

**LOCAL AGENCY FORMATION COMMISSION**

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September 10, 2009

**To:** Members Formation Commission

**From:** Martha Poyatos, Executive Officer

**Subject:** Recommended Draft Municipal Service Review  
Determinations and Sphere of Influence Determinations  
and recommendation to Reaffirm Sphere of influence and  
City of Menlo Park

At your July 15 meeting, the Commission received and tentatively approved the Municipal Service Review and Sphere of Influence update for the City of Menlo Park and directed staff to place it on the next agenda for final approval. No additional comments have been received from the City of Menlo Park or other agencies or individuals and it is therefore recommended that the Commission, by resolution accept the report, adopt the municipal service review determinations below, the sphere of influence determinations found on Pages 19 through 22 of the report and reaffirm the sphere of influence of the City of Menlo Park to include the unincorporated areas of West Menlo Park, Stanford Week end Acres, Menlo Oaks and the Stanford Linear Accelerator.

**Recommended Municipal Service Review Determinations: Governance, Accountability for community service needs, including governmental structure and operational efficiencies**

- a) The City of Menlo Park demonstrates accountability for community service needs through thorough access to City documents including council and committee agenda, reports, budget, and other information etc. on the City's website
- b) The City has instituted a proactive budget process that includes community input in setting service priorities.
- c) It is recommended that the City website be updated to include link and contact information East Palo Alto

Sanitary District ([www.epasd.com](http://www.epasd.com)) and West Bay Sanitary District ([www.westbaysanitary.org](http://www.westbaysanitary.org)).

**Recommended Determination(s) Growth and Population Projections**

- a) While trends indicate that the Menlo Park city and sphere of influence population will continue to grow, actual growth will be dependent upon creation of new housing and jobs.
- b) ABAG policy-based growth projections do not reflect economic conditions that support the projected rate of growth.

**Recommended Determinations: Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies**

- a. The City's 2008-2013 Capital Improvement Program (CIP) includes plans for improvement of public facilities and recommended improvements are included in each budget cycle according to priorities and resources available.
- b. The City of Menlo Park Water Department supplies approximately one-third of the City's water and the City is pursuing development of emergency storage facilities and secondary source of water supply.
- c. Because the City serves approximately one-third of City territory, the City and private water entities serving Menlo Park are encouraged to work together to comprehensively plan for water supply infrastructure, supply, storage and conservation.
- d. Non-metered customers within City boundaries detract from water conservation efforts and limit the ability of the water providers to plan for future water needs.

**Recommended Determinations: Financial ability of agencies to provide services**

- a. The City of Menlo Park has sound fiscal practices including: maintaining a reserve for economic uncertainty, extreme events and working capital; working to reduce expenditures where appropriate in lieu of relying on reserves; proactive budget strategies to respond to structural budget deficit and economic downturn; and community engagement to establish community priorities.

- b. The City demonstrates financial ability to provide authorized services.
- c. The City is working to establish a reserve policy.

**Recommended Determinations Status of, and opportunities for, shared facilities**

- a. The City of Menlo Park implements several strategies for shared resources and facilities.



**LAFCo Municipal Service Review  
And Sphere of Influence Update  
City of Menlo Park  
July 7, 2009**

Introduction

Government Code Section 56430 requires that LAFCo complete municipal service reviews and sphere of influence reviews on all cities and special districts. This report is a municipal service review and sphere of influence update for the City of Menlo Park. The municipal service review is not a proposal for reorganization of agencies, rather a State-mandated study of service provision in regard to the following six areas of determination as set forth in Section 56430:

- Growth and population projections for the affected area
- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
- Financial ability of agencies to provide services
- Status of, and opportunities for, shared facilities
- Accountability for community service needs, including governmental structure and operational efficiencies
- Any other matter related to effective or efficient service delivery, as required by commission policy

Once adopted the service review determinations are considered in reviewing and updating of spheres of influence pursuant to Government Section 56425. The sphere of influence, which serves as the plan for boundaries of a city, is discussed in the second part of this report. Simply put, for cities, the sphere of influence indicates which city can best provide municipal services to an unincorporated area. This State-mandated study is intended to identify challenges and opportunities and provides an opportunity for the public and affected agencies to comment on city service, finance and opportunities to share resources prior to LAFCo adoption of required determinations.

While the circulation draft did not, this version of the service review and sphere update includes recommended determinations at the end of each section. It is important to emphasize that information contained in the report is based on budgetary and other data provided by agencies or on their websites. While determinations may indicate deficiencies in revenues or municipal service levels, the statements are specific to State mandated areas of determination and are not directed at the quality or dedication of personnel in the organization.

San Mateo Local Agency Formation Commission (LAFCo): LAFCo is a State-mandated, independent commission with countywide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations and dissolutions. Among the purposes of the commission are discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

The Commission includes two members of the Board of Supervisors, two members of city councils, two board members of independent special districts, a public member, and four alternate members (county, city, special district and public). LAFCo adopts a budget and contracts with the County of San Mateo for services. The Executive Officer serves as LAFCo staff reviewing boundary change applications and preparing municipal service reviews and sphere of influence studies. LAFCo's net operating budget is apportioned in thirds to the County of San Mateo, the 20 cities in the County and the 23 special districts.

### Fiscal Condition of Cities

As noted in The Fiscal Condition of Cities 2003<sup>1</sup>, a city's fiscal health is at the core of its ability to deliver local services. Challenges cited in the 2003 report include: city reliance on revenues that in many cases it can't control, including property tax diversion by the State of California; declining sales tax revenues; lack of public support for tax increases; and increasing public safety salaries and retirement benefit costs. Since the 2003 report was issued, the economy and local government revenue picture have significantly worsened. It is therefore important to note that in the midst of the current

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<sup>1</sup> A report Prepared by Institute for Local Self Government, a nonprofit affiliate of the League of California Cities, in which California Cities are surveyed on trends and challenges.

recession, the housing market collapse and State budget crisis<sup>2</sup>, all California cities and counties are in fiscal crisis, with some cities and counties more vulnerable than others based on diversity of revenue sources, accrued reserves and extent to which cost containment measures can be implemented. In this context this municipal service review focuses on the most significant fiscal issues and service priorities.

## City of Menlo Park

### **1. Governance, Accountability for community service needs, including governmental structure and operational efficiencies**

The City of Menlo Park, incorporated in 1927, is a general law city with five council members elected at-large. The Council selects the Mayor and appoints the City Manager and City Attorney. The City Council meets every Tuesday at 7:00 p.m. at the City Council Chambers located at 701 Laurel Street. Agendas, staff reports and minutes are available on the City's website and through e-mail subscription. Agendas are also posted in locations throughout the City. The City publishes and mails a semi-annual newsletter and separate recreation guide that are also available on the City Website. The City has the following committees and commissions: Arts, Bicycle, Environmental Quality, Finance and Audit, Housing, Las Pulgas (inactive), Library, Parks and Recreation, Planning, and Transportation. The City Council has also recently appointed a liaison to the Menlo Park Fire District.

