

STEGE SANITARY DISTRICT

Calendar Year 2017 Performance Report



JANUARY 2018

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The Stege Sanitary District Performance Report gives a good sense of how well the District is performing its mission to “*plan and operate a safe, efficient and economical wastewater collection and transfer system for the present and future customers of the District.*” This report is prepared by management for use by the District’s Board of Directors to help evaluate the value of the service being delivered to the customers of the District.

Awards & Recognition

District of Distinction: The Stege Sanitary District is currently accredited as a District of Distinction through the Special District Leadership Foundation (SDLF). The District of Distinction accreditation is one of the most prestigious local government awards in the state of California and clearly validates the District’s commitment to good governance and to ethical and sound operating practices. The District has been accredited as a District of Distinction since 2009.

Transparency Certificate of Excellence: The Stege Sanitary District is a current holder of the SDLF District Transparency Certificate of Excellence. The certificate, covering three main subject areas including basic transparency, website access and outreach activities, highlights the core components necessary to engage and make information available to the public. The certificate demonstrates the District’s commitment to engaging the public and creating greater awareness of District activities. The District has been a holder of this certificate since 2013.

Workers’ Compensation Excellence Award: The Stege Sanitary District has earned the California Sanitation Risk Management Authority (CSRMA) Workers’ Compensation Excellence Award for 2016-17. This award recognizes members of the CSRMA Workers’ Compensation Program who achieve the best loss record for the policy year in the three measurement categories of incidence rate, average medical cost per claim, and average indemnity per claim. The District has earned this award every year since 1997.

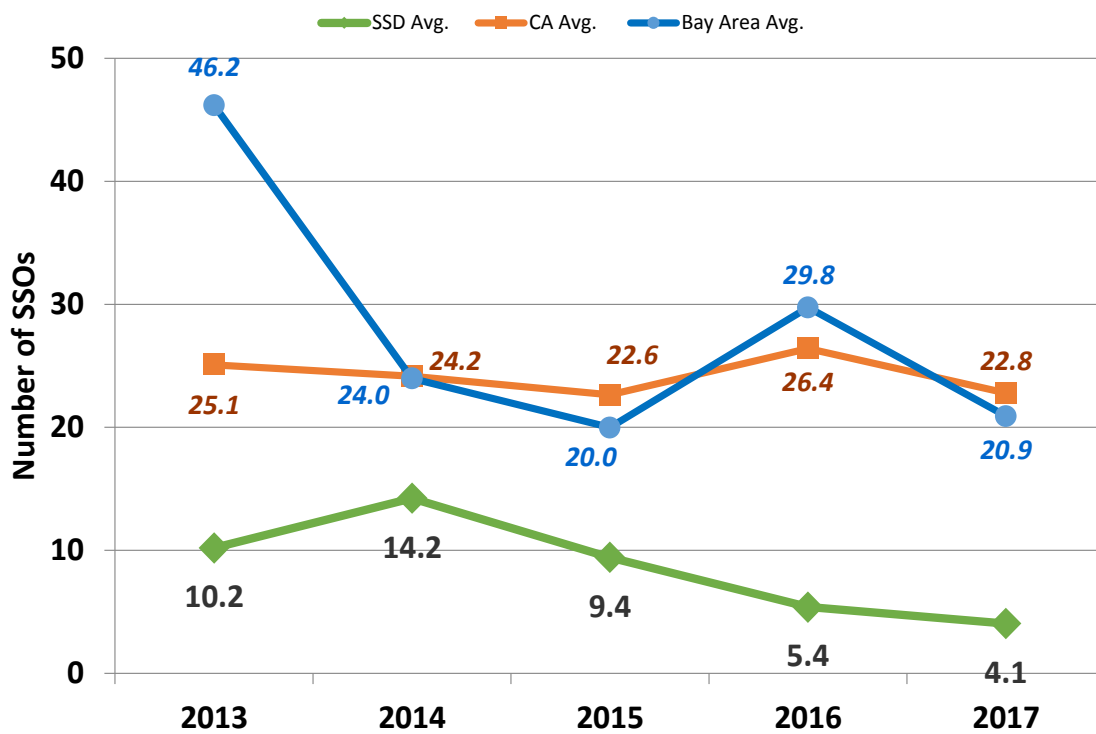
Recognition in Special District Governance: Director Alan C. Miller and District Manager, Rex Delizo, are both recipients of the SDF Recognition in Special District Governance. This recognition demonstrates to constituents and colleagues the extent of their commitment and dedication to providing the best possible service to the communities they serve by acknowledging they have taken the time and made the effort to get core governance training and continuing education.

Sanitary Sewer Overflows (SSOs)

The District's ultimate goal is to maintain the sewer collection system so that there are no sanitary sewer overflows (SSOs). While the ultimate goal is to prevent all SSOs, the interim goal of the District is to have the number of SSOs well below the industry average of the State and San Francisco Bay Region.

TABLE 1

Total SSOs per 100 miles*

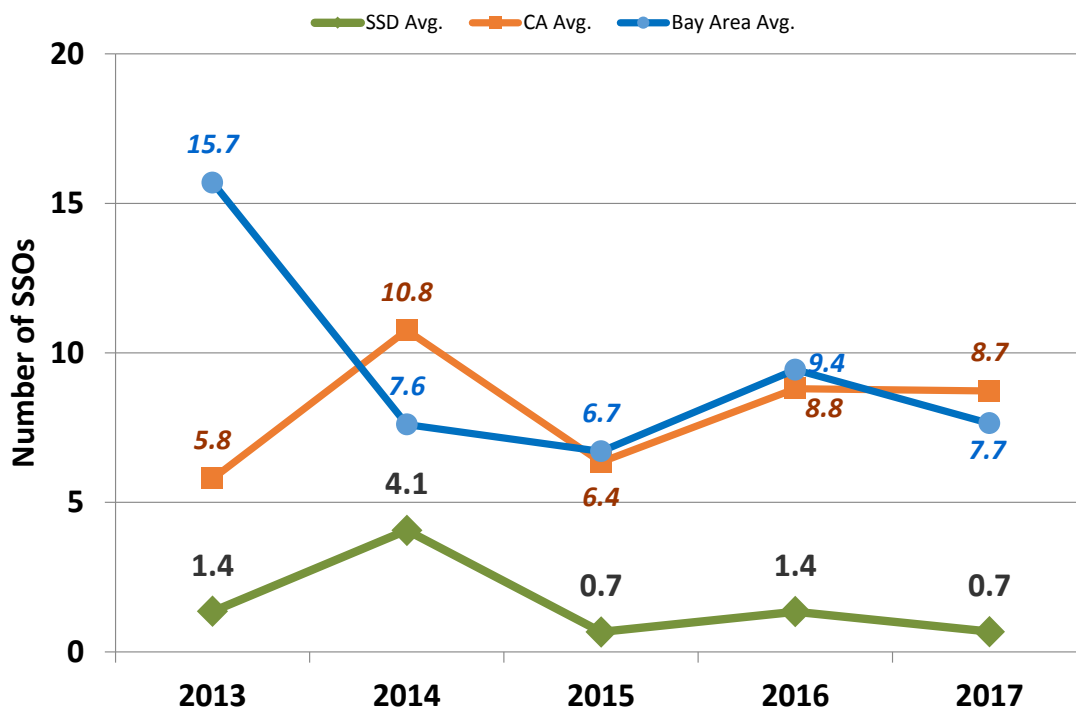


*Per California Integrated Water Quality System (CIWQS) website on 1/2/2018

Particularly important is preventing SSOs from reaching a creek, river or other body of water, or not fully recovering SSOs that reach a storm drain. All of these instances are considered “Category 1” SSOs by the State Water Resources Control Board (SWRCB). The interim goal of the District is to have the number of “Category 1” SSOs well below the industry average of the State and San Francisco Bay Region.

