto, solid waste collection is provided by the private company Green Waste through a contract with the City.



West Bay Sanitary District

- West Bay Sanitary District SOI
- West Bay Sanitary District
- Parcels
- Incorporated Areas

0 250 500 750
Feet

LAFCO
Local Agency Formation Commission of Santa Clara County

June 2013

This map created by the Santa Clara County Planning Office. The G.I.S data was compiled from various sources. While deemed reliable, the Planning Office assumes no liability. 7/1/2013 11:49:49 AM Y:\Projects\LAFCO\Projects\LAFCO_West_Bay_Sanitary_District.mxd

ACCOUNTABILITY AND GOVERNANCE

WBSD is governed by a five-member Board, elected at large, to four-year terms. The current member names, positions, and term expiration dates are show in Figure 8-2.

Figure 8-2: WBSD Governing Body

West Bay Sanitary District					
District Contact Information					
Contact:	Phil Scott, District Manager				
Address:	500 Laurel Street Menlo Park, CA 94025				
Telephone:	650-332-0384				
Website:	www.westbaysanitary.org				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Ronald Shepherd	President	1999	December 2015	Elected	4 years
David Walker	Secretary	1999	December 2015	Elected	4 years
Fran Dehn	Director	2008	December 2015	Elected	4 years
Edward P. Moritz	Director	2009	December 2013	Elected	4 years
Roy Thiele-Sardina	Director	2011	December 2013	Appointed	4 years
Meetings					
Date/Time:	Second and fourth Wednesday of the month at 7:00 pm.				
Location:	District Office				
Agenda Distribution:	Agendas are posted at the city hall, library, district office, and website				
Minutes Distribution:	Website				

The district Board meets every second and fourth Wednesday of the month. The regular meetings begin at 7:00 pm in the district office. Directors receive a $155 stipend per Board or State Association meeting, not to exceed $930 per month. 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. The WBSD Board last conducted ethics training in 2012. WBSD has an adopted policy on expense reimbursements as part of its General Rules of Office. 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.[91] WBSD was able to provide this list of reimbursements for FY 12.

The Board of Directors' meeting agendas and minutes are posted at various city halls, libraries, the district office and on the District's website. Agendas are posted 72 hours prior to every Board meeting. The District conducts constituent outreach in addition to

[91] Government Code 53065.5

legally required agenda posting via an annual newsletter in the Almanac newspaper, brochures, Chamber of Commerce advertisements, press releases, and its website. The District maintains a website that includes general information, governing board membership, budget, fees and regulations and master plans. During San Mateo LAFCo's last service review the District was encouraged to include on the district website the current and prior year budgets, previous two audited financial statements, and the LAFCo municipal service review. The District has added its last three financial audits to the site since then. The District does not keep budgets from previous years on its website, but has posted a link to the San Mateo LAFCo website where the previous service review is made available.

Complaints may be submitted by phone, in person, email, post, comments at board meetings, and customer service surveys. Most complaints are regarding sewer laterals, for which the property owner is responsible. The personnel responsible for handling a complaint to resolution may be administrative staff, management personnel or the operations superintendent depending on the nature of the complaint.

The District has adopted General Rules of Office which guide the efforts of the Board. Included in the rules are policies on code of ethics and conduct, conflicts of interest, and a general mention that individual board members must comply with Brown Act requirements. The District does not have a policy specific to public records requests.

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 WBSD Directors have submitted the required Form 700 for 2013.

MANAGEMENT AND STAFFING

The District has 25 full-time employees, including seven in administration and 18 in Collections and Operations. The district manager, who reports to the Board of Directors, is responsible for the day-to-day operations of the District. WBSD contracts for engineering and legal counsel services.

Additionally, WBSD 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 Section §53891.

WBSD has adopted a mission statement, goals, objectives, and performance measures. Other documents that the District uses to guide efforts and services include its Sanitary Sewer Master Plan, a 10-year capital improvement plan, annual performance measurement reports, regular customer service surveys, and the annually adopted budget. The District has adopted a budget for FY 13, which is available on its website. The District holds a budget workshop prior to adopting its budget annually. The District is also in the process of developing a strategic plan.

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

District has submitted its budget for FY 12-13 to the County, as reported by the San Mateo County Auditor's Office.

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.[92] In the case of WBSD, the District must submit audits annually. The District has submitted its audit for FY 12 to the County as required.

POPULATION AND PROJECTED GROWTH

Land Uses

Land use in district boundaries is varied and the under the jurisdiction of the Cities of Menlo Park, Atherton, and East Palo Alto, the Town of Portola Valley, the Town of Woodside and the Counties of San Mateo and Santa Clara. Land use consists primarily of residential, commercial, and institutional uses.

Current Population

The District estimates that there are approximately 52,900 residents within it boundaries in both San Mateo and Santa Clara counties. Based on 2010 Census data, the District's population in Santa Clara County as of 2010 was 35.

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.[93]

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.[94] DWR did not identify any disadvantaged communities within Santa Clara County.[95]

[92] Government Code §26909.

[93] Government Code §56033.5.

[94] 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.

[95] 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.

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

In regard to growth projections, based on population estimates for territory in district boundaries and ABAG projected growth for these jurisdictions, WBSD is projected to grow by 16 percent or 61,364 persons by 2035.

The District makes projections for future growth needs in its master plan. The District anticipates that growth will be limited and have a minimal effect on demand for services in the foreseeable future. The potential for growth is largely concentrated in the Portola Valley area.

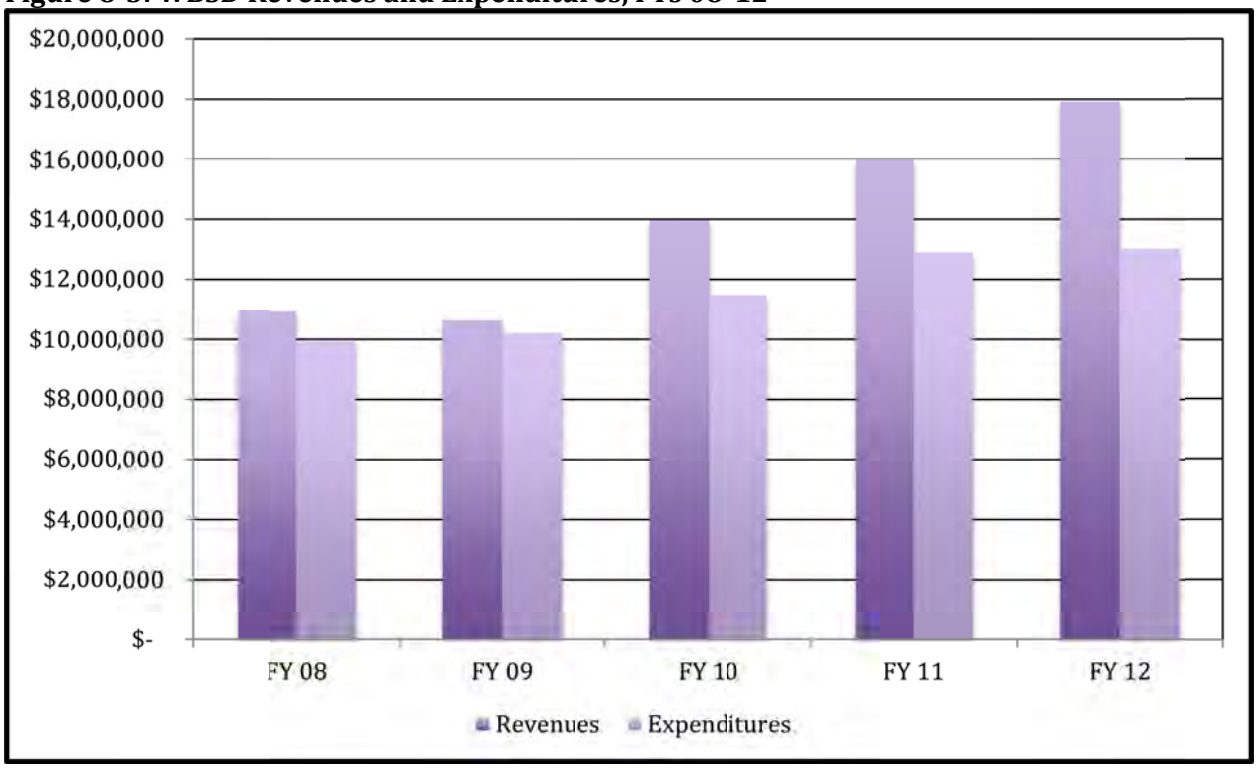
FINANCING

Financial Adequacy

WBSD reported that current financing levels are sufficient to provide an adequate level of services; however, the District continues to look for cost savings. Most recently, the District has reduced pension liability through negotiations.

As shown in Figure 8-3, in each of the past five fiscal years total revenues exceeded total expenditures (including depreciation). Both revenues and expenditures have steadily increased over the last five years. Revenues have outpaced the increase in expenditures during that time period.

Figure 8-3: WBSD 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 $17.9 million in total revenue as depicted in Figure 8-4. The District's revenue sources consist primarily of charges for service (94 percent) and revenue from the SBSA (five percent). Interest income, fees for services, and miscellaneous sources consisted of one percent of total district revenues. WBSD does not receive revenue from property taxes.

