



SAN MATEO COUNTY'S COTTAGE INDUSTRY OF SANITARY DISTRICTS

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ISSUE

The 2015-2016 Grand Jury conducted an extensive investigation of a subset of the County's sewage collection agencies—six independent special districts—and determined that having many small agencies presents problems in the areas of public accountability, fiscal responsibility, and operational competence.

EXECUTIVE SUMMARY

The Grand Jury sought to determine whether the multiplicity of agencies focused on sewage collection and treatment is efficient and beneficial for San Mateo County residents. Its conclusion is that it is emphatically not. San Mateo's cottage industry of sanitary districts fails in three important ways—public accountability, fiscal responsibility, and operational competence.

The Grand Jury had neither the resources nor the time to conduct an investigation of all 45 agencies involved in sewage collection and treatment in the County. Instead, it focused on the six independent districts, those with elected boards.

- Bayshore Sanitary District
- East Palo Alto Sanitary District
- Granada Community Services District
- Montara Water and Sanitary District
- Westborough Water District
- West Bay Sanitary District

The findings and recommendations are based on these six. The Grand Jury hopes that this research will encourage additional discussion and analysis within the County on the challenges identified. Many other County services that are provided to the residents are conducted by similar uncoordinated, fragmented entities, including water, drainage (for storm water), highway lighting, and fire and police services.

Public Accountability

Although the board members of each of the six independent sanitary districts are theoretically accountable to the voters who elect them, in reality, the districts operate with virtually no public oversight and the "elections" are nominal at best. Information about the districts is incomplete, and the cost of service is obscured by the way it is calculated and billed. Their elected boards do little to enhance accountability due to the electoral benefit of incumbency. Most elections are not even contested. When they are, voter turnout is low. It is questionable whether most County residents are able to identify their sewer system provider.

Fiscal Responsibility

The Grand Jury found no evidence of financial improprieties but many opportunities for overspending. Sewer rates are rising rapidly in most districts. Rates in San Mateo County are generally higher than other Bay Area urban areas. Five of the six districts investigated by the Grand Jury rely on property tax, although the intent of property tax is to provide funds for services that cannot be allocated to a specific user, such as fire or parks.

The districts studied by the Grand Jury receive funds for collection and treatment, but operationally they manage only sewage collection. A major portion of their budget is transferred to the treatment plants, over which they may have some influence but not control. There is much redundancy in having so many disparate districts—the Grand Jury identified overlap in board costs, audit, legal, and other functions.

Operational Competence

Operational competence is difficult to judge. There is no “gold standard” of performance for sanitary districts. Countywide, the sanitary districts (whether County-operated, city-operated, or independent special districts) as a whole perform poorly on the primary performance metric (sewer overflows) compared to their urban neighbors.

More specifically, the six independent districts, which are the focus of this report, are so small that some have no employees at all, relying only on contractors. Many of the districts’ senior staff interviewed by the Grand Jury seemed to be unaware of the technologies that have emerged in the last 20 years to improve the reliability and safety of collection systems. Their systems are old, yet plans to maintain and upgrade them are lacking. As the region’s sewage management infrastructure ages, and capital investments become imperative, these districts put citizens at risk of sharply increasing rates. The districts seem to be ill prepared to handle large-scale emergencies impacting their systems, whether that is an earthquake, landslide, or flood. There was no evidence that the districts plan for emergencies more serious than a call from the public about odors or a sewer spill.

Recommendations

The Grand Jury’s highest priority recommendations include:

- The Boards of Bayshore Sanitary District, East Palo Alto Sanitary District, Granada Community Services District, Montara Water & Sanitary District, West Bay Sanitary District, and Westborough Water District:
 - Form committees with neighboring cities and sanitary districts to develop plans for the consolidation and/or assumption of services provided by the district.
- Recognizing that this is likely to take some time, the Grand Jury recommends that in the meantime, the Boards of the six independent sanitary districts:
 - Improve information visibility on their websites. Implement and publish performance management metrics.

- Adjust rates over the next five years so that all costs are recovered from ratepayers, and the reliance on property tax is eliminated.
- Mail notices to ratepayers annually with an explanation of the amount of sewer service charges being billed and the rationale. Include a notification of the elected nature of the board, the role of board members, and the process for becoming a candidate.
- Establish term limits for the members of their boards of directors.
- Phase out all benefits for board directors over a period of time not to exceed three years.
- Evaluate the benefit of changing the timing of board director elections to November of even years.
- Develop plans for coordinating resources in the event of a local or regional emergency.
- San Mateo Local Area Formation Commission (LAFCo)
 - Initiate a service review of the Westborough Water District to examine whether its operations might be more efficient and effective if they were consolidated with another entity's operations.

The Grand Jury would have liked to recommend actions to address the County's bigger problem of lack of comprehensive oversight for its sewer collection and treatment systems. However, the very lack of oversight makes it impossible to make any such recommendations.

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INTRODUCTION

This report addresses the proliferation of sewer providers in San Mateo County. It is organized into three main sections—background, discussion, and findings and recommendations. In addition, there are sections that cover the glossary of frequently used terms, describe the methodology, list the many source materials used by the Grand Jury (bibliography), and contain data referenced in the report (the appendices).

GLOSSARY

- **Collection:** The gathering of sanitary waste from a point of connection to the point where it enters treatment.
- **Connection:** The point where private pipes carrying sanitary waste merge into the public system of pipelines.
- **Effective Utility Management.** A process for water and wastewater utilities to identify and address management needs. It includes metrics within 10 categories such as product quality, customer satisfaction, financial viability, and operational resiliency. The United States Environmental Protection Agency and six associations representing the United States water and wastewater sectors developed it.¹
- **Forced Main:** Pipes through which sanitary waste is pumped. They are typically required in hilly areas where sewage must be pumped uphill.
- **Gravity Pipe:** Pipes in which sanitary waste flows by gravity.
- **Lateral Pipe:** The pipe from a sanitary waste generator (such as a single family residence) to a public connection.
- **Linear Asset Management Plan:** A dynamic planning tool that uses a numerical risk model to assign a risk score to every pipe segment. The plan is used to prioritize maintenance and refurbishment activities.²
- **Sanitary Sewer Charge:** The cost to ratepayers for the collection and treatment of the sewage they generate.
- **Sanitary Sewer Overflow (SSO):** A condition in which untreated sewage is discharged from a sanitary sewer into the environment prior to reaching sewage treatment facilities.³
- **Supervisory Control and Data Acquisition (SCADA):** A system for remote monitoring and control that operates with coded signals over communication channels.⁴
- **Treatment:** The processing of sanitary waste, separating solids from water.

¹ The six associations are: the American Public Works Association, the American Water Works Association, the Association of Metropolitan Water Agencies, the National Association of Clean Water Agencies, the National Association of Water Companies, and the Water Environment Federation. WaterEUM, *About the Effective Utility Management Collaborative Effort*. <http://www.watereum.org>.

² V. W. Housen, *Linear Asset Management Plan, West Bay Sanitary District*, February 2016, p. 1-1.

³ https://en.wikipedia.org/wiki/Sanitary_sewer_overflow.

⁴ Wikipedia entry for SCADA, <https://en.wikipedia.org/wiki/SCADA>.

Specific Agencies

- California Association of Sanitation Agencies (CASA)
- California Special Districts Association (CSDA)
- California Water Environment Association (CWEA)
- Local Agency Formation Commission (LAFCo)

BACKGROUND

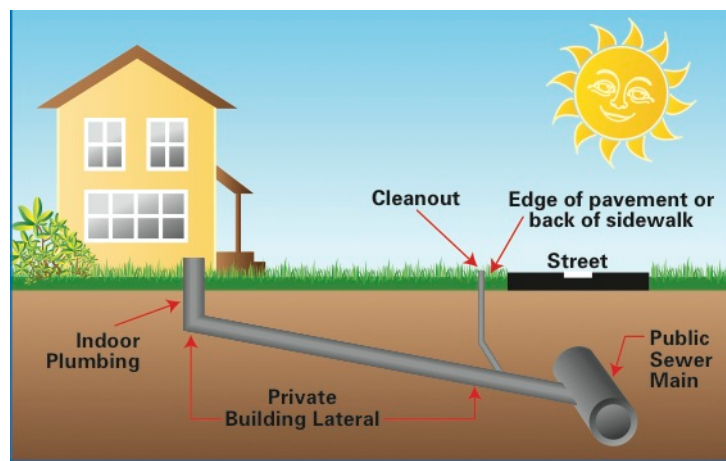
The Basics of Wastewater and Sewage

Wastewater is water whose quality has been adversely affected by human activity.⁵ Wastewater can originate from homes, industries, commercial activity, agriculture, surface runoff, storm water, or infiltration of fresh water into sewage systems.

The wastewater that originates from homes and businesses is commonly called sewage and is carried in sanitary sewer pipes. Sewage is collected from its source and then travels to a treatment plant. This distinction between **collection** and **treatment** is important for understanding the activities of sanitary districts.

Along the way, sewage first passes through indoor plumbing, before it flows into private building laterals as shown in Figure 1. In most cases, there is a cleanout close to the property line. This cleanout typically represents the border between what the homeowner (for example) is responsible for and where the sewage enters the public sewer main.

Figure 1: Sewage Treatment Laterals and Mains



Source: City of Eureka, *Wastewater Collection*, Accessed May 6, 2016. <http://ci.eureka.ca.gov/depts/pw/wastewater/default.asp>.

⁵ Wikipedia entry for *wastewater*. <https://en.wikipedia.org/wiki/Wastewater>.

Sewage flows through sewer mains (often called pipes or pipelines) by gravity or pumping. Gravity does not work if the sewage must flow uphill to reach the treatment plant. In these cases, pumps are required, along with forced mains, which are pipes that are under pressure because their contents are moving uphill. Because the primary job of sanitary districts is pipe maintenance, this report will often speak of the length of pipe, which will mean both gravity and forced mains unless specified otherwise.

Eventually the sewage reaches a treatment plant. Along the way, the sewer mains pick up wastewater from other homes, businesses, and factories. This report will use the term *sewage* to refer to the primary wastewater streams produced in San Mateo County.

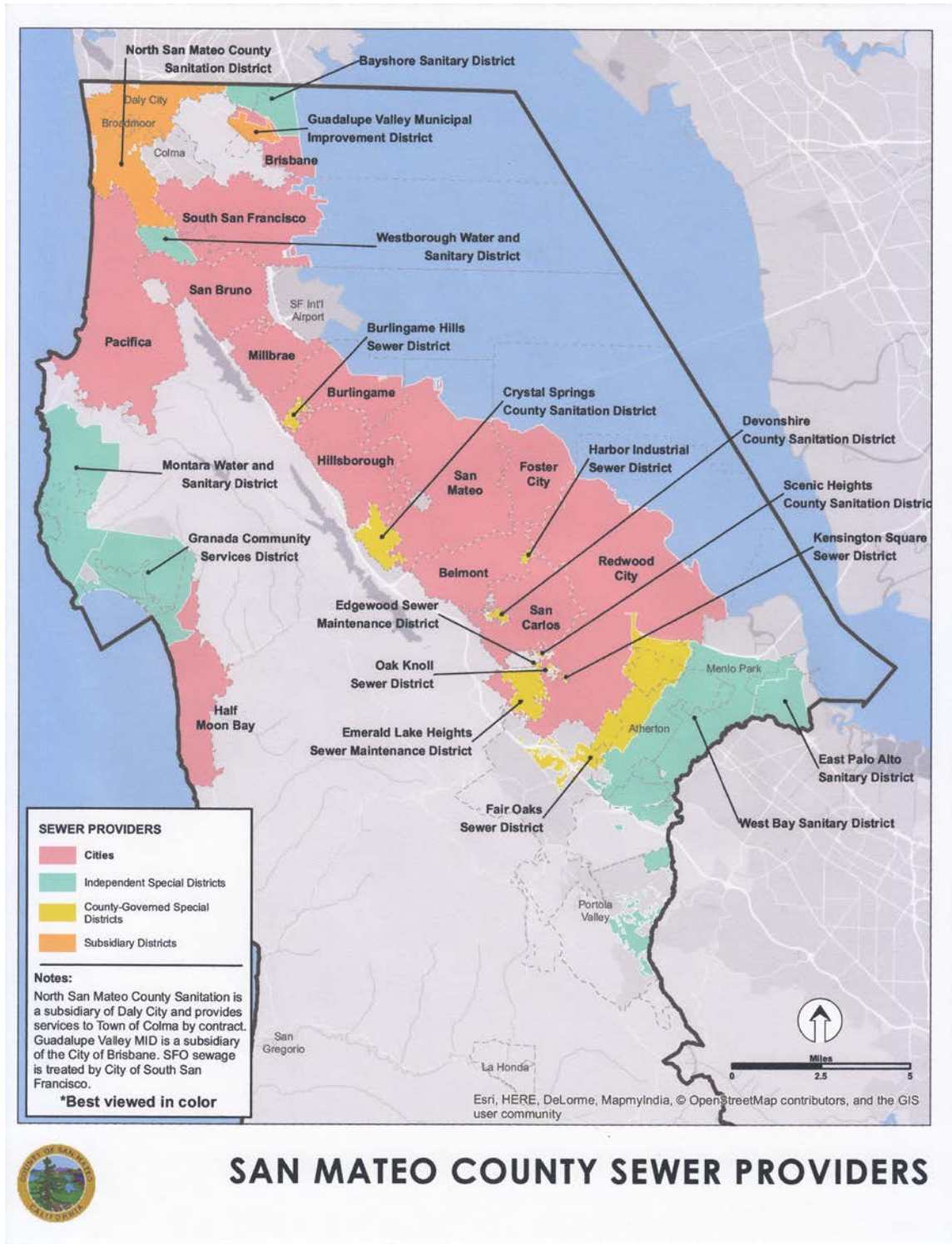
Sewage Management: San Mateo County

The collection of sewage in San Mateo County is handled by 36 agencies (including County and city sewage collection systems in addition to the six independent sanitary districts).⁶ This is largely a legacy of the County's origins as a rural backwater to San Francisco. Few of these agencies treat the waste; instead, there are nine treatment plants operated by cities or joint powers agencies, with whom the districts contract to provide this service.

The four major types of districts handling sewage collection are visible in the map (see Figure 2). The County-managed districts are in yellow, and the independent districts in green. The city-operated systems are shown in pink, and the subsidiary districts are in orange.

⁶ See Appendix A: Sewer Providers in San Mateo County.

Figure 2: Map of Entities in San Mateo County Handling Sewage



Source: San Mateo Local Agency Formation Commission.

Special Districts: Purpose and Dissolution

According to LAFCo of San Mateo County, “A special district is an agency of the State formed under general law or a special legislative act to provide governmental services such as sewer, water, fire protection, recreation, healthcare, police protection, mosquito and vector control, and other services. There are three main types of special districts:

- **County-governed special districts** are administered by the Board of Supervisors and are operated by the County of San Mateo.
- **Independent special districts** have locally elected board members and their own employees.
- **Subsidiary special districts** are governed by their respective city councils.”⁷

San Mateo County has sanitary districts that fall into all three types. There are ten County-governed special districts, the largest being the Fair Oaks Sewer Maintenance District. There are six independent special districts, the focus of this report. There are also subsidiary special districts governed by city councils, such as North San Mateo County Sanitation District. The number of districts and the complexity of the relationships among them make it difficult to grasp their scope, activities, and performance.

The process for dissolving a district is authorized by State law and processed by LAFCo accordingly. LAFCo can initiate dissolution and consolidation as can the County, a city, a special district, school district, registered voters, or landowners. LAFCo operates “in the context of State policies that favor multipurpose agencies or regional agencies over several layers of limited purpose agencies, particularly in urban areas.”⁸ LAFCo must first assess the district’s sphere of influence.⁹ If LAFCo determines that the district has a zero sphere of influence, other cities or districts are in a position to take over the responsibilities of the district, to the benefit of the County’s residents. Once LAFCo has declared that a district has a zero sphere of influence, it has the authority to initiate proposals that include dissolution or consolidation.

Dissolution of any special district is a complex undertaking. Entities that can assume the activities of the dissolving district must be identified. The political will to take on the challenge of proponents of the district must be present. Methodologies must be developed to apportion any property tax previously allocated to the district. These obstacles mean that not all LAFCo recommendations to consolidate or dissolve districts lead to changes.

⁷ San Mateo Local Area Formation Commission, *Special Districts in San Mateo County*, Accessed May 1, 2016. <http://lafco.smcgov.org/special-districts-san-mateo-county>.

⁸ Martha Poyatos, Executive Officer, San Mateo LAFCo, *Letter re Municipal Service Review and Sphere of Influence Update for the East Palo Alto Sanitary District*, February 17, 2009, p. 2.

⁹ “A sphere of influence is a planning boundary outside of an agency’s legal boundary (such as the city limit line) that designates the agency’s probable future boundary and service area. Factors considered in a sphere of influence review focus on the current and future land use, the current and future need and capacity for service, and any relevant communities of interest.” Source: California Association of Local Agency Formation Commissions, “What Is LAFCo.” <http://www.calafco.org/about.htm>.

Urban Sewage Management

Most urban areas in California have a single large sewage collection and treatment provider (see Table 1). For example, San Francisco, San Jose, and Oakland each have a single agency that handles both sewage collection and treatment. In total population and miles of sewer mains San Mateo County is similar to San Jose and San Francisco. However, a large, centrally managed agency is not only the norm for individual big cities. The Central Contra Costa County Sanitary District covers 13 East Bay cities from Martinez to San Ramon.

Table 1: System Characteristics of Major Bay Area Sewer Providers

	Population	Forced Mains (Miles)	Gravity Mains (Miles)	Residential Rate (\$ / Year) ^a
<i>San Mateo County</i>	765,135	104.4	1,898	\$902 ^b
San Jose City	998,537	13.0	2,268	\$405
Central Contra Costa	476,400	23.0	1,519	\$471
San Francisco ^c	864,816		1,000	\$187
Oakland	406,253	0.2	920	\$705

Sources: See Appendix B: Urban Sewer Management Agencies.

Notes:

^aThese rates came from the respective sewer providers' websites. They do not include other potential forms of income or revenue such as property taxes, bond income, or permit fees.

^bCounty and independent districts only; excludes rates charged by cities. This is the average rate ranging from \$360 for Harbor Industrial Sewer Maintenance District to \$1,595 for Burlingame Hills Sewer Maintenance District.

^cData on Forced Mains not available.

The complexity of discussing rates in San Mateo County will be covered later in this report. Nonetheless, the rates charged to residences in San Mateo County appear to be higher than those charged by other large urban areas.

San Mateo County agencies lag on the primary measure of sewer system performance, known as the sanitary sewer overflow (SSO).¹⁰ A sanitary sewer overflow occurs when untreated sewage is discharged from a sewer pipe into the environment prior to reaching sewage treatment facilities. Frequent causes of SSOs include:

- Blockage of sewer lines
- Infiltration of storm water into sewer lines during heavy rainfall
- Malfunction of pumping station lifts or electrical power failure
- Broken sewer lines¹¹

¹⁰ See Appendix E: Sanitary Sewer Overflows by District by Year.

¹¹ Wikipedia entry for *sanitary sewer overflow*. https://en.wikipedia.org/wiki/Sanitary_sewer_overflow.

SSOs vary in severity depending on the volume of material released and whether the untreated sewage reached a water source. SSOs by law must be reported to the California Environmental Protection Agency, State Water Resources Control Board.¹² Overflows contaminate drinking water and cause thousands of cases of gastrointestinal illness in the United States each year,¹³ resulting in beach closures, swimming restrictions, prohibitions on shellfish harvesting, and fish kills.

Countywide, the sanitary districts in San Mateo County collectively have significantly more sanitary sewer overflows than the other large urban areas in the San Francisco Bay Area (see Table 2). They have twice as many as San Jose, and nearly three times as many as Central Contra Costa Sanitary District. San Mateo County agencies have no centralized oversight over sewer management, so have no obvious method to address this problem.

Table 2: Sanitary Sewer Overflows per Hundred Miles of Pipeline by Bay Area Sewer Providers

	2013	2014	2015	Average	As %age of SMC
San Mateo County	9.3	11.9	7.7	9.6	100%
San Jose City	5.5	4.4	3.2	4.4	45%
Central Contra Costa	3.0	3.2	2.8	3.0	31%
Oakland	9.1	10.8	9.3	9.7	101%

Sources: See Appendix B: Urban Sewer Management Agencies.

Note: San Francisco operates a combined sewer and storm water system and is therefore not required to report sanitary sewer overflows to the State Water Resources Control Board.

The high level of overflows in San Mateo County is not the inevitable result of aging infrastructure, although that is a risk factor for overflows. Professional and proactive management of the infrastructure is critical. A good illustration of this can be found at West Bay Sanitary District, where 58% of its pipelines were installed before 1960 and 24% were installed before 1940.¹⁴ Its performance on sanitary sewer overflows in the late 2000s was poor. Experienced management, proactive assessment of its system, thoughtful prioritization of its capital projects, use of new technologies, and programs to reduce blockages have reduced SSOs from the rate of 50 to 60 per year to 5 to 15 (see Figure 3).¹⁵

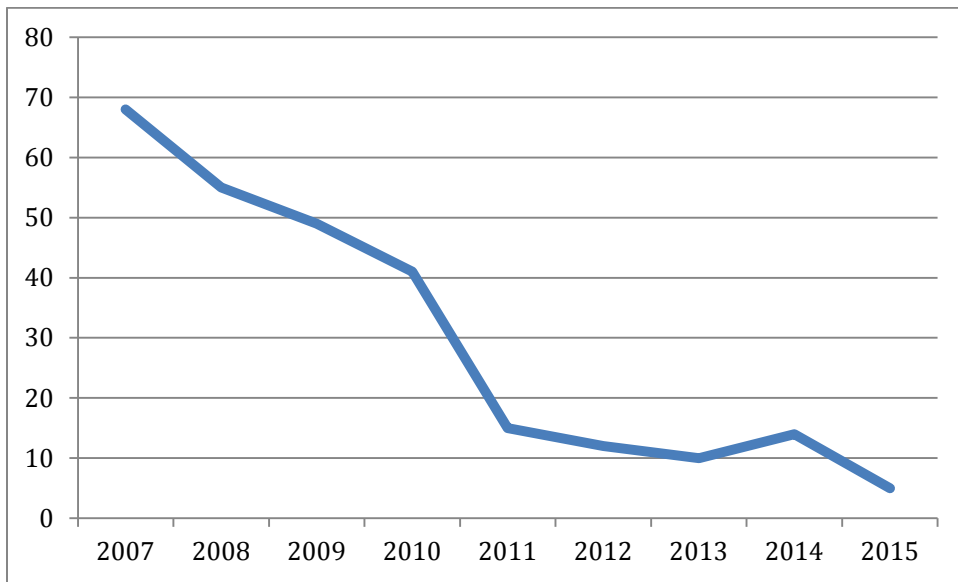
¹² “To provide a consistent, statewide regulatory approach to address SSOs, the State Water Resources Control Board (State Water Board) adopted Statewide General Waste Discharge Requirements (WDRs) for Sanitary Sewer Systems, Water Quality Order No. 2006-0003 (Sanitary Sewer Systems WDR) on May 2, 2006. The Sanitary Sewer Systems WDR requires public agencies that own or operate sanitary sewer systems to develop and implement sewer system management plans and report all SSOs to the State Water Board’s online SSO database.” Source: State of California Environmental Protection Agency, State Water Resources Control Board, Sanitary Sewer Overflow Reduction Program. http://www.waterboards.ca.gov/water_issues/programs/sso/index.shtml.

¹³ Wikipedia entry for *sanitary sewer overflow*. https://en.wikipedia.org/wiki/Sanitary_sewer_overflow.

¹⁴ See Appendix F: Age Profile of District Pipelines.

¹⁵ Officials from West Bay Sanitary District: interview by the Grand Jury.

Figure 3: Sanitary Sewer Overflows by Year for West Bay Sanitary District



Source: Appendix E: Sanitary Sewer Overflows by District by Year.

Note: West Bay reported 68 SSOs in 2007 in a data submission to the Grand Jury, although the California Water Board recorded only 46.

There can be adverse consequences to mismanaging sewer systems. On April 10, 2008, the U.S. Environmental Protection Agency “issued enforcement actions requiring nine sewage collection systems in the Sausalito and Mill Valley areas of southern Marin County, Calif., to address chronic sewage spills, improve sewer maintenance and implement long-term programs to renew aging sewer pipes.”¹⁶

In 2011, the U.S. Environmental Protection Agency announced the settlement of a case against seven municipalities in the East Bay Municipal Utility District. According to a news release issued on March 15, 2011, “the seven municipalities . . . have cooperatively agreed to update aging infrastructure and collection systems that have been major contributors to overflows.”¹⁷ This initiative eventually resulted in a consent decree issued in June 2014, requiring the affected communities to spend \$300 million over a 22-year period to upgrade their sewer collection and treatment facilities.¹⁸

Closer to home, the City of San Mateo, Hillsborough, and the Crystal Springs County Sanitation District were ordered “to cease and desist discharging waste from their respective sanitary sewer systems in violation of requirements” by the California Regional Water Quality Control Board in

¹⁶ United States Environmental Protection Agency, *News Releases from Region 9, US EPA Orders Marin County Sewage Collection Systems to Address Chronic Sewage Spills*, April 8, 2008. <https://yosemite.epa.gov/opa/admpress.nsf/0/503212C4814C8FF585257427006B9568>.

¹⁷ United States Environmental Protection Agency, *News Releases from Region 9, Bay Area Municipalities Ordered to Protect San Francisco Bay from Sewer Discharges*, March 15, 2011. <https://yosemite.epa.gov/opa/admpress.nsf/0/c221b52e5e4823d58525785300718f88?OpenDocument>.

¹⁸ City of Oakland, *Landmark Clean Water Agreement, Regional East Bay Sewer Consent Decree 2014*, Accessed May 1, 2016. <http://www2.oaklandnet.com/Government/o/PWA/s/Sewer/ConsentDecree/index.htm>.

2009.¹⁹ San Mateo's *Daily Journal* reported in its March 14, 2016, issue that the cost of the associated overhaul is \$770 million over 10 years.²⁰ This translates to a cost of \$5,923 per person in the affected area.²¹

Service Area and History of Independent Sanitary Districts

The Bayshore Sanitary District is at the north end of the County, with Westborough nearby (see Figure 4). Montara and Granada border each other on the coast side of the County. Similarly, West Bay and East Palo Alto adjoin each other, at the south end of the County.

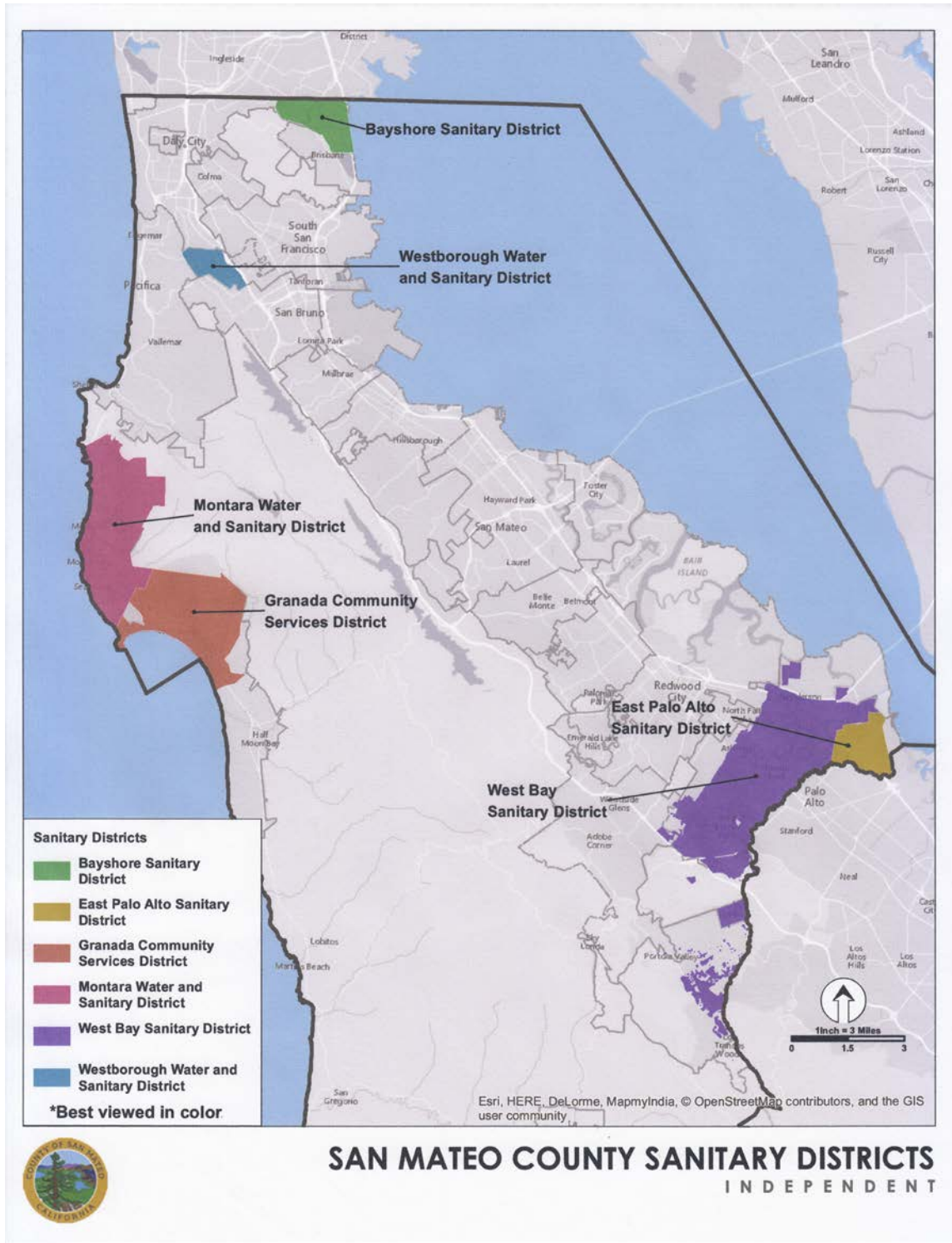
¹⁹ California Regional Water Quality Control Board, San Francisco Bay Region, *Cease and Desist Order No. R2-2009-0020*, March 11, 2009, p. 1.

http://www.waterboards.ca.gov/rwqcb2/board_decisions/adopted_orders/2009/R2-2009-0020.pdf.

²⁰ Samantha Weigel, "Sewer Overhaul to Cost \$770M, San Mateo Launching Improvement Program for Thousands of Customers," *Daily Journal*, March 14, 2016.

²¹ The population served by San Mateo's sewer system is 130,000 according to the San Mateo Sewer System Management Plan, dated December 7, 2015, p. 4. <http://www.cityofsanmateo.org/DocumentCenter/View/47516>. Dividing \$770,000,000 by 130,000 yields \$5,923 per person. A more accurate calculation would use number of connections rather than population to estimate the cost to households of this capital plan, but connection data was not available through website research.

Figure 4: Map of Independent Sanitary Districts in San Mateo County



Source: San Mateo County Local Agency Formation Commission.

The six independent sanitary districts have a long history (see Table 3). They were established over the course of six decades in response to population growth in San Mateo County. For example, a subdivision developer in South San Francisco founded the most recently established district, Westborough, in 1961. Some districts are responsible for more than just collecting sewage. Montara and Westborough also provide drinking water, while Granada recently added parks and recreation to its scope. Three of the districts provide garbage collection services within their districts. These other missions have little synergy with the core mission of sewage collection, although they do allow the sharing of some costs, such as board expenses.

Table 3: District Establishment Date, Communities Served, and Other Areas of Responsibility

District	Date Founded	Communities Served	Other Areas of Responsibility
West Bay Sanitary District	1902	City of Menlo Park, Atherton, and Portola Valley, and areas of East Palo Alto, Woodside and unincorporated San Mateo and Santa Clara counties	Solid Waste ^a
Bayshore Sanitary District	1925	Portions of Daly City and Brisbane	None
East Palo Alto Sanitary District	1939	City of East Palo Alto and portion of Menlo Park	None
Granada Community Services District	1958	Unincorporated areas of El Granada, Princeton, Princeton-by-the-Sea, Clipper Ridge, and Miramar; northern portion of the City of Half Moon Bay	Solid Waste, Parks & Recreation (since 2014)
Montara Water & Sanitary District	1958	Montara, Moss Beach	Solid Waste, Water (since 2003)
Westborough Water District	1961	South San Francisco west of 280 to Skyline Boulevard and South of King Drive in Daly City to San Bruno	Water

Source: District websites.

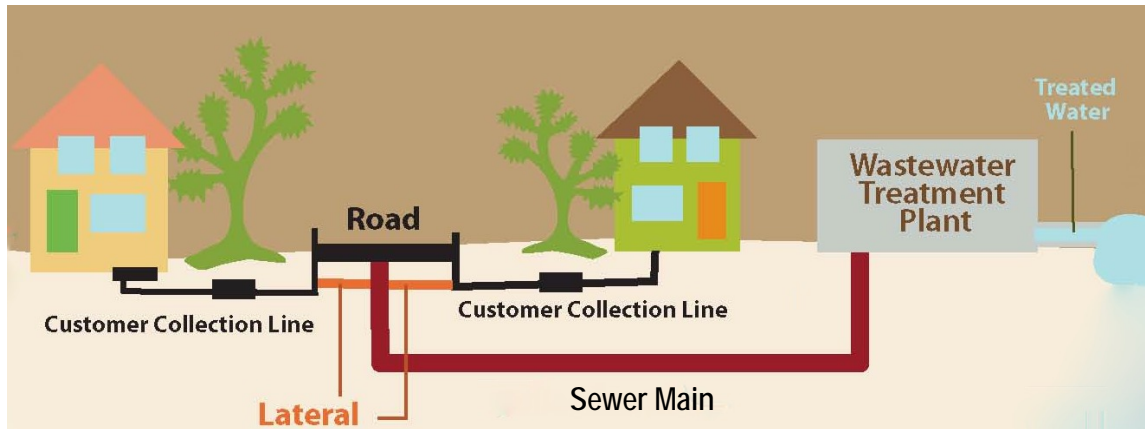
Note:

^aSolid waste includes the pickup and disposal of trash, recyclables, and compostable materials. This activity is typically subcontracted via multi-year contracts.

Sanitary Districts' Contribution to Sewage Management

All the independent districts are responsible for the collection but not the treatment of sewage. In Figure 5 below, they are responsible for the red line labeled “Sewer Main.” Customers are responsible for the black “Customer Collection Line” and orange “Lateral.”

Figure 5: Sewer Mains and Wastewater Treatment



Source: Hi-Desert Water District, Wastewater Reclamation Project, <http://protectgroundwater.org/wp-content/uploads/2014/01/Wastewater-treatment-system-graphic.jpg>. Sewage in San Mateo County discharges either into the Bay or into the Pacific Ocean.

The districts rely on different treatment plants for waste treatment depending on their location (see Table 4). Bayshore, East Palo Alto, and Westborough Districts rely on neighboring cities' waste treatment plants (San Francisco, Palo Alto, and Daly City respectively). Granada and Montara Districts, along with the City of Half Moon Bay, own the Sewer Authority Mid-Coastside (SAM) treatment plant. West Bay, along with the Cities of Belmont, San Carlos, and Redwood City, has a similar arrangement, owning but not operating Silicon Valley Clean Water treatment plant. Districts that share ownership also share a portion of the treatment plants' capital costs to cover both replacements and improvements. The treatment plants are typically governed by boards composed of members from the city councils or independent sanitary districts that own them.

Managing its relationship with its treatment plant is a high priority to the independent districts, as it is to the city-managed districts that do not operate their own treatment plants.²² This is true partly because a significant component of their budget is allocated to treatment, as will be described later. It is also true because the plans and programs of the treatment plants can end up impacting sewage collection.

²² The County of San Mateo, as operator of ten sewer districts, is not party to any of the treatment plant Joint Powers Agreements. The County purchases capacity from nearby cities and pays to wheel the effluent through the city sewer mains.

Table 4: Treatment Plants Serving Independent Districts

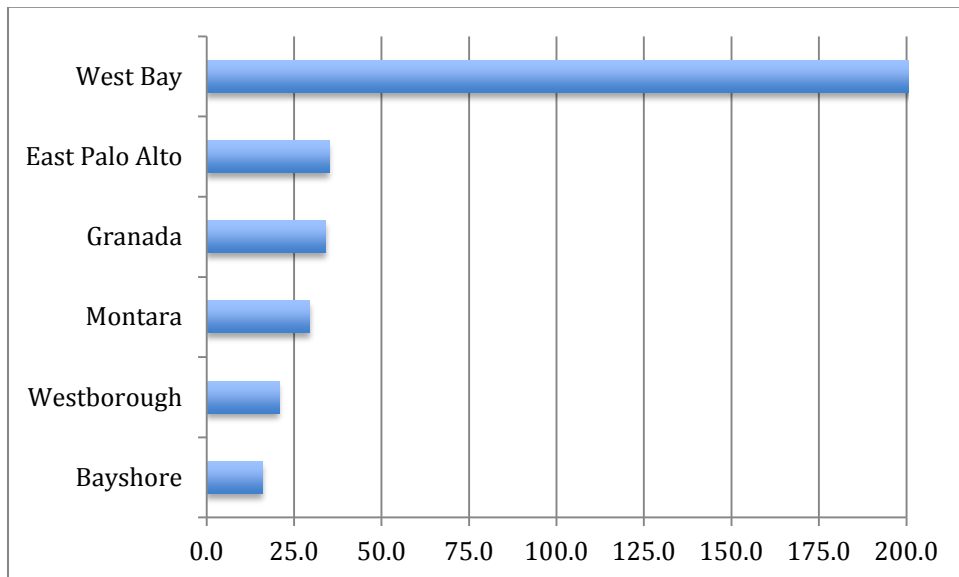
Treatment Plant	Independent District	Other Cities Served by Treatment Plant
San Francisco Public Utilities Commission Southeast Treatment Plant	Bayshore	San Francisco
North San Mateo County Sanitation District, which contracts with City of Daly City Wastewater Treatment Plant	Westborough	Daly City
Sewer Authority Mid-Coastside (SAM)	Granada, Montara	Half Moon Bay
Silicon Valley Clean Water	West Bay	Belmont, Redwood City, San Carlos
Regional Water Quality Control Plant (Palo Alto)	East Palo Alto	Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford

Source: See Appendix C: Wastewater Treatment Plants Serving Independent Sanitary Districts.

Sanitary District Comparisons

The independent districts oversee small collection systems (see Figure 6). The six districts include about 15% of the County’s population and manage 343 miles of pipeline, or approximately 17% of the County’s total. West Bay’s system is significantly larger than the remaining five districts’ systems taken altogether.

Figure 6: Miles of Pipeline by District



Source: See Appendix D: Sewage System Characteristics by District.

It is tempting to discount these districts as being inconsequential. Their budgets however are substantial (see Table 5).

Table 5: Population, Connections, Pipe Length, and Budgeted Revenue for Independent Districts

	Bayshore	West-borough	Montara	Granada	East Palo Alto	West Bay
Population (#)	4,513	14,050	6,012	6,000	29,000	55,000
Connections (#)	1,456	3,790	1,937	2,560	3,864	20,000
Pipeline (Miles)	16.0	20.7	29.5	34.0	35.0	208.0
2015-16 Budgeted Revenue (Million \$)	\$1.280	\$2.523	\$2.690	\$2.524	\$4.915	\$23.750

Sources: See Appendix D: Sewage System Characteristics by District and Appendix G: Sanitary District Budgets.

For the rest of this report, the districts will be listed on the basis of their size as measured by the length of pipelines they operate—with Bayshore the smallest, followed by Westborough, Montara, Granada, East Palo Alto, and West Bay.

Prior Grand Jury and LAFCo Studies of Sanitary Districts

The San Mateo County Grand Jury has investigated only one of these districts in the last 15 years. The 2002-2003 Grand Jury released a report with the results of an investigation into the East Palo Alto Sanitary District. One of the main recommendations was that the district be merged with another district, specifically West Bay Sanitary District. The East Palo Alto Sanitary District disagreed; consolidation did not happen.

LAFCo conducts municipal service reviews of districts on a periodic basis. Its recent studies include:

- *September 16, 2015:* North County Cities and Special Districts, including Bayshore Sanitary District
 - “Reaffirm a zero sphere of influence for the Bayshore Sanitary District, indicating the District should be dissolved and the Cities of Brisbane and Daly City would become ‘successor agencies.’”²³
- *February 17, 2009:* East Palo Alto Sanitary District
 - “The LAFCo adopted sphere of influence designation for the EPASD is for dissolution and annexation of the territory to WBSD.”²⁴

²³ San Mateo County Local Agency Formation Commission, *North County Cities & Special Districts, Municipal Service Review and Sphere of Influence Study*, September 16, 2015, p 79.

http://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/North%20County%20MSR%20-%20209-16-15_3.pdf

²⁴ Martha Poyatos, Executive Officer, San Mateo County Local Agency Formation Commission, *Municipal Service Review and Sphere of Influence Update for the East Palo Alto Sanitary District*, February 17, 2009, p. 17.

http://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/msrepasdfinalwithattachments_0.pdf

- *February 12, 2009: West Bay Sanitary District*
 - “Based on information in the municipal service review and absence of significant changes since the sphere was adopted that merit amendment to the sphere of influence, it is recommended that the WBSD sphere be reaffirmed as adopted in 1985.”²⁵
- *October 7, 2008: City of Half Moon Bay and Unincorporated Midcoast, including Granada Sanitary District and Montara Water and Sanitary District*
 - LAFCO recommended “a single regional water and sewer district to serve the unincorporated and incorporated study area delineated by the urban/rural boundary.”²⁶ It assigned spheres of consolidation to Montara Water and Sanitary District, Granada Sanitary District (as it was named then), and Coastside County Water District. These sphere designations would allow for consolidation of Montara Water and Sanitary District with Granada Sanitary District, and formation of the Midcoast Community Services District to add Park and Recreation to existing services of water, sewer, and solid waste disposal.