TABLE 2

Category 1 SSOs per 100 miles*

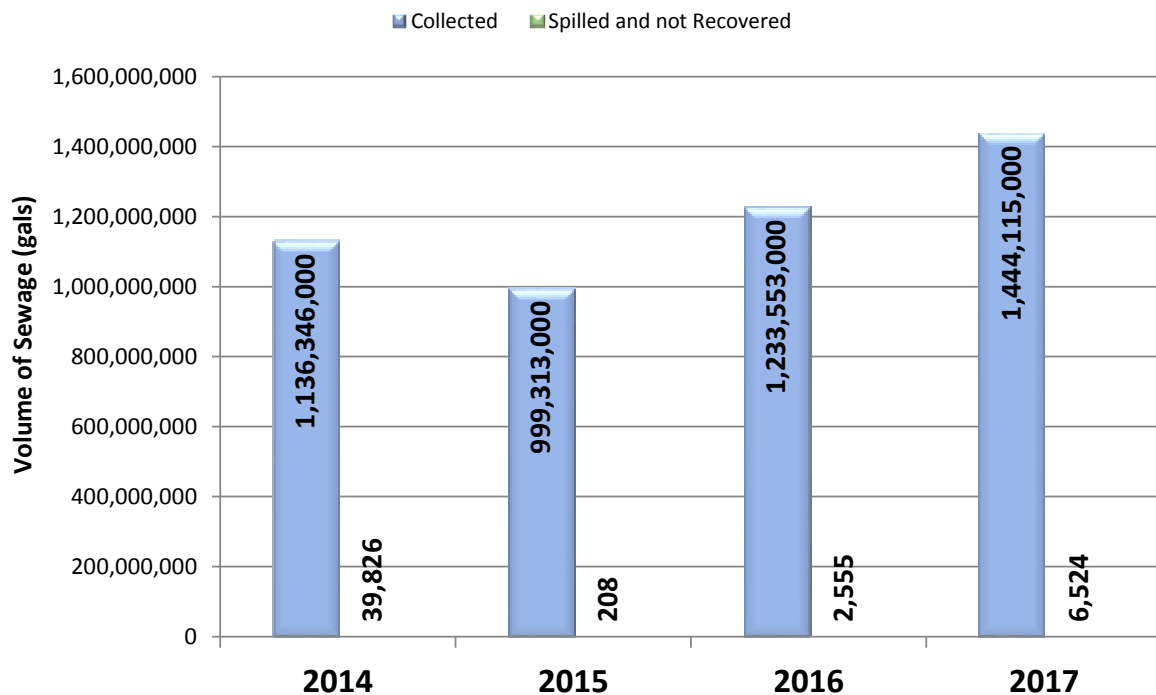


*Per California Integrated Water Quality System (CIWQS) website on 1/2/2018

When an SSO occurs, the District’s goal is to restore flow within the system, contain the spill, return it back to the system, and mitigate the effects of the overflow. The fundamental goal is to convey all of the collected sewage to the East Bay Municipal Utility District (EBMUD) treatment plant.

TABLE 3

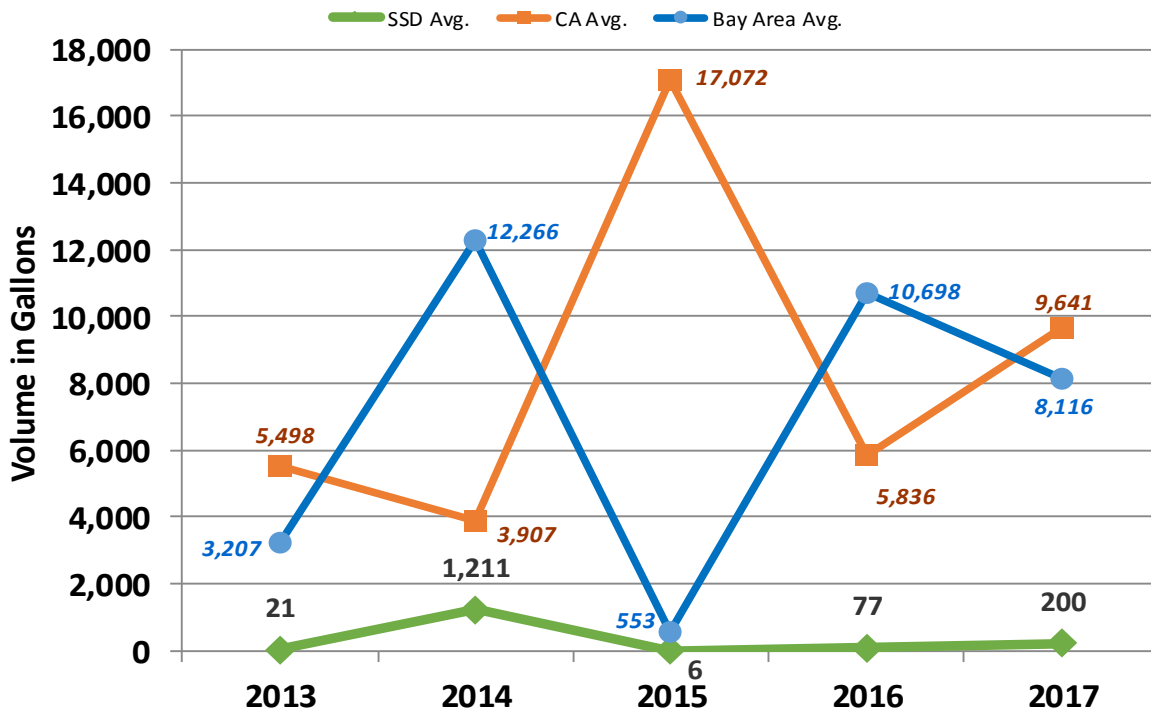
Volume of Sewage Collected vs. Spilled and not Recovered



While the ultimate goal is to prevent all SSOs, the interim goal of the District is to have the volume of sewage spilled per 1000 capita well below the industry average of the State and San Francisco Bay Region.

TABLE 4

Volume of Sewage Overflow per 1000 Capita*

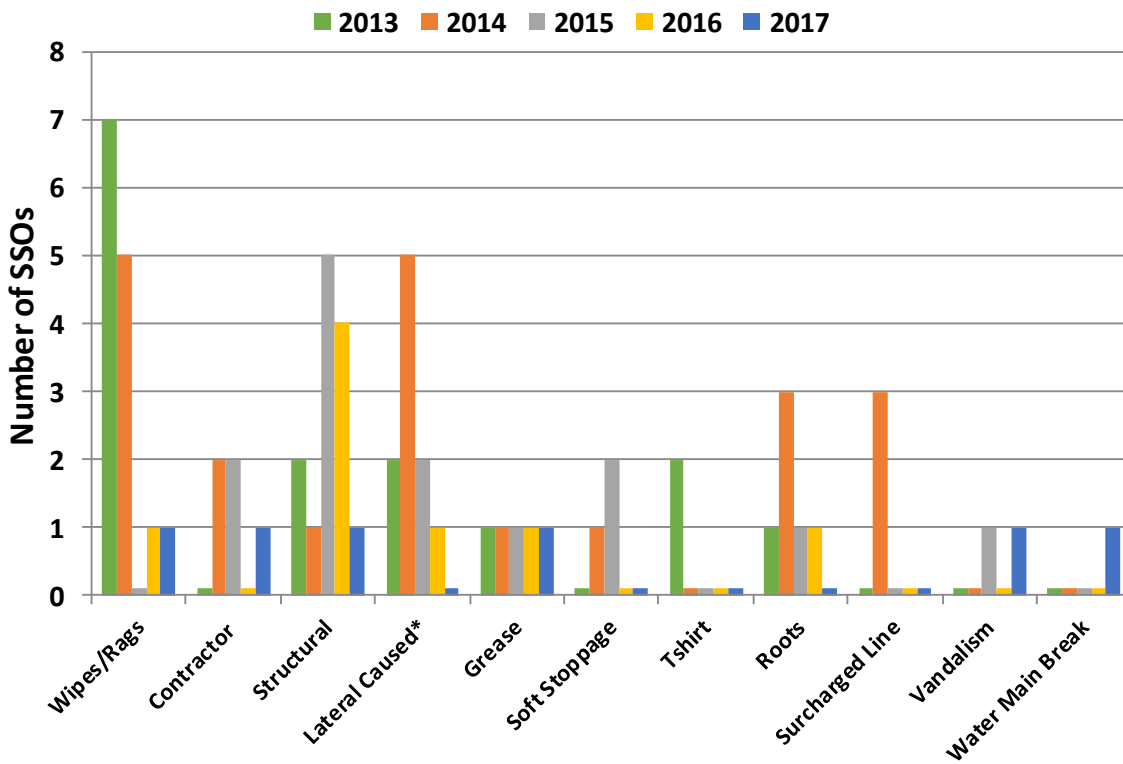


*Per California Integrated Water Quality System (CIWQS) website on 1/2/2018

Staff assesses each SSO to determine the cause in order to take the necessary steps to prevent a recurrence. Different causes result in different responses including increasing maintenance frequency, adaptive cleaning, point repairs, line rehabilitation, increasing pipe size, and/or targeted public education, outreach and/or enforcement.

