

## 8. WEST BAY SANITARY DISTRICT

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### AGENCY OVERVIEW

West Bay Sanitary District (WBSD) provides sanitary sewer services and solid waste collection services to the City of Menlo Park, portions of the Cities of East Palo Alto and Redwood, the Towns of Atherton, Woodside and Portola Valley, portions of unincorporated south San Mateo County, and several parcels in Santa Clara County near Los Trancos Creek.

WBSD is located primarily within San Mateo County, with minimal territory in Santa Clara County. Based on the assessed value of property within the District in each county, San Mateo LAFCO is the principal LAFCO for the District, and will review and update the sphere of influence for the District. This is not a detailed review of the WBSD's services, as San Mateo LAFCO is responsible for reviewing the District, adopting determinations, and updating the sphere of influence. LAFCO of Santa Clara County will not adopt determinations for this District as part of this service review.<sup>86</sup> WBSD is included in this report to ensure a comprehensive review of wastewater service provided by special districts in Santa Clara County. However, any application for boundary change or change of governance would be processed by San Mateo LAFCO, as the principal LAFCO. Santa Clara LAFCO last conducted a service review on WBSD in 2007. San Mateo LAFCO last completed a detailed service review on WBSD in 2009. San Mateo LAFCO's service review was used as the foundation for the content in this chapter, with certain updates.

The District was established in 1902 pursuant to a petition signed by residents requesting the formation of a sanitary district. The District was first known as Menlo Park Sanitary District. It was formed to perform a variety of public health functions including animal control, meat inspection, licensing of plumbers and garbage services in addition to sewage collection. Over time several functions were taken over by other agencies and the District's boundaries expanded with urbanization.

The principal act that governs the District is the Sanitary District Act of 1923.<sup>87</sup> The principal act empowers the District to acquire, plan, construct, reconstruct, alter, enlarge, lay, renew, replace, maintain, and operate all of the following: garbage dumpsites, garbage collection and disposal systems; sewers, drains, septic tanks, sewage collection, outfall, treatment works and other sanitary disposal systems; stormwater drains, collection, outfall and disposal systems; and water recycling and distribution systems.<sup>88</sup> Districts must apply and obtain LAFCO approval to exercise services authorized by the principal act but not already provided (i.e., latent powers) by the district at the end of 2000.<sup>89</sup>

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<sup>86</sup> Assessed value of property within the District in FY 10-11 in Santa Clara and San Benito Counties was \$16.9 million and \$124.3 million, respectively.

<sup>87</sup> California Health & Safety Code, Div. 6, Pt. 1, §§ 6400-6830.

<sup>88</sup> California Health & Safety Code §6512.

<sup>89</sup> Government Code §56824.10.

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## Boundaries

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A large majority of the District is located within San Mateo County; however, a small portion of the District and a few customers (19 parcels) are located within unincorporated areas of northwestern Santa Clara County. The District's boundary within Santa Clara County is located within and adjacent to the northwest boundary of Palo Alto's SOI, along the San Mateo County line, and encompasses approximately 0.1 square miles.

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## Sphere of Influence

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The sphere of influence for WBSD includes its current boundaries plus additional territory, including Portola Valley and Town of Woodside and the service area of East Palo Alto Sanitary District. The District's SOI within Santa Clara County extends outside of its bounds in a small area (12 parcels) in the northern portion of the District within Santa Clara County.

During the most recent SOI update for WBSD, San Mateo LAFCO reaffirmed the SOI as it was adopted in 1985, based on the absence of significant changes since the sphere was adopted that merited amendment to the sphere of influence.

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## Type and Extent of Services

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### Services Provided

WBSD provides sewage collection as a direct service and sewage treatment via membership in the South Bayside System Authority (SBSA), as well as garbage collection in certain unincorporated areas within district boundaries through a franchise with Allied Waste as a member of the South Bayside Waste Management Authority (SBWMA).

