



## Item No. 4 Town of Atherton

### **ATHERTON CHANNEL DISTRICT – REGULAR AGENDA**

**TO: HONORABLE MAYOR AND CITY COUNCIL  
GEORGE RODERICKS, CITY MANAGER**

**FROM: ROBERT OVADIA, PUBLIC WORKS DIRECTOR**

**DATE: MAY 4, 2022**

**SUBJECT: ATHERTON CHANNEL DISTRICT OVERVIEW**

#### **RECOMMENDATION**

Receive an overview of the Atherton Channel District.

#### **BACKGROUND**

The Atherton Channel District was formed in **1958** as a subsidiary district of the Town to construct and maintain stormwater collection facilities in areas determined to be in the local stream flood plain. District boundaries include most of the Town, a portion of unincorporated University Heights, and small areas of City of Menlo Park and Town of Woodside (see attached boundary map).

The District is comprised of approximately 2,470 parcels, broken down as follows: 1,354 in Atherton, 1,041 in Menlo Park, 12 in Woodside and 62 unincorporated. Under the direction of the City Council as the policy body, the Town manages the District, performing improvements based on revenues available. District accounting and administrative functions are performed by Town staff and the District receives advances from the Town to finance operations. The financial activities of the District are included in the Atherton Channel District Capital Projects Fund in the Town's basic financial statements.

The District receives a small share of the 1% property tax assessed on each of the parcels within the District Boundaries (~0.176%). The percentage that the District receives from that 1% was *frozen* when Proposition 13 and AB 8 were enacted. The property tax share that the Town receives is not subject to change. The Town's FY 2022/23 operating budget estimates District Revenues at approximately \$97,300. These funds are used for various activities including general maintenance such as debris clearing from the channel, storm drain and inlet cleaning and maintenance, as well as capital projects and mitigation monitoring and reporting.

The San Mateo County Local Agency Formation Commission (LAFCO), prepared a [Municipal Service & Sphere of Influence Review in 2008](#). The review indicated that revenues received by the District are insufficient to fund the full cost of maintenance channel and associated drainage systems, replacement of channel lining, creek bank stability and scour protection or reversal in unlined sections. This was again validated in the Town-wide Drainage Study Update, which recommended improvements totaling over \$41 million, measured in 2014 dollars, **throughout the Town** including improvements within the Atherton Channel District. The Town generally funds all general drainage improvements through the Town Capital Improvement Program, funded primarily with General Fund and Special Parcel Tax Funds (no longer in existence).

As outlined above, the Atherton Channel District was formed in 1958 as a “subsidiary district” of the Town to construct and maintain stormwater collection facilities in areas determined to be in the local stream flood plain. Government Code Section 16271 defines a Subsidiary District as follows:

- (e) “Subsidiary district” means a special district in which the city council of a city has been empowered to act as ex officio members of the board of directors of such district and either:
  - (1) The entire territory of such district is included within the boundaries of a city, or
  - (2) A portion or portions of the territory of such district is included within the boundaries of a city and such portion or portions:
    - (i) Represent 70 percent or more of the area of taxable or assessable land within such district, as shown on the last equalized assessment roll; and
    - (ii) Contains 70 percent or more of the number of registered voters who reside within the district as shown on the voters’ registrar in the office of the county clerk or registrar of voters.

As noted above, only 1,354 of the approximately 2,470 parcels in the District are located within Town boundaries, constituting just under 55%. As such, the current composition of the District exceeds the standards for creation of a new subsidiary district. Thus, expansion of the District boundaries would likely trigger the need to separate the District as its own Special District. Such expansion would also require an affirmative vote by a majority property owners being added into the District and would involve a LAFCO Municipal Services Review and the establishment of an independent Board of Directors for the stand-alone Special District.

There are approximately 2,620 taxable parcels within the town limits. If the remainder of the taxable parcels with the Town were added to the District boundaries, Town parcels would constitute approximately 70% of the parcels within the District. The numbers of parcels within the District and within the Town will likely increase associated with the implementation of SB9 Urban Lot Splits. It is unknown how such splits would affect the percentage makeup or residents vs. non-residents. Though not anticipated to be substantial, the additional lots created within the District, would generate some additional revenue via the property tax assessment on the new parcel.

In 2019, the Town engaged the services of a Special District specialist to provide an overview and presentation on District financing. In a presentation by Tim Suefert, of NBS, to the Council on February 6, 2019, he outlined several funding options to address capital needs of the District,

including Property Related Fees, Special Parcel Tax, and Special Benefit Assessments. A summary of these options is as follows:

- Property Related Fees – Assessment should be based on benefit analysis. Can prove proportionality of benefit to property rather than direct benefit. Would require a 2/3 affirmative vote of property owners.
- Special Parcel Tax – Fee does not need to be benefit based but should use reasonable metrics for establishing the assessment. Requires a 2/3 voter (not property owner) approval.
- Special Benefit Assessment – Assessments must be supported by a detailed engineer's report prepared by a registered professional engineer. The report should include a description of the improvements or services to be financed through the special assessment, the proposed district boundaries, and a description of the special benefit which each parcel receives as a result of the assessment. Requires a public hearing and may be implemented based on a review of protest ballots – Cannot be enacted if 50% + of ballots received protest the assessment.

Also available is the option of a general tax, which may be used for any governmental purpose. Majority voter approval is required for new or increased general taxes. If the Town were to consider adding the entirety of the Town to the District it would likely serve the Town better to consider a General Tax rather than a District expansion and then a District Assessment.

The Town could also consider the dissolution of the District. If dissolved, the District's share of property tax outside Town boundaries would revert to respective jurisdictions with flood control responsibility. The Town remains responsible for the Atherton Channel with or without the District's existence.

