PUBLIC REVIEW DRAFT REPORT

SAN MATEO LAFCO

MUNICIPAL SERVICE REVIEW UPDATES:

CITY OF EAST PALO ALTO
EAST PALO ALTO SANITARY DISTRICT
WEST BAY SANITARY DISTRICT

Prepared by BERKSON ASSOCIATES
in association with POLICY CONSULTING ASSOCIATES LLC

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richard@berksonassociates.com | 510.612.6906 | www.berksonassociates.com

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1. EXECUTIVE SUMMARY

This document contains Municipal Service Reviews (MSRs) for the City of East Palo Alto ("City of EPA"), East Palo Alto Sanitary District (EPASD), and West Bay Sanitary District (WBSD). The document includes the three agencies because EPASD and WBSD both provide sewer service to different areas of the City of EPA (and to portions of other adjacent cities). An independent consulting team, Berkson Associates and Policy Consulting Associates LLC (PCA), prepared the MSRs for San Mateo Local Agency Formation Commission (LAFCo) in accordance with State law.[1]

State law requires that LAFCo review and update Spheres of Influence (SOIs)[2] every five years "as necessary" and prepare an MSR as a basis for the SOI review. LAFCo initiated the current MSRs at their meeting May 19th, 2021. LAFCo staff indicated at that meeting that the preparation of the MSRs "...responds to a request for a prioritized MSR by various developers and the City of East Palo Alto because of the inability to obtain will-serve letters from the District for new developments in the City."[3]

The previous 2008 MSR for EPASD[4] evaluated potential successor agencies to EPASD, which included the City of EPASD and WBSD, to take over services from EPASD in the event of its dissolution. The current MSR for EPASD re-affirms the current "dissolution" (zero) Sphere of Influence originally adopted by LAFCo for EPASD in 1983 and affirmed by the 2008 MSR. A "dissolution" (zero) Sphere of Influence means that LAFCo anticipates future dissolution of EPASD and provision of sewer services by a successor agency.

This chapter summarizes key findings from the reviews of the three agencies. Subsequent chapters describe the reviews in greater detail along with MSR determinations and recommendations. The MSRs are based on compilation and review of agency documents, responses to requests submitted to agencies and agency interviews, research into industry practices, and experience with LAFCo municipal service reviews, financial and governance analysis of other agencies. Draft versions of MSR sections were reviewed by the three agencies and their comments incorporated as appropriate into the current document.

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1 Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000, California Government Code §56000 et seq.

2 "Sphere of Influence" (SOI) means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission (Gov. Code §56076).

3 Action Minutes, San Mateo Local Agency Formation Commission Meeting, May 19, 2021, Item 4, pg. 2.

4 Municipal Service Review and Sphere of Influence Update East Palo Alto Sanitary District February 16, 2009.

CITY OF EAST PALO ALTO

The City of East Palo Alto (City of EPA) is a general law city incorporated in 1983 covering approximately 2.6 square miles.[5] The City provides a range of services to a population of about 30,000. Sewer services are provided to the City by EPASD.

1. **Past population growth has been relatively static but pending development proposals support projections of future resident growth and new commercial development.**

   As of December 2021, the City had 20 unconstructed development projects in some phase of the application and construction process consisting of 1,469 dwelling units and 4.2 million square feet of nonresidential building space. A majority of the larger developments are located in the Ravenswood/4 Corners TOD Specific Plan area. The City has received applications for a significant number of Accessory Dwelling Units (ADUs), and the General Plan and recent State legislation allows for further increases in development.

2. **Lack of EPASD sewer collection system capacity is an impediment to development in the City. Developers have indicated concerns that the costs to connect are prohibitively expensive and that EPASD has been unwilling to discuss financing options to make connection more feasible. Efforts to-date to resolve this issue have been largely unsuccessful.**

   Constrained development deprives the City of EPA and its residents, approximately ninety percent of whom live in EPASD service area, of increased municipal and other revenues to maintain and improve public services, reduces future affordable housing and ability to meet RHNA housing allocations, and limits growth in job opportunities.

3. **Reorganization of EPASD as a subsidiary district to the City of EPA is a potential governance option that could improve coordination between land use planning and implementation of needed sewer capacity. A potential contract between the City of EPA and WBSD to manage sewer operations would provide the specialized expertise required.**

   The majority of EPASD ratepayers are also residents of the City of EPA. This governance option could align provision of sewer services with other community interests and municipal functions, increase community representation in sewer services, improve transparency and public outreach, result in potential cost savings to ratepayers, and improve sewer infrastructure and services.

[5] Correspondence from San Mateo LAFCo, 3/21/2022; represents total area including roads.

EAST PALO ALTO SANITARY DISTRICT (EPASD)

EPASD was formed in 1939 to provide sewer services to increased development in what is now the City of EPA and portions of the City of Menlo Park.[6] EPASD boundary covers 1.84 square miles[7] and serves approximately 26,622 residents and a range of office, retail, public/institutional, and other uses.

4. **EPASD, managed by a locally elected Board of Directors, has provided sewer services continuously for over 80 years and its sewer rates are nearly the lowest in the County at half the median sewer rate for sewer service providers in the region.**

   EPASD sewer rates are low due to: property tax helps fund expenses; EPASD has used contract staff but is shifting to District employees; the District has not implemented its 2015 CIP or its 2021 Update Addendum to address predicted peak storm event sewer overflows under existing land use conditions; and capital improvements have proceeded at a slower pace than planned.

5. **EPASD's engineering consultants, working under the direction of the EPASD General Manager, predict sanitary sewer overflows (SSOs) could occur at 38 manholes due to surcharge conditions in many of its pipes during a peak storm event under existing land use conditions.[8]**

   EPASD's 2021 Addendum to its Master Plan predicts potential sewer overflows during peak storm events under existing land use conditions. The 2021 Addendum estimated a total cost of $23.9 million to replace and upsize pipe sections to eliminate potential surcharging and SSOs under existing land use conditions. EPASD states that the hydraulic analysis of the 2021 Addendum only indicated that the system is adequate for existing customers, however it cannot serve future developments.[9] EPASD has not reported any sewer overflows in over ten years.

6. **The Capital Improvement Program proposed in the 2021 Addendum does not identify improvement priorities, timing or method of funding; the absence of implementation planning could pose a future risk to existing residents in the event of a major storm event.**

   The pipe replacement and increased pipe sizes recommended in the prior 2015 Master Plan Update have not been implemented. EPASD states that it targets $1.2 million to $1.5 million annually to repair and replace failing pipes as needed; however, the District's financial reports only show an average of about $500,000 annually of new capital assets added to its balance sheet. EPASD indicates that it repairs and replaces its collection system as needed based on annual inspections.

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[6] Referenced 2022-01-12 at https://www.epasd.com/about-epasd/who-we-are/history

[7] Correspondence from San Mateo LAFCo, 3/21/2022; represents total area including roads.

[8] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Tables 3-5.

[9] EPASD comments on 2021-12-17 admin. draft EPASD MSR financial section (rec'd 2021-01-12).

7. **Funding options exist to upgrade EPASD infrastructure to reduce sewer overflow risks.**

   EPASD's reserved funds could be programmed towards specific priority improvements serving existing ratepayers in combination with other sources such as State and federal loans and grants, and debt secured by existing revenues without rate increases. Significant funds may be available from the recently enacted federal infrastructure act, but EPASD should have "shovel-ready" projects. Balancing continued low sewer rates with proposed infrastructure improvements over time will require a funding plan that taps all possible sources.

   Funding opportunities could be improved through collaboration with other agencies, for example, by restarting interjurisdictional committee meetings with the City of East Palo Alto. Continued lack of planning, implementation and inter-agency cooperation by EPASD could result in the potential loss of significant funds to the detriment of its ratepayers who are also largely City of EPA residents.

8. **Lack of EPASD capital improvement implementation stalls the City of East Palo Alto's General Plan, effectively blocking needed new housing, commercial development and new tax revenues to improve City services.**

   EPASD is not responsible for funding infrastructure required solely to serve new development; however, EPASD currently requires that new development fund the $23.9 million cost to eliminate potential surcharging and overflows from existing land uses in addition to $8.8 million or more cost to upsize collection capacity for new sewer flows. This financial burden effectively prevents small projects such as parcel subdivisions creating a few new units, as well as large-scale development.

9. **New development should fund the cost of increased system capacity required by increased flows. This funding should be phased with implementation of EPASD-funded improvements.**

   EPASD's engineers estimated the additional cost to mitigate increased sewer flows from new development at $8.8 million in addition to an allocation of costs required for future treatment plant capacity. Developer funding could include a combination of capacity charges and additional funding of any oversized improvements to be reimbursed from capacity charges paid by future development. EPASD capacity charges should be revised to reflect the 2021 Addendum improvements and costs required by new development.

   The feasibility of developer funding depends on EPASD's implementation of improvements that address existing potential sewer overflows. Feasibility also depends on a phasing plan that coordinates EPASD-funded improvements and development-funded expansion, EPASD pursuit of grants and other low-cost funding, and collaboration with the City of EPA.

10. **Governance options exist that could align provision of sewer services with other community interests and municipal functions, increase representation, transparency and public outreach, result in potential cost savings to ratepayers, and improve sewer infrastructure and services.**

    LAFCo designated an EPASD "dissolution" (zero) sphere of influence after formation of the City of East Palo Alto. This designation means that LAFCo anticipates future dissolution of EPASD and provision of sewer services by a successor agency. Governance options considered in this report include: 1) "status quo", or no change; 2) reorganization as a subsidiary district to the City of EPA and potential contract with WBSD to manage sewer operations; 3) dissolution and annexation to WBSD. Governance options depend on and require actions by: elected board and council members; City and district residents; and LAFCo analysis, review and approval.

WEST BAY SANITARY DISTRICT (WBSD)

Formed in 1902, WBSD is the regional sanitary sewer provider for City of Menlo Park and portions of Atherton, East Palo Alto, Portola Valley, Redwood City, Woodside, south county unincorporated areas and several parcels in Santa Clara County near Los Trancos Creek. WBSD's 216 miles of collection system pipes serve approximately 55,700 residents.

11. **WBSD is considered well managed with a high level of transparency and accountability as demonstrated by its compliance with legal requirements and efforts to exceed its minimum obligations.**

    WBSD complies with all legal requirements aimed at ensuring accountability and transparency of public agencies, such as maintaining a website, timely ethics training, adoption of and compliance with required policies and bylaws, and filing of Form 700 by appropriate individuals.

    Additionally, WBSD has gone beyond the legal requirements and is a recipient of the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) for the period January 2020 to March 2023. In order to receive this recognition, WBSD was required to complete all transparency program requirements "designed to promote transparency in their operations and governance to the public and other stakeholders." WBSD has also established the Open Government Section, which is charged with ensuring transparency and easy access to the public.

12. **WBSD has faced a relatively high level of infiltration and inflow in its system in the past, but it has made and continues to make improvements to address those issues.**

    While WBSD had a peaking factor of approximately 5 in 2020, infiltration and inflow (I/I) has reportedly not been identified as an issue for its system. Pipes reportedly demonstrate sufficient capacity during wet weather, and hydraulic models do not show bottle necks. However, a few pipes and manholes in specific areas are slightly affected by wet weather. WBSD completed two significant capital projects in 2010 and 2011 that greatly reduced I/I in areas of concern. WBSD continues a regular capital program of continual rehabilitation and replacement aimed at

I/I reduction. By repairing 1.5 percent of the system or three miles of pipe per year, and replacement of 1.5 percent of the system, it is predicted that the District can achieve 0.75 percent I/I reduction annually.

13. **WBSD's Master Plan is outdated and in need of a comprehensive update. The District recognizes the necessity of maintaining up-to-date planning documents and is in the midst of compiling a new Master Plan in 2022.**

    WBSD reported that there is generally sufficient collection capacity to serve existing demand; however, some basins are at capacity. Because the District's Master Plan is almost 10 years old and many improvements have been made since the hydraulic assessment was conducted, it is unclear the degree to which flows are at or nearing capacity and which segments are most impacted. The new Master Plan is anticipated to identify existing conditions after capital improvements, any areas of concern, and capital projects to address these areas.

    Similarly, because WBSD's flow projections are outdated it is unclear what infrastructure needs are necessary to meet projected demand. The 2022 Master Plan is anticipated to provide up-to-date flow projections and recommended capital improvements to meet future demand. The District changed the program name to "Sustainability Plan" to better reflect the ongoing assessments of the system which will be completed soon.

    This update is essential given the degree of improvements and changes in land use assumptions that have occurred since the previous Master Plan. Additionally, it is vital to plan for necessary capacity given the degree of anticipated development.

14. **Governance options other than 1) status quo, include WBSD as a potential service provider: 2) contract services to the City of EPA following reorganization of EPASD as a subsidiary district to the City of EPA; and 3) WBSD annexation of EPASD following dissolution of EPASD.**

    WBSD has indicated a willingness and ability to provide sewer services to the community but is not willing to initiate a reorganization, for example Option #3 above, in the absence of EPASD concurrence. Option #2, contract services to a City subsidiary district, depends on action by the City, LAFCo and area residents to reorganize EPASD as a subsidiary district. A longer-term option, if a subsidiary district is formed as in Option #2, could involve future dissolution of the City subsidiary district and annexation to WBSD.

    Another option discussed in the MSR involves the annexation of parcels proposing new development to WBSD, and corresponding detachment from EPASD. The MSR does not consider this a viable option due to its reduction of future EPASD operating and capital revenues, and the resulting irregular service area boundaries.

2. BACKGROUND

This report is prepared pursuant to legislation enacted in 2000 that requires LAFCo to conduct a comprehensive review of municipal service delivery and update the spheres of influence (SOIs) of all agencies under LAFCo's jurisdiction. This chapter provides an overview of LAFCo's powers and responsibilities. It discusses requirements for preparation of the municipal services review (MSR), and describes the process for MSR review, MSR approval and SOI updates.

LAFCo Overview

LAFCo regulates, through approval, denial, conditions and modification, boundary changes proposed by public agencies or individuals. It also regulates the extension of public services by cities and special districts outside their boundaries. LAFCo is empowered to initiate updates to the SOIs and proposals involving the dissolution or consolidation of special districts, mergers, establishment of subsidiary districts, and any reorganization including such actions. Otherwise, LAFCo actions must originate as petitions or resolutions from affected voters, landowners, cities or districts.

MSR Legislation

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo review and update SOIs not less than every five years and to review municipal services before updating SOIs. The requirement for service reviews arises from the identified need for a more coordinated and efficient public service structure to support California's anticipated growth. The service review provides LAFCo with a tool to study existing and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently.

Government Code §56430 requires LAFCo to conduct a review of municipal services provided in the county by region, sub-region or other designated geographic area, as appropriate, for the service or services to be reviewed, and prepare a written statement of determination with respect to each of the following topics:

- Growth and population projections for the affected area;
- The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI;
- Present and planned capacity of public facilities and adequacy of public services, including 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);

- Financial ability of agencies to provide services;
- Status of, and opportunities for shared facilities;
- Accountability for community service needs, including governmental structure and operational efficiencies; and
- Any other matter related to effective or efficient service delivery, as required by commission policy.

MSR Process

The MSR process does not require LAFCo to initiate changes of organization based on service review findings, only that LAFCo identify potential government structure options. However, LAFCo, other local agencies, and the public may subsequently use the determinations to analyze prospective changes of organization or reorganization or to establish or amend SOIs. Within its legal authorization, LAFCo may act with respect to a recommended change of organization or reorganization on its own initiative (e.g., certain types of consolidations), or in response to a proposal (i.e., initiated by resolution or petition by landowners or registered voters).

MSRs are exempt from California Environmental Quality Act (CEQA) pursuant to §15306 (information collection) of the CEQA Guidelines. LAFCo's actions to adopt MSR determinations are not considered "projects" subject to CEQA.

Sphere of Influence Updates

The Commission is charged with developing and updating the sphere of influence (SOI) for each city and special district within the county. SOIs must be updated every five years or as necessary. In determining the SOI, LAFCo is required to complete an MSR and adopt the determinations previously discussed.

An SOI is a LAFCo-approved plan that designates an agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services and prevent duplication of service delivery. Territory cannot be annexed by LAFCo to a city or a district unless it is within that agency's sphere.

The purposes of the SOI include the following: to ensure the efficient provision of services, discourage urban sprawl and premature conversion of agricultural and open space lands, and prevent overlapping jurisdictions and duplication of services.

LAFCo cannot regulate land use, dictate internal operations or administration of any local agency, or set rates. LAFCo is empowered to enact policies that indirectly affect land use decisions. On a regional level, LAFCo promotes logical and orderly development of communities as it considers and decides individual

proposals. LAFCo has a role in reconciling differences between agency plans so that the most efficient urban service arrangements are created for the benefit of current and future area residents and property owners.

The Cortese-Knox-Hertzberg (CKH) Act requires LAFCo to develop and determine the SOI of each local governmental agency within the county and to review and update the SOI every five years. LAFCo is empowered to adopt, update and amend the SOI. They may do so with or without an application and any interested person may submit an application proposing an SOI amendment.

LAFCo may recommend government reorganizations to particular agencies in the county, using the SOIs as the basis for those recommendations.

3. REGIONAL GROWTH AND POPULATION

The Bay Area region is a large and economically diverse area consisting of nine counties and multiple subregions. Each subregion is characterized by its own unique economic activity. San Francisco is characterized by its finance sector and increasingly tech social media sector, biotech in San Mateo, computers and software in Silicon Valley, shipping and government services in Alameda and the expansive wine and hospitality industries in the North Bay counties.[10]

Strong growth in housing demand, high housing prices, and housing mandates underscore the importance of cities' land use planning and need for special districts to coordinate with and support cities' planning efforts. Despite slower than expected growth rates in the near term due to the pandemic, longer-term growth in regional housing demand is likely.

Given the Regional Housing Needs Allocations (RHNA) applicable to East Palo Alto, as well as other developmental pressures described in this chapter, the City and other local jurisdictions in the Bay area must engage in planning to accommodate the demand for housing and related municipal services and public facilities. Sewer capacity must be adequate not only to serve existing residents, but also to accommodate anticipated development, achieve State requirements, and meet demand for affordable and market-rate housing.

This chapter summarizes growth factors that affect public services and infrastructure needs. APPENDIX A describes these factors in more detail.

HISTORICAL POPULATION TRENDS & PROJECTIONS

Since the 1970s, the annual population growth rate in the Bay Area has been around one percent. The 1980s saw a slightly higher growth rate, while the 2000s experienced lower growth as the region was affected first by a housing boom and then the Great Recession. As of 2010, the total population of the Bay Area was just over 7,150,000, with roughly 2.6 million households. By 2015, the population had increased by some 425,000, to 7,574,000, an annual growth rate of 1.2 percent.[11]

Between now and 2050, estimates suggest the Bay Area's population will rise from nearly eight million to over 10 million residents and that the number of jobs within the nine counties will climb from four million to more than five million. [12] Technology and social media sectors have been critical forces of

[10] ABAG and MTC, Plan Bay Area Projections 2040, November 2018, p. 13.

[11] ABAG and MTC, Plan Bay Area Projections 2040, November 2018, p. 16.

[12] ABAG and MTC, Plan Bay Area 2050, October 21, 2021, vi.

change to the county's economy and level of urbanization. The Facebook campus in Menlo Park continues to expand the County's already diverse employment base.[13]

Despite being one of the nation's most resilient regions for the past fifty years, the nine-county Bay Area similarly experienced unprecedented changes to the regional economy during the COVID-19 pandemic.[14] As of January 2021, the Bay Area's labor force (defined as those employed and those looking for work) shrank by over six percent, more significantly than many other peer metros, the U.S. and California.[15] Many households that fall into the bottom 10% rely on employment in industries that have experienced sizable job losses over the past year in the Bay Area. [16]

Distribution of Jobs and Housing

Generally, there is more housing than jobs in Alameda, Contra Costa, Solano and Sonoma counties, while there are more jobs than housing in Marin, Napa, San Francisco, San Mateo and Santa Clara counties. This creates a number of associated problems, such as traffic congestion and transit overcrowding in major commute corridors. The imbalance also reinforces other challenges, such as the displacement of longtime residents from neighborhoods where home values and rents have spiked.[17]

The Bay Area is generally known as one of the least affordable areas to live in the country. Housing growth in cities with growing high-wage workforces — notably those in Silicon Valley — has not kept pace with job growth resulting in spillover demand for homes and higher housing costs throughout the region. Every day, Bay Area workers of all income levels struggle to find housing close to their workplaces, though this trend is particularly challenging for workers with low incomes.[18]

Work from Home

One of the most identifiable effects of the COVID-19 pandemic was the acceleration of the work-from-home trend. This trend is especially relevant in the Bay Area as remote work possibility increases with

[13] ABAG and MTC, Plan Bay Area Projections 2040, November 2018, p. 112-113.

[14] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 1.

[15] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 5.

[16] ABAG and MTC, Plan Bay Area 2050, October 21, 2021, pp. 51-52.

[17] ABAG and MTC, Plan Bay Area 2050, October 21, 2021, p. 48.

[18] ABAG and MTC, Plan Bay Area 2050, October 21, 2021, p. 13.

the rise in average income. The eligibility to work remotely further deepened the income disparity across the region, however.[19]

If remote workers begin to prefer housing in suburban locations, remote work could also alleviate some of the pressure on urban housing markets while simultaneously shifting affordability concerns to other parts of the region.[20]

Housing Needs

California, and the Bay Area in particular, face an affordable housing crisis that has built up over decades. The Bay Area faces a shortfall of over 220,000 homes affordable to its poorest residents. [21]

These dynamics have led to an increasingly segregated region, with low-income residents and people of color often pushed to the peripheries of the Bay Area if they are able to remain in the region at all. As briefly mentioned before, the Bay Area's inability to adequately house all its residents, especially close to job centers, has led to a host of other challenges such as crippling traffic, attendant greenhouse gas emissions, and labor shortages that affect all Bay Area residents. [22]

Since 1969, the State of California has required each local government to plan for its share of the state's housing needs for people of all income levels.[23] Every eight years, ABAG develops a Regional Housing Needs Allocation (RHNA) that allocates state- mandated expected growth at the jurisdictional level and across the income spectrum.[24] On December 16, 2021, ABAG adopted the RHNA Plan for the period of 2023-2031.[25] Once it receives its allocation, each local government must update the Housing Element of its General Plan and its zoning to show how it plans to accommodate its RHNA units and meet the housing needs in its community. The housing element addresses specific housing needs within a jurisdiction such as homelessness, meeting the needs of specific populations, affirmatively furthering

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[19] Bay Area Council Economic Institute, Remote Work in the Bay Area: An Initial Evaluation of the Data and Implications for Public Policy, December 2020, http://www.bayareaeconomy.org/report/remote-work-in-the-bay-area/.

[20] Bay Area Council Economic Institute, Remote Work in the Bay Area: An Initial Evaluation of the Data and Implications for Public Policy, December 2020, http://www.bayareaeconomy.org/report/remote-work-in-the-bay-area/.

[21] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[22] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[23] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, pp. 4-6.

[24] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[25] https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation

fair housing, or minimizing displacement.[26] State law provides the California Department of Housing and Community Development (HCD) with authority to enforce requirements that cities ensure development opportunities (i.e., adequate, appropriately zoned sites with infrastructure) to fulfill its RHNA obligations.[27]

The City of East Palo Alto has been assigned a total of 829 RHNA units that include 165 very low income, 95 low income, 159 moderate income, and 410 above moderate income.[28] The unincorporated San Mateo county got assigned 2,833 units including 811 very low income, 468 low income, 433 moderate income, and 1,121 above moderate income.[29] It will result in the growth rate of 11 percent in East Palo Alto and 13 percent in unincorporated San Mateo County from 2020 households.[30]

Accessory Dwelling Units (ADUs)

ADUs have been one of the major strategies in addressing the housing crisis. State legislators are pursuing zoning reform to allow more small-scale housing types, particularly in low density neighborhoods. ADUs, commonly knowns as secondary units, backyard cottages, and in-law units, are one such housing type. Over the past few years, state legislators reduced parking requirements, lot size minimums and setback requirements, and development fees to incentivize construction of ADUs.[31]

Since the Bay Area Council partnered with Senator Bob Wieckowski to pass the first significant Accessory Dwelling Unit (ADU) reform legislation in 2016 (SB 1069), ADU permits have soared across the state. [32]

An analysis by the Bay Area Council Economic Institute using data from the California Department of Housing and Community Development (HCD) shows ADUs accounted for 13.4 percent of all housing permit types in the Bay Area in 2020, a significant jump from 3.2 percent in 2016.[33]

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[26] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, pp. 4-6.

[27] For example, see Assembly Bill (AB) 72 (Chapter 370, Statutes of 2017) and related laws.

[28] ABAG, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 27.

[29] ABAG, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 27.

[30] ABAG, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 30.

[31] Center for Community Innovation, ADUs in CA: A Revolution in Progress, October 2020, p. 5.

[32] Bay Area Council Economic Institute, New Analysis of Housing Permits Shows Prominence of ADUs in the Bay Area, http://www.bayareaeconomy.org/new-analysis-of-housing-permits-shows-prominence-of-adus-in-the-bay-area/.

[33] Bay Area Council Economic Institute, New Analysis of Housing Permits Shows Prominence of ADUs in the Bay Area, http://www.bayareaeconomy.org/new-analysis-of-housing-permits-shows-prominence-of-adus-in-the-bay-area/.

Other Provisions of SB 9

California Senate Bill (SB) 9 requires ministerial (staff-level) approval of certain housing development projects containing up to two dwelling units (i.e., duplexes) on a single-family zoned parcel. The legislation also requires ministerial approval of certain lot splits to allow property owners to construct up to two units on the newly created lots. SB 9 was passed by the California Legislature on September 1st and took effect January 1, 2022. These provisions could increase development beyond levels currently projected in the City of EPA, EPASD and WBSD.

4. CITY OF EAST PALO ALTO

The City of East Palo Alto (EPA) is a general law city incorporated in 1983 and situated half-way between San Francisco and San Jose in the County of San Mateo.

EPA originated in 1956 as an unincorporated area. The City experienced several demographic and industrial shifts in subsequent years, and eventually incorporated as a city. After incorporating, the City struggled to remain financially viable, particularly because it had previously been reliant on County resources. However, EPA assumed responsibility for those services including the East Palo Alto County Water District, Ravenswood Highway Lighting District, and East Palo Alto Drainage Maintenance District. Municipal services are also performed by other agencies including fire protection and emergency response, which is carried out by the Menlo Park Fire Protection District, residential water service by two mutual water companies to two neighborhoods, and sanitary sewer service performed primarily by the East Palo Alto Sanitary District with the remainder provided by the West Bay Sanitary District.

A municipal service review of the City of East Palo Alto was last conducted in 2009. Refer to the 2009 MSR for more detail on the history of the City.[34]

BOUNDARIES AND SPHERE OF INFLUENCE

The City of East Palo Alto originated as an unincorporated area within the County of San Mateo. Before EPA incorporated, a portion of its land was annexed by Palo Alto and Menlo Park. This reduced the area to approximately 2.6 square miles, which is the area the City encompasses today. EPA is bound by the San Francisco Bay to the east, Menlo Park to the north and west, and the San Mateo- Santa Clara County Line (the City of Palo Alto) to the south and west.

The City's SOI was adopted upon the City's incorporation in 1983. The SOI is coterminous with the City's boundaries; therefore, annexations would not be considered without an amendment of a neighboring city's SOI.

[34] City of East Palo Alto Municipal Service Review, San Mateo LAFCo, Oct. 15, 2009.

Figure 4-1: City of East Palo Alto Boundaries and SOI

ACCOUNTABILITY AND GOVERNANCE

Accountability of a governing body is signified by a combination of several indicators. The indicators chosen here focus on 1) agency efforts to engage and educate constituents through outreach activities, in addition to legally required activities such as agenda posting and public meetings, 2) a website with required content and other useful information, 3) timely ethics training for board members and an adopted reimbursement policy, 4) a defined complaint process designed to handle all issues to resolution, 5) adopted bylaws that provide a framework and direction for governance and administration, 6) adoption of a conflict of interest code as required by law, 7) proper filing of Form 700 by the governing body members, and 8) transparency of the agency as indicated by cooperation with the MSR process and information disclosure at meetings, in documents and on a website.

Figure 4-2: City of East Palo Alto Profile

City of East Palo Alto Profile			
Contact Information			
Contact:	Patrick Heisinger – Assistant City Manager		
Address:	2415 University Ave. East Palo Alto, CA 94303	*Website:*	www.ci.east-palo-alto.ca.us
Phone:	650-422-4698	*Email:*	info@cityofepa.org
Governing Body			
Governing Body:	City Council	*Members:*	5
Manner of Selection:	Elected at large	*Length of term:*	4 years
Meetings Location:	2415 University Ave. East Palo Alto, CA 94303	*Meeting date:*	1st and 3rd Tuesday of the month at 6:30 pm

The City of East Palo Alto is governed by an elected, five-member City Council to serve four-year terms. The Council Members nominate and elect the mayor, who serves a one-year term. The City Manager and City Attorney are selected and appointed by the City Council. Currently, the Council has no

vacancies. Other City boards and commissions include the Planning Commission, Rent Stabilization Board, Oversight Board, Public Works and Transportation Commission, and the Senior Advisory Committee.

The City Council members receive a salary of $600 monthly.[35] In addition, all Council Members are eligible for health insurance coverage similar to that of a full-time, regular city employee, and supplemental life insurance. Council members may also be reimbursed for travel and other actual and necessary expenses.

City Council meetings are open to the public and are held on the first and third Tuesday of each month at 6:30 pm. These meetings take place in the Council chamber of the East Palo Alto Government Center. In addition, regular meetings are broadcast on local television Channel 29 at the same time. Agendas are posted throughout the City in such places as City Hall, the library, and on the City's website a minimum of 72 hours before regular meetings occur. Agendas are linked online and also distributed to members of the press, residents, and other interested parties. Minutes are likewise available on the City's website.

In 2016, the State Legislature enacted Assembly Bill 2257 (Government Code §54954.2) to update the Brown Act with new requirements that govern the location, platform and methods by which an agenda must be made accessible on an agency's website for all meetings occurring on or after January 1, 2019. Although the City does not have a direct link to meeting agendas posted on the homepage of its website, the "City Meetings" link that is listed does directly send users to EPA's integrated agenda management system which displays agenda links associated with meetings on the calendar. This indicates the City is in compliance with AB 2257. Other links that are made available on this webpage include agenda packets, minutes, and links to video recordings of meetings.

The City's website is also their primary tool for constituent outreach. It makes available adopted budgets, annual audits, press releases, and hiring notices as well as information on committees and boards, licenses, permits, and paying bills. Furthermore, the City of EPA hosts a webpage for its constituents specifically dedicated to community resources for items such as food, health and housing, as well as immigration, jobs, and small businesses. There is a weekly newsletter available. Voter participation is another form of outreach that EPA encourages. The City partners with local non-profits and also utilizes its website to support voter registration.

If a customer is not satisfied with services provided by EPA, there are multiple ways to file complaints. This may be done via the City's website, email, or phone calls which are directed to the appropriate

[35] East Palo Alto City Code 2.08.150.

department's executive. People are also able to attend public meetings to directly express concerns to the City Council. When a complaint is addressed, staff is expected to update the City Manager. Complaints are tracked using a basic spreadsheet. In 2020, the City estimated fifty complaints were received. Of these, EPA reports that the majority were related to time it takes to process planning and building permits, as well as parking enforcement and the illegal dumping of garbage and debris.

EPA operates its agency in accordance with the City's Municipal Code and Bylaws. This documentation outlines rules and regulations, as well as ordinances that guide the governance and administration of the City. Examples of policies that are defined in the Municipal Code are how elections are held, administrative penalties, protections for housing services, procedures for animal control, traffic, and other planning and public services.

The Political Reform Act (Government Code §81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (California Code of Regulations §18730), which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. As indicated in its municipal code, the City of East Palo Alto does follow conflict of interest laws as indicated by the State of California. Resolution OB 2012-07 also adopted a conflict of interest code.

Two hours of ethics training at least once every two years is required for governing body members, commission members, and committee members if they are provided compensation or reimbursement of expenses, according to Government Code §53235, and a written policy on reimbursements is required by law. The City's municipal code does indicate the reimbursement and compensation policy for council members. It is currently not known, however, when EPA's council members last received ethics training. It is recommended that the City make this information readily available on its website.

Government Code §87203 requires persons who hold office to disclose their investments, interests in real property and incomes by filing appropriate forms with the appropriate filing agency (i.e., the County or the Fair Political Practices Commission) each year. In 2021, three council members filed Form 700 in accordance with the government code for filing year 2020. One council member last completed the form for filing year 2019 and one council member does not have a Form 700 on file for the Statement of Economic Interest for filing year 2020. It is recommended that the City ensure its Council Members comply with Form 700 filing requirements.

The City of East Palo Alto has demonstrated transparency and accountability throughout the MSR process by responding promptly and thoroughly to requests for information, participating in an interview, and reviewing draft reports comprehensively.

Service Providers

The City of EPA provides municipal services through a combination of direct services from City staff, contract service providers, and special district providers. Refer to Figure 4-3 for a detailed description of the service structure for each municipal service offered within the city limits and SOI.

Figure 4-3: City of East Palo Alto Municipal Service Structure

Municipal Service	Responsible Agency in City Limits/SOI
Public Safety	
Law Enforcement	City of East Palo Alto
Traffic Enforcement	City of East Palo Alto
Parking Enforcement	City of East Palo Alto
Code Enforcement	City of East Palo Alto
Animal Control	Peninsula Humane Society (via contract with San Mateo County)
Fire Protection	Menlo Park Fire Protection District
Emergency Medical	Menlo Park Fire Protection District
Utilities	
Water Retailer – Domestic	Veolia by contract with the City of East Palo Alto, Palo Alto Park Mutual Water Company, and O'Connor Tract Co-op Water Company
Wastewater Collection	East Palo Alto Sanitary District, West Bay Sanitary District
Wastewater Treatment	EPASD via Palo Alto Regional Water Quality Control Plant, WBSD via Silicon Valley Clean Water
Electricity	Peninsula Clean Energy
Natural Gas	PG&E
Solid Waste Collection	South Bay Waste Management Authority (via Recology of San Mateo County)
Solid Waste Disposal	South Bay Waste Management Authority (via Recology of San Mateo County)

Public Works	
Stormwater/Drainage	City of East Palo Alto, San Mateo Water Pollution Prevention Program by membership
Street Maintenance	City of East Palo Alto
Street Lighting	City of East Palo Alto
Community Services	
Parks	City of East Palo Alto
Recreation	City of East Palo Alto
Library	San Mateo County
Mosquito Abatement	San Mateo County Mosquito & Vector Control
Vector Control	San Mateo County Mosquito & Vector Control
Resource Conservation	City of East Palo Alto
Public Transportation	San Mateo County Transportation District - SamTrans

GROWTH AND POPULATION PROJECTIONS

The purpose of this section is to evaluate growth and population projections in relationship to the City of East Palo Alto's boundaries and sphere of influence (SOI) in order to anticipate the future service needs of the City. Additionally, the anticipated growth patterns of the City are evaluated in order to determine the impact and compatibility of such growth on land use plans, infrastructure availability, and local government structure. Refer to Chapter 3 of this report for a description of regional growth trends and planning.

Land Use

The City of East Palo Alto, which is 2.5 square miles, is a mostly built out city with the exception of open space and marshlands and vacant land in the Ravenswood industrial area. Of the developed areas, residential uses are the most common land use in the City. Approximately 665 acres in the City (just over 50 percent of land) are residential uses.[36] Most residential land is single family residential, along with multifamily residential of five or more units, and duplexes, triplexes, condos or fourplexes.

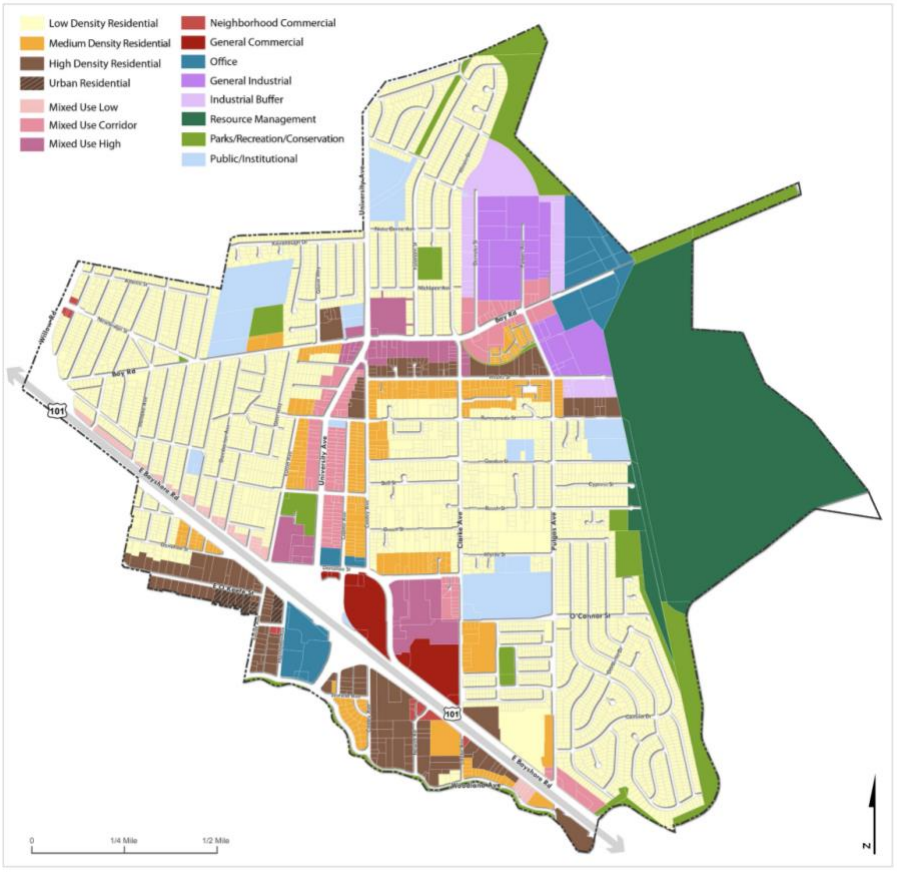
[36] City of East Palo Alto, General Plan 2035, 2016, p. 4-1.

Figure 4-4: City of East Palo Alto Land Uses, 2015

Land Use Designation	Acres	%
Residential – Mobile Home	8	0.6%
Residential – Single Family	546	41.4%
Residential – Duplex/Triplex/4plex	41	3.1%
Residential – 5 or more Units	71	5.4%
Commercial	61	4.6%
Lodging	3	0.3%
Office	14	1.1%
Institutional or Public Facilities	110	8.3%
Light Industrial	69	5.3%
Baylands and Marshland	247	18.8%
Parks and Recreation Facilities	23	1.8%
Parking	1	0.1%
Vacant	124	9.4%
Total	1,319	100.00%

The City's General Plan land use designations are shown in Figure 4-5.

Figure 4-5: City of East Palo Alto Land Use Designations



Vacant land is concentrated in the Ravenswood Employment District, which is located along Bay Road between University Avenue and the Cooley Landing open space. The area is the former home of heavy industrial development and now contains much vacant land, some retail and services (including the Ravenswood Health Clinic) and some small-scale industrial and storage facilities. The Ravenswood Employment District is regulated by the 2013 Ravenswood TOD Specific Plan, which is under review/revision.[37] The City's Housing Element estimates that vacant properties as of 2015 have capacity for approximately 491 dwelling units.[38] In addition to the vacant lots, there areas that are available for redevelopment and increased density within the city limits. The City estimates that these properties located within the Ravenswood/4 Corners TOD Specific Plan area have space for 532 additional dwelling units.[39] There are currently several development applications under review that propose to make use of the vacant properties.

The City's General Plan describes that the urban design character of East Palo Alto is defined by its history as an unincorporated area of San Mateo County, the varied residential neighborhoods that were developed during that time, and its position in a larger, regional circulation network. The regional transportation network largely defines the boundaries of the residential neighborhoods, with University Avenue bisecting the City east/west and Highway 101 separating the western portion territory from the rest of the City. The intersection of these major thoroughfares has become the Ravenswood 101 Shopping Center that primarily serves regional clientele. The residential structure of East Palo Alto is made up of individual neighborhoods, the boundaries of which are generally defined by their development pattern. Some of the neighborhoods developed as distinct communities, while others developed incrementally over time. Many of these neighborhoods developed under County jurisdiction prior to the incorporation of the City in 1983.[40]

Growth Strategies

The City of East Palo Alto utilizes a variety of tools to plan for future growth, including the General Plan, Specific Plans, and Zoning Code. Additionally, the City has other plans that are used to guide development in specific areas of East Palo Alto. Among these are the Bay Access Master Plan and the Climate Action Plan.

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[37] City of East Palo Alto, General Plan 2035, 2016, p. 4-35.

[38] City of East Palo Alto, General Plan 2035 Housing Element, 2015, p. 4-10.

[39] City of East Palo Alto, General Plan 2035 Housing Element, 2015, p. 4-11.

[40] City of East Palo Alto, General Plan 2035, 2016, p. 4-2.

The goals, policies, and actions outlined in the General Plan 2035 (2016) are intended to direct and characterize growth within the City's boundaries. The Land Use Element is the primary instrument that presents regulatory and policy land use tools to guide trends throughout the City and in specific neighborhoods. Goals adopted in the Land Use Element consist of the following:

- LU-1: Maintain an urban form and land use pattern that enhances the quality of life and meets the community's vision for its future.
- LU-2: Revitalize the City's nonresidential areas to diversify the tax base and improve the jobs-housing balance.
- LU-3: Expand the number, types and diversity of housing within East Palo Alto.
- LU-4: Expand multi-family housing.
- LU-5: Preserve the character of existing single-family neighborhoods.
- LU-6: Improve residential parking in neighborhoods.
- LU-7: Consolidate a multitude of public and private institutional uses, spaces and services that serve East Palo Alto's diverse population.
- LU-8: Improve the City's image and physical appearance through quality design and key interventions.
- LU-9: Provide an urban environment that is tailored to the pedestrian.
- LU-10: Transform University Avenue into a mixed-use corridor with a diversity of residential, mixed use and commercial development in a walkable urban fabric.
- LU-11: Encourage the transformation of the surface parked retail shopping center into a mixed use office and shopping district (Gateway District).
- LU-12: Foster the creation of a "main street," centered on University Avenue and along Bay Road to enhance the City's image and identity.
- LU-13: Enable the vision and planned redevelopment of the area (Ravenswood Employment District) as described in the Specific Plan.

- LU-14: Encourage compact infill development that enhances the community (Weeks neighborhood), improves walkability and enhances neighborhood identity.
- LU-15: Preserve and enhance the character and identity of the Kavanaugh neighborhood.
- LU-16: Enable new pedestrian connections, improve safety, and provide guidelines for incremental improvements to the neighborhood (Gardens neighborhood).
- LU-17: Preserve the single-family character of the University Village area.
- LU-18: Enhance the character of the existing single-family residential areas and foster the development of neighborhood retail and services (Palo Alto Park neighborhood).

The City's General Plan envisions that the City will evolve as new jobs and housing are added to complement the City's strong neighborhoods and diverse housing stock, while aiming for a more sustainable jobs-housing balance. Ultimately, the Ravenswood area will be transformed from empty lots into a thriving business, research & development, and commercial center. Bay Road will become a new "main street" that serves as the City's downtown with a City Hall and a variety of locally-owned neighborhood retail stores, restaurants and services. University Avenue will be transformed from a cut-through corridor into a beautiful mixed-use boulevard with high-density housing, neighborhood-serving businesses and offices that capitalize on the City's proximity to Silicon Valley. New housing will be added throughout the City along with neighborhood shopping areas, and existing housing will be renovated and improved. The Gateway 101 Shopping Center will evolve into a dense retail and office district. The Westside of the City will become a beautiful residential area with high quality affordable housing, parks, community facilities and enhanced connections to the rest of the City.[41]

A General Plan's Housing Element is a key component to a land use authority's planning process to ensure adequate space to meet housing needs. The City's current housing element was adopted in 2015. It will be updated to incorporate the updated State mandated Regional Housing Needs Allocations by January 31, 2023, as described further below. The Housing Element is consistent with the Ravenswood/4 Corners TOD Specific Plan.

The City has adopted two specific plans to provide a more detailed vision and guide for the study areas — the Gateway 101 Specific Plan (1993) and the Ravenswood/4 Corners Transit Oriented Development (TOD) Specific Plan (2013). The project area in the Gateway 101 Specific Plan is 145 acres in the northeast quadrant of the intersection of University Avenue and Highway 101. The area is generally

[41] City of East Palo Alto, General Plan 2035, 2016, p. 1-1.

bounded by Highway 101 and East Bayshore Road on the south; Pulgas Avenue on the east; Donohoe and Bell Streets on the north; and University and Capitol Avenues on the west. The plan identifies the need for redevelopment in the area and the availability of redevelopment opportunities that led to it being the focus of the plan. The Specific Plan concept for the Gateway area calls for the development of a mixed-used neighborhood that will be an economically and socially vital urban environment where people can live, work, shop, play, and interact in a manner that fosters a greater sense of community. In order to provide an attractive and secure environment, the Plan provides design guidelines and development standards that will ensure that proposed changes to the physical environment at this important gateway will enhance the image of both the neighborhood and the City as whole. The centerpiece of the plan is a new promotional retail center located at the University Avenue/U.S. 101 interchange where it can take advantage of its visibility and convenience to attract regional traffic that flows through the area. In addition to improving the City's tax base, the retail center will also significantly increase community opportunities for both local employment and retail and commercial services.[42]

The Ravenswood/4 Corners Transit Oriented Development (TOD) Specific Plan (2013) is a vision that guides development in the plan area to redevelop an area once used primarily for industrial uses. The plan area encompasses approximately 350 acres and is generally bounded at the west by University Avenue; at the north by a rail line, where future Dumbarton Rail passenger service is planned; at the east by the baylands along the San Francisco Bay; and at the south by Weeks Street. Bay Road is envisioned as an active and vibrant spine that serves as a focal point for Ravenswood and 4 Corners, as well as for East Palo Alto as a whole. Vibrant storefronts and other active ground-floor uses are envisioned to stretch down most of Bay Road within the Plan Area, bookended by the University Avenue/ Bay Road intersection on the west and Cooley Landing on the east. The plan concept shows multi-family residential uses in several locations south of Bay Road. These locations relate to and extend the existing residential neighborhoods south of the Plan Area. Multifamily development is allowed in several different forms under the Specific Plan. For example, townhouses, duplexes, four-plexes, and a wide range of multi-family apartment buildings are all permitted on residentially designated land in the Plan Area. New single-family residential development is also possible in this designation, but it must consist of small-lot single-family houses. The plan assumes up to 825 residential units, 816 of which will be multi-family housing. The City is currently undertaking a targeted update to the Ravenswood Business District / 4 Corners TOD Specific Plan. This update aims to refresh the existing plan to address

[42] City of East Palo Alto, Gateway 101 Specific Plan, 1993, 3-1.

new and emerging challenges, such as wastewater collection capacity constraints, while also responding to opportunities within the area.

Additionally, because the Ravenswood Business District borders the Bay and as it develops the City wants to ensure that its residents' access to the Bay is improved and expanded, the Bay Access Master Plan (2007) was developed. Also, as the Ravenswood area is developed, the Bay Conservation and Development Commission (BCDC), a State Regulatory Agency charged with protecting the Bay, will require the development projects along the Bay to provide the maximum feasible public access to the Bay. The purpose of the East Palo Alto Bay Access Plan is to create a vision for Bay access that will guide East Palo Alto policy makers and the BCDC. The vision created by the BAMP consists of a series of pocket parks along the Bay that are connected by pedestrian trails. In addition, the BAMP includes opportunities to connect the Woodland neighborhood to the Bay along the San Francisquito Creek corridor.[43]

The Ravenswood Area could represent up to 80 percent of remaining development capacity in the City and has encouraged EPASD to participate in planning updates to the Specific Plan to assure adequate sewer capacity is available from EPASD.[44]

Regional Housing Needs Allocation

Regional Housing Needs Allocation mandates have an impact on the City's new development and intensification of density contributing to population growth. Since 1969, the State of California has required each local government to plan for its share of the State's housing needs for people of all income levels. The Regional Housing Needs Allocation (RHNA) process assigns every local jurisdiction a number of housing units representing its share of the State's housing needs for an eight-year period. State Housing Element Law requires the Association of Bay Area Governments (ABAG) to develop a methodology for distributing the Bay Area's portion of the state housing needs to local governments within the nine-county region, including San Mateo County.[45] For the period 2014 to 2022, the City of East Palo Alto's RHNA share was 467 units.[46] ABAG has since developed new allocation shares. Figure 4-6 indicates ABAG's most recent Regional Housing Needs Allocation for the City of East Palo Alto for the period from 2023-2031 adopted November 2021. In total, the City of East Palo Alto has been allocated

[43] City of East Palo Alto, Bay Access Master Plan, 2007, p. 3.

[44] Comments by Kamal Fallaha, City of East Palo Alto Public Works Director, at EPASD Board Meeting 2022-01-06.

[45] ABAG, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area, 2023-2031, November 2021, p. 4.

[46] City of East Palo Alto, General Plan 2035 Housing Element, 2015, p. 4-1.

829 units, almost double the previous allocation. The role of local governments is to participate in the development of the allocation methodology and to update their Housing Elements to show how they will accommodate their share of the RHNA by the availability of developable sites; consequently, the City's Housing Element must include an inventory of sites that have been zoned for sufficient capacity to accommodate the jurisdiction's RHNA allocation for each income category with adequate infrastructure.[47] The allocations, adopted in November 2021, have not been incorporated into the City's Housing Element yet. Updated Housing Elements will be due January 31, 2023, to the State HCD.

Figure 4-6: City of East Palo Alto Final RHNA Allocation, 2023-2031

Very Low Income (<50% of Area Median Income)	Low Income (50-80% of Area Median Income)	Moderate Income (80-120% of Area Median Income)	Above Moderate Income (>120% of Area Median Income)	Total
165	95	159	410	829

Source: ABAG, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area, 2023-2031, November 2021, p. 27.

Regional planning documents, such as the Plan Bay Area, that affect the City's growth and development are described in greater detail in Chapter 3 of this report.

Historical Population Trends

The City of East Palo Alto's population has remained fairly static over the last two decades, fluctuating minimally from year to year between 28,155 and 30,747 residents. Population growth during that time based on California Department of Finance population estimates in combination with Census 2000, 2010 and 2020 data is shown in Figure 4-7. In 2000 and 2001, the City experienced positive growth of 1.83 percent and 2.47 percent respectively. From 2002 to 2009, the City experienced consistent population decline of 8.6 percent during that period. Between 2010 and 2018, the City had positive growth in population from 28,155 to 30,747 or 9.2 percent during the eight-year period. Recently population declined slightly from 2018 to 2020. The Census 2020 estimates a City population of 30,034.

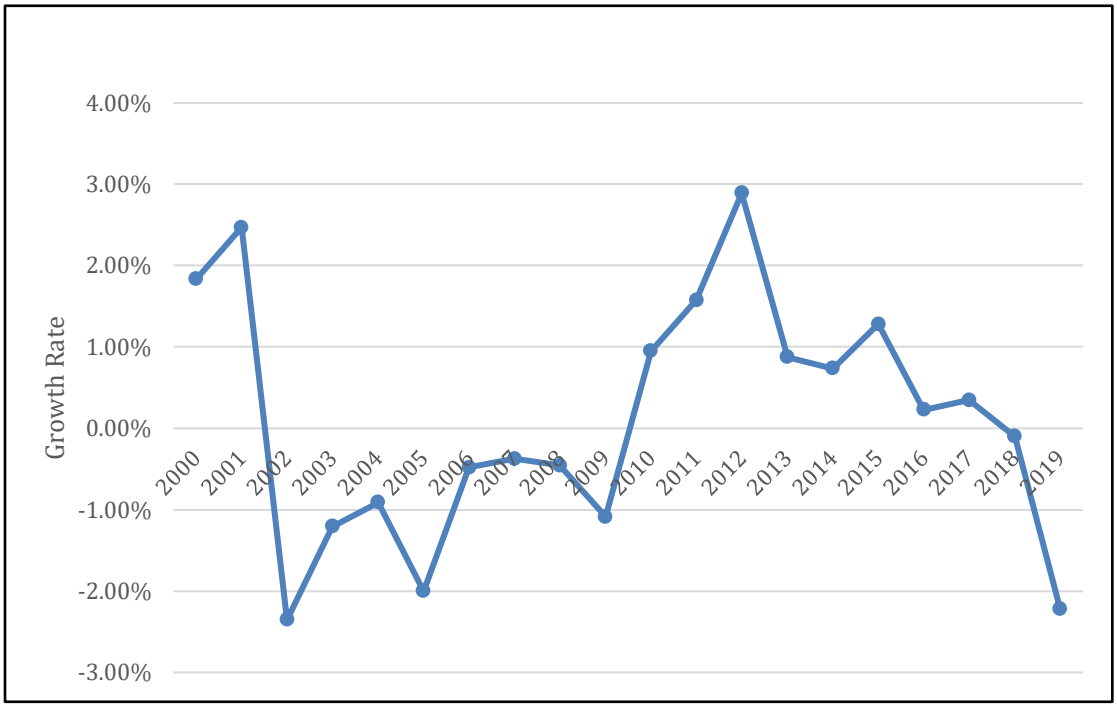
Households in the City of EPA historically are larger compared to households statewide. In 2018, the average household size in the City was 4.01 people compared to 2.95 throughout the State.[48] [49]

[47] ABAG, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area, 2023-2031, November 2021, p.6.

[48] ABAG, Plan Bay Area Projections 2040, November 2018.

[49] United States Census Bureau, Quick Facts 2015-2019, https://www.census.gov/quickfacts/CA, accessed December 12, 2021.

Figure 4-7: City of East Palo Alto Historical Population Growth Trends, 2000-2021



Projected Population

Multiple sources project population for the City of East Palo Alto. The most recent projections are the Association of Bay Area Governments (ABAG) projections prepared for the Plan Bay Area.