In summary, LAFCo recommended the consolidation of Granada Sanitary District and Montara Water and Sanitary District in October 2008, and the dissolution of Bayshore and East Palo Alto Sanitary Districts in 2009.

DISCUSSION

The Grand Jury’s analysis focused on three issues: public accountability, fiscal responsibility, and operational competence.

Public Accountability

Information Transparency

Seeking data from the independent sanitary districts for comparative purposes is challenging. Each district has its own website, and the layouts differ. The most basic data—meeting minutes, budgets, rates, financial audits, and sewer system management plans—is often missing or outdated. Table 6 highlights the gaps (shaded) in core information for each of the six districts studied.

For example, the Grand Jury would expect the minutes of each board meeting to be reviewed and approved at the following board meeting, and then posted within days thereafter (the “Goal” for Meeting Minutes). In late April, the Grand Jury checked the websites of each independent

²⁵ San Mateo County Local Agency Formation Commission, *Municipal Service Review and Sphere of Influence Update, West Bay Sanitary District*, February 12, 2009, p. 17.

http://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/MSRwestbaysanitaryfebruary_0.pdf.

²⁶ Martha Poyatos, Executive Officer, San Mateo County Local Agency Formation Commission, *Sphere of Influence Update, City of Half Moon Bay and Unincorporated Midcoast*, October 7, 2008, p. 12.

http://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/2008_10_08_lafco_soicoastsideoct7wattachments_1.pdf.

district and learned that only Westborough and West Bay had minutes for the March meeting posted. East Palo Alto and Bayshore had minutes from the February meeting posted, while Granada’s dated from the January meeting. Montara’s minutes are embedded in the Agenda Packets for meetings, which requires searching Agenda Packets to find whether minutes for a prior meeting have been included. Relative to the “Goal” of having meeting minutes posted through March 2016, only Westborough and West Bay met the standard.

The State Water Resources Control Board Order No. 2006-0003-DWQ requires Sewer System Management Plans. In spite of this order, only two districts had readily available documents on their website.²⁷

Table 6: Key Information Availability on District Websites

Times	Goal^a	Bayshore	West- borough	Montara	Granada	East Palo Alto	West Bay
Meeting Minutes	Through March 2016	No	Yes	No	No	No	Yes
Minute History	2010 On	Yes	Yes	No ^b	No	Yes	Yes
Budget	2015-2016	Yes	Yes	Yes	Yes	Yes	Yes
Rates	Yes	No	Yes	Yes	No	Yes	Yes
Rate History	2010 On	No	No	No	No	No	Yes
Financial Audit	2015	Yes	Yes	Yes	No	No	Yes
Sewer System Management Plan	2011 On	Yes	No	No	No	No	Yes
Performance Metrics	2014-2015	No	No	No	No	No	Yes
Sewer System Overflows	Current	No	No	No	No	No	No

Sources: District websites as of April 29, 2016.

Notes: Some districts updated their websites after April 29, 2016 following Grand Jury queries regarding information availability.

^aGoal established by Grand Jury based on timely information availability.

^bMontara’s minutes are embedded in agenda packets, requiring a search through multiple packets to locate a specific meeting’s minutes.

²⁷ State Water Resources Control Board, Order No. 2006-2003-DWQ, *Statewide General Waste Discharge Requirements for Sanitary Sewer Systems*, May 2, 2006, p. 2.

The information that is available is structured differently. Each district has its own methodology for preparing and presenting budgets even though the activities of each are roughly comparable. The Grand Jury developed a process to convert each of the six district's budgets to a common and therefore comparable format that was then confirmed with each district.²⁸

Visibility of Rates

Sewer rates are difficult to compile, even for residential single-family dwellings:²⁹

- Districts have the freedom to develop a unique rate structure. For example, Bayshore, Westborough, and Montara have a rate per unit of water consumed during winter months. Each customer pays a unique amount.³⁰ These districts may lose revenue from water conservation efforts and trends towards drought tolerant gardens that reduce water usage but have limited impact on sewage collection and treatment costs.
- The other districts (Granada, East Palo Alto, and West Bay) establish a fixed rate for each type of user (single family residential, multi-family residential, restaurant, etc.). As a result of these differences, it is nearly impossible to compare the average customer's bill between Granada and Montara, two neighboring districts.
- Historical information on average customer bills is very difficult to locate, especially for those who charge based on water consumption.

In addition, residents of the independent districts are billed through a line item on their property tax statement, which means that many people are unaware of the cost of their sewer service (see Figure 7). This West Bay Sanitary District customer has a \$973 charge for "West Bay Sani Dist" on its 2015-2016 tax bill.

²⁸ See Appendix G: Sanitary District Budgets.

²⁹ See Appendix I: Sanitary District Sewer Rates.

³⁰ For ease of comparison, this report uses the term *rate* to refer to both the fixed annual charge as well as the average customer bill calculated from water usage.

Figure 7: Property Tax Bill Reflecting Sanitary Sewer Charge

2015 - 2016 SAN MATEO COUNTY SECURED TAX BILL 2015 - 2016

FOR FISCAL YEAR BEGINNING JULY 1, 2015 AND ENDING JUNE 30, 2016

PARCEL NUMBER	TAX RATE AREA	PIN NUMBER	ASSESSMENT INFORMATION	VALUES
62-003	Bill# 348105		Land	1,392,930
			Improvements	1,392,930
			Fixtures	
			Personal Property	
			Full Cash	2,785,860
			Exemption	1,000
			Value after Exemption	2,778,860

TAXING AGENCY	RATE	AMOUNT
GENERAL TAX RATE	1.0000	27,858.60
MIDPENINSULA REG	0.0008	22.28
MENLO PK EL 2005	0.0393	1,094.84
SEQUOIA HI 2005 R	0.0434	1,209.06
SM JR COLLEGE BD	0.0250	696.46
GENERAL TAX TOT	1.1085	30,881.24
LESS: EXEMPTION		-77.58
SUB-TOTAL		30,803.66
SMC Mosq Abmnt Dist (650)344-8592		3.74
Sequoia UHSD Maint (800)273-5167		11.70
MP ESD Comb Meas Sp Tax (650)321-7140		851.56
Redwood City Storm Fee (650)321-4100		6.70
West Bay Sani Dist (650)321-0384		975.00
Tax Payable		32,658.12

1	DUE NOVEMBER 1, 2015 AFTER DECEMBER 10, 2015 ADD 10% PENALTY TO YOUR PAYMENT \$16,325.21	2	DUE FEBRUARY 1, 2016 AFTER APRIL 10, 2016 ADD 10% PENALTY + \$40.00 COST TO YOUR PAYMENT \$16,325.21
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* FOR HOME BANKING: USE YOUR PARCEL NUMBER (062-140-360) AND PAY THE FULL INSTALLMENT DUE. PARTIAL PAYMENTS WILL BE RETURNED. FAILURE TO PAY THE FULL AMOUNT DUE ON TIME WILL RESULT IN PENALTIES AND COSTS.
 * 65 or older may qualify for a school parcel tax exemption on a primary residence in FY 2016-17. Contact the District Office at (650)321-7140.
 * Pay Online at www.sanmateocountytaxcollector.org
 * Please do not fold, staple, tape or otherwise mutilate the attached payment coupons.

Source: Grand Juror

Board Tenure




The districts state that having elected board members gives them an important link to the community.³¹ Unfortunately, based on the general trend of uncontested elections, the communities in which they operate appear to have little interest in the elections (see Table 7). Uncontested elections are those in which the number of candidates are the same or less than the number of openings. These elections are not placed on the ballot, and the candidates are automatically approved. Contested elections are those in which the contest is placed on the ballot and the public votes. Sixty-five percent of elections in the last eight election cycles were uncontested for the independent sanitary districts.

³¹ Officials from independent sanitary districts: interviews by the Grand Jury.

Two of the districts, Bayshore and Westborough, have not had contested elections since 2000. West Bay has not had a contested election in over 10 years. This suggests that public participation in the selection is minimal. The only district with regularly contested ballots is East Palo Alto.

Table 7: Contested and Uncontested Elections in Sanitary Districts

District	2001	2003	2005	2007	2009	2011	2013	2015
Bayshore	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested
Westborough	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested
Montara	Uncontested	Contested	Contested	Contested	Uncontested	Uncontested	Contested	Deferred ^a
Granada	Contested	Contested	Uncontested	Uncontested	Contested	Uncontested	Contested	Deferred ^a
East Palo Alto	Contested	Contested	Contested	Uncontested	Contested	Contested	Contested	Uncontested
West Bay	Contested	Contested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested	Uncontested

Uncontested	
Contested	
Deferred ^a	

Source: Data provided by the San Mateo County Elections website, shapethefuture.org as well as Elections division staff. See Appendix K: Director Tenure by District for detailed sources.

Note: ^aGranada and Montara chose to change their election years to even-numbered years, so deferred 2015 elections to 2016.

Even in those instances where elections are contested, the turnout is low. Turnout for the most recently contested elections, in 2013, was less than a quarter of the registered voters (see Table 8).

Table 8: Turnout for 2013 Sanitary District Elections

	Percentage of Registered Voters
Montara	25.9%
Granada	24.0%
East Palo Alto	14.1%

Source: San Mateo County Elections website, shapethefuture.org.

There is an important danger resulting from this. Ratepayers are responsible to support rates that allow for necessary capital improvements. In a small district, with few active voters, it is possible for a very few people to influence decisions on topics such as rates. In the last elections in 2013 in Montara and Granada, the winners were separated from the losers by 111 and 15 votes respectively.³²

With these conditions, board turnover is low. The average tenure of the board members on all six boards is over 10 years (see Table 9). Since the membership term is four years on all boards, this means that the **average** board member is serving on his or her third term. There is value in having experience on any board, but there is also the risk of resistance to new ideas.

³² San Mateo County, *Statement of Vote, San Mateo County Consolidated Municipal, School, and Special District Election, November 5, 2013*. <https://www.shapethefuture.org/elections/results/2013/nov/official/Nov2013SOV.pdf>.

Table 9: Length of Service of Board Directors

	Average Length of Service in Years	Longest Length of Service in Years
Bayshore	16.6	23.3
Westborough	13.8	26.6
Montara	8.6	12.6
Granada	9.7	18.6
East Palo Alto	9.0	12.6
West Bay	6.8	16.6

Source: See Appendix K: Director Tenure by District.

Note: Measured as of June 30, 2016.

Public Profile

Districts have minimal interaction with the public compared to, for example, water districts. Bills are not established based on a metering of sewage, so customers have few reasons to question the billed amount. Customers do not start and stop sewer service as they do with other utilities. Customers do not have drought-related sewer budgets.

A survey commissioned by the East Palo Alto Sanitary District in 2012 illustrates the point. They learned that 38% of residential respondents stated they were familiar with the district. However, only two thirds of these realized that it provides sewer services.³³ Only eight out of 500 residential property owners surveyed and none of the 100 commercial property owners surveyed knew the district sewer rate.³⁴

The Grand Jury suspects that East Palo Alto is not unique and that most independent sanitary district customers could not name their sanitary sewer provider.

Fiscal Responsibility

The districts receive revenue from four primary sources:

- ***Property Tax:*** Five of the six independent districts receive property tax.
- ***Sewer Service Charges:*** These charges are paid through a line item on property tax bills.
- ***Permit and Connection Fees:*** The districts collect modest amounts of money in permit and connection fees.³⁵ Developers and others connecting to the system for the first time or upgrading a connection pay these fees.
- ***Interest on Reserves:*** The districts collect minimal amounts of interest on the money they hold in their reserves.

³³ Jatelo Productions, *East Palo Alto Sanitary District Public Relations Plan*, November 7, 2013, p. 104. <http://www.epasd.com/home/showdocument?id=324>.

³⁴ *Ibid.*, p. 110.

³⁵ Bayshore, Montara, and West Bay budgeted between \$5,000 and \$50,000 in permit fees in FY 2015-2016. All districts except Westborough collected connection fees in the \$14,000 to \$50,000 range except Montara, which budgeted for over \$300,000 in FY 2015-2016. Montara recently expanded opportunities for new sewer connections, which is what is driving this unusually large amount. See Appendix G for detail.

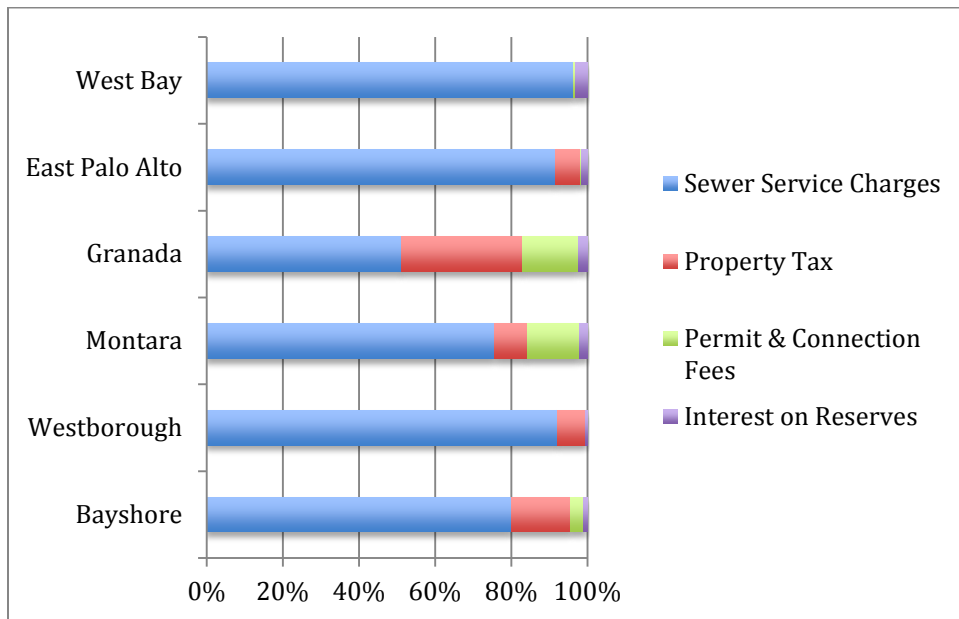
This report focuses on Property Tax and Sewer Service Charges, since they constitute more than 80% of the total income of the independent sanitary districts.

Property Tax Subsidies

The contribution of property tax to the districts’ revenue is meaningful, particularly for Bayshore and Granada (see Figure 8).

All independent districts except West Bay were funded through property tax prior to the passage of Proposition 13. As a result, they continue to receive a share of the property tax collected by San Mateo County from all County residents. Although it received property taxes in earlier years, West Bay did not receive property tax funding in fiscal year 1977-1978, and as a result of Proposition 13 and its subsequent enabling legislation, the district continues not to receive any property taxes.³⁶

Figure 8: Property Tax Contribution to Total Revenue



Source: See Appendix H: Sanitary District Budget Analysis FY 2015-2016.

Notes: Granada’s relatively large portion of revenue due to Permit & Connection Fees is a result of a repayment of monies advanced to the Assessment District. Montara’s large portion is due to the processing of a backlog of connection requests.

³⁶ The County Controller’s Office was unable to determine the reason that West Bay received no property tax in 1977-1978 although it confirmed that it had received property tax in some prior years.

One of the goals of Proposition 13 was to eliminate property tax for government-provided services for which the customer could be charged directly. California Government Code Section 16270 states:

The Legislature finds and declares that many special districts have the ability to raise revenue through user charges and fees and that their ability to raise revenue directly from the property tax for district operations has been eliminated by Article XIII A of the California Constitution. It is the intent of the Legislature that such districts rely on user fees and charges for raising revenue due to the lack of the availability of property tax revenues after the 1978-79 fiscal year. Such districts are encouraged to begin the transition to user fees and charges during the 1978-79 fiscal year.³⁷

Almost 40 years later, five of the independent sanitary districts continue to rely heavily on property tax revenue while also collecting sewer service charges. Their budgets for FY 2015-2016 include \$1,733,000 for property tax receipts.³⁸ In 2013, Granada Sanitary District took a small step towards reducing its heavy reliance on property tax by adding Parks and Recreation to its scope, becoming the Granada Community Services District. The resolution applying for its reorganization, contained the following statement:

“WHEREAS, the District receives property tax as well as sewer and garbage fees and it is currently intended that Park and Recreation services would initially be funded with a portion of the property tax the District receives . . .”³⁹

If the five districts did not receive a share of the 1% property tax, their rates would be more comparable with districts such as West Bay (see Figure 9). Without the property tax, the five districts’ ratepayers would pay more and County taxpayers’ tax would be allocated elsewhere.

³⁷ California Government Code Section 16270, <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=16001-17000&file=16270-16271>.

³⁸ See Appendix G: Sanitary District Budgets.

³⁹ Granada Sanitary District, Resolution No. 2013-003, *Resolution of Application for a Reorganization of the Granada Sanitary District into a Community Services District*. http://granada.ca.gov/wp-content/uploads/2014/02/2013-04-18_RESOLUTION_for_LAFCO_Application.pdf.

Figure 9: Impact of Property Tax in Reducing Sewer Rate



Source: See Appendix H: Sanitary District Budget Analysis FY 2015-2016.

Note: The impact of the property tax is calculated by dividing the total property tax by the number of customers in the district. This is an approximation of the impact of the tax since not all customers are subject to the same rate structure.

High and Rising Rates

Sewer Service Charges are the primary source of revenue for the independent sanitary districts, ranging from 51% for Granada to 96% for West Bay. Sewer Service Charges come from rates paid by users.

As indicated earlier, the rates in San Mateo County for the 10 County-run and six independent districts are greater than those for comparable urban areas in the Bay Area.⁴⁰ Those rates range from \$187 to \$705, while independent sanitary district rates range from \$402 to \$973 (see Table 10). Rates for the County-run districts have averaged 25% growth in the last five years (from 2010-2011 to 2015-2016). During the same period, the average of the independent sanitary districts was 20%. The consumer price index for the San Francisco Bay Area grew approximately 14% during the same period.

⁴⁰ As noted earlier, the rates do not include other potential revenue sources such as property taxes.

Table 10: Sanitary Sewer Rates and Growth

Name	2015-2016	% Growth 2011 to 2016
Bayshore Sanitary District	\$613	0%
Westborough Water District	\$512	29%
Montara Water & Sanitary District	\$810	11%
Granada Community Services District	\$402	10%
East Palo Alto Sanitary District	\$575	19%
West Bay Sanitary District	\$973	50%
Average Rate and Growth of Independent Districts	\$648	20%
Average Rate and Growth of County-Managed Districts	\$1,072	25%
Consumer Price Index, San Francisco Bay Area		14%

Source: Appendix I: Sanitary District Sewer Rates.

Rate increases are subject to Proposition 218, which requires that sanitary districts hold a public hearing, mail advance notice of the hearing, and conduct a ballot protest proceeding before any proposed rate increase.⁴¹ This means that districts must have ratepayer support to increase rates, even in cases where rate increases are required to allow agencies to comply with state mandates to avoid sanitary sewer overflows. Ratepayer protest is more likely in smaller systems with lower numbers of ratepayers.⁴²

The challenge for ratepayers is judging whether the rate they are being charged is appropriate or not. The fact that the rate is rising rapidly could be due to the district's failure to raise rates in earlier years by deferring capital improvements, or to the tightening of State regulatory oversight requiring new capital investments, among other possibilities. Low rates are not necessarily a sign of prudent fiscal management.

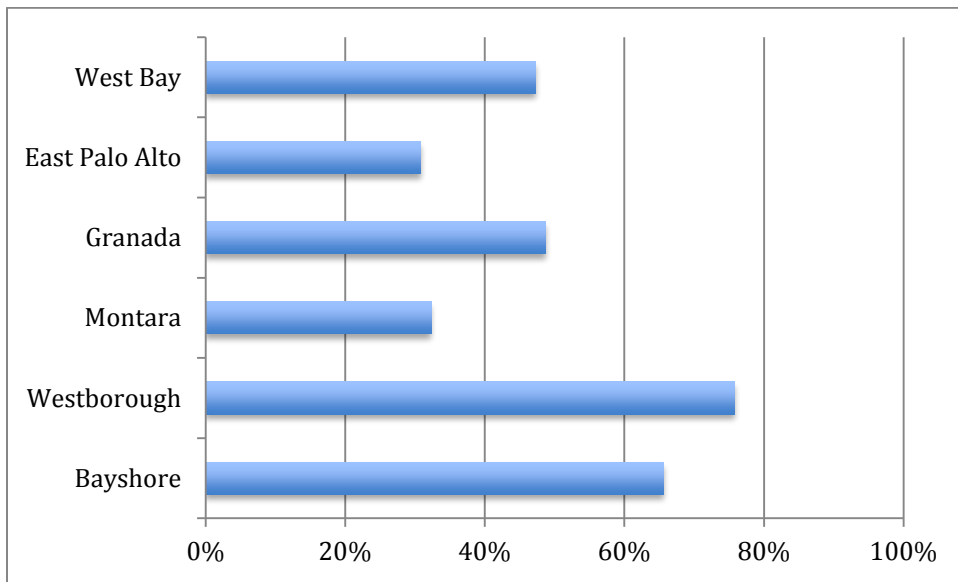
Handling of Treatment Costs

The sanitary districts collect revenue for the treatment of sewage as well as the collection of sewage, even though they do not manage the sewage treatment plants. Between one third and two thirds of all revenues received by these districts go towards treatment expense and capital, as shown in Figure 10. Treatment expense is the annual cost to process sewage. Treatment capital is the money to fund capital improvement projects, such as the replacement of equipment or construction of new facilities. For example, treatment expense and capital is 47% of West Bay's budget, leaving 53% for maintenance and capital improvement of its sewage collection system.

⁴¹ California Special Districts Association, *Proposition 218 Guide for Special Districts*, 2013. p. 19.

⁴² Official from San Mateo LAFCo: interview by the Grand Jury.

Figure 10: Treatment Expense and Capital's Share of Revenue



Source: See Appendix H: Sanitary District Budget Analysis FY 2015-2016.

The wide discrepancy in percentage of revenue allocated to treatment is due to many reasons—the varying costs of the treatment plants used, the nature of the contracts negotiated with the treatment plants, the amount of capital investment currently underway at the treatment plants, and the individual district’s budgeting practices. This arrangement further separates the ratepayer from the agency spending the ratepayer’s money. It makes it difficult to judge whether the rates are fair across the County, and whether the money is well spent. In any case, it introduces additional players to the decisions involved in managing sewage treatment plants, and that in itself may add little value.

Rationalizing Collection and Administration Expenses

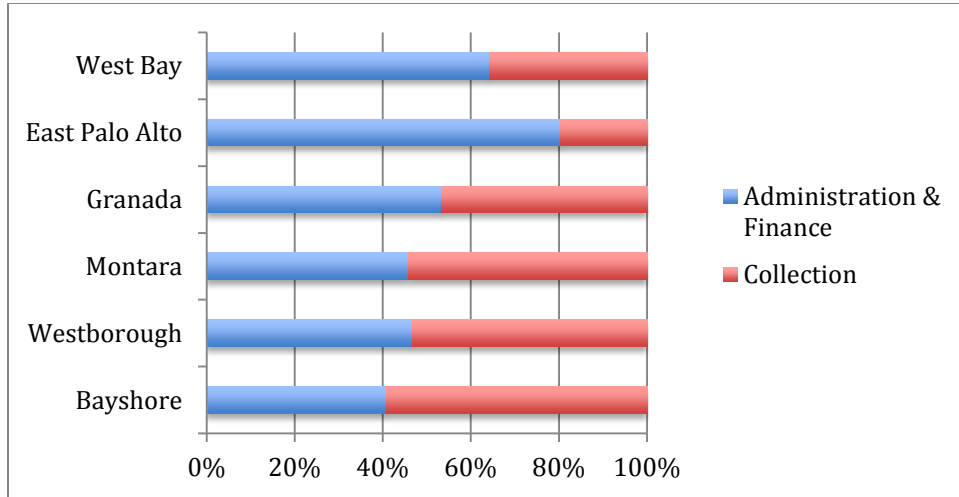
After treatment costs are removed, the districts are left with the costs associated with administering the district and maintaining the sewer pipes.

The wide differences in how expenses are allocated between Collection and Administration/Finance are difficult to explain (see Figure 11).

- The methodology for allocating costs between Collection and Administration/Finance is neither well defined nor consistent across districts.
- Districts with both water and sewage responsibilities (such as Montara and Westborough) tend to have a lower proportion of Administration and Finance because these costs are shared.
- Westborough does not report its revenue and expenses separately between its water and sewage responsibilities, so its split was estimated. It is difficult to understand how Westborough can set rates for sewer services without separate cost accounting for water and sewer services.

- East Palo Alto’s emphasis on community engagement and involvement may be a factor in why such a high percentage of its non-treatment operating expenses (80%) are for Administration and Finance.⁴³

Figure 11: Operating Expense Split between Collection and Administration/Finance



Source: See Appendix H: Sanitary District Budget Analysis FY 2015-2016.

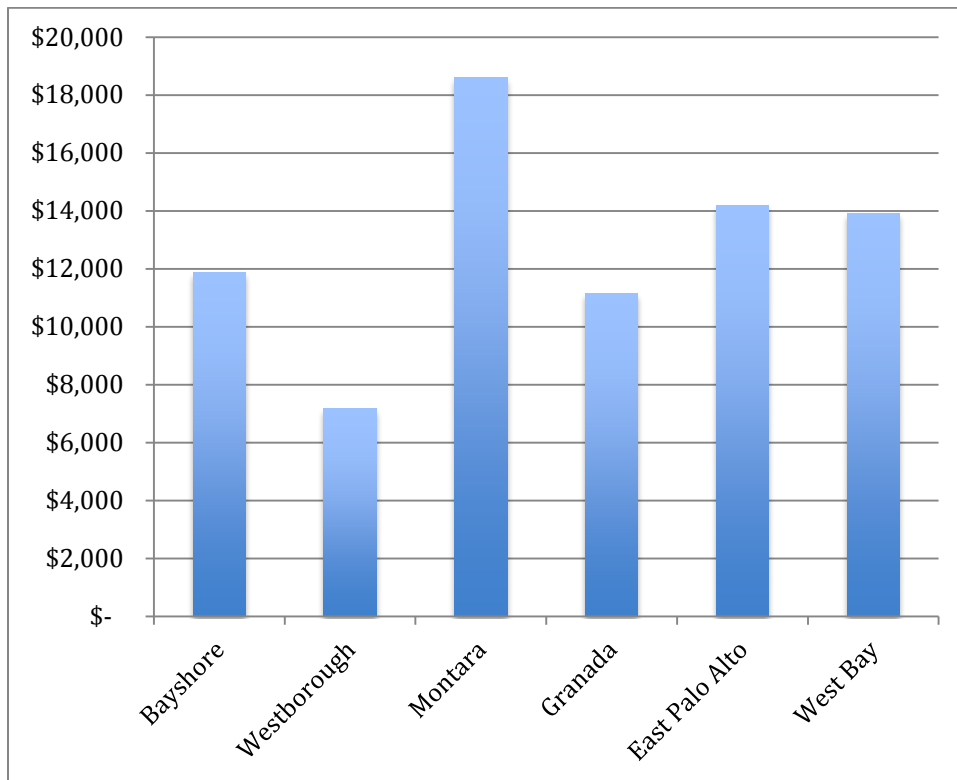
Note: West Bay does not consider treatment costs to be operating costs, unlike the other districts. It classifies them as non-operating costs. For comparative purposes, the Grand Jury categorized them in this report as operating costs.

Collection expense per mile of pipeline varies from \$7,165 for Westborough to \$18,619 for Montara (see Figure 12).⁴⁴ The Grand Jury was unable to determine the reasons for the differences.

⁴³ In addition to the Public Relations study cited earlier (Jatelo Productions, *East Palo Alto Sanitary District Public Relations Plan*), East Palo Alto is the only district whose board calendar includes regular public relations committee meetings.

⁴⁴ See Appendix D: Sewage System Characteristics by District; see Appendix G: Sanitary District Budgets for FY 2015-2016; see Appendix H: Sanitary District Budgets for FY 2014-2015.

Figure 12: Collection Expense per Mile of Pipeline



Source: See Appendix H: Sanitary District Budget Analysis FY 2015-2016.

Note: Calculated as collection costs divided by miles of gravity and forced main pipelines.

Board Compensation

Board compensation differs dramatically between districts (see Figure 13). The per-diem rate for meeting attendance varies from \$75 for Montara’s directors to \$293 for East Palo Alto’s. Most districts hold monthly board meetings; Montara’s and West Bay’s boards meet twice per month. East Palo Alto is the only district with standing committee meetings scheduled on days other than regular board meetings.⁴⁵

Government codes dictate the allowable compensation for board members of special districts. Sanitary districts’ compensation is covered by California Health and Safety Code Section 6489, which sets \$100 as the maximum allowable compensation per day.⁴⁶ Community services districts and water districts have the same limit. The law allows for an adjustment of 5% per year following a public hearing.⁴⁷ Bayshore, East Palo Alto, and West Bay have been generous in taking advantage of these provisions to raise board director compensation.

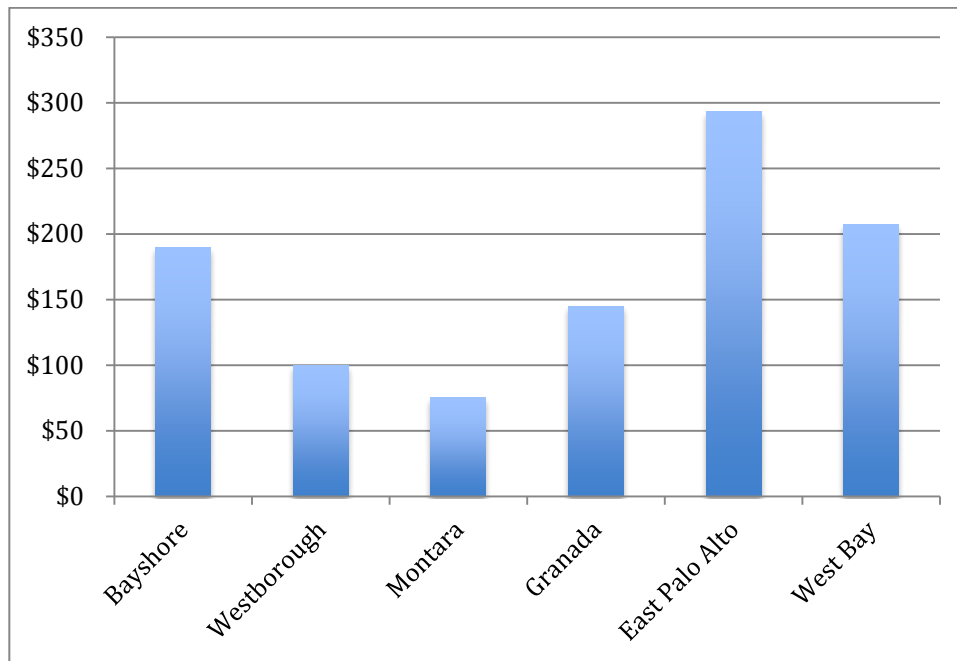
⁴⁵ Based on meeting schedules posted on district websites.

⁴⁶ California Health and Safety Code, *Section 6489*.

http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=HSC§ionNum=6489.

⁴⁷ California Water Code, *Section 20200-20207*, <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=wat&group=20001-21000&file=20200-20207>.

Figure 13: Meeting Compensation for Directors

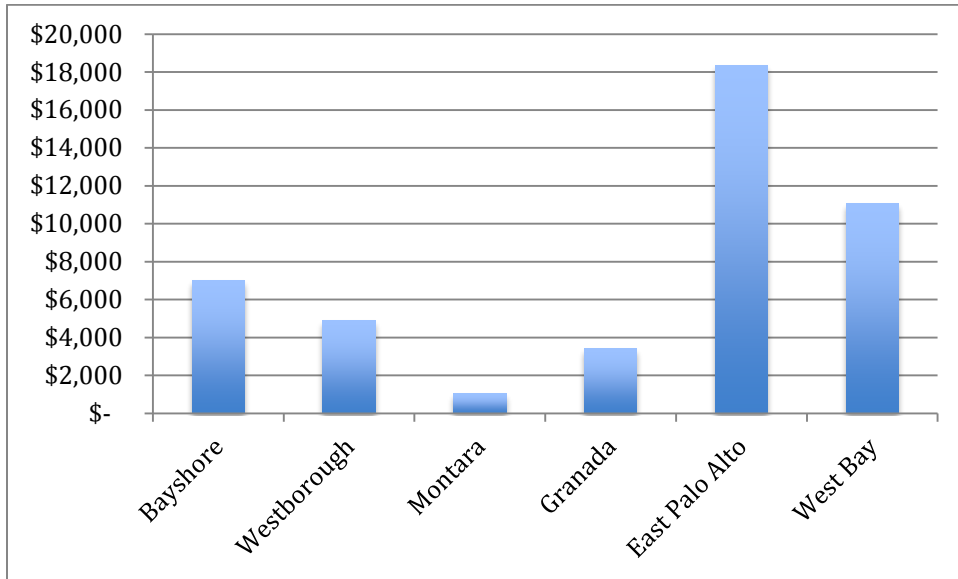


Source: See Appendix J: Board Costs for Sanitary Districts.

The difference in compensation practices is even starker when you compare annual total compensation planned in the FY 2015-2016 budgets (see Figure 14). East Palo Alto's board members receive an average of \$18,000 in compensation and other benefits per year, while West Bay's receive only \$11,000 in spite of it being a much larger district. Three of the districts have responsibility for a major mission other than sewage (Granada, Montara, and Westborough). In these cases, their board costs reflect a portion of the total costs, which is why they are lower than Bayshore's, East Palo Alto's, and West Bay's.⁴⁸

⁴⁸ All districts except Westborough provide separate budgets for their sewage management responsibilities. Westborough's management assisted the Grand Jury with an estimate of its sewage-related budget.

Figure 14: Annual Board Compensation per Director



Source: See Appendix J: Board Costs for Sanitary Districts.

While most districts do not provide benefits to their directors other than a meeting stipend, Bayshore and East Palo Alto offer substantial benefits (see Table 11). These benefits are generous given the very occasional responsibilities of board members.

Table 11: Board of Director Benefits by District

District	Benefit
Bayshore	Dental, Life Insurance for Directors and Spouse / Partner or Children
Westborough	None
Montara	None
Granada	None
East Palo Alto	Dental, Vision, Health
West Bay	None

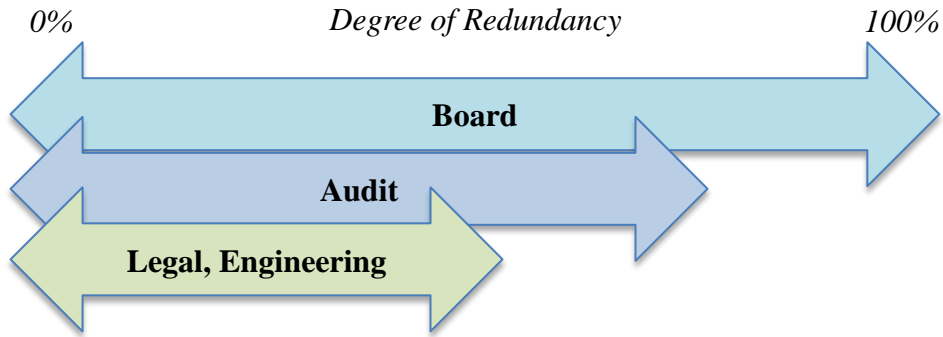
Source: See Appendix J: Board Costs for Sanitary Districts.

Note: FY 2015-2016.

Redundant Activities

The six districts budget for items that duplicate work done by other districts. This duplication of costs can be redundant and costly to the taxpayer (see Figure 15).

Figure 15: Economies of Scale in Professional Services



If the districts were consolidated with other entities, the board costs associated with sewer services would be eliminated. Similarly, audit costs would be eliminated for the districts if they were consolidated. The audit costs for the receiving entities may go up slightly, especially during the year of consolidation, but the incremental costs would be small.

A portion of legal and engineering fees would continue to be required in the event of consolidations because of the unique characteristics of each district being eliminated. However, the common work of staying apprised of current legal and regulatory requirements, attending district meetings, and preparing district documents (such as Sewer System Management Plans) could be reduced, perhaps dramatically.

The costs involved are not insignificant. For example, board costs total over \$225,000 per year (see Table 12). The total cost of professional services is nearly \$1,000,000, much of which would be eliminated by consolidation.

Table 12: Cost Impact of Multiple Small Districts

Expense Type	Bayshore	West-borough	Montara	Granada	East Palo Alto	West Bay	Totals
Board	\$35,000	\$24,416	\$5,300	\$17,000	\$91,800	\$55,404	\$228,920
Legal	\$30,000	\$15,900	\$24,500	\$60,000	\$36,000	\$160,000	\$326,400
Audit	\$10,500	\$8,758	\$13,000	\$12,000	\$20,043	\$15,000	\$79,301
Engineering	\$55,000	\$9,150	\$52,000	\$20,000	\$85,000	\$130,000	\$351,150
Total	\$130,500	\$58,224	\$94,800	\$109,000	\$232,843	\$360,404	\$985,771

Source: Input from individual districts as well as published budgets. See Appendix G: Sanitary District Budgets.

Note: Data for FY 2015-2016.

The Grand Jury did not investigate the contracts for the professional services firms supporting the sanitary districts. Longevity is highly valued by the districts. The legal counsel in each of the

six has been in place at least 10 years,⁴⁹ with Westborough's counsel serving for over 30 years. Such long-term relationships raise questions about the competitiveness of the fees paid to these firms, since they appear to be rarely, if ever, subject to a standard procurement bidding process.

Other economies of scale could be realized in general management and office administration. There may be opportunities in collection activities as well, with economies of scale in workforce and equipment utilization. West Bay provides a good example. When Los Altos Hills contracted with West Bay for sewer collection services, West Bay's network expanded by 54 miles, or about 27%. It added two people on a base of 28 full-time equivalent staff, or only 7%.⁵⁰

Scale is a challenge for benchmarking of administrative and finance processes. The minutes of the Granada board meeting from January 21, 2016, record an exchange between director David Seaton, elected in 2013, and director Leonard Woren, elected in 1997:

“Consideration of Potential Cost Sharing Opportunities among Sewer Authority Mid-Coastside (SAM) Member Agencies.

Director Seaton requested this Item for discussion as he feels overhead costs of Coastside agencies providing sewer related services are greater than necessary for the population. He suggested a long-term approach aimed at cost sharing if not consolidation. The Board held a discussion.

ACTION: Director Woren moved to table the Item indefinitely until Director Seaton is able [sic] provide specific line-item expenses with the estimated cost saving calculations he foresees by cost sharing.”⁵¹

This generally negative attitude to the potential for improvement through sharing of best practices, mutual benchmarking, and other cooperative efforts was clearly visible in the leadership of the five smallest districts interviewed.⁵²

⁴⁹ Officials from independent sanitary districts: interviews by the Grand Jury.

⁵⁰ Ibid.

⁵¹ Minutes of Granada Sanitary District Board of Directors Regular Meeting, dated January 21, 2016, p. 2.

⁵² Officials from independent sanitary districts (excluding West Bay): interviews by the Grand Jury.

Operational Competence

No Gold Standard

The core operating responsibility of the sanitary districts is sewage collection, which translates to the maintenance of the pipes that connect customers' homes and businesses to the treatment plant. These responsibilities also include connecting new customers to the sewage system or modifying existing customers' connections.

The sanitary districts have a modest role to play in terms of customer service. They field calls from customers regarding sewage leakages and sewer line blockages. They receive requests for permits for new or upgraded connections. Customers themselves must coordinate with building and public works departments to replace or upgrade laterals and cleanouts. Only one of the districts, West Bay, tracks any metrics related to its interactions with customers, although all districts claimed to have excellent customer service.⁵³

The Grand Jury was unable to determine whether a “gold standard” of performance exists for sewage collection. When we asked management of each of the districts who they viewed as the “gold standard” in the Bay Area, we received interesting results:

- Bayshore cited itself.
- East Palo Alto, Granada, and Montara cited West Bay.
- The biggest district, West Bay, cited Central Contra Costa Sanitary, West Valley Sanitary District, and Union Sanitary in Fremont.

Only East Palo Alto and West Bay appeared to be actively involved in the primary professional association for sewage system management, the California Water Environment Association. As a result, even among the districts themselves, there is no objective basis for evaluating the performance of the sanitary districts.

Age of Pipelines

The sewage infrastructure of the six independent sanitary districts is old, with over 43% laid before 1960.⁵⁴ Older pipe is more susceptible to problems due to root intrusion, land settling, inaccurate maps, and other causes. Because of these problems, older pipe can be more expensive to maintain. Most of these older pipes are clay or concrete, which typically last 50 to 60 years.⁵⁵

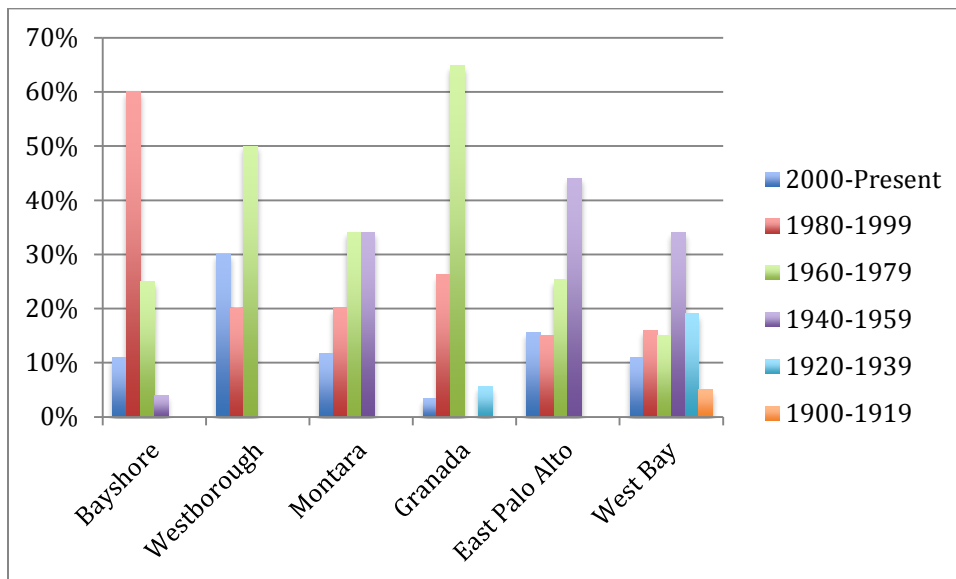
⁵³ Officials from the independent sanitary districts: interviews by the Grand Jury.

