CITY COUNCIL
SPECIAL AND REGULAR MEETING AGENDA

Tuesday, December 17, 2013
6:00 P.M.
701 Laurel Street, Menlo Park, CA 94025
City Council Chambers

6:00 P.M. CLOSED SESSION (1st floor Council Conference Room, Administration Building)

Public Comment on these items will be taken prior to adjourning to Closed Session

CL1. Closed Session pursuant to Government Code Section §54957 to conference with labor negotiators regarding labor negotiations with the Police Officers Association (POA) and Service Employees International Union (SEIU)

Attendees: Alex McIntyre, City Manager, Starla Jerome-Robinson, Assistant City Manager, Bill McClure, City Attorney, Gina Donnelly, Human Resources Director, and Drew Corbett, Finance Director

7:00 P.M. REGULAR SESSION

ROLL CALL – Carlton, Cline, Keith, Ohtaki, Mueller

PLEDGE OF ALLEGIANCE

REPORT FROM CLOSED SESSION

ANNOUNCEMENTS

SS. STUDY SESSION

SS1. Overview of the proposed General Plan Update and potential direction on the Scope of Work, including the potential for a concurrent M-2 Area Plan (*Staff report #13-209*)

A. PRESENTATIONS AND PROCLAMATIONS

A1. Presentation by Superintendent Gloria Hernandez, Ravenswood School District

A2. Proclamation recognizing the Ravenswood Education Foundation

B. COMMISSION/COMMITTEE VACANCIES, APPOINTMENTS AND REPORTS

B1. Parks & Recreation Commission 2-Year Work Plan Update and Proposed Goals for 2014-2016 Work Plan (*Attachment*)

C. PUBLIC COMMENT #1 (Limited to 30 minutes)

Under “Public Comment #1”, the public may address the Council on any subject not listed on the agenda and items listed under the Consent Calendar. Each speaker may address the Council once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Council cannot act on items not listed on the agenda and, therefore, the Council cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

D. CONSENT CALENDAR

D1. Approve the 2014 City Council meeting schedule (*Attachment*)

D2. Waive reading and approve an Ordinance adopting the 2013 California Building Standards Code and local amendments (*Staff report #13-208*)

D3. Approval of the Annual Report on the status of the Transportation Impact, Storm Drainage, Recreation in Lieu, and Building Construction Road Impact Fees collected as of June 30, 2013, according to Government Code Section 66000 et seq. (*Staff report #13-197*)

D4. Accept the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013 (*Staff report #13-203*)

D5. Adopt a resolution to amend the franchise agreement with Recology San Mateo County for waste collection services and authorize the City Manager to execute the amendment (*Staff report #13-192*)

D6. Adopt a resolution approving the Water Supply Assessment for the Commonwealth Corporate Center Project (*Staff report #13-205*)

D7. Consider the approval of a first amendment to the employment agreement with Alexander D. McIntyre (*Staff Report #13-207*)

E. PUBLIC HEARINGS

E1. Adopt a resolution accepting fiscal year 2013-2014 State Supplemental Local Law Enforcement Grant (COPS Frontline) in the Amount of $100,000; Approve a spending plan and re-allocate $17,627 from fiscal year 2012-2013 unencumbered State Supplemental Local Law Enforcement (SLEF) Grant Funds (*Staff report #13-204*)

F. REGULAR BUSINESS

F1. Request for a loan of $2.5 million from the City's Below Market Rate Housing Fund for a 60-unit Development Park VA Campus (Continued to January 14,2014)

F2. Council appointments to regional boards, commissions and committees (*Staff report #13-206*)

F3. Consider state and federal legislative items, including decisions to support or oppose any such legislation, and items listed under Written Communication or Information Item: **None**

G. CITY MANAGER'S REPORT – None

H. WRITTEN COMMUNICATION – None

I. INFORMATIONAL ITEMS

I1. Belle Have After School Program cost recovery update (*Staff report #13-202*)

J. COUNCILMEMBER REPORTS

K. PUBLIC COMMENT #2 *(Limited to 30 minutes)*

Under "Public Comment #2", the public if unable to address the Council on non-agenda items during Public Comment #1, may do so at this time. Each person is limited to three minutes. Please clearly state your name and address or jurisdiction in which you live.

L. ADJOURNMENT

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At every Special Meeting of the City Council, members of the public have the right to directly address the City Council on any item listed on the agenda at a time designated by the Mayor, either before or during consideration of the item.

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COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-209

Agenda Item #: SS-1

STUDY SESSION: Overview of the Proposed General Plan Update and Potential Direction on the Scope of Work, including the Potential for a Concurrent M-2 Area Plan

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RECOMMENDATION

Staff recommends the Council consider the staff report, presentation and public comment and provide general direction on the scope of work to be considered for the General Plan Update, including the potential for a concurrent M-2 Area Plan.

BACKGROUND

On March 26, 2013, the City Council adopted goals for calendar year 2013. One goal is related to the General Plan and reads as follows:

> ***Initiate work on the update of the General Plan (Council Goal #4):***
> The City's General Plan (specifically the Land Use and Circulation Elements) was last updated in 1994 and includes outdated land use and traffic projections to the year 2010. The City Council has asked staff to put into place a process and related funding to comprehensively update the Plan. The update would focus on the Land Use and Circulation Elements and would include a geographic focus on the M-2 zoning area, plus other areas of the City aside from the El Camino Real and Downtown areas. Topics that will be part of the discussion would include items such as Complete Streets and a Greenhouse Gas Reduction Strategy.

On June 11, 2013, with adoption of the FY2013-2014 Budget, the Council appropriated resources to initiate the General Plan Update. Staff prepared a staff report for the August 27, 2013 Council agenda to provide an overview on the initiation of the General Plan Update, including the announcement of a Council Study Session on September 24, 2013. Unfortunately, the City received the resignations of two planners within a week of the scheduled Study Session, and staff had to postpone the study session until after completion of the review of El Camino Real/Downtown Specific Plan and the review of the Draft Housing Element Update. Both reviews are now complete (although additional work is required on both projects), and the City Council has approved a plan to assist with the staffing situation going forward. The remainder of this staff report is generally based on the August 27 staff report with updated and expanded information as applicable. Staff intends to supplement the staff report with a presentation during the study session and include additional information, such as a history of planning efforts related to the M-2 area over the past 15 years.

ANALYSIS

What is the General Plan?

The General Plan is a legal document, required by state law, which serves as the City of Menlo Park's "constitution" for development and the use of its land. It is a comprehensive, long-range document, providing guidance for the physical development of the City, and of any land outside its boundaries but within its designated "sphere of influence." The California Government Code requires every city and county to adopt a comprehensive General Plan and defines specific purposes and content requirements for General Plans. A General Plan must cover the following seven elements (or topics): land use, circulation (transportation), housing, open space, conservation, noise and safety.

Menlo Park's current General Plan elements, available on the City website, are comprised of three documents as follows:

- Land Use and Circulation Elements, adopted in 1994 with amendments through May 2013;
- Housing Element (2007-2014 planning period), adopted in May 2013; and
- Open Space/Conservation, Noise and Safety Element, adopted in May 2013.

Work to update the Housing Element for the 2014-2022 planning period is underway and expected to be completed in the Spring of 2014 prior to embarking on the substance of the General Plan update.

In addition, State law allows jurisdictions to include optional elements that may be important to a specific community. Examples include historic preservation, urban design, and/or economic development.

All City actions related to land use, development, transportation and infrastructure need to be consistent with the General Plan. The General Plan establishes goals, policies, programs plus land use and circulation designations and standards. The Zoning Ordinance, Subdivision Ordinance and other chapters of the City's Municipal Code all serve to implement the General Plan. The Capital Improvement Plan and Comprehensive Bicycle Development Plan are examples of other tools for implementing community infrastructure needs identified in the General Plan.

Why Does the General Plan Need to be Updated?

The Council has identified the need for the City to focus on the M-2 (General Industrial Zoning District) to explore opportunities to streamline processes and increase revenue potential. The M-2 Area generally located between US 101 and the San Francisco Bay has historically been a strong source of revenue for the City and provides an opportunity for continued revenue if planned for appropriately. Aside from development projects in the pipeline (i.e., pending and approved projects), the M-2 area has the potential for approximately 1 million square feet of net new development potential under the existing land use intensities of the General Plan and the Zoning Ordinance. This development potential is above and beyond what was analyzed in the Environmental Impact Report for the 1994 General Plan and EIRs prepared for individual development projects such as Menlo Gateway, Facebook, etc. Given a combination of General Plan policies in the Land Use and Circulation Elements, Zoning Ordinance requirements, City-adopted Transportation Impact Analysis Guidelines, and the California Environmental Quality Act, most requests for new development require case-by-case review by the Planning Commission (and sometimes the City Council) and oftentimes require the preparation of an EIR to address significant and unavoidable traffic impacts based on the City-established transportation standards and noise, air quality and greenhouse gas impacts. Therefore, updating the General Plan provides the appropriate venue to deal with this “change area” of the City in a comprehensive rather than project-by-project basis and achieve efficiencies in the review process.

Other reasons for updating the General Plan include the following:

- State law provides guidance that the General Plan should be updated every 10 years. (The Land Use and Circulation Elements have not been comprehensively updated in 20 years);
- Issues that were relevant in the 1990s are no longer relevant (i.e., the extension of Sand Hill Road to El Camino Real), while topics which are potentially relevant (i.e., High Speed Rail, Caltrain electrification, Dumbarton Rail Corridor) are not referenced in the Land Use and Circulation Elements; and
- The elimination of Redevelopment Agencies as a tool for affecting change.

Basic Steps and Initial Givens for the General Plan Update

The update of the General Plan will involve multiple phases including work program definition, consultant selection, data collection and analysis, visioning, plan preparation, environmental and fiscal review, and extensive public participation. Upon adoption of the updated General Plan, the work effort would focus on high priority implementation programs identified in the Plan.

Consistent with the City's Community Engagement Model, staff has developed a set of "givens" or principles that would guide the overall development of the General Plan Update. Unless directed otherwise by the City Council, staff will use the principles listed below for the future work on the General Plan.

- Community outreach and engagement will be an integral and robust component of the process to develop the plan;
- Focus will be given to the M-2 (General Industrial) zoning district, especially the evolutions of the area and the appropriateness of land uses, intensity of uses, development standards, project review procedures, and use of hazardous materials;

- Throughout development of the General Plan Update, pursue opportunities to establish goals and policies that will support streamlining of the development review process where appropriate;
- Inclusion of new concepts and strategies to address emerging needs, including Greenhouse Gas Reduction, Sea Level Rise, Complete Streets, and Transportation Management Associations;
- Land use and traffic projections for potential growth would be to the Year 2040 for general consistency with other local and regional plans; (e.g., Urban Water Management Plan, City/Council Association of Governments (C/CAG) Traffic Model, etc.);
- Development of the General Plan will be informed by an Environmental Impact Report and a Fiscal Impact Analysis; and
- General Plan will comply with State law.

Consultant Selection Process

On September 23, 2014, the City issued a Request for Qualifications (RFQ) for the General Plan Update and on-call professional services to firms that would provide expertise in a variety of disciplines to assist in the update of the General Plan and individual development project review. The City received 49 submittals in response to the RFQ, with 28 firms interested in some aspect of the General Plan Update. All firms appear qualified to participate in the Request for Proposal (RFP), but staff identified the following firms with the highest potential for serving as the prime (or lead) consultant in forming a project team with other sub-consultants based on qualifications:

- Dyett & Bhatia
- MIG
- Mintier Harnish
- Raimi + Associates
- The Planning Center/DC&E

Establishing the Work Program

Staff intends to reach out to City Commissions on a draft work program/RFP. The following summarizes the target meeting dates for staff presentations to City commissions that have a charge/mission related to the physical development of the City:

Commission	Meeting Date
Transportation*	Wednesday, January 8 at 7:00 p.m.
Bicycle*	Monday, January 13 at 7:00 p.m.
Parks & Recreation	Wednesday, January 22 at 6:30 p.m.
Environmental Quality	Wednesday, January 22 at 6:30 p.m.
Planning	Monday, January 27 at 7:00 p.m.
Housing	Wednesday, February 5 at 5:30 p.m.
** The Bicycle and Transportation Commissions may hold a joint session in January to discuss this and other topics.*	

In addition, staff intends to coordinate a session with the Chamber of Commerce and owners of substantial property in the M-2 area (i.e., Bohannon, ProLogis, Tarlton, TE Connectivity, and Facebook) and a session with the Belle Haven neighborhood given the focus on the adjacency to the M-2 area.

Staff will present information and seek input from various groups on items such as the following:

- Givens or principles for preparation of the General Plan;
- Report out on status of current Land Use and Circulation Goals, Policies and Programs;
- Provide resources, opportunities for educational series on topics like multi-modal level of service, examples of best practices/recently adopted General Plans, and a summary of lessons learned from past Menlo Park planning experience;
- Provide a listing of existing policy documents and background material that is currently available (e.g., Urban Water Management Plan, Climate Action Plan, etc.);
- Options for communicating with and engaging the community, including branding; and
- Whether there is a strong desire for any optional Elements (e.g., neighborhood character, health, etc.) or specific topics or geographic areas on which to focus during the update process.

After receiving feedback, staff intends to present a work plan/RFP, which incorporates input from the Commissions, for Council consideration at the February 11, 2014 City Council meeting. The work program will include a recommendation or options related to community outreach and the potential formation of an outreach and oversight committee, steering committee, task force or some other type of body. In addition, staff will recommend a process, including a timeline, for screening the proposals and selecting the consultant team.

Initial Council Direction to Establish Scope of Work and Timeline

Staff is seeking input from the Council on a few key items that have the potential to affect the scope of work and timeline of the project.

Citywide vs. M-2 Area Focus

In order to shorten the timeframe for being able to implement potential changes to the M-2 Area, staff is considering a concurrent General Plan Update and an M-2 Area Plan. See Attachment C for the proposed boundary. The Area Plan would be similar to a Specific Plan in that it would include detailed updates to zoning requirements. This approach would require an understanding that the General Plan Update for the rest of the City would be focused on creating a more user friendly format of the Land Use and Circulation Elements along the lines of the recently updated Housing Element and the Open Space, Conservation, Noise and Safety Elements. This approach would recognize that certain topics like residential single family development review or certain retail nodes/corridors could be identified through the General Plan Update process, but that these items would be pursued as Implementation Programs.

Standards of Significance for Environmental Review

The City intends to consider the potential adoption of standards of significance for traffic other than vehicular Level of Service (LOS), such as Multi-Model LOS. To consider such a change would require study, evaluation, and a decision on which standard to use. Once the preferred standard is determined, then the City could conduct the environmental review for the change to the standard and the environmental review for changes associated with other aspects of the General Plan Update simultaneously. This two-step process will add time. Alternatively, the creation of the new standards could be an implementation program and the new standards would be used for individual project review.

Extent of M-2 Area Changes

Another factor that will affect the scope of work and the timeline is the extent of changes contemplated for the M-2 Area. Staff has identified three basic options for consideration with the M-2 Area related to land uses and intensity of use (FAR), each of which would involve a certain amount of visioning:

> **Option 1:** Pursue an analysis based on the maximum build out under existing uses of general industrial, office, and R&D and intensities (45-55% FAR) allowed in the current General Plan
>
> **Option 2:** Pursue an analysis based on potential changes in land use, such as hotels, retail, services, and potentially residential in select areas so long as there is no increase above current General Plan intensity levels as measured through a metric such as vehicular trips.
>
> **Option 3:** Pursue an analysis based on changes in land use and an increase in intensity.

Project Specific General Plan Amendment Requests

The City is currently processing applications for General Plan Amendments related to Fire Station #6 at 700 Oak Grove Avenue and the SRI Modernization project at 333 Ravenswood Avenue. Staff would encourage any property owner contemplating General Plan Amendments over the next five years to come forward with those requests during the initial scoping of the General Plan Update over the next few months so that these can be considered in the scope of work. Staff would recommend that any applications for General Plan Amendments after scoping be evaluated by the City Council before staff spends any time processing the request. Discouraging General Plan Amendments that are distinct from the General Plan Update process will enable staff to focus on the update project.

Timeline

Council input regarding the geographic focus of the update, coupled with the extent of potential changes to land use and intensities (floor area ratio), will affect the overall timeline. Staff believes a goal could be created to establish a timeframe of two years after consultant contract signing for a limited scope focused on the M2 area given the need for visioning, environmental review, plan adoption, etc. (If Council establishes a goal of two years, then impacts to other departments and the current Draft Capital Improvement Plan would need to be evaluated and other City projects may need to become a lower priority). At the other end of the timeline spectrum, the update of the 1994 Land Use and Circulation Elements took six years to complete given the need to redo parts of the analysis. The preparation of the El Camino Real Downtown Specific Plan took five years from initiation to adoption given the extensive public outreach, visioning, and review. In order to complete the General Plan Update in a timely fashion, the community, Council and staff will need to share a goal and work closely together with a common purpose.

Council Subcommittee

Staff would recommend that the Council form a subcommittee comprised of two members to serve as a resource to staff until such time that a decision is made on the best form of advisory body (e.g., outreach and oversight, steering, etc.) is made. If Council is interested in forming such a subcommittee, they would be able to do so under another item on the Council agenda on December 17.

IMPACT ON CITY RESOURCES

The proposed work program would require both staff resources dedicated to the project, as well consultant services. The Council has budgeted $2,000,000 for Fiscal Year 2013-14 for the General Plan Update for consultant assistance and staff time. A total of 3.5 full-time equivalent staff from Community Development and Public Works is allocated to the General Plan Update and the Housing Element. Dependent on the scope of the work program, additional funding may be necessary in future years. Similar to the El Camino Real/Downtown Specific Plan, staff will explore options for a potential fee that could be imposed if the City pursues the M-2 Area Plan as a way to reimburse the City for the expenditure related to a specific geographic area.

POLICY ISSUES

The General Plan update process will consider a number of policy issues.

ENVIRONMENTAL REVIEW

The General Plan update is subject to CEQA and an EIR will be prepared at the appropriate time in the process.

PUBLIC NOTICE

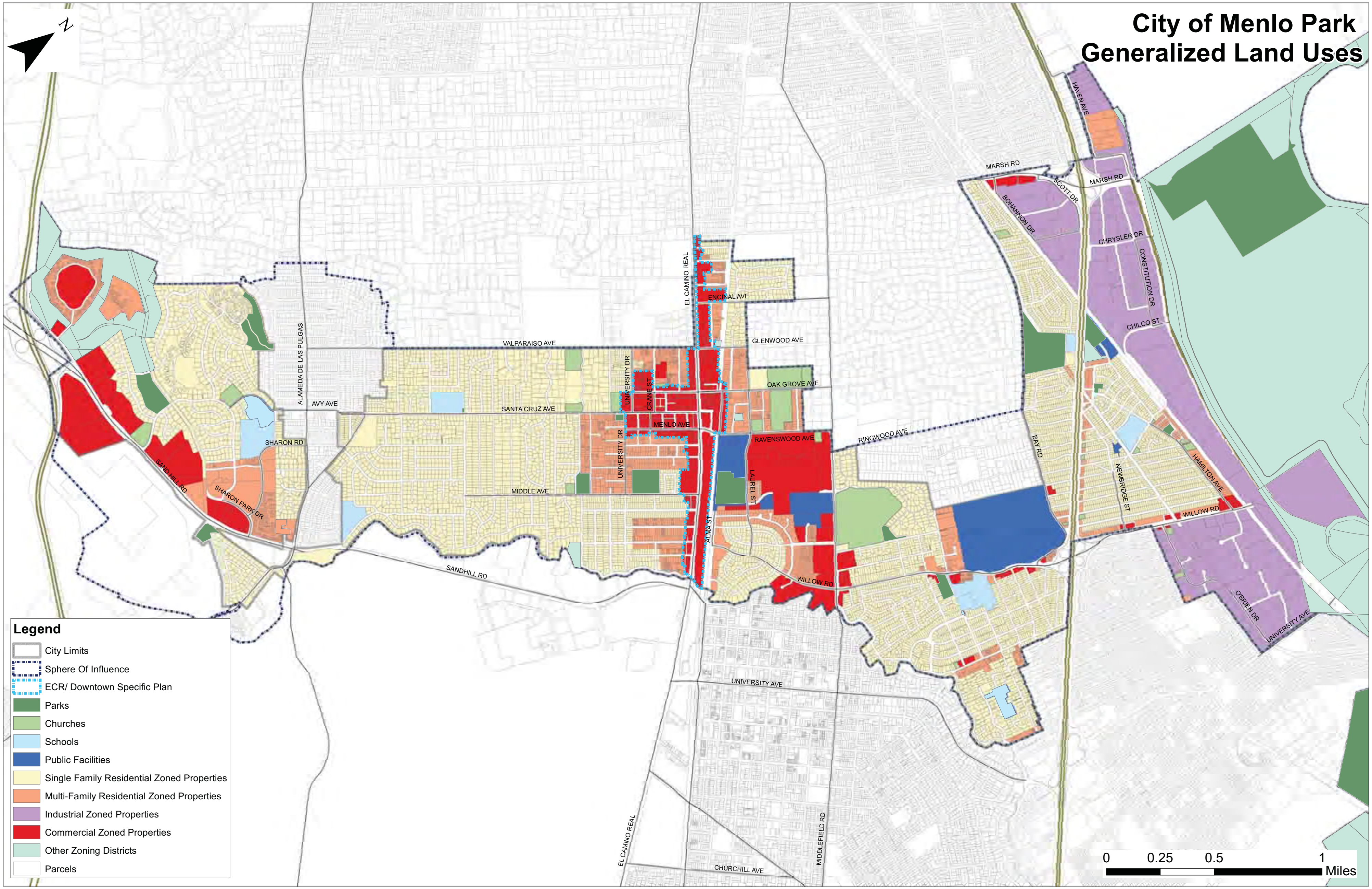
Public notification was achieved by posting the agenda, at least 72 hours prior to the meeting, with this agenda item being listed. In addition, the City sent an email update to subscribers of the General Plan Update project pages. This page will provide up-to-date information about the project, allowing interested parties to stay informed of its progress and allow users to sign up for automatic email bulletins, notifying them when content is updated or meetings are scheduled.

ATTACHMENT

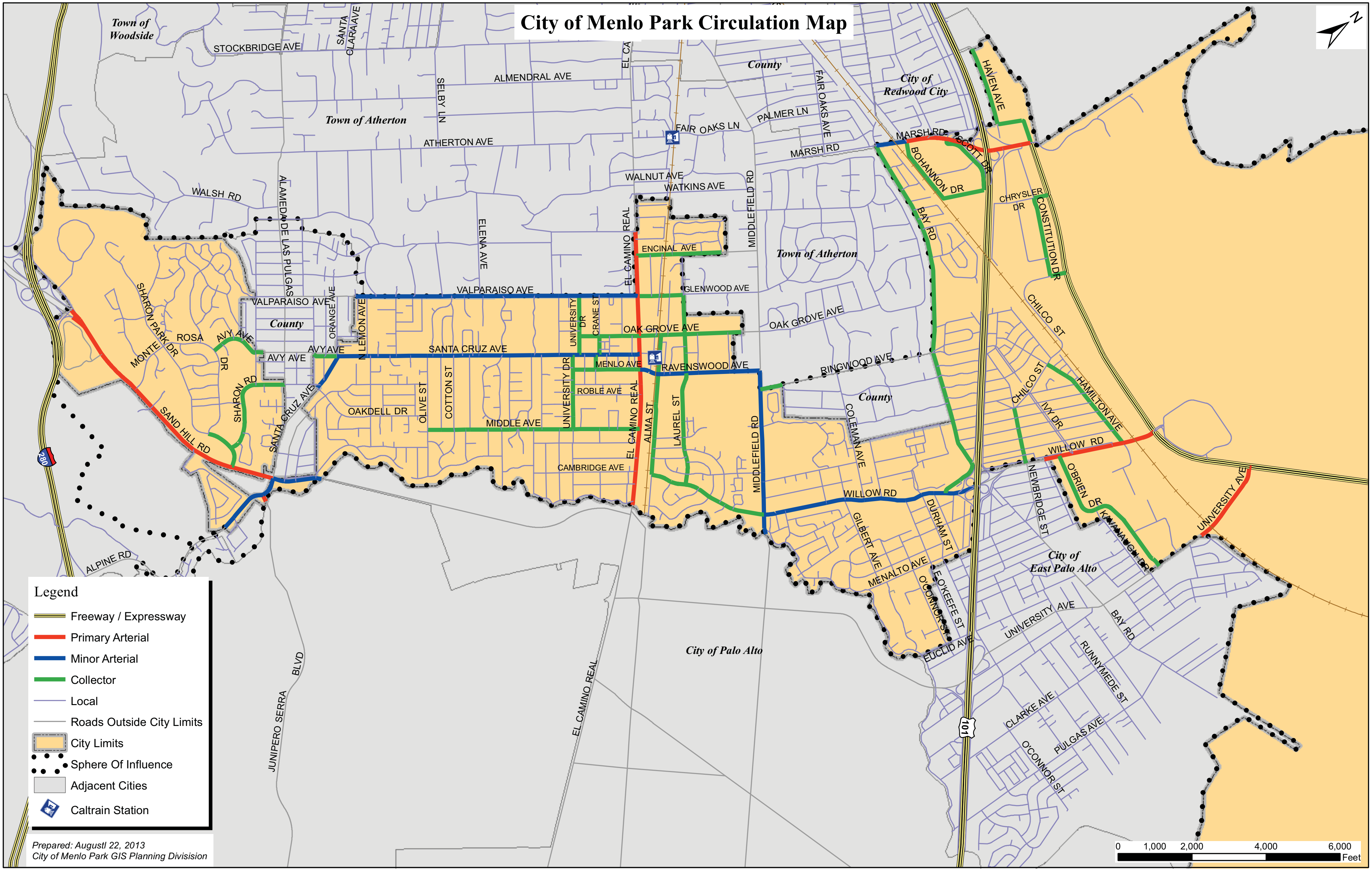
A. Generalized Land Use Map
B. Circulation Map
C. Proposed M-2 Area Plan Boundary Map

Report Prepared by:
Justin Murphy
Development Services Manager

Report Reviewed by:
Arlinda Heineck
Community Development Director

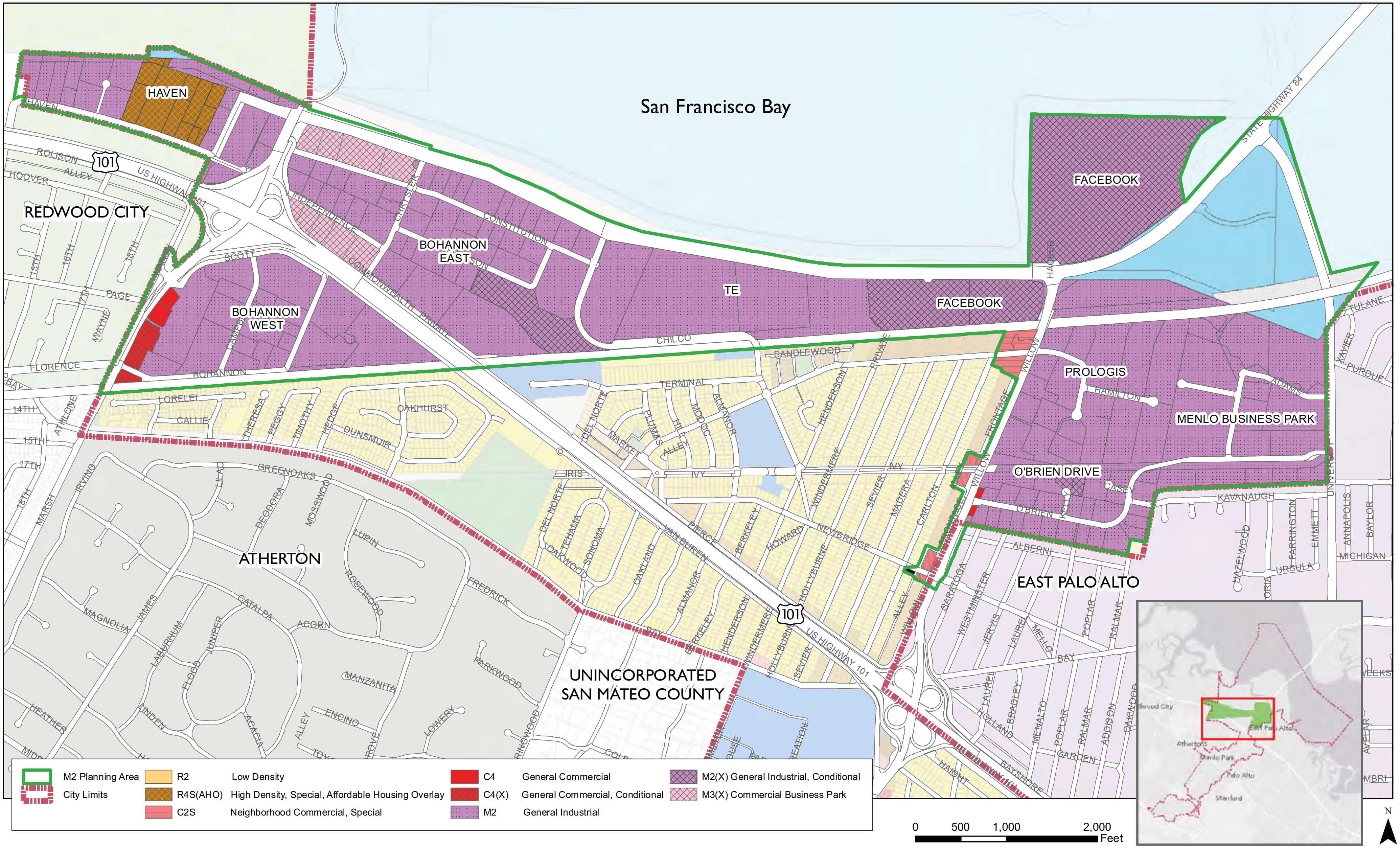

City of Menlo Park
Generalized Land Uses
N
Legend
City Limits
Sphere Of Influence
ECR/ Downtown Specific Plan
Parks
Churches
Schools
Public Facilities
Single Family Residential Zoned Properties
Multi-Family Residential Zoned Properties
Industrial Zoned Properties
Commercial Zoned Properties
Other Zoning Districts
Parcels
0
0.25
0.5
1
Miles
VALPARAISO AVE
SANTA CRUZ AVE
AVY AVE
SHARON RD
ALAMEDA DE LAS PULGAS
SAND HILL RD
SHARON PARK DR
SANDHILL RD
MIDDLE AVE
UNIVERSITY DR
CRANE ST
MENLO AVE
EL CAMINO REAL
ENCINAL AVE
GLENWOOD AVE
OAK GROVE AVE
RAVENSWOOD AVE
LAUREL ST
ALMA ST
WILLOW RD
RINGWOOD AVE
UNIVERSITY AVE
MIDDLEFIELD RD
CHURCHILL AVE
MARSH RD
HAVEN AVE
SCOTT DR
BOHANNON DR
CHRYSLER DR
CONSTITUTION DR
CHILCO ST
BAY RD
NEWBRIDGE ST
HAMILTON AVE
O'BRIEN DR

ATTACHMENT B



ATTACHMENT C

M-2 Planning Area



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Date: December 17, 2013

To: Menlo Park City Council

From: Tom Cecil, Parks and Recreation Commission Chair

Re: 2-Year Work Plan Update and Proposed Goals for 2014-2016 Work Plan

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Recommendation

The Parks and Recreation Commission recommends that the City Council accept the Commission's quarterly report of their current work plan and approve the goals of their proposed 2-Year Work Plan that will cover the period January 1, 2014 to January 1, 2016.

Current Work Plan Goals and Achievements

The Commission approved their current 2-Year Work Plan on December 15, 2010 which was later approved by the City Council on January 24, 2011. The Commission commenced work shortly afterward culminating in a long list of achievements over the next three years.

The following are the 2011-13 Commission goals and a summary of achievements:

1. Develop a plan for better working relationships with the school districts in Menlo Park.

   Achievements:
   - Review Joint Use Agreements with local schools (April 2012)
   - M-A Performing Arts Center Joint Use Agreement (May 2012)
   - M-A Performing Arts Center Study Session (September 2012)
   - Belle Haven Visioning Process (2013)
   - Belle Haven After School Program evaluation (2013)
   - Belle Haven Community School and Beechwood School Feedback (2013)

2. Develop and implement a Communications Plan with the user groups, including an annual report from those user groups.

   Achievements:
   - Field User Group (annually in November)
   - Aquatics User Group (annually in January)
   - Comprehensive list of all user groups provided to Commission (May 2011)
   - Gender Policy Updates/Youth Basketball Coordinator & Users (Spring 2011)
   - Collaboration with Friends of Bedwell Bayfront Park regarding park's contract review (March 2012)
   - Survey of PAC users completed (September 2012)

- Belle Haven After School Program evaluation & parent feedback (2013)

3. Research and complete outreach to determine how the City is doing in terms of satisfying community needs for recreation programs. The research should include what the City's cost recovery is.

   Achievements:
   - User Group Feedback (See Item #2)
   - Monthly program presentations including Cost Recovery statistics (2011 ongoing)
   - Emerging Trends Presentations (2010-2013)
   - 5-Year Cost Recovery Analysis of all Community Services programs presented to Commission (April 2012)
   - Community-Wide Biannual Survey & Department program survey results presented to Commission (February 2012)
   - Gymnastics Business Plan (October 2012)
   - Customer Service Standards for Community Services (May 2013)

4. Investigate and evaluate the use of public/private partnerships including identifying the pros and cons. Research should include contacting other cities for their experiences.

   Achievements:
   - Aquatics Contract Renewal (March 2011) and Review Process (annually February)
   - Increase utilization of Belle Haven Pool (2012-2013)
   - Monthly program presentations including contractors information (2011 on-going)
   - 80+ contractors used at various recreation facilities to provide community programming and classes (Updates provided to commission on-going)
   - Rental vs. Contractor vs. City programs business model presentation to Commission (April 2013)

At their September meeting this year, the Commission began their discussion on developing a new 2-Year Work Plan as required by the City Council for all advisory bodies and commissions. During the meeting, the Commission referred to the Work Plan Guidelines which were approved by the City Council and Commissions in 2010.

The purpose of the Parks and Recreation Commission, as defined by the Menlo Park Council Policy CC-01-004, is to:

> Advising the City Council on matters related to City programs and facilities dedicated to recreation, i.e., those programs and facilities established primarily for the participation of and/or use by residents of the City. This general charge includes advising on:

- Adequacy and maintenance of such facilities as parks and playgrounds, recreation buildings, facilities, and equipment.
- Adequacy, operation, and staffing of recreation programs.
- Modification of existing programs and facilities to meet developing community needs.
- Long range planning and regional coordination concerning park and recreation facilities.

Through their discussions, the Commission determined that much had been accomplished with their current work plan goals, which has resulted in new business practices and guiding principles that will strengthen communication with user groups; increased community engagement and outreach to satisfy community needs; and maximized use of the various service delivery models in terms of revenue generation and community benefit. Many of these strategies have become ingrained in the routine operations of the Community Services Department and they are expected to have a lasting impact long into the future.

In developing their new 2-Year Work Plan goals, the Commission took under consideration the changes that may have occurred in the community over the past two years, the Commission’s long term vision for the community, the deliverables necessary to achieve the desired results, and a prioritization of their goals based on what was most important given the available resources. After much discussion, the Commission developed three new goals for their new 2-Year Work Plan for the City Council’s consideration and approval.

Parks & Recreation Commission Work Plan Goals
Proposed for 2014-2016

1. Research and evaluate the social services and recreation opportunities in the Belle Haven neighborhood in support of the Belle Haven Visioning and Neighborhood Action Plan resulting in diverse, high quality programs meeting the needs of neighborhood residents. Ongoing to January 1, 2016.

2. Research and evaluate opportunities to support and increase arts program offerings for the community resulting in residents having a greater exposure to the arts and improved partnerships with new and existing arts groups and venues. Ongoing to January 1, 2016.

3. Study and evaluate City operated parks to ensure their short and long term vitality resulting in park structures and flora being properly maintained; parks being utilized by the community with greater frequency; and ensuring a proper balance of park usage and long term conservation. Ongoing to January 1, 2016.

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Date: December 17, 2013

To: Menlo Park City Council

From: Pam Aguilar, City Clerk

Re: 2014 City Council Meeting Schedule

At its regular meeting on December 3, 2013, the Council continued the agenda item pertaining to the 2014 City Council meeting schedule due to some potential conflicts with the proposed calendar:

- Mayor Pro Tem Carlton requested the April 22, 2014 meeting be moved to avoid a meeting immediately following the Easter holiday. That meeting has been moved to April 29, 2014.

- Councilmembers Ohtaki and Cline indicated potential travel plans during the last week of July. The July 29, 2014 will be cancelled. Council will have the prerogative to add a July meeting when summer plans become more concrete.

The staff report of December 3, 2013 is attached for your convenience.

ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-178

Agenda Item #: D-1

CONSENT CALENDAR: **Council review and approval of the City Council Meeting Schedule for 2014**

RECOMMENDATION

Staff recommends Council review, discuss, and approve an annual meeting schedule for 2013 (Attachment A).

BACKGROUND

The purpose of the annual City Council meeting schedule is to provide Council, staff and the public advance notice of meeting dates. The meeting schedule has typically been approved by Council at a regular meeting in December.

ANALYSIS

Staff is proposing a meeting schedule for 2014 similar to previous years with meetings held twice a month on either the first and third, or second and fourth, Tuesday. The proposed dates have been scheduled taking into consideration City holidays, school holidays, and Council conferences (Attachment B). Also included in the calendar are significant events requiring Council participation such as the Council goal setting session, and the State of the City and Commission Appreciation events.

Once a meeting schedule is approved by the City Council, the schedule will be used by staff to create a Tentative Calendar to identify when items will likely be considered by the Council. It is important to note that the Tentative Calendar is a fluid document that serves as an ongoing reference guide, and that items are frequently moved and meetings are sometimes cancelled or added.

The calendar does not currently include study sessions. Typically study sessions are used for single topic issues of great community interest. In order to provide opportunities for study sessions, the Council is requested to keep Tuesday evenings free, so that meetings, including study sessions, can be scheduled as the need arises.

This more structured schedule may also require scheduling closed sessions before the next regularly scheduled Council meeting. Such closed sessions will comply with all noticing requirements and will be dependent on the availability of the full City Council.

IMPACT ON CITY RESOURCES

N/A

POLICY ISSUES

N/A

ENVIRONMENTAL REVIEW

N/A

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

A. Draft Meeting Schedule
B. City holiday, School holiday and conference schedule

Report prepared by:
Pamela Aguilar
City Clerk

DRAFT 2014 CITY COUNCIL MEETING SCHEDULE

January

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

*Goal Setting Meeting

February

S	M	T	W	T	F	S
						1
2	3	4	5	6	7*	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

*LCC Conference 5 - 7

March

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

*Commission Training and Reception

June

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20*	21	22	23
24	25	26	27	28	29	30
31						

September

S	M	T	W	T	F	S
	1	2	3	4	5*	6
7	8	9	10	11	12	13
14	15	16	17*	18	19	20
21	22	23	24	25	26	27
28	29	30				

* LCC Annual Conf. 3 - 5 & ICMA Conf.

October

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	*21*	22	23	24	25
26	27	28	29	30	31	

*State of the City

November

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

December

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

COUNCIL MEETINGS

CITY HALL CLOSED

CITY HOLIDAYS

MP SCHOOL CLOSED
**school starts*

CONFERENCES

ELECTION DAY

Updated 11/6/2013

**SCHOOL HOLIDAY / VACATION DATES,
CITY HOLIDAYS, COUNCIL & CM CONFERENCES**

January:

1	New Year's Day
1-3	Menlo Park City School District Winter Break
1-3	Las Lomitas Elementary School District Holiday/Vacation
1-3	Sequoia Union High School District Winter Break
1-6	Ravenswood City School District Winter Holiday
20	Martin Luther King, Jr. Holiday

February:

5-7	League of California Cities City Manager's Department Conference
17	President's Day
17-21	Menlo Park City School District President's Day—February Break
17-21	Las Lomitas Elementary School District Holiday/Vacation

March:

10-14	Las Lomitas Elementary School District Minimum Days

April:

14-18	Menlo Park City School District Spring Break
14-18	Las Lomitas Elementary School District Spring Break
14-18	Sequoia Union High School District Spring Break
14-21	Ravenswood City School District Spring Break

May:

26	Memorial Day

June: None

July:

4	Independence Day

August:

None

September:

1	Labor Day
3-5	League of California Cities Annual Conference
14-17	ICMA Annual Conference

October:

13	Columbus Day

November:

11	Veterans Day
27	Thanksgiving Day

December:

23-31	*Assumed* Holiday break for schools
25	Chrismas

COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-207

Agenda Item #: D2

Consent Calendar: **Waive the Reading and Adopt an Ordinance Adopting the 2013 California Building Standards Code and Local Amendments**

RECOMMENDATION

Staff recommends that the City Council waive the full reading of, and adopt an ordinance adopting the 2013 California Building Standards Code Parts 1, 2, 2.5, 3, 4, 5, 6, 8, 10, 11, and 12 and local amendments to Parts 2 and 2.5.

BACKGROUND

The State has adopted an updated Building Standards Code, to be effective beginning January 1, 2014. All local jurisdictions are required to enforce the newly adopted Code. For consistency with the State action, staff is proposing the adoption of the State Code with several local amendments to address local geological, climatic, or topographic conditions.

The Council reviewed the draft ordinance adopting the updated State Code and local amendments at its December 10, 2013 meeting and acted to introduce the ordinance. No changes were made to the draft ordinance.

ANALYSIS

Staff has prepared the final version of the ordinance adopting the updated California Building Standards Code and local amendments for use in Menlo Park (Attachment A). If the Council takes action to adopt the ordinance, the State Building Standards Code and local amendments will become effective January 1, 2014.

IMPACT ON CITY RESOURCES

The adoption of the current State codes and proposed local amendments will not result in any direct costs to the City.

POLICY ISSUES

The adoption of the current State codes and proposed local amendments do not represent a change in City policy.

ENVIRONMENTAL REVIEW

The adoption of the proposed ordinance is not a project that has the potential for causing a significant effect on the environment and therefore is not subject to review under the California Environmental Quality Act (CEQA).

PUBLIC NOTIFICATION

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

ATTACHMENTS

A. Ordinance No. ___ amending Title 12 (Buildings and Construction) of the Menlo Park Municipal Code adopting The 2013 California Building Standards Code Parts 1, 2, 2.5, 3, 4, 5, 6, 8, 10, 11, and 12 and amendments thereto

Report prepared by:
Ron La France
Building Official

Arlinda Heineck
Community Development Director

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MENLO PARK AMENDING TITLE 12 [BUILDINGS AND CONSTRUCTION] OF THE MENLO PARK MUNICIPAL CODE TO ADOPT THE 2013 CALIFORNIA BUILDING STANDARDS CODE PARTS 1, 2, 2.5, 3, 4, 5, 6, 8, 10, 11, and 12 AND AMENDMENTS THERETO

WHEREAS, the City of Menlo Park ("City") wishes to adopt a building code in accordance with law and to use the most updated regulations in the processing of development in the City; and

WHEREAS, because of the City's unique local climatic, geologic and topographic conditions, the City desires to make amendments and additions to the Code.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MENLO PARK DOES **ORDAIN** AS FOLLOWS:

SECTION 1: FINDINGS AND DETERMINATIONS. The following local geologic conditions justify modifications to California Building Standards Code.

a. Geological: The City is located in Seismic Risk Zones D, E, and F, which are the most severe earthquake zones in the United States. The area includes various soils and areas with significant movement potential. Buildings and other structures in Zones D, E and F can experience major seismic damage. Lack of adequate building designs and detailing as well as the lack of flexible materials and/or building systems have been contributing factors to damage that reduces the life-safety of building occupants and increases the cost of the rehabilitation of structures.

b. Climatic: The City is located in a climatic zone with precipitation ranging from 13 to 20 inches per year with an average of approximately 15 inches per year. Ninety-five percent of precipitation falls during the months of November through April, leaving a dry period of approximately six months each year. Relative humidity remains moderate most of the time. Temperatures in the summer average around 80 degrees Fahrenheit and in the winter in the mid 50 degrees Fahrenheit. Prevailing winds in the area come from the west with velocities generally in the 12 miles per hour range, gusting form 25 to 35 miles per hour. These climatic conditions require compliance with energy efficiency standards for building construction.

c. Topographic: Areas of highly combustible dry grasses, weeds, brush and trees adjacent to structures are common throughout the City. Above ground electrical power transmission lines are suspended through trees and above large areas of dry vegetation. The arrangement of man-made features around many buildings greatly limit any approach to all but one side of a building.

SECTION 2: DELETION OF EXISTING MUNICIPAL CODE SECTIONS: Existing Chapter 12.06 [California Building Code Amendments] and Chapter 12.08 [California Residential Code Amendments] are hereby deleted.

SECTION 3: AMENDMENT OF CODE. Section 12.04.010 [Municipal Building Code] of Chapter 12.04 [Adoption of Codes] of Title 12 [Buildings and Construction] of the Menlo Park Municipal Code is amended to read as follows:

"**12.04.010. Municipal building code.** The following codes are hereby adopted and by reference are incorporated herein as if set forth in full:

A. The 2013 California Administrative Code, published by the International Code Council, as amended in Part 1 of the California Building Standards Code, California Code of Regulations Title 24;

B. The International Building Code 2012 Edition, published by the International Code Council, together with those omissions, amendments, exceptions and additions thereto as amended in Part 2 of the California Building Standards Code, California Code of Regulations Title 24, ("California Building Code");

C. The International Residential Code 2012 Edition, published by the International Code Council, together with those omissions, amendments, exceptions and additions thereto as amended in Part 2.5 of the California Building Standards Code, California Code of Regulations Title 24, ("California Residential Code");

D. The National Electrical Code 2011 Edition published by the National Fire Protection Association together with those omissions, amendments, exceptions and additions thereto as amended in Part 3 of the California Building Standards Code, California Code of Regulations Title 24, ("California Electrical Code");

E. The Uniform Mechanical Code 2012 Edition, published by the International Association of Plumbing and Mechanical Officials together with those omissions, amendments, exceptions and additions thereto as amended in Part 4 of the California Building Standards Code, California Code of Regulations Title 24, ("California Mechanical Code");

F. The Uniform Plumbing Code 2012 Edition, including the Installation Standards thereto, published by the International Association of Plumbing and Mechanical Officials together with those omissions, amendments, exceptions and additions thereto as amended in Part 5 of the California Building Standards Code, California Code of Regulations Title 24, ("California Plumbing Code");

G. The 2013 California Energy Code, published by the International Code Council, as amended in Part 6 of the California Building Standards Code, California Code of Regulations Title 24;

H. The 2013 California Historical Building Code, published by the International Code Council, as amended in Part 8 of the California Building Standards Code, California Code of Regulations Title 24;

I. The International Existing Building Code 2012 Edition, published by the International Code Council, together with those omissions, amendments, exceptions and additions thereto as amended in Part 10 of the California Building Standards Code, California Code of Regulations Title 24, ("California

Existing Building Code");

J. The 2013 California Green Building Standards Code, published by the International Code Council, as amended in Part 11 of the California Building Standards Code, California Code of Regulations Title 24; and

K. The 2013 California Referenced Standards Code, published by the International Code Council, as amended in Part 12 of the California Building Standards Code, California Code of Regulations Title 24.

A copy of each code is on file in the office of the City Clerk. The provisions of this title, including said codes and amendments thereto, shall be known as the building code of the City."

<u>SECTION 4</u>: <u>ADDITION OF CODE</u>. Chapter 12.06 of Title 12 [Buildings and Construction] is hereby added to read as follows:

"**Chapter 12.06**
CALIFORNIA BUILDING CODE AMENDMENTS

Sections:

12.06.010 **<u>Chapter 1 Division II adopted</u>.** Chapter 1 Division II of the California Building Code is hereby adopted.

12.06.020 **<u>Section 105.2 of Chapter 1 Division II amended.</u>**

Section 105.2 of Chapter 1 of the California Building Code is amended as follows:

Work exempt from permit. Exemptions from permit requirements of this code shall not be deemed to grant authorization for any work to be done in any manner in violation of the provisions of this code or any other law or ordinance of the City of Menlo Park. Permits will not be required for the following:

1. Detached accessory buildings used as tool and storage or garden sheds or similar uses, provided the height does not exceed eight feet, the projected roof area does not exceed 64 square feet, and the structure complies with Section 16.68.030 Accessory buildings and/or structures of the City of Menlo Park Municipal Code
2. Wood fences not over seven feet high.
3. Oil Derricks.
4. Retaining walls which are not over two feet high measured from the top of the footing to the top of the wall, unless supporting a surcharge or impounding Class I, II, or III liquids.

5. Detached free-standing water tanks supported directly on a concrete foundation at grade if the capacity does not exceed five 500 gallons and the height above grade does not exceed six feet and the height to width ratio does not exceed two to one.
6. Platforms, walks, and driveways not more than 12 inches above grade and not over any basement or story below.
7. Painting, papering, carpeting, and similar finish work.
8. Temporary television and theater stage sets and scenery.
9. Prefabricated swimming pools accessory to a Group R Division 3 occupancy that are less than 24 inches deep, do not exceed 5,000 Gallons and are installed entirely above ground.
10. Shade cloth structures constructed for nursery or agricultural purposes, not including service systems
11. Swings and other playground equipment accessory to detached one- and two-family dwellings not exceeding 120 square feet as measured at the supports or nine feet in height as measured from existing natural grade to the top of the highest structural member, guard rail, or appendage.
12. Windows awnings supported by an exterior wall of Group R Division 3 occupancy when projecting not more than 36 inches.
13. Nonfixed and moveable fixtures, cases, racks, counters, and partitions not over five feet nine inches in height.

Unless otherwise exempted by this code, separate plumbing, electrical, and mechanical permits will be required for the above exempted items. Exemption from the permit requirements of this code shall not be deemed to grant authorization for any work done in a manner in violation of the provisions of these codes or any laws or ordinances of the City of Menlo Park."

12.06.030 <u>**Appendix J adopted.**</u> Appendix J of the California Building Code is hereby adopted.

<u>SECTION 5</u>: <u>ADDITION OF CODE</u>. Chapter 12.08 of Title 12 [Buildings and Construction] is hereby added to read as follows:

"CALIFORNIA RESIDENTIAL CODE AMENDMENTS

Sections:

12.08.010 <u>**Section R105.2 of Chapter 1 amended.**</u>

Section 105.2 of Appendix Chapter 1 of the California Residential Code is amended as follows:

Work exempt from permit. Exemptions from permit requirements of this code shall not be deemed to grant authorization for any work to be done in any manner in violation of the provisions of this code or any other law or ordinance of the City of Menlo Park. Permits will not be required for the following:

1. Detached accessory buildings used as tool and storage or garden sheds or similar uses, provided the height does not exceed 64 square feet, and the structure complies with Section 16.68.030 Accessory buildings and/or structures of the City of Menlo Park Municipal Code
2. Wood fences not over seven feet high.
3. Oil Derricks.
4. Retaining walls which are not over two feet high measured from the top of the footing to the top of the wall, unless supporting a surcharge or impounding Class I, II, or III liquids.
5. Detached free-standing water tanks supported directly on a concrete foundation at grade if the capacity does not exceed five 500 gallons and the height above grade does not exceed six feet and the height to width ratio does not exceed two to one.
6. Platforms, walks, and driveways not more than 12 inches above grade and not over any basement or story below.
7. Painting, papering, carpeting, and similar finish work.
8. Temporary television and theater stage sets and scenery.
9. Prefabricated swimming pools accessory to a Group R Division 3 occupancy that are less than 24 inches deep, do not exceed 5,000 Gallons and are installed entirely above ground.
10. Shade cloth structures constructed for nursery or agricultural purposes, not including service systems
11. Swings and other playground equipment accessory to detached one- and two-family dwellings not exceeding 120 square feet as measured at the supports or nine feet in height as measured from existing natural grade to the top of the highest structural member, guard rail, or appendage.
12. Windows awnings supported by an exterior wall of Group R Division 3 occupancy when projecting not more than 36 inches.
13. Nonfixed and moveable fixtures, cases, racks, counters, and partitions not over five feet nine inches in height.

Unless otherwise exempted by this code, separate plumbing, electrical, and mechanical permits will be required for the above exempted items. Exemption from the permit requirements of this code shall not be deemed to grant authorization for any work done in a manner in violation of the provisions of these codes or any laws or ordinances of the City of Menlo Park.

<u>SECTION 6:</u> <u>EXEMPTION FROM CEQA</u>. The City Council finds, pursuant to

Title 14 of the California Administrative Code, Section 15061(b)(3) that this ordinance is exempt from the requirements of the California Environmental Quality Act ("CEQA") in that it is not a project that has the potential for causing a significant effect on the environment.

SECTION 7: SEVERABILITY. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 8: EFFECTIVE DATE. This Ordinance shall become effective January 1, 2014.

SECTION 9: POSTING. Within fifteen (15) days of its adoption, the Ordinance shall be posted in three (3) public places within the City of Menlo Park, and the Ordinance, or a summary of the Ordinance prepared by the City Attorney, shall be published in a local newspaper used to publish official notices for the City of Menlo Park prior to the effective date.

INTRODUCED on the 10 day of December, 2013.

PASSED AND ADOPTED as an ordinance of the City of Menlo Park at a regular meeting of said Council on the _____ day of ____________, 2013, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

ABSTAIN: Councilmembers:

APPROVED:______________________________

Mayor

ATTEST:

____

City Clerk

ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-197

Agenda Item #: D-3

CONSENT CALENDAR: **Approval of the Annual Report on the Status of the Transportation Impact, Storm Drainage, Recreation in Lieu, and Building Construction Road Impact Fees Collected as of June 30, 2013, According to Government Code Section 66000 et seq.**

RECOMMENDATION

Staff recommends the City Council approve the annual report on the status of the transportation impact, storm drainage, recreation in-lieu, and building construction road impact fees. Staff also recommends that Council make the following findings regarding these fees and unexpended funds:

1. Transportation impact fees, storm drainage fees, recreation in lieu fees, and building construction road impact fees are collected to mitigate direct and indirect impacts from development.
2. These funds are expended in a timely manner to fund continued improvements to public facilities related to the increased demand on the facilities resulting from development.
3. There is a reasonable relationship between these impact fees and their purpose.
4. These impact fees continue to be required to fund applicable improvements, and as such, these fees will continue to be collected and deposited into the appropriate fund for utilization solely for their intended purpose.

BACKGROUND

Cities and counties often charge fees on new development to fund public improvements to mitigate the impact of development activity. These fees are commonly known as development impact fees. In 1989, the State Legislature passed Assembly Bill 1600 (AB1600), which added Sections 66000 et seq. to the California Government Code, commonly known as the Mitigation Fee Act.

As required by law, these fees are segregated from the General Fund and accounted for as special revenue funds. Government Code Section 66001 requires that the City make available to the public information regarding development impact fees for each fund within 180 days after the end of each fiscal year:

- A brief description of the fee and the fund into which the fee was deposited;

- The amount of the fee;
- The associated fund's beginning and ending balances for the fiscal year;
- The total amount of fees collected and interest earned;
- Identification of each public improvement on which impact fees were expended and the amount of expenditure on each improvement, including the total percentage of the cost of the public improvement that was funded with impact fees;
- Identification of the approximate date by which construction of a public improvement will commence if the local agency determined that sufficient funds have been collected to complete financing on an incomplete public improvement and the public improvement remains incomplete; and
- A description of each interfund transfer or loan made from an account or fund.

Further, Government Code Section 66000 et. seq. also requires that findings describing the continuing need for impact fees be made every five years specifying the intended use of any unexpended impact fees, regardless of whether the fees are committed or uncommitted. Failure to make such findings subjects the City to going through a refunding procedure. This report meets the requirements to comply with the Mitigation Fee Act.

ANALYSIS

Transportation Impact Fees

The transportation impact fee is levied to fund improvements or programs to mitigate City traffic problems that result either directly or indirectly from development projects. In 1991, a draft interim Traffic Mitigation Fee Study (nexus study) was prepared on the basis of growth projections and transportation improvement measures in the draft General Plan, which was adopted in 1994. From that nexus study, the following fees were used on new discretionary projects through conditions placed on development projects starting in 1995:

- Commercial Development: $1.60 per square foot
- Residential Development: $708 per dwelling unit

Early in fiscal year 2009-10, the City concluded a Transportation Impact Fee Study, which enabled staff to recommend an update to the existing fees and create a more systematic way for applying the fees. As a result, a new fee structure was put in place for these fees effective December 6, 2009. As no fees were assessed that fiscal year under the new structure, the fund remained entitled Traffic Impact Fee Fund for financial reporting purposes. Beginning in fiscal year 2010-11, the fund name was changed to Transportation Impact Fee Fund, retaining the same AB1600 time limits and reporting requirements.

The following table summarizes the activity for the Transportation Impact Fee Fund from FY 2008-09 through FY 2012-13.

	2008-09	2009-10	2010-11	2011-12	2012-13
Funds that do not qualify for AB 1600 Calculation:					
Beginning balance	$336,490	$349,484	$353,796	$363,261	$1,511,565
Interest earnings	12,994	4,312	9,465	178	(1,267)
Other Intergovernmental Revenue	0	0	0	0	120,000
Developer Fees	0	0	0	1,233,000	0
Expenditures	0	0	0	(84,874)	0
Total	**$349,484**	**$353,796**	**$363,261**	**$1,511,565**	**$1,630,298**
Citywide Impact Fees:					
Beginning balance	633,535	319,345	217,968	1,487,136	1,257,980
Developer Fees	0	51,520	1,419,010	57,256	176,058
Interest earnings	16,881	4,645	12,395	24,697	(995)
Expenditures	(265,880)	(222,787)	(199,226)	(164,759)	(524,160)
Encumbrances - prior year	39,614	104,805	39,560	2,571	148,921
Encumbrances - current year	(104,805)	(39,560)	(2,571)	(148,921)	(24,555)
Ending Balance	**$319,345**	**$217,968**	**$1,487,136**	**$1,257,980**	**$1,033,249**
Total Unencumbered Fund Balance	**$668,829**	**$571,764**	**$1,850,397**	**$2,769,545**	**$2,663,547**

As shown above, there are two fee categories within the Transportation Impact Fee Fund's balance:

1. **Funds that do not qualify for Code Section 66001 Calculation:** This portion of the Fund balance reflects funds that were collected prior to the 1989 effective date of the Mitigation Fee Act and are, therefore, not subject to the Mitigation Fee Act. In addition, fees negotiated as part of a development outside of Menlo Park's jurisdiction (but still creating transportation impacts) are not subject to the Act. These funds will be used for traffic improvement programs citywide. The corresponding interest income is allocated on the basis of the fund balance.
2. **Citywide:** The citywide impact fees collected after the enactment of Code Section 66001 will be used for improvements and/or to mitigate traffic issues citywide.

Expenditures and commitments of the fund during the year included the installation of a new traffic signal at the intersection of Elder Avenue with Santa Cruz Avenue, the Alpine Road Bike Improvements, and an in-pavement lighted crosswalk system at the crossing of Middlefield Road at Linfield Drive. The grand total of the Transportation Impact Fee Fund balance available at the end of fiscal year 2012-13 is $2,663,547. The below table identifies specific expenditures from the Transportation Impact Fee Fund in 2012-13.

	Project Expended	Impact Fees Used	% of Project
Storm Drainage Impact Fees:			
Projects:			
Strom Drain Improvements **-Middlefield Improvement Study**	$80,973	$80,973	100%

Storm Drainage Fees

The Storm Drainage Fee, which commenced prior to 1989, is levied to mitigate City storm drainage impacts either directly or indirectly resulting from development projects. The fees are charged for property development as shown in the City's Master Fee Schedule:

Storm drainage connection fees

- Single family - per lot $450.00
- Multiple family – per unit $150.00
- Industrial and Commercial – per square foot of impervious area $ 0.24

The following table captures the activities associated with storm drainage fees from FY 2008-09 through FY 2012-13 for AB1600 purposes:

	2008-09	2009-10	2010-11	2011-12	2012-13
Storm Drainage Impact Fees:					
Beginning balance	234,247	253,843	258,670	184,451	188,015
Developer Fees	9,964	900	23,235	2,594	5,945
Interest Income/(Expense)	9,632	3,927	2,546	970	(94)
Expenditures	0	0	(100,000)	0	(80,973)
Encumbrances - current year	0	0	0	0	(11,779)
Ending Balance	**253,843**	**258,670**	**184,451**	**188,015**	**101,114**
Grand Total - Fund Balance	**253,843**	**258,670**	**184,451**	**188,015**	**101,114**

Storm drainage fees in the amount of $5,945 were collected from developers in 2012-13. The Storm Drainage Fee Fund has provided for improvements that were identified in the Storm Drain Master Plan as high priority. When the preliminary design of a storm drainage system is complete, this revenue will contribute to the construction of a project in fiscal year 2015-16 that prevents flooding on Middlefield Road from the San Francisquito Creek. The below table identifies specific expenditures of the Storm Drainage Fee Fund in 2012-13.

	Project Expended	Impact Fees Used	% of Project
Storm Drainage Impact Fees:			
Projects:			
Strom Drain Improvements **-Middlefield Improvement Study**	$80,973	$80,973	100%

Recreation In-Lieu Fees

The Recreation In-Lieu fee, that commenced prior to 1989, is collected from developers to improve and expand recreation facilities in lieu of providing new on-site facilities. The fee is charged on new residential development as shown in the City's Master Fee Schedule:

RECREATION FEES

- Single Family (RE and R-1):
- Multiple Family Development (R-2, R-3,RC, RLU and PD):
- 0.013 X number of units X market value of acreage to be subdivided
- 0.008 X number of units X market value of acreage to be subdivided

The following table captures the activities associated with recreation in lieu fees from FY 2008-09 through FY 2012-13.

	2008-09	2009-10	2010-11	2011-12	2012-13
Recreation In-Lieu Impact Fees:					
Beginning balance	3,391,983	3,585,116	3,905,058	557,893	470,091
Developer Fees	64,000	256,000	89,847	212,000	896,000
Interest Income/(Expense)	136,476	61,379	28,151	(6,026)	(1,588)
Expenditures	(11,396)	(1,457)	(439,951)	(3,325,127)	(200,000)
Encumbrances - prior year	14,212	10,159	6,139	3,031,351	0
Encumbrances - current year	(10,159)	(6,139)	(3,031,351)	0	0
Ending Balance	**3,585,116**	**3,905,058**	**557,893**	**470,091**	**1,164,503**
Grand Total - Fund Balance	**3,585,116**	**3,905,058**	**557,893**	**470,091**	**1,164,503**

	Project Expended	Impact Fees Used	% of Project
Recreation In-Lieu Fees:			
Projects:			
Hillview School Field Renovation	$200,000	$200,000	100%

The amount of recreation in-lieu fees collected in 2012-13 totaled $896,000 from six small residential developments and one multi-family development. The outstanding available balance in the Recreation In-Lieu Fee Fund at the end of FY 2012-13 is $1,164,503 after spending $200,000 for the second partial payment to the Menlo Park City School District for the Hillview School Field Renovation Project.

Building Construction Road Impact Fees

The Building Construction Impact fee that took effect in November 2005 was adopted to recover the cost of repairing damage to streets caused by construction-related vehicle traffic. On August 5, 2008, Council adopted a resolution extending this fee beyond the three-year sunset provision initially established. The fee amounts to 0.58 percent of a construction project's value. Residential alteration and repairs, as well as all projects under $10,000, are exempt from the fee.

As of June 30, 2013, $4,751,551 has been collected for this fee. The $691,793 collected in the most recent fiscal year was assessed on approximately 400 construction projects.

	2008-09	2009-10	2010-11	2011-12	2012-13
Building Construction Road Impact Fees:					
Beginning balance	2,158,579	2,455,467	2,836,121	1,419,552	1,304,667
Developer Fees	436,732	357,162	534,041	680,152	691,793
Street Department Fees	0	0	0	2,800	0
Interest Income/(Expense)	94,110	46,918	21,275	15,921	(2,792)
Expenditures	(231,532)	(23,426)	(1,255,643)	(217,521)	(1,205,493)
Encumbrances - prior year	0	2,422	2,422	718,664	1,314,899
Encumbrances - current year	(2,422)	(2,422)	(718,664)	(1,314,901)	(339,862)
Ending Balance	**2,455,467**	**2,836,121**	**1,419,552**	**1,304,667**	**1,763,212**
Grand Total - Fund Balance	**2,455,467**	**2,836,121**	**1,419,552**	**1,304,667**	**1,763,212**

	Project Expended	Impact Fees Used	% of Project
Building Construction Road Impact Fees:			
Projects:			
Street Resurfacing Project	$1,000,000	$1,000,000	100%
STPL Federal Aide Resufacing	$159,403	$159,403	100%
Cost sharing with General Fund:			
Street Maintenance		$46,090	

Fiscal year 2012-13 was the fifth year that expenditures were made from this source of funds. The City's 2011-12 Street Resurfacing bi-annual project and the 2012 Street Resurfacing of Federal Aid Route Project, just recently completed ($1,159,403) funded from the Building Construction Impact Fee Fund. In addition, to maintain key services to the community, staff utilized short-term options to balance the General Fund in previous years by charging to this fund a portion of a street maintenance position for maintaining medians, parking plazas, and 13 miles of right-of-way.

IMPACT ON CITY RESOURCES

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed as appropriate.

POLICY ISSUES

The report does not represent any change to existing City policy.

ENVIRONMENTAL REVIEW

This report is not subject to the California Environmental Quality Act.

PUBLIC NOTICE

Public notification was achieved by posting the availability of the report 15 days prior to the meeting.

ATTACHMENTS

None

Report prepared by:
Drew Corbett
Finance Director

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ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-203

Agenda Item #: D-4

CONSENT CALENDAR: **Accept the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013**

RECOMMENDATION

Staff recommends that the City Council accept the Comprehensive Annual Financial Report (CAFR) for fiscal year 2012-13.

BACKGROUND

Following the close of each fiscal year, the City's external auditors conduct an audit of the City's financial records and assist in the compilation of the Comprehensive Annual Financial Report (CAFR). The paramount objective of general purpose external financial reporting is accountability. The goal of a financial statement audit is to provide users with a reasonable assurance from an independent source that the information presented in the statements is reliable. The audit for the fiscal year ended June 30, 2013, was recently completed.

On October 15, 2013, Council received an informational staff report entitled, *Financial Review of Unaudited General Fund Operations as of June 30, 2013.* In that report, the unaudited results indicated that the General Fund's reserve balance would increase nearly $880,000 over the previous year as a result of operations. This increase has been confirmed by the audit, and the General Fund ended fiscal year 2012-13 with a total fund balance of nearly $22.4 million.

ANALYSIS

The 2012-13 fiscal year audit is the fifth annual audit performed by the City's external auditors OUM, LLP, Certified Public Accountants and Consultants (OUM). This is the final year of OUM's contract for audit services, and the City will be issuing a request for proposals in the near future for its next audit services contract.

External auditors conduct their audits in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The standards require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. On a sample basis, they examine evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. Further, the City's 2012-13 CAFR has been prepared in conformance with all applicable authoritative requirements and guidelines, including the implementation of Government Accounting Standards Board Statement 63, "Financial Reporting of Deferred Outflows, Deferred Inflows, and Net Position" (GASB 63) this fiscal year. This statement serves to clarify and standardize reporting on the consumption (deferred outflow) or acquisition (deferred inflow) of net assets applicable to future periods. While the City had no assets or liabilities that needed to be reclassified into either deferred outflows of resources or deferred inflows of resources, the City's financial statements now reflect *net position* instead of *net assets.*

The auditor's opinion is presented as the first item in the financial section of the CAFR. OUM rendered an unqualified opinion on the City's fiscal year 2012-13 financial statements, which is the optimal result of the independent audit. In accordance with Government Auditing Standards, the auditors also provide recommendations to City management identifying any areas for improvement in the City's internal control over financial reporting.

Each year, the City participates in the CAFR award program administered by the Governmental Finance Officers Association (GFOA). The City has been successful in obtaining the award each fiscal year beginning in 1989-90. Staff intends to submit the City's fiscal year 2012-13 CAFR to the GFOA program and is confident that the report will again merit the GFOA Certificate of Achievement for Excellence in Financial Reporting.

General Fund Status

General Fund highlights for the 2012-13 fiscal year are summarized in the Management's Discussion and Analysis (MD&A) section of the CAFR. The audit of the City's financial results for the General Fund produced no adjustments from the unaudited results presented to Council on October 15th (staff report #13-172). Overall, the General Fund finished fiscal year 2013-13 with an operating surplus of nearly $880,000 and ending fund balance of nearly $22.4 million. The increase in fund balance was the result of revenue growth exceeding expectations, partially as the result of one-time revenues. This allowed the General Fund to absorb critical operating expenditures that had previously been covered by redevelopment tax increment, as well as make an additional $2.7 million transfer to the Capital Improvement Projects Fund to support technology upgrades and comprehensive planning efforts.

Of the General Fund's $22.4 million fund balance, $6 million is set aside for emergency contingencies and $8 million is set aside to mitigate the effects of major economic uncertainties. Both of these reserves comply with the City's General Fund Reserve Policy, the purpose of which is to limit the use of General Fund balances to address unanticipated, one-time needs or opportunities. Further, this policy sets a goal fund balance range of 43-55 percent of General Fund expenditures. As of June 30, 2013, the City's unrestricted General Fund balance equaled 50.4 percent of the fund's total expenditures for the fiscal year.

Other Funds

In addition to the General Fund, the City's basic financial statements also cover the City's other funds. Funds that meet the criteria to be reported as "major funds" are reported individually, while funds that do not meet the "major fund" criteria are presented in aggregate in the basic financial statements. Financial information for the non-major funds is, however, included in the CAFR in the Supplementary Information section of the document. This staff report highlights the status of several funds as of the close of fiscal year 2012-13, and a more thorough discussion is included in the MD&A.

The General Capital Improvement Projects Fund had total expenditures of $3.1 million in fiscal year 2012-13, which included work on major projects such as street resurfacing, LED streetlight conversions, and improvements to City buildings. Overall, this fund's balance increased to nearly $14 million in fiscal year 2012-13, which is the result of an additional $2.7 million transfer from the General Fund to fund future technology upgrades and comprehensive planning efforts and $2.3 million in one-time service charges for large development projects. This accumulation of fund balance is necessary to fund existing projects. Other notable changes in the governmental funds include an increase to the balance of the Recreation In-Lieu Fund of nearly $700,000, which was the result of fees generated from a large residential housing project, and a decrease in the Highway Users Tax Fund balance of nearly $1.3 million due to planned capital outlay expenditures, which were predominantly for street resurfacing.

The City of Menlo Park maintains an enterprise fund to account for the activities of the Menlo Park Municipal Water District. The fund, separated between operating and capital activities, is self-sustaining, as the sale of water to customers generates the revenue needed to fully support the operating and capital needs of the district. Overall, the Water Fund experienced a $143,000 increase in net position in fiscal year 2012-13, which is discussed in more detail in the MD&A.

The City's four Internal Service Funds (ISFs) are utilized to report activities that provide insurance services and vehicle replacement to support the City's various programs and functions. The net position reported in these funds decreased by nearly $475,000 in fiscal year 2012-13. The City's Workers' Compensation Insurance Fund incurred the largest loss, as charges to the departments ($500,000) fell well short of the costs of the fund ($1.2 million), which primarily consist of insurance and the payment of claims. While this was partially anticipated, as the collections from departments in prior years that exceeded expenditures were utilized to build up the fund balance to accommodate costs that can fluctuate greatly year-over-year, collections in future years will likely need to be increased to ensure an adequate reserve level is maintained. Similarly, collections for Other Post-Employment Benefits (retiree medical) fell short of costs by over $60,000. Partially offsetting these losses were operating surpluses in the Vehicle Replacement Fund and the General Liability Insurance Fund.

The impact of the fiscal year 2012-13 results for the City's General Fund on the current year budget continues to be analyzed in conjunction with a monthly budget-to-actual review. A review of all the City's funds, an update on the status of major projects and priorities, and an update of economic conditions will be presented to the Council with the mid-year report in February 2014. At that time, a revised preliminary long-term financial forecast will also be presented.

IMPACT ON CITY RESOURCES

Acceptance of the City's CAFR has no direct impact on City resources. However, obtaining an unqualified opinion from the auditor is an important independent verification and validation of the City's financial management practices and a prerequisite to receiving the GFOA award. An award-winning CAFR contributes to the City's excellent bond rating.

POLICY ISSUES

The acceptance of the City's Comprehensive Annual Financial Report does not represent any changes to existing City policies.

ENVIRONMENTAL REVIEW

Environmental review is not required.

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

A. Fiscal Year 2012-13 Comprehensive Annual Financial Report

Report prepared by:
Drew Corbett
Finance Director

CITY OF MENLO PARK

CALIFORNIA

Comprehensive

Annual

Financial

Report

Menlo Park Celebrates 150 years of train service

For the Fiscal Year Ended June 30, 2013

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

CITY OF MENLO PARK, CALIFORNIA

PREPARED BY

THE FINANCE DEPARTMENT

Drew Corbett
Finance Director

Geoffrey Buchheim
Financial Services Manager

This report is printed on recycled paper.

City of Menlo Park
For the year ended June 30, 2013

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FINANCIAL SECTION, Continued

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701 LAUREL STREET, MENLO PARK, CA 94025-3483
www.menlopark.org

December 17, 2013

Honorable Mayor
Members of the City Council
and Residents of Menlo Park

Comprehensive Annual Financial Report

We are pleased to submit the comprehensive annual financial report for the City of Menlo Park, California (the City) for the fiscal year ended June 30, 2013. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data is accurate in all material respects and is reported fairly and honestly. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The comprehensive annual financial report (CAFR) is presented in four major sections that provide introductory, financial, supplementary, and statistical information about the City. The introductory section includes this transmittal letter, the City's organizational chart, and a list of the City's principal officials. The financial section includes the independent auditor's report, basic financial statements, notes to basic financial statements, required supplementary information, and supplementary information on non-major funds. The statistical section, which is unaudited, includes selected financial and demographic information.

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure. The notes include the summary of significant accounting polices for the City and other necessary disclosures of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

Generally accepted accounting principles (GAAP) require that management provide a narrative of introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter complements the MD&A and should be read in conjunction with it. The City of Menlo Park's MD&A can be found in the financial section of this document, immediately following the report of the independent auditors.

Background

The City of Menlo Park is located in San Mateo County, midway between the cities of San Francisco and San Jose. It is an area of comparatively high property values and is a vital part of the region commonly referred to as the Silicon Valley. One of its noteworthy neighbors is Stanford University. Because of the number of venture capital firms and the amount of venture capital invested through local companies, the City is often referred to as the "Capital of Venture Capital".

The City maintains a healthy balance of residential, commercial, and industrial uses. Residential home prices are still among the highest in the area, reflecting the desirability of living in the community. Now home to the headquarters of social networking giant Facebook, other major companies that have facilities in Menlo Park include the Rosewood Hotel, TE Corporation (formerly Tyco), E*Trade Financial, SRI International, Sunset Publishing, and a regional distribution center for OfficeMax. Menlo Park is also home to the Western Region Headquarters of the United States Geological Survey, a major Veterans Administration medical facility, and the U.S. Department of Energy-funded SLAC National Accelerator Laboratory.

