

SAN MATEO



# LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

October 14, 2020

**To:** LAFCo Commissioners  
**From:** Martha Poyatos, Executive Officer *M. Poyatos*  
**Subject:** Request for Initiation of Municipal Service Review for East Palo Alto Sanitary District

## Summary

LAFCo has received four letters requesting the initiation of a Municipal Service Review (MSR) for the East Palo Alto Sanitary District (EPASD). The letters are from residents of the City of East Palo Alto and developers (Sobrato Organization, Midpeninsula Housing Corporation and East Palo Alto Community Alliance and Neighborhood Development Association/EPA CAN DO) currently working with the City of East Palo Alto and EPASD on commercial and affordable housing projects. The commenters cite several concerns with EPASD including appropriate cost allocations for infrastructure upgrades, public meeting transparency, a lack of response to inquiries from project applicants, and questions regarding plans for future development and growth within the District's service area.

EPASD provides wastewater collection and treatment for the majority of the City of East Palo Alto, along with a small portion of the City of Menlo Park. The rest of the City is served by the West Bay Sanitary District (WBSD) provides service to (eastern) areas of the City and neighboring areas in Menlo Park. The letters reference the LAFCo MSRs for these agencies completed in 2009 and a San Mateo County Civil Grand Jury report that highlighted the "cottage industry" of sanitation districts in San Mateo County. In the letters submitted to LAFCo, the commenters request that an update to the MSR for EPASD be conducted that takes into consideration the Civil Grand Jury findings, the 2009 MSR determinations, and all relevant updated information including District capacity, population projections, District finances.

If the Commission elects to include an update to the EPASD in the adopted workplan, staff also recommends that the City of East Palo Alto and West Bay Sanitary MSRs also be updated. This will allow the Commission, members of the public, and government agencies a more complete picture of the level of service provided by the City and the two special districts. Regardless of whether or not the Commission directs staff to update the EPASD MSR ahead of other first

**COMMISSIONERS:** JOSHUA COSGROVE, CHAIR, SPECIAL DISTRICT ▪ WARREN SLOCUM, VICE CHAIR, COUNTY ▪ RICH GARBARINO, CITY ▪ DON HORSLEY, COUNTY ▪ MIKE O'NEILL, CITY ▪ RIC LOHMAN, SPECIAL DISTRICT ▪ ANN DRAPER, PUBLIC

**ALTERNATES:** KATI MARTIN, SPECIAL DISTRICT ▪ HARVEY RARBACK, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY

**STAFF:** MARTHA POYATOS, EXECUTIVE OFFICER ▪ TIM FOX, LEGAL COUNSEL ▪ ROB BARTOLI, MANAGEMENT ANALYST ▪ ANGELA MONTES, CLERK

round MSR's, it is recommended that the City, Developers and EPASD continue to explore options, including outside mediation, to move development projects forward.

Regarding the Commission's currently adopted workplan, the MSR for the San Mateo Resource Conservation District is proposed for adoption at the October 21, 2020 LAFCo meeting and the sphere update at the November hearing. Staff is currently preparing the administrative draft MSR for City of South San Francisco and the Westborough Water District. Remaining first round MSR's include San Bruno, Millbrae, Burlingame, Hillsborough and Foster City. In addition, the workplan includes an update to the 2015 MSR for the San Mateo County Harbor District. It is also anticipated that a MSR for County Service Area 11 (Pescadero) (CSA 11) will be required within a year because the County is pursuing a water connection for Pescadero High School and the proposed new location for the Pescadero fire station, both of which are located outside the boundaries of CSA 11. If the MSR request for EPASD is to be included in the workplan, other MSR target completion dates will need to be adjusted accordingly. The following table shows the proposed MSR workplan with EPASD, the City of East Palo Alto, and WBSD MSRs included.

<u>Agency</u>	<u>Completion date</u>
San Mateo Resource Conservation District	October & November, 2020
San Mateo County Harbor District Update	January 2021
City of SSF/Westborough Water District	March 2021
<i>City of East Palo Alto, East Palo Alto Sanitary District, and West Bay Sanitary District</i>	<i>TBD</i>
<i>CSA 11</i>	<i>May 2021</i>
San Bruno and Millbrae	<i>September 2021</i>
Burlingame, Hillsborough and Foster City	<i>November 2022</i>

**Recommended Action:**

By motion:

- 1) Recommend that staff initiate a Municipal Service Review for the City of East Palo Alto, East Palo Alto Sanitary District, and West Bay Sanitary District for this fiscal year;  
Or
- 2) Recommend that staff maintain the currently adopted LAFCo workplan and include the EPASD, WBSD and City of EPA in the work program for 2021/2022.