⁵⁴ See Appendix F: Age Profile of District Pipelines.

⁵⁵ Most sewer pipe laid before 1980 was clay or concrete. Pipe Rehab Specialists, *How Long Do Sewer Pipes Last?*, accessed May 1, 2016. <http://www.piperehabspecialists.com/how-long-do-sewer-pipes-last/>.

Approximately half the pipes in East Palo Alto and West Bay are over 50 years old and therefore approaching end of life (see Figure 16).

Figure 16: Pipeline Age by District



Source: See Appendix F: Age Profile of District Pipelines.

Note: Montara data estimated for 1940-1959 and 1960-1979 by dividing pipe aged between 1940-1979 by two.

Sanitary Sewer Overflows

San Mateo County’s independent sanitary districts contribute less than 10% of the sanitary sewer overflows in the County (see Table 13). With approximately 17% of the County’s total pipeline length, they are doing relatively better as a group than the other sewer providers in the County.

Table 13: Sanitary Sewer Overflows by District

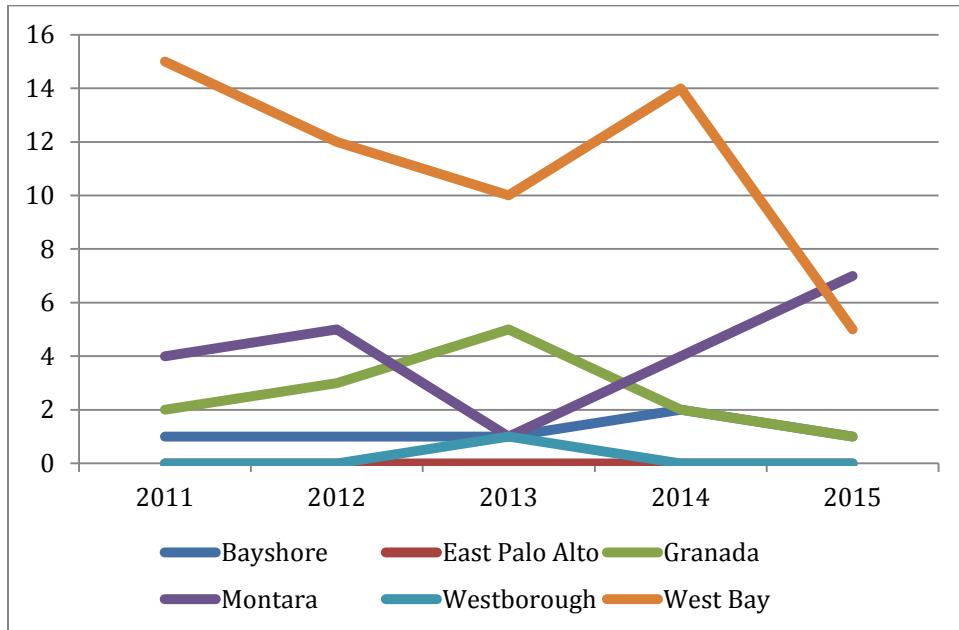
	2013	2014	2015
<i>San Mateo County</i>	186	238	155
Percentage from Independent Districts	10%	9%	9%
Bayshore	1	2	1
Westborough	1	0	0
Montara	1	4	7
Granada	5	2	1
East Palo Alto	0	0	0
West Bay	10	14	5

Source: See Appendix E: Sanitary Sewer Overflows by District by Year.

From 2011 to 2015, the most noticeable change in performance by any district is West Bay’s dramatic improvement (see Figure 17). West Bay’s current general manager, a public works executive with more than 30 years of experience in wastewater management, joined the district in 2010 and made reduction in SSOs a major priority. Montara struggles to prevent overflows in

its hilly environment with many pump stations. East Palo Alto reported having no SSOs in the last five years, while Westborough reported only one, and that in 2013.

Figure 17: Sanitary Sewer Overflows by Year



Source: See Appendix E: Sanitary Sewer Overflows by District by Year.

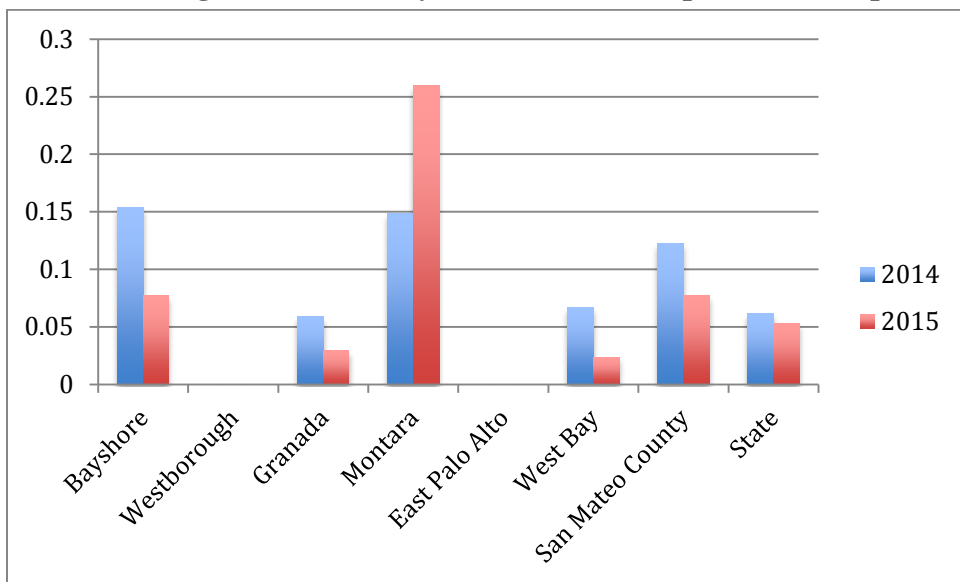
Note: Some data points are not visible due to overlap. For example, Bayshore’s values for 2014 and 2015 are equal to Granada’s, so its line is hidden behind Granada’s.

Similarly, East Palo Alto’s and Westborough’s values are identical in all years except 2013, so the East Palo Alto values are only visible in that year.

SSOs per mile of pipe show that the two biggest districts (West Bay and East Palo Alto) are lower than the state average for SSOs per mile of pipe, in spite of the age of their pipes (see Figure 18). It is difficult to assess precisely why this is the case other than to note the experience and professionalism of their leadership and employees, as well as West Bay’s deployment of technologies such as cured-in-place pipe and linear asset management planning.⁵⁶ Bayshore and Montara SSOs were high relative to County and state averages in 2014, with that trend continuing for Montara into 2015.

⁵⁶ Cured-in-place pipe is a “jointless, seamless, pipe-within-a-pipe with the capability to rehabilitate pipes.” It is one of several trenchless rehabilitation methods used to repair existing pipelines. Source: Wikipedia entry for cured-in-place pipe. https://en.wikipedia.org/wiki/Cured-in-place_pipe. Linear asset planning is a method for prioritizing pipeline repair or replacement based on multiple factors.

Figure 18: Sanitary Sewer Overflows per Mile of Pipe



Source: See Appendix E: Sanitary Sewer Overflows by District by Year.

Notes: East Palo Alto and Westborough reported no Sanitary Sewer Overflows in 2014 and 2015.

Dependence on Contractors

With the exception of West Bay, the sanitary districts are so small that they cannot justify hiring and retaining their own staff, so they hire outside contractors to manage their responsibilities. The functions performed by contractors are highlighted in Table 14.

Table 14: Use of Contractors by Function in Independent Sanitary Districts

Responsibility	Bayshore	West-borough	Montara	Granada	EPA	West Bay
Number of Full-Time Equivalent Employees	0	1 ^a	2	2	9	28
District Administration						
General Manager	N/A	Employee	Employee	Dudek & Associates ^b	Contractor ^c	Employee
District Clerk	Contractor ^d	Employee	N/A	Employee	N/A	N/A
Legal	Meyers Nave	Hanson Bridgett LLP	Law Offices of David E. Schricker	Wittwer Parkin LLP	Best Best & Krieger LLP	Atchison, Barisone, Condotti & Kovacevich
Finance & Accounting						
Accountant	Contractor ^d	Chavan & Associates, LLP	Maze & Associates	Employee	Jeanpierre, Wegem, Alabi & Co. LLP CPAs	Employee
Sewer Service Rates	TBD	TBD	Bartle Wells Associates	TBD	Bartle Wells Associates	HF&H Consultants, LLC
Auditor ^e	Fechter & Co., CPAs	Charles Z. Fedak	Vavernick, Trine & Day	Fechter & Co, CPAs	Maze & Associates	Chavan & Associates, LLP
Engineering	Thomas E. Yeager, formerly of Kennedy / Jenks	Pakpour Consulting	Nute Engineering	Kennedy / Jenks Consultants	Freyer & Laureta Inc.	Employee
Collections (Maintenance)	Collection Systems Maintenance Service	North San Mateo County Sanitation District	Sewer Authority Mid-Coastside (SAM)	Sewer Authority Mid-Coastside (SAM)	Employee	Employee
Permit Processing	Contractor	Employee / Contractor	Employee	Employee	Employee	Employee
Treatment	SFPUC Southeast Treatment Plant	North San Mateo County Sanitation District Treatment Plant	Sewer Authority Mid-Coastside (SAM)	Sewer Authority Mid-Coastside (SAM)	Palo Alto Regional Water Quality Control Plant	Silicon Valley Clean Water

Sources: Representative from Bayshore: interview by the Grand Jury, February 23, 2016.

Representative from Westborough: interview by the Grand Jury, February 29, 2016.

Representative from Montara: interview by the Grand Jury, February 22, 2016.

Representative from Granada: interview by the Grand Jury, February 22, 2016.

Representative from East Palo Alto: interview by the Grand Jury, February 25, 2016.

Representative from West Bay: interview by the Grand Jury, February 23, 2016.

Notes: ^aWestborough has three employees involved in sewer management, but each also supports its mission of providing fresh water. Management judged that it had the equivalent of one employee managing its sewage responsibilities, spread across General Management, the District Clerk, and permit processing.

^bChuck Duffy serves approximately 30 hours per month. According to Granada district staff, he serves as general manager for two other sanitary districts located in southern California.

^cKaren Maxey, independent contractor and former employee.

^dJoann Landi, independent contractor.

^eAuditors are always independent contractors.

Some of the same contractors work in several districts. For example, Fechter provides audit services for Bayshore and Granada. Westborough and West Bay use Chavan & Associates for financial services. Kennedy/Jenks Consulting is the source of engineering for Bayshore and Granada.

Use of Technologies

Based on the Grand Jury's research, the five smallest independent districts are using few of the current technologies available to manage their collection systems (see Table 15).⁵⁷ The newer technologies offer ways to prevent problems that older approaches based on the fix-it-when-it-breaks approach did not. This can have near-term implications such as increased risk of sanitary sewer overflows. A bigger concern is that without taking steps to proactively preserve, rehabilitate, and replace pipelines now, districts will face increased costs in the future. The recent publicity (mentioned earlier in this report) about unplanned, multi-hundred million dollar investments to replace worn-out collection and treatment systems attests to this.⁵⁸

During interviews, it became clear that many of the independent sanitary district leaders were unaware of developments in sewage management that may be applicable to them. They rarely if ever attend industry conferences,⁵⁹ do not appear to require employees or contractors' employees to participate in certification programs, and do not actively benchmark their performance.

⁵⁷ Officials from the independent sanitary districts: interviews by the Grand Jury.

⁵⁸ See Section titled "Urban Sewage Management."

⁵⁹ Only Montara and West Bay leadership reported regular attendance at conferences directly related to sanitary waste management, such as California Association of Sanitation Agencies and California Water Environment Association. All districts attended at least occasional meetings at the California Special Districts Association.

Table 15: Use of Operational and Planning & Control Technologies by District

In Use	Bayshore	West-borough	Montara	Granada	EPA	West Bay
Operational Performance						
Camera	Yes	No	Yes	Yes	No	Yes
Sonar Technology	No	No	No	No	No	No
Root Foaming	No	Yes	No	No	No	Yes
Trenchless / Slip Line Technology	Yes	No	Yes	Yes	No	Yes
Operator Certifications	No	Yes	No	Yes	No	Yes
Planning & Control Technologies						
Linear Asset Management Plan (LAMP)	No	No	Yes	No	No	Yes
Effective Utility Management	No	No	Yes	No	No	Yes
SCADA Systems	No	Yes	Yes	No	No	Yes

Planned	Bayshore	West-borough	Montara	Granada	EPA	West Bay
Operational Performance						
Camera	Yes	Yes	Yes	Yes	Yes	Yes
Sonar Technology	No	No	No	No	No	No
Root Foaming	No	Yes	No	No	No	Yes
Trenchless / Slip Line Technology	Yes	Yes	Yes	Yes	No	Yes
Operator Certifications	No	Yes	No	Yes	No	Yes
Planning & Control Technologies						
Linear Asset Management Plan (LAMP)	No	No	No	No	No	Yes
Effective Utility Management	No	No	No	No	No	Yes
SCADA Systems	No	Yes	Yes	No	No	Yes

Change in use

Source: Sanitary District interviews.

Technology is not the only factor that leads to good performance. The Grand Jury learned that good performance is a function of the base condition of the infrastructure, the quality and skill of leadership and staff, work standards, the tools and technology available to perform the work, and the funds allocated to capital investment. There are likely other factors, as well.

Emergency Preparedness

A review of urban sewage management websites turns up evaluations of the emergency-preparedness of their systems. San Francisco has a comprehensive Sewer System Improvement Program, whose initial goal is to “provide a compliant, reliable, resilient, and flexible system that can respond to catastrophic events.”⁶⁰ The associated level of service is to “ensure treatment of flows within 72 hours of a major earthquake.”⁶¹ San Jose updated its Sewer System Management Plan in 2014, with multiple references to emergency management.⁶²

As mentioned earlier, the State Water Control Board requires Sewer System Management Plans of all districts, and yet only two of San Mateo’s independent districts have plans that are easy to locate on their websites. Emergency preparedness is a key required component of these plans.

The Grand Jury reviewed the meeting minutes of the six districts for the last 12 months, from approximately April 2015 through March 2016. There was no evidence of any discussion regarding emergency preparedness in any of the sets of minutes.⁶³

FINDINGS

- F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.
- F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.
- F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.
- F4. Elections for sanitary district board membership are rarely contested, and when they are, voter turnout is low. The average tenure of board members is over 10 years.
- F5. Five of the six districts receive countywide property taxes, which means that residents’ fees are not paying the full cost of sewer services.
- F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.
- F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.
- F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto’s average annual compensation for directors is \$18,000, 66% higher than the

⁶⁰ San Francisco Water Power Sewer, *SSIP Goals & Level of Service*. <http://sfwater.org/index.aspx?page=668>.

⁶¹ *Ibid*.

⁶² City of San Jose, *Sewer System Management Plan, Document No. 1131790*, October 2014, p. 8.

⁶³ See Appendix L: References to “Disaster” or “Emergency” in Board Meeting Minutes.

next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.

- F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.
- F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.
- F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.
- F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.
- F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

RECOMMENDATIONS

The Grand Jury recommends that the Board of the Bayshore Sanitary District and the City Councils of Brisbane and Daly City do the following:

- R1. Form a committee of Board members (Bayshore Sanitary District), Council members (Brisbane, Daly City), and staff from each to discuss the assumption of services provided by Bayshore Sanitary District into Brisbane and/or Daly City. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

The Grand Jury recommends that Boards of the East Palo Alto Sanitary District and West Bay Sanitary District and the City Council of East Palo Alto do the following:

- R2. Form a committee of Board members (East Palo Alto Sanitary District, West Bay Sanitary District), Council members (East Palo Alto), and staff from each to discuss the assumption of services provided by East Palo Alto Sanitary District into either West Bay Sanitary District or the City of East Palo Alto. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

The Grand Jury recommends that the Boards of Granada Community Services District and Montara Water and Sanitary District and the City Council of Half Moon Bay do the following:

- R3. Form a committee of Board members (Granada Community Services District, Montara Water and Sanitary District), Council members (Half Moon Bay), and staff from each to plan the consolidation or assumption of services provided by these two districts. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

The Grand Jury recommends that the Board of the Westborough Water District and the City Councils of Daly City and South San Francisco do the following:

- R4. Form a committee of Board members (Westborough Water District), Council members (Daly City, South San Francisco), and staff from each to discuss the assumption of services provided by Westborough Water District into Daly City and/or South San Francisco. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017. Work with California Water Service Company on this initiative.

The Grand Jury recommends that the Boards of Bayshore Sanitary District, East Palo Alto Sanitary District, Granada Community Services District, Montara Water & Sanitary District, West Bay Sanitary District, and Westborough Water District do the following:

- R5. Improve information visibility on their website, including key system characteristics, rates and rate history, sewer system management plans, sanitary sewer overflows, and board member compensation. Key system characteristics would include population served, number of connections, number of miles of pipe (gravity, forced main), number of pump stations and number of pumps, average dry weather flow, and average wet weather flow. Ensure all information is up to date. Refresh website by September 30, 2016.
- R6. Implement and publish performance management metrics including but not limited to the Effective Utility Management framework, beginning with Fiscal Year 2016-2017.
- R7. Adjust rates over the next five years so that all costs are recovered from ratepayers, and the reliance on property tax is eliminated. Transition property tax revenues to neighboring cities to be used for community benefit.
- R8. Mail notices to ratepayers at least annually with an explanation of the dollar amount of sewer service charges being billed and the rationale. Provide information on the prior five years' rates for comparison purposes. Display the portion of the rate that is related to collection activities, and the portion allocated to treatment. Mail notices approximately 30 days before the mailing of the property tax bills. Initiate mailings by November 2016.
- R9. Notify ratepayers annually of elected nature of Board, role and compensation of Board members, and process for becoming a candidate. Encourage active participation by ratepayers. This notification may be included in the mailing that explains the rationale for rates. Initiate notification by November 2016.
- R10. Establish term limits for the members of their boards of directors by June 30, 2017.
- R11. Establish a procurement process for professional services to include formal evaluation of existing service providers, issuance of Request for Proposals, regular reviews of existing providers, and a structured negotiation process by March 31, 2017.
- R12. Demonstrate active participation in professional organizations focused on the work of sanitary districts, such as California Water Environment Association, by June 30, 2017. Require CWEA certification of district operators, including contractors, by June 30, 2017.
- R13. Develop plans for coordinating resources in the event of a local or regional emergency by June 30, 2017.

The Grand Jury recommends that the Boards of Bayshore Sanitary District, East Palo Alto Sanitary District, West Bay Sanitary District, and Westborough Water District do the following:

R14. Evaluate the benefit of changing the timing of board director elections to November of even years, when federal and state elections generate greater turnout.⁶⁴

The Grand Jury recommends that the Board of the Westborough Water District do the following:

R15. Develop, publish, and track separate budgets for sewer and water services, beginning with Fiscal Year 2016-2017.

The Grand Jury recommends that the Boards of the Bayshore Sanitary District, Montara Water and Sanitary District, and Westborough Water District do the following:

R16. Explore the feasibility of establishing a flat rate for capital improvements separate from the water usage rate. Report back at a public meeting by December 31, 2016.

The Grand Jury recommends that the Boards of the Bayshore Sanitary District and East Palo Alto Sanitary District do the following:

R17. Reduce the daily compensation of board directors to \$100 per day by December 31, 2017. Phase out all benefits for board directors over a period of time not to exceed three years.

The Grand Jury recommends that the San Mateo County Local Agency Formation Commission do the following:

R18. Initiate a service review of the Westborough Water District to examine whether its operations might be more efficiently and effectively run if they were consolidated with another entity's operations.

REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests responses as follows:

From the following entities:

- San Mateo County Local Agency Formation Commission: R18

From the following governing bodies:⁶⁵

- Bayshore Sanitary District: R1, R5-R13, R14, R16, R17
- East Palo Alto Sanitary District: R2, R5-R13, R14, R17
- Granada Community Services District: R3, R5-R13
- Montara Water & Sanitary District: R3, R5-R13, R16

⁶⁴ Granada Community Services District and Montara Water and Sanitary District have already made the decision to transition director elections to even-numbered years, beginning in 2016.

⁶⁵ Each district should respond to the Finding and Recommendation in light of its particular circumstances and performance, and not reply on behalf of all independent districts.

- West Bay Sanitary District: R2, R5-R13, R14
- Westborough Water District : R4, R5-R13, R14, R15, R16
- City of Brisbane: R1
- City of Daly City: R1, R4
- City of East Palo Alto: R2
- City of Half Moon Bay: R3
- City of South San Francisco: R4

The governing bodies identified above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

METHODOLOGY

Documents

- The Grand Jury gathered information from each of the six independent sanitary districts in four steps:
 - Step 1: The Grand Jury conducted Internet research on each district, including its budgets, meeting minutes, and Sanitary Sewer Management Plans. The Jury also reviewed election records and performance statistics gathered by the State of California Water Resources Board.
 - Step 2: The Grand Jury requested information from each district on its budget, along with collection system information.
 - Step 3: The Grand Jury requested information from each district on its budgeting practices and pipeline ages. It also asked that each district review its data as analyzed by the Grand Jury and confirm the data was correct.
 - Step 4: The Grand Jury requested additional information on rates and technology deployment. It also asked each district to once again verify the data used to describe its district in the report.

Interviews

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.

The Grand Jury interviewed leadership at each of the six independent sanitary districts as well as LAFCo of San Mateo County.

Site Visits

- Bayshore Sanitary District

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APPENDIX A: SEWER PROVIDERS IN SAN MATEO COUNTY

Sewage Collection (36)

Independent (6)

- Bayshore Sanitary District
- East Palo Alto Sanitary District
- Granada Community Services District
- Montara Water and Sanitary District
- Westborough Water District
- West Bay Sanitary District

County Managed (10)

- Burlingame Hills Sewer Maintenance District
- Crystal Springs County Sanitation District
- Devonshire County Sanitation District
- Edgewood Sewer Maintenance District
- Emerald Lake Heights Sewer Maintenance District
- Fair Oaks Sewer Maintenance District
- Harbor Industrial Sewer Maintenance District
- Kensington Square Sewer Maintenance District
- Oak Knoll Sewer Maintenance District
- Scenic Heights County Sanitation District

City Managed (13)

- Belmont Collection System
- Brisbane City Collection System
- Burlingame City Collection System
- Foster City Collection System
- Half Moon Bay Collection System
- Hillsborough (Town of) Collection System
- Millbrae City Collection System
- Pacifica (Calera Creek Water Recycling Plant Collection System)
- Redwood City Collection System
- San Bruno City Collection System
- San Carlos City Collection System
- San Mateo Collection System
- South San Francisco City Collection System

Subsidiary Districts (2)

- Guadalupe Valley Municipal Improvement District
- North San Mateo County Sanitation District

Unique Systems (5)

- San Francisco International Airport Mel Leong Treatment Plant - Industrial Wastewater & Sanitary Waste Collection Systems
- Sewer Authority Mid-Coastside Collection System
- Silicon Valley Clean Water Collection System

SLAC National Accelerator Laboratory Collection System
Tower Road Complex Collection System

Wastewater Treatment (9)

Burlingame Wastewater Treatment Facility (operated by Veolia Water)
Calera Creek Water Recycling Plant
Daly City Wastewater Treatment Plant
Millbrae Water Pollution Control Plant
San Francisco International Airport Mel Leong Treatment Plant
San Mateo Wastewater Treatment Plant
Sewer Authority Mid-Coastside (SAM)
Silicon Valley Clean Water (formerly South Bayside System Authority)
South San Francisco Water Quality Control Plant

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APPENDIX B: URBAN SEWER MANAGEMENT AGENCIES

System Characteristics of Major Bay Area Sewer Providers

	Population	Area (Sq. Miles)	Forced Main (Miles)	Gravity Main (Miles)	Residential Rate (\$/Year)
<i>San Mateo County</i>	765,135	448.0	104.4	1,898	\$902 ^a
San Jose City Collection System	998,537	176.6	13.0	2,268	\$405
Central Contra Costa Sanitary District	476,400	144.0	23.0	1,519	\$471
San Francisco Public Utilities Commission ^b	864,816	46.9		1,000	\$187
Oakland City Collection System	406,253	55.8	0.2	920	\$705

Sources:

San Mateo County

Population: US Census Bureau, estimate as of 7/1/15; <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

Area: Land only; https://en.wikipedia.org/wiki/San_Mateo_County,_California

Pipeline Length: <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet>

Rate: Average of 10 county-managed and 6 independent district rates for 2015-2016. See Appendix I: Sanitary District Sewer Rates.

San Jose

Population: U.S. Census Bureau, estimate as of 1/1/13;

<https://www.google.com/search?client=safari&rls=en&q=area+of+san+jose+ca&ie=UTF-8&oe=UTF-8#q=population+of+san+jose+ca>

Area: Land only; https://en.wikipedia.org/wiki/San_Jose,_California

Pipeline Length: <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet>

Rate: <https://www.sanjoseca.gov/index.aspx?nid=1661>

Central Contra Costa

Population, Area: <http://www.centalsan.org/index.cfm?navid=65>

Pipeline Length: <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet>

Rate: <http://centalsan.org/index.cfm?navid=78>

San Francisco

Population: https://en.wikipedia.org/wiki/San_Francisco

Area: Land only; https://en.wikipedia.org/wiki/San_Francisco.

Pipeline Length: Estimates report vary from 900 – 1000; <http://www.sfwater.org/index.aspx?page=392>.

Rate: Estimated from average household size (2.63) times average per capita monthly water consumption (1.72 CCF) times \$9.06 for the first four CCF per month. A CCF is a hundred cubic feet of water, or 748 gallons.

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http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/conservation_reporting.shtml.

Rate: <http://sfwater.org/modules/showdocument.aspx?documentid=5031>.

Oakland

Population as of 1/1/2013:

<https://www.google.com/search?client=safari&rls=en&q=area+of+san+jose+ca&ie=UTF-8&oe=UTF-8#q=population+of+oakland+california>

Area: Land only; https://en.wikipedia.org/wiki/Oakland,_California

Pipeline Length: <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet>

Rate:

Collection: Flyer 2016 Sewer Service Charge Website - One Page (1-4-16) Final.pdf;

<http://www2.oaklandnet.com/Government/o/PWA/s/Sewer/index.htm>

Treatment: <http://www.ebmud.com/wastewater/rates-and-charges/#single-family>.

Notes:

^aCounty and independent districts only; excludes rates charged by cities. This is average rate ranging from \$360 for Harbor Industrial Sewer Maintenance District to \$1,595 for Burlingame Hills Sewer Maintenance District.

^bData on Forced Mains not available.

Sanitary Sewer Overflows by Major Bay Area Sewer Providers

Sanitary Sewer Overflows^a	2013	2014	2015	Average	As %age of SMC
San Mateo County	186	238	155	193	100%
San Jose City	125	101	74	100	52%
Central Contra Costa	46	49	43	46	24%
Oakland	91	108	93	97	50%

Source:

State of California Environmental Protection Agency, Water Resources Control Board, California Integrated Water Quality System Project (CIWQS). *SSO Report Form*. Accessed March 17, 2016. <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet>.

Note:

^aSan Francisco is not required to report Sanitary Sewer Overflows to the State Water Resources Control Board because it operates what is known as a combined sewer system, which includes sewage and storm water.

Sanitary Sewer Overflows per Hundred Miles of Pipeline

Sanitary Sewer Overflows / Hundred Miles	2013	2014	2015	Average	As %age of SMC
San Mateo County	9.3	11.9	7.7	9.6	100%
San Jose City	5.5	4.4	3.2	4.4	45%
Central Contra Costa	3.0	3.2	2.8	3.0	31%
Oakland	9.1	10.8	9.3	9.7	101%

Sources: Previous tables: System Characteristics of Major Bay Area Sewer Providers and Sanitary Sewer Overflows by Major Bay Area Sewer Providers.

APPENDIX C: WASTEWATER TREATMENT PLANTS SERVING INDEPENDENT SANITARY DISTRICTS

Name	Governance	Bay-shore	Westborough	Montara	Granada	East Palo Alto	West Bay	Other Entities Served
SFPUC Southeast Treatment Plant	5 Directors, appointed by SF Mayor	<input type="checkbox"/>						San Francisco
Regional Water Quality Control Plant (Palo Alto)	Part of Palo Alto Public Works Department					<input type="checkbox"/>		Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford
Sewer Authority Mid-Coastside (SAM)	6 Directors, 2 each from City of Half Moon Bay, Granada CSD, and Montara SD			<input type="checkbox"/>	<input type="checkbox"/>			City of Half Moon Bay
North San Mateo County Sanitation District, which contracts with City of Daly City Wastewater Treatment Plant	Part of City of Daly City Water and Wastewater Resources Department		<input type="checkbox"/>					Daly City
Silicon Valley Clean Water	4 Directors, 1 each from Belmont, Redwood City, San Carlos, and West Bay Sanitary District						<input type="checkbox"/>	Belmont, Redwood City, San Carlos

Sources:

City of Palo Alto Public Works-Watershed Protection Group. *Clean Bay 2016 Pollution Prevention Plan, Palo Alto Regional Water Quality Control Plant*. Undated. <http://www.cityofpaloalto.org/civica/filebank/documents/51362>.

North San Mateo County Sanitation District, City of Daly City. *Sewage Treatment and Disposal*. Accessed March 18, 2016. http://www.dalycity.org/city_hall/departments/wwr/divisions/waste_treatment.htm.

San Francisco Public Utilities Commission, Sewer System Improvement Program. *San Francisco's Sewage Treatment Facilities*. Updated 6/14. <http://www.sfwater.org/modules/showdocument.aspx?documentid=5801>.

Sewer Authority Mid-Coastside. *An Agreement Creating the Sewer Authority Mid-Coastside. Consolidated and updated as of October 10, 2011*. http://www.samcleanswater.org/destiny/consolidated_jpa.pdf.

Silicon Valley Clean Water. *Commission Overview*. Accessed March 18, 2016. <http://www.svcw.org/about/sitePages/overview.aspx>.

APPENDIX D: SEWAGE SYSTEM CHARACTERISTICS BY DISTRICT

Topic	Unit of Measure	Bayshore	West-borough	Montara	Granada	East Palo Alto	West Bay
Sanitary System Connections							
Population Served	Number of People	4,513	14,050	6,012	6,000	29,000	55,000
Residential Customers - Single Family	Number of Units	1,588	3,730	1,556	2,260	3,327	14,092
Residential Customers - Multi-Family	Number of Units	22	14	57	101	3,510	4,499
Non-Residential Customers	Number of Units	129	46	351	199	229	610
Connections	Number	1,456	3,790	1,937	2,560	3,864	20,000
Equivalent Dwelling Units (EDU)	Number of Units	2,163	N/A	N/A	3,215	7,720	19,201
Sewer System Data							
Gravity Main Pipes	Miles	15.0	20.2	23.7	34.0	35.0	200.0
Forced Main Pipes	Miles	1.0	0.5	5.8	0.0	0.0	8.0
Pump Stations	Number	1	3	41	1	0	12
Effluent Flow Rates							
Ave. Dry Weather (ADW) Flow ^a	Thousand Gallons Per Day	265.0	672.7	390.0	401.0	1,400.0	3,470.0
Ave. Wet Weather (AWW) Flow ^b	Thousand Gallons Per Day	328.2	721.1	950.0	463.0	5,000.0	9,000.0

Source: Sanitary Districts data input to Grand Jury, February-March 2016.

Notes:

^aAverage Dry Weather Flow (ADW): The average flow of effluent, measured in thousands of gallons per day, when the ground water is at or near normal and a runoff condition is not occurring.

^bAverage Wet Weather Flow (AWW): The average flow of effluent during wet weather, measured in thousands of gallons per day. This is typically higher than ADW because of the infiltration of storm runoff into the wastewater system.

APPENDIX E: SANITARY SEWER OVERFLOWS BY DISTRICT BY YEAR

	Total Number of SSO Locations								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bayshore	2	1	0	0	1	1	1	2	1
Westborough	2	1	1	0	0	0	1	0	0
Montara	1	15	11	8	4	5	1	4	7
Granada	3	5	2	5	2	3	5	2	1
East Palo Alto	1	1	2	0	0	0	0	0	0
West Bay	68	55	49	41	15	12	10	14	5

Source:

State of California Environmental Protection Agency, Water Resources Control Board, California Integrated Water Quality System Project (CIWQS). *SSO Report Form*. Accessed March 17, 2016. <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet>.

Note: Bayshore amended the Water Resources Control Board value for 2007 (from 1 to 2). West Bay amended the Water Resources Control Board values for 2007 (from 46 to 68) and 2010 (from 40 to 41).

APPENDIX F: AGE PROFILE OF DISTRICT PIPELINES

Pipeline Age Profile	Bayshore	Westborough	Montara^a	Granada	East Palo Alto	West Bay	Weighted Average
As %age of Total							
2000-Present	11%	30%	12%	3%	16%	11%	12%
1980-1999	60%	20%	20%	26%	15%	16%	20%
1960-1979	25%	50%	34%	65%	25%	15%	25%
1940-1959	4%	0%	34%	0%	44%	34%	28%
1920-1939	0%	0%	0%	6%	0%	19%	12%
1900-1919	0%	0%	0%	0%	0%	5%	3%
Pre-1960 Pipe	4%	0%	34%	6%	44%	58%	43%

Source: District data input to Grand Jury, February-March 2016.

Note:

^aMontara data did not identify pipeline age for the years before 1980. Although Montara Water and Sanitary District was formed in 1958, its roots go back to 1907 according to its website (<http://mwsd.montara.org/about/history>). The Grand Jury assumed, therefore, that 50% of its pre-1980 pipe was installed between 1940 and 1959, and that the remaining 50% was installed between 1960 and 1979.

APPENDIX G: SANITARY DISTRICT BUDGETS

Budget for FY 2015-2016

	Bayshore	West-borough	Montara	Granada	East Palo Alto	West Bay
Operating Income						
Permit & Inspection Fees	\$5,000	\$0	\$19,000	\$0	\$0	\$50,000
Property Tax Receipts	\$200,000	\$185,000	\$230,000	\$800,000	\$318,000	\$0
Sewer Service Charges	\$1,022,700	\$2,313,257	\$2,035,943	\$1,293,000	\$4,500,000	\$22,899,707
Other Revenue	\$0	\$0	\$47,000	\$55,500	\$26,000	\$624,614
Total Operating Revenue	\$1,227,700	\$2,498,257	\$2,331,943	\$2,148,500	\$4,844,000	\$23,574,321
Operating Expenses						
Administration & Finance	\$130,600	\$130,760	\$466,958	\$432,500	\$2,025,600	\$5,176,446
Collection	\$189,800	\$148,323	\$549,260	\$379,083	\$496,900	\$2,893,195
Treatment	\$840,000	\$1,900,012	\$707,892	\$1,019,855	\$1,513,000	\$5,881,095
Total Operating Expenses	\$1,160,400	\$2,179,095	\$1,724,110	\$1,831,438	\$4,035,500	\$13,950,736
Net Cash Flow From Operations	\$67,300	\$319,162	\$607,833	\$317,062	\$808,500	\$9,623,585
Investment Income						
Interest Income	\$12,000	\$10,735	\$11,281	\$6,200	\$52,540	\$125,000
Total Investment Income	\$12,000	\$10,735	\$11,281	\$6,200	\$52,540	\$125,000
Investment Expenses						
Collection Capital Projects	\$311,500	\$0	\$685,483	\$572,000	\$715,000	\$8,059,500
Treatment Capital Projects	\$0	\$0	\$160,666	\$210,045	\$0	\$5,343,044
Total Investment Expenses	\$311,500	\$0	\$846,149	\$782,045	\$715,000	\$13,402,544
Net Cash Flow Used by Investments	\$(299,500)	\$10,735	\$(834,868)	\$(775,845)	\$(662,460)	\$(13,277,544)

	Bayshore	West- borough	Montara	Granada	East Palo Alto	West Bay
Financing Income						
Connection Fees	\$40,000	\$0	\$325,604	\$14,100	\$18,000	\$50,000
Other Financing Income	\$0	\$0	\$20,692	\$355,000	\$0	\$1,000
Total Financing Income	\$40,000	\$0	\$346,296	\$369,100	\$18,000	\$51,000
Financing Expenses						
Loan Interest Expense	\$0	\$0	\$46,812	\$0	\$0	\$0
Loan Principal Expense	\$0	\$0	\$65,025	\$0	\$159,000	\$0
Total Financing Expense	\$0	\$0	\$111,837	\$0	\$159,000	\$0
Net Cash Flow From Financing	\$40,000	\$0	\$234,459	\$369,100	\$(141,000)	\$51,000
Overall Projected Cash Flow	\$(192,200)	\$329,897	\$7,424	\$(89,683)	\$5,040	\$(3,602,959)

Sources:

Bayshore Sanitary District. *Annual Budget Fiscal Year 2015-2016*. Adopted July 23, 2015. Accessed March 17, 2016.

<http://bayshoresanitary.com/about/2000s/FY%202015-16%20Budget%20001.pdf>.

East Palo Alto Sanitary District. *Approved Budget FY 2015-2016*. Accessed March 17, 2016. <http://www.epasd.com/home/showdocument?id=538>.

Granada Community Services District. *Fiscal Year 2015/16 Budget*. Undated. http://granada.ca.gov/wp-content/uploads/2014/02/GSD_FY_2015-16_Budget.pdf.

Montara Water and Sanitary District. *Fiscal Year 2015-2016 Budget Executive Summary*. Undated. http://mwsd.montara.org/assets/uploads/documents/rates-and-fees/MWSD_2015-16_adopted_budget.pdf.

Westborough Water District. *Statement of Income and Expense, Adopted June 18, 2015*. June 18, 2015.

<http://www.westboroughwater.com/Documents/ADOPTEDBUDGET20152016.pdf>.

West Bay Sanitary District. *General Fund and Capital Asset Fund Budgets & Reserves, FY 2015-16, Approved June 10, 2015*. June 10, 2015.

<https://westbaysanitary.org/wp-content/uploads/2015/06/FY2015-16-Budget-Approved.pdf>.

Note: District budgets were reformatted to a Grand Jury-designed standard format for comparison across districts. Each district was given an opportunity to review the reformatting and to make adjustments to capture its data as accurately as possible.

Budget for FY 2014-2015

	Bayshore	Westborough	Montara	Granada	East Palo Alto	West Bay
Operating Income						
Permit and Inspection Fees	\$2,000	\$0	\$14,000	\$0	\$0	\$50,000
Property Tax Receipts	\$150,000	\$179,000	\$225,000	\$750,000	\$318,000	\$0
Sewer Service Charges	\$1,045,000	\$2,154,281	\$2,181,853	\$1,273,000	\$4,366,000	\$20,909,847
Other Revenue	\$0	\$0	\$46,000	\$60,900	\$30,000	\$48,000
Total Operating Revenue	\$1,197,000	\$2,357,181	\$2,466,853	\$2,083,900	\$4,714,000	\$21,007,847
Operating Expenses						
Administration & Finance	\$117,000	\$124,295	\$416,538	\$427,900	\$1,980,000	\$4,713,532
Collection	\$183,100	\$150,840	\$490,613	\$354,561	\$410,400	\$2,749,220
Treatment Facility	\$800,000	\$1,771,730	\$624,021	\$1,082,555	\$1,375,000	\$5,350,000
Total Operating Expenses	\$1,100,100	\$2,046,865	\$1,531,172	\$1,865,016	\$3,765,400	\$12,812,752
Net Cash Flow From Operations	\$96,900	\$286,416	\$935,681	\$218,884	\$948,600	\$8,195,095
Investment Income						
Interest Income	\$13,000	\$10,117	\$31,974	\$7,000	\$54,000	\$125,000
Total Investment Income	\$13,000	\$10,117	\$31,974	\$7,000	\$54,000	\$125,000
Investment Expenses						
Collection Capital Projects	\$170,000	\$79,000	\$821,923	\$370,000	\$576,000	\$7,212,500
Treatment Capital Projects	\$0	\$0	\$63,360	\$156,500	\$0	\$4,136,382
Total Investment Expenses	\$170,000	\$79,000	\$885,283	\$526,500	\$576,000	\$11,348,882
Net Cash Flow Used by Investments	\$(157,000)	\$(68,883)	\$(853,309)	\$(519,500)	\$(522,000)	\$(11,223,882)
Financing Income						

	Bayshore	Westborough	Montara	Granada	East Palo Alto	West Bay
Connection Fees	\$10,000	\$0	\$228,488	\$14,100	\$18,000	\$50,000
Other Financing Income	\$0	\$0	\$0	\$135,000	\$0	\$1,000
Total Financing Income	\$10,000	\$0	\$228,488	\$149,100	\$18,000	\$51,000
Financing Expenses						
Loan Interest Expense	\$0	\$0	\$108,915	\$0	\$0	\$0
Loan Principal Expense	\$0	\$0	\$0	\$0	\$444,600	\$0
Total Financing Expense	\$0	\$0	\$108,915	\$0	\$444,600	\$0
Net Cash Flow From Financing	\$10,000	\$0	\$119,573	\$149,100	\$(426,600)	\$51,000
Overall Projected Cash Flow	\$(50,100)	\$217,533	\$201,945	\$(151,516)	\$0	\$(2,977,787)

Sources:

Bayshore Sanitary District. *Fiscal Year 2014-2015 Budget*. July 24, 2014. Accessed March 17, 2016. <http://bayshoresanitary.com/about/2000s/FY%202014-2015.pdf>.

