



## LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

July 8, 2015

**To:** LAFCo Commissioners  
**From:** Martha Poyatos, Executive Officer  
**Subject:** Municipal Service Review and Sphere of Influence Update for the San Mateo County Harbor District

### Summary

Attached please find the municipal service review and sphere of influence update (MSR/SOI Update) for the San Mateo County Harbor District. This is the second municipal service review for the District.<sup>1</sup> LAFCo is required by State law to complete municipal service and sphere of influence reviews for all cities and special districts in the County by taking the following actions: prepare a municipal service review and sphere of influence review report, adopt municipal service review determinations pursuant to Government Code Section 56430; adopt sphere of influence determinations pursuant to Government Code Section 56425; and reaffirm or amend the sphere of influence. Accompanying this cover memo are the MSR/SOI Update, comments from affected agencies and individuals, and a table of LAFCo responses to Harbor District comments on data and recommended determinations. Staff recommends receiving the report, opening the public hearing and receiving comments, adopting recommended determinations with any desired amendments, and reaffirming the District's zero sphere of influence indicating the District should be dissolved and services could be assumed by the County of San Mateo and the City of South San Francisco.

### Background

The following report summarizes the attached Draft Municipal Service Review and Sphere of Influence Report, responds to comments, and summarizes recommended action. Key Issues include:

1. The District's countywide boundaries were established in 1933 and since that time many other public and private entities have established and operate recreational and commercial marine facilities and water rescue.

---

<sup>1</sup> The requirement for municipal service reviews in conjunction with sphere reviews became law in 2000. Prior to that time, LAFCos were only required to adopt and periodically update spheres of influence. The zero sphere of influence for the Harbor District was first adopted in 1977 and has been periodically reviewed and reaffirmed. Zero sphere of influence indicates that the District should be dissolved with the County as successor agency to services, facilities, revenues, assets, and liabilities.

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 2

2. Proposition 13, enacted in 1978, resulted in the District receiving, and becoming reliant upon, a share of countywide property tax that is used to fund enterprise and non-enterprise services at Pillar Point Harbor and Oyster Point Marina/Park.
3. The Harbor District's elected Harbor Commission and administration duplicate governance and administrative functions of the County.
4. The MSR/SOI Report documents significant infrastructure and facility improvement needs as a result of wear and tear from heavy use and a harsh marine environment, and deferred maintenance and capital projects.
5. The District lacks an established capital improvement plan and accounting system, including a five-year Capital Improvement Program and acknowledges in comments to the MSR/SOI report the need to establish a CIP that is reflected in the budget.
6. The District lacks a cost accounting system to track cost for enterprise versus non-enterprise.
7. In the course of the MSR/SOI update and since the Civil Grand Jury report, the District has begun to implement many of the Grand Jury and LAFCo recommendations and should continue to do so regardless of the LAFCo sphere designation.

### **Agency Comments and LAFCo Responses**

The San Mateo County Harbor District comments dated June 26, 2015 include introductory remarks, specific comments contained in a table labeled Exhibit A, general responses regarding efficiencies and cost savings; reliance on property tax; the district in transition; governance; and a section regarding an unanswered question about dissolution, including disposition of property tax, State law issues and the California Environmental Quality Act (CEQA), and a conclusion. The following narrative responds to the general comments contained in the June 26 letter. LAFCo comments to the Harbor District's exhibit have been added to Exhibit A (attached).

### **Harbor District Comment**

***Introductory Remarks Section: The Draft Report over-emphasizes governance issues governance issues at the expense of the other statutorily required factors that must be the basis for any sphere of influence finding under the CKH Act, which establishes the LAFCo process....The District understands that the Civil Grand Jury Report cannot be ignored.***

### **LAFCo Response**

Regardless of the Grand Jury report, discussion of governance issues is unavoidable due to events and issues that arose leading up to and during preparation of the MSR/SOI update, including the process of data-gathering and observations at Harbor District Board and finance committee meetings. It is well documented in the record of the Harbor District Board and finance meetings that governance issues affecting management efficiencies were highly usual, significant, and negatively impaired the District's day-to-day operation and ability to retain and

recruit interim and permanent management staff. They are therefore material to an MSR, specifically management efficiencies, governance, and accountability. Moreover, Government Code §56430(a)(6) requires that the review address governance issues.

