



# ATHERTONIAN

## *Receive Resident Input & Review Fire Service Options*

### Executive Summary

Atherton residents contribute more than \$18 million per year in property taxes to the Fire District for the provision of basic fire and emergency medical services. After completing a Fire Services Fiscal Review, the Town determined that the cost to provide basic fire and emergency medical services to the Town ranges from \$4.6 million to \$7.4 million.

The difference between the revenue received and the cost to provide services results in a surplus of \$10.9 million to \$13.7 million per year to the Fire District. This revenue surplus has allowed the Fire District to purchase infrastructure, homes, equipment, fund high salaries, benefits, and overhead and subsidize services provided to other communities. It is projected that within the next 10 years, this surplus from Atherton residents will grow to as much as \$20.9 million per year.

Options that the Town is considering include detachment from the Fire District prompting a redistribution of the property tax allocations and allowing the Town to contract directly for the provision of fire services at a fee more in line with expected costs; and/or a State legislative measure to redistribute property taxes allocations set under Proposition 13 and AB 8.

### Details

Assessed value for property is set by the County Assessor’s Office. Property owners pay 1% of the assessed value of their property to basic property taxes. The various service agencies in the County receive a portion of that 1% base property tax based on an allocation established under Proposition 13 and AB 8; and this is enhanced by parcel taxes and other bond issuances. Taxing agencies include: county government, the schools, mosquito abatement, sewer, library, the Fire District, the Town, etc.

The Town receives between 8.6% and 10.6% of that 1%, or as much as 10.6 cents of every dollar of

**Table 1: Revenue from 1% Base Property Tax**

Tax Year	Assessed Value	1% Base Tax	Atherton (8.6% to 10.6%)	MPFPD (13.83% to 15.7%)
2011/12	\$ 6,373,832,577	\$ 63,738,326	\$ 5,481,496 to \$ 6,756,263	\$ 8,815,010 to \$10,006,917
2012/13	\$ 6,949,217,818	\$ 69,492,178	\$ 5,976,327 to \$ 7,366,171	\$ 9,610,768 to \$10,910,272
2013/14	\$ 7,575,935,532	\$ 75,759,355	\$ 6,515,305 to \$ 8,030,492	\$ 10,477,519 to \$11,894,219
2014/15	\$ 8,068,565,397	\$ 80,685,654	\$ 6,938,966 to \$ 8,552,679	\$ 11,158,826 to \$12,667,648
2015/16	\$ 8,791,201,962	\$ 87,912,020	\$ 7,560,434 to \$ 9,318,674	\$ 12,158,232 to \$13,802,187
2016/17	\$ 9,512,555,665	\$ 95,125,557	\$ 8,180,798 to \$ 10,083,309	\$ 13,155,864 to \$14,934,712
2017/18	\$ 10,220,091,841	\$ 102,200,918	\$ 8,789,279 to \$ 10,833,297	\$ 14,134,387 to \$16,045,544
2018/19	\$ 10,941,160,453	\$ 109,411,605	\$ 9,409,398 to \$ 11,597,630	\$ 15,131,625 to \$17,177,622
2019/20	\$ 11,664,530,505	\$ 116,645,305	\$10,031,496 to \$ 12,364,402	\$ 16,132,046 to \$18,313,313
2024/25*	\$ 14,191,684,894	\$ 141,916,849	\$12,204,849 to \$ 15,043,186	\$ 19,627,100 to \$22,280,945
2029/30*	\$ 17,266,354,616	\$ 172,663,546	\$14,849,065 to \$ 18,302,336	\$ 23,879,368 to \$27,108,177

property tax paid to provide basic municipal services to Atherton residents – police, public works, building, planning, administration, finance, and capital infrastructure. The Fire District receives between 13.83% and 15.7% of that 1%, or as much as 15.7 cents of every dollar of property tax to provide basic fire and emergency medical services.

