



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

November 9, 2022

To: LAFCO Commissioners

From: Rob Bartoli, Executive Officer
Sofia Recalde, Management Analyst

Subject: Adoption of a Municipal Service Review for the Westborough Water District

Summary and Background

LAFCO prepared comprehensive Sphere of Influence (SOI) studies and adopted SOIs for cities and special districts in 1985 and has subsequently reviewed and updated SOIs on a three-year cycle. Updates focused on changes in service demand within the boundaries of cities and special districts. After enactment of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) and the new requirement to prepare MSRs in conjunction with or prior to SOI updates, LAFCO began the process of preparing MSRs and SOI updates in late 2003. This Final Municipal Service Review (MSR) is the first MSR for the Westborough Water District.

The Westborough Water District (WWD or the District) was created in 1961 to provide domestic water and sewer service to an undeveloped area of unincorporated San Mateo County located west of South San Francisco, north of San Bruno, and south of Daly City. In 1964, this area was annexed to the City of South San Francisco and is now known as the Westborough neighborhood.

WWD serves approximately 12,000 customers, about 20% of the population of the City of South San Francisco, in the Westborough area of the City. The District purchases water from the San Francisco Public Utilities Commission (SFPUC) and has an agreement with the North San Mateo County Sanitation District for wastewater treatment. WWD Service fees are adequate to cover water and wastewater costs.

The boundaries of the WWD overlap with the City of South San Francisco (City). The City provides sewer service to residents in the City, with the exception of WWD. WWD has a Sphere of Influence designation of "status quo", which has been maintained since 1987. This SOI designation anticipates no change in the district's boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.

COMMISSIONERS: MIKE O'NEILL, CHAIR, CITY ▪ ANN DRAPER, VICE CHAIR, PUBLIC ▪ HARVEY RARBACK, CITY ▪ DON HORSLEY, COUNTY
▪ WARREN SLOCUM, COUNTY ▪ KATI MARTIN, SPECIAL DISTRICT ▪ RIC LOHMAN, SPECIAL DISTRICT

ALTERNATES: VACANT, SPECIAL DISTRICT ▪ DIANA REDDY, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY

STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SOFICA RECALDE, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪
ANGELA MONTES, CLERK

While there is no proposed change to the designation, the MSR should explore potential governance/service options that could be considered for WWD, including the formation or a subsidiary district, merger with South San Francisco, or dissolution.

The boundaries of the District WWD overlap with the City of South San Francisco. The City provides sewer service to residents in the City, with the exception of WWD. WWD has a SOI designation of “status quo”, which has been maintained since 1987. This SOI designation anticipates no change in the district’s boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.

While there is no proposed change to the designation, the MSR does explore potential governance/service options that could be considered for WWD, including the formation of a subsidiary district, merger with South San Francisco, or dissolution.

Updates to the Final Circulation MSR

Between the Draft Circulation MSR and the Final MSR, LAFCo staff received an update from Westborough Water District that the District received a Transparency Certificate of Excellence from the Special Districts Leadership Foundation (SDLF). The Transparency Certificate is presented to the special district recognition of an agency’s outstanding efforts to promote transparency and good governance. This has been incorporated into the Final MSR (page 22).

In addition, LAFCo staff held a virtual public workshop for the Draft Circulation MSR on October 17th, 2022. Staff did not receive any comments during the workshop that impact the content of the Final MSR.

All changes are shown in red.

Current Key Issues

Key issues identified in compiling information on Westborough Water District include the following:

- WWD has adequate capacity to serve the existing and future needs of customers within the District’s boundaries. The District prepared an Urban Water Management Plan in 2021 that identifies the potential growth and impacts of this growth on the District’s water service. The District encompasses 1 square mile and the service area is highly developed, with only a small portion of new additional customers anticipated to be added to the District over the next 25 years.

The District reviews Capital Improvement Projects (CIP) annually. Per WWD staff, the District currently uses the “Pay-As-You-Go” budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

A multi-year CIP could help identify critical projects over a longer planning period, prioritize the projects, and identify funding in subsequent budgets. Consistent with best practices WWD should prioritize improvements and identify financing mechanisms to fund CIP projects over time. WWD is a small district with limited potential for new customers. The

CIP should take into consideration this constraint and seek economies of scale where appropriate.

It is recommended that the District document the age of its system and conduct comparative analysis to determine what percentage of the effective life of the segment has been used as input to develop long-term CIP priorities and schedule.

As limited development is expected within the WWD service area, the District should analyze the impact of the different types funding for these needed infrastructure projects on rate payers.

- The boundaries of the WWD overlap with the City of South San Francisco. The City provides sewer service to residents in the City, with the exception of WWD. WWD has a Sphere of Influence designation of “status quo”, which has been maintained since 1987. This SOI designation anticipates no change in the district’s boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.
- While there is no proposed change to the designation, the MSR should explore potential governance/service options that could be considered for WWD, including the formation of a subsidiary district, merger with South San Francisco, or dissolution. Current water and sewer rates support year-to-year operations and over the last five budget years, the District has had net income gains. The District has annual independent audits, which have not found any deficiencies.
- WWD complies with all Brown Act requirements in publicly noticing its meetings. Audio recordings of the meetings are created but are currently not on the District’s website. The District maintains a website with water rate and other information about water service.
- Currently, staff reports for Board of Director agenda items are not produced. The creation of staff reports for Board items can increase transparency and raise public awareness of the issues that are being reviewed and acted on by the Board of Directors. The District could explore sharing services with cities or other special districts to assist in creating the staff reports and compiling an agenda packet.

Proposed MSR Recommendations

As required by State law, there are seven areas of determination, including local policies as set forth in Section 56430.

1. Growth and population projections for the affected area.

2. The location and characteristics of any disadvantaged unincorporated communities¹ within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.
 - a. Water Resiliency and Climate Change
 - b. Impact of Natural Hazards and Mitigation Planning

For the final circulation, LAFCo has the following determinations and recommendations:

Growth and Population Determination

At this time the WWD's territory, is not projected to experience any significant development or population growth that might impact the District's ability to deliver water or wastewater services, as there is a low projected growth rate for the area.

Disadvantaged Unincorporated Communities Determination

While WWD does provide water and sewer services, the service area only includes incorporated areas, therefore the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

Recommendation -

1. LAFCo recommends that the District continue to support its customers throughout the COVID-19 pandemic and continue its policies regarding affordable housing.

Capacity and Adequacy of Public Facilities and Services Determination and Recommendations

WWD has adequate capacity to serve the existing and future needs of customers within the District's boundaries. The District prepared an Urban Water Management Plan in 2021 that identifies the potential growth and impacts of this growth on the District's water service. The District encompasses 1 square mile and the service area is highly developed, with only a small portion of new additional customers anticipated to be added to the District over the next 25 years.

There are no known issues regarding sewer treatment or capacity issues with District lines or with North San Mateo County Sanitary District(NSMCSD).

¹ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. This area of determination does not apply to the study area.

The Urban Water Management Plan also identifies actions related to droughts that the District can undertake as well as possible reductions in water that SFPUC will impose on member agencies. The District offers rebate programs for customers to replace their existing washing machine or toilet with low flow models. WWD also provides information about water-efficient landscaping, water leak repair, and water conservation. LAFCo encourages WWD to continue to make efforts to encourage customers to conserve water when possible. The District has identified \$38 million worth of potential capital projects and is in the process of assessing the need to accelerate the District's CIP implementation and is actively looking at alternate ways to finance these projects. Recommendations regarding the District's infrastructure finances is discussed in the Financial Ability Section of this MSR.

Financial Ability Determination and Recommendations

Current water and sewer rates support year-to-year operations. Over the last five budget years, the District has had net income gains. As of 2020, WWD had a net position of \$9.7 million. The District has an adopted reserve policy and reserve fund of \$4.3 million. WWD has no debt, as reserve funds and capital facility revenue pay for capital improvements. As of 2019, 81% of District's pension liability was funded. The Other Post-Employment Benefits (OPEB) was 55% funded as of 2019.

The District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the "Pay-As-You-Go" budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

Recommendations –

1. Update District Capital Improvement Plan – WWD's CIP was last updated in 2020-2021 and is adopted on a one-year cycle. The plan should be updated on an annual basis and consideration of a multi-year capital improvement plan. A multi-year plan could help identify critical projects over a longer planning period, prioritize the projects, and identify funding in subsequent budgets. Consistent with best practices WWD should prioritize improvements and identify financing mechanisms to fund CIP projects over time. WWD is a small district with limited potential for new customers. The CIP should take into consideration this constraint and seek economies of scale where appropriate.

It is recommended that the District document the age of its system and conduct comparative analysis to determine what percentage of the effective life of the segment has been used as input to develop long-term CIP priorities and schedule.

LAFCo supports the District's efforts to explore funding strategies for CIP projects. CIP projects could be funding through pursuing grants and low-interest loans, as well as through the use of "Pay-as-you-go." As limited development is expected within the WWD service area, the District should analyze the impact of the different types funding for these needed infrastructure projects on rate payers.

Funding for these CIP projects should be clearly allocated in both the CIP documents and in annual budgets.

2. The District should consider posting the staff report or other budget narrative on the District's website along with the annual budget. This would allow for a greater understanding

of the District's finances and would improve transparency for the public. Budget documents should also show the District's reserve amount and funds allocated to the District's Capital Improvement Plan projects.

3. The District should consider expanding its financial polices to cover additional topics, such as budget preparation process and audit requirements. The District should also review the existing Operating Reserve Policy for potential amendments regarding the annual allocation of funds to the District's reserve.

Shared Service and Facilities Determination and Recommendations

WWD currently has an agreement with NSMCSD for sewer treatment and sewer system maintenance. The District has explored connections to the City of South San Francisco's sanitary system, but is currently not considered a feasible option by the District due to lack of existing infrastructure and financial impact to rate payers.

