



LOCAL AGENCY FORMATION COMMISSION

**Draft Municipal Service Reviews for the Town of
Atherton, Atherton Channel Drainage District and the
City of Menlo Park**

**Accepting public comment on the Draft Municipal
Service Reviews from September 16, 2026, through
October 21, 2026.**

**The Final MSR will be presented at the LAFCo
Commission meeting on November 18, 2026**

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EXECUTIVE SUMMARY

Section I: Report Overview

This report is a Municipal Service Review (MSR) and Sphere of Influence (SOI) study for the Town of Atherton. California Government Code Section 56430 requires that Local Agency Formation Commissions (LAFCo's) complete MSR and SOI reviews on all cities and special districts. These state-mandated reports are studies of an agency's service provision and logical boundaries. The review process is intended to identify municipal service delivery challenges and opportunities, provide the public and affected agencies with a platform to comment on an agency's services and finances, and review opportunities to share governmental resources. Once the MSR determinations are adopted, the SOI—the plan for the boundaries of a city or special district—is reviewed, pursuant to Section 56425.

San Mateo Local Agency Formation Commission

San Mateo LAFCo is a State-mandated, independent entity with county-wide jurisdiction over the boundaries and organization of cities and special districts. LAFCo reviews annexations, detachments, incorporations, formations, and dissolutions. LAFCo also has authority over extensions of service outside city or district boundaries, and activation or divestiture of special district powers. The purpose of LAFCo includes discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

LAFCo operates pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in California Government Code Sections 56000 and 57000. The Commission is comprised of two members of the County Board of Supervisors, two city councilmembers from two of the County's 20 cities, two special district board members from two of the 21 independent special districts, one member of the public, and four alternate members (county, city, special district, and public).

In 1985, San Mateo LAFCo first prepared comprehensive SOI studies and adopted SOI's for the County's cities and special districts. Subsequently, LAFCo reviewed and updated SOI's on a three-year cycle. SOI updates focus on changes in service demand within the boundaries of cities and special districts. In 2003, in order to comply with the newly enacted CKH Act, LAFCo began the process of preparing SOI updates/reviews in conjunction with or following an MSR.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County of San Mateo, 20 cities, 21 independent special districts, six subsidiary districts governed by city councils, and 33 County-governed special districts. Independent special districts provide a limited set of services based on their enabling legislation (i.e., fire, water, sanitation, etc.), while cities generally provide a wider array of basic services including police, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents across its cities, special districts and subsidiary districts, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County also provides basic municipal services for residents who live in unincorporated areas who are not part of any city or special district. According to Census 2020 data, 63,205 of the County's total 764,442 residents (8%) live in unincorporated areas.

MSR and SOI Determinations

Per Government Code Section 56430, LAFCo is required to include MSR Determinations that address the following areas for any local agency:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities¹ within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of the agency to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy: a) Water Resiliency and Climate Change and b) Impact of Natural Hazards and Mitigation Planning

¹ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the Statewide annual median household income. This area of determination does not apply to the study area.

MSR Determinations must be adopted before the Commission updates or amends a SOI. Per Government Code Section 56425, LAFCo is required to make the following five written determinations when establishing, amending, or updating an SOI for any local agency:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Report Review Process

A hearing for the Draft Report will be held at LAFCo's September 16, 2026 meeting. The report will subsequently be circulated for comment to the agencies under study, as well as interested individuals and groups. This report has been written based on source documents that include Adopted Budgets, Capital Improvement Plans, Meeting Minutes, Staff Reports, Consultant Reports, and information provided directly to LAFCo by the Town staff.

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to "disadvantaged unincorporated communities," including the addition of MSR determination #2 and SOI determination #5 listed above. Disadvantaged unincorporated communities, or "DUC's," are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income. There are no DUC's within the current boundaries or service areas of the Town of Atherton.

Section II. Summary of Key Issues

Key issues identified in compiling information on the Town of Atherton and the Atherton Channel Drainage District:

- LAFCo staff has not identified any issues with the Town’s budgeting practices, and the Town continues to adopt a balanced budget and has adequate reserves. However, the Town, like other municipalities in the County, is affected by the Vehicle License Fee (VLF) in-lieu shortfall. From FY 2023/24-FY 2025/26, the Town is missing a total of \$1,914,709 in unpaid VLF funds, which represents approximately 7% of the 2026/27 budget.
- The Atherton City Council is the governing body of the Atherton Channel Drainage District, a dependent district of the Town. The Drainage District includes a majority of Atherton, and portions of the City of Menlo Park, the Town of Woodside, unincorporated San Mateo County, and Stanford lands. The Drainage District provides stormwater collection services. Currently, the Drainage District’s budget is insufficient to fund the full cost of ongoing maintenance and infrastructure replacement, largely due to the limited property tax dollars the Drainage District receives. Also, while funds for the Drainage District are kept separately from Town funds, the Town could enhance financial and capital project transparency by preparing and adopting a budget and capital improvement plan for the Atherton Channel Drainage District separately from the Town’s budget and Town capital improvement program.

San Mateo LAFCo last conducted an MSR for the Town of Atherton and Atherton Channel Drainage District in 2008.²

Section III. Affected Agencies

Cities/Towns and County: Town of Atherton and San Mateo County

School Districts: Sequoia Union High School District, Menlo Park City School District, Las Lomas Elementary School District, and Redwood City School District

Independent Special Districts: County Harbor District, Fair Oaks Sewer Maintenance District, Menlo Park Fire Protection District, and West Bay Sanitary District

Dependent Special Districts: Atherton Channel Drainage District

Section IV. Municipal Service Review for the Town of Atherton and the Atherton Channel Drainage District

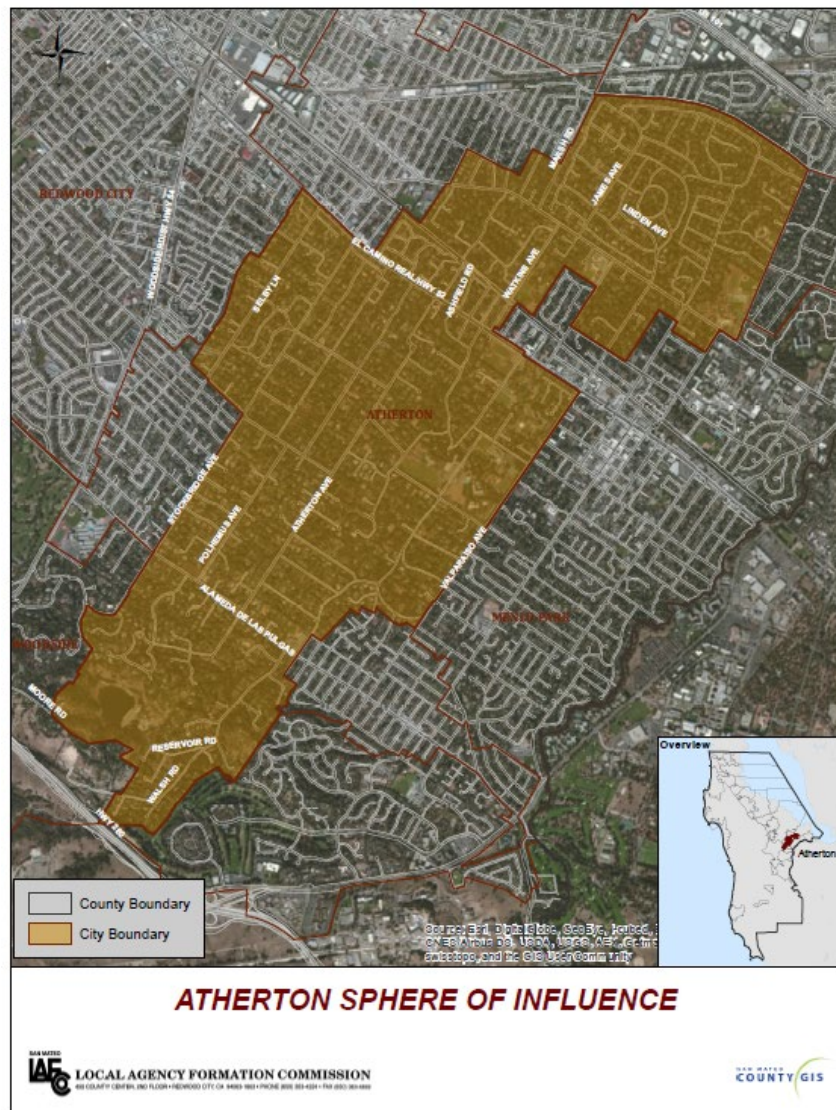
Background: On September 12, 1923, the Town of Atherton was incorporated as a General Law municipality. Atherton is a small, residential community in San Mateo County, nestled between the cities of Redwood City and Menlo Park and portions of unincorporated County. Atherton is governed by five council members, each serving a staggered four-year term,

² San Mateo LAFCo, Town of Atherton MSR July 30, 2008

elected by City residents in at-large elections. The City Council appoints a City Manager, City Attorney, members of City Boards and Commissions, and also selects the Mayor. The population of Atherton is 7,086 and the area is approximately five square miles.³

The current sphere of influence (SOI) for Atherton is coterminous: the SOI matches the City's boundaries, and there are no plans to expand beyond current jurisdictional limits. (See Figure 1). The City Council adopted six goals to guide its annual 2025-26 workplan. The first goal is to “preserve small town character and quality of life”.⁴

Figure 1. Town of Atherton Sphere of Influence



³ As of January 1, 2026 according to the California Department of Finance, <https://www.abridged.org/wp-content/uploads/2026/05/Department-of-Finance.pdf>

⁴ Town of Atherton FY 2025-26 Work Plan [Town of Atherton](#)

1) Growth and Population: The Town of Atherton

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist. If most or all determinations are not significant, the Commission may find that an MSR update is not warranted.

Growth and population projections	Yes	Maybe	No
a) Is the City’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?			X
b) Will population changes have an impact on City’s service needs and demands?			X
c) Will projected growth require a change in the City’s service boundary?			X

a-c) As of 2026, the population count for Atherton is 7,086. The average age in Atherton is approximately 48 years old, while the average age in San Mateo County is 40.⁵ Over the next 5-10 years, no significant population change or new development is expected within the current Atherton boundaries, based on a review of planning documents from the City, County and the Association of Bay Area Governments. While there are very few undeveloped or vacant parcels, there is modest opportunity for ADU construction and SB-9 subdivision of large lots.⁶ Atherton is characterized by large residential lot size (zoning code limits parcel size primarily to 1-acre, single-family developments), no commercial land use, and has amongst the highest property values in the state, and country. As of FY 2026/27, Atherton is comprised of 2,621 parcels, with an average assessed value of \$7.4M per parcel. The Town of Atherton is comprised of residential, school and civic, and open space land uses.

Atherton provides residents services including building inspection, parks, recreation, planning, police, and public works directly through in-house staff (43 FTE), as well as through contracted providers.

In May 2025, the California State Department of Housing and Community Development (HCD) certified Atherton’s 6th Cycle (2023-2031) adopted Housing Element.⁷ Atherton has a Regional Housing Needs Allocation of 348 units, which it plans to meet with 396 units projected over the 2023-2031 planning period. All Atherton sites identified as available for

⁵ SMC Housing Element 2023-31, 25-211 - 20250325_att_att C Exhibit A to Resolution.pdf

⁶ Housing Law Fact Sheet: Duplexes and Lot Splits (SB 9)

⁷ Housing Element Update | Atherton, CA - Official Website

housing in the Housing Element are on existing developed property already connected to public sewer and water.⁸ The majority of the planned housing units are Accessory Dwelling Units (ADUs). The Housing Element Update also introduces multifamily overlay districts on certain private properties, creating a pathway for denser development. All sites that were identified are within the existing boundaries of the Town.

Growth and Population Determination: As of 2026, the Town of Atherton is home to 7,086 residents and nearly 2,700 housing units. The Town’s adopted 2023-2031 Housing Element proposed to increase its housing stock by approximately 15%, largely through the construction of ADU’s on existing developed property. All housing sites identified in the Town’s Housing Element are within the existing boundaries of the Town.

2) Disadvantaged Unincorporated Communities

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.	Yes	Maybe	No
a) Does the Town provide public services related to sewers, municipal and industrial water, or structural fire protection?			X
b) Are there any “inhabited unincorporated communities” within or adjacent to the Town’s sphere of influence that are considered “disadvantaged” (80% or less of the Statewide median household income)?			X

a-b) The Town of Atherton utilizes other purveyors to provide water (CalWater), sewer (West Bay Sanitary District and Fair Oaks Sewer Maintenance District) or structural fire (Menlo Park Fire Protection District) services. The Town of Atherton is contiguous to North Fair Oaks, an unincorporated “island” that has the highest poverty rates in San Mateo County, but does not meet the definition of a Disadvantaged Unincorporated Community (DUC).⁹ Notably, North Fair Oaks is recognized as an environmental justice community.¹⁰ The community of North Fair Oaks is wholly within the SOI of the City of Redwood City.

⁸ [Housing Element Update | Atherton, CA - Official Website](#)

⁹ The median household income for North Fair Oaks is \$106,690 (US Census Bureau ACS 2023) while the California statewide median household income is \$96,334. A DUC is defined as an “inhabited territory” (with 12 or more registered voters) that has an annual median household income less than 80 percent of the statewide median household income (Government Code §56033.5).

¹⁰ [San Mateo County – Environmental Justice Planning Initiative](#)

Disadvantaged Unincorporated Communities Determination: The Town’s SOI and municipal boundaries are contiguous, and the Town does not provide water, sewer, or structural fire services. There are no disadvantaged unincorporated communities within the Town’s SOI.

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies	Yes	Maybe	No
a) Are there any deficiencies in Town capacity to meet service needs of existing development within its existing territory?			X
b) Are there any issues regarding the Town’s capacity to meet the service demand of reasonably foreseeable future growth?			X
c) Are there any concerns regarding public services provided by the Town being considered adequate?			X
d) Are there any significant infrastructure needs or deficiencies to be addressed?		X	
e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?			X
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the Town’s sphere of influence?			X

a-f) There are 43 full-time equivalent (FTE) positions in Atherton’s FY2025/26 Budget, with 3 vacancies. There were 44 FTE in the 2024/25 budget. The Town has not experienced any significant challenges with recruiting or retaining staff members.

Atherton meets the service needs of existing development within its boundaries. Available public services include police, fire, parks and recreation, public works, building inspection and town administration.

Parks and Recreation: Holbrook-Palmer Park is Atherton’s 22-acre park that has tennis courts, pickleball courts, a playground, ball fields, trails, Jennings Pavilion, among other

facilities. The courts and playing fields are available for rent. The Town has a rental coordinator for Park facilities, and a Tennis Program Manager for the tennis courts.

