



# COMMUNITY SERVICES DEPARTMENT

Parks and Recreation Commission Meeting Date: March 26, 2014

Agenda Item #: C1

**PLEASE CHOOSE ONE**

**Review and provide general direction on the City's Non-Resident Fee Policy as it relates to unincorporated areas of Menlo Park**

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## RECOMMENDATION

Staff recommends that the Parks and Recreation Commission provide general feedback and direction on the City's non-resident fee policy, as it relates to residents in unincorporated areas of Menlo Park for the purpose of fee collection.

## BACKGROUND

The City Council recently received an email from a resident of unincorporated Menlo Park regarding the 35% surcharge added to Community Services program fees for non residents. Since these fees and the non-resident fee policy were set by Council, this question has been referred to the Park and Recreation Commission for review.

There are currently four unincorporated areas adjacent to the City of Menlo Park that include Stanford Weekend Acres along Alpine Road, West Menlo Park along the Alameda, Menlo Oaks between Middlefield and Bay and North Fair Oaks between Marsh and Fifth Avenue. Since its incorporation in 1927, the City of Menlo Park has gone through as many as seventy-two (72) annexations; the last was off of Santa Cruz Ave and Sand Hill Road back in 2000. The process of annexation by a City is quite a lengthy process and is typically initiated by resident petition to the City when an unincorporated area wishes to include their development in the City's service area and requires an extensive review process by the City and County. Areas adjacent to a City which remain unincorporated are those where residents have not taken the necessary steps to incorporate in the City's service area. The households in the unincorporated areas of Menlo Park have a City of Menlo Park address and zip code, but do not pay City property taxes. It is important to note that if the area of North Fair Oaks was annexed it would become incorporated into the City of Redwood City as it is not contiguous with Menlo Park city limits ([Attachment A](#)). There has historically been a disincentive for residents in unincorporated areas of cities like Menlo Park to want to incorporate. Prior to the issuance of Proposition 13 in the late 1970s, property taxes were much higher in incorporated areas of the City compared to that of the County. This served as a financial disincentive for residents to want to take on the added tax burden. In addition, unincorporated areas did not have to abide by the City's zoning ordinances, land use regulations and other City ordinances such as overnight parking restrictions,

etc. Also, in the late 1970s, small pockets of unincorporated area could be annexed by the City and did not require voter approval as with larger areas.

The City of Menlo Park receives approximately 12 cents on every property tax dollar paid by a City resident, or 12% of a resident property tax bill for those properties in the City limits. Those tax dollars go directly into the City's General Fund Revenues and pay for City services. These services include such things as police, roads, street lights, parks, recreation facilities and much more. Just as residents in other municipalities do not contribute to the property tax revenue collected by the City, neither do those in unincorporated areas near Menlo Park, whose property taxes go to support County services.

## **ANALYSIS**

The City's General Fund revenues for FY 2013-14 include 33% from property taxes, 15% from sales tax, 18% from charges for services and the rest from a variety of smaller sources. The City's General Fund helps cover both the direct and indirect costs of providing the many services the City provides. Where charges for services are not possible, General Fund tax dollars pay for the delivery of these services. Even when there are charges for services, as there are with many Community Services programs, the full cost of providing those services does not include all of the overhead, capital spending and depreciation of facilities which is paid for by General Fund tax dollars. In FY 2013-14, the Community Services Department programs and facilities were supported by the General Fund by approximately \$1.6 million dollars, which does not include the capital investment and depreciation of recreation facilities.

The City of Menlo Park, as with many cities, charges a non-resident rate for its programs and services that helps to offset the overhead costs not shared by non-residents for programs, services and facilities. As the cost for delivering services to non-residents is equally to residents in terms of staffing, supplies and the wear-and-tear on facilities, which eventually will need to be replaced, The City Council has previously determined that it would not be in the interest of the City to be the supplier of recreation programs in the region if non-residents are not also contributing to covering the full costs of these services. It has been the position of the City that the General Fund or resident tax dollars, should not subsidize non-residents in the delivery and consumption of City services.

The City passes these costs on to non-residents by way of a non-resident user fee surcharge which varies between programs but is generally 35% of the resident rate. A full list of approved charges for services can be found on the City's Master Fee Schedule ([Attachment B](#)).