The State Department of Finance January 2008 estimated population for the City was 31,490 persons (Census 2000 was 30,785). Menlo Park encompasses approximately 16.1 square miles and is bounded by the San Francisco Bay, the City of East Palo Alto, the San Mateo-Santa Clara County (City of Palo Alto) boundary, Town of Atherton and unincorporated Stanford lands. The City of Menlo Park boundaries and sphere of influence are shown on the attached map.

In regard to operational efficiencies and accountability to the public, as discussed in the budget background elsewhere in this

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<sup>2</sup> While California voters approved the passage of Proposition 1A in November 2004 to prevent future shifts of local government revenues, the measure provided the exception that the State could do so if the Governor proclaimed a severe state financial hardship. If as part of a State Fiscal Emergency, the State suspends this provision of Proposition 1A, the State could borrow up to 8% of each city and county's prior year's total property tax allocation.

report, the City has taken measures to significantly reduce expenditures and staffing levels in response to economic downturn and a structural budget deficit. In doing so, the City engaged in community outreach through the 'Your City, Your Decision' Initiative in establishing priorities for community service needs.

The City of Menlo Park has 245.75 full-time (FTE) equivalent positions (all funds) and 207.87 FTE (general fund) budgeted in the 2009-2010 fiscal year, including 75.76 in police personnel of which 50 are sworn officers, equating to 1 fulltime city position for every 129 residents or 1 fulltime sworn officer for every 637 residents.<sup>3</sup>

The City Website [www.menlopark.org](http://www.menlopark.org) contains substantial information about city services, activities and budget. A link to Menlo Park Fire Protection District is included under "City Departments" and the water providers. It may be helpful to property owners to add a similar links for West Bay Sanitary District and East Palo Alto Sanitary District since they provide municipal sewer service in City boundaries.

City services include: public safety, public works, including roads, traffic signals, street lights, drainage, facility maintenance, water planning and building, parks and recreation and general city administration. The City is included in the Las Lomas, Menlo Park and Ravenswood Elementary School Districts, Sequoia High School District and San Mateo County Community College District, West Bay Sanitary District and Menlo Park Fire Protection District. City and district staff meet and consult on overlapping services and issues sewer and fire service. Appendix A includes a profile of the City and the table below summarizes service delivery patterns.

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<sup>3</sup> Compared to City of East Palo Alto (33,174) with 43 sworn officers or 1 per 771 of population and City of Foster City (30,429) with 39 sworn officers or 1 per 780 of population.

Service	Provider
Police	City of Menlo Park
Fire	Menlo Park Fire Protection District <sup>4</sup>
Streets/Street Lights	City of Menlo Park
Sewer	West Bay Sanitary District (Majority) East Palo Alto Sanitary District (portion)
Water (See Map)	City of Menlo Park (to approx. one-third of residents) California Water Service Company O'Connor Tract Mutual Water Company Palo Alto Park Mutual Water Company <sup>5</sup>
Drainage	City of Menlo Park
Flood Control	San Francisquito Creek Flood Control Zone (Partial) Atherton Channel Drainage District (Partial)
Park & Rec.	City of Menlo Park
Libraries	City of Menlo Park
Animal Control	Peninsula Humane Society via Contract administered by County of San Mateo
Garbage	Allied Waste under a franchise agreement granted by City of Menlo Park and managed by South Bayside Waste Management Authority

Recommended Determinations: Governance, Accountability for community service needs, including governmental structure and operational efficiencies

- a) The City of Menlo Park demonstrates accountability for community service needs through thorough access to City documents including council and committee agenda, reports, budget, and other information etc. on the City's website
- b) The City has instituted a proactive budget process that includes community input in setting service priorities.

<sup>4</sup> Fire protection and paramedic service are provided by Menlo Park Fire Protection District. The District operates five of its seven Fire Stations in the City of Menlo Park and responds to an average of 6000 incidents from those stations inside and outside the City and Fire District. The minimum staffing for each station is three personnel consisting of a Captain, Engineer and Advanced Life Support Paramedic. The District's Headquarters Fire Station is currently located at 300 Middlefield Road but the Administrative Division and Prevention Bureau will be moving in October of 2009 to a newly acquired District property at 170 Middlefield Road. See separate Service Reviews for Menlo Park Fire, West Bay & East Palo Alto Sanitary Districts.

<sup>5</sup> Private water utility companies and mutual water companies are not special districts and therefore are not subject to LAFCo jurisdiction. They are discussed in this report to the extent that information is available. The O'Connor Tract Mutual Water Co. is a cooperative water company serving less than 500 homes in Menlo Park's Willows neighborhood from a local ground-water well. The Palo Alto Park Mutual Water Company serves less than 25 homes in Menlo Park from a ground-water well system based in East Palo Alto.



- c) It is recommend that the City website be updated to include link and contact information East Palo Alto Sanitary District ([www.epasd.com](http://www.epasd.com)) and West Bay Sanitary District ([www.westbaysanitary.org](http://www.westbaysanitary.org)).

**2. Growth and population projections for City of Menlo Park**

As noted above, the State Department of Finance January 2009 estimated population for the City was 31,865 persons and Census 2000 population was 30,785. The following table summarizes Department of Finance Data for Census Years 1970 through 2000.<sup>6</sup>

1970	26,826
1980	26,438
1990	28,040
2000	30,785

The Association of Bay Area Governments (ABAG) "Projections 2007" projects population growth of 6,046 or 17% by 2035 for the City of Menlo Park *including areas in the City's sphere of influence including West Menlo Park, Menlo Oaks and Week End Acres*. The following table summarizes these projections:

ABAG Projections Based on Census 2000	2000	2035
City of Menlo Park	35,254	41,300

**Recommended Determination(s) Growth and Population Projections:**

- a) While trends indicate that the Menlo Park city and sphere of influence population will continue to grow, actual growth will be dependent upon creation of new housing and jobs.
- b) ABAG policy-based growth projections do not reflect economic conditions that support the projected rate of growth.

**3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies**

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<sup>6</sup> [http://www.dof.ca.gov/research/demographic/reports/census-surveys/historical\\_1850-2000/documents/calhist2.xls](http://www.dof.ca.gov/research/demographic/reports/census-surveys/historical_1850-2000/documents/calhist2.xls)

City infrastructure includes administration office & police station, library, streets (100 centerline road miles), curbs, gutters and sidewalks, street trees and lights, traffic signals, parking plazas, water system (including 55 miles of mains, 2 reservoirs totaling 5.5 million gallons and pump station), storm drains (including 44 miles of pipeline, 2,850 catch basins and manholes, one pump station) and thirteen parks (208 acres, including the 150 acre Bayfront Park). The City also maintains five joint-use (school) sports fields and has full maintenance responsibility for 17 city buildings including administrative offices, police station and substation, 2 community centers, 2 swimming pools, 2 childcare centers, and 2 gymnasiums.

