



May 19, 2014 (Corrected page 3)

To: Honorable Members, North Fair Oaks Community Council

From: Martha Poyatos, Executive Officer

Subject: North Fair Oaks Community Council Recommendations for allocation of County Service Area Number 8 surplus fund balance.

Summary

LAFCo has been asked to identify issues and process related to the various North Fair Oaks Community Council (NFOCC) recommendations regarding allocation of the County Service Area 8 (CSA 8) Surplus Fund Balance. The following provides brief background on LAFCo and CSA 8, factors to be considered in expenditure of CSA 8 fund balance that is generated in a portion of CSA 8 and LAFCo process if it is determined that the Board of Supervisors determines new services should be undertaken by CSA 8.

Background on LAFCo and CSA 8:

LAFCo

LAFCo or Local Agency Formation Commission is an independent Commission that exists in each County of the State to promote logical boundaries and efficient delivery of municipal services. LAFCo regulates the boundaries of cities and special districts, adopts sphere of influence or plans for city and district boundaries and has reviews applications for annexation to cities or districts and activation of new service by special districts. Commissioner membership includes two county supervisors, two city council members, two special districts members and one public member. There is an alternate member for each type of membership on LAFCo. The Commission contracts with the County of San Mateo for staffing, legal services and office space. The Commission adopts an annual budget which is funded in thirds by the County, the 20 cities in the county and 22 independent special districts.

County Service Area 8 (CSA 8)

CSA 8 is a special district governed by the Board of Supervisors and operated by the San Mateo County Department of Public works. A county service area is authorized to provide a broad set of municipal services including fire protection, garbage collection, graffiti abatement, recreation, street lights, storm drains, etc. (Please see attached table of active versus inactive

CSA 8 Services) Note that activation of a new service requires that the Board of Supervisors apply to LAFCo for approval

County Service Area 8 was formed in 1972 upon dissolution of the Dumbarton Fire Protection District that served the portion of North Fair Oaks northeast of the Southern Pacific tracks. Formation of CSA 8 was pursued in order to contract for fire protection from nearby Redwood City Station 11 because the railroad tracks operated as an active freight line creating access problems for fire response from Menlo Park Fire Protection District Station 5 located southwest of the tracks. In 1978, Proposition 13 was approved by California voters and resulted in limiting property tax to 1% of assessed value and redistributed property tax. This resulted in CSA 8 receiving a share of the 1% property tax within original formation boundaries. In 1984, the balance of North Fair Oaks was annexed to CSA No. 8 in order to provide coordinated garbage collection service for the entire North Fair Oaks Community following the closure of the South County Garbage and Refuse District land fill at the end of Marsh Road. Regular garbage collection service is provided by the CSA 8 and garbage collection fees are assessed on tax bills. CSA 8 does not receive property tax revenue in the area annexed in 1984 because this area is already in Menlo Park Fire Protection District and it is an enterprise activity for which the District charges a fee for service. In short, only the original territory east of the Southern Pacific tracks generates property tax for CSA 8 and the original purpose was fire protection. This area is identified as the "fire zone."

In 1997, the Board of Supervisors, as governing body of the District adopted a resolution expanding the powers of CSA 8 to include the broad set of services permitted under County Service Area law.¹ Since that time District property revenues have funded graffiti abatement, joint operation with Redwood City of the Fair Oaks Community Center, community policing by the Sheriff in the entire area of the District and funding of a Sheriff substation on Middlefield Road and contribution to Garfield School Playground Maintenance. Since 1997, LAFCo law changed requiring special districts to apply to LAFCo to activate inactive services. See discussion below regarding the application process.

