



REGULAR MEETING AGENDA

Date: 7/21/2015
Time: 7:00 pm
City Council Chambers
701 Laurel Street, Menlo Park, CA 94025

Call To Order

Roll Call – Carlton, Cline, Keith, Mueller, Ohtaki

Pledge of Allegiance

Announcements

A. Presentations and Proclamations

- A1. Proclamation celebrating the 35th anniversary of the SRI Organon Toastmasters
- A2. Proclamation recognizing July 2015 as Parks and Recreation Month
- A3. Presentation highlighting the Community Services Department

B. Commission/Committee Vacancies, Appointments, and Reports

- B1. Quarterly update from the Transportation Commission

C. Public Comment

Under “Public Comment”, 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. Adopt a resolution authorizing the City Manager to execute a contract with the State of California Department of Education to reimburse the City up to \$746,685 for child care services at the Belle Haven Child Development Center for fiscal year 2015-16 ([Staff Report #15-112-CC](#))
- D2. Approve the release of a Notice of Funding Availability to developers of affordable housing ([Staff Report #15-116-CC](#))
- D3. Approval of the Proposed Economic Development Plan ([Staff Report #15-126-CC](#))

- D4. Adopt a resolution acknowledging an easement for City storm drainage from Leslie Salt company (now Cargill) ([Staff Report #15-119-CC](#))
- D5. Award a contract to Trip Stop Sidewalk Repair Inc. for the multi-year sidewalk sawcutting trip hazard removal project ([Staff Report #15-121-CC](#))
- D6. Authorize the execution of a Public Works Mutual Aid Agreement with the County of San Mateo and other cities within the county ([Staff Report #15-117-CC](#))
- D7. Award a Construction Contract to O'Grady Paving, Inc. for the 2014-2015 Street Reconstruction Project in the Amount of \$ 4,038,110 and Appropriate \$300,000 from the Building Construction Impact Fee Fund Balance and Authorize a Total Construction Contract Budget of \$4,500,000 ([Staff Report #15-124-CC](#))
- D8. Award a contract to various vendors for a total amount of \$474,680 for the purchase of thirteen vehicles, one turf sweeper, and outfitting safety equipment; authorize a contingency in the amount of \$20,561, appropriate \$95,241 from the Vehicle Fund Balance and authorize a total budget of \$495,241 ([Staff Report #15-120-CC](#))
- D9. Authorize the City Manager to enter into agreements with Chrisp Company and Quality Striping, Inc. for citywide street signing and striping program and authorize the City Manager the option to extend the agreements for up to three additional year ([Staff Report #15-127-CC](#))
- D10. Authorize the City Manager to execute a contract with ClientFirst Consulting Group, LLC in an amount not to exceed \$60,128 for development of an Information Technology Strategic Plan ([Staff Report #15-128-CC](#))
- D11. Approve minutes for the Council meetings of June 2, 16 and 23, 2015 ([Attachment](#))

E. Public Hearing

- E1. Adopt a resolution approving five-year water rates for the Menlo Park Municipal Water District ([Staff Report #15-118-CC](#))

F. Regular Business

- F1. Amend the City's Transportation Demand Management Guidelines and Transportation Impact Analysis Guidelines for certain Change of Use projects in the M-2 area ([Staff Report #15-122-CC](#))
- F2. Adopt a resolution of the Successor Agency to the Community Development Agency of the City of Menlo Park approving the issuance of refunding bonds, approving the execution and delivery of an indenture of trust, approving the execution and delivery of irrevocable refunding instructions, requesting Oversight Board approvals and determinations, and providing for other matters related to the refinancing ([Staff Report #15-115-CC](#))
- F3. Ask the Finance and Audit Committee to report back to the City Council on opportunities to identify potential budget savings through alternative service delivery models ([Staff Report #15-123-CC](#))

G. City Manager's Report

H. Written Communication - None



I. Informational Items

- I1. Belle Haven Child Development Center Self Evaluation Report for the Child Development Division of the California Department of Education for Fiscal Year 2014-15 ([Staff Report #15-113-CC](#))
- I2. Quarterly review of data captured by Automated License Plate Readers (ALPR) for the period beginning April 1, 2015 through July 1, 2015 ([Staff Report #15-125-CC](#))
- I3. Quarterly review of Taser Program ([Staff Report #15-114-CC](#))

J. Councilmember Reports

- J1. Confirm attendance and voting delegates for the League of California Cities Annual Conference ([Attachment](#))

K. Adjournment

Agendas are posted in accordance with Government Code Section 54954.2(a) or Section 54956. Members of the public can view electronic agendas and staff reports by accessing the City website at www.menlopark.org/AgendaCenter and can receive e-mail notification of agenda and staff report postings by subscribing to the Notify Me service on the City's homepage at www.menlopark.org/notifyme. Agendas and staff reports may also be obtained by contacting the City Clerk at 650-330-6620. Copies of the entire packet are available at the library for viewing and copying. (Posted: 7/16/2015)

At every Regular Meeting of the City Council, in addition to the Public Comment period where the public shall have the right to address the City Council on the Consent Calendar and any matters of public interest not listed on the agenda, 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 the Council's consideration of the item.

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.

Any writing that is distributed to a majority of the City Council by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available for inspection at the Office of the City Clerk, Menlo Park City Hall, 701 Laurel Street, Menlo Park, CA 94025 during regular business hours. Members of the public may send communications to members of the City Council via the City Council's e-mail address at city.council@menlopark.org. These communications are public records and can be viewed by any one by clicking on the following link: <http://ccin.menlopark.org>.

City Council meetings are televised live on Government Access Television Cable TV Channel 26. Meetings are rebroadcast on Channel 26 on Thursdays and Saturdays at 11:00 a.m. A DVD of each meeting is available for check out at the Menlo Park Library. Live and archived video stream of Council meetings can be accessed at www.menlopark.org/streaming. Persons with disabilities, who require auxiliary aids or services in attending or participating in City Council meetings, may call the City Clerk's Office at 650-330-6620.

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**STAFF REPORT****City Council**

Meeting Date: 7/21/2015
Staff Report Number: 15-112-CC

Consent Calendar: **Adopt a Resolution Authorizing the City Manager to Execute a Contract with the State of California Department of Education to Reimburse the City up to \$746,685 for Child Care Services at the Belle Haven Child Development Center for Fiscal Year 2015-16**

Recommendation

Staff recommends that the City Council adopt a Resolution (Attachment A) executing a contract with the State of California Department of Education for reimbursement to the City for up to \$746,685 for the delivery of child care services at the Belle Haven Child Development Center for Fiscal Year 2015-16.

Policy Issues

The recommendation does not represent any change to existing City policy. If the State makes any amendment to the current agreement to release additional funds for the program it will require further action by the City Council. Staff will bring back this item to present additional information and for consideration by the City Council if it becomes necessary.

Background

The City of Menlo Park has operated the Belle Haven Child Development Center (BHCCDC) for over 30 years. The Belle Haven Child Development Center is licensed by the State Department of Social Services to provide quality child development services to families in Menlo Park and surrounding cities. The program receives funding from the State Department of Education, USDA Child and Adult Care Food Program, user fees, and contribution by the City of Menlo Park. The program seeks to build children's self-esteem by offering developmentally appropriate materials and activities supporting social, emotional, physical, and cognitive abilities. Children are provided breakfast, lunch, and snacks daily. The teacher to child ratio is 1:8. Until 2010-11 a highly trained and committed staff taught approximately 96 children, 3-5 years of age. Cuts in state funding for 2011-12 required a decrease in program participation and in 2012-13 just 72 children were enrolled. However, in 2013-14, with the increase in State funding, the program increased enrollment to 84 children. The additional 12 children were enrolled in a new part day program that was offered. Now, in 2014-15, with an additional increase in State funding, the program is enrolled to capacity with 96 children in both full day and part day programming.

Currently, the ninety-six (96) program enrollees are subsidized under the California Department of Education Child Development Division (CDD) State Preschool Program. State funding restrictions require all parents of children enrolled in the CDC's subsidized slots to be working, in school, in training, seeking permanent housing, actively seeking employment, or incapacitated. All families of children enrolled in the CDC must meet strict income eligibility requirements. The State contract also provides funding for additional resource materials, such as classroom supplies and small equipment to support these families.

Over 60 families still remain on the program’s waiting list.

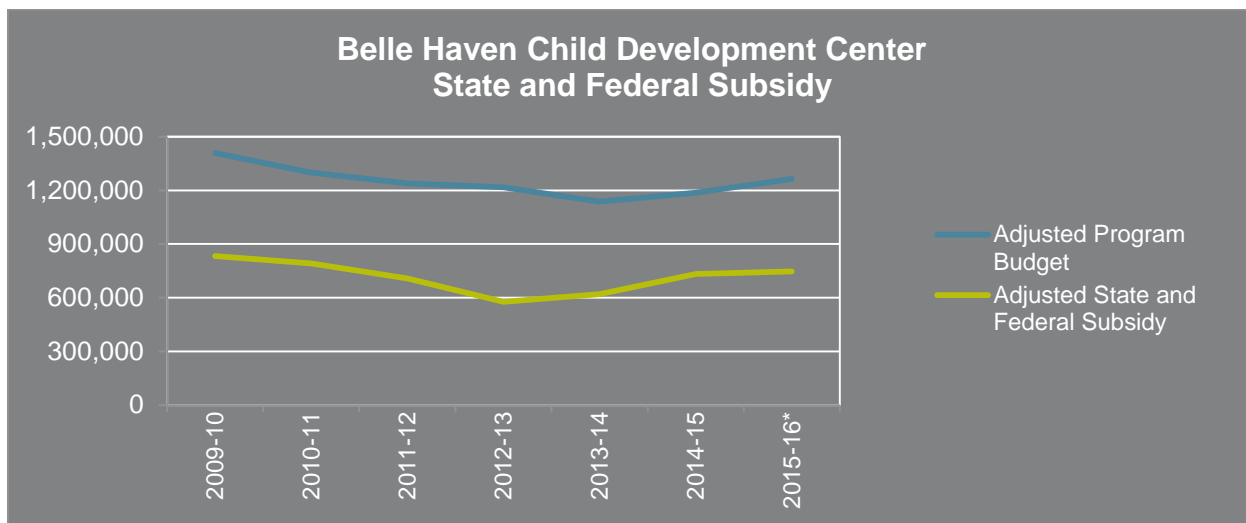
A resolution must be adopted annually in order to certify the approval of the funding by the Governing Board of the jurisdiction receiving the reimbursement and to authorize designated personnel to enter into the contract with the California Department of Education. The City Manager has been identified as the Executive Director or the Authorizing Agent for the City of Menlo Park for the purpose of signing the contract. A copy of the contract is included as Attachment B.

Analysis

Under the terms of the contract, the City agrees to expend contract funds on reimbursable costs necessary to provide child care services for eligible children. The City is also required to meet all reporting requirements and other standard contract provisions. The contract specifies a Minimum Days of Operation (MDO) requirement of 246 days during the fiscal year and 19,156 Minimum Child Days of Enrollment (CDE). The reimbursement rate is \$38.98 per child per day, up to a maximum of \$746,685 based on the minimum service requirements.

Fiscal Year	Adopted Program Budget	Adjusted Program Budget	Adopted State and Federal Subsidy	Adjusted State and Federal Subsidy	Percent of State Decrease or Increase	Number of Subsidized Slots
2009-10	\$1,391,089	\$1,408,083	\$791,079	\$832,543	-----	96
2010-11	\$1,233,398	\$1,299,540	\$851,079	\$791,932	-4.9%	96
2011-12	\$1,278,872	\$1,237,872	\$732,435	\$707,945	-10.6%	78
2012-13	\$1,278,913	\$1,217,385	\$707,945	\$577,421	-18.4%	72
2013-14	\$1,087,187	\$1,136,416	\$577,414	\$620,043	+7.4%	84
2014-15	\$1,167,599	\$1,186,895	\$587,872	\$732,964	+18.2%	96
2015-16*	\$1,264,337	N/A	\$732,964	\$746,685**	+1.9%	96

*Adopted Budget
 **Approved State Contract Estimate for FY2015-16



*Adopted Budget

Impact on City Resources

The City will receive up to \$746,685 to support the Belle Haven Child Development Center through the State contract proposed for authorization. The City anticipates receiving additional revenues from parent fees, small grants, food reimbursements and other small revenue sources. The City's budgeted direct cost to operate the Belle Haven Child Development Center is \$1,264,337 for the 2015-16 fiscal year. The budgeted net cost to the City for the BHCDC program for the coming fiscal year is \$517,652.

Environmental Review

No environmental review is required.

Public Notice

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

Attachments

- A. Resolution Authorizing the City Manager to Execute a Contract
- B. Belle Haven CDC California Department of Education funding contract for FY 2015-16

Report prepared by:

Natalie Bonham, Program Supervisor at Belle Haven CDC

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RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
AUTHORIZING AN AGREEMENT WITH THE CALIFORNIA
DEPARTMENT OF EDUCATION TO RECEIVE THE SUBSIDY FOR
CHILD CARE AND DEVELOPMENT SERVICES FOR FISCAL YEAR
2015-16.**

WHEREAS, the City of Menlo Park has operated the Belle Haven Child Development Center (BHCDC) for over 30 years; and

WHEREAS, the program offers developmentally appropriate materials and activities that support social, economic, physical and cognitive abilities; and

WHEREAS, the program receives funding from the State of California Department of Education; and

WHEREAS, a resolution must be adopted annually in order to certify the approval of the funding by the City Council receiving the reimbursement and authorizing the designated personnel to enter into the contract.

NOW, THEREFORE BE IT RESOLVED, that the City of Menlo Park, acting by and through its City Council, having considered and been fully advised in the matter and good cause appearing therefore do hereby authorize entering into local agreement number CSPP-5481 reimbursing the City up to \$746,685 for child care services at the Belle Haven Child Development Center for fiscal year 2015-16.

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 the twenty-first day of July, 2015, 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 twenty-first day of July, 2015.

Pamela Aguilar
City Clerk

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DATE: July 01, 2015

CONTRACT NUMBER: CSP-5481

PROGRAM TYPE: CALIFORNIA STATE
PRESCHOOL PROGRAM

PROJECT NUMBER: 41-2184-00-5

LOCAL AGREEMENT FOR CHILD DEVELOPMENT SERVICES

CONTRACTOR'S NAME: CITY OF MENLO PARK

This Agreement is entered into between the State Agency and the Contractor named above. The Contractor agrees to comply with the terms and conditions of the CURRENT APPLICATION; the GENERAL TERMS AND CONDITIONS (GTC-610)*; the STATE PRESCHOOL PROGRAM REQUIREMENTS*; the FUNDING TERMS AND CONDITIONS (FT&C)* and any subsequent changes to the FT&C*, which are by this reference made a part of this Agreement.

Funding of this Agreement is contingent upon appropriation and availability of sufficient funds. This Agreement may be terminated immediately by the State if funds are not appropriated or available in amounts sufficient to fund the State's obligations under this Agreement.

The period of performance for this Agreement is July 01, 2015 through June 30, 2016. For satisfactory performance of the required services, the Contractor shall be reimbursed in accordance with the Determination of Reimbursable Amount Section of the FT&C, at a rate not to exceed \$38.98 per child per day of full-time enrollment and a Maximum Reimbursable Amount (MRA) of \$746,685.00.

SERVICE REQUIREMENTS

Minimum Child Days of Enrollment (CDE) Requirement 19,156.0
 Minimum Days of Operation (MDO) Requirement 246

Any provision of this Agreement found to be in violation of Federal and State statute or regulation shall be invalid, but such a finding shall not affect the remaining provisions of this Agreement.

Items shown with an Asterisk (*), are hereby incorporated by this reference and made part of this Agreement as if attached hereto. These documents can be viewed at <http://www.cde.ca.gov/fg/aa/cd/ftc2015.asp>.

STATE OF CALIFORNIA		CONTRACTOR				
BY (AUTHORIZED SIGNATURE)		BY (AUTHORIZED SIGNATURE)				
PRINTED NAME OF PERSON SIGNING Sueshil Chandra, Manager		PRINTED NAME AND TITLE OF PERSON SIGNING				
TITLE Contracts, Purchasing and Conference Services		ADDRESS				
AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 746,685	PROGRAM/CATEGORY (CODE AND TITLE) Child Development Programs	FUND TITLE		Department of General Services use only		
PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT \$ 0	(OPTIONAL USE) See Attached					
TOTAL AMOUNT ENCUMBERED TO DATE \$ 746,685	ITEM See Attached	CHAPTER	STATUTE			FISCAL YEAR
OBJECT OF EXPENDITURE (CODE AND TITLE) 702		T.B.A. NO.		B.R. NO.		
I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.		T.B.A. NO.		B.R. NO.		
SIGNATURE OF ACCOUNTING OFFICER See Attached		DATE				

CONTRACTOR'S NAME: CITY OF MENLO PARK

CONTRACT NUMBER: CSPP-5481

AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 113,079	PROGRAM/CATEGORY (CODE AND TITLE) Child Development Programs	FUND TITLE Federal		
PRIOR AMOUNT ENCUMBERED \$ 0	(OPTIONAL USE)0656 13609-2184	FC# 93.596	PC# 000321	
TOTAL AMOUNT ENCUMBERED TO DATE \$ 113,079	ITEM 30.10.020.001 6110-194-0890	CHAPTER B/A	STATUTE 2015	FISCAL YEAR 2015-2016
	OBJECT OF EXPENDITURE (CODE AND TITLE) 702 SACS: Res-5025 Rev-8290			

AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 62,213	PROGRAM/CATEGORY (CODE AND TITLE) Child Development Programs	FUND TITLE Federal		
PRIOR AMOUNT ENCUMBERED \$ 0	(OPTIONAL USE)0656 15136-2184	FC# 93.575	PC# 000324	
TOTAL AMOUNT ENCUMBERED TO DATE \$ 62,213	ITEM 30.10.020.001 6110-194-0890	CHAPTER B/A	STATUTE 2015	FISCAL YEAR 2015-2016
	OBJECT OF EXPENDITURE (CODE AND TITLE) 702 SACS: Res-5025 Rev-8290			

AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 349,970	PROGRAM/CATEGORY (CODE AND TITLE) Child Development Programs	FUND TITLE General		
PRIOR AMOUNT ENCUMBERED \$ 0	(OPTIONAL USE)0656 23038-2184			
TOTAL AMOUNT ENCUMBERED TO DATE \$ 349,970	ITEM 30.10.010. 6110-196-0001	CHAPTER B/A	STATUTE 2015	FISCAL YEAR 2015-2016
	OBJECT OF EXPENDITURE (CODE AND TITLE) 702 SACS: Res-6105 Rev-8590			

AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 221,423	PROGRAM/CATEGORY (CODE AND TITLE) Child Development Programs	FUND TITLE General		
PRIOR AMOUNT ENCUMBERED \$ 0	(OPTIONAL USE)0656 23254-2184			
TOTAL AMOUNT ENCUMBERED TO DATE \$ 221,423	ITEM 30.10.020.001 6110-194-0001	CHAPTER B/A	STATUTE 2015	FISCAL YEAR 2015-2016
	OBJECT OF EXPENDITURE (CODE AND TITLE) 702 SACS: Res-6105 Rev-8590			

I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above. PAGE 12	T.B.A. NO.	B.R. NO.
SIGNATURE OF ACCOUNTING OFFICER	DATE	

Community Services

**STAFF REPORT****City Council**

Meeting Date: 7/21/2015
Staff Report Number: 15-116-CC

Consent Calendar: **Approve the Release of a Notice of Funding Availability (NOFA) to Developers of Affordable Housing**

Recommendation

Approve the release of a Notice of Funding Availability (NOFA) to Developers of Affordable Housing.

Policy Issues

Issuing a regular NOFA is a requirement of a 2013 Court Order (Peninsula Interfaith Action, Urban Habitat Program and Youth United for Community Action vs. City of Menlo Park and Menlo Park City Council, Case No. CIV513882) related to the City's Housing Element. The release of the 2015 NOFA complies with the requirement to issue a NOFA of not less than every two years, subject to funding availability.

Background

The Settlement Agreement related to the Court Order required the City to issue a NOFA within 60 days of approval of the Housing Element to non-profit developers of affordable housing to extremely-low, very-low and low income households provided there is an uncommitted balance of at least \$1 million on deposit in the City's Below Market Rate (BMR) fund. The goal of the NOFA is to develop a substantial number of deed-restricted affordable units within three years of receipt of funds.

The City's first NOFA was issued in 2013, following certification of the Housing Element for the 2007-2014 planning period. The City received one application from MidPen Housing, although the City received interest in the process from several entities. The City Council selected MidPen Housing as the recipient of up to \$3.2 million for a new 90-unit senior development located at 1221 Willow Road in the Belle Haven neighborhood. The City is seeking to issue its second NOFA, but is proposing a few modifications in an effort to reach a broader group.

The City continues to encourage the development of a variety of housing in the City, especially the much needed affordable housing, through implementation of the City's Housing Element, which was most recently adopted in April 2014 for the 2015-2023 planning period. Outside of the NOFA process, the City has also contributed BMR funds to the development of affordable housing projects. The most recent example is the 60-unit affordable housing development at the Veterans Affairs Campus at 605 Willow Road, which was awarded up to \$2.8 million to help bridge the financing gap in the development of very low- and extremely low-income residential units for veterans.

Analysis

The NOFA is designed to create a competitive process supporting rental housing developments that are most likely to be successful in addressing the City's affordable housing needs and that will benefit the

community. City BMR funding is intended to fill financing gaps between projected total development costs and other available funding sources.

Staff is proposing several changes to the upcoming NOFA requirement to potentially increase the number of responses. The changes do not change the intent or quality of the application that is desired. The following are the proposed modifications to the application:

- Reduce the number of previously completed affordable housing projects from three to two to capture a larger applicant pool.
- Encourage, but not require, that the previous affordable housing projects be of similar size and complexity to provide greater flexibility in design and support new opportunities for experienced developers entering into new markets.
- Allow for an entity to submit an application as an individual as well as part of a group to allow for partnerships to form and draw on experiences and strengths of individual entities.

The NOFA application is attached to this report (Attachment A).

The proposed schedule for this NOFA is:

Circulate NOFA	July 27, 2015
NOFA Proposals Due	November 2, 2015
City Council Study Session	Council meeting in January, 2016
City Council Hearing	Council meeting in March, 2016

Impact on City Resources

The BMR Fund currently has approximately \$7.8 million in uncommitted funds available for the NOFA process (see Attachment B).

Environmental Review

No environmental review is required for this NOFA, although individual projects that may be awarded funding may be subject to California Environmental Review requirements.

Public Notice

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

Attachments

- A. Notice of Funding Availability Application
- B. Below Market Rate Funds

Report prepared by:
Cherise Brandell, Community Services Director



**City Of Menlo Park
Notice of Funding Availability (NOFA)
July 27, 2015**

The City of Menlo Park is announcing the availability of funds for new affordable rental housing projects in Menlo Park. Approximately \$7.8 million in Below Market Rate (BMR) housing funds is available under this NOFA to support the acquisition, rehabilitation or new construction of housing that will provide long term affordability. The funding is intended to fill the financing gap between the projected total development costs and other available funding sources.

Qualified developers of affordable housing who can meet the NOFA qualifications and demonstrate their ability to design, build, and manage affordable housing are encouraged to submit proposals. All proposals must be received no later than 5:00 pm November 2, 2015. An interested party may submit as an individual entity and/or may partner with other entities, so long as the collective group meets the NOFA requirements. Applications submitted after this deadline will not be considered. Funding will be awarded by the City Council on a competitive basis to those projects that are most successful in addressing the City's affordable housing needs and benefit the community.

The City is seeking proposals demonstrating: an understanding of the community; the unique attributes and opportunities of the neighborhood where the project would be located; successful experience in developing and managing affordable housing; and a commitment to an inclusive and informative public engagement process. Applicants must have successfully completed a minimum of two affordable housing projects. These developments are desired to be of similar size and complexity as the proposed project, but are not required in order to be eligible to submit an application. Each applicant developer is permitted to submit only one project application as an individual and one application as part of group a for this NOFA. Eligible projects include new construction or acquisition with or without rehabilitation for the purpose of developing affordable rental housing for extremely low, very low, and low income households. Development of emergency shelters for the homeless are not eligible because they do not result in permanent affordable housing. Mixed income projects containing both affordable and market rate rental units are eligible, however, only the affordable housing portion of the project can be assisted under this NOFA.

The City will evaluate proposals based on City Council adopted project goals and housing priorities. All proposals will be reviewed for consistency with the recently adopted Housing Element and the City's General Plan. There will not be a point system applied to these goals and priorities.

To be considered for funding under this NOFA, Project Goals must include:

- Housing units will remain affordable through deed restrictions for at least 55 years.
- The project's management plan promotes a healthy living environment for tenants and a compatible relationship with neighbors.
- The project is consistent with the goals and objectives of the City's Housing Element and General Plan.
- The project has reasonable costs, the ability to compete well in securing competitive funding sources, and is soundly underwritten.
- The project will allow the City to spend housing funds expeditiously.
- The project site is near transit and services and is convenient for the target population.
- The project site allows a development to achieve maximum density.
- The building incorporates green building practices and materials.
- The project is consistent with the zoning and neighborhood setting.
- The project incorporates appropriate community spaces, amenities and services for the target population.
- The development team has demonstrated experience with successful affordable housing projects and the capacity to work cooperatively with the community in the design and development of the project.

Housing Priorities

- Rental housing targeting extremely low, very low income and low households earning 50 percent or less of the median income for San Mateo County.
- Proposals that provide dual benefits by developing affordable housing and creating a substantial improvement of a blighted property and/or neighborhood.

Application Submittal Requirements

Applicants must submit the following material:

- One (1) original and six (6) copies of a complete application with all required supporting materials.
- Applications must be submitted by 5:00 pm November 2, 2015.
- Under the California Public Records Act all documents submitted as part of this application are considered public records and will be made available to the public upon request.
- The attached application form describing the project, the location, the proposed financing, developer qualifications, plans for neighborhood compatibility and engagement and any other information relevant for describing how the project meets the goals stated above.

Application Review

Staff will review all proposals to verify the applicant is eligible. Proposals from developers that do not meet the City's minimum required experience will not be considered. Incomplete proposals will not be considered.

Environmental Review and Assessment

Prior to the final funding commitment, projects must be assessed in accordance with the California Environmental Quality Act (CEQA). If Federal funding is involved, the project must also be assessed in accordance with the National Environmental Policy Act (NEPA).

Application Process Time Line

The tentative time line for evaluating and selecting proposals is anticipated to be:

Circulate NOFA	July 27, 2015
NOFA Proposals Due	November 2, 2015
City Council Study Session	Council meeting in January, 2016
City Council Hearing	Council meeting in March, 2016

Contact Information

Questions regarding this NOFA may be directed to Deanna Chow, Senior Planner by calling 650-330-6733 or sending an email to dmchow@menlopark.org.

Changes to NOFA Process

The City of Menlo Park reserves the right to request additional information from applicants, reject any and all submittals, waive any irregularities in the submittal requirements or cancel, suspend or amend the provisions of this NOFA. If such an action occurs the City will notify all interested parties in advance.

Submit Completed Application (attached) to:

City Clerk, City of Menlo Park
701 Laurel Street
Menlo Park, CA 90425

**CITY OF MENLO PARK
2015 NOFA APPLICATION**

PROJECT APPLICANT

1. Project Applicant

Applicant Name (Organization/ Agency): _____

Primary Contact Person: _____

Address: _____

Phone No: _____

E Mail: _____

What is the role of the Applicant in the project (*check all that apply*)

- Ownership Entity
- Managing Partner or Managing Member
- Sponsoring Organization
- Developer
- Other (describe): _____

2. Legal Status of Applicant

- General Partnership
- JointVenture¹
- Limited Partnership Corporation
- Nonprofit Organization
- Other specify

3. Status of Organization

- Currently Exists
- To be formed (estimated date) : _____

4. Name(s) of individuals who will be General Partner(s) or Principal Owner(s)

¹ If the Applicant is a Joint Venture, a Joint Venture Agreement is required clearly describing the roles and responsibilities of each partner who is the lead partner or if the responsibilities are approximately equally split between the partners

PROJECT DESCRIPTION

5. Project Name: _____

Project Address: _____

Assessor's Parcel No: _____

6. Project Type (check all that apply):

- Rental
- Senior
- Special Needs
- Other describe
- SRO Studio Apartments

7. Project Activity (check all that apply):

- Acquisition
- Rehabilitation
- Redevelopment
- New Construction
- Mixed Income
- Mixed Use
- Other (please specify): _____

8. Project Description

No. Units _____ Commercial/Office Uses(specify) _____
No. Res. Bldgs _____ Commercial Floor Area _____
No. Stories _____ Office Floor Area _____
Land Area _____ Residential Floor Area _____
Elevators _____ Other Uses (specify) _____
Community Room(s) Floor Areas _____

9. Parking

Total Parking Spaces _____
Parking Type _____
Residential Spaces and Ratio _____
Guest Spaces _____
Commercial Spaces and Ratio _____
Office Spaces and Ratio _____

10. Number of Housing Units by Income Category

Category	Number of Units	Percentage of Units
0 to 30 AMI Extremely Low Income		
31 to 50 AMI Very Low Income		
51 to 80 AMI Low Income		
Unrestricted		

11. Unit Amenities (air conditioning, laundry in unit, balconies, etc.):

12. Number of Unit Types

Studio _____
1 Bedroom _____
2 Bedroom _____
3 Bedroom _____

PROJECT NARRATIVE *(Please use additional sheets of paper as needed.)*

13. Project Description: Provide a brief narrative summary of the proposed project. Please include location, project type (new versus rehab), target population and any unique project characteristics.

14. Project Design: Provide a description of the project's architectural and site plan concepts and how these concepts address the opportunities and limitations of the site and location.

15. Green Building Features: Describe the green building features that will be incorporated into the project.

16. On-Site Amenities: Describe any on site amenities including any project characteristics that address the special needs of the population you intend to serve.

17. Neighborhood Off-Site Amenities: Describe the property location neighborhood transportation options local services and amenities within 1/4 mile and 1/2 mile of the site.

18. Potential Development Obstacles: Are there any known issues or circumstances that may delay or create challenges for the project? If yes, list issues below including an outline of steps that will be taken and the time frame needed to resolve these issues.

SITE INFORMATION *(Please use additional sheets of paper as needed.)*

19. Site Control

a. Site control at the time of application is required. What is the level of site control currently held by the applicant? _____

b. Will site acquisition be a purchase or long term lease? _____

c. What is the purchase price of the land? _____

For proposed leaseholds indicate the amount of the annual lease payment and the basis for determining that amount: _____

d. What is the current County-assessed value of the site? _____

e. Who is the current property owner and what is their address and contact information? _____

20. Site Information

- a. Total square footage of site _____
- b. Existing uses on the site and the approximate square footage of all structures:

c. Planned use of on-site existing structures

- Demolish
- Rehabilitate
- Other (describe) _____

d. Provide the following information for each on-site building to be retained as part of this project: Square Footage, Date Built, No. of Stories.

e. Provide a brief description of the condition of any buildings to be rehabilitated:

f. Describe unique site features (Heritage trees, parcel shape, etc.)

g. Identify problem site conditions (high noise levels, ingress/egress issues, etc.)

h. Is the site in a floodplain? Yes _____ No _____ Map used _____
If yes, type of floodplain _____ number of years _____

i. Describe adjoining land uses:

West _____
East _____
North _____
South _____

21. Zoning

a. What is the current zoning of the project site? _____

b. Is the proposed project consistent with the existing zoning status of the site?

Yes _____ No (explain) _____

c. Indicate any discretionary review permits required for the project (Planned Community Permits, Design Review Permits, Rezoning, etc.)

d. If rezoning is required identify the requested zoning district for the project: _____

22. Community Priorities

a. Explain how this project meets the objectives of the housing goals and priorities identified in this NOFA and the goals and objectives of the City's Housing Element and General Plan:

PROJECT FUNDING *(Please use additional sheets of paper as needed.)*

23. Project Budget

- a. City Funds Requested _____ Funds Per Assisted Unit _____
- b. Total Project Cost _____ Cost Per Assisted Unit _____
- c. Other Sources of Permanent Financing not including private bank loans _____

Type of Funding

Amount

- 9% Low Income Housing Tax Credits
- 4% Low Income Housing Tax Credits
- CalHFA/Conventional Lender
- Tax Exempt Multi Family Bonds
- Multi Family Housing Program MHP
- Affordable Housing Program AHP
- County

- d. How will the requested City funding be used? _____
- e. Amount of developer fee and percentage of project cost? _____
- f. Assess the chances of the project securing required funding and steps that will be taken to make the project competitive.

- g. What is the self scored nine percent 9 tax credit tie breaker score for the project if applicable? _____

DEVELOPER EXPERIENCE *(Please use additional sheets of paper as needed.)*

Developers must have successfully completed a minimum of two affordable housing projects, preferably of similar size and complexity, as the proposed project to qualify for this NOFA.

24. Provide a summary of affordable housing experience:

- Years Experience _____
- Number of Projects _____
- Number of Projects in San Mateo County _____
- Average Size of Projects _____
- Number of Units Placed in Service _____

25. Describe two projects completed in the last ten years that are similar to the proposed project and provide photographs of each project

- a. Project 1 / Name of Project _____
- Location _____
- Number of Units _____
- Type of Development (senior, family, etc.) _____
- Name of Project Manager _____
- Number of Stories _____
- Unit Types (studio, 1 bedroom, etc.) _____

Type of Construction _____
 Project Amenities _____
 Entitlement Date _____
 Occupancy Date _____
 Funding Sources _____

b. Project 2 / Name of Project _____
 Location _____
 Number of Units _____
 Type of Development (senior, family, etc.) _____
 Name of Project Manager _____
 Number of Stories _____
 Unit Types (studio, 1 bedroom, etc.) _____
 Type of Construction _____
 Project Amenities _____
 Entitlement Date _____
 Occupancy Date _____
 Funding Sources _____

26. Personnel

List the names of key members of the applicant's development team, their titles, responsibilities, and years of experience in affordable housing.

Project Staff	Name	Role in Proposed Project	Years of Housing Dev Experience	Years with this Developer
Project Manager				
Director of Real Estate Development				
Executive Director				
Chief Financial Officer				
Other				
Other				

27. Other Team Members

Indicate which of the following development team members have been selected and identify them if different from applicant:

Developer _____
 Architect(s) _____
 Engineer(s) _____
 Attorney(s) and/or Tax Professionals _____
 Property Management Agent _____
 Financial and Other Consultant (s) _____
 General Contractor _____
 Investor _____

28. List all other participants and affiliates (people, businesses, and organizations) proposing to participate in the project.

Name

Address

29. Property Management

Describe how the property will be managed including the number of staff, locations and management office hours.

30. If the project will be managed by an agency other than the project applicant describe the project applicant's role in the ongoing management of the project and resolution of management issues.

Applicant Certification

I certify that the information submitted in this application and all supporting materials is true, accurate and complete to the best of my knowledge. I acknowledge that if facts and or information herein are found to be misrepresented it shall constitute grounds for disqualification of my proposal. I further certify that all of the following statements are true except if I have indicated otherwise on this certification:

- I have not sold any of the projects listed on the IO Year Projects list
- No mortgage on a project listed by me has ever been in default, assigned to the Government, or foreclosed, nor has mortgage relief by the mortgagee been given
- I have not experienced defaults or noncompliance under any contract or regulatory agreement nor issued IRS Form 8823 on any Low Income Housing Tax Credit (LIHTC) project on the IO Year Projects list
- To the best of my knowledge there are no unresolved findings raised as a result of Agencies' audits, management reviews or other investigations concerning me or my projects for the past ten years
- I have not been suspended, been barred or otherwise restricted by any state agency from participating in the LIHTC program or other affordable housing programs
- I have not failed to use state funds or LIHTC allocated to me in any state

I have checked each deletion, if any, and have attached a true and accurate signed statement, if applicable, to explain the facts and circumstances which I think help to qualify me as a responsible principal for participation in this NOFA.

Applicant Name(s) _____
Signature Date _____
Print Name and Title _____

This application and all supporting material are regarded as public records under the California Public Records Act.

APPLICATION SUPPORTING MATERIAL

In addition to submitting a complete application, the following additional supporting material must be provided with the application:

1. Cover Letter

Provide a brief summary of the proposed project and discuss your agency's qualifications and why your proposal should be selected for funding.

2. Community Outreach Plan

Include the plan for conducting community outreach to neighbors of the proposed development and interested community groups. The Outreach Plan should describe how the developer intends to build support for the project and address community concerns. The Outreach Plan should also discuss any anticipated community concerns and how they would be handled.

3. Development Schedule

Include a detailed project schedule identifying all major milestones. The schedule must include major milestones for the development approval process such as purchase of the property, community outreach process, financing, applications, approvals, closings, project construction and lease up. Projects with schedules projecting completion within three years will be given priority.

4. Experience and References

Provide resumes and project experience for all key staff working on the project including but not limited to: principals, project manager, project staff and financial officer. Indicate the level of experience of the project manager with projects similar to the proposal. Provide at least three 3 references from City or County staff involved with projects completed in the last six 6 years.

5. Photos

Attach recent clearly labeled photos of the project site and surrounding area.

6. Board of Directors

Provide a listing of the Board of Directors including the city of residence.

**BELOW MARKET RATE HOUSING RESERVE
BALANCE SHEET
6/30/14 AND 5/31/15**

	6/30/2014	5/31/2015
ASSETS		
BMR Housing Reserve Cash	7,972,431	6,888,163
BMR Accounts Receivable	41,511	0
BMR Interest Receivable	16,847	0
PAL Loans Receivable	1,881,506	1,610,126
CORE Housing Loan Receivable	0	2,679,731
Other Loans Receivable	1,849,047	1,849,047
Real Estate Held for Resale	0	1,092,019
TOTAL ASSETS	11,761,342	14,119,086
LIABILITIES		
Accounts Payable	10,200	0
TOTAL LIABILITIES	10,200	0
FUND BALANCE		
Designated for PAL Loans	2,600,494	2,871,874
Designated for CORE Housing	2,860,000	180,269
Designated for Notice of Funding Availability (NOFA) MidPen	0	3,200,000
Available for Notice of Funding Availability (NOFA) 2015-16	6,290,648	7,866,943
TOTAL FUND BALANCE	11,751,142	14,119,086
TOTAL LIABILITIES AND FUND BALANCE	11,761,342	14,119,086

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**STAFF REPORT****City Council**

Meeting Date: 7/21/2015
Staff Report Number: 15-126-CC

Consent Calendar: **Approval of the Proposed Economic Development Plan**

Recommendation

Staff recommends that the City Council approve the Proposed Economic Development Plan.

Policy Issues

Updating the Economic Development Plan is a City Council Goal and builds on the City Council's previous action to approve the Economic Development Plan Goals and Economic Development Strategies.

Background

While the nation has shifted from a manufacturing-based to an innovation-based economy, Menlo Park's land use, transportation and economic strategies have not followed suit. As a result, Menlo Park is losing ground compared to neighboring cities, and the residents are missing out on the benefits of the innovation economy for the community. To address this, City Council directed staff to update the Economic Development Plan to make Menlo Park more competitive in the regional and global economy.

BuildPublic, the consultant selected to assist with the Economic Development Plan, expanded on the Economic Trends Report in the Comparative Economic Advantage Study (CEAS). The CEAS analyzes Menlo Park's existing economic conditions in comparison to other Bay Area cities, characterizes the role Menlo Park plays in the regional economy, identifies areas where Menlo Park could improve in order to become more competitive, and examines how other cities are attempting to capture the value of development in their community.

On January 27, 2015, the City Council approved the Economic Development Plan Goals and directed staff to return with a budget and scope of work for completing Phase II of the Economic Development Plan.

On February 24, 2015, the City Council approved the scope for Phase II of the Economic Development Plan.

On April 14, 2015, the City Council hosted a study session, facilitated by BuildPublic, in order to discuss different options for further defining how to efficiently and consistently capture value from development for the benefit of the community, otherwise known as "Public Benefit". This discussion helped inform the strategies presented in Draft Economic Development Plan Strategic Policy Recommendations (Attachment A) and will inform other long-range planning efforts ie., ConnectMenlo, and the future biennial reviews of the El Camino Real Downtown Specific Plan.

On May 27, 2015, Staff hosted an Economic Development Plan Stakeholder Group Meeting that was open to the public in order to receive feedback on the proposed strategies. The Group provided great feedback on the Strategies and offered suggestions for the City Council's review on June 2nd. Specifically, the Group recommended: that there be a mix of development types and scales in the M-2, that we focus on developing incubator/co-working spaces Downtown and consider alternative approaches to traffic mitigation, such as post occupancy monitoring and refinement.

On June 2, 2015, the City Council approved the proposed Economic Development Plan Strategies. At that meeting there was a request from some stakeholders to further review the proposed strategies. Staff has worked to incorporate that public input and ensure that the Proposed Economic Development Plan captures the City's current efforts to support the business community and enhance City revenue, while also recommending opportunities for improvement.

Analysis

Menlo Park's location in the hub of Silicon Valley provides us with both rare opportunities and rare challenges. The Economic Development Plan is meant to help the City take advantage of those opportunities while also, recognizing that our challenges require the types of innovative solutions that might not have previously been contemplated or possible. For that reason, the Menlo Park Economic Development Plan will be different from other Economic Development Plans. Rather than focusing solely on Menlo Park, it seeks to identify innovative best practices in other communities and recommends that Staff review and consider how Menlo Park might implement them. Recognizing the strong connection between land use and economic growth, Menlo Park's Economic Development Plan offers an array of strategies and research that are meant to be incorporated into other long-range land use planning efforts.

As previously discussed, the Economic Development Plan Update has been following a three phase process:

- 1) Existing Conditions: Because the economy changed drastically since the last Business Development Plan was amended in 2010, BAE Urban Economic conducted an Economic Trends Report to better understand the existing economic conditions.
- 2) Economic Development Plan: Upon completion, the Economic Development Plan will consist of:
 - (1) Comparative Economic Advantage Study (CEAS)
 - (2) Economic development goals
 - (3) A list of strategic policy recommendations
- 3) Implementation: Following approval of the plan staff will work on developing and implementing the strategic policy recommendations. Some of the strategic policy recommendations will be incorporated into existing long-range planning efforts, while others will be stand-alone policy initiatives. For example, staff plans to return to the City Council in the fall with a proposed façade grant program, an RFP for the next phase of the Santa Cruz Street Café Program. In addition, staff is currently researching strategies to encourage "pop-up" retail opportunities as well as the additional long-term revenue sources discussed in the Proposed Economic Development Plan.

Impact on City Resources

The Economic Development Plan provides direction for the City's Economic Development efforts. While additional consultant resources may be necessary to implement individual strategies and policy initiatives, no further resource needs are anticipated for the development of the Economic Development Plan.

Environmental Review

No environmental review is required.

Public Notice

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

Attachments

- A. Proposed Economic Development Plan

Report prepared by:

Jim Cogan, Economic Development Manager

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MENLO PARK

ECONOMIC DEVELOPMENT PLAN

JULY 2015

Prepared by  BUILD PUBLIC

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01

INTRODUCTION

INTRODUCTION

This Economic Development Plan is a strategic policy document intended to guide public decision-making related to future economic development in the City of Menlo Park. Rooted in a foundation of the City's eleven Economic Development Goals (Goals), the Plan proposes numerous policy strategies & specific recommendations to achieve the Goals. This Plan is intended to complement and inform other parallel long-term planning efforts, including but not limited to the "ConnectMenlo" General Plan Update and the El Camino Real Downtown Specific Plan biennial update. It is important to note that this is a *strategic* document; it does not dictate where and how specific recommendations should be memorialized in the municipal code, nor does it prescribe a priority hierarchy or timeline within which to implement such recommendations. It does suggest a broad strategy for prioritization.

DOCUMENT STRUCTURE

The Plan consists of three main elements: a Comparative Economic Advantages Study (CEAS), the Goals, and a series of Strategic Policy Recommendations towards implementing the Goals. The CEAS lays the foundation for the Economic Development Plan by outlining Menlo Park's economic advantages, opportunities and challenges in relation to other similar cities in the Silicon Valley region and the broader San Francisco Bay area. It was completed in November 2014 by the UP Urban Inc. (now Build Public) consultant team in close collaboration with the Menlo Park Office of Economic Development, the Menlo Park Economic Development Stakeholder Group and the Menlo Park City Council. The underlying data for the CEAS were drawn from a comprehensive Economic Trends Report completed for Menlo Park by BAE Urban Economics in April 2014. The CEAS synthesizes this 70-page Trends Report into a more targeted 15-page document that identifies several key opportunities to guide the City's economic development strategy.

The CEAS informed the development of the Goals, which provide the guiding direction for the Economic Development Plan. The Menlo Park Office of Economic Development, the Menlo Park Economic Development Stakeholder Group the Menlo Park City Council, and the consultant team collaboratively developed the Goals, which were approved by the City Council on February 24, 2015. Although the Plan does not include implementation timelines, the eleven Goals have been organized by City staff in order of relative priority.

The final element of the Plan is an interrelated set of Policy Recommendations that provide direction for implementing the Goals. The most detailed component of the Plan, this section outlines general strategies and specific recommendations for implementing each goal. It draws from best practices and is supported by case studies as well as consultant team experience. It should be recognized that the City may already be in the process of implementing some of the recommendations contained in this Plan.

AN INTERESTING CONFLUENCE OF SMART GROWTH AND SMART ECONOMICS

In highly developed economies like the San Francisco Bay Area, there is a growing nexus between smart urban planning and the attraction and retention of high-quality "innovation sector" jobs. Long-held planning principles such as "walkable urbanism" are now considered important competitive advantages among cities in attracting top tech companies and talent. Places where residents and workers can walk, bike or take public transit rather than drive alone, that offer a wide range of amenities, and that provide social gathering opportunities for collaboration, creativity and play, are desirable for all members of the community and are in especially high demand by workers in the innovation and technology sectors. Worth noting is that these "creative class"

workers are largely responsible for the significant economic growth in the technology and innovation sector, earning nearly twice as much on average as workers in other sectors.¹ As further described by economist Enrico Moretti:

“Innovative industries bring ‘good jobs’ and high salaries to the communities where they cluster, and their impact on the local economy is much deeper than their direct effect. Attracting a scientist or a software engineer to a city triggers a multiplier effect, increasing employment and salaries for those who provide local services... for each new high-tech job in a city, five additional jobs are ultimately created outside of the high-tech sector in that city.”²

Thus, many of the strategies in this Plan emphasize the importance of creating walkable, mixed-use, transit-accessible places at a mix of scales, to retain and attract the robust creative class and drivers of the innovation economy already living and working in and around Menlo Park.

¹ Florida, Richard. 2012. *The Rise of the Creative Class*. Basic Books: New York. Page 4.

² Moretti, Enrico. 2012. *The New Geography of Jobs*. Mariner Books, Houghton Mifflin Harcourt: Boston. Page 25.

02

**COMPARATIVE
ECONOMIC
ADVANTAGE STUDY
(CEAS)**

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I. EXECUTIVE SUMMARY

PURPOSE

This comparative study is the foundation for the Menlo Park Economic Development Plan. Accordingly, this study does not propose goals, objectives and policies, but rather identifies Menlo Park's comparative economic advantages, opportunities and constraints. A citizen-based This analysis has been reviewed and by the Economic Development Plan Stakeholder Group provided the primary direction to the consultant team regarding the City's values and goals, and reviewed and approved this study in December 2014.

KEY CONCLUSIONS:

- With one of the most educated populations in the Bay Area, with the highest average household incomes and largest share of local workforce employed in the innovation sector, Menlo Park is an extraordinary beneficiary of the regional innovation economy.
- With some of the lowest office vacancy rates and highest monthly rents in the region, Menlo Park is well positioned to capture greater public benefit by leveraging its unique regional real estate advantage.
- However, the good luck of being situated at the center of one of the world's most dynamic innovation clusters can also lead to complacency in regard to planning for future economic success.
- Menlo Park is failing to capture many of the economic multipliers that innovation sector jobs can bring to local economic development.
- More specifically, Menlo Park is missing out on retail businesses, jobs, and their associated sales tax revenue and public amenity value. It has one of the lowest retail per office job ratios in the peer review group, very low retail vacancy rates and very low per capita sales tax revenue.
- A growing share of innovation jobs, tech employers and venture capital are moving to walkable, compact and transit-oriented urban centers like San Francisco. The now-aging millennial generation has a strong preference for these same walkable urban places.
- Menlo Park has one of the lowest Walk Scores of its peer group, reflecting its relatively low density, automobile orientation, and poor walking access and proximity to resident and employee-serving amenities like retail and professional services.
- For Menlo Park to remain economically competitive and resilient over the next 25 years, it needs supportive land use and development plans that encourage denser, walkable mixed-use neighborhoods in transit-rich locations.
- Menlo Park could also capture a larger portion of retail and service businesses and jobs if it pursues progressive land use and urban design policies that encourage such growth.
- Policies that support walkable urbanism are also great economic development strategies. Such policies simultaneously enhance livability and public health for families while generating higher sales tax revenue and long-term economic competitiveness and resiliency.
- Many Bay Area cities have adopted land use plans that encourage walkable urbanism around fixed transit with the express intention of capturing innovation sector jobs.
- Menlo Park needs to view better connections to regional transit as a vital tool for the City's long-term economic development.

II. FINDINGS

Part I compares Menlo Park to a broad list of cities in the Bay Area based on their basic demographics and how well these cities are currently capturing the benefits of the regional innovation economy.

Part II explores whether Menlo Park is well positioned to capture the future benefits of the regional innovation economy by comparing it to a smaller peer group in regards to tax revenue, land use, office space capacity, and transit services.

All tables and maps cited in the findings are located in the Appendix. A set of case studies summarizing successful upzoning and placemaking efforts has also been included to demonstrate the array of strategies being employed by various cities across the region.

Part I Comparison Group: Part I of the study looked at 22 cities in the Bay Area that are likely to create innovation sector jobs in the medium term. Innovation sector jobs are important to Menlo Park because they generate significant economic multiplier effects in the local economy. The comparison cities were chosen based on three criteria:

- (1) they already have clusters of innovation-economy jobs;
- (2) many residents are in their twenties and thirties; and
- (3) they are walkable.¹

Comparison Group Cities:

Alameda	Palo Alto
Berkeley	Redwood City
Brisbane	Richmond
Burlingame	San Bruno
Cupertino	San Carlos
Daly City	San Francisco

Emeryville	San Jose
Foster City	San Mateo
Fremont	Santa Clara
Mountain View	South San Francisco
Oakland	Sunnyvale

PART I FINDINGS

High Degree of Regional Integration: Menlo Park’s economy is tightly integrated into the larger Bay Area economy. Like many cities in the region, the majority of workers in Menlo Park commute from outside the city, and the majority of Menlo Park residents travel to other Bay Area cities to work. These commuters follow the transportation network. They come south from San Francisco and other points on the Peninsula; north from San Jose and Sunnyvale; and across the bridges from Hayward and Fremont. Menlo Park residents travel to the same cities to work (Maps 1 & 2).

Low Population, but Average Demographics: When considering the importance of innovation sector jobs, it is important to look at local demographics because many start-ups rely on the talent of young people (and their willingness to take risks) to fuel early growth. Compared to its peers, Menlo Park has fewer people aged 20-35 than most of the other cities (Table 1). That difference shrinks when we measure resident between 20 and 35 as a share of total population, but Menlo Park still has a lower share of young workers than many other cities. When we look at other age groups, Menlo Park is not an outlier – the share of residents under 20, between 35 and 55, and over 55 are average for the peer group (Tables 2-5).

High Average Household Income: At \$109,209, Menlo Park enjoys one of the highest average household incomes among the comparison group (Table 6).

High Educational Attainment: Menlo Park has a higher share of residents with a bachelor’s degree or higher than nearly all the other cities in the

¹ The cities chosen have significant clusters of jobs in NAICS sectors 51 and 54; have a 12% or greater share of population between 20 and 34; and have a Walk Score from walkscore.com of at least 40.

comparison group (Table 7), and also has a higher share of residents with graduate or professional degrees (Table 8). A hallmark of the innovation-economy is a well-educated workforce.

A large share of Menlo Park’s employment is in the innovation sector, but these jobs are only a small share of the all Bay Area innovation jobs:

Menlo Park’s cluster of innovation sector jobs is not among the biggest in the Bay Area, but it’s not small either (See Table 9). It’s in a “third tier” behind giants like San Francisco and San Jose, and behind medium-large clusters like Palo Alto, Mountain View and Sunnyvale. At the same time, Menlo Park is very conveniently located to access to many neighboring clusters of innovation-economy jobs, like Palo Alto, Mountain View, and Sunnyvale.

Although Silicon Valley remains the world leader in fostering tech startups and innovation sector jobs, a significant portion of the innovation economy is shifting to large cities nearby. San Francisco now attracts more venture capital investment than Silicon Valley, and it holds the headquarters of Twitter, Yelp, Pinterest, Uber, Lyft, Dropbox, Salesforce, Instagram, BitTorrent, Zynga and BitTorrent. Technology companies are engaged in fierce competition for the most skilled workers, and these workers are increasingly interested in living in cities.

This trend does not pose an immediate threat to Menlo Park, as tech employment in the City is currently strong (See Table 10). Menlo Park has a higher percentage of jobs in the innovation sector than most other cities. However, the City should be considering its place in a future where technology companies increasingly seek downtown locations with an energetic and walkable urban environment.

Menlo Park is failing to capture its retail and service sector potential: Menlo Park lacks retail services in many neighborhoods, which inconveniences City residents. It also leads many highly-paid workers in the City to spend their money in Palo Alto, Redwood City, or San Francisco instead of spending it in Menlo Park. This reduces sales tax

WHAT IS THE INNOVATION ECONOMY?

The innovation sector is defined by industries that require human capital and ingenuity like bio-tech, hi-tech, prototyping, social media, information technology, and the venture capital that supports these ventures.

revenues. Menlo Park now hosts a considerable number of innovation-economy employees, but many of these employees likely spend their money in Redwood City, San Francisco, and Berkeley because of the lack of retail. One solution would be to densify employment centers in Menlo Park. Research has shown that as employment density increases employees have more opportunities to shop near their workplace, if land use regulations allow it.²

At the same time, the May 2014 *Economic Trends Report* found that little vacant retail space remains in the City.³ This suggests that increasing retail services will require crafting land use policies to permit more retail. It will also require an effort to generate a more lively and walkable urban atmosphere in the City center. More people walking and biking on downtown streets – and more people living downtown – will support a more lively retail district. Consider the most successful shopping districts in the region – places like Palo Alto, Redwood City, and San Francisco. They don’t just have stores – they have a busy, exciting atmosphere that comes from having more people on the street. In each of these locations, medium-density and high-density housing in central locations has played a key role in establishing thriving retail centers (See Case Studies for examples of successful retail districts in the region). Of course, it would be misguided for Menlo Park to try to become any of

² Chatman, D. G. (2002). The Influence of Workplace Land Use and Commute Mode Choice on Mileage Traveled for Personal Commercial Purposes. Presented at the TRB 2003 Annual Meeting, Transportation Research Board.

³ BAE Urban Economics. (2014). Menlo Park Economic Development Strategic Plan Phase 1: Economic Trends Report.

these communities. However, the City can use the experience of these local examples to develop its own template for success.

A Low Retail to Office Jobs Ratio: So how is Menlo Park doing when it comes to capturing the local economic benefits from tech economy growth? There is no simple way to measure this, but one way is to count how many retail jobs there are for every office job.

Menlo Park has fewer retail jobs per office job than most of the cities in the comparison group (See Table 11). Measured in this way, it seems like Menlo Park may be leaving some benefits of the tech economy on the table for neighboring cities to capture. It's important to note, however, that two cities that have similar ratios of retail jobs to office jobs are not necessarily similar in other ways. A city could have a high ratio because it has a lot of retail jobs – or it could have a high ratio because, while it has a moderate number of retail jobs, it doesn't have many office jobs.

It might be time to turn Facebook inside out: In Silicon Valley, many tech companies try to make their workplaces more comfortable and inviting by offering goods and services that their employees can take advantage of without leaving the office. Facebook has installed a 9-restaurant food court, a candy shop, a bicycle repair shop, a video arcade, and a barbershop.

It is important to keep in mind how this affects the local economy. On an average street in Menlo Park, a collection of shops like this would feel a lot like a real “main street,” which would likely attract nearby residents and non-Facebook employees, driving greater sales and creating employment opportunities—extending the multipliers outward. In sum, turning the campus “inside out” would

likely generate greater positive externalities⁴ than closing the doors and recycling existing wages in a closed system. Instead these services are currently “internalized” on a closed campus, which in turn reduces the need of employees to seek services in the surrounding neighborhood.

Walkability, Accessibility, and Livability Reinforce Economic Competiveness and Resiliency in the Innovation Economy: Measuring a neighborhood's relative level of “walkable urbanism” is difficult. In this study we assess walkable urbanism by using Walk Scores. This is a score between 0 and 100 developed by Walk Score, a company that promotes alternative transportation modes. A Walk Score is a good predictor of things like retail store concentration and density of transportation options – things that contribute to the overall convenience and appeal of a given neighborhood.

Menlo Park's Walk Score is lower than the comparison group average (see Table 12). Why is this important? One benefit of

walkable neighborhoods is that they have higher property values and more economic activity. A 2012 study of neighborhoods in Washington, D.C. found that walkable neighborhoods have higher home sales prices, higher rents, and higher retail sales.⁵

Walkable neighborhoods also promote health. A 2014 survey conducted in six major U.S. cities found that people who moved to a neighborhood with a higher Walk Score walked more and reduced their body mass index.⁶

⁴ A positive externality exists when an individual or firm making a decision does not receive the full benefit of the decision. The benefit to the individual or firm is less than the benefit to society. Thus when a positive externality exists in an unregulated market, the marginal benefit curve (the demand curve) of the individual making the decision is less than the marginal benefit curve to society. With positive externalities, less is produced and consumed than the socially optimal level. This dilemma may, among other factors, be the reason that Facebook hasn't expanded its retail and service offerings outward into Menlo Park.

⁵ Leinberger, C. B., & Alfonzo, M. (2012, May). Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C. Retrieved November 13, 2014, from <http://www.brookings.edu/research/papers/2012/05/25-walkable-places-leinberger>

⁶ Hirsch, J. A., Diez Roux, A. V., Moore, K. A., Evenson, K. R., & Rodriguez, D.A. (2014). Change in walking and body mass index following residential relocation: the multi-ethnic study of atherosclerosis. *American Journal of Public Health*, 104(3), e49–56.

CAPTURING THE BENEFITS OF THE INNOVATION SECTOR

One reason that the innovation sector is important for the local economy is that it has a higher multiplier effect. This is because local economies are interconnected through a complex web of transactions. Each new worker helps support local jobs by going to restaurants, shopping at the grocery store, getting car repairs, visiting the dentist, and so on. The company that hires a new worker also pushes more money into the local economy in various ways, from buying office supplies to engaging the services of outside professionals like lawyers and consultants, or even yoga instructors.

These are called **multiplier effects** – and innovation-economy jobs have higher multiplier effects than most jobs. Berkeley economist Enrico Moretti has estimated that each new high-tech job in a metropolitan area leads to the creation of five more jobs outside of the high tech sector. A multiplier is a number showing how changes (jobs, earnings, or sales) in one sector will propagate to other sector in a regional economy. For example, a jobs multiplier of 3 means that a change of 100 jobs in that sector would lead to a total change of 300 jobs ($3 \times 100 = 300$) in the larger regional economy. This 300 includes the original 100 jobs, meaning the additional change is 200. As Moretti emphasizes in his book *The New Geography of Jobs*:

With only a fraction of the jobs, the innovation sector generates a disproportionate number of additional local jobs and therefore profoundly shapes the local economy. A healthy traded sector¹ benefits the local economy directly, as it generates well-paid jobs, and indirectly as it creates additional jobs in the non-traded sector.

What is truly remarkable is that this indirect effect to the local economy is much larger than

the direct effect... for each new high-tech job in a metropolitan area, five additional local jobs are created outside of high tech in the long run.

[And] it gets even more interesting. These five jobs benefit a diverse set of workers. Two of the jobs created by the multiplier effect are professional jobs — doctors and lawyers — while the other three benefit workers in nonprofessional occupations — waiters and store clerks. Take Apple, for example. It employs 12,000 workers in Cupertino. Through the multiplier effect, however, the company generates more than 60,000 additional service jobs in the entire metropolitan area, of which 36,000 are unskilled and 24,000 are skilled. Incredibly, this means that the main effect of Apple on the region's employment is on jobs outside of high tech.

However, these multiplier benefits are not necessarily captured in Menlo Park. They are regional: they are likely to cluster nearby, but nearby could be in the next town or ten miles away. Partly, this depends on where the new innovation sector workers end up spending their high wages – and this depends on what shopping or service offerings are available in each city. A new tech workers' money is likely to be spent wherever they find the largest, most vibrant most convenient and, perhaps, most walkable concentrations of shops and services.

These regional shopping destinations are likely to be downtown neighborhoods that are mixed-use and medium-density to high-density, with access to transportation services. It is no accident that these high-amenity urban neighborhoods are increasingly attracting Millennials and tech startups.

¹ A traded sector is one that sells to outsiders, bringing in outside money into the region, while a non-traded sector is one that serves the residents of the region

HOW IS THE WALK SCORE CALCULATED?

The most important element is **proximity to amenities** – the places people travel to reach. Examples include shops, schools, offices, and parks. Neighborhoods with shorter walks to nearby amenities have a higher Walk Score.

Another element is **population density**. Some trips simply go from one home to another. Where homes are closer together, it is easier to walk between them. Higher population density is also associated with other qualities that make walking easier, like good transit services.

Another element is the **design of streets and blocks**. It is more difficult to walk where blocks are longer and streets have curves and dead ends, because pedestrians are often forced to take longer indirect routes. Neighborhoods with shorter blocks and more frequent intersections allow pedestrians to choose more direct routes. These neighborhoods have higher Walk Scores.

Researchers have investigated whether Walk Scores are actually a good assessment of a neighborhood's walkability. They found that people in neighborhoods with higher Walk Scores are more likely to walk to destinations, and spend more time each week walking¹.

¹ Hirsch, J. A., Moore, K. A., Evenson, K. R., Rodriguez, D. A., & Diez Roux, A. V. (2013). Walk Score® and Transit Score® and walking in the multi-ethnic study of atherosclerosis. *American Journal of Preventive Medicine*, 45(2), 158–166.

Researchers and market analysts believe that homes in dense urban areas with access to good transportation and shops command higher prices, and that demand for them is rising. Homes in urban areas command a price premium of 15%.⁷ An

⁷ Song, Y., & Knaap, G.-J. (2003). New urbanism and housing values: a disaggregate assessment. *Journal of Urban Economics*, 54(2), 218–238.

analysis of home prices during the turbulent period from 2007 to 2012 found that homes in urban neighborhoods maintained their value better than suburban homes.⁸ Surveys have found an unmet demand for homes in urban neighborhoods: many people living in the suburbs, particularly young people, would prefer to move to more central locations with better transportation.⁹ (Of course, this just confirms what apartment prices tell us: housing is expensive in these neighborhoods because demand for it is high.)

Due to the business advantages of locating in walkable urban neighborhoods, commercial real estate there commands higher prices.¹⁰ Companies are drawn to urban locations to better know their customers and to attract well-educated employees, who prefer to live in cities. Even the technology

industries that were born in Silicon Valley have begun shifting to San Francisco, which now holds the headquarters of Uber, Lyft, Salesforce, Twitter, Instagram, Pinterest, BitTorrent, Zynga, Reddit and Yelp. San Francisco now attracts more venture capital investment than Silicon Valley.¹¹

PART II OVERVIEW

The Comparison Group: Here we narrow our focus, and compare Menlo Park to a shorter list of ten Bay Area cities. These cities are not necessarily similar to Menlo Park, except in the sense that they are all attractive places for innovation sector businesses to locate. These communities compete with Menlo Park to capture local multiplier jobs and economic activity. By analyzing tax revenue, land use, office space capacity, and transit services we get a sense

⁸ Gillen, K. (2012). The Correlates of Housing Price Changes with Geography, Density, Design and Use: Evidence from Philadelphia. Congress for the New Urbanism. Retrieved from <http://www.ssti.us/2012/11/the-correlates-of-housing-price-changes-with-geography-density-design-and-use-evidence-from-philadelphia-congress-for-the-new-urbanism-2012/>

⁹ RSG. (2014). Who's on Board 2014: Mobility Attitudes Survey. Transit Center. National Association of Realtors. (2013). NAR 2013 Community Preference Survey.

¹⁰ Pivo, G., & Fisher, J. D. (2011). The Walkability Premium in Commercial Real Estate Investments. *Real Estate Economics*, 39(2), 185–219.

¹¹ Florida, R. (2014). *Startup City: The Urban Shift in Venture Capital and High Technology*. Toronto: Martin Prosperity Institute.

of Menlo Park’s current climate and overall fitness to capture future economic benefit in comparison to these peer cities. They are:

Burlingame	Pleasanton
Emeryville	Redwood City
Foster City	San Francisco
Mountain View	San Mateo
Palo Alto	Walnut Creek

PART II FINDINGS

Menlo Park needs more compact, walkable mixed-use urbanism: As we’ve discussed, the positive “spillovers” from new jobs and economic growth are likely to be captured in cities with vibrant mixed-use retail centers. This raises the issue of land use policies – the zoning rules that determine where retail uses, as well as offices and homes, are allowed to locate. The positive spillovers are likely to be captured in areas where land use regulations permit mixed uses at medium- to high-density. Good data about municipal land use is hard to get. One way that land use can be evaluated is by comparing the amount of commercial and industrial building space that is available in each city, and in this case we used information published by the real estate company Colliers International (Table 13) which shows a good mix of office and industrial/Research & Development available in Menlo Park.

Another way to compare how cities use land is to measure their capacity for further housing development. In California, cities are required to estimate future housing development capacity in the housing element of their general plan (Table 14). Menlo Park has fulfilled 40% of its housing capacity, which is more than many other cities in the peer group, but still suggests room for growth.

Taken together, these two indicators suggest Menlo Park is primed for considerable compact mixed-use development at greater densities than its historic norm. Menlo Park is missing out on positive “spillovers” from new jobs and economic growth. Around the Bay Area, cities are making plans to

capture coming growth. Cities from Walnut Creek to Redwood City to San Jose are making ambitious changes to land use policy, building walkable neighborhoods with excellent transportation, and hoping to attract well-educated young people and innovative entrepreneurs. (See Case Studies for examples of cities increasing density and focusing on urban design to capture the benefits of the innovation economy).

Menlo Park has succeeded in the past because it offered exactly the sort of places that innovative companies wanted to be. It needs to consider its place in a future where more companies are looking for walkable, vibrant and urban neighborhoods.

Menlo Park is missing out on tax revenue: Most city governments take in much of their revenue from three major taxes: property tax, sales and use tax, and hotel tax (also called transient occupancy tax). Looking at these revenues is a quick way to get a sense of the local economy.

Sales tax revenues in Menlo Park are among the lowest in the peer group, due to Menlo Park’s relatively low concentration of retail business. On a per capita basis, Menlo Park sinks even further, receiving only \$18,601 per residents in sales (Table 15). This reinforces the reality that while Menlo Park is positioned in a tightly integrated regional economy, it’s missing out on its share of the benefit because of a low concentration of retail business. The *right* kind of office (medium density, mixed-use) would create new retail needs which would in turn capture more tax revenue.

Menlo Park has lower property tax revenues than many of the cities in the peer group. This may seem strange, since homes in Menlo Park are fairly expensive. However, they are primarily single-family residences; property values are significantly higher in cities with densely developed office and residential buildings.

Hotel tax revenues in Menlo Park are near the middle of the peer group. These revenues are higher in cities with large or numerous hotels. (Tables 16 & 17)

Menlo Park has highly valuable office space

and extraordinary demand for more: Menlo Park has a little more than 5 million square feet of office space (See Table 18). To put that in perspective, San Francisco – which hosts the largest concentration of office space in the region – has about 89 million square feet. Palo Alto has about 10 million square feet of office space, and Mountain View has about 4 million square feet.

Menlo Park’s office space generates more money per square foot than anywhere else in the Bay Area. Monthly office rents are \$6.77 per square foot (Table 19). And only 5.7% of office space is vacant – nearly the lowest vacancy rate in the Bay Area (Table 20 & 21).

Taken together, these indicators suggest that Menlo Park enjoys a highly valuable office market with room to grow to increase its share of benefit in the innovation economy.

Menlo Park ranks low on access to regional

transit: With the exception of Foster City, all cities in the peer group have some level of fixed-route transit service – commuter trains or light rail (Map 3). Based on this data, we can estimate the distance to the nearest fixed-route transit station from the centroid (geographic center) of each census block group in the peer group cities. By weighting these distances by each block group’s population, we can estimate the average distance to a fixed-route transit station among all residents in each city (Map 4). By this measure, Menlo Park falls low on the list for transit proximity.

This highlights the importance of location and transportation. When a business looks for a location, good transportation options – and the variety of goods and services that come with it – are a selling point. It is no coincidence that the cities with thriving innovation sectors nearly all have access to high-quality public transportation.

The San Francisco Peninsula has traditionally dominated the Silicon Valley innovation economy. However, recently more tech companies have begun

to locate in San Francisco. This may indicate that the growing importance of urban amenities, including high-quality transit service.

If that is the case, then East Bay and South Bay communities with BART service, like Oakland, Fremont, and (in the near future) San Jose, may have significant potential for innovation-sector growth, while cities like Menlo Park must depend on CalTrain to connect them to the regional economy. Transit systems don’t evolve overnight, however in order to be a competitive player in the regional economy, Menlo Park must view better connections to regional transit as a vital tool for the City’s long-term economic development.

III. APPENDIX

CASE STUDIES

Warm Springs Station, Fremont

The Warm Springs/South Fremont Community Plan, approved in July 2014, charts a development path for nearly 900 acres of land with 10 different planning areas, each with distinct land use plans that mix various uses. For each of these zones, the plan establishes a minimum building intensity (FAR) by use, with the goal of providing flexibility for development over time while maintaining a diversity of uses (See Table). In addition to minimum FAR, Jobs Factor and Minimum and Maximum Site Area to help reach regional goals for housing and employment.

TAKE AWAY: This ambitious plan allows for a mix of residential, office, industrial and retail uses in the area, previously been zoned for heavy industrial use. Rather than focusing on maximum FAR, Warm Springs sets a minimum building intensity paired with rigorous form-based guidelines, to ensure new development is filling in at an intensity and form that matches their vision for the area: an innovation district offering a unique opportunity for inventive, flexible development of new and expanding businesses interwoven with areas for living, learning and commerce.

Total Site Area	
900 acres	
Intensity/FAR	
Use:	Min. FAR
Industrial	0.35
Research & Development	0.5
Office & Convention	1.5
Hotel	1.5
Retail & Entertainment	2000 SF/acre
Project Targets	
Min. Gross Floor Area	11,521,526 SF
Min. Dwelling Units	2,700
Total Jobs	20,000
Public Open Spce	4 acres

Bay Meadows, San Mateo

The first Bay Meadows Specific Plan (Phase I), adopted in 1997, contemplated two specific parcels near the 101/Hillsdale Blvd. exit for redevelopment. Along with other design guidelines, the plan set an FAR for .5 and 1.34 FAR for each parcel with the goal of creating a mixed-use, walkable and bikeable “gateway identity” to the City of San Mateo. The Phase II Specific Plan Amendment, adopted in 2005, took even greater advantage of the existing and expanding CalTrain commuter rail line linking San Francisco to San Jose and Gilroy. The proximity to the new express train station provided a unique opportunity for Phase II to advance the mixed- use principles initiated in Phase I. Along with other extensive design guidelines, a maximum FAR of 2.0 and 50 du/acre was approved for mixed-use parcels and residential parcels respectively, with the combined goal of

Total Site Area	
83 acres	
Intensity/FAR	
Phase	Max. FAR
Phase I	.5-1.34
Phase II	2 and 50 DU/acre
Project Targets	
Residential	1,250 DU
Office	750000 SF
Retail	150,000 SF
Public Space	15 acres

creating a compact, walkable, transit-oriented community.

TAKE AWAY: After nearly two-decades of planning, Bay Meadows is currently coming to life. It's an excellent example of a city successfully master planning a walkable, mixed use district near transit. Once fully developed, the 83 acre Bay Meadows will boast 1,250 residential units, over 750,000 square feet of office space, 150,000 square feet of retail, and nearly 15 acres of public space.

Downtown Redwood City

Redwood City's Downtown Precise Plan (DTPP), adopted in 2011 (amended in 2013), established height limits in 6 zones and a Maximum Allowable Development (MAD) guidelines for the DTPP Area as a whole (183 acres). The MAD restricts residential development to 2,500 net new dwelling units, office development to 500,000 net new square feet of gross floor area, retail development to 100,000 net new square feet of gross floor area, and lodging development to 200 net new guest rooms. The DTPP places no limit on dwelling units per acre (du/ac) and floor area ratio (FAR) on a site-by-site basis. Instead, intensity of development is guided by the form-based codes that establish design guidelines, the MAD, and height limits by zone, ranging from 3-12 stories.

Total Site Area	
183 acres	
Intensity/FAR	
6 height zones 3-12 stories	
Project Targets	
MAD	Amount
Residential	2,500 DU
Office	500,000 SF
Retail	100,000 SF
Lodging	200 DU

TAKE AWAY: With this comprehensive plan, Redwood City has approached downtown revitalization from the perspective of establishing an overall "mold" for future development and released a limited amount of developable square footage at this time to fill it. The plan has brought a flood of new development to Redwood City, so much so that the MAD limit for office has already been reached. Redwood City is now in the position to release additional square footage to fill their "mold" at the rate that they wish.

North San Jose

The North San José Urban Design Guidelines set ambitious goals for transforming the neighborhood into a more walkable and urban setting. The guidelines call for higher-density residential and commercial development; a more active public realm that encourages walking and biking; and a diverse mix of uses that provide places for living, working, shopping, recreation, and education. These goals required major changes to density and height requirements. Buildings in the neighborhood core were given a height minimum of 4 stories (1.2 effective FAR), although this was subsequently reduced to 3 stories (.8 effective FAR) based on feedback from developers. Height maximums were set at 120 to 250 feet. The plan allows for 26.7M SF office/ industrial, new 32,000 homes and 1.7M SF of commercial.

Total Site Area	
4,795 acres	
Intensity/FAR	
<i>Core Area FAR was recently reduced from 1.2 to .8, height maximums are 120-250 ft.</i>	
Project Targets	
Office/Industrial	26.7M SF
Commercial	1.7M SF
Residential	32,000 homes

TAKE AWAY: San José is actively seeking to capture more employment and economic activity in North San Jose to balance the City's high concentration of housing. Effective FAR was recently reduced at the urging of developers, suggesting the city's appetite for change may be outpacing developers' ability to build profitable projects.

Walnut Creek: Locust Street / Mt. Diablo Boulevard Specific Plan

For many years, Walnut Creek has focused planning efforts on restoring its historic downtown and creating a walkable urban core with strong connections to the BART station. To City leaders, a dense and walkable downtown was seen as an economic development strategy – a way to weather the decline of auto dealerships and the hollowing out of downtown retail.

TAKE AWAY: The strategy has produced dramatic results. An area once dominated by parking lots, wide streets and auto dealerships has been redeveloped with dense housing, offices, parking structures, and pedestrian-oriented retail. Rapid commercial and residential development continues, putting Walnut Creek well along the transition to a vibrant and walkable center.

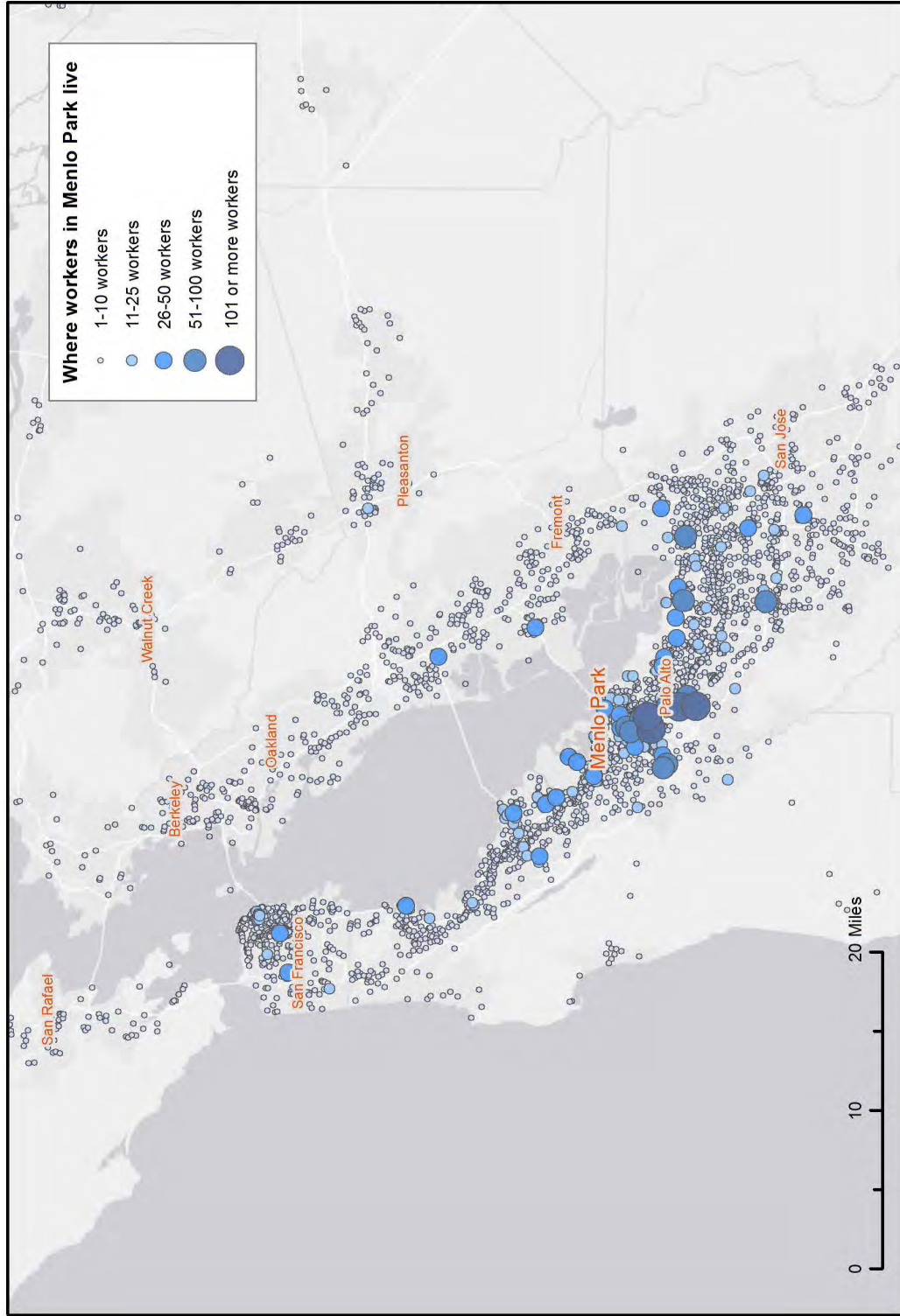
Fourth Street, Berkeley

In the 1960s, a local redevelopment agency was established to create an industrial park in Berkeley's Fourth Street neighborhood. Homes were demolished and moved, but industrial businesses did not come. After letting the land lie fallow for more than 15 years, the City abandoned its plans and allowed Abrams/ Millikan & Kent, a small design-build firm, to build the Building Design Center, a small retail center selling home improvement supplies. The Fourth Street Grill came shortly after, and from this nucleus a shopping neighborhood began to grow.

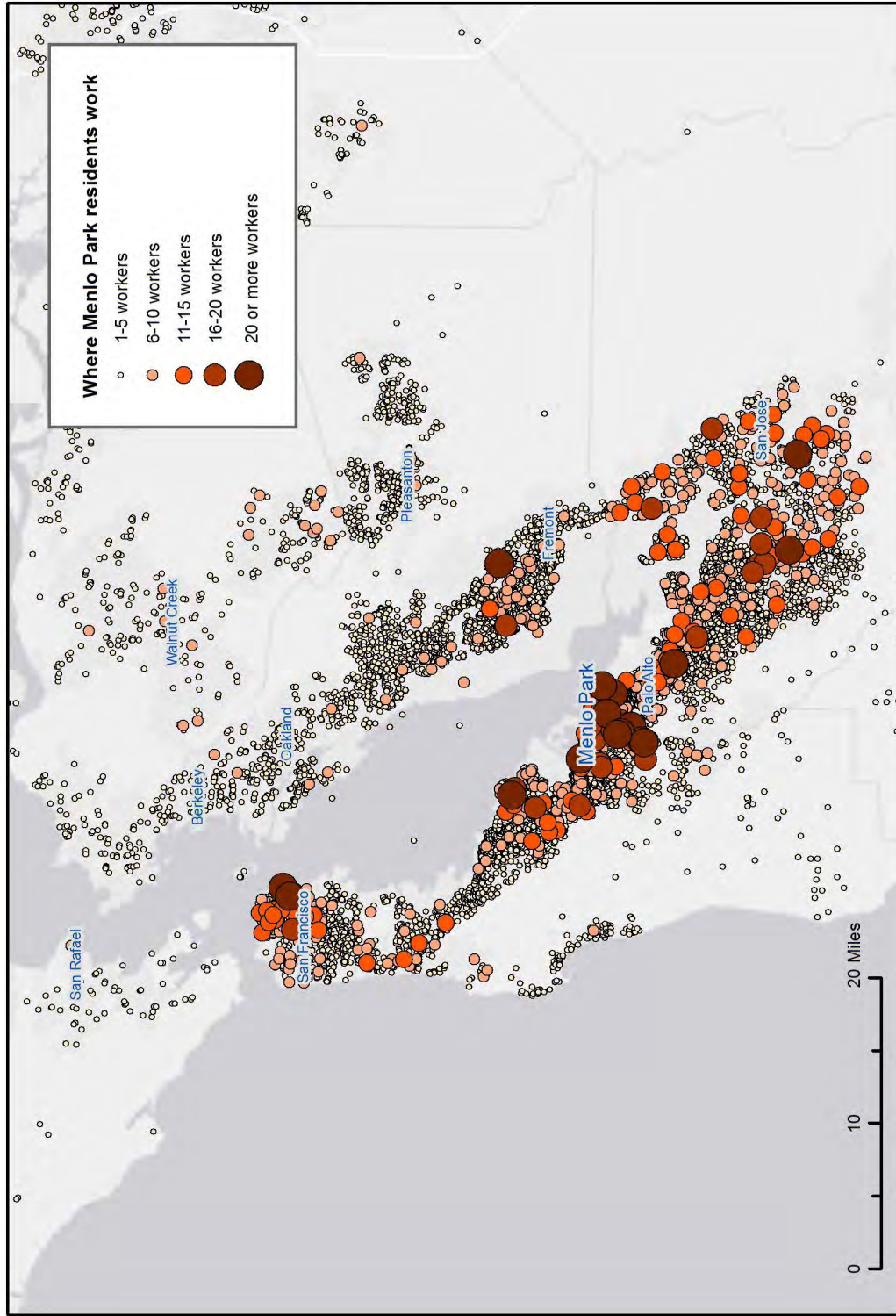
TAKE AWAY: Today Fourth Street is a vibrant shopping district that attracts visitors from throughout the Bay Area. The history of the neighborhood holds an interesting lesson for local government: not all good neighborhoods are planned. Sometimes all you need to do is get out of the way.

MAPS

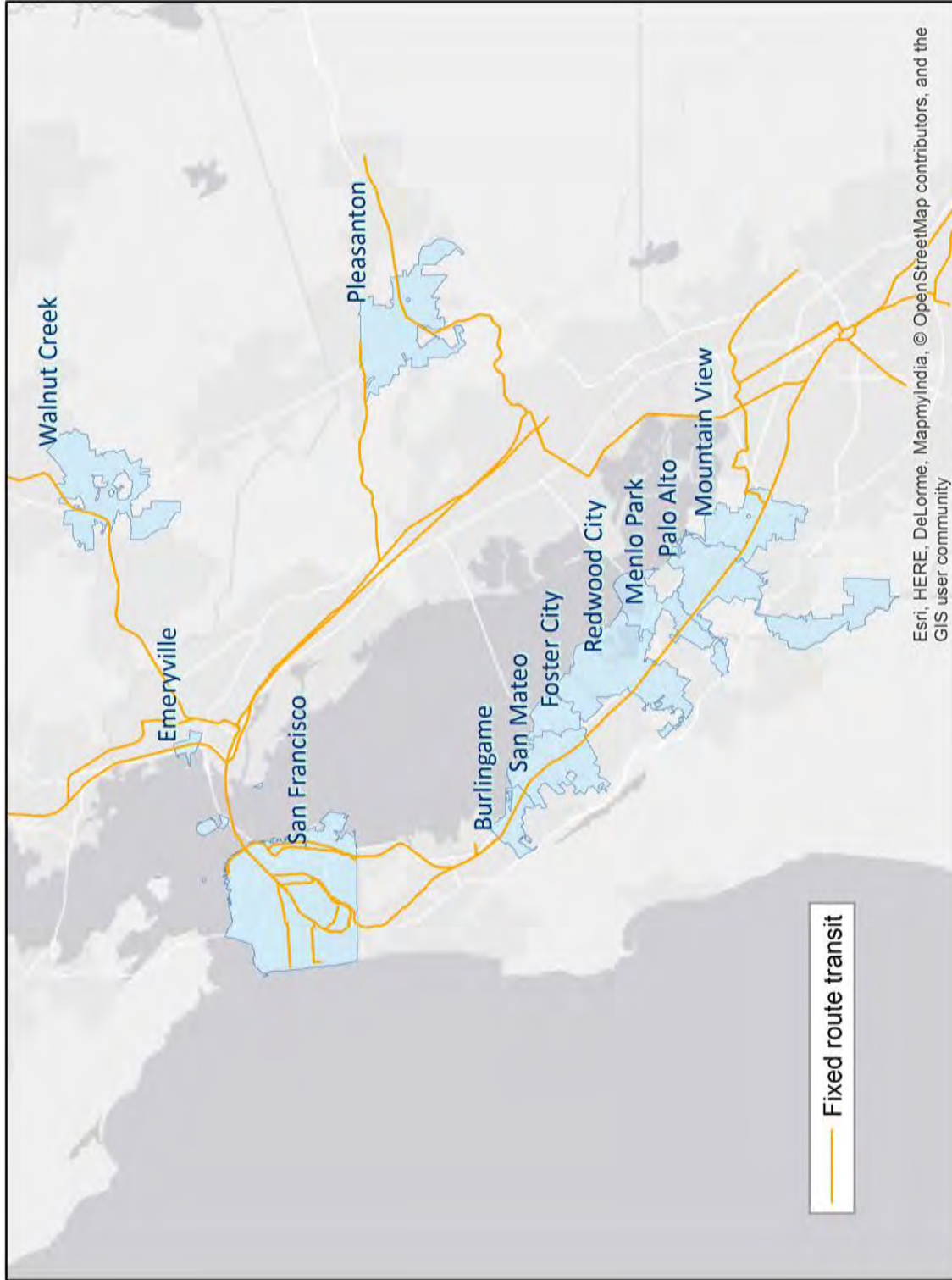
Map 1. Where workers in Menlo Park live



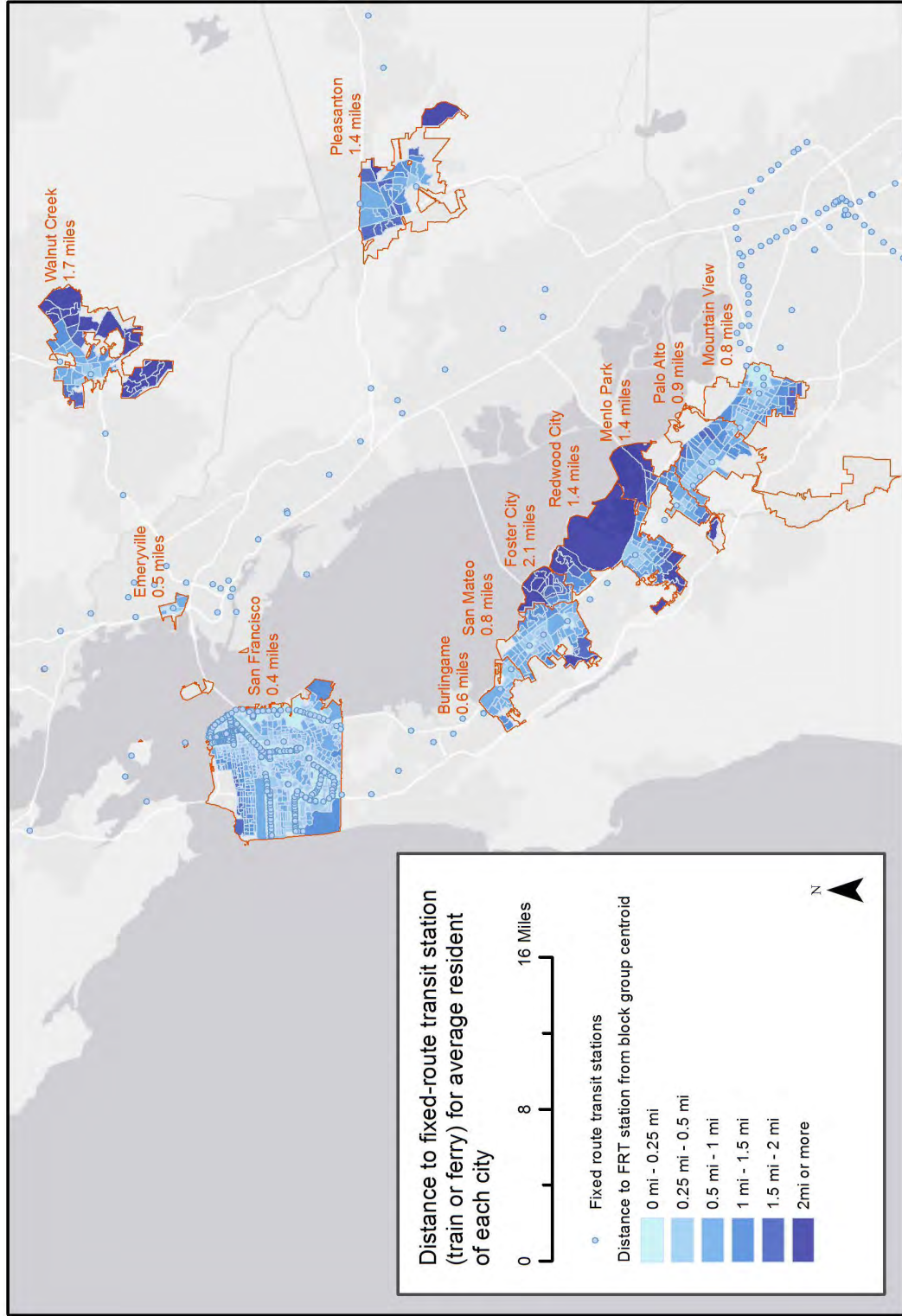
Map 2. Where Menlo Park residents work



Map 3. Fixed Route Transit



Map 4. Average Distance to Fixed Route Transit



TABLES

Table 1. Innovation-economy jobs

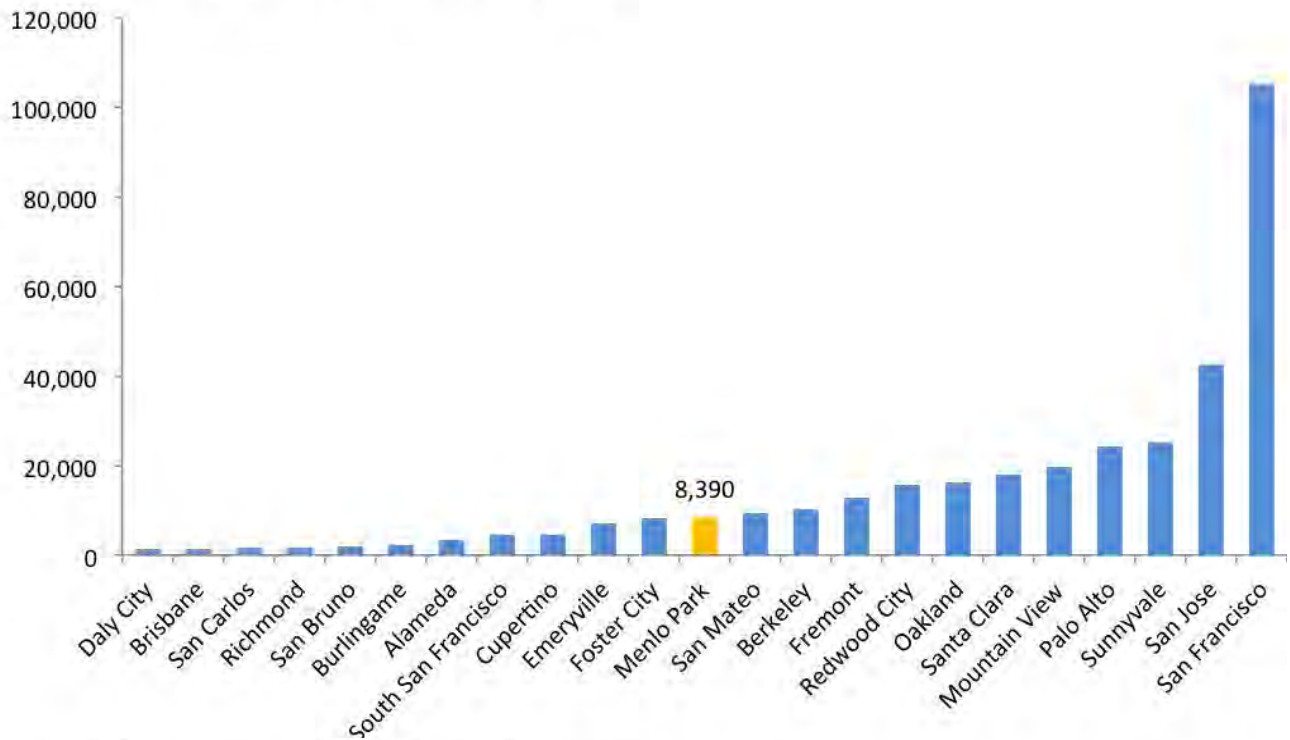


Table 2. % residents under 20

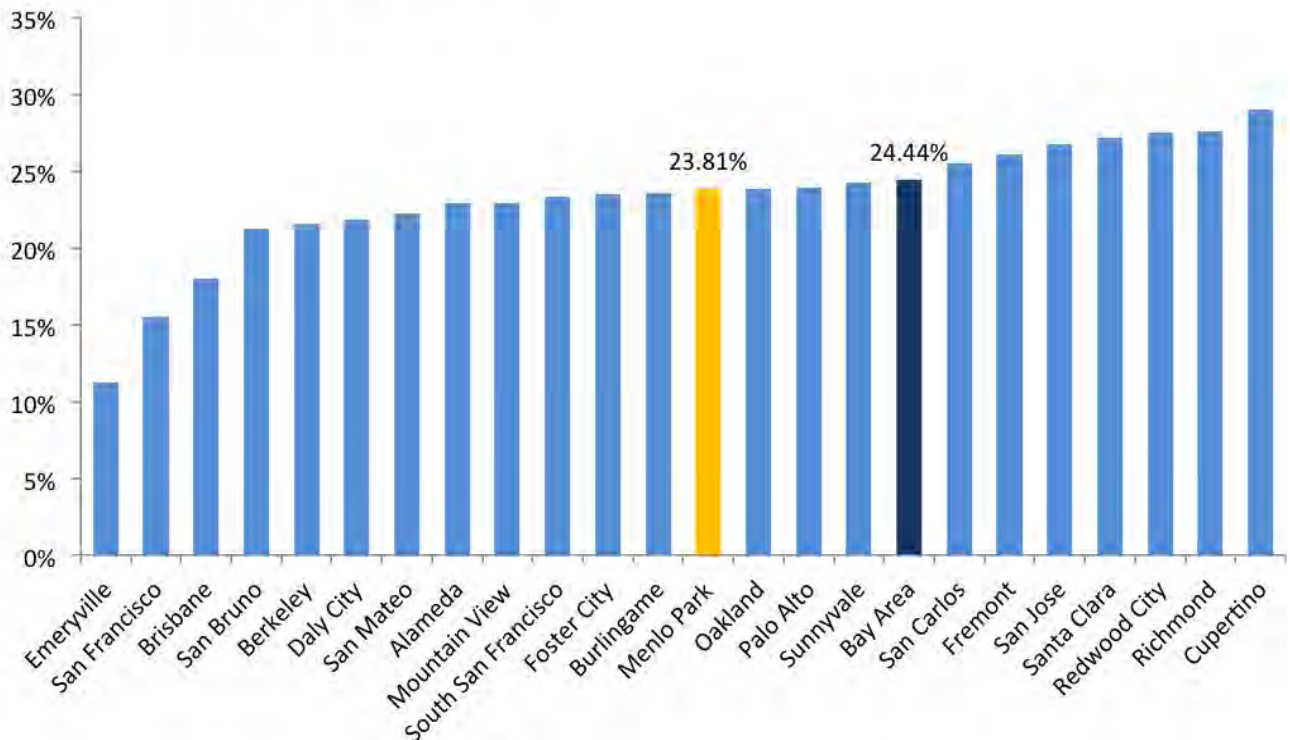


Table 3. % residents 20-35

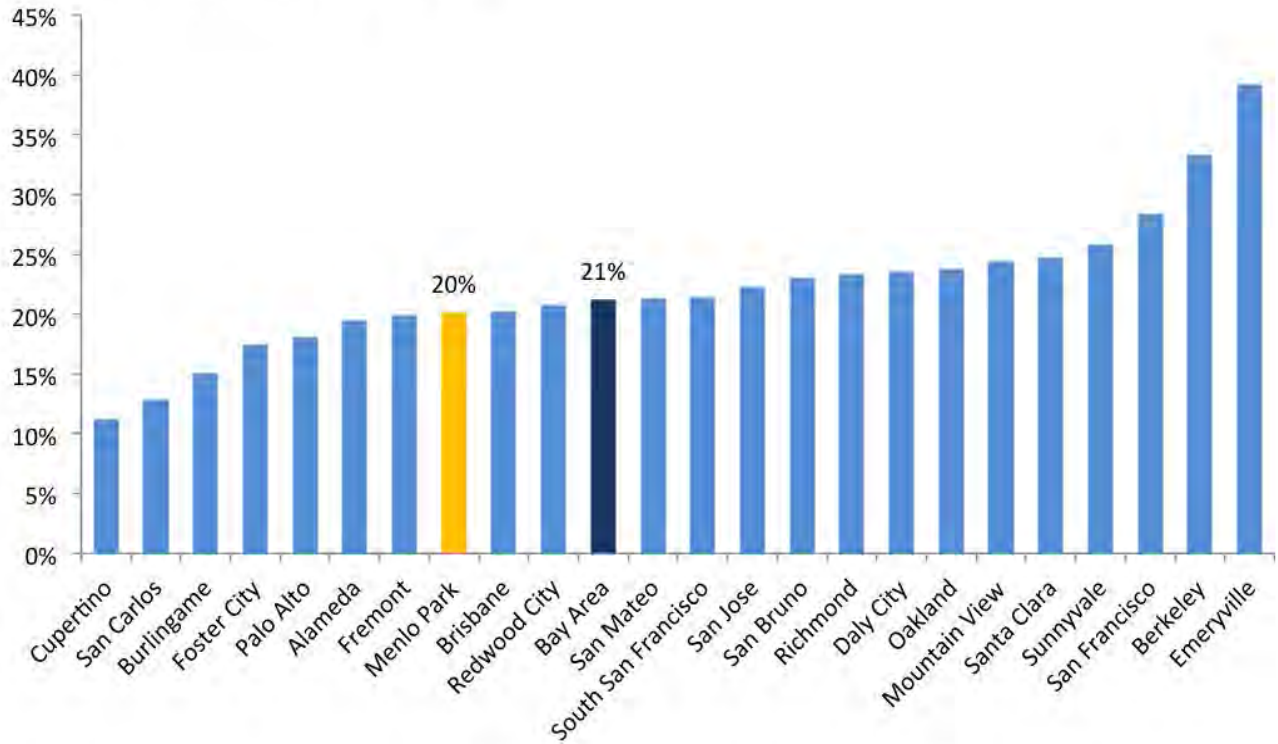


Table 4. % residents 35-55

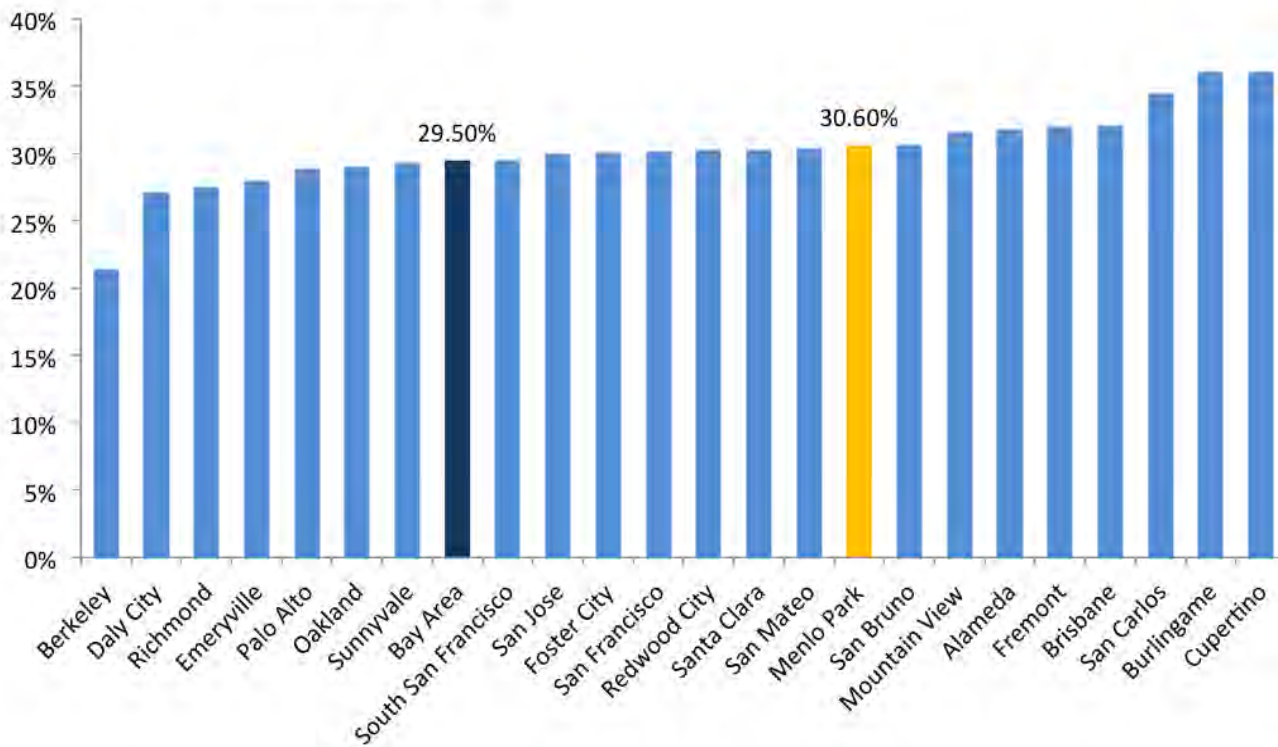


Table 5. % residents 55 and over

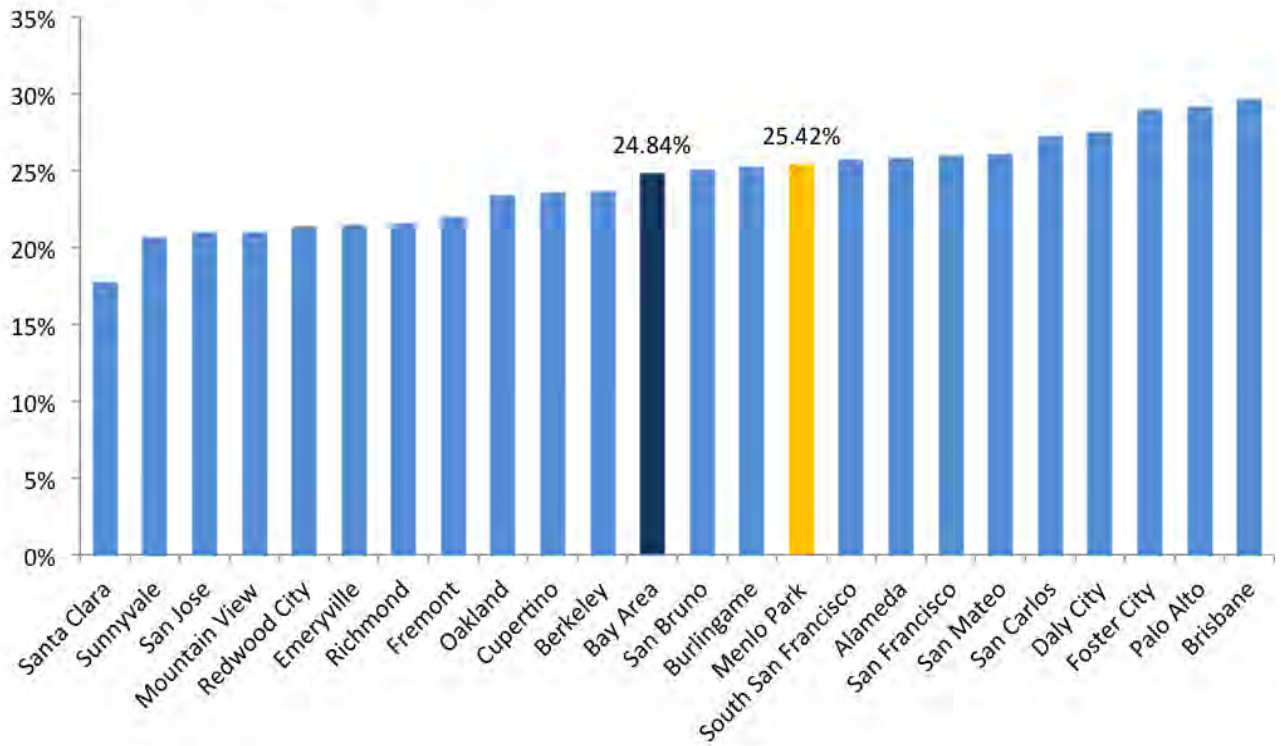


Table 6. Median household income

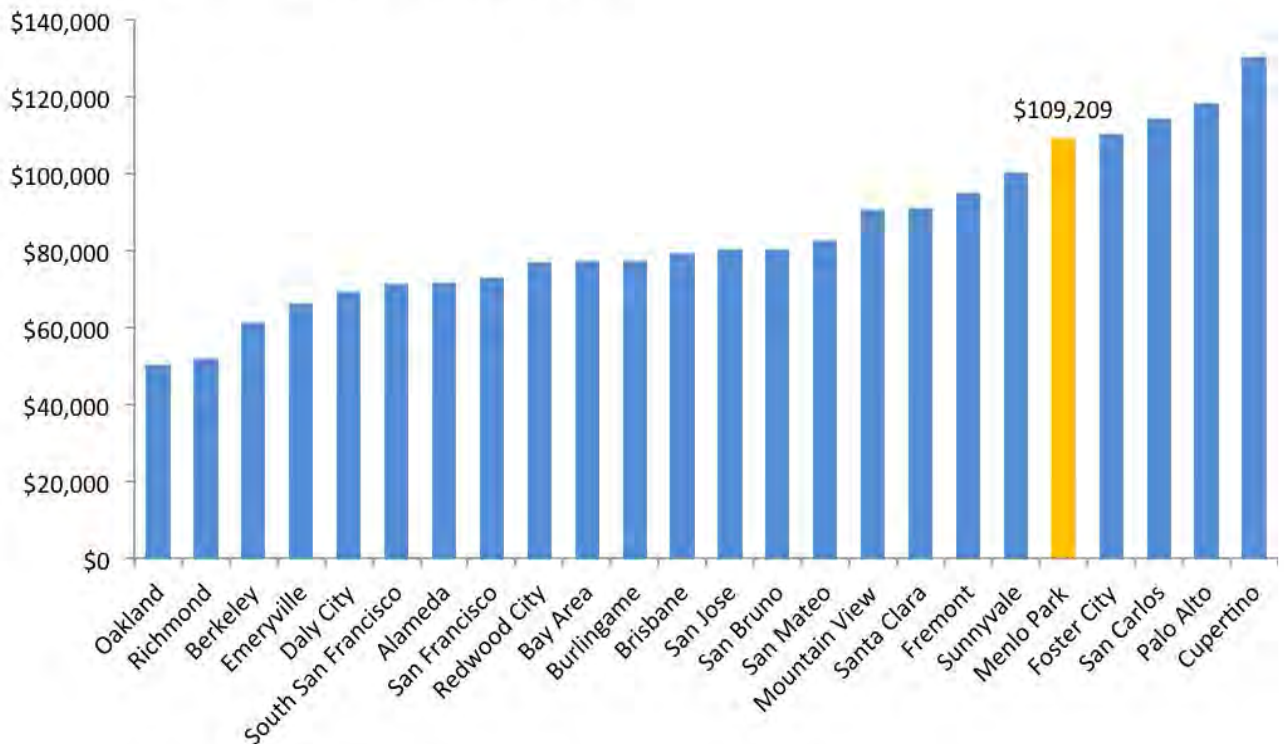


Table 7.
Percent of residents that have a bachelor's degree or higher

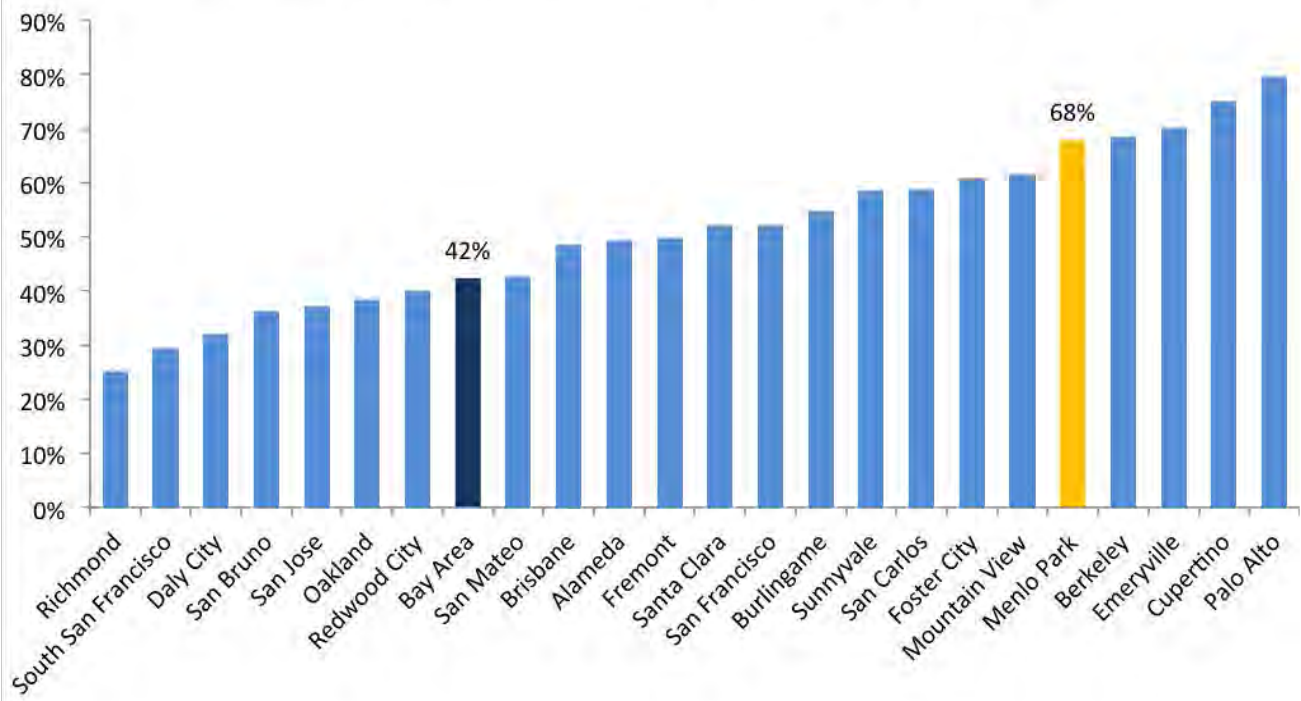


Table 8.
Graduate or professional degrees per 1,000 residents

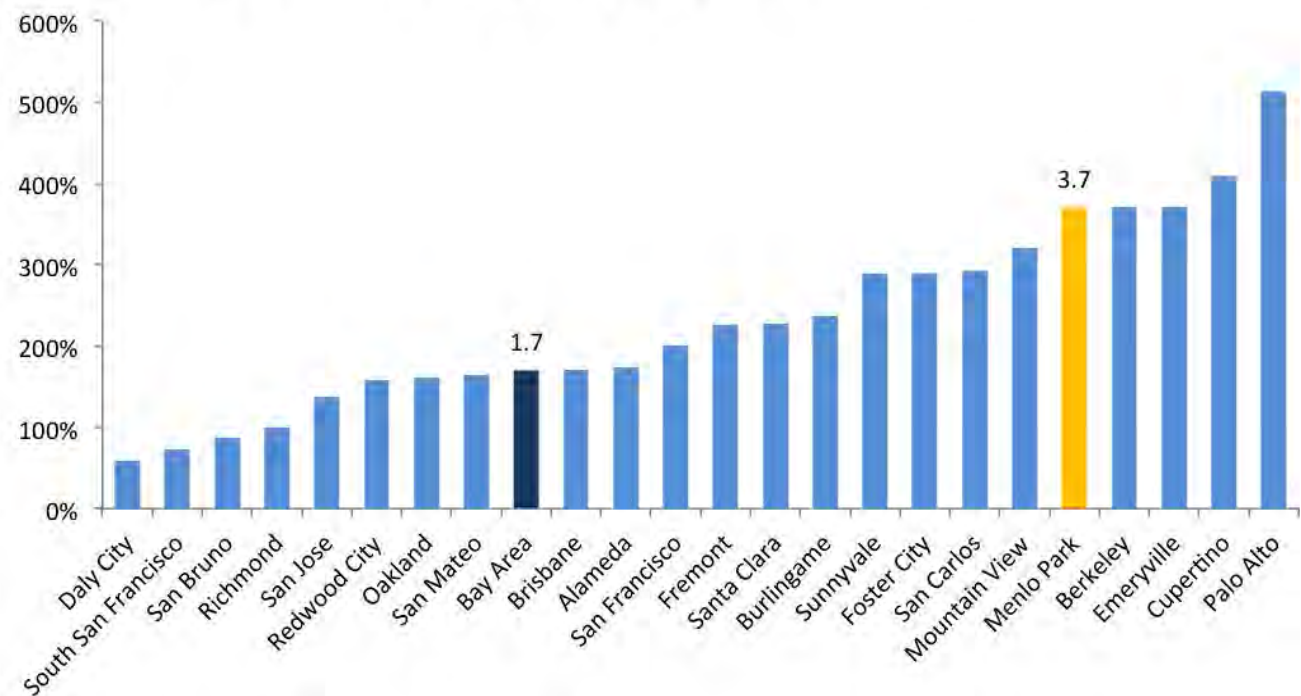


Table 9. Innovation-economy jobs

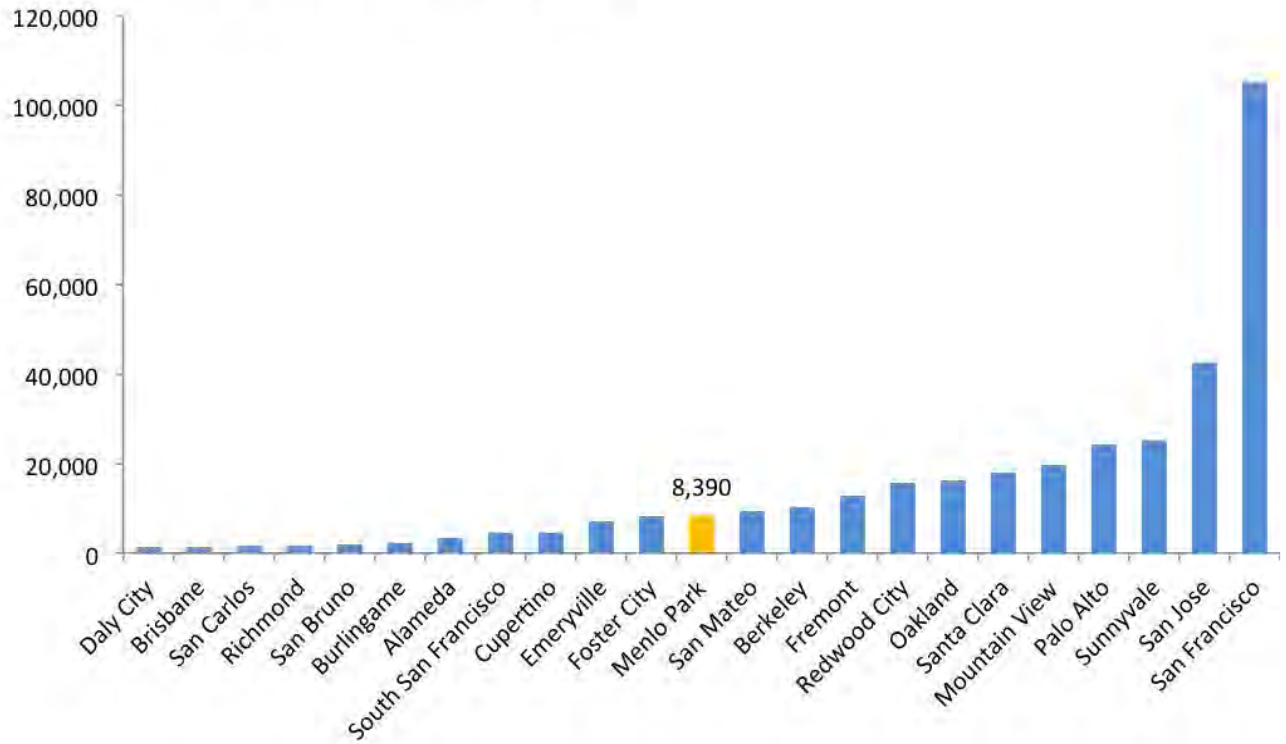


Table 10. Share of employment in innovation-economy jobs

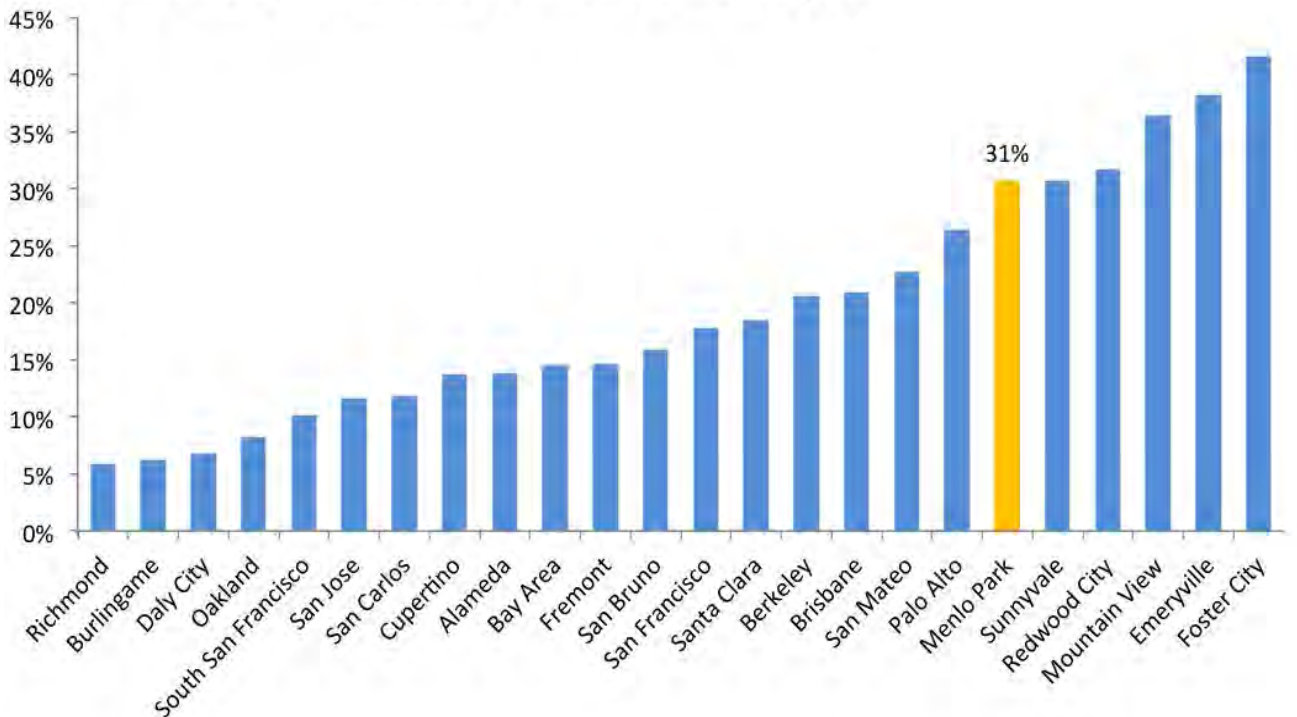


Table 11. Retail jobs per office job

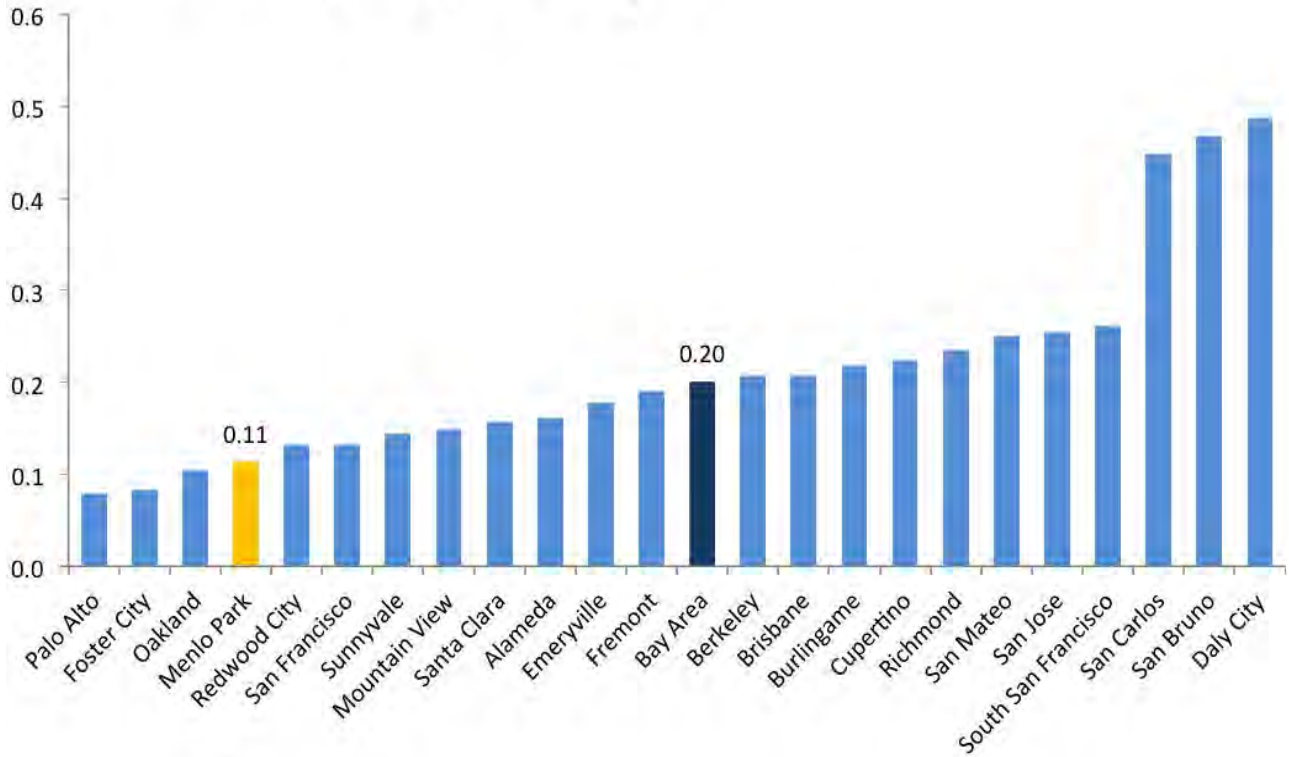


Table 12. Walk score

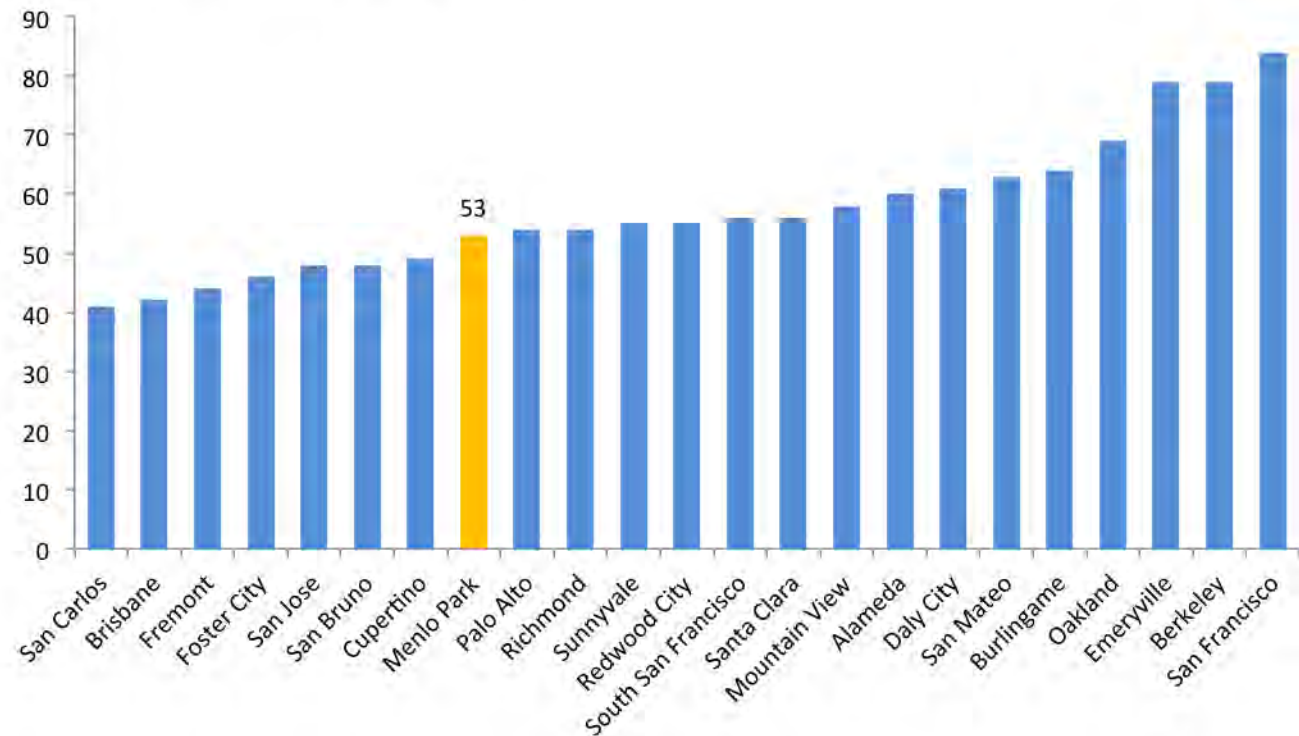


Table 13. Non-residential land uses in sqft.