ABAG is in the process of developing the Plan Bay Area 2050. The Final Blueprint for Plan Bay Area 2050 from January 2021 makes projections by region, indicating that the South San Mateo[50] area, including the City of East Palo Alto, will experience an increase in population of 32 percent and 29 percent job growth over the period from 2015 to 2050.[51] Projections are not yet available at the city level for Plan Bay Area 2050. The most recent city-specific projections are for Plan Bay Area 2040 from November 2018. Over the period from 2020 to 2040, ABAG projects 17.7 percent population growth for the City, which equates to 0.8 percent compound annual growth. Based on the City's Census 2020 population and ABAG's projected growth rate, the City is projected to have a population of 35,363 in 2040.

[50] Atherton, Menlo Park, Redwood City, Woodside, East Palo Alto, Portola Valley, and San Carlos.

[51] ABAG, Plan Bay Area 2050: The Final Blueprint, January 2021, p.6.

Figure 4-8: ABAG City of East Palo Alto Population Projections (2020-2040)

2020	2025	2030	2035	2040
30,034	31,286	32,590	33,948	35,363
Source(s): ABAG, Plan Bay Area Projections 2040, November 2018 adjusted with Census 2020 population.				

The City developed its own population projections, based on ABAG and Department of Finance projections, as part of the General Plan and Urban Water Management Plan process in 2015. These projections are consistent in the two documents and anticipate 22 percent population growth or one percent compound annual growth between 2020 and 2040.[52] Based on the City's Census 2020 population and the City's projected growth rate, the City is estimated to have a population of 36,648.

Proposed Developments

Similar to other parts of the State and the country, East Palo Alto's development activity was slow during and following the housing market collapse, as is clear from Figure 4-9. More recently there has been a moratorium on new connections to water services, impeding development in the City. With the repeal of the moratorium in 2018, development was finally able to proceed.

Figure 4-9: City of East Palo Alto Building Permits, 2000-2020

	Single-Family		2-Family		3 & 4 Family		5 or More Family		Total	
Permits	Bldgs	Units	Bldgs	Units	Bldgs	Units	Bldgs	Units	Bldgs	Units
2020	14	14	0	0	0	0	1	91	15	105
2019	18	18	0	0	0	0	0	0	18	18
2018	18	18	0	0	0	0	0	0	18	18
2017	16	16	0	0	0	0	1	41	17	57
2016	30	30	0	0	0	0	0	0	30	30
2015	22	22	0	0	0	0	0	0	22	22
2014	2	2	0	0	0	0	0	0	2	2
2013	1	1	0	0	0	0	0	0	1	1

[52] City of East Palo Alto, Urban Water Management Plan, 2015, p. 12.

	Single-Family		2-Family		3 & 4 Family		5 or More Family		Total	
Permits	Bldgs	Units	Bldgs	Units	Bldgs	Units	Bldgs	Units	Bldgs	Units
2012	0	0	0	0	0	0	0	0	0	0
2011	1	1	0	0	0	0	0	0	1	1
2010	2	2	0	0	0	0	0	0	2	2
2009	Unknown		0	0	0	0	0	0		
2008	Unknown		0	0	0	0	0	0		
2007	Unknown		0	0	0	0	0	0		
2006	Unknown		0	0	0	0	0	0		
2005	Unknown		0	0	0	0	1	75	1	75
2004	Unknown		0	0	0	0	1	32	1	32
2003	Unknown		0	0	0	0	0	0		
2002	Unknown		0	0	0	0	0	0		
2001	Unknown		0	0	0	0	1	129	1	129
2000	Unknown		0	0	0	0	1	94	1	94

Source: City of East Palo Alto

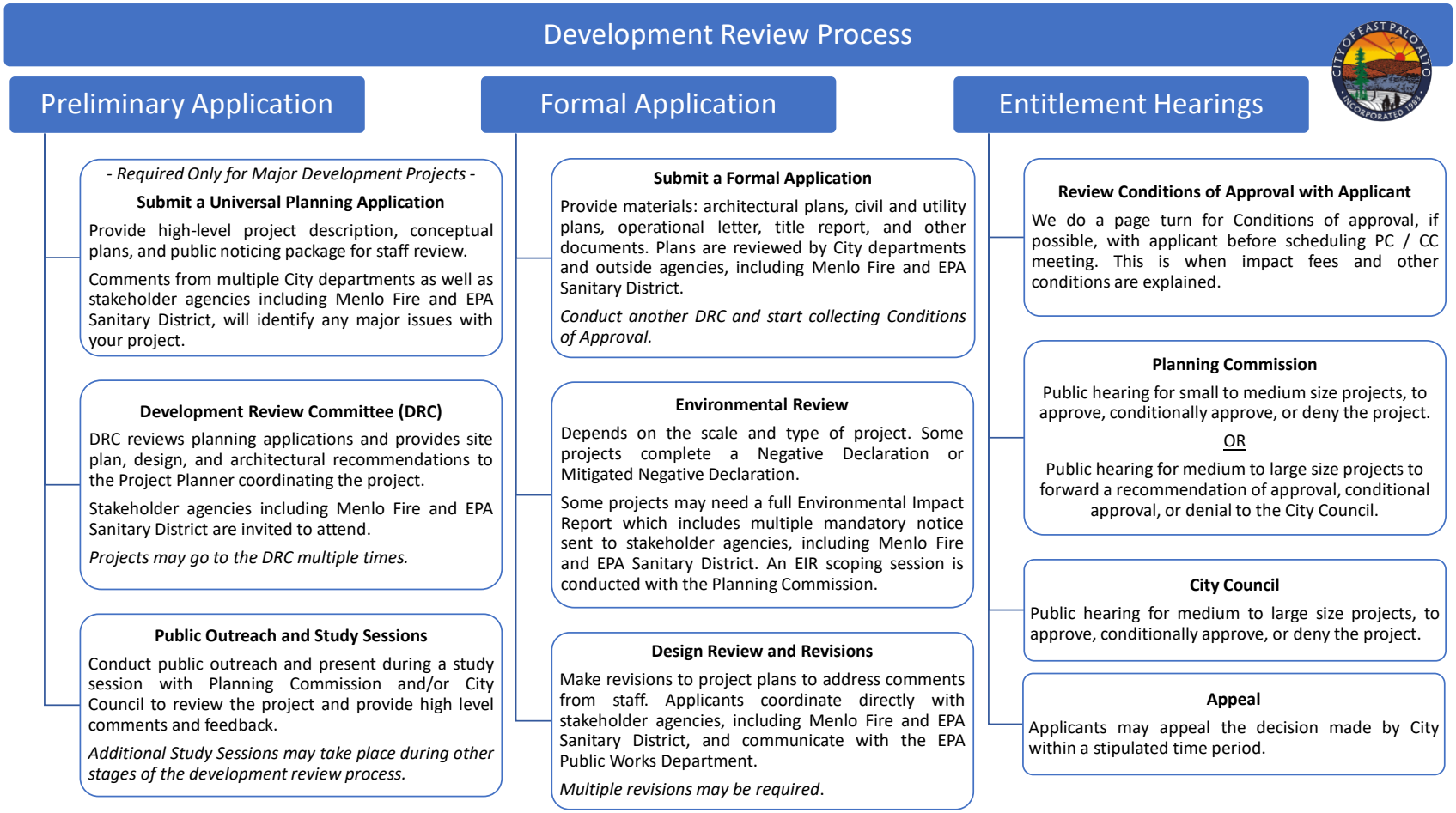
However, impediments to development in the City continue to exist. In particular, East Palo Alto Sanitary District reports that it lacks collection capacity to serve new construction, and necessary capacity enhancements required by the District connecting to the system are exceptionally costly, deterring potential developers and preventing some approved developments from being completed. Developers have indicated concerns that the costs to connect are prohibitively expensive and that EPASD has been unwilling to discuss financing options to make connection more feasible.[53] In an effort to address this issue, the City of EPA and EPASD formed an intergovernmental committee that met regularly; however, a solution was not identified, and the meetings were put on hold after the September 2020 meeting as the members were at an impasse and further meetings were not perceived

[53] Developer narratives provided to LAFCo, Aug. 26, 2021.

as productive. Consequently, although the two agencies continue to meet at a staff level, the City, the District, and developers have not been able to develop a financing plan satisfactory to all parties, and development continues to be constrained. It is recommended that the intergovernmental committee continue meetings in an effort to steward greater communication and collaborative solutions to this challenge.

The City's development review process is shown in Figure 4-10. Affected agencies, including East Palo Alto SD and Menlo Fire Protection District, are included from the beginning of the application process during preliminary application, when stakeholder agencies are invited to comment and "identify any major issues with the development." Stakeholder agencies are also invited to comment on proposed developments during meetings of the Development Review Committee, throughout the formal application review, environmental review, and design review process.

Figure 4-10: City of East Palo Alto Development Review Process



The City has historically struggled with blighted conditions and has actively sought redevelopment, in particular on the property where the former Romic Waste Management Facility was located in the Ravenswood/4 Corners TOD Specific Plan area. There are substantial benefits of growth and redevelopment to the City, community, and its residents, including social and economic revitalization and environmental and sustainability benefits. Examples of benefits include:[54]

- Job retention and creation,
- Enhanced revenues for the City via tax base expansion,
- Efficient use and improvement of existing infrastructure,
- Removal of blight,
- Transformation of vacant brownfield properties,
- Increase in property values,
- Greater availability of housing, which facilitates the City in meeting its affordable housing allocation,
- Compact urban development preventing urban sprawl,
- Promotion of walkable communities reducing energy consumption and emissions,
- Provision of urban green space, and
- Improvements to water quality and reduced runoff.

Preventing development and growth from occurring is depriving the City and its residents of these benefits.

Given that the City of East Palo Alto is empowered as the sole land use authority for the territory within the city limits, it appears de facto that EPASD is overstepping its approved powers by not actively addressing the capacity issues that are impeding proposed and approved development within the City.

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[54] LA Sanitation and Environment, https://www.lacitysan.org/san/faces/home/portal/s-lsh-es/s-lsh-es-si/s-lsh-es-si-b/s-lsh-es-si-b-bf101/s-lsh-es-si-b-bf101-brd?_adf.ctrl-state=c1w3ueift_5&_afrLoop=13363420721791269 website accessed on 12/27/21.

The Sanitary District Act (California Health and Safety Code §6400 - 6982) does not grant sanitary districts the power to make land use decisions. Other utility service providers around the State typically have expressed their viewed role being to accommodate and support development demands planned for by the designated land use authority. For example, Napa Sanitation District expressed that it recognizes it is not a land use authority and strives to plan appropriately to meet the development planning of the City of Napa, which its service area overlaps.[55] This deference and support of the land use authority are appropriately not to the detriment of existing sanitation district constituents nor funded by current sanitation customers.

Financing options to accommodate new development connections and capacity enhancements are discussed in the EPASD Capital Improvement Funding and Financing section of EPASD's chapter in this report.

The City has several planned and proposed developments that are in various stages of the permitting process. As of December 2021, the City had 20 unconstructed development projects in some phase of the application and construction process consisting of 1,469 dwelling units and 4,244,139 square feet of nonresidential building space. Details of each project and their location are shown in Figure 4-11. A majority of the larger developments are located in the Ravenswood/4 Corners TOD Specific Plan area. There are several mixed-use proposals, the largest of which are Four Corners, the Landing, and East Palo Alto Waterfront. Additionally, the City has approved a large multi-family residential development at 965 Weeks Street.

Four Corners is a mixed-use development located at the intersection of University and Bay Streets. proposes a mixed-use "downtown" on a long-vacant site in the heart of East Palo Alto. The proposal includes up to 40,000 square feet of retail, restaurants, and community space, 180 units of mixed-income housing, and 500,000 square feet of life science/laboratory space. The development also includes a community building with the potential to be a new EPA library.

The Landing is proposed to be located at 1990 Bay Road, 1175 Weeks Road, and 1250 Weeks Road. The parcels proposed for development are presently vacant with an abandoned building. The project proposes a mixed-use design of 922,000 square feet of office space, R&D, civic, and retail space. Additionally, the project proposes 90 multi-family dwelling units. The project is in the pre-application process.

The East Palo Alto Waterfront is a mixed-use development in the Ravenswood Business District. the applicant intends to develop with a focus on wetland restoration, jobs, and residential uses. The

[55] Napa Sanitation District, staff interview 4/2/2019.

proposal includes plans for 260 dwelling units and 1,390,000 square feet of office, R&D, and community building space. The site area is 52 acres, of which the plan proposes building on 16 acres and the remainder is proposed to be open space with recreational, street scape and wetland uses. The project is in the pre-application process.

965 Weeks Street is a city-owned property that is approved for development of 136 units of multi-family housing for low-income households with unit sizes ranging from studios to four-bedrooms. The project was approved in August 2019; however, the project is still awaiting approval from EPASD to connect to the wastewater system.

These proposed developments do not include intensification of uses on properties with existing dwelling units. Specifically, a number of accessory dwelling units (ADUs) are being added to properties throughout the City, typically to properties with single family dwelling units. According to newly approved State legislation (SB 9), permits for ADUs are required to be considered only ministerially by the land use authority, without discretionary review or hearing. Generally, the legislation streamlines and simplifies the process by which to get a permit for an ADU.[56] Plans for about 12 ADUs are presently stalled as they have been unable to get approval for connection to EPASD's system. Additionally, the number of ADU proposals have increased since the legislative changes. Accordingly, 33 zoning clearances were granted in 2021 for proposed ADUs within the City, and 25 ADUs were issued building permits for construction in 2021. It is likely that future years will also result in a similar number of applications.

[56] California Senate Bill No. 9, approved by the Governor September 16, 2021.

Figure 4-11: Planned and Proposed Projects, December 2021

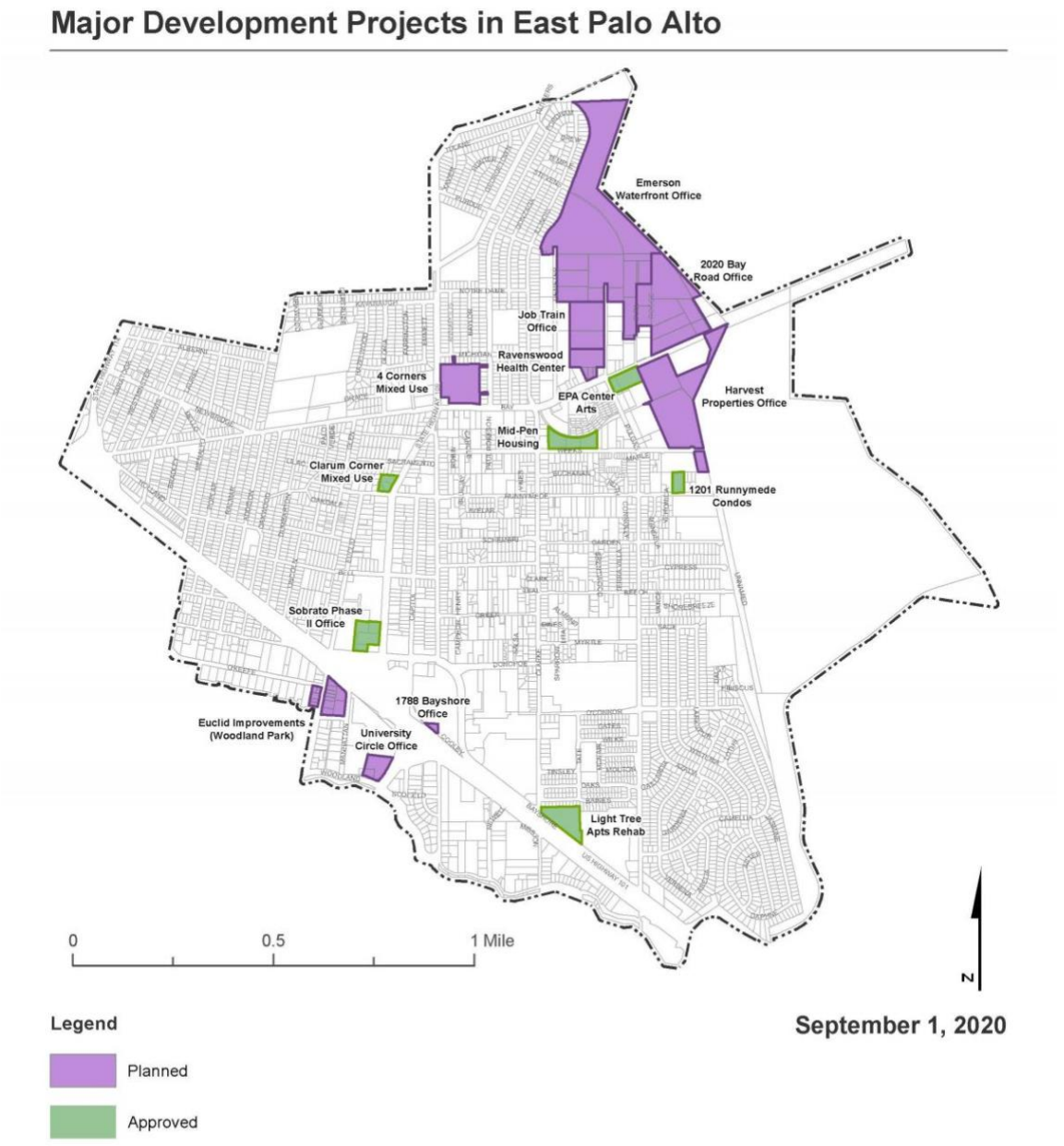
Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
2020 Bay Road	Three Cities Research	Mixed use	0	1,343,200	2020 Bay Road	Design Review
Four Corners	Sand Hill	Mixed use	180	540,000	1675 Bay Road	Full App/Review
The Landing	Harvest Props	Mixed use	90	922,025	1990 Bay Road	Pre-App
EPA Waterfront	Emerson Collective	Mixed use	260	1,390,000	2555 Pulgas Ave	Pre-App
965 Weeks Street	Mid Pen Housing / EPA Can Do.	Multi-family Residential	136		965 Weeks Street	Approved
1201 Runnymeade St	Village One, LLC	Multi-family Residential	37		1201 Runnymeade St	Full App
1804 Bay Road	EPA Bay LLC.	Mixed use	66	1,320	1804 Bay Road	Pre-App
Job Train Office	Emerson Collective	Office building	0	50,000	2535 Pulgas Ave	Pre-App
1062 Runnymede St.	Kent Yu	Single Family Residential	4 with 4 attached ADUs		1062 Runnymede St.	Under review
120-124 Maple Lane Townhomes	Bhartia Saurabh Trust	Multi-family Residential	4		120-124 Maple Lane	Under review

Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
2340 Cooley Avenue	Jim Goring	Multi-family Residential	7		2340 Cooley Avenue	Under review
547 Runnymede condominiums	Susan Chen / Yanhua Zhu	Multi-family Residential	8		547 Runnymede	Under review
717 Donohoe Street	8M Property-4, LLC	Multi-family Residential	14		717 Donohoe Street	Under review
807 E Bayshore Ave. Residential development	Reid Lerner Architects / Alvin L. Silver	Multi-family Residential	6		807 E Bayshore Ave.	Under review
990 Garden Street	Garden Place LLC. /Abha Nehru / Tony Carrasco	Single Family Residential	7 with ADUs		990 Garden Street	Under review
Clarum University Corner	Clarum University Corner, LLC.	Mixed use	33	47,594	2331 University Ave.	Approved and Inactive
KIPP Esperanza School	KIPP School	Conditional use permit / Education	0		1039 Garden Street	Approved
Majd Residence	Javad Majd / Guillermo Prado Jr	Multi-family Residential	2		919 Runnymede St.	Approved

Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
Weeks Street Townhomes	760 Weeks Street	Multi-family Residential	10		760 Weeks Street	Approved
Woodland Park Euclid Improvements	Sand Hill Properties/Woodland Park Communities	Multi-family Residential General Plan Amend., Zoning Amendment and Design Review	605		2001 Manhattan Avenue	Under review
Total			1,469	4,244,139		

Sources: City of East Palo Alto, https://www.cityofepa.org/projects?term_node_tid_depth=All&field_project_status_value=All&field_project_type_tid=37&keys= accessed on December 12, 2021.

Figure 4-12: City of East Palo Alto Map of Planned and Proposed Projects



Source: 2015 General Plan, 2010 U.S. Census, San Mateo County GIS Enterprise Database and Santa Clara County, 2012.

FINANCIAL ADEQUACY

The City of East Palo Alto is in good financial position; a State Auditor's review of fiscal risk rated the city highly in all categories except pension obligations and revenues.[57] As noted in the City budget documents and described below, the City is experiencing structural budget deficits; although the City has sufficient reserves, they will be depleted if cost growth continues to outpace revenues. The City's ability to increase tax revenues is limited given that "East Palo Alto has a relatively low commercial base."[58] Major anticipated projects can take several years before they generate needed revenue "to further stabilize current services, and to address any priority Council may want to prioritize, i.e., affordable housing, better parks, better roads, better services for seniors, etc."[59]

Specifically, the planned development projects noted in the FY18-19 budget that have received City approvals continue to be delayed due to their inability to receive "will serve" letters from EPASD. At a January 2021 Council workshop, the Council discussed a priority to "identify ways to address Sanitary District capacity issues that impact City's development"[60] however no direction was reached on a related goal or action item.

Accounting and Financial Policies

The City's codes establish financial controls.[61] A reserve policy was adopted at its meeting September 2021 (see "Reserves" below).

Budgets and Financial Reports

The City prepares a Comprehensive Annual Financial Report (CAFR) and completed its FY19-20 CAFR within 6 months after the end of the fiscal year. The CAFR provides detailed historical statistical information in addition to other supplementary materials.

The City of East Palo Alto prepares a budget that thoroughly documents, summarizes and details budget estimates and compares to prior years' actual results. The budget provides an informative narrative

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[57] Auditor of the State of California, Fiscal Health of California Cities, https://www.auditor.ca.gov/local_high_risk/dashboard-csa

[58] City of EPA Adopted Budget 2018-2019, pg. CM-2.

[59] City of EPA Adopted Budget 2018-2019, pg. CM-2.

[60] Summary of the Results of the City Council's 2021-2022 Priority Setting Retreat (held Jan. 23, 2021), Feb. 2021, Management Partners, pg. 2.

[61] https://library.municode.com/ca/east_palo_alto/codes/code_of_ordinances?nodeId=TIT3REFI_CH3.16FICO

explaining changes, future risks, and actions to address fiscal challenges. The budget does not include a long-term budget forecast as recommended by a recent Grand Jury report,[62] however, one is being prepared (see below).

In 2021 City staff recommended the preparation of a revised General Fund Forecast (updated for COVID recovery projection, lower CalPERS discount rate and other cost pressures) and determine the potential "deficit" gap over a seven-year to ten-year period.[63]

Balanced Budget

The City of East Palo Alto's FY21-22 adopted General Fund budget shows an annual projected deficit of approximately $480,000.[64] The prior year also projected a deficit after several years of annual surpluses. Declines in property tax revenue and licenses, fees, and permits were not offset by State and Federal relief funds. From FY2018-19 through FY2021-22 General Fund revenues grew an average of approximately 0.5 percent annually compared to expenditure growth of 3.1 percent. While the City currently has healthy fund balances and reserves, continuing shortfalls will reduce available funds over time.

The City's current budget indicate significant concern about its structural budget imbalance; the addition of new staff diverges from the City's desired "fiscal resiliency framework" by increasing the City's long-term costs offset temporarily by COVID relief funds.

The City establishes water rates sufficient to fully fund water operations.

General Fund Revenues

The City of East Palo Alto's General Fund revenues jumped in FY18-19 due to increases in voter-approved sales taxes and growth in property tax. The City receives approximately 34 percent of every tax dollar paid within its boundary.

However, recent COVID-related revenue declines and constraints on new development have contributed to a slowing and decline in total General Fund revenues, including declines in "Licenses, Fees and Permits" due to office closures and delays in construction due to COVID.[65] Some revenues, including

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[62] Soaring City Pension Costs – Time for Hard Choices, 2017-18 San Mateo County Civil Grand Jury.

[63] City of EPA Staff Report to Council re: Reserve Management Policy, Sept. 21, 2021, Packet pg. 53.

[64] City of EPA Adopted Budget 2021-2022, pg. CM-2, FS-3.

[65] Correspondence from Tomohito Oku, City of EPA Finance Director, 2021-12-09.

business licenses, are showing a slight rebound as re-openings occur[66]. From FY2018-19 through FY2021-22 adopted budget General Fund revenues grew an average of approximately 0.5 percent annually, a "low" rate of growth[67] and less than a long-term 3.0 percent inflation benchmark.

City voters have supported a number of additional revenues and taxes to improve City services and infrastructure. East Palo Alto's residents approved Measure HH in November 2018, which is projected to provide the City with approximately $1.67 million of additional revenues to help pay for housing and job training.[68] In November 2016, residents of East Palo Alto also approved Measures O and P.[69] Measure O increased the City's business license tax for landlords with five or more residential units and was expected to increase City revenues by approximately $0.6M annually.[70] Measure P increased the City's sales tax by a half-cent and was expected to increase City revenues by approximately $1.8M annually.[71]

Other sales tax measures dedicated to road-related improvements (Measure A, Measure W) are deposited to separate funds.

In June 2021 the City Council's Finance Committee considered workplan measures to pursue local ballot measures for November 2022 to increase revenues, including a possible business tax, utility users tax, increase in hotel tax to support housing, and other potential revenues.[72] The City of East Palo Alto will vote on a measure amending Chapter 3.68 of the East Palo Alto Municipal Code, to increase the Transient Occupancy Tax (TOT) rate from 12% to 14% by 2023.

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66 T. Oku, 2021-12-09.

67 "Low" level indicated by growth above zero but less than long-term inflation rate (assumed 3 percent); see https://www.micropolicypress.com/revenue-indicators---overview/

68 The Stanford Daily, East Palo Alto Passes Measure to Tax Large Companies. Ballotpedia, Local Ballot Measures, East Palo Alto, California, Measure HH, Commercial Office Space Parcel Tax.

69 Ballotpedia, Local Ballot Measures, East Palo Alto, California, Measure O, Landlord Tax (November 2016). Ballotpedia, Local Ballot Measures, East Palo Alto, California, Measure P, Sales Tax (November 2016).

70 East Palo Alto, Staff Report for July 19, 2016, City Council Meeting re: increasing business license tax, p. 3. East Palo Alto, Staff Report for February 19, 2019, City Council Meeting, p.4.

71 East Palo Alto, Staff Report for July 19, 2016, p. 4. East Palo Alto, Staff Report for February 19, 2019, City Council Meeting, p. 4.

72 Finance Committee Staff Report, meeting date 6/15/2021.

General Fund Expenditures

The City of EPA's adopted budget General Fund expenditures grew at a "moderate" rate of growth[73] of approximately 3.1 percent annually from FY2018-19 through FY2021-22, slightly exceeding a long-term 3.0 percent inflation benchmark and growing faster than 0.5 percent average revenue growth. Increasing staff levels "support strategic and community demands" but the funding commitment "diverges significantly from the City's desired fiscal resiliency framework."[74]

Reserves

The City Council adopted a reserve policy at its meeting September 2021; the policy establishes a Contingency Reserve target level of thirty percent of adopted General Fund expenditures[75] based on risk analysis conducted by the GFOA for the City.[76] The intent of the reserve policy is to (1) promote improved long-term strategic decisions; (2) clarify and institutionalize good financial practices; and, (3) manage risks to the City's financial condition.

The City's FY21-22 General Fund ending balance is projected to total $19.125 million[77] or about 65 percent of General Fund expenditures, a "high" level[78]. The City's recently adopted reserve policy allocated a minimum of 30 percent of expenditures (approximately $9 million), a "moderate" level, to operating and emergency reserves. The remaining fund balance is available for services, infrastructure, and other uses.

The City's balances total a projected $60.8 million at the end of FY21-22 including $11.9 million in its enterprise funds.[79] The total reserves are net of a $15.8 million negative balance in the Successor Trust Fund; the negative balance includes $8.3 million of loans repayable to the City's General Fund.

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[73] "Moderate" level indicated by growth at or slightly above long-term inflation rate (assumed 3 percent); see https://www.micropolicypress.com/expenditure-indicators-overview/

[74] City of EPA Adopted Budget 2021-2022, pg. CM-2.

[75] Resolution adopted Sept. 21, 2021.

[76] A Risk based Analysis and Stress-test of General Fund Reserve Requirements for the City of East Palo Alto, September 29, 2020, GFOA.

[77] City of EPA Adopted Budget 2021-2022, pg. FS-3.

[78] "Moderate" level indicated by 17%-40% reserves and a "high" level exceeds 40%; see https://www.micropolicypress.com/reserve-indicators-overview/

[79] City of EPA Adopted Budget 2021-2022, pg. FS-3.

The City of East Palo Alto General Fund's unrestricted net position of $34.2 million is an indicator of a strong financial position.[80] A 2020 report ranked the city in the top ten percent of all cities statewide based its substantial net position per resident.[81]

Pension and Other Post-Employment Benefits (OPEB) Liabilities

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of $11,507,754.[82] According to a 2021 actuarial report[83] the Plan was 74.9 percent funded at the start of FY19-20, which can be considered "moderately" funded.[84] The City does not provide Other Post-Employment Benefits (OPEB).

The City is investigating options to manage its pension liabilities; in establishing a reserve policy, City staff recommended that the Council "determine a CalPERS pre-funding strategy to reduce long-term retirement costs"[85] and commissioned the 2021 actuarial report to identify options.

As noted previously (see "Balanced Budget"), City staff recommended to Council that the City's long-term budget forecast be updated to include pension liability estimates. This forecast will comply with Grand Jury recommendations for inclusion of pension liability estimates in long-term budget forecasts that should be integral to each annual budget.[86]

Leases and Long-Term Debt

The City has no long-term debt, other than a Community Development Block Grant (CDBG) Program assistance loan in the amount of $700,000 for the Gloria Way Well Rehabilitation project which is forgivable annually if it continues to meet certain conditions including the continued use for its original purpose. The City has entered into a number of long-term operating leases for four major building facility sites including two police facilities, the maintenance corporation yard, and City Hall offices.[87]

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80 2020 City of EPA CAFR, Balance Sheet, pg. 30; excludes "unspendable" and "restricted" net position.

81 California Sen. John M. W. Moorlach's 2019 Financial Soundness Rankings for California's 482 Cities, Edition: January 16, 2020

82 2020 Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2020, East Palo Alto, CA, pg. 70.

83 CalPERS Actuarial Issues – 6/30/19 Valuation Final Results, March 17, 2021, Bartel Associates, pg. 50.

84 "Moderate" level indicated by 71-80% funded; see https://www.micropolicypress.com/pension-indicators-overview/

85 City of EPA Staff Report to Council re: Reserve Management Policy, Sept. 21, 2021, Packet pg. 54.

86 Soaring City Pension Costs – Follow-up on Grand Jury Report of 2017-2018.

87 2020 City of EPA CAFR, Note 6-7, pg. 65-66.

As described in the City's financial reports "historically, the City has engaged in limited debt-financing activity due to reliance on outside grant and former redevelopment funding for major infrastructure improvements. This is due to several factors, including that the City owns minimal property assets that are easily debt leveraged, and has not engaged in ad valorem or assessment district funding or other parcel tax-related capital funding since Redevelopment dissolution."[88]

The City is in the process of completing analysis of potential State Revolving Fund (SRF) and other low-interest loans for improvements to its water system (EPA was awarded Economic Development EDA funding[89] in FY20-21); the City noted the potential to work with EPASD to apply for low-interest infrastructure loans with required minimum loan amounts that EPASD would otherwise have difficulty meeting.[90] Successfully applying for grants and large loans depends, in part, on a well-justified use of funds and an analytically supported and documented capital improvement program. East Palo Alto's status as a Disadvantaged Community improves the community's competitive prospects for grants and low-interest loans; partnerships with affordable housing providers further enhance opportunities.

Debt Service Documentation

The City's CAFRs clearly describe and provide background on its past debt practices, and documents its CDBG grant, its long-term leases and required payments.[91]

Infrastructure and Facility Assets

The City of East Palo Alto's FY19-20 financial report shows a value of depreciable assets (excluding land) totaling $93.4 million. After deducting depreciation, which represents the portion of initial value "used up" over the assets' lifespan the remaining depreciation value equals a net value of $48.4 million, or slightly more than half the total initial value.[92] This net value as a percent of total is in the range of "moderate"[93] which is an increase compared to 44 percent the prior year due to the addition of nearly $14 million of road assets in FY19-20.

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88 2020 City of EPA CAFR, pg. 16.

89 For example, see https://www.eda.gov/funding-opportunities/

90 Interview with the City of EPA, 2021-12-09.

91 2020 City of EPA CAFR, Note 6-7, pg. 65-66.

92 2020 City of EPA CAFR, Note 5, pg. 63.

93 "Moderate" level indicated by 40-70% of depreciable value; see https://www.micropolicypress.com/infrastructure-and-facility-assets-indicators-overview/

Capital Improvement Program (CIP)

The City prepares and annually updates its ten-year CIP. The document includes detailed costs, timing and funding, and shows unfunded projects.[94] The City of EPA's unfunded infrastructure in its CIP totals nearly $320 million.[95] To address this problem, the City is preparing an "order of criticality" prioritization of improvements.[96]

Development Impact Fees (DIF)

The City prepares an annual report documenting its development impact fees (DIF) and assuring compliance with AB1600.[97] The DIF are charged to new development to pay for needed infrastructure and public facilities including affordable housing, parks and trails, public facilities (public safety, community buildings, city hall, etc.), transportation infrastructure and storm drainage.

The City requests that new development projects construct required infrastructure; the City provides credits against fee requirements and time-limited reimbursements from other benefitting development where applicable.[98]

Water Capacity Fees

The purpose of the City water capacity fee is to recover the costs of water system infrastructure and water supply to ensure that future development does not place a burden on existing customers, and to provide new or increased water system infrastructure capacity due to new or intensified development. In addition to a buy-in to the existing system and increased capacity, a water supply component is charged separately for the purchase of additional supply for new development.[99]

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[94] City of East Palo Alto Ten-Year Capital Improvement Program Update, FY2020-21 Capital Budget.

[95] City of EPA FY2020-21 CIP, pg. 29.

[96] City of EPA Staff Report to Council re: Reserve Management Policy, Sept. 21, 2021, Packet pg. 54

[97] City of EPA, Development Impact Fee Report, Fiscal Year Ended June 30, 2020.

[98] Interview with the City of EPA, 2021-12-09.

[99] City of EPA, DIF Report 2020, pg. 5.

FIRE AND EMS SERVICES

Service Overview

Fire protection and emergency services are provided to the City of East Palo Alto by the Menlo Park Fire Protection District (MPFPD). An MSR was last completed on MPFPD in 2007. Refer to the full MSR for further detail on the District.[100]

MPFPD was originally established in 1915 but was reorganized in 1951.[101] It is governed by an elected five-member board of directors who serve four-year terms.[102] The District is located in the southern most portion of San Mateo County to aid communities across 33 square miles including Menlo Park, East Palo Alto, Atherton, and other unincorporated areas of the county.[103] The approximate population of the District at this time is 90,000.[104]

MPFPD is responsible for delivering the following services: fire prevention, fire inspection, fire investigation, firefighting, hazardous materials response, search and rescue, and paramedic services. It also partakes in public outreach and education for the advancement of fire safety. The District operates out of seven strategically placed stations, with Station 2 providing services to the City of East Palo Alto. Station 2 completed seismic upgrades in 1996 and completed reconstruction in 2016. This station is considered an essential service building, which indicates it is capable of withstanding and operating throughout any type of major emergency.[105]

Each station houses at least one heavy fire engine and is staffed continuously by a minimum of three personnel: a Captain and two firefighters. Of these three crew members, one will always be a licensed paramedic. Engine 2 is reported to be the busiest engine company in San Mateo County.[106] Station 2 also

[100] Sant Mateo LAFCo, Menlo Park and Woodside Fire Protection Districts Municipal Service Review, adopted August 8, 2007, https://lafco.smcgov.org/documents/menlo-park-and-woodside-fire-protection-districts-8-8-2007.

[101] San Mateo LAFCo website https://lafco.smcgov.org/menlo-park-fire-protection-district accessed 12/23/21

[102] Menlo Park Fire Protection District website https://www.menlofire.org/board-of-directors accessed 12/23/21

[103] City of East Palo Alto, General Plan 2035, adopted 10/4/16, p. 10-9.

[104] Menlo Park Fire Protection District website https://www.menlofire.org/district-history accessed 12/23/21.

[105] City of East Palo Alto, General Plan 2035, adopted 10/4/16, p. 10-9.

[106] Menlo Park Fire Protection District, Community Risk Assessment: Standards of Cover, p.66.

houses a Pierce combination pumper. This equipment was designed by the District's Apparatus Team and purchased in 2001 making it one of the newest within MPFPD.[107]

Structural fires pose the greatest fire-related risk for the City, according to City's General Plan, due to the prevalence of high-occupancy and industrial structures in the area. The City is not recognized as a high fire severity zone. Most wildfires occur outside of city limits and the risk is also minimized, in part, by the City's long-standing weed abatement program.[108]

Service Area

MPFPD is in the metropolitan Bay Area, located on the peninsula in the southernmost part of San Mateo County. The District serves the City of East Palo Alto to the east, Menlo Park to the south, and Atherton to the west, as well as some unincorporated areas of San Mateo County. The service area is thirty-three square miles and is mostly considered a bedroom community, but it does have industrial areas on its eastern border.[109] [110] The City of East Palo Alto is the most densely populated section of the District and has required the most emergency response efforts.[111]

Planning

A number of planning documents are used by the City and MPFPD to be able to best serve the community. These documents include the City's General Plan and its Environmental Impact Report, the Hazard Mitigation Plan, the 2016-2026 Development Plan, and a standards of coverage assessment.

In alignment with the goals set forth throughout these documents, the City is committed to meeting the needs of its residents in the following ways:[112]

1. Supporting MPFPD in maintaining adequate response times.

2. Implementing fuel reduction and weed abatement in high-risk areas.

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[107] Menlo Park Fire Protection District website https://www.menlofire.org/maps/location/Station2 accessed 12/23/21

[108] City of East Palo Alto, General Plan 2035, adopted 10/4/16, p. 10-9

[109] Menlo Park Fire Protection District website https://www.menlofire.org/about-the-fire-district, accessed 12/23/21

[110] City of East Palo Alto, General Plan 2035, adopted 10/4/16, p. 10-9

[111] Menlo Park Fire Protection District, Community Risk Assessment: Standards of Cover, p.27

[112] City of East Palo Alto, General Plan 2035, adopted 10/4/16, p. 10-17

3. Placing essential services and facilities in areas more at risk of wildfire.

4. Supporting MPFPD's participation in the Fire Safe San Mateo County Program.

5. Encouraging property owners near hazardous areas to implement and maintain buffer zones from the most at risk areas.

6. Coordinating with the MPFPD to examine an impact fee on new developments to ensure the provision of services despite any demand increases.

Demand

Service demand for fire protection and emergency medical services is measured by a number of markers. Annual reports tracking demand for services are submitted each year to the National Fire Incident Reporting System (NFIRS).

MPFPD's emergency call dispatch is provided by the San Mateo County Public Safety Communications (PCS) Center, which is a countywide fire dispatch center. PCS is the primary public safety answering point (PSAP) within the City and District. Approximately 9,000 calls per year are reported by the District to the NIFRS through the dispatch center.[113]

The District's workload has increased 17.9 percent between 2008 and 2018. Emergency medical responses accounted for the majority of incidents, represented by 65.3 percent of calls. Public assistance incidents were secondary, constituting 10.94 percent of call volume. Additionally, it should be noted that the utilization rate of the District's services increased two percent over the same ten-year time period. As was previously mentioned, Engine 2 in EPA is consistently the busiest engine in the County. With performance being measured at the 90th percentile, it is stated that a response unit that has a 10 percent or higher utilization will not have the capability to meet its target of on-time response 90 percent of the time. Based on the 2018 report in the District's Standards of Cover assessment, Engine 2 is on the cusp of breaching a 10 percent utilization rate.[114]

Workload can also be measured in relation to the number of reported incidents in several ways. It can be assessed by examining how many incidents occur during a particular time frame, how many times one or more response units are committed to incidents occurring during the same time period, the reliability rate which indicates the capability of a first-due unit to respond to an incident within its

[113] Menlo Park Fire Protection District CAFR, 6/30/2020, p. xiii

[114] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 1, 59, 66, 67

corresponding response area, and unit-hour utilization (UHU), or the amount of time a unit is not available because it is already committed to an incident.

Between FY16 and FY18, Engine 2 responded to roughly one thousand more incidents compared to any other station within the District. Similarly, Engine 2's UHU was nearly twice that of any other MPFPD unit. Still, the FY 18 percentage represented an improvement compared to FY 16 by nearly two percent and one percent compared to FY17. Incident concurrency and unit concurrency remained steady between FY17 and FY18, the majority of incidents having one concurrent unit response.[115]

There is potential for wildfires throughout the MPFPD. The majority of the District is considered at moderate risk, however, areas directly to the north and east of the City of East Palo Alto, which are adjacent to the bay, are at little to no risk of wildfire. There are mutual aid agreements in place for both the State and County to provide additional resources in the event of a wildland fire, yet the greatest demand for fire risk would come from structural fires within the urban area of the City.[116]

Staffing

Maintaining a consistent level of staff is essential in providing fire and emergency services, particularly because stations must be staffed by a minimum of three firefighters 24 hours each day. In FY 19-20, EPA listed 146 full-time equivalent employees. Of these employees, 103 provide fire services directly. There are also 43 Chief Officers and other staff throughout the District to provide administrative and financial services, maintenance of the District's vehicle fleet, and emergency preparedness duties. Command staff includes one Fire Chief, one Deputy Chief, four Division Chiefs, one Fire Marshal, and three Batallion Chiefs who also assist with training. Fire Station 2 specifically has a deployment of one engine with three personnel, as well as a truck with four personnel.[117]

The District ensures that staff has the resources needed to maintain a high-level of service through a succession planning program. Promotional tests and academies take place yearly to advance high performing firefighters while recruiting new firefighters to fill vacancies.[118]

Facilities and Capacity

EPA's Fire Station 2 completed construction in 2016 and is rated in excellent condition. It is one of two stations in the District equipped with an earthquake warning system and is able to meet capacity needs

[115] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 93, 94.

[116] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 34.

[117] Menlo Park Fire Protection District CAFR, 6/30/2020.

[118] Menlo Park Fire Protection District CAFR, 6/30/2020, p. xii.

for the foreseeable future. The station has three drive-through bays and is equipped with a workout room, training and meeting rooms, and is ADA compliant with a variety of safety security systems in place.[119]

The District's success relies on dependable, functioning equipment. In preparation for future needs, MPFPD has an Apparatus and Equipment Replacement Plan in place to guarantee the availability of funds for replacing apparatus and equipment. Currently, MPFPD utilizes ten response apparatus in addition to reserve apparatus. As of 2018, Station 2 maintained an engine and a truck for its service region, and both were listed in excellent condition. Station 2 also houses a USAR 102 and a Tiller Ladder. In January of 2019, however, the District added a second truck at Station 2 to better meet demand.[120]

Infrastructure Needs

In evaluating the efficiency and effectiveness of present operations for future growth, the most pressing need is to address the increasing congestion in relation to the City's growing population.[121] There are currently traffic calming measures in use, such as speed bumps and hard medians, that are a detriment to rapid response travel times. It will be increasingly important to address matters of congestion to continue to meet service goals.[122]

Going forward, another consideration will be to ensure funding remains adequate for fleet maintenance and apparatus needs since such large item purchases were suspended in FY 20 due to the Covid-19 pandemic.[123]

Challenges

EPA reports the paramount obstacle facing the District is continual, increasing traffic throughout the City due to ongoing growth. Congestion along University Avenue and other major routes is a challenge, making it particularly difficult to access Belle Haven and the east side of EPA. Emergency responders must often drive against the flow of traffic.[124]

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[119] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 122.

[120] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 1, 66, 122.

[121] City of East Palo Alto, General Plan 2035, adopted 10/4/16, p. 10-9.

[122] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 4.

[123] Menlo Park Fire Protection District CAFR, 6/30/2020.

[124] City of East Palo Alto, General Plan 2035, adopted 10/4/16, p. 10-9.

Service Adequacy

Indicators of service adequacy discussed here include ISO ratings, response times, and stations per 1,000 population served.

Fire services are classified by the Insurance Service Office (ISO), a private advisory and rating organization for the property/casualty insurance industry to provide statistical and actuarial services, to develop insurance programs, and to assist insurance companies in meeting state regulatory requirements. This classification indicates the general adequacy of coverage, with classes ranking from 1 to 10. Communities with the best fire department facilities, systems for water distribution, fire alarms and communications, and equipment and personnel receive a rating of 1. The most recent ISO survey measured three primary elements of the District's fire protection system: emergency communications, fire department, and water supply. Points are also granted for community risk reduction activities. As of 2014, MPFPD received an ISO rating of Class 2.[125]

The National Fire Protection Association (NFPA) has issued response time performance standards depending on the service structure of the agency. The response time is measured from the completion of the dispatch notification to the arrival time of the first responder at the scene. Though not a legal mandate, these standards provide a useful benchmark against which to measure fire department performance. For agencies with paid staff, such as Menlo Park Fire Protection District, NFPA 1710 identifies the response time guideline as six minutes at least 90 percent of the time. Accordingly, MPFPD reported first unit response times from notification by dispatch to the arrival of the first unit at the incident was within five minutes and 59 seconds 90 percent of the time as of 2018.[126]

Stations per 1,000 capita is one of the statistical indicators collected and reviewed by NFPA, as well as benchmarked between fire departments nationally. The association emphasizes that rates are higher for departments protecting smaller communities (under 2,500 people). This is because it takes a minimum number of stations to operate a fire department regardless of the number of people protected. For communities with a population of 10,000 to 24,999 across the nation, the average ratio is 0.13 stations per 1,000 people. The standard for populations between 50,000 and 99,999, which reflects the District's estimated population of more than 90,000, is .08 stations per 1,000 residents. MPFPD's seven stations are, therefore, on par with the NFPA's standards for its population size.

At this time, the City of East Palo Alto indicates it is satisfied with MPFPD's response times and that the District meets its outlined service goals.

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[125] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 57

[126] Menlo Park Fire Protection District Community Risk Assessment: Standards of Cover, p. 87

LAW ENFORCEMENT SERVICES

The East Palo Alto Police Department (EPAPD) provides law enforcement services to the City of East Palo Alto with a mission to preserve the peace through quality policing services and work in conjunction with the community to establish a safe environment through mutual trust and respect.[127]

There are three organizational divisions, each with their own objectives, within the EPAPD: the Administration Division, Operations Division, and Criminal Investigation Division. An Administrative Services Manager directs the Administration Division, which is responsible for general administrative services, records, property and evidence, and the court liaison. The Operations Division consists of uniformed patrol and is headed by a Police Commander. A Police Commander also leads the Criminal Investigation Division, which consists of detectives, and parking control.

The Chief of Police is the commander of all department personnel.[128] In consultation with the City Council, the City Manager appoints the Chief of Police for the City.[129]

In addition to the Department's policing services and community outreach efforts, the EPAPD also works alongside the MPFPD to review and determine a joint emergency response and establishes an emergency preparedness response in the event of a large-scale or natural disaster.[130]

Service Area

The City of East Palo Alto covers 2.5 square miles.[131] The Westside area is the most densely populated, housing one-fifth of the population across less than one-tenth of EPA's land area. The City is adjacent to the San Francisco Bay and the cities of Menlo Park, Atherton, and Palo Alto. EPAPD's services are provided within the City's boundaries, which are coterminous with its sphere of influence.

EPA reports crime in the area has decreased since early 2015 but that it still grapples with significantly more violent crime than the surrounding cities. EPA's crime rate is more than ten times higher than it is

[127] City of East Palo Alto, Adopted Budget FY20-21, p. DB-100

[128] City of East Palo Alto Police Department, Policies and Procedures, Organizational Structure and Responsibility, Policy 200, p. 1

[129] City of East Palo Alto, Municipal Code 8.9.21, Title 2, Chapter 2.20

[130] City of East Palo Alto, General Plan, 2015, p. 9-5.

[131] City of East Palo Alto, 2020 CAFR, p. vii

in Palo Alto and Menlo Park.[132] Persistent obstacles to reducing crime in EPA are the levels of unemployment, slow economic development, and the need for improved infrastructure.[133]

The Westside poses unique issues to the City that can impact policing and need to be addressed in comparison to the remainder of EPA. The differences in the Westside include limited parking and retail options, no existing parks or community facilities, lower income levels along with lower levels of affordable housing, and a high proportion of multi-family housing units.

Planning

The City's central planning document is its General Plan, which has a planning horizon of 2035. The plan outlines specific goals and policies for EPA's policing services in alignment with its overall vision for the community. Other plans that guide the City's efforts regarding law enforcement services include the Emergency Management Plan, Ravenswood/4 Corners TOD Specific Plan, Bicycle Transportation Plan, East Palo Alto City Facilities Master Plan Report, East Palo Alto Police Department Crime and Violence Reduction Plan, and the Gateway/101 Corridor Specific Plan.

The priority of the EPAPD is to protect and improve the overall welfare and personal safety of the City's community from such things as crime, pollution, natural disasters and other threats and emergencies. The EPAPD is expected to contribute to this mission by working towards the following goals and policies[134]:

1. Coordinating with MPFPD to safeguard public safety through the review of development projects to ensure available emergency transportation routes and that codes are enforced to allow for emergency access
2. Provide excellent emergency services to the community through these policies:
    a. Crime-prevention through Environmental Design (CPTED)
    b. Emergency preparedness
    c. Coordinating with MPFPD to provide fire and emergency services
    d. Excellent police service
    e. Police-community relations

[132] City of East Palo Alto, General Plan adopted 10/4/2016, p. 9-5

[133] City of East Palo Alto, General Plan adopted 10/4/2016, p. 2-1

[134] City of East Palo Alto, General Plan adopted 10/4/2016, pgs. 6-19, 9-13, 11-26

f. Data-driven policing

g. Policy refinement

3. Provide safe, sufficient, well-maintained infrastructure and services for the Westside area by following such policies as:

a. Upgrading infrastructure

b. Sufficient public safety services

There are also planned programs that have been initiated by EPAPD that help augment their mission. These programs include enhancing community relations, developing and increasing officer training, maximizing internal and external communications, and increasing partnerships with community members, which lead to stronger relationships with police officers.[135]

Collaboration

The EPAPD partners with the East Palo Alto Academy and Menlo Atherton High School for a Truancy abatement program to encourage students to improve their attendance.

Department members partner to provide youth mentoring through The Thiebault Method, which teaches children how to access their intrinsic passions to organize and carry out social good projects which benefit the community

The EPAPD partners with our schools during the holiday season and work together to identify families in need of services and collaborate to meet those needs.

Demand

There are a number of indicators that can reflect EPAPD's demand for service. Contributing factors that may influence demand within EPA include infrastructure status, population projections, legislation, and economic stability within a community. Calls for service, arrests, citations and crime rates are also indicators of demand for law enforcement services.

The City reports that overall crime has decreased by 33 percent since early 2015, including a 63 percent decrease in murders. Despite the overall decline in some crime indicators, EPA still holds a violent crime rate that is more than 10 times that of neighboring cities with 115.8 violent crimes per 10,000 people.[136]

[135] City of East Palo Alto, General Plan adopted 10/4/2016, pgs. 7-4, 12-7

[136] City of East Palo Alto, General Plan adopted 10/4/2016, p. 9-5

Given the degree of anticipated growth through 2040, EPA's Westside is a key component in demand for law enforcement services as it is the most densely populated area of the City and faces significant challenges to policing.

Figure 4-13: East Palo Alto Police Department Priority Calls, 2016-2021

Priority	Number of Calls
Priority 1	372
Priority 1P	1,573
Priority 2	12,154
Priority 2P	17,579
Priority 3	21,618
Priority 3P	7
Total	53,303
Notes: "P" designates crimes against persons.	
Source: As reported by City of East Palo Alto Police Department, January 25, 2022.	

Staffing

The EPAPD incorporates staff in a variety of ways to achieve its goals to reduce crime and preserve the welfare and public safety of the community. Staff is allocated across the Department's three divisions and staffing levels have remained relatively constant since FY 18-19.

The City has funded nine positions in FY 21-22 for the Administrative Division, 11.5 positions for the Investigations Division, and 28 positions for the Operations Division. Within the Police Department, the Administrative Division has experienced the only increase in staffing levels since FY 20-21 with the addition of one part time management analyst.

Facilities and Capacity

The City operates two police facilities on leased land.[137] One is the police department station located at 141 Demeter Street and the other is the police detective bureau and evidence site at 219 Demeter

[137] City of East Palo Alto, General Plan adopted 10/4/2016, p. 9-5

Street in East Palo Alto. The property for both sites is leased from private owners. The station lease has a sunset date of 10/31/25 while the police evidence facility just expired on 11/1/21, however, EPA has the option to extend the lease for three additional one-year agreements, ending 11/1/24. Neither property is considered viable for meeting the Department's long-term needs.[138] Additionally, a Police Department is designated as an "essential services building" according to the California Health and Safety Code §16007. Currently, the Police Department facility does not meet the mandated legal standards.

An EPAPD staff survey reports the vast majority of workers categorize the condition of the facilities as "ok", which is defined as being between being insufficient and sufficient.

Infrastructure Needs

As stated in the City's General Plan, guiding principles for growth and development include addressing community infrastructure which includes and affects public safety. A development impact fee nexus study was also done in 2019 to ensure funding of infrastructure needs, including public safety infrastructure, associated with new development.[139]

Firstly, EPAPD will need to address its facility needs within the next five years as the current leases expire. Site location depends on prioritized considerations, which have been identified as visibility/accessibility, community impact, quality of life, synergy, environment, and economic impact.[140] The structure itself should be able to consolidate the Department's three divisions to increase operational and environmental efficiency.[141]

Infrastructure improvements on the Westside offer a great opportunity to directly affect policing in EPA by adding park space, improving parking availability, providing more retail options, and increasing the amount of affordable housing. Additionally, the City's Bicycle Transportation Plan outlines ways in which the implementation of bicycle safety programs and adding bike racks are other steps to address traffic infractions and security within the community.