Allocation of fund balance generated by fire zone area:

County service areas are permitted to establish zones of service and maintain accounting that reflects revenues and expenditures in each zone. In the case of CSA 8, property tax revenue is collected in the fire zone and accounted for in both revenues and expenditures. The CSA 8 fund balance for the Fire Zone is the product of property tax revenues received in the Fire Zone.² *As presented in the attached table, the FY 2012-13 Annual Revenues for the Fire Zone were*

¹ County Service Areas are permitted to provide the general set of municipal services provided by cities. These include but are not limited to fire & police protection, park and recreation, road maintenance, flood control, sewer and water.

² The fund balance also reflects refunds from the Educational Revenue Augmentation Fund (ERAF). These refunds vary from year to year and the County treats only one-half of ERAF refunds as ongoing because of its volatility.

\$782,399 and annual expenditures were \$844,697, requiring a drawdown of (\$62,298) on the fund balance of \$3.2 million. Annual revenue for Garbage and Recycling Collection was \$1,314,098 and expenditures were \$1,564,805, also resulting in a drawdown of (\$250,706.50) on the fund balance of \$839,303. Prior to allocating any funding from the fund balance/reserve, the Department of Public Works should be consulted on what portion of the Fire Zone fund balance can prudently be considered surplus.

Some of the services added by the Board of Supervisors and funded by fire zone property tax relate to facilities or services outside of the fire zone that either directly or indirectly benefit inhabitants of the fire zone. If recommendations below do not directly or indirectly benefit inhabitants of the fire zone, consideration could be given to allocation of a proportional share of the fund balance from the fire zone and a matching contribution from another source for the area outside the fire zone. Additionally, pursuant to County policy, use of fund balance should be used for one-time expenditures versus ongoing programs. Equally important, if the project to be funded will require ongoing maintenance, additional funding sources should be identified for future maintenance.

LAFCo comments on specific NFOCC recommendations on allocation of CSA 8 fund balance are shown in bold italic below:

1. FUND A COMMUNITY EDUCATION PUBLIC AWARENESS CAMPAIGN TO IMPROVE PASSIVE STORMWATER DRAINAGE MEASURES

If CSA 8 is to spend funding on storm drain, the Board of Supervisors as governing body must apply to LAFCo for activation of latent powers of storm water collection. This would include an application and plan for providing service including what service would be provided and how it would be funded. Consideration should include a proportional funding formula that would leverage fire zone funds with funds from another source to fund the share outside the fire zone.

Recommendation: \$100,000

- Partner with San Mateo County Public Works to identify resources and supplement existing programs
- Establish plan and time line and implement pilot program

2. FUND A COMMUNITY EDUCATION PUBLIC AWARENESS CAMPAIGN TO ADDRESS STORM DRAIN ISSUES AND COMPLIANCE (Same as above)

Recommendation: \$100,000

- Partner with San Mateo County Public Works to identify resources and potential nonprofit consultants
- Establish plan and time line and implement pilot program

Please see comments in 1) above.

3. FUND INNER NEIGHBORHOOD STREET TREE AND MINI PARK BEAUTIFICATION PROJECT

Recommendation: \$100,000

- Partner with Planning (NFO Plan) and Public Works (Street Improvements) to identify resources, target locations and coordinate neighborhood tree plantings in County street easements and planned mini parks
- Partner with County Parks and Recreation and neighborhood groups to help support and maintain mini and pocket parks throughout NFO
-

LAFCo has determined this is an active service. LAFCo recommends a proportional funding formula to reflect source of CSA 8 revenue and benefit to fire zone inhabitants. LAFCo also notes County policy restricting use of fund balance for one-time projects and identification of an on-going funding source for maintenance. It is also recommended that the benefits of parks and street trees be weighed against competing needs such as annual flooding in some areas of NFO identified in the Fair Oaks Plan.

4. FUND EDUCATIONAL OUTREACH CAMPAIGN REGARDING ILLEGAL DUMPING

Recommendation: \$100,000

- Support Illegal Dumping Committee recommendations to raise awareness to prevent illegal dumping and littering

LAFCo defers to the Department of Public Works on whether this District-wide program should be funded adjusting garbage rates.