**Harbor District Comment**

***However it also believes that an MSR should not examine issues outside those contemplated by the Act.” In its emphasis of governance issues, and in its lengthy discussion of dissolution options the Draft Report excessively focuses on political concerns that are not relevant to the CKH Act’s standards for an MSR. “Even though there is no pending dissolution application, we cannot ignore the call for dissolution presented in the Draft Report. In Part III below, therefore, we emphasize a number of unknown but critically important legal issues we think require further study.” (Page 1, 3rd Paragraph)***

**LAFCo Response**

Section 56430 does not prohibit the LAFCo from examining “issues outside those contemplated by the CKH Act,” nor does it state that content of the MSR is limited to Determinations 1-7. Nonetheless, Determination 6 below specifically speaks to governance issues and operational efficiencies.

Section 56430 calls for the following:

56430 (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

- (1) Growth and population projections for the affected area.
- (2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
- (4) Financial ability of agencies to provide services.
- (5) Status of, and opportunities for, shared facilities.

**(6) Accountability for community service needs, including governmental structure and operational efficiencies.**

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

## **II. Harbor District General Response**

### **1. Efficiencies and Cost Savings:**

***The Harbor District states that the report “asks many questions about whether the County can actually accomplish the District’s functions more efficiently. In essence, the ultimate question of whether the County can provide the services of the District more efficiently is not certain. The District cites additional legal costs associated with the transition and the fact that the County would need to assign County Counsel or outside counsel to provide legal service currently provided to the District. The Harbor District cites the County’s lack of experience with liveboard facilities, commercial fishing and water rescue. The Harbor District references the County Operated Coyote Point Marina Budget. The Harbor District cites Section 56000 which requires that “responsibility should be given to the agency or agencies that can best provide government services” and states that the report cannot point to any identifiable cost savings to be incurred by the District’s dissolution.***

### **LAFCo Response**

The report does not ask questions about whether the County can actually accomplish the District’s functions more efficiently. The report acknowledges that actual savings in a dissolution would be determined by analysis by the County as successor and in collaboration with the City of South San Francisco, owner of the Oyster Point Marina. The report identifies the District’s practice of balancing the budget by deferring maintenance and capital improvements. Therefore, any analysis of efficiencies and savings would need to take into account that the Harbor District’s budget is artificially deflated due to deferred maintenance and capital improvements. In regard to expertise, the report indicates that dissolution with the County as successor assumes that Harbor District employees with expertise in marine facilities that include commercial fishing, liveboards, and water rescue operations would become employees of the successor agency. The report does not contemplate a dissolution in which the County would propose elimination of service or a lower level of service than that provided by the Harbor District.

In regard to legal fees, they are a function of the hourly rate charged by legal counsel, the amount of time legal counsel spends responding to inquiries of the board, staff, and the public, including public records requests as well as potential and existing litigation. The District itself has expressed concerns about rising legal costs. County counsel rates are significantly lower than private law firms. The report acknowledges the several one-time costs associated with a governmental reorganization including legal fees.

The Harbor District misrepresents the Coyote Point Marina budget and misstates sources of revenues. The following Coyote Point budget information is provided by the County Parks Department. The Coyote Point Marina is an Enterprise Fund and, as such, is self-contained and has no influx of General Fund or sales tax revenues (Measure A).

In Fiscal Year 2013-14, the Coyote Point Marina budget was as follows:

Use of Money and Property	26,121.02
Intergovernmental Revenues	1,359,892.59
Charges for Services	951,417.84
Miscellaneous Revenue	8,265.93
Other Financing Sources	
Total Revenue	2,345,697.38
Fund Balance	<u>869,645.79</u>
TOTAL SOURCES	3,215,343.17
Salaries and Benefits	288,307.93
Services and Supplies	137,328.11
Other Charges	364,616.12
Fixed Assets	262,379.18
Other Financing Uses	1,694,838.32
Gross Appropriations	2,747,469.66
Intrafund Transfers	
Net Appropriations	2,747,469.66
Contingencies/Dept Reserves	
Non-General Fund Reserves	<u>467,873.51</u>
TOTAL REQUIREMENTS	3,215,343.17
NET COUNTY COST	0.00