**Attachments**

- A. Letters requesting update to EPASD MSR.

**CC:**

- 1) Dixie-Lee S. Specht-Schulz, resident
- 2) Court Skinner, resident

- 3) Duane Bay, EPA CAN DO
- 4) Lillian Lew-Hailer, MidPen Housing Corp.
- 5) Tamsen Plume and Kevin J. Ashe, Holland & Knight LLP
- 6) Jaime M. Fontes, City of East Palo Alto
- 7) Akintunde A. Okupe, East Palo Alto Sanitary District
- 8) Sergio Ramirez, West Bay Sanitary District

# Holland & Knight

50 California Street, Suite 2800 | San Francisco, CA 94111 | T 415.743.6900 | F 415.743.6910  
Holland & Knight LLP | [www.hklaw.com](http://www.hklaw.com)

Tamsen Plume  
+1 415-743-6941  
[tamsen.plume@hklaw.com](mailto:tamsen.plume@hklaw.com)

Kevin J. Ashe  
+1 415-743-6972  
[Kevin.Ashe@hklaw.com](mailto:Kevin.Ashe@hklaw.com)

September 15, 2020

*Via Electronic Mail*

Martha Poyatos  
Executive Officer  
San Mateo Local Agency Formation Commission  
455 County Center, 2nd Floor  
Redwood City, CA 94063  
(650) 363-4224  
[mpoyatos@smcgov.org](mailto:mpoyatos@smcgov.org)

RE: Request for San Mateo LAFCo to Prioritize a Municipal Service Review and Sphere of Influence Update for the East Palo Alto Sanitary District

Dear Ms. Poyatos,

On behalf of our client, the Sobrato Organization (Sobrato), we are writing to respectfully request that the San Mateo Local Agency Formation Commission (SMLAFCo) prioritize performing a municipal service review and sphere of influence update for the East Palo Alto Sanitary District (District) as soon as possible.

Sobrato is a multi-generational, family-owned development company based in Silicon Valley. Presently, Sobrato is developing the University Plaza Phase II project, which will be comprised of 212,000 square foot office and 8,600 square feet of community flex space at 2111 University Avenue in East Palo Alto. The City Council approved the Project in December 2019, and in doing so, recognized the substantial public benefits the project will offer to the local community. However, for over two years, Sobrato and its engineering consultants have been unsuccessful in obtaining the necessary “will serve” letter from the District which would allow the project to connect to the District’s sanitary sewer system.

In the two years that Sobrato has engaged with the District, we have observed a number of situations which cast doubt on the District’s ability to operate as a fair, well-governed and efficient special district. These include, without limitation, (i) assessing disproportionate and excessive upgrade costs onto individual development projects in violation of clear California statutory and constitutional standards; (ii) assessing upgrade costs on *ad hoc* bases without performing any analysis of how such upgrades will address existing system deficiencies, other development projects, and future growth in the years to come (*i.e.*, an “all or nothing” approach); (iii) failing to provide applicants with sufficient data or clear explanations to justify the District’s amorphous positions; and (iv) a track record of violating Brown Act notice and public participation

requirements, including indications of Boardmembers having reached consensus on items outside the public forum.

Sobrato understands that SMLAFCo oversees planned, well-ordered and efficient urban development patterns to ensure the orderly formation and development of local agencies and best use of taxpayer dollars. Under the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000, SMLAFCo is required complete municipal service reviews and sphere of influence updates for special districts, like the District. Such reviews are conducted in light of state policies that favor multi-purpose, regional agencies over several layers of limited purpose agencies in urban areas.

The last SMLAFCo review of the District was completed over 11 years ago in February 2009.<sup>1</sup> Some years later, a 2015-2016 San Mateo County Civil Grand Jury report found that the County’s “cottage industry” of sanitary districts was failing in three important ways: public accountability, fiscal responsibility, and operational competence.<sup>2</sup> The report found that sanitary districts (including the District) operated with “virtually no public oversight,” exhibited many instances of overspending and disproportionately high sewer rates, and had aging systems and deficient plans to upgrade and maintain them.