5. REALLOCATION OF FUNDS USED FOR ANNUAL NORTH FAIR OAKS MIDDLEFIELD ROAD FAIR

- Not a priority program in the overall picture to improve North Fair Oaks
- Reallocate the approximately \$20,000 budgeted from CSA-8 for this fair to support the community outreach work of the North Fair Oaks Community Council

No LAFCo comments

Process for application of a new service:

1. Board of Supervisors as governing body of CSA 8 adopts Resolution of Application, Completed Application and Plan for Providing Service
 - a) Plan for providing service shall include total estimated cost to provide new or different service, estimated cost to customers, identification of existing providers, if any, the type of new or different service to be provided, potential impact to customers of existing providers, a plan for financing the services, alternatives to establishing new service,
2. Upon receipt of application and fees, LAFCo processes application and circulates application for comment to affected agencies and County departments. The Executive Officer prepares a report and recommendation to the Commission.
3. LAFCo considers application and Executive Officer's report at a noticed public hearing.
4. LAFCo may approve, without or without modifications or conditions, continue or deny. The hearing may be continued for no more than 70 days.

Section 56824.14 states that: The commission shall not approve an application for new services unless the commission determines that the district will have sufficient revenues to provide the new service. Approval of the new service by the Commission shall not be subject to an election unless the principal act of the district requires an election. County service area law does not require an election.

In this regard, LAFCo consideration should be given to the funding source from the fire zone and nexus to any allocation of these funds for facilities or services outside of the fire zone.

5. If approved, LAFCo sends the resolution approving provision of new service to Clerk of the Board.

North Fair Oaks Council
Allocation of CSA 8 Surplus Fund Balance
May 19, 2014

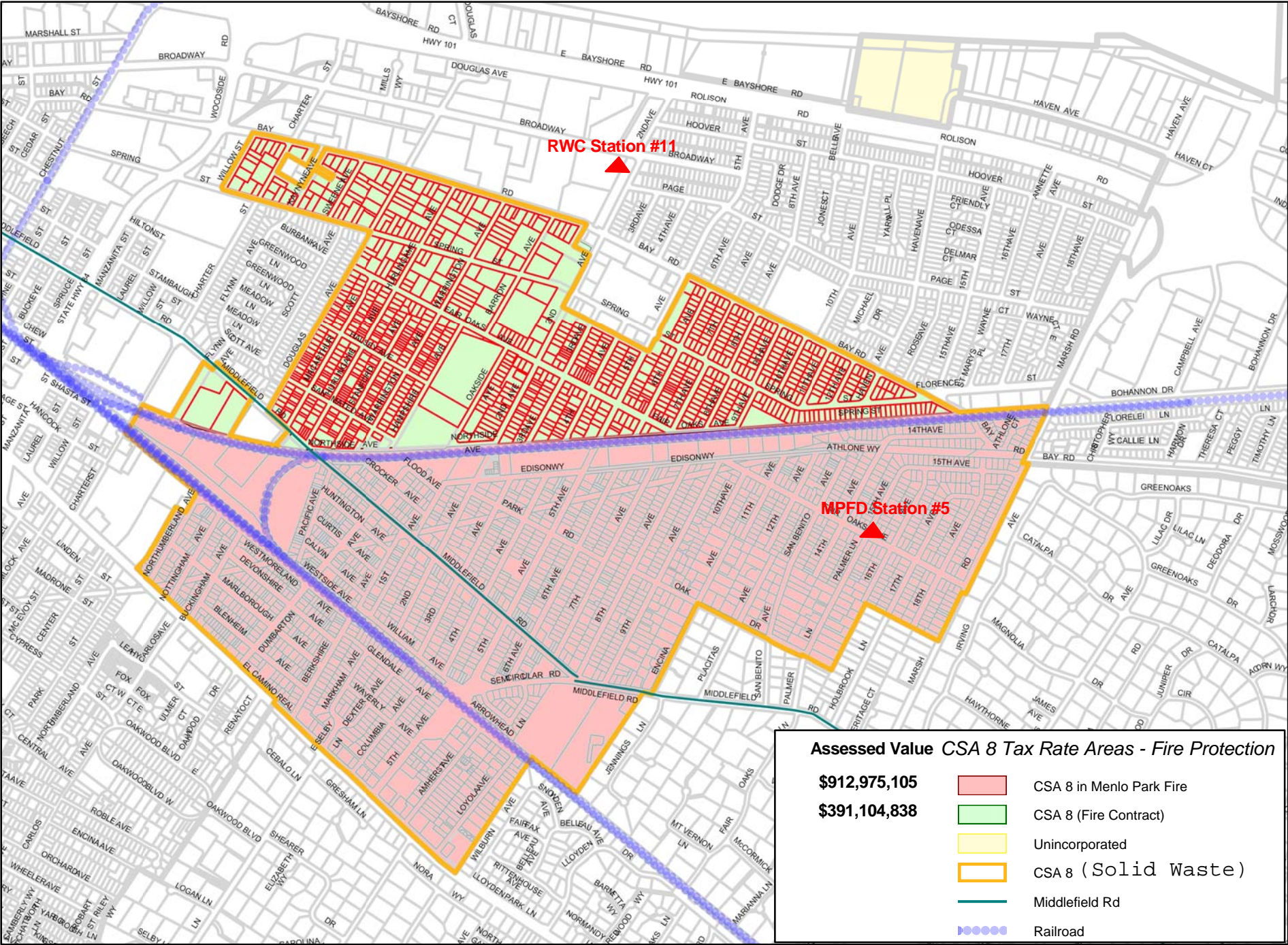
California Environmental Quality Act (CEQA):

