



LOCAL AGENCY FORMATION COMMISSION
 COUNTY GOVERNMENT CENTER • REDWOOD CITY, CALIF. 94063 • TEL. 363-4224

October 14, 1981

TO: Members, Formation Commission

FROM: Executive Officer

SUBJECT: Reconsideration of Sphere of Influence designation for Menlo Park/East Palo Alto

The Commission opened sphere of influence hearings for the City of Menlo Park and the East Palo Alto neighborhood on August 5, 1981 and conducted subsequent hearings on August 19 and September 16th. At the close of the August 19 hearing, the Commission directed several questions to the staff and consultant. Among these questions were the feasibility of allowing West of Bayshore to annex to Menlo Park and the lands of East Palo Alto lying East of Bayshore to proceed with incorporation. The September 1 memorandum from Mr. McDonald contained a detailed analysis of the two questions listed above.

The annexation of the lands lying West of Bayshore was deemed to be feasible and the incorporation of the area East of Bayshore was deemed to be fiscally infeasible.

At the close of the September 16 hearing, the Commission voted to assign the West of Bayshore area to the sphere of influence of the City of Menlo Park and to place the area East of Bayshore in a holding sphere.

With the incorporation of the area East of Bayshore clearly infeasible, rationale given for the holding sphere was for the economic re-vitalization of the area through a specialized task force and a consortium of investors. After the re-vitalization of the area East of Bayshore, then the area would finally be considered for assignment to the sphere of influence of Menlo Park.

The Commission continued the hearing to September 21 for the purpose of adopting findings in support of the September 16 decision.

At the September 21 hearing, the Commission voted to reopen the hearing for reconsideration of its decision. A new hearing was set for October 15 for the purpose of receiving new information from the office of the County Manager because it had been claimed that they had not had the opportunity to submit this information for consideration by the Commission. The analysis contained in the memorandum of October 13, 1981 by Jay Gellert, Assistant County Manager, is attached to this report. I wish to emphasize

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ALTERNATES: Supervisor William Schumacher • Councilwoman Jeannine D. Hodge • Public Member Mary W. Henderson

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that the memorandum submitted contains no new information and no information that was not originally provided to the Commission.

The Commission directed five questions to be answered by the consultant. They include: (1) the analysis for the annexation of the area West of Bayshore, North of Euclid Avenue to the City of Menlo Park. (2) An analysis of the remaining area West of the freeway and the area East of the freeway in an incorporated city. (3) Analysis of the initiative entitled "Taxes, Fees, and Levies: A constitutional amendment initiative". (4) An analysis of the impacts on incorporation and annexation in the event that the Federal General Revenue Sharing Programs are eliminated or seriously cut back. (5) Analysis of the impacts of reorganizing the East Palo Alto Sanitary District with the West Bay Sanitary District instead of reorganizing it with a newly incorporated city.

In summary, the consultant found that the annexation of the area West of Bayshore and North of Euclid Avenue would be financially feasible. Revenues would exceed costs for the reduced size alternative. Secondly, in response to the alternative of incorporating the area East of Bayshore, all of the area South of Euclid Avenue West of Bayshore, he found to be fiscally infeasible. The consultant found that even by using all of the sales tax revenues West of Bayshore, incorporation is impossible for the East of Bayshore area, including South of Euclid Avenue, as it would be fiscally infeasible. Thirdly, the consultant found that if the initiative passes, it requires voter approval for user fees so incorporation would be infeasible unless the service charges were approved by a 2/3 vote of the qualified electorate. Fourth, the consultant has indicated that the Reagan administration has suggested that the Federal General Revenue Sharing Program be eliminated. If this happens, this would increase the extent to which the partial area incorporation alternatives are infeasible. Elimination of the General Revenue Sharing Program would also eliminate the feasibility of the full area incorporation alternative. Fifth, the consultant found that the incorporation of even the full size city would not be feasible without the transfer of the property tax from the East Palo Alto Sanitary District to the new city. Furthermore, the consultant indicated the only reason for recommending inclusion of the East Palo Alto Sanitary District within the city is related to finances. - If consideration were given relating to the efficient delivery of governmental services and the upgrading of the sanitary sewer system in East Palo Alto, then the consolidation with the West Bay Sanitary District is the better alternative.

To date, six alternatives for the sphere of influence of this area have been analyzed and considered by the Commission. These include: (1) Placing all or part of East Palo Alto in the sphere of influence

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of the City of Palo Alto. This alternative was eliminated because there was no fiscal incentive to Palo Alto, difficulty in changing the county boundary line, and finally no overwhelming advantage to the annexation to Palo Alto compared to the other alternatives that are available.

(2) Place the area West of Bayshore in the Menlo Park Sphere of Influence and assign a city sphere for the area East of Bayshore. This alternative is referred to above and was discussed in the memorandum of Angus McDonald of September 1, 1981. The sphere of influence for annexation of West of Bayshore to Menlo Park was found to be feasible; however, the sphere of influence for the incorporation of the area East of Bayshore was found to not be feasible.

