

16.0 SUNOL SANITARY DISTRICT

The wastewater services that are provided by the District are evaluated within this service review.

16.1 LOCATION, ADMINISTRATION, AND OPERATIONS

The Sunol Sanitary District is located within three unincorporated areas that are surrounded by the City of San Jose. The District was organized in 1940 pursuant to the California Health and Safety Code Section 4700 et seq. The District provides wastewater services to lands within its boundaries. The District is also empowered through the enabling legislation to acquire, build, operate, and maintain refuse facilities as well as to collect solid waste. However, the District does not provide these services. A five-member elected Board of Directors oversees operation of the District. The Board is elected at large for staggered four-year terms; thereby two or three members are up for election every two years. The Board meets every 2nd and 4th Thursday of each month at 6 p.m. at the Foundry School, which is located on Sunol Street in the City of San Jose. Meetings are noticed by posting the meeting agenda at the school entrance two weeks prior to the meeting date. The agenda provides the meeting date, time, and place.

The District is required to adopt an annual budget, which is submitted to the County Controller's Office by the beginning of each fiscal year. All of the District's revenue is gained from user fees and interest that is earned on reserves. It appears that only portions of the District's budget and financial audit were provided by the District for review in this Service Review. From the information available, it appears that the District has a history of operating at a net profit. However, in FY 2003-2004 the District's revenues totaled \$120,006 and expenditures totaled \$174,029; meaning that expenditures exceeded revenues by \$54,023. The District has stated that the net loss in FY 2003-2004 was due to an unexpected infrastructure repair and lower interest income on cash reserves. At the end of FY 2003-2004 the District's audit shows that the total cash on hand was \$568,071, which includes an unreserved fund balance of \$143,266 that is available to meet the District's needs; and a reserved fund balance of \$5,060 that is reserve for debt service. The District does not have any specific policies related to the use of reserve funds or the level of reserve funds that should be maintained.

The District owns approximately 3.88 miles of sewer lines that are mostly six inches in diameter. The District provides wastewater services to 418 connections. 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 it proportionate cost for the use of the City owned sewer lines between the District and the San Jose/Santa Clara Wastewater Treatment Plant, and for treatment and disposal of the waste. The District has stated that the existing system has the capacity to accommodate infill development within the District. The District has also stated that the existing infrastructure has some normal deterioration but this does not currently require rehabilitation or upgrades. If new or upgraded infrastructure were needed, the District would utilize reserve funds and increase wastewater rates to finance them.

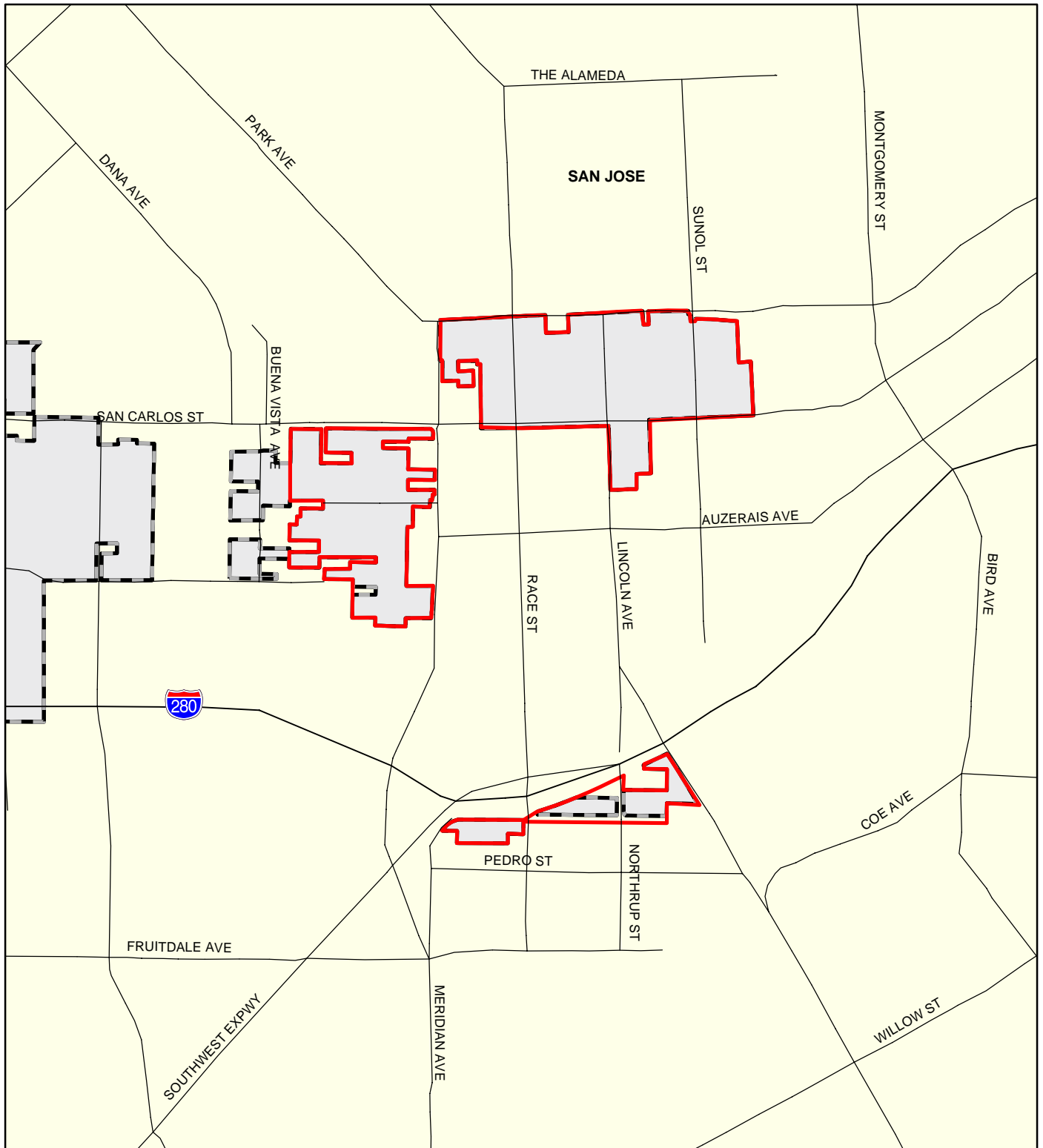
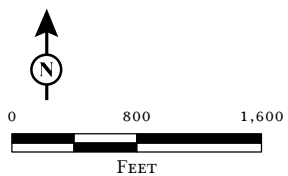