	Office	Industrial + R&D	Total
San Francisco	89,213,545	*	89,213,545
Palo Alto	9,774,654	13,260,030	23,034,684
Mountain View	4,218,743	15,265,681	19,484,424
Redwood City	9,391,589	6,561,280	15,952,869
Pleasanton	12,724,161	2,738,660	15,462,821
Menlo Park	5,048,584	6,570,314	11,618,898
San Mateo	7,257,627	**	7,257,627
Walnut Creek	6,441,160	304,664	6,745,824
Burlingame	1,812,627	4,744,432	6,557,059
Emeryville	4,351,436	*	4,351,436
Foster City	3,267,375	**	3,267,375

* Data not provided. ** Data provided only in aggregate with other cities.

Source: Colliers International.

Table 14. Projected housing capacity

	Estimated capacity	Development pipeline
San Francisco	73,728	50,200
Palo Alto	3,468	1,837
Mountain View	2,271	892
Redwood City	3,243	1,302
Pleasanton	1,752	826
Menlo Park	3,333	1,347
San Mateo	1,486	201
Walnut Creek	1,427	472
Burlingame	1,402	472
Emeryville	4,491	378
Foster City	1,854	834

Estimated capacity is based on current zoning and identified¹ opportunity sites.

Development pipeline includes homes that have been approved for² development and those already under construction.

Sources:

- City of San Francisco, 2011. *Housing Element Part I: Data and Needs Analysis*
- City of Emeryville, 2014. *Housing Element 2015-2023 [draft]*
- City of Mountain View, 2006. *Housing Element 2007-2014*
- City of Pleasanton, 2014. *Housing Element: September 2014 Draft*
- City of Foster City, 2014. *Housing Element: 2015-2023 Planning Period*
- City of Redwood City, 2014. *2015-2023 Housing Element Public Hearing Draft*
- City of Burlingame, 2014. *2015-2023 Housing Element Public Review Draft*
- City of Menlo Park, 2014. *2015-2023 Housing Element*
- City of Palo Alto, 2014. *2015-2023 Housing Element Administrative Draft*
- City of San Mateo, 2009. *2009 Housing Element*
- City of Walnut Creek, 2009. *2009-2014 Housing Element*

15. Sales per capita

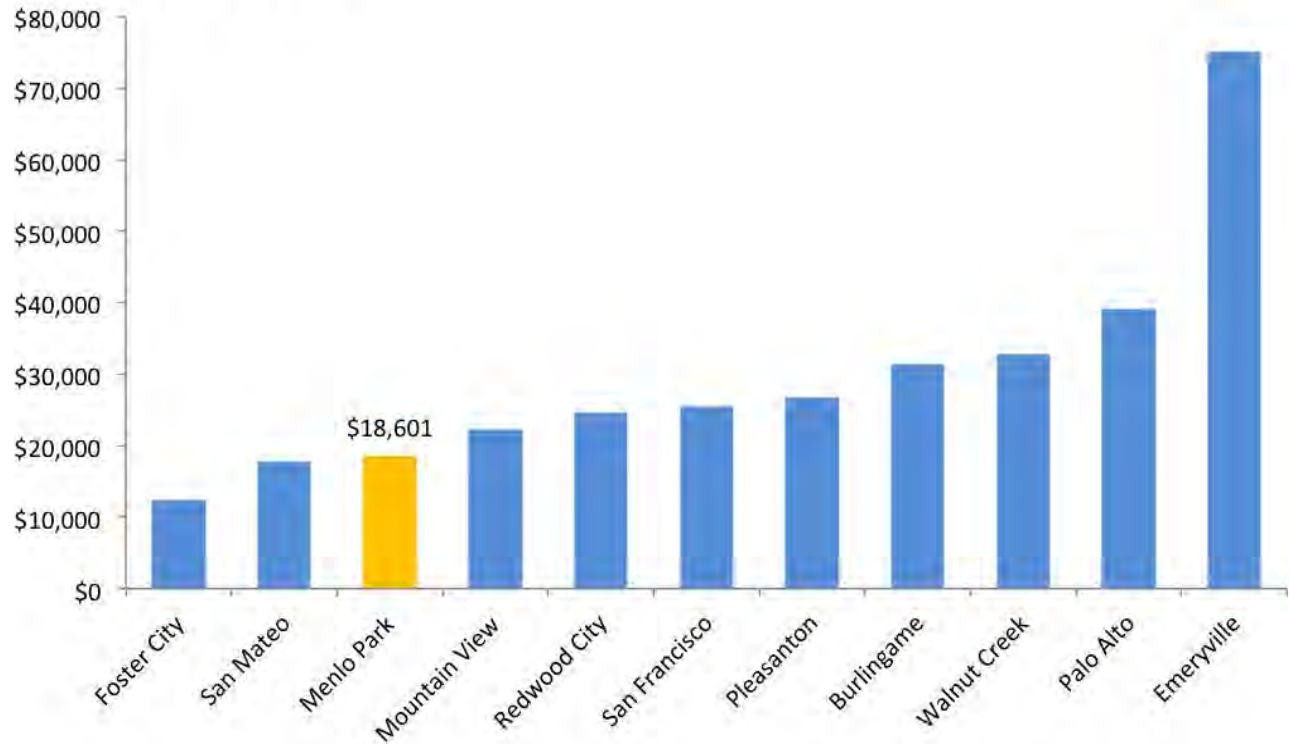


Table 16. Revenues per capita

	Property tax	Sales tax	Hotel tax	Transfer tax	Total in these categories
San Francisco	\$1,736	\$255	\$293	\$341	\$2,625
Emeryville	\$863	\$752	\$492	*	\$2,107
Mountain View	\$776	\$222	\$62	*	\$1,060
Pleasanton	\$685	\$268	*	*	\$953
Foster City	\$626	\$123	\$65	\$10	\$824
Redwood City	\$494	\$247	\$58	\$8	\$806
Burlingame	\$492	\$314	\$623	\$2	\$1,431
Menlo Park	\$484	\$186	\$107	*	\$777
Palo Alto	\$438	\$391	\$165	\$104	\$1,098
San Mateo	\$318	\$222	\$54	\$64	\$657
Walnut Creek	\$242	\$329	\$26	*	\$597

* Data not provided.

Sources: Comprehensive Annual Financial Reports (CAFRs) from each listed city.

Table 17. Tax rates and revenues

	Property tax		Sales tax		Hotel tax		Transfer tax	
	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate**	Revenue
San Francisco	*	\$1,415,068,000	8.75%	\$208,025,000	14.00%	\$238,782,000	\$5.00 - \$25.00	\$278,163,000
Emeryville	*	\$8,600,000	9.00%	\$7,500,000	12.00%	\$4,900,000	\$12.00	
Mountain View	*	\$58,515,000	8.75%	\$16,744,000	10.00%	\$4,668,000	\$4.40	
Pleasanton	*	\$48,900,000	9.00%	\$19,100,000	8.00%		\$1.10	
Foster City	*	\$19,566,168	9.00%	\$3,848,768	9.50%	\$2,015,909	\$1.10	\$315,962
Redwood City	*	\$38,484,044	9.00%	\$19,240,290	12.00%	\$4,526,424	\$1.10	\$599,316
Burlingame	*	\$14,390,000	9.00%	\$9,200,000	12.00%	\$18,240,000	\$1.10	\$49,724
Menlo Park	*	\$15,731,889	9.00%	\$6,043,870	12.00%	\$3,468,256	\$1.10	
Palo Alto	*	\$28,700,000	8.75%	\$25,600,000	14.00%	\$10,800,000	\$4.40	\$6,800,000
San Mateo	*	\$31,287,521	9.25%	\$21,821,391	10.00%	\$5,326,759	\$6.10	\$6,307,133
Walnut Creek	*	\$15,700,000	8.50%	\$21,400,000	8.50%	\$1,700,000	\$1.10	

* Property tax rates vary in different neighborhoods within each city; however, property tax is broadly set at 1%, plus any voter-approved tax increases in local jurisdictions.

** Transfer tax rates are per \$1,000 assessed value. Transfer tax revenues are shared with counties.

Sources: City and County of San Francisco Office of the Controller, City of Emeryville, City of Mountain View, City of Pleasanton, City of Redwood City, Ballotpedia (Foster City, Menlo Park, Palo Alto), City of San Mateo, CA State Board of Equalization (sales tax rates), californiacityfinance.com (transfer tax rates).

Table 18. Net office space (square feet)

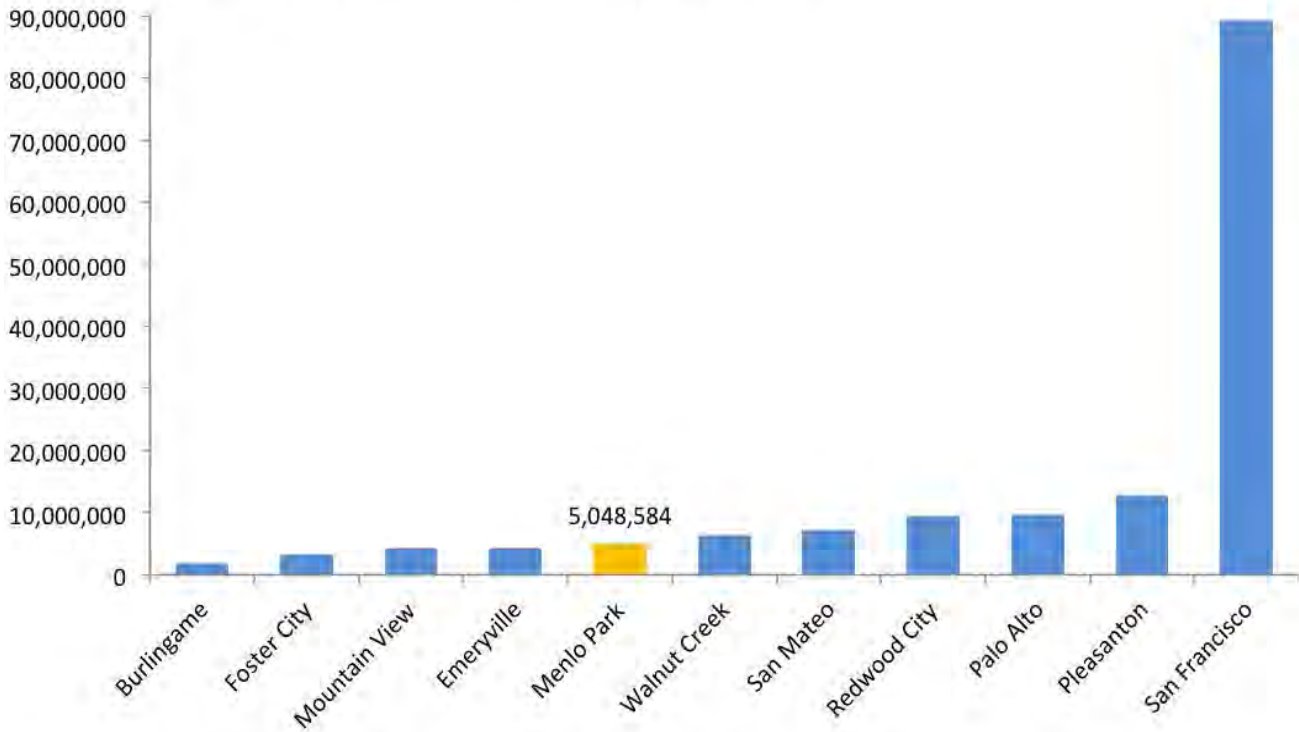


Table 19. Vacant office space (square feet)

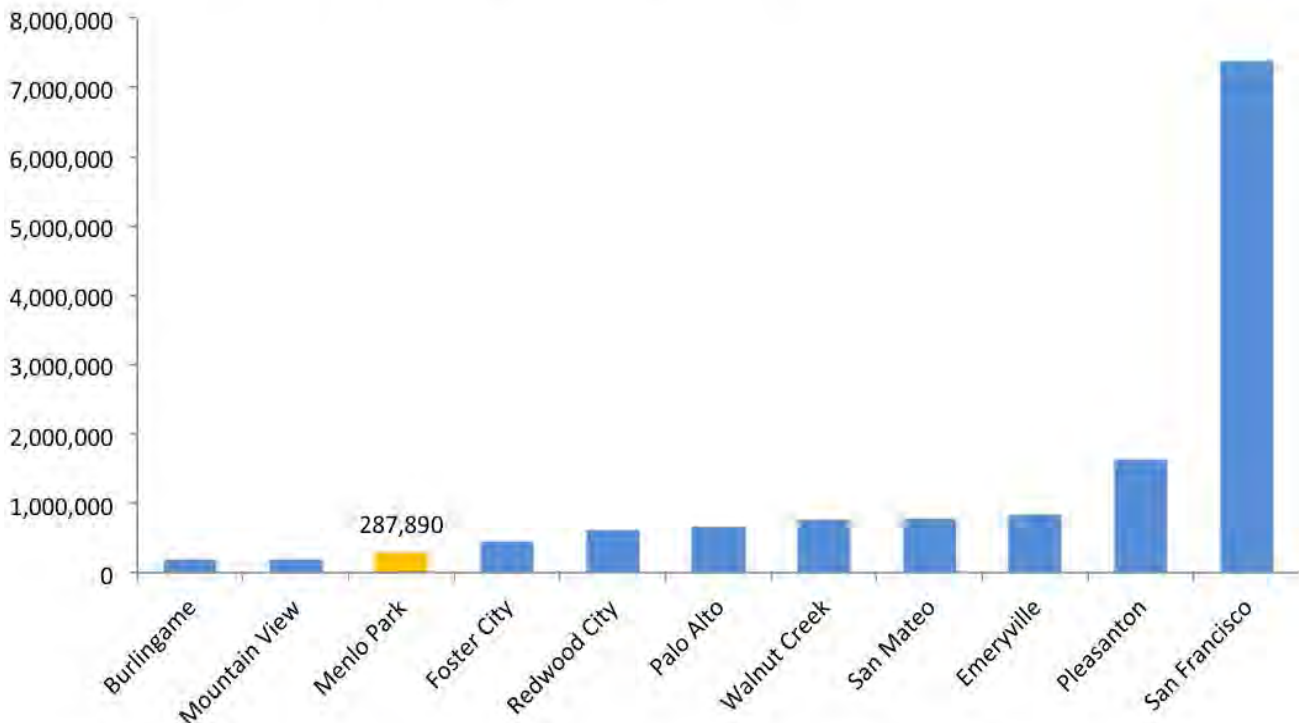


Table 20. Office vacancy rate

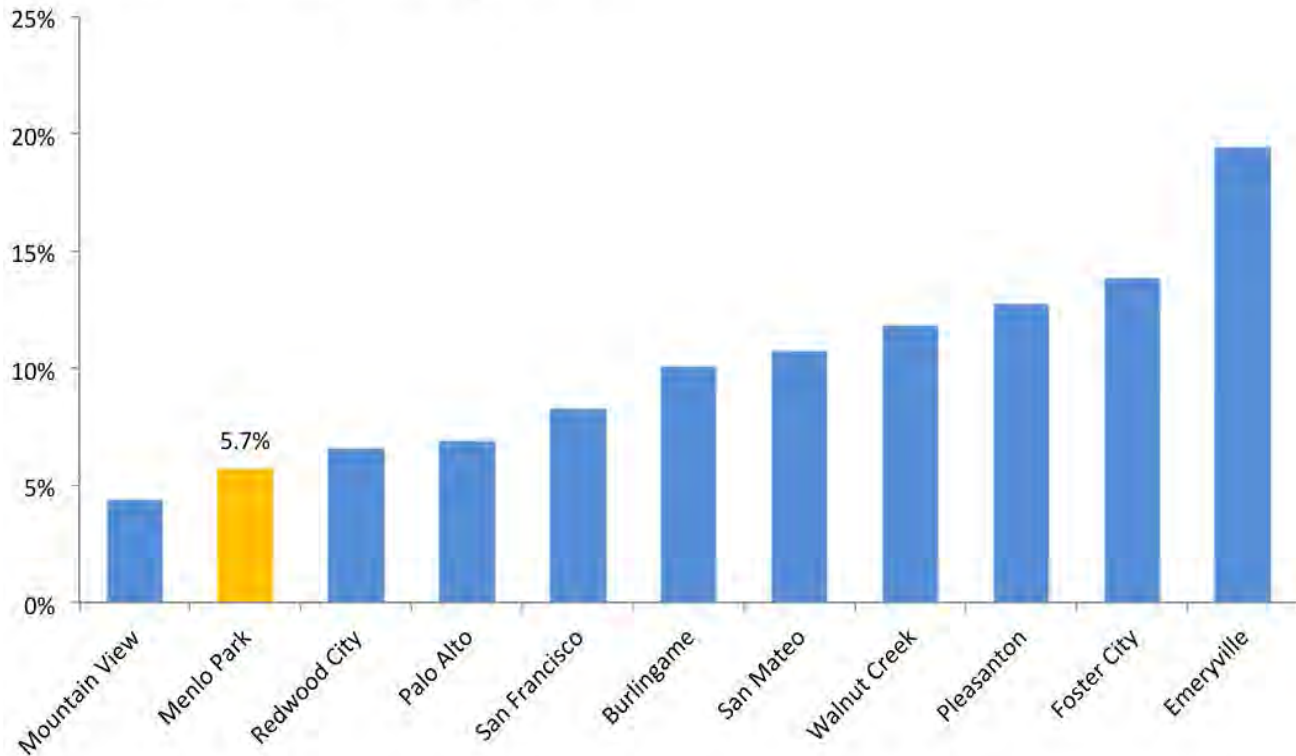
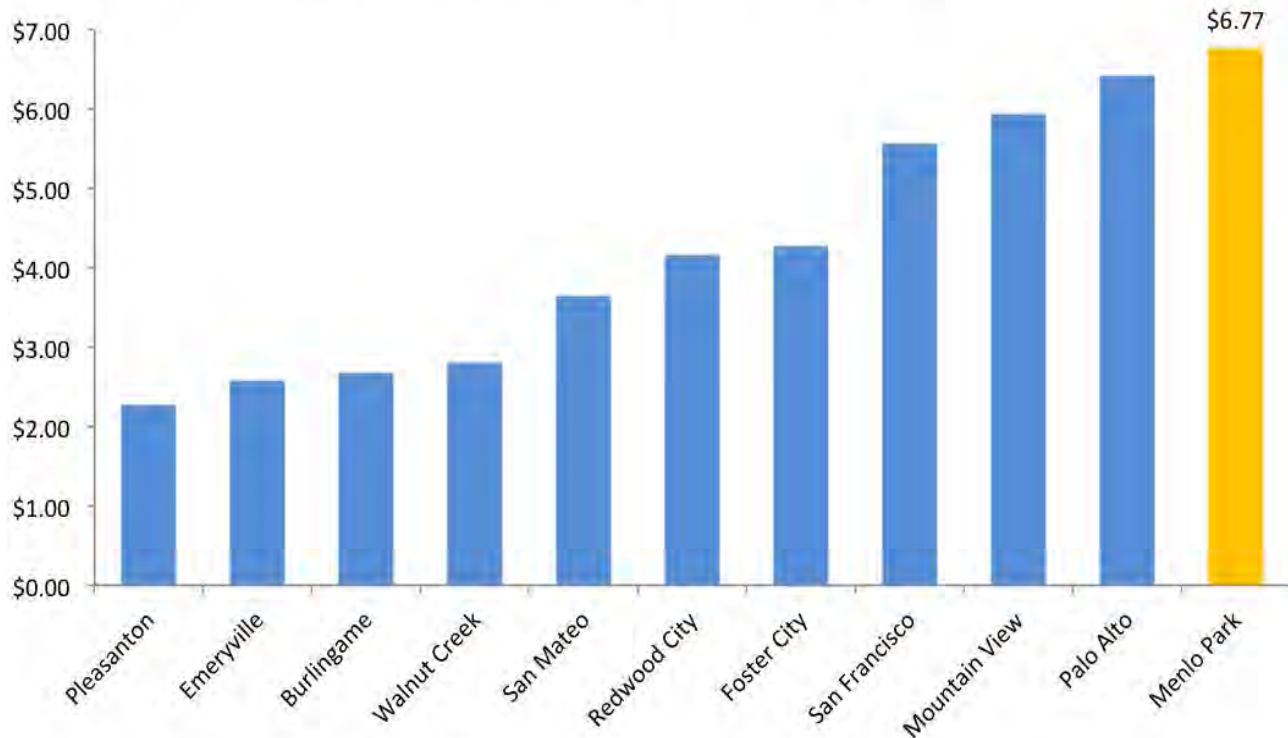


Table 21. Average monthly office rent per sqft.



SOURCES

City and County of San Francisco

City of Emeryville

City of Mountain View

City of Pleasanton

City of Foster City

City of Redwood City

City of Burlingame

City of Menlo Park

City of Palo Alto

City of San Mateo

City of Walnut Creek

Ballotpedia

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03

ECONOMIC

DEVELOPMENT

GOALS

ECONOMIC DEVELOPMENT GOALS

Situated at the center of one of the world's most dynamic innovation clusters, Menlo Park is an extraordinary beneficiary of the regional economy. A large percentage of its highly educated and affluent resident population and employee base works in the innovation sector. However, Menlo Park is failing to capture many of the potential positive benefits that the innovation sector could bring to the local economy, in the form of a more diverse range of retail, recreational and cultural services and jobs, greater public amenities and public revenue sources, a broader array of new job opportunities beyond the innovation sector - ultimately, a higher quality of life.

Through its current General Plan update, and the parallel adoption of a new Economic Development Plan, Menlo Park has a chance to design and implement new policies and actions that will strengthen its economic competitiveness, quality of life and fiscal health. To this end, the Menlo Park Economic Development Advisory Group defined the following economic development goals that build on the opportunities identified in the Comparative Economic Advantage Study.

1. Diversify and Grow City Revenue Sources

Because overreliance on one revenue source or tax does not produce long-term stability, Menlo Park should cultivate a diverse range of public revenue streams to ensure its long-term fiscal health. The City should be creative in how it generates new public revenue. Ways to diversify city revenue sources include capturing a greater share of the disposable income of its innovation sector workforce and residents, and/or capturing land value generated from up-zoning to support new real estate development.

2. Make Menlo Park a Predictable Place to do Business

The current entitlement and permitting process is

burdened by outdated and restrictive ordinances that require discretionary review for most development activity. Discretionary review processes are often unpredictable, which can discourage new or growing companies and small business owners from wanting to locate or expand in Menlo Park. By reducing the uncertainty of the entitlement and permitting process, the City can create a more welcoming environment for new business and well-planned real estate development to house new or growing businesses in Menlo Park.

3. Develop a Diverse Mix of Commercial Space to Meet the Different Needs of Start-Ups and Established Companies.

Menlo Park should focus on the varied space needs of the innovation sector, with particular attention to the unique growth stages of these companies. Ideally, It should encourage development of incubator spaces for start-ups, mid-size office spaces into which they can grow, and large floor plate spaces for mature publicly traded companies. It should encourage a diversity of building types and a mix of uses within growth areas to allow for economic resiliency when a large company closes or moves. Focusing on the spatial needs of technology and innovation sector employers and employees now and in the future will help Menlo Park capture the benefits of the Bay Area's extraordinary regional economy.

4. Activate Downtown

Improving vibrancy downtown requires a plan that addresses retail offerings, the buildings that house them, and access to the area. Menlo Park's parking replacement requirements in the downtown are inadvertently limiting development that could enhance its potential as a mixed-use urban village with vibrant retail. Further, Menlo Park owns its downtown surface parking lots, which represent a tremendous opportunity for the development of parking structures to enhance access to downtown amenities. In 2012, Menlo Park enacted the El Camino Real and Downtown Specific Plan, which articulates a positive and realistic vision for

the downtown, and outlines policies needed to achieve that vision. During future biennial reviews of the Specific Plan, consider incorporating the recommendations herein to boost the economic health of Downtown Menlo Park.

5. Activate the Area East of 101 by Leveraging Planning and Real Estate Development Opportunities

Although the Belle Haven neighborhood lacks many resident-serving amenities, it holds some of the best economic and real estate development opportunities. Offerings such as a movie theater, supermarket, and other amenities could both improve the livability of this neighborhood and encourage residents from other neighborhoods to visit. The adjacent M2 zone in east Menlo Park is ripe for transformative development. Strategic up-zoning can generate more than just increased property taxes; it can create a whole new live, work and play neighborhood that can provide new amenities for existing Belle Haven residents, incubate new businesses, and generate funding for new public parks and plazas.

6. Capture the Economic Potential of “Pass-Through” Traffic

An estimated eighty percent of east Menlo Park’s daily traffic is “pass-through,” meaning auto trips by individuals with no planned destination in Menlo Park. By offering more reasons for these drivers to stop and spend time and money in Menlo Park, ideally through amenity-rich, pedestrian-friendly retail and entertainment clusters, the City could both increase its capture of the economic wealth of the larger region without adding significant vehicle traffic, and also enhance retail and cultural amenities for Menlo Park’s residents.

7. Enhance Cultural and Arts Offerings

Menlo Park should actively promote arts and culture as an economic development strategy.

8. Preserve Housing Affordability and Income Diversity Wherever Possible

Providing access to housing that is affordable to a range of incomes is a crucial component of economically vibrant and resilient communities, especially for small restaurants and retail businesses that employ modestly paid workers.

9. Grow “Walkable Urbanism” in a Few Strategic Locations

Identify a small subset of locations best suited for concentrated changes in land use and urban form, such as enhanced pedestrian- and bicycle-friendly street design and more neighborhood-serving retail. Focus these physical changes in a few key areas, as it is unrealistic and undesirable for all of Menlo Park to become an amenity rich “walkable” neighborhood.

10. Work with Neighboring Cities to Increase Transit & Cycling Options that Integrate Menlo Park into the Region

Transit is a regional dilemma. Menlo Park cannot solve regional problems on its own. However, Menlo Park can make local, tactical improvements in cooperation with businesses like Facebook, institutions like Stanford, and with neighboring cities like Redwood City and Palo Alto, to enhance its connection to regional transit, private shuttles, car-sharing and bicycle networks.

11. Attend to the Details

In order for Menlo Park not to lose sight of the “small stuff” which supports overall quality of life, it must continue to focus on everyday services like maintenance and public infrastructure improvements. Unfortunately, these services often are among the first to go when City budget or staffing declines; many cities are moving the responsibility of streetscape maintenance onto abutting property owners. While a good idea in theory to call on the private sector to perform maintenance and improvements that benefit nearby property owners, developers and businesses, in reality the agreements are not always codified or funded adequately to ensure proper stewardship of the public realm.

04

POLICY

RECOMMENDATIONS

SUMMARY

GOAL 1

DIVERSIFY AND GROW CITY REVENUE SOURCES

STRATEGY 1A: ENCOURAGE DOWNTOWN COMMERCIAL VIBRRANCY

Recommendations:

- Allow for quick, temporary activation of vacant storefronts and land
- Allow increased FAR for office above ground floor with no net new parking requirement
- Create a Facade Improvement Program
- Provide clear navigation assistance and clear deadlines for the commercial permitting process
- Educate commercial property owners about ways to enhance their property value
- Expand definitions and flexibility in permitted land uses for commercial zones

STRATEGY 1B: DIVERSIFY SOURCES OF TAX REVENUE BY CAPTURING LAND VALUE FROM NEW DEVELOPMENT IN UP-ZONED AREAS

Recommendations:

- Evaluate the use of a Targeted Transfer Tax in areas receiving significant up-zoning for new development.
- Evaluate the use of Negotiated Benefit Covenants in areas receiving significant up-zoning for new development
- Evaluate the use of Negotiated Community Facilities Districts (CFDs) to fund ongoing public services in areas receiving significant up-zoning for new development

- Evaluate Transient Occupancy Tax (TOT) rebates to encourage hotel development projects
- Evaluate the use of Parking Revenue Bonds
- Evaluate the use of “Public Development Rights” FAR trading market

GOAL 2

MAKE MENLO PARK A PREDICTABLE PLACE TO DO BUSINESS

STRATEGY 2A: REDUCE THE UNCERTAINTY OF THE DEVELOPMENT APPROVAL PROCESS

Recommendations:

- Reduce the discretionary and ad-hoc nature of how public benefits are determined for major development projects
- Publish a standard methodology for valuing public benefits and how the methodology is applied to new development.

STRATEGY 2B: LEVERAGE TECHNOLOGY TO ENHANCE TRANSPARENCY IN CITY PROCESSES FOR BUSINESSES AND RESIDENTS

Recommendations:

- Create a one-stop permit application and tracking system
- Publish data on the City’s permit application process —set benchmarks
- Continue to improve Menlo Park website to be simpler and more interactive for residents, small businesses, and developers.

GOAL 3

DEVELOP A DIVERSE MIX OF COMMERCIAL SPACE TO MEET THE DIFFERENT NEEDS OF START-UPS AND ESTABLISHED COMPANIES

STRATEGY 3A: ENCOURAGE THE DEVELOPMENT OF NEW COMMERCIAL SPACE AT A RANGE OF SCALES

STRATEGY 3B: DESIGN LAND USE FLEXIBILITY AND ADAPTABILITY INTO ZONING DISTRICTS AND THE PLANNING CODE

STRATEGY 3C: INCENTIVIZE THE DEVELOPMENT OF NEW TECH INCUBATOR SPACES

GOAL 4

ACTIVATE DOWNTOWN

STRATEGY 4A: INCENTIVIZE NEW DEVELOPMENT ON UNDER-UTILIZED PARCELS, ESPECIALLY ON SURFACE PARKING LOTS AND SINGLE-STORY COMMERCIAL STRUCTURES

Recommendations:

- Relax on-site parking requirements for new development in areas well-served by transit and bicycle infrastructure
- Shift zoning toward form-based codes with minimal land use, density or FAR restrictions

STRATEGY 4B: ENCOURAGE TRANSIT, WALKING AND BICYCLING

Recommendations:

- Continue to use transportation demand management measures to increase the share of trips by walking and bicycling.
- Partner with an established regional bike sharing organization to bring bike sharing facilities to the downtown, the Caltrain station, and other key destinations throughout the City.
- Provide specific financial incentives to encourage private car sharing services to locate pods downtown

STRATEGY 4C: TURN EXISTING PARKING CHALLENGES INTO ECONOMIC DEVELOPMENT OPPORTUNITIES

Recommendations:

- Price public parking (through smart meters or other distributed systems) to encourage higher turnover during shopping hours and to discourage employees from parking in customer parking areas.
- Replace city-owned surface parking lots with a new public parking structure, freeing up city-owned land for new infill development, whether through public-private partnerships or RFPs.
- Create a downtown parking benefit district (PBD). Invest PBD-generated revenues toward pedestrian and bicycle safety enhancements.

STRATEGY 4D: EVALUATE OPPORTUNITIES FOR CITY PURCHASE OF UNDERUTILIZED LAND DOWNTOWN

Recommendations:

- Identify key “catalyst” sites that are currently a hindrance to the successful development of a walkable and vibrant downtown. Consider acquiring these sites to develop into mixed-use retail and incubator office space via public-private partnerships.

GOAL 5

ACTIVATE THE AREA EAST OF 101 BY LEVERAGING PLANNING AND REAL ESTATE DEVELOPMENT OPPORTUNITIES

STRATEGY 5A: CREATE A PUBLIC MARKET IN NEW FAR GENERATED FROM LAND RECEIVING SIGNIFICANT UP-ZONING

Recommendations:

- Implement a “Public Development Rights” (PDR) market for net new FAR generated from significant up-zoning of property in the East Side. Use proceeds from the sale of PDR to fund the build out of high-quality public infrastructure in the same up-zoned areas, creating a “virtuous cycle” of higher property values and new investment.

STRATEGY 5B: COLLABORATE WITH FACEBOOK TO ATTRACT NEW INVESTMENT, TO PROMOTE A WALKABLE NEIGHBORHOOD AND TO “BRAND” THE EAST SIDE AS A CENTER OF INNOVATION

Recommendations:

- Promote the growth of walkable urbanism in the public- and privately-owned land adjacent to the Facebook Campus
- Leverage the positive Facebook brand to attract other new businesses and development opportunities to the area.

STRATEGY 5C: DEVELOP DUMBARTON RAIL CORRIDOR INCREMENTALLY, IN STEPS THAT FACILITATE RATHER THAN PRECLUDE LATER UPGRADES

Phase I: Dumbarton Bicycle Trail

Phase II: Dumbarton BRT Spur

Phase III: Dumbarton Fixed Rail

GOAL 6

CAPTURE THE ECONOMIC POTENTIAL OF “PASS-THROUGH” TRAFFIC

STRATEGY 6A: ACTIVATE MENLO PARK CALTRAIN STATION

Recommendations:

- Engage a marketing consultant to develop a station area marketing campaign to celebrate/ highlight existing businesses and amenities near the station.
- Identify key businesses and amenities that are missing and actively recruit them to “complete” the station area.

STRATEGY 6B: CAPTURE EXISTING “PRIMARY SERVICE AREA” POPULATIONS FOR MENLO PARK’S MAJOR DESTINATIONS

Downtown / Caltrain Station

Jefferson Drive Area / Future Marsh Road Station

Willow Road Area / Future Willow Road Station

STRATEGY 6C: ENCOURAGE AMENITY-RICH MIXED-USE DESTINATIONS OFF HIGHWAYS 101 AND 84 IN M-2 ZONE

Recommendations:

- Work closely with local development teams to ensure the Willow and Jefferson areas respectively become successful new mixed-use destinations, consistent with the goals of the

General Plan update.

GOAL 7

ENHANCE CULTURAL AND ARTS OFFERINGS

STRATEGY 7A: INCREASE LAND USE FLEXIBILITY TO ALLOW FOR INNOVATIVE USES

Recommendations:

- Expand the number of principally permitted uses allowed in mixed-use and commercial zones
- Allow non-sales-based uses in downtown zoning code.

STRATEGY 7B: STREAMLINE PERMITTING AND/OR REDUCE FEES FOR STREET EVENTS.

Recommendation:

- Explore ways to reduce 60-day advance permit application time

STRATEGY 7C: INCENTIVIZE STREET ACTIVATION AND “POP-UP” ARTISANAL RETAIL IN UNDERUTILIZED COMMERCIAL SPACES

Recommendations:

- Develop a system of matching grants to leverage private and non-profit sector investment in street festivals or longer-term “pop-up” retail or art galleries in underutilized spaces in the downtown or other commercial clusters.
- Draft standard “interim arts use” and “pop-up” lease templates to reduce barriers to entry
- Establish a Citywide database of underutilized ground floor commercial buildings for future activation.

- Study legal feasibility of providing property tax rebates for landlords who lease to incubator of artist/“maker” spaces.

GOAL 8

PRESERVE HOUSING AFFORDABILITY AND INCOME DIVERSITY WHEREVER POSSIBLE

Recommendations:

- Allow taller buildings and relax parking requirements so that homes can be built more cost effectively
- Allow micro-apartments and/or co-living projects that cost less to build than conventional apartments.
- Incentivize renovation of existing multi-family housing stock.

GOAL 9

GROW “WALKABLE URBANISM” IN A FEW STRATEGIC LOCATIONS

Recommendations:

- Encourage development in the Willow and Jefferson areas of the M-2 zone
- Allow more housing to be built near transit, focusing especially on the M-2 District
- Design the intersection of the public and private realms for pedestrians at a pedestrian scale
- Expand allowable land uses
- Experiment with low-cost, quickly-implemented, and grassroots adjustments to the public realm
- Require parking to be placed behind buildings,

on side streets, or in structures

- Reduce parking requirements for new development and require transportation demand management (TDM) measures in larger projects
- Establish an In-Lieu Parking Program
- Price parking strategically to support more efficient use of under-utilized facilities, and sufficient vacancy to allow drivers to park without circling.
- Install quality sidewalks, crossings, bulb-outs and lighting
- Encourage existing businesses to integrate into surrounding urban street grids

GOAL 10

WORK WITH NEIGHBORING CITIES TO INCREASE TRANSIT & CYCLING OPTIONS THAT INTEGRATE MENLO PARK INTO THE REGION

STRATEGY 10A: INCREMENTALLY DEVELOP DUMBARTON RAIL CORRIDOR INTO A MULTI-MODAL CONNECTOR BETWEEN THE EAST SIDE AND THE DOWNTOWN REDWOOD CITY CALTRAIN STATION

STRATEGY 10B: ESTABLISH PARTNERSHIPS WITH REGIONAL TRANSPORTATION SHARING PROGRAMS

Recommendations:

- Identify and partner with a provider with a successful regional network of bike-sharing pods to bring these services to Menlo Park.
- Identify and partner with a provider with a successful regional network of scooter-sharing pods to bring these services to Menlo Park

- Identify and partner with a provider with a successful regional network of car-sharing pods to bring these services to Menlo Park

STRATEGY 10C: EXPAND EXISTING PUBLIC SHUTTLE SERVICE CONNECTING MAJOR MENLO PARK DESTINATIONS

STRATEGY 10D: CONSIDER OPENING THE CITY'S AUTOMOBILE FLEET TO CAR-SHARING DURING NON-PEAK HOURS

Recommendations:

- Municipal Carsharing

STRATEGY 10E: CREATE A "ONE-STOP-SHOP" ALTERNATIVE TRANSPORTATION ONLINE PLATFORM

Recommendations:

- Consider developing a "GoMenlo" type sub-website and/or app to educate and connect residents and employees to the full range of transportation alternatives within and beyond Menlo Park.

GOAL 11

ATTEND TO THE DETAILS

STRATEGY 11A: LEVERAGE TECHNOLOGY TO ENGAGE COMMUNITY IN WAYS TO IMPROVE CITY SERVICES

Recommendations:

- Establish and publish "baseline" city service standards and associated budgets on website.
- Open source city data to allow private development and adoption of civic apps

- Crowd-source ideas or vendors to provide City services or issue permits more efficiently

STRATEGY 11B: LEVERAGE PUBLIC-PRIVATE PARTNERSHIPS TO SUPPLEMENT OR IMPROVE CITY SERVICES

Recommendations:

- Incentivize the establishment of new non-profit, neighborhood-based assessment and stewardship entities to supplement existing City maintenance & operations

POLICY RECOMMENDATIONS

GOAL 1

DIVERSIFY AND GROW CITY REVENUE SOURCES

Because overreliance on one revenue source or tax does not produce long-term stability, Menlo Park should cultivate a diverse range of public revenue streams to ensure its long-term fiscal health. The City should be creative in how it generates new public revenue. Ways to diversify city revenue sources include capturing a greater share of the disposable income of its innovation sector workforce and residents, or by capturing land value generated from up-zoning to support new real estate development.

STRATEGY 1A: ENCOURAGE DOWNTOWN COMMERCIAL VIBRRANCY

A balanced mix of economically healthy retail, restaurant and services in the downtown core will increase sales tax revenue to the City. A vibrant downtown will also better leverage the disposable income and multiplier effect of the local innovation sector workforce.

Recommendation: Allow for quick, temporary activation of vacant storefronts and land

“Pop-ups,” or short-term commercial uses, are effective tools with which to generate energy and interest in a downtown area, as well as to generate revenue for property owners and thus cities. Pop-up businesses typically occupy vacant retail spaces for three to twelve months, and pay a reduced rent with minimal tenant improvements allowed. Pop-up businesses are often local and “start-up” in nature, either run by new or experienced business owners

who live in the area, or by existing businesses seeking to test new market concepts. A pop-up can be a “win-win-win” for landlord, business, and city: the landlord gains a modest income stream where there had been none prior, the pop-up business owner has a chance to vet a business concept with low overhead, and the city receives modest sales tax revenue in addition to increased interest and activity in the commercial core, which can in turn attract more business and thus more revenue.

Cities are only recently beginning to recognize the value of such temporary activation strategies, and often zoning codes lag far behind the market trends. When the range of permitted uses in a commercial zone are limited and inflexible, creative land uses that otherwise could stimulate a city’s economic vitality are stymied. While these uses are still possible without specific mechanisms, interested business owners and landlords may be discouraged by a cumbersome approval process. Only a handful of cities have established specific “pop-up” retail ordinances, but with the surge in pop-up businesses around the country, codifying these innovative uses will be important to enhancing economic vitality especially in stagnating downtowns and on vacant or underutilized land. The City of Austin, Texas created a Pop-Up Retail Ordinance that Menlo Park could use as a model, both for existing retail spaces downtown and for new retail spaces in the M-2 and Belle Haven areas. In New York City, a Vacant Lot Temporary Activation Program has encouraged temporary uses on undeveloped land; Menlo Park could adopt a similar program in the M-2 zone.

Case Study: Austin TX Pop-Up Retail Ordinance – Non-prescriptive allowance of temporary uses up to 3 months.(Begun 2011)¹

Case Study: New York City Vacant Lot Temporary Activation program - Made 15 city-owned lots

¹ <http://www.austintexas.gov/content/november-3-2011-austin-city-council-regular-meeting>

available for temporary activation, 6-12 months. Selected programs eligible for incentives & assistance programs: tax reductions/financing, discounts on utility costs, etc. Begun 2013.²

Recommendation: Allow increased FAR for office above ground floor with no net new parking requirement

Relax parking and Floor Area Ratio (FAR) restrictions on above ground floor office uses in commercial areas like Downtown and the El Camino Real corridor, to attract small companies with significant Caltrain ridership (young, tech, startup). Office workers downtown drive demand for coffee, lunch, après-work food, entertainment, shopping, and fitness related commercial uses. Incentivizing small, dense office uses may help increase both business and sales tax revenues. Complement a reduction in parking requirements with rideshare incentives outlined in Goal 4.

Recommendation: Create a Façade Improvement Program

Encourage commercial property owners to reinvest in their buildings to attract more vibrant commercial tenants. Allocate small City matching grants to help property owners repaint, remove old awnings, replace signage, etc.

Case Studies: Mountain View, San Diego Façade Improvement Programs. Build Public can furnish more details on these and other programs as desired.

Case Study: Downtown Los Altos – Passerelle Investment Company has been successful at investing in modest building façade improvements for high aesthetic yield. At the First and State Retail

² http://www.nycedc.com/sites/default/files/files/rfp/qa-documents/Info Session Deck_FL-NAL.pdf

Building, removing awnings and repainting in vibrant modern colors has dramatically modernized the character of this 1980s-architecture building. (Fig. 1)

Recommendation: Provide clear navigation assistance and clear deadlines for the commercial permitting process

Encouraging the growth of locally-owned businesses is a widely supported concept in cities today but is quite challenging to implement. For prospective small business owners who may or may not have experience running a business, a typical city's forms, permits and approvals from numerous departments can be overwhelming. In order to promote the type of commercial economic growth Menlo Park desires, namely unique local businesses that both lend character to a downtown and help recirculate local dollars, the City's Economic Development Department should explore the development of a clear online business development portal in which new business owners are led through the city's processes, from business licenses to tenant improvement construction permits to signage permits

Figure 1: 359 State Street & 379 State Street, before and after façade improvement.



and opening day special event permits. One such product worth exploring is OpenCounter, which may be explored in the upcoming IT Master Plan.

Case Study: San Francisco Business Portal – online information clearinghouse with clean interface for existing and prospective businesses, begun November 2014.³

Recommendation: Educate commercial property owners about ways to enhance their property value

Consider hosting free workshops through the Office of Economic Development describing value and examples of a hands-on landlord approach, tenant curation, facade improvement (low cost, high yield), etc.

Case Study: Passerelle Investment Company’s “Landlord 2.0” Program (Los Altos) – a Build Public representative could speak to Downtown Menlo Park property owners about prior experience with implementing progressive landlord policies – zero waste program, foot traffic data, employee parking permits required by lease, etc - if of interest.

Recommendation: Expand definitions and flexibility in permitted land uses for commercial zones

See strategy 7A below

STRATEGY 1B: DIVERSIFY SOURCES OF TAX REVENUE BY CAPTURING LAND VALUE FROM NEW DEVELOPMENT IN UP-ZONED AREAS

Menlo Park should seek to diversify its sources of revenue beyond conventional modes such as sales tax revenue, development fees, etc. Layering

³ <http://businessportal.sfgov.org/>

various income streams of differing magnitudes can help build capacity for important public benefit projects, from transit to neighborhood greening and open space to pedestrian-oriented developments and streetscapes. The methods by which public benefits are determined should continue to be developed in the ongoing General Plan update. The following recommendations outline long term funding mechanisms that can support ongoing maintenance and operations of public amenities or infrastructure, beyond one-time capital improvement funds.

Recommendation: Evaluate the use of a Targeted Transfer Tax in areas receiving significant up-zoning for new development

The City of Menlo Park’s transfer tax rate is currently \$0.55 per \$1,000 of property value. In the M-2 zone, evaluate an innovative application of a “Targeted Transfer Tax” in which all or a portion of the proceeds from property sales in that area fund public benefit improvements in that same area. An advantage is that the fees generated would not be limited to capital improvements; they could be used for ongoing maintenance of public amenities or infrastructure.

Recommendation: Evaluate the use of Negotiated Benefit Covenants in areas receiving significant up-zoning for new development

As a variation on the transfer tax concept, consider negotiating public benefit covenants recorded on property deeds during the Development Agreement process. In this scenario, as a property changes hands the new owner would be required to contribute a public benefit fee to the City. Again, the fees generated would not be limited to capital improvements; they could be used for ongoing maintenance of public amenities or infrastructure.

Case Study: BART “Transit Benefit Fee Covenant”

In 2005 West Dublin/Pleasanton BART placed a benefit fee covenant on the purchase and sale of 3.65 acres to a residential developer.⁴ The covenant stipulated that BART would receive sale price participation equal to 50% above a pre-specified price per unit. In 2011 the Benefit Fee was modified, beginning with 1% of gross operating revenues for the first year and increased to 2% by the 16th year.⁵

Recommendation: Evaluate the use of Negotiated Community Facilities Districts (CFDs) to fund ongoing public services in areas receiving significant up-zoning for new development

In lieu of paying a one-time up front fee for public benefit (e.g. a Public Development Rights model, see Strategy 5A), Menlo Park could allow a developer to instead create a CFD, also known as a Mello Roos District, and amortize payments into a public benefit fund over time. A fiscal analysis would need to be conducted by the developer to prove that annual payments over a specified period would be equal to or greater than the value of a lump sum payment at the outset. This strategy may be more applicable for large scale development projects, or projects in which the developer feels he/she may be able to amass support from neighboring property owners. However, the intent behind the above three recommendations is to identify ways to create enduring funding mechanisms that can support ongoing maintenance and operations of public amenities or infrastructure, beyond just capital improvements.

Case Study: Mission Bay Maintenance Community Facilities District (CFD), San Francisco

⁴ Keyser Marston, November 2014. Memorandum to Pleasant Hill BART Station Leasing Authority: Block C Condominium Feasibility Analysis, p11. <http://ca-contracostacounty2.civicplus.com/DocumentCenter/View/34410>.

⁵ BART Board of Directors, July 14, 2011. Board of Directors Meeting Minutes, p4. <https://www.bart.gov/sites/default/files/docs/minutes/07-14-11%2520regular%2520Minutes.pdf>.

The Mission Bay Maintenance District (CFD No. 5) was established in 1999 and authorizes up to \$20 million in annual assessments, “to pay for the costs of operation, maintenance, and repair of open space parcels in the District.”⁶ As of FY 2009-2010, this Maintenance District CFD’s required tax was \$1.8 million. It is complemented by a capital improvements CFD, the Mission Bay South CFD (CFD No. 6). This second district was established in 2000 and authorizes up to \$200 million to be issued in bonds for infrastructure and other public capital improvements in the area.⁷

Recommendation: Evaluate Transient Occupancy Tax (TOT) rebates to encourage hotel development projects

The Specific Plan recently listed hotel use as a permitted use along El Camino Real and in the downtown, where it had not previously been listed as a use. Listing hotels as a permitted use has also streamlined the review process. Further possibilities to explore include:

- Re-evaluate current 12% TOT rate.
- Encourage hotel land uses through permit streamlining, zoning incentives.
- Identify preferred hotel development areas, create a map and list of development incentives, and distribute a Menlo Park “pitch deck” to attract prospective hotel entities. A pitch deck is a marketing presentation used in real estate and finance that clearly and attractively outlines the advantages of investing or developing in a certain area, i.e. Menlo Park.

Case Studies: City of Palm Springs TOT Incentive Ordinance, City of La Quinta TOT rebate for Silver

⁶ <http://www.caltaxfoundation.org/category/san-francisco/>

⁷ Economic & Planning Systems, Inc. UCSF EIR Chapter 7: Mission Bay San Francisco Redevelopment Agency And Community Facilities District Analysis. http://eir.ucsf.edu/pdf/eir/ucsf_eir_7_district_analysis.pdf

Rock Public Golf Course development, City of Anaheim Hotel Economic Development Assistance Program.

Recommendation: Evaluate the use of Parking Revenue Bonds

To finance new public infrastructure in either the M-2 or downtown areas, consider parking revenue bonds in which future parking structure revenue can help offset the cost of the structure's construction.

Recommendation: Evaluate the use of "Public Development Rights" FAR trading market

Before intensifying land use in currently underutilized areas such as the M-2 zone, Menlo Park should ensure that land value recapture mechanisms are built into the revised zoning code for these areas. This will help ensure that as development capitalizes on this increase in land value, a portion of that increment is held for the preservation and enhancement of the public realm or "the commons." This strategy is discussed in further detail below under Goal 5.

GOAL 2

MAKE MENLO PARK A PREDICTABLE PLACE TO DO BUSINESS

The current entitlement and permitting process is burdened by outdated and restrictive ordinances that require discretionary review for most development activity. Discretionary review processes are often unpredictable, which can discourage new or growing companies and small business owners from wanting to locate or expand in Menlo Park. By reducing the uncertainty of the entitlement and permitting process, the City can create a more welcoming environment for new business and well-planned real estate development to house new or growing businesses in

Menlo Park.

STRATEGY 2A: REDUCE THE UNCERTAINTY OF THE DEVELOPMENT APPROVAL PROCESS

A city relies on its development partners to realize the visions and goals it lays out in its zoning code and development regulations. Ultimately, without private sector investment, a city would stagnate, unable to attract housing, jobs, and commercial uses that make a city function. Prospective developers who face multiple permits and discretionary approvals are less likely to invest, and may choose to work in another city offering a clearer and simpler development process.

Recommendation: Reduce the discretionary and ad-hoc nature of how public benefits are determined for major development projects.

Consider engaging in a comprehensive review of Menlo Park's permit requirements and approval processes for new and redevelopment projects both large and small. In cities of all scales, from Boston and Los Angeles to Vacaville, CA, local governments are working to consolidate permits and regulations, eliminate outdated codes, and generally streamline the entitlement process in order to promote economic development.

Case Study: Permit Streamlining in Boston MA.

Mayoral commitment to, "make permitting a more clear, easy, and predictable process,"⁸ saw a 21% increase in permits issues, 6-day reduction in permit turnaround time, 33% increase in on-time review, 3-month reduction in appeal date scheduling. Hosted permit streamlining Hackathon, implemented PermitFinder.⁹

⁸ <http://www.cityofboston.gov/permits/>.

⁹ <http://permits.boston.gov>

Recommendation: Publish a standard methodology for valuing public benefits and how the methodology is applied to new development.

Transparency and consistency in process are key to establishing trust between a city and its citizens and businesses. As Menlo Park establishes its public benefit valuation policies as part of the ongoing General Plan update, it should clearly outline the methods and process by which public benefit is quantified.

STRATEGY 2B: LEVERAGE TECHNOLOGY TO ENHANCE TRANSPARENCY IN CITY PROCESSES FOR BUSINESSES AND RESIDENTS

Governments at all scales, and cities in particular, face the challenge of keeping up with the fast-paced and ever-evolving ways in which technology revolutionizes how we communicate with one another. Being the most local governance authority for a population, city governments theoretically should have the most direct and close communication channels with their residents and businesses. However, too often a city's processes and communication tools - websites, meeting notifications, notification processes and more - are cumbersome and difficult to navigate. As the sophistication and clarity of user interfaces for personal devices, apps, and other web-based platforms grows, so does the disparity between this 21st century technology and clunky city web interfaces. This can discourage both community engagement and developer interest and can lead to a perceived sense of civic apathy and development stagnation, when in fact it may simply be that communication efforts could be improved.

(See TED Talk by Dave Meslin: The Antidote to Apathy, 7 min)¹⁰

¹⁰ http://www.ted.com/talks/dave_meslin_the_antidote_to_apathy/transcript?language=en

Recommendation: Create a one-stop permit application and tracking system

In order to attract new businesses to invest in Menlo Park, the City must offer clear, transparent, and reliable approval processes and communication platforms. Consider partnering with online permitting services to develop a centralized web-based system through which permit seekers are guided through the city's approval process.¹¹

Case Study: OpenCounter online permitting system in City of Santa Cruz.¹²

Recommendation: Publish data on the City's permit application process —set benchmarks

Transparency and consistency in process are key to establishing trust between a city and its citizens and businesses. The more Menlo Park can provide real-time status updates on permit applications and processing time, the more confident businesses and developers will feel about investing in Menlo Park as they navigate the permitting process. Menlo Park should continue its efforts to select and publish benchmarks as part of the budget.

Recommendation: Continue to improve Menlo Park website to be simpler and more interactive for residents, small businesses, and developers.

Building on the recent upgrade to the City's website, Menlo Park could continue to simplify its menu options to improve the customer service experience.

Case Studies: PlanLafayette (Lafayette, LA) , Lancaster (PA), Nashville (TN), Grand Rapids (MI), Oakville (Ontario, Canada), Chattanooga (TN)

¹¹ <https://opencounter.us/>, <https://www.accela.com/platform>

¹² <http://www.codeforamerica.org/apps/open-counter/>

GOAL 3

DEVELOP A DIVERSE MIX OF COMMERCIAL SPACE TO MEET THE DIFFERENT NEEDS OF START-UPS AND ESTABLISHED COMPANIES

Menlo Park should focus on the varied office needs of the innovation sector, with particular attention to the unique growth stages of these companies. Ideally, Menlo Park should provide incubator spaces for start-ups, mid-size office spaces into which they can grow, and large floor plate spaces for publicly traded companies. It should encourage a diversity of building types and a mix of uses within growth areas to allow for economic resiliency when a large company closes or moves. Focusing on the spatial needs of technology and innovation sector employers and employees now and in the future will help Menlo Park capture the benefits of the Bay Area's extraordinary regional economy.

STRATEGY 3A: ENCOURAGE THE DEVELOPMENT OF NEW COMMERCIAL SPACE AT A RANGE OF SCALES

In the M-2 zone in particular, implement land use policies that promote development at a mix of scales to accommodate a wide variety of users that can evolve over time, and discourage large single-use districts. For example, small, flexible incubator office spaces should be complemented with mid-size office space nearby into which successful start-ups can grow. Large floor plate Class-A office should also be integrated into the same general area, since many successful publicly traded companies rely on an ecosystem of smaller providers, and co-locating both reduces transportation costs and enhances communication efficacy. The South of Market Area (SoMa) in San Francisco can serve as a precedent: once primarily light industrial uses, SoMa is now one of the most desirable office locations for technology and innovation sector companies. This conversion has occurred relatively quickly, facilitated by flexible

building types, a primarily mixed-use environment with office above ground floor retail or restaurant, and proximity to multiple forms of transit – bus, BART, and a robust bicycle network.

Case Study: East SOMA Area Plan, San Francisco - Flexible zoning allows mix of land uses that can evolve over time.¹³

STRATEGY 3B: DESIGN LAND USE FLEXIBILITY AND ADAPTABILITY INTO ZONING DISTRICTS AND THE PLANNING CODE

As described in Strategies 1A and 7A, zoning codes need to be adapted to allow more flexibility in permitted land uses, now and into the future. Pop-ups, art galleries, community spaces and flex-use spaces that vary by time of day often do not fit within conventional zoning models. In order to unlock the economic development potential of these innovative uses, Menlo Park should increase the flexibility in zoning and land uses rather than adhere to a prescriptive and separation-of-land-uses approach. See also Palo Alto's exploration of flexible zoning codes: Flexibility vs. Certainty Discussion Paper, Dyett & Bhatia, 2001.¹⁴

Case Study: Lafayette, LA – PlanLafayette website.¹⁵ Clear straightforward website, simple fact sheets describing programs and codes. Lafayette is moving to a Unified Development Code integrating zoning, subdivision, and land use regulations into a single document.

STRATEGY 3C: INCENTIVIZE THE DEVELOPMENT OF NEW TECH INCUBATOR SPACES

The M-2 zone is a prime candidate for flexible

¹³ http://www.sf-planning.org/ftp/General_Plan/East_SoMa.htm

¹⁴ <http://www.cityofpaloalto.org/news/displaynews.asp?NewsID=872&TargetID=239>

¹⁵ <http://planlafayette.com/>

tech innovation and research and development (R&D) spaces. Many models exist to which Menlo Park can look, from a top-down approach such as Fremont’s planned Innovation District, to a more market-driven approach such as Boston’s Innovation District. Establishing an area within the M-2 as an “innovation district” with relaxed zoning restrictions, streamlined permitting, and/or other incentives could entice innovative new businesses to locate in Menlo Park rather than in a neighboring Silicon Valley community.

Case Study: Warm Springs Innovation District, Fremont¹⁶

Case Study: Boston Innovation District¹⁷

- 1,000 acres in South Boston waterfront, created in 2010
- An “urban environment that fosters innovation, collaboration, and entrepreneurship”
- 250’ height limit
- Since 2010 - 5000 new jobs added, 200 companies, 30% is in tech, 21% creative, 16% science tech¹⁸
- 40% in co-working/shared incubator spaces
- 25% have <10 employees
- Public-private partnership to create District Hall innovation space – “public innovation center... space for networking, events, working alone or with others, even pop-up shops”
- Considering “innovation housing” – co-living
- Lessons learned
 - Design is important – must be attractive, user-friendly urban space
- No financial incentives for businesses to locate

¹⁶ See CEAS Case Study Appendix, page 21

¹⁷ <http://www.innovationdistrict.org/>

¹⁸ <http://www.aia.org/aiaucmp/groups/aia/documents/pdf/aiab100106.pdf>

there, succeeds through high demand

- But rents rising – as of Jan 2014 avg \$52/sf-yr (\$4.33/sf-mo)¹⁹
- No specific sector targeted/incentivized – allowed market to determine

GOAL 4

ACTIVATE DOWNTOWN

Improving vibrancy downtown requires a plan that addresses retail offerings, the buildings that house them, and access to the area. Menlo Park’s parking replacement requirements in the downtown are inadvertently limiting development that could enhance its potential as a mixed-use urban village with vibrant retail. Further, Menlo Park owns the surface parking lots in its downtown, which represent a tremendous opportunity for the development of parking structures to enhance access to downtown amenities. In 2012, Menlo Park enacted the El Camino Real and Downtown Specific Plan, which articulates a positive and realistic vision for the downtown, and outlines policies needed to achieve that vision. During future biennial reviews of the Specific Plan, consider incorporating the following recommendations to boost the economic health of Downtown Menlo Park.

STRATEGY 4A: INCENTIVIZE NEW DEVELOPMENT ON UNDER-UTILIZED PARCELS, ESPECIALLY ON SURFACE PARKING LOTS AND SINGLE-STORY COMMERCIAL STRUCTURES

Given the limited development potential in downtown Menlo Park, any opportunities to increase density on under-utilized land will be economically beneficial to the City and to the businesses that locate there.

Recommendation. Relax on-site parking

¹⁹ <http://www.bostonglobe.com/business/2014/01/10/rents-soaring-city-innovation-district/nqeKNcRiLJiyjKEEGog8GP/story.html>

requirements for new development in areas well-served by transit and bicycle infrastructure.

Development projects that are located near the Menlo Park Caltrain Station and other transit hubs should be rewarded for providing higher and better land uses on site than zoning-required parking. Many cities have now moved from required parking minimums to parking maximums in downtown core areas, to reduce traffic, to prioritize commercial land uses that activate the streetscape such as experiential retail and food uses, and to encourage walkable urbanism (See Goal 9 for a description of Walkable Urbanism). Build upon Menlo Park's existing parking maximum requirements within the Caltrain Station Area to encourage transit-oriented development. Currently, Menlo Park's parking maximum provision applies only to multi-family residential properties as outlined in the El Camino Real and Downtown Specific Plan. Consider adding maximum parking requirements to other transit-friendly land uses such as Retail and Personal Service, General and Medical Office, and Restaurants.

Case study: Vermont/Western Transit Oriented District (Los Angeles)²⁰

Replaced minimum parking requirements with maximum parking allowances.

Recommendation: Shift zoning toward form-based codes with minimal land use, density or FAR restrictions

STRATEGY 4B: ENCOURAGE, TRANSIT, WALKING AND BICYCLING.

Traffic problems are a significant issue in Menlo Park and throughout Silicon Valley, and they contribute to a vicious cycle. Communities are afraid to build

²⁰ <http://planning.lacity.org/complan/specplan/pdf/VermontWesternTOD.pdf>

more housing for fear of the traffic it could bring. Meanwhile, the region's economy continues to grow. Because cities are not building housing, people have to go further from the workplace to find a house, making their commute longer and adding one more car to rush hour. The pressure of housing costs segregates communities by income. See also Goals 8 and 10 for specific recommendations.

Recommendation. Continue to use transportation demand management measures to increase the share of trips by walking and bicycling.

See also Strategy 10B.

Case study: Transportation Sustainability Program (San Francisco)²¹ Replaces traffic level of service (LOS) evaluation of development projects with evaluation based on transportation demand management and non-auto mode share.

Recommendation. Partner with an established regional bike sharing organization to bring bike sharing facilities to the downtown, the Caltrain station, and other key destinations throughout the City.

See also Strategy 10B.

Case study: Bay Area Bike Share (Palo Alto) Made downtown Palo Alto easier to get around without a car by joining Bay Area Bike Share.²²

Recommendation: Provide specific financial incentives to encourage private car sharing services to locate pods downtown.

²¹ <http://www.sf-planning.org/index.aspx?page=3035>

²² <http://www.paloaltoonline.com/news/2013/08/29/palo-alto-puts-bike-share-system-into-gear>

STRATEGY 4C: TURN EXISTING PARKING CHALLENGES INTO ECONOMIC DEVELOPMENT OPPORTUNITIES.

Parking has been and continues to be an important element in the success Menlo Park's downtown, given its suburban context. The City recognizes this, which is why it has provided public parking plazas throughout the downtown area. This gives the City a powerful policy lever. Effective management of the City's parking assets could make parking easier, improve downtown traffic, and allow more activity downtown. For example, a parking structure could free up a surface parking plaza for other uses; imagine a city square with café tables and trees, or apartments three minutes from Caltrain and the planned El Camino Real Bus Rapid Transit line. Today, it is difficult to build new retail space and housing downtown. Downtown parking standards give single-story buildings (floor area ratio of 1.0 or less) the use of parking spaces in the parking plazas to meet zoning requirements. Meanwhile, taller buildings have to provide the parking themselves for any building above a floor area ratio of 1.0. Eliminating this discrepancy could be one step towards promoting development downtown.

Recommendation. Price public parking (through smart meters or other distributed systems) to encourage higher turnover during shopping hours and to discourage employees from parking in customer parking areas.

"Who pays for free parking? Everyone but the motorist."²³ Free parking in a downtown such as Menlo Park's creates unnecessary traffic congestion as cars circle for parking, reduces air quality and pedestrian safety for downtown shoppers, and costs valuable taxpayer money to build and maintain. As celebrated parking economist Donald Shoup explains, "If we continue to do what we've always

²³ Shoup, Donald. 2011. *The High Cost of Free Parking*. American Planning Association Planners Press: Chicago.

done with curb parking, we will continue to get what we now have -- the parking problem, with all its ramifications. Fortunately, we can resolve this problem if we: (1) charge market prices for curb parking; (2) return the revenue to finance neighborhood public improvements; and (3) remove off-street parking requirements. No other source of public revenue can so easily bring in so much money and simultaneously improve transportation, land use, and the environment."²⁴ By placing even a modest fee on downtown parking spaces, the City could set aside funds toward a downtown parking structure which could free up space for denser and thus more revenue-generating downtown land uses. San Francisco employs dynamic pricing in order to keep costs commensurate with demand, depending on location and time of day.

Case study: SFPARK (San Francisco)²⁵

Sensors in street track demand and supply, adjusting parking meter rates to correspond with demand. Higher prices in high-demand locations and at high-demand times encourage use of under-utilized parking while keeping some parking available at most times in most locations.

Recommendation. Replace city-owned surface parking lots with a new public parking structure, freeing up city-owned land for new infill development, whether through public-private partnerships or RFPs.

As recommended in the Menlo Park El Camino Real and Downtown Specific Plan, construction of a public parking structure could help optimize land use downtown. Concentrating off-street parking in a multi-level structure would free up valuable streetscape and City-owned land for higher and better uses such as commercial development and public gathering space.

²⁴ Ibid.

²⁵ <http://sfpark.org/resources/how-the-sf-mta-makes-parking-management-decisions/>

Case study: BART Parking Structure (Richmond)²⁶

A 750-space parking structure expanded development possibilities downtown.

Case Study: West Hollywood Automated Parking Structure (Los Angeles)²⁷

54,500 square foot structure – 200 cars (vs 68 cars if conventional structure). Cost \$10.6 mil (vs standard equivalent structure estimated to be \$11.65 mil). Automated structures are 30-50% more space-efficient than conventional structures. Will yield energy savings, emissions reductions, and enhanced public safety and vehicle security.

Recommendation: Create a downtown parking benefit district (PBD). Invest PBD-generated revenues toward pedestrian and bicycle safety enhancements.

STRATEGY 4D: EVALUATE OPPORTUNITIES FOR CITY PURCHASE OF UNDERUTILIZED LAND DOWNTOWN.

In order to help catalyze interest and activity in downtown Menlo Park, the City could consider purchasing underutilized property in the downtown core area. Presumably, if such property has been ignored by the development community to date, current zoning and market conditions may not allow for the requisite return on investment to satisfy private sector investors. However, with the City acting as a landlord in this case, as a public agency it has more freedom to sacrifice financial gain in exchange for public benefit. Thus, the City may be able to subsidize rents to attract creative, vitality-inducing tenants downtown such as community uses, arts uses, pop-ups and more.

²⁶ <http://www.bart.gov/news/articles/2013/news20130514>

²⁷ <http://www.weho.org/city-hall/city-departments-divisions/assistant-city-manager/innovation-and-strategic-initiatives/25th-anniversary-capital-project/city-hall-automated>

Recommendation: Identify key “catalyst” sites that are currently a hindrance to the successful development of a walkable and vibrant downtown. Consider acquiring these sites to develop into mixed-use retail and incubator office space via public-private partnerships.

GOAL 5

ACTIVATE THE AREA EAST OF 101 BY LEVERAGING PLANNING AND REAL ESTATE DEVELOPMENT OPPORTUNITIES

Although the Belle Haven neighborhood lacks many resident-serving amenities, it holds some of the best economic and real estate development opportunities. Offerings such as a movie theater, supermarket, and other amenities could both improve the livability of this neighborhood and encourage residents from other neighborhoods to visit. The adjacent M2 zone in east Menlo Park is ripe for transformative development. Strategic up-zoning can generate more than just increased property taxes; it can create a whole new live, work and play neighborhood that can provide new amenities for existing Belle Haven residents, incubate new businesses, and generate funding for new public parks and plazas.

The current M-2 zoning is restrictive and Menlo Park recognizes the need to up-zone this area. Currently minimum lot size is 25,000 square feet with minimum 100 foot by 100 foot dimensions, a 20 foot front setback, and maximum 50% lot coverage. The height limit is 35 feet and maximum FAR for industrial uses is 55%, for office 45%.

According to the 2014 Economic Trends Report that informed this Economic Development Plan, the M-2 zone consists of 8.7 million square feet of built space on 640 acres.²⁸ Of that, approximately 2.5 million square feet are in office uses and 2.7 million

²⁸ BAE Urban Economics. April 2014. Menlo Park Economic Development Strategic Plan: Phase 1: Economic Trends Report. <http://www.menlopark.org/990/Phase-I---Background>.

square feet are in industrial uses. Office rents are commanding on average \$5.16 per square foot per month, full service. 48% of the jobs in Menlo Park are located in the M-2 zone. The Economic Trends Report also asserts that based on current market trends, new development in the M-2 can be expected to consist of Class A office buildings ranging from four to eight stories, and multi-family residential buildings at four to six stories.

Consider the office up-zoning scenario. Assuming 35 feet translates into three stories, an up-zoning that captures market demand might increase height limits to 85 feet, to accommodate up to eight-story developments. This would represent a five-fold increase in developable building area for any given M-2 property owner. Rather than simply give such an unsolicited value increase to these landowners, a fairer strategy might be to develop a “public development rights” trading market for these developable air rights. To quantify, say the M-2 zone has 2.5 million square feet of office currently, and we assume for simplicity’s sake and to be conservative that this represents full build-out of allowable development under current zoning; that is, buildings are built out to the 35 foot height limit. Up-zoning to 85 feet would create 12.5 million new potential square feet of developable air space. At \$5.16/sf this represents \$64.5 million in potential office revenue, a significant amount if this were to be given to property owners through City-initiated up-zoning.

STRATEGY 5A: CREATE A PUBLIC MARKET IN NEW FAR GENERATED FROM LAND RECEIVING SIGNIFICANT UP-ZONING

When substantial new development capacity is created through an up-zoning, implement a market-responsive “Public Development Rights” system of sellable FAR to generate revenues for improvements to public infrastructure and on-going maintenance and operations.

Recommendation: Implement a “Public Development Rights” (PDR) market for net new FAR generated from significant up-zoning of property in the East Side. Use proceeds from the sale of PDR to fund the build out of high-quality public infrastructure in the same up-zoned areas, creating a “virtuous cycle” of higher property values and new investment.

In those areas where Menlo Park substantially increases regulatory development capacity through up-zoning, the City should implement a smart, market-sensitive mechanism to capture some of the economic windfall generated by the up-zoning. The City can then re-invest the proceeds from the up-zoning toward public improvements or on-going services that in turn benefit the newly developed areas. For example, if the zoning on a parcel in the M-2 limits new development to no more than 1 FAR and prohibits office or residential use is then rezoned to allow a 5 FAR and unlimited office or residential use, the current landowner would expect to see a significant increase in the market value of the land solely due to the zoning change (assuming the office or residential markets are strong when the change occurs).

A Public Development Rights (“PDR”) system would require that a future developer of the newly rezoned M2 parcel described above purchase the newly created FAR (in this case, 4 FAR) from a City-created “PDR Bank.” The current economic value of PDR/FAR units would be derived by a market-based method, like a public auction or competitive sale. But in small land markets like the M2, in a small city like Menlo Park, the best method would probably be through a professional third-party real estate appraisal process, commissioned by the City and validated, perhaps, by a second professional appraiser. The price of PDR needs to be dynamic and established by market demand, not regulatory fiat, to be successful. The importance of establishing dynamic market-based pricing is that it would allow the value of PDR units to fluctuate with real estate

market demand. This would prevent a future PDR system from preventing development in a down-cycle (when rents are low and a high fixed PDR price could undermine the necessary investor returns required to attract capital and/or debt). But it would also allow the City to capture the maximum value from the sale of PDR in a strong “boom” market, when rents support high land values.

Once the final price of a PDR sale was established through the appraisal process discussed above, the developer-purchaser could complete the sale by (i) transferring the final purchase price into a “PDR Fund” dedicated to improving public infrastructure in areas in and around the up-zoned district, (ii) the developer-purchaser could propose making direct public infrastructure improvements of an equivalent value to the purchase price in lieu of paying into the PDR Fund, or (iii) establish a long-term maintenance and operations CFD equivalent in present value to the final purchase price (as described in Goal 1).

San Francisco’s Transferable Development Rights (TDR) program is the closest regulatory example of this kind of market-dynamic “FAR-for-sale” regulatory system in place in California today; it has been in place since the mid 1980s in San Francisco’s C-3 (Downtown) zoning districts. The policy rationale for the creation of the TDR program was not to capture land value conferred from recent up-zonings, but instead was conceived as a form of market compensation for newly enacted historic preservation restrictions on the ability of private property owners to demolish and redevelop buildings deemed historically significant in downtown San Francisco. Accordingly, under San Francisco’s TDR program, TDRs are sold and exchanged between private owners (from someone holding TDRs on a designated “donor” lot and someone needing additional FAR on an eligible “receptor” lot. Under the proposed PDR system, new PDR/FAR would be publicly owned until sold to private developers seeking to deploy the PDR/FAR on parcels with the newly up-zoned development capacity to receive them.

Case Study: San Francisco’s Transferable Development Rights (TDR) Program, established in 1985 in San Francisco Downtown Plan. See 2013 Seifel TDR Study for San Francisco Planning Department.²⁹

STRATEGY 5B: COLLABORATE WITH FACEBOOK TO ATTRACT NEW INVESTMENT, TO PROMOTE A WALKABLE NEIGHBORHOOD AND TO “BRAND” THE EAST SIDE AS A CENTER OF INNOVATION

Facebook has expressed interest in exploring mixed-use opportunities in its upcoming development projects.³⁰ Menlo Park should collaborate with Facebook where feasible to promote the community’s goals and create a model to which other tech campuses can look for exemplary public-private partnerships.

Recommendation: Promote the growth of walkable urbanism in the public- and privately-owned land adjacent to the Facebook Campus

Explore win-win opportunities to create amenity-rich, pedestrian friendly mixed use neighborhood amenities for both Facebook users and nearby residents. See also Goal 9: Walkable Urbanism.

Recommendation: Leverage the positive Facebook brand to attract other new businesses and development opportunities to the area.

²⁹ http://onesanfrancisco.org/wp-content/uploads/R_TDR_Market_Study_062113.pdf

³⁰ Donato-Weinstein, Nathan. February 6, 2015. “Exclusive: Facebook buys 56 acres in Menlo Park, considers future of the campus.” Silicon Valley Business Journal. <http://www.bizjournals.com/sanjose/news/2015/02/06/exclusive-facebook-buys-56-acres-in-menlo-park.html>

STRATEGY 5C: DEVELOP DUMBARTON RAIL CORRIDOR INCREMENTALLY, IN STEPS THAT FACILITATE RATHER THAN PRECLUDE LATER UPGRADES

The Dumbarton Rail concept (Figure 2) is a long-term necessity for the region as land uses increase in density, housing and office development grows, and traffic congestion increases. Though it may seem a major and risky investment today given the underutilization of land along the Dumbarton corridor, those conditions may make this an opportune time to invest in inevitable future growth. For the development of the Dumbarton Rail through Menlo Park (Figure 3), consider a phased approach that in the short term creates immediate benefit within Menlo Park's jurisdiction while also grows support for a longer term full-connectivity option between Caltrain and the East Bay BART. Phased improvements in the short term such as bicycle and pedestrian pathways should not preclude the option for light or heavy rail installation along the right of way in the future.

Case Study: Sonoma-Marín Area Rapid Transit (SMART) Rail and Trail White Paper³¹

Phase I: Dumbarton Bicycle Trail

- Convert a portion of the right-of-way (ROW) within Menlo Park's jurisdiction into a multi-use bicycle and pedestrian trail, ideally with a paved two-way striped bike path and a permeable pedestrian/jogging trail (e.g. made of decomposed granite).
- Remainder of ROW to be left vacant, to leave room for future development of a public transit system such as Bus Rapid Transit (BRT), light rail, or ultra-light rail in Phases II and III
- Future public transit land area along ROW corridor can be programmed with creative interim

activation uses - arts, fitness activities, kiosks, e.g. a "High Line" of Menlo Park

- Trail would remain through all three phases
- Trail would not impede ability of ROW to be used for rail or bus mass transit in Phases II and III
- Build support through Phase I uses for Phases II and III

Phase II: Dumbarton BRT Spur

- Build out non-trail ROW within Menlo Park's jurisdiction into public transit system connecting Facebook campus with Redwood City Caltrain – either via Bus Rapid Transit (BRT), light rail, ultra-light rail or similar
- Bike-Ped trail remains intact
- Build support through Phase II uses for Phase III

Phase III: Dumbarton Fixed Rail

- Work at a regional level with neighboring jurisdictions to fully implement Dumbarton Rail across San Francisco Bay to Union City, connecting Redwood City Caltrain to Union City BART station
- Ideally bike-ped trail within Menlo Park jurisdiction remains intact, pending ROW width

Sample Right-Of-Way Details (Figure 4):

- Standard 2-way Class I bike pathway width = 7'9" (CA Highway Design Manual)
- Gravel or decomposed granite (D.G.) pedestrian / jogging pathway width = 5' (Los Altos Hills D.G. pathway design)
- Rail line width Comparisons – Caltrain, Mtn View Light Rail, SMART
- Dumbarton ROW width = 100' in most places, 20' across bridges

³¹ http://www2.sonomamarintrain.org/userfiles/file/8_whitepaper_railandtrail.pdf



Figure 2: Dumbarton Rail Concept

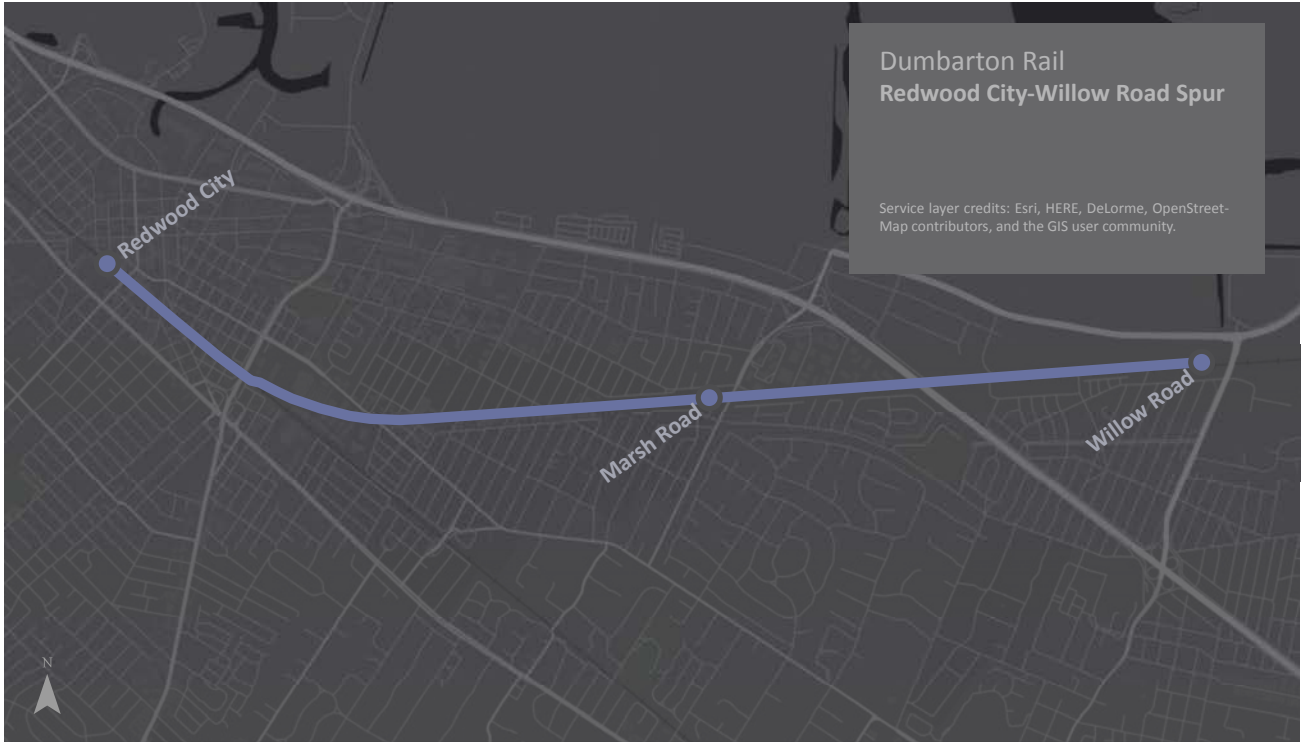


Figure 3: Potential Future Dumbarton Rail Spur Transit Nodes



Figure 4: Dumbarton Rail Right-of-Way (ROW) Dimensions

GOAL 6

CAPTURE THE ECONOMIC POTENTIAL OF “PASS-THROUGH” TRAFFIC

An estimated eighty percent of east Menlo Park’s daily traffic is “pass-through,” meaning auto trips by individuals with no planned destination in Menlo Park. By offering more reasons for these drivers to stop and spend time and money in Menlo Park, ideally through amenity-rich, pedestrian-friendly retail and entertainment clusters, the City could both increase its capture of the economic wealth of the larger region without adding significant vehicle traffic, and also enhance retail and cultural amenities for Menlo Park’s residents.

STRATEGY 6A: ACTIVATE MENLO PARK CALTRAIN STATION

In 2014 the Menlo Park Caltrain station saw an Average Weekday Ridership (AWR = number of passengers boarding or alighting per station per day) of 1,668, up 9.3% from 2013. However, this represents only 3.2% of Caltrain’s overall AWR. For reference, Palo Alto captures 11.7% AWR, Mountain View 8.1% and Redwood City 5.6%. Menlo Park could increase its AWR by encouraging development of commercial amenities around its Caltrain station.³²

According to Caltrain’s 2013 Triennial Customer

³² February 2014. Caltrain Annual Passenger Counts: Key Findings. Table 4.

Survey, Caltrain commuters are:³³

- **New** - 35% of respondents have been riding Caltrain less than one year.
- **On Foot or Bicycle** - 28%/32% of respondents walked to/from Caltrain (vs 23%/19% driving to/from). An additional 17% used a bicycle to/from Caltrain.
- **Young** - Average rider age is 36.7, with a 5% increase in riders age 25-34 between 2010-2013.
- **Affluent** - Rider average household income is \$117,000, with 33% of weekday riders living in households earning over \$150,000.

New riders are more likely to be open to forming new habits, such as stopping at new Caltrain stops that offer services they seek. Riders without cars are more likely to off board to shop, eat or drink at establishments within a block or two of the Caltrain station. Young affluent riders will be enticed by after-work attractions such as bars, restaurants and entertainment.

Recommendation: Engage a marketing consultant to develop a station area marketing campaign to celebrate/highlight existing businesses and amenities near the station.

Consider developing a branding campaign such as, “Rediscover Menlo” or “94025” etc. Target Caltrain riders by placing ads on Caltrain, Facebook, Spotify and other social media, regional news/media.

Recommendation: Identify key businesses and amenities that are missing and actively recruit them to “complete” the station area.

³³ October 2013. Caltrain Triennial Customer Survey Summary Report. Corey, Canapary & Galanis Research. http://www.caltrain.com/Assets/_Marketing/pdf/2013+Caltrain+Triennial+Customer+Survey++Report.pdf

Recommendation: Establish a Transit Oriented Development (TOD) overlay within El Camino-Downtown Specific Plan that grants increased FAR to any property within 1/3 mile radius of the station.

- As part of a biennial review the Specific Plan, consider the potential for additional specific transit-oriented development (TOD) incentives in addition to reduced parking requirements near the Caltrain station to attract new and redevelopment.
- Regional branding campaign for Menlo Park Caltrain station area, see above.
- Seek regional, state and federal funding for Transit-Oriented Development grants.

STRATEGY 6B: CAPTURE EXISTING “PRIMARY SERVICE AREA” POPULATIONS FOR MENLO PARK’S MAJOR DESTINATIONS

It is important to complement analyses of pass-through traffic capture with primary service area

capture, because each is required to activate a “destination” or commercial center of activity at different times: commuters on weekday mornings and evenings, and nearby residents on weekdays and weekends. This analysis hones in on three destinations: Downtown (existing), the Jefferson Drive area (in development), and the Willow Road area (in development). The existing population living within 1/2 mile of each of these can be considered the potential population who could walk to the destination, and the population within a 3-mile area comprises the potential population who could cycle to the destination. Based on these data, these existing and future destinations do supply a sufficient local population to support healthy neighborhood commercial centers (Figure 5, Table 1).

Downtown / Caltrain Station

Within 1/2 mile of the Menlo Park Caltrain Station are 3,500 residents who could potentially walk downtown in lieu of driving. Within 3 miles of downtown are

Figure 5: Walk-Shed and Bike-Shed Comparisons for Menlo Park Activity Nodes

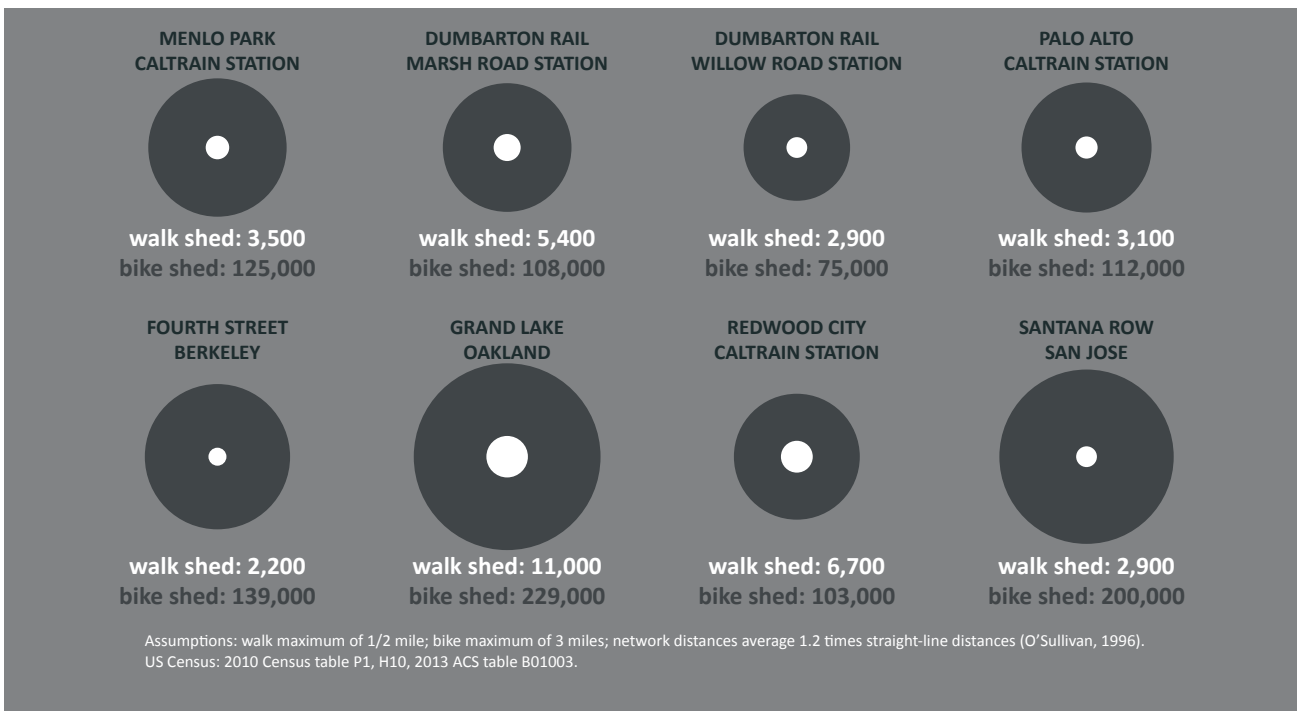


Table 1: Local Market Base for Menlo Park Activity Nodes

	Local market		Regional connections
	Walk shed (1/2 mi)	Bike shed (3 mi)	
	•	•	
Downtown (Menlo Park Caltrain)	3,584	125,523	Caltrain, El Camino Real
Jefferson Area (Marsh Station)	5,466	108,257	Hwy 101, CA SR 84, Dumbarton Rail*
Willow Area (Willow Station)	2,970	75,005	Hwy 101, CA SR 84, Dumbarton Rail*
	•	•	
Caltrain, Palo Alto	3,092	111,974	Caltrain, El Camino Real
Caltrain, Redwood City	6,701	103,517	Caltrain, El Camino Real
Fourth Street, Berkeley	2,258	139,682	I-80, Amtrak
Grand Lake, Oakland	11,606	229,577	I-580
Santana Row, San Jose	2,947	200,656	I-280, I-880

* Potential.

Based on the assumption that network distances average 1.2 times straight-line distances (O'Sullivan, 1996).

US Census: 2010 Census table P1, H10, 2013 ACS table B01003.

125,000 residents who could bike downtown. Ideally these residents would consider downtown Menlo Park their primary shopping area, provided the downtown can offer the range of services needed. Having such a robust “Primary Service Area” population base to support downtown’s growth is important to recognize; capturing pass-through traffic is an added bonus. (Figure 6)

new housing is approved in this area. This healthy number of nearby residents may help entice retailers and developers to bring new businesses to the area. In addition, given these residents are within walking or biking distance, incoming businesses may be able to provide less parking than otherwise would be required, thus saving cost and valuable land area. (Figure 8)

Jefferson Drive Area / Future Marsh Road Station

Within ½ mile of a potential future Dumbarton Rail station at Marsh Road are 5,400 residents, and within 3 miles 108,000. The approved Menlo Gateway development is also within walking distance of this potential rail station. If the City required sufficient pedestrian and bicycle connections between the Jefferson Drive area and the westward neighborhoods, this area could evolve into a successful walkable urbanism node. (Figure 7)

Willow Road Area / Future Willow Road Station

Within ½ mile of a potential future Dumbarton Rail station at Willow Road are 2,900 residents, and within 3 miles 75,000; this number may grow if

STRATEGY 6C: ENCOURAGE AMENITY-RICH MIXED-USE DESTINATIONS OFF HIGHWAYS 101 AND 84 IN M-2 ZONE

Several major new development projects are underway along freeways or arterials, for example Menlo Gateway in the Jefferson Drive area, and Facebook in the Willow Road area. These high profile projects can help catalyze further development in the area that both complements the approved projects and brings in new local and pass-through customers. As outlined in the General Plan update, the Jefferson and Willow areas are ideal locations for mixed use retail, entertainment and service clusters that attract pass-through traffic as commuters drive to and from work.

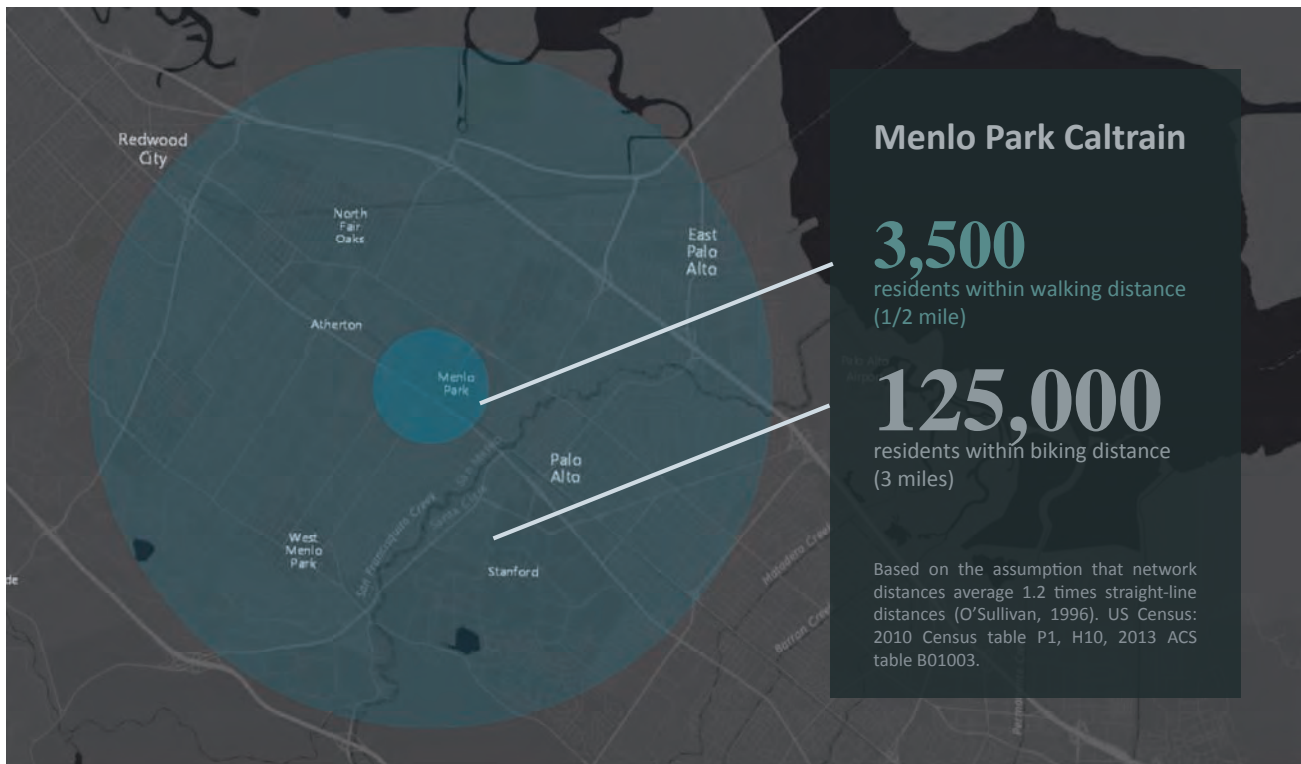


Figure 6: Menlo Park Caltrain Station Area Analysis

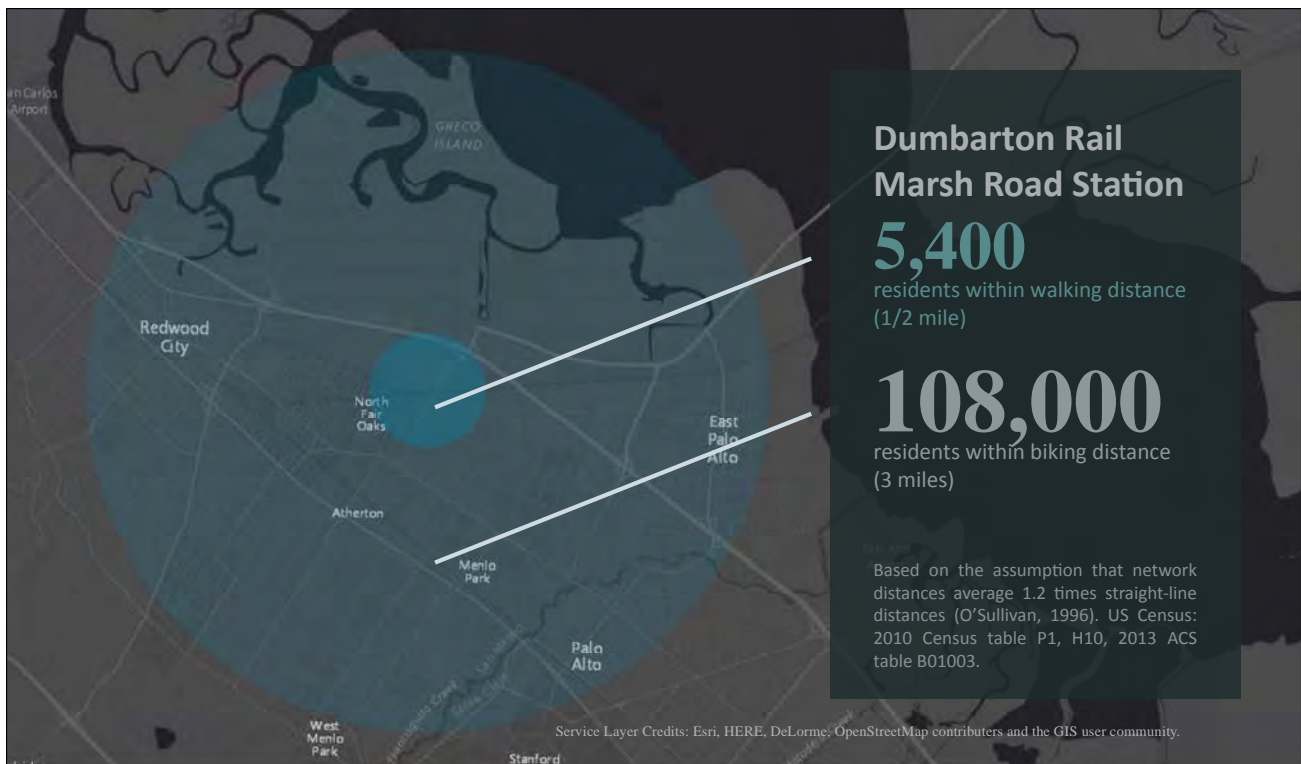


Figure 7: Jefferson Area / Future Dumbarton Rail "Marsh Road" Station Area Analysis

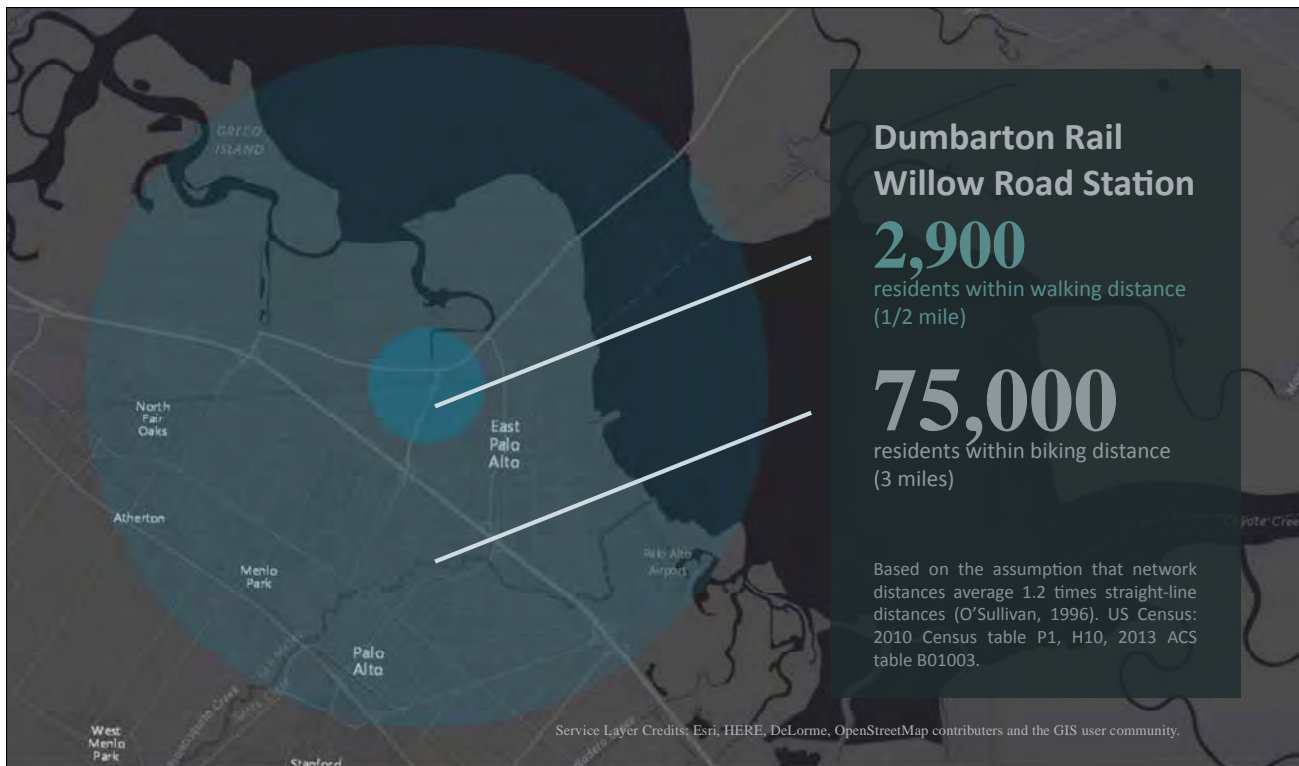


Figure 8: Willow Road Area / Future Dumbarton Rail “Willow Road” Station Area Analysis

Recommendation: Work closely with local development teams to ensure the Willow and Jefferson areas respectively become successful new mixed-use destinations, consistent with the goals of the General Plan update.

- Maintain close communication with development teams to explore opportunities for collaboration
- Encourage commercial land uses on ground floor to create neighborhood commercial core feel
- Encourage commuter-friendly land uses: restaurants, entertainment, fitness, experiential retail, personal services, conference space and services, etc.
- Require pedestrian-scale architecture, public amenities, limited storefront widths
- Seek public-private parking partnerships to provide win-win solutions to parking needs

- Create bicycle connections to Bay Trail and Caltrain/downtown - emphasize and market bicycle commute corridors to residents

Case Study: Patriot Place

Patriot Place is an open-air shopping center in Foxborough, Massachusetts adjacent to the home stadium of the New England Patriots. Although Menlo Park is not proposing infrastructure at the scale of a football stadium, lessons can be learned from activity centers like Patriot Place in which a wide variety of restaurant and retail land uses as well as ongoing events and programming fosters activity at all hours of day and night, not just on game days.³⁴

³⁴ <http://www.patriot-place.com/>

GOAL 7

ENHANCE CULTURAL AND ARTS OFFERINGS

Menlo Park should actively promote arts and culture as an economic development strategy.

STRATEGY 7A: INCREASE LAND USE FLEXIBILITY TO ALLOW FOR INNOVATIVE USES

Many city zoning codes still reflect antiquated notions of separation of land use, restricting uses to a limited variety of single-purpose categories. However, urban planning theory today espouses the benefits of mixed-use zoning, or allowing multi-functional land uses, as a way to grow economic and community vitality especially in downtown commercial core and planned community areas. In order to attract economically viable commercial, office and even residential uses, cities should allow for non-conventional land uses such as temporary or “pop-up” uses, arts uses, “maker spaces,” business incubator spaces, co-living residential developments, etc. If Menlo Park seeks to capture a greater share of the innovation economy, it should encourage these flexible and creative uses of space to attract forward-thinking developers and businesses. A successful example of a pop-up that has also proven a lucrative sales tax generator is Menlo Park’s Pace Gallery. Located on El Camino Real, the contemporary art gallery pop-up was originally slated for a two-month stay but its tenure has been repeatedly extended, suggesting there is indeed a healthy market for arts-related offerings.

Recommendation: Expand the number of principally permitted uses allowed in mixed-use and commercial zones.

Currently Menlo Park’s M-2 “General Industrial District” zone allows only general industrial, office and storage as permitted uses, with cafes, convenience stores, personal services, day care,

and public utilities as conditional uses. The ongoing General Plan update should consider flexibility in the types of allowable land uses that are trending in the current real estate marketplace and that may not fit well into existing land use categories. For example, many biotech companies require two work spaces per employee – an office and a lab – thus the parking requirement for this use might be lowered. In contrast, many tech startups utilize an open floor plan featuring more workers per square foot than under the conventional cubicle and private office model.

The SP-ECR/D “El Camino / Downtown Specific Plan” District allows a greater mix of uses but is still restrictive in terms of restaurant uses, station area uses, and community services among others. The C-4 “General Commercial Retail” though limited to a small percentage of Menlo Park’s land area allows only retail stores, banks, offices, personal services, and cafes and restaurants without alcohol as permitted uses. These use restrictions limit creative land uses like art pop-ups, temporary art exhibitions in retail spaces, and outdoor art exhibitions and festivals. See also Strategy 1A for recommendations about pop-up zoning.

Case Study: Norfolk VA Downtown Arts and Design District³⁵

- Result of a weekend-long community design event by Team Better Block – to create a new zoning district. 90% of once-neglected buildings now under contract or leased
- Zoning code language & allowed uses³⁶ - includes relatively innovative downtown land uses such as: Art Gallery, Farmer’s Market, Mixed Use, Indoor/Outdoor Flea Market, Retail Goods Establishment (operating after midnight), Retail Services Establishment (operating after midnight), Sale of Alcoholic Beverages

³⁵ <http://www.norfolk.gov/index.aspx?NID=3047>

³⁶ https://www.municode.com/library/va/norfolk/codes/code_of_ordinances?nodeId=CO-CL-APXAZOOR_ARTIISPDIRE_CH8DODI_8-4DOARDEDI

for Off-Premises Consumption, Arts Studio, Dance Studio, Theater, Amphitheater, Museum, Community Recreation Center, Brewery and Microbrewery, among others.

Recommendation: Allow non-sales-based uses in downtown zoning code.

Allowing businesses whose primary goal is community benefit rather than conventional sales can be of benefit to a city, despite a perceived “loss” in sales tax revenue. Locating community-serving amenities such as art viewing galleries, community hang-out spaces, and shared performance spaces within a commercial downtown core can attract potential customers who may shop before or afterward.

Case Study: SFMOMA's Project Los Altos³⁷

Four-month art exhibition partnership in 2013-2014 between SFMOMA, City of Los Altos, Passerelle Investment Company. Original work by 9 artists up for public viewing in private and public spaces throughout downtown Los Altos. Because the zoning code did not allow for non-sales-based uses, the three indoor public art exhibition spaces had a circuitous permitting route, being considered temporary uses. Luckily, City of Los Altos expedited these permits and also allowed art to be installed on public land, in exchange for being listed as co-sponsor.

STRATEGY 7B: STREAMLINE PERMITTING AND/OR REDUCE FEES FOR STREET EVENTS.

Street activation events bring more people downtown, which can boost economic vitality for downtown businesses and thus increase City sales tax revenue. Menlo Park can encourage street activation by reducing barriers for community groups, individuals and businesses to obtain necessary

³⁷ <http://www.sfmoma.org/losaltos>

approvals.

Case Study: San Francisco Market Street Prototyping Festival, April 9 – 11, 2015³⁸

50 temporary art and civic engagement installations to “make San Francisco's premier civic street a more active, engaging and inspiring public place”

Recommendation: Explore ways to reduce 60-day advance permit application time to allow for more spontaneous community-building events.

Note that City staff is currently working to bring in new staff resources to help with community events, which should also help streamline this process.

STRATEGY 7C: INCENTIVIZE STREET ACTIVATION AND “POP-UP” ARTISANAL RETAIL IN UNDERUTILIZED COMMERCIAL SPACES

Streets and sidewalks comprise roughly one third of a city's land area, and much of this space could be better used to serve the residents and property owners, taxpayers who fund its care. Expanding upon Menlo Park's existing downtown sidewalk dining program, encourage more varied use of public rights of way including streets, sidewalks and public parking lots.

Recommendation: Develop a system of matching grants to leverage private and non-profit sector investment in street festivals or longer-term “pop-up” retail or art galleries in underutilized spaces in the downtown or other commercial clusters.

Matching grants are effective and easily implementable tools to help fund locally directed projects and also to build community engagement.

³⁸ <http://www.sf-planning.org/index.aspx?recordid=270&page=2719>

In addition, many larger-scale government (e.g. federal, state, regional) and philanthropic grant-making institutions look favorably on projects for which significant community support and organization has been demonstrated. Thus, a relatively modest matching grant from the City could catalyze a multiplier effect that in complement with other funding sources generates significant resources for needed community projects.

Case Study: San Francisco's Community Challenge Grant Program³⁹

For community-based neighborhood beautification projects. 2009 awarded ~\$1m in 2 rounds. Must be matched at 35-50% depending on grant size

Case Study: San Francisco Invest in Neighborhoods Initiative⁴⁰

Provides assistance to strengthen commercial corridors and districts. Partnership of several city departments – Planning, Public Works, Transportation. Launched in 2012. 2013 awarded \$500K in \$10-20K grants

Recommendation. Draft standard “interim arts use” and “pop-up” lease templates to reduce barriers to entry.

The City of Menlo Park's Economic Development Department could provide educational resources and basic lease templates to help guide property owners through the process of creating a pop-up program. Build Public can assist with the development of such templates if requested, drawing upon past experience.

Recommendation: Establish a Citywide database of underutilized ground floor

³⁹ <http://www.sfgsa.org/index.aspx?page=4264>

⁴⁰ <http://investsf.org/>

commercial buildings for future activation.

Alternatively or in addition, consider partnering with an established regional service that connects vacant spaces with interested businesses.

Case studies: Storefront, Pop-Up Hood⁴¹

Recommendation. Study legal feasibility of providing property tax rebates for landlords who lease to incubator of artist/“maker” spaces.

Encouraging creative land uses such as artist studios and pop-ups can lead to a multiplier effect in which the presence of creative businesses attracts other creative businesses, driving an overall boost in the desirability of the area for the innovation sector businesses and residents alike. See Strategy 1A recommendations for more details.

Case Study: Maryland's Smart Growth Arts & Entertainment District Program⁴² Property tax abatement “to encourage the renovation of buildings for use by artists or arts and entertainment enterprises by lessening the financial burden on property owners

Case Study: Los Angeles Creative Artist Tax Exemption. An incentive program geared towards businesses rather than landlords. For “creative artists” generating up to \$300K in gross receipts from their qualifying “creative activities.”⁴³

⁴¹ <https://www.thestorefront.com/>, <http://www.popuphood.com/>

⁴² http://www.mdarts.org/advocacy/historical_advocacy/smart-growth-arts-entertainment-districts/

⁴³ <http://finance.lacity.org/content/entertainmentcreativetalentfaq.htm>

GOAL 8

PRESERVE HOUSING AFFORDABILITY AND INCOME DIVERSITY WHEREVER POSSIBLE

Providing access to housing that is affordable to a range of incomes is a crucial component of economically vibrant and resilient communities, especially for small restaurants and retail businesses that employ modestly paid workers.

One of the biggest problems facing the Bay Area is that housing is too expensive for those who are not protected from rising costs by either homeownership or rent control. High housing costs act like an additional tax, reducing household wealth and the amount of disposable income available to support the local economy. Consequently, people are forced to save on housing by living further from their workplace, putting more cars on the freeway. High housing costs are passed back to businesses and then to consumers, pushing up the cost of groceries and everything else. To find affordable housing, some households are at risk of being forced to leave the region.