Figure 8-4: WBSD Revenues, FY 12[96]

Type of Revenue	Amount of Revenue	% of Total
Charges for Service	$16,755,017	93.5%
SBSA Payments	$862,056	4.8%
Other Fees for Service	$78,989	0.4%
Flow Equalization Uses	$43,560	0.2%
Investment Income	$98,146	0.5%
Other Income	$90,173	0.5%
TOTAL	**$17,927,941**	**100.0%**

Source: Comprehensive Annual Financial Report, FY 12.

[96] Operating revenue and general revenue sources include business-type activities and governmental activities.

Rates

Operating as an enterprise district, WBSD's primary revenue source is charges for service. As cited in the District's "Code of General Regulations", the purpose of the sewer service charge is to raise revenue for the costs of maintenance, operation, construction, and reconstruction of the District's wastewater facilities used for the collection, conveyance, treatment, and disposal of wastewater, including the District's share of the cost of construction, operation, and maintenance of the South Bayside System Authority wastewater facilities, and for other expenditures deemed necessary by the District's Board in order to conduct the business of the District.

Sewer service charges include a flat rate for the residential customers and a unit cost per hundred cubic feet for non-residential customers, computed to reflect costs of collection, treatment and disposal of sewage. The residential customer flat rate charge is the minimum charge levied on nonresidential sewer customers. Sewer charges are reviewed and adopted by the Board annually. Single family residential rates are $62.67 per month for FY 12-13. The Board has approved an increase in FY 13-14 to $68.33 per month. Commercial connections pay between $6.82 and $8.70 per 100 cubic feet depending on the use of the connection. As of July 1, 2013, these rates will increase to between $7.44 and $9.49 per 100 cubic feet.

Future charges will be impacted by the SBSA $390 million ten-year capital improvement plan that is being funded by sale of revenue bonds with bond financing passed through to member agencies. To repay the financing sources for this plan, it will be necessary to substantially increase wastewater treatment fees resulting in increased sewer service charges. The ownership percentage for SBSA member agencies was established based on flow capacity purchased when the plant was established with WBSD contributing 23.7 percent; however, in 2012, the SBSA JPA commission approved a resolution that would increase the District's cost allocation for future capital improvement projects from 23.70 percent to 26.84 percent. Additionally, beginning in FY 10, the District accelerated a system wide rehabilitation and replacement of the sewer lines. The District's goal is to proactively replace the entire 200-mile sewer system before it reaches the end of its useful life. The District most recently conducted a long-term rate study in FY 13 to ensure that rates are set at a level to cover these anticipated significant costs. Annual rate increases will be necessary to cover these costs over the next eight fiscal years. WBSD projects a nine percent annual increase through FY 17, a four percent increase in FYs 18 and 19, and a three percent increase in FYs 20 and 21.

With regard to solid waste collection, the District establishes rates based on an annual rate application study prepared for SBWMA by a consulting firm. Rate increases adopted by the WBSD board are subject to noticing and public hearing prior to adoption. Rates for customers of SBWMA member agencies vary in each jurisdiction based on level of service (number and size of containers, curbside versus non-curbside pick up) and franchise fees charged by the jurisdiction. WBSD receives a franchise fee that is intended to cover the cost of district staff and a board member attending monthly SBWMA meetings, public WBSD hearings and notices on garbage rate adjustments and accounting. During the last service review, San Mateo LAFCo recommended that WBSD study the cost of administering the franchise, including district staff and a board member attending monthly SBWMA

meetings, public hearings and notices on garbage rate adjustments and accounting to assure that the franchise fee is adequate to cover the cost of administering the contract service and that district garbage rates adequately recover costs. During the time agencies were executing new agreements with Recology (2010), SBWMA recommended agencies charge a five percent franchise fee to cover expenses related to administering the franchise. WBSD adopted a six percent franchise fee to cover administrative costs (five percent) and establish a Rate Stabilization Fund (one percent). This franchise fee has been reportedly more adequate in meeting the needs of the District than the previous $5,000 per year franchise fee provided for in the old agreement.

Expenditures

In FY 12, the District's total expenditures amounted to $13 million, as depicted in Figure 8-5. Primary expenditures of the District consisted of Payments to SBSA for treatment (51.6 percent) and sewage collection and general administration (39.5 percent).

Figure 8-5: WBSD Expenditures FY 2012[97]

Type of Expenditure	Amount	% of Total
Payments to SBSA	$6,721,527	51.6%
Sewage Collection and Admin	$5,148,418	39.5%
Depreciation	$945,733	7.3%
Other	$205,785	1.6%
TOTAL	**$13,021,463**	**100.0%**

Source: Comprehensive Annual Financial Report, FY 12.

Capital Outlays

The District has adopted a capital improvement plan with a 10-year planning horizon. The plan is updated annually based on the District's master plan, CCTV condition assessment, and maintenance history.

The District is also responsible for a proportionate share of capital improvements at the SBSA treatment plant.

Reserves

The District maintains four separate reserve funds—general fund operating reserve, emergency capital reserve, capital project reserve, and a solid waste rate stabilization reserve. While there is not a board adopted reserve policy, the District's practice is to adopt a general fund operating reserve equal to five months of the operations expenditure budget and the budget for SBSA operations. Additionally, the target reserves for the emergency capital reserve and capital project reserves are $5 million and $3.5 million, respectively. At the end of FY 12, the District had a total of $6.2 million in the four reserve funds.

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

Debt

The District has a pay-as-you-go financing policy, with new connections paying the cost of extending infrastructure and fees funding the cost of maintenance and improvements. The District therefore has no long-term debt.

As a member of the JPA the District is liable for its share of SBSA operating and capital expenses. For the year ending June 30, 2012, the District's share was approximately 24 percent. For FY 11-12 the District's share of SBSA bond indebtedness totaled $1,148,483, which was in line with the bond expense for the prior year.

INFRASTRUCTURE AND FACILITIES

District-owned and maintained infrastructure includes the district office, 207 miles of sewer mains, 12 pump stations, flow equalization facilities, and related maintenance equipment and vehicles.

The District office located at 500 Laurel Street in Menlo Park. It was recently rebuilt and is considered to be in excellent condition.

The District built its first sewage treatment plant in 1952 and in 1982 the SBSA assumed sewage treatment responsibility for southern San Mateo County sewer agencies, including WBSD and the cities of Redwood City, San Carlos and Belmont. All wastewater collected within the District is transported via main line trunk sewers to the District's Menlo Park Pumping Station located at the entrance to Bayfront Park and from there to the SBSA Regional Treatment Plant in Redwood Shores.

As reported in the WBSD master plan, WBSD has treatment rights of 6.6 million gallons per day (mgd) of average dry weather flow and 14.4 mgd of peak wet weather flow at the SBSA plant. The average dry weather flow as reported by SBSA for WBSD was approximately 4.5 mgd or 68 percent of the District's capacity rights. WBSD's flow stabilization facility, with a storage capacity of 9.2-million gallons, is used when wastewater storage is needed for either the District or SBSA.

Infrastructure Needs

More than half of the District's sewer lines are in excess of 50 years old. These older lines often experience heavy root intrusion, corrosion, and local failures. Gaps in the pipeline system admit groundwater during wet weather; this additional water floods the system and, if severe, could result in overflows from the existing system manholes. This additional water also increases the flows that need treatment at the SBSA treatment plant. Beginning in FY 10, the District has accelerated a system wide rehabilitation and replacement. The District's goal is to replace the entire system before it reaches the end of its useful life. The estimated cost of this pipeline replacement program is $3.5 million annually.

SBSA has begun a significant program to plan, design, and construct over $390 million in capital improvement projects. Based on the District's share of wastewater flows to the SBSA facility, WBSD must pay interest on approximately $65 million in loans secured by

SBSA for current project work. In addition, the District will be required to pay over $94 million in SBSA-related costs over the next decade. These projects replace aging facilities and enable the treatment plan to meet more stringent wastewater permit requirements.

Shared Facilities

The Sewer District practices cost avoidance and shared facilities through participation as a member agency in the SBSA treatment plant. The District also shares costs by participating in SBWMA, which owns the Shoreway Disposal and Recycling Center.

DEMAND FOR SERVICES

Wastewater Collection

The District provides sewer service to approximately 18,380 residential connections and 625 commercial connections. The District has added new service connections primarily in the Portola valley area in recent years.

The District's average daily flow over the last four years is shown in Figure 8-6. Has been slowly declining. The flow in 2009 is unknown as the District's flow meters were found to be faulty and were subsequently replaced.

Figure 8-6: WBSD Average Daily Flow (mgd), 2009-2012

Service Level	2009	2010	2011	2012
Average Daily Flow	Unknown	3.75	3.42	3.3

Source: Reported by WBSD

Solid Waste

Solid waste services are provided to approximately 2,000 customers.

In 2012, a total of 5,551 tons of waste were collected within the District. Of that amount, 1,730 tons were disposed of in landfills and 3,821 tons were diverted, which is equivalent to a 68 percent diversion rate.