Sewer Services: Most Atherton residents receive sewer services from the West Bay Sanitary District, with a portion of the Town (north side) served by the County-operated Fair Oaks Sewer Maintenance District.

Water: Water is supplied throughout Atherton by the Bear Gulch District of Cal Water. Most of the water provided (93%) is purchased or imported through the San Francisco Public Utilities Commission, with a remaining 7% supplied by Bear Gulch Reservoir. Cal Water's 2020 Urban Water Management Plan details the extent of available capacity and allocations for each district, with sufficient planned volume through 2045.¹¹

Fire Protection: Fire protection for Atherton is provided by the Menlo Park Fire Protection District, an independent special district that serves Atherton, East Palo Alto, Menlo Park, and portions of unincorporated San Mateo County. The District operates one fire station inside Atherton city limits (Fire Station 3 located at 32 Almendral Ave.). Atherton represents 8% of the District's total population, and most service calls are outside of Atherton. As such, in 2020, Atherton completed a Fire Services Fiscal Review to study the actual cost of fire and emergency services in Atherton, compared to the property tax revenue generated within the Town boundaries.¹² Atherton considered detachment from the Menlo Park Fire Protection District as part of this report, however since 2020, there has been no further formal discussion or actions on the matter. At the time of the study LAFCo questioned how fire service would provided.

Atherton Channel Drainage District: The Atherton Channel District was formed in 1958 as a subsidiary district of the Town to construct and maintain stormwater collection facilities in areas determined to be in the local stream flood plain. As a subsidiary district, the Atherton City Council functions as the District's governing body. The District budget is adopted as part of the Town's Capital Improvement Plan budget. Town staff provide operations and routine maintenance services to the District. Capital Improvements are provided through public contracting. When needed, the Town will coordinate with the Menlo Park, Stanford, and the County, for various projects.

The District is approximately six square miles, including in its boundaries a majority of Atherton, portions of the City of Menlo Park, the Town of Woodside, unincorporated San Mateo County, and Stanford lands (see Table 1 and Figure 2).

¹¹ Town 6th Cycle Housing Element

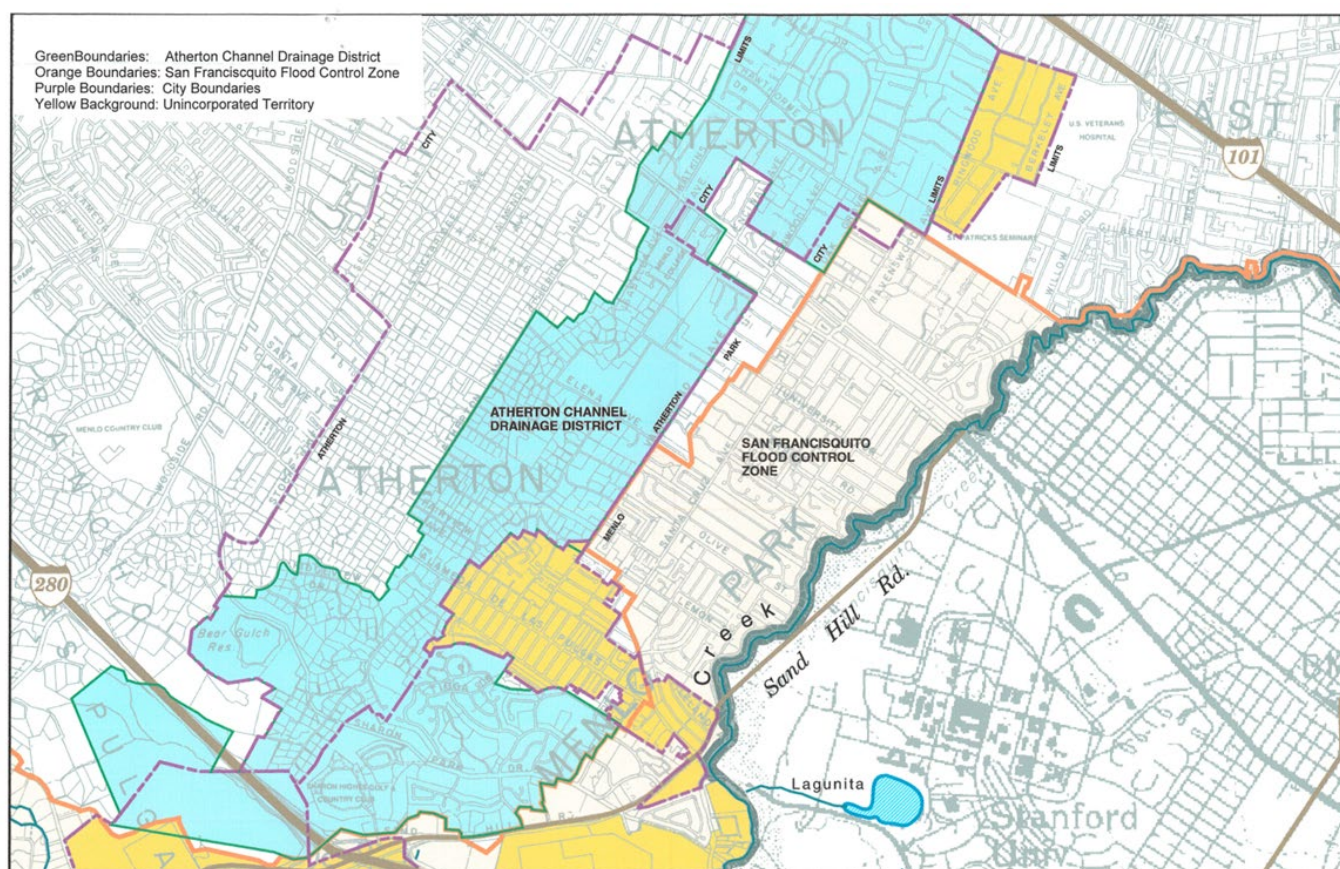
¹² [Fire Services Fiscal Review | Atherton, CA - Official Website](#)

Table 1. Atherton Channel Drainage District Parcel Count by Jurisdiction

Jurisdiction	No. Parcels	Share
Atherton	1,357	54.8%
Menlo Park	1,043	42.1%
Woodside	13	0.5%
Unincorporated	64	2.6%
Total Parcels	2,478	100%

Source: County Assessor 2027

Figure 2. Atherton Channel Drainage District Map



Atherton Channel Drainage District

CDR8/San Francisco Creek Study map (Sfgto study map).cdr 9-19-02 rp

The Atherton Channel Drainage District receives approximately 0.2% share of the 1% property tax assessed on each of the parcels within the District Boundaries (see Table 2). This assessment was “locked in” by Proposition 13. The District’s FY2026/27 estimated annual property tax revenues from parcels within the District are approximately \$100,000. According to Atherton City Manager, the FY2026/27 District revenues total \$125,000, and expenditures total \$60,000. The available ending fund balance is \$589,511. Projects within

the District are the Upper Channel Repair Monitoring Phase I (\$10,000) and Drainage Improvements (\$50,000). Funds for the Atherton Drainage Improvement Project are located both within the District and outside of it; projects are funded by various sources including the Town’s General Fund and grants.

Table 2. 1% Property Tax Distribution – Sample Tax Rate Area for Town of Atherton (TRA 001-001)

Agency	Share(%)
General County Tax	24
Menlo Park City Elementary School District	16
Menlo Park Fire District	16
Sequoia High School District	15
City of Atherton	10
San Mateo Junior College	7
County Education Tax	4
Free Library	3
Midpeninsula Regional Open Space	2
Sequoia Hospital District	1
County Harbor District	0.4
Atherton Channel Drainage District	0.2
County Vector Control	0.2
Bay Area Air Quality Management	0.2
Total	100*

Source: County Assessor

Note: Exact shares vary between tax rate areas. May not total 100 due to rounding.

Capital Improvements: Adequate infrastructure exists throughout the Town to accommodate the existing and planned density of development. In 2019-2022, the Town constructed a new Town Center which included new buildings for the Administration, Community Development Department, Library and Police Department, as well as the renovation of the historic Town Hall.

Atherton has a five-year Capital Improvement Plan (CIP) that is updated annually to reflect community needs, priorities, cost estimates, and funding sources. The CIP is reviewed by the City Planning Commission to ensure consistency with the General Plan and other town-

wide plans (i.e. Bicycle and Pedestrian Master Plan, Neighborhood Traffic Management Action Plan, and the Storm Drainage Master Plan). Project updates are published on the Atherton Public Works website.

The CIP for FY 2025/26 through FY 2029/30 totals approximately \$26M (see Table 3). Funding for capital projects is sourced from the General Fund, Measure A (countywide transportation projects and programs), Measure M (countywide vehicle registration fee), Measure W (countywide sales tax for use on transportation improvements and affordable transit), Gas tax (state allocation based on population and lane miles), the Atherton Channel Fund (fees collected by Town to finance drainage and improvements to the Channel), and the Library Fund (for library maintenance and services). On an annual basis, Atherton transfers General Fund unallocated reserves to the Capital Improvement Program Fund: this transfer totaled \$5.8M in FY2023/24, \$4.4M in FY2024/25, \$5.5M in FY2025/26 and \$4.3M in FY2026/27.

Table 3. Town of Atherton Five-Year Capital Improvement Plan, FY 2025/26-FY2029/30

Capital Project	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	5-Year Total
Drainage Improvements Program	\$2,685,000	\$550,000	\$1,700,000	\$200,000	\$4,200,000	\$9,335,000
Upper Atherton Channel Phase II Monitoring	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
Traffic Control Devices Program	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$75,000
Traffic Safety Improvement Program	\$1,840,000	\$40,000	\$1,040,000	\$40,000	\$40,000	\$3,000,000
Bike & Pedestrian Facilities Improvement Program	\$425,000	\$275,000	\$2,525,000	\$25,000	\$25,000	\$3,275,000
Road Maintenance Program	\$1,455,000	\$1,455,000	\$1,455,000	\$1,455,000	\$1,455,000	\$7,275,000
Neighborhood Traffic Management Program	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000
Facility Accessibility Improvements	\$100,000	\$25,000	\$25,000	\$25,000	\$25,000	\$200,000
Town Center/Library Improvements	\$375,000	\$700,000	\$100,000	\$100,000	\$100,000	\$1,375,000
Park Master Plan	\$630,000	\$100,000	\$350,000	\$100,000	\$100,000	\$1,280,000
Total	\$7,555,000	\$4,090,000	\$7,240,000	\$1,990,000	\$5,990,000	\$25,965,000

Source: Town of Atherton Operating and Capital Improvement Budget, FY 2026/27

Capacity and Adequacy of Public Facilities and Services Determination: The Town of Atherton has the capacity to meet service needs of existing and future development within its boundaries. Atherton’s five-year capital improvement plan is adequately funded and

designed to ensure public services are adequate and infrastructure needs are proactively addressed.

Recommendation:

1. LAFCo encourages the Town to continue to review potential revenue sources for drainage systems and enhance existing revenue sources for the Atherton Channel Drainage District for capital projects and ongoing operations and maintenance.

4) Financial Ability

Financial ability of the agency to provide service	Yes	Maybe	No
a) Does the Town routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?			X
b) Is the Town lacking adequate reserve to protect against unexpected events or upcoming significant costs?			X
c) Is the Town's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?			X
d) Is the Town unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?			X
e) Is the Town lacking financial policies that ensure its continued financial accountability and stability?		X	
f) Is the Town's debt at an unmanageable level?			X

Budget Overview: The Town of Atherton's consistently largest revenue source is from property taxes, representing \$14.7M or 56% of the \$26M in total projected General Fund revenue for FY 2026/27 (see Table 4). The Vehicle License Fee (VLF) in-lieu fund is a State administered revenue source that is built into the Town's operating revenue projections.¹³ From FY 2023/24-FY 2025/26, the Town is missing a total of \$1,914,709 in unpaid VLF funds, which represents approximately 7% of the 2026/27 budget.

¹³ Excess ERAF is another state-administered revenue source that is a refund of surplus school property tax. The Town uses these funds for one-time capital projects, not daily operations. Excess ERAF refund amounts have increased, exceeding expected revenues even, totaling \$3.2M in FY2026/27.

The VLF in-lieu revenue for San Mateo County and its 20 cities, including Atherton, may be in jeopardy due to state level policy changes. These policies affect only three counties statewide: San Mateo, Mono and Alpine counties. As of August 2026, negotiations between San Mateo County, its cities, and the State are ongoing to find a permanent fix to the revenue formula. Town staff are monitoring the issue. The Town staff has budgeted the VLF revenue for FY2026/27 with the understanding of a shortfall occurring while also possibly receiving partial payment for prior shortfalls. According to Town staff, adding the VLF shortfalls outstanding for previous years of \$973,168 and the current FY 2025/26 of \$788,602 leaves a total outstanding of \$1,761,770 for the Town. Staff have budgeted the VLF revenues for FY2026/27 at \$1.3M, the same amount as the estimated actuals from the prior year (FY 2025/26).¹⁴

The Town's second largest revenue source is from building permits and other fees associated with local construction projects, totaling a projected \$2.8M or 11% of total revenue in FY 2026/27. For nearly 40 years, from 1978 to 2017, Atherton residents approved a special tax for \$750 per parcel, generating \$1.8M in revenue to the Town per year (in 2017). It was discontinued in 2017.¹⁵

Table 4. Town of Atherton General Fund Budget, FY 2024/25 - FY2026/27

	2026-27 (Budget)		2025-26 (Est. Actuals)		2024-25 (Actuals)	
<i>Revenues</i>		<i>Share</i>		<i>Share</i>		<i>Share</i>
Prop. Tax (Secured)	\$14,722,250	56%	\$13,955,000	56%	\$12,787,864	53%
Prop. Tax in lieu of VLF	\$1,312,000	5%	\$1,312,000	5%	\$1,448,354	6%
All Other	\$10,127,313	39%		0%		0%
Total Revenues	\$26,161,563	100%	\$25,022,071	100%	\$24,284,401	100%
<i>Expenditures</i>						
Police Dep't	-\$11,492,484	49%	-\$11,285,000	51%	-\$13,075,794	58%
Public Works Dep't	-\$4,162,863	18%	-\$3,900,000	18%	-2,789,444	12%
All Other	-\$7,715,316	33%	-\$7,065,000	32%	-\$6,526,089	29%
Total Expenditures	-\$23,370,663	100%	-\$22,250,000	100%	-\$22,391,327	100%
Net	\$2,790,900		\$2,772,071		\$1,893,074	

**Note: Does not include ERAF revenue, Debt service payments, CalPERS or other Transfers*
Source: Town of Atherton Operating and Capital Improvement Budget, FY 2026/27

The Town's largest expenditure category every year is its Police Department, totaling \$11.5M or 49% of General Fund projected expenditures in FY 2026/27. This amount is significantly larger than the second largest expenditure category which is the Public Works Department at \$4.1M or 18% of total projected expenditures. The Police Department has 31 employees

¹⁴ FY2026/27 Town Budget

¹⁵ In 2017, Ballot Measure F received approximately 50% of the vote, well short of the two-thirds supermajority vote required to pass a local special parcel tax under Proposition 218.

across four divisions: Administrative/Training, Patrol/Traffic, Investigations, and Communications/Records. Based on the January 2026 Atherton population count of 7,086, the Town budgets \$1,574 per resident, per year on police services. For comparison, the neighboring City of Menlo Park budgets spending \$867 per resident per year.¹⁶ While some cities choose to fund and operate their own police services, other cities such as Millbrae, San Carlos, the Town of Woodside, and the Town of Portola Valley contract with the County Sheriff's Office.¹⁷ There are currently no proposed changes to police services within the Town.

a) Does the City routinely engage in budgeting practices that may indicate poor financial management? The Town of Atherton regularly adopts a balanced budget in June, before the July 1 start of each fiscal year. Proposed expenditures and revenues are presented in public hearings for comment prior to adoption. The Town hosts historic records of annual operating budgets from FY 2009/10 to the present on its Archive Center webpage. Also accessible via the Archive Center are agendas, minutes, and recorded videos of City Council meetings and various Commission meetings, dating back to June 2012.

