

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

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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.

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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.

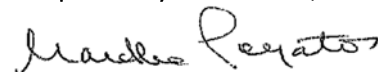
Recommendations

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