Recommendation -

1. LAFCo supports any new exploration of shared services for WWD.

Accountability, Structure, and Efficiencies Determination

There are no recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency. In 2020, the City Council representation established districts instead of being elected at large. The City has ample staff with subject matter capacity. The City has comprehensive policies regarding investment, debt management, credit card usage, purchasing, project accounting, and budget transfer requests. The City also has personnel, general and administrative policies, City Council member and meetings policies. The City performs annual independent audits and audits are reviewed at a City Council meeting.

However, the City of South San Francisco boundaries do overlap with the Westborough Water District (WWD), which provides water and sewer services to residents within Westborough neighborhood. While there is no proposal for reorganization of either agency at this time, the MSR should evaluate potential reorganization options.

Recommendation -

1. LAFCo recommends the creation of staff reports for Board of Director agenda items. The creation of staff reports for Board items can increase transparency and raise public awareness of the issues that are being reviewed and acted on by the Board of Directors. The District could explore sharing services with cities or other special districts to assist in creating the staff reports and compiling an agenda packet.
2. WWD has a Sphere of Influence designation of "status quo", which has been maintained since 1987. This SOI designation anticipates no change in the district's boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.

While there is no proposed change to the designation, the MSR should explore potential governance/service options that could be considered for WWD. The evaluation of these alternatives is not a result of service problems within WWD or other presumed

deficiencies. Any change to the District's SOI or any future reorganization would be to preserve the current level of local services while simplifying the government structure that provides them. Three potential organizational changes include:

- a. The District could be created as a subsidiary district under the City of South San Francisco. Under a subsidiary reorganization, the District is not dissolved and becomes a subsidiary district of the City with the South San Francisco City Council serving as the governing board of the subsidiary district and the sewer water service becoming a public works function. The reorganization of a subsidiary district would allow the City to provide water and sewer services to the Westborough neighborhood, while also allowing for the costs and rates for those services to be contained within this service area and not impacting other South San Francisco rate payers. The City could provide greater efficiency and potentially reduce costs to customers regarding sewer maintenance and capital improvement projects. The City would be the successor to the agreement with NSMCSD transmission and treatment and may evaluate the cost of establishing a sewer connection from the Westborough service area to the South San Francisco San Bruno Water Quality Control Plant. The City could provide maintenance of the water system by utilizing existing Public Works staff or contracting the service out, as the City does not currently provide water service.
- b. The City and District could merge, with the City taking on the service responsibilities of the District. In this scenario, a rate zone may need to be established for the former WWD customers until rates equaled City sewer rates. The City would be the successor to the agreement with NSMCSD transmission and treatment and could evaluate the cost of establishing a sewer connection from the Westborough service area to the South San Francisco San Bruno Water Quality Control Plant. The City could provide maintenance of the water system by utilizing existing Public Works staff or contracting the service out, as the City does not currently provide water service.
- c. The District could be dissolved, and water and wastewater services are transferred to Cal Water and the City of South San Francisco, respectively. The City of South San Francisco could either connect the wastewater system to the existing City's system or the City could become the successor to the existing service agreement for transmission and treatment with NSMCSD. The City could provide greater efficiency and potentially reduce costs to customers regarding sewer maintenance and capital improvement projects.

Any potential reorganization would need to evaluate the fiscal impact to rate payers and to the agency that will be acquiring the new service responsibility.

3. WWD should consider posting full the board meeting agenda packet to the District's website, in addition to the meeting agenda and minutes.
4. As the District Board is currently meeting remotely over Zoom, it is recommended that the videos of these meetings be posted on the District's website.

Other Issues Determinations and Recommendations

WWD is engaged in activities to address water resiliency and natural hazard migration for the District's infrastructure.

Recommendation -

1. LAFCo encourages the District to continue its work in the areas of water resilience and natural hazards mitigation and to continue to coordinate with partner agencies.

Sphere of Influence Determination

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(e)):

1. The present and planned land uses in the area, including agricultural and open-space lands.

The WWD territory is located in the western portion of the City of South San Francisco and is highly developed with residential and commercial uses. The predominate type of residential developments in the service area are single-family homes.

2. The present and probable need for public facilities and services in the area.

Only six acres of vacant land is located within the WWD boundaries, limiting additional development. The number of commercial customers within the District's service boundaries has been consistent and is projected to remain as such. The City of South San Francisco is currently in the process of updating the City's General Plan, but there are no indications that the existing land use patterns will be greatly altered. In addition, the areas surrounding the district are within the boundaries of cities, other special districts, or private companies which provide utility services.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

WWD has adequate capacity to serve the existing and future needs of customers within the District's boundaries. The District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the "Pay-As-You-Go" budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

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 WWD SOI is coterminous and does not include any territory outside of the District's existing boundaries. The City of South San Francisco and the WWD areas share common land use patterns, access, shopping and school district boundaries and inherently share social and economic communities of interest.

5. For an update of a SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

No change to the Sphere of Influence of the Westborough Water District is proposed at this time.

Public/Agency Involvement

The primary source of information used in this MSR has been information collected from agency staff and adopted plans, budget, reports, policies, etc. On August 31, 2022 a Notice of Public Hearing for the Draft MSR was released by LAFCo and published in the San Mateo County Times. On September 14, 2022, a Notice of Availability was released by LAFCo that requested written comments from the public and stakeholders by October 17, 2022. No written comments were received from the public or stakeholders. In addition, notices were sent to every “affected agency”, meaning all other agencies and school districts with overlapping service areas. Finally, LAFCo staff held a virtual workshop for the public during the comment period for both City of South San Francisco and Westborough Water District MSRs on October 17, 2022.

California Environmental Quality Act

The MSR is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which allows for the of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. The MSR collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The MSR is also exempt from CEQA under the section 15061(b)(3), the commonsense provision, which states that CEQA applies only to projects which have the potential for causing a significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA.

The MSR and SOI update will not have a significant effect on the environment as there are no land use changes associated with the documents.

Recommendation

1. Open the public hearing and accept public comment; and
2. Accept the Final Municipal Service Review for the Westborough Water District; and
3. Adopt the Municipal Service Review Determinations and Recommendations contained in this report.

Attachment

- A. Final Circulation of the Municipal Service Review for Westborough Water District
- B. Resolution No. 1299



**Municipal Service Review and Sphere of Influence
Review for the Westborough Water District**

Final Draft

Released November 9, 2022

Municipal Service Review and Sphere of Influence Review for the Westborough Water District

SUBJECT AGENCY:

Westborough Water District

2263 Westborough Blvd.

South San Francisco, CA 94080

Contact: Patricia Mairena, General Manager

CONDUCTED BY:

San Mateo Local Agency Formation Commission

455 County Center, 2nd Floor

Redwood City, CA 94063

(650) 363-4224

Commissioners:

Mike O'Neill, Chair, City Member

Ann Draper, Vice Chair, Public Member

Kati Martin, Special District Member

Don Horsley, County Member

Ric Lohman, Special District Member

Harvey Rarback, City Member

Warren Slocum, County Member

Commission Alternates:

Vacant, Special District Member

James O'Neill, Public Member

Dave Pine, County Member

Diana Reddy, City Member

Staff:

Rob Bartoli, Executive Officer

Sofia Recalde, Management Analyst

Angela Montes, Commission Clerk

Tim Fox, Legal Counsel

**Final
LAFCo Municipal Service Review
and Sphere of Influence Update
Westborough Water District
November 16, 2022**

Table of Contents

EXECUTIVE SUMMARY	2
Section 1: Overview	2
San Mateo Local Agency Formation Commission	3
Local Government in San Mateo County.....	3
Section 2. Summary of Key Issues	5
Section 3: Westborough Water District	6
Background.....	6
Mission Statement.....	7
Structure and Governance	7
Services	8
<i>Water</i>	8
<i>Wastewater</i>	8
Section 4: Affected Agencies	9
Section 5: Potentially Significant MSR Determinations	10
1) <i>Growth and Population</i>	10
2) <i>Disadvantaged Unincorporated Communities</i>	11
3) <i>Capacity and Adequacy of Public Facilities and Services</i>	12
4) <i>Financial Ability</i>	15
5) <i>Shared Service and Facilities</i>	20
6) <i>Accountability, Structure, and Efficiencies</i>	21
7) <i>Other</i>	24
Section 6. Sphere of Influence Review and Update	26
Determinations.....	26
Appendix A. Westborough Water District Fact Sheet	28
Appendix B. References	29

EXECUTIVE SUMMARY

The following Municipal Service Review (MSR) focuses on the Westborough Water District (WWD or the District). The District was created in 1961 to provide domestic water and sewer service to an undeveloped area of unincorporated San Mateo County located west of South San Francisco, north of San Bruno, and south of Daly City. In 1964, this area was annexed to the City of South San Francisco and is now known as the Westborough neighborhood.

WWD serves approximately 13,486 customers, about 20% of the population of the City of South San Francisco, in the Westborough area of the City. The District purchases water from the San Francisco Public Utilities Commission (SFPUC) and has an agreement with the North San Mateo County Sanitation District (NSMCS) for wastewater treatment. WWD service fees are adequate to cover water and wastewater costs.

The boundaries of the WWD overlap with the City of South San Francisco. The City provides sewer service to residents in the City, with the exception of Westborough neighborhood. WWD has a Sphere of Influence(SOI) designation of “status quo”, which has been maintained since 1987. This SOI designation anticipates no change in the district’s boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.

While there is no proposed change to the designation, the MSR should explore potential governance/service options that could be considered for WWD, including the formation of a subsidiary district, merger with South San Francisco, or dissolution.

Section 1: Overview

This report is a MSR and SOI update for the WWD. California Government Code Section 56430 requires that the Local Agency Formation Commissions (LAFCo) complete MSRs and SOI reviews on all cities and special districts. LAFCo is an independent entity with jurisdiction over the boundaries of cities and special districts. An SOI is a plan for the boundaries of a city or special district. The MSR and SOI update do not represent a proposal¹ for reorganization of agencies, but rather a State-mandated study of service provisions of an agency.

Once adopted, the service review determinations are considered in reviewing and updating the SOI pursuant to Section 56425. The SOI, which serves as the plan for boundaries of a special district, is discussed in the second part of this report. This State-mandated study is intended to identify municipal service delivery challenges and opportunities and provides an opportunity for the public and affected agencies to comment on city, county, or special district services and finance; and opportunities to share resources prior to LAFCo adoption of required determinations.