9. WEST VALLEY SANITATION DISTRICT

AGENCY OVERVIEW

West Valley Sanitation District (WVSD) provides sewer collection services for the City of Campbell, Town of Los Gatos, City of Monte Sereno, a portion of the City of Saratoga, and some unincorporated territory to the west of these cities. The District contracts with the San Jose-Santa Clara Regional Wastewater Facility for wastewater treatment and disposal. WVSD also provides contract stormwater management and storm drain maintenance services to the Town of Los Gatos and cities of Saratoga, Monte Sereno, and Campbell. Santa Clara LAFCO last conducted a service review covering WVSD in 2007.

The District was formed in 1948 as County Sanitation District Number 4 of Santa Clara County. In 1988, the District changed its name to West Valley Sanitation District to reflect its geographical service area.

The principal act that governs the District is the County Sanitation District Act.[98] The principal act empowers the District to own, control, manage, and dispose of any interest in real or personal property necessary or convenient for the construction, maintenance, and operation of a sewerage system and sewage disposal or treatment plant, or a refuse transfer or disposal system, or both and to acquire, construct, and complete sewage collection, treatment and disposal works, and refuse transfer or disposal.[99] 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.[100]

Boundaries

The District's bounds encompass the City of Campbell, Town of Los Gatos, City of Monte Sereno, a portion of the City of Saratoga, and unincorporated areas to the west of these cities. The District's existing bounds consist of approximately 28.2 square miles.

Since the last service review was conducted for WVSD, the District has completed eight annexations to expand its territory, two of which also included sphere of influence amendments. The annexations are outlined in Figure 9-1.

[98] California Health & Safety Code, Div. 5, Pt. 3, §§ 4700-4858.

[99] California Health & Safety Code §§ 4738-4767.5.

[100] Government Code §56824.10.

Figure 9-1: WVSD Boundary Changes, 2007 to 2013.

Name	Date	Acreage
WVSD 2008-1 (Canon Drive)	7/11/2008	32.4
WVSD 2008-03 (Forrester Road)	2/11/2009	1.82
WVSD SOI Amendment & Annexation 2008-02 (Overlook Road)	3/18/2009	50.13
WVSD 2009-1 (Cerro Vista Drive)	11/2/2009	1.006
WVSD 2009-02	11/10/2010	1.942
WVSD 2011-01 (Quarry Road)	6/7/2011	0.577
WVSD 2012-02 (Mireval Road)	8/23/2012	3.329
WVSD SOI Amendment 2012-01 (Central Park), County Library Service Area 2012-01 (Central Park)	11/21/2012	24.29

Source: As reported by Santa Clara LAFCO

Sphere of Influence

Following the last service review in 2007, Santa Clara LAFCO updated WVSD's SOI to include two areas already within WVSD's bounds and receiving service, which were anticipated to continue receiving services in the future. Subsequent to the update, the District's SOI was amended on two occasions in conjunction with annexations in 2009 and 2012.

As WVSD's SOI presently exists, it includes large areas of unincorporated and undeveloped areas outside of the District's bounds to the south and southwest. To the east and north, district lands include unincorporated island areas within the City of San Jose that are located beyond the District's SOI. For the most part, the District's SOI is coterminous with the SOIs of the cities that it serves, with the exception of the northwestern portion of the City of Saratoga.

Type and Extent of Services

Services Provided

WVSD provides wastewater collection services to the cities of Campbell, Monte Sereno, Los Gatos, two thirds of Saratoga, and the intervening unincorporated areas of Santa Clara County. The District owns, operates, and maintains 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 and into South San Francisco Bay.

Additionally, in order to conserve and protect the District's sanitary sewer system from the burden placed on it by the increasing flow of untreated non-point source pollution and to assist the cities of Campbell, Saratoga, Monte Sereno and Los Gatos in regulating and managing their respective storm sewer systems, WVSD also provides contract stormwater management and storm drain maintenance services to these municipalities. These services are provided through a memorandum of understanding (MOU), which was established in 2012, and formal agreements with each of the cities. The District acts as the fiscal and

administrative agent for the member agencies of the MOU. Annual storm drain maintenance services include inspection of all storm drain structures, cleaning and removal of debris as needed, data collection, annual reporting of findings, mapping and responding to City requests for emergency assistance. These services are described in more detail in the *Services to Other Agencies* section below.

Service Area

With regard to wastewater services, WVSD serves only areas within its bounds, and does not presently provide these services outside of its bounds. WVSD reported that there is occasionally interest from hillside residents—located just outside the District's bounds—in connecting to the district wastewater system; however, WVSD has a policy requiring property outside the District to annex prior to connection to its sewer system.[101] Additionally, in 1995, the District adopted a policy to promote cooperation with the land use policies of local municipalities, by requiring annexation to the respective city prior to annexation to the District for any areas outside the Urban Service Area.[102]

There are some pockets of territory within WVSD that are not connected to the district wastewater system, as the areas rely on private septic tanks, particularly in the hillside areas and some unincorporated county pockets. These properties are required to connect to the district system when owners apply for building permits when an approved sanitary sewer system is available, or when the property is within 300 feet of an approved available sanitary sewer.

Contract stormwater services are provided to the cities of Campbell, Saratoga, and Monte Sereno, and the Town of Los Gatos. WVSD serves the entirety of the City of Saratoga—a portion of which lies outside of the District's bounds.

Services to Other Agencies

As previously mentioned, WVSD provides contract stormwater management and storm drain maintenance services to the cities within its bounds. Management services are provided through an MOU between the member agencies, while maintenance services are provided through agreements with each of the municipalities. These agreements are described here.

West Valley Clean Water Program

In September 1994, the Town of Los Gatos, and Cities of Saratoga, Campbell, and Monte Sereno and WVSD entered into an agreement through an MOU to coordinate stormwater pollution control and management efforts for the municipal entities through the West

[101] WVSD Ordinance Code 7.020 Annexation Required For Connection of Property Outside District.

[102] Board meeting minutes, March 8, 1995. "Any extension of district boundaries by annexation outside any city's urban service area be restricted so that such annexation can only occur subsequent to or simultaneously with annexation of the same area to a municipality with the nearest adjacent sphere of influence boundary. Further, there will be no provision of sanitation service by WVSD to any area outside any city's urban service area without annexation of the same area to the municipality with the nearest adjacent sphere of influence boundary."

Valley Clean Water Program (WVCWP). The 1994 MOU that established the basis for this multi-agency coordination through the WVCWP terminated in June 2012.

The cities are subject to continuing regulations for the control and management of stormwater pollution under a series of National Pollution Discharge Elimination System (NPDES) permit requirements issued by the San Francisco Bay Regional Water Quality Control Board (RWQCB). A desire to continue this multi-agency coordination through the WVCWP and establish WVSD as the fiscal and administrative agent resulted in the 2012 MOU.

Storm Drain Maintenance Program

Beginning with the execution of the current agreement on July 1, 2012, the contract term for the Town of Los Gatos is renewable every other year up to three times and expires June 30, 2020, while the contract term for the other cities is renewable every fifth year up to three times and expires June 30, 2032. The exact scope of services to be provided is defined in these agreements, as well as the estimated annual costs that are to be reimbursed to the District.

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. WVSD originally began receiving these services in 1959. The contract for services was renewed in 1982 and expires in 2031. The agreement establishes capacity rights and obligations for the operation and maintenance 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. According to the agreement, as areas are annexed into either city, these areas are detached from WVSD and the infrastructure and associated capacity at the treatment plant are transferred to the City. Currently, WVSD continues to pay the debt payment to the cities for those annexed areas, even upon transfer of related capacity at the treatment plant, where improvements and expansion were financed by the debt in question. Additionally, while admittedly not a common occurrence, the agreement does not define reciprocal arrangements for how treatment capacity and associated debt should be transferred if areas are reversely annexed into WVSD and detached from the City. Finally, the extent of the District's capital obligations with regard to master plan improvements at the plant are not fully described and are outdated.

Collaboration

WVSD collaborates and partners with several agencies in providing services. Additionally, the District is a member of several associations which promote information sharing and continued tracking of current trends and practices. WVSD and the City of San Jose share a portion of their sewer systems and lines that convey wastewater to the treatment plant. The two agencies have developed 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. The current agreement went into effect in July 2000 and will expire in June 2020.

WVSD is a member of the Treatment Plant Advisory Committee that oversees South Bay Water Recycling (SBWR) in conjunction with the Cities of San Jose, Milpitas and Santa Clara, and Cupertino Sanitary District. In 1998, the facility and pipeline was constructed to provide 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.

WVSD is a member of the County of Santa Clara Bay Area Employee Relations Service (BAERS), which provides classification, benefits and compensation data and related policies to members and allows members to share information to aid in labor negotiations, classification studies, and compensation and benefit policy reviews.

The District is a member of a pooled liability program through the California Sanitation Risk Management Authority (CSRMA), which provides broad coverage and risk management services to its members.

