

INTRODUCTION

This is a preliminary, confidential report of an incorporation study for East Palo Alto being conducted by the Nairobi Development Corporation. Figures presented in this report should not be released to the news media or be considered final.

The Nairobi Development Corporation is a non-profit corporation staffed by VISTA attorneys for the purpose of developing black businesses and investigating the possibilities of self-government for the East Palo Alto area. The corporation is affiliated with the Legal Aid Society of San Mateo County and has no political or economic interest in East Palo Alto becoming an incorporated city. This report should be regarded only as a neutral financial study, not as a recommendation for or against incorporation. The decision on incorporation is a difficult one involving many factors and can ultimately be made only by the voters of East Palo Alto.

Thelton E. Henderson,
Supervisor



Warren W. Grossman
Raymond T. Sawyer, III
Philip K. Ferren
John B. Spitzer, Jr.

I EAST PALO ALTO NOW

A. Boundaries

East Palo Alto comprises all of the unincorporated area of southeastern San Mateo County. It is completely surrounded by the cities of Menlo Park and Palo Alto:

(See map, attachment "A").

B. Population

The special census conducted by San Mateo County in April, 1969 reports that there are 18,330 people living in the East Palo Alto area. It should be pointed out that this is considerably lower than previous estimates of population, which have run as high as 27,000. The lesser population means that East Palo Alto would receive less money in state subventions upon incorporation (details are presented in the revenue section).

C. Present Tax Rate

In the 1968-1969 taxing year representative taxing area (San Mateo County Tax Collector Code #72-019) has a composite tax rate of \$11.31 for every \$100 of assessed valuation (real estate property and personal property is assessed at 25% of its fair market value). For the owner of a \$20,000 home, this tax rate means a tax of approximately \$565 a year. The detailed breakdown of taxing code area

#72-019 is as follows:

County Rate	\$1.68
Ravenswood Elementary School	3.29
Sequoia High School District	2.31
Sequoia Area Wide Element. Sch.	1.03
San Mateo Jr. College	.63
Menlo Park Fire District	.60
E. Palo Alto Sanitary District	.40
Ravenswood Lighting District	.15
Ravenswood Park and Recreation Dis.	.52
Bay Area Air Pollution	.01
Mosquito Abatement	.01
Special Education Taxes	.11
County Library System	.20
County Service Area #5 (police)	.36
	<hr/>
	\$ 11.30

The above breakdown indicates that East Palo Alto is presently serviced by a number of special districts. There are elementary, high school, and junior college districts. Fire protection is handled by the Menlo Park Fire District, sewage disposal by the E. P. A. Sanitary District, street lighting (primarily) by the Ravenswood Lighting District, recreational needs by the Ravenswood Park and Recreation District, and police coverage by County Service Area #5. The police district divides evenly between East Palo Alto and San Mateo County the cost of stepped-up police coverage initiated by the county in 1966 and increased further since that time.

II. REVENUES

- A. Special districts consolidated into city
 - B. Unrestricted state subventions
 - C. Local revenues
 - D. Restricted state subventions
- A. Special districts consolidated into city

The following schedule lists several of the present special districts in East Palo Alto, each of which might be consolidated into an incorporated city and their total tax income. Not listed here are East Palo Alto's portions of the Menlo Park Fire District or the County Library District. These and/or other districts might be included later, while a few of these listed would be left independent. Each such individual decision will be made by voters of the respective districts, so this schedule is simply a possible listing:

1. County Service Area #5 (police)
2. East Palo Alto Sanitary District
3. Ravenswood Lighting
4. Ravenswood Recreation and Park Bonds
5. Ravenswood Park Recreation Districts

Total Rate - \$1.43; Revenue - \$336,000

B. Unrestricted State Funds

1. "In lieu-tax" - Motor Vehicle License Fees.

A tax collected by the state and divided evenly between each county and all its cities, each individual city's share being determined by population.

1969-70 - \$6.89 per capita \$126,087

2. Cigarette Tax. Collected by the state, this tax is returned to the cities by a formula based 50% on actual cigarette sales within the city and 50% upon the city's population.

1969-70 Estimate \$45,000

3. Liquor license fees. These are collected by the State's Alcoholic Beverage Control, and are nearly all returned to the city where collected.

Present fees returnable \$5,400

4. Sales tax rebates. These are returned to the city where collected on a quarterly basis, with each quarter's payments made, first, about 50 days after the end of the quarter (85%) and, final 30 days later. (15%).