[138] City of East Palo Alto, Facilities Master Plan Report, 5/25/21, p. 7

[139] City of East Palo Alto, Development Impact Fee Program Nexus Study City Council Study Session, 1/29/19, p. 24

[140] City of East Palo Alto, Facilities Master Plan Report, 5/25/21, p. 26

[141] City of East Palo Alto, Facilities Master Plan Report, 5/25/21, p. 8

The Gateway/101 corridor continues to present issues that will need to be addressed over time as well. This would involve a larger police presence as housing, shopping, and recreational areas increase and connectivity across the highway continues to expand.[142]

Challenges

EPAPD faces unique challenges in relation to surrounding cities. Most notably, issues exist throughout the City due to population density as affordable housing is lacking. In areas with the greatest amount of multi-family housing, such as the Westside, the infrastructure and sustainability of the City has not grown proportionately to be able to support a thriving community. There is a need for parks, sufficient lighting and visibility, parking, noise-mitigation, and improved traffic flow. Unemployment and insufficient economic opportunities that generate tax revenue to benefit the City continue to be roadblocks to the overall welfare of the residents of EPA as well.[143] These social and environmental factors all pose obstacles for law enforcement. The economic instability and high crime rates within parts of the City particularly effects mental health of residents, including higher occurrences of substance abuse, which each impact public safety within EPA. For example, University Avenue and Bayshore Road have a higher percentage of liquor stores versus food stores overall and they are known to be linked to more criminal activity.[144]

Developing sufficient police facilities is also a challenge to the EPAPD. As previously stated, the Department currently leases multiple spaces rather than having a consolidated working environment that improves efficiency, however, there are limited opportunities for new developments in the higher populated sections of EPAPD. Facilities are not currently based on accessibility to or visibility of policing services, particularly in areas with the most need, such as the Westside, the Ravenswood Business District, and the 4 Corners areas. It will be necessary for the EPAPD to expand its personnel and its structural presence as the population continues to increase. As is, the current facilities will not be adequate to meet future demand for crime prevention, fostering working relationships with constituents, and encouraging a positive community policing environment.

Service Adequacy

Service adequacy can be gauged by a variety of factors, such as crime and clearance rates, response times, and staffing ratios.

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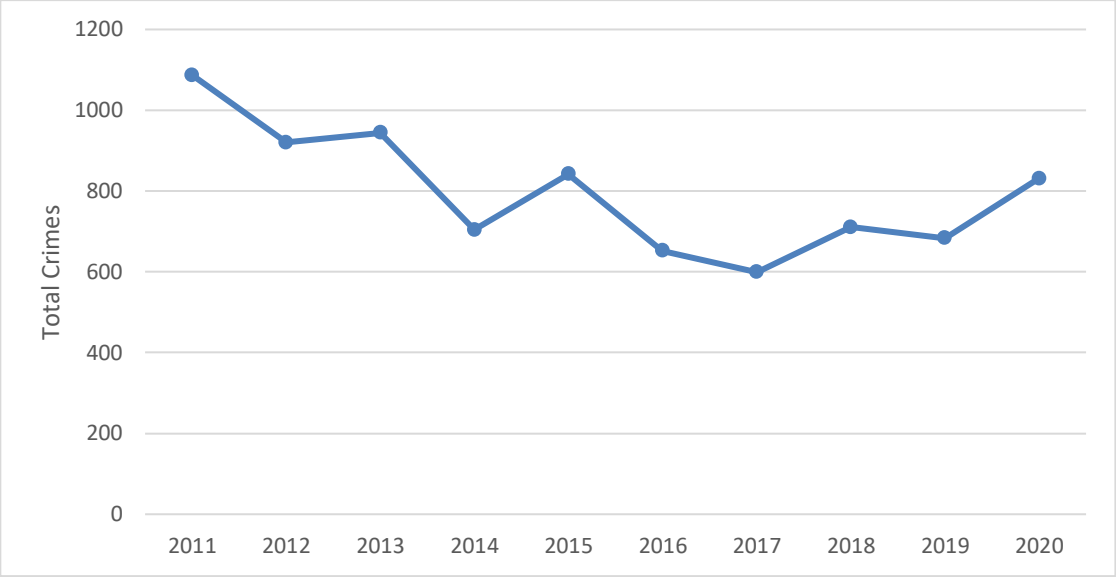
[142] City of East Palo Alto, General Plan adopted 10/4/2016, p. 1-1

[143] City of East Palo Alto, General Plan adopted 10/4/2016, p. 2-1

[144] City of East Palo Alto, General Plan adopted 10/4/2016, p. 7-3

The rates of crimes as reported by California's Department of Justice indicate trends over time for various types of crimes. In its database, violent crimes are categorized as murder, rape, robbery, and aggravated assault. Property crimes are categorized as burglary, motor vehicle theft and larceny-theft. Arson is a third crime type. Property crime constitutes the largest portion of the crimes that take place in East Palo Alto. In 2020, there were 673 total property crime incidents reported compared to 146 violent crimes and 12 arson related incidents. There was a significant downward trend in crime within the City through 2017, and since then crimes, specifically property crimes are rebounding.

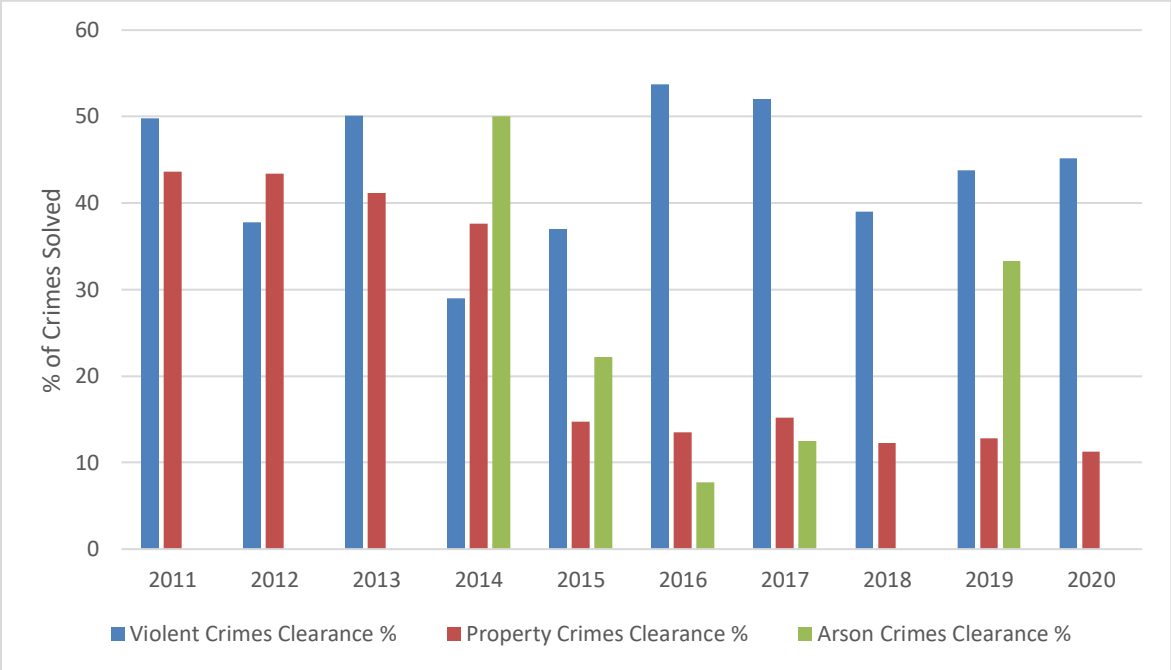
Figure 4-14: East Palo Alto Crime Trend, 2011-2020



Cleared crimes refer to offenses for which at least one person was arrested, charged with the offense, and turned over to the district attorney for prosecution. A crime is also considered cleared by exceptional means if the offender dies, the victim refuses to cooperate, or extradition is denied. There are no standards or guidelines on the proportion of crimes that should be cleared. Clearance rates for property crimes within East Palo Alto have generally declined over the last decade, with 44 percent cleared in 2011 and 11 percent cleared in 2020. Conversely, clearance rates of violent crimes have remained relatively high with some fluctuation over the 10-year period. In 2020, 45 percent of violent crimes were cleared.[145]

[145] California Department of Justice, https://openjustice.doj.ca.gov/exploration/crime-statistics, accessed January 3, 2022.

Figure 4-15: East Palo Alto Crime Clearance Rates, 2011-2020



Police response times have traditionally been used to measure effectiveness. The modern approach to response time—differential response—is to ensure quick response to serious crimes (Priority I) in progress, when there are opportunities to save a victim and/or to apprehend the criminal, and to inform lower-priority callers (Priority II through VI) that response time may be lengthy. Response times are dependent on the agency's staffing level and size of the jurisdiction served. In 2021, EPAPD responded on average to Priority 1 incidents within 4 minutes and 15 seconds between the time of dispatch to the arrival on scene. Priority 2 calls had an average response time of 5 minutes and 49 seconds, while Priority 3 calls had an average of 6 minutes and 30 seconds. EPA does not have an identified goal or established response time standard for law enforcement services.

Figure 4-16: EPAPD Response Times, 2021

	Number of Calls	911 Call to Dispatch	Dispatch to On Scene	911 Call to On Scene
Priority 1	491	203	4:15	7:45
Priority 2	4,923	2,248	5:49	11:56
Priority 3	4,660	854	6:30	16:16
Total/Averages	20,763	4,198	6:30	16:29

The number of sworn officers per capita is a traditional indicator of service level. There are no universally recognized staffing standards for law enforcement. However, for comparison purposes, the Federal Bureau of Investigations Uniform Crime Report annually compares per capita staffing levels in law enforcement agencies throughout the nation based upon geographic region and population served. For communities the size of East Palo Alto, in this part of the country, the average per capita staffing levels are 1.5 sworn police officers per 1,000 population and 0.5 non-sworn employees per 1,000 population.[146] By comparison EPAPD had 1.2 sworn police officers per 1,000 residents and 0.38 non-sworn employees per 1,000 population.

COMMUNITY SERVICES – RECREATION, PARKS, OPEN SPACES, AND FACILITIES

Service Overview

The City's recreation, parks, open spaces, and facilities services are operated through the Department of Community Services, which is an underlying programmatic function for the Administrative Services Department. According to the City, Community Services was established in 2019 and oversees its own divisions. Parks, Open Spaces and Facilities, and Recreation are two collaborative but distinct divisions within the Department and will be the focus of this review.

As a whole, Community Services is tasked with shaping the visual appeal of the City and using recreational opportunities to connect people through the use of city parks, programs, and facilities. Some of the services include hosting classes, birthday parties, sports games and practices, youth programs, senior services, and cultural and community events. These services are intended to offer safe and accessible resources that enhance the overall health and wellbeing of people of all ages within the EPA community.

Community Services' responsibilities extend across city departments to ensure optimal operations and efficiency within its divisions. This includes working cooperatively with the EPA Public Works Department to maintain its parks, open spaces, and facilities, and prioritizing strategies for crime prevention through environmental design that augment the City's law enforcement capabilities. The Department must also concentrate its efforts on the physical development, conservation, and sustainability of its parks and open spaces.

There are five public parks in the City which account for an estimated 33 acres of usable parks and open space in addition to the Don Edwards San Francisco Bay National Wildlife Refuge, and the Cooley

[146] https://ucr.fbi.gov/crime-in-the-u.s/2018/crime-in-the-u.s.-2018/topic-pages/tables/table-71

Landing Nature Preserve.[147] The location of EPA, abutting the San Francisco Bay, makes its natural, environmental assets, such as its shoreline, wetlands, and other open spaces like San Francisquito Creek, valuable resources.

Service Area

EPA encompasses 2.5 square miles, on which it has developed five parks throughout its boundaries, including a pocket-park in the northwest corner of the City, as shown in Figure 4-17. The nine-acre Cooley Landing Nature Preserve is situated in the Baylands area, which is in the easternmost portion of EPA and adjacent to the San Francisco Bay. Figure 4-17 describes each of the City's parks and its amount of usable space.

Figure 4-17: Map of City of East Palo Alto Parks

[147] EPA, General Plan, 2016, p. 8-1.

Figure 4-18: City Park Infrastructure

Park and Recreation Facilities within the City of East Palo Alto				
Park Name	**Park Type**	**Location**	**Description**	**Acres**
Pocket Park	Mini Park	Bay Road and Newbridge Street	A pocket park in a residential setting providing landscaping, benches, and lights.	.15
Bell Street Park	Neighborhood Park	2159 University Avenue	Provides mature landscaping, a skateboard park, children's play area and playground. Close to the YMCA and senior center.	5
Jack Farrell Park	Neighborhood Park	2509 Fordham Street	Features a baseball diamond and play structures.	5.5
Joel Davis Park (formerly University Square Park)	Neighborhood Park	1960 Tate Street	Features play structures, barbeque grills, green space, and proximity to the Community and Economic Dev. Department.	2.8
Martin Luther King Park	Neighborhood Park	435 Daisy Lane	Features soccer and baseball fields, bleachers, concession stands, jungle gym, picnic tables, and barbeque grills.	5.7
Cooley Landing Nature Preserve	Neighborhood Park	2100 Bay Road	A nature park and bay front park.	9
Don Edwards San Francisco Wildlife Preserve/Baylands Nature Preserve	Regional Park	East side of East Palo Alto	Connectivity to the Bay Trail linking other Bay Area open spaces, running the length of the Baylands Nature Preserve.	5.5
			Total Acres:	**33.65**

Planning

Future development, goals, and priorities for parklands and recreational facilities are determined through a variety of planning documents including the City's General Plan. Additional planning tools include the Gateway/101 Corridor Specific Plan, Nexus Study, Bicycle Transportation Plan, Ravenswood/4 Corners TOD Specific Plan, and a forthcoming Parks Master Plan which will be the City's first and is expected to be completed in 2022.

EPA's 2035 General Plan provides many details on the current status of open space and facilities with policies that should be followed. The following goals are outlined as priority items that directly affect Community Services and demonstrate the range of responsibilities within the Department:

1. Create new parks and open spaces throughout the City.
2. Improve and enhance existing parks and trails.
3. Expand funding for park improvements and maintenance.
4. Protect and preserve the City's natural habitat and wildlife.
5. Expand use of the Cooley Landing Nature Preserve.
6. Preserve and expand the urban forest on public and private property.
7. Promote sustainable energy.
8. Adaption to and mitigation of climate change impacts.
9. Protect historic, natural, mineral, and cultural resources.

Policies to support these goals range from creating reciprocal agreements with school districts to establish shared use arrangements for facilities, park incentives that encourage developers to include open space and recreational areas, volunteering opportunities, and archiving and education of the City's history.[148]

Collaboration

There are no known formal collaborative agreements between the Community Services Department and other entities. As previously mentioned, however, the Department does work in conjunction with Public Works and EPAPD to facilitate efficient operations.

[148] EPA, General Plan, 2016, p. 8-11.

Demand

There are several indicators that can measure the demand for park and recreational services. The number of program registrations and facility requests are some examples. Usage of park space is generally challenging to track. There are also standards set for the amount of park and/or open space per resident.

According to the Quimby Act (Government Code §6647), that standard is presently a maximum of five acres of open space per 1,000 residents. Based on EPA's current population, its 33 acres of usable parks and open space equates to one acre of parkland per 1,000 residents. The Quimby Act also requires residential developers to provide land or in lieu fees to develop or rehabilitate existing parks or recreational facilities for new residents. That City's dedication/in lieu fee standard is currently three acres per 1,000 residents.[149]

Population density is currently higher in certain sections of EPA that do not have access to parks and open spaces in their neighborhoods, such as the Westside, therefore exceeding demand for available recreational facilities and spaces. In addition to the project increase in population at least through 2040, the City recognizes that there is a significant need to continue development of its recreational facilities and green space. It is expected that 79 acres of parkland will need to be added to meet the current standards for the amount of parkland per 1,000 residents.[150] The General Plan outlines ways to implement its vision for parks and open spaces, and the upcoming Parks Master Plan will further consider a long-term vision for these areas.

Staffing

The Community Services Department adopted budget allocated funding for 5.15 full-time equivalent (FTE) positions for FY 21-22. This represents ten staff, three of which are part-time recreation leaders. This is an increase of 1 FTE position from the actual FY 19-20 budget and 1.5 more than the adopted budget for FY 20-21, largely due to a budget increase of 2.9 percent for personnel that was offset by reduced purchased services in the prior year.[151]

Facilities and Capacity

As stated in the service area section, there are five parks throughout EPA as well as the Cooley Landing Nature Preserve and the Don Edwards San Francisco Wildlife Preserve/Baylands Nature Preserve. EPA

[149] EPA, General Plan, 2016, p. 8-1.

[150] EPA, General Plan, 2016, p. 8-1.

[151] EPA, Adopted Budget FY 21-22, p. db-40.

reports that the parks are well-equipped with Martin Luther King Jr. Park and Jack Farrell Park containing amenities such as sports fields, seating, and restrooms while Joel Davis Park has a play structure and barbeque grills. The Pocket Park and Bell Street Park are landscaped open spaces.[152] Still, the availability of parks and open spaces does not exist in certain sections of the City or accessibility is limited. According to demand needs, mentioned previously, the amount of parkland will need to be significantly increased to align with the standard of three acres per 1,000 residents in order to meet capacity.

Amongst other resources available to the City, the Cooley Landing Nature Preserve provides accessibility to the Bay Trail and San Francisco Bay. Plans have also been implemented to build an education center at this site.[153]

Likewise, the Don Edwards San Francisco Wildlife Preserve/Baylands Nature Preserve also links residents to the Bay Trail, which follows the shoreline, thereby connecting people to other locations along the Bay shore. However, these areas reportedly do not adequately support needed accessibility and are therefore underutilized. There is also an intertidal zone which is either above water at low tide or under water at high tide and thus, limits the usable space to less than six acres.[154]

Infrastructure Needs

There are concerns about the City's park facilities that the City recognizes must be addressed. Importantly, crime and crime prevention are long-standing issues in need of attention. Because many parks were constructed after EPA was built-out, the view of many parks is impeded by structures, fencing, and even embankments. This not only detracts from the beautification of the City, but it also prohibits a sense of natural surveillance and accessibility. Joel Davis Park and Bell Street Park are exceptions with sufficient visibility and access. Nonetheless, with the majority of parks being affected by poor sight lines, following the EPA's goal of crime prevention through environmental design is a priority.[155]

Additionally, none of the City's parks/fields are considered safe for use due to rodent degradation of the fields. This issue is the primary driver for the Parks Master Plan. As part of the plan, the City intends to redo all of the fields with turf to prevent degradation and injury by users of the fields.

[152] EPA, General Plan, 2016, p. 8-2.

[153] EPA, General Plan, 2016, p. 8-2.

[154] EPA, General Plan, 2016, p. 8-2.

[155] EPA, General Plan, 2016, p. 8-2.

The number of facilities and spaces, including parks and trails, is not sufficient to meet capacity based on both the current and projected population of EPA. For this reason, there are planned and potential expansions indicated in various planning documents, including the Ravenswood/4 Corners TOD Specific Plan. For example, a new park at Cooley Landing Nature Preserve is impending, and a proposed 30 acres of parks and trails would increase park spaces by approximately 200 percent.[156]

There are also connectivity issues to shoreline assets such as the Bay trail, the Faber-Laumeister Tract wildlife refuge, and Cooley Landing. There is a need for formalized entry points, which would also benefit from public safety features.

Challenges

The City indicated there are no challenges for the Community Services that have been described, however, over the course of this review certain challenges to providing adequate services were identified.

In particular, there are two noteworthy challenges facing the Community Services Department. The first is the accessibility and availability of space to expand and enhance parklands, and facilities. Again, the City was built out prior to the addition of parks and open spaces. This lack of available land outside of the shoreline, is also exacerbated by more densely populated areas of the City that already reflect an imbalanced demand in currently underserved locations like the Weeks and Kavanaugh neighborhoods.[157]

Another challenge affecting recreation services, park, and open spaces is financing. The City has reported that economic growth has been stagnant, but it also has not had a standard impact fee structure.[158] This makes charging fees impractical and labor intensive, particularly with the amount of projected population growth in the coming years. Collecting impact fees will be essential to helping fund parks and open spaces.

Service adequacy

The City has indicated that the current availability of parks and open spaces is not sufficient to meet demand. In fact, no parks exist in the Weeks, Kavanaugh, and Westside neighborhoods within EPA despite having a higher population density that primarily consists of younger families residing in multi-family structures without backyards. Moreover, the location of existing parks in other neighborhoods

[156] EPA, Ravenswood/4 Corners TOD Specific Plan, 2013, pgs. 34, 48

[157] EPA, General Plan, 2016, p. 8-2.

[158] EPA, Development Impact Fee Program Nexus Study, Amended 2019, p. 4

often exceeds the standard of a ¼ mile walkshed, which is the acceptable walking distance for a resident to be able to access a park.[159]

Also, as was previously mentioned in the demand section, there is a standard of five acres of open space per 1,000 residents per the Quimby Act. However, EPA's ratio currently represents one acre per 1,000 residents. With current and projected population estimates, service adequacy will not be sufficient unless an estimated 79 acres of parkland are added to the cityscape.

Solid Waste Services

Service Overview

EPA's Public Works Department handles solid waste and recycling services for the City of East Palo Alto through the South Bayside Waste Management Authority (SBWMA), also known as RethinkWaste. SBWMA is a joint powers authority (JPA) in cooperation with Atherton, Belmont, Burlingame, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, West Bay Sanitary District, and San Mateo County. Its mission is to provide member agencies with cost effective waste reduction, recycling, and solid waste programs through franchised services and other recyclers that result in 50 percent of waste diverted from landfills, which is a State mandated diversion goal described in California's AB 939, otherwise referred to as the Integrated Waste Management Act. East Palo Alto is served by Recology of San Mateo County to fulfill collection services through a franchise agreement.

SBWMA has agreed to provide the following services through both exclusive and non-exclusive rights to the location types described here.[160]

1. The collection of solid waste generated at residential and commercial premises and agency facilities (exclusive).

2. Sourcing separated targeted recyclable and organic materials generated from residential premises (exclusive).

3. Sourcing separated targeted recyclable and organic materials generated at commercial premises (non-exclusive).

[159] EPA, General Plan, 2016, p. 8-2.

[160] EPA, Recology Franchise Agreement with 2020 sunset date, p. 6

4. The collection of major appliances and specialty recyclable or reusable materials generated at residential premises (non-exclusive).

5. The collection of non-putrescible wastes placed in drop boxes (non-exclusive).

Planning

Several planning documents are utilized in order to align with the EPA's best practices for the reduction and management of solid waste and goals surrounding the City's diversion rates, recycling targets, and efforts to address factors associated with climate change. The City's General Plan highlights the policies in place to achieve these goals. Other planning tools are also used, such as the Climate Action Plan.

According to the City's General Plan, a number of policies should be implemented to meet its waste reduction goals. Examples of these measures include waste reduction through the rate of disposal per capita and increased diversion rates for recycling and green waste, striving for zero waste government operations, offering on-street recycling, and encouraging the use of compost friendly packaging materials.

Additionally, there is legislation in place to augment the City's plans and combat decreased landfill capacity, an increase in waste stream, and greenhouse gas (GHG) emissions. These mandates include:

1. AB 939 - Enacted in 1989, this is intended to reduce waste disposal through required facilities and programs. Known as the Integrated Waste Management Act, it established the California Integrated Waste Management Board (CIWMB), which oversees a disposal reporting system and requires jurisdictions to meet diversion goals.

2. AB 341 - Specifically addresses reducing GHG emissions by requiring mandatory commercial recycling in order to divert solid waste from landfills. This applies to businesses that generate four cubic yards, or more, of commercial solid waste per week or multi-family residential dwellings of five or more units.

3. AB 1826 - Mandates organics recycling and hauling for businesses and commercial establishments, including multi-family units. Organic waste includes food waste and food soiled paper waste, landscaping and pruning waste, and non-hazardous wood waste. Currently, the threshold for businesses and multi-family residences to provide waste recycling services is when disposal meets or exceeds two cubic yards of solid waste per week.

4. SB 1383 - In 2016, this set methane emissions reduction targets for California. These targets must reduce organic waste disposal by 75 percent by 2025 and rescue for people to eat a minimum of 20 percent disposed surplus food by 2025.

Collaboration

As mentioned in the overview section, SBWMA is a JPA that uses franchised services to fulfill its service obligations. Recology holds the franchise agreement with the City of East Palo Alto for the collection of solid waste and recyclables. The current contract expired on December 31, 2035.

Once solid waste and recyclables are collected, they are processed by the Shoreway Environmental Center (SEC) and transferred to the Ox Mountain Landfill.[161]

Demand

A number of indicators can identify demand for solid waste and recycling services, such as disposal rates and landfill capacity.

EPA has reported that the Ox Mountain Landfill, which has a capacity of 60.5 million cubic yards, is expected to reach capacity sometime between 2028 and 2039. For its part, the City only contributes 40 tons per day (TPD) of solid waste and recyclables despite SBWMA's permitted capacity of 3,000 TPD.

The latest disposal rates for the City are still awaiting review as far back as 2015; however, per capita disposal (PPD) rates are listed as 2.6 in 2020 and have been consistently near 2.5 since 2015 while PPD per employee was listed as 18.4 in FY 20. This rate is a reduction from the reported 21.9 PPD in 2019 but with very few exceptions it has been near 18 since 2012. Still, both of these rates are within their target range.[162] [163]

The City of East Palo Alto implements numerous waste diversion programs. In 2020, 44 programs were reported. Since reporting began in 2007, the number of these programs has routinely been between 41 and 44 and include options for food waste composting, electronic waste, as well as economic incentives and education initiatives.[164]

Staffing

The City's waste disposal programs are managed through its Public Works Department in cooperation with SBWMA and Recology. Recology's staff is responsible for the removal and transferring of solid waste and has indicated staffing responsibilities in its agreement with EPA. The contract also indicates

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[161] EPA, Genera Plan, 2016, p. 9-3.

[162] https://www2.calrecycle.ca.gov/LGCentral/DiversionProgram/JurisdictionDiversionPost2006

[163] https://www2.calrecycle.ca.gov/LGCentral/AnnualReporting/DisposalRateCalculator

[164] Https://www2.calrecycle.ca.gov/LGCentral/DiversionProgram/JurisdictionDiversionPost2006

Recology will offer employment to vehicle drivers and other qualified employees who would become unemployed due to a change in contractor based on a prior franchise agreement.

Facilities and Capacity

The City does not own or maintain any facilities or equipment related to solid waste collection, as all services are provided by Recology.

EPA's generated waste is brought to the SEC in San Carlos, California, before being transferred to the Ox Mountain Landfill in Half Moon Bay, CA. This landfill has a maximum capacity of 60.5 million cubic yards. SBWMA, however, permits a capacity of 3,000 TPD. The landfill is nearing maximum capacity.[165]

The most recent inspection of SEC was in December of 2021 and no violations were reported. However, the facility received its second consecutive notice for not providing daily records of incoming and outbound loads for review.[166] Likewise, the December 2021 monthly inspection of the Ox Mountain Landfill also indicated no violations. Continued facility maintenance was the only recommendation.[167]

CalRecycle, California's Department of Resources Recycling and Recovery, reports that the City of East Palo Alto also operates a closed landfill at Cooley Landing on Bay Rd. The last reported inspection took place in October of 2021 and mentioned no violations or areas of concern.[168]

Infrastructure Needs

The City did not report any solid waste or infrastructure needs in its survey; however, the General Plan does suggest EPA is making efforts to enhance waste reduction and facilitate additional recycling options. Adding on-street recycling access and building recycling centers are two infrastructure options that would increase diversion rates, for instance.

Also, as mentioned, the Ox Mountain Landfill is expected to reach capacity in 2028. An alternative landfill will need to be identified for disposal purposes.

Challenges

The City of East Palo Alto has not reported any challenges related to its efforts to implement waste reduction strategies; however, based on the amount of multi-family housing in the City and projected

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[165] EPA, Genera Plan, 2016, p. 9-3.

[166] https://www2.calrecycle.ca.gov/SolidWaste/SiteInspection/Details/336358

[167] https://www2.calrecycle.ca.gov/SolidWaste/SiteInspection/Details/336424

[168] https://www2.calrecycle.ca.gov/SolidWaste/SiteInspection/Details/332475

population growth, EPA will need to stay vigilant to continue meeting its diversion rates, reducing emission rates, and provide ample opportunities to reduce waste throughout the service area.

The County Grand Jury conducted a review of waste management services in 2018 entitled *Planning for the County's Waste Management Challenges* that highlighted three challenges to solid waste service provision in San Mateo County and throughout the State.[169]

Firstly, there is a decline in international markets for recyclables collected by curbside programs due to contamination by the mixing of paper, glass, metals, plastics and food particles. International markets have raised their standards to reduce contamination, which are challenging to meet. As a result, some recyclables collected in San Mateo are now being landfilled instead. Further, selling recyclables in those remaining markets that still accept high levels of contamination has led to lower buying prices and large revenue losses for local recycling programs.

A second challenge is meeting the statewide goal to reduce the tonnage of organic waste that is landfilled by 75 percent by the year 2025. Anaerobic decomposition of organics in landfills generates emissions of methane, a potent greenhouse gas. Organics make up about 71 percent of all waste landfilled by this county and reducing this will require major new or expanded organics diversion programs and facilities.

Finally, a longer-term challenge is dwindling capacity at the only active landfill in the San Mateo, the privately-owned Ox Mountain facility near Half Moon Bay. Between 2012 and 2018, annual waste disposal at Ox Mountain increased by 20 percent and, at the current rate of fill, the landfill was estimated to reach capacity in the year 2034; although more recent estimates indicate capacity will be reached in 2039. A new or expanded landfill could easily take 10 to 15 years to secure required approvals and permits.

Service Adequacy

Service adequacy for the City of East Palo Alto's solid waste disposal and recycling is measured in several ways, including diversion and disposal rates.

The demand section indicated the latest disposal rates for the City's per capita disposal (PPD) rates per resident were 2.6 in FY 20 and have been consistently near 2.5 since FY 15 with a target PPD of 8.5. On

[169] San Mateo County Grand Jury, Planning for the County's Waste Management Challenges, 2018, p. 1.

the other hand, PPD per employee was listed as 18.4 in FY 20 with a target of 119.4, demonstrating that the City is well within its target disposal rates and in compliance State requirements, at present.[170] [171]

STORMWATER SERVICES

Service Overview

Stormwater services in EPA are provided by the City's Public Works Department. The Department strives to reduce dangers from flooding, protect property and community safety, and provide well-maintained infrastructure while reducing the negative impacts of storm run-off on creeks and the Bay. The Public Works Department's Maintenance Division is responsible for maintenance of storm drains. This includes clearing blocked drains, removing debris from storm drain structures, and cleaning and repairing drainpipes throughout the City.[172]

The 2009 MSR described the stormwater related assets that were transferred to the EPA Redevelopment Agency (RDA) when the County transferred the East Palo Alto Drainage Maintenance District to EPA. This included a 10,000-square foot parcel, the O'Connor Street Pump Station, and various financial balances. As of 2011, however, the State of California dissolved all redevelopment agencies and the City was named the successor agency and successor housing agency of the RDA.

With East Palo Alto being situated next to the San Francisco Bay, it is a natural end point for the City's storm drains which either drain directly into the San Francisco Bay or to the San Francisquito Creek and then to the Bay.[173] The coastline, however, is also subject to a number of concerns due to the ongoing effects of climate change. In particular, there is a known risk for rising sea-levels and storm surge, jeopardizing the well-being of the area due to the coast's likelihood of erosion and flooding.[174]

Stormwater drainage has been part of a larger conversation around stormwater capture and reuse as ways to augment water supply in the EPA area. Although the City's natural location alongside the Bay shore seems ideal for drainage and capture, there are significant obstacles to implementing plans to use

[170] https://www2.calrecycle.ca.gov/LGCentral/DiversionProgram/JurisdictionDiversionPost2006

[171] https://www2.calrecycle.ca.gov/LGCentral/AnnualReporting/DisposalRateCalculator

[172] EPA, https://www.cityofepa.org/publicworks/page/utilities, accessed 1/14/22

[173] EPA, MSR, 9/2009, p. 16

[174] EPA, Climate Action Plan, 2011, p. 8

the Bay area in this way, particularly with regard to additional infrastructure needs this would create (i.e., water treatment plants) and the substantial cost involved to improve these systems.[175]

Service Area

Stormwater services are provided throughout the City's incorporated territory. Manmade flood protection systems discharge rainfall runoff into the San Francisquito Creek and San Francisco Bay.

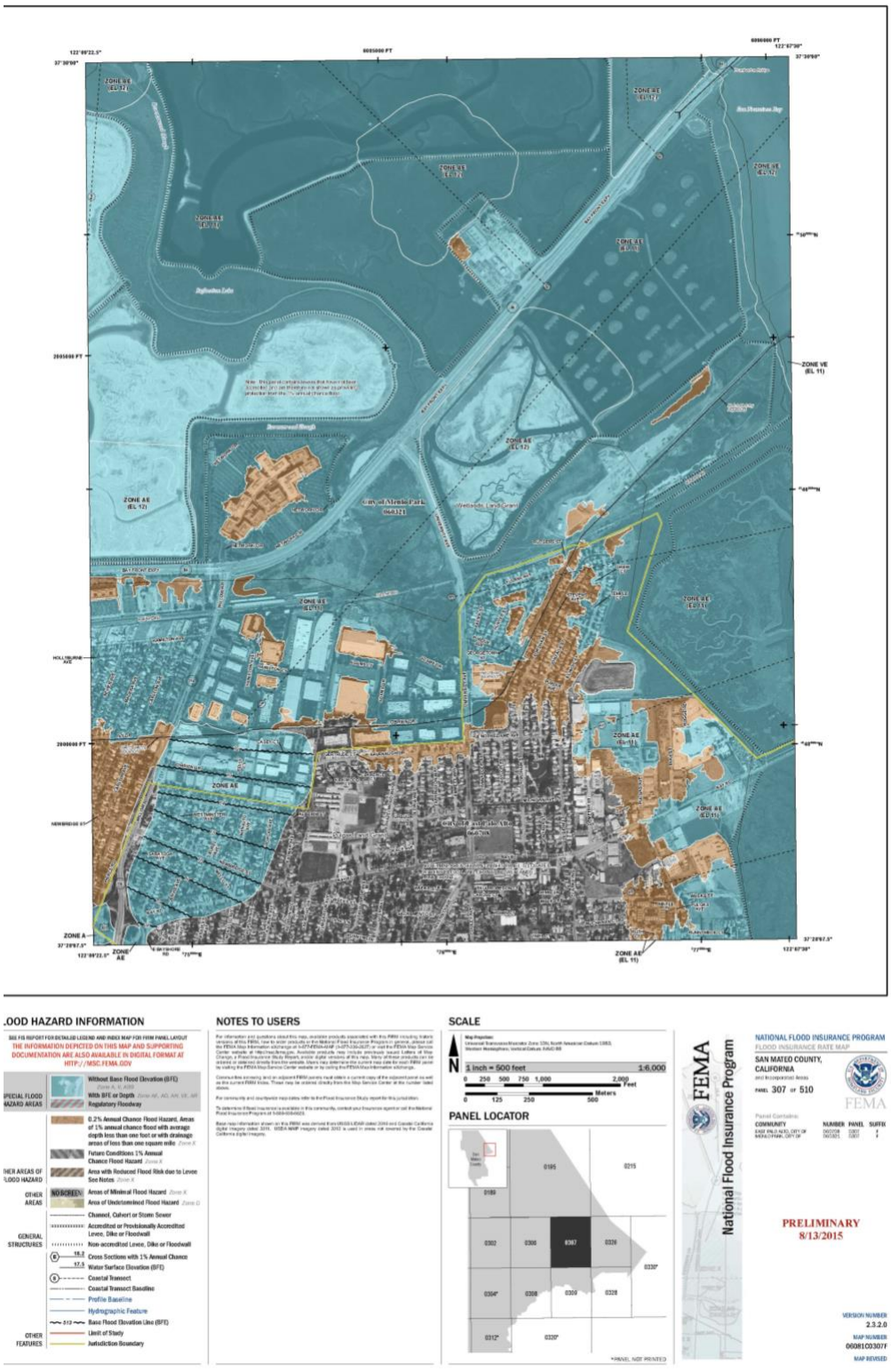
Flooding is a concern facing the City. Most of EPA is considered low lying with 56 percent of the City designated as having an elevated risk for flooding.[176] Because of its proximity to the San Francisco Bay, segments of the City's drainage system are impacted by tide. Additionally, heavy winter rainfalls and 100-year storm events compound the likelihood of flooding. FEMA identified two primary areas in EPA that are most vulnerable. These areas are shown in the figure below in zones A and AE.[177]

[175] EPA, Climate Action Plan, 2011, p. 32

[176] EPA, General Plan, 2016, p. 9-1.

[177] https://www.ci.east-palo-alto.ca.us/econdev/page/flood-zone-map

Figure 4-19: East Palo Alto Flooding Zones



Planning

The General Plan is EPA's central planning document that informs the overall vision for the City. It identifies various strengths and weaknesses and ways of addressing areas in need of attention. The current General Plan was adopted in 2016 and has a horizon date of 2035.

The City also relies on other, more focused planning tools that highlight particular issues and their potential solutions. In this case, the City adopted the Storm Drain Master Plan in 2015, which provides an in depth overview of EPA's storm drain systems and areas of concern. It also highlights priorities for repairs, infrastructure needs, and opportunities to enhance stormwater operations. With the challenges facing EPA's storm drain operations, its establishment of a Storm Drain Master Plan has been a proactive measure taken to identifying issues, needs, and best practices to improve stormwater systems moving forward.

Lastly, the City follows a Climate Action Plan that was established in 2011 to discuss the impacts of climate change and responses to it. In the context of stormwater, it highlights increasing severe storms, issues with runoff, and immediate and longer-term effects on the coastline.

Collaboration

The City operates under a common National Pollutant Discharge Elimination System (NPDES) permit with other land use authorities in the County, and as such is a member agency of the San Mateo Water Pollution Prevention Program (SMCWPPP). SMCWPPP is a partnership of the City/County Association of Governments (C/CAG), each incorporated city and town in the county, and the County of San Mateo, which share a common NPDES permit, also referred to as the Municipal Regional Permit (MRP). The Federal Clean Water Act and the California Porter-Cologne Water Quality Control Act require that large urban areas discharging stormwater into the San Francisco Bay or the Pacific Ocean have an NPDES permit to prevent harmful pollutants from being dumped or washed by stormwater runoff, into the stormwater system, then discharged into local waterbodies. The County and the 20 cities and towns in San Mateo County are all permittees under one regional urban stormwater NPDES permit, which also regulates municipalities in Contra Costa, Alameda, and Santa Clara Counties, as well as the cities of Fairfield, Suisun City, and Vallejo.

The MRP outlines the State's requirements for municipal agencies in San Mateo County to address the water quality and flow-related impacts of stormwater runoff. Some of these requirements are implemented directly by municipalities while others are addressed by the SMCWPPP on behalf of all the municipalities. The MRP is a comprehensive permit that requires activities related to construction sites, industrial sites, illegal discharges and illicit connections, new development, and municipal operations. The permit also requires a public education program, implementing targeted pollutant reduction

strategies, and a monitoring program to help characterize local water quality conditions and to begin evaluating the overall effectiveness of the permit's implementation.

Demand

Periods of highest demand are during the winter months from November to March when precipitation is at the highest. EPA experiences approximately 17 inches of rain annually.

Throughout City planning documents, it has been repeatedly noted that many repairs and improvements need to be made to EPA's storm drains and stormwater network to better meet the demands of the system. The Storm Drain Master Plan outlines priority improvements to achieve a 10-year level of service through alleviating or minimizing flooding in EPA.

The City of East Palo Alto's collection system consists of 430 nodes, such as manholes and inlets, 15 outlets, and one pump station. There are 101,400 linear feet of storm drainpipes that are a minimum of 12 inches in diameter. Based on this data, modeled analysis of the area showed some level of flooding occurred at 68 of 430 nodes. Of the 68 nodes expected to experience flooding, 33 of those nodes would flood at a depth of one foot or more if no improvements are made to the infrastructure based on the 2014 Storm Drain Master Plan.[178]

Staffing

Stormwater services are carried out by the City's Public Works Department and its three divisions: administrative, maintenance, and engineering. The Maintenance Division is most actively involved in the operation and management of stormwater services. That said, the Maintenance Division staffs the most personnel with 12 full-time equivalent (FTE) positions, according to the FY 21-22 adopted budget.[179] The number of staff for the Engineering Division is five FTEs, which has also remained consistent since FY 18.[180] In FY 21, the Administrative Division increased its personnel power by two FTE positions to 4.45 compared to the previous three years.[181]

Facilities and Capacity

Presently, there are two primary drainage systems for EPA stormwater: the Runnymede Storm Drain System and the O'Connor Storm Drain System.

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[178] EPA, Storm Drain Master Plan, 2014, p. 4-2

[179] EPA, Adopted Budget FY21-22, p. DB-93

[180] EPA, Adopted Budget FY21-22, p. DB-88

[181] EPA, Adopted Budget FY21-22, p. DB-80

East Palo Alto utilizes one pump station, the O'Connor Street Pump Station. The station has an accessible concrete wet well and houses pumps and electrical controls. There are four, 225 horsepower diesel engine driven axial flow pumps and one, 40 horsepower electric motor driven low flow pump. Pump discharge pipes are present with flap gates that prevent back flow to the station when each pump discharges to a discharge box at the bank of the San Francisquito Creek. The station also houses fuel for the diesel engines in a 2,000-gallon storage tank, which is located below grade level. Since its construction in 1984, it was reported that this station has received little attention beyond minor repairs thus labeling it as an urgent priority for improvements.[182]

The wet well at the O'Connor station is reportedly not compliant with Hydraulic Institute guidelines. It was constructed with one 54-inch pipe inlet and one 60-inch reinforced concrete pipe, yet only the 60-inch pump on the southern side was completed and has flow entering the station. The pumps housed here are not separated by divider walls which is known to help distribute inflow and reduce possible vortex formation.[183]

Additionally, pump capacity is not sufficient. It is recommended that large storm water stations have pumps that start no more than six times per hour, yet the O'Connor station pumps start 12-14 times per hour. Further, in the event of a 10-year storm, station capacity requires pumping 230 cubic feet of water per second (CFS) and 290 CFS for a 100-year storm. However, the O'Connor pumps measure 49 CFS each, or 200 CFS total.[184]

It is also noted that the electrical capacity of the pump station is not sufficient. This includes poor outlets, power panels, and equipment connections.[185]

Various other deficiencies exist that effect demand as well. Notably, there are an insufficient number of storm drains throughout City streets. This has contributed to a history of flooding in the area, with eight major flood events having occurred since 1940.[186] The Storm Drain Master Plan also identified that there are 93,292 linear feet of pipe and 430 nodes within EPA and 160,200 linear feet of pipe and 759 nodes in the report's GIS hydraulic model, but only 85 percent of pipe diameters could be identified, and the nodes shapefile is missing approximately 30 percent of invert depths.

[182] EPA, Storm Drain Master Plan, 2014, p. 4-6

[183] EPA, Storm Drain Master Plan, 2014, p. 4-8

[184] EPA, Storm Drain Master Plan, 2014, p. 4-8

[185] EPA, Storm Drain Master Plan, 2014, p. 4-10

[186] EPA, General Plan, 2016, p. 9-1

Infrastructure Needs

Planning documents and professional analyses have identified several infrastructure needs for EPA's stormwater system. Steps have been taken to start the work required to address these issues, however this will be an ongoing effort.

Since the Storm Drain Master Plan was adopted in 2014, the City has completed the Runnymede channel storm drain project phases 1 and 2, improvements at O'Connor pump station with a new pump and shaft, improvements at San Francisquito Creek, Pulgas Avenue storm drain and Bay Road storm drain improvement project. Additionally, a number of drainage improvements on residential streets were performed to address low spots and create positive drainage to existing storm drains.

As identified in the facilities and capacity section, the vast majority of stormwater infrastructure needs relate to significant facility improvements. Most notably, pump stations ultimately need to be replaced, however, to maintain the existing pump station capacity, a variety of imminent improvements are needed.[187]

Other capital improvements consist of pipe improvements, system cleaning, the expansion and realignment of drainage systems, and enhanced monitoring and data collection.[188] Additional storm drains are a need within the City as many streets throughout the service area are lacking these features which contribute to increased flooding potential.[189]

Ideally, stormwater would be captured and reused as a method of augmenting the City's water supply. However, the location of watersheds, blocked flow from land development, the quality of the water collected, and a lack of water treatment plants indicates this is not feasible without extensive infrastructure improvements which are cost prohibitive.[190]

On a smaller scale, one step that has been implemented but needs to be continued, is the addition of trees throughout the City of East Palo Alto. Aesthetics aside, trees are a simple way to reduce stormwater runoff that has been an issue for the City.[191] While progress has been made on this front with roughly 1,200 trees added to EPA's urban forest since 2006, there were still 1,480 vacant tree locations identified for use in 2011. The City is in the process of developing an Urban Forest Master

[187] EPA, General Plan, 2016, pgs. 9-1, 9-2

[188] EPA, General Plan, 2016, p. 9-2

[189] EPA, General Plan, 2016, p. 9-1

[190] EPA, Water System Master Plan, 2010, p. 32

[191] EPA, Climate Action Plan, 2011, p. 56

Plan, which is anticipated to be adopted by the City Council in Spring 2022. The Plan is intended to further enhance EPA's urban forest.

Challenges

There are two significant challenges to implementing planned improvements to EPA's stormwater services. The first is funding. The City reported that an estimated $37.5 million dollars is required to enhance its storm drain systems. Largely, this relates to substantial facility needs as previously discussed.[192]

The second major obstacle to the improvements outlined in the City's General Plan is the location of EPA. Due to the location of the City adjacent to the shoreline on the east and containing major transportation arteries through the area like Highway 101 and a rail system on its western border, there is not a simple solution to be able to expand pipelines and reroute drainage systems.

Service Adequacy

As was identified in the demand section, there are deficiencies in the City of East Palo Alto's collection system. Most notably, the 68 of 430 nodes that allow for significant flooding must be addressed.

Having one pump station servicing EPA has been detrimental to flooding potential as well. Without routine maintenance, the O'Connor Street Pump Station has fallen into disrepair and the equipment it houses, such as its five pumps, have been unable to sustain the levels of service needed. One pump and shaft were recently replaced by the City at the O'Connor pump station. Additional improvements to the existing pumps and equipment are scheduled for FY 22-23, which is to be funded with CIP funds.

Without steps taken to mitigate spills from the San Francisquito Creek, this is another roadblock to reaching efficient levels of service. In combination with a lack of other infrastructure, flooding from spillage will continue to present a great risk to the City.[193] Phase 1 of the San Francisquito Creek flood improvements was recently completed, and the City is working on phase 2 of the creek improvements, both of which are grant funded.

[192] EPA, General Plan, 2016, p. 9-2

[193] EPA, General Plan, 2016, p. 9-2

STREET MAINTENANCE AND STREETLIGHTS

Service Overview

The City of East Palo Alto provides for the maintenance, management, and improvement of its street system through its Public Works Department. These services include the upkeep of streets and potholes, streetlights, signalized lights, and sidewalk maintenance. Other considerations for the maintenance of streets and sidewalks are the water supply and storm drainage systems, which can impact roads and walkways if there is flooding or blockages due to debris.

The successful operation of this division also relies on coordination of traffic management methods to ensure the safety and accessibility of streets and sidewalks for residents. Some strategies used are following policies that address traffic concerns, and the addition of speed humps and speed radars.

Service Area

Across the City of East Palo Alto's 2.5 square miles are a series of roadways and pathways connecting its neighborhoods and the surrounding cities from the San Francisco Bay shoreline to Highway 101 on its westernmost boundary. It is comprised of two connector roads, Highway 101/Bayshore Road and Demeter Street, that run northwest and southeast, and three main thoroughfares. Two of these main thoroughfares run north and south, University Avenue and Willow Road, while one —Donohoe Street— primarily flows west and southeast. The majority of the service area is linked by residential streets.[194]

Planning

The City relies on several plans to guide its capital improvements and services related to its streets, pathways, street lighting, and sidewalks.

The City's Circulation Element in its General Plan (2015) is the primary planning document for the City's roadway related services. The Circulation Element focuses on the provision of a multimodal transportation network that has adequate capacity to meet the needs of all users of streets, roads and highways safely and conveniently across rural, suburban, or urban landscapes.

The Residential Streets Traffic Management Policy of 2021 and the Pavement Management System Update Data Collection & Quality Management Report that was revised in May 2017 are also significant planning documents that outline guidance and procedures related to city streets and traffic safety

[194] EPA, General Plan, 2016, p. 6-13.

issues. These tools offer important information about the evaluation of EPA paths and roadways and supporting data to inform potential enhancements and infrastructure needs.

Other plans that address particular areas that are affected by policies and visions for streets, sidewalks, and paths within the City of East Palo Alto are the Bicycle Transportation Plan, the Ravenswood/4 Corners TOD Specific Plan, the Gateway/101 Corridor Specific Plan, and the 2019 Development Impact Fee Program Nexus Study. Each of these documents discuss focused plans for creating additional connectivity, streetscapes, and access to pedestrian walkways and traffic safety.

Collaboration

The Public Works Department works hand in hand with other city services, in particular, the Transportation Division, but also the EPAPD and Planning Departments to ensure the public has safe and accessible streets, streetlights, and sidewalks.

Demand

There are a number of indicators for service demand relating to streets, streetlights, and sidewalks in the City of East Palo Alto. Traffic volume, pavement conditions, and need for and requests for repairs are some measurable guides.

Most important to note, overcrowding is a consistent issue in EPA and effects many areas of service. Generally speaking, 32 percent of housing units in the City are considered overcrowded and many garages have been converted to living space.[195] It is also worth noting that although EPA residents are generally less likely to own cars compared to the county average (9 percent of households with no vehicles vs. 6 percent across the County), 12 percent of EPA households also have four or more cars versus eight percent of households in San Mateo County as a whole.[196] [197] With this in mind, in regards to street services, this population density significantly impacts the level of available parking, cut-through traffic, pedestrian safety, multi-modal transportation routes, and bicycle pathways.[198]

There is significant demand for an improved sidewalk system throughout EPA, especially in the Ravenswood Business District area where most streets have either no sidewalks or sidewalks only on one side of the street.

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[195] https://www.cityofepa.org/publicworks/page/mobility-study

[196] EPA, General Plan, 2016, 6-1.

[197] https://www.cityofepa.org/publicworks/page/mobility-study

[198] https://www.cityofepa.org/publicworks/page/mobility-study

As of 2017, EPA ranked third out of 97 for pedestrian collisions per daily vehicle miles traveled.[199] The addition of traffic calming measures such as speed humps, radar, and bump-outs, as well as lane and sidewalk expansion have all been suggested as potential preventative measures to counteract this safety issue.

Cut-through traffic is substantial within much of EPA and reflects utilization and, in turn, the potential need for maintenance needs and increased or improved traffic flow measures. This is especially the case on University Avenue, Highway 101, and other streets like Bay Road, Cooley Avenue. In 2015, it was reported that University Avenue, in particular, carried approximately 25,000 vehicles, 84 percent of which was cut-through traffic.[200]

Staffing

Three divisions of EPA's Public Works Department are directly responsible for the care of the City's streets, sidewalks, and streetlights. These divisions are the Administrative Division, Maintenance and Engineering Divisions. Of these, the Maintenance Division staffs the most personnel with 12 full-time equivalent (FTE) positions, according to the FY 21-22 adopted budget.[201] The number of staff for the Engineering Division is five FTEs which has also remained consistent since FY 18.[202] In FY21, the Administrative Division increased its personnel power by two FTE positions to 4.45 compared to the previous three years.[203]

Facilities and Capacity

There are 250 pavement sections or 38.83 centerline miles of networked roads across City boundaries. Four additional sections are unmanaged, meaning they have not been inspected or maintained. These unmanaged sections include gravel surfaces, and roads classified as proposed, private, and non-county.[204]

The City uses pavement management system (PMS) software called StreetSaver Online Pavement Management Program for its PMS update project. This 2016 update indicated the City's managed road network consists of four types of functional classes: arterial, collector, residential, and unmanaged

[199] EPA, General Plan, 2016, p. 10-11.

[200] EPA, General Plan, 2016, p. 6-2.

[201] EPA, FY 21-22, p. db-93.

[202] EPA, FY 21-22, p. db-88.

[203] EPA, FY 21-22, p. db-80.

[204] EPA, Pavement Management System, 2017, p. 1.

sections. Of these, the vast majority of EPA's roads are residential and local streets, representing 177 sections and 25.24 centerline miles.[205] In 2017, the PMS report identified that the weighted average pavement condition index (PCI) for the City was 71, which is considered "very good". More specifically, a 35 percent sample area was studied across all class sections. Arterial and Collector functional classes were considered in "very good" condition with a PCI rating of 77 and 79 respectively while the Residential functional class received a 68 PCI rating which is considered "good."[206] This is an improvement over the reported PCI rating of 56, historically, which indicates the roadways were in fair condition.[207]

The City reported that a 2009 survey indicated many streets lacked sidewalks on one or both sides. In the Ravenswood/4 Corners area particularly, the sidewalks that do exist were largely in basic or poor condition.[208] With the limited number of sidewalks or gaps in walkways and path systems, street lighting is also lacking throughout EPA without the needed spaces to place them.[209]

EPA's network of bicycle paths is also modest despite this transportation mode being four times the countywide average. Gaps are present largely across Highway 101 and the University Avenue corridor where most vehicle-bicycle collisions occur.[210]

Infrastructure Needs

As expressed in previous sections of this chapter, there are numerous infrastructure needs throughout the City in terms of services that are provided for streets, streetlights, and sidewalks.

