

# **Attachment No. 47**

City's Letter to LAFCo, dated  
December 22, 2022



# OFFICE OF THE CITY MANAGER

December 22, 2022

Mr. Rob Bartoli  
Executive Officer  
San Mateo Local Agency Formation Commission  
455 County Center, 2nd Floor  
Redwood City, California 94063-1663

**RE: Response to Revised Incomplete Letter for LAFCo File No. 22-09  
Proposed Establishment of the East Palo Alto Sanitary District as a  
Subsidiary District of the City of East Palo Alto**

Dear Mr. Bartoli

The City of East Palo Alto (City) has received the Revised Incomplete Letter from the San Mateo Local Agency Formation Commission (LAFCo) regarding the City's proposal to establish the East Palo Alto Sanitary District (District) as a subsidiary district of the City. We have provided responses to each of the questions and comments identified beginning in Paragraph 3 of LAFCo's letter dated Revised December 13, 2022, and we have organized our responses by first presenting LAFCo's question/comment followed by the City's response.

### **Comment 3a**

A general timeline for the initiation of sanitary sewer services overseen by the City, including the timing of when the City may seek proposals for contracting services for the subsidiary district. Provide information about the timing of when the City would start the contracting process and when a contract would be entered into.

### **Response 3a**

The City intends to issue a Request for Qualifications (RFQ) in January 2023 to begin the process to identify potential contractors that would be qualified to provide contract sewer operating services. Following the completion of the RFQ process, the City will

compile a short list of qualified contractors to request proposals for providing the necessary sanitary sewer system contract operating services.

City staff intend to present at the January 17, 2023, City Council meeting staff's proposal to initiate the RFQ process in parallel with the LAFCo process and request feedback from Council. The staff report to Council will include the suggested timeline and evaluation criteria including scoring methodology to develop a short list of qualified contractors to advance the proposal phase of the selection process. The intent is to have identified a qualified contractor in parallel with the LAFCo process. The City understands that LAFCo has the discretion to condition approval of the City's application on execution of a contract for system operation and maintenance. The City requests that the effective date coincide with a fiscal period such as fiscal year, fiscal quarter, or fiscal month.

**Comment 3b**

The City's staffing plan for the subsidiary district and what would occur with existing District employees and employment contracts upon the establishment of EPASD as a subsidiary of the City.

**Response 3b**

The City intends to honor existing employment contracts for all District full-time employees. As part of the RFQ process for short listing potential qualified contractors briefly described in Response 3a, the City intends to require potential contractors to present a strategy for continuing to engage any District temporary employees that are currently providing operation and maintenance services.

The City understands that the District currently has two full-time employees that includes the General Manager and one administrative position. The General Manager's employment agreement was amended by the EPASD Board on October 6, 2022, with an amended monthly salary of \$25,744.99 for a term ending October 23, 2022. The City Council, as governing body of the District, will have the General Manager provide support during the initial transition period until the current employment agreement expires at which time the subsidiary district needs would be reevaluated

**Comment 3c**

The City's plan to ensure that Menlo Park residents who reside in the District can provide input and engage with the subsidiary district. This can be a condition of approval of the proposal.

**Response 3c**

The City takes no exception to LAFCo including this item as a condition of approval. The City regularly engages, informs residents and business owners through newsletter notices and mailings the City would include Menlo Park residents within the East Palo Alto Sanitary District boundaries in all correspondence and updates related to the sanitary sewer service. Additionally, Proposition 218 requires that all property owners within District boundaries be included in advance by mailed notice of public hearings concerning rate increases and that they be allowed to submit protests. The City has included these residents and the City of Menlo Park in a recent mailing about the City's application to LAFCo. The City takes no exception to LAFCo including this item as a condition of approval.

**Comment 3d**

The City's plan to address the long-term pension liability of the existing and past employees and the inclusion of these costs in the project budget of the subsidiary district.