To address this problem, Bay Area governments commonly mount three general policy responses:

- Build affordable housing reserved for low-income households (earning less than 80% of area median income) or moderate income households (earning 80% to 120% of area median income). Common funding sources include federal tax credits, the US Department of Housing and Urban Development (HUD), and local property developers (where inclusionary housing is required).
- Make room for the private sector to provide more affordable housing through zoning policy changes. Examples include legalizing backyard and garage “accessory” dwelling units; reducing development costs by relaxing standards for parking and unit size; and changing zoning to permit greater development. The potential

benefits of such policies are commonly underestimated.

- Coordinate through regional bodies to ensure that the responsibility to provide housing is fairly distributed throughout the region.

Menlo Park is already leading this effort with its 2015-2023 Housing Element, which includes policies addressing the above best practices. However, over time further measures will be necessary to address the region’s housing crisis, and the City should prepare now for that challenge. There will be no quick fix to this problem; problems of housing affordability will most likely pose an ongoing problem in Menlo Park, and in most communities in the Bay Area, for many years to come.

Recommendation. Allow taller buildings and relax parking requirements so that homes can be built more cheaply.

See also strategies within Goals 4, 5, and 8.

Case study: San Pablo Avenue Specific Plan (El Cerrito) Establishes new height and density requirements to promote a vibrant, transit-oriented downtown.⁴⁴

Case Study: Vermont/Western Transit Oriented District (Los Angeles) Replaces minimum parking requirements with maximum parking allowances.⁴⁵

Recommendation. Allow micro-apartments and/or co-living projects that cost less to build than regular apartments.

See also Goal 8 for more specific recommendations.

Case study: SoMa Studios (San Francisco) Compact, flexible housing units cater to small

⁴⁴ <http://www.el-cerrito.org/index.aspx?nid=396>

⁴⁵ <http://planning.lacity.org/complan/specplan/pdf/VermontWesternTOD.pdf>

households at cheaper prices.⁴⁶

Recommendation. Incentivize renovation of existing multi-family housing stock.

Much of the existing multi-family housing stock in Menlo Park is aging and lacking in the variety needed to meet the housing needs of Menlo Park's diverse community, from aging baby boomers to incoming technology and innovation sector workers. Minor retrofits to existing housing could be a relatively inexpensive way to add much-needed units to Menlo Park's housing supply in a way that keeps housing affordable to a range of resident demographics. This recommendation can also be implemented much more quickly and in tandem with longer-term solutions like development of new housing supply. See also Goal 8.

GOAL 9

GROW "WALKABLE URBANISM" IN A FEW STRATEGIC LOCATIONS

Identify a small subset of locations best suited for concentrated changes in land use and urban form, such as enhanced pedestrian- and bicycle-friendly street design and more neighborhood-serving retail. Focus these physical changes in a few key areas, as it is unrealistic and undesirable for all of Menlo Park to become an amenity rich "walkable" neighborhood.

The most successful downtowns in Bay Area cities tend to follow a pattern of "walkable urbanism." They combine good transit services, moderate residential density, a pedestrian friendly public realm, and smart parking management. These downtowns often cultivate a virtuous cycle, in which visitors and residents attract new businesses, and the businesses in turn attract more visitors. Growing in an intentional way – a way that promotes walkability, activity, commerce, and vibrant neighborhoods – we

⁴⁶ <http://www.bizjournals.com/sanfrancisco/blog/real-estate/2013/06/patrick-kennedy-to-sell-micro-units.html?page=all>

refer to as walkable urbanism. It is important for several reasons.

Walkable urban neighborhoods are convenient.

With more businesses in Menlo Park and a greater mix of land uses, more people will be able to live within walking distance of a grocery store.

Walkable urban neighborhoods capture more regional spending. Menlo Park is not capturing as much business as it could. People passing through on 101 and 84 could be stopping and shopping.

Walkable urban neighborhoods participate in the region. By capturing a portion of regional housing development, Menlo Park can contribute to addressing the region's crisis of housing.

Walkable urban neighborhoods attract educated, high-earning professionals. An educated workforce is one of the most valuable economic resources a city can have. Their wealth allows them to spend more at local businesses, to pay higher taxes, to employ more local service providers, and to start more new businesses. This adds to a city's economic vitality, which is necessary for Menlo Park to be able to provide a high quality of life for the broader community of all demographic types and income levels.

Walkable urban neighborhoods reduce driving.

Living in a walkable neighborhood near public transit makes it easier for people to drive less. This helps both local traffic congestion and global climate change.

Walkable urban neighborhoods promote safety.

A key principle of walkable urbanism is to provide safe streets for pedestrians and bicyclists as well as drivers, and to provide public spaces that are active, busy and safe.

Recommendation: Encourage development in the Willow and Jefferson areas of the M-2 zone.

Identify two or three locations with good transit

service, such as downtown (Caltrain) and along Willow Road (DB and DB-1 bus lines) to become more walkable neighborhoods through emphasis on streetscaping and pedestrian street crossings, tactical urbanism, public space activation events and ongoing programming. In a future that explores the development of the Dumbarton Rail through the M-2 zone, walkable urbanism focal areas could expand to include the area around the intersection of Willow Road and the Dumbarton Rail right of way, and the Jefferson Drive area between Highway 101 and the Bayfront Expressway. In these M-2 areas, recently approved development projects as well as potential future Dumbarton Rail transit hubs can be considered catalysts for further development. Consider implementing design standards in these areas to encourage a pedestrian-friendly environment surrounding these potential new transit stations.

Case study: Central Petaluma Specific Plan - A plan that prioritizes downtown Petaluma's sense of place, using form-based codes.⁴⁷

Case Study: San Pablo Avenue Specific Plan (El Cerrito) - Establishes new height and density requirements to promote a vibrant, transit-oriented downtown.⁴⁸

Recommendation: Allow more housing to be built near transit, focusing especially on the M-2 District.

Make sure there are enough residential buildings to support an active, vibrant downtown environment. See also Goals 1 and 8 for more detail.

Case study: Diridon Station (San Jose) Keeps residential density moderate, but high enough to

⁴⁷ <http://cityofpetaluma.net/cdd/cpsp.html>

⁴⁸ <http://www.el-cerrito.org/index.aspx?nid=396>

support active streets and local retail.⁴⁹

Recommendation: Design the intersection of the public and private realms for pedestrians at a pedestrian scale

Local walking trips tend to engage both the public realm – sidewalks, streets and public spaces – and the private realm – the buildings that frame public space.

Case study: Central Petaluma Specific Plan (Petaluma). Coordinates the design of the public realm and the buildings that frame it, using a form-based code.⁵⁰

Recommendation. Expand allowable land uses.

Allow mixed uses, flexible uses, temporary uses. In particular, allow retail in most locations if the market supports it.

Case study: Central Petaluma Specific Plan (Petaluma). Allows mixed-use buildings and ground-floor commercial uses in most areas.⁵¹

Recommendation: Experiment with low-cost, quickly-implemented, and grassroots adjustments to the public realm.

Often described as “tactical urbanism,” features like parklets, temporary pedestrian facilities like bulb-outs, pop-up parks and retail spaces, Sunday street closures, and public markets have several advantages. They can be relatively inexpensive and quick in comparison to major public realm interventions; they can harness the creativity of

⁴⁹ <http://www.sanjoseca.gov/index.aspx?NID=1743>

⁵⁰ <http://cityofpetaluma.net/cmgr/pdf/smartcode-final.pdf>

⁵¹ Ibid.

grassroots organizations and private enterprises; and they allow for the use of experimentation and failure to promote more successful public spaces, as Menlo Park has already begun exploring.

Case study: Market Street Prototyping Festival. Invited creative teams outside City government to design and build public art and pedestrian improvements for a temporary ‘festival’ of new public realm ideas.⁵²

Case study: San Francisco Parklet policy. Inspired by Park(ing) Day, where private citizens reclaim parking spaces for alternate uses, the parklet program has allowed for the creation of mini-parks and outdoor additions to cafes, restaurants and bars in San Francisco.⁵³

Case Study: Downtown Los Altos Third Street Green. A partnership between a downtown property owner, Passerelle Investments, and the City of Los Altos, the Third Street Green was a month-long pop-up park in downtown Los Altos. It created public gathering space in the downtown core that featured various types of programming throughout the day and evening from free art and yoga classes to live music, largely hosted by local businesses and groups.⁵⁴

Recommendation: Require parking to be placed behind buildings, on side streets, or in structures.

Incentivize existing owners of buildings with frontage parking to redevelop their sites with street-oriented retail/active uses on the ground floor. See also Strategy 4D.

⁵² <http://marketstreetprototyping.org/>

⁵³ <http://pavementtoparks.sfplanning.org/parklets.html>

⁵⁴ www.thirdstreetgreen.com

Case study: Vision North San Jose (San Jose). Calls for parking to be tucked behind buildings and on side streets.⁵⁵

Recommendation: Reduce parking requirements for new development and require transportation demand management (TDM) measures in larger projects. .

Level of service (LOS) as a metric of transportation impacts is being de-emphasized at the State level through SB 743. Consider shifting instead to a Vehicle Miles Traveled (VMT) based approach to transportation impact evaluation as part of the General Plan process. Local policy changes can take advantage of the opportunity this creates to impose conditions on development that further reduce transportation impacts and promote alternate modes of transportation.

Case study: Transportation Sustainability Program (San Francisco). Replaces traffic level of service (LOS) evaluation of development projects with evaluation based on transportation demand management and non-auto mode share.⁵⁶

Recommendation. Establish an In-Lieu Parking Program.

Many cities offer an in-lieu fee option for developers who are unable to provide requisite on-site parking for a proposed development project. This could be due to small lot size, soil or drainage characteristics, or other environmental or site considerations.

To encourage pedestrian-oriented development throughout Menlo Park and especially in the downtown core, consider adopting an In-Lieu Parking Program allowing developers to pay a per-stall fee in lieu of providing some or all of on-site required parking, as Menlo Park has already started

⁵⁵ <https://www.sanjoseca.gov/index.aspx?NID=1744>

⁵⁶ <http://www.sf-planning.org/index.aspx?page=3035>

exploring in its Specific Plan. Work with a consultant to establish appropriate fee structure.

Case study: Mountain View, Palo Alto, Redwood City, San Jose, Walnut Creek, Burlingame. Build Public can furnish details on these and additional in lieu programs upon request. See also “In Lieu of Required Parking” by Donald Shoup, 1999, Journal of Planning Education and Research.⁵⁷

Recommendation: Price parking strategically to support more efficient use of under-utilized facilities, and sufficient vacancy to allow drivers to park without circling.

See also Strategy 4D.

Case study: SFPARK (San Francisco). Uses dynamic parking pricing – prices that rise in high-demand locations and at high-demand times – to encourage use of under-utilized parking, keep some parking available at most times in most locations.⁵⁸

Recommendation. Install quality sidewalks, crossings, bulb-outs and lighting.

As envisioned in the Menlo Park El Camino Real and Downtown Specific Plan, incorporate pedestrian-oriented streetscape features such as these into a redesign of Santa Cruz Avenue.

Case study: Downtown Precise Plan: Public Frontage Regulations (Redwood City). Provides for improved sidewalks, trees, lighting and pedestrian crossings.⁵⁹

Recommendation. Encourage existing businesses to integrate into surrounding

⁵⁷ <http://mrsc.org/getmedia/ADF5FFDC-BCC3-4A41-909F-F51980D68874/Shoup.aspx>.

⁵⁸ <http://sfpark.org/resources/how-the-sfmeta-makes-parking-management-decisions/>

⁵⁹ <http://www.redwoodcity.org/phed/planning/precise/preciseplan.html>

urban street grids.

Establish clear boundaries to public spaces, and engage the street interactively at ground level.

Case studies: Samsung Headquarters (North First Street, San Jose)⁶⁰

Twitter Headquarters (Market Street, San Francisco)⁶¹

Think of these as a rebuttal to the familiar Silicon Valley campus in a park (e.g. Apple's new headquarters). These buildings are embedded in the street grid, maintaining and activating the pedestrian realm. At ground level, they host commercial uses that serve both employees and the public.

GOAL 10

WORK WITH NEIGHBORING CITIES TO INCREASE TRANSIT & CYCLING OPTIONS THAT INTEGRATE MENLO PARK INTO THE REGION

Transit is a regional dilemma. Menlo Park cannot solve regional problems on its own. However, Menlo Park can make local, tactical improvements in cooperation with businesses like Facebook, institutions like Stanford, and with neighboring cities like Redwood City, to enhance its connection to regional transit, private shuttles, car-sharing and bicycle networks.

STRATEGY 10A: INCREMENTALLY DEVELOP DUMBARTON RAIL CORRIDOR INTO A MULTI-MODAL CONNECTOR BETWEEN THE EAST SIDE AND THE DOWNTOWN REDWOOD CITY CALTRAIN STATION

Capitalize on the existing rail corridor through the M2 zone for transit alternatives as described above.

⁶⁰ <http://www.spur.org/publications/article/2014-01-14/taste-future-north-first-street>

⁶¹ <http://www.spur.org/publications/article/2014-01-14/taste-future-north-first-street>

STRATEGY 10B: ESTABLISH PARTNERSHIPS WITH REGIONAL TRANSPORTATION SHARING PROGRAMS

The Bay Area boasts several innovative rideshare programs that capitalize on the sharing economy to reduce car trips, traffic and parking congestion. As Menlo Park considers an increasingly transit-oriented future (e.g. Dumbarton Rail, Caltrain, High Speed Rail), it will be important to put systems in place to allow transit riders access to all parts of Menlo Park without needing a car. Note: the below recommendations are intended to provide examples of existing services with which Menlo Park could partner. The three companies listed below are not assumed to be the only companies offering such services; as such, Menlo Park should conduct a thorough review of all companies offering similar services to determine which best fit Menlo Park's needs.

Recommendation: Identify and partner with a provider with a successful regional network of bike-sharing pods to bring these services to Menlo Park.

Currently there are regional bicycle share programs with stations at the Redwood City Caltrain and Palo Alto Caltrain. Menlo Park should consider partnering with an established regional bike share program to install a bike share station at the Menlo Park Caltrain, potentially another location downtown, and in the Willow Road and Jefferson Road areas in the M-2 zone, consistent with the General Plan update.

Recommendation: Identify and partner with a provider with a successful regional network of scooter-sharing pods to bring these services to Menlo Park.

Recommendation: Identify and partner with a provider with a successful regional network of car-sharing pods to bring these services to Menlo Park.

STRATEGY 10C: EXPAND EXISTING PUBLIC SHUTTLE SERVICE CONNECTING MAJOR MENLO PARK DESTINATIONS

Explore ways to attract more ridership on Menlo Park's existing Caltrain, Midday and Shopper Shuttle Programs to further alleviate traffic and parking congestion, to increase mobility for youth and the elderly to key local destinations, and to encourage Caltrain ridership by growing the transit-accessibility of Menlo Park destinations. Currently, ridership on some shuttle routes is only 40-50%, indicating these existing routes have untapped capacity that the community should be leveraging. Increasing awareness of the program in schools, community and senior facilities, and local community groups could help this program become more robust. As outlined, Menlo Park should implement the recommendations outlined in the El Camino Real Downtown Specific Plan's Circulation Chapter, to, "increase shuttle service to serve added travel demand, improve east-west connectivity and reduce demand for parking in the plan area" and to "continue employer-sponsored programs that support and increase transit use."⁶²

Funding models:

- Menlo Park could re-examine its existing Annual Shuttle Fee levied on new development, currently at \$0.105/sq.ft. Evaluate potential to increase rate or apply rate to major commercial renovations in addition to new development.
- Advertising revenue from shuttle side banners, shuttle stop walls, etc
- Revenue from a downtown parking meter program

⁶² City of Menlo Park, CA. July 12, 2012. Menlo Park El Camino Real / Downtown Specific Plan. <http://www.menlopark.org/149/El-Camino-Real-Downtown-Specific-Plan>

Case Studies: Emeryville’s Emery-Go-Round, San Jose’s DASH, Monterey’s The Wave, Hoboken’s The Hop. Build Public can provide details on these and other shuttle programs if requested.

STRATEGY 10D: CONSIDER OPENING THE CITY’S AUTOMOBILE FLEET TO CAR-SHARING DURING NON-PEAK HOURS

Cities across the country are starting to use carshare programs to gain efficiencies in municipal vehicle fleet operations and maintenance costs, to meet greenhouse gas emissions targets, and to free up parking for public use. In Berkeley, the City has partnered with City CarShare to reserve a dedicated number of vehicles solely for city use during the work week. On weekends those cars become available to regular CarShare members for use. Other cities have now developed similar carsharing systems: Houston and Washington DC both use FastFleet; Philadelphia uses Enterprise CarShare for Government.

Recommendation: Municipal Carsharing.

Consider converting some or all of Menlo Park’s city vehicle fleet to a carsharing model, allowing usage of municipal fleet on weekends and/or evenings for public carshare service. This program could further the Greenhouse Gas Reduction Strategy to be outlined in the General Plan Update. Explore options with established regional car-sharing programs, obtain and compare cost estimates to present to the City Council for review.

Case Study: City of Berkeley City CarShare Fleet⁶³ - Dedicated CarShare cars for city employees during work week, open to general CarShare members on weekends

⁶³ <http://puff.lbl.gov/transportation/transportation/energy-aware/pdf/park-june05.pdf>

STRATEGY 10E: CREATE A “ONE-STOP-SHOP” ALTERNATIVE TRANSPORTATION ONLINE PLATFORM

In addition to expanding capacity for alternatives to car-based travel modes, Menlo Park should concurrently expand awareness of and user support for these alternative modes from cycling and walking to established regional bicycle and/or scooter sharing programs, to the Dumbarton Rail concept. As Menlo Park considers expansion of its transit options over the coming years, it is worthwhile to establish early on a digital central clearinghouse outlining all travel options in a clear accessible manner. This way, as new transit modes are added to the city’s network, residents and transit users will already be familiar with the existence of a central information hub where they can learn about each transit option available to them and recommended routes. Envisioned as a website or app, this clearinghouse could also offer coupons or other incentives to boost ridership.

Recommendation: Consider developing a “GoMenlo” type sub-website and/or app to educate and connect residents and employees to the full range of transportation alternatives within and beyond Menlo Park.

An informational hub like this should include descriptions of all available modes, as well as links to “how to” trip planning and fare information.

Case Study: GoBerkeley, City of Berkeley – received federal funding, explores methods for reducing local traffic congestion. 2012-2015 pilot so should have advice and lessons learned to share.⁶⁴

Case Study: HopStop – web- and app-based transit planning service in 300 cities worldwide.⁶⁵

⁶⁴ <http://www.goberkeley.info/>

⁶⁵ <https://www.hopstop.com/>

GOAL 11

ATTEND TO THE DETAILS

In order for Menlo Park not to lose sight of the “small stuff” which supports overall quality of life, it must continue to focus on everyday services like maintenance and public infrastructure improvements. Unfortunately, these services often are among the first to go when City budget or staffing declines; many cities are moving the responsibility of streetscape maintenance onto abutting property owners (in downtown Los Altos for example, many property owners are responsible for the publicly owned planted area between sidewalk and street). While a good idea in theory to call on the private sector to perform maintenance and improvements that benefit nearby property owners, developers and businesses, in reality the agreements are not always codified or funded adequately to ensure proper stewardship of the public realm.

STRATEGY 11A: LEVERAGE TECHNOLOGY TO ENGAGE COMMUNITY IN WAYS TO IMPROVE CITY SERVICES

Recommendation: Establish and publish “baseline” city service standards and associated budgets on website.

Clear communication of the services that a city provides its taxpayers in terms of its maintenance and improvements of the public realm is important for building trust between a city and its citizens. To outline these services on the City’s website, broken down into taxpayer-dollar metrics, may help residents understand and better appreciate how their tax dollars are being put to good use. This will also help identify for citizens, neighborhood groups, developers, businesses and property owners where city services are in need of private supplementation. Menlo Park’s new Open Government website is exemplary in its clear communication of city budget, and should continue to make city data publicly

available online.

Case Study: Palo Alto’s Open Data platform – City Services dashboard⁶⁶

Recommendation: Open source city data to allow private development and adoption of civic apps

Many web-based tools are being developed nationwide to help city governments innovate. Code for America has numerous open source apps and APIs for cities to adapt to suit their needs.

Case Study: Code for America’s “Adopt a Fire Hydrant” program used in Boston⁶⁷

Described in Jennifer Pahlka’s 2012 TED Talk, “Coding a Better Government” (12 minutes)⁶⁸

Recommendation: Crowd-source ideas or vendors to provide City services or issue permits more efficiently.

STRATEGY 11B: LEVERAGE PUBLIC-PRIVATE PARTNERSHIPS TO SUPPLEMENT OR IMPROVE CITY SERVICES

The private sector – developers, property owners, community groups and other nonprofits – can step in to supplement baseline city services where more assistance is needed, provided the parties can agree to a long-term maintenance and funding plan.

⁶⁶ <http://data.cityofpaloalto.org/dashboards/8873/city-services/>

⁶⁷ <http://www.codeforamerica.org/apps/>

⁶⁸ http://www.ted.com/talks/jennifer_pahlka_coding_a_better_government/transcript?language=en

Recommendation: Incentivize the establishment of new non-profit, neighborhood-based assessment and stewardship entities to supplement existing City maintenance & operations

In San Francisco, residential property owners who want to improve their neighborhood parks, streetscapes, and other public realm features can form a Green Benefit District (GBD). A GBD is like a Business Improvement District (BID) for residential neighborhoods, and is a form of assessment district. District property owners pay through their property taxes to feed a fund that is used for agreed-upon neighborhood improvements. Importantly, because it has a regular funding source a GBD must have a robust management plan that outlines how the funds are to be managed, how the assessment rate is calculated, and what project types can be funded. A Community Facilities District (CFD) is also applicable in this case, see Strategy 1B for details.

Case study: Northwest Potrero Hill Dogpatch GBD (San Francisco). This is the first pilot of the GBD program and is in the formation process. Pending sufficient petition and ballot support, the inaugural assessment would be placed on November 2015 property tax bills.⁶⁹

⁶⁹ <http://www.phd-gbd.org/>

CONCLUSION

Menlo Park boasts unique comparative economic advantages in the San Francisco Bay Area region, upon which the Economic Development Goals aim to capitalize in order to grow economic resilience. This set of recommendations is intended to be a helpful guide for the City of Menlo Park in pursuit of these Goals, as approved by the Menlo Park City Council in February 2015. To the extent possible, Menlo Park should consider incorporating these recommendations into its General Plan update and biennial El Camino Real / Downtown Specific Plan review, to ensure that the Economic Development Goals are implemented in furtherance of Menlo Park's long term economic sustainability.

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**STAFF REPORT****City Council****Meeting Date:** 7/21/2015**Staff Report Number:** 15-119-CC

Consent Calendar: **Adopt a Resolution Acknowledging an Easement for City Storm Drainage from Leslie Salt Company (now Cargill)**

Recommendation

Staff recommends that the City Council adopt a resolution (Attachment A) acknowledging the existence of a 1952 non-exclusive easement granted by the Leslie Salt Company (now Cargill) to the County of San Mateo (County) for the purpose of constructing, maintaining and operating the storm drain facilities that serve areas in the City.

Policy Issues

Cargill, as successor in interest to the Leslie Salt Company, has requested that the City adopt a resolution acknowledging its responsibility to share the costs of maintaining and operating the Bayfront Canal and Flood Slough to avoid any future misunderstandings between Cargill, the City of Redwood City and San Mateo County.

Background

The Bayfront Canal, located on lands previously owned by the Leslie Salt Company and now owned by Cargill, begins in Redwood City at Douglas Court and extends easterly to Marsh Road, along the rear of properties on the east side of Haven Avenue in the City of Menlo Park. Stormwater flow from sections of the City located east of Haven Avenue and north of Marsh Road, including the Atherton Channel. It has openly and continuously drained into lands owned by the Leslie Salt Company (now Cargill) via storm pipes that empty into the Bayfront Canal. The combined flow is conveyed northeasterly, through a gate control structure, emptying into Flood Slough and the San Francisco Bay.

Analysis

On June 2, 1952, the Leslie Salt Company (now Cargill) granted to the City of Redwood City and the County of San Mateo an easement for the purpose of constructing, maintaining and operating storm drain facilities ("Easement"). The Easement covers the parcel areas as presented in Attachment B and consists of the Bayfront Canal and portions of Flood Slough.

In or around 1959, portions of the Haven Avenue area, including portions of the land upon which the Easement is located and portions of the storm drainage system flowing into the storm drain facilities within the Easement, were annexed from the County of San Mateo into the City. By operation of law pursuant to Government Code Section 57325 and by necessity, the City became a party to the Easement by virtue of such annexation and existence of the City's storm drain facilities flowing within the Easement.

The City recently approved development projects at 3639 Haven Avenue and 3645 Haven Avenue that have repaired portions of the existing storm drain facilities and will continue to approve development projects in the City that will discharge storm water into the Easement.

Representatives of Cargill, the current owners of the land underlying the Easement raised questions about the City's rights to modify/replace storm drainage improvements within the Easement. Following discussions between the City Attorney and Cargill and its legal counsel, Cargill requested that the City Council adopt a resolution affirming its position that the City has the right to use the Easement and an obligation to share in the cost of maintenance and operation.

By adopting this resolution, the City confirms the acceptance of the Easement as it relates to the City's storm drainage facilities.

Impact on City Resources

There are no immediate impacts on City resources as the resolution merely affirms the City's existing rights and obligations.

Environmental Review

The project does not require an environmental review.

Public Notice

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

Attachments

- A. Resolution
- B. Site Location

Report prepared by:
Azalea Mitch, Senior Civil Engineer
Ruben Nino, Assistant Public Works Director

RESOLUTION NO.**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO
PARK ACKNOWLEDGING AN EASEMENT FOR STORM DRAINAGE**

WHEREAS, on June 2, 1952, the Leslie Salt Company (now Cargill) granted to the City of Redwood City and the County of San Mateo a right of way for the purpose of constructing, maintaining and operating storm drain facilities ("Easement"); and

WHEREAS, the Easement, attached hereto as Exhibit A and incorporated herein by this reference, was recorded in the San Mateo County Recorder's Office; and

WHEREAS, in or around 1959, the Haven Avenue area, including portions of the land upon which the Easement is located and portions of the storm drainage system flowing into the storm drain facilities within the Easement, was annexed from the County of San Mateo into the City of Menlo Park; and

WHEREAS, by operation of law pursuant to Government Code Section 57325 and by necessity, the City of Menlo Park became a party to the Easement by virtue of such annexation and the existence of the storm drain facilities flowing into the storm drain facilities within the Easement; and

WHEREAS, the City of Menlo Park and properties located in the City of Menlo Park have openly and continuously discharged storm water into the Easement since the annexation of the Haven Avenue area over 50 years ago; and

WHEREAS, the City of Menlo Park recently approved development projects at 3639 Haven Avenue (Anton Menlo) and 3645 Haven Avenue (Greystar) that have repaired portions of the existing storm drain facilities and will continue to approve development projects in the City of Menlo Park that will discharge storm water into the Easement; and

WHEREAS, Cargill has requested that the City Council of the City of Menlo Park adopt a resolution confirming acceptance of the Easement as it relates to the City of Menlo Park's storm drainage facilities.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Menlo Park hereby acknowledges that the City of Menlo Park has a non-exclusive easement and by this Resolution does hereby formally accept such easement to the extent it relates to Menlo Park's storm drainage facilities, over the lands of Cargill for the purpose of construction, maintaining and operating storm drain facilities serving property within the City of Menlo Park, as more particularly set forth in Exhibit A.

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 the twenty first day of July, 2015, 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 twenty-first day of July, 2015.

Pamela Aguilar
City Clerk

THIS INDENTURE WITNESSETH :

Leslie Salt Co., a corporation, hereby conveys to the City of Redwood City, a municipal corporation, and to the County of San Mateo, State of California, a right of way over and along each of the following described parcels of real property situate in the County of San Mateo, State of California, for the purpose of constructing, maintaining and operating thereon storm drainage facilities and for no other purpose -

Parcel 1 -

Commencing at a point in the northerly boundary line of the Rancho de las Fulgas where the same is intersected by the quarter section line running north and south through the middle of Section 22, Township 5 South, Range 3 West, Mt. Diablo Base and Meridian, being the southeast corner of that certain 100 foot strip of land described in deed from Geo. H. Rice, et al., to Spring Valley Water Co., dated Nov. 24, 1905 and recorded June 17, 1907, in Book 127 of Deeds at Page 534, San Mateo County; thence North 107.85 feet and North 68° 00' West 1354.7 feet to the true point of beginning of the parcel described herein. From said true point of beginning South 68° 00' East 936.0 feet along the northerly boundary of said lands heretofore conveyed to Spring Valley Water Co. to a point; thence leaving said boundary on the arc of a curve to the left tangent to last named course with a radius of 130 feet through a central angle of 74° 00', 167.90 feet to a point; thence North 38° 00' East 135 feet to a point in an existing dredged channel; thence along the arc of a 250 foot radius curve to the left tangent to a line bearing South 52° 00' East from the last named point, through a central angle of 153° 50 1/2', 671.26 feet; thence North 4000 feet to a point in Westpoint Slough; thence West 50 feet to a point, thence South 4012.16 feet to a point which is 50 feet distant radially from the last mentioned 250 foot radius curve; thence along the arc of a curve concentric with last mentioned curve, with a radius of 200 feet through a central angle of 156° 57', 547.86 feet; thence North 52° West 50 feet; thence South 38° 00' West 185 feet to a point; thence along a curve to the right tangent to last named course

with a radius of 80 feet through a central angle of 74° 00', 103.32 feet to a point; thence North 68° 00' West 945.2 feet; thence North 88° 45' West 4104.0 feet; thence North 74° 00' West 820.62 feet; thence South 6° 15' West 97.80 feet to the lands of Pacific Gas and Electric Co.; thence South 81° 55' 1/2' East 400 feet and South 67° 37' 1/4' East 316.2 feet along the lands of Pacific Gas and Electric Co. to northerly boundary of aforementioned Spring Valley 100' strip; thence along the northerly boundary of said Spring Valley 100' strip, South 88° 45' East 4204.0 feet to the true point of beginning.

Parcel 2 -

A strip of land 15 feet in width measured 7.5 feet at right angles on each side of the following described line:

Beginning at a point in the northeasterly line of the parcel designated as "Road", distant thereon North 81 degrees 17 minutes West, 42.37 feet from the most northerly corner of Lot 1, Block 2, as said Road, Lot and Block are shown on that certain map of the Friend Industrial Tract, filed for record December 31, 1940 in Book 23 of Maps at page 33, San Mateo County Records.

Thence from said point of beginning, North 10 degrees 31 minutes 45 seconds West, 10.59 feet to a point in the northerly line of the lands of Leslie Salt Company.

The foregoing conveyances shall not be assignable and are made upon the understanding and condition that no excavation shall be made by the grantees below the elevation minus three feet mean sea level United States Coast and Geodetic Survey datum, and upon the further understanding and condition that the grantor shall have the right to construct and maintain over, under or across the said rights of way and each of them such bridges, pole lines, pipe lines and other structures as it may deem desirable, provided that no such bridge, pole line, pipe line or other structure shall interfere with the use of the said drainage facilities by the grantees.

The grantees agree to use reasonable care in the construction, maintenance and operation of the said drainage facilities.

IN WITNESS WHEREOF the undersigned has caused these presents to be executed by its officers thereunto duly authorized this 2nd day of June, 1952.

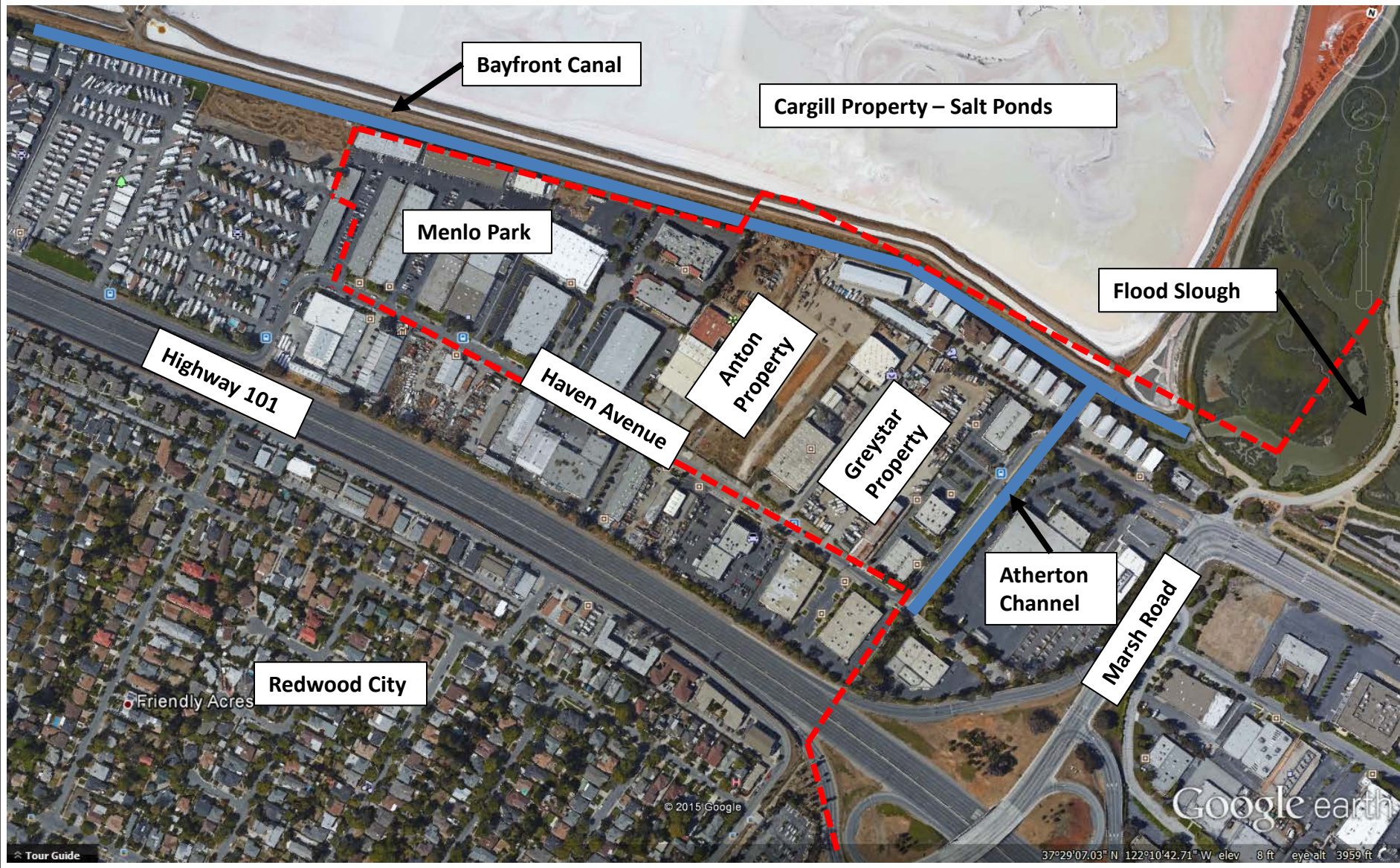
LESLIE SALT CO.

By

Edward J. Hall
President

and

Sharon J. Allen
Secretary-Treasurer



Bayfront Canal

Cargill Property – Salt Ponds

Menlo Park

Flood Slough

Highway 101

Haven Avenue

Anton Property

Greystar Property

Atherton Channel

Marsh Road

Redwood City



City of Menlo – Bayfront Canal and Cargill Property

--- City Boundary

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STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-121-CC

Consent Calendar: **Award a Contract to Trip Stop Sidewalk Repair Inc. for the Multi-year Sidewalk Sawcutting Trip Hazard Removal Project**

Recommendation

Staff recommends that the City Council award a contract to Trip Stop Sidewalk Repair, Inc. for the Multi-year (5 years) Sidewalk Sawcutting Trip Hazard Removal Project and authorize staff to extend the contract for five one year extensions with an annual expenditure of up to \$300,000.

Policy Issues

The contract exceeds staff authorization and requires City Council award.

Background

The Sidewalk Repair Program is conducted by the City to eliminate tripping hazards on sidewalks, parking strips and curbs/gutters. Trip hazards are created when the roots of City street trees extend underneath the sidewalk and uplift only a portion of the sidewalk or concrete. The Sidewalk Repair Program is implemented to eliminate these vertical offsets.

The City Sidewalk Repair Program has two phases: the first phase is the Sidewalk Sawcutting Trip Hazard Removal Project and the second is the Sidewalk Repair Project. In the first phase, the contractor will address minor tripping hazards. This includes utilizing a special concrete saw that ensures cut slopes are smooth and comply with accessibility requirements. The second phase consists of removing and replacing sections of sidewalks, curbs, and parking strips in order to eliminate severe tripping hazards. The second phase will be completed later this year. To guarantee that the trip hazards are addressed throughout the City, the Sidewalk Sawcutting Trip Hazard Removal Project cycles through the City's five work zones. Each year, staff attempts to eliminate trip hazards in one or two of the work zones based on budget allocated.

Analysis

This year, staff requested bids for a multi-year Sidewalk Sawcutting Trip Hazard Removal Project in order to more effectively manage the contract and maximize the funds available. The contractor will inspect all sidewalk sections in the selected work zone and remove all trip hazards meeting the given tolerances. Where the vertical offset is too severe for horizontal saw cutting, the contractor will notify staff and these locations will be added to a future Sidewalk Repair Program.

On June 9, 2015, three bids were received and opened for the Multi-year Sidewalk Sawcutting

Trip Hazard Removal Project. The lowest bidder for the project was Trip Stop Sidewalk Repair Inc. Attachment A provides the bid summary.

On June 12, 2015 staff received an official bid protest from the second lowest bidder Precision Emprise Inc. DBA Precision Concrete Cutting (Attachment B) alleging that the low bidder did not meet the minimum three year experience requirement performing similar work and cost. Staff sent the bid protest to Trip Stop Sidewalk Repair Inc. to respond to the bid protest. Trip Stop Sidewalk Repair Inc. responded to the bid protest (Attachment C). Staff in consultation with the City Attorney's office, reviewed the information provided and determined that Trip Stop Sidewalk Repair Inc. is a responsible bidder and meets the intent of the specifications and it is within staff's discretion to waive any informalities or irregularities in the bids.

Staff has checked the background and references of Trip Stop Sidewalk Repair, Inc., and is satisfied with its past performance that they can perform the work.

The project was bid on a unit price basis, and the contractor will perform trip hazard removal work up to the budgeted amount.

Impact on City Resources

This is a five year contract and staff is requesting authorization to spend up to the full amount budgeted annually for the Sidewalk Repair Program. There are two projects within this program that has a total annual budget of \$300,000, the sidewalk sawcutting and sidewalk removal and replacement projects. This project spends approximately \$120,000 annually. Staff anticipates annual expenditures to be within a range of \$110,000 to \$140,000 over the course of the contract.

However, staff is requesting authorization to expend up to the full budget amount annually in the event circumstances warrant allocation of a larger part of the budget for sawcutting. This expenditure authority will allow for more efficient execution of the work. To the extent such additional fund allocation is not required, the remaining funds will be used for the sidewalk removal and replacement project.

The project is funded by the General Fund CIP and the Sidewalk Assessment Fund.

Environmental Review

The project is categorically exempt under Class I of the current State of California Environmental Quality Act Guidelines, which allows minor alterations and replacement of existing facilities.

Public Notice

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

Attachments

- A. Bid Summary
- B. Precision Emprise Bid Protest
- C. Trip Stop Response to Bid Protest
- D. Precision Emprise Response to Trip Stop

Report prepared by:

Michael Zimmerman, Senior Civil Engineer

Ruben Nino, Assistant Director of Public Works

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BID SUMMARY

MULTI-YEAR SIDEWALK SAWCUTTING TRIP HAZARD REMOVAL PROJECT

COMPANY	BID
1. Trip Stop Sidewalk Repair, Inc.	\$82.35/in ft.
2. Precision Emprise Inc. DBA Precision Concrete Cutting	\$124.85/in ft.
3. BPR, Inc.	\$129.75/in ft.

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| Victor S. Nunnemaker | ☎ (650) 465-3333 | 📠 (650)240-3866 | www.safesidewalks.com |



CONFIDENTIALITY NOTICE: This email message and any attachment(s) is the property of Precision Concrete Cutting and is for the sole use of the intended recipient(s). This email message and any attachment(s) may contain confidential and/or privileged information. Any unauthorized review, use, disclosure, distribution, copying, or other dissemination of this email message and any attachment(s) is strictly prohibited. If you are not the intended recipient(s), please contact the sender immediately by reply email and delete all copies of the original message. Thank you.

From: Victor <victor@dontgrind.com>

Date: Wednesday, June 10, 2015 at 4:28 PM

To: <rrnino@menlopark.org>

Subject: For your consideration regarding: Menlo Park Multiyear Sidewalk Trip Hazard Removal Project #20-011

Dear Rubin,

Thank you again for the call back the other day. I greatly appreciated your guidance in answering my question and it was nice to speak with you again after more than a year. It sounds like it was the only bid done correctly...thank you again!

I left you a voicemail this morning, but wanted to follow up briefly with this email. I need to ask for your help, as I believe it to be in the best interest of the City of Menlo Park and in accordance with the bid specs that were written for this project to reject the apparent lowest bidder (Trip Stop) for the Public contract "Sidewalk Trip Hazard Removal Project" on several grounds, as follows:

The bid documents themselves clearly state that the **"Bidder must have at least 3 years of similar work and cost"**. "Trip Stop" fulfills none of these requirements, in my opinion.

1) "3 years" experience: "Trip Stop" has only had a valid contractors license for approximately 1 year and 9 months. **He was proven by the CSLB to have lied** on his initial license, was fined, and his license was nullified and revoked (as if he never had it) by the Attorney General, as can be seen on the CSLB website. The previous license was held individually by Mr. Bolghand as a sole proprietor. It was revoked by the Attorney General after the court determined it was obtained under false pretenses. The current license has an RMO under Larry Wilson, which is under investigation for aiding and abetting an unlicensed contractor. Mr Bolghand is not even listed on the license at all. Since the RMO is not even the same person and the prior license was technically not the same entity, the two licenses can NOT be combined to fulfill the 3 year requirement. In essence, while the two licenses have the same company name, they are NOT the same entity and the principal operators are not the same. One was an individual (Mr Bolghand) and was revoked, the other is a corporation that has only been legal for 1 year 9 months. Furthermore, Mr Bolghand was restricted from obtaining another license for a full year. If he claimed on his application that he has had a contractors license for 3 years or more, he has lied on this public bid application, also. He was technically not even allowed to apply for a new license for a full year, however he circumvented that judges ruling by creating a corporation and making his girlfriend (**a hair stylist**), the owner and using Larry Wilson (under investigation – see online) as his RMO. Regardless, a simple call to the Contractors State License Board or a visit to the

online site will show that he has only been licensed for about 1 year and 9 months on his current license and that the company does not have the 3 years valid legal experience as a CA Contractor required by this bid contract.

2) "Similar Work": Trip Stop gave only one municipal reference, in which he was a "non-listed" subcontractor on the job [Not the contractor or contracted company with the city]. He was supervised by another construction company who won the contract. He did not have the contract, himself. His other two references were not similar jobs; they were Home Owners Association jobs for homeowners on a much smaller scale, neither requiring prevailing wage, bonds, or employees. They were not of similar size or scope of work; moreover, they were not even public contracts. They were private jobs.

3) Similar Cost (pricing and/or size of job): As shown by the two bids submitted by the two contractors that have done this job for the past 10 years, BPR and Precision Concrete Cutting, this contractor does appear to understand his costs. There is quite simply no way imaginable that he can pay prevailing wages at the price he quotes. More importantly, I do not believe this contractor has ever done this work at this cost before (the few contracts I have seen are in the \$25 range). Finally, in your due diligence of his references, I would respectfully encourage the City to request a copy of the pricing of the Milpitas job and the Certified Payroll Reports (CPR) from the job he purports to have done in Milpitas. [I have heard a direct account from one of his workers who worked on that job that the worker was being paid illegally "under the table", was NOT an "employee", and was NOT being paid prevailing wages for the job.] In short, while he may have worked on the Milpitas job, it was not his contract, possibly not his own employees, that he may not have paid prevailing wages, and his pricing was nowhere near \$16/inch foot as it is in this case, which will make it nearly impossible to pay prevailing wage to his employees or contracted employees.

In fact, I would question if ANY of the jobs he referenced in his bid were even close to the \$16/inch foot he bid for this one.

4) Size: None of the references "Trip Stop" gave were even close to the size (total dollar value or inch feet required) of this job. The largest in Milpitas (if he indeed did \$68,000) was only 68% of the size of this one, but again, that reference was not his contract. Trip Stop has clearly not shown the experience or resources to complete this job in the required 20 day period, especially at the technical specs and slope required. I also don't think any of his references shown were done at a 12:1 ratio required by this contract. Knowing the size of his operation and last I checked, he had no listed or paid employees "on his books", he will need more than 80 working days to complete this job...probably much more. At the price he has bid, nearly 65% less than two other responsible bidders, he will have to complete approximately 6000 inch feet in 20 working days. This would require far more employees than he has or has listed, and is a much larger job than he has ever completed. More importantly, Trip Stop has never even attempted a job of this size, much less have a valid references for one. According to the public bid specifications, he simply does not fulfill the stated requirements to be considered for this multi-year Trip Hazard project.

I respectfully ask that that the city please consider the "Trip Stop" bid "non-responsive" or "not qualified", as he clearly does not fulfill the requirements the city stated were required in the public bid documents. I believe with conviction that it will save you and the city many years of very difficult and challenging obstacles, headaches, and deceit at the hands of an individual already convicted of lying by the Attorney General, and will be in the best interest of both the city and those who serve it. Moreover, I humbly believe it is the right thing to do to insure that the bid specs and requirements clearly listed for this contract are upheld. Each contractor who placed a public bid signed that bid packet testifying that the information we were providing was true and factual. It appears clear to me that his information is neither factual, nor proves the experience required, as proven and documented less than 2 years ago in a CSLB and the Attorney General's case against him by the State of California.

Rubin, please call me at your convenience to discuss. I respect your opinion and that you have always been a "straight shooter" with me. We have enjoyed a great, positive relationship with the city of Menlo Park since our first demonstration of this process to the city over 10 years ago. I definitely want and hope to have the opportunity to continue that relationship serving the city in the future.

My thanks again for your valuable time and kind consideration of this unfortunate matter.

With sincere regards,

Victor Nunnemaker

Julie S. Turner
650.521.5933
turner@turnerboyd.com

VIA EMAIL TO RAPUNSALAN@MENLOPARK.ORG; RRNINO@MENLOPARK.ORG;
MJZIMMERMANN@MENLOPARK.ORG

VIA U.S. MAIL

June 18, 2015

Mr. Ruben Niño, Assistant Public Works Director
Mr. Renato Punsalan, Associate Engineer
Mr. Michael Zimmermann
Engineering Division
Public Works Department
City of Menlo Park
701 Laurel St
Menlo Park, CA 94025

Re: *Contract No. 20-011—Response to Bid Protest*

Dear Mr. Niño, Mr. Punsalan, and Mr. Zimmermann:

My firm represents Trip Stop Sidewalk Repair, Inc. (“TSI”). I write to respond to the bid protest sent to you both by Mr. Victor Nunnemaker of Precision Emprise, Inc., and by Ms. Patricia Walsh, attorney for Precision.

Precision’s Protest is the latest volley in a series of anti-competitive actions that Precision has aimed at TSI. Please allow me to briefly provide some context and then respond directly to Precision’s allegations.

Precision is a franchisee of Precision Concrete Cutting, Inc. (PCC). PCC claims to have a patent covering all trip hazard repair through concrete cutting. PCC has used this patent to suppress competition by threatening to sue for patent

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infringement any competitor that cuts concrete. This is the basis of their franchise, and why their franchisees pay a royalty to PCC.

PCC has in fact sued a number of concrete cutters. My firm has represented several, and has produced evidence that (1) the PCC patent is invalid, and (2) the defendants do not infringe. As a result, PCC has stopped asserting their patents against competitors, which means that PCC's franchisees are no longer a "sole source" for concrete cutting contracts. Nevertheless, PCC's franchisees, including Precision, continue to pay a franchise fee. However, now they must face competition and a threat to their profit margins.

Alex Bolghand was once an employee of Precision. After he left, he began cutting concrete in competition with Precision, under the name "Trip Stop Sidewalk Repair," an unincorporated entity, and under his own license (CSLB License 962254). Precision sued Mr. Bolghand and they settled out of court in a way that permitted Mr. Bolghand to compete with Precision. Meanwhile, Precision filed a complaint against Mr. Bolghand with the California State Licensing Board. Even though Mr. Bolghand had held various jobs in different construction companies dating back more than 15 years, the CSLB investigator determined that one of Mr. Bolghand's certifying references did not have direct knowledge of Mr. Bolghand's work. On this basis, Mr. Bolghand's license was revoked and Mr. Bolghand was prohibited from reapplying for a year. This is a matter of public record. It is important to note that while working under that license, there had never been a consumer complaint against Mr. Bolghand. The review of his license was due solely to the complaint by Precision. By the time his license was revoked, Mr. Bolghand had already been cutting concrete for 1 year and 8 months under CSLB License 962254.

After losing his license, Mr. Bolghand sold all of the assets, client information, tools, and know-how to Trip Stop Sidewalk Repair, Inc., and incorporated entity partially owned and operated by licensed contractor Larry Winston. TSI employed Mr. Bolghand as an employee to cut concrete, under Mr. Winston's supervision as permitted by licensing regulations. Frustrated that Mr. Bolghand was still involved with a company competing with Precision, Precision sued Mr. Bolghand yet again. Precision lost and was forced to pay Mr. Bolghand's costs and attorneys' fees.

TSI has good reason to believe that Precision has filed a number of anonymous complaints against TSI, posing as a "resident" of complexes on which TSI has performed trip hazard removal. None of these complaints have been found to have merit. Indeed, Mr. Fouret, one of Precision's owners, even called the police

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to accuse Mr. Bolghand of stealing a combination square (a ruler) that costs less than \$10. Fortunately, Mr. Bolghand had receipts for his purchase.

Precision's anti-competitive behavior has even earned the scrutiny of the California Attorney General. The Anti-Trust Division of the Attorney General's Office was recently investigating Precision for anti-competitive behavior. This is known to TSI because an investigator contacted both Mr. Bolghand and Patrick Rifley, the president of competitor BPR Inc. The Anti-Trust Division also contacted a number of former Precision employees. TSI does not currently know the status of this investigation.

As you can see, there has been a long pattern by Precision of engaging in anti-competitive behavior and harassing Mr. Bolghand and TSI. Precision's Protest to TSI's bid is yet another example of such harassment.

Precision raises a number of points in its Protest, each of which is addressed here in turn.

1. Precision's Protest About The Length of Time That TSI and Mr. Bolghand Have Been Cutting Concrete.

Precision notes that the contract requires that the successful bidder have three years of experience and that TSI was established one year and nine months ago.

It is not only understandable but laudable that the City of Menlo Park wants to ensure that the people it hires to perform work under contract have the experience to professionally perform that work. TSI does have that experience.

Specifically, TSI employs experienced concrete cutters, including Mr. Bolghand. Mr. Bolghand operated as a concrete cutting company (the unincorporated Trip Stop) under a CSLB License 962254 for one year and eight months. Mr. Bolghand is a part owner of TSI, which has now operated under CSLB License 987713 for one year and nine months. TSI's bid listed both licenses, which provide a combined three years and five months of experience cutting concrete trip hazards. Between these two licenses, Trip Stop and TSI have completed hundreds of trip hazard concrete cutting projects. They have repaired thousands of trip hazards. Mr. Bolghand and the company foreman, who will be hands-on for the Menlo Park project, have repaired trip hazards over thousands of miles of sidewalk and walkway.

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Moreover, TSI operates under Larry Winston, a licensed contractor who is a co-owner and shareholder of TSI. Mr. Winston has an immense amount of experience in the construction industry spanning more than 30 years. He has been a licensed contractor since 1989. Moreover, he has worked as a union construction foreman for more than 10 years, during which time he obtained more than 10 years' experience performing work required by a C61 D06 CSLB license. Mr. Nunnemaker's statement that Mr. Winston is currently under investigation by the CSLB is untrue and defamatory because there are no pending claims or investigations to TSI's knowledge. Mr. Winston is one of the most experienced contractors to have ever supervised trip hazard saw cutting.

Clearly, TSI easily meets the 3 years' experience requirement and has the experience to provide Menlo Park with the highest level of professional work.

2. Precision's Protest About The Size and Scope of TSI's Other Jobs

Precision also protests that TSI has not performed similar size and cost. This is simply not true. Trip Stop and TSI have fulfilled contracts ranging from a few hundred dollars all the way up to the \$70-80K range. The largest contract was work performed for the City of Milpitas. Precision states that TSI was an unlisted sub on the Milpitas contract and therefore gained no experience from that project. This is a misleading statement at best.

As Menlo Park is surely aware, municipalities must often be resourceful in finding ways to fund a project. In the case at hand, The City of Milpitas was able to use funds left over from a very large asphalt and paving contract to perform trip hazard saw cutting on their city sidewalks. TSI worked directly with the City of Milpitas, its Engineering Department, and its Inspectors on this project. TSI provided progress reports to the city inspector each day. They maintained an excellent working relationship with Milpitas, which was very pleased with the workmanship and customer service. TSI is willing and able to furnish emails between it and the City of Milpitas to verify all of these facts. It has also listed the Milpitas engineer as a reference and encourages the City of Menlo Park to contact Milpitas and inquire TSI's professionalism and quality of work.

Besides the City of Milpitas, TSI has listed two other references in the private sector for whom TSI has performed and continues to perform substantial work. One of those is The Villages in San Jose, a massive property built around an 18-hole golf course. TSI maintains an excellent working relationship with The Villages, and has

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performed several large projects for them, continuously inspecting and repairing sidewalks for The Villages on an ongoing basis.

TSI has performed many projects for other communities as well, ranging in the \$20-\$30k range. While these projects are smaller in scope than the Menlo Park contract here, the fact is that it is both easier and more economical to perform a single \$100k project than five \$20k projects. This is particularly true in the trip hazard saw cutting business, because larger projects do not equate to more complicated projects.

TSI's professionalism and quality at least rivals (if not exceeds) that of Precision. This is borne out every month as TSI is awarded multiple projects on which Precision has also bid. TSI has more than enough experience saw cutting trip hazards, and is perfectly capable of undertaking a job of this scope. TSI would welcome the opportunity to perform a demonstration for the City of Menlo Park to display their competence in performing such work.

3. Precision's Protest Concerning the Management of TSI

Precision makes several allegations about the management of TSI, arguing that Mr. Bolghand is the "de facto" operator. Precision's "evidence" on this point is a photograph on TSI's website that shows Mr. Bolghand and an allegation that TSI's CEO, Denae Bolghand, is a hair stylist.

The fact that there is a photo showing Mr. Bolghand does not prove anything. However, if one were to believe Precision's logic, then the photo would show in fact that Denae Bolghand is also a "de facto" operator, as she, too, is pictured in the photograph. So, too, would be the other woman in the photograph, who is a friend of Mr. and Mrs. Bolghand, and was merely helping at a trade show.

Ms. Bolghand is indeed the CEO of TSI, and has performed and been paid as such. She was at one time a hair stylist, but this does not speak to whether or not she is the CEO of TSI. (Ironically, Mr. Nunnemaker once admitted to Mr. Bolghand that he had been considering buying a hair salon franchise but instead bought the Precision franchise.)

4. Precision's Protest About Wages

Precision also complains that TSI did not pay prevailing wages when it performed work for the City of Milpitas. This is simply false. Each employee was

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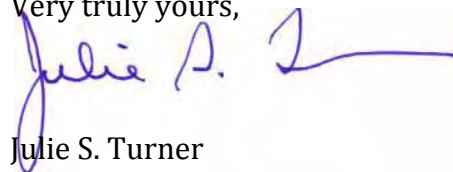
paid the mandatory prevailing wage rate for operating a saw for each minute of work performed. Notably, despite its propensity to file complaints and lawsuits against Mr. Bolghand and TSI, Precision never filed any complaint to the proper authorities based on this accusation. This fact alone speaks volumes.

Precision also states, in the email from Mr. Nunnemaker, that “there is quite simply no way imaginable that he can pay prevailing wage at the price he quotes.” This statement is also false, and is particularly ironic since Precision submitted a similar bid price of \$19.44 per inch foot for a 2011 Menlo Park contract¹ and submitted a bid for the City of Hayward for a price of \$17.23 per inch foot.

Before submitting its bid, TSI carefully considered the contractual requirements and TSI’s overhead. It fashioned its bid to allow TSI to perform all work required to the highest standards (without taking any “shortcuts,” as Precision’s lawyer implies), to pay prevailing wages, and to still earn a fair profit. Mr. Nunnemaker and Precision have no basis for saying otherwise.

TSI stands behind its work and will happily provide a guided walk-through upon completion of the work for the City of Menlo Park to demonstrate that each and every trip hazard repair has been done properly and to the highest standards. TSI hopes that this letter adequately addresses the allegations made in Precision’s Protest and will allow TSI’s bid to be appropriately considered. If the City wants any additional information or supporting materials, or has any questions at all, please contact me and I will be happy to provide whatever you need.

Very truly yours,



Julie S. Turner

¹ TSI has reason to believe that Precision charged significantly more than the \$19.44 per inch foot bid on which it won this contract by inflating the number of inch feet of trip hazards that it allegedly cut. TSI believes that in some instances, the number of inch feet reported was as much as double the actual number cut. TSI believes that this can be verified by a visual inspection and comparison with the invoices that Precision submitted, as well as by discussion with a former Precision employee.

From: Patricia Walsh <pwalsh@alr-law.com>
Sent: Wednesday, June 24, 2015 11:25 AM
To: Nicolas A. Flegel
Subject: FW: Bid Protest, Contract No. 20-011

From: Victor Nunnemaker [mailto:victor@dontgrind.com]
Sent: Tuesday, June 23, 2015 4:15 PM
To: Patricia Walsh
Subject: Re: Bid Protest, Contract No. 20-011

Dear Mr. Niño and Mr. Punsalan, and Mr Zimmerman:

Julie Turner's 6 pages of innuendo and false accusations against Precision are an interesting, but completely irrelevant, attempt to obfuscate and distract the City from the simple hard facts of the protest against Trip, Inc's, a company that remains both "unresponsive" and not qualified or "responsible" to receive this bid as it was drafted and put forth.

Responding to all of Julie Turner's errant and false accusations would not be productive, nor change the simple facts in this situation. It is true, for example, that the Department of Justice performed a precursory investigation when a false and misleading complaint against Precision was filed. Precision was later informed inadvertently that Mr. Bolghand of Trip, Inc. filed that complaint. The complaint (only a complaint) was never pursued beyond questioning and was formally dismissed in writing. Precision has a letter from the Department of Justice clearly stating that no wrong doing was found on the part of Precision Concrete Cutting.

I encourage and appeal to the city of Menlo Park to vigorously investigate from independent legal sources the facts of this protest and to take into consideration the following legal points. I am confident that a thorough investigation of the actual facts will lead the city to same conclusion as we have: Trip, Inc. simply does not satisfy the requirements of this bid contract. They are not qualified or responsible bidders and their own bid was unresponsive and incorrectly presented.

Indeed, in Trip, Inc's. own response they contradict themselves at least three times:

1. Trip, Inc. has not only never completed a project of this size, they have never done it in a 20-day period or for a city contract in their name. This is a clearly stated requirement of the city stated bid requirements. Precision has completed no less than 3 large projects of the same size and scope for the City of Menlo Park alone, not to mention its other references provided. All of these projects were completed in the required very short time period contractually obligated (20 days in this bid contract). In Trip, Inc's response to the formal protest, shortly after stating in the first paragraph that Precision's protest is "simply not true", they admit 3 paragraphs later that they are NOT qualified when they say, "While these projects are smaller in scope than the Menlo Park Contract...". Trip, Inc. quite simply has never completed contracts of this nature, scope, size or price, and have never had a signed contract to do so. If their bid were accepted, it would quite simply not be fair or legal to those contractors who actually do fulfill the bid specifications. They are not a responsible bidder for this bid and should not be allowed to circumvent those requirements set by the city. Menlo Park has a long history of enforcing contract specification and bid requirements. There is no difference in this case to past situation where the lowest bidder was deem not qualified, not responsible or non-responsive.
2. **"If"** Mr. Bolghand and Trip Stop Sidewalk Repair, Inc. are indeed the same entity, then they were and are in direct violation of the CSLB sentence mandating that Mr Bolghand not reapply for a license for a period of 1-year. And if Mr Bolghand had 15 years of experience, why did he not use that experience to get his license in the first place? In fact, Bolghand's first license was invalidated and revoked by the Attorney General and the CSLB. They found that he NEVER

qualified to have it in the first place. His attorney is trying to downplay the actual reason that the license was revoked. Mr Bolghand lied about his experience to obtain the first license, as it appears he is doing now. Bolghand will surely argue their case both ways so they can justify the new contractors license AND somehow try to argue more than 3 years of experience for this contract, also. The CSLB found that Mr Bolghand lied about his experience to obtain his license. Don't take my word for it. It is clearly outlined on the CSLB website and the Attorney General of the State of California found it to be the case. One simply cannot add both of these licenses together to obtain three years of experience. One was not a valid license and the other is a corporation that has only existed for 1 year and 9 months and whose qualifying member is under investigation (Larry Winston) for aiding and abetting a non-licensee. Would the city of Menlo Park hire the individual with the first license who lied about his experience to obtain it and had it revoked for lying? In her final paragraph of her point 1, Turner states: "*Clearly, TSI easily meets the 3 years' experience requirement and has the experience to provide Menlo Park with the highest level of professional work.*" This is impossible simply because "TSI" is a corporation that has only existed for 1 year and 9 months. This can be confirmed with both the State of California Corporation records and with the CSLB. Trip, Inc. is simply not qualified and "not responsible" according to the requirements of the city bid solicitation. **[A public agency is bound to follow the requirements of its solicitation and may be ordered by writ of mandate to do so. *Pozar v. Dept. of Transportation, 144 C.A.3d 269, 272 (1983); Valley Crest Landscape, Inc. v. Davis, 41 C.A.4th 1432 (1996). For the City to disregard the mandatory bid requirements that it elected to impose, would open the door for fraud, favoritism and undue influence in public contracting, the evils that competitive bidding is intended to prevent. *Konica Business Machines USA, Inc. v. Regents of the Univ. of Calif., 206 C.A.3d 449, 456-57 (1988).*]***

3. Trip, Inc attorney, Julie Turner, states, the **"... statement that Mr. Winston is currently under investigation by the CSLB is untrue and defamatory because there are no pending claims or investigations to TSI's knowledge."** First, the sentence does not make sense. There is no cause and effect to make this assertion. Regardless, Precision knows that Mr. Bolghand and his attorney, Julie Turner, are both fully aware that Mr. Winston has been undergoing an investigated by the CSLB and the Attorney General's office. This information is public record and easily obtained by simply going on the CSLB website and searching Mr. Winston's name. This investigation started at roughly the same time the CSLB began their investigation into Mr. Bolghand's current license and how he was able to apply for a new license under a corporation name less than a month after his first license was revoked. Again, this information and the investigation and ruling into Mr Winston is on the CSLB website. A simple search of Mr. Larry Winston's name will reveal **Business and Professions Violation 7114 for "Aiding and abetting a non-licensee"**. Ostensibly, that non-licensee was Mr. Bolghand. I would encourage the city to visit the CSLB website to confirm this information.
4. In Julie Turner's letter she claims Mr. Bolghand is a "concrete cutter"? He signs the bid "Director"? Hmmmm? I can tell you because he was my employee that he was strictly a salesperson with Precision. His resume for at least 6 years prior to that and since leaving school included only sales jobs with various NON-construction companies. Obviously, the Attorney General and CSLB felt similar when they revoked his license. Regardless, his company, Trip, Inc. still has only had a contractor's license for 1 year and 9 months. Three years is required for this bid.
 5. Julie claims Precision's patents are not valid. This is absolutely not true and easy to verify; All six (6) are completely valid. It is public record and you may check with the US Patent office online or I can provide you with copies of the patents, though this issue is not really relevant to the protest. While Trip, Inc. and other contractors "may" have found another way of saw-cutting to circumvent the patent (and I applaud them if they have), if they are in violation of these patents, they are in breach of them. Regardless, Precision Emprise, Inc. (d.b.a. Precision Concrete Cutting) of Northern California HAS NEVER sued ANYONE over the patents. Julie Turner would have you believe we are going around suing everyone, when that is absolutely not the case. We don't own the patents and therefore don't have the legal ability to sue for breach. Mr Bolghand, a prior employee of Precision, is the only person we

have ever sued. That legal action against Trip, Inc. had nothing to do with the patents. Mr. Bolghand was sued by Precision for theft (customer information, intellectual property, proprietary equipment, tools...). This legal action was upheld by the judge in the form of a temporary restraining order (TRO) and an injunction issued against Mr Bolghand, which Bolghand later settled. Turner states that Mr. Bolghand has never had any complaints by consumers filed against him (See Page 2, Paragraph 3 of Trip, Inc's rebuttal: *"It is important to note that while working under that license, there had never been a consumer complaint against Mr. Bolghand."*) Turner then turns around in the same document and accuses Precision of filing anonymous false complaints against Trip, Inc? Precision has not filed any anonymous complaints posing as a consumer of his services or otherwise, but obviously by their own hand and the document they wrote, several complaints have indeed been filed against Bolghand and his company. This just leads to more questions regarding Trip, Inc. "experience" and ability to perform a contract of this size and scope.

6. Trip, Inc's new company structure with Bolghand "acting" as the "Director" (as signed on the bid document), interviewing employees, and signing the bids himself (in most companies the CEO, President or other executive signs the bid document, not a "concrete cutter" as his attorney describes his job duties), but with his wife listed as the CEO, is further evidence of Bolghand using his spouse and Mr. Winston to circumvent the CSLB revoking his license. It speaks volumes of the individual the city would be contracting with should they unjustly award this contract to his company. Is he the "Director" or the "concrete cutter"? The truth is hard to find.
7. Finally, after obtaining Trip, Inc's formal bid submission, Trip, Inc's bid should be considered "non-responsive". Trip, Inc. did not properly provide a total amount in the last line of the bid after the 5 years of listed prices, as clearly requested on the bid document ("Total"). (Precision, the lowest responsible bidder, correctly added the 5 years of quotes together and submitted the total on line 6, as requested.) Additionally, in the experience section, Trip, Inc. claims 3 years of experience and then lists a contractors license that was revoked for that very reason; lack of experience and lying about it. A revoked license, especially one revoked for these reasons, cannot be listed as justification for winning a public bid. Clearly, this is "non-responsive", besides the above reasons listed for being "not responsible" and "not qualified".

Precision Concrete Cutting submitted the lowest responsible bid for the work and is the lowest responsible bidder for the contract No. 20-011, having substantially more than the requisite three years of minimum experience required. Precision respectfully requests that the project be awarded to Precision or have the right to state its case before the upcoming city council meeting, if necessary.

From: Patricia Walsh <pwalsh@alr-law.com>
Date: Monday, June 22, 2015 at 3:06 PM
To: Victor <victor@dontgrind.com>
Subject: FW: Bid Protest, Contract No. 20-011

You have your homework cut out for you.

Usually public owners will not entertain a second round of letters. But if you want to try to submit one to rebut what is said here, draft the text for it and I'll spruce it up.

Patricia Walsh
Attorney At Law
Leonidou & Rosin Professional Corporation
777 Cuesta Drive, Ste. 200
Mountain View, CA 94040
(650)691-2888
(650)691-2889 fax
pwalsh@alr-law.com

From: Niño, Ruben R [<mailto:RRNino@menlopark.org>]
Sent: Monday, June 22, 2015 3:01 PM
To: Patricia Walsh
Cc: Victor Nunnemaker; Quirion, Jesse T; Siegel, Dan K; Flegel, Nicolas A.; Zimmermann, Michael J; Punsalan, Rene A
Subject: RE: Bid Protest, Contract No. 20-011

Dear Ms. Walsh,

Attached please find a response from Trip Stop Sidewalk Repair, Inc. ("Trip, Inc.") in response to Precision Emprise, Inc. DBA Precision Concrete Cutting bid protest. We will be concluding our investigation in the next week and request if you have any additional information for our consideration please respond by June 30, 2015.

We provided a copy of Trip Inc. bid on June 15, 2015 to Victor Nunnemaker.

Sincerely,

Ruben Nino

From: Patricia Walsh [<mailto:pwalsh@alr-law.com>]
Sent: Friday, June 12, 2015 5:21 PM
To: Niño, Ruben R
Cc: Victor Nunnemaker; Quirion, Jesse T; Siegel, Dan K; McIntyre, Alex D
Subject: Bid Protest, Contract No. 20-011

Dear Mr. Nino and Mr. Punsalan:

This email constitutes a formal protest by Precision Emprise, Inc. DBA Precision Concrete Cutting, of any intention by the City of Menlo Park to award the project to Trip Stop Sidewalk Repair, Inc. ("Trip, Inc."), on the basis that the low bidder is not a responsible bidder, having failed to meet the City's mandatory minimum experience requirement of three years.

We are sending this correspondence by email because the short period between bid opening and Tuesday, June 16, 2015, when the City intends to put this before the board, does not allow for mailed correspondence. A copy of this correspondence will be sent to Trip, Inc.

The City's Bid Documents provide: Bidders "must" have a minimum of three years of similar work and cost." The low bidder, Trip Stop Sidewalk Repair, Inc. ("Trip Inc."), does not have three years of experience in similar cost projects and therefore is not a responsible bidder. Trip, Inc.'s lack of experience is evidence on the face of its licensing information available on the CSLB's website. Trip Inc. has been licensed for only 1 year and 9 months. It is impossible for Trip, Inc. to have the requisite (mandatory) experience.

A public agency is bound to follow the requirements of its solicitation and may be ordered by writ of mandate to do so. *Pozar v. Dept. of Transportation*, 144 C.A.3d 269, 272 (1983); *Valley Crest Landscape, Inc. v. Davis*, 41 C.A.4th 1432 (1996). For the City to disregard the mandatory bid requirements that it elected to impose, would open the door for fraud, favoritism and undue influence in public contracting, the evils that competitive bidding is intended to prevent. *Konica Business Machines USA, Inc. v. Regents of the Univ. of Calif.*, 206 C.A.3d 449, 456-57 (1988).

Thus, the City does not have the discretion to favor one bidder over another by dispensing for some, but not for others, with *mandatory* bid requirements that the City imposes.

We incorporate by reference the email sent to you by Precision, in support of its initial contract with the City in anticipation of this formal protest. A copy is attached. Because Mr. Boghland was employed by Precision, Precision does have personal knowledge about his experience, and the information provided is not speculation. The email fully sets forth the facts relating to the lack of Trip, Inc.'s experience. You may recall from that discussion the fact that the information given by Trip, Inc. regarding its experience fails to establish experience with projects of similar cost scope.

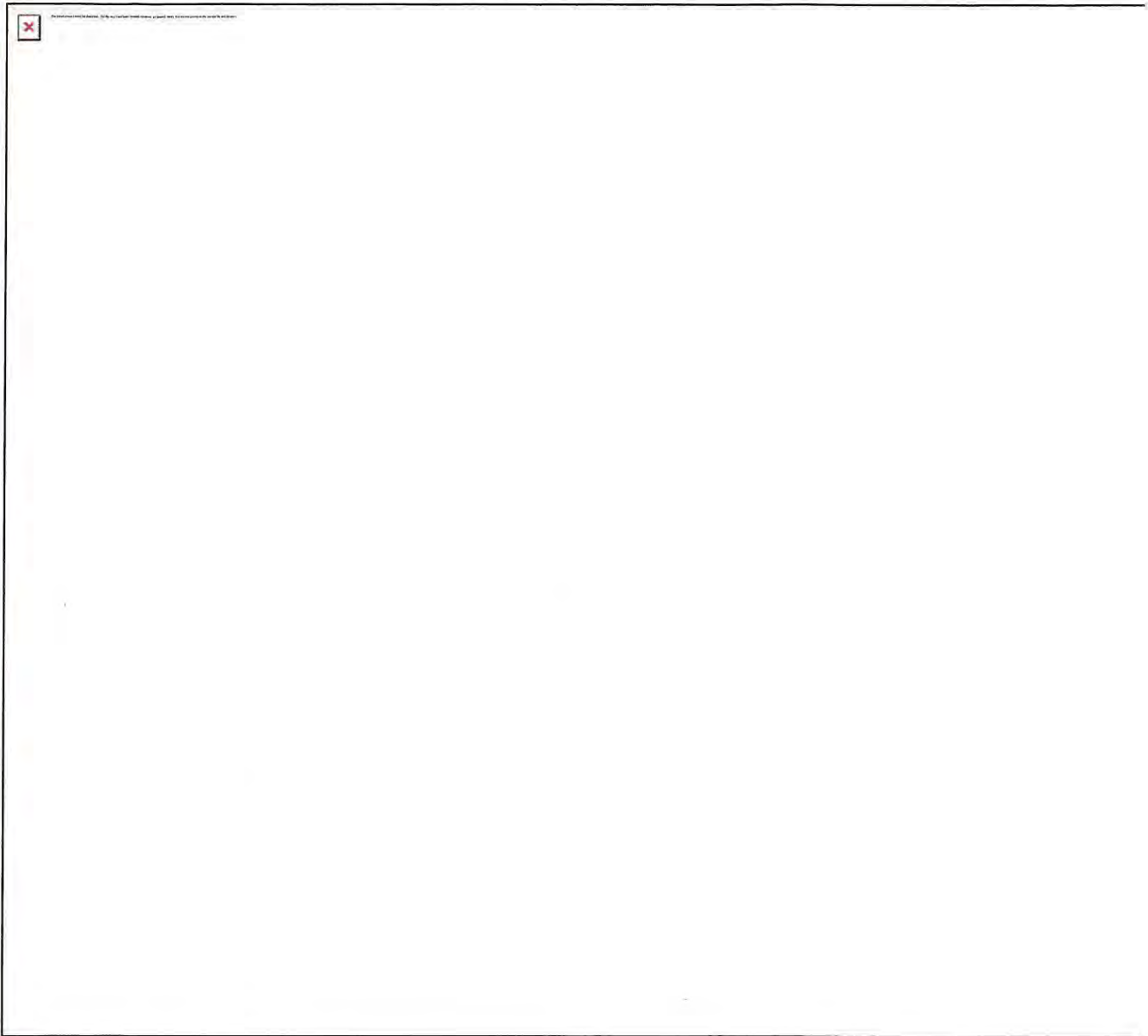
Further, there is no indication in the information submitted by Trip, Inc. that the persons purportedly associated with Trip, Inc. as RMO or officer have the requisite experience. More importantly, we believe there are clear indications that Alex Boghland is the defacto operator of Trip, Inc., and not the persons listed on the CSLB website. We believe that Mr. Boghland lacks the requisite experience. While employed by Precision, he was a sales person. He did not manage projects.

After leaving Precision, Mr. Boghland applied for a contractor's license and was issued a license as a sole proprietorship, as Trip Stop Sidewalk Repair. When the CSLB discovered that he had given false information in order to obtain that license, it was revoked. He was ordered not to apply for another license for at least a year. Here is the link to the CSLB's decision regarding this matter.

<https://www2.cslb.ca.gov/OnlineServices/Accusations/N2011-434/N2011-434-20130102-Decision.pdf>

Despite the CSLB's ruling, Trip Stop Sidewalk Repair – as a corporation – applied for and was issued a license. The new entity purports to be owned by others, but if you visit that entity's website, under "About Us," you will see one photo which purports to represent the company. The man in the center of the photo is Alex Boghland, the person who was told not to apply for a license for one year. The blond woman to one side of him is his wife. Why would the only photo for Trip, Inc. be of Mr. Boghland and his wife? The photo is evidence that Mr. Boghland is the man behind the company, and not those who are listed as RMO or officers, it seems. Also, Precision is prepared to swear under penalty of perjury that it has interviewed prospective employees who also have interviewed with Trip, Inc. and during that process and at least one person has relayed that Mr. Boghland conducted the interview and stated that he (Mr. Boghland) stated he is the owner of the company.

A close-up of the name tag worn by Mr. Boghland, below, will show his first name. This photograph is taken from Trip, Inc.'s website, under the "About Us" section. <http://tripstoppers.com/about-us/>



The City's interests otherwise would not be well served by awarding this project to Trip, Inc. There is a sizeable difference between the price quoted by Trip Inc., and the price quoted by the second and third lowest bidders. This substantial difference should signal to the City at a minimum that a mistake has been made. The City should exercise due diligence and investigate why Trip Inc.'s price is substantially lower. What shortcuts will Trip Inc. be taking in order to perform the work at a price that is probably not even sufficient to cover its costs, including the contractor's obligation to pay prevailing wages. (See Labor Code section 2810 regarding the consequences of a contract that fails to provide for a price sufficient to pay prevailing wages.)

Precision Concrete cutting submitted the lowest bid for the work and is the lowest responsible bidder, having substantially more than the requisite three years of minimum experience required. Precision respectfully requests that the project be awarded to Precision. Should the City decide otherwise,

Precision requests an opportunity to be heard. If we do not hear from the City, Precision will state its case at the upcoming council meeting.

As an aside, we are troubled by the fact that we have not received a copy of Trip, Inc.'s entire bid. It was requested from the outset by both Precision and me, but it has not been forthcoming. We are not accustomed to resistance from public entities for such requests. Rather, it is usually understood that time is of the essence given the speed of the bidding process, and other bidders' bids are usually produced quickly. We hope the City will be forthcoming in this respect.

Patricia Walsh

Attorney At Law/Shareholder
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President, Precision Concrete Cutting



| Victor S. Nunnemaker | ☎ (650) 465-3333 | 📠 (650)240-3866 | www.safesidewalks.com |



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**STAFF REPORT****City Council****Meeting Date:** 7/21/2015**Staff Report Number:** 15-117-CC

Consent Calendar: **Authorize the Execution of a Public Works Mutual Aid Agreement with the County of San Mateo and other Cities within the County**

Recommendation

Authorize the Execution of a Public Works Mutual Aid Agreement with the County of San Mateo and other Cities within the County.

Policy Issues

The purpose of this agreement is to provide an organized and voluntary mutual aid to neighboring Cities in the event of a disaster. In many ways, this provision of aid is similar to what already exists amongst the Police and Fire services (with an exception that Public Works Aid is not proposed as automatic). The language of the Agreement and its Procedures Guide specifically envision establishing a “zone” concept of aid that mirrors existing and developing zones within the police and fire mutual aid.

Background

The heavy winter storms between late 2012 and early 2013 affected several communities. One of the most significant impacts was the severe flooding in the City of East Palo Alto. During the storm event response, San Mateo County Office of Emergency Services (OES, acting in its capacity as the Operational Area) encountered significant difficulties in obtaining public works mutual aid assistance for the beleaguered cities.

In February 2013, OES staff attended the City/County Engineers’ Association of San Mateo County (CCEA) monthly meeting, and requested their assistance in rectifying this apparent deficiency. CCEA immediately assigned two Public Works Directors to work on this issue, and a working subcommittee was established the next month.

Utilizing a current agreement from San Diego County as a template, the subcommittee met multiple times over the next 18-months. Draft portions of the document were reviewed in-depth by two City Attorneys, by OES staff, and by members of the CCEA. The concept idea was presented to the San Mateo City/County Managers at one of their regularly scheduled International City/County Management Association (ICMA) meetings, and was presented twice to the Emergency Services Council of the San Mateo County Operational Area Emergency Services Organization.

A final draft of the proposed new agreement was routed to all Public Works Directors in late 2014, with no comments received thereon. Finally, the document was forwarded to County Counsel, who graciously accepted the assignment to act as a clearinghouse for the agreement, and also forwarded it back out to all City Attorneys for their review.

In general terms, whenever specific substantive edits were received during the two-year period of creating this document, they were incorporated to the extent possible. During final review, a concern was expressed that the document could benefit from some refinement.

The deficiency noted by OES in 2013/2014, had also been noted in 2006. At that time, a grant-funded process produced a Public Works Mutual Aid document that was intended as an Annex for the Emergency Operations Plan. Regrettably, due to lack of involvement and ensuing buy-in from Public Works Directors, the only entity to adopt that document was the County.

On a historical note, there is an existing Mutual Aid Agreement dated 6/14/1994 that has not been used or followed the last fifteen years, but whose existence was discovered late in 2014. The Public Works Mutual Aid Agreement recommended for approval herein is similar to, but expands upon the “forgotten” 1994 agreement. The new agreement has been vetted by the Public Works Directors, and is written in a simpler manner.

Analysis

There is no requirement for a majority or all of the municipal entities of San Mateo County to enter into this agreement. Considering that no Public Works Directors have indicated any resistance to recommending approval, there is a high likelihood that the majority of the entities will accept a recommendation of approval. Further, assuming that the County accepts the anticipated recommendation of their Public Works Director, the 1994 agreement will become null and void, with perhaps some small remaining benefits to the few cities that might choose to not approve the new agreement.

Impact on City Resources

The Agreement requires that the “Requesting Party” reimburse the “Assisting Party” for all of its costs of providing assistance within sixty days. The advantage provided to the “Requesting Party” by the Agreement is that pre-existing arrangements for the provision of services are often necessary to promptly obtain reimbursement from state (i.e., California Disaster Assistance Act) or federal (i.e., Federal Emergency Management Agency) funds.

Environmental Review

No environmental review is required.

Public Notice

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

Attachments

- A. Resolution
- B. May 29, 2015 County of San Mateo – Public Works Mutual Aid Agreement
- C. Public Works Mutual Aid Agreement – Procedures Guide
- D. June 14, 1994 Public Works Mutual Aid Agreement

Report prepared by:

Jesse Quirion, Director of Public Works

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO
PARK AUTHORIZING THE EXECUTION OF A PUBLIC WORKS
MUTUAL AID AGREEMENT**

WHEREAS, the County of San Mateo and the cities in San Mateo County have expressed a mutual interest in the establishment of a plan to encourage public works mutual aid agreements; and

WHEREAS, the City Council has determined that it would be in the City's best interest to participate in a Public Works Mutual Aid Agreement; and

WHEREAS, Section 8630 et seq. of the State of California Government Code grants local agencies full power to provide mutual aid pursuant to established agreements; and
WHEREAS, a form of agreement for public works mutual aid has been presented to this Council and considered.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Menlo Park as follows:

1. Any earlier agreement the City may have entered into relative to the June 14, 1994 Public Works Mutual Aid Agreement for San Mateo County is hereby revoked and rescinded, and any such agreement is null and void.
2. The May 29, 2015 County of San Mateo Public Works Mutual Aid Agreement is hereby adopted.

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 regular meeting by the City Council of the City of Menlo Park on the twenty-first day of July, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS THEREOF, I have hereunto set my hand and affixed the Official Seal of said City, this twenty-first day of July, 2015.

Pamela Aguilar
City Clerk

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County of San Mateo Public Works Mutual Aid Agreement

This Public Works Mutual Aid Agreement (“Agreement” or “Mutual Aid Agreement”) is made and entered into this 29th day of May, 2015, by and between the parties signatory below (hereinafter individually referred to as “Party” or collectively referred to as the “Parties” to this Agreement).

WHEREAS, it is desirable and necessary for the protection of life, property and the environment that each of the Parties hereto voluntarily aid and assist each other by the interchange of public works services and resources in the event of an emergency; and

WHEREAS, County of San Mateo’s Department of Public Works and all twenty (20) cities within the County of San Mateo (“County”) have expressed an interest in the establishment of a plan to facilitate and encourage Public Works Mutual Aid Agreements throughout the County of San Mateo; and

WHEREAS, the Parties have determined that it would be in their best interests to enter into a Mutual Aid Agreement that implements a plan and sets forth procedures and responsibilities of the Parties whenever emergency personnel, equipment, and facility assistance is provided from another Party’s public works department to the other; and

WHEREAS, no Party should be in a position of unreasonably depleting its own resources, facilities, or services providing such mutual aid; and

WHEREAS, such an agreement is in accord with the California Emergency Services Act (“Act”) set forth in Title 2, Division 1, Chapter 7 (Section 8550 et seq.) of the Government Code and specifically with Article 14 (Section 8630 et seq.) of the Act; and

WHEREAS, all Parties must use protocols established in the Standardized Emergency Management System and the National Incident Management System to be eligible for possible state or federal reimbursement of response-related personnel and resource costs.

In consideration of the conditions and covenants contained herein, the Parties agree as follows:

1. Definitions. For this Agreement, the following terms shall be ascribed the following meanings:
 - a. “Assisting Coordinator” shall mean the Coordinator of a Party providing public works mutual aid.

- b. "Assisting Party" shall mean the Party to this Agreement providing public works mutual aid to another Party.
- c. "Coordinator" shall mean the person designated by each Party to act on behalf of that Party on all matters relative to public works mutual aid, to include but not be limited to requests, responses, and reimbursement. This term also includes the following distinct Coordinators:
 - a. Operational Area Coordinator is the individual who arranges and coordinates distribution of public works mutual aid countywide.
 - b. Zone Coordinator is the individual who coordinates distribution of public works mutual aid from resources assigned by the operational area to local jurisdictions within a geographic zone.
 - c. Local Coordinator is the individual who fulfills the functionally equivalent role of a city or town Public Works Branch Director.
- d. "Local Emergency" shall mean the actual or threatened existence of conditions of disaster or extreme peril to the safety of persons or property within the territorial limits of one of the Parties caused by human or natural conditions such as air pollution, fire, flood, storm, wind, earthquake, explosion, transportation accident, hazardous material problem, tsunami, sudden or severe energy shortage, epidemic, riot or other occurrences, other than conditions resulting from a labor controversy, which occurrences, or the immediate threat thereof, are likely to be beyond the control of the personnel, equipment, or facilities of that Party to this Agreement and which personnel, equipment or facilities of the other Party are therefore desired to combat.
- e. An "Operational Area" for the coordination of Public Works Mutual Aid will be San Mateo County and all the jurisdictions within the County that are Parties to this Agreement. Consistent with the Standardized Emergency Management System, the Operational Area is an intermediate level of the state emergency services organization, which serves as a link in the systems of communications and coordination between the political subdivisions comprising the Operational Area and the Regional or State Emergency Operations Center (s).
- f. "Requesting Coordinator" shall mean the Coordinator of a Party requesting public works mutual aid.
- g. "Requesting Party" shall mean the Party to this Agreement requesting public works mutual aid.

2. Designation of Coordinator. Coordinators shall be designated by each Party; the Title, Name, Address, and Phone Number of the Coordinator shall be provided to the

Operational Area Coordinator designated in Paragraph 20 hereinafter. If said designation changes, the Parties shall notify the Operational Area Coordinator as soon as practical after the appointment has been made.

3. Mutual Aid. When a local emergency has been proclaimed by a Party's governing body or authorized official, the Requesting Coordinator may request assistance from the Parties. In situations where extreme imminent threat to life, property, or the environment exists, the requirement for a proclamation before providing assistance may be waived under the presumption that such a proclamation will be made in accordance with all local and state regulations as promptly as reasonably possible.
4. Availability. The Parties agree that the mutual aid extended under this Agreement and the operational plans implementing this agreement are to be available and furnished in all cases of emergencies regardless of type, provided that such mutual aid does not compromise any Party's ability or capacity to respond to calls for service within its own jurisdiction. When request for assistance is received, the Assisting Coordinator will promptly advise of the extent of response, provide whatever personnel, equipment, and facilities are available without jeopardizing the safety of persons or property within their jurisdiction. No Party receiving a request for assistance shall be under any obligation to provide assistance or incur any liability for not complying with the request.
5. Return of Resources. When the Assisting Party's personnel, equipment, or facilities are no longer required, or when the Assisting Coordinator advises that the resources are required within their own jurisdiction, the Requesting Coordinator shall immediately arrange for the return of those resources.
6. Safekeeping of Resources. The Requesting Party shall be responsible for the safekeeping of the resources provided by the Assisting Party. The Requesting Coordinator shall remain in charge of the incident or occurrence and shall maintain control and direction of the resources provided by the Assisting Party. The request may include the provision of supervisory personnel to take direct charge of the resources under the general direction of the Requesting Coordinator. The Requesting Party shall make arrangements for feeding and/or assisting personnel, and for fueling, servicing, and repair of equipment unless the Assisting Coordinator agrees that these arrangements are not necessary or are to be provided by the Assisting Party.
7. Employment Status. The Assisting Party's personnel shall not be deemed employees of Requesting Party and vice versa.
8. Insurance. Each Party shall be responsible to provide, in its own discretion, at its sole expense, sufficient insurance for its personnel and entity.

9. Worker's Compensation. Each Party shall provide, at its sole expense, the required worker's compensation insurance coverage necessary for its own employees. It is recognized that at such times as one Party provides aid to another Party under the terms of this Agreement, the employees of the Assisting Party may claim to have become special employees on a temporary basis of the Requesting Party. Should any such claim result in any worker's compensation claim being asserted, it is hereby agreed that each such claim shall be the responsibility and liability of the Assisting Party as general employer to process, defend, and pay, if necessary.
10. Mutual Aid Costs. The Requesting Party agrees to pay all reasonable direct, indirect, administrative and contracted costs of the Assisting Party incurred as a result of providing assistance under this Agreement, based upon standard rates applicable to Assisting Party's internal operations. Payment shall be made within sixty (60) days after receipt of a detailed invoice. Payment may be delayed if agreed upon by both Parties. Requesting Party shall not assume any liability for the direct payment of any salary or wages to any officer or employee of the Assisting Party.
11. Defense and Indemnification.

11.1 Claims Arising from Sole Acts or Omissions of a Party. Each Party to this Agreement hereby agrees to defend and indemnify the other Parties to this Agreement, their agents, officers and employees, from any claim, action or proceeding against another Party, arising solely out of its own acts or omissions in the performance of this Agreement. At each Party's sole discretion, each Party may participate at its own expense in the defense of any claim, action or proceeding, but such participation shall not relieve any Party of any obligation imposed by this Agreement. Parties shall notify each other promptly of any claim, action or proceeding and cooperate fully in the defense.

11.2 Claims Arising from Concurrent Acts or Omissions. The Parties hereby agree to defend themselves from any claim, action, or proceeding arising out of the concurrent acts or omissions of the Parties. In such cases, Parties agree to retain their own legal counsel, bear their own defense costs, and waive their right to seek reimbursement of such costs, except as provided in paragraph 11.3 below.

11.3 Joint Defense. Notwithstanding paragraph 11.2 above, in cases where Parties agree in writing to a joint defense, Parties may appoint joint defense counsel to defend the claim, action, or proceeding arising out of the concurrent acts or omissions of Parties. Joint defense counsel shall be selected by mutual agreement of said Parties. Parties agree to share the costs of such joint defense and any agreed settlement in equal amounts, except as provided in paragraph 11.4 below. Parties further agree that no Party may bind the others to a settlement agreement without the written consent of the others.

11.4 Reimbursement and/or Reallocation. Where a trial verdict or arbitration award allocates or determines the comparative fault of the Parties, those Parties may seek reimbursement and/or reallocation of defense costs, settlement payments, judgments and awards, consistent with such comparative fault. The Parties expressly waive pro rata allocation of liability under Government Code Section 895.6.

12. No Waiver. This agreement shall in no way abrogate or waive any of the immunities available under Federal, State, and local law and regulations, including but not limited to the California Emergency Services Act, Government Code sections 8655 et seq.
13. Records. When mutual aid is provided, the Requesting and Assisting Parties will keep account records of the personnel, equipment, mileage, and materials provided as required by Federal and State law, the California Disaster Assistance Act, and FEMA guidelines to maximize the possibility of Federal and State disaster reimbursement. Each Party shall have access to another Party's records for this purpose.
14. Effective Date. This agreement shall take effect immediately upon its execution and shall remain in effect until terminated.
15. Withdrawal. Any Party may withdraw from this agreement, with or without cause, upon delivery of one-hundred twenty (120) days prior written notice to the Operational Area Coordinator designated in Paragraph 20 below.
16. Prior Agreements. To the extent that they are inconsistent with this agreement, all prior agreements for Public Works Mutual Aid between the Parties are hereby null and void. This agreement expressly supersedes the June 14, 1994 "Public Works Mutual Aid Agreement" entered into by the County of San Mateo and the cities in San Mateo County. This process does not preclude any routine or shared services for which the Parties may provide, may already have contracted, or may contract in the future.
17. Multiple Requests. Requests for public works mutual aid under this agreement when more than one city is impacted by an emergency will be channeled through the Operational Area Coordinator, whether or not that individual is activated as part of a Department Operations Center or as part of the San Mateo County Operational Area Emergency Operation Center, to ensure maximum effectiveness in allocating resources to the highest priority needs.
18. Dispute Resolution. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the rules of the American Arbitration Association and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

19. Tort Claims Act. This agreement in no way acts to abrogate or waive any immunity available under the Tort Claims Act.
20. Operational Area Coordinator. The County of San Mateo Department of Public Works shall act as the initial Operational Area Coordinator of this program for the purpose of:
 - a. Receipt of new members to the agreement.
 - b. Maintaining a current list of signatory Parties and Coordinators.
 - c. Establishing and maintaining a list of Local Coordinators who have volunteered to serve as a Zone Coordinator.
 - d. Circulating annually a list of all Parties and Coordinators to all signatory Parties.
 - e. Arranging for amendments to the Agreement as may be necessary.

The Party acting as Operational Area Coordinator may transfer these responsibilities to another Party with the consent of that Party and upon notification of the other Parties.

21. Execution. All Parties agree that any other qualified public agency or quasi-public agency may become a Party to this Agreement by executing a duplicate copy of this Agreement and sending same to the Operational Area Coordinator, initially the County of San Mateo Department of Public Works, addressed as follows:

Public Works Director
County of San Mateo
555 County Center, 5th Floor
Redwood City, CA, 94063-1665

22. Third Party Beneficiaries. Nothing set forth in this Agreement shall create, nor is it intended to create, third party beneficiaries with rights to enforce any clause, condition or term of this Agreement, or assert a claim or cause of action for breach of this Agreement.
23. Severability. Should any term or provision of this Agreement be determined to be illegal or in conflict with any law, the validity of the remaining portions or provisions shall not be affected thereby. Each term or provision of this Agreement shall be valid and enforced as written to the fullest extent permitted by law.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed and attested by its proper officers thereunto duly authorized, as follows:

Signatories	Resolution/Action Number	Date of Adoption
Atherton		
Belmont		
Brisbane		
Burlingame		
Colma		
Daly City		
East Palo Alto		
Foster City		
Half Moon Bay		
Hillsborough		
Menlo Park		
Millbrae		
Pacifica		
Portola Valley		
Redwood City		
San Bruno		
San Carlos		
San Mateo		
South San Francisco		
Woodside		
County of San Mateo		

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**County of San Mateo
Public Works Mutual Aid Agreement
Procedures Guide**

I. PURPOSE

The purpose of this Procedures Guide is to provide Parties to the Public Works Mutual Aid Agreement with a practical set of guidelines on how to effectively provide and receive public works assistance. The terms of the Agreement shall govern in the event there is any actual or apparent conflict between this procedure guide and the Agreement. The following provisions are suggested guidelines only and not binding on any agency. These provisions should be modified and expanded as necessary to meet the unique needs, emergency organizational structure, and working relationships of each operational and regional area.

II. TENETS OF OPERATIONAL AREA PUBLIC WORKS MUTUAL AID

1. The most effective means of providing timely assistance to a jurisdiction impacted by a disaster is to have agreements in place in advance of the disaster.
2. Assistance is voluntary.
3. Assistance provided shall be reimbursed by the requesting jurisdiction.
4. Jurisdictions should reasonably commit their own resources before requesting mutual aid.
5. A Proclamation of a Local Emergency is necessary to activate the agreement, unless waived by the Parties per paragraph 3 of the Agreement.
6. Cooperative planning and training are desirable to enhance the effectiveness of providing mutual aid when needed.

III. PROCEDURES FOR PUBLIC WORKS MUTUAL AID

1. Designated Public Works Coordinator

The Agreement specifies that the "Coordinator" shall mean the person designated by each party to act on behalf of that party on all matters relative to public works mutual aid, including but not limited to requests, responses and reimbursement.

It is suggested that the Coordinator be a person who during a disaster would be authorized to request public works resources and bind their agency for the cost of these resources. The Coordinator should also be in a position to authorize the providing agency to release personnel and equipment to the agency impacted by the disaster.

It is suggested that alternate coordinators be designated in case the primary coordinator is unavailable during the disaster.

2. WebEOC Communication

To obtain Public Works assistance, a planned method of communicating requests is essential. This includes using WebEOC as the primary means to process the request and maintain lines of communication. It is recommended that WebEOC be used to request assistance using the Resource Task (ICS-213RR). Communication via telephone, radio, microwave, etc. may be necessary in the early phases of an incident to ensure requests are being received and processed in a timely manner, and may also be used as secondary communication channels.

3. Operational Area Concept

The Agreement notes that an Operational Area, normally a County and all the jurisdictions within the County, will be the basic unit for coordinating public works mutual aid. Additionally, the coordination and assistance provided will generally mirror the zone concept of mutual aid under development by the San Mateo County Office of Emergency Services. Additionally, parties to the Agreement are expected to work cooperatively to pre-plan standardized response “packages” of resources to be provided to the varying levels of incident complexity identified in the National Incident Management System (NIMS).

4. California Office of Emergency Services (Cal OES) Role

Cal OES is expected to support public works mutual aid assistance under the agreement by offering assistance to the Regional and Operational Public Works Coordinator, and act as Statewide Coordinator for seeking mutual aid resources if required from beyond the impacted region.

5. Resource Lists and Contacts

It is strongly recommended that lists of public works resources be developed for each participating agency in the Operational Area. This list should be populated in the resources section of WebEOC and regularly reviewed and updated. Such lists are essential for the Operational Area Coordinator to quickly identify which agencies have the particular types of resources needed by the requesting impacted agency.

The designated Local Coordinator for each jurisdiction should develop a detailed list of resources for their agency by quantity, type of personnel equipment, materials, and a contact number to check on its availability when needed. It is suggested that the coordinator then provide a brief summary of that information to the operational area coordinator.

It is suggested that each party develops common standardized terminologies for resources to facilitate categorizing and compiling these inventory lists. However, the development of the standardized terminology should not impede the development of these resource lists.

6. Arrange Care for Assisting Forces

The Agreement requires that the Requesting Party be responsible for the safekeeping of the resources provided by the Assisting Party.

7. Documentation for Reimbursement

In accordance with the Agreement, each requesting and assisting party is required to keep accounting records of the personnel, equipment, and materials provided under the Mutual Aid Agreement as required by the Federal Stafford Act administered by the Federal Emergency Management Administration (FEMA) and State guidelines. This requirement is to maximize the requesting agencies reimbursement of costs expended to receive mutual aid.

Each party to the Agreement should become thoroughly familiar with those federal and state accounting requirements and pre-establish emergency management procedures and training of their personnel to carefully document all costs of labor, equipment and personnel, including administrative costs, accounted by specific damage location. These practices are not only for mutual aid reimbursement but for reimbursement of all agency costs associated with the disaster.

8. Proclamation of Emergency

The Agreement requires that a Proclamation of Local Emergency must be approved by an authorized official of the impacted jurisdiction. A State of Emergency should also be requested through the Operational Area for approval by the Governor to authorize State reimbursement and, if warranted, a request for a Presidential Proclamation of Emergency to authorize federal reimbursement. Each Agency should include in their emergency plan a provision to seek such a proclamation from the authorized official in their jurisdiction as soon as they can reasonably determine that the disaster will be beyond the scope of mutual aid assistance. Because cumulative estimates of damage across the county may be combined to establish a basis for reimbursement from the state and a gubernatorial declaration of emergency, the collection and provision of damage estimates to the Operational Area for any incident that might have countywide implication is important in obtaining external resources.

9. Agency in Charge

The Agreement provides that the Requesting Coordinator shall remain in charge of the incident and provide direction and control to the resources provided by the assisting party. The request may also include having the Assisting Party providing supervisory personnel to take direct charge of their forces under the overall direction of the Requesting Coordinator. The intent is that the Assisting Party will comply with all reasonable directions from the Requesting Coordinator. However, the Assisting Party should not be obligated to perform any work that it reasonably believes would unduly jeopardize the safety of its employees.

10. Checklists for Requesting Mutual Aid

Each Party to the Agreement is encouraged to develop checklists for their Coordinator to use in assuring that all required steps are followed to properly and effectively seek and provide Public Works Mutual Aid for the benefit of the impacted area and protection of the assisting party. These checklists should establish who is to carry out each essential function both internally to the agency and externally, and contact numbers and means for reaching them.

Attachment A (San Mateo County Operational Area Public Works Checklist for Mutual Aid Assistance) is a sample checklist.

San Mateo County Public Works Checklist for Mutual Aid Assistance

I. Pre-Event

Develop procedures at the local operational area to carry out mutual aid including checklists of actions, resource lists, etc.

II. Post Event

1. Local Agency quickly assesses estimated extent of damage and availability of local resources to respond.
2. If it is apparent that outside resources will be needed to effectively deal with the emergency, promptly authorize local official to request Proclamation of Local Emergency and, if warranted, request State of Emergency Proclamation through the Operational Area Emergency Operation Center.
3. Upon proclamation of local emergency, request mutual aid assistance from Operational Area Public Works Mutual Aid Coordinator according to pre-established procedures in WebEOC.
4. Ensure request is specific as to type and quantity of resources needed, when to report, who to report to, how long needed, type of work to be performed.

Once a providing party can be located to satisfy the resource request, the coordinator will determine how quickly these resources can be made available and notify the requesting party of that fact.

5. The requesting party will make all necessary arrangements to care for the assisting party's personnel and equipment if needed.
6. The requesting party will carefully document all costs by specific damage site according to State and Federal procedures to maximize reimbursement for costs. Carefully record the names of assisting personnel and equipment at each site, hours worked, and mileage.
7. The requesting party should return the assisting party's resources as soon as possible.

cc: Kendt Paxton
John Hopkins
Milt Mares
Walter Martone

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Resolution No. 58365

Board of Supervisors, County of San Mateo, State of California

**Resolution Authorizing the Execution of a Public Works Mutual Aid Agreement
and Designating the Director of Public Works as the
County's Coordinator for Said Agreement**

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the County of San Mateo and the cities in San Mateo County have expressed a mutual interest in the establishment of a plan to encourage public works mutual aid agreements; and

WHEREAS, this Board has determined that it would be in the County's best interest to participate in a Public Works Mutual Aid Plan; and

WHEREAS, Section 8630 et. seq. of the State of California Government Code allows local government agencies to enter into Mutual Aid Agreements; and

WHEREAS, there has been presented to this Board a form of agreement and this Board has considered same:

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED as follows:



Regularly passed and adopted this 14th day of June, 1994.

AYES and in favor of said resolution:

Supervisors:	<u>MARY GRIFFIN</u> <u>TOM HUENING</u> <u>TED LEMPert</u> <u>RUBEN BARRALES</u> <u>MICHAEL D. NEVIN</u>
--------------	---

NOES and against said resolution:

Supervisors:	<u>NONE</u>
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Absent Supervisors:	<u>NONE</u>
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(SEAL)

<u>TOM HUENING</u> President, Board of Supervisors County of San Mateo State of California

Certificate of Delivery
(Government Code section 25103)

I certify that a copy of the original resolution filed in the Office of the Clerk of the Board of Supervisors of San Mateo County has been delivered to the President of the Board of Supervisors.

 <u>RICHARD L. SILVER</u> Clerk of the Board of Supervisors

STATE OF CALIFORNIA)
)
COUNTY OF SAN MATEO)

DALE ELLEN YOUNG, Deputy Clerk, Board of Supervisors, does hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. 58365 entered in the minutes of said Board.

In Witness Whereof, I have hereunto set my hand and the seal of said Board this 14th day of June, 1994.



<u>Dale Ellen Young</u> DALE ELLEN YOUNG Deputy Clerk, Board of Supervisors

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ORIGINAL
PUBLIC WORKS MUTUAL AID AGREEMENT
FOR
SAN MATEO COUNTY

THIS MUTUAL AID AGREEMENT ["Agreement"] is made and entered into as of the 14th day of June, 1994, by those parties who have adopted and signed this agreement.

WHEREAS, the California Office of Emergency Services, the League of California Cities, the County Supervisors Association of California, and the American Public Works Association have expressed a mutual interest in the establishment of a plan to facilitate and encourage public works mutual aid agreements between political subdivisions throughout California; and

WHEREAS, the parties hereto have determined that it would be in their best interests to enter into an agreement that implements that plan and sets forth procedures and responsibilities of the parties whenever emergency personnel, equipment and facility assistance is provided from one party's Public Work Department to another; and

WHEREAS, no party should be in a position of depleting unreasonably its own resources, facilities, or services providing such mutual aid; and

WHEREAS, such an agreement is in accord with the California Emergency Services Act set forth in Title 2, Division 1, Chapter 7 [Section 8550 et. seq.] of said Act.

NOW, THEREFORE, in consideration of the conditions and covenants contained herein, the parties hereto agree as follows:

1. For this agreement, the following terms shall be ascribed the following meanings:
 - A. "Coordinator" shall mean the person designated by each party to act on behalf of that party on all matters relative to mutual aid, to include but not be limited to requests, responses, and

reimbursement.

B. "Local Emergency" shall mean the actual or threatened existence of conditions of disaster or extreme peril to the safety of persons or property within the territorial limits of one of the parties caused by human or natural conditions such as air pollution, fire, flood, storm, wind, earthquake, explosion, transportation accident, hazardous material problem, tsunami, sudden or severe energy shortage, epidemic, riot or other occurrences other than conditions resulting from a labor controversy, which occurrences or the immediate threat thereof are likely to be beyond the control of the personnel, equipment, or facilities of that party to this agreement and which personnel, equipment, or facilities of the other party are therefore desired to combat.

C. The Agreement Coordinator shall be the Director of Public Works of San Mateo County.

2. Coordinators designated by each party shall be designated by title, agency, address, and phone number. If said Coordinator changes, the other parties to the agreement shall be notified in writing as soon as practical after the appointment has been made. Said notification shall be made through the "Agreement Coordinator" designated in item 17 hereinafter.
3. The Coordinator may request assistance when the Coordinator has determined that there is an actual or threatened local emergency as defined herein or when a local emergency has been proclaimed by a party's governing body or authorized official.
4. When a request for assistance is received, the assisting Coordinator shall promptly advise of the extent of response, provide whatever personnel, equipment and/or facilities as can be provided without jeopardizing the safety of persons or property within their jurisdiction. No party receiving a request for assistance shall be under an obligation to provide assistance or incur any liability for

not complying with the request.

5. When the assisting Coordinator's personnel, equipment and/or facilities are no longer required or when the assisting Coordinator advises that the resources are required within their own jurisdiction, the requesting Coordinator shall immediately arrange for the return of those resources.
6. The requesting party shall be responsible for the reasonable safekeeping of the resources provided by the assisting party. The request may include providing supervisory personnel to take direct charge of the resources under the general direction of the requesting Coordinator. The requesting Coordinator shall make arrangements for housing and feeding the assisting personnel, fueling, servicing, and repair of equipment if such support is requested by the assisting Coordinator. The assisting party's personnel shall not be deemed employees of the requesting party, and vice versa.
7. The requesting party agrees to reimburse the assisting party for all materials provided on a direct cost basis. Payment shall be made within ninety [90] days after receipt of a detailed invoice. However, the requesting party shall not be required to reimburse the responding party for any direct or indirect salary costs, equipment costs, or overhead costs for the personnel, equipment, and/or facilities provided by the responding party pursuant to this agreement unless the requesting party receives federal or state disaster reimbursement covering such costs. (1) The requesting party agrees to make every reasonable effort to obtain federal and state disaster reimbursement. If the requesting party received federal or state disaster reimbursement covering the costs incurred by the responding agency, then it shall reimburse the responding agency within ninety [90] days of receipt of reimbursement.
8. The requesting party shall hold harmless, indemnify and defend the assisting party, its officers, agents and employees against all

liability, claims, losses, demands or actions for injury to or death of a person or persons or damages to property arising out of or alleged to arise out of or in consequence of this agreement, provided such liability, claims, losses, demands or actions are claimed to be due to the acts or omissions of the requesting party, its officers, agents or employees, or employees of the assisting party working under the direction and control of the requesting party when the act or omission of such assisting party occurs or is alleged to occur within the scope of employment under the direction and control of the requesting party.

9. When mutual aid is provided, the requesting and assisting agencies will keep financial accounting records of the personnel, equipment, and materials provided as required by Federal and State and FEMA guidelines to maximize the possibility of Federal and State disaster reimbursement. Each party shall have access to the other party's financial records for this purpose.
10. This agreement shall take effect immediately upon its execution and shall remain in effect until terminated.
11. Any party may withdraw from this agreement without cause and upon delivery of sixty [60] days prior notice in writing to the Agreement Coordinator designated in item 1 hereinafter and all other signature agencies.
12. To the extent that they are inconsistent with this agreement, all prior agreements for public works mutual aid between the parties hereto are hereby null and void.
13. Request for mutual aid assistance under this agreement when more than one county is impacted by a disaster shall be channeled through the appropriate regional State Office of Emergency Services to ensure maximum effectiveness in allocating resources to the highest priority needs.
14. Any controversy or claim arising out of or relating to this

agreement or the breach hereof shall be settled by arbitration in accordance with the rules of the American Arbitration Association, and the judgement on the award rendered by the arbitrator[s] may be entered in any court having jurisdiction thereof.

15. This agreement in no way acts to abrogate or waive any immunity available under the Tort Claims Act.

16. Each party to this agreement agrees to:

A. maintain a current list of signatory parties and "Coordinators." The current list shall be disseminated annually to each party by the Agreement Coordinator.

B. advise the other parties, through the Agreement Coordinator, of any changes in its designated "Coordinator."

C. coordinate any proposed amendments to this agreement through the Agreement Coordinator.

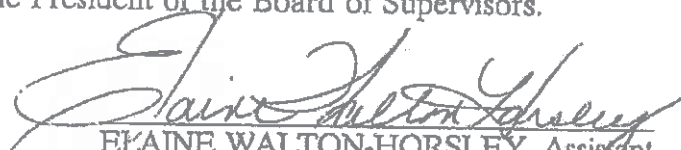
17. Other governmental agencies, utilities and special districts may become new members to this agreement upon mutual consent of all the participating parties.

IN WITNESS HEREOF, the parties hereto have executed this agreement by their duly authorized officers on the dates hereinafter indicated.

BY:

Certificate of Delivery
(Government Code section 25103)

I certify that a copy of the original document filed in the Office of the Department of Public Works has been delivered to the President of the Board of Supervisors.


ELAINE WALTON-HORSLEY, Assistant
Clerk of the Board of Supervisors

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STAFF REPORT

City Council

Meeting Date: 7/21/2015

Staff Report Number: 15-124-CC

Consent Calendar: **Award a Construction Contract to O'Grady Paving, Inc. for the 2014-15 Street Reconstruction Project in the Amount of \$ 4,038,110 and Appropriate \$300,000 from the Building Construction Impact Fee Fund Balance and Authorize a Total Construction Contract Budget of \$4,500,000**

Recommendation

Staff recommends that the City Council award a construction contract to O'Grady Paving, Inc. for the 2014-15 Street Reconstruction Project in the amount of \$4,038,110 and appropriate \$300,000 from the building construction impact fee fund balance and authorize a total construction contract budget of \$ 4,500,000.

Policy Issues

Award of contract exceeds staff authorization.

Background

The City of Menlo Park uses a Pavement Maintenance System (PMS) to analyze, assess and identify street sections within the City's street network that are most in need of maintenance and rehabilitation. The City, similar to the majority of the Bay Area's communities has implemented PMS which complies with the legislative requirements.

The street sections chosen for 2014-2015 Street Reconstruction Project are in very poor condition and require full reconstruction based on PMS (Attachment A).

The 2014-2015 Street Reconstruction Project will attempt to address the streets that need reconstruction. The streets chosen for this project by staff had the streets cored by a testing company to determine what the existing street section condition is and analyzed to determine what the street section should be based upon the traffic load and type of traffic such as being on a bus route. The project includes approximately 3.1 miles, or 3.2% of the City's street network to be reconstructed.

Analysis

On July 14, 2015, three bids were submitted and opened for the 2014-2015 Street Reconstruction Project. The lowest bidder for the project, O'Grady Paving, Inc. submitted a bid in the amount of \$ 4,038,110. Attachment B provides the bid summary. Staff has worked with O'Grady Paving, Inc. on numerous previous street resurfacing projects and is satisfied with its past performance.

Impact on City Resources

The construction contract budget for the 2014-2015 Street Reconstruction Project consists of the following:

	Amount
Construction contract	\$4,038,110
Contingency	\$461,890
Total construction contract budget	\$4,500,000
Available funds	\$4,200,000
Additional appropriation requested	\$300,000

There are sufficient funds in the Building Construction Impact Fee Fund balance to cover the additional funds needed.

Environmental Review

The project is categorically exempt under Class I of the current State of California Environmental Quality Act Guidelines, which allows minor alterations and replacement of existing facilities.

Public Notice

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

Attachments

- A. Street Work Location Map
- B. Bid Summary

Report prepared by:
Ruben Nino, Assistant Director of Public Works



MENLO PARK 2014-2015 STREET RECONSTRUCTION PROJECT



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BID SUMMARY

2014-2015 Street Reconstruction Project

Bid Opening: Tuesday, July 14, 2015 at 2:00 PM

	COMPANY	BID
1	O'Grady Paving, Inc.	\$4,038,110
2	Interstate Grading & Paving, Inc.	\$4,187,934
3	G. Bortolotto & Company, Inc.	\$4,396,561

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STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-120-CC

Consent Calendar: **Award a Contract to Various Vendors for a Total Amount of \$474,680 for the Purchase of 13 Vehicles, One Turf Sweeper, and Outfitting Safety Equipment; Authorize a Contingency in the Amount of \$20,561, Appropriate \$95,241 from the Vehicle Fund Balance and Authorize a Total Budget of \$495,241**

Recommendation

Staff recommends that the City Council:

1. Award a contract to Towne Ford in the amount of \$367,194 for the purchase of 13 vehicles;
2. Award a contract to Jacobsen West in the amount of \$33,877 for the purchase one SMITHCO Turf Sweeper;
3. Award a contract to Priority One Safety Equipment in the amount of \$73,609 for Safety Equipment Outfitting;
4. Authorize a contingency in the amount of \$20,561 that will be used for graphics and any unforeseen but needed equipment for the vehicles;
5. Appropriate \$95,241 from the Vehicle Fund Balance; and
6. Authorize a total budget of \$495,241.

Policy Issues

This cumulative cost of the expenditure exceeds the City Manager's authority.

Background

Annually, staff recommends vehicles and equipment replacement based on mileage, age, downtime for repairs and an assessment of all vehicles and equipment.

Analysis

In May of 2015, staff sent Requests for Quotes to five local automotive dealers. Two were returned complete, two incomplete and one did not respond. Only one dealer, Towne Ford confirmed their quote would still be honored beyond the normal 30 days. Jacobsen West is a sole source regional dealer for SMITHCO sweepers.

Staff also requested quotes for the purchase and installation of emergency equipment for the new police vehicles. These services are not provided by the car dealerships and at the current time, Priority 1 Safety is the only company that offers the services necessary to outfit public safety vehicles. Staff also requested additional quotes for outfitting the remaining vehicles with equipment.

A summary of all quotes amounts is included as Attachment A.

Impact on City Resources

The resulting costs of the purchasing and outfitting of 13 vehicles and equipment are as follows:

Vendor	Description	Quantity	Cost
Towne Ford	Police Utility Interceptor	4	\$126,363
Towne Ford	Police Utility Service Vehicle	2	\$45,480
Towne Ford	Community Services Van	2	\$65,394
Towne Ford	Community Development Utility Vehicle	2	\$45,480
Towne Ford	Public Works Maintenance Vehicle	3	\$84,477
Jacobsen West	SMITHCO 48H Turf Sweeper	1	\$33,877
Priority 1 Safety Equipment	Safety Outfitting	1	\$73,609
Contingency	Graphics and/or additional unforeseen needs for all vehicles	1	\$20,561
TOTAL COST			\$495,241

The Vehicle Replacement Program Budget for Fiscal Year 2015/2016 has a budget of \$400,000 and additional \$95,241 is required for the purchase of outfitting of vehicles, additional equipment, installation and contingency. The contingency will cover any additional accessories and installations that may be needed.

Staff has recently sold the surplus vehicles from Fiscal Year 2014-15 at an auction and will sell the used vehicles being replaced in this cycle at auction as well. The sales proceeds will be deposited into the Vehicle Replacement Fund.

Environmental Review

Environmental review is not required.

Public Notice

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

Attachments

A. Summary of quotes

Report prepared by:

Brian Henry, Superintendent





QUOTES

	COMPANY	BID AMOUNT
1	TOWNE FORD SALES	\$367,194
2	SAN LEANDRO FORD	\$367,314

TURF SWEEPER QUOTES

	COMPANY	BID AMOUNT
1	JACOBSEN WEST	\$33,877

SAFETY OUTFITTING

	COMPANY	BID AMOUNT
1	PRIORITY 1 SAFETY EQUIPMENT	\$73,609

OUTFITTING

	COMPANY	BID AMOUNT
1	GRAPHICS ON THE EDGE	\$5,496
2	CUSTOM TRUCK ACCESSORIES	\$5,228
3	COMMERCIAL VAN INTERIORS	\$4,714
4	LINE-X	\$1,123
CONTINGENCY		\$4,000

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STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-127-CC

Consent Calendar: **Authorize the City Manager to Enter into Agreements with Chrisp Company and Quality Striping, Inc. for Citywide Street Signing and Striping Program and Authorize the City Manager the Option to Extend the Agreements for Up to Three Additional Years**

Recommendation

Staff recommends that the City Council Authorize the City Manager to enter into agreements with Chrisp Company and Quality Striping, Inc. for the citywide street signing and striping program and authorize the City Manager the option to extend the agreements for up to three additional years.

Policy Issues

This project is consistent with several policies in the 1994 General Plan Circulation and Transportation Element. These policies seek to maintain a circulation system that will provide for the safe and efficient movement of people and goods throughout Menlo Park for residential and commercial purposes.

Background

The Public Works Department annually allocates approximately \$90,000 from the Measure A fund to repair and maintain City street signage and striping. Approximately \$50,000 is used for striping maintenance and \$40,000 for sign maintenance depending upon repairs needed. In August 2011, the City entered into an agreement with Quality Striping Inc. for a citywide striping and signage contract with the option to renew the contract for an additional three (3) years. That contract expired in June 2015, after the allowable three (3) years of contract extensions.