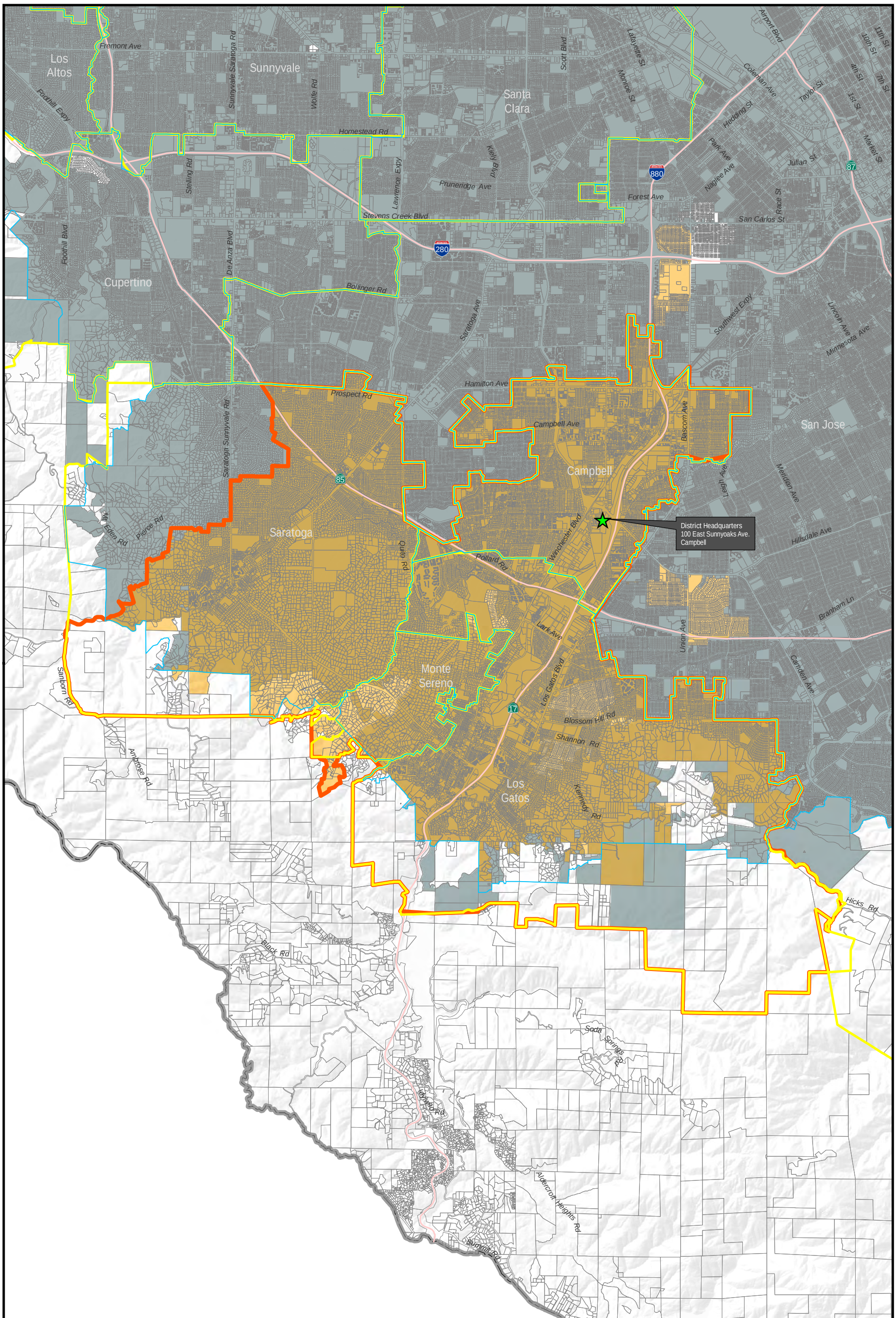
The District participates in the Water/Wastewater Multi-Agency Coordination (MAC) Group (a part of the California Water/Wastewater Agency Response Network MAC group) to establish a Santa Clara County response plan for regional emergencies.

The District is also a member of the following organizations and associations: American Public Works Association (APWA), American Society of Civil Engineers (PE's) (ASCE), Bay Area Clean Water Agencies (BACWA), Bay Work, California Association of Sanitation Agencies (CASA), California Water Environment Association (CWEA), California Special Districts Association (CSDA), Santa Clara County Special Districts Association, California Society of Municipal Finance Officers (CSMFO), California Alliance for Sewer System Excellence (CASSE), Campbell Chamber of Commerce, Northern California Pipe Users Group (PUG), National Association of Sewer Service Companies (NASSCO), North American Society of Trenchless Technology (NASTT), Water Environment Association (WEF), and Water Environment Research Foundation (WERF).

Overlapping and Neighboring Service Providers

Services are not duplicated by other providers within WVSD's bounds. As neighboring cities annex territory within the District, the area is detached from WVSD and the annexing city takes on the wastewater collection infrastructure in the area.

While the County is responsible for stormwater services in the unincorporated areas within the District, WVSD's stormwater services are limited to the cities within its bounds and does not provide these services in the unincorporated areas.



West Valley Sanitation District

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

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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 of Directors, comprised of one member from each of the four cities served by the District and a County Supervisor. The members representing the cities are also members of their respective city councils. Each member serves a one-year term. The members of the Board can be reappointed by their respective jurisdiction depending on the Board's rotation schedule. The current member names, positions, and term expiration dates are shown in Figure 9-3.

Figure 9-3: WVSD Governing Body

West Valley Sanitation District					
District Contact Information					
Contact:	Jon Newby, District Manager				
Address:	100 East Sunnyoaks Avenue, Campbell, California				
Telephone:	408-378-2407				
Website:	http://www.westvalleysan.org/				
Board of Directors					
Member Name	**Position**	**Began Serving**	**Term Expires**	**Manner of Selection**	**Length of Term**
Ken Yeager	Chair, County of Santa Clara	2007	12/2013	Appointed	1 year
Evan Low	Vice Chair, City of Campbell	2011	12/2013	Appointed	1 year
Chuck Page	City of Saratoga	2007	12/2013	Appointed	1 year
Marshall Anstandig	City of Monte Sereno	2013	12/2013	Appointed	1 year
Steven Leonardis	Town of Los Gatos	2013	12/2013	Appointed	1 year
Meetings					
Date/Time:	2nd and 4th Wednesday of each month at 6:00 pm.				
Location:	District Office located at 100 East Sunnyoaks Avenue in Campbell				
Agenda Distribution:	Agendas are posted online and in the District's front lobby the Friday before meetings.				
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.				

Board meetings are scheduled on the second and fourth Wednesday of the month, at 6 pm unless the Board adopts an alternate schedule. These Board meetings are held in the district office and are open to the public. Directors receive a $150 stipend per meeting day, not to exceed $900 per month, for attending board meetings, committee meetings, or ad-hoc meetings. 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. The District conducts expense reimbursements according to its administrative code. All members of the Board of Directors are elected representatives of other jurisdictions; consequently, the required ethics training is provided by the representative's respective agency. 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.[103] WVSD provides a list of reimbursements for the prior month in each of its agendas, which are posted online.

The Board of Directors' meeting agendas are posted online and in the District's front lobby the Friday before meetings. 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. WVSD's website contains information on the District's services, Board of Directors, Board of Directors' meeting agendas and minutes, meeting schedule, rates, budgets and audited financial reports, and short- and long-range planning documents.

WVSD receives various customer requests through phone calls, emails, letters, and from customers at the district office front counter. Staff reportedly responds to these issues and works to resolve them expediently. The District does not consider customer requests as complaints. Customer issues are logged through several different systems (service request electronic work order system, claim requests, permits), depending on the issue, or resolved immediately. The systems provide for tracking of the customer request and allocating resources to investigate the situation and determine cause. Based on the investigation, staff takes action to remedy the issue. Issues outside of WVSD's jurisdiction are referred to the appropriate agency. In 2012, the District responded to issues related to request for maintenance of service laterals, back-ups assistance, damage to personal property, fee inquiries, information requests, rate increase questions, and permitting issues. In 2012, there were a total of 1,585 service requests and complaints received—908 service calls, 15 claims, and 662 permits processed.

WVSD has an ordinance code and personnel policies that provide a framework and direction for district governance and administration. Chapter 2 of the District's ordinance code includes components of Brown Act compliance related to the Board's business; although the code does not explicitly reference the Brown Act. As related to public requests for information, the District does not have a policy specific to records requests, but reportedly adheres to the requirements of the California Public Records Act. The District does not have a policy regarding code of ethics training, as the District's directors fulfill the ethics training requirement through their respective appointing agencies. The District obtains a copy of the certificate from the Directors.

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 most recently revised its code regarding conflicts of interest in October 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

[103] Government Code 53065.5

Fair Political Practices Commission each year. Four of the five WVSD directors have filed the required Form 700 Statement of Economic Interest forms in 2013, as reported by the County.

MANAGEMENT AND STAFFING

WVSD is staffed by 29 full-time employees, 13 of which are wastewater certified personnel. Additionally, the District has one contract position that manages the stormwater services offered to the cities. The District is organized into two divisions—Administration and Information Services Division, and Engineering and Operations Division. These divisions were established in November 2000, as a part of an overall district reorganization plan. The directors of each of the divisions report to the district manager, who in turn reports to the Board of Directors. The district manager is responsible for the day-to-day operations of the District.

WVSD 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.