Reporting Entity

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Menlo Park, as legally defined), as well as any applicable component units. Component units are legally separate entities for which the primary government is financially accountable. Prior to the dissolution of the Community Development Agency on January 31, 2012, it was reported as a blended component unit of the primary government. Activities of the Successor Agency acting on behalf of the former Community Development Agency are now reported as a Private-Purpose Trust Fund in the financial statements, and as such, 2012-13 is the first fiscal year in which the financial statements reflect only activities of the primary government and no component unit activity.

The City of Menlo Park provides a varied range of services, including police protection, public works (engineering, streets, parks, building and vehicle maintenance), water distribution and maintenance, transportation services, community services (recreation, child care, and senior services), community development (planning, zoning, and building inspection), code and parking enforcement, library services, housing, and general administration (finance, personnel, economic development, management information systems, legal, and record keeping). Fire protection services are provided by the Menlo Park Fire Protection District, an entity separate and distinct from the City. Sanitary sewer services are also provided by a special district, the West Bay Sanitary Sewer District.

Economic Condition and Outlook

At the turn of the 21st century, Menlo Park was a beneficiary of a vibrant regional economy, experiencing significant increases in sales tax revenue and property values. The national economic downturn in 2001 resulted in decreased revenues and compelled the City to begin a rigorous analysis of its long-term sustainability. Because Menlo Park had prudently built up General Fund reserves over the preceding decade, it was able to weather the challenges in each annual operating budget with a combination of improved efficiencies, modest service and workforce reductions, fee increases, and planned use of the General Fund reserve. The downturn stabilized and economic growth returned at a moderate pace in 2005-06, but the near 50 percent decline in sales tax revenues from the height of the technology boom continued to limit the City's fiscal flexibility. That year, the City launched a unique budget process that informed the public of the budgetary tradeoffs and engaged them in helping to determine fiscal priorities going forward. As a result of the community feedback, the Council approved net cost reductions of more than $1.5 million. In addition, voters approved a Utility Users Tax (UUT) in November 2006.

This budget refinement was beneficial in weathering the 2007-09 national economic recession. Nonetheless, the severe downturn compelled the City to develop and employ various long-term strategies focusing on preparedness for recovery. Blended with shorter-term cost reductions, these strategies limited the recession's impact on the City's reserves while maintaining quality community services. The City was also able to substantially maintain its annual $2.1 million investment in infrastructure – the amount needed to maintain the City's current infrastructure in its current condition – to prevent deterioration of these assets and the higher future cost that accompanies deferred maintenance.

The State's budget woes have continued to provide additional uncertainty to municipal funding. Midway through fiscal year 2011-12, the State successfully litigated the dissolution of redevelopment agencies statewide, effective February 1, 2012. This funding "realignment" presented a severe challenge to the City's ability to develop a balanced budget while still providing needed services and improvements in the redevelopment area. Further, the timing of the dissolution threatened a burgeoning recovery; just as revenues and expenditures were moving into alignment, the City's General Fund was required to absorb expenditures that were previously funded with redevelopment tax increment.

Fortunately, revenue recovery in a number of areas, especially property tax and transient occupancy tax, was greater than expected, and the City of Menlo Park appears to have turned a corner into a stable financial state. By the end of 2012-13, the City's budget and long-term forecast reflected operating surpluses for the next five years, which is the result of the better-than-expected revenue results and the actions the City has taken on the expenditure-side to realign those costs to a more sustainable level.

Some of the actions taken in this regard include negotiating wage and benefit concessions from employees, especially as they relate to retirement costs.

Staff will continue to monitor the long-term budget situation, keep the City Council informed of critical economic events, and be proactive in developing plans to promote the City and maintain its financial health. Various revenue options will continue to be explored, along with alternative service delivery models, further operational review, and aggressive pursuit of available federal, state and local funding.

Major Initiatives

FOR THE YEAR: The improving economy has resulted in a renewed interest in development projects and increased business opportunities, which has subsequently created an overall rise in demand for City services. Given the expenditure reductions made in response to the recession, as well as the loss of redevelopment revenue, keeping up with this service demand has been a challenge and has forced the City to remain focused on addressing the basics: Council's priorities and the services and programs that make Menlo Park unique.

The **Department of Administrative Services** continued to evolve its personnel model to best serve other City departments, the Council, and the community. This included filling several key positions in the City Manager's Office such as the Economic Development Manager and the newly created Assistant to the City Manager. The latter position's duties include Council- or City Manager-generated special projects that will help ensure key initiatives get prompt attention. The Human Resources Division welcomed a new Human Resources Director early in the fiscal year, while the Finance Division lost its director in March. The loss of the Finance Director required interim resources to be brought in to assist with budget development and continued work on redevelopment dissolution.

As was the case in the previous fiscal year, the Finance Division worked extensively to deal with the financial and regulatory impact of the loss of redevelopment agencies. The City, as Successor Agency to the former redevelopment agency, is required to pay all enforceable obligations that were in effect as of the signing of the dissolution bill and manage the remaining assets of the former agency until they can be distributed to other units of state and local governments. Regulatory compliance dictates that multiple levels of audit, review, and disclosure be undertaken before action can occur, which leads to dissolution-related transactions taking significant time and City staff effort to complete. This was the case for the sale of an asset of the former Community Development Agency. This property sale was expected to be completed mid-fiscal year; however, it did not get final approval from the State until after the close of fiscal 2013, and this transaction required significant time from senior City staff throughout the process.

The Finance Division and the Human Resources Division also continued to work together on the upgrade of the City's payroll system, which will significantly enhance functionality, stability, and integration with the City's general ledger. This project is in process and is expected to finish during fiscal 2014.

One of the primary areas of focus for the **Community Development Department** during the fiscal year was the update to the 2007-2014 Housing Element, which was completed late in the year and has since been adopted by Council and certified by the State. Work was also initiated on the 2014-2022 Housing Element Update, which is expected to be completed in the Spring of 2014, well ahead of the State-mandated timeline. The second major priority for the Department was managing the significant level of development activity in the City. Development projects that received land use entitlements in the year include the approximately 433,000 square foot Facebook West Campus, a renovated and expanded campus for CS Bio, Inc., conversion of a senior residential facility into a Marriott Residence Inn, renovation and expansion of the Beechwood School campus, and a 26-unit residential development located at 389 El Camino Real. Additionally, land use entitlements are underway for the renovation of the SRI International campus and the Commonwealth Corporate Center, an office development of approximately 250,000 square feet. An improving economy and the Downtown Specific Plan taking effect in July 2012 were major factors driving this level of activity, and with an increase in land use entitlements, as well as plan check submittals for a number of large projects, the Department utilized more contract services to manage the demand and ensure timely processing of requests.

The **Community Services Department** continued refining business plans designed to maximize program capacity and achieve greater cost recovery at the new facilities on the Burgess Campus, especially the Arrillaga Family Gymnastics Center that was completed in May 2012. Results in this area have been impressive, as total cost recovery is at an all-time high of 80%, and reliance on the General Fund has been reduced by over $1 million over the past five years. In that same timeframe, participant hours have quadrupled, which can be attributed to 30,000 square feet of new recreation-related facilities being constructed, increased operating hours, and improved programming. Overall demand for services remained extremely high in 2012-13, with nearly 1 million participants taking advantage of program opportunities.

The Department also completed a community visioning process for the Belle Haven neighborhood to determine its values and issues, define goals, and identify existing community assets that could be leveraged for future neighborhood improvement. The visioning process is intended ensure that City funds are spent on the services that have the highest priorities for the people receiving them, and the results will be implemented starting in 2013-14.

The **Library** continued to improve its operational efficiency with the installation of an automated materials handling system and a self-check-in terminal. These systems, along with the expanded self-check-out capabilities implemented in the prior year, allow for faster turnaround of library materials, better utilization of library staff, and a greater overall level of service to library patrons. Overall, the Main Library had total materials circulation of nearly 663,000 in 2012-13, with 95% of checkouts occurring on the new self-check-out terminals.

The **Police Department** underwent significant change in 2012-13, including the hiring of a new Police Chief. Efforts in the Police Department over the past fiscal year have focused on one central theme: keeping residents safe. To support that theme, the Department undertook a number of initiatives, including reviving the bicycle patrol program and motorcycle traffic unit, partnering with Facebook to begin the process of opening a Neighborhood Service Center in the Belle Haven neighborhood, and developing a new departmental organizational structure that enhances service delivery and builds leadership capacity. The latter two efforts are expected to be fully implemented in 2013-14. Further, and despite the loss of its redevelopment funding, the Police Department has maintained the important operations of the Narcotics Enforcement Team (NET) with General Fund resources. The NET serves to combat narcotics and gang violence, partnering with allied agencies for maximum impact in making the community a safer place to live and a desirable place to do business.

During the 2012-13 fiscal year, the **Public Works Department** completed a number of capital improvement projects, including several street and sidewalk projects such as the 2012 Street Resurfacing of Federal Aid Routes, Sidewalk Repair Program and Seminary Oaks Park Pathway, Woodland Sidewalks, Safe Routes to Hillview Middle School, and Alpine Road Bike Improvements. The Department has also continued to look for ways to reduce operating costs and work towards a long-term sustainable budget. Energy retrofits, which have both environmental benefits and cost savings, have been completed in many City facilities, and the transition to LED streetlights continues, with over 650 installed in 2012-13. This takes the total percentage of streetlights converted to LED to nearly 50% Citywide.

Maintenance of the City's infrastructure continues to be a high priority. The CIP Fund, as reflected in the 5-Year Capital Improvement Plan (CIP), has also become the funding tool for long-range planning projects, information systems upgrades, and new or replacement facilities. To that end, one-time revenues received in 2012-13 were utilized to either increase the General Fund's reserves or fund the CIP Fund. Specifically, $3 million was allocated to cover long-overdue technology upgrades, and $2 million has been set aside for comprehensive planning efforts. Both of these efforts are expected to get underway in 2013-14. Public Works continues to have staffing challenges within the CIP group, which affects the capacity for completion of approved CIP projects.

FOR THE FUTURE: **Financial Planning and Fiscal Policies**

A vibrant and resilient economy supporting a sustainable City budget is a top priority for Menlo Park. The City has, for many years, strived to record and report all expenses in the proper fiscal year, avoid unintended subsidization of non-essential programs with tax revenues, resist the creation of future liabilities, and initiate funding of long-term liabilities that currently exist. Such long-term financial planning efforts are essential to the City's prudent financial management and are particularly powerful when combined with sound financial policies.

Rating agencies recognize the City's financial strength and policies when assigning excellent ratings to Menlo Park general obligation bond issuances. The City continues to focus strategically on appropriate funding strategies, for not only current operations and top-ranked priority capital improvement projects, but also to cover long-term ongoing expenses. To that end, the operating budget includes annual funding for large infrastructure maintenance projects and ongoing retiree medical benefit obligations. In addition, all funds are regularly evaluated in terms of ongoing sustainability to avoid any future burden on the General Fund.

Menlo Park strives to maintain fiscal policies that will provide guidance on preserving its sound financial standing in the long term. Two years ago, a General Fund Reserve Policy was finalized, incorporating requirements of Governmental Accounting Standards Board (GASB Statement No. 54). The policy outlines the City Council's formal commitment of amounts of fund balance to be set aside specifically for emergency ($6 million) and economic contingencies ($8 million). The total goal range for the City's unrestricted fund balance is 43 to 55 percent of General Fund expenditures. As of June 30, 2013, the unrestricted fund balance of nearly $21.4 million represents approximately 50.4 percent of total General Fund expenditures for the 2012-13 fiscal year.

Although reserves are available to provide temporary financing for extraordinary events such as an economic recession, the City must be able to distinguish between operating structural deficits and deficits resulting from temporary downturns in the economy. Continuing to make this distinction and act accordingly will be critical to maintaining the City's long-term fiscal health. Infrastructure maintenance, comprehensive planning activities, technology upgrades, and storm water programs, in addition to standard City operations, are all part of a comprehensive and sustainable fiscal plan for the City and must be considered as limited resources are allocated.

The City administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected and that adequate accounting data are compiled to prepare financial statements in conformity with generally accepted accounting principles. In addition, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget approved by the City's governing body. The City also maintains sound financial management through an encumbrance accounting system demonstrated by the statements and schedules included in the financial section of this report.

In addition, the City has established certain fiscal policies defining its long-term financial objectives. For example, the Cost Recovery/Subsidization Policy minimizes the unintentional subsidization of certain services by the General Fund, allowing general tax dollars to be available for greater public benefit. The City also maintains an Investment Policy, reviewed annually, defining (by limiting the types of investments permitted and providing guidelines for duration and diversification) the level of risk that is appropriate in the City's portfolio.

The City will continue to follow established cash management, accounting, budgetary, and risk management policies and processes essential to the City's long-term fiscal health. In addition, the strategic direction provided in the 5-Year Capital Improvement Plan and the General Plan will be used in the City's efforts toward a sustainable budget for the future.

Other Information

Statistical Section. Issued in May 2004, the Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: the Statistical Section*, significantly changed the content and presentation of information reported in the statistical section of a comprehensive annual financial report. The new statistical section structure was developed to assist the reader in understanding financial trends, assessing the City's revenue capacity, gauging the affordability of outstanding debt, and understanding the environment in which the City's financial activities take place. Operating information is included to help the reader understand how the data in the City's financial report relate to services the City provides. Over time, the intent is to accumulate meaningful trend information useful in assessing performance.

Independent Audit. State statutes require an annual audit of the City's financial systems by independent certified public accountants. The accounting firm of OUM & Co., LLP Certified Public Accountants and Consultants was selected by the City for this purpose. The auditor's report and *unqualified* opinion on the basic financial statements and combining and individual fund statements is included in the financial section of this report.

Awards and Acknowledgments. The GFOA of the United States has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded this Certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, and satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for a period of one year. We believe our current report continues to meet the Certificate of Achievement Program's requirements.

Timely and efficient accounting practices, in coordination with the City's independent auditors, were essential in producing this annual document. Geoffrey Buchheim, the City's Financial Services Manager, bears the primary responsibility for overseeing the fiscal year-end close and coordinating the annual audit process. His diligent work, as well as the overall contributions from the entire Finance Department, was instrumental in ensuring the successful completion of this document.

The City Council's continued support in fiscal matters, especially in the maintenance of a long-term, sustainable financial vision, is essential and sincerely appreciated. The financial health of our City is a direct result of their vigilant fiduciary stewardship.

Respectfully submitted,

Alex D. McIntyre
City Manager

Drew Corbett

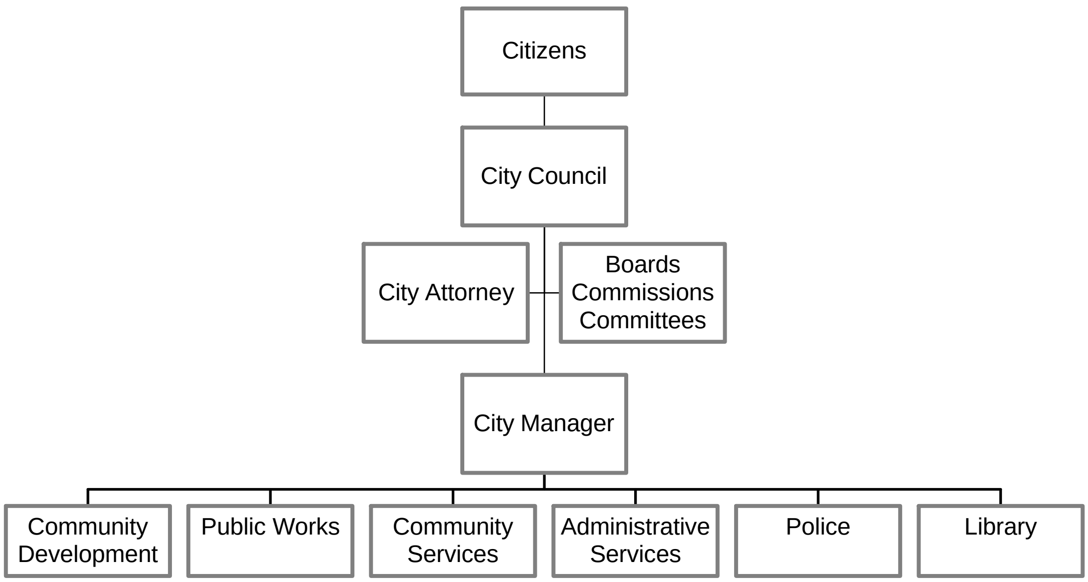
Drew Corbett
Finance Director

INTRODUCTORY SECTION

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2013



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2013

CITY COUNCIL

Peter Ohtaki, Mayor

Ray Mueller, Mayor Pro Tem

Richard Cline, Councilmember

Catherine Carlton, Councilmember

Kirsten Keith, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney .... William McClure
City Manager .... Alex D. McIntyre
Assistant City Manager .... Starla Jerome-Robinson
Administrative Services:
    Human Resources Director .... Gina Donnelly
    Finance Director .... Uma Chokkalingam (Interim)
    City Clerk .... Pam Aguilar (Acting)
Community Services Director .... Cherise Brandell
Police Chief .... Robert Jonsen
Library Director .... Susan Holmer
Developmental Services:
    Director of Community Development .... Arlinda Heineck
    Director of Public Works .... Charles Taylor

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Menlo Park

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION

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OUM &CO. LLP
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San Francisco, CA 94104

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menlo Park, California ("City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menlo Park, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 4 through 17 and 80 through 84 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-An Amendment of GASB Statement No. 53.*

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

OUM & Co. LLP

San Francisco, California
November 18, 2013

701 LAUREL STREET, MENLO PARK, CA 94025-3483
www.menlopark.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2013

This Management's Discussion and Analysis (MD&A) of the City of Menlo Park's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2013. The MD&A is an objective and easily readable analysis when read in conjunction with the accompanying transmittal letter and the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:
Net Position - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2013 by $440,094,139. Of this amount, $49,850,937 was reported as "unrestricted net position" and may be used to meet ongoing obligations.

Changes in Net Position – The City's total net position increased by $6,536,544 in fiscal year 2012-13. Net position of governmental activities increased by $6,393,335, which is due in large part to an increase in cash and investments. This increase is net of a prior period adjustment of $(206,487), primarily related to the correction of payroll expense related to prior years. Net position of the business-type activities increased by $143,209, reflecting the total year's net income for the Menlo Park Municipal Water District.

Long-Term Debt:
The City's total bonded debt obligations decreased by $758,813 during fiscal year 2012-13, primarily due to the scheduled annual payments of principal balances of outstanding debt, as follows: a $360,000 payment was made on the 1996 General Obligation Refunding Bonds, leaving a remaining balance of $1,215,000 as of June 30, 2013; a $60,000 payment was made on the 2009A General Obligation Bonds, leaving a remaining balance of $955,000 as of June 30, 2013; and a $340,000 payment was made on the 2012 General Obligation Refunding Bonds, leaving a balance of $9,490,000.

Fund Highlights:
Governmental Funds – Fund Balances - As of the close of fiscal year 2012-13, the City's governmental funds reported a combined ending fund balance of $69,786,934. This is a $5,121,075 increase from the prior year, which is primarily the result of an increase in total assets, predominantly in the form of cash and investments. The City's General Fund increased $1,093,940, with revenues of nearly $43.5 million and expenditures of $42.4 million. This includes the annual transfer of over $2.2 million to support infrastructure maintenance in the Capital Improvement Projects Fund, as well as an additional $2.7 million transfer to that fund to support priority initiatives such as comprehensive planning and technology upgrades. The surplus is credited primarily to accelerated recovery of many of the General Fund's major revenue sources. The gross increase in fund balance was partially offset by a $214,287 prior period adjustment to correct for a payroll liability spent but not properly expensed.

Of the total fund balances, $5.9 million are categorized as "nonspendable", largely representing amounts associated with loans and notes receivable. In establishing its General Fund Reserve Policy, the City Council set aside $14 million as "committed" fund balance. Most of the remaining funds are restricted within special revenue funds for specific purposes, capital improvement projects, or debt service. Governmental fund balances that are categorized as "unassigned fund balance" totaled $4,644,239, reported in the City's General Fund.

City Highlights:
Economic recovery continued in fiscal year 2012-13, as evidenced by growth in a number of the City's major revenue sources. This growth, which was above what had been expected, was a welcome occurrence as the City continued to grapple with the impact of the dissolution of redevelopment agencies. For the City of Menlo Park, the loss of tax increment required the General Fund to absorb the impact of critical operations in the former project area that had previously been funded with tax increment. Despite this great challenge, the City's General Fund was able to absorb these functions while achieving a balanced, sustainable long-term budget. Further, in an attempt to keep spending levels in line with revenues, one-time revenues have been set aside for specific one-time uses and not incorporated into the ongoing revenue baseline. This ensures that the City does not set spending levels on an unsustainable revenue base. In fiscal year 2012-13, this included utilizing one-time revenues to add to the General Fund's reserve and to transfer to the Capital Improvement Projects Fund to fund technology upgrades and comprehensive planning efforts.

Total governmental fund revenues for 2012-13 were up $4.4 million over 2011-12, and this increase was driven by the General Fund, which had revenues, excluding transfers and asset sale proceeds, that were up $3.7 million. This included a $2.5 million increase in property tax, of which $1.8 million was one-time revenue, a $529,000 increase in transient occupancy tax, and a $762,000 increase for licenses and permits. Investment earnings continued to decline in the governmental funds, as total earnings in 2012-13 were down 46 percent, or over $500,000. Such returns reflect the leveling off of yields on treasuries and federally-secured investments at historically low rates, the maturity of higher-yielding investments, and the impact of GASB 31, which requires the City to value its portfolio at the market value as of June 30, 2013. This valuation resulted in the City booking an unrealized loss on investments of $568,250 City-wide. It should be noted that as long as the City keeps its investments to maturity, which is typically what it does, there will be no actual loss on its investments.

Governmental Fund expenditures, excluding transfers and extraordinary gains/losses, dropped approximately $7.5 million, or 13% percent, in 2012-13. A large portion of this decrease, $4.8 million, was a reduction in debt-related expenditures attributable former Community Development Agency, whose debt is now reported in a separate private purpose trust fund. Another significant factor in the reduction in expenditures between 2011-12 and 2012-13 was a $3.7 million decrease in spending on capital outlay.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities and Changes in Net Position

The Statement of Net Position and the Statement of Activities and Changes in Net Position include information about the City as a whole and about its activities. These statements include *all* assets, deferred outflows of resources (if applicable), liabilities, and deferred inflows of resources (if applicable) of the City using the *accrual basis of accounting,* which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's overall *net position* and changes in that net position year-over-year. Net position is defined as the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and this is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are an indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

It should be noted that reporting the City's *net position* is a change from previous years, which is the result of GASB Statement 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Previously, the City's financial statements reported *net assets*, which was the difference between total assets and total liabilities. GASB 63 serves to clarify and standardize reporting on the consumption (deferred outflow) or acquisition (deferred inflow) of net assets applicable to future periods. While the City had no assets or liabilities that needed to be reclassified into either deferred outflows of resources or deferred inflows of resources, the City's financial statements now reflect *net position* instead of *net assets.*

In the Statement of Net Position and the Statement of Activities and Changes in Net Position, City activities are separated as follows:

Governmental activities—Most of the City's basic services are reported in this category, including the General Government, Public Safety, Public Works, Culture and Recreation (including library services) and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities—The City charges a fee to customers to cover the cost of water distribution services, including a surcharge for future capital improvements as necessary. The City's water system activities are the only activities reported in this category.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

Proprietary funds—When the City charges customers for the services it provides—whether to outside customers (enterprise funds) or to other units of the City (internal service funds)—these services are generally reported in proprietary funds. The City's Water Fund is the single enterprise fund that accounts for the business-type activities reported in the government-wide statements. Four internal service funds account for administrative activities that are provided to other funds and departments on a cost-reimbursement basis. These are included as governmental activities in the government-wide statements. Together, these proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In addition, a statement of cash flows is provided.

Fiduciary funds - The City is the trustee, or *fiduciary,* for certain funds held in a trustee or agency on behalf of individuals, private organizations, other governments, and/or other funds. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are exluded from the City's other financial statements because the City cannot use these funds' assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information providing a budgetary comparison statement for the General Fund and all major funds. It also includes an employees pension plan schedule of funding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position combines and consolidates government funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses before contributions to fund principal, special and extraordinary items, and total assets are presented in the Statement of Activities and Changes in Net Position. Both statements are condensed below for purposes of this analysis.

City of Menlo Park's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Current Assets	$ 73,518,146	$ 67,673,572	$ 15,383,944	$ 15,682,411	$ 88,902,090	$ 83,355,983
Noncurrent Assets	12,084,072	12,999,463	-	-	12,084,072	12,999,463
Capital Assets	368,067,145	367,133,028	10,079,682	9,524,216	378,146,827	376,657,244
Total Assets	453,669,363	447,806,063	25,463,626	25,206,627	479,132,989	473,012,690
Current Liabilities	8,751,166	8,823,566	814,639	700,384	9,565,805	9,523,950
Noncurrent liabilities	29,441,799	29,899,439	31,246	31,711	29,473,045	29,931,150
Total liabilities	38,192,965	38,723,005	845,885	732,095	39,038,850	39,455,100
Investments in Capital Net of Related Debt	347,050,366	345,357,438	10,079,682	9,524,216	357,130,048	354,881,654
Restricted	17,839,466	14,501,130	15,273,688	15,381,845	33,113,154	29,882,975
Unrestricted	50,586,566	49,224,495	(735,629)	(431,529)	49,850,937	48,792,966
Total Net Position	$ 415,476,398	$ 409,083,063	$ 24,617,741	$ 24,474,532	$ 440,094,139	$ 433,557,595

The City's programs for governmental activities include General Government, Public Safety, Public Works, Culture and Recreation, and Community Development. The programs for the business-type activities consist of water services provided by the Menlo Park Municipal Water District.

As noted earlier, the City as a whole has net position of $440,094,139. The largest portion of the City's net position (approximately 81 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (8 percent) represents resources that are subject to external restrictions on how they may be utilized. The remaining balance of unrestricted net assets (11 percent) may be used to meet the government's ongoing obligation to citizens and creditors.

Total net position of the City increased $6,536,544 in the fiscal year ended June 30, 2013. This was primarily related to an increase in in the City's cash position, particularly in the governmental activities.

City of Menlo Park's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenues:						
Program Revenues:						
Charges for Services	$ 19,197,987	$ 16,764,073	$ 6,633,147	$ 5,750,659	$ 25,831,134	$ 22,514,732
Operating Grants and Contributions	1,644,022	2,729,866	-	-	1,644,022	2,729,866
Capital Grants and Contributions	2,353,049	6,922,360	-	-	2,353,049	6,922,360
General Revenue:					-	-
Property Taxes	15,731,889	13,239,856	-	-	15,731,889	13,239,856
Sales Taxes	6,043,870	5,938,310	-	-	6,043,870	5,938,310
Transient Occupancy Taxes	3,468,256	2,939,475	-	-	3,468,256	2,939,475
Other Taxes	4,556,371	4,607,758	-	-	4,556,371	4,607,758
Investment Earnings	647,963	1,133,432	(8,799)	103,480	639,164	1,236,912
Gain on Sale of Assets	524,774	-	-	-	524,774	-
Miscellaneous	130,627	255,185	-	(5,953)	130,627	249,232
Total Revenues:	54,298,808	54,530,315	6,624,348	5,848,186	60,923,156	60,378,501
Expenses:						
General Government	6,332,057	7,386,399	-	-	6,332,057	7,386,399
Public Safety	14,080,936	14,248,362	-	-	14,080,936	14,248,362
Public Works	10,920,198	10,809,670	-	-	10,920,198	10,809,670
Culture and Recreation	11,077,343	9,860,317	-	-	11,077,343	9,860,317
Community Development	4,240,784	6,186,002	-	-	4,240,784	6,186,002
Interest on Long-Term Debt	1,229,193	2,971,231	-	-	1,229,193	2,971,231
Water Operations	-	-	6,299,614	6,112,954	6,299,614	6,112,954
Total Expenses	47,880,511	51,461,981	6,299,614	6,112,954	54,180,125	57,574,935
Inc/Dec in Net Position before Transfers	6,418,297	3,068,334	324,734	(264,768)	6,743,031	2,803,566
Extraordinary gain (loss)	-	28,170,336	-	-	-	28,170,336
Transfers	181,525	170,605	(181,525)	(170,605)	-	-
Changes in Net Position	6,599,822	31,409,275	143,209	(435,373)	6,743,031	30,973,902
Net Position - Beginning of the Year	409,083,063	377,673,787	24,474,532	24,909,905	433,557,595	402,583,692
Prior Period Adjustment	(206,487)	-	-	-	(206,487)	-
Net Position - End of Year	$ 415,476,398	$ 409,083,063	$ 24,617,741	$ 24,474,532	$ 440,094,139	$ 433,557,595

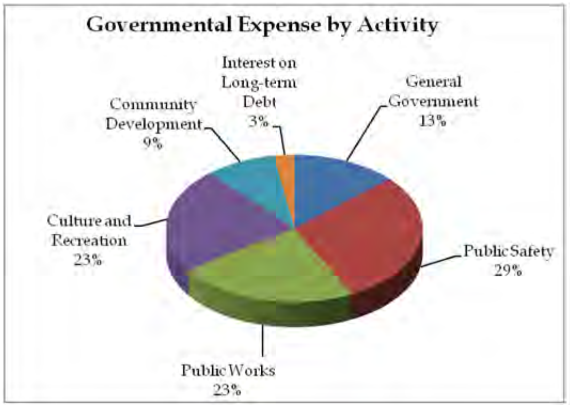
Governmental Activities

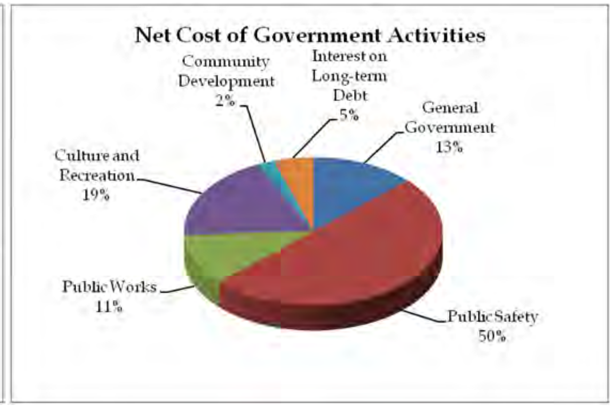
Factoring in the impact of a prior period adjustment of $(206,487), total governmental activities increased the City of Menlo Park's net position by $6,393,335. While program and general revenues that impact net position remained relatively flat to 2011-12, expenses decreased by nearly $3.6 million. Over $1.7 million of this amount was a reduction in interest on long-term debt related to the former Community Development Agency, which is now entirely reported as a private-purpose trust fund. Community Development-related expenses were also down, which was also a function of the dissolution of the Community Development Agency, as well as less environmental impact report-related activity. The overall decrease was partially offset by increases in Culture and Recreation and Public Works, which are discussed in more detail in the next paragraph.

Operationally, the recovery from the economic downturn continued in 2012-13, with general revenue sources such as property tax and transient occupancy tax seeing solid growth. Additionally, Citywide development activity and increased demand for Community Services programs drove an increase in service charge revenues. As previously noted, overall revenues that impacted net position remained relatively flat year-over-year, as the revenue increases previously discussed were offset by reductions in grant revenues and investment earnings.

The following charts of expenses and net cost of the City's various governmental activities have been derived from the Statement of Activities and Changes in Net Position. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities

($47,880,511 in fiscal year 2012-13). The second pie chart compares the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities ($24,685,453 in fiscal year 2012-13) must be funded out of the City's general revenues – primarily taxes and investment earnings. Areas with the highest program revenues (i.e., Public Works and Culture and Recreation) are able to offset relatively more costs than activities that have fewer opportunities to derive program revenues (such as Public Safety). Capital contributions served to increase program revenues sufficiently to offset all the costs pertaining to Culture and Recreation.





Business Type Activities

The final net position for business-type activities in 2012-13 was $24,617,741. Total program revenues for business-type activities (operation of the Menlo Park Municipal Water District) were $6,633,147, which consisted solely of charges for services related to water usage and capital surcharge fees. Total expenses for the business-type activities were $6,299,614 during 2012-13, nearly all of which were related to water operations. Overall net position increased by $143,209 in 2012-13, which considers the $333,533 operating surplus discussed above, minus $181,525 in transfers out for administrative overhead charges and $8,799 in net negative investment earnings. The net negative investment earnings were the result of an unrealized loss on investments that was reported for 2012-13.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances – Governmental Funds

A key function of fund accounting is to segregate resources. In order to reduce frustration when different individual funds are combined for financial reporting purposes and because it is common for governments to have too many funds to include information on each individual fund within the basic financial statements, Major Fund reporting was implemented with Government Accounting Standards Board (GASB) Statement 34. Each major individual fund is required to be presented separately and all non-major governmental funds to be aggregated into a single other governmental fund category. The General Fund is always considered a major fund. The criteria to determine what other funds must be reported as a major fund are:

- Ten percent criterion. An individual fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- Five percent criterion. An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any one of the items for which it met the 10 percent criterion.

There are four major funds in the Governmental Funds category. Below is a table with a comparison of the fund balance for each of these four funds between 2011-12 and 2012-13, as well as a consolidated comparison of all of the non-major governmental gunds for the same time period.

Governmental Fund Balances	June 30, 2013	June 30, 2012	Increase (Decrease) From 2011-12
General Fund	$ 22,377,648	$ 21,497,995	879,653
Housing Fund	320,347	312,474	7,873
Below Market Rate Housing Fund	10,629,904	10,947,253	(317,349)
General Capital Improvement Project Fund	13,978,152	8,992,118	4,986,034
Other Governmental Funds	22,480,883	22,916,019	(435,136)
TOTAL	**$ 69,786,934**	**$ 64,665,859**	**$ 5,121,075**

General Fund Balance
As noted, the General Fund is always one of the major governmental funds and is the primary operating fund of the City. Most City services are accounted for in the General Fund, including most public safety, public works, parks and community services, library, planning and community development, and general government.

At the end of the current fiscal year, the fund balance of the City's General Fund was $22,377,648, an increase of $879,653 from the prior year. The rise in fund balance (4.1 percent) was due to revenue growth exceeding expectations, partially as the result of one-time revenues, which allowed the General Fund to absorb certain critical operating expenditures that had previously been covered by redevelopment tax increment, as well as make an additional $2.7 million transfer to the Capital Improvement Projects Fund to support technology and comprehensive planning efforts. This transfer was in addition to the originally programmed transfer to the Capital Improvement Projects Fund for annual infrastructure maintenance.

Although $1 million of the fund balance was categorized as "nonspendable", the City's General Fund Reserve Policy sets aside ("committed") $6 million for emergency contingencies and $8 million to mitigate the effects of major economic uncertainties. The reserve policy affirms the Council's desire to limit use of General Fund balances to address unanticipated, one-time needs or opportunities, and establishes a goal range for the City's unrestricted fund balance (including commitments and assignments of fund balance) of 43-55 percent of General Fund expenditures. As of June 30, 2013, the City's General Fund unrestricted fund balance equaled 50.4 percent of the fund's total expenditures for the year.

The considerable increase in the City's total General Fund balance reflects positive operating results for the fiscal year that were mostly anticipated in the fund's budget. Key factors in the General Fund's operations are discussed further in General Fund Budgetary Highlights, later in this report.

Below Market Rate Housing Fund Balance
The Below Market Rate Housing Fund became a major fund for financial statement purposes starting in fiscal year 2011-12, based on the assets of the fund relative to the City's total governmental fund assets. The BMR Housing Program was established in 1987 to increase the housing supply for people who live and/or work in Menlo Park and have limited income per the limits established by San Mateo County. The program requires the provision of BMR units or in-lieu fees for certain

development projects. State law requires that all BMR in-lieu fees be committed to affordable housing development within five years of collection. During the 2012-13 fiscal year, the fund had revenue that included $365,000 of BMR in-lieu fees and expenditures of over $700,000 for the overall administration of the BMR program and settlement of a dispute related to the interest in a BMR property.

General Capital Improvement Project Fund Balance
The General Capital Improvement Project Fund is also a major fund for financial statement purposes, based on the relative amount of assets in the fund. In 2012-13, fund expenditures were $3.1 million and included work on major projects such as street resurfacing, LED streetlight conversions, and improvements to City buildings. Total fund balance increased nearly $5 million, to almost $14 million, in 2012-13, which is predominantly the result of an additional $2.7 million transfer from the General Fund to fund future technology upgrades and comprehensive planning efforts, and $2.3 million in one-time service charges for large development projections (Facebook and Stanford). It is not unusual for this particular fund to accumulate reserves because of the nature of the fund itself. Major capital and infrastructure projects, such as street resurfacing, require significant capital outlays and are most cost effective when done in large segments. To stabilize the impact on the General Fund, which funds many of these projects, annual transfers are made and reserves are accumulated to then be appropriated as large-scale projects are scheduled to begin.

Housing Fund
As Successor Agency for both housing and non-housing activities of the former redevelopment agency, the City transferred all loans of the former CDA Housing Fund to the City's own, newly established Housing Fund in 2011-12. In previous years, the CDA Housing Fund had received twenty percent of all the tax increment revenues of the former Agency to advance low- and moderate-income housing programs in the area. Per dissolution law, all future tax increment revenues will go to the County, and any unencumbered funds of the former agency will be distributed to other taxing agencies once recognized obligations have been paid. Therefore, the current Housing Fund exists to account for the housing loans of the former Agency. Net revenues from loan payments may go back to the fund to provide further loans or to other qualifying housing programs. The Housing Fund is considered a major fund for financial statement purposes based on the relative amount of liabilities in the fund; however, activity in the fund was limited in 2012-13, with only $12,788 expended for program administration.

Other Governmental Funds Balances
At the end of the 2012-13 fiscal year, the total fund balance of the City's 28 non-major governmental funds was $22,480,883. This represents a slight (2%) reduction in fund balance year-over-year.

The fund balances consist of 24 special revenue funds, 2 debt service funds and 2 capital projects funds. Within the special revenue funds, ten fund balances increased over the course of the fiscal year, while fourteen experienced a drop. The largest fund increase (nearly $700,000) was experienced in the City's Recreation In-Lieu Fund and was the result of fees generated from a large residential housing project. The Highway Users Tax Fund had the largest decrease in fund balance, nearly $1.3, which was primarily the result of $1.6 million in capital outlay expenditures, well above the base tax revenue amount of nearly $784,000.

Other significant changes in fund balance included increases of over $530,000 in the Landfill Post-Closure Fund and $330,000 in the Solid Waste Service Fund, and a decrease of over $500,000 in the

Construction Impact Fee Fund. The decrease in the Construction Impact Fee Fund was projected, as planned capital outlay expenditures were greater than service charge revenues.

Proprietary Funds

Proprietary Funds are comprised of enterprise funds and internal service funds. The City has one enterprise operation, which is the Water Fund. An enterprise fund accounts for activities that are financed and operated in a manner similar to private business enterprises. The Menlo Park Municipal Water District (MPMWD) is a self-supporting enterprise in which the sale of water to customers generates the revenue needed to support the operations and capital needs of the district.

The Water Fund accounts for water supplied to the approximately 4,000 customers of the MPMWD. The net position of the fund at June 30, 2013 was $24,617,741, an increase of $143,209 from the prior fiscal year. This modest overall increase was the result of net income of $251,366 in the Water Operating Fund, and a $108,157 net loss in the Water Capital Fund.

Reserve funding policies established in 2006 were revised in 2010, with the City adopting a 16.5 percent annual increase in water meter and consumption block rates through fiscal year 2013-14 based on projected increases in the cost of water. The Water Fund Reserve Policy anticipated the need for transfers/loans from the capital fund to maintain the operating fund during this period of water rate increases. The total transfer amount in 2012-13 from the capital fund to the operating fund was $755,962. Further, a capital surcharge was established in 1990 to fund major water capital projects; the surcharge netted the Water Capital Fund $675,404 in fiscal year 2012-13.

The City uses internal service funds to account for four major administrative activities: Workers' Compensation Insurance, General Liability Insurance, Retiree Medical Benefits, and Vehicle Replacement. Separation of these programs from the General Fund allows for better tracking and allocation of the costs associated with these "overhead" activities and provides a mechanism for funding those costs in the year incurred. The Vehicle Replacement Fund collected "charges for services" of $247,505 in 2012-13 from the departments and programs that utilize the assets being replaced to provide for the cost of anticipated vehicle purchases. Departmental charges received in the Workers' Compensation Insurance Fund ($500,000) were not sufficient to meet the actuarially determined costs of current and past claims charged to the funds, as evidenced by the net loss ($726,224) reported in this fund for the fiscal year. While this fund maintained a positive net position, collections from departments in future years will need to be increased to ensure there are adequate funds to cover expenses going forward. The General Liability Fund's collections exceeed its overall expenses by $207,662, which positively impacted its net position as of June 30, 2013.

The Retiree Medical Benefits Fund was created in 2008-09 for the sole purpose of providing contributions to the California Employers Retiree Benefits Trust (CERBT), the funding vehicle for the City's long-term obligations under its retiree medical benefits program. $9.2 million was sufficient to fund the accumulated liability of these benefits in fiscal year 2007-08. Going forward, the amount of the contributions are generated as a percentage-of-payroll charge, actuarially calculated to reflect full funding of the normal (annual) cost of these benefits. In fiscal year 2012-13 these costs were $639,544; however, collections only yielded $576,862, which resulted in an operating loss of $62,682. Charges to operating departments to fund the Retiree Medical Benefits Fund are adjusted each year to cover the anticipated cost for providing ongoing retiree medical benefits, and these charges will be adjusted in the current year to better align collections with operating expenses.

Fiduciary Operations

Fiduciary Fund Financial Statements are presented in the Basic Financial Statements separately from the Government Wide Financial Statements. Prior to 2011-12, the City's only fiduciary funds were agency funds, used to account for certain assets held on behalf of others. As the City's role is purely custodial in these cases, all assets reported in the agency funds are offset by a liability to the party on whose behalf they are held. Total assets of the agency funds held by the City increased from $411,987 to $587,278, which was due largely to the receipt of refundable cash bonds held for current development projects and increased prepaid accounts in the Payroll Revolving Fund.

A new private-purpose trust fund was established in 2011-12 to account for the activities related to the dissolution of the former Community Development Agency of the City of Menlo Park. As previously discussed, the former redevelopment agency was eliminated by State law as of February 1, 2012. All assets and obligations (including long-term debt) of the former agency were transferred to the City, as Successor Agency, as of that date. Housing loans are reported as assets in that governmental fund, but all other assets and liabilities are held in trust capacity in the new fiduciary fund. Unlike agency funds, trust funds report an "income statement". As such, the activity of the Successor Agency Trust from 2012-13 is reported in the Statement of Changes in Fiduciary Net Position. Because the transferred debt exceeded the transferred assets of the former agency when this trust was established, the fund ended the 2011-12 fiscal year with a net position of ($26,844,414). Continued disposition of assets of the former community development agency in 2012-13 led to another extraordinary loss in the amount of ($17,149,614). As of June 30, 2013, the fund's net position was ($41,333,002). It is important to note, however, that because the net negative position is primarily a function of long-term liabilities (debt service), which will be paid by future property tax revenues in the former redevelopment project area, there is no impact on the primary government's current or future financial position. Further, as of June 30, 2013, there was a remaining asset (property) totaling $5.7 million that was in the process of being sold. The sale was completed early in fiscal year 2013-14, and sale proceeds were remitted to the County for disbursement to applicable taxing agencies. This sale will be reflected in the financial statements for fiscal year ending June 30, 2014.

DEBT ADMINISTRATION

As of June 30, 2013, the City's debt obligations were comprised of General Obligation Bonds. These bonds include the City of Menlo Park General Obligation Refunding Bonds, Series 1996, a bond funding used to finance the 1990 Library Improvement Project. The balance of these bonds at June 30, 2013 was $1,215,000. The bonds are paid from special assessments to property owners within the City. In addition, the City has two outstanding issuances of "Measure T" bonds, approved by voters in 2001, to finance certain parks and recreation improvements. The balance of the original 2002 General Obligation Bonds issuance ($11,165,000) was refinanced through a direct placement sale of 2012 General Obligation Bonds in January 2012 . The refinancing allowed for lower interest rates, which will provide debt service savings of nearly $2.5 million over the remaining life of the original obligation. The balance of these bonds at June 30, 2013 was $9,490,000. The second issuance of these "Measure T" bonds was sold on July 1, 2009, adding $10,440,000 to the amount of bonds outstanding. At June 30, 2013, the outstanding balance of these bonds was $10,315,000. Of this 2009 issuance, $955,000 is outstanding on Series A tax exempt bonds. The remaining $9,360,000 is the principal outstanding on Series B taxable Build America Bonds (BABs). The decision to include BABs in the 2009 financing allowed the City to generate an additional $1,049,000 over the tax exempt bonds.

In May 2006, the City's Community Development Agency issued Tax Allocation Refunding Bonds in a par amount of $72,430,000 for the purpose of refunding at lower interest rates outstanding Series 1996 and Series 2000 Tax Allocation Bonds. These bonds had been issued to finance capital projects of benefit to the Las Pulgas Community Development Project Area. With the dissolution of redevelopment agencies in 2012, this bonded debt is no longer reported in the Government Wide Financial Statements. These obligations are included in Fiduciary Fund Financial Statements.

Additional information on the City's long-term debt can be found in Note 6 of this report.

As disclosed in the Notes to Basic Financial Statements, a liability has been recorded to reflect the City's obligation to provide post-closure care of the landfill at Bayfront Park. Although the City has established a revenue stream to fund landfill post-closure care, governmental accounting standards require the calculation and recording of the liability associated with this activity. The liability is included in the reporting of the City's long-term debt, at an estimated $5,782,181 at June 30, 2013.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to $378,146,827, net of accumulated depreciation of $89,667,910. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The City's investment in capital assets for the current fiscal year increased by $1,481,783 from the prior year as a result of capital asset additions of $7,495,734 offset with depreciation charges ($5,763,553) and net retirements of assets ($250,398). Detailed information on the City's capital assets can be found in Note 5 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2012-13 fiscal year adopted budget for the General Fund reflected an operating deficit, as revenue estimates ($40,439,669), inclusive of transfers in, fell short of adopted appropriations ($41,545,040), inclusive of transfers out, by $1,105,371. The adopted expenditure budget was increased over the course of the fiscal year to include purchase orders and other commitments from the prior year, as well as any other Council-approved budget adjustments. The most significant expenditure budget adjustment was the inclusion of an additional $2.7 million transfer to the Capital Improvement Projects Fund to provide funding for City-wide technology and comprehensive planning initiatives. The final adjusted budget amount was $44,718,080. As the fiscal year progressed, revenue estimates were also adjusted to reflect more current information. Final adjusted revenue estimates for 2012-13 were $41,156,382, which resulted a estimated General Fund operating deficit of $3,561,698.

Overall, the General Fund closed the 2012-13 fiscal year with an operating surplus of $879,653. This was the result of revenues coming in higher than expected and savings in operating expenditures, both of which are discussed further below.

General Fund Revenues

Economic recovery continued in 2012-13, as the General Fund experienced year-over-year revenue growth for the third consecutive year. Overall, revenues, including transfers and asset sales, totaled $43,459,835, which was a nearly $4.4 million (11%) increase over 2011-12. Property tax, transient occupancy tax, and licenses and permits led the way, with 19%, 18%, and 21% growth, respectively.

It is important to note, however, that a large portion of the growth in property tax was related to one-time revenue. Specifically, $1.8 million of the $2.5 million year-over-year growth in property tax was attributable to residual revenues due to the City resulting from the dissolution of the former Community Development Agency. Transient occupancy tax growth was the result of the voter-approved increase to the tax rate from 10% to 12%, which became effective January 1, 2013, as well as increasing occupancy rates. Licenses and permits were up primarily due to Facebook's $800,000 payment for its sales tax in lieu fee, and service charges were up 5% due to higher utilization of Community Services Department programs and facility rentals. Total sales tax revenues were only up 1.8%; however, that increase does not reflect actual activity, as the State's "Triple Flip" transaction skews the data. Revenues received from actual activity, both point-of-sale transactions in Menlo Park and distributions from the County and State pools, were up 6% and are a better reflection of economic conditions. Finally, the City received $767,000 in one-time revenue from the sale of a property.

There were year-over-year declines for two revenue sources, intergovernmental revenues and interest income. Intergovernmental revenues were down over 25% from the previous year, which was the result of the expiration of a contract the City of Menlo Park had with a neighboring jurisdiction for police dispatch services. Interest income was also down over 25%, which was primarily due to an unrealized loss in investment value of the City's portfolio. This loss, however, does not affect the City's cash position, as this was simply a transaction to reflect that difference between the value of the City's investment portfolio on June 30, 2013, and the value at which the individual investments were purchased. Because the City typically holds investments to maturity, it earns actual interest income while it holds the investments and then receives its principal back at maturity, and thus, there is no actual loss.

General Fund Expenditures

Total General Fund expenditures, including transfers out and comprehensive planning activities, totaled $42,365,895 and were nearly 14%, or over $5 million, higher in 2012-13 than they were in 2011-12. $2.7 million of this amount was the previously mentioned additional transfer to the Capital Improvement Projects Fund, and $1.1 million of this amount was related to comprehensive planning activity, which primarily consisted of the update to the Housing Element. The remaining increase was the result of departmental operations, and the largest year-over-year increases were in Public Works, Community Services, and Administrative Services. This increases were due to a variety of factors, including vacant positions being filled; higher costs for maintenance-related items such as utilities and gasoline; enhanced utilization of contract services, particularly in Public Works; and greater demand for Community Services programs, which also generated additional revenue.

While overall expenditures were up over 2011-12, total expenditures were lower than budgeted amounts by nearly $2.4 million. This is entirely the result of operating savings in each of the departments, about 40% of which was in the form of compensation savings and another 25% came from savings in the services category of expenditures.

ECONOMIC CONDITION AND OUTLOOK

While it is clear that the economy has turned the corner at the national, state levels and local levels, economic growth for the past few years has been weak, relative to the significant degree of the downturn. Because the San Francisco Bay Area has added jobs at a faster rate than the state and the nation, with the bulk of the growth in Silicon Valley, Menlo Park has been able to maintain fiscal stability throughout the slow recovery. Property taxes and transient cccupancy taxes remain bright spots in the revenue picture, as real estate values in the area continue to buck national trends and local hotels recover both rate and occupancy levels to pre-recession levels. Further, the increased hotel tax rate from 10% to 12%has also had a significant impact on transient occupancy tax revenues. Sales tax – the City's second-largest general revenue source – has been slow to recover from the recession; however, sales tax-generating activity in 2012-13 was strong, and the forecast is favorable going forward. As the City pursues comprehensive planning efforts and citywide zoning ordinance amendments that encourage economic vitality in the downtown area, the El Camino Real corridor, and commercial/light industrial areas of Menlo Park, there is expected to be a corresponding positive impact on sales tax revenue. With that said, the City is heavily reliant on business-to-business transactions to generate sales tax revenues, which leads to volatility. So while the forecast is favorable going forward, it will be important to temper expectations and ensure the inevitable volatility is considered in the long-term projections.

Business activity continues to gain momentum across sectors, and development activity is significant. There are a number of large-scale projects at various stages of development, including development of the Facebook East Campus and the Facebook West Campus. The latter will complete the social media giant's headquarters with a 433,000 square foot building on top of surface parking. Further, Facebook's presence has spurred additional development – both commercial and residential – on Menlo Park's accessible east side, including the former redevelopment area.

Additionally, the Downtown/El Camino Real Specific Plan has prompted interest in the replacement of existing buildings on El Camino Real – current and former auto dealerships – with a new mixed-use development consisting of offices, housing and retail. Having weathered the financial meltdown of 2008, banks, investment funds, venture capitalists, and others are also eager to reestablish their foothold in Menlo Park's economy.

Going forward, the City of Menlo Park is on solid financial footing. With strong recovery continuing for many of its major revenues sources and a reset expenditure baseline that incorporates the cost containment strategies implemented over the past several years, including compensation concessions from employees, the City's budget is structurally balanced with a forecast of modest surpluses over the next five years. What's most impressive, however, is that all of this has been achieved while also setting aside funds for critical one-time needs such as technology upgrades and comprehensive planning efforts, as well as maintaining extremely healthy reserves.

While in an enviable financial position, the City cannot rest on its laurels and must continue to focus its efforts on priority fiscal initiatives such as adequate funding of infrastructure, careful comprehensive planning, and optimization of business and residential development opportunities. Further, as new long-term needs are identified, the appropriate resources to meet those needs must also be identified.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Menlo Park Finance Division, 701 Laurel Street, Menlo Park, California 94025.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Menlo Park
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 69,781,029	$ 14,365,004	$ 84,146,033
Receivables:			
Accounts	2,426,173	969,727	3,395,900
Interest	248,533	49,213	297,746
Due from other governments	888,616	-	888,616
Deposits and prepaid items	173,795	-	173,795
Total current assets	73,518,146	15,383,944	88,902,090
Noncurrent assets:			
Restricted cash and investments	-	-	-
Real estate held for resale	733,597	-	733,597
Notes receivable	11,304,402	-	11,304,402
Deferred charges	46,073	-	46,073
Capital assets			
Non-depreciable	234,693,418	3,377,442	238,070,860
Depreciable, net	133,373,727	6,702,240	140,075,967
Total capital asset	368,067,145	10,079,682	378,146,827
Total noncurrent assets	380,151,217	10,079,682	390,230,899
Total assets	453,669,363	25,463,626	479,132,989
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	2,211,132	750,802	2,961,934
Accrued payroll	1,139,667	29,946	1,169,613
Interest payable	460,650	-	460,650
Deposits	1,263,146	12,354	1,275,500
Unearned revenue	1,323,457	-	1,323,457
Net OPEB liability	110,470	-	110,470
Claims payable due within one year	677,066	-	677,066
Compensated absences due within one year	744,618	21,537	766,155
Landfill postclosure care due within one year	202,147	-	202,147
Long-term debt due within one year	618,813	-	618,813
Total current liabilities	8,751,166	814,639	9,565,805
Noncurrent liabilities:			
Claims payable due in more than one year	2,377,646	-	2,377,646
Compensated absences due in more than one year	1,086,153	31,246	1,117,399
Landfill postclosure care due in more than one year	5,580,034	-	5,580,034
Long-term debt due in more than one year	20,397,966	-	20,397,966
Total noncurrent liabilities	29,441,799	31,246	29,473,045
Total liabilities	38,192,965	845,885	39,038,850
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	347,050,366	10,079,682	357,130,048
Restricted for:			
Capital projects	14,394,634	15,273,688	29,668,322
Debt service	1,943,354	-	1,943,354
Special projects	1,501,478	-	1,501,478
Unrestricted	50,586,566	(735,629)	49,850,937
Total net position	$ 415,476,398	$ 24,617,741	$ 440,094,139

See accompanying Notes to Basic Financial Statements.

City of Menlo Park

Statement of Activities and Changes in Net Position

For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total
Primary government:					
Governmental activities:					
General government	$ 6,332,057	$ 3,125,908	$ 9,965	$ -	$ 3,135,873
Public safety	14,080,936	1,579,674	173,068	-	1,752,742
Public works	10,920,198	6,924,069	602,745	610,485	8,137,299
Culture and recreation	11,077,343	3,873,165	858,244	1,742,564	6,473,973
Community development	4,240,784	3,695,171	-	-	3,695,171
Interest on long-term debt	1,229,193	-	-	-	-
Total governmental activities	47,880,511	19,197,987	1,644,022	2,353,049	23,195,058
Business-type activities:					
Water	6,299,614	6,633,147	-	-	6,633,147
Total business-type activities	6,299,614	6,633,147	-	-	6,633,147
Total primary government	$ 54,180,125	$ 25,831,134	$ 1,644,022	$ 2,353,049	$ 29,828,205

General Revenues:

Taxes:

Property taxes

Sales taxes

Motor vehicle fee taxes

Transient occupancy taxes

Franchise taxes

Other taxes

Total taxes

Investment earnings

Gain on the sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as previously reported

Prior period adjustment (Note 23)

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (3,196,184)	$ -	$ (3,196,184)
(12,328,194)	-	(12,328,194)
(2,782,899)	-	(2,782,899)
(4,603,370)	-	(4,603,370)
(545,613)	-	(545,613)
(1,229,193)	-	(1,229,193)
(24,685,453)	-	(24,685,453)
-	333,533	333,533
-	333,533	333,533
(24,685,453)	333,533	(24,351,920)
15,731,889	-	15,731,889
6,043,870	-	6,043,870
16,667	-	16,667
3,468,256	-	3,468,256
1,848,480	-	1,848,480
2,691,224	-	2,691,224
29,800,386	-	29,800,386
647,963	(8,799)	639,164
524,774	-	524,774
130,627	-	130,627
181,525	(181,525)	-
31,285,275	(190,324)	31,094,951
6,599,822	143,209	6,743,031
409,083,063	24,474,532	433,557,595
(206,487)	-	(206,487)
$ 415,476,398	$ 24,617,741	$ 440,094,139

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works operations and maintenance, and legal and administrative services.

Below Market Rate Housing Fund - Utilized to account for fees collected from developers of 10 or more residentials units, which are used to develop below market rate housing units through down payment assistance loans. In addition, it is utilized to account for fees collected from commercial and industrial developers, which are used to expand the stock of low and moderate income houses for people who work in the City.

Housing Special Revenue Fund **-** Established to service the low to moderate income housing loans created by the former Community Development Agency. The loans were transferred to this fund upon the dissolution of the Agency.

General Capital Improvement Project Fund **-** Utilizes an annual City General Fund transfer to provide adequate funding for maintenance of the City's current infrastructure.

City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds					
	General Fund	Below Market Rate Housing Special Revenue Fund	Housing Special Revenue Fund	General Capital Improvement Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash and investments	$ 23,296,114	$ 5,949,007	$ 91,265	$ 14,337,130	$ 22,451,567	$ 66,125,083
Restricted cash and investments	-	-	-	-	-	-
Receivables:						
Accounts	1,882,005	-	-	47,484	458,695	2,388,184
Interest	147,854	20,304	-	-	67,894	236,052
Notes	990,000	3,941,609	5,450,791	-	922,002	11,304,402
Due from other governments	608,579	-	-	-	280,037	888,616
Deposits and prepaid items	15,376	-	-	-	2,396	17,772
Due from other funds	110,673	-	-	-	-	110,673
Real estate held for resale	-	733,597	-	-	-	733,597
Total assets	27,050,601	10,644,517	5,542,056	14,384,614	24,182,591	81,804,379
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 27,050,601	$ 10,644,517	$ 5,542,056	$ 14,384,614	$ 24,182,591	$ 81,804,379
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 1,151,137	$ 14,613	$ 62	$ 384,250	$ 599,329	$ 2,149,391
Accrued payroll and related liabilities	1,035,214	-	696	22,212	78,153	1,136,275
Due to other funds	-	-	-	-	2,224	2,224
Deposits	1,178,144	-	-	-	85,000	1,263,144
Deferred revenue	1,308,458	-	5,220,951	-	937,002	7,466,411
Total liabilities	4,672,953	14,613	5,221,709	406,462	1,701,708	12,017,445
Deferred inflows of resources	-	-	-	-	-	-
Fund Balances:						
Nonspendable	1,005,376	4,675,206	229,840	-	2,396	5,912,818
Restricted:						
Special programs	-	5,954,698	90,507	-	18,033,341	24,078,546
Capital improvement	-	-	-	13,978,152	2,501,792	16,479,944
Debt service	-	-	-	-	1,943,354	1,943,354
Committed	14,000,000	-	-	-	-	14,000,000
Assigned, reported in:						
General fund	2,728,033	-	-	-	-	2,728,033
Capital project funds	-	-	-	-	-	-
Unassigned, reported in:						
General fund	4,644,239	-	-	-	-	4,644,239
Special revenue funds	-	-	-	-	-	-
Total fund balances	22,377,648	10,629,904	320,347	13,978,152	22,480,883	69,786,934
Total liabilities, deferred inflows of resources, and fund balances	$ 27,050,601	$ 10,644,517	$ 5,542,056	$ 14,384,614	$ 24,182,591	$ 81,804,379

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Total Governmental Funds	$ 69,786,934
Amounts reported for Governmental Activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Non-depreciable (net of real estate held for resale in special revenue funds)	234,693,418
Depreciable (net of internal service fund capital assets of $3,106,709)	213,563,609
Accumulated depreciation/amortization (net of internal service fund of $2,677,057)	(80,619,534)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	(460,650)
Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt.	46,073
Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds	(110,470)
Deferred revenues recorded in governmental fund financial statements in the amount of $7,466,411, less actual unearned revenue recorded on the Government-wide financial statements in the amount of $1,323,458, resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	6,142,954
Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the governmental fund financials statements.	(5,782,181)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The compensated absences is net of the internal service funds in the amount of $2,402 short-term, and $3,484 long-term.	
Long-term liabilities - due within one year:	
Compensated absences payable	(742,217)
Long-term debt	(618,813)
Long-term liabilities - due in more than one year:	
Compensated absences payable	(1,082,669)
Long-term debt	(20,397,966)
Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position.	1,057,910
Net Position of Governmental Activities	$ 415,476,398

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	Major Funds					
	General Fund	Below Market Rate Housing Special Revenue Fund	Housing Special Revenue Fund	General Capital Improvement Project Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes:						
Secured property taxes	$ 14,854,925	$ -	$ -	$ -	$ -	$ 14,854,925
Unsecured property taxes	351,099	-	-	-	-	351,099
Other property taxes	525,865	-	-	-	-	525,865
Sales taxes	6,043,870	-	-	-	-	6,043,870
Other taxes	6,328,728	-	-	83,264	1,595,968	8,007,960
Special assessments	-	-	-	-	2,831,235	2,831,235
Licenses and permits	4,447,630	-	-	-	397,411	4,845,041
Fines and forfeitures	998,259	-	-	-	-	998,259
Use of money and property	568,051	21,241	12,051	-	(6,867)	594,476
Intergovernmental	866,287	-	-	376,485	1,034,057	2,276,829
Charges for services	7,088,160	365,823	8,610	2,342,000	3,420,671	13,225,264
Other	22,700	-	-	-	179,437	202,137
Total revenues	42,095,574	387,064	20,661	2,801,749	9,451,912	54,756,960
EXPENDITURES:						
Current:						
General government	5,202,191	-	-	-	2,221	5,204,412
Public safety	13,784,282	-	-	-	46,736	13,831,018
Public works	5,043,865	-	-	-	3,130,937	8,174,802
Culture and recreation	8,615,694	-	-	-	399,253	9,014,947
Community development	3,814,000	-	-	-	123,710	3,937,710
Urban development and housing	67,393	206,518	12,788	-	-	286,699
Capital outlay	344,245	497,895	-	3,095,341	3,967,324	7,904,805
Debt service:						
Principal	-	-	-	-	760,000	760,000
Interest and fiscal charges	-	-	-	-	1,255,585	1,255,585
Total expenditures	36,871,670	704,413	12,788	3,095,341	9,685,766	50,369,978
REVENUES OVER (UNDER) EXPENDITURES	5,223,904	(317,349)	7,873	(293,592)	(233,854)	4,386,982
OTHER FINANCING SOURCES (USES):						
Transfers in	597,406	-	-	5,279,626	214,600	6,091,632
Transfers out	(5,494,225)	-	-	-	(415,882)	(5,910,107)
Proceeds from sale of assets	766,855	-	-	-	-	766,855
Total other financing sources (uses)	(4,129,964)	-	-	5,279,626	(201,282)	948,380
Net change in fund balances	1,093,940	(317,349)	7,873	4,986,034	(435,136)	5,335,362
FUND BALANCES:						
Beginning of year, as previously reported	21,497,995	10,947,253	312,474	8,992,118	22,916,019	64,665,859
Prior period adjustment (Note 23)	(214,287)	-	-	-	-	(214,287)
End of year	$ 22,377,648	$ 10,629,904	$ 320,347	$ 13,978,152	$ 22,480,883	$ 69,786,934

See accompanying Notes to Basic Financial Statements.

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position

For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	$	5,335,362
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental Funds reported acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. This amount is net of changes recorded in the internal service funds of $97,458.		6,634,514
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount is net of depreciation expense of $163,143 recorded in the internal service funds.		(5,399,914)
Proceeds from the sale of capital assets provide current financial resources but have no effect on net position		(766,855)
The net gain on the disposal of capital assets does not effect current financial resources but increases net position		524,774
Revenues that have not met the revenue recognition criteria in the Fund Financial statements are recognized as revenue in the Government-Wide Financial Statements. This amount represents the change in deferred revenue from the prior year.		(274,536)
Expenses to accrue for long-term compensated absences and OPEB liability (asset) is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, these expenses are not reported in the Governmental Funds.		
Change in compensated absences		119,018
Net change in OPEB asset		(105,523)
Bond proceeds provided current financial resources to Governmental Funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.		
Long-term debt repayments		760,000
Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt.		(1,187)
Expenses for landfill postclosure costs are expenditures in the Governmental Fund Financial Statements but reduce the liability in the Government-Wide Financial Statements.		219,613
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from the prior year.		27,579
Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacements to individual funds. The net revenue of the internal service funds is reported with governmental activities.		(473,023)
Change in Net Position of Governmental Activities	$	6,599,822

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary funds are used to account for activities that are financed and operated in a manner similar to private business enterprises. The City Council has determined that the cost of providing the following services to both internal and external customers be recovered primarily through user charges.

Enterprise Fund - Established to account for the financing of goods or services provided to external users. The water distribution operations of the Menlo Park Municipal Water District are the only enterprise activities of the City.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

City of Menlo Park
Statement of Net Position
Proprietary Funds
June 30, 2013

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	$ 14,365,004	$ 3,655,946
Receivables:		
Accounts	969,727	37,989
Interest	49,213	12,479
Deposits and prepaid expenses	-	156,023
Due from other funds	956,746	
Total current assets	16,340,690	3,862,437
Capital assets:		
Non-depreciable	3,377,442	-
Depreciable, net	6,702,240	429,652
Total capital assets	10,079,682	429,652
Total assets	26,420,372	4,292,089
DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows of resources	-	-
LIABILITIES		
Current liabilities:		
Accounts payable	750,802	61,741
Accrued payroll	29,946	3,392
Deposits	12,354	-
Due to other funds	956,746	108,449
Claims payable, due within one year	-	677,066
Compensated absences, due within one year	21,537	2,401
Total current liabilities	1,771,385	853,049
Noncurrent liabilities:		
Claims payable, due in more than one year	-	2,377,646
Compensated absences, due in more than one year	31,246	3,484
Total noncurrent liabilities	31,246	2,381,130
Total liabilities	1,802,631	3,234,179
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	-	-
NET POSITION		
Net investment in capital assets	10,079,682	429,652
Restricted for:		
Capital projects	15,273,688	-
Unrestricted	(735,629)	628,258
Total net position	$ 24,617,741	$ 1,057,910

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2013

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Charges for services	$ 6,612,463	$ 2,124,268
Connection fees	20,684	-
Total operating revenues	6,633,147	2,124,268
OPERATING EXPENSES:		
Cost of sales and services	5,778,525	-
Personnel services	-	92,308
General and administrative	320,593	267,798
Insurance	-	2,101,052
Depreciation	200,496	163,143
Total operating expenses	6,299,614	2,624,301
OPERATING INCOME (LOSS)	333,533	(500,033)
NONOPERATING REVENUES (EXPENSES):		
Investment income (loss)	(8,799)	(3,765)
Gain on sale of equipment	-	30,775
Total nonoperating revenues	(8,799)	27,010
INCOME (LOSS) BEFORE OPERATING TRANSFERS	324,734	(473,023)
TRANSFERS:		
Transfers in	755,962	-
Transfers out	(937,487)	-
Contributions	-	-
Total transfers	(181,525)	-
Net income (loss)	143,209	(473,023)
NET POSITION:		
Beginning of year	24,474,532	1,530,933
End of year	$ 24,617,741	$ 1,057,910

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	$ 6,355,586	$ 2,124,268
Cash payment to suppliers	(5,629,062)	(1,981,542)
Cash payments for general and administrative	(439,671)	-
Cash paid to employees	-	(90,746)
Cash receipts other	-	24,650
Net cash provided (used) by operating activities	286,853	76,630
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	522,745	-
Transfers to other funds	(704,270)	-
Contributions	-	97,620
Net cash provided (used) by noncapital financing activities	(181,525)	97,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(641,100)	(128,078)
Proceeds from disposal of capital assets	-	30,237
Net cash provided (used) by capital and related financing activities	(641,100)	(97,841)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	(8,799)	(3,989)
Net cash provided (used) by investing activities	(8,799)	(3,989)
Net increase (decrease) in cash and cash equivalents	(544,571)	72,420
CASH AND CASH EQUIVALENTS:		
Beginning of year	14,909,575	3,583,526
End of year	$ 14,365,004	$ 3,655,946
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 333,533	$ (500,033)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	200,496	163,143
Changes in current assets and liabilities:		
Accounts receivable	(248,451)	(7,087)
Prepaid expenses	-	(11,023)
Accounts payable	10,041	(88,764)
Accrued payroll	(6,542)	448
Insurance claims payable	-	516,592
Compensated absences	3,176	3,354
Deposits	(5,400)	-
Total adjustments	(46,680)	576,663
Net cash provided (used) by operating activities	$ 286,853	$ 76,630

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND
FINANCIAL STATEMENTS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

City of Menlo Park
Combining Statement of Fiduciary Net Position
June 30, 2013

	Total Successor Agency Trust Fund	Agency Funds
ASSETS		
Current assets:		
Cash and investments:		
Held with City	$ 2,641,339	$ 313,126
Held with trustees	10,604,183	-
Prepaids	-	274,152
Deferred charges	1,212,635	-
Real estate held for resale	5,694,977	-
Total assets	20,153,134	587,278
DEFERRED OUTFLOWS OF RESOURCES		
Interest rate swap	10,725,738	-
LIABILITIES		
Liabilities:		
Accounts payable	38,115	-
Accrued payroll	-	145,334
Interest payable	184,695	-
Deposits	108,891	441,944
Deferred revenue	1,946,054	-
Long-term debt:		
Due within one year	1,888,521	-
Due in more than one year	57,319,860	-
Total liabilities	61,486,136	587,278
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivatives	10,725,738	-
NET POSITION		
Held in trust for private purpose	(41,333,002)	-
Total net position	$ (41,333,002)	$ -

City of Menlo Park
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 313,126
Prepaids	274,152
Total assets	587,278
LIABILITIES	
Accrued payroll	145,334
Deposits	441,944
Total liabilities	587,278
NET POSITION	$ -

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Fiduciary Net Position
Private-Purpose Trust Fund - Successor Agency
June 30, 2013

	Total Successor Agency Funds
ASSETS	
Current assets:	
Cash and investments:	
Held with City	$ 2,641,339
Held with trustees	10,604,183
Interest receivable	-
Deferred charges	1,212,635
Real estate held for sale	5,694,977
Total assets	20,153,134
DEFERRED OUTFLOWS OF RESOURCES	
Interest rate swap	10,725,738
LIABILITIES	
Liabilities:	
Accounts payable	38,115
Interest payable	184,695
Deposits	108,891
Deferred revenue	1,946,054
Long-term debt:	
Due within one year	1,888,521
Due in more than one year	57,319,860
Total liabilities	61,486,136
DEFERRED INFLOW OF RESOURCES	
Accumulated increase in fair value of hedging derivatives	10,725,738
NET POSITION	
Held in trust for other goverments	(41,333,002)
Total net position	$ (41,333,002)

City of Menlo Park
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the Period Ending June 30, 2013

	Total Successor Agency Funds
Additions:	
Property taxes	$ 5,570,955
Investment earnings	225,783
Other	1,540,656
Total additions	7,337,394
Deductions:	
Program expenses of former redevelopment agency	15,750
Administrative expenses	71
Interest and fiscal agency expenses of former redevelopment agency	4,215,635
Other	1,540,656
Total deductions	5,772,112
Extraordinary gain(loss)	(17,149,614)
Change in net position	(15,584,332)
Net position - beginning of the year	(26,844,414)
Prior period adjustment (Note 23)	1,095,744
Net position - end of the year	$ (41,333,002)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Menlo Park (City) was incorporated under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City uses the City Council/Manager form of government. The financial reporting entity consists of (a) the primary government, the City; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City.

As of June 30, 2013, the City did not have any component units, because as of February 1, 2012, the Community Development Agency of the City of Menlo Park (Agency) was dissolved through State Assembly Bill 1X 26, which dissolved redevelopment agencies throughout the state of California. The Successor Agency was created to serve, in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency operates under the auspices of a legislatively formed oversight board who has authority over its financial affairs and supervises its operations and timely dissolution. Its assets are held in trust for the benefit of the taxing entities within the former Agency boundaries and as such are not available for City use. Certain assets, primarily loans receivable, have been retained by the City, as it has taken over the housing functions of the former Agency. All remaining assets were transferred to the Successor Agency of the former Community Development Agency. The Successor Agency is reported in the City's financial statements as a fiduciary private-purpose trust fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. *Reporting Entity, Continued*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government–Wide Financial Statements

The City government–wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These government-wide financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented the following major funds:

General Fund - Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works operations and maintenance, library, recreational programs and legal and administrative services.

Below Market Rate Housing Fund – Utilized to account for fees collected from developers of ten or more residential units, which are used to develop below market rate housing units through down payment assistance loans. In addition, it is utilized to account for fees collected from commercial and industrial developers, which are used to expand the stock of low and moderate income houses for people who work in the City.

Housing Special Revenue Fund – Established to service the low and moderate income housing loans created by the former Community Development Agency. The loans were transferred to this fund upon dissolution of the Agency.

General Capital Improvement Project Fund – Utilizes General Fund transfers to provide adequate funding for the maintenance of the City's current infrastructure and other non-recurring initiatives.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current position. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

There are two types of proprietary funds: enterprise funds and internal service funds. The City accounts for the activities of the Menlo Park Municipal Water District in its only enterprise fund. As such, the fund comprises the only business-type activities reported in the City-wide financial statements. Activities of the City's Workers' Compensation, General Liability, Retiree Medical Benefit and Vehicle Replacement programs are accounted for in four separate internal service funds. These activities are included in the City-wide financial statements as governmental activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting. Agency funds are used to account for Refundable Deposits, Cash Bonds Payable and the Payroll Revolving.

The City also maintains fiduciary funds (private–purpose trust funds) for the Successor Agency to the former Community Development Agency. Private-purpose trust funds include a Statement of Net Position and a Statement of Changes in Net Position.

C. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both the restricted and unrestricted portions of net position are available, the City's policy is to apply the restricted portion of net position first.

D. Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3*), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at $5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	40 years
Other improvements	40 years
Equipment	3-15 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure into the current Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

F. Real Estate Held for Resale

Real property held for resale is carried at the lower of cost or estimated net realizable value.

G. Long-Term Obligations

In the government-wide financial statements, the long-term obligations are reported as liabilities in the appropriate funds.

The Fund Financial Statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

H. Net Position and Fund Balances

In the government-wide financial statements, net position is classified in the following categories:

<u>Net investment in capital assets</u> – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

<u>*Restricted*</u>– This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

<u>*Unrestricted*</u>– This amount is all net assets that do not meet the definition of "net investment in capital assets" or "restricted."

