



## Item No. 1 Town of Atherton

### **CITY COUNCIL STAFF REPORT – ACTION ITEM**

**TO: HONORABLE MAYOR AND CITY COUNCIL**

**FROM: GEORGE RODERICKS, CITY MANAGER**

**DATE: MARCH 4, 2020**

**SUBJECT: REVIEW AND APPROVAL OF THE FIRE SERVICES SPECIAL EDITION  
ATHERTONIAN**

#### **RECOMMENDATION**

Review and approve the Special Edition Athertonian – Fire Services.

#### **BACKGROUND | ANALYSIS**

At the December 18 Regular Meeting, the City Council provided direction to staff for next steps for the Fire Services Fiscal Review:

- Pursuit of further public education and outreach
- Completion of an application before the Local Agency Formation Commission (LAFCO) for possible detachment
- Further conversation with County and/or State legislators

Staff returned at the January 15 Council meeting for direction on the cost of further public education and outreach and advised that staff would return at the March 4 Study Session for direction on the cost of the application before LAFCO.

Council directed that staff prepare a 4-page Special Edition Athertonian Newsletter for distribution (to be reviewed by the Subcommittee and approved by the Council before release); and schedule 1 or 2 community information meetings. Staff prepared a draft for review by the Council at the February 19 meeting. The Council provided feedback on the draft and directed that staff work further with the Subcommittee to refine the draft, returning it on March 4 for approval before release.

Attached is the revised *draft* of the Special Edition Athertonian Newsletter. Community information meetings are scheduled for Tuesday, March 24 and Wednesday, April 1.

The Special Edition Athertonian focuses on the tax revenue provided to the District by Atherton residents; the calls for service from Atherton to the District; the true cost of basic fire services; and the difference between the cost of service and the revenue provided.

The newsletter also advises that at the information sessions, the Town will provide background data and analysis completed as part of the Fire Services Fiscal Review and will discuss the process for next steps. These next steps include further conversation with State legislators about the possibility of a legislative adjustment under Proposition 13 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. The newsletter notes that there are costs involved with moving forward with detachment but that those costs are not yet known.

### **POLICY FOCUS**

The Council is considering release of a public education newsletter designed to provide the public with data related to an upcoming policy decision of the City Council. Discussion of what should be included in the newsletter should be discussed.

### **FISCAL IMPACT**

None at this time.

### **PUBLIC NOTICE**

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town’s electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town’s electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.

### **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**

1. Draft Athertonian Newsletter



# ATHERTONIAN

## Review of 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. The cost to provide basic fire and emergency medical services to the Town of Atherton 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.

The Town is seeking to have the excess property tax revenue redistributed to other taxing agencies in order to reduce reliance by those agencies on potential additional bonds and taxes. As such, 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.

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 under Proposition 13.

### Details

Property owners in Atherton contribute 1% of their property’s assessed value 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 enhanced by parcel taxes and other bond issuances. These agencies include: county government, the

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

Tax Year	Assessed Value	1% Base Tax	Atherton (10.6%)	MPFPD (15.7%)
2011/12	\$ 6,373,832,577	\$ 63,738,326	\$ 6,756,263	\$ 10,006,917
2012/13	\$ 6,949,217,818	\$ 69,492,178	\$ 7,366,171	\$ 10,910,272
2013/14	\$ 7,575,935,532	\$ 75,759,355	\$ 8,030,492	\$ 11,894,219
2014/15	\$ 8,068,565,397	\$ 80,685,654	\$ 8,552,679	\$ 12,667,648
2015/16	\$ 8,791,201,962	\$ 87,912,020	\$ 9,318,674	\$ 13,802,187
2016/17	\$ 9,512,555,665	\$ 95,125,557	\$ 10,083,309	\$ 14,934,712
2017/18	\$ 10,220,091,841	\$ 102,200,918	\$ 10,833,297	\$ 16,045,544
2018/19	\$ 10,941,160,453	\$ 109,411,605	\$ 11,597,630	\$ 17,177,622
2019/20	\$ 11,664,530,505	\$ 116,645,305	\$ 12,364,402	\$ 18,313,313
2024/25*	\$ 14,191,684,894	\$ 141,916,849	\$ 15,043,186	\$ 22,280,945
2029/30*	\$ 17,266,354,616	\$ 172,663,546	\$ 18,302,336	\$ 27,108,177

