


COUNTY OF SAN MATEO

INTER-DEPARTMENTAL CORRESPONDENCE

DATE December 20, 1982

TO: Board of Supervisors

FROM: Paul T. Scannell, Assistant County Manager 

SUBJECT: Incorporation and Annexation East Palo Alto/Menlo Park

Angus McDonald & Associates have requested the Board of Supervisors to consider a series of questions concerning the possible incorporation or annexation of East Palo Alto. These questions are outlined in the letter from McDonald & Associates dated December 15, 1982. These questions are based on the report prepared by the firm dated July 10, 1981, which is a report to LAFCo concerning the spheres of influence of East Palo Alto and the letter to the Board of Supervisors from David Nichols dated September 14, 1981.

Regarding the questions posed by McDonald, the county staff makes the following recommendations:

- A. Capital Improvements
 - 1. Roadway Improvements

The Department of Public Works in their five-year plan has proposed to make the various road improvements as listed in the attachment to the Nichols' letter of September 14, 1981. The department has revised their cost estimates as to contributions from the county road fund based on the current cost of such improvements. To improve Newbridge Street, that is to widen it to four lanes between Willow Road and Bay Road, the department now estimates the cost to be \$2.2 million. That amount is included in the current five-year plan. The improvements to Bay Road from Newbridge to University Avenue,

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East Palo Alto Municipal Council

previously listed at \$2 million, now are estimated to cost \$2.2 million. In addition, the Department of Public Works continues to recommend that the county contribute toward other street improvements in the area if an assessment district or series of assessment districts were formed. Those contributions would be as listed in the Nichols' memo. The Department would recommend, however, that there be a time limit placed on the county's commitment. That is, unless the new city or Menlo Park undertook the formation of the assessment districts within the five-year period from the date of takeover by either entity, the county would no longer be committed. The Department of Public Works is not planning to widen Bay Road from Pulgas Avenue to Cooley Landing. That project is not recommended as part of the county's five-year plan.

2. Recreation Facilities

The improvements to the gymnasium at the Ravenswood Recreation and Park site are planned by Housing and Community Development. In fact, the initial report from the department is on the agenda for consideration at the Tuesday, December 21, meeting. McDonald's question as to whether or not the county would continue to have responsibility for additional financing is not clear. If that means that the county would be obligated within reason to complete the project, that would be a reasonable assumption. Additional funding, however, would not be planned. The county staff is not, at this time, planning to finance an operating swimming pool either through the purchase of the Ravenswood High pool or through the rehabilitation of the existing Recreation District pool.

B. The Municipal Council Building

The assumption that space in the Municipal Council building, devoted to municipal functions, would be made available to a new city or to Menlo Park for a rent comparable to that now being charged is accurate. A further assumption implicit in that statement is that the cost would not be fixed but would be subject to the pressures of the real estate market in the future as determined by our General Services Department.

C. Annexation Compared to Incorporation

The assumption that in the event of annexation by Menlo Park the county would agree to an equal property tax transfer is correct. The assumption that the specified capital improvements would be financed by the county is also correct. However, there is a legal distinction between an annexation and incorporation. The distinction, I assume, will be pointed out in the final McDonald report. The county in the case of incorporation will continue to provide municipal services at county expense until July 1, of the next calendar year. In the case of annexation, the city would assume the delivery of such service immediately.

If any additional information regarding this letter or regarding the incorporation/annexation issue is needed by any member of the Board I would be glad to furnish it.

bb

cc: Thomas F. Casey, Chief Deputy, District Attorney's Office
Paul Koenig, Director of Environmental Management
Robert Sans, Director of Public Works
Robert Sorensen, Director of General Services

Angus McDonald & Associates

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December 15, 1982

San Mateo County Board of Supervisors
County Government Center
Redwood City, California 94063

Subject: Issues Regarding Incorporation and Annexation
East Palo Alto/Menlo Park Spheres of Influence; 941

Dear Mr. Chairman and Members of the Board:

In preparing the update Environmental Impact Report of the East Palo Alto and City of Menlo Park Spheres of Influence for incorporation and/or annexation, certain assumptions have been made regarding the policy issues listed below. Some of these issues were presented to the Board of Supervisors in a memorandum from Mr. Nichols dated September 14, 1981 (copy attached). The assumptions made in the present study conform to your decisions at the time.

I should be grateful if you would review the following list, and inform LAFCO or myself at your earliest convenience if you consider the assumptions to be reasonable or if you wish to make changes.

A. Capital Improvements

1. Roadway Improvements

During the deliberations which preceded the incorporation election, there was an understanding that the Board of Supervisors would finance a number of street improvements in East Palo Alto, regardless of whether the area incorporated or annexed to Menlo Park. The current study assumes that roadway improvements listed in the County Capital Improvement Program will be financed by the County, including the County Road Fund contribution to local street improvements if the area incorporates.