1968-69 rebate \$86,910

5. Trailer coach fees.	Est.	\$3,000
------------------------	------	---------

Total unrestricted state funds		\$266,397
--------------------------------	--	-----------

C. Local Revenues

1. Traffic fines	Est.	\$30,000
2. Transient room tax	Est.	3,000
3. Business licenses	Est.	6,000
4. Building, plumbing, electrical permits	Est.	10,000
5. Electric franchise		6,450
6. Gas franchise		4,950
7. Garbage franchise	Est.	6,000
8. Property transfer tax	Est.	8,000
9. Interest income	Est.	15,000
		<u>257,000</u>

Total		\$346,400
-------	--	-----------

D. Restricted State Subventions

1. § 2107. These taxes are distributed on the basis of population, and each city must place its receipts in a special fund to be used as follows: 40% for construction of major city streets and 60% for maintenance of primary or secondary streets.

1969/70 - \$3.93 per capita		\$71,919
-----------------------------	--	----------

2. § 2106 (Collier-Unruh Gas Tax). Each city receives \$4800 per year plus an amount based on its population. These funds may be spent only for new construction (widening or rebuilding is included) of main arterial and direct feeder city streets as determined by the State Division of Highways.

1969/70 Est.	\$4.20 per capita	\$76,000
Base payment		<u>4,800</u>
		\$81,600

3. § 2107.5 Engineering allotment

For cities with population 15,000-19,999		\$4,000
Total		<u>\$157,519</u>

GRAND TOTAL - EST. REVENUE		\$1,108,316
----------------------------	--	-------------

III A PROPOSED EXPENSE BUDGET FOR A CITY OF EAST PALO ALTO

If community leaders wish to bring the issue of incorporation to the voters, the election should be held early in July because the county must maintain present services to East Palo Alto until the following June 30 if the incorporation vote is affirmative. This in effect means that the city receives a "free ride" for the first year while it builds up a reserve of state subventions. Some of this money would be used immediately for building up the capital assets of the city. The most obvious initial needs would be land and office space (although leasing or renting facilities might be considered). At least \$1 million should be set aside for a city hall, public works yard, and police station.

The following equipment would also be needed by the public works department in addition to the equipment gained from dissolving the present waters, sanitary, and recreation districts:

2-ton dump trucks (2) @\$5,500	\$11,000
Roller	2,000
Street Sweeper	15,000
Oiler	2,000
Signs	1,000
Miscellaneous	10,000
	<u>\$41,000</u>

Annual expenditures for city operations (at current salary figures including 20% additional for fringe benefits), might be as follows for the city:

A. General Government

City Mgr.	\$20,000
Asst. City Mgr. (personnel-finance)	15,000
City attorney-contract	13,000
Five councilmen @\$100 month	6,000
Elections	4,000
Supplies	2,000
Cal. League of Cities	1,000
Secretary	<u>5,000</u>
	\$66,000

These are minimal expenses for general government, but would provide more direct service to the community than is now provided by the county.

B. Engineering, Planning, Building Inspection

1 Engineer	\$15,000
1 Planner	15,000
1 Secretary	6,000
1 Draftsman	9,000
1 Building Inspector	15,000
1 Housing Code Inspector	<u>12,000</u>
	\$72,000

A full-time planner and a housing code inspector would provide additional services beyond those now furnished by the county.

C. Public Works

Supervisor - Public Works (engineer-administrator)	\$18,000
Water Dept. - Billing clerks (2) @\$5,000	10,000
Street Dept. - Foreman (fringe benefits)	12,000
crew (5) " "	30,000
sweeper operator " "	8,000
secretary	5,000
Sanitary Dept. Foreman (water dept, too)	12,000
crew (3) " " "	18,000
Water Purchase (S. F.)	200,000
Sewage Treatment (Palo Alto charge)	33,000
Sewage Treatment (M. P. charge)	17,000
Materials (all depts)	20,000
Lighting District	<u>30,000</u>
	\$413,000

D. Street construction:

Restricted state subventions for this purpose amount to \$110,367.

This is less than the \$183,000 average for the last four years spent by San Mateo County, but less should be needed once Bay Road is widened. The restricted monies can only be used for construction of "select system" roads in East Palo Alto, which presently include only University Avenue, Bay Road, East Bayshore, Woodland Avenue, and several short street sections in commercial areas.

