

## 4. LAKE CANYON COMMUNITY SERVICES DISTRICT

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### AGENCY OVERVIEW

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

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

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### Boundaries

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

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### Sphere of Influence

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

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### Type and Extent of Services

#### *Services Provided*

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

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<sup>42</sup> Government Code §61000-61226.5.

<sup>43</sup> Government Code §61106.

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

#### Service Area

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

#### Service to Other Agencies

LCCSD does not provide contract services to other agencies.

#### Contracts for Services

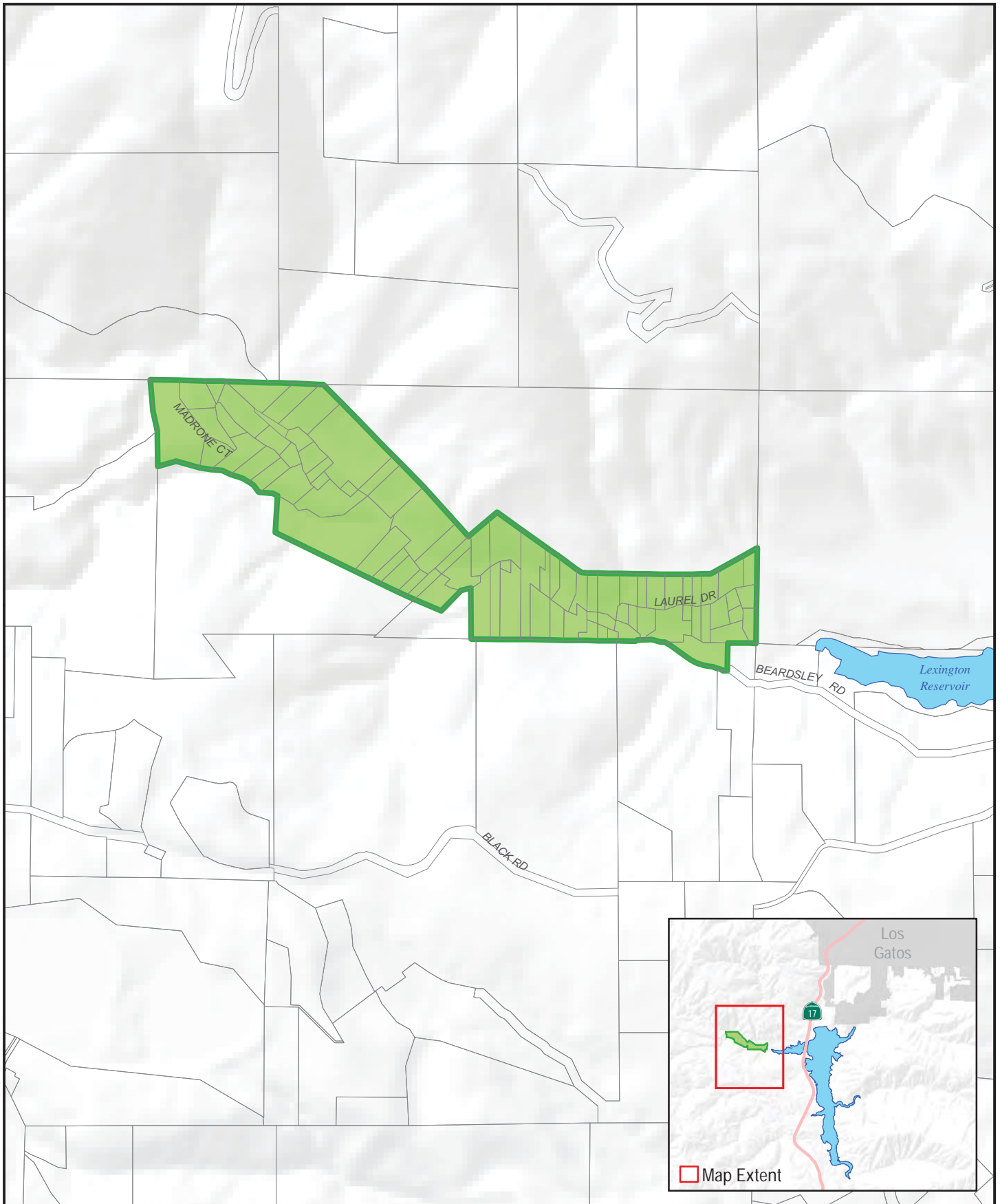
LCCSD contracts for the part-time services of a general manager. The District does not have any contracts with public agencies for service delivery.

#### Collaboration




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

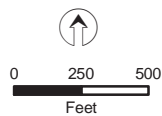
#### Overlapping and Neighboring Service Providers

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



### Lake Canyon Community Services District

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



**LAFCO**  
 Local Agency Formation Commission of Santa Clara County  
 June 2013

This map created by the Santa Clara County Planning Office. The GIS data was compiled from various sources. It is not intended to be used for legal purposes. © 2013 LAFCO. All rights reserved.