In regard to elections costs, the report cites savings by eliminating harbor commission costs and potentially reducing other administrative costs. The report will be amended to reflect that the District's election costs, if dissolved, would be redistributed to remaining agencies. However, the argument that Harbor and Marina operations would not experience a savings due to elimination of elections costs is flawed. Currently a countywide harbor district with at-large elected commissioners funded with property tax and user fees is in essence subsidizing the San Mateo County Elections Department because a separate governing body requires a separate election.

In regard to the District's assertion that there is no convincing evidence that another agency, particularly the County, would provide the District's critical services more effectively or efficiently than the District, discussion of "effective" and "efficient" would be clarified in an application and plan for service. Nonetheless it is reasonable to consider duplicated governance and administration of a single purpose agency and economies of scale that could be achieved by larger organization such as the County or a city. In particular, the County and City have administrative capacity including, but not limited to, administration, human resources, finance and accounting, asset management, and grant administration. One cannot deduce that one

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 6

operator is more effective in operating their marina than another simply by comparing berth revenues. There are a number of other factors that would need to be considered in order to arrive at such an opinion, such as size of each berth, fees being charged, location, and how the operator is managing these funds to operate a marina.

**Harbor District Response - Reliance on Property Tax**

***The District indicates that the report's discussion of property tax revenue as it relates to enterprise activities represents a fundamental misunderstanding of the District in particular and of local government finance in general. The District cites the fact that most enterprise districts in California receive a share of the 1 percent property tax.***

LAFCo Comment

The Harbor District mischaracterizes the intent of Proposition 13, inappropriately compares the Harbor District to other districts that receive property tax and discounts the absence of nexus between the District's share of countywide property tax with the District's service responsibility that is not countywide. Since implementation of Proposition 13, San Mateo Harbor District, like most other enterprise and non-enterprise districts in the State, has received a share of the 1 percent property tax in addition to enterprise revenues from user fees. This was an unintended consequence of Proposition 13. As illustrated in the District's budget, approximately half of the revenue received by the District is property tax revenue. The District incorrectly compares their case with that of small enterprise districts. While the fact that enterprise districts receive property tax is an unintended consequence, in the case of a small water or sewer district receiving property tax only from within that district's boundaries, there is at least geographic nexus between the property tax received and the service provided. In contrast, the Harbor District uses countywide property tax to fund services at two distinct facilities that are of partial benefit to all taxpayers.

The District's position also suggests that it is appropriate to subsidize enterprise services such as liveaboard berth fees, water, and sewer service with property tax. Proposition 13, enacted in 1978, set the total tax that could be levied on real property at 1 percent of the assessed value. As a result, the share of the countywide 1 percent property tax received by any city, district or school district was based on each agency's proportion to all taxes levied in the County prior to Proposition 13. In essence, Proposition 13 changed special district funding in that enterprise districts lost the ability to raise revenue through property tax. The intent was that enterprise districts would recover the cost of service through user charges and fees other than the limited property tax. Government Code Section 16270 states: *The Legislature finds and declares that many special districts have the ability to raise revenue through user charges and fees and that their ability to raise revenue directly from the property tax for district operations has been eliminated by Article XIII A of the California Constitution. It is the intent of the Legislature that such districts rely on user fees and charges for raising revenue due to the lack of the availability of property tax revenues after the 1978-79 fiscal year. Such districts are encouraged to begin the transition to user fees and charges during the 1978-79 fiscal year.*

The MSR/SOI report also makes a recommendation that the Harbor District convert to a cost accounting system that identifies the cost of enterprise versus non-enterprise activities to be able to assess what the reliance on property tax should be. Additionally the report suggests that some non-enterprise services such as trail maintenance could be transferred to the County Parks Department.

