

8.0 BURBANK SANITARY DISTRICT

The wastewater and solid waste services that are provided by the Burbank Sanitary District are evaluated within this service review.

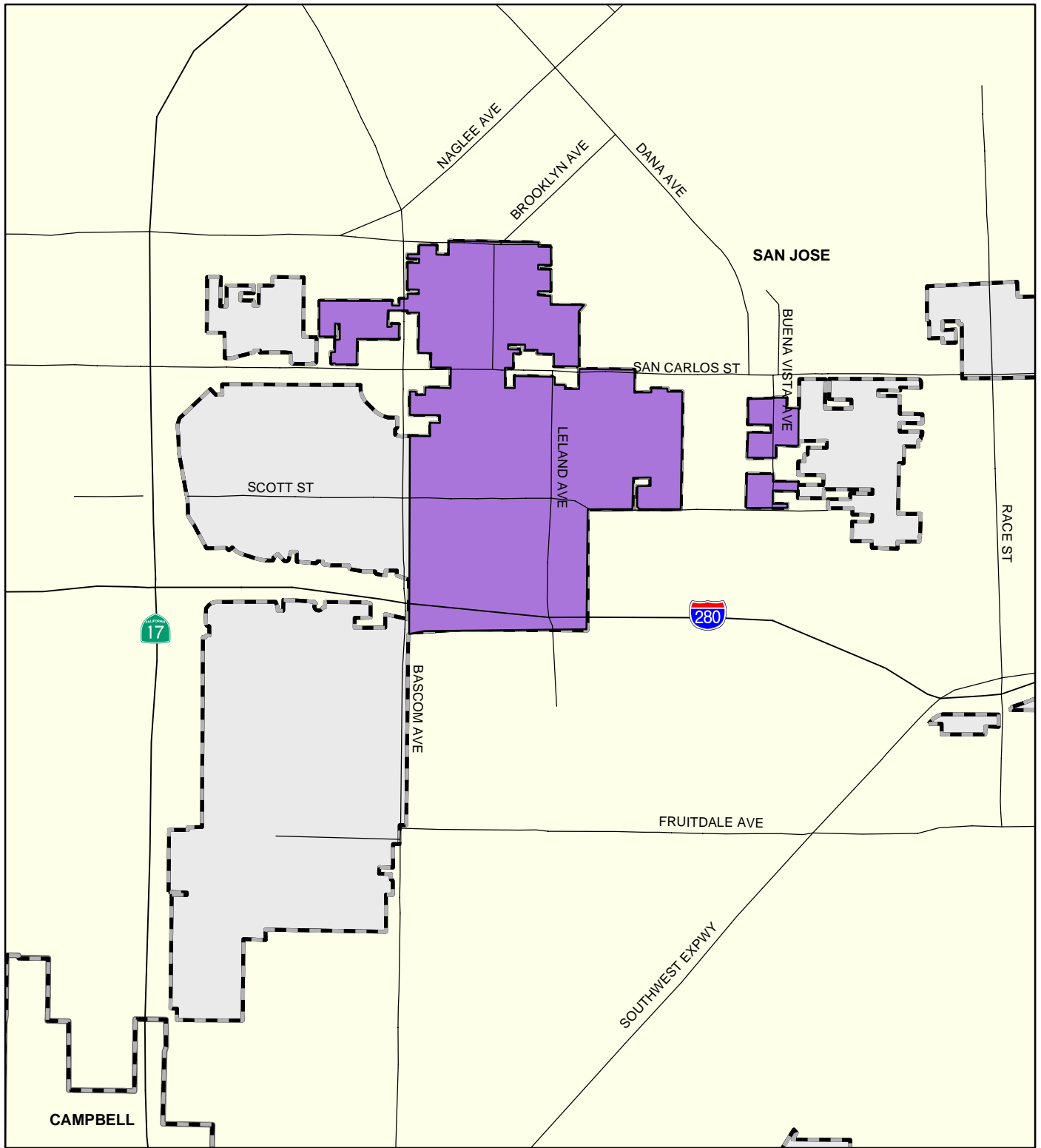
8.1 LOCATION, ADMINISTRATION, AND OPERATIONS

The Burbank Sanitary District was established in 1940 pursuant to Health and Safety Code 4700 et seq. to acquire, build, operate, and maintain a wastewater disposal system and provide solid waste and street sweeping services within an unincorporated area of Santa Clara County. The District is located within unincorporated pockets of the City of San Jose, as shown on Figure 8.1. A five member voter elected Board of Directors governs the District. The Board meets regularly on the first and third Thursdays of each month. Meeting agendas are posted at the District office and on the District's website 72 hours prior to each meeting.