TABLE 5

Causes of Sanitary Sewer Overflows



*Lateral caused SSOs are caused by property owners pushing roots, wipes and/or other debris into the main sewer causing a stoppage.

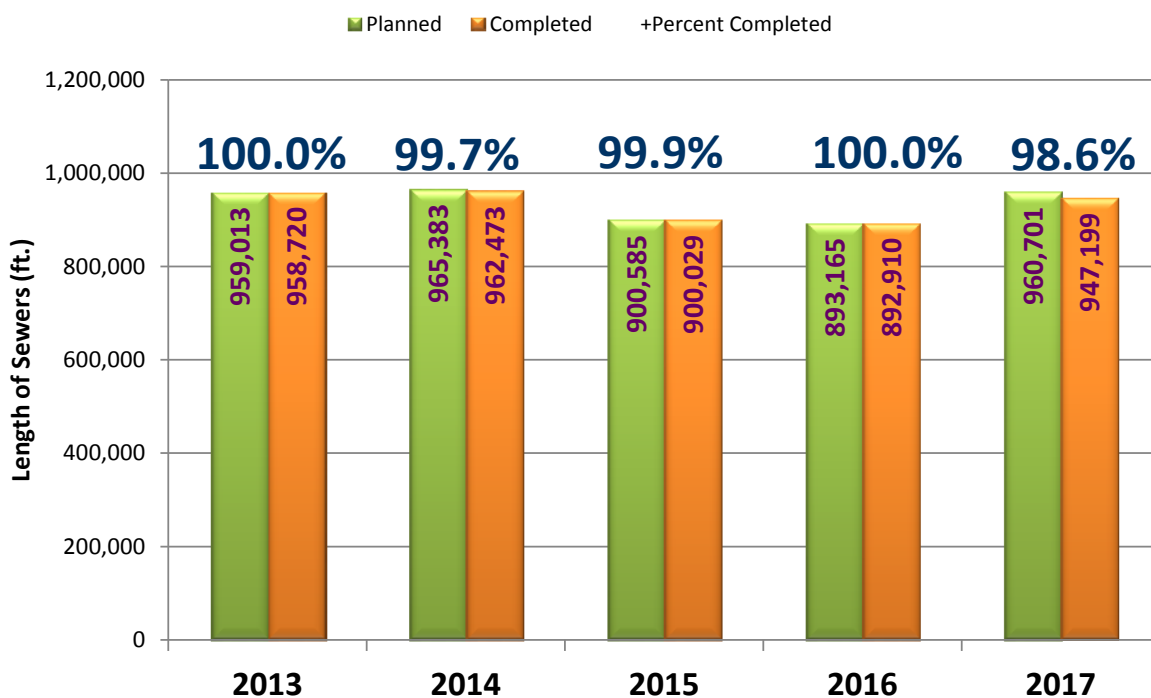
ASSESSMENT: As shown in Tables 1 through 4, overall SSOs continue to be low in both number and volume this past year especially when compared to the industry average for the State and San Francisco Bay Region. Table 5 shows blockages due to disposable wipes remain low after having been the main cause of numerous SSOs in past years. Our increased maintenance, newsletters, public outreach and targeted notices to inform and educate residents is having the desired effect in preventing blockages caused by disposable wipes. Table 5 goes on to show that there was a total of 6 SSOs last year and each was due to a different cause. The most notable was due to an EBMUD 6"Ø water main break that damaged a nearby sanitary sewer manhole. The water main break caused large amounts of clean water, sand and rocks to flow into the sanitary sewer system and overwhelmed system capacity. The manhole and affected downstream sanitary sewer lines were quickly cleaned and video inspected. All permanent repairs to the system were completed after verifying EBMUD completed their repair of the broken water main.

Sanitary Sewer Maintenance

The District's goal is to maintain **100%** of the sewer mains scheduled over the course of a year through a combination of closed-circuit television (CCTV) inspection, rodding and/or hydro-flushing activities. Note that the District uses a dynamic schedule to assign an appropriate maintenance frequency to each individual line. Revisions and modifications are made regularly as Maintenance staff are continuously evaluating line conditions and updating frequencies as they clean and inspect lines.

TABLE 6

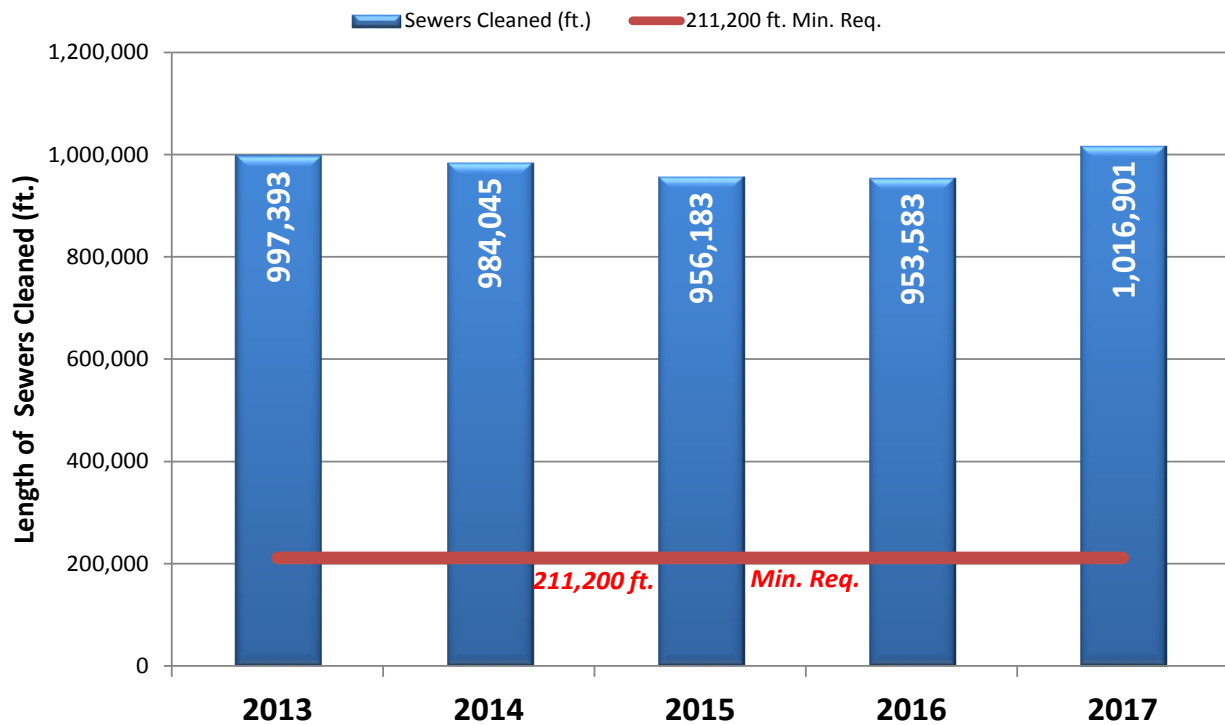
Sanitary Sewer Maintenance Planned vs. Completed



The minimum requirement, per our U.S. Environmental Protection Agency Consent Decree Case Nos. C 09-00186-RS and C 09-05684-RS (USEPA Consent Decree), is to clean a total of at least **211,200 feet** of sewer mains per year, planned or unplanned, including repeats.