Each fiscal year, Atherton undergoes an independent financial audit. Since 2008, Maze & Associates has performed the annual audit. The online Archive Center contains the City's historical audit reports back to FY 1990/2000. The FY 2024/25 audited draft basic financial statements were presented to the Finance Committee at the March 25, 2026 meeting, and overall delivered a positive report. There is no separate audit for the Atherton Channel Drainage District, although District capital improvement funds are summarized.

The audit mentions the chronic issue of VLF revenue shortfalls \$(1,758,734 due vs. \$1,018,223 received) as a "State issue of insufficient funding in non-basic aid school districts and the failure of the State to backfill these local taxes. The consistent shortfall of multiple years in this revenue source leaves the Town with a potential gap of \$1.7M." The Town expects future state budgets will reconcile this gap.

b) Is the City lacking adequate reserve to protect against unexpected events or upcoming significant costs? Atherton has adopted fiscal policies to ensure adequate annual reserve levels. The Town's General Fund reserve policy is to allocate at least 30% of General Fund operating expenditures equally to the Emergency Reserve (for disasters and catastrophic events), and to the Budget Stabilization Reserve (cushion against significant costs or downturns). Any remaining fund balance beyond this 30% is designated as Unallocated Fund Balance.

¹⁶ In FY 2026/27, projected expenditures total \$29.3M for the Menlo Park Police Department, with a population count of 33,785. Source: City of Menlo Park 2026-27 Adopted Budget, Police Expenses, Updated June 29, 2026

¹⁷ The annual cost of the Town of Woodside's contract with the County Sheriff is approximately \$3.1M.

As shown in Table 5 and Table 6, the projected year-end General Fund balance is consistently sufficient to meet the City’s policy, resulting in sizable Unallocated Fund Balance each year. The Unallocated Fund Balance may, with Council direction, be appropriated towards operational use, capital projects, debt service, or liability down payments.

Table 5. Fund Balance as Share of Total GF Expenditures, FY 2023/24-FY 2026/27

Fiscal Year	Ending Fund Balance	Total GF Expenditures	Share
2026-27 (projected)	\$11,702,402	\$23,370,663	50%
2025-26	\$11,363,374	\$22,250,000	51%
2024-25	\$11,950,140	\$22,391,327	53%
2023-24	\$12,729,534	\$19,767,139	64%

Source: Town of Atherton, June 17, 2026 Meeting Agenda Packet

Table 6 details the Ending Fund Balance reserve allocations For FY2026/27. Atherton will meet the 30% reserve requirements total of \$7,011,199 in FY 2026/27, and projects an unallocated reserve that is 21% of projected expenditures.¹⁸

Table 6. Fund Balance Breakdown FY 2026/27 (projected)

FY 2026/27 Expenditures	\$23,370,663
Projected FY 2026/27 Ending Fund Balance	\$11,702,402
15% Emergency Reserve	\$3,505,000
15% Budget Stabilization Reserve	\$3,505,000
Total Reserve Requirement (30%)	\$7,011,199
Unallocated Reserves	\$4,691,203

Source: Town of Atherton, June 17, 2026 Meeting Agenda Packet

c) Is the Town’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations? On an annual basis, Atherton updates its Master Fee schedule.¹⁹ According to Town staff, most fees are set at full cost recovery, except for planning applications which are set below full cost recovery. Atherton’s Park fees are tiered, with lower (or free) usage costs for Atherton residents compared to non-residents. The Town rents park facilities, tennis and pickleball courts, and playing fields. Revenues from facility rentals totaled \$68,885 in FY 2024/25 and \$72,725 in FY2025/26.

¹⁸ [Budget 26-27 meeting June 2026.pdf](#)

¹⁹ [Master Fee Schedule | Atherton, CA - Official Website](#)

Atherton's fees are in line with comparable jurisdictions in the county. The fee schedule is unique in scope because unlike most other cities in San Mateo County, Atherton has no business/commercial zones, nor many multifamily zones.

d) Is the City unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion? While the City of Atherton is able to fund Town operations and associated capital improvements, the Atherton Channel Drainage District revenues are insufficient to fund the full cost of ongoing maintenance and infrastructure replacement. The most recent 2015 update to the Atherton Townwide Drainage Study and Master Plan (prepared by engineering firm NV5), identified over \$41M in recommended improvement projects, while the current fund balance for the district is \$589,511.²⁰ As a subsidiary district of the Town, this is a problem that City Council and Town staff deliberate. The dependent special district currently relies on annual reserve allocations from the City General Fund, as well as external grants and inter-agency partnerships (e.g. Caltrans). In 2019, the Town commissioned a study from the consulting firm NBS to explore financing options to increase the Atherton Channel Drainage District's revenue, including: special taxes, special benefit assessments and property-related fees.²¹ No subsequent actions have been taken based on the study's findings.

The five-year CIP for FY 2026/27- FY2030/31, allocates \$6.8M towards the Atherton Drainage Improvements Program, with funds coming from various sources including the General Fund and grants. The CIP has scheduled a Drainage Master Plan Update in FY 2026/27.

e) Is the Town lacking financial policies that ensure its continued financial accountability and stability? The Town of Atherton has the requisite financial policies in place to ensure its continued financial accountability and stability. Atherton maintains a structurally balanced General Fund; Capital Improvement Program Capital Projects Fund; and an array of Special Revenue Funds (e.g. Library Measure A, Measure M, Gas Tax, etc.).

f) Is the Town's debt at an unmanageable level?

New Civic Center: On June 1, 2020 the Town entered into a ten-year lease financing agreement in the amount of \$7,680,000 from Capital One Public Financing for the construction of the Town Center project. Atherton carries Certificates of Participation debt financing with an annual debt service payment of \$861,870 (FY2026/27) to finance a portion of the \$21,847,000 construction of the new Atherton Civic Center Complex in 2019.²²

²⁰ [Atherton Townwide-Drainage-Study-Update-April-2015](#) An update to the Drainage Master Plan (\$350,000) is tentatively scheduled for Fall 2026 (according to the FY 2025/26 Town Work Plan).

²¹ <https://www.athertonca.gov/DocumentCenter/View/10191/ITEM-4-NEW>

²² <https://www.athertonca.gov/DocumentCenter/View/4037/Item-6-3-21-17-Civic-Center-Funding?bidId=>

Bayfront Canal and Atherton Channel Flood Protection: In 2021, Atherton entered into a five-year \$1.35M loan agreement between the City of Redwood City, City of Menlo Park, Town of Atherton, and the County of San Mateo for Atherton’s portion of the planning, design, and environmental permitting for the Bayfront Canal and Atherton Channel Flood Management and Restoration Project.²³ Atherton is servicing this debt through scheduled property tax revenue allocations of \$148,500 on April 15 and December 15 annually. The loan will be paid off by November 30, 2026. As of September 2026, the final payment amount on the loan is \$148,500.

Table 8. Town of Atherton Debt Service Requirements

Year ending June 30	San Mateo County Bayfront Canal Loan		Town Center Project Capital Lease		Total
	Principal	Interest	Principal	Interest	
2025	\$313,815	\$683	\$760,015	\$101,856	\$1,176,369
2026	\$314,016	\$482	\$776,828	\$85,044	\$1,176,370
2027	\$179,221	\$277	\$794,012	\$67,859	\$1,041,369
2028	\$8,679	\$71	\$811,577	\$50,294	\$870,621
2029	-	-	\$829,531	\$32,341	\$861,872
2030	-	-	\$845,270	\$13,990	\$859,260
Total	\$815,731	\$1,513	\$4,817,233	\$351,384	\$5,985,861

Source: Maze & Associates Financial Audit for Town of Atherton, FY2024/25.

CalPERS: All full-time employees are enrolled in the California Public Employees Retirement System (CalPERS). As of FY 2026-27, the Town of Atherton reports a net pension liability of \$20,692,973: \$7.3M for the Miscellaneous Employee Plan and \$13.4M for the Safety Employees Plan (unaudited). The total funded ratio for the pension plans is 78.8%.

In FY 2025-26, the Town made a \$3M additional discretionary payment (ADP) to CalPERS Public Safety in order to reduce the Safety Employees plan unfunded liability. Funding sources for the ADP were \$2.2M in unassigned General Fund reserves, and \$800,000 from the Employee Benefit Fund. In FY2026/27, the CalPERS Unfunded Accrued Liability Payment amount is \$1,737,092.

Other Post Employment Benefits (OPEB): Atherton has fully funded its OPEB obligations. These benefits include medical coverage for vested employees and their dependent who retire directly from the city at age 50 or older. As of June 30, 2025 (the latest independent financial audit), Atherton has the following employees covered by benefit terms: 41 active employees and 40 retirees receiving benefits payments. The Town has a trust account

²³ San Mateo County Resolution Number 075608 adopted on December 5, 2017

designated to fund OPEB costs. In FY2026/27, Atherton reports a net OPEB asset/surplus of \$1,070,389 compared to liability.

Financial Ability Determination: The Town prepares an annual operating and capital improvement budget for the upcoming fiscal year that gets adopted by the City Council at a noticed public hearing before June 30th. The City also produces an Annual Comprehensive Financial Report that is reviewed by the City Council. The most recently published report is for FY 2024-25. The Town has healthy reserves, with a FY 2026/27 fund balance projected to represent 50% of total expenditures. The Town has the requisite financial policies in place to ensure its continued financial accountability and stability.

Recommendations:

2. LAFCo encourages the Town to separate the Atherton Channel Drainage District budget from its current structure within the Town’s General Fund and Capital Improvement Plan. This will enhance transparency and provide a forum for discussions regarding funding allocation and projects within the District.

3. The annual Independent Financial Audit for the Town should review the Drainage District finances separately from the Town’s General Fund and other special revenue funds, as the Drainage District is a dependent district of the Town.

4. Currently, the Town budgets \$1.3M in VLF expected revenues for FY 2026/27. Given the uncertainties in VLF revenue payments from the state, and the historic shortfalls/partial payment for prior years, the Town may consider reducing or removing anticipated VLF revenue from future budgets.

5) Shared Service and Facilities

Status of, and opportunities for, shared facilities	Yes	Maybe	No
a) Is the City currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the City to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?			X
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid			X

construction of extra or unnecessary infrastructure or eliminate duplicative resources?			
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a-c) Atherton is a signatory to the California Master Mutual Aid Agreement, along with all other fire agencies in San Mateo County. The Menlo Park Fire District also has specific mutual aid agreements with the cities of Palo Alto and Redwood City.²⁴ Atherton, along with the County and ten other municipalities in the County, participates in the Library Joint Powers Agreement. Property tax revenues in excess of the JPA’s costs of maintaining the library are remitted to the Town’s Library Special Revenue Fund.

Atherton utilizes contracted workers for certain functions such as in the Department of Public Works, core personnel are supplemented by various contract service personnel and service vendors such as contracted street sweeping services.

Shared Service and Facilities Determination: The Town of Atherton offers its residents mostly in-house services, such as its own Police Department. The Town contracts out public works projects and does collaborate with other cities on fire and library services.

²⁴ Town of Atherton General Plan 2026

6) Accountability, Structure, and Efficiencies

Accountability for community service needs, including governmental structure and operational efficiencies	Yes	Maybe	No
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with staff turnover or operational efficiencies?			X
c) Is there a lack of regular audits, adopted budgets and public access to these documents?			X
d) Are there any recommended changes to the City's governance structure that will increase accountability and efficiency?			X
e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?			X
f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?			X

a-f) Atherton is governed by a five-member City Council, elected at-large by voters within the City. Regular meetings of the City Council are held on the third Wednesday of each month at 6PM. Meetings are open to the public and are held at Town Hall Council Chambers, 80 Fair Oaks Lane, Atherton. Meetings have a remote access option via Zoom and public comment via Zoom is available. The Town posts copies of meeting agendas on their website and the full meeting packets with staff reports and video recordings are available as well. LAFCo is not aware of any failures to comply with the Brown Act.

Atherton's City Manager, George Rodericks, has been in the same position for 14 years. Mr. Rodericks does not report issues with staff turnover or operational efficiencies.

Atherton's online Archive Center hosts a vast array of public documents in a user-friendly interface. The archives include independent financial audits of Town finances for all years up to FY 2024/25.

Atherton has been exploring whether to become a Charter City in order to obtain “greater local control over municipal affairs such as governance, elections, contracting land use, and public finance”.²⁵ San Mateo LAFCo would not have involvement in Atherton changing from a General Law municipality to a Charter City/Town, since there are currently no proposed changes in the city’s boundaries or scope of services. Adopting a city charter would not impact the requirement that the Town apply to LAFCo for boundary changes (i.e. annexations, detachments, etc.) in the future.

Accountability, Structure, and Efficiencies Determination

The Town of Atherton ensures that public meetings are accessible and publicized. Archived meeting minutes and videos are available online. LAFCo is not aware of any failure to comply with disclosure laws or the Brown Act.