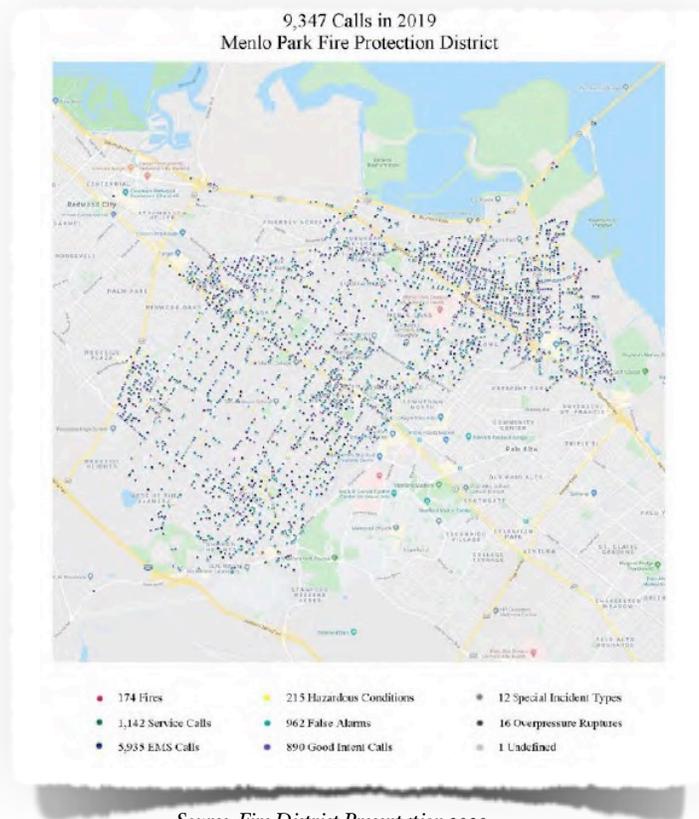
Using Assessed Valuation and tax amounts from the County Assessor’s Office, **Table 1** shows the revenue received based on the assessed value of all properties in Atherton from Tax Year 2011/12 to the current year, Tax Year 2019/20. Over the nine-year period, the Town received \$84.9 million and the Fire District received \$125.8 million – approximately \$41 million more - contributing to a surplus of over \$60 million for the Fire District.

Property tax revenue is expected to continue to grow each year; and, projecting forward at 5 and 10 years, with a 4% per year growth in assessed value\*, **Table 1** shows annual property tax revenue to the Fire District for the provision of basic fire and emergency medical services to the Town is projected to reach at least \$27 million.

Neither the Town, nor the Fire District have the ability to modify the basic property tax amount. Modification of the basic tax amount requires action by the State Legislature to modify the allocations established under Proposition 13 and AB 8. Fire services, like the services provided by the Town, are services often a part of the full services of some jurisdictions, like Palo Alto or Redwood City, or they are provided directly under contract. The Town can opt to *detach* from the Fire District and provide services under contract with another agency (called “detachment”) or if negotiated, back with the Menlo Park Fire Protection District (at a different cost). Detachment will prompt a reallocation of the tax amounts.

The Fire District’s service area covers about 30 square miles and includes the communities of Atherton, Menlo Park, East Palo Alto and some areas of unincorporated San Mateo County. The District service population is around 90,000. The Town has 7,207 residents or 8% of the District’s total population. **Table 2** shows 9,347 calls for service in 2019 for the entire District. The map reflects that the bulk of calls for service go to communities outside of the Town. Service calls to Atherton residents represent approximately **9-10% of the total calls for service (inclusive of false alarm calls, good intent calls, and basic service calls) with the majority of those calls being emergency medical calls, prompting an outside ambulance service.**

**Table 2: Calls for Service in 2019**



Source: Fire District Presentation 2020

In Fiscal Year 2019/20, Atherton residents paid an estimated \$18.3 million in tax revenue to the Fire District. This represents approximately **34% of the District’s revenue of \$54.3 million+ for the year.** That’s significant given that Atherton represents only

8% of the District population and 9-10% of the District’s total calls for service. Approximately **90% of District’s calls for service are to areas outside of the Town of Atherton.**

With District participation, the Town conducted a Fire Services Fiscal Review and determined that the cost to provide basic fire and emergency medical services to the Town would be a low of \$4.6 million to a high of \$7.4 million per year. If the Town were to detach, the Town **would not** form its own fire department; rather, the Town intends to contract for services, either with the Fire District or with another neighboring jurisdiction.