## ACCOUNTABILITY AND GOVERNANCE

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

**Figure 4-2: LCCSD Governing Body**

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

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

<sup>44</sup> Not Provided.

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

The district Board meets every first Monday of the month at seven pm. Meetings are held at the filtration plant that belongs to the mutual water company owned by property owners in the Lake Canyon community. LCCSD board members receive no compensation. Government Code §53235 requires that if a district provides compensation or reimbursement of expenses to its board members, the board members must receive two hours of training in ethics at least once every two years and the district must establish a written policy on reimbursements. LCCSD has not provided its policies on expense reimbursements and has not informed LAFCO whether its board members have conducted ethics training in the last two years as required.

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

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

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

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

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

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

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

## **MANAGEMENT AND STAFFING**

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

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

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

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

Government Code §53901 states that within 60 days after the beginning of the fiscal year each local agency must submit its budget to the county auditor. These budgets are to be filed and made available on request by the public at the county auditor's office. The District has not submitted its budget for FY 13-14 to the County, as reported by the Santa Clara County Auditor's Office.

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

All special districts are required to submit annual audits to the County within 12 months of the completion of the fiscal year, unless the Board of Supervisors has approved a biennial or five-year schedule.<sup>46</sup> In the case of LCCSD, the District must submit audits every five years.<sup>47</sup> The District has never submitted its audits to the County as required.

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<sup>46</sup> Government Code §26909.

<sup>47</sup> Resolution 2010-377.

## POPULATION AND PROJECTED GROWTH

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### Land Uses

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

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### Current Population

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

#### Disadvantaged Unincorporated Communities

LAFCO is required to evaluate disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. A disadvantaged unincorporated community is defined as any area with 12 or more registered voters, or as determined by commission policy, where the median household income is less than 80 percent of the statewide annual median.<sup>48</sup>

The California Department of Water Resources (DWR) has developed a mapping tool to assist in determining which communities meet the disadvantaged communities median household income definition.<sup>49</sup> DWR did not identify any disadvantaged communities within Santa Clara County.<sup>50</sup>

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

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### Projected Growth

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

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<sup>48</sup> Government Code §56033.5.

<sup>49</sup> Based on census data, the median household income in the State of California in 2010 was \$57,708, 80 percent of which is \$46,166.

<sup>50</sup> DWR maps and GIS files are derived from the US Census Bureau's American Community Survey (ACS) and are compiled for the five-year period 2006-2010.

## FINANCING

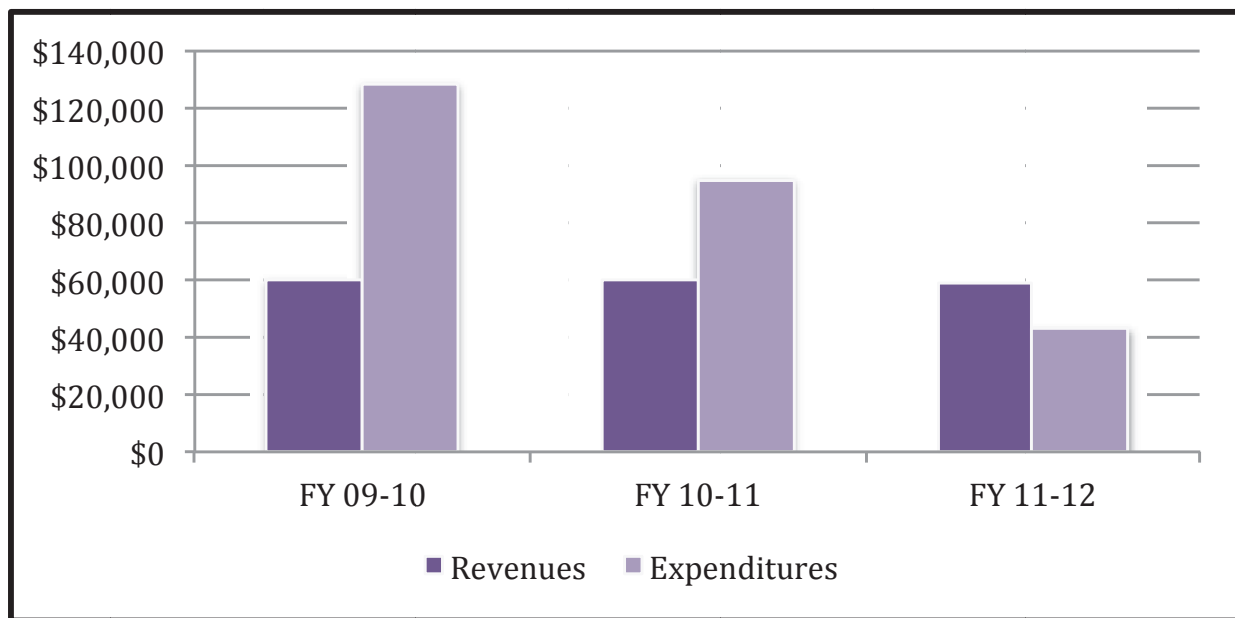
### Financial Adequacy

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

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

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

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



Source: Profit and Loss statements provided by LCCSD.