TABLE 7

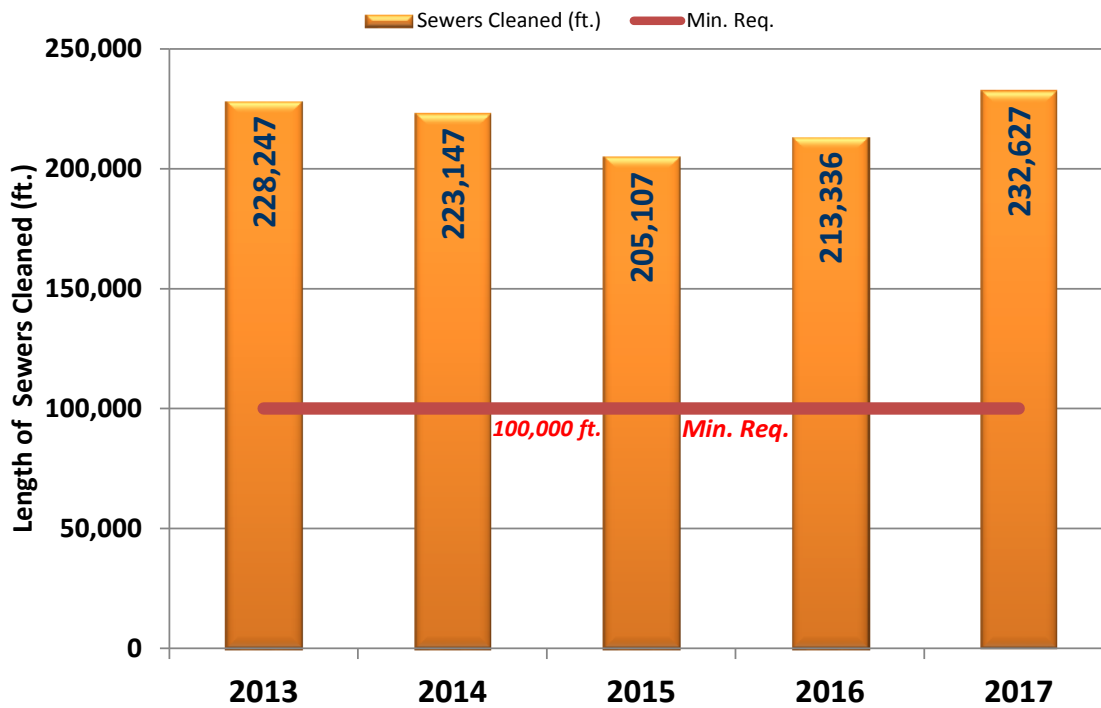
Sanitary Sewer Cleaning



The minimum requirement, per the USEPA Consent Decree, for “hot spot” lines (six month or less interval), is to clean **100,000 feet** of sewer mains per year, planned or unplanned, including repeats.

TABLE 8

Sanitary Sewer Hot Spot Cleaning



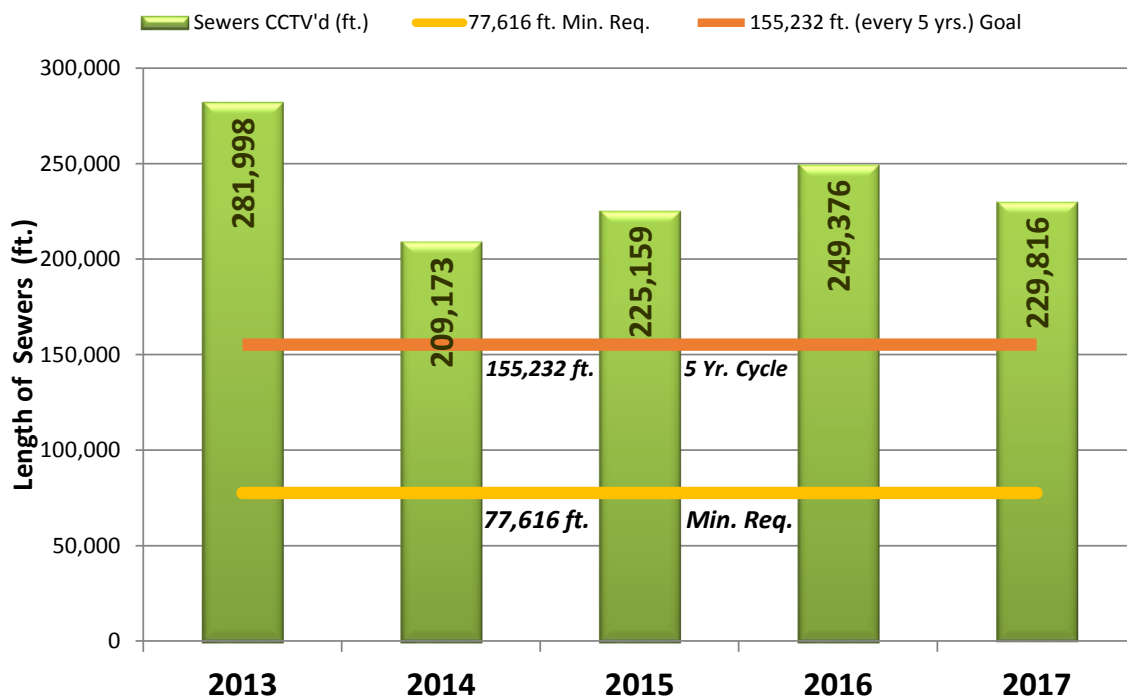
ASSESSMENT: As shown in Table 6, Maintenance staff continues to routinely complete close to 100% of the scheduled maintenance work and, as shown in Table 7 and 8, continue to perform far above the USEPA required cleaning rate of at least 211,200 feet per year and hot spot cleaning of 100,000 feet per year. Recognize that our intent is not to maintain lines merely to fulfill the USEPA requirements, but to maintain the District sewer main lines as necessary and appropriate to fulfill our mission and prevent SSOs.

Sanitary Sewer Condition Assessment

The District’s goal is to CCTV inspect every line in the District on a five year revolving schedule which is equivalent to at least **155,232 feet** per year. The minimum requirement, per the USEPA Consent Decree, is to CCTV inspect no less than 10 percent of the lines on a cumulative total of **77,616 feet** per year.

TABLE 9

Sanitary Sewer Condition Assessment

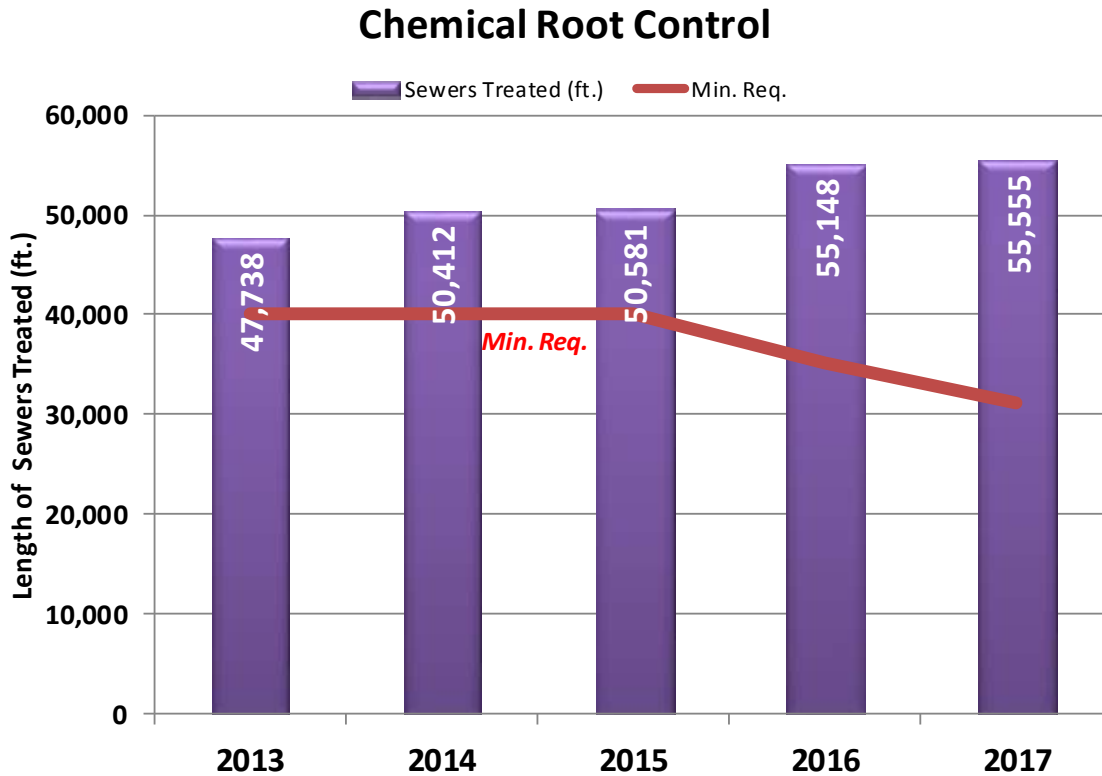


ASSESSMENT: Maintenance staff is doing a good job completing CCTV inspection work. Production continues to be well above the 5 year revolving schedule rate and more than 3 times the USEPA required CCTV inspection rate of at least 77,616 feet per year. Again, our intent is not to CCTV inspect lines merely to fulfill the USEPA requirements, but as necessary and appropriate to fulfill our mission and prevent SSOs.

Chemical Root Control

The current minimum requirement, per the USEPA Consent Decree, is to chemically treat with foam to control excessive roots 35,078 feet of lines annually on a three year rolling average.