East Palo Alto Sanitary District. *Approved Budget FY 2014-2015*. Accessed March 17, 2016. <http://38.106.4.240/Home/ShowDocument?id=446>.

Granada Sanitary District. *Fiscal Year 2014/15 Sewer District Budget*. Undated. http://granada.ca.gov/wp-content/uploads/2014/02/GSD_FY_2014-15_Budget.pdf.

Montara Water and Sanitary District. *Budget FY 2014-2015*. Undated. <http://mwsd.montara.org/assets/uploads/documents/rates-and-fees/Fiscal%20year%202014-2015%20budget%20Summary.pdf>.

Westborough Water District. *Statement of Income and Expense, Adopted June 12, 2014*. June 12, 2014. <http://www.westboroughwater.com/Documents/ADOPTEDBUDGET20142015.pdf>.

West Bay Sanitary District. *General Fund and Capital Asset Fund Budgets & Reserves, FY 2015-16, Approved June 10, 2015*. June 10, 2015. <https://westbaysanitary.org/wp-content/uploads/2015/06/FY2015-16-Budget-Approved.pdf>.

Note: District budgets were reformatted to a Grand Jury-designed standard format for comparison across districts. Each district was given an opportunity to review the reformatting and to make adjustments to capture its data as accurately as possible.

Budget for Bayshore Sanitary District

Budget from District Web Site				Restatement of Budget to Grand Jury Format			
#		FY 2014-15	FY 2015-16	Note: Include depreciation	#	FY 2014-15	FY 2015-16
	Revenues						
	Operating Revenues			Operating Income			
1	Sewer Service Charges	\$ 1,045,000	\$ 1,022,700	Permit & Inspection Fees	2	\$ 2,000	\$ 5,000
2	Permit Fees (Plan Check/Inspection)	\$ 2,000	\$ 5,000	Property Tax Receipts	6	\$ 150,000	\$ 200,000
3	Total Operating Revenues	\$ 1,047,000	\$ 1,027,700	Sewer Service Charges	1	\$ 1,045,000	\$ 1,022,700
	Non-Operating Revenues			Other Revenue	7	\$ -	\$ -
4	Connection/Capacity Fees	\$ 10,000	\$ 40,000	Total Operating Income		\$ 1,197,000	\$ 1,227,700
5	Interest	\$ 13,000	\$ 12,000	Operating Expenses			
6	Taxes	\$ 150,000	\$ 200,000	Administration & Finance	23-35, 38-43	\$ 117,000	\$ 130,600
7	Other	\$ -	\$ -	Collection	13-19, 36-37	\$ 183,100	\$ 189,800
8	Total Non-Operating Revenues	\$ 173,000	\$ 252,000	Treatment Facility	21	\$ 800,000	\$ 840,000
9	Total Revenues	\$ 1,220,000	\$ 1,279,700	Total Operating Expenses		\$ 1,100,100	\$ 1,160,400
	Contributions from Contingency Funds			Operating Net		\$ 96,900	\$ 67,300
10	Capital Improvement Projects	\$ 50,100	\$ 192,200	Investment Income			
11	Total Revenues and Contributions	\$ 1,270,100	\$ 1,471,900	Interest Income	5	\$ 13,000	\$ 12,000
	Expenditures			Total Investment Income		\$ 13,000	\$ 12,000
12	Contractual Services			Investment Expenses			
	Collection System			Capital Investment	46-56	\$ 170,000	\$ 311,500
13	a. Gas, Oil, & Fuel	\$ 900	\$ 600	Treatment Capital Assessment		\$ -	\$ -
14	b. O&M - Base	\$ 84,200	\$ 84,200	Total Investment Expenses		\$ 170,000	\$ 311,500
15	c. O&M - Inspections	\$ 10,000	\$ 15,000	Investment Net		\$ (157,000)	\$ (299,500)
16	d. O&M - Miscellaneous	\$ 3,000	\$ 5,000	Financing Income			
17	e. Repairs & Maintenance	\$ 14,000	\$ 14,000	Connection Fees	4	\$ 10,000	\$ 40,000
18	f. Utilities	\$ 14,000	\$ 14,000	Other Financing Income		\$ -	\$ -
19	g. Special Services	\$ 3,000	\$ 2,000	Total Financing Income		\$ 10,000	\$ 40,000
20	Total Collection System	\$ 129,100	\$ 134,800	Financing Expenses			
	Treatment & Disposal			Loan Interest Expense		\$ -	\$ -
21	a. San Francisco Contract	\$ 800,000	\$ 840,000	Loan Principal Expense		\$ -	\$ -
22	Total Contractual Services	\$ 929,100	\$ 974,800	Total Financing Expenses		\$ -	\$ -
	Administration & General			Financing Net		\$ 10,000	\$ 40,000
23	Benefits	\$ 11,350	\$ 12,000	Overall Net Financial Flows		\$ (50,100)	\$ (192,200)
24	Director Fees & Expenses	\$ 14,250	\$ 15,000				
25	Payroll Service & Taxes	\$ 1,400	\$ 1,400				
26	Election Expenses	\$ -	\$ 3,500				
27	Insurance	\$ 10,000	\$ 10,000				
28	Memberships	\$ 3,000	\$ 3,000				
29	Office Expenses						
30	a. General	\$ 1,200	\$ 1,200				
31	b. Telephone & Internet	\$ 1,700	\$ 1,700				
32	c. Website Maintenance	\$ 2,000	\$ 2,000				
33	Professional Services						
34	a. Audit	\$ 10,500	\$ 10,500				
35	b. Legal	\$ 30,000	\$ 30,000				
36	c. Engineering - General	\$ 50,000	\$ 50,000				
37	d. Engineering - Plan Review	\$ 4,000	\$ 5,000				
38	e. Administration	\$ 17,000	\$ 18,200				
39	f. Other Professional Services	\$ 3,600	\$ 3,600				
40	Printing & Publications	\$ 1,300	\$ 4,000				
41	Board Room Maintenance & Repairs	\$ 500	\$ 5,000				
42	Travel & Meetings	\$ 5,000	\$ 5,000				
43	Licenses, Permits, & Fees	\$ 4,200	\$ 4,500				
44	Total Administration & General	\$ 171,000	\$ 185,600				
45	Total Operating Expenditures	\$ 1,100,100	\$ 1,160,400				
	Non-Operating Expenditures						
	Capital Improvements						
46	a. Pump Rehabilitation	\$ 10,000	\$ 10,000				
47	b. Lateral Replacements (2)	\$ 20,000	\$ 20,000				
48	c. Generator Replacement	\$ -	\$ 100,000				
49	d. 2014-15 Capital Project	\$ -	\$ 150,000				
50	e. Master Plan - GIS Development	\$ -	\$ 23,000				
51	f. Schwerin Street Manhole Raising	\$ -	\$ 8,500				
52	g. Force Main Contingency Plan	\$ 20,000	\$ -				
53	h. Rio Verde & Geneva Spot Repair	\$ 5,000	\$ -				
54	i. Midway Village Replacement	\$ 60,000	\$ -				
55	j. MacDonald & Geneva Replacement	\$ 20,000	\$ -				
56	g. Design, Construction Review & Contingency	\$ 35,000	\$ -				
57	Total Capital Improvements	\$ 170,000	\$ 311,500				
58	Total Non-Operating Expenditures	\$ 170,000	\$ 311,500				
59	Contributions to Contingency Funds	\$ -	\$ -				
60	Total Expenses and Contributions	\$ 1,270,100	\$ 1,471,900				

Budget for Westborough Water District

Budget from District Web Site				
Line		FY 2014-15	FY 2015-16	Alloc
	Operating Income			
1	Water Sales	\$ 2,346,010	\$ 2,496,650	0%
2	Sewer Svc. And Transfer Charges	\$ 2,154,281	\$ 2,313,257	100%
3	Installation, Connect, and Misc.	\$ -	\$ -	0%
4	Total Operating Income	\$ 4,500,291	\$ 4,809,907	
	Operating Expense			
5	Water Expenditures	\$ 1,993,248	\$ 2,146,579	0%
6	Sanitary Sewer Expenditures	\$ 1,848,802	\$ 1,982,664	4%
7	Admin & General Expenditures	\$ 828,630	\$ 871,730	15%
8	Depreciation	\$ 252,931	\$ 225,168	29%
9	Total Operating Expenditures	\$ 4,923,611	\$ 5,226,141	
	Gain (Loss) from Operations	\$ (423,320)	\$ (416,234)	
	Non-Operating Income			
10	Property Taxes	\$ 358,000	\$ 370,000	50%
11	Investment Interest	\$ 20,234	\$ 21,469	50%
12	Other	\$ 47,800	\$ 27,215	0%
13	Total Non-Operating Income	\$ 426,034	\$ 418,684	
	Non-Operating Expense			
14	Miscellaneous Expense	\$ -	\$ -	0%
15	Total Non-Operating Expense	\$ -	\$ -	
16	Gain (Loss) from Non-Operating	\$ 426,034	\$ 418,684	
17	Net Income Before Capital Facilities Inc	\$ 2,714	\$ 2,450	
18	Capital Facilities Income	\$ -	\$ -	0%
19	Net Income	\$ 2,714	\$ 2,450	

Note: Budget between water and sewer not separated.

GM provided guidelines for assumptions below in interview 6/2/16

Assumptions

1	Sanitary sewer expenditures	Collection	Treatment
		4%	96%
	2015-16 Split	\$ 82,652	\$ 1,900,012
2	Admin & General Expenditures	Water	Sewer
	50% sewer	85%	15%
3	Depreciation	Water	Sewer
	6/30/15 capital assets, net	\$ 3,959,803	\$ 1,630,408
	Percentage distribution	71%	29%
4	Property Taxes	50%	50%
5	Investment Interest	50%	50%
6	Other, Misc. Expense, Capital Facilities	100%	0%
	Rent from cell phone tower		
7	Capital	FY 2014-15	FY 2015-16
	Collection	\$ 79,000	\$ -
	Treatment	\$ -	\$ -
	Not separately allocated		
		Water	Sewer
8	Professional services	50%	50%
9	Board	50%	50%

Restatement of Budget to Standard Format			
Note: Include depreciation	Line #s	FY 2014-15	FY 2015-16
Operating Income			
Permit & Inspection Fees		\$ -	\$ -
Property Tax Receipts	10	\$ 179,000	\$ 185,000
Sewer Service Charges	2	\$ 2,154,281	\$ 2,313,257
Other Revenue	12	\$ -	\$ -
Total Operating Income		\$ 2,333,281	\$ 2,498,257
Operating Expenses			
Administration & Finance	7	\$ 124,295	\$ 130,760
Collection	6, 8	\$ 150,840	\$ 148,323
Treatment Facility	6	\$ 1,771,730	\$ 1,900,012
Total Operating Expenses		\$ 2,046,865	\$ 2,179,095
Operating Net		\$ 286,416	\$ 319,162
Investment Income			
Interest Income	11, 18	\$ 10,117	\$ 10,735
Total Investment Income		\$ 10,117	\$ 10,735
Investment Expenses			
Capital Investment		\$ 79,000	\$ -
Treatment Capital Assessment		\$ -	\$ -
Total Investment Expenses		\$ 79,000	\$ -
Investment Net		\$ (68,883)	\$ 10,735
Financing Income			
Connection Fees		\$ -	\$ -
Other Financing Income	14	\$ -	\$ -
Total Financing Income		\$ -	\$ -
Financing Expenses			
Loan Interest Expense		\$ -	\$ -
Loan Principal Expense		\$ -	\$ -
Total Financing Expenses		\$ -	\$ -
Financing Net		\$ -	\$ -
Overall Net Financial Flows		\$ 217,533	\$ 329,897

Budget for Montara Water and Sanitary District

Budget from District Web Site			Restatement of Budget to Standard Format		
#	FY 2014-15	FY 2015-16	#	FY 2014-15	FY 2015-16
1	Operating Revenue				
2	Cell Tower Lease	\$ 31,500 \$ 32,000			
3	Admin Fees (New Construction)	\$ 3,600 \$ 2,500	2-6	\$ 14,000 \$ 19,000	
4	Admin Fees (Remodel)	\$ 1,000 \$ 3,000	7	\$ 225,000 \$ 230,000	
5	Inspection Fees (New Construction)	\$ 3,400 \$ 2,000	8-9	\$ 2,181,853 \$ 2,035,943	
6	Inspection Fees (Remodel)	\$ 2,000 \$ 4,500	1, 10	\$ 46,000 \$ 47,000	
7	Remodel Fees	\$ 4,000 \$ 7,000			
8	Property Tax Receipts	\$ 225,000 \$ 230,000			
9	Sewer Service Charges	\$ 2,183,853 \$ 2,039,943			
10	Sewer Service Refunds, Customer	\$ (2,000) \$ (4,000)			
11	Waste Collection Revenues	\$ 14,500 \$ 15,000			
12	Total Operating Revenue	\$ 2,466,853 \$ 2,331,943			
13	Operating Expenses				
14	Bank Fees	\$ 3,100 \$ 4,000			
15	Board Meetings	\$ 2,500 \$ 2,500			
16	Director Fees	\$ 2,500 \$ 3,300			
17	Election Expenses	\$ - \$ -			
18	Conference Attendance	\$ 2,000 \$ 2,000			
19	Information Systems	\$ 6,000 \$ 6,000			
20	Fidelity Bond	\$ 900 \$ -			
21	Property & Liability Insurance	\$ 1,500 \$ 1,755			
22	LAFCO Assessment	\$ 1,600 \$ 1,987			
23	Meeting Attendance, Legal	\$ 11,000 \$ 9,500			
24	General Legal	\$ 20,000 \$ 15,000			
25	Litigation	\$ - \$ -			
26	Maintenance, Office	\$ 3,000 \$ 6,000			
27	Meetings, Local	\$ - \$ -			
28	Office Supplies	\$ 9,000 \$ 9,000			
29	Postage	\$ 4,000 \$ 2,000			
30	Printing & Publishing	\$ 4,000 \$ 3,000			
31	Accounting	\$ 30,000 \$ 30,000			
32	Audit	\$ 13,000 \$ 13,000			
33	Consulting	\$ 11,500 \$ 13,000			
34	Data Services	\$ 5,500 \$ 6,000			
35	Labor & HR Services	\$ 2,250 \$ 2,250			
36	Payroll Services	\$ 900 \$ 800			
37	Other Professional Services	\$ - \$ -			
38	San Mateo County Tax Roll Charges	\$ 3,000 \$ 2,500			
39	Telephone & Internet	\$ 9,000 \$ 9,000			
40	Mileage Reimbursement	\$ 1,500 \$ 1,500			
41	Reference Materials	\$ 200 \$ 200			
42	Other Administrative	\$ - \$ -			
43	CalPERS 457 Deferred Plan	\$ 13,065 \$ 13,709			
44	Employee Benefits	\$ 41,298 \$ 36,497			
45	Disability Insurance	\$ 1,139 \$ 1,451			
46	Payroll Taxes	\$ 13,052 \$ 14,983			
47	Worker's Compensation Insurance	\$ 7,856 \$ 3,891			
48	Management	\$ 79,129 \$ 86,041			
49	Staff	\$ 97,777 \$ 103,090			
50	Staff Certification	\$ 1,890 \$ 1,854			
51	Staff Overtime	\$ 2,382 \$ 3,718			
52	Staff Standby	\$ - \$ 1,147			
53	District Sponsored Defined Benefit Plan	\$ - \$ 45,285			
54	Claims, Property Damage	\$ 10,000 \$ 10,000			
55	Education & Training	\$ 1,000 \$ 1,000			
56	Meeting Attendance, Engineering	\$ 5,000 \$ 2,000			
57	General Engineering	\$ 25,000 \$ 50,000			
58	Equipment & Tools, Expensed	\$ 1,000 \$ 1,000			
59	Alarm Services	\$ 5,000 \$ 5,000			
60	Landscaping	\$ 2,400 \$ 2,400			
61	Pumping Fuel & Electricity	\$ 35,000 \$ 27,000			
62	Maintenance, Collection System	\$ 20,000 \$ 10,000			
63	Fuel	\$ 800 \$ 800			
64	Truck Equipment, Expensed	\$ 160 \$ 160			
65	Truck Repairs	\$ 400 \$ 400			
66	Total Other Operations	\$ - \$ -			
67	SAM Collections	\$ 305,853 \$ 360,500			
68	SAM Operations	\$ 624,021 \$ 707,892			
69	SAM Prior Year Adjustment	\$ - \$ -			
70	SAM Maintenance, Collection System	\$ 40,000 \$ 40,000			
71	SAM Maintenance, Pumping	\$ 50,000 \$ 50,000			
72	Total Operations Expenses	\$ 1,531,172 \$ 1,724,110			
73	Net Cash Flow Provided by Operations	\$ 935,681 \$ 607,833			
74	Investment Income				
75	Interest Revenue				
76	-Employee Loans	\$ 23,974 \$ 3,281			
77	-LAF, Interest	\$ 8,000 \$ 8,000			
78	Total Investment Income	\$ 31,974 \$ 11,281			
79	Investment Expenses				
80	Capital Improvement Program	\$ 821,923 \$ 685,483			
81	SAM Capital Assessment	\$ 63,360 \$ 160,666			
82	Total Investment Expenses	\$ 885,283 \$ 846,149			
83	Net Cash Flow Used by Investments	\$ (853,309) \$ (834,868)			
84	Financing Income				
85	Connection Fees (Residential New Const)	\$ 178,488 \$ 275,604			
86	Connection Fees (Residential Remodel)	\$ 50,000 \$ 50,000			
87	Employee Loan Program - Principal Received	\$ - \$ 20,692			
88	Total Financing Income	\$ 228,488 \$ 346,296			
89	Financing Expense				
90	Loan Interest Expense				
91	-PNC Equipment Lease	\$ 56,340 \$ 20,790			
92	-Bank Loan	\$ 52,575 \$ 26,022			
93	Loan Principal Expense	\$ - \$ 65,025			
94	Total Financing Expense	\$ 108,915 \$ 111,837			
95	Net Cash Flow Provided by Financing Activities	\$ 119,573 \$ 234,459			
96	Overall Projected Cash Flow	\$ 201,945 \$ 7,424			
97	Transfer to Sewer Reserves	\$ - \$ (7,424)			
98	Net Cash Flow	\$ - \$ -			

Budget for Granada Community Services District

Budget from District Web Site				Restatement of Budget to Grand Jury Format			
Lin		FY 2014-15	FY 2015-16	Note: Include depreciation	Line #s	FY 2014-15	FY 2015-16
Operating Revenues							
1	Property Tax Allocation	\$ 550,000	\$ 550,000	Operating Income			
2	Annual Sewer Service Charges	\$ 1,273,000	\$ 1,293,000	Permit & Inspection Fees		\$-	\$-
3	Reim. From A.D. - Salary & Overhead	\$ 35,400	\$ 30,000	Property Tax Receipts	1, 43	\$ 750,000	\$ 800,000
4	Recology of the Coast Franchise Fee	\$ 23,500	\$ 23,500	Sewer Service Charges	2	\$ 1,273,000	\$ 1,293,000
5	Miscellaneous	\$ 2,000	\$ 2,000	Other Revenue	5-Mar	\$ 60,900	\$ 55,500
6	Total Revenues	\$ 1,883,900	\$ 1,898,500	Total Operating Income		\$ 2,083,900	\$ 2,148,500
Operating Expenses							
7	SAM General (Treatment & Admin)	\$ 988,155	\$ 925,455	Operating Expenses			
8	SAM Collections	\$ 263,061	\$ 268,083	Administration & Finance	14-21, 23-35	\$ 427,900	\$ 432,500
9	Lateral Repairs	\$ 40,000	\$ 60,000	Collection	8-11, 22	\$ 334,561	\$ 379,083
10	CCTV	\$ 30,000	\$ 30,000	Treatment Facility	7, 12	\$ 1,082,555	\$ 1,019,855
11	Pet Waste Stations	\$ 1,500	\$ 1,000	Total Operating Expenses		\$ 1,845,016	\$ 1,831,438
12	Plant Shortfall Debt Service (COP)	\$ 94,400	\$ 94,400	Operating Net		\$ 238,884	\$ 317,062
13	Total Operations Expenditures	\$ 1,417,116	\$ 1,378,938	Investment Income			
Administrative Expenses							
14	Accounting	\$ 2,000	\$ 2,000	Interest Income	39	\$ 7,000	\$ 6,200
15	Auditing	\$ 8,000	\$ 12,000	Total Investment Income		\$ 7,000	\$ 6,200
16	Copier Lease	\$ 7,000	\$ 7,000	Investment Expenses			
17	County Tax Roll Charges	\$ 7,600	\$-	Capital Investment	45-47	\$ 370,000	\$ 572,000
18	Directors' Compensation	\$ 11,000	\$ 11,000	Treatment Capital Assessment	48	\$ 156,500	\$ 210,045
19	Education & Travel Reimbursement	\$ 2,000	\$ 2,000	Total Investment Expenses		\$ 526,500	\$ 782,045
20	Employee Salaries	\$ 105,000	\$ 110,000	Investment Net		\$ (519,500)	\$ (775,845)
21	Employee Medical, Payroll Taxes, & Retirement	\$ 55,500	\$ 58,000	Financing Income			
22	Engineering Services (General)	\$	\$ 20,000	Connection Fees	40	\$ 14,100	\$ 14,100
23	Insurance	\$ 12,000	\$ 6,000	Other Financing Income	41-42	\$ 135,000	\$ 355,000
24	Legal Services	\$ 60,000	\$ 60,000	Total Financing Income		\$ 149,100	\$ 369,100
25	Memberships	\$ 10,000	\$ 10,000	Financing Expenses			
26	Newsletter	\$ 2,500	\$ 2,500	Loan Interest Expense		\$-	\$-
27	Office Lease	\$ 50,000	\$ 50,000	Loan Principal Expense		\$-	\$-
28	Office Maintenance & Repairs	\$ 2,000	\$ 2,000	Total Financing Expense		\$-	\$-
29	Office Supplies	\$ 5,000	\$ 5,000	Financing Net		\$ 149,100	\$ 369,100
30	Professional Services - Other	\$ 65,000	\$ 65,000	Overall Net Financial Flows		\$ (131,516)	\$ (89,683)
31	Publications & Notices	\$ 3,500	\$ 10,000				
32	Utilities	\$ 8,800	\$ 9,000				
33	Video Taping of Board Meetings	\$ 3,000	\$ 2,000				
34	Computers	\$ 1,000	\$ 2,000				
35	Miscellaneous	\$ 7,000	\$ 7,000				
36	Total Administration Expenditures	\$ 427,900	\$ 452,500				
37	Total Operating Expenditures	\$ 1,845,016	\$ 1,831,438				
38	Net To/(From) Reserves	\$ (38,884)	\$ (67,062)				
Non-Operating Revenues							
39	Interest on Reserves	\$ 7,000	\$ 6,200				
40	Connection Fees	\$ 14,100	\$ 14,100				
41	SAM Refund from Prior Year Allocation	\$-	\$ 5,000				
42	Repayment of Monies Advanced to the Assessment District	\$ 135,000	\$ 350,000				
43	ERAF Refund from Prior Year	\$ 200,000	\$ 250,000				
44	Total Non-Operating Revenues	\$ 356,100	\$ 625,300				
Capital Projects and Reserve Fund Balance							
Capital Projects							
45	Mainline System Repairs	\$ 10,000	\$ 10,000				
46	Sewer Main Replacement CIP	\$ 340,000	\$ 550,000				
47	Update of Sewer System Management Plan	\$ 20,000	\$ 12,000				
48	SAM - Projects	\$ 156,500	\$ 210,045				
49	Total Capital Improvement Projects	\$ 526,500	\$ 782,045				
Capital Reserve Fund							
50	Beginning Balance on July 1	\$ 3,511,000	\$ 3,081,000				
51	Capital Projects	\$ (526,500)	\$ (782,045)				
52	Transfer (to)/from Operating Budget	\$ 38,884	\$ 67,062				
53	Transfer (to)/from Non-Operating Revenues	\$ 356,100	\$ 625,300				
54	Total Reserve at End of Fiscal Year	\$ 3,379,484	\$ 2,991,317				

Budget for East Palo Alto Sanitary District

#	Budget from District Web Site												Restatement of Budget to Standard Format						
	General Fund		Connection Fee Fund		Construction Replacement Fund		Lateral Replacement Fund		Treatment Plant Fund		Rate Stabilization Fund		All Funds		Note: Include depreciation	#	FY 2014-15	FY 2015-16	
	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16					
Revenue																			
1	Beginning Balance	\$ 6,800,000	\$ 7,013,320	\$ 962,600	\$ 985,100	\$ 1,692,800	\$ 1,943,800	\$ 202,200	\$ 52,450	\$ 650,400	\$ 1,213,200	\$ 27,800	\$ 27,930	\$ 10,335,800	\$ 10,335,800	Operating Income			
2	Sewer Service Charges	\$ 4,366,000	\$ 4,500,000											\$ 4,366,000	\$ 4,500,000	Permit & Inspection Fees	3	\$ 318,000	\$ 318,000
3	Property Taxes	\$ 318,000	\$ 318,000											\$ 318,000	\$ 318,000	Property Tax Receipts	2	\$ 4,366,000	\$ 4,500,000
4	Connection Fee	\$ 40,320	\$ 36,000	\$ 18,000	\$ 18,000									\$ 18,000	\$ 18,000	Sewer Service Charges	2	\$ 30,000	\$ 26,000
5	Interest Income	\$ 30,000	\$ 26,000			\$ 6,000	\$ 7,000	\$ 250	\$ 1,000	\$ 2,800	\$ 3,300	\$ 130	\$ 140	\$ 54,000	\$ 52,540	Other Revenue	6	\$ 4,714,000	\$ 4,844,000
6	Rental Income	\$ 30,000	\$ 26,000											\$ 30,000	\$ 26,000	Total Operating Income			
7	Total Projected Revenue	\$ 4,754,320	\$ 4,880,000	\$ 22,500	\$ 23,100	\$ 6,000	\$ 7,000	\$ 250	\$ 1,000	\$ 2,800	\$ 3,300	\$ 130	\$ 140	\$ 4,786,600	\$ 4,914,540	Operating Expenses			
8	Interfund Transfers					\$ 400,000		\$ 50,000	\$ 560,000	\$ 282,000		\$ 32,500	\$ 560,000	\$ 764,500	Administration & Finance	23-25, 27-35,	\$ 1,980,000	\$ 2,025,600	
9	Total Available Revenues	\$ 11,554,320	\$ 11,893,320	\$ 985,100	\$ 1,008,200	\$ 1,698,800	\$ 1,450,800	\$ 202,450	\$ 103,450	\$ 1,213,200	\$ 1,498,500	\$ 27,930	\$ 60,570	\$ 15,681,800	\$ 16,014,840	Collection	39-41, 43, 50	\$ 410,400	\$ 406,900
10	Personnel & Other Operating	\$ 2,233,400	\$ 2,244,500											\$ 2,233,400	\$ 2,244,500	Treatment Facility	38	\$ 1,375,000	\$ 1,513,000
11	Employees' Post Employment Benefits	\$ 80,000	\$ 78,000											\$ 80,000	\$ 78,000	Total Operating Expenses		\$ 3,752,400	\$ 4,033,200
12	Engineering Services	\$ 1,375,000	\$ 1,513,000											\$ 1,375,000	\$ 1,513,000	Operating Net		\$ 948,600	\$ 808,500
13	Treatment Plant (RWQCP)	\$ 3,688,400	\$ 3,835,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,688,400	\$ 3,835,500	Investment Income			
14	Total Operating Expenditures	\$ 3,688,400	\$ 3,835,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,688,400	\$ 3,835,500	Interest Income	5	\$ 54,000	\$ 52,540
15	Long Term Debt Service	\$ 365,600	\$ 80,000											\$ 365,600	\$ 80,000	Total Investment Income		\$ 54,000	\$ 52,540
16	2011 SFR Loan	\$ -	\$ -			\$ 79,000	\$ 79,000							\$ 79,000	\$ 79,000	Investment Expenses			
17	Fixed Assets/Equipment	\$ 25,000	\$ 150,000											\$ 25,000	\$ 150,000	Capital Investment	18	\$ 576,000	\$ 715,000
18	Capital Projects	\$ 52,000	\$ 50,000			\$ 576,000	\$ 715,000							\$ 576,000	\$ 715,000	Treatment Capital Assessment		\$ -	\$ -
19	Vehicle Truck Lease	\$ 52,000	\$ 50,000											\$ 52,000	\$ 50,000	Total Investment Expenses		\$ 576,000	\$ 715,000
20	Total Budgeted Expenditures	\$ 4,131,000	\$ 4,115,500	\$ -	\$ -	\$ 655,000	\$ 794,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,786,600	\$ 4,909,500	Investment Net		\$ (522,000)	\$ (662,490)
21	Interfund Transfers	\$ 410,000	\$ 764,500				\$ 150,000							\$ 550,000	\$ 764,500	Financing Income			
22	Ending Fund Balance	\$ 7,613,320	\$ 7,013,320	\$ 985,100	\$ 1,008,200	\$ 1,043,800	\$ 656,800	\$ 52,450	\$ 103,450	\$ 1,213,200	\$ 1,498,500	\$ 27,930	\$ 60,570	\$ 10,335,800	\$ 10,340,840	Connection Fees	4	\$ 18,000	\$ 18,000
23	Salaries & Employee Benefits	\$ 907,500	\$ 972,500											\$ 907,500	\$ 972,500	Other Financing Income		\$ -	\$ -
24	Wages	\$ 51,000	\$ 56,000											\$ 51,000	\$ 56,000	Total Financing Income		\$ 18,000	\$ 18,000
25	Directors Fees	\$ 524,000	\$ 565,000											\$ 524,000	\$ 565,000	Financing Expenses			
26	Employees Benefits	\$ 1,482,500	\$ 1,593,500											\$ 1,482,500	\$ 1,593,500	Loan Interest Expense	16, 49, 51	\$ -	\$ -
27	Subtotal	\$ 1,482,500	\$ 1,593,500											\$ 1,482,500	\$ 1,593,500	Loan Principal Expense		\$ 444,600	\$ 159,600
28	Other Operating Supplies	\$ 2,000	\$ 600											\$ 2,000	\$ 600	Total Financing Expenses		\$ 444,600	\$ 159,600
29	Office Expenses	\$ 25,000	\$ 22,500											\$ 25,000	\$ 22,500	Financing Net		\$ (426,600)	\$ (141,000)
30	Election Expenses	\$ -	\$ 16,000											\$ -	\$ 16,000	Overall Net Financial Flows		\$ -	\$ 5,040
31	Membership	\$ 25,000	\$ 30,000											\$ 25,000	\$ 30,000				
32	Publication & Legal Notice	\$ 70,000	\$ 30,000											\$ 70,000	\$ 30,000				
33	Gas, Fuel	\$ 14,500	\$ 12,000											\$ 14,500	\$ 12,000				
34	Repair & Maintenance	\$ 50,000	\$ 60,000											\$ 50,000	\$ 60,000				
35	Rents & Leases	\$ 9,000	\$ 8,000											\$ 9,000	\$ 8,000				
36	Utilities	\$ 48,000	\$ 40,000											\$ 48,000	\$ 40,000				
37	Travel & Meeting	\$ 30,000	\$ 21,000											\$ 30,000	\$ 21,000				
38	Training & Education	\$ 25,000	\$ 18,000											\$ 25,000	\$ 18,000				
39	Contract Sewage Services	\$ 1,375,000	\$ 1,513,000											\$ 1,375,000	\$ 1,513,000				
40	Contractual Services	\$ 163,000	\$ 170,000											\$ 163,000	\$ 170,000				
41	Engineering Services	\$ 75,000	\$ 85,000											\$ 75,000	\$ 85,000				
42	Prof & Spec Services	\$ 95,000	\$ 90,000											\$ 95,000	\$ 90,000				
43	Professional Services	\$ 45,000	\$ 50,000											\$ 45,000	\$ 50,000				
44	Research & Monitoring	\$ 400	\$ 1,500											\$ 400	\$ 1,500				
45	Operating Supplies	\$ 12,000	\$ 6,000											\$ 12,000	\$ 6,000				
46	Special Expenses	\$ 31,000	\$ 32,000											\$ 31,000	\$ 32,000				
47	Insurance	\$ 55,000	\$ 50,000											\$ 55,000	\$ 50,000				
48	Legal Services	\$ 56,000	\$ 76,000											\$ 56,000	\$ 76,000				
49	Subtotal	\$ 2,203,500	\$ 2,292,000											\$ 2,203,500	\$ 2,292,000				
50	Capital & Debts	\$ 251,000	\$ -											\$ 251,000	\$ -				
51	Gen Fin Financing Corp Bond	\$ 77,000	\$ 150,000											\$ 77,000	\$ 150,000				
52	Equipment Expenses	\$ 84,600	\$ 80,000											\$ 84,600	\$ 80,000				
53	Subtotal	\$ 442,600	\$ 230,000											\$ 442,600	\$ 230,000				
54	Other Charges	\$ -	\$ -											\$ -	\$ -				
55	Contingency	\$ -	\$ -											\$ -	\$ -				
56	Subtotal	\$ -	\$ -											\$ -	\$ -				
57	Transfers to Other Funds	\$ -	\$ -											\$ -	\$ -				
58	Construction Replacement	\$ 410,000	\$ 764,500											\$ 410,000	\$ 764,500				
59	Treatment Plant Reserve	\$ -	\$ -											\$ -	\$ -				
60	Rate Stabilization	\$ -	\$ -											\$ -	\$ -				
61	Subtotal	\$ 410,000	\$ 764,500											\$ 410,000	\$ 764,500				

Budget for West Bay Sanitary District

Budget from District Web Site				Restatement of Budget to Standard Format			
#	General Fund	FY 2014-15	FY 2015-16	Note: Include depreciation	#	FY 2014-15	FY 2015-16
	Fund Income			Operating Income			
	Operating Income			Permit & Inspection Fees	5	\$ 50,000	\$ 50,000
1	Non-Residential	\$ 4,427,515	\$ 4,693,223	Property Tax Receipts		\$-	\$-
2	Residential	\$ 16,482,332	\$ 18,206,484	Sewer Service Charges	1,2	\$ 20,909,847	\$ 22,899,707
3	Total Sewer Service Charges	\$ 20,909,847	\$ 22,899,707	Other Revenue	4,6	\$ 48,000	\$ 624,614
4	Flow Equalization Cost Sharing	\$ 48,000	\$ 309,000	Total Operating Income		\$ 21,007,847	\$ 23,574,321
5	Permit and Inspection Fees	\$ 50,000	\$ 50,000				
6	Other Operating Income (LAH & WS)	\$-	\$ 315,614	Operating Expenses			
7	Total Operating Income	\$ 21,007,847	\$ 23,574,321	Administration & Finance	21-24, 27-29,	\$ 4,713,532	\$ 5,176,446
	Non-Operating Income			Collection	25-26, 30-31,	\$ 2,749,220	\$ 2,893,195
8	Interest Income	\$ 50,000	\$ 50,000	Treatment Facility	43	\$ 5,350,000	\$ 5,881,095
9	Other Non-Operating Income	\$ 1,000	\$ 1,000	Total Operating Expenses		\$ 12,812,752	\$ 13,950,736
10	Total Non-Operating Income	\$ 51,000	\$ 51,000	Operating Net (including depreciation)		\$ 8,195,095	\$ 9,623,585
11	Total Income	\$ 21,058,847	\$ 23,625,321				
12	General Fund Available Balance	\$ 6,505,889	\$ 7,441,158	Investment Income			
14	Total Available for Fiscal Year	\$ 27,564,736	\$ 31,066,479	Interest Income	8, 62	\$ 125,000	\$ 125,000
	Fund Expenditures			Total Investment Income		\$ 125,000	\$ 125,000
15	Total Operating Expense (Excl. Depreciation)	\$ 6,044,252	\$ 6,548,641	Investment Expenses			
16	Total Non-Operating Expense	\$ 9,504,882	\$ 11,245,139	Capital Investment	65-70	\$ 7,212,500	\$ 8,059,500
17	Total Current Expense (Excl. Depreciation)	\$ 15,549,134	\$ 17,793,780	Treatment Capital Assessment	44-52	\$ 4,136,382	\$ 5,343,044
18	General Fund Operating Reserve	\$ 6,505,889	\$ 7,441,158	Total Investment Expenses		\$ 11,348,882	\$ 13,402,544
19	Subtotal Total Current Exp & Operating Reserve	\$ 22,055,023	\$ 25,234,938	Investment Net		\$ (11,223,882)	\$ (13,277,544)
20	Amount to Transfer To/(From) CA Fund	\$ 5,509,713	\$ 5,831,541	Financing Income			
	Fund Expenditures - Detail			Connection Fees	61	\$ 50,000	\$ 50,000
	Operating Expense			Other Financing Income	9	\$ 1,000	\$ 1,000
21	Salaries & Wages	\$ 2,814,271	\$ 3,092,348	Total Financing Income		\$ 51,000	\$ 51,000
22	Employee Benefits	\$ 1,204,077	\$ 1,337,664	Financing Expenses			
23	Directors' Fees	\$ 34,404	\$ 34,404	Loan Interest Expense		\$-	\$-
24	Election Expense	\$-	\$ 40,000	Loan Principal Expense		\$-	\$-
25	Depreciation	\$ 1,400,000	\$ 1,500,000	Total Financing Expenses		\$-	\$-
26	Gasoline, Oil & Fuel	\$ 65,000	\$ 70,000	Financing Net		\$ 51,000	\$ 51,000
27	Insurance	\$ 92,000	\$ 92,000	Overall Net Financial Flows		\$ (2,977,787)	\$ (3,602,959)
28	Memberships	\$ 23,350	\$ 30,000				
29	Office Expense	\$ 33,000	\$ 33,000				
30	Operating Supplies	\$ 323,395	\$ 332,195				
31	Contractual Services	\$ 388,000	\$ 388,000				
32	Professional Services	\$ 425,350	\$ 425,350				
33	Printing & Publications	\$ 62,500	\$ 62,500				
34	Rents & Leases	\$ 34,080	\$ 38,680				
35	Repairs & Maintenance	\$ 252,825	\$ 259,000				
36	Research & Monitoring	\$ 8,000	\$ 33,000				
37	Travel & Meetings	\$ 55,500	\$ 55,500				
38	Utilities	\$ 140,500	\$ 145,000				
39	Other Operating Expenses	\$ 153,000	\$ 145,000				
40	Transfer Overhead Expense to Solid Waste Fund	\$ (65,000)	\$ (65,000)				
41	Total Operating Expense (incl Depreciation)	\$ 7,444,252	\$ 8,048,641				
42	Total Operating Expense (excl. Depreciation)	\$ 6,044,252	\$ 6,548,641				
	Non-Operating Expense						
43	Contributions to S.B.S.A. (Operations)	\$ 5,350,000	\$ 5,881,095				
44	Contributions to S.B.S.A. Capital Reserve (former)	\$-	\$ 153,494				
45	SVCW Bonds (Formerly SBSA) (\$10 million)	\$ 203,877	\$ 204,378				
46	SVCW Bonds (Formerly SBSA) (\$55 million)	\$ 1,305,283	\$ 1,305,283				
47	SVCW Bonds (\$65 million)	\$ 1,084,222	\$ 1,145,000				
48	SVCW - SRF Debt Service	\$ 207,000	\$ 225,000				
49	SVCW - SRF Reserve Contribution	\$ 401,000	\$ 693,889				
50	SVCW - Line of Credit	\$ 34,000	\$ 70,000				
51	2012 SVCW - SRF Loan	\$ 401,000	\$ 401,000				
52	Future SVCW Bonds 2014-15 (\$60 million)	\$ 500,000	\$ 1,145,000				
53	Other Non-Operating Expense	\$ 6,000	\$ 6,000				
54	Contributions to LAFCo	\$ 12,500	\$ 15,000				
55	Total Non-Operating Expense	\$ 9,504,882	\$ 11,245,139				
56	Total Current Expense (excl. Depreciation)	\$ 15,549,134	\$ 17,793,780				
	Reserves						
57	Reserve for Operations (5 months Total Exp)	\$ 6,505,889	\$ 7,441,158				
58	Total Reserves	\$ 6,505,889	\$ 7,441,158				
59	Total Expense, Liabilities, and Reserves	\$ 22,055,023	\$ 25,234,938				
	Capital Assets Fund						
	Fund Income & Reserves						
60	Beginning Balance for Fiscal Year	\$ 11,258,357	\$ 16,202,765				
61	Anticipated Connection Charges Revenue	\$ 50,000	\$ 50,000				
62	Interest Income	\$ 75,000	\$ 75,000				
63	Projected Transfer from General Fund	\$ 5,509,713	\$ 5,831,541				
64	Total Income & Reserves	\$ 16,893,070	\$ 22,159,306				
	Fund Capital Expenditures						
65	Administration	\$ 345,000	\$ 330,000				
66	Collection Facilities	\$ 722,500	\$ 434,500				
67	Subsurface Lines and Other Plant	\$ 5,960,000	\$ 7,110,000				
68	Construction Projects Environmental Review	\$ 10,000	\$ 10,000				
69	Manhole Raising (Paving Projects)	\$ 100,000	\$ 100,000				
70	Allowance for Unanticipated Expenses	\$ 75,000	\$ 75,000				
71	Total Capital Expenditures	\$ 7,212,500	\$ 8,059,500				
	Reserve Transfers						
72	Emergency Capital Reserves Transfer	\$ 350,000	\$-				
73	Capital Project Reserves Transfer	\$ 350,000	\$ 320,000				
74	Equipment Replacement Reserves Transfer	\$-	\$ 215,000				
75	Total Capital Expenditures, Reserve Transfers & CIP C:	\$ 7,912,500	\$ 8,594,500				
76	Projected Available Fund at Year End	\$ 8,980,570	\$ 13,564,806				
	Fund Accounting						
		Fund Balance		Variance	2015-2016		
		6/30/15	6/30/16		Contributions	Expenditures	
77	General Fund	\$ 6,505,889	\$ 7,441,158	\$ 935,269	\$ 935,269	\$-	
	Capital Assets Fund						
78	Emergency Capital Reserve	\$ 5,000,000	\$ 5,000,000	\$-	\$-	\$-	
79	Capital Project Reserve	\$ 3,500,000	\$ 2,860,000	\$ (640,000)	\$ 320,000	\$ (960,000)	
80	Equipment Replacement Reserve	\$-	\$ 65,000	\$ 65,000	\$ 215,000	\$ (150,000)	
	Solid Waste Fund						
81	Rate Stabilization Reserve	\$ 92,838	\$ 112,838	\$ 20,000	\$ 20,000	\$-	
82	Total Reserves	\$ 15,098,727	\$ 15,478,996	\$ 380,269	\$ 1,490,269	\$ (1,110,000)	

APPENDIX H: SANITARY DISTRICT BUDGET ANALYSIS FY 2015-2016

	Bayshore	West-borough	Montara	Granada	East Palo Alto	West Bay
All Revenue	\$1,279,700	\$2,508,992	\$2,689,520	\$2,523,800	\$4,914,540	\$23,750,321
Treatment Capital & Expense	\$840,000	\$1,900,012	\$868,558	\$1,229,900	\$2,228,000	\$11,224,139
Treatment as % of Revenue	66%	76%	32%	49%	31%	47%
As % of Revenue						
Sewer Service Charges	80%	92%	76%	51%	92%	96%
Property Tax	16%	7%	9%	32%	6%	0%
Permit & Connection Fees	4%	0%	14%	15%	0%	0%
Interest & Other	1%	0%	2%	2%	2%	3%
Rate Analysis						
Average Residential Rate	\$613	\$512	\$810	\$402	\$575	\$973
Property Tax	\$200,000	\$185,000	\$230,000	\$800,000	\$318,000	\$0
# of Customers	1,739	3,790	1,964	2,560	7,066	19,201
Property Tax/Customer	\$115	\$49	\$117	\$313	\$45	\$0
Rate w/o Property Tax Benefit	\$728	\$561	\$927	\$715	\$620	\$973
Operating Expense Analysis						
Miles of Sewer Pipe	16.0	20.7	29.5	34.0	35.0	208.0
Collection Cost/Mile	\$11,863	\$7,165	\$18,619	\$11,148	\$14,197	\$13,910

Sources: See Appendix D: Sewage System Characteristics by District. See Appendix G: Sanitary District Budgets. See Appendix I: Sanitary District Sewer Rates.