Analysis

Staff has developed a signing and striping updating program. The program assists in maintaining safe and up-to-date signage, striping, and markings infrastructure that complies with current Federal and State standards. As of January 2015, the Federal Highway Administration (FHWA) has established eleven (11) new sign standards. The following are a few examples of the new standards:

- All signs must maintain a minimum retroreflectivity
- All school crossing signs must be made of high intensity, fluorescent, yellow, green material
- All street name signs must conform to new lettering standards

The new citywide street striping and signage program will help us meet these new standards.

Along with the refreshing and updating considered preventive maintenance, the Contractor would also

perform emergency/on-call striping and signing projects. These projects are required to be completed within 10 days of a work order being submitted to the Contractor.

The request for bids was sent out to 6 companies and advertised on the City's website. The project was bid on a unit price basis, requiring the Contractor to perform the Striping and Signing Program up to the amount budgeted each year for the program. The budgeted amount for this year is \$90,000.

Staff reviewed the bids of the four responding companies believed to have the general competency for performing the work covered by this informal bid. Two of the responding companies did not qualify as their offices are located further than the sixty mile radius of the City as specified in the bid. Staff reviewed the two remaining bids and took into consideration the size of projects completed by each bidder, their references and ultimately, the estimated cost of each bidder to perform the work. Staff then estimated quantities for possible projects to be completed this year and compared bid prices to complete those projects. The following table shows the bid comparisons.

	Quality Striping Inc.	Chrisp Company
Striping estimate	\$44,325	\$31,245
Signage estimate	\$38,000	\$49,610
Estimated Total Cost	\$82,325	\$80,855

Due to the discrepancy in the bid estimates for the two types of work needed and that both companies have satisfactorily completed contracts in the past for the City, staff is recommending the City award both companies with a contract and use each company on an on-call basis depending on the work needed.

Impact on City Resources

There is currently \$90,000 budgeted in the FY 2015-16 Budget for the street signage and striping program funded by Measure A.

Environmental Review

The proposed action is categorically exempt under the current California Environmental Quality Act Guidelines.

Public Notice

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

Report prepared by:

Richard Angulo, Traffic Technician II



STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-128-CC

Consent Calendar: **Authorize the City Manager to execute a contract with ClientFirst Consulting Group, LLC in an amount not to exceed \$60,128 for development of an Information Technology Strategic Plan**

Recommendation

Staff recommends that the City Council authorize the City Manager to enter into a contract with ClientFirst Consulting Group, LLC in an amount not to exceed \$60,128 for development of an Information Technology Strategic Plan.

Policy Issues

This contract addresses the City Council's priority goal of developing an Information Technology master plan/strategic plan. The contract amount, plus a 10 percent contingency, exceeds the staff authorization and requires City Council approval and is consistent with City policy.

Background

The City Council held a Special Meeting January 26, 2015, at the Arrillaga Family Recreation Center, to develop a list of achievable goals for 2015. Among those goals was the development of an Information Technology master plan / strategic plan. Specific initiatives identified for inclusion in the development of such a plan were the need for new software that could allow for online permitting of overnight parking, basic residential permits (roof replacements, kitchen/bath remodel, etc.).

A city's Information Technology Strategic Plan serves as the road map for development, implementation and utilization of technology in a coordinated effort organization wide. The City of Menlo Park has not had this type of structured plan in the past and views it as essential to modernizing and strengthening the organization's administrative systems.

Analysis

A Request for Proposals was issued to solicit proposals from prospective consultants to develop the plan, based on a project scope that included:

- Evaluation of the City's current technology environment, including services provided, infrastructure, funding and service methodology.
- Evaluation of the City's current business application portfolio.

- Interviews with key staff in all city departments, as well as I.T., to determine desired business and technology needs.
- Prioritization of application and technology infrastructure requirements based on the City's current and proposed business needs and goals, and evaluation of alternative approaches for meeting those needs.
- Estimated budget(s) of each recommended application and strategy for initial implementation as well as ongoing support costs.

The goal is the development of an I.T. Strategic Plan that will guide the organization over the next five years in planning, procuring, implementing and managing current and future investments and resources.

The Request for Proposals was issued on May 28, 2015, and remained open for approximately three weeks before closing on June 22, 2015. A total of 15 proposals were received with a proposed cost ranging from \$36,000 to \$98,000. Consultants were evaluated based upon the following criteria: cost, knowledge and experience with similar projects, their approach and understanding of the scope of services, references and availability. The comparison in Attachment 1 shows the valuation of services.

Staff reviewed all proposals and interviewed five of the 15 firms. At the conclusion of the interviews, staff selected ClientFirst as the firm best positioned to successfully develop the City's next I.T. Strategic Plan. This assessment was based on ClientFirst's comprehensive response to the Request for Proposals, their strong understanding of the required scope of services, project team, strong references and relative experience in the preparation of assessments for 50+ agencies in California. A significant number of ClientFirst's client projects are of similar scope and size to Menlo Park.

As a result of the proposal, research and interviews, staff recommends that the City Council award a contract to ClientFirst Consulting Group, LLC in an amount not to exceed \$60,128. Staff expects to return to the City Council with the results in October 2015.

Impact on City Resources

The total cost of the contract with ClientFirst will not exceed \$60,128. This cost is budgeted and included within the \$3 million in funds previously set aside by the City Council for technology improvements.

Environmental Review

Environmental review is not required.

Public Notice

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

Attachments

- A. Vendor comparison
- B. ClientFirst RFP response
- C. Draft Agreement with ClientFirst

Report prepared by:

Clay J. Curtin, Assistant to the City Manager
Gene Garces, I.T. Manager

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RFP for Information Technology Strategic Plan	SUPPLIER #1	SUPPLIER #2	SUPPLIER #3	SUPPLIER #4	SUPPLIER #5
NAME	ClientFirst	ThirdWave	NexLevel	Plante Moran	Moss Adams
CITY/ST	Corona, CA	Los Angeles, CA	Sacramento, CA	Southfield, MI	San Francisco, CA
ITEM DESCRIPTION	Fee proposal	Fee proposal	Fee proposal	Fee proposal	Fee proposal
Cost Proposal	\$54,662	\$59,950	\$52,675	\$68,500	\$68,850
10% Contingency	\$5,466	\$5,995	\$5,268	\$6,850	\$6,885
Total not-to-exceed amount	\$60,128	\$65,945	\$57,943	\$75,350	\$75,735
Project Duration	292 hours	3 months	301 hours	274 hrs / 3 months	260 hrs / 3 months
Years of Municipal Experience	11	28	16	30+	15+
Assigned Principal Project Members	5+	5	3	4	4
Project Plan	Five phase	Three phase	Three phase	Four phase	Four phase

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Response to RFP

Information Technology Strategic Plan

June 18, 2015



Client Locations
Coast-to-Coast

Practice Locations
California
Illinois
North Carolina
Minnesota

800.806.3080
www.clientfirstcg.com

June 18, 2015

Mr. Gene Garces
Information Technology Manager
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

RE: LETTER OF INTEREST – Response to RFP for Information Technology Strategic Plan

Dear Mr. Garces:

Thank you for the opportunity to present the City of Menlo Park with our *Response to RFP for Information Technology Strategic Plan*, which includes developing and articulating a vision for the effective use of technology to support the work of the City, to identify strategies for developing and implementing technology initiatives, and the cost benefits of doing so.

CLIENTFIRST Technology Consulting will work with you to transform the way your organization approaches and makes decisions regarding information technology. We are adept at educating and building consensus among City staff, departmental leadership, management, and City officials. Our approach is to assess the current environment, review alternatives, and provide the City with specific recommendations and supporting documentation regarding strategy and tactical implementation.

Methodology and Approach – CLIENTFIRST customizes industry best practices for strategic technology planning in a practical way to meet the unique needs of each municipality. We provide:

- Needs assessments for business department applications and technology utilization
- IT infrastructure, operations, and staffing needs assessments
- Development of strategies, goals, objectives, and recommendations
- Comprehensive IT initiative recommendations with budgets, timelines, and resource assignments
- Master planning workshops with the Project Manager, IT personnel, IT Planning Committee, and executive management
- Master Planning Report and supporting documentation
- Tracking and Measurement of Plan Objectives and Initiatives

Truly Independent – CLIENTFIRST is a truly independent technical services and consulting firm. We are certified in multiple technologies, but we DO NOT resell hardware and software, nor represent those that do. Therefore, there is no risk that our analysis will be biased in any way towards certain solutions.

Local Government and Municipal Focus – Our management team’s career experience includes over 1,000 projects for more than 250 government agencies and special districts.

Office Location and Contact Information

1181 California Ave., Suite 270
Corona, CA 92881

If you have any questions, feel free to contact us at 951.739.7989 or via email at srobichaud@clientfirstcg.com or dkrout@clientfirstcg.com for additional information. We look forward to the opportunity of serving the City of Menlo Park as one of our many satisfied clients.

Sincerely,



Steve Robichaud
Partner
Applications Consulting Practice Leader



David W. Krout, CPA (inactive)
Managing Partner
Management Consulting Practice Leader

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Firm Organization

Our consultants have been assisting local governments and special districts with innovative technology solutions with *CLIENTFIRST* for over ten years, bringing with them many more years of experience in this field. Our risk-averse technology planning and the quality of service we provide our clients have resulted in numerous long-term business relationships. We are confident that no other consulting firm focusing on local governments and special districts offers the wide range of IT services that we do.

Government Technology



Focusing on local governments and special districts means that we understand the unique needs, processes, protocols, and political nuances involved in the industry. This **understanding and experience** ensures that our strategies and recommendations are practical in all respects.

Local Presence and Practice Locations

We have a local presence with extensive experience in California. *CLIENTFIRST* is a national firm, with practices located in California, North Carolina, Illinois, and Minnesota.



Corona, CA



Charlotte, NC



Schaumburg, IL



Minneapolis, MN

Business Management Approach

We understand that not all government executives are versed in the latest technology issues and opportunities. Therefore, our approach and deliverables provide a business-management perspective that allows the layperson **the ability to understand the technology issues, strategies, and potential solutions required to make more informed business decisions.**

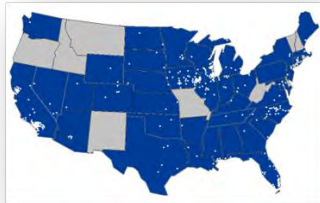
Practical Recommendations

We believe in using technology as a tool to meet your business objectives; we do not apply technology just for technology's sake. We are serious in our quest to provide clients with practical solutions that meet their individual requirements. Sometimes the proper solution includes cutting-edge technology. However, a cost-effective and practical solution using proven technology is often the most beneficial.

Save	Increase
 Time	 Expertise
 Money	 Service
 Resources	 Efficiency

True Independence

CLIENTFIRST believes in practicing **true independence**. We do not resell products, nor maintain relationships that would result in any add-on profit margins or referral fees. Our interest is in **putting the client first** by finding optimum solutions (i.e., the greatest value at lowest competitive cost) to meet their needs.



National Recognition

Our consultants are nationally recognized for their work by many of the industry's leading vendors. They appreciate the fairness and objectivity we demonstrate when dealing with their organizations.

Industry Recognition – CIO Review

CLIENTFIRST was featured in the 2013 issue of *CIO Review* as one of the 20 Most Promising Government Technology Consulting Companies.



ClientFirst Technology Consulting



A Beacon of Light for Prime Technology Solutions

Today, many Information Technology (IT) companies make the same mistakes, especially when it comes to consulting-oriented projects. Their knowledge of new technology is limited, and they use generalized IT specialists who may be well rounded, but lack the over-all technical strength. That is why many local governments rely on ClientFirst, a consultant and IT services firm, headquartered in Corona, California, with offices in Illinois and North Carolina, and specializes in a wide breadth of IT disciplines.


“When dealing with IT companies, it’s easy to become lost in the jargon of the field, but ClientFirst takes a practical, business management perspective. The company not only helps their clients understand, but works with them extensively to determine the strengths and weaknesses of their infrastructure and applications and what they need for success,” observes David Krout, Managing Partner of ClientFirst. The company itself is almost exclusively local government, offering consulting in all aspects of IT Infrastructure, IT Support, IT Master Planning, ERP applications, and Telecommunications. In order to preserve an unbiased stance that measures the quality of various technologies, ClientFirst refrains from reselling hardware and software. This independence allows them to give unbiased recommendations for different environments and situations.

Many of ClientFirst’s services aim for the betterment of local communities. Their major software consulting service can bolster community development, utility billing, and work management, in particular. They also offer consulting on application management best practices and IT department turnarounds. For more hands-on assistance, clients have supplemental and outsourcing support from which to choose. ClientFirst’s telecommunications consulting designs phone systems, communications infrastructure and provides carrier contract negotiations. The company provides much of its consulting through local government agencies and strives to educate its clients as well as aid them in the implementation of comprehensive IT Master Plans they help develop.

Understanding the scope of ClientFirst’s services is best done through looking at their work. When commissioned by the city of Redlands, California to formulate an IT plan, ClientFirst did an assessment of each city department’s information technology needs, evaluating application needs, policies and procedures, staffing structure, use of productivity tools, and more. Based on the needs of Redlands’ infrastructure and applications, they formed a comprehensive 5-year plan and educated the city council, providing additional systems engineering capabilities and even redesigned their new data center and network. “ClientFirst is not a company that does product sales, but rather offers independent consulting services, like those in Redlands, that stick closely to retaining the best components of an environment and improving the rest. Combined with the multitude of IT disciplines working under ClientFirst, each client gets advice from subject matter experts who are best trained in each specific field,” explains Krout.



David Krout

ClientFirst serves a list of illustrious clients in Illinois’ Elgin School District U46; Laguna Niguel, CA; Lincolnwood, IL; Castaic Lake Water Agency, CA; and City of Bloomington, IL. With a reputable system of client care that it prides itself on, ClientFirst is an up-and-coming company with a future of promise and prosperity ahead of it as they aim to increase their regional IT support services in California and Illinois, as well as national presence in IT planning, software selection and telecommunications consulting. The company looks for people who have a passion, as its employees share a common desire to make a positive difference in various communities, rather than simply make a profit. While they currently have 35 professionals, ClientFirst is expecting to boost their head count to 50 by next year. 

Firm and Contact Summary Information

Name of Business	ClientFirst Consulting Group, LLC dba ClientFirst Technology Consulting
Primary Contact for Engagement	Steve Robichaud Partner, Application & Process Consulting Practice Leader 951.739.7989
Secondary Contact	David Krout Managing Partner, Management Consulting Practice Leader 951.739.7989
Years in Practice	11
Size & Locations	California 1181 California Ave., Suite 270 Corona, California 92881
	Schaumburg, Illinois
	Minneapolis, Minnesota
	Charlotte, North Carolina
	35 Employees
Ownership (Type of Entity)	Limited Liability Company (LLC), formed 6/28/2004 (<i>CLIENTFIRST</i> is not owned by another business entity or any individual.)
Partners	David Krout, Managing Partner
	Tom Jakobsen, Senior Partner
	Steve Robichaud, Partner

Insurance Requirements

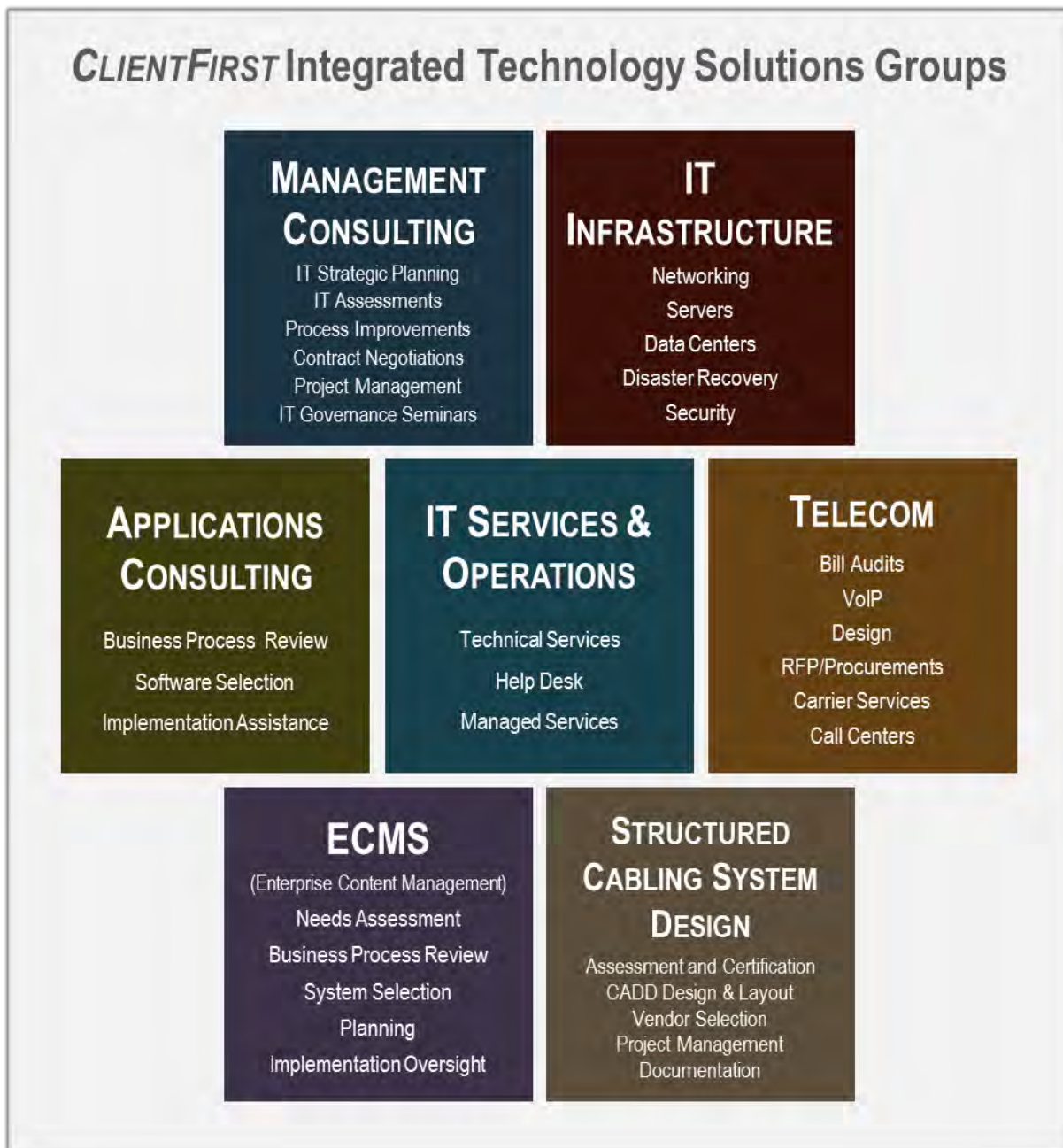
CLIENTFIRST is insured to the levels required by federal and state law and this project. Certificates of insurance will be provided upon contract award.

Diversified Experience

We have **extensive experience with a wide variety of organizations and technology and processing environments**. In addition, we have significant market knowledge regarding software and hardware providers and are well-informed with respect to vendor and industry developments.

Integrated Technology Solutions Groups

Whatever your IT needs are, we offer a **unique combination of experts** in their given disciplines who can guide your for technology decisions, planning, implementation, and management, chosen according to the specific needs of each project, working as an integrated team to **provide end-to-end consulting and support services**.



Integrated Technology Services

MANAGEMENT CONSULTING

- Strategic Planning
- IT Master Planning
- IT Assessments
- IT Staffing Assessments
- Process Improvements
- Procurement Assistance
- Contract Negotiations
- Project Management
- IT Governance Seminars

IT SERVICES AND OPERATIONS

IT Technical and Managed Services

- 24/7 On-Call
- PC Break-Fix Services
- Routers and Switches
- Server Installation, Configuration and Troubleshooting
- On-Site or Remote
- Network and Server Troubleshooting and Configuration
- Security Systems Support
- Network and Server Management
- Patch Management
- Inventory and Licensing Management
- Remote Network, Server and Desktop Monitoring

IT Staffing

- IT Staffing Needs Assessment and Operational Reviews
- Interim IT Management
- Supplemental IT Management Staffing

TELECOMMUNICATIONS CONSULTING

- VoIP Readiness Review
- Systems Evaluation, Design, Specifications, and RFP Development
- Bill Audits (Cost Analysis and Negotiation)
- Telecom Expense Management (TEM)
- Credit / Refund Requests
- Strategic Planning
- Project Management
- Carrier Services Cost Analysis
- Operational and Workflow Reviews
- System Selection and Contract Negotiations

ECMS

- Needs Assessment
- Business Process Review
- System Selection
- Planning
- Implementation Oversight

IT INFRASTRUCTURE

Networking and Servers

- Assessment, Design, and Installation
- Replication and Redundancy Strategies
- Virtualization
- Cloud Computing
- Wireless
- Data Center Design

Disaster Recovery

- Risk Assessment and Business Impact Analysis
- Disaster Recovery Planning
- Hot-Site and Recovery Services Evaluation
- Storage Area Networking
- Backup Strategies and Design

Security

- Internet and Firewall Security Reviews
- IT Security Reviews
- Security Policy and Controls Development
- Intrusion Testing

STRUCTURED CABLING SYSTEM DESIGN

- Assessment and Certification
- CADD Design and Layout
- RFP / Vendor Selection
- Project Management
- Documentation
- Fiber-Optic Network Design

APPLICATIONS CONSULTING

Business Process Review

- Business Case Analysis
- Preliminary Needs Assessment and Recommendations
- Process Analysis and Improvement

Software Selection

- Feature / Function Requirements Definitions
- Implementation Risk Assessments
- Change Management
- RFP Development
- Vendor Analysis and Evaluations
- Demonstration Facilitation
- Contract Review and Negotiations

Implementation Assistance

- Implementation Project Management
- Conversion Assistance
- Integration / Interface Assistance
- Ad Hoc Report Writing Assistance

Areas of Expertise

The consultants assigned to this engagement have direct experience in a broad range of products and services.

IT OPERATIONS / TECHNICAL SERVICES EXPERIENCE

- Technical Services
- 24/7 On-Call
- PC Break-Fix Services
- Routers and Switches
- Server Installation, Configuration and Troubleshooting
- On-Site or Remote Services
- Network Troubleshooting and Configuration
- Security Systems Support
- Managed Services
- Network Management
- Event Monitoring
- Patch Management
- Inventory Management
- Licensing Management
- Software Distribution
- Remote Network and Desktop Monitoring

- Desktop Monitoring
- Remote Network and

TELECOM EXPERIENCE

- Law Enforcement Records Management
- Systems Evaluation and Assessments
- Telecommunications System Management
- Voice and Data Cable Infrastructure Design and Engineering
- LAN/WAN Assessments, Design, Procurement, and Implementation
- VoIP (Voice-over-Internet Protocol) Readiness Reviews and Assessments
- Telecom Billing Audits and Cost Reviews
- Strategic IT and Telecommunications Planning
- Systems Design and Alternative Analysis
- Business Continuation Planning and Disaster Recovery Planning
- Call Center Planning and Operational Design
- Competitive System and Vendor Selection
- Project Management and Implementation

- Telecommunications
- Project Management and

DEPARTMENT AREA EXPERIENCE

- Council
- Administration
- Building and Safety
- City Clerk
- Finance
- Fire
- Library
- Utility Billing
- Customer Service/Call Centers
- Payroll
- Human Resources
- Planning
- Police
- Purchasing
- Public Works
- Parks and Recreation
- Engineering
- Geographic Information System (GIS)
- Water
- Waste Water
- Sanitation
- Field Operations
- Laboratories
- Environmental Services
- Facilities
- Treatment Plants
- Fleet Management
- Engineering
- Warehousing
- SCADA
- Information Systems

- Information Systems

APPLICATION AREA EXPERIENCE

- General Ledger
- Budgeting
- Project Accounting
- Grant Accounting
- Cash Receipts
- Purchasing and Receiving
- Bids Management
- Contract Management
- Accounts Payable
- Fixed Assets
- Loans
- Special Assessments
- Financial Reporting
- Business Licensing
- Applicant Tracking
- Human Resources
- Employee Self-Service
- Benefits Tracking
- Time and Attendance
- Payroll
- CIS and Utility Billing
- Customer Service / Call Centers
- Backflow
- Service Orders
- Work Orders / Preventative Maintenance
- Inventory and Fleet Management
- Planning, Permitting, Inspection and Code Enforcement
- Land/Parcel/Address Management
- Computer-Aided Dispatch (CAD)
- Records Management
- Mobile Computing
- Citizen Request Management (CRM)
- Geographic Information System (GIS)
- Adjudication
- Citation Management
- Database Management

- Database Management

Consultants' Collective Experience

We understand the experience of the individual consultants is a significant factor in hiring a firm to conduct the project on your behalf. Our consultants have extensive public-sector experience in their respective careers, including projects with the following agencies:

California

City of Brentwood
 City of Burbank
 City of Calabasas
 City of Camarillo
 City of Chino
 City of Colton
 City of Downey
 City of Dublin
 City of Escondido
 City of Foster City
 City of Healdsburg
 City of Hemet
 City of Indio
 City of Laguna Niguel
 City of La Habra
 City of La Puente
 City of Lathrop
 City of Lomita
 City of Murrieta
 City of Palm Desert
 City of Piedmont
 City of Port Hueneme
 City of Rancho Cucamonga
 City of Rancho Mirage
 City of Rialto
 City of Rosemead
 City of Sacramento
 City of San Gabriel
 City of San Jacinto
 City of Seal Beach
 City of South Gate
 City of Upland
 Town of Danville
 Town of Truckee
 Riverside County
 San Bernardino County
 CA-NV American Water Works Association
 Cucamonga Valley Water District
 Glendale Water & Power
 Newhall County Water District
 Rincon del Diablo Municipal Water District
 Rosamond Community Services District
 Southern California Coastal Water Research
 Walnut Valley Water District
 Colton Joint Unified School District
 Jurupa Community Services District
 Lake Elsinore Unified School District
 Menifee Unified School District
 Mountain View Elementary School District
 Romoland School District
 West Covina Unified School District
 Ohlone Community College
 San Jose Community College
 University of California San Francisco
 Mechoopda Indian Tribe
Arizona
 Maricopa County

Connecticut

City of Bristol
 City of Groton
 City of New Haven
Florida
 City of Cape Coral
 City of Deerfield Beach
 City of Dunedin
 City of Fort Lauderdale
 City of Pompano Beach
 City of Port St. Lucie
 City of Riviera Beach

Illinois

City of Bloomington
 City of Champaign
 City of Countryside
 City of Highland Park
 City of Lake Forest
 City of Moline
 City of Morton Grove
 City of Naperville
 City of Oakbrook Terrace
 City of Orland Park
 City of Prospect Heights
 City of Rockford
 City of Rock Island
 City of St. Charles
 Village of Arlington Heights
 Village of Cary
 Village of Glencoe
 Village of Kenilworth
 Village of Libertyville
 Village of Lincolnwood
 Village of Matteson
 Village of Norridge
 Village of Northbrook
 Village of Northfield
 Village of Oak Brook
 Village of Oak Park
 Village of Palos Park
 Village of River Forest
 Village of Riverside
 DuPage County
 Peoria County
 Sangamon County
 Batavia Public School District
 Central Community Unit School District 301
 Civitas Schools
 Community Unit School District 300
 Community Unit School District 308
 Consolidated High School District 230
 Consolidated School District 158
 DeKalb Community Unit School District 428
 Elgin School District U-46
 Geneva Community Unit School District 304
 Glenview Schools
 Gower School District
 Hampton School District 29
 Harlem School District 122
 Harrison School District 36

Harvard Community Unit School District
 Indian Prairie Community Unit School District 204
 Mount Prospect School District 57
 Naperville Community Unit School District 203
 Naperville Park District
 Norridge Park District
 Park Ridge Schools
 Port Byron Central School District
 Riverside Public School District 96
 School District U-46
 Sherrard Community Schools
 St. Charles School District
 Township High School District 214
 West Aurora School District 129
 Wheaton-Warrenville School District 200
 Illinois State University
 Lake Forest College
 Northern Illinois University
 The University of Chicago
 Lincolnwood Public Library
 Oak Park Library
 Oswego Library District
 Park District of Highland Park
 American Association of Diabetes Educator
 Chicago Theological Seminary
 Illinois Action for Children
 Illinois Municipal Retirement Fund
 Jensen IT

Indiana

The University of Notre Dame

Iowa

City of Ankeny
 City of Bettendorf
 City of Burlington
 City of Cedar Rapids
 City of New Hampton
 City of West Des Moines
 Johnson County
 Linn County
 State of Iowa
 Assumption Catholic High School
 Archdiocese of Dubuque Catholic Schools
 Burlington Community School District
 Cedar Rapids Community School District
 Davenport School District
 Diocese of Davenport Catholic Schools
 Dubuque Community School District
 Knoxville Community School District
 Mason City School District
 North Scott School District
 Wahlert Catholic High School
 Des Moines Area Community College
 Loras College
 St. Ambrose University
 Cedar Falls Utilities

Maryland

State of Maryland

Michigan

Anoka County
 Lake Superior State University
 University of Michigan

Nevada

County of Nye
 Town of Pahrump

New York

State of New York
 Hudson Valley Community College

North Carolina

City of Burlington
 City of Gastonia
 City of Kinston
 City of Mount Airy
 City of Salisbury
 Arc of Stanley County (Monarch)
 Buncombe County
 Cabarrus County
 Orange County
 St. Augustine College
 Wake Forest University
 Eastern Band of Cherokee Indians
 Salisbury Rowan Utilities

Ohio

Cuyahoga County
 Montgomery County

South Dakota

Rapid City Area Schools

Utah

Washington County School District

Virginia

Commonwealth of Virginia

Wisconsin

City of Brookfield
 City of Eau Claire
 City of Wauwatosa
 City of West Allis
 Brown County
 Kenosha County
 Milwaukee County
 Waukesha County
 HIDTA Milwaukee
 Diocese of Madison Catholic Schools
 Madison School District
 Shorewood School District
 Whitnall School District
 West Allis School District
 Southwest Technical Institute
 St. Beloit College
 St. Norbert College
 University of Wisconsin
 State of Wisconsin

Wyoming

State of Wyoming

Technical Certifications

CLIENTFIRST consultants collectively possess an extensive portfolio of certifications, revealing their commitment to ongoing professional training and ensuring that our clients have access to the latest information in the field.



Project Team

Key Personnel

The personnel selected for this engagement are listed below, with their individual project roles. All proposed personnel are *CLIENTFIRST* employees (i.e., no subcontractors).

Project Role: **Project Director**
ClientFirst Title: Managing Partner, Management Consulting Practice Leader

David Krout

Project Role: **Project Manager**
ClientFirst Title: Partner, Enterprise Applications Consulting Practice Leader

Steve Robichaud

Project Role: **IT Infrastructure Specialist**
ClientFirst Title: Senior Partner, IT Infrastructure & IT Operations Practice Leader

Tom Jakobsen

Project Role: **Network Engineer**
ClientFirst Title: Infrastructure Practice Manager

Roger Cano

Project Role: **Senior Consultant**
ClientFirst Title: Management Consultant

Alexis Mercado

Additional Consulting Personnel

The following personnel will be available and will participate in an advisory role during the consulting engagement.

Project Role: **Telecommunications Specialist**
ClientFirst Title: Telecommunications Practice Leader

Tom Weiman

Project Role: **Senior GIS Specialist**
ClientFirst Title: GIS & Spatial Analysis Practice Consultant

Jay Seckman

Project Role: **Senior Network Security Consultant**
ClientFirst Title: Senior Network Engineer

Jim Bliss

Biographies

Detailed profiles for each Project Team member are found on the following pages.

David W. Krout, CPA (*Inactive*)

Managing Partner – Management Consulting Practice Leader



David Krout has nearly 20 years of experience assisting local governments and special districts with a broad scope of information technology needs. He specializes in working with organizations to identify their strategic, organizational, application, and functional requirements in order to determine which system and/or specific applications are a proper fit for both the customer and the vendor.

Mr. Krout's unique and diversified background in business management, accounting, sales, marketing, and management consulting has given him the ability to collaborate with C-level executives and department staff from a practical, business-management perspective in order to maximize their IT utilization.

Having worked for a leading local government enterprise software provider, Mr. Krout brings a unique understanding of consulting, client representation, and vendor relationships to the collaboration between customers and software vendors.

Highlights

- Served on the National Committee for Information Technology for the Institute of Management Accountants
- Former President, Institute of Management Accountants, Inland Empire Chapter
- Former Government IT Consulting Manager for RSM McGladrey, the nation's fifth-largest CPA and consulting firm
- Featured speaker for the California Society of Municipal Finance Officers (CSMFO) Annual Conference on the topic of "Risk Mitigation Strategies for Software Selection"
- Project lead with dozens of public-sector agencies throughout the United States

Specialties

- Business Process Reviews
- Application Requirements Definition
- Current System Needs Analysis & Improvement
- New Software Selection Assistance
- Strategic Master Technology Planning
- Project Management & Oversight
- Conversion Assistance & Planning
- Contract Reviews & Negotiations

Credentials, Degrees, and Affiliations

- Certified Public Accountant (CPA) (*Inactive*)
- Bachelor of Science in Business Management in Accounting from California State University, San Bernardino

Similar Clients or Projects

City of Bloomington
City of Brentwood
City of Burbank
City of Burlington
City of Chino
City of Colton
City of Dublin
City of Foster City
City of Gastonia
City of Groton
City of Healdsburg
City of Hemet
City of Highland Park

City of Lake Forest
City of Indio
City of La Habra
City of La Puente
City of Laguna Nigel
City of Lomita
City of Murrieta
City of Rancho Mirage
City of Redlands
City of Rialto
City of Riviera Beach
City of Rosemead
City of Salisbury

City of San Gabriel
City of Simi Valley
City of South Gate
Town of Danville
Town of Pahrump
Town of Truckee
Village of Glencoe
Village of Lincolnwood
Village of Northfield
County of Nye
Riverside County
San Bernardino County

Steve Robichaud

Partner – Applications Consulting Practice Leader



Steve Robichaud has been advising local governments and special districts on their information technology needs for over 25 years. He specializes in business processes and operations with the objective of applying technology to meeting the organization's mission-critical goals and objectives, emphasizing the ability to measure these achievements.

Mr. Robichaud's executive leadership experience, operational turnaround success and long-term involvement with numerous local governments and special districts across the country has equipped him with the foundation to advise organizations at all levels, from executive leadership to staff.

Having worked in government and the private sector, Mr. Robichaud also brings an understanding, perspective, and ability to manage all the parties necessary for delivering lasting operational success through the use of technology.

Highlights

- Former Director of National Government IT Consulting for RSM McGladrey, the nation's fifth-largest CPA and consulting firm
- Regional Government Manager for a national recovery/availability services vendor providing hot-site, collocation, managed services, and disaster recovery consulting services
- Former President & General Manager for a leading national provider of justice software solutions
- Featured speaker for the Illinois/Wisconsin Joint GFOA Annual Conference on the topic of "Strategic Information Technology Master Planning"
- National leader in delivering new government solution implementations for a top name hardware manufacturer and software solution company
- More than 20 years of working with hundreds of public-sector agencies nationally

Specialties

- Executive Management Technology Advisement
- Information Technology Master Planning
- Business Process Review & Improvement
- Existing System Needs Analysis & Improvement
- Application Requirements Definition
- Software System Selection Assistance
- Project Management & Oversight
- Conversion Assistance & Planning
- Contract Reviews and Negotiations
- Disaster Recovery Planning

Credentials, Degrees, and Affiliations

- Certified Business Continuity Planner (CBCP)
- Bachelor of Arts Degree in Political Science and Business Administration from Moorhead State University, Minnesota

Similar Clients or Projects

City of Burbank
City of Foster City
City of Fresno
City of Glendale
City of Healdsburg
City of Hemet
City of Indio
City of Jan Jacinto
City of La Habra
City of Lake Elsinore
City of Lake Elsinore
City of Miami Springs

City of Miami Springs
City of Mount Dora
City of Mount Dora
City of Palm Desert
City of Palm Desert
City of Redlands
City of Rialto
City of San Jacinto
City of Simi Valley
City of Sioux Falls
City of South Gate
City of West Des Moines

City of West St. Paul
Anoka County
Cedar Falls Utilities
Chino Police Department
Connecticut Lottery
County of Nye
Eastern Band of Cherokee Indians
Hemet Police Department
Maricopa County
NEMESIS Cooperative Missouri Basin Municipal Power

NYC Department of Health & Hygiene
Pinal County
Redlands Police Department
Rincon Del Diablo Municipal Water District
Town of Truckee
Town of Wallingford
Village of Northbrook

Tom Jakobsen

Senior Partner – IT Infrastructure and Support Practice Leader



Tom Jakobsen has over 25 years of experience in the information technology arena. His interdisciplinary experience has given him a unique understanding of the interrelationship between network infrastructures and the applications they support, as well as the usefulness of project management and system development life cycles for infrastructure-related projects. Mr. Jakobsen's dual roles as an IT Director and Consultant provide clients with a resource of tremendous experience who understands interdepartmental and vendor relationships and the management of those relationships.

Highlights

- Former Network Infrastructure Consulting Practice Leader for RSM McGladrey, the nation's fifth-largest CPA and consulting firm
- Ongoing Contract CIO for multiple municipalities
- Former CIO at Frame Relay Corporation
- Interim CIO at AAA Colorado
- Interim CIO at AAA Arizona
- Two-time Interim CIO at Illinois Action For Children
- Managed hundreds of IT consulting projects with dozens of municipalities and special districts

Specialty Areas

- IT Operations Management
- Network Design, Procurement, Implementation, and Oversight
- IT Security
- Disaster Recovery
- Interim CIO/IT Management
- Project Management
- Assessments, Strategy, and Planning

Education, Credentials, and Affiliations

- Bachelor of Science in Mathematics and Economics from University of Iowa
- Member, Project Management Institute, Midwest Chapter

Similar Clients or Projects

City of Bloomington
City of Brentwood
City of Burbank
City of Camarillo
City of Calabasas
City of Chino
City of Colton
City of Cotati
City of Downey
City of Dublin
City of Foster City
City of Healdsburg
City of Highland Park
City of Laguna Niguel
City of Lake Forest

City of La Puente
City of Mount Airy
City of Murrieta
City of Naperville
City of Oakbrook Terrace
City of Palm Desert
City of Port Hueneme
City of Rancho Cucamonga
City of Rancho Mirage
City of Redlands
City of Rialto
City of Riviera Beach
City of Rockford
City of Salisbury
City of San Gabriel

City of Seal Beach
City of St. Charles
Town of Danville
Village of Arlington Heights
Village of Cary
Village of Glencoe
Village of Kenilworth
Village of Libertyville
Village of Lincolnwood
Village of Northbrook
Village of Northfield
Village of Oak Brook
Village of Oak Park
Village of Riverside

Roger Cano

Senior Network Engineer



Roger Cano is a business-savvy technology leader with nearly 20 years of extensive IT experience. His diverse background in hardware, operating systems, and software applications has developed his expertise in troubleshooting, problem-solving, and analysis, adding a depth to his leadership skills in both implementation project management and IT operational management, in which Mr. Cano has proven his ability to work well under pressure while developing and executing innovative solutions to complex issues in order to meet challenging business demands.

Highlights

- IT Strategic Plan development and budget facilitation
- Transition, redesign, migration, and implementation of network platforms and email systems
- Large-scale projects including: site relocations, reconfiguring servers, cluster volumes, fabric switches, and SANS
- Administration of large network (2,400 servers supporting 130,000 users)
- Support for global network infrastructure
- Disk capacity management of servers and Netapp NAS filers
- New construction coordination with contractors and architects (floor plans, wiring, electrical, and overall IT requirements) for IT-related projects, including telephony
- Applications, software, and equipment: Microsoft, Cisco, Citrix, Novell, HP, ArcServe, Symantec, IBM, Barracuda, SonicWALL, Google, Apple (Mac), Dell, Linux, Avaya (VoIP), and various hosted services

Specialty Areas

- Information Technology Management
- Staff and Budget Management
- Strategic Planning
- ERP Software Development Life Cycle
- Project Management
- Disaster Recovery Planning
- Virtualization Implementations
- Systems Integration
- Network Design And Configuration
- IT Infrastructure Oversight, Design, Procurement, and Implementation
- Desktop and Server Management
- IT Security
- Vendor Negotiations and Management
- Process Improvements
- Cloud Computing

Education, Credentials, and Affiliations

- Triton College: Computer Networking and Telecommunications Systems
- Loyola Executive Education: Mini-MBA
- Certified in Systems Administration
- ITIL Foundations
- Strategic Planning Workshops and Management Training
- COMPTIA Project+, Network+, Server+
- Certified PC Tech as Master Journeyman
- Pursuing CCNA and MCSE

Similar Clients or Projects

City of Lake Forest
City of Riviera Beach
Village of Cary
Village of Flossmoor
Village of Homewood
Village of Lincolnwood
Village of Matteson
Village of Maywood
Village of Northfield
Village of Richton Park
Village of River Forest
Village of Steger

City Colleges of Chicago
Elgin School District U-46
Town of Cicero
Town of Merrillville
Town of Schererville
Harlem School District 122
Lincolnwood Public Library
Mortgage Companies
Mount Prospect School District 57
Norridge Park District

Park Ridge-Niles School District 64
University of Chicago
Pinstripes, Inc.
Steppenwolf Theater Company
Baptist Ministers Conference
Breakthrough Urban Ministries
Chicago Aldermanic Offices
Chicago City Hall
Chicago Transit Authority (CTA)
Financial Institutions

Alexis Mercado, CCBA, CAPM, ITIL

Applications Consultant



Alexis Mercado is a problem-solver that specializes in business process reviews and ERP application consulting. His experience includes assessment, planning, implementation and configuration, integration, upgrades, customization, testing, and documentation.

Highlights

- Established connections between ERP and eCommerce websites, mapping workflows from ecommerce engine to automate procurement process, while reducing human intervention
- Developed pick-list workflows to aid warehouse employees in retrieving warehouse products; designed notification module between sales and warehouse users to streamline immediate shipments requested by customers; created advanced logistics analysis reports to display product surpluses and deficits using up- and downstream processes
- Configured email engine to integrate with process workflows, allowing clients to receive notifications and invoices via email
- Configured work centers, routings, bills of material, and manufacturing runs
- Improved existing manufacturing module for multi-level BOM transparency and just-in-time methodologies
- Configured Customer Relations Management system for lead monitoring, customer claims, and Help Desk services
- Joined efforts with an ERP software vendor to develop a comprehensive FIFO inventory valuation method that was not available in the software at the time
- Implemented multi-company module for subsidiaries and companies, which required multiple languages, currencies, and international warehouses
- Collaborated with team members to create advanced budgeting capabilities

Specialties

- Staff accounting, including A/R, A/P, payroll, bank reconciliation, sales, income taxes
- Process review and improvements to streamline operations
- Workflow analysis and mapping
- Gathering and analyzing functional business requirements

Credentials, Degrees, and Affiliations

- Certification of Competency in Business Analysis (CCBA)
- Certified Associate in Project Management (CAPM)®
- Certified ITIL Foundation
- Project Management Institute Member - California Inland Empire Chapter
- California State University, Fullerton, CA - Bachelor of Arts in Business Administration

Similar Clients or Projects

City of Burbank
City of Healdsburg
City of La Puente
City of Redlands
City of Rialto
City of San Gabriel
City of Simi Valley

City of West Des Moines
Foster City
Town of Danville
Town of Truckee
Orange County
Naperville Park District
Eastern Band of Cherokee Indians
Rincon Del Diablo Water District

Tom Weiman

Practice Leader, Enterprise Communications Consulting



Tom Weiman has been providing IT and telecommunications consulting for more than 30 years. He has experience providing consulting in telecommunications, data networks (LAN/WAN), and cable infrastructure.

Tom's unique combination of voice/data/infrastructure experience provides our clients with years of design, selection, and implementation experience with all facets of IT and telecommunications. Tom has direct experience in the detailed design of contact centers, IVR operations, and the integration of voice and data services for multi-location clients.

Highlights

- Lead Project Manager, State of Wisconsin – saved the state over \$90 million in telecommunications service costs
- Former Partner and National Telecom Consulting Project Leader for RSM McGladrey, the nation's sixth-largest CPA and consulting firm
- Call Center Campus Instructor at Purdue University, Center for Customer-Driven Quality
- Provided telecommunications consulting services to nearly 300 public agencies throughout the United States, including government agencies, non-profit organizations, healthcare and financial institutions, and educational institutions at the K-12 and higher education levels

Specialties

- Billing Audits and Cost Reviews
- Carrier Services Cost Analysis
- Competitive Hardware and Services RFP Development and Evaluations
- Implementation Project Management
- Operational Assessment and Workflow
- Strategic Telecommunications Planning
- VoIP Readiness Assessments and Reviews



Credentials, Degrees, and Associations

- Bachelor of Arts in Communications from St. Ambrose University
- Ongoing training from Avaya/Cisco/Shoretel/Nortel/Mitel/NEC, and others
- Past President and current member of the Iowa Telecommunications Users Group (ITUG)
- Member, All Major Vendor Consultant Programs
- Member, Association of Communications Technology Professionals in Higher Education (ACUTA)
- Member, Building Industry Consulting Services, International (BICSI)
- Member, Healthcare Information and Management Systems Society (HIMSS)
- Member, Society of Telecommunications Consultants (STC)
- Member, Institute of Electrical and Electronics Engineers (IEEE)

Similar Clients or Projects

City of Bettendorf
City of Bloomington
City of Brentwood
City of Camarillo
City of Escondido
City of Foster City
City of La Habra
City of Laguna Niguel
City of Mason City
City of Matteson
City of Mount Airy
City of Murrieta

City of Naperville
City of Orland Park
City of Palm Desert
City of Redlands
City of Rock Island
City of Sacramento
City of Salisbury
City of San Gabriel
Village of Lincolnwood
Village of Northfield
Village of Oak Brook
Town of Danville

DuPage County
Davenport Comm. Schools
Ohlone Community College
San Jose/Evergreen Community College
St. Ambrose University
University of Michigan
University of Notre Dame
Schaumburg Township District Library

Jay Seckman

GIS Professional

Jay Seckman has nearly 20 years of GIS experience. He specializes in the administration, coordination and software/hardware architecture of GIS systems. His background has given him the ability to collaborate with department heads and users on various GIS applications and functions necessary to sustain GIS usability. Mr. Seckman expertise includes ArcGIS10/SQL database management and QA/QC processes, data automation/conversion, map production, training and website development.

Highlights

- Development of city's ArcGIS Server intranet/internet sites
- ArcPad graffiti, catch basin, tree and weed abatement applications
- Creation of ArcReader 10 departmental templates and Fire/Dispatch ArcView response application
- Provided GIS training to various city personnel that interface with several different GIS applications

Specialty Areas

- GIS Lab Development and production
- GIS Technician team task development, project management and needs assessments
- Data Automation/conversion and QA/QC work database design, cartographic processes, map production and remote sensing analysis
- ArcView GIS training as an ESRI authorized instructor
- Cartographic/graphic design processes
- Data automation/conversion of assessor/tract maps using coordinate geometry processes

Software Experience

- ArcGIS 10
- ArcGIS Server 10
- ArcPad Application Builder
- SQL Server
- ArcView 3.3
- Network Analyst
- 3d Analyst
- Spatial Analyst
- AutoCAD, Sketchup

Education, Credentials, and Affiliations

- Master of Science in Management Information Systems from North Central College
- Bachelor of Science in Industrial Education from Western Illinois University
- Certificate in Information Systems Project Management from DePaul University
- Government Management Information Sciences – Illinois Chapter
- Urban and Regional Information Systems Association (URISA)
- Illinois GIS Association (ILGISA)
 - ◆ Board of Directors, 1998 – 2003
 - ◆ ILGISA President, 2002

Similar Clients or Projects

City of San Bernardino

City of Lancaster

City of Corona

City of Riverside

James Bliss

Senior Network Engineer

James Bliss' qualifications include CCNA, MCSE certifications and detailed knowledge of current security tools, technologies, and best practices. Mr. Bliss has over ten years of experience in the creation and deployment of solutions protecting networks, systems, and information assets for diverse city networks.

Highlights

Security Technologies:	SSH; SSL; Digital Certificates; Anti-Virus and Malware Tools
Systems:	Cisco Firewalls (Pix, ASA), Routers and Switches (L2, L3); AS400; Windows (all); ESXi, VMWare; Promise (Storage)
Networking:	LANs, WANs. VPNs, Routers, Firewalls, Switches, Wireless Systems
Software:	MS Office; VMWare; THE (Comprehensive all-in-one software, such as Financial, Business Licenses, Human Resource etc.

Specialties

- Network and Systems Security
- Risk Management
- Authentication and Access Control
- System Monitoring
- Regulatory Compliance
- System Integration Planning
- Multi-tier Network Architectures

Education, Credentials, and Affiliations

- Advanced Network Training Solutions (Cisco)
- Computer Education Institute (Microsoft, Computer Hardware)
- CCNA
- MCSE
- MCSA
- MCP 200
- A+

Similar Clients or Projects

City of Healdsburg
City of Indio
City of La Puente
City of Redlands
City of Rialto
Chino Unified School District

Qualifications/References

We believe our clients are our best salespeople. The references listed below are examples of governmental clients with similar needs. As seen below, each of these clients has been happy with our performance and retained our services many times. We pride ourselves on client satisfaction and strive to maintain long-term relationships with our clients as partners.

Engagement References



City of Dublin

100 Civic Plaza, Dublin, CA 94568

Steve Pappa, IT Manager

Colleen Tribby, Director of Administrative Services

- IT Master Plan
- City Hall wireless design
- Backup strategy
- Internet redundancy design & installation
- SSL VPN integration
- Disaster recovery planning
- Exchange upgrade



City of Piedmont

120 Vista Avenue, Piedmont, CA 94611

Paul Benoit, City Administrator

John O. Tulloch, City Clerk / IS Manager

- Information Technology Consulting Services



City of Redlands

35 Cajon Street, Redlands, CA 92373

Danielle Garcia, Director of Innovation and Technology

- IT Master Plan
- VoIP Phone System Selection
- Telecommunications Audit
- Supplemental IT Support
- Interim IT Director
- IT Master Plan Implementation Project Management
- WAN Design
- Data Center Design
- Help Desk Design and Metrics
- Point-to-Point Wireless and Wireless LAN Design
- Wireless Installation
- IT Inventory Management
- Strategic Advisory Services
- Project Management
- Development Services Applications Assessment



Town of Danville

510 La Gonda Way, Danville, CA 94526-1740

Renee Collins, IT Manager

- IT Master Plan
- Server virtualization assessment, design, and plan
- Collaboration software needs assessment
- Land Management System Software Selection
- Assessment for electronic document management system
- ERP needs assessment and improvement plan



City of Brentwood

9100 Brentwood Blvd., Brentwood, CA 94513-4000

Pamela Ehler, Director of Finance & Information Systems

- IT Master Plan
- Inter-governmental agreement for disaster recovery services
- Software selection RFP processes for maintenance management and community development systems
- New civic center construction – IT planning
- Structured cabling design
- Technology project management for new Civic Center construction



City of Foster City,

610 Foster City Blvd., Foster City, CA 94404

Rob Laskey, IT Manager

- Software Selection



City of Laguna Niguel

30111 Crown Valley Parkway, Laguna Niguel, CA 92677

Steve Erlandson, Finance Director

- IT Support
- IT Management
- IT Hardware and Software Upgrade Implementation
- WAN and Antivirus Assistance
- Secure Wireless Network For All Other Wireless-Based Systems
- Network Engineering and Staff Technical Assistance
- IT Inventory Management
- IT Assessment
- Novell to Microsoft Conversion
- Cable Installation Project Management
- Questys Website Document Availability
- Backup Improvements Implementation
- City Hall IT Project Management
- VoIP System Selection and Implementation Project Management Development Services Software Selection
- Development Services Applications Selection/RFP
- Cashiering Needs Assessment



City of San Gabriel

425 S. Mission Drive, San Gabriel, CA 91776

Tom Marston, CCMT, Finance Director

- IT Master Plan
- Land Management Software Selection
- Password policy changes implementation



City of Burbank

275 E. Olive Ave., Burbank, CA 91502

Jennifer Wyatt, Information Technology Director

Anthony Moore, Assistant Information Technology Director

- IT Master Plan
- CAD-RMS Assessment
- ECMS Software Needs Assessment

Other Similar ITMP Engagements

The list below includes the list of clients for whom we have completed IT Master/Strategic Plans and IT Assessments projects. More information related to these projects can be provided, upon request.

Danville, CA	San Jose Community College, CA	Morton High School District
Dublin, CA	Maricopa County, AZ	Naperville Community Unit School District 203, IL
Foster City, CA	Nye County, AZ	Naperville Park District, IL
Healdsburg, CA	Pinal County District Attorney's Office, AZ	Norridge Park District, IL
Truckee, CA	Riviera Beach, FL	Oswego School District 308, IL
Brentwood, CA	Cary, IL	Park Ridge Schools, IL
Camarillo, CA	Countryside, IL	Riverside Public School District 96, IL
Port Hueneme, CA	Glencoe, IL	Northern Illinois University, IL
Burbank, CA	Highland Park, IL	Lincolnwood Public Library, IL
Chino, CA	Kenilworth, IL	Oswego Library District, IL
Colton, CA	Lake Forest, IL	Park District of Highland Park, IL
Downey, CA	Libertyville, IL	Illinois Action for Children, IL
Escondido, CA	Lincolnwood, IL	Illinois Municipal Retirement Fund, IL
Hemet, CA	Matteson, IL	Ankeny, IA
La Habra, CA	Morton Grove, IL	Dubuque Community School District, IA
La Puente, CA	Naperville, IL	North Scott School District, IA
Laguna Niguel, CA	Norridge, IL	Whiteside County ETSB, IA
Murrieta, CA	Northbrook, IL	University of Michigan, MI
Palm Desert, CA	Northfield, IL	Gastonia, NC
Rancho Cucamonga, CA	Oak Brook, IL	Mount Airy, NC
Rialto, CA	Oak Park, IL	Salisbury, NC
San Gabriel, CA	Oakbrook Terrace, IL	Sioux Falls, SD
Seal Beach, CA	Palos Park, IL	Missouri Basin Municipal Power, SD
Simi Valley, CA	River Forest, IL	Washington County School District, UT
South Gate, CA	Riverside, IL	Appleton, WI
Rosamond Community Services District, CA	Rockford, IL	Milwaukee County, WI
CA-NV American Water Works Association, CA	St. Charles, IL	Waukesha County, WI
Rancho Cucamonga Valley Water District, CA	DuPage County, IL	
Ramona Water, CA	Civitas Schools, IL	
Southern California Coastal Water Research, CA	West St. Paul, MN	
Jurupa Community Services District, CA	Consolidated High School District 230, IL	
West Covina Unified School District, CA	East Aurora CUSD 129, IL	
	Elgin School District U-46, IL	
	Harrison School District 36, IL	
	Indian Prairie Community Unit School District 204, IL	

Understanding of Project Requirements and Specifications

Understanding of Project Requirements and Specifications

Strategic Plan / Master Plan Objective

The objective of the Strategic Plan includes developing and articulating a vision for the effective use of technology to support the work of the City, identifying strategies for developing and implementing technology initiatives, and highlighting the cost benefits of doing so. We will focus our planning efforts on planning and recommending improvements in the City's business applications in order to make those applications more effective in supporting the Departments.

We will create a well-documented plan to guide the IT Team over the next five years in planning, procuring, implementing, and managing current and future technology investments and resources related to Information Technology Services provided to the City. The plan should be the result of a thorough analysis of the following:

- Interviews and workshops involving all levels of the City's staff, including the Management Team, end-users, and other stakeholders, recognizing limited staff availability
- Existing hardware and network infrastructure, staffing, funding, applications, business systems, projects, processes, telecommunications, training, and other investments and resources currently in use by the City
- Identification and prioritization of projects that the IT staff should undertake over the next five years
- Identification of needs to accommodate current and future technology requirements, such as data storage and management, legal requirements, security requirements, etc.

Experience with Local Government and Special Districts – We have experience in working with local government and special districts across the country, with a strong presence throughout the State of California. This has provided our staff with the subject-matter expertise to quickly understand operational demands and opportunities, and then equate them to beneficial IT improvements and recommendations.

Expected Deliverables

The Strategic Plan should include, but is not limited to:

- Project Purpose and Background
- Methodology for implementation and maintenance of Strategic Plan
- Current State of Information Technology
 - ◆ Review and findings for existing infrastructure
 - ◆ Telecommunications review and findings
 - ◆ Policies and Procedures review and findings
- IT Vision and Principles
- Strategies, Goals, and Objectives
- IT Initiatives (Projects) by priority, including:
 - ◆ Recommended applications improvements
 - ◆ Infrastructure improvements
 - ◆ Best practices recommendations
 - ◆ E-Government suggestions
 - ◆ IT Operations and Productivity improvements
- Key Issues
- Timelines
- Budgets (for CIP Budget Process)
- Cost Saving and Efficiencies

Approach to IT Assessment and Master Planning

IT Master Planning is the process by which information technology supports the needs of the organization. This process is done by aligning IT strategies and objectives with key business processes and drivers.

Why do our IT Master Plans provide greater value to your organization than our competitors?

More than Strategic Analysis - Like other firms, we perform strategic analysis. However, we take it several steps further:

- **Collaborative Needs Assessment**
 - ◆ Departments
 - ◆ GIS
 - ◆ IT Operations
 - ◆ IT Infrastructure
 - ◆ Telecommunications
 - ◆ IT Staffing
- **Education and Prioritization Workshops**
- **Step-by-Step Roadmap**
- **Resource Assignments**
- **Project Budgets**
- **Project Timelines**

... all designed to guide the way to successful implementation of IT goals and objectives.

Tactical - Our emphasis is on providing the City with a Master IT Plan, because our approach is more tactical in nature than most other firms.

Business Perspective - We approach IT Master Planning from a business perspective and create deliverables that are understandable to everyone in the organization—from the technicians in the IT Department to upper level management and elected officials.

Collaborative and More Comprehensive - Our process is intended to create an interactive, collaborative environment conducive to the sharing of ideas, while building a single vision for the future of the City's information technology function, decision-making, and ongoing support. This collaborative effort results in a detailed and comprehensive Action Plan that should be viewed by the City as a fluid, "living" set of documents. We will train your staff on the adopted IT initiatives and projects, and how to implement the plan over the next five years.

Practical and Sustainable - Because of our **focus on budget realities and sustainable solutions**, you can be assured that the solutions we recommend will be **practical and cost-effective**. Receiving a plan that is too costly to implement and sustain does not help the City in the long run.

Use of Best Practices - *CLIENTFIRST* utilizes PMI, COBIT, ITIL, and EAP concepts along with our own experience and best practices as building blocks for completing IT Assessments and System Selections. Governance is an essential component to overseeing that IT strategies and recommendations align with business objectives on an ongoing repeatable basis.

- PMI (Project Management Institute)
- ITIL (Information Technology Infrastructure Library)
- COBIT (Control Objectives for Information and Related Technology)
- EAP (Enterprise Architecture Planning)



IT Planning Process Methodology

We have developed a five-phase methodology which we base our IT Master Planning projects. This serves as the cornerstone of the project, allowing the collaborative process to shape and develop our recommendations and approach, enabling us to tailor each step to fit your unique specifications. We desire to work in partnership with you to improve the City's information technology environments so it can better meet the needs of your staff and constituents.



Phase 1: Project Initiation and Information Gathering

Project Kick-Off and Initiation

The project kick-off is a time to review the City's available documentation and background information and set expectations for the project. We will provide information requests and questionnaires or surveys for completion by the departments and other stakeholder groups.

After obtaining and reviewing the background information provided by the City, we will meet with the City's Project Manager and IT Planning Committee to discuss our work plan, establish overall responsibilities and communications for the project, schedule meetings, and finalize the project plan. We prefer to review as much of the City's available documentation as possible before our initial workshops, so that we will be familiar with the information technology environment, business applications, and business processes upon our arrival on-site.

Phase 2: Needs Assessment

Business Department Reviews

The focus of the business department review is to understand current and future use of technology, primarily via software applications. The best source of information regarding gaps and issues with the technology are the individuals who work with it on a daily basis. We conduct workshops with representatives from each department. This provides an opportunity for users to voice concerns, share gaps in IT services, and identify strengths and weaknesses of the current software and business processes. To help facilitate the process, we will prepare and distribute Needs Assessment Surveys and Questionnaires to serve as interview guides before conducting the workshops.



Discussion points will include:

- Enterprise / Departmental Application Needs
- Business Processes
- Improvements / Automation
- Application Interfaces and Data Sharing
- GIS
- Reporting Issues
- User IT Support Needs
- User Training Recommendations
- Departmental Application Analyst Needs
- Enterprise Communications
- Remote Access and Mobile Computing
- Emerging Technology Considerations
- Regulatory Compliance Issues
- ROI / Cost Benefit Considerations

IT Infrastructure Review

Other IT planning consultants do not perform hands-on infrastructure reviews with systems engineers that design, implement, and maintain IT Infrastructure. They provide generic IT Infrastructure recommendations and unsupported cost estimates. *CLIENTFIRST* conducts the infrastructure review with highly qualified subject-matter experts.

Our infrastructure and IT operations workshops will focus on assessing the City's network hardware, topology, and security, as well as day-to-day IT support. We will also tour the City's existing IT facilities, computer rooms, telecommunications closets, and demarcation points.

Following our overview meetings, we propose a detailed discussion regarding the existing hardware platforms, systems architectures, and processing environment. These interview(s) will assess the status and direction of the information processing function, including, but not limited to, the following:

- Hardware and Network
 - ◆ Website and Web server configuration
 - ◆ Standard desktop and server configuration
 - ◆ Current Windows Domain and Active Directory designs
 - ◆ Software licensing
 - ◆ Disk storage and backup methodologies
 - ◆ Email and message archiving
 - ◆ Existing network management and IT measurement
 - Perceived performance issues
 - ◆ Existing remote-access methods
 - Hand-held and mobile devices
 - ◆ Printers
 - ◆ Any problem areas
- Systems software
 - ◆ Current software licensing methodology
 - ◆ Network management or automation software
 - ◆ Mobile device management
 - ◆ Systems security
 - ◆ Patch management
- Planned or anticipated equipment and software additions or upgrades
- Current IT staff and contracted support services capabilities
 - ◆ Perceived staff and user department training needs
- Help Desk requirements
- Disaster Recovery plans
- Information Technology-related policies and procedures
- Emerging and future technologies, such as:
 - ◆ Cloud computing
 - ◆ Cloud storage
 - ◆ Next generation security devices
 - ◆ Virtual networks

The purpose for this step is to gain a detailed understanding of current information systems utilization and capabilities. During this step, we will also work to identify infrastructure strengths and weaknesses that may require a more specific focus.

Following the infrastructure review and needs assessment, we will meet with IT management to examine the current budget, as well as existing and planned IT-related projects.

Our IT operations subject-matter experts currently design, procure, support, manage infrastructure, and support operations on a daily basis for numerous local government agencies. We will address potential areas for improvement, staff productivity, collaboration alternatives, policies and procedures, security, disaster recovery, etc.

We provide specific recommendations, including projects and approaches, often with actual product examples to consider. We do not resell any hardware or software, so our examples are not biased. We always suggest varying options depending on your staff's skill sets, knowledge, current environment, strategic direction, and budget realities.

Expanded IT Assessment Option

CLIENTFIRST is capable of providing *unique service options* that go far beyond traditional IT Master/Strategic Plans, because of the depth of the team's IT Infrastructure and IT Support practices. Our clients prefer these in-depth technical services—which our competitors do not normally offer—because of the value they add to the Master Plan over the long term.

Expanded IT Assessment

As an option, network engineers from our team can conduct an in-depth evaluation of the City's network and targeted servers. The network evaluation will include placement of a network analysis tool to determine network performance and to provide insights into any extraneous network traffic. During the network analysis assessment, we will review network configurations and network security. The server evaluation will include a review of the server configuration to assess server security and redundancy. We expect this in-depth evaluation to require two full days. This expanded assessment will include the following, including any related findings, recommendations, and initiatives.

- IT Network and Infrastructure
- Storage and Back-Ups
- Servers, Server Applications, and Management
- IT Security
- Desktop Environment

Expanded IT Security Assessment

We will also develop recommendations for improvements to the City's IT security posture. Security is also an integral component of any consolidation design, and proper attention must be given to departmental security needs.

Expanded Communication Systems Assessment

We will conduct an operational review to determine the current communications services, operation, support, and service arrangements. As part of the operational review, we will interview key personnel to gather input regarding the performance of the existing telecommunications system and services, including:

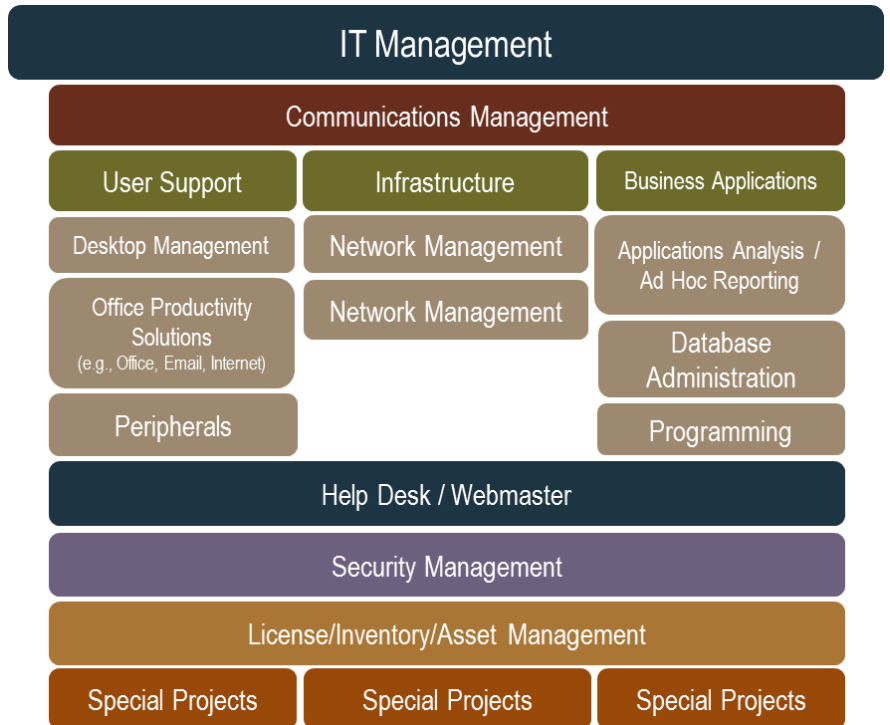
- Telephony
- VoIP
- Cabling
- Carrier Services and Costs

IT Staffing Review

Most IT Planning consultants have never managed or directed actual IT staff or IT operations themselves. *CLIENTFIRST*'s project team includes our IT Operations Practice Leader, who manages daily IT support operations for multiple local government agencies. This individual also provides ongoing contract IT Management / CIO services. This hands-on daily experience results in real-world, relevant recommendations regarding support for current and emerging technologies.

CLIENTFIRST will perform a needs review for IT staffing. We will look at the City's current and future resource requirements, the structure of the IT

Department, and the current staff's capabilities and skill sets. Once we have identified strengths and weaknesses, we will discuss potential structures, skill sets, and training options. We do not base our staffing recommendations on academic benchmark surveys from organizations that are not similar to yours. We provide benchmark metrics conducted by our firm and couple that information with our own experience in managing similar IT environments.



Phase 3: IT Initiative Determination

We will assess the City's overall IT strengths and weaknesses. With these, we will determine key strategies, goals, and objectives in order to address the issues identified. We will then summarize our findings and observations, and determine preliminary IT initiatives. At a minimum, we will provide initiatives for the following categories:

- Best Practices
- IT Governance
- Applications and Departmental Systems
- Gov 2.0 (E-Government)
- IT Infrastructure
- IT Operations
- IT Security
- Telecommunications
- IT Staffing

IT Initiative Development

After categorizing the City's IT initiatives, we will research implementation and support costs, and prioritize them based on their level of importance to the City's day-to-day services and operations. We will then consolidate them into a Preliminary IT Recommendations Report, used for our workshops. This Report will contain descriptions of our findings and observations, recommendations, next steps, preliminary budgets, implementation timelines, as well as any dependencies that were identified as part of the process. PMI, COBIT/ITIL, as noted earlier, are applied as methods of adopting and incorporating best practices into your operations. We expect to identify approximately 50-100 IT initiatives in the following categories:

- Application Enhancements
- Business Process Improvements and Training Needs
- GIS Improvements
- Network Infrastructure
- Telecommunications Infrastructure
- Servers and Server-Based Applications
- Storage and Back-Ups
- Business Continuity
- Network and Data Security
- Desktop Environment
- Software Licensing
- Printers
- Microwave
- Public Safety Radio
- Cable TV
- Help Desk and Reporting
- Policies and Procedures
- Document Management and Retrieval (ECMS)
- Email and Message Archiving
- Emerging Technologies
- Information Technology Staffing and Training
- IT Governance

Additionally, we will include planning for hardware and software support, maintenance and support budgets, and the development of project durations for each major initiative.

12. PARKING TICKETS

Findings & Observations
For the benefit of public safety and traffic management, all municipalities have a need to manage the various aspects of parking. The Village's current vendor for parking tickets (Cardinal Tracking, Inc.) can also offer a more comprehensive solution for parking management that is currently being utilized by the Village. Some of the features of this application include:

- Parking ticket support from issuance to DMV registration holds and trip-city reports
- Web-based payments
- Permit applications
- Parking management within user-defined specific
- Billing and revenue notifications

Cardinal is currently a vendor. Their familiarity with the Village can allow them to seamlessly upgrade the present system and offer a

14. REMOTE ACCESS - VIRTUAL PRIVATE NETWORK (VPN)

Findings & Observations
Also known as a virtual private network, VPN typically utilizes the Internet to allow remote/traveling users access to an organization's primary network. Remote users typically are authenticated (i.e., user name and password) and often use encryption methods to secure data transfer. Once on the VPN, users experience the network as if they were actually in the office, including being able to print to the office, access databases, and instant message co-workers. By using VPN via the Internet, the Village can avoid installing and maintaining dedicated equipment to support remote workers.

Expected areas of remote computing usage include emergency or after hours support (IT, Public Safety and Public Works), after hours access to applications when working outside of normal business hours, and remote access to computing when away at meetings or conferences.

13. MOBILE/FIELD COMPUTING

Findings & Observations
The IT center has structured an inventory desired for time and resources. Because of the need for maintenance operations, including reporting requests, and other activities in and off the field, it is important to allow the information and providing the reports necessary to verify safety, code enforcement and permitting, and permit management can occur. By providing field workers with the necessary equipment and software, the Village can:

- Connect via mobile devices
- Increase productivity and time management
- Centralize data that can be reviewed in real time
- Improve inventory and reporting
- Reduce paperwork

The Village's database and server system collecting data in the field, including data on mobile devices, will require an additional investment. This investment will require a remote access software solution, such as Terminal Services.

15. WORK ORDER

Findings & Observations
The Village's current work order system is outdated and inefficient. It is not designed for mobile devices and is not user-friendly. The Village's current work order system is outdated and inefficient. It is not designed for mobile devices and is not user-friendly. The Village's current work order system is outdated and inefficient. It is not designed for mobile devices and is not user-friendly.

Phase 4: Planning and Prioritization Workshops

With our Preliminary IT Recommendations Report in hand, we will conduct planning and prioritization workshops. We will discuss our findings and recommendations with the Project Manager, IT Department, IT Planning Committee, and executive management.

Project Manager and IT Workshop

This workshop will focus primarily on findings and recommendations related to the City's IT infrastructure, governance, day-to-day operations, metrics, and staffing.

Business Function Workshop

In contrast, the City IT Planning Committee business function workshop will focus mainly on non-IT-related needs, such as business processes, user productivity, software improvements, and user training.



The goal of these workshops is for the consulting team and City staff to develop consensus on the recommendations and objectives. The workshop format is conducive to a free-flowing discussion of opinions and ideas, while also providing an opportunity for City staff to question our assumptions, budgetary cost models, recommended priorities, and suggested solutions.

We strive to understand the City's budgetary constraints and to develop creative solutions within those constraints. We will work with the City to prioritize projects via cost-benefit analysis to work within those budgetary limits.

Typically, this workshop takes between two-to-four hours.

Executive Management Workshop

We will conduct a City Management Workshop to educate and gain feedback from the City Manager and executive management. It is important to have a clear understanding before beginning the final prioritization, initiatives, and budgets with the IT Planning Committee.

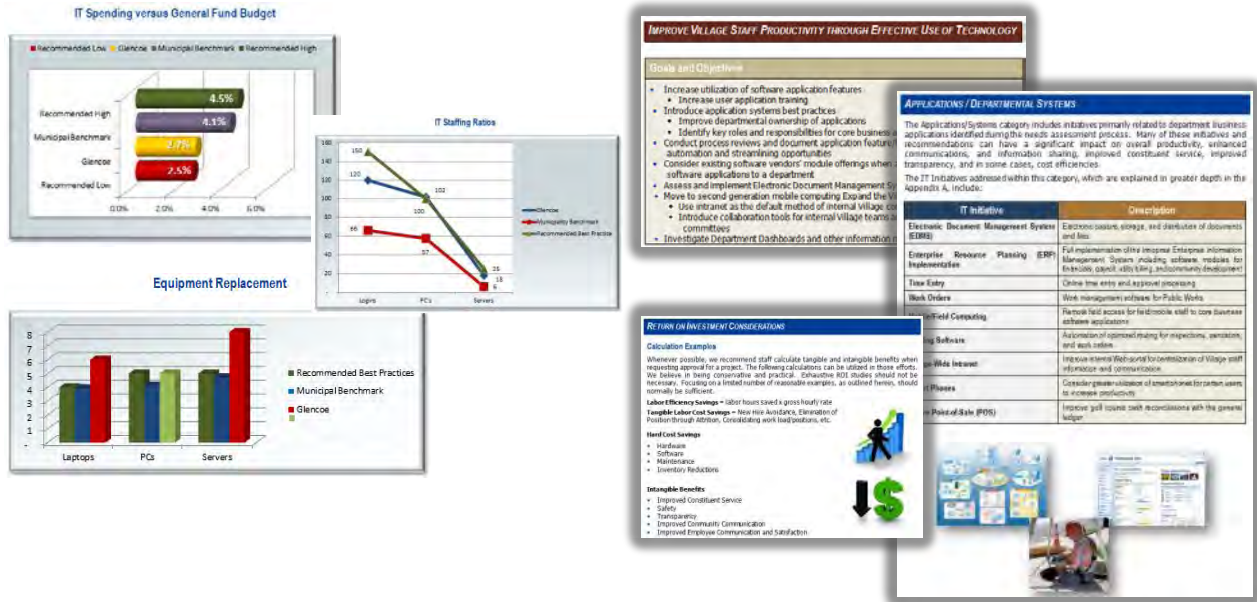
Initiative #	IT Initiative	Project	Priority	Estimated Project Duration (Mos.)	Costs Estimate Low	Costs Estimate High	Comments	Dept(s)	2012	2013	2014	2015	2016	Source of Estimate
PD Technology Improvements														
15	Next Generation 9-1-1	Next Generation 9-1-1	M	6	\$200,000	\$200,000		PD		\$ 200,000				PD
16	911 Voice Logger Replacement	9-1-1 Voice Logger Replacement	M	3	\$30,000	\$40,000	Capital replacement plan	PD	\$ 35,000					PD
17	Accident Reporting	Accident Reporting	H	3	\$5,000	\$5,000	Efficiency	PD	\$ 6,600	\$ 1,600	\$ 1,600	\$ 1,600		PD
18	Camera Monitoring	Open Video Surveillance Mgmt. Platform	H	3	\$18,500	\$18,500		All		\$ 18,500				CF
		PD Video Surveillance Upgrade	L	2	\$46,000	\$46,000		PD					\$ 46,000	PD
19	Parking Ticket Improvements	Parking Ticket Improvements	M	3	\$97,000	\$97,000	Customer Service	PD	\$ 97,000					PD
20	Squad Car Video Improvements	Squad Car Video Improvements	H	6	\$100,000	\$120,000	Efficiency. Some funding available from DUI Fund	PD	\$ 80,000	\$ 30,000				PD
21	Traffic Citation System	Traffic Citation System	M	6	\$50,000	\$50,000	Increased revenue potential. ROI. Courts encourage use of automated ticketing system and provide a surcharge refund to the City, providing a potential funding source for this initiative.	PD	\$ 50,000					PD
22	New World Improvements	New World Improvements	H	6	\$4,000	\$4,000		PD	\$ 4,000					PD
Gov 2.0														
23	CRM Improvements	CRM Improvements	M	12	\$0	\$15,000	In-process	All	\$ 5,000	\$ 10,000				CF
24	Council Chambers Audio/Visual	Council Chambers AV Implementation	L	3	\$40,000	\$40,000	Potential funding - cable franchise	OCM			\$ 40,000			CF
		Pre-session conference room	H	1	\$6,000	\$6,000		OCM	\$ 6,000					CF
IT Infrastructure														
26	Expanded Wireless Network	Wireless Management	L	3	\$14,000	\$14,000	Efficiency	IT	\$ 6,000	\$ 8,000				CF
		Fire Stations	M	3	\$10,000	\$10,000	Efficiency	FD	\$ 10,000					CF
		Remainder of Facilities	L	3	\$20,000	\$20,000	Efficiency	All		\$ 20,000				CF
27	Network Improvements	Internet Speed Improvement	H	6	\$93,300	\$93,300	Efficiency	All	\$ 21,300	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	CF
		Memory Upgrades (Older PCs)	H	3	\$2,500	\$2,500	Efficiency	All	\$ 2,500					CF
		Internet Redundancy	M	6	\$12,000	\$12,000	Service Level Agreement	All			\$ 12,000			CF
28	Computer Room Improvements	Computer Room Improvements	H	6	\$20,000	\$20,000	Safety and reliability	IT	\$ 20,000					CF
29	Core Switch Replacement	Core Switch Replacement	H	3	\$10,500	\$10,500	Capital replacement	IT	\$ 10,500					CF
		10Gb Backbone City Hall/PD	H	3	\$6,000	\$6,000	Necessary for Disaster Recovery	IT	\$ 6,000					CF
30	Exchange Upgrades	Exchange 2010 Upgrade	H	6	\$50,000	\$50,000	Capital replacement	All	\$ 30,000	\$ 20,000				CF
		2008 Active Directory Upgrade	H	3	\$18,560	\$18,560	Capital replacement - required for Windows 7	All	\$ 18,560					CF
31	MDC Update Automation	Automate MDT Updates	H	3	\$6,000	\$6,000	Efficiency	FD, PD	\$ 6,000					CF
32	Secure File Transfer	Secure File Transfer	H	1	\$2,500	\$2,500	Legal requirement	All	\$ 2,500					CF
33	E-Fax		L	3	\$5,000	\$5,000	ROI	All	\$ 5,000					CF

Prioritization Workshop

Once the entire project team is educated on the IT Initiatives for the five-year planning period, we will conduct this prioritization workshop in two parts. The first part of the workshop will be conducted without the Project Committee seeing the project cost estimates, and the second part of the workshop will make prioritization adjustments, taking into consideration budget and resource realities.

Phase 5: Final Report and Presentations

We will complete our findings and recommendations, budgets, implementation timelines, and create the City's Information Technology Strategic Master Plan Report with supporting documentation.



Reporting/Deliverables

All deliverables will be provided in hard copy and electronically in the Acrobat Reader (PDF), MS Word, MS Excel, and/or MS PowerPoint file formats.

Description
<i>Phases 1: Project Initiation</i>
Department Needs Assessment Surveys and Questionnaires
Project Kick-Off Meeting
IT Planning Committee setup, with roles and responsibilities
<i>Phase 2: Needs Assessment and Needs Assessment Workshops</i>
Data Collection, Questionnaires, and Surveys
Department/Function Discovery Interview Workshops
IT Infrastructure, Operations, and Staffing Reviews
Communications Systems Review
Needs Assessment Discovery Documentation
<i>Phase 3: Research and Preliminary Plan Development</i>
Preliminary Initiative Identifications
Infrastructure Evaluation
Preliminary IT Recommendations (workshop materials)
<ul style="list-style-type: none"> • Current state <ul style="list-style-type: none"> ◆ IT organization ◆ IT infrastructure and services • IT strategies, including organization recommendations; descriptions of initiatives will provide prioritizations, dependencies, resource requirements, and next steps <ul style="list-style-type: none"> ◆ Department-specific needs and initiatives ◆ Telecommunications ◆ Business application strategies and recommendations ◆ ECMS / Document Management (Enterprise Content Management System) ◆ Email and Message archiving recommendations ◆ Network infrastructure, including storage and backup standards / recommendations ◆ Desktop recommendations ◆ Replacement strategies and planning ◆ Printing Environment ◆ IT staffing recommendations ◆ Security issues ◆ Disaster recovery ◆ GIS ◆ Cloud Computing ◆ Customer service improvements ◆ Server and network performance summary ◆ Future assessment, governance plan, and recommendation updates ◆ Website assessment and recommendations ◆ Internet / intranet and online services ◆ Audio / video environment ◆ Improved citizen communications and interaction ◆ Regional partnering

Description
<ul style="list-style-type: none"> ◆ Emerging technology ◆ Best practices, as applicable ◆ Help Desk and Reporting ◆ Return-on-Investment Considerations ● Technology – Capital Investment Plan and Cost Schedules ● Implementation Plan with timeline estimates for each project ● Staffing and Organizational Requirements needed to support recommended strategies ● Policy and Procedure Recommendations
Phase 4: Planning and Prioritization Workshops
Assessment Report with Initiatives
Project Manager and IT Workshop (Technical)
Business Function - Project Committee Workshop
Executive Management Workshop
Prioritization - Project Committee Workshop
Phase 5: Final Report and Presentations
<ul style="list-style-type: none"> ● Strategic Technology Master Plan Report <ul style="list-style-type: none"> ◆ Project Purpose and Background ◆ Methodology for implementation and maintenance of strategic plan. ◆ Current State of Information Technology ◆ IT Vision and Principles ◆ Strategies, Goals and Objectives ◆ IT Initiatives (Projects) by priority ◆ Key Issues ◆ Governance Guidelines with Recommendations ◆ Timelines ◆ Budgets ◆ Approach to tracking and measuring the implementation of plan strategies and initiatives

Cost Proposal

Fees

Our fees are based on the time spent on a project at our standard rates. Our standard billing rates for these types of services is \$125 - \$185 per hour, plus travel-related expenses, and is based on the type and level of the assigned consultants' skill sets. However, we have discounted our rates for this engagement. This quote shall be held firm for ninety (90) days, per RFP requirements.

Information Technology Strategic Plan

City of Menlo Park Information Technology Strategic Plan Fees Summary	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
Hours by Consultant	292	137.5	90.5	64
Rate		\$ 175	\$ 185	\$ 125
Total Fees	\$ 48,805			
Travel and Related (Not-to-exceed)	\$ 5,857			
Total Project (Not-to-exceed)	\$ 54,662			

OPTIONAL – Expanded IT Assessment

City of Menlo Park OPTIONAL – Expanded IT Assessment Fees Summary	Total Billable Hours	Roger
Hours by Consultant	24	24
Rate		\$ 165
Total Fees	\$ 3,960	
Travel and Related (Not-to-exceed)	\$ 475	
Total Project (Not-to-exceed)	\$ 4,435	

Scope and Fee Changes

Alternative scope changes and fee adjustments are possible, and are dependent on the City's specific project needs and staff resources and capabilities.

Change Request Management

If, during the course of the project, the nature or scope of our work should change, we would discuss such matters with the City, and their effect on our fees, and obtain written approval before proceeding.

Payment Terms

We invoice monthly as progress proceeds. Payments are due within 30 days of receipt via check or ACH.

Work Plan

The following work plan outlines the project steps, the hours to be delivered by project team member and it includes an estimated timeline. It should be noted that the timeline will start on the date of the Kick-Off meeting. The City's desired July 6th start date with a late August completion represents an 8-9 week project timeline, which is aggressive and the estimated dates in the Work Plan below are possible if the City fulfills its role and responsibilities.

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
Project Coordination						
1	Overall Project Coordination		24	20	4	
Phase 1: Project Initiation		1				
2	Develop Questionnaires/Surveys for Needs Assessment		4	2		2
3	Kick-Off Meeting with the City Project Manager and Key Personnel		6	4		2
4	Obtain and Review Background Information and Preparation		4	2	2	
Phase 2: Needs Assessment		3-5				
5	General Data Collection/Gathering, Distribution of Questionnaire, and Collection of Completed Questionnaires/Surveys		10	4	2	4
6	Management and Functional	3-4				
	City Manager's Office		2	1		1
	City Clerk		2	1		1
	City Attorney		2	1		1
	Finance		4	2		2
	Human Resources		3	1.5		1.5
	Public Works		4	2		2
	Community Development		4	2		2
	Community Services		4	2		2
	Library		3	1.5		1.5
	Economic Development		2	1		1
7	IT Infrastructure, Operations, and Staffing Reviews	3-4				
	IT Manager Interview		2		2	
	IT Information Gathering Activities, including:		12		12	
	Tour IT Facilities					
	IT Staff Interviews					
	IT Management Team Interviews					
	Assessment and Information Gathering, including:					

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
	IT Policies and Procedures					
	Website Review					
	IT Network and Infrastructure					
	Storage and Back-Ups					
	Audiovisual Systems					
	Servers, Server Applications, and Management					
	IT Security					
	Disaster Recovery					
	Email and Message Archiving					
	Document Management					
	Help Desk					
	Desktop Environment					
	Printers					
	Software Licensing					
	Review IT Projects and Budgets					
	Telecommunications					
	Services, Lines, and Equipment					
	Operations, including Support/Service Agreements					
	GIS and GIS Integration					
8	Documentation	5				
	Summarize Findings and Observations		32	8	8	16
Phase 3: Research and Preliminary Plan Development		5-6				
9	Develop Key Strategies		8	4	4	
10	Define Goals and Objectives		8	4	4	
11	Develop Preliminary Initiatives, Findings, Alternatives, and Recommendations		40	18	14	8
	Current IT Environment Summary and Condition		Included			
	All Applications/Systems, including ERP, Enterprise Content Management, GIS, all departmental-based solutions, etc.		Included			
	Application Integration		Included			
	Management and Operational Reporting		Included			
	User Training Needs		Included			
	Data Management		Included			
	Site Security (Video and Physical)		Included			
	IT and Telecommunications Infrastructure		Included			
	Network		Included			

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
	Servers		Included			
	Storage and Back-Ups		Included			
	Handhelds/Mobile		Included			
	IT Operations		Included			
	Desktops		Included			
	Software Licensing		Included			
	Printers		Included			
	Help Desk and Report		Included			
	Email and Message Archiving		Included			
	Management and Productivity Tools		Included			
	IT Policies and Procedures		Included			
	IT Staffing with IT and GIS Consolidation Strategies and Options		Included			
	IT Security		Included			
	Business Continuity / Disaster Recover		Included			
	Cloud Computing / Cloud Storage		Included			
	IT Master Plan Implementation Methodology		Included			
12	Preliminary Budgets		14	6	6	2
13	Preliminary Prioritizations		5	2	2	1
Phase 4: Planning and Prioritization Workshops		7-8				
14	Develop Assessment Report with Initiatives		24	12	8	4
15	Develop Workshop Materials		6	2	2	2
16	Workshop - Departments / Project Steering Committee		4	4		
17	Workshop - IT Infrastructure and Operations		8	4	4	
18	Workshop - Executive Management		5	2.5	2.5	
19	Prioritization Workshop - Project Committee		4	4		
20	Revisions		10	4	2	4
Phase 5: Final Report and Presentations		9				
21	Develop Final Report and Supporting Documentation		16	8	4	4
22	Develop Presentation Materials		4	2	2	
23	Final Report Presentation - City Management		4	2	2	
24	Final Report Presentation to City Council		8	4	4	
Hours by Consultant			292	137.5	90.5	64

Optional – Expanded IT Assessment

The following work plan outlines activities that expand and provide additional assessment and analysis that extend beyond a traditional IT Master/Strategic Plan. *CLIENTFIRST* is capable of providing these expanded and optional services because of the depth of our team and the access to the talent from our IT Infrastructure and IT Support practices. These services go beyond what our competitors typically provide because other firms don't have the practices and talent pool within their organization to deliver these types of in-depth technical services. We have summarized these deliverables as an option in cost section of this proposal document.

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Roger
Phase 1: Expanded Needs Assessment		3-4		
1	IT Infrastructure Analysis Configuration and Security Review		12	12
	IT Information Gathering Activities, including:			
	Operation of Network Analysis Tool for:			
	Review of Network Performance			
	Identification of Extraneous Network Traffic			
	Review of Network Configurations			
	Network Security Review			
	Server Review, including:			
	Server and Virtualization Configurations			
	Assess Server Security & Redundancy			
	Other Expanded Assessment Activities, including:			
	IT Network and Infrastructure			
	Storage and Back-ups			
	Servers, Server Applications and Management			
	Desktop and Mobile Computing Environment			
	Communications Operational and Systems Review, including:			
	Telephony			
	VoIP			
	Structured Cabling and Data Center Best Practices			
	Carrier Services and Costs			
2	Documentation	6		
	Summarize Findings and Observations		4	4
Phase 2: Research and Preliminary Plan Development		6-7		
3	Develop Preliminary Initiatives, Findings, Alternatives, and Recommendations including a Separate IT Security Recommendations & Improvements Document.		6	6
	Current IT Environment Summary and Condition		Included	
	Site Security (Logical and Physical)		Included	
	IT and Telecommunications Infrastructure		Included	
	Network		Included	

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Roger
	Servers and Virtualization		Included	
	Storage and Back-Ups		Included	
	IT Operations		Included	
	Desktops		Included	
	Email and Message Archiving		Included	
	Management and Productivity Tools		Included	
	IT Security		Included	
	Disaster Recover		Included	
4	Preliminary Budgets		2	2
Hours by Consultant			24	24

Other Unique Qualifications and Attributes

Other Unique Qualifications and Attributes

We believe *CLIENTFIRST* offers the greatest overall diversity and breadth of knowledge for mid-sized local government and special district IT Strategic Planning. We are not just an IT Master Planning consulting firm. Our City project team is involved on a daily basis, in in-depth projects and services including:

- Day-to-day IT Support operations to over a dozen cities
- Application Software Selection consulting for all major municipal application systems
- IT infrastructure design, procurement, and implementation
- IT Security
- Disaster Recovery Planning
- GIS day-to-day operations support and consulting
- Telecommunications design, procurement, and auditing
- IT Project Management assistance



Additional information on our practice areas are included below.

Business Processing and Applications Practice

We approach enterprise application projects from a **business standpoint**, with the goal of **implementing technology that is practical, sustainable, and affordable** for the City.

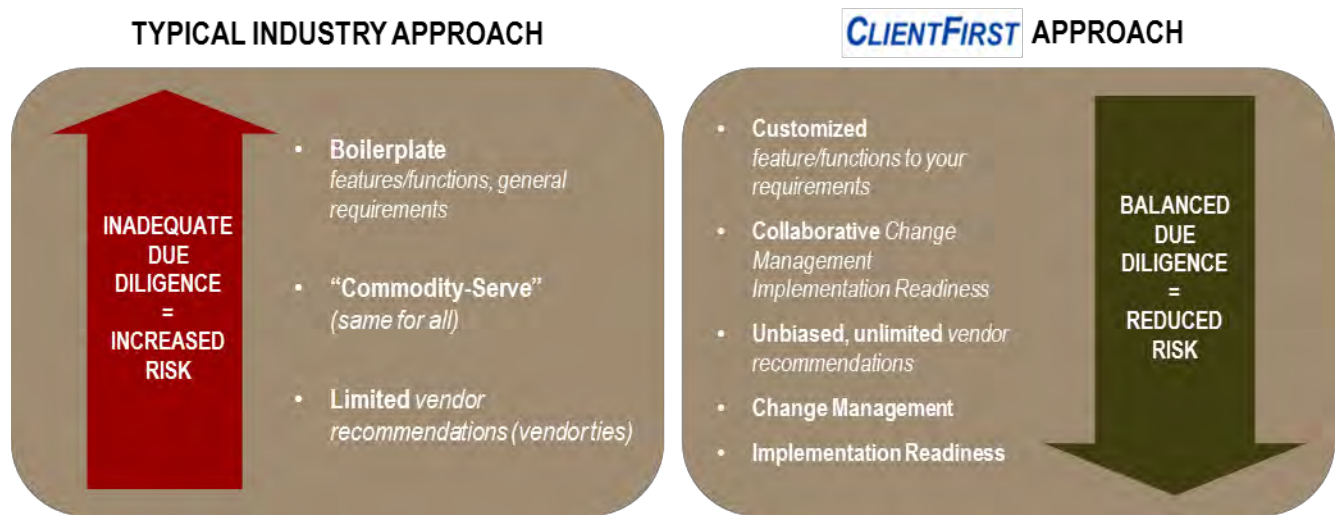
We are focused on helping improve the overall operational effectiveness of the City. We utilize our proven, structured **methodologies to identify the City's key business processes** by properly defining business objectives and priorities. By applying our knowledge of the software market and experience with industry best practices, we are able to help **find the overall solution that best meets the City's needs**.

Selecting the right system and technology is more critical today than ever before. The **efficiency and effectiveness** of the City is **directly dependent** on its use of **technology** and information systems.

Illustrated by the graphic below, level of risk and the probability of achieving a successful implementation is directly related to the



amount of proper due diligence exercised. The typical industry approach fails in this regard. At *CLIENTFIRST*, we take every possible step to decrease risk levels by ensuring proper due diligence.



We work with the City to safeguard finding the best overall solution to suit your unique requirements. We help you run your business as economically, efficiently, and transparently as we run ours. Above all else, we pride ourselves on providing quality services with honesty and integrity. Our goal is to help every user in the City gain an understanding of the selection and implementation process.

IT Infrastructure Consulting

A core competency of *CLIENTFIRST* is the design and implementation of IT infrastructure. We have ongoing projects that include pre-construction planning and network design, implementation, support, and maintenance. This includes design and implementation of the following elements:

- Local area networks
- Wide area networks
- Virtual server environments
- Cloud computing
- Microsoft, Linux, and other server-based implementations
- Wireless networks (LAN and point-to-point)
- Disaster recovery and redundant systems
- Internet access and redundancy
- Secure networks for public safety applications
- Dedicated cellular network connectivity for public safety
- Voice-over-IP, Video-over-IP, and other quality-of-service networks
- SCADA networks

In addition to design and implementation services, we regularly work with our clients to procure cost-effective solutions through formal RFP processes.

Project Management Services

One of our key differentiators is that, in addition to providing highly skilled technicians, we provide our clients with tremendously experienced Project Managers. These individuals work with public agencies over 75% of their time and have extensive knowledge of industry best practices. This combination of knowledge and experience has resulted in success stories from IT departments across the country.

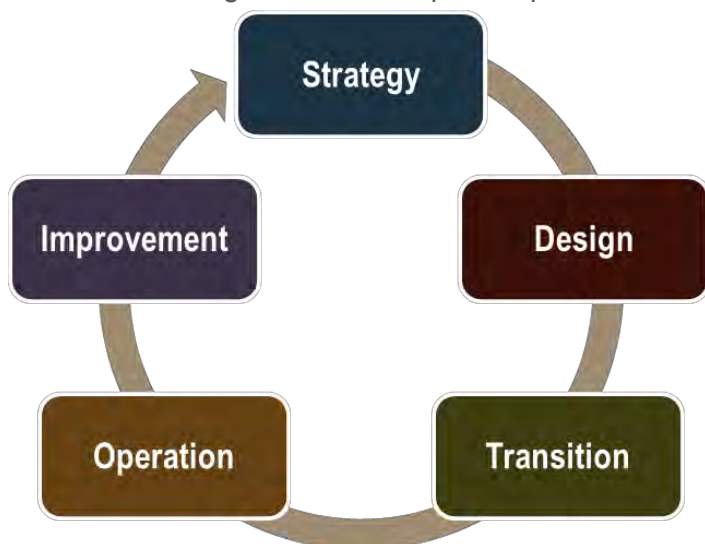
Our IT management practice area works with clients to improve the quality of their IT management and service delivery. We apply our knowledge in this area to each of our clients' situations, and customize our management style to fit their specific needs.

We provide our clients with a complete project management methodology that improves communication and delivery of services and lays the groundwork for high-quality, low-cost solutions that will meet the City's needs.

Because we are a full-service, independent consulting firm, we are able to provide non-biased expertise in all areas of information technology.

Our methodology includes:

- **Strategic Planning** – Maintaining a Five- Year Strategic Plan and Capital Replacement Plan
- **Project Planning** – Planning and executing individual projects on time and on budget
- **Budgeting** – Working with our client to maintain their IT budget and meet budgetary goals
- **Regular Communications** – Communicating upcoming goals, objectives, and the IT support status through monthly or quarterly IT committee meetings
- **Rapid Escalation** – Rapidly escalating critical problems within *CLIENTFIRST* so the right subject matter expert can be engaged to resolve the problem quickly and efficiently
- **Attention to Detail** – Working to maintain accurate documentation and track maintenance and vendor contracts and software licenses to ensure that there are no surprises in these often overlooked areas
- **Regular Measurement** – Measuring our accomplishments on a monthly basis and working to improve our performance
- **Productivity Improvement** – Continually assessing areas for improved business processes, rather than simply maintaining existing systems



Telecommunications Consulting

Our telecommunications consulting practice originated as a national practice group within a large public accounting firm more than 25 years ago. Our practice separated from the accounting firm in an effort to maintain our product independence and control hourly rates.

This “audit trail” of where we came from is an important distinction, because it demonstrates that we are a 25-year-old consulting practice with a new name. The stability, continuity, and connection of our staff are unique in the telecommunications consulting industry and provide our clients with a focused and experienced team of professionals.

We provide a wide breadth of professional services that include:

- Systems evaluation and assessments
- Telecommunications system management projects
- Voice and data cable infrastructure design and engineering
- LAN/WAN assessments, design, procurement, and implementation
- VoIP (Voice-over-Internet Protocol) readiness reviews and assessments
- Telecom billing audits and cost reviews
- Strategic IT and telecommunications planning
- Systems design and alternative analysis
- Business continuation planning and disaster recovery planning
- Call center planning and operational design
- Competitive system and vendor selection
- Project management and implementation projects



We emphasize that we are a firm, because the telecommunications consulting industry, as a whole, is relatively small and contains many single practitioners. *CLIENTFIRST* is considered well above average among telecommunications and IT consulting firms in the total number of employees and the number and quality of services offered. The diverse capabilities of our staff provide the resources necessary to address any of your telecommunications and information technology needs.

Many of the industry’s leading vendors recognize us nationally for our work, because they appreciate the fairness and objectivity we demonstrate when dealing with their organizations. This high level of visibility results in the best competitive proposals in response to *CLIENTFIRST*’s RFP documents and provides the information our clients need to make informed decisions and realize the best value for their purchasing dollar.

**AGREEMENT FOR SERVICES
BETWEEN THE CITY OF MENLO PARK
AND**

ClientFirst Consulting Group LLC

THIS AGREEMENT, made and entered into at Menlo Park, California, this **1st** day of **August, 2015**, by and between the **CITY OF MENLO PARK**, a Municipal Corporation, hereinafter referred to as "CITY", and **ClientFirst Consulting Group LLC**, a Limited Liability Company, hereinafter referred to as "CLIENTFIRST."

WITNESSETH:

WHEREAS, CITY desires to retain CLIENTFIRST to provide certain professional services for CITY in connection with that certain project called:

Information Technology Strategic Plan - 2015

WHEREAS, CLIENTFIRST is licensed to perform said services and desires to and does hereby undertake to perform said services.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, PROMISES AND CONDITIONS of each of the parties hereto, it is hereby agreed as follows:

I. SCOPE OF WORK

In consideration of the payment by CITY to CLIENTFIRST, as hereinafter provided, CLIENTFIRST agrees to perform all the services as set forth in Exhibit "A", Scope of Work.

II. SCHEDULE FOR WORK

CLIENTFIRST's proposed schedule for the various services required pursuant to this contract will be as set forth in Exhibit "B", Schedule For Work. CITY will be kept informed as to the progress of work by written reports, to be submitted monthly or as otherwise required in Exhibit "B". Neither party shall hold the other responsible for damages or

delay in performance caused by acts of God, strikes, lockouts, accidents or other events beyond the control of the other, or the other's employees and agents.

CLIENTFIRST shall commence work immediately upon receipt of a "Notice to Proceed" from CITY. The "Notice to Proceed" date shall be considered the "effective date" of the Agreement, as used herein, except as otherwise specifically defined. CLIENTFIRST shall complete all the work and deliver to CITY all project related files, records, and materials within one month after completion of all of CLIENTFIRST's activities required under this Agreement.

III. COMPENSATION AND PAYMENT

A. CITY shall pay CLIENTFIRST an all inclusive fee that shall not exceed the amount as detailed in Exhibit "C", COMPENSATION AND PAYMENT. This compensation shall be based on the rates shown on Exhibit "C". All payments, including fixed hourly rates, shall be inclusive of all indirect and direct charges to the Project incurred by CLIENTFIRST.

B. CLIENTFIRST's fee for the services as set forth herein shall be considered as full compensation for all indirect and direct personnel, materials, supplies and equipment, and services incurred by CLIENTFIRST and used in carrying out or completing the work.

C. Payments shall be monthly for the invoice amount or such other amount as approved by CITY. As each payment is due, a statement describing the services performed shall be submitted to CITY by the CLIENTFIRST. This statement shall include, at a minimum, the title(s) of personnel performing work, hours spent, payment rate, and a listing of all reimbursable costs. CITY shall have the discretion to approve the invoice and the work completed statement. Payment shall be for the invoice amount or such other amount as approved by CITY.

D. Payments are due upon receipt of written invoices. CITY shall have the right to receive, upon request, documentation substantiating charges billed to CITY. CITY shall have the right to perform an audit of the CLIENTFIRST's relevant records pertaining to the charges.

IV. EQUAL EMPLOYMENT OPPORTUNITY

A. CLIENTFIRST, with regard to the work performed by it under this Agreement shall not discriminate on the grounds of race, religion, color, national origin, sex, handicap marital status or age in the retention of sub-consultants, including procurement of materials and leases of equipment.

B. CLIENTFIRST shall take affirmative action to insure that applicants for employment, and employees, are treated during employment, without regard to their race, color, religion, sex, national origin, marital status or handicap. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment advertising; layoff or termination; rates of pay or other forms of compensation and selection for training including apprenticeship.

C. CLIENTFIRST shall post in prominent places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

D. CLIENTFIRST shall state that all qualified applications will receive consideration for employment without regard to race, color, religion, sex, national origin, marital status or handicap.

E. CLIENTFIRST shall comply with Title VI of the Civil Rights Act of 1964 and shall provide such reports as may be required to carry out the intent of this section.

F. CLIENTFIRST shall incorporate the foregoing requirements of this section in CLIENTFIRST's agreement with all sub-consultants.

V. PROSECUTION OF WORK

CLIENTFIRST will employ a sufficient staff to prosecute the work diligently and continuously and will complete the work in accordance with the schedule of work approved by the CITY. (See Exhibit "B", Schedule For Work).

VI. ASSIGNMENT OF AGREEMENT AND TRANSFER OF INTEREST

A. CLIENTFIRST shall not assign this Agreement, and shall not transfer any interest in the same (whether by assignment or novation), without prior written consent of the CITY thereto, provided, however, that claims for money due or to become due to the CLIENTFIRST from the CITY under this Agreement may be assigned to a bank, trust company, or other financial institution without such approval. Notice of an intended assignment or transfer shall be furnished promptly to the CITY.

B. In the event there is a change of more than 30% of the stock ownership or ownership in CLIENTFIRST from the date of this Agreement is executed, then CITY shall be notified prior to the date of said change of stock ownership or interest and CITY shall have the right, in event of such change in stock ownership or interest, to terminate this Agreement upon notice to CLIENTFIRST. In the event CITY is not notified of any such change in stock ownership or interest, then upon knowledge of same, it shall be deemed that CITY has terminated this Agreement.

VII. INDEPENDENT WORK CONTROL

It is expressly agreed that in the performance of the service necessary for compliance with this Agreement, CLIENTFIRST shall be and is an independent contractor and is not an agent or employee of CITY. CLIENTFIRST has and shall retain the right to exercise full control and supervision of the services and full control over the employment, direction, compensation and discharge of all persons assisting CLIENTFIRST in the performance of CLIENTFIRST's services hereunder. CLIENTFIRST shall be solely responsible for its own acts and those of its subordinates and employees.

VIII. CONSULTANT QUALIFICATIONS

It is expressly understood that CLIENTFIRST is licensed and skilled in the professional calling necessary to perform the work agreed to be done by it under this Agreement and CITY relies upon the skill of CLIENTFIRST to do and perform said work in a skillful manner usual to the profession. The acceptance of CLIENTFIRST's work by CITY does not operate as a release of CLIENTFIRST from said understanding.

This Agreement is entered into by CITY with the express understanding and agreement that the work will be performed by and/or under the direct supervision of the following persons with the duties as follows:

ClientFirst Consulting Group LLC:

David Krout – Project Director

Steve Robichaud – Project Manager

Tom Jakobsen – IT Infrastructure Specialist

Roger Cano – Network Engineer

Alexis Mercado – Senior Consultant

CITY:

Gene Garces – IT Manager

CLIENTFIRST shall not reassign the work to other persons without the prior written approval of CITY.

IX. NOTICES

All notices hereby required under this Agreement shall be in writing and delivered in person or sent by certified mail, postage prepaid.

Notices required to be given to CITY shall be addressed as follows:

Gene Garces, IT Manager
City of Menlo Park
701 Laurel St.
Menlo Park, CA 94025

Notices required to be given to CLIENTFIRST shall be addressed as follows:

Steve Robichaud, Partner
ClientFirst Consulting Group, LLC.
1181 California Ave. Suite 270
Corona, CA 92881

Provided that any party may change such address by notice, in writing, to the other party and thereafter notices shall be addressed and transmitted to the new address.

X. HOLD HARMLESS

The CLIENTFIRST shall indemnify and hold harmless the CITY, its subsidiary agencies, their officers, agents, employees and servants from all claims, suits or actions of every name, kind and description, based on negligence or willful misconduct, brought for, or on account of, injuries to or death of any person or damage to property resulting from the performance of any work required by this Agreement by CLIENTFIRST, its officers, agents, employees and servants. The duty of the CLIENTFIRST to indemnify and hold harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code, provided, however, that nothing herein shall be construed to require the CLIENTFIRST to indemnify the CITY, its subsidiary agencies, their officers, agents, employees and servants against any responsibility to liability in contravention of Section 2782 of the California Civil Code.

XI. INSURANCE

A. CLIENTFIRST shall not commence work under this Agreement until all insurance required under this paragraph has been obtained and such insurance has been approved by the City, with certificates of insurance evidencing the required coverage.

B. There shall be a contractual liability endorsement extending the CLIENTFIRST's coverage to include the contractual liability assumed by the CLIENTFIRST pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to the CITY, at the address shown in Section IX, of any pending cancellation of the policy. CLIENTFIRST shall notify CITY of any pending change to the policy. All certificates shall be filed with the City.

1. Worker's Compensation and Employer's Liability Insurance:

The contractor shall have in effect during the entire life of this Agreement Worker's Compensation and Employer's Liability Insurance providing full statutory coverage. In signing this Agreement, the CLIENTFIRST makes the following certification, required by Section 18161 of the California Labor Code: "I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement".

2. Liability Insurance:

The CLIENTFIRST shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance (Commercial General Liability Insurance) on an occurrence basis as shall protect it while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as claims for property damage which may arise from the CLIENTFIRST's operations under this Agreement, whether such operations be by CLIENTFIRST or by any sub-consultant or by anyone directly or indirectly employed by either of them. The amounts of such insurance shall be not less than One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000), in aggregate or One Million Dollars (\$1,000,000) combined single limit bodily injury and property damage for each occurrence. CLIENTFIRST shall provide the CITY with acceptable evidence of coverage, including a copy of all declarations of coverage exclusions. CLIENTFIRST shall maintain Automobile Liability Insurance pursuant to this Contract in an amount of not less than One Million Dollars (\$1,000,000) for each occurrence combined single limit or not less than One Million Dollars (\$1,000,000) for any one (1) person, and one million dollars (\$1,000,000) for any one (1) accident, and three hundred thousand dollars, (\$300,000) property damage.

3. Professional Liability Insurance:

CLIENTFIRST shall maintain a policy of professional liability insurance, protecting it against claims arising out of the negligent acts, errors, or omissions of CLIENTFIRST pursuant to this Agreement, in the amount of not less than One Million Dollars (\$1,000,000) combined single limit. Said professional liability insurance is to be kept in force for not less than one (1) year after completion of services described herein.

C. CITY and its subsidiary agencies, and their officers, agents, employees and servants shall be named as additional insured on any such policies of comprehensive general and automobile liability insurance, except professional liability and worker's compensation, which shall also contain a provision that the insurance afforded thereby to the CITY, its subsidiary agencies, and their officers, agents, employees, and servants shall be primary insurance to the full limits of liability of the policy, and that if the CITY, its subsidiary agencies and their officers and employees have other insurance against a loss covered by a policy, such other insurance shall be excess insurance only.

D. In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, CITY, at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.

E. Prior to the execution of this Agreement, any deductibles or self-insured retentions must be declared to and approved by CITY.

XII. RESPONSIBILITY AND LIABILITY FOR SUB-CONSULTANTS AND/OR SUBCONTRACTORS

Approval of or by CITY shall not constitute nor be deemed a release of responsibility and liability of CLIENTFIRST or its sub-consultants and/or subcontractors for the accuracy and competency of the designs, working drawings, specifications or other documents and work, nor shall its approval be deemed to be an assumption of such responsibility by CITY for any defect in the designs, working drawings, specifications or other documents prepared by CLIENTFIRST or its sub-consultants and/or subcontractors.

XIII. OWNERSHIP OF WORK PRODUCT

Work products of CLIENTFIRST for this project, which are delivered under this Agreement or which are developed, produced and paid for under this Agreement, shall become the property of CITY. The reuse of CLIENTFIRST's work products by City for purposes other than intended by this contract shall be at no risk to CLIENTFIRST.

XIV. REPRESENTATION OF WORK

Any and all representations of CLIENTFIRST, in connection with the work performed or the information supplied, shall not apply to any other project or site, except the project described in Exhibit "A" or as otherwise specified in Exhibit "A".

XV. TERMINATION OF AGREEMENT

A. CITY may give thirty (30) days written notice to CLIENTFIRST, terminating this contract in whole or in part at any time, either for CITY's convenience or because of the failure of CLIENTFIRST to fulfill its contractual obligations or because of CLIENTFIRST's change of its assigned personnel on the project without prior CITY approval. Upon receipt of such notice, CLIENTFIRST shall:

1. Immediately discontinue all services affected (unless the notice directs otherwise); and
2. Deliver to the CITY all data, drawings, specifications, reports, estimates, summaries, and such other information and materials as may have been accumulated or produced by CLIENTFIRST in performing work under this Agreement, whether completed or in process.

B. If termination is for the convenience of CITY, an equitable adjustment in the contract price shall be made, but no amount shall be allowed for anticipated profit on unperformed services.

C. If the termination is due to the failure of CLIENTFIRST to fulfill its Agreement, CITY may take over the work and prosecute the same to completion by contract or otherwise. In such case, CLIENTFIRST shall be liable to CITY for any reasonable additional cost occasioned to the CITY thereby.

D. If, after notice of termination for failure to fulfill Agreement obligations, it is determined that CLIENTFIRST had not so failed, the termination shall be deemed to have been effected for the convenience of the CITY. In such event, adjustment in the contract price shall be made as provided in Paragraph B of this section.

E. The rights and remedies of the CITY provided in this section are in addition to any other rights and remedies provided by law or under this Agreement.

XVI. INSPECTION OF WORK

It is CLIENTFIRST's obligation to make the work product available for CITY's inspections and periodic reviews upon request by CITY.

XVII. BREACH OF AGREEMENT

A. This Agreement is governed by applicable federal and state statutes and regulations. Any material deviation by CLIENTFIRST for any reason from the requirements thereof, or from any other provision of this Agreement, shall constitute a breach of this Agreement and may be cause for termination at the election of the CITY.

B. The CITY reserves the right to waive any and all breaches of this Agreement, and any such waiver shall not be deemed a waiver of any previous or subsequent breaches. In the event the CITY chooses to waive a particular breach of this Agreement, it may condition same on payment by CLIENTFIRST of actual damages occasioned by such breach of Agreement.

XVII. SEVERABILITY

The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect unless amended or modified by the mutual consent of the parties.

XIX. CAPTIONS

The captions of this Agreement are for convenience and reference only and shall not define, explain, modify, limit, exemplify, or aid in the interpretation, construction, or meaning of any provisions of this Agreement.

XX. LITIGATION OR ARBITRATION

In the event that suit or arbitration is brought to enforce the terms of this contract, the prevailing party shall be entitled to litigation costs and reasonable attorneys' fees. The Dispute Resolution provisions are set forth on Exhibit "D", 'Dispute Resolution' attached hereto and by this reference incorporated herein.

XXI. ENTIRE AGREEMENT

This document constitutes the sole Agreement of the parties hereto relating to said project and states the rights, duties, and obligations of each party as of the document's date. Any prior Agreement, promises, negotiations, or representations between parties not expressly stated in this document are not binding. All modifications, amendments, or waivers of the terms of this Agreement must be in writing and signed by the appropriate representatives of the parties to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CITY:

City of Menlo Park, A Municipal Corporation

By _____
Alex D. McIntyre

Title City Manager
"CITY"

ATTEST:

Pamela Aguilar
City Clerk, City of Menlo Park

CLIENTFIRST:

ClientFirst Consulting Group, LLC.

By _____
David Krout

Title Managing Partner
"CLIENTFIRST"

Exhibit A – Scope of Work

Description
<i>Phases 1: Project Initiation</i>
Department Needs Assessment Surveys and Questionnaires
Project Kick-Off Meeting
IT Planning Committee setup, with roles and responsibilities
<i>Phase 2: Needs Assessment and Needs Assessment Workshops</i>
Data Collection, Questionnaires, and Surveys
Department/Function Discovery Interview Workshops
IT Infrastructure, Operations, and Staffing Reviews
Communications Systems Review
Needs Assessment Discovery Documentation
<i>Phase 3: Research and Preliminary Plan Development</i>
Preliminary Initiative Identifications
Infrastructure Evaluation
<p>Preliminary IT Recommendations (workshop materials)</p> <ul style="list-style-type: none"> • Current state <ul style="list-style-type: none"> ◆ IT organization ◆ IT infrastructure and services • IT strategies, including organization recommendations; descriptions of initiatives will provide prioritizations, dependencies, resource requirements, and next steps <ul style="list-style-type: none"> ◆ Department-specific needs and initiatives ◆ Telecommunications ◆ Business application strategies and recommendations ◆ ECMS / Document Management (Enterprise Content Management System) ◆ Email and Message archiving recommendations ◆ Network infrastructure, including storage and backup standards / recommendations ◆ Desktop recommendations ◆ Replacement strategies and planning ◆ Printing Environment ◆ IT staffing recommendations ◆ Security issues ◆ Disaster recovery ◆ GIS ◆ Cloud Computing ◆ Customer service improvements ◆ Server and network performance summary ◆ Future assessment, governance plan, and recommendation updates ◆ Website assessment and recommendations ◆ Internet / intranet and online services ◆ Audio / video environment ◆ Improved citizen communications and interaction ◆ Regional partnering

- ◆ Emerging technology
- ◆ Best practices, as applicable
- ◆ Help Desk and Reporting
- ◆ Return-on-Investment Considerations
- Technology – Capital Investment Plan and Cost Schedules
- Implementation Plan with timeline estimates for each project
- Staffing and Organizational Requirements needed to support recommended strategies
- Policy and Procedure Recommendations

Phase 4: Planning and Prioritization Workshops

Assessment Report with Initiatives

Project Manager and IT Workshop (Technical)

Business Function - Project Committee Workshop

Executive Management Workshop

Prioritization - Project Committee Workshop

Phase 5: Final Report and Presentations

- Strategic Technology Master Plan Report
 - ◆ Project Purpose and Background
 - ◆ Methodology for implementation and maintenance of strategic plan.
 - ◆ Current State of Information Technology
 - ◆ IT Vision and Principles
 - ◆ Strategies, Goals and Objectives
 - ◆ IT Initiatives (Projects) by priority
 - ◆ Key Issues
 - ◆ Governance Guidelines with Recommendations
 - ◆ Timelines
 - ◆ Budgets
 - ◆ Approach to tracking and measuring the implementation of plan strategies and initiatives

Exhibit B – Schedule of Work

The time frame for completion is within 90 days from project commencement.

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
1	Overall Project Coordination		24	20	4	
2	Develop Questionnaires/Surveys for Needs Assessment		4	2		2
3	Kick-Off Meeting with the City Project Manager and Key Personnel		6	4		2
4	Obtain and Review Background Information and Preparation		4	2	2	
5	General Data Collection/Gathering, Distribution of Questionnaire, and Collection of Completed		10	4	2	4
6	Management and Functional	3-4				
	City Manager's Office		2	1		1
	City Clerk		2	1		1
	City Attorney		2	1		1
	Finance		4	2		2
	Human Resources		3	1.5		1.
	Public Works		4	2		2
	Community Development		4	2		2
	Community Services		4	2		2
	Library		3	1.5		1.
	Economic Development		2	1		1
7	IT Infrastructure, Operations, and Staffing Reviews	3-4				
	IT Manager Interview		2		2	
	IT Information Gathering Activities,		12		12	
	Tour IT Facilities					
	IT Staff Interviews					
	IT Management Team Interviews					
	Assessment and Information Gathering, including:					
	IT Policies and Procedures					
	Website Review					
	IT Network and Infrastructure					
	Storage and Back-Ups					

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
	Audiovisual Systems					
	Servers, Server Applications, and Management					
	IT Security					
	Disaster Recovery					
	Email and Message Archiving					
	Document Management					
	Help Desk					
	Desktop Environment					
	Printers					
	Software Licensing					
	Review IT Projects and Budgets					
	Telecommunications					
	Services, Lines, and					
	Operations, including Support/Service Agreements					
	GIS and GIS Integration					
8	Documentation	5				
	Summarize Findings and		32	8	8	1
Phase 3: Research and Preliminary Plan		5-6				
9	Develop Key Strategies		8	4	4	
10	Define Goals and Objectives		8	4	4	
11	Develop Preliminary Initiatives, Findings, Alternatives, and		40	18	14	8
	Current IT Environment Summary and		Includ			
	All Applications/Systems, including ERP, Enterprise Content Management, GIS, all		Includ ed			
	Application Integration		Includ			
	Management and Operational		Includ			
	User Training Needs		Includ			
	Data Management		Includ			
	Site Security (Video and Physical)		Includ			
	IT and Telecommunications		Includ			
	Network		Includ			
	Servers		Includ			
	Storage and Back-Ups		Includ			
	Handhelds/Mobile		Includ			

Step	City of Menlo Park Information Technology Strategic Plan Work Plan	Scheduled Week	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
	IT Operations		Includ			
	Desktops		Includ			
	Software Licensing		Includ			
	Printers		Includ			
	Help Desk and Report		Includ			
	Email and Message Archiving		Includ			
	Management and Productivity		Includ			
	IT Policies and Procedures		Includ			
	IT Staffing with IT and GIS Consolidation Strategies and		Includ			
	IT Security		Includ			
	Business Continuity / Disaster		Includ			
	Cloud Computing / Cloud Storage		Includ			
	IT Master Plan Implementation		Includ			
12	Preliminary Budgets		14	6	6	2
13	Preliminary Prioritizations		5	2	2	1
Phase 4: Planning and Prioritization		7-8				
14	Develop Assessment Report with		24	12	8	4
15	Develop Workshop Materials		6	2	2	2
16	Workshop - Departments / Project Steering Committee		4	4		
17	Workshop - IT Infrastructure and		8	4	4	
18	Workshop - Executive Management		5	2.5	2.5	
19	Prioritization Workshop - Project		4	4		
20	Revisions		10	4	2	4
Phase 5: Final Report and Presentations		9				
21	Develop Final Report and Supporting		16	8	4	4
22	Develop Presentation Materials		4	2	2	
23	Final Report Presentation - City		4	2	2	
24	Final Report Presentation to City Council		8	4	4	
Hours by Consultant			292	137.5	90.5	64

Exhibit C – Compensation and Payment

CLIENTFIRST’s fees are based on the time spent on a project at its standard rates. The standard billing rates for these types of services is \$125 - \$185 per hour, plus travel-related expenses, and is based on the type and level of the assigned consultants’ skill sets.