TABLE 10



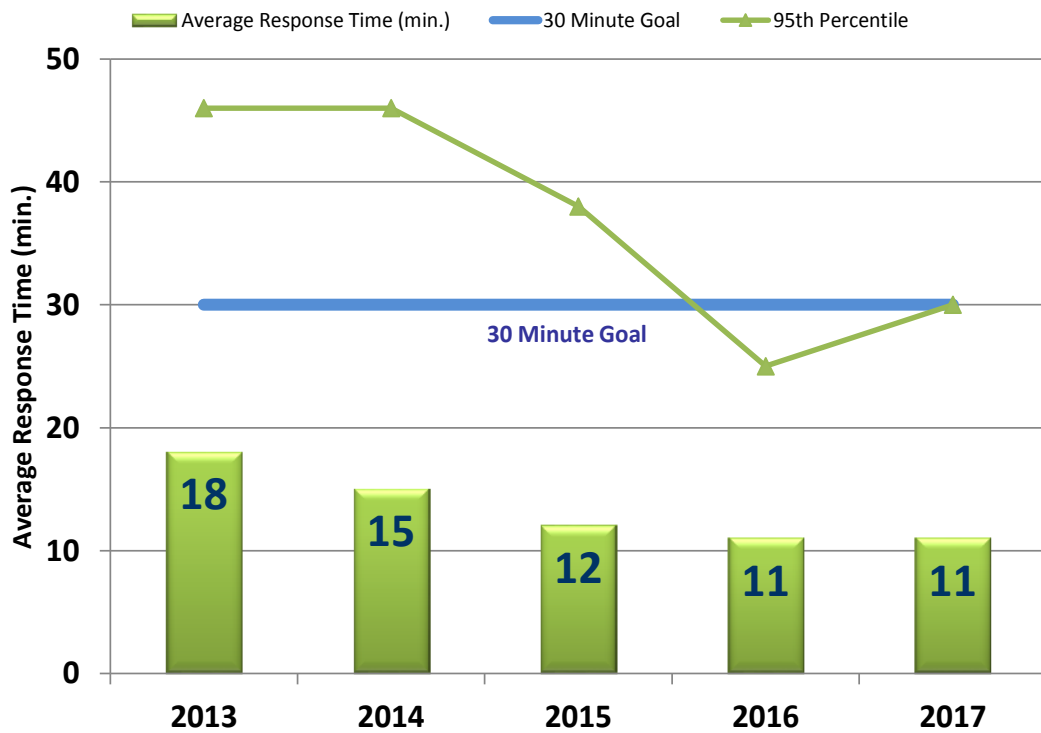
ASSESSMENT: The District continues to stay well above the USEPA required minimum feet per year. Going forward, the minimum requirement can continue to be reduced, with USEPA approval, as lines are rehabilitated or CCTV assessment indicates there are no longer excessive roots requiring treatment. A reduction is currently proposed to decrease the minimum requirement for 2018 by another 3,838 feet due to recently rehabilitated sewer mains no longer having excessive roots requiring treatment. Again, our intent is not to chemically treat with foam to control excessive roots merely to fulfill the USEPA requirements, but as necessary and appropriate to fulfill our mission and prevent SSOs.

Service Call Response

The District’s goal is to respond to service calls quickly to prevent as much spillage as possible in the event of an SSO. The goal of the District is to respond to service calls within **30 minutes** during business hours.

TABLE 11

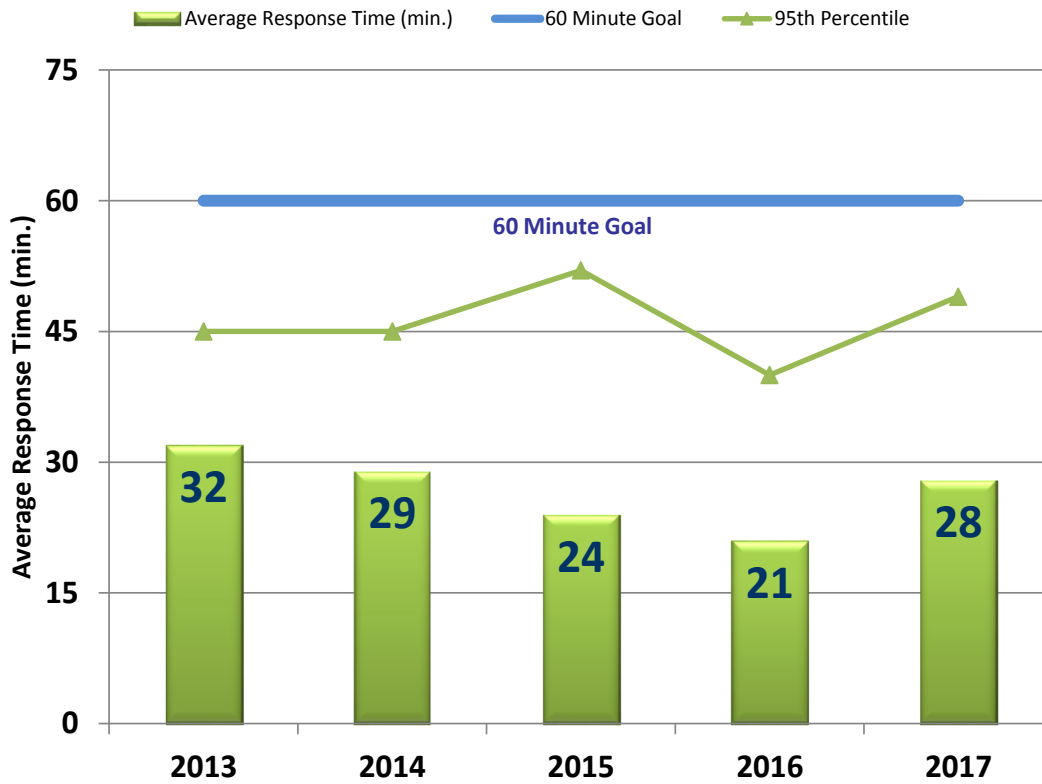
Service Call Response Time DURING Business Hours (min.)



After business hours, the goal of the District is to respond to service calls within **60 minutes**.

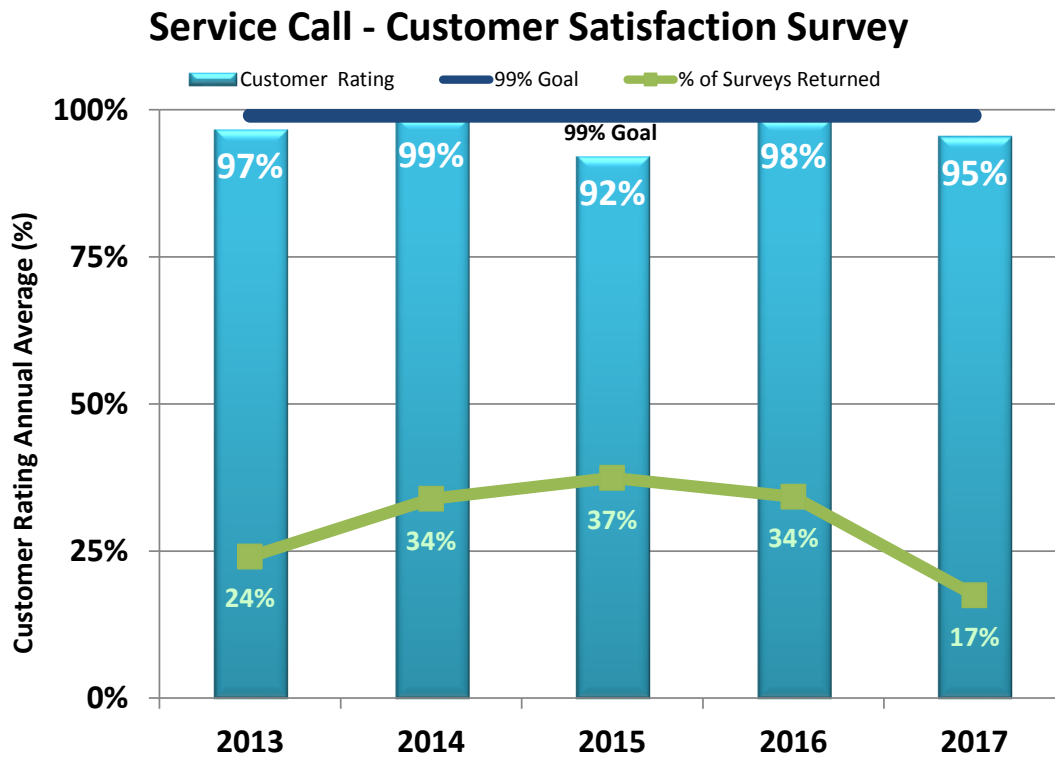
TABLE 12

**Service Call Response Time
AFTER Business Hours (min.)**



A customer satisfaction survey is sent after each service call for feedback on the quality of service received. The goal is for 99% satisfaction.