**Harbor District Response - The District is in Transition and Governance**

***The District states that the MSR fails to take into account that the District is implementing many of the recommendations in the Draft report and is in the process of recruiting a General Manager after the retirement of a General Manager after over 15 years of tenure and the report does not taking into account the importance of this change of leadership. The District emphasizes the enormous importance this is to a District with a small staff. The District asserts that Sections 56430 and 56425 are the exclusive list of items LAFCo may include in an MSR/SOI report and that the report inappropriately includes a section on dissolution process.***

LAFCo Comment

*Transition*

The MSR/SOI report acknowledges that the District is in transition and makes recommendations to be implemented by the District regardless of the District's sphere including, but not limited to, governance issues that have demonstrably impaired the ability of the District to recruit a permanent General Manager. LAFCo acknowledges that the District has begun to implement Grand Jury recommendations and LAFCo recommendations and that the District has made progress in this regard. While it is clearly important to have strong management leadership, the municipal service review and sphere update are not based on the individuals in leadership or governance roles at a special district.

*Governance*

Sections 56430 and 56425 govern the municipal service reviews and sphere of influence reviews and updates and do not restrict LAFCo consideration in the manner suggested by the Harbor District. Section 56430 includes the language: "...and shall prepare a written statement of its determinations with respect to each of the following..." There is no language that state the MSR shall only discuss these areas of determination. Sections 2 through 4 of the report speak to the areas of determination in Section 56430 and Section 5 makes recommended determinations in these areas regarding to the Harbor District. Section 56430 does not prohibit LAFCo from examining "issues outside those contemplated by the CKH Act." Nonetheless, Determination 6 identified on Page 1 above speaks to governance issues that would include discussion of dissolution and the dissolution process.

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 8

### **Harbor District Response - Dissolution - Unanswered Questions**

***The District notes that dissolution of special district is rare and there are numerous unprecedented and complex legal issues that will be costly and will require further analysis before assuming dissolution is in the best interest of County taxpayers.***

#### **LAFCo Comment**

LAFCo agrees that dissolutions are rare. However, as cited in the report there is guidance contained in the CKH Act, Revenue and Tax Code, and by example of past dissolutions that provide guidance in the procedures and process of dissolution with a long-term successor. A municipal service review and sphere of influence update are not intended to serve as detailed fiscal analysis of dissolution. The report identifies transition issues that would be researched and resolved prior to an agency submitting a dissolution application to LAFCo. LAFCo recognizes that the District is unlikely to support the potential for the Board of Supervisors to succeed the Harbor Commission as the governing body of a harbor district sharing the same constituency and property tax base, and therefore the discussion between LAFCo and the District on this topic is contentious. Nonetheless, the report sets forth potential benefits including eliminating duplicated governance and administration and aligning funding of property tax to non-enterprise activities. It is reasonable that a larger organization such as the County or a city would achieve cost efficiencies and effectiveness in areas including, but not limited to, administration, human resources, finance and accounting, asset management, and grant administration.

### **Harbor District Response - Property Taxes**

***The District asserts that the report incorrectly cites application of revenue and tax code as it relates to dissolution of a district with a long-term successor.***

#### **LAFCo Comment**

The District mischaracterizes the distribution of property tax in a district reorganization. Revenue and Tax Code calls for the County to negotiate on behalf of special districts subject to organizational change. For the benefit of continuing harbor and marina operations that currently rely on property tax, a dissolution with the County as successor would be dependent upon the County receiving the same share of property tax to fund services until such time that savings are achieved and rates are adjusted to reduce reliance on property tax. Because other districts and the cities are not subject to the organizational change, they are not party to the property tax negotiation.

Revenue and Tax Code Section 99(b)(5) reads: *“In the event that a jurisdictional change would affect the service area or service responsibility of one or more special districts, the board of supervisors of the county or counties in which the districts are located shall, on behalf of the district or districts, negotiate any exchange of property tax revenues. Prior to entering into negotiation on behalf of a district for the exchange of property tax revenue, the board shall*



*consult with the affected district. The consultation shall include, at minimum, notification to each member and executive officer of the district board of the pending consultation and provision of adequate opportunity to comment on the negotiation.”*

In the case of a district dissolution, the County would negotiate on behalf of the Harbor District and because there is no change in the service responsibility of any city or other special district, other agencies would not be party to the negotiation. If following dissolution, the County and the City of South San Francisco initiate a subsequent organizational change pertaining to Oyster Point Marina, that proposal would be subject to a property tax exchange between the County and the City.