<u>Fund Financial Statements</u>

In the fund financial statements, fund balances are in classifications, as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. Fund balances are classified in the following categories:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Position and Fund Balances, Continued

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompassed the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The City Council has given the authorization to the City Manager to assign any net fund resources.

Unassigned – This category is for any balances that have no restrictions placed upon them.

In June 2011, the City Council updated the fund balance policy for net position and fund equity. Due to the nature of the restrictions of Nonspendable and Restricted fund balances, the policy focuses on financial reporting of unrestricted fund balance, or the last three categories listed above. As the highest level of decision-making authority, City Council may commit fund balances for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. The policy delegates the authority to assign fund balance amounts to be used for specific purposes to the City Manager for the purpose of reporting these amounts in the annual financial statements. Restricted fund balances will be expended before unrestricted fund balances when expenditures are incurred for purposes for which both are available. Unrestricted fund balances will be exhausted in the order of assigned, unassigned and committed when expenditures are incurred for which any of these fund balances are available.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Compensated Absences

City employees have vested interests in varying levels of vacation, sick leave, and compensatory time. If sick leave and vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employees' then prevalent rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement at 15% of accumulated hours. On termination, only accrued vacation is compensated and not sick leave. The liabilities for compensated absences of the governmental activities are recorded in the Government-Wide financial statements. However, the General Fund is liable for 90% of the total city-wide compensated absence liability. The liabilities of compensated absences of proprietary funds are recorded as liabilities in the appropriate proprietary fund and in the business-type activities in the government-wide financial statements. The liabilities of compensated absences of governmental funds are reported in those funds only if there is an unused reimbursable leave still outstanding following an employee's resignation or retirement as of June 30, 2013.

A recap of the maximum accruals by bargaining unit is as follows:

Bargaining Unit	Vacation	Sick Leave
SEIU	336 hours	1,440 hours
AFSCME	336 hours	1,440 hours
POA	424 hours	1,500 hours
PMA	1,400 hours combined	
Administration	1,200 hours combined	

K. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes which are receivable from the County of San Mateo (County) within sixty days after year-end.

Lien Date	March 1
Levy Date	July 1
Due Date	November 1 and February 1
Collection	December 10 and April 10

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the City and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund balance reservation or by deferred revenue in the applicable governmental funds to indicate that they are not available financial resources. Any unpaid interest due to lack of funds in the borrowing fund increases the principal owed and is reported in the lending fund as deferred revenue. All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

M. New Pronouncements

For the fiscal year ended June 30, 2013, the City has implemented the following Governmental Accounts Standards Board (GASB) Statements:

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources,* and *Net Position* ("GASB 63"), which is effective for financial statements for periods beginning after December 31, 2011. The objective of GASB 63 is to clarify where deferred outflows and deferred inflows of resources should be reported in the statement of net position and the balance sheet. It will provide users with information about how past transactions that are not assets or liabilities will continue to impact a government's financial statements in the future periods. Under these new standards, consolidated financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report net position instead of net assets.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-An Amendment of GASB Statement No. 53.* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The adoption of this standard had no effect on the City's financial statements for the year ended June 30, 2013.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GASB) Statements:

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), which is effective for financial statements for periods beginning after December 31, 2012. GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The City is reviewing the impact of the adoption of GASB 65 for the fiscal year ending June 30, 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. New Pronouncements, Continued

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 ("*GASB 68*")*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Statement 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. This will result in requiring employers to recognize an unfunded pension obligation (i.e., the "net pension liability") as a balance sheet liability in their government-wide basic financial statements. Governments will also have to enhance note disclosures and schedules of required supplementary information. GASB 68 is effective for fiscal year June 30, 2015. The City is currently evaluating the impact of adopting this GASB Standard.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds are reported as cash with fiscal agents.

Investment income earned on pooled cash and investments (including realized and unrealized gains and losses) is allocated monthly to the various funds based on monthly cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, which is adopted annually and is more conservative than that allowed by State statute.

Under provisions of this policy, the City is authorized to invest in the following types of investments:

- Certificates of Deposit
- Bankers Acceptances
- Commercial Papers
- Repurchase Agreements
- Government Agency Securities
- Treasury Bills and Notes
- Medium Term Notes
- Money Market Funds
- State of California Local Agency Investment Fund

2. CASH AND INVESTMENTS, Continued

A. Authorized Investments

The City will not invest in securities maturing more than five years from the date of purchase, unless the Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and the effects of these adjustments are included in income for that fiscal year. Changes in fair value in the fiscal year ended June 30, 2013 from the fiscal year ended June 30, 2012, amounted to a decrease of $568,250.

B. Deposits

At June 30, 2013, the carrying amount of the City's deposits was $1,369,017 and the bank balances were $1,625,113. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name. In addition, the City has $145,000 deposited with the Bay Cities Joint Powers Insurance Authority.

All pooled certificates of deposit and bank balances are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure local agency deposits by pledging first trust deed mortgage notes having a value of 150% of a local agency's deposits. The City may waive collateral requirements for deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC).

C. Risks Disclosures

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2013.

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	$ 69,781,029	$ 14,365,004	$ 84,146,033	$ 2,954,465	$ 87,100,498
Restricted cash and investments	$ -	$ -	$ -	$ 10,604,183	$ 10,604,183

Restricted cash and investments held by fiscal agent in the City's debt service funds are restricted for the payment of principal and interest on general obligation and tax refunding bonds.

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

As of June 30, 2013, the City had the following cash and investments and maturities:

		Investment Maturities (in years)				
Investment Type	Fair Value	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Deposits	$ 1,369,017	$ 1,369,017	$ -	$ -	$ -	$ -
Petty cash	6,340	6,340	-	-	-	-
Securities of U.S. Government:						
U.S. Treasury T-notes	4,032,618	2,005,860	1,003,242	-	1,023,516	-
U.S. instrumentality	19,550,720	-	5,094,190	2,006,310	4,631,188	7,819,032
Local Agency Invesments Funds	37,078,439	37,078,439	-	-	-	-
Corporate notes	25,063,364	4,317,003	9,496,639	3,810,830	5,519,044	1,919,848
Total	$ 87,100,498	$ 44,776,659	$ 15,594,071	$ 5,817,140	$ 11,173,748	$ 9,738,880

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2013, the City's pooled cash and investments had the following maturities:

Maturity	Percentage of Investment
Less than one year	51%
One to two years	18%
Two to three years	7%
Three to four years	13%
Four to five years	11%

Credit Risk: It is the City's policy that commercial paper have a rating of "A-1" or higher by a nationally recognized statistical rating organization (NRSRO) and with a maturity date not exceeding 270 days from the date of purchase. Medium-term notes, with a final maturity not exceeding four years from the date of purchase, must have a rating of AA or the equivalent by a NRSRO. Medium-term notes with a final maturity exceeding four years from the date of purchase shall be rated at least AAA or the equivalent by a NRSRO at the time of purchase. According to the City's investment policy, the aggregate investment in medium-term notes will not exceed 30% of the City's total portfolio. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

Issuer	Type	Ratings Standard & Poor's	Ratings Moody's
FNMA	U.S. Instrumentality	AA+	Aaa
FHLMC	U.S. Instrumentality	AA+	Aaa
U.S. Treasury	T-Note	AA+	Aaa
FHLB	U.S. Instrumentality	AA+	Aaa
GE Capital	Corporate bond	AA+	A1
Pfizer Inc	Corporate bond	AA	A1
Well Fargo	Corporate bond	A+	A2
IBM Corp	Corporate bond	AA-	Aa3
3M Company	Corporate bond	AA-	Aa2
Berkshire Hathaway	Corporate bond	AA	Aa2
Berkshire Hathaway Finance	Corporate bond	AA	Aa2
Apple Inc	Corporate bond	AA+	Aa1
Google Inc	Corporate bond	AA	Aa2

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds and LAIF, are held by a third-party custodian (Union Bank of California Trust Division). Union Bank is a registered member of the Federal Reserve Bank. The securities held by Union Bank are in street name, and an account number assigned to the City identifies ownership.

D. External Investment Pool

The City's investments with LAIF at June 30, 2013 included a small portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

<u>*Structured Notes*</u> – debt securities (other than asset-back securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

<u>*Asset-Backed Securities*</u> – generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2013, the City had $37,068,312 invested in LAIF, which had invested 1.88% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value of its

2. CASH AND INVESTMENTS, Continued

D. External Investment Pool, Continued

investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2013, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2013, the City's investment in LAIF at fair value amounted to $37,078,439 using a LAIF fair value factor of 1.000273207.

E. Successor Agency Pooled Cash and Investments

Cash and investments consisted of $2,641,339 at June 30, 2013. The Agency pools cash from all sources and all funds with the City so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Restricted cash and investments amounted to $10,604,183. These are funds held by fiscal agents to service outstanding bonds of the former Community Development Agency.

3. RECEIVABLES

A. Accounts Receivable

As of June 30, 2013, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	$ 1,091,922	$ -	$ 1,091,922
Utility taxes	87,179	-	87,179
Total taxes	1,179,101	-	$ 1,179,101
Franchise fees	224,891	-	224,891
Rental income	55,304	-	55,304
General government charges	36,633	-	36,633
Public works charges	171,062	-	171,062
Community development fees	373,594	-	373,594
Recreation programs	14,343	-	14,343
Water service fees	-	969,727	969,727
Shuttle program revenues	364,548	-	364,548
Library service fees	6,697	-	6,697
Total accounts receivable	$ 2,426,173	$ 969,727	$ 3,395,900

3. RECEIVABLES, Continued

B. Notes Receivable

As of June 30, 2013, notes receivable consisted of the following:

		Notes Receivable
Major Funds:		
General Fund	$	990,000
Below Market Rate Housing		3,941,609
Housing Fund		5,450,791
Total major funds		10,382,400
Other Governmental Funds:		
Community Development Block Grant		836,963
Emergency repair loan (ERL)		85,039
Total special revenue funds		922,002
Total notes receivable	$	11,304,402

City Manager Housing

As part of the employment agreement with the City Manager, effective March 2012, the City Council has authorized a loan evidenced by two notes totaling $1.1 million in order to assist in the purchase of residential real estate property. These notes are secured by deeds of trust on the property. The notes bear an interest rate of 3.5% per annum, or, at the option of the City Manager, he may pay 2% per annum interest only, and 1.5% per annum would be deferred until the ultimate sale of the property or payment of the loans. The notes are due and payable within 24 months of termination of employment or within 12 months if he no longer resides in the property. One of the notes, in the amount of $110,000, was repaid as of June 30, 2012. The outstanding balance of the remaining note at June 30, 2013, was $990,000.

Community Development Block Grant

The City administers home improvement loans to seniors and very low income residents using Community Development Block Grant (CDBG) funds. The program provides for no or very low interest loans, which are secured by deeds of trust. Although payments for some loans are amortized over an established schedule, some loans allow for deferred payment of accrued interest and principal until the property changes ownership. Repayments received from outstanding loans are used to make additional housing rehabilitation loans. Outstanding loans at June 30, 2013, were $836,963. Since the funds have not been legally vested with the City as of June 30, 2013, these funds are reported as deferred revenue.

Housing Fund

With the dissolution of the Menlo Park Community Development Agency (Agency) as of February 1, 2012, the City has assumed all the loans from the Agency.

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

The City assumed a loan the Agency made to Peninsula Habitat for Humanity for purchase of two mini-park lots as sites to develop two single-family houses for very low-income homeowners. Loan repayment is structured as a zero interest note with a twenty-year term. The outstanding balance at June 30, 2013, was $19,500.

The City also assumed a loan the Agency made to Mid-Peninsula Housing Coalition for the purchase of a five-unit apartment building for very low-income households. The loan carries a 3% simple interest rate per annum, with payments made from residual receipts of the property. The outstanding balance at June 30, 2013, was $89,749.

The City has housing rehabilitation loans to eight eligible participants. Loans bear no or very low interest and are not due until the property changes ownership. The outstanding balance of these loans at June 30, 2013, was $451,892.

Gateway – In June 1987, the Agency issued $8,605,000 of multifamily housing revenue bonds for Menlo Gateway, Inc., a California nonprofit public benefit corporation, to fund a mortgage loan for paying the costs of acquisition and rehabilitation of a 130-unit multifamily housing project known as The Gateway, designed for occupancy by persons eligible for assistance under Section 8 of the United States Housing Act of 1937. The bonds had interest rates ranging from 5.75% to 8.25%, with payments which were to be made semi-annually on June 1 and December 1 through 2028. The bonds were payable solely from and were secured by a pledge of payments and other amounts due to the Menlo Gateway Inc. The bonds did not constitute a debt or liability of the Agency of the City and, therefore, were not reflected in the financial statements. In addition, the City did not act in any capacity in making debt service payments.

On October 28, 2002, the Agency made a loan to Menlo Gateway, Inc. to refinance Menlo Gateway's debt in the amount of $4,022,157. The loan bears a compounded interest rate of 3% per annum. The payment is secured by the Deed of Trust. The final payment is due on February 15, 2043. The outstanding balance as of June 30, 2013, was $4,889,650. Menlo Gateway is to make annual payments on the loan as defined in the promissory note.

Total Housing Fund loans at June 30, 2013, amounted to $5,450,791.

Below Market Rate Housing

The City uses Below Market Rate Housing Reserve funds to provide residents and employees who work in Menlo Park with second mortgage loans to purchase their first home in Menlo Park. These "PAL" loans are amortized over 30 years, and are currently restricted to purchasers of Below Market Rate.

Housing units, which are income and price restricted housing units produced through the City's Below Market Rate Housing program. Outstanding loans at June 30, 2013, were $2,092,562.

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

Emergency Repair Loan (ERL)

The Emergency Repair Loan (ERL) Program is designed to assist lower income households with minor emergency repairs to their home. The revolving loan program was originally funded by a Federal Revenue Sharing Grant. The maximum loan amount is $10,000 at 3% interest per annum, with a loan term of either 5, 10, or 15 years. Outstanding loans at June 30, 2013, were $85,039.

HIP Housing Development Corporation Loan

On July 20, 2012, the City entered into a promissory note with HIP Housing Development Corporation (HIP), a California nonprofit corporation, in which the City loaned funds totaling $1,849,047 to assist HIP in financing the acquisition of property at 1157-1161 Willow Road. The promissory note is non-interest bearing, and is due on the 55th anniversary of the note. If no events of default have occurred under the promissory note, as defined, then the City will forgive the promissory note. The promissory note is secured by a deed of trust on the property.

4. UNEARNED/DEFERRED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in government-wide financial statements represent amounts for which revenues have not been earned. At June 30, 2013, deferred revenues in the government-wide financial statements were as follows:

	Governmental Activities
Recreation summer programs	$ 462,536
Deferred grant revenue	15,000
Library donations	35,620
Planning deferred	752
MCC deferred	902
Percent for art deferred	8,647
Development agreement deferred	800,000
Total	$ 1,323,457

B. Fund Financial Statements

At June 30, 2013, the following deferred revenues were recorded in the fund financial statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

3. UNEARNED/DEFERRED REVENUE, Continued

B. Fund Financial Statements, Continued

Governmental Funds:

		Special Revenue Funds		
	General Fund	Housing Fund	Non-Major Funds	Total
Recreation Summer Programs	$ 462,536	$ -	$ -	$ 462,536
Development agreement	800,000	-	-	800,000
Planning deferred	752	-	-	752
Library donations	35,620	-	-	35,620
Percent for art deferred	8,647	-	-	8,647
Peninsula Partnership grant	-	-	15,000	15,000
MCC deferred	903	-	-	903
Menlo Gateway loan	-	4,889,650	-	4,889,650
CDBG loans	-	-	836,963	836,963
Emergency repair loans	-	-	85,039	85,039
Mid Peninsula loans	-	331,301	-	331,301
Total	$ 1,308,458	$ 5,220,951	$ 937,002	$ 7,466,411

C. Successor Agency

As of June 30, 2013, the Successor Agency has $1,946,054 in unearned revenue. This amount represents allocated revenue from the County of San Mateo to the Successor Agency to provide for the enforceable obligations of the former Community Development Agency for the period of July 1, 2013 through December 31, 2013.

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

Governmental Activities:	Balance June 30, 2012 (as restated)	Additions	Retirements	Reclass	Balance June 30, 2013
Capital assets, not being depreciated/amortized:					
Land	$ 199,262,056	$ -	$ (5,751)	$ -	$ 199,256,305
Land improvements	32,900,109	-	-	-	32,900,109
Construction in progress	2,112,344	1,299,728	(225,146)	(649,922)	2,537,004
Total capital assets, not being depreciated/amortized	234,274,509	1,299,728	(230,897)	(649,922)	234,693,418
Capital assets, being depreciated/amortized:					
Buildings	76,591,580	166,208	-	4,972	76,762,760
Shared use facilities	2,600,000	-	-	-	2,600,000
Equipment	6,929,594	485,939	(350,749)	-	7,064,784
Other improvements	16,259,990	140,000	(29,207)	-	16,370,783
Infrastructure	110,974,228	4,647,897	(2,395,084)	644,950	113,871,991
Total capital assets, being depreciated/amortized	213,355,392	5,440,044	(2,775,040)	649,922	216,670,318
Less accumulated depreciation/amortization for:					
Buildings	(15,191,874)	(1,557,698)	-	-	(16,749,572)
Shared use facilities	(260,000)	(104,000)	-	-	(364,000)
Equipment	(5,646,138)	(356,982)	350,232	-	(5,652,888)
Other improvements	(4,568,506)	(791,547)	10,223	-	(5,349,830)
Infrastructure	(54,822,555)	(2,752,830)	2,395,084	-	(55,180,301)
Total accumulated depreciation/amortization	(80,489,073)	(5,563,057)	2,755,539	-	(83,296,591)
Total capital assets, being depreciated/amortized, net	132,866,319	(123,013)	(19,501)	649,922	133,373,727
Governmental activities capital assets, net	$ 367,140,828	$ 1,176,715	$ (250,398)	$ -	$ 368,067,145

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense was charged to the various governmental activities as follows:

General government	$	583,130
Public safety		143,013
Public works		2,880,597
Culture and recreation		1,953,199
Community development		3,118
Total depreciation expense - governmental departments	$	5,563,057

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Business Activites:				
Capital assets, not being depreciated/amortized:				
Land	$ 1,066,454	$ -	$ -	$ 1,066,454
Construction in progress	1,555,026	755,962	-	2,310,988
Total capital assets, not being depreciated/amortized	2,621,480	755,962	-	3,377,442
Capital assets, being depreciated/amortized:				
Buildings	4,159,460	-	-	4,159,460
Equipment	542,565	-	-	542,565
Infrastructure	8,371,534	-	-	8,371,534
Total capital assets, being depreciated/amortized	13,073,559	-	-	13,073,559
Less accumulated depreciation/amortization for:				
Buildings	(1,546,722)	(83,189)	-	(1,629,911)
Equipment	(469,065)	(12,811)	-	(481,876)
Infrastructure	(4,155,036)	(104,496)	-	(4,259,532)
Total accumulated depreciation/amortization	(6,170,823)	(200,496)	-	(6,371,319)
Total capital assets, being depreciated/amortized, net	6,902,736	(200,496)	-	6,702,240
Business activities capital assets, net	$ 9,524,216	$ 555,466	$ -	$ 10,079,682

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense for all proprietary funds was $200,496 for the year ended June 30, 2013, which was recorded in the City's water business-type activity.

B. Successor Agency –Real Estate Held for Resale

As of June 30, 2013, the Successor Agency is holding $5,694,977 in capital assets to be liquidated and the proceeds sent to the County. The entire amount consists of land held by the former Community Development Agency for low and moderate income housing. The Successor Agency is in the process of selling the 2.2 acre tract of land.

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within one year
Governmental Activities					
1996 General Obligation Refunding Bonds	$ 1,575,000	$ -	$ (360,000)	$ 1,215,000	$ 380,000
2009A General Obligation Bonds	1,015,000	-	(60,000)	955,000	60,000
2009B General Obligation Bonds	9,360,000	-	-	9,360,000	-
Premium on 2009 General Obligation Bonds	67,474	-	(2,499)	64,975	2,499
2012 General Obligation Refunding Bonds	9,830,000	-	(340,000)	9,490,000	180,000
Discount on 2012 General Obligation Bonds	(71,882)	-	3,686	(68,196)	(3,686)
Total governmental activities	$ 21,775,592	$ -	$ (758,813)	$ 21,016,779	$ 618,813

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within one year
Fiduciary Activities					
2006 Las Pulgas Project Tax Allocation Bonds	$ 63,705,000	$ -	$ (1,950,000)	$ 61,755,000	$ 2,030,000
Deferred amount of refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	(2,432,130)	-	128,007	(2,304,123)	(128,007)
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	(255,968)	-	13,472	(242,496)	(13,472)
Total fiduciary activities	$ 61,016,902	$ -	$ (1,808,521)	$ 59,208,381	$ 1,888,521

6. LONG-TERM DEBT, Continued

A. *Long-Term Obligations, Continued*

1996 General Obligation Refunding Bonds

During fiscal year 1995-1996, the City issued $4,630,000 of 1996 General Obligation Refunding Bonds to fund certain library improvement projects. The bonds bear interest rates between 3.75% and 5.0% annually between June 30, 2000 and August 1, 2015. The bonds mature on August 1 of each year from 1996 to 2015 in amounts ranging from $40,000 to $430,000. Interest is payable semi-annually on February 1 and August 1 of each year. The bonds are paid from special assessments to property owners within the City.

Outstanding bonds maturing on or before August 1, 2008, are subject to optional redemption prior to maturity at the option of the City, in whole or in part, at any time, from any available source of funds thereof at redemption prices of 100 percent of the principal amount, plus accrued interest to the date fixed for redemption.

The annual debt service requirements to maturity for the 1996 General Obligation Refunding Bonds Outstanding at June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 380,000	$ 51,250	$ 431,250
2015	405,000	31,625	436,625
2016	430,000	10,750	440,750
Total	$ 1,215,000	$ 93,625	$ 1,308,625

2009 General Obligation Bonds

On July 1, 2009, the City issued a second series of the "Measure T" General Obligation bonds in the amount of $10,440,000. The financing was used to fund new recreation facilities, specifically, a new gymnasium and new gymnastic center on the Burgess campus. The decision to include Build America Bonds (BABs) in the financing allowed the City to generate an additional $1,049,000 over the tax exempt bonds. The overall "total issuance cost" for the series was 4.638%.

The Series A (Tax Exempt) Bonds totaled $1,080,000; the (serial) bonds bear an annual interest of 5% and mature annually from 2010 to 2024 on August 1 in amounts ranging from $10,000 to $100,000.

The Series B (Taxable Build America) Bonds totaled $9,360,000; the (term) bonds bear an annual interest at rates between 6.82% and 7.02% and mature annually from 2025 to 2039 on August 1 in amounts ranging from $110,000 to $1,355,000.

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

The 2009 General Obligation Bonds maturing on or before August 1, 2019 are not subject to redemption prior to their stated maturities. The bonds maturing in each year beginning August 1, 2020, are subject to redemption prior to maturity, at the option of the City, from any source of available funds, as a whole or in part on any date on or after August 1, 2019, at a redemption price equal to the principal amount of the Bonds called, together with interest accrued to the date of redemption. If less than all of the bonds are called for redemption, the bonds will be redeemed in inverse order of maturities, and if less than all of the bonds of any given maturity are called for redemption, the portions of such bonds of a given maturity to be redeemed shall be determined by lot.

The annual debt service requirements to maturity for the 2009 General Obligation Bonds outstanding at June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 60,000	$ 699,935	$ 759,935
2015	65,000	696,810	761,810
2016	65,000	693,560	758,560
2017	70,000	690,185	760,185
2018	75,000	686,560	761,560
2019-2023	420,000	3,372,925	3,792,925
2024-2028	540,000	3,244,325	3,784,325
2029-2033	680,000	3,040,325	3,720,325
2034-2038	5,685,000	1,963,943	7,648,943
2039	2,655,000	188,312	2,843,312
Total	$ 10,315,000	$ 15,276,880	$ 25,591,880

<u>*2012 General Obligation Bonds*</u>

In January 2012, the City of Menlo Park issued General Obligation Bonds in a par amount of $9,380,000 for the purpose of refunding at lower interest rates the City's outstanding Series 2002 General Obligation Bonds. The bonds bear an interest rate of 3.75% annually between January 2012 and August 1, 2032. The bonds mature on August 1 of each year starting in 2013 and ending 2032 in amounts ranging from $180,000 to $640,000. No amount of the bonds are to mature before August 1, 2012. Interest is paid semi-annually on February 1 and August 1 of each year. The bonds are paid from special assessments to property owners within the City.

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

The annual debt service requirements to maturity for the 2012 General Obligation Bonds outstanding at June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 180,000	$ 355,875	$ 535,875
2015	535,000	349,125	884,125
2016	555,000	329,063	884,063
2017	355,000	308,250	663,250
2018	365,000	294,938	659,938
2019-2023	2,055,000	1,258,125	3,313,125
2024-2028	2,475,000	841,875	3,316,875
2029-2033	2,970,000	342,563	3,312,563
Total	$ 9,490,000	$ 4,079,814	$ 13,569,814

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

During fiscal year 2005-2006, the City's former Community Development Agency issued $72,430,000 of 2006 Tax Allocation Refunding Bonds to refund and defease the Agency's outstanding principal of $25,515,000 of the 1996 Tax Allocation Refunding Bonds and the outstanding principal of $43,215,000 of the 2000 Tax Allocation Refunding Bonds. Both the 1996 and 2000 series bonds have been 100% defeased and the liability has been removed from the long-term debt of the City.

The refundings were undertaken to reduce total debt service payments over the next 25 years and to obtain and estimated net savings of over $5,122,000 over the life of the bonds.

The balance of the defeased bonds outstanding as of June 30, 2013, was $55,390,000.

2002 General Obligation Bonds

As noted previously, the City issued $13,245,000 of the 2002 General Obligation Bonds known as "Measure T" bonds. This financing was used to fund various parks and recreation projects in the City. The bonds bear annual interest at rates between 4.50% and 5.75%, with interest payments made semi-annually on February 1 and August 1. In January 2012, the City issued $9,830,000 in 2012 General Obligation Bonds for the purpose of refunding the 2002 General Obligation bonds, and the 2002 General Obligation Bonds have been 100% defeased and the liability has been removed from long-term debt. Additionally, the City placed $1,460,000 into escrow. The balance of the defeased bonds outstanding as of June 30, 2013, was $10,855,000. Future debt service payments were reduced by $2,349,066 with a present value savings of $999,288.

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations

2006 Las Pulgas Project Tax Allocation Bonds

In May 2006, the former Community Development Agency of the City of Menlo Park, now the Successor Agency, issued Tax Allocation Refunding Bonds in a par amount of $72,430,000 for the purpose of refunding at lower interest rates the Agency's outstanding Series 1996 and Series 2000 Tax Allocation Bonds. As such, the Series 2006 is the only outstanding bond issuance funding redevelopment activities of benefit to the former Agency's Las Pulgas Community Development Project Area. The bonds are repayable from the former Agency's tax revenues, including a portion of its housing set-aside tax increment revenues. In addition, pass-through payments to other local taxing agencies were subordinated to payment of debt service on the Bonds. Principal payments are due annually on January 1st of each year.

The 2006 Bonds were issued as variable rate bonds, with interest calculated monthly. The rate fluctuates according to market conditions. In order to protect against the potential of rising interest rates associated with the Bonds and to maximize refunding savings, the Agency entered into a pay-fixed, receive variable interest rate swap. The terms, fair value and credit risk of the swap agreement are disclosed below. Other than the net interest receipts and expenditures resulting from the swap agreement, no amounts are recorded in the basic financial statements.

Terms:

Former Community Development Agency of the City of Menlo Park Swap Portfolio						
Bond Issue	Initial Notional Amount	Counter-party	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Ratings Moody's/S&P/Fitch
Tax Allocation Refunding Series 2006	$72,430	Piper Jaffray with guarantee from Morgan Stanley Capital Services	6.632 %	63.5% of 1-month LIBOR + 0.15%	01/01/2031	Aa3/A+/AA-

In connection with the issuance of the refunding bonds, the Agency elected to enter into a floating-to-fixed interest rate swap, creating a synthetic fixed-rate debt for the Agency. The bonds annual interest rate of 6.632% includes the 3.794% base swap rate plus the 2.75% liquidity fee plus the 0.0875% remarketing fee.

Fair Value: At June 30, 2013, the swap had a negative fair value of ($10,725,738). Because the coupons on the Agency's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. Valuations based on other models or different assumptions may yield different results.

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations, Continued

Credit Risk: As of June 30, 2013, the Agency was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value.

The swap agreement contains specific collateral requirements that are in effect for the Agency and the counterparties, which would require collateralization of the fair value of the swap should credit ratings fall below the applicable thresholds. As a result of the downgrade of the Agency's bond insurer early in 2008, the swap payments associated with the Series 2006 bonds are now guaranteed by a direct-pay letter of credit with State Street Bank and Trust Co. Inc. The original Ambac insurance is also intact. Cross-default provisions allow a nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by or owed to the nondefaulting party.

Basis Risk: The interest rates on the Agency's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from the counterparty on the swap. To the extent these variable payments differ, the Agency is exposed to basis risk.

In particular, the swap exposes the City to *tax* risk, should an imbalance develop between LIBOR (a taxable index) and the variable rate paid on the bonds. For example, if a reduction in the benefits of the tax exemption for municipal bonds were to occur, resulting in a convergence of these rates, the expected cost savings of the swap may not be realized.

Termination Risk: The agency may terminate the swap if the counterparty fails to perform under the terms of the swap agreement. If the swap were to be terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

The annual debt service requirements to mature the Series 2006 Community Development Agency Tax Allocation Refunding Bonds outstanding at June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 2,030,000	$ 2,342,985	$ 4,372,985
2015	2,105,000	2,265,966	4,370,966
2016	2,190,000	2,186,103	4,376,103
2017	2,785,000	2,103,014	4,888,014
2018	2,895,000	1,997,351	4,892,351
2019-2023	16,330,000	8,245,311	24,575,311
2024-2028	19,675,000	4,903,745	24,578,745
2029-2031	13,745,000	1,056,060	14,801,060
Total	$ 61,755,000	$ 25,100,535	$ 86,855,535

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations, Continued

The issuance of the 2006 Las Pulgas Tax Allocation Bonds included a discount of $336,800. This amount was recorded as expenditures in the fund financial statements but was capitalized in the government-wide financials statements and recorded as a reduction of long-term debt. The discount will be amortized over the life of the debt. The amortization recorded in fiscal year 2013 was a total of $13,472 was recorded in the Successor Agency trust fund for the period ending June 30, 2013.

In connection with the issuance of the 2006 Las Pulgas Tax Allocation Bonds, the City recorded a deferral on refunding of debt which is reported as part of long-term debt. This deferral was in connection with interest payments made to the escrow agent for future payments of interest. The total amount deferred was $3,200,172, which will be amortized over the life of the bond. The amortization recorded in fiscal year 2013 was a total of $128,007 which was recorded in the Successor Agency trust fund for the period ending June 30, 2013.

Event Disclosure: On April 23, 2008, the Agency remarketed its outstanding Series 2006 Bonds, substituting the preexisting State Street line of credit for a State Street direct-pay letter of credit. This letter of credit effectively "wrapped" around the preexisting Ambac Assurance Corporation bond insurance policy, providing additional credit enhancement on the Bonds. The Ambac policy remains in effect, but is secondary to the State Street letter of credit. The Bonds remained otherwise unchanged, continuing as before as daily reset variable rated demand bonds (VRDBs). The swap associated with the Bonds, entered into with Piper Jaffray at the original issuance of the Bonds, remains in effect.

7. COMPENSATED ABSENCES

Compensated absences at June 30, 2013, were as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Estimated Due Within One Year	Estimated Due in More than One Year
Governmental Activities	$ 1,950,564	$ 833,398	$ (953,191)	$ 1,830,771	$ 744,618	$ 1,086,153
Business-Type Activities	52,285	28,759	(28,261)	52,783	21,537	31,246
Total compensated absences	$ 2,002,849	$ 862,157	$ (981,452)	$ 1,883,554	$ 766,155	$ 1,117,399

As stated before, the General contributes to over 90% of the compensated absences liability for the governmental activities.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City participates in pooled insurance programs offered by the Bay Cities Joint Powers Insurance Authority (BCJPIA) for losses in excess of specific program deductibles. The purpose of the pool is to provide certain levels of liability coverage, claims administration, and loss control support to member Cities. The bylaws of the BCJPIA, the risk coverage agreement, and an associated memorandum of coverage govern the rights and responsibilities of the BCJPIA's 19 members. Each member chooses its self-insured liability retention levels. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limits, in establishing the level of pool reserves and in approving the premium allocation methodology used for setting the premiums for each member.

Complete financial statements for the BCJPIA may be obtained from the offices of Bickmore Risk Services & Consulting at the following address:

Bay Cities Joint Powers Insurance Authority
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

The City's Liability program has a per claim deductible of $250,000 and a policy limit of $29,000,000. The Employment Practices program has a per claim deductible of $250,000 and a policy limit of $1,000,000. The Property and Fire program has a per claim deductible of $10,000 and a policy limit of replacement value.

The City's Workers' Compensation program has a per claim deductible of $350,000 and through the Authority, pooled coverage and reinsurance up to statutory limits.

Claims for long-term disability are covered by standard insurance.

Estimated reserves for all claims are recorded in internal service funds. No claim settlement has exceeded the coverage amounts in place for any of the years shown. The amount of claims due in one year from June 30, 2013, is estimated to total $677,066.

Changes in the balances of the City's claims liabilities during the years ended June 30, 2013, 2012, and 2011 were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
2010-2011	$ 1,940,657	$ 781,438	$ (598,656)	$ 2,123,439
2011-2012	2,123,439	865,749	(451,068)	2,538,120
2012-2013	2,538,120	1,064,707	(548,115)	3,054,712

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2013, were as follows:

Due To / From Other Funds

Interfund due to/due from represent short term loans owed for purposed of covering short term negative cash positions and will be repaid when fund revenues are received. The composition of due to/from other funds as of June 30, 2013, is as follows:

	Due from other funds		
Due to other funds	General Fund	Water Capital Improvement Fund	Total
Governmental Activities:			
OPEB Internal Service Fund	$ 108,449	$ -	$ 108,449
Peninsula Partnership Fund	2,224	-	2,224
Business-Type Activities:			
Water Operating Fund	-	956,746	956,746
TOTAL	$ 110,673	$ 956,746	$ 1,067,419

All Due To/From Other Funds were established as of June 30, 2013, to cover short-term negative cash balances.

9. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2013, were as follows:

Transfers Out	Transfers In – Governmental Activities: General Fund	Transfers In – Governmental Activities: Landscaping/ Tree Assessment Fund	Transfers In – Governmental Activities: Literacy Grants Fund	Transfers In – Governmental Activities: Capital Improvement- General Fund	Transfers In: Business-type-Activities - Water Operating Fund	Transfers In: Fiduciary Activities-Private Purpose Trust Fund-Redevelopment Obligation Retirement	Total
Governmental Activities:							
General Fund	$ -	$ 159,600	$ 55,000	$ 5,279,626	$ -	$ -	$ 5,494,226
CDA Dissolution Fund	-	-	-	-	-	-	-
Landscape/Tree Assessment Fund	63,259	-	-	-	-	-	63,259
Sidewalk Assessment Fund	19,003	-	-	-	-	-	19,003
Stormwater Management Fund	36,088	-	-	-	-	-	36,088
Highway Users Tax Fund	208,333	-	-	-	-	-	208,333
Garbage Service Fund	42,628	-	-	-	-	-	42,628
Downtown Parking Permits Fund	25,291	-	-	-	-	-	25,291
Bedwell-Bayfront Park Landfill Fund	7,899	-	-	-	-	-	7,899
Bedwell-Bayfront Park Mt. Operation Fund	12,680	-	-	-	-	-	12,680
Misc Trust Fund	700	-	-	-	-	-	700
	415,881	159,600	55,000	5,279,626	-	-	5,910,107
Business-Type Activities:							
Water Fund - Operating	181,525	-	-	-	-	-	181,525
Water Fund - Capital	-	-	-	-	755,962	-	755,962
	181,525	-	-	-	755,962	-	937,487
Fiduciary Fund Activities:							
Redevelopment Dissolution Fund	-	-	-	-	-	1,540,656	1,540,656
	-	-	-	-	-	1,540,656	1,540,656
Total	$ 597,406	$ 159,600	$ 55,000	$ 5,279,626	$ 755,962	$ 1,540,656	$ 8,388,250

The most significant transfers were from the Successor Agency Dissolution Fund to the Successor Agency Obligation Retirement Fund in the amount $1,540,656, which was used to cover the shortfall in the County's Property Tax Trust Fund; a transfer from the Water Capital Fund to the Water Operating Fund for operational expenditures; and a transfer of $5,279,626, which includes funds from significant one-time revenues, from the General Fund to the General Capital Improvement Project fund for infrastructure improvements.

10. FUND BALANCE

In the fund financial statements, governmental funds report restriction of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. The various committed and assigned balances are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The following are the classifications that were implemented according to GASB 54 at June 30, 2013:

	General Fund	Below Market Rate Housing Special Revenue	Housing Fund Special Revenue	General Capital Improvement Project Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Deposits and prepaid items	$ 15,376	$ -	$ -	$ -	$ 2,396	$ 17,772
Housing loans	-	3,941,609	229,840	-	-	4,171,449
Real estate held for sale	-	733,597	-	-	-	733,597
Notes receivable	990,000	-	-	-	-	990,000
Total nonspendable	1,005,376	4,675,206	229,840	-	2,396	5,912,818
Committed to:						
Emergency contingency	6,000,000	-	-	-	-	6,000,000
Economic stablization	8,000,000	-	-	-	-	8,000,000
Total committed	14,000,000	-	-	-	-	14,000,000
Assigned to:						
Infrastructure maintenance	2,340,000	-	-	-	-	2,340,000
Comprehensive planning	-	-	-	-	-	-
GASB 31 adjustment	-	-	-	-	-	-
Other purposes	388,033	-	-	-	1,104,691	1,492,724
Capital improvements	-	-	-	13,978,152	2,501,792	16,479,944
Debt service	-	-	-	-	1,943,354	1,943,354
Specific revenue sources	-	5,954,698	90,507	-	16,928,650	22,973,855
Total assigned	2,728,033	5,954,698	90,507	13,978,152	22,478,487	45,229,877
Unassigned:						
General fund	4,644,239	-	-	-	-	4,644,239
Special revenue funds	-	-	-	-	-	-
Total unassigned	4,644,239	-	-	-	-	4,644,239
Total Fund Balance	$ 22,377,648	$ 10,629,904	$ 320,347	$ 13,978,152	$ 22,480,883	$ 69,786,934

Nonspendable Amounts - represents amounts that cannot be spent or appropriated because they are not in spendable form or are legally or contractually required to be maintained intact.

Committed Amounts – represent amounts that are only to be used for specific purposes pursuant to the constraints imposed by formal action of the City Council. The committed amounts cannot be used for any other purposes unless the Council removes or changes the specified use by taking the same action it used to previously commit those amounts.

10. FUND BALANCE, Continued

Assigned Amounts **-** represents funds that are constrained by the City's intent to be used for a specific purpose.

Infrastructure Maintenance - represents funds intended to be used for the long-term cost of maintaining the City's infrastructure.

GASB 31 Adjustment **-** represents funds identifying that portion of fund balance that is the result of unrealized investment gains as it does not represent funds available for operations.

Other Purposes - represents funds intended for various commitments such as encumbrances.

Capital Improvements **-** represents funds set aside for capital improvements.

Reserved for Debt Service - represents amounts accumulated in accordance with a bond indenture or similar covenant.

Designated for Special Revenue Sources **-** represents funds designated for special programs and services in the City's Special Revenue Funds.

11. NET POSITION

The government-wide and proprietary fund financial statements utilize a net position presentation. The components of net position are categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets: This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted: This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This category represents net assets of the City, not restricted for any project or other purpose.

12. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations:

Major:		
Below Market Rate Housing Fund	$	143,598
Housing Fund		12,788
Non-Major:		
Special Revenue Funds:		
Narcotic Seizure Fund	$	4,331
Peninsula Partnership Fund		49,222

The Below Market Rate Housing fund experienced additional expenses due to a settlement paid to a lending bank in regards to a below market rate unit. The Housing Fund experienced additional rehabilitation loan expenses during the fiscal year due to the dissolution of the former Community Development Agency, exceeding the fund's budget by $12,788.

The Narcotic Seizure Fund experienced additional capital outlay with the purchase of new equipment, exceeding the fund's budget by $4,331. The Peninsula Partnership Special Revenue Fund exceeded appropriations by $49,222 due to additional services to be provided that were required by the grantor. These additional services were required by the grantor later in the fiscal year. These costs will be offset by additional grant revenues in the next fiscal year.

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

The City contributes to the California Public Employee Retirement System (PERS). The miscellaneous employees of the City are part of an agent multiple-employer defined benefit pension plan. The safety employees are part of a cost-sharing multiple–employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office at 400 P Street, Sacramento, CA 95814.

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Funding Policy

Participants are required to contribute 6.25%, 7%, or 8% for miscellaneous and 9% or 11% for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 16.821% for miscellaneous employees, and 24.706% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual pension cost of $3,356,213 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were as follows:

	Miscellaneous	Safety
Valuation date	June 30, 2010	June 30, 2010
Actuarial cost method	Entry age Normal Cost Method	Entry age Normal Cost Method
Amortization method	Level Percent of Payroll	Level Percent of Payroll
Average remaining period	17 years as of the valuation date	19 years as of the valuation date
Asset valuation method	15 year smoothed market	15 year smoothed market
Actuarial assuptions:		
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.55% to 14.45% depending on age, service, and type of employment	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%	3.00%
Payroll growth	3.25%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and and annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and and annual production growth of 0.25%.

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

The following is the three-year trend information for both safety and miscellaneous employees:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 3,920,409	100%	$ -
June 30, 2012	3,350,411	100%	-
June 30, 2013	3,356,213	100%	-

Funded Status of Plan – Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Normal Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
2010	$ 69,144,459	$ 79,542,433	$ 10,397,974	86.9%	$ 13,491,814	77.1%

** Additional information regarding the funded status of the miscellaneous employees' retirement plan can be found in the Required Supplementary Information Section.

Funded Status of Plan – Safety Employees

The City's retirement plan for safety employees is a part of the CalPERS risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's safety employees is no longer available nor disclosed.

14. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City sponsors and administers a single-employer defined benefit postemployment healthcare plan (the Plan) to provide healthcare insurance benefits to eligible retired employees and their dependents. Benefit provisions are established and may be amended by the City.

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

The City participates in the CalPERS healthcare program (PEMHCA) and allows retirees to continue participation in the medical insurance program after retirement. The following summarizes the retiree healthcare benefits:

PEMHCA Minimum: The City pays the PEMHCA minimum required employer contribution for retirees participating in PEMHCA towards the retiree monthly premium.

Retiree Health Benefit Credits (RHBC): Employees can convert unused sick or general leave balance (up to a maximum) to RHBC at retirement. The City pays retiree medical or dental coverage based on RHBC. Sick leave hour accrual and RHBC conversion rates vary by bargaining unit and service.

Implied Subsidy: An implied subsidy generally exists when retiree premiums are based on blended active and retiree experience. Since PEMHCA is a community rated plan for the City, no implied subsidy is valued for the PEMHCA plan.

Funding Policy

The City pre-funds the Plan through CalPERS OPEB Trust (CERBT) by contributing the City's Annual Required Contribution (ARC) every year. For fiscal year 2012-13, the City contributed $635,477, including $544,903 in benefit payments and a $90,574 deposit to CERBT. The City's ARC was $739,000 for fiscal year 2012-13. The difference between the ARC and actual contributions of $103,523 will be recovered in subsequent fiscal years following the results of the June 30, 2013 actuarial valuation.

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 45. The CERBT issues a publicly available financial report that included financial statements and required supplementary information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

Annual Other Postemployment Benefit Cost and Net Obligation

The City's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

Annual required contribution	$ 739,000
Interest on net OPEB obligation	(8,000)
Adjustment to annual required contribution	10,000
Annual OPEB cost (expense)	741,000
Contributions made	(90,574)
Benefit payments	(544,903)
Increase (decrease) in net OPEB obligation	105,523
Net OPEB obligation - beginning of year	4,947
Net OPEB obligation - end of year	$ 110,470

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net post-employment healthcare plan obligation were as follows:

Fiscal Year Ended June 30,	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
2011	$ 631,950	108%	$ (161,403)
2012	552,650	77%	4,947
2013	635,477	86%	110,470

Funded Status

The funded status of the plan as of June 30, 2011 (the date of the most recent actuarial valuation), was as follows:

	Total
Actuarial Accrued Liability (AAL)	$ 11,873,000
Actuarial Value of Plan Assets	11,891,000
Unfunded Actuarial Accrued Liability (UAAL)	(18,000)
Funded Ratio (Actuarial value of plan assets/AAL)	100.2%
Covered Payroll (active plan members)	$ 18,752,000
UAAL as a Percentage of Covered Payroll	-0.10%

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

A valuation of the City's OPEB obligation must be performed biennially. The City's most recent valuation was prepared with data as of June 30, 2011. Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing of benefit costs between employer and plan members to that point.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), a 3.0% general inflation increase, and annual pre-Medicare eligible healthcare cost trend rates for medical of 9.0% in 2013 (actual 2012 premium rates were used) decreasing to 5.0% over eight years. The post-Medicare eligible healthcare trend stated 0.4% higher for 2013. Sick leave accrual, benefit conversion rates, and maximum conversion amounts all assumed fixed in the future. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on CalPERS 1997-2002 Experience Study. Actuarial value of assets was based on 5-year smoothed market value.

15. LANDFILL POST-CLOSURE CARE

The City owns and maintains a closed, municipal, non-hazardous solid waste landfill known as the Marsh Road Landfill. Landfill operations began at the site in 1957 through a Joint Exercise of Powers Agreement initiated by San Mateo County. In 1968, the City took responsibility for the landfill and its eventual post-closure maintenance. The landfill ceased the receipt of wastes in May of 1984. In 1995, the construction of Bayfront Park was completed, incorporating required features such as a gas recovery and leachate control system.

State and Federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill site at Bayfront Park through the year 2025. These same regulations require the City to make annual contributions and/or provide an alternative funding mechanism to finance closure and post-closure care costs. In January 2003, the City Council approved a plan for a 5.4% surcharge on solid waste collection fees, increasing at a rate of 0.2% per year, in order to cover these costs. The surcharge is currently 7.2%.

15. LANDFILL POST-CLOSURE CARE, Continued

The City's outstanding future post-closure care costs were estimated at $5,782,181 at June 30, 2013. This estimate is based upon the present value of future cash flows associated with the landfill site's post-closure costs, discounted using the City's projected return on investment. The amount of fund balance within the Landfill Special Revenue Fund is not sufficient to cover such a liability, though the revenue stream provided by the solid waste collection surcharge and all post-closure costs will be accounted for in this fund. The City has recorded the post-closure cost liability as part of governmental activities in the government-wide financial statements.

The City will fund on-going post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined (due to changes in technology, applicable laws or regulations, for example), these costs may need to be covered by additional garbage surcharges or from future tax revenue. The following is the activity for landfill post closure care for fiscal year 2013:

	Balance July 1, 2012	Deletions	Balance June 30, 2013	Due within one year	Due in more than one year
Governmental Activities	$ 6,001,794	$ (219,613)	$ 5,782,181	$ 202,147	$ 5,580,034

16. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The former Community Development Agency of the City of Menlo Park (Agency) was established in 1981 with the adoption of the Las Pulgas Community Development Plan (1981 Plan). Since 1981, the Agency has implemented numerous programs to improve housing in the project area. During the fiscal year 2011-12, the Agency was dissolved in accordance to State Assembly Bill 1X26. All assets of the Agency were transferred to the Successor Agency private-purpose trust fund. More information on the Successor Agency can be found in Note 17.

17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Menlo Park that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY, Continued

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets of the former redevelopment agency until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 6043.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

During fiscal year 2012-13, the Successor Agency was in the process of liquidating the former Community Development Agency's assets and remitting them to the County to be distributed among the affected taxing districts. The remittance these assets as of June 30, 2013, was reported in the private-purpose trust fund as an extraordinary loss.

The detail of the extraordinary loss recognized in the fiduciary fund financial statement related to the transfer of assets to the County of San Mateo is expanded as follows:

Total extraordinary loss reported in the fiduciary funds for remittance of Low and Moderate Income Housing Fund -	$ 5,577,679
Total extraordinary loss reported in the fiduciary funds for remittance of Other Funds Assets -	11,571,935
Decrease to net assets of the Successor Agency Trust Fund as a result of remittance to the County of San Mateo -	$ 17,149,614

17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY, Continued

As of June 30, 2013, the Successor Agency was still in possession of the former Community Development Agency capital assets (real estate held for resale) valued at $5,694,977. These assets consisted solely of land and the Successor Agency was awaiting approval of its Long Range Property Management Plan by the State of California Department of Finance, and is reflected as real estate held for resale on the accompanying Statement of Fiduciary Net Position.

18. CONTINGENCIES

The City participates in a number of Federal, State, and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2013, some amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

19. LITIGATION

The City is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, most of these actions, when finally adjudicated, will not have a material adverse effect on the financial condition of the City.

20. ENCUMBRANCES/COMMITMENTS

The City had various commitments totaling $3,191,007 as of June 30, 2013. The most significant commitments are for capital improvement projects which include but are not limited to Street Resurfacing Project, Bedwell Bayfront Park Gas Leachate System and Alpine Road Bike Path Construction. All commitments are evidenced by contractual agreements with contractors. The encumbrances listed by fund are as follows:

Major:	
General Fund	$ 388,033
Below Market Rate Housing Fund	8,754
General Capital Improvement Fund	1,661,970
Non-Major Funds	1,132,250
Total	$ 3,191,007

21. JOINT VENTURES

General

The City of Menlo Park participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. Obligations and liabilities of the JPAs are not those of the City.

San Francisquito Creek

The San Francisquito Creek Joint Powers Authority (SFCJPA) was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District. The Authority's board is comprised of one director appointed by each of these member entities, and is a legally separate and fiscally independent entity.

The Authority was formed to manage the joint contribution of services and provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving environmental values and instream uses and emergency response coordination. The SFCJPA and U.S. Army Corps of Engineers are presently working together with the area's Congressional delegation to secure Federal funding for studies needed to identify a comprehensive flood management and ecosystem restoration project within the Creek watershed.

In the fiscal year ended June 30, 2013, each member entity contributed $108,000 to cover Authority administrative costs for the year.

Complete financial statements for the SFCJPA may be obtained from their offices at the following address:

San Francisquito Creek Joint Powers Authority
1231 Hoover Street
Menlo Park, CA 94025

21. JOINT VENTURES, Continued

South Bayside Waste Management Authority

The City of Menlo Park is one of twelve members of the South Bayside Waste Management Authority (SBWMA). The SBWMA was formed in October 1999 for the purpose of joint ownership, financing and administration of solid waste transfer and recycling facilities; and the planning, administration management review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities within the Authority's service area.

The Authority is controlled by a twelve member board consisting of one representative from each member entity. None of the SBWMA member entities exercise specific control over the budgeting and financing of the Authority's activities beyond their representation of the board.

Through the operation of franchise agreements with each member, Recology San Mateo County (Recology) collects fees charged for the use of the Authority's facilities and remits them to the Authority. Pursuant to an operations agreement with the Authority effective through December 31, 2020, Recology operates the facilities and is paid compensation based on costs, a provision for profit and incentives for cost savings and performance.

Complete financial statement for the SBWMA may be obtained from their offices at the following address:

South Bayside Management Authority
610 Elm Street, Suite 202
San Carlos, CA 94070

22. NEGATIVE FUND BALANCE

As of June 30, 2013, the Peninsula Partnership Grant Fund has a negative fund balance of $31,680. The grant funding for this program was overestimated but expenditures were not reduced. Additional funding in future years will be needed or the General Fund will add additional support. The Literacy Grants Fund has a negative fund balance of $4,483. The grant funding from the State was reduced late in the fiscal year while the City was committed to make expenditures. The shortfall will be made up in subsequent fiscal years.

23. PRIOR PERIOD ADJUSTMENTS

The City recorded a prior period adjustments totaling $206,487, to decrease the beginning governmental activities net position. The adjustments relate to not recording payroll liabilities in previous years in the amount $214,287 and the purchase of property in 1958 for $7,800.

23. PRIOR PERIOD ADJUSTMENT, Continued

The City as the Successor Agency for the former Community Development Agency recorded a prior period adjustment in the fiduciary funds in the amount of $1,095,744. This adjustment increased the beginning balance of the private purpose trust fund and reflects an error in calculating the interest payable on debt at June 30, 2012.

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REQUIRED SUPPLEMENTARYINFORMATION

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BUDGETARY PRINCIPLES

The City followed these procedures in establishing the budgetary data reflected in the General Purpose Financial Statements:

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 1.

2. The City Manager is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds, and capital projects funds. Proprietary funds and Agency funds are not budgeted.

4. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with GAAP.

5. Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2011, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit.

6. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. The City Manager must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.

7. Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming year.

8. Budgeted appropriations for the various governmental funds become effective each July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

Budgetary Comparison Schedule, General Fund

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes:				
Secured property taxes	$ 12,735,000	$ 13,010,000	$ 14,854,925	$ 1,844,925
Unsecured property taxes	430,000	350,000	351,099	1,099
Other property taxes	493,000	493,000	525,865	32,865
Sales taxes	6,330,000	6,280,000	6,043,870	(236,130)
Other taxes	6,380,000	6,365,000	6,328,728	(36,272)
Licenses and permits	4,266,465	4,326,465	4,447,630	121,165
Fines and forfeitures	1,085,200	991,400	998,259	6,859
Use of money and property	770,018	752,018	568,051	(183,967)
Intergovernmental	911,263	838,130	866,287	28,157
Charges for services	6,370,600	7,080,246	7,088,160	7,914
Other	29,050	31,050	22,700	(8,350)
Total revenues	39,800,596	40,517,309	42,095,574	1,578,265
EXPENDITURES:				
Current:				
General government	5,522,403	5,792,001	5,202,191	589,810
Public safety	14,674,472	14,399,392	13,784,282	615,110
Public works	5,219,367	5,427,931	5,043,865	384,066
Culture and recreation	8,997,188	8,915,459	8,615,694	299,765
Community development	4,312,314	4,522,314	3,814,000	708,314
Urban development and housing	43,842	57,742	67,393	(9,651)
Capital outlay	311,126	438,913	344,245	94,668
Total expenditures	39,080,712	39,553,752	36,871,670	2,682,082
REVENUES OVER (UNDER) EXPENDITURES	719,884	963,557	5,223,904	4,260,347
OTHER FINANCING SOURCES (USES):				
Transfers in	639,073	639,073	597,406	(41,667)
Transfers out	(2,464,328)	(5,164,328)	(5,494,225)	(329,897)
Proceeds from sale of assets	-	-	766,855	766,855
Total other financing sources (uses)	(1,825,255)	(4,525,255)	(4,129,964)	395,291
Net change in fund balance	$ (1,105,371)	$ (3,561,698)	1,093,940	$ 4,655,638
FUND BALANCE:				
Beginning of year			21,497,995	
Prior period adjustment (Note 23)			(214,287)	
End of year			$ 22,377,648	

Budgetary Comparison Schedule, Below Market Rate Housing Special Revenue Fund

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ 21,241	$ 21,241
Charges for services	-	-	365,823	365,823
Total revenues	-	-	387,064	387,064
EXPENDITURES:				
Current:				
Urban development and housing	65,576	65,576	206,518	(140,942)
Capital outlay	55,239	495,239	497,895	(2,656)
Total expenditures	120,815	560,815	704,413	(143,598)
REVENUES OVER (UNDER) EXPENDITURES	(120,815)	(560,815)	(317,349)	243,466
Net change in fund balance	$ (120,815)	$ (560,815)	(317,349)	$ 243,466
FUND BALANCE:				
Beginning of year			10,947,253	
End of year			$ 10,629,904	

Budgetary Comparison Schedule, Housing Special Revenue Fund

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ 12,051	$ 12,051
Charges for services	-	-	8,610	8,610
Total revenues	-	-	20,661	20,661
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Urban development and housing	-	-	12,788	(12,788)
Capital outlay	-	-	-	-
Total expenditures	-	-	12,788	(12,788)
REVENUES OVER (UNDER) EXPENDITURES	-	-	7,873	7,873
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	$ -	$ -	7,873	$ 7,873
FUND BALANCE:				
Beginning of year			312,474	
End of year			$ 320,347	

Budgetary Comparison Schedule, General Capital Improvement Capital Project Fund

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes:				
Other taxes	$ 78,300	$ 78,300	$ 83,264	$ 4,964
Intergovernmental	-	934,629	376,485	(558,144)
Charges for services	-	2,683,000	2,342,000	(341,000)
Total revenues	78,300	3,695,929	2,801,749	(894,180)
EXPENDITURES:				
Capital outlay	7,882,247	9,607,935	3,095,341	6,512,594
Total expenditures	7,882,247	9,607,935	3,095,341	6,512,594
REVENUES OVER (UNDER) EXPENDITURES	(7,803,947)	(5,912,006)	(293,592)	5,618,414
OTHER FINANCING SOURCES (USES):				
Transfers in	2,249,728	4,949,728	5,279,626	329,898
Total other financing sources (uses)	2,249,728	4,949,728	5,279,626	329,898
Net change in fund balance	$ (5,554,219)	$ (962,278)	4,986,034	$ 5,948,312
FUND BALANCE:				
Beginning of year			8,992,118	
End of year			$ 13,978,152	

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
2007	$ 56,842,197	$ 64,016,741	$ 7,174,544	88.8%	$ 12,810,019	56.0%
2008	61,338,783	67,682,313	6,343,530	90.6%	13,787,507	46.0%
2009	64,904,974	74,625,179	9,720,205	87.0%	14,224,996	68.3%
2010	69,144,459	79,542,433	10,397,974	86.9%	13,491,814	77.1%
2011	73,863,432	85,715,937	11,852,505	86.2%	13,490,012	87.9%
2012	78,392,509	90,386,805	11,994,296	86.7%	12,847,225	93.4%

Safety Employees

The City's retirement plan for safety employees is a part of the CalPERS risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's safety employees is no longer available or disclosed.

B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In order to comply with GASB Statement 45, an actuarial valuation of the City's OPEB obligations must be performed every other year. The City's most recent valuation was prepared with data as of June 30, 2011.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
1/1/2008	$ -	$ 10,057,000	$ 10,057,000	0.0%	$ 17,936,000	56.1%
1/1/2010	$ 10,324,000	$ 9,862,000	$ (462,000)	104.7%	$ 18,863,000	-2.4%
6/30/2011	$ 11,891,000	$ 11,873,000	$ (18,000)	100.2%	$ 18,752,000	-0.1%

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

Highway Users Tax Fund - Established to receive and expend the City's allocation of the State Gasoline taxes.

Federal Revenue Sharing Fund - Established to account for Federal Revenue Sharing money used to make emergency repair loans to lower income owners of single-family owner-occupied properties.

Landscape/Tree Assessment Fund - Established to account for property tax assessments collected under the Landscaping and Lighting Act of 1972 utilized for maintaining of City street trees.

Sidewalk Assessment Fund - Established to account for property tax assessments collected under the Landscaping and Lighting Act of 1972 utilized for repair and replacement of hazardous sidewalks and curbs.

Landfill Post-Closure Fund - Established to receive and expend increased solid waste surcharges and other revenues to cover the post closure costs of the Marsh Road landfill at the Bayfront Park.

Below Market Rate Housing Fund - Utilized to account for fees collected from developers of 10 or more residential units, which are used to develop below market rate housing units through down payment assistance loans. In addition, it is utilized to account for fees collected from commercial and industrial developers, which are used to expand the stock of low and moderate income houses for people who work in the City.

County Transportation Tax Fund - Established to account for the City's portion of the County-wide 1/2 cent sales tax used for City transportation purposes.

Public Library Fund - Established to provide supplementary funds to public libraries and to encourage local jurisdictions to maintain local support for their libraries.

Literacy Grants Fund - Established to provide literacy services to adult learners.

Narcotic Seizure Fund - Established to account for money seized in arrests for drug law violations used to purchase law enforcement equipment and supplies.

Transportation Impact Fees Fund - Established to account for traffic improvement fees charged to developers and used to mitigate City traffic problems that result either directly or indirectly from the development.

Downtown Parking Permits Fund - Established to provide adequate parking within the Central Business District.

Storm Drainage Fees Fund - Established to account for storm drainage fees used to mitigate City storm drainage problems either directly or indirectly resulting from the development.

Solid Waste Service Fund - Utilized to provide a City-wide garbage pickup service in order to keep health standards high for the single-family residences.

Bay Area Air Quality Management Fund (AB 434) - Established to account for City's share of surcharge funds from motor vehicle registration fees to be used for implementing eligible transportation programs.

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Special Revenue Funds, Continued:

Storm Water Management Fund **-** Established to account for the local requirements delineated in the Storm Water Management Plan, funded by a City-wide fee per parcel.

Peninsula Partnership Grant Fund **-** Established to account for federal grants used to improve the quality of life for children and their families in the Belle Haven neighborhood.

Supplemental Law Enforcement Services Fund **-** Established to account for funds received from Supplemental Law Enforcement Services Fund (SLESF) Monies under AB3229 used to provide front line law enforcement services.

Local Law Enforcement Block Grant Fund **-** Established to account for funds received from Bureau of Justice Assistance used to reduce crime and improve public safety.

Construction Impact Fee Fund - Established to account for developer fees paid to mitigate pavement damage due to heavy construction activity.

Bedwell Bayfront Park Maintenance Fund - Utilized to account for prior year fees residing in the fund balance that were charged to the public for trash hauled to the City Landfill site. The interest earned on these fees are used to maintain the Bedwell Bayfront Park built on the site.

Recreation In-Lieu Fund - Established to account for developer fees paid in-lieu of new recreation facilities. The funds are used to improve and expand recreation facilities.

Sharon Hills Park Fund - Established to account for a developer payment to be used for maintenance of Sharon Hills Park.

Vintage Oaks Landscape Fund - Established to account for a developer payment to be used for maintenance of the perimeter landscaping of the Vintage Oaks subdivision.

Community Development Block Grant Special Revenue Fund **-** Established in 1981 to account for Federal Housing and Community Development Block Grant funds utilized for single family housing rehabilitation and related administration.

Miscellaneous Trust Fund - Includes Refundable Deposits and Payroll Revolving Funds to account for assets held by the City as an agent.

Debt Service Fund:

Debt service funds are established to account for the accumulation and disbursement of monies to comply with the interest and redemption requirements of the Library Bond and the 2002 Recreation GO Bond Obligations as well as the retirement of the former Communty Development Agency's Series 2006 Refunding bonds.

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NON-MAJOR
GOVERNMENTAL FUNDS

Capital Projects Funds:

Library Addition Fund **-** Established to account for proceeds of the 1990 Library Improvements Bond Issue used to construct improvements to the existing Library.

Measure T 2002 GO Bond **-** Established to account for the proceeds of the 2002 Measure T Recreation Improvements Bond Issue used to construct improvements to the City's parks and recreation facilities.

Capital Improvement General Fund **-** Utilizes an annual City General Fund transfers to provide adequate funding for maintenance of the City's current infrastructure.

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
ASSETS					
Cash and investments	$ 2,049,757	$ 43,705	$ 310,993	$ 392,445	$ 3,549,524
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	13,253	-	63,151
Interest	6,995	149	-	-	12,129
Notes	-	85,039	-	-	-
Due from other governments	-	-	2,300	-	-
Deposits and prepaid items	-	-	-	-	2,396
Due from other funds	-	-	-	-	-
Total assets	$ 2,056,752	$ 128,893	$ 326,546	$ 392,445	$ 3,627,200
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 7,196	$ -	$ 9,316	$ 77,465	$ 25,867
Accrued payroll and related liabilities	2,869	-	12,165	1,987	302
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	85,039	-	-	-
Total liabilities	10,065	85,039	21,481	79,452	26,169
Fund Balances:					
Deposits and prepaid items	-	-	-	-	2,396
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	-	-	-	-	2,396
Restricted:					
GASB 31 adjustment	-	-	-	-	-
Special programs and services	1,971,588	41,054	294,958	305,745	2,993,687
Capital improvements	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	75,099	2,800	10,107	7,248	604,948
Total restricted	2,046,687	43,854	305,065	312,993	3,598,635
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	2,046,687	43,854	305,065	312,993	3,601,031
Total liabilities and fund balances	$ 2,056,752	$ 128,893	$ 326,546	$ 392,445	$ 3,627,200

(Continued)

Special Revenue							
County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees	Solid Waste Service
$ 855,626	$ 100,739	$ 8,896	$ 40,977	$ 2,732,673	$ 2,935,147	$ 120,664	$ 935,239
-	-	-	-	-	-	-	-
377,191	-	-	-	-	-	-	-
2,921	-	-	-	9,357	9,987	402	2,924
-	-	-	-	-	-	-	-
105,081	-	-	-	-	-	-	8,995
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 1,340,819	$ 100,739	$ 8,896	$ 40,977	$ 2,742,030	$ 2,945,134	$ 121,066	$ 947,158
$ 197,199	$ -	$ 249	$ -	$ 10,826	$ 7,040	$ 8,173	$ 1,756
19,726	-	13,130	-	3,101	2,858	-	6,135
-	-	-	-	-	-	-	-
45,000	-	-	-	40,000	-	-	-
-	-	-	-	-	-	-	-
261,925	-	13,379	-	53,927	9,898	8,173	7,891
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,031,568	100,739	(4,483)	40,977	2,674,110	2,927,568	101,114	914,457
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
47,326	-	-	-	13,993	7,668	11,779	24,810
1,078,894	100,739	(4,483)	40,977	2,688,103	2,935,236	112,893	939,267
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,078,894	100,739	(4,483)	40,977	2,688,103	2,935,236	112,893	939,267
$ 1,340,819	$ 100,739	$ 8,896	$ 40,977	$ 2,742,030	$ 2,945,134	$ 121,066	$ 947,158

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2013

	Special Revenue				
	Bay Area Air Quality Management	Storm Water Management	Peninsula Partnership Grant	Supplemental Law Enforcement Service	Construction Impact Fees
ASSETS					
Cash and investments	$ 2,589	$ 271,980	$ -	$ 16,837	$ 2,222,481
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Interest	9	-	-	57	7,562
Notes	-	-	-	-	-
Due from other governments	-	5,200	-	46,766	-
Deposits and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	$ 2,598	$ 277,180	$ -	$ 63,660	$ 2,230,043
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ 2,934	$ 10,936	$ 13,626	$ 123,998
Accrued payroll and related liabilities	-	6,669	3,520	-	2,969
Due to other funds	-	-	2,224	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	-	15,000	-	-
Total liabilities	-	9,603	31,680	13,626	126,967
Fund Balances:					
Nonspendable:					
Deposits and prepaid items	-	-	-	-	-
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	-	-	-	-	-
Restricted:					
GASB 31 adjustment	-	-	-	-	-
Special programs and services	2,598	260,327	(31,680)	43,847	-
Capital improvements	-	-	-	-	2,085,310
Debt service	-	-	-	-	-
Other purposes	-	7,250	-	6,187	17,766
Total restricted	2,598	267,577	(31,680)	50,034	2,103,076
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	2,598	267,577	(31,680)	50,034	2,103,076
Total liabilities and fund balances	$ 2,598	$ 277,180	$ -	$ 63,660	$ 2,230,043

(Continued)

Special Revenue						Debt Service	
Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Library GO Bond 1990	Recreation GO Bond 2002
$ 695,795	$ 1,160,543	$ 79,277	$ 86,051	$ 702,014	$ 897,121	$ 909,106	$ 916,323
-	-	-	-	-	-	-	-
-	-	-	-	-	5,100	-	-
2,361	3,961	271	294	-	868	3,103	3,127
-	-	-	-	836,963	-	-	-
-	-	-	-	-	-	118	111,577
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 698,156	$ 1,164,504	$ 79,548	$ 86,345	$ 1,538,977	$ 903,089	$ 912,327	$ 1,031,027
$ 1,212	$ -	$ -	$ 1,688	$ 1,728	$ 98,120	$ -	$ -
799	-	-	-	-	1,923	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	836,963	-	-	-
2,011	-	-	1,688	838,691	100,043	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
676,705	1,164,504	79,548	84,657	633,186	621,876	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	912,327	1,031,027
19,440	-	-	-	67,100	181,170	-	-
696,145	1,164,504	79,548	84,657	700,286	803,046	912,327	1,031,027
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
696,145	1,164,504	79,548	84,657	700,286	803,046	912,327	1,031,027
$ 698,156	$ 1,164,504	$ 79,548	$ 86,345	$ 1,538,977	$ 903,089	$ 912,327	$ 1,031,027

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2013

	Capital Projects		
	Library Addition	Measure T 2002 GO Bond	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	$ 125,939	$ 289,126	$ 22,451,567
Restricted cash and investments	-	-	-
Receivables:			
Accounts	-	-	458,695
Interest	430	987	67,894
Notes	-	-	922,002
Due from other governments	-	-	280,037
Deposits and prepaid items	-	-	2,396
Due from other funds	-	-	-
Total assets	$ 126,369	$ 290,113	$ 24,182,591
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ 599,329
Accrued payroll and related liabilities	-	-	78,153
Due to other funds	-	-	2,224
Deposits	-	-	85,000
Deferred revenue	-	-	937,002
Total liabilities	-	-	1,701,708
Fund Balances:			
Nonspendable:			
Deposits and prepaid items	-	-	2,396
Housing loans	-	-	-
Notes receivable	-	-	-
Total nonspendable	-	-	2,396
Restricted:			
GASB 31 adjustment	-	-	-
Special programs and services	-	-	16,928,650
Capital improvements	126,369	290,113	2,501,792
Debt service	-	-	1,943,354
Other purposes	-	-	1,104,691
Total restricted	126,369	290,113	22,478,487
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	126,369	290,113	22,480,883
Total liabilities and fund balances	$ 126,369	$ 290,113	$ 24,182,591

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City of Menlo Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2013

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
REVENUES:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Other taxes	783,719	-	-	-	-
Special assessments	-	-	643,520	114,576	-
Licenses and permits	-	-	-	-	-
Use of money and property	(5,014)	560	-	-	13,790
Intergovernmental	-	-	26,990	-	-
Charges for services	-	10,917	2,300	-	749,377
Other	-	-	-	-	-
Total revenues	778,705	11,477	672,810	114,576	763,167
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	232,144	-	672,517	90,728	217,608
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	1,605,982	-	583	176,512	4,229
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Total expenditures	1,838,126	-	673,100	267,240	221,837
REVENUES OVER (UNDER) EXPENDITURES	(1,059,421)	11,477	(290)	(152,664)	541,330
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	159,600	-	-
Transfers out	(208,333)	-	(63,259)	(19,003)	(7,899)
Proceeds from sale of fixed assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Payment to bond escrow account	-	-	-	-	-
Discount on issance of bonds	-	-	-	-	-
Total other financing sources (uses)	(208,333)	-	96,341	(19,003)	(7,899)
Extraordinary gain (loss)	-	-	-	-	-
Net change in fund balances	(1,267,754)	11,477	96,051	(171,667)	533,431
FUND BALANCES:					
Beginning of year	3,314,441	32,377	209,014	484,660	3,067,600
End of year	$ 2,046,687	$ 43,854	$ 305,065	$ 312,993	$ 3,601,031

(Continued)

Special Revenue							
County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees	Solid Waste Service
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
812,249	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	397,411	-	-
(422)	-	-	-	(2,262)	(1,946)	(94)	(630)
598,770	-	33,968	-	120,000	-	-	8,995
54,804	-	-	-	176,058	-	5,945	528,775
-	-	66,000	14,281	-	-	-	80,207
1,465,401	-	99,968	14,281	293,796	395,465	5,851	617,347
-	-	-	-	-	-	-	2,221
-	-	-	14,331	-	9,154	-	-
1,217,162	-	-	-	103,855	71,524	-	242,210
-	1,583	174,753	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
161,588	-	-	-	420,305	5,413	80,972	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,378,750	1,583	174,753	14,331	524,160	86,091	80,972	244,431
86,651	(1,583)	(74,785)	(50)	(230,364)	309,374	(75,121)	372,916
-	-	55,000	-	-	-	-	-
-	-	-	-	-	(25,292)	-	(42,628)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	55,000	-	-	(25,292)	-	(42,628)
-	-	-	-	-	-	-	-
86,651	(1,583)	(19,785)	(50)	(230,364)	284,082	(75,121)	330,288
992,243	102,322	15,302	41,027	2,918,467	2,651,154	188,014	608,979
$ 1,078,894	$ 100,739	$ (4,483)	$ 40,977	$ 2,688,103	$ 2,935,236	$ 112,893	$ 939,267

(Continued)

City of Menlo Park

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2013

	Special Revenue				
	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	Supplemental Law Enforcement Services	Construction Impact Fee
REVENUES:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Other taxes	-	-	-	-	-
Special assessments	-	330,575	-	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	(15)	-	-	35	(2,792)
Intergovernmental	-	5,656	138,950	100,728	-
Charges for services	-	-	-	-	691,793
Other	-	-	11,600	-	-
Total revenues	(15)	336,231	150,550	100,763	689,001
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	23,251	-
Public works	-	203,654	-	-	-
Culture and recreation	-	-	156,843	-	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	-	-	-	82,719	1,205,492
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Total expenditures	-	203,654	156,843	105,970	1,205,492
REVENUES OVER (UNDER) EXPENDITURES	(15)	132,577	(6,293)	(5,207)	(516,491)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(36,088)	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Payment to bond escrow account	-	-	-	-	-
Discount on issance of bonds	-	-	-	-	-
Total other financing sources (uses)	-	(36,088)	-	-	-
Extraordinary gain (loss)	-	-	-	-	-
Net change in fund balances	(15)	96,489	(6,293)	(5,207)	(516,491)
FUND BALANCES:					
Beginning of year	2,613	171,088	(25,387)	55,241	2,619,567
End of year	$ 2,598	$ 267,577	$ (31,680)	$ 50,034	$ 2,103,076

(Continued)

Special Revenue						Debt Service	
Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Library GO Bond 1990	Recreation GO Bond 2002
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	399,192	1,343,372
-	-	-	-	-	-	-	-
(601)	(1,588)	(41)	(71)	-	(244)	(1,434)	(3,814)
-	-	-	-	-	-	-	-
-	896,000	-	-	795	302,307	-	1,600
-	-	-	-	-	7,349	-	-
(601)	894,412	(41)	(71)	795	309,412	397,758	1,341,158
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
50,445	-	11,644	17,446	-	-	-	-
-	-	-	-	-	60,224	550	5,300
-	-	-	-	-	123,710	-	-
-	-	-	-	-	-	-	-
-	200,000	-	-	-	-	-	-
	-						
-	-	-	-	-	-	360,000	400,000
-	-	-	-	-	-	69,750	1,185,835
-	-	-	-	-	-	-	-
50,445	200,000	11,644	17,446	-	183,934	430,300	1,591,135
(51,046)	694,412	(11,685)	(17,517)	795	125,478	(32,542)	(249,977)
-	-	-	-	-	-	-	-
(12,680)	-	-	-	-	(700)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(12,680)	-	-	-	-	(700)	-	-
-	-	-	-	-	-	-	-
(63,726)	694,412	(11,685)	(17,517)	795	124,778	(32,542)	(249,977)
759,871	470,092	91,233	102,174	699,491	678,268	944,869	1,281,004
$ 696,145	$ 1,164,504	$ 79,548	$ 84,657	$ 700,286	$ 803,046	$ 912,327	$ 1,031,027