Today, the District’s role in providing sanitary sewer service in the City of East Palo Alto involves substantial inefficiencies, is wasteful of taxpayer dollars, and imposes unnecessary burdens and costs by refusing or delaying connection requests for City-approved development projects (including affordable housing projects and accessory dwelling units (ADU)). By failing to operate in a fair, transparent and efficient manner that respects all applicants of sewer connections, the District exemplifies a special district that is unable to achieve economies of scale for services provided.

Based off the experiences of Sobrato and other similarly situated, City-approved projects, the findings of SMLAFCo’s 2009 Review and the 2015-2016 Grand Jury remain prevalent today. Given the District’s consistent and systemic failure to operate fairly, effectively and transparently, Sobrato would ask that SMLAFCo prioritize a municipal service and sphere of influence review for the District.

Sincerely,



Tamsen Plume



Kevin J. Ashe

HOLLAND & KNIGHT LLP

cc: Tim Steele, The Sobrato Organization  
Robert Tersini, The Sobrato Organization

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<sup>1</sup> [https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/msrepasdfinalwithattachments\\_0.pdf](https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/msrepasdfinalwithattachments_0.pdf)

<sup>2</sup> <https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/Grand%20Jury%20Report.pdf>

Court Skinner



Martha Poyatos  
Executive Officer  
San Mateo Local Agency Formation Commission  
455 County Center, 2nd Floor  
Redwood City, CA 94063  
mpoyatos@smcgov.org  
(650) 363-4224

*Via Electronic Mail*

September 30, 2020

RE: Request for San Mateo LAFCo to Perform a Municipal Service Review and Sphere of Influence Update for the East Palo Alto Sanitary District

Dear Ms. Poyatos,

I am the chair of the Public Works and Transportation Commission and a long term resident of East Palo Alto and am concerned with issues that affect both quality of life and the ability to do business in our city. The East Palo Alto Sanitary District appears to have decided to discourage development projects in our city by attempting to charge exorbitant fees for certain projects as well as increasing the load in residential areas rather than doing the upsizing that new projects require.

Court Skinner, a resident of East Palo Alto, is writing today to respectfully request that the San Mateo Local Agency Formation Commission (SMLAFCo) prioritize performing a municipal service review and sphere of influence update for the East Palo Alto Sanitary District (EPASD) as soon as possible.

SMLAFCo oversees planned, well-ordered and efficient urban development patterns to ensure the orderly formation and development of local agencies and best use of taxpayer dollars. Under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, SMLAFCo is required complete municipal service reviews and sphere of influence updates of special districts within the County. This is in light of state policies that favor multi-purpose, regional agencies over several layers of limited purpose agencies, particularly in urban areas. I believe EPASD's role in providing sanitary sewer service in the City of East Palo Alto (City) involves substantial inefficiencies, is wasteful of taxpayer dollars, and is imposing additional burdens and costs by refusing or delaying connection requests for City-approved development projects (including affordable housing projects and affordable dwelling units (ADU)).

The last SMLAFCo review of EPASD was completed over 11 years ago in February 2009.<sup>1</sup> The 2009 review included a number of key findings, including:

- Growth and population projections for EPASD’s service territory by the year 2030 ranged from 27% to 49%.
- As a relatively small, single-purpose special district, the EPASD had limited opportunities for economies of scale offered by a larger organization.
- Given the relatively small size of EPASD’s service territory, options for consolidation with either the City or West Bay Sanitary District (WBSD) offer potential for efficiencies and economies of scale for operations and rates, streamlined planning for infrastructure, efficient and timely decision making by a fewer number of elected boards.
- Alternatives to the EPASD’s then-current governance framework include: (1) establishing the District as a “subsidiary district” of the City; (2) dissolving EPASD and annexing its service area to WBSD; (3) dissolving EPASD and reorganizing sewer service through annexations and detachments that would place territory in the City of East Palo Alto under sewer service authority of the City and placing its territory in City of Menlo Park under service authority of WBSD; or (4) the continued existence of the EPASD.
- Lastly, cost avoidance opportunities exist when board compensation and travel expenditures are compared to neighboring agencies.