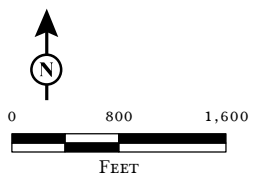
The existing development within the District is a mix of predominately single-family residential and some commercial uses. The District is not expected to grow significantly, as a majority of the land within the District's boundaries is already developed. In addition, the District is located within an unincorporated pocket of the City of San Jose and is expected to shrink in size as the unincorporated areas it serves are annexed into the City. Hence, the probable maximum service area of the District is defined by its current boundaries.

The District owns and maintains the sewer lines within the District boundaries. Wastewater that is collected within the District flows to the City of San Jose's facilities for treatment and disposal. The District contracts with the City of San Jose and pays its proportionate cost for use of the City owned sewer lines between the District and the treatment plant, and for the treatment and disposal of waste. The District does not have any employees of its own. Management services are provided by contract with an engineering consulting firm. Sanitary sewer maintenance work is provided by contract with service providers. The maintenance contractors must provide insurance limits required by the District, hold appropriate licenses, and exhibit good safety records.

The District adopts an annual budget, which is submitted to the County Controller's Office by the beginning of the District's fiscal year. All of the District's revenue is generated from service charges and connection fees. Along with budget preparation, rates for services are reviewed annually. The District has stated that no revenue or operating constraints currently exist. In FY 2004-2005 the District's revenues totaled \$500,457 and expenditures totaled \$338,516; meaning that revenues exceeded expenditures by \$161,941. At the end of FY 2004-2005 the District had an unreserved, undesignated fund balance of \$1,077,210, which is available to meet the District's needs; and a reserved fund balance of \$773,393. Of this reserve fund balance \$13,953 is reserved for debt service and \$759,440 is reserved for infrastructure improvements, which are detailed below.



LSA



SOURCE: Santa Clara County

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Legend





-  Surrounding City Sphere of Influence
-  Surrounding City Limits
-  Unincorporated Areas
-  Burbank Sanitary District

FIGURE 8.1

*Santa Clara County
LAFCO Municipal Service Reviews*

Burbank Sanitary District

The District has independent financial audits completed on a regular basis. The audit for the FY ending 2004-2005 notes certain matters involving significant deficiencies in the operation of internal control that could adversely affect the District's ability to initiate, record, process, and report financial data. The audit also provides several opportunities for strengthening internal controls and operating efficiency, which include:

- The District should keep written policies and procedures including job responsibility descriptions and a disaster recovery plan.
- The District's budget should be presented in financial statement format in order to facilitate comparisons to actual amounts reported in the financial statements. Reporting the District's original and final budgets is a required part of audited financial statements.
- At the time of the FY 2003-2004 and FY 2004-2005 audits, the District's Board did not review financial statements. As stated in the audit, financial reporting helps ensure oversight. This is especially important when one person is responsible for multiple office and accounting functions. The Board should regularly include review of financial statements and budget versus actual results in its meetings.

The District has funds that are invested by the County Treasurer in accordance with the County's Investment Policy, which stipulates the type, mix, and quality of investments. The investment criteria are designed to minimize the risk of loss.

The Burbank Sanitary District currently has approximately 1,000 sewer connections. It operates approximately 10 miles of sewer lines and transports approximately 336,000 gallons of wastewater per day to the San Jose/Santa Clara Water Pollution Control Plant. The District has stated that the existing infrastructure has the ability to accommodate infill development within the District's service area. However, overall growth is expected to be minimal, as the District lands are generally built out.