(Continued)

City of Menlo Park

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2013

	Capital Projects		
	Library Addition	Measure T 2002 GO Bond	Total Non-Major Governmental Funds
REVENUES:			
Property taxes	$ -	$ -	$ -
Other taxes	-	-	1,595,968
Special assessments	-	-	2,831,235
Licenses and permits	-	-	397,411
Use of money and property	(168)	(116)	(6,867)
Intergovernmental	-	-	1,034,057
Charges for services	-	-	3,420,671
Other	-	-	179,437
Total revenues	(168)	(116)	9,451,912
EXPENDITURES:			
Current:			
General government	-	-	2,221
Public safety	-	-	46,736
Public works	-	-	3,130,937
Culture and recreation	-	-	399,253
Community development	-	-	123,710
Urban development and housing	-	-	-
Capital outlay	13,858	9,671	3,967,324
Debt service:			
Principal	-	-	760,000
Interest	-	-	1,255,585
Cost of issuance	-	-	-
Total expenditures	13,858	9,671	9,685,766
REVENUES OVER (UNDER) EXPENDITURES	(14,026)	(9,787)	(233,854)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	214,600
Transfers out	-	-	(415,882)
Proceeds from sale of fixed assets	-	-	-
Bond proceeds	-	-	-
Payment to bond escrow account	-	-	-
Discount on issance of bonds	-	-	-
Total other financing sources (uses)	-	-	(201,282)
Extraordinary gain (loss)	-	-	-
Net change in fund balances	(14,026)	(9,787)	(435,136)
FUND BALANCES:			
Beginning of year	140,395	299,900	22,916,019
End of year	$ 126,369	$ 290,113	$ 22,480,883

(Concluded)

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Highway Users Tax Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Other Taxes	$ 882,643	$ 882,643	$ 783,719	$ (98,924)
Use of money and property	10,000	10,000	(5,014)	(15,014)
Intergovernmental			-	-
Total revenues	892,643	892,643	778,705	(113,938)
EXPENDITURES:				
Current:				
Public works	316,430	316,430	232,144	84,286
Capital outlay	1,671,549	1,671,549	1,605,982	65,567
Total expenditures	1,987,979	1,987,979	1,838,126	149,853
REVENUES OVER (UNDER) EXPENDITURES	(1,095,336)	(1,095,336)	(1,059,421)	(35,915)
OTHER FINANCING SOURCES (USES):				
Transfers out	(250,000)	(250,000)	(208,333)	41,667
Total other financing sources (uses)	(250,000)	(250,000)	(208,333)	41,667
Net change in fund balance	$ (1,345,336)	$ (1,345,336)	(1,267,754)	$ 77,582
FUND BALANCE:				
Beginning of year			3,314,441	
End of year			$ 2,046,687	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Federal Revenue Sharing Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ 1,000	$ 1,000	$ 560	$ (440)
Charges for services	1,000	1,000	10,917	9,917
Total revenues	2,000	2,000	11,477	9,477
EXPENDITURES:				
Current:				
Urban development and housing	2,800	2,800	-	2,800
Total expenditures	2,800	2,800	-	2,800
Net change in fund balance	$ (800)	$ (800)	11,477	$ 12,277
FUND BALANCE:				
Beginning of year			32,377	
End of year			$ 43,854	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Landscape Tree Assessment Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Special assessments	$ 566,055	$ 566,055	$ 643,520	$ 77,465
Intergovernmental	13,000	13,000	26,990	13,990
Charges for services	3,300	3,300	2,300	(1,000)
Total revenues	582,355	582,355	672,810	90,455
EXPENDITURES:				
Current:				
Public works	835,413	835,713	672,517	163,196
Capital outlay	9,000	9,000	583	8,417
Total expenditures	844,413	844,713	673,100	171,613
REVENUES OVER (UNDER) EXPENDITURES	(262,058)	(262,358)	(290)	(262,068)
OTHER FINANCING SOURCES (USES):				
Transfers in	159,600	159,600	159,600	-
Transfers out	(63,259)	(63,259)	(63,259)	-
Total other financing sources (uses)	96,341	96,341	96,341	-
Net change in fund balance	$ (165,717)	$ (166,017)	96,051	$ 262,068
FUND BALANCE:				
Beginning of year			209,014	
End of year			$ 305,065	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Sidewalk Assessment Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Special assessments	$ 190,025	$ 190,025	$ 114,576	$ (75,449)
Total revenues	190,025	190,025	114,576	(75,449)
EXPENDITURES:				
Current:				
Public works	32,708	42,158	90,728	(48,570)
Capital outlay	379,313	369,863	176,512	193,351
Total expenditures	412,021	412,021	267,240	144,781
REVENUES OVER (UNDER) EXPENDITURES	(221,996)	(221,996)	(152,664)	(220,230)
OTHER FINANCING SOURCES (USES):				
Transfers out	(19,003)	(19,003)	(19,003)	-
Total other financing sources (uses)	(19,003)	(19,003)	(19,003)	-
Net change in fund balance	$ (240,999)	$ (240,999)	(171,667)	$ 69,332
FUND BALANCE:				
Beginning of year			484,660	
End of year			$ 312,993	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Landfill Post-Closure Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ 60,000	$ 45,000	$ 13,790	$ (31,210)
Charges for services	700,000	750,000	749,377	(623)
Total revenues	760,000	795,000	763,167	(31,833)
EXPENDITURES:				
Current:				
Public Works	457,972	507,972	217,608	290,364
Capital outlay	25,000	475,000	4,229	470,771
Total expenditures	482,972	982,972	221,837	761,135
REVENUES OVER (UNDER) EXPENDITURES	277,028	(187,972)	541,330	(792,968)
OTHER FINANCING SOURCES (USES):				
Transfers out	(7,899)	(7,899)	(7,899)	-
Total other financing sources (uses)	(7,899)	(7,899)	(7,899)	-
Net change in fund balance	$ 284,927	$ (180,073)	533,431	713,504
FUND BALANCE:				
Beginning of year			3,067,600	
End of year			$ 3,601,031	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
County Transportation Tax Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Other Taxes	$ 650,000	$ 730,000	$ 812,249	$ 82,249
Use of money and property	-	-	(422)	(422)
Intergovernmental	587,432	713,182	598,770	(114,412)
Charges for services	44,200	44,200	54,804	10,604
Total revenues	1,281,632	1,487,382	1,465,401	(21,981)
EXPENDITURES:				
Current:				
Public works	1,552,822	1,716,822	1,217,162	499,660
Capital outlay	1,221,122	1,182,872	161,588	1,021,284
Total expenditures	2,773,944	2,899,694	1,378,750	1,520,944
REVENUES OVER (UNDER) EXPENDITURES	(1,492,312)	(1,412,312)	86,651	(1,498,963)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	$ (1,492,312)	$ (1,412,312)	86,651	$ 1,498,963
FUND BALANCE:				
Beginning of year			992,243	
End of year			$ 1,078,894	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Public Library Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Culture and recreation	43,862	43,862	1,583	42,279
Total expenditures	43,862	43,862	1,583	42,279
Net change in fund balance	(43,862)	(43,862)	(1,583)	(42,279)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	$ (43,862)	$ (43,862)	(1,583)	$ 42,279
FUND BALANCE:				
Beginning of year			102,322	
End of year			$ 100,739	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Literacy Grant Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Intergovernmental	$ -	$ -	$ 33,968	$ 33,968
Other	116,500	116,500	66,000	(50,500)
Total revenues	116,500	116,500	99,968	(16,532)
EXPENDITURES:				
Current:				
Culture and recreation	182,845	182,845	174,753	8,092
Total expenditures	182,845	182,845	174,753	8,092
REVENUES OVER (UNDER) EXPENDITURES	(66,345)	(66,345)	(74,785)	(8,440)
OTHER FINANCING SOURCES (USES):				
Transfers in	55,000	55,000	55,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	55,000	55,000	55,000	-
Net change in fund balance	$ (11,345)	$ (11,345)	(19,785)	$ (8,440)
FUND BALANCE:				
Beginning of year			15,302	
End of year			$ (4,483)	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Narcotic Seizure Special Revenue Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Charges for current services	$ 14,000	$ 14,000	$ -	$ (14,000)
Total revenues	14,000	14,000	-	(14,000)
EXPENDITURES:				
Current:				
Public safety	10,000	10,000	14,331	(4,331)
Capital Outlay	-	-	-	-
Total expenditures	10,000	10,000	14,331	(4,331)
REVENUES OVER (UNDER) EXPENDITURES	4,000	4,000	(14,331)	(9,669)
Net change in fund balance	$ 4,000	$ 4,000	(50)	$ (4,050)
FUND BALANCE:				
Beginning of year			41,027	
End of year			$ 40,977	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Transportation Impact Fees Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (2,262)	$ (2,262)
Intergovernmental	$ 120,000	$ 221,000	120,000	(101,000)
Charges for services	10,000	150,000	176,058	26,058
Total revenues	130,000	371,000	293,796	(77,204)
EXPENDITURES:				
Current:				
Public works	241,451	271,979	103,855	168,124
Capital outlay	1,027,224	1,285,377	420,305	865,072
Total expenditures	1,268,675	1,557,356	524,160	1,033,196
Net change in fund balance	$ (1,138,675)	$ (1,186,356)	(230,364)	$ 955,992
FUND BALANCE:				
Beginning of year			2,918,467	
End of year			$ 2,688,103	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Downtown Parking Permits Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Licenses and permits	$ 350,000	$ 380,000	$ 397,411	$ 17,411
Use of money and property	-	-	(1,946)	(1,946)
Total revenues	350,000	380,000	395,465	15,465
EXPENDITURES:				
Current:				
Public safety	24,085	24,085	9,154	14,931
Public works	195,209	195,209	71,524	123,685
Capital outlay	939,654	939,654	5,413	934,241
Total expenditures	1,158,948	1,158,948	86,091	1,072,857
REVENUES OVER (UNDER) EXPENDITURES	(808,948)	(778,948)	309,374	(1,057,392)
OTHER FINANCING SOURCES (USES):				
Transfers out	(25,292)	(25,292)	(25,292)	-
Total other financing sources (uses)	(25,292)	(25,292)	(25,292)	-
Net change in fund balance	$ (834,240)	$ (804,240)	284,082	$ 1,088,322
FUND BALANCE:				
Beginning of year			2,651,154	
End of year			$ 2,935,236	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Storm Drainage Fees Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (94)	$ (94)
Charges for services	5,000	5,000	5,945	945
Total revenues	5,000	5,000	5,851	851
EXPENDITURES:				
Capital outlay	100,000	100,000	80,972	19,028
Total expenditures	100,000	100,000	80,972	19,028
Net change in fund balance	$ (95,000)	$ (95,000)	(75,121)	$ 19,879
FUND BALANCE:				
Beginning of year			188,014	
End of year			$ 112,893	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Solid Waste Service Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ 2,000	$ 2,000	$ (630)	$ (2,630)
Intergovernmental	8,753	48,306	8,995	(39,311)
Charges for services	610,000	610,000	528,775	(81,225)
Other	-	-	80,207	80,207
Total revenues	620,753	660,306	617,347	(42,959)
EXPENDITURES:				
Current:				
General government	329,943	345,066	2,221	342,845
Public works	313,444	330,067	242,210	87,857
Total expenditures	643,387	675,133	244,431	430,702
REVENUES OVER (UNDER) EXPENDITURES	(22,634)	(14,827)	372,916	(473,661)
OTHER FINANCING SOURCES (USES):				
Transfers out	(42,628)	(42,628)	(42,628)	-
Total other financing sources (uses)	(42,628)	(42,628)	(42,628)	-
Net change in fund balance	$ (65,262)	$ (57,455)	330,288	$ 387,743
FUND BALANCE:				
Beginning of year			608,979	
End of year			$ 939,267	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Bay Area Air Quality Management Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (15)	$ (15)
Intergovernmental	-	-	-	-
Total revenues	-	-	(15)	(15)
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	$ -	$ -	(15)	$ (15)
FUND BALANCE:				
Beginning of year			2,613	
End of year			$ 2,598	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Storm Water Management (NPDES) Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Special assessments	$ 329,000	$ 329,000	$ 330,575	$ 1,575
Use of money and property	-	-	-	-
Intergovernmental	-	-	5,656	5,656
Charges for services	-	6,000	-	(6,000)
Total revenues	329,000	335,000	336,231	1,231
EXPENDITURES:				
Current:				
Public works	335,797	335,797	203,654	132,143
Capital outlay	21,237	21,237	-	21,237
Total expenditures	357,034	357,034	203,654	153,380
REVENUES OVER (UNDER) EXPENDITURES	(28,034)	(22,034)	132,577	154,611
OTHER FINANCING SOURCES (USES):				
Transfers out	(36,088)	(36,088)	(36,088)	-
Total other financing sources (uses)	(36,088)	(36,088)	(36,088)	-
Net change in fund balance	$ (64,122)	$ (58,122)	96,489	$ 154,611
FUND BALANCE:				
Beginning of year			171,088	
End of year			$ 267,577	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Peninsula Partnership Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Intergovernmental	$ 93,500	$ 103,500	$ 138,950	$ 35,450
Other	3,500	3,500	11,600	8,100
Total revenues	97,000	107,000	150,550	43,550
EXPENDITURES:				
Current:				
Culture and recreation	97,621	107,621	156,843	(49,222)
Capital outlay	-	-	-	-
Total expenditures	97,621	107,621	156,843	(49,222)
Net change in fund balance	$ (621)	$ (621)	(6,293)	$ (5,672)
FUND BALANCE:				
Beginning of year			(25,387)	
End of year			$ (31,680)	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Supplemental Law Enforcement Services Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ 35	$ 35
Intergovernmental	100,000	100,000	100,728	728
Total revenues	100,000	100,000	100,763	763
EXPENDITURES:				
Current:				
Public safety	26,000	26,000	23,251	2,749
Capital outlay	103,783	103,783	82,719	21,064
Total expenditures	129,783	129,783	105,970	23,813
Net change in fund balance	$ (29,783)	$ (29,783)	(5,207)	$ 24,576
FUND BALANCE:				
Beginning of year			55,241	
End of year			$ 50,034	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Construction Impact Fees Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	(2,792)	$ (2,792)
Charges for services	480,000	600,000	691,793	91,793
Total revenues	480,000	600,000	689,001	89,001
EXPENDITURES:				
Current:				
Public works	70,735	140,735	-	140,735
Capital outlay	1,497,809	1,427,809	1,205,492	222,317
Total expenditures	1,568,544	1,568,544	1,205,492	363,052
Net change in fund balance	$ 2,048,544	$ 2,168,544	(516,491)	$ (2,685,035)
FUND BALANCE:				
Beginning of year			2,619,567	
End of year			$ 2,103,076	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Bedwell Bayfront Park Maintenance Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (601)	$ (601)
Total revenues	-	-	(601)	(601)
EXPENDITURES:				
Current:				
Public works	94,399	94,399	50,445	43,954
Capital outlay	5,000	5,000	-	5,000
Total expenditures	99,399	99,399	50,445	48,954
REVENUES OVER (UNDER) EXPENDITURES	(99,399)	(99,399)	(51,046)	(49,555)
OTHER FINANCING SOURCES (USES):				
Transfers out	(12,680)	(12,680)	(12,680)	-
Total other financing sources (uses)	(12,680)	(12,680)	(12,680)	-
Net change in fund balance	$ (112,079)	$ (112,079)	(63,726)	$ 48,353
FUND BALANCE:				
Beginning of year			759,871	
End of year			$ 696,145	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Recreation In-Lieu Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (1,588)	$ (1,588)
Charges for services	180,000	180,000	896,000	716,000
Total revenues	180,000	180,000	894,412	714,412
EXPENDITURES:				
Current:				
Public works	6,139	6,139	-	6,139
Capital outlay	250,000	250,000	200,000	50,000
Total expenditures	256,139	256,139	200,000	56,139
REVENUES OVER (UNDER) EXPENDITURES	(76,139)	(76,139)	694,412	658,273
Net change in fund balance	$ 180,000	$ 180,000	694,412	$ 514,412
FUND BALANCE:				
Beginning of year			470,092	
End of year			$ 1,164,504	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Sharon Hills Park Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (41)	$ (41)
Total revenues	-	-	(41)	(41)
EXPENDITURES:				
Current:				
Public works	13,000	13,000	11,644	1,356
Total expenditures	13,000	13,000	11,644	1,356
Net change in fund balance	$ (13,000)	$ (13,000)	(11,685)	$ 1,315
FUND BALANCE:				
Beginning of year			91,233	
End of year			$ 79,548	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Vintage Oaks Landscape Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (71)	$ (71)
Total revenues	-	-	(71)	(71)
EXPENDITURES:				
Current:				
Public works	21,840	21,840	17,446	4,394
Total expenditures	21,840	21,840	17,446	4,394
Net change in fund balance	$ (21,840)	$ (21,840)	(17,517)	$ 4,323
FUND BALANCE:				
Beginning of year			102,174	
End of year			$ 84,657	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2013

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Use of money and property	$ 18,500	$ 18,500	$ -	$ (18,500)
Intergovernmental	-	-	-	
Charges for services	(18,500)	(18,500)	795	19,295
Total revenues	-	-	795	795
EXPENDITURES:				
Current:				
Urban development and housing	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	$ -	$ -	795	$ 795
FUND BALANCE:				
Beginning of year			699,491	
End of year			$ 700,286	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Miscellaneous Trust Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (244)	$ (244)
Charges for services	-	-	302,307	302,307
Other	2,000	2,000	7,349	5,349
Total revenues	2,000	2,000	309,412	307,412
EXPENDITURES:				
Current:				
Culture and recreation	114,870	114,870	60,224	54,646
Community development	106,326	106,326	123,710	(17,384)
Capital outlay	4,000	4,000	-	4,000
Total expenditures	225,196	225,196	183,934	41,262
REVENUES OVER (UNDER) EXPENDITURES	(223,196)	(223,196)	125,478	348,674
OTHER FINANCING SOURCES (USES):				
Transfers out	(700)	(700)	(700)	-
Total other financing sources (uses)	(700)	(700)	(700)	-
Net change in fund balance	$ (223,896)	$ (223,896)	124,778	$ 348,674
FUND BALANCE:				
Beginning of year			678,268	
End of year			$ 803,046	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Library Bond Debt Service Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Special assessments	$ 400,000	$ 400,000	$ 399,192	$ (808)
Use of money and property	6,000	6,000	(1,434)	(7,434)
Total revenues	406,000	406,000	397,758	(8,242)
EXPENDITURES:				
Cultural and recreation	450	450	550	(100)
Debt service:				
Principal	260,000	260,000	360,000	(100,000)
Interest	69,750	69,750	69,750	-
Total expenditures	330,200	330,200	430,300	(100,100)
Net change in fund balance	$ 75,800	$ 75,800	(32,542)	$ (108,342)
FUND BALANCE:				
Beginning of year			944,869	
End of year			$ 912,327	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Recreation GO Bond 2002 Debt Service Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Special assessments	$ 1,400,000	$ 1,400,000	$ 1,343,372	$ (56,628)
Use of money and property	22,000	22,000	(3,814)	(25,814)
Charges for services	22,000	22,000	1,600	(20,400)
Total revenues	1,444,000	1,444,000	1,341,158	(102,842)
EXPENDITURES:				
Culture and recreation	5,900	5,900	5,300	600
Debt service:				
Principal	370,000	370,000	400,000	(30,000)
Interest	1,041,168	1,041,168	1,185,835	(144,667)
Total expenditures	1,417,068	1,417,068	1,591,135	(174,067)
REVENUES OVER (UNDER) EXPENDITURES	26,932	26,932	(249,977)	71,225
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Bond issuance cost	-	-	-	-
Payment to bond escrow account	-	(1,460,000)	-	(1,460,000)
Total other financing sources (uses)	-	(1,460,000)	-	(1,460,000)
Net change in fund balance	$ 26,932	$ (1,433,068)	(249,977)	$ 1,183,091
FUND BALANCE:				
Beginning of year			1,281,004	
End of year			$ 1,031,027	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Library Addition Capital Projects Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (168)	$ (168)
Total revenues	-	-	(168)	(168)
EXPENDITURES:				
Current				
Capital outlay	77,292	77,292	13,858	63,434
Total expenditures	77,292	77,292	13,858	63,434
REVENUES OVER (UNDER) EXPENDITURES	(77,292)	(77,292)	(14,026)	63,266
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	$ (77,292)	$ (77,292)	(14,026)	$ 63,266
FUND BALANCE:				
Beginning of year			140,395	
End of year			$ 126,369	

City of Menlo Park
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure T 2002 GO Bond Capital Projects Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ (116)	$ (116)
Total revenues	-	-	(116)	(116)
EXPENDITURES:				
Capital outlay	145,165	145,165	9,671	135,494
Total expenditures	145,165	145,165	9,671	135,494
REVENUES OVER (UNDER) EXPENDITURES	(145,165)	(145,165)	(9,787)	(135,610)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Premium on issuance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	$ (145,165)	$ (145,165)	(9,787)	$ 135,378
FUND BALANCE:				
Beginning of year			299,900	
End of year			$ 290,113	

ENTERPRISE FUNDS

Water Operations Fund - Established to account for the water distributions operations of the Menlo Park Municipal Water District.

Water Capital Improvement Fund - Accounts for the proceeds of the capital surcharge from water operations and is utilized for construction improvements of the water infrastructure.

City of Menlo Park
Combining Schedule of Net Position
Enterprise Funds
June 30, 2013

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
ASSETS			
Current assets:			
Cash and investments	$ 150	$ 14,364,854	$ 14,365,004
Receivables:			
Accounts	911,147	58,580	969,727
Interest	-	49,213	49,213
Deposits and prepaid expenses	-	-	-
Due from other funds	-	956,746	956,746
Total current assets	911,297	15,429,393	16,340,690
Capital assets:			
Non-depreciable	3,377,442	-	3,377,442
Depreciable, net	6,702,240	-	6,702,240
Total capital assets	10,079,682	-	10,079,682
Total assets	10,990,979	15,429,393	26,420,372
LIABILITIES			
Current liabilities:			
Accounts payable	617,113	133,689	750,802
Accrued payroll	22,044	7,902	29,946
Deposits	12,354	-	12,354
Compensated absences	15,778	5,759	21,537
Due to other funds	956,746	-	956,746
Total current liabilities	1,624,035	147,350	1,771,385
Noncurrent liabilities:			
Compensated absences	22,891	8,355	31,246
Total noncurrent liabilities	22,891	8,355	31,246
Total liabilities	1,646,926	155,705	1,802,631
NET POSITION			
Net investment in capital assets	10,079,682	-	10,079,682
Restricted for:			
Capital projects	-	15,273,688	15,273,688
Unrestricted	(735,629)	-	(735,629)
Total net position	$ 9,344,053	$ 15,273,688	$ 24,617,741

City of Menlo Park

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

Enterprise Funds

For the year ended June 30, 2013

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
OPERATING REVENUES:			
Water sales	$ 5,937,059	$ 675,404	$ 6,612,463
Connection fees	20,684	-	20,684
Total operating revenues	5,957,743	675,404	6,633,147
OPERATING EXPENSES:			
Cost of sales and services	5,756,020	22,505	5,778,525
General and administrative	320,593	-	320,593
Depreciation	200,496	-	200,496
Total operating expenses	6,277,109	22,505	6,299,614
OPERATING INCOME (LOSS)	(319,366)	652,899	333,533
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	(3,705)	(5,094)	(8,799)
Gain (loss) on sale of equipment	-	-	-
Total nonoperating revenues	(3,705)	(5,094)	(8,799)
INCOME (LOSS) BEFORE TRANSFERS	(323,071)	647,805	324,734
TRANSFERS:			
Transfers in	755,962	-	755,962
Transfers out	(181,525)	(755,962)	(937,487)
Total transfers	574,437	(755,962)	(181,525)
Net income (loss)	251,366	(108,157)	143,209
NET POSITION:			
Beginning of year	9,092,687	15,381,845	24,474,532
End of year	$ 9,344,053	$ 15,273,688	$ 24,617,741

City of Menlo Park
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2013

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	$ 5,685,059	$ 670,527	6,355,586
Cash payment to suppliers	(5,588,192)	(40,870)	(5,629,062)
Cash payments for general and administrative	(438,087)	(1,584)	(439,671)
Net cash provided (used) by operating activities	(341,220)	628,073	286,853
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	522,745	-	522,745
Transfers out	(181,525)	(522,745)	(704,270)
Net cash provided (used) by noncapital financing activities	341,220	(522,745)	(181,525)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	(641,100)	(641,100)
Net cash provided (used) by capital and related financing activities	-	(641,100)	(641,100)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income (loss)	(3,705)	(5,094)	(8,799)
Net cash provided (used) by investing activities	(3,705)	(5,094)	(8,799)
Net increase (decrease) in cash and cash equivalents	(3,705)	(540,866)	(544,571)
CASH AND CASH EQUIVALENTS:			
Beginning of year	3,855	14,905,720	14,909,575
End of year	$ 150	$ 14,364,854	$ 14,365,004
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (319,366)	$ 652,899	$ 333,533
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	200,496	-	200,496
Changes in current assets and liabilities:			
Accounts receivable	(224,476)	(23,975)	(248,451)
Accounts payable	13,316	(3,275)	10,041
Accrued payroll	(7,129)	587	(6,542)
Compensated absences	1,339	1,837	3,176
Deposits	(5,400)	-	(5,400)
Total adjustments	(21,854)	(24,826)	(46,680)
Net cash provided (used) by operating activities	$ (341,220)	$ 628,073	$ 286,853

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Workers' Compensation Insurance Fund - This fund accounts for the administration of the City's self-insured Workers' Compensation Insurance Program.

Liability Fire Insurance Fund - This fund accounts for the administration of the City's General Liability Insurance program.

Other Post Employment Benefits - This fund accounts for the financial administration of funding from all City departments for retiree medical benefits as these benefits are earned.

Vehicle Replacement Fund - This fund accounts for the replacement of vehicles and equipment used by various City departments.

City of Menlo Park
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	$ 2,664,138	$ 674,706	$ -	$ 317,102	$ 3,655,946
Receivables:					
Accounts	-	-	6,697	31,292	37,989
Interest	9,093	2,304	-	1,082	12,479
Deposits and prepaid items	110,000	35,000	11,023	-	156,023
Total current assets	2,783,231	712,010	17,720	349,476	3,862,437
Capital assets:					
Depreciable, net	-	-	-	429,652	429,652
Total capital assets	-	-	-	429,652	429,652
Total assets	2,783,231	712,010	17,720	779,128	4,292,089
LIABILITIES AND NET POSITION					
Liabilities:					
Current Liabilities:					
Accounts payable	55,634	6,107	-	-	61,741
Accrued payroll	2,580	812	-	-	3,392
Due to other funds	-	-	108,449	-	108,449
Claims payable, due within one year	556,250	120,816	-	-	677,066
Compensated absences payable, due within one year	1,939	462	-	-	2,401
Total current liabilities	616,403	128,197	108,449	-	853,049
Claims payable, due in more than one year	2,003,566	374,080	-	-	2,377,646
Compensated absences payable, due in more than one year	2,813	671	-	-	3,484
Total liabilities	2,622,782	502,948	108,449	-	3,234,179
Net Position:					
Net investment in capital assets	-	-	-	429,652	429,652
Unrestricted	160,449	209,062	(90,729)	349,476	628,258
Total net position	$ 160,449	$ 209,062	$ (90,729)	$ 779,128	$ 1,057,910

City of Menlo Park

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the year ended June 30, 2013

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
OPERATING REVENUES:					
Charges for services	$ 500,000	$ 800,001	$ 576,862	$ 247,405	$ 2,124,268
Total operating revenues	500,000	800,001	576,862	247,405	2,124,268
OPERATING EXPENSES:					
Personnel services	70,589	21,719	-	-	92,308
General and administrative	29,897	136,522	94,641	6,738	267,798
Insurance	1,123,000	433,149	544,903	-	2,101,052
Depreciation	-	-	-	163,143	163,143
Total operating expenses	1,223,486	591,390	639,544	169,881	2,624,301
OPERATING INCOME (LOSS)	(723,486)	208,611	(62,682)	77,524	(500,033)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings (losses)	(2,738)	(949)	224	(302)	(3,765)
Gain (loss) on sale of equipment	-	-	-	30,775	30,775
Total nonoperating revenues (expenses)	(2,738)	(949)	224	30,473	27,010
INCOME (LOSS) BEFORE TRANSFERS	(726,224)	207,662	(62,458)	107,997	(473,023)
TRANSFERS:					
Transfers in	-	-	-	-	-
Contributions	-	-	-	-	-
Total transfers	-	-	-	-	-
NET INCOME (LOSS)	(726,224)	207,662	(62,458)	107,997	(473,023)
NET POSITION:					
Beginning of the year	886,673	1,400	(28,271)	671,131	1,530,933
End of the year	$ 160,449	$ 209,062	$ (90,729)	$ 779,128	$ 1,057,910

City of Menlo Park
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2013

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers, including cash deposits	$ 500,000	$ 800,001	$ 576,862	$ 247,405	$ 2,124,268
Cash paid to suppliers	(636,414)	(663,336)	(674,706)	(7,086)	(1,981,542)
Cash paid to employees	(66,986)	(23,760)	-	-	(90,746)
Cash receipts other	23,843	583	224	-	24,650
Net cash provided (used) by operating activities	(179,557)	113,488	(97,620)	240,319	76,630
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	-
Contributions	-	-	97,620	-	97,620
Net cash provided (used) by noncapital financing activities	-	-	97,620	-	97,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from disposal of equipment	-	-	-	30,237	30,237
Acquisition and construction of capital assets	-	-	-	(128,078)	(128,078)
Net cash provided (used) by capital and related financing activities	-	-	-	(97,841)	(97,841)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	(2,738)	(949)	-	(302)	(3,989)
Net cash provided (used) by investing activities	(2,738)	(949)	-	(302)	(3,989)
Net increase (decrease) in cash cash and cash equivalents	(182,295)	112,539	-	142,176	72,420
Cash, cash equivalents, and investments at beginning of year	2,846,433	562,167	-	174,926	3,583,526
Cash, cash equivalents, and investments at end of year	$ 2,664,138	$ 674,706	$ -	$ 317,102	$ 3,655,946

City of Menlo Park
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2013

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (723,486)	$ 208,611	$ (62,682)	$ 77,524	$ (500,033)
Depreciation	-	-	-	163,143	163,143
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Accounts receivable	(3,356)	(1,748)	(1,635)	(348)	(7,087)
Prepaid expenses	-	-	(11,023)	-	(11,023)
Accounts payable	2,658	(69,142)	(22,280)	-	(88,764)
Payroll liabilities	685	(237)	-	-	448
Insurance claim payable	542,652	(26,060)	-	-	516,592
Compensated absence payable	1,290	2,064	-	-	3,354
Total adjustments	543,929	(95,123)	(34,938)	162,795	576,663
Net cash provided (used) by operating activities	$ (179,557)	$ 113,488	$ (97,620)	$ 240,319	$ 76,630

City of Menlo Park
Combining Statement of Net Position
Agency Funds
June 30, 2013

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	$ 444,044	$ 900	$ (131,818)	$ 313,126
Prepaids	-	-	274,152	274,152
Total assets	444,044	900	142,334	587,278
LIABILITIES				
Accounts payable	3,000	-	142,334	145,334
Deposits	441,044	900	-	441,944
Total liabilities	444,044	900	142,334	587,278
NET POSITION	$ -	$ -	$ -	$ -

City of Menlo Park
Combining Statement of Changes in Net Position
Agency Funds
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Refundable Deposits				
Assets:				
Cash and investments	$ 411,087	$ 132,457	$ (99,500)	$ 444,044
Liabilities:				
Accounts payable	$ 37,500	$ 65,000	$ (99,500)	$ 3,000
Deposits	373,587	132,457	(65,000)	441,044
Total liabilities	$ 411,087	$ 197,457	$ (164,500)	$ 444,044
Cash Bonds Payable				
Assets:				
Cash and investments	$ 900	$ -	$ -	$ 900
Liabilities:				
Deposits	$ 900	$ -	$ -	$ 900
Payroll Revolving				
Assets:				
Cash and investments	$ -	$ 3,814,891	$ (3,946,709)	$ (131,818)
Prepaids	-	274,152	-	274,152
Total assets	$ -	$ 4,089,043	$ (3,946,709)	$ 142,334
Liabilities:				
Accounts payable	$ -	$ 19,790,514	$ (19,648,180)	$ 142,334
Total Agency Funds				
Assets:				
Cash and investments	$ 411,987	$ 3,947,348	$ (4,046,209)	$ 313,126
Prepaids	-	274,152	-	274,152
	$ 411,987	$ 4,221,500	$ (4,046,209)	$ 587,278
Liabilities:				
Accounts payable	$ 37,500	$ 19,855,514	$ (19,747,680)	$ 145,334
Deposits	374,487	132,457	(65,000)	441,944
Total liabilities	$ 411,987	$ 19,987,971	$ (19,812,680)	$ 587,278

City of Menlo Park
Combining Schedule of Net Position
Private-Purpose Trust Fund - Successor Agency
June 30, 2013

	Redevelopment Obligation Retirement Fund	Redevelopment Dissolution Fund	Total Successor Agency Funds
ASSETS			
Current assets:			
Cash and investments:			
Held with City	$ 2,641,339	$ -	$ 2,641,339
Held with trustees	10,604,175	8	10,604,183
Interest receivable	-	-	-
Deferred charges	1,212,635	-	1,212,635
Nondepreciable capital assets	-	5,694,977	5,694,977
Total assets	14,458,149	5,694,985	20,153,134
DEFERRED OUTFLOWS OF RESOURCES			
Interest rate swap instrument	10,725,738	-	10,725,738
LIABILITIES			
Liabilities:			
Accounts payable	38,115	-	38,115
Interest payable	184,695	-	184,695
Deposits	108,891	-	108,891
Deferred revenue	1,946,054	-	1,946,054
Long-term debt:			
Due within one year	1,888,521	-	1,888,521
Due in more than one year	57,319,860	-	57,319,860
Total liabilities	61,486,136	-	61,486,136
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging instrument	10,725,738	-	10,725,738
NET POSITION			
Held in trust for other goverments	(47,027,987)	5,694,985	(41,333,002)
Total net position	$ (47,027,987)	$ 5,694,985	$ (41,333,002)

City of Menlo Park
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the year ended June 30, 2013

	Redevelopment Obligation Retirement Fund	Redevelopment Dissolution Fund	Total Successor Agency
Additions:			
Property taxes	$ 5,570,955	$ -	$ 5,570,955
Investment earnings	196,844	28,939	225,783
Transfer in from Redevelopment Dissolution Fund	1,540,656	-	1,540,656
Total additions	7,308,455	28,939	7,337,394
Deductions:			
Program expenses of former redevelopment agency	15,750	-	15,750
Administrative expenses	71	-	71
Interest and fiscal agency expenses of former redevelopment agency	4,215,635	-	4,215,635
Transfer out to Redevelopment Obligation Retirement Fund	-	1,540,656	1,540,656
Total deductions	4,231,456	1,540,656	5,772,112
Extraordinary gain(loss)	-	(17,149,614)	(17,149,614)
Change in net position	3,076,999	(18,661,331)	(15,584,332)
Net position - beginning of the year	(51,200,730)	24,356,316	(26,844,414)
Prior period adjustment	1,095,744		1,095,744
Net position - end of the year	$ (47,027,987)	$ 5,694,985	$ (41,333,002)

Statistical Section

Fiscal Year 2012-2013

- Unaudited -

This part of the City of Menlo Park's comprehensive annual financial report presents detailed information as a context to aid in understanding of the information in the financial statements, note disclosures, and required supplimentary information regarding the City's overall financial health.

Net Position by Component

Last Ten Fiscal Years

Financial Trend:
Schedule 1

	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Government Activities										
Investment in Capital Assets, Net of Related Debt	$ 271,543,602	$ 276,025,463	$ 266,250,790	$ 260,060,574	$ 265,272,383	$ 261,153,596	$ 259,274,758	$ 279,942,360	$ 345,357,433	$ 347,050,366
Restricted for:										
Capital Projects	36,959,941	37,452,612	16,297,615	17,102,064	20,378,994	18,207,379	19,717,874	14,582,060	9,432,413	14,394,634
Debt Service	1,142,055	1,287,410	8,366,348	10,581,505	10,759,071	12,184,002	12,630,096	12,662,667	2,225,873	1,943,354
Community Development	-	-	6,187,396	5,866,768	6,160,144	6,140,612	6,265,677	-	-	-
Special Projects	2,094,806	2,094,806	4,647,861	809,974	1,034,326	1,203,583	5,857,506	9,176,084	2,842,844	1,501,478
Total Restricted - Government Activities	40,196,802	40,834,828	35,499,220	34,360,311	38,332,535	37,735,576	44,471,153	36,420,811	14,501,130	17,839,466
Total Unrestricted - Government Activities	60,788,071	47,350,857	51,292,783	71,773,633	66,120,512	74,932,478	69,032,234	61,310,616	49,224,495	50,586,566
Total Government Activities	$ 372,528,475	$ 364,211,148	$ 353,042,793	$ 366,194,518	$ 369,725,430	$ 373,821,650	$ 372,778,145	$ 377,673,787	$ 409,083,058	$ 415,476,398
Business-Type Activities										
Related Debt	$ 5,149,972	$ 7,119,922	$ 7,440,931	$ 7,391,343	$ 7,532,369	$ 7,620,626	$ 7,790,683	$ 8,536,711	$ 9,524,216	$ 10,079,682
Restricted for:										
Capital Projects	50,413	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216	16,771,000	15,381,845	15,273,688
Special Projects	23,647	-	-	-	-	-	-	-	-	-
Total Restricted - Business-Type Activities	74,060	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216	16,771,000	15,381,845	15,273,688
Total Unrestricted - Business-Type Activities	15,483,043	4,541,177	4,067,282	3,710,223	1,216,854	776,214	144,088	(397,806)	(431,529)	(735,629)
Total Business-Type Activities	$ 20,707,075	$ 21,404,316	$ 22,161,930	$ 22,953,125	$ 24,133,098	$ 24,915,793	$ 24,878,987	$ 24,909,905	$ 24,474,532	$ 24,617,741

Source: City of Menlo Park

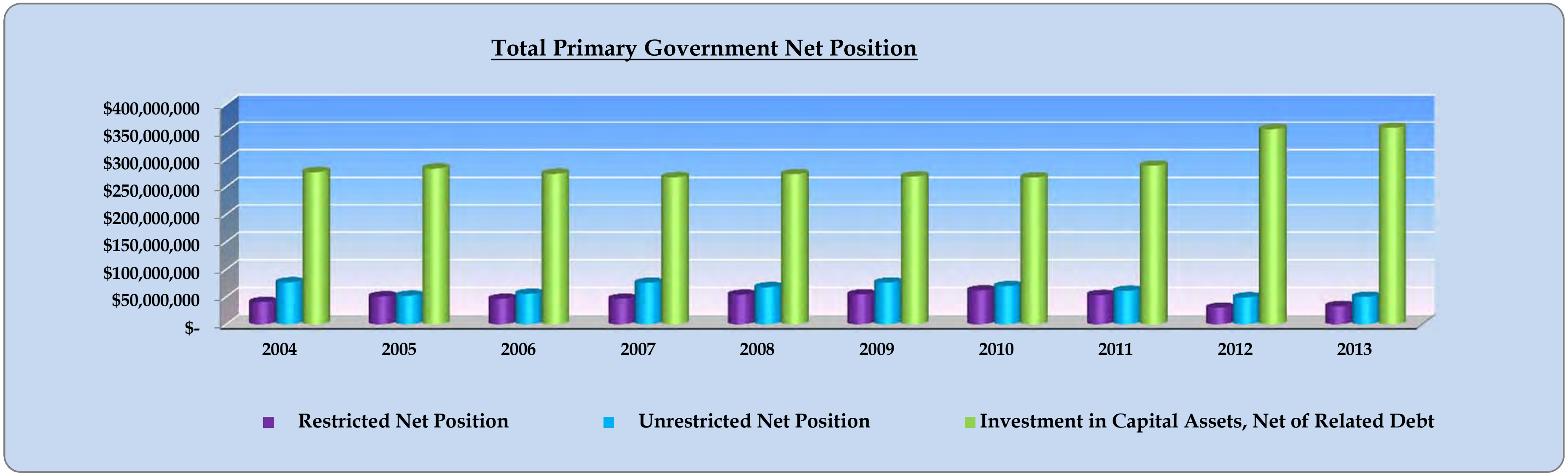
(Continued)

Net Position by Component

Last Ten Fiscal Years

Financial Trend:
Schedule 1

	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Government										
Investment in Capital Assets, Net of Related Debt	$ 276,693,574	$ 283,145,385	$ 273,691,721	$ 267,451,917	$ 272,804,752	$ 268,774,222	$ 267,065,441	$ 288,479,071	$ 354,881,649	$ 357,130,048
Unrestricted Net Position	76,271,114	51,892,034	55,360,065	75,483,856	67,337,366	75,708,692	69,176,322	60,912,810	48,792,966	49,850,937
Investment in Capital Assets & Unrestricted Net Position	352,964,688	335,037,419	329,051,786	342,935,773	340,142,118	344,482,914	336,241,763	349,391,881	403,674,615	406,980,985
Restricted Net Position	40,270,862	50,578,045	46,152,937	46,211,870	53,716,410	54,254,529	61,415,369	53,191,811	29,882,975	33,113,154
Total Primary Government Net Position	$ 393,235,550	$ 385,615,464	$ 375,204,723	$ 389,147,643	$ 393,858,528	$ 398,737,443	$ 397,657,132	$ 402,583,692	$ 433,557,590	$ 440,094,139
% of Change - from Prior Year	1.6%	-1.9%	-2.7%	3.7%	1.2%	1.2%	-0.3%	1.2%	7.7%	1.5%



Source: City of Menlo Park

Financial Trend:
Schedule 2

Changes in Net Position
Last Ten Fiscal Years

Fiscal Year Ending June 30, ____

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Government-Program Revenues										
Governmental Activities										
Charges for Services										
General Government	$ 5,707,675	$ 4,486,715	$ 4,649,505	$ 3,676,393	$ 3,539,934	$ 3,123,825	$ 3,145,514	$ 2,878,920	$ 2,830,591	$ 3,125,908
Public Safety	526,542	1,240,807	1,086,348	1,241,847	5,154,247	1,390,649	1,505,640	1,830,534	1,609,755	1,579,674
Public Works	2,914,762	3,391,517	3,609,732	6,541,634	3,837,839	2,753,607	2,922,929	4,109,836	3,650,442	6,924,069
Culture and Recreation	2,909,707	2,835,631	2,949,807	3,291,723	3,345,055	3,323,877	3,434,135	3,077,788	3,679,129	3,873,165
Community Development	2,868,863	2,377,251	3,897,805	6,170,024	3,952,454	4,145,205	2,122,221	3,408,895	4,994,156	3,695,171
Operating Grants and Contributions	2,418,574	1,712,952	1,681,505	3,251,025	2,369,502	2,428,500	2,557,313	2,185,417	2,729,866	1,644,022
Capital Grants and Contributions (1)	80,579	686,540	268,468	520,156	1,030,839	2,569,003	2,549,779	12,342,612	6,922,360	2,353,049
Total Governmental Activities-Program Revenues	17,426,702	16,731,413	18,143,170	24,692,802	23,229,870	19,734,666	18,237,531	29,834,002	26,416,299	23,195,058
Business-Type Activities										
Charges for Services	3,754,693	3,305,954	3,567,919	3,881,115	4,483,145	4,352,147	4,258,917	4,935,649	5,750,659	6,633,147
Capital Grants and Contributions	-	462,525	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	3,754,693	3,768,479	3,567,919	3,881,115	4,483,145	4,352,147	4,258,917	4,935,649	5,750,659	6,633,147
Total Primary Government-Program Revenues	21,181,395	20,499,892	21,711,089	28,573,917	27,713,015	24,086,813	22,496,448	34,769,651	32,166,958	29,828,205
General Revenues & Other Changes in Net Position										
Governmental Activities										
Taxes										
Property Taxes (2)	16,878,085	17,755,873	19,621,262	20,634,276	23,292,838	24,213,136	23,753,592	23,936,578	13,239,856	15,731,889
Sales Taxes	6,580,473	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244	5,988,055	5,938,310	6,043,870
Transient Occupancy Tax	958,795	1,101,929	1,237,697	1,375,914	1,474,119	1,351,578	2,074,486	2,453,981	2,939,475	3,468,256
Other Taxes	2,001,677	3,259,064	2,022,174	2,267,911	3,262,586	3,953,097	3,960,714	4,490,992	4,607,758	4,556,371
Total Taxes	26,419,030	28,174,326	29,384,768	31,077,662	35,706,486	36,382,963	35,288,036	36,869,606	26,725,399	29,800,386
Investment Earnings	1,464,350	2,239,123	3,482,982	5,175,930	6,076,112	4,645,732	2,085,808	1,431,440	1,133,432	647,963
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	547,749
Miscellaneous	107,531	77,106	212,819	372,534	706,444	193,370	30,125	235,145	255,185	107,652
Transfers	216,700	216,700	227,700	238,700	184,711	198,814	160,814	165,639	170,605	181,525
Extraordinary gain (3)	-	-	-	-	-	-	-	-	28,170,332	-
Total Governmental Activities - General Revenues	28,207,611	30,707,255	33,308,269	36,864,826	42,673,753	41,420,879	37,564,783	38,701,830	56,454,953	31,285,275
Business-type Activities										
Investment Earnings	130,482	333,040	498,773	750,700	957,071	667,230	242,433	135,619	103,480	(8,799)
Miscellaneous					344	10,000	935	-	(5,953)	-
Transfers	(216,700)	(216,700)	(227,700)	(238,700)	(184,711)	(198,814)	(160,814)	(165,639)	(170,605)	(181,525)
Total Business-Type Activities - General Revenues	(86,218)	116,340	271,073	512,000	772,704	478,416	82,554	(30,020)	(73,078)	(190,324)
Total Primary Government-Program Revenues, General Revenues & Other Changes in Net Position	**49,302,788**	**51,323,487**	**55,290,431**	**65,950,743**	**71,159,472**	**65,986,108**	**60,143,785**	**73,441,461**	**88,548,833**	**60,923,156**

Source: City of Menlo Park

Notes:

(1) In fiscal year 2010-11 and 2011-2012, capital contributions include construction of Arrillaga Family Gym, Recreation Center, and Gymnastics Center

(2) In fiscal year 2005-06, Property tax in lieu of Motor Vehicle License fees was reclassified to Property Taxes.

(3) In fiscal year 2011-12, extraordinary gain was due to dissolution of the Community Development Agency

(Continued)

Changes in Net Position

Last Ten Fiscal Years

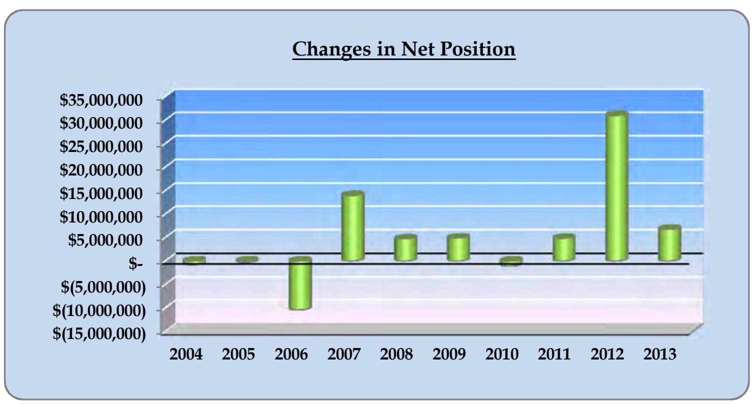
	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
General Government	8,375,348	7,322,997	7,761,696	6,857,574	8,145,031	6,507,831	6,353,156	8,845,324	7,386,399	6,332,057
Public Safety (4)	8,010,385	9,196,468	9,092,996	11,191,323	15,763,116	13,755,857	13,605,071	20,707,475	14,248,362	14,080,936
Public Works	9,742,184	11,040,198	10,275,029	9,723,201	12,332,849	10,717,616	10,635,694	10,789,784	10,809,670	10,920,198
Culture and Recreation	7,971,110	7,547,337	7,781,549	8,647,013	11,276,226	9,723,210	9,616,046	9,461,866	9,860,317	11,077,343
Community Development (5)	7,780,767	8,721,659	23,179,192	6,916,391	9,817,989	12,644,222	12,615,612	9,470,060	6,186,002	4,240,784
Interest on Long-Term Debt	4,679,811	4,602,336	4,529,332	5,070,401	5,037,500	3,710,590	4,020,241	4,481,135	2,971,231	1,229,193
Total Governmental Activities Expenses	46,559,605	48,430,995	62,619,794	48,405,903	62,372,711	57,059,325	56,845,819	63,755,644	51,461,981	47,880,511
Business-Type Activities										
Water	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711	6,112,954	6,299,614
Total Business-Type Activities Expenses	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711	6,112,954	6,299,614
Total Primary Government Expenses	**50,115,187**	**51,618,573**	**65,701,172**	**52,007,822**	**66,448,587**	**61,107,193**	**61,224,096**	**68,630,355**	**57,574,935**	**54,180,125**
Net Revenue (Expenses)										
Governmental Activities	(29,132,903)	(31,699,582)	(44,476,624)	(23,713,101)	(39,142,841)	(37,324,659)	(38,608,288)	(33,921,642)	(25,045,682)	(24,685,453)
Business-type Activities	199,111	580,901	486,541	279,196	407,269	304,279	(119,360)	60,938	(362,295)	333,533
Total Net Revenue (Expenses)	(28,933,792)	(31,118,681)	(43,990,083)	(23,433,905)	(38,735,572)	(37,020,380)	(38,727,648)	(33,860,704)	(25,407,977)	(24,351,920)
Changes in Net Position										
Governmental Activities (6)	(925,292)	(992,327)	(11,168,355)	13,151,725	3,530,912	4,096,220	(1,043,505)	4,780,188	31,409,271	6,599,822
Business-type Activities	112,893	697,241	757,614	791,196	1,179,973	782,695	(36,806)	30,918	(435,373)	143,209
Changes in Net Position	**$ (812,399)**	**$ (295,086)**	**$ (10,410,741)**	**$ 13,942,921**	**$ 4,710,885**	**$ 4,878,915**	**$ (1,080,311)**	**$ 4,811,106**	**$ 30,973,898**	**$ 6,743,031**

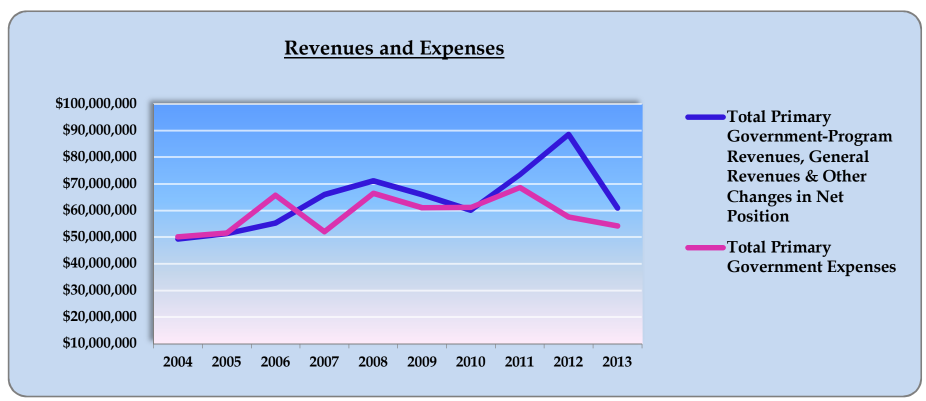
Notes:

(4) In Fiscal year 2010-11, City paid off a $ 7.1 million pension liability for safety employees

(5) Includes fiscal year 2005-06 transfer of Hamilton Avenue housing and park site from the Commnunity Development Agengy of the City to the developers

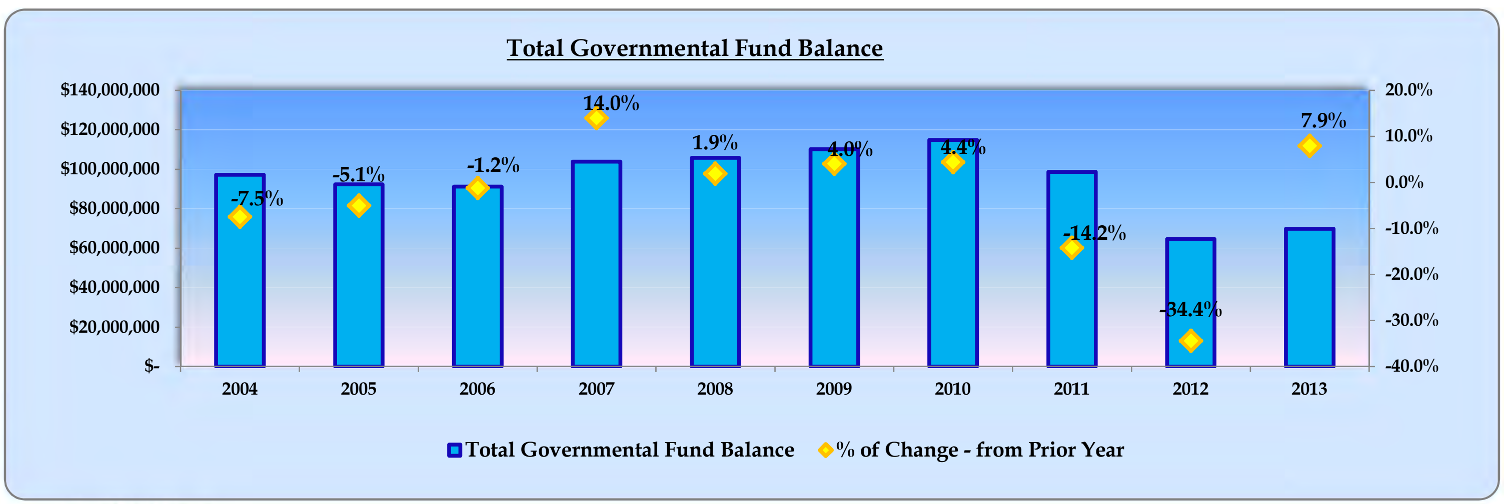
(6) Does not include $206,487 prior period adjustment in 2012-13





Fund Balances - Governmental Funds
Last Ten Fiscal Years

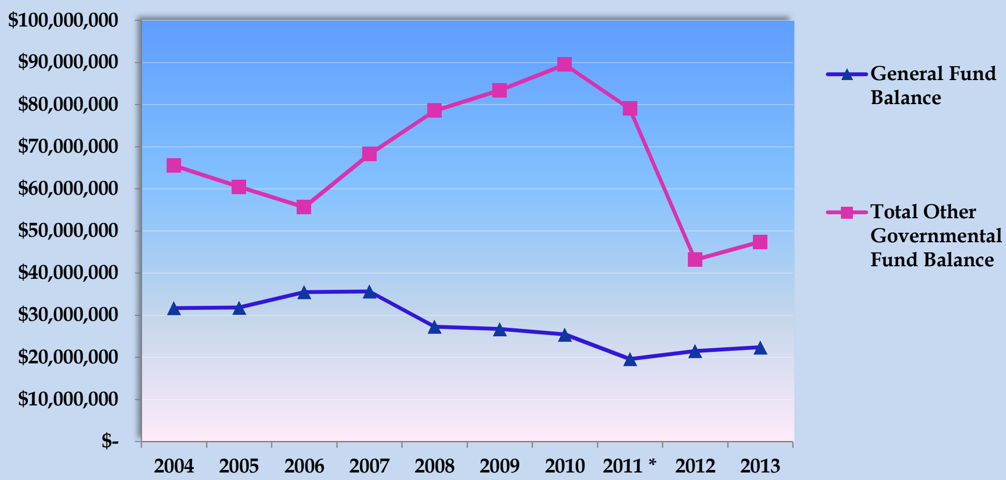
	Fiscal Year Ending June 30, __									
	2004	2005	2006	2007	2008	2009	2010	2011 *	2012	2013
General Fund										
Nonspendable	$ 1,313,432	$ 1,487,329	$ 1,503,411	$ 202,244	$ -	$ 1,529,495	$ 1,196,456	$ 1,435,026	$ 2,227,593	$ 1,005,376
Committed	5,351,978	5,106,483	5,865,122	3,000,000	3,000,000	3,000,000	3,000,000	14,000,000	14,000,000	14,000,000
Assigned	2,858,358	3,158,044	3,130,894	2,934,623	3,278,658	3,034,172	2,999,575	2,592,173	3,494,188	2,728,033
Unassigned	22,173,565	22,054,356	25,001,249	29,521,304	21,003,074	19,144,493	18,231,011	1,578,736	1,776,214	4,644,239
General Fund Balance	31,697,333	31,806,212	35,500,676	35,658,171	27,281,732	26,708,160	25,427,042	19,605,935	21,497,995	22,377,648
Other Governmental Funds										
Nonspendable	2,682,348	2,686,585	6,187,396	6,186,018	6,160,144	6,140,612	2,554,413	2,475,807	4,233,517	4,907,442
Restricted	1,142,055	1,287,410	8,366,348	10,581,508	10,759,071	12,184,002	12,630,096	76,633,611	38,934,347	42,501,844
Committed	-	500,000	500,000	-	-	-	-	-	-	-
Assigned	61,680,490	56,509,986	42,674,483	52,333,571	61,727,238	65,056,016	74,302,453	-	-	-
Unassigned	(2,532)	(500,245)	(2,080,256)	(880,527)	(94,386)	-	-	(105,083)	-	-
Total Other Governmental Fund Balance	65,502,361	60,483,736	55,647,971	68,220,570	78,552,067	83,380,630	89,486,962	79,004,335	43,167,864	47,409,286
Total Governmental Fund Balance	$ 97,199,694	$ 92,289,948	$ 91,148,647	$ 103,878,741	$ 105,833,799	$ 110,088,790	$ 114,914,004	$ 98,610,270	$ 64,665,859	$ 69,786,934
% of Change - from Prior Year	-7.5%	-5.1%	-1.2%	14.0%	1.9%	4.0%	4.4%	-14.2%	-34.4%	7.9%



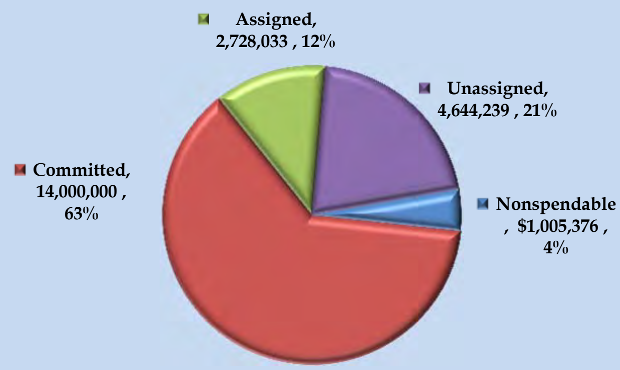
Source: City of Menlo Park
* GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" implemented in 2010-11.

(Continued)

General Fund and Other Governmental Fund Balances



General Fund Balance - June 30, 2013



Source: City of Menlo Park

Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes										
Secured property taxes	$ 14,758,475	$ 15,771,442	$ 17,573,221	$ 18,597,314	$ 21,081,671	$ 22,050,255	$ 21,912,423	$ 21,810,655	$ 12,258,233	$ 14,854,925
Unsecured property taxes	1,579,850	1,378,158	1,330,885	1,337,681	1,752,345	1,817,213	1,422,317	1,577,479	404,916	351,099
Other property taxes(1)	540,255	606,274	717,157	699,280	458,822	345,670	418,851	548,444	576,707	525,865
Sales taxes	6,048,940	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244	5,988,055	5,938,310	6,043,870
Other Taxes(2)	3,340,693	3,521,874	3,761,949	4,664,247	5,878,652	5,214,176	5,940,486	6,774,780	7,530,245	8,007,960
Special assessments	2,549,037	2,362,435	2,433,635	2,537,408	2,661,078	2,894,276	2,824,098	2,818,829	2,862,076	2,831,235
Licenses and permits	2,891,023	2,917,357	3,432,745	3,657,542	4,376,750	3,208,028	3,069,990	3,586,374	4,093,978	4,845,041
Fines and forfeitures	756,678	832,897	792,005	897,568	951,145	1,105,836	1,028,825	953,194	1,067,328	998,259
Use of money and property	1,458,436	2,656,739	3,482,982	5,542,009	6,162,279	4,528,617	1,918,576	1,406,100	1,102,320	594,476
Intergovernmental(1)	3,682,937	4,176,319	2,691,439	2,750,760	3,533,679	3,180,550	3,219,749	2,547,164	2,325,236	2,276,829
Charges for services	7,492,661	6,873,012	8,047,145	13,884,432	10,713,906	10,221,426	8,738,183	10,486,567	11,943,461	13,225,264
Other Revenues	107,530	77,106	212,817	372,534	702,342	186,473	334,959	234,550	270,567	202,137
Total Revenues	**45,206,515**	**47,231,073**	**50,979,615**	**61,740,336**	**65,949,612**	**61,617,672**	**56,327,701**	**58,732,191**	**50,373,377**	**54,756,960**
Expenditures										
Current										
General Government	7,380,500	6,154,281	6,652,130	5,938,008	6,168,001	6,372,271	6,442,817	6,209,988	4,545,864	5,204,412
Public Safety(3)	7,826,595	9,078,447	8,929,677	11,212,320	12,476,614	13,371,606	13,532,394	20,568,030	13,978,279	13,831,018
Public Works	7,213,412	7,218,664	7,750,882	7,387,498	7,774,129	7,991,160	7,768,455	7,929,428	7,886,059	8,174,802
Culture and Recreation	7,597,970	7,195,048	7,303,573	7,813,935	8,359,386	8,669,415	8,570,915	8,286,639	8,287,074	9,014,947
Rehabilitation Loans	582,200	190,050	400,100	-	-	-	-	-	-	-
Community Development	2,859,800	3,780,494	4,088,283	3,233,905	4,325,628	4,533,291	4,354,345	4,061,407	5,560,374	3,937,710
Urban Development and Housing	4,304,319	4,722,358	4,544,265	3,439,609	4,101,470	4,236,426	7,312,083	5,399,919	614,951	286,699
Capital Outlay	8,928,921	8,346,574	10,260,993	2,989,734	4,545,565	6,405,132	8,314,011	16,030,908	10,215,010	7,904,805
Debt Service										
Principal(4)	1,625,000	1,770,000	1,855,000	475,000	2,115,000	2,215,000	2,305,000	2,420,000	2,570,000	760,000
Interest and Fiscal Charges(5)	4,691,522	4,614,326	6,224,963	3,768,661	4,868,947	3,540,575	3,581,456	4,295,839	4,254,712	1,255,585
Total Expenditures	**53,010,239**	**53,070,242**	**58,009,866**	**46,258,670**	**54,734,740**	**57,334,876**	**62,181,476**	**75,202,158**	**57,912,323**	**50,369,978**
Revenues over (under) Expenditures	**(7,803,724)**	**(5,839,169)**	**(7,030,251)**	**15,481,666**	**11,214,872**	**4,282,796**	**(5,853,775)**	**(16,469,967)**	**(7,538,946)**	**4,386,982**

Source: City of Menlo Park
Notes:

(1) Beginning in fiscal year 2005, over 90% of Vehicle License Fee revenue allocated to cities from the State was exchanged for property tax (the "VLF" swap). The reclassification from Inter-governmental to Secured Property Tax revenues was made in fiscal year 2006.

(2) Other Taxes include Franchise & Occupancy, Utility Users, Highway Users and County Transportation taxes.

(3) In fiscal year 2010-11, the large increase was due to paying off the PERS safety side fund.

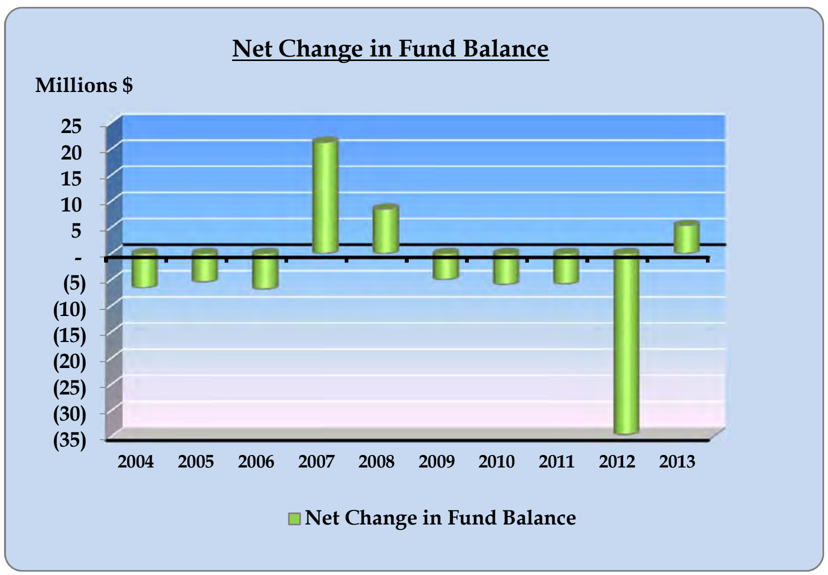
(4) Principal payment due on the 2006 Las Pulgas Tax Allocation Refunding Bonds on January 1, 2008.

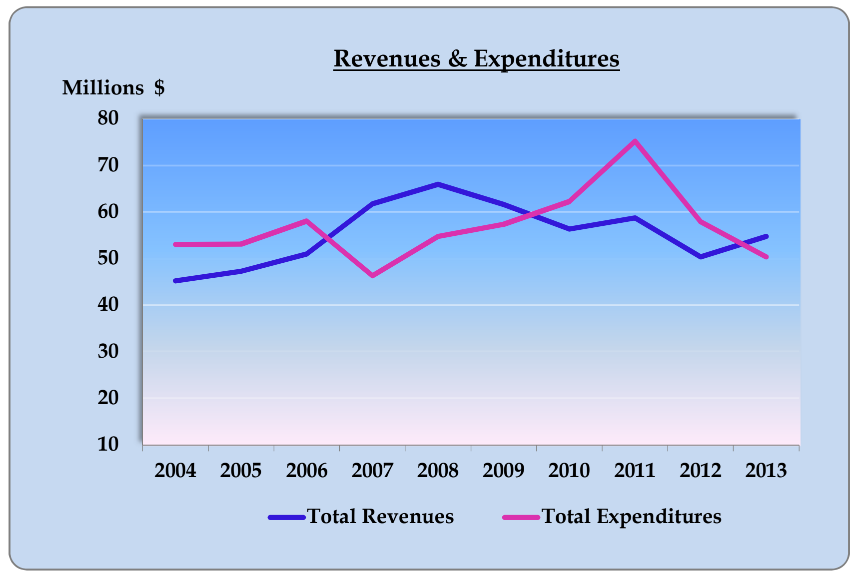
(5) Interest and Fiscal Charges include cost of issuance and bond insurance.

(Continued)

Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Transfer In	1,374,574	3,443,703	2,831,593	16,376,591	7,551,944	10,799,042	7,159,491	7,297,500	9,722,425	6,091,632
Transfer Out	(1,157,874)	(3,227,003)	(2,614,893)	(16,148,891)	(10,586,019)	(20,058,856)	(7,188,677)	(7,136,686)	(9,551,820)	(5,910,107)
Proceeds from Sale of Fixed/Capital Assets	1,071,091	196,131	15,633	3,985,446	282,503	-	1,381	3,204	-	766,855
Proceeds from Debt Issuance	-	-	-	72,430,000	-	-	-	10,440,000	9,830,000	-
Payment to Escrow Agent	-	-	-	(70,525,172)	-	-	-	-	(11,166,467)	-
Discount on Issuance of Debt	-	-	-	(336,800)	-	-	-	74,971	(73,725)	-
Total Other Financing Sources (Uses)	**1,287,791**	**412,831**	**232,333**	**5,781,174**	**(2,751,572)**	**(9,259,814)**	**(27,805)**	**10,678,989**	**(1,239,587)**	**948,380**
Extraordinary gain(loss)(6)	-	-	-	-	-	-	-	-	(25,814,163)	-
Net Change in Fund Balance	**$ (6,515,933)**	**$ (5,426,338)**	**$ (6,797,918)**	**$ 21,262,840**	**$ 8,463,300**	**$ (4,977,018)**	**$ (5,881,580)**	**$ (5,790,978)**	**$ (34,592,696)**	**$ 5,335,362**
% of Change	**-221.8%**	**-16.7%**	**25.3%**	**-412.8%**	**-60.2%**	**-158.8%**	**18.2%**	**-1.5%**	**497.4%**	**-115.4%**
Debt Service as Percentage of Non-Capital Expenditures	**14.3%**	**14.3%**	**16.9%**	**9.8%**	**13.9%**	**11.3%**	**10.9%**	**11.3%**	**14.3%**	**4.7%**





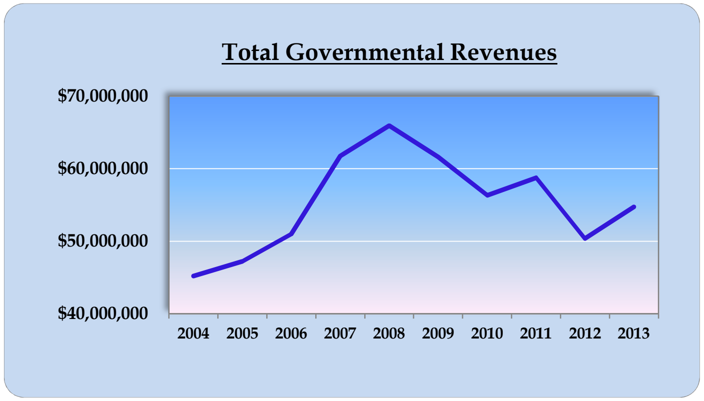
Source: City of Menlo Park

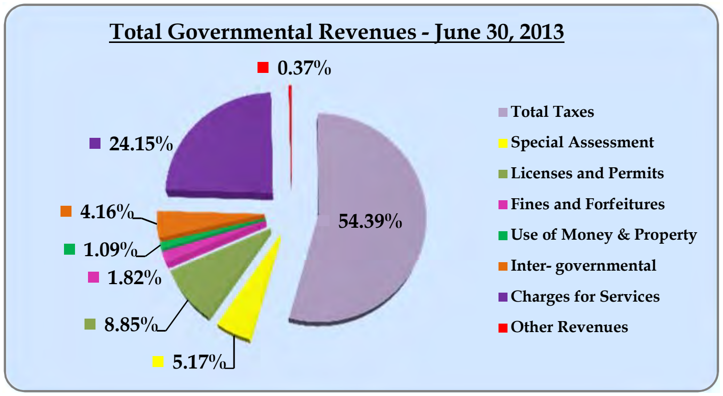
(6) In fiscal year 2011-12, extraordinary gain was due to dissolution of the Community Development Agency

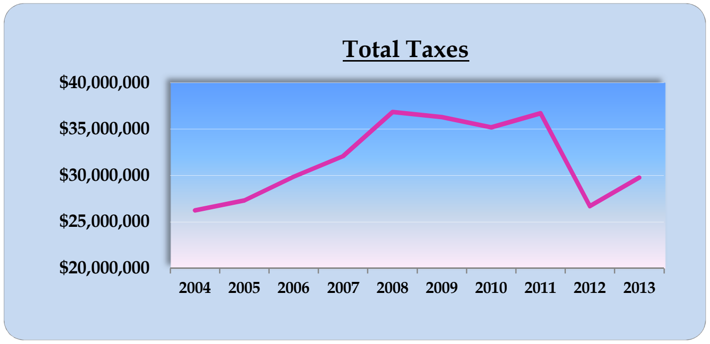
Governmental Funds Reveues by Source [1]
Last Ten Fiscal years

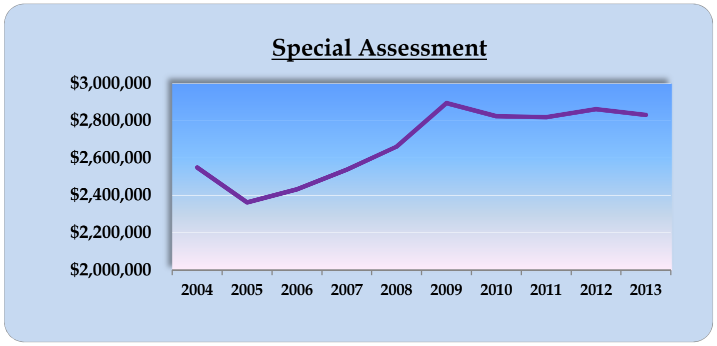
Fiscal Year Ending June 30	Total Taxes		Special Assessment	Licenses and Permits	Fines and Forfeitures	Use of Money & Property	Inter-governmental	Charges for Services	Other Revenues	Total Governmental Revenues
2004	$ 26,268,213		$ 2,549,037	$ 2,891,023	$ 756,678	$ 1,458,436	$ 3,682,937	$ 7,492,661	$ 107,530	$ 45,206,515
2005	27,335,208		2,362,435	2,917,357	832,897	2,656,739	4,176,319	6,873,012	77,106	47,231,073
2006	29,886,847	(2)	2,433,635	3,432,745	792,005	3,482,982	2,691,439	8,047,145	212,817	50,979,615
2007	32,098,083		2,537,408	3,657,542	897,568	5,542,009	2,750,760	13,884,432	372,534	61,740,336
2008	36,848,433		2,661,078	4,376,750	951,145	6,162,279	3,533,679	10,713,906	702,342	65,949,612
2009	36,292,466		2,894,276	3,208,028	1,105,836	4,528,617	3,180,550	10,221,426	186,473	61,617,672
2010	35,193,321		2,824,098	3,069,990	1,028,825	1,918,576	3,219,749	8,738,183	334,959	56,327,701
2011	36,699,413		2,818,829	3,586,374	953,194	1,406,100	2,547,164	10,486,567	234,550	58,732,191
2012	26,708,411		2,862,076	4,093,978	1,067,328	1,102,320	2,325,236	11,943,461	270,567	50,373,377
2013	29,783,719		2,831,235	4,845,041	998,259	594,476	2,276,829	13,225,264	202,137	54,756,960

Source: City of Menlo Park
[1] General governmental revenues by source consist of the following City funds: General, Special Revenue, Debt Service, Capital Projects and Expendable Trusts.
[2] In fiscal year 2006, Property Taxes in lieu of Motor Vehicle License Fees were reclassified from Intergovernmental to Property Taxes.