¹ An application for annexation may be submitted by 5 percent of the voters or landowners of territory proposed for annexation or by resolution of the District.

San Mateo Local Agency Formation Commission

San Mateo Local Agency Formation Commission (LAFCo or “the Commission”) is a State-mandated, independent commission with county-wide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, and dissolutions. LAFCo also has authority over extension of service outside city or district boundaries and activation or divestiture of special district powers. Among the purposes of the Commission are discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. LAFCo operates pursuant The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in Government Code Sections 56000 and 57000. The Commission includes two members of the County Board of Supervisors, two members of city councils from the 20 cities, two board members from 21 of the 22 independent special districts, a public member, and four alternate members (county, city, special district, and public).

LAFCo prepared comprehensive SOI studies and adopted SOIs for cities and special districts in 1985 and has subsequently reviewed and updated spheres on a three-year cycle. Updates focused on changes in service demand within the boundaries of cities and special districts. After enactment of the CKH Act and the new requirement to prepare MSRs in conjunction with or prior to SOI updates, LAFCo began the process of preparing MSR and SOI updates in late 2003. Studies were first prepared on sub-regional and County-wide independent special districts, followed by South County cities and special districts. This is the first MSR for Westborough Water District.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County, 20 cities, 22 independent special districts, five subsidiary districts governed by city councils, and 33 County-governed special districts. It merits emphasis that the County plays a dual role that differs from cities or districts. Districts provide a limited set of services based on enabling legislation, while cities generally provide basic services such as police and fire protection, sanitation, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. Along with independent water, sewer, and fire districts, the County also provides basic municipal services for residents who live in unincorporated areas. According to Census 2020 data, 63,205 of the County’s total 765,417 residents live in unincorporated areas.

This MSR/SOI Update examines the Westborough Water District.

LAFCo prepares MSRs and SOI updates based on source documents that include Adopted Budgets, Basic Financial Reports and Audits, Capital Plans, Urban Water Management Plans, and Planning Documents, including the General Plan. Draft MSRs and SOI updates are then circulated to the agencies under study and interested individuals and groups. The Final MSR and SOI update will include comments on the circulation draft and recommended

determinations for Commission consideration. MSR determinations must be adopted before the Commission updates or amends an SOI.

Per Section 56430, the areas of MSR determination include:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities² within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.
 - a. Water Resiliency and Climate Change
 - b. Impact of Natural Hazards and Mitigation Planning

Sphere of Influence Determinations:

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(e)):

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
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.
5. For an update of a SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing SOI.

² “Disadvantaged community” means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. This area of determination does not apply to the study area.

This SOI update incorporates information and determinations in the MSR as well as changes that have taken place since the SOI was originally adopted and provides for public input on the five areas of determination listed above. Comments to LAFCo by affected agencies, organizations, or individuals are requested in order to be included in the Executive Officer’s report to the Commission.

The territory of WWD includes the Westborough neighborhood located within the city limits of South San Francisco. It does not include any unincorporated areas. The SOI for the District is coterminous with the District’s boundaries. As established by LAFCo in 1976 and reaffirmed in 1987 and 1992, the adopted SOI is coterminous with existing boundaries and status quo.

Disadvantaged Unincorporated Communities

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of MSR determination #3 and SOI determination #5 listed above. Disadvantaged unincorporated communities(DUCs) are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

WWD service area is wholly located with the City of South San Francisco, so this provision does not apply to this MSR.

Organization of MSR/SOI Study

This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency while providing required LAFCo’s MSR and SOI determinations. The checklist questions are based on the CKH Act, the LAFCo MSR Guidelines prepared by the Governor’s Office of Planning and Research and adopted San Mateo LAFCo local policies and procedures. This report provides the following:

1. A description of the subject agency;
2. Any new information since the last MSR and a determination regarding the need to update the SOI;
3. MSR and SOI determinations for public and Commission review; and
4. Identifies any other issues that the Commission should consider in the MSR/SOI.

Section 2. Summary of Key Issues

Key issues identified in compiling information on WWD include the following:

WWD has adequate capacity to serve the existing and future needs of customers within the District’s boundaries. The District prepared an Urban Water Management Plan in 2015 that identifies the potential growth and impacts of this growth on the District’s water service. The District encompasses 1 square mile and the service area is highly developed, with only a small portion of new additional customers anticipated to be added to the District over the next 25 years.

The District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the “Pay-As-You-Go” budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

A multi-year Capital Improvement Plan could help identify critical projects over a longer planning period, prioritize the projects, and identify funding in subsequent budgets. Consistent with best practices WWD should prioritize improvements and identify financing mechanisms to fund CIP projects over time. WWD is a small district with limited potential for new customers. The CIP should take into consideration this constraint and seek economies of scale where appropriate.

It is recommended that the District document the age of its system and conduct comparative analysis to determine what percentage of the effective life of the segment has been used as input to develop long-term CIP priorities and schedule.

As limited development is expected within the WWD service area, the District should analyze the impact of the different types funding for these needed infrastructure projects on rate payers.

The boundaries of the WWD overlap with the City of South San Francisco. The City provides sewer service to residents in the City, with the exception of Westborough neighborhood. WWD has a Sphere of Influence designation of “status quo”, which has been maintained since 1987. This SOI designation anticipates no change in the district’s boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.

While there is no proposed change to the designation, the MSR should explore potential governance/service options that could be considered for WWD, including the formation of a subsidiary district, merger with South San Francisco, or dissolution. Current water and sewer rates support year-to-year operations and over the last five budget years, the District has had net income gains. The District has annual independent audits, which have not found any deficiencies.

WWD complies with all Brown Act requirements in publicly noticing its meetings. Audio recordings of the meetings are created but are currently not on the District’s website. The District maintains a website with water rate and other information about water service.

Currently, staff reports Board of Director agenda items are not produced. The creation of staff reports for Board items can increase transparency and raise public awareness of the issues that are being reviewed and acted on by the Board of Directors. The District could explore sharing services with cities or other special districts to assist in creating the staff reports and compiling an agenda packet.

Section 3: Westborough Water District

Background

The Callan Park County Water District, renamed a short time after to the Westborough Water District, was created prior to the establishment of LAFCo in 1961 to provide domestic water

and sewer service to an undeveloped area of unincorporated San Mateo County located west of South San Francisco, north of San Bruno, and south of Daly City. Also, in 1961, the District entered into an agreement with the North San Mateo County Sanitation District (at the time an independent special district, before becoming a subsidiary district of the City of Daly City in 1985) for sewage disposal and treatment. In 1964, this area was annexed to the City of South San Francisco and is now known as the Westborough neighborhood.

Boundaries

The original WWD boundaries have had only minor changes since its creation in 1961. The District encompasses the Westborough neighborhood in South San Francisco. These changes included minor adjustment and detachments in 1970 and 1971 to areas at the boundaries of the cities of San Bruno and Daly City. In 1972, LAFCo approved annexation of a parcel near Skyline Boulevard and Sharp Park Road in the City of Pacifica that contains a District water tank. The area of the District is approximately 1 square mile. The LAFCo adopted SOI for the District is conterminous with District boundaries (Attachment A).

Enabling Legislation

WWD operates according to California Water Code Section 3000 et seq. and is authorized to provide water and wastewater services within its boundaries. Districts formed under this section are authorized to sell, distribute and use of water in district boundaries. A district may also store and conserve water for present or future beneficial use, and may operate recreational facilities ancillary to water facilities, sanitation facilities, and fire protection if these powers are activated by LAFCo.

Mission Statement

The adopted mission statement of WWD is to provide a stable supply of high quality safe drinking water at a fair price to all customers of the District. In addition, the District has the mission to provide reliable sewer service through the North San Mateo County Sanitation District.

Structure and Governance

WWD is governed by a five-member Board of Directors elected by registered voters that reside within the District boundaries. The members of the Board must reside within the District and be registered voters. On July 9, 2020, the WWD Board of Directors approved a transition from a District-wide election to zone-based elections for Board of Directors. Starting November 2022, two of the District's Board members will be elected from zones and the remaining three Board members will be elected by zones in 2024.

The Board of Directors meets regularly on the second Thursday of every month at 7:30 pm at the District Office at 2263 Westborough Boulevard, South San Francisco, California 94080.

Agendas, budget and finance information, and meeting action minutes are available on the District's website. Per District staff, WWD does not prepare staff reports due to the District's small staff size.

Services

Water

WWD serves approximately **13,486** customers, about 20% of the population of the City of South San Francisco, in the Westborough area of the City. The District was formed in 1961 to provide water to an unincorporated area that was later incorporated into the City of South San Francisco over a series of annexations starting in 1963.

As of 2020, the District provides water service through 3,970 connections. WWD is a member of the Bay Area Water Supply & Conservation Agency (BAWSCA) and purchases all of its portable water from the San Francisco Public Utilities Commission (SFPUC). As part of the allocation agreement between SFPUC and BAWSCA, WWD has an individual supply guarantee of 1.32 million gallons per day (MGD). Of this 1.32 MGD, the District utilizes 0.78 MGD as of 2019. The District does not provide treatment, as all water is pre-treated by SFPUC and delivered through SFPUC's Hetch Hetchy Water System. The District relies solely on SFPUC's surface water and does not have access to groundwater resources.

The District maintains a connection to a SFPUC transmission pipeline which deliver water to the District's storage tanks. The District maintains and operates a distribution system that includes three water pressure zones, five pumps, three water tanks, four pressure regulating valves and 25 miles of water pipe. The District also utilizes a portion of a fourth water tank that is owned by the North Coast County Water District (NCCWD). WWD has interconnections with NCCWD and the City of Daly City to allow for SFPUC to transfer water and to allow for potential emergency connections. The District does not provide recycled water.