The City of Menlo Park Capital Improvement Program coordinates the planning, design, and construction of the City's capital improvement and major maintenance projects. The program includes staff of three engineers, one technician, and one construction inspector and consultants are utilized when necessary. The 2008-2013 Capital Improvement Program (CIP) includes study and/or implementation of projects in the following areas: Main Library Parking Plazas; Parks and Recreation; Sidewalks; Storm Drains; Street resurfacing<sup>7</sup>; Water Supply; and Other (Caltrain Bike Pedestrian Under-crossing Study and Reforestation). Specific capital projects from the CIP are included in the adopted budget each year. In response to a structural budget deficit and the economic downturn, the City is implementing both long- and short-term strategies, including 2008-09 mid-year amendments to defer several capital improvement projects.

### Water Service

Water service in city boundaries is provided by four entities: the City of Menlo Park Municipal Water Department, California Water Service Company, and O'Connor Tract Co-operative Water Company and Palo Alto Park Mutual Water Company.

### City of Menlo Park Water Department

The City of Menlo Park water system consists of five zones that serve approximately one-third of the City population (please see map). The Menlo Park Municipal Water Department is operated by

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<sup>7</sup> The City of Menlo Park Pavement Management System (PMS) is the guiding document for selecting the streets to be resurfaced. The PMS is currently being updated with a survey of residential streets. The Metropolitan Transportation Commission (MTC) Pavement Condition Index 2007 summarizes Menlo Park average pavement condition as "Fair".

the City Public Works Department and serves more than 10,000 customers. The MPMWD owns and operates its distribution system and purchases water from the San Francisco Public Utilities Commission. Approximately 94% of this water is supplied from the Hetch Hetchy watershed, and the remainder is supplied from the Alameda watershed. The balance of the City is within the California Water Service customer service area, with the exception of the southeastern area of Menlo Park within the boundaries of O'Connor Tract Cooperative Water Company.

The City of Menlo Park 2005 Urban Water Management Plan (UWMP)<sup>8</sup> provides information on the City's program and plan to provide a safe, secure water supply in the short and long term. The Plan includes predictions concerning future water demand, contingency planning in case of short- or long-term droughts and catastrophes, and potential strategies to enhance water supply and storage including proposed construction of a reservoir and pump station for Zones 1, 2, 4 or 5 to provide water for fire protection and emergency storage. The system has three interconnections with CalWater and an interconnection (pipeline and meter) with O'Connor Tract Cooperative Water Company. The City has no interconnections with Palo Alto or Redwood City.

Upon dissolution of the East Palo Alto County Water District and transfer of the system to City of East Palo and Menlo Park for respective areas within city boundaries, the Cities of East Palo Alto and Menlo Park funded a study of joint water supply alternatives and determined that a joint project was not feasible. The City continues to pursue location and construction of water storage and secondary source of water supply.

All Menlo Park city water department customers are metered with meter reading and billing provided by CalWater under Contract. The City of Menlo Park website provides contact information for all water agencies serving Menlo Park, including an address list and map to help City of Menlo Park customers and property owners determine which entity is their water provider for the purpose of appliance rebate programs; pressure testing; water billing and water quality assurance.

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<sup>8</sup>As required by the California Urban Water Management Planning Act, cities and districts that have more than 3,000 customers must adopt and update an urban water management plan every five years. The City has issued a request for proposals for a Citywide Water Master Plan Update with the goal of completing the updated plan by October 2010.

California Water Service Company

California Water Service Company (Cal Water) is the third largest investor-owned water utility in the country. Formed in 1926, the San Jose-based company serves more than 460,000 customers through 28 Customer and Operations Centers throughout the California. The CalWater Bear Gulch District in southern San Mateo County, serves the communities of Atherton, Portola Valley, Woodside, parts of Menlo Park, and adjacent unincorporated areas including West Menlo Park, Menlo Oaks, Ladera, North Fair Oaks, and Los Trancos Woods. As shown on the attached map, Calwater provides water service to areas of Menlo Park not included in the five zones of the municipal water department or the two smaller water companies.

Calwater Bear Gulch District receives 85% to 95% of its daily supply from the SFPUC, with the balance supplied by surface water runoff from California Water Service's own watershed. The water is stored in the 215 million gallon Bear Gulch Reservoir, and treated at the 6 mgd Station 2 Filter Plant before distribution.

O'Connor Tract Co-Operative Water Company

O'Connor Tract Co-Operative Water Company was formed in 1921 to provide water to member landowners for domestic, stock water and irrigation use.<sup>9</sup> Serving portions of East Palo Alto and Menlo Park, the Company shares a common boundary with Palo Alto Park Mutual Water Company. Service area in Menlo Park includes territory generally bounded by San Francisquito Creek, Menalto and the City of East Palo Alto boundary near O'Connor. The Company reports 35 metered and 340 non-metered residential connections, 2 irrigation connections and 18 fire hydrants. Water supply is ground water with two wells on Oak Court and a 100,000-gallon tank, a surge tank, and a generator. Correspondence provided from DHS to the Water Company includes recommendations on system maintenance and states that in general DHS finds the water system facilities to be in satisfactory condition.

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<sup>9</sup> City of East Palo Alto, Draft Utility Consolidation Study, November 1996.

Palo Alto Park Mutual Water Company

The Palo Alto Park Mutual Water Company serves less than 25 homes in Menlo Park from a ground-water well system based in East Palo Alto. Homes served are located on Green Street on the border of O'Connor Tract Water and Palo Park Mutual Water. Palo Alto Park Mutual Water Company was formed by farmers in 1924 and continued to serve residential users as agricultural uses were discontinued and the land was subdivided.<sup>10</sup> According to the Company's 2007 Annual Report filed with DHS, it currently serves 677 un-metered (flat rate) residential connections, 2 metered residential connections and 20 commercial un-metered (flat rate) connections. The system also includes 77 fire hydrants and 8 inactive connections. The Company's water source is ground water. The Company's Consumer Confidence Report 2007 states that the system includes five source water well pumps located at 2190 Addison in East Palo Alto, that pump the water into the Company's storage tank where it is blended and pumped by two booster pumps that maintain pressure at 68 p.s.i. (pounds per square inch) throughout the distribution system.