APPENDIX I: SANITARY DISTRICT SEWER RATES

Payment Method and Calculation

Type	Name	How Paid	How Calculated
Independent	Bayshore Sanitary District	Property Tax Bill	Water Consumption ^a
Independent	Westborough Water District	Property Tax Bill	Water Consumption
Independent	Montara Water & Sanitary District	Property Tax Bill	Water Consumption
Independent	Granada Community Services District	Property Tax Bill	Fixed Rate ^b
Independent	East Palo Alto Sanitary District	Property Tax Bill	Fixed Rate
Independent	West Bay Sanitary District	Property Tax Bill	Fixed Rate
SMC County	Burlingame Hills Sewer Maintenance	Property Tax Bill	Fixed Rate
SMC County	Crystal Springs County Sanitation	Property Tax Bill	Fixed Rate
SMC County	Devonshire County Sanitary	Property Tax Bill	Fixed Rate
SMC County	Edgewood Sewer Maintenance	Property Tax Bill	Fixed Rate
SMC County	Emerald Lake Heights Sewer Maintenance-Zone 1	Property Tax Bill	Fixed Rate
SMC County	Emerald Lake Heights Sewer Maintenance-Zone 2	Property Tax Bill	Fixed Rate
SMC County	Fair Oaks Sewer Maintenance	Property Tax Bill	Fixed Rate
SMC County	Harbor Industrial Sewer Maintenance	Property Tax Bill	Fixed Rate
SMC County	Kensington Square Sewer Maintenance	Property Tax Bill	Fixed Rate
SMC County	Oak Knoll Sewer Maintenance	Property Tax Bill	Fixed Rate
SMC County	Scenic Heights County Sanitation	Property Tax Bill	Fixed Rate

Notes:

^aDistricts with water consumption-based rates provided an average residential rate. Each single-family residence is charged based on water consumption during winter months.

^bFixed rate: All single-family residences are charged a fixed rate set annually.

Sewer Rates and Growth—Independent Districts

Name	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	% Growth 2011 to 2016
Bayshore Sanitary District	\$613	\$613	\$613	\$613	\$613	\$613	\$613	100%
Westborough Water District	\$397	\$396	\$391	\$413	\$465	\$512	\$516	129%
Montara Water & Sanitary District	\$728	\$711	\$741	\$763	\$904	\$810	\$751	111%
Granada Community Services District	\$365	\$383	\$402	\$402	\$402	\$402	\$402	110%
East Palo Alto Sanitary District	\$485	\$520	\$520	\$520	\$550	\$575	\$575	119%
West Bay Sanitary District	\$650	\$690	\$752	\$820	\$893	\$973	\$1,031	150%
Average Rate and Growth	\$540	\$552	\$570	\$589	\$638	\$648	\$648	120%

Sources: 2015-2016: Provided by Sanitary Districts.

Bayshore

Data submitted by district. Based on 200 gallons per day for an average family.

Westborough

Data submitted by district; based on total units in January and February of each year divided by number of customers times the applicable rate.

Montara

Data submitted by district; average bill based on average water consumed times the applicable rate.

Granada

2014-2015: Bay Area Clean Water Agencies, *Sewer Rate Survey 2015*. <http://bacwa.org/wp-content/uploads/2016/01/BACWA-Sewer-Rate-Survey-May-2015.pdf>

2013-2014: Granada Sanitary District, *Fiscal Year 2013/14 Budget*. http://granada.ca.gov/wp-content/uploads/2014/02/GSD_FY_2013-14_Budget.pdf.

2012-2013: Granada Sanitary District, *Basic Financial Statements and Supplemental Information, Years Ended June 30, 2013 and 2012*.

http://granada.ca.gov/wp-content/uploads/2014/02/GSD_FY_2012-13_Audit.pdf.

2010-2011; 2011-2012: Granada Sanitary District, *Basic Financial Statements and Supplemental Information, Years Ended June 30, 2012 and 2011*.

http://granada.ca.gov/wp-content/uploads/2014/02/GSD_FY_2011-12_Audit.pdf.

East Palo Alto

2013-2014; 2014-2015: East Palo Alto Sanitary District, *Agenda Packet July 27, 2014, Resolution 1129*.

<http://www.epasd.com/home/showdocument?id=84>.

2012-2013: East Palo Alto Sanitary District, *Agenda Packet May 18, 2013, Resolution 1086*, <http://www.epasd.com/home/showdocument?id=262>.

2011-2012: East Palo Alto Sanitary District, *Minutes, June 7, 2012, Resolution 1065*, <http://38.106.4.240/home/showdocument?id=112>.

2010-2011: East Palo Alto Sanitary District, *Agenda Packet, April 5, 2012, Audit for Fiscal Year End June 30, 2011*,

<http://www.epasd.com/home/showdocument?id=240>.

West Bay

HF&H Consultants, LLC, West Bay Sanitary District. Sewer Rate Study, Final Report, April 22, 2015. April 22, 2015. http://westbaysanitary.org/wsbd-prod/resources/1400/WBSD_FINALReport_22April2015.pdf.

Sewer Rates and Growth—County-Managed Districts

Name	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	% Growth 2011-2016
Burlingame Hills Sewer Maintenance	\$1,150	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	Not Available	139%
Crystal Springs County Sanitation	\$1,200	\$1,200	\$1,350	\$1,350	\$1,350	\$1,350	Not Available	113%
Devonshire County Sanitary	\$900	\$1,000	\$1,025	\$1,050	\$1,075	\$1,100	\$1,125	122%
Edgewood Sewer Maintenance	\$900	\$950	\$1,025	\$1,100	\$1,175	\$1,250	\$1,325	139%
Emerald Lake Heights Sewer Maintenance-Zone 1	\$1,100	\$1,130	\$1,160	\$1,190	\$1,220	\$1,250	\$1,280	114%
Emerald Lake Heights Sewer Maintenance-Zone 2	\$770	\$810	\$850	\$890	\$930	\$970	\$1,010	126%
Fair Oaks Sewer Maintenance	\$420	\$470	\$500	\$530	\$560	\$590	\$620	140%
Harbor Industrial Sewer Maintenance	\$310	\$320	\$330	\$340	\$350	\$360	\$370	116%
Kensington Square Sewer Maintenance	\$900	\$975	\$1,015	\$1,055	\$1,095	\$1,135	\$1,175	126%
Oak Knoll Sewer Maintenance	\$800	\$900	\$930	\$960	\$990	\$1,020	\$1,050	128%
Scenic Heights County Sanitation	\$950	\$1,050	\$1,080	\$1,110	\$1,140	\$1,170	\$1,200	123%
Average Rate and Growth	\$855	\$945	\$987	\$1,015	\$1,044	\$1,072	\$1,017	125%

Source:

San Mateo County Public Works. *Sewer Service Rate Information*. Accessed March 11, 2016. <http://publicworks.smcgov.org/sewer-service-rate-information>.
 County of San Mateo, Inter-Departmental Correspondence, Department of Public Works, *Executive Summary - Adoption of Proposed Sewer Service Rates and Fiscal Year 2011-12 Sewer Service Charges Report for the Ten County Sewer/Sanitation Districts Governed by the Board of Supervisors*, July 11, 2011, <http://publicworks.smcgov.org/sites/publicworks.smcgov.org/files/SSC%202011%20BOS%2020110726.pdf>.

Sewer Rates and Growth—Combined

Name	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	% Growth 2011-2016
Combined Average Rate and Growth (Independent and County-Managed Districts)	\$743	\$807	\$840	\$865	\$900	\$922	\$870	124%
Consumer Price Index, San Francisco Area, Annual Rate as of June	2.40%	2.60%	2.60%	3.0%	2.30%			114%

Source:

United States Department of Labor, Bureau of Labor Statistics, Western Information Office, *Consumer Price Index, San Francisco Area-February 2016*.
http://www.bls.gov/regions/west/news-release/consumerpriceindex_sanfrancisco.htm.

APPENDIX J: BOARD COSTS FOR SANITARY DISTRICTS

FY 2015-2016	Bayshore	West-borough	Montara	Granada	East Palo Alto	West Bay
Regular Meeting Compensation	\$190	\$100	\$75	\$145	\$293	\$207
Regular Meeting Frequency ^a	Monthly	Monthly	Twice Monthly	Monthly	Monthly	Twice Monthly
Board Expenses						
Directors' Fees	\$15,000	\$5,250	\$3,300	\$11,000	\$56,000	\$34,404
Memberships	\$3,000	\$15,816		\$5,000	\$15,000	\$12,000
Meetings and Travel	\$5,000	\$3,350		\$1,000	\$14,000	\$9,000
Other	\$12,000		\$2,000		\$6,800	\$0
Total Board Expenses	\$35,000	\$24,416	\$5,300	\$17,000	\$91,800	\$55,404
Expense/Director	\$7,000	\$4,883	\$1,060	\$3,400	\$18,360	\$11,081
Benefits	Dental, Life Insurance for Directors and Spouse/Partner or Children	None	None	None	Dental, Vision, Health	None
Professional Memberships ^b	CASA, CSDA, USA	BAWSCA, SSF CoC, ACWA, CSDA	None	CASA, CSDA	CASA, CSDA, CoC	CASA

Source: District data input to Grand Jury, February-March 2016.

Notes: ^aExcludes committee meetings

^bAssociation of California Water Agency ACWA
 Bay Area Clean Water Agencies BACWA
 Bay Area Water Supply & Conservation Agency BAWSCA
 California Association of Sanitation Agencies CASA
 California Special Districts Association CSDA
 Chamber of Commerce CoC
 Underground Service Alert USA

APPENDIX K: DIRECTOR TENURE BY DISTRICT

District & Directors	Date 1st Appointed / Elected	Years of Service	Next Up
Bayshore			
Iris Gallagher	12/7/93	22.5	2017
Walter Quinteros	2/25/93	23.3	2019
Norman Rizzi	1/24/02	14.4	2019
Mae Swanbeck	9/22/05	10.8	2019
Kenneth Tonna	8/26/04	11.8	2017
Average Tenure		16.6	
Westborough			
David J. Irwin	1/12/12	4.4	2019
William O. Lopez	12/11/08	7.5	2019
Janet G. Medina	8/12/04	11.8	2019
Tom Chambers	11/4/97	18.6	2017
Perry H. Bautista	11/7/89	26.6	2017
Average Tenure		13.8	
Montara			
Jim Harvey	11/4/03	12.6	2018
Dwight Wilson	11/5/13	2.6	2018
Bill Huber	11/5/13	2.6	2018
Kathryn Slater-Carter	11/4/03	12.6	2016
Scott Boyd	11/4/03	12.6	2016
Average Tenure		8.6	

District & Directors	Date 1st Appointed / Elected	Years of Service	Next Up
Granada			
Leonard Woren	11/4/97	18.6	2018
Matthew Clark	11/4/03	12.6	2016
Jim Blanchard	8/29/13	2.8	2016
David Seaton	11/5/13	2.6	2018
Ric Lohman	6/17/04	12.0	2018
Average Tenure		9.7	
East Palo Alto			
Glenda Savage-Johnson	11/6/07	8.6	2019
Betsy Yanez	11/6/07	8.6	2019
Joan Sykes-Miessi	11/4/03	12.6	2017
Goro Mitchell	11/6/07	8.6	2019
Dennis Scherzer	11/3/09	6.6	2017
Average Tenure		9.0	
West Bay			
Edward Moritz	8/1/09	6.8	2017
Fran Dehn	8/1/08	7.8	2019
David Walker	11/1/99	16.6	2019
Roy Thiele-Sardina	11/5/13	2.6	2017
George Otte	5/9/16	0.1	2017
Average Tenure		6.8	

Sources:

League of Women Voters of California, Smart Voter. Special Districts Contests for San Mateo County, CA, November 6, 2001. Accessed March 4, 2016. http://www.smartvoter.org/2001/11/06/ca/sm/special_districts.html.

League of Women Voters of California, Smart Voter. Special Districts Contests for San Mateo County, CA, November 4, 2003. Accessed March 4, 2016. http://www.smartvoter.org/2003/11/04/ca/sm/special_districts.html.

League of Women Voters of California, Smart Voter. Special Districts Contests for San Mateo County, CA, November 8, 2005. Accessed March 4, 2016. http://www.smartvoter.org/2005/11/08/ca/sm/special_district.html.

League of Women Voters of California, Smart Voter. Special Districts Contests for San Mateo County, CA, November 3, 2009. Accessed March 4, 2016. http://www.smartvoter.org/2009/11/03/ca/sm/special_district.html.

League of Women Voters of California, Smart Voter. Special Districts Contests for San Mateo County, CA, November 8, 2011. Accessed March 4, 2016. http://www.smartvoter.org/2011/11/08/ca/sm/special_district.html.

San Mateo County. Official Election Results, San Mateo County Consolidated Municipal, School, and Special District Election, November 6, 2001. Accessed March 4, 2016. <https://www.shapethefuture.org/elections/results/2001/nov2001/Official.pdf>.

San Mateo County. Official Election Results, San Mateo County Consolidated Municipal, School, and Special District Election, November 4, 2003. Accessed March 4, 2016. <https://www.shapethefuture.org/elections/results/2003/nov2003/Master%20Summary%20Report.pdf>.

San Mateo County. Official Election Results, San Mateo County Consolidated Special Statewide Election, November 8, 2005. Accessed March 4, 2016. <https://www.shapethefuture.org/elections/results/2005/nov2005/Master%20Summary%20Report.pdf>.

San Mateo County. Official Election Results, San Mateo County Consolidated Municipal, School, and Special Election, November 6, 2007. Accessed March 4, 2016. https://www.shapethefuture.org/elections/results/2007/nov2007/Tally/112707/nov07_final_fusion.pdf.

San Mateo County. Roster of Candidates – Local Offices, Consolidated Municipal, School, and Special District Election, November 6, 2007. Attachment to email from Lucas Morrison, San Mateo County Registration & Elections Division, March 14, 2016.

San Mateo County. Statement of Vote, San Mateo County Consolidated Municipal, School, and Special District Election, November 6, 2007. Attachment to email from Lucas Morrison, San Mateo County Registration & Elections Division, March 14, 2016.

San Mateo County. Statement of Vote, San Mateo County Consolidated Municipal, School, and Special District Election, November 3, 2009. Accessed March 4, 2016. <https://www.shapethefuture.org/elections/results/2009/nov2009/final/nov32009SOV.pdf>.

San Mateo County. Statement of Vote, San Mateo County Consolidated Municipal, School, and Special District Election, November 8, 2011. Accessed March 4, 2016. https://www.shapethefuture.org/elections/results/2011/nov2011/final/SOV_Nov2011.pdf.

San Mateo County. Roster of Candidates, San Mateo County Consolidated Municipal, School, and Special District Election, November 5, 2013. Accessed March 4, 2016. <https://www.shapethefuture.org/elections/2013/nov/documents/candidaterosterweb.pdf>.

San Mateo County. Statement of Vote, San Mateo County Consolidated Municipal, School, and Special District Election, November 5, 2013. Accessed March 4, 2016. <https://www.shapethefuture.org/elections/results/2013/nov/official/Nov2013SOV.pdf>.

San Mateo County. Roster of Candidates, San Mateo County Consolidated Municipal, School, and Special District Election, November 3, 2015. Accessed March 4, 2016. https://www.shapethefuture.org/elections/2015/nov_mailedballot/documents/candidaterosterweb.pdf.

San Mateo County. Statement of Vote, San Mateo County Consolidated Municipal, School, and Special District Election, November 3, 2015. Accessed March 4, 2016. <https://www.shapethefuture.org/elections/results/2015/nov/official/SOV.pdf>.

Note: All districts provided additional detail such as dates of appointment not available from voting records.

APPENDIX L: REFERENCES TO "DISASTER" OR "EMERGENCY" IN BOARD MEETING MINUTES

The Grand Jury reviewed the most recent 12 months of minutes from each of the six independent districts. We searched each document for the following words: "disaster," "emergency," and "emergencies." The following records the actual text including these words in the minutes of the districts.

None of the minutes record discussions regarding emergency preparedness or response. The emergencies referred to in the minutes refer to localized sewer blockages or overflows.

Bayshore

4/23/15	The Maintenance Director said that he has not heard from the Daly City Water/Wastewater Department with regard to providing emergency and preventive maintenance to the District. There was one emergency generator alarm; however no problem was found.
5/28/15	None
6/16/15	None
6/25/15	In light of this information, Mr. Yeager wrote them a letter and explained that the District will not provide emergency service again.
7/23/15	Since the District's emergency alarm system uses a phone line, it was felt that AT&T is more reliable.
8/27/15	Broken link
9/17/15	None
10/22/15	Broken link
11/19/15	Daly City Library site. President Gallagher was notified of an emergency meeting on December 3. He explained what the District had in mind as it plans for the future, i.e., outsourcing the routine, preventive and emergency services for the collection system.
12/17/15	None
1/28/16	Mr. Landi provided the South San Francisco Public Works/City Engineer with information to help him evaluate the possibility of providing preventive and emergency service for the District. They are meeting next week.
2/25/16	None
3/24/16	None

Source: Bayshore Sanitary District, Public Meetings, *Minutes* on Dates Listed Above.
<http://bayshoresanitary.com/meetings/index.html>.

Westborough

4/9/15	None
5/14/15	None
6/18/15	None
7/9/15	None
8/13/15	None

Westborough

9/10/15	Engineer Pakpour reported some of the benefits were the State would cover a larger portion of disaster losses, if the District is included in a Hazard Mitigation Grant Program, Pre-Disaster Mitigation, Flood Mitigation Assistance and Severe Repetitive Loss Grant Programs.
10/8/15	None
11/12/15	None
11/21/15	The Board of Directors met to hold a hands on training session on how to restore water service in the event of a major disaster.
12/10/15	None
1/14/16	None
2/11/16	Broken link
3/12/16	None

Source: Westborough Water District, Board Meeting Schedule, *Minutes* on Dates Listed Above, http://www.westboroughwater.com/board_meetings.htm.

Montara

3/5/15	None
3/19/15	None
4/2/15	None
5/7/15	None
5/21/15	References to emergency related to water services
6/4/15	References to emergency related to water services
7/16/15	References to emergency related to water services
8/6/15	None
9/3/15	None
10/1/15	None
10/15/15	None
11/5/15	None
12/3/15	None
1/7/16	None
2/4/16	None
3/3/16	None
3/17/16	Review and possible action concerning sewer emergency repair on Cedar Street

Source: Montara Water District, Board Meetings, selected pages provided by Montara. Montara minutes are embedded in Agenda Packets, making them time consuming to locate.

Granada

3/19/15	None
4/23/15	None
5/21/15	None
6/18/15	None
7/23/15	None

9/3/15	None
10/15/15	None
11/19/15	None
12/17/15	Broken link
1/21/16	None

Source: Granada Community Services District, Agendas/Minutes, *Minutes* on Dates Listed Above, <http://granada.ca.gov/agendamminutes/>.

East Palo Alto

2/5/15	None
3/5/15	None
4/9/15	None
5/7/15	None
6/4/15	None
6/18/15	None
7/2/15	None
8/6/15	He asked for a report on the current policy on units not on the rolls, what are the rights on private property in the event of an emergency, and what is done in the event of a known extra unit where access is denied.
9/3/15	None
10/1/15	None
11/5/15	None
12/10/15	None
1/7/16	None

Source: East Palo Alto Sanitary District, About EPSD, Board Meetings Agendas and Minutes, *Minutes* on Dates Listed Above, <http://www.epasd.com/about-epasd/board-of-directors/agendas-and-minutes>.

West Bay

4/22/15	None
5/6/15	None
5/27/15	None
6/10/15	None
6/24/15	None
7/15/15	None
7/29/15	None
8/3/15	None
8/12/15	None
8/26/15	None
9/15/15	None
10/14/15	None
10/28/15	None
11/4/15	None
11/24/15	None
12/9/15	None

West Bay

1/13/16	None
1/27/16	None
2/10/16	Responded to emergency pump station call due to power failure.
2/24/16	None
3/9/16	None
3/23/16	None
4/13/16	None

Source: West Bay Sanitary District, About Us, Agenda & Minutes, *Minutes* on Dates Listed Above, <https://westbaysanitary.org/about-us/agenda-minutes/>.

Issued: June 29, 2016



September 22, 2016

Hon. John L. Grandsaert
Presiding Judge of the Superior Court
C/O Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063

Subject: Response to the 2015-2016 San Mateo County Civil Grand Jury Report, *San Mateo County's Cottage Industry of Sanitary Districts*

Honorable Judge Grandsaert:

The Commission appreciates the Civil Grand Jury's attention to LAFCo-related matters. In responding to this Grand Jury report, we offer the following background on LAFCo's purpose. LAFCos were created in 1963 in each county by the California State Legislature to regulate the boundaries of cities and special districts. LAFCos are charged with discouraging urban sprawl, preserving open space and prime agricultural lands, encouraging efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

LAFCos operate pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 and 57000), the Revenue and Tax Code, and enabling legislation for the various special districts. LAFCos are required to adopt spheres of influence for each city and special district in their respective counties. A sphere of influence is the plan for boundaries of a city or district. LAFCos are the ultimate authority for spheres of influence. Proposals to amend the boundaries of or reorganize a special district must be consistent with the LAFCo-adopted spheres.

In 2000, LAFCos were required to prepare municipal service reviews in conjunction with sphere of influence updates. Municipal service reviews examine codified areas of determination, including operations, finance, accountability, and governance of the agencies under study. LAFCo therefore examines local government in San Mateo County in the context of State laws promoting efficient, accountable, and transparent government based on local conditions.

COMMISSIONERS: JOSHUA COSGROVE, CHAIR, Special District • DON HORSLEY, VICE CHAIR, County • ANN DRAPER, Public • RICH GARBARINO, City
MIKE O'NEILL, City • JOE SHERIDAN, Special District • ADRIENNE TISSIER, County

ALTERNATES: RIC LOHMAN, Special District • RAY MUELLER, City • SEPI RICHARDSON, Public • WARREN SLOCUM, County

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER • REBECCA ARCHER, LEGAL COUNSEL • JEAN BROOK, COMMISSION CLERK

San Mateo County has 20 cities, 22 independent special districts, 33 County-districts, and five subsidiary districts governed by city councils. Sewer service is provided by 15 cities¹, six independent special districts and 10 County-governed districts. These agencies either operate individual sewage treatment plants, are members of joint powers authorities (JPAs) that operate shared treatment plants or contract with a JPA member for sewage treatment.

Responses to Findings

F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.

Response: LAFCo partially agrees in that resident owners receive their property tax bills and are aware of the sewer services charges. However, non-owner occupants may not receive information about the sewer service charges that are passed onto non-owner occupants.

F4. Elections for sanitary district board membership are rarely contested and when they are, voter turnout is low. The average tenure of board members is over 10 years.

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

F5. Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.

Response: LAFCo agrees that sewer service fees are not recovering the full cost of sewer service because the districts offset operating costs with property tax. In regard to

¹ In the cases of Daly City, Brisbane and Foster City, a city governed subsidiary district is the legal entity providing sewer service.

property tax received by the districts, LAFCo offers clarification that the majority of the “countywide taxes” mentioned in the Grand Jury’s statement (taxes on the secured, unsecured, and homeowner’s exemption tax rolls) are calculated based on proportional shares of total property taxes in the County following the implementation of Proposition 13. These amounts are then adjusted annually for the incremental growth of property taxes within each district’s boundaries.

- F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.**

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

- F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.**

Response: LAFCo disagrees with this finding in that LAFCo finds that the cities and districts have created efficiencies by sharing treatment plants rather than individually operating multiple plants. The cities and districts also build sewage treatment costs into sewer service charges so that the sewage treatment plant operator receives revenues in an efficient manner.

- F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto’s average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.**

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

- F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.**

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

- F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.**

Response: LAFCo agrees and has made similar determinations in municipal service reviews and sphere of influence updates.

F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

Response: LAFCo lacks information or knowledge to respond to this finding as it is directed at knowledge and information in the possession of the sanitary districts. Subject to the foregoing, LAFCo will not provide a response.

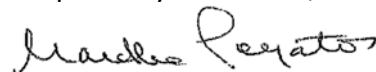
Recommendations

The Grand Jury recommends that the San Mateo County Local Agency Formation Commission do the following:

R18. Initiate a service review of the Westborough Water District to examine whether its operations might be more efficiently and effectively run if they were consolidated with another entity's operations.

Response: The recommendation will be implemented. LAFCo will include a municipal service review and sphere of influence update for the Westborough Water District in the 2017 calendar year in conjunction with a municipal service review and sphere update for the City of South San Francisco.

Respectfully submitted,



Martha Poyatos
Executive Officer

CC: General Managers, Independent Sanitary Districts

Bayshore Sanitary District

36 INDUSTRIAL WAY
BRISBANE, CALIFORNIA 94005
(415) 467-1144

BOARD OF DIRECTORS:
IRIS GALLAGHER
WALTER V. QUINTEROS
NORMAN RIZZI
MAE SWANBECK
KENNETH TONNA

JOHN BAKKER, ATTORNEY
RICH LANDI, MAINTENANCE DIRECTOR
TOM YEAGER, DISTRICT ENGINEER

September 22, 2016

Hon. Joseph C. Scott
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re.: Response to Grand Jury Report "San Mateo County's Cottage Industry of Sanitary Districts"

Hon. Judge Scott:

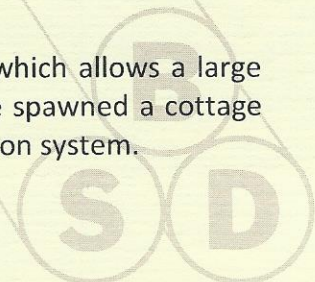
The following response approved by the District Board on September 22, 2016 is presented in three sections. The first is our response to the Findings, the second provides our responses to the Recommendations and the last section contains Other Comments.

A number of our "Disagree" responses could have been considered and/or avoided had the report been provided to the District 48 hours prior to release as stipulated in Penal Code Section 933.05(f) and if the jury had exercised its option to conduct an exit interview to review their findings.

The title of this report is offensive, unprofessional and shows the writers' bias given that a cottage industry is defined as follows:

A small-scale industry, where the creation of products and services is home-based, rather than factory-based. While products and services created by cottage industries are often unique and distinctive, given the fact that they are usually not mass-produced, producers in this sector often face numerous disadvantages when trying to compete with much larger factory-based companies.

The use of the term has expanded, and is used to refer to any event which allows a large number of people to work part-time. For example, eBay is said to have spawned a cottage industry of people who buy surplus merchandise and sell it on their auction system.



Findings

- F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.

Wholly Disagree

Since the Grand Jury states that it did not have the resources or time to investigate all 45 sewer agencies in the County, there is no data documented to support this finding for the 6 independent districts investigated. Further, the Grand Jury stated "The Grand Jury would have liked to recommend actions to address the County's bigger problem of lack of comprehensive oversight for its sewer collection and treatment systems. However, the very lack of oversight makes it impossible to make any such recommendations."

- F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.

Wholly Disagree

Bayshore Sanitary District's website contains minutes, agendas, audits, SSMP, Standard Specifications, District Maps and the Ordinance containing rate information. Note: The minutes of the March meeting were approved April 28 and forwarded to the webmaster on April 29 for posting. In addition our website contains ten years of minutes.

- F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.

Wholly Disagree

The sewer service charge is listed separately on the tax bill and is the most cost effective way of collecting charges. The entry on tax bills clearly indicates that the charge is for the Bayshore Sanitary District. It is also to be noted that using this system, which is common for large and small sewer districts, results in no delinquent accounts.

- F4. Elections for sanitary district board membership are rarely contested, and when they are, voter turnout is low. The average tenure of board members is over 10 years.

Agree

However, we disagree with the implied assumption that tenured members are a negative. Further we believe our ratepayers are satisfied with the service provided and with the good governance provided by its elected board. Like the rest of the State, the District is not immune to the low voter turnout.

- F5. Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.

Wholly Disagree

In addition to paying sewer service charges those same residents also pay the property taxes referred to in this finding. Therefore, they are paying the "full" cost of sewer services.

- F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.

Wholly Disagree

We did not acknowledge the trend cited in this finding. Bayshore Sanitary District has been proactive in maintaining its collection system. The District's rates have not increased since 2010. However, that being said, increased operating costs can be attributed to escalating treatment costs over which the District has limited control.

- F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.

Wholly Disagree

This finding doesn't really make any sense. The goal of the State Water Resources Control Board and Regional Water Quality Control Board has been to have fewer small treatment plants and larger plants to serve multiple entities. Most sanitary agencies in San Mateo County share treatment plants. This finding is based on opinion not facts.

- F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto's average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.

Agree

We agree with this statement; however, the Directors of the Bayshore Sanitary District are employees and receive an annual W-2. We believe the directors merit this benefit as they go above and beyond in carrying out their mandated duties.

- F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.

Wholly Disagree

The useful life of pipe, especially PVC, can exceed 100 years. Just twenty four per cent of the District's lines are over 50 years in age. Monitoring through CCTV inspection and taking corrective action is essential to prolong the life of these assets and is a District practice.

F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.

Wholly Disagree

The costs cited in this finding are not redundant. This finding misleads the reader by implying that these costs would simply go away under another form of governance.

F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.

Agree

However, the use of the term "contractors" is a misnomer. They are service and operations and maintenance professionals. Using these professionals means that the District pays for only the service it needs/requires and has no expenditure for costly equipment, pension obligations, healthcare costs, training, etc. Many large and small entities outsource operations. We take exception to the negative connotation taken by the Grand Jury.

F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.

Wholly Disagree

It is not the function of leadership to be conversant on technologies. It is the job of the professional staff to keep the District apprised of innovative technologies that would benefit its ratepayers and enhance operation of its collection system. This statement could also be made relative to city governance. The function of the Board is to provide leadership, set policy, diligently fulfill its fiduciary duties and govern.

F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

Wholly Disagree

This finding misleads the reader and does not apply to the 6 districts investigated since they were established between 1902 and 1961--not exactly a "proliferation." The District is a member of CALWarn, a Statewide cooperative divided into regions. The purpose is to share equipment and expertise during emergencies. Additionally, our updated SSMP contains a new section on the proper response to a major spill at the pump station. Staff reviewed this in detail with the Board at several Board meetings in 2015. The District has demonstrated its ability to deal with crisis when it successfully got the Carlyle Pump Station operational 36 hours after suffering a break in its force main caused by the Loma Prieta earthquake in 1989.

Recommendations

- R1. Form a committee of Board members (Bayshore Sanitary District), Council members (Brisbane, Daly City), and staff from each to discuss the assumption of services provided by Bayshore Sanitary District into Brisbane and/or Daly City. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

The recommendation will not be implemented because it is not warranted or reasonable. We are aware of the alternatives and disagree that there is benefit for our ratepayers or that the District's facilities would be maintained to the high standard long ago established by the Bayshore Sanitary District governing board. In the past the District undertook a comprehensive study conducted by Circle Wing Consulting & Research which determined that: (1) Greater government access and accountability would not be achieved; (2) There was no evidence of any public concern about the District's services or governance; (3) Dissolution would artificially divide a community of interest rather than eliminating such a division; and (4) There was no evidence of any significant financial benefits which would accrue to the constituents of the District if it were to be dissolved. Nothing has changed since that study.

- R5. Improve information visibility on their website, including key system characteristics, rates and rate history, sewer system management plans, sanitary sewer overflows, and board member compensation. Key system characteristics would include population served, number of connections, number of miles of pipe (gravity, forced main), number of pump stations and number of pumps, average dry weather flow, and average wet weather flow. Ensure all information is up to date. Refresh website by September 30, 2016.

Not yet implemented; will be implemented in the future.

Much of the information is already posted on our website. Additional information will be posted by December 31, 2016. The September 30, 2016 deadline is not feasible.

- R6. Implement and publish performance management metrics including but not limited to the Effective Utility Management framework, beginning with Fiscal Year 2016-2017.

The recommendation requires further analysis.

The Effective Utility Management framework was reviewed and it appears to have been developed by and for large water and wastewater agencies. Recognizing this defect the USEPA and the USDA developed EUM Tools for Small Systems including, "Rural and Small System Guidebook to Sustainable Utility Management". Table A contained in this response is a tool that the District will review further relative to its applicability to the District's Operations. The Board and staff will discuss this further during its monthly meetings and will render a decision by March 23, 2017.

- R7. Adjust rates over the next five years so that all costs are recovered from ratepayers, and the reliance on property tax is eliminated. Transition property tax revenues to neighboring cities to be used for community benefit.

The recommendation will not be implemented because it is not warranted or reasonable. The majority of taxes referred to are generated by the District ratepayers and benefit their District's sanitary system. It is supposition to state that the property tax diverted to cities would be used for the benefit of the ratepayers and tax payers in Bayshore Sanitary District

- R8. Mail notices to ratepayers at least annually with an explanation of the dollar amount of sewer service charges being billed and the rationale. Provide information on the prior five years' rates for comparison purposes. Display the portion of the rate that is related to collection activities, and the portion allocated to treatment. Mail notice approximately 30 days before the mailing of the property tax bills. Initiate mailings by November 2016.

The recommendation requires further analysis.

However, this information can be found on the District's website where a ratepayer can view our budgets. Rate calculations have remained steady for several years. The Board and staff will discuss this further during its monthly meetings and will render a decision by March 23, 2017.

- R9. Notify ratepayers annually of elected nature of Board, role and compensation of Board members, and process for becoming a candidate. Encourage active participation by ratepayers. This notification may be included in the mailing that explains the rationale for rates. Initiate notification by November 2016.

The recommendation requires further analysis.

We don't necessarily agree with this recommendation since Board compensation and other administrative and operational costs can be found in annual budgets which are posted on the District's website. The process for becoming a candidate is posted on the District's website upon the opening of each election cycle. The Board and staff will discuss this further during its monthly meetings and will render a decision by March 23, 2017.

- R10. Establish term limits for the members of their boards of directors by June 30, 2017.

The recommendation will not be implemented because it is not warranted or reasonable. Term limits do not necessarily equal superior operation of a district. This recommendation conflicts with F4. No data was presented to indicate that term limits would improve service to ratepayers or good governance. The value of the historical knowledge of tenured members should not be disregarded.

- R11. Establish a procurement process for professional services to include formal evaluation of existing service providers, issuance of Request for Proposals, regular reviews of existing providers, and a structured negotiation process by March 31, 2017.

The recommendation will not be implemented because it is not warranted or reasonable. Professional staff serve at the pleasure of the Board and can be terminated for cause with very little notice. The historical knowledge of our staff has immeasurable benefit to the Board and its ratepayers.

- R12. Demonstrate active participation in professional organizations focused on the work of sanitary districts, such as California Water Environment Association, by June 30, 2017. Require CWEA certification of district operators, including contractors, by June 30, 2017.

Implemented; has been the practice long before issuance of this report

The District is a member of the California Special Districts Association (CSDA) and the California Association of Sanitary Agencies (CASA) and keeps abreast of the activities of those organizations. The Board regularly receives Eblasts and other communication from these Associations. The District Maintenance Director is certified by and is a member of the CWEA (formerly CWPCA).

- R13. Develop plans for coordinating resources in the event of a local or regional emergency by June 30, 2017.

Implemented

The District is a member of CALWarn, a Statewide cooperative divided into regions. The purpose is to share equipment and expertise during emergencies. With regard to emergency preparedness, during a June 2 meeting with two jurors, the Maintenance Director described how the District successfully handled a break in its force main as a result of the Loma Prieta earthquake in 1989. Repairs were made within 36 hours with no interruption in service to the District's rate payers.

- R14. Evaluate the benefit of changing the timing of board director elections to November of even years when federal and state elections generate greater turnout.

The recommendation requires further analysis.

This recommendation will be discussed at future meetings with input and guidance from District Counsel and will render a decision by March 23, 2017.

- R16. Explore the feasibility of establishing a flat rate for capital improvements separate from the water usage rate. Report back at a public meeting by December 31, 2016.

Implemented; has been the practice long before issuance of this report

This is essentially the District's existing rate structure of \$125 + \$5.00 xQ. Variable portion pays for treatment and fixed pays for administrative expenses and capital improvements. It should be noted that the District has significant reserves earmarked for capital improvements. There are no plans to raise rates in the immediate future.

R17. Reduce the daily compensation of board directors to \$100 per day by December 31, 2017. Phase out all benefits for board directors over a period of time not to exceed three years.

Will not be implemented because it is not warranted or reasonable.

Our Directors merit the current rate of compensation and benefits for the amount of time spent to govern the District, keep abreast of ever increasing regulatory requirements, attend and prepare for Board meetings, etc.

Other Comments

1. Contrary to a statement made on Page 21 that only one sanitary district had been investigated in the last 15 years, there have been 3 investigations of special districts - including sanitary districts: 2004-05 "Review of Special Districts"; 2005-06 "Special Districts"; and 2013-14 "Partly Cloudy With a Chance of Information - Investigating the Transparency of Independent Special District's Websites". These reports can be found on the Grand Jury's website at http://www.sanmateocourt.org/court_divisions/grand_jury/.

2. In 2009 LAFCo did NOT recommend dissolution of Bayshore Sanitary District (Page 22); substantiated by requesting and reading the minutes for all meetings held in 2009.

3. As the Grand Jury was advised, District minutes are posted after approval at the monthly meeting which is the fourth Thursday of each month (Page 22-23). Our March minutes were approved April 28 and forwarded to the webmaster on April 29 for posting--there is no way of determining when the Grand Jury checked our site since they only indicate that they checked websites in "late" April. In addition our website contains ten years of minutes.

4. On Page 24 the following statement is made: "Historical information on average customer bills is very difficult to locate, especially for those who charge based on water consumption". We have historical information on customer bills readily available; however, the Grand Jury never requested the information.

5. We dispute the opinion espoused on Page 26 that low voter turnout influences decisions on topics such as rates. Rate increases must be conducted per Prop 218 whereby every property owner is notified of proposed increases. Further we disagree that tenured board members risk resistance to new ideas. The Board of Directors of Bayshore Sanitary District treat each other with respect and are open to ideas that improve the delivery of the service they provide.

6. On page 36 a statement is made referring to "very occasional responsibilities of board members." We take exception to that remark. The volume of correspondence, regulatory requirements, governance oversight, meeting prep and attendance are not "very occasional." In addition to their duties serving on the Board, our Directors are involved in numerous volunteer activities supporting their community where they are often approached in their capacity as District Directors.

7. The statements and table entitled "Cost Impact of Multiple Small Districts" on page 37 appears to be based on opinion and assumptions, not hard facts and analysis of costs of "other entities." With regard to Bayshore Sanitary District, the numbers reflect the budgeted not actual figures.

8. On Page 39 the Grand Jury acknowledged that it was unable to determine whether a "gold standard" of performance exists for sanitary districts. Our response was that Bayshore Sanitary District is the gold standard. We have received awards from the EPA and the CWEA (formerly CWPCA) for small collection systems.