Based on the data in **Table 1**, property taxes paid to the Fire District by Atherton residents far exceeds the actual cost to provide fire service. Even more concerning was the fact that the taxes paid appear only to be increasing year after year, in a way that could significantly increase the gap between the taxes paid and the actual cost of service.

A more accurate property tax percentage for fire services would be 8% instead of 15.7%. That means that a property owner in Atherton with an assessed property value of \$7.1 million (the median property value) would pay \$5,680 per year to the Fire District versus the current \$11,147. **Table 3** reflects what is currently paid versus what might be paid based on a few hypothetical assessed valuations, with the difference being distributed to schools and other County services.

**Table 3: Property Taxes at 8% versus 15.7%**

Assessed Property Value	Taxes Paid @ 15.7%	Taxes Paid @ 8%
\$ 3,000,000	\$ 4,710	\$ 2,400
\$ 5,000,000	\$ 7,850	\$ 4,000
\$ 7,000,000	\$ 10,990	\$ 5,600
\$ 10,000,000	\$ 15,700	\$ 8,000
\$ 13,000,000	\$ 20,410	\$ 10,400
\$ 15,000,000	\$ 23,550	\$ 12,000

While the Town cannot change the tax allocated to the Fire District, there are options that can be considered. The Town met with the District in the hopes of identifying collaborative solutions that would allow the District to invest directly in the Town by providing public safety infrastructure to improve congestion, emergency response routes, safe routes to school, etc.

Ultimately, the District declined to work with the Town to address the issue. This forced the Town to move toward a legislative or detachment solution in the hopes of a reallocation of the basic tax amount amongst the current taxing entities.

## Summary

In the end, this is an effort to equalize revenues amongst the taxing entities and reduce the reliance by other agencies on special tax levies or parcel tax assessments. The Town hopes that by doing so, it will reduce the overall long-term tax burden to Atherton residents by providing a more equitable distribution of property taxes.

If the Town detached from the District, the residual taxes collected (the difference between a negotiated cost to provide services and the taxes collected) could be redistributed amongst the existing taxing entities. Each taxing entity would receive its proportional share of the taxes collected and thereby

hopefully reduce the reliance upon additional special taxes and charges – reducing the long-term tax burden on local residents.

To learn more about this issue and provide input, please attend one of the upcoming information sessions. Visit the Town's Fire Services Fiscal Review website for additional information - [www.ci.atherton.ca.us/FireServices](http://www.ci.atherton.ca.us/FireServices).

**Tuesday, March 24**

6:30 pm to 8:30 pm

Pavilion @ Holbrook-Palmer Park

**Wednesday, April 1**

6:30 pm to 8:30 pm

Pavilion @ Holbrook-Palmer Park

At the information sessions, the Town will provide background data and analysis completed as part of the Fire Services Fiscal Review, solicit input and discuss possible next steps. These next steps include further conversation with State legislators about the possibility of a legislative adjustment under Proposition 13 and AB 8 as well as the pursuit of a detachment effort through the Local Agency Formation Commission (LAFCo).

The LAFCo process involves more detailed analysis of the current and potential cost of services, sources of revenue, environmental review, impact on other jurisdictions, and the plan for new services. The LAFCo process requires one or more public hearings as well as the possibility of a protest ballot process and election. There are costs involved with moving forward with detachment. These costs involve the completion of the application and studies required to submit the application to LAFCo. Most of that preliminary analysis has been completed as part of the Town's Fire Services Fiscal Review; but additional work will be necessary. Those costs are not yet determined.

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