SMLAFCo’s findings for the EPASD remain relevant, perhaps more now than in 2009. For example, a 2015-2016 San Mateo County Civil Grand Jury report found that the County’s “cottage industry” of sanitary districts was failing in three important ways: public accountability, fiscal responsibility, and operational competence.<sup>2</sup> The report found that sanitary districts (including EPASD) operated with “virtually no public oversight,” exhibited many instances of overspending and disproportionately high sewer rates, and had aging systems and deficient plans to upgrade and maintain them. Further, the report revealed that the EPASD’s Board of Directors are compensated disproportionately higher than peer sanitary districts, despite being a much smaller district. (See, **Attachment A**). Lastly, and central to SMLAFCo’s mission, was the finding on page 2 that “[t]here is much redundancy in having so many disparate districts—[including] overlap in board costs, audit, legal and other functions.”

Regarding my more recent dealings with EPASD, I note a lack of cooperation regarding information re costs, an inability to justify lack of cost sharing fairly among all users, a reluctance to take advantage of available financial resources to maintain and upgrade its infrastructure and board members who seem intent on rejecting development projects. There is also a lack of cooperation with other agencies that are required to meet project conditions of approval mandated by city planning. All of these are a detriment to the East Palo Alto quality of life and pose a risk beyond necessity for the service rendered. I reviewed in particular the proposal to address the Light Tree Apartment Project to increase the number of units served from 95 to 185, a potential doubling of the existing flow, though likely mitigated somewhat, by the

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<sup>1</sup> Copy available here:

[https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/msrepasdfinalwithattachments\\_0.pdf](https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/msrepasdfinalwithattachments_0.pdf)

<sup>2</sup> Report available here:

<https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/Grand%20Jury%20Report.pdf>

use of low flow plumbing as currently required. Instead of upsizing the existing route, the EPASD chose a route through another residential district, when they could not justify their proposed costs for increasing the pipe sizes for the ideal route. This appears to be a pattern of their approach to pricing upgrades. I am concerned, also that the elected board, seems not to understand the consequences of these choices and decisions made by their general manager. They sometimes appear to see their role as keeping development in check in the city, a role that clearly belongs to the city council and city government. Instead of attempting to serve new customers, the general manager often discourages them and suggests that they build parallel lines to the water treatment facilities. The EPASD board appears oblivious to this behavior.

Given the EPASD's consistent and systemic failure to operate fairly, effectively and transparently, SMLAFCo should prioritize a municipal service and sphere of influence review for EPASD. This will assist ratepayers, the City and applicants impacted by EPASD to better understand if governance alternatives should be considered to achieve maximum efficiencies and economies of scale for sanitary service.