Recent correspondence provided by the California Department of Health Services includes a Notice of Violation regarding levels of Iron and Manganese and provides the Company with specific instructions for weekly testing and monitoring.

Police Department

The City of Menlo Park Police Department operates with a 2008-09 staffing level of 76.01 police personnel, of which 50 are sworn officers. The Police Department Operating Budget is approximately \$13.3 million or 35% of the General Fund Operating Budget. The Departments stated purpose is: Ensure a safe and secure community by protecting lives and property, preventing crime, maintaining public order and creating accountability for criminal conduct through creative police strategies, transcending municipal boundaries and resources.

Key initiatives of the Department in recent years include addressing retention and recruitment challenges; a red light photo enforcement program; using cameras installed at high-risk intersections; an Emergency Notification and Alert System that alerts residents through e-mail, cell phones and land lines;

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<sup>10</sup> The 1963 San Mateo County Planning Commission General Plan cites this unincorporated area's 1961 chrysanthemum and cut flower crop at \$1,128,000 or 12.5% of the County's total floral production.

opening of the Belle Haven Police Substation that will bring more City services and enhanced customer service to the Belle Haven neighborhood east of U.S. 101, and reinstatement of a traffic enforcement with two motorcycle officers.

### Parks & Recreation

City of Menlo Park's Community Services Department includes social services, childcare and physical activity programs. The Department's adopted 2008-09 operating budget is \$6.7 million or approximately 18% of the General Fund Operating Budget. Funding sources include General Fund, intergovernmental and program fees. Services include programs for seniors, pre-school and school-age childcare, teen programs, youth and adult sports, gymnastics, aquatics, special events and enrichment classes.

The City's General Plan sets a standard of five acres of open space per 1,000 of population. The City has approximately 236 acres of City-owned open space and recreational facilities, or approximately 7.5 acres per thousand of population.

### Library

The Menlo Park Library operates with a 2008-09 budget of \$2.08 million or 5% of the General Fund. Library facilities include the main branch on Laurel Street near city hall and the Belle Haven Branch on Ivy Drive in east Menlo Park. Services include library circulation, user assistance, reading promotion, programs and events. Menlo Park is a member of the Peninsula Library System (PLS), which is a consortium of 35 public and community college libraries working together to provide effective service to their users. Through PLS and member libraries, residents of San Mateo County can borrow and return books at any local library.

### Animal Control Services

Menlo Park along with the other 19 cities in the county and the County San Mateo is part of an agreement administered by the County provides for a countywide animal control program under contract with the Peninsula Humane Society & SPCA (PHS), a private, non-profit organization. Under the contract, the PHS, enforces all animal control and anti-cruelty laws and provide sheltering for homeless animals and other services.

Garbage/Solid Waste Collection and Recycling

The City of Menlo Park, along with Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, West Bay Sanitary District, and San Mateo County, is part of the South Bayside Waste Management Authority (SBWMA) which is a joint powers authority (JPA). The goal of the SBWMA is to provide cost effective waste reduction, recycling, and solid waste programs to member agencies through franchised services and other recyclers to meet and sustain a minimum of 50% diversion of waste from landfill as mandated by California State Law, AB 939. Currently, Allied Waste Services,<sup>11</sup> a private company, provides collection, disposal and recycling services for the 91,000 SBWMA residences and nearly 10,000 businesses.

The City of Menlo Park adopts rates annually for all solid waste customers in City boundaries. Rates vary based on residential and commercial service, size and number of containers, curbside versus backyard service, Allied Waste costs, City staff time spent on billing, education, recycling outreach and post-closure costs of the former Marsh Road landfill. In addition, because the Allied contract will terminate in 2010 and the City has a negative balance in a "balancing account" that accounts annually for the difference between revenues and Allied expenditures, rate increases adopted by the Council in March 2009, took into consideration increases to reduce the negative balance by the time the Allied contract terminates. Rates adopted by the council in March, after public notice and hearing, represented an increase of 18% for residential accounts for 2009 and 14% for 2010.

For comparison purposes, the following table reflects residential rates as of the December 29, 2008 contained in the Hilton, Frankopf & Hobson, LLC (HF&H) Review of Allied Waste Collection Rate Application Final Report, for City of Menlo Park, East Palo Alto and unincorporated areas in the Menlo Park sphere of influence (under West Bay Sanitary District/WBSD Franchise).

	Menlo Park	East Palo Alto	WBSD
1 Can/monthly	\$15.74	\$25.13	\$20.26
2 Can/monthly	\$48.71	\$50.26	\$40.51

Rates vary based on curbside or yard service. Cities of Menlo Park and EPA bill standard residential service on property tax bill. City of EPA bills for 1-95 gallon container as standard for residential service.

<sup>11</sup> The contract between Allied Waste and 12 local government jurisdictions is set to expire at the end of 2010.

Recommended Determinations: Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

- a. The City's 2008-2013 Capital Improvement Program (CIP) includes plans for improvement of public facilities and recommended improvements are included in each budget cycle according to priorities and resources available.
- b. The City of Menlo Park Water Department supplies approximately one-third of the City's water and the City is pursuing development of emergency storage facilities and secondary source of water supply.
- c. Because the City serves approximately one-third of City territory, the City and private water entities serving Menlo Park are encouraged to work together to comprehensively plan for water supply infrastructure, supply, storage and conservation.
- d. Non-metered customers within City boundaries detract from water conservation efforts and limit the ability of the water providers to plan for future water needs.

**4. Financial ability of agencies to provide services**

Key revenue streams available to California cities for general fund operations include property, sales and use tax, business license tax, transient occupancy tax (or hotel tax) and utility user tax.<sup>12</sup> Cities may also, with voter approval, assess parcel taxes. In the last decade, city revenues have been reduced in part because they are tied to the economy and housing market. In addition, since Proposition 13 was passed in 1978, control of local revenues has shifted to the State allowing the state to divert local revenues to mitigate State budget shortfalls. Lastly, Proposition 13 which limited property tax to 1% of assessed value also resulted in relying on property tax non-enterprise services that do not lend themselves to fees, such as police and fire protection and the need to recover the cost of enterprise activities (sewer, water, permitting) to the extent possible through fees. On the expenditure side, the cost of the non-enterprise city service operations, in particular personnel costs funded with these revenues have increased at a higher rate than City general fund revenues.

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<sup>12</sup> Other revenues such as service fees and charges for city utilities including water, sewer and garbage collection are often the largest source of city revenues, but are restricted to funding provision of these enterprise services. See "Understanding the Basics of County and City Revenues".



Alternatives available to cities to balance budgets include: reducing service levels; deferring projects; sharing service and joint power agreements with other agencies<sup>13</sup>; passing new taxes; increasing existing taxes and fees; maximizing grant funding; promoting land use and economic development to increase additional revenue or expand revenue diversity; and drawing down on reserves.