WBSD owns, operates and maintains the wastewater collection system (including wastewater mains, pumps, and a storage system) within its bounds. Along with the Cities of Redwood City, San Carlos and Belmont, the District is a member of the SBSA for sewage treatment in which member agencies share the cost of operating a regional sewage treatment plant.

The District is responsible for solid waste collection and disposal in certain unincorporated areas within district boundaries, including Ladera, West Menlo and Park, Menlo Oaks. This service is not provided in Santa Clara County. Basic services include weekly garbage collection, every other week recycling and two annual on-call bulky pickups per household. Each jurisdiction sets the level and range of services including size of container, curbside versus yard pick up, etc. The District is a member of SBWMA, which currently contracts with Recology for solid waste collection. SBWMA is a joint powers agreement consisting of the County of San Mateo, ten cities and WBSD. The joint powers authority (JPA) was formed in 1982 to issue bonds to purchase the Shoreway Disposal and Recycling Center in San Carlos. The JPA provides for recycling and solid waste management planning and program implementation, including negotiating contracts for collection services and facility operating contracts. The District has been in negotiations to have San Mateo County take on the garbage franchise and WBSD has filed a notice of withdrawal to

SBWMA. Transfer of a service to another provider is considered “divestiture of service” and requires an application to San Mateo LAFCO pursuant to Government Code §56824.10.

#### Service Area

WBSD’s service area includes the City of Menlo Park, portions of the Cities of East Palo Alto and Redwood, the Towns of Atherton, Woodside and Portola Valley, portions of unincorporated south San Mateo County, and several parcels in Santa Clara County. Within Santa Clara County, the District’s bounds extend from Los Trancos Road in the south to just south of Arastadero Road in the north. All parcels within the District’s bounds in Santa Clara County receive wastewater services from the District. There are several parcels that are within the District’s SOI that rely on private septic systems or are undeveloped. As these private septic systems fail or property is proposed for development, the parcels are annexed into the District and the parcel is connected to WBSD’s wastewater collection system.

#### Service to Other Agencies

WBSD does not provide contract services to other agencies.

#### Contracts for Services

As previously mentioned, WBSD receives wastewater treatment services from SBSA and solid waste management from SBWMA.