F. Police

Possible East Palo Alto Police Department Budget

<u>Personnel</u>		(including fringes)	Total Compensa- tion
<u>Position</u>	<u>Unit compensation</u>		
1 Chief	\$20,000		\$20,000
1 Lieutenant	19,000		19,000
3 Sergeants	17,000		51,000
12 Patrolmen	14,000 (average)		<u>168,000</u>
			258,000

Non Police

2 Clerical	6,000		12,000
1 Mechanic	7,000		<u>7,000</u>
			19,000

NON-PERSONNEL

<u>Item</u>	<u>Unit Cost</u>	<u>Total annual cost per item</u>
5 vehicles	5,000	25,000
Office		5,000
17 Uniforms and badges	160.00	2,720
Recruiting		5,000
Training		4,000
Department Expense		16,640
Non-personnel total		<u>58,360</u>
		<u>Total</u>
		\$335,360

BASIC CAPITAL OUTLAYS - FIRST YEAR

6 vehicles	\$3,500	\$21,000
Communications system		45,000
Garage		15,000
Office		10,000
Initial recruiting & training		20,000
Uniforms)	\$470 per man	10,000
)		
Badges)		
		<hr/>
		\$121,000

The above budget would effect a significant reduction in the number of patrolmen operating in East Palo Alto from the present level of 20, (7 from the California Highway Patrol and 13 from the San Mateo Sheriff) to 12. East Palo Alto supports directly, through County Service Area #5, only 5 of these 20 men, all other support coming from the county and the state - approximately \$380,000 worth of salary, benefits, equipment and maintenance.

Further, East Palo Alto presently bears very little of the high capitol costs for offices, equipment and communications (which are necessary for any effective police force today) of the CHP or the Sheriff's Department.

On the other hand, a force such as the one budgeted above should gain in effectiveness from being unified and from bearing a direct responsibility to the community. Further, many small, expense-conscious cities have successfully utilized volunteers from the community to supplement, on a part-time basis, the regular law enforcement personnel.

E. Recreation

Personnel

Permanent Staff - 8		\$60,000
Part-time (summer)		<u>25,000</u>
		\$85,000

Non-Personnel

Insurance	\$3900	
Repairs & maintenance	16120	
Professional Services	600	
Station Supplies	3500	
Mileage & Travel	2075	
Utilities	<u>6000</u>	
	\$32,195	\$32,195
		<u>\$117,195</u>

This budget approximates the present level of non-capitol expenditures of the Ravenswood Park and Recreation District.

TOTALSI Annual Costs

A. General Government	\$66,000
B. Engineering, Planning, Building Inspection	62,000
C. Public Works (including Water Dept)	413,000
D. Street construction fund	110,367
E. Recreation	335,360
F. Police	<u>117,195</u>
	1,103,922

Revenue	\$1,108,316
---------	-------------

<u>Expenses</u>	<u>1,103,822</u>
-----------------	------------------

Surplus	\$ 4,494
---------	----------

II Capital Costs - Initial

A. Public Works	\$41,000
B. Police	121,000
C. City Hall, Police Station, Public Works Yard	<u>1,000,000</u>
	\$1,162,000

IV PROS AND CONS OF INCORPORATION

Arguments for incorporation

1. Greater community self-determination, through an East Palo Alto city government, and greater community control of government services and responsibilities - police, zoning, roads, etc.

2. Greater coordination of government services, rather than government by the country, the state and the several independent districts, and greatly increased efficiency, economy and responsiveness in government.

3. Community planning for the future - avoid further annexations, zone prospectively against undesirable land uses.

4. Enhanced effectiveness of a citizen's vote in choosing his leaders - rather than just one county supervisor, he will vote for a city council as well as the supervisor.

5. Action is not irrevocable - if community becomes dissatisfied with its city status, a disincorporation procedure is available.

Arguments against incorporation

1. As a largely residential area (hence without substantial high-tax industrial property), East Palo Alto as a city would be able to provide only minimum level public services; this would be especially so if costs of government continued to rise in the future as rapidly as they have in the recent past.

2. Incorporation may be unnecessary if a community decides that its needs are limited.

3. Special districts and other alternative means of providing ^{more} services could be appropriate to the community's needs - for instance, rather than operate a general purpose city government, high priority needs could be isolated and handled by new special purpose districts.

V CONCLUSION

It must be made clear that the model described for a city of East Palo Alto will be a minimal service city. Voters must realize that the low assessed valuation and the small commercial development of the area means that the city would not be as affluent as Palo Alto or Menlo Park.