Addition of a new service may be determined to be exempt from CEQA. However, individual projects, in particular road or storm drain improvements could require environmental review.

I will be prepared to respond to questions at your Council Meeting on May 22, 2014.

cc: Supervisor Warren Slocum
John Maltbie, County Manager
Peggy Jensen, Deputy County Manager
Jim Porter, SMC Public Works Director
Ann Stillman, SMC Deputy Public Works Director

North Fair Oaks



Assessed Value CSA 8 Tax Rate Areas - Fire Protection

- \$912,975,105** CSA 8 in Menlo Park Fire
- \$391,104,838** CSA 8 (Fire Contract)
- Unincorporated
- CSA 8 (Solid Waste)
- Middlefield Rd
- Railroad

County Service Area No. 8

North Fair Oaks Area

Fiscal Summary By Accounts

	08/09 Actuals		09/10 Actuals		10/11 Actuals		11/12 Actuals		12/13 Actuals	
	All Other, incl Fire Protection	Garbage & Recycling Collection	All Other, incl Fire Protection	Garbage & Recycling Collection	All Other, incl Fire Protection	Garbage & Recycling Collection	All Other, incl Fire Protection	Garbage & Recycling Collection	All Other, incl Fire Protection	Garbage & Recycling Collection
Beginning Fund Balance Distributed Fire/Garbage	2,802,406.20	370,778.13	2,824,173.32	411,344.44	3,106,190.25	452,993.95	3,324,177.02	725,659.18	3,296,269.65	839,303.21
Revenue										
Property & Other Taxes	838,635.00		759,253.00		746,326.00		743,892.00		754,713.00	
Garbage/Recyclables Collection User Charges		961,731.00		1,022,072.00		1,082,569.00		1,170,210.00		1,170,607.00
Franchise Fees		60,524.00		68,999.00		99,211.00		116,388.00		115,461.00
Interest (Prorated)	-86,233.16	-11,986.84	27,109.75	3,992.25	34,259.42	6,279.58	31,817.00	7,521.00	23,035.14	5,036.86
Reimbursement from Ox		21,225.00		0.00		250.00		7,651.00		3,826.00
Inter Governmental Rev	5,411.00		4,876.00		4,907.00		4,814.00		4,651.00	
Misc Revenue			61,000.00	0.00		0.00		14,273.00		19,168.00
Current Year Revenue By Account	757,812.84	1,031,493.16	852,238.75	1,095,063.25	785,492.42	1,188,309.58	780,523.00	1,316,043.00	782,399.14	1,314,098.86
Total Revenue by Account	3,560,219.04	1,402,271.29	3,676,412.07	1,506,407.69	3,891,682.67	1,641,303.53	4,104,700.02	2,041,702.18	4,078,668.79	2,153,402.07
Total Sources for Org 48467 (Revenue + Fund Balance)	4,962,490.33		5,182,819.76		5,532,986.20		6,146,402.20		6,232,070.86	
Expenditures as shown in CAMS	WA#									
