



ATTACHMENT G

Item No. 5 Town of Atherton

CITY COUNCIL STAFF REPORT – STUDY SESSION

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GEORGE RODERICKS, CITY MANAGER

DATE: SEPTEMBER 7, 2016

SUBJECT: DISCUSSION OF POSSIBLE FISCAL EVALUATION OF FIRE SERVICES

RECOMMENDATION

Review and discuss.

BACKGROUND

In 2013 the Town put together material for its social media presence highlighting the various local municipal services. This material was created to help educate the community about the various services provided, the providers, and how they function. Services covered included animal services, cable services, library, school districts, mosquito and vector control, sanitation, sewer, transportation, water and fire. As a result of the research into these services, the data highlighted the cost of fire services provided to the Town via the Menlo Park Fire Protection District.

Subsequently, staff has been asked to provide the Council with an opportunity to discuss the issue and options for the Town to consider in evaluating the issue. This Report does not address quality or quantity of service provided to the Town as part of the Menlo Park Fire Protection District. These issues are not a part of the conversation this evening nor are they in question or of concern. The District provides exceptional services to the residents of Atherton. However, this Report does seek to provide the Council with fiscal information related to the provision of fire services in the Town as well as options to consider if the Council wishes to move forward with evaluating that information and alternatives for consideration should the Council wish to change that information.

FINDINGS/ANALYSIS

The Menlo Park Fire Protection District provides services to the communities of Atherton, Menlo Park and East Palo Alto, plus some of the unincorporated areas of San Mateo County. The District has seven stations and responds to roughly 8,500 calls for service – approximately 60% of those calls being emergency medical incidents.

There are three (3) stations that serve Atherton, entirely or in part. Station No. 3 at 32 Almendral is the only station within the Town's boundaries. The station is manned by three (3) firefighters – one (1) Captain and two (2) firefighters. One of the three (3) personnel is also a licensed paramedic providing Advanced Life Support (ALS) services. Station No. 4 at 3322 Alameda de las Pulgas

(Menlo Park) serves the West Menlo Park and West Atherton areas. Station No. 1 at 300 Middlefield Road (Menlo Park) serves Menlo Park and portions of Atherton.

The deployment model for San Mateo County is comprised of 15 fire agencies protecting 20 incorporated cities and the unincorporated areas of San Mateo County. The agencies operate through a system of automatic and mutual aid agreements that allow for seamless response. All calls are dispatched through the San Mateo County Public Safety Communications Center which allows for use of what is referred to as “boundary drops.” Essentially, it does not matter what district, city or JPA responds as they are required to respond to a call if they are the closest engine available – regardless of the boundary in which they work. The idea is to have an engine in each city, based on demographics, ready to respond regardless of what jurisdiction they are from. This is so that when a particular agency’s resources are depleted, there is a system in place where the next closest engine would cover the empty station so that there is at least one engine covering each city.

Fiscal Information

The FY 2014/15 Annual Operating Budget for the Menlo Park Fire Protection District was \$31.5m. The District receives its revenue from Atherton residents via property tax based on assessed valuation. There are 2,619 parcels in Atherton. The County Assessor’s Office provides that the Fire District receives \$0.15698 per property tax dollar. The following table represents tax revenue received by the District from Atherton residents over the past 7 years based on assessed valuation:

Tax Year	Secure Tax Roll	Approximate Tax Dollars
2009	\$6,173,657,417	\$9,691,407
2010	\$6,169,645,487	\$9,685,109
2011	\$6,361,378,177	\$9,986,091
2012	\$6,397,183,418	\$10,889,990
2013	\$7,564,465,332	\$11,874,697
2014	\$8,055,294,227	\$12,645,201
2015	\$8,791,201,962	\$13,800,429

For comparison purposes, the Town’s FY 2015/16 Annual Operating Budget was \$11.9m. In addition to basic fees and other general revenue sources, the Town receives the bulk of its revenue from Atherton residents via property tax based on assessed valuation. The County Assessor’s Office provides that the Town receives \$0.10557 per property tax dollar. The following table represents tax revenue received by the Town from Atherton residents over the past 7 years based on assessed valuation:

Tax Year	Secure Tax Roll	Approximate Tax Dollars
2009	\$6,173,657,417	\$6,517,530
2010	\$6,169,645,487	\$6,513,295
2011	\$6,361,378,177	\$6,715,707
2012	\$6,397,183,418	\$6,753,507
2013	\$7,564,465,332	\$7,985,806

2014	\$8,055,294,227	\$8,503,974
2015	\$8,791,201,962	\$9,280,972

The Fire District is an independent governmental agency with its own governing board. The District is not a Joint Powers Authority in which the Town is a member. As a separate governmental agency it is responsible for its own revenue and allocation of that revenue. Revenues collected by the District via property tax may be expended anywhere within the District boundaries and on any service consistent with its obligations as a Fire District. The Town has no discretion on how, where, or on what the District expends its resources.