Recommendation:

5. The City Council does not hold separate governing body meetings for the Atherton Channel Drainage District. Decisions relating to the District, including the annual budget adoption, occur during the Town’s regular City Council Meetings. As the District includes portions of Atherton, Menlo Park, Woodside, and unincorporated San Mateo County, having the City Council sit as the governing body of the District would likely facilitate inter-jurisdiction collaboration on projects and collaboration on funding and budget. Notice of governing body meetings would also enhance transparency for the public, particularly for those who reside within the District, but outside of the Town Atherton. LAFCo recommends the Town of Atherton holds governing body meetings for the Atherton Channel Drainage District when discussing actions related to the District, including the adoption of the District’s budget and capital improvement plan.

7) Other Issues:

Any other matter related to effective or efficient service delivery, as required by commission policy.	Yes	Maybe	No
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?			X
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhances and provides a more robust water supply capacity?	X		

²⁵ [Charter City | Atherton, CA - Official Website](#)

ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change?	X		
c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards?	X		

a-c) Atherton’s Community Safety Element was adopted in March 2026. The Safety Element outlines the Town’s goal, policies, and progress related to natural and human-made disasters, and includes actions for mitigating associated risks.

As described in the Safety Element, the Atherton Police Department and the Menlo Park Fire Protection District have jointly prepared an Emergency Operations Plan that includes detailed information covering Emergency Operations Center procedures, documentation and reference and support information.²⁶ Atherton utilizes the SMC Alert and Atherton Newsflash Alert System platforms to communicate with residents via text message notification regarding emergency notifications.

Get Ready Atherton is a 501(c)(3) non-profit that for the past three decades has worked in partnership with the Atherton Police Department and local emergency responders to train and organize residents to prepare for emergencies and natural disasters.²⁷

Atherton has adopted a Climate Action Plan (updated in October 2023) which serves as a guiding document to identify methods that the Town can implement to reduce greenhouse gas emissions. The Plan sets targets to reduce greenhouse gas emission to 49% below 2005 levels by 2030 and reach carbon neutrality by 2045.

Atherton also conducted a Climate Adaptation Vulnerability Assessment in 2025 that summarizes climate-related hazards and their effects on populations and assets in the community. The Town participates in the San Mateo Local Hazard Mitigation Plan.

Other Issues Determination: The Town is engaged in activities to address hazard mitigation, wildfire prevention, greenhouse gas emissions and sea level rise.

²⁶ Housing Element 2026

²⁷ [Get Ready Atherton](#)

Section V. Town of Atherton and Atherton Channel Drainage District Sphere of Influence Determinations

Government Code Section 56425 requires San Mateo LAFCo make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. These include the following determinations:

1. **The present and planned land uses in the area, including agricultural and open space lands:** Residential, park and open space, and public facilities and schools.
2. **The present and probable need for public facilities and services in the area:** Over the next 5-10 years, no significant population change or new development is expected within the current Atherton boundaries.
3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide:** The Town of Atherton provides adequate public services and facilities to its residents.
4. **The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency:** There are no disadvantaged unincorporated communities within the boundaries or the SOI of the Town of Atherton.
5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence:** N/A.

On the basis of the Municipal Service Review:

☒ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency's SOI is recommended and SOI determinations HAVE NOT been made.

☐ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A

CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Appendix A. Town of Atherton Fact Sheet

City Manager: George Rodericks (appointed by Board)

Physical Address: 80 Fair Oaks Lane, Atherton, CA, 94027

Email Address: grodericks@athertonca.gov

Phone Number: 650-752-0504

Date of Incorporation: September 12, 1923

City Council Members: Members are elected at-large to serve a staggered four-year term. There are no term limits. Must reside in City of Atherton.

City Council Members	Term Expiration Date
Stacy Holland, Mayor	2026
Rick DeGolia, Vice Mayor	2026
Elizabeth Lewis	2028
Bill Widmer	2026
Eric Lane	2028

Compensation: City council members are all volunteers (not paid).

Public Meetings: Regular meetings of the City Council are held on the third Wednesday of each month at 6PM at 80 Fair Oaks Lane. Participation by the public is also available remotely via Zoom, including the option to provide live public comment on agendized items. Meeting agendas, minutes and materials are published on the City website, with City Council and Commission video archives also available hosted by YouTube since 2012: [TownOfAtherton - YouTube](#) .

Services Provided: Building inspection, parks, recreation, planning, police, and public works

Agency staff: 43 FTE

Area Served: 5 square miles

Population: 7,086 (January 2026)

Sphere of Influence: Contiguous with corporate boundaries.

FY 2026-27 General Fund Expenditures: \$23,370,663 (Projected)

EXECUTIVE SUMMARY

Section I: Report Overview

This report is a Municipal Service Review (MSR) and Sphere of Influence (SOI) study for the City of Menlo Park. California Government Code Section 56430 requires that Local Agency Formation Commissions (LAFCo's) complete MSR and SOI reviews on all cities and special districts. These state-mandated reports are studies of an agency's service provision and logical boundaries. The review process is intended to identify municipal service delivery challenges and opportunities, provide the public and affected agencies with a platform to comment on an agency's services and finances, and review opportunities to share governmental resources. Once the MSR determinations are adopted, the SOI—the plan for the boundaries of a city or special district—is reviewed, pursuant to Section 56425.

San Mateo Local Agency Formation Commission

San Mateo LAFCo is a State-mandated, independent entity with county-wide jurisdiction over the boundaries and organization of cities and special districts. LAFCo reviews annexations, detachments, incorporations, formations, and dissolutions. LAFCo also has authority over extensions of service outside city or district boundaries, and activation or divestiture of special district powers. The purpose of LAFCo includes discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

LAFCo operates pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in California Government Code Sections 56000 and 57000. The Commission is comprised of two members of the County Board of Supervisors, two city councilmembers from two of the County's 20 cities, two special district board members from two of the 21 independent special districts, one member of the public, and four alternate members (county, city, special district, and public).

In 1985, San Mateo LAFCo first prepared comprehensive SOI studies and adopted SOI's for the County's cities and special districts. Subsequently, LAFCo reviewed and updated SOI's on a three-year cycle. SOI updates focus on changes in service demand within the boundaries of cities and special districts. In 2003, in order to comply with the newly enacted CKH Act, LAFCo began the process of preparing SOI updates/reviews in conjunction with or following an MSR.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County of San Mateo, 20 cities, 21 independent special districts, six subsidiary districts governed by city councils, and 33 County-governed special districts. Independent special districts provide a limited set of services based on their enabling legislation (i.e., fire, water, sanitation, etc.), while cities generally provide a wider array of basic services including police, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents across its cities, special districts and subsidiary districts, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County also provides basic municipal services for residents who live in unincorporated areas who are not part of any city or special district. According to Census 2020 data, 63,205 of the County's total 764,442 residents (8%) live in unincorporated areas.

MSR and SOI Determinations

Per Government Code Section 56430, LAFCo is required to include MSR Determinations that address the following areas for any local agency:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities¹ within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of the agency to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy: a) Water Resiliency and Climate Change and b) Impact of Natural Hazards and Mitigation Planning

MSR Determinations must be adopted before the Commission updates or amends a SOI. Per Government Code Section 56425, LAFCo is required to make the following five written determinations when establishing, amending, or updating an SOI for any local agency:

¹ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the Statewide annual median household income. This area of determination does not apply to the study area.

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Report Review Process

A hearing for the Draft Report will be held at LAFCo’s September 16, 2026 meeting. The report will subsequently be circulated for comment to the agencies under study, as well as interested individuals and groups. This report has been written based on source documents that include Adopted Budgets, Capital Improvement Plans, Meeting Minutes, Staff Reports, Consultant Reports, and information provided directly to LAFCo by the City staff.

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of MSR determination #2 and SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUC’s,” are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income. There are no DUC’s within the current boundaries or service areas of the City of Menlo Park.

Section II. Summary of Key Issues

San Mateo LAFCo last conducted an MSR for the City of Menlo Park in 2009.² The following are three key issues identified in compiling information on the City of Menlo Park for the 2026 MSR and SOI update:

- The City, like other municipalities in the County, is affected by the Vehicle License Fee (VLF) in-lieu shortfall. In FY 2026/27, the VLF revenue is anticipated to be \$1.9M.

² [San Mateo LAFCo Municipal Service Review for Menlo Park, 2009](#)

This represents a shortfall of \$4.3M, or 5% of total General Fund expenditures (\$90.1M). The City does not include VLF backfill revenue in budget forecasts for FY 2027/28 onward.

- The City is facing a structural deficit. Nonetheless, the City Council adopted a balanced budget in FY 2026/27, addressing an anticipated \$7.9M shortfall through a combination of cuts to departmental operating expenditures and increased revenue generation through updates to the Master Fee Schedule and cost allocation plan.
- San Mateo LAFCo recommends undertaking a special study to capture the current service providers and reevaluate the SOI designations of Stanford lands in unincorporated San Mateo County. This study will enable LAFCo, Menlo Park, Portola Valley, Woodside, and Stanford University to have a comprehensive discussion regarding SOI designations, accurately capture the current service providers, and determine the probable physical future boundaries of these cities.
- Three parcels have been reviewed by LAFCo staff and the Menlo Park City Manager as candidates for additions to the SOI of Menlo Park: APN 055-130-010, APN 074-160-050, and APN 073-250-070.

Section III. Affected Agencies

Cities/Towns and County: City of Menlo Park and San Mateo County

School Districts: Sequoia Union High School District, Menlo Park City School District, Las Lomas Elementary School District, Ravenswood City School District, Redwood City School District

Independent Special Districts: County Harbor District, Fair Oaks Sewer Maintenance District, Menlo Park Fire Protection District, West Bay Sanitary District, Midpeninsula Regional Open Space District

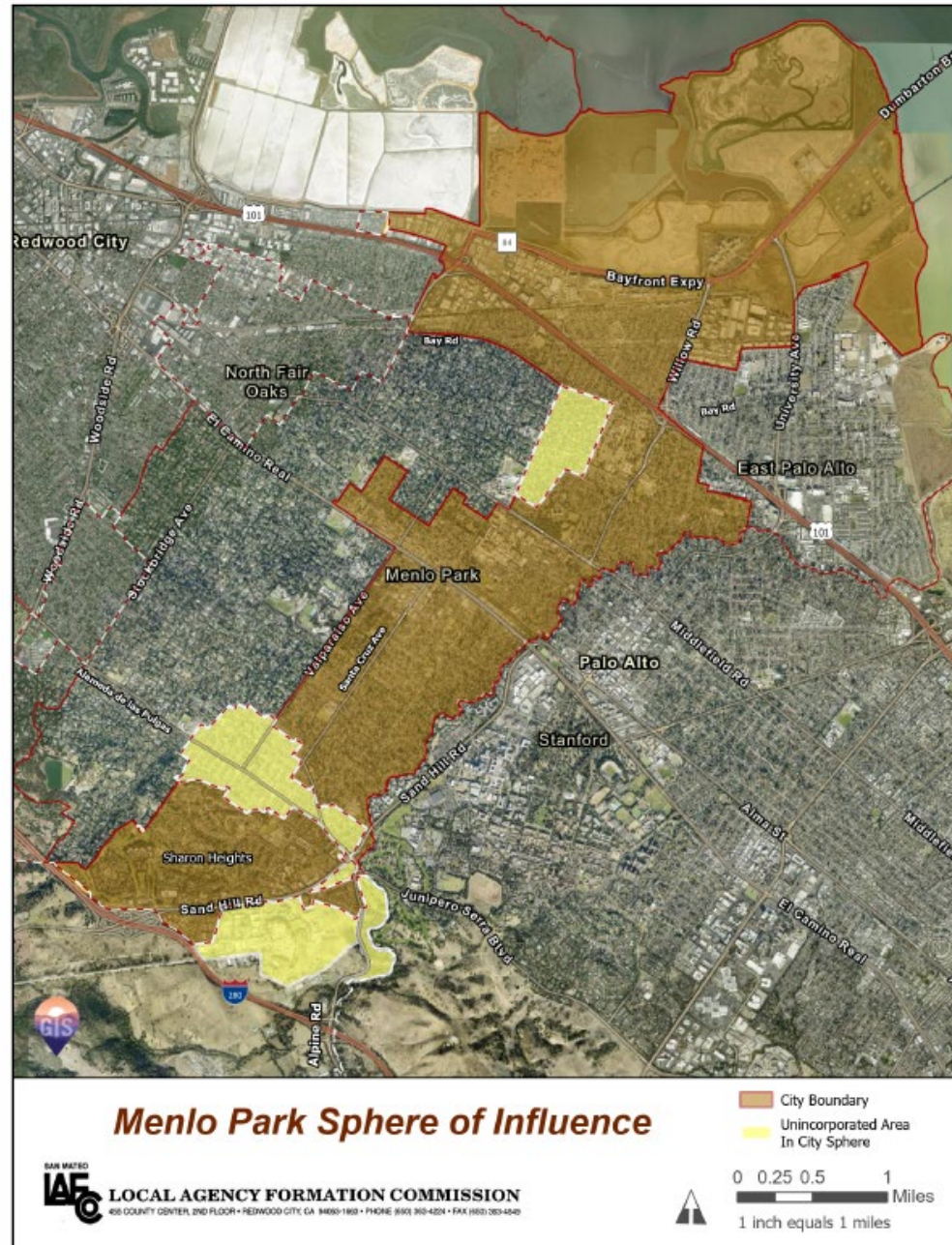
Dependent Special Districts: University Heights Drainage Maintenance District, Campo Bello-University Park Drainage District, Atherton Channel Drainage District, East Palo Alto Sanitary District

Section IV. Municipal Service Review for the City of Menlo Park

Background: On November 23, 1927, the City of Menlo Park was incorporated as a general law municipality. Menlo Park is governed by five council members elected by City residents in district elections. Council members each serve a staggered four-year term. The City Council appoints a City Manager, City Attorney, members of the ten City Commissions, and selects the Mayor and Mayor Pro Tem to serve one-year terms.

As of January 2026, the population of Menlo Park is 33,785 and the City land area is approximately 10 square miles, plus an additional 7 square miles water area.³ Menlo Park’s sphere of influence is expansive, including the unincorporated San Mateo County communities of Menlo Oaks, West Menlo Park, Weekend Acres, and SLAC. (See Figure 1).

Figure 1. City of Menlo Park Sphere of Influence



³ As of January 1, 2026 according to the California Department of Finance, <https://www.abridged.org/wp-content/uploads/2026/05/Department-of-Finance.pdf>.

1) Growth and Population: City of Menlo Park

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist. If most or all determinations are not significant, the Commission may find that an MSR update is not warranted.

Growth and population projections	Yes	Maybe	No
a) Is the City’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?			X
b) Will population changes have an impact on the subject agency’s service needs and demands?			X
c) Will projected growth require a change in the City’s service boundary?			X

a-c) As of January 2026, the population estimate for the City of Menlo Park is 33,785. This is a 4% decline from the 2020 population estimate of 35,254. Over the next 5-10 years, minimal population change is expected within the current Menlo Park boundaries, based on a review of planning documents from the City, County, and the Association of Bay Area Governments. The City is largely built-out, and any new development will occur primarily through infill.