Yet if the desire for self-determination is strong enough in the community, incorporation is a possibility. Two cities in the Bay Area have adopted budgets with approximately the same expenditure per capita as the proposed East Palo Alto budget:

Belmont	25,000 pop.	<u>1968-69</u> \$1,015,000
Lafayette	30,000 pop.	793,400
East Palo Alto	18,000 pop.	843,800 (excluding water works)

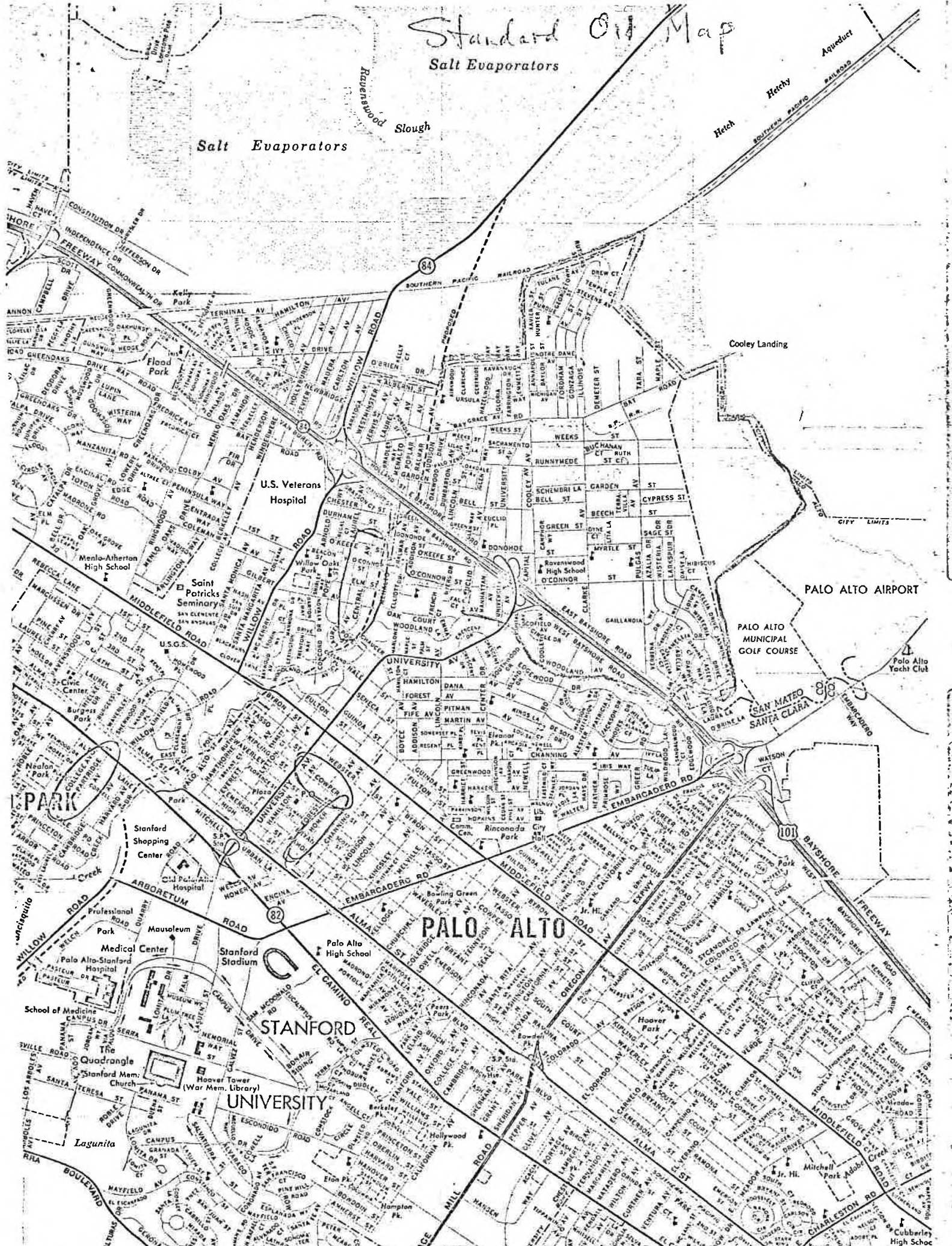
Standard Oil Map

Salt Evaporators

Salt Evaporators

Slough

Hatch Hatch Aqueduct



U.S. Veterans Hospital

Saint Patricks Seminary

Menlo-Atherton High School

PALO ALTO AIRPORT

PALO ALTO MUNICIPAL GOLF COURSE

Palo Alto Yacht Club

SAN MATEO SANTA CLARA

PALO ALTO

STANFORD

UNIVERSITY

Palo Alto High School

Stanford Stadium

Medical Center

Palo Alto-Stanford Hospital

School of Medicine

Stanford Mem. Church

Hoover Tower (War Mem. Library)

Lagunita

Cubberly High School