#### City of Menlo Park - Budget Background

Beginning in 2001 when the regional economy began to decline, Menlo Park experienced a significant decline in revenues, in particular sales tax, further exacerbated by the loss of five car dealerships beginning in 2004. In the following years, the City was able to draw on an accumulated General Fund reserves established during the stronger economic times while implementing several cost containment and revenue enhancement measures. These included action to significant cuts in personnel and departmental budgets, and in 2005-06 the "Your City/Your Decision", a process to engage the community regarding community priorities for a sustainable, long-term budget. As a result of this process the City implemented additional reductions in positions and voters approved a utility users tax (UUT). The "Your City/Your Decision" process also resulted in identifying the community's preferences for budgetary strategies that would minimize impact on health, safety and general welfare, preserve services to the Belle Haven neighborhood and increase cost recovery for recreational and other community services. Not until the fiscal year ended June 30, 2007 did total General Fund revenues surpass the level experienced during fiscal year 2000-01. In 2007-08, in anticipation of budgetary savings and increased revenues, the UUT rate was reduced to 1%.

For the 2008-09 Fiscal Year, the Council adopted a status quo budget, current service levels with no new funding requests, maintained the UUT at 1% and anticipated an offset of approximately \$1 million from General Fund Reserves. In February, the Council received the Mid-year budget report with recommendations to reduce the 2008-09 budget to mitigate reductions in revenues. Recommendations adopted by the Council

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<sup>13</sup> In San Mateo County, the County, cities and special districts participate in many joint power agreements for services such as animal control, fire protection, library service, sewage treatment, emergency dispatch, ambulance and transportation planning. As cost savings measures, cities have entered into agreements to share specific positions such as battalion chief, police chief or staff position.

included cost reductions in salary and benefits, contract services and deferral of several capital projects in order to reduce the 2008-09 projected deficit. The 2009-10 budget as adopted includes suspension of some capital project, the .

The City's budget includes the General Fund, Redevelopment Agency, Special Revenue, Debt Service, Capital Project and Internal Service Funds, as well as the Enterprise Water Fund. This report focuses on the City's General Fund, which is summarized in the following table and includes actual budgets for the previous two fiscal years, adjusted 2008-09 Budget and Proposed 2009-10.

As shown, prior to 2008-09, the City revenues exceeded expenditures. In the 2008-09 Adopted budget, expenditures were projected to exceed revenues by \$1,008,049, which would have required an offset from the General Fund Reserves in that amount. The adjusted 2008-09 budget resulted in a draw down on reserves of \$1,169,225. In the 2009-10 Proposed Budget projects a short fall of \$450,000, necessitating offset from the General Fund Reserve.

As stated in the June 1 budget update on the City's website, limiting offset with reserves and balancing the 2009-10 Budget and was achieved through several strategies, including the elimination or freezing of 4.5 vacant staff positions. Three positions were eliminated City-wide, including one mechanic, one custodian and a half-time library assistant. The other half a position comes from restructuring and realignments that have eliminated small portions of other positions. The 1.5 frozen positions include one police officer and two quarter-time positions in the community development department. The City was also able to achieve some savings through decreasing contract services, deferring some maintenance projects and equipment purchases, and decreasing travel and training expenses. In addition, the proposed budget assumes 0% salary increases for all non-safety personnel.

<b>General Fund Summary 2009-10</b>	<b>2006-07 Actual</b>	<b>2007-08 Actual</b>	<b>2008-09 Adopted Budget</b>	<b>2008-09 Adjusted Budget</b>	<b>2009-10 Proposed Budget</b>
Property Taxes	10,727,003	11,339,649	11,785,000	11,885,000	12,366,000
Sales Tax	6,799,561	7,676,943	7,320,000	7,250,000	6,978,000
Transient Occupancy Tax	1,375,914	1,474,119	1,810,000	1,810,000	2,800,070
Utility Users Tax	641,668	1,651,479	1,075,000	1,195,000	1,232,000
Franchise Fees	1,397,335	1,428,708	1,445,600	1,515,600	1,568,800
Licenses & Permits	3,279,751	4,005,693	3,927,400	3,212,400	2,991,988
Intergovernmental	1,754,834	2,009,244	1,803,507	1,803,518	1,782,509
Fines	897,568	951,145	1,033,520	1,036,520	1,348,442
Interest and Rent Income	2,700,614	2,745,485	1,522,455	1,514,455	1,087,823
Charges for Services	4,948,444	4,564,918	4,770,693	4,495,193	4,938,220
Transfers & Other	542,613	672,193	734,944	734,944	711,074
<b>Total Revenue</b>	<b>35,065,305</b>	<b>38,519,576</b>	<b>37,228,119</b>	<b>36,452,630</b>	<b>37,804,926</b>
Personnel	22,798,667	25,471,178	27,200,261	27,086,763	27,688,195
Operating	4,490,278	4,688,423	5,253,754	5,291,702	5,339,720
Contract Services	2,124,512	2,433,891	3,247,953	3,129,190	2,501,315
Transfers Out	5,494,353	2,502,525	2,534,200	1,734,200	2,275,696
<b>Total Expenditures</b>	<b>34,907,810</b>	<b>35,096,017</b>	<b>38,236,168</b>	<b>37,241,855</b>	<b>37,804,926</b>
<b>Net Operating Revenue</b>	<b>157,495</b>	<b>3,423,559</b>	<b>-1,008,049</b>	<b>-789,225</b>	<b>0</b>
Add: Downtown/ECR Specific Plan Expenses				-380,000	-450,000
<b>Total net draw on General Fund Reserves</b>				<b>-1,169,225</b>	<b>-450,000</b>

**General Fund Revenues** - Only minor adjustments were made to the 2009-10 General Fund revenues as projected in the preliminary budget on May 12<sup>th</sup>. Utility Users Tax revenue projections were reduced nearly \$10,000 based on updated calculations for this revenue source by utility; and estimated Charges for Services were decreased approximately \$30,000 to adjust for enrollment under the existing program offerings at the Menlo Children's Center.

Revenues for the year have been projected employing the most recent data available. All told, fiscal year 2009-10 General Fund revenues are expected to increase over \$1.3 million (3.71 percent) when compared to the 2008-09 adjusted budget, largely due to the additional transient occupancy tax revenues projected from a full year of operations at the Rosewood Hotel.

**General Fund Expenditures** – Despite adjustments needed to restore the Child Care Teacher position at the MCC and supplemental funding for temporary staff at the Library, General Fund Expenditures (not including transfers out to other funds) are shown as *reduced* by \$26,300 when compared to the preliminary budget. This was due to a final reconciliation of the budget system with the City's personnel data base, which revealed that the elimination of a mechanic's position was not properly reflected in the May 12<sup>th</sup> preliminary budget.