Information Technology Strategic Plan

<i>City of Menlo Park</i> Information Technology Strategic Plan Fees Summary	Total Billable Hours	Steve/ David	Tom J/ Roger	Alex
Hours by Consultant	292	137.5	90.5	64
Rate		\$175	\$185	\$125
Subtotal	\$48,805			
Travel and Related Expenses	\$5,857			
CLIENTFIRST’s Proposed Cost	\$54,662			
10% Contingency	\$5,466			
Project Budget	\$60,128			

OPTIONAL – Expanded IT Assessment

<i>City of Menlo Park</i> Information Technology Strategic Plan Fees Summary	Total Billable Hours	Roger
Hours by Consultant	24	24
Rate		\$165
Subtotal	\$3,960	
Travel and Related Expenses	\$475	
CLIENTFIRST’s Proposed Cost	\$4,435	

Invoiced monthly as progress proceeds. Payments are due within 30 days of receipt via check or ACH

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**CITY COUNCIL
SPECIAL AND REGULAR MEETING
DRAFT MINUTES
Tuesday, June 02, 2015 at 6:00 P.M.
City Council Chambers
701 Laurel Street, Menlo Park, CA 94025**

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

Mayor Carlton called the Closed Session to order at 6:18 P.M. Councilmember Ohtaki arrived at 6:18 P.M.

There was no public comment on these items.

CL1. Closed Session pursuant to Government Code Section §54957.6 to conference with labor negotiators regarding labor negotiations with Service Employees International Union (SEIU), American Federation of State, County and Municipal Employees (AFSCME), Menlo Park Police Officers' Association (POA)

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

CL2. Closed Session pursuant to Government Code Section §54957:
City Manager Employment Contract

Attendee: City Attorney William McClure

7:00 P.M. REGULAR SESSION

Mayor Carlton called the meeting to order at 7:24 P.M. All Councilmembers were present.

Staff present: City Manager Alex McIntyre, Assistant City Manager Starla Jerome-Robinson, City Attorney Bill McClure, City Clerk Pamela Aguilar

Mayor Carlton led the pledge of allegiance.

REPORT FROM CLOSED SESSION

Mayor Carlton stated that there is no reportable action from the Closed Session held earlier this evening.

A. PRESENTATIONS AND PROCLAMATIONS

A1. Proclamation celebrating the American Cancer Society's Menlo Park Discovery Shop ([Attachment](#))

Holly Bohin of the American Cancer Society accepted the proclamation.

A2. Presentation of Certificate of Achievement for Financial Reporting to Finance Director Drew Corbett ([Attachment](#))

Drew Corbett accepted the certificate.

B. COMMISSION/COMMITTEE VACANCIES, APPOINTMENTS AND REPORTS - None

C. PUBLIC COMMENT #1

- Kristina Lemons thanked Council for considering a median at Alma Street and Ravenswood Avenue
- John Kadvany spoke regarding public benefit valuation
- Stu Soffer spoke regarding the City Manager's employment contract, the budget and hiring options
- Heyward Robinson spoke regarding the City Manager's employment contract
- Fran Dehn thanked the public works staff for the flags on Santa Cruz Avenue

D. CONSENT CALENDAR

Councilmember Mueller requested items D2 and D3 be pulled from the Consent Calendar for further discussion.

D1. Authorize the City Manager to enter into a contract with Kidango Foods in an amount not to exceed \$85,948 for the delivery of food services at the Belle Haven Child Development Center for Fiscal Year 2015-16 ([Staff report #15-089](#))

D2. Approve a second amendment to employment agreement between the City of Menlo Park and Alexander D. McIntyre ([Staff report #15-093](#))

D3. Approve minutes for the Council meetings of March 24, May 5 and May 19, 2015 ([Attachment](#))

ACTION: Motion and second (Cline/Ohtaki) to approve item D1 passes unanimously.

ACTION: Motion and second (Cline/Keith) to approve item D3 with the modifications to the May 19th minutes as requested by Mayor Carlton passes unanimously.

Regarding the downtown parking item from the March 24th Council meeting, there was Council consensus that staff be directed to provide information regarding the financial impacts of modifying 1-hour parking to 2 hours.

ACTION: Motion and second (Cline/Keith) to approve item D2 passes 4-1 (Mueller dissents)

At this time, Mayor Carlton called the Regular Business items out of order.

F. REGULAR BUSINESS

F1. Discuss and receive direction on Economic Development Strategic Plan Policies and Implementation ([Staff report #15-092](#))([Presentation](#))

Economic Development Manager Jim Cogan introduced the item. Michael Yarne of Build Public made a presentation.

Public Comment:

- Tim Tosta requested Council to consider the types of businesses it wants to attract and the need for a predictable process

Staff was directed to incorporate the Economic Development plan strategies with the City's other long term planning and to provide more clarification on retail strategies and public benefit strategies.

F2. Approval of design and cost-sharing requirements for the Santa Cruz Street Café Pilot Program ([Staff report #15-090](#)) ([Presentation](#))

Economic Development Specialist Amanda Wallace made a presentation. Ian Moore of Ian Moore Designs was also present to respond to Council questions.

Public Comment:

- Mario Vega of Left Bank and LB Steak spoke in support of the project

ACTION: Motion and second (Carlton/Keith) to approve the base design as the preferred Street Café design and a cost-sharing requirement of 75% for parallel parking and 70% for angled parking with the participating business paying its share upfront or through installments over a two year timeframe with the City contributing 70% for parallel parking and 60% for angled parking and a maximum contribution of \$30,000 for any one installment. The cost for any enhancements beyond the base design will be borne solely by the business. The motion passes unanimously.

F3. Authorize the City to assume the role of project sponsor for the US 101/Willow Road Interchange Project ([Staff report #15-094](#)) ([Presentation](#))

Transportation Manager Nikki Nagaya made a presentation.

Public Comment:

- Steve Van Pelt expressed concern regarding the short funding request deadline
- Fran Dehn spoke in support of pursuing TIGER grant funds
- Betsy Nash expressed concern regarding the City taking on multiple projects and competing priorities
- Rex Ianson, Menlo Park Fire Protection District, expressed concern regarding the impact on emergency response time and access due to this project

ACTION: Motion and second (Keith/Ohtaki) to authorize the City of Menlo Park to assume the role of Project Sponsor for the US 101/Willow Road Interchange Project including taking the lead role to secure adequate construction funding with a request to

the San Mateo County Transportation Authority to serve as the Implementing Agency passes unanimously.

At this time, Mayor Carlton called the Informational Items out of order.

I. INFORMATIONAL ITEMS

- I1.** Installation of buffered bike lanes and removal of parking on Santa Cruz Avenue as approved by City Council ([Staff report #15-091](#))

Public Comment:

- Betsy Nash asked the City to communicate to the public regarding its outreach efforts and inquired about bike lane and buffer widths

Staff responded to questions regarding outreach, walking in bike lanes, access by utility and maintenance vehicles and opportunities to tweak the installation design.

- I2.** Update on Menlo Park Policy #450, Use of Audio/Video Recorders
([Staff report #15-088](#))

Police Chief Jonsen and Commander Bertini responded to Council questions regarding deleting video footage of citizens interacting with police on non-police matters (ex. asking for directions), policies and practices regarding turning on/off cameras and retention/deletion timeframes. Staff was directed to provide an update regarding retention as an Informational Item and to bring back the entire policy in May 2016.

- I3.** Update on status of contract reporting ([Staff report #15-095](#))

City Manager McIntyre reported that the software Council approved to facilitate the contract reporting will be implemented in the coming weeks.

E. PUBLIC HEARING

- E1.** Public hearing on fiscal year 2015-16 budget and capital improvement program
([Staff report #15-076](#))([Presentation](#))

City Manager Alex McIntyre and Finance Director Drew Corbett made a presentation.

Mayor Carlton opened the public hearing. There was no public comment.

Motion and second (Cline/Ohtaki) to close the public hearing passes unanimously.

There was consensus from Councilmembers Cline, Ohtaki and Keith to bring this item back to Council for approval on June 16, 2015.

G. CITY MANAGER'S REPORT

City Manager McIntyre reported the following: (1) parks will be closed for annual maintenance (2) power washing of downtown sidewalks is being done with recycled storm water and (3) the downtown block party will be June 17th.

H. WRITTEN COMMUNICATION – None

J. COUNCILMEMBER REPORTS

Councilmember Keith reported that the Dumbarton Rail Policy Advisory Committee has been disbanded as it has been defunded.

Mayor Carlton recognized the work of educators during the school year.

K. PUBLIC COMMENT #2

There was no public comment.

ADJOURNMENT at 12:23 A.M. on June 3, 2015.

Pamela Aguilar
City Clerk



**CITY COUNCIL
SPECIAL AND REGULAR MEETING
DRAFT MINUTES
Tuesday, June 16, 2015 at 6:30 P.M.
City Council Chambers
701 Laurel Street, Menlo Park, CA 94025**

6:30 P.M. CLOSED SESSION (Administration Building, 1st Floor Conference Room)

Mayor Carlton called the Closed Session to order at 6:30 P.M. All Councilmembers were present.

There was no public comment.

CL1. Closed Session pursuant to Government Code Section §54957.6 to conference with labor negotiators regarding labor negotiations with Menlo Park Police Officers' Association (POA)

Attendees: City Manager Alex McIntyre, Acting City Attorney Leigh Prince, Human Resources Director Gina Donnelly, Finance Director Drew Corbett, Labor Counsel Charles Sakai

7:00 P.M. REGULAR SESSION

Mayor Carlton called the meeting to order at 7:00 P.M. All Council members were present.

Staff present:

City Manager Alex McIntyre, Acting City Attorney Leigh Prince, City Clerk Pamela Aguilar

Mayor Carlton led the pledge of allegiance.

REPORT FROM CLOSED SESSION

Mayor Carlton stated there is no reportable action from the Closed Session held earlier this evening.

ANNOUNCEMENTS

Mayor Carlton made the following announcements:

(1) Agenda item D-9 will not be heard tonight (2) Downtown block party on June 17th

A. PRESENTATIONS AND PROCLAMATIONS

A1. Proclamation honoring Sue Sartor on her retirement from Las Lomitas Elementary School ([Attachment](#))

Sue Sartor accepted the proclamation.

B. COMMISSION/COMMITTEE VACANCIES, APPOINTMENTS AND REPORTS

B1. Bicycle Commission quarterly update on the status of its 2-year Work Plan
([Attachment](#))

Commission Chair Bill Kirsch gave the report.

Public Comment:

- Matthew Zito, Sequoia Union High Sschool District, spoke regarding traffic, safety and bike infrastructure at Menlo Atherton High School

C. PUBLIC COMMENT #1

- Brooke Cotter spoke regarding the Alma Street and Ravenswood Avenue traffic change
- Patti Fry spoke regarding Santa Cruz Avenue sidewalks

D. CONSENT CALENDAR

Mayor Carlton previously announced that Item D-9 would not be heard at this meeting. Councilmember Mueller pulled item D-10 for further discussion.

- D1.** Authorize two updated Memorandums of Understanding with the Ravenswood City School District ([Staff Report #15-108](#))
- D2.** Adopt **Resolution 6269** accepting dedication of public utility easement from Sharon Heights Golf and Country Club ([Staff Report #15-101](#))
- D3.** Authorize the City Manager to enter into a five-year contract with Mechanical Technologies Corporation for the preventative maintenance and repair services for HVAC within city buildings ([Staff Report #15-099](#))
- D4.** Adopt **Resolution 6270** supporting the US 101/Willow Road Interchange Project and submit an application to the Measure A Highway Program and authorize the City Manager to execute the necessary funding agreements ([Staff Report #15-103](#))
- D5.** Approve the installation of sharrows on bicycle facilities ([Staff Report #15-098](#))
- D6.** Authorize the City Manager to enter into an agreement with Golden State Flow Measurements, Inc. to provide water meters and supplies and authorize the option to renew the contract annually for up to five years ([Staff Report #15-105](#))
- D7.** Adopt **Resolution 6271** authorizing the City Manager to accept the SAFETEA-LU Federal Grant in the amount of \$202,400 and execute the Program Supplement Agreement No. N015 for the Willow Road Traffic Signal Modification Project Between Middlefield Road and Hamilton Avenue ([Staff Report #15-102](#))
- D8.** Authorize the City Manager to execute an agreement with Jones Hall, a Professional Law Corporation, for bond counsel and disclosure counsel services, not to exceed \$150,000 total, related to refinancing the outstanding debt of the former Community Development Agency, pending review by the City Attorney ([Staff Report #15-109](#))

D9. Approve and authorize the Mayor to executive a cultural exchange agreement with Nan Shan, China ([Staff Report #15-110](#)). **THIS ITEM WAS NOT HEARD.**

D10. Approve minutes for the Council meeting of June 2, 2015 ([Attachment](#))

ACTION: Motion and second (Cline/Ohtaki) to approve items D1-D8 on the Consent Calendar passes unanimously.

Regarding Item D-10, *Approve minutes for the Council meeting of June 2, 2015*, Councilmember Mueller requested corrections to agenda item E-1 and that the minutes be brought back for approval at the next Council meeting.

E. PUBLIC HEARING

E1. Adopt a resolution overruling protests, ordering the improvements, confirming the diagram and ordering the levy and collection of assessments at the existing rate for sidewalk and tree assessments for the City of Menlo Park Landscaping Assessment District for fiscal year 2015-16 ([Staff Report #15-106](#))

Assistant Public Works Director Ruben Nino made a presentation.

Mayor Carlton opened the public hearing. There was no public comment.

Motion and second (Cline/Keith) to close the public hearing passes unanimously.

ACTION: Motion and second (Ohtaki/Keith) to adopt **Resolution 6272** overruling protests, ordering the improvements, confirming the diagram and ordering the levy and collection of assessments at the existing rate for sidewalk and tree assessments for the City of Menlo Park Landscaping Assessment District for fiscal year 2015-16 passes unanimously.

E2. Adopt a resolution to collect the regulatory fee at existing rates for the implementation of the local City of Menlo Park Storm Water Management Program for fiscal year 2015-16 ([Staff Report #15-100](#))

Assistant Public Works Director Ruben Nino made a presentation.

Mayor Carlton opened the public hearing. There was no public comment.

Motion and second (Cline/Ohtaki) to close the public hearing passes unanimously.

ACTION: Motion and second (Ohtaki/Cline) to adopt **Resolution 6273** to collect the regulatory fee at existing rates for the implementation of the local City of Menlo Park Storm Water Management Program for fiscal year 2015-16 passes unanimously.

E3. Adopt a resolution recommending that the San Mateo County Flood Control District impose basic charges at existing rate and increase the additional charges by 2.53 percent for funding the fiscal year 2015-16 Countywide National Pollutant Discharge Elimination System General Program ([Staff Report #15-096](#))

Assistant Public Works Director Ruben Nino made a presentation.

Mayor Carlton opened the public hearing. There was no public comment.

Motion and second (Ohtaki/Keith) to close the public hearing passes unanimously.

ACTION: Motion and second (Keith/Ohtaki) to adopt **Resolution 6274** recommending that the San Mateo County Flood Control District impose basic charges at existing rate and increase the additional charges by 2.53 percent for funding the fiscal year 2015-16 countywide National Pollutant Discharge Elimination System general program passes unanimously.

E4. Adopt a resolution to abandon public right-of-way, sidewalk easements, and public utility easements within the Mid-Peninsula Housing Project at 1221-1275 Willow Road ([Staff Report #15-104](#))

Senior Civil Engineer Theresa Avedian made a presentation.

Mayor Carlton opened the public hearing. There was no public comment.

Motion and second (Ohtaki/Cline) to close the public hearing passes unanimously.

ACTION: Motion and second (Cline/Ohtaki) to adopt **Resolution 6275** to abandon public right-of-way, sidewalk easements, and public utility easements within the Mid-Peninsula Housing Project at 1221-1275 Willow Road passes unanimously.

F. REGULAR BUSINESS

F1. Adopt resolutions: adopting the 2015-16 Budget and Capital Improvement Program; establishing the appropriations limit for 2015-16; establishing a consecutive temporary tax percentage reduction in Utility Users' Tax rates; and adopting the salary schedule for 2015-16

([Staff Report #15-097](#))([Presentation](#))([Handout1](#))([Handout2](#))

Finance Director Drew Corbett introduced the item. City Manager Alex McIntyre made a presentation.

Public Comment:

- Mickie Winkler asked Council to hire a consultant to examine positions and functions that can be outsourced in order to reduce staff size

There was Council consensus to table the 2015-16 budget and capital improvement program item. Staff was directed to review and provide potential strategies for balancing the budget including re-evaluation of headcount and reducing General Fund expenditures without reliance on General Fund reserves.

ACTION: Motion and second (Ohtaki/Cline) to adopt **Resolution 6276** establishing the appropriations limit for 2015-16 passes unanimously.

ACTION: Motion and second (Keith/Ohtaki) to adopt **Resolution 6277** adopting the salary schedule for 2015-16 passes unanimously.

ACTION: Motion and second (Ohtaki/Keith) to adopt **Resolution 6278** establishing a consecutive temporary tax percentage reduction in Utility Users' Tax rates passes 3-0-2 (Mayor Carlton and Councilmember Mueller abstain).

F2. Authorize the City Manager to 1) release the Notice of Preparation for the ConnectMenlo (General Plan & M-2 Area Zoning Update) Environmental Impact Report, 2) release the Notice of Preparation for the Facebook Campus Expansion Project Environmental Impact Report located at 300-309 Constitution Drive, and 3) amend a contract with ICF International to complete the environmental and fiscal review for the Facebook Campus Expansion Project, including future augments as necessary ([Staff Report #15-107](#))([Presentation](#))

Assistant Community Development Director Justin Murphy introduced the item. Charlie Knox of Placeworks made a presentation.

Public Comment:

- Jon Johnston, Menlo Park Fire Protection District, spoke regarding traffic and the impact on services of the development. He provided a map of 2014 responses throughout district and where critical services are taking place ([handout](#))
- Adina Levin provided an update regarding the ConnectMenlo process

ACTIONS:

- (1) Motion and second (Keith/Ohtaki) to authorize the City Manager of Menlo Park to release the Notice of Preparation for the ConnectMenlo (General Plan & M-2 Area Zoning Update) Environmental Impact Report with addition of language regarding combined buildout potential on page 272 of the agenda packet passes unanimously.
- (2) Motion and second (Ohtaki/Cline) to release the Notice of Preparation for the Facebook Campus Expansion Project Environmental Impact Report located at 300-309 Constitution Drive passes unanimously.
- (3) Motion and second (Keith/Ohtaki) to amend a contract with ICF International to complete the environmental and fiscal review for the Facebook Campus Expansion Project, including future augments as necessary passes unanimously.

G. CITY MANAGER'S REPORT – None

H. WRITTEN COMMUNICATION – None

I. INFORMATIONAL ITEMS – None

J. COUNCILMEMBER REPORTS

Mayor Carlton reported that she will be traveling to China in July as part of a mayors' tour.

K. PUBLIC COMMENT #2

There was no public comment.

ADJOURNMENT at 10:47 P.M.

Pamela Aguilar
City Clerk



CITY COUNCIL
SPECIAL MEETING DRAFT MINUTES
Tuesday, June 23, 2015 at 7:30 P.M.
City Council Chambers
701 Laurel Street, Menlo Park, CA 94025

7:30 P.M. SPECIAL SESSION

Mayor Pro Tem Cline called the meeting to order at 7:34 P.M.

All Councilmembers were present. Mayor Carlton appeared via telephone from the California Theater, West Conference Room, located at 345 South First Street, San Jose, California.

Staff present:

City Manager Alex McIntyre, Assistant City Manager Starla Jerome-Robinson, City Attorney Bill McClure, City Clerk Pamela Aguilar

Mayor Pro Tem Cline led the pledge of allegiance.

PUBLIC COMMENT

- Mickie Winkler expressed concern regarding staff size and hiring a consultant to examine outsourcing
- Fergus O'Shea, Facebook, urged Council to ensure the staff resources needed for projects to continue
- Steve Pierce, Greenheart Land Company, spoke regarding the impact on their project due to staff constraints and supports hiring of additional staff

A. REGULAR BUSINESS

A1. Adopt a resolution adopting the 2015-16 Budget and Capital Improvement Program ([Staff report #15-111](#))([presentation](#))

Mayor Pro Tem Cline introduced the item. City Manager Alex McIntyre and Finance Director Drew Corbett made a brief presentation.

ACTION: Motion and second (Carlton/Ohtaki) to approve **Resolution 6279** adopting the 2015-16 Budget and Capital Improvement Program with amendments to reduce the appropriation for the General Fund transfer to the Capital Improvement Program Fund by \$1.1 million, eliminate the proposed \$100,000 appropriation for the tennis court electronic key upgrade project in the Capital Improvement Program Fund and move that project to the unfunded projects list, and increase parking revenue estimates in the General Fund by \$55,243. Further, Council appropriated \$1 million in fiscal year 2014/15 from the General Fund to transfer to the Capital Improvements Program Fund to pre-fund the Santa Cruz Sidewalk Project. The motion passes unanimously.

Council thanked staff for its work in bringing budget options for the Council to review and consider based on their feedback from the June 16th Council meeting.

Council requested an agenda item for the next City Council meeting to discuss the role of the Finance and Audit Committee regarding alternative service delivery options.

ADJOURNMENT at 8:55 P.M.

Pamela Aguilar
City Clerk



STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-118-CC

Public Hearing: **Adopt a Resolution Approving Five-Year Water Rates for the Menlo Park Municipal Water District**

Recommendation

Staff recommends that the City Council adopt a resolution to increase water rates for the Menlo Park Municipal Water District over the next five years as follows:

1. Revise water consumption charges to a two-tier water rate structure.
2. Align the monthly fixed meter charges to be consistent with American Water Works Association (AWWA) standards for meter capacity ratios, and setting the fixed meter charges to recover 20% of total rate revenues.
3. Adjust unmetered fire fixed charges to equal 18% of the potable fixed meter charges.
4. Increase water capital surcharges 24% annually for the next five years.
5. Establish a drought surcharge based on the Water Shortage Contingency Plan.
6. Increase water capacity charges based on the System Buy-In Approach the first year and increase the water capacity charges annually thereafter by the Bay Area's Engineering News Record – Construction Cost Index (ENR-CCI).
7. Pass-through SFPUC wholesale rate increases or other regulatory fees above the maximum rate shown in the Proposition 218 notice.

Policy Issues

Periodically, the City Council sitting as the Menlo Park Municipal Water District Board sets water rates.

Background

Water Rate Study

In November 2014, the City retained Bartle Wells Associates (BWA) to complete a comprehensive five-year water rate study. Major objectives of the study included:

- Ensure the continued financial health and stability of the City's water enterprise;
- Develop a five-year projection of operating and capital revenue requirements for the water utility;
- Recommend rates that meet these revenue requirements;
- Recommend alternative water rate structures to recover the full cost of providing service;
- Develop water shortage or drought rates;
- Update water capacity charges for new development; and
- Maintain equity among all users and ensure compliance with all legal requirements.
- On May 19, 2015, staff presented information on the Bartle Wells water rate study to the City Council

(see Attachment D) and asked for approval to prepare and mail the Proposition 218 notice indicating the items listed below. The City Council approved the proposed water rates to be included in the Proposition 218 notice.

Analysis

On June 5, 2015, staff mailed notices to approximately 4,140 property owners as required per California Article XIII D (known as Proposition 218). The notice (Attachment A) showed;

- Maximum proposed rates to be adopted over the five year period;
- How a property owner could submit a written protest; and
- How water bills are calculated.

The notice also included language to enable the MPMWD to pass-through SFPUC's wholesale rate increases if they exceed the maximum rate noticed and other regulatory charges or fees that may arise during the five-year period.

Water Fund Overview

The Menlo Park Water Fund is an enterprise fund. An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Under enterprise accounting, the revenues and expenditures of services are separated into separate funds, rather than co-mingled with the revenues and expenses of other government funds.

The Water Fund consists of two components: Operations and Capital. For the last ten years, the City has utilized the operations and capital funds to balance each other and to maintain a positive cash flow. The 2010 water rate analysis projected water sales to enable the City to reach a positive cash flow for both operations and capital separately, unfortunately, that did not occur, and for the past five years, the capital cash flow has been covering the operating deficit. This deficit is due in part to the reduction in water use, which on average has been 11% less than anticipated water sales annually over the last five years and other factors such as the recession, drought, conservation efforts and the BAWSCA Bond Surcharge. Without water rate increases, MPMWD will not recover its cost of providing service, which will result in a negative cash flow.

The Water System has two main water operating revenue components: water consumption charges and fixed meter charges. In developing fees for MPMWD, BWA utilized the American Water Works Association (AWWA) as a guide. AWWA is the largest nonprofit, scientific and educational association dedicated to managing and treating water, and has over 50,000 members including the MPMWD. AWWA sets the Industry Standard in rate-making principles. The rates developed in the BWA Water Rate Study 2015 use a straightforward methodology to establish an equitable system of fixed and variable charges that recover the cost of providing service and fairly apportion costs to each rate component.

Water Consumption Charge – Two-Tiered Rate Structure

Staff is recommending a two-tier rate structure so that Tier 1 (0 – 6 ccf) provides sufficient indoor water for a typical household consisting of 2.7 people (which equates to approximately 55 gallons per day per person) and fully recovers the cost of wholesale water. Tier 2 includes all water use over 6 ccf. The inclining tiered rate structure reflects the proportionate increase in costs associated with additional

demand placed on the system and provides more conservation incentive as customers use more water. Appendices G and H in BWA's Water Rate Study 2015, Draft Final Report (Attachment E) provide sample bill impacts for various customer categories.

Fixed Meter Charges

All customers are charged a monthly fixed charge based on meter size regardless of water consumption. The AWWA established capacity ratios that provide a basis for charging customers proportionally to the capacity that is reserved for them in the water system based on their meter size. For example, a 2-inch meter has 5.3 times the capacity equivalency of a customer with a 5/8-inch or 3/4-inch meter. The current meter capacity ratios for 3-inch meters and larger are not aligned with the meter capacities recommended by AWWA. Staff is recommending updating the meter ratios for meters 3-inch meters and larger, and setting the fixed meter charges to recover 20% of total rate revenues as shown in the table below.

For unmetered fire services, which are used solely as standby service for private fire protection, the City charges a separate monthly fixed charge based on service size. The AWWA recommends that 18% of system expenses are allocated to fire protection, and therefore, the monthly charge should be set at 18% of the potable fixed meter charges. Staff is recommending that unmetered fire fixed charges be adjusted to equal 18% of the potable fixed meter charges as shown below.

Water Capital Surcharges

The City's 5-year Capital Improvement Plan (CIP) lists several water system maintenance and improvement projects that will benefit MPMWD customers. The City anticipates spending about \$6.9 million for water system projects over the next 5 years to repair and rehabilitate aging water mains, and build needed capital improvements such as the emergency water supply well project. A volume surcharge is the most equitable way of financing water facilities because it is based on demand. Revenues from the charge are separated from other water system revenues and are used to fund capital improvement projects.

The capital surcharge was established in 1990 to fund capital improvements on a pay-as-you-go basis. Since 2010, it has been increased annually according to the Bay Area's Engineering News Record – Construction Cost Index (ENR-CCI) to keep pace with rising construction costs. It is currently \$0.51 per ccf. Staff is recommending that the capital surcharge increase 24% annually for the next five years to fully fund MPMWD's infrastructure needs as shown below.

Drought Surcharge

Drought surcharges are designed to recover lost revenue due to decreased levels of consumption and to pay for additional expenses related to the drought. MPMWD recognizes that ratepayers are already doing their part to conserve, therefore, applying a drought surcharge to the amount of water used gives customers the increased ability to control a portion of their water bills. The emergency drought surcharge would be an additional separate consumption charge levied on all usage and would only be charged as long as MPMWD is implementing Stage 2 or above in the Water Shortage Contingency Plan (WSCP).

Staff is recommending the drought surcharge ranges shown below for Year 1 through Year 5. For example, as MPMWD is currently in Stage 2 of the WSCP, for Year 1 the drought surcharge would be \$0.29 per ccf and in Year 5 it would be \$0.85 per ccf, with Years 2 to 4 in between those amounts.

Water Capacity Charge

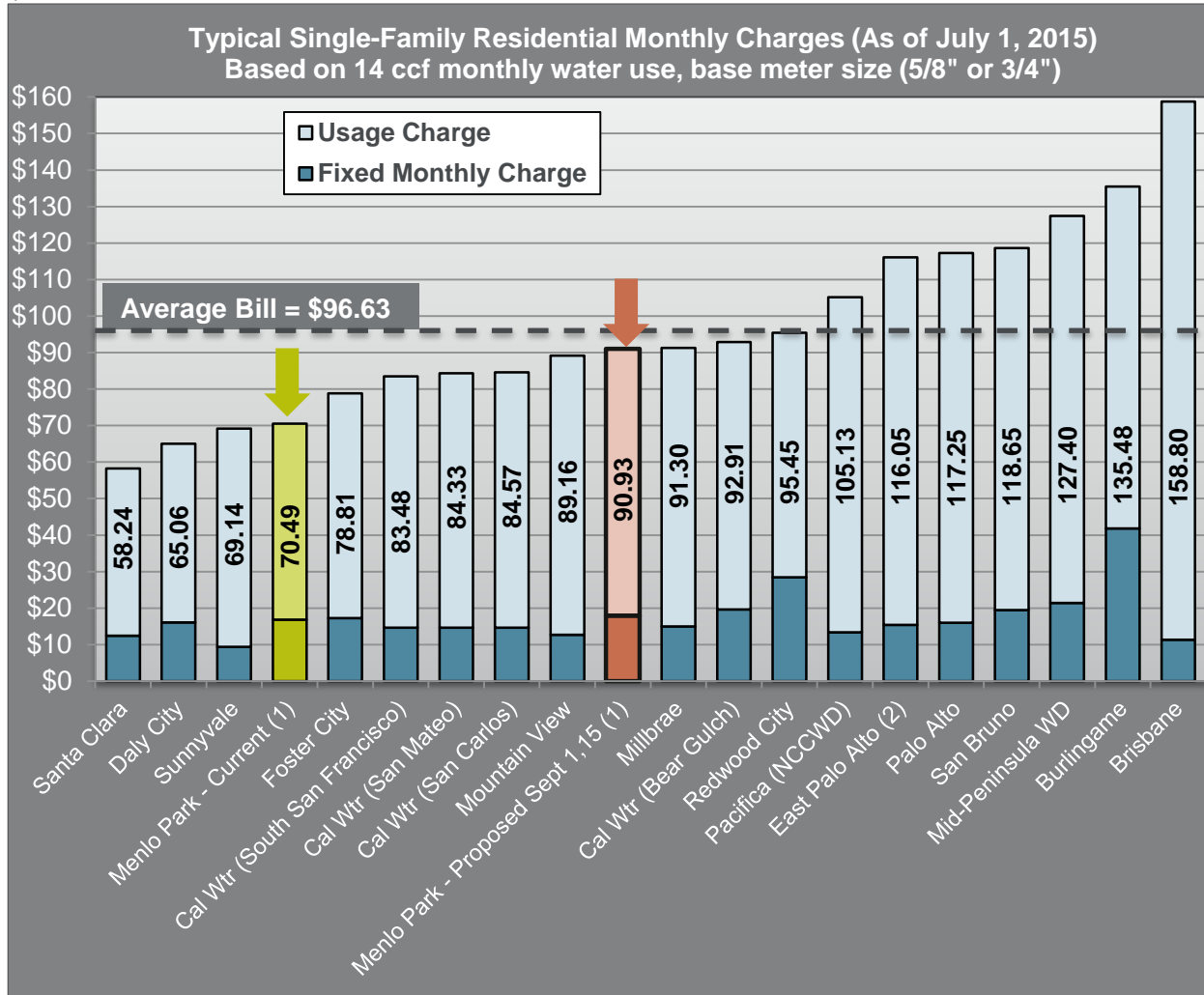
The water capacity charge is calculated such that new connections “buy-in” for their proportional share of capacity needs in existing and planned water system facilities and assets serving the utility, known as the System Buy-In Approach. MPMWD collects these charges during the construction period as new customers begin to use the water facilities. Staff is recommending that MPMWD establish water capacity charges based on the System Buy-In Approach the first year and increase the water capacity charges annually thereafter by the ENR-CCI as shown below. The proposed charges will place MPMWD in the middle range compared to other regional water agencies surveyed.

Current Water Rates		Proposed Water Rates					
		Sept 1, 2015	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019	
WATER CONSUMPTION CHARGE - All Customers, Rate per ccf*							
Tier 1: 0 - 5 ccf	\$2.69	Tier 1: 0 - 6 ccf **	\$4.51	\$4.75	\$5.01	\$5.28	\$5.57
Tier 2: 6 -10 ccf	\$3.38	Tier 2: Over 6 ccf	\$4.64	\$5.32	\$6.09	\$6.97	\$7.98
Tier 3: 11 - 25 ccf	\$4.04						
Tier 4: Over 25 ccf	\$5.39						
MONTHLY FIXED METER CHARGE - All Customers							
<u>Meter Size</u>		<u>Meter Size</u>					
5/8"	\$16.84	5/8"	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
3/4"	\$16.84	3/4"	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
1"	\$26.94	1"	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
1-1/2"	\$55.57	1-1/2"	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05
2"	\$89.26	2"	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
3"	\$163.35	3"	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
4"	\$252.61	4"	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15
6"	\$560.81	6"	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
8"	\$1,244.54	8"	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70
10"	\$2,761.91	10"	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01
MONTHLY UNMETERED FIRE FIXED CHARGES							
<u>Meter Size</u>		<u>Meter Size</u>					
1-1/2"	\$4.00	1-1/2"	\$10.76	\$12.05	\$13.49	\$15.11	\$16.93
2"	\$5.00	2"	\$17.21	\$19.28	\$21.59	\$24.18	\$27.08
3"	\$7.00	3"	\$32.27	\$36.15	\$40.49	\$45.34	\$50.79
4"	\$9.00	4"	\$53.90	\$60.36	\$67.61	\$75.72	\$84.81
6"	\$13.00	6"	\$107.58	\$120.49	\$134.95	\$151.14	\$169.28
8"	\$17.00	8"	\$172.13	\$192.78	\$215.92	\$241.83	\$270.85
10"	\$22.00	10"	\$247.43	\$277.13	\$310.38	\$347.63	\$389.34
12"	\$28.00	12"	\$462.59	\$518.10	\$580.28	\$649.91	\$727.90
WATER CAPITAL SURCHARGE - All Customers, Rate per ccf*							
All Usage	\$0.51	All Usage	\$0.63	\$0.78	\$0.97	\$1.21	\$1.50
DROUGHT SURCHARGES - All Customers, Rate per ccf*							
Water Shortage Contingency Plan – Required Water Cutback %							
Stage 2: Up to 20% (Currently)		All Usage	\$0.29	\$0.44	\$0.63	\$0.71	\$0.85
Stage 3: Up to 30%		All Usage	\$0.52	\$0.79	\$1.11	\$1.24	\$1.48
Stage 4: Up to 40%		All Usage	\$0.82	\$1.24	\$1.74	\$1.95	\$2.32
Stage 5: Up to 50%		All Usage	\$1.25	\$1.88	\$2.63	\$2.94	\$3.50
WATER CAPACITY CHARGES							
<u>Meter Size</u>		<u>Meter Size</u>					
5/8"	\$2,706	5/8"	\$4,852				
3/4"	\$2,706	3/4"	\$4,852				
1"	\$4,328	1"	\$8,087				Increased annually by the ENR-CCI
1-1/2"	\$8,935	1-1/2"	\$16,173				Larger sizes based on ration of size to 5/8" – 3/4" meters
2"	\$14,348	2"	\$25,877				
3"	\$26,247	3"	\$48,520				
4"	\$40,595	4"	\$81,028				
6"	\$90,124	6"	\$161,733				

* 1 ccf = one hundred cubic feet or approximately 748 gallons

** Tier 1 at least as much as SFPUC wholesale rate plus BAWSCA bond surcharge (\$0.46/ccf).

The following chart compares the proposed MPMWD monthly water charges (for a typical resident using 14 ccf a month) to other local water agencies who also purchase SFPUC water. Ten of the agencies (including Sunnyvale, California Water Service, Mountain View, and Palo Alto) adopted new rates in 2015 that are represented in the chart below. The proposed MPMWD single-family residential monthly charge falls in the middle compared to the other agencies and would be less than the average monthly bill of \$96.63.



* Includes miscellaneous surcharges where applicable

1 Includes capital surcharge

2 Includes temporary capital improvement & meter replacement program surcharges as of 09/01/2015

As of July 17, 2015, staff has received 6 protest letters from property owners (see Attachment B). Two owners felt that if water customers have to reduce water use that the water district should reduce water rates. One owner didn't mind the increase to reflect true costs, but did not agree to the 5-year plan to increase rates based on proposed costs. One owner understood the need to increase first tier rates to recover SFPUC costs, but felt the first tier increases over the five years was disproportionately high compared to the increase in second tier rates. One owner believed the first tier rates should be low to encourage water conservation. One owner did not specifically object to the proposed rates so his letter was not counted in the 6 protest letters received. Staff did not receive any phone calls or protests letters from business owners.

Staff also received an email from a water customer who reviewed BWA's water rate study and had several questions. Staff responded, and those emails are included in Attachment B.

Next Steps

If the City Council adopts a Resolution (Attachment C) to approve water rates for the next five years, the new rates will become effective as of the September 1, 2015 billing period, and then adjusted annually for the next four years on July 1st.

Impact on City Resources

The City Council's decision on water rates will impact the sufficiency of the operating reserve and the capital reserve. If reserves are not adequate, a loan from the General Fund may be required to finance future repairs, improvements or purchases.

Environmental Review

Environmental review is not required.

Public Notice

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

Attachments

- A. Proposition 218 notice mailed June 5, 2015
- B. Water Rate Protests, Letters, and Emails Received
- C. Resolution to Adopt Water Rates
- D. Staff Report from May 19, 2015 City Council Meeting (report only)
- E. Bartle Wells Associate's Water Rate Study 2015, Final Report, May 20, 2015

Report prepared by:

Pam Lowe, P.E, Senior Civil Engineer

Ruben Nino, Assistant Public Works Director

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PROPOSED FIVE-YEAR WATER RATE INCREASES PUBLIC HEARING NOTICE

*Esta información es sobre aumentos de tarifas de agua.
Si tiene alguna pregunta, favor de llamar a Eren Romero al 650-330-6740*

The Menlo Park Municipal Water District is proposing to increase water rates over the next five years. The proposed water rate increases will result in the average residential water customers' monthly bill increasing \$24.50 in fiscal year 2015-16. MPMWD will hold a public hearing on the proposed rates July 21, 2015.

MPMWD serves about 16,000 people in the City of Menlo Park in the western and eastern areas of the city. MPMWD relies on water rate revenues to fund the costs of operating and maintaining the water system and to purchase wholesale water from the San Francisco Public Utilities Commission.

NEW WATER CONSERVATION REGULATIONS AND PROPOSED WATER RATES

NEW WATER CONSERVATION REGULATIONS AND WAYS TO REDUCE WATER USE

- Potable water used to irrigate outdoor ornamental landscapes or turf shall be limited to the following two days per week schedule.
 - Odd or No Address – Mondays and Thursdays
 - Even Address – Tuesdays and Fridays
- Water customers may be granted an exception to the two days per week schedule upon review and approval of a drought response plan that demonstrates an equivalent or greater reduction in water use.
- Irrigation of outdoor ornamental landscapes or turf is not allowed between 8:00 am - 6:00 pm.
- Must not use potable water on outdoor landscapes that causes runoff.
- Hoses must be fitted with an automatic shutoff nozzle for washing vehicles, sidewalks, driveways, walkways, or buildings.
- Must not apply potable water to any driveway or sidewalk except to address immediate health or safety concerns.
- Pools, spas, and hot tubs shall be covered when not in use.
- Cannot use potable water in a decorative feature, unless the water recirculates.
- Must repair defective/broken plumbing and irrigation systems within a reasonable time period.
- Potable water shall not be used to water outdoor landscapes during and within 48 hours after measurable rainfall.

PROPOSED FIVE-YEAR WATER RATE INCREASES

In accordance with California Constitution Article XIII D, the Menlo Park Municipal Water District is proposing to adopt the Proposed Maximum Rates shown in the last column of the following table. The intent is to gradually phase in rate increases up to the maximum adopted level over the next five years to minimize the annual impact on ratepayers. If the proposed maximum rates are adopted, the MPMWD may collect rates at or below the proposed maximum at any time as needed to meet the City's financial needs. The proposed water rates are based on a study conducted by a utility rate consultant, and the study is available at www.menlopark.org/waterrates.

The rate increases are necessary for the following reasons

- San Francisco Public Utilities Commission water rates paid by MPMWD have doubled over the last five years to support a \$4.3 billion capital improvement program.
- SFPUC is increasing wholesale rates by 28 percent in fiscal year 2015-16 and plans to increase their rates 61 percent over the next five years.
- MPMWD plans to implement almost \$6.9 million in capital improvement projects over the next five years.



PUBLIC HEARING
Tuesday, July 21, 2015
7:00 pm
City Council Chambers,
701 Laurel Street, Menlo Park

WATER RATE NOTICE PUBLIC HEARING

City of Menlo Park
701 Laurel Street
Menlo Park CA 94025



MPMWD offers rebates for high-efficiency washing machines and toilets, a turf replacement rebate program, and free high-efficiency showerheads, faucet aerators, hose nozzles and toilet leak detection tablets. For more information, call 650-330-6720 or visit our website at menlopark.org/waterconservation



HOW WATER BILLS ARE CALCULATED

A typical single-family home using 14 ccf of water per month is billed \$70.49. With the proposed fiscal year 2015–16 proposed rates, the same single-family home will see a \$24.50 increase (to \$94.99) in their monthly bill, as calculated below.



CURRENT RATES				PROPOSED FISCAL YEAR 2015–16 WATER RATES			
	ccf	Unit Cost	Cost	Description	ccf	Unit Cost	Unit Cost
5/8" fixed meter charge			\$16.84	5/8" fixed meter charge			\$17.93
Water consumption charge:				Water consumption charge:			
Tier 1: 0-5 ccf	5	\$2.69	\$13.45	Tier 1: 0-6 ccf	6	\$4.51	\$27.06
Tier 2: 6-10 ccf	5	\$3.38	\$16.90	Tier 2: Over 6 ccf	8	\$4.64	\$37.12
Tier 3: 11-25 ccf	4	\$4.04	\$16.16				
Water capital surcharge			\$7.14	Water capital surcharge			\$8.82
				Drought surcharge (Stage 2)*			\$4.06
TOTAL			\$70.49	TOTAL			\$94.99

*Drought surcharges are temporary, and will be eliminated once the drought ends.

WHOLESALE COST PASS-THROUGHS

The proposed rates assume certain SFPUC wholesale rates effective July 1 each year. Pursuant to California Government Code 53756, the MPMWD is proposing to pass-through any additional increases in SFPUC wholesale water rates when actual SFPUC rates exceed estimated rates. This pass-through provision applies to wholesale rates, water management charges, and other regulatory or environmental charges that the City is required to pay SFPUC. Prior to initiating a pass-through, MPMWD will notify all customers at least 30 days before implementation.

PROPOSED DROUGHT SURCHARGES

To recover its costs of service and remain financially stable during periods of drought and reduced water sales, MPMWD is proposing a temporary drought surcharge that corresponds to the Water Shortage Contingency Plan stage adopted by City Council. The drought surcharge will be eliminated once the drought ends. MPMWD is currently in Stage 2 which calls for up to a 20 percent reduction in consumption.

HOW TO PROTEST THE PROPOSED WATER RATES

Property owners may submit written protests by mail and protests must include:

- Identify the affected property, by address and APN number
- Include the property owner name and signature
- Indicate opposition to the proposed water rate increases.

Protests submitted by email, fax or other electronic means will not be accepted. One written protest will be counted per parcel. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels.

Mail written protests to:

Menlo Park Municipal Water District
Attn: Water Rate Protest
701 Laurel Street, Menlo Park, CA 94025.

All written protests must be submitted before the close of the July 21, 2015, public hearing.

For more information, contact MPMWD at 650-330-6750 or water@menlopark.org.

CURRENT WATER RATES		PROPOSED WATER RATES					
		Aug/Sept 2015	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019	Maximum
FIXED METER CHARGE - All Customers							
Meter Size							
5/8"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21	\$28.21
3/4"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21	\$28.21
1"	\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03	\$47.03
1-1/2"	\$55.57	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05	\$94.05
2"	\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46	\$150.46
3"	\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14	\$282.14
4"	\$252.61	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15	\$471.15
6"	\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45	\$940.45
8"	\$1,244.54	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70	\$1,504.70
10"	\$2,761.91	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01	\$2,163.01
WATER CONSUMPTION CHARGE - All Customers, Rate per ccf*							
Tier 1: 0-5 ccf	\$2.69	Tier 1: 0-6 ccf	\$4.51	\$4.75	\$5.01	\$5.28	\$5.57
Tier 2: 6-10 ccf	\$3.38	Tier 2: Over 6 ccf	\$4.64	\$5.32	\$6.09	\$6.97	\$7.98
Tier 3: 11-25 ccf	\$4.04						
Tier 4: Over 25 ccf	\$5.39						
CAPITAL SURCHARGE - All Customers, Rate per ccf*							
All Usage	\$0.51	All Usage	\$0.63	\$0.78	\$0.97	\$1.21	\$1.50
DROUGHT SURCHARGES - All Customers, Rate per ccf*							
Water Shortage Contingency Plan—Required Water Cutback Percentage							
Stage 2: Up to 20 percent	All usage	\$0.29	\$0.44	\$0.63	\$0.71	\$0.85	\$0.85
Stage 3: Up to 30 percent	All usage	\$0.52	\$0.79	\$1.11	\$1.24	\$1.48	\$1.48
Stage 4: Up to 40 percent	All usage	\$0.82	\$1.24	\$1.74	\$1.95	\$2.32	\$2.32
Stage 5: Up to 50 percent	All usage	\$1.25	\$1.88	\$2.63	\$2.94	\$3.50	\$3.50
UNMETERED FIRE FIXED CHARGES							
Meter Size							
1-1/2"	\$4.00	\$10.76	\$12.05	\$13.49	\$15.11	\$16.93	\$16.93
2"	\$5.00	\$17.21	\$19.28	\$21.59	\$24.18	\$27.08	\$27.08
3"	\$7.00	\$32.27	\$36.15	\$40.49	\$45.34	\$50.79	\$50.79
4"	\$9.00	\$53.90	\$60.36	\$67.61	\$75.72	\$84.81	\$84.81
6"	\$13.00	\$107.58	\$120.49	\$134.95	\$151.14	\$169.28	\$169.28
8"	\$17.00	\$172.13	\$192.78	\$215.92	\$241.83	\$270.85	\$270.85
10"	\$22.00	\$247.43	\$277.13	\$310.38	\$347.63	\$389.34	\$389.34
12"	\$28.00	\$462.59	\$518.10	\$580.28	\$649.91	\$727.90	\$727.90

*1 ccf = one hundred cubic feet or approximately 748 gallons.

City of Menlo Park
Municipal Water District
Attn: Water Rate Protest
701 Laurel Street
Menlo Park, CA 94025

Dear Sirs:

This letter is to protest and oppose the proposed increase in water rates outlined in your latest communication.

Address – 3760 Haven Avenue, Menlo Park CA

APN # - 055231040

I believe that if we have to cut back on water use, then the water district should cut back on commensurate costs.



Caillean Sherman

3760 Haven I LLC
150 Lynn way
Woodside, CA 94062

RECD JUN 15 2015

City of Menlo Park
Municipal Water District
Attn: Water Rate Protest
701 Laurel Street
Menlo Park, CA 94025

Dear Sirs:

This letter is to protest and oppose the proposed increase in water rates outlined in your latest communication.

Address – 3760 Haven Avenue, Menlo Park CA

APN # - 055231050

I believe that if we have to cut back on water use, then the water district should cut back on commensurate costs.



Caillean Sherman

3760 Haven II LLC
150 Lynn way
Woodside, CA 94062

REC'D JUN 15 2015



July 1, 2015

TO:
Menlo Park Municipal Water District
Attn: Water Rate Protest
701 Laurel Street
Menlo Park, CA 94025

FR:
Larry J Scott
495 Gilbert Avenue
Menlo Park, CA 94025

APN#: 062343170
Customer Number: 616887
Meter Number: 55452195

I am submitting my written protest to indicate opposition to the proposed water rate increases.

Sincerely,



Larry J Scott

REC'D JUL 13 2015

June 13, 2015

Menlo Park Municipal Water District
701 Laurel Street
Menlo Park, California 94025

Attn: Water Rate Protest

Dear MP Municipal Water District,

We are opposed to the proposed drought surcharge rate increase beginning in 2015. If there are true cost increases we don't mind having an increase, but we do not agree with the 5 year plan with 20% increases based on potential costs.

Regards,

A handwritten signature in black ink, appearing to read "Jeff Prudhomme". The signature is fluid and cursive, with a large loop at the end.

Jeff Prudhomme

935 Woodland Ave
Menlo Park, California
94025

REC'D JUN 16 2015



to: Menlo Park Municipal Water District

re: Proposed 2015-16 Water Rates
June 9, 2015

I oppose the proposed water rate increases.

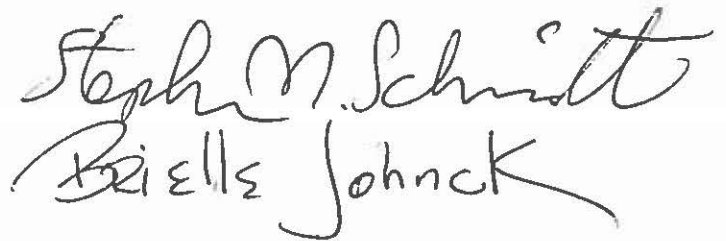
While I appreciate the need to recover for increased charges from the SFPUC, the increased rates by the Menlo Park Municipal Water District disproportionately fall on those of us who currently use the least water, in large part because of our conservation efforts over the past four years.

The Tier 1 rate is proposed to rise about 75% from current levels, while the rates of those in Tier 2 whose consumption exceeds 6ccf per month will rise by only 37%.

I urge you to revise your proposed rate schedule to minimize billing increases for those who conserve and shift your cost recovery focus to those who use more. The 75%-37% imbalance between Tiers 1 & 2 should be reversed.

Thank you for your attention to this matter.

Stephen M Schmidt, Trustee
Brielle K Johnck Trust
330 Central Ave
Menlo Park, CA 94025-2803
APN 062-354-090

Handwritten signatures of Stephen M. Schmidt and Brielle K. Johnck.

REC'D JUN 15 2015

MPMWD
701 Laurel Street
Menlo Park, CA
Attn: Water Rate Protest

118 Pope Street
Menlo Park, CA
Parcel Number 062-354-020

20jun2015

To whom it may concern:

We oppose the rate changes proposed by the Menlo Park Municipal Water District. The proposed rates eliminate the top tier and flatten the rates, making the payment structures less progressive. This is not the way to conserve a resource that is vital to life.

Since life depends on water, it is necessary that everyone can afford enough to survive. This indicates a low rate for tier 1. High prices for tiers 2 and above will encourage savings. This is exactly the opposite of the MPMWD proposal.

Currently,

- Tier 2 water costs 25% more than tier 1 water (per unit), and
- Tier 3 water costs 50% more than tier 1 water (per unit).

Under the proposal,

- Tier 2 water will not cost 25% more than tier 1 water until 2018
- Tier 2 water will never cost 50% more than tier 1 water.

Thus, people using over 10 CFM will be getting a bargain, and people in tier 2 will be paying less (relatively) than they do now for the next three years. This seems like a disincentive to save water.

Sincerely,



Kenneth J. Doniger
Christine C. Doniger

REC'D JUL 13 2015



JUN 15 2015

How about 2 tiers:

0-8 ccf \$ 4.⁰⁰
9 PLUS ccf \$ 10.⁰⁰

- ✓ NOT REGRESSIVE
- ✓ GOOD INCENTIVE
- ✓ COVERS INFRASTRUCTURE \$'s

Sue Bishop
Viole McMahon
2378 Branner Drive
Menlo Park, CA 94025

Viole

Not counted -
didn't oppose
the rates

Lowe, Pam H

Subject: FW: MP Water Rates

From: Lowe, Pam H
Sent: Tuesday, July 07, 2015 9:49 AM
To: 'Robert Vernstrom'
Cc: Niño, Ruben R
Subject: RE: MP Water Rates

Hi Bob,
Thanks for your comments. I've added some notes below in red which will hopefully clarify some of your concerns.

Thanks,
Pam

Pam Lowe, P.E., Senior Civil Engineer
City of Menlo Park | *Menlo Park Municipal Water District*
701 Laurel St. | Menlo Park, CA 94025
Direct 650-330-6745 | General 650-330-6740 | Fax 650-327-5497
phlowe@menlopark.org



From: Robert Vernstrom [<mailto:vernstrom@stanfordalumni.org>]
Sent: Monday, July 06, 2015 10:07 AM
To: Lowe, Pam H
Cc: Castro, Carlos M
Subject: MP Water Rates

Dear Pam,

Thank you for the copy of the MPMWD Water Rate Study you forwarded several weeks ago. The following thoughts are based on my review. I would be happy to discuss any of the following -- especially if you believe it to be incorrect -- so that I do not confuse what is already a complex issue.

BWA is a respected firm, and, not surprisingly, they have produced a professional study. One observation, however, is that BWA normally prepares a series of options for comparison (as they did in the 2010 Water Rate Study for Menlo Park, and as they do for other cities in the Bay Area). This time, however, there is only one meaningful proposal. (The difference between their "Option 1" and "Option 2" is \$1.32/month for an average residential customer.) As BWA correctly points out, ratemaking requires tradeoffs between many conflicting objectives. Alternatives should be considered and compared. BWA ran many scenarios for us and we chose two scenarios (one tier and two tier options) that we felt were most feasible that we presented to City Council on May 19, 2015.

As BWA also notes, "During times of drought, a water utility has two core objectives: 1) to reduce the amount of water customers consume, and 2) to maintain an adequate amount of revenue to continue operations while paying for extraordinary drought-related expenses." I am confident that the BWA proposal successfully

addresses the second objective, but I think it is inadequate with regard to the first. The first tier up to 6 ccf allows sufficient indoor water for a typical household (2.7 persons). Having a second tier that charges more will encourage water consumers to consume less. That is the benefit of tiered rates.

BWA's recommended Option 2 (see attached "MP Water Rate Review") collects targeted revenues and virtually eliminates the tiered rate structure used for many years. (BWA recommended a tiered rate structure in 2010, and both Cal Water currently uses a tiered rate structure for MP customers.) They do this by (i) reducing the share of fixed charges paid by the largest customers, (ii) reducing the cost of water consumption for today's Tier 4 customers, and (iii) dramatically increasing both the fixed charges and water consumption rates for the average residential customer. The City Council discussed this topic at their May 19, 2015 meeting, and staff did explain that this was an option, however, City Council approved proceeding forward with the two tier option as presented for the Prop 218 notice.

The tariff for the average residential customer starting in July would be increased by a whopping 35%. In contrast, according to my estimates, the tariff for the largest consumers (current Tier 4) would increase by - 0.3%. Yes, that's right, the largest customers would get, on average, a tariff decrease! There are two major flaws with this proposal: The major reason for the large increase for the average residential customer is because the 1st tier is currently at 75% of the wholesale rate that we purchase water from SFPUC. All of the rate structure options provided to the City Council increases the 1st tier in order to pay for our wholesale costs as Proposition 219 requires that rates be set so that users pay for their fair share of water.

1) Tier 4 customers account for ~75% of water sales. How can the district hope to encourage conservation if there is no financial incentive to conserve for 75% of sales? The incentive to save stems from the premise of tiered rates...the more water used, the more water costs. By moving to a two tier rate structure, all water use above and beyond the first tier up to 6 ccf (which allows sufficient indoor water for a typical household of 2.7 persons) is charged at a higher rate which will encourage water consumers to consume less.

2) Even if tariffs need to be realigned to correct for inequities, an important principle of ratemaking is "gradualism", so that no group of customers suffer "rate shock". The proposed adjustments are not gradual. Proposition 218 requires that rates be set so that users pay for their fair share of water.

The Option 2 proposal calls for the tariff adjustments summarized in the attached "Option 2 Impacts". This proposal is not gradual, and it will not achieve the desired goal of conservation.

It is easy to be a critic. So what would I propose. I suggest that the district consider further adjustments to the proposal, such as the following:

1) Modify capital investment. The district proposes to spend \$4.1 million over the next five years on "Automated Water Meter Reading". This is clearly a reasonable long-term goal, but — given the capital costs that customers will already bear indirectly as a result of planned SFPUC investment — is it reasonable to spend for this discretionary purpose over the next 5 years more than the total revenue received from all residential customers in a year, or to fund out of current income a huge investment with a 30-year life? What are the economics of this investment? I have been told (unverified!) that the district currently utilizes a single meter reader. Could the pace of planned investment be slowed (e.g.) to \$500,000 per year? This modification would lower the fixed charge increases for all customers. The City contracts with Fathom Global Water for meter reading and billing services. Currently there is one water meter assigned to MPMWD water accounts. Many agencies are embarking or have already installed automated water meters. There are many advantages from a maintenance standpoint, in addition to being able to get "read time" water use information.

2) Correct water meter capacity ratios. BWA proposes to correct water meter capacity ratios for large customers. Notably, the largest consumers (8" and 10" meters) will receive the largest reductions, paying 77% and 50% of current rates. If AWWA recommends this change, by all means it should be incorporated, but my sources say that the district also uses an incorrect ratio for 5/8" meters. (AWWA values them at 20 gpm, not 30.) Could this not be corrected at the same time? (Current Cal Water and Palo Alto rates reflect this distinction.) This change would lower the fixed charge assessment for residential customers. The smaller meter sizes are already at the correct ratio so it's not necessary to revise them. BWA recommended water ratios based on AWWA standards and the proposed rates reflect this.

3) Gradual adjustment of consumption charges. Option 2 proposes to eliminate subsidies for minimal consumption. (Current users in Tier 1 pay only 75% of the cost of water.) To remove the disparity in rate adjustment cited above, perhaps Tier 1 consumption rates could be set at 85% of cost in 2015/16, i.e., gradually moving toward full cost reflective pricing. This gradualism could be funded by modestly increasing or freezing (rather than lowering) the tariff for customers in the Tier 4 block. The tier structure could gradually move toward the desired goal as other blocks catch up with the current Tier 4 rate, so that the 4-tier structure would be gradually reduced to 2 tiers. All of the rate structure options provided to the City Council increases the 1st tier in order to pay for our wholesale costs as Proposition 219 requires that rates be set so that users pay for their fair share of water.

4) A rebate incentive. Perhaps the district could offer an incentive to customers that achieve a reduction target (e.g., rebate a share of the drought surcharge for those who achieve a given consumption reduction compared to the previous year). This is an excellent idea but putting it into practice is another thing. Our water billing system is not able to do this automatically so it would need to be done manually which is unfeasible considering our staff resources.

These are just ideas; other approaches might achieve the same objectives. I would be pleased to talk with anyone prior to the rate review meeting later this month, and to support any effort to consider modifications. Ideally, an alternative could be available for discussion before that meeting.

I look forward to your thoughts.

Best regards,
Bob

Robert Vernstrom
920 Continental Drive
Menlo Park, CA 94025
650-561-4272
vernstrom@stanfordalumni.org

Lowe, Pam H

From: Lowe, Pam H
Sent: Tuesday, July 14, 2015 12:43 PM
To: 'Robert Vernstrom'
Cc: Niño, Ruben R
Subject: RE: MP Water Rates

Hi Bob,
Thanks for your email. Please see my responses below in red.

Thanks,
Pam

Pam Lowe, P.E., Senior Civil Engineer
City of Menlo Park | *Menlo Park Municipal Water District*
701 Laurel St. | Menlo Park, CA 94025
Direct 650-330-6745 | General 650-330-6740 | Fax 650-327-5497
phlowe@menlopark.org



From: Robert Vernstrom [<mailto:vernstrom@gmail.com>]
Sent: Saturday, July 11, 2015 9:02 AM
To: Lowe, Pam H
Cc: Niño, Ruben R
Subject: Re: MP Water Rates

Hi Pam,

Thanks for following up (even while on vacation!).

I am surprised that Proposition 219 requires immediate, full readjustment of rates, ignoring the importance of gradualism in rate-setting. If this is truly the case, I don't see how you can even justify a 2-tier structure? But, as you point out, "Having a second tier that charges more will encourage water consumers to consume less. That is the benefit of tiered rates." In fact, that is my point. With your proposed structure, 75% of water consumption (current Tier 4) will on average get a small rate decrease. I agree with your argument for tiered rates, but I think that the very limited tiers proposed do not accomplish your objective. Proposition 218 requires agencies to set rates so that each user is paying their fair share for services received. In a recent court case *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, the court ruled that tiered water rates must be supported by actual cost of service calculations with identifiable, incremental costs correlating to each tier. The Court invalidated the specific rates that were presented in the case. The Court concluded that the administrative record did not provide sufficient support for each of the tier breakdowns or for the proportionate allocation of system-wide costs. Because the water service provider failed to carry its burden the Court held that the rate structure at issue failed to comply with Proposition 218. It is important to note that the decision has not invalidated tiered rate structures in general. Proposition 218 places the burden of proving the constitutionality of a challenged rate structure on the water service provider. Staff is proposing a two-tier rate structure whereas the first tier provides sufficient indoor water for a typical 2.5 person

household based on 55 gallons per capita per day, and all other use above 6 ccf falls into the second tier.

In the spirit of the principle that all users pay their "fair share", the proposed meter capacity ratios (BWA Table 9) do not seem to match current AWWA data (see attached data from AWWA Manual M-1). The ratios for 5/8", 8", and 10" in particular do not seem similar. Could you (or BWA) explain the selected values, since these values directly impact "fair shares". The meter ratios that we have proposed are based on the meter ratios from AWWA Manual M-1. The difference in the ratios may be due to the fact that we have established the 5/8" and 3/4" meters as equivalent base meters whereas the AWWA manual uses the 5/8" meter as the base meter.

I remain concerned about the high capex for automated metering proposed to be funded from current revenues. Given other rapid price increases, it seems that this investment could be staggered over a longer period.

Thank you. I am sure you will be happy when this issue is resolved!

Regards,
Bob

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO
PARK INCREASING WATER RATES FOR THE MENLO PARK
MUNICIPAL WATER DISTRICT AND IMPLEMENTING PASS-THROUGH OF ANY SAN
FRANCISCO PUBLIC UTILITIES COMMISSION INCREASES**

WHEREAS, the Menlo Park Municipal Water District (MPMWD) receives all of its water from the San Francisco Public Utilities Commission (SFPUC); and

WHEREAS, the SFPUC over the next five years projects wholesale water costs to increase by nearly 61%; and

WHEREAS, the City hired Bartle Wells Associates to review the MPMWD water rates to determine if they are adequate over time to pay for the anticipated increase in wholesale water costs, ongoing replacement projects, and any planned major capital projects; and

WHEREAS, pursuant to Proposition 218, the City has duly noticed and held a protest and public hearing on July 21, 2015 with respect to its intent to raise water rates; and

WHEREAS, a majority protest was not received before and during the public hearing in opposition to the proposed increases for Water Consumption Charges, Fixed Monthly Meter Charges, Unmetered Fire Fixed Charges, Water Capital Surcharges, and Drought Surcharges; and

WHEREAS, Assembly Bill 3030 allows public utility providers to adopt a schedule for inflation and wholesale rate pass-throughs provided they do not apply for more than five-years without a new protest hearing, and that the utility provider gives 30 days written notice to ratepayers each time a pass-through is implemented.

NOW, THEREFORE, BE IT RESOLVED, that the following water rates are adopted to be effective as of the September 1, 2015 billing period (see Exhibit A) for all customers:

1. Revise to a two-tier rate structure for the water consumption charge the first year and then annually increase for the next four years ending on July 1, 2019; and
2. Align monthly fixed meter charges to American Water Works Association (AWWA) standards for meter capacity ratios the first year and then annually increase for the next four years ending on July 1, 2019; and
3. Adjust unmetered fire fixed charges to AWWA standards the first year and then annually increase for the next four years ending on July 1, 2019; and
4. Increase the water capital surcharge the first year and then annually increase for the next four years ending on July 1, 2019; and
5. Establish a drought surcharge based on the Urban Water Management Plan's Water Shortage Contingency Plan stage of action; and
6. Increase water capacity charges based on the System Buy-In Approach the first year and then adjust annually for the next four year by the Bay Area's Engineering News Record – Construction Cost Index (ENR-CCI) ending on July 1, 2019; and
7. Implement pass-throughs, at cost, of any SFPUC increases for wholesale water rate increases, management charges or other charges implemented by the SFPUC prior to July 1, 2019 exceeding \$4.72/ccf.

I, PAMELA I. AGUILAR, City Clerk of the City 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 the ____ day of _____, 2015 by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS THEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Menlo Park on this _____ day of _____, 2015.

Pamela I. Aguilar
City Clerk

**EXHIBIT A
Five-Year Water Rates**

	Sept 1 2015	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
MONTHLY FIXED METER CHARGE - All Customers					
<u>Meter Size</u>					
5/8"	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
3/4"	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
1"	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
1-1/2"	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05
2"	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
3"	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
4"	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15
6"	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
8"	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70
10"	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01
MONTHLY UNMETERED FIRE FIXED CHARGES					
<u>Meter Size</u>					
1-1/2"	\$10.76	\$12.05	\$13.49	\$15.11	\$16.93
2"	\$17.21	\$19.28	\$21.59	\$24.18	\$27.08
3"	\$32.27	\$36.15	\$40.49	\$45.34	\$50.79
4"	\$53.90	\$60.36	\$67.61	\$75.72	\$84.81
6"	\$107.58	\$120.49	\$134.95	\$151.14	\$169.28
8"	\$172.13	\$192.78	\$215.92	\$241.83	\$270.85
10"	\$247.43	\$277.13	\$310.38	\$347.63	\$389.34
12"	\$462.59	\$518.10	\$580.28	\$649.91	\$727.90
WATER CONSUMPTION CHARGE - All Customers, Rate per ccf*					
Tier 1: 0 - 6 ccf **	\$4.51	\$4.75	\$5.01	\$5.28	\$5.57
Tier 2: Over 6 ccf	\$4.64	\$5.32	\$6.09	\$6.97	\$7.98
WATER CAPITAL SURCHARGE - All Customers, Rate per ccf*					
All Usage	\$0.63	\$0.78	\$0.97	\$1.21	\$1.50
DROUGHT SURCHARGES - All Customers, Rate per ccf*					
Water Shortage Contingency Plan					
Required Water Cutback %					
Stage 2: Up to 20%	\$0.29	\$0.44	\$0.63	\$0.71	\$0.85
Stage 3: Up to 30%	\$0.52	\$0.79	\$1.11	\$1.24	\$1.48
Stage 4: Up to 40%	\$0.82	\$1.24	\$1.74	\$1.95	\$2.32
Stage 5: Up to 50%	\$1.25	\$1.88	\$2.63	\$2.94	\$3.50
WATER CAPACITY CHARGES					
<u>Meter Size</u>					
5/8"	\$4,852				
3/4"	\$4,852				
1"	\$8,087				
1-1/2"	\$16,173		Increased annually by the ENR-CCI		
2"	\$25,877				
3"	\$48,520				
4"	\$81,028				
6"	\$161,733				
	Larger sizes based on ratio of size to 5/8" – 3/4" meters.				

* 1 ccf = one hundred cubic feet or approximately 748 gallons

** Tier 1 at least as much as SFPUC wholesale rate plus BAWSCA bond surcharge (\$0.46/ccf).

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PUBLIC WORKS DEPARTMENT

Council Meeting Date: May 19, 2015

Staff Report #: 15-087

REGULAR BUSINESS:

Approve Mailing the Proposition 218 Notification for Rate Structure Option 2 (Two Tiers) for the Menlo Park Municipal Water District's Proposed Five-Year Water Rates, including Fixed Meter Charges, Unmetered Fire Fixed Charges, Water Consumption Charges, Water Capital Surcharges, and Drought Charges; and Approve Proposed Water Capacity Charges Not Subject to Proposition 218

RECOMMENDATION

Staff recommends that the City Council approve mailing the Proposition 218 notification for Rate Structure Option 2 (two tiers) for the Menlo Park Municipal Water District's proposed five-year water rates which includes:

1. Increasing monthly fixed meter charges by aligning the meter capacity ratios to be consistent with American Water Works Association (AWWA) standards, and setting the fixed meter charges to recover 20% of total rate revenues.
2. Adjusting unmetered fire fixed charges to equal 18% of the potable fixed meter charges to be consistent with AWWA standards.
3. Increasing water consumption charges as follows: Tier 1 (0 – 6 ccf) would be \$4.51 per ccf the first year to fully recover the cost of wholesale water plus the BAWSCA bond surcharges, and then increase 5.4% for years two through five; Tier 2 (> 6 ccf) would be \$4.64 per ccf the first year and then increase 14.5% for years two through five.
4. Increasing water capital surcharges 24% annually for the next five years to fully fund MPMWD's capital improvements.
5. Adding a drought surcharge based on the Water Shortage Contingency Plan stage of action.

Staff also recommends the City Council approve proposed water capacity charges not subject to Proposition 218.

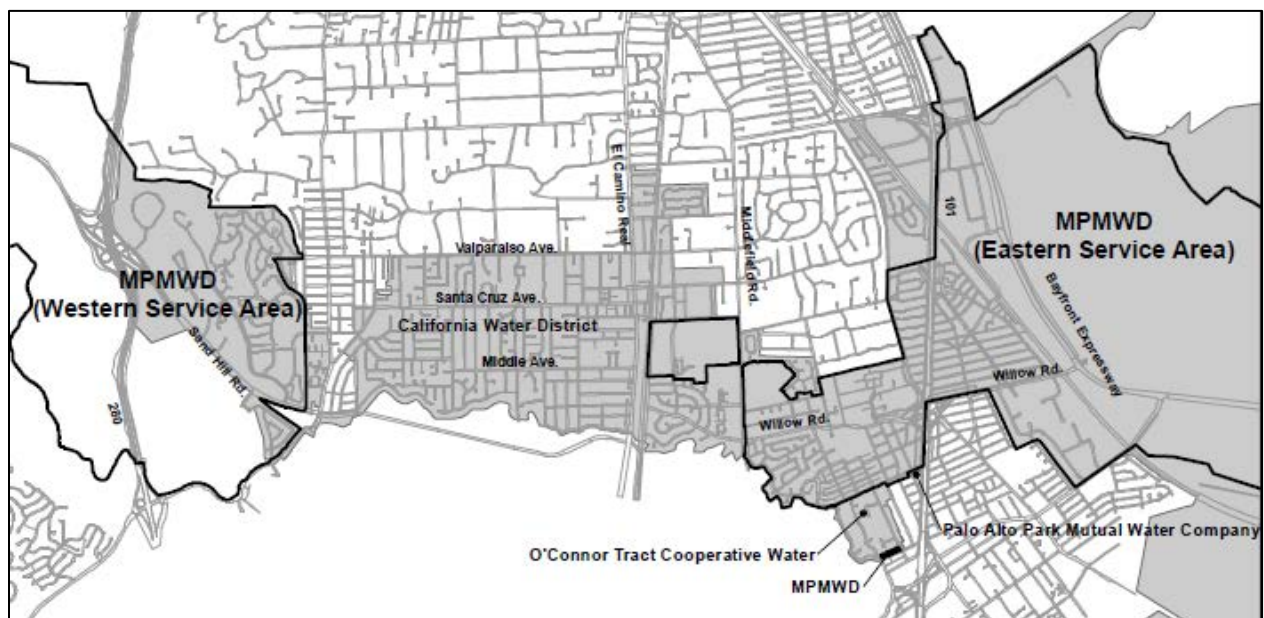
POLICY ISSUES

The City Council acts as the Menlo Park Municipal Water District Board to set water rates.

BACKGROUND

The City of Menlo Park operates and maintains the Menlo Park Municipal Water District (MPMWD) distribution system, supplying water to approximately 4,300 homes and businesses in the eastern and western service areas as shown in Figure 1. The MPMWD currently contracts with Global Water for water meter reading and billing.

Figure 1
Menlo Park Municipal Water District Service Areas



The MPMWD is a self-supporting enterprise where revenues from water sales finance operations and capital needs. The last comprehensive rate study occurred in FY 2009-10. In May 2010, Council approved a five-year rate program with uniform annual increases of 16.5% per year. The last increase of this program went into effect on July 1, 2014.

SFPUC Wholesale Water Rates

The MPMWD purchases 100% of its water from the San Francisco Public Utilities Commission (SFPUC) which delivers water from the San Francisco Regional Water System (RWS). The SFPUC has substantially increased wholesale water rates to support a \$4.3 billion capital improvement program to upgrade, repair, and replace the RWS. Over the last 5 years, SFPUC wholesale water costs have doubled including a 20% increase for 2014-15. SFPUC recently announced it will increase its wholesale water rates by 28% starting July 1, 2015. MPMWD's wholesale water costs are projected to account for about 63% of total annual expenditures in the current fiscal year. As in the 2010 water rate study, one of the primary drivers in the rate study is the

need to meet large increases in wholesale water cost from SFPUC over the next five years. SFPUC estimates that its wholesale water costs will increase nearly 61% over the next five years.

Current Water Rates

The MPMWD monthly water rates consist of three elements. Table 1 shows current water rates. A typical single family home uses about 14 ccf (centum cubic feet) of water per month and is billed \$70.49.

1. **Fixed Meter Charge** – All customers are charged a monthly fixed charge based on meter size.
2. **Water Consumption Charge** – The four-tiered water consumption charges increase as water use increases. Currently, the first tier is set at approximately 75% of the SFPUC wholesale cost of water.
3. **Water Capital Surcharge** – The capital surcharge is a separate consumption charged based on monthly usage to fund water capital improvements.

**Table 1
Current Water Rates**

Meter Size	Monthly Meter Charge	Tiers, ccf	Consumption Charge, per ccf	Capital Surcharge, per ccf
5/8" and 3/4"	\$16.84	0-5	\$2.69	\$0.51
1"	\$26.94	6 – 10	\$3.38	
1 1/2"	\$55.57	11 – 25	\$4.04	
2"	\$89.26	> 25	\$5.39	
3"	\$163.35			
4"	\$252.61			
6"	\$560.81			
8"	\$1,244.54			
10"	\$2,761.91			

In November 2014, the City retained Bartle Wells Associates (BWA) to complete a comprehensive five-year water rate study. Attachment A is BWA's Water Rate Study 2015, Draft Final Report. Major objectives of the study included:

- Ensure the continued financial health and stability of the City's water enterprise;
- Develop a five-year projection of operating and capital revenue requirements for the water utility;
- Recommend rates that meet these revenue requirements;
- Recommend alternative water rate structures to recover the full cost of providing service;
- Develop water shortage or drought rates;
- Update water capacity charges for new development; and,

- Maintain equity among all users and ensure compliance with all legal requirements such as Proposition 218.

Recent Court Ruling on Tiered Water Rates

In the recent court case *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, the court ruled that tiered water rates must be supported by actual cost of service calculations with identifiable, incremental costs correlating to each tier. The Court invalidated the specific rates that were presented in the case. In the case, the Court concluded that the administrative record did not provide sufficient support for each of the tier breakpoints or for the proportionate allocation of system-wide costs. Because the water service provider failed to carry its burden the Court held that the rate structure at issue failed to comply with Proposition 218.

It is important to note that the decision has not invalidated tiered rate structures in general. Proposition 218 places the burden of proving the constitutionality of a challenged rate structure on the water service provider.

ANALYSIS

BWA completed their evaluation of the water enterprise fund, and made the following key observations:

- Water Capital fund balance is being used to balance the operating budget.
- There are approximately \$3.5 million in capital reserves.
- The MPMWD's average monthly residential bill (14 ccf, \$70.49) is in the lower range compared to other regional agencies.
- The MPMWD is 100% dependent on SFPUC water. SFPUC plans to increase its wholesale water rates by 28% starting July 1, 2015. SFPUC also estimates that wholesale water rates will increase 61% in five years. MPMWD water purchases account for nearly 63% of all operating expenditures.
- The MPMWD plans to implement almost \$6.9 million in capital improvement projects over the next five years. Major projects include emergency supply wells, water main replacements, and automated meters.
- The State is in its fourth year of drought, and the MPMWD is in Stage 2 of its Water Shortage Contingency Plan which calls for up to a 20% reduction in consumption.

Water Fund Overview

The water fund consists of two components: Operations and Capital. For the last ten years, the City has utilized the operations and capital funds to balance each other to maintain a positive cash flow. The 2010 water rate analysis projected water sales for the next five years that would enable the City to reach a positive cash flow for both operations and capital separately. Unfortunately, that did not occur, and for the past five years, the capital cash flow has been covering the operating deficit. This deficit is due in part to the on average 11% less than anticipated water sales annually over the last five years and other factors such as the recession, drought, conservation efforts and the BAWSCA Bond Surcharge further described below. Without water rate

increases, MPMWD will not recover its cost of providing service, which will result in a negative cash flow.

BAWSCA Bond Surcharge

The Bay Area Water Supply and Conservation Agency (BAWSCA) issued revenue bonds to prepay the capital debt that the BAWSCA agencies owed SFPUC. The bond surcharges are a fixed amount adopted by the BASWCA Board each fiscal year, and are collected as a separate line item in the bill MPMWD receives from SFPUC each month. The bond surcharge reflects the actual percentage of water purchased in 2013/14 and expenses incurred by BAWSCA in administering the bonds. For 2015/16, MPMWD's BAWSCA bond surcharge will be approximately \$615,000. In Table 4 of BWA's Water Rate Study 2015, Draft Final Report (Attachment A), BWA estimates the bond surcharge equates to \$0.46 per ccf. This bond surcharge is included in the rate options that follow.

Water Consumption Charge – Rate Structure Options

BWA evaluated several rate structures, and Table 2 lists the two options that staff believes are most feasible. The options differ by the number of tiers and rate per volume of water purchased that will achieve the following:

- Recover MPMWD's full cost of providing water service,
- Meet the same revenue target,
- 3% increase in operating costs, and 4% increase in utility and personnel costs,
- Operating fund self-sufficiency by FY 2019-20, and
- Maintain the same revenue generated by customer category.

Option 1 is a single uniform tier for all customers so all water use is billed at the same rate per unit, or ccf. This rate structure provides a conservative incentive since customers have to pay for each unit of water use. Uniform block rates are commonly applied to a broad customer base with different water needs, such as commercial and multi-family classes. Advantages are they are easy to understand and administer and they garner the least complaints from water users. Disadvantages are it does not provide clear price signals to conserve and low water users will see higher bill impacts than those with moderate to high levels of use. The first year the rate would be \$4.75 per ccf for all customer classes and would recover the cost of wholesale water plus the BAWSCA bond surcharge, and then increase 13% annually for years two through five. Table 2 summarizes these five-year proposed rates.

Option 2 is a two-tier rate structure for all customers with Tier 1 including the first six units of water (0 – 6 ccf) and Tier 2 including all water use over 6 ccf. The advantage is simplicity, especially for larger customers with water use in Tier 4. The disadvantage is that low water users will see higher cost impacts than those with moderate to high levels of use. The first year Tier 1 would be \$4.51 per ccf for the first 6 ccfs for all customer classes and would recover the cost of wholesale water plus the BAWSCA bond surcharges, and then increase 5.4% for years two through five. The first year Tier 2 would be \$4.64 per ccf for usage above 6 ccfs for all customer classes and then

increase 14.5% for years two through five. Table 2 summarizes these five-year proposed rates.

The tier breakpoints are designed to provide a reasonable amount of water for efficient indoor and outdoor water use for a typical single family residential household. The inclining tiered rate structure reflects the proportionate increase in costs associated with additional demand placed on the system and provides more conservation incentive as customers use more water. BWA’s Water Rate Study 2015, Draft Final Report (Attachment A) provides additional details.

- ◆ Tier 1 (0 – 6 ccf) includes the first six ccf of monthly water use which is the minimum efficient domestic (indoor) water use for 2.5 person household based on 55 gallons per capita per day.
- ◆ Tier 2 (Over 6 ccf) includes all consumption over 6 ccf for all other uses.

**Table 2
Comparison of Optional Rate Structures**

Options	Tier Breakdown	All Customers, \$ per ccf				
		2015/16	2016/17	2017/18	2018/19	2019/20
1 Uniform	All usage *	\$4.75	\$5.35	\$6.02	\$6.84	\$7.70
2 Two Tiers	0 – 6 ccf *	\$4.51	\$4.75	\$5.01	\$5.28	\$5.57
	Over 6 ccf	\$4.64	\$5.32	\$6.09	\$6.97	\$7.98

*Note: Tier 1 at least as much as SFPUC wholesale rate plus BAWSCA bond surcharge (\$0.46/ccf).

Appendices E through H in BWA’s Water Rate Study 2015, Draft Final Report (Attachment A) provide sample bill impacts for each of these options for various customer categories.

Fixed Meter Charges

All customers are charged a monthly fixed charged based on meter size regardless of water consumption. The American Water Works Association (AWWA) established capacity ratios that provide a basis for charging customers proportionally to the capacity that is reserved for them in the water system based on their meter size. For example, a 2-inch meter has 5.3 times the capacity equivalency of a customer with a 5/8-inch or ¾-inch meter. The current meter capacity ratios for 3-inch meters and larger are not aligned with the meter capacities recommended by AWWA. Staff is recommending updating the meter ratios for meters 3-inch meters and larger, and setting the fixed meter charges to recover 20% of total rate revenues as shown in Table 3.

**Table 3
Proposed Fixed Meter Charges**

Option	Meter Size, Inches	All Customers					
		Current 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
All Options	5/8	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
	3/4	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
	1	\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
	1-1/2	\$55.57	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05
	2	\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
	3	\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
	4	\$252.61	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15
	6	\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
	8	\$1,244.54	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70
	10	\$2,761.91	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01

For unmetered fire services, which are used solely as standby service for private fire protection, the City charges a separate monthly fixed charge based on service size. The AWWA recommends that 18% of system expenses are allocated to fire protection, and therefore, the monthly charge should be set at 18% of the potable fixed meter charges. Staff is recommending that unmetered fire fixed charges be adjusted to equal 18% of the potable fixed meter charges as shown in Table 4.

**Table 4
Proposed Unmetered Fire Fixed Charges**

Option	Meter Size, Inches	All Customers, \$					
		Current 2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
All Options	1-1/2	\$4.00	\$10.76	\$12.05	\$13.49	\$15.11	\$16.93
	2	\$5.00	\$17.21	\$19.28	\$21.59	\$24.18	\$27.08
	3	\$7.00	\$32.27	\$36.15	\$40.49	\$45.34	\$50.79
	4	\$9.00	\$53.90	\$60.36	\$67.61	\$75.72	\$84.81
	6	\$13.00	\$107.58	\$120.49	\$134.95	\$151.14	\$169.28
	8	\$17.00	\$172.13	\$192.78	\$215.92	\$241.83	\$270.85
	10	\$22.00	\$247.43	\$277.13	\$310.38	\$347.63	\$389.34
	12	\$28.00	\$462.59	\$518.10	\$580.28	\$649.91	\$727.90

Note: Unmetered fire charges set to 18% of proposed fixed meter charges (Table 3).

Water Capital Surcharges

The City's 5-year Capital Improvement Plan (CIP) lists several water system maintenance and improvement projects that will benefit MPMWD customers. The City anticipates spending about \$6.9 million for water system projects over the next 5 years to repair and rehabilitate aging water mains, and build needed capital improvements such as the emergency water supply well project. A volume surcharge is the most equitable way of financing water facilities because it is based on demand. Revenues from the charge are separated from other water system revenues and are used to fund capital improvement projects.

The capital surcharge was established in 1990 to fund capital improvements on a pay-as-you-go basis. Since 2010, it has been increased annually according to the Bay Area’s Engineering News Record – Construction Cost Index (ENR-CCI) to keep pace with rising construction costs. It is currently \$0.51 per ccf. Staff is recommending that the capital surcharge increase 24% annually for the next five years to fully fund MPMWD’s infrastructure needs (see Table 5).

**Table 5
Proposed Water Capital Surcharges**

Option	Current 2014/15 \$ per ccf	All Customers. \$ per ccf				
		2015/16	2016/17	2017/18	2018/19	2019/20
All Options	\$0.51	\$0.63	\$0.78	\$0.97	\$1.21	\$1.50

Drought Surcharge

Drought surcharges are designed to recover lost revenue due to decreased levels of consumption and to pay for additional expenses related to the drought. MPMWD recognizes that ratepayers are already doing their part to conserve, therefore, applying a drought surcharge to the amount of water used gives customers the increased ability to control a portion of their water bills. The emergency drought surcharge would be an additional separate consumption charge levied on all usage and would only be charged as long as MPMWD is implementing Stage 2 or above in the Water Shortage Contingency Plan.

BWA developed drought surcharges for each rate structure option to be used in conjunction with Stages 2 through 5 of the MPMWD’s Water Shortage Contingency Plan (WSCP) that was adopted by City Council in November 2014. The drought surcharge is dependent on the WSCP stage of action, which year in the five-year rates, and the Rate Structure Option. Staff is recommending the drought surcharge ranges shown in Table 6 for the first year through the fifth year. For example, as MPMWD is currently in Stage 2 of the WSCP, if MPMWD is implementing Rate Structure Option 2 (two tiers), the first year the drought surcharge would be \$0.29 per ccf and the fifth year it would be \$0.85 per ccf, with years two through four in between those amounts.

**Table 6
Proposed Drought Surcharges**

Options	Tier Breakdown	Drought Surcharge, \$ per ccf				
		Water Shortage Contingency Plan, Nov 2014				
		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
			Up to 20% Goal	Up to 30% Goal	Up to 40% Goal	Up to 50% Goal
1 Uniform	All usage	None	\$0.31 to \$0.79	\$0.57 to \$1.38	\$0.90 to \$2.17	\$1.37 to \$3.28
2 Two- Tiers			\$0.29 to \$0.85	\$0.52 to \$1.48	\$0.82 to \$2.32	\$1.25 to \$3.50

Water Capacity Charge

The water capacity charge is calculated such that new connections “buy-in” for their proportional share of capacity needs in existing and planned water system facilities and assets serving the utility, known as the System Buy-In Approach. MPMWD originally developed the charge in the 2005 rate study, and since then, they have been adjusted annually according to the Bay Area’s Engineering News Record – Construction Cost Index (ENR-CCI) to keep pace with rising construction costs. MPMWD collects these charges during the construction period as new customers begin to use the water facilities. Staff is recommending that MPMWD establish water capacity charges based on the System Buy-In Approach the first year and increase the water capacity charges annually thereafter by the ENR-CCI as shown in Table 7. The proposed charges will place MPMWD in the middle range compared to other regional water agencies surveyed.

Water capacity charges are not subject to Proposition 218 requirements. If the City Council adopts these charges, at the July 21, 2015 public hearing, staff will include these charges as part of the resolution to adopt new water rates.

**Table 7
Proposed Water Capacity Charges**

Meter Size, Inches	Current 2014/15	New Construction & Meter Size Upgrades				
		2015/16	2016/17	2017/18	2018/19	2019/20
5/8	\$2,706	\$4,852	Increased annually by the ENR-CCI			
3/4	\$2,706	\$4,852				
1	\$4,328	\$8,087				
1-1/2	\$8,935	\$16,173				
2	\$14,348	\$25,877				
3	\$26,247	\$48,520				
4	\$40,595	\$81,028				
6	\$90,124	\$161,733				

Note: Charges for larger sizes based on ratio of size to 5/8” – 3/4” meters

Proposition 218 Noticing Requirements

Article XIII(D) of the California State Constitution, also known as Proposition 218, requires that prior to adopting a property-related fee change (including water rates) the MPMWD must notify affected property owners. The City must mail a notice to every property owner served by MPMWD showing the maximum proposed rate, the rate structure, and the time, date, and place for the public hearing. This process allows property owners an opportunity to submit written protests to the proposed rates. Before new rates can become effective, the Proposition 218 notice must be mailed and water customers must be given at least 45 days to respond prior to a City Council public hearing to adopt new rates. Rates cannot be adopted if more than 50% of property owners submit protests.

Assembly Bill 3030, signed into law in September 2008, allows public utility providers to adopt a schedule for inflation and wholesale rate pass-throughs provided they do not

apply for more than five-years without a new protest hearing, and that the utility provider gives 30 days written notice to ratepayers each time a pass-through is implemented. The Proposition 218 notice will include language to enable the MPMWD to pass-through SFPUC's wholesale rate increases if they exceed the maximum rate noticed and other regulatory charges or fees that may arise during the five-year period.

Next Steps

End-May 2015	Mail Proposition 218 notice to all MPMWD property owners.
July 21, 2015	Public hearing to hear protests and to adopt a resolution setting new rates for the next five years
Aug/Sept 2015	New rates become effective, and then are adjusted annually for the next five years on July 1st.

IMPACT ON CITY RESOURCES

The City Council's decision on water rates will impact the sufficiency of the operating reserve and the capital reserve. If reserves are not adequate, a loan from the General Fund may be required to finance future repairs, improvements or purchases.

ENVIRONMENTAL REVIEW

An 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. Bartle Wells Associate's Water Rate Study 2015, Draft Final Report, May 13, 2015

Report prepared by:
Pam Lowe, P.E.
Senior Civil Engineer



CITY OF MENLO PARK

Water Rate Study 2015

Final Report
May 20, 2015



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1 INTRODUCTION

Bartle Wells Associates (BWA) was retained by the City of Menlo Park (City) Municipal Water District (MPMWD) in December 2014 to complete a comprehensive water rate study. The primary objective of the study is to recommend water rates which ensure the continued financial health and stability of the City's water enterprise, while minimizing the impact of any proposed rates changes on customers. In addition to water rates, BWA developed emergency water shortage rates and updated the City's water capacity charges.

The major objectives of the study include:

- Ensuring the continued financial health and stability of the City's water enterprise;
- Developing a ten-year projection of operating and capital revenue requirements for the water utility;
- Recommending rates which meet these revenue requirements;
- Recommending alternative water rate structures to recover the full cost of providing service;
- Developing water shortage or drought rates;
- Updating water capacity charges for new development; and,
- Maintaining equity among all users of the system and ensure compliance with all legal requirements such as Proposition 218.

The City last conducted a water rate study in 2010 which recommended a five-year rate program with uniform annual increases of 16.5% per year. The last increase of this program went into effect on July 1, 2014.

As with the 2010 study, the need to meet large increases in wholesale water cost from San Francisco Public Utilities Commission (SFPUC) over the next five years is one of the primary drivers in the rate study. These wholesale water cost increases are currently projected to increase nearly 61% percent over the next five years. In addition to providing for a stable revenue source to meet continued cost of operations, the City must also continue to repair and rehabilitate aging water mains, and build needed capital improvements such as the emergency water supply well project. These capital improvement costs are expected to total \$5.9 million over the next five years.

1.1 Current Water Rates

The City bills water service on a monthly basis. Table 1 shows the current and historical rates since 2009/10. The current water rates includes 3 components:

- 1. Fixed Charge:** All customers, residential and non-residential, are charged the same fixed charges based on their meter size. The fixed charge is levied regardless of water consumption and recognizes that even when a customer does not use any water, the City incurs fixed costs in connection with maintaining the ability or readiness to serve each connection.

Meter size is used as a proxy for the estimated demand that each customer can place on the water system. A significant portion of a water system's design and in turn, the utility's operating and capital costs are related to meeting capacity requirements. The City's base meter size is either a 5/8" or 3/4" meter. Larger meters are charged based on their estimated capacity represented by meter ratios recommended by the American Water Works Association (AWWA). The AWWA has established a set of capacity ratios using the maximum safe flow of various sizes of meters relative to the base or smallest meter size. These meter capacity ratios provide a basis for charging customers proportional to the capacity that is reserved for them in the water system. Meter ratios are discussed further in Section 6.1.1.

Fixed charges currently are designed to recover the City's fixed expenses and generate about 20% of total water rate revenues. Fixed costs include staffing, customer service, system maintenance, and repairs.

- 2. Water Consumption Charge:** All customer classes are billed according to a four-tiered inclining rate structure in which the cost per unit of water increases through the various tiers as customers use more water. A hundred cubic feet (ccf) unit of water is equal to 748 gallons of water. The first tier is set at approximately 75% of the City's wholesale cost of water to allow for additional conservation in the higher tiers.

The water consumption charges are intended to recover costs that vary based on the amount of water consumed and currently generate 80% of total water rate revenues. Variable expenses include utilities, chemicals, and water purchases.

- 3. Water Capital Surcharge:** The capital surcharge is a separate consumption charge billed based on monthly usage. The surcharge was established in 1990 to fund capital improvement projects on a pay-as-you-go basis. Since 2010, the capital surcharge has been increased annually by the change in the Engineering News Record – Construction Cost Index (ENR-CCI) for the Bay Area to keep pace with rising costs of construction. The capital

surcharge currently generates about \$700,000 in annual revenue for projects. By comparison, average annual capital needs are projected at \$1.37 million per year through 2019/20.

Table 1: Historical and Current Water Rates
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
FIXED CHARGE							
<u>Meter Size</u>	<u>Meter Ratios (1)</u>						
5/8"	1.0	\$7.84	\$9.14	\$10.65	\$12.41	\$14.46	\$16.84
3/4"	1.0	\$7.84	\$9.14	\$10.65	\$12.41	\$14.46	\$16.84
1"	1.6	\$12.54	\$14.61	\$17.03	\$19.85	\$23.12	\$26.94
1-1/2"	3.3	\$25.87	\$30.15	\$35.14	\$40.95	\$47.70	\$55.57
2"	5.3	\$41.55	\$48.42	\$56.43	\$65.77	\$76.62	\$89.26
3"	9.7	\$76.04	\$88.62	\$103.27	\$120.36	\$140.21	\$163.35
4"	15.0	\$117.59	\$137.04	\$159.71	\$186.12	\$216.83	\$252.61
6"	33.3	\$261.06	\$304.24	\$354.56	\$413.20	\$481.38	\$560.81
8"	73.9	\$579.34	\$675.16	\$786.83	\$916.98	\$1,068.28	\$1,244.54
10"	164.0	\$1,285.68	\$1,498.33	\$1,746.16	\$2,034.97	\$2,370.74	\$2,761.91
WATER CONSUMPTION (Per ccf) (2)							
Tier 1	0 - 5 ccf	\$1.25	\$1.46	\$1.70	\$1.98	\$2.30	\$2.69
Tier 2	6 - 10 ccf	\$1.57	\$1.83	\$2.13	\$2.48	\$2.90	\$3.38
Tier 3	11 - 25 ccf	\$1.88	\$2.19	\$2.55	\$2.98	\$3.47	\$4.04
Tier 4	>25 ccf	\$2.51	\$2.93	\$3.41	\$3.97	\$4.63	\$5.39
WATER CAPITAL SURCHARGE (3)							
Per ccf		\$0.35	\$0.41	\$0.43	\$0.47	\$0.48	\$0.51
1 - Meter ratios represent the capacity of each meter size							
2 - 1 ccf = 100 cubic feet or 748 gallons							
3 - Annually adjusted based on the Construction Cost Index (CCI) Engineering News Record (ENR) for the Bay Area							

2 RATE SETTING LEGISLATION & PRINCIPLES

2.1 Constitutional Rate Requirements

The California Constitution includes two key articles that directly govern or impact the City's water rates: Article 10 and Article 13D. The water rates developed in this Water Rate Study 2015 were designed to comply with both of these constitutional mandates as well as various provisions of the California Water Code and Government Code that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the City's cost of providing water service; b) allocate costs in proportion to the cost for serving each customer class; and c) promote conservation and discourage waste.

Article 10, Section 2

Article 10, Section 2 of the California Constitution was established by voter-approval in 1976 and requires public agencies to maximize the beneficial use of water, prevent waste, and encourage conservation. Section 2 states that:

It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.

Article 13D, Section 6 (Proposition 218)

Proposition 218 was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility service charges such as water, sewer, and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article 13D also requires voter approval for new or increased property-related charges but exempts from this voting requirement rates for water, sewer, and garbage service.

The substantive requirements of Article 13D, Section 6 require the City's water rates to meet the following conditions:

- 1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
- 2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- 3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- 4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.
- 5) No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

A subsequent appellate court decision in 2011 further clarified that agencies must demonstrate, satisfactory to a court's independent judgment, that property-related fees and charges meet the substantive requirements of Section 6 (3b). This rate study provides that justification. The water rates derived in this report are based on a cost-of-service methodology that fairly apportions costs to all customers.

2.2 Use of Industry Standard Rate-Making Principles

The rates developed in this Water Rate Study 2015 use a straightforward methodology to establish an equitable system of fixed and variable charges that recover the cost of providing service and fairly apportion costs to each rate component. The rates were developed using cost-based principles and methodologies for establishing water rates, charges, and fees contained and discussed in the AWWA M1 Manual. In developing water rates, it is important to know that there is no "one-size-fits-all" approach for establishing cost-based water rates, "the (M1 Manual) is aimed at outlining the basic elements involved in water rates and suggesting alternative rules of procedure for formulating rates, thus permitting the exercise of judgment and preference to meet local conditions and requirements."¹

In reviewing the City's water rates and finances, BWA used the following criteria in developing our recommendations:

¹ AWWA Manual M1 Manual, Principles of Water Rates, Fees, and Charges, Sixth Edition, 2012, page 5.

1. *Revenue Sufficiency:* Rates should recover the annual cost of service and provide revenue stability.
2. *Rate Impact:* While rates are calculated to generate sufficient revenue to cover operating and capital costs, they should be designed to minimize, as much as possible, the impacts on ratepayers.
3. *Equitable:* Rates should be fairly allocated among all customer classes based on their estimated demand characteristics. Each user class only pays its proportionate share.
4. *Practical:* Rates should be simple in form and, therefore, adaptable to changing conditions, easy to administer and easy to understand.
5. *Provide Incentive:* Rates provide price signals which serve as indicators to conserve water and to produce wastewater efficiently.

3 WATER UTILITY OVERVIEW

3.1 Water System Overview

The City of Menlo Park is a general law city incorporated in 1927 with a current population of roughly 33,000. The City's municipal water department is responsible for maintenance, operation, and repair of the City's water distribution system. The water department's service area is not coterminous with the City's boundaries. The City provides water service to more than 16,000 customers, just under half the City's population, serving the Sharon Heights area and portions of the City north of El Camino Real. The remainder of the City is served by three other water purveyors: the O'Connor Tract Cooperative Water District, Palo Alto Park Mutual Water Company, and the California Water Service (Bear Gulch District).

The MPMWD purchases 100% of its water from the SFPUC which delivers water from the San Francisco Regional Water System (RWS). On average, 85% of RWS water comes from the Tuolumne River watershed and 15% comes from local watersheds in the East Bay and Peninsula. The MPMWD has two reservoirs in the western service area for pressurizing the system and emergency storage; however the eastern service area does not have emergency storage or a dedicated secondary water supply. The City is currently designing an emergency well as part of the Emergency Water Supply project, which will be constructed at the Corporation Yard, to provide a backup supply to the eastern service area. The project goal is to construct approximately 3 to 4 wells in order to provide about 3,000 gpm (gallons per minute) to meet average-day potable water needs.

The City is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the collective interests of agencies that purchase wholesale water from the SFPUC. Created on May 27, 2003, BAWSCA is governed by a 26-member Board of Directors representing the 24 cities and water districts that are member agencies of BAWSCA and two private utilities in Alameda, Santa Clara and San Mateo counties that purchase water on a wholesale basis from the San Francisco regional water system.

3.2 Water Customers

The water utility currently has approximately 4,195 metered water accounts and 134 private fire accounts. Table 2 summarizes the number of current accounts by meter size and customer class. Approximately 81% of customers are single family dwellings, 14% are commercial/industrial/irrigation/public agency accounts, and 5% are multi-family residential

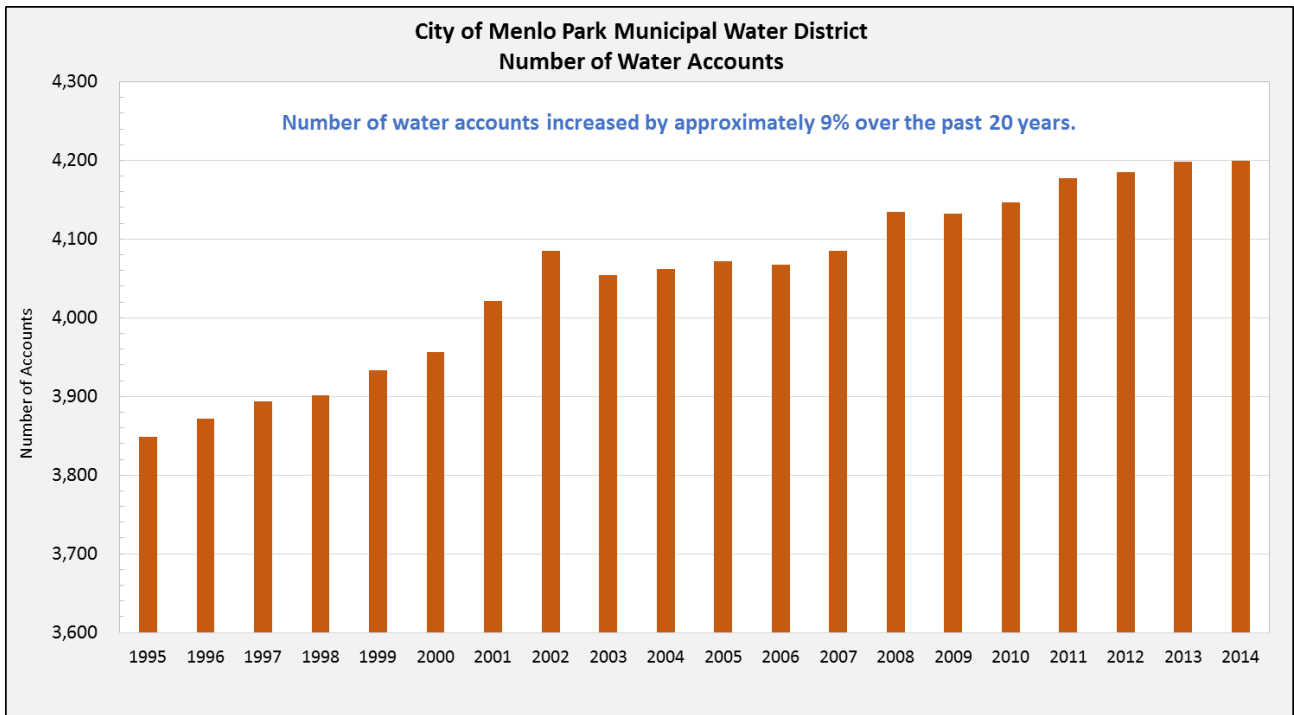
accounts. Since 1995, the water enterprise has seen a 9% increase growth in water customer accounts as shown on Figure 1. Due to planned developments, the City expects between 0.5% to 1% annual growth over the next 10 years.

Table 2: Current Water Customers
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Meter Size	Single Family	Multi-Family	Commercial	Industrial	Irrigation	Public Agency	Total	% of Total	Meter Ratio (1)	Total Equivalent Dwelling Units	Private Fire Meters
5/8"	2,756	112	65	55	16	1	3,005	72%	1.0	3,005	0
3/4"	2	0	0	0	0	0	2	0%	1.0	2	0
1"	617	54	31	41	24	7	774	18%	1.6	1,238	0
1-1/2"	10	4	15	59	35	4	127	3%	3.3	419	0
2"	5	26	50	76	51	19	227	5%	5.3	1,203	2
3"	0	9	11	9	4	2	35	1%	9.7	340	2
4"	0	5	2	1	1	2	11	0%	15.0	165	17
6"	0	0	1	4	0	0	5	0%	33.3	167	86
8"	0	0	2	3	0	2	7	0%	73.9	517	23
10"	0	0	1	1	0	0	2	0%	164.0	328	1
12"	0	0	0	0	0	0	0	0%		0	2
Total	3,390	210	178	249	131	37	4,195	100%		7,384	133
% of Total	81%	5%	4%	6%	3%	1%	100%				3%

1 - Meter ratios represent the capacity of each meter size

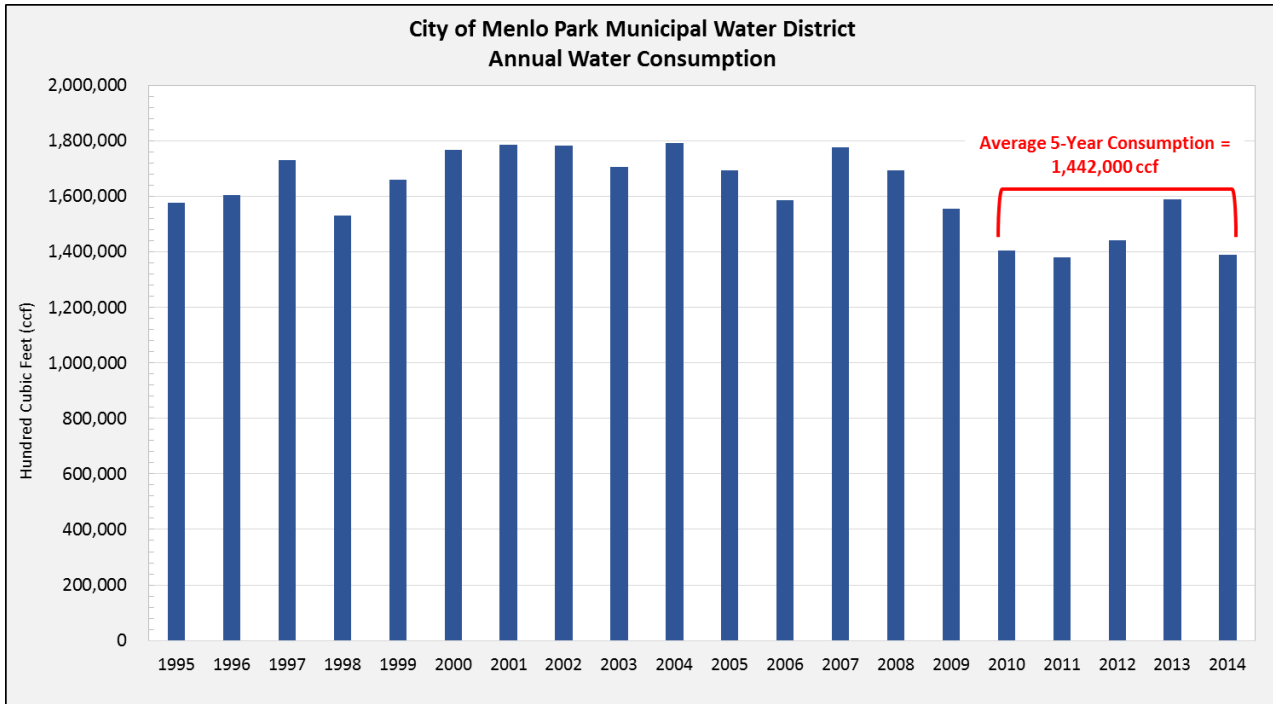
Figure 1: Historical Water Accounts



3.3 Water Consumption

Figure 2 illustrates historical water consumption for the past 20 years. Compared to prior years, water consumption has declined since 2010, although the City did see an increase in 2013. Total consumption for 2014/15 is estimated at 1,390,000 ccf based on actual 2014 calendar year usage. To meet State-mandated reductions, future consumption for 2015/16 through 2019/20 is anticipated at 1,344,000 ccf. The City anticipates that current conservation efforts will be offset due to growth. Therefore, consumption levels are projected to remain level for the next five years.

Figure 2. Historical Water Consumption



In April, the governor issued Executive Order B-29-15, imposing restrictions to achieve a 25% statewide reduction in potable urban water usage. This is the first time in the State’s history that mandatory conservation of potable urban use has been declared. The State Water Board released a proposed regulatory framework for all urban water suppliers that allocated the conservation savings across nine tiers of increasing levels of residential water use to reach the statewide 25% reduction mandate. The MPMWD is in Tier 4, calling for a 16% decrease in use from the base year of 2013. According to the April 28, 2015 estimates from the State, the City has already achieved a 27% reduction in total water production. The State Water Resources Control Plan adopted these new regulations in May 2015.

Figure 3 depicts total water consumption by customer class. Single family residential users consume about 35% of all water in the City, and multi-family represent 10% of all consumption. Non-residential customers (commercial, industrial, land/irrigation, and public facility) account for more than half or 55% of total use.

Figure 3. Water Consumption by Customer Class

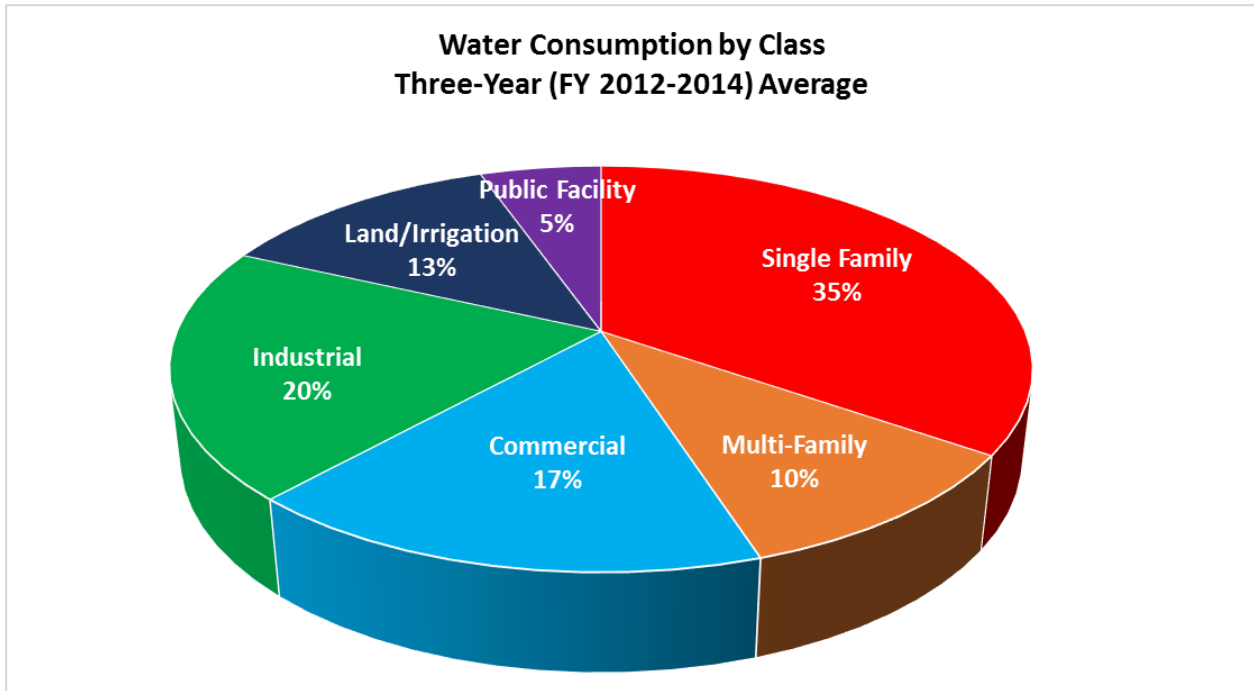
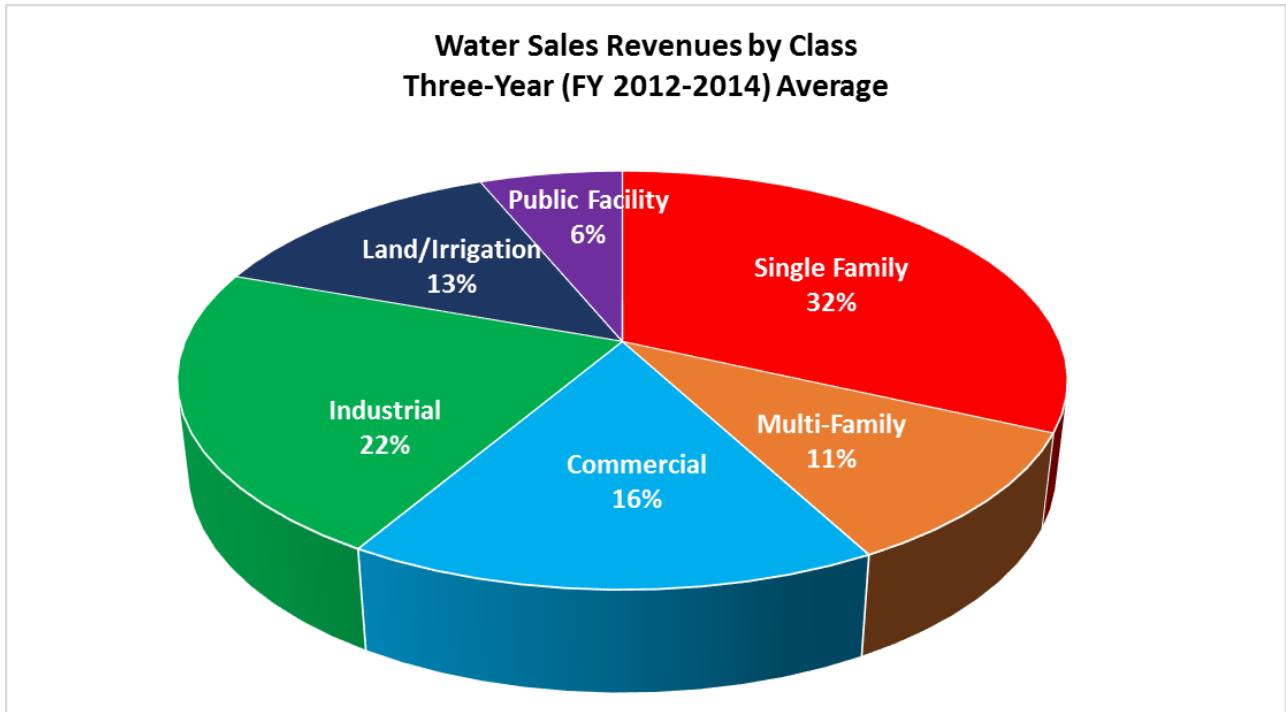


Figure 4 below details a summary of total revenues by customer class. It shows the percentage of total water utility revenues generated by each customer class (including both fixed service charges and consumption charges). Importantly, when compared to Figure 3, Water Consumption by Customer Class, the percentages of revenue recovery closely match those of water use. The single family residential customer class uses 35% of all water and generates 32% of revenues. Non-residential customers (commercial, industrial, land/irrigation, and public facility) use about 55% of total water and generate 48% of total water revenues. This relationship suggests a strong cost of service nexus between the existing rate structure and the operations of the utility.

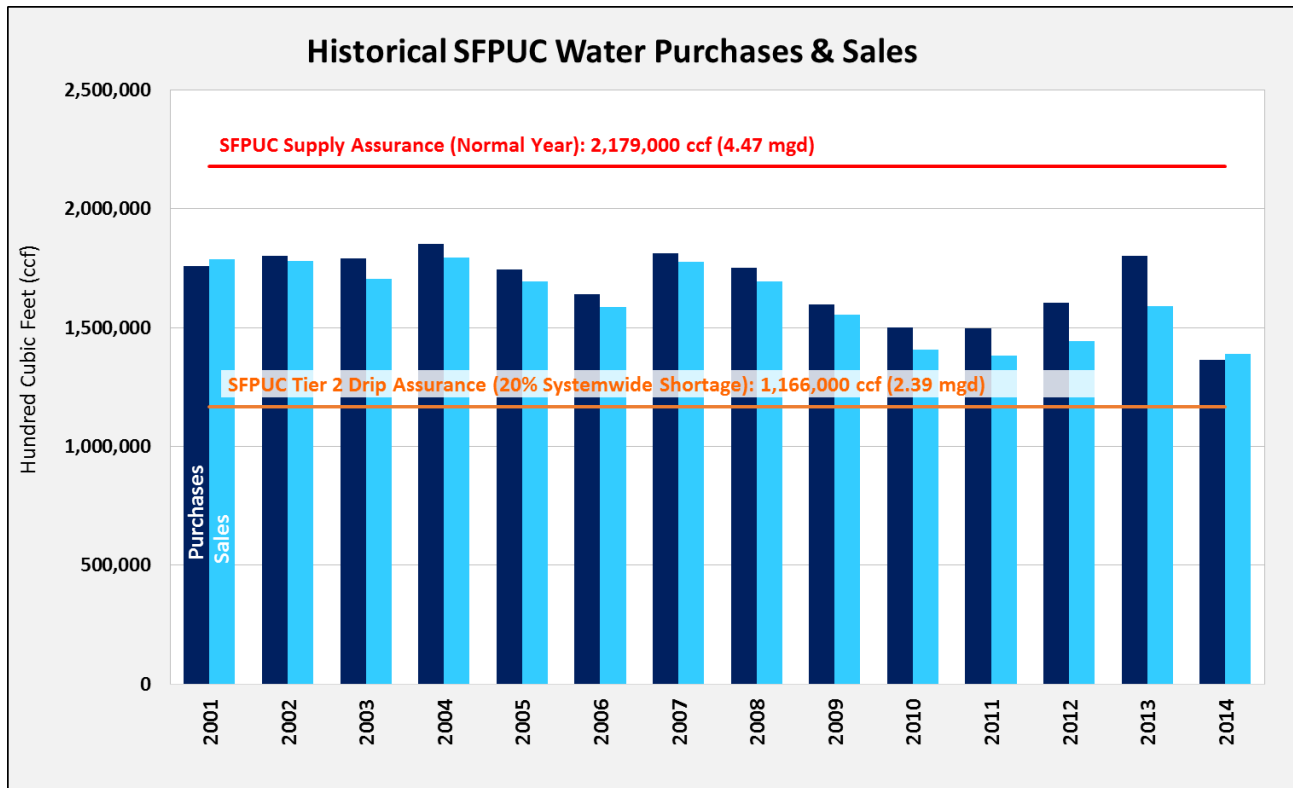
Figure 4. Water Sales Revenues by Class



3.4 Wholesale Water Purchases

The City purchases all of its water supply from the SFPUC. The City's annual Individual Supply Guarantee (ISG) from the SFPUC is 4.465 MGD (or approximately 2,174,600 ccf per year). Since 2001, the City has on average purchased 1,680,000 ccf per year, roughly 77% of the annual supply assurance. For 2014, the City purchased 1,364,000 ccf of water, equivalent to 63% of the annual supply assurance. Figure 5 shows a comparison of water purchases and water sales for the past 14 years.

