



CITY OF EAST PALO ALTO

Office of the City Manager

Martha Poyatos
Executive Officer
San Mateo Local Agency Formation Commission
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Via Electronic Mail

October 21, 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,

The City 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. We believe SMLAFCo review of EPASD's role in providing sanitary sewer service in the City of East Palo Alto (City) may ultimately lead to changes that will create greater efficiencies, prevent waste of taxpayer dollars, and lower burdens to implementing the City's land use authority (including the building of affordable housing projects and affordable dwelling units).

The last SMLAFCo review of EPASD was completed over 11 years ago in February 2009. 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.

Regarding the City of East Palo Alto's more recent engagement with EPASD, the City has been unable to advance several key development projects including affordable housing, Accessory Dwelling Units, a new school, and a new office building. All of the aforementioned projects provide some level of benefit to the community and EPASD's actions have created a de facto development moratorium in East Palo Alto.

In light of these challenges, 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,



Jaime M. Fontes
City Manager