TABLE 13



Surveys Sent	99	129	183	184	149
Surveys Returned	36	32	62	63	26

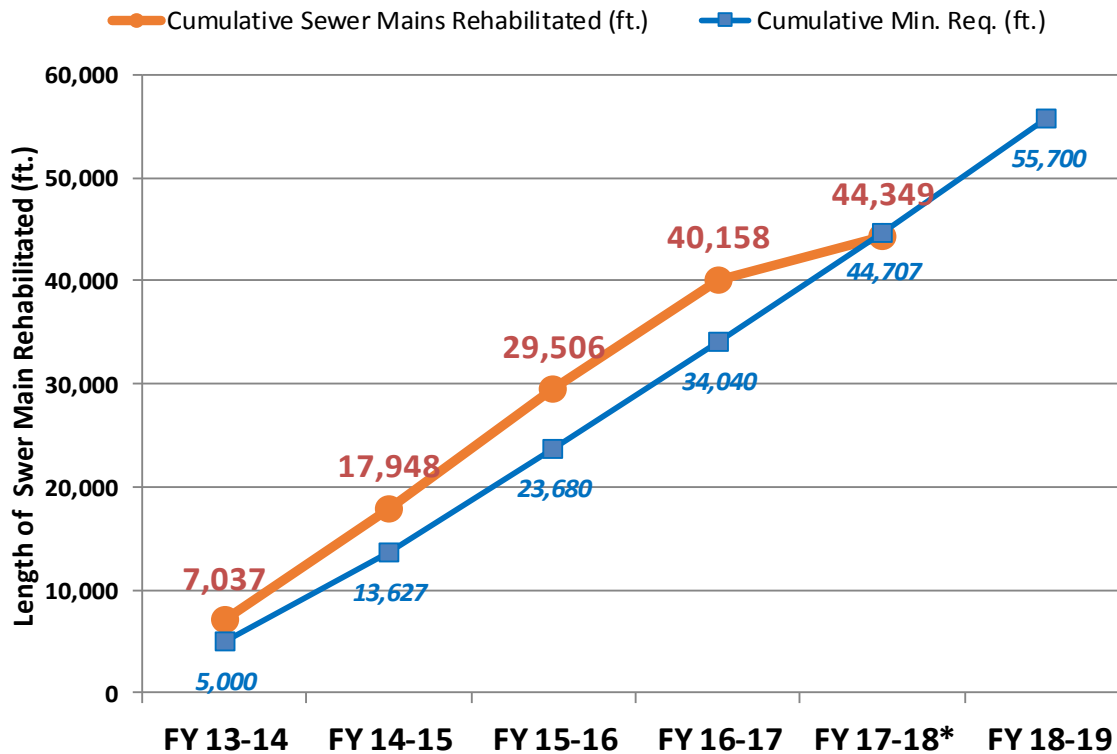
ASSESSMENT: As shown in Table 11 and 12, both average response times continue to be well below the 30 minute and 60 minute goals. The fast response time, in conjunction with staff making a concerted effort to always be courteous and helpful, contributes to the consistently high customer satisfaction rating as shown in Table 13.

Sanitary Sewer Rehabilitation

The minimum requirement, per the USEPA Consent Decree, is to complete rehabilitation of 23,680 feet of sewer main by the end of FY 2015-16 and to continue at no less than the feet of sewer main stated in the Consent Decree Appendix based on a cumulative total (e.g., 34,040 feet by June 30, 2017; 44,707 feet by June 30, 2018; etc.) for the duration of the Consent Decree.

TABLE 14

Sanitary Sewer Main Rehabilitation

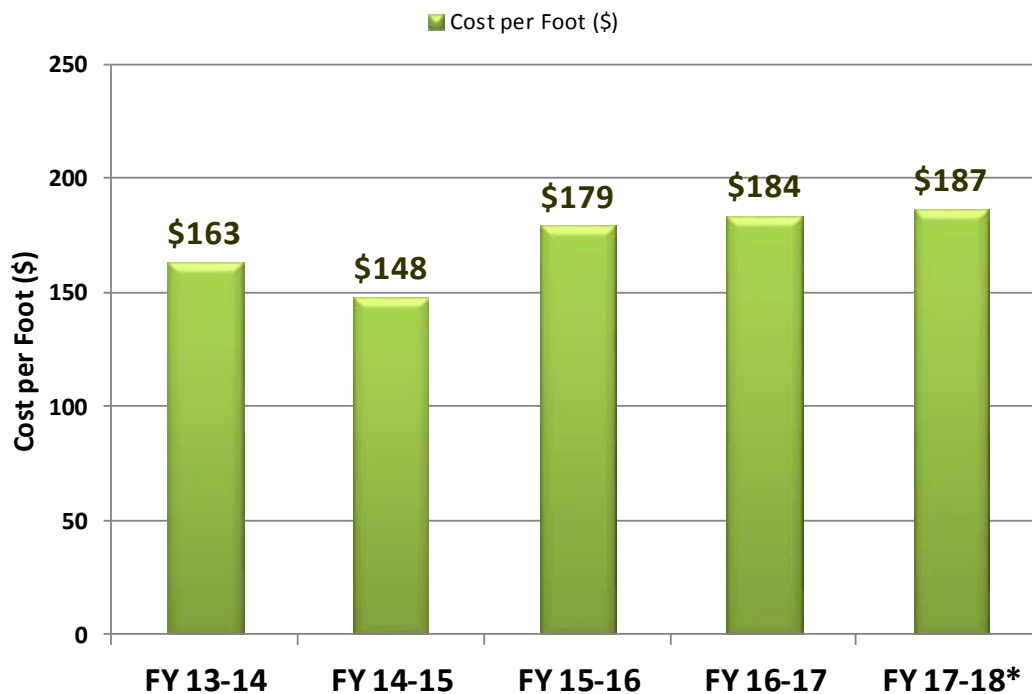


* As of 12/2017

The cost to complete the required rehabilitation work is subject to market conditions and other external factors. Staff continues to adjust projects to try to stay one step ahead of the market to keep construction costs as low as possible.

TABLE 15

Sanitary Sewer Rehabilitation Cost per Foot



* As of 12/2017

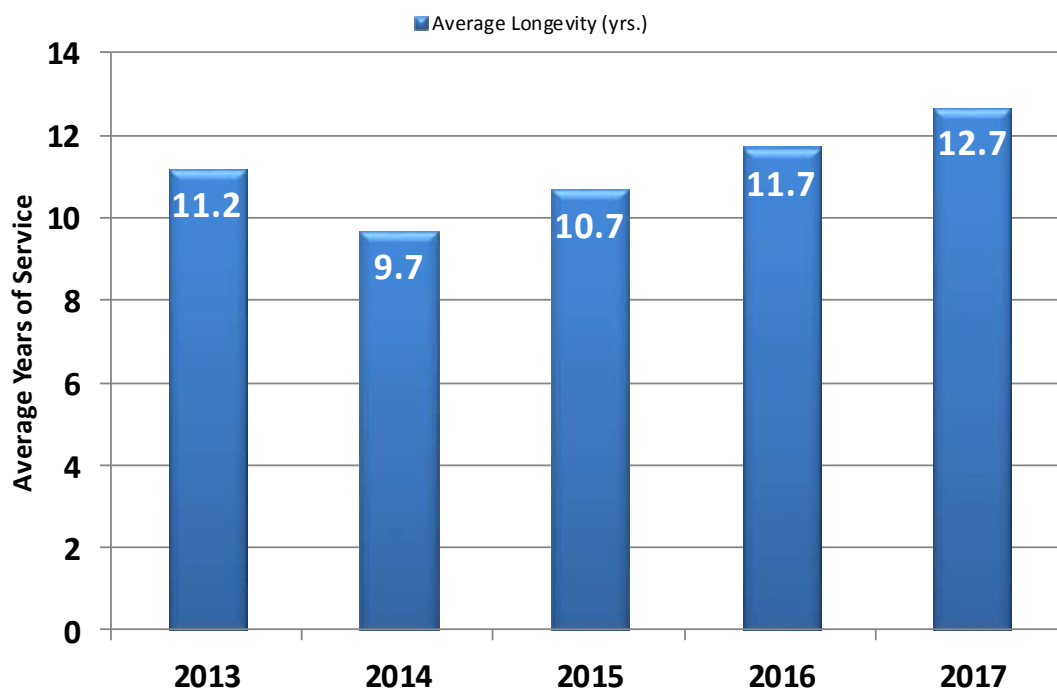
ASSESSMENT: As shown in Table 14, the District’s cumulative rehabilitation total is well above the required cumulative rehabilitation total of 34,040 feet at the end of FY 16-17. Engineering staff will continue to try to stay ahead of the required rehabilitation total to protect against sudden increases to construction costs that our neighboring agencies are currently experiencing. As shown in Table 15, the rehabilitation cost per foot is currently \$187 which is only a small increase over the past 2 years. Engineering staff remains confident the current fiscal year will end with a rehabilitation rate well ahead of the Consent Decree requirement since there is still 6 months and 57% of the budget to spend before the end of this fiscal year.