Figure 5: Total Water Purchases and Water Sales



3.5 SFPUC Water Shortage Allocation Plan

In June 2009, the City entered into an agreement with SFPUC to purchase wholesale water. The agreement includes SFPUC’s Water Shortage Allocation Plan which specifies how water will be allocated among the City and the other wholesale customers during a drought. The Tier 1 Plan describes how water is allocated between the City of San Francisco (to be delivered to its retail customers) and the wholesale customers collectively. The Tier 2 Plan (also called the Drought Implementation Plan (DRIP)) details how the wholesale customers’ collective allocation is divided among the wholesale customers. The Tier 2 DRIP Plan only applies to system-wide water shortages of 20% or less. The plan takes into consideration each agency’s 3-year average winter use and their respective SFPUC supply assurance in order to determine each agency’s allotment. BAWSCA manages the DRIP, and they have developed a model to calculate allotments for each agency in the event that SFPUC declares a water-shortage. In the latest draft calculations for a system-wide shortage of 20%, Menlo Park’s allotment is estimated at 2.39 mgd (2,134 AFY). If the SFPUC declares a shortage, the actual amount of water available to the City and the other wholesale

customers would be determined at that time based upon projected demands and the total amount of water available system-wide.

4 WATER FINANCES AND RATES

4.1 Water Financial Overview

Bartle Wells Associates conducted an independent evaluation of water enterprise finances. Key observations include:

- The water enterprise is currently operating in a deficit. Operating revenues from water rates do not currently meet operating expenses. The operating deficit for 2014/15 is projected at nearly \$3 million.
- The water enterprise currently does not have any operating fund reserves but does have approximately \$3.5 million capital reserves.
- The City's average monthly residential water bill (5/8" or 3/4" meter, 14 ccf) is in the lower range compared to other regional agencies.
- The City currently relies on imported water from the SFPUC for nearly all of the community's water supply. The SFPUC has substantially increased wholesale water rates in recent years to support a \$4.3 billion capital improvement program to upgrade and to repair and replace the Hetch Hetchy regional water system, resulting in substantial wholesale rate increases. SFPUC recently announced it will increase its wholesale water rate by 28% starting July 1, 2015. Water purchases account for nearly 63% of all operating expenditures.
- Nearly \$17.9 million in infrastructure improvements are planned through 2024/25. Major projects include automated meters, emergency supply wells, and SCADA upgrades. Roughly \$6.9 million of projects are planned over the next five years (2015/16 through 2019/20).
- The State is in the fourth year of severe drought. The City is in Stage 2 of the Water Shortage Contingency Plan which calls for up to a 20% reduction in consumption.

4.2 Historical Financial Performance

As an enterprise fund, the water utility relies on revenues generated from water rates and must be adequate to fund the total cost of providing water service. However, the water enterprise is currently not covering its annual operating and capital costs. Revenues are not sufficient to pay for annual expenses, resulting in an operating deficit.

As mentioned previously, the City last completed a comprehensive rate study in 2010. The recommended rate program, adopted in 2010, increased rates 16.5% annually for the last five fiscal years. These increases were based, in part, on projected changes in the SFPUC wholesale

rates. The rate program assumed a total wholesale rate increase through 2014/15 of about 69%. Actual wholesale water rates have increased nearly 77%.

Table 3 summarizes the financial performance of the water utility since 2011/12 based on the City's Comprehensive Annual Financial Reports (CAFRs). For 2014/15, the water fund deficit is projected at more than \$1.5 million as a result of lower than anticipated annual water sales. The 2010 Water Rate Study assumed much higher levels of consumption for 2009/10 through 2014/15. By comparison, actual water sales for the six-year period have been on average 11% less than projected in the 2010 study. The reduction in overall consumption can be attributed to several factors including the recession, weather, significant conservation efforts, and the drought. Without water rate increases, the water utility will not recover its cost of providing service and the deficit will continue to grow.

Table 3: Historical Revenue and Expenses
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Actuals (1)			Budget
	2011/12	2012/13	2013/14	2014/15
WATER OPERATING FUND - FUND 861				
Revenues				
<u>Water Sales (2)</u>	<u>\$5,059,416</u>	<u>\$5,937,059</u>	<u>\$6,994,297</u>	<u>\$7,092,000</u>
Total Operating Revenues	\$5,059,416	\$5,937,059	\$6,994,297	\$7,092,000
Expenses (3)				
550 - Services	430,447	389,715	457,700	642,500
Personnel	786,899	629,003	745,143	810,605
<u>Operating</u>	<u>5,076,462</u>	<u>5,439,915</u>	<u>5,822,730</u>	<u>6,716,319</u>
Total Operating Expenses	6,293,808	6,458,633	7,025,573	8,169,424
NET OPERATING REVENUES	(1,234,392)	(521,574)	(31,276)	(1,077,424)
WATER CAPITAL FUND - FUND 855				
Revenues				
Capital Facility Surcharge (4)	660,506	675,404	1,025,624	708,000
Water Capacity Charges	30,737	20,684	26,698	1,000,000
<u>Interest Income</u>	<u>103,480</u>	<u>(8,799)</u>	<u>117,849</u>	<u>26,000</u>
Total Capital Revenues	794,723	687,289	1,170,171	1,734,000
Expenses				
550 - Services	433,046	325,498	441,136	559,880
Personnel	176,680	323,218	292,368	403,496
<u>Operating (5)</u>	<u>1,543,445</u>	<u>885,712</u>	<u>1,594,897</u>	<u>1,208,606</u>
Total Capital Expenses	2,153,171	1,534,428	2,328,401	2,171,982
NET CAPITAL REVENUES	(1,358,448)	(847,139)	(1,158,230)	(437,982)
1 - Source: City of Menlo Park Comprehensive Annual Financial Reports 2 - Revenues for 2014/15 is \$7.8M including capital surcharges based on Pam's 1/28/15 email. 3 - Source: Water Fund Expenditures 2012-2014 4 - Capital Facility Surcharge revenue for 2013/14 includes connection fee revenue that was miscoded. 5 - For 2014/15, includes \$950,000 in capital projects				

4.3 Financial Challenges/Key Drivers of Rate Increases

Going forward, the City's water enterprise is facing a number of financial challenges that will require the City to raise its water rates over the next decade. Key drivers of future rate increases are summarized as follows.

4.3.1 Wholesale Water Rate Increases

The City has and continues to face substantial increases in the cost of wholesale water supply from the SFPUC. Wholesale water costs, including the BAWSCA surcharge, are projected to account for about 63% of total annual expenditures in the current fiscal year.

SFPUC wholesale water rates have been increasing substantially in recent years due to the funding requirements of a \$4.3 billion upgrade and rehabilitation of the Hetch Hetchy regional water system. SFPUC rates more than doubled over the past 5 years including a 20% increase for 2014/15. SFPUC rates are projected to increase nearly 61% through 2019/20. Figure 6 shows historical and projected SFPUC wholesale water rates.

In February 2013, BAWSCA issued bonds to prepay its member agencies' share of outstanding capital costs owed to the SFPUC in order to achieve savings. Annual debt service costs for the BAWSCA bonds are allocated to the member agencies based on their share of total SFPUC wholesale water deliveries from the prior fiscal year. The BAWSCA surcharge replaces the prior capital recovery component of the SFPUC's wholesale water rates and results in a lower overall charge per unit of wholesale water.

Figure 6: Historical and Projected Wholesale Water Rates

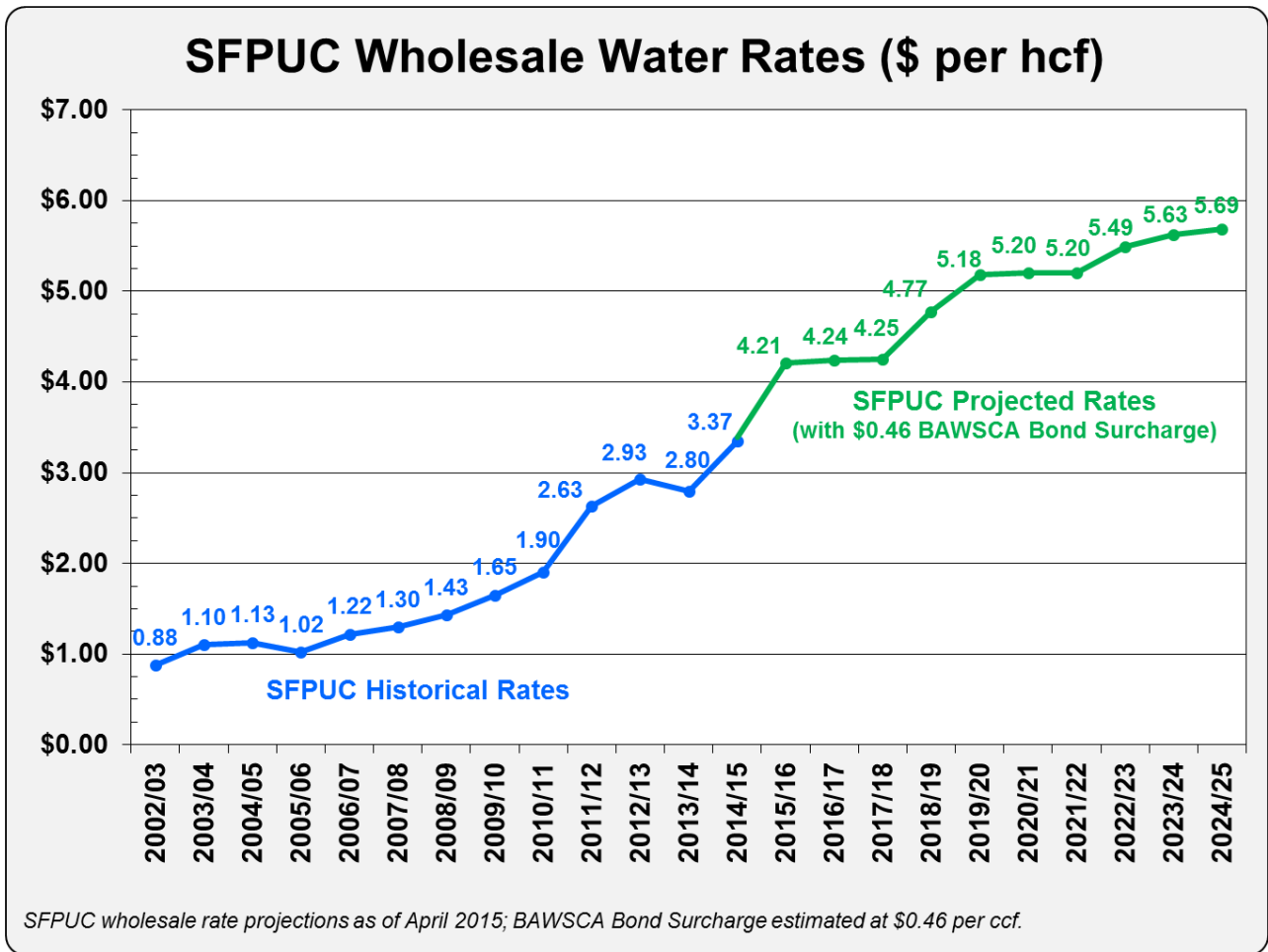


Table 4 shows the projected cost of wholesale water based on the projected wholesale rates, assumed levels of water loss, and projected future water demand. Due to continued conservation efforts and reduction in water sales, total water consumption for 2014/15 is projected at 1,390,000 ccf. Total consumption for 2015/16 is estimated at 1,344,000 ccf, equivalent to a 3% decrease from the current year. Over the next five years, the decrease in use due to mandated conservation is anticipated to be offset by annual growth. As such, the projections assume that consumption levels will remain level through 2019/20.

Table 4: Projected Wholesale Water Purchases
City of Menlo Park Municipal Water District
Water Rate Study 2015

	Budget	Rate Study				
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
SFPUC WHOLESALE COST OF WATER						
Metered Water Consumption (ccf) (1)	1,803,742	1,344,000	1,344,000	1,344,000	1,344,000	1,344,000
Water Loss (ccf) (2)	<u>144,000</u>	<u>108,000</u>	<u>108,000</u>	<u>108,000</u>	<u>108,000</u>	<u>108,000</u>
Total Wholesale Water Demand	1,947,742	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000
% Change		-3.3%	0.0%	0.0%	0.0%	0.0%
Total Water Purchases (ccf) (3)	1,947,742	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000
Estim. Price of Water - SFPUC (\$ per ccf) (4)	\$2.93	\$3.75	\$3.78	\$3.79	\$4.31	\$4.72
% Change		28.0%	0.8%	0.3%	13.7%	9.5%
Total Estimated Water Purchase Cost	\$5,284,963	\$5,445,000	\$5,488,560	\$5,503,080	\$6,258,120	\$6,853,440
% Change		24%	1%	0%	14%	10%
BAWSCA SURCHARGE						
Estim. BAWSCA Surcharge (\$ per ccf) (5)	\$0.34	\$0.46	\$0.46	\$0.46	\$0.46	\$0.46
Total BAWSCA Surcharge Cost	\$615,037	\$615,000	\$615,000	\$615,000	\$615,000	\$615,000
TOTAL SFPUC COST						
Estim. Total Wholesale Cost (\$ per ccf)	\$3.27	\$4.21	\$4.24	\$4.25	\$4.77	\$5.18
Total SFPUC Expenses	\$5,900,000	\$6,060,000	\$6,103,560	\$6,118,080	\$6,873,120	\$7,468,440
1 - Estimated 2015/16 based on CY2014 consumption. 2 - Assumes 8% water loss from 2010 Water Rate Study 3 - Includes water purchases from SFPUC and East Palo Alto. Assumes 4,000 ccf of annual water purchases from East Palo Alto 4 - Draft SFPUC wholesale rate projections as of April 2015. 5 - BAWSCA surcharge estimated at \$0.46 (\$615,037/1,344,000).						

4.3.2 Operating Deficit and Fund Reserves

Without rate increases, the water enterprise will continue to operate in a deficit. Moreover, the water utility does not have any cash in the operating fund reserve. The 2010 rate study recommended an operating reserve fund target equivalent to 4 months of operating expenses in addition to a \$1 million capital reserve. The recommended water fund reserve targets are in line with industry standards. Maintaining a prudent minimal level of fund reserves provides a financial cushion for dealing with unanticipated expenses, revenue shortfalls, and non-catastrophic emergency capital repairs. The fund reserve targets will escalate over time as the water utility’s expenses gradually increase in future years. It is acceptable if reserves fall below the target on a temporary basis, provided action is taken to achieve the target over the longer run.

4.3.3 Capital Improvements / Aging Infrastructure

The City’s long-term capital improvement program (CIP) includes \$17.9 million of water system improvements through 2024/25. As shown on Table 5, approximately \$6.9 million in projects are planned over the next five years through 2019/20. The City anticipates funding the conversion to automatic meter reading (AMR meters) over the next 10 years at an estimated cost of \$6.5 million. The AMR meters will result in increased meter reading efficiencies. Other major projects include the ongoing rehabilitation and replacement of the aging water distribution system and an emergency well for a backup water supply. A projection of capital projects through 2024/25 is included in Appendix A.

Table 5: Water Capital Improvement Plan
City of Menlo Park Municipal Water District
Water Rate Study 2015

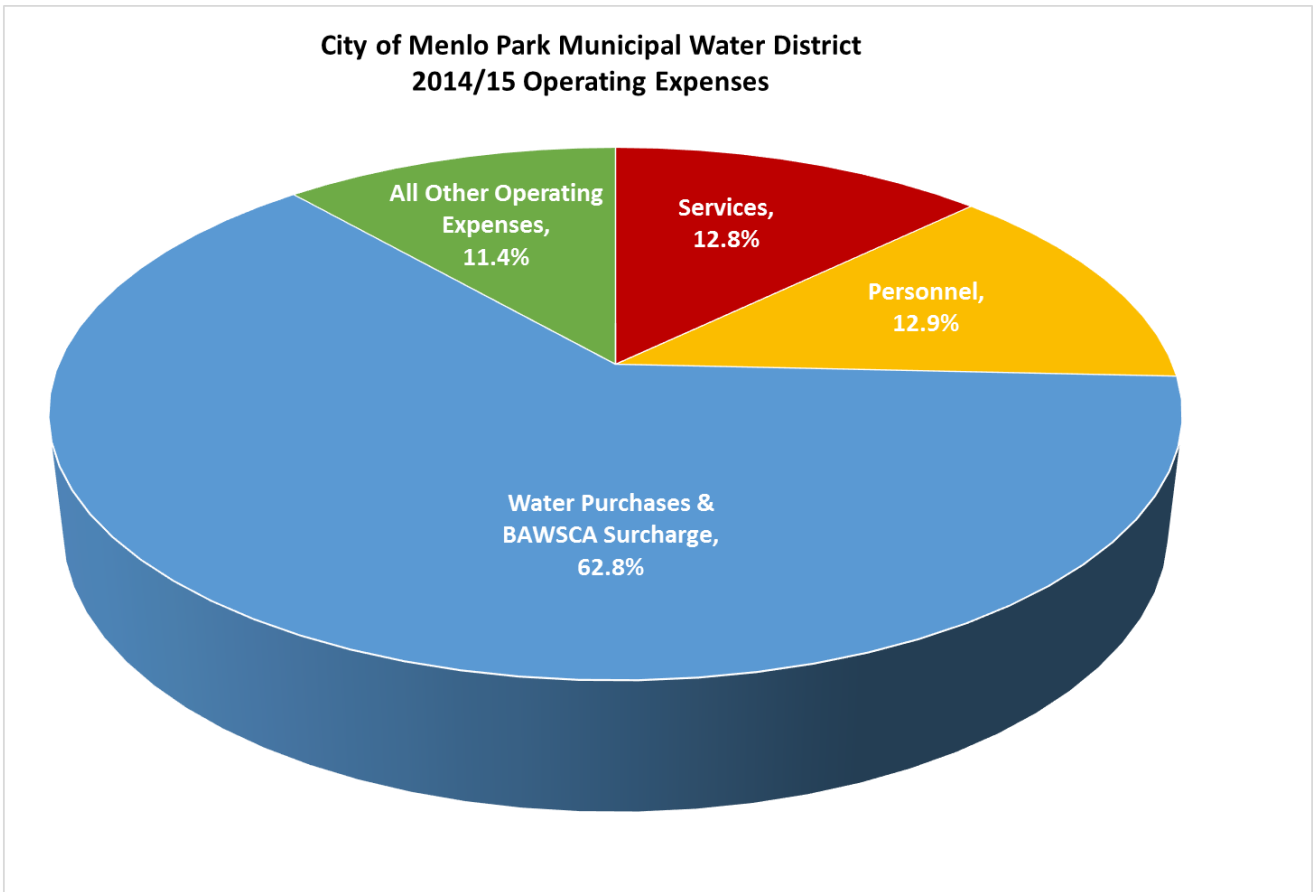
Project	Year	1	2	3	4	5	6	Years 2 - 6
	Budget	Rate Study						FY 2016 - 20
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20		Total
Reroof Reservoir #2	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Urban Water Management Plan	100,000	25,000	0	0	0	140,000		165,000
Water Rate Study	50,000	25,000	0	0	0	80,000		105,000
Water System Master Plan	500,000	0	0	0	0	0		0
Automated Water Meter Reading	0	0	500,000	1,200,000	1,200,000	1,200,000		4,100,000
SCADA Upgrade	0	0	0	0	0	0		0
Recycled Water Project	0	0	0	0	0	0		0
Emergency Water Supply Project (Well #3)	0	0	0	0	0	0		0
Sharon Heights Pump Station	0	0	0	0	0	0		0
Water Main Replacements	0	0	300,000	2,200,000	0	0		2,500,000
Total Water CIP	950,000	50,000	800,000	3,400,000	1,200,000	1,420,000		6,870,000

Source: CIP Projections for Rate Study, 2/12/15. Updated 5/11/15.

4.3.4 Ongoing Operating Cost Inflation

In addition to water purchases, the City faces ongoing operating cost inflation due to annual increases in a range of expenses including utilities, maintenance, insurance, services, as well as the cost of personnel, benefits, etc. Figure 7 shows a breakdown of operating expenses for 2014/15.

Figure 7: Operating Expenses



Services, personnel, and utility costs are escalated by 4% each year as shown on Table 6. All other expenses are projected to increase by 3% annually. In general, operating cost inflation for water utilities has historically been significantly higher than the Consumer Price Index (CPI) for consumer goods and services. Water utility operating expenses are expected to increase from \$9.4 million in the current budget year to \$11.9 million by 2019/20. A ten-year projection of operating expenses is included in Appendix B.

Table 6: Water Operating Expenses
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Operating Expense (1)	Budget 2014/15	Escalation Factor	Rate Study				
			2015/16	2016/17	2017/18	2018/19	2019/20
Services	\$1,202,380	4.0%	\$1,250,000	\$1,300,000	\$1,352,000	\$1,406,000	\$1,462,000
Personnel	1,214,101	4.0%	1,263,000	1,314,000	1,367,000	1,422,000	1,479,000
530 - Operating Expense	280,040	3.0%	288,000	297,000	306,000	315,000	324,000
540 - Utilities							
SFPUC Water Purchases (2)	5,317,727	varies	5,445,000	5,489,000	5,503,000	6,258,000	6,853,000
BAWSCA Surcharge (2)	582,273	varies	615,000	615,000	615,000	615,000	615,000
<u>Other Utilities</u>	<u>107,150</u>	4.0%	<u>111,000</u>	<u>115,000</u>	<u>120,000</u>	<u>125,000</u>	<u>130,000</u>
Subtotal Utilities	6,007,150		6,171,000	6,219,000	6,238,000	6,998,000	7,598,000
560 - Fixed Assets & Capital Outlay	394,394	3.0%	406,000	418,000	431,000	444,000	457,000
570 - Travel	7,800	3.0%	8,000	8,000	8,000	8,000	8,000
580 - Repairs & Maintenance	96,500	3.0%	99,000	102,000	105,000	108,000	111,000
<u>590 - Special Projects Expenditures (3)</u>	<u>189,041</u>	3.0%	<u>195,000</u>	<u>201,000</u>	<u>207,000</u>	<u>213,000</u>	<u>219,000</u>
Total Operating Expenses	9,391,406		9,680,000	9,859,000	10,014,000	10,914,000	11,658,000
% Change			3.1%	1.8%	1.6%	9.0%	6.8%

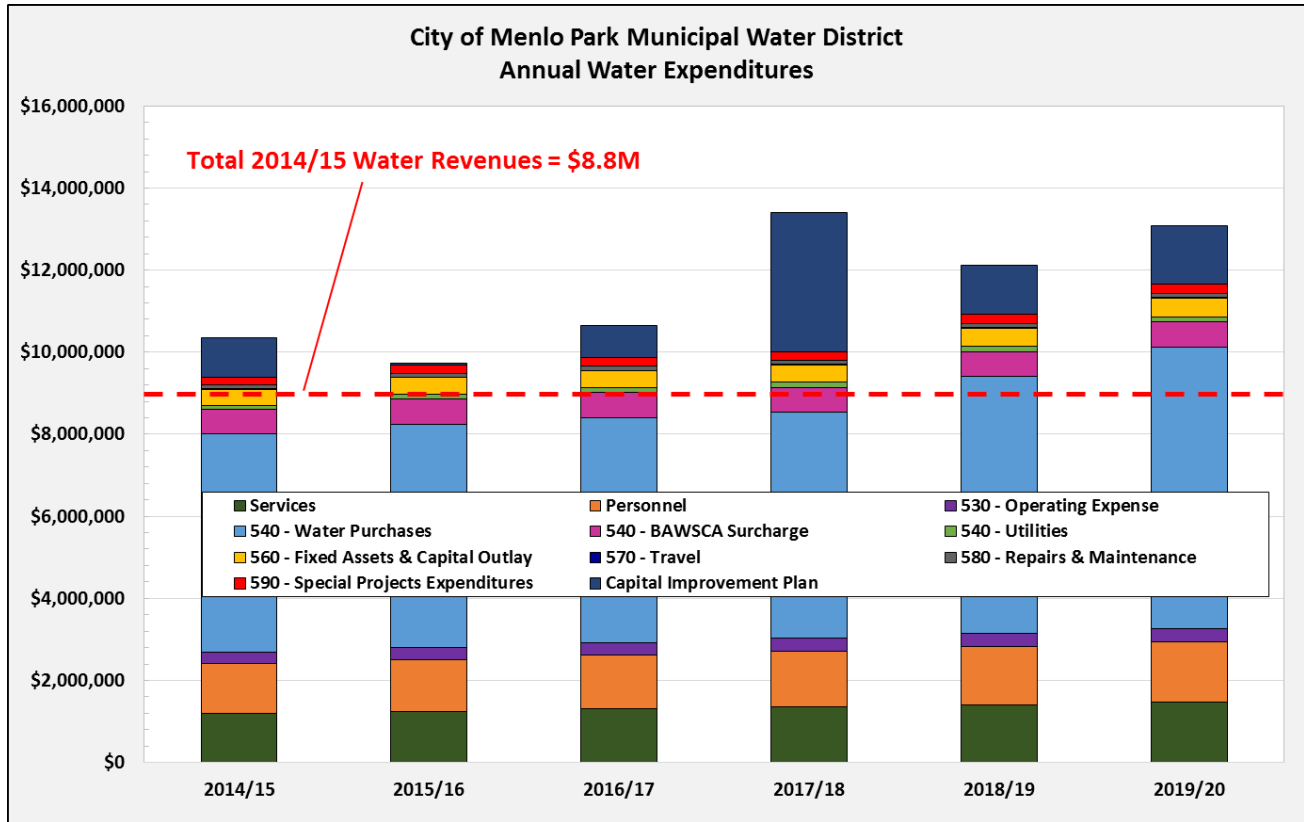
1 - Source: Public Works Department Budget Adopted FY 2014/15 Budget

2 - Table 4

3 - Includes the transfer to the General Fund

The following chart shows a 5-year breakdown of projected water enterprise expenses. As shown on Figure 8, near-term rate increases are needed to keep revenues in line with projected expenditures and support balanced budgets and prudent minimum levels of fund reserves.

Figure 8: Projected Water Operating and Capital Expenses



5 REVENUE REQUIREMENTS

5.1 Cash Flow Projection

BWA developed ten-year cash flow projections to determine annual revenue requirements and required rate adjustments. The projections incorporate the latest information available as well as a number of reasonable and slightly conservative assumptions. Rate increases are phased in to eliminate the operating deficit and to meet reserve fund targets by 2019/20. Key assumptions include:

Revenues

- The first rate adjustment is proposed to take effect on August 1, 2015. Rate increases thereafter are proposed to be effective on July 1 of each year through 2019/20.
- Slow to moderate growth is projected over the next 5 years. The projections include growth of 0.5% per year through 2017/18. Beginning in 2018/19 and continuing thereafter, 1.0% annual growth is assumed based on staff projections.
- The interest earning rate on reserve funds is estimated at 0.75% each year beginning in 2014/15 and gradually increases to 2%.
- Water rate revenues based on the 2014/15 budget and account for projected rate increases and growth.
- Water capacity charges are estimated at \$1 million each year through 2019/20.
- Fixed charges recover 20% of total utility costs, and consumption charges recover 80% of total expenses.
- The capital surcharge will be increased gradually to fully fund \$6.9 million in capital projects through 2019/20.

Expenses

- Financial projections are based on the 2014/15 budget.
- Operating costs are projected to escalate at the annual rate of 3% for planning purposes. Personnel and utility costs are escalated by 4% each year.
- SFPUC wholesale rate estimates are based on the SFPUC rate projections as of April 2015. The BAWSCA bond surcharge is estimated at \$0.46 per ccf.
- Total consumption for 2014/15 is projected at 1,390,000 ccf. Consumption for 2015/16 through 2019/20 is estimated at 1,344,000 ccf to meet State-mandated conservation targets.

As shown on Table 7, the recommended annual rate increases are 12% each year for the next five years beginning in 2015/16 to meet reserve fund targets and to eliminate the operating deficit by 2019/20. The cash flow projections show estimates of future rate increases for planning purposes only. Appendix C includes a ten year cash flow projection through 2024/25.

Table 7: Cash Flow Projection
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Budget 2014/15	Rate Study				
		2015/16	2016/17	2017/18	2018/19	2019/20
Revenue Adjustment		12.0%	12.0%	12.0%	12.0%	12.0%
Water Capital Surcharge (1)	\$0.51	\$0.63	\$0.78	\$0.97	\$1.21	\$1.50
Customer Growth Rate		0.5%	0.5%	0.5%	1.0%	1.0%
Interest Earnings Rate	0.75%	0.75%	1.0%	1.0%	1.5%	1.5%
Annual Change in Water Sales		-3.31%	0.0%	0.0%	0.0%	0.0%
Total Water Sales (ccf)	1,390,000	1,344,000	1,344,000	1,344,000	1,344,000	1,344,000
SFPUC Water Supply (ccf) + 8%	1,501,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000
BEGINNING FUND BALANCE						
Operation - Fund 861	\$0	(\$2,299,406)	(\$4,174,606)	(\$5,248,606)	(\$5,374,606)	(\$5,103,606)
Capital - Fund 855	3,528,464	4,312,464	6,144,410	7,459,342	6,441,218	7,958,745
Total Beginning Water Fund Balance	3,528,464	2,013,058	1,969,804	2,210,736	1,066,612	2,855,139
Revenues with July 1 Effective Date		7,983,000	8,986,000	10,115,000	11,442,000	12,943,000
Effective Date of Rate Increase		9/01/15	7/01/16	7/01/17	7/01/18	7/01/19
OPERATION - FUND 861						
Operating Revenues						
Water Sales Revenues (2)	7,092,000	7,804,800	8,785,000	9,888,000	11,185,000	12,652,000
Interest	0	0	0	0	0	0
Total Operating Revenues	7,092,000	7,804,800	8,785,000	9,888,000	11,185,000	12,652,000
Operating Expenses						
Services	1,202,380	1,250,000	1,300,000	1,352,000	1,406,000	1,462,000
Personnel	1,214,101	1,263,000	1,314,000	1,367,000	1,422,000	1,479,000
530 - Operating Expense	280,040	288,000	297,000	306,000	315,000	324,000
540 - SFPUC Water Purchases	5,317,727	5,445,000	5,489,000	5,503,000	6,258,000	6,853,000
540 - BAWSCA Surcharge	582,273	615,000	615,000	615,000	615,000	615,000
540 - Utilities	107,150	111,000	115,000	120,000	125,000	130,000
560 - Fixed Assets & Capital Outlay	394,394	406,000	418,000	431,000	444,000	457,000
570 - Travel	7,800	8,000	8,000	8,000	8,000	8,000
580 - Repairs & Maintenance	96,500	99,000	102,000	105,000	108,000	111,000
590 - Special Projects Expenditures	189,041	195,000	201,000	207,000	213,000	219,000
Total Operating Expenses	9,391,406	9,680,000	9,859,000	10,014,000	10,914,000	11,658,000
CAPITAL - FUND 855						
Capital Revenues						
Water Capital Surcharge (1)	708,000	849,946	1,053,933	1,306,876	1,620,527	2,009,453
Water Capacity Charges	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Interest	26,000	32,000	61,000	75,000	97,000	119,000
Total Capital Revenues	1,734,000	1,881,946	2,114,933	2,381,876	2,717,527	3,128,453
Capital Expense						
Capital Improvement Plan	950,000	50,000	800,000	3,400,000	1,200,000	1,420,000
Total Capital Expenses	950,000	50,000	800,000	3,400,000	1,200,000	1,420,000
NET REVENUES						
Net Revenues - Operating Fund	(2,299,406)	(1,875,200)	(1,074,000)	(126,000)	271,000	994,000
Net Revenues - Capital Fund	784,000	1,831,946	1,314,933	(1,018,124)	1,517,527	1,708,453
TOTAL NET REVENUES	(1,515,406)	(43,254)	240,933	(1,144,124)	1,788,527	2,702,453
ENDING FUND BALANCE						
Operation - Fund 861	(2,299,406)	(4,174,606)	(5,248,606)	(5,374,606)	(5,103,606)	(4,109,606)
Capital - Fund 855	4,312,464	6,144,410	7,459,342	6,441,218	7,958,745	9,667,198
Total Ending Water Fund Balance	2,013,058	1,969,804	2,210,736	1,066,612	2,855,139	5,557,592
Reserve Fund Target						
Operating Reserve	3,130,000	3,227,000	3,286,000	3,338,000	3,638,000	3,886,000
Emergency Capital Reserve Target	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Water Fund Reserve Target (3)	4,130,000	4,227,000	4,286,000	4,338,000	4,638,000	4,886,000
1 - Escalated by 24% annually						
2 - Water sales revenues adjusted for Sept 1, 2015 effective date. Future rate increases will be effective July 1 beginning in 2016/17.						
3 - Operating Fund Target = 4 months O&M expenses + Capital Fund Target = \$1M. Recommendation from the 2010 Water Rate Study.						

5.2 Cost of Service: Fixed vs. Variable Cost Recovery

Water utilities have used a wide range of approaches or perspectives for allocating and recovering their costs for providing service, and these costs are most commonly recovered from a combination of fixed and variable charges. The percentage of revenues derived from the fixed and variable charges varies for each agency and should be proportional to each system's expenditures and must not exceed the cost of providing service. A higher level of fixed charges provides better revenue stability and less dependence on consumption sales. On the other hand, higher dependence on volumetric revenues provides a better conservation incentive.

Public agencies have used a wide range of approaches or perspectives for allocating and recovering costs, and industry practices provide flexibility regarding the actual percentages collected from fixed vs. variable rates. Depending on perspective, the same costs can reasonably be allocated 100% to fixed revenue recovery, 100% to variable rate recovery, or to some combination of the two. Many of the water utility's costs are fixed costs that do not vary by water consumption, such as salaries, benefits, and costs for building and maintaining infrastructure. However, a portion of these fixed costs can reasonably be apportioned to variable, usage-based rate recovery in recognition that a portion of these fixed costs are related to the volumetric water use. For example, a share of the fixed cost of salaries related to water production can reasonably be recovered from usage-based charges as these costs are incurred to provide water supply to meet customer demand.

While there is no single correct approach, BWA believes that costs should be allocated within a reasonable range that reflects both a) underlying cost causation, to the extent such causation can reasonably be determined or estimated, and b) the policy preferences of the agency in cases where a range of reasonable approaches can be justified.

Table 8 shows a breakdown of the water utility's operating and capital expenditures based on input from City staff. Costs are allocated based on a 5-year average (FY2015 through 2020) of projected expenses. As shown, water purchases is the utility's largest expense. Based on these cost allocations, water rates will be designed to recover 20% of rate revenues from the monthly fixed charges and 80% of rate revenues from the consumption charges.

Table 8: Fixed Rate & Variable Rate Revenue Recovery
City of Menlo Park Municipal Water District
Water Rate Study 2015

	Projected 5-Year Avg (1)	Cost Recovery %		Cost Recovery \$	
		Fixed	Variable	Fixed	Variable
WATER UTILITY EXPENSES					
Operating & Maintenance					
Services	\$1,354,000	40%	60%	\$541,600	\$812,400
Personnel	\$1,369,000	40%	60%	\$547,600	\$821,400
530 - Operating Expense	\$306,000	30%	70%	\$91,800	\$214,200
540 - Water Purchases	\$5,909,600	10%	90%	\$590,960	\$5,318,640
540 - BAWSCA Surcharges	\$615,000	10%	90%	\$61,500	\$553,500
540 - Utilities	\$120,200	10%	90%	\$12,020	\$108,180
560 - Fixed Assets & Capital Outlay	\$431,200	30%	70%	\$129,360	\$301,840
570 - Travel	\$8,000	80%	20%	\$6,400	\$1,600
580 - Repairs & Maintenance	\$105,000	30%	70%	\$31,500	\$73,500
<u>590 - Special Projects Expenditures</u>	<u>\$207,000</u>	<u>20%</u>	<u>80%</u>	<u>\$41,400</u>	<u>\$165,600</u>
Subtotal	\$10,425,000	20%	80%	\$2,054,140	\$8,370,860
Capital Improvement Plan					
Capital Projects	\$1,374,000	40%	60%	\$549,600	\$824,400
Total Water System Expenses	\$11,799,000	22%	78%	\$2,603,740	\$9,195,260
NET FUNDING REQUIREMENT					
Total Expenses	\$11,799,000	22%	78%	\$2,603,740	\$9,195,260
<u>Less Capital Surcharge Revenue (2)</u>	<u>(\$1,368,147)</u>	<u>40%</u>	<u>60%</u>	<u>(\$547,259)</u>	<u>(\$820,888)</u>
Net Funding Requirement from Water Rates	\$10,430,853	20%	80%	\$2,056,481	\$8,374,372
1 - Based on five year average of expenses 2015/16 through 2019/20					
2 - Based on five year average of 2015/16 through 2019/20 assuming the Capital Surcharge is increased 24% each year.					

6 WATER RATE DESIGN AND STRUCTURE

The final step of the water rate study process is the design of water rates to generate the level of revenues needed to meet annual revenue requirements. The evaluation of rate structure alternatives takes into account both the level of rate increases and the structure of the rates. The level of increases refers to the amount of revenue to be collected from a specific rate design. The rate structure refers to the way in which the revenues are collected from the customers. The rate development principles and methodology used to develop rates are based on the AWWA M1 Manual and comply with Article X and XIID of the California Constitution.

6.1 Fixed Charge Recommendation

As discussed in the previous section, fixed charges recover 20% of water rate revenues. The proposed fixed meter charges are designed to recover costs from each meter proportion to meter capacity and the associated demand placed on the water system by each meter size.

6.1.1 Adjust Meter Capacity Ratios for Meters 3" and Larger

The most common method to levy fixed charges is by meter size. The ratio at which the meter charge increases is typically a function of either meter investment (estimated cost) or the meter's safe operating capacity. The AWWA has established a set of capacity ratios using the maximum safe flow of various meter sizes relative to the base meter (either a 5/8" or 3/4" meter which are the City's smallest meters). Many agencies use the AWWA ratios as a basis for setting their fixed rates and, in doing so, charge customers proportional to the capacity that is reserved for them in the public water system.

These capacity-based meter ratios are widely used in California rate setting and are consistent with meter ratios adopted by the California Public Utility Commission for private water companies. Larger meters have the ability to place a greater demand on the water system and are therefore, charged based on that potential demand. For example, based on the AWWA meter capacity ratios, a customer that has a 2" meter has 5.33 times the capacity equivalency of a customer with a 5/8" or a 3/4" meter. (A 2" meter has a safe operating capacity of 160 gallons per minute (gpm) compared to a 3/4" meter which has a safe operating capacity of 30 gpm).

The current meter capacity ratios for meters 3" and larger are not aligned with the meter capacities recommended by the AWWA. BWA recommends updating the meter ratios for meters 3" and larger as shown on the table below. The re-alignment will adjust the fixed charges so that

each meter size will be charged based on their proportional impact on the system. A total of 55 accounts with meters 3" and larger will be impacted by the proposed meter ratios, representing approximately 1% of all meters. (The meter ratio for 6" meters will not change). Table 9 shows the current and proposed meter ratios.

Table 9: Current and Proposed Meter Capacity Ratios
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Meter Size	Number of Meters	CURRENT		PROPOSED		
		Meter Ratios	Fixed Charges	Proposed Meter Ratios	Safe Max Operating Capacity (gpm) (1)	Current Fixed Charges based on New Meter Ratios (2)
5/8"	3,005	1.0	\$16.84	1.00	30	\$16.84
3/4"	2	1.0	\$16.84	1.00	30	\$16.84
1"	774	1.6	\$26.94	1.67	50	\$28.07
1-1/2"	127	3.3	\$55.57	3.33	100	\$56.13
2"	227	5.3	\$89.26	5.33	160	\$89.81
3"	35	9.7	\$163.35	10.00	320	\$168.40
4"	11	15.0	\$252.61	16.70	500	\$281.23
6"	5	33.3	\$560.81	33.33	1000	\$561.33
8"	7	73.9	\$1,244.54	53.33	1600	\$898.13
10"	2	164.0	\$2,761.91	76.67	2300	\$1,291.07
12"	0			143.33	4300	\$2,413.73
	4,195					

1 - Source: AWWA's M1 Manual, Principles of Water Rates, Fees, and Charges, Sixth Edition, 2012, Table B-1
 2 - Shown for illustrative purposes only

6.1.2 Fixed Rate Derivation

The fixed meter charge is designed to recover costs from each meter proportional to meter capacity and the associated demand placed on the water system by each meter size. The fixed charges are calculated by multiplying a) the annual revenue requirement from Table 7 by b) the percentage of costs allocated for fixed charge revenue recovery from Table 8. This funding target is then divided by c) the current total number of meter equivalents to determine d) the fixed charge per meter equivalent. This meter equivalent represents the capacity of a base 5/8" or 3/4" meter. The fixed charges for larger meters are determined by multiplying the base charge by the corresponding proposed meter equivalent ratios as detailed in Table 9. Table 10 shows the rate derivation for the proposed fixed charges.

Table 10: Fixed Rate Calculation
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Current 2014/15	Proposed					
		2015/16	2016/17	2017/18	2018/19	2019/20	
FIXED CHARGE REVENUE RECOVERY							
Rate Increase %		12.0%	12.0%	12.0%	12.0%	12.0%	
Total Revenue Requirement (from Cash Flow)		\$7,983,000	\$8,986,000	\$10,115,000	\$11,442,000	\$12,943,000	
Fixed Charges	20%	\$1,596,600	\$1,797,200	\$2,023,000	\$2,288,400	\$2,588,600	
Variable Charges	80%	\$6,386,400	\$7,188,800	\$8,092,000	\$9,153,600	\$10,354,400	
Total	100%	\$7,983,000	\$8,986,000	\$10,115,000	\$11,442,000	\$12,943,000	
FIXED RATE DERIVATION							
Fixed Charge Revenue Recovery		\$1,596,600	\$1,797,200	\$2,023,000	\$2,288,400	\$2,588,600	
Total Meter Equivalents	7,384	7,421	7,458	7,495	7,570	7,646	
% Growth		0.5%	0.5%	0.5%	1.0%	1.0%	
Monthly Rate per 5/8" or 3/4" Meter		\$17.93	\$20.08	\$22.49	\$25.19	\$28.21	
% Change			12.0%	12.0%	12.0%	12.0%	
PROPOSED FIXED CHARGES							
<u>Meter Size</u>	<u>Meter Ratio</u>	<u>Current Rates</u>					
5/8"	1.0	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
3/4"	1.0	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
1"	1.7	\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
1-1/2"	3.3	\$55.57	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05
2"	5.3	\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
3"	10.0	\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
4"	16.7	\$252.61	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15
6"	33.3	\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
8"	53.3	\$1,244.54	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70
10"	76.7	\$2,761.91	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01

6.2 Consumption Charge Options

Consumption or variable charges recover system costs that vary based on consumption. These charges may also be labeled volumetric charges, usage rates, consumption charges, block rates, commodity rates, etc. Regardless of the name, all variable charges are based upon metered water consumption and levied on a per-unit cost. Conservation is most effectively encouraged through the variable rate component. Some common variable rate structures that promote conservation

pricing include uniform block, inclining block rates, water budget or allocation based rates, and seasonal block rates.

Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano

In the recent court case *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, the court ruled that tiered water rates must be supported by actual cost of service calculations with identifiable, incremental costs correlating to each tier. It is important to note that the decision has not invalidated tiered rate structures in general. The Court invalidated the specific rates that were presented in the case. Proposition 218 places the burden of proving the constitutionality of a challenged rate structure on the water service provider. In the case, the Court concluded that the administrative record did not provide sufficient support for each of the tier breakpoints or for the proportionate allocation of system-wide costs. Because the water service provider failed to carry its burden the Court held that the rate structure at issue failed to comply with Proposition 218.

6.2.1 Discussion of Current Four-Tiered Rate Structure

The current consumption rate structure is comprised of four inclining tiers in which the cost per unit of water increases through the various tiers as customers use more water. Compared to a uniform rate, this rate structure usually provides increased conservation incentive, particularly on high water use, while helping to minimize rate increases on customers with low water use. Inclining block rates are most commonly applied to single family residential customers because their consumption as a class is, on average, homogenous, and typical usage patterns can be estimated based on industry statistics. The current tier breakpoints are designed to provide a reasonable amount of water for efficient indoor and outdoor water use for a typical single family residential household and are based on the following:

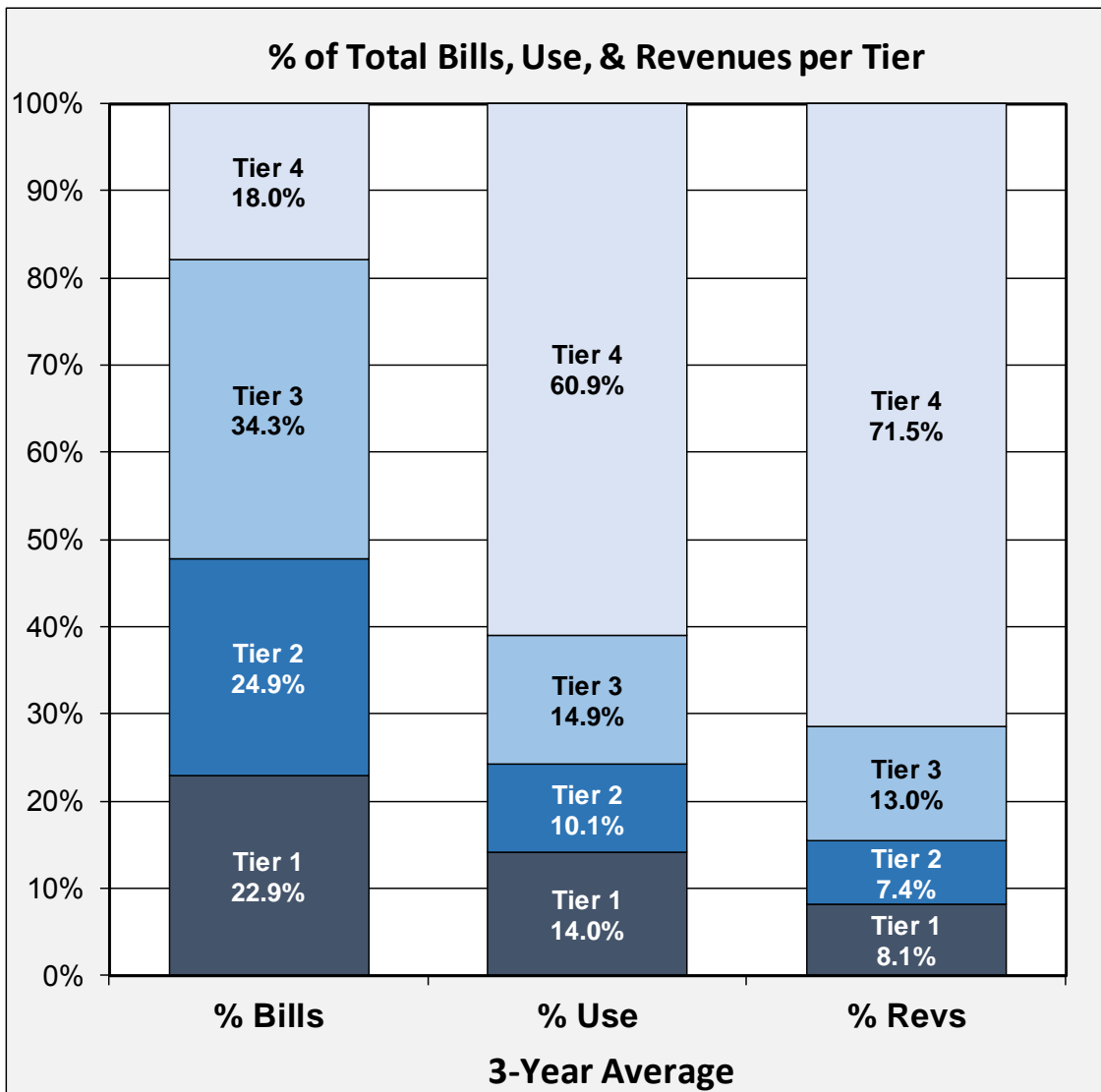
- Tier 1 (0 – 5 ccf) includes the first five ccf of monthly water use which is estimated domestic (indoor) water use for 2 person household based on 60-65 gallons per capita per day.
- Tier 2 (6 – 10 ccf) includes water use from 6 ccf through 10 ccf which is equivalent to domestic (indoor) consumption for four people based on 60-65 gallons per capita per day.
- Tier 3 (11 – 25 ccf) includes water use from 11 ccf through 25 ccf to provide additional water for outdoor landscaping
- Tier 4 (Over 25 ccf) includes all consumption over 25 ccf for all other uses.

The major disadvantage of the existing rate structure is that the tiers apply equally to all customer classes. This means that a single family home gets the same tier structure as a large industrial customer. The current breakpoints do not have a strong correlation to the multi-family,

commercial, and other non-residential classes, given that the consumption patterns of these other customer classes vary widely. Because the tiers are set in line with the water usage of a typical single family home, the tiers are less relevant (and arguably less equitable) to a user that consumes large quantities of water. Figure 9 illustrate the average distribution of bills, water sales, and consumption revenue for each tier for the past three fiscal years (2011/12 through 2013/14). As shown, the majority of water, nearly 61%, of all water is sold in Tier 4.

Figure 9. Current Rate Structure: Distribution of Bills, Consumption, and Revenues by Tier

Total Consumption (Three-Year Average for FY2012-14)							
		Bills Ending in Tier		Water Use in Tier (hcf)		Revenue in Tier	
		#	%	ccf	%	\$	%
Tier 1	0 - 5	10,388	22.9%	209,607	14.0%	\$417,005	8.1%
Tier 2	6 - 10	11,300	24.9%	151,028	10.1%	\$377,828	7.4%
Tier 3	11 - 25	15,583	34.3%	222,229	14.9%	\$665,862	13.0%
Tier 4	> 25	<u>8,163</u>	<u>18.0%</u>	<u>909,465</u>	<u>60.9%</u>	<u>\$3,661,588</u>	<u>71.5%</u>
Total		45,434	100%	1,492,329	100%	\$5,122,283	100%



Another drawback of the current rate structure is that Tier 1 is currently set at roughly 75% of the wholesale cost of water. The primary reason for the pricing was to encourage more conservation and to allow for additional cost recovery in the higher tiers. However, MPMWD is currently not recovering its full cost of service.

At the direction of the City, BWA developed two consumption rate alternatives for discussion. The consumption rate recovers the water utility's cost for purchasing water as well as all other variable costs, representing 80% of total utility expenses. The proposed fixed charge for both options is the same and recovers 20% of total rate revenues. All two rate structures meet the same revenue target in a given year. In addition, each rate alternative is developed to maintain the same relative revenue generation by customer class. That is to say, the recovery of the cost of service of the utility will remain the same for all three options. However, for each option, the actual rate impacts within a customer class will vary based on consumption level.

6.2.2 Option 1: Uniform Tier

Option 1 proposes a single uniform tier for all customers. Under a uniform block rate structure, all water use is billed at the same rate per unit. This rate structure provides a conservation incentive since customers have to pay for each unit of water use. Uniform block rates are commonly applied to a broad customer base with different water needs, such as commercial and multi-family classes. Unlike residential customers who are a relatively homogenous group that uses water for similar purposes (bathing, cooking, irrigation, etc.), commercial water use varies widely based on the type and size of business. As a result, the benefits of tiered rates are greatly diminished for non-residential customers and can result in unintended impacts such as high marginal rates for high-water-use businesses that have implemented substantial conservation measures.

The advantages of a uniform block rate structure are: 1) the simplicity of the rate structure and 2) the City will be recovering its full cost of purchasing water from all water sold. The disadvantages are that: 1) a single uniform tier does not provide clear price signals to conserve, and 2) low water users will see higher bill impacts than those with moderate to high levels of use. Actual impacts to each customer will vary based on consumption.

Table 11 shows the rate calculation for the uniform tier. The rate for the uniform tier is calculated by multiplying a) the annual revenue requirement from Table 7 by b) the percentage of costs allocated for variable charge revenue recovery from Table 8. This funding target is then divided by c) total yearly consumption to derive the consumption charge per ccf. The proposed uniform rate for 2015/16 is \$4.75 per ccf.

Table 11: Option 1 – Uniform Tier Rate Derivation
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Current 2014/15	Proposed				
		2015/16	2016/17	2017/18	2018/19	2019/20
VARIABLE (CONSUMPTION) CHARGE REVENUE RECOVERY						
Rate Increase %		12%	12%	12%	12%	12%
Total Revenue Requirement (from Cash Flow)		\$7,983,000	\$8,986,000	\$10,115,000	\$11,442,000	\$12,943,000
Fixed	20%	\$1,596,600	\$1,797,200	\$2,023,000	\$2,288,400	\$2,588,600
Variable	80%	<u>\$6,386,400</u>	<u>\$7,188,800</u>	<u>\$8,092,000</u>	<u>\$9,153,600</u>	<u>\$10,354,400</u>
Total	100%	\$7,983,000	\$8,986,000	\$10,115,000	\$11,442,000	\$12,943,000
UNIFORM TIER RATE DERIVATION						
Total Consumption Charge Allocation		\$6,386,400	\$7,188,800	\$8,092,000	\$9,153,600	\$10,354,400
Total Annual Consumption (ccf)	1,390,000	1,344,000	1,344,000	1,344,000	1,344,000	1,344,000
% Change			0%	0%	0%	0%
Uniform Rate per ccf		\$4.75	\$5.35	\$6.02	\$6.81	\$7.70
% Change			13%	13%	13%	13%

Table 12 shows the proposed monthly fixed and consumption water rates for Option 1. Under Proposition 218, the rates shown below are the maximum rates that the MPMWD can enact each year. The MPMWD can adopt rates that are lower than those shown based upon an annual review of the water utility’s finances to ensure that revenues are in line with expenses.

Table 12: Option 1 (Uniform Tier) – Proposed Monthly Water Rates
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Current	Proposed				
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
FIXED CHARGE						
Meter Size						
5/8"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
3/4"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
1"	\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
1-1/2"	\$55.57	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05
2"	\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
3"	\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
4"	\$252.61	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15
6"	\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
8"	\$1,244.54	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70
10"	\$2,761.91	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01
WATER CONSUMPTION CHARGE OPTIONS						
OPTION 1: UNIFORM TIER						
All Use per ccf		\$4.75	\$5.35	\$6.02	\$6.81	\$7.70

6.2.3 Option 2: Two Tiers – Tier 1 Based on Cost of SFPUC Water

Option 2 proposes a 2-tiered rate structure for all customers. To ensure that all water sold recovers the City’s cost for purchasing water, Tier 1 is based on the SFPUC’s wholesale cost of water. The proposed tier breakpoints are as follows:

- Tier 1 (0 – 6 ccf) includes the first six ccf of monthly water use which is estimated minimum efficient domestic (indoor) water use for a 2.52 person household based on 55 - 60 gallons per capita per day. (The average household size in the City is 2.52 from the 2010 US Census.)
- Tier 2 (Over 6 ccf) includes all water consumption over 6 ccf for all other use.

The advantage of a two-tiered rate structure is simplicity, especially for larger customers, whose current usage generally falls in Tier 4. The disadvantage of Option 3 is that low water users will

see higher bill impacts than those with moderate to high levels of use. Actual impacts to each customer will vary throughout the year based on consumption.

Figure 10 shows the percentage of bill and consumption by tier for the proposed two- tiered rate structure in which 14% of all usage is projected to be sold in Tier 1 and 86% is estimated to be sold in Tier 2.

Figure 10. Option 2: Distribution of Bills and Consumption by Tier

Total Consumption (Three-Year Average for FY2012-14)					
		Bills Ending in Tier		Water Use in Tier (ccf)	
		#	%	hcf	%
Tier 1	0 - 6	12,953	28.5%	244,653	16.4%
Tier 2	> 6	<u>32,481</u>	<u>71.5%</u>	<u>1,247,676</u>	<u>83.6%</u>
Total		45,434	100.0%	1,492,329	100.0%

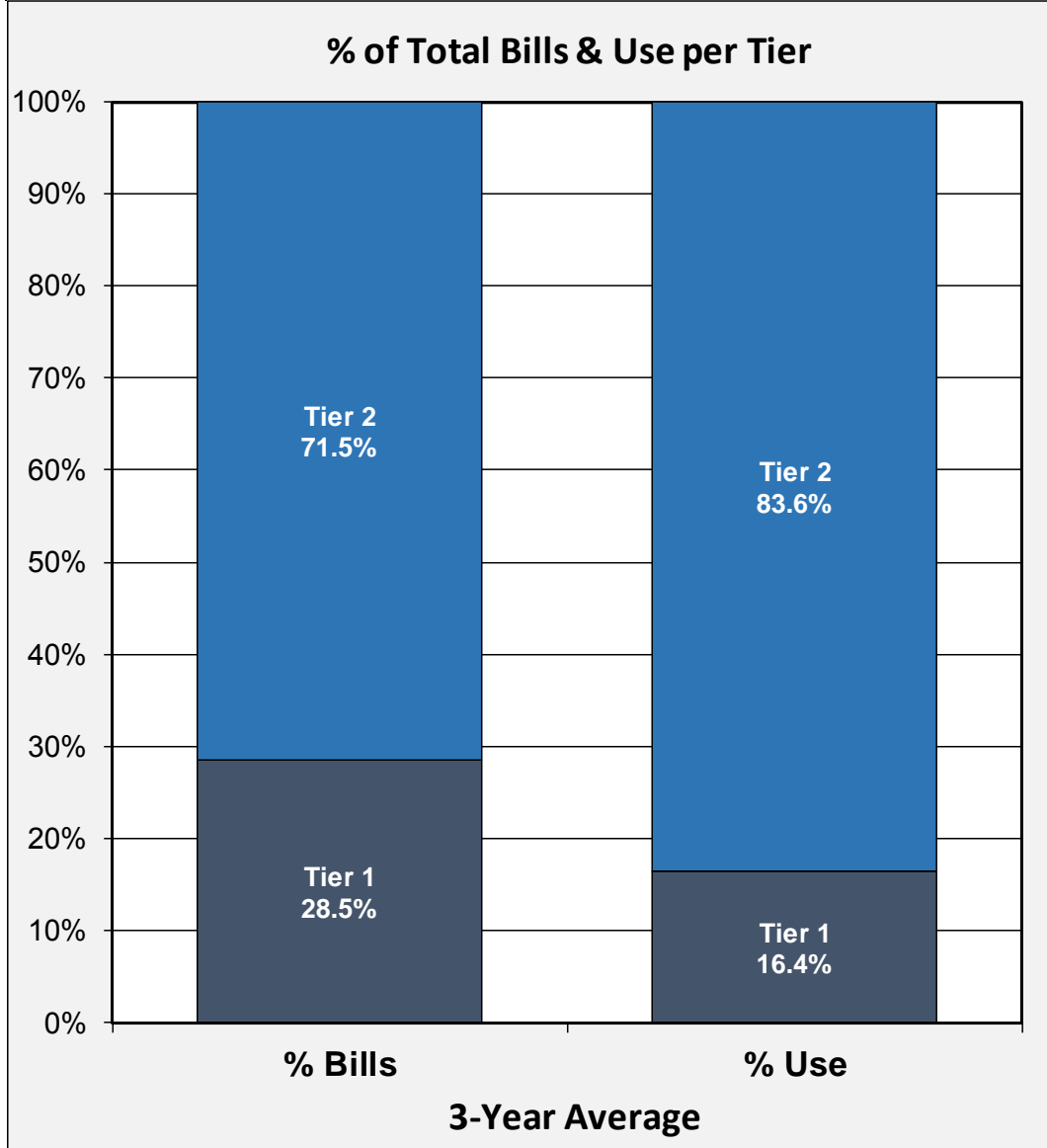


Table 13 calculates the proposed Tier 1 rate based on the City’s estimated cost for purchasing water as shown on Table 4. The Tier 1 rate is derived by dividing a) the annual cost for water purchases from Table 4 by b) total estimated yearly consumption also from Table 4. As shown below, the Tier 1 rate varies each year based on the SFPUC’s wholesale rate. To minimize rate spikes, the proposed Tier 1 rates are incrementally increased by the annual average of 5.4% each year.

Table 13: Option 2: Proposed Tier 1 Rate
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Proposed					
	2015/16	2016/17	2017/18	2018/19	2019/20	
TIER 1 RATE CALCULATION						
Total Cost for Water Purchases (Table 4)	\$6,060,000	\$6,103,560	\$6,118,080	\$6,873,120	\$7,468,440	
Total Consumption (ccf) (Table 4)	1,344,000	1,344,000	1,344,000	1,344,000	1,344,000	
Tier 1 Calculated Rate	\$4.51	\$4.54	\$4.55	\$5.11	\$5.56	<i>Annual Avg</i>
% Change		0.7%	0.2%	12.3%	8.8%	<i>% Change</i>
Proposed Tier 1 Rate Incrementally Increased	\$4.51	\$4.75	\$5.01	\$5.28	\$5.56	
% Change		5.4%	5.4%	5.4%	5.4%	

The cost basis for Tier 2 is the water utility’s conservation expenses which are estimated at \$150,000 for 2015/16. Conservation costs include public outreach, staff and personnel, and rebate programs, such as the Lawn Be Gone program. These costs are allocated to the higher tiers to reduce demand predominantly from high users and to improve supply reliability particularly during water shortage emergencies and periods of reduced supply assurance from the SFPUC. Tier 2 is calculated by dividing a) the water utility’s estimated conservation expenses of \$150,000 by b) the amount of consumption in Tier 2. The additional cost for conservation is \$0.13 which is added to the Tier 1 rate of \$4.51 for a Tier 2 rate of \$4.64. As detailed on Table 14, the proposed Tier 2 rates for the future years through 2019/20 are increased by 14.5% each year to meet annual revenue requirements.

Table 14: Option 3: Proposed Tier 2 Rate Derivation
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

TIER 2 RATE CALCULATION	
Total Conservation Expenses	\$150,000
Tier 2 Consumption (ccf)	1,128,960
Additional Tier 2 Rate	\$0.13
PROPOSED CONSUMPTION RATES - TWO TIERS	
Tier 1: 0 - 6 ccf	\$4.51 \$4.75 \$5.01 \$5.28 \$5.57
% Change	5.4% 5.4% 5.4% 5.4%
Tier 2: Over 6 ccf (1)	\$4.64 \$5.32 \$6.09 \$6.97 \$7.98
% Change	14.5% 14.5% 14.5% 14.5%
1 - Tier 1 rate + Additional Tier 2 rate	

Table 15 shows the proposed rates for Option 2. Tier 1 is based on the cost of SFPUC water and is increased annually by 5.4%. Tier 2 recovers conservation costs and is increased 14.5% each year beginning in 2016/17 through 2019/20. Under Proposition 218, the rates shown below are the maximum rates that the MPMWD can enact each year. The MPMWD can adopt rates that are lower than those shown based upon an annual review of the water utility’s finances to ensure that revenues are in line with expenses.

Table 15: Option 2 (Two Tiers) – Proposed Rates
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Current	Proposed				
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
FIXED CHARGE						
Meter Size						
5/8"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
3/4"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
1"	\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
1-1/2"	\$55.57	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05
2"	\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
3"	\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
4"	\$252.61	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15
6"	\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
8"	\$1,244.54	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70
10"	\$2,761.91	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01
WATER CONSUMPTION CHARGE OPTIONS						
OPTION 2: TWO TIERS						
Tier 1: 0 - 6 ccf		\$4.51	\$4.75	\$5.01	\$5.28	\$5.57
Tier 2: Over 6 ccf		\$4.64	\$5.32	\$6.09	\$6.97	\$7.98

6.3 Rate Option Comparison

Table 16 compares the proposed water rates for Options 1 and 2. Both rate structures are designed to meet the same annual revenue requirements. Moreover, the fixed charges for each option is the same.

Table 16: Summary of Proposed Water Rates for Rate Options 1 and 2
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Current 2014/15	Proposed				
		2015/16	2016/17	2017/18	2018/19	2019/20
FIXED CHARGE						
<u>Meter Size</u>						
5/8"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
3/4"	\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
1"	\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
1-1/2"	\$55.57	\$59.77	\$66.94	\$74.97	\$83.97	\$94.05
2"	\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
3"	\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
4"	\$252.61	\$299.43	\$335.36	\$375.60	\$420.67	\$471.15
6"	\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
8"	\$1,244.54	\$956.27	\$1,071.02	\$1,199.54	\$1,343.48	\$1,504.70
10"	\$2,761.91	\$1,374.63	\$1,539.59	\$1,724.34	\$1,931.26	\$2,163.01
WATER CONSUMPTION CHARGE OPTIONS						
OPTION 1: UNIFORM TIER						
All Use per ccf		\$4.75	\$5.35	\$6.02	\$6.81	\$7.70
OPTION 2: TWO TIERS						
Tier 1: 0 - 6 ccf		\$4.51	\$4.75	\$5.01	\$5.28	\$5.57
Tier 2: Over 6 ccf		\$4.64	\$5.32	\$6.09	\$6.97	\$7.98

6.4 Capital Surcharge

There are two primary methods for financing capital improvements; pay-as-you-go financing and debt financing (bonds or loans). The City has and will continue to fund its water capital projects on a pay-as-you-go basis through the capital surcharge. The capital surcharge was established in 1990 at \$0.35 per ccf. Prior to the last rate study, the capital surcharge had not been increased. The 2010 rate study recommended increasing the capital surcharge annually by the change in the ENR-CCI to keep pace with the costs of construction. For 2014/15, the capital surcharge is \$0.51 per ccf and is projected to generate approximately \$700,000 in funding for capital projects. However, total capital improvements for the year is estimated at \$950,000, resulting in a roughly \$241,000 shortfall.

Table 17 shows the proposed five year (2015/16 – 2019/20) CIP and the current capital surcharge increased annually by 3% as an estimate for the change in the ENR-CCI. When comparing the total five year CIP to the estimated revenue generated from the capital surcharge over the same period, the result is a \$3.1 million shortfall. To resolve the shortfall, BWA proposes to increase the capital surcharge by 24% each year through 2019/20 to fully fund the water utility's infrastructure needs. The increase in the capital surcharge will reduce the water utility's dependence on water capacity charges to fund capital projects. Water capacity charges are discussed in Section 8.

Table 17: Proposed Capital Surcharge
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Project	Budget	Projected					Five Year Total
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	
Total CIP	\$950,000	\$50,000	\$800,000	\$3,400,000	\$1,200,000	\$1,420,000	\$6,870,000
Projected Annual Water Use (ccf)	1,390,000	1,344,000	1,344,000	1,344,000	1,344,000	1,344,000	
CURRENT WATER CAPITAL SURCHARGE							
Capital Surcharge per ccf (1)	\$0.51	\$0.53	\$0.54	\$0.56	\$0.57	\$0.59	
% Change		3.0%	3.0%	3.0%	3.0%	3.0%	
Estimated Annual Capital Surcharge Revenue	\$708,900	\$706,003	\$727,183	\$748,999	\$771,469	\$794,613	\$3,748,267
Est. Annual Revenue Less Total CIP (Shortfall)							\$3,121,733
PROPOSED WATER CAPITAL SURCHARGE							
Capital Surcharge per ccf	\$0.51	\$0.63	\$0.78	\$0.97	\$1.21	\$1.50	
% Change		24.0%	24.0%	24.0%	24.0%	24.0%	
Estimated Annual Capital Surcharge Revenue		\$849,946	\$1,053,933	\$1,306,876	\$1,620,527	\$2,009,453	\$6,840,734
1 - Water Capital Surcharge is escalated by 3% beginning in 2015/16 as an estimate for the change in the ENR-CCI.							

6.5 Sample Bill Impacts

The following charts shows the impacts of projected water rates on a range of single family residential and commercial customer profiles for each of the three rate structure options. Note that water consumption, particularly for single family customers, typically varies due to seasonal variations in weather and/or other factors. Hence a single customer could face a range of impacts throughout the year. Sample bill impacts for typical monthly water bills for various customer categories are included in the Appendices E through H.

Figure 11. Bill Impact – Single Family Residential: Low User – 5/8” meter, 5 ccf

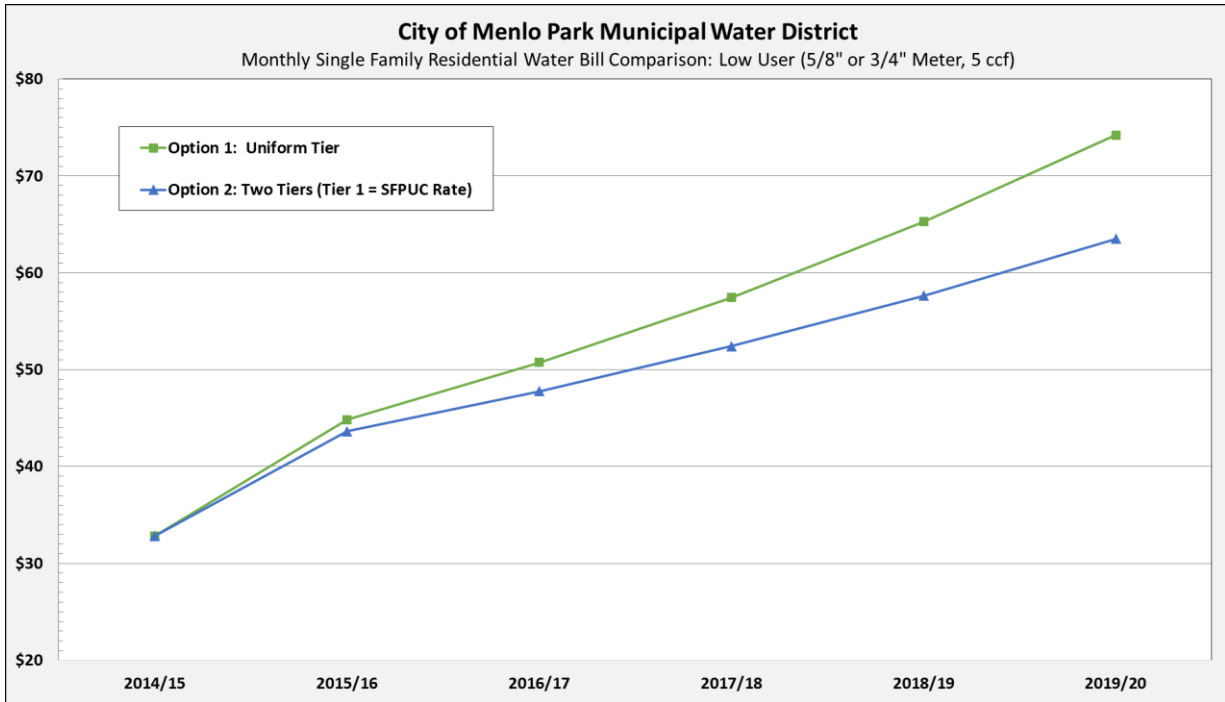


Figure 12. Bill Impact – Single Family Residential: Average User – 5/8” meter, 14 ccf

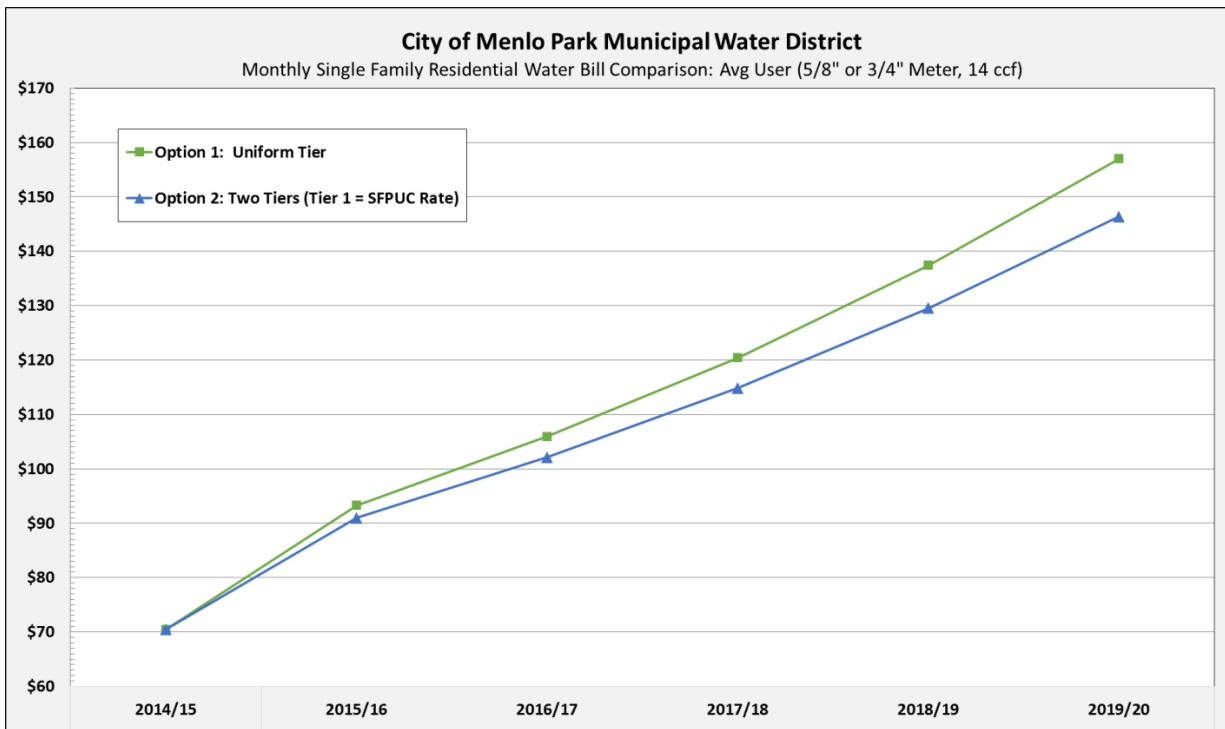


Figure 13. Bill Impact – Single Family Residential: Average User – 5/8” meter, 40 ccf

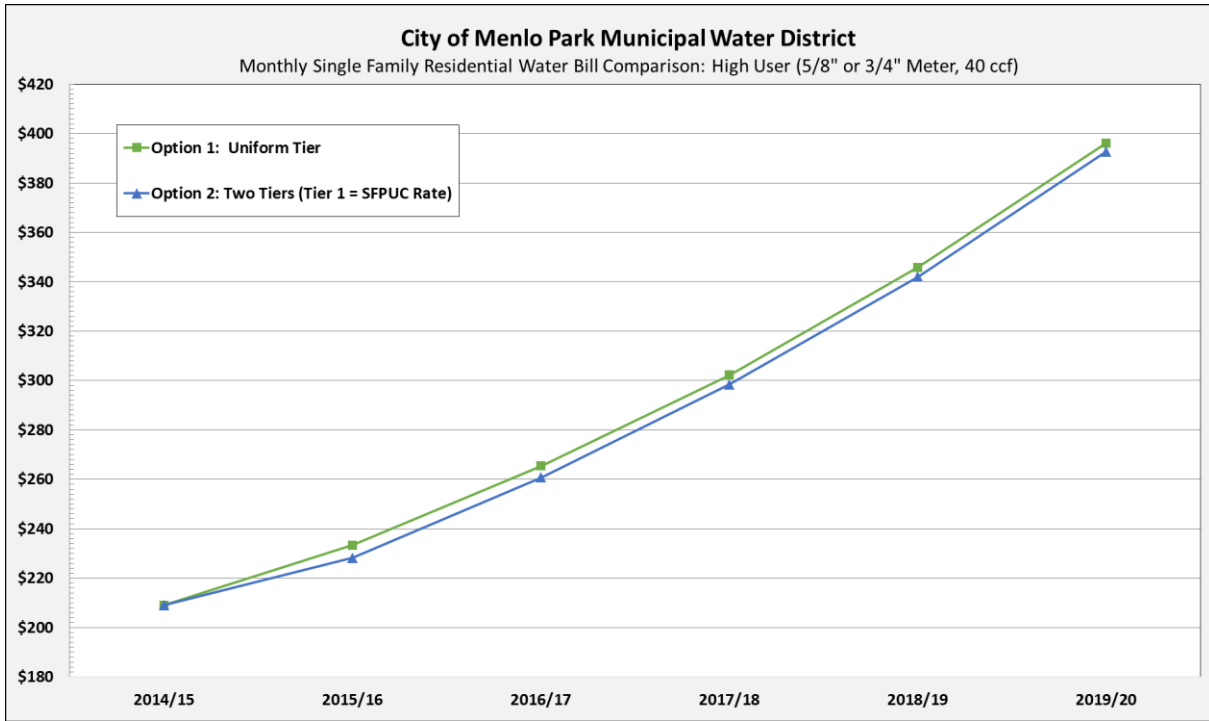


Figure 14. Bill Impact – Commercial: 1” meter, 75 ccf

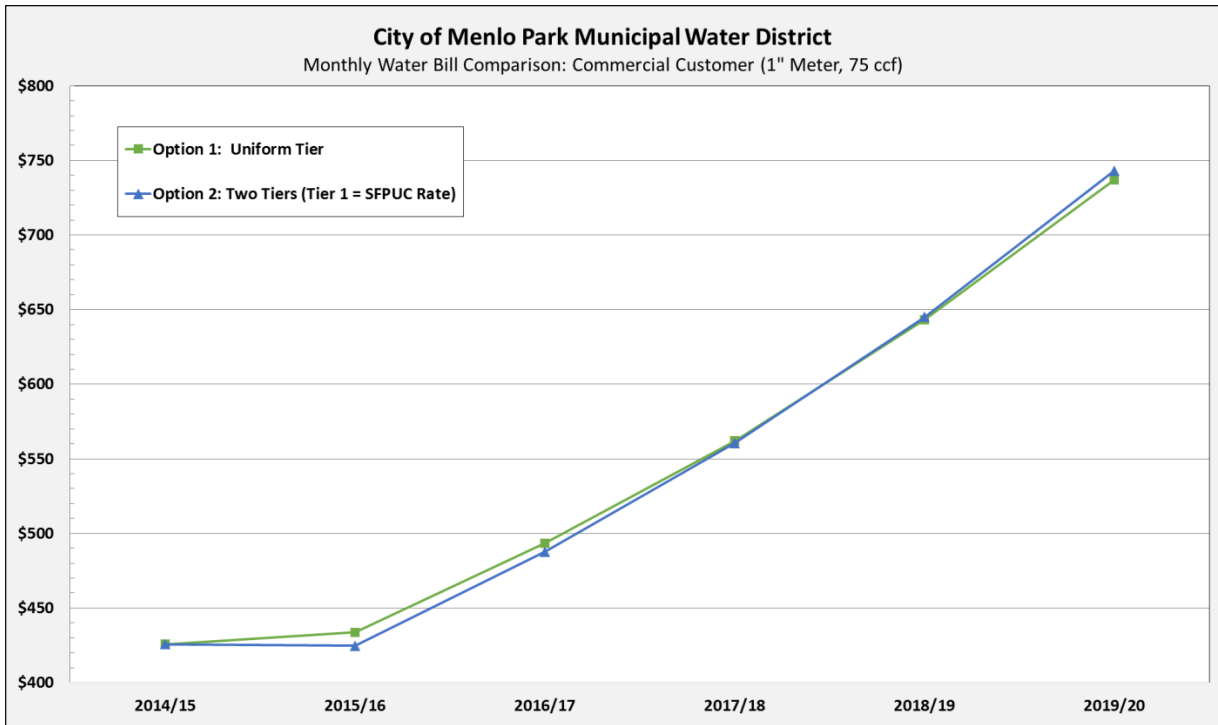


Figure 15. Bill Impact – Commercial: 2” meter, 200 ccf

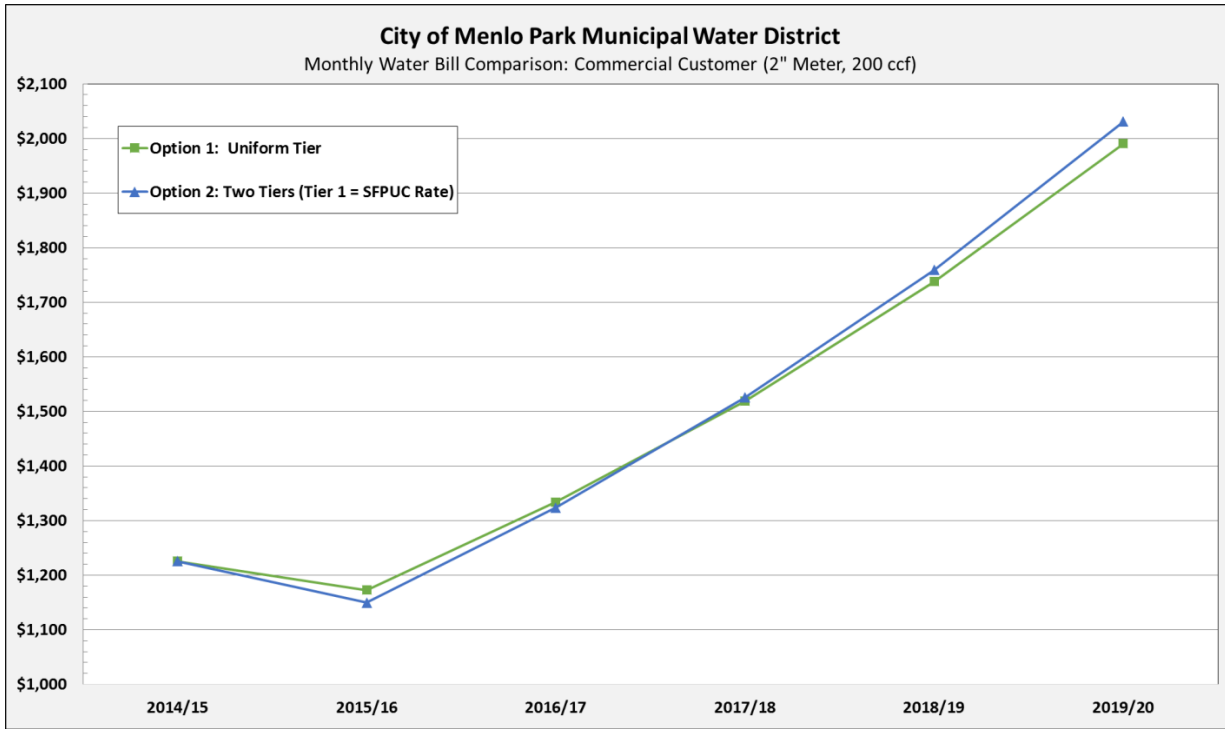
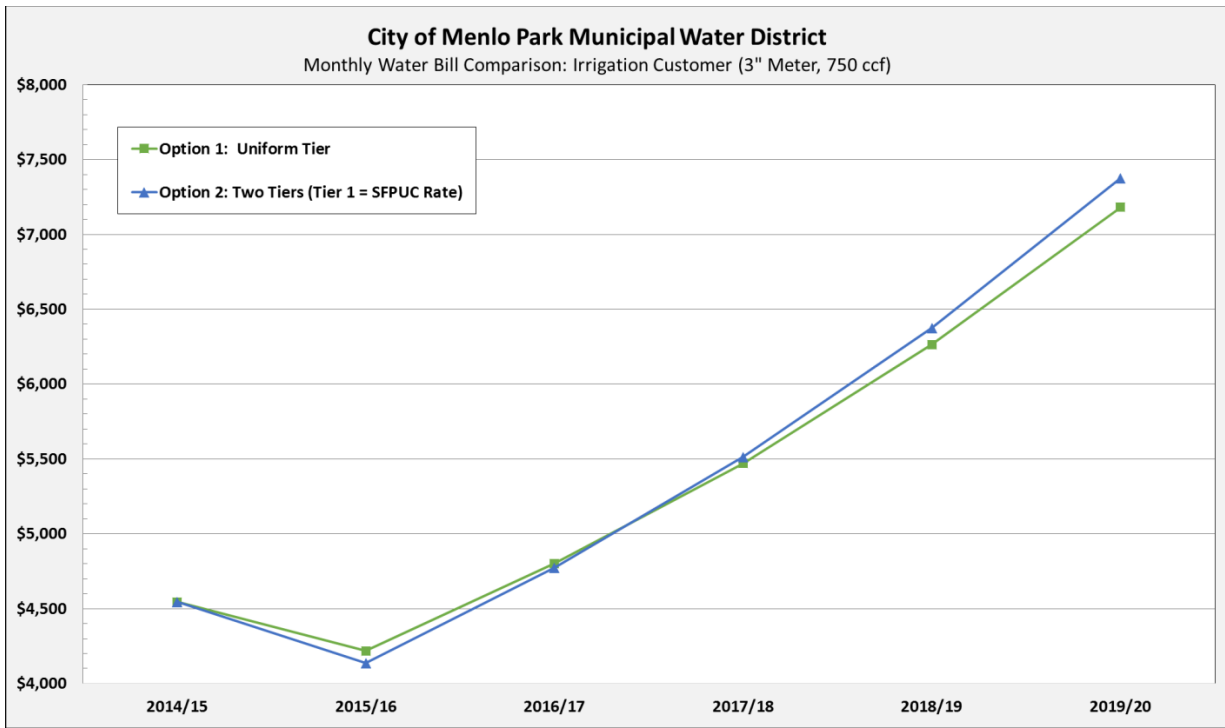


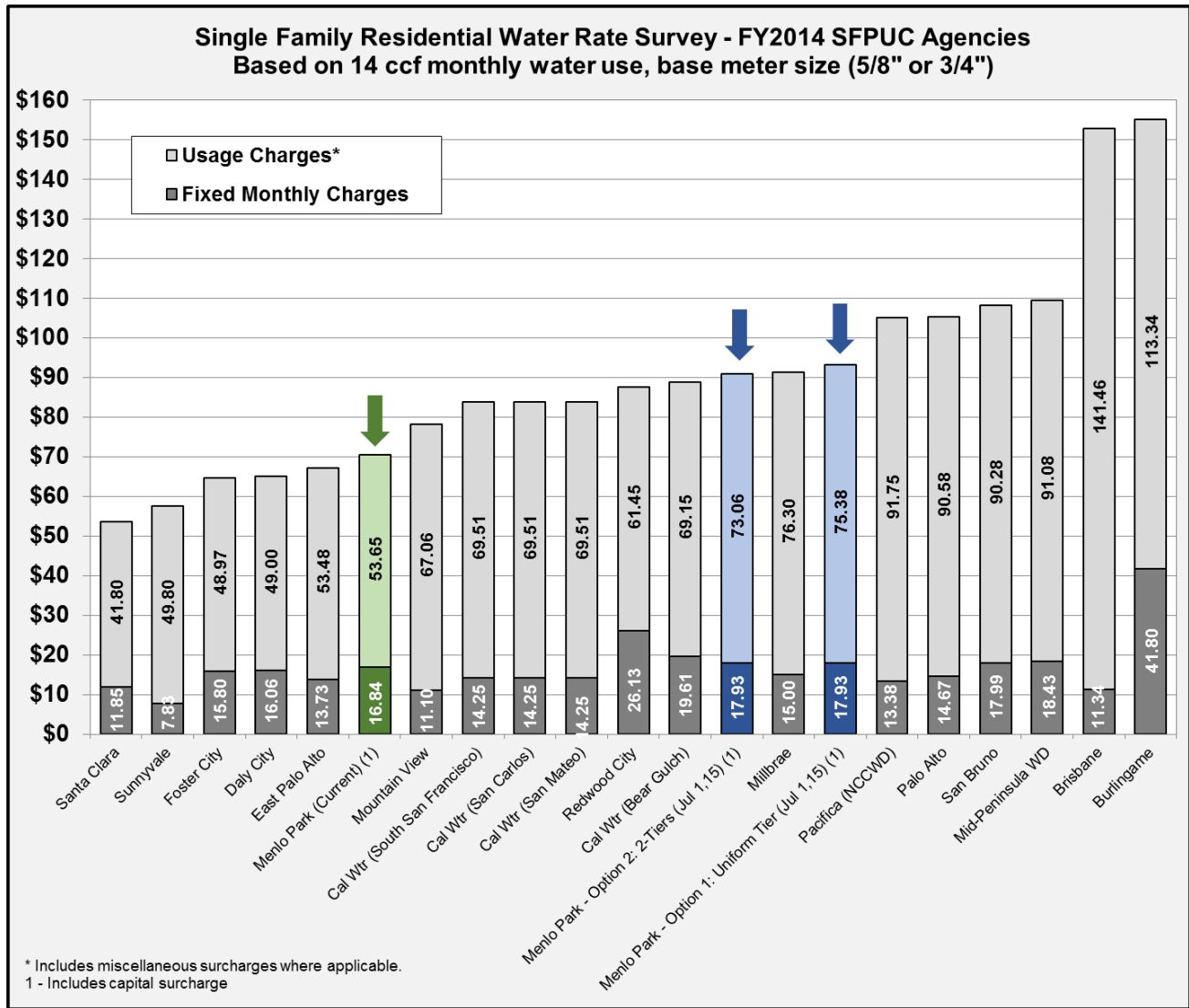
Figure 16. Bill Impact – Irrigation: 3” meter, 750 ccf



6.6 Regional Water Rate Survey

Figure 17 compares the City’s current rates to those of other regional agencies that purchase SFPUC wholesale water for a single family home using 14 ccf of water per month, the City’s average single family monthly consumption. The City’s average single family bill is in the lower-middle range compared to other regional agencies. The City’s water rates are expected to remain in this range as many other regional agencies are also facing financial pressures to raise rates in upcoming years.

Figure 17. Single Family Residential Water Rate Survey



6.7 Unmetered Fire Fixed Charges

For unmetered fire connections, the City charges a separate monthly fixed charge based on service size. These connections are used solely as standby service for private fire protection. Table 18 details the current number of fire meters, the fire meter equivalent ratios and current monthly charges which have not been updated since 1990. The City currently has 133 unmetered fire connections that generate approximately \$21,000 in annual revenue.

Table 18: Current Monthly Unmetered Fire Fixed Charges
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Code	Meter Size	Number of Fire Meters	Fire Meter Equivalent Ratios	Current Monthly Unmetered Fire Fixed Charge
A	1-1/2"	0	1.0	\$4.00
B	2"	2	1.3	\$5.00
C	3"	2	1.8	\$7.00
D	4"	17	2.3	\$9.00
E	6"	86	3.3	\$13.00
F	8"	23	4.3	\$17.00
G	10"	1	5.5	\$22.00
H	12"	2	7.0	\$28.00
I	8" & 10"	0	9.8	\$39.00
Total		133		

Based on the size of the water utility, the AWWA recommends that 18% of system expenses are allocated to fire protection, and therefore, the monthly charges for unmetered fire connections should be set at 18% of the potable meter fixed charges on Table 10. The proposed monthly unmetered fire fixed charges are shown on Table 19. The unmetered fire fixed charges have also been updated to reflect proposed meter capacity ratios from Table 9.

Table 19: Proposed Monthly Unmetered Fire Fixed Charges
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Meter Size	CURRENT	PROPOSED				
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
1-1/2"	\$4.00	\$10.76	\$12.05	\$13.49	\$15.11	\$16.93
2"	\$5.00	\$17.21	\$19.28	\$21.59	\$24.18	\$27.08
3"	\$7.00	\$32.27	\$36.15	\$40.49	\$45.34	\$50.79
4"	\$9.00	\$53.90	\$60.36	\$67.61	\$75.72	\$84.81
6"	\$13.00	\$107.58	\$120.49	\$134.95	\$151.14	\$169.28
8"	\$17.00	\$172.13	\$192.78	\$215.92	\$241.83	\$270.85
10"	\$22.00	\$247.43	\$277.13	\$310.38	\$347.63	\$389.34
12"	\$28.00	\$462.59	\$518.10	\$580.28	\$649.91	\$727.90

6.8 AB 3030 Pass Through Provision

Assembly Bill 3030 (Section 53756 of the California Government Code) was signed into law in September 2008 (effective January 1, 2009) giving water utilities that purchase wholesale water from another provider greater ability to “pass-through” increases in the cost of wholesale water to their ratepayers without going through new Proposition 218 protest proceedings. This legislation expressly allows public utility providers to adopt a schedule for both inflation and wholesale rate pass-throughs provided they do not apply for more than five-years without a new protest hearing, and that the utility provider gives 30 days written notice to ratepayers each time a pass-through is implemented.

In practice, this means that the City can adopt a rate schedule that allows it to directly “pass-through” changes in the SFPUC’s wholesale water rate and BAWSCA surcharge without having a new Prop 218 notification process and hearing. The proposed rates assume that the SFPUC will increase its wholesale water rates to \$4.72 per ccf on July 1, 2020. The MPMWD is proposing to pass-through any additional increases in SFPUC wholesale water rates above these projected rates. Such pass-throughs will be implemented by increasing the proposed Water Consumption Charges by the dollar increase in the SFPUC wholesale water rate per ccf in excess of \$4.72 per ccf. For example, if the SFPUC raises its wholesale water rate to \$4.82 per ccf on July 1, 2020, the City would be authorized to increase its Water Consumption Charges by \$0.10 per ccf from the levels proposed for each year.

The City will also calculate the equivalent charger per ccf each year to determine the annual BAWSCA surcharge. If the calculated BAWSCA surcharge is higher than the projected rates in this report, the additional charges will be added to the Water Consumption Charges. Prior to implementing a pass-through for SFPUC wholesale rates, the City will send notification to all customers at least 30 days prior to implementation.

7 DROUGHT SURCHARGE

7.1 Drought Surcharge Overview

After nearly four consecutive years of below-normal rainfall, California is facing a severe drought. In April 2015, Governor Jerry Brown called for a mandatory State-wide 25% reduction in water use from 2013.

During times of drought, a water utility has two core objectives: 1) to reduce the amount of water customers consume, and 2) to maintain an adequate amount of revenue to continue operations while paying for extraordinary drought-related expenses. The two competing objectives work against each other because as less water is sold the more difficult it is to maintain adequate revenue to cover an agency's costs.

BWA recommends the MPMWD consider an emergency drought surcharge to promote financial stability during periods of reduced water sales. Drought surcharges are designed to recover lost revenue due to decreased levels of consumption and to pay for additional expenses related to the drought. The emergency drought surcharge would be an additional separate consumption charge levied on all usage. The City recognizes that ratepayers are already doing their part to conserve. Therefore, applying the drought surcharge to only the consumption charge component gives customers the increased ability to control a portion of their water bills. The surcharge would be charged on a temporary basis and will be phased out when the City determines that water supply conditions have returned to normal and drought-related costs and revenue reductions have been recovered.

7.2 Water Shortage Contingency Plan

The City developed a five-stage Water Shortage Contingency Plan as an amendment to the Final Urban Water Management Plan 2010 (2010 UWMP). The plan was amended in November 2014 to comply with the State Water Resources Control Board's (SWRCB) regulations requiring urban water suppliers to "implement all requirements and actions of the stage of its Water Shortage Contingency Plan that imposes mandatory restrictions on outdoor irrigation of ornamental landscapes or turf with potable water." As shown in Table 20, the plan includes voluntary and mandatory goals for reductions in water use, depending on the severity and anticipated duration of the drought. The City is currently in Stage 2 which calls for up to a 20% reduction in consumption.

Table 20: Water Shortage Contingency Plan: Rationing Stages to Address Water Supply Shortages
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Stage	Water Use Regulations	% Goal
1	<ul style="list-style-type: none"> • Hoses must be equipped with a shut-off valve for washing vehicles, sidewalks, walkways, or buildings. • Broken or defective plumbing and irrigation systems must be repaired or replaced within a reasonable period. • Other measures as may be approved by Resolution of the City Council. 	NA
2	<ul style="list-style-type: none"> • Continue with actions and measures from Stage 1, except where superseded by more stringent requirements. • Potable water shall not be used to water outdoor landscapes in a manner that causes runoff onto non-irrigated areas, walkways, roadways, parking lots, or other hard surfaces. • Potable water shall not be applied in any manner to any driveway or sidewalk, except when necessary to address immediate health or safety concerns. • Restaurants and other food service operations shall serve water to customers only upon request. • Use only re-circulated or recycled water to operate ornamental fountains. • Other measures as may be approved by Resolution of the City Council to achieve the overall percentage reduction 	Up to 20%
3	<ul style="list-style-type: none"> • Continue with actions and measures from Stage 2, except where superseded by more stringent requirements. • Potable water shall not be used for street cleaning. • Limit outdoor irrigation to occur during specific hours, as determined by the Public Works Director, or his designee. • Other measures as may be approved by Resolution of the City Council to achieve the overall percentage reduction. 	Up to 30%
4	<ul style="list-style-type: none"> • Continue with actions and measures from Stage 3, except where superseded by more stringent requirements. • No new landscaping shall be installed at new construction sites. • Limit outdoor irrigation to a set number of days per week, as determined by the Public Works Director, or his designee. • Other measures as may be approved by Resolution of the City Council to achieve the overall percentage reduction. 	Up to 40%
5	<ul style="list-style-type: none"> • Continue with actions and measures from Stage 4, except where 	Up to

Stage	Water Use Regulations	% Goal
	<p>superseded by more stringent requirements.</p> <ul style="list-style-type: none"> • Newly constructed pools, spas and hot tubs shall not be filled. • Existing irrigation systems shall not be expanded. • Turf irrigation is prohibited at all times. • Other measures as may be approved by Resolution of the City Council to achieve the overall percentage reduction. 	50%

7.3 Proposed Drought Surcharge

The following tables detail the proposed maximum drought surcharge for 2019/20 for Options 1 and 2. Drought surcharges have been developed for Stages 2 through 5 of the Water Shortage Contingency Plan. Stage 1 represents baseline usage for 2019/20 which is projected at 1,344,000 ccf. For Option 2, additional conservation is anticipated in Tier 2. Actual consumption may vary.

The total additional revenue requirement to be recovered from the drought surcharge includes: 1) revenues lost due to reduced consumption and 2) additional drought-related expenses. The revenue loss is derived by multiplying projected consumption for each stage by the 2019/20 consumption rates to estimate total revenue for each stage. The loss in revenue is then calculated by subtracting total revenue for each stage from the Stage 1 (baseline) revenues. The additional drought-related expenses are estimates based on staff input. The total additional revenue requirement is offset by a decrease in SFPUC wholesale water purchases as a result of the decrease in consumption. The drought surcharge for each stage is then derived by dividing the total additional revenue requirement by total estimated consumption for each stage.

Table 21: Option 1 (Uniform Tier) – Proposed 2019/20 Drought Surcharge
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Stage 1: Baseline (2019/20)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
PROJECTED CONSUMPTION					
Total Water Consumption (ccf)	1,344,000	1,075,200	940,800	806,400	672,000
Total Reduction in Water Consumption (ccf)		268,800	403,200	537,600	672,000
% Reduction from Stage 1/Base Year		-20%	-30%	-40%	-50%
EST. 2019/20 CONSUMPTION RATES (Option 1)					
Uniform Tier (All use per ccf)	<u>Jul 1, 2019</u> \$7.70	<u>Jul 1, 2019</u> \$7.70	<u>Jul 1, 2019</u> \$7.70	<u>Jul 1, 2019</u> \$7.70	<u>Jul 1, 2019</u> \$7.70
PROJECTED REVENUE LOSS - 2019/20					
Total Consumption Revenue	\$10,354,400	\$8,283,520	\$7,248,080	\$6,212,640	\$5,177,200
% Reduction from Stage 1/Base Year		-20%	-30%	-40%	-50%
Total Consumption Revenue Loss with Reduction		\$2,070,880	\$3,106,320	\$4,141,760	\$5,177,200
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		290,304	435,456	580,608	725,760
<u>SFPUC Wholesale Rate 2019/20</u>		<u>\$4.72</u>	<u>\$4.72</u>	<u>\$4.72</u>	<u>\$4.72</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,370,235)	(\$2,055,352)	(\$2,740,470)	(\$3,425,587)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$2,070,880	\$3,106,320	\$4,141,760	\$5,177,200
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,370,235)</u>	<u>(\$2,055,352)</u>	<u>(\$2,740,470)</u>	<u>(\$3,425,587)</u>
Total Add'l Revenue Requirement		\$850,645	\$1,300,968	\$1,751,290	\$2,201,613
DROUGHT SURCHARGE (PER CCF)		\$0.79	\$1.38	\$2.17	\$3.28

Table 22: Option 2 (Two Tiers) – Proposed 2019/20 Drought Surcharge
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Stage 1: Baseline (2019/20)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
REDUCTION BY TIER					
<u>All Customers</u>	<u>Weighting Factor</u>				
Tier 1 0 - 6 ccf	5%	-1%	-2%	-2%	-3%
Tier 2 Over 6 ccf	118%	-24%	-35%	-47%	-59%
PROJECTED CONSUMPTION					
<u>All Customers</u>	<u>% of Use in Tier</u>	<u>2019/20</u>	<u>2019/20</u>	<u>2019/20</u>	<u>2019/20</u>
Tier 1 0 - 6 ccf	16%	220,336	218,130	217,030	215,930
Tier 2 Over 6 ccf	<u>84%</u>	<u>1,123,664</u>	<u>858,480</u>	<u>725,890</u>	<u>593,290</u>
Total Consumption (ccf)	100%	1,344,000	1,076,610	942,920	675,530
Total Reduction in Water Consumption (ccf)			267,390	401,080	668,470
<i>% Reduction from Stage 1/Base Year</i>			-20%	-30%	-50%
EST. 2019/20 CONSUMPTION RATES (Option 2)	<u>Jul 1, 2019</u>	<u>Jul 1, 2019</u>	<u>Jul 1, 2019</u>	<u>Jul 1, 2019</u>	<u>Jul 1, 2019</u>
Tier 1 0 - 6 ccf	\$5.57	\$5.57	\$5.57	\$5.57	\$5.57
Tier 2 Over 6 ccf	\$7.98	\$7.98	\$7.98	\$7.98	\$7.98
PROJECTED REVENUE LOSS - 2019/20					
<u>All Customers</u>					
Tier 1 0 - 6 ccf	\$1,226,377	\$1,214,100	\$1,207,977	\$1,201,855	\$1,195,732
Tier 2 Over 6 ccf	<u>\$8,966,947</u>	<u>\$6,850,752</u>	<u>\$5,792,671</u>	<u>\$4,734,511</u>	<u>\$3,676,430</u>
Total Consumption Revenue	\$10,193,324	\$8,064,852	\$7,000,648	\$5,936,365	\$4,872,162
<i>% Reduction from Stage 1/Base Year</i>		-21%	-31%	-42%	-52%
Consumption Revenue Loss with Reduction		\$2,128,472	\$3,192,676	\$4,256,959	\$5,321,162
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		288,781	433,166	577,562	721,948
SFPUC Wholesale Rate 2019/20		<u>\$4.72</u>	<u>\$4.72</u>	<u>\$4.72</u>	<u>\$4.72</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,363,047)	(\$2,044,545)	(\$2,726,095)	(\$3,407,593)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$2,128,472	\$3,192,676	\$4,256,959	\$5,321,162
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,363,047)</u>	<u>(\$2,044,545)</u>	<u>(\$2,726,095)</u>	<u>(\$3,407,593)</u>
Total Add'l Revenue Requirement		\$915,425	\$1,398,130	\$1,880,864	\$2,363,570
DROUGHT SURCHARGE (PER CCF)		\$0.85	\$1.48	\$2.32	\$3.50

An example calculation shown on Table 22 is as follows: For Stage 1, total 2019/20 consumption charge revenues based on 1,344,000 ccf of water is estimated at roughly \$10.2 million. With a Stage 3 30% reduction, total usage is estimated at 942,920 ccf, and consumption revenues are

estimated at \$7.0 million, resulting in a revenue loss of about \$3.2 million. The total additional revenue requirement for Stage 3 is approximately \$1.4 million. Dividing the additional revenue requirement by projected consumption results in a drought surcharge of \$1.48 per ccf.

The proposed drought surcharges by fiscal year for Options 1 and 2 are shown on Table 23 and Table 24, respectively. The drought surcharge is a temporary additional consumption charge and will be phased out when the City determines that water supply conditions have returned to normal and drought-related costs and revenue reductions have been recovered. Detailed drought surcharge calculations for each fiscal year are included in Appendices I through P.

Table 23: Option 1: Proposed Drought Surcharges by Year
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

OPTION 1: UNIFORM TIER (\$/ccf)				
Water Shortage Contingency Plan Adopted Nov 2014	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Cutback %	Up to 20%	Up to 30%	Up to 40%	Up to 50%
2015/16	\$0.31	\$0.57	\$0.90	\$1.37
2016/17	\$0.46	\$0.81	\$1.28	\$1.94
2017/18	\$0.62	\$1.09	\$1.72	\$2.60
2018/19	\$0.68	\$1.19	\$1.87	\$2.83
2019/20	\$0.79	\$1.38	\$2.17	\$3.28

Table 24: Option 21: Proposed Drought Surcharges by Year
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

OPTION 2: TWO TIERS (\$/ccf)				
Water Shortage Contingency Plan Adopted Nov 2014	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Cutback %	Up to 20%	Up to 30%	Up to 40%	Up to 50%
2015/16	\$0.29	\$0.52	\$0.82	\$1.25
2016/17	\$0.44	\$0.79	\$1.24	\$1.88
2017/18	\$0.63	\$1.11	\$1.74	\$2.63
2018/19	\$0.71	\$1.24	\$1.95	\$2.94
2019/20	\$0.85	\$1.48	\$2.32	\$3.50

8 WATER CAPACITY CHARGES

8.1 Government Code

Water and wastewater capacity charges are governed by Section 66013 of the California Government Code. This section of the Code defines a “capacity charge” to mean “a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged.” The Code distinguishes “capacity charges” from “connection fees” which are defined as fees for the physical facilities necessary to make a water or sewer connection, such as costs related to installation of meters and pipelines from a new building to a water or sewer main.

According to the Section 66013, a water or wastewater capacity charge “shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed” unless approved by a two-thirds vote. As such, the capacity charges calculated in this report represent the maximum charges that the District can levy. Section 66013 does not detail any specific methodology for calculating capacity charges.

Section 66013 also identifies various accounting requirements for capacity charge revenues, notably that such revenues cannot be co-mingled with other MPMWD revenues and must be used for the purpose for which the charge was imposed. Section 66016 of the Code identifies the procedural requirements for adopting or increasing water and wastewater capacity charges and Section 66022 summarizes the general process by which the charges can be legally challenged.

8.2 Current Water Capacity Charge

The City’s current capacity fee (defined as the “Water Capacity Charge”) is \$2,706 for the base 5/8” meter size. The charge was originally developed in the 2006 rate study where it was updated from \$325 per base meter (from FY1990 to FY2006) to \$2,520 in 2006/07, and thereafter increased annually based on the change in the ENR-CCI for the Bay Area. The water capacity charge was last reviewed in 2009/10 by BWA and it was determined that the City continue to increase the fee annually by the ENR-CCI. The City also levies a capacity charge for fire protection. The current fire protection capacity charge is \$1,000 for fire services with sprinklers and \$3,500 for fire services without sprinklers. The current water capacity charges by meter size are summarized in Table 25

Table 25: Current Water Capacity Charges
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Meter Size	Meter Ratio	2014/15
WATER CAPACITY CHARGE		
5/8"	1.0	\$2,706
3/4"	1.0	\$2,706
1"	1.6	\$4,328
1-1/2"	3.3	\$8,935
2"	5.3	\$14,348
3"	9.7	\$26,247
4"	15.0	\$40,595
6"	33.3	\$90,124
<i>Charges for largers sizes based on ratio fo size to 5/8" & 3/4" meters</i>		
CAPACITY CHARGE FOR FIRE SERVICES		
Fire Services with Sprinklers		\$1,000
Fire Services without Sprinklers		\$3,500
1 - City of Menlo Park - Master Fee Schedule July 1, 2014. Capacity charges are updated annually by the change in the ENR index.		

8.3 Capacity Charge Methodology

BWA reviewed the City’s current capacity fee and recommends updating the charge based on the System Buy-In Approach. Under this approach, new connections “buy in” for their proportionate share of capacity needs in existing and planned water system facilities and assets serving the utility. The System Buy-In Approach is one of the most widely used and accepted approaches for calculating capacity charges, particularly for utilities with capacity in existing infrastructure available to serve growth.

The following table shows a summary of existing water system fixed assets along with the cost of each type of escalated into current dollars based on the change in the Engineering News-Record

(ENR) Construction Cost Index (20-Cities Average Index) from the acquisition date of each asset to February 2015. A complete list of City water assets and costs is included in Appendix B.

Table 26: Existing Water System Facilities and Assets
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Asset	Original Cost	ENR Adjusted Original Cost	Accumulated Depreciation	ENR-Adjusted Original Cost Escalated (1)
Land	\$1,066,454	\$7,271,099	\$0	\$7,271,099
Water Pipes	\$8,170,270	\$92,823,393	\$4,355,978	\$88,467,415
Buildings	\$4,159,460	\$9,602,901	\$1,713,100	\$7,889,801
<u>Equipment</u>	<u>\$542,566</u>	<u>\$1,614,151</u>	<u>\$493,941</u>	<u>\$1,120,210</u>
Total Water System Assets	\$13,938,750	\$111,311,544	\$6,563,018	\$104,748,525

Source: Menlo Park, Water Fixed Assets 3-6-15 and Depreciation Expense Report.

1 - Based on ENR-CCI 20-Cities Feb 2015

8.4 Water Demand Projections

Table 27 summarizes current and projected future water demand. Current demand is based on actual consumption for calendar year 2014. Future demand for 2035 is based on the 2010 UWMP which represents a reasonable estimate of demand that the existing water system will need to serve. This level of demand is used in the fee calculation as a reasonable estimate for the service capacity of the City's existing water system.

Table 27: Water Demand Projections
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Demand	
	Acre-Feet per Year (AFY)	Gallons per Day (gpd)
Current (1)	3,190	2,846,365
Projected 2035 (2)	3,630	3,238,510
# Increase	440	392,145
% Increase	13.8%	13.8%

1 - Total consumption for calendar year 2014
 2 - Table 3.9, Final Urban Water Management Plan 2010

8.5 Water Demand per Single Family Residence

Table 28 shows estimates of average daily water demand per single family residence from the 2010 UWMP and based on historical consumption data. As shown at the bottom of the table, the water capacity charge calculation uses a conservative (low) estimate of 200 gallons per day (gpd) of water demand per single family detached home.

Table 28: Water Demand per Single Family Residence
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

Water Demand per Single Family Residence	
Demand Estimates from Final Urban Water Management Plan 2010	
Baseline Daily Water Use per Capita (gpcd)	262
2020 Urban Water Use Target - Method 3 (gpcd) (1)	124
Average Number of People per Dwelling Unit	2.52
Demand Estimate per Single Family Residence (gpd)	312
Demand Estimates from Analysis of Historical Billing Data (gpd)	
3-Year Historical Median Demand per Single Family Residence <i>Based on utility billing data from 2011/12 - 2013/14.</i>	246
Demand Estimates Used for Capacity Charge Calculation (gpd)	
Conservative estimate of average daily demand for a new single family detached home	200

1 - Table 3.4, Final Urban Water Management Plan 2010

8.6 Water Capacity Charge Calculation

Table 29 shows the calculation of the updated water capacity charge based on a System Buy-In Approach. To be reasonable, the charge only recovers 75% of the current ENR-adjusted valuation of existing water system assets and pipelines. These costs are divided by an estimate of the capacity of the existing water system based on the 2010 UWMP demand projections through 2035. The water capital facilities charge is calculated such that customers are paying for a proportional share of capacity in water system facilities.

The calculation results in an average unit cost of \$24.26 per gallon per day (gpd) of water demand. The updated water capital charge for a base meter (5/8" or 3/4" meter) is calculated at \$4,852 by multiplying the average unit cost by the capacity requirements of a typical new single family residence.

Table 29: Water Capacity Charge Calculation
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

	Total Cost / Total Capacity <u>Existing Assets</u> Existing + Future Capacity
TOTAL WATER SYSTEM COSTS	
Water System Asset Valuation	\$104,748,525
<u>Water Capital Reserves</u>	<u>\$0</u>
Subtotal Costs for Fee Recovery	\$104,748,525
Cost Recovery % for Fee Calculation	75%
Total Costs for Fee Recovery	\$78,561,394
WATER SYSTEM CAPACITY	<u>Capacity</u>
UWMP 2035 Projected Demand (gpd)	3,238,510
WATER CAPACITY FEE CALCULATION	<u>Fee per Connection</u>
Costs for Fee Recovery	\$78,561,394
Divided by Capacity	3,238,510
Cost per gallon per day (gpd)	\$24.26
Estimated Demand per Single Family Residence (gpd) (1)	<u>200</u>
Water Capacity Charge per Meter Equivalent	\$4,852

8.7 Proposed Water Capacity Charges

The proposed water capacity charges for all meter sizes based on the updated meter ratios are shown on Table 30. BWA recommends that the MPMWD continue to increase the charge annually by the change in the ENR index.

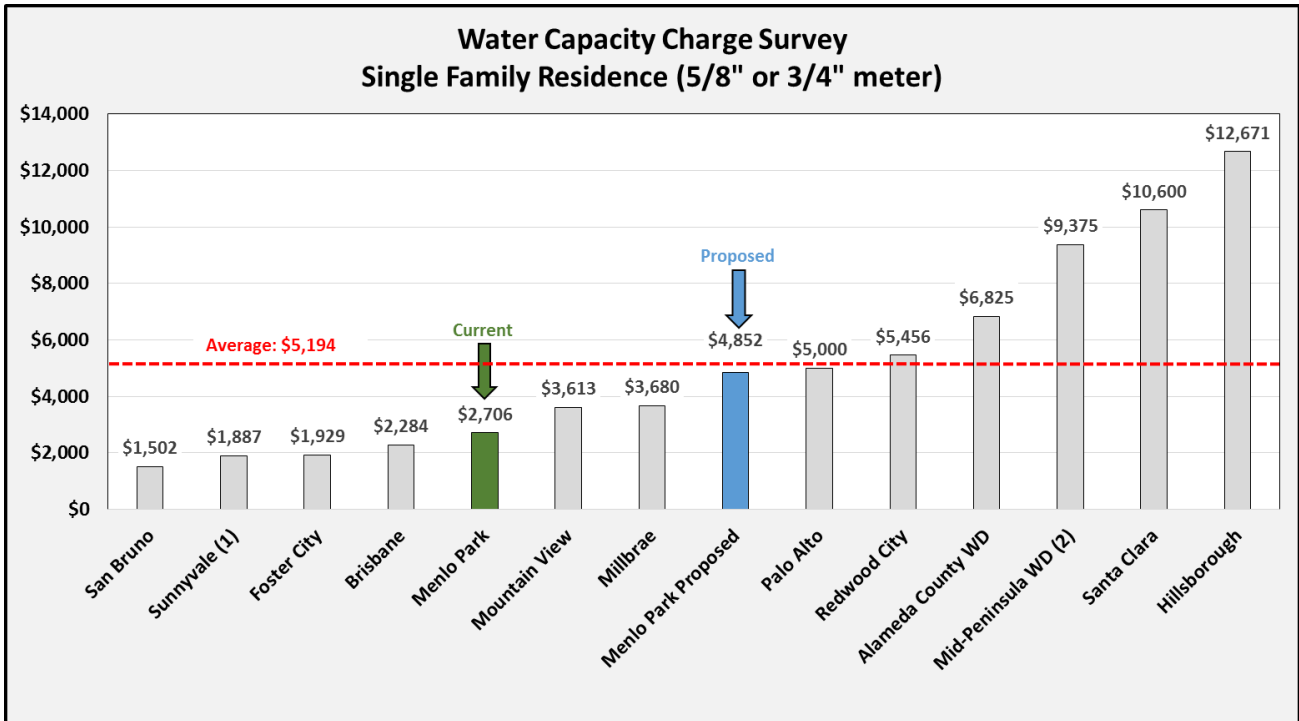
Table 30: Proposed Water Capacity Charges
 City of Menlo Park Municipal Water District
 Water Rate Study 2015

PROPOSED WATER CAPACITY CHARGES		
Current Water Capacity Charge for 5/8" & 3/4" Meters		\$2,706
Proposed Water Capacity Charge per Connection for 5/8" & 3/4" Meters		\$4,852
	<i>\$ Increase</i>	\$2,146
PROPOSED WATER CAPACITY CHARGES		
<u>Meter Size</u>	<u>Meter Ratio</u>	<u>Proposed Fee</u>
5/8"	1.0	\$4,852
3/4"	1.0	\$4,852
1"	1.7	\$8,087
1-1/2"	3.3	\$16,173
2"	5.3	\$25,877
3"	10.0	\$48,520
4"	16.7	\$81,028
6"	33.3	\$161,733

8.8 Water Capacity Fee Survey

The following chart compares water capacity charges for a new single family detached home for 13 regional agencies. The average water capacity charge is \$5,914. The chart includes the City's current and proposed capacity charges for a typical new residential connection. As shown on Figure 18, the proposed charge is in the middle range compared to the other regional water agencies surveyed.

Figure 18. Water Capacity Fee Survey



8.9 Capacity Charges for Fire Services

There are no proposed changes to the current capacity charges for fire services.