#### **Harbor District Response - Labor Issues**

***The District cites the in progress bargaining negotiations with two unions and how the outcome of negotiations is unknown and will be important to understand. The District also cites the CalPERS obligations cited in the report.***

#### **LAFCo Comment**

LAFCo agrees that the outcome of labor negotiations and the requirement to satisfy CalPERS obligations prior to dissolution would need to be assessed by the County prior to initiating a dissolution application. The requirement to satisfy the CalPERS obligations prior to dissolution would be a one-time cost associated with the transition that would need to be considered in the long term and underscores the importance of considering the long-range versus short-term benefits of governance alternatives.

#### **Harbor District Response - State Law Issues**

***The District cites the District’s State tidelands grant that allowed it to establish Pillar Point Harbor (Chapter 68, Statutes of 1960), which states: “That said lands shall be used by said district...for the establishment, improvement and conduct of a harbor...and for the construction, maintenance and operation thereon structures and facilities for public recreational purposes...” (emphasis added) and questions whether the Cortese-Knox-Hertzberg Act under which LAFCo operates would provide authority under the tidelands grant if the district does not exist. The District also cites the Department of Boating and Waterways (DBW) loans discussed in the report and provisions of Harbors and Navigation Code that attach statutory requirements to recipients of loans and the extent to which DBW must approve assignment of a District asset to a successor agency, or indeed if DBW approval is required as a condition of dissolution.***

#### **LAFCo Comment**

Government Code Sections 56885 and 56886 (conditions) and 57450 (effect of dissolution) speak to the ability of LAFCo to set conditions, including establishing a long-term successor for continuation of service that would succeed to all rights, assets, debts, and other obligations of

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 10

the dissolved district including, but not limited to, land ownership. Section 57450 contains the following language: “The general provisions of this chapter shall not be construed as limiting in any manner the authority of the commission to impose one or more of the terms and conditions set forth in Section 56886.”

While concurrence or approval may be required of State agencies in regard to the County becoming successor to DBW debt or a State tideland grant, the County of San Mateo has an existing loan with DBW, an AAA bond rating from Moody’s and S&P, and has in the past been granted State tideland grants.

### **Harbor District Response - CEQA**

***The District questions whether the alternative of terminating the joint powers agreement (JPA) for Oyster Point Marina with City of South San Francisco or detaching would be exempt from the California Environmental Quality Act (CEQA).***

#### **LAFCo Response**

The District’s comment is noted, however, because the District’s boundaries are currently countywide and the district operates two distinct facilities, the CEQA exemption that applies to a change where the change does not change the geographic area in which previously existing powers are exercised covers all possible scenarios. This exemption would not apply if there were an expansion of service area, but in any case involving the Harbor District, a change in operator does not change the geographic area in which service is provided.

### **Harbor District Conclusion- Moving Forward**

***The District emphasizes the purpose of the MSR as a planning tool and not a retrospective of past mistakes and notes the District’s commitment to implementing improvements and providing essential services to County residents, commercial fishermen, and the thousands of visitors that visit District facilities or that indirectly benefit from District services when they order local seafood.***

#### **LAFCo Response**

LAFCo acknowledges that MSRs are often perceived as critical documents but disagrees that the MSR constitutes a retrospective document of past mistakes. The report documents deficiencies and makes recommendations for improvements and best practices. LAFCo appreciates the District’s genuine engagement in the municipal service review process and the willingness of the Harbor Commission and staff to provide information crucial to preparation of the report.