### Revenue Sources

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



**Figure 4-4: LCCSD Revenue FY 12**

| Type of Revenue      | Amount          | % of Total    |
|----------------------|-----------------|---------------|
| Property Assessments | \$58,137.75     | 99%           |
| Reimbursed expenses  | \$405.86        | 1%            |
| <b>TOTAL</b>         | <b>\$58,544</b> | <b>100.0%</b> |

Source: Profit and Loss Statement, FY 12.

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## Expenditures

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

**Figure 4-5: LCCSD Expenditures FY 12**

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

Source: Profit and Loss Statement, FY 12.

## Capital Outlays

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

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## Reserves

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

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

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

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## Debt

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

## **INFRASTRUCTURE AND FACILITIES**

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

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

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

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## Infrastructure Needs

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

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

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## Shared Facilities

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

### DEMAND FOR SERVICES

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

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

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

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

Source: As reported by LCCSD.

### SERVICE ADEQUACY

This section reviews indicators of service adequacy, including regulatory compliance, sewer system overflows (SSOs), and collection system integrity. These service adequacy measures are outlined in Figure 4-7.

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

Wastewater agencies are required to report sewer system overflows (SSOs) to the State Water Resources Control Board (SWRCB). Overflows reflect the capacity and condition of collection system piping and the effectiveness of routine maintenance. One way of measuring collection system performance is to calculate an annualized sewer overflow rate. Some collection system agencies only have a responsibility to maintain sewer mains, while others are similar to the District and are responsible for both sewer mains and laterals. To provide a universally comparable sewer overflow rate, the sewer overflow rate is calculated as the number of overflows per 100 miles of mainline collection piping. LCCSD reported no overflows, during the period from January 1, 2010 thru July 1, 2013, and consequently the annual overflow rate during this 3.5 year period is zero.

There are several measures of integrity of the wastewater collection system, including peaking factors, efforts to address infiltration and inflow (I/I), and inspection practices. Peaking factor is defined as the ratio of peak flow to average dry weather flow. A peaking factor of about 3.0 is a generally accepted factor for the design of small diameter pipe. The District did not provide dry weather and wet weather flows, but reported that flow was generally consistent throughout the year and that the system is not greatly affected by infiltration and inflow.

Figure 4-7: LCCSD Wastewater Service Adequacy Indicators

| <b>Wastewater Service Adequacy and Efficiency</b>   |       |  |    |
|---|-------|--|----|
| <b><i>Regulatory Compliance Record, 2010-13</i></b>   |       |  |    |
| Formal Enforcement Actions  | 0     | Informal Enforcement Actions             | 0  |
| <b><i>Enforcement Action Type</i></b>   |       | <b><i>Description of Violations</i></b>  |    |
| None  |       | N/A                                      |    |
| <b><i>Total Violations, 2010-13</i></b>   |       |  |    |
| Total Violations  | 0     | Priority Violations                      | 0  |
| <b><i>Service Adequacy Indicators</i></b>   |       |  |    |
| Total Employees (FTEs)  | 0.09  | Sewer Overflows 2010 - 2013 <sup>2</sup> | 0  |
| MGD Treated per FTE   | 0.028 | Sewer Overflow Rate <sup>3</sup>         | 0  |
| Sewer Miles per FTE   | 26    | Peaking Factor                           | NP |
| <b><i>Infiltration and Inflow</i></b>   |       |  |    |
| No infiltration and inflow issues.  |       |  |    |
| <b><i>Collection System Inspection Practices</i></b>  |       |  |    |
| The District conducts visual inspection of its system when needed.  |       |  |    |
| Notes:  |       |  |    |
| (1) Order or Code Violations include sanitary sewer overflow violations.  |       |  |    |
| (2) Total number of overflows experienced (excluding those caused by customers) from January 1, 2010 to July 1, 2013 as reported by the agency. |       |  |    |
| (3) Sewer overflows from January 1, 2010 to July 1, 2013 (excluding those caused by customers) per 100 miles of collection piping.              |       |  |    |
| (4) NP- Not Provided  |       |  |    |

## GOVERNANCE STRUCTURE OPTIONS

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

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

## LAKE CANYON COMMUNITY SERVICES DISTRICT SERVICE REVIEW DETERMINATIONS

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### Growth and Population Projections

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

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

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

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

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

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

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### Financial Ability of Agency to Provide Services

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

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### Status and Opportunities for Shared Facilities

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

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### Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

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

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



## LAKE CANYON COMMUNITY SERVICES DISTRICT SPHERE OF INFLUENCE UPDATE

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### Existing Sphere of Influence Boundary

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

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### Recommended Sphere of Influence Boundary

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

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### Proposed Sphere of Influence Determinations

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

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

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

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

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

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

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

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

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

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