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The list of arterial road improvements contained in the memorandum from Mr. Nichols (September 14, 1981) included the widening of Bay Road from Pulgas Avenue to Cooley Landing, to encourage industrial development of the area. This project is no longer included in the County Capital Improvement Program. Would it be financed by the County if incorporation or annexation takes place? "

2. Recreation Facilities

Improvements to the gymnasium at the Ravenswood Recreation and Park District are scheduled for 1983, funded by the HCD Program and by the District. The study assumes that responsibility for completion of this project remains with the County, including any additional financing which may be necessary.

Should it be assumed that the County will finance the provision of an operating swimming pool for the East Palo Alto community, whether through purchase of the Ravenswood High School pool or through rehabilitation of the existing District pool?

B. The Municipal Council Building

Is it reasonable to assume that the space in the Municipal Council building devoted to municipal functions (e.g. meeting rooms, Sheriff's sub-station, administrative offices) will be made available to a new city or to Menlo Park for a rent comparable to that now being charged by the County's internal accounting system? (For 1982-83, we understand that this rent is \$8.665 per square foot.)

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C. Annexation Compared to Incorporation

During the feasibility studies completed in 1981, it was assumed that, if the area annexed to Menlo Park, the County would agree to a property tax transfer and other transfers equal to the transfer that would result if East Palo Alto incorporated. It was also assumed that future capital improvements financed by the County would be the same whether the area incorporated or annexed. Are these assumptions still reasonable?

Please call me if I can provide any additional information.

Yours very truly,

ANGUS McDONALD & ASSOCIATES, INC.

Angus N McDonald

Angus N. McDonald

ANM:jc

cc: San Mateo County Local Agency Formation Commission

COUNTY OF SAN MATEO

INTER-DEPARTMENTAL CORRESPONDENCE

DATE September 14, 1981

Board of Supervisors

FROM: David L. Nichols, County Manager *DLN*

SUBJECT: Proposed Incorporation--East Palo Alto

LAFCo has received a sphere of influence study for East Palo Alto, Menlo Park, and related special districts and is currently deliberating the award of the sphere. The study, prepared by Angus McDonald & Associates, recommends incorporation if the following conditions can be met:

1. Incorporation would occur on or immediately after July 2, 1982, to maximize the time during which the city accrues revenues but does not incur most of the costs of providing service.
2. The county would finance major street improvements (ranging in cost from \$3.1 to \$6.8 million depending on the development plan) before incorporation takes place.
3. The transfer of property tax revenue base would be substantially in accord with the assumptions used in the present study.
4. The Menlo Park Fire Protection District would continue to provide fire protection so that at least for the first several years the new city, by itself, would not bear the exposure to unexpected cost increases for fire protection.
5. LAFCo's statements about incorporation would prominently and clearly note that financial feasibility is based, in part, on a move from property taxes to user fees to support street lighting and utilities. Property tax revenues now supporting these municipal enterprises would be used for general governmental purposes. Average cost per household would increase approximately \$54 per year or \$4.50 per month.
6. An appropriations limit (as required by the Gann Initiative) should be established at the time of incorporation and should be in excess of the expenditures from proceeds of taxes shown in the feasibility study. This excess amount would assure the capacity of the new city to appropriate revenues that result from a successful community development program.

7. A condition of incorporation would include protection of the city.

Unlike earlier studies, this study indicates that East Palo Alto would be fiscally viable as a city if all of the area presently included in County Service Area 5 were in the city. No county subsidy beyond that outlined in the conditions would be required and the present service level could be maintained. No new taxes or new development is assumed but new fees for utilities totaling \$54 annually per household are anticipated.

If the conditions for incorporation cannot be met, the consultant recommends annexation of the entire area to the City of Menlo Park. The study indicates that both annexation and incorporation are preferable options to the status quo or to annexation to Palo Alto. Furthermore, the study concludes that any annexation of the west bayshore area would completely preclude any realistic government alternative for the remaining portion of East Palo Alto. Additional work by the consultant and LAFCo staff as well as discussions between county and Menlo Park staffs tend to confirm this conclusion. The major problem with separating the east of Bayshore from the west of Bayshore is that the consultant study appears to have shown that service costs would be increased by \$300,000 annually by this option.

LAFCo has requested county input on three of the conditions of incorporation outlined by the consultant. The most important of these conditions is the question of street improvements in the East Palo Alto area. The consultant has identified road improvements totaling \$3.1 million to \$6.8 million which are necessary for East Palo Alto to be a viable city. Many of these improvements are included in the county five-year road plan. Since the city will not have sufficient revenue to meet these improvement needs, a continued county commitment is necessary even if incorporation were to occur.