Sincerely,



Court Skinner  
Chair

East Palo Alto Public Works and Transportation Commission

ATTACHMENT A

Figures from 2015-2016 Grant Jury Report  
EPASD Board Compensation

Figure 13: Meeting Compensation for Directors

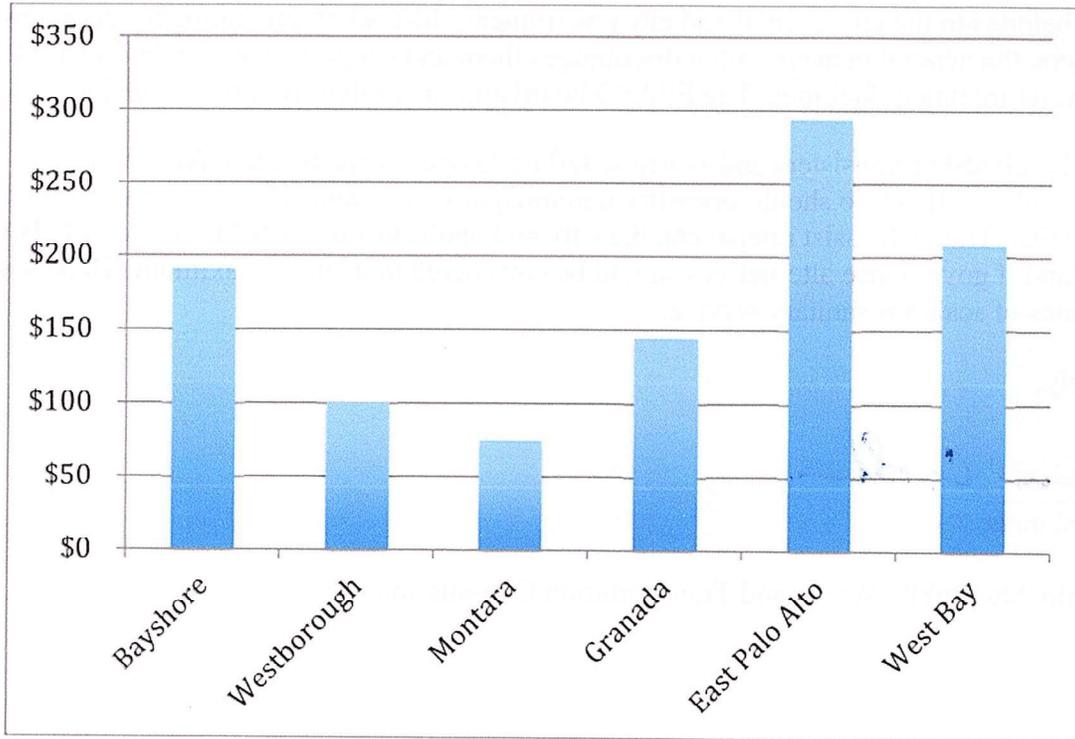
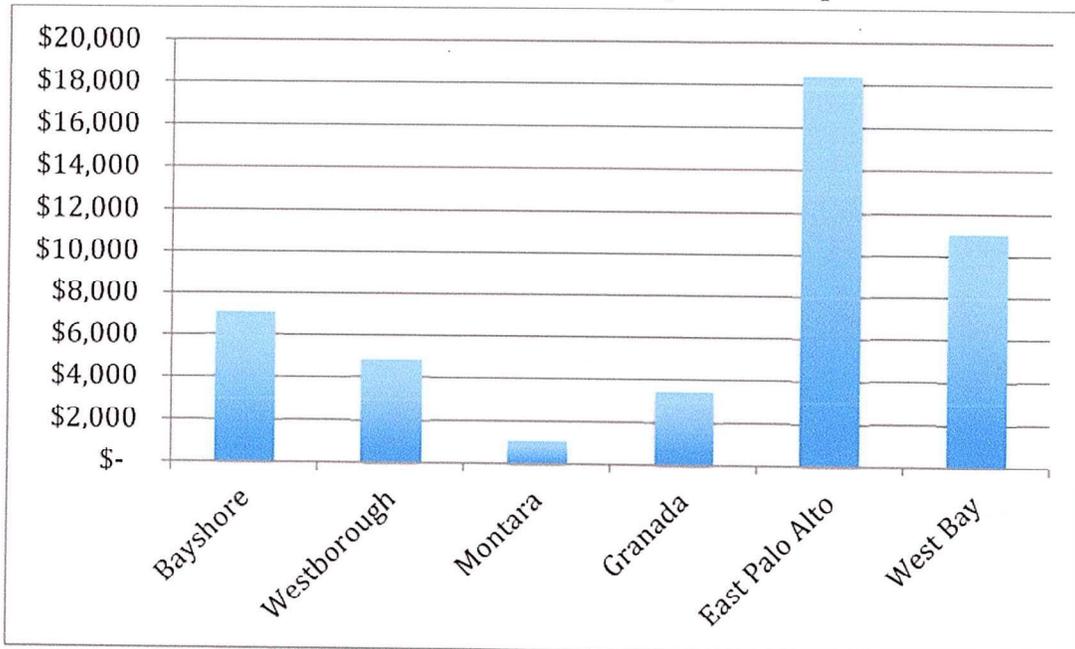


Figure 14: Annual Board Compensation per Director



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October 1, 2020

Martha Poyatos  
Executive Officer  
San Mateo Local Agency Formation Commission  
455 County Center, 2nd Floor  
Redwood City, CA 94063

Dear Ms. Poyatos,

My name is Ms. Dixie-Lee S. Specht-Schulz & I am both a 20+ year resident of East Palo Alto, as well as the chair of the Senior Advisory Committee to the city of EPA. I am writing to respectfully ask that the San Mateo Local Agency Formation Commission (SMLAFCo) prioritize performing a municipal service review & sphere of influence update for the East Palo Alto Sanitation District (EPASD).