Addressing parking availability, connectivity issues on streets and pedestrian ways, and traffic flow are paramount for the health and safety of residents. This is especially the case in areas of the City like the Westside, the Ravenswood Business District and 4 Corners where overcrowding is a continual issue. University Avenue and the Highway 101 corridor are particularly a focus due to being primary access roads and because of the sheer volume of multi-modal traffic they support. Traffic calming measures are needed to enhance safety and lessen the potential for collisions and speeding violations.

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[205] EPA, Pavement Management System, 2017, p. 3.

[206] EPA, Pavement Management System, 2017, p. 7.

[207] EPA, 10 Year Capital Improvement Plan Update, FY20-21, p. 32

[208] EPA, Ravenswood/4 Corners TOD Specific Plan, 2013, p. 29

[209] EPA, General Plan, 2016, p. 11-10.

[210] EPA, General Plan, 2016, p. 6-6.

Based on the pavement condition index rating from the pavement management system, it appears the condition of roadways are satisfactory, however, many sidewalks throughout EPA need to be repaired or improved, having been listed in poorer than average condition.[211]

Sidewalks are also needed in many areas on either one side or both sides of the streets. It will also be important, especially as the networks of streets expand, to ensure roadways and pedestrian pathways are compliant with the Americans with Disabilities Act. This can be a mobility concern, particularly due to parking challenges, which results in vehicles blocking sidewalks and curbs.[212]

Implementing new signage and striping has also been identified as a tool to improve the safety of bicyclists and pedestrians.[213]

Challenges

One of the primary challenges facing the City of East Palo in regard to its network of streets is parking availability. In sections of the City that are highly dense in population like the Westside and Gardens neighborhoods, this has been a repeated complaint, however, limited street parking and little off-street parking options exist. Coupled with narrow streets that prevent parking on both sides, curb cuts that reduce on-street parking, and prohibited overnight parking in Menlo Park, adjacent to the Willows neighborhood, alternatives must be considered to improve this situation.

The population density along with high volume of traffic also presents challenges to street, streetlight, and sidewalk design since the City aims to maintain housing affordability and availability despite the need for infrastructure to support certain areas that are already overcrowded.[214]

Funding is a concern for all the needed improvements. Currently, the City reports it is funding little more than routine maintenance.[215]

Service Adequacy

This section reviews indicators of street maintenance service adequacy and congestion. The level of street services provided is primarily signified by the pavement conditions as defined in the PMS report and the Level of Service (LOS) categorization.

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[211] EPA, Ravenswood/4 Corners TOD specific Plan, 2013, p. 29

[212] EPA, General Plan, 2016, p. 6-2.

[213] EPA, 10 Year Capital Improvement Plan Update, FY20-21, p. 56

[214] EPA, General Plan, 2016, p. 1-5.

[215] EPA, 10 Year Capital Improvement Plan Update, FY20-21, p. 32

The condition of street pavement is typically evaluated by local agencies using a Pavement Management System (PMS), which regularly evaluates pavement condition and establishes a cost-effective maintenance strategy. Each segment of pavement is rated for distress (i.e., cracks and potholes) and the extent and severity of distress. Having an up-to-date PMS allows the local agency to gauge road maintenance needs quickly and efficiently and efficiently allocate resources. The City updated its Pavement Management Program (PMP) in 2017. The Pavement Condition Index (PCI) is an overall measure of the condition of the road surface based on a scale of zero (failed) to one hundred (excellent). The PCI allows for the assignment of a road restoration technique to the distressed road section. The City's PMS report has described pavement conditions as very good, with an average PCI of 71 out of 100. The 70-89 range is considered very good and describes conditions as having low levels of weathering (deterioration of the fine asphalt matrix) and raveling (the loss of coarse aggregate). By comparison, in 2018, the State of California average PCI for cities was 65, which is a reflection of a statewide road maintenance problem.

Traditionally, traffic congestion is measured based on the daily number of vehicle hours of delay due to congestion. Historically, Level of Service (LOS) analysis has relied upon a conventional perspective of the primary use of public streets by motor vehicles rather than considering all modes of travel, including public transportation, bicycling and walking. The LOS on streets and highways is rated on a scale of A-F, where "A" is the best rating and "F" the worst. LOS "E" means significant delays, unstable traffic flow, and rapidly fluctuating speeds and flow rates; LOS "F" means considerable delay with forced traffic flow and speeds dropping to zero. The performance criterion for evaluating volumes and capacities of the East Palo Alto roadway system is LOS D. At a signalized intersection, an impact is considered significant if it causes operations to degrade from LOS D or better to LOS E or F; or exacerbates LOS E or F conditions. There are approximately seven intersections along University Avenue and Donohoe Street that operate at LOS E or F conditions in the peak hour (pre-covid).

With a higher percentage of households who have four or more vehicles in EPA compared to the remainder of the County, traffic flow is a concern, especially near Highway 101 and University Avenue, which is a major "spine" for traffic throughout the City. While capacity of University Avenue is reported to be adequate, even in light of significant automobile traffic volume, the road must also accommodate cyclists and traffic flow from Highway 101. The General Plan proposes that there be a shift from University Avenue to Bay Road, deeming it the new main street so it will be able to adequately accommodate the development of the downtown area.[216]

[216] EPA, General Plan, 2016, p. 1-1.

The primary limitation with the LOS approach is that it does not account for the level of service experienced by people using other modes of travel (bicyclists, pedestrians, and transit riders). Sidewalks are critical to other modes of travel. City sidewalks were previously reported to not exist or only exist on one side of the street. It was also said that the conditions of these walkways were not adequate and in need of repair or enhancement.[217] Likewise, the bike-ability of the City has sufficient north-south and east-west connectivity, however, there are deficiencies, especially across Highway 101. The University Avenue corridor also is the site of the most bicycle-vehicle collisions within the City.[218]

WASTEWATER SERVICES

Wastewater collection services in the City of East Palo Alto are primarily by East Palo Alto Sanitary District and in certain areas by West Bay Sanitary District. Descriptions of each of these districts and the services they provide can be found in Chapters 5 and 6 of this report. Chapter 7 offers comparative analysis regarding wastewater services provide by both agencies.

Wastewater and City Development

Wastewater services provided by EPASD and WBSD within City of East Palo Alto appear to be adequate based on the analysis in this report, although EPASD's engineering analysis predicts potential surcharging and sewer overflows in their collection system in the event of a 10-year storm event. As described in the Growth and Development section of this chapter, availability of wastewater capacity for new development is a critical issue for the City.

The City has understood that there is sufficient wastewater capacity to serve planned development. The City's Housing Element assessed that "The City has sufficient water and sewer capacity, either current or planned, to meet its RHNA need and beyond."[219] These erroneous statements are likely due to a focus on treatment capacity, which is sufficient to meet projected demand through 2035. However, collection system capacity to accommodate additional flow is constrained. Developers are required to finance necessary capacity improvements to connect to the system, but it is challenging because of the degree of capacity enhancements needed downstream from the proposed new connections and large-scale capacity enhancements, required to serve existing development as well as increased flows from new development, that cannot be completed in a piece meal fashion as development occurs.

[217] EPA, Ravenswood/4 Corners TOD Specific Plan, 2013, p. 29

[218] EPA, General Plan, 2016, p. 6-6.

[219] City of East Palo Alto, General Plan Housing Element, 2015, p. 3-32.

Necessary capacity enhancements dictate that connection to the collection system is costly, which deters potential developers and prevents construction of City-approved developments. Several options exist for financing of necessary capacity enhancements that protect existing ratepayers while facilitating new development. The financing options are discussed in the EPASD Capital Improvement Funding and Financing section of EPASD's chapter in this report.

Development is beneficial to the City, community, and its residents in many ways. Precluding development and growth from occurring deprives the City and its residents of many benefits such as additional tax revenues to improve City services, affordable housing, and additional commercial development and job opportunities. This MSR recommends that the intergovernmental committee, comprised of City of EPA and EPASD staff, continue meetings to steward greater communication and collaborative solutions. Additionally, to ensure all parties involved in the city building permit application process are well informed about available collection system capacity, this MSR recommends that EIRs and other environmental and planning documents include analysis regarding impacts on the wastewater collection system, not just the treatment system.

WATER SERVICES

Service Overview

Most of the City's water connections (about 80 percent) are served by the City of East Palo Alto water system that is operated by Veolia. The remaining connections are served by either Palo Alto Park Mutual Water Company or the O'Connor Tract Co-op Water Company. The mutual water companies are not under the jurisdiction LAFCo, and are therefore not the subject of this section, but are included for service structure context purposes.

Veolia began services to East Palo Alto on June 1, 2020 and is under a five-year agreement with the City. In this agreement with the City of East Palo Alto, Veolia provides all operations and maintenance work for the water system that continues to be owned by the City. Veolia reads all meters, provides customer service and billing, and payment collection.

Veolia supplies water to the City from the San Francisco Public Utilities Commission (SFPUC). The San Francisco Regional Water System's (SFRWS) major drinking water supply consists of surface water and groundwater that are well protected and carefully managed by the SFPUC. These sources are diverse in both the origin and the location with the surface water stored in reservoirs located in the Sierra Nevada, Alameda County and San Mateo County, and groundwater stored in a deep aquifer located in the northern part of San Mateo County.

Service Area

The service area of the City's water system, shown in Figure 4-20, consists of the city incorporated territory less the areas served by Palo Alto Park MWC and the O'Connor Tract Co-op Water Company.

The O'Connor Tract Mutual Water Company is located on the central-west portion of the City of East Palo Alto. Only a portion of the service territory is located within city limits. The remaining portion is located in Menlo Park. The O'Connor Tract consists of approximately 340 connections, of which many are for multifamily residences. About 35 of these connections are metered.

The Palo Alto Park Mutual Water Company is located on the central-west portion of the City of East Palo Alto. The Palo Alto Mutual Water Company consists of approximately 677 unmetered residential connections, 20 unmetered commercial connections, and two metered residential connections.

Figure 4-20: East Palo Alto Water Service Area

Planning

The City relies on three planning documents to guide its water services—the City's General Plan (2016), the Urban Water Master Plan (2020), and the Water System Master Plan (2010).

The City's Urban Water Master Plan (UWMP) provides the most up-to-date assessment of the water system and related infrastructure needs. The UWMP is a foundational document and source of information about the City's historical and projected water demands, water supplies, supply reliability and potential vulnerabilities, water shortage contingency planning, and demand management programs. The City's 2020 UWMP has been developed to be consistent with the City's 2016 General Plan by incorporating information related to future land use changes and the associated water demand and supply impacts.

Collaboration

The City's water system is operated through a public-private partnership with Veolia. Additionally, as the primary water source for the City's system, EPA practices collaboration and facility sharing with SFPUC via three SFPUC service connections (turnouts).

The City currently also has three metered interties with other water systems: two one-way interties with Palo Alto Park MWC and O'Connor Tract Co-operative Water Company and one intertie with the City of Menlo Park. The City previously had an intertie with the City of Palo Alto and is exploring the option of constructing an intertie in the future.[220]

The City is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA). BAWSCA provides regional water supply planning, resource development, and conservation program services for 26 cities, water districts, and private utilities in San Mateo, Santa Clara, and Alameda County.

Demand

As of 2020, the City served 4,058 connections within its service area with a total demand for water of 552 million gallons (MG) per year on average between 2016 and 2020.

Taking into account historical water use, expected population increase and other growth, climatic variability, and other assumptions, water demand within the City is projected to increase to 1,078 MG by 2045, a projected increase of 89 percent compared to the water demand of 572 MG in 2020.[221]

Conservation programs offered by the City have aided in driving down demand by minimizing water use in order to meet required water use targets. These conservation programs and policies include: (1) water waste prevention ordinances, (2) metering, (3) conservation pricing, (4) public education and outreach, (5) distribution system water loss management, and (6) water conservation program

[220] EPA, UWMP, June 2021, p. 26.

[221] EPA, UWMP, June 2021, p. 5.

coordination and staffing support. Additionally, the City participates in water conservation programs offered by BAWSCA.[222]

The City has been successful at meeting its per capita water use target for the year 2020. The Water Conservation Act of 2009 (Senate Bill X7-7) requires a 20 percent reduction in urban per capita water use by December 31, 2020. The City is in compliance with its 2020 water use target of 124 gallons per capita per day (GPCD), having reduced its water use in 2020 to 60 GPCD.[223]

Staffing

Veolia employs seven California certified operators and professional customer service representatives to serve the EPA water system.

Facilities and Capacity

Water Supply

The City gets its water supply from two sources: (1) purchased water from the SFPUC RWS and (2) one groundwater well. The City's contractual allocation of SFPUC supplies (known as its Individual Supply Guarantee [ISG]) is 3.46 MGD, or approximately 1,264 MG per year. During normal years, the City expects to produce 7 MG per year from groundwater, which has historically been used by the City for street cleaning and median irrigation. However, in 2018, the City completed construction of an iron and manganese treatment facility at well so it could be used as a potable water source.

EPA's ISG has historically been 1.963 MGD or approximately 717 MG per year; however, this water supply allocation was not sufficient to meet demand of existing and projected water users within the City. EPA has in the past experienced overages of its ISG. Additionally, new development was limited given the lack of water supply to the City to serve even existing water customers. As a result, in 2018, the Cities of Mountain View and Palo Alto, committed to transferring some of their surplus to East Palo Alto, thereby increasing the City's ISG to 3.46 MGD and allowing new development to proceed.

Based on this analysis in the 2021 UWMP, the City expects the available supplies to be sufficient to meet projected demands in normal years. However, significant shortfalls are projected in dry year conditions, which if realized would require the City to enact its Water Shortage Contingency Plan. Numerous uncertainties exist in the assumptions that drive the projected dry year shortage estimates, and the City

[222] EPA, UWMP, June 2021, p. 6.

[223] EPA, UWMP, June 2021, p. 5.

anticipates revising its water service reliability assessment within the next five years as some of these uncertainties are resolved.[224]

The City maintains a Water Shortage Contingency Plan (WSCP) to be engaged in the case of a water shortage event, such as a drought or supply interruption, and defines specific policies and actions that will be implemented at various shortage level scenarios. Consistent with Department of Water Resources requirements, the WSCP includes six levels to address shortage conditions ranging from 10 percent to greater than 50 percent shortage.

Treatment and Distribution System

All surface water supplies from SFRWS undergo treatment before it is delivered to customers. Water from the Hetch Hetchy Reservoir is exempt from State and federal filtration requirements but receives ultraviolet light and chlorine disinfection, pH adjustment for optimum corrosion control, fluoridation for dental health protection, and chloramination for maintaining disinfectant residual and minimizing the formation of regulated disinfection byproducts. Water from local Bay Area reservoirs in Alameda County and San Mateo County is delivered to Sunol Valley Water Treatment Plant (SVWTP) and Harry Tracy Water Treatment Plant (HTWTP), respectively, and is treated by filtration, disinfection, fluoridation, optimum corrosion control and taste and odor removal processes. In 2020, a small amount of groundwater from five of the eight recently completed wells was intermittently added to the SFRWS's surface water supply.

The City owns a groundwater well, Gloria Way Well, located at the corner of Bay Road and Gloria Way. The groundwater is treated on-site then conveyed into the City's water system.

The City has no storage capacity, other than the system pipes. The City water system relies primarily on water directly from the SFPUC system for storage and fire flow. The Gloria Way Well is able to supply some water to the City's system during an emergency.

The City obtains SFPUC Regional Water System (RWS) water through three turnouts off SFPUC Bay Division Pipelines 1 and 2. Treated water is supplied from the SFPUC RWS within one pressure zone. Pressure regulating valves at each turnout reduce the pressure to between 70 and 75 psi as it enters the distribution system. From the turnouts, water flows through the City's distribution system, which consists of a network of 66 miles of 1½-inch to 12-inch diameter pipes. The water system has nearly 300 fire hydrants.

[224] EPA, UWMP, June 2021, p. 6.

It is unclear the degree of pipeline capacity that is in use. However, the City's 2010 Master Plan points out that the minimum standard pipeline diameter for the water distribution system should be eight inches. Presently, the water system has nearly 90,000 linear feet of six-inch pipelines. As part of upgrading the water distribution system, and to account for future system demands, pipelines will need to be replaced with larger-diameter pipes to maintain adequate system pressures. In addition, upgrading all pipe sizes will increase the available fire flow to the water system. Proposed pipeline replacements have been divided into five groups based upon the disparity between necessary fire flows, current fire flow availability, and size of pipe. The total pipeline replacement program includes approximately 201,000 LF of pipeline at a total estimated cost of $32,100,000 in 2010 dollars.[225] Since 2010, the City has performed over 4,000 linear LF of water main capital improvements along various streets including Jervis Street, Laurel Street, Mello Street, Georgetown Street, Gonzaga Street, Lita Lane, Bay Road, and Pulgas Avenue. These improvements are in addition to emergency repairs performed by the water operator. Additionally, three water main projects have completed design packages and are awaiting construction funding.

Infrastructure Needs

The City is preparing the 2021 Water System Master Plan that will determine the necessary water infrastructure improvement projects to meet the demands of future development needs, including water storage tanks. The Plan includes a water rate study which calculate the water rates necessary to deliver the projects.

Because the City has no water storage facilities, it relies primarily on its SFPUC water source for continued supply. To meet water system demands for during an outage, it is estimated the City would need 4.2 MG of capacity for system equalization, fire flow, and emergency storage. Due to the area's topography, the system will need booster station facilities to boost water into the distribution system from the storage facility. The City is negotiating with developers regarding water storage needs and conducting the Water System Master Plan to identify other storage options.

The City is currently working on installing an emergency potable water supply well at the Pad D site to provide depth in emergency backup water supply for city customers.[226] The Pad D well project design package is complete, and City staff is pursuing grant funds for this project.

Adjacent to the Pad D well site, is a water storage tank that is to be constructed by a Developer as a partnership project with the City of East Palo Alto. The storage tank will be constructed by the

[225] EPA, Master Plan, 2010, p. 2.

[226] EPA, UWMP, 2021, p. 26.

Developer for emergency water supply but will be transferred over to the City once the City is able to complete other water infrastructure projects to enhance its water pressure to meet fire demand.

Challenges

EPA has faced challenges with ensuring adequate water supply and meeting water supply needs of new developments; however, the recent increase in the SFPUC water supply allocation has addressed this issue. Water supply during dry years continues to be tenuous as identified in the City's UWMP.

Service Adequacy

This section reviews indicators of service adequacy, including the State Water Resources Control Board (SWRCB) system evaluation, drinking water quality, and distribution system integrity.

SWRCB Division of Drinking Water is responsible for the enforcement of the federal and California Safe Drinking Water Acts and the operational permitting and regulatory oversight of public water systems in California. Domestic water providers of at least 200 connections were subject to inspections. However, the City reported that an inspection had not been completed in several years.

Drinking water quality is determined by a combination of historical violations reported by the EPA since 2015 and the percent of time that the City was in compliance with Primary Drinking Water Regulations in 2020. The City has not had any violations recorded since 2015. The City was in compliance with drinking water regulations 100 percent of the time in 2020.

Indicators of distribution system integrity are number of breaks and leaks in 2020 and rate of unaccounted for water loss. In 2020, the City experienced 13 main and service line breaks and leaks.

Distribution system water losses are the physical water losses from the water distribution system and the supplier storage facilities, up to the point of customer consumption. The total differential between water supply and metered water use is categorized as unaccounted-for-water; however, this category includes unbilled water uses such as system flushing, leak repair flushing, hydrant leaks, and street sweeping. In order to isolate the water loss attributed to the distribution system, the City has estimated water losses using the Department of Water Resources (DWR) Water Audit Method. Of the total demand of 550 MG in 2017, 477 MG were attributable to metered consumption and 73 MG were estimated to be the non-revenue water demand, which includes unmetered consumption and distribution system water loss. Of the 73 MG of non-revenue water in 2017, 50 MG was estimated to be attributed to water losses, which equates to water loss of 9.1 percent for the City's system.[227] Water loss of under 10 percent is generally considered within industry standard for water systems.

[227] EPA, UWMP, 2021, p. 34.

SUMMARY OF CITY OF EAST PALO ALTO MSR DETERMINATIONS

Growth and Population Projections

4-1: The City of East Palo Alto's population has remained fairly static over the last two decades, fluctuating minimally from year to year. Most recently, there has been a slight decline in population from 2018 to 2020. The Census 2020 estimates that the population of the City was 30,034 as of April 2020.

4-2: Over the period from 2020 to 2040, ABAG projects 17.7 percent population growth, which equates to 0.8 percent compound annual growth. Based on the City's Census 2020 population and ABAG's projected growth rate, the City is projected to have a population of 35,363 in 2040.

4-3: As of December 2021, the City had 20 unconstructed development projects in some phase of the application and construction process consisting of 1,469 dwelling units and 4,244,139 square feet of nonresidential building space. A majority of the larger developments are located in the Ravenswood/4 Corners TOD Specific Plan area. There are several mixed-use proposals, the largest of which are Four Corners, the Landing, and East Palo Alto Waterfront.

4-4: Regional Housing Needs Allocation mandates have an impact on the City's new development and intensification of density contributing to population growth. ABAGs most recent Regional Housing Needs Allocation (RHNA) for the City of East Palo Alto for the period from 2023-2031 is 829 units, almost double the previous allocation.

4-5: In addition to the substantial number of sizeable developments, the City is experiencing intensification of uses on properties with existing dwelling units where a number of accessory dwelling units are being added. SB 9, which streamlines the permitting process for accessory dwelling units, will likely prompt a greater number of ADU additions.

4-6: Lack of EPASD sewer collection system capacity is an impediment to development in the City. Developers have indicated concerns that the costs to connect are prohibitively expensive and that EPASD has been unwilling to discuss financing options to make connection more feasible. Efforts to-date to resolve this issue have been largely unsuccessful. Constrained development and growth deprive the City and its residents of increased tax revenues to maintain and improve public services, reduces future affordable housing and ability to meet RHNA housing allocations, and limits growth in job opportunities.

The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI

4-7: According to the Department of Water Resource's Disadvantaged Communities mapping instrument, there are no communities within or contiguous to the City's SOI that meet the definition of a disadvantaged unincorporated community. However, there is a single Block Group (060816121002) within the City's incorporated territory to the west of Highway 101 that meets the definition of disadvantaged. The area has an estimated population of 2,232 with a median household income of $45,731.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

4-8: Based on ISO ratings, response times, and stations per 1,000 population served, Menlo Park Fire Protection District's serviced provided within East Palo Alto appear to be adequate. Additionally, the City of East Palo Alto indicates it is satisfied with Menlo Park Fire Protection District's response times and that the District meets its outlined service goals.

4-9: Law enforcement services are marginally adequate given the low clearance rate of property crimes within the City, which is likely attributable to staffing constraints within the Police Department. Additionally, the two police facilities are considered to some extent sufficient as identified by Police Department staff; however, no specific infrastructure needs were identified.

4-10: The City has indicated that the current availability of parks and open space is not sufficient to meet demand. No parks exist in the Weeks, Kavanaugh, and Westside neighborhoods within EPA, despite having a higher population density that primarily consists of younger families residing in multi-family structures without backyards. With current and projected population estimates, service adequacy will not be sufficient unless an estimated 79 acres of parkland are added to the cityscape.

4-11: The City provides adequate solid waste management services as indicated by per capita and per employee disposal rates that are well within its target disposal rates as dictated by the State. However, waste management services face challenges throughout the County, including 1) a decline in the recyclables market from contaminated sources, 2) new organics diversion requirements that will require major new programs, and 3) dwindling capacity at the Ox Mountain landfill.

4-12: There are deficiencies in the City of East Palo Alto's stormwater collection system There are two significant challenges to implementing planned improvements—lack of funding for $37.5 million in infrastructure needs and location constraints limiting system expansion and rerouting alternatives. Improvements are necessary in order to reduce the risk of flooding.

4-13: The City's PMS report has described pavement conditions as very good, with an average PCI of 71 out of 100. However, congestion and conditions that impact other modes of transportation continue to be a concern. In particular, there are areas without walkable sidewalks and many areas lacking sufficient capacity for bike lanes leading to high incidents of accidents.

4-14: Wastewater services provided by EPASD and WBSD within City of East Palo Alto appear to be adequate based on the analysis in this report; however, as described in the Growth and Development section of this chapter, availability of wastewater capacity for new development is a critical issue for the City. Necessary capacity enhancements are making connection to EPASD's collection system exceptionally costly, which is deterring potential developers and preventing some approved developments from being completed. Several options exist for financing of necessary capacity enhancements that may be agreeable to all parties.

4-15: Indicators of water distribution service adequacy, including the State Water Resources Control Board system evaluation, drinking water quality, and distribution system integrity demonstrate that the City provides adequate service levels. While the City has been able to address water supply capacity constraints that were preventing development, there continue to be needs for water storage for emergency backup supply and pipeline expansions to meet industry standards.

Financial Ability of Agencies to Provide Services

4-16: The City of East Palo Alto is in good financial position; however, the City is experiencing structural budget deficits that will deplete reserves over time.

4-17: Development projects delayed by lack of sewer infrastructure capacity obstructs the ability to pursue economic development as one means to improve financial conditions and help achieve the City's fiscal resiliency goals.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

4-18: The City generally meets legal requirements intended to ensure transparency and accountability; however, there appears to be room for improvement in City Council compliance with ethics training requirements and timely filing of Form 700s.

4-19: East Palo Alto should consider taking on EPASD as a subsidiary district to enable funding of capital projects to address deficiencies and capacity constraints that encourages development. In order to limit demands on city staff, the City may wish to contract with West Bay Sanitary District for operations and maintenance of the system.

Recommendations

1) **Ethics Training** - It is recommended that the City make City Council ethics training information readily available on its website.

2) **Form 700** - It is recommended that the City ensure its Council Members comply with Form 700 filing requirements.

3) **Intergovernmental Relations –** Restart and continue regular public meetings between representatives of the City of East Palo Alto and the East Palo Alto Sanitary District. While staff level cooperation related to development planning is ongoing, involvement by board and council members assure efficient and effective coordination between the City and District related to infrastructure financing and other matters. These meetings should be live streamed, recorded and promptly posted to facilitate public outreach and transparency.

4) **Development Environmental Review** - Include analysis regarding impacts on the wastewater collection system, in addition to the wastewater treatment system, in CEQA review documents associated with new developments.

5) Budget Forecasting – Prepare and periodically update a long-term budget forecast to assist with financial planning, including projected pension obligations.

6) Infrastructure improvements – It is recommended that the City continue to work towards addressing identified needed infrastructure improvements for both stormwater and drinking water, including identifying potential funding mechanisms.

7) Park Planning – The City should continue its effort to develop a Parks Master Plan for recreation, parks and open space in the City and work to address the lack of these facilities in many areas of the City.

5. EAST PALO ALTO SANITARY DISTRICT

East Palo Alto Sanitary District (EPASD) was formed in 1939 pursuant to the Sanitary District Act of 1923 (Health & Safety Code §6420) to provide sewer services to increased development in what is now the City of East Palo Alto and portions of City of Menlo Park. Services authorized under Section 6420 et seq. include collection, treatment and disposal of garbage, storm water and sewage. At present, the District provides wastewater collection services, and treatment services are provided by the City of Palo Alto.

The District's initial sewer lines were installed as a Federal Works Progress Administration (WPA) project and construction began after the treatment contract with the City of Palo Alto was signed in 1940. District facilities were put into operation in 1942.

A municipal service review was last conducted on EPASD in 2009.[228] Refer to the previous MSR for further detail on the history of the District.

BOUNDARIES AND SPHERE OF INFLUENCE

EPASD was formed to provide reliable sewer service to developing areas that were unincorporated at the time. Since then, in 1983, the City of East Palo Alto was incorporated. EPASD present-day boundaries include a majority of the City of East Palo Alto and a small portion of Menlo Park.

Following the formation of the City of East Palo Alto, LAFCo subsequently adopted a "dissolution" sphere of influence (also referred to as a "zero" SOI) for EPASD and included EPASD's territory within WBSD's SOI, indicating at the time that EPASD could be dissolved and West Bay Sanitary District could assume sanitary service via annexation. In 2009, EPASD's sphere of influence was reaffirmed as a "dissolution" (zero) SOI as adopted in 1985. Several governance structure options for EPASD were analyzed at that time but no recommendation was made. Alternatives included the following:

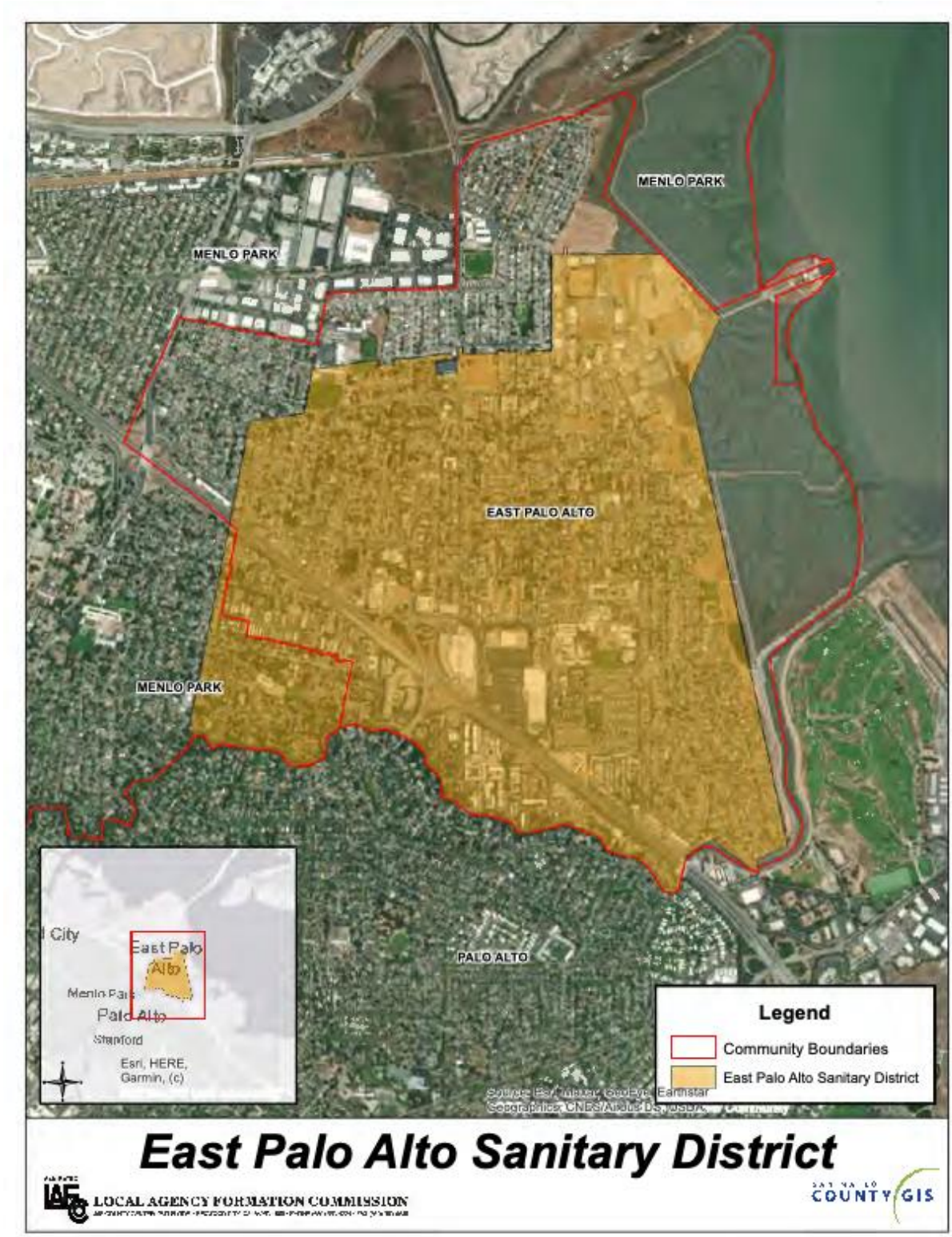
1) Status quo (continued existence of the District),

2) Establishing the District as a subsidiary district of the City of East Palo Alto with sewer service becoming a public works function of the City,

3) Dissolution of the District and annexation of the service area to West Bay Sanitary District, or a variation that would reorganize both EPASD and WBSD to align boundaries of the districts with city boundaries.

[228] Municipal Service Review and Sphere of Influence Update East Palo Alto Sanitary District February 16, 2009.

Figure 5-1: East Palo Alto Sanitary District Boundaries and SOI



ACCOUNTABILITY AND GOVERNANCE

Accountability of a governing body is signified by a combination of several indicators. The indicators chosen here focus on 1) agency efforts to engage and educate constituents through outreach activities, in addition to legally required activities such as agenda posting and public meetings, 2) a website with required content and other useful information, 3) timely ethics training for board members and an adopted reimbursement policy, 4) a defined complaint process designed to handle all issues to resolution, 5) adopted bylaws that provide a framework and direction for governance and administration, 6) adoption of a conflict of interest code as required by law, 7) proper filing of Form 700 by the governing body members, and 8) transparency as indicated by cooperation with the MSR process and information disclosure at meetings, in documents and on a website.

Figure 5-2: East Palo Alto Sanitary District Profile

East Palo Alto Sanitary District Profile			
Contact Information			
Contact:	Akin Okupe, General Manager		
Address:	901 Weeks Street East Palo Alto, CA 94303	*Website:*	www.epasd.com
Phone:	650-325-9021	*Email:*	info@epasd.com
Governing Body			
Governing Body:	Board of Directors	*Members:*	5
Manner of Selection:	Elected at large.	*Length of term:*	4 years
Meetings Location:	901 Weeks Street East Palo Alto, CA 94303	*Meeting date:*	First Thursday of the month at 7:00 pm

The EPASD Board is composed of five members that are elected at large to four-year terms. Currently, two terms end in 2022 and three terms end in 2024. There are no vacancies on the Board at this time. Board member compensation is set according to Ordinance 48 adopted in 2001. At present, Board members are paid $307.93 per meeting day[229] with a maximum of six meeting days per month. At the

[229] Board member rates were recently increased 5% per A.Okupe, comment on admin. draft chapter 2022-01-25.

District's most recent meeting on January 6, 2022, the Board approved a five percent increase in board member compensation. Additionally, Directors are compensated $150 per committee meeting. Directors are reimbursed direct costs, such as travel expenses for conferences. Directors also receive dental, vision, health, wellness and fitness benefits. The wellness and fitness benefits for both Directors and staff were increased at the December 2, 2021, meeting to between $500 and $1,000.[230]

Board meetings are held on the first Thursday of each month at 7 pm in the Board room at the District's office. Agendas are posted at the District's office and on the District's website at least 72 hours prior to a meeting. Meeting minutes are also made available on the District's website.

The District primarily conducts outreach via its website, which makes available information on meetings, bill paying, rates and fees, wastewater services, and financial and planning documents. The District also distributes newsletters and informs the public through public notices. EPASD makes available any information needed at the District's office.

As mentioned, EPASD maintains a website with information readily available for the public. The Special District Transparency Act (SB 929) signed into law in 2018 requires special districts in California to have websites be set up by January 1, 2020, and holds special districts accountable to the Brown Act, which mandates transparency. WBSD's website meets the requirements of SB 929. In 2016, the State Legislature enacted Assembly Bill 2257 (Government Code §54954.2) to update the Brown Act with new requirements governing the location, platform and methods by which an agenda must be accessible on the agency's website for all meetings occurring on or after January 1, 2019. Although EPASD does not have a direct link to meeting agendas posted on the homepage of its website, the "Board Meeting and Agenda" link that is listed does directly send users to EPASD's integrated agenda management system which displays agenda links associated with meetings on the calendar. This indicates EPASD is in compliance with AB 2257. Other links that are made available on this webpage include agenda packets. EPASD recently improved the appearance of its website although continued revisions are necessary to correct typographical errors and assure that all key agency documents (e.g., Master Plan updates, etc.) that were available previously continue to be available to the public.

If a customer is dissatisfied with the EPASD's services, complaints may be submitted over the phone or via email. Complaints are tracked and managed by the front administrative office. Details of each complaint are recorded, information is gathered, and options are discussed at a staff level how to resolve the complaint. EPASD reported that it aims to resolve complaints as soon as possible. Once resolved, the District follows up with the customer to ensure satisfaction. EPASD reported that in 2020

[230] EPASD, Board Minutes, December 2, 2021.

no complaints were submitted to the District regarding wastewater services,[231] notwithstanding concerns expressed about wastewater capacity planning, fees and charges to obtain will-serve letters, and communications on those topics.

The District's Board of Directors has adopted and compiled a Policies Handbook for the District Board, the date of which it was last reviewed and updated is unknown, and an Employee Handbook last updated in 2018. These rules function similar to bylaws and provide a framework and direction for district governance and administration. Included in the Policies Handbook are policies on code of ethics and travel and expense reimbursement. Separate policies have been adopted regarding compensation, reserves, and conflict of interest. District policies are not readily accessible on EPASD's website, and in order to ensure transparency, it is recommended that the District make available all policies on its site.

The Political Reform Act (Government Code §81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (California Code of Regulations §18730), which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. As mentioned, EPASD has appropriately adopted a conflict of interest code.

Government Code §53235 requires that if a district provides compensation or reimbursement of expenses to its board members, the board members must receive two hours of training in ethics at least once every two years and the district must establish a written policy on reimbursements. EPASD reported that the District's board members last received ethics training in 2014. This MSR recommends that EPASD ensure that board members receive the required ethics training every two years. The District has appropriately established a written policy on cell phone expense reimbursement,[232] for travel expenses in its Travel Policy, and for training and education related expenses.[233]

Government Code §87203 requires persons who hold office to disclose their investments, interests in real property and incomes by filing appropriate forms with the appropriate filing agency (i.e., the County or the Fair Political Practices Commission) each year. The District reported that all members of the Board of Directors have submitted the required Form 700 for 2020.[234]

The District has demonstrated transparency and accountability throughout the MSR process by responding promptly to requests for information, participating in an interview, and reviewing draft

[231] EPASD, Response to MSR Questionnaire, September 21, 2021.

[232] EPASD, Resolution No. 801, Adopted September 9, 2004.

[233] EPASD, Board of Directors Policy Handbook, Section 9.2.

[234] A. Okupe, comment on admin. draft chapter 2022-01-25.

reports comprehensively. However, some incomplete responses required follow-up or were not made available and remain pending.

SERVICES PROVIDED

Operating pursuant to Health and Safety Code Section 6400 et seq., the District is an independently governed special district authorized to construct and operate works for collection, treatment and disposal of garbage, stormwater, recycled water, and sewage. At present, EPASD provides wastewater collection as a direct service by owning, operating, and maintaining the collection system and sewage treatment via a contract with the City of Palo Alto for capacity at its Regional Water Quality Control Plant.

Wastewater Services

This section provides a general description of the District's wastewater services and related infrastructure. Further detail regarding capacity, infrastructure needs and deficiencies, level of services offered can be found in Chapter 7 "Regional Wastewater Services" of this report.

The District is responsible for the operation and maintenance of the sanitary sewer collection system. The District operates and maintains approximately 30 miles of gravity sewer lines,[235] of which approximately 70 percent are 6 inches in diameter and the remainder range from 8 to 24 inches in diameter.[236] Because the lines are powered by gravity, there are no pump stations in the system. The trunk line contains a siphon beneath San Francisquito Creek between manholes T15 and T14. The collection system is composed of 15 drainage basins. A letter from A-O designates each basin. The District is not responsible for maintenance of laterals but does offer property owners a program to assist financially with lateral replacement costs.

Sections of the system have been replaced; however, most of the original pipelines and manholes remain in service. The new manholes are precast, while the original manholes were mostly constructed of brick and mortar. The pipelines were constructed with vitrified clay pipe (VCP), but newer pipelines are being constructed with heavy wall plastic pipe such as PVC or HDPE.

The collection system drains to the Palo Alto Regional Water Quality Control Plant (RWQCP) where the District's flows are treated and discharged to the San Francisco Bay by the RWQCP. RWQCP records total wastewater flow for the District. These flows are measured from the District's meters. Typically,

[235] A.Okupe, comment on admin. draft chapter 2022-01-25.

[236] RWQCB, Compliance and Inspection Report, May 5, 2021, p. 3.

maximum daily flows in the District occur during the winter months between December and March. Daily flows are lowest during the months of September through November. The dry weather flow capacity of the RWQCP is 38 MGD. The District has an agreement with the RWQCP, which entitles the District to 7.63 percent of the average dry weather capacity of the RWQCP, which equates to 2.9 MGD. In 2020, EPASD recorded an ADWF of 0.61 MGD, which is approximately 21 percent of its allocated treatment capacity.

Growth and Population Projections

The EPASD territory includes most of East Palo Alto and a small portion of Menlo Park; approximately 90 percent of EPASD parcels are also within the City of East Palo Alto. Because the boundaries encompass all types of city land uses, the District serves a wide variety of customers.

This section focuses on historical and projected growth within EPASD's boundaries. A description of regional growth trends can be found in Chapter 3 and *Appendix A* of this report.

Planning Strategies

EPASD's 15-year Master Plan forecasts service needs and proposes capital projects necessary to meet those needs in its Capital Improvement Program. The District supplements its capital planning with its rate studies and capacity charge studies. EPASD states that the master plan is a conceptual document "for investors to know what is involved to have development projects – it does not mandate the District to build the pipelines for them."[237]

EPASD updated its Master Plan in 2015 and issued an Addendum in April 2021. The Addendum was completed to 1) identify areas prone to surcharging and SSOs, 2) evaluate the remaining capacity of the main trunk line, and to update demand assumptions based on the City of East Palo Alto's most recent General Plan update.

EPASD proposed a Capital Improvement Program (CIP)[238] in its 2021 Master Plan Addendum.[239] The CIP outlines system deficiencies for existing users and separately identifies deficiencies attributable to serve additional new development and estimates corresponding costs for both.

[237] A.Okupe, comment on admin. draft chapter 2022-01-25.

[238] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Table 16.

[239] EPASD Master Plan Update Final Report, March 2015, Freyer Laureta, Inc.

EPASD states that its hydraulic analysis is designed to prevent surcharging (flows do not exceed the level of the pipes). The analysis of flows from existing uses recommends upsizing pipes to mitigate surcharging; however, also EPASD states that the restriction against surcharging only applies to new development, not to existing uses whose flows are allowed to exceed pipe capacity ("surcharge"); flows from existing uses are allowed to surcharge pipe capacity and to "move between the top of pipes and bottom of manhole cover."[240]

Even with the more permissive standard allowing pipe capacity to be exceeded by flows from existing uses, EPASD's hydraulic analysis shows multiple manhole locations where the flow levels (Hydraulic Grade Level, or "HGL") not only exceed pipe capacity but also equal or exceed the level of the manholes which will result in sewer overflows during a storm event evaluated in the hydraulic analysis.[241]

No priorities, phasing or funding sources are identified in the CIP. The EPASD General Manager indicated that in his opinion the CIP does not provide a reasonable guide for determining infrastructure needs, costs and funding responsibility; he stated that the existing system was adequate for existing users but cannot handle additional flows from new development.[242]

Sewer fees were most recently updated in 2019 following the recommendations in a rate study. Prior to 2019, EPASD's rates were last updated in 2015. The District's 2019 Rate Study recommended rates and future increases intended to 1) support the District's projected sewer system operating and maintenance expenses, 2) fund the District's allocated share of RWQCP wastewater treatment operations, 3) fund the District's contractual share of financing costs for rehabilitating and upgrading the RWQCP's wastewater treatment facilities, 4) provide an ongoing funding stream for the repair, replacement, and/or increased flow capacity for the District's aging sewer collection system infrastructure, and 5) maintain the long-term financial sustainability of EPASD.[243] Since 2019, the District has not implemented annual rate increases as recommended in the Rate Study because revenues exceeded expenditures due to cost savings and capital investments less than recommended in the Rate Study.

In 2018, the District updated its capacity charges according to recommendations from the Capacity Charge Study from $3,625 per equivalent dwelling unit to $6,060. The capacity charge is intended to

[240] A.Okupe, comment on admin. draft chapter 2022-01-25.

[241] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Table 3.

[242] Interview with Akin Okupe, EPASD General Manager, November 9, 2021.

[243] EPASD, 2019 Sewer Rate Study, April 17, 2019, p. 2.

"recover the full costs of wastewater system infrastructure and assets benefitting new development to help ensure that growth pays its own way and does not place a financial burden on existing customers"[244] as stated in the Capacity Charge Study. However, it is apparent the adopted capacity charges do not fully cover the capacity expansion needs of new development, as the Capacity Charge Study did not anticipate the significant capacity needs and costs and the number and size of new developments. The District indicated that it did not intend to update the capacity charge in the near future to reflect the capacity needs identified in the 2021 Master Plan Addendum.[245]

EPASD indicated that their staff work closely with City of East Palo Alto staff during the permit application process. EPASD and the City of East Palo Alto reported having regular staff meetings to discuss current and upcoming projects. The City and the District previously formed an Intergovernmental Committee composed of elected representatives to attempt to overcome existing challenges to new development, discussed further in this section. However, due to the lack of perceived progress by the Intergovernmental Committee, the meetings were paused awaiting the outcomes of the MSR update.

Developers are responsible for reaching out to EPASD to determine EPASD's ability and willingness to serve the project and to negotiate an agreement. Once a developer has begun the application process with the City, EPASD generally processes requests for service in the following manner:

1) The City of East Palo Alto sends EPASD notification regarding an application.
2) The developer approaches EPASD to discuss the potential for service.
3) EPASD conducts a hydraulic impact assessment of the proposed project and drafts a technical memorandum summarizing findings. Developers are charged $10,000 for EPASD's consulting engineers to conduct analysis.
4) EPASD then prepares cost sharing analysis depending on the outcome of the hydraulic impact assessment. If the developer agrees to the costs and required funding, then the two entities enter into an agreement.
5) Once there is a will serve letter from EPASD it is shared with the City and the City finalizes the application.
6) EPASD constructs all necessary infrastructure for the new development.

[244] EPASD, Capacity Charge Study, 2018, p. 1.

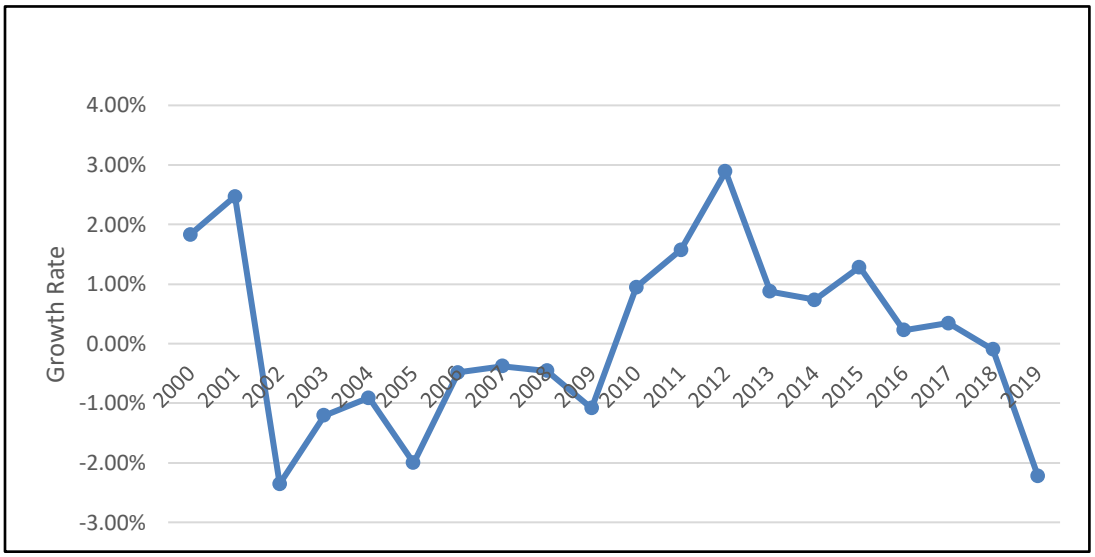
[245] Interview with Akin Okupe, EPASD General Manager, November 9, 2021.

EPASD is reportedly generally satisfied with the process; however, project CEQA documentation usually does not sufficiently address impacts on the wastewater collection system, and instead only focuses on wastewater treatment capacity. The District recommends that environmental impact reports describe impacts on the collection system as well. Also, specific plans should be updated with collection system information, so that developers are well informed on the needs of the system.

Historical Population Trends

Similar to the City of East Palo Alto's population, the population within EPASD has remained fairly static over the last two decades, fluctuating minimally from year to year. Population growth during that time based on California Department of Finance population estimates in combination with Census 2000, 2010 and 2020 data is shown in Figure 5-3. In 2000 and 2001, the City and District experienced positive growth of 1.83 percent and 2.47 percent respectively. From 2002 to 2009, the City and District experienced consistent population decline, with a combined decline in population of 8.6 percent during that period. Between 2010 and 2018, there was positive growth in population of 9.2 percent during the eight-year period. Most recently, there has been a slight decline in population from 2018 to 2020.

Figure 5-3: East Palo Alto Sanitary District/City of East Palo Alto Population Growth



As of 2020, based on the number of residential connections served and the average household size in the cities served, it is estimated that the population is approximately 26,622 within EPASD.

Projected Population

In regard to growth projections, it is assumed that EPASD's growth will closely mirror that of the City of East Palo Alto. Over the period from 2020 to 2040, ABAG projects the City will experience 17.7 percent population growth, which equates to 0.8 percent compound annual growth. Based on the current

population estimate within the District and ABAG's growth projections through 2040, it is projected that there will be 31,335 residents within the District in 2040.

Proposed Developments

Proposed developments within the City of East Palo Alto are almost all also within EPASD's boundaries, with the exception of the EPA Waterfront development, which is partially within EPASD and partially within WBSD's boundaries. Recently approved and developments under review, all of which are located within the City of East Palo Alto, are shown in Figure 5-4.

As discussed in the City of East Palo Alto chapter in the *Proposed Developments* section, there are challenges to these planned and proposed developments connecting to the EPASD system for services.

EPASD reports that it lacks collection capacity to be able to serve new construction, and necessary capacity enhancements required by the District when connecting to the system, which can include both the cost to upgrade pipes serving existing uses as well as the cost of expansion to serve new development, are exceptionally costly, deterring potential developers and preventing some City-approved developments from being completed.

Developers have indicated concerns that the costs to connect are prohibitively expensive and that EPASD has been unwilling to discuss financing options, such as cost sharing to help pay for a share of improvements benefitting existing uses, to make connection more financially feasible.[246] In an effort to address this issue, the City and the District formed an intergovernmental committee that met regularly; however, a solution was not identified, and the meetings were put on hold after the September 2020 meeting as the members were at an impasse and further meetings were not perceived as productive. Consequently, although the two agencies continue to meet at a staff level, the City, the District, and developers have not been able to come to a financing plan that is satisfactory to all parties, and development continues to be constrained. It is recommended that the intergovernmental committee continue meetings in an effort to steward greater communication and collaborative solutions to this challenge. Financing options to accommodate new development connections and capacity enhancements are discussed in the *EPASD Capital Improvement Funding and Financing* section of EPASD's chapter in this report.

These proposed developments do not include intensification of uses on properties with existing dwelling units. Specifically, a number of accessory dwelling units (ADUs) are being added to properties throughout the City, typically to properties with single family dwelling units. According to newly

[246] Developer narratives provided to LAFCo, Aug. 26, 2021.

approved State legislation (SB 9), permits for ADUs are required to be considered only ministerially by the land use authority, without discretionary review or hearing. Generally, the legislation streamlines and simplifies the process by which to get a permit for an ADU.[247] Addition of these units are not charged a capacity fee by the sanitary district as the properties are already connected to the collection system; however, plans for about 12 ADUs are presently stalled as they have been unable to get approval for connection to EPASD's system. EPASD will charge fees to ADUs "on a proportional basis in accordance with new California Law."[248] Additionally, the number of ADU proposals have increased since the legislative changes. Accordingly, 33 zoning clearances were granted in 2021 for proposed ADUs within the City, and 25 ADUs were issued building permits for construction in 2021. It is likely that future years will also result in a similar number of applications.

[247] California Senate Bill No. 9, approved by the Governor September 16, 2021.

[248] A. Okupe, comment on admin. draft chapter 2022-01-25.

Figure 5-4: Proposed Developments in East Palo Alto Sanitary District's Boundaries and SOI

Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
2020 Bay Road	Three Cities Research	Mixed use		1,343,200	2020 Bay Road	Design Review
Four Corners	Sand Hill	Mixed use	180	540,000	1675 Bay Road	Full App/Review
The Landing	Harvest Props	Mixed use	90	922,025	1990 Bay Road	Pre-App
EPA Waterfront[249]	Emerson Collective	Mixed use	260	1,390,000	2555 Pulgas Ave	Pre-App
965 Weeks Street	Mid Pen Housing / EPA Can Do.	Multi-family Residential	136		965 Weeks Street	Approved
1201 Runnymeade St	Village One, LLC	Multi-family Residential	37		1201 Runnymeade St	Full App
1804 Bay Road	EPA Bay LLC.	Mixed use	66	1,320	1804 Bay Road	Pre-App
Job Train Office	Emerson Collective	Office building		50,000	2535 Pulgas Ave	Pre-App
1062 Runnymede St.	Kent Yu	Single Family Residential	4 with 4 attached ADUs		1062 Runnymede St.	Under review

[249] Partially within EPASD and partially within WBSD.

Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
120-124 Maple Lane Townhomes	Bhartia Saurabh Trust	Multi-family Residential	4		120-124 Maple Lane	Under review
2340 Cooley Avenue	Jim Goring	Multi-family Residential	7		2340 Cooley Avenue	Under review
547 Runnymede condominiums	Susan Chen / Yanhua Zhu	Multi-family Residential	8		547 Runnymede	Under review
717 Donohoe Street	8M Property-4, LLC	Multi-family Residential	14		717 Donohoe Street	Under review
807 E Bayshore Ave. Residential development	Reid Lerner Architects / Alvin L. Silver	Multi-family Residential	6		807 E Bayshore Ave.	Under review
990 Garden Street	Garden Place LLC. /Abha Nehru / Tony Carrasco	Single Family Residential	7 with ADUs		990 Garden Street	Under review
Clarum University Corner	Clarum University Corner, LLC.	Mixed use	33	47,594	2331 University Ave.	Approved and Inactive
KIPP Esperanza School	KIPP School	Conditional use permit / Education			1039 Garden Street	Approved

Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
Majd Residence	Javad Majd / Guillermo Prado Jr	Multi-family Residential	2		919 Runnymede St.	Approved
Weeks Street Townhomes	760 Weeks Street	Multi-family Residential	10		760 Weeks Street	Approved
Woodland Park Euclid Improvements	Sand Hill Properties/Woodland Park Communities	Multi-family Residential General Plan Amend., Zoning Amendment and Design Review	605		2001 Manhattan Avenue	Under review
Total			1,469	4,244,139		

Sources: City of East Palo Alto, https://www.cityofepa.org/projects?term_node_tid_depth=All&field_project_status_value=All&field_project_type_tid=37&keys=

accessed on December 12, 2021.

FINANCIAL ADEQUACY

The East Palo Alto Sanitary District (EPASD) provides sanitary sewer services to the majority of the City of East Palo Alto; approximately 90 percent of EPASD parcels are in the City of EPA. In recent years, tech industry growth in the Silicon Valley has increased pressure on housing price and availability in the region. Although the City of East Palo Alto has a limited supply of vacant land, its recent General Plan Update provides for increased density for new development in select areas.

The City is the planning authority responsible for allocating increased density by land use and by type of development to appropriate areas in the City, and for approving development projects subject to adequacy of infrastructure and facilities required to serve the new development. At the time it updated its General Plan, the City believed that sufficient sewer capacity existed for the increased development shown in its General Plan Update.

However, EPASD has been unable to provide "will serve" letters to developers given 1) EPASD's constrained sewer system capacity to accommodate new development and 2) the unwillingness of developers to fund the entire cost necessary to accommodate new development including expanded system capacity to eliminate surcharge and potential sanitary sewer overflows from existing land uses. EPASD's consulting engineers predict existing sewer lines will surcharge and overflow, even without new development, during a 10 year, 24-hour design storm event and EPASD; [250] EPASD requires that the total costs attributable to both existing and new development are primarily the responsibility of developers.

The EPASD system, originally designed to different standards, lacks a plan to fund sewer expansion to address potential surcharging and overflows from existing land uses. Also, a plan by which new development can fund additional capacity expansion to serve new development shown in the City's General Plan Update has not been prepared by EPASD. As a result of the lack plans to identify adequate funding sources and fairly allocate the cost burden between existing and new development, new housing and expansion of the supply of affordable housing, and commercial projects in EPA planned by the City have been unable to proceed with construction.

This section reviews EPASD's financial adequacy and current plans and programs for ongoing financial sustainability. The subsequent section "EPASD Capital Improvement Funding and Financing", proposes a framework for a CIP Finance Plan, which currently does not exist, incorporating EPASD goals and policies and considering legal requirements and best practices of other agencies. The framework is intended to

[250] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Table 3.

help create a path forward to resolve current bottlenecks blocking economic development, new affordable housing opportunities, and improved City fiscal sustainability for services to the East Palo Alto community. EPASD plays a critical role in planning for and providing infrastructure to support the City's planning efforts, and a CIP Finance Plan is an important step that can only be initiated by EPASD, which is the agency with primary responsibility for sewer services to the majority of City residents.

Financial Conditions

EPASD appears to have adequate financial resources and unrestricted net position to continue current operations notwithstanding the absence of a plan to fund capacity improvements to eliminate predicted surcharging and sewer overflows from existing land uses. Estimated improvement costs to address existing deficiencies could significantly impact current fund balances; however, the impacts of capital funding draw on existing reserves, and the availability of various non-EPASD sources to help fund capital improvements, have not been evaluated by EPASD in a CIP Finance Plan. EPASD has been paying off long-term debt and unfunded pension liabilities using its fund balances, which reduces future interest costs to EPASD, without considering impacts on reserves and reserve targets.

The absence of a financing plan for its capital improvement program raises concerns about risks of future overflows attributable to existing uses, and the adequacy of EPASD financial resources to address services and infrastructure improvements. While EPASD has identified potential sewer overflows in the event of a major storm under existing land use conditions, the District has not prioritized specific improvements, developed a timeline, nor updated its financing mechanisms (e.g., capacity charges) to address these issues.

Similarly, EPASD lacks a plan to provide service to future development which could help build system improvements more cost-effectively; EPASD's consultants have noted that building infrastructure sized to meet projected future demands results in a lower average cost per unit of capacity "than if infrastructure was built on a piecemeal basis as growth occurs."[251] A financing plan can explicitly allocate costs and funding between existing and new development to assure that existing ratepayers do not fund additional capacity not required by existing ratepayers.

[251] EPASD, Capacity Charge Study, 2018, p. 3.

Accounting and Financial Policies

EPASD adopted accounting and financial policies in 2014.[252] The policies deal with roles and responsibilities of directors, committees and staff; conduct and conflicts of interest; general ledger and chart of accounts; and other policies and procedures related to disbursements and expenses, payroll, asset and liability accounts, financial controls. The policies are not posted on EPASD's website or available in the board meeting archives. The District provided the policy document upon request.

Budgets and Financial Reports

EPASD prepares an annual financial report consistent with Generally Accepted Accounting Principles (GAAP). The FY2020-21 financial report found "no indications or allegations of fraud, no difficulties with management, and no abuse or wasteful spending."[253]

The GAAP require that the auditor assure that the financial statements "...are free from material misstatement, whether due to fraud or error;"[254] the auditor's opinion is specific to the financial position of EPASD based on financial statements prepared by EPASD management and does not explicitly address the transparency and clarity of EPASD's budget format, presentation, and budget explanation which are reviewed in this MSR. The annual financial report for the FY19-20 year is dated February 25, 2021, almost eight months following the end of the fiscal year; typically, financial reports are produced within six months.

EPASD prepares an annual budget for Board review and adoption. The budget document does not provide a clear and transparent description of expenditures to inform the ratepayers about how their taxes and service charges are being spent. The budget does not provide any narrative explaining changes, future risks, and actions to address fiscal challenges. EPASD stated that "no risk exists, this [explanation] is not necessary. The Altman Z Score demonstrates that the District financial risk is negligible."[255] The "Altman Z Score" is a formula for determining whether a company, notably in the manufacturing space, is headed for bankruptcy.[256] EPASD did not provide the analysis of its Altman Z Score during the preparation of this MSR.

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[252] EPASD Accounting & Financial Policies and Procedures Manual, Prepared by Jeanpierre & Co. CPAs, adopted April 3, 2014. The policies were provided by EPASD in response to a request during preparation of this MSR – no updates were included in the EPASD submittal.

[253] Presentation by David Farnsworth to EPASD Board, Feb. 17, 2022, Financial Report EPASD FY 2021.

[254] Independent Auditor's Report, Feb. 25, 2021.

[255] A.Okupe, EPASD General Manager, comments on EPASD MSR administrative draft financial section.

[256] Investopedia, referenced 2022-02-21 at https://www.investopedia.com/terms/a/altman.asp

The EPASD budget describes the types of expenditures in various categories but without sufficient detail to allow the reader to understand their basis. For example, the line item "contractual services" for $495,000 proposed in FY21-22 simply states that this account "includes the cost of outside services of a professional nature and not chargeable to another category."[257] "Planned Debt Services" for $100,000 is unclear and unexplained in the detail page[258] and does not appear to match debt service schedules or explanations shown in the EPASD financial audit.[259] Other items appear high in the absence of further explanation, for example, the description "professional accounting and audit services" budgeted at $160,000 under Account 5872 likely includes more than accounting and audit services due to the magnitude of the amount. The EPASD Board reviews year-to-date expenditures compared to the annual budget, but the Board packets provide no staff report or written explanation, and minimal clarification in the form of footnotes to individual expenditure categories.[260]

The EPASD annual budget cannot be easily compared to the annual financial report. For example, beginning fund balances shown in the FY20-21 budget appear significantly lower than the ending cash reserves and unrestricted net position reported in the FY19-20 financial report (see discussion below in the section "Reserves"). The variance is difficult for the reader to reconcile, and the budget and financial report provide no explanation. Another example is the exclusion of depreciation from the budget, although it is included in the financial reports as an operating expense.[261] Depreciation is typically shown as a budget expense (which sometimes may be shown separately as a non-cash expense) by utility agencies to help build cash balances for future capital expenditures. For example, WBSD transfers and accrues funds partially resulting from non-cash expenditures (e.g., depreciation) to its Capital Fund.

The budget does not include a forecast; however, EPASD prepared a budget forecast as a part of its 2019 Sewer Rate Study. The forecast has not been updated for changes since 2019; the EPASD General Manager indicated cost savings resulted in actual expenditures less than those projected in the forecast, eliminating the need to adopt the rate study's proposed rate increases.[262]

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[257] EPASD Approved Budget FY2021-2022, Account 5858, pdf pg. 16.

[258] EPASD Approved Budget FY2021-2022, Account 5858, pdf pg. 21.

[259] EPASD Annual Financial Report, June 30, 2020, Note 4.E, pg. 17.

[260] For example, see Board Agenda Packet for 2022-02-17.

[261] For example, see the FY2019-20 financial report, Statement of Revenues, Expenses and Change in Net Position, pg. 8.

[262] Interview with A. Okupe, EPASD General Manager, 2021-11-09.

Balanced Budget

EPASD's budget generates revenues (including property tax) in excess of operating expenditures (excluding transfers); the net revenues enable EPASD to fund debt service, build reserves and transfer funds to its Capital Replacement Fund for infrastructure improvements. According to EPASD's budgets, from FY17-18 through FY19-20 EPASD's revenues exceeded expenditures (before depreciation and transfers) by an average of about $1.5 million annually.[263] Audited financial reports for FY17-18 through FY19-20 reported that revenues exceeded expenditures (before depreciation, principal, and transfers) by an average of about $2.3 million.[264]

General Fund Revenues

EPASD General Fund revenues grew at a "moderate" rate of growth[265] of approximately 4.3 percent annually over the past five years,[266] which exceeded inflation but did not quite keep pace with expenditures (excluding capital, debt and transfers) growing 5.3 percent. Revenues include the following:

Service Charges – Service charges represent about 81.5% of total General Fund revenues in FY21-22,[267] and in FY21-22, EPASD collected service charges from a total of 4,155 connections, including 3,356 single-family units.[268] The change in total service charge revenue since FY17-18 is equivalent to an average increase of 1.3 percent annually.

The revenue is collected on property tax bills and is a fixed amount, currently $600 per Equivalent Dwelling Unit (EDU). The charges were increased to $600 per EDU in FY19-20 from $575 per EDU consistent with a 2019 sewer rate study.[269] The sewer rate study recommended future year rate increases ranging from 4.3% to 5.0% per year. To-date the $600 rate has not been increased. As noted in the rate study "Proposed rate increases are needed to fund projected operating expenses, help fund high priority improvements to the District's aging sewer collection system, pay for the District's share of

[263] FY17-18 through FY19-20 are based on "actuals" from EPASD approved budgets; FY20-21 and FY21-22 are adopted budget estimates.

[264] EPASD Financial Reports, Statement of Revenues, Expenses, and Changes in Net Position.

[265] "Moderate" level indicated by growth at or slightly above long-term inflation rate (assumed 3 percent); see https://www.micropolicypress.com/revenue-indicators---overview/

[266] EPASD Approved Budget FY2021-2022.

[267] EPASD Approved Budget FY2021-2022.

[268] EPASD Sewer Service Charges Fiscal Year 2021-2022, July 2021.

[269] EPASD 2019 Sewer Rate Study, April 17, 2019, prepared by Bartle Wells Associates.

operating and capital improvement costs for the regional wastewater treatment plant, and support safe and reliable service."[270]

Rate Studies

EPASD commissioned a sewer rate study in 2019. The sewer rate study recommended future year rate increases ranging from 4.3% to 5.0% per year based on forecasted revenues and costs. [271] The recommended rate increases were not implemented because of subsequent cost savings that eliminated the need for rate increases, according to EPASD.[272] Since the 2019 rate study, significant new development has been proposed which could affect future operating expenditures and rates, and EPASD's 2021 Addendum to the 2015 Master Plan Update identified collection system pipe expansions that would be needed to eliminate the predicted risk of surcharging and sewer overflows attributable to existing development.[273] This MSR recommends that the EPASD budget forecast be updated consistent with future conditions.

Property Tax – Property taxes received by EPASD reduce the sewer revenue and corresponding sewer rates charged by the District; property tax growth contributes to limiting rate increases. Property taxes accounted for about 8.8 percent of total General Fund revenues in FY21-22 (not including additional property tax from ERAF and RDAF described below),[274] an increase from 6.7 percent of the total in FY17-18. Substantial growth in property tax revenues, averaging 11.8 percent annually since FY17-18, accounts for property tax becoming a greater share of total revenues. EPASD receives approximately 4.1 percent of every property tax dollar paid within its boundary.[275] Property tax growth has generally outpaced inflation as a result of increasing home sales prices. Property taxes can be used for any EPASD purpose, unlike capacity charges which are restricted to capital improvements.

Many utilities do not receive property taxes, which reduce the sewer rates that would otherwise be required. As noted by the San Mateo County Grand Jury, "the intent of property tax is to provide funds

[270] EPASD 2019 Sewer Rate Study, pg. 9.

[271] EPASD 2019 Sewer Rate Study.

[272] Interview with A. Okupe, EPASD General Manager, 2021-11-09.

[273] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Tables 3-5.

[274] EPASD Approved Budget FY2021-2022.

[275] Average Tax Increment Factor for all Tax Rate Areas within boundary (average is not weighted by assessed value), from San Mateo County Controller's Office, transmitted by LAFCo 2021-10-21.

for services that cannot be allocated to a specific user, such as fire or parks..."[276] The Grand Jury pointed out that the State Legislature, upon enacting Prop. 13, directed that enterprise agencies such as EPASD "are encouraged to begin the transition to user fees and charges."[277]

ERAF Rebate/Former RDAF – Strong property tax growth contributed to a rebate of Educational Revenue Augmentation Funds (ERAF) enabling a shift of excess funds to EPASD and other agencies in the county.[278] EPASD also receives a share of property tax funds previously captured by a former redevelopment agency. The redevelopment agency-related revenue should continue to grow as prior redevelopment obligations are paid off.

Other Revenues – EPASD's budget benefits from interest earnings on its fund balances over the year. In FY21-22 the budget shows $9.9 million General Fund beginning fund balance and $249,000 in projected interest earnings. Interest earnings will change depending on interest rates and EPASD's fund balances. Interest revenues also depend on the management of EPASD funds held in a multi-agency investment pool managed by San Mateo County.[279]

General Fund Expenditures

EPASD's General Fund expenditures (excluding capital, debt and transfers) grew at a "high" rate of growth[280] of approximately 5.3 percent over the past five years (FY17-18 through FY21-22), exceeding moderate revenue growth of 4.3 percent. The 5.3 percent growth rate is higher than increases projected by the EPASD 2019 sewer rate study largely due to operating expenses and treatment plant charges which grew at 5 percent or more while salaries and employee benefits grew at a 2.2 percent rate.

Debt service is projected by the EPASD rate study to increase by $272,000 annually above a projected FY21-22 $203,000 as a result of EPASD's 7.65 percent share of planned treatment plant

[276] San Mateo County's Cottage Industry of Sanitary Districts, 2015-2016 Grand Jury, pg. 2.

[277] 2015-2016 Grand Jury, pg. 29.

[278] In a few counties, ERAF revenue is more than enough to offset all of the State's General Fund allocated to schools and community colleges. In the mid-1990s, the Legislature enacted a law shifting the portion of ERAF not needed for schools and community colleges to other agencies in the county. The revenue shifted through this process is known as excess ERAF (Legislative Analysts Office LAO Report, March 6, 2020).

[279] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[280] "High" level indicated by growth greater than 5 percent annually; see https://www.micropolicypress.com/expenditure-indicators-overview/

improvements.[281] The timing and magnitude of those future increases are not described in the EPASD budget except for a line item in the budget for "Planned Debt Services" of $100,000 in FY20-21 and FY21-22; it is unclear in the budget documents whether this $100,000 was expended during the budget year, or reserved for future debt, and if so, how much has been accumulated and for what specific purpose. Long-term obligations are further described below.

Reserves

EPASD provided its Reserve Policy, last updated in 2019,[282] which establishes a number of separate reserves. As noted in the following descriptions and subsequent information, EPASD has substantial fund balances but has not specifically allocated the balances to separate reserves as required by the Reserve Policy or in conformance with the targets identified in the reserve policy.

Operating Reserves – EPASD policy calls for operating reserves equal to at least 12 months of operating expenses. As noted by EPASD, "the 12-month provision, included in EPASD's annual budgets, assures enough operating capital in case there is a delay or disruption in San Mateo County's scheduled ability to transfer revenues to EPASD."[283] Operating reserves of 80-100 percent or more are considered "high" levels, and help provide for cash flows highly dependent on annual tax collections.[284] The EPASD budget and financial report do not separately identify an operating reserve, however, the FY20-21 budget shows an ending General Fund balance of $9.9 million which represents about 236 percent compared to $4.2 million projected operating expenditures (excluding capital, debt and transfers).

Rate Stabilization Reserve – The EPASD reserve policy establishes initial funding of $3 million in FY20-21 and additions of $100,000 annually plus other unspent balances.[285] However, the budgets for FY20-21 and FY21-22 show only $60,000 to $70,000 balances respectively in the rate stabilization reserve.

Equipment Replacement Reserve – The EPASD reserve policy states that this reserve "should be initially funded with $200,000 in FY2020-21." The budgets for FY20-21 and FY21-22 do not show an equipment replacement reserve.

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[281] EPASD 2019 Sewer Rate Study, Table 4 - 10-Year Sewer Cash Flow Projections, pg. 12.

[282] EPASD reserve policies and year of last update provided 2021-11-16 by N.Rahimi (note: no date indicating adoption or revision is shown on the reserve policy document).

[283] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[284] https://www.micropolicypress.com/reserve-indicators-overview/

[285] The policy says that contributions will include "…unspent balances remaining in Non-Operating Expenses at year end after all the reserve have been fully funded. [sic] will be added to the reserve annually."

Capital Reserves (Capital Asset Fund) – The EPASD reserve policy anticipates accumulating capital reserves to minimize borrowing and interest costs. The FY20-21 budget showed a beginning balance of approximately $2.5 million in the Construction Replacement Fund expended for construction during the year. The Light Tree development project provided $2.5 million for improvements required to serve the project which continued to appear in FY21-22 budget's Construction Replacement Fund.

EPASD maintains a Connection Fee Fund that can be utilized for capital improvements to the system. These funds are restricted to the capital improvement purposes for which the fees are collected. The FY21-22 budget shows $1.1 million projected ending balance. Other capital-related funds include its Capital Replacement Fund (including Light Tree Apartments' payments), Lateral Replacement Fund, and Treatment Plant Fund. Amounts in those funds are listed below.

Emergency Capital Reserve -- The EPASD reserve policy targets $2 million funding in the event of catastrophic or local disasters. The budgets for FY20-21 and FY21-22 do not show an Emergency Capital Reserve.

Pension and Other Post Employment (OPEB) Liability Reserves – As noted above, EPASD reserve policies indicate that "the District has established a Post-Employment Benefit (OPEB) trust program administered by PARS (Public Agency Retirement Services) for the purpose of pre-funding pension liabilities"[286] but does not establish target contributions or balances, or policies for the withdrawal and use of the funds except to indicate they are limited to pension and OPEB costs. District financials also state the District's participation in PARS is for the purpose of prefunding OPEB liabilities. EPASD's financial reports includes required supplementary information regarding EPASD OPEB and net pension liabilities.

Fund Balances

With the exception of the "Rate Stabilization Fund", the EPASD budget does not show specific reserves corresponding to the reserve policies described above, nor do the EPASD financial reports. However, the fund balances reported in the budget provide an indication of total available reserves. For comparison to recent EPASD financial statements, EPASD budgets report the following beginning fund balances:[287]

Fund	FY2020-21	FY2021-22
General Fund	$ 10,950,619	$ 9,949,132
Connection Fee Fund	$ 939,489	$ 1,020,489

[286] EPASD reserve policies provided 2021-11-16 by N.Rahimi.

[287] EPASD Approved Budget FY2020-2021 and FY2021-2022 Approved Budget Summary for All Funds.

Construction Replacement Fund	$ 2,557,385	$ 2,541,385
Lateral Replacement Fund	$ 114,767	$ 117,067
Treatment Plant Fund	$ 1,573,882	$ 1,606,882
Rate Stabilization Fund	$ 67,934	$ 69,334
TOTAL	**$16,204,076**	**$15,304,289**

The $16.2 million EPASD balances reported in the FY20-21 budget are $3 million less than the $19.2 million of unrestricted net position (excludes net investment in capital assets) reported in the EPASD financial report as of June 30, 2020.[288] The $15.3 million total balances in the FY21-22 budget are $4.7 million less than the $22.0 million unrestricted net position in the financial report as of June 30, 2021.[289]

Typically, fund balances are at least equal to or greater than unrestricted net position since cash fund balances do not reflect liabilities.

Pension and OPEB Liabilities

At the start of FY20-21 EPASD's unfunded pension liabilities totaled $1.98 million; the funded portion represented 67.5 percent[290] of total obligations which qualifies as a "low" level of funding (70 percent and below).[291] At its board meeting December 15, 2021 EPASD authorized a payment not to exceed $1.4 million towards EPASD's unfunded accrued liability for its pension obligation managed by CalPERS.[292] EPASD subsequently noted that its payment "completely resolved" EPASD's unfunded pension liability.[293] However, the payment of $1.4 million approved at the 12/15/2021 EPASD board meeting

[288] EPASD Annual Financial Report, June 30, 2020, Statement of Net Position, pg. 7. The District did not receive $2.5 million from Light Tree until Sept. 2020 and so should not account for the apparent difference (see FY19-20 Financial Report, Note 10, pg. 25).

[289] Presentation by David Farnsworth to EPASD Board, Feb. 17, 2022, Financial Report EPASD FY 2021.

[290] Miscellaneous Plan of the EPASD, Annual Valuation Report as of June 30, 2020, CalPERS, July 2021, Plan's Funded Status, pg. 6. Additional obligations attributable to the EPASD PEPRA plan are a minimal additional liability.

[291] https://www.micropolicypress.com/pension-indicators-overview/ based on the California State Auditor's Fiscal Health Analysis.

[292] EPASD board meeting 12/15/2021, Item 7, Reso. No. 1289.

[293] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

covered about 72 percent of the $1.95 million liability projected as of 6/30/2022 leaving an unfunded liability of $504,279 after the payment.[294]

Other Post-Employment Benefits (OPEB) net liability was slightly positive at the start of FY20-21, meaning that assets slightly exceeded liabilities.[295] The EPASD General Manager noted recent annual reductions in OPEB payments due to review and revision of payment calculation methodologies.[296]

Pension and OPEB Liability Mitigations

As noted above, EPASD's board approved a payment of $1.4 million towards its unfunded pension liabilities.

The District participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer post-employment health plan, to prefund other post-employment benefits through CalPERS.[297] The District's reserve policy indicates a reserve for pension and OPEB liabilities, however no information was found in the District's financial report regarding a pension trust (only the OPEB trust was described).

Leases and Long-Term Debt

At the start of FY20-21 EPASD principal obligations totaled $1.065 million, and annual payments due equaled $153,000. This level of debt is generally considered "low" relative to revenues for typical agencies.[298] Public utilities often utilize debt, recognizing the costly, infrastructure-intensive nature of their services and the inherent long-term life of pipes providing benefit to residents over many years. As described in the section below, "Framework for a CIP Finance Plan", this MSR identifies the use of debt as one way to help fund improvements to the existing collection system to reduce sewer overflows predicted by EPASD's consulting engineers. The MSR does not recommend that existing ratepayers subsidize costs, including debt, attributable to serving new development.

[294] CalPERS Actuarial Office letter to EPASD, Dec. 13, 2021, included in agenda packet to EPASD board meeting 12/15/2021.

[295] EPASD Annual Financial Report, June 30, 2020, Note 6, pg. 23.

[296] Interview with A. Okupe, EPASD General Manager, 2021-11-09.

[297] EPASD Annual Financial Report, June 30, 2020, Note 6, pg. 21.

[298] https://www.micropolicypress.com/longterm-obligations-indicators-overview/

Debt service obligations include a share of utility revenue bonds issued by the City of Palo Alto for the treatment plant; these bonds will be repaid by 2025, eliminating about $74,000 of annual debt service by EPASD.[299]

EPASD borrowed funds from the State to finance construction of the Cured in Place Siphoning Project as part of their participation in a multi-agency project that reconfigured San Francisquito Creek for flood control purposes. EPASD's trunk line transits beneath the creek by means of a siphon. Without the multi-agency participation, EPASD would not have been able to secure these funds.[300]

The District also borrowed to fund the costs of the Ultraviolet Disinfection Project. The EPASD Board recently authorized that its loan from the State Water Resources Control Board at an interest rate of 2.6 percent be paid off in full in the amount of $687,346, reducing annual debt service by about $79,000.[301] EPASD is a partner in the Palo Alto Regional Water Quality Control Plant (PARWQCP). The UV disinfection equipment is part of the wastewater treatment system at PARWQCP. EPASD is one of five partners in that plant. Due to the multi-agency participation at PARWQCP, State funding was made available. EPASD did not apply for or secure these funds, the City of Palo Alto did. EPASD payments to Palo Alto for wastewater treatment includes funds designated to resolve EPASD's share of this debt.[302]

EPASD has a program to loan funds for property owners to repair and replace lateral sewer lines from their house to the collection system. According to the FY19-20 EPASD financial statements, the District's notes receivable totaled $20,158;[303] of this amount, $10,000 is an outstanding notes receivable from one board member.[304] The note receivable was to repair a sewer lateral at the board member's residence and will be paid over a period of 10 years.

As described by EPASD, its Lateral Replacement Program has been in effect since 1985. It is designed both to ensure public health and safety by assisting property owners in maintaining their sewer laterals. It has often facilitated emergency repairs due to lateral failures.

Property owners receive loans to cover lateral repair and replacement costs which, through contractual agreement, are then repaid through increased sewer service charge (SSC) assessments collected on the

[299] EPASD Annual Financial Report, June 30, 2020, Note 4.E, pg. 17; assumed shown in column labelled "Total".

[300] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[301] EPASD Board authorized the debt repayment at its Feb. 17, 2022, meeting. See also the EPASD Annual Financial Report, June 30, 2020, Note 4.E, pg. 17; SRF debt assumed shown as "Total Direct Borrowing".

[302] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[303] EPASD Annual Financial Report, June 30, 2020, Statement of Net Position, pg. 7.

[304] EPASD Annual Financial Report, June 30, 2020, Note 9, pg. 25.

San Mateo County property tax roll. Projected SSC revenues, identified by EPASD on their annual tax roll submissions are fully funded by San Mateo County under the Teeter Plan. San Mateo County, by agreement with EPASD, is then authorized to pursue delinquencies if they occur. The Lateral Replacement Program agreements also include a "Point of Sale" clause that requires that the unfunded remainder of these loans is paid whenever a property changes owners.[305]

Debt Service Documentation

Debt service payments shown in the EPASD budget document do not appear to be consistent with the schedules and payments shown in the EPASD financial reports. For example, the FY21-22 budget reports "Capital and Debts" of $315,000 in the budget summary and includes $100,000 of "Planned Debt Services", $25,000 of equipment expense, and $190,000 to "Repay Treatment Plant"; the FY19-20 Financial Report shows debt service schedules for FY21-22 with principal of $122,819 plus interest of $29,946 for a total of $152,765.

It is unclear in the budget document whether the debt payments include repaying the loan from the State Water Resources Control Board to finance the construction of the Cured in Place Siphoning Project, and other borrowing, which together total $152,765. As noted previously, it is unclear how the $100,000 of budgeted annual "Planned Debt Services" was expended (or reserved and tracked).

Infrastructure and Facility Assets

EPASD's financial report shows a value of depreciable assets (excluding land) such as infrastructure and pipes, buildings and equipment totaling $14.4 million.[306] After deducting depreciation, which represents the portion of initial value "used up" over the assets' lifespan (which varies from 50 years or more for pipes to five years for office equipment)[307] the remaining depreciated value equals $6.7 million, or less than half the total initial value. This net value is in the range of "moderate"[308] however, because of the age of the system the remaining value is relatively small compared to replacement cost. The depreciated value of capital assets is less than one-tenth of its estimated $68.7 million replacement cost[309] reflecting its age and increasing replacement costs. This low depreciated value does not imply a strategy to replace

[305] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[306] EPASD Annual Financial Report, June 30, 2020, Note 3, pg. 16.

[307] EPASD Annual Financial Report, June 30, 2020, Note 1F, pg. 11.

[308] "Moderate" level indicated by 40-70% of depreciable value; see https://www.micropolicypress.com/infrastructure-and-facility-assets-indicators-overview/

[309] EPASD Wastewater Capacity Charge Update, Dec. 2018, Bartle Wells Associates, Table 1 – Wastewater Collection System Pipelines & Costs, pg. 5. The replacement cost is for pipelines only.

pipes solely to improve the EPASD balance sheet; rather, the low value is one indicator of potential deferred maintenance, and a cautionary indication of potentially significant replacement costs if/when pipes fail or are replaced to increase capacity.

The District pursues an ongoing program to replace aging pipes based on condition inspections. "Construction Replacement Fund" budgeted expenditures average $1.0 million from FY16-17 through FY19-20 according to EPASD budgets; EPASD states that "budgeting $1 million per year for construction finance is a 'financing plan'..."[310] although no long-term plan exists for replacement priorities, timing and funding sources in addition to the annually budgeted General Fund revenues. Furthermore, EPASD's audited financial reports show that capital additions for pipes and collection facilities averaged $530,000 for the same time period. EPASD states that "most CIP expenditures relate to 'point repair' projects;[311] these projects do not address the need to increase the capacity of certain pipes to eliminate projected sewer overflows and surcharging identified by EPASD's consulting engineers in the 2021 Addendum to the Master Plan Update at an estimated cost of $23.9 million.[312]

Annual depreciation expense in the financial reports is approximately $385,000;[313] depreciation is not included in the budget, a typical practice of utility agencies to help build cash balances for future capital expenditures.

The 2019 EPASD Rate Study recommended rates based on approximately $1.0 million spent annually for pipeline replacement (FY21-22 estimate, subsequent forecasted years adjusted for inflation).[314]

Capital Improvement Program

As noted above, EPASD pursues an ongoing program to replace aging pipes based on condition inspections. A system-wide TV inspection program currently is underway at EPASD. The results of this survey will identify system problems, allowing EPASD engineers to develop an accurate CIP to facilitate system repairs and/or replacements.[315] These identified repairs should augment a CIP that addresses the capacity issues contributing to predicted surcharging and sewer overflows from existing land uses shown in the 2021 Addendum to the 2015 Master Plan Update.

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[310] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[311] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[312] Addendum to the March 2015 Master Plan Update, Attachments, Table 5.

[313] EPASD Financial Reports, Statement of Revenues, Expenses, and Changes in Net Position, pg. 8.

[314] EPASD 2019 Sewer Rate Study, Cash Flow Projection, pg. 12.

[315] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

EPASD proposed a Capital Improvement Program (CIP)[316] in its 2021 Addendum to the 2015 Master Plan Update.[317] The CIP separately evaluates system deficiencies for existing users and deficiencies attributable to serve existing and new development. The CIP and its costs are further described below in the section "EPASD Capital Improvement Funding and Financing."

The 2021 Addendum evaluates the hydraulic capacity of key sanitary sewer system elements and capacity enhancement measures as required by the 2021 SSMP, however it lack several additional requirements of the SSMP: 1) prioritization, alternatives analysis, and schedules for completion; 2) a CIP implementation schedule, and 3) sources of funding (see also "Sewer System Management Plan (SSMP)" below).[318] The 2021 Addendum appears to be a draft document because many of the text references to tables are inaccurate and terminology is unclear or incorrect.[319]

Capacity Charge Study

Capacity charges mean "...a charge for public facilities in existence at the time a charge is imposed or charged for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged..."[320] Capacity charges are governed by a different section of State laws than those governing impact fees.

EPASD updated its capacity charges in 2018. At that time, the District anticipated minimal new development and assumed adequate capacity existed to serve the new development.[321] The Study did not consider potential new development allowed by the City of EPA's General Plan updated in 2016, nor did it include costs for improvements to expand collection system or treatment plant capacity for new development. The cost estimates are based on the replacement cost of the existing collection system and EPASD share of the treatment plant which effectively represent a "buy-in" cost.

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[316] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Table 16.

[317] EPASD Master Plan Update Final Report, March 2015, Freyer Laureta, Inc.

[318] EPASD Sanitary Sewer Management Plan (SSMP), Revised August 12, 2021, pg. 42.

[319] For example, the 2021 Addendum refers throughout to "Predicated" when the apparent intent is "Predicted". The text includes references to incorrect tables, e.g., a description of parcels refers to Table 5 which is actually a cost table.

[320] EPASD, Capacity Charge Study, 2018, p. 2, referencing Government Code Section 66013.

[321] Interview with A. Okupe, EPASD General Manager, 2021-11-09.

Current proposed developments requesting EPASD service are described above in the EPASD GROWTH AND POPULATION PROJECTIONS section on "Proposed Developments" and the corresponding section in the City of East Palo Alto chapter.

Sewer System Management Plan (SSMP)

EPASD prepares a required SSMP however its recent SSMP does not conform with certain best practices and standards,[322] for example CIP contents as described in the following paragraphs. The SSMP is intended to provide a basic understanding of the District's collection system, related operation and maintenance activities, and SSO prevention and reduction efforts. The SSMP's are required to be updated every five years. The most recent EPASD SSMP was last revised August 2021.

The SSMP references required supporting documents, however, in several instances these references are no longer current such as the 2015 Master Plan Update. For example, EPASD prepared a 2021 Addendum to its 2015 Master Plan Update and included a proposed CIP that was not referenced by the SSMP; the SSMP refers instead to the 2015 Master Plan Update and prior CIP. The 2021 Addendum's proposed CIP does not include the recommended elements for a CIP such as 1) prioritization, alternatives analysis, and schedules for completion; 2) a CIP implementation schedule, and 3) identify sources of funding.[323]

The 2021 SSMP also states that "EPASD includes impact fees within the connection fees to help contribute to future downstream projects needed for extra pipe capacity"[324] but the most recent capacity charge update study[325] did not include a fee component to fund costs for increased capacity to serve new development; the capacity charges were calculated as a "buy-in" to existing system capacity with no explicit provision for the expansion costs shown in the EPASD's 2021 Addendum to the 2015 Master Plan Update.

The capacity charges (also referred to as "connection fees" in the SSMP) are only paid by new development; updates to the capacity charge to include costs to serve new development, as recommended in this MSR, would only be paid by new development. Existing ratepayers do not pay

[322] A Guide for Developing and Updating of Sewer System Management Plans (SSMPs), Sept. 2015.

[323] EPASD Sanitary Sewer Management Plan (SSMP), Revised August 12, 2021, pg. 42.

[324] EPASD Sanitary Sewer Management Plan (SSMP), Revised August 12, 2021, pg. 42.

[325] EPASD 2019 Sewer Rate Study.

capacity charges and therefore would not be subsidizing new development if the capacity charges were updated.

EPASD Capital Improvement Funding and Financing

EPASD recognizes the importance of ongoing inspection of pipes to prevent failures that may be caused by a number of factors, including condition and age; about half of EPASD pipes were at least 40 years old as of 2015, and constructed with vitrified clay pipe with older manholes mostly constructed of brick and mortar.[326]

EPASD has taken important steps to update its 2015 Capital Improvement Program (CIP), conducting recent hydraulic modeling and proposing improvements to address deficiencies and needs.[327] Hydraulic modeling adheres to best practices that recommend preparation of a System Evaluation and Capacity Assurance Plan "...to assure that the collection system has adequate hydraulic capacity to convey dry and peak wet weather flows through the system to the ultimate disposal point without upset or discharge to the environment or private property."[328]

Addressing system capacity issues is essential to protect the health and safety of existing residents and property served by EPASD. Planning for future development helps to reduce ratepayers' costs to fix current system deficiencies by leveraging grants, low-interest State loans and development funding. As noted in this MSR, the EPASD 2018 Capacity Charge Study emphasizes "...the principle that agencies and their customers benefit from economies of scale by building infrastructure sized to meet projected future demands, which results in a lower average cost per unit of capacity than if infrastructure was built on a piecemeal basis as growth occurs."[329]

Thoughtful implementation of planned development also brings new rate revenues (net of increased operating costs) to improve services and potentially reduce costs to EPASD ratepayers – it is expected that EPASD operating costs to serve new development will continue to be less than the revenues received, as is the case with existing development. Carefully managed development would increase impact fees and other revenues to the City of East Palo Alto for improved infrastructure and enhanced public services to East Palo Alto residents. This MSR recommends that new development pay for the

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[326] EPASD 2015 Master Plan Update, March 2015, Freyer & Laureta Inc., pg. 23 and Table 2-1.

[327] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021.

[328] A Guide for Developing and Updating of Sewer System Management Plans (SSMPs), Sept. 2015, pg. 61.

[329] EPASD, Capacity Charge Study, 2018, p. 3.

marginal costs it incurs and that existing ratepayers should not subsidize new development; achieving these goals requires development of a CIP Finance Plan to pursue all possible funding sources and to assure that ratepayers only pay for their proportional benefit.

Proactive planning and implementation by EPASD, the provider of sewer service, in coordination with the City of East Palo Alto, the land use planning authority, are important to obtaining public funds for infrastructure improvements; without an implementation plan for infrastructure, EPASD will not be competitive for available funds, the risk of sewer system overflows (SSOs) may increase, and future fixes will be more costly to ratepayers particularly if conditions affecting the system worsen. The County Grand Jury[330] and the City of East Palo Alto's General Plan Update[331] expressed concern about changing climate conditions contributing to flooding in a County and City with low-lying lands already prone to floods.

EPASD Capital Improvement Program Costs

The 2021 Addendum to the 2015 EPASD Master Plan Update ("2021 Addendum")[332] recommends a capital improvement program (CIP) to address potential surcharging predicted to occur from existing development, and in the future from new development at buildout. The opinion of probable project cost (OPPC) for collection system improvements estimates $35.16 million[333] including trunk line improvements (refer to the 2021 Addendum for more detail about methodology and cost assumptions); treatment plant capacity could add an estimated $5 million.[334] **Figure 5-5** summarizes the components of the CIP which are further described following the cost table.

The 2021 Addendum evaluates hydraulic capacity of key sanitary sewer system elements and capacity enhancement measures as required by the 2021 SSMP and SSMP best practices, however the document lacks several additional requirements of the SSMP: 1) prioritization, alternatives analysis, and schedules for completion of projects; 2) a CIP implementation schedule, and 3) identify sources of funding.[335]

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[330] Flooding Ahead: Planning for Sea Level Rise, San Mateo County Grand Jury, June 4, 2015.

[331] City of East Palo Alto General Plan 2035, pg. 9-1.

[332] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021.

[333] Addendum to the March 2015 Master Plan Update, Attachments, Table 17.

[334] Trunk line cost estimate from presentation by Freyer Laureta Inc. to EPASD Special Board Mtg., Oct. 22, 2020.

[335] EPASD Sanitary Sewer Management Plan (SSMP), Revised August 12, 2021, pg. 42.

Figure 5-5 EPASD Proposed Capital Improvement Program Costs

	Item	TOTAL
	Collection System	
1	Existing Capacity Deficiencies	$23,877,600
2	Capacity for New Development (exc. trunk line)	8,769,600
3	Other CIP Improvements	2,508,900
	Subtotal	$35,156,100
	Trunk Line	
4	Trunk Line Upgrade	Included in Collection System
5	**Total, Collection System & Trunk Line**	$35,156,100
	Treatment Plant	
6	Capacity for New Development	$5,000,000
	TOTAL	$40,156,100
7	**Ongoing Annual Repair/Replacement**	$500,000 - $1 mill.

1 Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, April 28, 2021, Table 5, Conceptual OPC Eliminating Surcharge Under Existing PWWF.

2 Cost of capacity for new development assumed equal to cost of eliminating surcharge under PWWF (Addendum, Table 15) excluding trunk line less cost to eliminate existing deficiencies under PWWF (Addendum, Table 5).

3 Other system improvements equal the difference between total CIP cost (Table 17) and cost to eliminate surcharge under proposed PWWF (Table 15).

4 Trunkline cost from Presentation by Freyer Laureta Inc. to EPASD Special Board Mtg., Oct. 22, 2020.

5 See Addendum to EPASD Master Plan Update, Table 17.

6 Estimated cost for treatment plant capacity from Bartle Wells Assoc. Presentation to Board, Expansion Funding & Rate Scenarios, Jan. 7, 2021.

7 The 2019 EPASD Rate Study recommended rates based on approximately $1.0 million spent annually for pipeline repair and replacement (FY21-22 estimate, subsequent forecasted years adjusted for inflation). EPASD spent $530,000 annually FY16-17 through FY19-20 per audited financial reports.

2021-12-13

Existing Collection System Capacity Deficiencies and Risks – The 2021 Addendum to the 2015 EPASD Master Plan Update (2021 Addendum)[336] identifies pipelines predicted to surcharge based on 24-hour flows from a 10-year storm event. The recommended increases in pipe capacity to eliminate surcharging given existing land use development (absent new development), totals $23.88 million.[337]

[336] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021.

[337] Addendum to the March 2015 Master Plan Update, Attachments, Table 5.

The total cost to replace pipes without adequate capacity to serve existing land uses in the event of a 10-year storm event does not include ongoing costs to replace failing pipes,[338] except to the extent that replacing and increasing pipe capacity may concurrently replace failing pipes. EPASD does not have a proposed schedule for repair and replacement of pipes and does not identify pipes to be replaced that may also be prioritized for repair, so the total cost for repair is unknown. As noted below in the section "Ongoing Repair/Replacement", EPASD's audited financial reports show that capital additions for pipes and collection facilities averaged $530,000 per year from FY16-17 through FY19-20.[339]

Capacity for New Development – The estimated cost to upsize pipes to accommodate new development, in addition to eliminating potential surcharging from existing development during a storm event, totals $33.65 million.[340] The additional cost attributable to new development is $9.77 million; the cost to accommodate new development during storm events is based on the between the $33.65 million total cost including new development minus $23.88 million to eliminate potential surcharging from existing development. The cost estimates include costs for trunk lines.

The 2021 Addendum does not report the impact on depth of flows relative to pipe diameter (d/D)[341] from new development in the absence of increased pipe capacity to address predicted surcharging and sewer overflows from existing development.[342] In other words, it is unknown whether the d/D from new development would increase d/D to an unacceptable level in the absence of any increased pipe capacity, or whether it would be less than 1.0 d/D surcharge condition, and if so, how much less. The 2021 Addendum does not define a d/D standard except to state the new development PDWF d/D should be below predevelopment conditions but does not cite a specific d/D standard. Separately, the District has indicated that its d/D standard is 0.65.[343]

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[338] General Manager Okupe clarified that the above costs do not include replacement of old pipes that currently serve existing customers but correct system capacity deficiencies under peak wet weather flow. He stated that additional costs will be incurred over the next 15-20 years based on the failure of existing pipes which would require utilization of the District's reserve funds up to approximately $15 million. (Special Board Meeting Minutes, Oct. 22, 2020, Item 6).

[339] EPASD Financial Reports, Note 3 – Capital Assets.

[340] Addendum to the March 2015 Master Plan Update, Attachments, Table 15.

[341] The d/D (depth/diameter of pipe) indicates flows compared to pipe capacity; a d/D of 1.0 means that the depth of flows is equal to the diameter of the pipe, and therefore 1.0 means the pipe is full or in a surcharged state.

[342] For example, Table 11 in the 2021 Addendum (text erroneously refers to Table 11 as "Table 12") includes flows from new development and increased pipe capacity so it is not possible to see the impact of new development on d/D without the larger pipes.

[343] Interview with A. Okupe, EPASD General Manager, 2021-11-09.

Other Collection System Improvements – Additional costs are included in the Proposed CIP's total estimated costs to upsize pipes and further reduce d/D to levels generally comparable to the PDWF levels existing before adding flows from new development, and to a level less than a d/D of 0.65. It is assumed these additional increases in pipe capacity are included by EPASD in order to further reduce d/D but the applicable standards and basis for the pipe sizes are not clear.

Trunk Line Upgrade – The 2021 Addendum notes that "portions of the existing trunk sewer... are predicated [sic] to flow under surcharged conditions but SSOs are not predicated [sic] to occur."[344] The 2021 Addendum further states that full buildout requires construction of a parallel trunk line "...to eliminate surcharging between Manhole T12 and Manhole T1."[345] The line will operate during peak wet weather periods parallel to the existing trunk line.[346]

According to the District and a presentation by its engineering consultants, the existing trunk line has limited available capacity for new development but could presently support a maximum of 100,000 gpd or the equivalent of 415 additional EDUs.[347]

Treatment Plant Capacity for New Development – EPASD has contractual rights to 7.34% of total capacity in the Palo Alto Regional Water Quality Control Plant. As described in this chapter under "Wastewater Services", this capacity equates to approximately 2.9 MGD. In 2020, EPASD recorded an ADWF of 0.61 MGD, which is approximately 21 percent of its allocated treatment capacity. ADWF from new development is projected to be 1.08 MGD[348] indicating near-term treatment plant capacity is available.

Ongoing Repair/Replacement – As noted above in the discussion of "Infrastructure and Facility Assets", the District pursues an ongoing program to replace pipes based on condition inspections. "Construction Replacement Fund" budgeted expenditures average $1.0 million from FY16-17 through FY19-20 according to EPASD budgets. However, EPASD's audited financial reports show that capital additions for pipes and collection facilities averaged $530,000 for the same time period.[349]

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[344] Addendum to the March 2015 Master Plan Update, pg. 3 of 9.

[345] Addendum to the March 2015 Master Plan Update, pg. 6 of 9.

[346] Addendum to the March 2015 Master Plan Update, Table 17, footnote 3.

[347] Sanitary Sewer Master Plan Addendum: Trunk Sewer Capacity Review, presentation to EPASD Board, Feb. 18, 2021, Freyer Laureta, Inc., online video recording at approximately 29:30. See 55:55 for capacity findings.

[348] Addendum to the March 2015 Master Plan Update, pg. 5 of 9.

[349] EPASD Financial Reports, Note 3 – Capital Assets.

The 2019 EPASD Rate Study recommended rates based on approximately $1.0 million annually for pipeline replacement (FY21-22 estimate, subsequent forecasted years adjusted for inflation).[350]

EPASD Capital Improvement Program Phasing

The 2021 Addendum does not prioritize needed improvements (i.e., for likelihood of surcharging and SSOs) nor does it provide a timeline or phasing plan for individual improvements, contrary to best practice recommendations noted above in the section "EPASD Proposed Capital Improvement Plan (2021 Addendum)" and also recommended by EPASD's SSMP. The District is preparing to contract for pipe inspection.[351]

Capital Improvement Funding

The 2021 Addendum does not include a plan to finance needed improvements, contrary to best practice recommendations noted above in the section "EPASD Proposed Capital Improvement Plan (2021 Addendum)" and also recommended by EPASD's SSMP.

As noted above in the section "Ongoing Repair/Replacement", EPASD's annual investment in its pipes averaged $530,000 from FY16-17 through FY19-20, although the District has budgeted larger amounts most years. The 2019 EPASD Rate Study recommended rates based on approximately $1.0 million spent annually for pipeline replacement (FY21-22 estimate, subsequent forecasted years adjusted for inflation).[352]

EPASD pays for ongoing repair and replacement is planned is on a "pay as you go" basis using property tax, rate revenues, capacity charges and interest earnings. These ongoing costs could be reduced in the future if EPASD replaces existing pipes to expand capacity to address projected surcharging and sewer overflows as recommended in the EPASD 2021 Addendum to the Master Plan Update. Pipe capacity funded by new development will also reduce ongoing repair and replacement.

In addition, EPASD can tap its reserves and fund balances that include accumulated connection fee revenue and pursue other funding opportunities. Potential sources for capital improvement funding include:

General Fund Revenues – According to EPASD's budgets, from FY17-18 through FY19-20 EPASD's revenues exceeded expenditures (before depreciation and transfers) by an average of about $1.5 million

[350] EPASD 2019 Sewer Rate Study, Cash Flow Projection, pg. 12.

[351] Interview with A. Okupe, EPASD General Manager, 2021-11-09.

[352] EPASD 2019 Sewer Rate Study, Cash Flow Projection, pg. 12.

annually.[353] Audited financial reports for FY17-18 through FY19-20 reported that revenues exceeded expenditures (before depreciation, principal, and transfers) by an average of about $2.3 million.[354] Deducting future debt service of $300,000 to $350,000 would allow about $2 million for a combination of ongoing repair/replacement to replace failing pipes and to address capacity deficiencies to serve existing ratepayers; this expenditure would enable an increase in annual repair expenditures consistent with levels proposed in the EPASD 2019 Rate Study, and provide funding to eliminate the risks of overflows identified in the 2021 Addendum.

Currently EPASD transfers General Fund net revenues to the Construction Replacement Fund and/or builds the General Fund balance for future expenditures, but a portion of these surpluses could also help to repay long-term debt to mitigate the risks of surcharging and potential sewer overflows as identified in the 2021 Addendum. The available amount of these funds would depend upon the costs for ongoing capital repair and replacement not otherwise funded by the long-term debt.

Capacity Charges – The 2018 EPASD Capacity Charge Study updated and increased EPASD capacity charges to $6,060 from $3,625.[355] per Equivalent Dwelling Unit (EDU). EPASD's capacity charges seek to achieve the following goals:[356]

- Recover the full costs of wastewater system infrastructure and assets benefitting new development to help ensure that growth pays its own way and does not place a financial burden on existing customers;
- Equitably recover costs based on the new or increased capacity needs of each new development or redevelopment project;
- Be consistent with industry-standard practices and methodologies;
- Comply with the government code.

The capacity charges are deposited to EPASD's Connection Fee Fund.

[353] FY17-18 through FY19-20 are based on "actuals" from EPASD approved budgets; FY20-21 and FY21-22 are adopted budget estimates.

[354] EPASD Financial Reports, Statement of Revenues, Expenses, and Changes in Net Position, pg. 8.

[355] EPASD letter to A.Borden from R.Laureta, District Engineer, July 16, 2015, re: Second Plan Check and Connection Fees.

[356] 2018 EPASD Capacity Charge Update, pg. 1.

As noted in the section above, "Infrastructure and Facility Assets", the 2018 capacity charge update did not anticipate significant existing capacity risks and related costs, or major new development proposals and required capacity expansion; therefore, the capacity charges did not incorporate these costs. The connection fees utilized the full replacement cost of the existing system and may correspond to a revised charge; however, this is unknown pending an update to the connection charges.

While capacity charges alone may be insufficient to fully fund required improvements, an updated charge could be important if current developers pay for "oversizing" beyond the need generated by their project, and thereby qualify for reimbursement from future projects benefiting from the oversizing.

Fund Balances and Reserves – As described above in the "Reserves" discussion, EPASD's FY20-21 budget indicated a total of $16.2 million in fund balances, and the EPASD audited financial statements reported $19.2 million for the same point in time. However, the amounts available for infrastructure might be reduced by funds required to meet reserve targets.

Grants and Loans – Other potential sources include State and Federal grants and low interest loans. For example, State Revolving Fund loans commonly fund sewer improvements, although the grant application process can be extensive and demand staff resources. EPASD did receive an SRF loan to finance construction of the Cured in Place Siphoning Project. No grant proposals or loan applications are planned or in process. New funding could become available as a result of the recently approved Infrastructure Act.

A staff report to the Joint East Palo Alto and EPASD Intergovernmental Committee described the City's success in obtaining over $75 million in grants to support City infrastructure projects and initiatives, with another $34 million in grants pending.[357] The success is due in part to the City's designation as a Disadvantaged Community. The report identified a number of available grant programs including the Infill Infrastructure Program, Community Development Block Grants (CDBG), and Water Infrastructure Finance and Innovation Act (WIFIA). EPASD could collaborate with other entities to improve the prospects of successful applications, and benefit from the Disadvantaged Community status of the area which is one factor that can prioritize an application for certain grants; a plan to address SSO's is another factor that improve an application's priority.[358]

[357] Joint East Palo Alto and EPASD Intergovernmental Committee Staff Report, K. Fallaha, P. Heisinger, and A. Okupe, Sept. 20, 2020.

[358] U.S. Code Title 33 §1301, Sewer overflow and stormwater reuse municipal grants.

Revenue Bonds – Revenue bonds provide a financing mechanism to fund large-scale infrastructure improvements through debt repaid by current and future beneficiaries of the system. In the case of major improvements, using debt is a means to not burden current users by spreading long-life infrastructure and its costs equitably over many years.

The use of debt financing and existing net revenues could leverage developer funding for developer-required capacity and minimize or eliminate significant impacts on existing ratepayers. While EPASD sewer rates have remained low, deferring the costs of addressing existing deficiencies increases risk of future failure; debt funding for major improvements could reduce risks of failure of aging pipes, and improve new developments' ability to fund their share of additional expansion costs. Other agencies, for example, the City of South San Francisco, determined that sewer revenue bonds were appropriate for improvements that "will result in citywide benefits", specifically for sewer treatment capacity required by increased development in the East of 101 Area.[359] The City's recent sewer rate study proposes "pay-as-you-go" funding of their CIP, but also states that if "significant additional capital improvements are needed within the next 5 years, the City can evaluate the potential use of debt financing."