FIGURE 16.1

LSA



Legend

-  Surrounding City Limits
-  Unincorporated Areas
-  Sunol Sanitary District

*Santa Clara County
LAFCO Municipal Service Reviews*

Sunol Sanitary District

SOURCE: Santa Clara County

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The District does not have employees of its own. Engineering 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 encompasses small unincorporated island areas that are primarily surrounded by the City of San Jose. The District will shrink in size as portions are annexed to San Jose. Hence, the maximum service area of the District is defined by its current boundaries. The area within the District is developed, with a mix of existing industrial, commercial, office, and single-family residential uses.

Wastewater Rate Comparison

The District adopts wastewater rates annually, prior to the beginning of the new fiscal year. The current rates, which are listed in Table 16.A, were adopted on May 25, 2005. Residential customers are charged a set monthly rate for 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 16.A compares the District’s wastewater rates to those of nearby jurisdictions. As shown, Sunol Sanitary District’s rates are much lower than other wastewater service providers in the San Jose area.

Table 16.A: Existing Monthly Wastewater Rates

	Sunol Sanitary District	San Jose	Burbank Sanitary District
Residential: single-family	\$13.42	\$20.70	\$26.04
Residential: multifamily	\$7.63	\$11.84	\$14.81
Commercial and industrial	\$1.20 per HCF ¹ ; calculated depending on use.	\$1.66–\$4.88 per HCF ¹ ; calculated depending on use.	From \$18.49 up, depending on use.

16.2 SERVICE REVIEW DETERMINATIONS FOR THE SUNOL 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 CKH Act. Based on the above information, following are the written determinations for the District.

Infrastructure Needs and Deficiencies

1. The District’s existing infrastructure has some normal deterioration; however, according to the District this does not currently require rehabilitation or upgrades.

¹ Hundred Cubic Feet

2. The existing system has the capacity to accommodate infill development within the existing District boundaries.

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 surrounded by 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 can be expected to be minimal.
2. The District is surrounded by 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 interest earned on reserves. In FY 2003-2004 the District's expenditures exceeded revenues by \$54,023. The District has stated that this loss was due to an unexpected infrastructure repair and lower interest income on cash reserves.
2. The District has planned to utilize reserve funds and increase wastewater rates to finance new or upgraded infrastructure when needed. It appears that the District's reserve funds are adequate to finance typical infrastructure upgrades or maintenance projects.

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. Sunol Sanitary District's rates are much lower than other wastewater service providers in the San Jose area. It appears that in most recent years, the District's rates have provided for overall profits and a substantial reserve fund.

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, operations, and service areas 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 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.

Local Accountability and Governance

1. The District has a five member directly elected Board of Directors and notices meetings by posting the agenda two weeks prior to the meeting date at the entrance of the District's meeting location.

16.3 SOI RECOMMENDATION FOR THE SUNOL SANITARY DISTRICT

Current SOI Boundary

The Sunol Sanitary District consists of three 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 1982. 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 Sunol Sanitary District.

16.4 SOI DETERMINATIONS FOR THE SUNOL SANITARY DISTRICT

As detailed previously 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's SOI.

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

The unincorporated District area is surrounded by the City of San Jose. The District is an urban area that is developed with a mix of industrial, commercial, office, and single-family residential 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 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

ABAG projects that the population of San Jose will grow 1.43 percent annually through 2025. As the District is surrounded by the City, this could be applied to District lands. However, the District lands are developed, 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

The present capacity of public facilities and provision of service appears to be adequate and would be able to accommodate infill development and redevelopment. However, infrastructure deficiencies exist that have been created by normal deterioration. The District has stated that these deficiencies do not currently require rehabilitation or upgrades.

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 surrounded by the City of San Jose.

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