WVSD adopts annual and long-term objectives with associated performance measures for each department. Annual objectives are identified during the budget process. The Department head assigns objectives or subparts of an objective to a staff member for follow through. These performance measures are monitored monthly. At the end of the fiscal year, the district manager reports to the board on the status of each objective. The District is in the midst of incorporating these objectives into a three-year strategic plan. Additionally, the District conducts benchmarking with other similar agencies, as a part of the California Association of Sanitation Agencies, in particular with regard to rates, sewer system overflow rates, and wages. Other documents used by the District to guide efforts include the annually adopted budget, the annually audited financial statement, a sewer system management plan, and a five-year capital improvement program.

Staff are evaluated annually. The district manager is reviewed by the Board annually in June. Included in the evaluation are performance targets specific to each position. The District is working to improve the evaluation process. In addition, standard performance metrics are assigned to field staff and measured on a regular basis. These metrics (i.e., reduced sewer system overflows) are tied to an incentive program to promote productivity and ensure employees have a vested interest in achieving objectives. The District also has a suggestion program, which provides monetary incentives, if an employee submits ideas that the District chooses to implement.

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. WVSD has 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.[104] In the case of WVSD, the District must submit audits annually. WVSD has submitted its audit to the County for FY 12.

POPULATION AND PROJECTED GROWTH

Land Uses

The territory within the District's bounds is composed of well-established communities that are nearly built out, including the Cities of Saratoga, Campbell, and Monte Sereno, and the Town of Los Gatos. The District's SOI also includes large areas of lands that extend into undeveloped unincorporated areas, which include open space and agricultural lands.

Current Population

Based on 2010 Census data, the District's population as of 2010 was approximately 105,462.

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.[105]

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.[106] DWR did not identify any disadvantaged communities within Santa Clara County.[107]

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.

[104] Government Code §26909.

[105] Government Code §56033.5.

[106] 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.

[107] 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.

Projected Growth

Moderate 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 Campbell will experience 17 percent growth over the 25-year period from 2010 to 2035, or 0.6 percent average annual growth.[108] The cities of Monte Sereno and Saratoga are anticipated to experience six percent and zero growth respectively over the same period. While the Town of Los Gatos is projected to the have two percent growth. 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, WVSD is anticipated to have a population of approximately 115,488 by 2035.

The District reported that there has been no significant change in recent land use and growth patterns to the areas within its bounds, and this pattern is anticipated to continue as the District is generally built out, and future growth will be largely limited to residential infill development and redevelopment. A majority of the known development is infill development located in the Town of Los Gatos and the City of Campbell.

The largest of the planned developments that the District is aware of is the North 40 Project, which is planned to consist of 700 residential units and 500,000 square feet of retail space. The project is bounded by Highway 85, the Los Gatos Creek, Lark Avenue, and Los Gatos Blvd.

The District's original treatment plant capacity allocation (13.052 million gallons per day) was established in 1983, based on growth projections developed in 1983 by city planners of the respective cities (Campbell, Los Gatos, Monte Sereno, Saratoga, and Santa Clara County). Based on anticipated growth at that time, district staff determined the additional treatment plant capacity required to accommodate projected growth, which was later incorporated into the RWF's 167 million gallons per day (mgd) expansion in the 1990s. At present, the District does not anticipate any substantial future growth that would consume all available capacity, or necessitate modifications to the system.

FINANCING

Financial Adequacy

WVSD reported that revenue was presently sufficient to cover costs to provide adequate services; however, there are certain anticipated challenges to ensuring adequate revenues in the future.

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 6.8 percent and 8.7 percent, respectively. Presently, payments to RWF consist of approximately 30 percent of WVSD's

[108] ABAG, Projections 2009, 2009.

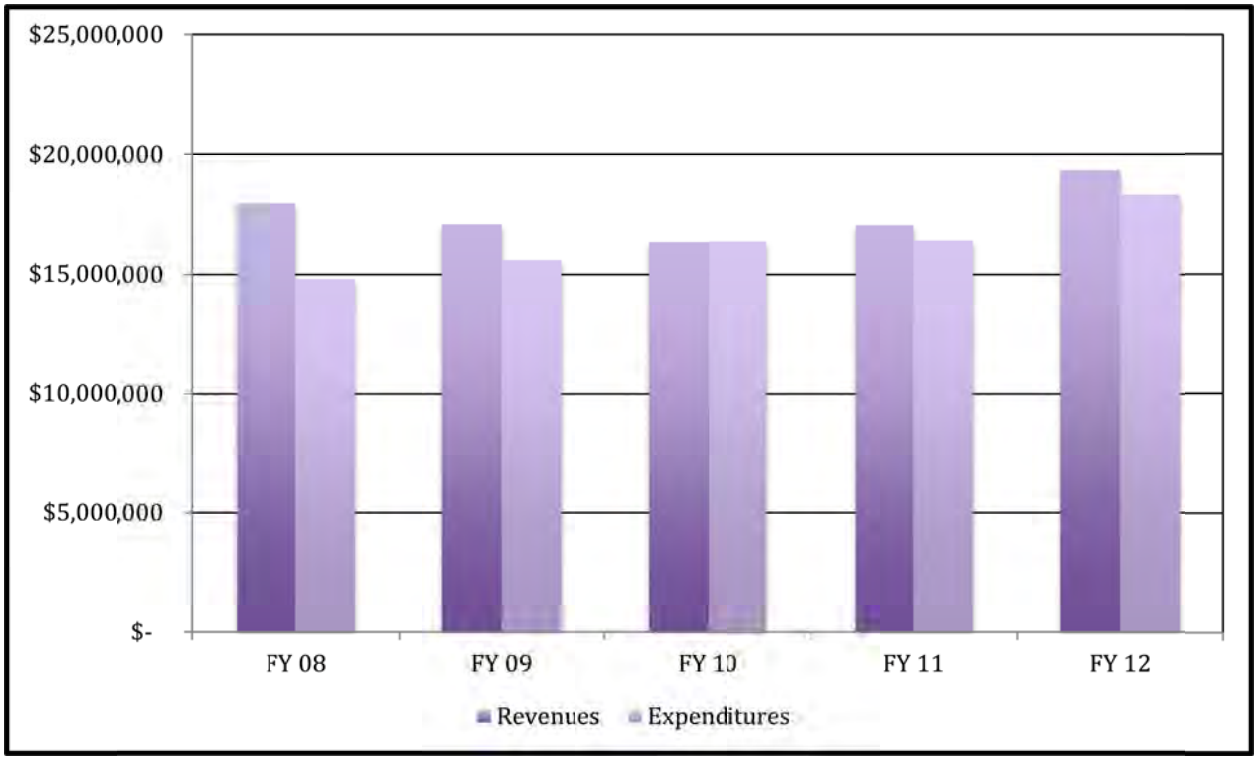
annual budget; however, with these significant improvements, payments are anticipated to increase to approximately 60 percent of the District's budget in future years. Consequently, WVSD hired a private firm to perform a ten-year financial forecast and rate study. The firm recommended that the District raise its sewer service charges by 10 percent in fiscal years 2013 to 2015, 9.5 percent for fiscal year 2016, and 9.0 percent for fiscal year 2017. In May 2013, the Board approved the recommended rate increase. This increase in service charges is anticipated to ensure that district revenues are sufficient to meet anticipated capital and operating expenditures in the foreseeable future.

In addition, there are plans to make enhancements to the plant through the Master Plan Update to enhance use of renewable energy sources, and develop habitat and open space areas, among other improvements. These improvements are anticipated to cost approximately $2.2 billion over a period of 30 years. As these improvements are supplemental to the operations of the sewer treatment plant, and not essential, member agencies have sent letters to the City of San Jose in opposition of financing these improvements. Depending on the outcome of negotiations regarding these capital improvements, the District may need to further enhance its revenues sources to finance its obligations.

Similar to other agencies, WVSD has made several efforts to cut costs and improve efficiencies over the last few years in light of the recent economic depression. The District has reduced retirement costs by paying off its California Public Employees' Retirement System side fund, which effectively reduced the District's annual employer contribution rate by 8.2 percent for FY 13. The District also carries out continuous business process review to identify improvements to improve efficiencies. In 2012, the District updated its website, which has in turn made it much less costly to maintain. The District also transitioned its phone system to a voice over internet protocol (VoIP), which has allowed for the elimination of phone lines, reduced the time of staff required to direct calls, and enhanced efficiency with a new messaging system for calls for information.

Over the past five fiscal years (FYs 08 to 12), district revenues have exceeded expenditures in four years, as shown in Figure 9-4. In FY 10, total expenditures exceeded total revenues by $21,529. Revenues declined between FY 08 and FY 10, and have gradually increased since then.

Figure 9-4: WVSD 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 $19.4 million in revenue as depicted in Figure 9-5. The District's primary revenue source is charges for services, which consisted of almost 81 percent of revenues. Contributed capital and capacity fees consisted of nine percent and four percent of revenues, respectively. Other sources contributed five percent of the District's income, while interest income contributed one percent.