### **City of South San Francisco Comments**

The City of South San Francisco concurs with MSR recommendations regarding a five-year Capital Improvement Plan, best practices for budgeting, consideration of outsourcing including property leasing functions, opportunities for shared facilities/services, and implementing an accounting and budgeting process that separates enterprise functions that should be self-

supporting versus those functions that are for the benefit of the general public (trails, open space access, etc.). The City expresses concern that capital improvement expenditures are less than the amount needed to meet priorities and that underfunding capital improvements has significant long-term impacts on the viability of facilities. The City believes that a more focused investment in public amenities at Oyster Point Marina (OPM) would result in higher use by the public. The City notes that a successful lease and rent/concession enterprise at OPM is a priority for the City and that more attention can be placed on actively pursuing revenue opportunities at OPM, including finding a tenant for the bait shop. The City concurs with the suggestion of outsourcing commercial real estate management. The City believes there are more recreational opportunities for the general public at OPM such as trail usage, picnicking, shoreline access, and partnering with the City of South Francisco Parks and Recreation Department. The City defers comment on dissolution until or unless a recommendation is adopted by LAFCo.

### **County of San Mateo Comments**

The County of San Mateo's letter concurs with recommendations in Section 5 of the report and expresses concern about lack of linkage between capital improvements in the District's strategic plan and the capital projects funded in the budget. The County supports engaging an outside public accounting firm to review District Operations and capital budgets and supports separation of enterprise and non-enterprise functions. The County indicates that if the Commission recommends dissolution and the County determines it will follow up on the Grand Jury recommendation that the County initiate dissolution of the District, the County would undertake a comprehensive analysis of all aspects of the district including, but not limited to, deferred maintenance, debt, CalPERS liability, finances, operations, staffing structure, and the Oyster Point Marina Joint Powers Agreement with the City of South San Francisco. The County would include input from the City of South San Francisco and analysis would be discussed at a public meeting prior to the Board of Supervisors considering action to initiate dissolution of the District.

### **Comments From Other Agencies and Organizations**

#### **Coastside Fire Protection District**

Assistant Chief Paul Cole expresses the fire district's support for Harbor District's emergency services, including assistance the fire district receives from the Harbor District in rescue operations. The letter indicates the fire district's hope that the outcome of the MSR will continue to support the emergency service capabilities for Pillar Point Harbor.

#### **North American Marine Environment Protection Association (NAMEPA)**

NAMEPA Education and Outreach Manager Elise Avallon expresses the NAMEPA support for the Harbor District and describes the organization's working relationship with the Harbor District.

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 12

### Half Moon Bay Coastside Chamber of Commerce

The Chamber expresses support for the Harbor District and the Harbor's importance to the economic base of the Coastside.

### San Francisco Bay Conservation and Development Commission (BCDC)

BCDC has permitting jurisdiction for all tidal areas of San Francisco Bay as described in their letter. BCDC notes that the Harbor District administers the Oyster Point Marina, which is in BCDC's jurisdiction and subject to several permits. The letter describes BCDC policies that apply to Oyster Point Marina. The letter cites the San Francisco Bay Plan Maps that designate Oyster Point Marina and the adjacent shoreline as "Waterfront Park, Beach" priority use area "Oyster Point Marina Park," and describes other applicable BCDC policies that apply to the marina.

### Comments from Residents

Letters or emails received from the following individuals are attached to this report:

- Anthony Basso
- Chris Dunham
- Chris Johnson
- Shawn Mooney
- Debra Penrose, Half Moon Bay Council Member
- Robert Riechel
- John Ullom

### Recommended Municipal Service Review Determinations

The attached Public Hearing Draft Municipal Service Review for the Harbor District includes applicable corrections and responses to comments on the circulation draft that was widely distributed. In addition, Exhibit A to the Harbor District's comment letter containing specific Harbor District comments and requested corrections, which now includes LAFCo responses and is attached to this staff report, is recommended to be included as an addendum to the Municipal Service Review document. The MSR is based on budgets, audits, and other documents provided by the District; observation of Harbor Commission meetings; and comments from the District, affected agencies, and interested organizations and individuals. The recommended determinations in the MSR are based on data in the report and generally accepted best practices in budgeting, governance, and administration.

#### 1) Growth and population projections for the affected area

As further described in Chapter 2 of the Municipal Service Review, the County's population is forecasted to increase by about 26 percent between 2010 and 2040; this is a slightly greater

rate than the growth projected in the 2006 MSR; however, actual growth will depend on future economic conditions, land use policies, and other factors. Although these trends indicate continued growth in demand, utilization of SMCHD facilities is much more significantly influenced by weather conditions, successful fishing seasons, and outdoor recreation trends.

