



Item No. 21 Town of Atherton

CITY COUNCIL STAFF REPORT – REGULAR AGENDA

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GEORGE RODERICKS, CITY MANAGER

DATE: JANUARY 17, 2018

SUBJECT: FIRE SERVICES FISCAL REVIEW – PROVIDE REVIEW, FEEDBACK AND DIRECTION ON NEXT STEPS

RECOMMENDATION

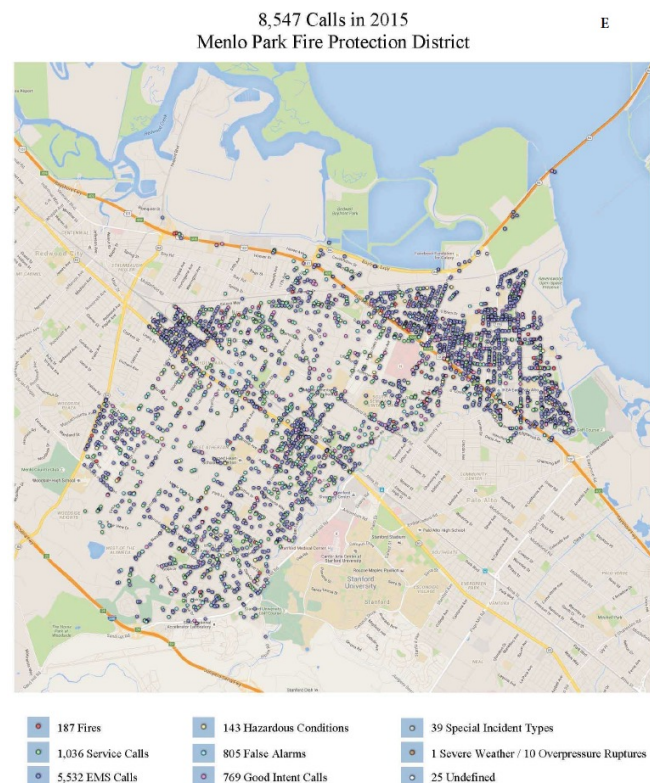
Review the Fire Services Fiscal Review (“Study”) and provide feedback to staff and direction on next steps.

BACKGROUND

In October 2016, the City Council authorized the release of a Scope of Work to conduct a Fire Services Fiscal Review.

The effort first began in Fiscal Year 2013/14 when the Town sought out data for its Local Municipal Services webpage. The Local Municipal Services webpage is designed to inform residents about the various services and service providers they use as residents of the Town. When preparing the webpage, an issue arose related to the property tax revenue received by the Fire District from Atherton residents. It was thought that perhaps revenues could have outpaced the cost to provide fire services to the community.

The District’s 2016/17 Budget reflected 8,547 Calls for Service in 2015 (pin map to the right). The pin map from the District’s budget reflected that the bulk of calls for service from the Fire District are provided to areas outside of the Town of Atherton.



After publishing the local municipal services webpage, the Town sought separately to clarify the data with the Fire District and asked the District for more detail. Over the intervening time, there was correspondence back-and-forth via email and ultimately, a formal request for data and a formal response from the District advising the Town that "...the District has neither legal obligation nor any present intention to participate in the Town's study."

As part of the District's response, the District had recently updated an analysis of their property tax revenue from the various jurisdictions within their District. The District had their consultant, Muni-Services, extract the data for tax rate areas within Atherton. That Report provided in summary that the District receives \$11.8 million a year in property tax revenue from the residents of the Town of Atherton (after ERAF). The Report also identified that Atherton was responsible for 31.7% of the District's total property tax revenue - the County making up 15.6%, Menlo Park 47.1% and East Palo Alto, 5.6%. While the Town made up 31.7% of the District's revenue, Atherton residents make up 8% of the District's population of 90,000 and potentially a lesser amount of calls for service as shown in the map above.

The Council wanted to know with more specificity, what the costs were to provide services to Atherton residents. In response to this question, the District advised that they did not collect data in that way and were unable to provide a detailed answer. Acknowledging that response, but still seeking an answer to the query, the Council directed that staff put together a Scope of Work to get at the data they were seeking. The District advised that while they would not be actively participating in the Study itself, they would continue to provide whatever information they had available via their website.

The Town initiated its Study using the services of Matrix Consulting. The purpose of the Study was to answer three questions:

- 1. What revenue does the Menlo Park Fire Protection District receive from property taxes from Atherton residents?*
- 2. What are the actual costs for services (direct and indirect) received by Atherton residents?*
- 3. What would the cost of services be if the Town itself were responsible for providing fire protection services via its own municipal department or the potential contract for services?*

ANALYSIS

The Menlo Park Fire Protection District provides Fire Services to the Town of Atherton. The District's area of jurisdiction covers approximately 30 square miles and includes the communities of Atherton, Menlo Park, East Palo Alto and some areas of unincorporated San Mateo County. The District estimates their population to be around 90,000. Assuming that population estimate is correct, the unincorporated County area population in the table below reflects the difference between the 90,000 population and the known populations of the three incorporated communities.