Figure 9-5: WVSD Revenues, FY 12

Type of Revenue	Amount of Revenue	% of Total
Charges for Services	$ 15,629,189	80.8%
Capacity fees	$ 781,606	4.0%
Interest and Investment Income	$ 165,040	0.9%
Contributed Capital	$ 1,785,177	9.2%
Miscellaneous (e.g., fees)	$ 989,156	5.1%
TOTAL	**$ 19,350,168**	**100.0%**

Source: Comprehensive Annual Financial Report, FY 12.

Rates

The cost of wastewater collection, conveyance, and treatment is financed by service charges and fees. The rate structure is based on the cost of providing sewer service to a

residence. Non-residential rates reflect the typical amount discharged and strength of wastewater. A majority of sewer service charges are collected on the tax roll.

The District has established a Hillside Zone, which defines the areas in the hillsides where sewers are at risk for failure, due to land subsidence or erosion. The District collects a fee of $50.00 per year for every connected parcel in the Hillside Zone and sets the funds aside in a restricted account to be used solely for sewer repairs there. The Hillside Zone fee is collected on the property tax roll along with the sewer service charges.

The District also has some special fees for unusual circumstances. The fees are calculated based on the actual cost of service and reflect a fairness principle that the users pay for the impact that they cause on the sewer system.

Sewer rates were increased by six percent at the beginning of FY 13, and due to anticipated increases in costs associated with planned treatment plant improvements, the District implemented a rate increase at the beginning at the beginning of FY 14 as shown below.

Figure 9-6: WVSD Wastewater Rates, FY 14

Rate Category	Rate
Residential (Monthly Rate per Dwelling)	
Single Family	$30.31
Multi-Family	$21.15
Mobile Home	$21.15
Commercial (per hundred cubic feet)	
Restaurant	$5.98
Hotel/Motel	$3.10
Gas Station Repair	$3.31
Domestic Laundry	$2.72
Retail/Office/Misc	$3.22
Institutional	
Hospitals	$2.88
Schools	$3.62
Grouped Industries	
Winery	$9.28
Printing Works	$4.30
Machinery Manufacturing	$4.50
Electrical Equipment	$3.04
Film Service	$3.19
Plating Works	$2.90
Industrial Laundry	$6.05
Car Wash	$2.44

By agreement with the cities of Campbell, Los Gatos, and Monte Sereno, the District collects an additional surcharge to fund the West Valley Clean Water Program. The program is a joint effort of the cities and the District to comply with the requirements of the NPDES permit for urban runoff pollution control. The fees are approximately $20 for residential parcels; fees for commercial parcels are based on square footage. The fee is collected on behalf of the cities on the tax roll along with the sewer service charges.

Expenditures

In FY 12, the District's total expenditures amounted to $18.3 million, as depicted in Figure 9-7. Payments to RWF for treatment constituted 37 percent of expenditures in that year. Other significant expenditures included capital improvements (17.6 percent), administration (15.5 percent), and sewer maintenance (14.8 percent).

Figure 9-7: WVSD Expenditures, FY 12[109]

Type of Expenditure	Amount	% of Total
Treatment	$ 6,797,743	37.1%
Service Extension	$ 1,293,635	7.1%
Sewer Maintenance	$ 2,710,225	14.8%
Administration	$ 2,840,479	15.5%
Debt Retirement	$ 1,073,799	5.9%
Capital Improvements	$ 3,229,906	17.6%
Interest	$ 378,964	2.1%
TOTAL	**$ 18,324,751**	**100.0%**

Source: FY 2012 Comprehensive Annual Financial Report, p. 2-8.

Capital Outlays

The District has a formal five-year capital improvement plan (CIP) for FY 13 through FY 18. Total planned capital outlays over that period are planned to be approximately $42 million, with a large proportion of expenditures on the wastewater treatment plant, joint trunk sewer projects with the City of San Jose, and the District's sewer rehabilitation program. The CIP is updated annually based on what projects have been completed and current conditions. The District also maintains a less detailed 10-year CIP, and conducts risk prioritization analysis of the system every two to three years as part of the Sewer System Management Plan.

Reserves

The District's policy is to maintain a reserve level equivalent to eight months of the operating budget and one year of capital expenditures. The District's reserves are reviewed annually during the budget process and are designed to cover the operating fund, compensated absences, property damages, building maintenance, and capital acquisitions. At the end of FY 12, the District had unrestricted net assets of $26.1 million.

Debt

The District's long-term debt consists of two bonds and a loan. At the end of FY 12, the District had a total long-term debt of $11.1 million.

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 $81,150,000 of revenue bonds were issued. The Series A bonds have a fixed interest rate. The Series B

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

bonds had a variable rate. The proceeds from the bonds were used to fully refund the 1995 Series A and B bond issue. The District's share of the bonds is 10.594 percent. The agreement calls for semi-annual payments to the City of San Jose. The District's share of the Series B bond issue was paid off as June 30,2009.

In April 2010, the District issued Sewer Revenue Refunding Bonds to refund the outstanding 2000 Water and Wastewater Revenue Bonds. Principal is payable annually and the bonds have an interest rate from 2.0 percent to 4.25 percent that is payable semi-annually through October 1, 2030.

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 the San Jose-Santa Clara Regional Wastewater Facility whereby $73,566,018 in State Revolving Fund (SRF) Loan program funds were received. These funds have a fixed interest rate of 1.803 percent. The proceeds were used to additionally finance the South Bay Water Recycling Project. The District's share of the SRF loan is 8.448 percent. The agreement calls for semi-annual payments in April and October to the City of San Jose.

INFRASTRUCTURE AND FACILITIES

Wastewater

The District's wastewater collection system consists of 415 miles of main and trunk sewers and approximately 210 miles of sewer laterals, for a total of 625 miles of sewer lines. The sewer lines range in size from 3 inches to 39 inches and have an average age of 45 years. The oldest pipe in the District's system is 98 years old. A majority of the sewer system consists of vitrified clay pipe (VCP), however, as these pipes are replaced, plastic materials such as high density polyethylene (HDPE) or polyvinyl chloride (PVC) are now utilized. The District's wastewater collection system also consists of three small pump stations, two of which pump in tandem to lift wastewater from the Arroyo Del Rancho residential area, while the third serves the separate Alta Tierra residential area. The collection system is maintained and operated by the District. Wastewater from the district service area is conveyed through the City of San Jose trunk sewers, some of which are jointly owned by the District, to the RWF. The District's Sewer System Management Plan, created in 2008, addresses significant aspects of operating, maintaining, and managing its wastewater collection system.

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, which was 13.052 mgd in FY 05. In FY 05, the District collected and conveyed 10.675 mgd of wastewater to the treatment plant, which was far less than its capacity allocation. Because of this excess capacity, the District sold 1.0 mgd of treatment plant capacity to the City of Milpitas in 2006. In 2012, the District's capacity allocation was 12.052 mgd, of which the District used 10.1 mgd or 84 percent.

Infrastructure Needs

The District has a maintenance program to ensure all sewer lines are adequately conveying wastewater flow to the RWF and minimizing sanitary sewer overflows. A closed circuit television (CCTV) inspection and evaluation program is also used to assign condition ratings to pipes throughout the sewer system. In addition to the routine repair of isolated defects and pipe segments, the District rehabilitates large segments of the system through the District's CIP.

In addition to the physical assessment of the District's collection system, hydraulic analysis is also performed on the system to evaluate its hydraulic capacity, or ability to carry flow. In 2010 a study was performed that created a hydraulic model of the collection system that identified segments that are hydraulically deficient during peak wet weather flow conditions. The District's most recent hydraulic model analysis identified 18 segments with deficiencies during existing wet weather flow conditions.

To prioritize the projects in the five-year CIP, WVSD regularly conducts a risk prioritization assessment of its sewer collection system. The rating of each sewer main's condition is performed using a standardized set of defect codes that identifies structural defects and or maintenance conditions and provides a relative ranking of its vulnerability to failure and blockages. Several key parameters are considered in the risk prioritization analysis including pipe condition, pipe age, proximity to surface waters, flow capacity, etc. A risk score is then calculated by multiplying the overall consequence score by the overall likelihood score. During the District's most recent assessment in 2010, a majority of the District's sewers (86 percent) fell in the very low risk group, 11 percent were in the low risk group, approximately two percent were in the medium risk group, and one percent were in the high risk group.

Between FYs 05 and 12, the District spent over $11 million in rehabilitation projects. The District plans to continue aggressively rehabilitating the system over the next five years, and plans to spend $15.3 million between FYs 13 and 18 on rehabilitation projects. The District plans to perform updates to its hydraulic analysis study and risk prioritization assessment in the near future to incorporate current data, including all of the major rehabilitation projects performed to date.

Shared Facilities

As previously mentioned, the District practices extensive facility sharing by receiving wastewater treatment from RWF and as a member of SBWR. Additionally, WVSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant.

Cupertino Sanitary District is considering contracting with WVSD for emergency response services.