Employee Retention/Longevity

Once time and money have been invested to recruit and train good employees, it's in the District's best interest to retain and motivate them to continue to provide value to the District. Excessive employee turnover increases expenses, has a negative effect on employee morale and would be a prime indicator that something is not right within the workplace.

TABLE 16

Employee Retention/Longevity

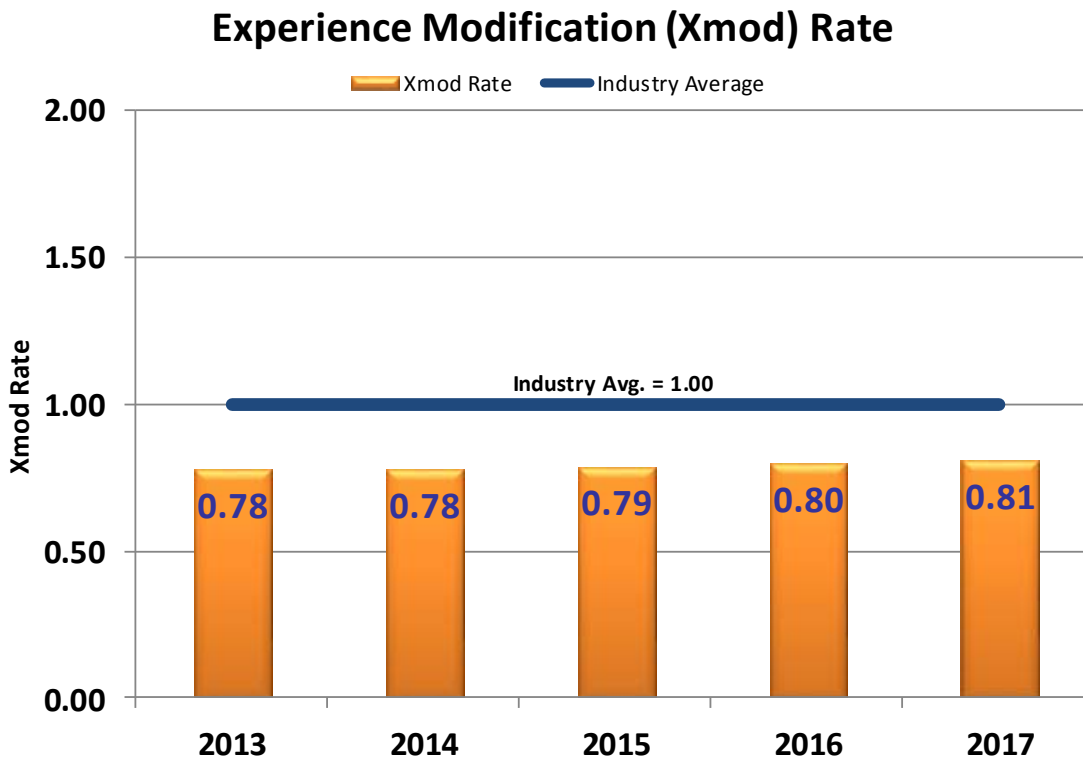


ASSESSMENT: Employee retention remains very high. For the last decade, the only turnover has been as a result of retirement. The District continues to value its employees and, in return, employees continue to be loyal to the District. This highly trained, highly skilled workforce longevity helps to keep the District's institutional knowledge and history intact. The average years of service is almost 13 years even after a long time employee retired and was replaced by a new entry level employee in 2014.

Experience Modification (Xmod) Rate

The Experience Modification (Xmod) rate is the factor resulting from the statistical comparison of a company's Workers' Compensation loss history to the loss history of an average company. The number is used by worker's compensation insurance providers to gauge both past cost of injuries and future chances of risk. An Xmod of 1.0 is exactly average. Numbers over 1.0 indicate that the District has more injuries and illness than the industry average, while numbers below 1.0 are better than the average.

TABLE 17



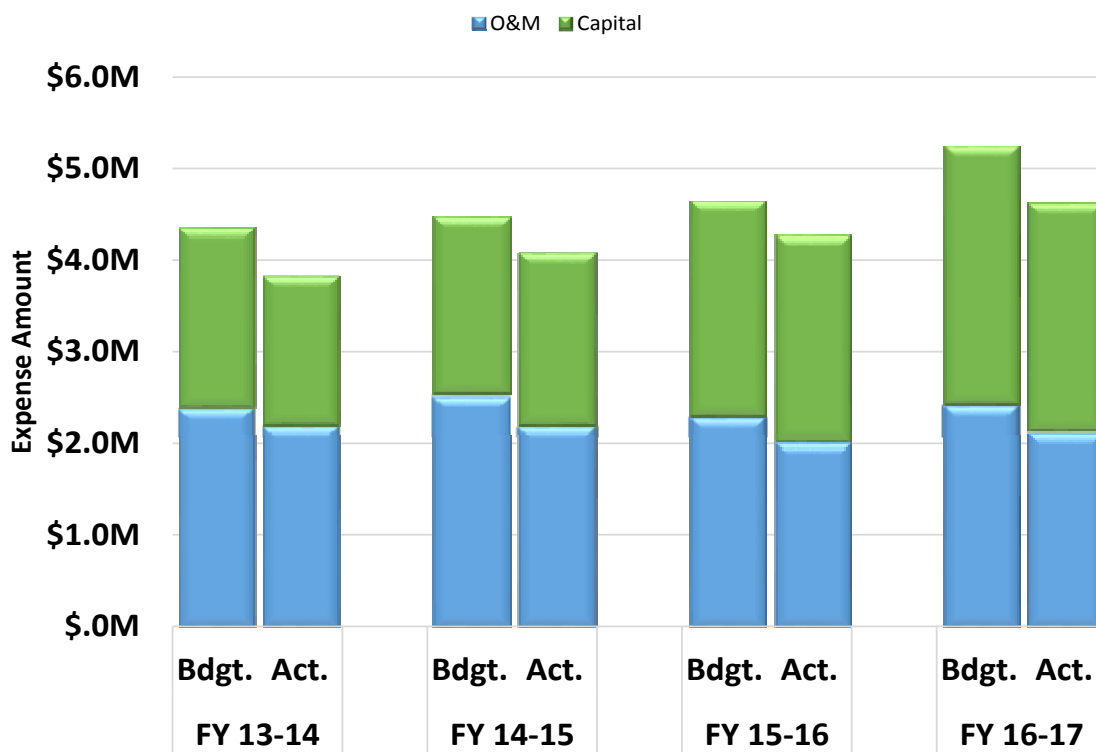
ASSESSMENT: The District continues to have a historically safe workplace and has gone 20 years without a worker's compensation insurance claim. The slight increase shown over the years is attributed to the existing and projected market conditions and not the result of factors within the District's control. Overall, the District's Xmod rate continues to perform better than the industry average and the District has once again received an award for Workers' Compensation Excellence from the California Sanitation Risk Management Authority (CSRMA) for FY 2015-16.

Finances

The annual budget represents a detailed analysis of how management forecasts the District's revenues and expenditures for the fiscal year. The goal is to execute the planned budget while keeping the financial operation near the forecasted amounts.