Attached is the complete Study, a copy of a proposed letter to Atherton residents, and a 2-page Executive Summary answering the three basic questions.

1) What Revenue Does the District Receive From Property Taxes from Atherton Residents?

In Fiscal Year 2015/16, the District received an estimated \$37.26 million in total tax revenue. Of that total, Atherton residents contributed \$11.81 million or approximately 31.7%. Atherton’s population represents 8% of the District’s 90,000 total population estimate. The land uses within Atherton are 99% residential, with limited exception being schools and the Menlo Park Circus Club. Atherton does not have commercial or multi-family land use.

Menlo Park Fire Protection District Revenue			
Jurisdiction	Population	Property Tax Revenue	%
Atherton	7,207 - (8%)	\$11,812,734	31.7%
East Palo Alto	29,684 - (33%)	\$2,082,850	5.6%
Menlo Park	33,888 – (38%)	\$17,547,987	47.1%
Unincorporated County	19,221 – (21%)	\$5,817,192	15.6%
	90,000	\$37,260,763	100%

For comparison, the 2015/16 budgets for each of the incorporated communities served by the District for basic property tax revenue:

Jurisdiction Revenue			
Jurisdiction	Population	Property Tax Revenue	Total General Fund Revenues
Atherton	7,207	\$7,547,888	\$12,959,218
East Palo Alto	29,684	\$9,540,000	\$19,772,560
Menlo Park	33,888	\$17,263,249	\$50,043,413
		\$34,351,137	

Revenue to the District shown above is Fiscal Year 2015/16. Revenue projections for FY 2017/18, based on a recent property tax study from HdL Consultants, reflect estimated property tax revenue from Atherton residents of \$13,653,178 to the Fire District, as compared to \$8,513,388 to the Town.

2) What are the actual costs for services (direct and indirect) received by Atherton residents?

Although the District does not track or maintain records specific to individual jurisdictions they serve (rather to the District as a whole), computer-aided dispatch (CAD) records reflect service delivery by geo-location. CAD records show that Atherton accounted for 9.6% of the time spent on emergency calls in calendar year 2016. That factor was used in most areas of the District’s operational budget to determine the amount of effort required to provide services to the Town. Using the allocation where appropriate and actual costs where known, the following table reflects the Atherton allocation of costs to provide services using the Fiscal Year 2016/17 District Budget.

	FY 2016/17 Budget	Atherton Capital Investment Costs	Atherton Operating Costs	Total Costs
Admin & Support	\$14,696,305	\$530,772	\$1,167,721	\$1,698,493
Fire Suppression	\$30,369,025	\$18,723	\$2,896,704	\$2,915,427
	\$48,515,430	\$549,494	\$4,065,424	\$4,613,920

3) *What would the cost of services be if the Town itself were responsible for providing fire protection services via its own municipal department or the potential contract for services?*

The options for providing services independent of the District include formation of a stand-alone fire department within the Town and contracting for services with another entity. In either instance, the Town would continue to be a part of mutual aid and response programs such that fire service agencies respond across jurisdictional boundaries where necessary. This would not represent any change to current practice.

The consultant extrapolated the start-up costs and annual operational needs associated with a stand-alone fire department and used a current contract model in existence between Redwood City and San Carlos to assess the potential cost of contract for services.

- Potential Start-up Cost for a Stand-Alone Department - \$14.2 million
- Annual Operating Cost for a Stand-Alone Municipal Department - \$6.8 million
- Annual Contract Cost for a Contract-Services Model - \$7.4 million

Matrix Consulting is present to provide a PowerPoint presentation of the preceding in greater detail and is prepared to answer any questions the Council may have on the issue.

Next Steps

There are a wide range of options and next steps available to the Town, to include the possibility of having the consultant complete Task 4, to answer the query “if Atherton taxpayers want to address any issues raised in the Study, how would they do so and what are the processes for doing so?”

However, before considering any next steps, staff recommends that the Council schedule an opportunity for further public discussion at the February 21 City Council meeting. In preparation for a February 21 Discussion Item, staff recommends that a Letter and Executive Summary (attached) be sent to all residents and that the Study be placed on the Town’s website Fire Services Fiscal Review webpage.

POLICY FOCUS

The discussion of this issue has been a policy discussion for the City Council since Fiscal Year 2013/14 with the implementation of the Local Municipal Services webpage.

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.

ATTACHMENT

Letter to Atherton Residents
2-Page Executive Summary
Matrix PowerPoint Presentation
Matrix Study