Most of the City’s land use is residential (55%), while the remaining 45% is split among other uses, notably the Bayfront Innovation Area (15%), Parks and Recreation (10%), and Commercial uses (7%).⁴

In March 2024, the California State Department of Housing and Community Development (HCD) certified Menlo Park’s 6th Cycle 2023-31 adopted Housing Element.⁵ The 6th Cycle Regional Housing Need Allocation (RHNA) for the City projects a need to plan for 2,946 units, of which 1,662 units (56%) must be “affordable” at the moderate-income level or below. To help meet the RHNA quota, the City has adopted various measures such as changing land use controls policies and zoning to allow higher residential densities, partnering with affordable housing developers to build residential projects on city-owned land, and encouraging the creation of more ADUs.

Growth and Population Determination: As of 2026, City of Menlo Park is home to 33,785 residents and approximately 14,000 housing units. The City’s adopted 2023-2031 Housing Element proposed to increase its housing stock by 2,946 units or approximately 20%, largely

⁴ [General Plan City of Menlo Park](#) Land Use Element (City of Menlo Park, 2016)

⁵ [2023-2031-city-of-menlo-park-housing-element-clean_010324.pdf](#)

through infill and increasing residential density. The development sites identified in the City’s adopted Housing Element are within the existing boundaries of the City.

2) Disadvantaged Unincorporated Communities (DUC’s)

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the City sphere of influence.	Yes	Maybe	No
a) Does the City provide public services related to sewers, municipal and industrial water, or structural fire protection?	X		
b) Are there any “inhabited unincorporated communities” within or adjacent to the City’s sphere of influence that are considered “disadvantaged” (80% or less of the Statewide median household income)?			X

a-c) The City of Menlo Park does provide municipal water to a majority of the City and does not provide sewer (West Bay Sanitary District does) or fire (Menlo Park Fire Protection District does). There are no Disadvantaged Unincorporated Communities (DUC’s) within or adjacent to Menlo Park’s sphere of influence (SOI) or corporate boundaries. It is worth noting that the City has identified the eastern neighborhoods of Belle Haven and the Bayfront as “underserved”.⁶ Belle Haven and the Bayfront are separated from the rest of Menlo Park by US-101 and are in 2020 Census tracts designated as low-income (80% or less of area median income).

Disadvantaged Unincorporated Communities Determination: While the City does provide water service to a portion of the City, there are no disadvantaged unincorporated communities within the City’s SOI or corporate boundaries. However, the Menlo Park neighborhoods of Belle Haven and the Bayfront are considered “low income”, and are separated from the rest of the City by US-101.

⁶ Menlo Park [Environmental Justice Element](#), 2024

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.	Yes	Maybe	No
a) Are there any deficiencies in City capacity to meet service needs of existing development within its existing territory?			X
b) Are there any issues regarding the City’s capacity to meet the service demand of reasonably foreseeable future growth?			X
c) Are there any concerns regarding public services provided by the City being considered adequate?			X
d) Are there any significant infrastructure needs or deficiencies to be addressed?			X
e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?			X
f) Are there any service needs or deficiencies for DUC’s related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the City’s sphere of influence?			X

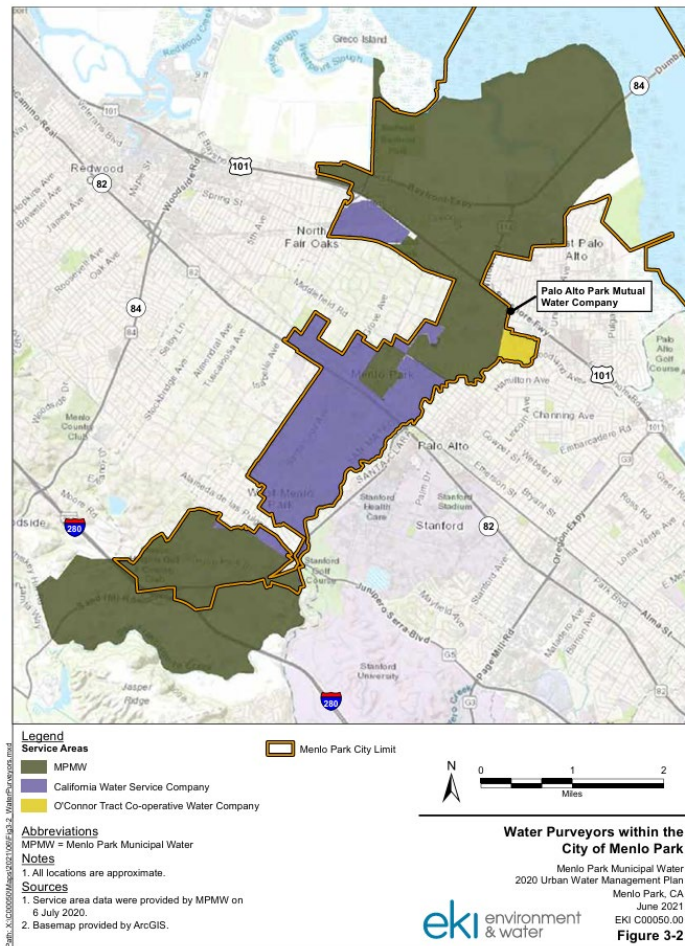
Overview of Menlo Park Services:

Water: Most residents and businesses in Menlo Park receive water from either Menlo Park Municipal Water or California Water Service (see Figure 2).⁷ Menlo Park Municipal Water is purchased from the San Francisco Public Utilities Commission and distributed by Menlo Park Department of Public Works via 59 miles of water lines in the City-owned distribution system. The cost of water service operations and capital improvements are funded primarily by customers through water usage charges, service charges, and connection fees, maintained in the Water Enterprise Fund. In FY2026/27, the City allocated \$3.5M to water

⁷ There are less than ten homes receiving water from wells managed by the Palo Alto Park Mutual Water Company. The O’Connor Tract Co-operative Water Company provides water to 343 connections (apartment complexes and single-family homes) in the Willows neighborhood of Menlo Park as well as in East Palo Alto.

capital projects. In March 2026, the City procured a water rate study to analyze revenue requirements, cost of service, and drought surcharges.⁸ On June 9, 2026, the City Council adopted revised three-year water rates, effective July 1, 2026 - June 30, 2029. The new rate structure introduces a single uniform rate for all water usage, rather than billing for usage based on three tiers of consumption.⁹

Figure 2. Water Service Providers in Menlo Park



Source: City of Menlo Park Housing Element Update, Water Supply Assessment 2022

Street Lighting: The Menlo Park Highway Lighting District is an independent special district that was formed on October 3, 1910 to provide and maintain street lighting. The district is governed by the San Mateo County Board of Supervisors and operation and repairs are managed by the County Department of Public Works. The district primarily serves unincorporated areas surrounding the City, including North Fair Oaks (in Redwood City SOI), and Menlo Oaks and West Menlo Park (in Menlo Park SOI).

⁸ [Water Rate Study](#)

⁹ [Fiscal Years 2027-2029 Menlo Park Municipal Water Rates](#)

Highway Lighting District Map Forthcoming

Sanitary Sewer Services: Menlo Park residents, businesses, schools, and other facilities receive sewer services from West Bay Sanitary District, an independent special district.

Fire Protection: Fire protection for the City of Menlo Park is provided by the Menlo Park Fire Protection District, an independent special district that also serves the cities of Atherton and East Palo Alto, as well as portions of San Mateo County unincorporated areas. Funding for the Fire Protection District is primarily from property taxes. Passage of Proposition 13 in 1978 resulted in the District receiving a share (16%) of the 1 percent property tax within Fire District boundaries (see Table 1).

Police: Menlo Park has a municipal police department dedicated to protection, patrols, dispatch and specialized safety units. For FY2026/27, the City Police Department budget is \$29.3M. The Police Department has 73 full-time employees. Menlo Park budgets approximately \$867 per resident per year for police protection. The Police Department is the City’s second largest department following the Department of Public Works (\$41.1M).

Streets and Sidewalks: The Menlo Park Department of Public Works maintains 96 miles of streets, 2,300 streetlights, and 25 traffic signals. As of 2024, the City’s pavement condition index, as reported by the Associated of Bay Area Governments is “Good” with a score of 76 out of a maximum score of 100.¹⁰ The City has allocated \$4.3M in capital project funding for street and sidewalk projects (see table 6).

Stormwater: The Department of Public Works maintains more than 46 miles of storm drainage facilities that collect, convey and discharge stormwater runoff to the San Francisquito Creek, Atherton Channel and the Bay. In FY 2026/27, the City allocated \$1.5M in stormwater capital projects. The City Stormwater Master Plan was most recently updated in 2023.¹¹ The City and its SOI encompass three Drainage Maintenance Districts (i.e. special districts that collect a share of the 1% property tax from parcels within the district): The Atherton Channel Drainage District (1,043 parcels in Menlo Park), the University Heights Drainage Maintenance District (XX parcels), and the Campo-Bello University Park Drainage Maintenance District (XX parcels).

Drainage Maintenance Districts Map Forthcoming

Parks and Recreation: The City owns and operates 14 parks, 1 community center, 1 recreation center, 3 childcare centers and 1 senior center. The City has allocated \$1.3M in capital project funding for Parks and Recreation. The FY 2026/27 Parks and Recreation

¹⁰ [Pavement Condition of Bay Area Jurisdictions, 2024](#)

¹¹ [City of Menlo Park Stormwater Master Plan](#)

budget incorporated budget cuts to programs, services and facility hours in order to help balance the FY 2026/27 budget.

Table 1. 1% Property Tax Distribution – Sample Tax Rate Area for Menlo Park (008-001)

Agency	Share(%)
General County Tax	24
Menlo Park Elementary School District	17
Sequoia High School District	16
Menlo Park Fire District	16
City of Menlo Park	12
San Mateo Jr College	7
County Education Tax	4
Midpeninsula Regional Open Space	2
Sequoia Hospital District	1
County Harbor District	0.3
San Francisquito Creek Flood Zone 2	0.2
Bay Area Air Quality Management	0.2
County Mosquito & Vector Control District	0.2
Total	100

Source: County Assessor

Note: Exact shares vary between tax rate areas. May not total 100 due to rounding.

Capital Improvement Plan: The City Council adopts a five-year Capital Improvement Plan as part of the budget adoption process annually in June.¹² The City maintains an ongoing capital asset depreciation schedule and prioritizes maintaining and improving existing infrastructure.¹³ For FY 2026/27, the General CIP Fund proposed budget includes \$13M in new funding requested (see Table 2). Projects rely on funding from various sources, including, in FY 2026/27, a \$3.9M transfer from the General Fund. The General Fund transfer amount was reduced this year by nearly \$1M in order to balance the budget. According to the City, the General Fund Transfer has averaged \$4.86M annually since 2018. Other funding sources for capital projects include special revenue funds (e.g. gas tax, SB1, Transportation

¹² Capital expenditures less than \$75k are not included in the plan

¹³ City of Menlo Park FY2026/27 Budget Principles

impact fees, construction impact fee, Measure T, Measure A and Measure W), grants, and the Water Enterprise Fund.

Table 2. Capital Projects by Category for FY 2026/27

Project Category	Budget
Streets & Sidewalks	\$4,310,000
Water	\$3,500,000
Stormwater	\$1,520,000
Parks & Recreation	\$1,320,000
Traffic & Transportation	\$1,285,000
City Buildings & Systems	\$1,070,000
Total	\$13,005,000

Source: City of Menlo Park Budget 2026/27

The City’s FY 2026/27 adopted budget principles include, “limit budget appropriations for capital projects to those with secured funding. Appropriations shall not exceed available funding and will be adjusted if funding is reduced.” All FY 2026/27 projects are funded in part by the General Fund, except for “Streets & Sidewalks” projects and “Water” projects which have dedicated special revenue sources.

The City Master Plans that guide the development of long-term infrastructure planning include: Bedwell Bayfront Park Master Plan; Climate Action Plan; Facilities Condition Assessments; Green Stormwater Infrastructure Plan; Information Technology Master Plan; Parks and Recreation Facilities Master Plan; Stormwater Master Plan; Vision Zero Action Plan/Transportation Master Plan; Water System Master Plan; and the Zero Waste (trash, recycling and compost) Plan.

Capacity and Adequacy of Public Facilities and Services Determination: The City of Menlo Park has the capacity to meet service needs of existing and future development within its boundaries. The City has Master Plans to guide capital expenditures and priorities across various service areas. The capital improvement plan is currently adequately funded, although the General Fund transfer for capital projects was reduced by \$1M in FY 2026/27 in order to balance the budget.

4) Financial Ability

Financial ability of the City to provide service	Yes	Maybe	No
a) Does the City routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?			X
b) Is the City lacking adequate reserve to protect against unexpected events or upcoming significant costs?			X
c) Is the City's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?			X
d) Is the City unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?			X
e) Is the City lacking financial policies that ensure its continued financial accountability and stability?			x
f) Is the City's debt at an unmanageable level?			X

General Fund Overview: While the City has an underlying structural deficit, it managed to adopt a balanced budget for FY 2026/27 without the use of reserves. The City projects \$90M in General Fund expenditures, and a nominal surplus of \$9,296 (see Table 3). The City's primary source of General Fund revenue is from property taxes (43%) followed by the Transient Occupancy Tax (TOT, 20%). The TOT or hotel tax is the tax added to hotel guest bills for stays of fewer than 30 days. The City placed a measure on the November 2024 ballot to raise the TOT from 12% to 15.5% over a two-year period, which was approved by 84% of voters. The increased rate of 15.5% became effective January 1, 2026 and is reflected in the proposed budget (\$18.4M).

In FY 2026/27, the property tax in lieu of vehicle license fee (VLF) revenue is anticipated to be \$1.9M. This represents a shortfall of \$4.3M, or 5% of total General Fund expenditures. Menlo Park does not include VLF backfill revenue in budget forecasts for FY2027/28 onward.

To balance the FY2026/27 budget and to not utilize reserve funds, the City had to address the anticipated \$7.9M shortfall through a combination of cuts to departmental operating

expenditures and increased revenue generation by updating the Master Fee Schedule and cost allocation plan. Department cost cutting measures included scaling back programs, reducing operating hours, reducing special event frequency, and increasing fees.