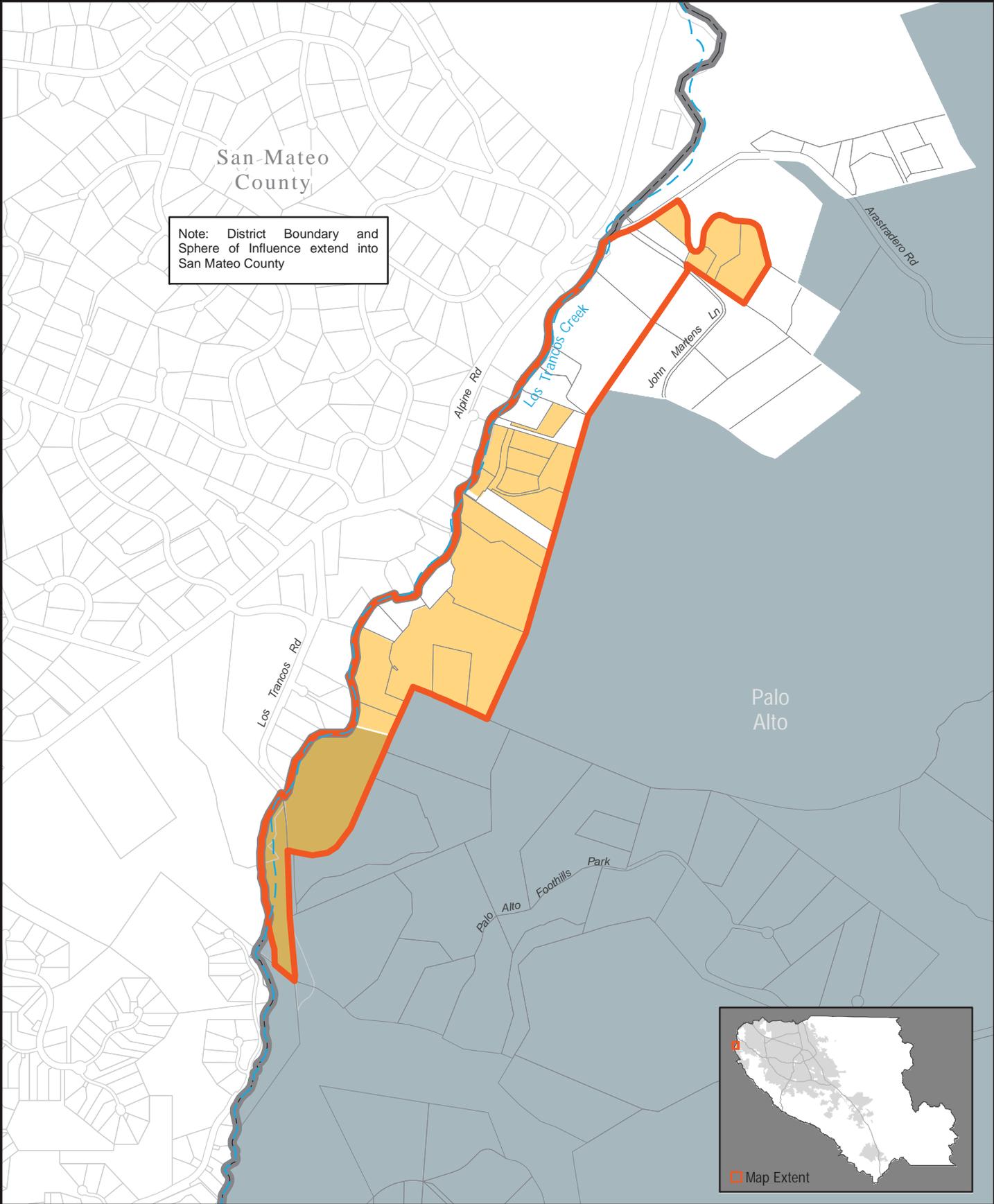
#### Collaboration

In addition to the two JPAs from which the District receives services, WBSD is a member of several collaborative associations, including the California Water Environment Association, Bay Area Clean Water Association, California Association of Sanitary Agencies, and California Special Districts Association.

#### Overlapping and Neighboring Service Providers

There are no other agencies providing duplicative wastewater services within WBSD’s bounds; however, the District is adjacent to and extends into the City of Palo Alto, which provides its own wastewater services. On the one developed parcel where WBSD overlaps with the City, WBSD provides wastewater collection services, as the parcel is remote from city wastewater infrastructure.

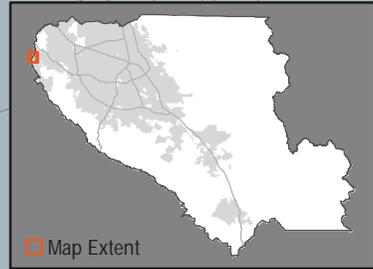
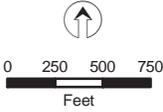
In unincorporated areas in WBSD within Santa Clara County solid waste services are provided by Recology South Bay through a franchise agreement with the County. For the few parcels that are within both WBSD and the City of Palo Alto, solid waste collection is provided by the private company Green Waste through a contract with the City.



Note: District Boundary and Sphere of Influence extend into San Mateo County

### West Bay Sanitary District

- West Bay Sanitary District SOI
- Parcels
- West Bay Sanitary District
- Incorporated Areas



This map created by the Santa Clara County Planning Office. The GIS data was compiled from various sources including the Planning Office, various agencies, and the Santa Clara County GIS.

## ACCOUNTABILITY AND GOVERNANCE

WBSD is governed by a five-member Board, elected at large, to four-year terms. The current member names, positions, and term expiration dates are show in Figure 8-2.