Approximately, 95 percent of the District's collection system was installed prior to 1955. The District's FY 2003-2004 financial audit references the District's annual engineer's report, which states that approximately half of sewer lateral lines are in poor condition and in need of rehabilitation. Due to this, the District had planned to begin a sewer rehabilitation project in the fall of 2004 with an estimated cost of approximately \$1.5 million. This project has not yet begun. The District expects the first \$750,000 to be paid out of the District's reserve fund and the remainder to be funded from a potential new bond issuance or possibly from a different loan source.

The District is also empowered to acquire, build, operate, and maintain garbage dump sites, disposal treatment systems, as well as collect solid waste and provide street sweeping services. Street sweeping services are provided through a service contract with Enviro-Commercial Sweeping, Inc. Streets within the District are cleaned once a week. Charges for street sweeping services are levied and contained within property tax bills. The current charge for street sweeping services is \$13.08 annually per parcel. Currently, the District does not anticipate any changes in the rates that are levied for street sweeping.

Solid waste collection services (including billing services) are currently provided through a service contract with Waste Management Inc. In the third quarter of 2004, Waste Management collected 679

tons of solid waste. Utilizing this amount as an estimate, approximately 2,716 tons annually can be expected to be collected.

Diversion rates are defined as the percentage of total solid waste that a jurisdiction diverted from being disposed in landfills through reduction, reuse, recycling programs, and composting programs. The California Public Resources Code (PRC 41780) requires all jurisdictions to achieve 50 percent solid waste diversion after the year 2000. Of the waste collected in the third quarter of 2004, approximately 37 percent was diverted. Based upon this information provided by disposal reports, the District was below this goal.

The District's contract for solid waste services expires in late 2006. Renegotiation of the service contract could result in District cost increases that may require an increase service rates. The District's rates for solid waste services are dependent upon the size of the garbage cart used. The service includes recycling, and disposal of yard trimmings. Table 8.A provides a comparison of agency solid waste service rates.

Table 8.A: Monthly Solid Waste Rates

	Burbank Sanitary District	San Jose	Santa Clara
Residential			
Single-Family	(1) 32-gallon can \$14.90	20-gallon cart \$17.22	32 gallon can \$13.25
Multi-Family	(2) 32-gallon cans \$18.45	32-gallon cart \$18.30	32 gallon can \$13.25
Townhouse	(3) 32-gallon cans \$21.95 +\$2.00 to rent a can (not required)	64-gallon cart \$36.60 96-gallon cart \$54.90	32 gallon can \$7.78
Commercial			
	N/A	Dependent on size of bin and number of pickups per week	\$8.53–\$1,889.67 Dependent on size of bin and number of pickups per week

Wastewater Rate Comparison

Residential customers are charged a set monthly rate for wastewater services, while commercial and industrial customers are charged rates that are based on the type of business and the percentage of sewage compared to the amount of water used. Table 8.B compares the District's wastewater rates to those of nearby jurisdictions.

Table 8.B: Existing Monthly Wastewater Rates

	Burbank Sanitary District	San Jose	County Sanitation District 2-3
Residential: single-family	\$26.04	\$20.70	\$22.50
Residential: multifamily	\$14.81	\$11.84	\$12.66
Commercial and industrial	From \$18.49 up depending on use	\$1.66 - 4.88 per HCF ¹ . Calculated depending on use	From \$16.88 up depending on use

¹Hundred Cubic Feet

8.2 SERVICE REVIEW DETERMINATIONS FOR THE BURBANK SANITARY DISTRICT

The Service Review guidelines prepared by the State Office of Planning and Research recommend that issues relevant to the jurisdiction be addressed through written determinations called for in the Act. Based on the above information, the following are the written determinations for the District.

Infrastructure Needs and Deficiencies

1. The District’s facilities have existing infrastructure deficiencies. A large majority of the sewer system was installed prior to 1955. Due to the age of the system, approximately half of the lines are in poor condition and in need of rehabilitation.

Growth and Population

1. ABAG has adopted a population growth rate of 1.43 percent annually through 2025 for the City of San Jose. As the District is an unincorporated island within the City, this could be applied to the District lands. However, the District is generally built out, and most future growth would be limited to infill development and redevelopment, which can only occur following annexation to San Jose. Therefore, the actual growth within the District is expected to be minimal.
2. The District encompasses unincorporated islands within the City of San Jose and will shrink in size as portions are annexed to the City. Hence, the maximum service area of the District is defined by its current boundaries.