Other Developer Funding – EPASD has discussed financing district formation, and in one case has obtained funding directly from a developer; an agreement with the Light Tree Apartments developer provided $2.5 million of developer funding (including capacity charges and administrative fees) for sewer pipeline improvements[360] to be supplemented by District funds of $2 million.[361] The agreement requires the developer to fund improvements by EPASD required to expand the sewer system, including downstream pipelines, to handle increased flows. The agreement recognizes that a portion of the funds provided may pay for improvements that will benefit future development, and therefore the developer may be entitled to reimbursement from those future developers; the terms of such potential reimbursements are not defined. The Light Tree project has been stalled (as of 3/15/2022) by issues related to increased costs and environmental review and project funding is at risk of default; EPASD, the City of EPA, and the developer have been unable to determine a path forward.

Cities and districts commonly negotiate development agreements with large development projects that incur significant impacts and/or costly required additional infrastructure not otherwise planned and funded by the agency. In exchange for development entitlements and certainty regarding long-term development buildout, the development would fund its impacts and required infrastructure, receiving

[359] Genentech Facilities Ten-Year Master Plan, South San Francisco, Adopted April 28, 2007.

[360] Wastewater Service Agreement between EPASD and Light Tree Two, LLP, June 12, 2020.

[361] EPA City Council Staff Report, March 15, 2022, re: Issues Concerning the Light Tree Affordable Housing Project and the EPASD.

credits for impact fees and in-kind construction. Development agreements are most typical for large-scale, long-term development projects generally requiring physical extension of agency services and infrastructure.

“Greenfields” development is an example of development often funding its impacts using development agreements and/or financing districts, in-kind construction, and cash contributions. The situation in EPASD differs from typical greenfields projects because the system improvements are largely increased pipe sizes within the existing system rather than extensions of the system. While some pending development projects are relatively large, several current projects and future developments include increased density on existing developed properties due to zoning changes. Infrastructure improvements serving a new development project within EPASD will also benefit existing ratepayers by reducing unit costs of pipe improvements that are also required to be upgraded to serve existing development without risk of surcharging or overflows. These sorts of cost efficiencies are recommended by the EPASD Connection Fee Update Study compared to more costly, incremental improvements requiring further upgrade in the future.

FRAMEWORK FOR A CIP FINANCE PLAN

This section outlines an approach to develop a financing plan to help implement the EPASD proposed CIP documented in EPASD's 2021 Addendum to the 2015 Master Plan Update. The approach is based on EPASD goals, policies and engineering plans, in addition to best practices of other agencies and legal requirements. It is intended that this framework provides a basis for further analysis and refinement and creates a path forward to resolve current bottlenecks blocking economic development, new affordable housing opportunities, and improved City fiscal sustainability for services to the East Palo Alto community.

Consistent with State law and EPASD practices, the framework does not propose that existing ratepayers fund expansion costs required to serve new development. Proposition 218, approved by California voters in 1996, amended the California constitution to require, for example, that sewer fee increases cannot exceed the cost of providing service; can only be used for the purpose imposed; and must be proportional to costs of service.[362]

Debt financing secured by existing ratepayers would only be utilized to fund improvements required to upsize pipes consistent with findings of the EPASD 2021 Addendum to the 2015 Master Plan Update in order to eliminate the risk of sewer overflows from existing land uses as predicted by the 2021 Addendum. EPASD's current capital program targets repair and replacement of pipes that are failing due to age and/or other factors; the program does not address expansion needs of existing uses – EPASD states that the capacity is adequate although its 2021 Addendum identifies potential overflows during a major storm event.

The framework prioritizes existing ratepayers' health, safety and financial concerns while striving to provide benefits to ratepayers who are also residents of the City of EPA and surrounding communities served by EPASD; those benefits include increased tax revenue to both EPASD and to the City of EPA, increased economic development, jobs and related revenues, and additional affordable housing. Controlling costs is of paramount concern to EPASD; the framework discussed in this section recognizes that residents' health and safety and protection from potential sewer overflows identified by EPASD should be balanced against maintaining low sewer rates and not subsidizing new development.

[362] Cal. Const., art. XIII C, § 2. Article XIII D, section 6, subdivisions (a) and (c).

CIP Finance Plan Goals and Objectives

The following goals and objectives that shape the proposed framework for a CIP finance plan are drawn from EPASD documents as noted below and from other footnoted industry sources.

1. Provide safe, efficient, and cost-effective sanitary sewer services.[363] (source: 2021 EPASD SSMP)

   Although EPASD has not had a sewer overflow in more than ten years, the 2021 Addendum predicted surcharging and sewer overflows from existing development in the event of a major storm event. This framework assumes that EPASD should take steps to address these issues.

2. Ensure that growth pays its own way and does not place a financial burden on existing customers.[364] (source: 2018 EPASD Capacity Charge Update)

   As noted by the District, this is a long-standing policy of EPASD.[365] This MSR proposes a framework for a CIP finance plan that is consistent with this principle.

3. Equitably recover costs based on the new or increased capacity needs of each new development or redevelopment project.[366] (source: 2018 EPASD Capacity Charge Update)

   This principle assumes that new development pays its allocated, incremental share of cost. Similarly, existing development should pay its share of costs to address insufficient capacity during major storm events, and new development should not be burdened with existing deficiencies.

4. Include recommended projects to address capacity deficiencies in the system and determine "a sequence of construction ... based on EPASD's observations of existing pipe conditions ***and new development needs***." (emphasis added)[367] (source: 2021 EPASD SSMP).[368]

[363] 2021 EPASD SSMP Update, pg. 8.

[364] 2018 EPASD Capacity Charge Update, pg. 1.

[365] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[366] 2018 EPASD Capacity Charge Update, pg. 1.

[367] 2021 EPASD SSMP Update, pg. 43.

[368] 2021 EPASD SSMP Update, pg. 42.

5. Include impact fees within the connection fees to help contribute to future downstream projects needed for extra pipe capacity.[369] (source: 2021 EPASD SSMP)

   EPASD's SSMP references "impact fees" although as noted by EPASD "the notion of an 'impact fee' is inaccurate. The costs of system upgrade construction ('impact costs'), are the responsibility of the developer. No fees for construction are required or collected by EPASD."[370]

   However, EPASD does collect a "capacity charge" which the 2018 EPASD Capacity Charge Study states should "***Equitably recover costs based on the new or increased capacity needs of each new development...***"[371] (emphasis added). As noted elsewhere in this MSR, the EPASD capacity charge does not account for the costs of new or increased capacity of new development and should be updated accordingly. Capacity charges alone may be insufficient to fully fund needed improvements but can provide an important source of upfront funding. In addition, collecting capacity charges from future development that benefits from "oversized" improvements funded by a developer can reimburse that initial developer for allocated shares. EPASD does not have a written policy for reimbursements to developers.

6. Sustain investment to increase performance levels and avoid significant interruptions created by failure of arterial infrastructure.[372] As noted by the District, "this is consistent with long-standing EPASD policy. A recent example is a new electronic flow monitoring network that warns of overflow problems and provides engineering data for system maintenance, the current full-system tv inspection."[373]

[369] 2021 EPASD SSMP Update, pg. 42.

[370] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

[371] 2018 EPASD Capacity Charge Update, pg. 1.

[372] El Dorado Irrigation District Operation Budget and Financial Plan Board Approved November 9, 2020, pg. 12 of 14.

[373] Comments from Dennis Scherzer, EPASD Director, to A.Okupe, 1-31-22.

7. Generate cash flow each year to fund pay-as-you-go capital construction projects while using debt financing judiciously for specific large, long-lived capital projects.[374] This enables future users to share in the costs without overburdening existing ratepayers.[375] [376]

   The proposed framework for a CIP finance plan described in this MSR proposes the use of debt to fund existing collection system deficiencies that EPASD's consulting engineers identified as potential risks for sewer overflows that are caused by and will affect existing ratepayers. The use of debt enables the burden to be spread to future ratepayers including both existing ratepayers and future ratepayers (whether they occupy homes that currently exist or new homes). No debt is proposed to fund the additional costs of expansion triggered by new development, and therefore no burden is proposed to be borne by existing ratepayers.

8. Develop priorities for repair, replacement and upgrade, as recommended by SSMP best practices,[377] focusing on EPASD goals (e.g., public health and safety, cost effectiveness, public benefit, legal requirements, etc.).

   EPASD's 2021 Addendum to the Master Plan Update does not prioritize nor provide an implementation plan or schedule for improvements recommended to eliminate the risk of sewer overflows from existing development, nor have any other such documents been identified or provided by EPASD.

9. Strive to leverage funding (e.g., grants and low interest loans, capacity charges and developer funds, existing cash flows and reserves, and rate-secured financing) to achieve multiple priorities with each project and thereby improve cost effectiveness.

   Existing ratepayers will not subsidize new development; the use of funds described in this MSR's proposed framework for a CIP finance plan adhere to the principle of restricting existing ratepayer funds to only those improvements necessary to serve existing ratepayers. Nonetheless, by coordinating improvements that benefit existing ratepayers with improvements

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[374] El Dorado Irrigation District Operation Budget and Financial Plan Board Approved November 9, 2020, pg. 12 of 14.

[375] El Dorado Irrigation District Annual Comprehensive Financial Report For the Years Ended December 31, 2020, and 2019, pg. xii.

[376] El Dorado Irrigation District Annual Comprehensive Financial Report For the Years Ended December 31, 2020, and 2019, Note 4 Long-Term Liabilities, pg.44.

[377] A Guide for Developing and Updating of Sewer System Management Plans (SSMPs), Sept. 2015.

funded by and benefitting new development, economies of scale and cost efficiencies can be better achieved as called for by the EPASD 2018 capacity charge study. The 2018 capacity charge study emphasizes "...the principle that agencies and their customers benefit from economies of scale by building infrastructure sized to meet projected future demands, which results in a lower average cost per unit of capacity than if infrastructure was built on a piecemeal basis as growth occurs."[378]

Illustrative CIP Finance Plan

While a number of steps by EPASD are necessary to refine a CIP Finance Plan, **Figure 5-6** illustrates one possible framework and approach. The framework assumes that EPASD must take a proactive approach to remediate existing capacity deficiencies as well as provide a transparent, rational and cost-effective approach to better serve planned City of EPA growth and development as determined by its residents' General Plan Update.

EPASD's current approach is unlikely to allow new development; the magnitude of potential costs to fix existing deficiencies and expand infrastructure exceed the financial ability of any single developer, particularly without a District structure or mechanism for sharing costs. The relatively large number of current and future developments, both large and small, and the nature of required capacity expansions is closely integrated into the current system. Individual piecemeal projects and financial arrangements is costly and inefficient, as confirmed by EPASD's 2018 Capacity Charge Study.

The approach seeks to achieve the objectives described above, including the requirement that existing ratepayers will not pay for new development's share of costs. The approach also strives to minimize rate increases for ratepayers to address existing capacity issues posing risks to the health and safety of existing residents and property. To the extent possible, the approach recognizes that improvements to serve new development can also benefit existing ratepayers, who are largely also residents of the City of EPA, by increasing the size of construction projects and thereby reducing "per-unit" costs for improvements serving existing ratepayers.

Benefits also accrue from increased property tax revenues to EPASD, increased rate revenue (net of additional cost increases to serve new development), and other benefits to residents of the City of EPA in the form of additional tax revenues, affordable housing, and other economic and social benefits.

[378] EPASD, Capacity Charge Study, 2018, p. 3.

An EPASD CIP finance plan should be developed by EPASD consultants that prioritizes improvements, phases improvements over time considering greatest need and flows from future new development. The CIP finance plan can distinguish improvements that benefit existing residents from improvements benefitting new development and funded by new development. The Plan should develop appropriate allocations of cost where those improvements are shared, for example, using the relative cost estimates in the 2021 Addendum. The Plan should consider a broad range of capital funding sources as described above in the section on "Capital Funding". Illustrative funding is described below.

Debt funding is assumed the primary source of funding to eliminate surcharging and the risk of SSOs from storm event flows from existing development. EPASD has stated its opposition to debt for any purpose, however, the use of debt is a common way for public agencies to fund large improvements and spread costs to future ratepayers, including new development, that benefit from the improvements. This debt potentially could be sized to utilize existing net EPASD revenues without requiring an increase in sewer rates. Installation of new pipes could prioritize replacing pipes most likely to fail; pipes in greatest need of capacity expansion to serve existing development; pipes that will serve existing development and will utilize developer funding thereby achieving cost efficiencies to existing ratepayers. The use of existing reserves available for capital improvements could help to reduce the amount of debt required.

Developer funding of pipe replacement may be needed to augment capacity charges and other sources. EPASD capacity charges should be reviewed and updated to reflect impacts of new development and anticipated growth. Future capacity charges could be included in the CIP finance plan as a way to reimburse funds advanced by developers for oversized infrastructure that benefits other developers.

EPASD should pursue grants and low-interest loans to reduce costs to existing residents and increase the likelihood of fully implementing improvements proposed in the EPASD Addendum without adversely affecting existing residents. The absence of a CIP with a schedule, priority, costs and funding of improvements will reduce prospects for obtaining state and federal funds.

Figure 5-6: Illustrative CIP Finance Plan

	Item	TOTAL COST	Existing and New Ratepayers				New Development Requiring Expansion				
			General Fund (11)	Reserves (12)	Revenue Debt (13)	SUBTOTAL FUNDING	Maximum Advance Funds (14)	Initial Capacity Charges (15)	SUBTOTAL FUNDING	Future Capacity Charges (16)	TOTAL COST & FUNDING
	Collection System										
1	Existing Capacity Deficiencies	$23,877,600	$5,535,600	$5,000,000	$13,342,000	$23,877,600					$23,877,600
2	Capacity for New Development	$8,769,600				$0	$5,726,800	$3,042,800	$8,769,600		$8,769,600
3	Other CIP Improvements	$2,508,900	$1,586,000			$1,586,000	$923,000		$923,000		$2,509,000
	Subtotal	$35,156,100	$7,121,600	$5,000,000	$13,342,000	$25,463,600	$6,649,800	$3,042,800	$9,692,600		$35,156,200
	Trunk Line										
4	Trunk Line Upgrade				Included in Collection System						
5	**Total, Collection System & Trunk Line**	$35,156,100									$35,156,100
	Treatment Plant										
6	Capacity for New Development	$5,000,000								$5,000,000	$5,000,000
	TOTAL	**$40,156,100**	**$7,121,600**	**$5,000,000**	**$13,342,000**	**$25,463,600**	**$6,649,800**	**$3,042,800**	**$9,692,600**	**$5,000,000**	**$40,156,200**
	Other Uses of Funds										
7	Reimbursements & CIP									19,227,198	
	Annual										
8	**Ongoing Annual Repair/Replacement**		$800,000								
9	**Annual Debt Service (Revenue Bond)**		$739,000								
10	**Total Annual**		$1,539,000								

Notes to Table 5-2

1 Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, April 28, 2021, Table 5, Conceptual OPC Eliminating Surcharge Under Existing PWWF.
2 Allocation of cost of capacity for new development assumed equal to cost of eliminating surcharge under PWWF (Addendum, Table 15) excluding trunk line less cost to eliminate existing deficiencies
3 Other system improvements equal the difference between total CIP cost (Table 17) and cost to eliminate surcharge under proposed PWWF (Table 15).
4 Trunkline cost from Presentation by Freyer Laureta Inc. to EPASD Special Board Mtg., Oct. 22, 2020.
5 See Addendum to EPASD Master Plan Update, Table 17.
6 Estimated cost for treatment plant capacity from Bartle Wells Assoc. Presentation to Board, Expansion Funding & Rate Scenarios, Jan. 7, 2021.
7 Future capacity fees assumed to be applied towards allocated cost of expansion required by new development and to reimburse developer advance funding for "oversizing" improvements; additional fee
8 The 2019 EPASD Rate Study recommended rates based on approximately $1.0 million spent annually for pipeline repair and replacement (FY21-22 estimate, subsequent forecasted years adjusted for inflation). EPASD spent $530,000 annually FY16-17 through FY19-20 per audited financial reports. Amounts required will vary depending on need; amounts assumed to decline as pipes are replaced and
9 Revenue bond assumes 30-year, 3.5 interest, $13.342 proceeds after deducting $258k issuance/underwriting costs. Actual proceeds and costs will vary over time and depend on specific type of financial
10 Annual expenditures based on available funds per review of audited financial statements. Actual future amounts will vary; EPASD should update its rate and connection charge studies, and prepare a
11 General Fund revenues in future years available on a "pay as you go" basis to augment other funding for major capital improvements.
12 Additional reserves may be available depending on EPASD allocations for other purposes. Reserves could also be used to reduce amount of debt issued.
13 See #9 above for financing assumptions. Debt will be repaid from net revenues from existing ratepayers and from future new development.
14 Developer advance funds assumed for allocated expansion costs attributable to new development not covered by capacity charges. Amount will depend on specific infrastructure required and other funding available.
15 "Initial Capacity Charges" assume 502 pending EDU applications and charge of $6,060/EDU.
16 Future capacity charges assumed applied to reimburse Developers' advance funds (see #14) and be available for plant expansion and other capital improvements; assumes approximately 4,000 new EDU's through General Plan buildout in addition to pending applications. Actual amounts and timing depend on future development.

SUMMARY OF EAST PALO ALTO SANITARY DISTRICT MSR DETERMINATIONS

Growth and Population Projections

5-1: As of 2020, based on the number of residential connections served and the average household size in the cities served, it is estimated that EPASD's population is approximately 26,622.

5-2: It is assumed that EPASD's growth will closely mirror that of the City of East Palo Alto. Based on the current population estimate within the District and ABAG's growth projections through 2040, it is projected that there will be 31,335 residents within the EPASD in 2040, an increase of approximately 4,700 residents.

5-3: As of December 2021, there were 20 unconstructed development projects within EPASD in some phase of the application and construction process consisting of 1,469 dwelling units and 4,244,139 square feet of nonresidential building space. A majority of the larger developments are located in the Ravenswood/4 Corners TOD Specific Plan area.

5-4: In addition to the substantial number of sizeable developments, the City is experiencing intensification of uses on properties with existing dwelling units where a number of accessory dwelling units are being added. Recent changes in state law allowing a streamlined permitting process for accessory dwelling units (ADUs) will likely prompt a greater number of ADU additions. However, 12 ADUs have been stalled as they have been unable to get approval for connection to EPASD's system.

5-5: Lack of EPASD sewer collection system capacity is an impediment to development in the City. Developers have indicated concerns that the costs to connect are prohibitively expensive and that EPASD has been unwilling to discuss financing options to make connection more feasible. Efforts to-date to resolve this issue have been largely unsuccessful. Constrained development deprives the City and its residents of increased taxes and other revenues to maintain and improve public services, reduces future affordable housing and ability to meet RHNA housing allocations, and limits growth in job opportunities.

The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI

5-6: According to the Department of Water Resource's Disadvantaged Communities mapping instrument, there are no communities within or contiguous to the District that meet the definition of a disadvantaged unincorporated community, as the District only serves incorporated portions of the City of East Palo Alto and the City of Menlo Park. However, there is a single Block Group (060816121002) within District's territory to the west of Highway 101 that

meets the definition of disadvantaged. The area has an estimated population of 2,232 with a median household income of $45,731.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

5-7: While sufficient treatment capacity exists to meet the needs of current and a portion of future demand, EPASD reports an inadequate collection system capacity to serve increased flows expected from pending development applications. EPASD faces significant financial challenges to fund capacity enhancements to eliminate the potential for sewer overflows that are compounded by proposed new connections. Large-scale capacity enhancements are costly and difficult to complete in a piecemeal fashion as development occurs.

5-8: Based on overflow rates, infiltration and inflow, regulatory compliance, preventative maintenance practices, speed of response times to customer reports of issues, and the number and type of complaints related to wastewater services, EPASD provides an adequate level of wastewater collection services to existing ratepayers.

5-9: Infrastructure capacity needs are appropriately identified in EPASD's 2021 Addendum to the 2015 Master Plan Update. EPASD focuses on assessing the current condition of the piping and replacing or relining pipe as needed, and EPASD asserts that current collection system capacities are adequate to serve existing ratepayers; this position appears contrary to the results of the 2021 Addendum that predict surcharging and sewer overflows under peak wet weather flows. EPASD states that the 2021 Addendum is a theoretical model and EPASD has not experienced a sewer overflow in the past ten years.

EPASD budgets $1 million annually towards "Construction Replacement" (not including developer contributions); actual capital expenditures have been less. The 2021 Addendum identifies 110 segments to be upsized to ensure that the system is not operating at a surcharge or at risk of overflows during a storm event.

5-10: Information on the age of the collection infrastructure conflicts, as identified by the RWQCB in its most recent inspection; this data was not provided by EPASD when requested for the preparation of this MSR. 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.

5-10: There is a need to comprehensively update EPASD's primary planning documents, such as the Master Plan, Sewer Rate Study, and Capacity Charge Study to meet the current needs of EPASD, taking into consideration existing circumstances that have surfaced, and enhancing transparency for rate payers, members of the community, developers, and others regarding the full extent of

current and future infrastructure needs and associated financing requirements and funding sources. These updates can document and communicate plans to cost-effectively manage EPASD infrastructure maintenance and replacement, address the potential for sewer overflows from existing uses during storm events, and assure that existing ratepayers do not subsidize costs incurred to serve new development.

Financial Ability of Agencies to Provide Services

5-11: EPASD's strong financial position and healthy reserves are the outcome of property tax revenues that supplement services charges, and a relatively low-cost structure. This financial position enables EPASD to maintain low annual charges to ratepayers compared to other sanitary districts.

5-12: However, the District's priority to maintain low rates can adversely affect services and infrastructure by hampering the District's ability to implement best practices and address existing system capacity deficiencies to reduce risks of sewer overflows from existing uses. Low rates that do not account for the need to address projected surcharging and potential sewer overflows can adversely affect ratepayers financially in the long run. Lack of staff resources contributes to an inability to provide clear, up-to-date, and transparent information to ratepayers, the City of East Palo Alto, property owners and developers, and other stakeholders; and produces insufficient financial planning to establish cost-effective and equitable infrastructure financing to facilitate plans adopted by the City of EPA which represents a majority of EPASD residents.

5-13: The lack of future development capacity indirectly affects ratepayers who are also residents of the City of East Palo Alto, as the inability to serve new development reduces growth in City revenues for services and financial resiliency, provides fewer affordable housing opportunities, and constrains the community's commercial base and job growth.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

5-14: EPASD generally complies with legal requirements to ensure accountability and transparency. Improvements include ensuring Board Members are up-to-date on ethics training and that all policies and procedures are readily available on its website. Staff reports for District meetings are often not provided, or the narrative for agenda items provides minimal information about the proposed meeting topic or recommended action by the Board.

5-15: The compensation and benefits offered to EPASD's governing body is exceptional compared to neighboring sanitary districts and even compared to compensation of the City of EPA's Council

Members. EPASD should consider aligning board compensation with that of similar service providers.

5-16: Transitioning EPASD into a subsidiary district of the City of East Palo Alto is a governance structure option that may benefit the City and its residents by facilitating funding of capital projects to address existing risks of sewer overflows during storm events, and capacity constraints that impede City of EPA planning and achieving City objectives that also benefit most EPASD residents as citizens of the City of EPA.

Recommendations

1. **Ethics Training** - It is recommended that EPASD ensure that board members receive the required ethics training every two years.

2. **Policies and Procedures** - These policies are not readily accessible on EPASD's website, and in order to ensure transparency, it is recommended that the District make available all policies on its website.

3. **Update Capacity Charges** -- The update should reflect current development trends and recent CIP cost updates to assure that development pays its share of expansion costs without burdening existing ratepayers. The capacity charges can help fund required infrastructure and provide a mechanism for developer reimbursement if oversizing is required that benefits other developers.

4. **Develop CIP Financing Plan** – Consistent with best practices EPASD should prioritize improvements and identify financing mechanisms to fund existing deficiencies and future capacity needs over time. The Plan should create a standard, transparent approach for new development applications that does not require time-consuming, costly individual negotiations and custom agreements for each development.

5. **Pursue Grants and Low-Interest Loans** – A revised CIP will be essential to pursuing grants and low-interest loans. Infrastructure Act funds may provide opportunities to implement the CIP at a lower cost to ratepayers. EPASD should collaborate with other districts, the City of EPA, and/or affordable housing developers to improve prospects for obtaining funds.

6. **Evaluate and Consider Using Revenue Debt for Major Long-Term Capital Improvements** – Major improvements can be funded more cost-effectively, and costs spread to future ratepayers rather than entirely existing ratepayers. Debt payments and potential impacts on rates should be

carefully considered as part of an overall funding plan to pay for improvements that serve existing ratepayers. The use of debt, and/or other funding sources, must respect the principle that existing ratepayers do not subsidize new development.

7. **Facilitate New Development without Burdening Existing Ratepayers** – The 2021 Addendum provided an allocation between existing system capacity constraints during a storm event, and expansion required for new development that can dictate an equitable allocation and financing plan consistent with legal requirements.

8. **Improve Transparency of Budget and Financial Documents** – A clear, well-documented budget with explanations of changes, risks, and activities would improve financial transparency. The budget should better correlate with annual audited financial reports, for example, by including depreciation. Financial reports should correlate with funds reported in budgets. Annual debt obligations should be clearly documented in the budgets and should correlate with information in audited financial reports.

9. **Budget Forecasting** – Periodically update the long-term budget forecast most recently prepared in the 2019 Rate Study to reflect changing financial conditions and projections of costs and revenues.

10. **Intergovernmental Relations** – Restart and continue regular public meetings between representatives of the City of EPA and EPASD. While staff level cooperation related to development planning is ongoing, involvement by board and council members is essential for efficient and effective coordination between the City of EPA and EPASD related to infrastructure financing and other matters, including the Ravenswood Specific Plan. These meetings should be live streamed, recorded and promptly posted to facilitate public outreach and transparency.

11. **Update Sewer Rates** – The update should reflect the costs "needed to fund projected operating expenses, help fund high priority improvements to the District's aging sewer collection system, pay for the District's share of operating and capital improvement costs for the regional wastewater treatment plant, and support safe and reliable service" as outlined in the 2019 Rate Study. The update should balance the need to maintain affordable sewer rates against the importance of maintaining and improving services and infrastructure for the health and well-being of EPASD ratepayers.

12. **Independent Review of EPASD Hydraulic Analysis and Proposed Improvements** – EPASD states that the hydraulic analysis of the 2021 Addendum only indicated that the system is adequate for existing customers, however it cannot serve future developers. This statement appears to contradict the 2021 Addendum that predicts sanitary sewer overflows (SSOs) could occur at 38

manholes due to surcharge conditions in many of its pipes during a peak storm event under existing land use conditions and existing customers.[379] An independent engineering analysis should be conducted to review the hydraulic analysis and assumptions to reconcile the apparent inconsistencies between predicted sewer overflows under existing conditions and EPASD's position that the system currently is adequate. The analysis would include an update of hydraulic assumptions including flows from ADUs and residential units.

[379] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Tables 3-5.

6. WEST BAY SANITARY DISTRICT

West Bay Sanitary District (WBSD) is the regional sanitary sewer provider for City of Menlo Park and portions of Atherton, East Palo Alto, Portola Valley, Redwood City, Woodside, south county unincorporated areas and several parcels in Santa Clara County near Los Trancos Creek.

The District was first known as Menlo Park Sanitary District when it was formed in 1902 to perform a variety of public health functions including animal control, meat inspection, licensing of plumbers and garbage services in addition to sewage collection. Over time several functions were taken over by other agencies, and the District's boundaries expanded with urbanization. The District built its first sewage treatment plant in 1952, and in 1982, the South Bayside System Authority (SBSA) was formed as joint powers authority (JPA) and assumed sewage treatment responsibility for southern San Mateo County sewer agencies, including WBSD and the cities of Redwood City, San Carlos and Belmont. SBSA is now Silicon Valley Clean Water (SVCW).

A municipal service review was last conducted on WBSD in 2009.[380] Refer to the previous MSR for further detail on the history of the District.

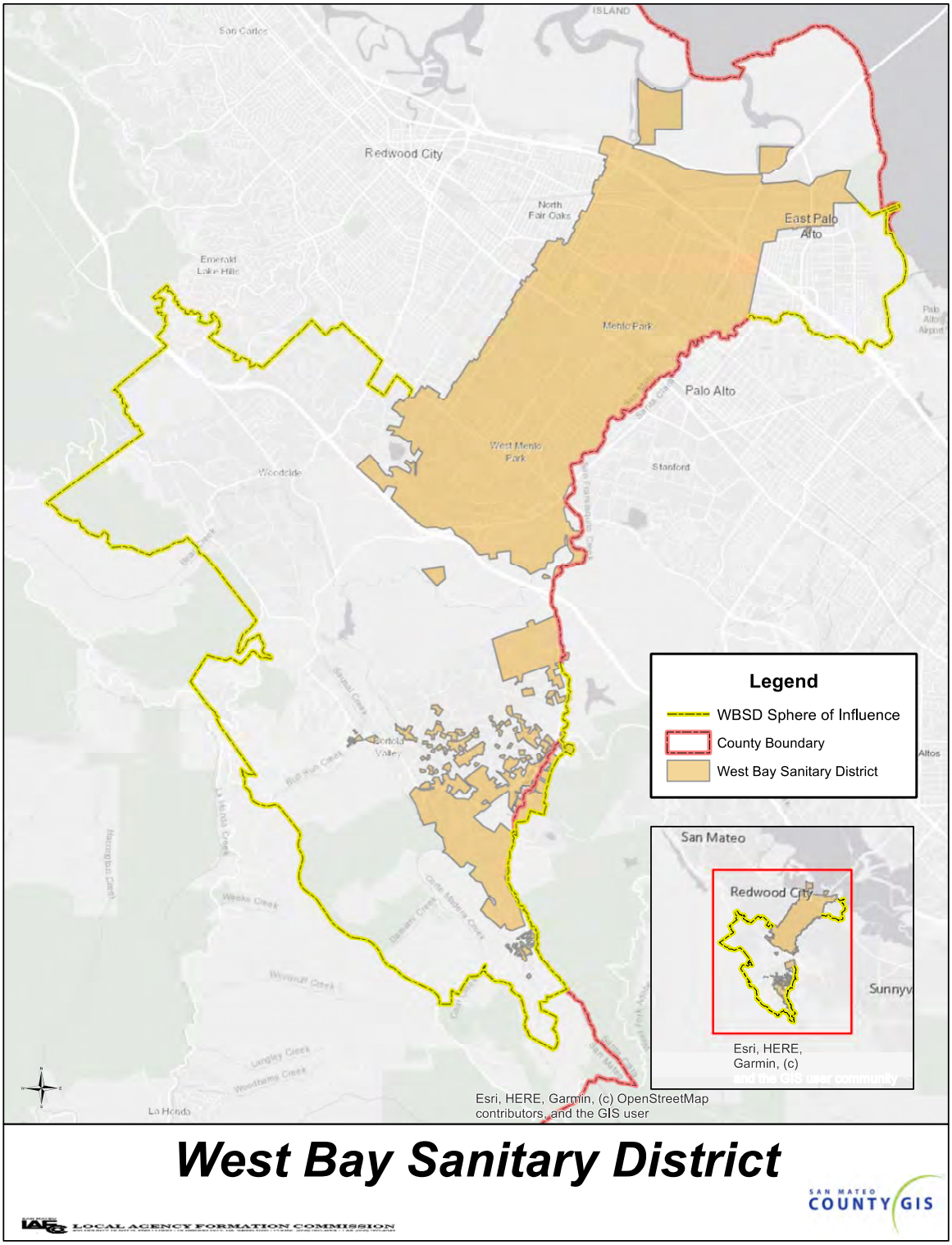
BOUNDARIES AND SPHERE OF INFLUENCE

In 1985, LAFCo adopted a sphere of influence for the District consisting of the District's boundaries at that time and portions of Menlo Park, Woodside, Portola Valley and East Palo Alto. Since that time, district boundary changes have included numerous annexations of individual properties in the Town of Portola Valley, as well as the Blue Oaks Subdivision, seventy-one existing residences in unincorporated Los Trancos Woods, and the Stanford Sand Hill Hotel Project in the City of Menlo Park. Because the District has an adopted ordinance requiring connection to the sewer once annexed, annexations typically take place when triggered by the need to abandon existing septic systems or to serve new development.

In 2009, WBSD's sphere of influence was reaffirmed as adopted in 1985. It was recognized that while lands in the western areas of the sphere may never be served by sewer infrastructure, inclusion of these areas recognize that WBSD may play a role in future state regulations concerning septic systems. Also, at that time, there was an absence of significant changes since the sphere was adopted to merit any amendment to the sphere of influence.

[380] Municipal Service Review and Sphere of Influence Update, West Bay Sanitary District, February 12, 2009.

Figure 6-1: West Bay Sanitary District Boundaries and SOI



ACCOUNTABILITY AND GOVERNANCE

Accountability of a governing body is signified by a combination of several indicators. The indicators chosen here focus on 1) agency efforts to engage and educate constituents through outreach activities, in addition to legally required activities such as agenda posting and public meetings, 2) a website with required content and other useful information, 3) timely ethics training for board members and an adopted reimbursement policy, 4) a defined complaint process designed to handle all issues to resolution, 5) adopted bylaws that provide a framework and direction for governance and administration, 6) adoption of a conflict of interest code as required by law, 7) proper filing of Form 700 by the governing body members, and 8) transparency of the agency as indicated by cooperation with the MSR process and information disclosure at meetings, in documents and on a website.

Figure 6-2: West Bay Sanitary District Profile

West Bay Sanitary District Profile			
Contact Information			
Contact:	Sergio Ramirez, District Manager		
Address:	500 Laurel Street Menlo Park, CA 94025	*Website:*	www.westbaysanitary.org
Phone:	650-321-0384	*Email:*	info@westbaysanitary.org
Governing Body			
Governing Body:	Board of Directors	*Members:*	5
Manner of Selection:	Elected at large.	*Length of term:*	4 years
Meetings Location:	500 Laurel Street Menlo Park, CA 94025	*Meeting date:*	Second & Fourth Wednesday of the month at 7:00 pm

The WBSD Board is composed of five members that are elected at large to four-year terms. Currently, two terms end in 2022 and three terms end in 2024. There are no vacancies on the Board at this time. Board members are paid $240 per meeting with a maximum of six meetings per month. The meeting stipend was increased by resolution in 2020. Directors are reimbursed direct costs, such as travel expenses for conferences. There are no further benefits (i.e., healthcare) to Directors beyond the stipend and reimbursement for costs.

Board meetings are held on the second and fourth Wednesdays of each month at 7 pm in the Board room at the District's office. Agendas are posted at the District's office and on the District's website at least 72 hours prior to a meeting. Meeting minutes are also made available on the District's website.

The District primarily conducts outreach via its website, which makes available information on meetings, bill paying, rates and fees, wastewater services, recycled water services, current projects, and planning documents. The website also makes available a hotline to report a problem. In addition to its website and other social media outreach, the District participates in the City of Menlo Park's events, including the Menlo Park Block Festival, Kite Day, Movie Night and more. The District incorporated a public outreach and education objective as part of its Strategic Plan (2014) with plans to 1) effectively communicate using the District's website, 2) utilize annual newsletters for public education purposes, 3) use public events to increase public awareness of the District, 4) utilize print communications for increased outreach, and 5) incorporate social media as a means to increase public visibility.[381]

Also of note, WBSD is a recipient of the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) for the period January 2020 to March 2023. In order to receive this recognition, the District was required to complete all transparency program requirements "designed to promote transparency in their operations and governance to the public and other stakeholders." The District has established the Open Government Section, which is charged with ensuring transparency and easy access to the public.

As mentioned WBSD maintains a website with information readily available for the public. The Special District Transparency Act (SB 929) signed into law in 2018 requires special districts in California to have websites set up by January 1, 2020, and holds special districts accountable to the Brown Act, which mandates transparency. WBSD's website meets the requirements of SB 929. In 2016, the State Legislature enacted Assembly Bill 2257 (Government Code §54954.2) to update the Brown Act with new requirements governing the location, platform and methods by which an agenda must be accessible on the agency's website for all meetings occurring on or after January 1, 2019. WBSD is compliant with the AB 2257 requirements as it has the most recent agenda readily available on its home page, along with historic meeting minutes for the past six years.

If a customer is dissatisfied with the District's services, complaints may be submitted over the phone, in writing via email or postal service, or directly to staff in the field. Complaints are tracked and managed by the front administrative office. A service technician is sent out to assess the issue. If the issue is not resolved, the customer is encouraged to call in to speak to an immediate supervisor. If there is no

[381] West Bay Sanitary District, Strategic Plan, 2014, p. 17.

resolution, the issue is raised to the District Manager. Complaints are logged in using LUCITY the District's database and asset management software. In 2020, there was one complaint submitted to the District regarding odor at the recycled water facility. The issue was due to an improper toilet gasket seal and was ruled a private matter.

The District's Board of Directors has adopted General Rules of Office for the District Board, which were last reviewed in 2016. These rules function similar to bylaws and provide a framework and direction for district governance and administration. Included in the General Rules are policies on code of ethics, conflict of interest, and travel and expense reimbursement. Separate policies have been adopted regarding compensation, reserves, public records requests, and purchasing.

The Political Reform Act (Government Code §81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (California Code of Regulations §18730), which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. As mentioned, the District has appropriately adopted a conflict of interest code.

Government Code §53235 requires that if a district provides compensation or reimbursement of expenses to its board members, the board members must receive two hours of training in ethics at least once every two years and the district must establish a written policy on reimbursements. As of 2021, WBSD Board Members receive $240 per day per Board or State Association meeting, not to exceed $1,440 per month, which equates to six days of service. It was reported that the District's board members last received ethics training in 2020. The District has appropriately established a written policy on expense reimbursement.

Government Code §87203 requires persons who hold office to disclose their investments, interests in real property and incomes by filing appropriate forms with the appropriate filing agency (i.e., the County or the Fair Political Practices Commission) each year. The District reported that all members of the Board of Directors have submitted the required Form 700 for 2020.

The District has demonstrated transparency and accountability throughout the MSR process by responding promptly and thoroughly to requests for information, participating in an interview, and reviewing draft reports comprehensively.

SERVICES PROVIDED

Operating pursuant to Health and Safety Code Section 6400 et seq., the District is an independently governed special district authorized to construct and operate works for collection, treatment and disposal of garbage, stormwater, recycled water, and sewage. WBSD provides sewage collection as a direct service and sewage treatment via membership in Silicon Valley Clean Water (SVCW), as well as

garbage collection in certain unincorporated areas within district boundaries through a franchise with Recology as a member of the South Bayside Waste Management Authority (SBWMA).

The District has 31 full-time employees including eight in administration (four management exempt class and four salaried non/exempt) and 23 in collections/operations (two management exempt, 21 salaried non/exempt). The District contracts for engineering and legal counsel.

Wastewater Collection

This section gives a general description of the District's wastewater services and related infrastructure. Further detail regarding capacity, infrastructure needs and deficiencies, level of services offered can be found in Chapter 7 "Regional Wastewater Services" of this report.

All wastewater collected within the District is transported via main line trunk sewers to the District's Menlo Park Pumping Station located at Bayfront Park and from there to the SVCW Regional Treatment Plant in Redwood City.

The District serves approximately 19,486 residential customers and 625 commercial customers with approximately 216 miles of sewer mains, as well as 11 publicly owned pump stations. In the western service area, consisting of the Town of Portola Valley and Town of Woodside, the collection system is comprised of 50 grinder pumps and 33 septic tank effluent pump systems (STEP) and other types of on-site wastewater disposal system maintenance where topography does not allow gravity connections to the sewer main.

Since 2014, the District has been under contract through an interagency agreement with the Town of Los Altos Hills and Town of Woodside to provide sanitary sewer system operations and maintenance. The contract with the Town of Los Altos Hills is through July 31, 2022, and the Town of Woodside contract expires June 30, 2022. Los Altos Hills has approximately 56 miles of sewer mains and two publicly owned pump stations. Woodside includes approximately four miles of sewer mains and two pump stations.

As reported in the WBSD Master Plan, WBSD has treatment rights of 6.6 million gallons per day (MGD) of average dry weather flow and 14.4 MGD of peak wet weather flow at the SCVW Plant. The average dry weather flow was approximately 2.4 MGD or 36 percent of capacity rights.

WBSD's Flow Stabilization Equalization and Resource Recovery Facility (FERRF) with storage capacity of 9.2 million gallons is used when wastewater storage is needed for either the District or SVCW.

Recycled Water

In 2020, the District completed the construction of a recycled water treatment facility and engaged in delivering recycle water to the Sharon Heights Golf and Country Club (SHGCC). The SHGCC, under

agreement, pays the costs for the recycle treatment plant construction, and operations and maintenance costs.

The recycled water system was designed with a satellite treatment facility to treat a max day flow of 0.5 MGD, a wastewater pump station to divert flow to the treatment facility, 1,580 feet of pipeline to discharge solids to an existing sewer, a recycled water distribution line to the SHGCC irrigation water storage pond, and 5,300 feet of distribution pipeline to Stanford Linear Accelerator Center (SLAC). The project was planned to deliver an estimated 80 MGD of recycled water annually—52 MGD to Sharon Heights and 28 MGD to SLAC for irrigation and cooling tower uses. Approximately, 52 million gallons of recycled water were delivered to Sharon Heights in 2021. Discussions with SLAC on the use of recycled water are on-going.

Further efforts to provide the Meta (formerly Facebook) Campus with recycled water are underway. WBSD has completed a feasibility study exploring the viability of a Resource Recovery Center at the District's former treatment plant behind Bedwell Bayfront Park, which could produce 500,000 gallons per day of recycled water for reuse.[382] In a public/private partnership with Facebook, the WBSD installed 2,800 feet of purple recycled water pipe parallel with the storm drainpipe Facebook was replacing on Chilco Street. This pipe can be used in the future to distribute recycled water in the area without reconstructing the street again.

Solid Waste Collection

The District is also responsible for solid waste collection, recycling, and disposal in unincorporated areas within district boundaries (Ladera, West Menlo Park, Menlo Oaks), representing approximately 2,000 customers. The District is a member of the SBWMA, which currently contracts with Recology. SBWMA is a joint powers agreement consisting of the County of San Mateo, ten cities and the West Bay Sanitary District that was formed in 1982 to issue bonds to purchase the Shoreway Disposal and Recycling Center in San Carlos. The JPA provides for recycling and solid waste management planning and program implementation, including negotiated contracts for collection services and facility operating contracts. Basic service includes weekly garbage collection and recycling, as well as two annual on-call bulky pick-ups per household. Each jurisdiction sets the level and range of services including size of container, curbside versus yard pick up, etc. The current Restated and Amended contract with Recology expired at the end of 2030.

[382] WBSD, https://westbaysanitary.org/services/recycled-water/, accessed on 12/28/21.

Contract Services

WBSD receives vehicle maintenance services from the City of Redwood City via an interagency agreement and provides collection system maintenance services to the Towns of Los Altos Hills and Woodside.

GROWTH AND POPULATION PROJECTIONS

The WBSD territory includes most of Menlo Park, portions of East Palo Alto, Portola Valley, Woodside and nearby unincorporated areas including Ladera, West Menlo Park, Stanford-Weekend Acres and Menlo Oaks. Because the boundaries encompass all types of city land uses, the District serves a wide variety of customers.

This section focuses on historical and projected growth within WBSD's boundaries and SOI. A description of regional growth trends can be found in the *Overview* chapter of this report.

Planning Strategies

The District relies on its 10-year Master Plan and performs rate studies annually to forecast service needs and plan for capital projects necessary to meet those needs. The District supplements those efforts with its five-year strategic plan.

The District's Master Plan was last prepared in 2011 and updated in 2013. The Master Plan identifies existing system capacity deficiencies due to projected development flows and makes replacement recommendations for a 10-year period that are then included annually in the District's adopted capital budget. In the 2013 Master Plan, it was determined that most pipes had sufficient capacity to serve the public although there were needs for rehabilitation or reconstruction, primarily due to critical defects and pipe disrepair. The District plans to prepare a new 10-year master plan beginning in 2022 to identify necessary repairs over the next 10 years. WBSD updated its connection fees[383] in 2017 as further described below in WBSD's FINANCIAL ADEQUACY section on "Infrastructure and Facility Assets".

The District establishes residential and commercial sewer rates and connection fees to cover the costs of maintenance, operation, construction, and reconstruction (capital improvements) of the District's wastewater facilities used for the collection, conveyance, treatment, and disposal of wastewater

[383] WBSD Sewer Connection Fee Study, Jan. 11, 2017, HF&H Consultants, LLC.

including general administration. Sewer fees are reviewed and adopted by the Board annually, most recently for FY 21-22.[384]

The District's Strategic Plan was adopted in 2014 with a five-year planning horizon and revised in 2018. The plan identifies actions, activities, and planning efforts that are currently active and needed for continued success in operations and management of the District. In particular, the Strategic Elements and Goals section outlines objectives to meet the infrastructure and service needs of existing and future customers.[385]

The District works with the Cities of Menlo Park, Atherton, and Portola Valley during the permit application process. The City of Menlo Park constitutes the largest customer base for the District. Menlo Park city staff meet with district staff monthly to discuss and coordinate projects.[386] The District reported that the cities generally update the District about proposed developments, and the District is generally aware of upcoming projects two years prior to construction of the project to assure adequate preparation.[387] The District receives inquiries to connect to the collection system regularly through the permit process. The District conducts plan reviews and gives appropriate feedback to the inquiring party.

The District's Connection Fee Study stated that the District's pipeline network "…provides capacity for existing ratepayers *as well as for the growth expected during the next five years*"; future facilities "*will provide capacity for growth* as well as benefit existing ratepayers by improving reliability and upgrading facilities." (*emphasis added*)[388]

If the pipeline required by a new development is included in the District's 5-year CIP, then WBSD will share in the costs and will prioritize the pipeline project. If the required pipeline is not in the 10-year CIP, then the new development is responsible for the full cost of the pipeline.

WBSD works with developers to coordinate already planned capital improvement projects. If a project has already been planned for and financed within its capital improvement plan in the next five years, then the District will prioritize the capital improvement with supplemental funding from the developer to cover the additional cost for increased pipe capacity associated with the development, thus

[384] WBSD FY2021-22 Sewer Rate Study, Draft Report, Feb. 18, 2021.

[385] West Bay Sanitary District, Strategic Plan, 2014, p. 9.

[386] West Bay Sanitary District, Questionnaire, 10/13/21.

[387] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

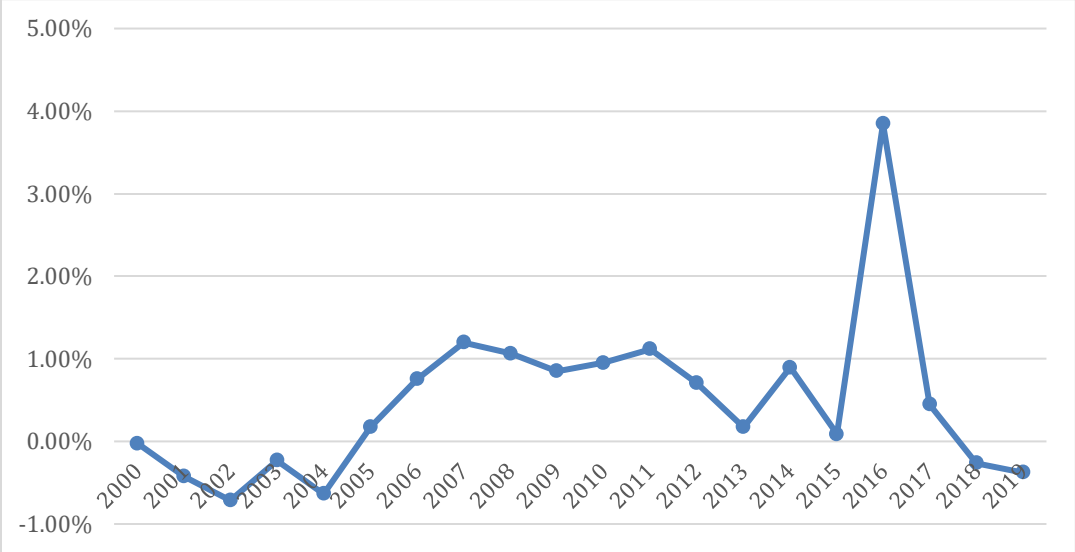
[388] WBSD Sewer Connection Fee Study, pg. 15.

benefitting both parties.[389] If a proposed development project requires increased pipe capacity or additional infrastructure to meet the needs of the development, WBSD will require that the developer complete the necessary upgrades and turn over the infrastructure to the District upon completion and inspection.[390] If the upgrades are beyond what is necessary to accommodate the new development, WBSD may provide a credit to the connection fee.

Historical Population Trends

From 2000 to 2020, the District has experienced generally positive population growth with periods of fluctuation. Over the 20-year period, the population within the three primary cities within WBSD's boundaries (Menlo Park, Atherton, and Portola Valley) has grown by 9.9 percent or an average annual growth rate of 0.5 percent. Most recently, in 2018 and 2019, the District experienced a slight decline in population of 0.26 percent and 0.38 percent, respectively.

Figure 6-3: West Bay Sanitary District Population Growth



As of 2020, the District estimates it serves a population of 55,545. Based on the number of residential connections served and the average household size in the cities served, it is estimated that the population is approximately 55,701 within the District, which is comparable to the District's estimate.

[389] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

[390] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

Projected Population

In regard to growth projections, based on population estimates for territory in district boundaries and ABAG projected growth for these jurisdictions, projected growth in WBSD boundaries by 2035 is 17 percent or approximately 8,887 additional residents over a 20-year period from 2015, which equates to an annual average growth rate of 0.8 percent. The District's planning documents assume an annual average growth rate of 0.4 percent or 73 EDUs, which is more conservative than the ABAG projections.

Based on the current population estimate within the District and ABAG's growth projections extended through 2040, it is projected that there will be 65,029 residents within the District in 2040.

Proposed Developments

WBSD reported that growth, in the way of more density and flow resulting from new development, is primarily located in the Bayfront Area of Menlo Park.[391] Additionally, the EPA Waterfront is a proposed project within East Palo Alto that is partially within WBSD and partially within EPASD. Recently approved and developments under review, all of which are located within the City of Menlo Park, are shown in Figure 6-4. Existing development projects propose a total of 3,522 dwelling units and 3,927,394 in nonresidential building square feet.

[391] West Bay Sanitary District, Questionnaire, 10/13/21.

Figure 6-4: Proposed Developments in West Bay Sanitary District's Boundaries and SOI

Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
Willow Village - Facebook	Peninsula Innovation Partners, LLC and Signature Development Group	Mixed use	1,729	1,600,000	Willow Village	Under review
Parkline – SRI International	Lane Partners, LLC	Mixed use	400	1,100,000	Laurel Street and Ravenswood	Under review
123 Independence	Sobrato	Mixed use	432	88,750	123 Independence Drive	Under review
Commonwealth Corporate Center Building 3	Sobrato	Office		249,500	162-164 Jefferson Dr.	Under review
CSBio Phase 3	CSBio	Office and R & D		126,291	1075 O'Brien Drive and 20 Kelly Court	Under review
1005 O'Brien Drive and 1320 Willow Road	Tarlton	R & D		236,050	1005 O'Brien Dr & 1320 Willow Rd	Under review
1105-1165 O'Brien Dr	Tarlton	R & D		131,285	1105-1165 O'Brien Drive	Under review
1350 Adams Court	Tarlton	R & D		260,000	1350 Adams Court	Under review

Name of Development	Developer	Project Type	Dwelling Units	Nonresidential Square Feet	Location	Status
Hampton Inn	Sagar Patel	Hotel		36,410	1704 El Camino Real	Under review
Hotel Moxy	FPG Development Group	Hotel		58,000	3723 Haven Ave	Under review
Menlo Flats	Greystar	Mixed Use	158	14,400	165 Jefferson Drive	Under review
Menlo Portal	Greystar	Mixed use	320	34,708	104 Constitution Dr., 110 Constitution Dr., and 115 Independence Dr.	Approved
Menlo Uptown	Greystar	Mixed use	483	2,000	141 Jefferson Dr. and 180-186 Constitution Dr.	Approved
EPA Waterfront[392]	Emerson Collective	Mixed use	260	1,390,000	2555 Pulgas Ave	Pre-App
Total			3,522[393]	3,927,394		
Source(s): West Bay Sanitary District, Questionnaire Response, 10/13/21. City of Menlo Park Website, https://www.menlopark.org/509/Under-review accessed on 12/30/21.						

[392] Partially within EPASD and partially within WBSD.

[393] Not including EPA Waterfront as the number of dwelling units to which WBSD would be providing service is unknown.

FINANCIAL ADEQUACY

WBSD's financial condition is sound with a significant positive net position, adequate reserves, and financial planning based on long-term financial planning and capital improvement programs that are annually reviewed, prioritized and updated.

Accounting and Financial Policies

WBSD's Code of General Regulations establish its funds and basis for allocation of revenues to each fund.[394]

Budgets and Financial Reports

WBSD commissions an independent financial audit that is completed within six months after the end of the fiscal year. The District's Basic Financial Statements are prepared in accordance with the policies and procedures for California special districts.[395]

WBSD prepares an annual budget that thoroughly documents, summarizes and details budget estimates and compares to prior year's actual results. The budget provides an informative narrative explaining changes, future risks, and actions to address fiscal challenges. The budget does not include a long-term budget forecast; however, WBSD's annual rate studies include 5-year forecasts.

Balanced Budget

WBSD's budget generates operating revenues that exceed expenditures; the surplus is used for capital expenditures. In the FY20-21 budget, the operating revenues exceeded expenditures (including $2.9 million depreciation) by $9.1 million. Actual operating revenues exceeded expenditures by $8.1 million and were transferred to the Capital budget.[396]

General Fund Revenues

WBSD General Fund revenues grew at a "moderate" rate of growth[397] of approximately 4.4 percent annually from FY2017-18 through FY2021-22, exceeding a long-term 3 percent inflation benchmark and growing faster than expenditures at 3.8 percent.

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[394] WBSD Code of General Regulations, revised July 1, 2021.

[395] WBSD Annual Financial Report, June 30, 2020, Note 2, pg. 14.

[396] Correspondence from WBSD, 2021-12-21. The $8.9 million equals WBSD's Final Change in Net Position.