**Figure 8-2: WBSD Governing Body**

West Bay Sanitary District					
<i>District Contact Information</i>					
<b>Contact:</b>	Phil Scott, District Manager				
<b>Address:</b>	500 Laurel Street Menlo Park, CA 94025				
<b>Telephone:</b>	650-332-0384				
<b>Website:</b>	<a href="http://www.westbaysanitary.org">www.westbaysanitary.org</a>				
<i>Board of Directors</i>					
Member Name	Position	Began Serving	Term Expires	Manner of Selection	Length of Term
Ronald Shepherd	President	1999	December 2015	Elected	4 years
David Walker	Secretary	1999	December 2015	Elected	4 years
Fran Dehn	Director	2008	December 2015	Elected	4 years
Edward P. Moritz	Director	2009	December 2013	Elected	4 years
Roy Thiele-Sardina	Director	2011	December 2013	Appointed	4 years
<i>Meetings</i>					
<b>Date/Time:</b>	Second and fourth Wednesday of the month at 7:00 pm.				
<b>Location:</b>	District Office				
<b>Agenda Distribution:</b>	Agendas are posted at the city hall, library, district office, and website				
<b>Minutes Distribution:</b>	Website				

The district Board meets every second and fourth Wednesday of the month. The regular meetings begin at 7:00 pm in the district office. Directors receive a \$155 stipend per Board or State Association meeting, not to exceed \$930 per month. Government Code §53235 requires that if a district provides compensation or reimbursement of expenses to its board members, the board members must receive two hours of training in ethics at least once every two years and the district must establish a written policy on reimbursements. The WBSD Board last conducted ethics training in 2012. WBSD has an adopted policy on expense reimbursements as part of its General Rules of Office. Additionally, the District is required to make available to the public a list of reimbursements over \$100 made to board members and employees over the last year.<sup>90</sup> WBSD was able to provide this list of reimbursements for FY 12.

The Board of Directors' meeting agendas and minutes are posted at various city halls, libraries, the district office and on the District's website. Agendas are posted 72 hours prior to every Board meeting. The District conducts constituent outreach in addition to

<sup>90</sup> Government Code 53065.5

legally required agenda posting via an annual newsletter in the Almanac newspaper, brochures, Chamber of Commerce advertisements, press releases, and its website. The District maintains a website that includes general information, governing board membership, budget, fees and regulations and master plans. During San Mateo LAFCo's last service review the District was encouraged to include on the district website the current and prior year budgets, previous two audited financial statements, and the LAFCo municipal service review. The District has added its last three financial audits to the site since then. The District does not keep budgets from previous years on its website, but has posted a link to the San Mateo LAFCo website where the previous service review is made available.

Complaints may be submitted by phone, in person, email, post, comments at board meetings, and customer service surveys. Most complaints are regarding sewer laterals, for which the property owner is responsible. The personnel responsible for handling a complaint to resolution may be administrative staff, management personnel or the operations superintendent depending on the nature of the complaint.

The District has adopted General Rules of Office which guide the efforts of the Board. Included in the rules are policies on code of ethics and conduct, conflicts of interest, and a general mention that individual board members must comply with Brown Act requirements. The District does not have a policy specific to public records requests.

Government Code §87203 requires persons who hold office to disclose their investments, interests in real property and incomes by filing appropriate forms with the Fair Political Practices Commission each year. All WBSD Directors have submitted the required Form 700 for 2013.

## **MANAGEMENT AND STAFFING**

The District has 25 full-time employees, including seven in administration and 18 in Collections and Operations. The district manager, who reports to the Board of Directors, is responsible for the day-to-day operations of the District. WBSD contracts for engineering and legal counsel services.