9. Table 13 (Page 40): Sanitary Sewer Overflows by District includes statistics for 2013, 2014 and 2015. It is worth noting that in Fiscal Year 2015-16 the District had no sanitary sewer overflows.

10. Page 44 states that Kennedy/Jenks Consulting is the source of engineering for the District. That is incorrect--Thomas Yeager is our District Engineer.

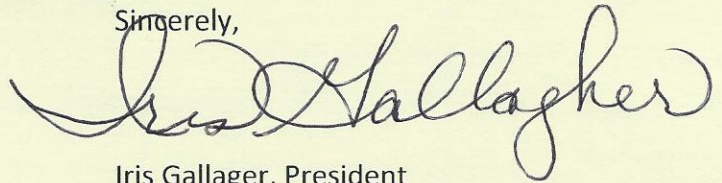
11. On Page 45 the Jury included a table listing various types of planning and control technologies. Our District uses recognized industry standards relative to collection system technologies. In addition the table erroneously shows that the District has "no" operator certifications. Our Maintenance Director is certified by the CWEA. As mentioned during a June 2 meeting with two jurors, the Maintenance Director was, at one time, Chair of Maintenance Certification for CWEA (formerly CWPCA). Note of clarification: We assume that the Grand Jury actually was referring to CWEA Maintenance Tech Certification and not Operator Certification which is a function of the State of California.

12. On Page 44 the report states that leaders of independent sanitary districts rarely attend industry conferences. Industry conference agendas are monitored for topics of interest and benefit to the District and are attended only when there are topics that are appropriate and meaningful and will enhance governance or operations.

13. Many of the findings and statements contained in the report were blanket statements that were not applicable to all or any of the six districts investigated. Single reports focused on one district would seem to have been more appropriate.

We would like to reiterate that the Grand Jury would have produced a much more accurate report had it availed itself of the option of conducting an exit interview. A report(s) with so many avoidable misstatements often are the impetus for legislation being proposed which is actually harmful to the watchdog function of Grand Juries in California--a fact that should be prominent in the minds of jurors.

Sincerely,

A handwritten signature in black ink that reads "Iris Gallagher". The signature is written in a cursive, flowing style with a large initial "I".

Iris Gallagher, President
Board of Directors

j

TABLE A

Key Management Area	Management Area Description	Step 1: Rate Achievement (Low – High)	Step 2: Rank Priority (Low – High)
1. Water Resource Adequacy (e.g., water quantity)	<ul style="list-style-type: none"> • My system is able to meet the water or sanitation needs of its customers now and for the reasonable future. • My utility or community has performed a long-term water supply and demand analysis. (Applies to drinking water systems only.) • My system understands its relationship to local water availability. (Drinking water utilities should focus on utilization rates relative to any local water stress conditions, wastewater utilities should focus on return flows.) 		
2. Product Quality (e.g., clean & safe water)	<ul style="list-style-type: none"> • My system is in compliance with permit requirements and other regulatory or reliability requirements. • My utility meets local community expectations for the potable water and/or treated effluent and process residuals that it produces. 		
3. Customer Satisfaction	<ul style="list-style-type: none"> • Customers are satisfied with the services the system provides. • My system has procedures in place to receive and respond to customer feedback in a timely fashion. 		
4. Community Sustainability & Economic Development	<ul style="list-style-type: none"> • My utility is aware of and participating in local and regional community and economic development planning activities. • My utility's goals also help to support overall watershed and source water protection, and community economic goals. 		
5. Employee & Leadership Development	<ul style="list-style-type: none"> • Training programs are in place to retain and improve institutional knowledge. • Opportunities exist for employee skills development and career enhancement. • Job descriptions, performance expectations, and codes of conduct are established. 		
6. Financial Viability	<ul style="list-style-type: none"> • The rates that my utility charges are adequate to pay our bills, put some funds away for the future, and maintain, repair, and replace our equipment and infrastructure as needed. (O&M, debt servicing, and other costs are covered.) • My utility discusses rate requirements with our customers, board members, and other key stakeholders. 		
7. Operational Optimization (e.g., energy/water efficiency)	<ul style="list-style-type: none"> • My utility has assessed its current energy usage and performed an energy audit. • My utility has maximized resource use and resource loss (e.g., water loss, treatment chemical use). • My utility understands, has documented, and monitors key operational aspects of the system (e.g., pressure, flow, quality). 		
8. Infrastructure Stability (e.g., asset management)	<ul style="list-style-type: none"> • My utility has inventoried its current system components, condition, and cost. • My system has a plan in place for repair and replacement of system components. 		
9. Operational Resiliency	<ul style="list-style-type: none"> • My utility has conducted an all hazards vulnerability assessment (safety, natural disasters, environmental risks, etc.). • My utility has prepared an all hazards emergency response plan. 		
10. Stakeholder Understanding & Support	<ul style="list-style-type: none"> • My system actively engages with local decision makers, community, watershed (where relevant), and regulatory representatives to build support for its goals, resources, and the value of the services it provides. • My utility performs active customer and stakeholder outreach and education to understand concerns and promote the value of clean and safe water. 		



**Montara Water
and Sanitary District**
Serving the Community of Montara and Moss Beach

P.O. Box 370131
8888 Cabrillo Hwy
Montara, CA 94037-0131
t: 650.728.3545 • f: 650.728.8556
email: mwsd@coastside.net
web: mwsd.montara.org

September 2, 2016

Hon. Joseph C. Scott
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Ctr.; 2nd Floor
Redwood City, CA 94063-1655

Re: Response of Montara Water and Sanitary District (“MWSD”) to 2015-2016 Civil Grand Jury Report Regarding Sanitary Districts

This letter is MWSD’s response to the Civil Grand Jury Report entitled, “San Mateo County’s Cottage Industry of Sanitary Districts” distributed by the Court Executive Officer under letter dated June 29, 2016 (“GJR”). MWSD’s governing Board approved this response at a public meeting on September 1, 2016.

MWSD appreciates the extensive time and effort the Grand Jury devoted to its review of the six independent special districts in the County that provide sanitary sewer service. The wastewater industry is highly regulated, operationally complex and replete with technical requirements that are not readily understood outside the industry. The Grand Jury is to be commended for undertaking the challenge presented by its review.

Although responses only to findings and recommendations are required (Pen. C. §933(c)), we discuss additional portions of the GJR pertaining to MWSD that render corresponding findings inaccurate or do not support the findings or recommendations. For example, the GJR noted that 45 agencies in the County are “... involved in sewage collection and treatment...” (GJR p. 1), yet the Grand Jury limited its review to six special districts. We are concerned that this small sample and narrow focus on a few agencies limits the accuracy of the generalized conclusions found in the GJR.

Nonetheless, we concur with many comments and conclusions found in the GJR and appreciate that they provide useful third party insight into our District and industry. We will take action on those as noted below in our responses to the Findings and Recommendations. We respectfully offer additional information for accuracy, especially regarding public accountability, fiscal responsibility, and operational competence as they relate to our District as discussed below.

PUBLIC ACCOUNTABILITY. Contrary to the GJR’s assertion that sanitary districts have minimal interaction with the public compared to water districts (GJR p. 27), MWSD has a consistent and robust record of public interaction. For example: MWSD provides outreach through newsletters; invites the public and local officials to attend grand openings of new facilities, such as its Alta Vista water reservoirs; maintains an up-to-date website, distributes press releases, sends bi-monthly bill stuffers; and places signs in public areas for special notices. Development of MWSD’s Strategic Plan included two Board public planning workshops that were attended by members of the public as well as a community meeting convened specifically to obtain public input, which drew some 70 citizens.

What's more, members of the public regularly participate in Board meetings and the District's Board meetings are televised and available online. Being a small community, citizens call or talk in person with Directors and staff on a regular basis about their questions and concerns. Several District Directors also participate in the Next Door online forums in their neighborhoods.

Even though the services we provide are limited to sanitary, water and solid waste matters, many in our community perceive MWSD as the only form of local government that represents them and their interests. We believe this representation is valuable, even when we cannot act on it. The Grand Jury Report, itself, acknowledges that having elected board members gives the public an important link to their community (GJR p. 25; see, also fn. 31). An example of this occurred in 2001, when Montara and Moss Beach residents wanted local control of their water supply, and voted 81 percent in favor of taxing themselves nearly \$1,000 per year so that the District could take over water service from an out-of-area, for-profit operator. (see: <http://smartvoter.org/2001/11/06/ca/sm/meas/V/>)

FISCAL ACCOUNTABILITY. MWSD takes numerous actions to ensure fiscal accountability: 1) incorporates financial and rate planning in the annual strategic planning process; 2) maintains long-term capital improvement and financial plans; 3) worked to ensure its sanitary rates are rising below the rate of inflation; 4) has never received anything but an unqualified opinion over the presentation of its annual audited financial statements; and 5) notes that there is no evidence of financial impropriety in the GJR or elsewhere. Nonetheless, in response to the GJR, the District will increase its communication to the public about finances and rates as indicated in our response to Grand Jury Recommendations numbers eight and nine.

OPERATIONAL COMPETENCE. The GJR challenges the operational competence of MWSD and other Districts. This is puzzling given the facts. The GJR claims District operators are not certified, but in fact every one of them is certified. The GJR claims the District is not familiar with a number of current technologies and planning methods, yet the District is familiar with every one listed in the Report and utilizes all that are cost-effective and beneficial to the MWSD system. The GJR claims that the District staff and Board do not participate in professional organizations, yet both Directors and staff are engaged in leadership positions in professional organizations.

Additionally, the GJR does not appear to recognize the collection system maintenance program used by MWSD. City of Half Moon Bay, Granada Community Services District and MWSD collaborate to receive contracted sewer collection services through our ownership in Sewer Authority Mid-Coastside (SAM) – thereby obtaining an economy of scale, levels of expertise and access to more advanced equipment than each District could obtain on its own. This is laudable and is in line with best practices that promote collaboration and regional partnerships.

As noted at the beginning of this letter, MWSD appreciates the time and effort of the Grand Jury in undertaking the task of reviewing independent sewerage districts in San Mateo County. Our responses contained in this letter underscore our commitment to serving our customers well.

Very truly yours,



Jim Harvey, President, MWSD Board

cc: General Manager, Sewer Authority Mid-Coastside; General Manager, Granada Community Services District; City Manager, City of Half Moon Bay; Sanitary Engineer, Montara Water and Sanitary District; Legal Counsel, Montara Water and Sanitary District

Findings

MWSD's comments regarding the Grand Jury's Findings follow each of the quoted Findings.

Grand Jury Finding F1. *From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.*

MWSD Comment: MWSD agrees partially; the simple facts in the statement appear to be correct, and MWSD shares a concern over any spills. What we disagree with is the implication that our District is not taking effective action. We note that our maintenance crews have been rigorously trained to report absolutely every spill no matter how small. We also consider any spill to be among our highest priorities to prevent because we are located in such an environmentally sensitive area.

Our District's goal is, therefore, zero SSOs. We maintain a prioritized capital improvement program to resolve troublesome pipelines and problem areas to lower the SSO rate. In addition, MWSD and its partners in SAM are working together to significantly increase sewer pipeline and maintenance capabilities through increased training, purchases of more advanced equipment, such as a new flusher truck, hiring additional cleaning staff, and enhancements to operations and maintenance planning.

We maintain active oversight and monitoring of progress and work closely with SAM to refine practices, training and planning. MWSD also supported SAM's contracting for additional sewer line cleaning to speed up the cycle time and hit critical areas more often.

We also note that there are significant operational, infrastructure and environmental differences among the San Mateo agencies and the San Jose and Central Contra Costa Sanitary District systems referenced in the GJR. The number of SSOs can be heavily influenced by mountainous terrain, heavy rainfall, number of pump stations needed, pipeline age and other factors. Because of environmental factors such as high rainfall and steep hills, with less paved area and more vegetative area which promote high ground saturation and increase inflow and infiltration pressures compared to urban paved areas, MWSD's performance is more accurately compared to areas such as southern Marin.

Additionally, the finding does not distinguish between the San Mateo County-controlled districts, which account for 91% of the SSO's County-wide. According to the GJR, the independent districts account for only 9% (GJR, p. 40, Table 13). Similarly, the GJR fails to identify SSOs by category/degree of severity or response time, thus ignoring their degrees of significance regarding impacts, if any, on the environment or public health. We know, for example, that many of our spills are very small and contained, are recovered or cleaned up very quickly, and therefore have very limited impact. There is no information about the severity of the spills reported by others. All these factors raise questions about the usefulness of the finding.

Grand Jury Finding F2. *Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.*

MWSD Comment: MWSD agrees partially; we maintain an up-to-date website and most of the GJR assertions to the contrary are incorrect. However, we agree that some of the material could be made more easily visible and easy to locate. We are taking action to improve that.

The District already maintains all its rates and fees online (<http://mwsd.montara.org/rates-and-budget/rates-and-fees>). However, we will add a table showing historical rates as suggested by this document. What's more, as noted in Response number five (R5) below, the District recently contracted with opengov.org to increase

transparency by enabling the public to explore budget and transactional data online to gain trust and learn how their tax and rate dollars are spent. Work to transition financial information to this web-based transparency system is underway.

The Sanitary Sewer System Master Plan (SSSMP) is located on the website at <http://mwsd.montara.org/documents/links/legal-and-regulatory>. It is divided into Elements, Attachments and Appendices that are labeled for convenience of the reader.

The District publishes monthly SSO updates including rolling 12-month history. They have been and will continue to be reported monthly in each Board packet, and for convenience and ease of referencing, they will also be moved into a separate page on the website available.:

Meeting Minutes are up-to-date and posted in the consent agenda, in the board packet, which is a standard practice based on Brown Act requirements. The minutes are available on the website as far back as 2013. However, we agree they are more difficult to find than is ideal. Therefore, MWSD will add a message to the top of the web agenda packet area noting that minutes are found within agenda packets in the month following each meeting. We also note that MWSD's website homepage under "Board Meetings" clearly states "Click here to view agendas and minutes," which link directly connects to those documents listed by Board meeting dates. (<http://mwsd.montara.org/board-agendas/agendas-and-minutes?year=2016>)

Audits are published annually and are up-to-date going back to 2010. (<http://mwsd.montara.org/rates-and-budget/audits>)

MWSD's website not only exceeds legal requirements (see, e.g., Gov. C. §54954.2), but provides broad information and access to significant documents and information going far beyond what is described or suggested in this GJR.

Grand Jury Finding F3. *The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.*

MWSD Comment: MWSD agrees that the narrow statement may be correct. However, because we proactively communicate about rates in other ways as detailed below, we don't rely on the tax bill to inform customers about the details of their bill or costs of service. Instead, we use the tax bill primarily for the cost efficiency of not having to send individual bills. Collection on the tax roll eliminates District staff time and associated costs that otherwise would be encountered in enforcing delinquent payments. The economy and efficiency of this billing method should be applauded.

For the reasons given above, property tax billing for sanitary district rates is a common practice statewide – not just in the six special Districts that are the focus on this Grand Jury report.

Regarding visibility, we do believe that our customers understand our cost of service as described below. To start, the District sends out mailed bills for water service so it is in a position to experience the difference or similarities between mailed bills and property tax billing. We find that we receive a similar number of calls about both types of bills and a similar level of interest and questions.

What's more, procedures for establishing rates and charges ensure opportunity for the public's and property owners' participation, including a noticed public hearing; and a majority owner protest procedure required by law. MWSD takes the additional step of ensuring that notices for its various services are in plain English. Once adopted, the fees are set out in MWSD's Master Fee Schedule adopted by ordinance (MWSD Code §4-2.100) which becomes effective after posting in three (3) public

places in the District. Additionally, District sewer service charges have been discussed in the District newsletter, are posted on the website, and discussed during the budget process.

Those procedures provide accountability well in advance of the itemized collection of sewer service charges on the tax roll to which the Grand Jury takes exception (GJR p. 24). Likewise, they counter the Jury's conclusion that itemization on the tax bill "...means that many people are unaware of the cost of their sewer service ..." (id.). Finally, the charges are itemized on the tax bill using clear terminology. We would note that customers, who receive a bill, see much clearer terminology than the Grand Jury would have if they were just looking at an online bill on the County website. Nevertheless, we will take the opportunity to confer with the County about making the language even more clear for the next 2017 billing cycle.

We will also take the additional step, described in Responses eight and nine below, of detailing all District rates and fees by service to provide another avenue for customers to understand what they are paying for our services. And we will advertise the availability of this information.

Grand Jury Finding F4. *Elections for sanitary District board membership are rarely contested, and when they are, voter turnout is low. The average tenure of Board members is over 10 years.*

MWSD Comment: MWSD partially agrees. We agree that the average tenure of our Board members is just over ten years, and agree that turnout is low compared to the ideal. However, we disagree that our elections are rarely contested and also disagree that our voter turnout is low compared to local, County and statewide averages.

Reference to uncontested elections and low voter turnout do not apply to MWSD. For example, MWSD's last election was contested as is the upcoming election this November. Furthermore, MWSD has an above-average record of having 50% of its elections contested. Notably, the average number of contested elections averaged over the six Districts focused on in the Grand Jury Report is 34.5%, which is better than most general state judicial and other local county-wide elections.

MWSD's November 5, 2013 turnout of 25.9% (GJR Table 8, p. 26) exceeded the countywide turnout of 25.4% ("Registration and Turnout," Nov. 5, 2013 Election, San Mateo County Chief Elections Officer and Assessor-County Clerk-Recorder website). In the hopes of increasing turnout even further in the future, MWSD initiated a change in early 2015 to be included in the consolidated elections that have historically higher turnout than the local elections.

In acknowledging that having elected board members gives them an important link to their community (GJR p. 25; see, also fn. 31), the Grand Jury erroneously concludes that uncontested elections means that community interest in the districts is low. This is not the case for MWSD.

Grand Jury Finding F5. *Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.*

MWSD Comment: MWSD agrees partially. While this Grand Jury finding is factually correct, MWSD views this from the perspective that when District residents pay property taxes, and it lowers the rate they would otherwise charge, it results in benefit to the tax payers, by helping fund an essential public service that protects health and safety. In other words, District tax revenue, a constitutional right, is put to district purposes, which serves the very people who pay it. Reallocation of tax revenue would go to non-district use, which is not guaranteed to be a higher and better use. We also note that property tax revenue makes up 10% of the District's \$2.3 million dollar operations budget, a small fraction of the total.

Grand Jury Finding F6. *Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledge that this trend is likely to continue, given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.*

MWSD Comment: MWSD disagrees that this is applicable to its rates. MWSD's sewer rates from 2010-2011 to 2015-2016 increased 11% across this period, well below the CPI as reported by the Grand Jury Report at 14%. Moreover, the general consumer price index is not relevant for measuring service charges. Appropriate construction price and employment cost indexes, among others, are more relevant to sewer service charge trends and these are usually higher than the general CPI.

The Grand Jury's rate comparison does not recognize important differences among agencies. For example, it seeks to compare San Mateo County sewage agencies with agencies in "comparable urban areas in the [San Francisco] Bay Area" (GJR, p. 30). Such population-oriented comparisons are not useful because service charges are a function of the operational costs which reflect numerous factors unique to each agency. For example:

Flat versus mountainous. MWSD's charges must cover significant pumping costs due to mountainous terrain. These cost include substantial electrical power costs as well as installation and maintenance of additional pump stations which are significantly more expensive to build and maintain than gravity flow systems in less mountainous areas.

Rainfall differences impacts costs. High rainfall in the MWSD area increases inflow and infiltration, which makes controlling SSOs more costly. This would hold true regardless of the size of the entity managing the system.

Significant regulatory differences. There are significant regulatory differences that were not considered. For example, MWSD faces significant regulatory burdens not faced by inland agencies, including: Coastal Commission, urban Areas of Special Biological Significance definitions, Green Streets, State Water Board 300 foot to water way rules and Marine Sanctuary requirements. Additionally, the California Coastal Commission has placed significant regulatory constraints on coastal Cities and Agencies which are preventing best practices in construction techniques in our area. For example, it would be best to develop a parallel (redundant sewer pipeline) along some coastal cliffs to the treatment plant. Coastal regulations would make difficult – or impossible – and extremely costly, even though it is commonplace in inland communities. Such a pipe would not only provide redundancy, but would hold a large volume of sewer flow, reducing the chance of SSO's. Instead of being able to take the most cost-effective action (building a redundant pipeline) the District and its partners in SAM must build costly sewage storage tanks, face increased liability, and greater maintenance challenges and costs.

For a final example, the District routinely faces significant environmental and monitoring restrictions not faced by inland agencies such as monitoring wildlife before, during and, in some cases, for many years after construction.

Cost impacts associated with these constraints would exist regardless of the size of the organization or governance structure in control or size of the sanitary system.

No explanation of specific benefits nor inefficiencies encountered in any of the larger agencies or districts is provided in the GJR. The unfortunate comparison of fundamentally different areas like urban settings with rural settings in the GJR do not yield meaningful results.

As mentioned above, despite all these factors, MWSD has consistently kept rate increases below the Consumer Price Index (CPI), and therefore, does not acknowledge a continuation of an above-inflation-rate trend in regards to long-term rates.

Grand Jury Finding F7. *Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.*

MWSD Comment: MWSD disagrees in its case. The practice of having regional treatment plants serving multiple local collection agencies is common throughout the state, including San Mateo County and all neighboring counties. The Sewer Authority Mid-Coastside (SAM) treatment plant serves three local sanitary service providers. The value each local agency provides is extensive: representation of their local community and oversight through membership on the SAM Board, expertise through their managers that also participate in a variety of Board and planning functions, and funding through the Districts and their ratepayers. The District has detailed knowledge of the topography and infrastructure which is incorporated into SAM's planning through the mechanisms above. Furthermore, the collection system to treatment plant relationships form the basis for a very cost-effective system in which the three agencies share collection system maintenance through the regional treatment plant organization (Sewer Authority Mid-Coastside). This relationship should be praised.

Grand Jury Finding F8. *The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto's average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.*

MWSD Comment: MWSD partially agrees. We agree that the Finding may be correct overall. However, we firmly disagree in relation to MWSD's Board costs which are the lowest covered in the GJR. This broad-brush finding leaves the mistaken impression that MWSD Board costs are high. In fact, MWSD's Board costs are the lowest of all the Districts and MWSD does not offer benefits to its directors. MWSD also has the lowest Board meeting compensation (\$75 per Board meeting), and the lowest annual compensation per director of those identified in the report, (Figures 13, 14, page 35-36). The work done by MWSD directors on behalf of the ratepayers is of tremendous value. Based on the published MWSD Board member compensation, it is estimated that MWSD directors are compensated an average sub-minimum wage of \$2 to \$3 per hour based on observed work and effort members put into preparing for and participating in the governance process, including committee meetings, attendance at District-related governmental meetings such as the Board of Supervisors, Planning Commission, Local Agency Formation Commission, Coastal Commission, and others. Finally, apart from cost, having a local Board is seen by many as making possible better representation of local issues and increasing the ability of local citizens to attend meetings nearby that relate to their needs and issues.

Grand Jury Finding F9. *The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.*

MWSD Comment: MWSD partially agrees. The age fact appears to be correct, but while some pipes are nearing the end of their life, others could last far longer. Age alone provides insufficient guidance. Best engineering practice requires that pipe segments be evaluated individually for performance and longevity. MWSD concurs that there are problems associated with aging pipelines and we have longstanding practice of evaluating, prioritizing, maintaining and replacing pipelines according to engineering criteria. (GJR p. 39). Over the past decade or so MWSD doubled investment in sewer system capital improvements, and there are steady improvements underway. In addition, evolving technologies are bringing cost efficiencies in infrastructure replacements further speeding system improvements.

MWSD addresses replacement of old infrastructure through its Capital Improvement Program, which it prioritizes based on careful engineering inspection and monitoring, and updated annually on a five (5) year rolling basis. We are very diligent in this regard, which is not recognized in the GJR. The implication of this Finding is that another form of government could do a better job when what matters is best management and engineering practices; therefore, we disagree.

Grand Jury Finding F10. *There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.*

MWSD Comment: MWSD partially agrees. There are a number of redundancies. However, many of the most financially significant are already eliminated through collaboration. For example: treatment, collection system maintenance, emergency preparedness, and safety training are carried out collaboratively among several agencies in our region. No party has provided evidence that there would be cost savings or not. Furthermore, the Grand Jury's argument that consolidation would eliminate "redundant" activities does not consider that many costs, such as engineering and legal, correspond to situations unique to each district that would not disappear upon consolidation.

The Grand Jury also does not quantify what the redundant costs specifically are. Prior studies have acknowledged the lack of data to support consolidation on a cost basis ("Special Districts: Relics of the Past or Resources for the Future?", Little Hoover Commission Report, May 2000, p. 62). Any serious approach to consolidation must be based on extensive and in-depth cost studies not reflected in the Grand Jury's assumptions. What's more, cost is not the only, or even most important issue.

Perhaps the most significant benefit of having local districts is local representation. A challenge locally is that each of the local agencies that provide sanitary service have different powers and governance structures, which would make it challenging from a purely practical level to ensure continued representation and to implement it. In the end, representation has value in its own right. It would be easy to say that two neighboring cities have redundant activities and should, therefore be consolidated, but many local citizens would not view it that way and nor do many residents in local Districts.

Grand Jury Finding F11. *Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.*

MWSD Comment: MWSD partially agrees. We agree with the fact that some District rely almost entirely on contractors to fulfill their responsibilities. We want to note that MWSD has full time staff providing sewer collection maintenance through our cooperative, consolidated collection system maintenance program that we share ownership in. Furthermore, in many cases, contractors provide the most economical and efficient means for obtaining services. This is true for both large and small agencies. Private/public partnerships are an effective means of carrying out local government services, increasingly popular, and considered a best practice in industry literature and seminars. In addition, the City of Half Moon Bay, Granada Community Services District and MWSD collaborate to receive contracted sewer collection services through their ownership relationship in Sewer Authority Mid-Coastside – obtaining an economy of scale and expertise that they could not obtain each on their own.

Grand Jury Finding F12. *In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.*

MWSD Comment: MWSD disagrees. The GJR incorrectly implies that MWSD is unfamiliar with and does not employ modern technologies in managing our collection system (GJR, pp. 44-45; Table 15, p. 45). To

the contrary, MWSD is familiar with every one of them. And it utilizes every technology listed that is cost-effective and appropriate to its system. Below are comments and corrections to Table 15 as examples of the Districts use of technology.

IN USE	Montara GJ Rpt. States	Comments and Corrections
Operational Performance		
Camera	Yes	MWSD utilizes this technology
Sonar Technology	No	Not applicable to MWSD system
Root Foaming	No	Not used because it is District policy not to employ toxic materials near area of biological significance.
Trenchless/ Slip Line Technology	Yes	MWSD utilizes this technology
Operator Certifications	No	Incorrect, all operators are certified by the State
Planning & Control Technologies		
Linear Asset Management Plan (LAMP)	Yes	MWSD utilizes this technology
Effective Utility Management	Yes	MWSD utilizes this technology
SCADA Systems	Yes	MWSD utilizes this technology
PLANNED		
Operational Performance		
Camera	Yes	MWSD already utilizes this technology
Sonar Technology	No	Not applicable to MWSD system
Root Foaming	No	Not used because it is District policy not to employ toxic materials near area of biological significance
Trenchless/ Slip Line Technology	Yes	MWSD utilizes this technology
Operator Certifications	No	Incorrect, all operators are certified by the State
Planning & Control Technologies		
Linear Asset Management Plan (LAMP)	No	Incorrect. MWSD utilizes this technology
Effective Utility Management	No	Incorrect. MWSD utilizes this technology
SCADA Systems	Yes	MWSD utilizes this technology

The GJR does not accurately reflect MWSD's use of a variety of other technologies: asset (and utility) management techniques, GIS mapping, hydraulic modeling, and surge storage.

Grand Jury Finding F13. *The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.*

MWSD Comment: MWSD disagrees. Emergency preparedness is an ongoing, active and regularly updated priority of the District. MWSD's Emergency Response Plan is contained in its Sewer System Management Plan (pp. 22-35; and Attachment 3), that is reviewed annually which the GJR fails to acknowledge (GJR, p. 46). MWSD's Board includes emergency planning in the its Strategic Plan (last updated in 2016). Specifically, emergency planning is covered in Objective 6.3.0. There are specific emergency work plan items to fulfill the strategic plan objective in this area as shown below in our response to R13. Furthermore, MWSD works closely with its neighboring sanitary agencies on a daily basis, making coordination very easy. Furthermore, all the local districts participate in the County

Sheriff's emergency preparedness planning and drills. Emergency preparedness is a very high priority item of MWSD.

Additionally, the choice of words implies a negative conclusion without offering facts. For example, the Report describes a "proliferation" of sanitary districts, as if they are sprouting up regularly. In fact, the existing district structures have been in-place for several generations; MWSD sanitary services were formed nearly 60 years ago in 1958.

REQUEST FOR RESPONSES:

Grand Jury Recommendation R1. Not applicable to MWSD ("N.A.")

Grand Jury Recommendation R2. N.A.

The grand jury recommends that the Boards of Granada Community Services District and Montara Water and Sanitary District and the City Council of Half Moon Bay do the following:

Grand Jury Recommendation R3. *Form a committee of board members (Granada Community Services District, Montara Water and Sanitary District), councilmembers (Half Moon Bay), and staff from each to plan the consolidation or assumption of services provided by these two districts. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.*

MWSD Response: The recommendation requires further analysis. However, MWSD concurs that local agencies should take up the issue of evaluating the costs and benefits of a potential consolidation and will take action on this.

R4. N.A.

The Grand Jury recommends that the Boards of Bayshore Sanitary District, East Palo Alto Sanitary District, Granada Community Services District, Montara Water and Sanitary District, West Bay Sanitary District, and Westborough Water District do the following:

Grand Jury Recommendation R5. *Improve information visibility on their website [sic], including key system characteristics, rates and rate history, sewer system management plans, sanitary sewer overflows, and board member compensation. Key system characteristics would include population served, number of connections, number of miles of pipe (gravity, forced Maine), number of pump stations and number of pumps, average dry weather flow, and average wet weather flow. Ensure all information is up-to-date. Refresh website by September 30, 2016.*

MWSD Response: The recommendation has not yet been implemented, but MWSD has already begun this work. The District notes that much of this information is already on its website, but it will ensure that all of it is and is easy to find. What's more, the District recently contracted with opengov.org to

increase transparency by enabling the public to explore budget and transactional data online to gain trust and learn how their tax and rate dollars are spent. Work to transition financial information to this web-based transparency system is underway.

Grand Jury Recommendation R6. *Implement and publish performance management metrics including but not limited to the Effective Utility Management framework, beginning with fiscal Year 2016-2017.*

MWSD Response: MWSD agrees. The District already includes metrics within its strategic planning, operational and capital improvement plans. However, the District concurs that a consolidated set of metrics would be beneficial and will develop a custom set of metrics that serve its needs. The District will reference the Effective Utility Management framework in developing its metrics.

Grand Jury Recommendation R7. *Adjust rates over the next five years, so that all costs are recovered from ratepayers, and the reliance on property tax is eliminated. Transition property tax revenues to neighboring cities to be used for community benefit.*

MWSD Response: This recommendation will not be implemented. In characterizing district property tax allocations under Proposition 13 (Cal. Const. Art. 13 A §1) as a “subsidy,” (GJR, p28), the Grand Jury loses sight of the fact that the tax revenue is put to district purposes benefitting taxpayers, including those within the districts. While eliminating the districts’ property tax allocations would result in their share being “allocated elsewhere” (GJR, p. 29), the Grand Jury provides no suggestion as to what would be a better use than wastewater collection, treatment and disposal – functions that are essential to the public health, welfare and safety. Notably, no misuse of the revenue is claimed.

Grand Jury Recommendation R8. *Mail notices to ratepayers at least annually with an explanation of the dollar amount of sewer service charges being billed, and the rationale. Provide information on the prior five years’ rates for comparison purposes. Display the portion of the rate that is related to collection activities, and the portion allocated to treatment. Mail notices approximately 30 days before the mailing of the property tax bills. Initiate mailings by November 2016.*

MWSD Response: This recommendation will be implemented in an upcoming newsletter. MWSD plans to consolidate the requested information in R8 and R9 into a single annual report with other useful information, publish it on its website and notify customers of its availability through its regular mailings.

Grand Jury Recommendation R9. *Notify ratepayers annually of the elected nature of board, role and compensation of Board members, and process for becoming a candidate. Encourage active participation by ratepayers. This notification may be included in the mailing that explains the rationale for rates. Initiate notification by November 2016*

MWSD Response: This recommendation will be implemented in an upcoming newsletter. MWSD plans to consolidate the requested information in R8 and R9 into a single annual report with other useful information, publish it on its website and notify customers of its availability through its regular mailings.

Grand Jury Recommendation R10. *Establish term limits for the members of their boards of directors by June 30, 2017.*

MWSD Response: This recommendation will not be implemented. As described under F10 above, MWSD has an above average record of contested elections and an average tenure of just over 10 years for Board members. It is noteworthy that many directors comment that it can take a couple of years to become educated in the complexities of the organization and to be working at full capacity. The District has enjoyed the benefits of Directors with high dedication and enough tenure to be very effective in their District work. The last election was contested and two new directors were elected. The upcoming election is also contested. MWSD does not see the need for or benefit to term limits. To the contrary, term limits would artificially eliminate very dedicated and effective directors from serving the community.

Grand Jury Recommendation R11. *Establish a procurement process for professional services to include formal evaluation of existing service providers, issuance of Request for Proposals, regular reviews of existing providers, and a structured negotiation process by March 31, 2017*

MWSD Response: This recommendation will be implemented. MWSD concurs that clear, fair and cost-effective procurement processes are important, and maintains a number of procurement policies and procedures. MWSD will review and update its procurement policies with assistance of legal counsel, as appropriate in light of the recommendations.

Grand Jury Recommendation R12. *Demonstrate active participation in professional organizations focused on the work of sanitary districts, such as California Water Environment Association, by June 30, 2017. Require CWEA certification of district operators, including contractors, by June 30, 2017.*

MWSD Response: The features of this recommendation are already in effect. MWSD already participates in numerous professional organizations, including: Association of California Water Agencies (ACWA), California Association of Sanitary Agencies (CASA), Underground Service Alert (USA), California Special Districts Association (CSDA), California Groundwater Association (CGA), and other relevant professional associations. These facts are not recognized in Appendix J of the Report

All District operators are certified by the state of California. Note that CWEA does not certify, although they do provide training.

The GJR confuses District or City Staff responsibilities with Directors' and Council Members' responsibilities. Directors/Council Members are not individually obligated to participate in professional organizations. This is true in all California local and State government. Nonetheless, MWSD Directors have long been and are currently active in policy-level professional organizations: Director Slater-Carter is active in CSDA and has completed her certificate from the Special District Leadership Foundation; Director Wilson is active as a Board member on the ACWA-JPIA Board; Director Boyd serves on the ACWA Management Committee. At the staff level, the General Manager serves on the ACWA groundwater committee, and District Counsel serves on the ACWA Legal Services Committee.

Grand Jury Recommendation R13. *Develop plans for coordinating resources in the event of a local or regional emergency by June 30, 2017.*

MWSD Response: The features of this recommendation are already in effect. The District has concrete emergency planning activities that are well established and updated. However, during the next strategic planning process (winter and spring 2017) the District will reevaluate its activities and consider if additional actions are warranted. MWSD's Emergency Response Plan is contained in its Sewer System

Management Plan (pp. 22-35; and Attachment 3). This Plan is not noted in the GJR (GJR, p. 46). The Board of Directors also took up emergency planning in the District’s Strategic Plan in Objective 6.3.0: A summary of objective (bold 6.3.0) and work plan items are shown below. These emergency planning and preparedness actions are ongoing.

No.	P.	Action	Lead	Timing	Status	Feb. 16 Assessment
6.3.0		Emergency planning should be appropriately updated with documented procedures and methods in place for coordinating with others.				
6.3.1	2	Update the existing Emergency Response and Recovery Plan (ERRP) to maintain a relevant emergency planning document.	Clemens	Aug-15	Every five years	Completed.
6.3.2	3	Become a leader and a hub for local utility emergency planning.	Clemens	Nov-15	Annual update	Ongoing NT Nov 16
6.3.3	2	Update drought contingency plan.	Clemens	May-16	Every five Years	Not completed NT Dec 16

R14. N.A.

R15. N.A.

The grand jury recommends that the boards of the Bayshore Sanitary District, Montara Water and Sanitary District, and Westborough Water District do the following:

Grand Jury Recommendation R16. *Explore the feasibility of establishing a flat rate for capital improvements separate from the water usage rate. Report back at a public meeting by December 31, 2016.*

MWSD Response: This will not be implemented. The Grand Jury does not provide a reason for this recommendation. Flat rate billing is increasingly outmoded because it can be judged as being unfair under the State’s Proposition 13 requirements that customers be charged the actual cost of serving them – rather than a flat fee which may not represent their cost of service. MWSD’s service charges are based on units of water consumed during winter months. This methodology is a well-established industry practice that has been accepted by the courts (Boynton v. City of Lakeport Municipal Sewer District No. 1, et al. (1972), 28 Cal. App. 3rd 91). In fact, over time, more agencies are utilizing this method because it provides a far more accurate and fair measure of a user’s burden on the wastewater system than, e.g., a flat rate. In addition, customers who conserve water not only benefit the water supply, but receive lower sewer rates – thereby enhancing the incentive to conserve water. MWSD’s sewer service charge is also based on categories of users (e.g., residential, industrial, etc.) and wastewater strength characteristics (Montara Water and Sanitary District Code [“MWSD Code”] §4-2.100). Substituting a flat rate for capital improvements separate from the water usage rate does not make sense because it is less accurate and less fair. Furthermore, separating out the portion of the charge utilized for capital improvements is not necessary because it is included in the single service

charge. Making a capital improvement charge a flat rate would be unfair, and in our judgment potentially illegal under Proposition 13.

R17. N.A.

R18. N.A.

Errors in Tables

Page 43, Table 14: "Use of Contractors by Function in Independent Sanitary Districts" shows no District Clerk for MWSD. MWSD has a full time employed District Clerk who is exclusive to the sewer function.

Page 45, Table 15 "Use of Operational and Planning & Control Technologies by District" shows a "No" under Operator Certification. All operators working in the Montara System are State certified. Effective Utility Management is shown as not utilized, which is incorrect.

Page 87, Appendix K: Director Tenure by District incorrectly shows Jim Harvey, Kathryn Slater-Carter, and Scott Boyd as Board members since 2003. Jim Harvey has served since 2002, Scott Boyd since 1998, and Kathryn Slater-Carter since 1995.



In reply, please refer to our
File No. 1591.1

September 15, 2016

Honorable Joseph C. Scott
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd floor
Redwood City, CA 94063-1655

Re: Grand Jury Report: “San Mateo County’s Cottage Industry of Sanitary Districts”

Dear Judge Scott,

Thank you for your service and efforts to examine the efficiency of the County’s independent special districts. West Bay Sanitary District (West Bay) agrees with the Grand Jury “that having many small agencies (*providing wastewater collection services*) presents problems in the areas of public accountability, fiscal responsibility, and operational competence. However, in the words of the Grand Jury report; “With approximately 17% of the County’s total pipeline length, they (*sanitary districts*) are doing relatively better as a group than the other sewer providers in the County.” By the measure of greatest concern, the sanitary districts also have a lower percentage of sanitary sewer overflows than the other agencies in the County.

The Grand Jury report provides example after example of how the West Bay Sanitary District, established in 1902, outperforms the other sanitary districts in all three areas of concern outlined by the Grand Jury; public accountability, fiscal responsibility, and operational competencies. The District submits that West Bay is the “Gold Standard” of wastewater agencies within the County.

In recent years the District has won safety awards, and most significantly “Small Collection System of the Year” in 2012, for the Santa Clara Valley Section of the California Water Environment Association. West Bay is recognized as an industry leader and led the effort with 9 wastewater collection agencies in the Bay Area to produce a guideline for the “Collection System of the Future”. West Bay’s expertise allows us to provide sewer system maintenance services for smaller agencies including the Town of Los Altos Hills, and the Town of Woodside. West Bay also has been playing the role of mentor to the Sewer Authority Mid-Coastside (SAM) by providing a ride-along program whereby SAM maintenance staff partners with West Bay workers to learn how to better clean and maintain the sewer system. West Bay has been sought after for its expertise in sewer maintenance and construction techniques and continually shares its expertise with other wastewater collection agencies throughout the county and northern California.

Public Accountability –

West Bay has worked hard in recent years to increase the District's transparency and continually strive to improve our website and make it as easy as practicable for users to find information, instructions and documents. The Grand Jury was able to easily find the District's financial information and admitted that West Bay had met its expectations to find timely minutes and agendas etc., on the website. The Grand Jury's Table 6 indicates that it could not find information on the District's Sewer System Overflows (SSO's). However, the District SSO's are reported on and outlined at each Board meeting and are reflected in the minutes of each meeting. A glance at the March 9, 2016 District Board meeting minutes, which the Grand Jury readily found on the District's website, would have revealed **"a) SSOs: 1 SSO in January. 0 SSO in February."** in the Agenda Item #5 titled "District Manager's Report".

The Grand Jury opines that information on each website is structured differently. While true, this is no different than every private company or city agency. No two websites are alike. Though there may be some similarities in common industries every company/agency applies the customization it determines best suits its customers' needs.

Regarding 'Public Profile,' West Bay believes it is an exception to the Grand Jury's statement that "Districts have minimal interaction with the public compared to, for example, water districts." West Bay has been very active in producing an annual newsletter that is published in the Almanac during the Holiday season, and has a booth every year at the Chamber of Commerce's Block Party each June. West Bay also gives occasional presentations to community groups such as the Kiwanis Club, Rotary Club, Bay Area Clean Water Agencies, and City Councils, as well as supports the treatment plant staff in their elementary school education program. The District acknowledges that many customers may not recall the exact amount they pay for sewer service annually, but they are just as unlikely to know how much they are paying for school bonds or the Mosquito Abatement District or the Fire District.