TABLE 18

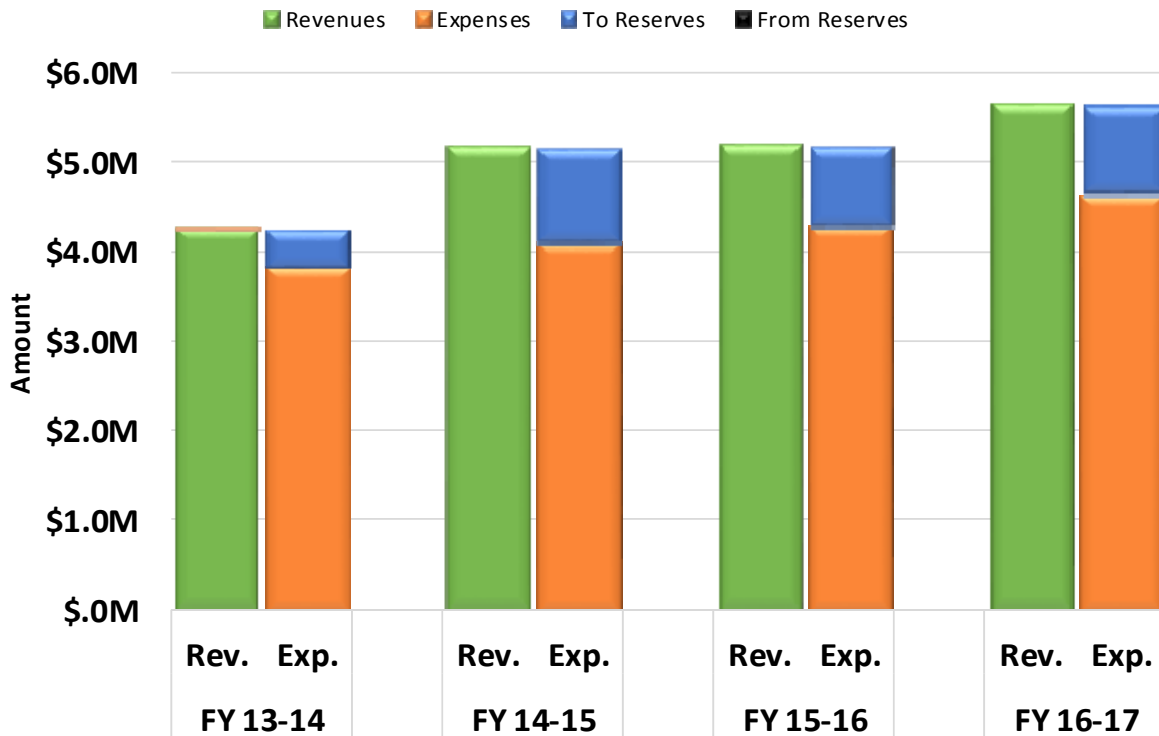
Budget vs. Actual Expenses



An additional goal is to have a balanced budget, where revenues equal expenditures, so there is neither a significant deficit nor a significant surplus.

TABLE 19

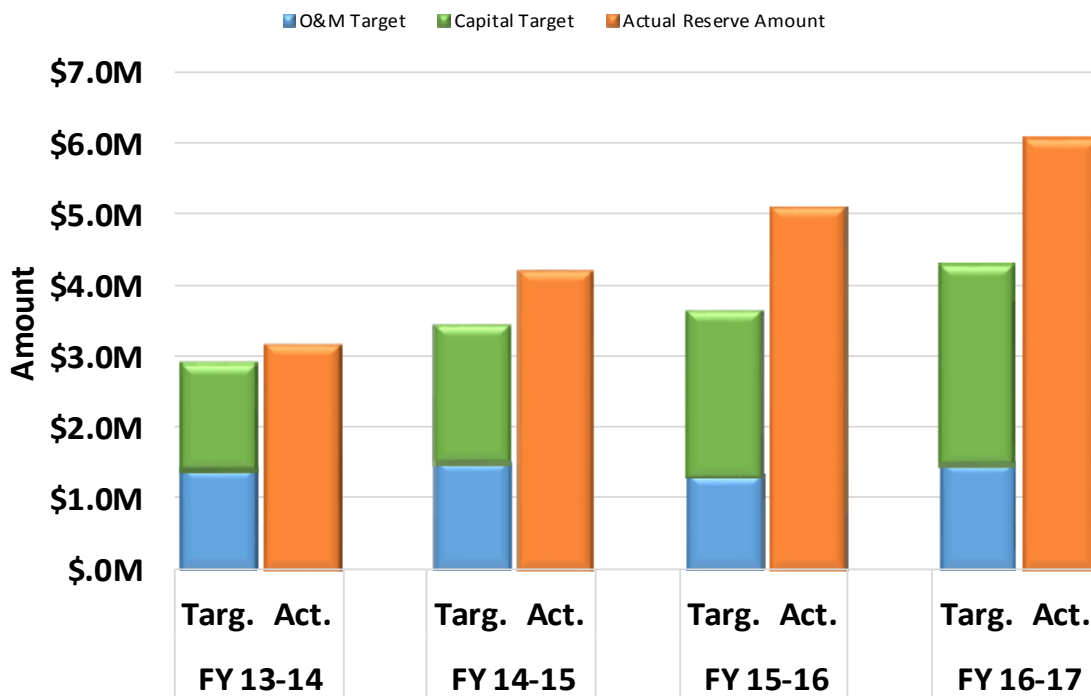
Actual Revenues vs. Actual Expenses



The target for the Operating Reserve is to be equal to 60% of operating and maintenance costs. This level of funding is intended to adjust annually to equal the District’s budgeted costs from May to December, reflecting the lag in the collection of sewer service charges from the County tax roll. Beginning with FY 2014-15, the target for the Capital Reserve is to be equal to the 3-year average of the annual capital cost (i.e. average of the previous, current, and future year capital cost) to ensure that the District has adequate funds available on an annual basis to conduct sewer pipeline replacements and to fund any emergency needs.

TABLE 20

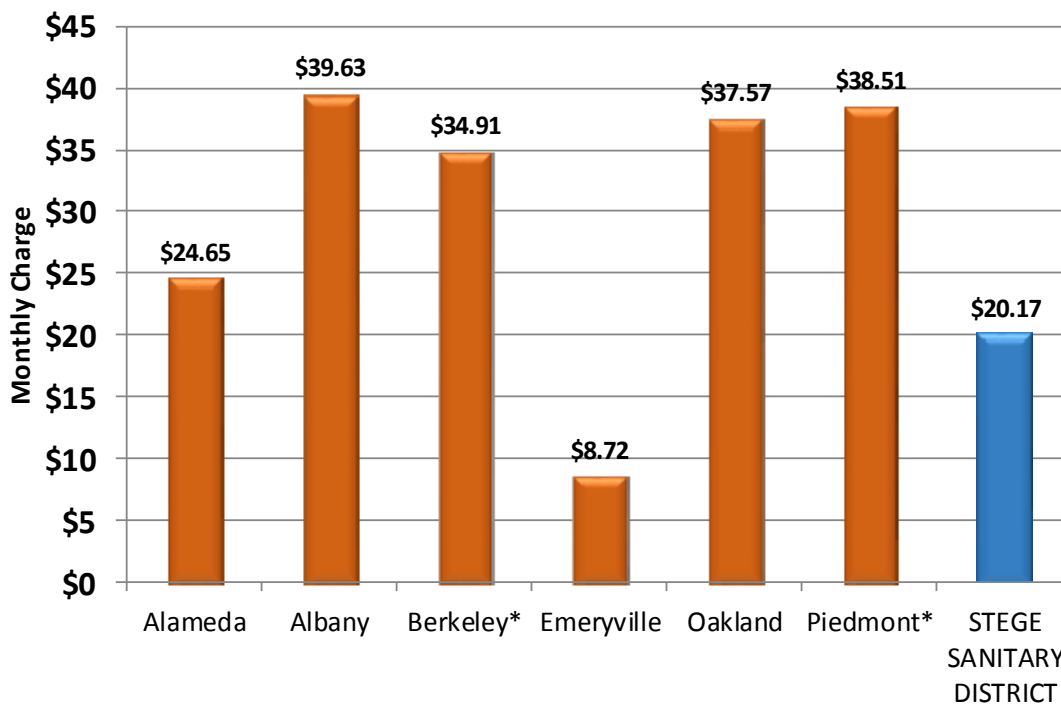
**Reserve Fund Target vs. Actual Reserve Amount
 (Accrual Basis)**



The District’s Sewer Service Charge covers the cost of the operation, maintenance, and capital improvements to the sanitary sewer system. The goal is to provide a high level of service that is both cost effective and efficient while maintaining a sewer service charge among the most affordable of the East Bay agencies.

TABLE 21

Monthly Sewer Service Charge Comparison



* Based on 48,660 gals./yr.

ASSESSMENT: For FY 2016-17, actual expenses were 12% less than the forecasted budget amount as shown in Table 18 and 22% less than actual revenues as shown in Table 19. This net gain was added to the fiscal year end reserve amount increasing it to 141% of the reserve target goal of \$4.33 million, as shown in the Table 20.

The District continues to be in a strong financial position moving forward into FY 2017-18. The District will again consider putting a hold on service rate increases for another year and continue to keep the District’s sewer service charge, as shown on Table 21, among the most affordable of the East Bay agencies.