



August 26, 2016

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The Honorable Pedro Nava, Chair
Little Hoover Commission
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**SUBJECT: LITTLE HOOVER COMMISSION HEARING ON SPECIAL DISTRICTS –
RESPONSE TO TESTIMONY**

Dear Chairman Nava:

Central Contra Costa Sanitary District (CCCSD) appreciates the Little Hoover Commission's (Commission) efforts to host a public hearing reviewing special districts. While the CCCSD provided oral comments at the August 25, 2016 hearing, this letter serves to provide more detailed written comments. The CCCSD looks forward to working with the Commission's staff as they prepare their final report, but does request that the Commission review source material to verify its accuracy when testimony is provided specifically related to the CCCSD. This would increase the overall accuracy of information for the final report and help to ensure greater understanding, as all parties would be utilizing the same information.

About the CCCSD

The CCCSD, established in 1946, provides wastewater collection and treatment services to nearly 500,000 residents and more than 3,000 businesses in the East San Francisco Bay Area. Within its 144 square mile service area, the CCCSD operates a 54-million gallon-per-day capacity treatment plant, 19 pumping stations, and over 1,500 miles of sewer lines.

Response to Testimony from the Howard Jarvis Taxpayers Association (HJTA): Property Taxes

The HJTA has made comments related to the CCCSD's financials that are inaccurate. It appears that the HJTA's comments were based on comparison reporting from 1997 through 2014, an 18-year timeframe. In testimony from Jon Coupal of the HJTA, it was stated that, "for the Central Contra Costa Sanitation District property tax revenues more than doubled to \$13 million annually" (p. 6).

The CCCSD's ad valorem tax revenue is based on the assessed value of property in the area, which has, over the 18-years reported, continued to increase in the East San Francisco Bay Area, thus accounting for the increase. The CCCSD uses 100% of its ad valorem tax revenue to pay debt service and fund needed infrastructure investments in the treatment plant, pumping stations, facilities, and collections system.

Response to Testimony from the HJTA: Fund Equity

In testimony from Jon Coupal of the HJTA, it was stated that, "its [CCCSD's] fund equity figure jumped more than 300% from \$214 million to \$644 million" (p. 6). From the HJTA's comments about the CCCSD's Fund Equity balance, it appears the information includes only half of the actual fund equity from the CCCSD's 1997 Annual Financial Statements Fund Equity/Retained Earnings. The actual information reported by the CCCSD in the 1997 Annual Financial Statement is \$430 million, not \$214 million as stated by the HJTA. This is a clear error in the information presented by the HJTA. The actual difference in the CCCSD's Fund Equity went from \$430 million in 1997 to \$644 million in 2014, which is a 50% difference, not a 300% difference as reported by the HJTA. The true 50% increase in the 18-year timeframe is mainly due to the CCCSD's continued investment in its infrastructure.

In addition, the CCCSD adheres to the strict Governmental Accounting Standards Board (GASB) rules which have changed the reporting details set forth in the Fund Equity section of the financial statements over the 18-year period. An example that intersects this information is the change from "Fund Equity," "net assets" to "net position". The CCCSD's current net position is broken down by:

1. **Net investment in capital assets** – the cost of what the CCCSD paid in infrastructure less depreciation.
2. **Restricted for debt service** – estimated one-year reserve restricted to pay debt service such as revenue bonds or loan service.
3. **Unrestricted** – cash or other assets that are not needed to pay liabilities and are not earmarked for a specific purpose.

The comments from the HJTA may be construed to suggest that in 2014, the CCCSD had \$644 million in cash or other forms of liquid assets. Such a suggestion would be grossly in error. Of the \$644 million in net position, \$568 million was net investment in capital assets (total investment in infrastructure as of 2014). The actual cash balances as of the date of this letter are approximately \$44 million (excluding debt service obligations), which the CCCSD uses to fund annual operations, capital improvements, and for use in emergency situations. Depending on the time of year, that figure can drop as low as \$22 million as operational, capital, and self-insurance expenses are paid.

The CCCSD appreciates the opportunity to comment on matters of such importance. If further clarification is needed, the CCCSD welcomes the opportunity to provide the Commission with additional information.

Sincerely,



Ann K. Sasaki, P.E.
Deputy General Manager