[397] "Moderate" level indicated by growth at or slightly above long-term inflation rate (assumed 3 percent); see https://www.micropolicypress.com/revenue-indicators---overview/

Service Charges – Service charges represent approximately 97 percent of WBSD revenue. Rates for FY2020-21 of $1,224 per EDU have increased 4 to 5 percent each year since FY16-17. As noted in the WBSD rate study, "The increases during this period were primarily attributable to SVCW's increasing debt service allocation to the District to fund treatment plant upgrades and, secondarily, to inflationary increases in the District's operating and annual capital repair and replacement expenses."[398]

Service Charge/Rate Studies

WBSD prepares rate studies annually.[399] The studies include a five-year budget forecast to evaluate rates in the context of projected changes in revenues, costs and reserve levels.

Property Tax – WBSD receives no share of the basic 1 percent property tax.

General Fund Expenditures

WBSD's expenditures (including depreciation) grew at a "moderate" rate of growth[400] of approximately 3.8 percent annually from FY2017-18 through FY2021-22, exceeding a long-term 3 percent inflation benchmark and growing slightly slower than WBSD's 4.4 percent average revenue growth.

Reserves

As described in WBSD's budget "The District reserves funds to protect cash flow between sewer service fee payments from the county, maintain fiscal stability, and reserve for future projects."[401]

The WBSD's Operating Reserves equals a minimum of six months of O&M expenses "because of the six month lag between sewer service charge payments from the County tax assessor."[402] The District's Emergency Capital Reserve targets $5.0 million for emergencies and unforeseen contingencies. The lower priority Capital Reserve, intended for "PayGo" (or "pay as you go" vs. debt-funded) capital expenditures target a minimum balance equal to average annual capital expenditures ($6 million).[403] WBSD also maintains an Equipment Replacement Reserve, Treatment Plant Reserve, Rate Stabilization Reserve, and Recycled Water Cash Flow Reserve.

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[398] WBSD FY2021-22 Sewer Rate Study, Draft Report, Feb. 18, 2021, pg. 3.

[399] WBSD FY2021-22 Sewer Rate Study, Draft Report, Feb. 18, 2021.

[400] "Moderate" level indicated by growth at or slightly above long-term inflation rate (assumed 3 percent); see https://www.micropolicypress.com/expenditure-indicators-overview/

[401] WBSD Approved Budget Fiscal Year 2021-2022, Approved June 9, 2021, pg. 13.

[402] WBSD Wastewater Collection System Master Plan, July 2011, West Yost Assoc., Chp. 11 Financial Plan, pg. 11-4.

[403] Correspondence from WBSD, 2021-12-21.

With the exception of its Treatment Plant Reserve established in FY21-22, which targets a $12 million balance, WBSD is meeting its reserve targets according to the FY21-22 budget projected ending balances:[404]

Operating Reserve	$10,752,100
Rate Stabilization Reserve	$ 9,988,840
Treatment Plant Reserve	$ 2,500,000
Emergency Capital Reserve	$ 4,988,310
Capital Project Reserve	$ 5,990,287
Equipment Replacement Reserve	$ 1,051,312
Recycled Water Cash Flow Reserve	$ 8,007,735

Operating reserves are maintained in a readily accessible account invested with the Local Agency Investment Fund (LAIF).[405] The Equipment Replacement Reserve is held in a money market account. The remaining reserves are held in Bank of the West Investment Accounts, with the Recycled Water Cash Flow Reserve partially held in LAIF. WBSD's unrestricted net position totals $25.7 million.[406]

Pension and OPEB Liabilities

At the start of FY2020-21 WBSD unfunded pension liabilities totaled $6.41 million; the funded portion represents 70.4 percent[407] of total obligations which nearly qualifies as a "Low" level of funding (70 percent and below).[408] In FY2020-21 WBSD paid its unfunded liability, as of June 30, 2021, in full.

Other Post-Employment Benefits (OPEB) net liability was $118,683 at the end of FY20-21.[409]

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[404] WBSD Approved Budget Fiscal Year 2021-2022, June 9, 2021, pg. 13. Revised by WBSD 2022-02-10.

[405] The LAIF is part of the State's Pooled Money Investment Account overseen by the State Treasurer, Director of Finance, and State Controller.

[406] Net Position as of 2021-06-30 per correspondence with WBSD 2021-12-21.

[407] Miscellaneous Plan of the WBSD, Annual Valuation Report as of June 30, 2020, CalPERS, July 2021, Plan's Funded Status, pg. 6. Additional obligations attributable to the WBSD PEPRA and Misc. second tier plan are a minimal additional liability.

[408] https://www.micropolicypress.com/pension-indicators-overview/ based on the California State Auditor's Fiscal Health Analysis.

[409] OPEB net liability per correspondence with WBSD 2021-12-21. Revised by WBSD 2022-02-10.

Pension and OPEB Liability Mitigations

WBSD prefunds its pension and OPEB unfunded liabilities by contributing to a PARS trust for each obligation.

Leases and Long-Term Debt

WBSD historically has utilized a "pay as you go" approach to funding its CIP. The District has utilized debt as needed for major capital improvements, for example for improvements to the treatment plant. WBSD is seeking an SRF loan for a second treatment plant required to serve Facebook and other local agencies development.[410]

At the start of FY2021-22 WBSD principal obligations totaled $16.6 million for the State Revolving Fund loan and the financing agreements to finance the Sharon Heights Recycled Water Facility; annual debt service of $662,911 is paid by the Sharon Heights Golf & Country Club which also secures the payments.[411]

Debt Service Documentation

WBSD's financial reports clearly describe and document its individual long-term obligations and annual payments.[412]

Infrastructure and Facility Assets

WBSD's FY2020-21 financial report shows a value of depreciable assets (excludes land) totaling $107.5 million; after deducting depreciation, which represents the portion of initial value "used up" over the assets' lifespan the remaining depreciation value equals a net value of $68.5 million, which is 64 percent of total initial value.[413] This net value as a percent of total is in the range of "moderate"[414] Additions to assets more than offset declines due to depreciation.

[410] Interview with WBSD, 2021-11-17 and correspondence 2021-12-21.

[411] WBSD Annual Financial Report, June 30, 2021, Note 6, pg. 29.

[412] WBSD Annual Financial Report, June 30, 2021, Note 6, pg. 29.

[413] WBSD Annual Financial Report, June 30, 2021, Note 5, pg. 28.

[414] "Moderate" level indicated by 40-70% of depreciable value; see https://www.micropolicypress.com/infrastructure-and-facility-assets-indicators-overview/

Capital Improvement Program (CIP)

In 2013, WBSD updated its 2011 Master Plan and CIP. The 2013 CIP, which totaled $49.6 million, segregated "repair and replacement" projects from "capacity" projects. The costs by project are shown by year over a ten-year period, prioritizing completion of projects that reduce or eliminate capacity related SSOs from the 10-year, 6-hour design storm;[415] those projects represent about 17 percent of the total CIP cost. WBSD plans to update its Master Plan and CIP beginning in 2022.[416]

WBSD experienced no SSO's in 2020. During a recent Oct. 2021 "25 year" storm event the District did not experience capacity related SSO's but does forecast surcharging which is allowed to slightly exceed d/D of 1.0 (e.g., up to an additional 6 inches,[417] or manhole freeboard not less than 5 feet[418]).

Connection Fee Study

WBSD updated its connection fees in 2017.[419] The District's Connection Fee Study stated that the District's pipeline network "…provides capacity for existing ratepayers *as well as for the growth expected during the next five years*"; future facilities "*will provide capacity for growth* as well as benefit existing ratepayers by improving reliability and upgrading facilities."[420] (*emphasis added*) The fee calculation is based on "the entire collection system as an integral network without attempting to separate capacity for existing customers from capacity for growth."[421] The WBSD's 2021 sewer rate study projects approximately 73 new EDUs annually over a five year period.[422]

Sewer System Management Plan (SSMP)

The WBSD SSMP includes a 10-year CIP that includes a schedule of prioritized projects, costs and funding by year, delineated according to "Repair and Replacement" vs. priority "Capacity" projects. The SSMP is consistent with guidelines for developing and updating of SSMPs;[423] for example, the SSMP identifies and prioritizes rehab and replacement system deficiencies; implements "Short Term" and "Long Term"

[415] WBSD Wastewater Collection System Master Plan, 2011, pg. 10-1.

[416] Correspondence with S.Ramirez, WBSD, 2021-11-03.

[417] Interview with WBSD, 2021-11-17.

[418] WBSD 2011 Master Plan, pg. ES-11.

[419] WBSD Sewer Connection Fee Study, Jan. 11, 2017, HF&H Consultants, LLC.

[420] WBSD Sewer Connection Fee Study, pg. 15.

[421] WBSD Sewer Connection Fee Study, pg. 4.

[422] WBSD FY21-22 Sewer Rate Study, Feb. 18, 2021, HF&H Consultants, LLC, Appx. A, Table 4, pg. 7.

[423] A Guide for Developing and Updating of Sewer System Management Plans (SSMPs), Sept. 2015.

actions based on failure risks; includes a system for scheduling projects based on rating/ranking; includes a Capital Improvement Plan and funding for the future; rates and fee schedules consider future anticipated costs to cover planned and future projects.[424]

WBSD Capital Improvement Funding and Financing

As noted above, the District's Connection Fee Study stated that the District's pipeline network "…provides capacity for existing ratepayers *as well as for the growth expected during the next five years*"; future facilities "*will provide capacity for growth* as well as benefit existing ratepayers by improving reliability and upgrading facilities." (*emphasis added*)[425]

If the pipeline required by a new development is included in the District's 5-year CIP, then WBSD will share in the costs and will prioritize the pipeline project. If the required pipeline is not in the 10-year CIP, then the new development is responsible for the full cost of the pipeline.

WBSD works with developers to coordinate already planned capital improvement projects. If a project has already been planned for and financed within its capital improvement plan in the next five years, then the District will prioritize the capital improvement with supplemental funding from the developer to cover the difference in upsizing costs associated with the development, thus benefitting both parties.[426] If a proposed development project requires upsizing or additional infrastructure to meet the needs of the development, WBSD will require that the developer complete the necessary upgrades and turn over the infrastructure to the District upon completion and inspection.[427] If the upgrades are beyond what is necessary to accommodate the new development, WBSD may provide a credit to the connection fee. West Bay has entered into specific project agreements where a developer will upsize or repair a pipe to serve their development and the existing rate payers).

As noted in the section "Leases and Long-Term Debt" above, WBSD historically has utilized a "pay as you go" approach to funding its CIP using a combination of operating revenues and reserves including connection fees based on specific projects to "repair and replace" facilities and separately to expand capacity. The District has utilized debt when necessary for major capital improvements, specifically for improvements to the Silicon Valley Clean Water regional treatment plant and for the West Bay/Sharon Heights Recycled Water Facility.

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[424] Guide for Developing and Updating of Sewer System Management Plans (SSMPs), pg. 21 et. seq.

[425] WBSD Sewer Connection Fee Study, pg. 15.

[426] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

[427] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

SUMMARY OF WEST BAY SANITARY DISTRICT MSR DETERMINATIONS

Growth and Population Projections

6-1: Based on the number of residential connections served and the average household size in the cities served, it is estimated that WBSD has a population of approximately 55,701.

6-2: Based on the current population estimate within the District and ABAG's growth projections extended through 2040, it is projected that there will be 65,029 residents within the District in 2040.

6-3: Growth within WBSD is primarily located in the Bayfront Area of Menlo Park. Recently approved and developments under review are all located within the City of Menlo Park. Existing development projects propose a total of 3,522 dwelling units and 3,927,394 in nonresidential building square feet, indicating potential for substantial growth.

The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI

6-4: According to the Department of Water Resource's Disadvantaged Communities mapping instrument, there are two communities within or contiguous to the District's SOI that, while not unincorporated, meet the definition of a disadvantaged community. Block Group (060816117003) within the City of Menlo Park east of Highway 114 meets the definition of disadvantaged. The area has an estimated population of 1,237 with a median household income of $45,481. Block Group (060816117001) is also within the City of Menlo Park east of Highway 114. It has an estimated population of 2,272 and has a median household income of $51,150.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

6-5: WBSD reported that there is generally sufficient collection capacity to serve existing demand; however, some basins are at capacity. Because the District's Master Plan is almost 10 years old and many improvements have been made since the hydraulic assessment was conducted, it is unclear the degree to which flows are at or nearing capacity and which segments are most impacted. The District is compiling a new Master Plan in 2022 to identify existing conditions after capital improvements, any areas of concern, and capital projects to address these areas.

6-6: Similarly, because WBSD's flow projections are outdated it is unclear what infrastructure needs are necessary to meet projected demand. The 2022 Master Plan is anticipated to provide up-to-date flow projections and recommended capital improvements to meet future demand.

6-7: Based on overflow rates, infiltration and inflow, regulatory compliance, preventative maintenance practices, speed of response times to customer reports of issues, and the number and type of complaints related to wastewater services, WBSD provides an adequate level of wastewater collection services.

6-8: WBSD appropriately plans for infrastructure needs in its Capital Improvement Program. Resources for capital improvement of the system are determined by field evaluations performed on an on-going basis. The objective of the CIP is to systematically replace and or rehabilitate approximately 1.5 percent of system pipelines every year, in addition to completing already planned pump station and pipeline improvements. The District has planned funding for Capital Improvement Program projects of approximately $3.5 million each fiscal year.

Financial Ability of Agencies to Provide Services

6-9: WBSD's financial condition is sound with a significant positive net position, adequate reserves, and financial planning based on long-term financial planning and capital improvement programs that are annually reviewed, prioritized and updated.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

6-10: WBSD complies with all legal requirements aimed at ensuring accountability and transparency of public agencies. Additionally, WBSD has gone beyond the legal requirements and is a recipient of the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) for the period January 2020 to March 2023.

Recommendations

1. **Funding of Reserves** – Continue to fund reserves consistent with adopted policies, including allocations to the recently created Treatment Plant Reserve which has not been fully funded.

2. **Master Plan and CIP** – Update the WBSD Master Plan and CIP in 2022 in accord with current anticipated scheduling.

7. REGIONAL WASTEWATER SERVICES

The section provides an overview of wastewater services within the City of East Palo Alto and comparative analysis of the two providers regarding planning practices, existing and future capacity of the systems, infrastructure needs and deficiencies, financial and service adequacy. LAFCo must make corresponding determinations as required by California Government Code §56430.

WASTEWATER PROVIDERS WITHIN CITY OF EAST PALO ALTO

EPASD and WBSD provide wastewater collection services within the City of East Palo Alto. EPASD is the primary provider to a majority of the territory within the City, while WBSD provides services along the periphery of the City to the northwest and to neighboring cities. The service areas and spheres of influence of the two districts in relation to the city limits are shown in Figure 7-1.

As shown in Figure 7-1, WBSD's sphere of influence as adopted in 1985 encompasses the entirety of EPASD and consequently, all of the City of East Palo Alto's incorporated territory. When WBSD's SOI was adopted, LAFCo simultaneously adopted a "dissolution" SOI for EPASD, anticipating that WBSD would ultimately annex the territory served by EPASD, EPASD would be dissolved, and WBSD would be the successor agency of the EPASD.

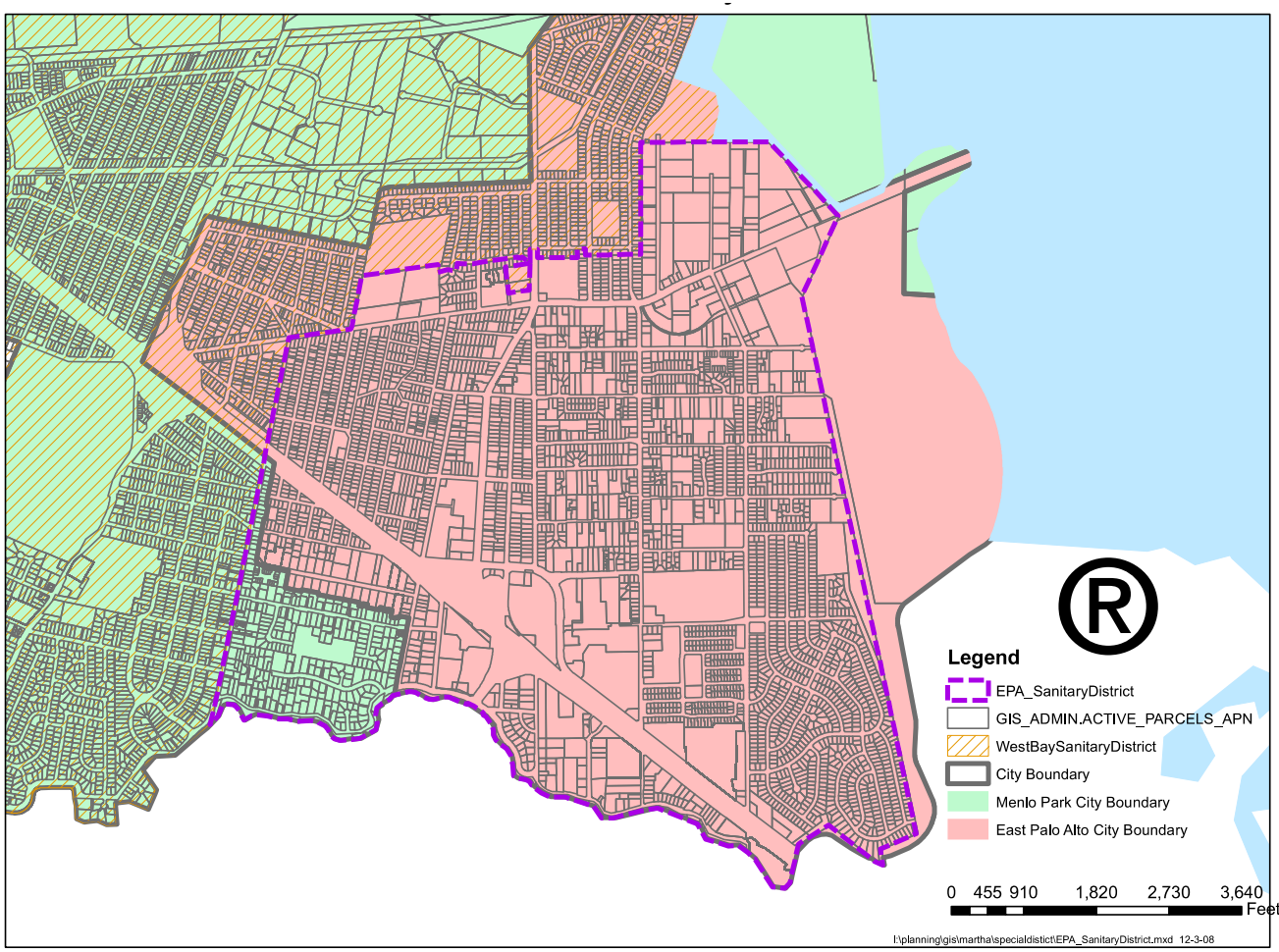
SYSTEM OVERVIEWS

EPASD provides sewage collection services via its 30-mile collection system and contracts for treatment with the City of Palo Alto. Under the contract, EPASD owns 7.64 percent of capacity rights at the City's treatment plant,[428] is responsible for a proportional share of construction costs, and annual operating costs based on proportional flow to the plant. The District's current capacity rights at the treatment facility equate to 2.9 MGD average dry weather flow and 6.1 MGD peak wet weather flow.

All wastewater collected by WBSD's 216-mile collection system is transported via main line trunk sewers to the District's Menlo Park Pumping Station located at Bayfront Park and from there to the Silicon Valley Clean Water Regional Treatment Plant in Redwood City. The regional plant, owned and operated by a JPA, provides services to WBSD as well as the cities of Redwood City, San Carlos and Belmont. WBSD has treatment rights for 6.6 million gallons per day (MGD) of average dry weather flow and 14.4 MGD of peak wet weather flow.

[428] Facility permitted flow is 39 million gallons per day average dry weather flow. A permitted peak wet weather flow is not defined for the plant, but the design flow is 80 million gallons per day peak wet weather flow. (ORDER No. R2-2019-0015, NPDES No. CA0037834)

Figure 7-1: Wastewater Providers in City of East Palo Alto



Size and Scope of the Systems

The following table indicates the size and scope of the collection system operations for each of the sanitary districts.

Figure 7-2: Wastewater Systems Summary

	EPASD	WBSD
Estimated population (2020)	26,622[429]	55,701
Residential connections	6,639[430]	19,486
Commercial/industrial connections	168[431]	625
Collection system mileage (district-owned)	30[432]	216
Pump stations (district-owned)	0	11
Average dry weather flow (2020)	0.61	2.4
Peak wet weather flow (2020)	1.23	12.1
Treatment capacity (ADWF MGD)	2.9 MGD	6.6 MGD
Treatment capacity (PWWF MGD)	6.1 MGD	14.4 MGD
Staff (FTEs)	7	31
Staff dedicated to operations/maintenance (FTEs)	5	23

Shared Services

Each of the districts makes efforts at collaboration and sharing of resources on a local and regional level. As described in the overview of each district's wastewater systems, the districts utilize regionally shared facilities through regional agencies and individual agreements between neighboring cities and districts. Each agency shares certain resources as described.

[429] Based on residential connections and average household size in City of East Palo Alto of 4.01 individuals.

[430] https://www.epasd.com/transparency/grand-jury-r5

[431] Ibid.

[432] EPASD, Wastewater Master Plan, 2015, p. 24.

EPASD

1. Receives treatment from the City of Palo Alto Regional Wastewater Treatment Plant.

WBSD

8) Member of Silicon Valley Clean Water

9) Member of South Bay Waste Management Authority

10) Receives vehicle maintenance from City of Redwood City

11) Provides Collection System Maintenance for the Town of Los Altos Hills and the Town of Woodside by contract.

PRESENT AND PLANNED CAPACITY

EPASD's engineering analysis predicts that surcharging and SSOs could occur in the existing collection system during a peak storm event. This situation would be worsened by potential flows from new development.[433]

Capacity available for new connections determines development potential and is of critical interest to the City of East Palo Alto given the volume of proposed new development projects currently being processed. While sufficient treatment capacity exists to meet the needs of current and a portion of future demand, as noted above EPASD reports inadequate collection system capacity to serve increased flows expected from pending development applications. WBSD indicates that capacity currently exists to serve anticipated development with its current system and planned improvements.

EPASD faces significant financial challenges to fund capacity enhancements to eliminate the current potential for SSOs that are compounded by proposed new connections. Large-scale capacity enhancements are costly and difficult to complete in a piecemeal fashion as development occurs and capacity charges collected. Funding strategies for capacity capital improvements associated with existing and new development are discussed further under the Financial Adequacy section in this chapter.

[433] Addendum to the March 2015 Master Plan Update.

Master Planning Practices

EPASD's General Manager believes that the existing collection system is adequate for existing users and the proposed list of expansion improvements in the Master Plan Addendum that eliminate existing surcharging and SSOs are not currently needed, and the proposed pipe capacity expansions serve only as a guide. The EPASD Master Plan Addendum does not include priorities, phasing, or proposed funding for identified improvements.

EPASD updated its Master Plan in 2015 and issued an Addendum to in April 2021. The Addendum was completed to 1) identify areas prone to surcharging and SSOs, 2) evaluate the remaining capacity of the main trunk line, and to update demand assumptions based on the City of East Palo Alto's most recent General Plan update. EPASD proposed a Capital Improvement Program (CIP)[434] in its 2021 Master Plan Addendum.[435] The CIP separately outlines system deficiencies for existing users and deficiencies attributable to serve existing and new development, and estimates corresponding costs; as noted above, no priorities, phasing or funding sources are identified in the CIP. The EPASD General Manager indicated that in his opinion the CIP does not provide a reasonable guide for determining infrastructure needs, costs and funding responsibility; he stated that the existing system was adequate for existing users but cannot handle additional flows from new development.[436] Alternatively, the Master Plan Addendum is, in his opinion, a conceptual document and EPASD implements a rolling replacement strategy where pipes are replaced based on evaluation.[437]

WBSD relies on its Master Plan to inform capital programs for existing and future capacity enhancement needs and rehabilitation and replacement to address existing and future infrastructure needs. WBSD's Master Plan was last prepared in 2011 and updated in 2013. The Master Plan identifies existing system capacity deficiencies due to projected development flows and makes replacement recommendations for a 10-year period that are then included annually in the District's adopted capital budget. WBSD plans to prepare a new 10-year master plan beginning in 2022 to identify necessary repairs and replacement over the next 10 years.

[434] Addendum to the March 2015 East Palo Alto Sanitary District Master Plan Update, Freyer & Laureta Inc., Final – April 28, 2021, Table 16.

[435] EPASD Master Plan Update Final Report, March 2015, Freyer Laureta, Inc.

[436] Interview with Akin Okupe, EPASD General Manager, November 9, 2021.

[437] Comments by Akin Okupe, EPASD General Manager, January 20, 2022.

Growth and Population Projections

It is assumed that EPASD's population growth will be the same as the City of East Palo Alto for which ABAG projects 17.7 percent population growth from 2020 to 2040, which equates to 0.8 percent compound annual growth. Based on the District's estimated population and ABAG's projected growth rate, EPASD is projected to have a population of 31,335 in 2040.

ABAG population projections are similar in WBSD's boundaries with 16.6 percent growth over the 20-year period or 0.8 percent compound annual growth. Based on the current population estimate within the District and ABAG's growth projections, it is projected that there will be 65,029 residents within the District in 2040.

Application Processing

Growth within the region is dependent on development. As the land use authorities, the cities and County process applications for permits for development. EPASD and WBSD reported working closely with respective city staff during the permit application process. EPASD and the City of East Palo Alto reported having regular staff meetings to discuss current and upcoming projects. WBSD and Menlo Park city staff meet with district staff monthly to discuss and coordinate projects.[438] WBSD reported that it is generally aware of upcoming projects two years prior to construction of the project to assure adequate preparation.[439] The developers are responsible for reaching out to the districts to determine ability and willingness to serve and to negotiate an agreement.

Once a developer has begun the application process with the City, EPASD generally processes requests for service in the following manner:

1) The City of East Palo Alto sends EPASD notification regarding an application.

2) The developer approaches EPASD to discuss the potential for service.

3) EPASD conducts a hydraulic impact assessment of the proposed project and drafts a technical memorandum summarizing findings. Developers are charged $10,000 for EPASD's consulting engineers to conduct analysis.

[438] West Bay Sanitary District, Questionnaire, 10/13/21.

[439] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

4) EPASD then prepares cost sharing analysis depending on the outcome of the hydraulic impact assessment. If the developer agrees to the costs and required funding, then the two entities enter into an agreement.

5) Once there is a will serve letter from EPASD it is shared with the City and the City finalizes the application.

6) EPASD constructs all necessary infrastructure for the new development.

EPASD is reportedly generally satisfied with the process; however, project CEQA documentation usually does not sufficiently address impacts on the wastewater collection system, and instead only focuses on wastewater treatment capacity. The District recommends that environmental impact reports describe impacts on collection system as well. Also, specific plans should be updated with collection system information, so that developers are well informed on the needs of the system.[440]

WBSD reported that the cities generally update the District about proposed developments, and the District is generally aware of upcoming projects two years prior to construction of the project to assure adequate preparation.[441] The process for evaluating and connecting a new development to the WBSD system generally consists of the following:

12) WBSD is informed about upcoming projects by the cities.

13) WBSD receives inquiries to connect to the collection system regularly through the permit process. The District conducts plan reviews and gives appropriate feedback to the inquiring party.

14) WBSD works with developers to coordinate already planned capital improvement projects. If a project has already been planned for and financed within its capital improvement plan in the next five years, then the District will prioritize the capital improvement with supplemental funding from the developer to cover the additional cost for increased pipe capacity associated with the development, thus benefitting both parties.[442] If a proposed development project requires increased pipe capacity or additional infrastructure to meet the needs of the

[440] Interview with Akin Okupe, EPASD General Manager, November 9, 2021.

[441] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

[442] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

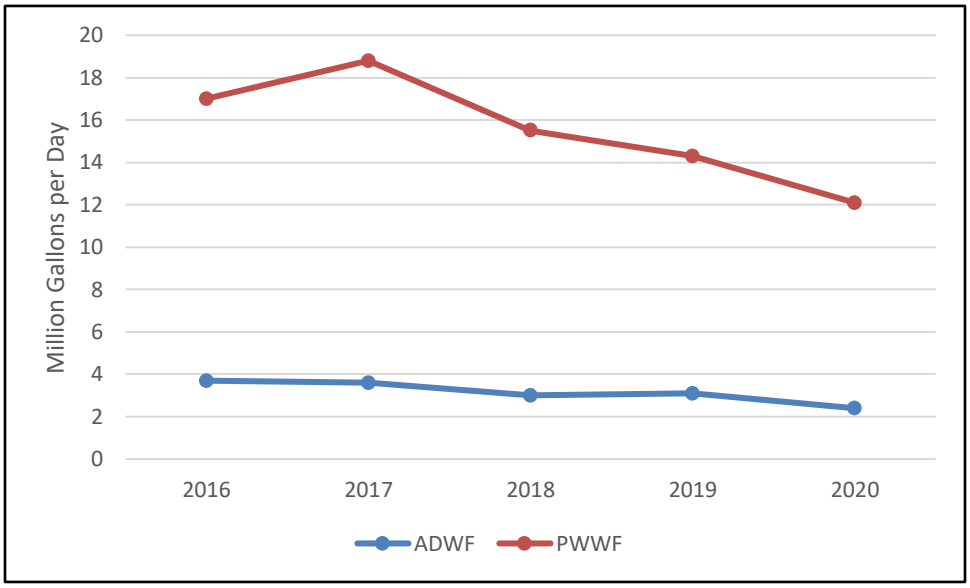
development, WBSD will require that the developer complete the necessary upgrades and turn over the infrastructure to the District upon completion and inspection.[443] I

15) If the upgrades are beyond what is necessary to accommodate the new development, WBSD may provide a credit to the connection fee.

Existing Demand

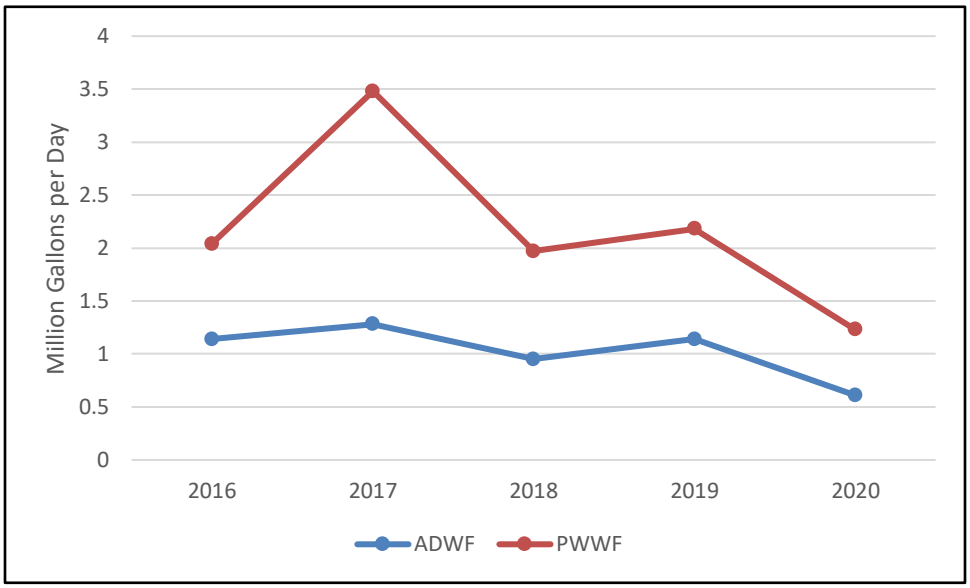
Demand for wastewater services is defined by a combination of wastewater flow from connections and infiltration and inflow during wet periods. Wastewater flows typically correspond with water usage, which is affected by drought and conservation efforts. As can be seen in Figures 7-3 and 7-4, average dry weather flow (ADWF) and peak wet weather flow (PWWF) for both districts have generally declined over the last five years due to dry conditions requiring water restrictions and enhanced water efficiency. The wettest year was in 2017 as illustrated when PWWF peaked for both agencies.

Figure 7-3: WBSD Wastewater Flows, 2016-2020



[443] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

Figure 7-4: EPASD Wastewater Flows, 2016-2020

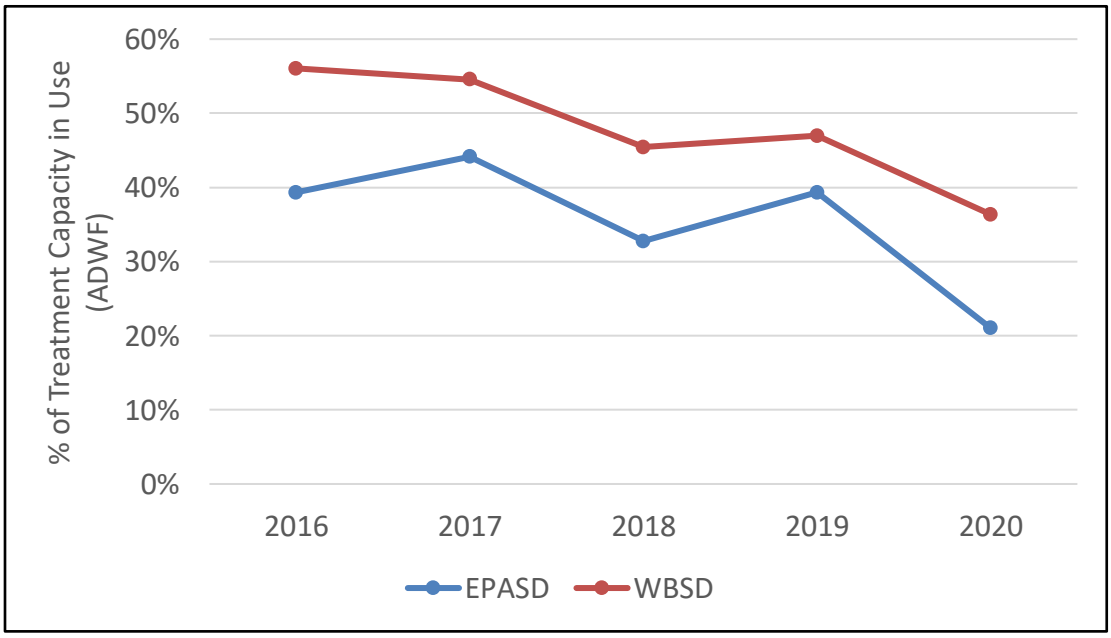


Existing Capacity

Treatment Capacity

Both districts are operating well within allocated treatment capacity at their respective regional treatment plants, as can be seen in Figure 7-5.

Figure 7-5: Wastewater Treatment Capacity in Use, 2016-2020



Collection Capacity

EPASD reported that it had no collection capacity constraints limiting services for existing customers.[444] However, the District's 2021 Master Plan Addendum indicates the collection system was allowed to flow under surcharged conditions during PWWF in certain areas. As part of the Master Plan amendment, EPASD has updated its standards to allow the collection system to flow full but not under surcharged conditions.[445] However, the EPASD General Manager stated that he also directed that the Addendum consider allowing surcharge under existing conditions as long as SSOs did not occur.[446] The Addendum identifies all segments in the existing collection system that are likely to be flowing surcharged under PWWF conditions and identifies SSOs occurring under existing land use conditions, and occurring with new development. Capital improvement program recommendations are included in the Addendum to remediate the surcharging conditions and SSOs under both existing conditions, and with new development. While the District has not reported an overflow since 2009, the model indicates that there is potential for one should the right conditions occur in the absence of capacity expansion.

WBSD similarly reported that there is generally sufficient collection capacity to serve existing demand; however, some basins are at capacity.[447] Because the District's Master Plan is almost 10 years old and many improvements have been made since the hydraulic assessment was conducted, it is unclear the degree to which flows are at or nearing capacity and which segments are most impacted. However, the existing Master Plan noted that during wet weather conditions it "is not expected to cause widespread overflow issues within the District's system." The District is commencing a new Master Plan in 2022, and as a part of the update will be conducting detailed hydraulic analysis to identify existing conditions after several capital improvements, any areas of concern, and capital projects to address these areas.

Projected Demand

Both districts face increasing demand associated with new development, redevelopment, and rezoning to higher density uses. A best management practice is to comprehensively assess the collection system infrastructure to determine remaining capacity and appropriately plan for future/projected demand in master planning documents.

EPASD recently generated flow projections based on the City of East Palo Alto's updated zoning designations in its 2015 General Plan Update. Assuming buildout of the General Plan designations, the

[444] EPASD, Response to MSR Questionnaire, September 21, 2021.

[445] EPASD, Master Plan Addendum, 2021, p. 3.

[446] EPASD Board Meeting, 2022-01-06.

[447] WBSD, Response to MSR Questionnaire, October 13, 2021.

projected total ADWF is anticipated to increase by 1.08 million gallons per day (MGD).[448] Necessary collection system capacity enhancements to meet the projected increase in flows are outlined in the Addendum. EPASD's Addendum and SSMP do not estimate the need for additional treatment plant capacity; based on current capacity utilized and the ADWF increase of 1.08 MGD, it appears that there will continue to be sufficient treatment capacity through 2035.

WBSD forecasts service needs though the 10-year Master Plan and by performing rate studies annually. WBSD's most recent Master Plan was conducted prior to Menlo Park's General Plan update in 2016; consequently, flow projections are outdated and will be updated as a part of the 2023 Master Plan. The projected General Plan build-out in 2011 was anticipated to be "relatively minor."[449]

Planned Capacity

EPASD asserts that its existing collection system is sufficient to provide services to existing connections, which is demonstrated by the lack of sanitary sewer overflows (SSO). The 2015 Master Plan and 2021 Addendum evaluated the capacity of the existing sanitary sewer system assets and provided capacity design criteria for future assets. As part of the Master Plan Addendum, the District determined that it would allow an additional 100,000 gpd in flow, which is 415 equivalent dwelling units, to be connected to the collection system before improvements to the trunk sewer are required to eliminate excessive surcharging that could lead to SSOs.[450]

Projects within the EPASD's service area are primarily to serve future redevelopment.[451] The capital improvement projects planned for the next 15 years are described within the Master Plan. The CIP in the 2021 Addendum identifies pipelines that require repair and replacement to prevent manhole surcharging and potential SSOs. It also identifies increases in capacity needed to account for future developments based on modified zoning designations. Most significantly, it is anticipated that full buildout of the City of East Palo Alto's General Plan will require the construction of a parallel wet weather trunk sewer pipeline to eliminate surcharging. Capacity enhancements related to development impacts will be funded by the developers.

Because WBSD's flow projections are outdated based on former General Plan land use designations and several capacity capital improvements have been completed since hydraulic analysis was last

[448] EPASD, Master Plan Addendum, 2021, p. 5.

[449] WBSD, Master Plan, 2011, p. 7-1.

[450] EPASD, Master Plan Addendum, 2021, p. 3.

[451] EPASD, SSMP, 2021, p. 42.

completed, it is unclear what infrastructure needs are necessary to meet projected demand. The planned 2023 Master Plan is anticipated to provide up-to-date flow projections and recommended capital improvements to meet future demand.

If a basin or pipe is undersized, WBSD requires the developer connecting to the system to pay for upsizing the pipe segment or segments. WBSD does not construct the pipes, rather a contractor is hired by the developer desiring to connect. Once the pipe is constructed to the District's specifications and passes inspection, the pipeline is accepted by the District as part of its system.

INFRASTRUCTURE NEEDS AND DEFICIENCIES

Infrastructure needs are driven by 1) existing system deficiencies, 2) the need for ongoing and future rehabilitation and replacement, and 3) anticipated capacity enhancements related to projected growth. Generally, both districts appear to have limited existing deficiencies and have appropriately planned in their respective CIPs to address those deficiencies. Refer to the financial discussion in Chapters 5 and 6 for a description of the CIP and summary of projects included in each district's plan for improvements.

EPASD

Wastewater system CIP projects focus on assessing the current condition of the piping and replacing or relining pipe in the system. The 2015 Master Plan identified 15 years of high priority pipeline replacement projects to also improve capacity at an approximate average annual cost of $800,000 per year. In 2021, EPASD issued an addendum to the 2015 Master Plan. The CIP in the 2021 Addendum identifies pipelines that require repair and replacement to prevent manhole surcharging and potential SSOs. It also identifies increases in capacity needed to account for future developments based on modified zoning designations. Pipeline improvements are identified, and the sequence of construction will be determined based on EPASD's observations of existing pipe conditions and new development needs. EPASD anticipates that approximately $1 million per year will be allocated to implementing the CIP independent of developer contributions to accelerate specific projects.[452]

The Master Plan Addendum performed an evaluation of the existing collection system to identify potential capital improvements to eliminate all surcharging and SSOs from occurring during peak wet weather flows. The District determined that surcharging within the trunk sewer (between Manhole T13 and Manhole T1) was an acceptable condition because the District has not reported any SSOs along the referenced portion of the trunk sewer.[453] The Addendum ultimately identified 110 segments that could

[452] EPASD, SSMP, 2021, p.18.

[453] EPASD, Master Plan Addendum, 2021, p. 3.

be upsized to ensure that the system is not operating at a surcharge or at risk of overflows during a storm event under existing land use conditions.[454]

Information on the age of the collection infrastructure is conflicting, as identified by the RWQCB in its most recent inspection and was not provided by the District when requested for the preparation of this MSR. It was recommended at that time that the District document the age of the various system segments. Age of a collection system can be indicative of projected needs once a section has reached the average effective life of the particular material. 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 a best management practice of sewer collection system asset management.[455]

WBSD

Resources for capital improvement of the system are determined by field evaluations performed on an on-going basis (i.e., per field and line televised inspections). The District has planned funding for Capital Improvement Program projects of approximately $3.5 million each fiscal year. Periodically, the District performs a connection fee study to ensure the rate structure is sufficient to maintain, repair and replace the conveyance system. The objective of the CIP is to systematically replace and or rehabilitate approximately 1.5 percent of system pipelines every year, in addition to completing already planned pump station and pipeline improvements.[456]

In FY 09-10, the District developed a near-term prioritized replacement plan to jumpstart its long-term CIP. The Master Plan included a flow monitoring study, historical CCTV records, and the collection system's maintenance history as a whole to develop fundable groupings of pipeline replacement projects and included capacity improvement projects as suggested by the hydraulic modeling. In the 2013 Master Plan, it was determined that most pipes had sufficient capacity to serve the public although there were needs for rehabilitation or reconstruction, primarily due to critical defects and pipe disrepair.

As of January 2017, the District accelerated its Flow Monitoring program by installing flow meters at each of its 16 sub-basins to monitor the collection system and confirm tentatively prioritized CIP projects are required. The District initiated the Master Plan update and changed the program name to "Sustainability Plan" to better reflect the ongoing assessments of the system which will be completed

[454] EPASD, Master Plan Addendum 2021, Table 3 and Table 4.

[455] EPA, Fact Sheet: Asset Management for Sewer Collection Systems, 2002.

[456] WBSD, SSMP, 2021, p. 4-2.

soon. In the interim, the District has compiled a 10-year CIP program going out to FY 26-27.[457] The CIP has $41.4 million in rehabilitation and replacement projects and $8.3 million in capacity enhancement projects.

SERVICE LEVELS

This section evaluates the wastewater service levels of the two sanitary districts with a focus on the sanitary sewer overflow rate, infiltration and inflow, regulatory compliance, preventative maintenance practices, speed of response times to customer reports of issues, and the number and type of complaints related to wastewater services. Whenever available, district and/or industry standards are used to determine the level of services provided. In lieu of adopted standards, the report also makes use of generally accepted industry best practices or benchmarking with comparable providers.

Sanitary Sewer Overflows

Wastewater agencies are required to report sewer system overflows (SSOs) to the State Water Resources Control Board (SWRCB). Overflows reflect the capacity and condition of collection system piping and the effectiveness of routine maintenance. The sewer overflow rate is calculated as the number of sanitary sewer overflows (SSOs) per 100 miles of mainline piping per year. During the calendar years of 2020 and 2021, EPASD had no SSOs, and therefore, had an SSO rate of zero per 100 miles, while WBSD had four Category 2 and Category 3 SSOs[458] which equates to an SSO rate of 0.22 per 100 miles of mainline. Of note is that EPASD has not reported an SSO to the State since 2009, for which it has received certification for no spills for the period of 2011 to 2016.[459] Because EPASD has not reported any SSOs for a 12-year period, the San Francisco Bay RWQCB selected the District for an inspection and assessment in March 2021.[460] Both agencies excel with low SSO rates. By comparison,

[457] WBSD, SSMP, 2021, p. 4-9.

[458] Category 2 - Discharges of untreated or partially treated wastewater of 1,000 gallons or greater resulting from an enrollee's sanitary sewer system failure or flow condition that do not reach surface water, a drainage channel, or a municipal separate storm sewer system unless the entire SSO discharged to the storm drain system is fully recovered and disposed of properly. Category 3 – Discharges are less than 1000 gallons are fully recovered.

[459] SWRCB, California Integrated Water Quality System Project (CIWQS) SSO Public Report Page, accessed on January 2, 2022.

[460] San Francisco Bay RWQCB, Inspection Report and Staff Enforcement Letter, May 5, 2021, p. 3.

agencies in California during the same time period had average overflow rates of 2.77 per 100 miles of main for Category 1 spills, 1.81 for Category 2 spills, and 3.8 for Category 3 spills.[461]

The total volume of sanitary sewer overflows for each district is shown in Figure 7-6.

Figure 7-6: Sanitary Sewer Overflows, 2020 & 2021

	EPASD	WBSD
SSO Rate per 100 Miles of Mainline	0	0.22[462]
Total Volume of SSOs (gal)	0	2,839
Volume Recovered (gal)	0	2,767
Net Volume of SSO (gal)	0	72
Average Volume per SSO (gal)	0	710
Source(s): SWRCB, California Integrated Water Quality System Project (CIWQS) SSO Public Report.		

Infiltration and Inflow

The peaking factor is, for the purpose of this report, defined as the ratio of peak day wet weather flows to average daily flows. The peaking factor is an indicator of the degree to which the system suffers from infiltration and inflow (I/I), where rainwater enters the sewer system through cracks, manholes or other means. A peaking factor of up to three is generally considered acceptable based on industry practices. Peaking factors can vary based on the time frame used to determine peak wet weather flows. This report makes use of the peak day wet weather flow, which is the total volume of flows for a 24-hour period when a peak event has occurred. The two districts provided information regarding their respective peak day wet weather flows and average daily flows for each of the wastewater treatment plants that they utilize. Based on the data provided, the peaking factors were calculated and are shown in Figure 7-7.

EPASD indicated that I/I is generally not an issue for its system, which is supported by the low peaking factor of 2.0 experienced in 2020. Based on hydraulic analysis in the District's Master Plan Addendum

[461] SWRCB, California Integrated Water Quality System Project (CIWQS) SSO Public Report Page, accessed on January 2, 2022.

[462] Category 2 spills only.

(2021), certain areas are more prone to I/I with peaking factors above 4. The District indicated that the wetland areas are more prone to infiltration due to high groundwater table year round.

While WBSD had a peaking factor of approximately 5 in 2020, I/I has reportedly not been identified as an issue for its system. Pipes reportedly demonstrate sufficient capacity during wet weather and hydraulic models do not show bottle necks. However, a few pipes and manholes in the East Palo Alto area near Bay Road toward the San Francisco Bay are slightly affected by wet weather.[463] The District completed two significant capital projects in 2010 and 2011 that greatly reduced I/I in areas of concern. The District continues a regular capital program of continual rehabilitation and replacement aimed at I/I reduction. By repairing 1.5 percent of the system or three miles of pipe per year, and replacement of 1.5 percent of the system, it is predicted that the District can achieve 0.75 percent I/I reduction annually.[464]

Figure 7-7: Peaking Factors (Peak Day Wet Weather Flow/Average Day Flow), 2020

Treatment Plant	EPASD	WBSD
Palo Alto RWTP	2.0	
SVCW WWTP		5.0
R-Value	Not completed	Not provided
Source(s): Based on ADWF and PWWF reported in district MSR questionnaires.		

Another metric typically used to quantify the severity of the system's I/I is the R-value.[465] R-Values tend to better express the severity of infiltration while peaking factors express the severity of inflow. The R- value is defined as the percentage of rainfall volume that makes it into the collection system as I/I. The R-values vary from 0.2 percent to 9.4 percent. Five percent is a commonly used threshold to indicate areas of high infiltration that need to be addressed. EPASD reported that it had not completed an evaluation of its R-Value. WBSD reported that it had conducted an assessment of infiltration; however, the results of the assessment were not provided.

[463] WBSD, Response to Questionnaire, 10/13/21.

[464] WBSD, Master Plan Update, 2013, p. 5.

[465] The R-Value method is defined as the volume of I/I for the storm event divided by the total volume of rainfall over a basin. The calculated R-Values are specific to the storm event being quantified and thus different storm events will yield different values. Collection systems with R-Values less than 5 percent are generally considered to have acceptable infiltration.

Regulatory Compliance

The Regional Water Quality Control Board (RWQCB) enforces the Clean Water Act, permit conditions and other requirements of wastewater providers. Violations of State requirements for wastewater providers and treatment facilities are recorded by SWRCB. The Board may levy fines or order the provider to take specific actions to comply with water quality regulations. Because neither of the districts operates a treatment plant, both agencies operate under the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems, State Water Resources Control Board (State Water Board) Order No. 2006-0003-DWQ (Order), as amended by State Water Board Monitoring and Reporting Program Order No. WQ 2013-0058-EXEC.

Figure 7-8: Collection System Violations and Enforcement Orders in 2020 and 2021

	EPASD	WBSD
Violations	Violation of Order Conditions – 3/30/21	None
Enforcement Orders	Staff Enforcement Letter – 5/5/21	None
Source(s): SWRCB, California Integrated Water Quality System Project (CIWQS) Interactive Violation Report.		

In 2020 and 2021, EPASD had one violation of order conditions in March 2021 that resulted in one enforcement action. An RWQCB staff enforcement letter was issued in May 2021 stating that the District violated several conditions of State Water Board Order No. 2006-0003-DWQ and requiring that EPASD submit a Completion Report by August 16, 2021, that verifies the District has implemented corrective measures for each violation. Violations were regarding required SSMP components, including Overflow Emergency Response Plan notification and reporting requirements, conducting a biennial SSMP audit, and SSMP availability on its website and to the CIWQS system. Additionally, the enforcement letter required that the list of district staff that are registered to make data entry into the CIWQS system be updated. Finally, the letter notes that there is conflicting information regarding sewer segment ages and recommends that the District begin tracking sewer pipe age.[466] The District responded in August 2021 with efforts made to meet the identified violations.[467]

[466] San Francisco Bay RWQCB, Inspection Report and Staff Enforcement Letter, May 5, 2021, p. 5-7.

[467] EPASD, Response to inspection Report and Staff Enforcement Letter, August 13, 2021.

WBSD had no violations or enforcement actions in 2020 and 2021. WBSD has had no violations or enforcement actions since 2008. There are no records of recent inspections conducted by RWQCB for the WBSD system.

Inspection and Maintenance Practices

Preventative maintenance activities are outlined in the legally required Sewer System Management Plans (SSMP) adopted by each of the districts.

EPASD aims to flush and inspect its entire collection system twice a year. However, in 2019 and 2020, 34 percent of the system was reportedly inspected with CCTV cameras each year.[468] EPASD also practices daily flushing to prevent grease buildup or other materials. The inspections take place after cleaning and utilize a closed-circuit television (CCTV) camera to capture footage inside the sewer line. Different areas of the system are inspected with the CCTV once or twice a week, and approximately one basin is completed each month. The General Manager reviews the footage to determine if repair or replacement is needed. Pipes with deflections or visibly open break lines are prioritized for replacement. Identified hot spots are in flat areas prone to sediment accumulation and are cleaned more frequently. There are 15 restaurants within the District's service area that are inspected twice a year for FOG.[469]

The entire WBSD collection system is assessed by CCTV inspection on a six-year cycle. Pipes are maintained by high-pressure hydro jetting and hydraulic root saw methods. Lift stations are inspected one to two times per week, depending on the size of the lift station. Approximately 500 Fats, Oils, and Grease inspections are performed to commercial accounts every year. Inhouse Crews perform approximately 150 spot repairs via open trench or trenchless pipe patch per year to help maintain the infrastructure. Pipelines that are reconstructed or rehabilitated are inspected by the construction inspector to meet the District's Standards.

Figure 7-9: Inspection and Maintenance Practices

Mains Inspected	EPASD	WBSD
2019	~12 miles (40%)	~43 miles (20%)
2020	~12 miles (40%)	~43 miles (20%)
Entire system CCTV inspection goal	Annually	Every 6 years
Source(s): EPASD and WBSD MSR Questionnaires.		

[468] EPASD, Response to MSR Questionnaire, September 21, 2021.

[469] San Francisco Bay RWQCB, Inspection Report and Staff Enforcement Letter, May 5, 2021, p. 3.

Deferred Maintenance

Both districts have adopted capital improvement programs to address necessary sewer infrastructure improvements and reported no unfunded wastewater system projects. Significant unbudgeted projects are typically incorporated into the districts' overall CIPs as they are recognized and as part of regular CIP review and updates.

Emergency Response Times

Emergency response times are indicative of an agency's ability to be on site when an emergency occurs.

The EPASD's Maintenance Department provides 24-hour service to EPASD customers either through response by EPASD crew or with a qualified contractor. EPASD crew are on-call to respond to service problems at all times. The maintenance department response time goal is to respond to all calls in less than one hour.[470] Most response times are far faster than that goal; staff on average respond within 20-25 minutes to an emergency call.

WBSD's policy is to respond within 30 minutes of a call during work hours and 45 minutes after work hours. On average, WBSD staff are on site within 20 minutes of a call.

Figure 7-10: Emergency Response Times

	EPASD	WBSD
Response Time	~20-25 minutes	~20 minutes
Policy	<1 hour	<30 minutes during work hours <45 minutes after hours
Source(s): EPASD and WBSD MSR Questionnaires.		

Complaints

EPASD reported that there were no complaints received regarding wastewater services in 2020.[471]

In 2020, WBSD experienced one odor complaint at its recycled water facility. The issue was ultimately identified as an improper toilet gasket seal and was ruled a private matter.[472]

[470] EPASD, SSMP, 2021, p.17.