These road improvement requirements which total \$4.2 million in county road funds have been reviewed with the consultant. The exhibit that follows outlines our conclusions on their necessity and the capacity of the county to finance them. The consultant has indicated that if the county were able to make a commitment to the projects recommended in the exhibit the intent of the conditions would be effectively met. It is recommended that you indicate your commitment to fund the road projects included in that exhibit.

The second condition on which the Commission has requested county input is the effective date of the incorporation. State law provides that the county is responsible for maintaining services in an incorporated area for the remainder of the fiscal year following the date of incorporation. Obviously, the earlier in the fiscal

year the incorporation becomes effective the longer the county retains responsibility for services while certain revenues accrue to the city. The intent of the law is to provide the city with sufficient reserves before service responsibilities begin.

The consultant has recommended incorporation become effective July 2, 1982, in order to maximize the time during which the city accrues revenues without service responsibility. By doing this, the city is provided sufficient revenues to meet the start-up costs of about \$600,000 and build a fund balance of approximately \$600,000. If this condition is adopted, the county will lose approximately \$300,000 in revenue in fiscal year 1982-83 while retaining all of its service responsibilities. It appears adoption of this date for incorporation is essential to the viability of the incorporation and the county does have the fiscal capacity to meet this condition. As a result, it is recommended that the county indicate it can meet the effective date.

The final condition upon which the county is asked to comment is the property tax transfer assumptions included in the report. The assumptions have been reviewed and appear consistent with mandated provisions in state law. They require that approximately \$240,000 in property taxes, or over 93% of the county property taxes collected in East Palo Alto, be transferred to the city. Other revenues, primarily sales tax, will also be transferred to the city as part of the incorporation process. It is important to note that, while the county would be giving up virtually all of its property taxes in East Palo Alto as well as certain other taxes, these tax sources only finance a portion of the county municipal services there and, in the long haul, county finances would be benefited by the incorporation proposal. As a result, it is recommended the Board accept this third condition and indicate to LAFCo that the county can meet all the conditions for incorporation included in the Angus McDonald report.

<u>Project</u>	<u>Estimated Cost</u> 000	<u>Funding Sources</u>		
		<u>County Road Fund</u> 000	<u>Assessment District</u> 000	<u>Developer Dedication</u> 000
<u>1 Road Improvements</u>				
he Newbridge-Bay corridor. 70 foot of-way. Widen to lanes with curbs, & sidewalks. as bicycle lanes side & utility funding.				
idge Street. n to four lanes een-Willow Rd. y Rd.	\$ 1,800	\$ 1,000	\$ 0	\$ 0
Road - Newbridge . to University	2,000	2,000	0	0
Road - Pulgas to ey Landing.	2,200	0*	400	0
SUB TOTAL	\$ 6,000	\$ 3,800	\$ 400	0

It is viewed as necessary for industrial development in the Cooley Landing area. Since county unavailable developer dedications and an increased level of financing from the assessment district is necessary. The county may have to assist the new city with creative financing options which will be on the project in order to allow for its completion.

	<u>Cost</u> 000	<u>County Road Fund</u> 000	<u>Assessment District</u> 000	<u>Develop Dedication</u> 000
<u>cks Area (Poultry Colony)</u> w streets to allow terior development of rge parcels & improve regulation.	\$ 3,120	\$ 0	\$ 780	\$ 2,340
GRAND TOTAL	\$11,443	\$ 4,203	\$ 3,100	\$ 2,340

McDonald & Associates

<u>Project</u>	<u>Estimated Cost</u>	<u>County Road Fund</u>	<u>Assessment District</u>	<u>Developer Dedication</u>
	000	000	000	000
<u>Improvements to Local Streets</u> Construct standard county improved residential street curbs, gutters & sidewalks.				
Beech Street - Clark Ave. to Pulgas Ave. (presently unimproved).	\$ 365	\$ 91	\$ 274	\$ 0
Garden St. - Clark Ave. to Pulgas Ave. (presently unimproved).	355	89	266	0
Runnymede St. - Cooley Ave. to Clarke Ave. (presently unimproved).	593	148	445	0
Runnymede St. - Pulgas Ave. to East Palo Alto Levee (presently unimproved).	300	75	225	0
SUB TOTAL	\$ 1,613	\$ 403	\$ 1,210	\$ 0
<u>East Palo Alto Park Area</u> Improvements to street cul-de-sacs. Eliminate potholes during rainy season; pathway for pedestrian use -- one-way street travel-way.	710	0	710	0