As noted above, as a result of the State's fiscal crisis, cities may be affected by suspension of a provision of voter approved Proposition 1A which was intended to restrict shift of local property tax to the State. The impact to the City of Menlo Park would be a one-time reduction of property tax revenue of up to \$1.12 million, which would have to be repaid by the State, with interest.

In regard to property tax revenue, the County Assessor's Office has completed a review of decline in value of approximately 50,000 parcels countywide that resulted in about 25,000 parcels being reduced by a total of \$2.4 billion. Properties selling for reduced price is also expected to negatively impact assessed valuation. Property tax revenues therefore are projected to, depending on jurisdiction affected, either grow at a lower rate than previous years or in fact decline. The Assessor's office estimates that growth in assessed valuation in City of Menlo Park for 2008-09 will slow to 5.23% compared to growth of 6.43% in 2007-08 and 9.64% in 2006-07.<sup>14</sup>

The City continues on-going efforts to address a structural budget deficit and the long-term impacts of the economic downturn. Other initiatives include a 10 Year Projection for the General Fund, Full Cost Analysis of User Fee Services, development of a fund balance policy for general fund.

#### General Fund Reserve

The City's beginning General Fund balances for 2008-09, 2007-08 and 2006-07 were \$24,573,541, \$35,658,171, \$33,269,902, respectively. As noted above the City has begun a process to establish a fund balance policy to address economic uncertainty, extreme events and working capital.

#### Recommended Determinations: Financial ability of agencies to provide services

- a. The City of Menlo Park has sound fiscal practices including: maintaining an reserve for economic uncertainty, extreme events and working capital; working to reduce expenditures where appropriate in lieu of relying on reserves; proactive budget strategies to respond to structural budget deficit and economic downturn; and community engagement to establish community priorities.

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<sup>14</sup> County Assessor's Roll Tracker, July 7, 2009

- b. The City demonstrates financial ability to provide authorized services.
- c. The City is working to establish a reserve policy.

**5. Status of, and opportunities for, shared facilities**

By best practice and necessity cities and districts in San Mateo County participate in many joint powers agreements and contracts for service as cost savings measures. Existing practices of shared facilities with other agencies include:

- The Police Department has a contract with Redwood City for use of the Redwood City Firing Range
- The City provides office space (through contract) to the San Francisquito Creek Joint Powers Authority
- School district playing fields are maintained by the City of Menlo Park, and made available for public use after school hours.
- Animal Control is provided by Peninsula Humane Society via a contract administered by the County.
- The Solid Waste Collection Station is a facility shared by members of the South Bay Waste Management Authority (SBWMA).
- The Menlo/Atherton Performing Arts Center is currently under construction. The City has a joint-use agreement for use of the facility once completed.
- City Managers and a council member from the Cities of Menlo Park, East Palo Alto and Palo Alto participate in a tri-city committee to examine opportunities to share resources.
- City administration and Community Development collaborate with the Menlo Park Fire District and West Bay Sanitary Districts as necessary.

As noted in the City of East Palo Alto Service Review, other practices by cities include street light maintenance provision by one city to another. In the case of police service, the Twin Cities Police Department Joint Power Authority between the Town of Larkspur and City of Corte Madera in Marin County.

Recommended Determinations Status of, and opportunities for,  
shared facilities

- a. The City of Menlo Park implements several strategies for shared resources and facilities.

**Sphere of Influence Review and Update**

This section addresses Government Code Section 56425, which specifies that in determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to each of the following:

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.*

This sphere of influence update incorporates information and determinations in the municipal service review as well as changes that have taken place since the sphere of influence was originally adopted and provides for public input on the four areas of determination listed above. Comments to LAFCo by affected agencies, organizations individuals are requested in order to be included in the Executive Officer's report to the Commission.

City of Menlo Park Sphere of Influence:

The sphere of influence designation for the City of Menlo Park includes unincorporated West Menlo Park, Week End Acres and Menlo Oaks. Since the sphere was adopted in 1985, only two annexations have taken place. In 1993, 3.63 owned by St. Patrick's Seminary was annexed to the City as part of the Seminary Oaks subdivision and in 2003 a minor annexation was processed in connection with improvements to the intersection of Sand Hill Road and Santa Cruz Avenue. The following table

summarizes population and land area of the unincorporated areas included in the City's sphere and attached map illustrates location.

<b>Unincorporated Area</b>	<b>2000 Populati on</b>	<b>Land Area</b>	<b>CountSan Mateo County Land Use</b>
West Menlo Park	3,629	326.32 acres	Medium Density Residential Neighborhood Commercial along Alameda Medium-high Density Residential
Stanford Weekend Acres	251	64.43 acres	Medium Density Residential
Menlo Oaks	760	158.07 acres	Low Density Residential
Stanford Linear Accelerator (SLAC)	0	426 acres	Institutional/General Open Space/Future Study

With the exception of SLAC<sup>15</sup>, these areas are substantially surrounded by the City of Menlo Park, or the City and the boundary of another city or County boundary, are zoned residential and are substantially developed.

Sphere of Influence Determinations:

Section 56425 requires the Commission to 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. The following section discusses these areas of determination.

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<sup>15</sup> SLAC is located on 426 acres of Stanford University land, adjacent to the Stanford University campus Established in the 1960s, SLAC has over 1.8M square feet of space in 145 buildings. The site non-resident population is about 2,400 including staff, subcontractors, users, and visitors.

The present and planned land uses in the area, including agricultural and open-space lands

Land use designations in unincorporated areas in the City's sphere are compatible with land use in City boundaries. There are no agricultural lands in the study area.

The present and probable need for public facilities and services in the area

The study areas consist primarily of residential land use with a Census 2000 population of 4,640 persons, in need of basic municipal services. It is anticipated that the level of demand may increase modestly as a result of limited subdivision potential in some areas.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

Services provided to the study area are outlined below.

<b>Service Responsibility</b>	<b>City</b>	<b><i>Unincorporated</i></b> (West Menlo, Week end Acres, Menlo Oaks)
Police	City of Menlo Park	County Sheriff
Fire	Menlo Park Fire Pro. Dist.	Menlo Park Fire Pro. Dist
Sewer	West Bay Sanitary District	West Bay Sanitary Dist.
Water	CalWater, City of MP, O'Connor and Palo Alto Park	CalWater
Streets	City of Menlo Park	County of San Mateo
Animal Control	Peninsula Humane Society via contract with Animal Control Joint Powers Agreement	Peninsula Humane Society via contract with Animal Control Joint Powers Agreement
Park & Recreation	City of Menlo Park	See foot note number 14
Library	City of Menlo Park	See foot note <sup>16</sup>

<sup>16</sup> The County of San Mateo operates regional parks including Flood Park located in the City of Menlo Park on Bay road. The County does not provide active recreation programs. In regard to Library, unincorporated areas in the Menlo Park sphere of influence are in proximity to Menlo Park park facilities and library. The County of San Mateo operates libraries elsewhere through a joint powers agreement and



Garbage Collection	City of Menlo Park franchise with Allied Waste under SBWMA	West Bay Sanitary District franchise with Allied Waste under SBWMA
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The City's public facilities, including parks and roads, are adequate to serve the existing population and in many cases already serve residents of unincorporated areas in the City's sphere.<sup>17</sup> The City's Capital Improvement Program and Pavement Management Program include plans for improvement of public facilities and recommended improvements are included in each budget cycle according to priorities and resources available.