Wastewater

WWD operates and maintains the sewage collection system within its boundaries. The sewage is transferred to the North San Mateo County Sanitation District (NSMCSD), a dependent district of the City of Daly City, which treats the sewage and discharges the treated effluent into the Pacific Ocean. In fiscal year 2019-2020, WWD transferred 244 million gallons per year of wastewater to the NSMCSD Wastewater Treatment Plant. The District has 20 miles of gravity sanitary sewer mains and a three-quarter mile of sewer force main. Both treatment of the sewage and the maintenance of the sewer system is contracted to NSMCSD.

Inventory of Active Services

Provisions of the CKH Act require that LAFCo identify which of the services of a multi-purpose district are actively provided and which are inactive. Pursuant to Government Code Section 56425(i), in preparing a MSR and SOI, LAFCo is required to prepare a statement of the nature and location of functions and services provided by the districts. If a district proposes to add a new service permitted under district enabling legislation, the District must apply to LAFCo for approval.

WWD provides the following services in the areas as specified and any other services authorized by County Service Area enabling legislation are inactive:

- District-wide Water Service

- District-wide Wastewater Service

If in the future it is determined that other services permitted in California Water Code Section 3000 et seq. enabling legislation should be provided and funded by WWD, the District could apply to LAFCo. The application would include a plan for providing services and a proposed budget including revenues to fund service and any associated revenue sources such as an assessment, fee, or tax.

Section 4: Affected Agencies

Per Government Code Section 56427, a public hearing is required to adopt, amend, or revise a SOI. Notice shall be provided at least 21 days in advance and mailed notice shall be provided to each affected local agency or affected County, and to any interested party who has filed a written request for notice with the LAFCo Executive Officer. Per Government Code Section 56014, an affected local agency means any local agency that overlaps with any portion of the subject agency boundary or SOI (included proposed changes to the SOI).

The affected local agencies for this MSR/SOI are:

County

County of San Mateo

Cities

City of South San Francisco

City and County of San Francisco (WWD processes sewer for San Bruno Jail)

School Districts

South San Francisco Unified School District

Dependent Special Districts

North San Mateo County Sanitation District (City of Daly City)

Independent Special Districts

North Coast County Water District

Westborough Water District

Section 5: Potentially Significant MSR Determinations

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a SOI update/amendment is not warranted.

	Growth and Population		Disadvantaged Unincorporated Communities
X	Capacity, Adequacy & Infrastructure to Provide Services	X	Financial Ability
X	Shared Services	X	Accountability
X	Other		

1) Growth and Population

Growth and population projections for the affected area.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?			X
b) Will population changes have an impact on the subject agency’s service needs and demands?			X
c) Will projected growth require a change in the agency’s service boundary?			X

Discussion:

a-c) Anticipated growth: The WWD territory is located in the western portion of the City of South San Francisco and is highly developed with residential and commercial uses. The predominate type of residential developments in the service area are single-family homes. The Department of Water Resources estimates that the population of the area will grow from 12,452 residents to 14,388 residents by 2045, a 12% total increase. Currently WWD is only utilizing 59% of its potential water allocation from SFPUC.

WWD transferred approximately 244 million gallons of wastewater to NSMCSD in 2019-2020. Per correspondence with the District, there are no sewer moratoriums in place.

Only six acres of vacant land is located within the WWD boundaries, limiting additional development. The number of commercial customers within the District’s service boundaries has been consistent and is projected to remain as such. The City of South San Francisco is currently in the process of updating the City’s General Plan, but there are no indications that the existing land use patterns will be greatly altered. In addition, the areas surrounding the district are within the boundaries of cities, other special districts, or private companies which provide utility services.

Growth and Population MSR Determination

At this time the WWD’s territory, is not projected to experience any significant development or population growth that might impact the District’s ability to deliver water or wastewater services, as there is a low projected growth rate for the area.

2) Disadvantaged Unincorporated Communities

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.	Yes	Maybe	No
a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?	X		
b) Are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income)?			X
c) If “yes” to both a) and b), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community (if “no” to either a) or b), this question may be skipped)?			X

Discussion:

a) Services provided: WWD provides water and sewer services to a portion of the City of South San Francisco known as Westborough.

b-c) Disadvantaged unincorporated communities: While WWD does provide water and sewer services, the service area only includes incorporated areas of the City of South San Francisco, therefore the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

The District does have adopted policies and procedures for providing priority service to affordable housing projects. While there are legal limits on the District’s ability to provide lifeline benefits, during the COVID-19 pandemic, WWD has assisted customers by waiving all late charges, eliminating shutoff for non-payment, and creating payment arrangements.

Disadvantaged Unincorporated Communities MSR Determination

While WWD does provide water and sewer services, the service area only includes incorporated areas, therefore the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

Recommendations:

LAFCo recommends that the District continue to support its customers throughout the COVID-19 pandemic and continue its policies regarding affordable housing.

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.	Yes	Maybe	No
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?			X
b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?			X
c) Are there any concerns regarding public services provided by the agency being considered adequate?			X

d) Are there any significant infrastructure needs or deficiencies to be addressed?		X	
e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?			X
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?			X

Discussion:

a-b) Capacity to serve existing customers:

Water

As previously mentioned, WWD is currently utilizing 59% of the water allocation from SFPUC. The population of the District is projected to grow 12% over the next 20 years. All developed parcels in the boundaries of the District currently receive water and sewer services from WWD. The District’s 2021 Urban Water Management Plan stated that the District will be able to maintain capacity to serve any near-term growth.

Sewer

The District has 20 miles of gravity sanitary sewer mains and a three-quarter mile of sewer force main. Both treatment of the sewage and the maintenance of the sewer system is contracted to NSMCSD. The last update to the contract with NSMCSD was in 1981. WWD transferred approximately 244 million gallons of wastewater to NSMCSD in 2019-2020. Per correspondence with the District, there are no known issues regarding treatment capacity with NSMCSD.

c) Adequacy of public services: LAFCo has not identified any adequacy issues with the services provided by WWD. WWD does not have any violations or compliance issues with regulatory agencies for water or sewer service. Per the District, 21 complaints received over the last five years have been in regards to water rate increases. The District reports sewer system overflows on its website. The last report is from 2018 and identifies one overflow that occurred in 2017.

d) Infrastructure needs or deficiencies: As of 2015, the District provides water service through 3,882 residential and commercial connections. The District receives wholesale water via a connection to a SFPUC transmission pipeline and water is delivered to the District’s storage

tanks. The District maintains and operates a distribution system that includes 25 miles of pipe, three water pressure zones, five pumps, three water tanks, and four pressure regulating valves. The District also utilizes a portion of a fourth water tank that is owned by the NCCWD.

As part of the allocation agreement between SFPUC and BAWSCA, WWD has an individual supply guarantee of 1.32 million gallons per day (MGD). Of this 1.32 MGD, the District utilized 0.78 MGD as of 2019. The District does not provide treatment, as all water is pre-treated by SFPUC and delivered through SFPUC’s Hetch Hetchy Water System. The Department of Water Resources estimates that the population of the area will grow from 12,481 residents to 14,388 residents by 2045, a 12% total increase. Currently WWD is only utilizing 59% of its potential water allocation from SFPUC.

The District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the “Pay-As-You-Go” budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects. The District is assessing the need to accelerate the District’s CIP implementation and is actively looking at alternate ways to finance these projects. Recommendations regarding the CIP are in Section 4 of this MSR.

e) Changes in state regulations impacting the District: District staff is not aware of any state legislation on the horizon that will impact the District’s ability to provide services.

f) Deficiencies for disadvantaged unincorporated communities: As discussed in the Disadvantaged Unincorporated Communities section (Determination #2), while WWD does provide water and sewer services, the service area only includes the incorporated areas of the City of South San Francisco, therefore the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

Capacity and Adequacy of Public Facilities and Services MSR Determination

WWD has adequate capacity to serve the existing and future needs of customers within the District’s boundaries. The District prepared an Urban Water Management Plan in 2015 and in 2021 that identifies the potential growth and impacts of this growth on the District’s water service. The District encompasses 1 square mile and the service area is highly developed, with only a small portion of new additional customers anticipated to be added to the District over the next 25 years.

There are no known issues regarding sewer treatment or capacity issues with District lines or with NSMCSD.

The Urban Water Management Plan also identifies actions related to droughts that the District can undertake as well as possible reductions in water that SFPUC will impose on member agencies. The District offers rebate programs for customers to replace their existing washing machine or toilet with low flow models. WWD also provides information about water-efficient landscaping, water leak repair, and water conservation. LAFCo encourages WWD to continue to made efforts to encourage customers to conserve water when possible. The District has identified \$38 million worth of potential capital projects and is in the process of assessing the need to accelerate the District’s CIP implementation and is actively looking at alternate ways to

finance these projects. Recommendations regarding the District’s infrastructure finances is discussed in Section 4 of this MSR.

4) Financial Ability

Financial ability of agencies to provide service	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?			X
b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?			X
c) Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?			X
d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?		X	
e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?		X	
f) Is the organization’s debt at an unmanageable level?			X

a) Budget: WWD routinely adopts and operates an annual budget with a budget cycle of July 1 through June 30. The annual budget is prepared by the General Manager, and then presented to the Board of Directors for adoption.

The District receives annual independent audits, with the most recent audit being completed on January 13, 2022 for the governmental activities and the major funds of the District for fiscal years ended of June 20, 2021. The audit revealed no instances of non-compliance or material weakness in internal controls. Also, an outside firm, Chavan and Associates, provides accounting services to the District.

Expenses are mainly composed of the purchasing of water, the sewer service contract with NSMCSD, and salary and benefits of staff. In FY 19-20, these three areas equaled 81% of the total budget and in FY 20-21 83%. In FY 20-21, the sewer contract with NSMCSD equaled 37% of the budget, the purchase of water was 28%, and salaries and benefits represented 18%.