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

WBSD has adopted a mission statement, goals, objectives, and performance measures. Other documents that the District uses to guide efforts and services include its Sanitary Sewer Master Plan, a 10-year capital improvement plan, annual performance measurement reports, regular customer service surveys, and the annually adopted budget. The District has adopted a budget for FY 13, which is available on its website. The District holds a budget workshop prior to adopting its budget annually. The District is also in the process of developing a strategic plan.

Government Code §53901 states that within 60 days after the beginning of the fiscal year each local agency must submit its budget to the county auditor. These budgets are to be filed and made available on request by the public at the county auditor's office. The

District has submitted its budget for FY 12-13 to the County, as reported by the San Mateo County Auditor's Office.

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

All special districts are required to submit annual audits to the County within 12 months of the completion of the fiscal year, unless the Board of Supervisors has approved a biennial or five-year schedule.<sup>91</sup> In the case of WBSD, the District must submit audits annually. The District has submitted its audit for FY 12 to the County as required.

## **POPULATION AND PROJECTED GROWTH**

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### Land Uses

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Land use in district boundaries is varied and the under the jurisdiction of the Cities of Menlo Park, Atherton, and East Palo Alto, the Town of Portola Valley, the Town of Woodside and the Counties of San Mateo and Santa Clara. Land use consists primarily of residential, commercial, and institutional uses.

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### Current Population

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The District estimates that there are approximately 52,900 residents within its boundaries in both San Mateo and Santa Clara counties. Based on 2010 Census data, the District's population in Santa Clara County as of 2010 was 35.

#### Disadvantaged Unincorporated Communities

LAFCO is required to evaluate disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. A disadvantaged unincorporated community is defined as any area with 12 or more registered voters, or as determined by commission policy, where the median household income is less than 80 percent of the statewide annual median.<sup>92</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>93</sup> DWR did not identify any disadvantaged communities within Santa Clara County.<sup>94</sup>

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<sup>91</sup> Government Code §26909.

<sup>92</sup> Government Code §56033.5.

<sup>93</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>94</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.

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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In regard to growth projections, based on population estimates for territory in district boundaries and ABAG projected growth for these jurisdictions, WBSD is projected to grow by 16 percent or 61,364 persons by 2035.

The District makes projections for future growth needs in its master plan. The District anticipates that growth will be limited and have a minimal effect on demand for services in the foreseeable future. The potential for growth is largely concentrated in the Portola Valley area.

## FINANCING

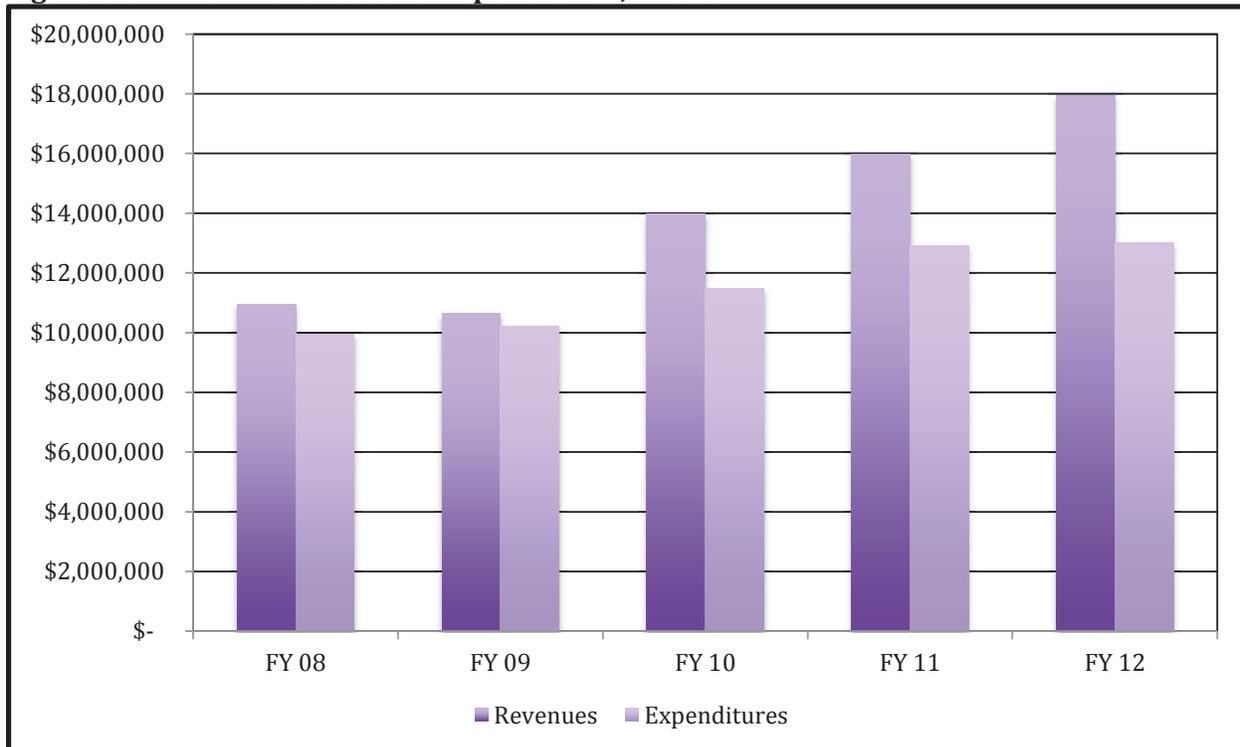
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### Financial Adequacy