### **POLICY FOCUS**

The Council's policy discussion should focus on the purpose of the District.

### **FISCAL IMPACT**

None at this time.

### **GOAL ALIGNMENT**

This Report and its contents are in alignment with the following Council Policy Goals:

- Goal Area A – Maintain Fiscal Responsibility
- Goal Area F – Be Forward-Thinking, Well-Managed, and Well-Planned

### **COMMISSION/COMMITTEE FEEDBACK/REFERRAL**

This item      has or  X  has not been before a Town Committee or Commission.

- \_\_\_ Audit/Finance Committee (meets every other month)
- \_\_\_ Bicycle/Pedestrian Committee (meets as needed)
- \_\_\_ Civic Center Advisory Committee (meets as needed)
- \_\_\_ Environmental Programs Committee (meets every other month)
- \_\_\_ Park and Recreation Committee (meets each month)
- \_\_\_ Planning Commission (meets each month)
- \_\_\_ Rail Committee (meets every other month)
- \_\_\_ Transportation Committee (meets every other month)

## **ATTACHMENTS**

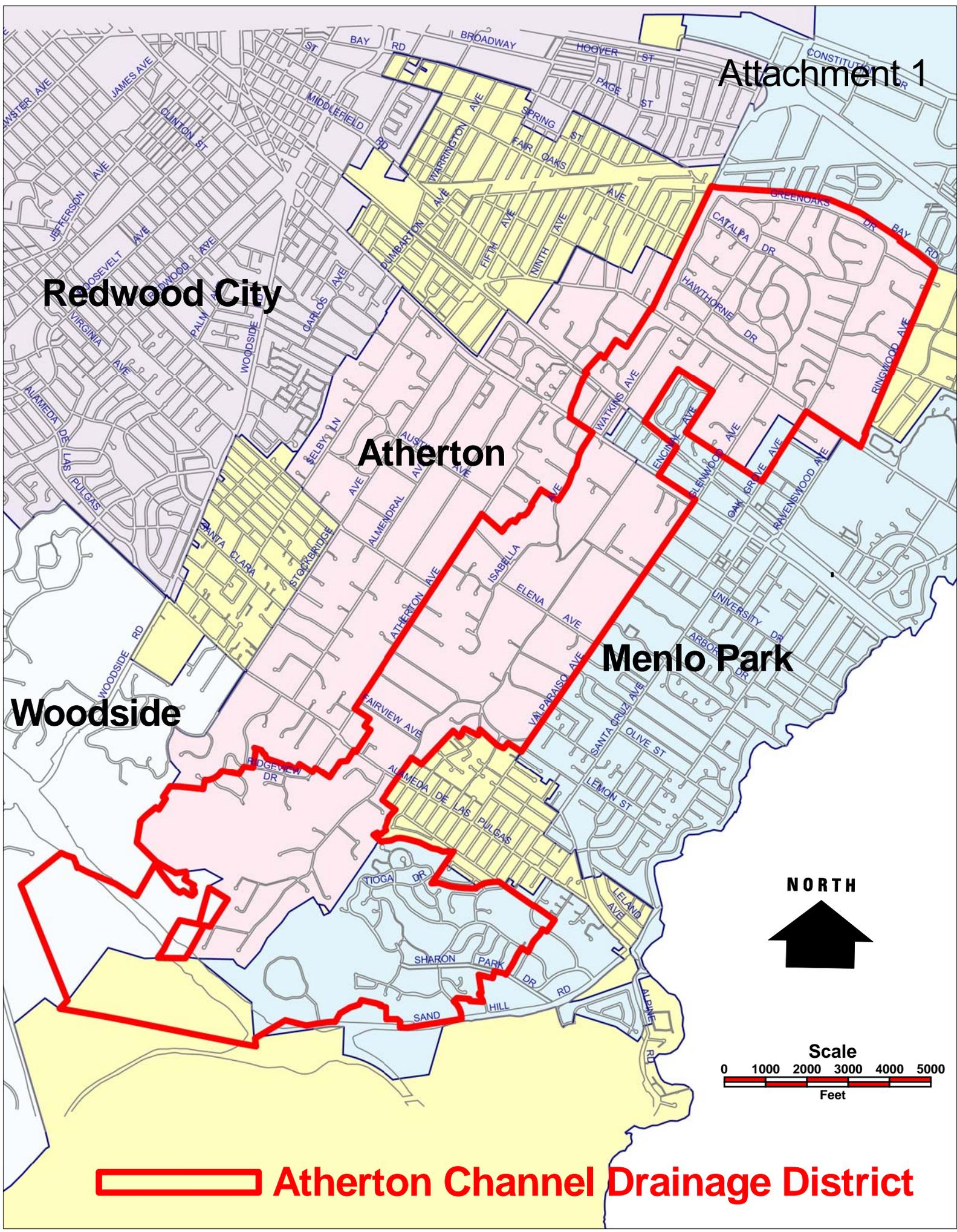
Attachment 1 – Channel District Boundary Map

Weblink: [Atherton Channel District Financing Options – February 2019](#)

- <https://www.ci.atherton.ca.us/DocumentCenter/View/6168/Item-2>

Weblink: [LAFCO Municipal Services Review - 2008](#)

- [https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/2008\\_08\\_13210618\\_20msrathertonfinal73008.pdf](https://lafco.smcgov.org/sites/lafco.smcgov.org/files/documents/files/2008_08_13210618_20msrathertonfinal73008.pdf)



**Redwood City**

**Atherton**

**Menlo Park**

**Woodside**

**Atherton Channel Drainage District**