(3) Place the area West of Bayshore in the Menlo Park Sphere of Influence and place the area East of Bayshore in a holding sphere. This was the alternative selected at the September 16 meeting. This alternative considered a task force for the re-vitalization of the area East of Bayshore which would lead to the eventual placing of the East of Bayshore neighborhood in the sphere of influence of Menlo Park. Detailed findings were prepared for this alternative. In the opinion of the staff, this alternative is in compliance with the State statutes and the Commission's adopted guidelines for the establishment of spheres of influence.

(4) Place all of the land West of Bayshore, North of Euclid Avenue in the Menlo Park Sphere of Influence and all of the land South of Euclid Avenue, West of Bayshore, with the East of Bayshore area for a proposed incorporation sphere of influence. This alternative was analyzed in the Angus McDonald memorandum of October 9, 1981. Annexation of the area West of Bayshore and North of Manhattan and Euclid Avenue to Menlo Park was deemed to be feasible. However, the incorporation of the remaining unincorporated area was deemed to be infeasible by the consultant.

(5) Place all of the unincorporated area of East Palo Alto in an incorporation sphere of influence. The incorporation of East Palo Alto does not meet the criteria set forth within the Knox-Nisbet Act and the guidelines as adopted by this Commission. The consultant has indicated that annexation of the area to the City of Menlo Park provides for the extension of a high level of services in an efficient and economical manner. It was further found that a revenue/cost balance was estimated as somewhat more favorable for annexation than estimated for the incorporated city of East Palo Alto.

The McDonald Report of July 10, 1981 included the merger of the East Palo Alto Sanitary District with the new city of East Palo

Alto to provide a substantial amount of the annual revenue base. But it would also be necessary, according to McDonald, to go to user fees for public utilities. Mr. McDonald firmly stated in his July 10 report and later in his memorandum of October 13th that the only reason for merging the East Palo Alto Sanitary District with the new city was for financial reasons to support the general purpose government. We strongly believe that it is this Commission's responsibility to select the most cost-effective way for providing services and upgrading the system. The proposed merger of the Sanitary District with the city would be contrary to State statutes and to the Commission's guidelines. The Sanitary District presently is not utilizing their capital improvement funds for capital improvements, but are using the earnings to offset any increase in user fees. Furthermore, merger of the Sanitary District with the new city would preclude any substantial improvement of the present system, which would further complicate any possibility of new development in the new city. We believe that it will be impossible to make findings to support the merger of the East Palo Alto Sanitary District with the proposed incorporation of East Palo Alto.

The consultant has also indicated that the Reagan administration has recommended that the Federal Revenue Sharing Program be eliminated. While it is not possible to project at this time what the outcome will be, the consultant has found that any elimination or substantial decrease in revenue sharing funds would make incorporation in any of the alternatives infeasible.

If the initiative entitled "Taxes, Fees, and Levies: A Constitutional Amendment Initiative" is passed in June, it will require that the voters approve all user fees by a 2/3 vote. Even if the Commission were to approve the merger of the Sanitary District with the newly incorporated city, without approval of the voters of the user fees, incorporation again would fail. We cannot support incorporation of a new city on or before June 30, 1982 instead of July 1 to avoid the initiative, because such an incorporation would reduce the county's obligation from one full year of free service to only a few days. Although the county would still have the option to provide free services for an additional full year, no legal way could bind the county to provide this support.

Both the consultant and Mr. Gellert have based the feasibility of incorporation upon the substantial increase in the number of registered voters in the East Palo Alto area. Our analysis has revealed that this has not occurred in spite of an intensive campaign to add new voters to the rolls. In fact, the department of elections has indicated to us that as of October, 1980 East Palo Alto had 7,178 registered voters, compared to October, 1981 where there are now only 6,800 registered voters in East Palo Alto. You will note that

Mr. Gellert's projections call for the addition of at least 2,000 new registered voters.

Furthermore, we wish to call your attention to the fact that incorporation is based upon very substantial subsidies for fire service from the Menlo Park Fire Protection District, which also serves the City of Menlo Park and the Town of Atherton. Incorporation based upon service by the Menlo Park Fire Protection District will foreclose the possibility of any future reorganization of the Menlo Park Fire Protection District which could offer substantial savings.

(6) Economic Development Sphere of Influence. Aside from placing the entire area in the sphere of influence of Menlo Park, this is the only alternative that staff can recommend. This is based upon the conclusion of the studies and the data, the policies and criteria as set forth in the State statutes and the locally adopted guidelines. The Commission's guidelines provide that where there is an existing, highly urbanized, unincorporated area with special financial and social problems, that the area may be the subject for a special designation of lands under study, until such time as a final decision may be reached as to how the area should be provided urban services.

It has been established that all of the sphere of influence designation alternatives, with the exception of the placement of the area within the sphere of influence of Menlo Park, have very serious fiscal and socio-economic problems. This Economic Development sphere of influence designation should make findings identifying the problems and making recommendations for the implementation of a program to re-vitalize the area. The implementation program should include a task force and a re-evaluation and direction of the goals of the Municipal Advisory Council.