\*ERAF Included

schools, mosquito abatement, sewer, library, the Fire District, the Town, etc. The Town receives approximately 10.6% of that 1%, or 10.6 cents of every dollar of 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 approximately 15.7% of that 1%, or 15.7 cents of every dollar of property tax to provide basic fire and emergency medical services.

**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.

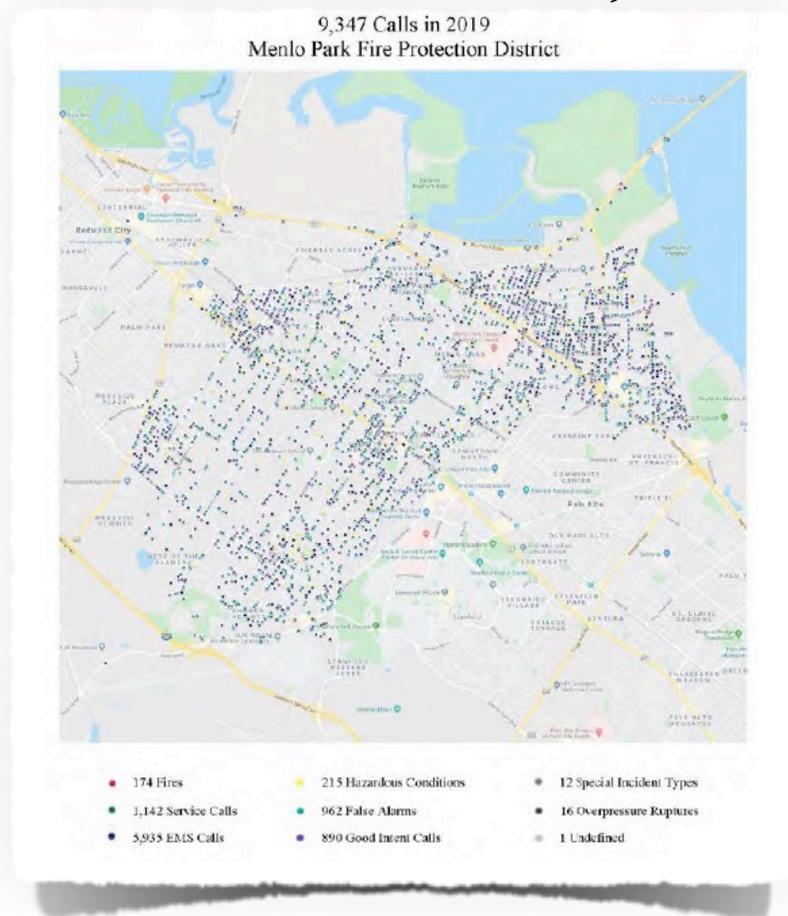
Property tax revenue is expected to continue to grow each year; and, projecting forward at 5 and 10 years, with a 4% per year growth in assessed value, tax revenue to the Fire District for the provision of basic fire and emergency medical services to the Town is projected at \$27 million.

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 allocation under Proposition 13. 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 District (at a different cost). Detachment prompts 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 (inclusive of ERAF). 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**.

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. 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 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) would 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 the Town's next steps, 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 and will discuss the process for next steps. These next steps include further conversation with State legislators about the possibility of a legislative adjustment under Proposition 13 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.

---

**PRESORTED  
STANDARD U.S.  
POSTAGE PAID  
MENLO PARK, CA  
PERMIT NO. 26**

**Atherton Resident  
Atherton, CA 94027**