[471] EPASD, Response to MSR Questionnaire, September 21, 2021.

[472] WBSD, Response to MSR Questionnaire, October 13, 2021.

FINANCIAL ADEQUACY

Regional Sewer Rates

As shown in Figure 7-11, EPASD's annual rates are about half of the Countywide average. WBSD's $1,224 rate is approximately equal to the median.

Figure 7-11: Sewer Service Rates as of July 1, 2021

City	Yearly
Palo Alto	$496
Mountain View	$505
Harbor Industrial SMD	$585
East Palo Alto Sanitary District	$600
Pacifica*	$844
Brisbane*	$845
Daly City (NSMCSD)*	$496
Fair Oaks SMD	$955
Belmont*	$964
Burlingame*	$984
Redwood City	$1,025
Foster City	$1,168
West Bay SD	$1,224
San Carlos	$1,283
Millbrae*	$1,417
San Bruno*	$1,426
Oak Knoll SMD	$1,445
Kensington Square SMD	$1,450
Devonshire CSD	$1,540
San Mateo*	$1,563
Emerald Lake Heights SMD	$1,565
Crystal Springs CSD (current)	$1,585
Edgewood SMD	$1,605
Crystal Springs CSD (proposed)	$1,664
Burlingame Hills SMD	$1,742
Scenic Heights CSD	$1,995
Hillsborough	$3,543
Median	**$1,283**

* Denotes sewer rates with a flow-based component; annual bill based on customer usage of 220 gpd.

Source: County of San Mateo Public Works Dept.

WBSD reviews and updates their rates annually based on current and anticipated and projected costs and revenues. The analysis is documented in a detailed report. The rates include consideration of capital costs.

EPASD annual reviews their rate schedule. The last detailed forecast of costs and revenues was prepared in 2018; the forecast included ongoing annual expenditures of approximately $900,000 towards pipeline repair and replacement, but no other allocations towards capacity deficiencies.

CAPITAL IMPROVEMENT FUNDING AND FINANCING

Sewer system management plan (SSMP) best practices establish a process for planning and funding of capital improvements. The process includes:

1) prioritization, alternatives analysis, and schedules for completion;

2) a CIP implementation schedule, and

3) identification of sources of funding.[473] Funding typically includes capacity charges, grants, loans and bonds, and funding from developers.

WBSD develops, maintains and updates its Capital Improvement Program (CIP) consistent with the best practices described above.

In 2021 EPASD prepared an Addendum to its 2015 Master Plan Update that proposes a set of improvements needed to address existing deficiencies and deficiencies created by future development; however, EPASD has not prioritized improvements, has not prepared a schedule for implementation, and has not identified funding nor is it pursuing new sources such as grants and low-interest loans. EPASD has reserves but has not clearly identified the use of those reserves, in combination with other sources including capacity fees, sufficient to fund existing and future improvements. EPASD's capacity fee, established in 2018, does not account for costs of improvements proposed by the 2021 Addendum nor the amount and timing of new development.

[473] EPASD Sanitary Sewer Management Plan (SSMP), Revised August 12, 2021, pg. 42.

Funding of Expansion to Serve New Development

Legal standards and financing practices in California require that new development pays its fair share for improvements required to serve the development. It is not common for new development to fund oversized infrastructure and then be reimbursed from other new development (and/or capacity charges paid by new development) that will use the infrastructure. It is more common that a City or District give connection fee credit for oversizing. Managing on going reimbursement agreements is time consuming for the agency.

WBSD's CIP includes improvements required for replacement and expansion to serve existing and anticipated future growth, funded through a combination of revenue sources including capacity fees. WBSD works with developers to coordinate already planned capital improvement projects. If a pipeline project has already been planned for and financed within its capital improvement plan in the next five years, then the District will prioritize the capital improvement with supplemental funding from the developer to cover the difference in upsizing costs associated with the development, thus benefitting both parties.[474] If a proposed development project requires upsizing or additional infrastructure to meet the needs of the development, WBSD will require that the developer complete the necessary upgrades and turn over the infrastructure to the District upon completion and inspection.[475] If the upgrades are beyond what is necessary to accommodate the new development, WBSD may provide a credit to the connection fee. If the required pipeline is not in the 10-year CIP, then the new development is responsible for the full cost of the pipeline.

EPASD does not have a plan for funding of infrastructure required to serve new development; the District indicated that it's proposed financing structure presented to developers was rejected and EPASD discarded its proposal.[476] EPASD states that developers must be responsible for funding of all improvements necessary to serve the new development, including existing deficiencies. EPASD has pursued negotiations separately with individual developers and at least in one case has negotiated an agreement that included general language about possible future reimbursements for oversizing although the source, manner and methodology for reimbursement was not specified.[477] This approach does not provide clear direction forward for developers, precludes small property owners seeking a subdivision but without the resources for engineering analysis and negotiation, and has effectively

[474] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

[475] Interview with Sergio Ramirez, WBSD General Manager, November 17, 2021.

[476] Interview with A. Okupe, EPASD General Manager, 2021-11-09.

[477] Wastewater Service Agreement between EPASD and Light Tree Two, LLP, June 12, 2020.

precluded new development due to the high cost burden of existing deficiencies assigned to new development and the lack of a comprehensive plan that utilizes a full range of potential funding sources.

CHAPTER 4 includes a section on EPASD current Capital Improvement Funding and Financing, and a Framework for a CIP Finance Plan. A similar financing framework could help advance needed EPASD sewer system improvements. The framework balances the need to protect existing ratepayers from the burden of new development while assuring that existing deficiencies are addressed in a cost-effective manner that leverages public and private funds. The success of this financing framework depends on EPASD's willingness to prepare a financing plan, collaborate with the City of East Palo Alto and with property owners and developers, update its capacity charges, prepare a CIP consistent with best practices, and pursue all potential funding sources in a timely manner.

8. REORGANIZATION OPTIONS

In 2009, EPASD's sphere of influence was reaffirmed as a "dissolution" (zero) SOI as adopted in 1985. Several governance structure options for EPASD were extensively analyzed at that time but no recommendation was made. The governance options identified during the course of this MSR continue to be substantially similar to those identified and analyzed in 2009. The current MSR update builds upon that evaluation. Alternatives include the following:

1) Status quo (continued existence of EPASD with no boundary changes)

2) Establishing EPASD as a subsidiary district of the City of East Palo Alto with sewer service becoming a public works function of the City and the City Council acting as the governing board

3) Dissolution of the District and annexation of the service area to West Bay Sanitary District, or a variation which would reorganize both EPASD and WBSD to align boundaries of the districts with city boundaries

STATUS QUO

Over the course of this MSR several issues of concern were noted regarding EPASD's operations, particularly in regard to its planning and management to coordinate with and facilitate the planning decisions of the City of East Palo Alto as the land use authority for the area served. EPASD continues to indicate that it has no interest in considering options to support development by working with the City and developers to find a solution that is both fiscally feasible and meets the requirements of EPASD, the developers, and the City.

EPASD has clearly stated its position that it is not open to negotiations regarding sharing responsibility with the developers in the case where improvements will benefit existing ratepayers and the developers. A lack of EPASD transparency due to a lack of planning documents creates barriers to discussions between the parties making it challenging to 1) define actual development-driven capital needs at the connection and downstream, 2) determine related costs beyond the set capacity charges, and 3) negotiate a mutually beneficial agreement consistent with legal constraints.

Given that the City of East Palo Alto is empowered as the sole land use authority for the territory within the city limits, it appears de facto that EPASD is overstepping its approved powers by not actively addressing the capacity issues that are impeding proposed and approved development within the City. The Sanitary District Act (California Health and Safety Code §6400 - 6982) does not grant sanitary districts the power to make land use decisions.

This hindrance to new development and redevelopment has a significant impact on the City and its constituents by impeding many of the benefits associated with growth, including social and economic revitalization and environmental and sustainability benefits, such as enhanced revenues for the City via tax base expansion, greater job retention and creation, removal of blight, transformation of vacant brownfield properties, and increased property values, to new a few. Preventing development and growth from occurring is depriving the City and its residents of these benefits. Over ninety percent of EPASD lies within and serves the City of East Palo Alto, and residents of EPASD are similarly residents of the City.

SUBSIDIARY DISTRICT

The City, as land use authority and primary municipal service provider to the area within its incorporated limits, has the greatest vested interest and responsibility to ensure that 1) developments with the greatest benefit to its residents occur and 2) services provided within the city limits meet the needs of the residents and businesses it represents. The transition of EPASD to a subsidiary district of the City of East Palo Alto meets these objectives.

A subsidiary district to the City of East Palo Alto could be created to continue providing wastewater services. In accordance with State law (Gov. Code, §57105), the City would have to comprise at least 70 percent of land area and at least 70 percent of the registered voters within the subsidiary district, both of which appear to be met by the City of East Palo Alto.[478] Under this option the District is not dissolved and becomes a subsidiary district of the City with the East Palo Alto City Council serving as the governing board of the subsidiary district and the sewer service becoming a public works function.

The process to establish a district as a subsidiary district of a city typically involves an application to LAFCO by the affected city, although LAFCO could initiate the process. The process would require a map and legal description, a plan for service and financial plan, a reconsideration period, a protest hearing, and possibly an election (with the requisite protest).

While this reorganization option was previously considered in 2009, conditions have since changed providing an impetus to the City's consideration of taking on the subsidiary district and its services.

[478] The City of East Palo Alto's incorporated territory comprises approximately 91 percent of the territory within EPASD's boundaries. It is assumed that the percentage of registered voters will be commensurate with the territory. A request has been made to the San Mateo Elections Office for confirmation.

Advantages of this alternative include, but are not limited to the following:

- Planning for wastewater utilities could align with the City's envisioned land use planning and established master plans.
- The City could address and balance infrastructure requirements, funding options, and developer requirements, to facilitate needed new housing, jobs and municipal revenues to improve public services.
- The management of wastewater service delivery to the residents of the District would be enhanced with the substantive management and supervisory structure of the City.
- Enhanced efficiencies by eliminating a layer of government.
- Enhanced ease of use for constituents, with a single provider of services.

The City could contract with WBSD for wastewater system operation and maintenance services, similar to the Town of Los Altos Hills and the Town of Woodside. WBSD has a history and experience providing these services. A contract service structure would reduce the demand on the City's resources for provision of a new service.

ANNEXATION TO WBSD

WBSD has indicated a willingness and ability to provide sewer services to the community but is not willing to initiate a reorganization in the absence of EPASD concurrence. Option #2, which could include contract services from WBSD to a City subsidiary district, depends on action by the City, LAFCo and area residents to reorganize EPASD as a subsidiary district. A longer-term option, if a subsidiary district is formed, could involve dissolution of the subsidiary district and annexation to WBSD.

Another option discussed in the MSR involves the annexation of parcels proposing new development to WBSD, and corresponding detachment from EPASD. The MSR does not consider this a viable option due to its reduction of future EPASD operating and capital revenues, and the resulting irregular service area boundaries.

One additional variation on the dissolution/annexation option was considered in the 2008 MSR. The variation involved alignment of jurisdictional authority for sewer service with the city boundaries in the areas served by East Palo Alto Sanitary District and West Bay Sanitary District. It was noted that this variation would likely lead to greater complexity because each agency would then operate and maintain portions of two separate systems and be party to two separate sewage treatment agreements. Reorganization would require allocation of the system's assets and liabilities to the two agencies.

APPENDIX A: REGIONAL GROWTH DETAILED REPORT

REGIONAL GROWTH AND POPULATION

The Bay Area region is a large and economically diverse area consisting of nine counties. Each sub-region is characterized by its own unique economic activity. San Francisco is characterized by its finance sector and increasingly tech social media sector, biotech in San Mateo, computers and software in Silicon Valley, shipping and government services in Alameda and the expansive wine and hospitality industries in the North Bay counties.[479]

When the Bay Area's economy is strong it brings a surge of new migration from throughout the U.S. and the world into the region; the current pandemic, however, has reversed this trend. When innovative industries enter more mature phases, growth may level off or decline, and population inflows may change to outflows. New technology increases productivity and alters production process, on occasion seeding entirely new industries and markets. This creates challenges for forecasting employment and even population trends. These cycles of innovation and growth have brought about changes in the composition of employment and population and are inherent features of the Bay Area economy.[480]

HISTORICAL POPULATION TRENDS

Since the 1970s, the annual population growth rate in the Bay Area has been around one percent. The 1980s saw a slightly higher growth rate, while the 2000s experienced lower growth as the region was affected first by a housing boom and then the Great Recession. As of 2010, the total population of the Bay Area was just over 7,150,000, with roughly 2.6 million households. By 2015, the population had increased by some 425,000, to 7,574,000, an annual growth rate of 1.2 percent.[481]

The region's population growth and development patterns are highly dependent on economic growth and employment trends. The Bay Area's share of U.S. GDP has grown from three percent in 1990 to almost four percent in 2015. The rate of economic growth has ranged from an inflation-adjusted loss of 1.5 percent between 2000 and 2001 to growth of 5.7 percent between 2014 and 2015. The information sector played a key role in this growth, with output expanding at an annualized real rate of 10 percent in

[479] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area Projections 2040, November 2018, p. 13.

[480] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area Projections 2040, November 2018, p. 112.

[481] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area Projections 2040, November 2018, p. 16.

the San Francisco Metropolitan Area (which includes the East Bay, West Bay and Marin County) and over nine percent in the South Bay.[482]

The region's average age increased between 1990 and 2015, with the share of the population under 18 years of age dropping from 23.6 percent to 21.3 percent and the share at least 65 years old grew from 11.0 percent to 14.3 percent. These changes were due to declining fertility rates, in-migration of working-age adults, and favorable life expectancies in the region. This trend is forecast to continue.[483]

Population Projections

Between now and 2050, estimates suggest the Bay Area's population will rise from nearly eight million to over 10 million residents and that the number of jobs within the nine counties will climb from four million to more than five million. This growth will influence what the Bay Area looks like in 30 years, and many questions remain about where these new residents will live and work. In addition to growth, forces outside of the region's control such as climate change, economic booms and busts, and changing technologies will contribute to future uncertainty. The COVID-19 pandemic provides an extreme example of how these unprecedented events can reshape everyday life.[484]

Although the projections show future growth, the pandemic has had a slowing effect on the growth rate. United States Postal Service (USPS) data paints a picture of the migration situation across California during 2020. The USPS data, which tracks change of address requests, shows California experienced a significant uptick in the number of residents relocating out of the state during 2020. In 2020, the USPS data shows that nearly 650,000 moved out of the state – a sharp rise of over 15 percent when compared to previous years. That out-migration has not been offset by a corresponding rise of in-migration. Taken together, 2020 produced a net negative of 211,000 change of address requests from California, more than double the net figure from 2018. [485]

Underpinning the population growth is the growth in households and, ultimately the housing stock that supports this growth. Projections show that the number of households in the Bay Area will reach 4,043,000 in 2050 which represents growth of 51 percent since 2015. The highest growth is expected in Santa Clara county (73 percent), followed by San Francisco, Alameda and San Mateo counties (58, 54

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[482] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area Projections 2040, November 2018, p. 14.

[483] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area Projections 2040, November 2018, p. 16-17.

[484] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, vi.

[485] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 47.

and 48 percent, respectively). San Mateo county represents about nine percent of the regional growth between 2015 and 2050. It is noteworthy that although population,[486] generally speaking, continues to be concentrated in the counties that also hold the bulk of employment, jobs growth between 2015 and 2050 does not closely coincide with population growth. For example, while Solano county is expected to undergo about 53 percent job growth rate (the highest among the nine counties) during this period, its household growth rate is much lower (24 percent) than of the majority of other Bay Area counties. On the other hand, Marin county is projected to experience a negative job growth rate but at the same time grow its households by 34 percent over the 35-year period. One explanation for this phenomenon is the continuing work-from-home trend whereby the labor force does not have to be located in the same place as the jobs themselves.[487]

In San Mateo county, the number of households is expected to reach 394,000 in 2050, which constitutes 48 percent growth from 2015 or nine percent share of the regional growth. Job growth in the county is fairly consistent with the household growth during this period (29 percent job growth which represents an eight percent share of the regional job growth). The vast majority of growth is expected in North San Mateo county.[488]

Over ninety percent of San Mateo County's urban development is on the bay side, and includes 18 of the County's jurisdictions, many of which were developed first as a series of "railroad" bedroom communities for San Francisco. Caltrain service, BART, and the highway system reinforce this travel route through the Peninsula, providing a commuting workforce that come from and goes to counties throughout the region, important to employers. As employment activity and household growth intensifies along the 101 corridor through San Mateo county, several modes of transit are being considered for expansion to Peninsula job clusters and residential nodes, including high speed rail, bus rapid transit and ferry service. [489]

San Mateo County's economic base has transformed as the region's economy has grown and changed. San Francisco International Airport (SFO), located in San Mateo county, continues to be a dominant economic force. Financial firms were among the first to bring large-scale employment opportunities to the resident labor force in the San Mateo County suburbs. Although the Bay Area's prominence as a

[486] Santa Clara, Alameda, Contra Costa, San Mateo and San Francisco counties collectively represent about 80 percent of the regional population.

[487] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050 Growth Pattern, Updated January 21, 2021.

[488] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050 Growth Pattern, Updated January 21, 2021.

[489] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area Projections 2040, November 2018, p. 112.

national financial center has weakened in recent decades, Visa, Franklin Templeton Investments and Fisher Investments remain among the county's larger employers. Biotechnology and medical device companies are an important part of the economic picture. Technology and social media sectors have been critical forces of change to the county's economy and level of urbanization. In the past two decades San Mateo County has acted as the bridge that extends Silicon Valley from Santa Clara County to San Francisco and beyond. Software company Oracle, headquartered in Redwood Shores, led the establishment of software firms in San Mateo County. Electronic Arts, a video game company, is another large employer located in Redwood Shores. The Facebook campus in Menlo Park continues to expand the County's already diverse employment base.[490]

GROWTH FACTORS

Economic Trends and Effects of COVID-19 Pandemic on Regional Economy

Since the 1800s, booms and busts have characterized the Bay Area's economy. Through the 19th century Gold Rush, the "dot-com" bubble of the 1990s, record economic growth into the 21st century, and the latest recession in the wake of the COVID-19 pandemic, a spirit of innovation and perseverance has defined the region through both upticks and downturns.[491] Economic uncertainties will continue, as the economic fallout of the COVID-19 pandemic may take years to fully unfold.[492]

Despite being one of the nation's most resilient regions for the past fifty years, the nine-county Bay Area similarly experienced unprecedented changes to the regional economy during the COVID-19 pandemic.[493] The pandemic led to severe fluctuations in unemployment rates and changes to the size and level of participation in the labor force. Prior to the COVID-19 pandemic, the Bay Area had one of the lowest unemployment rates in the nation – an indicator often cited to convey the region's strong economy. Since October 2019, the Bay Area labor force has fallen by more than 56,000 people. While not as steep of a drop as in New York, Chicago, Boston, and Los Angeles, the region's labor force loss does point to a combination of slow economic recovery – which has pushed those that have lost their jobs to not seek work – and potential population decline. Much of the labor force reduction can be

[490] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area Projections 2040, November 2018, p. 112-113.

[491] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 40.

[492] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 16.

[493] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 1.

attributed to Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties, whereas Santa Clara County has actually grown its labor force year over year. [494]

The unemployment rate in the Bay Area as of January 2021 was 6.8 percent. The regional unemployment rate spiked from 3.6 percent in March 2020 to 13.1 percent in April 2020, fell consistently month-over-month until September 2020, and since then has plateaued, hovering between six and seven percent. Following a trajectory similar to the unemployment rate, net job loss was most severe in April 2020, at which point the region had over half a million less jobs than it had at the start of 2020. Jobs were on a strong path to recovery for most of 2020 but saw a dip in the new year, with an additional 122,000 jobs lost between December 2020 and January 2021.[495]

Net job loss in the Bay Area as a result of the COVID-19 recession is more acute than past recessions. Eleven months into the COVID-19 recession, net job loss in the region was five times that of the net job loss eleven months into the Great Recession and double that of the net job loss eleven months into the Dot-com Bubble. Job losses were much more sudden in the COVID-19 recession than the Dot-com Bubble and the Great Recession, but recovery has also been much faster than in past recessions.[496]

As of January 2021, the Bay Area's labor force (defined as those employed and those looking for work) shrank by over six percent, more significantly than many other peer metros, the U.S. and California. This trend reflects how many people in the region have been impacted by the pandemic fueled factors that are driving people out of the workforce, including unmet childcare needs, other unpaid family care responsibilities, and health concerns. If this trend persists, these individuals who have become disconnected from the labor force amidst the pandemic may have a hard time returning to the workforce, as typically the longer someone has been out of the labor force, the longer it takes them to find a job and return to work.[497]

Up until January 2021, the Bay Area was ahead of California in terms of recovering to pre-pandemic employment levels, but as of January 2021 the Bay Area has dipped below California in terms of total share of pre-pandemic jobs recovered.[498]

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[494] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 35.

[495] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 4.

[496] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 4.

[497] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 5.

[498] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 6.

While the long-term impact of the COVID-19 economic crisis on income inequality in the region remains unknown, data points on job loss by industry provide insight to how the pandemic may impact top and bottom earning households in the region. Many households that fall into the bottom 10% rely on employment in industries that have experienced sizable job losses over the past year in the Bay Area. [499]

Examining job losses by industry provides more nuanced insight into the COVID-19 recession employment recovery in the region. In early 2020, employment across the travel and tourism and hospitality and services sectors were immediately impacted as local and statewide shelter in place mandates and travel guidelines were put in place in the Bay Area. As time went on, these effects transferred to other industries leading to layoffs, furloughs, and hiring freezes across various industries.[500]

Industries that typically employ white-collar workers such as professional and business services and financial services were less impacted by employment loss throughout 2020. Other sectors had unique trajectories of employment loss and recovery during 2020. The construction industry had one of the most pronounced recoveries. The government sector saw a delayed low point for employment loss, reaching the deepest level of job loss in July but remaining relatively stable into the new year.[501]

Despite the region's continued success in both venture capital and technology in light of COVID-19, the reshaping of "location" as a factor for where companies choose to locate and where venture capitalists choose to invest their money can have an impact on whether or not the Bay Area will continue to have a concentration of venture capital investment and technology companies in the future. If location is no longer a primary driver for investment, venture capitalists might choose to start investing in companies in other parts of the country, and likewise, companies might choose to station themselves or their employees in less expensive regions. At the same time, many view the Bay Area's entrepreneurial spirit and conglomeration of venture capital to be a unique underlying factor that will not disappear in the near future. [502]

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[499] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, pp. 51-52.

[500] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 7.

[501] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 7.

[502] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 16-17.

Distribution of Jobs and Housing

The distribution of jobs and housing have a significant impact on population growth and development trends. This distribution in the Bay Area has historically depended on multiple factors. In some places, zoning restricts development exclusively to commercial buildings or single-family homes, and other policies also can limit the amount of housing or commercial space that can be built. Another factor is the tendency of similar types of businesses to cluster near one another — most notably in Silicon Valley, where many information and technology firms have co-located since the 1970s. Proximity to transit or to highways also plays a role, as businesses and workers choose locations that will enable quicker travel.[503]

Compounded over many decades, these forces have resulted in a significant spatial imbalance of jobs and housing throughout the Bay Area. Generally, there is more housing than jobs in Alameda, Contra Costa, Solano and Sonoma counties, while there are more jobs than housing in Marin, Napa, San Francisco, San Mateo and Santa Clara counties. This creates a number of associated problems, such as traffic congestion and transit overcrowding in major commute corridors. The imbalance also reinforces other challenges, such as the displacement of longtime residents from neighborhoods where home values and rents have spiked.[504]

The Bay Area is generally known as one of the least affordable areas to live in the country. The high cost of living is largely driven by the high costs of housing, which has spurred an affordability crisis, pushing lower income households to locations farther from the urban job centers.[505] Housing growth in cities with growing high-wage workforces — notably those in Silicon Valley — has not kept pace with job growth, resulting in spillover demand for homes and higher housing costs throughout the region. Every day, Bay Area workers of all income levels struggle to find housing close to their workplaces, though this trend is particularly challenging for workers with low incomes.[506]

Many planning strategies developed by the Association of Bay Area Council of Governments (ABAG) and the Metropolitan Transportation Commission (MTC) in the Plan Bay Area 2050 (discussed in more detail

[503] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 48.

[504] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 48.

[505] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 19.

[506] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 13.

below), promote a more balanced distribution of jobs and housing across the region.[507] First, local jurisdictions can support a more balanced distribution of job growth by allowing greater commercial densities. A complementary strategy to provide incentives to employers to shift jobs to housing-rich areas that are well served by transit could further improve the balance of jobs and housing. Finally, a strategy to retain key industrial lands by establishing Priority Production Areas would both support a more even jobs-to-housing balance regionwide and protect industrial land from the risk of conversion to residential uses.[508]

In a post-pandemic Bay Area, both housing and transportation will inevitably be reshaped.[509] A reversal in housing costs has already materialized in some locations, with rents dropping in historically high cost urban job centers, like San Francisco, and rising in parts of the East Bay. In contrast to the drop in rental prices in some areas, home sale prices have increased across the Bay Area during the pandemic. As this redefinition in the geography of housing prices in the region plays out, thousands of people face unemployment in an unaffordable region, making future housing stability an uncertainty for many. Housing protections temporarily in place at the state and county level will expire on varying timelines, further contributing to uncertainty surrounding housing security for regional residents in poverty and those currently unemployed.[510]

Work from Home

One of the most identifiable effects of the COVID-19 pandemic was the acceleration of the work-from-home trend. This trend is especially relevant in the Bay Area as remote work possibility increases with the rise in average income. The eligibility to work remotely further deepened the income disparity across the region, however.[511]

Up to 45 percent of the jobs in the Bay Area are eligible for remote work, equating to a total of 1.79 million remote eligible jobs in the region. The nine Bay Area counties together have about the same number of remote eligible jobs as Los Angeles County (1.70 million), but the region has a larger share of

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[507] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 48.

[508] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 51.

[509] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 19.

[510] Bay Area Council Economic Institute, Tracking Impacts of the COVID-19 Recession on the Bay Area Economy, 2020, p. 19.

[511] Bay Area Council Economic Institute, Remote Work in the Bay Area: An Initial Evaluation of the Data and Implications for Public Policy, December 2020, http://www.bayareaeconomy.org/report/remote-work-in-the-bay-area/.

the total workforce remote eligible compared to other geographies. San Francisco County and Santa Clara County have the highest shares of remote work eligible jobs in the region, accounting for more than half of all jobs in each county.[512] A majority of the remote eligible jobs in the Bay Area are within the professional services sector.[513]

If each of the region's 1.79 million people employed in a remote eligible job worked outside of the office for just one day per week, over 1 million single-occupancy vehicle trips could be avoided each week—a reduction of 8 percent based on pre-COVID-19 travel. Reduced demand for commute trips will ease congestion for those that do travel, creating further emissions benefits. However, if households relocate to more dispersed locations in the region because they only need to be in the office a few days per week, more drivers could take to the roads for longer commutes between locations that are not currently connected by transit. In addition, if many households relocate to less transit and pedestrian-friendly locations, there could be a localized impact on the environment as people become more reliant on cars as a primary mode. Shifting travel behavior could also call for a re-prioritization of transportation investments away from commute trips to urban centers and toward local transit, bicycle, and pedestrian infrastructure. The potential for remote work to drive down daytime populations in downtown areas can impact the service economy, housing markets, and public transit usage.[514]

There are also racial and ethnic inequities in the demographics of the pre-pandemic population employed in occupations eligible to work from home. Based on the pre-COVID-19 occupational makeup across the nine counties, 51 percent of the white workforce and 52 percent of the Asian workforce held a job in an occupation eligible for remote work, while 33 percent of the Black workforce and 30 percent of Latinx workforce in the region held a job in an occupation eligible for remote work.[515]

It is impossible to disaggregate remote work effects from COVID-19 effects, and this is especially true when it comes to housing markets. Median rents have fallen by at least 20 percent year-over-year as of October 2020 in locations with a high percentage of jobs that could be done remotely. These drops in rental prices in these locations indicate their susceptibility to population decline driven by increased

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[512] These numbers are high bounds for expectations for the future level of remote work and are calculated at the pre-pandemic job mix.

[513] Bay Area Council Economic Institute, Remote Work in the Bay Area: An Initial Evaluation of the Data and Implications for Public Policy, December 2020, http://www.bayareaeconomy.org/report/remote-work-in-the-bay-area/.

[514] Bay Area Council Economic Institute, Remote Work in the Bay Area: An Initial Evaluation of the Data and Implications for Public Policy, December 2020, http://www.bayareaeconomy.org/report/remote-work-in-the-bay-area/.

[515] Bay Area Council Economic Institute, Remote Work in the Bay Area: An Initial Evaluation of the Data and Implications for Public Policy, December 2020, http://www.bayareaeconomy.org/report/remote-work-in-the-bay-area/.

remote work. If remote workers begin to prefer housing in suburban locations, remote work could also alleviate some of the pressure on urban housing markets while simultaneously shifting affordability concerns to other parts of the region.[516]

Housing Needs

California, and the Bay Area in particular, face an affordable housing crisis that has built up over decades. The Bay Area faces a shortfall of over 220,000 homes affordable to its poorest residents. Roughly 45 percent of Bay Area renter households spend more than 30 percent of their income on housing (meeting the definition of "cost-burdened"), while roughly 23 percent spend over 50 percent of their income (meeting the definition of "severely cost burdened). Nearly 85 percent of extremely low-income residents and 61 percent of low-income residents are cost burdened, while 69 percent of extremely low-income and 15 percent of low-income residents face severe cost burdens.[517]

These dynamics have led to an increasingly segregated region, with low-income residents and people of color often pushed to the peripheries of the Bay Area if they are able to remain in the region at all. As briefly mentioned before, the Bay Area's inability to adequately house all its residents, especially close to job centers, has led to a host of other challenges such as crippling traffic, attendant greenhouse gas emissions, and labor shortages that affect all Bay Area residents. [518]

Recent events have exacerbated the housing crisis. Every Bay Area resident has been affected in some way by the COVID-19 pandemic and the accompanying economic downturn, as well as by the historic wildfires that have threatened homes, caused large-scale evacuations, and resulted in prolonged periods of unhealthy air quality.[519]

Rents in the region where so high prior to the pandemic, that despite the drastic percentage drops in rent in Bay Area cities over the last year, housing costs are still unaffordable for many households. While the decline in rent has the potential to decrease the rent burden felt by low-income households, overall affordability of the region for low-income households is a factor of both rental costs and income. [520]

Recognizing the severity of the problem, the Bay Area's regional governing bodies, the Association of Bay Area Governments (ABAG) and Metropolitan Transportation Commission (MTC), have developed

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[516] Bay Area Council Economic Institute, Remote Work in the Bay Area: An Initial Evaluation of the Data and Implications for Public Policy, December 2020, http://www.bayareaeconomy.org/report/remote-work-in-the-bay-area/.

[517] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[518] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[519] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[520] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, pp. 51-52.

and adopted the Plan Bay Area 2050[521] that treats housing like public infrastructure to address the area's housing crisis.[522]

The Bay Area has over 2.5 million homes in its nine counties. To accommodate a growing population expected to reach 10 million by 2050, more housing will need to be built throughout the region. Where that housing is built, and in what form, can impact the greatest challenges facing the Bay Area today, including housing affordability, access to job opportunities and reducing greenhouse gas emissions. Plan Bay Area 2050 contains a strategy for housing the 10 million people expected to live in the Bay Area in 2050, to be implemented by the region's 101 cities and towns using their knowledge of local needs and resources. [523]

The Bay Area housing market consists of market-rate, rent-regulated and deed-restricted affordable housing. Over 90 percent of Bay Area homes are market-rate, meaning they are bought, sold or rented on the private real estate market. The price of new and existing market rate housing is influenced by supply and demand, resulting in unaffordability to most residents with low and moderate incomes. Factors such as high land and construction costs, minimum parking requirements, maximum unit densities and other local policies contribute to higher supply costs. Swiftly increasing demand for housing compounds these supply-side challenges, leading to higher rents and home prices. Cities or counties may voluntarily adopt rent regulations to stabilize rents or protect renters from discrimination. A small share of homes in the Bay Area today are deed-restricted affordable housing. In accordance with state and federal standards, the price of these homes is tied to affordability levels for households with low and moderate incomes, for a period of time defined in the deed of ownership for a property. Homes with deed restrictions lasting 55 years or more are often considered "permanently affordable," though few mechanisms exist to ensure true permanency. [524]

Since 1969, the State of California has required each local government to plan for its share of the state's housing needs for people of all income levels.[525] The California Department of Housing and Community Development (HCD) identifies the total number of homes for which each region in California must plan in order to meet the housing needs of people at all income levels. The total number of housing units from HCD is separated into four income categories that cover everything from housing for very low-

[521] The Plan was adopted on October 21, 2021.

[522] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[523] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, pp. 29-30.

[524] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, pp. 29-30.

[525] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, pp. 4-6.

income households all the way to market rate housing.[526] ABAG is responsible for developing a methodology to allocate a portion of this housing need to every local government in the Bay Area.[527]

Every eight years, ABAG develops a Regional Housing Needs Allocation (RHNA) that allocates state-mandated expected growth at the jurisdictional level and across the income spectrum.[528] On December 16, 2021, ABAG adopted the RHNA Plan for the period of 2023-2031.[529] Once it receives its allocation, each local government must update the Housing Element of its General Plan and its zoning to show how it plans to accommodate its RHNA units and meet the housing needs in its community. The housing element addresses specific housing needs within a jurisdiction such as homelessness, meeting the needs of specific populations, affirmatively furthering fair housing, or minimizing displacement.[530]

In consultation with ABAG, HCD determined that the Bay Area must plan for 441,176 new housing units from 2023 to 2031.[531] This determination is based on population projections produced by the California Department of Finance. The new laws governing the methodology for how HCD calculates the RHNA resulted in a significantly higher number of housing units (more than double from the last cycle; 187,000 units between 2015 and 2023)[532] for which the Bay Area must plan compared to previous RHNA cycles.[533] Figure 3-1 depicts the housing needs breakdown.

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[526] Very Low Income: 0-50% of Area Median Income; Low Income: 50-80% of Area Median Income; Moderate Income: 80-120% of Area Median Income; Above Moderate Income: 120% or more of Area Median Income.

[527] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 47.

[528] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[529] https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation

[530] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, pp. 4-6.

[531] There are three components to the methodology that includes: 1) Baseline allocation, which is used to assign each jurisdiction a beginning share of the RHND and is based on each jurisdiction's share of the region's total households in the year 2050 from the Plan Bay Area 2050 Final Blueprint; 2) Factors and weights for allocating units by income category that are taken into consideration in allocating very low- and low-income units and moderate- and above-moderate units; and 3) Equity adjustment that identifies 49 jurisdictions that exhibit racial and socioeconomic demographics that differ from the regional average to ensure that each of these jurisdictions receives an allocation of lower-income units that is at least proportional to its share of the region's total households in 2020.

[532] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 34.

[533] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 11.

Figure A.3-1: Regional Housing Needs Determination from HCD (San Francisco Bay Area)

Income Category	Percent	Housing Unit Need
Very Low	25.9%	114,442
Low	14.9%	65,892
Moderate	16.5%	72,712
Above Moderate	42.6%	188,130
Total	**100%**	**441,176**

Source: Regional Housing Needs Determination (RHND) from HCD Factsheet.

The City of East Palo Alto has been assigned a total of 829 RHNA units that include 165 very low income, 95 low income, 159 moderate income, and 410 above moderate income.[534] The unincorporated San Mateo county got assigned 2,833 units including 811 very low income, 468 low income, 433 moderate income, and 1,121 above moderate income.[535] It will result in the growth rate of 11 percent in East Palo Alto and 13 percent in unincorporated San Mateo County from 2020 households.[536]

During the current RHNA cycle, it is especially not easy for each Bay Area jurisdiction to update its Housing Element given the higher number of new homes needed. In addition to the overall number of homes assigned to each jurisdiction, the RHNA process dictates that housing must be planned for every affordability level. Historically, permitting for homes affordable to people with lower and moderate incomes has not kept pace with the Bay Area's RHNA targets. Housing Elements for this RHNA period must also demonstrate how they affirmatively further fair housing (new requirement).[537]

RHNA and Plan Bay Area 2050 discuss planning for housing on two separate time horizons: RHNA focuses on the shorter-term with its eight-year cycle, while Plan Bay Area 2050 presents a longer-term vision for the next 30 years. The two efforts, however, are coordinated, with RHNA's near-term focus setting the stage for early implementation of Plan Bay Area 2050's envisioned growth pattern. To assist cities and counties with planning for new housing this cycle, HCD provided new state funding of $250 million in the 2019-20 State Budget; $25 million of these funds went directly to Bay Area jurisdictions, with an additional $24 million allocated to ABAG. ABAG is deploying its funds through subgrants to all 109 jurisdictions and the recently launched Regional Housing Technical Assistance (RHTA) program. RHTA includes several forms of technical assistance, such as providing jurisdiction-specific data packets

[534] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 27.

[535] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 27.

[536] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 30.

[537] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 30.

that include charts and graphs that local staff can add directly into their Housing Elements and the Housing Element Site Selection tool, an interactive map that identifies opportunity sites for rezoning. Innovative ideas for engaging the community on housing planning, a regional consulting bench, and resources to support fair housing and resilience to hazards are also supported by these state funds.[538]

Bay Area Housing Finance Authority (BAHFA) also can help jurisdictions meet their RHNA targets by providing resources and technical assistance so local plans result in more homes, especially for lower-income residents.[539] Established in 2019 by Assembly Bill 1487 (Chiu), BAHFA is the first legislatively-approved regional housing finance authority in California that has the potential to raise hundreds of millions of dollars annually through ballot measures and other revenue mechanisms for the entirety of the nine-county Bay Area. The defining feature of BAHFA is the authority to raise revenue through a ballot measure that would require two-thirds approval from voters in the nine Bay Area counties. Potential mechanisms include a general obligation bond, a parcel tax and two employer-based taxes – a per-employee "head tax" and a gross receipts tax. [540]

Strategies to Meet Housing Needs

The Bay Area's severe housing shortage will require innovative solutions as well as time-tested methods. One novel idea is to transform aging shopping malls and office parks into vibrant, mixed-use neighborhoods incorporating open space, shops, services and housing. With department stores and other retail storefronts facing a steady decline since the takeoff of online shopping (accelerated by the COVID-19 pandemic), this strategy turns an economic development challenge into an opportunity. Reimagining large, underutilized commercial spaces as housing can form an important nexus with economic development to transform the quintessential single-use sites of the 20th century into 21st century spaces that meet the needs of the future.[541]

Also, in addition to building stand-alone affordable housing, Plan Bay Area 2050 calls for integrating affordable housing into all major housing projects to meet the needs of all residents by 2050. Numerous Bay Area cities have had inclusionary housing policies in effect for years, requiring developers to reserve a set number of homes in new buildings as affordable units. These policies promote the development of mixed income apartment buildings without requiring a direct government subsidy. Instead, the cost of providing affordable housing is built into the developer's financial projections. Plan Bay Area 2050

[538] Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan: San Francisco Bay Area 2023-2031, 2021, p. 30.

[539] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[540] Bay Area Housing Finance Authority, Momentum for Lasting Solutions, 2021.

[541] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 33.

envisions a regional approach to inclusionary zoning that is context-specific, with requirements for affordable housing ranging from 10 percent to 20 percent of the total number of apartments built. The percentage would be based on factors like the strength of the housing market and proximity to amenities like transit or well-resourced schools. An exemption for buildings with five units or less would allow homeowners to affordably add backyard cottages and other accessory dwelling units (ADUs).[542]

ADUs have been one of the major strategies in addressing the housing crisis. State legislators are pursuing zoning reform to allow more small-scale housing types, particularly in low density neighborhoods. ADUs, commonly knowns as secondary units, backyard cottages, and in-law units, are one such housing type. Over the past few years, state legislators reduced parking requirements, lot size minimums and setback requirements, and development fees to incentivize construction of ADUs.[543]

Since the Bay Area Council partnered with Senator Bob Wieckowski to pass the first significant Accessory Dwelling Unit (ADU) reform legislation in 2016 (SB 1069), ADU permits have soared across the state. With other housing permits remaining stagnant or falling, ADUs represent a bright spot in California's housing crisis. The Council continues to advocate for reforms to expand access to ADUs, including most recently sponsoring legislation by Assembly member Phil Ting (AB 561) making it easier for homeowners to finance ADU construction.[544]

An analysis by the Bay Area Council Economic Institute using data from the California Department of Housing and Community Development (HCD) shows Accessory Dwelling Units (ADUs) accounted for 13.4 percent of all housing permit types in the Bay Area in 2020, a significant jump from 3.2 percent in 2016. In Marin and Napa, the Bay Area counties permitting the lowest amount of housing, ADUs are the majority of permits, making up 49.4 percent of all housing permits in Marin County and 40.3 percent in Napa County.[545]

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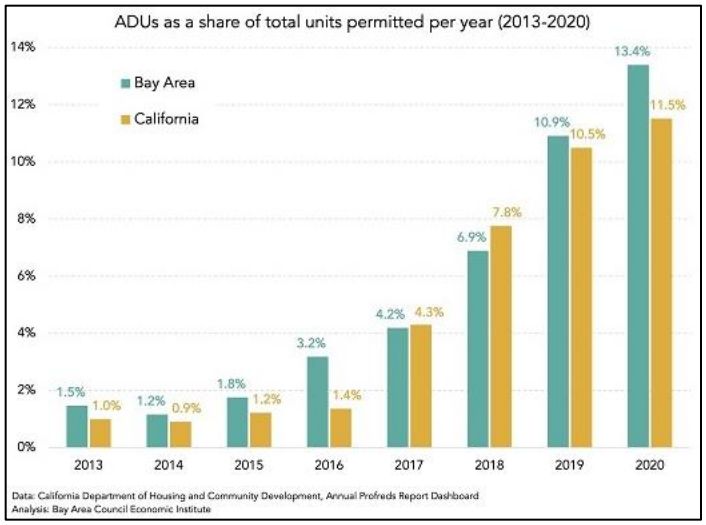
[542] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 33.

[543] Center for Community Innovation, ADUs in CA: A Revolution in Progress, October 2020, p. 5.

[544] Bay Area Council Economic Institute, New Analysis of Housing Permits Shows Prominence of ADUs in the Bay Area, http://www.bayareaeconomy.org/new-analysis-of-housing-permits-shows-prominence-of-adus-in-the-bay-area/.

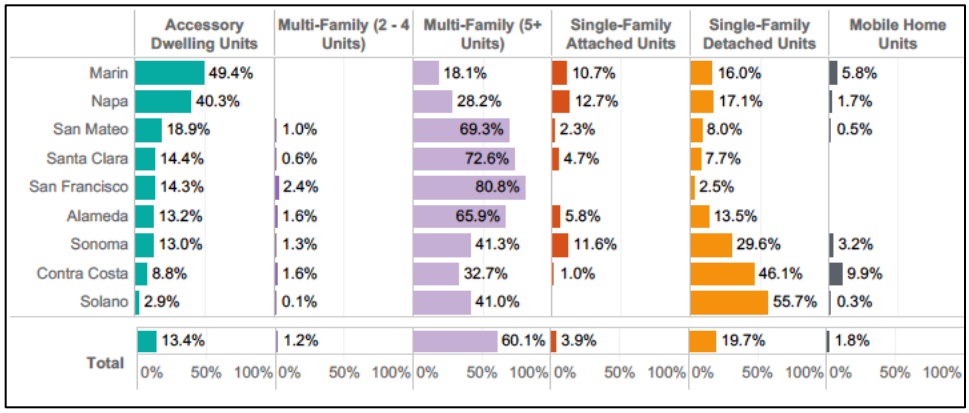
[545] Bay Area Council Economic Institute, New Analysis of Housing Permits Shows Prominence of ADUs in the Bay Area, http://www.bayareaeconomy.org/new-analysis-of-housing-permits-shows-prominence-of-adus-in-the-bay-area/.

Figure A.3-2: Accessory Dwelling Units, 2013-2020



Source: Bay Area Council Economic Institute

Figure A.3-3: Housing Permits by Type in the Bay Area, 2020



Source: Bay Area Council Economic Institute

A majority of ADU production takes place in areas with high home values and incomes, such as the San Francisco Bay Area, as depicted in Figure 3-2.[546] ADU production is generally occurring in diverse, transit-accessible neighborhoods where a greater share of homeowners have recently purchased their homes and still have a mortgage. Overall, 92 percent of ADUs are built on parcels zoned for single-family residential, but about two percent are being built on lots with duplexes, triplexes, or fourplexes, suggesting that the move to build the missing middle has already begun. Almost 70 percent of ADUs are built on parcels where the main house has three bedrooms or more, suggesting that lack of space is not the primary motivator. Over 3,300 ADUs have been built on parcels of less than 5,000 square feet,

[546] Center for Community Innovation, ADUs in CA: A Revolution in Progress, October 2020, p. 5.

suggesting that eliminating minimum lot sizes may have a meaningful impact on state housing production.[547] Recently, researchers found that there is potential for 1.5 million new ADU units across the state, which could account for approximately 40 percent of the state's housing need.[548]

Despite widespread support among the general public and local elected officials for the new legislation, ADU construction is not occurring evenly across the state due to pervasive barriers that often limit development. Finances (27 percent), lack of awareness (16 percent), and lack of desire (16 percent) remain significant barriers to ADU development. Jurisdictions also report that the State's top-down ADU legislation presents challenges for local ADU construction.[549]

Local Land Use Planning and Coordination

Generally, federal law delegates land use control to states. In the late 19th century, California further delegated authority over land use to local governments as part of the "home rule" movement. While Plan Bay Area 2050 proposes strategies to help the region accommodate a growing population more equitably, it does not mandate any changes to local zoning rules, general plans or processes for reviewing projects; nor does the plan create an enforceable direct or indirect cap on development locations or targets in the region. The Bay Area's cities, towns and counties maintain control of all decisions to adopt plans and to permit or deny development projects. Plan Bay Area 2050 helps guide, but does not directly establish, new state-mandated Regional Housing Needs Allocation (RHNA) numbers for any jurisdiction.[550]

Zoning has been seen as a contributor to the housing crisis and to inequity. Plan Bay Area 2050 views zoning reforms as one tool to shift the region's housing landscape toward inclusivity by allowing for more housing of different types to be built. Zoning must be approached from a context-specific lens that identifies opportunity sites for future growth, as well as areas where additional growth is inappropriate. Currently, two similarly located parcels can be zoned for dramatically different uses depending upon the communities in which they are located, with one permitting a wide spectrum of housing types, and another allowing only single-family homes on larger lots.[551]

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[547] Center for Community Innovation, ADUs in CA: A Revolution in Progress, October 2020, p. 5.

[548] Center for Community Innovation, ADUs in CA: A Revolution in Progress, October 2020, p. 7.

[549] Center for Community Innovation, ADUs in CA: A Revolution in Progress, October 2020, p. 5.

[550] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 32.

[551] Association of Bay Area Governments and Metropolitan Transportation Commission, Plan Bay Area 2050, October 21, 2021, p. 32.

These factors highlight the importance of cities' land use planning and need for special districts to coordinate with and support cities' planning efforts. Despite slower than expected growth rates, mainly due to the pandemic, growth in the region is inevitable. Given the RHNA as well as other developmental pressures identified in this chapter, local jurisdictions in the Bay area must engage in sufficient planning to accommodate the demand for housing as well as municipal services. Infrastructure like sewer capacity must be planned to keep pace with anticipated development to avoid the situation where housing cannot be supported despite the state requirement that it be planned for and the market demand for it to be built.[552]

[552] The paragraph contains excerpts from memo attached to Light Tree Developer Survey, written by Cox Castle Nicholson, June 26, 2020.

APPENDIX B: SUMMARY OF KEY FINANCIAL METRICS

Table B-1
City of East Palo Alto
Summary of Key Financial Metrics

Metric (Measure)		0 Actual FY2017-18	1 Actual FY2018-19	2 Actual FY2019-20	3 Approved FY2020-21	Approved FY2021-22	FY18 - FY22 Avg. Annual % Change	Comments/ Indicator
Balanced Budget								
Revenues	(1)	$21,785,000	$28,460,000	$30,525,000	$26,839,500	$28,920,000	0.5%	Low Growth
Expenditures (exc. capital/debt, & transfers)		$20,029,000	$26,852,450	$28,620,170	$27,333,410	$29,398,195	3.1%	Moderate Growth
Net		$1,756,000	$1,607,550	$1,904,830	($493,910)	($478,195)		
Reserves								
GF Reserves (ending General Fund balance)		$9,651,785	$19,086,455	$23,090,015	$28,083,855	$19,125,000	na	Assets reclassified FY22
% of Operating Expenditures		48.2%	71.1%	80.7%	102.7%	65.1%	na	High Level of Reserves
Pensions and OPEB								
Pensions								Bartel Associates
% Pension Funded				74.9%		not yet reported		Moderately Funded
Unfunded Pension Liability					$11,507,754	not yet reported		CAFR
OPEB		*No OPEB liability*						OPEB not a provided benefit
Long-term Obligations		*No Long-term Debt (only leases)*						
Infrastructure and Facility Assets								CAFR, Note 5
Total Value (depreciable assets)		$74,955,022	$77,458,518	$93,404,805	$95,373,308	not yet reported		
Depreciated Value		$33,346,345	$34,114,552	$48,426,052	$48,195,459	not yet reported		
Depreciated Value/Total Value		44%	44%	52%	51%			

Sources: Adopted Budgets and Comprehensive Annual Financial Reports

Table B-2
East Palo Alto Sanitary District (EPASD)
Summary of Key Financial Metrics

Metric (Measure)	FY2016-17	0 FY2017-18	1 FY2018-19	2 FY2019-20	3 FY2020-21	4 FY2021-22	FY18 - FY22 Avg. Annual % Change	Comment/ Indicator
Balanced Budget								
Revenues		$4,932,752	$5,106,713	$5,782,374	$5,973,913	$5,832,241	4.3%	Moderate Growth
Expenditures (exc. capital, debt, and transfers)		$3,407,295	$3,746,323	$3,903,851	$4,155,400	$4,192,900	5.3%	High Growth
Net		$1,525,457	$1,360,390	$1,878,523	$1,818,513	$1,639,341		Avg. $1,600,000
Reserves								
Ending General Fund Balance		$7,514,641	$7,297,796	$11,296,519	$9,949,132	$11,273,473		High Reserves
% of General Fund Expenditures		220.5%	194.8%	289.4%	239.4%	268.9%		
Pensions and OPEB								
Pensions								
% Pension Funded		70.9%	69.2%	68.8%	67.5%	not yet reported		
Unfunded Pension Liability		$1,585,923	$1,791,690	$1,857,784	$1,975,202	not yet reported		
OPEB								
Net OPEB Liability		$185,696	$300,144	$184,408	($31,214)	not yet reported		
% of General Fund Revenue		3.8%	5.9%	3.2%	-0.5%			
Long-term Obligations								
Total Principal Due		1,394,423	$1,288,833	$1,611,978	$1,065,535	not yet reported		
% of General Fund Revenue		28.3%	25.2%	27.9%	17.8%			
Annual Debt Service		$153,022	$153,123	$144,752	$152,854			
% of General Fund Revenue		3.1%	3.0%	2.5%	2.6%			
Infrastructure and Facility Assets								
Total Value (depreciable assets)		14,125,666	14,214,188	14,394,190	14,394,190			Financial Reports Note 3
Depreciated Value		7,224,460	6,939,262	6,735,051	6,376,250			
Depreciated Value/Total Value		51%	49%	47%	44%			
Capital Additions -- Sewer/Pipe	$445,252	$1,451,257	$59,508	$180,002	$0	avg (exc. WIP):	$427,204	avg. FY17-FY21

Sources: Adopted Budgets and Annual Financial Reports.

Table B-3
West Bay Sanitary District
Summary of Key Financial Metrics

		0 Actual FY2017-18	1 Actual FY2018-19	2 Actual FY2019-20	3 Projected FY2020-21	4 Approved FY2021-22	FY18 - FY22 Avg. Annual % Change	Indicator
Balanced Budget								
Revenues	(1)	$26,298,032	$28,293,053	$31,414,052	$32,706,011	$31,223,897	4.4%	Moderate Growth
Expenditures (exc. depreciation)		$19,450,423	$29,012,442	$29,146,904	$29,036,459	$21,504,201	2.5%	Low Growth
Net		$6,847,609	($719,389)	$2,267,148	$3,669,552	$9,719,696		
(less) depreciation		($1,800,000)	($1,900,000)	($2,500,000)	($2,866,400)	($3,200,000)		
Net after depreciation		$5,047,609	($2,619,389)	($232,852)	$803,152	$6,519,696		
Reserves								
Operating Reserves		$8,131,426	$9,365,601	9,530,903	$9,531,000	$10,752,100		High Reserves
% of Expenditures (exc. depreciation)		46.1%	34.5%	35.8%	36.4%	58.7%		
Pensions and OPEB								
Pensions								CalPers, Misc. Plan
% Pension Funded		72.5%	71.2%	71.3%	70.4%	unfunded paid		High Pension Funding
Unfunded Pension Liability		$4,898,053	$5,627,100	$5,911,505	$6,413,843	in full		
OPEB								
Net OPEB Obligations					$111,239	not yet reported		
% of General Fund Revenue					0.3%			
Leases and Long-term Debt								Audit reports, Note 6.
State Revolving Loan Fund					$17,335,200	$16,600,000		
Infrastructure and Facility Assets								Audit reports, Note 5.
Total Value		$76,125,515	$76,028,349	$77,418,631	$107,556,875	not yet reported		
Depreciated Value		$48,195,102	$46,283,600	$42,101,559	$68,500,682			
Depreciated Value/Total Value		63%	61%	54%	64%			

Sources: Adopted Budgets and Annual Financial Reports.
(1) Revenues include non-operating revenues (interest).