

# E. Palo Altans still optimistic despite a gloomy report

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EAST PALO ALTO — Officials here are as optimistic as financial experts are glum when it comes to this community's ability to support itself as a city.

After receiving a gloomy financial report from consultants, East Palo Alto officials did some fiscal juggling of their own and came up with a rosier outlook for achieving cityhood, the longtime goal of this unincorporated, 19,000-member community.

"What we're saying," said East Palo Alto Administrator Kenneth Goode, "is that the picture is not as bad as the consultants painted it, and that incorporation seems possible now assuming the better fiscal picture."

A study by Angus McDonald and Associates, released late last year, showed the community still beset with incorporation-preventing problems, such as a low property tax base and high service costs. The study said major changes would be needed before cityhood would be financially possible.

The numbers looked better, however, after East Palo Alto management analyst Gordon Shriver and planner Larry Tong tackled them. Conceding that their five-year fiscal plan allowed for only "basic programs," the two nevertheless concluded that East Palo Alto could support a framework of municipal services without too much red ink.

But the proposed city's ability to survive would depend on the willingness of East Palo Alto residents to pay their own way, rather than depend on the county trough. Currently, San Mateo County taxpayers are subsidizing the community because it generates only \$2.9 million in public revenues while using more than \$3.6 million in services. Additional annual taxes of from \$70 to \$100 per household would have to be approved by two-thirds of East Palo Alto's voters.

The county, too, would have to make contributions if the new city were to survive. Some \$10 million in



Staff Photo by Joe Melena

Kenneth Goode

community road improvements, already cranked into the East Palo Alto five-year capital improvements plan, would have to be funded by the county. "Otherwise there would be no road improvements," Goode said.

With those major hurdles crossed, officials here believe incorporation is possible. By trimming spending and using revenue efficiently, the city of East Palo Alto could deliver as many municipal services as exist now, perhaps more, Goode said. "There would be a modest increase in the level of service because the services will be delivered here (rather than from Redwood City, the county center)," he said.

The city would accumulate tax revenue estimated at nearly \$1.3 million during the first year of incorporation while the county, as required by law, would continue funding municipal services that year.

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"Prudent utilization of the accumulated first-year tax revenue would cover city startup costs (about \$500,000) and almost all the deficits during the first years of city operations," according to a report prepared by Shriver and Tong. The four-year deficit is estimated at about \$888,000.

Reduced salaries and fewer employees than originally envisioned

by consultants, along with some reliance on federal dollars are key to the East Palo Alto financial plan. But Goode said there would be no reduction, for example, in the number of police officers — 37 — currently assigned by the county and the state to East Palo Alto.

The county manager's office is reviewing the East Palo Alto fiscal analysis and will present it to the Board of Supervisors in April, Goode said. Meanwhile, the Local Agency Formation Commission, which must approve incorporation, is preparing a study on the political feasibility of incorporation. The

study would explore whether it might be more appropriate for East Palo Alto to be annexed to Palo Alto or Menlo Park.

At least a year of complex incorporation procedures is ahead for East Palo Alto, but given the revised financial picture, Goode believes they can be successfully faced. The effort will be well worth it, he said.

"The effects of incorporation will be increased local autonomy, increased and improved political responsiveness, local control of community police and local land use control," Goode said.