The questions that have arisen for the City Council are equity based –

- *Is the cost to provide basic fire and emergency response services to the Town of Atherton more than, less than, or equal to the amount of property taxes paid for fire services by Atherton residents?*
 - *If the cost to provide basic fire and emergency response services to the Town of Atherton is more than the amount of property taxes paid for fire services by Atherton residents, should the Town evaluate options for augmenting services or finances in support of fire and emergency response services to the Town?*
 - *If the cost to provide basic fire and emergency response services to the Town of Atherton is less than the amount of property taxes paid for fire services by Atherton residents, should the Town evaluate options for reducing the amount of tax collected, reducing the cost of services, or service alternatives?*

It is unlikely that the cost to provide basic fire and emergency response services to the Town of Atherton based on its land use and population demographic exceeds the amount of property tax revenue collected by the District from Atherton residents. It is *more likely* that the cost to provide basic fire and emergency response services to the Town is *less than* the amount of property tax revenue collected by the District from Atherton residents.

However, if the Council wishes more depth in this evaluation, staff recommends that it be done independently of the Town and the District. There are consulting firms that specialize in the evaluation of fire services. The consultant will be able to provide a report that provides the City Council, the Fire District and the community with an analysis of the cost of basic fire and emergency response services for a community, what those services look like, and what options the Town has moving forward should the Town desire to evaluate alternative fire service models.

For example, if shown that the cost to provide fire services to the Town is considerably less than the amount of property tax revenue collected by the District from Atherton residents, among other options, the City Council could consider the following:

- 1) Sit down with the Fire District to discuss the findings and discuss ways to address fiscal equity issues in Atherton (property tax revenue sharing agreements, additional service

levels, provision of additional fire-related infrastructure, development of local emergency response programs, etc.)

- 2) Discuss alternative fire service models which could include, but not be limited to, detachment from the Fire District, provision of fire services by the Town through creation of a new fire department, creation of a joint police/fire department, contract for fire services with the County, Redwood City, or the District itself.

The consultant would be able to evaluate the cost and opportunity for any of the above options plus others that may not have yet been identified.

Detachment

One of the issues that may arise as a result of this process is a discussion of detachment from the District. The Town has the ability to detach from the District and the detachment proposal is processed via LAFCO – the Local Agency Formation Commission. LAFCO is a public agency with county-wide jurisdiction established by State Law (the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000). LAFCOs process jurisdictional boundary changes such as annexations, consolidations, detachments and incorporations. In many cases, LAFCO will mitigate the fiscal impact of a detachment by requiring the payment of detachment fees from the applicant for reorganization. A nexus is required for the fees and the projected impact. LAFCO would process the reorganization to include the revenue/tax agreements and transfers moving forward.

LAFCO cannot itself initiate annexations or detachments. These actions must be initiated by resolution of an affected agency (i.e. town, city, district), or by petition of affected landowners or registered voters. Any application to detach must also include a plan to provide the services. An evaluation of a local agency's plan of service is necessary for consideration of any change or organization or reorganization that expands or diminishes a service provider's responsibilities. The intent of the service plan is to ensure that the capacity, cost and adequacy of services within the district or city are not adversely impacted by the action. In other words, LAFCO must consider whether the agency proposing to assume the services can feasibly provide the services. Further, LAFCO must consider the effects of the proposed detachment on both the agency gaining territory/service and the agency losing territory/service.

A typical LAFCO Detachment process (a public process) would look as follows:

1. Agency adopts a resolution of its legislative body that includes a detailed proposal for detachment and associated service delivery.
2. LAFCO considers the proposal pursuant to applicable Government Code Sections.
3. LAFCO may approve, modify, or deny a proposal. If approved, LAFCO may also adopt terms and conditions for the detachment.
4. Following action, LAFCO conducts a Protest Hearing.
5. If no majority protest is filed, LAFCO orders the detachment either with or without an election. Elections may only be waived in certain circumstances prescribed by

the Government Code.

Staff recommends that the Council review and discuss this Report and provide staff with feedback for next steps.

POLICY CONSIDERATIONS

None at this time. Should the Council wish to move forward with having a consultant complete the recommended analysis, staff would return at a future meeting with a Request for Proposal to be released outlining expectations. Once responses are received, staff would return for authorization to contract for these services. Once the Study is complete, staff would return to Council for discussion of the Study. At that time, the Council will have a number of policy issues to discuss.

Staff anticipates that, if the Council elects to move forward, a request for proposal could be created for the October Agenda, a consultant could be on board by November/December, approximately 6 months to complete the Study and then a return to the Council by the summer of 2017. Staff anticipates that the Fire District would be involved at all phases of the analysis and any ultimate decisions made by the Council.

FISCAL IMPACT

Undetermined. Staff estimates the work to be between \$35,000 and \$50,000. A budget amendment would be required once proposals are returned.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the item is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.

ATTACHMENTS

None.