Fire Protection	CF001	256,999.00		275,544.87		218,422.09		258,385.96		266,340.90
Garbage/Recycling	CF002		962,584.43		1,034,346.37		818,437.54		1,144,963.01	1,493,746.54
Recreation Services	CF003									
Drafting Services	CF004									
Plan Review	CF005									
Community Policing	CF006	198,500.00		198,500.00		198,500.00		198,500.00		198,500.00
Taft School Playgrnd Reconstruct	CF007									
Taft School Playgrnd Utilities	CF008									
Garfield School Playgrnd Maint/Util	CF009	31,391.00		29,969.50		32,694.00		32,694.00		36,527.54
Drainage Improvement	CF010									
Fair Oaks School Landscaping	CF011									
Middlefield Rd Street Fair Signs	CF012	3,394.48		4,180.60		5,467.05		4,127.54		2,909.70
Festival Cultural de la Middlefield	CF013	15,000.00		15,000.00		0.00		0.00		0.00
TEWCI Grant-Armistad/Friendship Park	CF014									
Landscaping-Middlefield Road	CF015	403.61		575.35		174.00		616.19		0.00
Middlefield Road-Bollards, Tree Guards Bike Rack	CF016									
Garfield Sch-Sports Field Reconstruction	CF017									
Fair Oaks School - AC Walkway	CF018									
Rate Structure & Billing Procedure Stdy	CF019		27,345.53		15,753.37		54,040.29		22,977.19	27,372.66
Fair Oaks Community Center	CF020	96,000.00		35,000.00		96,605.00		287,369.00		287,369.00
NFO - Graffiti Abatement	CF021	123,330.63		10,389.00		12,929.22		26,339.18		53,050.40
Illegal dumping removal	CF022		4,529.00		0.00		25,518.82		28,893.00	28,358.58
NFO cleanup	CF023	0.00		0.00		0.00		0.00		0.00
NFO scholarships	CF024	18,526.00		0.00		0.00		0.00		0.00
Prop 218, Outreach, Waste Reduction Events	CF025		3,967.89		2,251.50		14,933.41		5,167.27	15,327.58
CSA8 AWIN Balancing Account	CF026		0.00		0.00		0.00		0.00	0.00
IFAS Adjustment/5000/6000	CF026	-7,500.00	-7,500.00	1,062.50	1,062.50	2,714.29	2,714.29	398.50	398.50	0.00
Total Expenditures for Each Account		736,044.72	990,926.85	570,221.82	1,053,413.74	567,505.65	915,644.35	808,430.37	1,202,398.97	844,697.54
Combined 48467 Garbage and Fire Expenditures		1,726,971.57		1,623,635.56		1,483,150.00		2,010,829.34		2,409,502.90
Net Income By Account Revenue-Expenditures		21,768.12	40,566.31	282,016.93	41,649.51	217,986.77	272,665.23	-27,907.37	113,644.03	-62,298.40
Ending Account Balance Distributed Fire/Garbage		2,824,173.32	411,344.44	3,106,190.25	452,993.95	3,324,177.02	725,659.18	3,296,269.65	839,303.21	3,233,971.25