West Bay will provide more specifics regarding public accountability in the responses to the findings and recommendations discussed later.

Fiscal Responsibility –

The Grand Jury "found no evidence of financial improprieties...". West Bay's budgets fulfill Generally Accepted Accounting Principles and our audits have had no deficiencies or material weaknesses to report. Further, we have our auditors select at random, 3 employees (12%) of the District to interview privately as an additional safeguard to ensure there are no financial improprieties.

The Grand Jury also noted that each agency has a different methodology in preparing and presenting budgets. It attempts to develop a common format in its report that West Bay spent considerable time trying to make its budget categories fit within the Grand Jury's format. But like every budget of any company, there are going to be differences. You will note that almost every category in the Grand Jury report has some agency or another with Zeros or N/A filled because those budget items simply do not apply to their particular operations or circumstance.

West Bay has met its Fiscal Responsibility by dutifully and responsibly establishing target levels for reserves to ensure the financial and operational viability of the District should some unexpected calamity occur. West Bay has met those target levels. One target level of \$5 million was established for an Emergency Capital Reserve in case of an earthquake or other natural disaster so that the District can immediately begin repairing or replacing infrastructure without waiting for loans or other funding to become available. West Bay has also established an Equipment Replacement Reserve to smooth out the purchase of replacement equipment and not overburden the budget in one given year to replace an expensive piece of equipment. West Bay has also established an Operational Reserve, equivalent to 5 months operations expense, to assist with cash flow in the latter part of the calendar year when West Bay receives no revenue from the tax roll.

More will be said on this subject in the responses to the Findings and Recommendations.

Operational Competence –

West Bay Sanitary District is the second largest wastewater collection system in the County at 207 miles of sewer main. City of San Mateo is slightly larger at 225 miles. West Bay has significantly reduced SSOs, the indicator of choice by the Regional Water Quality Control Board for agency competency level, over the last 6 years and has an SSO rate of 2.41/100 miles in 2015 and, thus far an SSO rate of 0.96/100 miles in 2016. SF Baykeeper, the watchdog group that has sued many agencies in the county with sewer overflows, considered a rate of 3 SSOs per 100 miles as the target those agencies under a consent decree should attain within the 10 year consent decree period. None of the six districts the Grand Jury studied in this report are under such a consent decree. In San Mateo County, there are 4 cities in the County and 3 County-run Sanitary Districts under a Consent Decree or a Cease & Desist Order.

The District responses to the Grand Jury specific Findings and Recommendations are as follows:

The 2015-2016 San Mateo County Grand Jury Found that:

FINDINGS

F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.

West Bay disagrees with this finding.

A fair comparison cannot be made between an entire county (San Mateo) and portions of other counties. Since topography, pipe age, pipe material, ground conditions, tree cover and weather patterns are all different from one county to the next, there can be no sensible comparison made. The bulk of the sewerage system and home development in San Mateo County occurred much earlier than those of the City of San Jose or the Central Contra Costa County area. Many of the agencies in San Mateo County are not only dealing with older pipelines but undersized 6" lines that have joints every two feet and are next to very mature trees. Viewing Google earth one can see that San Mateo County has much more tree canopy than most other agencies in the Bay Area. This results in much more root intrusion into the

sewer lines (the main cause for sewer blockages).

The industry standard (and State standard) is to measure the amount of SSO's per 100 miles. Even this comparison cannot be described as "fair" but is probably the best we can do. As mentioned in the Grand Jury report, West Bay has only had 5 SSO's in 2015 (2.41/100 miles) and thus far in 2016 has only had 2 SSO's (0.96/100 miles). West Bay's SSO rate compares favorably with any agency in the State. The City of San Jose is currently operating under a consent decree arising from a lawsuit by the San Francisco Baykeeper alleging Clean Water Act violations. San Jose had 6.2 SSOs/100 miles, and Central Contra Costa Sanitary District (sued recently by RiverWatch) had 2.91 SSOs/100 miles in 2014.

F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.

West Bay disagrees with this finding.

The Grand Jury was able to easily find the District's financial information and admitted that West Bay had met their expectations to find timely minutes and agendas etc., on the website. West Bay's minutes consistently show the SSOs to date as described above in the Public Accountability section.

Current Audits are readily accessible on the District's website. Also readily accessible on the website are recent sewer rate studies (that show historical rates), budgets, the Collection System Master Plan, the Local Government Compensation Report, the current Performance Measurement Report, the Code of General Regulations and much more.

The District has in many ways exceeded the Grand Jury's recommendations made in July 2014 for a useful and transparent website. In addition to the Grand Jury listed criteria the District has included the following:

- Current rate information and rate studies for the last few years
- Step by Step guide to rehabilitating your private sewer lateral including Videos on obtaining permits, replacing sewer laterals, calling before you dig and construction specifications
- Educational material and links
- RFP and Bid information
- Capital Improvement Project information
- Sewer clearing and operations information
- A special page for kids
- Information on What 2 Flush
- Documents page
- Employment page
- 'What's New' page with recent articles and District announcements
- Link to our partnership with HomeServe Lateral Insurance
- Link to Opengov.com an interactive website where users can graph District revenues and expenses
- Links to many other partner agencies, associations and affiliations

F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.

West Bay disagrees with this finding.

'Visibility of Rates' was described in the Grand Jury report as "difficult to compile, even for residential single-family dwellings". West Bay rates are extremely simple to see and we have an easy to find section on our website that shows the rates for residential and commercial uses. West Bay has one rate for residential users, as is shown on page 25 of the Grand Jury report.

The Grand Jury implies that because it is a line item on the tax roll many people are unaware of the cost. The description on the tax bill is slightly abbreviated but much less cryptic than most of the other charges on the tax bill. West Bay, like every District, publishes and mails a 218 notice to every customer in advance of a rate hearing and holds a public hearing before any rate change is approved. This notice and public hearing are also advertised on our website and in the local newspaper in our effort to reach out to our ratepayers.

West Bay does not levy residential sewer service charges on a volume basis. This saves West Bay ratepayers money and would require the coordination with 5 different water agencies to gather their water use data, each using their own data format and none compatible with another. Nearly every agency in the county that charges sewer service on a volume based method charges more than the County-wide average for sewer service charges. The use of the tax roll keeps the cost of billing to a minimum (\$23k/year). To bill monthly, as the Grand Jury seems to suggest, would cost \$250k/year for mailing, postage, additional personnel and billing software. West Bay has no bad debt losses currently solely because we collect sewer service charges on the tax roll. A typical bad debt ratio of 4%, if billed monthly, would result in a loss of approximately \$1,000,000/year – a cost that would otherwise have to be recouped from other ratepayers.

F4. Elections for sanitary district board membership are rarely contested, and when they are, voter turnout is low. The average tenure of board members is over 10 years.

West Bay partially disagrees with this finding.

In 2014 the District included on its website a link to; *Election procedure and deadlines* on the Board of Directors page to help inform voters. However, reality is that service on the board of a sewer agency is not particularly useful as a springboard to higher office. Interest has always been low for community volunteers to take a position on the Sanitary District Board. The same phenomenon is apparent at City Council meetings where sewer repairs and maintenance are rarely discussed other than a brief mention in the budget. No council candidate runs on a campaign to revitalize a community's sewers or even to reduce sewer rates. Voter turnout is low at every election save the Presidential election and then voter's attention is not keenly focused on the merits of the candidates for the Sanitary District Board. The fact that our Sanitary District Board members have an average tenure of 10 years is a testament to their dedication to their community, since West Bay provides no benefits to directors. Indeed, most other Sanitary Districts do not provide nearly the benefits that a typical city provides council members. Many city councils provide for full medical, dental and vision care. Some provide retirement benefits as well.

F5. Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.

West Bay agrees with this finding insofar as it correctly states that West Bay's entire budget is funding by sewer service charges, and not property taxes.

To the extent that other agencies' sewer service charges are funded with property taxes, West Bay concurs that the other five districts may be having their sewer services subsidized by property owners throughout the County, and that this issue may merit further investigation and analysis.

F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.

West Bay partially disagrees with this finding.

While maintenance and replacement costs are continually increasing, the primary reason for rate increases for West Bay is the Capital Improvement Program (CIP) underway at the Regional Treatment Plant – Silicon Valley Clean Water (SVCW). 83% of this year's rate increase will go to fund SVCW, which proposes to spend a total of \$800 Million in its current CIP plan, with funding through bond issuance and State Revolving Fund loans. West Bay is responsible for 28% of the debt that SVCW incurs. Unfortunately, the ratepayers today must incur the cost of that debt for the CIP work that had been deferred for so many years.

F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.

West Bay disagrees with this finding.

Due to the Regional Water Quality Control Board's decision years ago to move to regional treatment plants, to reduce the need to visit as many small plants, collection systems, whether sanitary districts or cities, do not have much control over the treatment plant charges and expenditures. The SVCW treatment plant does not collect its own charges. To do so would require SVCW to duplicate the Proposition 218 notice and rate setting process currently undertaken by the collection agencies on its behalf, resulting in substantial additional costs. The Grand Jury expresses dismay that there is a lack of public involvement in the governance of sanitary districts but direct public involvement in a JPA, given that its public meetings are held during the workday, would be less.

However, West Bay as a member agency in the JPA known as SVCW (the other 3 members are cities), has a record of questioning the necessity of proposed Capital and O&M expenses of SVCW when West Bay believes it is warranted. West Bay has helped institute financial aids at SVCW, such as a Line of Credit to reduce the unnecessary payment of interest on bonds that were issued but not expended all at once. West Bay initiated a requirement for the JPA to produce an annual Financial Plan that would forecast the budget needs and Capital projects.

F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto's average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.

West Bay partially disagrees with this finding.

West Bay offers no benefits to Board members and, as indicated by the Grand Jury, is reasonable with its compensation for attending meetings.

Referring to the Los Angeles Times website - <http://spreadsheets.latimes.com/city-council-salaries/>, one can see that many cities in San Mateo County pay above the State Guidelines for Council members to attend meetings and provide healthcare benefits as well.

- City of Menlo Park, pays twice the state guideline compensation and pays \$19k/councilperson/year for health benefits.
- City of Belmont pays twice the state guideline compensation.
- City of Burlingame pays 1.5 times the state guideline compensation and pays \$12,456/councilperson/year for health benefits.
- City of San Jose pays 2.5 times the state guideline compensation.

F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.

West Bay agrees with this finding.

West Bay has a few original pipelines within the system that date back to 1902. But this is the exception and not the rule. Age of pipeline is only one factor in determining replacement needs. Most of the pipelines in the Bay Area are susceptible to root intrusion due to the method of installation, proximity to mature trees, clay soil and shallowness. West Bay has increased its Capital Improvement Program spending to achieve a pipeline replacement rate of 2% per year. Given that most types of pipe will last 75 to 100 years this will help the District catch up with its replacement and then get ahead of the curve. At that point West Bay may consider to maintain an industry standard of 1.5%/year replacement rate. This ensures the entire system is replaced in a 75 year period.

F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.

West Bay partially disagrees with this finding.

The Grand Jury remarks in this area were generally favorable to West Bay. The Grand Jury recognized the efforts of West Bay to develop good economies of scale by providing maintenance services to other smaller agencies; allowing them to refrain from investing in expensive capital equipment and manpower. However, it was suggested that by consolidation, significant expenses in audits and legal services could be saved. Audits are such a minimal administration expense, \$14k/year for West Bay, that no amount of consolidation could realize much savings in this area. Legal expenses are paid for hours of service and consolidation would not reduce the hours of

combined legal expenses. Claims, contracts and legal questions would increase proportionally by consolidation. Consolidation could realize savings in paying for attendance to Board meetings. Unfortunately, the Grand Jury refrained from detailed exploration of the possible savings and economies of scale that consolidation may provide in the form of maintenance and equipment costs.

F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.

West Bay disagrees with this finding.

In Table 14 of the Grand Jury report, West Bay is shown as the District using in-house staff for the most tasks listed. West Bay is no different than any agency or company in this regard. If a task needs to be performed and it's not done often, it may be fiscally prudent to outsource the task. If the task is done often and we have expertise to perform the task it may be beneficial to have it done by staff. A prime West Bay example is, in 2012, staff requested the Board to approve the hiring of one more maintenance personnel to complete a crew to perform pipeline repairs in house. The cost of contracting out the same number of repairs per year as performed by in house staff would be approximately \$300,000 year more than the cost of providing this service in-house. West Bay relies on contractors when it makes sense to do so and relies on in-house staff when it makes sense to do that.

F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.

West Bay disagrees with this finding.

On page 14 of the report the Grand Jury refers to West Bay: "Experienced management, proactive assessment of its system, thoughtful prioritization of its capital projects, use of new technologies, and programs to reduce blockages have reduced SSOs from the rate of 50 to 60 per year to 5 to 15"(sic 5 in 2015). West Bay continually strives to learn about and assess new technology in the wastewater collection industry. West Bay has actively engaged in employing new technology when it is safe, economically viable and likely to increase productivity. West Bay has gained a reputation in the county and throughout the state as a leader in applying new techniques and technologies to particular advantage in the operation of a wastewater collection system. One example is the application of a trenchless pipeline rehabilitation technology called Cured-In-Place Pipe. West Bay was one of the first agencies in the Bay Area that invested in the equipment and training for in-house staff to patch sewer pipelines with minor to moderate defects from within the pipe, without digging up the line. This rehabilitation method is much like inserting a stint in the human artery to support the artery and keeps the blood flowing. This resin covered fiberglass material is applied in the pipeline from a manhole and reinforces the structural integrity of the pipeline while sealing off groundwater intrusion and root intrusion. Feel free to visit West Bay's website for more information and pictures on this method. West Bay is regularly called on to demonstrate this technology to other wastewater agencies.

F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

West Bay partially disagrees with this finding.

West Bay updates the Sewer System Management Plan (SSMP) annually. This is reflected in the Board meeting minutes. Within this plan is an Overflow Emergency Response Plan which instructs staff on how to respond to overflow emergencies. Also referenced in the plan is the Disaster Response Plan (DRP) last updated in 2013 and due for update this calendar year.

This DRP instructs staff members of roles and responsibilities during emergencies and instructs staff on what to do in the event of natural or man-made catastrophes. The DRP includes instructions on staff's responsibility to report to work after confirming the family is safe, inventory lists of equipment, hotel providers in case of extended hours, mutual aid agreements with other nearby agencies, and many other components needed to re-establish sewer service in the event of an emergency.

The Grand Jury is correct that this DRP is not formally discussed with the Board each year but it is available for review. The District Board considers this an operational issue rather than a policy issue and trusts staff to craft, review and train on the DRP. Staff training on the DRP occurs annually, typically in the month of October.

RECOMMENDATIONS

The Grand Jury requested responses from West Bay Sanitary District as follows:

- West Bay Sanitary District: R2, R5-R13, R14

The Grand Jury recommends that Boards of the East Palo Alto Sanitary District and West Bay Sanitary District and the City Council of East Palo Alto do the following:

R2. Form a committee of Board members (East Palo Alto Sanitary District, West Bay Sanitary District), Council members (East Palo Alto), and staff from each to discuss the assumption of services provided by East Palo Alto Sanitary District into either West Bay Sanitary District or the City of East Palo Alto. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

West Bay believes this recommendation would require a cost benefit analysis. To consolidate, it would be important to assess the condition of the system and whether the rate structure is sufficient to support the operation and rehabilitation of the system in question. This cost benefit analysis would not be inexpensive and could be an impediment to formation of the recommended committee. The formation of the recommended committee may require LAFCo to initiate.

The Grand Jury recommends that the Boards of Bayshore Sanitary District, East Palo Alto Sanitary District, Granada Community Services District, Montara Water & Sanitary District, West Bay Sanitary District, and Westborough Water District do the following:

R5. Improve information visibility on their website, including key system characteristics, rates and rate history, sewer system management plans, sanitary sewer overflows, and board member compensation. Key system characteristics would include population served, number of connections, number of miles of pipe (gravity, forced main), number of pump stations and number of pumps, average dry weather flow, and average wet weather flow. Ensure all information is up to date. Refresh website by September 30, 2016.

West Bay believes it has implemented this recommendation and strives to update and refresh materials on the website. All of the components listed within this recommendation are available on the District's website and West Bay is committed to keeping the information up to date.

R6. Implement and publish performance management metrics including but not limited to the Effective Utility Management framework, beginning with Fiscal Year 2016-2017.

West Bay is the only wastewater agency in the County that has implemented this report and has published the report for the last 5 years. The Performance Measurement Report is an extensive annual, sixty-five (65) page report which is intended to provide an honest look at the overall performance of the District. It includes performance measures that, when taken as a whole, should give the reader a sense of how well the utility is performing and being managed. This report is prepared by management for use by the District's Board of Directors and by the general public. The latest Performance Measurement Report is available on the District's website for downloading.

R7. Adjust rates over the next five years so that all costs are recovered from ratepayers, and the reliance on property tax is eliminated. Transition property tax revenues to neighboring cities to be used for community benefit.

West Bay is in compliance with this recommendation and does not rely on property tax revenues.

R8. Mail notices to ratepayers at least annually with an explanation of the dollar amount of sewer service charges being billed and the rationale. Provide information on the prior five years' rates for comparison purposes. Display the portion of the rate that is related to collection activities, and the portion allocated to treatment. Mail notices approximately 30 days before the mailing of the property tax bills. Initiate mailings by November 2016.

West Bay has been implementing this recommendation for the last 6 years and beyond. West Bay goes through a rate study and 218 process annually wherein the ratepayers receive a 218 notice explaining the dollar amount being billed and the rationale. The rate studies are available on the District's website and provide information on the prior five year's rates for comparison. Notices are mailed 45 days in advance of the public hearing to adopt rates and are effective July 1, of each year well in advance of the recommendation of the Grand Jury.

R9. Notify ratepayers annually of elected nature of Board, role and compensation of Board members, and process for becoming a candidate. Encourage active participation by ratepayers. This notification may be included in the mailing that explains the rationale for rates. Initiate notification by November 2016.

West Bay has implemented this recommendation primarily using the website. In 2014 the District

included on its website a link to; *Election procedure and deadlines* on the Board of Directors page to help inform voters of the election process and how to file for candidacy. West Bay also prominently displays photos and biographies of the Board of Directors on the website.

R10. Establish term limits for the members of their boards of directors by June 30, 2017.

West Bay will not be implementing this recommendation as it is not warranted and would not best serve the ratepayers and community at large.

R11. Establish a procurement process for professional services to include formal evaluation of existing service providers, issuance of Request for Proposals, regular reviews of existing providers, and a structured negotiation process by March 31, 2017.

West Bay implemented this recommendation nearly 6 years ago and the procurement policy is available on the District website.

R12. Demonstrate active participation in professional organizations focused on the work of sanitary districts, such as California Water Environment Association, by June 30, 2017. Require CWEA certification of district operators, including contractors, by June 30, 2017.

West Bay has implemented this recommendation. West Bay negotiated with the local Teamsters Union, in 2012, the requirement of CWEA Collection System Maintenance Operator Grade 1 as minimum criteria of employment for maintenance workers. West Bay has several staff certified at Grade 2, Grade 3 and Grade 4 levels.

West Bay has demonstrated very active participation in the CWEA and has staff in the positions of CWEA Board President, Safety Committee Chair, Santa Clara Valley Section Vice-Chair, Chair of the Northern Safety Day and other volunteer positions. All of the District employees (except admin/engineering) are certified by CWEA, are members and regularly attend CWEA conferences and training.

West Bay is also active in California Association of Sanitation Agencies (CASA), BayWorks, and the national parent of CWEA, the Water Environment Association (WEF).

R13. Develop plans for coordinating resources in the event of a local or regional emergency by June 30, 2017.

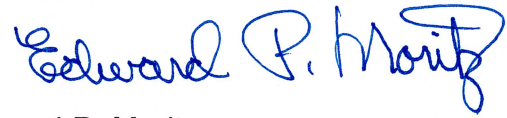
West Bay has implemented this recommendation as evidenced by our Disaster Response Plan and a mutual aid agreement with the City of Menlo Park.

R14. Evaluate the benefit of changing the timing of board director elections to November of even years, when federal and state elections generate greater turnout

West Bay is not planning to implement this recommendation as the Board sees no tangible benefit to moving to the even years. Leaving elections in odd years may actually increase attention to the Board elections since the competition for attention is less than in Presidential elections. However, if there is an overwhelming move within the County to move to even year elections, the District would be willing to reconsider.

Thank you again for your efforts in this matter and allowing the District to respond to the Grand Jury report and share the District's thoughts and opinions.

Sincerely,

A handwritten signature in blue ink that reads "Edward P. Moritz". The signature is written in a cursive style with a large, stylized "E" and "M".

Edward P. Moritz

President of the District Board of the
West Bay Sanitary District

cc: West Bay Sanitary District Board
Phil Scott, District Manager



CITY OF BRISBANE

Department of Public Works
50 Park Place
Brisbane, CA 94005-1310
(415) 508-2130

September 1, 2016

Hon. Joseph C. Scott
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Subject: Response to 2015-2016 Grand Jury 6/29/16 report, "San Mateo County's Cottage Industry of Sanitary Districts"

Dear Judge Scott,

Thank you for the opportunity to review and comment on the findings of the Grand Jury. This letter serves as the City of Brisbane's response to the findings and recommendations found therein. Please note the Brisbane City Council approved this report at its September 1, 2016 meeting.

Findings

F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.

CITY RESPONSE TO FINDING 1

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.

CITY RESPONSE TO FINDING 2

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.

CITY RESPONSE TO FINDING 3

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F4. Elections for sanitary district board membership are rarely contested, and when they are, voter turnout is low. The average tenure of board members is over 10 years.

CITY RESPONSE TO FINDING 4

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F5. Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.

CITY RESPONSE TO FINDING 5

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.

CITY RESPONSE TO FINDING 6

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.

CITY RESPONSE TO FINDING 7

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto's average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.

CITY RESPONSE TO FINDING 8

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.

CITY RESPONSE TO FINDING 9

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.

CITY RESPONSE TO FINDING 10

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.

CITY RESPONSE TO FINDING 11

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.

CITY RESPONSE TO FINDING 12

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

CITY RESPONSE TO FINDING 13

The city has not conducted its own independent research on this matter, but based on the research completed by the Grand Jury, we concur with this finding.

Recommendations

R1. Form a committee of Board members (Bayshore Sanitary District), Council members (Brisbane, Daly City), and staff from each to discuss the assumption of services provided by Bayshore Sanitary District into Brisbane and/or Daly City. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

CITY RESPONSE TO RECOMMENDATION 1

Implementation of the recommendation is dependent on the participation of two external agencies over which the City of Brisbane has no control. We have contacted executive management at Daly City and received confirmation that they will willingly participate in the recommended committee. The City reached out to Bayshore Sanitary District's District Engineer on 8/15/16; at that time, BSD was still in the process of holding subcommittee meetings to review the Grand Jury's report. The City of Brisbane will participate in the recommended committee if the other two identified parties also agree to do so. We are unable to comment at this point in time as to whether or not the grand jury's recommended timeframe for issuance of a report is feasible.

Please call me at (415) 508-2131 if there are any questions regarding this matter.

Very truly yours,



Randy L. Breault, P.E.
Director of Public Works/City Engineer

Cc: Brisbane City Clerk
Grand Jury website (sent via email to grandjury@sanmateocourt.org)



CITY OF DALY CITY

333-90TH STREET

DALY CITY, CA 94015-1895

PHONE: (650) 991-8000

October 25, 2016

Honorable Joseph C. Scott
Judge of the Superior Court
c/o Ms. Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94603-1655

SUBJECT: Response to the 2015-2016 Grand Jury report, "San Mateo County's Cottage Industry of Sanitary Districts"

Dear Judge Scott:

On behalf of the City Council of Daly City, thank you for the opportunity to review and comment on the recommendations of the Grand Jury in the subject report. This letter serves as the City of Daly City's response to the recommendations related to the assumption of services by the North San Mateo County Sanitation District (NSMCSD), a subsidiary of the City of Daly City. The response contained herein was reviewed, discussed and approved by the City Council of Daly City at its regular meeting of October 24, 2016.

Recommendations

- R1.** Form a committee of Board members (Bayshore Sanitary District), Council members and/or staff (Brisbane/Daly City) from each to discuss the assumption of services provided by Bayshore Sanitary District into Brisbane and/or Daly City. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

Daly City Response: Implementation of the recommendation is dependent upon the participation of two external agencies over which Daly City has no control. I have reached out to the City Manager of Brisbane and received confirmation that they would be willingly to participate in the discussion and evaluation envisioned for the recommended committee.

The Bayshore Sanitary District, however, has expressed a lack of interest in pursuing implementation of this recommendation on the basis that it is not warranted or reasonable. The Bayshore Sanitary District has indicated its awareness of the alternatives and disagrees that there is any benefit to their ratepayers in allowing either Brisbane or Daly City (NSMCSD) to assume

operational services and further disagrees that the BSD facilities would be maintained to the high standard established long ago by the Bayshore Sanitary District Governing Board. Given the lack of political will to consider an alternative to the current delivery of services by the Bayshore Sanitary District, Daly City is not willing to pursue implementation of this recommendation until such time that the District would be agreeable to do so on a voluntary basis.

- R4.** Form a committee of Board members (Westborough Water District), Council members and/or staff (Daly City, South San Francisco) from each agency to discuss the assumption of services provided by Westborough Water District into the City of Daly City and/or South San Francisco. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017. Work with California Water Service Company on this initiative.

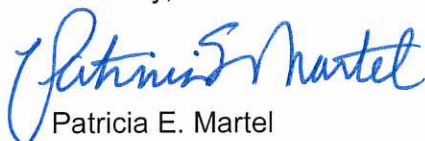
Daly City Response: Staff from Daly City and South San Francisco met with the General Manager of the Westborough Water District (WWD) to thoroughly examine and discuss the Grand Jury recommendation that Daly City or South San Francisco assume the water and sewer services provided by WWD. Subsequently, the City of South San Francisco declined to further evaluate the recommendation that it assume the services currently provided by the WWD.

The City of Daly City and NSMCSD have provided sewer services to the Westborough Water District by contract since 1961. The Westborough Water District is charged the same rate by the NSMCSD as we charge our own customers with a small surcharge added to cover the cost of pumping to NSMCSD facilities. Even if the City of Daly City was interested in absorbing the Westborough Water District service area into the NSMCSD, no added benefit would accrue to the ratepayers since the additional cost required to pump would remain the same. It is unlikely that consolidation would result in any reduction in future sewer rates, while contributing to a loss of convenience for the community served by the District.

The potential transfer of both sewer and water services to Daly City and the NSMCSD would result in our jurisdiction delivering these services to an area wholly located geographically within the legal boundaries of the City of South San Francisco. Residents would receive services from an agency with which they have no other ties. Additionally, the sewer regulations of Daly City and the NSMCSD are incompatible with those adopted by the City of South San Francisco. This would result in a confusing and illogical organizational structure with little consideration for the impacts on ratepayers.

Based on the foregoing, the City of Daly City and the North San Mateo County Sanitation District do not agree with Grand Jury recommendations R1 and R4. I would be happy to respond to any additional questions raised by the Grand Jury report.

Cordially,



Patricia E. Martel
City Manager and
General Manager
NSMCSD



City of East Palo Alto
Office of the Mayor

Donna Rutherford, Mayor
Larry Moody, Vice Mayor

Council Members

Ruben Abrica
Lisa Gauthier
Carlos Romero

September 21, 2016

Grand Jury Foreperson
c/o Court Executive Office
400 County Center
Redwood City, CA 94063-1655

SUBJECT: GRAND JURY REPORT
“San Mateo County’s Cottage Industry of Sanitary Districts”

Attention Jury Foreperson:

Attached please find the City of East Palo Alto’s response to the above noted Grand Jury Report. Pursuant to California Penal Code Section 933.05, the response was considered by the City Council at a public meeting on September 20, 2016.

Should you have any questions concerning this response, please contact City Manager Carlos Martínez at (650) 853-3118.

Sincerely,

Donna Rutherford,
Mayor, City of East Palo Alto

SUMMARY RESPONSE TO GRAND JURY REPORT

Report Title: **San Mateo County's Cottage Industry of Sanitary Districts**

Report Date: June 29, 2016

Response by: City of East Palo Alto, September 21, 2016

By: Donna Rutherford, Mayor, on behalf of the East Palo Alto City Council

FINDINGS:

F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.

F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.

F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.

F4. Elections for sanitary district board membership are rarely contested, and when they are, voter turnout is low. The average tenure of board members is over 10 years.

F5. Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.

F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.

F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.

F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto's average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.

F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.

F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.

F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.

F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.

F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

• I (we) CAN GENERALLY agree with the following findings numbered: F1-F13

Recommendations:

The Grand Jury recommends that Boards of the East Palo Alto Sanitary District and West Bay Sanitary District and the City Council of East Palo Alto do the following:

R2. Form a committee of Board members (East Palo Alto Sanitary District, West Bay Sanitary District), Council members (East Palo Alto), and staff from each to discuss the assumption of services provided by East Palo Alto Sanitary District into either West Bay Sanitary District or the City of East Palo Alto. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

- Recommendation numbered R2 can be implemented and will require coordination and collaboration with East Palo Alto Sanitary District and West Bay Sanitary District and agreement to form a committee to evaluate alternatives and conduct cost benefit analysis and issue a report with recommendation by the end of September 2017. The City of East Palo Alto will reach out to the two sanitary districts to start working on the formation of the committee.

Date: September 21, 2016

Signed: 

CITY COUNCIL MOTION

September 20, 2016

City Council approved the following regular City Council Consent Item:

Motion #: 16-099	Agenda Item #: 4B
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Subject:

City Council to consider and approve the City response to the 2015-2016 San Mateo County's Civil Grand Jury Report Regarding the Cottage Industry of Sanitary Districts in the County.

The Grand Jury recommends that Boards of the East Palo Alto Sanitary District and West Bay Sanitary District and the City Council of East Palo Alto do the following:

For a committee of Board members (East Palo Alto Sanitary District, West Bay Sanitary District), Council members (East Palo Alto), and staff from each to discuss the assumption of services provided by East Palo Alto Sanitary District into either West Bay Sanitary District or the City of East Palo Alto. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

Agenda Item #4B was moved by Councilmember Carlos Romero and seconded by Councilmember Ruben Abrica.

Vote as Follows:

Ayes:	ROMERO, ABRICA, RUTHERFORD, MOODY, GAUTHIER
Noes:	
Absent:	
Abstain:	

I, Terrie Gillen, Deputy City Clerk, certify that the City Council approved the City's response by motion at the regular City Council meeting of September 20, 2016.



**TERRIE GILLEN,
Deputy City Clerk**

September 28, 2016

Date



EAST PALO ALTO SANITARY DISTRICT

BOARD OF DIRECTORS

Glenda Savage, President
Bethzabe Yafiez, Vice President
Joan Sykes-Miessi, Secretary
Goro Mitchell, Director
Dennis Scherzer, Director

901 Weeks Street

East Palo Alto, CA 94303

Phone: (650) 325-9021

Fax: (650) 325-5173

www.epasd.com

Karen Maxey, Interim General Manager

September 27, 2016

Members 2015-2016 SM County Civil Grand Jury
C/O Hon. Joseph C. Scott
Superior Court, County of San Mateo
Hall of Justice
400 County Center
Redwood City, CA 94063-1655

Dear Grand Jury Members:

This missive is the East Palo Alto Sanitary District Governing Board approved response to your report titled: "San Mateo County's Cottage Industry of Sanitary Districts," filed on June 29, 2016. First, we would like to commend the Grand Jury members and staff for a job well done. The report is truly a well-researched and written document with very useful conclusions and recommendations. Our district does not fully concur with all of the recommendations and findings of the report. The purpose of this letter is to humbly enhance the Report with information that may not have been known to the Report's authors. Please see the information below:

I. Well Educated and Trained Governing Board Produces Benefits for the District

All EPASD Board Members have received training certificates in areas of board management, district finance, district operations, human resources, environmental management or board leadership within the last 12 months.

Recently, Board Members have taken unpaid leadership roles on behalf of the District. For example, a Board Member with an environmental science background engaged in efforts that have impacted

technology usage in a multimillion dollar upgrade at the regional water treatment plant. This included dozens unpaid hours invested by the Board Member to produce a full report including charts and diagrams on alternative treatment methods that could save ratepayers millions of dollars in capital and operating cost in the future. In addition, two Board Members with demographic and social justice backgrounds, successfully challenged a regional water agency's definition of low-income resulting in a grant to the District of over \$400,000. A Board Member with a survey research background has designed and implemented a mail survey to assess the impacts of our newsletter. This Board Member will be analyzing the results and produce a written report pro bono.

II. The Gold Standard

The Report mentioned that among special districts and municipalities in San Mateo County, there is no "Gold Standard," related to sewage spills and overflows. We would like you to consider EPASD as the gold standard. We have had no punitive regulatory action taken against the District in the last decade related to spills or overflows.

III. Fiscal Accountability

We are happy that the Grand Jury found that our district had rock solid fiscal propriety. This is not by accident. EPASD uses a third party accounting service and changes auditors every two years. All audits in the last decade have been stellar. We also use a firm to inform our long term budgeting.

In the last two years, we have produced a new accounting policies and procedures manual which employs our Finance Committee to reconcile bank statements; an unprecedented process to help ensure financial accountability. EPASD has not raised annual sewage rates 3 of 5 years and has maintained fund reserves for the last 10 years. The rate increases were only taken because of obligations to fund capital improvements at the regional water treatment facility.

The Board has in 2009 lowered its meeting stipend rate by 15 percent and has only taken two annual cost of living increases in the last five years. The Board has also set limits on the number of professional trainings that can be attended by Board Member in a 12 month period.

IV. Consolidation

Our friends at the City of East Palo Alto meet with EPASD on a regular basis via our Intergovernmental Committee Meetings. In these meetings, staff, Board Members and City Council Members meet to share information and find ways to collaborate and coordinate operations. This has resulted in a Memorandum of Understanding to share information on development and other projects as well as the recent sharing of environmental permits between the agencies. The City of East Palo Alto has one utility (municipal water) which is managed by a third party private firm. Given this precedent by the City of not managing its utility, the City may not have the capacity or want to manage sewer services. Similar, there may not be a net cost savings to ratepayers if a third party for-profit entity managed sewer services at the City. In addition, West Bay Sanitary District has some of the highest rates in the County, consolidation in this case may increase Sanitary Sewer charges for our ratepayers.

V. Transparency, Community Education and Engagement

In the last five years EPASD has embarked on an effort to engage ratepayers and the community. We completed a service area-wide door-to-door survey of all households to determine the best way to engage and educate the community to our work. Subsequently, a Public Relations Report was produced with recommendations informed by the community to perform outreach. An ad hoc committee was formed to provide input into the first two projects recommended by the PR Report: 1) an updated and highly interactive website and 2) a quarterly newsletter. We are currently, engaged in a survey process to assess the fruition of the newsletter and ways to improve it.

VI. Sewer System Infrastructure

EPASD has completed the filming of all of its sewer lines, assessed and prioritized segments for replacement and repair. We have plans and monies set aside to replace our siphon line and a separate \$500,000 a year capital improvement plan.

VII. Review of District Benefits

The EPASD Human Resources, Management and Organization Committee recently undertook a compensation study to ensure that wage and benefit levels were congruent with other special districts. Subsequently, the committee is reviewing of District benefits levels to ensure the long-term financial stability of the District.

VIII. Findings of the Grand Jury

We cannot fully agree with all of the Findings (F-1 through F13) because we have not independently verified the data.

IX. Recommendations of the Grand Jury

Recommendation 2 (R2): EPASD does not believe consolidation with West Bay Sanitary District and/or the City of East Palo Alto will improve rates or the efficiency in which services are provided as discussed in greater detail above. As such, we humbly decline participation in the discussions mentioned in R2 and the recommendation will not be implemented.

Recommendation 5 (R5): EPASD agrees see (Section V above). We will continue to update our website with new content on an ongoing basis.

Recommendation 6 (R6): EPASD agrees and has published and is compiling several management plans, e.g., Sewer System Master Plan. EPASD plans to implement this recommendation by January 2017.

Recommendation 7 (R7): EPASD agrees with this recommendation and is almost fully funded by non-property tax funding.

Recommendation 8 (R8): EPASD is not adverse to sending annual notices to ratepayers. We will give this recommendation further study within the next six months.

Recommendation 9 (R9): EPASD believes that compensation information is readily available via the Internet, and does not support dissemination of information on board compensation or candidacy and therefore, this recommendation will not be implemented.

Recommendation 10 (R10): EPASD is not supportive of term limits because critical institutional knowledge is lost when term limits are implemented and therefore this recommendation will not be implemented.

Recommendation 11 (R11): EPASD supports this recommendation and already has in place a rigorous bidding process with internal controls.

Recommendation 12 (R12): EPASD supports this and participates in this and many other professional and advocacy organizations that provide training and education to staff and Board Members. Recommendation. See Section I.

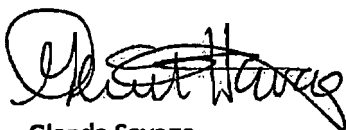
Recommendation 13 (R13): EPASD support this recommendation, which has already been implemented and currently coordinates with San Mateo County's emergency services.

Recommendation 14 (R14): EPASD does not support changing elections to even years because the cost of our elections to ratepayers is already low and therefore, this recommendation will not be implemented.

Recommendation 17 (R17): EPASD does not agree with this recommendation because we believe that medical benefits are of critical importance to all employees and therefore this recommendation will not be implemented, but EPASD is currently reviewing the level of benefits for all employees.

We offer this information with great optimism about the future of EPASD's provision of financially efficient, environmental healthy and community engaged sewer services in East Palo Alto and Menlo Park. Please feel free to contact me at 650.325.9021 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenda Savage". The signature is stylized and cursive.

Glenda Savage

President



GRANADA COMMUNITY SERVICES DISTRICT

Board of Directors

Matthew Clark, President

Jim Blanchard, Vice-President

Leonard Woren, Director

Ric Lohman, Director

David Seaton, Director

September 21, 2016

Honorable Joseph C. Scott, Judge of the Superior Court
c/o Charlene Kresevich
San Mateo County Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Grand Jury Report - San Mateo County's Cottage Industry of Sanitary Districts

To the Honorable Judge Scott:

The following letter of response to the Grand Jury Report referenced above was approved by the Granada Community Services District ("GCSD" or "the District") Board of Directors at their September 15, 2016 board meeting. Copied from the report and listed below are the Grand Jury's findings and recommendations (as applicable to the GCSD), followed by GCSD's responses, hereby submitted as requested. GCSD's responses are necessarily limited to those matters as to which it has knowledge and which pertain to GCSD, which does not include matters the report asserts as to other Districts which provide sewer service. Please note that as of October 1, 2014, GCSD became a community services district authorized by LAFCO to provide park and recreation services in addition to the previously authorized sewer and solid waste disposal services.

As requested, GCSD has attempted to begin each of its responses with "partially disagree," or "disagree." Where GCSD deemed it more appropriate the responses begin with "agree" or "partially agree."

FINDINGS

F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.

F1. Response: Disagree. GCSD's Sanitary Sewer Overflow ("SSO") rate is the same as San Jose's. The report confuses the issue by listing San Jose's rate in the standard unit of SSOs/100 miles of sewer lines and GCSD's in SSOs/mile of sewer lines. The report also ignores the size and impact of the spills (SSOs). Five spills of 200 gallons that don't reach waters of the State are vastly different than one spill of 30,000 gallons into the ocean or bay. GCSD's limited number of spills are all small and did not reach the waters of the State, not to mention the ocean or bay.

F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.

F2. Response: Agree. GCSD is in the process of reducing those gaps and updating its website information.

F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.

F3. Response: Partially Agree. However, GCSD's position is that the District is more efficient and saves significant money by not directly billing customers and not having to deal with trying to collect unpaid bills. The practice of agencies placing charges on the property tax roll is common throughout the State, and is not limited to the sanitation districts studied here. The County also provides a phone number next to each charge for those who have questions.

F4. Elections for sanitary district board membership are rarely contested, and when they are, voter turnout is low. The average tenure of board members is over 10 years.

F4. Response: Partially Disagree. It is true that voter turnout has historically been low, which is why GCSD recently changed its elections to even numbered years (November) to increase turnout. As far as contested elections are concerned, seven of the last ten District elections were contested, which is certainly not "rarely". There is nothing inherently wrong with long tenure as it enables Board members to develop expertise. An unbiased observer could conclude that voters are happy with the way that the District is run.

F5. Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.

F5. Response: Agree, with the qualifier that these are NOT "countywide property taxes", these are taxes paid only by property owners within the District. So whether funds are collected via sewer charges or the District's share of property taxes, it is all used to fund District operations. Also, as previously noted, the District added parks and recreation powers when we became a community services district in 2014. Some portion or all of these property tax receipts will be used to fund parks and recreation in the future.

F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.

F6. Response: Disagree. GCSD's sewer rates have increased much less than the consumer price index ("CPI"). In 1997 GCSD's sewer service charge was \$365/year and in 2016 it is only \$402/year, an average increase of 0.5%/year which is a small fraction of the CPI in the same time period. The costs of operating and maintaining a sewer system also have no correlation to the standard CPI, but is rather driven by aging infrastructure and regulatory requirements.

F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.