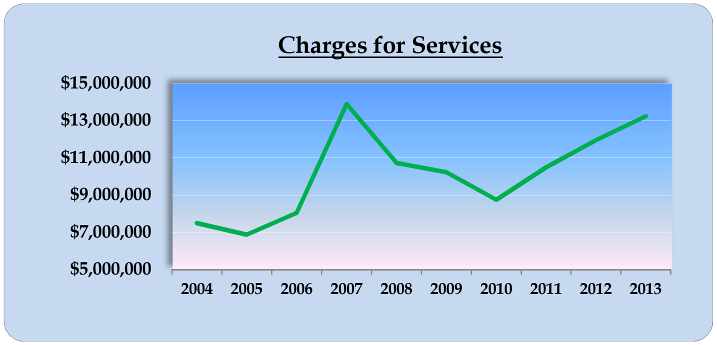


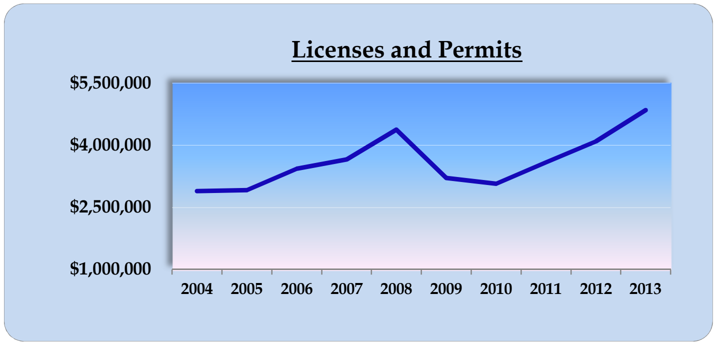


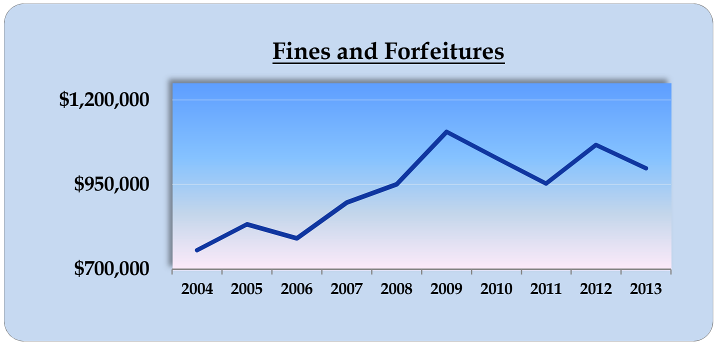


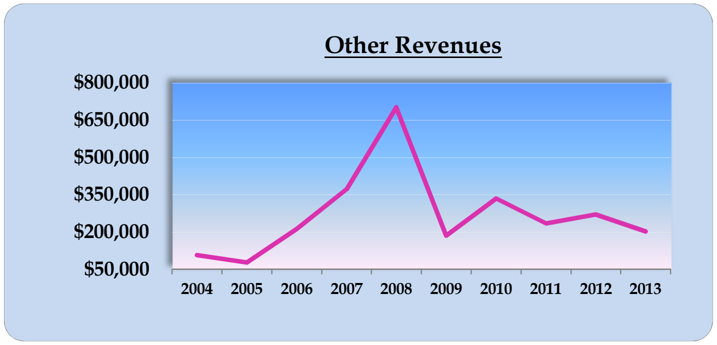
(Continued)

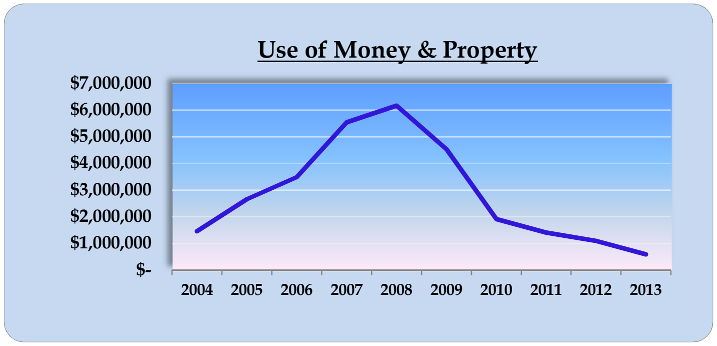
Governmental Funds Reveues by Source [1]
Last Ten Fiscal years

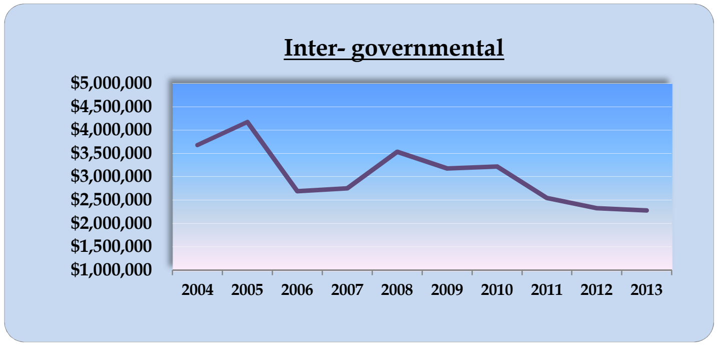










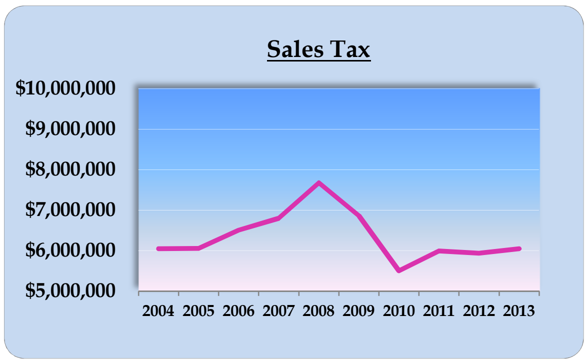


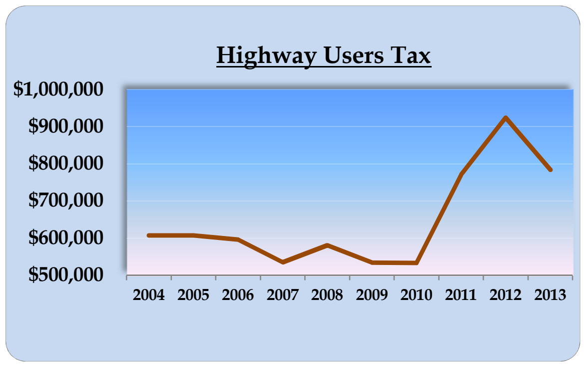
Source: City of Menlo Park

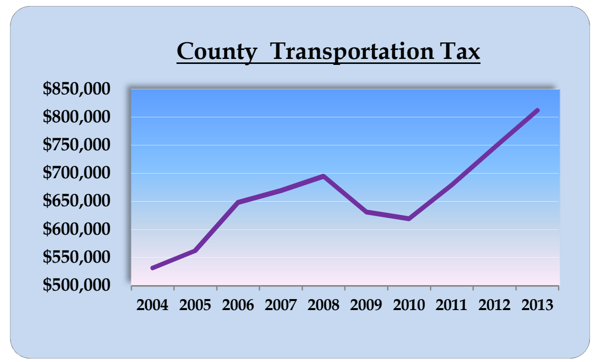
Governmental Funds by Type
Last Ten Fiscal Years

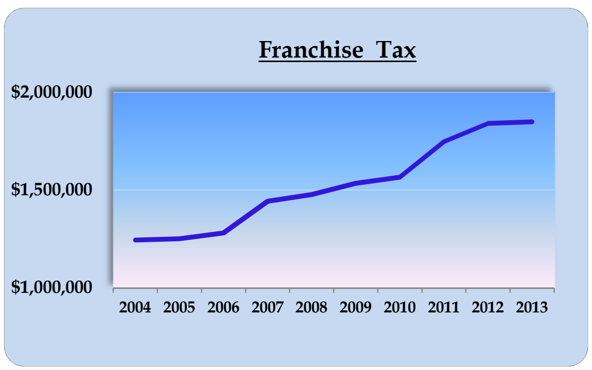
Fiscal Year Ending June 30	Sales Tax	Highway Users Tax	County Transportation Tax	Franchise Tax	Hotel Occupancy Tax	Utility Users Tax (1)	Property Tax: Secured	Property Tax: Unsecured	Property Tax: Transfer Tax	Property Tax: Other	Total Property Tax	Total Governmental Funds
2004	$ 6,048,940	$ 606,797	$ 531,532	$ 1,243,569	$ 958,795	$ -	$ 14,758,475	$ 1,579,850	$ 463,562	$ 80,148	$ 16,882,035	$ 26,271,668
2005	6,057,460	606,867	562,472	1,250,605	1,101,930	-	15,771,442	1,378,158	541,765	64,509	17,755,874	27,335,208
2006	6,503,635	595,607	647,938	1,280,707	1,237,697	-	17,573,221	1,330,885	579,473	137,684	19,621,263	29,886,847
2007	6,799,561	534,699	669,280	1,442,686	1,375,914	641,668	18,597,314	1,337,681	588,158	111,122	20,634,275	32,098,083
2008	7,676,943	580,220	695,066	1,477,768	1,474,119	1,651,479	21,081,671	1,752,345	386,206	72,616	23,292,838	36,848,433
2009	6,865,152	533,784	630,996	1,535,223	1,351,578	1,162,595	22,050,255	1,817,213	278,290	67,380	24,213,138	36,292,466
2010	5,499,244	533,444	618,996	1,565,106	2,074,486	1,148,454	21,912,423	1,422,317	329,368	89,483	23,753,591	35,193,321
2011	5,988,055	770,967	679,286	1,747,605	2,453,981	1,122,940	21,810,655	1,577,479	457,701	90,743	23,936,578	36,699,412
2012	5,938,310	923,796	746,187	1,840,351	2,939,475	1,080,436	12,258,233	404,916	501,161	75,546	13,239,856	26,708,411
2013	6,043,870	783,719	812,249	1,848,480	3,468,256	1,095,256	14,854,925	351,099	460,683	65,182	15,731,889	29,783,719

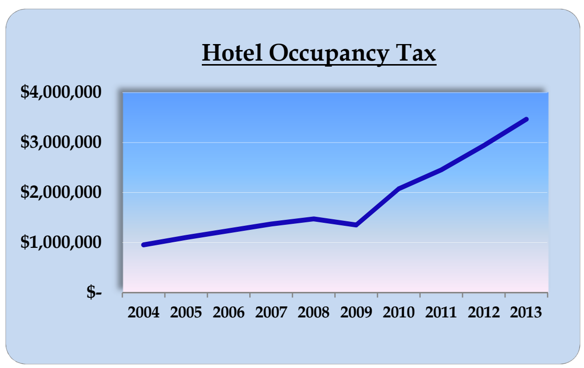
Source: City of Menlo Park and County of San Mateo
(1) City implemented Utility Users Tax in April 2007

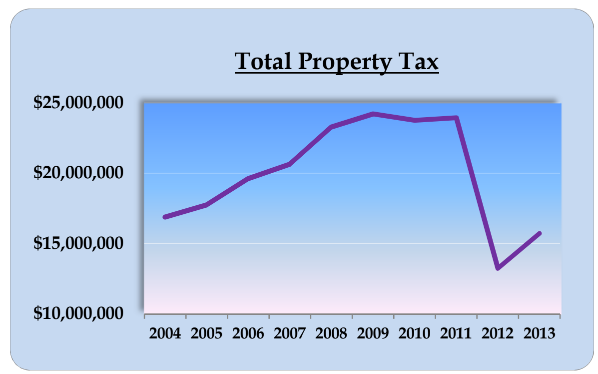






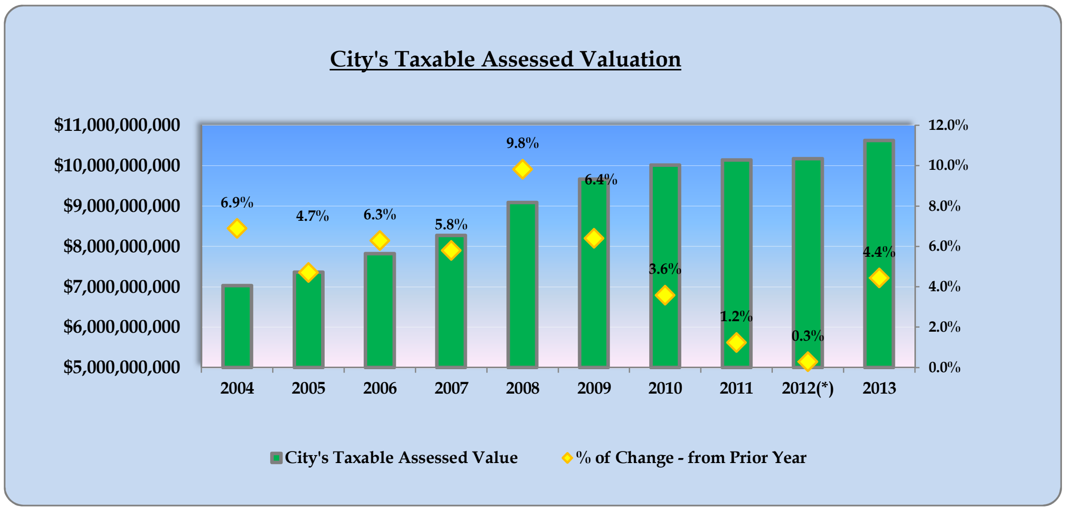






Assessed Valuation, Tax Rates, and Tax Levies
Last Ten Fiscal Years

Fiscal Year Ending June 30	Secured	Unsecured	Less Exemptions	City's Taxable Assessed Value	% of Change - from Prior Year
2004	$ 6,521,857,488	$ 669,542,451	$ (163,717,503)	$ 7,027,682,436	6.9%
2005	6,920,718,474	605,826,607	(168,363,050)	7,358,182,031	4.7%
2006	7,377,433,642	628,446,311	(185,070,530)	7,820,809,423	6.3%
2007	7,919,201,296	544,875,879	(189,778,409)	8,274,298,766	5.8%
2008	8,613,253,093	684,419,419	(210,102,184)	9,087,570,328	9.8%
2009	9,144,410,123	745,589,266	(220,706,897)	9,669,292,492	6.4%
2010	9,525,325,520	733,413,542	(242,215,879)	10,016,523,183	3.6%
2011	9,632,437,282	741,119,897	(234,843,253)	10,140,348,118	1.2%
2012(*)	9,701,542,385	712,158,100	(244,456,426)	10,169,244,059	0.3%
2013	10,059,424,137	819,698,175	(258,752,495)	10,620,369,817	4.4%



Source: County of San Mateo

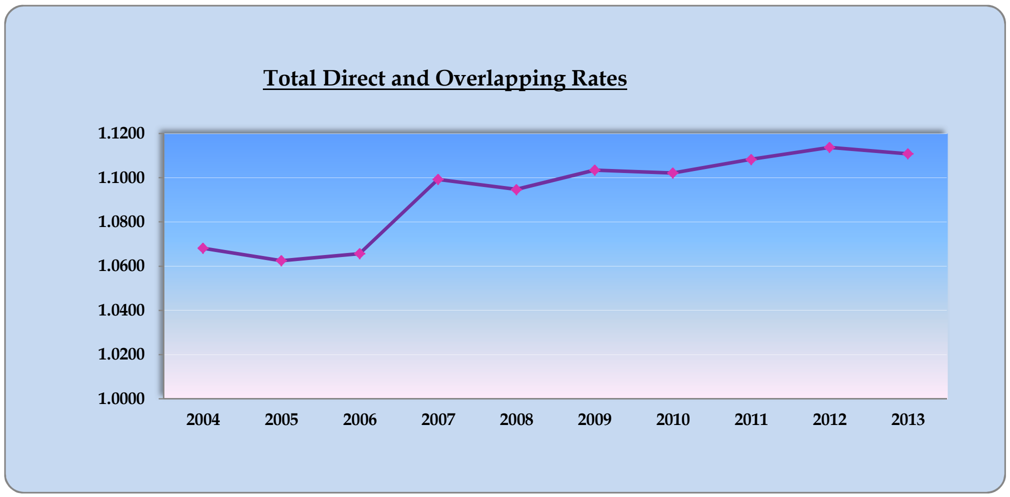
Notes:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-asssessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(*) Redevelopment Agency was transferred to Successor Agency due to dissolution

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

(Per $1,000 Assessed Valuation)	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City Direct Rates (1)	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
Overlapping Rates (2)										
San Mateo County	0.9976	0.9976	0.9976	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Menlo Park Elementary	0.0232	0.0233	0.0209	0.0416	0.0384	0.0399	0.0390	0.0410	0.0413	0.0402
San Mateo Junior College	0.0065	0.0065	0.0065	0.0184	0.0171	0.0165	0.0182	0.0193	0.0199	0.0194
Menlo Park Debt Service	0.0060	0.0056	0.0052	0.0052	0.0047	0.0048	0.0046	0.0042	0.0041	0.0038
Menlo Park Parks & Rec Bond	0.0110	0.0131	0.0132	0.0132	0.0140	0.0141	0.0127	0.0127	0.0126	0.0118
Sequoia Union High School District	0.0238	0.0164	0.0223	0.0208	0.0205	0.0282	0.0277	0.0311	0.0358	0.0356
Total Overlapping Rates	1.0681	1.0625	1.0657	1.0992	1.0947	1.1035	1.1022	1.1083	1.1137	1.1108
Total Direct and Overlapping Rates	**1.0705**	**1.0649**	**1.0681**	**1.1016**	**1.0971**	**1.1059**	**1.1046**	**1.1107**	**1.1161**	**1.1132**
% of Change - from Prior Year	0.7%	-0.5%	0.3%	3.1%	-0.4%	0.8%	-0.1%	0.6%	0.5%	-0.3%



Source:
(1) County of San Mateo, Property Taxes
(2) County of San Mateo, Tax Rate Book, Code 08-004

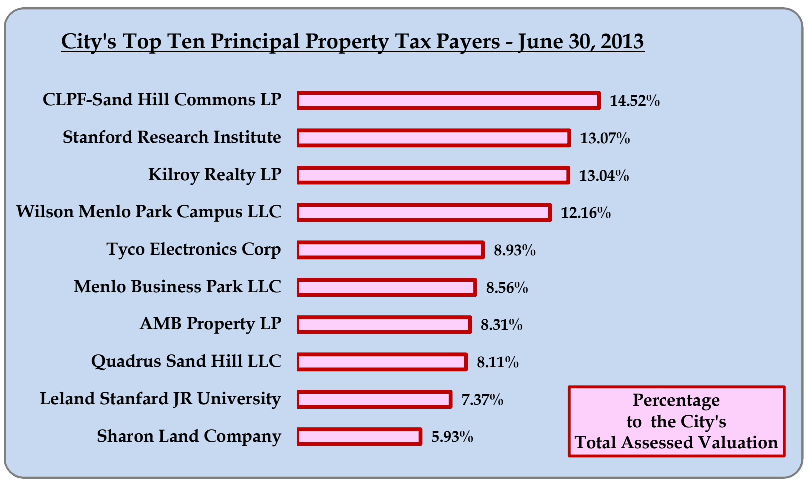
Principal Property Tax Payers
Current Fiscal Year and Ten Years Prior

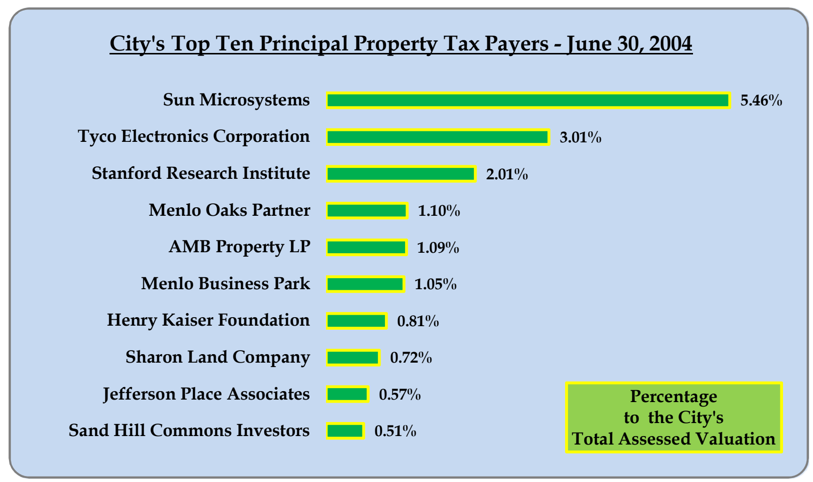
FY 2012-2013

Property Owner	Rank		Taxable Assessed Value	Ratio to Total City's Assessed Valuation
CLPF-Sand Hill Commons LP	1	$	148,850,851	14.52%
Stanford Research Institute	2		134,037,765	13.07%
Kilroy Realty LP	3		133,654,195	13.04%
Wilson Menlo Park Campus LLC	4		124,687,084	12.16%
Tyco Electronics Corp	5		91,555,022	8.93%
Menlo Business Park LLC	6		87,754,351	8.56%
AMB Property LP	7		85,155,448	8.31%
Quadrus Sand Hill LLC	8		83,164,858	8.11%
Leland Stanfard JR University	9		75,548,929	7.37%
Sharon Land Company	10		60,807,093	5.93%
Total Top 10 Taxpayers' Totals		$	1,025,215,596	**100%**
City's Total Assessed Valuation		$	10,620,369,817	100%

FY 2003-2004

Property Owner	Rank		Taxable Assessed Value	Ratio to Total City's Assessed Valuation
Sun Microsystems	1	$	383,591,524	5.46%
Tyco Electronics Corporation	2		211,771,958	3.01%
Stanford Research Institute	3		141,612,177	2.01%
Menlo Oaks Partner	4		77,129,798	1.10%
AMB Property LP	5		76,452,399	1.09%
Menlo Business Park	6		73,896,134	1.05%
Henry Kaiser Foundation	7		57,192,756	0.81%
Sharon Land Company	8		50,595,125	0.72%
Jefferson Place Associates	9		39,900,000	0.57%
Sand Hill Commons Investors	10		35,723,135	0.51%
Total Top 10 Taxpayers' Totals		$	1,147,865,006	**16.33%**
City's Total Assessed Valuation		$	7,028,566,967	**100%**

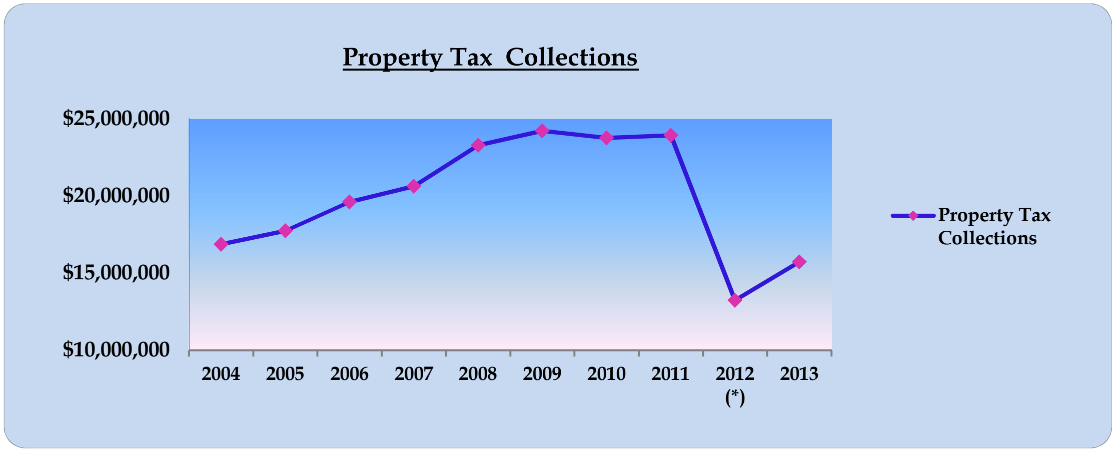




Source:
San Mateo County Tax Roll
California Municipal Statistics Inc

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30	Property Tax Levies	Property Tax Collections	Percentage of Collections	Subsequent Year Collections	Total Collections	Percentage of Collections
2004	$ 16,882,035	$ 16,882,035	100.00%	$ -	$ 16,882,035	100%
2005	17,755,874	17,755,874	100.00%	-	17,755,874	100%
2006	19,621,263	19,621,263	100.00%	-	19,621,263	100%
2007	20,634,275	20,634,275	100.00%	-	20,634,275	100%
2008	23,292,838	23,292,838	100.00%	-	23,292,838	100%
2009	24,213,138	24,213,138	100.00%	-	24,213,138	100%
2010	23,753,591	23,753,591	100.00%	-	23,753,591	100%
2011	23,936,578	23,936,578	100.00%	-	23,936,578	100%
2012 (*)	13,239,856	13,239,856	100.00%	-	13,239,856	100%
2013	15,731,889	15,731,889	100.00%	-	15,731,889	100%



Source:

County of San Mateo, Estimated Property Tax Revenue and Estimated Tax Increment Revenue

City of Menlo Park

Notes:

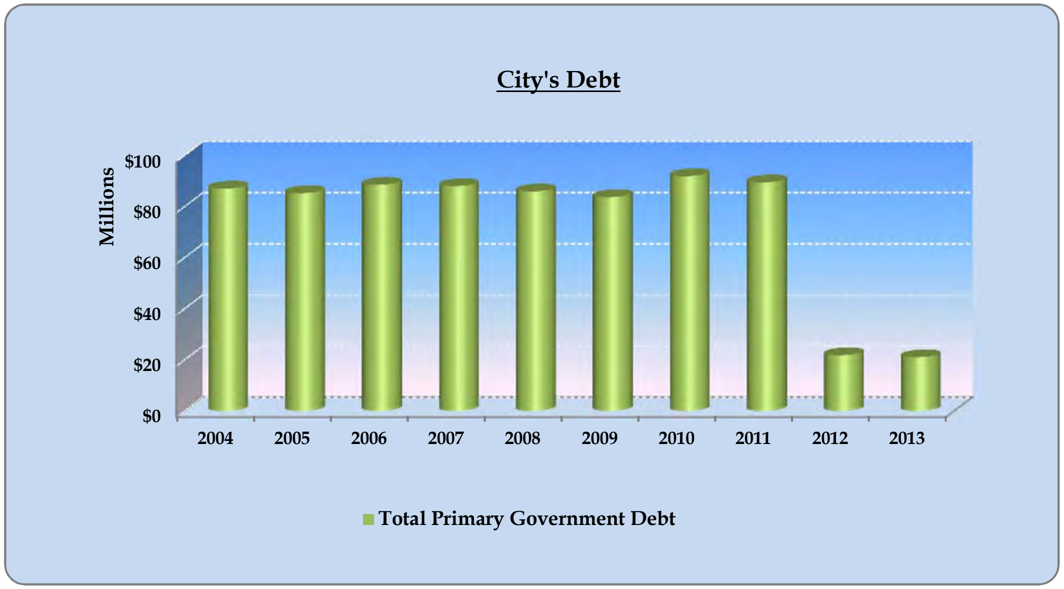
(*) In prior years, property tax levies included property tax increment from ther former Community Development Agencies.

The last year of such tax increment received in 2010-11.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Debt Capacity:
Schedule 11

Fiscal Year Ending June 30	General Obligation Bonds(1) (1)	Tax Allocation Bonds (4)	Total Primary Government Debt	Percentage of Personal Income (7)	Outstanding Debt Per Capita (8)	Outstanding Debt to Taxable Assessed Value
2004	$ 16,930,000	$ 70,070,000	$ 87,000,000	4.49%	$ 2,837	1.24%
2005	16,500,000	68,730,000	85,230,000	4.02%	2,781	1.16%
2006	16,050,000	72,430,000 (5)	88,480,000	3.94%	2,877	1.13%
2007	15,575,000	72,430,000	88,005,000	4.02%	2,826	1.06%
2008	15,070,000	70,820,000	85,890,000	4.17%	2,728	0.95%
2009	14,535,000	69,140,000	83,675,000	3.94%	2,626	0.87%
2010	24,487,472 (2)	67,395,000	91,882,472	4.10%	2,853	0.92%
2011	23,874,973	65,585,000	89,459,973	not available	2,760	0.88%
2012	21,775,595 (3)	- (6)	21,775,595	not available	672	0.21%
2013	21,016,779	-	21,016,779	not available	639	0.20%



Source: City of Menlo Park

Notes:

(1) General Obligation Bonds consists of 1996, 2002, 2009 General Obligation Bonds

(2) The City issued $10,440,000 in 2009 General Obligation Bonds

(3) General Obligation Bonds consists of 1996, 2009, & 2012 General Obligation Bonds

(4) Tax Allocation Bonds consists of 2006 Las Pulgas Project Tax Allocation Bonds

(5) The 1996 & 2000 Tax Allocation Bonds were refinanced with 2006 Refunding Bonds

(6) In fiscal year 2011-12 former Community Redevelopment Agency was dissolved and all debts transferred

(7) County of San Mateo's personal income per capita

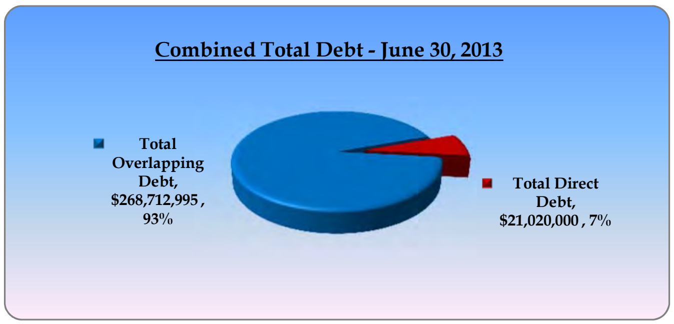
(8) U.S. Census Bureau, Quickfacts.Census.gov, Population

Direct and Overlapping Debt
June 30, 2013

Fiscal year 2012-13

City Assessed Valuation [1] $ 10,662,442,102

	Outstanding Debt 6/30/2013	Percentage Applicable [1]	Estimated Share of Overlapping Debt	Ratio to City's Assessed Valuation
Direct and Overlapping Tax and Assessment Debt				
San Mateo Community College District	$ 580,659,994	7.195%	$ 41,778,487	0.39%
Sequoia Union High School District	336,340,000	17.473%	58,768,688	0.55%
Las Lomitas School District	14,539,944	35.679%	5,187,707	0.05%
Menlo Park City School District	95,982,583	61.593%	59,118,552	0.55%
Ravenswood School District	10,131,707	41.638%	4,218,640	0.04%
Redwood City School District	43,695,967	2.338%	1,021,612	0.01%
City of Menlo Park	**21,020,000**	**100%**	**21,020,000**	**0.20%**
Total Direct and Overlapping tax and Assessment Debt			$ 191,113,686	1.79%
Overlapping General Fund Debt				
San Mateo County General Fund Obligations	$ 311,729,816	7.195%	$ 22,428,960	0.21%
San Mateo County Board of Education Certificates of Participation	11,455,000	7.195%	824,187	0.01%
Redwood City School District General Fund Obligations	1,509,017	2.338%	35,281	0.00%
Midpeninsula Regional Park District Certificates of Participation	135,649,717	5.957%	8,080,654	0.08%
Menlo Park Fire Protection District Certification of Participation	11,755,000	46.748%	5,495,227	0.05%
Total Overlapping General Fund Debt			$ 36,864,309	0.35%
Overlapping Tax Increment Debt - Successor Agency	61,755,000	100%	$ 61,755,000	0.58%
Total Direct Debt			**$ 21,020,000**	**0.20%**
Total Overlapping Debt			**$ 268,712,995**	**2.52%**
Combined Total Debt (2)			**$ 289,732,995**	**2.72%**



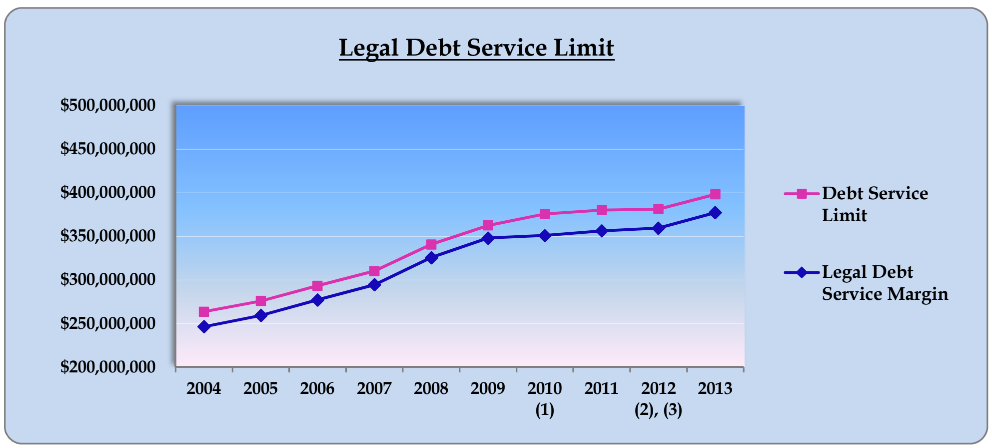
Source: California Municipal Statistics, Inc.

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Legal Debt Service Margin Information
Last Ten Fiscal Years

	Fiscal year ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012 (2), (3)	2013
City's Taxable Assessed Valuation	$ 7,027,682,436	7,358,182,031	7,820,809,423	8,274,298,766	9,087,570,328	9,669,292,492	10,016,523,183	10,140,348,118	10,169,244,059	10,620,369,817
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	$ 1,756,920,609	1,839,545,508	1,955,202,356	2,068,574,692	2,271,892,582	2,417,323,123	2,504,130,796	2,535,087,030	2,542,311,015	2,655,092,454
Debt Service Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Service Limit	**$ 263,538,091**	**275,931,826**	**293,280,353**	**310,286,204**	**340,783,887**	**362,598,468**	**375,619,619**	**380,263,054**	**381,346,652**	**398,263,868**
Less:										
General Obligation Bonds	16,930,000	16,500,000	16,050,000	15,575,000	15,070,000	14,535,000	24,487,472	23,874,973	21,775,595	21,016,779
Legal Debt Service Margin	**$ 246,608,091**	**259,431,826**	**277,230,353**	**294,711,204**	**325,713,887**	**348,063,468**	**351,132,147**	**356,388,081**	**359,571,057**	**377,247,089**
Legal Debt Service Margin as a Percentage of Debt Service Limit	93.6%	94.0%	94.5%	95.0%	95.6%	96.0%	93.5%	93.7%	94.3%	94.7%



Source: County of San Mateo, Assessed Valuation Reports

Notes:

(1) The City issued 2009 General Obligation Bonds

(2) The City refinanced 2002 Bonds with issuance of 2012 General Obligation Bonds

(3) Community Development Agency was transferred to Successor Agency

Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	Population	City's Unemployment Rate	County's Unemployment Rate	Personal Income Per Capita	K-12 Public School Enrollments
2004	30,671	3.9%	4.9%	$ 58,353	4,109
2005	30,648	3.4%	4.3%	63,115	4,120
2006	30,750	2.9%	3.7%	69,107	4,124
2007	31,146	3.0%	4.0%	72,941	4,177
2008	31,490	4.1%	4.7%	70,211	4,297
2009	31,865	7.5%	9.2%	65,414	4,498
2010	32,206	7.4%	9.2%	66,629	4,477
2011	32,412	7.0%	8.6%	69,577	4,678
2012	32,412	5.7%	7.1%	not available	4,719
2013	32,881	4.6%	5.7%	not available	4,835

Source:
U.S. Census Bureau, Quickfacts.Census.gov, Population 2012 Estimate
California Labor Market Information, EDD, labormarketinfo.edd.ca.gov, July 2013
US Department of Commerce, bea.gov, CA1-3 Personal Income Summary, County of San Mateo Per capita personal income 2004-2011
California Department of Education, Data Quest/Enrollment over time, school year 2011-12 Menlo Park Elementary Schools K-12 and Menlo Atherton High School

Principal Employers
Current Fiscal Year and Ten Years Prior

City's Principal Employers	Rank	2012-2013 Total Employees	2012-2013 Percentage of Total City's Labor Force	2003-2004 Total Employees	2003-2004 Percentage of Total City's Labor Force
Facebook, Inc (*)	1	2865	17%	n/a	n/a
SRI International	2	1421	8%	1,185	8%
TE Corporation	3	747	4%	1,040	7%
SHR Hotel, L.L.C.	4	458	3%	n/a	n/a
E*Trade Financial Corporation	5	370	2%	201	1%
Evale Inc	6	328	2%	47	0%
Pacific Biosciences of California	7	300	2%	17	0%
Safeway Stores Inc	8	264	2%	232	2%
United Parcel Service	9	246	1%	n/a	n/a
City of Menlo Park	10	230	1%	248	2%
Top 10 Employers		7,229	43%	2,970	19%
Total Employment of the City's Labor Force		16,900	100%	15,300	100%

Source:

City of Menlo Park, Finance, Business License, calendar year, non-profit organizations' data is not available

State of California, Employment Development Department, Labor Force Report, Unemployment Rates/Labor Force, June 2004, 2013

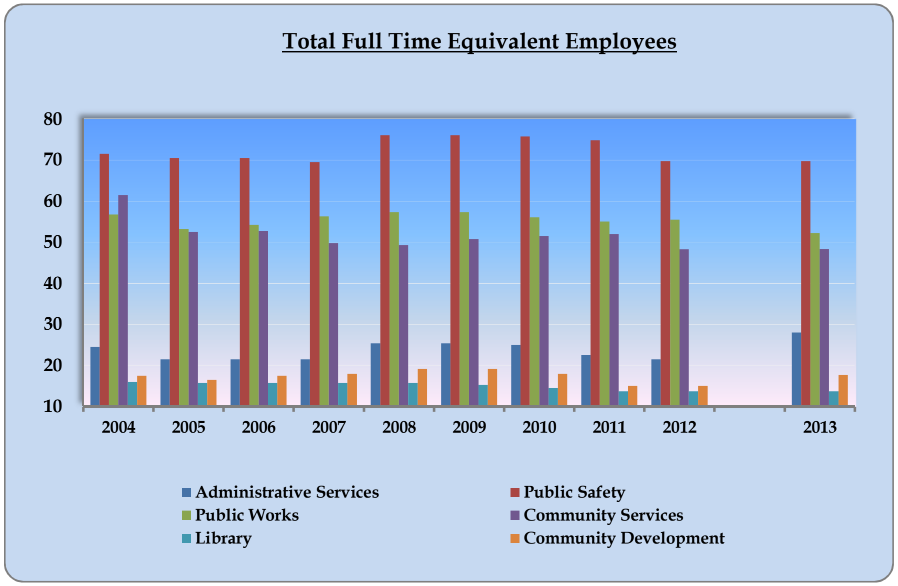
Notes:

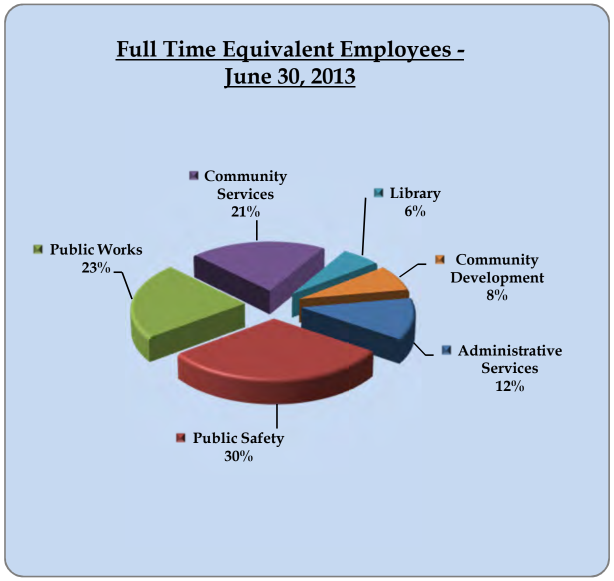
(*) Moved to Menlo Park in 2012

n/a Not Available

Full Time Equivalent City Employees by Function
Last Ten Fiscal Years

	Fiscal year ending June 30, ____									
FTE by Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administrative Services	24.50	21.50	21.50	21.50	25.35	25.35	25.00	22.50	21.50	28.04
Public Safety	71.50	70.50	70.50	69.50	76.00	76.00	75.75	74.75	69.75 (1)	69.75
Public Works	56.75	53.25	54.25	56.25	57.25	57.25	56.00	55.00	55.50	52.21
Community Services	61.50	52.50	52.75	49.75	49.25	50.75	51.50	52.00	48.25 (2)	48.32
Library	16.00	15.75	15.75	15.75	15.75	15.25	14.50	13.75	13.75	13.75
Community Development	17.50	16.50	17.50	18.00	19.15	19.15	18.00	15.00	15.00	17.68
Total Full Time Equivalent Employees	247.75	230.00	232.25	230.75	242.75	243.75	240.75	233.00	223.75	229.75





Source: City of Menlo Park, Human Resources

Remarks:

(1) Reduction of 4.0 FTE San Carlos dispatch during fiscal year 2011-12

(2) Reduction of 3.0 FTE Housing Division during fiscal year 2011-12

Operating Indicators by Demand Level of Service, by Function/Program
Last Ten Fiscal Years

		Fiscal Year Ending June 30, _____									
	FUNCTION/PROGRAM	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety	Incidents	34,676	31,977	30,597	36,206	37,997	41,200	39,217	40,675	44,405	41,206
	Calls for Service	18,516	18,467	19,806	18,721	19,736	20,015	19,840	19,752	20,469	22,383
	Officer Initiated Incidents	16,160	13,510	10,791	17,485	18,261	21,185	19,377	20,923	23,936	18,823
Public Works	**Transportation:**										
	Shuttle Passengers (1)	63,387	71,963	53,978	70,712	68,201	81,837	86,503	83,246	86,004	80,774
	Engineering:										
	Encroachment Permits Issued	257	266	275	274	319	310	289	290	272	300
Culture and Recreation	**Parks and recreation:**										
	Number of Activity Hours Provided (2)	9,762	9,649	9,571	21,902	119,674	37,869	48,270	37,964	1,662,457	2,403,979 (5)
	Number of recreational activities participants (3)	20,259	20,033	39,987	42,424	237,968	61,514	64,762	88,032	706,830	931,490 (6)
	Library:										
	Books Volumes held	134,294	136,590	143,351	142,735	149,927	151,650	146,429	146,356	150,017	157,155
	Video/DVD held	10,048	11,650	12,569	11,092	15,148	14,989	13,688	14,262	14,728	13,348
	Books Volumes added	9,394	9,153	4,992	9,587	7,613	15,162	9,826	9,587	9,239	11,183
	Total Circulations	575,023	602,548	545,764	590,261	707,073	756,808	742,555	726,189	624,699	672,967
Community Development	**Building Permits Issued:**										
	Residential Buildings - Count	970	761	824	745	787	652	667	733	655	728
	Residential -Value ($1000s)	56,527	44,819	55,404	70,643	84,006	51,761	42,033	49,618	44,545	64,932
	Commercial Buildings - Count	210	161	155	185	170	187	160	202	231	229
	Commercial -Value ($1000s)	25,199	24,425	44,428	112,118	73,820	42,435	32,419	46,756	78,055	61,201
	Accessory Buildings - Count	94	84	107	99	99	74	87	85	73	100
	Accessory -Value ($1000s)	1,820	4,552	1,062	1,290	2,337	1,039	1,188	1,812	1,925	1,876
	Building Inspection Conducted	10,215	10,159	10,522	10,036	11,197	10,532	8,797	9,928	991	1,088
	Housing and Redevelopment:										
	Below Market Rate - Units sold	1	0	0	8	16	5	2	2	2	1
	Below Market Rate - Units resold	1	0	1	2	0	0	1	3	3	0
	Housing Rehabilitation - New loans	9	3	5	0	0	5	0	0	0	0
	Housing Rehab Loans - Cumulative $	2,276,512	2,129,896	2,205,021	1,744,741	1,459,047	1,440,877	1,340,433	1,312,380	1,210,372	960,179
	Housing Rehab Homes - Cumulative Count	73	64	58	47	41	41	36	33	32	28
	RDA - Housing Rehabilitation - New loans (4)	-	-	-	-	-	-	4	3	0	0
	RDA - Housing Rehab Loans - Cumulative $	-	-	-	-	-	-	193,000	347,785	337,285	328,676
	RDA - Housing Rehab Homes - Cumulative Count	-	-	-	-	-	-	4	7	7	7
Administrative Services	**Finance:**										
	New Business License Applications	527	481	469	649	708	564	308	458	829	811

Source: City of Menlo Park

Note:

(1) Public demand of the free shuttles was increased in 2006-07 as a result of frequent promotions of the free service by the City of Menlo Park Transportation Department and the participating companies who promote commute alternatives in peak hours.

(2) Increased programming in rooms previously used for child care at Burgess and new programs at the Onetta Harris Community Center. The method of calculation may vary from previously submitted information.

(3) Park and Recreation: Differences in department programming from year to year result in substantial variances in some totals.

(4) Redevelopment Agency-Housing Rehabilitation Program started in fiscal year 2009-2010, ended in January 2012

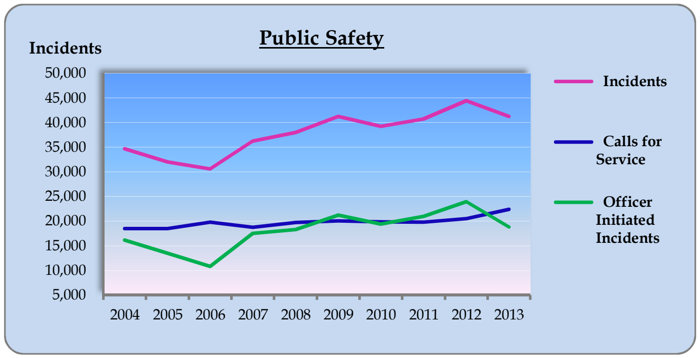
(5) During fiscal year 2011-12, Activity Hour was changed to count every hour each participant in a program or using City service

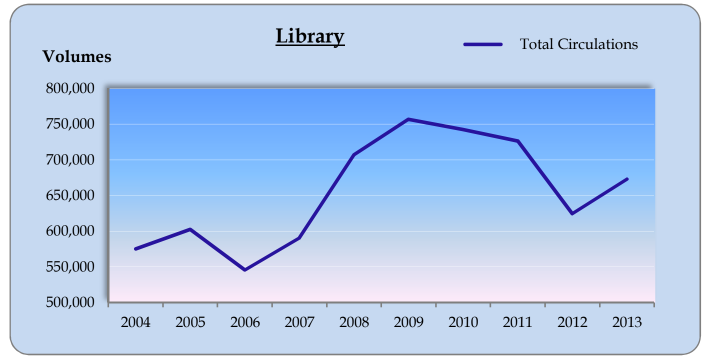
(6) During fiscal year 2011-12, Activity Participant was changed to count each visit

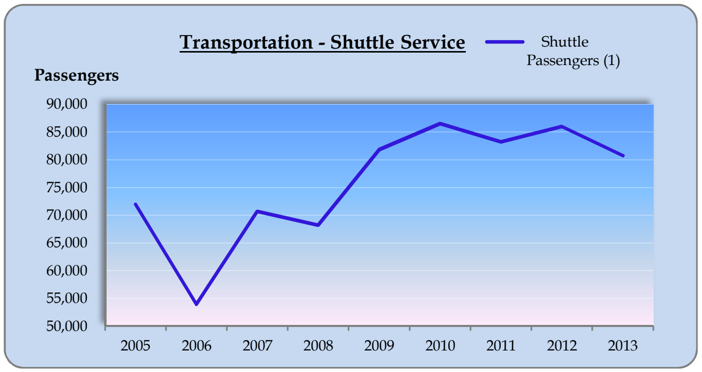
(Continued)

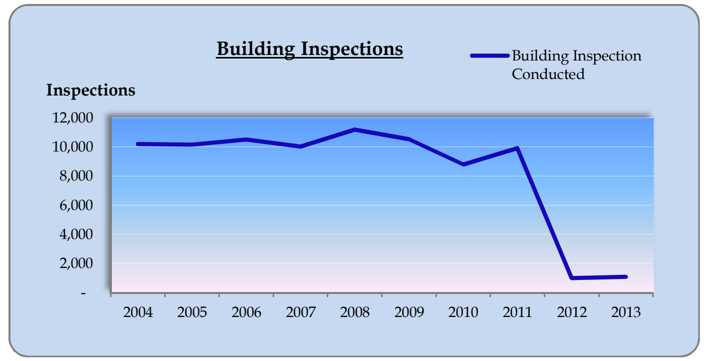
Operating Indicators by Demand Level of Service, by Function/Program

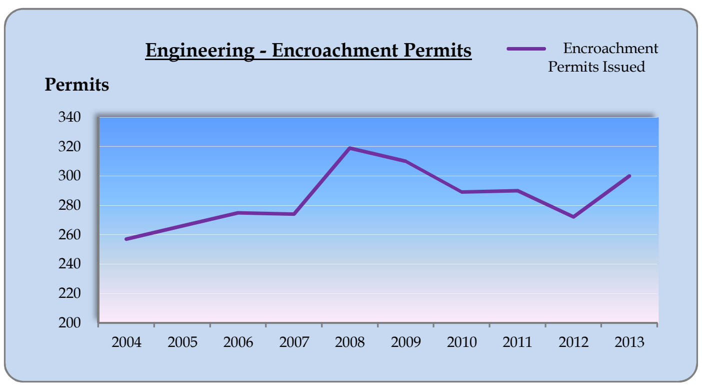
Last Ten Fiscal Years

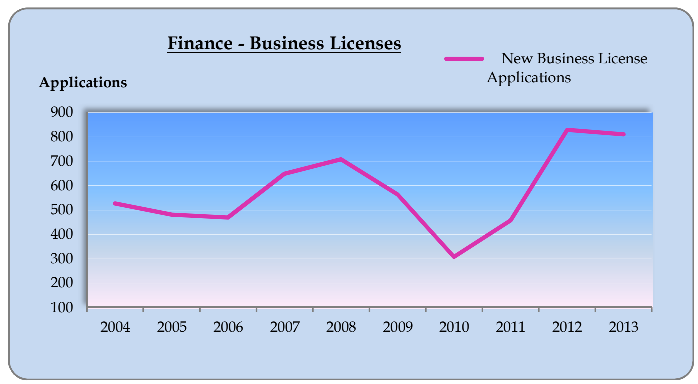












Source: City of Menlo Park

Function	Facility	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
		Fiscal Year Ending June 30, _____									
General Government	Civic Center-Administration	1	1	1	1	1	1	1	1	1	1
Public Safety	Police Stations	1	2	2	2	2	2	2	2	2	2
Public Works	Streets (miles)	101	101	101	101	101	101	101	101	100	100
	Streetlights	1659	1718	1718	1718	1718	1718	1719	2233	2233	2233
	Traffic Signals	22	22	22	22	22	22	22	22	22	22
	Water:										
	- Daily average introduced into system (1,000 gallons)	3557	3363	3363	3556	3805	3337	2582	2868	2947	2995
	- Capacity per day (millions of gallons)	4	4	3	4	4	3	3	3	3	3
	- Water storage (millions of gallons)	6	6	6	6	6	6	6	6	6	6
	- Water lines (miles)	55	55	55	55	55	59	59	59	59	59
Parks and Recreation	Child Care Centers	5	5	5	5	5	6	6	6	3	3
	Recreation Center	1	1	1	1	1	1	1	1	1	1
	Library	2	2	2	2	2	2	2	2	2	2
	Parks	13	13	13	13	13	14	14	14	14	14
	Community Centers	2	2	2	2	2	2	2	2	2	2
	Senior Center	2	2	2	2	2	2	2	2	1	1
	Gymnasium	2	2	2	2	2	2	2	2	2	2
	Gymnastics Center	1	1	1	1	1	1	1	1	1	1
	Pools (locations)	2	2	2	2	2	2	2	2	2	2
	Medical Clinic	1	1	1	1	1	1	1	1	1	1
	Gate House	1	1	1	1	1	1	1	1	1	1
	Dog Park Areas	n/a	n/a	n/a	n/a	2	2	2	2	2	2

Source: City of Menlo Park

Capital Asset and Infrastructure Statistics by Activities

Last Ten Fiscal Years

		Non-Depreciable					Depreciable							
	Fiscal Year Ending	Land	Land Improvement	Real Estate Held for Sale	Construction in Progress	Total Non-Depreciable	Buildings	Share Use Facilities	Equipment	Other Improvements	Infrastructure	Less: Accumulate Depreciation	Total Depreciable	Combined Total
Governmental Activities	2004	$ 221,534,267	$ 32,705,490	$ -	$ 9,060,550	$ 263,300,307	$39,706,068	$ -	$ 5,919,103	$ 3,797,004	$ 97,849,119	$ (52,039,710)	$95,231,584	$358,531,891
	2005	221,534,267	32,900,109	-	8,501,684	262,936,060	39,974,278	-	6,035,756	5,509,784	102,932,198	(55,468,475)	98,983,541	361,919,601
	2006	205,232,510	32,900,109	-	968,145	239,100,764	46,658,887	-	6,201,377	12,081,605	103,885,147	(57,765,455)	111,061,561	350,162,325
	2007	204,949,233	32,900,109	-	600,561	238,449,903	46,933,785	-	5,912,705	12,717,853	105,533,229	(61,481,901)	109,615,671	348,065,574
	2008	204,949,233	32,900,109	-	2,971,197	240,820,539	46,933,785	-	6,162,913	12,782,089	106,952,666	(65,743,622)	107,087,831	347,908,370
	2009	204,949,233	32,900,109	-	3,318,133	241,167,475	46,933,785	-	6,383,215	12,792,366	107,911,764	(69,349,289)	104,671,841	345,839,316
	2010	204,949,233	32,900,109	446,725	5,889,419	244,185,486	47,218,382	2,600,000	6,384,363	12,792,366	108,730,291	(73,724,714)	104,000,688	348,186,174
	2011	204,949,233	32,900,109	648,285	6,979,308	245,476,935	65,959,147	2,600,000	6,464,074	12,878,068	109,994,804	(76,800,272)	121,095,821	366,572,756
	2012	199,254,256	32,900,109	1,643,404	2,112,344	235,910,113	76,591,580	2,600,000	6,929,594	16,259,990	110,974,228	(80,489,073)	132,866,319	368,776,432
	2013	199,256,305	32,900,109	733,597	2,537,004	234,693,418	76,762,760	2,600,000	7,064,784	16,370,783	113,871,991	(83,296,591)	133,373,727	368,067,145
Business-type Activities	2004	$ 1,066,454	$ -	$ -	$ 262,293	$ 1,328,747	$ 3,945,489	$ -	$ 585,643	$ -	$ 4,457,930	$ (5,167,837)	$ 3,821,225	$ 5,149,972
	2005	1,066,454	-	-	1,936,034	3,002,488	3,945,489	-	585,643	-	4,874,739	(5,288,437)	4,117,434	7,119,922
	2006	1,066,454	-	-	183,225	1,249,679	4,141,695	-	589,093	-	6,812,639	(5,352,175)	6,191,252	7,440,931
	2007	1,066,454	-	-	277,361	1,343,815	4,165,957	-	589,093	-	6,812,639	(5,520,161)	6,047,528	7,391,343
	2008	1,066,454	-	-	561,544	1,627,998	4,159,460	-	621,809	-	6,812,639	(5,689,537)	5,904,371	7,532,369
	2009	1,066,454	-	-	793,183	1,859,637	4,159,460	-	566,303	-	6,812,639	(5,777,412)	5,760,990	7,620,627
	2010	1,066,454	-	-	1,133,544	2,199,998	4,159,460	-	569,755	-	6,812,639	(5,951,168)	5,590,686	7,790,684
	2011	1,066,454	-	-	2,041,278	3,107,732	4,159,460	-	503,003	-	6,812,639	(6,046,123)	5,428,979	8,536,711
	2012	1,066,454	-	-	1,555,026	2,621,480	4,159,460	-	542,565	-	8,371,534	(6,170,823)	6,902,736	9,524,216
	2013	1,066,454	-	-	2,310,988	3,377,442	4,159,460	-	542,565	-	8,371,534	(6,371,319)	6,702,240	10,079,682

Source: City of Menlo Park

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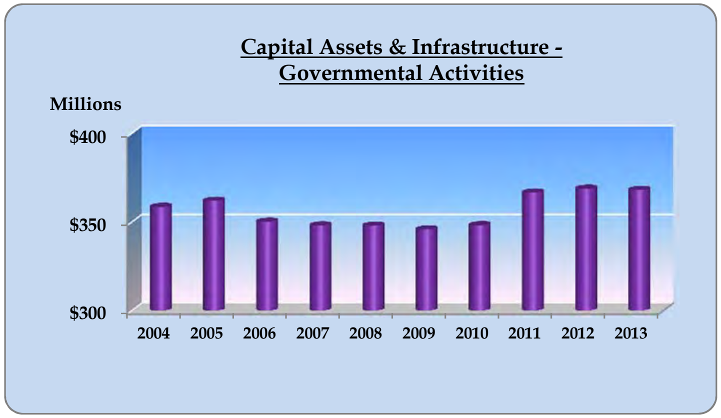
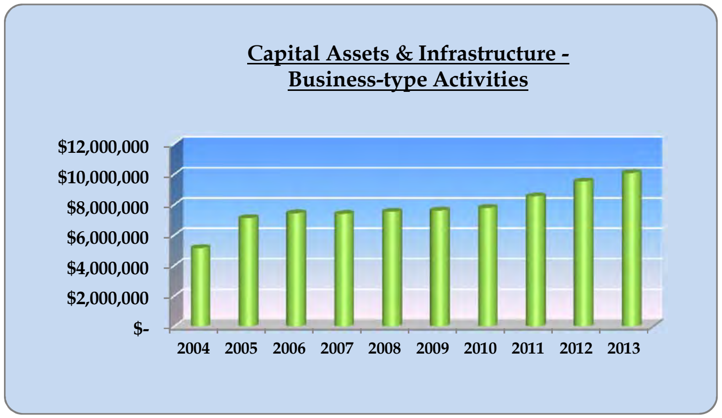
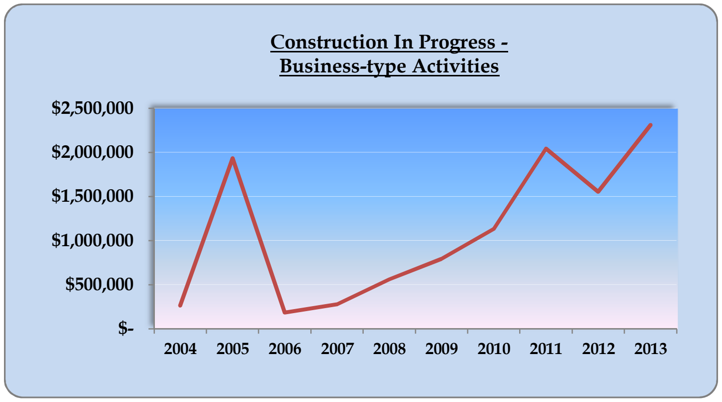






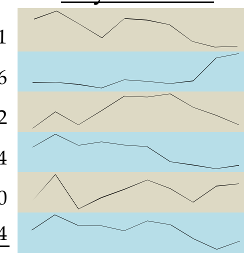
Source: City of Menlo Park

Water Sold by Type of Customer
Last Ten Fiscal Years

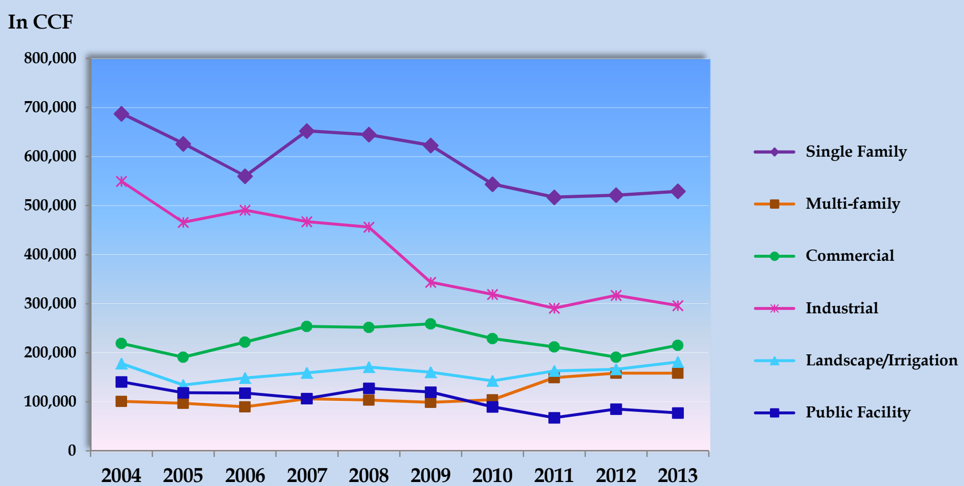
(in CCF)

	Fiscal year ending June 30, ____									
Type of Customer	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Single Family	687,498	626,255	560,166	652,204	644,785	623,012	543,758	516,958	521,341	529,161
Multi-family	101,149	97,178	89,682	106,339	103,263	98,672	104,032	149,228	158,342	158,386
Commercial	219,354	190,834	221,551	253,596	251,400	258,675	229,159	211,796	190,988	215,162
Industrial	549,563	466,153	491,050	467,379	456,315	343,516	319,117	291,137	316,857	295,864
Landscape/Irrigation	177,958	134,150	148,601	159,097	170,846	160,021	142,781	163,080	166,262	181,100
Public Facility	141,001	118,424	117,785	107,003	127,811	119,814	89,655	67,389	85,474	77,494
Total Water Sold - CCF	1,876,523	1,632,994	1,628,835	1,745,618	1,754,420	1,603,710	1,428,502	1,399,588	1,439,264	1,457,167
Direct Rate(*)	**$ 6.15**	**$ 6.15**	**$ 6.15**	**$ 6.85**	**$ 7.61**	**$ 8.48**	**$ 9.44**	**$ 11.01**	**$ 12.78**	**$ 14.86**

10-year Trend



Water Sold by Type of Customers

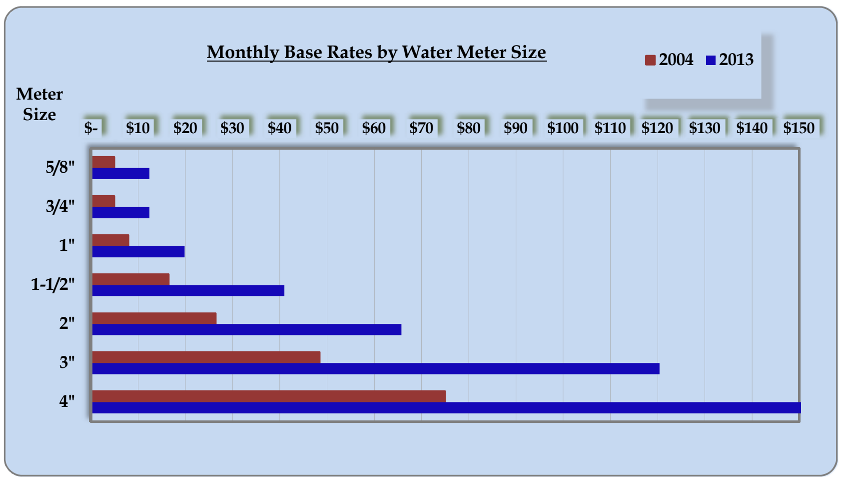


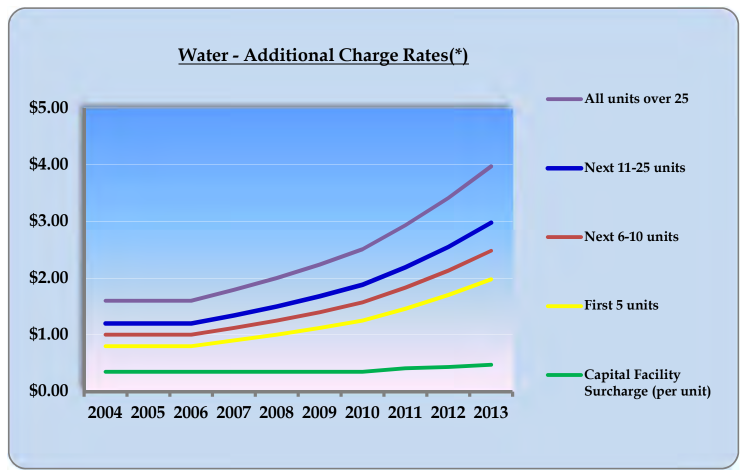
Water - Direct Rate(*)

Source: California Water Service Company, City of Menlo Park
Notes: 1 unit is 748 gallons
*Rate based on a minimum monthly service charge based on size of meter plus a charge for water consumed plus a surcharge per unit

Water Service Rates
Last Ten Fiscal Years

Monthly Base Rate by Meter Size	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Fiscal Year Ending June 30, ____									
5/8"	5.00	5.00	5.00	5.60	6.26	7.01	7.84	9.14	10.65	12.41
3/4"	5.00	5.00	5.00	5.60	6.26	7.01	7.84	9.14	10.65	12.41
1"	8.00	8.00	8.00	8.95	10.02	11.21	12.54	14.61	17.03	19.85
1-1/2"	16.50	16.50	16.50	18.46	20.66	23.12	25.87	30.15	35.14	40.95
2"	26.50	26.50	26.50	29.65	33.18	37.13	41.55	48.42	56.43	65.77
3"	48.50	48.50	48.50	54.27	60.73	67.96	76.04	88.62	103.27	120.36
4"	75.00	75.00	75.00	83.93	93.91	105.09	117.59	137.04	159.71	186.12
6"	166.50	166.50	166.50	186.31	208.48	233.29	261.06	304.24	354.56	413.20
8"	369.50	369.50	369.50	413.47	462.67	517.73	579.34	675.16	786.83	916.98
10"	820.00	820.00	820.00	917.58	1,026.77	1,148.96	1,285.68	1,498.33	1,746.16	2,034.97
Additional charges (*)										
First 5 units	0.80	0.80	0.80	0.90	1.00	1.12	1.25	1.46	1.70	1.98
Next 6-10 units	1.00	1.00	1.00	1.12	1.25	1.40	1.57	1.83	2.13	2.48
Next 11-25 units	1.20	1.20	1.20	1.34	1.50	1.68	1.88	2.19	2.55	2.98
All units over 25	1.60	1.60	1.60	1.79	2.00	2.24	2.51	2.93	3.41	3.97
Capital Facility Surcharge (per unit)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.41	0.43	0.47





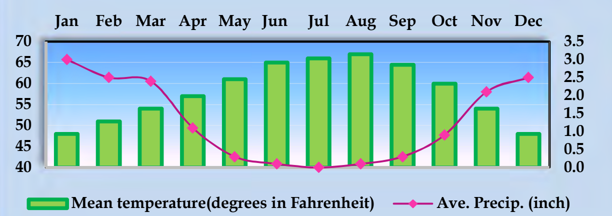
Source: City of Menlo Park, Master Fee Schedules

Notes: (*) Additional charge is based on monthly meter readings, one unit is 748 gallons.

The Menlo Park Municipal Water District charges an excess-use rate above normal demand.

Date of Incorporation	November 23, 1927
Form of Government	Council / Manager
City Council Members	5
City Commissions	10
Arts, Bicycle, Environmental Quality, Finance & Audit, Housing, Las Pulgas, Library, Parks & Recreation, Planning, & Transportation	
Latitude, Longitute	37.45 N, 122.18 W
Elevation	60 feet
Land Area in square miles, 2010	18
Sunny Days a year	265
Average Annual Rainfall	15.71"

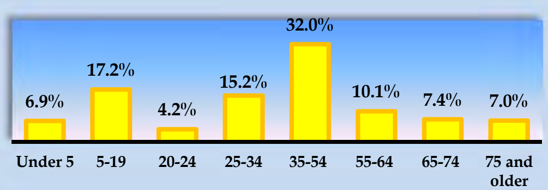
Average Monthly Temperatures & Precipitations



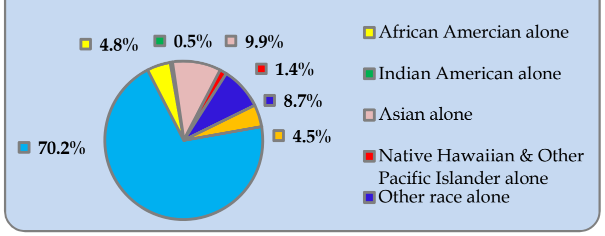
Demographic Profile

Population, 2011 Estimate	32,412
People per square miles, 2010	3,271
Male Persons, 2010	48.1%
Female Persons, 2010	51.9%
Median age (years), 2010	39.0

Population by Age Group, 2010



Population by Race, 2010



Social Characteristics

Percentage Speak English only	
Age 5 - 17	17.2%
Age 18-64	65.9%
Age 65+	17.0%
Percentage Speak a language other than English:	
Age 5 - 17	15.2%
Age 18-64	76.7%
Age 65+	8.1%
Education Attainment -Population 25 years and over	
Less than high school graduate	7.2%
High school graduate or equivalent	8.6%
Some college or associate's degree	16.1%
Bachelor's degree	31.0%
Graduate or professional degree	37.0%
Marital Status	
Never married	68.1%
Now married - except separated	52.2%
Divorced or separated	11.8%
Widowed	5.7%
Citizenship Status	
Native, 5 years and over	76.6%
Foreign-born, 5 years and over	23.4%
Naturalized U.S. citizen	9.8%
Not a U.S. citizen	13.7%
Poverty Status in the past 12 months, 2008	
Below poverty level	7.6%
At or above poverty level	92.4%

Housing Characteristics

Total housing units	13,313
Occupied housing units	12,601
Homeownership rate	58.4%
Housing units in multi-unit structures	36.7%
Median value of owner-occupied homes	$ 1,000,001
Foreign born persons	23.9%

Schools

Preschools	16
Public schools, K-12	6
Private schools, K-12	9
Charter schools	2
Adult education institutions	2
Colleges, public & private	3

Utilities and other services:

Water Services	4
Sewer Service	1
Refuse Removal & Recycling Service	1
Gas & Electricity Service	1
Police protection, stations	2
Menlo Park Fire District, stations	7
Hospitals/Medical Clinics	2
Health Support	4
U. S. Post Offices, branches	2

Local attractions, culture & recreation

Allied Arts Guild	
Menlo Atherton Performance Arts Center	
Stanford Linear Accelerator Center (SLAC)	
Sunset Publishing Corporation	
United States Geological Survey (USGS)	
Movie theater, the Guild	1
Clubs/Orgainizations	13
Places of worship	22

Source: Menlo Park Chamber of Commerce, City of Menlo Park
Countrystudies.us/united-states/weather/california/menlo-park.htm
U.S. Census Bureau, 2010 Demographic Profile Data, ACS Demographic & Housing Estimates 2006-2010

PUBLIC WORKS DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-192

Agenda Item #: D5

CONSENT CALENDAR: **Adopt a Resolution to Amend the Franchise Agreement with Recology San Mateo County for Waste Collection Services and Authorize the City Manager to Execute the Amendment**

RECOMMENDATION

Staff recommends that Council adopt a resolution (Attachment A) to amend the franchise agreement with Recology San Mateo County for waste collection services, and authorize the City Manager to execute the amendment.

BACKGROUND

On January 1, 2011, Recology San Mateo County began residential and commercial collection services for garbage, recycling, and organic materials in Menlo Park per the franchise agreement approved by Council in September of 2009. The City's franchise agreement was developed using a uniform template designed by the South Bayside Waste Management Authority (SBWMA) to assist the 12 member agencies, including Menlo Park, in executing an agreement with Recology.

Since the contract has been in place for two years, Recology, SBWMA staff, and the previous board members took the opportunity to review the agreement to identify options for reducing costs and streamline or eliminate any contractual provisions that are not needed or provide little or no value to the rate payers and member agencies. In October 2012, a SBWMA subcommittee (comprised of staff representatives from the City of San Mateo, Foster City, Menlo Park, and San Mateo County) was formed to discuss potential agreement modifications. On March 28, 2013, the SBWMA Board reviewed the proposed amendments, and recommended that the proposed amendments be approved by each of the individual member agencies (Attachment A).

Amendments to the franchise agreement that will result in economic impacts require Council approval. The proposed amendments will result in a cost savings to Menlo Park, and in a good faith effort, have already been included in Recology's 2014 rate application.

ANALYSIS

Prior to the SBWMA subcommittee reviewing potential changes to the franchise agreement, SBWMA and Recology staff had already made good faith agreements to reduce costs, such as elimination of three Recology positions and reduced contamination monitoring and reporting.

The subcommittee then reviewed several more areas in the franchise agreement where minor administrative and two significant amendment changes could be made to improve operations and reduce costs.

The minor administrative changes include:

- Modifying the schedule for the twice annual bulky item collection service from January 2 through December 1 to February 1 through December 31. This change is in response to increased customer calls for this service in December and frees up Recology staff during the month of January to pick up holiday trees.
- Reorganizing responsibilities between SBWMA and Recology for educational programs and events.
- Increasing commercial recyclables contamination threshold to 10% instead of 8%. There have been significant issues in achieving the 8% threshold due to the difficulty of managing employee or consumer behavior to ensure proper recycling practices.
- Defining Recology's Holiday Schedule
- Modifying the Quality Assurance Program to increase survey responses to customer satisfaction survey.
- Changing the number of on-site waste assessment from one fixed quantity for each SBWMA member agency (e.g. 100 waste assessments for each community) to allocating number of assessments based on the number of commercial accounts each community has. This allows communities with more commercial accounts to obtain additional site assessments, and increases the effectiveness of the program since some communities did not have enough commercial accounts for Recology to conduct the required number waste assessment.
- Allowing the City to retain the revenue for the first 20% of backyard service customers. This term was included in the original Request for Proposals (RFP), but needs to be stated in the Franchise Agreement.
- Allowing Recology to pass cost savings to SBWMA agencies with the caveat that Recology can still retain the calculated profit on reduced costs.

Additional details can be found in Attachment B. These minor administrative changes would result in an annual savings of $325,000 from Recology's total compensation to the SBWMA or about $32,500 in annual savings to Menlo Park. Menlo Park typically pays 10% of Recology's allocation costs in the SBWMA JPA. In addition, the changes will result in operational improvements for customers, the City, Recology, and the SBWMA.

The two most significant amendments affect how the disincentive and incentive payments would be calculated for specific performance criteria outlined in Attachment C. The following is a summary of the most significant recommended changes:

1. **Elimination of the Single Family Initial Missed Pick-Up Complaints Incentive/Disincentive.** The intent behind this incentive/disincentive is to have fewer missed pickup complaints. If Recology can obtain less than one missed pick up complaints per 3,000 pick up opportunities, they are rewarded with an incentive payment by the City. If Recology has one or more missed pick up complaints per 1,000 pick up opportunities, then Recology makes a payment to the City. The rate of the incentive and disincentive is $50 per complaint avoided or experienced, respectively.

   As Recology has gained experience with the service routes for the SBWMA member agencies, the incentive payments due to Recology for Missed Pick-Up Initial Complaints are increasing faster than the disincentive payments. For example in 2012, Recology reported that the SBWMA agencies owed an incentive payment (unaudited) of $193,950 ($16,850 is owed from Menlo Park). This cost is separate from the required total compensation allocation paid by Menlo Park (about 10%) because it is based on number of complaints per service opportunities within a city or county.

   The auditing and the reporting are costly and burdensome to Recology and SBWMA, and eliminating this specific incentive/disincentive will save time and money. If approved, the amount of $16,850 due to Recology from Menlo Park for 2012 would be eliminated.

   It is important to note that there still remains a Missed Pick-Up Disincentive in the franchise agreement that has a zero tolerance threshold where Recology would still have to pay $50 per missed pick up event.

2. **Modify 90 Second Call Hold Time Disincentive.** The intent behind this disincentive is to discourage leaving customers on hold for a prolonged period. The disincentive rate is $5.00 per call exceeding the 90 second hold threshold.