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WBSD reported that current financing levels are sufficient to provide an adequate level of services; however, the District continues to look for cost savings. Most recently, the District has reduced pension liability through negotiations.

As shown in Figure 8-3, in each of the past five fiscal years total revenues exceeded total expenditures (including depreciation). Both revenues and expenditures have steadily increased over the last five years. Revenues have outpaced the increase in expenditures during that time period.

**Figure 8-3: WBSD Revenues and Expenditures, FYs 08-12**

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

## Revenue Sources

In FY 12, the District received \$17.9 million in total revenue as depicted in Figure 8-4. The District's revenue sources consist primarily of charges for service (94 percent) and revenue from the SBSA (five percent). Interest income, fees for services, and miscellaneous sources consisted of one percent of total district revenues. WBSD does not receive revenue from property taxes.

**Figure 8-4: WBSD Revenues, FY 12<sup>95</sup>**

Type of Revenue	Amount of Revenue	% of Total
Charges for Service	\$16,755,017	93.5%
SBSA Payments	\$862,056	4.8%
Other Fees for Service	\$78,989	0.4%
Flow Equalization Uses	\$43,560	0.2%
Investment Income	\$98,146	0.5%
Other Income	\$90,173	0.5%
<b>TOTAL</b>	<b>\$17,927,941</b>	<b>100.0%</b>

Source: Comprehensive Annual Financial Report, FY 12.

<sup>95</sup> Operating revenue and general revenue sources include business-type activities and governmental activities.

### Rates

Operating as an enterprise district, WBSD's primary revenue source is charges for service. As cited in the District's "Code of General Regulations", the purpose of the sewer service charge is to raise revenue for the costs of maintenance, operation, construction, and reconstruction of the District's wastewater facilities used for the collection, conveyance, treatment, and disposal of wastewater, including the District's share of the cost of construction, operation, and maintenance of the South Bayside System Authority wastewater facilities, and for other expenditures deemed necessary by the District's Board in order to conduct the business of the District.

Sewer service charges include a flat rate for the residential customers and a unit cost per hundred cubic feet for non-residential customers, computed to reflect costs of collection, treatment and disposal of sewage. The residential customer flat rate charge is the minimum charge levied on nonresidential sewer customers. Sewer charges are reviewed and adopted by the Board annually. Single family residential rates are \$62.67 per month for FY 12-13. The Board has approved an increase in FY 13-14 to \$68.33 per month. Commercial connections pay between \$6.82 and \$8.70 per 100 cubic feet depending on the use of the connection. As of July 1, 2013, these rates will increase to between \$7.44 and \$9.49 per 100 cubic feet.