2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

In 2006, LAFCO reaffirmed the zero SOI adopted for the SMCHD originally adopted in 1977. Within the current boundaries of the SMCHD, which correspond to San Mateo County boundaries, multiple disadvantaged unincorporated communities (DUCs) exist. However, the intent of evaluating DUCs is to assure that those communities are provided adequate services and infrastructure comparable to other communities within or contiguous to an agency's SOI. This provision is not applicable to the SMCHD, which operates and maintains a harbor and a marina, and provides related maritime services.

3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.

As detailed in **Chapter 2** of this MSR, the SMCHD has significant infrastructure and facility improvement needs as a result of the wear and tear of heavy use, a harsh marine environment, and deferred maintenance and capital projects. The Draft Strategic Business Plan prepared in 2014 for the SMCHD indicated a need over the next five years for \$17.3 million in repairs and capital improvements. Additional needs not assessed in the Plan include a need to demolish and remove the dilapidated Romeo Pier, and harbor dredging projects. The SMCHD CIP budget addresses several of the recommended items in addition to other needs; however, it defers major construction pending further design and review, and acquisition of adequate funding.

Recommendations

The SMCHD should establish a capital improvement planning and accounting system, including a five-year CIP, to better document and plan for the funding and implementation, as well as to facilitate prioritization, of capital improvements. The CIP should be explicitly linked to improvements currently recommended in the Draft Strategic Business Plan as well as the proposed budget.

4) Financial ability of agency to provide services

As described in Chapter 3 of the MSR, the SMCHD budget consistently exhibits a net operating shortfall due to operating revenues inadequate to cover operating costs. The operating shortfall (before debt service and before the use of property taxes) exceeds \$3.4 million in the projected budget, meaning that fees and charges are insufficient to cover about half of operating expenditures. In addition to the operating shortfalls, the SMCHD must fund approximately

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 14

\$1.4 million of annual debt service, undertake ongoing maintenance, and construct needed capital improvements.

In addition to fees and charges, the SMCHD receives over \$5 million annually from its share of countywide property taxes. These total revenues are sufficient to fully fund operations and \$710,000 of planned capital improvements; however, the repair and capital improvement needs are greater than the amount currently shown in the proposed budget.

The SMCHD's labor-related and other operating costs continue to increase, placing more pressure on budget resources. However, numerous actions recently undertaken and/or planned by the SMCHD offer the prospect for improved financial resources and the ability to fund improvements, including:

- Establishment in recent years of a "two-tier" benefit system that reduces the cost of benefits related to new employees.
- Current relocation of administrative offices to new space at a reduced lease cost.
- Streamlining procedures to reduce "bad debt" associated with non-paying berth tenants implemented by the Finance Director.
- Review of fees and charges to assure reasonable and competitive rates for appropriate mix of slip sizes.
- Consideration of charges for services currently provided at no cost, e.g., pump-out services and charges for large parties using picnic areas.
- Contingent on staff capacity, renew efforts to seek grant funding for facilities and improvements, including possible grants related to equipment needs for SMCHD Search and Rescue.
- The recent sale of surplus property, consistent with Civil Grand Jury recommendations, increased SMCHD reserves.
- Over time, Termination Benefit liabilities and payouts will diminish and eventually end.
- Possible retention of a commercial real estate management firm to help maximize lease revenues.
- Refinancing and/or eventual payoff of existing DBAW debt will make additional resources available for capital funding.

Due in part to recent turnover of staff with extra work falling to remaining staff and lack of consensus on the Board, many of the initiatives noted above were not pursued. Conflicts within the Board, and between staff and the Board, as noted by the Civil Grand Jury further exacerbated the difficulty of achieving SMCHD objectives and increased SMCHD costs (e.g., for legal services).

The SMCHD has undertaken steps to reduce Board conflict and establish "Chain of Command" protocols. An Interim General Manager was hired recently and the current General Manager

recruitment and hiring offers an opportunity to solidify leadership, organization, and direction assuming it is supported by a majority of the Harbor Commission. In the near term, improvements in property tax revenues and lease revenues will help to fund staff efforts towards the initiatives noted above, assuming strong management direction. Improvements in accounting and financial policies can strengthen capital improvement planning and programming, and provide for appropriate reserve policies that enable limited use of reserves for capital while maintaining adequate reserve levels.