   In 2011, the disincentive payment that Recology paid to the SBWMA member agencies totaled $115,750 ($10,681 was paid to Menlo Park). This payout number was especially high, due to the high volume of calls that Recology experienced in the first few months of the rollout of new services that began on January 1, 2011.

In 2012, Recology has reported that the amount due (unaudited) to agencies is $22,255 ($2,192 would be paid to Menlo Park). This number significantly dropped because residents and drivers became familiar with the new services, changes in routes, and collection times. It is anticipated that this payout to the member agencies would continue to stay low in subsequent years. Additionally, there was never an incentive payment to the Recology associated with this metric. Thus, there are again auditing and reporting costs associated with this measure are burdensome and costly to Recology and the SBWMA.

The proposed amendment would modify the 90 Second Call Hold Time Disincentive as follows:

> This performance standard will only be triggered if the quarterly average of the calls received that do not meet the 90 second threshold exceeds 5% of the total calls received that quarter. Once this quarterly standard goes into effect (by the threshold exceeding 5% that quarter), it remains in effect for the balance of that calendar year. For example, if the threshold is exceeded in the third quarter, the disincentive is applied to the third and fourth quarter only.

Exhibit A of the attached Resolution reflects the new contract language above. Attachment C is a redlined version of the amended language.

In addition, staff is recommending clarification to language in Article 8 of the franchise agreement that would enable the City Manager or his/her designee to approve administrative amendments to the franchise agreement that are programmatic and non-substantive from a financial perspective. Amending this section will allow staff to authorize non-substantive modifications to the franchise agreement to ensure essential services are provided uninterrupted.

IMPACT ON CITY RESOURCES

The net effect of these recommended amendments is an immediate savings to Menlo Park as well as other SBWMA member agencies. In total, the amendments will save the entire SBWMA JPA $496,695 (unaudited). Menlo Park typically pays 10% of Recology's allocation costs in the SBWMA JPA. Thus, it is estimated that the annual savings for Menlo Park will be between $47,000 and $50,000. Authorizing the City Manager to make administrative changes to the franchise agreement as necessary allows for responsiveness to services without materially impacting the cost or quality of those services.

POLICY ISSUES

The proposed amendments do not conflict with any existing city policies.

ENVIRONMENTAL REVIEW

Pursuant to CEQA Guidelines Section 15378(b)(5), the proposed amendments are not considered a “project” subject to CEQA as the activity will not result in direct or indirect physical changes in the environment.

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

A. Resolution Approving Proposed Amendments
B. Summary of Proposed Minor Administrative Changes
C. Redline Changes to Attachment I of the Franchise Agreement

Report prepared by:
Rebecca Fotu
Environmental Program Manager

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RESOLUTION NO. _________

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK TO AMEND THE FRANCHISE AGREEMENT BETWEEN THE CITY OF MENLO PARK AND RECOLOGY SAN MATEO COUNTY FOR RECYCLING MATERIALS, ORGANIC MATERIALS, AND SOLID WASTE COLLECTION SERVICES

WHEREAS, the City of Menlo Park ("City"), a municipal corporation of the State of California, and Recology San Mateo County a California Corporation ("Recology"), entered into an Agreement for Recyclable Materials, Compost Materials and Solid Waste Collection Services ("Agreement") on September 22, 2009; and

WHEREAS, the City of Menlo Park has executed a 10 year Agreement with Recology San Mateo County; and

WHEREAS, City and Recology wish to amend the Agreement to make cost savings and increase operational efficiencies through administrative changes to the Agreement; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Menlo Park to amend the Agreement as follows:

1. Section 5.05A, "Twice Annual On-Call Curbside Bulky Item Collection," paragraph five, sentence one is amended to read: "Contractor will allow the scheduling of On-Call Bulky Item Collection Service events from February 1 through December 31 of each Rate Year."

2. Section 5.07, "Confidential Document Destruction Event," is amended to read: "As of January 1, 2013 Contractor no longer provides annual confidential document destruction service event. Service as detailed in this section to be provided by the South Bayside Waste Management Authority (SBWMA) as of January 1, 2013 through duration of the Agreement."

3. Section 5.10, "Coat for Kids Program," is amended to include the following sentence: "Recology shall be required to announce when each Member Agency will be provided notice each year regarding the program start and end date by sixty days prior to the start of the program. The general scope of the outreach that will be conducted in order to properly promote the program shall include, but not limited to websites and media such as flyers and press releases."

4. Section 5.11, "Compost Give-Away," is amended to read: "Commencing January 1, 2013, Recology will be the primary contact for Member Agencies to schedule Compost Give-Away Events. The contactor will take the lead in organizing the delivery of the compost by South Bayside Recycling (SBR) to the Shoreway Environmental Center (if Recology is scheduling a Drop Box Event) or directly to the event. The compost giveaway will provide residents with free compost to enrich their gardens. In addition, one time per Rate Year, if requested, Contractor representatives will be on hand to distribute recycling guides and other educational material promoting waste reduction and recycling. Contractor is

required to deliver to Agency thirty (30) cubic yards of compost annually in one (1) or two (2) deliveries at no additional cost. Agency shall provide Contractor no later than ten (10) Business Days' notice to deliver additional compost to Agency and Contractor shall be entitled to increase Contractor's Compensation for the Rate Year that the compost is delivered to Agency based upon the cost specified in Attachment Q.

5. Section 6.02, "Limitations on Contamination," is amended to replace Table One with the following:

Table 1	
Material Category	**Maximum Contamination Level (% by weight)**
Commercial Source Separated or Targeted Recyclable Materials	10%
MFD and Commercial Plant Materials	5%
Single-Family Organic Materials	5%
Commercial Organic Materials	10%
Single-Family Targeted Recyclable Materials (Rate Year One)	20%
Single-Family Targeted Recyclable Materials (Years Two - Ten)	8.5%

6. Section 7.01C, "Customer Billing," is amended to read: "Local Office. Contractor shall maintain a local office in the Shoreway Recycling and Disposal Center for acceptance of in-person payment of bills. At the local office, Contractor shall accept as payment personal checks, money orders, cashiers checks, and credit cards. The local office shall be open for business from 8:00 a.m. until 5:00 p.m. Monday through Friday, exclusive of the following holidays, New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day and Christmas Day."

7. Section 7.02A, "Customer Service," paragraph one is amended to read: "Local Office. Contractor shall operate a local office at the Shoreway Recycling and Disposal Center, located at 225 Shoreway Road, San Carlos. Office hours shall be at a minimum, from 8:00 a.m. to 5:00 p.m., Monday through Friday, exclusive of the following holidays, New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day and Christmas Day." Contractor shall be responsible for ensuring that a qualified representative is available at the local office during office hours to communicate with the public and accept Bill payments from Customers. Contractor shall offer bi-lingual customer service at the local office by employing CSR's with English and Spanish language capabilities. The local office and customer service telephone number(s) shall either be a local or toll free call."

8. Section 7.02 F, "Customer Service," is amended to read: "Quality Assurance Program. The Quality Assurance Program is to focus on the quality of the

customer service experience when interacting with the Recology customer service center. This will be accomplished by calling customers that have recently contacted Recology via phone and spoke live with a customer service representative. The number of customers that will be contacted every month will be 200. The customers contacted each day will be randomly selected from the pool of customers that contacted Recology the prior business day and such calls shall be evenly distributed (e.g., approximately 12-13 calls per business day) throughout the month with some exceptions as follows: calls will be made during non-peak call volume days (i.e., 2nd, 3rd, and 4th weeks after billing); and no calls will be made immediately after a holiday. When placing the calls, Recology will use a standardized survey that will be completed during the phone interview of the customer. If a message is left with the customer, the message left by Recology will direct the customer to complete an online survey. Both survey instruments (for phone interviews and online survey) shall have similar questions and be subject to approval by the SBWMA. Recology employees placing the calls shall not be the same employee that spoke to the customer the prior business day; Recology employees shall be calling customers that another employee spoke to the prior business day. The reporting requirements for this program denoted in Section 9.05.G will be such that a summary report on survey results will be provided in each quarterly report. The actual surveys will be kept by Recology compliant with the record keeping requirements of the Franchise Agreement(s) and such surveys will be made available upon request."

9. Section 7.03 B, "Public Education and Promotion," is amended to read: "Annual Public Education Plan. The SBWMA shall prepare the Public Education Plan and share with the plan with Recology for feedback prior to finalizing it for Board approval each calendar year."

10. Section 7.03. D, "Public Education and Promotion," is amended to read: "The Public Education Plan shall take precedence over items listed in this section."

11. Section 7.03 E subsection 16 and 17, "Public Education and Promotion," is amended to read: "Each Rate Year the SBWMA shall take the lead in developing and produce bill inserts for the Member Agencies and the Service Notice per Section 7.03J; however, Recology will be responsible for costs associated with producing and distributing bill inserts and the Service Notice such as the items listed below:

    a. Annual On-Call Collection Services Collection notice (one (1) SFD Solid Waste Bill insert).
    b. Annual Holiday Tree Recycling notice (separate for SFD and MFD - two (2) Solid Waste Bill inserts).
    c. Annual "Reduce Holiday Packaging" notice (one (1) SFD and MFD Solid Waste Bill insert).
    d. Twice annual compost giveaway notice (two (2) SFD and MFD Solid Waste Bill inserts).
    e. Twice annual Commercial Recycling notice (two (2) Commercial Solid Waste Bill inserts).
    f. Annual Commercial Recycling awards notice (one (1) Commercial Solid Waste Bill insert).

g. Non-collection notice (set-out correction notice)

12. Section 7.03 F, “Public Education and Promotion – Staffing,” is to be deleted.

13. Section 7.03 G, “Public Education and Promotion,” is amended to read: “Meeting Requirements. Upon request from Agency or SBWMA, the General Manager or his/her designee is required to meet quarterly, and more frequently if necessary, with Agency and/or SBWMA staff to review public education and promotion activities. In addition, the General Manager or his/her designee will be required to represent Contractor at all monthly SBWMA Board of Director meetings.”

14. Section 7.04 A, “Commercial Recycling Promotion Program,” is amended to read: “Commercial Recycling Promotion Program Staff**.** Contractor shall maintain a Commercial Recycling promotion program staff that will be primarily responsible for supporting Commercial and Multi-Family Dwelling Accounts and Agency Facilities Recycling-related Collection services. The Commercial Recycling promotion staff for the SBWMA Service Area shall consist of a minimum of the following full-time staff: eight (8) “sales” representatives (recycling coordinators), and one (1) supervisor (commercial recycling manager), as specified in Attachment O.”

15. Section 7.04E, “Targeted Commercial Recycling Promotion,” is amended to read “Contractor shall provide full on-site waste assessment and technical assistance to, at a minimum, one-hundred 93 of Agency’s largest Commercial Generators (based on weekly Solid Waste generation) annually to assist in maximizing diversion. For all other Commercial Generators, Contractor shall provide technical assistance as needed or requested. Recology shall be required to annually prepare the proposed list of customers to perform the assessment for and meet with the each Agency individually to get the Agency’s approval to proceed with the list at the Agency’s discretion. A new customer list shall be prepared each year. Contractor shall document the site assessments, the date of the assessment, the Person contacted, the Solid Waste, Source Separated or Targeted Recyclable Materials, and Organic Materials service levels at the time of the assessment, and recommended changes to service level(s). Contractor shall submit results upon request, provide copies of assessment data and recommendations for individual site assessments.”

16. Section 8.02 G, “Collection Standards,” is amended to read: “Collection of Excess Materials (Overages). Contractor shall direct its employees to Collect an Overage on two (2) occasions each Rate Year at no additional cost to Customer. Contractor must provide a phone call within two business days to the Customer explaining the Overage in order to count the Overage Collection towards the allocated two (2) per Rate Year for each Customer. Customers that place an Overage for Collection for a third and subsequent events, may be assessed an Overage fee by Contractor if Contractor notifies via a phone within two (2) Business Days of the Overage Collected. The Overage fee billed by Contractor to Customer for a third and subsequent Overage event is specified in Attachment Q. Contractor shall provide Customers the opportunity to subscribe to Overage Collection service, in advance. The cost for Overage is specified in Attachment Q.”

17. Section 8.02 L, “Collection Standards,” is amended to read: “Change in Collection Schedule. Contractor shall notify Agency a minimum two (2) weeks or ten (10) business days prior to a change in the Residential Collection schedule for minor adjustments. A minor adjustment shall be defined as less than the average size of a single route per the collection service metric delineated in the prior year’s Compensation Application. Contractor shall notify Owners and Occupants of Residential Premises not later than ten (10) Business Days prior to any change in Residential Collection operations which results in a change in the day on which Solid Waste, Targeted Recyclable Materials, and Organic Materials Collection occurs. Contractor shall not permit any Customer to go more than five (5) Business Days without service in connection with a Collection schedule change.”

18. Section 8.08, “Requirements for Operations, Equipment and Personnel, Communication and Cooperation with Agency,” Section 8.08 D, is added and amended to read: “Administrative Changes to the Franchise Agreement. The parties agree that certain aspects of services provided under this Agreement may be modified without formally amending this Agreement via an action by the City Manager or governing body of an Agency. Subject to mutual agreement by Contractor and Agency, Agency’s City Manager, his/her designee or the governing body many administratively approve modifications to the provision of services if such modifications do not materially impact the cost or quality of services delivered by Contractor. Examples of such modifications the parties deem necessary and which may arise periodically shall include, but not be limited to:

    a. Minor adjustments to routes

    b. Changes in the hours or days the Contractor’s customer service center is open

    c. Minor adjustments to the collection schedule for on-call services

    d. Clarification of language in the Agreement

    e. Changes in reporting requirements”

19. Section 9.05 F, “Monthly Reports, On Site Customer Assessments and Visual Audits,” is omitted from the Agreement. The information is reported in Section 9.06, “Quarterly Reports.”

20. Section 9.06 A, Quarterly Reports, Subsections A: Tonnage Information; B:, Diversion Levels and E: Call Center Data are omitted from the Agreement. The information is reported in Section 9.05, Monthly Reports.”

21. Attachment A in the Agreement, “Definitions, Targeted Recycling Materials,” is amended to read: “Targeted Recycling Materials’ means a subset of Recycling Materials that includes: newspaper (including inserts, coupons, and store advertisements); mixed paper (including office paper, computer paper, magazines, junk mail, catalogs, brown paper bags, paperboard, paper egg cartons, telephone books, books, colored paper, construction paper, envelopes, legal pad backings, shoe boxes, cereal and other similar food boxes); chipboard; corrugated cardboard; paper milk cartons; glass containers of any color (including brown, blue, clear, and green); aluminum (including food and beverage containers, foil, small pieces of scrap metal); small pieces of scrap metal weighing less than ten (10) pounds and fitting into the Targeted Recyclable

Materials Collection Container (excluding chain, cable, wire, banding, hand tools, and automotive parts); steel, tin or bi-metal containers; plastic containers (i.e., all plastic containers stamped with the Society for the Plastics Industry (SPI) code #1 through #7; and plastic containers that are not stamped but clearly can be identified as PET, HDPE, polypropylene). For Single-Family and Multi-Family Premises, Targeted Recyclable Materials also include Used Motor Oil, Used Motor Oil Filters, Household Batteries, Cell Phones and all recycling items SBR is currently marketing that are not defined as allowable. The standard to include additional materials shall be those recyclables that SBR has been actively separating and marketing for the 120 days prior to the month which the contamination sampling event and provided in writing to Recology."

22. Attachment I, "Performance Incentives and Disincentive of the Agreement," is replaced with a new Attachment I, attached as Exhibit A to this Amendment.

23. Attachment Q, "Unscheduled Services; Backyard Collection Service Distance Cost for Single-Family Dwelling Chart," is amended to read as follows: "Unscheduled Services; Backyard Collection Service Distance Cost for Single-Family Dwelling – Each Agency shall retain the revenue for the first twenty (20) percent of Backyard Service Customers that subscribe to this service."

24. Attachment K and Section 11.04, "Adjusting to Contractors Compensation," of Attachment K, "Contractors Compensation and Rate Setting Process," is amended to add: "Recology shall be allowed to propose passing on cost savings to the Member Agencies and upon approval by the Agency, these cost saving shall be passed on to the Agency while allowing Recology to retain the calculated profit on these reduced cost. The retained calculated profit figures will be verified by the SBWMA staff."

25. The remaining terms of the Agreement remain in full force and effect.

26. The City Manager is authorized to execute the Amendment on behalf of the City.

I, Pamela Aguilar, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Resolution was duly and regularly passed and adopted at a meeting by said Council on the seventeenth day of December, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this seventeenth day of December, 2013.

____

Pamela Aguilar
City Clerk

EXHIBIT A

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVE OF THE AGREEMENT

Performance incentives (in the form of increased compensation to Contractor) will be awarded for excellent performance on aspects of Solid Waste diversion, Collection service delivery and Customer service as specified in this Attachment. Any performance incentive for achieving or surpassing the performance standards specified herein shall be added to Contractor's Compensation during the Rate Year immediately following the calculation and award of the performance incentive. Performance disincentives will be assessed for substandard performance on aspects of Solid Waste diversion, Source Separated and Targeted Recyclable Materials contamination, Organic Materials contamination, Plant Materials contamination, Collection service delivery and Customer service as specified in this Attachment. Any performance disincentives for performance falling below standards as specified herein shall be subtracted from Contractor's Compensation during the Rate Year immediately following the calculation and assessment of the performance disincentive, with the exception of Contamination related disincentives which shall be paid by Contractor quarterly.

The performance incentives and disincentives contained herein will commence after full implementation of the roll-out of new services to Agency, with the exception of Contamination disincentives for Single-Family Targeted Recyclable Materials, which will commence after the first six (6) months of Rate Year One (2011). Agency may defer imposing some standards until after the first six (6) months of the roll-out of new services.

1. GENERAL

Agency shall provide an incentive payment to Contractor for exceeding the following two (2) performance standards:

- Overall Diversion Level
- Average Speed of Answer

Agency shall assess a disincentive payment to Contractor for not meeting the following ten (10) performance standards:

- Minimum Single-Family Diversion Level
- Minimum Commercial Diversion Level
- Maximum Contamination Level – Single-Family Targeted Recyclable Materials
- Maximum Contamination Level – Single-Family Organic Materials
- Maximum Contamination Level – Commercial Source Separated and Targeted Recyclable Materials
- Maximum Contamination Level – Commercial Organic Materials
- Maximum Contamination Level – MFD and Commercial Plant Materials
- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

Table 1 provides a summary of the incentives and disincentives, which are described in detail in Sections 2 - 7 of this Attachment. Section 8 of this Attachment describes the incentive and disincentive payment procedures.

Summary of Incentives/Disincentives

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Annual Diversion Level			
Overall Diversion Level[1]	Not applicable	calculated Overall Diversion Level > targeted Overall Diversion Level	Incentive payment = $70.00 per Ton
Minimum Single-Family Diversion Level	Level < TBD%[1]	Not applicable	Disincentive payment = $70.00 per Ton
Minimum Commercial Diversion Level	Level < TBD%[2]	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – Residential Targeted Recyclable Materials	Rate Year One level > 20%[3] Rate Year Two (2012) through Ten (2020) level > TBD[4]	Not applicable	Disincentive payment = $175.00 per Ton
Maximum Contamination Level – Residential Organic Materials	Level > 5%	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – Commercial Targeted Recyclable Materials	Level > 8%	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – Commercial Organic Materials	Level > 10%	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – MFD and Commercial Plant Materials	Level > 5%	Not applicable	Disincentive payment = $70.00 per Ton
Single-Family Missed Pick-Up Collection Event	Actual > 0	Not applicable	Disincentive payment = $50.00 per Missed Pick-Up Collection Event

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Average Speed of Answer	Actual > 30 seconds	Actual < 15 seconds	Incentive or disincentive payment = $500 per second above or below the threshold
Ninety (90) Second Maximum Hold Time	Actual < 100% of all calls received are answered in ninety (90) seconds or less	Not applicable	Disincentive payment = $5.00 per number of calls exceeding the threshold

[1] "TBD" is "to be determined. The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

[2] "TBD" is "to be determined. The minimum Commercial Diversion Level targeted for Rate Year One shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Commercial Diversion Level for Rate Year Two shall equal the higher of the following (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

[3] The Single-Family Dwelling Targeted Recyclable Materials maximum Contamination Level is twenty percent (20%) for the last six (6) months of Rate Year One (2011).

[4] "TBD" is: "to be determined." The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

2. DIVERSION LEVELS

Definition of Calculated Diversion Level

The Single-Family, Commercial and Overall Diversion Levels achieved shall be calculated based on the methodology shown in the following example:

Example assumptions (actual results will be based on Contractor performance):

Rate Year Two (2012) Results					
Service Sector	**Material Type**	**Tons Collected**	**Contamination Percent**	**Contamination Tons**	**Net Tons**
Single-Family	Targeted Recyclable Materials	35,000	7.00%	2,450	32,550
	Other Recyclable Materials	3,000	N/A	N/A	3,000
	Organic Materials	51,000	8.00%	4,080	46,920
	Total Diversion	89,000	N/A	6,530	82,470
	Solid Waste	80,000	N/A	6,530	86,530
	Calculated Single-Family Diversion Level				**48.80%**
Multi-Family	Targeted Recyclable Materials	8,000	9.00%	720	7,280
	Other Recyclable Materials	1,000	N/A	N/A	1,000
	Organic Materials	6,000	9.00%	540	5,460
	Plant Materials	1,000	2.00%	20	980
	Total Diversion	16,000	N/A	1,280	14,720
	Solid Waste	30,000	N/A	1,280	31,280
Commercial	Targeted Recyclable Materials	28,000	6.00%	1,680	26,320
	Other Recyclable Materials	2,000	N/A	N/A	2,000
	Organic Materials	13,000	6.00%	780	12,220
	Plant Materials	5,000	4.00%	200	4,800
	Total Diversion	48,000	N/A	2,660	45,340
	Solid Waste	147,000	N/A	2,660	149,660
Agency Facilities	Targeted Recyclable Materials	2,000	6.00%	120	1,880
	Other Recyclable Materials	500	N/A	N/A	500
	Organic Materials	500	6.00%	30	470
	Plant Materials	200	4.00%	8	192
	Total Diversion	3,200	N/A	158	3,042
	Solid Waste	9,000	N/A	158	9,158
Multi-Family, Commercial and Agency Facilities Total	Targeted Recyclable Materials	38,000	N/A	2,520	35,480
	Other Recyclable Materials	3,500		N/A	3,500
	Organic Materials	19,500		1,350	18,150
	Plant Materials	6,200		228	5,972
	Total Diversion	67,200		4,098	63,102
	Solid Waste	186,000		4,098	190,098
	Calculated Commercial Diversion Level[1]				**24.92%**
Single-Family, Multi-Family, Commercial and Agency Facilities[2]	Targeted Recyclable Materials	73,000	N/A	4,970	68,030
	Other Recyclable Materials	6,500	N/A	N/A	6,500
	Organic Materials	70,500	N/A	5,430	65,070
	Plant Materials	6,200	N/A	228	5,972
	Total Diversion	156,200	N/A	10,628	145,572
	Solid Waste	266,000	N/A	4,098	276,628
	Calculated Overall Annual Diversion Level[2]				**34.48%**

[1] Commercial Diversion includes: Multi-Family, Commercial and Agency Facility Service Sectors.
[2] Overall Diversion Level includes Single-Family, Multi-Family, Commercial and Agency Facility Service Sectors.

Exceptional Diversion Level Performance

For Rate Years Two (2012) through Ten (2020) Contractor shall receive an incentive payment if the calculated Overall Diversion Level achieved by Contractor in any given Rate Year exceeds (i) the highest calculated Overall Diversion Level achieved by Contractor in a prior Rate Year during the Term or (ii) the Overall Diversion Level achieved by Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz.

For example:

- If the Previous Contractor achieves an Overall Diversion Level of 36.45% (including all Recyclable Materials Collected by Contractor during the Recycling Blitz) in 2010 and Contractor achieves an Overall Diversion Level of 35.58% in Rate Year One, the Contractor must achieve an Overall Diversion Level greater than 36.45% in any given Rate Year to receive an incentive payment.
- If Contractor achieves Overall Diversion Levels for Rate Years Two, Three, Four and Five of 37.66%, 38.59%, 38.38% and 37.64%, respectively, Contractor shall receive an incentive payment for Rate Year Three only and the Overall Diversion Level that must be exceeded is 38.59% in future Rate Years, unless a higher Overall Diversion Level is achieved.

The targeted Overall Diversion Level shall be calculated based on the methodology used in the following example:

Example assumptions (actual results *will be based on Contractor performance*):

Rate Year	**Diversion Level**	**Tons Diverted**	**Tons Disposed**	**Total Tons Collected**	**Disincentive Payment ($70.00 per net Ton Diverted)**	**Incentive Payment ($70.00 per net Ton Diverted)**
Calculated Single-Family Diversion Level for 2013	49.42%	83,700	85,658	169,358		
Minimum Single-Family Diversion Level for 2012	48.80%	82,470	86,530	169,000		
Variance from 2012 to 2013	**0.62%**			1,055.30	None	N/A
Calculated Commercial Diversion Level for 2013	24.70%	62,010	189,000	251,010		
Minimum Commercial Diversion Level for 2012	24.92%	63,102	190,098	253,200		
Variance from 2012 to 2013	**-0.22%**			-546.21	-$38,234.88	N/A
Calculated Overall Diversion Level for 2013	34.66%	145,710	274,658	420,368		
Targeted Overall Diversion Level for 2012	34.48%	145,572	276,628	422,200		
Variance from 2012 to 2013	**0.18%**			769.66	N/A	$53,876.37
New Targeted Overall Diversion Level for 2014	34.66%					
Summary:					**Net Payment Due: Positve Amount Due Contractor and Negative Amount Due Agencies**	**$15,641.50**
	Variance					
Single-Family Diversion =	0.62%	Positive results in no Disincentive due				
Commercial Diversion =	-0.22%	Negative results in Disincentive due				
Overall Diversion =	0.18%	Positive results in Incentive due				

Minimum Diversion Level Requirements

Minimum Single-Family Diversion Level

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Single-Family Diversion Level is less than the targeted (minimum) Single-Family Diversion Level.

The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor's calculated Single-Family Diversion Level is 43.85% in Rate Year One (2011), Contractor shall be assessed a disincentive payment for Rate Year One.
- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor achieves calculated Single-Family Diversion Levels of 46.85% in Rate Year One and 45.54% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three (2013) through Ten (2020) shall be 46.85%.

Minimum Commercial Diversion Level

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Commercial Diversion Level is less than the targeted (minimum) Commercial Diversion Level. The minimum Commercial Diversion Level for Rate Year One (2011) shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Commercial Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Commercial Diversion Level of 21.35% in 2010 and the Commercial Recyclable Materials Tons Collected by Contractor during the Recycling Blitz increases this Diversion level to 26.35% and Contractor's calculated Commercial Diversion Level is 25.85% in Rate Year One, Contractor shall be assessed a disincentive payment for Rate Year One.

- If the Previous Contractor's activities in 2010 and Contractor's Recycling Blitz activities combined achieve a Commercial Diversion Level of 26.35% in 2010 and Contractor achieves calculated Commercial Diversion Levels of 27.13% in Rate Year One and 25.38% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three through Nine shall be 27.13%.

3. CONTAMINATION LEVELS

Contamination Level Requirements

The maximum Contamination Levels shall be:

- Rate Year One (2011) Single-Family Targeted Recyclable Materials = twenty percent (20%) for the last six (6) months of Rate Year One (2011)
- Rate Year Two (2012) through Ten (2020) Single-Family Targeted Recyclable Materials = TBD%

"TBD" is: To Be Determined. The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

- Residential Organic Materials = 5%
- Commercial Source Separated and Targeted Recyclable Materials = 8%
- Commercial Organic Materials = 10%
- MFD and Commercial Plant Materials = 5%

Contamination Disincentive Payment shall be:

- $175.00 per Ton for Single-Family Targeted Recyclable Materials
- $70.00 per Ton for Commercial Source Separated and Targeted Recyclable Materials
- $70.00 per Ton for Organic Materials
- $70.00 per Ton for Plant Materials

The Contamination Levels achieved will be determined based on the results of the Contamination Measurement Procedure conducted pursuant to Section 6.02.B and Attachment E-2.

Contamination Disincentive Payment

Contractor shall be assessed a disincentive payment for exceeding the maximum Contamination Level(s), based on the methodology shown in the following example:

Material Type	Tons Collected	Allowable Contamination Threshold	Measured Contamination Level	Variance	Tons	Payment Amount	Payment Due
Single-Family Targeted Recyclable Materials	35,000	6.20%	7.10%	0.90%	315	$175	$55,125
Commercial Targeted Recyclable Materials	38,000	8.00%	6.40%	-1.60%	N/A	$70	N/A
Residential Organic Materials	51,000	5.00%	4.82%	-0.18%	N/A	$70	N/A
Commercial Organic Materials	13,000	10.00%	8.50%	-1.50%	N/A	$70	N/A
Multi-Family and Commercial Plant Materials	6,000	5.00%	5.60%	0.60%	36	$70	$2,520
						Total	**$57,645**

4. SINGLE-FAMILY MISSED PICK-UP COLLECTION EVENTS

Contractor shall be assessed a disincentive payment for the actual number of Single-Family Missed Pick-Up Collection Events for Agency that occur during each month. Disincentive payments for Missed Pick-Up Collection Events will be based on the following example:

Actual number of Single-Family Missed Pick-Up Collection Events = 87
Allowable threshold of Single-Family Missed Pick-Up Collection Events = 0

Disincentive Payment = $50 per Missed Pick-Up Collection Event

87 x $50 = $4,350

5. AVERAGE SPEED OF ANSWER AT CUSTOMER SERVICE CENTER

Exceptionally Fast Average Speed of Answer

Contractor shall receive an incentive payment if the actual Average Speed of Answer is less than fifteen (15) seconds each month . In such cases, the incentive payment shall be calculated based on the following example:

Actual Average Speed of Answer = 14 seconds

Average Speed of Answer Standard = 15 seconds

Speed of Answer Incentive Payment = $500.00 per second

Incentive = Actual Average < 15 seconds

14 – 15 = -1 second

1 x $500.00 = $500

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds each month, no incentive payment will be provided.

Maximum Average Speed of Answer

Contractor shall be assessed a disincentive payment if the Average Speed of Answer is less than or equal to thirty (30) seconds each month. If Contractor fails to achieve this maximum Average Speed of Answer, the Agency shall assess a disincentive payment based on the following example:

Actual Average Speed of Answer= 47 seconds

Average Speed of Answer Standard = 30 seconds

Speed of Answer Disincentive Payment = $500.00 per second

Disincentive = Actual Average > 30 seconds

47 - 30 = 17 seconds

17 x $500.00 = $8,500

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds and less than thirty (30) seconds each month, neither incentives or disincentives shall be applied.

6. NINETY SECOND (90) MAXIMUM HOLD TIME

The maximum Hold Time shall be ninety (90) seconds and this disincentive payment shall apply if the quarterly average of calls exceeding this ninety (90) second threshold exceeds five-percent (5%) of the calls received in any given Rate Year quarter (e.g., January, February and March). If Contractor fails to achieve this performance standard for any quarter, the Agency shall assess a disincentive payment for that quarter and the subsequent quarters of this Rate Year only (e.g., if the threshold is exceeded in the third quarter the disincentive is applied to the third and fourth quarter only that year and not the first and second quarters), based on the following example:

Number of calls exceeding the Ninety (90) Second threshold = 312

Disincentive Payment = $5.00 per call

312 x $5.00 = $1,560

7. INCENTIVE/DISINCENTIVE PAYMENT PROCEDURES

A. **Record Keeping.** In accordance with Article 9, records shall be maintained by Contractor for Agency in a manner that adequately demonstrates and documents Contractor’s performance in accordance with this Agreement. The records shall be sufficient for Agency and SBWMA to determine Contractor’s compliance with the specified performance standards.

B. **Determination of Achievement of Performance Standards**. In accordance with the requirements of Sections 9.06, 9.07 and 11.07, Contractor shall provide with its quarterly and annual reports, a report that identifies compliance with the performance standards listed in this Attachment and calculation of the performance incentive payments and disincentive assessments due.

Performance incentives and disincentives for Overall Diversion Level, Minimum Single-Family Diversion Level, Minimum Commercial Diversion Level, Average Speed of Answer and Ninety (90) Second Maximum Hold Time shall be calculated in aggregate for the SBWMA Service Area and Agency's share shall be proportional based on the tons of Solid Waste Collected in the previous Rate Year by Contractor or for Rate Year One (2011) by Previous Contractor in 2010. Performance incentives and disincentives for Single-Family Missed Pick-Up Collection Events shall be calculated separately for each Agency. Disincentive assessments for Contamination shall be calculated in aggregate and paid to the SBWMA quarterly pursuant to Agreement Sections 9.06 and 11.07, and Section 8.D of this Attachment.

The incentives and disincentives that will be calculated monthly include:

- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

The disincentives that will be calculated quarterly include:

- Single-Family Targeted Recyclable Materials maximum Contamination Level
- Single-Family Organic Materials maximum Contamination Level
- Commercial Source Separated and Targeted Recyclable Materials maximum Contamination Level
- Commercial Organic Materials maximum Contamination Level
- MFD and Commercial Plant Materials maximum Contamination Level

The incentives and disincentives that will be calculated annually include:

- Overall Diversion Level
- Minimum Single Family Diversion
- Minimum Commercial Diversion Level

C. **Amount.** The incentive and disincentive payment amounts shall be determined in accordance with the formulas presented in Sections 2 - 7 of this Attachment I.

D. **Timing of Payment.** Payments related to performance incentives and disincentives that are calculated monthly and annually are to be included in Contractor's annual Application for adjustment to Contractor's Compensation. Contractor's Compensation for the next Rate Year will be increased or decreased by the net amount of performance incentive payments and disincentive assessments calculated. Payment by Contractor for Contamination related performance disincentives that are calculated quarterly shall be paid to the SBWMA within ten (10) days after submittal of Contractor's quarterly report. The SBWMA will review Contractor's calculations of incentives and disincentive payments and underlying data for accuracy, will confer with Member Agencies to confirm data as to each Member Agency, and will meet with Contractor to resolve any errors or inconsistencies.

E. **Disputes by Contractor**. Contractor may, within ten (10) calendar days after receiving the Agency's or SBWMA's written notice containing Agency's or SBWMA's revised determination of incentive and disincentive payments, provide written notice to Agency and SBWMA of any disagreement with Agency's or SBWMA's determination. Contractor may present evidence in writing to support its position. Agency and SBWMA shall review Contractor's submission and within ten (10) calendar days shall schedule a meeting with Contractor to discuss Contractor's concerns. The decision of Agency or SBWMA shall be final."

PROPOSED ADMINISTRATIVE CHANGES TO THE MEMBER AGENCIES COLLECTION SERICES FRANCHISE AGREEMENTS WITH RECOLOGY SAN MATEO COUNTY

Section	Section Title	Scope of Administrative Change
5.05.A	Twice Annual On-Call Curbside Bulky Item Collection (BIC)	The current schedule is to provide this collection service from January 2 through December 1 each year. This schedule shall be modified to provide this service from February 1 through December 31 each year.
5.07	Confidential Document Destruction Events	Commencing with 2013, the SBWMA will take the lead in scheduling document shredding events for Member Agencies. Each Agency will continue to be provided one event annually at no additional cost; however, there are potential costs associated with conducting two (2) or more events each year.
5.10	Coats for Kids Program	This section shall be changed to include the following additional details: • Recology shall be required to announce when each Member Agency will be provided notice each year regarding the program start and end date by sixty days prior to the start of the program. • The general scope of outreach that will be conducted in order to properly promote the program shall include, but not limited to websites, and media such as flyers and press releases.
5.11	Compost Give-Away	Commencing with 2013, Recology will be the primary contact for Member Agencies to schedule Compost Give-Away Events. The company will take the lead in organizing the delivery of compost by SBR to either Shoreway (if Recology is delivering it in a Drop-Box) or directly to the event (by SBR), but will only be required to staff one event per year as is currently required. Member Agencies will be encouraged to schedule events as far in advance as possible as Recology can only schedule up to four (4) events in any weekend and lead-time is needed to ensure adequate promotion of the event. The SBWMA will still take the lead promoting the events.

Section	Section Title	Scope of Administrative Change
6.02	Limitations on Contamination	(1) Increase the Commercial Recyclables contamination threshold to 10%. (The threshold for the Term of the contract was originally established at 8%.) (2) Formalize the Residential Recyclables contamination threshold at the calculated 8.5%. (3) Conduct two Quarterly Contamination Monitoring Samplings in lieu of the four prescribed in the Franchise Agreements (i.e., Attachment E-2). Any disincentive payment will only apply to the quarter the sample is taken. (4) Changing the Quarterly Contamination Monitoring Sampling to only twice per year requires a modification to how the annual diversion level is determined. This change will result in the company applying the sampling taken during the 1st and 2nd quarter to both quarters and the sampling taken for the 3rd and 4th quarters to both quarters. (5) Include as allowable recyclables items SBR is currently marketing that are not defined as allowable. The standard to include additional materials shall be those recyclables that SBR has been actively separating and marketing for the 120 days prior to the month which the contamination sampling is scheduled for. Such materials are to be identified prior to sampling event and provided in writing to Recology.
7.01.C 7.02.A	Local Office	The "Holidays" that the company's office will be closed are: New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, July 4th, Labor Day, Veteran's Day, Thanksgiving Day and Christmas Day.

Section	Section Title	Scope of Administrative Change
7.02.F	Quality Assurance Program	The current Quality Assurance Program activities performed by Recology shall be discontinued and replaced with the following program: Modify the current Quality Assurance Program to focus on the quality of the customer service experience when interacting with the Recology customer service center. This will be accomplished by calling customers that have recently contacted Recology via phone and spoke live with a customer service representative. The number of customers that will be contacted every month will remain unchanged from the current 200. The customers contacted each day will be randomly selected from the pool of customers that contacted Recology the prior business day and such calls shall be evenly distributed (e.g., approximately 12-13 calls per business day) throughout the month with some exceptions as follows: calls will be made during non-peak call volume days (i.e., 2nd, 3rd, and 4th weeks after billing); and no calls will be made immediately after a holiday. When placing the calls, Recology will use a standardized survey that will be completed during the phone interview of the customer. If a message is left with the customer, the message left by Recology will direct the customer to complete an online survey. Both survey instruments (for phone interviews and online survey) shall have similar questions and be subject to approval by the SBWMA. Recology employees placing the calls shall not be the same employee that spoke to the customer the prior business day; Recology employees shall be calling customers that another employee spoke to the prior business day. The reporting requirements for this program denoted in Section 9.05.G will be modified such that a summary report on survey results will be provided in each quarterly report. The actual surveys will be kept by Recology compliant with the record keeping requirements of the Franchise Agreement(s) and such surveys will be made available upon request.
7.03	Public Education and Promotion	With elimination of the Recology Public Education Manager position, the following related subsections of section 7.03 will be changed with the intent to transfer various public education related responsibilities to RethinkWaste.
7.03.B	Public Education and Promotion – Annual Public Education Plan	The SBWMA shall prepare the Public Education Plan and share this Plan with Recology for feedback prior to finalizing it for Board approval each calendar year.
7.03.D	Public Education and Promotion – SBWMA and Agency Responsibilities	The Public Education Plan shall take precedence over the items listed in this section.

Section	Section Title	Scope of Administrative Change
7.03.E (subsections 16 and 17)	Public Education and Promotion – Contractor Responsibilities	Subsections 16 and 17 in this section shall be revised to state the SBWMA shall take the lead in developing/producing bill inserts for the Member Agencies and the Service Notice per Section 7.03.J; however, Recology shall continue to be responsible for costs associated with producing and distributing bill inserts and the Service Notice.
7.03.F	Public Education and Promotion – Staffing	This section will be deleted in its entirety.
7.03.G	Public Education and Promotion – Meeting Requirements	The "public education manager" will be deleted and replaced with the "General Manager or his/her designee."
7.04 A	Commercial Recycling Promotion Staff	This section shall be changed to reflect the elimination of two diversion auditor positions.
7.04.E	Targeted Commercial Recycling Promotion	The number of on-site waste assessments will be changed to reflect the figures shown in column F of **Table A-1**. Recology shall be required to annually prepare the proposed list of customers to perform the assessment for and meet with each Agency individually to get the Agency's approval to proceed with this list or a modified list at the Agency's discretion. A new customer list shall be prepared each year.
8.02.G	Collection of Excess Materials (Overages)	The company will no longer be required to take a picture and send a letter to the customer, but shall be required to directly contact the customer via a phone call.
8.02.L	Change in Collection Schedule	The 60-day advance notice requirement on service day changes shall be changed to two weeks for minor adjustments. A minor adjustment shall be defined as less than the average size of a single route per the collection service metrics delineated in the prior year's Compensation Application.
9.05	Monthly Reports	The Monthly Reports shall now include tonnage report source files, diversion levels and gross revenue. The reports shall not include commercial recycling reports (e.g., site assessments, net change reports, public education, community events, internal containers delivered, etc.); this information shall be included in the Quarterly Reports. In addition, these reports shall also include year-over-year and prior period comparative tonnage data.

Section	Section Title	Scope of Administrative Change
9.06	Quarterly Reports	The quarterly reports shall now omit the redundant information included in the Monthly Reports in an effort to provide a more streamlined and useful Quarterly Report which will also include cart census data.
Att. A	Definitions	Revise various definitions as appropriate given the scope of administrative changes included in this table, including assessing whether any new materials should be added to the "Targeted Recyclable Materials" list.
Att. Q	Unscheduled Services	Each Agency shall retain the revenue for first 20% of Backyard Service Customers that subscribe to this service. (This change only clarifies this language in the Franchise Agreements.)
Attachment K and Section 11.04	Contractor's Compensation and Rate Setting Process	Recology shall be allowed to propose passing on cost savings to the Member Agencies and upon approval by the Agency, these cost savings shall be passed on to the Agency while allowing the company to retain the calculated profit on these reduced costs. The retained calculated profit figures shall be verified by SBWMA staff.

Table A-1

Commercial Recycling Assessments Apportioned to Member Agencies based on the Average of Solid Waste and Accounts Criteria						
Column	A	B	C	D	E	F
Member Agency	**Current Number of Assessments Required per Franchise Agreement(s)**	**Revised Base Number of Assessments at 25% Reduction in Total Number of Current Assessments**	**Average Percentage of Solid Waste Tons and Number of Accounts Criteria**	**Average of Solid Waste and Accounts Criteria**	**Adjusted to Fix Atherton, Hillsborough and WBSD at Revised Number of Accounts and Reapportioned Equally Across the Other 10 Agencies**	**Adjusted to Reduce Group C by 100 and Reapportion Evenly (except Burlingame) Across San Mateo County, and Groups B and C**
Atherton	22	17	0.32%	3	17	17
Hillsborough	9	7	0.20%	2	7	7
San Mateo County	100	75	1.51%	12	12	26
West Bay	30	23	0.33%	3	23	23
Subtotal	161	121	2.35%	19	59	73
Group A						
Belmont	100	75	4.20%	33	29	48
East Palo Alto	100	75	3.75%	30	25	44
Foster City	100	75	5.76%	46	41	60
North Fair Oaks	100	75	3.42%	27	23	41
Subtotal	400	300	17.13%	136	119	193
Group B						
Burlingame	100	75	14.80%	118	113	101
Menlo Park	100	75	10.63%	85	80	93
San Carlos	100	75	9.08%	72	68	80
Subtotal	300	225	34.51%	275	261	274
Group C						
Redwood City	100	75	21.24%	169	165	115
San Mateo	100	75	24.77%	197	193	143
Subtotal	200	150	46.01%	366	357	257
Total	1,061	796	100.00%	796	796	796

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

Performance incentives (in the form of increased compensation to Contractor) will be awarded for excellent performance on aspects of Solid Waste diversion, Collection service delivery and Customer service as specified in this Attachment. Any performance incentive for achieving or surpassing the performance standards specified herein shall be added to Contractor's Compensation during the Rate Year immediately following the calculation and award of the performance incentive. Performance disincentives will be assessed for substandard performance on aspects of Solid Waste diversion, Source Separated and Targeted Recyclable Materials contamination, Organic Materials contamination, Plant Materials contamination, Collection service delivery and Customer service as specified in this Attachment. Any performance disincentives for performance falling below standards as specified herein shall be subtracted from Contractor's Compensation during the Rate Year immediately following the calculation and assessment of the performance disincentive, with the exception of Contamination related disincentives which shall be paid by Contractor quarterly.

The performance incentives and disincentives contained herein will commence after full implementation of the roll-out of new services to Agency, with the exception of Contamination disincentives for Single-Family Targeted Recyclable Materials, which will commence after the first six (6) months of Rate Year One (2011). Agency may defer imposing some standards until after the first six (6) months of the roll-out of new services.

1. GENERAL

Agency shall provide an incentive payment to Contractor for exceeding the following ~~three (3)~~ two (2) performance standards:

- Overall Diversion Level
- ~~Single-Family Missed Pick-Up Initial Complaints~~
- Average Speed of Answer

Agency shall assess a disincentive payment to Contractor for not meeting the following ~~eleven (11)~~ ten (10) performance standards:

- Minimum Single-Family Diversion Level
- Minimum Commercial Diversion Level
- Maximum Contamination Level – Single-Family Targeted Recyclable Materials
- Maximum Contamination Level – Single-Family Organic Materials
- Maximum Contamination Level – Commercial Source Separated and Targeted Recyclable Materials
- Maximum Contamination Level – Commercial Organic Materials
- Maximum Contamination Level – MFD and Commercial Plant Materials
- ~~Single-Family Missed Pick-Up Initial Complaints~~
- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

Table 1 provides a summary of the incentives and disincentives, which are described in detail in Sections 2 - 7 of this Attachment. Section 8 of this Attachment describes the incentive and disincentive payment procedures.

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

Summary of Incentives/Disincentives

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Annual Diversion Level			
Overall Diversion Level[1]	Not applicable	calculated Overall Diversion Level > targeted Overall Diversion Level	Incentive payment = $70.00 per Ton
Minimum Single-Family Diversion Level	Level < TBD%[1]	Not applicable	Disincentive payment = $70.00 per Ton
Minimum Commercial Diversion Level	Level < TBD%[2]	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – Residential Targeted Recyclable Materials	Rate Year One level > 20%[3] Rate Year Two (2012) through Ten (2020) level > TBD[4]	Not applicable	Disincentive payment = $175.00 per Ton
Maximum Contamination Level – Residential Organic Materials	Level > 5%	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – Commercial Targeted Recyclable Materials	Level > 8%	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – Commercial Organic Materials	Level > 10%	Not applicable	Disincentive payment = $70.00 per Ton
Maximum Contamination Level – MFD and Commercial Plant Materials	Level > 5%	Not applicable	Disincentive payment = $70.00 per Ton
~~**Single-Family Missed Pick-Up Initial Complaints**~~	~~Actual % > 0.1% (1 Complaint per 1,000 Service Opportunities)~~	~~Actual % < 0.033% (1 Complaint per 3,000 Service Opportunities)~~	~~Incentive or Disincentive payment = $50.00 per Complaint~~

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Single-Family Missed Pick-Up Collection Event	Actual > 0	Not applicable	Disincentive payment = $50.00 per Missed Pick-Up Collection Event
Average Speed of Answer	Actual > 30 seconds	Actual < 15 seconds	Incentive or disincentive payment = $500 per second above or below the threshold
Ninety (90) Second Maximum Hold Time	Actual < 100% of all calls received are answered in ninety (90) seconds or less	Not applicable	Disincentive payment = $5.00 per number of calls exceeding the threshold

[1] "TBD" is "to be determined. The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

[2] "TBD" is "to be determined. The minimum Commercial Diversion Level targeted for Rate Year One shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Commercial Diversion Level for Rate Year Two shall equal the higher of the following (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

[3] The Single-Family Dwelling Targeted Recyclable Materials maximum Contamination Level is twenty percent (20%) for the last six (6) months of Rate Year One (2011).

[4] "TBD" is: "to be determined." The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

2. DIVERSION LEVELS

Definition of Calculated Diversion Level

The Single-Family, Commercial and Overall Diversion Levels achieved shall be calculated based on the methodology shown in the following example:

Example assumptions (actual results will be based on Contractor performance):

Rate Year Two (2012) Results					
Service Sector	**Material Type**	**Tons Collected**	**Contamination Percent**	**Contamination Tons**	**Net Tons**
Single-Family	Targeted Recyclable Materials	35,000	7.00%	2,450	32,550
	Other Recyclable Materials	3,000	N/A	N/A	3,000
	Organic Materials	51,000	8.00%	4,080	46,920
	Total Diversion	89,000	N/A	6,530	82,470
	Solid Waste	80,000	N/A	6,530	86,530
	Calculated Single-Family Diversion Level				**48.80%**
Multi-Family	Targeted Recyclable Materials	8,000	9.00%	720	7,280
	Other Recyclable Materials	1,000	N/A	N/A	1,000
	Organic Materials	6,000	9.00%	540	5,460
	Plant Materials	1,000	2.00%	20	980
	Total Diversion	16,000	N/A	1,280	14,720
	Solid Waste	30,000	N/A	1,280	31,280
Commercial	Targeted Recyclable Materials	28,000	6.00%	1,680	26,320
	Other Recyclable Materials	2,000	N/A	N/A	2,000
	Organic Materials	13,000	6.00%	780	12,220
	Plant Materials	5,000	4.00%	200	4,800
	Total Diversion	48,000	N/A	2,660	45,340
	Solid Waste	147,000	N/A	2,660	149,660
Agency Facilities	Targeted Recyclable Materials	2,000	6.00%	120	1,880
	Other Recyclable Materials	500	N/A	N/A	500
	Organic Materials	500	6.00%	30	470
	Plant Materials	200	4.00%	8	192
	Total Diversion	3,200	N/A	158	3,042
	Solid Waste	9,000	N/A	158	9,158
Multi-Family, Commercial and Agency Facilities Total	Targeted Recyclable Materials	38,000	N/A	2,520	35,480
	Other Recyclable Materials	3,500		N/A	3,500
	Organic Materials	19,500		1,350	18,150
	Plant Materials	6,200		228	5,972
	Total Diversion	67,200		4,098	63,102
	Solid Waste	186,000		4,098	190,098
	Calculated Commercial Diversion Level[1]				**24.92%**
Single-Family, Multi-Family, Commercial and Agency Facilities[2]	Targeted Recyclable Materials	73,000	N/A	4,970	68,030
	Other Recyclable Materials	6,500	N/A	N/A	6,500
	Organic Materials	70,500	N/A	5,430	65,070
	Plant Materials	6,200	N/A	228	5,972
	Total Diversion	156,200	N/A	10,628	145,572
	Solid Waste	266,000	N/A	4,098	276,628
	Calculated Overall Annual Diversion Level[2]				**34.48%**

[1] Commercial Diversion includes: Multi-Family, Commercial and Agency Facility Service Sectors.

[2] Overall Diversion Level includes Single-Family, Multi-Family, Commercial and Agency Facility Service Sectors.

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

Exceptional Diversion Level Performance

For Rate Years Two (2012) through Ten (2020) Contractor shall receive an incentive payment if the calculated Overall Diversion Level achieved by Contractor in any given Rate Year exceeds (i) the highest calculated Overall Diversion Level achieved by Contractor in a prior Rate Year during the Term or (ii) the Overall Diversion Level achieved by Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz.

For example:

- If the Previous Contractor achieves an Overall Diversion Level of 36.45% (including all Recyclable Materials Collected by Contractor during the Recycling Blitz) in 2010 and Contractor achieves an Overall Diversion Level of 35.58% in Rate Year One, the Contractor must achieve an Overall Diversion Level greater than 36.45% in any given Rate Year to receive an incentive payment.
- If Contractor achieves Overall Diversion Levels for Rate Years Two, Three, Four and Five of 37.66%, 38.59%, 38.38% and 37.64%, respectively, Contractor shall receive an incentive payment for Rate Year Three only and the Overall Diversion Level that must be exceeded is 38.59% in future Rate Years, unless a higher Overall Diversion Level is achieved.

The targeted Overall Diversion Level shall be calculated based on the methodology used in the following example:

Example assumptions (actual results *will be based on Contractor performance*):

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

Rate Year	Diversion Level	Tons Diverted	Tons Disposed	Total Tons Collected	Disincentive Payment ($70.00 per net Ton Diverted)	Incentive Payment ($70.00 per net Ton Diverted)
Calculated Single-Family Diversion Level for 2013	49.42%	83,700	85,658	169,358		
Minimum Single-Family Diversion Level for 2012	48.80%	82,470	86,530	169,000		
Variance from 2012 to 2013	**0.62%**			1,055.30	None	N/A
Calculated Commercial Diversion Level for 2013	24.70%	62,010	189,000	251,010		
Minimum Commercial Diversion Level for 2012	24.92%	63,102	190,098	253,200		
Variance from 2012 to 2013	**-0.22%**			-546.21	-$38,234.88	N/A
Calculated Overall Diversion Level for 2013	34.66%	145,710	274,658	420,368		
Targeted Overall Diversion Level for 2012	34.48%	145,572	276,628	422,200		
Variance from 2012 to 2013	**0.18%**			769.66	N/A	$53,876.37
New Targeted Overall Diversion Level for 2014	34.66%					
Summary:	Variance				**Net Payment Due: Positve Amount Due Contractor and Negative Amount Due Agencies**	**$15,641.50**
Single-Family Diversion =	0.62%	Positive results in no Disincentive due				
Commercial Diversion =	-0.22%	Negative results in Disincentive due				
Overall Diversion =	0.18%	Positive results in Incentive due				

Minimum Diversion Level Requirements

Minimum Single-Family Diversion Level

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Single-Family Diversion Level is less than the targeted (minimum) Single-Family Diversion Level.

The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable

Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor's calculated Single-Family Diversion Level is 43.85% in Rate Year One (2011), Contractor shall be assessed a disincentive payment for Rate Year One.
- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor achieves calculated Single-Family Diversion Levels of 46.85% in Rate Year One and 45.54% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three (2013) through Ten (2020) shall be 46.85%.

<u>Minimum Commercial Diversion Level</u>

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Commercial Diversion Level is less than the targeted (minimum) Commercial Diversion Level. The minimum Commercial Diversion Level for Rate Year One (2011) shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Commercial Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Commercial Diversion Level of 21.35% in 2010 and the Commercial Recyclable Materials Tons Collected by Contractor during the Recycling Blitz increases this Diversion level to 26.35% and Contractor's calculated Commercial Diversion Level is 25.85% in Rate Year One, Contractor shall be assessed a disincentive payment for Rate Year One.
- If the Previous Contractor's activities in 2010 and Contractor's Recycling Blitz activities combined achieve a Commercial Diversion Level of 26.35% in 2010 and Contractor achieves calculated Commercial Diversion Levels of 27.13% in Rate Year One and 25.38% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three through Nine shall be 27.13%.

3. CONTAMINATION LEVELS

Contamination Level Requirements

The maximum Contamination Levels shall be:

- Rate Year One (2011) Single-Family Targeted Recyclable Materials = twenty percent (20%) for the last six (6) months of Rate Year One (2011)
- Rate Year Two (2012) through Ten (2020) Single-Family Targeted Recyclable Materials = TBD%

"TBD" is: To Be Determined. The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

- Residential Organic Materials = 5%
- Commercial Source Separated and Targeted Recyclable Materials = 8%
- Commercial Organic Materials = 10%
- MFD and Commercial Plant Materials = 5%

Contamination Disincentive Payment shall be:

- $175.00 per Ton for Single-Family Targeted Recyclable Materials
- $70.00 per Ton for Commercial Source Separated and Targeted Recyclable Materials
- $70.00 per Ton for Organic Materials
- $70.00 per Ton for Plant Materials

The Contamination Levels achieved will be determined based on the results of the Contamination Measurement Procedure conducted pursuant to Section 6.02.B and Attachment E-2.

Contamination Disincentive Payment

Contractor shall be assessed a disincentive payment for exceeding the maximum Contamination Level(s), based on the methodology shown in the following example:

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Material Type	Tons Collected	Allowable Contamination Threshold	Measured Contamination Level	Variance	Tons	Payment Amount	Payment Due
Single-Family Targeted Recyclable Materials	35,000	6.20%	7.10%	0.90%	315	$175	$55,125
Commercial Targeted Recyclable Materials	38,000	8.00%	6.40%	-1.60%	N/A	$70	N/A
Residential Organic Materials	51,000	5.00%	4.82%	-0.18%	N/A	$70	N/A
Commercial Organic Materials	13,000	10.00%	8.50%	-1.50%	N/A	$70	N/A
Multi-Family and Commercial Plant Materials	6,000	5.00%	5.60%	0.60%	36	$70	$2,520
						Total	**$57,645**

~~4. SINGLE-FAMILY MISSED PICK-UP INITIAL COMPLAINTS~~

~~Incentive Payment for Exceptionally Low Missed Pick-Up Initial Complaint Level~~

~~Contractor shall receive an incentive payment if the percentage of Missed Pick-Up Initial Complaints for Agency is less than one (1) per three-thousand (1:3,000) of the total Single-Family Service Opportunities during the monthly reporting period (e.g., 15,000 SFD that are provided service for three carts or 45,000 total weekly Service Opportunities x 4.33 weeks per month = 194,850 Service Opportunities per month, which equates to a total allowance of 58 or fewer Missed Pick-Up Initial Complaints each month; or, the total number of Complaints is less 0.033% of all Service Opportunities). In such cases, the incentive payment shall be calculated based on the following example:~~

~~Actual number of Missed Pick-Up Initial Complaints = 36~~

~~Allowable threshold of Missed Pick-Up Initial Complaints = 58~~

~~Incentive Payment = $50 per complaint~~

~~Incentive = Actual number < 0.033% of monthly Service Opportunities (i.e., 58)~~

~~36 – 58 = -22 = <58~~

~~22 x $50 = $1,100~~

~~If the percentage of Single-Family Missed Pick-Up Initial Complaints for Agency is equal to or greater than one per three-thousand (1:3,000) Service Opportunities during the monthly reporting period, no incentive payment shall be provided for the monthly reporting period.~~

~~**Disincentive Payment for Excessive Initial Single-Family Missed Pick-Up Complaints**~~

~~Contractor shall be assessed a disincentive payment if the percentage of Contractor's Missed Pick-Up Initial Complaints for Agency is less than one per one-thousand (1:1,000) Service Opportunities each month. If Contractor exceeds the minimum Missed Pick-Up Initial Complaints threshold, Agency shall assess a disincentive payment based on the following example:~~

~~Actual number of Single-Family Missed Pick-Up Initial Complaints = 267~~

~~Allowable threshold of Single-Family Missed Pick-Up Complaints = 195~~

~~**Disincentive Payment = $50 per complaint**~~

~~Disincentive = Actual number > 0.1% of monthly Service Opportunities (i.e., 195)~~

~~267 – 195 = 72~~

~~72 * $50 = $3,600~~

~~5~~4. SINGLE-FAMILY MISSED PICK-UP COLLECTION EVENTS

Contractor shall be assessed a disincentive payment for the actual number of Single-Family Missed Pick-Up Collection Events for Agency that occur during each month. Disincentive payments for Missed Pick-Up Collection Events will be based on the following example:

Actual number of Single-Family Missed Pick-Up Collection Events = 87

Allowable threshold of Single-Family Missed Pick-Up Collection Events = 0

Disincentive Payment = $50 per Missed Pick-Up Collection Event

87 x $50 = $4,350

~~6~~5. AVERAGE SPEED OF ANSWER AT CUSTOMER SERVICE CENTER

Exceptionally Fast Average Speed of Answer

Contractor shall receive an incentive payment if the actual Average Speed of Answer is less than fifteen (15) seconds each month . In such cases, the incentive payment shall be calculated based on the following example:

Actual Average Speed of Answer = 14 seconds

Average Speed of Answer Standard = 15 seconds

Speed of Answer Incentive Payment = $500.00 per second

Incentive = Actual Average < 15 seconds

14 – 15 = -1 second

1 x $500.00 = $500

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds each month, no incentive payment will be provided.

Maximum Average Speed of Answer

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

Contractor shall be assessed a disincentive payment if the Average Speed of Answer is less than or equal to thirty (30) seconds each month. If Contractor fails to achieve this maximum Average Speed of Answer, the Agency shall assess a disincentive payment based on the following example:

Actual Average Speed of Answer= 47 seconds

Average Speed of Answer Standard = 30 seconds

Speed of Answer Disincentive Payment = $500.00 per second

Disincentive = Actual Average > 30 seconds

47 - 30 = 17 seconds

17 x $500.00 = $8,500

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds and less than thirty (30) seconds each month, neither incentives or disincentives shall be applied.

ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES

~~7~~6. NINETY SECOND (90) MAXIMUM HOLD TIME

The maximum Hold Time shall be ninety (90) seconds and this disincentive payment shall apply if the quarterly average of calls exceeding this ninety (90) second threshold exceeds five-percent (5%) of the calls received in any given Rate Year quarter (e.g., January, February and March). If Contractor fails to achieve this performance standard for any quarter, the Agency shall assess a disincentive payment for that quarter and the subsequent quarters of this Rate Year only (e.g., if the threshold is exceeded in the third quarter the disincentive is applied to the third and fourth quarter only that year and not the first and second quarters), based on the following example:

Number of calls exceeding the Ninety (90) Second threshold = 312

Disincentive Payment = $5.00 per call

312 x $5.00 = $1,560

~~8~~7. INCENTIVE/DISINCENTIVE PAYMENT PROCEDURES

A. **Record Keeping.** In accordance with Article 9, records shall be maintained by Contractor for Agency in a manner that adequately demonstrates and documents Contractor's performance in accordance with this Agreement. The records shall be sufficient for Agency and SBWMA to determine Contractor's compliance with the specified performance standards.

B. **Determination of Achievement of Performance Standards**. In accordance with the requirements of Sections 9.06, 9.07 and 11.07, Contractor shall provide with its quarterly and annual reports, a report that identifies compliance with the performance standards listed in this Attachment and calculation of the performance incentive payments and disincentive assessments due.

Performance incentives and disincentives for Overall Diversion Level, Minimum Single-Family Diversion Level, Minimum Commercial Diversion Level, Average Speed of Answer and Ninety (90) Second Maximum Hold Time shall be calculated in aggregate for the SBWMA Service Area and Agency's share shall be proportional based on the tons of Solid Waste Collected in the previous Rate Year by Contractor or for Rate Year One (2011) by Previous Contractor in 2010. Performance incentives and disincentives for ~~Single-Family Missed Pick-Up Initial Complaints and~~ Single-Family Missed Pick-Up Collection Events shall be calculated separately for each Agency. Disincentive assessments for Contamination shall be calculated in aggregate and paid to the SBWMA quarterly pursuant to Agreement Sections 9.06 and 11.07, and Section 8.D of this Attachment.

The incentives and disincentives that will be calculated monthly include:

- ~~Single-Family Missed Pick-Up Initial Complaints~~
- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

The disincentives that will be calculated quarterly include:

- Single-Family Targeted Recyclable Materials maximum Contamination Level
- Single-Family Organic Materials maximum Contamination Level
- Commercial Source Separated and Targeted Recyclable Materials maximum Contamination Level
- Commercial Organic Materials maximum Contamination Level
- MFD and Commercial Plant Materials maximum Contamination Level

The incentives and disincentives that will be calculated annually include:

- Overall Diversion Level
- Minimum Single Family Diversion
- Minimum Commercial Diversion Level

C. **Amount.** The incentive and disincentive payment amounts shall be determined in accordance with the formulas presented in Sections 2 - 7 of this Attachment I.

D. **Timing of Payment.** Payments related to performance incentives and disincentives that are calculated monthly and annually are to be included in Contractor's annual Application for adjustment to Contractor's Compensation. Contractor's Compensation for the next Rate Year will be increased or decreased by the net amount of performance incentive payments and disincentive assessments calculated. Payment by Contractor for Contamination related performance disincentives that are calculated quarterly shall be paid to the SBWMA within ten (10) days after submittal of Contractor's quarterly report. The SBWMA will review Contractor's calculations of incentives and disincentive payments and underlying data for accuracy, will confer with Member Agencies to confirm data as to each Member Agency, and will meet with Contractor to resolve any errors or inconsistencies.

E. **Disputes by Contractor**. Contractor may, within ten (10) calendar days after receiving the Agency's or SBWMA's written notice containing Agency's or SBWMA's revised determination of incentive and disincentive payments, provide written notice to Agency and SBWMA of any disagreement with Agency's or SBWMA's determination. Contractor may present evidence in writing to support its position. Agency and SBWMA shall review Contractor's submission and within ten (10) calendar days shall schedule a meeting with Contractor to discuss Contractor's concerns. The decision of Agency or SBWMA shall be final.

COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-205

Agenda Item #: D-6

CONSENT CALENDAR: **Adopt a Resolution Approving the Water Supply Assessment for the Commonwealth Corporate Center Project**

RECOMMENDATION

Staff recommends that the City Council adopt a Resolution approving the Water Supply Assessment for the Commonwealth Corporate Center Project.

BACKGROUND

In 2002, Senate Bill 610 added Section 10910 to the California State Water Code requiring that the availability of water supplies be considered for larger development projects, including office complexes with more than 250,000 square feet of office space. The State Water Code requires that a water supply assessment analyze current and future water supplies as well as the current and project water demands within the utility's service area. If the assessment identifies deficiencies in the local water supplies, the water provider is required to identify measures to reduce water usage or to identify additional water supplies.

The State Water Code also requires that the governing body of the water provider approve the water supply assessment. Because the Commonwealth Corporate Center Project (Project) is located within the service area of the Menlo Park Municipal Water District (District), the City Council will need to review and approve the Water Supply Assessment for the Project. These requirements were subsequently added to Section 15155(b) of the Guidelines for the Implementation of the California Environmental Quality Act (CEQA Guidelines).

The Commonwealth Corporate Center Project is located between Jefferson Drive and Highway 101 and consists of the construction of two office buildings totaling 259,920 square feet on a 13.3 acre site immediately west of the Intuit facility located at 180 and 190 Jefferson Drive. The Project was presented to the Planning Commission and City Council at study sessions in August and December of 2012, respectively. The Project is expected to be considered by the Planning Commission and City Council in mid-2014. State Law requires that the Water Supply Assessment be approved prior to its inclusion in the Environmental Impact Report that is currently being prepared for the Project.

ANALYSIS

The Water Supply Assessment evaluates the demand for water and available water supplies over a 20 year period, in five year increments, starting in 2015 through 2035. According to the Water Supply Assessment, the Project will require an additional 21 acre feet per year (or 0.19 million gallons per day) of water, or about 0.55 percent of the total demand for water within the District. This additional demand includes a credit for the amount of water the two properties are already using.

The Water Supply Assessment concluded that the Project's anticipated demand falls within the amounts identified in the 2010 Urban Water Management Plan. Based on the most current land use proposals, including the Project and the updated Housing Element, it is estimated that there would still be adequate supply to meet the normal year and single dry year scenarios, as well as for the first year of a multiple year drought scenario (though not in the subsequent second and third years in the multiple dry year scenario). If a multiple dry year scenario occurs before 2015, it is projected that there could be a systemwide supply deficiency up to six percent in 2015. This increase in water demand is a result of the additional demands from the future implementation of the housing units identified in the updated Housing Element, not from implementation of the Commonwealth Corporate Center Project. After 2015, the combination of supply improvements and demand reductions result in sufficient supply under all hydrologic conditions through the year 2025. In 2030, it is estimated that demand could exceed supply by up to one percent with a four percent deficiency in the second and third years of a multiple dry year scenario in 2035. To deal with the with the Normal, Single Dry Year and Multiple Dry Year scenarios, the 2010 Urban Water Management Plan, "Section 5," describes the City's water shortage contingency and drought planning measures to reduce water use and conservation measures to mitigate these shortages.

The Water Supply Assessment identifies a number of programs or projects that could provide additional water supplies. The San Francisco Public Utilities Commission has an ongoing program of water supply improvement activities that are expected to be completed by 2030. These projects include improvements to existing dams, pipelines and aqueducts, and treatment facilities. Also the efforts of the Bay Area Water Supply and Conservation Agency may improve water supplies or availability beginning in 2018. Finally there is the Menlo Park Municipal Water District's local emergency supply project which is scheduled to be completed by 2020 that could provide additional water supplies for limited periods. While these measures could result in additional water supplies in the future, this WSA does not assume any water supply from these sources. A copy of the Water Supply Assessment report is included in Attachment B.

The City Council's action is limited to approving the Water Supply Assessment. The approval does not commit the City to approve the Commonwealth Corporate Center Project or certify the Environmental Impact Report when they are eventually considered by the Planning Commission and City Council. The Resolution approving the Water Supply Assessment is included in Attachment A. In approving the Resolution, the City Council is determining that based on the data and conclusions stated in the Water Supply Assessment, the 2010 Urban Water Management Plan, and the evidence and testimony presented at the public meeting, that there is an adequate supply to provide water for the Project during normal, single dry year, and multiple dry years for at least a 20-year projection, and that actions have been identified that will help in addressing potential shortages in the supply in the future.

The following schedule highlights some of the key milestones in the City's review process for the Commonwealth Corporate Center Project.

City Commission/City Council	Date	Purpose/Subject
City Council	12/17/2013	Consideration of Water Supply Assessment
Environmental Quality Commission	1/23/2014	Recommendation on Heritage Trees
Housing Commission	2/05/2014	Review of BMR Agreement
Planning Commission	1st Qtr 2014	Review of Draft EIR
Planning Commission	Mid-2014	Recommendation on Final EIR and Project
City Council	Mid-2014	Consideration of Final EIR and Project, and Second Reading of Ordinance.

IMPACT ON CITY RESOURCES

The action on the Water Supply Assessment does not have a fiscal impact on the City. However, the Commonwealth Corporate Center Project will be required to prepare a fiscal impact analysis and that analysis will be part of the Planning Commission's and City Council's consideration of the Project.

POLICY ISSUES

There are no policy issues associate with this staff report.

ENVIRONMENTAL REVIEW

City approval of the Water Supply Assessment does not require review under the California Environmental Quality Act (CEQA). The Commonwealth Corporate Center Project, for which the Water Supply Assessment was prepared, will be evaluated for its environmental impacts in compliance with CEQA. The Environmental Impact Report (EIR) for the Project is currently being prepared to evaluate the effects of the Project on the environment. The EIR will be considered by the Planning Commission and City Council as the Project proceeds through the public hearing process.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting. Information on the project is also available at www.menlopark.org/projects/comdev_commonwealth.html.

ATTACHMENTS

A. Resolution of the City Council of the City of Menlo Park Approving the Water Supply Assessment for the Commonwealth Corporate Center Project
B. Water Supply Assessment for the Commonwealth Corporate Center

Report prepared by:
David Hogan, Project Planner

Report Reviewed by:
Justin Murphy, Development Services Manager

Fernando G. Bravo, Engineering Services Manager

RESOLUTION NO._______

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK APPROVING THE WATER SUPPLY ASSESSMENT FOR THE COMMONWEALTH CORPORATE CENTER PROJECT

WHEREAS, the City of Menlo Park, through the Menlo Park Municipal Water District is a public water supplier; and

WHEREAS, the City Council of the City of Menlo Park is the governing body of the Menlo Park Municipal Water District; and

WHEREAS, the City of Menlo Park approved and adopted an Urban Water Management Plan on June 14, 2011; and

WHEREAS, in 2002 the State of California enacted Senate Bill 610 adding Section 10910 et. seq. to the California Water Code; and

WHEREAS, the Guidelines for the Implementation of the California Environmental Quality Act ("CEQA Guidelines") were subsequently modified to incorporate similar provisions in Section 15155; and

WHEREAS, California Water Code Section 10910 and Section 15155 of the CEQA Guidelines require a water utility to prepare a water supply assessment for development applications for "water-demand projects" which include, but are not limited to, commercial office projects having more than 250,000 square feet of office space; and

WHEREAS, Section 10910(g) of the California Water Code and Section 15155(b) of the CEQA Guidelines require the governing body of a public water system that will serve a "water-demand project" to consider a water supply assessment at a regular or special meeting; and

WHEREAS, the Sobrato Organization submitted an application for a Rezone, Conditional Development Permit, and Tentative Parcel Map on March 7, 2012 for property located at 151 Commonwealth Drive and 164 Jefferson Drive (Project); and

WHEREAS, the Project consists of a request to construct two office buildings totaling 259,920 square feet on 13.3 acres; and

WHEREAS, the City required the applicant to contract for the preparation of a Water Supply Assessment for the Project; and

WHEREAS, the Water Supply Assessment for the Project was completed on October 24, 2013; and

WHEREAS, the Water Supply Assessment for the Project was provided to the City Council at a regularly scheduled meeting on December 17, 2013; and

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. Exhibit A. The Water Supply Assessment for the Commonwealth Corporate Center (Project WSA) identified in this resolution is incorporated as if fully set forth herein as Exhibit A of this resolution.

2. Approval of Project WSA. Based upon the data and conclusions set forth in the Water Supply Assessment, the Urban Water Management Plan, and the evidence and testimony presented at the public meeting, the City Council hereby finds the City has an adequate supply to provide water for the Project during normal, single dry year, and multiple dry years for at least a 20-year projection, and has identified actions that will help in addressing potential shortages in supply in the future. As a result, the City Council hereby approves the Water Supply Assessment for the Commonwealth Corporate Center.

3. No Obligation to Act on the Project Applications. The City Council's approval of the Project WSA is limited to approving the Water Supply Assessment; approving the Project WSA does not approve any of the Project applications. Nothing in this resolution or the Council's approval of the Project WSA shall be construed as requiring the City or its Council to consider, act on, approve, conditionally approve, deny, or take any other action on the Project applications.

4. Effective Date. This resolution shall become effective immediately.

I, Pamela Aguilar, City Clerk of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on this seventeenth day of December, 2013, by the following votes:

AYES:
NOES:
ABSENT:
ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this 17th day of December, 2013.

Pamela Aguilar
City Clerk

ATTACHMENT B

WATER SUPPLY ASSESSMENT FOR THE COMMONWEALTH CORPORATE CENTER

Menlo Park Municipal Water District

Water Supply Assessment for the City of Menlo Park Commonwealth Corporate Center Project

GHD
10/24/2013

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Appendix A – 2009 Water Supply Agreement

Appendix B – SFPUC Projected Water Supply Reliability

Appendix C – City of Menlo Park Landscape Water Demand Worksheets

Appendix D – Cal Green Model Worksheet

Key Acronyms and Abbreviations

ABAG	Association of Bay Area Governments
ACDD	Alameda Creek Diversion Dam
AFY	Acre-feet per year
BAWSCA	Bay Area Water Supply and Conservation Agency
BAWSCA Strategy	Long-Term Reliable Water Supply Strategy
BMP	Best Management Practice
CEQA	California Environmental Quality Act
CII	Commercial, Industrial and Institutional
City	City of Menlo Park
Commission	SFPUC's five member governing commission
CUWCC	California Urban Water Conservation Council
DMM	Demand Management Measure
DPH	California Department of Public Health
DSS Model	Demand Side Management Least Cost Planning Decision Support System
EIR	Environmental Impact Report
ETo	Evapo-transpiration of common turf grass
ETWU	Estimated Total Water Use
gpcd	gallons per capita per day
GPM	Gallons per minute
ISA	Interim Supply Allocation
ISG	Individual Supply Guarantee
ISL	Interim Supply Limitation
IWSAP	Interim Water Shortage Allocation Plan
MFR	Multi-Family Residential
MGD	Million gallons per day
MID	Modesto Irrigation District
MOU	Memorandum of Understanding
MPMWD	Menlo Park Municipal Water District
NOP	Notice of Preparation
PEIR	Programmatic Environmental Impact Report
Project	Commonwealth Corporate Center Project
RWS	Regional Water System
SB 610	Senate Bill 610
SBx7-7	Water Conservation Act of 2009
SFPUC	San Francisco Public Utilities Commission
SFR	Single Family Residential
TID	Turlock Irrigation District
UACFG	Upper Alameda Creek Filter Gallery
UWMP	Urban Water Management Plan
WCIP	Water Conservation Implementation Plan
WSA	Water Supply Assessment
WSAP	Water Shortage Allocation Plan
WSIP	Water System Improvement Program

1 Introduction

This Water Supply Assessment (WSA) has been prepared to assist the City of Menlo Park (City) in satisfying the requirements of Water Code Section 10910 et. seq. - Water Supply Planning to Support Existing & Future Uses.