Future charges will be impacted by the SBSA \$390 million ten-year capital improvement plan that is being funded by sale of revenue bonds with bond financing passed through to member agencies. To repay the financing sources for this plan, it will be necessary to substantially increase wastewater treatment fees resulting in increased sewer service charges. The ownership percentage for SBSA member agencies was established based on flow capacity purchased when the plant was established with WBSD contributing 23.7 percent; however, in 2012, the SBSA JPA commission approved a resolution that would increase the District's cost allocation for future capital improvement projects from 23.70 percent to 26.84 percent. Additionally, beginning in FY 10, the District accelerated a system wide rehabilitation and replacement of the sewer lines. The District's goal is to proactively replace the entire 200-mile sewer system before it reaches the end of its useful life. The District most recently conducted a long-term rate study in FY 13 to ensure that rates are set at a level to cover these anticipated significant costs. Annual rate increases will be necessary to cover these costs over the next eight fiscal years. WBSD projects a nine percent annual increase through FY 17, a four percent increase in FYs 18 and 19, and a three percent increase in FYs 20 and 21.

With regard to solid waste collection, the District establishes rates based on an annual rate application study prepared for SBWMA by a consulting firm. Rate increases adopted by the WBSD board are subject to noticing and public hearing prior to adoption. Rates for customers of SBWMA member agencies vary in each jurisdiction based on level of service (number and size of containers, curbside versus non-curbside pick up) and franchise fees charged by the jurisdiction. WBSD receives a franchise fee that is intended to cover the cost of district staff and a board member attending monthly SBWMA meetings, public WBSD hearings and notices on garbage rate adjustments and accounting. During the last service review, San Mateo LAFCo recommended that WBSD study the cost of administering the franchise, including district staff and a board member attending monthly SBWMA

meetings, public hearings and notices on garbage rate adjustments and accounting to assure that the franchise fee is adequate to cover the cost of administering the contract service and that district garbage rates adequately recover costs. During the time agencies were executing new agreements with Recology (2010), SBWMA recommended agencies charge a five percent franchise fee to cover expenses related to administering the franchise. WBSD adopted a six percent franchise fee to cover administrative costs (five percent) and establish a Rate Stabilization Fund (one percent). This franchise fee has been reportedly more adequate in meeting the needs of the District than the previous \$5,000 per year franchise fee provided for in the old agreement.

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## Expenditures

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In FY 12, the District's total expenditures amounted to \$13 million, as depicted in Figure 8-5. Primary expenditures of the District consisted of Payments to SBSA for treatment (51.6 percent) and sewage collection and general administration (39.5 percent).

**Figure 8-5: WBSD Expenditures FY 2012<sup>96</sup>**

Type of Expenditure	Amount	% of Total
Payments to SBSA	\$6,721,527	51.6%
Sewage Collection and Admin	\$5,148,418	39.5%
Depreciation	\$945,733	7.3%
Other	\$205,785	1.6%
<b>TOTAL</b>	<b>\$13,021,463</b>	<b>100.0%</b>

Source: Comprehensive Annual Financial Report, FY 12.

### Capital Outlays

The District has adopted a capital improvement plan with a 10-year planning horizon. The plan is updated annually based on the District's master plan, CCTV condition assessment, and maintenance history.

The District is also responsible for a proportionate share of capital improvements at the SBSA treatment plant.

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## Reserves

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The District maintains four separate reserve funds—general fund operating reserve, emergency capital reserve, capital project reserve, and a solid waste rate stabilization reserve. While there is not a board adopted reserve policy, the District's practice is to adopt a general fund operating reserve equal to five months of the operations expenditure budget and the budget for SBSA operations. Additionally, the target reserves for the emergency capital reserve and capital project reserves are \$5 million and \$3.5 million, respectively. At the end of FY 12, the District had a total of \$6.2 million in the four reserve funds.