The County adopts road standards for areas in the City's sphere. For West Menlo Park standards include 22 feet wide asphalt paved road with 3' concrete gutters on either side of the pavement or, 18 feet wide asphalt paved road with 3 foot concrete gutters. Property owners can vote on their preference in conjunction with County road improvement proposals. For Menlo Oaks, the current widths of the existing road have been adopted as the area standard. There is no standard adopted for Week End Acres. In general, any new roads in the County must be at least 16 feet wide with adjoining roadside drainage facilities. Roads of lesser dimensions have been grandfathered in to the County system but would not be permitted as new construction.

The County's Road Services and the County's Engineering Services divisions are responsible for the maintenance and repair of the road system in the unincorporated areas.<sup>18</sup> The County's Pavement Management System is the guiding document for prioritizing road improvements in unincorporated areas. The County of San Mateo's pavement management database contains information about the road network, such as pavement condition, the available maintenance/rehabilitation treatments and their costs, and the history of the network. Based on this information, the database system can perform analyses on network maintenance and rehabilitation needs and costs and to evaluate the consequences of various budget allocation alternatives to maximize the use of funds. A prioritized list of roads with recommended maintenance/rehabilitation treatment and cost can be generated. Roads are selected from this list for projects based on available funding and needs of the various communities.

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participates in the Peninsula library system which makes library materials available countywide through all libraries in San Mateo County.

<sup>17</sup> Non-resident use of City park and recreation programs are subject to non-resident fees.

<sup>18</sup> The County maintains the following road miles in unincorporated Menlo Park: West Menlo 11.08 miles; Menlo Oaks 3.53 Miles; and Stanford Week end Acres 0.14

In West Menlo Park, roads without gutters or curbs are improved using mitigation funds based on a priority list established by the Board of Supervisors.

The County Sheriff's Department provides general law enforcement services to unincorporated areas of San Mateo County including Menlo Oaks, West Menlo and Week End Acres. Menlo Oaks is included in Sheriff Beat 10 also serving North Fair Oaks. West Menlo, SLAC and Week End Acres are included in Beat 20 also serving Los Trancos Woods, Emerald Lake Hills, Palomar Park and Devonshire and areas near 280. Sheriff personnel serving Towns of Portola and Woodside under contract comprise separate Beats and are only dispatched if incidents require. The California Highway Patrol is responsible for enforcing the California Vehicle Code.

The County-governed University Heights Drainage Maintenance District is responsible for maintenance of drainage infrastructure in unincorporated West Menlo Park. In Menlo Oaks or Week End Acres storm drain infrastructure is limited is to overland flow through ditches and swales with no underground storm drains.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

The unincorporated areas in the City's sphere of influence are substantially surrounded by the City of Menlo Park. With the exception of police/sheriff, the City and these unincorporated areas share common service delivery patterns, land use patterns, access and school district boundaries and inherently share social and economic communities of interest.

Recommended Sphere of Influence for City of Menlo Park:

It is recommended that the sphere of influence for the City of Menlo Park be reaffirmed to include the unincorporated areas of Menlo Oaks, West Menlo Park and Week End Acres/Stanford Lands.

**City of Menlo Park**

701 Laurel Street  
Menlo Park, CA 94025

Glen Rojas  
City Manager  
650/853-3360 FAX  
853-7935  
www.menlopark.org

**Date of Incorporation:** November 23, 1927

a. City Council: Five-member town council elected to four-year terms

Membership and Term Expiration Date: Heyward Robinson, Mayor (11/2010), Richard Cline, Vice Mayor, (11/2010), John C. Boyle, (11/2010), Andrew M. Cohen, (11/2012), Kelly Fergusson, (11/2012)

b. Compensation: \$640 per month plus benefits

c. Public Meetings: Every Tuesday at 7:00 p.m.  
City Council Chambers, 701 Laurel Street  
Menlo Park

**Services Provided:** Administration, police, community development, redevelopment, recreational services, water, street maintenance, streetlights and drainage

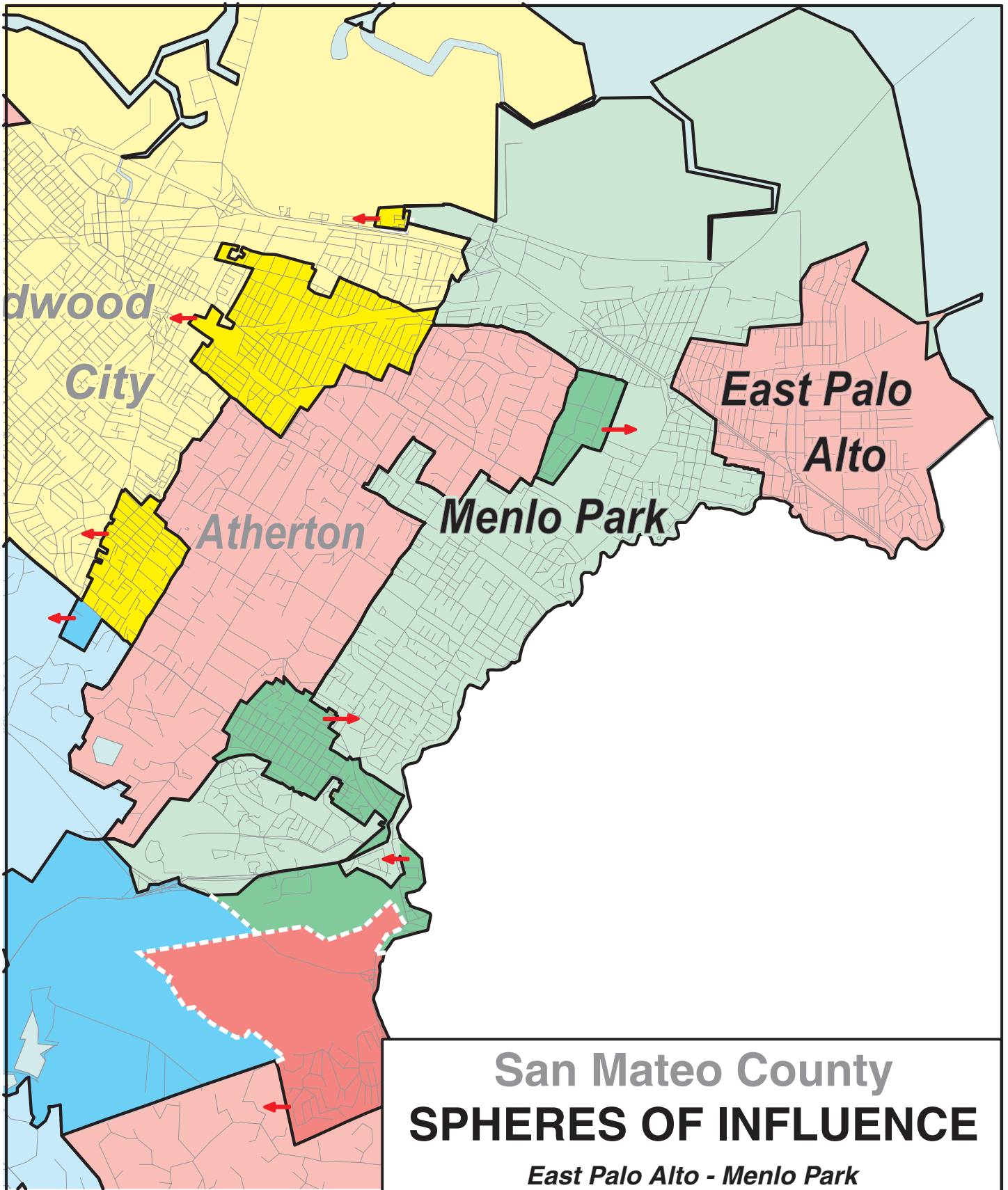
**Area Served:** 16.1 sq. miles Estimated Population: 31,490 (DOF, 2008)