Table 3. General Fund Revenues and Expenditures, FY 2023/24-FY2026/27

	FY 2023-24 (Actual)		2024-25 (Actual)		2025-26 (Amended)		2026-27 (Budget)	
<i>Revenues</i>	Share		Share		Share		Share	
Property Tax (Total)	\$35,449,403	46%	\$39,397,868	48%	\$36,696,871	45%	\$38,892,052	43%
Transient Occupancy Tax	\$11,827,368	15%	\$14,763,089	18%	\$16,169,749	20%	\$18,404,642	20%
Charges for Services	\$8,344,742	11%	\$7,646,556	9%	\$5,790,650	7%	\$8,450,119	9%
Sales Tax	\$5,826,799	8%	\$6,850,318	8%	\$6,474,000	8%	\$7,207,900	8%
All Other	\$15,029,255	20%	\$13,844,990	17%	\$15,206,250	19%	\$16,897,415	19%
Total GF Revenues	\$76,477,567	100	\$82,502,821	100	\$82,002,728	100	\$90,125,783	100
<i>Expenditures</i>	Share		Share		Share		Share	
Salaries & Benefits	\$38,233,758	52%	\$48,413,649	58%	\$49,770,239	59%	\$56,925,959	63%
Internal Service								
Charges	\$7,724,662	10	\$9,620,545	11	\$9,948,444	12	\$11,787,976	13
Services	\$8,387,357	11	\$9,331,574	11	\$12,158,077	14	\$11,649,347	13
All Other	\$15,761,696	21	\$12,835,704	15	\$8,124,325	10	\$9,745,040	11
Total GF Expenditures	\$73,762,731		\$84,146,680		\$84,602,342		\$90,116,487	
Net	\$2,714,836		-\$1,643,859		-\$2,599,614		\$9,296	

Source: [Fiscal year 2025/26 and 2026/27 Adopted Budget | Transmittal Letter](#)

a) Does the City routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late? The City of Menlo Park regularly prepares an annual budget that is adopted on time each fiscal year, presented in hearings open to the public, and accessible on the City's website. The City contracts with an independent accounting firm (Pun Group, LLC) to conduct Annual Comprehensive Financial Reports (ACFR). These reports are available on the City's Administrative Services Department website.¹⁴ In January 2026, the City Council received the most recent, FY 2024/25 ACFR report. This report received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. To receive this award, a government must publish an easily readable and efficiently organized ACFR that evidence a spirit of transparency and full disclosure.

¹⁴ [Annual Comprehensive Financial Report City of Menlo Park](#)

The FY 2026/27 Budget Priorities include:

- “Address the City’s structural imbalance between revenues and expenditures through immediate and ongoing actions to stabilize the General Fund reserve and restore long-term fiscal sustainability.”
- “Continue to evaluate the most cost-effective method to provide services at a specified level that provides the City with flexibility in all economic conditions, including the use of contracted services, shared services, and regular and limited-term employees.”

b) Is the City lacking adequate reserve to protect against unexpected events or upcoming significant costs? In October 2014, the City adopted a General Fund fund balance policy that specifies target reserve levels for five components of general fund reserves: non-spendable; restricted; committed; assigned; and unassigned (see Table 4).¹⁵ The Committed fund balance is comprised of allocations for the Emergency Contingency and Economic Stabilization. The General Fund Emergency Contingency is established at \$6M, with the option for the City Council to increase/decrease the amount, with the goal of providing for an amount equal to 15-20% of the City’s annual general fund operating budget. “This range should be sufficient to allow for a quick and decisive municipal response to events such as natural disasters, catastrophic accidents, or other declared emergency incidents.” The Economic Stabilization Contingency is established at \$8M, with the goal of providing an amount equal to 20-25% of the City’s annual general fund operating budget. “This range serves as a sufficient cushion, safeguarding the City’s fiscal health against fluctuations in revenues and costs due to economic volatility.”

Table 4. City of Menlo Park Ending Fund Balance Components

	FY2025/26 (Amended Budget)	Share	FY2026/27 (Budget)	Share
Economic Stabilization	\$13,878,049	45%	\$13,878,049	45%
Emergency Contingency	\$10,408,536	33%	\$10,408,537	36%
Unassigned	\$3,220,125	10%	\$664,851	2%
Nonspendable	\$2,919,082	9%	\$2,919,082	10%
Strategic Pension	\$653,240	2%	\$653,240	2%
Ending Fund Balance	\$31,079,033	100%	\$28,523,759	100%

Source: FY 2026/27 Budget and CIP

The City’s target General Fund reserve level as a share of expenditures is 35%. Currently, the FY 2026/27 budget projects a reserve level just shy of that target, at 32% (see Table 5). The

¹⁵ [City Council Policy No. CC-14-003 Effective 10/7/2024](#)

five-year General Fund reserve level forecast anticipates an annual decline in ending fund balance, projected to reach \$9.2M in FY2030/31, or 9% of a projected \$104M in General Fund expenditures (well below the target).

Table 5. General Fund Reserves as Share of Expenditures

Fiscal Year	Ending Fund Balance	Total GF Expenditures	Share
2030-31 (forecast)	\$9,214,565	\$104,392,694	9%
2029-30 (forecast)	\$13,153,020	\$101,416,990	13%
2028-29 (forecast)	\$18,979,340	\$98,513,001	19%
2027-28 (forecast)	\$24,047,344	\$94,745,031	25%
2026-27 (budget)	\$28,523,759	\$90,537,503	32%
2025-26 (amended budget)	\$31,079,033	\$84,602,342	37%
2024-25 (actual)	\$34,571,733	\$74,231,260	47%
2023-24 (actual)	\$37,298,641	\$76,137,991	49%

Source: FY 2026/27 Budget and CIP [Staff report](#) ¹⁶

c) Is the City’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?

In April 2026, the City completed a comprehensive cost of services study resulting in an updated Master Fee Schedule. Comparison to private or public sector alternatives are incorporated into the fee setting process. According to the City’s User Fee Cost Recovery Policy,¹⁷ fees are intended to recover the cost of services provided to residents. The policy recognizes that not all services should recover costs at the same level. Services that provide a broad public benefit are generally more subsidized, while services that primarily benefit specific individuals or businesses are expected to recover a greater share of their costs. The Master fee schedule includes annexation fees, license and permit fees, rental fees, and more. The 2026 Master Fee schedule increased development-related fees in order to help balance the budget, and it also incorporated a payment card processing fee to shift processing costs to the cardholder.¹⁸

d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion? The City relies on a combination of general

¹⁶ Maintaining adequate reserves is an important factor in preserving the City’s AAA bond rating, the highest credit rating available. This rating provides access to more favorable borrowing terms and financing options for capital investments and other long-term needs.

¹⁷ [Resolution No. 6768, August 2022](#)

¹⁸ [Master Fee Schedule](#) July 1, 2026

fund transfers, local taxes, enterprise revenue, and grants to fund necessary infrastructure maintenance and replacement. Several projects on the City’s five-year capital improvement plan are not fully funded. The City plans to consider future revenue generating measures to present to voters on the November 2028 ballot, such as an additional sales tax, business license tax, or utility users tax.

e) Is the organization lacking financial policies that ensure its continued financial accountability and stability? The City has adopted financial policies to ensure its continued financial stability, including fund balance policies.

f) Is the organization’s debt at an unmanageable level?

CalPERS: The City of Menlo Park participates in the California Public Employees Retirement System (CalPERS), which provides members with a defined-benefit pension based on years of service. CalPERS is funded by a combination of investment earnings on the CalPERS portfolio, contributions by employees, and contributions by the City.

As of June 2025 (the most recent audit), a total of 886 employees were covered by the benefit terms of the CalPERS Miscellaneous Plan, and 219 employees were covered by the Safety Plan (see Table 6). For the year ending on June 30, 2025, the employer contributions for the miscellaneous plan and the safety plan were \$6.7M and \$5.8M, respectively. The City’s actual contributions to both the CalPERS Safety and Miscellaneous Plans fully met or exceeded the actuarially determined contribution (ADC) every year from FY 2021-25.

Table 6. City of Menlo Park Employees Covered by CalPERS

	Miscellaneous Plans	Safety Plans
Active Employees	223	41
Transferred & terminated employees	376	47
Retired employees & beneficiaries	287	131
Total	886	219

Source: ACFR 2024/25

In 2014, the City established a Strategic Pension Funding reserve, utilizing an initial \$1M of the General Fund unassigned reserve. Since then, 25% of the General Fund’s final operating surplus (if there is one) is added annually to the Strategic Pension Fund Reserve upon completion of the annual financial report.

Other Post Employment Benefits (OPEB): The City provides healthcare insurance benefits to eligible retired employees and their dependents. The City participates in the CalPERS

healthcare program (PEMHCA) and allows retirees to continue participation in the medical insurance program after retirement. As of June 30, 2023, 381 employees were covered by the Plan (see Table 7).

Table 7. City of Menlo Park Employees Covered by the OPEB Plan

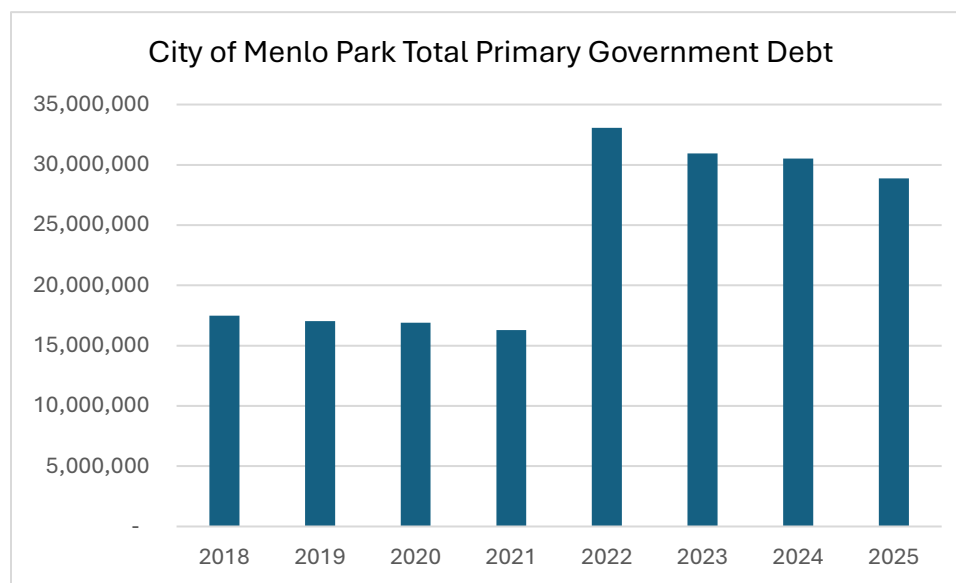
	Miscellaneous Plans
Active Employees	261
Retired employees and beneficiaries	120
Total	381

Source: ACFR 2024/25

In FY 2025, the actuarially determined contribution rose significantly to \$810,386, up from \$415,000 in FY 2024 (see Table 8). Because actual contributions fell short of the recommended actuarial targets each year, the City recorded a contribution deficiency of \$419,053 in FY 2025, compared to \$66,079 in FY 2024.¹⁹

Other Debt: The City's debt nearly doubled in 2022, driven by the issuances of voter-approved new General Obligation bonds and refinancing of the City's 2012 General Obligation Bonds (see Figure 3). Despite the overall debt increase, the total debt remains below 1% of total personal income.

Figure 3. Menlo Park Debt, FY 2018-25



Source: ACFR 2024/25

¹⁹ [ACFR 2024/25](#)

Financial Ability Determination: The City prepares an annual operating and capital improvement budget for the upcoming fiscal year that gets adopted by the City Council at a noticed public hearing before June 30th. The City also produces an Annual Comprehensive Financial Report that is reviewed by the City Council. The most recently published report is for FY 2024-25. The City’s target General Fund reserve level is 35% of total expenditures. The projected FY 2026/27 reserve level is just shy of the target, representing 32%. Without any intervention or changes, the reserve level is projected to decline further, reaching 9% in FY 2030/31. The City has the requisite financial policies in place to ensure its continued financial accountability and stability. In FY 2026/27, the property tax in lieu of vehicle license fee (VLF) revenue is anticipated to be \$1.9M. This represents a shortfall of \$4.3M, or 5% of total General Fund expenditures. Menlo Park does not include any VLF backfill revenue in budget forecasts for FY2027/28 onward.

Recommendation

1. LAFCo staff encourages the City to continue monitoring its reserve levels and exploring additional revenue sources to help the City obtain alignment with its General Fund fund balance policy.

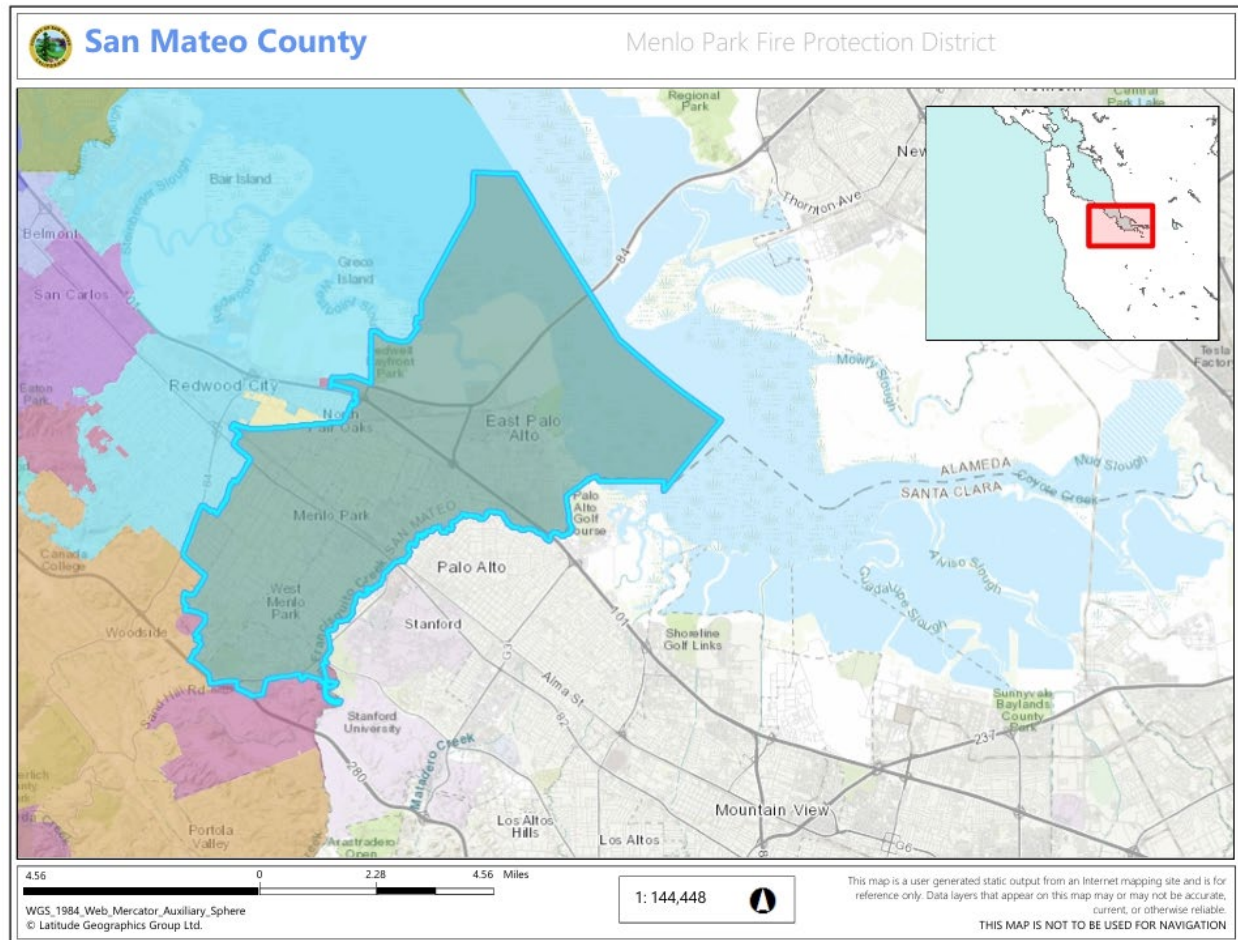
5) Shared Service and Facilities

Status of, and opportunities for, shared facilities	Yes	Maybe	No
a) Is the City currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the City to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?			X
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?			X

a-c) Menlo Park shares fire protection services via the Menlo Park Fire Protection District (an independent special district) with the City of East Palo Alto, Town of Atherton, and unincorporated San Mateo County areas (see Figure 4). The Menlo Park Fire Protection District also provides contracted coverage to SLAC and automatic mutual aid responses to