The task force concept has combined representatives of governmental agencies and from the public and private sector to work cooperatively together to seek solutions to very difficult economic problems.

Secondly, we recommend that the Commission send a letter to the Board of Supervisors recommending that a task force be created with representation from the San Mateo County Board of Supervisors and the County Planning Commission and the East Palo Alto Municipal Advisory Council and the staff of the City of Menlo Park and the Local Agency Formation Commission. Additionally, we strongly urge that the Commission recommend to the Board of Supervisors that they review the role and mission of the Municipal Advisory Council of East Palo Alto and establish and clarify their responsibilities for the East Palo Alto community during this period in which it is in the economic development sphere of influence.

Finally, we strongly urge, along with the above two recommendations, that the Commission recommend that a "sunset clause" be placed, both on the task force and Municipal Advisory Council at the end of the third year. We further recommend that at the end of the second year the effectiveness of the task force and Municipal Advisory Council be examined and reviewed by the Board of Supervisors. The Commission has the authority, in accordance with Government Code Section 54774(2), and the responsibility to make such recommendations. The Assistant County Manager has indicated, in his opinion, the county cannot continue to provide extended urban services to East Palo Alto. Also, the City of Menlo Park has indicated their concern about providing urban services to East Palo Alto in the immediate future because of the worsening economic conditions. If this is the case, most certainly a new city would face the same perils and be confronted with even greater difficulty because they have the lack of reserves. If the county and the City of Menlo Park are correct about their projections of the diminishment of general fund sources, then it is absolutely imperative that a program be immediately adopted for the re-vitalization of this area.

It is further recommended that the following designations be made for the special districts within the East Palo Alto neighborhood.

1. Ravenswood Recreation and Park District. Assign a zero sphere of influence and recommend an interim consolidation of the district with County Service Area No. 5.
2. East Palo Alto Sanitary District. Assign a zero sphere of influence and recommend reorganization of the West Bay Sanitary District as soon as possible.
3. County Service Area No. 5. Assign a zero sphere of influence encompassing East Palo Alto and serve as a transition agency for providing or contracting for police service, recreation and park service, and solid waste disposal.
4. East Palo Alto County Waterworks District. Assign a "holding sphere of influence". This is basically a designation of lands under study per the Commission's guidelines.
5. West Bay Sanitary District. Place the East Palo Alto Sanitary District within the sphere of influence of the West Bay Sanitary District. With respect to the remaining boundaries of the West Bay Sanitary District, the Commission place these boundaries under study and address the remaining boundaries when the remaining sphere boundaries for Menlo Park, Portola Valley, Woodside and Atherton are examined.

6. Menlo Park Fire Protection District. Place the Menlo Park Fire Protection District within a "holding sphere of influence" as a category of a special district under study. The purpose of placing the fire district in a "holding sphere" is to explore the existing service structure to provide fire protection to Atherton, Menlo Park and East Palo Alto neighborhood.

For the benefit of brevity, we wish to include by reference the staff report of September 10, 1981. We strongly urge consideration of the reasoning and facts outlined in that report in conjunction with this report.

After a very thorough analysis of all the information and testimony, we do not believe that sufficient findings pursuant to State statutes and the Commission's guidelines can be made to support incorporation of East Palo Alto.

Summary of Recommendations for Spheres of Influence:

1. Place East Palo Alto in an Economic Development Sphere of Influence with the implementation program.
2. Assign a zero sphere of influence to the Ravenswood Recreation and Park District. Recommend an interim consolidation of the Recreation District with County Service Area No. 5.
3. Assign a zero sphere of influence to the East Palo Alto Sanitary District. Recommend consolidation with the West Bay Sanitary District as soon as possible.
4. Assign a zero sphere of influence to County Service Area No. 5, encompassing East Palo Alto, to serve as a transition agency for providing or contracting for police service, recreation and park services, and solid waste disposal.
5. Assign a holding sphere of influence to the East Palo Alto County Waterworks District.
6. Assign the East Palo Alto Sanitary District to the sphere of influence of the West Bay Sanitary District and maintain the status quo on the other existing boundaries of the West Bay Sanitary District until the completion of the On-Site Waste Water Management Study for the Towns of Portola Valley and Woodside.

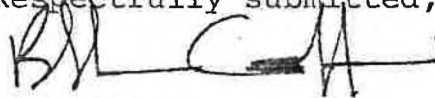
Summary of Additional LAFCo Recommendations:

1. Request the San Mateo County Board of Supervisors to form a task force with representatives from the County, East Palo Alto Municipal Council, Menlo Park and LAFCo to facilitate the adoption of the Community Plan and initiate its implementation.



2. Request the San Mateo County Board of Supervisors to review the role and mission of the Municipal Advisory Council and establish and clarify their responsibilities for the East Palo Alto community.

Respectfully submitted,



B. SHERMAN COFFMAN
Executive Officer

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