The last LMLAFCO review of EPASD was completed in February 2009. I am told the following was noted in the review:

Growth & population projections for EPASD's service area by the year 2030 ranged from a 27% to 49% increase.

Suggestion that alternatives to the EPASD's relatively small size as an utilities company that consideration-District become a subsidiary district of the City, dissolving EPASD & annexing its service area to West Bay Sanitary District (WBSD), or annexing the District under the authority of the City.

As early as 2000, the engineering firm Kennedy & Jenks (consultant to EPASD at the time) advised that a strategy for placing the aging sewer pipe infrastructure be put in place. Around 2006, EPASD's own plan indicated the same format. The main sewer piping in EPA was predominately built in mid to late 1940's of clay pipe material. This composition has a lifespan of 80-100 years under ideal conditions. EPASD has not followed up. One EPASD board member actually stated that "if you don't see sewage leaking, there is no problem. There pipes are fine". I made a request for still photos of recent video surveillance of the interior condition of many of the main street pipes. What I received was photos many that are dated 2014 & 2015 & actually another resident cc's on the email thread when uploaded said they could be identified as taken in 2006 & dated 2014-2015. This further brings into question EPASD's question of reasonable transparency. Recently a development

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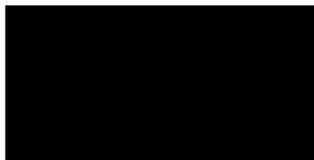
approved by the City, was stalled by EPASD with the issuance of exorbitant hook-up fees to the sewer system. Resolution came in the 11th hour with EPASD stating in lieu of these extraordinary fees, the Light Tree Apartments (low affordable housing) could hook-up to another development, i.e., the streets of Bains & Oakes in the University Square Development (built in 2000, with more intact sewer piping). Having an additional 187 units hooked on to an existing development's piping as a "cost saving measure seems likely not prudent from any engineering standpoint. Just another EPASD bandaid.

At the same time I would kindly ask that you review the compensation package for the EPASD, as it compares to the following: Bayshore, Westborough, Montara, Granada, & West Bay utility companies. I believe there is a red flag concern when in conjunction the aging infrastructure has not been adequately addressed.

I believe an updated review by your organization would assist ratepayers, the City & applicants impacted by EPASD better understand if alternatives should be considered for ongoing satisfactory sewer service.

Sincerely yours,

Dixie-Lee S. Specht-Schulz





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Martha Poyatos  
Executive Officer  
San Mateo Local Agency Formation Commission  
455 County Center, 2nd Floor  
Redwood City, CA 94063  
mpoyatos@smcgov.org  
(650) 363-4224

Via Electronic Mail

October 8, 2020

RE: Request for San Mateo LAFCo to Perform a Municipal Service Review and Sphere of Influence Update for the East Palo Alto Sanitary District

Dear Ms. Poyatos,

East Palo Alto Community Alliance and Neighborhood Development Organization (“EPA CAN DO”) and MidPen Housing Corporation (“MidPen”) are developers of the 965 Weeks Street affordable housing development (“Project”) in the City of East Palo Alto (“City”).

The central goal of EPA CAN DO’s Housing Program is to create and maintain long-term affordable housing that improves the quality of life for the residents of the City. Our organization seeks to promote healthy lifestyles and family through creating safer, cleaner and beautiful physical living environments. In order for EPA CAN DO to achieve its objectives of building affordable multi-family housing, we partner with other non-profit housing organizations and government agencies, such as the City, San Mateo County (“County”), the State of California and the U.S. Department of Housing and Urban Development. Through these collaborations, we have developed a total of 349 residential units (both affordable and market rate) in the City.

MidPen has extensive experience in the development of affordable housing. Since it was founded in 1970, MidPen has achieved recognition as a leading non-profit sponsor and developer of affordable housing. MidPen is currently in pre-construction, has constructed, or has rehabilitated more than 11,000 residential units for low-income families, seniors, farm workers, and physically, mentally or developmentally disabled people throughout Northern California with 116 developments in 12 counties. MidPen has constructed or rehabilitated over 1,700 units in the County, including 206 apartment homes in the City of East Palo Alto.