Over the past twenty years, the City has made incremental increases to the non-resident fee in order to improve cost-recovery, especially during economic down turns and when the City was facing a fiscal crisis. Also, in 1999, the City did a comparison study of non-resident rates among nine other cities on the Peninsula, resulting in an increase in the non-resident rate from 20% to 25%, placing the City's non-resident fee

within the average range being charged by other cities. The rate was increased to 32% in 2002 and then again in 2004 to 35%, which is where it has remained for the past 10 years. Per the Master Fee Schedule, the non-resident surcharge may be less than or greater than 35%, depending on the particular program and/or circumstances.

In a recent survey of neighboring cities on the Peninsula, which includes Colma, Burlingame, San Mateo, Foster City, San Carlos, Redwood City, Palo Alto, Mountain View and Santa Clara, the non-resident rate averaged between 20% and 50%, with most charging around 25% surcharge. Of the cities surveyed, Colma charged the most to non-residents, which was the actual cost of the program, with Palo Alto second -- upwards of 50% for their non-resident rate. The City of Palo Alto also restricts access to non-residents to some of its public parks. The only City that charged the non-resident fee differently was Foster City, which charges a flat \$10 fee; which, depending on the class fee, could be anywhere from 1% to 90% of the resident rate. Of the Peninsula cities that have adjacent unincorporated areas, some of the cities, like San Carlos, Redwood City and Mountain View, charge those residents the same as their residents as long as they have a city address and zip code since they do not have address data bases that identify unincorporated households with city mailing addresses. Other cities having unincorporated areas, like Colma and San Mateo, do charge those residents the non-resident rate since their systems CAN identify unincorporated addresses with city mailing addresses.

The City of Menlo Park Community Services Department's customer database includes approximately 34,000 customers, some of which are active customers that include adults and children, and some which no longer use our services. In terms of residency versus non-residency: 52% of our customers are Menlo Park residents, 16% are Menlo Park non-residents and 32% are from other cities and are non-residents. Excluding the pools, which are fully operated by an outside contractor, and special events, for which we do not have accurate data in terms of residency, the majority of the non-resident revenue collected comes from the Recreation Services Division. There is an insignificant amount of revenue from Social Services programs and childcare. The revenue collected in the Recreation Services division was \$3,058,250 for FY 2012-13 which means that:

- 52% of revenue collected, or \$1,590,290, came from residents.
- 32% of revenue collected, or \$978,640, came from non-residents in other cities.
- 16% of revenue collected, or \$489,320 came from unincorporated Menlo Park non-residents

Based on these percentages and estimated dollar amounts, the amount of revenue collected as a result of the 35% non-resident fee surcharge (excluding resident fees) is:

- \$253,722 for non-residents in other cities (non-resident surcharge for 32% of revenue).
- \$126,860 for unincorporated Menlo Park non-residents (non-resident surcharge for 16% of revenue).

Staff recommends the Parks and Recreation Commission consider the following questions in their review and discussion of the City's non-resident fee policy and the treatment of residents in unincorporated areas of Menlo Park as non-residents for the purpose of fee collection:

1. Should the City of Menlo Park reconsider charging a surcharge to non-residents for programs and services?
2. Should the City of Menlo Park reconsider how it classifies residents of unincorporated areas of Menlo Park?
3. If the City should reconsider charging a surcharge to non-residents or residents of unincorporated Menlo Park, what other information would the Parks and Recreation Commission want to receive that would assist in making a recommendation to the City Council?

## **IMPACT ON CITY RESOURCES**

The estimated fiscal impact to the City of Menlo Park if it eliminated the non-resident fee surcharge for recreation classes and programs is \$380,582. This is only an estimate and does not include non-resident fee surcharges for Social Services programs, field reservations, picnic rentals and tennis court rentals. For reference, the total budget of the Adults Sports Program is \$310,000. Total budget for the Onetta Harris Community Center is about \$460,000.

## **POLICY ISSUES**

The policy question under consideration is whether or not City of Menlo Park residents should subsidize non-residents for City services, programs and facilities, and if so, to what degree?

## **ENVIRONMENTAL REVIEW**

This report does not require an environmental review.

## **PUBLIC NOTICE**

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

## **ATTACHMENTS**

Agenda Item #: C1

- A. [City of Menlo Park Map and Unincorporated Areas](#)
- B. [City of Menlo Park Master Fees Schedule](#)
- C. Click here to enter text.

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