**Response 3d**

As of June 30, 2021, the District reported a net pension liability of \$1,858,898. In December 2021, the District made a lump sum payment of \$1,400,000. The subsidiary district's CalPERS liability would be managed similar to the City's CalPERS liability which includes a pre-funding strategy to reduce long-term retirement costs and a long-term budget forecasting that includes pension liability estimates. The expenditures could be allocated from reserves.

**Comment 3e**

The plan for service notes that EPASD has recently completed an assessment for over 22 miles of the existing collection system to determine if there are existing deficiencies (CCTV Survey Evaluation and Pipeline Replacement Priorities Area 1, 3, and 4, September 29, 2022, by Sierra West Consultants). While the plan for service has included proposed capital improvements from the District's 2015 Master Plan and 2021 Master Plan Addendum, does the plan for service take into account the recent assessment by the District?

Please also expand on what is classified as a priority repair pipeline and why the replacement is considered a high priority.

### **Response 3e**

As noted in the first paragraph of Section 4 Proposed Capital Improvement Plan from the Sanitary Sewer Capital Improvement and Operation Plan Development (Plan) prepared by Freyer & Laureta, Inc. (F&L) dated November 1, 2022, portions of the Priority 1 improvements identified in the referenced Sierra West Consultants (SWC) September 29, 2022 memorandum overlap with both the existing deficiencies capital improvements projects and the development related deficiencies capital improvements projects. Specifically, Figure 5 from the Plan presents all of the Priority 1 improvements identified by SWC and includes labeling to indicate the overlap with the City proposed capital improvement plan (CIP) and the remaining Priority 1 projects. Approximately 60% of the SWC identified Priority 1 improvements overlap with the City proposed CIP and no additional budget is required for these improvements to be integrated into the City's proposed CIP.

For the remaining approximate 40% of Priority 1 improvements, the Plan includes an annual proposed budget of \$1.5 million per year to address ongoing sewer rehabilitation projects (see Table 11, Note 9 included with the Plan) that is intended to fund rehabilitation and/or replacement of the remaining Priority 1 segments followed by Priority 2 segments, etc.

Regarding the classification of high priority by the District's consultant, we understand that SWC established criteria for grouping pipeline replacement priority based on the condition assessment scoring SWC describes in the referenced September 29, 2022 memorandum while also considering existing system capacity deficiencies identified in the 2021 Master Plan Addendum. F&L understands that SWC reviewed the closed circuit television (CCTV) of each pipe segment and graded each pipe in accordance with the Pipeline Assessment and Certification Program (PACP), which is an industry standard approach to identifying a variety of deficiencies including but not limited to the degree of severity, the number of times a problem with similar severity is identified in a given segment, presence of root balls or debris, and other key considerations that would impact the performance of the pipeline segment. The PACP provides guidance on assigning a sliding scale score for each evaluation criteria that then allows a reviewer to calculate a cumulative condition rating for a given segment. F&L reviewed the methodology implemented by SWC and concurs with the approach utilized but we cannot comment on the specific results because we did not review the CCTV utilized to develop the condition rating. However, the City understands that SWC relied on the cumulative condition and capacity scoring system to identify the total number of

segments that scored 75 points<sup>1</sup> or higher to identify the Priority 1 segments as shown in Table 1 of the SWC September 29, 2022, memorandum.

**Comment 3f** For the existing identified deficiencies of the sewer system, would these Improvements be needed to be made in the absence of new development?

If they are needed, provide an explanation in the plan for service and technical memo from Freyer & Laureta.

**Response 3f**

Yes, improvements to the existing system capacity deficiencies presented in Table 1 and on Figure 3 from the Plan are required whether or not any new development were to occur within the District service area. The Plan presented the estimated opinion of probable project cost to remedy the existing system capacity deficiencies in Table 2, referred to as Capacity Assurance Improvements. The proposed five-year cash flow projection presented in Table 11 included with the Plan proposes a budget of approximately \$1.0 million per year beginning in Fiscal Year 2024/2025 to implement the necessary existing system capacity deficiency projects over a 15-year timeline as highlighted on Figure 6 included with the Plan.

**Comment 3g**

Provide additional explanation regarding surcharging conditions for the sewer system. Include examples of other agencies systems or industry best practices regarding surcharging.

