



2005 Annual Report

We are pleased to present this Annual Report of the Cupertino Sanitary District recognizing 49 years of service to the communities of Cupertino and portions of Saratoga, Sunnyvale, Los Altos, and unincorporated areas within Santa Clara County.

In this report, we would like to share some interesting developments and issues that have resulted from recent legislation and judicial activities initiated to improve maintenance of public infrastructure. Nationally, the Governmental Accounting Standards Board (GASB) has published new principles (Statement 34) regarding financial reporting requirements to assist in determining the condition of our District's aging infrastructure. Regionally, the California Regional Water Quality Control Board San Francisco Bay Region has issued new requirements for preparing Sewer System Management Plans (SSMPs) which address the management of our assets. At the local level, the Local Agency Formation Commission of Santa Clara County (LAFCO) is performing a Service Review of each District to determine if the public is getting the most "bang for the buck" from the present arrangement.

So let's see if we have all of the acronyms and their impact on us so far:

- ♦ **GASB** – Governmental Accounting Standards Board – GASB Statement 34 assesses both the financial condition and physical condition of our District's pipes, manholes and pump stations.
- ♦ **SSMP** – Sewer System Management Plan – Improves the management of our District's assets to reduce and prevent sanitary sewer overflows (SSOs).
- ♦ **LAFCO** – Local Agency Formation Commission – Determines if there is a better way to manage our District's sewer system.



In plain language, a good maintenance program will help avoid huge replacement costs in the future. Like your automobile, if you drive carefully and do the required maintenance, it will last a long time without costly engine overhauls. For sewer systems, preventive maintenance is one of the best ways to save money in the long term. A significant amount of the costs associated with preventive maintenance is to pay for our share of the costs in the maintenance of the sewage treatment plant.

GASB – One of the most useful tools in assessing the condition of our sewer system is a new supplementary information requirement by the Governmental Accounting Standards Board referred to as the Management's Discussion & Analysis (MD&A).

The District will complete the MD&A based on facts, conditions and decisions known as of the date of each annual audit. Included is a summary of the basic financial statement, an analysis of the District's financial position and the results of operations. Also included is a comparison of the budget with actual expenditures from the previous year. Most importantly, a description of significant capital assets and long-term debt activity during the year is included. With the MD&A process, transactions affecting the District's financial condition for the year are reported. For example, this year our report will include a new backup pump station on Homestead Avenue just west of Route 85. Although this capital investment is significant, the improvements greatly reduce the potential for a sewer spill into Stevens Creek.

SSMP – Sewer System Management Plans are a requirement of the California Regional Water Quality Control Board as part of a Regional Sewer Spill Control Program. This process is a collaborative effort working through affected agencies throughout the bay area.

2005 Annual Report

In the next three years, all conveyance agencies such as the Cupertino Sanitary District will prepare three reports as follows:

Year 1 (SSMP Form B-1) – The first report includes the District's goals, organization chart, emergency response plan, and how the District is controlling fats, oils and grease (FOG).

Year 2 (SSMP Form B-2) – The second report addresses the legal authority of the District, methods and activities for accomplishing the goals, and establishes design and construction standards.

Year 3 (SSMP Form B-3) – For the final report, the District will submit the actual sewer capacity management plan that includes monitoring, measurement and procedures for program modifications.

To assure that this process continues beyond the three (3) year development period, annual SSMP audits will report any deficiencies and report steps to correct them. The Fats, Oils, and Grease (FOG) Control Program will be a significant part of our District's SSMP process, since over 80% of our sewer backups can be attributed, at least in part, to FOG.

LAFCO – The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires the local LAFCO staff to update the Sphere of Influence for cities and districts such as the Cupertino Sanitary District every five (5) years. As part of the review, LAFCO staff must prepare an analysis and written determination of nine categories that



include infrastructure needs, deficiencies, growth projections, financing constraints and opportunities, need for rate restructuring, shared facilities, organization restructuring options, evaluation of management efficiencies, and local accountability and governance. This process will be completed next year. For more information about LAFCO, visit their web site at www.santaclara.lafco.ca.gov/.