WWD Budget Summary 2018-2023					
	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Operating Revenue					
Water Sales	\$3,001,095	\$2,992,477	\$2,987,477	\$3,965,217	\$4,058,845
Sewer Service	\$2,894,259	\$2,967,633	\$3,009,027	\$2,838,845	\$3,200,831
Total Operational Income	\$5,895,354	\$5,960,110	\$5,996,671	\$6,804,062	\$7,259,676
Operating Expenditures					
Water	\$2,397,789	\$2,449,673	\$2,540,511	\$2,614,210	\$2,702,930
Sewer Service	\$2,377,986	\$2,448,268	\$2,474,274	\$2,379,874	\$2,771,431
Administrative and General	\$984,146	\$1,018,326	\$1,045,798	\$1,101,460	\$1,213,815
Other	\$250,117	\$314,450	\$330,135	\$363,005	\$365,000
Total Operation Expenditures	\$2,377,986	\$6,230,717	\$6,390,718	\$6,458,549	\$7,053,177
Gain/Loss from Operations	\$114,684	\$270,607	\$394,047	\$345,513	\$206,500
Non-Operating Revenue					
Property Taxes	\$420,000	\$455,000	\$475,000	\$530,000	\$613,231
Other	\$66,489	\$92,323	\$96,157	\$50,956	\$48,052
Total Nonoperation Income		\$547,323	\$571,175	\$580,956	\$661,283
Total Net Income	\$371,805	\$276,716	\$177,128	\$926,469	\$867,783

The District's revenues and expenditures, in total, have been fairly stable during the past five years. As noted, the District primarily receives revenue through the sales of water and sewer service charges. In FY 18-19, FY 19-20, and FY 20-21, the District did have an overall loss from operations, which was covered by non-operating revenue (taxes, rental revenue, etc.). In the last two years, operations have posted a surplus due in large part to an increase in service charges that went into effect in September 2021.

The District's revenue comes primarily from water and sewer service charges to customers. In the FY 22-23 budget, these charges made up 92% of the total revenue of \$7.3 million for WWD. Property tax revenue makes up 7% of the revenue. With the recent increase to service charges for both water and sewer, the District is no longer subsidizing operational costs with non-operational revenue.

WWD is a participant in the California Public Employees' Retirement System (CalPERS.) Currently, the District pays 11.484% of payroll to CalPERS for classic members and 7.732% of payroll for PEPRA members³. Employee contributions for their pension is 6% of payroll for classic members and 6.75% for PEPRA members.

WWD prepays the total annual unfunded pension liability. As of 2019, 81% of District's pension liability was funded. The Other Post-Employment Benefits (OPEB) was 55% funded as of 2019.

b) Reserves: In the approved FY 19-20 budget, and previous budgets, there are no specific allocations to a reserve fund. However, the District has an adopted policy that established a reserve fund in 1979. As part of this policy funds were transferred to a water facilities reserve, sewer reserve, and contingency operations reserve. The reserve policy only specified that transfer of these funds in the 1979 budget year and not for on-going transfers. The amount of these reserve funds are not shown in the District's adopted budget nor are funds shown to be allocated to reserve. Per the District's financial documents, WWD has \$4.3 million in reserves. Capital improvement costs are paid for through reserve funds and capital facility revenue as a component of sewer rates.

c) Rates and Charges: The District's rates were last updated in 2022. Per staff, the rates for the District are reviewed annually and only increased when required to meet budget needs. The water rate is currently \$8.58 per unit, with one unit equaling 748 gallons of water or 100 cubic feet. There is no minimum charge. Per review of the Bay Area Water Supply & Conservation Agency 2019-20 annual survey, the average monthly rate for water service for a single-family house was approximately \$45 or \$540 annually. Per the same service, the average monthly cost for California Water Service – South San Francisco was \$60 or \$720 annually.

The sewer service rate for the District is currently \$11.05 per unit of sewer. There is a minimum charge of 12 units annually or \$132.60. On average, the sewer service charge per property is \$775 per year in 2020-21 (calculated by dividing the sewer system revenue by the number of

³ The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. The changes included setting a new maximum benefit, a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age and a cap on the amount used to calculate a pension

active connections). The sewer charges are uniform for all users based on the average January and February water consumption.

WWD also has adopted fees for new development as well. These fees include a water storage and supply fee and sanitary sewer connection fee. Per WWD staff, there are typically no specific development infrastructure needs due to the built-out nature of the District. Connections fees are allocated to capital projects needed to upgrade the District's system.

In comparison, the City of South San Francisco has a different basis of calculation for the City's sewer rates. For FY 21-22, the City's rate for a single-family home is \$775 and \$695 for a multi-unit residence such as an apartment complex. Per the City's adopted sewer rate plan, sewer rates are calculated by the number of dwelling units on a property. The rate assumes an average annual effluent flow of 8,400 cubic feet for a single-family home and a flow of 7,500 cubic feet for multi-family units.

d) Infrastructure Funding: As noted previously in the MSR, the District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the "Pay-As-You-Go" budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects. The District is assessing the need to accelerate the District's CIP implementation and is actively looking at alternate ways to finance these projects.

These capital projects including repairs and upgrades to an existing water tank, removing an asbestos cement pipe, and replacing a service of gate and check valves at two sanitary sewer lift stations. The website states that these costs were approved in the 2018-2019 budget, however, the District budget documents do not show the allocation of these funds. It is unclear if there is a separate CIP and budget that allocates these funds. These funds are shown in the independent audit documents for the District.

Per WWD staff, for FY 2022-2023, the District approved sewer pump station improvement, lift station improvements, and is exploring fixes for an existing water tank. For the FY, \$200,000 has been allocated for these CIP projects.

e) Financial policies: The District has adopted two financial policies:

- Reimbursement and Compensation Policy (2008)
- Operating Reserve Policy (1979)
- Investment Policy (2022)

f) District Debt: According to District staff, WWD does not have debt. The District uses reserve funds and capital facility revenue to pay for capital improvements. A portion of the sewer and water rates go towards capital projects that address deficiencies with the existing utility system.

Financial Ability MSR Determination

Current water and sewer rates support year-to-year operations. Over the last five budget years, the District has had net income gains. As of 2020, WWD had a net position of \$9.7 million. The District has an adopted reserve policy and reserve fund of \$4.3 million. WWD has no debt, as

reserve funds and capital facility revenue pay for capital improvements. As of 2019, 81% of District’s pension liability was funded. The Other Post-Employment Benefits (OPEB) was 55% funded as of 2019.

The District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the “Pay-As-You-Go” budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

Recommendations:

1) Update District Capital Improvement Plan – WWD’s CIP was last updated in 2020-2021 and is adopted on a one-year cycle. The plan should be updated on an annual basis and consideration of a multi-year capital improvement plan. A multi-year plan could help identify critical projects over a longer planning period, prioritize the projects, and identify funding in subsequent budgets. Consistent with best practices WWD should prioritize improvements and identify financing mechanisms to fund CIP projects over time. WWD is a small district with limited potential for new customers. The CIP should take into consideration this constraint and seek economies of scale where appropriate.

It is recommended that the District document the age of its system and conduct comparative analysis to determine what percentage of the effective life of the segment has been used as input to develop long-term CIP priorities and schedule.

LAFCo supports the District’s efforts to explore funding strategies for CIP projects. CIP projects could be funding through pursuing grants and low-interest loans, as well as through the use of “Pay-as-you-go.” As limited development is expected within the WWD service area, the District should analyze the impact of the different types funding for these needed infrastructure projects on rate payers.

Funding for these CIP projects should be clearly allocated in both the CIP documents and in annual budgets.

2) The District should consider posting the staff reports or other budget narratives on the District’s website along with the annual budget. This would allow for a greater understanding of the District’s finances and would improve transparency for the public. Budget documents should also show the District’s reserve amount and funds allocated to the CIP projects.

3) The District should consider expanding its financial polices to cover additional topics, such as budget preparation process and audit requirements. The District should also review the existing Operating Reserve Policy for potential amendments regarding the annual allocation of funds to the District’s reserve.

5) Shared Service and Facilities

Status of, and opportunities for, shared facilities	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?		X	

a) Existing shared services: Per District staff, WWD coordinates with the City of South San Francisco and the City’s Fire Department regarding future development with the District boundaries.

The District has had a long-standing working relationship with NSMCSD for sewer treatment and sewer system maintenance.

WWD also shares a water tank with the North Coast County Water District (NCCWD). WWD shares water capacity for a WWD water tank with the NCCWD, and the NCCWD shares capacity from their water tank with WDD to ensure proper pressure for both districts’ water service zones.

b) Potential shared services: WWD boundaries overlap with the City of South San Francisco, which provides sewer services to residents and businesses elsewhere in the City. Cal Water provides water service to South San Francisco, with the exclusion of WWD territory. Per WWD staff responses to LAFCo, WWD has considered options for providing sewer service, including connecting to the City of South San Francisco’s sanitary system. In the District’s opinion this service option is not feasible due to the lack of an existing connection into the City’s sewer system, the costs for construction and operation of a sewer force main that would connect WWD sewer lines to the City’s system, and the potential regulatory issues with increasing sewer discharge to the San Francisco Bay, where the current City treatment plant discharges. The District notes that any potential construction or regulatory costs for a connection to the City of South San Francisco’s sewer system would be borne by the rate payers of the District. In the opinion of WWD staff, the current system, which is largely gravity flow to the NSMCSD facility and the disposal of the treated effluent into the Pacific Ocean is operationally, fiscally, and environmentally superior.

Shared Services MSR Determination

WWD currently has an agreement with NSMCSD for sewer treatment and sewer system maintenance. The District has explored connections to the City of South San Francisco’s sanitary system, but is currently not considered a feasible option by the District due to lack of existing infrastructure and financial impact to rate payers.

Recommendations:

LAFCo supports any new exploration of shared services for WWD.