APPENDIX

Water Rate Study Tables

Appendix A. 10-Year Projection of Water Capital Improvement Projects

Project	Year	1	2	3	4	5	6	7	8	9	10	11	Years 2 - 6	Years 7 - 11	Years 2 - 11
	Budget	Rate Study					Extended Projection					FY 2016 - 20	FY 2020 - 25	Grand	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total	Total	Total	
Reroof Reservoir #2	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Urban Water Management Plan	100,000	25,000	0	0	0	140,000	0	0	0	0	175,000	165,000	175,000	340,000	
Water Rate Study	50,000	25,000	0	0	0	80,000	0	0	0	0	110,000	105,000	110,000	215,000	
Water System Master Plan	500,000	0	0	0	0	0	0	0	125,000	0	0	0	125,000	125,000	
Automated Water Meter Reading	0	0	500,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	0	0	0	4,100,000	2,400,000	6,500,000	
SCADA Upgrade	0	0	0	0	0	0	500,000	0	0	0	0	0	500,000	500,000	
Recycled Water Project	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Emergency Water Supply Project (Well #3)	0	0	0	0	0	0	0	0	3,000,000	0	0	0	3,000,000	3,000,000	
Sharon Heights Pump Station	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Water Main Replacements	0	0	300,000	2,200,000	0	0	2,200,000	0	300,000	2,200,000	0	2,500,000	4,700,000	7,200,000	
Total Water CIP	950,000	50,000	800,000	3,400,000	1,200,000	1,420,000	3,900,000	1,200,000	3,425,000	2,200,000	285,000	6,870,000	11,010,000	17,880,000	

Source: CIP Projections for Rate Study, 2/12/15. Updated 5/11/15.

Appendix B. 10-Year Projection of Water Operating Expenses

Operating Expense (1)	Budget 2014/15	Escalation Factor	Rate Study					Extended Projection				
			2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Services	\$1,202,380	4.0%	\$1,250,000	\$1,300,000	\$1,352,000	\$1,406,000	\$1,462,000	\$1,520,000	\$1,581,000	\$1,644,000	\$1,710,000	\$1,778,000
Personnel	1,214,101	4.0%	1,263,000	1,314,000	1,367,000	1,422,000	1,479,000	1,538,000	1,600,000	1,664,000	1,731,000	1,800,000
530 - Operating Expense	280,040	3.0%	288,000	297,000	306,000	315,000	324,000	334,000	344,000	354,000	365,000	376,000
540 - Utilities												
SFPUC Water Purchases (2)	5,317,727	varies	5,445,000	5,489,000	5,503,000	6,258,000	6,853,000	6,949,000	7,020,000	7,525,000	7,812,000	7,981,000
BAWSCA Surcharge (2)	582,273	varies	615,000	615,000	615,000	615,000	615,000	615,000	615,000	615,000	615,000	615,000
<u>Other Utilities</u>	<u>107,150</u>	4.0%	<u>111,000</u>	<u>115,000</u>	<u>120,000</u>	<u>125,000</u>	<u>130,000</u>	<u>135,000</u>	<u>140,000</u>	<u>146,000</u>	<u>152,000</u>	<u>158,000</u>
Subtotal Utilities	6,007,150		6,171,000	6,219,000	6,238,000	6,998,000	7,598,000	7,699,000	7,775,000	8,286,000	8,579,000	8,754,000
560 - Fixed Assets & Capital Outlay	394,394	3.0%	406,000	418,000	431,000	444,000	457,000	471,000	485,000	500,000	515,000	530,000
570 - Travel	7,800	3.0%	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
580 - Repairs & Maintenance	96,500	3.0%	99,000	102,000	105,000	108,000	111,000	114,000	117,000	121,000	125,000	129,000
<u>590 - Special Projects Expenditures (3)</u>	<u>189,041</u>	3.0%	<u>195,000</u>	<u>201,000</u>	<u>207,000</u>	<u>213,000</u>	<u>219,000</u>	<u>226,000</u>	<u>233,000</u>	<u>240,000</u>	<u>247,000</u>	<u>254,000</u>
Total Operating Expenses	9,391,406		9,680,000	9,859,000	10,014,000	10,914,000	11,658,000	11,910,000	12,143,000	12,817,000	13,280,000	13,629,000
% Change			3.1%	1.8%	1.6%	9.0%	6.8%	2.2%	2.0%	5.6%	3.6%	2.6%

1 - Source: Public Works Department Budget Adopted FY 2014/15 Budget
2 - Table 4
3 - Includes the transfer to the General Fund

Appendix C. 10-Year Cash Flow Projection

	Budget 2014/15	Rate Study					Extended Projection				
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Revenue Adjustment		12.0%	12.0%	12.0%	12.0%	12.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Water Capital Surcharge (1)	\$0.51	\$0.63	\$0.78	\$0.97	\$1.21	\$1.50	\$1.54	\$1.59	\$1.64	\$1.69	\$1.74
Customer Growth Rate		0.5%	0.5%	0.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Interest Earnings Rate	0.75%	0.75%	1.0%	1.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Annual Change in Water Sales		-3.31%	0.0%	0.0%	0.0%	0.0%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Total Water Sales (ccf)	1,390,000	1,344,000	1,344,000	1,344,000	1,344,000	1,344,000	1,357,000	1,371,000	1,385,000	1,399,000	1,413,000
SFPUC Water Supply (ccf) + 8%	1,501,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000	1,466,000	1,481,000	1,496,000	1,511,000	1,526,000
BEGINNING FUND BALANCE											
Operation - Fund 861	\$0	(\$2,299,406)	(\$4,174,606)	(\$5,248,606)	(\$5,374,606)	(\$5,103,606)	(\$4,109,606)	(\$2,985,606)	(\$1,700,606)	(\$683,606)	\$288,394
Capital - Fund 855	<u>3,528,464</u>	<u>4,312,464</u>	<u>6,144,410</u>	<u>7,459,342</u>	<u>6,441,218</u>	<u>7,958,745</u>	<u>9,667,198</u>	<u>8,482,198</u>	<u>10,041,198</u>	<u>9,463,198</u>	<u>10,167,198</u>
Total Beginning Water Fund Balance	3,528,464	2,013,058	1,969,804	2,210,736	1,066,612	2,855,139	5,557,592	5,496,592	8,340,592	8,779,592	10,455,592
Revenues with July 1 Effective Date		7,983,000	8,986,000	10,115,000	11,442,000	12,943,000	13,334,000	13,737,000	14,152,000	14,579,000	15,019,000
Effective Date of Rate Increase		9/01/15	7/01/16	7/01/17	7/01/18	7/01/19	7/01/20	7/01/21	7/01/22	7/01/23	7/01/24
OPERATION - FUND 861											
Operating Revenues											
Water Sales Revenues (2)	7,092,000	7,804,800	8,785,000	9,888,000	11,185,000	12,652,000	13,034,000	13,428,000	13,834,000	14,252,000	14,682,000
Interest	0	0	0	0	0	0	0	0	0	0	2,000
Total Operating Revenues	7,092,000	7,804,800	8,785,000	9,888,000	11,185,000	12,652,000	13,034,000	13,428,000	13,834,000	14,252,000	14,684,000
Operating Expenses											
Services	1,202,380	1,250,000	1,300,000	1,352,000	1,406,000	1,462,000	1,520,000	1,581,000	1,644,000	1,710,000	1,778,000
Personnel	1,214,101	1,263,000	1,314,000	1,367,000	1,422,000	1,479,000	1,538,000	1,600,000	1,664,000	1,731,000	1,800,000
530 - Operating Expense	280,040	288,000	297,000	306,000	315,000	324,000	334,000	344,000	354,000	365,000	376,000
540 - SFPUC Water Purchases	5,317,727	5,445,000	5,489,000	5,503,000	6,258,000	6,853,000	6,949,000	7,020,000	7,525,000	7,812,000	7,981,000
540 - BAWSCA Surcharge	582,273	615,000	615,000	615,000	615,000	615,000	615,000	615,000	615,000	615,000	615,000
540 - Utilities	107,150	111,000	115,000	120,000	125,000	130,000	135,000	140,000	146,000	152,000	158,000
560 - Fixed Assets & Capital Outlay	394,394	406,000	418,000	431,000	444,000	457,000	471,000	485,000	500,000	515,000	530,000
570 - Travel	7,800	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
580 - Repairs & Maintenance	96,500	99,000	102,000	105,000	108,000	111,000	114,000	117,000	121,000	125,000	129,000
590 - Special Projects Expenditures	<u>189,041</u>	<u>195,000</u>	<u>201,000</u>	<u>207,000</u>	<u>213,000</u>	<u>219,000</u>	<u>226,000</u>	<u>233,000</u>	<u>240,000</u>	<u>247,000</u>	<u>254,000</u>
Total Operating Expenses	9,391,406	9,680,000	9,859,000	10,014,000	10,914,000	11,658,000	11,910,000	12,143,000	12,817,000	13,280,000	13,629,000
CAPITAL - FUND 855											
Capital Revenues											
Water Capital Surcharge (1)	708,000	849,946	1,053,933	1,306,876	1,620,527	2,009,453	2,070,000	2,132,000	2,196,000	2,262,000	2,330,000
Water Capacity Charges	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	500,000	500,000	500,000	500,000	500,000
Interest	<u>26,000</u>	<u>32,000</u>	<u>61,000</u>	<u>75,000</u>	<u>97,000</u>	<u>119,000</u>	<u>145,000</u>	<u>127,000</u>	<u>151,000</u>	<u>142,000</u>	<u>153,000</u>
Total Capital Revenues	1,734,000	1,881,946	2,114,933	2,381,876	2,717,527	3,128,453	2,715,000	2,759,000	2,847,000	2,904,000	2,983,000
Capital Expense											
Capital Improvement Plan	<u>950,000</u>	<u>50,000</u>	<u>800,000</u>	<u>3,400,000</u>	<u>1,200,000</u>	<u>1,420,000</u>	<u>3,900,000</u>	<u>1,200,000</u>	<u>3,425,000</u>	<u>2,200,000</u>	<u>285,000</u>
Total Capital Expenses	950,000	50,000	800,000	3,400,000	1,200,000	1,420,000	3,900,000	1,200,000	3,425,000	2,200,000	285,000
NET REVENUES											
Net Revenues - Operating Fund	(2,299,406)	(1,875,200)	(1,074,000)	(126,000)	271,000	994,000	1,124,000	1,285,000	1,017,000	972,000	1,055,000
Net Revenues - Capital Fund	<u>784,000</u>	<u>1,831,946</u>	<u>1,314,933</u>	<u>(1,018,124)</u>	<u>1,517,527</u>	<u>1,708,453</u>	<u>(1,185,000)</u>	<u>1,559,000</u>	<u>(578,000)</u>	<u>704,000</u>	<u>2,698,000</u>
TOTAL NET REVENUES	(1,515,406)	(43,254)	240,933	(1,144,124)	1,788,527	2,702,453	(61,000)	2,844,000	439,000	1,676,000	3,753,000
ENDING FUND BALANCE											
Operation - Fund 861	(2,299,406)	(4,174,606)	(5,248,606)	(5,374,606)	(5,103,606)	(4,109,606)	(2,985,606)	(1,700,606)	(683,606)	288,394	1,343,394
Capital - Fund 855	<u>4,312,464</u>	<u>6,144,410</u>	<u>7,459,342</u>	<u>6,441,218</u>	<u>7,958,745</u>	<u>9,667,198</u>	<u>8,482,198</u>	<u>10,041,198</u>	<u>9,463,198</u>	<u>10,167,198</u>	<u>12,865,198</u>
Total Ending Water Fund Balance	2,013,058	1,969,804	2,210,736	1,066,612	2,855,139	5,557,592	5,496,592	8,340,592	8,779,592	10,455,592	14,208,592
Reserve Fund Target											
Operating Reserve	3,130,000	3,227,000	3,286,000	3,338,000	3,638,000	3,886,000	3,970,000	4,048,000	4,272,000	4,427,000	4,543,000
Emergency Capital Reserve Target	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Water Fund Reserve Target (3)	4,130,000	4,227,000	4,286,000	4,338,000	4,638,000	4,886,000	4,970,000	5,048,000	5,272,000	5,427,000	5,543,000
Reserve Target Met?	no	no	no	no	no	yes	yes	yes	yes	yes	yes
1 - Escalated by 24% annually 2 - Water sales revenues adjusted for Sept 1, 2015 effective date. Future rate increases will be effective July 1 beginning in 2016/17. 3 - Operating Fund Target = 4 months O&M expenses + Capital Fund Target = \$1M. Recommendation from the 2010 Water Rate Study.											

Appendix D. Monthly Water Consumption and Peak Ratio for 2010 through 2014

Calendar Year	CONSUMPTION (CCF)													PEAK RATIO		
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	MAX	AVERAGE	MAX/AVG
2010	73,612	64,995	67,154	40,258	129,357	144,675	176,299	172,562	183,032	153,296	116,457	84,416	1,406,113	183,032	117,176	1.6
2011	62,010	66,131	76,262	73,335	125,671	138,952	161,302	173,465	178,116	117,975	115,772	92,163	1,381,154	178,116	115,096	1.5
2012	79,365	86,868	86,776	68,905	114,208	163,099	215,084	132,404	155,286	147,314	120,007	73,517	1,442,833	215,084	120,236	1.8
2013	56,070	65,860	82,542	93,266	151,491	168,433	223,563	210,643	132,059	194,478	104,195	107,330	1,589,930	223,563	132,494	1.7
2014	83,843	66,780	94,582	80,142	118,967	162,395	196,109	113,789	155,471	123,902	110,602	83,178	1,389,760	196,109	115,813	1.7

Five-Year Avg 1.7

Appendix E. Option 1: Uniform Tier – Sample Single Family Residential Bill Impacts

Option 1: Uniform Tier								
	Meter Size	Monthly Use (ccf)	Current 2014/15	Proposed				
				2015/16	2016/17	2017/18	2018/19	2019/20
Low User	5/8" or 3/4"	5						
Fixed Charge			\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge			\$13.45	\$23.76	\$26.74	\$30.10	\$34.05	\$38.52
<u>Capital Surcharge</u>			<u>\$2.55</u>	<u>\$3.16</u>	<u>\$3.92</u>	<u>\$4.86</u>	<u>\$6.03</u>	<u>\$7.48</u>
Total Bill			\$32.84	\$44.85	\$50.74	\$57.46	\$65.27	\$74.21
\$ Change				\$12.01	\$5.89	\$6.71	\$7.82	\$8.93
% Change				36.6%	13.1%	13.2%	13.6%	13.7%
Average User	5/8" or 3/4"	14						
Fixed Charge			\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge			\$46.51	\$66.53	\$74.88	\$84.29	\$95.35	\$107.86
<u>Capital Surcharge</u>			<u>\$7.14</u>	<u>\$8.85</u>	<u>\$10.98</u>	<u>\$13.61</u>	<u>\$16.88</u>	<u>\$20.93</u>
Total Bill			\$70.49	\$93.31	\$105.94	\$120.39	\$137.42	\$157.00
\$ Change				\$22.82	\$12.63	\$14.45	\$17.03	\$19.58
% Change				32.4%	13.5%	13.6%	14.1%	14.2%
Above Average User	5/8" or 3/4"	25						
Fixed Charge			\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge			\$90.95	\$118.79	\$133.72	\$150.52	\$170.27	\$192.60
<u>Capital Surcharge</u>			<u>\$12.75</u>	<u>\$15.81</u>	<u>\$19.60</u>	<u>\$24.31</u>	<u>\$30.14</u>	<u>\$37.38</u>
Total Bill			\$120.54	\$152.53	\$173.40	\$197.32	\$225.60	\$258.19
\$ Change				\$31.99	\$20.87	\$23.92	\$28.28	\$32.59
% Change				26.5%	13.7%	13.8%	14.3%	14.4%
High User	5/8" or 3/4"	40						
Fixed Charge			\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge			\$171.80	\$190.07	\$213.95	\$240.83	\$272.43	\$308.17
<u>Capital Surcharge</u>			<u>\$20.40</u>	<u>\$25.30</u>	<u>\$31.37</u>	<u>\$38.90</u>	<u>\$48.23</u>	<u>\$59.81</u>
Total Bill			\$209.04	\$233.30	\$265.40	\$302.22	\$345.85	\$396.18
\$ Change				\$24.26	\$32.10	\$36.82	\$43.63	\$50.33
% Change				11.6%	13.8%	13.9%	14.4%	14.6%

Appendix F. Option 1: Uniform Tier – Sample Commercial Bill Impacts

Option 1: Uniform Tier								
	Meter Size	Monthly Use (ccf)	Current	Proposed				
			2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Small Business	5/8"	15						
Fixed Charge			\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge			\$50.55	\$71.28	\$80.23	\$90.31	\$102.16	\$115.56
<u>Capital Surcharge</u>			<u>\$7.65</u>	<u>\$9.49</u>	<u>\$11.76</u>	<u>\$14.59</u>	<u>\$18.09</u>	<u>\$22.43</u>
Total Bill			\$75.04	\$98.69	\$112.07	\$127.39	\$145.44	\$166.20
\$ Change				\$23.65	\$13.38	\$15.31	\$18.05	\$20.76
% Change				32%	14%	14%	14%	14%
Moderate Use Restaurant	1"	75						
Fixed Charge			\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
Consumption Charge			\$360.45	\$356.38	\$401.16	\$451.56	\$510.80	\$577.81
<u>Capital Surcharge</u>			<u>\$38.25</u>	<u>\$47.43</u>	<u>\$58.81</u>	<u>\$72.93</u>	<u>\$90.43</u>	<u>\$112.13</u>
Total Bill			\$425.64	\$433.70	\$493.44	\$561.98	\$643.22	\$736.98
\$ Change				\$8.06	\$59.75	\$68.54	\$81.24	\$93.75
% Change				1.9%	13.8%	13.9%	14.5%	14.6%
High Use Restaurant	2"	200						
Fixed Charge			\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
Consumption Charge			\$1,034.20	\$950.36	\$1,069.76	\$1,204.17	\$1,362.14	\$1,540.83
<u>Capital Surcharge</u>			<u>\$102.00</u>	<u>\$126.48</u>	<u>\$156.84</u>	<u>\$194.48</u>	<u>\$241.15</u>	<u>\$299.03</u>
Total Bill			\$1,225.46	\$1,172.46	\$1,333.70	\$1,518.59	\$1,737.63	\$1,990.32
\$ Change				(\$52.99)	\$161.23	\$184.90	\$219.04	\$252.69
% Change				-4.3%	13.8%	13.9%	14.4%	14.5%
Large Irrigation	3"	750						
Fixed Charge			\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
Consumption Charge			\$3,998.70	\$3,563.84	\$4,011.61	\$4,515.63	\$5,108.04	\$5,778.13
<u>Capital Surcharge</u>			<u>\$382.50</u>	<u>\$474.30</u>	<u>\$588.13</u>	<u>\$729.28</u>	<u>\$904.31</u>	<u>\$1,121.35</u>
Total Bill			\$4,544.55	\$4,217.44	\$4,800.56	\$5,469.83	\$6,264.26	\$7,181.61
\$ Change				(\$327.11)	\$583.12	\$669.27	\$794.43	\$917.35
% Change				-7.2%	13.8%	13.9%	14.5%	14.6%
Large Industrial	6"	2,000						
Fixed Charge			\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
Consumption Charge			\$10,736.20	\$9,503.57	\$10,697.62	\$12,041.67	\$13,621.43	\$15,408.33
<u>Capital Surcharge</u>			<u>\$1,020.00</u>	<u>\$1,264.80</u>	<u>\$1,568.35</u>	<u>\$1,944.76</u>	<u>\$2,411.50</u>	<u>\$2,990.26</u>
Total Bill			\$12,317.01	\$11,366.04	\$12,935.36	\$14,736.14	\$16,872.62	\$19,339.04
\$ Change				(\$950.97)	\$1,569.32	\$1,800.78	\$2,136.47	\$2,466.42
% Change				-7.7%	13.8%	13.9%	14.5%	14.6%

Appendix G. Option 2: Two Tiers – Sample Single Family Residential Bill Impacts

Option 2: Two Tiers									
	Meter Size	Monthly Use (ccf)	% of Bills	Current 2014/15	Proposed				
					2015/16	2016/17	2017/18	2018/19	2019/20
Low User	5/8" or 3/4"	5	24.1%						
Fixed Charge				\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge				\$13.45	\$22.55	\$23.77	\$25.05	\$26.40	\$27.83
<u>Capital Surcharge</u>				<u>\$2.55</u>	<u>\$3.16</u>	<u>\$3.92</u>	<u>\$4.86</u>	<u>\$6.03</u>	<u>\$7.48</u>
Total Bill				\$32.84	\$43.64	\$47.77	\$52.40	\$57.62	\$63.52
\$ Change					\$10.80	\$4.13	\$4.63	\$5.22	\$5.89
% Change					32.9%	9.5%	9.7%	10.0%	10.2%
Average User	5/8" or 3/4"	14	27.1%						
Fixed Charge				\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge				\$46.51	\$64.20	\$71.05	\$78.76	\$87.44	\$97.24
<u>Capital Surcharge</u>				<u>\$7.14</u>	<u>\$8.85</u>	<u>\$10.98</u>	<u>\$13.61</u>	<u>\$16.88</u>	<u>\$20.93</u>
Total Bill				\$70.49	\$90.99	\$102.11	\$114.86	\$129.51	\$146.38
\$ Change					\$20.49	\$11.12	\$12.75	\$14.65	\$16.87
% Change					29.1%	12.2%	12.5%	12.8%	13.0%
Above Average User	5/8" or 3/4"	25	36.6%						
Fixed Charge				\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge				\$90.95	\$115.27	\$129.53	\$145.71	\$164.11	\$185.02
<u>Capital Surcharge</u>				<u>\$12.75</u>	<u>\$15.81</u>	<u>\$19.60</u>	<u>\$24.31</u>	<u>\$30.14</u>	<u>\$37.38</u>
Total Bill				\$120.54	\$149.01	\$169.21	\$192.51	\$219.44	\$250.61
\$ Change					\$28.47	\$20.20	\$23.30	\$26.93	\$31.17
% Change					23.6%	13.6%	13.8%	14.0%	14.2%
High User	5/8" or 3/4"	40	12.1%						
Fixed Charge				\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge				\$171.80	\$184.92	\$209.27	\$237.02	\$268.65	\$304.72
<u>Capital Surcharge</u>				<u>\$20.40</u>	<u>\$25.30</u>	<u>\$31.37</u>	<u>\$38.90</u>	<u>\$48.23</u>	<u>\$59.81</u>
Total Bill				\$209.04	\$228.14	\$260.72	\$298.40	\$342.07	\$392.73
\$ Change					\$19.10	\$32.57	\$37.69	\$43.67	\$50.67
% Change					9.1%	14.3%	14.5%	14.6%	14.8%

Appendix H. Option 2: Two Tiers – Sample Commercial Bill Impacts

Option 2: Two Tiers								
	Meter Size	Monthly Use (ccf)	Current	Proposed				
			2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Small Business	5/8"	15						
Fixed Charge			\$16.84	\$17.93	\$20.08	\$22.49	\$25.19	\$28.21
Consumption Charge			\$50.55	\$68.85	\$76.37	\$84.84	\$94.41	\$105.22
<u>Capital Surcharge</u>			<u>\$7.65</u>	<u>\$9.49</u>	<u>\$11.76</u>	<u>\$14.59</u>	<u>\$18.09</u>	<u>\$22.43</u>
Total Bill			\$75.04	\$96.26	\$108.21	\$121.92	\$137.69	\$155.85
\$ Change				\$21.22	\$11.95	\$13.71	\$15.77	\$18.17
% Change				28.3%	12.4%	12.7%	12.9%	13.2%
Moderate Use Restaurant	1"	75						
Fixed Charge			\$26.94	\$29.88	\$33.47	\$37.49	\$41.99	\$47.03
Consumption Charge			\$360.45	\$347.42	\$395.33	\$450.06	\$512.58	\$584.02
<u>Capital Surcharge</u>			<u>\$38.25</u>	<u>\$47.43</u>	<u>\$58.81</u>	<u>\$72.93</u>	<u>\$90.43</u>	<u>\$112.13</u>
Total Bill			\$425.64	\$424.73	\$487.61	\$560.48	\$645.00	\$743.19
\$ Change				(\$0.91)	\$62.88	\$72.86	\$84.53	\$98.18
% Change				-0.2%	14.8%	14.9%	15.1%	15.2%
High Use Restaurant	2"	200						
Fixed Charge			\$89.26	\$95.63	\$107.10	\$119.95	\$134.34	\$150.46
Consumption Charge			\$1,034.20	\$927.78	\$1,059.84	\$1,210.92	\$1,383.77	\$1,581.53
<u>Capital Surcharge</u>			<u>\$102.00</u>	<u>\$126.48</u>	<u>\$156.84</u>	<u>\$194.48</u>	<u>\$241.15</u>	<u>\$299.03</u>
Total Bill			\$1,225.46	\$1,149.88	\$1,323.78	\$1,525.35	\$1,759.26	\$2,031.02
\$ Change				(\$75.58)	\$173.89	\$201.57	\$233.91	\$271.76
% Change				-6.2%	15.1%	15.2%	15.3%	15.4%
Large Irrigation	3"	750						
Fixed Charge			\$163.35	\$179.30	\$200.82	\$224.92	\$251.91	\$282.14
Consumption Charge			\$3,998.70	\$3,481.35	\$3,983.69	\$4,558.72	\$5,217.00	\$5,970.59
<u>Capital Surcharge</u>			<u>\$382.50</u>	<u>\$474.30</u>	<u>\$588.13</u>	<u>\$729.28</u>	<u>\$904.31</u>	<u>\$1,121.35</u>
Total Bill			\$4,544.55	\$4,134.95	\$4,772.64	\$5,512.93	\$6,373.23	\$7,374.07
\$ Change				(\$409.60)	\$637.69	\$740.29	\$860.30	\$1,000.85
% Change				-9.0%	15.4%	15.5%	15.6%	15.7%
Large Industrial	6"	2,000						
Fixed Charge			\$560.81	\$597.67	\$669.39	\$749.72	\$839.69	\$940.45
Consumption Charge			\$10,736.20	\$9,284.93	\$10,628.79	\$12,167.37	\$13,928.90	\$15,945.71
<u>Capital Surcharge</u>			<u>\$1,020.00</u>	<u>\$1,264.80</u>	<u>\$1,568.35</u>	<u>\$1,944.76</u>	<u>\$2,411.50</u>	<u>\$2,990.26</u>
Total Bill			\$12,317.01	\$11,147.40	\$12,866.53	\$14,861.84	\$17,180.09	\$19,876.41
\$ Change				(\$1,169.61)	\$1,719.13	\$1,995.31	\$2,318.24	\$2,696.33
% Change				-9.5%	15.4%	15.5%	15.6%	15.7%

Appendix I. Option 1: Uniform Rate – Proposed Drought Surcharge for 2015/16

	Stage 1: Baseline (2015/16)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
PROJECTED CONSUMPTION					
Total Water Consumption (ccf)	1,344,000	1,075,200	940,800	806,400	672,000
Total Reduction in Water Consumption (ccf)		268,800	403,200	537,600	672,000
<i>% Reduction from Stage 1/Base Year</i>		-20%	-30%	-40%	-50%
EST. 2015/16 CONSUMPTION RATES (Option 1)					
Uniform Tier (All use per ccf)	<u>Sept 1, 2015</u> \$4.75	<u>Sept 1, 2015</u> \$4.75	<u>Sept 1, 2015</u> \$4.75	<u>Sept 1, 2015</u> \$4.75	<u>Sept 1, 2015</u> \$4.75
PROJECTED REVENUE LOSS - 2015/16					
Total Consumption Revenue	\$6,386,400	\$5,109,120	\$4,470,480	\$3,831,840	\$3,193,200
<i>% Reduction from Stage 1/Base Year</i>		-20%	-30%	-40%	-50%
Total Consumption Revenue Loss with Reduction		\$1,277,280	\$1,915,920	\$2,554,560	\$3,193,200
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		290,304	435,456	580,608	725,760
<u>SFPUC Wholesale Rate 2015/16</u>		<u>\$3.75</u>	<u>\$3.75</u>	<u>\$3.75</u>	<u>\$3.75</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,088,640)	(\$1,632,960)	(\$2,177,280)	(\$2,721,600)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,277,280	\$1,915,920	\$2,554,560	\$3,193,200
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,088,640)</u>	<u>(\$1,632,960)</u>	<u>(\$2,177,280)</u>	<u>(\$2,721,600)</u>
Total Add'l Revenue Requirement		\$338,640	\$532,960	\$727,280	\$921,600
DROUGHT SURCHARGE (PER CCF)		\$0.31	\$0.57	\$0.90	\$1.37

Appendix J. Option 1: Uniform Rate – Proposed Drought Surcharge for 2016/17

	Stage 1: Baseline (2016/17)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
PROJECTED CONSUMPTION					
Total Water Consumption (ccf)	1,344,000	1,075,200	940,800	806,400	672,000
Total Reduction in Water Consumption (ccf)		268,800	403,200	537,600	672,000
<i>% Reduction from Stage 1/Base Year</i>		-20%	-30%	-40%	-50%
EST. 2016/17 CONSUMPTION RATES (Option 1)					
Uniform Tier (All use per ccf)	<u>July 1, 2016</u> \$5.35	<u>July 1, 2016</u> \$5.35	<u>July 1, 2016</u> \$5.35	<u>July 1, 2016</u> \$5.35	<u>July 1, 2016</u> \$5.35
PROJECTED REVENUE LOSS - 2016/17					
Total Consumption Revenue	\$7,188,800	\$5,751,040	\$5,032,160	\$4,313,280	\$3,594,400
<i>% Reduction from Stage 1/Base Year</i>		-20%	-30%	-40%	-50%
Total Consumption Revenue Loss with Reduction		\$1,437,760	\$2,156,640	\$2,875,520	\$3,594,400
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		290,304	435,456	580,608	725,760
SFPUC Wholesale Rate 2016/17		<u>\$3.78</u>	<u>\$3.78</u>	<u>\$3.78</u>	<u>\$3.78</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,097,349)	(\$1,646,024)	(\$2,194,698)	(\$2,743,373)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,437,760	\$2,156,640	\$2,875,520	\$3,594,400
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,097,349)</u>	<u>(\$1,646,024)</u>	<u>(\$2,194,698)</u>	<u>(\$2,743,373)</u>
Total Add'l Revenue Requirement		\$490,411	\$760,616	\$1,030,822	\$1,301,027
DROUGHT SURCHARGE (PER CCF)		\$0.46	\$0.81	\$1.28	\$1.94

Appendix K. Option 1: Uniform Rate – Proposed Drought Surcharge for 2017/18

	Stage 1: Baseline (2017/18)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
PROJECTED CONSUMPTION					
Total Water Consumption (ccf)	1,344,000	1,075,200	940,800	806,400	672,000
Total Reduction in Water Consumption (ccf)		268,800	403,200	537,600	672,000
<i>% Reduction from Stage 1/Base Year</i>		-20%	-30%	-40%	-50%
EST. 2017/18 CONSUMPTION RATES (Option 1)					
Uniform Tier (All use per ccf)	<u>July 1, 2017</u> \$6.02	<u>July 1, 2017</u> \$6.02	<u>July 1, 2017</u> \$6.02	<u>July 1, 2017</u> \$6.02	<u>July 1, 2017</u> \$6.02
PROJECTED REVENUE LOSS - 2017/18					
Total Consumption Revenue	\$8,092,000	\$6,473,600	\$5,664,400	\$4,855,200	\$4,046,000
<i>% Reduction from Stage 1/Base Year</i>		-20%	-30%	-40%	-50%
Total Consumption Revenue Loss with Reduction		\$1,618,400	\$2,427,600	\$3,236,800	\$4,046,000
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		290,304	435,456	580,608	725,760
SFPUC Wholesale Rate 2017/18		<u>\$3.79</u>	<u>\$3.79</u>	<u>\$3.79</u>	<u>\$3.79</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,100,252)	(\$1,650,378)	(\$2,200,504)	(\$2,750,630)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,618,400	\$2,427,600	\$3,236,800	\$4,046,000
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,100,252)</u>	<u>(\$1,650,378)</u>	<u>(\$2,200,504)</u>	<u>(\$2,750,630)</u>
Total Add'l Revenue Requirement		\$668,148	\$1,027,222	\$1,386,296	\$1,745,370
DROUGHT SURCHARGE (PER CCF)		\$0.62	\$1.09	\$1.72	\$2.60

Appendix L. Option 1: Uniform Rate – Proposed Drought Surcharge for 2018/19

	Stage 1: Baseline (2018/19)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
PROJECTED CONSUMPTION					
Total Water Consumption (ccf)	1,344,000	1,075,200	940,800	806,400	672,000
Total Reduction in Water Consumption (ccf)		268,800	403,200	537,600	672,000
% Reduction from Stage 1/Base Year		-20%	-30%	-40%	-50%
EST. 2018/19 CONSUMPTION RATES (Option 1)					
Uniform Tier (All use per ccf)	<u>July 1, 2018</u> \$6.81	<u>July 1, 2018</u> \$6.81	<u>July 1, 2018</u> \$6.81	<u>July 1, 2018</u> \$6.81	<u>July 1, 2018</u> \$6.81
PROJECTED REVENUE LOSS - 2018/19					
Total Consumption Revenue	\$9,153,600	\$7,322,880	\$6,407,520	\$5,492,160	\$4,576,800
% Reduction from Stage 1/Base Year		-20%	-30%	-40%	-50%
Total Consumption Revenue Loss with Reduction		\$1,830,720	\$2,746,080	\$3,661,440	\$4,576,800
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		290,304	435,456	580,608	725,760
SFPUC Wholesale Rate 2018/19		<u>\$4.31</u>	<u>\$4.31</u>	<u>\$4.31</u>	<u>\$4.31</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,251,210)	(\$1,876,815)	(\$2,502,420)	(\$3,128,026)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,830,720	\$2,746,080	\$3,661,440	\$4,576,800
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,251,210)</u>	<u>(\$1,876,815)</u>	<u>(\$2,502,420)</u>	<u>(\$3,128,026)</u>
Total Add'l Revenue Requirement		\$729,510	\$1,119,265	\$1,509,020	\$1,898,774
DROUGHT SURCHARGE (PER CCF)		\$0.68	\$1.19	\$1.87	\$2.83

Appendix M. Option 2: Two Tiers – Proposed Drought Surcharge for 2015/16

	Stage 1: Baseline (2015/16)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
REDUCTION BY TIER					
<u>All Customers</u>	<u>Weighting Factor</u>				
Tier 1	0 - 6 ccf 5%	-1%	-2%	-2%	-3%
Tier 2	Over 6 ccf 118%	-24%	-35%	-47%	-59%
PROJECTED CONSUMPTION					
<u>All Customers</u>	<u>% of Use in Tier</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>
Tier 1	0 - 6 ccf 16%	220,336	218,130	217,030	214,830
Tier 2	Over 6 ccf 84%	1,123,664	858,480	725,890	460,700
Total Consumption (ccf)	100%	1,344,000	1,076,610	942,920	675,530
Total Reduction in Water Consumption (ccf)			267,390	401,080	668,470
% Reduction from Stage 1/Base Year			-20%	-30%	-50%
EST. 2015/16 CONSUMPTION RATES (Option 2)					
	<u>Sept 1, 2015</u>	<u>Sept 1, 2015</u>	<u>Sept 1, 2015</u>	<u>Sept 1, 2015</u>	<u>Sept 1, 2015</u>
Tier 1	0 - 6 ccf \$4.51	\$4.51	\$4.51	\$4.51	\$4.51
Tier 2	Over 6 ccf \$4.64	\$4.64	\$4.64	\$4.64	\$4.64
PROJECTED REVENUE LOSS - 2015/16					
<u>All Customers</u>					
Tier 1	0 - 6 ccf \$993,715	\$983,766	\$978,805	\$973,844	\$968,883
Tier 2	Over 6 ccf \$5,217,022	\$3,985,807	\$3,370,210	\$2,754,566	\$2,138,968
Total Consumption Revenue	\$6,210,736	\$4,969,574	\$4,349,015	\$3,728,410	\$3,107,852
% Reduction from Stage 1/Base Year		-20%	-30%	-40%	-50%
Consumption Revenue Loss with Reduction		\$1,241,163	\$1,861,721	\$2,482,326	\$3,102,885
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		288,781	433,166	577,562	721,948
SFPUC Wholesale Rate 2015/16		\$3.75	\$3.75	\$3.75	\$3.75
Total Reduced Cost of SFPUC Water Purchases		(\$1,082,930)	(\$1,624,374)	(\$2,165,859)	(\$2,707,304)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,241,163	\$1,861,721	\$2,482,326	\$3,102,885
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
Less Reduction in SFPUC Water Purchases		(\$1,082,930)	(\$1,624,374)	(\$2,165,859)	(\$2,707,304)
Total Add'l Revenue Requirement		\$308,233	\$487,347	\$666,467	\$845,581
DROUGHT SURCHARGE (PER CCF)					
		\$0.29	\$0.52	\$0.82	\$1.25

Appendix N. Option 2: Two Tiers – Proposed Drought Surcharge for 2016/17

	Stage 1: Baseline (2016/17)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
REDUCTION BY TIER					
<u>All Customers</u>	<u>Weighting Factor</u>				
Tier 1	0 - 6 ccf 5%	-1%	-2%	-2%	-3%
Tier 2	Over 6 ccf 118%	-24%	-35%	-47%	-59%
PROJECTED CONSUMPTION					
<u>All Customers</u>	<u>% of Use in Tier</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>
Tier 1	0 - 6 ccf 16%	220,336	218,130	217,030	214,830
Tier 2	Over 6 ccf 84%	<u>1,123,664</u>	<u>858,480</u>	<u>725,890</u>	<u>460,700</u>
Total Consumption (ccf)	100%	1,344,000	1,076,610	942,920	675,530
Total Reduction in Water Consumption (ccf)			267,390	401,080	668,470
% Reduction from Stage 1/Base Year			-20%	-30%	-50%
EST. 2016/17 CONSUMPTION RATES (Option 2)					
	<u>July 1, 2016</u>	<u>July 1, 2016</u>	<u>July 1, 2016</u>	<u>July 1, 2016</u>	<u>July 1, 2016</u>
Tier 1	0 - 6 ccf \$4.75	\$4.75	\$4.75	\$4.75	\$4.75
Tier 2	Over 6 ccf \$5.32	\$5.32	\$5.32	\$5.32	\$5.32
PROJECTED REVENUE LOSS - 2016/17					
<u>All Customers</u>					
Tier 1	0 - 6 ccf	\$1,047,375	\$1,036,890	\$1,026,432	\$1,021,203
Tier 2	Over 6 ccf	<u>\$5,973,490</u>	<u>\$4,563,749</u>	<u>\$3,153,978</u>	<u>\$2,449,119</u>
Total Consumption Revenue		\$7,020,865	\$5,600,639	\$4,180,410	\$3,470,322
% Reduction from Stage 1/Base Year			-20%	-40%	-51%
Consumption Revenue Loss with Reduction			\$1,420,226	\$2,130,314	\$3,550,544
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		288,781	433,166	577,562	721,948
<u>SFPUC Wholesale Rate 2016/17</u>		<u>\$3.78</u>	<u>\$3.78</u>	<u>\$3.78</u>	<u>\$3.78</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,091,593)	(\$1,637,369)	(\$2,183,186)	(\$2,728,962)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,420,226	\$2,130,314	\$2,840,455	\$3,550,544
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,091,593)</u>	<u>(\$1,637,369)</u>	<u>(\$2,183,186)</u>	<u>(\$2,728,962)</u>
Total Add'l Revenue Requirement		\$478,633	\$742,945	\$1,007,270	\$1,271,582
DROUGHT SURCHARGE (PER CCF)		\$0.44	\$0.79	\$1.24	\$1.88

Appendix O. Option 2: Two Tiers – Proposed Drought Surcharge for 2017/18

	Stage 1: Baseline (2017/18)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
REDUCTION BY TIER					
<u>All Customers</u>	<u>Weighting Factor</u>				
Tier 1 0 - 6 ccf	5%	-1%	-2%	-2%	-3%
Tier 2 Over 6 ccf	118%	-24%	-35%	-47%	-59%
PROJECTED CONSUMPTION					
<u>All Customers</u>	<u>% of Use in Tier</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>
Tier 1 0 - 6 ccf	16%	220,336	218,130	217,030	214,830
Tier 2 Over 6 ccf	84%	1,123,664	858,480	725,890	460,700
Total Consumption (ccf)	100%	1,344,000	1,076,610	942,920	675,530
Total Reduction in Water Consumption (ccf)			267,390	401,080	534,780
% Reduction from Stage 1/Base Year			-20%	-30%	-40%
EST. 2017/18 CONSUMPTION RATES (Option 2)					
	<u>July 1, 2017</u>	<u>July 1, 2017</u>	<u>July 1, 2017</u>	<u>July 1, 2017</u>	<u>July 1, 2017</u>
Tier 1 0 - 6 ccf	\$5.01	\$5.01	\$5.01	\$5.01	\$5.01
Tier 2 Over 6 ccf	\$6.09	\$6.09	\$6.09	\$6.09	\$6.09
PROJECTED REVENUE LOSS - 2017/18					
<u>All Customers</u>					
Tier 1 0 - 6 ccf	\$1,103,933	\$1,092,882	\$1,087,370	\$1,081,859	\$1,076,348
Tier 2 Over 6 ccf	\$6,839,646	\$5,225,493	\$4,418,429	\$3,611,305	\$2,804,241
Total Consumption Revenue	\$7,943,579	\$6,318,375	\$5,505,800	\$4,693,164	\$3,880,589
% Reduction from Stage 1/Base Year		-20%	-31%	-41%	-51%
Consumption Revenue Loss with Reduction		\$1,625,205	\$2,437,780	\$3,250,416	\$4,062,991
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		288,781	433,166	577,562	721,948
<u>SFPUC Wholesale Rate 2017/18</u>		<u>\$3.79</u>	<u>\$3.79</u>	<u>\$3.79</u>	<u>\$3.79</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,094,481)	(\$1,641,701)	(\$2,188,961)	(\$2,736,181)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,625,205	\$2,437,780	\$3,250,416	\$4,062,991
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,094,481)</u>	<u>(\$1,641,701)</u>	<u>(\$2,188,961)</u>	<u>(\$2,736,181)</u>
Total Add'l Revenue Requirement		\$680,724	\$1,046,079	\$1,411,454	\$1,776,809
DROUGHT SURCHARGE (PER CCF)		\$0.63	\$1.11	\$1.74	\$2.63

Appendix P. Option 2: Two Tiers – Proposed Drought Surcharge for 2018/19

	Stage 1: Baseline (2018/19)	Stage 2	Stage 3	Stage 4	Stage 5
Required Water Reduction %		Up to 20%	Up to 30%	Up to 40%	Up to 50%
REDUCTION BY TIER					
<u>All Customers</u>	<u>Weighting Factor</u>				
Tier 1 0 - 6 ccf	5%	-1%	-2%	-2%	-3%
Tier 2 Over 6 ccf	118%	-24%	-35%	-47%	-59%
PROJECTED CONSUMPTION					
<u>All Customers</u>	<u>% of Use in Tier</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>
Tier 1 0 - 6 ccf	16%	220,336	218,130	217,030	214,830
Tier 2 Over 6 ccf	84%	1,123,664	858,480	725,890	460,700
Total Consumption (ccf)	100%	1,344,000	1,076,610	942,920	675,530
Total Reduction in Water Consumption (ccf)			267,390	401,080	668,470
% Reduction from Stage 1/Base Year			-20%	-30%	-50%
EST. 2018/19 CONSUMPTION RATES (Option 2)					
	<u>July 1, 2018</u>	<u>July 1, 2018</u>	<u>July 1, 2018</u>	<u>July 1, 2018</u>	<u>July 1, 2018</u>
Tier 1 0 - 6 ccf	\$5.28	\$5.28	\$5.28	\$5.28	\$5.28
Tier 2 Over 6 ccf	\$6.97	\$6.97	\$6.97	\$6.97	\$6.97
PROJECTED REVENUE LOSS - 2018/19					
<u>All Customers</u>					
Tier 1 0 - 6 ccf	\$1,163,546	\$1,151,897	\$1,146,088	\$1,140,280	\$1,134,471
Tier 2 Over 6 ccf	\$7,831,395	\$5,983,190	\$5,059,101	\$4,134,944	\$3,210,856
Total Consumption Revenue	\$8,994,941	\$7,135,087	\$6,205,190	\$5,275,223	\$4,345,326
% Reduction from Stage 1/Base Year		-21%	-31%	-41%	-52%
Consumption Revenue Loss with Reduction		\$1,859,854	\$2,789,751	\$3,719,717	\$4,649,614
REDUCED COST OF SFPUC WATER PURCHASES					
Reduced Water Sales + 8% Water Losses		288,781	433,166	577,562	721,948
<u>SFPUC Wholesale Rate 2018/19</u>		<u>\$4.31</u>	<u>\$4.31</u>	<u>\$4.31</u>	<u>\$4.31</u>
Total Reduced Cost of SFPUC Water Purchases		(\$1,244,647)	(\$1,866,947)	(\$2,489,294)	(\$3,111,594)
ADDITIONAL REVENUE REQUIREMENT					
Consumption Revenue Loss with Reduction		\$1,859,854	\$2,789,751	\$3,719,717	\$4,649,614
Additional Drought-Related Expenses		\$150,000	\$250,000	\$350,000	\$450,000
<u>Less Reduction in SFPUC Water Purchases</u>		<u>(\$1,244,647)</u>	<u>(\$1,866,947)</u>	<u>(\$2,489,294)</u>	<u>(\$3,111,594)</u>
Total Add'l Revenue Requirement		\$765,207	\$1,172,803	\$1,580,423	\$1,988,020
DROUGHT SURCHARGE (PER CCF)		\$0.71	\$1.24	\$1.95	\$2.94



STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-122-CC

Regular Business: **Amend the City's Transportation Demand Management Guidelines and Transportation Impact Analysis Guidelines for Certain Change of Use Projects in the M-2 Area**

Recommendation

Amend the City's Transportation Demand Management (TDM) Guidelines and Transportation Impact Analysis (TIA) Guidelines for Change of Use Projects in the M-2 Area.

Policy Issues

Modification to the City's TDM or TIA Guidelines requires City Council consideration since these policy documents were previously adopted by the City Council. The current guidelines and proposed amendments are consistent with the City's current Circulation Element policies to:

- Require new development to mitigate any impacts to the transportation system, and
- Encourage the application of Transportation Demand Management strategies to reduce vehicular traffic and congestion.

Background

Together, the City's Transportation Demand Management (TDM) Program Guidelines and the Transportation Impact Analysis (TIA) Guidelines define the process, requirements and standards for determining a development project's potential impact(s) on the transportation network. The TDM Guidelines encourage the use of creative strategies and programs to reduce vehicle traffic. The TDM Guidelines were adopted by the City Council in 2001.

The TIA Guidelines define whether a project is required to conduct a transportation analysis, currently based on a project's size, and the methods and procedures to follow in the analysis. The TIA Guidelines were adopted by the City Council in 2003. Currently, the Guidelines do not allow for TDM strategies to reduce the amount of vehicle traffic generated in determining whether to conduct a TIA.

The M-2 (General Industrial) zoning district allows research and development, manufacturing, warehousing and other general industrial uses, as well as office type uses. The M-2 zoning district is consistent with the Limited Industry General Plan Land Use designation. The area north of Highway U.S. 101 is commonly referred to as the M-2 Area, as the M-2 zoning district is the prevailing district in that area of the City. In the M-2 zoning district, changes of uses often require discretionary review. A development project proposing a change of use is defined as one where the land is currently approved for a certain use proposes a change to another approved use category (e.g., from a warehouse to a research and development site). The M-2 Area is currently the focus of land use changes being analyzed as part of Connect Menlo, the City's General Plan Update process. While the Connect Menlo process will propose updated transportation policies, adoption of the updated General Plan is currently scheduled to occur in

July 2016. The Council has previously expressed a desire to consider strategies to streamline development project review timelines, where appropriate. Proposed is a possible strategy to amend the TDM and TIA Guidelines to result in streamlined review for certain discretionary projects in the M-2 Area.

Analysis

The proposed amendments to the TDM and TIA guidelines would allow a project proposing a change of land use otherwise allowed by the City's current General Plan (e.g., from a warehouse use to a research and development use) to proceed without completing a Transportation Impact Analysis if:

- The project is located within the M-2 Zoning District
- The project includes a Transportation Demand Management (TDM) Program following the City's TDM Guidelines, prepared to the approval of the Transportation Division
- The TDM Program reduces the number of peak hour vehicle trips generated to less than the City's current TIA threshold for commercial space (equivalent to a 10,000 square foot commercial building)
- The applicant agrees to implement, and annually monitor and report the TDM program's effectiveness to the City, and bear the cost of all staff time to review these reports

The proposed text amendments to the TDM Guidelines (redline and clean versions) are included in Attachment A. The proposed text amendments to the TIA Guidelines (redline and clean versions) are included in Attachment B.

Effects of the Proposed Changes

The amendments to the TDM and TIA Guidelines are proposed to allow a defined type of potential project to proceed forward in a streamlined review process. The current TIA Guidelines limit how much traffic a commercial project can generate before requiring a more detailed review, a Transportation Impact Analysis. The proposed amendments do not propose to modify the threshold for when a TIA would be completed. Instead, they allow a project applicant to commit to implementing an effective TDM program to reduce the amount of vehicle traffic from new development projects to a level that the City has previously determined would not require further study.

By modifying the TDM and TIA Guidelines as proposed, a limited number of projects are anticipated to be able to move forward without a TIA. These projects are anticipated to be 'mid-size,' generating vehicle traffic levels between approximately 15 and 80 peak hour trips (approximately 10,000 square feet to 25,000 square feet of new commercial space; or an equivalent change of use), prior to implementation of a TDM program.

Generally, these 'mid-size' projects would be required to complete a TIA and possibly an Environmental Impact Report (EIR) based on the City's current policies and requirements. However, a TDM program is often required as a mitigation measure for potential transportation impacts as part of the TIA/EIR process. The proposed amendments would modify the sequence of the City's current practices to allow the TDM reduction to be accounted for sooner in the process, and reduce the need to complete a TIA. This modification has benefits for streamlining project review (i.e., schedule and cost savings) of approximately 8 weeks to 24 months, depending on the project. Additionally, reduced timelines would reduce staff time needed to review these projects, resulting in more efficient use of City resources.

By comparison, a small project (less than 10,000 square feet of new commercial space) would not be required to complete a TIA based on current Guidelines; large projects with higher levels of new vehicle traffic would still be required to conduct a TIA since there is an upper limit to efficacy of TDM programs

(i.e., the most successful programs result in a reduction in vehicle traffic of 50-60% in suburban locations).

Effects to Ministerial versus Discretionary Review Processes

For any proposed development project, it can be categorized as requiring ministerial or discretionary review. Projects requiring ministerial review can be approved at the staff level if conforming to all applicable City requirements and guidelines. Ministerial projects do not require a TIA to be completed, since these projects are exempt from the California Environmental Quality Act (CEQA) as currently defined in the TIA Guidelines. The proposed amendments make no changes to the ministerial review process.

Projects requiring discretionary review generally are those that involve a City decision-making body (either Planning Commission or City Council) review and approval. For these projects, the proposed amendments do not change the Planning Commission or City Council’s decision-making authority for project approval. Staff will not be able to approve projects with the proposed changes; as is current practice, staff will continue to apply the adopted TIA and TDM Guidelines to determine the level of analyses required for each project and ensure any analysis is completed in conformance with these requirements.

Case Study: 1315 O’Brien Drive

As a specific example of how the proposed amendments would be applied, if approved, a case study is presented below for a proposed project at 1315 O’Brien Drive. The project applicant has submitted a summary of the proposed project, vehicle trip generation, and proposed TDM program, as included in Attachment C, and summarized below.

- Project Location: 1315 O’Brien Drive, on the northwest corner of O’Brien Drive and Adams Drive
- Project Description: Convert approximately 220,000 square foot building (warehousing and office uses) to a mix of research & development, manufacturing, and warehousing. Anticipated conversion could accommodate Pacific Biosciences relocation.
- Trip Generation Summary:

Uses	Vehicle Trips		
	Daily	AM Peak	PM Peak
Proposed use	1,316	189	174
TDM trip reduction (21.1%)	-278	-40	-36
Previous use credits	-1,178	-134	-133
Net new trips	-140	15	5

As shown in the table above, the proposed uses would result in an estimated 1,316 daily trips, 189 AM peak hour trips and 174 PM peak hour trips. Accounting for the proposed TDM program and credits for the previous uses, net new vehicle trips are estimated to be 140 daily trips less than existing conditions, 15 net new AM peak hour trips, and 5 net new PM peak hour trips.

With implementation of the proposed TDM program, the resulting traffic levels are expected to be less than what the City’s TIA Guidelines currently allow for a new 10,000 square foot commercial building (approximately 16 peak hour trips). If the project were to move forward without a proposed TDM program, it would be required to prepare a TIA taking approximately 8-12 weeks, and resulting staff time. Depending on traffic impacts determined with higher levels of traffic generation, an Environmental Impact Report (EIR) may also be required. If an EIR would be required, it would take approximately 18-24 months.

Impact on City Resources

While the cost of the staff time required for review is fully reimbursable to the City by the project applicant, the proposed amendments to the TDM and TIA Guidelines are anticipated to reduce staff review time for certain development projects that meet the proposed criteria. A development project requiring a TIA may take the Transportation Division staff approximately 40 hours to manage and review. A project requiring an EIR may take an additional 120 hours or more from the Transportation Division, depending on the scale of the project. In many cases, transportation requirements dictate the course of environmental review for projects. Thus, the proposed amendments would also decrease staff time required to review certain discretionary development projects from Planning staff.

Environmental Review

The proposed amendments would result in no more traffic generated by a project than what the TIA Guidelines currently allow. Each proposed project would still be required to undergo any required environmental review following the California Environmental Quality Act (CEQA).

Public Notice

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

Attachments

- A. Proposed (Redline and Clean) Amendments to the TDM Guidelines
- B. Proposed (Redline and Clean) Amendments to the TIA Guidelines
- C. 1315 O'Brien Drive Case Study - Summary of Proposed Project, Trip Generation Estimates and Proposed TDM Program

Report prepared by:

Nicole H. Nagaya, P.E., Transportation Manager

Transportation Demand Management (TDM) Guidelines

The intent of the TDM guidelines is to provide options for the City and to encourage the use of creative ways to mitigate the traffic impact of new development projects. ~~The e~~City staff will review these guidelines with the project applicant and determine if a combination of acceptable options/measures will reduce the net number of trips that the project is anticipated to generate on the City's circulation network to a non-significant level.

For projects that would create between 0.5 second and 1.0 second of delay to any of the impacted study intersections (with unmitigated significant traffic impacts) an exemption from the EIR review process may be granted if the project applicant is able to develop and implement acceptable TDM measures satisfactory to the City's Transportation Division.

For projects within the M-2 area including a proposed change of land use, a Transportation Demand Management program developed to the satisfaction of the City's Transportation Division may be used to reduce the peak hour vehicle trips generated by a project in determining the need for a Transportation Impact Analysis, per the City's Guidelines.

The A following is a list of recommended potential Transportation Demand Management Measures and their associated trip credit is maintained by C/CAG as part of the San Mateo County Congestion Management Program. The most current version of the Program is included below and is available: <http://ccag.ca.gov/programs/transportation-plans/congestion-management/>

City staff may consider additional TDM Measures and associated credits beyond those listed, if proposed, satisfactory to the City's Transportation Division.

Transportation Demand Management (TDM) Program Guidelines

The intent of the TDM guidelines is to provide options for the City and to encourage the use of creative ways to mitigate the traffic impact of new development projects. City staff will review these guidelines with the project applicant and determine if a combination of acceptable options/measures will reduce the net number of trips that the project is anticipated to generate on the City's circulation network to a non-significant level.

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Transportation Demand Management (TDM) Program Guidelines

<u>Transportation Demand Management Measure</u>	<u>Number of Trips Credited</u>	<u>Rationale</u>
Secure bicycle storage	One peak hour trip will be credited for every 3 new bike lockers/racks installed and maintained. Lockers/racks must be installed within 100 feet of the building.	Experience has shown that bicycle commuters will average using this mode one-third of the time, especially during warmer summer months.
Showers and changing rooms.	Ten peak hour trips will be credited for each new combination shower and changing room installed. An additional 5 peak hour trips will be credited when installed in combination with at least 5 bike lockers	10 to 1 ratio based on cost to build and the likelihood that bicycle utilization will increase.
Operation of a dedicated shuttle service during the peak period to a rail station or an urban residential area.	One peak hour trip will be credited for each peak-hour round trip seat on the shuttle. Increases to two trips if a Guaranteed Ride Home Program is also in place.	Yields a one-to-one ratio (one seat in a shuttle equals one auto trip reduced); utilization increases when a guaranteed ride home program is also made available.
Alternatively the development could buy into a shuttle consortium.	Five additional trips will be credited if the shuttle stops at a child-care facility enroute to/from the worksite.	

Transportation Demand Management (TDM) Program Guidelines

Charging employees for parking.

Two peak hour trips will be credited for each parking spot charged out at \$20 per month for one year. Money shall be used for TDM measures such as shuttles or subsidized transit tickets.

Yields a two-to-one ratio

Subsidizing transit tickets for employees.

One peak hour trip will be credited for each transit pass that is subsidized at least \$20 per month for one year.

Yields a one-to-one ratio (one transit pass equals one auto trip reduced).

One additional trip will be credited if the subsidy is increased to \$75 for parents using transit to take a child to childcare enroute to work.

Subsidizing pedestrians/bicyclists who commute to work.

One peak hour trip will be credited for each employee that is subsidized at least \$20 per month for one year.

Yields a one-to-one ratio (One pedestrian/bicyclist equals one auto trip reduced).

Creation of preferential parking for carpoolers.

Two peak hour trips will be credited for each parking spot reserved.

Yields a two-to-one ratio (one reserved parking spot equals a minimum of two auto trips reduced).

Creation of preferential parking for vanpoolers.

Seven peak hour trips will be credited for each parking spot reserved.

Yields a seven-to-one ratio (one reserved parking spot equals a minimum of seven auto trips reduced).

Implementation of a vanpool program.

Seven peak hour trips will be credited for each vanpool arranged by a specific program operated at the site of the development. Increases to ten trips if a Guaranteed Ride Home Program is also in place.

The average van capacity is seven.

Transportation Demand Management (TDM) Program Guidelines

<p>Operation of a commute assistance center, offering on site, one stop shopping for transit and commute alternatives information, preferably staffed with a live person to assist building tenants with trip planning.</p>	<p>One peak hour trip will be credited for each feature added to the information center; and an additional one peak hour trip will be credited for each hour the center is staffed with a live person, up to 20 trips per each 200 tenants. Possible features may include:</p> <ul style="list-style-type: none">Transit information brochure rackComputer kiosk connected to InternetTelephone (with commute and transit information numbers)Desk and chairs (for personalized trip planning)On-site transit ticket salesImplementation of flexible work hour schedules that allow transit riders to be 15-30 minutes late or early (due to problems with transit or vanpool).Quarterly educational programs to support commute alternatives	<p>This is based on staff's best estimate. Short of there being major disincentives to driving, having an on site TDM program offering commute assistance is fundamental to an effective TDM program.</p>
<p>Survey Employees to examine use and best practices.</p>	<p>Three peak hour trips will be credited for a survey developed to be administered twice yearly</p>	<p>This is based on staff's best estimate with the goal of finding best practices to achieve the mode shift goal.</p>
<p>Implementation of a parking cash out program.</p>	<p>One peak hour trip will be credited for each parking spot where the employee is offered a cash payment in return for not using parking at the employment site.</p>	<p>Yields a one-to-one ratio (one cashed out parking spot equals one auto trip reduced.</p>

Transportation Demand Management (TDM) Program Guidelines

Implementation of ramp metering.

Three hundred peak hour trips will be credited if the local jurisdiction in cooperation with CalTrans, installs and turns on ramp metering lights during the peak hours at the highway entrance ramp closest to the development.

This is a very difficult and costly measure to implement and the reward must be significant.

Installation of high bandwidth connections in employees' homes to the Internet to facilitate home telecommuting

One peak hour trip will be credited for every three connections installed. This measure is not available as credit for a residential development.

Yields a one-to-three ratio.

Installation of video conferencing centers that are available for use by the tenants of the facility.

Five peak hour trips will be credited for a center installed at the facility.

This is based on staff's best estimate.

Implementation of a compressed workweek program.

One peak hour trip will be credited for every 5 employees that are offered the opportunity to work four compressed days per week.

The workweek will be compressed into 4 days; therefore the individual will not be commuting on the 5th day.

Flexitime:
Implementation of an alternate hours workweek program.

One peak hour trip will be credited for each employee that is offered the opportunity to work staggered work hours. Those hours can be a set shift set by the employer or can be individually determined by the employee.

This is based on staff's best estimate.

Provision of assistance to employees so they can live close to work.

If an employer develops and offers a program to help employees find acceptable residences within five miles of the employment site, a credit of one trip will be given for each slot in the program.

This assumes that a five-mile trip will generally not involve travel on the freeways.

Transportation Demand Management (TDM) Program Guidelines

Implementation of a program that gives preference to hiring local residents at the new development site.

One peak hour trip will be credited for each employment opportunity reserved for employees recruited and hired from within five miles of the employment site.

This assumes that a five-mile trip will generally not involve travel on the freeways.

Provision of on-site amenities/accommodations that encourage people to stay on site during the workday, making it easier for workers to leave their automobiles at home.

Five peak hour trips will be credited for each feature added to the job site. Possible features may include:

- banking
- grocery
- shopping clothes
- cleaning
- exercise facilities
- child care center

This is based on staff's best estimate.

Provide use of motor vehicles to employees who use alternate commute methods so they can have access to vehicles during breaks for personal use.

Five peak hour trips will be credited for each vehicle provided.

This is based on staff's best estimate.

Provide use of bicycles to employees who use alternate commute methods so they can have access to bicycles during breaks for personal use.

One peak hour trip will be credited for every four bicycles provided.

This is based on staff's best estimate.

Provision of child care services as a part of the development

One trip will be credited for every two child care slots at the job site. This amount increases to one trip for each slot if the child care service accepts multiple age groups (infants=0-2yrs, preschool=3&4 yrs, school-age=5 to 13 yrs).

This is based on staff's best estimate.

Transportation Demand Management (TDM) Program Guidelines

Developer/property owner may join an employer group to expand available child care within 5 miles of the job site or may provide this service independently	One trip will be credited for each new child care center slot created either directly by an employer group, by the developer/property owner, or by an outside provider if an agreement has been developed with the developer/property owner that makes the child care accessible to the workers at the development.	This is based on staff's best estimate.
Join the Alliance's guaranteed ride home program.	Two peak hour trips will be credited for every 2 slots purchased in the program.	Experience shows that when a Guaranteed Ride Home Program is added to a TDM program, average ridership increases by about 50%.
Combine any ten of these elements and receive an additional credit for five peak hour trips.	Five peak hour trips will be credited.	Experience has shown that offering multiple and complementary TDM components can magnify the impact of the overall program.
Work with the Alliance to develop/ implement a Transportation Action Plan.	Ten peak hour trips will be credited.	This is based on staff's best estimate.
The developer can provide a cash legacy after the development is complete and designate an entity to implement any (or more than one) of the previous measures before day one of occupancy.	Peak hour trip reduction credits will accrue as if the developer was directly implementing the items.	Credits accrue depending on what the funds are used for.
Encourage infill development.	Two percent of all peak hour trips will be credited for each infill development.	Generally acceptable TDM practices (based on research of TDM practices around the nation and reported on the Internet).

Transportation Demand Management (TDM) Program Guidelines

Encourage shared parking.

Five peak hour trips will be credited for an agreement with an existing development to share existing parking.

Generally acceptable TDM practices (based on research of TDM practices around the nation and reported on the Internet).

Participate in/create/sponsor a Transportation Management Association.

Five peak hour trips will be credited.

Generally acceptable TDM practices (based on research of TDM practices around the nation and reported on the Internet).

Coordinate Transportation Demand Management programs with existing developments/employers.

Five peak hour trips will be credited.

This is based on staff's best estimate.

For employers with multiple job sites, institute a proximate commuting program that allows employees at one location to transfer/trade with employees in another location that is closer to their home.

One peak hour trip will be credited for each opportunity created.

Yields a one-to-one ratio.

Pay for parking at park and ride lots or transit stations.

One peak hour trip will be credited for each spot purchased.

Yields a one-to-one ratio.

Additional Measures for Residential Developments

Develop schools, convenience shopping, recreation facilities, and child care centers in new subdivisions.	Five peak hour trips will be credited for each facility included.	This is based on staff's best estimate.
Provision of child care services at the residential development and/or at a nearby transit center	One trip will be credited for every two child care slots at the development/transit center. This amount increases to one trip for each slot if the child care service accepts multiple age groups (infants, preschool, school-age).	This is based on staff's best estimate.
Make roads and streets more pedestrian and bicycle friendly.	Five peak hour trips will be credited for each facility included.	This is based on staff's best estimate.
Revise zoning to limit undesirable impacts (noise, smells, and traffic) instead of limiting broad categories of activities.	Five peak hour trips will be credited.	This is based on staff's best estimate.
Create connections for non-motorized travel, such as trails that link dead-end streets.	Five peak hour trips will be credited for each connection made.	This is based on staff's best estimate.
Create alternative transportation modes for travel within the development and to downtown areas - bicycles, scooters, electric carts, wagons, shuttles, etc.	One peak hour trip will be credited for each on-going opportunity created (i.e. five bicycles/scooters/wagons = five trips, two-seat carts = two trips, seven passenger shuttle = seven trips).	This is based on staff's best estimate.
Design streets/roads that encourage pedestrian and bicycle access and discourage automobile access.	Five trips will be credited for each design element.	This is based on staff's best estimate.

Additional Measures for Residential Developments

Additional Measures for Residential Developments

Install and maintain alternative transportation kiosks.

Five trips will be credited for each kiosk.

This is based on staff's best estimate.

Install/maintain safety and security systems for pedestrians and bicyclists.

Five trips will be credited for each measure implemented.

This is based on staff's best estimate.

Implement jitneys/vanpools from residential areas to downtowns and transit centers.

One trip will be credited for each seat created.

Yields a one-to-one ratio.

Locate residential development within one-third mile of a fixed rail passenger station.

All trips from a residential development within one-third mile of a fixed rail passenger station will be considered credited due to the location of the development.

This is based on staff's best estimate.

Transportation Impact Analysis Guidelines

The following projects would generally be exempt from the requirements of the Transportation Impact Analysis Guidelines unless their geographic location or type of use prompt such study (subject to the City's discretion):

1. Residential projects under five units
2. Commercial projects where the total new or added square footage is 10,000 square feet or less
3. Change of use projects in the M-2 area that include a Transportation Demand Management (TDM) Program (see City's TDM Guidelines) effective in reducing equivalent peak hour trips below the level generated by a commercial project 10,000 square feet or less (bullet 2 above)
4. Other projects that are determined to be exempt or categorically exempt under CEQA
- ~~3.~~

All other projects involving a change of use and/or new construction will be required to submit a Transportation Impact Analysis performed by a qualified consultant selected by the City and paid for by the project applicant.

The Transportation Impact Analysis shall include the following:

- I. Executive Summary
- II. Introduction
 - A. Project Description
 - B. Study Scope
- III. Existing Conditions – Conditions should be described based upon information found in the most recent Circulation System Assessment (CSA) document when applicable. The CSA existing traffic counts and information should be used as existing conditions.
 - A. Description of existing street system serving the site (Number of lanes, classification, etc.)
 - B. CSA existing traffic volumes – ADT's and AM & PM peak hours (Figure to be included in report)
 - C. CSA existing levels of service – AM & PM (Table to be included in report)
 - D. Public transit (Service providers to the area)
 - E. On and off-street parking conditions/availability
 - F. Pedestrian and bicycling conditions in the project area
- IV. Cumulative Analysis – Near Term conditions without project should be discussed using the most recent CSA near term traffic counts and information. Project traffic should then be added to the CSA near term traffic counts. If the project build-out is beyond the CSA near term data, future conditions should be projected to the first year of assumed project occupancy. A supplemental list of planned and or/approved projects will be

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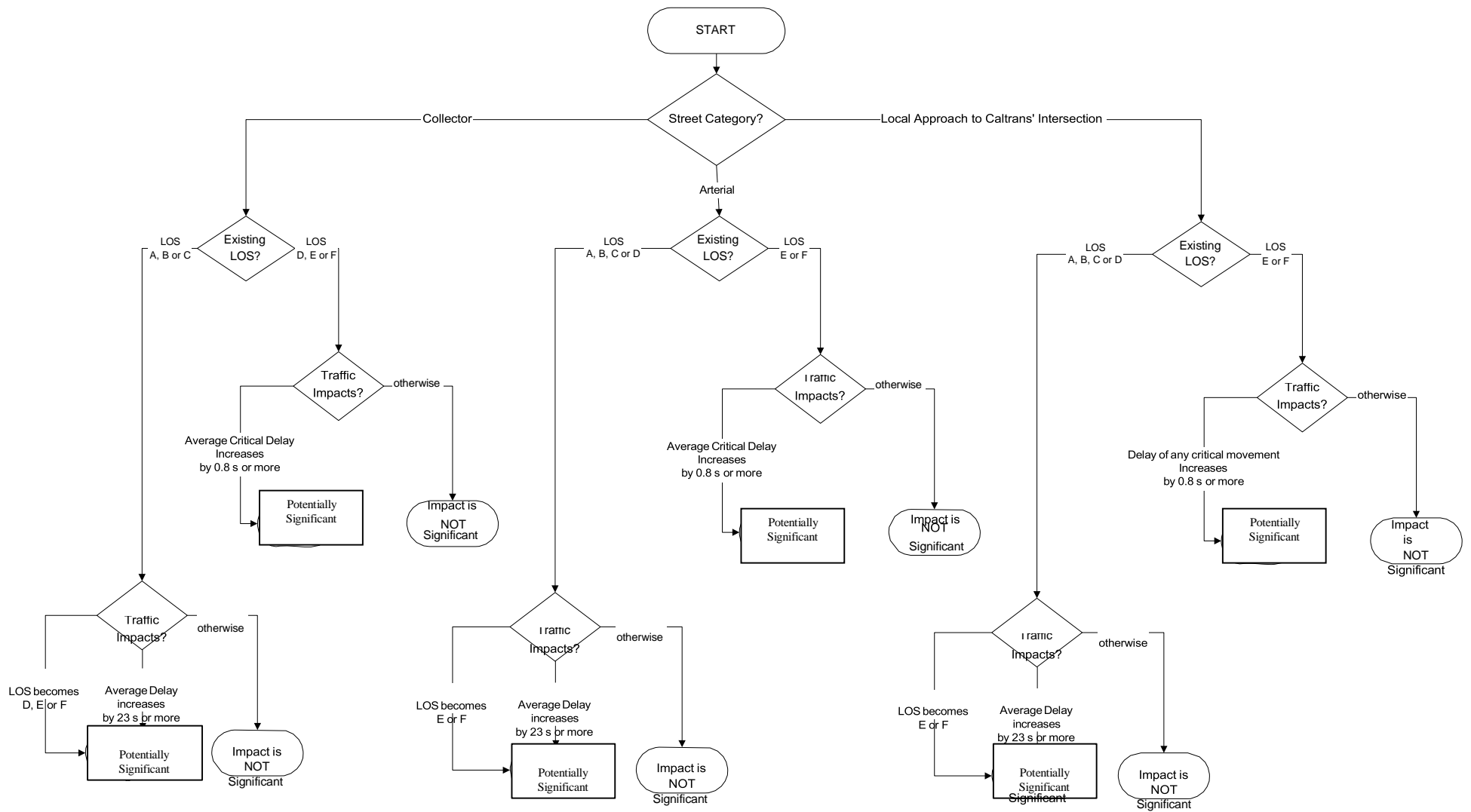
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- IV. Cumulative Analysis – Near Term conditions without project should be discussed using the most recent CSA near term traffic counts and information. Project traffic should then be added to the CSA near term traffic counts. If the project build-out is beyond the CSA near term data, future conditions should be projected to the first year of assumed project occupancy. A supplemental list of planned and or/approved projects will be provided to the consultants for inclusion in the analysis process. For large projects of regional magnitude (projects generating 100 or more trips during peak hours), the consultants will analyze the impacts of the project for a span of ten years from the existing conditions.

- A. Description of new or planned changes to the street system serving the site including changes in on-street parking
- B. Near term volumes – ADT's and AM & PM peak hours
 - 1. List project trip generation rates
 - 2. Discuss trip distribution
 - 3. Discuss impact of project traffic on intersections in the project vicinity
- C. Near term levels of service – AM & PM for both near term and near term plus project analysis. Table to be included in report. Also a comparison table of existing conditions including a column showing the difference in seconds of delay between existing, near term conditions and near term conditions with project and percent of increase.

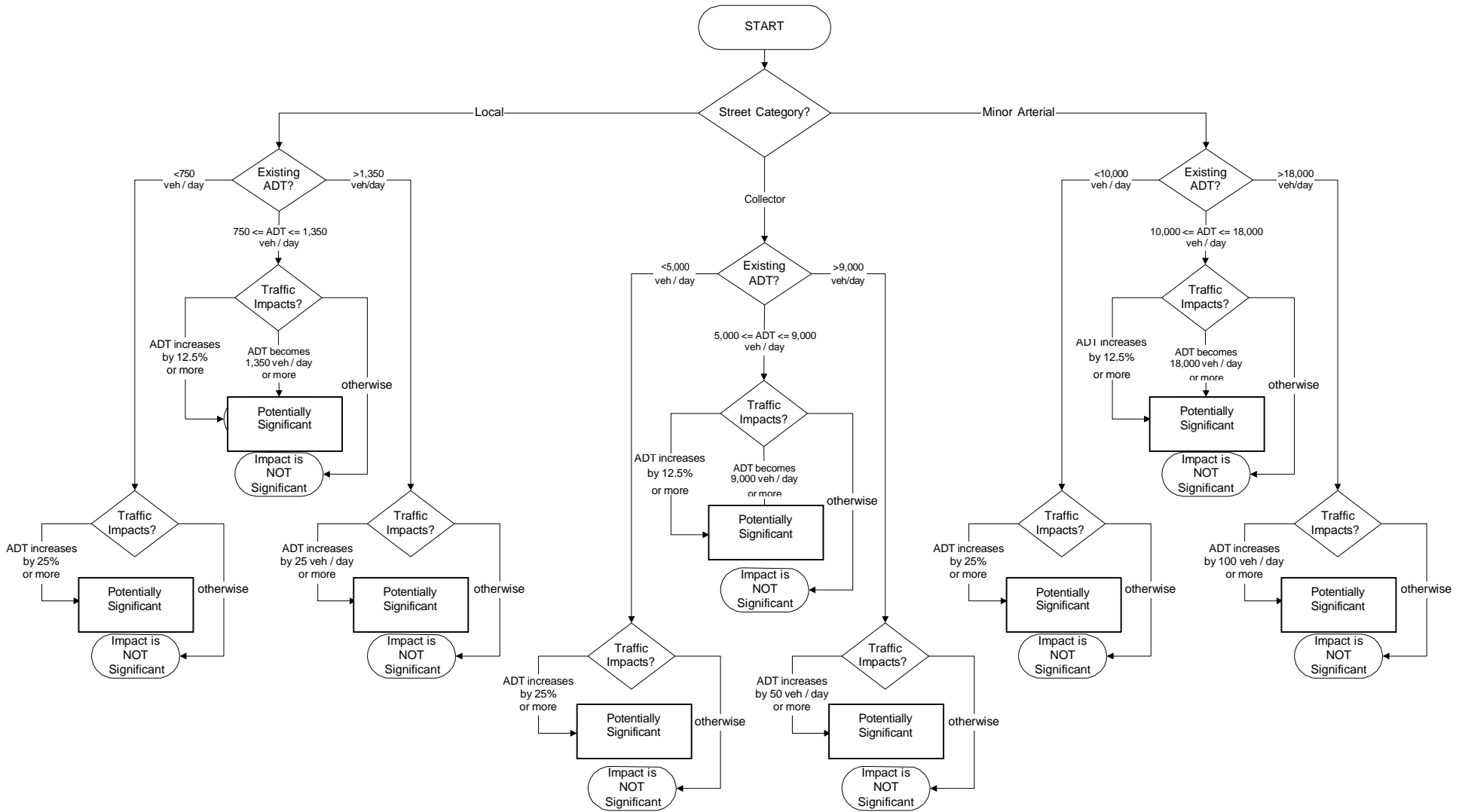
V. Analysis

- A. Discuss impacts of CSA near term conditions and CSA near term conditions with project
 - 1. A Project is considered to have a potentially “significant” traffic impact if the addition of project traffic causes an intersection on a collector street operating at LOS “A” through “C” to operate at an unacceptable level (LOS “D”, “E” or “F”) or have an increase of 23 seconds or greater in average vehicle delay, whichever comes first. A potential “significant” traffic impact shall also include a project that causes an intersection on arterial streets or local approaches to State controlled signalized intersections operating at LOS “A” through “D” to operate at an unacceptable level (LOS “E” or “F”) or have an increase of 23 seconds or greater in average vehicle delay, whichever comes first.
 - 2. A project is also considered to have a potentially “significant” traffic impact if the addition of project traffic causes an increase of more than 0.8 seconds of average delay to vehicles on all critical movements for intersections operating at a near term LOS “D” through “F” for collector streets and at a near term LOS “E” or “F” for arterial streets. For local approaches to State controlled signalized intersections, a project is considered to have a potentially “significant” impact if the addition of project traffic causes an increase of more than 0.8 seconds of delay to vehicles on the most critical movements for intersections operating at a near term LOS “E” or “F”.



- B. In certain circumstances as determined by the Transportation Manager, analysis may be necessary for impacts on minor arterial, collector and local streets. If any of the thresholds listed below are exceeded, the analysis should make a recommendation as to whether the traffic impact is considered potentially “significant”.
1. On minor arterial streets, a traffic impact may be considered potentially significant if the existing Average Daily Traffic Volume (ADT) is: (1) greater than 18,000 (90% of capacity), and there is a net increase of 100 trips or more in ADT due to project related traffic; (2) the ADT is greater than 10,000 (50% of capacity) but less than 18,000, and the project related traffic increases the ADT by 12.5% or the ADT becomes 18,000 or more; or (3) the ADT is less than 10,000, and the project related traffic increases the ADT by 25%.
 2. On collector streets, a traffic impact may be considered potentially significant if the existing Daily Traffic Volume (ADT) is: (1) greater than 9,000 (90% of capacity), and there is a net increase of 50 trips or more in ADT due to project related traffic; (2) the ADT is greater than 5,000 (50% of capacity) but less than 9,000, and the project related traffic increases the ADT by 12.5% or the ADT becomes 9,000 or more; or (3) the ADT is less than 5,000, and the project related traffic increases the ADT by 25%.
 3. On local streets, a traffic impact may be considered potentially significant if the existing Daily Traffic Volume (ADT) is: (1) greater than 1,350 (90% of capacity), and there is a net increase of 25 trips or more in ADT due to project related traffic; (2) the ADT is greater than 750 (50% of capacity) but less than 1,350, and the project related traffic increases the ADT by 12.5% or the ADT becomes 1,350; or (3) the ADT is less than 750, and the project related traffic increases the ADT by 25%.
- C. Discuss project site circulation and access and identify any deficiencies.
- D. Discuss compliance of project site parking with adopted City code including loading and disabled spaces. If a shared parking arrangement is proposed, an analysis of the adequacy of this aspect shall be provided. Discuss any off-site parking impacts (such as neighborhood parking intrusion) of the project.
- E. Analyze project in relation to relevant policies of the Circulation Element of the General Plan.
- F. Analyze potential cut-through traffic generated by the project impacting other City neighborhoods.
- G. Pedestrian conditions and bicycle access, including safety issues, should be discussed.

Significance Criteria for Street segments



H. Analyze project using the requirements outlined in the San Mateo County Congestion Management Plan Land Use Analysis Program guidelines, if applicable.

VI. Mitigation

A. Discuss specific mitigation measures in detail to address significant impacts, which may occur as a result of the addition of project traffic (provide table comparing before and after mitigation). Analysis shall focus on mitigating significant impacts to a non-significant level, but must also identify measures, which would reduce adverse, although not significant, impacts. All feasible and reasonable mitigation requirements that could reduce adverse impacts of the project should be identified, whether or not there are significant impacts caused by the project. The goal of mitigation should be such that there are no net adverse impacts on the circulation network. Mitigation measures may include roadway improvements, operational changes, Transportation Demand Management or Transportation Systems Management measures, or changes in the project. If roadway or other operational measures would not achieve this objective, the consultant shall identify a reduction in the project size, which would with other measures, reduce impacts below the significant level. All mitigation measures must first be discussed with the City Transportation Division before they are included in the report.

B. Discuss possible mitigation measures to address future traffic conditions with the project. All feasible and reasonable mitigation measures that would reduce such impacts, whether at the significant level or below shall be identified. Mitigation measures should be designed to address the project's share of impacts. Measures that should be jointly required of the project and any other on-going related projects in a related geographical area should also be identified, as applicable.

C. Discuss possible mitigation measures to address any site circulation or access deficiencies.

D. Discuss possible mitigation measures to address any parking deficiencies.

E. Discuss possible mitigation measures to address any impacts on pedestrian amenities, bicycle access, safety and bus/shuttle service.

VII. Alternatives

A. In the event any potentially significant impacts are identified in the Transportation Impact Analysis, alternatives to the proposed project shall be evaluated or considered to determine what the impacts of an alternative project or use might be. The alternatives to be considered shall be determined in consultation with the Director of Community Development and the Transportation Manager.

VIII. Summary and Conclusions

A. Assess level of significance of all identified impacts after mitigation.

Upon receipt by the City of a Transportation Impact Analysis indicating that a project may have potentially significant traffic impacts, the applicant shall have the option of proceeding directly with the preparation of an EIR in accordance with the City's procedures for preparation of an EIR, or requesting a determination by the City Council as to whether a negative declaration, mitigated negative declaration or an EIR is most appropriate for the project.

NOTES:

1. The Highway Capacity Manual Special Report 209 (HCM), latest version shall be used for intersection analysis. The consultant shall use the Citywide Transportation¹ model with the HCM analysis.
2. The most recent Circulation System Assessment (CSA) shall be used for all information regarding existing and near term conditions.
3. Traffic counts that may be required beyond the counts contained in the CSA document shall be less than 6 months old.
4. The consultant shall submit proposed assumptions to the Transportation Manager for review and approval prior to commencement of the Analysis relating to the following:
 1. trip rates
 2. trip distribution
 3. trip assignment
 4. study intersections
 5. roadways to be analyzed
4. The consultant shall submit all traffic count sheets to the City's Transportation Division.
5. Figures of existing and any proposed intersection configurations should be provided in the appendix.
6. Trip generation rates from Institute of Transportation Engineer's (ITE) publication, "TRIP Generation", latest version should be used.
7. Street widening and on-street parking removal are mitigation measures which may be technically feasible, but which are generally considered undesirable. If such measures appear potentially appropriate to the consultant, they should consult the Transportation Division in preparing the impact analysis and mitigation recommendations. If such measures are to be proposed, alternate mitigation measures, which would be equally effective, should also be identified.
8. Existing uses at the site, which would be removed as part of the project, may be deducted from the calculation of the project traffic based on their traffic distribution patterns.
9. Refer to the San Mateo County Congestion Management Program (CMP) Land Use Impact Analysis Program guidelines for performing CMP analysis.

¹ As of January 2014, the City utilizes a VISTRO analysis model, as the successor for the TRAFFIX program, for transportation



MEMORANDUM

To: Ron Krietemeyer
Tarlton Properties, Inc.

From: Michael Mowery, P.E.
Ben Huie, P.E.

Date: July 10, 2015

Subject: **Transportation Demand Management (TDM) Memorandum for 1315 O'Brien Drive**

Kimley-Horn and Associates, Inc. (KHA) was retained by Tarlton Properties, Inc. to evaluate the expected number of project trips based on the existing and proposed land uses at 1315 O'Brien Drive in the City of Menlo Park and mitigate the number of trips by implementing a Transportation Demand Management (TDM) Plan. The proposed project will realign the previous building uses. Below are the proposed sizes and land uses for the proposed site:

- 113,382 square feet of research & development (Pac Bio)
- 45,796 square feet of manufacturing (Pac Bio)
- 17,797 square feet of warehousing (Pac Bio)
- 43,541 square feet of warehousing (other tenants)

The previous use for the project site consisted of:

- 162,839 square feet of warehousing
- 56,002 square feet of general office building

These changes in land use for 1315 O'Brien Drive will result in an increase in peak hour trips generated from the project site.

PROJECT PEAK HOUR TRIPS

The number of project trips for the project site was estimated using the industry standard Institute of Transportation Engineer's (ITE) *Trip Generation* Manual. This reference estimates project trips based on land use from survey data. Since the proposed project is not a new project, but updating an existing land use, trip rates were calculated for both the proposed use and the previous use.

The previous land use was a distribution center with regional administrative offices including a showroom and sales offices. A distribution center does not have a specific land use in the ITE *Trip Generation* manual. There are similar land uses in the *Trip Generation* manual such as: the warehousing land use (ITE LU code 150), the general light industrial (ITE LU code 110), and the high-

cube warehouse/distribution center (ITE LU code 152). The *Dumbarton Distribution Center EIR*¹, which was the name of the Menlo Business Park before 1984, was reviewed as well. It documented the distribution center as a warehousing and light industrial land use. Therefore, for trip generation purposes, the existing use for the 1315 O'Brien Drive site was a warehousing land use, along with office, as described previously. **Table 1** summarizes the trip generation for the previous use. Specific land use and trip generation breakdowns are provided in **Attachment A**.

Table 1 – Trip Generation Summary – Previous Use

Previous Use	Vehicle Trips		
	Daily	AM Peak	PM Peak
56.002 KSF Office and 162.839 KSF Warehousing	1,178	134	133

The previous land uses resulted in 134 AM peak hour trips and 133 PM peak hour trips. No adjustments for trip reductions (e.g. pass-by trips or internal capture) were used in this calculation. The previous use trips will be used as a trip credit for determining the overall net change in proposed project trips.

Table 2 summarizes the trip generation for the proposed use. Specific land use and trip generation breakdowns are provided in **Attachment A**.

Table 2 – Trip Generation Summary – Proposed Use

Proposed Use	Vehicle Trips		
	Daily	AM Peak	PM Peak
113.382 KSF R&D 45.796 KSF Manufacturing 61.338 KSF Warehousing	1,316	189	174

The proposed land uses result in 189 AM peak hour trips and 174 PM peak hour trips. No adjustments for trip reductions (e.g. pass-by trips or internal capture) were used in this calculation. A Transportation Demand Management (TDM) program is being proposed to reduce the proposed project vehicle trips.

TRANSPORTATION DEMAND MANAGEMENT PROGRAM

The following summarizes an initial approach to the proposed TDM program for the proposed project at 1315 O'Brien Drive. It is assumed that the TDM program will be refined over time to adapt to changing transportation trends and to maximize the efficiency of the program. The TDM program is

¹ Dumbarton Distribution Center Final EIR, The Environmental Center, March 12, 1982.

specifically designed to focus on incentives and rewards for employees to participate in the program rather than penalties for not participating.

POTENTIAL PROGRAM ELEMENTS

Tarlton Properties, Inc. should offer a combination of program elements to encourage employees to utilize alternative modes of transportation to driving alone. Potential program elements are listed below:

- Bike lockers/racks
- Showers/changing rooms
- Shuttle service
- Subsidized transit tickets for employees
- Preferential carpool parking spaces
- Preferential vanpool parking spaces
- Vanpool program
- Commute assistance center
- Allowance program for bicyclists, walkers, and carpoolers
- Parking cash out program
- Telecommuting
- Compressed workweek program
- Alternate hours workweek program
- Join the Alliance's guaranteed ride home program

These program elements are listed in the City of Menlo Park's *Transportation Demand Management Program Guidelines*. Additionally, the City/County Association of Governments of San Mateo County (C/CAG) has its own guidelines for a TDM program mentioned in the *Revised C/CAG Guideline for the Implementation of the Land Use Component of the Congestion Management Program*. Each of these documents summarizes the potential program measures, a description of each measure, and the trip credits associated with each measure.

PROPOSED PROGRAM ELEMENTS

Tarlton Properties, Inc. is interested in working with the City to develop a practical TDM plan that can be both effective and provide the most value for all parties. An initial set of TDM measures are proposed for the 1315 O'Brien Drive site and is summarized in **Table 3**. The number of trip credits was determined from the City of Menlo Park's TDM Guidelines. The following provides a brief description of each proposed TDM element:

- **Bike Storage:** Bike lockers are proposed to be located on the property. The specific location will be shown on the proposed site plan. Secure bike storage lockers for 20 bicycles are proposed. The bike lockers are furnished by the American Bicycle Security Company and provide a safe storage for bikes at work. Additionally, bike racks for 12 bicycles are proposed and will be shown on the proposed site plan.

Table 3 – Proposed TDM Measure Summary

TDM Measure	Number of Trips Credited	Peak Hour Trip Credits	Program Elements	Trip Credits ¹
Bike Storage	One credit per 3 bike lockers/racks	1/3	32	10
Showers/Changing Rooms	Two credits per 1 shower/changing room	2	12	24
Shuttle service	One trip credit for each round trip seat on the shuttle	1	120	120
<i>Additional credit for combination with Guaranteed Ride Home Program</i>	<i>Additional one trip credit for each seat</i>	<i>1</i>	<i>120</i>	<i>120</i>
Subsidized transit tickets (Go Pass for Caltrain)	One trip credit for each transit pass provided	1	100	100
Preferential carpool parking	Two credits per 1 space reserved	2	32	64
Commuter assistance center				
<i>Transit brochure rack</i>	<i>One peak hour trip credited for each feature</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Computer kiosk connected to Internet</i>	<i>One peak hour trip credited for each feature</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Telephone</i>	<i>One peak hour trip credited for each feature</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Desk and chairs</i>	<i>One peak hour trip credited for each feature</i>	<i>1</i>	<i>1</i>	<i>1</i>
Allowance for bicyclists, walkers, and carpoolers	One trip credit for each monthly allowance offered to an employee	1	30	30
Join Alliance's guaranteed ride home program	One credit for every two slots purchased in the program with Alliance ²	-	-	-
Implement flexible work hours	One peak hour credit for each employee offered the opportunity to work flexible hours	1	35	35
Combine any two of these elements and receive additional five credits	Five trip credits for combination of two elements	5	1	5
Total Trip Credits:				512

¹The number of peak hour trips credited is outlined in the City of Menlo Park's *Transportation Demand Management (TDM) Guidelines*.

²The Alliance's guaranteed ride home program operates differently than when the TDM guidelines were created. The Alliance no longer offers slots to be purchased. Trip credits for this TDM measure are combined with the shuttle service.

- **Showers/Changing Rooms:** Twelve shower/changing rooms are proposed for the building on the first floor. The shower/changing rooms provide a dedicated facility for the cyclists and persons walking to work. This measure, combined with the bike lockers/racks, should provide employees with a great alternative for commuting to work.
- **Guaranteed Ride Home Program:** Tarlton Properties, Inc. will also enroll its tenants in a Guaranteed Ride Home Program administered by the Peninsula Traffic Congestion Relief Alliance. The program provides employees a free taxi ride home in the case of an emergency. Employers will pay 25 percent of the taxi costs and the Peninsula Traffic Congestion Relief Alliance will pay the remaining 75 percent. There is no additional cost to

- join the program. This program provides a safety net when an emergency arises for those carpooling, vanpooling, taking transit, walking to work, or bicycling to work.
- **Shuttle Service:** A shuttle service will be provided for employees to use for commuting to work. The shuttle service is provided by Bauers and is currently being implemented in the existing business park surrounding the proposed project. A new shuttle service, specifically serving the buildings along O'Brien Drive, recently started on February 1, 2015. The shuttle service has a stop in front of 1505 O'Brien Drive. This shuttle service will include a separate BART shuttle and Caltrain shuttle. The BART shuttle will carry up to 20 passengers between the Union City BART Station and the project site during the AM and PM peak hours. The shuttle departs every 60-65 minutes. The Caltrain shuttle will carry up to 20 passengers between the Palo Alto Caltrain Station and the project site during the AM and PM peak hours. The shuttle departs every 40 minutes. The project should have a minimum of five roundtrips in the AM and PM peak periods, each carrying 20 passengers, for a total of 100 additional seats to the Caltrain station per peak hour. The shuttles should accommodate the total demand for the potential 100 Caltrain users. There is also a pick-up/drop-off location at Decoto Road/Ozark Park Way in Fremont, CA.
 - **Subsidized Transit Tickets:** Caltrain Go Passes will be provided to employees at no cost to the employees. The Caltrain Go Pass allows for unlimited rides, seven days a week. The cost of the Go Pass is \$180 per person, but a minimum of \$15,120 per employer. This equates to 84 Go Passes at a minimum to distribute to all employees. For TDM calculations, it was assumed that 100 Go Passes will be provided for this specific site.
 - **Preferential Carpool Parking:** 32 preferential carpool parking spaces are provided. The carpool parking spaces will be located close to the building's entrances to provide an incentive for employees to carpool. Marked carpool parking spaces will be shown on the proposed site plan.
 - **Commute Assistance Center:** A Commute Assistance Center will be provided with the following features: transit brochure rack, computer kiosk connected to internet, telephone, and a desk and chairs. The center should encourage employees to use transit to commute to work and provide ease of access to determine the optimal mode of transportation home.
 - **Monthly Allowance for Bicyclists, Walkers, and Carpoolers:** A monthly allowance of \$20 will be offered to those employees who walk, bicycle, or carpool to work. This measure provides further incentive to not drive alone to work. The \$20 monthly allowance equates to approximately \$1 per day.
 - **Flexible work hours:** Employees will be offered the opportunity to work a flexible work schedule. Employees can work outside the traditional 8 AM to 5 PM work day. This measure will result in employees avoiding the AM peak (7 AM to 9 AM) and PM peak (4 PM and 6 PM) for their daily commute. It is anticipated that 35 employees would participate in this flexible work schedule.
 - **Combination of Two Elements:** Combining at least two elements in the TDM program results in five additional peak hour trips. By offering complimentary TDM elements, experience has shown that the effectiveness of the program increases.

As shown in **Table 3**, the proposed TDM measures total to 512 trip credits. Although the TDM program results in 512 trip credits, the effectiveness of the TDM program was calculated separately.

EFFECTIVENESS OF TDM PROGRAM ELEMENTS

The effectiveness of the TDM plan was predicted using the COMMUTER model developed by the United States Environmental Protection Agency (EPA). The COMMUTER model is a spreadsheet based model that predicts the travel and emission effects resulting from an employer implemented transportation management program. The model allows for inputs to local work-trip mode shares, work trip lengths, vehicle occupancy, financial incentives for alternative modes of transportation, employer participation rates, and the level of each program to determine the predicted trip reduction rates. After inputting the specific TDM measures mentioned in **Table 3** for the proposed project, the anticipated trip reduction percentage is 21.1 percent. The 21.1 percent effectiveness is similar to other TDM plans in the local area. The COMMUTER model output for this project is shown in **Attachment B**.

The anticipated trip reduction of 21.1 percent was applied to the proposed project trips only, not the trip credits. **Table 4** shows the trip generation summary including the previous use trip credits and the TDM trip reduction.

Table 4 – Trip Generation Summary with Trip Credits

Uses	Vehicle Trips		
	Daily	AM Peak	PM Peak
Proposed Use Trips	1,316	189	174
TDM Trip Reduction (21.1%)	-278	-40	-36
Previous Use Trip Credits	-1,178	-134	-133
Net New Trips	-140	15	5

The net new trips for the proposed project after taking trip credits for the previous use and the TDM program are -140 daily trips, 15 AM peak hour trips, and five PM peak hour trips. The 15 AM peak hour trips and five PM peak hour trips are below the City’s threshold of 16 peak hour trips (the equivalent number of peak hour trips for a 10 KSF office building).

Attachment A

1315 O'Brien Trip Generation Table

TIME PERIOD		LAND USE	Trip Rate			Trips		
			In	Out	Total	In	Out	Total
Daily	Previous	Warehousing (162.839 KSF)	1.78	1.78	3.56	280	280	560
		General Office Building (56.002 KSF)	5.515	5.515	11.03	309	309	618
		Total Previous Use Daily Trips				(589)	(589)	(1,178)
	Proposed	Research and Development Center (113.382 KSF)	4.06	4.06	8.11	460	460	920
		Manufacturing (45.796 KSF)	1.91	1.91	3.82	88	88	176
		Warehousing (61.338 KSF)	1.78	1.78	3.56	110	110	220
		Total Proposed Use Daily Trips				658	658	1,316
		TDM Reduction (21.1%)				(139)	(139)	(278)
	Net New Daily Trips				(70)	(70)	(140)	
AM Peak	Previous	Warehousing (162.839 KSF)	0.24	0.06	0.30	37	10	47
		General Office Building (56.002 KSF)	1.37	0.19	1.56	77	10	87
		Total Previous Use AM Trips				(114)	(20)	(134)
	Proposed	Research and Development Center (113.382 KSF)	1.01	0.21	1.22	115	23	138
		Manufacturing (45.796 KSF)	0.57	0.16	0.73	26	7	33
		Warehousing (61.338 KSF)	0.24	0.06	0.30	14	4	18
		Total Proposed Use AM Trips				155	34	189
		TDM Reduction (21.1%)				(33)	(7)	(40)
	Net New AM Peak Trips				8	7	15	
PM Peak	Previous	Warehousing (162.839 KSF)	0.08	0.24	0.32	13	37	50
		General Office Building (56.002 KSF)	0.25	1.24	1.49	14	69	83
		Total Previous Use PM Trips				(27)	(106)	(133)
	Proposed	Research and Development Center (113.382 KSF)	0.16	0.91	1.07	18	103	121
		Manufacturing (45.796 KSF)	0.26	0.47	0.73	12	21	33
		Warehousing (61.338 KSF)	0.08	0.24	0.32	5	15	20
		Total Proposed Use PM Trips				35	139	174
		TDM Reduction (21.1%)				(7)	(29)	(36)
	Net New PM Peak Trips				1	4	5	

Attachment B

COMMUTER MODEL RESULTS

SCENARIO INFORMATION

Description	C/CAG Base TDM Program
Scenario Filename	Tarltton1315-incAltWorkWeek.vme
Emission Factor File	
Performing Agency	Kimley-Horn and Associates, Inc
Analyst	Ben Huie
Metropolitan Area	Menlo Park, CA
Area Size	1 - Large (over 2 million)
Analysis Scope	2 - Site or Employer-Based
Analysis Area/Site	1315 O'Brien Drive
Total Employment	360

PROGRAMS EVALUATED

<input checked="" type="checkbox"/>	Site Walk Access Improvements
<input type="checkbox"/>	Transit Service Improvements
<input checked="" type="checkbox"/>	Financial Incentives
<input checked="" type="checkbox"/>	Employer Support Programs
<input checked="" type="checkbox"/>	Alternative Work Schedules
<input type="checkbox"/>	User-Supplied Final Mode Shares

MODE SHARE IMPACTS

Mode	Baseline	Final	%Change
Drive Alone	70.5%	55.2%	-15.3%
Carpool	6.5%	9.0%	+2.5%
Vanpool	0.0%	0.0%	+0.0%
Transit	4.3%	17.4%	+13.1%
Bicycle	7.3%	8.6%	+1.3%
Pedestrian	2.7%	2.8%	+0.1%
Other	8.7%	7.0%	-1.7%
No Trip	-	0.0%	+0.0%
Total	100.0%	100.0%	-

Shifted from Peak to Off-Peak	1.1%
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TRAVEL IMPACTS (relative to affected employment)

Quantity	Peak	Off-Peak	Total
Baseline VMT	4,483	2,818	7,301
Final VMT	3,688	2,425	6,113
VMT Reduction	794	394	1,188
% VMT Reduction	17.7%	14.0%	16.3%
Baseline Trips	324	204	528
Final Trips	256	170	426
Trip Reduction	68	34	102
% Trip Reduction	21.1%	16.6%	19.4%



STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-115-CC

Regular Business: **Adopt a Resolution of the Successor Agency to the Community Development Agency of the City of Menlo Park Approving the Issuance of Refunding Bonds, Approving the Execution and Delivery of an Indenture of Trust, Approving the Execution and Delivery of Irrevocable Refunding Instructions, Requesting Oversight Board Approvals and Determinations, and Providing for Other Matters Related to the Refinancing**

Recommendation

Staff recommends that the City Council, acting in its capacity as Successor Agency to the former Community Development Agency, adopt a resolution that authorizes the following actions:

- Approves the issuance of refunding bonds in order to refund the outstanding bonds of the former Community Development Agency;
- Approves the execution and delivery of an indenture of trust related to the refunding of the outstanding bonds;
- Approves the execution and delivery of irrevocable refunding instructions related to the bonds being refunded;
- Requests Oversight Board approval of the issuance of the refunding bonds;
- Requests certain determinations by the Oversight Board; and
- Provides for other matters related to the refinancing.

Policy Issues

The refinancing of bonded debt in order to reduce debt service costs and reduce risk is consistent with City fiscal policy.

Background

In 2006, the Menlo Park Community Development Agency (CDA) issued \$72,430,000 of Ambac-insured variable rate tax allocation bonds. The purpose of that bond issue was to refinance outstanding bonds that were issued in 1996 and 2000 at lower interest rates to generate debt service savings to the CDA.

In 2008, the agreement was modified to substitute a letter of credit in lieu of the insurance that had formerly been provided by Ambac, as that firm had declared bankruptcy. The letter of credit is similar to

bond insurance in that it guarantees the timely payment of principal and interest on the bonds. The letter of credit is provided by State Street Bank and Trust Company (State Street).

In 2011, State Street and the former CDA entered into an Amended and Reinstated Letter of Credit and Reimbursement Agreement that extended the term of the letter of credit until May 25, 2013, and provided for an optional annual renewal on May 25th each year thereafter.

In 2012, all redevelopment agencies were dissolved through legislative acts. This dissolution was followed by a downgrading or withdrawal of bond ratings by Moody's on the existing debt of California's former redevelopment agencies. This downgrade resulted in an increase in the letter of credit fee from 1.25% of outstanding debt to 2.75% of outstanding debt, which significantly increased the annual debt service cost for these bonds.

In May of 2013, State Street exercised its renewal option on the letter of credit, and at that point, staff initiated discussions with this firm to negotiate improved terms. In March of 2014, an amendment to the letter of credit agreement was finalized. This amendment reduced the letter of credit fee to 2.0%, which saved the former CDA approximately \$450,000 annually. This amendment also extended the term of the letter of credit to March, 2017.

Analysis

With only two years remaining on the existing letter of credit and a favorable interest rate environment, staff recently began looking into refinancing the 2006 bonds to achieve the following objectives:

1. Lower the overall debt service cost, which is paid by former tax increment revenue that is now distributed by the County via the Redevelopment Property Tax Trust Fund (RPTTF)
2. Reduce the risk associated with the letter of credit, as the current rate of 2.0% will need to be renegotiated by the March, 2017 expiration date. With minimal competition in the market for letters of credit, the possibility exists that the cost of the letter of credit could increase, thus increasing the total cost of debt service
3. Reduce the counter-party risk by eliminating the reliance on entities providing both the letter of credit and the swap
4. Reduce the market risk by converting to pure fixed-rate debt

Based on the current interest rate environment, the preliminary analysis indicates that a refinancing of this debt can achieve these objectives. Based on the initial financial scenarios, the total net present value savings is projected to be between \$785,000 and \$834,000. Further, the risk mitigation associated with eliminating the letter of credit makes pursuing a refinancing of this debt favorable for the impacted taxing entities above and beyond the estimated savings.

The process to execute the refinancing is underway, as an underwriter for the transaction was recently selected based on the results of a competitive process, and Council recently authorized the City Manager to enter into an agreement with bond and disclosure counsel to prepare the necessary legal documents. The next step in the process is for City Council, acting in its capacity as Successor Agency to the former Community Development Agency, to adopt the resolution that takes the necessary actions to continue to move forward with this refinancing. The resolution, which is included as Attachment A to this report,

includes the following:

- A determination that this refinancing has significant potential savings to applicable taxing entities and that this refinancing will only be issued if the refunding bonds comply with State code related to refinancing debt of former redevelopment agencies
- Approval of the issuance of the bonds, the indenture (Attachment A, Exhibit A), and the refunding instructions (Attachment A, Exhibit B)
- Requests of the Oversight Board to approve issuance of the bonds and to make determinations related to the issuance of the bonds
- Other required actions related to the issue such as the filing of the debt service savings analysis, authorizing the purchase agreement, requesting subordination agreements with other taxing entities, obtaining bond insurance, and approving the official statement

Impact on City Resources

As noted, the initial financial scenarios indicate net present value savings from between \$520,000 to \$1,370,000 from this refinancing depending on the process used to satisfy the reserve requirement. These savings would be realized over the life of the debt, which runs through 2031. Lower debt service costs for former Community Development Agency debt results in a greater amount of former tax increment being available for distribution to all of the impacted taxing entities, including the City of Menlo Park.

Environmental Review

Environmental review is not required.

Public Notice

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

Attachments

A. Resolution

- Exhibit A, Indenture of Trust
- Exhibit B, Refunding Instructions
- Exhibit C, Bond Purchase Agreement

Report prepared by:

Drew Corbett, Finance Director

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RESOLUTION NO.**RESOLUTION OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK APPROVING THE ISSUANCE OF REFUNDING BONDS IN ORDER TO REFUND CERTAIN OUTSTANDING BONDS OF THE FORMER COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK, APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST RELATING THERETO, APPROVING THE EXECUTION AND DELIVERY OF IRREVOCABLE REFUNDING INSTRUCTIONS RELATING TO THE BONDS BEING REFUNDED, REQUESTING OVERSIGHT BOARD APPROVAL OF THE ISSUANCE OF THE REFUNDING BONDS AND THE APPROVAL OF SUCH PROFESSIONAL SERVICES CONTRACTS, REQUESTING CERTAIN DETERMINATIONS BY THE OVERSIGHT BOARD, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO**

WHEREAS, the Community Development Agency of the City of Menlo Park (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Law"); and

WHEREAS, a redevelopment plan for the redevelopment project area designated the "Las Pulgas Community Development Project" in the City of Menlo Park, California (the "Redevelopment Project") were adopted in compliance with all requirements of the Law; and

WHEREAS, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, Section references hereinafter being to such Code), the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, and the City of Menlo Park (the "City") has become the successor entity to the Former Agency (the "Successor Agency"); and

WHEREAS, prior to dissolution of the Former Agency, the Former Agency issued its Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 2006 in the initial aggregate principal amount of \$72,430,000 (the "Prior Bonds") in order to refund the Former Agency's Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 1996, and the Former Agency's Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000; and

WHEREAS, Assembly Bill X1 26, effective June 29, 2011, together with AB 1484, effective June 27, 2012 ("AB 1484" and, collectively, as further amended, the "Dissolution Act"), resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former Agency; and

WHEREAS, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters"); and

WHEREAS, Section 34177.5 also authorizes the refunding, pursuant to the Refunding Law, of existing obligations to avoid debt service spikes subject to the conditions set forth in Section 34177.5(a)(2); and

WHEREAS, to determine compliance with the Savings Parameters and compliance with the requirements of Section 34177.5(a)(2) for purposes of the issuance by the Successor Agency of its Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (the "Series A Bonds") and its Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series B Taxable Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (the "Taxable Series B Bonds" and, together with the Series A Bonds, the "Refunding Bonds"), the Successor Agency has caused its financial advisor, Public Financial Management, Inc. (the "Financial Advisor"), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the Refunding Bonds to refund the Prior Bonds (the "Debt Service Savings Analysis"), and to demonstrate that the amount of the 2015 Bonds does not exceed the amount required to finance potential debt service spikes in connection with the expiration of the letter of credit and the termination of the interest rate swap both entered into in connection with the Prior Bonds; and

WHEREAS, the Successor Agency desires at this time to approve the issuance of the Refunding Bonds and to approve the form of and authorize the execution and delivery of the Indenture of Trust, by and between the Successor Agency and a trustee to be selected by the Successor Agency, as provided below, providing for the issuance of the Refunding Bonds (the "Indenture"), and the Irrevocable Refunding Instructions to be delivered to The Bank of New York Mellon Trust Company, N.A., as trustee for the Prior Bonds, to be dated as of the date of the issuance and delivery of the Refunding Bonds (the "Refunding Instructions"); and

WHEREAS, pursuant to Section 34179, an oversight board (the "Oversight Board") has been established for the Successor Agency; and

WHEREAS, the Successor Agency is now requesting that the Oversight Board direct the Successor Agency to undertake the refunding proceedings and to approve the issuance of the Refunding Bonds pursuant to this Resolution and the Indenture; and

WHEREAS, the Successor Agency further requests that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds; and

WHEREAS, the Successor Agency has determined to sell the Refunding Bonds to Morgan Stanley & Co. LLC (the "Original Purchaser") pursuant to the terms of the Bond Purchase Agreement (the "Purchase Agreement") to be entered into by the Successor Agency and the Original Purchaser; and

WHEREAS, following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of its Disclosure Counsel, the Financial Advisor and the Fiscal Consultant to the Successor Agency, cause to be prepared a form of Official Statement for the Refunding Bonds describing the Refunding Bonds and containing material information relating to the Successor Agency and the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for

approval for distribution by the Original Purchaser, as underwriter of the Refunding Bonds, to persons and institutions interested in purchasing the Refunding Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Successor Agency to the Community Development Agency of the City of Menlo Park, as follows:

1. Determination of Savings; Compliance with Section 34177.5(a)(1) and (a)(2). The Successor Agency has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to provide funds to refund and defease the Prior Bonds, all as evidenced by the Debt Service Savings Analysis on file with the Successor Agency, which Debt Service Savings Analysis is hereby approved. In addition, the Refunding Bonds shall only be issued if the Refunding bonds comply with the provisions of Section 34177.5(a)(1) and Section 34177.5(a)(2), including limiting the amount of the Refunding Bonds to the amount required to refund the Prior Bonds, to finance any fees, including termination fees, that will be due and owing with respect to the letter of credit bank and the termination of the interest rate swap entered into in connection with the Prior Bonds, and to pay the costs of issuing the Refunding Bonds, including amounts required to purchase bond insurance and a reserve fund surety bond for the Refunding Bonds. Pursuant to Section 5903 of the California Government Code, the Successor Agency hereby determines that interest on the Taxable Series B Bonds be subject to all applicable federal income taxation.

2. Approval of Issuance of the Bonds. The Successor Agency hereby authorizes and approves the issuance of the Refunding Bonds under the Law and the Refunding Law in a combined aggregate principal amount of not to exceed \$75,000,000, provided that the Refunding Bonds are in compliance with the Savings Parameters and all other requirements of Section 34177.5 at the time of sale and delivery and that the Taxable Series B Bonds will be issued only if it is determined that the payment of fees, if any, owing to the letter of credit bank and the termination fee owed with respect to interest rate swap entered into in connection with the Prior Bonds are not eligible to be paid with the proceeds of tax exempt bonds.

3. Approval of Indenture. The Successor Agency hereby approves the Indenture prescribing the terms and provisions of the Refunding Bonds and the application of the proceeds of the Refunding Bonds. Each of the Mayor, the City Manager or the Finance Director, on behalf of the Successor Agency (each, an "Authorized Officer"), is hereby authorized and directed to execute and deliver, and the City Clerk of the City, on behalf of the Successor Agency, is hereby authorized and directed to attest to, the Indenture for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Successor Agency, with such changes therein, deletions therefrom and additions thereto (including the inclusion of provisions required for the utilization of capital appreciation bonds) as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the Indenture. The Authorized Officers are hereby directed and authorized to select a trustee for the Refunding Bonds. The Successor Agency hereby authorizes the delivery and performance of the Indenture.

4. Approval of Refunding Instructions. The forms of the Refunding Instructions on file with the Successor Agency are hereby approved and the Authorized Officers are, each acting alone, hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver the Refunding Instructions. The Successor Agency hereby authorizes the delivery and performance of its obligations under the Refunding Instructions.

5. Oversight Board Approval of the Issuance of the Bonds. The Successor Agency hereby requests the Oversight Board, as authorized by Section 34177.5(f), to direct the Successor Agency to undertake the refunding proceedings and as authorized by Section 34177.5(f) and Section 34180 to approve the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1) and this Resolution and the Indenture.

6. Determinations by the Oversight Board. The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of the Prior Bonds, as well as the payment by the Successor Agency to terminate the swap agreement relating to the Prior Bonds and of costs of issuance of the Refunding Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, notwithstanding Section 34177.3 or any other provision of law to the contrary, without the approval of the Oversight Board, the California Department of Finance, the San Mateo County Auditor-Controller or any other person or entity other than the Successor Agency;

(c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34181(a)(3) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings of the Refunding Bonds from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

7. Filing of Debt Service Savings Analysis and Resolution. The Successor Agency is hereby authorized and directed to file the Debt Service Savings Analysis, together with a certified copy of this Resolution, with the Oversight Board, and, as provided in Section 34180(j) with the San Mateo County Administrative Officer, the San Mateo County Auditor-Controller and the California Department of Finance.

8. Sale of Refunding Bonds. The Successor Agency hereby approves the Purchase Agreement. The Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver the Purchase Agreement for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Successor Agency, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the Purchase Agreement. The Authorized Officers are further authorized to select one or more co-managing underwriters for one or more series of the Refunding Bonds.

9. Issuance of Refunding Bonds in Whole or in Part. It is the intent of the Successor Agency to sell and deliver the Refunding Bonds in whole, provided that there is compliance with the Savings Parameters. However, the Successor Agency will initially authorize the sale and delivery of the Refunding Bonds in whole or, if such Savings Parameters cannot be met with respect to the whole, then in part; provided that the Refunding Bonds so sold and delivered in part are in compliance with the Savings Parameters. The sale and delivery of the Refunding Bonds in part will in each instance provide sufficient funds only for the refunding of that portion of the Refunding Bonds that meet the Savings Parameters. In the event the Refunding Bonds are initially sold in part, the Successor Agency intends to sell and deliver additional parts of the Refunding Bonds without the prior approval of the Oversight Board provided that in each such instance the Refunding Bonds so sold and delivered in part are in compliance with the Savings Parameters.

10. Subordination Agreements. The Successor Agency is hereby directed to request subordination of its pass-through obligations to taxing entities and the Authorized Officers are, each acting alone, hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver subordination agreements as are necessary and applicable with such taxing entities. The Successor Agency hereby authorizes the delivery and performance of its obligations under such subordination agreements.

11. Municipal Bond Insurance and Surety Bonds. The Authorized Officers, each acting alone, are hereby authorized and directed to take all actions necessary to obtain a municipal bond insurance policy for the Refunding Bonds and reserve account surety bonds for the Refunding Bonds from a municipal bond insurance company if it is determined, upon consultation with the Financial Advisor and the Original Purchaser, that such municipal bond insurance policy and/or surety bonds will reduce the true interest costs with respect to the Refunding Bonds.

12. Approval of Official Statement. Following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of its Disclosure Counsel, Fiscal Consultant and Financial Advisor, cause to be prepared a form of Official Statement for the Refunding Bonds describing the Refunding Bonds and containing material information relating to the Successor Agency and the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the Original Purchaser to persons and institutions interested in purchasing the Refunding Bonds.

13. Official Actions. The Authorized Officers and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in obtaining the requested approvals by the Oversight Board and the California Department of Finance, in obtaining the subordination of any pass-through or tax sharing agreements, and in the issuance, sale and delivery of the Refunding Bonds. Whenever in this Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

14. Effective Date. This Resolution shall take effect from and after the date of approval and adoption thereof.

PASSED, ADOPTED AND APPROVED at a regular meeting of the Successor Agency to the Community Development Agency of the City of Menlo Park duly held on July 21, 2015, by the following vote:

I certify that the foregoing Resolution was passed and adopted by the Oversight Board, at a special meeting held on July 30, 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

Chairperson

Oversight Board Secretary

INDENTURE OF TRUST

Dated as of _____, 2015

by and between the

**SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF
MENLO PARK**

and

_____,
as Trustee

Relating to

\$ _____
**Successor Agency to the Community Development Agency of the City of Menlo Park
2015 Series A Tax Allocation Refunding Bonds
(Las Pulgas Community Development Project)**

and

\$ _____
**Successor Agency to the Community Development Agency of the City of Menlo Park
2015 Series B Taxable Tax Allocation Refunding Bonds
(Las Pulgas Community Development Project)**

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EXHIBIT A	FORM OF 2015 BOND
EXHIBIT B	DEBT SERVICE PAYMENT SCHEDULE

INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is made and entered into and dated as of _____ 1, 2015, by and between the SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK, a public entity duly created and existing under the laws of the State of California (the "Successor Agency"), and _____, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Community Development Agency of the City of Menlo Park (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Law");

WHEREAS, a redevelopment plan for the redevelopment project area designated the "Las Pulgas Community Development Project" in the City of Menlo Park, California (the "Redevelopment Project") were adopted in compliance with all requirements of the Law;

WHEREAS, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, Section references hereinafter being to such Code), the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, and the City of Menlo Park (the "City") has become the successor entity to the Former Agency (the "Successor Agency");

WHEREAS, prior to dissolution of the Former Agency, the Former Agency issued its Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 2006 in the initial aggregate principal amount of \$72,430,000 (the "2006 Bonds") in order to refund the Former Agency's Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 1996, and the Former Agency's Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000;

WHEREAS, Assembly Bill X1 26, effective June 29, 2011, together with AB 1484, effective June 27, 2012 ("AB 1484" and, collectively, as further amended, the "Dissolution Act"), resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former Agency;

WHEREAS, AB 1484, and, in particular, Section 34177.5 of the Health and Safety Code, authorizes the Successor Agency to undertake proceedings to issue bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") in order to refund existing obligations of the Successor Agency for savings, subject to the conditions precedent contained in said Section 34177.5(a)(1), and to avoid debt service spikes, subject to the conditions precedent contained in said Section 34177.5(a)(2);

WHEREAS, as required by Section 34177.5(a)(1) of the Dissolution Act, there are debt service savings that can be achieved through a refinancing of the 2006 Bonds and the

termination of the swap agreement with respect thereto and, as required by Section 34177.5(a)(2) of the Dissolution Act, the debt service on the 2006 Bonds is not being accelerated, except to the extent necessary to achieve substantially level debt service, and the principal amount of the 2015 Bonds (as defined below) does not exceed the amount required to finance potential debt service spikes in connection with the expiration of the letter of credit and the termination of the interest rate swap both entered into in connection with the 2006 Bonds;

WHEREAS, the Successor Agency has determined that it is necessary and advisable to refund the 2006 Bonds for savings through the issuance pursuant to the Law, the Dissolution Act (as defined herein) and the Refunding Law of its \$_____ aggregate principal amount of Successor Agency to the Community Development of the City of Menlo Park 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (the "2015 Series A Bonds") and \$_____ of its aggregate principal amount of Successor Agency to the Community Development of the City of Menlo Park 2015 Series B Taxable Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (the "Taxable 2015 Series B Bonds" and, together with the 2015 Series A Bonds, the "2015 Bonds") to provide funds to refund the outstanding 2006 Bonds;

WHEREAS, in order to provide for the authentication and delivery of the Bonds (as defined herein), including the 2015 Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute this Indenture a legal, valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Bonds issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Successor Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DETERMINATIONS; DEFINITIONS

Section 1.01. Findings and Determinations. The Successor Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, pursuant to each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

Section 1.02. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.02 shall, for all purposes of this Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and Parity Debt in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from mandatory sinking account payments as scheduled (b) the principal amount of the Outstanding Serial Bonds and Parity Debt payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Fiscal Year.