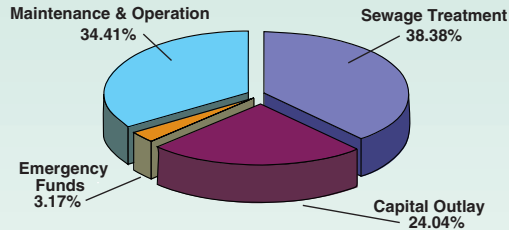
QUESTIONS ? – Protecting the public health and environment in the process of collecting sewage waste within the Cupertino Sanitary District and the conveyance to the Treatment Plant in a safe and economical manner will continue to be our mission. If you have questions about our operations and the new governmental regulations, please visit our web site at www.cupertinosanitarydistrict.com or call us at 408-253-7071.

PLEASE CALL US FIRST – The next time your sewer backs up, “Call Us First.” If the backup is in the portion of the lateral pipe between the property line cleanout and the sewer main, the District may be responsible for the work. Also, if you have a sewage backflow prevention device, have your plumber check it annually to make sure it is in good working condition. If you are not sure if you need a sewage backflow prevention device, check for a note on the lower left hand corner of your sewer permit or call the District. Our phone number is 408-253-7071.

2005 - 2006 Budget

EXPENSES

Type of Classification	EXPENSES	Percentage
Sewage Treatment	\$2,968,454	38.38%
Capital Outlay	\$1,858,860	24.04%
Emergency Funds	\$245,000	3.17%
Maintenance & Operation	\$2,661,500	34.41%
Total Expenses	\$7,733,814	100.00%



REVENUE

Type of Classification	REVENUE	Percentage
Service Charges & Revenue Transfer	\$7,091,709	91.70%
Connection Fees	\$35,500	0.46%
Other	\$606,605	7.84%
Total Revenue	\$7,733,814	100.00%



The District is responsible for maintaining the sewer mains as well as that portion of the street lateral within the Public Right of Way.

Board of Directors

William A. Bosworth - President
 John M. Gatto - Director
 Curtis B. Harrison - Director
 Wendell H. Kerr, Jr. - Director
 Stephen C. Andrews - Director

Board Meetings

First & Third Wednesdays
 of each month at 8:00 pm
 in the District Board Room,
 20833 Stevens Creek Boulevard,
 Suite 104, Cupertino, California.

Please save this report as it contains helpful information on what to do when you have or observe a Sanitary Sewer Emergency. If you have any questions about work or activity taking place in the street, day or night, please call emergency numbers which are listed on the other side of this panel. We are proud to have served you since 1956 and we are looking forward to serving you in the future.

Staff

David E. Ross, Manager-Engineer
 (Mark Thomas & Company, Inc.)
 Harold S. Toppel, Counsel
 (Atkinson • Farasyn, LLP)

Emergency Service

The District provides all residential and commercial users with "24 Hour" Emergency Sewer Service.

CALL US FIRST WHEN:

- 1. Your sewer "Backs-Up" into your house or yard.**
- 2. You observe a manhole overflowing.**
- 3. You observe anyone dumping into the sewer system.**
- 4. You find or smell raw sewage.**
- 5. You have any questions about connection to, services available, policies or procedures of the Cupertino Sanitary District.**
- 6. You or your organization wish to learn more about the Cupertino Sanitary District.**

(408) 253-7071 OFFICE
(Monday - Friday
8 am to 5 pm)

(408) 299-2507
COUNTY
COMMUNICATIONS
(After-hours emergencies)



Frequently Asked Questions

SEWAGE BACKFLOW PREVENTION DEVICE

What is a sewage backflow prevention device?

A sewage backflow prevention device prevents sewage from flowing backwards from the public sewer into a home or business. As a condition for connection to the District sewer main, a sewage backflow prevention device is required for properties that have plumbing lower than the public sewer system. If the sewage backflow prevention device has not been maintained, has been damaged or buried, sewage from the District sewer main could flow backward into a home or business. Call a plumber or the District if you cannot locate or are not confident that your sewage backflow prevention device is in good working condition. If you are not sure if you need a sewage backflow prevention device, check the lower left hand corner of your sewer permit or call the District.

PRIVATE SEWAGE PUMPS

When is a private sewage pump required?

A private sewage pump is required in all new building construction and major remodeling where the lowest floor, with plumbing fixtures, is less than one foot above the rim elevation of the nearest upstream manhole. Prior to obtaining a building permit, the owner must provide the District with a certificate sealed by a Registered Engineer, fixing the lowest finished floor elevation to the rim of the nearest upstream manhole. In addition, a standard gravity sewer lateral is required for connection to the District main and there should be an air gap and a cleanout at the point of connection. Installation, maintenance and

repair costs associated with a private sewage pump are the responsibility of the property owner.