The Menlo Park Municipal Water District (MPMWD) is a water supplier for a portion of the City. The Sobrato Organization has submitted a development application for a project known as the Commonwealth Corporate Center (Project). The City is the lead agency under the California Environmental Quality Act (CEQA). Both CEQA and the California Water Code require a lead agency to consider water supply and demand as part of the development review process.

1.1 Requirements for a WSA

The requirement to prepare a WSA was established in 2002 by State Senate Bill (SB) 610, which emphasizes the interrelationships between land use and water supply planning, and requires the incorporation of water supply and demand analysis at the earliest possible stage in the land use planning process. The stated intent of SB 610 is to strengthen the process by which local agencies determine the adequacy and sufficiency of current and future water supplies to meet current and future demands.

SB 610 amended the California Public Resources Code to incorporate Water Code findings within the CEQA process for certain types of projects. SB 610 added Water Code Sections 10910, 10911, 10912, 10913, and 10915 (Water Supply Planning to Support Existing and Planned Future Uses), which describe when a WSA needs to be prepared and the required elements of that WSA. The WSA is then used as an informational document to support the CEQA process. SB 610 also amended Water Code Section 10631 (the Urban Water Management Planning Act) to create a clear relationship between an agency's Urban Water Management Plan (UWMP) and subsequent WSAs and to allow the UWMP to serve as a foundational document for the analysis in the WSA.

Water Code Section 10910 et. seq. defines the "projects" that require a WSA and the lead agency's responsibilities related to the WSA. A WSA is required for:

- A proposed residential development of more than 500 dwelling units;
- A proposed shopping center or business establishment employing more than 1,000 persons or having more than 500,000 square feet of floor space;
- A proposed commercial office building employing more than 1,000 persons or having more than 250,000 square feet of floor space;
- A proposed hotel or motel, or both, having more than 500 rooms;
- A proposed industrial, manufacturing, or processing plant, or industrial park planned to house more than 1,000 persons, occupying more than 40 acres of land, or having more than 650,000 square feet of floor area;
- A mixed-use development that includes one or more of the uses described above;

- A development that would demand an amount of water equivalent to or greater than the amount of water required by a 500-dwelling-unit project; and
- For lead agencies with fewer than 5,000 water service connections, any new development that will increase the number of water service connections in the service area by 10 percent or more.

A WSA must provide:

- a description of all relevant water supply entitlements, water rights, and/or water contracts;
- a description of the available water supplies, in normal, dry and multiple dry years, and the infrastructure, either existing or proposed, to deliver the water; and
- an analysis of the demand placed on those supplies, by the project, and relevant existing and planned future uses in the area for at least a 20-year period.

The lead agency may incorporate the water suppliers' UWMP by reference, if the supplier included the proposed development's demands in the UWMP.

While water supply is clearly an important consideration in approval of a development, nothing in SB 610 prevents a lead agency from approving a proposed project even in the face of information concluding that there is not sufficient water supply for build-out of the project. However, where the description of existing water supply entitlements, water rights, and/or water contracts shows insufficient water supplies to serve the proposed project, as well as existing and planned uses over the 20-year planning horizon, additional information is required to describe how and where sufficient supplies may be obtained. Such information must include the estimated costs, financing methods, and regulatory approvals needed to obtain new supplies, as well as a projected time frame for obtaining them.

1.2 Summary of the Project

This WSA considers the Project, which proposes to replace 237,858 square feet of warehouse, manufacturing, and light industrial uses with 259,920 square feet of office space that can accommodate office, biotech, and/or research and development (R&D) uses. The proposed development is located in the MPMWD service area. Because the Project will result in more than 250,000 square feet of commercial development, it requires preparation of a WSA. The WSA will be based on MPMWD's 2010 UWMP, and take into account additional newer information that was developed for the Facebook Campus Project and the Housing Element Update WSAs.

The Project proposes to redevelop two parcels located adjacent to each other at 151 Commonwealth Drive and 164 Jefferson Drive. The Commonwealth Drive site is approximately 12.1 acres, and the Jefferson Site, which is directly adjacent to the Commonwealth Drive site to the north, is approximately 1.17 acres. The Project includes a tentative parcel map to create separate parcels for each building, and one common lot. The overall project site is approximately 13.3 acres. Proposed redevelopment of the properties would include demolition of a single-story industrial building and associated structures totaling approximately 217,396 square feet on the Commonwealth Drive site, and demolition of the existing structure totaling approximately 20,462 square feet and associated improvements on the Jefferson Drive site.[1]

The Project plans specify that the Jefferson Drive parcel would be utilized as an employee rest and recreation area, as well as for site access. The Jefferson parcel would be landscaped and therefore would require irrigation.

The proposed development would require the following approvals:

- Tentative Parcel Map to create parcels for each building and one common lot;
- Rezoning: The proposed height of the buildings would exceed the 35-foot maximum height limit in the M-2 (General Industrial) zoning district and a rezone to M-2(X) (General Industrial, Conditional Development District) plus approval of a Conditional Development Permit would be required to exceed the height limit;
- Heritage Tree Removal Permits: As part of the development proposal, the applicant is requesting approval to remove 12 heritage trees on the 151 Commonwealth Drive site and 11 heritage trees on the 164 Jefferson site; and
- Below Market Rate Housing Agreement for the payment of in-lieu fees associated with the City's Below Market Rate Housing Program

The Project location is illustrated in Figure 1.1.

[1] Source: City of Menlo Park website.

LEGEND

Site Boundary

Menlo Park City Limits

Paper Size 8.5" x 11" (ANSI A)

0 200 400 600

Feet

Map Projection: Lambert Conformal Conic
Horizontal Datum: North American 1983
Grid: NAD 1983 StatePlane California III FIPS 0403 Feet

N

GHD

City of Menlo Park
Commonwealth Corporate Center WSA

Job Number	8410 654
Revision	A
Date	19 Jul 2013

Site Map

Figure 1

2235 Mercury Way Suite 150 Santa Rosa CA 95407 USA **T** 707 523 1010 **F** 707 527 8679 **E** santarosa@ghd.com **W** www.ghd.com

G:\03260 - City of Menlo Park\03260-8410654 Commonwealth WSA\08-GIS\Maps\Figures\Project Site.mxd

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Data source: Esri basemaps, 2013, GHD Project Data, 2013 Created by:rmremillard

1.3 Scope of Analysis

This WSA describes the relationship between the water demands associated with the Project in the MPMWD's service area and the availability of water supply under different climatic conditions. This WSA has been prepared to assist the City in evaluating the impacts of the Project on the water supply.

Specifically, this WSA:

- Provides information on MPMWD's water supply that is consistent with Water Code Sections 10620 et. seq. (the Urban Water Management Act) and 10910 et. seq. (Water Supply Planning to Support Existing and Planned Future Uses);
- Provides information on current water demands of the two lots to be developed and projected water demands based on the applicant's proposed redevelopment plan;
- Compares the Project demands to demand projections outlined in the 2010 UWMP; and
- Compares water supplies and water demands for the normal, single dry, and multiple dry years.

1.3.1 Urban Water Management Plan

On June 14, 2011, MPMWD adopted its "2010 UWMP". The UWMP, which is incorporated by reference, can be found at http://www.menlopark.org/departments/pwk/MP_2010_UWMP_Final.pdf.

The UWMP conforms to the requirements of the Urban Water Management Planning Act and includes:

- A description of the water service area including climate, current and projected population and other demographic factors that affect water management planning;
- A description and quantification of the existing and planned water sources;
- A description of the reliability and vulnerability of the water supply to seasonal or climatic shortages in the average water year, single dry water year, and multiple dry water year;
- Contingency plans including demand management and conjunctive use potential;
- A description of current and projected water demands among all user classes in 5-year increments;
- A description of all water supply projects and water supply programs that may be undertaken by MPMWD, its wholesale supplier the San Francisco Public Utilities Commission (SFPUC) and its regional representative, the Bay Area Water Supply and Conservation Agency (BAWSCA).

In order to comply with the requirements of the Water Conservation Act of 2009 (SBx7-7) the 2010 UWMP includes a "baseline" water use and water use targets for 2015 and 2020. These targets, which are expressed as water use in gallons per capita per day (gpcd) will be used to measure each water suppliers' compliance with SBx7-7. SBx7-7 requires suppliers to reduce per capita water use by 20 percent from the baseline by 2020.

The targets, which are discussed in Chapter 4 of this WSA, are intended to increase water use efficiency throughout the state.

1.3.2 Previous Water Supply Analyses

MPMWD's supply and demand relationship has been carefully studied. Work includes the 2010 UWMP and three previous WSAs which are described below.

Menlo Gateway WSA (2009): The Menlo Gateway WSA was prepared to support a 2009 Environmental Impact Report (EIR) for a 15.9 acre mixed-use project in the MPMWD service area. This WSA predated MPMWD's 2010 UWMP and the demands documented in the Menlo Gateway WSA were included in MPMWD's 2010 UWMP.

2010 UWMP (2011): The 2010 UWMP reviewed the City's water supply and demand balance based on projections of limited residential growth and ongoing growth and redevelopment in the Commercial, Institutional and Industrial (CII) sector. The 2010 UWMP also took into account the demand reductions required by SB7x7. The 2010 UWMP concluded that MPMWD could experience shortages of up to four percent in multiple dry years before 2015. After 2015, the combination of supply improvements and demand reductions is expected to result in an adequate supply until at least 2035, when modest shortages of one percent may occur in dry years. The UWMP documented that the City has an established Drought Contingency Plan that allows it take action to reduce demand by as much as 50 percent, which would allow it to manage the modest projected shortages.

Menlo Park Facebook Campus Project WSA (2011): The WSA for the Menlo Park Facebook Campus Project was completed in November 2011 to support an EIR for the redevelopment of two sites, totaling 79 acres, for a corporate campus in the MPMWD's service area. This WSA was developed after the completion of MPMWD's 2010 UWMP, but it concluded that the planned demands were consistent with and included in the non-residential demand allowance projected in the 2010 UWMP.

City of Menlo Park Housing Element Update WSA (2013): The WSA for the City's proposed Housing Element Update was completed in March 2013 to support the proposed Housing Element Update for the City. There are two water suppliers within the City limits, MPMWD and Cal Water and this WSA reviewed the impacts on both water suppliers. The City's Housing Element Update Project proposed to accommodate up to 1,318 new dwelling units within the City by 2035. The demands from the proposed Housing Element Update had not been included in the 2010 UWMP and resulted in an increase in the water demands projected in MPMWD's 2010 UWMP. In terms of the MPMWD's service area, the WSA analysis concluded that even with the increased dwelling units as proposed by the planned Housing Element Update, supply is expected to exceed demand in normal weather years and in single dry weather years.

In multiple dry year scenarios, the additional demand slightly increases the shortages projected in the 2010 UWMP. Specifically, the potential multiple dry year shortage, if it were to occur before 2015, increases from four percent to six percent. After 2015, it is expected that water supply improvements and demand reduction programs will have eliminated that shortage until after 2025. By 2030 there could be a water shortage of up to one percent during multiple dry year scenarios, which could grow to four percent by 2035. This compares to the 2010 UWMP projections that supply will be adequate under all hydrologic conditions until after 2030. As described above, the City has a Drought Contingency Plan which could be implemented during a drought or other water shortage emergency. This Drought Contingency Plan contains actions which could reduce water demand by 50 percent. Implementation of the Drought Contingency Plan would mitigate the potential four to six percent water shortages in multiple dry year scenarios.

1.4 Structure of this Report

This report is structured to facilitate the presentation of information required by the Water Code and to outline the analysis necessary to evaluate the sufficiency of water supply to meet planned growth.

- Chapter 1 provides an overview of the legal requirements for the WSA and describes the Project that is covered by this WSA.
- Chapter 2 describes the MPMWD's water service area.
- Chapter 3 describes the MPMWD's current wholesale water supply from SFPUC and other supply planning activities that are being undertaken by the MPMWD and its regional representative BAWSCA. The chapter includes discussions of the contractual supply arrangements and the reliability of the water supply in normal, single dry, and multiple dry years.
- Chapter 4 describes current and future water demands based on planned growth, including the Project, and accounting for the 2015 and 2020 water use targets which were adopted with the 2010 UWMP.
- Chapter 5 provides an overview of the overall supply sufficiency by comparing projected water demands to available supplies. In order to support the CEQA document for the Project, this chapter includes a discussion of the projects and permits necessary to make the water supply available.

Table 1.1 provides an index of the requirements for WSAs and the location of each required discussion in this report.

Table 1.1 – Index of SB 610 Requirements

Required Element	Location in Documents
Description of Service Area	Section 2.0
Population Projections in 5-year Increments	Table 2.1
Description and Quantification of Water Supplies	Section 3.0
Description of Supply Reliability to Climate Conditions	Section 3.1.4
Description of Contingency Plans	*
Description of Demand Management Potential	Section 4.5
Projection of Water Demands in 5-year Increments	Tables 4.1 and 4.5-4.10
Description of Projects & Programs Undertaken to Meet Demands	Section 5.2
Description of Demand Management Measures Employed	Section 4.5
Determination of Supply Sufficiency under Normal, Single & Multiple Dry Years	Table 5.1, 5.2, 5.3
Identification of Water Supply Entitlements & Rights and water received under rights	Section 3.1
Information related to capital outlay programs for financing delivery of water supply	Section 5.2
Information on permits needed and regulatory requirements associated with water supply	Section 5.3

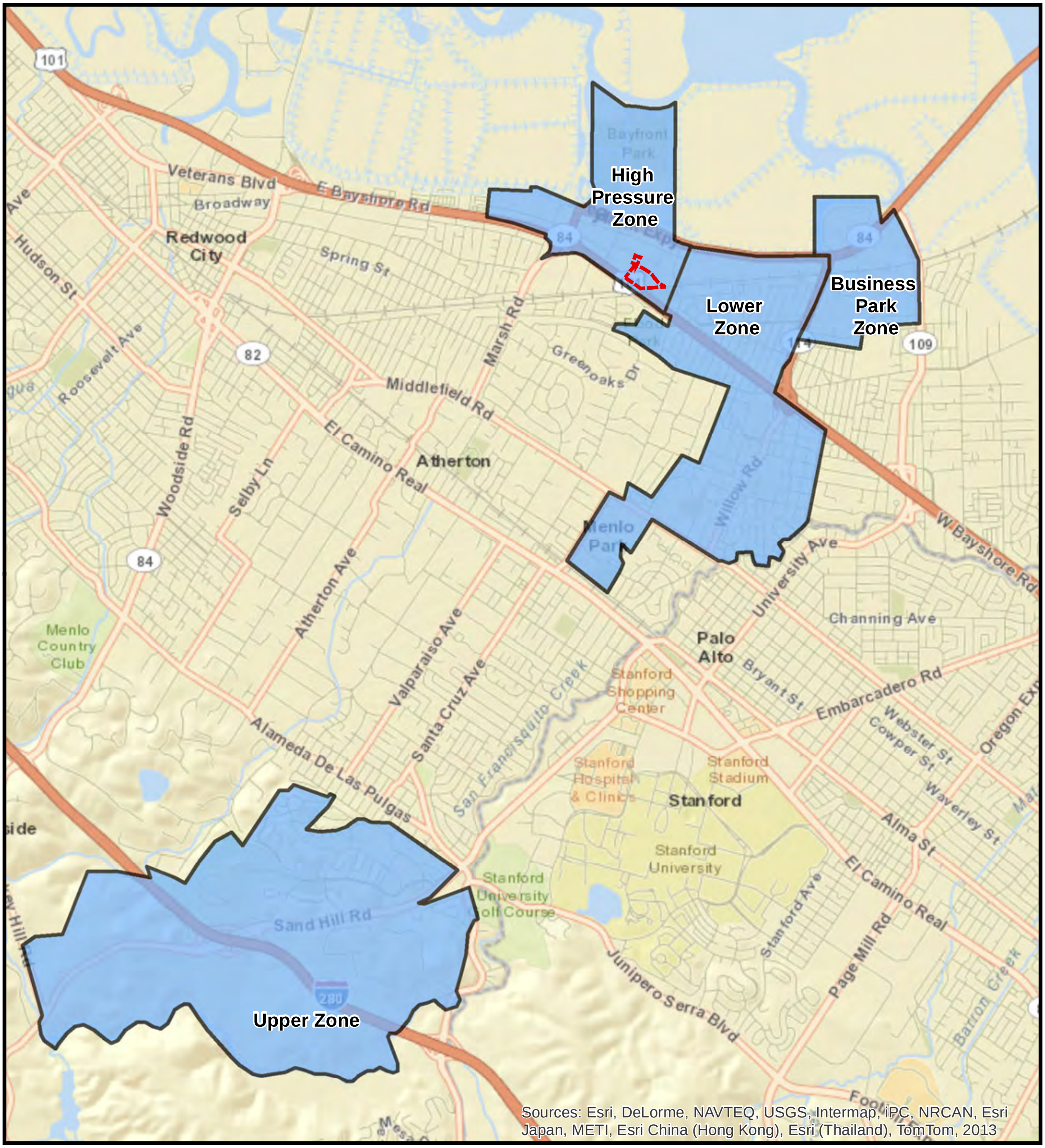
* Contingency Planning Discussion incorporates Menlo Park Municipal Water District's 2010 Urban Water Management Plan as allowed by SB 610

2 Water Service Area

The City is located in the San Francisco Bay Area, in San Mateo County, approximately halfway between San Francisco and San Jose. The City is bordered by the Town of Atherton and Redwood City to the north, East Palo Alto to the east, Woodside to the west, and Palo Alto and Portola Valley to the south. The City covers approximately 18 square miles, of which approximately 12 square miles consist of San Francisco Bay and wetlands. The City reports its 2012 population as 32,513 people. There are 12,388 households in Menlo Park, with an average household size of 2.55 people.[2]

The City is served by two primary water purveyors, MPMWD and Cal Water. The Project would be served by MPMWD only. Figure 2 illustrates the service area of each utility.

[2] State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State, January 2011 and 2012, with 2010 Benchmark. Sacramento, California, May 2012**.**



LEGEND

Project Site

Service Zones

Paper Size 8.5" x 11" (ANSI A)

0 0.5 1

Miles

Map Projection: Lambert Conformal Conic
Horizontal Datum: North American 1983
Grid: NAD 1983 StatePlane California I FIPS 0401 Feet

N

GHD

City of Menlo Park
Commonwealth Corporate Center WSA

Job Number	8410 654
Revision	A
Date	19 Jul 2013

MPMWD
Water Service Boundaries

Figure 2

2235 Mercury Way Suite 150 Santa Rosa CA 95407 USA **T** 707 523 1010 **F** 707 527 8679 **E** santarosa@ghd.com **W** www.ghd.com

G:\03260 - City of Menlo Park\03260-8410654 Commonwealth WSA\08-GIS\Maps\Figures\Water System Boundaries.mxd

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Data source: Esri basemaps, 2013, GHD Project Data, 2013 Created by:rmremillard

MPMWD's service area includes approximately 40 percent of the City's population and is divided into four zones:

- The Lower Zone is located north and east of El Camino Real and serves primarily residential and small commercial land uses. The zone includes the Belle Haven, Bay Road, and Willows neighborhoods.
- The High Pressure Zone is located in northern Menlo Park between Highway 101 and the Bayfront Expressway and serves primarily industrial land uses. It includes the Bohannon Industrial Park and TE Connectivity properties. The high pressure zone is hydraulically disconnected from the other zones. Inter-ties can be installed with pressure reducing valves if necessary.
- The Upper Pressure Zone is located in western Menlo Park and is geographically and hydraulically disconnected from other zones. It serves primarily the residential Sharon Heights neighborhood, the Sharon Heights Golf Course and the SLAC National Accelerator Lab.
- The Business Park Zone is located along O'Brien Drive between Willow Road and University Avenue. It serves primarily light industrial land uses.

2.1 Population

The City is essentially built-out and future population growth is assumed to be associated with redevelopment projects within the existing urban footprint, such as those anticipated by the Housing Element Update. The United States Census has reported the City's 2000 population as 30,781 persons and its 2010 population as 32,077 persons. As noted above, the City reports its 2012 population at 32,513 persons.

2.1.1 Comparison to 2010 UWMPs

The City's population is covered in two 2010 UWMPs:

- MPMWD's UWMP, which covers a portion of the City, and
- Cal Water's UWMP which covers its Bear Gulch District, a service area much larger than the City.

In its 2010 UWMP, MPMWD estimated its 2010 service population was 14,198 (about 40 percent of the total City population). This population figure was used to establish MPMWD's water use targets. Total projected water demand was calculated based on projections of both residential and non-residential growth. MPMWD's demand projections assumed a very modest residential growth rate of 0.42 percent annually and a strong growth in the CII sectors. The 2010 UWMP explicitly included estimates for near term, largely commercial development projects including:

- Menlo Gateway (the Bohannon Project) for which the City has an approved WSA;
- GM Site – Facebook Campus Project (inclusive of the East and West Campuses) for which the City has an approved WSA;
- Business Park, which is included within the general non-residential growth analysis; and
- Hamilton Avenue East, which is included within the general residential growth allowance and which is one of the 14 developments that are the subject of the Housing Element Project's WSA.

The remaining residential growth contemplated by the Housing Element Project was not specifically planned for in MPMWD's 2010 UWMP. That remaining projected residential growth was addressed in the Housing Element Project's WSA.

2.1.2 Population Used in this WSA

Because of the different service area limits, the UWMPs do not provide for straight forward projection of the City's projected population. However, other City and regional planning documents do provide projections about planned growth in the City as a whole. Table 2.1 illustrates population projections for the MPMWD's service area based on projections from the Association of Bay Area Governments (ABAG).

Table 2.1 – Population – Current and Projected

	2010	2015	2020	2025	2030	2035	Data Source
Service Area Population *	14,198	14,438	14,774	15,086	15,406	15,675	Cenus Data for base population and regional growth projections applied

* Service area population includes only the population served by the distribution system. The City's total population is over 32,000.

These projections equate to an annual growth rate of 0.8 percent, which is higher than the projections in MPMWD's UWMP. This likely reflects the fact that at least some of the growth anticipated by ABAG and the proposed Housing Element Update was not included in the UWMP projections.

2.2 Climate

The Project area has a Mediterranean climate characterized by cool, wet winters and warm, dry summers. Rainfall averages 15.2 inches per year (measured at Palo Alto) and is generally concentrated in the wet season from late October to early May. Table 2.2 presents the base climate data for the City, which is brought forward from MPMWD's UWMP.

Table 2.2 – Climate

	Standard average ETo*, in	Average rainfall, in	Average temperature, °F
January	1.48	3.23	48.1
February	1.88	2.88	51.3
March	3.35	2.22	53.7
April	4.74	0.99	56.6
May	5.36	0.37	60.7
June	6.25	0.08	65.0
July	6.74	0.02	66.5
August	5.99	0.05	66.6
September	4.52	0.18	65.5
October	3.43	0.71	60.6
November	1.82	1.86	53.5
December	1.48	2.69	48.1
Annual	**47.04**	**15.28**	**58.0**

* ETo, or evapotranspiration, is the loss of water from evaporation and transpiration from plants.

Rain and temperature values from Palo Alto CA NOAA Station #046646 over 1951 to 2004

Evapotranspriation values are from Union City CIMIS station # 171

3 Water Supply

This section provides an overview of the water supplies for MPMWD. The City and County of San Francisco's Regional Water System (RWS), operated by the SFPUC, is the major water supply source for the MPMWD. The RWS supplies 26 wholesale customers as well as the City and County of San Francisco. The "Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County" ("2009 Water Supply Agreement") governs this relationship. The most recent supply allocation document developed under the 2009 Water Supply Agreement is included in Appendix A.

MPMWD is actively working to develop a groundwater supply that will add emergency reliability to its overall supply portfolio. Table 3.1 provides a summary of existing and planned water supply sources in acre-feet per year (AFY), as outlined in the UWMP for MPMWD. Supply is discussed in detail below.

Table 3.1 – MPMWD Wholesale Supplies – Existing and Planned Sources of Water (AFY)

Wholesale Sources	Contracted Volume	2015	2020	2025	2030
San Francisco Public Utilities Commission*	4,993.0	4,993.0	4,993.0	4,993.0	4,993.0
BAWSCA Long Term Strategy	-	-	-	-	-
Groundwater Supplies**	-	-	-	-	-
Totals	4,993.0	4,993.0	4,993.0	4,993.0	4,993.0

*From Appendix A to the Agreement for Water Supply between San Francisco PUC and Wholesale Customers, dated July 2009.

** Groundwater will be developed as an "emergency supply" in accordance with California Department of Public Health requirements which means the supply can be used for five consectutive days and no more than 15 days total in a year.

3.1 San Francisco Public Utilities Commission Regional System

The SFPUC RWS is predominantly from the Sierra Nevada, delivered through the Hetch Hetchy aqueducts, but also includes treated water produced by the SFPUC from its local watersheds and facilities in Alameda and San Mateo Counties. The amount of imported water available to the SFPUC's retail and wholesale customers is constrained by hydrology, physical facilities, and the institutional parameters that allocate the water supply of the Tuolumne River. Due to these constraints, the SFPUC is very dependent on reservoir storage to firm-up its water supplies.

The SFPUC serves its retail and wholesale water demands with an integrated operation of local Bay Area water production and imported water from Hetch Hetchy. In practice, the local watershed facilities are operated to capture local runoff.

3.1.1 Water System Improvement Plan

In order to enhance the ability of the SFPUC water supply system to meet identified service goals for water quality, seismic reliability, delivery reliability, and water supply, the SFPUC has undertaken the

Water System Improvement Program (WSIP), approved October 31, 2008. The WSIP will deliver capital improvements aimed at enhancing the SFPUC's ability to meet its water service mission of providing high quality water to customers in a reliable, affordable and environmentally sustainable manner. The WSIP includes a total delivery reliability goal of 265 million gallons per day (MGD) of supply with no greater than 20 percent rationing in any one year of a drought.

In approving the WSIP, SFPUC's five-member governing commission (Commission) adopted a Phased WSIP Variant for water supply that was analyzed in its CEQA document. This Phased WSIP Variant established a mid-term water supply planning milestone of 2018 when the Commission is scheduled to reevaluate water demands through 2030. At the same meeting, the Commission also imposed the Interim Supply Limitation (ISL), which limits the volume of water that the member agencies and San Francisco can collectively purchase from the RWS to 265 MGD, until at least 2018. Although the Phased WSIP Variant included this mid-term water supply planning milestone, it also included full implementation of all proposed WSIP improvement projects to insure that the public health, seismic safety, and delivery reliability goals were achieved as soon as possible.

According to the WSIP Regional Projects Quarterly Report for the third quarter of 2012-13, planning, environmental, design, and construction activities are at 99.9 percent, 94.7 percent, 95.7, and 68.6 percent complete, respectively.

3.1.2 2009 Water Supply Agreement

The business relationship between San Francisco and its wholesale customers is largely defined by the 2009 Water Supply Agreement, which replaced the Settlement Agreement and Master Water Sales Contract that expired in June 2009. The 2009 Water Supply Agreement addresses the rate-making methodology used by San Francisco in setting wholesale water rates for its wholesale customers, and water supply and water shortages for the RWS. The 2009 Water Supply Agreement has a 25-year term and is supplemented by Individual Water Supply Contracts.

As described above, the approved WSIP includes an ISL, to limit sales from the San Francisco RWS watersheds to an annual average of 265 MGD through 2018. The 2009 Water Supply Agreement provides for a 184 MGD "Supply Assurance" (expressed on an annual average basis) to SFPUC's wholesale customers and an 81 MGD "Supply Assurance" to San Francisco. These assurances are subject to reduction, to the extent and for the period made necessary by reason of water shortage, due to drought, emergencies, or by malfunctioning or rehabilitation of the RWS. Although the wholesale customers did not agree to the ISL, the 2009 Water Supply Agreement provides a framework for administering the ISL, which is discussed below.

3.1.2.1 Individual Supply Guarantees

MPMWD's Individual Supply Guarantee (ISG), as described in the 2009 Water Supply Agreement and its contract, is 4.465 MGD (or approximately 4,993 AFY).

Although the 2009 Water Supply Agreement and accompanying Water Supply Contracts expire in 2034, the Supply Assurance (which quantifies San Francisco's obligation to supply water to its individual wholesale customers) survives its expiration and continues indefinitely.

The 2010 UWMP provides additional discussion on the supply contracts.

3.1.2.2 Interim Supply Allocations

The Interim Supply Allocations (ISAs) refer to each individual wholesale customer's share of the ISL. On December 14, 2010, the Commission established each agency's ISA through 2018. In general, the Commission based the allocations on the lesser of the projected fiscal year 2017-18 purchase projections or the ISGs. The ISA's are effective only until December 31, 2018, and do not affect the Supply Assurance or the ISGs.

MPMWD's ISA is 4.1 MGD or approximately 4,590 AFY.

As stated in the Agreement, the wholesale customers do not concede the legality of some of the Commission's actions, including establishment of the ISA, and expressly retain the right to challenge these provisions, if and when imposed, in a court of competent jurisdiction.

3.1.3 Water Shortage Allocation Plan

The 2009 Water Supply Agreement includes a Water Shortage Allocation Plan (WSAP) that addresses shortages of up to 20 percent of system-wide use. The Tier One Shortage Plan allocates water from the RWS between San Francisco and the wholesale customers, during system-wide shortages of 20 percent or less. The WSAP also anticipated a Tier Two Shortage Plan, adopted by the wholesale customers, which would allocate the available water from the RWS among the wholesale customers.

3.1.3.1 Tier One Drought Allocations

The Tier One Shortage Plan replaced the prior Interim Water Shortage Allocation Plan (IWSAP), adopted in 2000, which also allocated water for shortages up to 20 percent. The Tier One Plan also allows for voluntary transfers of shortage allocations between the SFPUC and any wholesale customer and between wholesale customers themselves. In addition, water "banked" by a wholesale customer, through reductions in usage greater than required, may also be transferred. Table 3.2 illustrates the Tier One Plan Allocations.

Table 3.2 – Tier 1 Drought Reductions

Level of System Wide Reduction in Water Use Required	Share Available	
	SFPUC Share	Wholesale Customers Share
5% or less	35.5%	64.5%
6% through 10%	36.0%	64.0%
11% through 15%	37.0%	63.0%
16% through 20%	37.5%	62.5%

The Tier One Plan will expire in 2034 at the end of the term of the Agreement, unless extended by SFPUC and the wholesale customers.

3.1.3.2 Tier Two Drought Allocations

The wholesale customers have negotiated and adopted the Tier Two Plan, the second component of the WSAP, which allocates the collective wholesale customer share among each of the 26 wholesale customers. This Tier Two allocation is based on a formula that takes multiple factors for each wholesale customer into account, including:

- The ISG;
- Seasonal use of all available water supplies; and
- Residential per capita use.

The water made available to the wholesale customers collectively, will be allocated among them in proportion to each wholesale customer's Allocation Basis, expressed in MGD, which in turn is the weighted average of two components:

1. The wholesale customer's ISG that is fixed and stated in the Agreement;
2. The Base/Seasonal Component, which is variable and calculated using the monthly water use for three consecutive years prior to the onset of the drought for each of the wholesale customers for all available water supplies.

The second component is accorded twice the weight of the first fixed component in calculating the Allocation Basis. Minor adjustments to the Allocation Basis are then made to ensure a minimum cutback level, a maximum cutback level, and a sufficient supply for certain wholesale customers.

The Allocation Basis is used in a fraction, as numerator, over the sum of all wholesale customers' Allocation Bases to determine each wholesale customer's Allocation Factor. The final shortage allocation for each wholesale customer is determined by multiplying the amount of water available to the wholesale customers collectively under the Tier One Plan, by the wholesale customer's Allocation Factor.

The Tier Two Plan requires that the Allocation Factors be calculated by BAWSCA each year in preparation for a potential water shortage emergency. As the wholesale customers change their water use characteristics (e.g., increases or decreases in SFPUC purchases and use of other water sources, changes in monthly water use patterns, or changes in residential per capita water use), the Allocation Factor for each wholesale customer will also change. However, for long-term planning purposes, each wholesale customer shall use as its Allocation Factor, the value identified in the Tier Two Plan when adopted. The Tier Two Plan will expire in 2018 unless extended by the wholesale customers.

3.1.4 Reliability of the Regional Water System

The SFPUC has historically met demand in its service area in all year types from its watersheds, including the Tuolumne River, the Alameda Creek, and the San Mateo County watersheds. In general, 85 percent of the supply comes from the Tuolumne River through Hetch Hetchy Reservoir and the remaining 15 percent comes from the local watersheds through the San Antonio, Calaveras, Crystal Springs, Pilarcitos, and San Andreas Reservoirs. The adopted WSIP retains this mix of water supply for all year types.

The WSIP includes the following water supply projects to meet dry-year demands, with no greater than 20 percent system-wide rationing in any one year:

- Restoration of Calaveras Reservoir capacity
- Restoration of Crystal Springs Reservoir capacity
- Westside Basin Groundwater Conjunctive Use
- Water Transfer with Modesto Irrigation District (MID) / Turlock Irrigation District (TID)

The SFPUC has provided a projection of water supply reliability. The “Projected System Supply Reliability Based on Historical Hydrologic Period” (letter from P. Kehoe dated February 22, 2010), presents the projected RWS supply reliability under a range of hydrologic conditions and takes into account the impacts of climate change as SFPUC currently understands them.[3] This letter is included in Appendix B.

The reliability projections assume that the wholesale customers purchase 184 MGD from the RWS through 2030 and that SFPUC implements the dry-year water supply projects included in the WSIP. The projections represent the wholesale share of available supply during historical water year types per the Tier One WSAP. The projections do not reflect any potential impact to RWS yield from the additional fishery flows required as part of Calaveras Dam Replacement Project and the Lower Crystal Springs Dam Improvements Project, which are described below.

SFPUC has translated these dry year projections into reductions to the total 184 MGD water supply available to its wholesale customers. SFPUC’s projections indicate that a 10 percent system-wide reduction in supply will occur in a single dry year and up to a 28 percent system-wide reduction will occur in the second and third years of a multiple dry year scenario. This is slightly higher than the mathematical relationship between predicted “average” and “dry years” and reflects some ability to manage dry conditions through system storage.

[3] See MPMWD UWMP for additional discussion.

Table 3.3 illustrates the anticipated reductions in service reliability that could be experienced by MPMWD when wholesale supplies are reduced during single dry and multiple dry water years.

Table 3.3 – SFPUC Reliability – Historical Conditions

Water Supply Sources	Average/Normal Water Year	Single-Dry Water Year	Multiple-Dry Water Years		
			Year 1	Year 2	Year 3
San Francisco PUC (to customers) (AFY)	206,121	170,946	170,946	148,429	148,429
Percent of Average/Normal Year		**83%**	**83%**	**72%**	**72%**
MPMWD Supply (AFY)	4,993.0	4,140.9	4,140.9	3,595.5	3,595.5
MPMWD Percent of Average/Normal Year		**83%**	**83%**	**72%**	**72%**

3.1.4.1 Impact of Recent SFPUC Actions on Dry Year Reliability of SFPUC Supplies

When it adopted the project specific approvals for the Calaveras Dam Replacement Project and the Lower Crystal Springs Dam Improvements Project, which are part of the WSIP, the SFPUC committed to providing fishery flows below Calaveras Dam and Lower Crystal Springs Dam, as well as bypass flows below Alameda Creek Diversion Dam (ACDD). Together, the fishery flow schedules represent a potential decrease in available average annual water supply of 7.4 MGD or 3.9 MGD on Alameda Creek and 3.5 MGD on San Mateo Creek. This could slightly increase the SFPUC's dry-year water supply needs and may result in a need for additional reductions in demand, increases in rationing, or a supplemental supply, each of which are described below. If these supply reductions do occur, they would be temporary. Completion of the WSIP in 2018 will result in design reliability and no more than 20 percent shortfalls.

The potential shortfall related to the fishery flow schedule for the Lower Crystal Springs Dam Improvements Project could begin in 2013. The potential shortfall related to the fishery flow schedule for the Calaveras Dam Replacement Project could begin in 2015.

3.1.4.2 Increase in Supply Rationing

The adopted WSIP provides for a dry year water supply program that, when implemented, would result in system-wide rationing of no more than 20 percent. The Programmatic Environmental Impact Report (PEIR) for the WSIP identified the following drought shortages during the design drought; 3.5 out of 8.5 years at 10 percent rationing and three out of eight and one-half years at 20 percent.

If the SFPUC did not develop a supplemental water supply in dry years to offset the effects of the fishery flows on water supply, rationing would increase during dry years. If the SFPUC experiences a drought between 2013 and 2018, in which rationing would need to be imposed, rationing would increase by approximately one percent in shortage years. Reduced flows for fisheries could require supply rationing to increase from 20 to 21 percent if the maximum design drought occurs between the years 2013 and 2018. After 2018, completion of the WSIP would provide for the reliability goal of system-wide supply rationing of no more than 20 percent.

3.1.4.3 Supplemental Supply

The SFPUC may be able to manage the water supply loss associated with the fishery flows through the following actions and considerations:

- Development of additional conservation and recycling;
- Development of additional groundwater supply;
- Water transfers from MID or TID;
- Increase in Tuolumne River supply;
- Revising the Upper Alameda Creek Filter Gallery Project capacity[4]; and
- Development of a desalination project.

3.1.4.4 Meeting the Level of Service Goal for Delivery Reliability

The SFPUC has stated a commitment to meeting its contractual obligation to its wholesale customers of 184 MGD and its delivery reliability goal of 265 MGD with no greater than 20 percent rationing in any one year of a drought. The Commission is working closely with its staff to develop strategies for meeting the service goal for delivery reliability. In Resolution No. 10-0175 adopted by the Commission on October 15, 2010, staff was directed to provide information on how SFPUC has the capability to attain its water supply levels of service and contractual obligations. This directive was in response to concerns expressed by the Commission and the Wholesale Customers regarding the effect on water supply of the instream flow releases required as a result of the Lower Crystal Springs Dam Improvement Project and the Calaveras Dam Replacement Project.

While the SFPUC has a projected shortfall of available water supply to meet its Level of Service goals and contractual obligations, the SFPUC has stated that current decreased levels of demand keep this from being an immediate problem. Table 3.4 documents this trend in demand reduction.

Table 3.4 – Recent Delivery Trends in SFPUC Service Area (MGD)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Total Deliveries (MGD)	247.5	257	254.1	243.4	225.2

Reference: SFPUC FY09-10 J-Table Line 9 "Total System Usage" plus 0.7 mgd for Lawrence Livermore National Laboratory use and 0.4 mgd for Groveland. No groundwater use is included in this number. Unaccounted-for-Water is included.

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[4] The adopted WSIP included the Alameda Creek Fishery Enhancement project, since renamed the Upper Alameda Creek Filter Gallery (UACFG) project, which had the stated purpose of recapturing downstream flows released under a 1997 California Department of Fish and Game Memorandum of Understanding (MOU). Implementation of the UACFG project was intended to provide for no net loss of water supply as a result of the fishery flows bypassed from ACDD and/or released from Calaveras Dam. At the time the PEIR was prepared, the UACFG was described in the context of recapturing up to 6,300 AFY. The UACFG will undergo a separate CEQA process in which all impacts associated with the project will be analyzed fully.

However, in the near future, the SFPUC must resolve these issues. Various activities are underway by the SFPUC to resolve the shortfall problem. SFPUC has reported regularly on future water supply and demand balances, most recently in its 2012 Water Supply Development Report (December 3, 2012). In that report, SFPUC documented that it had implemented the Harding Park Recycled Water Project and was nearing completion on its Sharp Park Recycled Water Project, bringing new non-potable water supplies into the service area. The 2012 Water Supply Development Report also documents planning progress made by BAWSCA.

The 2012 Water Supply Development Report indicates that projected demands can be met with available supplies and will total less than 265 MGD in 2035. While this report supports the near-term reliability of the system, SFPUC continues to acknowledge the need to develop alternative supply strategies to make up for the instream flow reductions losses and to meet long-term demands beyond the 2018 ISL deadline.

3.2 Bay Area Water Supply and Conservation Agency

BAWSCA was created on May 27, 2003, to represent the interests of the 26 agencies that purchase water on a wholesale basis from the San Francisco RWS. MPMWD is a member of BAWSCA, which is the only entity that has the authority to directly represent the needs of the wholesale customers that depend on the RWS. BAWSCA also has the authority to coordinate water conservation, water supply and water recycling activities for its member agencies; acquire water and make it available to other agencies on a wholesale basis; finance projects, including improvements to the RWS; and build facilities jointly with other local public agencies or on its own to carry out the agency’s purposes. There are two significant BAWSCA activities that impact MPMWD’s water supply and demand projections; the Water Conservation Implementation Plan (WCIP) and the Long Term Reliable Water Supply Strategy.

3.2.1 Water Conservation Implementation Plan

In September 2009, BAWSCA completed the WCIP (http://bawsca.org/docs/WCIP_FINAL_Report.pdf). The WCIP includes 37 potential demand management activities, including 32 existing measures and five new measures that were defined and developed as part of the WCIP. It is an implementation plan for BAWSCA and its member agencies to attain the water use efficiency goals that BAWSCA’s member agencies committed to in 2004 as part of the PEIR for the WSIP. The WCIP also identifies how BAWSCA member agencies can use water conservation as a way to continue to provide reliable water supplies to their customers through 2018 given the SFPUC’s 265 MGD ISL. The WCIP included development of a mathematical model for each BASWCA member agencies’ conservation program.

MPMWD is working with BAWSCA to implement water conservation programs. Water conservation efforts support the ISL commitments and allow each supplier to meet the 2020 water use target adopted with the 2010 UWMPs.

3.2.2 Long-Term Reliable Water Supply Strategy

BAWSCA is developing the Long-Term Reliable Water Supply Strategy (BAWSCA Strategy) to meet the projected water needs of its member agencies and their customers through 2035 and to increase their water supply reliability under normal and drought conditions. The BAWSCA Strategy is proceeding in three phases.

Phase I was completed in 2010 and defined the magnitude of the water supply issue and the scope of work for the BAWSCA Strategy. The original schedule for the BAWSCA Strategy identified January 2013 as the end of the planning phase. As a result of the significant changes in projected water demands and supply needs, which directly impact the results necessary from the BAWSCA Strategy, the schedule for completing the BAWSCA Strategy has been revised. On July 3, 2012, BAWSCA released the "Strategy Phase II A" document which presented the results of the work to date including the following three recommended actions for consideration by the BAWSCA Board:

- Complete the Reprogrammed Phase II A work and other identified work to complete the BAWSCA Strategy;
- Develop a plan for a pilot water transfer with East Bay Municipal Utility District or Santa Clara Valley Water District; and
- Update the demand and water conservation projections for BAWSCA member agencies using a common methodology.

The BAWSCA Board adopted the necessary recommendations at its meeting in September 2012. The current schedule shows completion of the BAWSCA Strategy by December 2014. The development and implementation of the BAWSCA Strategy will be coordinated with the BAWSCA member agencies and will be adaptively managed to ensure that the goals of the BAWSCA Strategy (increased normal and drought year reliability) are efficiently and cost-effectively being met.

3.3 Groundwater

MPMWD does not currently utilize groundwater, but has evaluated several well sites in order to supplement its emergency potable and fire water supply. Construction for the first of two or three wells will begin in late 2013/early 2014. As discussed in its 2010 UWMP, MPMWD has conducted a series of preliminary studies and is actively pursuing the development of a well-field that could produce up to 3,000 gallons per minute (GPM) (approximately 4.32 MGD). MPMWD plans to permit the supply as an active well field for emergency use under California Department of Public Health's (DPH's) rules. Emergency supplies can be used for five (5) consecutive days and for less than 15 days per year. MPMWD anticipates this supply would help it address short-term service interruptions, but would not provide long-term additional supply volume. MPMWD's 2010 UWMP provides additional detail on the geology of the groundwater basin and studies regarding safe yield of the basin.

4 Water Demands

4.1 MPMWD's UWMP Water Demand Projection

In its 2010 UWMP, MPMWD developed demand projections taking into account anticipated growth patterns and the per capita demand reduction requirements of the SBx7-7. SBx7-7 became effective on January 1, 2010 and requires each urban water supplier to develop a baseline per capita water use (baseline) and 2015 and 2020 water use targets. The targets generally reflect a 10 percent and 20 percent reduction from the baseline, respectively.[5]

In its 2010 UWMP, MPMWD:

- Defined baseline use as 262 gallons per capita per day (gpcd), based on water use in the period from 1996 until 2005;
- Adopted a 2015 interim target of 236 gpcd; and
- Adopted a 2020 target of 210 gpcd.

In its 2010 UWMP, MPMWD acknowledged that water use in its CII class was significantly below 2005 levels, likely reflecting the effects of economic recession. The 2010 UWMP assumed that CII demands would return to 2005 levels by 2015, reflecting planned development and economic growth. Because SBx7-7 requires overall demand reductions by 2015 and 2020, MPMWD developed a water conservation strategy that balanced meeting its water use targets while acknowledging the need for economic growth.

To meet its 2015 water use targets, MPMWD calculated that it needed to achieve 0.25 MGD in demand reductions from its 2005 level. MPMWD is planning on achieving a 10 percent reduction in demand for its residential customer classes and a two percent savings in its landscape class to meet this target.

In order to meet its 2020 water use targets, MPMWD calculated it needed to achieve 0.62 MGD in demand reductions from 2005 levels. MPMWD is planning on achieving an additional nine percent reduction in demand for its residential customer classes, an additional 10 percent savings in its landscape class and a nine percent savings in its CII class between 2015 and 2020, to meet the target.

MPMWD's current demand model demonstrates that MPMWD is on track to achieve 0.36 MGD in saving, from 2005 levels, due to building code changes and its existing demand management program, illustrating that MPMWD will not only meet but exceed its 2015 target. MPMWD's 2010 UWMP indicated the need to identify three or four additional BAWSCA programs to participate in between 2015 and 2020 to achieve the 2020 target. Because the BAWSCA program includes 37 demand management measures (DMMs), MPMWD has a range of proven strategies to work with. The UWMP also identified the need to increase water conservation spending by approximately one percent per year to meet the

[5] There are four methods for calculating water use targets and the methods may yield different results. MPMWD's 2010 UWMP provides a detailed discussion of the baseline and target calculation.

targets. MPMWD will use BAWSCA's regional reporting process to track demand management progress on an annual basis.

Table 4.1 illustrates MPMWD's demand projections as outlined in its 2010 UWMP. The table illustrates that within its 2010 UWMP, MPMWD planned on very modest residential growth. It anticipated only 59 new single family accounts and 24 new multi-family accounts over the 25 year planning period.

Table 4.1 – MPMWD Current & Projected Water Deliveries in 2010 UWMP

	2010		2015		2020		2025		2030		2035	
Water Use Sectors	# of Accounts	Deliveries AFY	# of Accounts	Deliveries AFY	# of Accounts	Deliveries AFY	# of Accounts	Deliveries AFY	# of Accounts	Deliveries AFY	# of Accounts	Deliveries AFY
Single family	3,390	1,171.0	3,401	1,053.9	3,413	959.0	3,425	962.4	3,437	965.7	3,449	969.1
Multi-family	183	333.0	187	299.7	192	272.7	197	279.6	202	286.7	207	293.9
CII*	448	1,366.0	474	1,867.0	496	1,680.3	520	1,742.9	544	1,808.2	570	1,876.7
Landscape	121	436.0	121	428.0	126	400.0	126	400.0	126	400.0	126	400.0
Other	6	85.0	5	96.3	5	87.7		86.8		88.6		90.5
Total	**4,148**	**3,391.0**	**4,188**	**3,744.9**	**4,232**	**3,399.7**	**4,268**	**3,471.7**	**4,309**	**3,549.2**	**4,352**	**3,630.2**

4.2 Project Specific Water Demand Projections

4.2.1 Indoor Water Demand Projections

The Project Sponsor is proposing to develop the two proposed buildings on the site in a manner that can accommodate office or combined office/biotech/ R&D uses. The Project Sponsor has provided plans which illustrate this concept; specifically, the first floors of both buildings are designed to allow for biotech and R&D uses, whereas, the second through fourth floors are designed solely for conventional office uses. The first floor of each building also contain communal cafeteria and shower facilities that are available to all employees working in the building.

In order to estimate the water use in the buildings, separate methodologies were used for the office/cafeteria/shower areas and the areas proposed for R&D and uses. These methods are described below.

4.2.1.1 Calculation of Water Use in the Office, Cafeteria and Shower Areas

For the office, cafeteria and shower areas, water use has been developed based on building occupancy and fixture use. This methodology follows the methodology used in the 2010 California Green Building Standards Codes (Cal Green), which the City adopted effective January 1, 2012. These Codes are the adopted standard for equating building occupancy to water use, using a formula that includes occupancy, fixture flow rates, frequency of fixture use and duration of fixture use. The occupant is proposing 650 employees in each building for a total of 1300 occupants. Some of these occupants will work on the first floor in the R&D area and the remainder will work in the office areas.

The first step in estimating water use was to allocate the occupants by floor and across the proposed fixture units. This first step is presented in the top half of Table 4.2, labeled “Number of Building Occupants Using Fixture Units by Floor” and described herein. The average occupancy is calculated as 162 or 163 persons per floor (650 /4 = 162.5). The analysis also assumes that there is a relatively even distribution of men and women among the work force (e.g. 81 or 82 men and 81 or 82 women per floor). On the second through fourth floors, these occupants are allocated to the various water using fixtures including lavatories, toilets, urinals, drinking fountains and sinks. Men and women are allocated slightly differently because women will not use the urinals but will use the toilets more frequently. For the first floor, occupants are not allocated to lavatories, toilets, urinals, drinking fountains or sinks because this water use is included in the square foot allowance for R&D uses described in Section 4.2.1.2. However, the first floor shower and cafeteria sinks are assumed to be available to all 650 employees in each building. This results in a total occupancy load of:

- 1300 occupants for the cafeteria and showers (all occupants of both buildings)
- 976 occupants for the lavatories and sinks (1300 less the 162 occupants of each of the first floors whose water use is accounted for in the R&D uses)
- 488 occupants for the urinals and male and female toilets (equal distribution of 976 occupants as male and female with the assumption that first floor water use is covered with R&D factor).

The second step is to develop the water use based on the calculated occupancy and fixture flow rates, fixture use and duration of use. This follows the methodology used in Cal Green’s worksheets and is illustrated in the bottom half of Table 4.2 which is labeled “Fixture Based Calculations for Office, Shower and Kitchen Uses”.

The fixture flow rates used in Table 4.2 are based on USE PA Energy Star Standard Fixtures.

The fixture durations used in Table 4.2 are brought forward from Cal Green Part 11 Chapter 8 (July 2012 Supplement), specifically WS-2, for lavatories, urinals, water closets, drinking fountains and all sinks. For the dishwashers, the duration is set at 1 cycle. The model WS-2 worksheet is included as Appendix D.

For lavatories, urinals, water closets and hand sinks, the daily number of uses by each occupant, used in Table 4.2, are also brought forward from Cal Green Part 11 Chapter 8 (July 2012 Supplement), specifically WS-2.

Cal Green does not provide set guidance for the daily number of uses associated with drinking fountains, showers or kitchen facilities. The daily number of uses for these fixtures, used in Table 4.2, has been estimated as follows:

- 10% of occupants use building showers daily
- 100% of occupants use drinking fountain once daily
- 100% of occupants use one meal place setting daily and the commercial dishwasher cleans 40 place settings per load. This results in 32.5 loads per day (1300 place settings/40 per load) and an average use of 0.025 loads per person per day (32.5 loads/1300 people)
- 50% of the occupants use the smaller kitchen sink for light rinsing daily

- 25% of the occupants use the two-chamber sink for larger cleaning activities daily.

Lavatory use can be used as an example of the calculations performed in Table 4.2. For the lavatories:

Daily Water Use = Fixture Flow Rate x Duration x Number of Uses x Occupants

Fixture Flow Rate = 0.4 gallons/minute (Energy Star Standard)
Duration = 0.25 minutes/use (Cal Green Worksheets)
Number of Uses = 3/day (Cal Green Worksheets)
Occupants = 976 (1300 less the occupants of the first floors in each building)

Daily Water Use = 0.4 gpm x 0.25 minutes/use x 3 uses daily x 976 users = 293 gallons per day

Table 4.2 performs similar calculations for all the fixtures in the office, kitchen and shower area and results in a projected water use of 13.77 AFY or 0.012 MGD.

Table 4.2 –Indoor Water Usage for Office, Kitchen and Showers

Number of Building Occupants Using Fixtures by Floor (1)										
Location	**Lavatory**	**Urinal**	**Water Closet - Men**	**Water Closet - Women**	**Shower (2)**	**Drinking Fountain**	**Dish Washer (2)**	**Kitchen Sink (2)**	**Kitchen Sink - Two Chamber (2)**	**Hand Sink**
Building 1										
4th Floor	163	81	81	82	0	163	0	0	0	163
3rd Floor	163	81	81	81	0	163	0	0	0	163
2nd Floor	162	82	82	81	0	162	0	0	0	162
Ground Floor (3)	0	0	0	0	650	0	650	650	650	0
Building 2										
4th Floor	163	81	81	82	0	163	0	0	0	163
3rd Floor	163	81	81	81	0	163	0	0	0	163
2nd Floor	162	82	82	81	0	162	0	0	0	162
Ground Floor (3)	0	0	0	0	650	0	650	650	650	0
Occupancy Load for Cal Green Calculation	976	488	488	488	1300	976	1300	1300	1300	976

Fixture-Based Calculations for Office, Shower and Kitchen Uses										
	Lavatory	**Urinal**	**Water Closet - Men**	**Water Closet - Women**	**Shower**	**Drinking Fountain**	**Dish Washer**	**Kitchen Sink**	**Kitchen Sink - Two Chamber**	**Hand Sink**
Flow Rate (4)	0.4	0.5	1.28	1.28	2	0.4	4.5	1.8	1.8	1.8
	gpm	gpf	gpf	gpf	gpm	gpm	gallons/cyle	gpm	gpm	gpm
Duration (5)	0.25	1	1	1	5	0.25	1	4	4	0.25
	min	flush	flush	flush	min	min	cycle	min	min	min
Daily Uses (6)	3	2	1	3	0.1	1	0.025	0.5	0.25	1
Occupancy Load for Cal Green Calculation	976	488	488	488	1300	976	1300	1300	1300	976
Total Water Use in gpd	293	488	625	1,874	1,300	98	146	4,680	2,340	439
(flow rate *duration*daily uses*occupancy)										
						Subtotal for Office Uses in gpd				**12,282**
						Subtotal for Office Uses in MGD				**0.012**
						Subtotal for Office Uses in AFY				**13.77**

Notes:

1) Based on 650 equally distributed employees in each building with 50% male and 50% female. Fixture types from applicant provided plan set
THE SOBRATO ORGANIZATION - 151 Commonwealth Menlo Park - 2x 124,959 sf buildings + 5,000 sf cafeteria per building
Estimate Utility Loads & Existing Service Size - Kier & Wright PN A 11089-2 - Current A/O 08 April 2013
P:\2011 Jobs\112943.Commonwealth\01-CADD\DD\ICF-EIR Comments\A130408 - Estimated utility loads incl labs and cafateria1.doc
2) Assumes all building occupants have access to the shower and kitchen facilities
3) Water use from ground floor lavatories, urinals, water closets, drinking fountains & hand sinks is included in square foot value for R&D use
4) Flow rates are based on USEPA Energy Star fixtures and appliances
5) Durations have been brought forward from Cal Green Part 11 Chapter 8 (July 2012 Supplement)
6) Daily uses for lavatories, urinals, water closets and hand sinks have been brought forward from Cal Green Part 11 Chapter 8. Remaining uses as follows:
Showers: assume 10% of occupants use building showers
Drinking Fountains: assume 100% of occupants use drinking fountain once daily
Dishwasher: assume 100% of occupants use one place setting daily. Commercial dishwasher cleans 40 place settings per load. Total daily loads = 1300/40 = 32.5. Number of dishwasher loads/occupant/day = 32.5/1300 or 0/025
Kitchen Sink: Assume 50% of the occupants use the kitchen sink daily
Two-chamber sink is assumed to be used for cleaning larger pots and pans after food preparation and service. Assume 25% of occupants engage in food preparation.

4.2.1.2 Research and Development Water Use Factor

For the portion of the first floors that are anticipated to be developed in R&D uses, water use may be more intensive than that predicted by the Cal Green methodology. In order to take this into account, indoor water use for these areas has been calculated using a square footage factor of 0.155 gallons per square foot per day, which reflects the historical water use pattern for this type of facility in the City.

The first floor areas devoted to R&D uses were calculated by taking the total first floor area and subtracting the areas devoted to the cafeteria and showers, which have already been accounted for. Based on information provided by the applicant, each first floor has a total area of 31,782 square feet, the cafeterias have an area of 5,000 square feet each and the showers have an area of 306 square feet each.[6] This results in a first floor RD area of 26,476 square feet in each building.

Table 4.3 illustrates the application of the demand factor to the first floor square footage devoted to R&D uses and results in a projected water use of 9.2 AFY or 0.008 MGD.

Table 4.3 - Indoor Water Usage for Research and Development Area

Location	Square Footage	Demand Factor (gpd/sf)*	Total Demand		
			gpd	MGD	AFY
Building 1	26,476	0.155	4,104	0.004	4.60
Building 2	26,476	0.155	4,104	0.004	4.60
Subtotal for R&D Uses	**52,952**		**8,208**	**0.008**	**9.20**

*Cal Water South San Francisco Area median water demands for R&D users - Menlo Gateway WSA 06/09

The total projected indoor water demand for the Project is the sum of these uses and is estimated to be 23 AFY or 0.020 MGD.

4.2.2 Irrigation Water Demand Projections

Landscape plans were developed for the Project and submitted by the Project Sponsor. The Project Sponsor also provided the City with the annual estimated total water use (ETWU) for the two project parcels, as required by the City's Water Efficient Landscape Ordinance. According to the calculations provided by the Project Sponsor, the projected irrigation demand for the Project is 5.5 AFY or 0.005 MGD.

Copies of the outdoor water use efficiency checklists and calculations sheets are presented in Appendix C.

[6] From "Conceptual First Floor Space Plan AT12.11" dated 07-17-12 and available at http://www.menlopark.org/projects/comdev_commonwealth_plans.htm.

4.2.3 Water Demand Credits

As described previously, the Project's Jefferson parcel is currently developed with a 20,462 square foot warehouse, which will be demolished. The Jefferson parcel will be redeveloped to provide access to the Commonwealth parcel, as well as to be used as an employee recreation area including ornamental landscaping and a sports turf area.

The historical water use for the Jefferson parcel was reviewed during the preparation of this WSA. The four-year average annual water use for the Jefferson parcel from 2009 through 2012 is 259,182 gallons per year, or 0.8 AFY. That volume of water is being subtracted from the projected water demand for the Project for the purposes of calculating additional demand on the MPMWD's supply.

The Project's Commonwealth parcel is currently developed with a single-story industrial building and associated structures totaling approximately 217,396 square feet. The parcel development also includes irrigated landscape. The water use for this parcel dropped significantly in the years 2011 and 2012 compared to water use in previous years, due to site use changes. The water consumption at that parcel in the year 2012, when the Project Notice of Preparation (NOP) was filed, is being considered the baseline for that parcel. The 2012 use for that parcel was 6.7 AFY or 0.006 MGD. That volume of water is being subtracted from the projected water demand for the Project for the purposes of calculating net projected water demand.

4.2.4 Summary of Project Water Demands

Based on the Project Description and in order to allow for maximum flexibility in future development and buildout, the Project's water demand has been calculated assuming office uses on floors two through four of both buildings and R& D uses on the first floors of both buildings. The Project's total demand for indoor and outdoor water use combined is estimated to be 28.5 AFY, including 23 AFY for indoor uses, 4.0 AFY for landscape use on the Commonwealth site and 1.5 AFY for outdoor use on the Jefferson site. With the 0.8 AFY credit for existing water use on the Jefferson site, and 6.7 AFY credit for existing water use on the Commonwealth parcel, the total new (net) demand on MPMWD's supply is 21 AFY or approximately 0.02 MGD. This calculation is summarized in Table 4.4

Table 4.4 – Adjusted Project Water Demands

Use Category	Gallons Per Year	AFY	MGD
Total Indoor Water Use	7,478,839	23.0	0.020
Landscape Water Use, Commonwealth Drive	1,291,692	4.0	0.004
Landscape Water Use, Jefferson Drive	485,910	1.5	0.001
Water Use Credit, Commonwealth Credit	-2,171,444	-6.7	-0.006
Water Use Credit, Jefferson Credit	-259,182	-0.8	-0.001
Total Demand	**6,825,815**	**21.0**	**0.019**

Based on information provided by the Project Sponsor, it is assumed that the Project will be completed in 2015 and that the water demand for the Project will remain consistent for the UWMPs planning horizon, as illustrated below in Table 4.5.

Table 4.5 – Project's Water Demands (AFY)

Planned Water Use	Totals (GPY)	2015	2020	2025	2030	2035
Total Indoor Water Use	7,478,839	23.0	23.0	23.0	23.0	23.0
Landscape Water Use, Commonwealth Drive	1,291,692	4.0	4.0	4.0	4.0	4.0
Landscape Water Use, Jefferson Drive	485,910	1.5	1.5	1.5	1.5	1.5
Water Use Credit, Commonwealth Drive	(2,171,444)	-6.7	-6.7	-6.7	-6.7	-6.7
Water Use Credit, Jefferson Drive	(259,182)	-0.8	-0.8	-0.8	-0.8	-0.8
Total	**6,825,815**	**21.0**	**21.0**	**21.0**	**21.0**	**21.0**

4.3 Additional Approved Demands

4.3.1 Menlo Gateway Project

The City has already approved a WSA for the Menlo Gateway Project[7]. That WSA included a "first phase" demand projection 46 AFY (0.041 MGD) associated with a specific development proposal and a "build out" demand projection of 153 AFY (0.137 MGD). The "build out" demand projection assumed the Menlo Gateway site is developed to its full allowable potential. Table 4.6 presents the projected water uses to year 2035 associated with both Phase 1 and Maximum Allowable Development at the Menlo Gateway Project site.

Table 4.6 – Menlo Gateway Project Demands (AFY)

Planned Water Use Menlo Gateway	2015	2020	2025	2030	2035
Menlo Gateway Project	46	46	46	46	46
Additional Allowable	107	107	107	107	107
Total	**153**	**153**	**153**	**153**	**153**

4.3.2 Facebook Campus Project

The City has already approved a WSA for the Menlo Park Facebook Campus Project[8]. The Facebook Campus Project includes both the 57-acre East Campus, as well as the 22-acre West Campus, located in the City adjacent to Highway 84 and east of US 101. The Project is phased in nature, with the first phase including occupation of the previously developed East Campus, followed by the second phase which includes construction of a new approximately 433,555 square foot building at the West Campus.

Table 4.7 presents the projected water uses to year 2035 associated with both the East and West Campuses.

[7] Water Supply Assessment for the Menlo Gateway Project (PBS&J, 2009)

[8] Water Supply Assessment for the Menlo Park Facebook Campus Project (Winzler & Kelly, 2011).

Table 4.7 – Facebook Campus Project Water Demands (AFY)

Planned Water Use - Facebook	2015	2020	2025	2030	2035
East Campus	54.00	54.00	54.00	54.00	54.00
West Campus	32.70	65.40	65.40	65.40	65.40
Total	**86.70**	**119.40**	**119.40**	**119.40**	**119.40**

4.3.3 City of Menlo Park Housing Element Update

The City has already approved a WSA for its Housing Element Update[9]. Because the Housing Element Update proposed new housing throughout the City, it affected the demand projections for both the Cal Water and MPMWD service areas. The WSA for the Housing Element Update reviewed two potential implementation scenarios. Scenario 1 assumed that the Housing Element Update would be implemented in a manner that maximized future demands on MPMWD's system and Scenario 2 assumed the Housing Element Update would be implemented in a manner that maximized the future demands on Cal Water's system. This WSA includes review of Housing Element Update Scenario 1, in order to review MPMWD's water supply in light of the maximum potential demand.

Housing Element Update Scenario 1 assumes 1,015 new residential units in the MPMWD service area including 900 units as a result of rezoning and 115 second units. The total water demand from these units is 118.2 AFY (0.11 MGD). The City plans to implement its Housing Element Update by 2035. Table 4.8 illustrates the maximum demand associated with the Housing Element Update on MPMWD's service area.

Table 4.8 – Housing Element Update Water Demands (AFY)

Planned Water Use -Housing Element Update	2015	2020	2025	2030	2035
New MFR Use	76.1	87.4	98.7	110	118.2
Total MFR Use included in Housing Element WSA	375.8	357.4	371.4	382.7	390.9

4.4 Comparison to the 2010 UWMP

Within the 2010 UWMP, MPMWD projected water use for the Single Family Residential (SFR), Multi-family Residential (MFR), CII, Landscape and "Other" Classes. This section presents the comparison between the projections in the 2010 UWMP and the projections included in the various WSAs. The sufficiency analysis, presented in Chapter 5 will be based upon the 2010 UWMP or approved project projections, if they are higher than the projections made in the 2010 UWMP.

4.4.1 Single Family Residential Sector

The City has not adopted any WSAs for the SFR sector. The sufficiency analysis will be based on the 2010 UWMP, which assumed very modest growth and aggressive conservation activities for this sector.

[9] Water Supply Assessment for the City of Menlo Park Housing Element Update (GHD, 2013)

4.4.2 Multi-family Residential Sector

As described above, the Housing Element Update resulted in increased growth projections for the MFR sector. The sufficiency analysis will be based on the total projected MFR demand in the Housing Element WSA.

4.4.3 Commercial Industrial and Institutional Sector

In its 2010 UWMP, MPMWD projected that demands in the CII sector would increase from 1,366.0 AFY (1.219 MGD) in 2010 to 1,876.7 AFY (1.675 MGD) in 2035, an increase of 510.7 AFY or 0.456 MGD. The Project will result in a net increase of 21 AFY (0.02 MGD). The Menlo Gateway Project will add a demand of 153 AFY (0.137 MGD). The Facebook Campus Project will add a demand of 119.4 AFY (0.107 MGD). Together these three projects add a total of 293.4 AFY (0.26 MGD) which is within the CII sector's projected growth as described in the 2010 UWMP. Table 4.9 illustrates the comparison between the 2010 UWMP and the approved projects for the CII Sector. Because the Project, together with other approved projects, falls within the water use allowance made for the CII sector in the 2010 UWMP, the sufficiency analysis in Chapter 5 will be based on the total 2010 UWMP projections. When the UWMP was completed, projections were required to the year 2030. Projections that were made beyond that to 2035 were optional additions included by the City.

Table 4.9 – CII Sector Water Use – Comparison to 2010 UWMP (AFY)

	2010	2015	2020	2025	2030	2035
Total 2010 UWMP Projections - CII Sector	1,366.0	1,867.0	1,680.0	1,742.9	1,808.2	1,876.7
Projected CII Demands - Approved & Pending Projects						
Existing Demands	1,366.0	1,366.0	1,366.0	1,366.0	1,366.0	1,366.0
Menlo Gateway	0	153.0	153.0	153.0	153.0	153.0
Facebook	0	86.7	119.4	119.4	119.4	119.4
Commonwealth (Project)	0	21.0	21.0	21.0	21.0	21.0
Subtotal	1,366.0	1,626.7	1,659.4	1,659.4	1,659.4	1,659.4
Surplus (Deficit) CII Sector Allowance	0	240.3	20.6	83.5	148.8	217.3

4.4.4 Landscape and Other Sectors

The City has not adopted any WSAs that deal specifically with the Landscape or Other sectors, although new landscape demands have been accounted for in the adopted WSAs for the MFR and CII sectors. The sufficiency analysis will be based on the 2010 UWMP, which assumed very modest growth and aggressive conservation activities for in the landscape sector.

Table 4.10 summarizes and compares the demands included in the 2010 UWMP and the demands that will be used in this sufficiency analysis.

Table 4.10 - Comparison of Total Water Use 2010 UWMP and this WSA

	2015	2020	2025	2030	2035
Total 2010 UWMP Projections					
Single Family Residential	1053.9	959	962.4	965.7	969.1
Multi-Family Residential	299.7	272.2	279.6	286.7	293.9
CII	1,867.0	1,680.0	1,742.9	1,808.2	1,876.7
Landscape	428.0	400.0	400.0	400.0	400.0
Other	96.3	87.7	86.8	88.6	90.5
Total	**3,744.9**	**3,398.9**	**3,471.7**	**3,549.2**	**3,630.2**
Demand Projections for this WSA					
Single Family Residential (1)	1,053.9	959.0	962.4	965.7	969.1
Multi-Family Residential (2)	375.8	357.4	371.4	382.7	390.9
CII (3)	1,867.0	1,680.0	1,742.9	1,808.2	1,876.7
Landscape (1)	428.0	400.0	400.0	400.0	400.0
Other (1)	96.3	87.7	86.8	88.6	90.5
Total	**3,821.0**	**3,484.1**	**3,563.5**	**3,645.2**	**3,727.2**

(1) From 2010 UWMP
(2) Includes increased demands from Housing Element WSA Scenario 1.
(3) Includes all approved WSAs and Project demands which fall within UWMP allowance.

4.5 Demand Management

MPMWD is a member of the BAWSCA and through that agency participates in a well-developed regional water conservation program that focuses on a wide range of innovative conservation strategies. MPMWD is not a signatory to the California Urban Water Conservation Council's (CUWCC's) MOU and it does not implement CUWCC's Best Management Practices (BMPs). MPMWD implements demand management measures consistent with BAWSCA's program.

In 2008, BAWSCA began the preparation of its WCIP. This in-depth effort outlined current and planned conservation strategies for each of the member agencies and had two primary goals:

- To develop an implementation plan for BAWSCA and its member agencies to attain the water efficiency goals that the agencies committed to achieving in 2004 as part of the Program EIR for SFPUC's WSIP; and
- To identify how BAWSCA member agencies could use water conservation as way to continue to provide reliable water supplies to their customers through 2018 given the 184 MGD ISL.

The WCIP included an analysis of 32 existing demand management measures and five "New Measures" defined during the development of the WCIP. The analysis was performed using the proprietary *Demand Side Management Least Cost Planning Decision Support System* or DSS Model, which prepared 30-year total water demand projections. This enables a more accurate assessment of the impact of water efficiency programs on demand. For each measure, the DSS Model also performed a benefit cost analysis using net present value and benefit-to-cost ratio as economic factors.

From this analysis, BAWSCA and its member agencies developed “Core” and “Subscription” conservation activities. BAWSCA undertakes these activities on behalf of its members which results in coordinated regional messaging and implementation regarding water conservation. BAWSCA has worked, and continues to work, to secure grant funding to assist in these activities. As described in Section 4.1, MPMWD committed to undertaking nine of the 32 “existing measures” and will work with BAWSCA on developing the five “New Measures.” In its 2010 UWMP, MPMWD demonstrated that these activities, plus changes in building and plumbing codes, will allow it to exceed its 2015 SBx7-7 target. In its 2010 UWMP, MPMWD identified the need to implement three or four measures beyond the existing nine it is currently undertaking, in order to meet its 2020 SBx7-7 target.

As described in Section 4.1 above, while the WCIP did not focus specifically on SBx7-7 compliance, it provides both the policy framework and analytical basis for BAWSCA member agencies to implement demand management measures and track their progress with respect to targets and goals.

5 Sufficiency Analysis & Conclusions

5.1 Sufficiency Analysis

SB 610 requires that the Lead Agency make findings related to supply sufficiency under the normal, single dry and multiple dry year planning scenarios.

The adopted WSIP provides for a dry year water supply program that, when implemented, would result in system-wide rationing of no more than 20 percent. Based on the hydrologic record presented in Appendix B, the SFPUC projects a 10 percent system-wide reduction in supply will occur in a single dry year and a 20 percent system-wide reduction will occur in multiple dry years. As described in Section 3, these reductions are allocated according to a two part formula. The Tier One formula allocates reductions on a straight-line basis between the SFPUC and its wholesale customers. For example, in a single dry year, SFPUC would receive a 10 percent reduction and the wholesale customers would receive a 10 percent reduction. The Tier Two formula, which is administered by BAWSCA, allocates the wholesale customer's reduced supply to each customer. This Tier Two allocation is based on a formula that takes multiple factors for each wholesale customer into account, including:

- Individual Supply Guarantee;
- Seasonal use of all available water supplies; and
- Residential per capita use.

As the wholesale customers change their water use characteristics (e.g., increases or decreases in SFPUC purchases and use of other water sources, changes in monthly water use patterns, or changes in residential per capita water use), the Allocation Factor for each wholesale customer will also change. Recent Tier Two calculations have indicated that MPMWD would receive slightly less water than a straight-line allocation would suggest (i.e., a 10 percent system wide reduction in the SFPUC supply would result in more than a 10 percent reduction for MPMWD).

While the demands associated with this Project fall within the CII demand projection allowance made in MPMWD's 2010 UWMP, overall demands on the system have increased because of increased residential units proposed by the City's Housing Element Update. Therefore, this chapter presents a revised analysis taking into account the Project and the additional approved demands outlined in Table 4.10.

Comparisons of supply and demand under normal and single dry years are included in Tables 5.1 through 5.2 below. These tables demonstrate that the supply exceeds the projected demand, indicating that MPMWD will not experience water shortages in normal or single dry years over the 20 year planning period.

Table 5.1 – Supply and Demand Comparison – Normal Year (AFY) (including Housing Scenario 1)

	2015	2020	2025	2030	2035
Supply Totals	4,993.0	4,993.0	4,993.0	4,993.0	4,993.0
Demand Totals	3,821.0	3,484.1	3,563.5	3,645.2	3,727.2
Difference (supply minus demand)	1,172.0	1,508.9	1,429.5	1,347.8	1,265.8
Difference as % of Supply	23%	30%	29%	27%	25%
Difference as % of Demand	31%	43%	40%	37%	34%

Table 5.2 –Supply and Demand Comparison – Single Dry Year (AFY) (including Housing Scenario 1)

	2015	2020	2025	2030	2035
Supply Totals	4,140.9	4,140.9	4,140.9	4,140.9	4,140.9
Demand Totals	3,821.0	3,484.1	3,563.5	3,645.2	3,727.2
Difference (supply minus demand)	319.9	656.8	577.4	495.7	413.7
Difference as % of Supply	8%	16%	14%	12%	10%
Difference as % of Demand	8%	19%	16%	14%	11%

Table 5.3 provides a summary of the multiple dry year supply and demand comparisons. The 2010 UWMP documented that water supply was adequate to meet demands in the first multiple dry year, but that in the second and third dry years MPMWD could experience a water shortage of up to four percent until the year 2015. The UWMP further states that after 2015, the demand management required by SBx7-7 is generally sufficient to assure that demands do not exceed supply in the multiple dry year scenarios until after 2030.