<sup>96</sup> Expenditures include business-type activities and governmental activities.

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## Debt

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The District has a pay-as-you-go financing policy, with new connections paying the cost of extending infrastructure and fees funding the cost of maintenance and improvements. The District therefore has no long-term debt.

As a member of the JPA the District is liable for its share of SBSA operating and capital expenses. For the year ending June 30, 2012, the District's share was approximately 24 percent. For FY 11-12 the District's share of SBSA bond indebtedness totaled \$1,148,483, which was in line with the bond expense for the prior year.

## **INFRASTRUCTURE AND FACILITIES**

District-owned and maintained infrastructure includes the district office, 207 miles of sewer mains, 12 pump stations, flow equalization facilities, and related maintenance equipment and vehicles.

The District office located at 500 Laurel Street in Menlo Park. It was recently rebuilt and is considered to be in excellent condition.

The District built its first sewage treatment plant in 1952 and in 1982 the SBSA assumed sewage treatment responsibility for southern San Mateo County sewer agencies, including WBSD and the cities of Redwood City, San Carlos and Belmont. All wastewater collected within the District is transported via main line trunk sewers to the District's Menlo Park Pumping Station located at the entrance to Bayfront Park and from there to the SBSA Regional Treatment Plant in Redwood Shores.

As reported in the WBSD master plan, WBSD has treatment rights of 6.6 million gallons per day (mgd) of average dry weather flow and 14.4 mgd of peak wet weather flow at the SBSA plant. The average dry weather flow as reported by SBSA for WBSD was approximately 4.5 mgd or 68 percent of the District's capacity rights. WBSD's flow stabilization facility, with a storage capacity of 9.2-million gallons, is used when wastewater storage is needed for either the District or SBSA.

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## Infrastructure Needs

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More than half of the District's sewer lines are in excess of 50 years old. These older lines often experience heavy root intrusion, corrosion, and local failures. Gaps in the pipeline system admit groundwater during wet weather; this additional water floods the system and, if severe, could result in overflows from the existing system manholes. This additional water also increases the flows that need treatment at the SBSA treatment plant. Beginning in FY 10, the District has accelerated a system wide rehabilitation and replacement. The District's goal is to replace the entire system before it reaches the end of its useful life. The estimated cost of this pipeline replacement program is \$3.5 million annually.

SBSA has begun a significant program to plan, design, and construct over \$390 million in capital improvement projects. Based on the District's share of wastewater flows to the SBSA facility, WBSD must pay interest on approximately \$65 million in loans secured by

SBSA for current project work. In addition, the District will be required to pay over \$94 million in SBSA-related costs over the next decade. These projects replace aging facilities and enable the treatment plan to meet more stringent wastewater permit requirements.

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## Shared Facilities

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The Sewer District practices cost avoidance and shared facilities through participation as a member agency in the SBSA treatment plant. The District also shares costs by participating in SBWMA, which owns the Shoreway Disposal and Recycling Center.

## DEMAND FOR SERVICES

### Wastewater Collection

The District provides sewer service to approximately 18,380 residential connections and 625 commercial connections. The District has added new service connections primarily in the Portola valley area in recent years.

The District's average daily flow over the last four years is shown in Figure 8-6. Has been slowly declining. The flow in 2009 is unknown as the District's flow meters were found to be faulty and were subsequently replaced.

**Figure 8-6: WBSD Average Daily Flow (mgd), 2009-2012**

Service Level	2009	2010	2011	2012
Average Daily Flow	Unknown	3.75	3.42	3.3

Source: Reported by WBSD

### Solid Waste

Solid waste services are provided to approximately 2,000 customers.

In 2012, a total of 5,551 tons of waste were collected within the District. Of that amount, 1,730 tons were disposed of in landfills and 3,821 tons were diverted, which is equivalent to a 68 percent diversion rate.