6) Accountability, Structure, and Efficiencies

Accountability for community service needs, including governmental structure and operational efficiencies	Yes	Maybe	No
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with filling board vacancies and maintaining board members?			X
c) Are there any issues with staff turnover or operational efficiencies?			X
d) Is there a lack of regular audits, adopted budgets and public access to these documents?			X
e) Are there any recommended changes to the organization’s governance structure that will increase accountability and efficiency?			X
f) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?			X
g) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase		X	

the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?			
--	--	--	--

a) Public meetings: WWD is governed by an elected five-member Board of Directors who must be registered voters within District boundaries. Public meetings of the Board are the second Thursday of each month at 7:30 p.m. at District Office Board Room located at 2263 Westborough Boulevard, South San Francisco, CA 94080. The District complies with all Brown Act requirements in publicly noticing its meetings. The District posts copies of meeting agendas to their website, however, the full meeting packet is not available. Audio recordings of the meetings are created but are currently not on the District’s website. Per District staff, written staff reports are not created for Board meeting agenda items.

b) Board composition and governance: The District reports that there are no difficulties with filling positions for the Board of Directors. The District is a member of the Association of California Water Agencies and the California Special Districts Association. The Board members receive \$100 per meeting, up to \$65 for internet services and access to a \$10,000 life insurance policy which costs the District \$42 per month for all five members.

c) Staffing: Staffing is currently at six full-time employees, with a General Manager, ~~Office Supervisor Assistant General Manager~~, Field Supervisors, Senior Field Maintenance position, Field Maintenance position, and Office Assistant. Per the District, there has not been high levels of turnover among these positions with the average tenure of employees at 18.5 years. The District has stated that it does not anticipate the need to hire additional staff or transfer positions to consultants or contractors to complete the work of the District.

d) Audits and transparency: The District works to maintain transparency by receiving annual independent audits and producing annual adopted budgets. The audits have not found any deficiencies for 2018 or 2019. The District also produces newsletters for interested parties, which provides additional information on District activities. The last newsletter published was December 2020.

On October 20, 2022, WWD received a District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF), a non-profit organization that recognizes special district officials and employees for their dedication to being transparent as well as open and accessible to the public and other stakeholders.

e) Change in governance: LAFCo staff is not aware of any possible changes to the WWD’s governance structure that will increase accountability.

f-g) WWD boundaries overlap with the City of South San Francisco, which provides sewer services to residents within the City limits, excluding WWD territory.

Accountability, Structure, and Efficiencies MSR Determination

WWD recently received recognition from the Special Districts Leadership Foundation for being transparent as well as open and accessible to the public and other stakeholders. WWD complies with all Brown Act requirements in publicly noticing its meetings. Audio recordings of the

meetings are created but are currently not on the District’s website. Staff reports for agenda items are not currently produced. The District maintains a website with water rates and other information about water service. Water and sewer rates are adopted at public meetings in accordance with State law. The District has annual independent audits, which have not found any deficiencies.

The boundaries of the WWD overlap with the City of South San Francisco. The City provides sewer service to residents in the City, with the exception of Westborough neighborhood.

Recommendations:

- 1) LAFCo recommends the creation of staff reports for Board of Director agenda items. The creation of staff reports for Board items can increase transparency and raise public awareness of the issues that are being reviewed and acted on by the Board of Directors. The District could explore sharing services with cities or other special districts to assist in creating the staff reports and compiling an agenda packet.
- 2) WWD has a Sphere of Influence designation of “status quo”, which has been maintained since 1987. This SOI designation anticipates no change in the district’s boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.

While there is no proposed change to the designation, the MSR should explore potential governance/service options that could be considered for WWD. The evaluation of these alternatives is not a result of service problems within WWD or other presumed deficiencies. Any change to the District’s SOI or any future reorganization would be to preserve the current level of local services while simplifying the government structure that provides them. Three potential organizational changes include

- a. The District could be created as a subsidiary district under the City of South San Francisco. Under a subsidiary reorganization, the District is not dissolved and becomes a subsidiary district of the City with the South San Francisco City Council serving as the governing board of the subsidiary district and the sewer water service becoming a public works function. The reorganization of a subsidiary district would allow the City to provide water and sewer services to the Westborough neighborhood, while also allowing for the costs and rates for those services to be contained within this service area and not impacting other South San Francisco rate payers. The City could provide greater efficiency and potentially reduce costs to customers regarding sewer maintenance and capital improvement projects. The City would be the successor to the agreement with NSMCS D transmission and treatment and may evaluate the cost of establishing a sewer connection from the Westborough service area to the South San Francisco San Bruno Water Quality Control Plant. The City could provide maintenance of the water system by utilizing existing Public Works staff or contracting the service out, as the City does not currently provide water service.

- b. The City and District could merge, with the City taking on the service responsibilities of the District. In this scenario, a rate zone may need to be established for the former WWD customers until rates equaled City sewer rates. The City would be the successor to the agreement with NSMCSD transmission and treatment and could evaluate the cost of establishing a sewer connection from the Westborough service area to the South San Francisco San Bruno Water Quality Control Plant. The City could provide maintenance of the water system by utilizing existing Public Works staff or contracting the service out, as the City does not currently provide water service
- c. The District could be dissolved, and water and wastewater services are transferred to Cal Water and the City of South San Francisco, respectively. The City of South San Francisco could either connect the wastewater system to the existing City’s system or the City could become the successor to the existing service agreement for transmission and treatment with NSMCSD. The City could provide greater efficiency and potentially reduce costs to customers regarding sewer maintenance and capital improvement projects.

Any potential reorganization would need to evaluate the fiscal impact to rate payers and to the agency that will be acquiring the new service responsibility.

3) WWD should consider posting the full board meeting agenda packet to the District’s website, in addition to the meeting agenda and minutes.

4) As the District Board is currently meeting remotely over Zoom, it is recommended that the videos of these meetings be posted on the District’s website.

7) Other

Any other matter related to effective or efficient service delivery, as required by commission policy.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?			X
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhance and provide a more robust water supply capacity?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea	X		

level rise and other measures to adapt to climate change?			
c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards?	X		

a) Other topics to be addressed: None.

b.i-c.ii) Water resiliency and natural hazard planning: WWD has been engaged in coordinating efforts for water resiliency and natural hazard planning. The District is a member of BAWSCA which, among other activities, assists in the coordination of water reliance for its member agencies. BAWSCA and SFPUC, the District’s wholesale supplier, have adopted plans and procedures regarding water supply. This includes a BAWSCA report for long-term water reliability, which evaluated the water supply through the year 2040. SFPUC is currently undertaking a Hetch Hetchy Capital Improvement Project that is focused on resiliency of its transmission system.

WWD has also participated in the San Mateo County Multi-Jurisdictional Local Hazard Mitigation Plan (LHMP) in both 2016 and 2021. The LHMP assesses hazard vulnerabilities and identifies mitigation actions that jurisdictions will pursue in order to reduce the level of injury, property damage, and community disruption that might otherwise result from such events. The LHMP addresses natural and human-caused hazards, including flooding, drought, wildfire, landslides, severe weather, terrorism, cyber threats, pandemic, and the impact of climate change on hazards, as well as other hazards. The 2016 Plan identified several jurisdiction specific vulnerabilities such as the need for backup power at pump sites and improving the resiliency of the water system. Several of these projects have been completed as part of the District Capital Improvement Program.

Other Issues MSR Determination

WWD is engaged in activities to address water resiliency and natural hazard migration for the District’s infrastructure.

Recommendations:

LAFCo encourages the District to continue its work in the areas of water resilience and natural hazards mitigation and to continue to coordinate with partner agencies.

Section 6. Sphere of Influence Review and Update

Determinations

Section 56425 requires the Commission to make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. These include the following determinations:

1. The present and planned land uses in the area, including agricultural and open space lands.

The WWD territory is located in the western portion of the City of South San Francisco and is highly developed with residential and commercial uses. The predominate type of residential developments in the service area are single-family homes.

2. The present and probable need for public facilities and services in the area.
Only six acres of vacant land is located within the WWD boundaries, limiting additional development. The number of commercial customers within the District’s service boundaries has been consistent and is projected to remain as such. The City of South San Francisco is currently in the process of updating the City’s General Plan, but there are no indications that the existing land use patterns will be greatly altered. In addition, the areas surrounding the district are within the boundaries of cities, other special districts, or private companies which provide utility services.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

WWD has adequate capacity to serve the existing and future needs of customers within the District’s boundaries. The District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the “Pay-As-You-Go” budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

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 WWD SOI is coterminous and does not include any territory outside of the District’s existing boundaries. The City of South San Francisco and the WWD areas share common land use patterns, access, shopping and school district boundaries and inherently share social and economic communities of interest.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

No change to the Sphere of Influence of the Westborough Water District is proposed at this time.

On the basis of the Municipal Service Review:

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Appendix A. Westborough Water District Fact Sheet

2263 Westborough Blvd.
South San Francisco, CA 94080

Patricia Mairena
General Manager
650-589-1435
650-589-5167/fax

wwd@westboroughwater.org
<https://www.westboroughwater.org/>

Date of Incorporation: March 7, 1961 as Callan Park County Water District, later reformed as the Westborough Water District.

Board of Directors: Five-member board of directors elected to four-year terms. Members will be elected by zones starting in 2022.

Membership and Term Expiration Date: Perry Bautista, President (November 2022), Tom Chambers, Board Member (November 2022), Janet Medina, Vice President (November 2024), Don Amuzie, Board Member (November 2022), and Julie Richards, Board Member (November 2022)

Compensation: The Board members receive \$100 per meeting, up to \$65 for internet services and access to a \$10,000 life insurance policy which costs the District \$42 per month for all five members.