While the Project's projected demand falls within the 2010 UWMP's allowance for the CII sector, the total demand on MPMWD's water supply has been increased because of the Housing Element Update. This total increase is modest and is not sufficient to significantly impact the MPMWD's supply sufficiency. Based on the most current land use proposals, including the Project and Housing Element Update, it is estimated that there would still be adequate supply to meet demands in the first year of a multiple year drought scenario. If a multiple dry year scenario occurs before 2015, it is projected that there could be a supply deficiency up to six percent, a slight increase from the four percent projected in the 2010 UWMP. This increase is a result of the additional demands from the Housing Element Update, not from implementation of the Project. After 2015, the combination of supply improvements and demand reductions results in sufficient supply under all hydrologic conditions through 2025. After 2025, it is estimated that demand could exceed supply by up to four percent, a slight increase from the one percent projected in the 2010 UWMP and again resulting from the increased demands associated with the Housing Element Update, not the specific Project demands.

The demands applied in single dry and multiple dry years reflect the impacts of the MPMWD's conservation program, but not additional demand reduction that could be achieved by implementation of MPMWD's Drought Contingency Plan. This plan, which is described in the 2010 UWMP, outlines measures that will allow MPMWD to reduce demands by up to 50 percent in the case of drought or emergency. This plan will be implemented, if necessary, to manage the predicted shortages in multiple dry years.

TABLE 5.3 – MPMWD PROJECTED SUPPLY & DEMAND COMPARISON DURING MULTIPLE DRY YEAR (INCLUDING HOUSING SCENARIO 1)

		2015	2020	2025	2030	2035
Multiple Dry Year First Year Supply	**Supply Totals**	4,140.93	4,140.9	4,140.9	4,140.9	4,140.9
	Demand Totals	3,821.00	3,484.10	3,563.50	3,645.20	3,727.20
	Difference (supply minus demand)	319.93	656.8	577.4	495.7	413.7
	Difference as % of Supply	0.08	16%	14%	12%	10%
	Difference as % of Demand	0.08	19%	16%	14%	11%
Multiple Dry Year Second Year Supply	**Supply Totals**	3,595.50	3,595.5	3,595.5	3,595.5	3,595.5
	Demand Totals	3,821.00	3,484.1	3,563.5	3,645.2	3,727.2
	Difference (supply minus demand)	(225.50)	111.4	32.0	(49.7)	(131.7)
	Difference as % of Supply	-6%	3%	1%	-1%	-4%
	Difference as % of Demand	-6%	3%	1%	-1%	-4%
Multiple Dry Year Third Year Supply	**Supply Totals**	3,595.50	3,595.5	3,595.5	3,595.5	3,595.5
	Demand Totals	3,821.00	3,484.1	3,563.5	3,645.2	3,727.2
	Difference (supply minus demand)	(225.50)	111.4	32.0	(49.7)	(131.7)
	Difference as % of Supply	-6%	3%	1%	-1%	-4%
	Difference as % of Demand	-6%	3%	1%	-1%	-4%

5.2 Capital Outlay and Permits Necessary to Accomplish the Program

Future water projects that will likely increase (improve) reliability of supplies for the City include:

- SFPUC's WSIP projects which are approved, funded, designed and scheduled to be complete by 2030;
- Projects that may develop through BAWSCA's Strategy which are scheduled to be identified and completed by 2018; and
- MPMWD's local groundwater development project which is scheduled to be completed by 2020.

While BAWSCA's Strategy and MPMWD's local groundwater program could result in additional water supply in the future, this WSA does not assume any water supply from these sources.

5.3 Regulatory Requirements for Delivery of Water Supply

MPMWD complies with all current regulatory standards. It will continue to monitor its system in accordance with its permit from the DPH.

5.4 Conclusions

In its 2010 UWMP, MPMWD projected that demands in the CII sector would increase from 1,366.0 AFY (1.219 MGD) in 2010 to 1,876.7 AFY (1.675 MGD) in 2035, an increase of 510.7 AFY or 0.456 MGD. The Project will result in a net increase of 21 AFY (0.02 MGD). The Menlo Gateway Project will add a demand of 153 AFY (0.137 MGD). The Facebook Campus Project will add a demand of 119.4 AFY (0.107 MGD). Together these three projects add a total of 293.4 AFY (0.26 MGD), which is within the CII sector's projected growth as described in the 2010 UWMP.

Under normal and single dry year conditions, MPMWD's supplies are sufficient to meet the Project demands together with the demands of the previously proposed projects with approved WSAs. Under multiple dry year scenarios, supply slightly exceeds demand in the first year of a multiple dry year scenario. In the second and third years demand exceeds supply by four to six percent over the course of the 20 year planning period.

MPMWD has a water shortage contingency plan in place that allows it to achieve demand reductions of up 50 percent. Therefore, any reductions that could be required to manage supply restrictions in multiple year droughts can be achieved by MPMWD.

ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-207

Agenda Item #: D-7

CONSENT CALENDAR: **Consider the Approval of a First Amendment to Employment Agreement with Alexander D. McIntyre**

RECOMMENDATION

It is recommended that the City Council approve the attached First Amendment to Employment Agreement between the City and Alexander D. McIntyre.

BACKGROUND

The City Council recently completed its performance review of the City Manager and authorized the Mayor and the City Attorney to negotiate an amendment to the Employment Agreement with Alexander D. McIntyre. The direction of the Council was to provide for a reasonable increase in compensation/benefits for Mr. McIntyre that would not be subject to PERS contributions by the City.

The attached First Amendment to Employment Agreement provides for an increased contribution to Mr. McIntyre's 401A deferred compensation account in an amount equal to the cost savings to the City if Mr. McIntyre elects to withdraw from the City's health insurance plan and obtain coverage on his own; reduces the interest rate payable on Mr. McIntyre's existing home loan from 3.5% per annum to 3% per annum; and authorizes an additional loan of up to $360,000 for remodeling/renovation of his home with an interest rate of 2.5% (total loans not to exceed original approved amount of $1,350,000).

ANALYSIS

Pursuant to Mr. McIntyre's existing contract the term is until March 7, 2015, and provides for an annual salary of $199,000.00. The City currently makes a contribution to a 401-A deferred compensation plan for Mr. McIntyre in the amount of $9,500.00 annually. Mr. McIntyre also receives an automobile allowance of $320.00 per month, as well as fringe benefits and general leave as contained in the Management Benefit plan for Management Appointees. The City made loans of $1,100,000 to Mr. McIntyre to purchase his existing primary residence within the City limits of Menlo Park, of which $110,000 was a bridge loan and paid off when he sold his residence in Oregon, leaving a current loan of $990,000, at an interest rate of 3.5% and secured by a first deed of trust on the property. A copy of the existing Employment Agreement is attached.

The First Amendment does not provide for any increase in salary, but does provide for an additional contribution to Mr. McIntyre's 401A deferred compensation plan if he opts out of the City's health insurance coverage and provides his own coverage and provides for a reduction in the interest rate on Mr. McIntyre's home loan, and also provides for an additional loan of up to $360,000 for remodeling/renovation work on Mr. McIntyre's home at an interest rate of 2.5%. The benefit to Mr. McIntyre of the Amendment is a savings of $4,950/year in interest otherwise payable, approx. $7,100/year in deferred comp ($9,600/year contribution minus his new cost of health insurance of approx. $2,500/year for net benefit of approx. $7,100) and potential interest savings on new loan (dependent on amount, if and when borrowed, etc., but potentially up to $3,500/year).

IMPACT ON CITY RESOURCES

There is no financial impact to the City for the increased contribution to Mr. McIntyre's 401A account as the amount contributed is the same as the premium otherwise payable for Mr. McIntyre's health insurance premium (approx. $9,600/year based on single person coverage). There is a loss of interest to the City of $4,950 per year due to the reduction in interest rate from 3.5% to 3.0%. The City will make more income on the new loan to Mr. McIntyre than it is receiving today since the interest rate payable of 2.5% exceeds the City's current rate of return on its funds from LAIF and other permitted investments. Because the contract amendment does not include any increase in base annual salary and there is no bonus as part of this Amendment, there is no increase in PERS contributions by the City.

POLICY ISSUES

There are no direct policy issues presented by the proposed First Amendment to Employment Agreement.

ENVIRONMENTAL REVIEW

No environmental review is required.

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

A. First Amendment to Employment Agreement
B. Existing Employment Agreement

Report prepared by:
William L. McClure
City Attorney

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT BETWEEN THE CITY OF MENLO PARK AND ALEXANDER D. MCINTYRE

The CITY OF MENLO PARK ("CITY") and ALEXANDER D. MCINTYRE ("MCINTYRE") have previously entered into that certain Employment Agreement dated February 6, 2012, ("Agreement") whereby MCINTYRE was employed as the City Manager of the CITY. The parties agree to modify and amend the Agreement as follows:

1. Paragraph 7.2 of the Agreement is amended to include an additional sentence as follows: "If MCINTYRE elects to opt out of the CITY's health insurance coverage and to obtain coverage on his own, effective upon such election and so long as such election remains in effect, CITY shall make an additional monthly contribution to the 401-A plan established for MCINTYRE equal to the amount of the monthly health insurance premium that CITY would have paid for MCINTYRE's health insurance coverage with such amount based on single person coverage."

2. Paragraph 10.1 of the Agreement is amended to acknowledge that the amount of the existing loan to MCINTYRE in connection with the purchase of his home in Menlo Park is $990,000 and to provide that CITY agrees to loan MCINTYRE up to an additional $360,000 for a total loan of not to exceed $1,350,000.00, to be used for remodeling/renovation of the home, with such additional loan to be evidenced by a promissory note and secured by a second deed of trust on MCINTYRE's home. The interest rate on the existing loan will be reduced by 0.5% from 3.5% to 3.0% with the interest rate on the additional loan to be 2.5%. The specific terms of such loans are as specified in the revised Attachment "A".

3. The terms and provisions set forth in this First Amendment shall be effective on January 1, 2014.

4. This First Amendment and the above terms and provisions are intended to be in lieu of any increase in salary or other compensation payable to MCINTYRE following his performance evaluation.

5. Nothing herein shall preclude the Council from granting a bonus to MCINTYRE at any time in the future.

6. Except as modified herein all of the remaining terms and provisions shall remain in effect.

CITY OF MENLO PARK

Date: ________________ By: ____________________________
Ray Mueller, Mayor

Date: ________________ By: ____________________________
Alexander D. McIntyre

ATTACHMENT “A”
TO
FIRST AMENDMENT TO EMPLOYMENT AGREEMENT
TERMS OF HOUSING LOANS

The CITY has made a loan in the amount of $990,000 to MCINTYRE for the purpose of purchasing a home in the City of Menlo Park. Effective January 1, 2014, the interest rate on the loan shall be reduced from three and one half percent (3.5%) per annum, simple interest, to three percent (3.0%) simple interest for five (5) years. Thereafter, commencing January 1, 2019, the interest rate shall be adjusted once per year based on comparable “5/1” loans made by banks at the time of such annual adjustments, as determined by the City Attorney. In addition to the existing purchase loan in the amount of $990,000, the CITY agrees to loan MCINTYRE up to $360,000 for a total loan of not to exceed $1,350 million, with the additional loan to be used for remodeling/renovation of the home. The interest rate on the additional loan will be 2.5% and evidenced by a new promissory note and a second deed of trust against MCINTYRE’s home. The amount of the additional loan will be based on the total cost of remodeling/renovation of MCINTYRE’s home, including hard and soft costs for such remodeling/renovation based upon approved building permit plans and a contractor’s estimate/bid for such work, along with estimates for soft costs, as demonstrated to the City Attorney. The following terms shall apply to both the existing loan and the additional loan:

1. **Payments** – Monthly payments shall be interest only. At MCINTYRE’s option, he may make monthly payments based on an interest rate of two percent (2%) with remainder of the interest being deferred until the loan is paid off. At the option of MCINTYRE, the monthly payments may be automatically deducted from his bi-weekly salary check or paid monthly by the first of the month. All payments shall be applied first to interest and then to principal. Upon the adjustment of the interest rate as provided above, the required payment and the amount MCINTYRE may elect to defer shall be proportionately adjusted to reflect any increase in the interest rate.

2. **Late Payment Penalty** – There shall be a late payment penalty of five percent (5%) of any payment not paid within ten (10) days of the due date.

3. **Due on Sale, Termination of Employment or Non-use as Personal Residence** – The loan(s) shall be due and payable in full on sale or transfer of the Menlo Park property, no later than twelve (12) months plus one (1) additional month for every two (2) months of completed employment after February 2013, but in any event within twenty-four (24) months following the termination of MCINTYRE’s employment with the CITY for any reason, including death or disability or within twelve (12) months of MCINTYRE’s failure to reside in the property, whichever shall occur first.

4. **Payment of Taxes, Insurance, Maintenance and Repairs** – MCINTYRE shall keep and maintain the property in good condition and repair, reasonable wear and tear excepted, shall pay all property taxes in a timely manner, and shall maintain hazard and liability insurance for full replacement cost, with the CITY named as loss payee.

**EMPLOYMENT AGREEMENT BETWEEN
THE CITY OF MENLO PARK AND ALEXANDER D. MCINTYRE**

1. Parties: The parties to this Agreement are the CITY OF MENLO PARK ("CITY") and ALEXANDER D. MCINTYRE ("MCINTYRE").

2. Purpose: The purpose of this Agreement is to provide for the employment of MCINTYRE as City Manager of the CITY, as currently provided by Title 2, Chapter 2.08 of the Municipal Code of the City of Menlo Park.

3. Duties: The CITY hereby agrees to employ MCINTYRE to perform the functions and duties of City Manager for the CITY and of Executive Director of the Community Development Agency of the City of Menlo Park ("CDA"), to the extent the CDA is not dissolved, as specified in the Municipal Code of the City of Menlo Park, the job description, and any other applicable Ordinances, Resolutions or Policies, and to perform such other legally permissible and proper duties and functions as the CITY shall from time-to-time assign. MCINTYRE agrees that to the best of his ability and experience he will at all times loyally and conscientiously perform all of the duties and obligations required of him either expressly or implicitly by the terms of this Agreement. MCINTYRE agrees that he will not, so long as he is employed by the CITY, take any employment or perform any consulting duties that will interfere with or be inconsistent with the performance of his duties as City Manager for the CITY.

4. Term of Agreement: The term of MCINTYRE's employment shall commence on March 5, 2012. MCINTYRE agrees to remain in the exclusive employ of the CITY until March 7, 2015, and neither to accept other employment nor become employed by another employer until such termination date, unless such termination date is modified as provided hereafter.

5. Separation from Employment:

   5.1 The City Council may, subject to the provisions set forth below, terminate the services of MCINTYRE at any time, it being expressly understood and agreed between the parties that MCINTYRE serves as an at-will employee of the City Council. The CITY must provide MCINTYRE with thirty (30) days notice prior to the separation from employment. The CITY may not give notice of separation from employment to MCINTYRE until ninety (90) days after a general municipal election, or an election in which a member of the City Council is elected, as further set forth in Section 2.08.110, paragraph five, of the Municipal Code of the City of Menlo Park.

   5.2 In the event of separation from employment by the City Council prior to March 7, 2015, while still willing and able to perform the duties of City Manager, MCINTYRE shall be entitled to receive compensation, consisting of a lump-sum payment of six (6) months of base salary and benefits, ("Severance Payment"), inclusive of the thirty (30) day notification period.

"Benefits" shall include all benefits payable to or on behalf of MCINTYRE, including medical premiums, with the exception of general leave (other than those amounts already accrued by MCINTYRE as of the date of separation). Both salary and benefits shall be computed as of the rates in effect as of the date of separation from employment.

The Severance Payment will release the CITY from any further obligations under this Agreement, and any claims of any nature that MCINTYRE might have against the CITY by virtue of his employment or termination thereof. Contemporaneously, with the delivery of the Severance Payment and in consideration therefore, MCINTYRE agrees to execute and deliver to the CITY a release releasing the CITY of all claims that MCINTYRE may have against the CITY. In return for such Severance Payment, MCINTYRE agrees to be reasonably available for consultation and assistance to an Interim City Manager, a newly appointed City Manager or any other Council designated appointee during the period covered by such Severance Payment.

MCINTYRE shall not be entitled to a Severance Payment in the following events:

5.2.1 CITY elects not to renew this Agreement.

5.2.2 MCINTYRE is terminated because of his conviction of a felony or misdemeanor involving moral turpitude, or is convicted of any illegal act involving personal gain to himself.

5.2.3 MCINTYRE dies, or MCINTYRE becomes disabled as provided in Paragraph 6 and CITY terminates his employment.

5.3 MCINTYRE may resign at any time from his position with the CITY provided that he gives the CITY not less than sixty (60) days' prior written notice. Should MCINTYRE not provide the CITY with at least sixty (60) days' prior written notice, he shall not be entitled to cash out of any benefit other than as required by law. In the event MCINTYRE resigns his position as City Manager, he shall not be entitled to a Severance Payment.

6. Disability: If MCINTYRE is permanently disabled to the extent that he cannot perform the full range of the essential functions of his position as determined by his treating physician or is otherwise unable to perform the full range of the essential functions of his position because of sickness, accident, injury, mental incapacity or other health reasons for a period of six (6) successive weeks beyond the exhaustion of all general leave, the CITY shall have the option to terminate this Agreement, subject to compliance with all provisions of law.

7. Compensation:

7.1 CITY agrees to pay MCINTYRE for his services rendered pursuant hereto an annual salary of One Hundred Ninety Nine Thousand Dollars ($199,000.00) payable on a bi-weekly basis in the same manner as other employees of the CITY are paid.

7.2 CITY agrees to establish a 401-A defined contribution plan for the manager with ICMA Retirement Corporation, and contribute Nine Thousand Five Hundred Dollars ($9,500.00) to such plan annually. The contribution shall be pro-rated and made on a bi-weekly basis in the same manner as any deferred compensation contributions made to any other employee. There will be no vesting period. The CITY shall pay any set-up or administrative fees. In the event that MCINTYRE separates from employment, the bi-weekly contribution shall cease on the date of termination from employment and no additional contribution shall be made.

7.3 CITY agrees to pay MCINTYRE the same automobile allowance provided all executive management employees, currently Three Hundred Twenty Dollars ($320.00) per month, payable on a bi-weekly basis in the same manner as other employees of the City are paid.

7.4 MCINTYRE shall be entitled to the same benefits, holidays and general leave provided to CITY executive management employees under the CITY's Management Benefit Plan for Management Appointees, as such plan may be amended by the CITY from time to time. In addition, CITY shall provide MCINTYRE with a cell phone and personal computer for business and personal use.

8. Retirement Plan: MCINTYRE shall be covered by the same retirement plan by which all other "miscellaneous employees" of the City in effect as of March 5, 2012. MCINTYRE shall be placed in the appropriate miscellaneous tier according to his hire date. MCINTYRE shall pay the required employee contribution on a tax-deferred basis as provided under Section 414(h)(2) of the Internal Revenue Code, and shall contribute to the employer contribution as specified in the CITY's Management Benefit Plan for Management Appointees as such may be modified from time to time by the City Council.

9. One Time Relocation Assistance and Temporary Housing:

9.1 The CITY shall reimburse MCINTYRE for all reasonable relocation expenses incurred in moving his residence including transportation, packing, temporary storage of household goods and furnishing, unpacking and insurance. MCINTYRE shall obtain three quotations for such relocation services and shall select the lowest of the bids. MCINTYRE shall provide copies of the quotations to the Finance Director for documentation and reimbursement purposes. The CITY shall also pay or reimburse MCINTYRE for the expenses incurred in one economy round trip air travel between his place of residence and

Menlo Park for MCINTYRE to locate temporary housing in the vicinity of Menlo Park. The trip shall be coordinated with participation in the City Council meetings of January 30, 2012 and January 31, 2012, plus one goal setting session/Council meeting the afternoon of January 31, 2012 in Menlo Park. The total paid or reimbursed under this provision shall not exceed One Thousand Dollars ($1,000.00).

9.2 The CITY shall pay MCINTYRE up to Two Thousand Five Hundred Dollars ($2,500.00) per calendar month to reimburse him for the reasonable costs of obtaining temporary housing in the vicinity of the City while he searches for a permanent residence. This allowance shall only continue until MCINTYRE secures a permanent residence and only if MCINTYRE is incurring rental expenses, but shall in no event exceed nine (9) months. MCINTYRE shall provide copies of rental and other temporary housing expenses to the Finance Director for documentation and reimbursement purposes.

10. <u>Housing Assistance</u>:

10.1 The CITY agrees to loan to MCINTYRE up to One Million Three Hundred Fifty Thousand Dollars ($1,350,000.00) toward the purchase price of a home, townhouse or condominium should he elect to purchase a primary residence within the City limits of the City of Menlo Park. The specific terms and conditions of the new loan are pursuant to the terms of Attachment "A".

10.2 During the term of this Agreement, MCINTYRE shall pay in a timely manner the loan obligation for the property acquired in Paragraph 10.1. MCINTYRE shall obtain and keep in force policies of fire and hazard insurance with limits of not less than the replacement value of the property naming both the CITY and MCINTYRE as insured parties. All taxes, homeowner dues, and other obligations assessed against the property, and the cost of maintaining the policies of fire and hazard insurance, shall be paid on a timely basis by MCINTYRE.

10.3 MCINTYRE shall maintain the property, at his sole expense, in good and habitable condition, reasonable wear and tear excepted. MCINTYRE may make such improvements to the property as he deems beneficial.

10.4 The loan to MCINTYRE shall not be assumable, and shall be immediately due and payable in full to the CITY upon sale or other transfer of title of the property to any third party. In the event that MCINTYRE's employment is terminated for any reason, the loan shall become due and payable in accordance with the terms set forth in Attachment "A". If the use of the property as the principal residence of MCINTYRE is terminated, the loan shall become due and payable in full not later than twelve (12) months following the termination of such use.

11. Performance Evaluation:

11.1 The City Council shall endeavor to review and evaluate the performance and compensation of MCINTYRE on at least an annual basis.

11.2 The City Council, in consultation with MCINTYRE, shall define such goals and performance objectives which they determine to be necessary for the proper operation of the City. In attainment of the City Council's adopted performance objectives, the City Council, in consultation with MCINTYRE, shall further establish a relative priority among the various goals and objectives, and reduce said goals and objectives to writing.

12. Professional Development: The CITY hereby agrees to budget a reasonable amount for and to pay membership fees and dues, of conference and meeting registrations, and the travel and subsistence expenses of MCINTYRE for professional development and official travel, meetings and occasions adequate to continue the professional development of the City Manager and to adequately pursue necessary official and other functions of the CITY, including, but not limited to, International City Manager's Association (ICMA) conferences. Travel and conference expenses shall be reimbursed for reasonable expenses only, and in accordance with the City's standard policies governing travel and conference expense reimbursement.

13. Non-Liability of Officials and Employees: No official or employee of the CITY shall be personally liable for any default or liability under this Agreement except MCINTYRE.

14. Bonding: MCINTYRE shall secure a public official's bond in the amount of $200,000 as required by Section 2.08.040 of the Municipal Code of the City of Menlo Park. The CITY shall bear the full cost of such bond and/or any other bonds required of MCINTYRE under any law or ordinance.

15. Other Terms and Conditions of Employment:

15.1 The City Council, in conjunction with MCINTYRE, shall fix any other terms and conditions of employment, as it may determine from time to time, relating to the performance of MCINTYRE, provided such terms and conditions are not inconsistent with or conflict with the provisions of this Agreement or other applicable law.

15.2 All provisions of the Municipal Code of the City of Menlo Park, and regulations and rules of the CITY relating to other fringe benefits and working conditions as they now exist or hereafter may be amended, shall also apply to the City Manager as they do other employees of the CITY except as herein provided.

16. Notice: Notices pursuant to this Agreement shall be given by deposit in the custody of the United States Postal Service, postage prepaid. Alternatively, notices required pursuant to this Agreement may be personally served in the same manner as is applicable to civil judicial proceedings. Notice shall be deemed given as of the date

of personal service or 48 hours after the date of deposit of such written notice in the course of transmission in the United States Postal Service to the addresses set forth below or as subsequently communicated by one party to the other in writing.

16.1 Notice to MCINTYRE shall be sent to: Alexander D. McIntyre
6463 SW Burlingame Place
Portland, OR 97239

16.2 Notice to CITY shall be sent to: Mayor
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

17. General Provisions:

17.1 The Agreement shall be binding and inure to the benefit of the heirs at law and executors of MCINTYRE.

17.2 This Agreement shall become effective March 5, 2012.

17.3 If any provision, or any portion therefore, contained in this Agreement is held unconstitutional, invalid or unenforceable, the remainder of this Agreement, or portion thereof, shall be deemed severable, shall not be effective, and shall remain in full force and effect.

17.4 The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement.

17.5 This Agreement constitutes the entire agreement between the parties and supersedes any previous Agreements, oral or written. This Agreement may be modified or provisions waived only by subsequent mutual written agreement executed by the CITY and MCINTYRE.

17.6 This Agreement shall be interpreted as though prepared by both parties.

CITY OF MENLO PARK

Date: 2.6.12 By: Kirsten Keith
Kirsten Keith
Mayor

Date: 2.6.12 By: ____________________
Alexander D. McIntyre

ATTEST:

____

Margaret Roberts
City Clerk

ATTACHMENT "A"
TO
EMPLOYMENT AGREEMENT
TERMS OF HOUSING LOAN

The CITY agrees to provide a loan(s) to MCINTYRE for purposes of purchasing a home, townhouse, or condominium unit located in the City of Menlo Park upon the following terms and conditions:

1. **Loan Amount** – The amount of the loan(s) shall not exceed One Million Three Hundred Fifty Thousand Dollars ($1,350,000.00), which may include a first loan in the amount of not to exceed ninety percent (90%) of the purchase price and a short term bridge loan of not to exceed ten percent (10%) of the purchase price, provided the total amount of both loans shall not exceed the maximum loan amount of $1,350,000.

2. **Interest Rate** – The interest rate on the loan(s) shall be three and one half percent (3.5%) per annum, simple interest, for five (5) years. Thereafter, the interest shall be adjusted once per year based on comparable "5/1" loans made at the time of the loan to MCINTYRE, as determined by the City Attorney.

3. **Payments** – Monthly payments shall be interest only. At MCINTYRE's option, he may make monthly payments based on an interest rate of two percent (2%) with interest of one and one-half percent (1.5%) being deferred until the loan is paid off. At the option of MCINTYRE, the monthly payments may be automatically deducted from his bi-weekly salary check or paid monthly by the first of the month. All payments shall be applied first to interest and then to principal. Upon the adjustment of the interest rate as provided in Paragraph 2, the required payment and the amount MCINTYRE may elect to defer shall be proportionately adjusted to reflect any increase in the interest rate.

4. **Late Payment Penalty** – There shall be a late payment penalty of five percent (5%) of any payment not paid within ten (10) days of the due date.

5. **Security for Loan** – The loan in the amount of not to exceed 90% of the purchase price shall be secured by a first deed of trust against the property purchased in Menlo Park with a standard title company form of deed of trust. The short term bridge loan in the amount of not to exceed 10% of the purchase price shall be secured by a second deed of trust against the Menlo Park property and also secured by a junior deed of trust against other property owned by MCINTYRE having demonstrated equity (to the reasonable satisfaction of the City Attorney) of not less than the amount of the bridge loan (after deducting estimated selling expenses for the sale of such other property).

6. **Due on Sale, Termination of Employment or Non-use as Personal Residence** – The loan(s) shall be due and payable in full on sale or transfer of the Menlo Park property, no later than twelve (12) months plus one (1) additional month for every two (2) months of completed employment after February 2013, but in any event within twenty-four (24) months following the termination of MCINTYRE's employment with the CITY for any reason, including death or disability or within twelve (12) months of MCINTYRE's failure to reside in the property, whichever shall occur first. The bridge loan shall be due and payable in full upon the earlier of (a) the sale of the other property securing said bridge loan (if only one property, or if

multiple properties are securing the bridge loan, the net sales proceeds from the sale of any one property sold shall be applied to the outstanding principal balance), or (b) one year from the date of the bridge loan.

7. **Payment of Taxes, Insurance, Maintenance and Repairs** -- MCINTYRE shall keep and maintain the property in good condition and repair, reasonable wear and tear excepted, shall pay all property taxes in a timely manner, and shall maintain hazard and liability insurance for full replacement cost, with the CITY named as loss payee.

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POLICE DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-204

Agenda Item #: E-1

PUBLIC HEARING: **Adopt a Resolution Accepting Fiscal Year 2013-2014 State Supplemental Local Law Enforcement Grant (COPS Frontline) in the Amount of $100,000; Approve a Spending Plan and Re-Allocate $17,627 From Fiscal Year 2012-2013 Unencumbered State Supplemental Local Law Enforcement (SLEF) Grant Funds**

RECOMMENDATION

Adopt a resolution accepting fiscal year 2013-2014 State Supplemental Local Law Enforcement Grant (COPS Frontline) in the amount of $100,000; approve a spending plan and re-allocate $17,627 from fiscal year 2012-2013 unencumbered State Supplemental Local Law Enforcement (SLEF) Grant funds.

BACKGROUND

In fiscal year 1996-1997, the California State Legislature created the Citizen's Option for Public Safety (COPS) Program. This is a non-competitive grant whereby cities and counties receive state funds to augment public safety expenditures. Effective September 8, 2000, cities were guaranteed a minimum grant award of $100,000.

The COPS funds must be used for frontline municipal police services and must supplement and not supplant existing funding. The City Council is required to hold a public hearing, apart from its usual budget hearings, to consider the written request of the Chief of Police for use of the funds. The public hearing has been noticed as required. Community members may be present to provide alternative suggestions for the use of the grant.

Each city must create a SLESF for the COPS grant money. The funds cannot be used for administrative overhead costs in excess of 0.5 percent of the total allocation. The allocation may not be used to fund the costs of any capital project or construction project that does not directly support frontline law enforcement.

ANALYSIS

The SLEF fund for the COPS Program currently includes unspent 2012-2013 funds of $17,627. This, together with the 2013-2014 COPS Program award is in the amount of

$100,000, brings the total available balance to $117,627. Staff recommends that the funds be expended in the following areas as shown below.

Neighborhood Surveillance Cameras ($20,000)

On September 24, 2013, the City Council approved the purchase of Automated License Plate Readers and fixed surveillance cameras. A portion of the costs of the surveillance cameras ($20,000) were to come out of this fiscal year's COPS SLEF grant. The rest of the cost would be absorbed by the General Fund.

Communications and Technology ($85,000)

The Police Department further proposes to spend FY13-14 SLESF funds on:

(1) Replacement CPUs and monitors for mobile data terminals (MDTs) in police vehicles and/or other supporting equipment including warranties for all units ($60,000)

(2) Supporting communications services and frame relays for MDTs in the patrol cars and other mobile data devices ($25,000)

Use of grant funds for communication services and frame relays to support MDTs allow for continued use of the existing MDT equipment. MDTs are critical tools that allow important intelligence and officer safety information from law enforcement databases to be immediately connected and transferred to and from officers in the field. Officers are able to write reports in the field, retrieve maps and photos, and email the information immediately. Each year obsolete monitors need to be replaced along with CPUs for older MDT units.

Other front line police equipment and services ($12,627)

Funds in the amount of $12,627 will be used to replace unexpected critical equipment failures. Among other items, this may include radios, batteries, radars, LIDARS, Tasers, and other front line law enforcement equipment or technology items and services.

SLESF FY13-14 Expenditure Plan Summary

• Neighborhood surveillance cameras	$20,000
• Replacement parts for MDTs including monitors and CPUs	$60,000
• Communications services and frame relays for MDTs	$25,000
• Other front line police equipment and services	$12,627
TOTAL	**$117,627**

The Police Department has strategically used grant funds to support the department's technology initiatives, previously unbudgeted items and new field equipment. This year's spending request continues to strengthen the department's ability to provide public safety services. The philosophy of securing alternative funding sources to finance new technologies and equipment has allowed the Police Department to maintain a progressive approach to policing, while simultaneously supporting the need for a cost-conscious approach to the use of General Fund monies.

IMPACT ON CITY RESOURCES

The fiscal year 2013-2014 grant funds must be spent or encumbered by June 30, 2015. There are no matching requirements for this grant, and no direct impact on City resources for fiscal year 2013-2014 associated with the action in this staff report. Purchases will be made in accordance with the City's adopted policies.

Certain equipment procured with fiscal year 2013-2014 grant funds have ongoing service costs. These costs are for communications services and frame relays for MDTs, and the cellular services for the hand held tablets. Depending on the number of units supported, the service costs will vary. If the Police Department continues to receive the COPS grant annually, this equipment related service costs may continue to be funded by this program. However, should grant money become unavailable, these service costs will be included in the fiscal year 2014-2015 budget.

POLICY ISSUES

The proposed action is consistent with City policy.

ENVIRONMENTAL REVIEW

Environmental review is not required.

PUBLIC NOTICE

Published legal notice on December 7, 2013 in the Daily News.

ATTACHMENTS

A. Resolution

Report prepared by:
Dave Bertini
Police Commander

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RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK ACCEPTING THE STATE SUPPLEMENTAL LOCAL LAW ENFORCEMENT GRANT OF $100,000, APPROVING THE USE OF THE FUNDS IN ACCORDANCE WITH STATE REQUIREMENTS AND REALLOCATING $17,627

WHEREAS, the California State Legislature created the Citizen's Option for Public Safety (COPS) Program in fiscal year 1996-97; and

WHEREAS, effective September 8, 2000, cities were guaranteed a minimum grant award of $100,000; and

WHEREAS, the City must create a Supplemental Law Enforcement Special Fund (SLESF) for the grant funds; and

WHEREAS, the funds cannot be used for administrative overhead exceeding 0.5 percent or allocated to fund the costs of any capital project or construction project that does not directly support frontline law enforcement; and

WHEREAS, the SLESF for the COPS Program currently includes unspent funds of $17,627 from fiscal year 2012-13.

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Menlo Park does hereby accept the State Supplemental Local Law Enforcement Grant of $100,000; and

BE IT FURTHER RESOLVED, that the City Council approves reallocating fiscal year 2012-13 unspent State Supplemental Local Law Enforcement Grant funds in the amount of $17,627; and

BE IT FURTHER RESOLVED, that the City Council approves the use of State Supplemental Local Law Enforcement Grant funds in accordance with state requirements, as outlined below.

• Neighborhood surveillance cameras	$20,000
• Replacement parts for MDTs including monitors and CPUs	$60,000
• Communications services and frame relays for MDT's	$25,000
• Other front line police equipment and services	$12,627
	$117,627

I, Pamela Aguilar, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Resolution was duly and regularly passed and adopted at a meeting by said Council on the seventeenth day of December, 2013, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this 17th day of December, 2013.

Pamela Aguilar
City Clerk

AGENDA ITEM F-1:

Request for a Loan of $2.5 Million from the City's Below Market Rate Housing Fund for a 60-unit Development Park VA Campus

This item is continued to the January 14, 2014 Council meeting.

There will be no staff report available at this time.

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ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: December 17, 2013
Staff Report #: 13-206

Agenda Item #: F-2

REGULAR BUSINESS: **Appoint City Council representatives and alternates to various regional agencies, and as liaisons to City advisory bodies and members of Council sub-committees**

RECOMMENDATION

Staff recommends that the City Council make its appointments to the various regional agencies, as liaison assignments to each of the City Commissions and members of Council Sub-Committees

BACKGROUND

Regional Assignments

Each year, after the reorganization of the City Council, the Council appoints its members to represent the city on certain committees with outside agencies. A list of those agencies, including a brief description of each agency's purpose and respective meeting schedule is provided as Attachment A.

Commission Liaisons

Members of the Council are assigned to serve in a liaison capacity with one or more city commissions. The purpose of the liaison assignment is to facilitate communication between the City Council and the advisory body. The liaison also helps to increase the Council's familiarity with the membership, programs and issues of the advisory body. In fulfilling their liaison assignment, members may elect to attend commission meetings periodically to observe the activities of the advisory body or simply maintain communication with the commission chair on a regular basis. The list of city commissions and their meeting schedules are provided as Attachment B.

Mayor Assignments

Certain agencies and regional or local (sub)committees require the Mayor of each member City to serve as its respective representative and/or voting delegate, and sometimes the Mayor Pro Tem serves as the alternate.

Those agencies are outlined as follows:

- Association of Bay Area Governments (ABAG) – Mayor serves as representative
- League of California Cities – Mayor serves as voting delegate at the Annual Conference and for the Peninsula Division

- Council of Cities City Selection Committee – Mayor serves as representative and voting delegate
- Menlo Park School District Subcommittee – Mayor and Mayor Pro Tem have historically been assigned to this committee

Council Subcommittees
Council has established subcommittees which assist in preparing policy alternatives and implications for Council deliberation.

These subcommittees are as follows:

- Community Grant Funding
- Emergency Operations
- Rail Committee
- Menlo Park Fire District
- Menlo Park City School District

There is also a Business Development subcommittee that was suspended in 2012 and which staff recommends appointments be postponed until after the Council study session on Economic Development is scheduled in early 2014. Lastly, there is a Finance Subcommittee which participates as part of the Finance and Audit Committee.

Ad Hoc Committees/Groups
Ad hoc bodies are created by Council for a specific purpose. The Council currently has one Ad Hoc body and the potential for at least two Ad Hoc bodies over the next calendar year and beyond.

The Housing Element Steering Committee is comprised of 2 Council members, two Planning Commissioners, and two Housing Commissioners. The Steering Committee currently has the potential for one more meeting in February 2014.

The City is embarking on a General Plan Update. Although the specifics are yet to be identified, there is a high likelihood that the process would benefit from two Council members focusing on the project. One option could be in the form of a Subcommittee, similar to the one formed for the El Camino Real/Downtown Vision Plan and Specific Plan process, appoint members to a committee such as the Housing Element Steering Committee, or some other variation. Staff would recommend that the Council initially appoint two members to form a Subcommittee now in order to work with staff on near tem tasks, such as the preparation of the Request for Proposal (RFP) and to be on the consultant selection review panel.

Finally, the City is processing the SRI Modernization Project, which includes the request for a Development Agreement. Similar to the recent Development Agreements for the Menlo Gateway project and Facebook East Campus and West Campus projects, the review process is scheduled to include the formation of a Council subcommittee. The Council could elect to form the subcommittee at the meeting of December 17 or wait for an item specific to the SRI project in January 2014.

Attachment C is a full roster of all current Council appointments for 2013.

IMPACT ON CITY RESOURCES

There is no impact on City resources associated with this action outside of any associated membership dues, meeting related expenses, and/or staff assistance required and budgeted.

POLICY ISSUES

The proposed action is consistent with City Policy.

ENVIRONMENTAL REVIEW

The proposed action does not require 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

A. Roster of Regional Agencies with information and meeting schedules
B. Roster of Commissions and meeting schedules
C. Complete list of all 2013/Current Council assignments

Report prepared by:
Pamela Aguilar
City Clerk

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ATTACHMENT A

CITY COUNCIL APPOINTMENTS TO OUTSIDE AGENCIES
(Approved on December 11, 2012)

Name: **Airport Community Roundtable**

Description: Eighteen cities, the operator of San Francisco International Airport (SFO) the City and County of San Francisco and the County of San Mateo comprise the Roundtable, a voluntary public forum established in 1981 for the discussion and implementation of noise mitigation strategies at SFO.

Current Representative and Alternate
Rich Cline, Representative
Kirsten Keith, Alternate

Frequency of meetings
First Wednesday of February, May, September and November at 7:00 p.m.

Membership Cost: $1,500 **Website:** www.sforoundtable.org

Name: **Association of Bay Area Governments (ABAG)**

Description: The Association of Bay Area Governments is comprised of the 100 cities in the nine counties and is one of the more than 560 regional planning agencies across the nation working in areas such as land use, housing, environmental quality and economic development.

Current Representative and Alternate (Usually the Mayor)
Peter Ohtaki, Representative

Frequency of meetings
Generally, the General Assembly meets twice a year, usually in April and October.

Membership Cost: $5,014 **Website:** www.abag.ca.gov

Name: **Caltrain Modernization Local Policy Group**

Description: The Caltrain Modernization Program will electrify and upgrade the performance, operating efficiency, capacity, safety and reliability of Caltrain's commuter rail service. The Caltrain Modernization Program is scheduled to be operational by 2019.

Current Representative and Alternate
Richard Cline, Representative
Kirsten Keith, Alternate

Frequency of meetings
Monthly

Membership Cost: $0
Website: http://www.caltrain.com/projectsplans/CaltrainModernization.html

Name:	**County of Santa Clara Community Resources Group for Stanford University**
Description:	The Stanford University Community Resource Group (CRG) is composed of 8-12 members. This group serves as a mechanism for information exchange and perspectives on Stanford development issues. Members are appointed by the County Planning Director in consultation with the District 5 Supervisor. **Current Representative and Alternate** Kirsten Keith, Representative Catherine Carlton, Alternate **Frequency of meetings** March, June, September and December **Membership Cost:** $0

Name:	**Dumbarton Rail Policy Committee**
Description:	The Dumbarton Rail Corridor Project will extend commuter rail service cross the South Bay between the Peninsula and the East Bay. When the service starts in 2012, the rail corridor will link Caltrain, the Altamont Express, Amtrak's Capitol Corridor and BART, as well as East Bay bus systems, at a multi-modal transit center in Union City. **Current Representative and Alternate** Kirsten Keith, Representative Rich Cline, Alternate **Frequency of meetings** Approximately every quarter on Tuesday afternoons **Membership Cost:** $0 **Website:** www.smcta.com/Dumbarton_Rail/information.asp

Name:	**Emergency Services Council (San Mateo County Joint Powers Authority)**
Description:	Oversees the emergency planning, training and exercises in the various cities and reviews and recommends policies, programs and plans for adoption. **Current Representative and Alternate** Ray Mueller, Representative Catherine Carlton, Alternate **Frequency of meetings** Meets on a quarterly basis on Thursdays from 5:00 – 7:00 p.m. **Membership Cost:** $0

Name:	**Grand Boulevard Task Force**
Description:	The Grand Boulevard is a collaboration of 29 cities, counties, local and regional agencies united to improve the performance, safety and aesthetics of El Camino Real. Starting at the northern Daly City city limit (Where it is names Mission Street) and ending near the Diridon Caltrain Station in central San Jose (Where it is named The Alameda), the initiative brings together for the first time all of the agencies having responsibility for the condition, use and performance of the street. **Current Representative and Alternate** Kirsten Keith, Representative Peter Ohtaki, Alternate **Frequency of meetings** Quarterly **Membership Cost:** $0 **Website:** http://grandboulevard.net/

Name:	**League of California Cities (Peninsula Division)**
Description:	Comprised of the 36 San Francisco to Gilroy, division members work together through the League to identify priorities on issues that impact on the quality of life in our communities, our region and our state. **Current Representative and Alternate (Usually the Mayor)** Peter Ohtaki, Representative Catherine Carlton, Alternate **Frequency of meetings** The Peninsula Division holds four (4) meetings a year, with an occasional special meeting as warranted. Division dinners are open to all division members. **Membership Cost:** $100 **Website:** http://www.cacities.org/index.jsp

Name:	**Menlo Park Chamber of Commerce / City Liaison Position**
Description:	The purpose of the Menlo Park Chamber of Commerce is to create an atmosphere in which business prospers and the community thrives. **Current Representative and Alternate** Ray Mueller, Representative Kirsten Keith, Alternate **Frequency of meetings** Third Thursday of the month from 7:30 – 9:30 a.m. The exceptions are the July and November meetings – July is the last Thursday and November is a planning session meeting on a Friday from 8:00 a.m. – 5:00 p.m. **Membership Cost:** $1,843 **Website:** menloparkchamber.com

Name:	**Peninsula Cities Consortium**
Description:	Cities along the Peninsula have joined together to provide input into the process of reviewing and constructing the high speed rail project between San Francisco and San Jose. Although each city faces unique and specific location challenges, all Peninsula cities share many similar concerns and the strong underlying belief that particular care must be taken to integrate high speed rail into the living fabric of the Peninsula. **Current Representatives** Rich Cline, Representative Catherine Carlton, Alternate **Frequency of meetings** Every two weeks **Membership Cost:** $0 **Website:** peninsularail.com

Name:	**2020 Peninsula Gateway Corridor Study Policy Committee**
Description:	The City/County Association of Governments (C/CAG), together with the Santa Clara Valley Transportation Authority (VTA), and the San Mateo County Transportation Authority (SMCTA), are sponsoring a study to identify potential roadway-related solutions that can reduce traffic congestion in the study area. **Current Representative and Alternate** Catherine Carlton, Representative Ray Mueller, Alternate **Frequency of meetings** Approximately every two months at Menlo Park City Hall at 2:00 p.m. **Membership Cost:** $0

Name:	**County of San Mateo – Regional Housing Needs Assessment (RHNA) Policy Advisory Committee**
Description:	The 20 cities of San Mateo County and the County of San Mateo have become a member of a countywide "sub-region," an ad hoc joint powers authority formed specifically to locally administer ABAG's Regional Housing Needs Allocation process (RHNA). The Sub-region was approved by ABAG on March 2011. The City/County Association of Governments (C/CAG) has been selected to represent the Sub-region. **Current Representative and Alternate** Kirsten Keith, Representative N/A, Alternate **Frequency of meetings** There will be a meeting in January to finalize the recommendation. **Membership Cost:** $

Name:	**San Francisquito Creek Joint Powers Authority (JPA)**
Description:	The San Francisquito Creek JPA is an agency empowered to protect and maintain the 14-mile San Francisquito Creek and its 45 square-mile watershed and address concerns regarding flooding and environmental preservation. **Current Representative and Alternate** Keith Keith, Representative Catherine Carlton, Alternate **Frequency of meetings** Fourth Thursday of each month at 6:00 p.m. in the Menlo Park Council Chambers. **Membership Cost:** $98,664 **Website:** http://sfcjpa.org/

Name:	**San Mateo Council of Cities**
Description:	The San Mateo County elected officials meet once a month to discuss issues of interest and usually a speaker is part of the program. **Current Representative and Alternate** (Bylaws require the Mayor to be the voting member however, all Councilmembers are welcome to attend) Peter Ohtaki, Representative **Frequency of meetings** Usually meets on a Friday towards the end of the month. **Membership Cost:** $0

City Council Liaisons to the City's Advisory Bodies

(Approved at the 12/11/2012 Council Meeting)

- **Bicycle Commission – Kirsten Keith**
  Meeting schedule: Meetings are the 2nd Monday of every month at 7:00 p.m. in the Administration Conference Room (Fish Bowl).

- **Environmental Quality Commission – Rich Cline**
  Meeting schedule: Meetings are the 4th Wednesdays of every month at 6:30 p.m. in City Council Conference Room (Fish Bowl).

- **Finance and Audit Committee – Kirsten Keith and Ray Mueller**
  The Council Members are considered members of the Commission and not liaisons.
  Meeting schedule: Quarterly and as needed.

- **Housing Commission –** Peter Ohtaki
  Meeting schedule: Meetings are the first Wednesday of every month at 5:30 p.m. in the Administration Conference Room (Fish Bowl).

- **Library Commission – Kirsten Keith**
  Meeting schedule: Meets the 2nd Monday of every month at 6:30 p.m. in the Menlo Park Library, lower level conference room, 800 Alma Street (on the corner of Alma and Ravenswood).

- **Parks and Recreation Commission –** Catherine Carlton
  Meeting schedule: Meetings are held the 4th Wednesday of every month at 6:30 p.m. at the Menlo Park Recreation Center. Note: This meeting is held quarterly at the Onetta Harris Community Center.

- **Planning Commission –** Ray Mueller
  Meeting schedule: The Planning Commission's regular meetings are scheduled twice a month on Mondays at 7:00 p.m. The Planning Commission Study Meetings are scheduled as needed and can be added to a regular meeting date or on an additional Monday.

- **Transportation Commission –** Ray Mueller
  Meeting schedule: Meetings are held the 2nd Wednesday of every month at 7:00 p.m. in the Menlo Park Council Chamber.

ATTACHMENT C

COMPLETE ROSTER OF ASSIGNMENTS 2013

CITY COUNCIL APPOINTMENTS TO OUTSIDE AGENCIES 2013

NAME OF REGIONAL COMMITTEE	REGULAR	ALTERNATE
Airport Community Roundtable	Rich Cline	Kirsten Keith
Association of Bay Area Governments (ABAG)	Peter Ohtaki	Ray Mueller
Caltrain Modernization Local Policy Group	Rich Cline	Kirsten Keith
City/County Association of Governments of San Mateo County (C/CAG)	Kirsten Keith	Ray Mueller
City/County Association of Governments of San Mateo County (C/CAG) Legislative Committee	Catherine Carlton	Not Needed
County of Santa Clara Community Resources Group for Stanford University	Kirsten Keith	Catherine Carlton
County of San Mateo - Regional Housing Needs Assessment (RHNA) Policy Advisory Committee (PAC)	Kirsten Keith	Not Needed
Dumbarton Rail Policy Committee	Kirsten Keith	Rich Cline
Emergency Services Council (San Mateo County JPA)	Ray Mueller	Catherine Carlton
Grand Boulevard Task Force	Kirsten Keith	Peter Ohtaki
League of California Cities (Peninsula Division)	Peter Ohtaki	Catherine Carlton
Menlo Park Chamber of Commerce / City Liaison Position	Ray Mueller	Kirsten Keith
Peninsula Cities Consortium (PCC)	Rich Cline	Catherine Carlton
2020 Peninsula Gateway Corridor Study Policy Committee	Catherine Carlton	Ray Mueller
San Francisquito Joint Powers Authority	Kirsten Keith	Catherine Carlton
San Mateo Council of Cities	Mayor	Votes by Vice Mayor and then by Council seniority
South Bayside Waste Management Authority Joint Powers Authority	Catherine Carlton	Ray Mueller

CITY COUNCIL LIAISONS TO THE CITY'S ADVISORY BODIES

Bicycle Commission	Kirsten Keith	Not Needed
Environmental Quality Commission	Rich Cline	Not Needed

Finance and Audit Committee	Kirsten Keith (1 YEAR)	Ray Mueller (2 YEARS)
Housing Commission	Peter Ohtaki	Not Needed
Library Commission	Kirsten Keith	Not Needed
Parks and Recreation Commission	Catherine Carlton	Not Needed
Planning Commission	Ray Mueller	Not Needed
Transportation Commission	Ray Mueller	Not Needed

CITY COUNCIL SUB-COMMITTEES

Community Grant Funding - typically meet in October and in November if needed	Catherine Carlton	Kirsten Keith
Emergency Operations	Catherine Carlton	Ray Mueller
High Speed Rail - Usually the first and third Monday of the month (1st Monday is public meeting)	Rich Cline	Catherine Carlton
Menlo Park Fire District	Peter Ohtaki	Ray Mueller
Menlo Park School Districts (Liaisons)	Peter Ohtaki	Ray Mueller
Economic Development		

AD HOC COMMITTEES

Housing Steering Committee	Peter Ohtaki	Rich Cline
SRI Development Agreement		
General Plan Update		

LEAGUE OF CALIFORNIA CITIES ANNUAL CONFERNCE

Voting Delegate	Mayor
Voting Alternate	Mayor Pro Tem, then each Councilmember by seniority

COUNCIL OF CITIES - CITY SELECTION COMMITTEE

Voting Delegate	Mayor
Voting Alternate	Mayor Pro Tem, then each Councilmember by seniority

COMMUNITY SERVICES

Council Meeting Date: December 17, 2013
Staff Report #: 13-202

Agenda Item #: I-1

INFORMATION ITEM: Belle Haven Afterschool Program Cost Recovery Update

This is an information item and does not require Council action.

EXECUTIVE SUMMARY

The Menlo Park City Council places a high value on providing after school programs like the Belle Haven After School Program (BHAS) and has continued to fund the program through the General Fund even though the program has not been able to meet its cost recovery target range of 30-70% per the City Council User Fee and Cost Recovery policy (Attachment A).

In FY 2011-12, during a period of tightened City budgets, the City Council considered a proposal to merge the BHAS program with the Boys and Girls Club of the Peninsula CNG Program (Center for New Generation) held at Belle Haven School since it provided a similar service. The City Council directed the Community Service Department staff to explore a possible shared service arrangement with BGCP.

However, after staff presented research that the merger proposal had some weaknesses, and parents and residents expressed concern that the BGCP program would not meet their needs, the City Council suspended implementation of the cost-reduction strategy and directed staff to engage parents and develop a recommendation to improve cost recovery while preserving the BHAS as a City program.

In FY 2012-13, staff engaged the parents of the BHAS program and developed proposals to improve the program's cost recovery (which was 17-18%) to the minimum 30% cost recovery target given the program's level of community benefit. The projected cost recovery for FY 2013-14 is 24%, a significant improvement over previous years.

On November 20, 2013, Community Services Department staff presented a cost recovery update to the Parks and Recreation Commission. During the meeting, staff reviewed the steps taken to improve cost recovery which have included increasing parent engagement, increasing program fees and reducing program costs. Staff also presented the results of the Belle Haven Community Visioning Process and Neighborhood Action Plan which affirmed the importance of after school programming and its high community benefit. The Commission was also asked to weigh in on the appropriate cost recovery target set by Council for the program currently set at 30-70%. Overall, the Commission was pleased with the progress made toward meeting the 30% cost recovery target and recommended the BHAS Parent Advisory Committee (BHPAC) establish themselves as an official non-profit and partner with local foundations to improve its ability to raise funds for the program.

The following informational report provides an update on the BHAS cost recovery work.

BACKGROUND

After School Programs provide a structured, safe and supervised place for children to learn, play and socialize with their peers. Some of the benefits of after school programs include improved educational performance and achievement, improved health, personal and public safety, stronger individuals and stronger families. The benefits of after school programs, such BHAS, for the individual, family and community are well documented[1] and include:

- Participants spend more time on academic and extracurricular activities versus spending more time watching TV and hanging out;
- Participants reduce problem behaviors such as drugs, alcohol and cigarette use;
- Participants are less likely to engage in juvenile crime which generally occurs during after school hours;
- Participants have improved health through better nutrition, physical fitness and lower obesity rates;
- Participants have improved social skills, increased self-confidence and self-esteem.

1. The Benefit of After School Programs, Healthy City Advancement Project, June 22, 2012. www.AdvancementProjectCA.org,www.HealthyCity.org .

After school programs provide benefits to both the individual and family, but particularly in the case of the BHAS program which provides broad community benefit in the form of a safety net for children in the neighborhood. The services that are provided by the program are not readily available elsewhere in the community at an affordable cost. The BGCP's CNG Program, which provides similar services, was determined by staff and parents to not fully meet the needs of the children being served in BHAS. The BHAS program services 8 neighboring school districts which Belle Haven children attend as part of the Tinsley Program. The BHAS program also serves Kindergarten. Residents affirmed the need for more after school programs such as BHAS through the Belle Haven Community Visioning Process which identified improved educational opportunities and services for children and teens as high priorities.

The Menlo Park City Council has placed a high value on providing after school programs like BHAS as demonstrated by the significant General Fund support the program receives year after year. The Council's commitment to BHAS was further evident when it agreed the City would continue to operate the program while staff engaged parents and the community to improve the program's cost recovery. This work began soon after with the formation of the BHAS Parent Action Committee (BHPAC) and subsequent parent meetings resulting in the development of cost recovery proposals for consideration. In November 2012, staff presented these proposals to the Parks & Recreation Commission and provided similar information for consideration by the City Council during the FY 2013-14 budget process. The BHAS Cost Recovery Proposals Staff Report 11.28.12 (Attachment B) and supporting documents are included as background information for this report.

ANALYSIS

Over the past year, the BHAS program has made a number of changes to improve cost recovery and enhancements that will strengthen the program in the short and long term:

- Reduced the program budget to reflect current service levels which include providing service to 56 children versus 71 the program was previously budgeted and licensed to serve.
- Increased program fees based on the results of a fee study conducted with program parents where the majority supported a modest to medium increase in fees ($20-$40/month increase) in order to maintain current service levels.
- Even with an increase in fees, the program has been able to maintain an enrollment of between 56 to 62 children a month.
- Restructured program staffing to eliminate a 30 hour permanent program assistant position and backfilled that position with part-time temporary staff. The staffing model is consistent with similar after school programs.
- Engaged parents to form the Belle Haven Parent Action Committee (BHPAC) and began conducting small fundraisers resulting in $2,500 raised on behalf of the BHAS program.
- In conjunction with the Belle Haven Community Development Foundation and BHPAC, the program participated in a community clean up and fix it day resulting in improved landscaping and curb appeal for the Youth Center where the program is housed.
- The BHAS program, in partnership with the BHPAC, has begun community outreach and support by donating to one of the program's families that lost everything in a home fire.
- The BHAS program implemented the School Age Care Environmental Rating Scale (SACERS) to improve the program environment and curriculum.
- This past summer two youth who were past participants of the BHAS program were hired as Recreation Aides as a result of their graduation from the City's Counselor in Training program.
- The BHAS program continues to work closely with the Onetta Harris Community Center staff by helping to escort students to and from recreation classes held at OHCC.

Program Financial Summary

FY 2012-13
As of June 30, 2013, the FY 2012-13 program revenue was $45,412; program expenses were $252,361 and cost recovery was 18%.

FY 2013-14
At the beginning of FY 2013-14, the program budget projection for revenue was $56,400; program expenses $244,127 with a projected cost recovery of 23% for the year. As of September 30, 2013, the FY 2013-14 program revenue is projected to

exceed $57,306 due to higher enrollment, program expenses projected at $235,358 with a year-to-date cost recovery of 24%.

NEXT STEPS

1. City staff will continue to explore program enhancements that will better serve the needs of neighborhood residents consistent with the Belle Haven Neighborhood Action Plan.
2. City staff will continue to engage parents on ways to reduce program costs and increase program revenue that will move the program closer to its program cost recovery goals.
3. City staff support the BHPAC in developing their advisory and fundraising capacity that will be essential for the long term success of the BHAS program (being mindful that staff cannot engage in fundraising).
4. The BHPAC will explore receiving their non-profit designation and partnering with neighborhood groups such as the Belle Haven Community Development Foundation and the Silicon Valley Community Foundation to further their fundraising efforts.
5. The Parks and Recreation Commission and the City Council will be updated annually on the program's cost recovery progress until the cost recovery target has been achieved.

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:

A - City Council Cost Recovery Fiscal Policy
B - BHAS Cost Recovery Proposals Staff Report 11.28.12

Report submitted by:
Derek Schweigart
Assistant Community Services Director

Belle Haven After School (BHAS) Cost Recovery Proposals

Givens:

1. 30% cost recovery target based on the City's fiscal policy of 30-70% cost recovery for similar programs. To achieve the 30% cost recovery target, the program would need to generate $73,080 in revenue or an increase of $36,698 based on the current program budget of $243,298. Alternatively, the current projected revenue of $36,382 would require a decrease of $122,298 from the current budget.
2. Any increase in user fees must be approved by City Council.
3. Staff-Participant ratios must meet or exceed Title 22 licensing requirements or industry standard for a day care provider which is 1:14.
4. $13,000 Homework Grant has been eliminated by the County for FY 2012-13 which has created a further revenue deficit for the BHAS program.
5. Parent Advisory Committee must comply with all City policies regarding program fundraising and has sole authority for how money raised will be spent to benefit the program.

Proposals:

1. Change staffing model for BHAS to operate with part-time temporary teachers instead of with a permanent teacher position.

   Pros
   - The BHAS program would achieve 20.5% cost recovery target taking into account the County's elimination of the $13,000 Homework Grant.
   - If alternative funding for the $13,000 County Homework Grant is identified, the cost recovery with this proposal would be 28%.
   - The change in staffing model would provide a significant improvement in program cost recovery and move it in the right direction.

   Cons
   - Potential for lost continuity with staffing as part-time employees are limited to 1,000 hours per year.
   - May result in reduced administrative and customer service support for the program.
   - An additional $17,000 in revenue would need to be identified or alternatively an additional $56,360 would need to be cut from program budget to achieve the 30% cost recovery target.

2. Increase monthly participant fees by 0-125% or $1-$81 from the current extremely low fee of $64.25/month which is what most participants pay (see chart

below). In order to achieve the 30% cost recovery target the monthly fee would need to be $145/month with 56 registered participants. A pricing threshold must be determined based on the ability and willingness of parents to pay which will determine the effectiveness of this alternative.

School Year	***Fall 2009***	63 Total	***Fall 2010***	55 Total	***Fall 2011***	40 Total	***Fall 2012***	48 Total	***Fall 2012*** **Kinders**	9 Total
Extreme low Income	$42	32	$60	43	$60	33	$64.25	40	$83.50	4
Extreme low Non-Res	$57	19	$81	-	NR Full Cost	-	NR Full Cost	-	NR Full Cost	-
Very Low	$84	7	$100	8	$100	6	$107	6	$139	5
Very Low Non -Res	$113	2	$135	-	NR Full Cost	-	NR Full Cost	-	NR Full Cost	-
Low	$126	-	-	-	-	-	-	-	-	-
Low Non-Res	$170	-	-	-	-	-	-	-	-	-
Full Cost	$386	3	$450	3	$450	0	$482	1	$737.50	0
Full Cost Non-Res	$521	-	$607	1	$607	1	$651	1	$995.60	0

Pros

- The BHAS program would achieve the 30% cost recovery target if current enrollment of 56 participants is met and fees were increased 125%.
- No other program reductions or changes would be necessary.

Cons

- An increase by 125% or $81 would likely result in reduced participation in the program as demand for the program will be negatively impacted because parents will be unable / unwilling to pay beyond a certain price point. For example, when non-residents rates were increased to reflect the City's non-resident rate requirement enrollment declined dramatically.
- A reduction in participation would result in reduced revenue and decreased cost recovery.

3. Combination approach that includes eliminating or reducing program components, increasing staff-participant ratios, identifying alternative funding sources, and partnering more closely with Beechwood School and Tinsley program to increase enrollment.

Pros

- This proposal would attempt to limit impacts to users using a diversified approach to addressing cost recovery.
- Successfully identifying partnerships and alternative funding sources could limit the impact on users while improving cost recovery.
- The program's parent association could potentially raise funds that could help to offset reductions to program components such as trips and supplies. The budget for trips and supplies together is $6,000.

Cons

- This proposal involves further reductions to part-time staff and the elimination of the trips as a component of the program. The identified savings is approximately $9,000 which is minimal and will have little or no impact on cost recovery.
- The elimination of the $13,000 Homework Grant resulted in a 25% decrease in program revenue at the beginning of the fiscal year. This further weakened the program's cost recovery projection.
- While the desire to increase enrollment and revenue through partnerships is appealing it does not identify any specific cost savings or revenue generation.

4. One proposal that was developed for consideration last fiscal year was a shared services model that merges the BHAS program with the Boys and Girls Club of the Peninsula (BGCP).

Pros

- The program would save at least $100,000 while preserving permanent staff positions through reassignment.
- The BGCP program charges $25/year for their program which would be a cost savings for parents.
- Eliminates any duplication of programming through shared services model while improving partnerships with organizations in the neighborhood with similar goals.

Cons

- The BGCP program is not a licensed program.
- The BGCP program does not provide motorized transportation from school locations to the program as does the BHAS program as it currently serves the Belle Haven School location.
- Parents concern about staff-participant ratios with BGCP and participant supervision and safety.

5. Another proposal under consideration last fiscal year was the elimination of the BHAS program altogether.

   Pros
   - The City of Menlo Park would save at least $160,000 if the permanent staff positions were preserved through reassignment.

   Cons
   - If other options are not identified, 56 children and their families would need to identify other child care options.
   - Other than the BGCP program there are no affordable child care options available for families in the area.

COMMUNITY SERVICES

P&R Commission Meeting Date: November 28, 2012

Agenda Item #:C-1

STUDY SESSION: Review and provide feedback on the Belle Haven Afterschool Program Cost Recovery Proposals

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RECOMMENDATION

Staff recommends that the Parks & Recreation Commission review and consider the BHAS program cost recovery proposals and provide feedback to staff moving forward with this project.

BACKGROUND

For nearly 20 years, the Belle Haven Afterschool Program (BHAS) has been providing service to the Belle Haven community. In response to the Belle Haven needs assessment conducted in FY1992-93, the community had placed childcare as a high priority for new programming. In September 1993, as a result of the collaboration between the City of Menlo Park and the Ravenswood School District, the BHAS program was created to provide licensed day care for children in grades K-3 during the hours between 12-6 p.m. on the Belle Haven School campus. Prior to its creation, there were no other licensed afterschool childcare programs in the neighborhood as it is today. During the years between 1998 and 2001, the program received funds from the Community Development Block Grant and the Office of Housing to help subsidize participant fees. This program was created to serve low income working families who desired a safe, structured environment for their children.

Ten years after its inception, the BHAS program experienced a number of significant impacts including program merges, cost-cutting, and increased competition that would later result in the program that exists today. A few of these items include:

- In 2003, the BHAS program and the latch-key program at the Onetta Harris Community Center were merged due to budget cuts. After this merge the program retained its name and began serving children in grades K-6th with the capacity of serving up to 84 children.
- In 2004, as a cost-cutting measure, the sibling discount was eliminated.
- In 2010, the BHAS program's summer camp known as Camp Menlo was merged with the Belle Haven Community School summer program and the Onetta Harris Community Center summer camp to form one summer program serving the Belle Haven Community.
- In September 2010, the low income category subsidy along with the non-resident subsidy was eliminated.

- During the 2010-11 school year, the program experienced increased competition when the Center for New Generation (CNG) at Belle Haven School through partnership with the Boys & Girls Club of the Peninsula (BGCP) expanded their free program and started accepting more children. This has resulted in a decreased demand for the program.

A significant impact to the program and the Belle Haven Community was the dissolution of the Redevelopment Agency. Following the loss of RDA funds, City staff had proposed a number of recommendations to address the loss of funds for FY 2012-13. During the City Council's Study Session on January 30, 2012, the City Council expressed interest in merging the Belle Haven Afterschool Program (BHAS) with the Boys and Girls Club of the Peninsula's program (BGCP) held at Belle Haven School as they were similar services. Council gave direction to Community Services staff to explore a possible shared services arrangement with the BGCP. After initial meetings with the BGCP, it was determined by staff that an effective merger might be possible. City staff conducted a survey of program participants and developed a cost estimate for the City in the event the BGCP program absorbed the children currently being served in the BHAS program.

During the City Council Meeting on May 22, 2012, City staff presented the results of the participant survey and potential budget impacts for the program merger. A program comparison and participant survey results indicated that the merger proposal had some weaknesses, which was reinforced by the public comment that was received at the meeting. Residents expressed that the BGCP program would not adequately meet the needs of their children and were concerned about the elimination of the BHAS. Parents also indicated that more outreach to the community was needed. By consensus, the City Council suspended implementation of the cost-reduction strategy to merge the BHAS and BGCP programs. The City Council directed staff to better engage parents and work with them to develop a recommendation for improved program cost recovery to be considered in the next budget cycle. Council directed that this recommendation include methods to improve cost recovery to the level indicated in the City's cost recovery policy.

ANALYSIS

Following the May City Council meeting and prior to the end of the school year in June 2012, parents of the BHAS program formed a Parent Advisory Committee (PAC) and elected their officers. During the summer, the parents began the work of fundraising for the BHAS program and held three small fundraisers which included two co-sponsored by Jamba Juice and one with Chucky Cheese Pizza. To date the PAC have organized a total of five small fundraisers and are looking hold more later in the fall and at least one high impact fundraiser during the school year. The fundraisers have been well received by the other parents, friends and neighbors of the program raising nearly $1,000 for the program.

In August 2012, City staff began the work of developing cost recovery proposals for the program to present to parents for discussion and their feedback (see Attachment A). The ultimate goal of these proposals is to achieve the necessary cost recovery as outlined by the City Council's fiscal policy. The cost recovery range for the BHAS program is 30-70%. In recent years the program has achieved between 17-18% which is far below what City policy requires. Given the program's level of high community benefit, 30% cost recovery has become the program's target cost recovery goal.

On September 6, 2012, City staff met with parents from the program to present the cost recovery proposals and to discuss them and any other ideas that parents had for improved cost recovery. Here is a summary of the meeting and the parent feedback on the proposals:

Parent Feedback on Proposals:
At the meeting, parents were presented some background information on the need to address program cost recovery and a framework for the discussion which is contained in the "Givens" (see Attachment A). The discussion was productive with parents sharing their concerns and ideas for what proposals were acceptable and which ones were not. More importantly, parents expressed an understanding of the problem and a desire to be a part of the solution. Here are some of the highlights of the meeting:

- Parents thought proposals # 2 and # 3 were more desirable, which included raising program fees and managing the problem with a combination approach that focused on reducing costs, increasing partnerships and identifying alternative funding sources. In the discussion, parents suggested that a 125% increase would be cost prohibitive but perhaps a 50% or $30 increase from the lowest rate might be manageable. Parents expressed a desire to survey current parents on their willingness and ability to pay more. Parents expressed an eagerness to continue with fundraising through the Parent Advisory Committee and needed more clarification on direct donations they received from businesses and ones that are granted directly to the City.
- Proposals # 4 and # 5 were the least desirable, as parents had expressed much concern over combining the BHAS program with the Boys & Girls Club program. Parents did not feel that the Boys & Girls Club program met their needs and were concerned with the level of supervision, safety, transportation and other programmatic issues.
- Proposal # 1 was discussed and parents expressed a concern over the consistency of staffing and having a regular permanent Teacher was highly desired. However, it should be noted that the concern over consistency may be more perception than reality as the average tenure of program staff is greater than 4 years.
- In the discussion about fees, parents thought that if the non-resident fee was eliminated the program may be able to attract more families who have the ability to pay. Also, parents suggested that a separate fee for some program components such as "trips" could be charged which would help to reduce the program's costs.
- Parents thought there should be greater marketing for the program which includes increased collaboration with Tinsley Program participants. Parents wanted to investigate making the BHAS Program one of the Tinsley Program's bus stops since a number of Tinsley kids are served in the program.

Cost Recovery Progress to Date

After the September 6th parent meeting, the PAC has been meeting periodically to organize fundraising events which have included 2 Jamba Juice Sales, a Chuck E. Cheese Pizza event, Pizza Sale and a Nacho Sale for parents and friends of the program. The PAC is currently organizing a See's Candy Sale over Christmas, Valentines and Easter that will benefit the program. A number of ideas have been generated for a high impact fundraising event which is to be held during the winter.

In addition, the PAC in coordination with City staff conducted a program fee survey (see Attachment B) to evaluate the ability and willingness of parents to pay more for the program and the fee threshold that would be acceptable. Here is a summary of the survey results:

- The BHAS program has significant number of returning participants with 72% of participants in the program for 2-4 years and 38% of respondents reporting they have had siblings participating in the past.
- There were 88% of respondents whose children participate in both the BHAS program and the Camp Menlo program in the summer.
- Of those responding, 50% indicated they could manage a fee increase of $20-$40 per month more. 37% of respondents indicated they can manage a fee increase greater than $40 per month while only 2 respondents or 12% could not manage any fee increase.
- All parent respondents indicated they are willing to participate in some form of fundraising activities for the program, many of who provided suggestions for fundraisers.

At this point, the PAC has not been able to solicit potential funders and partners to replace the 13,000 Homework Grant that was eliminated which represents 25% of the programs projected revenue for this fiscal year. The next step will be to update the City Council during its January study session on the progress made toward improved cost recovery and parent engagement.

RECOMMENDATION

Staff recommends that the Parks & Recreation Commission review and consider the BHAS program cost recovery proposals and provide feedback to staff moving forward with this project.

____

Natasha Watkins
Recreation Coordinator

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Derek Schweigart
Social Services Manager

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:

Attachment A – BHAS Cost Recovery Proposals and Givens
Attachment B – BHAS Program Fee Survey

Belle Haven After School (BHAS) Cost Recovery Proposals

Givens:

1. 30% cost recovery target based on the City's fiscal policy of 30-70% cost recovery for similar programs. To achieve the 30% cost recovery target, the program would need to generate $73,080 in revenue or an increase of $36,698 based on the current program budget of $243,298. Alternatively, the current projected revenue of $36,382 would require a decrease of $122,298 from the current budget.
2. Any increase in user fees must be approved by City Council.
3. Staff-Participant ratios must meet or exceed Title 22 licensing requirements or industry standard for a day care provider which is 1:14.
4. $13,000 Homework Grant has been eliminated by the County for FY 2012-13 which has created a further revenue deficit for the BHAS program.
5. Parent Advisory Committee must comply with all City policies regarding program fundraising and has sole authority for how money raised will be spent to benefit the program.

Proposals:

1. Change staffing model for BHAS to operate with part-time temporary teachers instead of with a permanent teacher position.

   Pros

   - The BHAS program would achieve 20.5% cost recovery target taking into account the County's elimination of the $13,000 Homework Grant.
   - If alternative funding for the $13,000 County Homework Grant is identified, the cost recovery with this proposal would be 28%.
   - The change in staffing model would provide a significant improvement in program cost recovery and move it in the right direction.

   Cons

   - Potential for lost continuity with staffing as part-time employees are limited to 1,000 hours per year.
   - May result in reduced administrative and customer service support for the program.
   - An additional $17,000 in revenue would need to be identified or alternatively an additional $56,360 would need to be cut from program budget to achieve the 30% cost recovery target.

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below). In order to achieve the 30% cost recovery target the monthly fee would need to be $145/month with 56 registered participants. A pricing threshold must be determined based on the ability and willingness of parents to pay which will determine the effectiveness of this alternative.

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Cons

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5. Another proposal under consideration last fiscal year was the elimination of the BHAS program altogether.

   Pros
   - The City of Menlo Park would save at least $160,000 if the permanent staff positions were preserved through reassignment.

   Cons
   - If other options are not identified, 56 children and their families would need to identify other child care options.
   - Other than the BGCP program there are no affordable child care options available for families in the area.

Attachment B - BHAS Program Fee Study

18 surveys received back

	1 year	2 years	3 Years	4 years	5 years	6 years
How many years has your child been in the afterschool program	4	2	6	5	0	1

	1 Child	2 children
How many children do you currently have attending the afterschool program	13	5

	yes	no
In the past, have you had other children attend afterschool program	7	11

	yes	no
Do your children participate in the Camp Menlo Summer Program	16	2

One strategy for improving cost recovery is to look at fee increases for the program.
Would you be willing and able to pay an increase in the following amount for the BHAS?

$20-$40	$40-$60	$60-$80	$80-$100	$100+
8	1	2	2	1

If no, Why not?

Cant afford an increase **2**

I don't make enough money to pay for a increase. I simply can't afford it. barley making it now

Another strategy for meeting cost recovery is support of the BHAS Parent Advisory Committee
through fundraising for the program. Are you willing to participate in fundraising activities to support the program

100% yes response

Do you have any ideas for program fundraising that you would be willing to support and
encourage others to support? If so, which ones?

raffles, garage sale, car wash, bake sale, selling food plates, candy apples, selling candy, donate food to sale special snacks, car show, popcorn sale, silent auction, gift wrap sale, Jamba juice, donation request from potential businesses