Stormwater

WVSD does not own any stormwater related infrastructure, but provides an annual structure inspection and cleaning service for the cities. The cities each own the stormwater infrastructure within their bounds and are responsible for ongoing maintenance and repair

of their system. Typical elements of a stormwater system include drain inlets, catch basins, manholes, stormdrain pipe, and storm outfalls. The total length of all stormwater systems is approximately 177 miles, with the following breakdown within each jurisdiction:

Campbell	52.5 miles
Los Gatos	55.7 miles
Monte Sereno	7.3 miles
Saratoga	62.2 miles

Infrastructure Needs

Through the annual inspection program performed by the District, repair lists are created for damaged stormwater structures and or missing "flows to creek" signage and provided to the respective cities. The District stormwater program services do not include CCTV inspection of storm drain pipes and would likely defer this task to the respective cities to perform utilizing a private contractor. Based on limited visual inspection, there are currently no known stormwater piping that require repair or replacement.

Shared Facilities

WVSD offers a means for the cities to share resources with regard to stormwater management efforts and storm drain maintenance through the WVCWP MOU and individual contract agreements. No further opportunities for facility sharing were identified.

DEMAND FOR SERVICES

Wastewater Collection

The District provides sewer service to approximately 44,000 customers—42,000 residential customers and 2,000 commercial customers. The District has added new service connections primarily in the City of Campbell and Town of Los Gatos in recent years. The District maintains an inventory of connections throughout the service area, including each of the cities, as well as the unincorporated County areas.

Since 1990, the District's average wastewater flow generally increased through 2004 to 11 million gallons per day (mgd), and has declined since then to 9.5 mgd in 2012. The District reported that the decline in wastewater flow in recent years was likely the result of a combination of factors, including annexations of some territory into the City of San Jose and subsequent detachment from the District, the recent economic recession, and water conservation efforts implemented as a result of drought conditions. The District's average daily flow over the last four years is shown in Figure 9-8.

Figure 9-8: WVSD Average Daily Flow (mgd), 2009-2012

Service Level	2009	2010	2011	2012
Average Annual Flow	9.4	9.5	9.3	9.5

Source: As reported by WVSD.

Stormwater

The number of staff hours spent on the stormwater program in 2012 was 1,666. This does not include administrative staff time required to attend meetings, create reports, or generate detailed billing statements.

SERVICE ADEQUACY

Wastewater

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 9-9.

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. WVSD reported 115 overflows (40 mainline and 75 lateral) during the period from January 1, 2010 thru July 1, 2013, and consequently the annual overflow rate during this 3.5 year period is 2.75.

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 its peaking factor varies between 2.7 and 8.0

Figure 9-9: WVSD 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	0	Priority Violations	0
Service Adequacy Indicators			
Total Employees (FTEs)	13.0	Sewer Overflows 2010 - 2013[2]	115
MGD Collected per FTE	0.723	Sewer Overflow Rate[3]	2.75
Sewer Miles per FTE	48	Peaking Factor	2.7 to 8.0
Infiltration and Inflow			
The District is currently involved in performing hydraulic studies throughout the service area to determine what I/I issues exist and to provide additional flow data to strengthen the hydraulic model of the system. Some of the recent studies in site specific areas have shown actual peaking factors ranging from 2.7 to 8.0. These ranges are not representative of the entire service area, due to their site specific measurements. Additional investigation will be required to determine the sources of the high I/I rates, although it is suspected that a significant contributor of I/I entering the District's system is through private sewer laterals. Through regular CCTV inspection, structural defects that would permit I/I to enter the system is recorded and noted as part of the pipe structural rating. In part, the structural rating helps prioritize sewer repairs for CIP sewer rehabilitation projects. One way the District is addressing private lateral I/I sources is the initiation of a Private Lateral Replacement Program (PLRP), which will help homeowners replace their failing or failed private laterals through a loan program. The PLRP is anticipated to start in September 2013.			
Collection System Inspection Practices			
Inspection of the collection system is primarily performed by closed circuit television equipment (CCTV), but some inspections may be performed visually, while more detailed inspections may require the use of an infrared or sonar inspection, or possibly destructive inspection methods. The inspection method used is dependent upon the type and location of the structure being examined, and the purpose for which the examination is being made. The complete cycle for televising the entire District's main line inventory is currently on an eight to 10 year track. Lines which experience an SSO, prove to be difficult to clean, or are suspected to have some abnormality, are televised as necessary to determine the cause of the problem.			
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.			

Stormwater

This section reviews indicators of service adequacy. With regard to stormwater services, NPDES regulatory compliance is the primary indicator of adequacy.

In urban areas, counties and cities must develop stormwater plans and implement best management practices (BMPs). BMPs include program elements, such as stenciling, public education, monitoring and inspections of facilities, and "good housekeeping" practices at municipal facilities. Counties and cities must show that they are implementing BMPs to the maximum extent practicable in urban areas. The member agencies of the WVCWP are regulated by the San Francisco Bay Region Municipal Regional Stormwater NPDES Permit (Order R2-2009-0074).

Since January 2010, the WVCWP has been issued two violations regarding 1) inadequate reporting (2011) and 2) failure to have a Business Inspection Plan and Enforcement Response Plans that comply with municipal regional permit (2010). It appears that both violations have been corrected.

GOVERNANCE STRUCTURE OPTIONS

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

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 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. Further collaboration and resource sharing may provide a setting for consideration of future consolidation on the part of the two agencies.

WEST VALLEY SANITATION DISTRICT SERVICE REVIEW DETERMINATIONS

Growth and Population Projections

- As of 2010, West Valley Sanitation District (WVSD) had approximately 105,462 residents, based on 2010 Census data.
- Moderate population growth is anticipated within the District's bounds based on the Association of Bay Area Government's (ABAG) projections for Santa Clara County. The average annual growth rate is dependent on the city within the District, with the highest annual growth of 0.6 percent anticipated in the City of Campbell. WVSD is anticipated to have a population of approximately 115,488 by 2035.

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 84 percent of its treatment capacity allocation. Because the District consistently had excess capacity, it sold a portion of its capacity in 2005. The District appears to have sufficient capacity at present and for anticipated growth in the short term.
- It is recommended that WVSD assess the number of parcels that presently rely on private septic systems within the District's bounds, in order to better quantify potential future demand.
- It is recommended that WVSD and the cities of San Jose and Santa Clara update the master agreement with regard to the treatment plant in the near future to 1) define how debt payments are addressed as areas are annexed by the City of San Jose and detached by WVSD, 2) define how treatment capacity should be transferred if areas are reversely annexed into WVSD and detached from the cities, and 3) describe in detail the extent of the District's capital obligations with regard to master plan improvements.

- Based on the District's regulatory compliance history, low sewer system overflow rate, and collection system integrity, as indicated by comprehensive collection system inspection practices and infiltration and inflow rates within industry standards, WVSD's wastewater services appear to be adequate.
- The District rehabilitates large segments of the system through the District's CIP. Between FYs 05 and 12, the District spent over $11 million in rehabilitation projects, and plans to spend $15.3 million between FYs 13 and 18 on rehabilitation projects.
- To prioritize wastewater projects in the five-year CIP, WVSD regularly conducts a risk prioritization assessment of its sewer collection system. During the District's most recent assessment in 2010, a majority of the District's sewers (86 percent) fell in the very low risk group, 11 percent were in the low risk group, approximately two percent were medium risk, and one percent were considered high risk.
- WVSD does not own any stormwater-related infrastructure, but provides an annual structure inspection and cleaning service for the cities. The cities each own the infrastructure in their bounds and are responsible for maintenance and repair.
- With regard to stormwater services, NPDES regulatory compliance is the primary indicator of adequacy. Since January 2010, the West Valley Clean Water Program (WVCWP) has been issued two violations regarding 1) inadequate reporting (2011) and 2) failure to have a Business Inspection and Enforcement Response Plans that comply with municipal regional permit (2010). Both violations have been corrected.
- Through the annual inspection program performed by the District, repair lists are created for damaged stormwater structures and or missing "flows to creek" signage and provided to the respective cities. Based on limited visual inspection, there are currently no known stormwater piping that require repair or replacement.

Financial Ability of Agency to Provide Services

- WVSD reported that revenue was presently sufficient to cover costs to provide adequate services; however, there are certain anticipated challenges to ensuring adequate revenues in the future.
- The primary challenge to future financing of district services is significant anticipated capital expenditures at the San Jose-Santa Clara Regional Wastewater Facility. Based on a ten-year financial forecast, the District plans to increase rates ten percent annually over the next three fiscal years to cover the anticipated increase in costs.
- The District is negotiating with the Cities of San Jose and Santa Clara regarding the District's capital financing obligations for non-essential improvements to the plant and enhancements to recycled water production.
- In four of the past five fiscal years the District's revenues exceeded expenditures.

- WVSD has made several efforts to cut costs and improve efficiencies over the last few years in light of the recent economic depression, including paying off its California Public Employees' Retirement System side fund, updating its website, which has in turn made it much less costly to maintain, and transitioning to a voice over internet protocol for phone service.
- The District has a formal five-year capital improvement plan (CIP) for FY 13 through FY 18. Total planned capital outlays over that period are planned to be approximately $42 million, with a large proportion of expenditures on the wastewater treatment plant, joint trunk sewer projects with the City of San Jose, and the District's sewer rehabilitation program. The District also maintains a less detailed 10-year CIP.
- The District maintains a healthy reserve fund equivalent to approximately 1.5 years of district expenditures and designed to cover the operating fund, compensated absences, property damages, building maintenance, and capital acquisitions.