Financing Constraints and Opportunities

1. The District’s revenue is gained solely from service charges and connection fees. Currently, there are no revenue constraints that affect the District’s service provision.
2. There is an existing need for infrastructure rehabilitation. The District will finance half of the project from the District’s reserve fund. However, a specific funding source for the other half of the project has not yet been identified.

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

Cost Avoidance Opportunities

1. Cost savings may occur if the District area were annexed into the City of San Jose and the District were dissolved. This may save administrative and Board of Director costs.

Opportunities for Rate Restructuring

1. Service rates are evaluated annually along with preparation of the budget. The District's current rates for services are similar to other wastewater service providers in the San Jose area.
2. The District's contract for solid waste services expires in late 2006. Renegotiation of the service contract could result in District cost increases that may require an increase or restructuring of service rates.

Opportunities for Shared Facilities

1. The District shares trunkline and wastewater treatment plant capacity with the City of San Jose. As the District's facilities are limited, no other opportunities for sharing facilities have been identified.

Government Structure Options

1. It has been the long-term goal of LAFCO and the County that unincorporated pockets should be annexed to the Cities. Likewise, the City of San Jose has a General Plan policy that states that unincorporated pockets should be annexed. Therefore, it is recommended that the City annex these unincorporated areas, provide service directly to these new City areas, and the District be dissolved.

Evaluation of Management Efficiencies

1. The overall management of wastewater service provision to the District area would appear to be more efficient if the areas were annexed into the City of San Jose and the District were dissolved.
2. The District's financial audit for the FY ending 2004-2005 notes significant deficiencies in the operation of internal control that could adversely affect the District's ability to initiate, record, process, and report financial data. The audit provides recommendations for strengthening internal controls and operating efficiency. The recommendations involve keeping written policies and procedures, providing the annual budget in a financial statement format, and having the Board review financial statements.

Local Accountability and Governance

1. The District has an elected Board of Directors and notices meetings by typically posting the agenda two weeks prior to the meeting date.

8.3 SOI RECOMMENDATION FOR THE BURBANK SANITARY DISTRICT

Current SOI Boundary

The Burbank Sanitary District consists of unincorporated areas that are surrounded by the City of San Jose and within San Jose's USA. LAFCO adopted the existing zero SOI for the District in 1983. This was done to recognize the long-term policy of LAFCO and the County that unincorporated pockets within cities' USAs should annex to cities and receive city services.

SOI Recommendation

As LAFCO and County policies regarding pocket areas and service provision have remained the same since adoption of the existing SOI, it is recommended that LAFCO reaffirm the existing zero SOI for Burbank Sanitary District.

8.4 SOI DETERMINATIONS FOR THE BURBANK SANITARY DISTRICT

As detailed in Section 1.1.2, Government Code section 56425 requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information above, the following determinations are provided to update the existing District SOI.

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

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

Finding: Future Development within the District is expected to be minimal and consist of infill development and redevelopment, which can only occur after annexation to the City of San Jose.

2. The Present and Probable Need for Public Facilities and Services in the Area

The population of San Jose is projected by ABAG to grow 1.43 percent annually through 2025. As the District is within an unincorporated pocket of the City, this could be applied to District lands. However, the District is generally built out, and most future growth would be limited to infill development and redevelopment, which can only occur after annexation to the City of San Jose. Therefore, actual growth within the District boundaries would be low.

Finding: The need for additional wastewater facilities and services is expected to be low in the future.

3. The Present Capacity of Public Facilities and Adequacy of Public Services That the Agency Provides or Is Authorized to Provide

For the most part, the present capacity of public facilities and provision of service appears to be adequate. However, due to the age of the District's infrastructure, approximately half of sewer lateral lines are in poor condition and in need of rehabilitation. Due to this, the District is actively soliciting bids on a sewer rehabilitation project.

Finding: The present capacity of public facilities and provision of service appears to be adequate.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They Are Relevant to the Agency

The District encompasses unincorporated islands that are predominately surrounded by the City of San Jose.

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