Is the proposed surcharging consistent with the 2015 Master Plan or 2021 Addendum for EPASD?

**Response 3g**

Sanitary sewer systems are managed with the goal of preventing sanitary sewer overflows. Sanitary sewer systems are managed differently by agency; however, all agencies have the goal of preventing sanitary sewer overflows and having a system with sufficient velocity to self-clean. The proposed improvements for existing system deficiency and suggested long-term operating condition with portions of the collection system being allowed to surcharge with at least four feet of freeboard is consistent with the 2015 Master Plan and achieves the goal of preventing sanitary sewer overflows. The District's evaluation criteria at the time used in development of the 2015 Master Plan included the understanding that surcharging without sanitary sewer overflows is

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<sup>1</sup> F&L understands from review of the SWC September 29, 2022 memorandum that the higher the cumulative score indicates a higher number of defects that were identified through the CCTV review effort.

acceptable. The District's system also includes a siphon to cross San Francisquito Creek which, by nature, surcharges the upstream system during high flow conditions. Furthermore, the 2015 Master Plan allowed for surcharging in lieu of constructing sanitary sewer pump stations. Maintaining a system that surcharged during wet weather events with velocity to self-clean in average dry weather flow conditions in lieu of maintaining pump stations(s) was preferred by the District in 2015.

The 2021 Master Plan Update contemplated a new direction to not allow surcharged conditions. In order to achieve the District's modified goal, certain pipe sections would need to be upsized for managing wet weather flows without allowing surcharge. This does create issues during average dry weather flow conditions because velocities in larger diameter pipelines decrease as flow rates decrease, which may lead to solids build-up in the system. The larger pipelines would be able to handle peak weather flow rates without surcharging; however, the upsized pipelines will have decreased velocity for self-cleaning during average dry weather flow conditions, which is a majority of the time.

**Comment 3h**

The 2021 Master Plan Addendum identified the construction of a parallel trunk sewer between the downstream end of the dual siphons and discharge point to the PARWQCP. Is this project proposed in plan for service?

Per EPASD public meetings, the District has not yet completed a review of the existing sewer trunk line. If improvements to the line are identified during the review of this proposal, will the proposed budget be updated with these costs?

**Response 3h**

No, the Plan does not include funds budgeted amounts for any improvements to the trunk sewer between the downstream end of the dual siphons and the PARWQCP discharge point. If the District condition assessment reveals there is a need to perform repair or rehabilitation of the trunk sewer, the budget for the trunk sewer repair or rehabilitation will be added to the Plan.

**Comment 3i**

The plan for service proposes estimated annual operating and maintenance expenses based on West Bay Sanitary District costs. Provide a comparison of this estimate to other sewer providers in San Mateo County and the Bay Area.

**Response 3i**

The City reviewed the following sewer provider operating and maintenance expenses for the collection system only:

<b>Sewer Provider</b>	<b>Number of Miles of Pipe in Collection System</b>	<b>Annual Budget for Fiscal Year 2022/2023</b>	<b>Budget per Mile of Pipe</b>
Bayshore Sanitary District	15	\$206,750	\$13,783
City of Burlingame	81	\$7,003,807	\$86,466
City of San Carlos	104	\$8,734,100	\$83,981
North San Mateo County Sanitation District	177	\$11,645,336	\$65,792

For comparison, the proposed annual operation and maintenance budget included in the Plan for Fiscal Year 2022/2023 for the proposed subsidiary district, not including payments to the City of Palo Alto for wastewater treatment, is \$2,295,000, which is equivalent to \$76,500 per mile of pipe. Based on the City's review of other sewer provider's current fiscal year budgets listed in the table above, the proposed subsidiary district's operating and maintenance budget not including wastewater treatment fees is within average budget range for those four agency budgets that were reviewed.

Please contact me at (650) 853-3100 or [pheisinger@cityofepa.org](mailto:pheisinger@cityofepa.org) with any further questions.

Sincerely,



Patrick Heisinger  
Interim City Manager