SEWER LATERALS AND CLEANOUTS

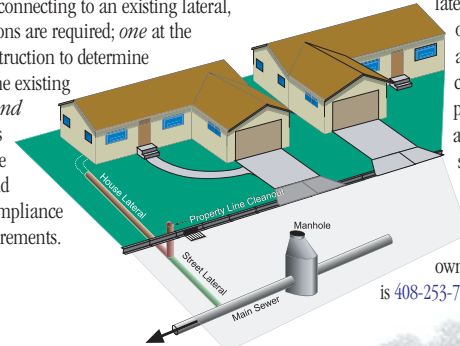
Who is responsible for the maintenance and repair of sewer laterals and cleanouts?

The District provides maintenance and repair of street sewer laterals within the public Right of Way provided there is an accessible and serviceable cleanout at the Property Line. Maintenance and repair of the private house sewer lateral, cleanout and point-of-connection to the District lateral are the responsibility of the property owner.

VIDEO INSPECTION

Why is video inspection of sewer lateral connections required for new construction and major remodeling?

Video inspection of the sewer lateral is required for new structure construction and major remodeling to verify that the sewer lateral is in good working condition. When connecting to an existing lateral, two video inspections are required; *one* at the beginning of construction to determine the condition of the existing lateral, and a *second* video inspection is required to observe the new lateral and connection for compliance with District requirements.



2005 RESIDENTIAL SEWERAGE CHARGE

What does my \$252 residential sewerage charge pay for?

Of the annual \$252 residential sewerage charge, approximately \$99 is for treatment plant charges, \$87 goes for routine cleaning and maintaining District sewer lines, and the remaining \$66 is set aside for emergencies, capital improvements to District facilities, and future treatment plant capital outlay.

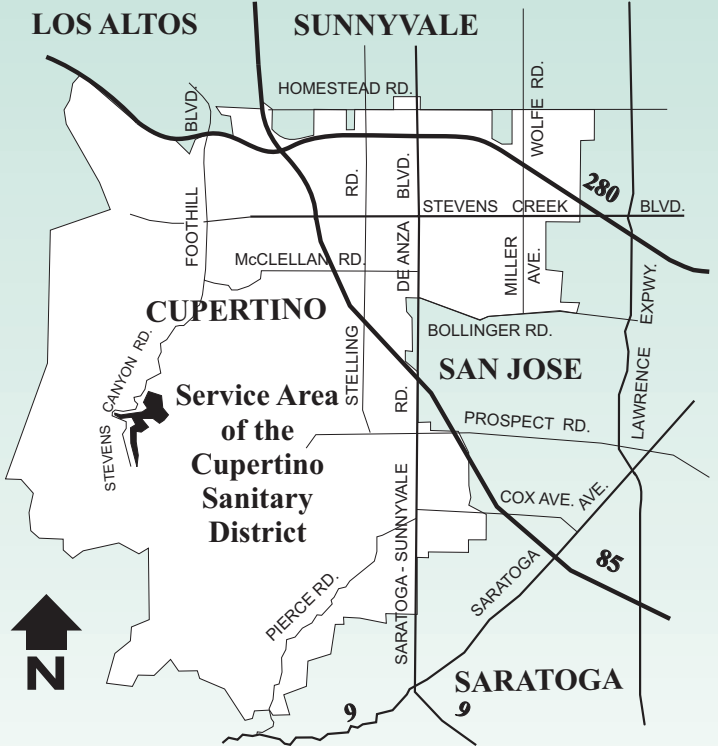
SEWER BACKUP- CALL THE DISTRICT

Who do I call for sewer backups?

CALL THE DISTRICT FIRST for sewer backups in your house or yard. Tell the person who answers the phone that you are calling to report a sewer backup. Your call will be transferred to a District inspector who will determine whether the blockage is in the private house lateral or the street lateral. The District provides maintenance and repair of sewer

laterals within the public Right of Way provided there is an accessible and serviceable cleanout at or near the property line. Maintenance and repair of the house sewer lateral, point of connection, and the cleanout are the responsibility of the property

owner. Our phone number is 408-253-7071.



PRESORTED STD
U.S.POSTAGE
PAID
PERMIT NO.33
CUPERTINO, CA

20833 Stevens Creek Blvd., Suite 104
Cupertino, California 95014

ERCWSS
POSTAL CUSTOMER