Palo Alto and Redwood City. Menlo Park participates in the County’s multijurisdictional Local Hazard Mitigation Plan. The City is also a member of the San Francisquito Creek Joint Powers Authority (SFCJPA), along with the City of East Palo Alto, City of Palo Alto, the San Mateo County Flooding and Sea Level Resiliency District, and the Santa Clara Valley Water District. The SFCJPA “addresses flood risks from the San Francisquito Creek and the Bay Shoreline through collaboratively planned, multi-benefit projects”.²⁰

Figure 4. Menlo Park Fire Protection District Boundaries



Source: San Mateo County Planning and Building Map Viewer

Shared Service and Facilities Determination:

The City collaborates and partners with various Bay Area jurisdictions on natural hazard mitigation planning, transportation and traffic management, and sea level rise. The City shares fire protection services via the Menlo Park Fire Protection District, and participates in the County’s multijurisdictional Local Hazard Mitigation Plan. The City is also a member of the San Francisquito Creek Joint Powers Authority (SFCJPA), along with the City of East Palo

²⁰ [About the JPA - San Francisquito Creek Joint Powers Authority](#)

Alto, City of Palo Alto, the San Mateo County Flooding and Sea Level Resiliency District, and the Santa Clara Valley Water District. The City also partners with regional transit agencies for various projects, including with Caltrain on Grade Separations and the Metropolitan Transit Committee on Dumbarton Forward.

Recommendation

2. LAFCo staff encourages the City of Menlo Park to continue partnering with regional agencies to address traffic and transportation projects, as well as natural hazards and mitigation planning.

6) Accountability, Structure, and Efficiencies

Accountability for community service needs, including governmental structure and operational efficiencies	Yes	Maybe	No
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with staff turnover or operational efficiencies?			X
c) Is there a lack of regular audits, adopted budgets and public access to these documents?			X
d) Are there any recommended changes to the City's governance structure that will increase accountability and efficiency?			X
e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?			X
f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?			X

a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act? The City of Menlo Park is governed by

a five-member City Council elected by voters within each City district. Until 2018, councilmembers were elected at-large. In 2018, a change to the California Voting Rights Act required the City to switch to District elections.

The City Council meets on the second and fourth Tuesdays of the month at 6PM. Meetings are open to the public and are held at City Council Chambers, 751 Laurel St., Menlo Park, CA 94025. Meetings are also livestreamed via Zoom and the public may provide comment remotely or in-person. Meeting agendas are posted on the City website at least 72 hours before a regular meeting. The City has a YouTube channel (@cityofmenlopark) that hosts a video archive of City Council and Commission meetings. Past City Council Meetings are also available for viewing/listening in Spanish. The City website publishes an archive of meeting agendas, minutes as well as staff reports. The City’s “Open Government” webpage contains shortcuts to information of interest to the public such as master plans, fee schedules, adopted budgets (which needs to be updated as the most recent is from FY2023/24), and the public records.²¹ LAFCo is not aware of any failures to comply with the Brown Act.

b) Are there any issues with staff turnover or operational efficiencies? The City experiences some challenges recruiting new employees due to the high cost of living, lack of affordable housing in the area, and competition for talent. For the period of May 1, 2025 through April 30, 2026, the median tenure of City employees was 5 years, and there was a 92% staff retention rate. The City’s ongoing strategy for employee recruitment and retention includes engagement through surveys and focus groups; hiring incentives for lateral police officers and policy academy graduates; conducting a citywide classification and compensation study and attending career fairs. The City has prioritized “incorporate[ing] programs and initiatives that strengthen Menlo Park’s standing as an employer of choice to retain highly qualified personnel.”²²

Staffing levels have remained consistent over the past five years. In FY2025/26, the vacancy rate was approximately 15%, and in FY2026/27 the vacancy rate is projected to decrease to 11%. The Community Development Department and General Administration Departments have the highest vacancy rates at 22% and 21%, respectively, as of May 2026.

Table 6. City Full Time Equivalent (FTE) Count by Department, FY 2020-2025

Department	2020	2021	2022	2023	2024	2025	2026
Public Works	70	65	73	73	72	72	73
Public Safety	77	62	63	70	70	70	73
Community Services	52	38	46	48	46	48	47
Administrative Services	34	30	35	40	42	42	30

²¹ The [Open government City of Menlo Park](#) webpage was designed using a [checklist](#) provided by Ballotpedia (formerly Sunshine Review), a nonprofit organization dedicated to government transparency.

²² City of Menlo Park FY2026/27 Budget Principles

Community Development	31	28	32	36	35	35	34
Library	19	18	18	18	21	21	21
City Council	5	5	5	5	5	5	5
Total FTE*	287	245	272	290	290	293	297

Note: *FTE count rounded to the nearest whole number

c) Is there a lack of regular audits, adopted budgets and public access to these documents? City budget and audit documents are published online and available for public viewing, including through an interactive budget portal. The FY2026/27 Adopted Budget Book is not available as of August 2026, however prior year adopted budget books are available. The City's most recent Annual Comprehensive Financial Reports (ACFR) was for FY 2024/25.

d-f) Any recommended changes in governance structure? LAFCo staff has not identified any recommendations regarding restructuring of the City or its service boundaries that would increase accountability and efficiencies, enhance services or eliminate deficiencies.

Accountability, Structure, and Efficiencies Determination

The City of Menlo Park ensures that public meetings are accessible and publicized. Archived meeting minutes and videos are available online. LAFCo is not aware of any failure to comply with disclosure laws or the Brown Act.

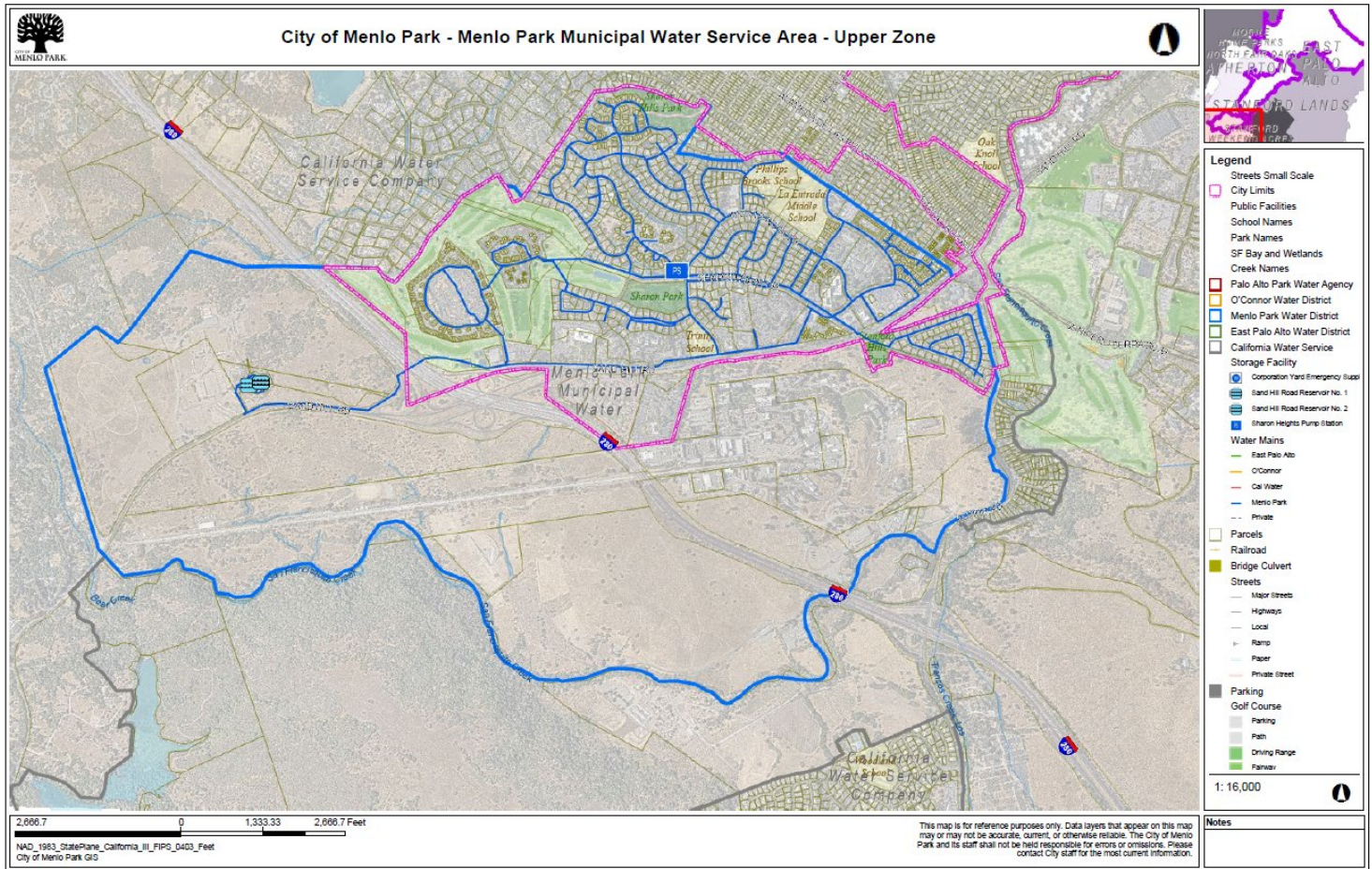
7) Other Issues:

Any other matter related to effective or efficient service delivery, as required by commission policy.	Yes	Maybe	No
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?			X
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhances and provides a more robust water supply capacity?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change?	X		

c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards?	X		

a) Are there any other service delivery issues that can be resolved by the MSR/SOI process? During this MSR process, Menlo Park staff made LAFCo staff aware of Menlo Park City-owned infrastructure that is located outside of corporate boundaries, notably a water reservoir and associated infrastructure, on Stanford owned lands (see Figure 5). The area is unincorporated San Mateo and currently the designated SOI for this area is the Town of Woodside.

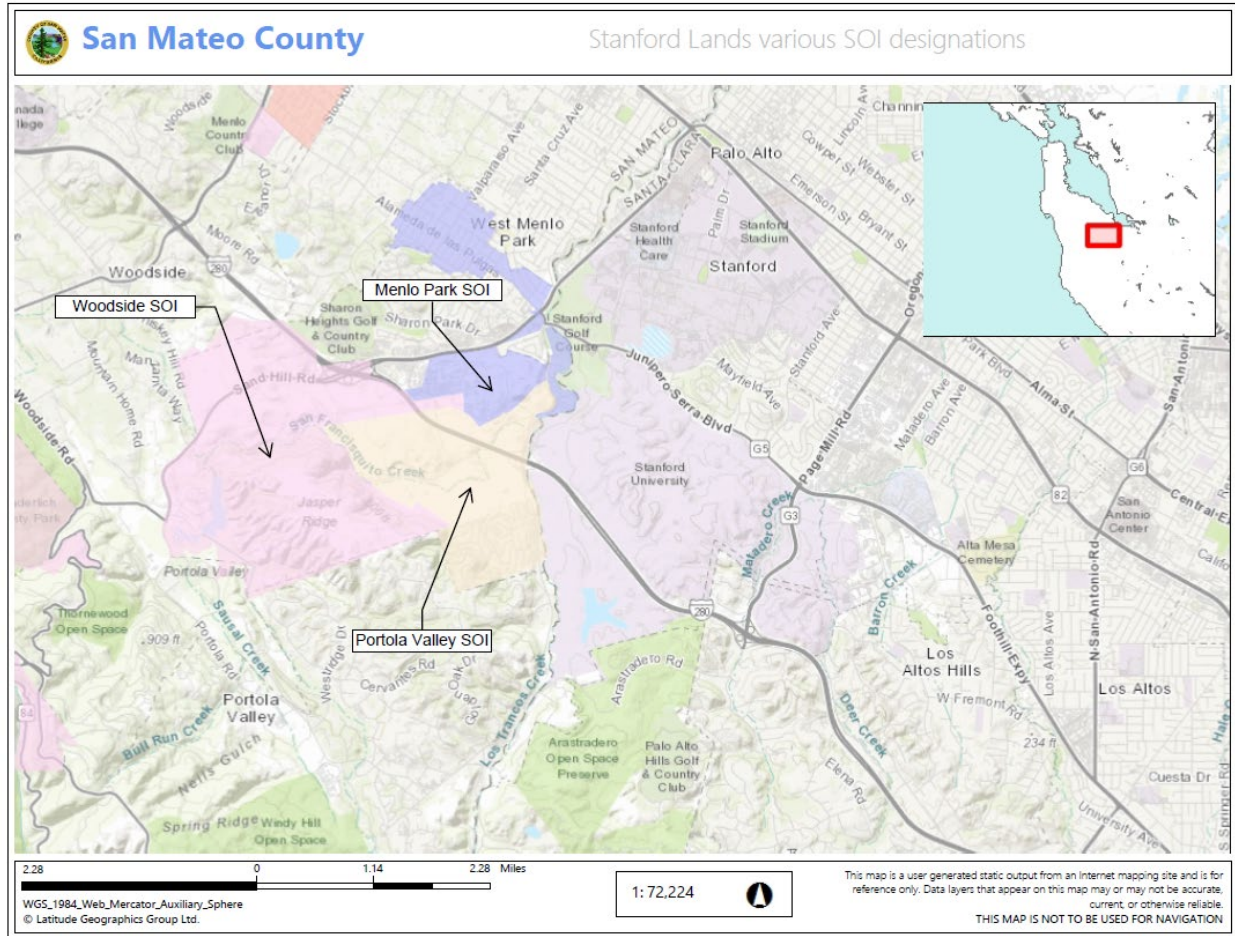
Figure 5. Menlo Park Water Infrastructure on Stanford-owned Land



Source: City of Menlo Park

The City of Menlo Park, the Town of Portola Valley, and the Town of Woodside all have SOI designations on this unincorporated Stanford land area (see Figure 6). At the time that this designation was made in the 1980s, there was discussion about the potential of development on the Stanford lands, including additional development of the Stanford Linear Accelerator Center (SLAC). Since then, the majority of the Stanford lands has been designated as lands of biological preservation and Stanford has a contract to operate and manage SLAC through 2027.