Status and Opportunities for Shared Facilities

- WVSD 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, WVSD and the City of San Jose share a portion of their sewer systems and lines that lead to the treatment plant.
- Cupertino Sanitary District is considering contracting with WVSD for emergency response services.
- WVCSD offers a means for the cities to share resources with regard to stormwater management efforts and storm drain maintenance through the WVCWP MOU and individual contract agreements. No further opportunities for facility sharing related to stormwater services were identified.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- WVSD demonstrated accountability and transparency in its various aspects of operations. The governing body updates constituents, solicits constituent input, discloses its finances, and posts public documents on its website. The District's website appropriately provides information on Board of Directors' meeting agendas and minutes, meeting schedule, rates, budgets and audited financial reports, and short- and long-range planning documents. WVSD keeps its financial reporting and budgets up-to-date and readily available to the public. The District fully cooperated with LAFCO requests for information.
- WVSD has an ordinance code and personnel policies that provide a framework and direction for district governance and administration, including policies with components on Brown Act compliance and conflicts of interest. The District does not have a policy specific to records requests, but reportedly adheres to the requirements of the California Public Records Act.

- All members of the Board of Directors have filed the Statement of Economic Interest forms in 2013 and completed biennial ethics training. The District conducts expense reimbursements according to its adopted administrative code.
- One governance structure option was identified for West Valley Sanitation District—consolidation with Cupertino Sanitary 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 necessary.

WEST VALLEY SANITATION DISTRICT SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

As West Valley Sanitation District's (WVSD) SOI presently exists, it includes large areas of unincorporated and undeveloped areas outside of the District's bounds to the south and southwest. To the east and north, district lands include unincorporated island areas within the City of San Jose that are located beyond the District's SOI. For the most part, the District's SOI is coterminous with the SOIs of the cities that it serves, with the exception of the northwestern portion of the City of Saratoga.

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 Cupertino Sanitary District and 2) areas outside of the cities' Urban Service Areas that are presently within WVSD's SOI.

There are several areas along the shared boundary with Cupertino SD where there are overlaps or gaps in bounds and/or SOIs of the two districts. These nine areas are depicted in Figure 9-11 and identified with letters G through O.

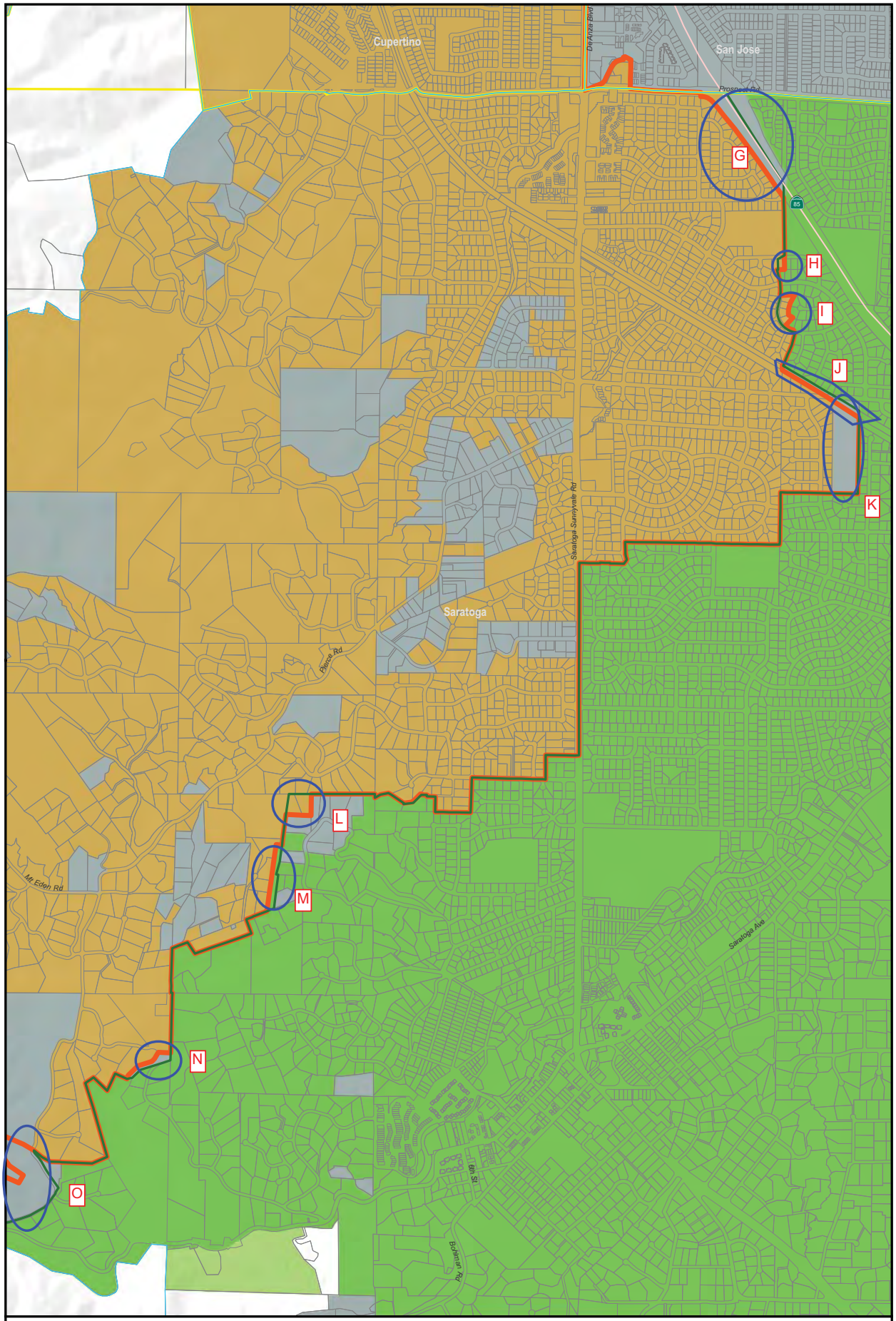
Area G (no assigned parcel number) consists of a single parcel just to the west of SR 85 where there is a gap in bounds and SOI between the two agencies. Given that the parcel is purely a buffer along the highway, it will likely not require wastewater services in the future. However, given that both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

Area H (APN 386-41-012) is a single residential parcel parcels 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 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 should 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

0 500 1,000
Feet

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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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, 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 within WVSD's SOI and should be annexed to the District. 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, WVSD's SOI extends outside of its bounds and is the is for the most part coterminous with the SOIs of the cities that it serves; consequently, the District's SOI encompasses expansive undeveloped territory, which extends largely 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 is 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 WVSD'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 WVSD'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

- West Valley Sanitation District (WVSD) provides sewer collection services for the City of Campbell, Town of Los Gatos, City of Monte Sereno, a portion of the City of Saratoga, and some unincorporated territory to the west of these cities. The District contracts with the San Jose-Santa Clara Regional Wastewater Facility for wastewater treatment and disposal. WVSD also provides contract stormwater management and storm drain maintenance services to the Town of Los Gatos and cities of Saratoga, Monte Sereno, and Campbell

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

- The territory within the District's bounds is composed of well-established communities that are nearly built out, including the Cities of Saratoga, Campbell, and Monte Sereno, and the Town of Los Gatos.
- The District's SOI includes large areas of lands that extend into undeveloped unincorporated areas, which include open space and agricultural lands. No negative impacts on agricultural resources, open space or Williamson Act contracts will occur, as no service changes are proposed as a result of the recommended SOI.

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

- As the area within the District is expected to experience moderate population growth through 2035, the demand for wastewater services is likely to increase. Future growth will be largely limited to residential infill development and redevelopment. A majority of the known development is infill development located in the Town of Los Gatos and the City of Campbell.

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 84 percent of its treatment capacity allocation. Because the District consistently had excess capacity, it sold a portion of its capacity in 2005. The District appears to have sufficient capacity at present and for anticipated growth in the short term.

- It is recommended that WVSD assess the number of parcels that presently rely on private septic systems within the District's bounds, in order to better quantify potential future demand.
- It is recommended that WVSD and the cities of San Jose and Santa Clara update the master agreement with regard to the treatment plant in the near future to 1) define how debt payments are addressed as areas are annexed by the City of San Jose and detached by WVSD, 2) define how treatment capacity should be transferred if areas are reversely annexed into WVSD and detached from the cities, and 3) describe in detail the extent of the District's capital obligations with regard to master plan improvements.
- Based on the District's regulatory compliance history, low sewer system overflow rate, and collection system integrity, as indicated by comprehensive collection system inspection practices and infiltration and inflow rates within industry standards, WVSD's wastewater services appear to be adequate.
- With regard to stormwater services, NPDES regulatory compliance is the primary indicator of adequacy. Since January 2010, the West Valley Clean Water Program (WVCWP) has been issued two violations regarding 1) inadequate reporting (2011) and 2) failure to have a Business Inspection and Enforcement Response Plans that comply with municipal regional permit (2010). Both violations have been corrected.

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 Saratoga, Campbell, Monte Sereno, and Los Gatos, in addition to unincorporated lands. Each city within the District is considered a social or economic community of interest.