"Bond" or "Bonds" means the 2015 Bonds and, if the context requires, any additional Parity Debt issued pursuant to a Supplemental Indenture pursuant to Section 3.05 hereof.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03.

"Bond Year" means, any twelve-month period beginning on October 2 in any year and ending on the next succeeding October 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on [October 1, 2016].

"Business Day" means a day of the year on which banks in San Francisco, California, or the city where the Principal Corporate Trust Office is located are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

"Chairman" means the Mayor of the City or other duly appointed officer of the Successor Agency authorized by the Successor Agency by resolution to perform the functions of the Chairman in the event of the Chairman's absence or disqualification.

"City" means the City of Menlo Park, California, a municipal corporation and chartered city duly organized and existing under the laws of the State.

"Closing Date" means, with respect to the 2015 Bonds, the date on which the 2015 Bonds are delivered by the Trustee to the original purchaser thereof, being _____, 2015.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the Successor Agency dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to City and Successor Agency administrative staff costs, printing expenses, bond insurance and surety bond premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

"County" means the County of San Mateo, a county duly organized and existing under the Constitution and laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.03.

"Defeasance Obligations" means (i) cash, (ii) Federal Securities and (iii) Permitted Investments listed under subsection (b) of the definition thereof excluding Permitted Investments listed under (b) (iv) and (b) (vi).

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.11.

"Depository System Participant" means any participant in the Depository's book-entry system.

"Dissolution Act" means Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.01.

"Executive Director" means the City Manager of the City, as the executive director of the Successor Agency.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

"Former Agency" means the Community Development Agency of the City of Menlo Park, a public body corporate and politic duly organized and existing under the Law and dissolved in accordance with the Dissolution Act.

"Indenture" means this Indenture of Trust by and between the Successor Agency and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Successor Agency;
- (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

- (a) is judged by the Successor Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects;
- (b) is in fact independent and not under domination of the Successor Agency;
- (c) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Successor Agency may designate in a Written Certificate of the Successor Agency delivered to the Trustee.

"Insurer" means _____, or any successor thereto.

"Interest Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(a).

"Interest Payment Date" means [April 1 and October 1] of each year, commencing [April 1, 2016], so long as any of the Bonds remain Outstanding hereunder.

"Law" means the Community Redevelopment Law, constituting Part 1 of Division 24 of the California Health and Safety Code, together with the Dissolution Act, and the acts amendatory thereof and supplemental thereto.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any Parity Debt, as certified in writing by the Successor Agency to the Trustee.

"Nominee" means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.11(a).

"Notice of Insufficiency" means the report described in Health and Safety Code Section 34183(b) of the Dissolution Act.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.03;
and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant hereto.

"Oversight Board" means the Oversight Board of the Successor Agency to the Community Development Agency of the City of Menlo Park duly constituted from time to time pursuant to Section 34179 of the California Health and Safety Code.

"Owner" or "Bondowner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any bonds payable from Tax Revenues on a parity with the 2015 Bonds as authorized by the provisions of Section 3.05.

"Parity Debt Instrument" means any Supplemental Indenture authorizing the issuance of any Parity Debt entered into pursuant to Section 7.01(e).

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAAm", or "AAm", including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, including affiliates of the Trustee, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee on behalf of the Bond Owners must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) unsecured certificates of deposit, time deposits, money market deposits, demand deposits and bankers' acceptances of any bank (including those of the Trustee, its parent and its affiliates) the short-term obligations of which are rated on the date of purchase "A-1" or better by S&P and "P-1" by Moody's;

(h) investment agreements, including guaranteed investment contracts, which, are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, which are rated in one of the two highest rating categories by S&P or which are collateralized so as to be rated in one of the two highest rating categories by S&P;

(i) commercial paper rated, at the time of purchase, "A-1" or better by S&P;

(j) bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies;

(k) money market funds, federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P;

(l) repurchase agreements for thirty (30) days or less (more than thirty (30) days which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated "A" or better by S&P, or (B) a bank rated "A" or better by S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the

cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(m) pre-refunded municipal bonds rated "AAA" by S&P; and

(n) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to deposit and withdraw from such investment directly in its own name.

"Plan Limit" means the limitation contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.2 of the Law.

"Project Area" means the project area described in the Redevelopment Plan.

"Principal Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(b).

"Principal Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Successor Agency. Except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the corporate trust office of _____ in _____, _____ or such other office or agency of the Trustee at which at any particular time, its corporate trust agency or operations shall be conducted.

"Project Area" means the project area described in the Redevelopment Plan.

"Qualified Reserve Account Credit Instrument" means (i) the 2015 Reserve Account Policy or (ii) an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) S&P or Moody's have assigned a long-term credit rating to such bank or insurance company of "A" or higher; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit, insurance policy or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 4.03(a), 4.03(b) or 4.03(c) of this Indenture.

"Recognized Obligation Payment Schedule" means the schedule by that name prepared before each six-month fiscal period in accordance with the requirements of Section 34177(l) of the California Health and Safety Code.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

"Redemption Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(e).

"Redevelopment Obligation Retirement Fund" means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

"Redevelopment Plan" means the Las Pulgas Community Development Project of the Agency in Menlo Park, California, adopted and approved as the Official Development Plan for the Project Area by Ordinance No. 670 adopted by the City Council of the City on November 24, 1981, as amended by Ordinance No. 826 adopted by the City Council of the City on September 10, 1991, as amended by Ordinance No. 861 adopted on October 18, 1994, as amended by Ordinance No. 925 adopted on December 9, 2003, as amended by Ordinance No. 929 adopted April 6, 2004, and together with all amendments thereof or supplements thereto hereafter made in accordance with the Law. **[Any other amendments?]**

"Redevelopment Property Tax Trust Fund" means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the San Mateo County Auditor–Controller.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

"Refunding Law" means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(d), together with a "Series 2015 Reserve Subaccount" therein.

"Reserve Insurer" means _____, or any successor thereto.

"Reserve Requirement" means, with respect to the 2015 Bonds and any Parity Debt issued as Bonds pursuant to a Supplemental Indenture, the lesser of (i) 125% of the average Annual Debt Service with respect to the 2015 Bonds and such Parity Debt, as applicable or (ii) Maximum Annual Debt Service with respect to the 2015 Bonds and such Parity Debt, as applicable; provided, that in no event shall the Successor Agency, in connection with the issuance of Parity Debt in the form of Bonds pursuant to a Supplemental Indenture be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such Parity Debt issued in the form of Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of Section 4.03(d) hereof.

"S&P" means Standard & Poor's Ratings Services and its successors.

"Securities Depositories" means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Written Request of the Successor Agency delivered to the Trustee.

"Semiannual Period" means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

"Serial Bonds" means all Bonds other than Term Bonds.

"Sinking Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(c).

"State" means the State of California.

"Subordinate Debt" means any Loan, advances or indebtedness issued or incurred by the Successor Agency, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues, including revenue bonds and other debts and obligations scheduled for payment pursuant to Section 34183(a)(2) of the Law; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds.

"Successor Agency" means the Successor Agency to the Community Development Agency of the City of Menlo Park, a public entity duly organized and existing under the Law.

"Supplemental Indenture" means any resolution, agreement or other instrument that has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Swap Termination Payment Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

"Tax Revenues" means all taxes that were eligible for allocation to the Former Agency with respect to the Project Areas and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are deposited in the Redevelopment Property Tax Trust Fund for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law or pursuant to any tax sharing agreement entered into by the Former Agency with a taxing entity, in both cases as provided in Section 34183(a)(1) of the Health and Safety Code, unless such payments are subordinated to payments on the 2015 Bonds or any additional Bonds or to the payments owed under any Parity Debt Instrument in accordance with the Law and the Dissolution Act.

"Taxable 2015 Series B Bonds" means the \$_____ initial principal amount of Successor Agency to the Community Development of the City of Menlo Park 2015 Series B Taxable Tax Allocation Refunding Bonds (Las Pulgas Community Development Project).

"Term Bonds" means, collectively, (i) the 2015 Series A Bonds maturing on October 1, 20__, and (ii) any Parity Debt issued pursuant to a Supplemental Indenture pursuant to Section 7.01(e) and payable from amounts in the Sinking Account established pursuant to Section 4.03(c).

"Treasurer" means the Finance Director of the City, as the treasurer of the Successor Agency.

"Trustee" means _____, as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the provisions of Article VI.

"Written Request of the Successor Agency" or "Written Certificate of the Successor Agency" means a request or certificate, in writing signed by the Chair, the Executive Director, or the Treasurer, or the Economic Development Director/Financial Services Manager of the City on behalf of the Successor Agency, or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

"2006 Bonds" means the Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 2006 in the initial aggregate principal amount of \$72,430,000, issued by the Former Agency.

"2006 Bonds Refunding Fund" means the fund by that name established in Section 3.04 hereof.

"2006 Bonds Refunding Instructions" means those Irrevocable Refunding Instructions dated the date of issuance and delivery of the 2015 Bonds relating to the refunding of the 2006 Bonds, executed by the Successor Agency and delivered to U.S. Bank National Association, as trustee of the 2006 Bonds.

"2015 Bonds" means, collectively, the 2015 Series A Bonds and the Taxable 2015 Series B bonds.

"2015 Series A Bonds" means the \$_____ initial principal amount of Successor Agency to the Community Development of the City of Menlo Park 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project).

"2015 Insured Bonds" means [to come].

"2015 Policy" means _____ issued by Insurer that guarantees the scheduled payment of principal of and interest on the 2015 Insured Bonds when due.

"2015 Reserve Account Agreement" means the _____ Agreement, dated the Closing Date with respect to the 2015 Bonds, by and between the Successor Agency and Insurer.

"2015 Reserve Account Policy" means the _____ issued by Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2015 Bonds as provided in such policy and in the 2015 Reserve Account Agreement.

Section 1.03. Rules of Construction. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

AUTHORIZATION AND TERMS

Section 2.01. Authorization of 2015 Bonds. The 2015 Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture, the Law, the Dissolution Act and the Refunding Law. This Indenture constitutes a continuing agreement with the Owners of all of the Bonds, including the 2015 Bonds, issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and redemption premiums (if any) and the interest on all Bonds, including the 2015 Bonds, which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The 2015 Bonds shall be issued in two separate series and shall be designated the "Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project)" and the "Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series B Taxable Tax Allocation Refunding Bonds (Las Pulgas Community Development Project)". The 2015 Series A Bonds shall be issued in the initial aggregate principal amount of \$_____ and the Taxable 2015 Series B Bonds shall be issued in the initial aggregate principal amount of \$_____.

Section 2.02. Terms of 2015 Bonds. The 2015 Bonds shall be dated as of the Closing Date, and shall be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof. The 2015 Series A Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum as follows:

2015 Series A Bonds

Maturity Date (October 1)	Principal Amount	Interest Rate Per Annum
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The Taxable 2015 Series B Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum as follows:

Taxable 2015 Series B Bonds

Maturity Date (October 1)	Principal Amount	Interest Rate Per Annum
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[All of the 2015 Bonds are insured by Insurer under the 2015 Policy.]

Interest on the 2015 Bonds (including the final interest payment upon maturity or earlier redemption) shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2015 Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of and redemption premium (if any) on any 2015 Bond shall be paid upon presentation and surrender thereof, at maturity, at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the 2015 Bonds shall be payable in lawful money of the United States of America.

Each 2015 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2015 Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any 2015 Bond, interest thereon is in default, such 2015 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.03. Redemption of 2015 Series A Bonds.

(a) Optional Redemption. The 2015 Series A Bonds maturing on or before October 1, [2025] are not subject to optional redemption prior to maturity. The 2015 Series A Bonds maturing on and after October 1, [2026], are subject to redemption, at the option of the Successor Agency on any date on or after October 1, [2025], as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2015 Series A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Taxable 2015 Series B Bonds are not subject to redemption at the option of the Successor Agency.

The Successor Agency shall be required to give the Trustee written notice of its intention to redeem 2015 A Bonds under this subsection (a) with a designation of the principal amount and maturities to be redeemed at least sixty (60) days prior to the date fixed for such redemption (or such late date as is acceptable to the Trustee).

(b) Mandatory Sinking Account Redemption of 2015 Series A Bonds. (i) The 2015 Series A Bonds maturing on October 1, 20__ shall also be subject to redemption in whole, or in part by lot, on September 1 in each of the years as set forth in the following table, from Sinking Account payments made by the Successor Agency pursuant to Section 4.03(c), at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased pursuant to the succeeding paragraph of this subsection (b), in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however,* that if some but not all of such 2015 Series A Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future Sinking Account payments pursuant to this subsection (b) with respect to such 2015 Series A Bonds shall be reduced by the aggregate principal amount of such 2015 Series A Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (written notice of which determination shall be given by the Successor Agency to the Trustee).

2015 Series A Bonds Maturing October 1, 20__

Sinking Account Redemption Date <u>(October 1)</u>	Principal Amount <u>To Be Redeemed</u>
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*

**Maturity*

In lieu of redemption of the 2015 Series A Bonds pursuant to the preceding paragraph, amounts on deposit in the Sinking Account or the Redevelopment Obligation Retirement Fund (to the extent not required to be transferred to the Trustee pursuant to Section 4.03 during the current Bond Year other than for deposit in the Sinking Account) may also be used and withdrawn by the Successor Agency at any time for the purchase of such 2015 Series A Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of such 2015 Series A Bonds so purchased by the Successor Agency in any twelve-month period ending on August 1 in any year shall be credited towards and shall reduce the par amount of such 2015 Series A Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding October 1.

(ii) The Taxable Series B bonds are not subject to mandatory sinking account redemption prior to their stated maturity dates.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) to the Owners of any 2015 Series A Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2015 Series A Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state that optional redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the 2015 Series A Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all 2015 Series A Bonds between two stated numbers (both inclusive) or all of the 2015 Series A Bonds Outstanding are to be redeemed, and shall require that such 2015 Series A Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2015 Series A Bonds will not accrue from and after the redemption date.

The Successor Agency has the right to rescind any notice of the optional redemption of 2015 Series A Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2015 Series A Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

Upon the payment of the redemption price of 2015 Series A Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2015 Series A Bonds being redeemed with the proceeds of such check or other transfer.

(d) Partial Redemption of 2015 Series A Bonds. In the event only a portion of any 2015 Series A Bond is called for redemption, then upon surrender of such 2015 Series A Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2015 Series A Bond or 2015 Series A Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2015 Series A Bond to be redeemed.

(e) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2015 Series A Bonds so called for redemption shall have been duly deposited with the Trustee, such 2015 Series A Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

(f) Manner of Redemption. Whenever any 2015 Series A Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent 2015 Series A Bonds are no longer held in book-entry form. In the event of redemption by lot of 2015 Series A Bonds, the Trustee shall assign to each 2015 Series A Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such 2015 Series A Bond. The 2015 Series A Bonds to be redeemed shall be the 2015 Series A Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such 2015 Series A Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. All 2015 Series A Bonds redeemed or purchased pursuant to this Section 2.03 shall be cancelled and destroyed.

Section 2.04. Form of 2015 Bonds. The 2015 Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the form set forth in Exhibit A, which is attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.05. Execution of 2015 Bonds. The 2015 Bonds shall be executed on behalf of the Successor Agency by the signature of the Chairman, the Executive Director or the Treasurer who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2015 Bond ceases to be such officer before delivery of the 2015 Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the 2015 Bonds to the purchaser. Any 2015 Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of such 2015 Bond shall be the proper officers of the Successor Agency although on the date of such 2015 Bond any such person shall not have been such officer of the Successor Agency.

Only such of the 2015 Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore set forth, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Certificate shall be conclusive evidence that such 2015 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. In the event temporary 2015 Bonds are issued pursuant to Section 2.09 hereof, the temporary 2015 Bonds may bear thereon a Certificate of Authentication executed and dated by the Trustee, shall be initially registered by the Trustee, and, until so exchanged as provided under Section 2.09 hereof, the temporary 2015 Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive 2015 Bonds authenticated and delivered hereunder.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Successor Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination. The Trustee shall collect from the Owner any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.06. The cost of printing Bonds and any services rendered or

expenses incurred by the Trustee in connection with any transfer shall be paid by the Successor Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to this Section 2.07. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Successor Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.07, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

Section 2.08. Registration of Bonds. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours be open to inspection by the Successor Agency, upon reasonable prior notice to the Trustee; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books Bonds as hereinbefore provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Successor Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Successor Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Successor Agency issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, interest rates and like maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Successor Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Successor Agency and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Successor Agency, at the expense of the Owner, shall execute, and the Trustee shall

thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee and the Successor Agency). The Successor Agency may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.10 and of the expenses which may be incurred by the Successor Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Successor Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued pursuant to this Indenture.

Section 2.11. Book-Entry System.

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond without coupons (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, neither the Successor Agency nor the Trustee shall have any responsibility or obligation to any Depository System Participant or to any person on behalf of which the Depository System Participant holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, neither the Successor Agency nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Successor Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Successor Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Successor Agency to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee

shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Successor Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Successor Agency and the Trustee shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Successor Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, upon written request of the Depository or the Trustee, the Successor Agency may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Successor Agency determines to terminate the Depository as such, then the Successor Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Successor Agency and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Successor Agency fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Article II. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Depository System Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium (if any) on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF 2015 BONDS

Section 3.01. Issuance of 2015 Bonds. Upon the execution and delivery of this Indenture, the Successor Agency shall execute and deliver the 2015 Series A Bonds to the Trustee in the aggregate principal amount of _____ Dollars (\$_____) and the Trustee shall authenticate and deliver the 2015 Series A Bonds upon the Written Request of the Successor Agency.

(b) Upon the execution and delivery of this Indenture, the Successor Agency shall execute and deliver the Taxable 2015 Series B Bonds to the Trustee in the aggregate principal amount of _____ Dollars (\$_____) and the Trustee shall authenticate and deliver the Taxable 2015 Series B Bonds upon the Written Request of the Successor Agency.

Section 3.02. Application of Proceeds of Sale and Certain Other Amounts.

(a) On the Closing Date the proceeds of sale of the 2015 Series A Bonds shall be paid to the Trustee in the amount of \$_____ (being the aggregate par amount of the 2015 Series A Bonds, plus an original issue premium in the amount of \$_____, [less the premium for the 2015 Policy in the amount of \$_____ wired directly to Insurer, less the portion of the premium for the 2015 Reserve Account Policy attributable to the 2015 Series A Bonds in the amount of \$_____ wired directly to Insurer], and less an underwriter's discount in the amount of \$_____) and shall be applied as follows:

(i) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Account.

(ii) The Trustee shall deposit the amount of \$_____, in the 2006 Bonds Refunding Fund.

(b) On the Closing Date the proceeds of sale of the Taxable 2015 Series B Bonds shall be paid to the Trustee in the amount of \$_____ (being the aggregate principal amount of the Taxable 2015 Series B Bonds, plus an original issue premium in the amount of \$_____, [less the premium for the 2015 Policy in the amount of \$_____ wired directly to Insurer, less the portion of the premium for the 2015 Reserve Account Policy attributable to the Taxable 2015 Series B Bonds in the amount of \$_____ wired directly to Insurer], and less an underwriter's discount in the amount of \$_____) and shall be applied as follows:

(i) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Account.

(ii) The Trustee shall deposit \$_____ Swap Termination Payment Account.

(c) The Trustee shall also credit the 2015 Reserve Account Policy to the Reserve Account.

Section 3.03. Bond Proceeds Fund; Costs of Issuance Account; Swap Termination Payment Account.

(a) There is hereby established a separate fund to be known as the "Bond Proceeds Fund", which shall be held by the Trustee in trust, and within such Fund there shall be established a separate Costs of Issuance Account and a separate Swap Termination Payment Account.

(b) The moneys in the Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund (with ____% of such amounts to be used to pay interest on the 2015 Series A Bonds and ____% of such amounts to be applied to pay interest on the Taxable 2015 Series B Bonds), and the Trustee shall close the Costs of Issuance Account.

(c) The Trustee shall, on the Closing Date, transfer from the Swap Termination Payment Account the sum of \$_____ to Morgan Stanley Capital Services LLC, which shall be applied to the payment of a swap termination payment in connection with the 2006 Bonds.

Section 3.04. 2006 Bonds Refunding Fund. There is hereby created the 2006 Bonds Refunding Fund held by the Trustee in trust for the benefit of the Successor Agency. The moneys in the 2006 Bonds Refunding Fund shall be maintained separate and apart from other moneys of the Successor Agency.

The Trustee shall transfer all moneys on deposit in the 2006 Bonds Refunding Fund to U.S. Bank National Association, as trustee of the 2006 Bonds, for deposit and application under and pursuant to the 2006 Bonds Refunding Instructions. Upon making such transfer, the 2006 Bonds Refunding Fund shall be closed.

Section 3.05. Issuance of Parity Debt. In addition to the 2015 Bonds, the Successor Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Successor Agency. The Successor Agency may issue and deliver any Parity Debt, subject to the limitations contained in Section 5.02; provided that (i) in the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) shall be increased to the Reserve Requirement taking into account the additional Bonds to be issued, and (ii) in the case of Parity Debt not issued as additional Bonds under a Supplemental Indenture, the Parity Debt Instrument shall state whether there shall be a reserve account established with respect to such Parity Debt, and shall also set forth the amount, if any, to be deposited in such reserve account as well as the reserve requirement with respect to such Parity Debt.

Further, principal with respect to such Parity Debt will be required to be paid on October 1 in any year in which such principal is payable.

Section 3.06. Issuance of Subordinate Debt. The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Such Subordinate Debt may be payable from any assets or property of the Successor Agency, including Tax Revenues on a subordinate basis to the payment of debt service on the Bonds. Any Subordinate Debt shall be payable on the same dates as the 2015 Bonds and shall be in all respect, including security and payments, subordinate and junior to the 2015 Bonds.

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS

Section 4.01. Security of Bonds; Equal Security. Except as provided in Section 6.06, the Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account and the Redemption Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Bonds and all Parity Debt shall be additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Reserve Account established by Section 4.03(d). The Bonds shall be also equally secured by the pledge and lien created with respect to the Bonds by Section 34177.5(g) of the Law on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Except for the Tax Revenues and such other moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Section 4.02. Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues. The Successor Agency has heretofore established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Law which the Successor Agency shall continue to hold and maintain so long as any of the Bonds are Outstanding.

The Successor Agency shall deposit all of the Tax Revenues received with respect to any Semiannual Period into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency. All Tax Revenues received by the Successor Agency in excess of the amount required to pay debt service on the Bonds and any Parity Debt and except as may be provided to the contrary in this Indenture or in any Supplemental Indenture or Parity Debt Instrument, shall be released from the pledge and lien hereunder and shall be applied in accordance with the Law, including but not limited to the payment of debt service on any Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable hereunder and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in this Indenture and in any Supplemental Indenture.

Section 4.03. Deposit of Amounts by Trustee. There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee hereunder in trust. [The Successor Agency shall transfer moneys on deposit in the Redevelopment Obligation Retirement Fund that have been deposited therein for the payment of debt service on the

Bonds or for the replenishment of the Reserve Account within 10 days of the receipt thereof to the Trustee for deposit in the Debt Service Fund.] The Trustee shall transfer amounts on deposit in the Debt Service Fund in the following amounts, at the following times and in the following respective special accounts, which (subject to the establishment of the Sinking Account, as provided below) are hereby established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. On or before the fourth (4th) Business Day preceding each Interest Payment Date, the Trustee shall withdraw from the Debt Service Fund and deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds and any Parity Debt on such Interest Payment Date. No such deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds and any Parity Debt. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and any Parity Debt as it shall become due and payable.

(b) Principal Account. On or before the fourth (4th) Business Day preceding each October 1 on which the principal of the Bonds becomes due and payable, and at maturity, the Trustee shall withdraw from the Debt Service Fund and deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Bonds. No such deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next October 1 on all of the Outstanding Bonds and any Parity Debt. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds and any Parity Debt as it shall become due and payable.

(c) Sinking Account. [The Trustee shall establish the Sinking Account at such time as Terms Bonds are issued pursuant to a Supplemental Indenture.] No later than the fourth (4th) Business Day preceding each October 1 on which any Bond becomes subject to mandatory redemption, the Trustee shall withdraw from the Debt Service Fund and deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required to be redeemed on such October 1. No such deposit need be made to the Sinking Account if the amount contained therein is at least equal to the Sinking Account payments to become due on the next October 1 on all of the Outstanding Bonds and any Parity Debt. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon redemption or purchase.

(d) Reserve Account. There is hereby established in the Debt Service Fund a separate account known as the "Reserve Account" solely as security for payments payable by the Successor Agency pursuant to this Section 4.03 and pursuant to any other Parity Debt Instrument, which shall be held by the Trustee in trust for the benefit of the Owners of the Bonds and any Parity Debt. The Reserve Requirement for the 2015 Bonds will be satisfied by the delivery of the 2015 Reserve Policy by the 2015 Reserve Insurer on the Closing Date with respect to the 2015 Bonds. The Successor Agency will have no obligation to replace the 2015 Reserve Policy, to fund the Reserve Account with cash or to take any other action with respect to the 2015 Reserve Policy if, at any time that the 2015 Bonds are Outstanding, the ratings

assigned to the 2015 Reserve Insurer are lowered or withdrawn or amounts are not available under the 2015 Reserve Policy other than in connection with a draw on the 2015 Reserve Policy.

Except as provided in the preceding paragraph and as may be provided in a Supplemental Indenture, in the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Upon receipt of any such notice and as promptly as is permitted by the Law, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account.

Except as provided above, the amount on deposit in the Reserve Account shall be maintained at the Reserve Requirement at all times prior to the payment of the Bonds and any Parity Debt in full. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available until there is an amount sufficient to maintain the Reserve Requirement (including the payment of all amounts due and payable to Insurer in connection with the 2015 Reserve Account Policy) on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers pursuant any Parity Debt Instrument and hereunder to the Interest Account, the Principal Account and the Sinking Account, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder or under any Parity Debt Instrument, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before two (2) Business Days preceding each April and October 1 by the Trustee and deposited in the Interest Account or be applied pro rata in accordance with any applicable provision of a Parity Debt Instrument. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to this Section 4.03 or shall be applied pro rata as required by any Parity Debt Instrument, as applicable.

The Successor Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds or any Parity Debt the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Successor Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Successor Agency to be applied in accordance with the Law. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this paragraph (d). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Successor Agency shall either (i) replace

such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first legally available Tax Revenues. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to Sections 4.03(a), or 4.03(b) or 4.03(c) of this Indenture. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 4.03(a), 4.03(b) or 4.03(c) of this Indenture shall be pro-rata with respect to each such instrument. If the Reserve Requirement with respect to a particular series of Bonds is secured by a Qualified Reserve Account Credit Instrument that relates only to such series of Bonds, the calculation of Reserve Requirement for such series of Bonds shall be calculated on a stand alone basis.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Successor Agency in writing to the Trustee. Additionally, the Successor Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to Section 2.03(a), other than mandatory Sinking Account redemption of Term Bonds, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to Section 2.03(a) for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to Section 2.03(a). All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to Section 2.03(a) on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account.

Section 4.04. Payment Procedure Under the 2015 Policy.

[to come]

Section 4.05. Provisions Relating to 2015 Reserve Account Policy.

[to come]

Section 4.06. Additional Rights of Insurer; Notices and Other Information to be Provided to Insurer.

[to come]

ARTICLE V

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Section 5.01. Punctual Payment. The Successor Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of this Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and the Bonds. Nothing herein contained shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

Section 5.02. Limitation on Additional Indebtedness; Against Encumbrances. The Successor Agency hereby covenants that, so long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only as provided in this Section 5.02. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior or on parity to the pledge and lien herein created for the benefit of the Bonds; provided, that the Successor Agency may issue and sell refunding bonds as Parity Debt payable from Tax Revenues on a parity with Outstanding Bonds to refund a portion of the Outstanding Bonds, provided further that, with respect to any such refunding (i) annual debt service on such Parity Debt, as applicable, is lower than annual debt service on the obligations being refunded during every year the obligations would otherwise be outstanding and (ii) the final maturity of any such Parity Debt does not exceed the final maturity of the obligations being refunded. Nothing herein shall prevent the Successor Agency from issuing and selling Subordinate Debt. Any Subordinate Debt shall be payable on the same dates as the 2015 Bonds and shall be in all respect, including security and payments, subordinate and junior to the 2015 Bonds.

Section 5.03. Extension of Payment. The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Payment of Claims. The Successor Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Section 5.05. Books and Accounts; Financial Statements. The Successor Agency shall at all times keep, or cause to be kept, proper and current books and accounts in which accurate entries are made of the financial transactions and records of the Successor Agency, including all transactions relating to the Tax Revenues, the Redevelopment Property Tax Trust Fund, the Redevelopment Obligation Retirement Fund and all accounts and funds maintained herein. Within one hundred eighty (180) days after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the City. The Successor Agency shall furnish a copy of such financial statements to any Owner upon reasonable request of such Owner and at the expense of such Owner. The Trustee shall have no duty to review such audits.

The books and records of the Successor Agency shall at all times during normal business hours and upon reasonable notice be subject to inspection by Insurer or its agents or representatives who have been duly authorized in writing.

Section 5.06. Protection of Security and Rights of Owners. The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date with respect to the 2015 Bonds, the 2015 Bonds shall be incontestable by the Successor Agency.

Section 5.07. Payments of Taxes and Other Charges. Except as otherwise provided herein, the Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Areas, or upon the revenues therefrom when the same shall become due. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project Areas or any part thereof.

Section 5.08. Compliance with the Law; Recognized Obligation Payment Schedules. The Successor Agency shall comply with all of the requirements of the Law. Pursuant to Section 34177 of the Law, not less than 90-days prior to each January 2 and June 1, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule. The Successor Agency shall take all actions required under the Law to include in the Recognized Obligation Payment Schedule for each Semiannual Period (i) debt service on the Bonds, (ii) any amount required to replenish the Reserve Account and (iii) any amount due and payable to Insurer in connection with the 2015 Policy and/or the 2015 Reserve Account Policy, so as to enable the San Mateo County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1, as applicable, amounts required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds coming due in the applicable Semiannual Period, as such amounts of debt service are set forth in Exhibit B hereto and hereby made a part hereof, or as such Schedule may be hereafter amended, and to comply with the other provisions of this Indenture.

In order to ensure that amounts are available for the Trustee to pay debt service on all Outstanding Bonds on a timely basis, not fewer than 90 days prior to each January 2 and June 1, commencing January 2, 2016 (or at such earlier time as may be required by the Dissolution

Act), for so long as any Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the San Mateo County Auditor-Controller that shall include (i) one-half of all debt service due on all Outstanding Bonds for the Bond Year in which such January 2 and June 1 occur, (ii) any amount required to cure any deficiency in the Reserve Account pursuant to this Indenture (including any amounts due and payable with respect to any Qualified Reserve Account Credit Instrument) and (iii) any amount due and payable to Insurer in connection with the 2015 Policy and the 2015 Reserve Account Policy. Exhibit B hereto shall not be amended except by Supplemental Indenture entered into pursuant to Article VII.

In addition, the Successor Agency covenants that it shall, on or before December 1 of each year, file a Notice of Insufficiency with the San Mateo County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund for transfer to the Redevelopment Obligation Retirement Fund on the upcoming January 2 is insufficient to fully fund all required amounts payable from the Redevelopment Obligation Retirement Fund during the next succeeding Semiannual Period. The Successor Agency covenants that on or before May 1 of each year, it shall file a Notice of Insufficiency with the San Mateo County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund for transfer to the Redevelopment Obligation Retirement Fund on the upcoming June 1 is insufficient to fully fund all required amounts payable from the Redevelopment Obligation Retirement Fund during the next succeeding Semiannual Period.

In the event that the Successor Agency fails to timely file any Recognized Obligation Payment Schedule relating to the 2015 Bonds or Policy Costs for any period, the Successor Agency designates Insurer as its attorney in fact with the power to file a Recognized Obligation Payment Schedule with respect to the 2015 Bonds or Policy Costs.

The Successor Agency shall segregate all amounts distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund in a trusteed account under the Indenture or a separate Successor Agency bank account to be used solely to pay debt service on the Bonds and other Parity Debt.

Section 5.09. Plan Limits. If and to the extent that the Plan Limits apply to the Successor Agency under the Law, the Successor Agency will not allow the aggregate amount of debt service remaining to be paid on all outstanding 2015 Bonds and all outstanding Parity Debt, together with all other amounts payable by the Successor Agency under any other indebtedness or contract (including, without limitation, the 2015 Reserve Account Agreement), to exceed 95% of the Remaining Limitation Amount (as defined in the next sentence). The Remaining Limitation Amount will be calculated as follows: (i) the aggregate amount of the tax increment revenues that are permitted to be collected under the Redevelopment Plan less (ii) the gross amount of tax increment revenues collected to the date of calculation. In the event that such 95% limit is or will be reached or exceeded in any Fiscal Year, the Successor Agency will (a) promptly notify Insurer of such fact in writing, (b) redeem 2015 Bonds in accordance with the redemption provisions of Section 2.03(a) (or defease 2015 Bonds in accordance with Section 9.03 if 2015 Bonds may not be immediately redeemed) in an amount necessary in such Fiscal Year and in each year thereafter so that the 95% limit is no longer reached or exceeded and (c) include the redemption payments (or the required deposits to a defeasance escrow) on in the applicable ROPS. Upon the request of Insurer or in the event that the Department of Finance or any governmental agency or any court with appropriate jurisdiction

determines that Plan Limits continue to apply under the Dissolution Act, the Successor Agency will calculate the Remaining Limitation Amount at the beginning of each Fiscal Year and provide such calculation to Insurer.

Section 5.10. Dissolution Act Invalid; Maintenance of Tax Revenues. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Law or the equivalent to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State.

Section 5.11. No Arbitrage. The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2015 Series A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2015 Series A Bonds would have caused the 2015 Series A Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.12. Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the 2015 Series A Bonds are not so used as to cause the 2015 Series A Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.13. Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2015 Series A Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.14. Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2015 Series A Bonds.

Section 5.15. Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2015 Series A Bonds from the gross income of the Owners of the 2015 Series A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2015 Series A Bonds.

Section 5.16. Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default hereunder. However, any Participating Underwriter or any Owner or beneficial owner of the 2015 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section 5.16.

Section 5.17. Further Assurances. The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

ARTICLE VI
THE TRUSTEE

Section 6.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants, duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Successor Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required

for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall mail a notice of the succession of such Trustee to the trusts hereunder to the Owners at their respective addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a financial institution having a corporate trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

The Successor Agency will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

Section 6.02. Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of this Indenture or of the security for the Bonds or the tax status of interest thereon nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or intentional misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee and its officers and employees may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made by a responsible employee or officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or intentional misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer shall have actual knowledge thereof, or shall have received written notice thereof from the Successor Agency at its Principal Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under this Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee may rely conclusively on the Successor Agency's certificates to establish the Successor Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants and terms contained in this Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Successor Agency pursuant to this Indenture or otherwise.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it hereunder.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

Before taking any action under Article VIII or this Article at the request of the Owners the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather and/or occurrences beyond the control of the Trustee.

Section 6.04. Right to Rely on Documents and Opinions. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or prescribed by the proper party or parties, and shall not be required to make any investigation into the facts or matters contained thereon. The Trustee may consult with counsel, including, without limitation, counsel of or to the Successor Agency, with regard to legal questions, and, in the absence of negligence or intentional misconduct by the Trustee, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor Agency.

Section 6.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times upon reasonable notice to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

Section 6.06. Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture in accordance with the letter proposal from the Trustee approved by the Successor Agency and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

The Successor Agency further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless from and against any loss, expense and liabilities which it may incur arising out of or in connection with the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency and the rights of the Trustee under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 6.07. Deposit and Investment of Moneys in Funds. Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Costs of Issuance Account shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the

definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. Moneys in the Redevelopment Obligation Retirement Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be deposited in the Interest Account. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made pursuant to this Section.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by this Indenture. Except as specifically provided in this Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Successor Agency for earnings derived from funds that have been invested.

The Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Written Certificate or Written Request of the Successor Agency.

For purposes of this Section 6.07, the term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

Section 6.08. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which accurate entries shall be made of all transactions of the Trustee relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Successor Agency and Insurer upon reasonable prior notice, at reasonable hours and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting of all transactions in the form of its customary statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

Section 6.09. Appointment of Co-Trustee or Agent. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 6.09 are adopted to these ends.

In the event that the Trustee shall appoint an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them; provided, however, in no event shall the Trustee be responsible or liable for the acts or omissions of any co-trustee.

Should any instrument in writing from the Successor Agency be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Successor Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 6.10. Other Transactions with Successor Agency. The Trustee, either as principal or agent, may engaged in or be interested in any financial or other transaction with the Successor Agency.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 7.01. Amendment With And Without Consent of Owners. Subject to Section 4.06(g) and (h) hereof, this Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption and without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Successor Agency in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Successor Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or

(c) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(d) to amend the Recognized Obligation Debt Service Payment Schedule set forth in Exhibit B to take into account the redemption of any Bond prior to its maturity; or

(e) to provide for the issuance of Parity Debt pursuant to a Supplemental Indenture, as such issuance is authorized by Section 5.02.

Except as set forth in the preceding paragraph, subject to Section 4.06(g) and (h) hereof, this Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding with the consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premium, (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In addition, the Trustee shall be entitled to an opinion of counsel concerning the Supplemental Indenture's lack of any material adverse effect on the Owners.

Section 7.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter

be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification hereof pursuant to this Article VII, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared at the expense of the Successor Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Trust Office of the Trustee, without cost to such Owners.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Section 7.05. Trustee's Reliance. The Trustee may conclusively rely, and is protected in relying, upon a Written Certificate of the Successor Agency and an opinion of Bond Counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bond Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds or any Parity Debt Instrument contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency within such 30 day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred under this Section and is continuing, the Trustee may, or, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding

paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then Outstanding, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.01, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this Article VIII, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 8.03. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the

Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 8.04. Limitation on Owner's Right to Sue. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.05. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners and the Trustee by the Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Successor Agency, the

Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 8.06. Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, *provided, however*, the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Section 8.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee, Insurer and the Owners, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Trustee, Insurer and the Owners.

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Successor Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Successor Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Defeasance of Bonds. (a) If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable; or

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay all or a portion of Outstanding Bonds, including all principal and interest, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine in a written report (a "Verification Report") will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or a portion thereof (including all principal and interest) at or before maturity; or

(iv) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation; then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Successor Agency under this Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency hereunder with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (c) the obligations of the Successor Agency under Section 6.06 hereof, and (d) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees,

expenses and costs of the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to Section 6.06 shall be paid over to the Successor Agency for deposit in the Redevelopment Obligation Retirement Fund.

(b) The investments, if any, in a defeasance escrow for the 2015 Insured Bonds established under this Section 9.03(a) will be limited to (i) cash or (ii) non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America; provided that other Defeasance Obligations may be used if Insurer approves of such Defeasance Obligations in writing.

[At least 3 Business Days prior to any defeasance, the Successor Agency will deliver to Insurer copies of the opinions and Verification Report required by Section 9.03(a)(iii), if applicable, and the escrow deposit agreement. Such opinions and Verification Report will be addressed to Insurer and will be in form and substance satisfactory to Insurer, and the Verification Report will be provided by a nationally recognized independent analyst or firm of certified public accountants. In addition, the escrow agreement will provide that:

(i) Any substitution of securities will require the delivery of a Verification, an opinion of Bond Counsel that such substitution will not adversely affect the exclusion from gross income of the Owners of the 2015 Insured Bonds of the interest on the 2015 Insured Bonds for federal income tax purposes and the prior written consent of Insurer.

(ii) The Successor Agency will not exercise any prior optional redemption of 2015 Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there will be provided to Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) The Successor Agency will not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of Insurer.]

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

Any demand, request, direction, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Successor Agency or the Trustee and in accordance therewith, provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned by or for the account of the Successor Agency unless the Successor Agency is the registered Owner or the Trustee has received written notice that any other registered Owner is such an affiliate.

Section 9.05. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Successor Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

Section 9.06. Waiver of Personal Liability. No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.07. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such bonds and upon request of the Successor Agency provide the Successor Agency a certificate of destruction. The Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

Section 9.08. Notices. Any notice, request, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or upon receipt when mailed by first class, registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Successor Agency:

Successor Agency to the Community
Development Agency of the City of Menlo Park
701 Laurel Street
Menlo Park, California 94025
Attention: _____

If to the Trustee:

_____, _____
Attention: _____

Section 9.09. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Successor Agency hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof, be assumed by and vest in the Treasurer of the Successor Agency in trust for the benefit of the Owners. The Successor Agency covenants for the direct benefit of the Owners that its Treasurer in such case shall be vested with all of the rights and powers of the Trustee hereunder, and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder, in trust for the benefit of the Bonds, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof.

Section 9.10. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Successor Agency for the payment of the principal of and interest and redemption premium (if any) on of such Bonds.

Section 9.11. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.12. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK, has caused this Indenture to be signed in its name by its Executive Director, and attested by the Secretary of the Successor Agency, and _____ in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**SUCCESSOR AGENCY TO THE
COMMUNITY DEVELOPMENT AGENCY
OF THE CITY OF MENLO PARK**

By: _____
Executive Director

Attest:

Secretary

_____,
as Trustee

By: _____
Authorized Officer

the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for which such Interest Payment Date occurs; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose prior to the Record Date preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as "Successor Agency to the Community Development Agency of the City of Menlo Park 2015 [Series A/Series B] [Taxable] Tax Allocation Refunding Bonds (Las Pulgas Community Development Project)" (the "Bonds"), in an aggregate principal amount of _____ Dollars (\$_____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, redemption and other provisions) and all issued pursuant to the applicable provisions of the laws of the State of California, including Section 34177.5 of the Health and Safety Code of the State of California and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law") and pursuant to an Indenture of Trust, dated as of December 1, 2015, entered into by and between the Successor Agency and the Trustee (the "Indenture"), authorizing the issuance of the Bonds. Additional bonds or other obligations may also be issued on a parity with the Bonds, The Bonds are being issued on a parity with the Successor Agency to the Community Development Agency of the Menlo Park 2015 [Series A Series B] [Taxable] Tax Allocation Refunding Bonds (Las Pulgas Community Development Project)" in an aggregate principal amount of _____ Dollars (\$_____/_____ Dollars (\$_____)), which are also being issued pursuant to the Indenture. but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all indentures supplemental thereto and to the Law (as defined in the Indenture) and the Refunding Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues (as that term is defined in the Indenture), and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency for the purpose of providing funds to refund its 2006 Bonds (as defined in the Indenture) and to pay certain expenses of the Successor Agency in issuing the Bonds.

There has been created under the Law the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Successor Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if any, on the Bonds. As and to the extent set forth in the Indenture, all such Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Redevelopment Obligation Retirement Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be

pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium, if any, on the Bonds.

The Bonds are subject to redemption as provided in the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Trustee may refuse to transfer or exchange (a) any Bond during the fifteen (15) days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Successor Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Successor Agency or the Trustee for registration of transfer, exchange, or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond is not a debt of the City of Menlo Park, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Law, the Refunding Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency to the Community Development Agency of the City of Menlo Park has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and its seal to be reproduced hereon and attested by the facsimile signature of its Secretary, as of the Dated Date set forth above.

SUCCESSOR AGENCY TO THE
COMMUNITY DEVELOPMENT AGENCY
OF THE CITY OF MENLO PARK

By: _____
Executive Director

(S E A L)

ATTEST:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date: _____

_____,
as Trustee

By: _____
Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

TEN COM --	as tenants in common	UNIF GIFT MIN ACT _____	Custodian _____
TEN ENT --	as tenants by the entireties		(Cust.) (Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____	(State)
COMM PROP --	as community property		

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s) _____ attorney,

to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signatures Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

DEBT SERVICE PAYMENT SCHEDULE

\$ _____
Successor Agency to the Community Development Agency of the City of Menlo Park
2015 Tax Allocation Refunding Bonds
(Las Pulgas Community Development Project)

Date	Principal	Interest	Debt Service	Annual Debt Service
4/1/16				
10/1/16				
4/1/17				
10/1/17				
4/1/18				
10/1/18				
4/1/19				
10/1/19				
4/1/20				
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4/1/30				
10/1/30				
4/1/31				
10/1/31				
4/1/32				
10/1/32				
4/1/33				
10/1/33				
Total				

IRREVOCABLE REFUNDING INSTRUCTIONS
Relating to
Community Development Agency of the City of Menlo Park
Las Pulgas Community Development Project
Tax Allocation Refunding Bonds, Series 2006

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions") are given by the SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK, a public entity existing under the laws of the State of California (the "Successor Agency"), as successor agency of the COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK (the "Former Agency") to THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, acting as trustee for the hereinafter defined 2006 Bonds (the "2006 Trustee");

WITNESSETH:

WHEREAS, the Former Agency has previously issued its Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 2006 (the "2006 Bonds") pursuant to the provisions of an Indenture dated as of May 1, 2006 (the "Master Indenture"), as supplemented and amended by a First Supplemental Indenture dated as of May 1, 2006 (the First Supplemental Indenture") and a Second Supplemental Indenture dated as of April 1, 2008 (the "Second Supplemental Indenture" and, collectively with the Master Indenture and the First Supplemental Indenture, the "Prior Indenture") between the Former Agency and The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the "2006 Trustee"); and

WHEREAS, by implementation of California Assembly Bill X1 26, which amended provisions of the California Redevelopment Law, (found at Health and Safety Code Section 33000, et.seq.) and the California Supreme Court's decision in California Redevelopment Association v. Matosantos, the Former Agency was dissolved on February 1, 2012 in accordance with California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011 ("AB 26"), and on February 1, 2012, the Successor Agency, in accordance with and pursuant to AB 26, assumed the duties and obligations set forth in AB 26 for the Former Agency, including, without limitation, the obligations of the Former Agency under the Prior Indenture and related documents to which the Former Agency was a party; and

WHEREAS, the Successor Agency has determined that it is in its best financial interests at this time to refund on a current basis all of the outstanding 2006 Bonds; and

WHEREAS, in order to provide funds for such purpose (among others), the Successor Agency is issuing its 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (the "2015 Refunding Bonds") pursuant to an Indenture, dated as of _____ 1, 2015 (the "2015 Indenture") between the Successor Agency and _____, as trustee (the "2015 Trustee"), and applying a portion of the proceeds thereof, together with certain other moneys, to cause the redemption of the outstanding 2006 Bonds on _____, 2015; and

WHEREAS, the Successor Agency wishes to give these Instructions to the 2006 Trustee for the purpose of providing the terms and conditions relating to the deposit and application of

moneys and securities to provide for the payment and redemption of all of the outstanding 2006 Bonds pursuant to Section 3.01(a) of the First Supplemental Indenture; and

WHEREAS, the payment of debt service on the 2006 Bonds is supported by an irrevocable direct pay letter of credit (the "2006 Letter of Credit") issued by State Street Bank and Trust Company, N.A. (the "2006 Credit Provider") and, in order to provide funds to redeem the 2006 Bonds, the 2006 Trustee will draw of the 2006 Letter of Credit in accordance with the terms thereof in an amount sufficient to redeem all of the 2006 Bonds, and to pay accrued and unpaid interest thereon, on _____, 2015 (the "Redemption Date");

NOW, THEREFORE, the Successor Agency hereby irrevocably instructs the 2006 Trustee as follows:

Section 1. Redemption Account. Pursuant to Section 5.05 of the Master Indenture, there has heretofore been established an account held by the 2006 Trustee known as the "Redemption Fund." The 2006 Trustee shall establish a "2006 Bond Redemption Account" and a "2006 Reimbursement Account" within the Redemption Fund for the purpose of implementing these Refunding Instructions. All cash deposited in the 2006 Bond Redemption Account of the Redemption Fund pursuant to these Instructions are hereby irrevocably pledged as a special trust fund for the redemption of the remaining 2006 Bonds on _____, 2015 in accordance with the Prior Indenture. All cash deposited in the 2006 Reimbursement Account of the Redemption Fund pursuant to these Instructions are hereby irrevocably pledged as a special trust fund for the benefit of the 2006 Credit Provider in accordance with the Prior Indenture. The 2006 Trustee shall have no lien upon or right of set off against the cash at any time on deposit in the 2006 Bond Redemption Account or the 2006 Reimbursement Account of the Redemption Fund, and such amounts shall be applied only as provided herein.

Section 2. Deposits into Redemption Fund; No Investment of Amounts. In order to apply (i) the proceeds of the aforesaid drawing on the 2006 Letter of Credit to the redemption of the 2006 Bonds and (ii) the proceeds of the 2015 Refunding Bonds and certain other moneys of the Successor Agency to the reimbursement of the 2006 Credit Provider for amounts drawn under the 2006 Letter of Credit, the following actions shall be taken:

(a) Concurrently with delivery of the 2015 Refunding Bonds, the Successor Agency shall cause to be transferred to the 2006 Trustee the amount of \$_____ in immediately available funds to be derived from a portion of the proceeds of sale of the 2015 Refunding Bonds, which amount the 2006 Trustee shall then deposit hereunder into the 2006 Reimbursement Account of the Redemption Fund. Additionally, the 2006 Trustee shall also transfer \$_____ currently on deposit in the Debt Service Reserve Account established under the Prior Indenture and \$_____ on deposit in the Special Fund established under the Prior Indenture to the 2006 Reimbursement Account of the Redemption Fund, making the total amount deposited by the 2006 Trustee into the 2006 Reimbursement Account of the Redemption Fund pursuant to these Instructions \$_____. The 2006 Trustee shall hold such amounts in cash, uninvested.

(b) Pursuant to the provisions of the Prior Indenture, the 2006 Trustee is hereby directed to draw on the 2006 Letter of Credit pursuant to its terms and the provisions of the Prior Indenture so as to receive the proceeds of such drawing on the Redemption Date in an amount sufficient to make full payment on the Redemption Date of the redemption price of the 2006 Bonds due and payable on the Redemption Date, such price being 100% of the principal amount of the 2006 Bonds outstanding (\$_____) plus unpaid interest accrued thereon to

the Redemption Date (the "Redemption Price"). The proceeds of such draw shall, prior to the application thereof to the redemption of the 2006 Bonds, be deposited in the 2006 Bond Redemption Account of the Redemption Fund and held in cash, uninvested.

(c) The 2006 Trustee hereby agrees that it will apply, on the Redemption Date, amounts on deposit in the 2006 Reimbursement Account of the Redemption Fund to the reimbursement of the 2006 Credit Provider for amounts drawn on the Letter of Credit pursuant to (b) above and paid by the 2006 Credit Provider to the 2006 Trustee and which are to be applied to the redemption of the 2006 Bonds on the Redemption Date. The 2006 Trustee hereby agrees that none of the amounts received from the 2015 Trustee or which are otherwise transferred to or on deposit in 2006 Reimbursement Account of the Redemption Fund shall be applied for any purpose other than as provided in this paragraph until the 2006 Credit Provider has been reimbursed in full for the draws on the 2006 Letter of Credit described herein (including any applicable draw fees), and that none of the amounts drawn under the 2006 Letter of Credit with respect to the Redemption Date shall be applied for any purpose other than payment of the principal of and interest on the 2006 Bonds due and payable on the Redemption Date.

(d) The Successor Agency hereby establishes the Redemption Date as the date on which the above amounts to be drawn under the 2006 Letter of Credit will be applied to the redemption of the 2006 Bonds in accordance with Section 3.01(a) of the First Supplemental Indenture, and directs the 2006 Trustee to redeem the 2006 Bonds from amounts on deposit in the 2006 Bond Redemption Account of the Redemption Fund on the Redemption Date. The 2006 Trustee has heretofore given notice of redemption in whole to the owners of the 2006 Bonds as required by Section 4.05 of the Master Indenture.

The 2006 Bond Redemption Account of the Redemption Fund and all monies contained therein are, under the terms of the 2006 Indenture, irrevocably pledged to the payment of the 2006 Bonds and the owners of the 2006 Bonds have been granted and have an express lien thereon. The 2006 Trustee shall apply all amounts in the 2006 Bond Redemption Account of the Redemption Fund to the redemption of the 2006 Bonds on the Redemption Date, provided that any excess on deposit in the 2006 Bond Redemption Account of the Redemption Fund after the redemption in full of the 2006 Bonds shall be returned to the 2006 Credit Provider.

(e) Any monies remaining in the 2006 Reimbursement Account of the Redemption Fund following redemption of the outstanding principal amount of all of the 2006 Bonds and the receipt of written acknowledgement from the 2006 Credit Provider that it has been reimbursed in full for the draws on its 2006 Letter of Credit described herein, shall be transferred to the 2015 Trustee and deposited in the Interest Account established pursuant to the 2003 Indenture.

Section 3. Amendment. These Instructions shall be irrevocable by the Successor Agency. These Instructions may be amended or supplemented by the Successor Agency, but only if the Successor Agency shall file with the 2006 Trustee and the 2015 Trustee (a) an opinion of nationally recognized bond counsel engaged by the Successor Agency stating that such amendment or supplement will not, of itself, adversely affect the exclusion from gross income of interest represented by the 2006 Bonds or the 2015 Refunding Bonds under federal income tax law, and (b) a certification of an independent accountant or independent financial adviser engaged by the Successor Agency stating that such amendment or supplement will not affect the sufficiency of funds invested and held hereunder to make the payments required by Section 4.

Section 4. Governing Law. These Instructions shall be construed in accordance with and governed by the laws of the State of California.

Dated: _____, 2014

SUCCESSOR AGENCY TO THE
COMMUNITY DEVELOPMENT AGENCY
OF THE CITY OF MENLO PARK

By _____
Executive Director

ACCEPTED:

BNY MELLON TRUST COMPANY, N.A.,
as 2006 Trustee

By _____
Authorized Officer

The undersigned, State Street Bank and Trust Company, N.A., consents to the 2006 Trustee drawing on the 2006 Letter of Credit to redeem the 2006 Bonds on _____, 2015, as described in the above Instructions.

STATE STREET BANK AND TRUST
COMPANY, N.A., as 2006 Credit Provider

By: _____
Name: _____
Title: _____

\$ _____
**SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE
CITY OF MENLO PARK
2015 SERIES A TAX ALLOCATION REFUNDING BONDS
(LAS PULGAS COMMUNITY DEVELOPMENT PROJECT)**

AND

\$ _____
**SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE
CITY OF MENLO PARK
2015 SERIES B TAXABLE TAX ALLOCATION REFUNDING BONDS
(LAS PULGAS COMMUNITY DEVELOPMENT PROJECT)**

BOND PURCHASE AGREEMENT

October __, 2015

Successor Agency to the Community Development Agency
of the City of Menlo Park
c/o City of Menlo Park
701 Laurel Street
Menlo Park, California 94025

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC (the “Underwriter”), offers to enter into this Bond Purchase Agreement (this “Purchase Agreement”) with the Successor Agency to the Community Development Agency of the City of Menlo Park (the “Successor Agency”), which will be binding upon the Successor Agency and the Underwriter upon the acceptance hereof by the Successor Agency. This offer is made subject to its acceptance by the Successor Agency by execution of this Purchase Agreement and its delivery to the Underwriter on or before 6:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture (as such term is defined herein).

The Successor Agency acknowledges and agrees that: (i) the purchase and sale of the Bonds (as such term is defined herein) pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the Successor Agency and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Successor Agency with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Successor Agency on other matters); (iv) the Underwriter has financial interests that may differ from and be adverse to those of

the Successor Agency; and (v) the Successor Agency has consulted its own legal, financial and other advisors to the extent that it has deemed appropriate.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Successor Agency for offering to the public, and the Successor Agency hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (the “2015A Bonds”) at a purchase price equal to \$_____ (being the aggregate principal amount thereof, less an Underwriter’s discount of \$_____ and plus/less a net original issue premium/discount of \$_____), and all (but not less than all) of the \$_____ aggregate principal amount of the Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series B Taxable Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (the “2015B Bonds” and together with the 2015A Bonds, the “Bonds”) at a purchase price equal to \$_____ (being the aggregate principal amount thereof, less an Underwriter’s discount of \$_____). Such payment and delivery and the other actions contemplated hereby to take place at the time of such payment and delivery are herein sometimes called the “Closing.”

2. The Bonds and Related Documents. The Bonds shall be issued pursuant to: (a) an Indenture of Trust (the “Indenture”), dated as of October 1, 2015, by and between the Successor Agency and _____, as trustee (the “Trustee”); (b) Part 1 of Division 24 of the California Health and Safety Code (the “Law”) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code; and (c) resolutions of the Successor Agency adopted on July 21, 2015 and September 8, 2015 (collectively, the “Successor Agency Resolutions”). The issuance of the Bonds was approved by the Oversight Board for the Successor Agency by resolution on July 28, 2015 (the “Oversight Board Resolution”). The Bonds shall be as described in the Indenture and the Official Statement dated the date hereof relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “Official Statement”).

The net proceeds of the 2015A Bonds will be used to refund and defease a portion of the previously issued Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 2006 (the “2006 Bonds”). The net proceeds of the 2015B Bonds will be used to refund and defease a portion of the previously issued 2006 Bonds and to make a termination payment with respect to an interest rate swap agreement entered into in connection with the 2006 Bonds (the “Swap Termination Payment”).

The refunding and defeasance of the 2006 Bonds will be accomplished by the execution of Irrevocable Refunding Instructions, to be dated the date of the Closing (the “Refunding Instructions”), and executed by the Successor Agency and delivered to U.S. Bank National Association, as trustee for the 2006 Bonds.

The Successor Agency will undertake pursuant to the provisions of a Continuing Disclosure Certificate, to be dated the date of the Closing (the “Disclosure Undertaking”), and executed by the Successor Agency, to provide certain annual information and notices of the occurrence of certain enumerated events. A description of the undertaking is set forth in the Preliminary Official Statement (as such term is defined below) and will also be set forth in the Official Statement.

The Indenture, the Disclosure Undertaking, the Refunding Instructions and this Purchase Agreement are sometimes collectively referred to herein as the “Successor Agency Legal Documents.”

3. Offering. It shall be a condition to the Successor Agency’s obligations to sell and to deliver the Bonds to the Underwriter and to the Underwriter’s obligations to purchase, to accept delivery of and to pay for the Bonds that the entire \$ _____ aggregate principal amount of the 2015A Bonds and the entire \$ _____ aggregate principal amount of the 2015B Bonds shall be issued, sold and delivered by the Successor Agency and purchased, accepted and paid for by the Underwriter at the Closing. The Underwriter agrees to make a bona fide public offering of all of the Bonds at the initial public offering prices or yields set forth in Exhibit A hereto and on the inside front cover page of the Official Statement. The Underwriter reserves the right to change, subsequent to the initial public offering, such initial offering prices as it shall deem necessary in connection with the marketing of the Bonds.

4. Use and Preparation of Documents. Prior to the execution of this Purchase Agreement, the Successor Agency caused to be prepared and delivered to the Underwriter copies of the Preliminary Official Statement, dated October __, 2015, relating to the Bonds (the “Preliminary Official Statement”). The Successor Agency ratifies, confirms and approves the use by the Underwriter prior to the date hereof of the Preliminary Official Statement. The Successor Agency has previously deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Exchange Act (“Rule 15c2-12”), except for information permitted to be omitted therefrom by Rule 15c2-12. The Successor Agency shall have executed and delivered to the Underwriter a certification to such effect in the form attached hereto as Exhibit B. The Successor Agency hereby agrees to deliver or to cause to be delivered to the Underwriter, not later than the earlier of: (i) the business day preceding the date of the Closing; or (ii) the seventh (7th) business day following the date of this Purchase Agreement: (A) the form of the Official Statement relating to the Bonds in “designated electronic format” (as such term is defined in Municipal Securities Rulemaking Board (“MSRB”) Rule G-32); and (B) copies of the Official Statement, dated the date hereof, in the form of the Preliminary Official Statement, with such changes thereto as may be approved by the Underwriter, in such quantity as the Underwriter shall reasonably request. The Successor Agency hereby approves of the distribution and use by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Successor Agency and the Underwriter. If the Official Statement is prepared for distribution in electronic form, the Successor Agency hereby confirms that it does not object to distributions of the Official Statement in electronic form. The Underwriter agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement (which may be in electronic form).

5. Representations, Warranties and Agreements of the Successor Agency. The Successor Agency hereby represents, warrants and agrees as follows:

(a) The Successor Agency is a public entity existing under the laws of the State of California, including the Law;

(b) The Successor Agency has full legal right, power and authority to enter into the Successor Agency Legal Documents and carry out and consummate the transactions contemplated by the Successor Agency Legal Documents and the Swap Termination Payment;

(c) By all necessary official action of the Successor Agency prior to or concurrently with the acceptance hereof, the Successor Agency has duly authorized and approved the preparation and use of the Preliminary Official Statement and the Official Statement, the execution and delivery of the Official Statement and the Successor Agency Legal Documents and the performance by the Successor Agency of all transactions contemplated by the Successor Agency Legal Documents, including but not limited to the Swap Termination Payment; and the Successor Agency Legal Documents will constitute legal, valid and binding obligations of the Successor Agency, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(d) The Successor Agency is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Indenture) or other instrument to which the Successor Agency is a party or to which the Successor Agency or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Successor Agency Legal Documents, and compliance with the provisions on the Successor Agency's part contained therein, will not conflict with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Successor Agency is a party or to which the Successor Agency or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Successor Agency or under the terms of any such constitutional provision, law, regulation or instrument, except as provided by the Indenture;

(e) Except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Successor Agency of its obligations under the Successor Agency Legal Documents and its obligation to make the Swap Termination Payment have been duly obtained;

(f) Between the date of this Purchase Agreement and the date of the Closing, the Successor Agency will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, payable from Tax Revenues (as such term is defined in the Indenture), nor will there be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Successor Agency;

(g) To the best knowledge of the officer of the Successor Agency executing this Purchase Agreement, after due inquiry, as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, government agency, public board or body, pending or threatened against the Successor Agency, affecting the existence of the Successor Agency or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the execution and delivery of the Indenture, the payment of the Swap Termination Payment or the collection of the Tax Revenues or contesting or affecting, as to the Successor Agency, the validity or enforceability of the Successor Agency Legal Documents or contesting the exclusion from gross income of interest on the 2015A Bonds for federal income tax purposes, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Successor Agency, or in any way contesting or challenging the consummation of the transactions contemplated hereby, or which might result in a material adverse change in the financial condition of the Successor Agency or which might materially adversely affect the Tax Revenues of the Successor Agency; nor, to the best knowledge of the Successor Agency, is there any known basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the authorization, execution, delivery or performance by the Successor Agency of the Successor Agency Legal Documents;

(h) As of the date of the Closing, the Successor Agency will not have outstanding any indebtedness which is secured by a lien on the Tax Revenues of the Successor Agency on a parity with the lien provided for in the Indenture on the Tax Revenues;

(i) As of the time of acceptance hereof and as of the date of the Closing, the Successor Agency has complied with the filing requirements of the Law, including, without limitation, the filing of all Recognized Obligation Payment Schedules, as required by the Law;

(j) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein in light of the circumstances under which they were made, not misleading;

(k) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is defined herein) for the Bonds, the Official Statement did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(l) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information herein, in the light of the circumstances under which it was presented, not misleading, the Successor Agency will notify the Underwriter, and, if in the opinion of the Underwriter or the Successor Agency, or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Successor Agency will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter, and shall pay all expenses thereby incurred. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the Successor Agency will furnish such information with respect to itself as the

Underwriter may from time to time reasonably request. As used herein, the term “End of the Underwriting Period” means the later of such time as: (i) the Successor Agency delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the “End of the Underwriting Period” shall be the date of the Closing;

(m) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (l) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact required to be stated therein or necessary to make such information therein in the light of the circumstances under which it was presented, not misleading;

(n) [Reserved];

(o) Any certificate signed by any officer of the Successor Agency and delivered to the Underwriter shall be deemed a representation by the Successor Agency to the Underwriter as to the statements made therein;

(p) The Successor Agency will apply the proceeds from the sale of the Bonds for the purposes specified in the Official Statement;

(q) The Successor Agency has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Successor Agency is not a bond issuer whose arbitrage certifications may not be relied upon;

(r) The Successor Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, at the expense of the Underwriter, as it may reasonably request in order to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that the Successor Agency will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

(s) The Successor Agency will refrain from taking any action with regard to which the Successor Agency may exercise control that results in the inclusion in gross income for federal income tax purposes of the interest on the 2015A Bonds or State of California income tax purposes of the interest on the Bonds;

(t) Except as disclosed in the Official Statement, the Successor Agency has not defaulted under any prior continuing disclosure undertaking;

(u) The Oversight Board has duly adopted the Oversight Board Resolution approving the issuance of the Bonds and no further Oversight Board approval or consent is required for the issuing of the Bonds or the consummation of the transactions described in the Preliminary Official Statement, including but not limited to the payment of the Swap Termination Payment; and

(v) The Department of Finance of the State (the “Department of Finance”) has issued a letter, dated _____, 2015 (the “DOF Letter”), approving the issuance of the Bonds. No further Department of Finance approval or consent is required for the issuance of the Bonds or the consummation of the transactions described in the Preliminary Official Statement. Except as disclosed in the Preliminary Official Statement, the Successor Agency is not aware of the Department of Finance directing or having any basis to direct the County of San Mateo Auditor-Controller to deduct unpaid unencumbered funds from future allocations of property tax to the Successor Agency pursuant to Section 34183 of the Dissolution Act.

6. Closing. At 8:00 A.M., California time, on October __, 2015, or on such other date as may be mutually agreed upon by the Successor Agency and the Underwriter, the Successor Agency will, subject to the terms and conditions hereof, sell and deliver the Bonds to the Underwriter, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in federal funds. Sale, delivery and payment as aforesaid shall be made at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency (“Bond Counsel”), or at such other place as shall have been mutually agreed upon by the Successor Agency and the Underwriter, except that the Bonds (with one certificate for each maturity and otherwise in a form suitable for the book-entry system) shall be delivered to the Underwriter in New York, New York, through the book-entry system of The Depository Trust Company (“DTC”). Unless the DTC Fast Automated Securities Transfer is utilized, the Bonds will be made available for inspection by DTC at least one business day prior to the Closing.

7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Successor Agency contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Successor Agency of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter’s obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Successor Agency of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven (7) business days of the date hereof, but in no event less than one day prior to Closing, copies of the Official Statement (including all information previously permitted to have been omitted from the Preliminary Official Statement by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such reasonable quantity as the Underwriter shall have requested;

(b) The representations and warranties of the Successor Agency contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing, and the statements of the officers and other officials of the Successor Agency and the Trustee made in any certificate or other document furnished pursuant to the provisions hereof are accurate;

(c) At the time of the Closing, the Successor Agency Legal Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Successor Agency, all in

substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the governing body of the Successor Agency and the Oversight Board as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) At the time of the Closing, all necessary official action of the Successor Agency and the Oversight Board relating to the Official Statement and the Successor Agency Legal Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) Bond Counsel Opinion. The approving opinion of Bond Counsel to the Successor Agency, dated the date of the Closing and substantially in the form included as an appendix to the Official Statement;

(2) Supplemental Opinion of Bond Counsel. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing, stating that the Underwriter may rely on the opinions of Bond Counsel described in paragraph (1) above as if such opinion were addressed to the Underwriter and to the following effect:

(i) the Purchase Agreement has been duly executed and delivered by the Successor Agency and (assuming due authorization, execution and delivery by and validity against the Underwriter) constitutes the valid and binding agreement of the Successor Agency, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights and by the application of equitable principles;

(ii) the statements contained in the Official Statement under the captions ["THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS" and in Appendices __ and __ thereto], excluding any material that may be treated or included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture or the opinion of Bond Counsel, are accurate in all material respects; and

(iii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(3) Financial Advisor Certificate. A certificate, dated the date of the Closing, signed by Public Financial Management, Inc., the Successor Agency's Financial Advisor (the "Financial Advisor"), addressed to the Underwriter and the Successor Agency to the effect that, in connection with the preparation of the Official Statement, nothing has come to the attention of the Financial Advisor that would lead it to believe that the statements and information contained in the Official Statement as of the date thereof and as of the date of the Closing, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(4) Successor Agency Counsel Opinion. An opinion of counsel to the Successor Agency, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter to the following effect:

(i) the Successor Agency is a public entity organized and existing under the laws of the State, including the Law, with full right, power and authority to execute, deliver and perform its obligations under the Successor Agency Legal Documents and to make the Swap Termination Payment;

(ii) the Successor Agency Resolutions were duly adopted at meetings of the Successor Agency, called and held pursuant to law, with all public notice required by law and at which a quorum was present and acting throughout; and the Successor Agency Resolutions are in full force and effect and have not been modified, amended or rescinded since their respective adoption dates;

(iii) the Successor Agency Legal Documents have been duly authorized, executed and delivered by the Successor Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute the valid, legal and binding obligations of the Successor Agency enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors rights and by the application of equitable principles if equitable remedies are sought;

(iv) the execution and delivery of the Successor Agency Legal Documents and the Official Statement and compliance with the provisions of the Successor Agency Legal Documents and payment of the Swap Termination Payment, under the circumstances contemplated thereby: (I) do not and will not in any material respect conflict with or constitute on the part of the Successor Agency a breach of or default under any agreement or other instrument to which the Successor Agency is a party or by which it is bound; and (II) do not and will not in any material respect constitute on the part of the Successor Agency a violation, breach of or default under any existing law, regulation, court order or consent decree to which the Successor Agency is subject;

(v) to the best of such counsel's knowledge, except as otherwise disclosed in the Official Statement, there is no litigation or proceeding, pending and served, or threatened, challenging the creation, organization or existence of the Successor Agency, or the validity of the Bonds or the Successor Agency Legal Documents or seeking to restrain or enjoin any of the transactions referred to therein or contemplated thereby, or under which a determination adverse to the Successor Agency would have a material adverse effect upon the financial condition or the revenues of the Successor Agency, or which, in any manner, questions the right of the Successor Agency to issue, sell and deliver the Bonds, to enter into the Indenture or to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Successor Agency to collect or pledge the Tax Revenues; and

(vi) based upon such counsel's participation as counsel to the Successor Agency in the preparation of the Official Statement, and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the its date and as of date of the Closing, the information in the Official Statement relating to the Successor Agency, the Tax Revenues, the Redevelopment Plan or the Project Area (as such terms are defined in the Indenture), excluding any financial or statistical data with respect thereto, as to which no opinion is expressed,

contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(5) Trustee Counsel Opinion. The opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(i) the Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and administer the trusts created under the Indenture and the Indenture;

(ii) the Indenture has been duly authorized, executed and delivered by the Trustee and each constitutes the legal, valid and binding obligation of the Trustee, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought; and

(iii) except as may be required under Blue Sky or other securities laws of any state, no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture or the consummation of the transactions contemplated thereby;

(6) Successor Agency Certificate. A certificate of the Successor Agency, dated the date of the Closing, signed on behalf of the Successor Agency by a duly authorized officer of the Successor Agency, to the effect that:

(i) the representations and warranties of the Successor Agency contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing;

(ii) no event affecting the Successor Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto, which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(iii) No further consent is required to be obtained for the inclusion of the Successor Agency's audited financial statements for Fiscal Year [2014] in the Official Statement;

(7) Trustee's Certificate. A certificate of the Trustee, dated the date of the Closing, to the effect that:

(i) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America;

(ii) the Trustee has full power, authority and legal right to comply with the terms of the Indenture and to perform its obligations stated therein; and

(iii) the Indenture has been duly authorized, executed and delivered by the Trustee and (assuming due authorization, execution and delivery by the Successor Agency) constitutes a legal, valid and binding obligation of the Trustee in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(8) Successor Agency Legal Documents. Executed copies of the Successor Agency Legal Documents;

(9) Ratings. Evidence that the Bonds have been assigned the rating or ratings described in the Official Statement;

(10) Disclosure Letter. A letter of Jones Hall, A Professional Law Corporation ("Disclosure Counsel"), dated the date of the Closing, addressed to the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement, and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, information included in the appendices thereto and information relating to DTC, as to which no advice need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(11) Fiscal Consultant Certificate. A certificate of Fraser & Associates (the "Fiscal Consultant"), dated the date of the Closing, addressed to the Successor Agency and the Underwriter, in form and substance acceptable to the Underwriter, certifying as to the accuracy of the information in the Official Statement attributed to the Fiscal Consultant and stating that, to the best of the Fiscal Consultant's knowledge, the information provided by the Fiscal Consultant that is included in the Official Statement, as of its date and the date of the Closing, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(12) Successor Agency Resolutions. Certified copies of the Successor Agency Resolutions.

(13) [RESERVED FOR INSURANCE/SURETY PROVISIONS];

(14) Swap Termination Payment. Documentation with respect to the Swap Termination Payment, in form and substance satisfactory to the Underwriter;

(15) Oversight Board Resolution. A copy of the Oversight Board Resolution;

(16) Oversight Board Certificate. A certificate of the Clerk of the Oversight Board to the effect that the Oversight Board Resolution was validly adopted, remains in full force and effect, and has not been amended, rescinded or otherwise modified since its date of adoption;

(17) Defeasance Opinion. An opinion of Bond Counsel, dated the date of the Closing, to the effect that the Successor Agency has taken all actions required to defease the 2006 Bonds, and that such 2006 Bonds are no longer outstanding;

(18) Tax Certificate. A tax certificate or certificates with respect to maintaining the tax-exempt status of the 2015A Bonds, together with Internal Revenue Service Form 8038-G, each duly executed by the Successor Agency;

(19) Specimen Bonds. Specimen Bonds, duly executed by the Successor Agency and acknowledged by the Trustee;

(20) [Verification Report]. A verification report with respect to the 2006 Bonds];

(21) CDIAC Filings. Evidence of required filings with the California Debt Investment and Advisory Commission;

(22) DOF Letter. An executed copy of the DOF Letter; and

(23) Additional Documents. Such additional certificates, instruments and other documents as Bond Counsel, the Successor Agency or the Underwriter may reasonably deem necessary.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Successor Agency or the Trustee shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement, if the Successor Agency shall determine in good faith (and provide written notice to the Underwriter) that legislation has been introduced or proposals made by the Governor of the State of California which if enacted and effective would impose additional limitations or burdens on the Successor Agency by reason of the issuance of the Bonds or which purport to prohibit the issuance of the Bonds, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the Successor Agency shall be under any further obligation hereunder.

8. Termination. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by notification to the Successor Agency if at any time between the date hereof and prior to the Closing:

(a) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(b) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of

California, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State of California authority materially adversely affecting the federal or State of California tax status of the Successor Agency, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(d) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(f) a general banking moratorium shall have been established by federal or State of California authorities; or

(g) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(h) any rating of the Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(i) the commencement of any action, suit or proceeding described in Section 5(g) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(j) there shall exist any event which in the reasonable opinion of the Underwriter either: (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(k) any rating of the Bonds shall have been changed, withdrawn, suspended or placed on "credit watch" or "negative outlook" and such action, in the reasonable opinion of the Representative, shall materially and adversely affect the market price for the Bonds; or

(l) there shall be in force a general suspension of trading on the New York Stock Exchange.

9. Expenses. (a) The Underwriter shall be under no obligation to pay, and the Successor Agency shall pay, any expenses incident to the performance of the Successor Agency's obligations hereunder including, but not limited to: (i) the cost of preparation, printing and distribution of the Indenture and word processing, reproduction, printing and distribution costs relating to the Preliminary Official Statement, the Official Statement and any supplements or amendments thereto (incurred by Disclosure Counsel or by an independent printer); (ii) the cost of preparation of the Bonds; (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel and the fees and expenses of counsel to the Successor Agency; (iv) the fees and disbursements of the Financial Advisor and the Fiscal Consultant and any other experts, consultants or advisors retained by the Successor Agency; (v) the fees of the rating agencies; and (vi) any out-of-pocket disbursements of the Successor Agency and of the Underwriter incurred in connection with the public offering and distribution of the Bonds, including any advertising expenses and expenses (included in the expense component of the Underwriter's compensation) incurred on behalf of the Successor Agency's employees which are incidental to implementing this Purchase Agreement including, but not limited to, meals, transportation and lodging of those employees.

(b) The Underwriter shall pay: (i) the fees and expenses of its counsel; (ii) fees, if any, payable to the California Debt and Investment Advisory Commission in connection with the issuance of the Bonds; and (iii) all other expenses incurred by the Underwriter in connection with the public offering of the Bonds.

10. Notices. Any notice or other communication to be given to the Successor Agency under this Purchase Agreement may be given by delivering the same in writing at the Successor Agency's address set forth above, Attention: City Manager; and to the Underwriter under this Purchase Agreement by delivering the same in writing to Morgan Stanley & Co. LLC, 555 California Street, Suite 2200, San Francisco, CA 94104, Attention: John Sheldon.

11. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Successor Agency and the Underwriter, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Successor Agency contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Agreement; and (iii) any termination of this Purchase Agreement.

12. Effectiveness and Counterpart Signatures. This Purchase Agreement shall become effective upon the execution of the acceptance by an authorized officer of the Successor Agency and shall be valid and enforceable at the time of such acceptance and approval. This Purchase Agreement may be executed by the parties hereto by facsimile or electronic mail transmission and in separate counterparts, each of which when so executed and delivered (including delivery by facsimile or electronic mail transmission) shall be an original, but all such counterparts shall together constitute but one and the same instrument.

13. Headings. The headings of the sections of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

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14. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.

Very truly yours,

MORGAN STANLEY & CO. LLC

By: _____
Authorized Officer

Accepted:

SUCCESSOR AGENCY TO THE
COMMUNITY DEVELOPMENT AGENCY
OF THE CITY OF MENLO PARK

By: _____
City Manager

EXHIBIT A

\$ _____
SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE
CITY OF MENLO PARK
2015 SERIES A TAX ALLOCATION REFUNDING BONDS
(LAS PULGAS COMMUNITY DEVELOPMENT PROJECT)

<i>Maturity Date</i> <i>(October 1)</i>	<i>Amount</i>	<i>Coupon</i>	<i>Yield</i>	<i>Price</i>
_____	\$	%	%	

\$ _____
**SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE
CITY OF MENLO PARK
2015 SERIES B TAXABLE TAX ALLOCATION REFUNDING BONDS
(LAS PULGAS COMMUNITY DEVELOPMENT PROJECT)**

<i>Maturity Date (October 1)</i>	<i>Amount</i>	<i>Coupon</i>	<i>Yield</i>	<i>Price</i>
	\$	%	%	

EXHIBIT B

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Morgan Stanley & Co. LLC (the “Underwriter”) that the undersigned is a duly appointed and acting officer of the Successor Agency to the Community Development Agency of the City of Menlo (the “Successor Agency”) and, as such, the undersigned is authorized to execute and deliver this Certificate, and the undersigned further hereby certifies and reconfirms on behalf of the Successor Agency to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”), in connection with the offering and sale of the Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) and the aggregate principal amount of the Successor Agency to the Community Development Agency of the City of Menlo Park 2015 Series B Taxable Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) (collectively, the “Bonds”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated October __, 2015, setting forth information concerning the Bonds and the Successor Agency, as issuer of the Bonds (the “Preliminary Official Statement”).

(3) As used herein, “Permitted Omissions” shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete in all material respects except for the Permitted Omissions.

IN WITNESS WHEREOF, I have hereunto set my hand as of the __ day of October, 2015.

SUCCESSOR AGENCY TO THE
COMMUNITY DEVELOPMENT AGENCY
OF THE CITY OF MENLO PARK

By _____
Authorized Officer

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**STAFF REPORT****City Council**

Meeting Date: 7/21/2015
Staff Report Number: 15-123-CC

Regular Business: **Ask the Finance and Audit Committee to Report Back to the City Council On Opportunities to Identify Potential Budget Savings Through Alternative Service Delivery Models**

Recommendation

Ask the Finance and Audit Committee to identify potential operational savings through implementing alternate service delivery models.

Policy Issues

Through the adoption of the Fiscal Year 2015-16 budget, the City Council asked to have this matter agendized for City Council's action.

Background

At the June 23, 2015, Special City Council Meeting, through the budget deliberations, the City Council asked staff to agendize a discussion of the asking the Audit and Finance Committee be tasked with exploring alternative means of delivering City services.

Analysis

As a general management philosophy, staff constantly explores means of delivering City services in the most cost effective manner while maintaining the high quality of services expected by the public. To that end, the City partners with, outsources and in-sources various public services as *Attachment A* reflects.

If the City Council asks the Audit and Finance Committee to explore options, staff will work with the Committee to assure that they have the necessary information to return to City Council with a fully-informed recommendation which might include legal, operational, financial and quality metrics.

Impact on City Resources

Depending on the Committee's ultimate recommendation and any potential need for additional resources, future cost savings are unknown at this time.

Environmental Review

No environmental review is needed.

Public Notice

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

Attachments

A. Partial listing of services delivered through alternate means

Report prepared by:

Starla Jerome-Robinson, Assistant City Manager

Partial listing of services delivered through alternate means:

- 78 contractors working in Community Services providing various recreation programs
- Aquatics
- Janitorial / Custodial
- Tree trimming
- Plan check
- Inspection
- Streetlight painting
- Street sweeping
- Tree planting
- Labor relations / legal support
- Water services
- Cable broadcasting City Council meetings
- Various web services: E-gov / Granicus / Comcate
- Recruiting for executive and specialty positions
- Food services for Belle Haven Child Development Center
- Information Technology supplemental support

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STAFF REPORT

City Council

Meeting Date:

7/21/2015

Staff Report Number:

15-113-CC

Informational Item:

Belle Haven Child Development Center Self Evaluation Report for the Child Development Division of the California Department of Education for Fiscal Year 2014-15

Recommendation

This is an informational item.

Policy Issues

Review of the annual report by the Belle Haven Child Development Center (CDC) governing board (City Council) is a State requirement for continued State grant funding.

Background

The California Department of Education requires Title 5 State Preschool Programs to conduct an annual self-evaluation and submit these findings to the State and the school's governing board at the close of each fiscal year. The CDC is a Title 5 State Preschool Program; the Council is the governing board and the City Manager is the Authorized Representative responsible for signing the annual report completed by the Belle Haven CDC Program Supervisor.

Analysis

The fiscal year 2014-15 Program Self-Evaluation report includes:

- Program Self-Evaluation Cover Page (State form EESD 4000)
- Early Education and Support Division Program Review Instrument Fiscal Year 2014-15 (State form EESD 4001)
- Desired Results Program Action Plan - Reflection on Action Steps FY 2013-14 (State form EESD 4002)
- Desired Results Developmental Profile Summary of Findings and Program Action Plan Educational Goal (State form EESD 4003)

Impact on City Resources

The Belle Haven CDC was budgeted to receive \$732,964 in revenue from the State of California to support a total of \$1,167,599 in budgeted expenses for FY 2014-15 for a total General Fund contribution of \$434,635. Acceptance of this report has no impact on these amounts.

Environmental Review

Environmental review is not required.

Public Notice

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

Attachments

A. Belle Haven CDC Program Self Evaluation Report for FY 2014-15

Report prepared by:

Natalie Bonham, Program Supervisor at Belle Haven CDC

California Department of Education
Early Education and Support Division
March 2015

EESD 4000

Instructions for Program Self-Evaluation Cover Page

Contract Types

CSPP: California State Preschool Program
CCTR: California Center-Based Child Care
CHAN: California Severely Handicapped
CFCC: California Family Child Care Homes
CMIG: California General Migrant Child Care
CMAF: California Migrant Alternative Payment
CRRP: California Resource and Referral Program
CAPP: California Alternative Payment Program
C2AP: CalWORKs Stage 2
C3AP: CalWORKs Stage 3

Submission Requirements

Submit **one** Program Self-Evaluation (PSE) Cover Page (EESD 4000).

NOTE: CAPP, CMAF, C2AP, C3AP, and CRRP contractors **are required** to complete and submit the PSE for FY 2014–15.

Contractor Information

- Insert the Contractor's legal name
- Insert the four-digit Vendor Number
- Check all applicable contract types
- For CSPP, CCTR, CFCC, CMIG, and CHAN contracts, insert the number of classrooms and/or number of family child care homes for each of the applicable contract types.

Program Self-Evaluation Process

Summarize the process developed and implemented to meet requirements of 5 *CCR* Section 18279.

- Insert the date(s) the PSE will be or has been presented to the governing board.
- Sign and date the Statement of Completion certification. Include name and title, phone number of signator, and name and number for the contact person if different than person signing the EESD 4000.

Program Self-Evaluation Cover Page

Contractor's Legal Name City of Menlo Park - Belle Haven CDC	Vendor Number 2184
--	------------------------------

Contract Type(s)	# of classrooms by age group and setting					
	Infant Toddler		Preschool		School Age	
	Center	FCCHEN	Center	FCCHEN	Center	FCCHEN
<input checked="" type="checkbox"/> CSPP			4			
<input type="checkbox"/> CCTR						
<input type="checkbox"/> CFCC						
<input type="checkbox"/> CHAN						
<input type="checkbox"/> CRRP						
<input type="checkbox"/> CMIG						
<input type="checkbox"/> CMAP						
<input type="checkbox"/> CAPP						
<input type="checkbox"/> C2AP						
<input type="checkbox"/> C3AP						

(Note: This area expands as necessary.)

Describe your program self-evaluation process

Our center began our self-evaluation process soon after we enrolled new children for the upcoming school year in Summer 2014. All instructional staff began to do observations on the full-day children in Classrooms 1, 2 and 3 in August of 2014. The instructional staff in these three classrooms completed the Developmental Profile (DRDP) for each child in October of 2014. All completed DRDPs for these three classrooms were entered into DRDP Tech by all instructional staff in October 2014. The three Lead Teachers used the Developmental Progress form to summarize the information about each child's progress during parent conferences in November 2014. Group Data Summary sheets were presented to instructional staff from these three classrooms at our monthly staff meeting in November 2014. Also in November three separate classroom team meetings took place where all instructional staff identified key findings from the results of the DRDPs and created action steps that they implemented over the coming months for their group of children.

Since our fourth classroom is a combination of part-day and full-day children they began their self-evaluation process in late September 2014. The instructional staff began to do observations of the children during October 2014. Then the instructional staff completed the DRDP for each child in late November or early December 2014. All completed DRDPs were also entered into DRDP Tech by the instructional staff by December 2014. The Lead Teachers used the Developmental Progress form to summarize the information about each child's progress during parent conferences in December 2014. Group Data Summary sheets were presented to this classroom staff at the team meetings held in January 2015, in which the results of the DRDPs were used to identify key findings and create action steps that they implemented over the following months.

In January and February of 2014 parent surveys were passed out during the monthly parent meeting and then collected by the Administration staff. In March of 2014 the surveys were compiled into the Group Data Summary by the Administration staff. Results from the summary of the parent surveys

were presented to all staff at the monthly staff meeting in April 2014.

The Early Childhood Environment Rating Scale (ECERS) and the Classroom Assessment Scoring System (CLASS) were completed in two of the classrooms on March 20, 2015 and on March 24, 2015 by the BANDTEC consultant from the San Mateo County Office of Education. The ECERS assessments were completed in the other two classrooms on March 24, 2015 and on March 26, 2015 by the Floater Lead Teacher at Belle Haven CDC. Separate classroom team meetings were held on various dates in May 2015 in which the ECERS and CLASS results were reviewed. All program staff identified key findings from the results and created action steps that will be implemented over the coming months in each classroom.

All instructional staff completed their second set of DRDP assessments for each child, in each classroom, during March and April of 2015. All completed DRDPs were entered into the DRDP Tech system by the instructional staff in April 2015. The Lead Teachers used the Developmental Progress form to summarize the information about each child's progress during parent conferences in May 2015. All Group Data Summary sheets were reviewed at separate classroom team meetings in May 2015, where key findings were identified and action steps were created. These action steps will be implemented over the coming months with each group of children.

Then, on May 28, 2015 the Agency Annual Report was completed by the Program Supervisor which included the Program Self-Evaluation Cover Page, the Program Self-Evaluation Process, the Early Education and Support Division (EESD) Program Review Instrument, Reflection of Action Steps for FY 2013-14, the Desired Results Developmental Profile Summary of Findings and the Program Action Plan Educational Goal. The Annual Report was reviewed by the Community Services Department Manager, the Director of the Community Services Department and will be presented to the City Council at the June 16, 2015 meeting. Finally, the Annual Report will be presented to all program staff on June 3, 2015 and to parents on June 18, 2015 at the monthly parent meeting.

A copy of the Program Self-Evaluation will be/has been presented to the Governing Board.	Date June 16, 2015
Statement of Completion: I certify that the information included in this report is accurate and factual to the best of my knowledge.	
Signature	Date
Name and Title Natalie Bonham - Program Supervisor	Phone Number 650-330-2272
Contact Name and Number if different from above	Phone Number

EESD 4001

Instructions for

Early Education and Support Division (EESD) Program Review Instrument Summary of Findings and Action Plans

Submission Requirements

All contractors operating, CSPP, CCTR, CFCC, CMIG, CHAN, **CAPP, CMAP, C2AP, C3AP, and CRRP contract(s)** must complete one (1) EESD 4001 for each contract type operated by the contractor.

Contractor Information

Complete the requested information at the top of form EESD 4001, including Contractor's Legal Name, Contract Type, Age Group(s) being served, Planning Date, and Lead Planner's Name and Title.

Summary of Findings and Action Plans

Using the EESD Program Instrument 2014–15 at <http://www.cde.ca.gov/ta/cr/documents/ees201415a.pdf> for all applicable domains and items (EES 01-19), verify the summary of findings determined in the program self-evaluation process as follows:

- For each item applicable to the contract type, left click on the box. An "x" mark will appear in the box. This "x" verifies the item the contractor was required to review.
- For any item **not** fully meeting requirements enter a description of the finding(s) and include a plan to resolve the finding. This plan must include Actions (What will be done, not already being done?), Persons Responsible (Who will do what?) and a timeline (By when?). These boxes will allow for as much writing space as needed.

**Early Education and Support Division Program Review Instrument
 Fiscal Year 2014-15**

Contractor's Legal Name City of Menlo Park - Belle Haven CDC	Vendor Number 2184
Contract Type CSPP	Age Group (Infant/Toddler, Preschool, School-Age) Preschool
Planning Date May 20, 2015	Lead Planner's Name and Title Natalie Bonham - Program Supervisor

Summary of Findings and Action Plans

Complete the Summary of Findings and Actions Plans as directed in the instructions.

INVOLVEMENT

EES-01: Plan for Parent Involvement
 (CCTR, CSPP, CMIG, CHAN, CFCC)

Corrective Action Plan: N/A

GOVERNANCE AND ADMINISTRATION

EES-02: Family Eligibility Requirements
 (CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, CMAP, C2AP, C3AP)

Corrective Action Plan: N/A

EES-03: Child Need Requirement Verification
 (CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, CMAP, C2AP, C3AP)

Corrective Action Plan: N/A

EES-04: Recording and Reporting Attendance
 (CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, CMAP, C2AP, C3AP)

Corrective Action Plan: N/A

- EES-05: Correct Fee Assessed
(CCTR, CSPP, CMIG, CFCC, CAPP, CMAP, C2AP, C3AP)

Corrective Action Plan: N/A

- EES-06: Inventory Records
(CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, CMAP, C2AP, C3AP, CRRP)

Corrective Action Plan:

- EES-07: Alternative Payment (AP) Policies
(CAPP, CMAP, C2AP, C3AP)

Corrective Action Plan:

STANDARDS, ASSESSMENT, AND ACCOUNTABILITY

- EES-08: Desired Results Profile and Data
(CCTR, CSPP, CMIG, CHAN, CFCC)

Corrective Action Plan: N/A

- EES-09: Annual Evaluation Plan
(CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, CMAP, C2AP, C3AP)

Corrective Action Plan: N/A

- EES-10: Site Licensure
(CCTR, CSPP, CMIG, CHAN, CFCC)

Corrective Action Plan: N/A

STAFFING AND PROFESSIONAL DEVELOPMENT

- EES-11: Staff Development Program
(CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, C2AP, C3AP, CRRP)

Corrective Action Plan: We need to work on implementation of staff development for all teachers and not just for qualified staff. All staff do receive staff development sessions and trainings during our In-Service closure days. But some of the staff who are not considered qualified staff could benefit in attending outside classes, workshops or trainings to develop them professionally. We will need to increase our staff development plan in our Annual Program Self-Evaluation by requiring all staff to attend outside professional development sessions and implement this plan in FY 2015-16. All staff will be responsible for attending these sessions and the Program Supervisor will make sure that staff is accountable by including this requirement in the yearly performance evaluations for FY 2015-16.

EES-12: Qualified Staff and Director
(CCTR, CSPP, CMIG, CHAN, CFCC)

Corrective Action Plan: N/A

EES-13: Staff-Child Ratios
(CCTR, CSPP, CMIG, CHAN)

Corrective Action Plan: N/A

OPPORTUNITY AND EQUAL EDUCATIONAL ACCESS

EES-14: Family Selection
(CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, CMAP)

Corrective Action Plan: N/A

EES-15: Compliance with Due Process
(CCTR, CSPP, CMIG, CHAN, CFCC, CAPP, CMAP, C2AP, C3AP)

Corrective Action Plan: N/A

EES-16: Refrain from Religious Instruction
(CCTR, CSPP, CMIG, CHAN, CFCC)

Corrective Action Plan: N/A

EES-17: Services Responsive to Family Needs
(CRRP)

Corrective Action Plan:

TEACHING AND LEARNING

EES-18: Environment Rating Scale
(CCTR, CSPP, CMIG, CHAN, CFCC)

Corrective Action Plan: Two out of the four classrooms average of 4.29 and 4.43 on the ERS which is less than a 5.0 requirement. The Lead Teachers and the Program Supervisor will be working together to improve all low scoring items. This will include improving on Listening and Talking, Interaction and Program Structure items. Next steps include purchasing needed materials for the classroom, rearranging classroom furniture, enrolling all staff in professional development trainings on interaction, listening and talking to children, as well as adjusting the program's structure. We will also need to include an Action Step in the Program Self Evaluation about improving the ERS scores in FY 2015-16. The Lead Teachers and Program Supervisor will be the responsible parties for improving the ERS results in 2015-16.

EES-19: Nutritional Needs
(CCTR, CSPP, CMIG, CHAN, CFCC)

Corrective Action Plan: N/A

**Instructions for
Desired Results Program Action Plan – Reflection on Action Steps**

Submission Requirements

Contractors with CSPP, CCTR, CFCC, CMIG, and CHAN contracts are required to complete and submit a Reflection on Action Steps and goals with the FY 2014–15 PSE.

Complete an EESD 4002, **one for each contract type by age group** as applicable. As the FY 2013–14 Action Steps would be different or unique to the contract type and age group, a separate reflection and narrative for each is required.

Contractor Information

Complete the requested information at the top of the EESD 4002, including Contractor's Legal Name, Contract Type, Age Group(s), Planning Date, and Lead Planner's Name and Title.

Provide a Reflection Narrative

The Fiscal Year (FY) 2014–15 Program Self-Evaluation (PSE) includes the critical Reflection on Action Steps in the self-evaluation process; the Desired Results Program Action Plan – Reflection on Action Steps (CD 4002) form. Contractors shall provide a brief narrative reflecting on the action steps identified in FY 2013–14 PSE.

Review the Desired Results Developmental Profile Summary of Findings and Program Action Plan (CD 4001A) and record the reflections on the EESD 4002. This reflective process will help contractors identify accomplishments and lessons learned to use in future planning for program quality.

Reflect upon each set of action steps submitted in the FY 2013–14 PSE for each age group (infants/toddlers,

preschoolers, and school-age, as applicable). Use the EESD 4002 to describe the successful implementation of each Program Action Plan (CD 4001A). Provide a narrative summarizing the outcome of each Action Step.

Desired Results Program Action Plan – Reflection on Action Plan from FY 2013–14 Plan

Contractor's Legal Name City of Menlo Park - Belle Haven CDC	Vendor Number 2184
Contract Type CSPP	Age Group (Infant/Toddler, Preschool, School-Age) Preschool
Planning Date November 2014 thur January 2015	Lead Planner's Name and Title Natalie Bonham - Program Supervisor Leticia Gutierrez- Lead Teacher Room 1 Stephanie Enriquez - Lead Teacher Room 2 Maria Lopez - Lead Teacher Room 3 Kira Stroms - Lead Teacher Room 4
<p>Reflection of Program Action Plan from FY 2013-14 PSE</p> <p>Review each Program Action Plan submitted in the FY 2013-14 Program Self-Evaluation Report. Provide a separate reflection and narrative for each contract and age group, including the outcome of each action step. Record how each action step was successfully accomplished. If there were modifications or revisions to the action steps, reflect on and record the outcome of those changes.</p>	

Contractor's Legal Name	Vendor Number
City of Menlo Park - Belle Haven CDC	2184
This form can be expanded and is not limited to a single page	
<p>For our Program Action Plan for FY 2013-14, we submitted two Key Findings and two Educational Goals.</p>	
<p>The first Key Finding was that an average of 75% of the preschool children were at the Building and Intergrating Level in the domain of Mathematics Development (MATH). Therefore, we set a goal that an average of 80% of the preschool children would be at the Building and Integrating levels in the Mathematics Development domain after the second DRDP assessment period in FY 2014-15. This goal was not met with an only an average of 66% of the children at these levels after the second DRDP assessment period. There were five Action Steps created to help achieve this first goal:</p>	
<p>The first Action Step was to have all instructional staff support the children's mathematical knowledge by incorporating more math activities into the classroom curriculum or activities in a range of learning experiences including in small groups and meal times, to develop their number sense, classification, measurement and patterning skills. This step was completed by all instructional staff implementing this into their classrooms in December 2014. The second Action Step was to have all mathematical materials in the classrooms evaluated, using ERS as a guide, to see what is needed to enhance the children's development. This step was completed and all materials were purchased in September 2014. The third Action Step was to encourage all instructional staff to attend Mathematical professional development trainings and provide a summary of learned concepts to the rest of the instructional staff at monthly staff meetings. One of our Lead Teachers did attend a CPIN Mathematics training in April and May of 2015 and presented what she learned at our monthly staff meeting. The fourth Action Step was to have all Lead Teachers discuss with parents durning their conferences ideas for improving their child's math skills by providing mathematical activities or projects that parents can do with their children at home to increase their knowledge. This Action Step was completed by the Lead Teachers durning their parent conferences in November and December 2014. The last Action Step for this goal was to have the Program Supervisor facilitate and supervise the instructional staff to ensure the work to achieve this goal is ongoing. This step was implemented in December 2014 and is still on-going.</p>	
<p>The second Key Finding was that an average of 70% of the preschool children were at the Building and Integrating levels in the domain of Language and Literacy Development (LLD). Therefore, we set a goal that an average of 75% of the preschool children would be at the Building and Integrating levels in the Language and Literacy domain after the second DRDP assessment period in FY 2014-15. This goal was met by one of the four classrooms with an average of 75% of the children at these levels after the second DRDP assessment period. However the other three classrooms did not meet this goal with only an average of 60% of the children at these levels after the second DRDP assessment period. There were five Action Steps created to help achieve this second goal:</p>	

Contractor's Legal Name	Vendor Number
City of Menlo Park - Belle Haven CDC	2184
<p>The first Action Step was to have all instructional staff support English-language learners by designating a specific day of the week to language and literacy curriculum activities. This will allow the staff to focus on developing the language and literacy skills in a range of learning experiences to increase the children's comprehension of literacy, language expression and their interest in literacy activities. This step was completed in November 2014 and is on-going. The second Action Step was to evaluate all classroom schedules to ensure that ample time is given to explore interest areas to allow children to have longer conversations with peers and teachers to promote their social emotional skills. This step was completed by all instructional staff in September 2014. The third Action Step was to encourage all instructional staff to attend Language and Literacy professional development trainings and provide a summary of learned concepts to the rest of the staff at our monthly staff meeting. Two of our instructional staff members went to Dual Language Learners and Literacy trainings in February, March, April and May 2015 and presented what they learned at our monthly staff meetings. The fourth Action Step was to have all Lead Teachers provide in their monthly parent newsletters, language and literacy activities, informational articles, or recommended books for parents to use at home with their children to increase their knowledge. This Action Step was completed by all Lead Teachers in August 2014 and is on-going. The last Action Step for this goal was to have the Program Supervisor facilitate and supervise the instructional staff to ensure the work to achieve this goal is ongoing. This step was implemented in December 2014 and is still on-going.</p> <p>Even though all the Action Steps were completed for both program goals neither of the goals were achieved. Here are some of the factors that contributed to the goals not being met. I believe that the goal was set too high and therefore we were unable to achieve this goal. Also there were many unforeseen staff changes during FY 2014-15 and therefore the children in various classrooms did not have consistent teachers on a daily basis which affected the quality of the program.</p>	

**Instructions for
Desired Results Developmental Profile Summary of
Findings Program Action Plan (EESD 4003)**

Submission Requirements

For CSPP, CCTR, CFCC, CMIG, and CHAN contract types only, complete a program-level (not a classroom level) Summary of Findings and Program Action Plan (EESD 4003), one for each contract type by age group as applicable.

Contractor Information

Complete the requested information at the top of form EESD 4003, including Contractor's Legal Name, Contract Type, Age Group, Planning Date, and Lead Planner's Name and Title.

Summary of Findings and Program Action Plan

Contractors serving children in a Family Child Care Home Education Network (FCCHEN) must complete a Desired Results Developmental Profile (DRDP) Summary of Findings for the **infant/toddler age group** unless no services to infants/toddlers are provided. In this case, complete and submit a summary of findings and program action plans for the age group with the highest number of children enrolled.

Key Findings – Ask: Where is the program now?

- To determine key findings, compile the information from **all** of the individual classroom or family child care home DRDPs. The Classroom/Family Child Care Home DRDP Summary of Findings form and Instructions are available on the Desired Results Web site at http://www.desiredresults.us/form_ps.htm.
- If the center-based contractor has multiple sites, first compile the information by site, and then at the program level.
- FCCHENs may collect information from each family child care home and first compile the information by each designated teacher case load

assignment (similar to a center-based “site”) and then compile the information at the program level.

- Look for trends or patterns in the DRDP data to identify overall strengths and areas needing improvement at the domain level. Use this information to identify and write at least one (1) key finding in the row labeled, “Key Findings from Developmental Profiles.”

Educational Goal – Ask: Where does the program want to go?

- Define at least one goal at the domain level to address important issues regarding the educational needs of children identified in the key findings.
- Write the Educational Program Goal in the row labeled, “Educational Program Goal(s).”

Action Steps – Ask: How does the program get there?

- Develop and write attainable action steps to achieve the program’s goal(s). The action steps should identify a variety of strategies to achieve the goal such as:
 - Activity planning
 - Curriculum modifications
 - Materials required
 - Staff or program schedules
 - Child-staff interactions
 - Classroom use of space
 - Professional development
 - Parent education
- Write the Action Steps in the spaces provided.
- CDE publications and resources are available to assist in the development of Action Steps and are located on the Publications Web site at <http://www.cde.ca.gov/sp/cd/re/cddpublications.asp>.

Expected Completion Date, and/or Ongoing Implementation and Persons Responsible – Ask: By when? Enter responses in the corresponding response box.

- Enter the date when the Action Steps will be completed.
- Enter “Ongoing” when the Action Step implementation will continue

throughout the year.

- Identify the key person(s) who will be responsible for each Action Step.

**Desired Results Developmental Profile Summary of Findings and Program Action Plan
 Educational Goal**

Contractor's Legal Name City of Menlo Park - Belle Haven CDC	Vendor Number 2184
Contract Type CSPP	Age Group (Infant/Toddler, Preschool, School-Age) Preschool
Planning Date May 19, 2015	Lead Planner's Name and Title Natalie Bonham - Program Supervisor Leticia Gutierrez- Lead Teacher Room 1 Stephanie Enriquez - Lead Teacher Room 2 Maria Lopez - Lead Teacher Room 3 Kira Stoms - Lead Teacher Room 4
<p>Review the Desired Results Developmental Profile Summary of Findings at the Program or Network level and plan on the areas that your agency will focus on for the FY 2015–16. Each contract type should have a program level plan and action steps. Include this information in the response boxes below.</p> <p><i>Each response box below will expand as needed</i></p>	
<p>Key Findings by Domain from Developmental Profiles</p> <p>Ask: Where is the program now?</p>	<p>For our Program Action Plan for FY 2014-15, we submitted two Key Findings and two Educational Goals.</p> <p>The first Key Finding was that an average of 60% of the preschool children were at the Building and Integrating levels in the domain of Language and Literacy Development (LLD).</p> <p>The second Key Finding was that an average of 66% of the preschool children were at the Building and Intergrating Level in the domain of Mathematics Development (MATH).</p>

<p>Educational Program Goal(s)</p>	<p>Our first goal is that an average of 65% of the preschool children would be at the Building and Integrating levels in the Language and Literacy domain after the second DRDP assessment period in FY 2015-16.</p>
<p>Ask: Where does the program want to go?</p>	<p>Our second goal is that that an average of 70% of the preschool children would be at the Building and Integrating levels in the Mathematics Development domain after the second DRDP assessment period in FY 2015-16.</p>
<p>Action Steps (i.e. address activity planning, curriculum modifications, materials required, staff or program schedules, child-staff interactions, classroom use of space, professional development, parent education, and/or community outreach)</p>	<p>There are five Action Steps created to help achieve the first goal:</p> <p>The first Action Step is to have all instructional staff support English-language learners by designating a specific day of the week to language and literacy curriculum activities. This will allow the staff to focus on developing the language and literacy skills in a range of learning experiences to increase the children’s comprehension of literacy, language expression and their phonological awareness. The second Action Step is to review the ERS results and evaluate the classrooms in the items of Listening and Talking, Interaction and Program Schedule. This will include purchasing needed materials for the classroom, rearranging classroom furniture, enrolling all staff in professional development trainings on interaction, listening and talking to children, as well as adjusting the program's structure to increase all items to score at least a 5. The program structure needs to be adjusted to ensure that there is ample time given to the children to explore interest areas, to have longer conversations with peers as well as making sure there are no long delays between transitions. The third Action Step is to require all instructional staff to attend Language and Literacy professional development trainings in FY 2015-16. Then, at their monthly classroom team meetings, they will provide a summary of learned concepts to the rest of their teammates. The fourth Action Step is to have all Lead Teachers provide, in their monthly parent newsletters or on their parent board, language and literacy activities, informational articles, and recommended books for parents to use at home with their children to increase their knowledge. The fifth Action Step is to have all instructional staff incorporate the Raising a Reader program books into the daily classroom storytime to familiarize the children with the books that they read at home with their families and increase their interest in the Raising a Reader program. The last Action Step for this goal is to have the Program Supervisor facilitate and supervise the instructional staff to ensure the work to achieve this goal is ongoing.</p> <p>There are five Action Steps created to help achieve the second goal:</p> <p>The first Action Step is to have all instructional staff support the children’s mathematical knowledge by incorporating more math activities into the classroom curriculum and activities. This will include the children creating mathematical</p>
<p>Ask: How does the program get there?</p>	<p>The first Action Step is to have all instructional staff support the children’s mathematical knowledge by incorporating more math activities into the classroom curriculum and activities. This will include the children creating mathematical</p>

<p>(This form can be expanded and is not limited to a single page.)</p>	<p>concept books that they can have access to in the classroom as well as providing more mathematical activities during small groups and meal times, to develop their number sense, measurement, shapes and patterning skills. The second Action Step is to review the ERS results and evaluate the classrooms to see what is needed to enhance the children's development, specifically in number sense, measurement and patterning skills. The third Action Step is to encourage all instructional staff to attend mathematical professional development trainings and provide a summary of learned concepts to the rest of the instructional staff at monthly staff meetings or at monthly classroom team meetings. The fourth Action Step is to have all Lead Teachers discuss with parents during their conferences how to work on improving their child's math skills by providing mathematical activities or projects that parents can do with their children at home to increase their knowledge. The last Action Step for this goal is to have the Program Supervisor facilitate and supervise the instructional staff to ensure the work to achieve this goal is ongoing.</p>
<p>Expected Completion Date and/or Ongoing Implementation and Persons Responsible</p> <p>Ask: By when?</p>	<p>For the first Education Program Goal, all instructional staff will be responsible for implementing the first, second and fifth Action Steps by December 2015 and on-going. All instructional staff will also be responsible for implementing the third Action Step by June 2016. The Lead Teachers will be responsible for implementing the fourth Action Step by December 2015 and on-going. The Program Supervisor will be responsible for implementing the last Action Step for this goal by December 2015 and on-going.</p> <p>For the second Education Program Goal, all instructional staff will be responsible for implementing the first and second Action Steps by December 2015. All the instructional staff will also be responsible for implementing the third Action Step by June 2016. The Lead Teachers will be responsible for implementing the fourth Action Step by December 2015 and on-going. The Program Supervisor will be responsible for implementing the last Action Step for this goal by December 2015 and on-going.</p>



STAFF REPORT

City Council

Meeting Date: 7/21/2015
Staff Report Number: 15-125-CC

Informational Item: Quarterly Review of Data Captured by Automated License Plate Readers (ALPR) for the Period Beginning April 1, 2015 through July 1, 2015

Recommendation

Pursuant to Menlo Park Municipal Code, staff is required to present a quarterly review of the data captured from the Police Department's automated license plate readers.

Policy Issues

No City policies are affected by this item.

Background

On September 24, 2013, the City Council approved the purchase and installation of mobile Automated License Plate Readers (ALPRs) mounted on three police vehicles.

At the May 13, 2014 City Council meeting, the Council approved Ordinance 1007 regarding the use of automated license plate readers.

It states, "Northern California Regional Information Center (NCRIC) will give a quarterly report to the Police Department which shall indicate the number of license plates captured by the ALPR in the City of Menlo Park, how many of those license plates were "hits" (on an active wanted list), the number of inquiries made by Menlo Park personnel along with the justifications for those inquiries, and information on any data retained beyond six months and the reasons for such retention."

Analysis

From April 1, 2015 through July 1, 2015, the ALPR's captured 198,286 license plates.

The data captured resulted in 204 "hits" that a captured license plate was currently on an active wanted list. The vast majority of the hits were subsequently deemed to be a "false read" after further review by the ALPR operator. A "false read" is when a photograph of the license plate and the computer's interpretation of the number / letter combination from the photo do not match. For example, a photograph of a license plate with the number 8 could be digitally interpreted as a B.

During the listed time period, Menlo Park Police personnel made eighteen license plate inquiries into

the database during the investigation of crimes occurring in Menlo Park or where a Menlo Park resident was known to have had an active warrant for their arrest or was wanted as a named suspect in connection to criminal activity. Additionally, one occupied stolen vehicle was recovered resulting in the arrest of the suspect in control of the vehicle.

There was no captured license plate data retained beyond the six month limitation set forth in the municipal code.

Impact on City Resources

There is no impact on City resources.

Environmental Review

Environmental review is not required.

Public Notice

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

Report prepared by:
William A. Dixon, Commander

**STAFF REPORT****City Council****Meeting Date:** 7/21/2015**Staff Report Number:** 15-114-CC**Informational Item:** Quarterly Review of Taser Program**Recommendation**

No action is necessary at this time as this is an informational report.

Policy Issues

This informational report is being presented to comply with City Council direction requesting a quarterly assessment of the Taser program.

Background

On October 7, 2014, staff presented the one year results of the Police Department Taser assessment. Following that review, Council approved the purchase and deployment of the Taser device department-wide and to continue a quarterly assessment of the Taser program.

Analysis

The Police Department has trained and issued the Taser device to 98% of the department's officers, detectives and sergeants. The officers who have not been trained are currently out on injury leave and will be trained upon their return.

As of June 30, 2015, the Department has had no Taser uses, nor had the Taser been used in a "display only" manner. As stated in prior quarterly reports, a more robust examination of the program will be possible after an entire year of testing has been accomplished.

Impact on City Resources

There is no impact on City resources.

Environmental Review

Environmental review is not required.

Public Notice

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

Staff Report #: 15-114-CC

Report prepared by:

Dave Bertini, Commander



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Council Action Advised by July 31, 2015
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May 29, 2015

TO: Mayors, City Managers and City Clerks

**RE: DESIGNATION OF VOTING DELEGATES AND ALTERNATES
 League of California Cities Annual Conference – September 30 – October 2, San Jose**

The League's 2015 Annual Conference is scheduled for September 30 – October 2 in San Jose. An important part of the Annual Conference is the Annual Business Meeting (*at the General Assembly*), scheduled for noon on Friday, October 2, at the San Jose Convention Center. At this meeting, the League membership considers and takes action on resolutions that establish League policy.

In order to vote at the Annual Business Meeting, your city council must designate a voting delegate. Your city may also appoint up to two alternate voting delegates, one of whom may vote in the event that the designated voting delegate is unable to serve in that capacity.

Please complete the attached Voting Delegate form and return it to the League's office no later than Friday, September 18, 2015. This will allow us time to establish voting delegate/alternate records prior to the conference.

Please note the following procedures that are intended to ensure the integrity of the voting process at the Annual Business Meeting.

- **Action by Council Required.** Consistent with League bylaws, a city's voting delegate and up to two alternates must be designated by the city council. When completing the attached Voting Delegate form, please attach either a copy of the council resolution that reflects the council action taken, or have your city clerk or mayor sign the form affirming that the names provided are those selected by the city council. Please note that designating the voting delegate and alternates must be done by city council action and cannot be accomplished by individual action of the mayor or city manager alone.
- **Conference Registration Required.** The voting delegate and alternates must be registered to attend the conference. They need not register for the entire conference; they may register for Friday only. To register for the conference, please go to our website: www.cacities.org. In order to cast a vote, at least one voter must be present at the

-over-

Business Meeting and in possession of the voting delegate card. Voting delegates and alternates need to pick up their conference badges before signing in and picking up the voting delegate card at the Voting Delegate Desk. This will enable them to receive the special sticker on their name badges that will admit them into the voting area during the Business Meeting.

- **Transferring Voting Card to Non-Designated Individuals Not Allowed.** The voting delegate card may be transferred freely between the voting delegate and alternates, but *only* between the voting delegate and alternates. If the voting delegate and alternates find themselves unable to attend the Business Meeting, they may *not* transfer the voting card to another city official.
- **Seating Protocol during General Assembly.** At the Business Meeting, individuals with the voting card will sit in a separate area. Admission to this area will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate. If the voting delegate and alternates wish to sit together, they must sign in at the Voting Delegate Desk and obtain the special sticker on their badges.

The Voting Delegate Desk, located in the conference registration area of the San Jose Convention Center, will be open at the following times: Wednesday, September 30, 8:00 a.m. – 6:00 p.m.; Thursday, October 1, 7:00 a.m. – 4:00 p.m.; and Friday, October 2, 7:30–10:00 a.m. The Voting Delegate Desk will also be open at the Business Meeting on Friday, but will be closed during roll calls and voting.

The voting procedures that will be used at the conference are attached to this memo. Please share these procedures and this memo with your council and especially with the individuals that your council designates as your city's voting delegate and alternates.

Once again, thank you for completing the voting delegate and alternate form and returning it to the League office by Friday, September 18. If you have questions, please call Kayla Gibson at (916) 658-8247.

Attachments:

- 2015 Annual Conference Voting Procedures
- Voting Delegate/Alternate Form

Annual Conference Voting Procedures 2015 Annual Conference

1. **One City One Vote.** Each member city has a right to cast one vote on matters pertaining to League policy.
2. **Designating a City Voting Representative.** Prior to the Annual Conference, each city council may designate a voting delegate and up to two alternates; these individuals are identified on the Voting Delegate Form provided to the League Credentials Committee.
3. **Registering with the Credentials Committee.** The voting delegate, or alternates, may pick up the city's voting card at the Voting Delegate Desk in the conference registration area. Voting delegates and alternates must sign in at the Voting Delegate Desk. Here they will receive a special sticker on their name badge and thus be admitted to the voting area at the Business Meeting.
4. **Signing Initiated Resolution Petitions.** Only those individuals who are voting delegates (or alternates), and who have picked up their city's voting card by providing a signature to the Credentials Committee at the Voting Delegate Desk, may sign petitions to initiate a resolution.
5. **Voting.** To cast the city's vote, a city official must have in his or her possession the city's voting card and be registered with the Credentials Committee. The voting card may be transferred freely between the voting delegate and alternates, but may not be transferred to another city official who is neither a voting delegate or alternate.
6. **Voting Area at Business Meeting.** At the Business Meeting, individuals with a voting card will sit in a designated area. Admission will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate.
7. **Resolving Disputes.** In case of dispute, the Credentials Committee will determine the validity of signatures on petitioned resolutions and the right of a city official to vote at the Business Meeting.



CITY: _____

**2015 ANNUAL CONFERENCE
VOTING DELEGATE/ALTERNATE FORM**

Please complete this form and return it to the League office by Friday, September 18, 2015. Forms not sent by this deadline may be submitted to the Voting Delegate Desk located in the Annual Conference Registration Area. Your city council may designate one voting delegate and up to two alternates.

In order to vote at the Annual Business Meeting (General Assembly), voting delegates and alternates must be designated by your city council. Please attach the council resolution as proof of designation. As an alternative, the Mayor or City Clerk may sign this form, affirming that the designation reflects the action taken by the council.

Please note: Voting delegates and alternates will be seated in a separate area at the Annual Business Meeting. Admission to this designated area will be limited to individuals (voting delegates and alternates) who are identified with a special sticker on their conference badge. This sticker can be obtained only at the Voting Delegate Desk.

1. VOTING DELEGATE

Name: _____

Title: _____

2. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

3. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

PLEASE ATTACH COUNCIL RESOLUTION DESIGNATING VOTING DELEGATE AND ALTERNATES.

OR

ATTEST: I affirm that the information provided reflects action by the city council to designate the voting delegate and alternate(s).

Name: _____ E-mail _____

Mayor or City Clerk _____ Phone: _____
(circle one) (signature)

Date: _____

Please complete and return by Friday, September 18, 2015

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