**Number of Personnel (city-wide)** 248.75 (Full-time equivalent):  
76.01 Police, 30.40 Administrative, 19.91 Community Development,  
51.15 Community Services, 15.25 Library, 56.03 Public Works

**School Districts:** Las Lomas, Menlo Park School Ravenswood Elementary School Districts, Sequoia Union High School District, San Mateo County Community College District



**Sphere of Influence:** Boundaries of 1984, plus West Menlo Park, Stanford Linear Accelerator, Week End Acres, Menlo Oaks


**Budget:** See City of Menlo Park FY 2008-09 Adopted Budget Summary on Page 12



# San Mateo County SPHERES OF INFLUENCE

## *East Palo Alto - Menlo Park*

-  Indicates City Sphere of Influence
-  City Boundaries

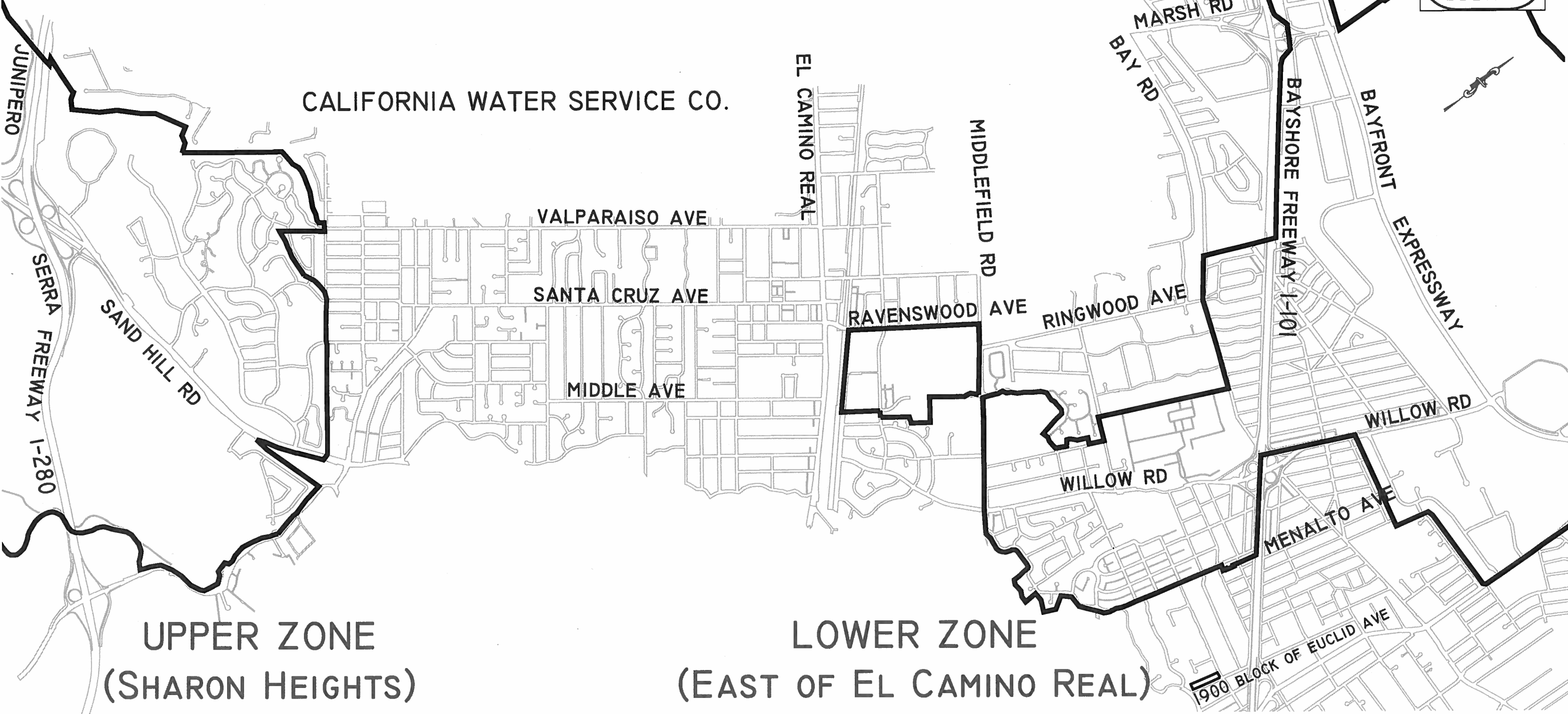
-  Sphere of Influence Line Between Areas



CITY OF MENLO PARK  
MUNICIPAL WATER DISTRICT  
BOUNDARY MAP



CALIFORNIA WATER SERVICE CO.



UPPER ZONE  
(SHARON HEIGHTS)

LOWER ZONE  
(EAST OF EL CAMINO REAL)

1900 BLOCK OF EUCLID AVE