EPA CAN DO and MidPen are writing today to respectfully request that the San Mateo Local Agency Formation Commission (SMLAFCo) prioritize performing a municipal service review and sphere of influence update for the East Palo Alto Sanitary District (EPASD) as soon as possible.

SMLAFCo oversees planned, well-ordered and efficient urban development patterns to ensure the orderly formation and development of local agencies and best use of taxpayer dollars. Under the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000, SMLAFCo is required complete periodic municipal service reviews and sphere of influence updates of special districts within the County, typically on a ten-year cycle. This is in light of state policies that favor multi-purpose, regional agencies over several layers of limited purpose agencies, particularly in urban areas. We believe EPASD’s role in providing sanitary sewer service in the City involves substantial inefficiencies, is wasteful of taxpayer dollars, and is imposing additional burdens and costs by refusing or delaying connection requests for City-approved development projects (including affordable housing projects and accessory dwelling units.

The last SMLAFCo review of EPASD was completed over 11 years ago in February 2009.<sup>1</sup> The 2009 review included a number of key findings, including:

- Growth and population projections for EPASD’s service territory by the year 2030 ranged from 27% to 49%.
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- Given the relatively small size of EPASD’s service territory, options for consolidation with either the City or West Bay Sanitary District (“WBSD”) offer potential for efficiencies and economies of scale for operations and rates, streamlined planning for infrastructure, efficient and timely decision making by a fewer number of elected boards.
- Alternatives to the EPASD’s then-current governance framework include: (1) establishing the District as a “subsidiary district” of the City; (2) dissolving EPASD and annexing its service area to WBSD; (3) dissolving EPASD and reorganizing sewer service through annexations and detachments that would place territory in the City of East Palo Alto under sewer service authority of the City and placing its territory in City of Menlo Park under service authority of WBSD; or (4) the continued existence of the EPASD.
- Lastly, cost avoidance opportunities exist when board compensation and travel expenditures are compared to neighboring agencies.

SMLAFCo’s findings for the EPASD in 2009 remain relevant today. For example, a 2015-2016 San Mateo County Civil Grand Jury report found that the County’s “cottage industry” of sanitary districts was failing in three important ways: public accountability, fiscal responsibility, and operational competence.<sup>2</sup> The report found that sanitary districts (including EPASD) operated with “virtually no public oversight,” exhibited many instances of overspending and disproportionately high sewer rates, and had aging systems and deficient plans to upgrade and

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<sup>2</sup> Report available here:

<https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/Grand%20Jury%20Report.pdf>

maintain them. Further, the report revealed that the EPASD’s Board of Directors are compensated disproportionately higher than peer sanitary districts, despite being a much

smaller district. (See, **Attachment A**). Lastly, and central to SMLAFCo’s mission, was the finding on page 2 that “[t]here is much redundancy in having so many disparate districts— [including] overlap in board costs, audit, legal and other functions.”

Regarding EPA CAN DO and MidPen’s dealings with EPASD, we have observed lack of transparency in the process of requesting a will-serve letter from EPASD. On December 10, 2019, we provided the EPASD General Manager with a check in the amount of \$10,000 to perform a hydraulic flow analysis for the Project. After multiple attempts to follow up, we finally received a copy of the hydraulic flow analysis on April 29, 2020 (it was dated March 4, 2020), although the General Manager claimed to have shared the same with us on multiple occasions.

After receiving the hydraulic flow analysis, we continued to experience a lack of effectiveness in EPASD’s ability to support the City in advancing our approved affordable housing project. EPASD’s resistance and lack of planning seems misaligned with the City’s General Plan, which raises concern for our ability to provide much-needed new affordable housing in East Palo Alto. While the EPASD is aware there are multiple developments seeking connection and services from the EPASD, rather than evaluating and planning for system-wide upgrades and producing a Capital Improvement Plan, the EPASD has requested sewer line upgrades from multiple developers, with each developer taking on 100% of the replacement costs.

In collaboration with other developers in the City, our engineers worked with the EPASD to utilize their software model to calculate and compose a fair share proposal. The EPASD General Manager’s response was insisting on an “all-or-nothing” approach whereby developers fund the entire cost of sewer upgrades for improvements that will correct the system’s existing deficiencies — or not receiving service. On August 20, 2020, we presented a fair share analysis based on these calculations to the EPASD Board of Directors. At the conclusion of our presentation, there was virtually zero discussion or questions from the Board of Directors or General Manager. This response was not only highly uncharacteristic in comparison to prior Board Meetings on this issue, but further signifies that the EPASD is unwilling to accept reasonable, fair and legal alternatives to its particularly unreasonable, unfair and unlawful approach to funding future sewer upgrades.