F7. Response: Disagree. The treatment plant, disposal system and the intertie pipeline system are operated by the Sewer Authority Mid-coastside Joint Powers Agency ("SAM") composed of three member agencies (GCSD, Montara Water and Sanitary District, and the City of Half Moon Bay). GCSD is responsible for the installation, replacement, maintenance, and operations of the rest of its collection and transmission system. The District is also responsible for permitting, customer service, coordination of consultants, financial reporting, assessment district administration, etc. Without the member agencies and their legal authority to levy taxes, fees and assessments, SAM would not have the ability to obtain needed funding. Furthermore, all three member agencies provide other community services in addition to sewer service. GCSD has long provided solid waste and recycling service. In GCSD's case, GCSD responded to a major universally recognized community need by obtaining LAFCO approval and voter approval to reorganize into a Community Services District in order to shift property taxes to local neighborhood and community Parks and Recreation services. This was only possible because GCSD was an independent special district. Many people see significant value in local control.

F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto's average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.

F8. Response: Not pertinent to GCSD. GCSD Directors are paid \$145 per board meeting, and average annual compensation is under \$2000 per year. The District provides no other compensation nor benefits to directors such as retirement benefits or health care insurance. GCSD's Board costs are far lower than the other Districts mentioned and a small fraction of a percent of the total District budget. The fact that some other districts may inappropriately offer high benefits to their directors has nothing to do with Districts such as GCSD which don't.

F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.

F9. Response: Partially agree. As with most agencies throughout the State, a portion of the District's pipelines are indeed over 50 years old. However, it is far too broad of a statement to say that the collective pipes are approaching the end of their useful life. Age of pipeline, construction material, and location are all factors in determining useful life, coupled with a CCTV examination of potential problem areas. In addition, the District has had a Capital Improvement Plan and Program in place for many years, prioritizing replacement of older pipelines, some of which were inherited by the District when it was formed.

F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.

F10. Response: Disagree in part. While there are certainly some redundancies in these services, these items do not comprise a financially significant portion of the District budget. Through collaboration with our neighboring agencies, the big ticket costs such as sewer treatment and collection system cleaning and maintenance are all shared in a cost-efficient manner. This statement also ignores the fact that many of these "redundant services" such as legal services and engineering are unique to each District, and these costs would therefore be incurred even within a consolidated agency.

F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.

F11. Response: Partially disagree. GCSO uses contractors and consultants when there is no need for a full-time position, thereby generating efficiencies in District operations. In fact, the District benefits greatly from having a General Manager and a General Counsel who manage and represent multiple similar districts. The District does have full time employees, and utilizes SAM staff for its treatment and collections services.

F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.

F12. Response: Disagree. GCSO can't speak for other districts, but utilizing the services of Kennedy Jenks Consultants for engineering services and Dudek for management services insures that staff has the most up to date knowledge on existing and emerging technologies. Since firms like these are the leaders in innovative sewer system performance techniques, district leadership benefits from utilizing these firms to ensure familiarity with existing and emerging technologies.

F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

F13. Response: Disagree. SAM is responsible for maintaining its own sewer system as well as those of its member agencies, and is involved in coordinating emergency planning on GCSD's behalf. GCSD staff regularly discuss emergency/disaster planning with SAM staff.

The Grand Jury recommends that the Boards of Granada Community Services District and Montara Water and Sanitary District and the City Council of Half Moon Bay do the following:

R3. Form a committee of Board members (Granada Community Services District, Montara Water and Sanitary District), Council members (Half Moon Bay), and staff from each to plan the consolidation or assumption of services provided by these two districts. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017.

GCSD Response: GCSD has formed such a committee and requested a meeting with Montara Water and Sanitary District as required by LAFCO. MWSD's board declined to discuss this with GCSD. There are understandable reasons why consolidation or assumption of services would not be prudent at this time. Virtually none of the constituents of the above-named agencies have any interest in such consolidation, and in GCSD's case, since GCSD has by far the lowest rates of the three agencies, it would result in an increase in rates to GCSD's ratepayers while providing no benefit to them and at the same time losing local control. Additionally, GCSD has its own voter-approved bond funding and repayment assessment district. Most of these districts have multiple different functions, different assessment areas, different reserves, and different fees. All consolidation plans ignore the high costs to implement a consolidation. When and if this changes in the future GCSD will be willing to discuss consolidation or other approaches.

The Grand Jury recommends that the Boards of Bayshore Sanitary District, East Palo Alto Sanitary District, Granada Community Services District, Montara Water & Sanitary District, West Bay Sanitary District, and Westborough Water District do the following:

R5. Improve information visibility on their website, including key system characteristics, rates and rate history, sewer system management plans, sanitary sewer overflows, and board member compensation. Key system characteristics would include population served, number of connections, number of miles of pipe (gravity, forced main), number of pump stations and number of pumps, average dry weather flow, and average wet weather flow. Ensure all information is up to date. Refresh website by September 30, 2016.

GCSD Response: GCSD will be carrying out this recommendation, although September 30, 2016 is too short a time frame to accomplish all of this, particularly in light of launching its parks and recreation function. The District has already updated its website for items mentioned in the Report such as minutes, financial reports, and audits.

R6. Implement and publish performance management metrics including but not limited to the Effective Utility Management framework, beginning with Fiscal Year 2016-2017.

GCSD Response: Internal performance management metrics are in place. Moving forward, the District will look to preparing a more formal set of performance metrics, possibly in conjunction with its Sewer System Management Plan.

R7. Adjust rates over the next five years so that all costs are recovered from ratepayers, and the reliance on property tax is eliminated. Transition property tax revenues to neighboring cities to be used for community benefit.

GCSD Response: GCSD is already in the process of transitioning a portion or all property tax revenue to park and recreation services on an as-needed basis. Additionally, the thought that GCSD ratepayers would agree to transfer property taxes paid by them to a neighboring city to fund city operations is impractical, legally unauthorized, unrealistic, and unreasonable. Furthermore, since these property taxes are paid exclusively by GCSD residents, it is difficult to understand why those taxpayers would want their property taxes be transferred to neighboring cities for the city's operations? Note that as part of the LAFCO approval, a portion of the property taxes utilized for parks and recreation which are collected in that portion of GCSD which overlaps City territory is paid annually to the City of Half Moon Bay for their park and recreation purposes.

R8. Mail notices to ratepayers at least annually with an explanation of the dollar amount of sewer service charges being billed and the rationale. Provide information on the prior five years' rates for comparison purposes. Display the portion of the rate that is related to collection activities, and the portion allocated to treatment. Mail notices approximately 30 days before the mailing of the property tax bills. Initiate mailings by November 2016.

GCSD Response: GCSD will consider this. Placing the information on the GCSD Website may be preferable because it costs thousands of dollars to mail a newsletter and few of our ratepayers read the newsletters. Also, we're unsure exactly what ratepayers would utilize this information for. Constituents have previously complained that GCSD is wasting their money by mailing information to them.

R9. Notify ratepayers annually of elected nature of Board, role and compensation of Board members, and process for becoming a candidate. Encourage active participation by ratepayers. This notification may be included in the mailing that explains the rationale for rates. Initiate notification by November 2016.

GCSD Response. *See response to Recommendation 8.* GCSD will place this information on the District's web site.

R10. Establish term limits for the members of their boards of directors by June 30, 2017.

GCSD Response: GCSD is concerned that this is likely to result in difficulties filling vacancies with qualified people. There is a benefit to having directors with some experience on the board because the learning curve is relatively steep given the fact that there are only 12 meetings per year. The election system is currently open to all District residents who would like to run for a spot on the board, and since there have been 7 contested elections in the past 10 elections, it appears the democratic process is working in GCSD.

R11. Establish a procurement process for professional services to include formal evaluation of existing service providers, issuance of Request for Proposals, regular reviews of existing providers, and a structured negotiation process by March 31, 2017.

GCSD Response: The procurement process for all services, including professional services has been drafted and is planned for adoption prior to year-end. Evaluation and review of existing service providers has generally been ongoing, but will be formalized by March 31, 2017 as part of this process.

R12. Demonstrate active participation in professional organizations focused on the work of sanitary districts, such as California Water Environment Association, by June 30, 2017. Require CWEA certification of district operators, including contractors, by June 30, 2017.

GCSD Response: GCSD is a member of CASA and the CSDA. GCSD does not employ or contract for operators, therefore certification is not applicable. The District General Manager is also active in the Southern California Alliance of Publicly Owned Treatment Works, and his firm is heavily involved with the AWWA, the CWEA, and the APWA.

R13. Develop plans for coordinating resources in the event of a local or regional emergency by June 30, 2017.

GCSD Response: GCSD is a participating member of Coastside Emergency Coordinator's group headed by the Coastside San Mateo County Sheriff's Homeland Security Division and Office of Emergency Services. In addition, SAM coordinates emergency planning among all its member agencies, including GCSD.

We appreciate the opportunity to respond to the Grand Jury Report and to provide our input in this process.

Sincerely,
GRANADA COMMUNITY SERVICES DISTRICT



Matthew Clark
Board President



CITY OF HALF MOON BAY
Office of the City Attorney
PO BOX 481, Santa Cruz, CA 95061-0481
Telephone: (831) 423-8383
Fax: (831) 576-2269

October 25, 2016

Hon. Joseph C. Scott
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

RE: San Mateo County's Cottage Industry of Sanitary Districts Report

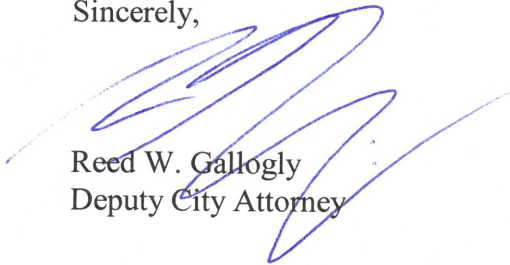
Dear Honorable Scott:

On September 20, 2016, the City Council of the City of Half Moon Bay approved a resolution, attached hereto, regarding the Grand Jury's June 29, 2016 report, entitled "San Mateo County's Cottage Industry of Sanitary Districts."

To summarize, the City:

1. Accepted the recommendation to "form a committee of Board Members (Granada Community Services District, Montara Water and Sanitary District), Council members (Half Moon Bay), and staff from each to plan the consolidation or assumption of services provided by these two districts. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017."

Sincerely,



Reed W. Gallogly
Deputy City Attorney

Enclosure

Resolution No. C-2016-82

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HALF MOON BAY
ACCEPTING THE RECOMMENDATION FROM THE 2016 GRAND JURY REPORT ON
SAN MATEO COUNTY SANITARY DISTRICTS**

WHEREAS, On June 29, 2016, the San Mateo County Civil Grand Jury issued a reported entitled "San Mateo County's Cottage Industry of Sanitary Districts," and

WHEREAS, that Grand Jury Report included a recommendation to the City of Half Moon Bay to "Form a committee of Board Members (Granada Community Services District, Montara Water and Sanitary District), Council members (Half Moon Bay), and staff from each to plan the consolidation or assumption of services provided by these two districts. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017," and

WHEREAS, at the regular City Council meeting on September 6, 2016, the City Council of Half Moon Bay discussed this report, its findings, and this recommendation, and gave direction to City Staff to respond by returning with a resolution for adoption which accepted the report's recommendation and provided a timeframe for its implementation, as required under Penal Code § 933.05(b); and

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Half Moon Bay hereby resolves to form a committee comprised of Councilmembers, City Staff, District Staff and District Board members from both the Granada Community Services District and Montara Water and Sanitary District to plan the consolidation or assumption of services provided by the districts, to evaluate alternatives and determine benefits to ratepayers, and to issue a report with recommendations and a plan by September 30, 2017.

I, the undersigned, hereby certify that the foregoing Resolution was duly passed and adopted on the 20th day of September, 2016 by the City Council of Half Moon Bay by the following vote:

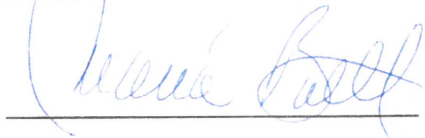
AYES, Councilmembers: Fraser, Kowalczyk, Muller, Penrose, and Ruddock

NOES, Councilmembers:

ABSENT, Councilmembers:

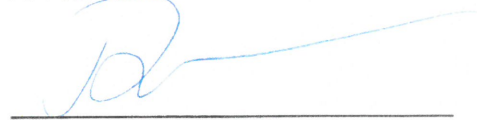
ABSTAIN, Councilmembers:

ATTEST:



Maria Buell, Deputy City Clerk

APPROVED:



Debbie Ruddock, Vice Mayor



CITY COUNCIL 2016

MARK ADDIEGO, MAYOR
PRADEEP GUPTA, PH.D., VICE MAYOR
RICHARD A. GARBARINO, COUNCILMEMBER
KARYL MATSUMOTO, COUNCILMEMBER
LIZA NORMANDY, COUNCILMEMBER

MIKE FUTRELL, CITY MANAGER

OFFICE OF THE MAYOR

September 15, 2016

Hon. Joseph C. Scott
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Subject: CITY OF SOUTH SAN FRANCISCO'S RESPONSE TO THE 2015-16 SAN MATEO COUNTY CIVIL GRAND JURY REPORT TITLED "SAN MATEO COUNTY'S COTTAGE INDUSTRY OF SANITARY DISTRICTS"

Honorable Judge Scott,

This letter was approved by the City Council of the City of South San Francisco at its public meeting on September 7, 2016.

Below is the City of South San Francisco's response to the 2015-2016 San Mateo County Civil Grand Jury Report entitled "San Mateo County's Cottage Industry of Sanitary Districts." Specifically, the Grand Jury recommends that the Board of the Westborough Water District and the City Councils of Daly City and South San Francisco do the following:

- R4. Form a committee of Board members (Westborough Water District), Council members (Daly City, South San Francisco), and staff from each to discuss the assumption of services provided by Westborough Water District into Daly City and/or South San Francisco. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and a plan by September 30, 2017. Work with California Water Service Company on this initiative.

City Response: Staff from the City of South San Francisco, the City of Daly City and the Westborough Water District have met and thoroughly studied the Grand Jury recommendation that Daly City and/or South San Francisco assume the services provided by Westborough Water District. At this time the City of South San Francisco declines to further evaluate the suggestion that the City of South San Francisco assume the services currently provided by the Westborough Water District.

The boundaries of the Westborough Water District cover a portion of the City of South San Francisco. Sanitary sewer services for the Westborough Water District are provided by the City of

Subject: CITY OF SOUTH SAN FRANCISCO'S RESPONSE TO THE 2015-16 SAN MATEO COUNTY CIVIL GRAND JURY REPORT TITLED "SAN MATEO COUNTY'S COTTAGE INDUSTRY OF SANITARY DISTRICTS"

Daly City-North San Mateo County Sanitation District. The Westborough Water District also provides potable water service to approximately 4,000 residential, commercial and irrigation service connections, with water being supplied from the City and County of San Francisco Water Department.

The City of South San Francisco does not provide water service to its residents or businesses anywhere in the City, as this is largely provided by California Water Service, and to a less degree by Westborough Water District. At this time the City of South San Francisco, as a policy decision, does not desire to become a water utility and thus has no interest in assuming this function from the Westborough Water District.

The City of South San Francisco, in partnership with the City of San Bruno, does operate and maintain an outstanding wastewater treatment facility. This facility is serviced by a well maintained system of sanitary sewer lines and sanitary sewage pump stations in that portion of South San Francisco closest to the treatment facility. The geographic area served by the Westborough Water District is located in the part of South San Francisco that is furthest from the South San Francisco-San Bruno Water Quality Control Plant (SSF-SB WQCP). There are no existing large diameter sewer pipelines suitable for conveying Westborough's sewage to the SSF-SB WQCP.

The costs of connecting the Westborough Water District sanitary sewers to the South San Francisco sanitary sewer system are economically prohibitive. Capital costs associated with this project would include, at a minimum, the addition of many miles of large-diameter sewer piping to convey sewage from the Westborough area to the SSF-SB WQCP and, a treatment capacity upgrade to the existing treatment plant. The multi-million dollar capital cost of the project would have to be financed with debt service.

If South San Francisco were to become the sanitary sewer treatment provider for that area currently served by the Westborough Water District, a connection fee would be assessed on Westborough's connections. In addition, the City of South San Francisco, in its operation of the SSF-SB WQCP, would also collect annual sewer service fees from the residents of Westborough. Given the expected capital costs, and associated connection and annual fees, little financial benefit is seen for the rate payer currently in the Westborough Water District.

Additionally, it is unlikely that the State Water Resources Control Board (SWRCB) would approve Westborough's sewage addition to the SSF-SB WQCP because of the San Francisco Bay's assimilative capacity limitations. These limitations are reflected in the San Francisco Bay Basin Plan which limits the amount of new pollutants that are allowed to be discharged into San Francisco Bay. Even though treatment plants, such as the SSF-SB WQCP, are operated in compliance with stringent National Pollutant Discharge Elimination System (NPDES) discharge requirements, the effluents from these plants still may contain trace pollutants that may contribute to the overall deterioration the eco system in San Francisco Bay.

Lastly, for SWRCB approval, receiving water studies would need to be conducted and must conclude that the addition of Westborough's sewage to the SSF-SB WQCP treatment plant would

Page 3 of 3

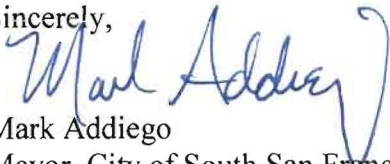
Subject: CITY OF SOUTH SAN FRANCISCO'S RESPONSE TO THE 2015-16 SAN MATEO COUNTY CIVIL GRAND JURY REPORT TITLED "SAN MATEO COUNTY'S COTTAGE INDUSTRY OF SANITARY DISTRICTS"

not pose any adverse impacts to San Francisco Bay. Prior to making a final decision on whether or not to allow this additional discharge into the Bay, public hearings would be held to more fully vet the issue, at which, staff anticipates a substantial opposition from environmental protection groups.

For the above reasons, the City of South San Francisco does not agree with the Grand Jury recommendation R4.

If you have any questions, please contact the City of South San Francisco City Manager, Mike Futrell, at (650) 877-8500.

Sincerely,

A handwritten signature in blue ink that reads "Mark Addiego". The signature is written in a cursive style with a large, sweeping flourish at the end.

Mark Addiego
Mayor, City of South San Francisco

September 27, 2016

Hon. Joseph C. Scott
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Re: Grand Jury Report on "San Mateo County's Cottage Industry of Sanitary Districts"

Dear Honorable Judge Scott:

In response to the Grand Jury report dated June 29, 2016, the Westborough Water District (District) submits the following responses, which were authorized by the Board at its meeting of September 8, 2016:

The Grand Jury report contains some useful suggestions regarding the management and operation of the District, but includes a number of points that the District does not agree with.

The Westborough Water District will implement Recommendations R4, R5, R8, R9, and R13 on an appropriate schedule.

The Westborough Water District will take under consideration Recommendations R6, R11, and R14 and will determine whether to comply with them by December 29, 2016.

The Westborough Water District does not agree with, and will not implement, Recommendations R7, R10, R12, R15, and R16, as more fully explained below. In addition, the District wishes to provide a response on R18, which was directed to the San Mateo County Local Agency Formation Commission (LAFCo), but related to the District.

First, some general comments. While the Grand Jury has collected and presented a great deal of statistical information, the report, in our view, does not adequately consider a number of critical facts:

The Westborough Water District has been in existence since 1961 and serves a distinct community within the City of South San Francisco that is separated from the remainder of the City by Interstate 280. The area comprising the District was not accepted for annexation to the City of Daly City in the mid-1960's and was eventually annexed to the City of South San Francisco. At the time of that annexation, the area comprising the District was detached from the North San Mateo County Sanitation District, but entered into a contractual arrangement with that agency that continues to this day. The District was formed to provide water and sewer service to

the unique Westborough area and has operated smoothly since. A full Sphere of Influence Study was conducted by LAFCo in 1987 and the current Sphere of Influence was confirmed. As the factors that supported that determination remain unchanged, that sphere has been regularly reaffirmed in the years since.

The District provides water and sewer service to over 3,900 customers. Its Mission Statement is as follows:

Westborough Water District Mission Statement

The mission of the Westborough Water District (WWD) is to provide a stable supply of high quality safe drinking water at a fair price to all customers of the district. In addition, the district has the mission to provide reliable sewer service through the North San Mateo County Sanitation District. The Board, the staff and all employees of the Westborough Water District are committed to providing its customers with high quality, cost-effective and environmentally sensitive customer service.

The District is well-managed, financially sound, and provides services at rates that are among the lowest in the area. While many cities are facing financial hardship, many special districts are doing very well, in part as a result of their limited focus. Before any consideration can be given to the potential absorption of the District by the City of South San Francisco or the City of Daly City, the financial condition of all three agencies should be considered. The Westborough Water District is in solid financial condition with all of our water and sanitary sewer capital improvement projects being paid through reserves, without the burden of any bond obligations. It has established and is funding an account to fund retiree health benefits. Should the District be absorbed by another agency, the District's reserves would most likely be moved to another agency's General Fund. They would be commingled with funds for general purposes and not specifically used for the sanitary sewer system. This would be to the detriment of the current residents of Westborough, who have invested in the system and its financial reserves through decades of effective management.

Overall, the Grand Jury Report ignores these significant issues and fails to consider that local agencies should be organized in the best manner to provide for the economic and social needs of the local community, effects on the environment, and efficient and excellent service. The Westborough area is separate and distinct from the remainder of South San Francisco, both geographically and socially. Interstate 280 creates a total separation from the City of South San Francisco. This "community of interest" has been recognized in past LAFCo decisions. In the event of consolidation with the City of South San Francisco, Westborough residents would lose representation and the control over business affairs of their water and sewer utilities. Consolidation would remove the last forum where Westborough residents can have 100% control in their community affairs concerning rates and service for both water and sewer.

It should also be noted that the Westborough Water District has among the lowest annual minimum sanitary sewer rates in San Mateo County. The District has a minimum charge based on of 2 units bimonthly, which equates to 12 units per year. The total annual minimum sanitary sewer charge for the Westborough Water District is \$8.02 x 12 units totaling \$96.24. A comparison of the minimum annual sewer service charge to our neighboring agencies below:

Annual minimum sewer service charge:

City of Daly City	\$74.96
Westborough Water District	\$96.24
City of San Bruno	\$318.60
City of Brisbane	\$413.22
City of Half Moon Bay	\$537.28
City of South San Francisco	\$588.00
City of Pacifica	\$628.14

The Westborough Water District has an excellent service record with respect to sanitary sewer overflows and system operation. Also, the Westborough Water District sanitary sewer rates are calculated based on the same guidelines and methodology as the NSMCSD. The annual sewer charged is based on January and February water consumption, which are the months of the lowest use of water for irrigation. The Westborough Water District is charged by the NSMCSD the same rate that they charge their customers. The District needs to add a small cost to cover the expense for pumping to the NSMCSD. Even if the City of Daly City was interested in absorbing the Westborough Water District, there would still be the burden of the expense for pumping.

Finally, the District disagrees with the Grand Jury's recommendation that the San Mateo County Local Agency Formation Commission (LAFCo) initiate a service review of the district to determine whether its operations might be more efficiently and effectively run if consolidated with another entity. The Grand Jury has made its opinion clear in recommendations such as R4 and R18. Discussions held in response to those recommendations uncovered no desire for a consolidation with our neighbors. LAFCo devoted significant resources to an earlier review which resulted in conclusion that consolidation should not occur. We believe LAFCo with its expertise in municipal AND special district management, and with an eye towards its limited resources and past studies, should set its own priorities on which service reviews it conducts in the fulfillment of its mission.

Please see additional responses attached, all of which have been approved by the Board of Directors of the District.

Sincerely,



David Irwin
President, Board of Directors
Westborough Water District

RESPONSE TO RECOMMENDATIONS

- R4 Form a committee of Board members (Westborough Water District), Council members (Daly City, South San Francisco), and staff from each to discuss the assumption of services provided by Westborough Water District into Daly City and/or South San Francisco. Evaluate alternatives and determine the benefits to ratepayers. Issue a report with recommendations and plan by September 30, 2017. Work with California Water Service Company on this initiative.

The recommendation has been partially implemented, but the remainder of the recommendation will not be implemented because it is not warranted or is not reasonable.

The District met with the City of South San Francisco and the City of Daly City to discuss potential merger with one or both of these municipalities. Neither city expressed any interest in such a consolidation and agreed that the current arrangement is satisfactory for all agencies. The District has received a draft of the City of South San Francisco's response, which confirms this position. It expects that the City of Daly City will submit a similar position statement. As a consequence, the District sees no benefit in working with the California Water Service Company or in providing a more formal report. A more thorough discussion of the implications of any merger are discussed below.

Transfer of Sewer Operations to the City of South San Francisco--Transferring sewer operations to the City of South San Francisco is not an option from a financial, economic or environmental standpoint. The sewage from Westborough must continue to be treated by the North San Mateo County Sanitation District ("NSMCSD"), which discharges its treated effluent to the Pacific Ocean. Any proposal that would direct Westborough's sewage to another agency faces several insurmountable obstacles. Pumping Westborough's sewage to an agency that discharges treated effluent into San Francisco Bay will never be acceptable to regulatory authorities because of the environmental effects of adding additional treated effluent into San Francisco Bay. In addition, there are no existing large-diameter sewer pipes suitable for conveying Westborough's sewage to the City of South San Francisco treatment plant or any similar facility. From a financial standpoint, costs associated with this project would not only include the installation of miles of large diameter sewer piping, but would most likely require a significant capital buy-in to obtain treatment plant capacity at one of the other facilities. These multi-million dollar costs would require borrowing substantial sums of money and would thereby increase the rates paid by the District's residents far above the current rates. Such a proposal is simply infeasible.

Transfer of Water Service Operations to the City of South San Francisco—Water service in the City of South San Francisco is provided by a private water utility, the California Water Service Company. Any proposal to transfer District water utility functions to the City of South San Francisco would necessitate making Westborough residents customers of a private utility, whose rates are regulated by the California Public Utilities Commission. The District's customers would thus lose local and public control of the operation of their utility. In addition, if annexed to the City, the City's sewer regulations, which differ from those of NSMCSD, would become applicable to the District. The City has specific requirements built into its Municipal Code that are a result of a consent decree involving sewer overflows. The consent decree is not applicable

to the District and would cause conflict with the District's sewer provider, NSMCSD, which has plumbing code requirements that conflict with those of the City.

Transfer of Sewer Service Operations to the City of Daly City (North San Mateo County Sanitation District)--There is no interest on the part of NSMCSD in taking over the District's sewer operation. And there would be no benefit to the public in having them do so. The District calculates its sanitary sewer charges using exactly the same method as NSMCSD—water usage during the months of January and February, the months with the lowest irrigation use. The only difference between the service provided by NSMCSD and that provided by the District is that the District adds an additional fee, which is primarily to cover electrical costs of pumping the sewage to NSMCSD and for maintenance of the collection facilities owned by the District. Even if NSMCSD were to take over the District's sanitary sewer system, there would be no decrease in the electrical cost to pump sewage to their treatment plant and the District's pipes would still need to be maintained.

In addition, the District would need to somehow recoup its costs for reporting water service information to Daly City, which include water usage and billing data, as well as the administrative costs to provide leak test information and follow-up tests to confirm that leaks have been repaired, in order for such information to be reflected in sewer bills. Finally, the District's residents would lose the convenience of District's office location for the payment of bills and other services. For over 50 years the Westborough Water District has been a one-stop-shop providing water and sewer service to the residents of Westborough. With the above factors in mind, it is unlikely that consolidation would result in any reduction of sewer rates, while causing a loss of convenience for the community.

In addition, the Westborough Water District undertakes a significant effort to remind its customers to conserve water in order to lower their sewer service charge. The District hangs a banner across the front of our building every year, mails out post cards and newsletters, and adds a message to our bills. The District even mails an additional notices to customers reminding them of the deadline to apply for adjustment before the final dollar amount is sent the County for the sewer amount to be included on the property tax bill. The District is unaware of any other agency that goes to the same length the District does to help customers save money by lowering their sewer charges.

Transfer of Water and Sewer Service Operations to the City of Daly City and the North San Mateo County Sanitation District--The transfer of both water and sewer to Daly City and the NSMCSD would mean that these agencies would be providing both services to an area wholly located within the City of South San Francisco. The residents would receive service from an entity with which they have no other ties. As noted, the sewer regulations of Daly City and NSMCSD are incompatible with those adopted by South San Francisco. This would be a wholly illogical organizational structure and should be avoided.

-
- R5. Improve information visibility on their website, including key system characteristics, rates and rate history, sewer system management plans, sanitary sewer overflows, and board member compensation. Key system characteristics would include population

served, number of connections, number of miles of pipe (gravity, forced main), number of pump stations and number of pumps, average dry weather flow, and average wet weather flow. Ensure all information is up to date. Refresh website by September 30, 2016.

The recommendation has not yet been implemented, but will be implemented by December 28, 2016.

The District will begin to update this information by September 30, 2016 and will complete the effort by December 28, 2016.

R6. Implement and publish performance management metrics including but not limited to the Effective Utility Management framework, beginning with Fiscal Year 2016-2017.

The recommendation has not yet been implemented, but will be implemented in the future.

Although 2016/2017 fiscal year has already started, the District will explore compliance with this requirement during this fiscal year. If it is infeasible, the District will implement during FY 2017/18.

R7. Adjust rates over the next five years so that all costs are recovered from ratepayers, and the reliance on property tax is eliminated. Transition property tax revenues to neighboring cities to be used for community benefit.

The recommendation will not be implemented because it is not warranted or is not reasonable.

The recommendation reflects a misunderstanding of how property tax revenues are distributed as a result of the adoption of Proposition 13 and legislation (AB 8) to implement that measure which allocates local property taxes. In addition, since the adoption of Proposition 1A in 2004, any reallocation of ad valorem property taxes among local agencies requires a two-thirds vote of both houses of the Legislature. (Cal. Const. Article XIII, Section 25.5(a)(3).) Even if this barrier could be overcome and the property tax flowing to Westborough is redirected, this revenue would likely be divided among all of the agencies that receive an allocation of property taxes in this area, just as the revenues from former redevelopment agencies were split among the County, community college district, school districts, and cities. Only a portion would go to the City of South San Francisco, with no guarantee that it would directly benefit the Westborough area. Such a change would necessarily cause an increase in rates charged to our customers to recoup the lost revenue and meet operating expenses. This arrangement would essentially function as a hidden tax increase, by causing an increase in water rates in order to free up additional property tax revenues for use by other agencies. Such an action would likely not fully benefit Westborough residents. If additional taxes are needed by other agencies, there are established procedures for them to seek voter approval of tax increases.

R8. Mail notices to ratepayers at least annually with an explanation of the dollar amount of sewer service charges being billed and the rationale. Provide information on the prior five years' rates for comparison purposes. Display the portion of the rate that is related to collection activities, and the portion allocated to treatment. Mail notices approximately 30 days before the mailing of the property tax bills. Initiate mailings by November 2016.

The recommendation has not yet been implemented, but will be implemented by November, 2016.

The District will mail these notices starting in November, 2016.

R9. Notify ratepayers annually of elected nature of Board, role and compensation of Board members, and process for becoming a candidate. Encourage active participation by ratepayers. This notification may be included in the mailing that explains the rationale for rates. Initiate notification by November 2016.

The recommendation has not yet been implemented, but will be implemented by November, 2016 future.

The District will mail these notices starting in November, 2016.

R10. Establish term limits for the members of their boards of directors by June 30, 2017.

The recommendation will not be implemented because it is not warranted or is not reasonable.

The District disagrees with this recommendation. The District does not believe there is any proof that establishing term limits for board members will achieve better governance for the District. In accordance with recommendations of last year's Grand Jury, the District has obtained a District Transparency Certificate of Excellence by the Special District Leadership Foundation. In order to obtain the certificate, the District had to meet certain criteria of which includes board vacancy announcements and board term expiration dates. Election procedures for anyone interested in becoming a board member may be found on the District's website. Term limits are not necessary because members of the board must be re-elected. As in the past, voters have the option of recalling board members and running for a seat on the board. If board members are not doing a good job then voters can simply vote to elect someone else.

Term limits remove good leaders who deserve to stay in office for their excellent work. Every job has a learning curve, which takes a lot of time to develop. Board members educate themselves regarding the water industry and the District's operation over a period of years. When Board members leave office, they take this experience with them. New board members would have to develop this knowledge from scratch. There are compelling arguments not to

change the current practice because the board is obligated to do a good job or face the possibility of being defeated or recalled.

R11. Establish a procurement process for professional services to include formal evaluation of existing service providers, issuance of Request for Proposals, regular reviews of existing providers, and a structured negotiation process by March 31, 2017.

The recommendation requires further analysis.

The District will take in consideration review of each contact for professional services in consideration for formal evaluation. The District disagrees with the recommendation to some extent, because certain contacts should be given special consideration because of their historical knowledge and expertise to the District that can't be replaced. Often the District face challenges in obtaining proposals from other providers due to our small size. The District will continue to evaluate contracts for professional services based on the particular value to the District and amount of the contract to be sure customers have the best service available at a fair price.

R12. Demonstrate active participation in professional organizations focused on the work of sanitary districts, such as California Water Environment Association, by June 30, 2017. Require CWEA certification of district operators, including contractors, by June 30, 2017.

The recommendation will not be implemented because it is not warranted or is not reasonable.

The Westborough Water District does not maintain, repair or operate a treatment plant. The District has an agreement with the North San Mateo County Sanitation District for maintenance, repair and treatment of the District's sewer facilities. All of the NSMCSD employees who work on the sanitary sewer system and operate their treatment plant hold CWEA certification. All of the people who work on the Westborough system also have a CWEA certification. District staff does not perform this work, as it is against the law for District field staff to use tools for repairing sanitary sewers and then use them for drinking water repairs due to potential cross contamination. In short, there is no justification for any change.

R13. Develop plans for coordinating resources in the event of a local or regional emergency by June 30, 2017.

The recommendation has not yet been implemented, but will be implemented in the future.

The District will review its plans for coordinating resources and issue a report by June, 2017.

R14. Evaluate the benefit of changing the timing of board director elections to November of even years, when federal and state elections generate greater turnout.

The recommendation requires further analysis, which will be completed by December 28, 2016.

R15. Develop, publish, and track separate budgets for sewer and water services, beginning with Fiscal Year 2016-2017.

The recommendation will not be implemented because it is not warranted or is not reasonable.

A copy of the District's Annual Financial Reports for the last 5 years can be found on the District's website under Budget/Finance. The Annual Financial Reports specifically detail the separation of revenue, expense, assets, depreciation, connection fees, and reserves for water and sewer. In addition, the District has made every reasonable effort to provide information to the public and, upon the recommendation of the Grand Jury, has obtained a District Transparency Certificate of Excellence by the Special District Leadership Foundation. In order to obtain the certificate the District had to meet certain criteria for transparency of District budgets. Moreover, the District has never had any request or complaints whatsoever from a customer requesting information from the District that couldn't be found in our Annual Financial Reports.

R16. Explore the feasibility of establishing a flat rate for capital improvements separate from the water usage rate. Report back at a public meeting by December 31, 2016.

The recommendation will not be implemented because it is not warranted or is not reasonable.

There is no justification in the Grand Jury's report for establishing a flat rate for capital improvement separate from the water usage rate. Changing the District's rate structure from a usage-based rate would require the District to perform a costly rate study and may require renegotiation of our agreement with the North San Mateo County Sanitation District. Currently, new development is required to pay fees toward capital improvements. Other improvements that benefit the entirety of this small district are paid out of reserves. Without some explanation or discussion as to the reasons for this recommendation, the District is unable to respond further.

R18. Initiate a service review of the Westborough Water District to examine whether its operations might be more efficiently and effectively run if they were consolidated with another entity's operations.

The District disagrees with this Recommendation.

Although this Recommendation has not been directed to the District, because it pertains to the District, the District has chosen to respond. A thorough review of the District's operations was conducted by LAFCO in 1987. The fundamental facts that supported that determination have not changed. In addition, the two adjacent agencies who would logically be involved in any such change, have indicated that they have no interest in pursuing any reorganization at this time. The District is operating smoothly and providing good service to its customers for a reasonable cost. Based upon the District's responses, there are compelling facts that were not considered by the Grand Jury in making its recommendations for reorganization of the District. At this point, investing the significant time and effort involved in a service review of the District would serve little purpose.

RESPONSE TO FINDINGS

F1. From 2013-2015, San Mateo County sewer agencies had more than twice as many sanitary sewer overflows as San Jose and three times as many as Central Contra Costa Sanitary District.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The District has only had a single sewer overflow in the period stated, which was in 2013.

F2. Independent district websites have gaps in information regarding historical rates, sewer system management plans, and sanitary sewer overflows. Meeting minutes and financial audits are frequently out of date.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. Minutes from meetings of the District's Board of Directors for the last five years are posted on the District's website. Once the minutes are approved at the next board meeting, they are posted to the District's website within two weeks. The District agrees to include information on its website regarding historical rates, sewer system management plans, and sanitary sewer overflows.

F3. The use of the annual property tax statement for billing purposes makes the cost of sewer services less visible to residents.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. With regard to Westborough, the decision to place the sewer service charges on the property tax roll was a considered decision, made in part to provide uniformity with other agencies, as new residents moving from other localities were unprepared to find sewer charges on their bimonthly bills. A substantial number of our customer are renters. The change also helped to minimize disputes between landlords and tenants regarding which party had responsibility for sewer charges and also reduced the amount of the initial deposit required to initiate water and sewer service. The shift to

collecting sewer rates on the property tax bill was also made to limit the number and magnitude of uncollectable accounts, the costs of which are borne by all (paying) customers.

F4. Elections for sanitary district board membership are rarely contested, and when they are, voter turnout is low. The average tenure of board members is over 10 years.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The information provided regarding the tenure of Westborough directors is accurate. The experience of our directors, who have received significant training over the years, helps to ensure that the District is well managed.

F5. Five of the six districts receive countywide property taxes, which means that residents' fees are not paying the full cost of sewer services.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The District agrees that property taxes pay a portion of the sewer and water services provided by Westborough. However, as explained in the District's response to Recommendation 7, the elimination of the property tax would require action by the State Legislature and would not result in any direct benefit to the District, as those funds would likely be spread among different agencies, many of which are county-wide in their scope. Such an action would essentially result in a tax increase to our residents, with only a minimal corresponding financial benefit.

F6. Sewer rates from 2010-2011 to 2015-2016 increased faster than the consumer price index. The six districts acknowledged that this trend is likely to continue given the age of pipelines in the County and the cost of maintenance to and replacement of those pipelines.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The District's overall rate between 2010-2011 to 2015-2016 increased from \$5.73 to \$7.52, a rate of 5.2% per year. Of that increase, 80% is attributable to increases in the NSMCSD rates, which would have been incurred if the District was under NSMCSD control. The District's share of the overall rate is currently 16.8%.

<u>Fiscal Year</u>	<u>NSMCSD Rate</u>	<u>Total Rate</u>	<u>Rate Increases</u>
10/11	\$4.82	\$5.73	\$0
11/12	\$4.82	\$5.73	\$0
12/13	\$4.82	\$5.73	\$0
13/14	\$5.26	\$6.17	\$0.44 (NSMCSD increase)
14/15	\$5.74	\$6.87	\$0.70 (NSMCSD increase \$0.48 WWD increase \$0.22)

15/16	\$6.26	\$7.52	\$0.65 (NSMCSD increase \$0.52 WWD increase \$0.13)
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F7. Funds for treatment plants pass from ratepayers through the independent sanitary districts to the treatment plants; the sanitary districts add little value.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. A substantial majority of the funds collected by the District for sewer service are in turn paid to NSMCSD, which provides the vast majority of the service. The District's primary function is billing and collections, which is done jointly with its water service. The District also pays for the capital and power requirements of the sewer system, which includes the operation of pump stations necessary to transfer the sewage to NSMCSD.

F8. The total budget for operating the boards of the six districts studied is over \$225,000. East Palo Alto's average annual compensation for directors is \$18,000, 66% higher than the next highest (and much larger) district, West Bay. Bayshore and East Palo Alto offer employee-type benefits to directors including dental insurance.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The total compensation paid to the District board for 2015 year totals \$10,366 with an average of \$2,073 per board member per year. Directors obtain no health or dental benefits.

F9. The pipelines of the six districts are aging, with almost half having been laid over 50 years ago. These pipes are approaching end of life.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The District has very few sanitary sewer overflows due to the condition of our pipes. Included in this year's capital improvement program of sanitary sewer projects is a District-wide sewer cleaning and video inspection project. This project involves cleaning all the sewer mains, followed by a thorough CCTV inspection. The CCTV inspection will detail the pipe condition, identify the specific location and severity of observed defects. Following the inspection program, the District, working with its consulting engineer, will prepare a plan to address any defects that are discovered.

F10. There are many wholly or partially redundant activities across the six independent districts, including board costs, financial audits, legal services, and engineering.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The District's Board of Directors is uniquely qualified, through their experience, to manage the District's water and sanitary sewer systems.

Should other agencies take over the business affairs of the District, these functions would need to be addressed by multiple agencies, resulting in little or no gain in efficiency. The District's professional services are provided by firms that serve multiple agencies performing the same functions, allowing for efficiencies of scale in the services provided.

F11. Most of the independent sanitary districts rely almost entirely on contractors to fulfill their responsibilities.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The District has five full-time employees. Forces from the District and NSMCSD perform a substantial majority of the field work. Contractors are only used for large projects or for emergency repairs that can't be performed by staff.

F12. In many cases, district leadership is unfamiliar with the existing and emerging technologies for improving sewer system performance while reducing costs.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. Through its working relationship with NSMCSD, the District relies on the knowledge and experience of the North San Mateo County Sanitation District and the District's consulting engineer with regard to emerging technologies for improving the sewer system performance while reducing costs. One example is our planned video inspection of our sewer system.

F13. The proliferation of sanitary districts within San Mateo County makes it challenging to coordinate an emergency response. The districts themselves have not reviewed or discussed emergency/disaster planning within their boards in the past year.

The District does not have sufficient information about other districts to agree or disagree with this finding as stated. The District would generally rely on NSMCSD to address a sewer system emergency. The District is participating in the San Mateo County Hazard Mitigation Plan.