Figure 6. SOI's on Stanford-owned land in Unincorporated San Mateo County



Source: San Mateo County Planning and Building Map Viewer

Due to this information about the City's water system infrastructure and the changes in development potential within this area, San Mateo LAFCo recommends undertaking a special study to capture the current service providers and reevaluate the SOI designations of Stanford lands in unincorporated San Mateo County. This study will allow LAFCo, Menlo Park, Portola Valley, Woodside, and Stanford University to have a comprehensive discussion regarding SOI designations and accurately reflect the current service providers, as well as the probable physical future boundaries of these cities.

b-c) Water Resiliency, Climate Change, Natural Hazards and Mitigation Planning:

The Menlo Park City Council has consistently identified “Climate Action— mitigation, adaption and resilience” as the first of five top priorities, each year in 2024, 2025, and 2026.²³ The City’s first Climate Action Plan was adopted in 2009, and most recently amended in 2024.²⁴ The Plan includes strategies to reduce the City’s greenhouse gas emissions in order to reach carbon neutrality by 2030. Measures adopted included converting existing City buildings to all-electric, transitioning to an electric municipal vehicle fleet, adopting building regulations to accommodate electric vehicle charging stations, banning gas-powered landscaping equipment, and subscribing all residents and business to the community choice aggregate clean energy provider WestLight energy (prior to July 2026 it was called Peninsula Clean Energy).²⁵ Annual Climate Action Plan progress reports are available on the City Manager’s Office website.

Menlo Park is a partner of One Shoreline, an independent government agency that secures and leverages public and private resources to plan for and build solutions to the climate change impacts of sea level rise, flooding and coastal erosion. Menlo Park is also in the San Mateo County Flood Control District.

Menlo Park is a member of the San Francisquito Creek Joint Powers Authority (SFCJPA), along with the City of Palo Alto, the City of East Palo Alto, OneShoreline, and the Santa Clara Valley Water District.²⁶ The SFCJPA was formed in 1999 to lead projects that mitigate the risk along the San Francisquito Creek and the Bay, such as the SAFER Bay project.²⁷

“MenloPrepared” is the City’s disaster preparedness program which is organized by the City Manager’s Office in partnership with the Menlo Park Fire Protection District, the County Office of Emergency Services, and local Community Emergency Response Teams (CERT). The program provides resources and suggestions to: 1) Make A Plan; 2) Build a Kit; 3) Emergency Alerts 4) Evacuation Preparedness Tips; 5) Evacuation Zones; 6) Pet Preparedness; 7) Neighborhood Preparedness; 8) Business Preparedness, and 9) Access and Functional Needs.

Other Issues Determination: The City is engaged in activities to address hazard mitigation, wildfire prevention, greenhouse gas emissions and sea level rise. Additionally, through this report, LAFCo staff was made aware that the City of Menlo Park has water infrastructure on Stanford-owned land in unincorporated San Mateo County. This area is currently with the designated SOI of the Town of Woodside. It should be determined whether these SOI

²³ [City Council Priority Setting Workshop City of Menlo Park](#). Priorities are Climate action - mitigation, adaptation and resilience; Downtown vibrancy; Housing; Public Safety; and Safe routes.

²⁴ [2030 Climate Action Plan](#)

²⁵ [Our Story - WestLight Energy](#)

²⁶ [About the JPA - San Francisquito Creek Joint Powers Authority](#)

²⁷ [SAFER Bay Project - San Francisquito Creek Joint Powers Authority](#)

designations of the Stanford lands and SLAC accurately reflect the current service providers, potential service needs, as well as the probable physical future boundaries of Menlo Park, Woodside, and Portola Valley.

Recommendation:

3. LAFCo staff recommends that the Commission add to the FY2027/28 LAFCo workplan and budget a Special Study of Stanford Lands to determine the extent of current service providers, and the appropriate SOI designations of these areas. The Special Study should include an inventory of City-owned infrastructure on Stanford lands, and recommendations for any SOI amendments to be presented for consideration to the Commission and to the respective Managers of the City of Menlo Park, Town of Woodside, and Town of Portola Valley and Stanford University staff.

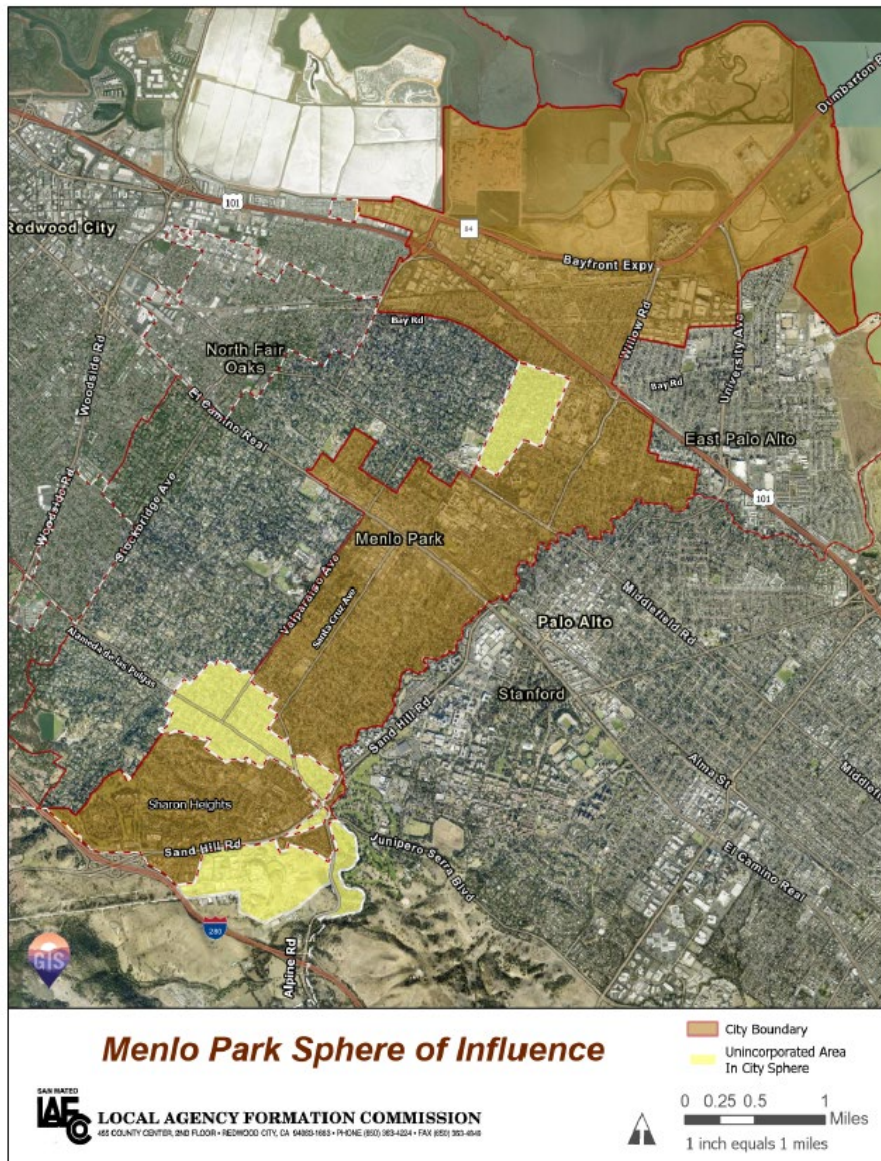
Section 6. City of Menlo Park Sphere of Influence Determinations

Government Code Section 56425 requires San Mateo LAFCo make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. These include the following determinations:

1. **The present and planned land uses in the area, including agricultural and open space lands:** The majority of the City's land use is residential. Other land uses include commercial, life sciences and industrial (Bayfront district), institutional, public facilities, parks and open space (tidal marshes and protected wetlands). There is no agricultural land within the City's SOI.
2. **The present and probable need for public facilities and services in the area:** The City of Menlo Park's facilities and services meet the needs of its residents and businesses, and the City anticipates that it will be able to provide adequate facilities and services for the anticipated growth within its service area.
3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide:** The City currently provides adequate public services to its residents, including fire and police protection, water, sanitary sewer and storm water services. The City routinely adopts a Capital Improvement Program to fund critical repairs, replacements and improvements to the City's infrastructure and facilities.

4. **The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency:** There are no disadvantaged unincorporated communities within the SOI of the City of Menlo Park.
5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence:** N/A.

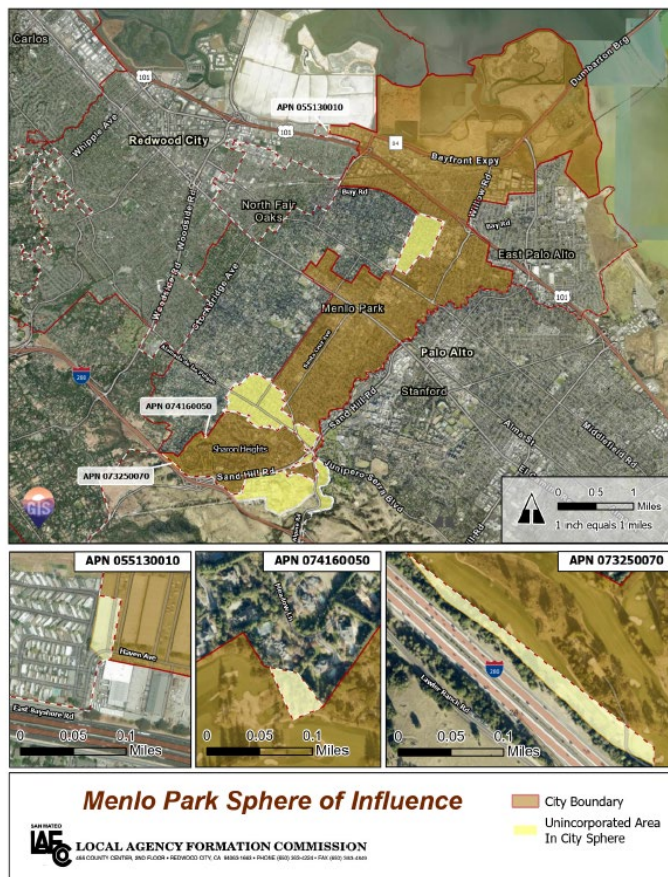
Figure 6. City Menlo Park Sphere of Influence Map



The following three parcels have been reviewed by LAFCo staff and the Menlo Park City Manager as candidates for additions to the SOI of Menlo Park (see Figure 7):

- 1) 3501 Haven Ave (APN 055-130-010) is an unincorporated parcel contiguous to the City of Menlo Park. It is currently being used as part of a larger warehouse unit, zoned Light Manufacturing & Industrial (331L). The City of Menlo Park currently provides water to this parcel. The City of Redwood City has no objection to this parcel being added to the Menlo Park SOI.
- 2) APN 074-160-050 is an unincorporated island owned by the Sharon Heights Golf Club. It is currently in use as part of the golf course. The rest of the Sharon Heights Golf Club is incorporated in the City of Menlo Park. This unincorporated island parcel is contiguous with the border of Menlo Park and Atherton and seemingly has never been assigned to an SOI.
- 3) APN 073-250-070 is an unincorporated parcel owned by Stanford University, currently in use as part of the Sharon Heights golf course. It is contiguous to the City of Menlo Park, and adjacent to I-280 on the east side. This parcel was assigned to the SOI of Woodside. The Town of Woodside has no objection to having this parcel detached from the Town's SOI and added to the City of Menlo Park's SOI.

Figure 7. Proposed Sphere of Influence Amendment to the City of Menlo Park



On the basis of the Municipal Service Review:

☐ Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.

☒ Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Appendix A. City of Menlo Park Fact Sheet

City Manager: Justin Murphy (appointed by City Council)

Physical Address: 701 Laurel St., Menlo Park, CA 94025

Email Address: jicmurphy@menlopark.gov

Phone Number: (650) 330-6600

Date of Incorporation: November 23, 1927

City Council Members: Members are elected in district elections to serve a staggered four-year term. There are no term limits. Mayor and Vice Mayor serve one-year term selected by City Council.

Council Members	District	Term Expiration Date
Betsy Nash, Mayor	District 4	2026
Jennifer Wise, Vice Mayor	District 5	2028
Drew Combs	District 2	2026
Jeff Schmidt	District 3	2028
Cecilia Taylor	District 1	2026

Compensation: City council members are paid \$950 per month, and are eligible for benefits including CalPERS retirement, health, dental, life insurance and vision coverage for themselves and their dependents.

Public Meetings: Regular City Council meetings are held on the second and fourth Tuesdays of the month at 6PM at City Council Chambers 751 Laurel St., Menlo Park, CA 94025. Meetings are livestreamed via Zoom and the public may provide comment remotely or in-person. Official agendas are posted on the City Website at least 72 hours before a regular meeting. An archive of staff reports and meeting minutes is also available.

Services Provided: Building, engineering, housing rehabilitation, parks, library, planning, police, maintenance, recreation, senior services, water, daycare, redevelopment, traffic/transportation.

Agency staff: 297 FTE, (32 vacant FTE) (May 2026)

Area Served: Land Area- 10 square miles, *Water Area-*7 square miles; Total 17 square miles

Population: 33,785 (January 2026)

Sphere of Influence: Boundaries of 1984 plus the unincorporated communities of West Menlo Park, Stanford Linear Accelerator Center (SLAC) east of Interstate 280, Weekend Acres, and Menlo Oaks.

FY 2026-27 General Fund Expenditures: \$90,116,487 (Budget)