In addition to co-developing 965 Weeks Street, EPA CAN DO is also co-developing Light Tree Apartments project with Eden Housing. The process for obtaining a will-serve letter from EPASD for the Light Tree Apartments was similarly delayed and dysfunctional—ultimately requiring an ad hoc political negotiation rather than reliance on publicly-adopted, transparently posted plans, procedures and rate schedules.



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In conclusion, the EPASD has publicly stated on numerous occasions that its goal is to serve existing ratepayers, but has never demonstrated a clear plan for maintaining the existing system or providing upgrades for new development. Given the EPASD's consistent and systemic failure to operate fairly, effectively and transparently, SMLAFCo should prioritize a municipal service and sphere of influence review for EPASD.

Sincerely,

A handwritten signature in black ink, appearing to read "Duane Bay".

Duane Bay  
Executive Director  
EPA CAN DO

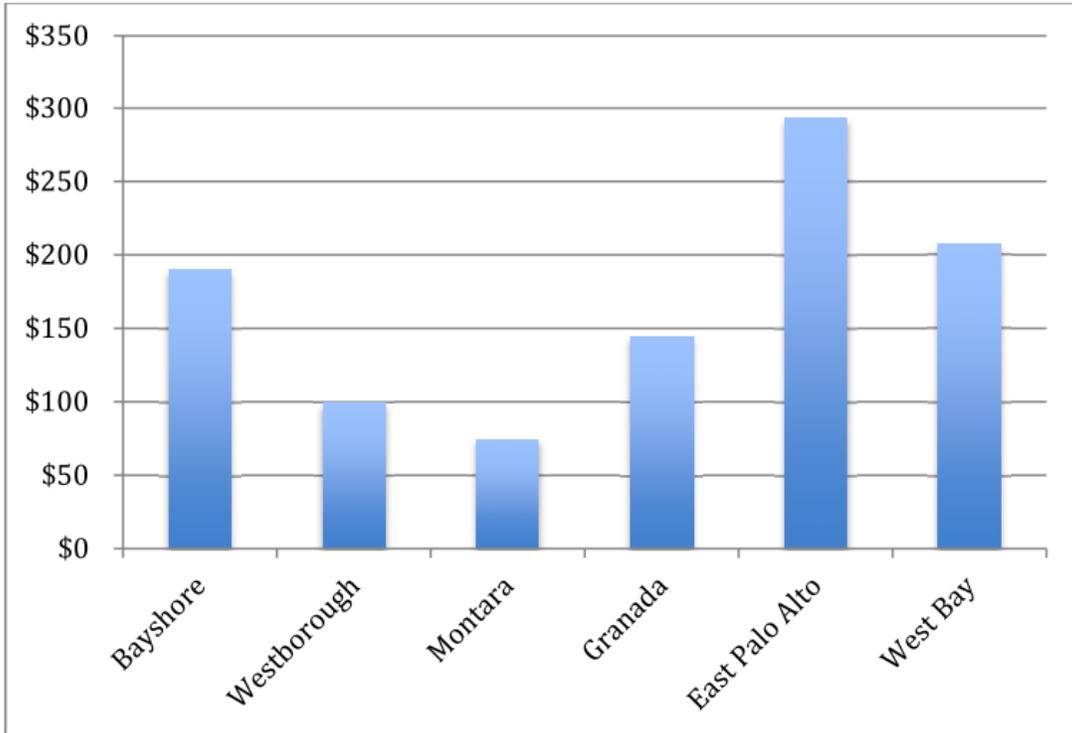
DocuSigned by:  
*Lillian Lew-Hailer*  
D0DAF9266A7E4B4...

Lillian Lew-Hailer  
Vice President of Housing Development  
MidPen Housing Corp.

## ATTACHMENT A

### Figures from 2015-2016 Grand Jury Report EPASD Board Compensation

**Figure 13: Meeting Compensation for Directors**



**Figure 14: Annual Board Compensation per Director**