Public Meetings: Second Thursday of each month at 7:30 p.m. at District Office Board Room located at 2263 Westborough Boulevard, South San Francisco, CA 94080

Services Provided: Domestic water service and sanitary sewer service

Area Served: 1 square miles

Population: 13,486 (estimate)

Number of Personnel: 6 Full-time Equivalent Employees (FTEs)

Staffing is currently at six full-time employees, with a General Manager, Office Supervisor, ~~Assistant General Manager~~, Field Supervisors, Senior Field Maintenance position, Field Maintenance position, and Office Assistant

Sphere of Influence: Status quo (Coterminous with boundaries of 1987)

Budget: See the WWD Accountability page (<https://www.westboroughwater.org/finances>)

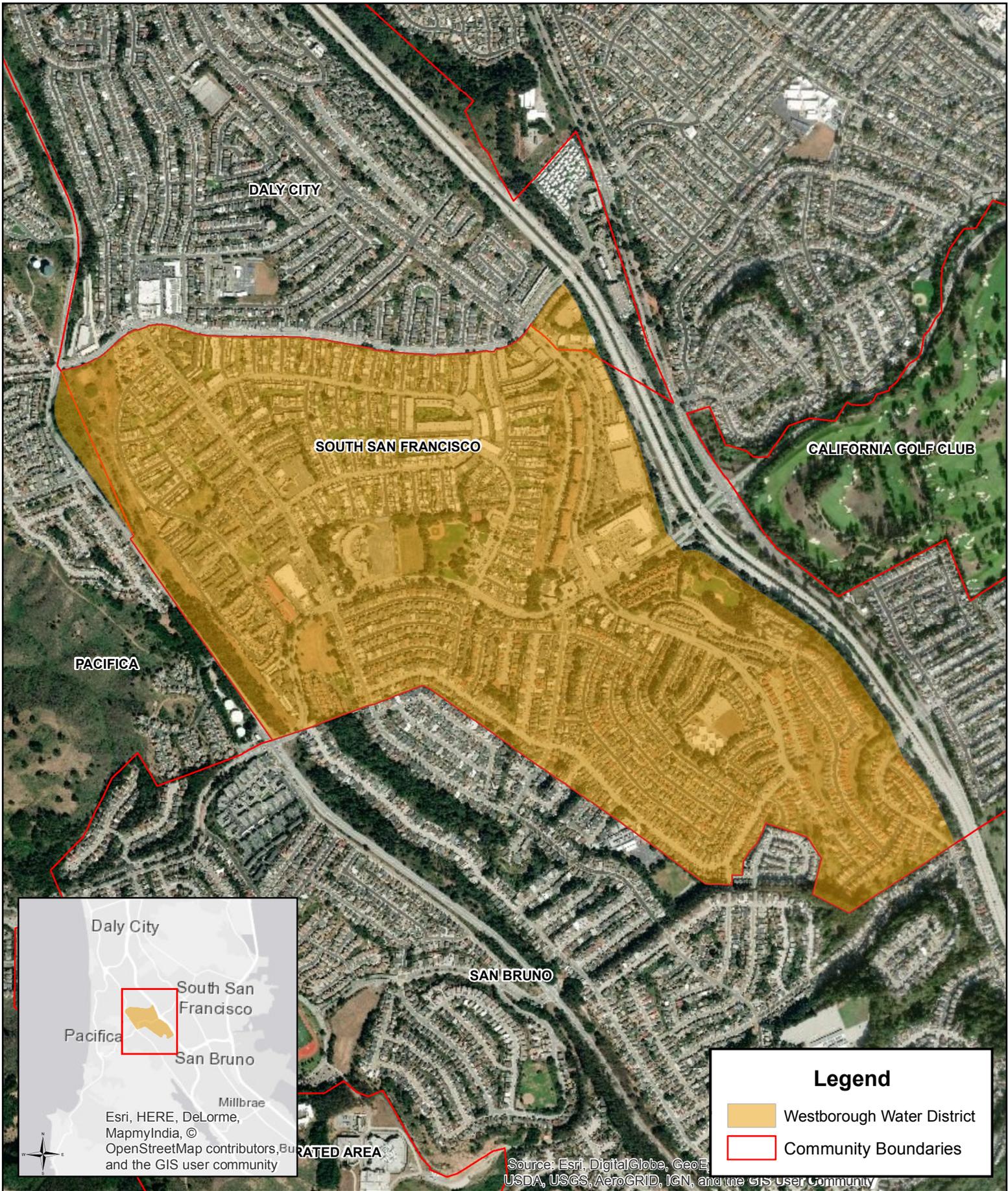
Appendix B. References

Barrow, Darryl, (2020) General Manager, Westborough Water District. *Personal Communication and MSR response letter*

Mairena, Patricia (2022) General Manager, Westborough Water District. *Personal Communication and Administrative Draft MSR response letter*

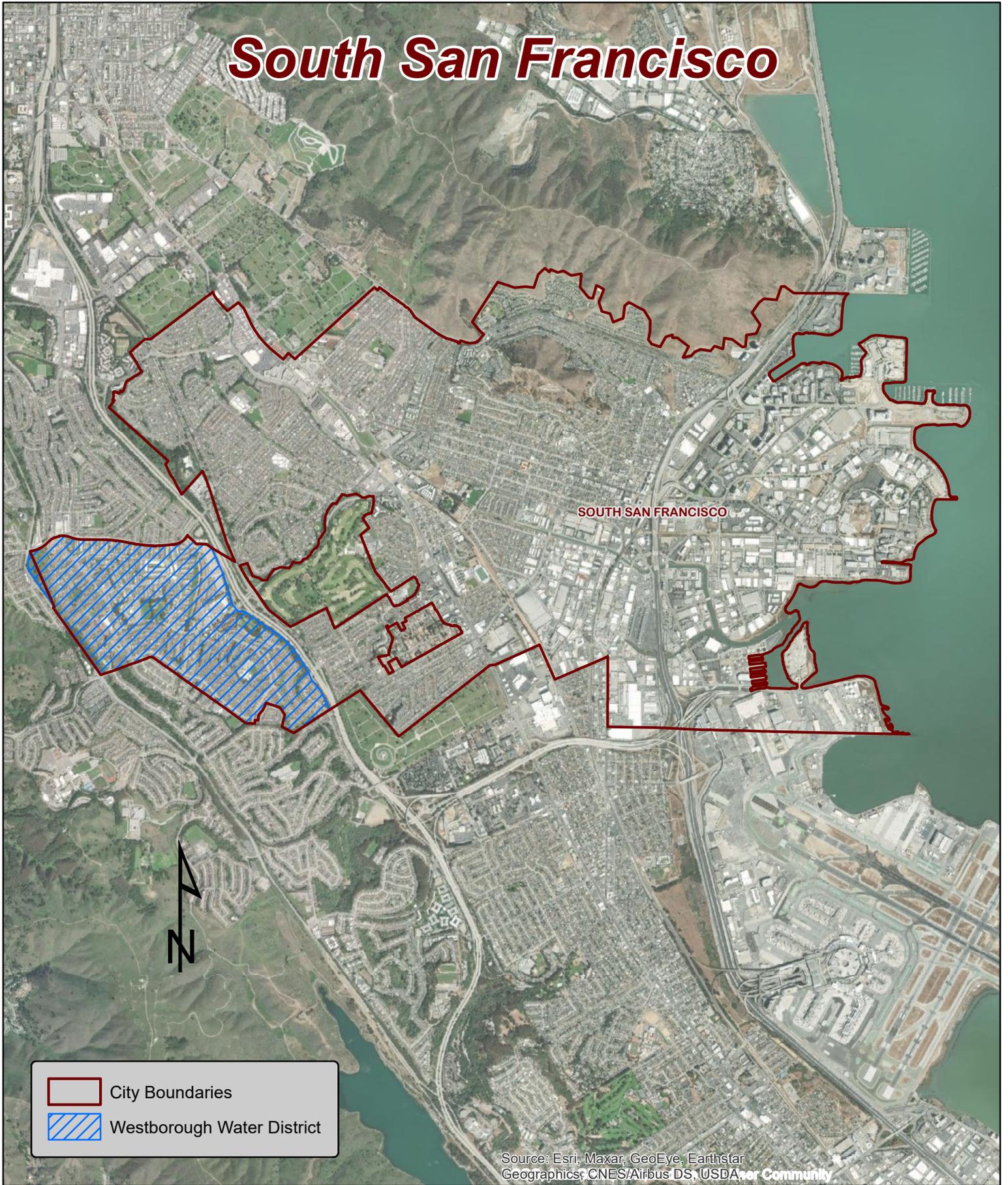
Westborough Water District 2015 Urban Water Management Plan
<https://www.westboroughwater.org/water-quality-report.php>

Westborough Water District Draft 2020 Urban Water Management Plan
<https://www.westboroughwater.org/water-quality-report.php>



Westborough Water District

South San Francisco



Westborough County Water District

RESOLUTION NO. 1299

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF THE COUNTY OF SAN MATEO
MAKING DETERMINATIONS PURSUANT TO GOVERNMENT CODE
SECTION 56430 FOR THE WESTBOROUGH WATER DISTRICT (WWD)**

RESOLVED, by the Local Agency Formation Commission of the County of San Mateo, State of California, that

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, set forth in Government Code Section 56000 et seq., governs the organization and reorganization of cities and special districts by local agency formation commissions established in each county, as defined and specified in Government Code Section 56000 et seq.,

WHEREAS, Government Code Section 56425 et seq. requires the Local Agency Formation Commission (LAFCo or Commission) to develop and determine the sphere of influence of each local governmental agency within the County; and

WHEREAS, the Commission conducted a Municipal Service Review pursuant to Government Code Section 56430 for the Westborough Water District (WWD);

WHEREAS, the Executive Officer prepared a written report of the Municipal Service Review that was provided to the Commission and affected agencies; and

WHEREAS, the Executive Officer set a public hearing date for November 16, 2022, for the consideration of the final Municipal Service Review and caused notice thereof to be posted, published and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on November 16, 2022; and

WHEREAS, a public hearing by this Commission was held on the report and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to the proposal and the Executive Officer's report; and

WHEREAS, the Commission is required pursuant to Government Code Section 56430 to make statement of written determinations with regards to certain factors; and

WHEREAS, the Commission is required pursuant to Government Code Section 56425 and local Commission policy to make statement of written determinations with regards to the following factors:

1. The present and planned land uses in the area, including agricultural and open-space lands.

Westborough Water District is located in the western portion of the City of South San Francisco, and the District's land designations include primarily residential and commercial uses. The predominate type of residential development in the service area are single family homes.

2. The present and probable need for public facilities and services in the area.

Only six acres of vacant land exist within WWD boundaries, limiting additional development. The number of commercial customers within the District's service boundaries has been consistent and is projected to remain as such. The City of South San Francisco is currently in the process of updating the City's General Plan, but there are no indications that the existing land use patterns will be greatly altered. Additionally, the areas surrounding the district are within the boundaries of cities, other special districts, or private companies that provide utility services to those areas.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

WWD has adequate capacity to serve the existing and future needs of customers within the District's boundaries. WWD reviews Capital Improvement Projects annually. WWD staff report that the District currently uses the "Pay-As-You-Go" budget rule to pay for capital projects. WWD is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

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 WWD SOI is coterminous and does not include any territory outside of the District's existing boundaries. The City of South San Francisco and the WWD areas share common land use patterns, access, shopping and school district boundaries and inherently share social and economic communities of interest.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

No change to the Sphere of Influence of Westborough Water District is proposed at this time.

WHEREAS, based on the results of the MSR, staff has determined that the SOI for Westborough Water District is coterminous and does not need to be updated at this time; and

WHEREAS, the Municipal Service Review is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which

allows for basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. The Municipal Service Review collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The Municipal Service Review also is exempt from CEQA under the section 15061(b)(3), the common-sense provision, which states that CEQA applies only to projects which have the potential for causing a significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA; and

NOW, THEREFORE, the Local Agency Formation Commission of the County of San Mateo DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. By Resolution, the Commission accepts the Executive Officer's Report dated November 16, 2022, Final Municipal Service for Westborough Water District, and all written comments and attachments incorporated herein and contained in attached "Exhibit A."

Section 2. By Motion, the Commission adopts the Municipal Service Review determinations set forth in "Exhibit B" which is attached and hereby incorporated by reference.

Regularly passed and adopted this ____ day of _____.

Ayes and in favor of said resolution:

Commissioners: _____

Noes and against said resolution:

Commissioners Absent and/or Abstentions:
Commissioners: _____

Chair
Local Agency Formation Commission
County of San Mateo
State of California

ATTEST:

Date: _____

Executive Officer
Executive Officer
Local Agency Formation Commission

I certify that this is a true and correct copy of the resolution above set forth.

Date: _____

Clerk to the Commission
Local Agency Formation Commission

Exhibit B

Municipal Service Review (MSR) Areas of Determination and Recommendations for Westborough Water District (WWD)

Areas of Determinations and Recommendations

Growth and population projections for the affected area.

Determination

At this time the WWD's territory, is not projected to experience any significant development or population growth that might impact the District's ability to deliver water or wastewater services, as there is a low projected growth rate for the area.

Recommendation

- None

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.

Determination

While WWD does provide water and sewer services, the service area only includes incorporated areas, therefore the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

Recommendation

- LAFCo recommends that the District continue to support its customers throughout the COVID-19 pandemic and continue its policies regarding affordable housing.

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.

Determination

WWD has adequate capacity to serve the existing and future needs of customers within the District's boundaries. The District prepared an Urban Water Management Plan in 2021 that identifies the potential growth and impacts of this growth on the District's water service. The District encompasses 1 square mile and the service area is highly developed, with only a small portion of new additional customers anticipated to be added to the District over the next 25 years.

There are no known issues regarding sewer treatment or capacity issues with District lines or with North San Mateo County Sanitary District.

The Urban Water Management Plan also identifies actions related to droughts that the District can undertake as well as possible reductions in water that SFPUC will impose on member agencies. The District offers rebate programs for customers to replace their existing washing machine or toilet with

low flow models. WWD also provides information about water-efficient landscaping, water leak repair, and water conservation. LAFCo encourages WWD to continue to make efforts to encourage customers to conserve water when possible. The District has identified \$38 million worth of potential capital projects and is in the process of assessing the need to accelerate the District's CIP implementation and is actively looking at alternate ways to finance these projects.

Recommendations

- Recommendations regarding the District's infrastructure finances is discussed in Financial Ability section.

Financial ability of agencies to provide services.

Determination

Current water and sewer rates support year-to-year operations. Over the last five budget years, the District has had net income gains. As of 2020, WWD had a net position of \$9.7 million. The District has an adopted reserve policy and reserve fund of \$4.3 million. WWD has no debt, as reserve funds and capital facility revenue pay for capital improvements. As of 2019, 81% of District's pension liability was funded. The Other Post-Employment Benefits (OPEB) was 55% funded as of 2019.

The District reviews Capital Improvement Projects annually. Per WWD staff, the District currently uses the "Pay-As-You-Go" budget rule to pay for capital projects. The District is in the process of conducting a rate and fee study to address \$38 million worth of potential capital projects.

Recommendations

- Update District Capital Improvement Plan – WWD's CIP was last updated in 2020-2021 and is adopted on a one-year cycle. The plan should be updated on an annual basis and consideration of a multi-year CIP. A multi-year plan could help identify critical projects over a longer planning period, prioritize the projects, and identify funding in subsequent budgets. Consistent with best practices WWD should prioritize improvements and identify financing mechanisms to fund CIP projects over time. WWD is a small district with limited potential for new customers. The CIP should take into consideration this constraint and seek economies of scale where appropriate.

It is recommended that the District document the age of its system and conduct comparative analysis to determine what percentage of the effective life of the segment has been used as input to develop long-term CIP priorities and schedule.

LAFCo supports the District's efforts to explore funding strategies for CIP projects. CIP projects could be funded through pursuing grants and low-interest loans, as well as through the use of "Pay-As-You-Go." As limited development is expected within the WWD service area, the District should analyze the impact of the different types funding for these needed infrastructure projects on rate payers.

Funding for these CIP projects should be clearly allocated in both the CIP documents and in annual budgets.

- The District should consider posting the staff reports or other budget narratives on the District's website along with the annual budget. This would allow for a greater understanding of the

District's finances and would improve transparency for the public. Budget documents should also show the District's reserve amount and funds allocated to the District's Capital Improvement Plan projects.

- The District should consider expanding its financial polices to cover additional topics, such as budget preparation process and audit requirements. The District should also review the existing Operating Reserve Policy for potential amendments regarding the annual allocation of funds to the District's reserve.

Status of, and opportunities for, shared facilities.

Determination

WWD currently has an agreement with NSMCSD for sewer treatment and sewer system maintenance. The District has explored connections to the City of South San Francisco's sanitary system, but is currently not considered a feasible option by the District due to lack of existing infrastructure and financial impact to rate payers.

Recommendation

- LAFCo supports any new exploration of shared services for WWD.

Accountability for community service needs, including governmental structure and operational efficiencies.

Determination

WWD recently received recognition from the Special Districts Leadership Foundation for being transparent as well as open and accessible to the public and other stakeholders. WWD complies with all Brown Act requirements in publicly noticing its meetings. Audio recordings of the meetings are created but are currently not on the District's website. Staff reports for agenda items are not currently produced. The District maintains a website with water rates and other information about water service. Water and sewer rates are adopted at public meetings in accordance with State law. The District has annual independent audits, which have not found any deficiencies.

The boundaries of the WWD overlap with the City of South San Francisco. The City provides sewer service to residents in the City, with the exception of WWD.

Recommendations

- LAFCo recommends the creation of staff reports for Board of Director agenda items. The creation of staff reports for Board items can increase transparency and raise public awareness of the issues that are being reviewed and acted on by the Board of Directors. The District could explore sharing services with cities or other special districts to assist in creating the staff reports and compiling an agenda packet.
- WWD has a Sphere of Influence designation of "status quo", which has been maintained since 1987. This SOI designation anticipates no change in the district's boundaries or organization. No proposal for reorganization has been submitted by the District, the City of South San Francisco, or other affected party in the 35 years since that SOI designation was reaffirmed.

While there is no proposed change to the designation, the MSR should explore potential governance/service options that could be considered for WWD. The evaluation of these alternatives is not a result of service problems within WWD or other presumed deficiencies. Any change to the District's SOI or any future reorganization would be to preserve the current level of local services while simplifying the government structure that provides them. Three potential organizational changes include:

1. The District could be created as a subsidiary district under the City of South San Francisco. Under a subsidiary reorganization, the District is not dissolved and becomes a subsidiary district of the City with the South San Francisco City Council serving as the governing board of the subsidiary district and the sewer water service becoming a public works function. The reorganization of a subsidiary district would allow the City to provide water and sewer services to the Westborough neighborhood, while also allowing for the costs and rates for those services to be contained within this service area and not impacting other South San Francisco rate payers. The City could provide greater efficiency and potentially reduce costs to customers regarding sewer maintenance and capital improvement projects. The City would be the successor to the agreement with NSMCSD transmission and treatment and may evaluate the cost of establishing a sewer connection from the Westborough service area to the South San Francisco San Bruno Water Quality Control Plant. The City could provide maintenance of the water system by utilizing existing Public Works staff or contracting the service out, as the City does not currently provide water service.
2. The City and District could merge, with the City taking on the service responsibilities of the District. In this scenario, a rate zone may need to be established for the former WWD customers until rates equaled City sewer rates. The City would be the successor to the agreement with NSMCSD transmission and treatment and could evaluate the cost of establishing a sewer connection from the Westborough service area to the South San Francisco San Bruno Water Quality Control Plant. The City could provide maintenance of the water system by utilizing existing Public Works staff or contracting the service out, as the City does not currently provide water service.
3. The District could be dissolved, and water and wastewater services are transferred to Cal Water and the City of South San Francisco, respectively. The City of South San Francisco could either connect the wastewater system to the existing City's system or the City could become the successor to the existing service agreement for transmission and treatment with NSMCSD. The City could provide greater efficiency and potentially reduce costs to customers regarding sewer maintenance and capital improvement projects.

Any potential reorganization would need to evaluate the fiscal impact to rate payers and to the agency that will be acquiring the new service responsibility.

- WWD should consider posting the full board meeting agenda packets to the District's website, in addition to the meeting agenda and minutes.
- As the District Board is currently meeting remotely over Zoom, it is recommended that the videos of these meetings be posted on the District's website.

Other Issues

Determination

WWD is engaged in activities to address water resiliency and natural hazard migration for the District's infrastructure.

Recommendation

- LAFCo encourages the District to continue its work in the areas of water resilience and natural hazards mitigation and to continue to coordinate with partner agencies.