### Recommendations

1. The SMCHD should engage a public accounting firm to review its budget accounts for both operations and capital improvements, and establish a financial accounting system consistent with best practices for California public agencies. The review should include a system to allocate costs and revenues according to enterprise versus other public purposes for each of their facilities and provide immediate access to current lease and tenant information.
2. The SMCHD should assess its personnel needs in order to fill vacated positions as necessary to pursue the initiatives noted above, including seeking grants.
3. The SMCHD should consider administrative functions that can and should be more cost-effectively outsourced, including IT functions and property leasing. This outsourcing should consider collaboration with other public agencies as well as private contractors.

### 5) Status of, and opportunities for, shared facilities

Limited opportunities for shared facilities have been identified in the course of this MSR process. Recently the District has leased office space from the Granada Community Services District and contracted with Regional Government Services to recruit an interim general manager. Various opportunities may exist by which the SMCHD may take advantage of shared services, e.g., possible IT contracting with or through other public agencies is being explored. Responsibility for certain facilities could be shifted to other agencies, e.g., the West Trail and Surfers Beach dredging, as recommended by the Civil Grand Jury and noted in the following determination.

### 6) Accountability for community service needs, including governmental structure and operational efficiencies

The Civil Grand Jury described indications of “a systemic flaw in the ability of District commissioners to govern effectively.”

The SMCHD has taken a number of steps towards addressing issues negatively affecting governance and operational efficiencies, including workshops to facilitate collegiality and working relationships, consideration of “norms” of commissioner behavior, improvements in public posting of materials on their website, and multiple workshops on topics such as the budget. A strategic business plan is being prepared; however, it has been delayed and concerns exist about its scope and effectiveness in addressing SMCHD financial issues. As described in

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 16

this MSR, inappropriate interaction between Commissioners and staff continue to interfere with operational efficiencies.

The Civil Grand Jury recommended dissolution of the SMCHD and transfer of responsibilities to other agencies, specifically the County of San Mateo. Chapter 4 of the MSR describes governance options with the most potentially viable option a scenario in which the County acts as successor agency, operates PPH, and enters into an agreement with the City of South San Francisco (SSF) to operate OPM. The agreement with SSF would include negotiated funding from the County's property taxes (from the dissolved SMCHD) and other revenues to be transferred to SSF to fund operations and capital improvements, and any other shared financial liabilities (e.g., remaining debt service, CalPERS liabilities, etc.).

The option described above may incur additional costs during the initial years of transition related to CalPERS and other liabilities but could provide for cost and service efficiencies over the longer term. This option would integrate the SMCHD operations into larger entities that have the capacity and expertise to provide a range of needed services, including information technology, purchasing and contracting services, human resources, and absorbing Harbor District employees with needed expertise.

#### Recommendations

The City of South San Francisco and the County of San Mateo should continue to confer and research issues and options affecting the feasibility of dissolving the SMCHD, transferring responsibilities to the County as successor agency, and transitioning to SSF operation of OPM via a JPA.

#### 7) Any other matter related to effective or efficient service delivery, as required by commission policy.

A primary concern expressed by prior MSRs and by the Civil Grand Jury involved the use of countywide property tax revenues to help subsidize "enterprise" type operations, including berth rentals occupied by a majority of non-County residents. However, the current and prior MSR also documented the range of facilities, services, and benefits provided by SMCHD services and facilities such as Search and Rescue; environmental services; and public use and access to piers, parks, and waterfront open space.

While it is difficult to isolate cost estimates for these broader, non-fee-funded services, the SMCHD could create "cost centers" to document and track these expenditures to support appropriate levels of property tax use and allocation. In the near term, it is expected that property taxes will continue to be necessary to fund deferred maintenance and other necessary improvements. Over the longer term, there is a possibility that revenue enhancements and cost efficiencies from the initiatives described above and/or from reorganization could reduce the current reliance on property tax.



### Recommendations

As also noted above under Recommendation 4.1, the SMCHD should establish an accounting system that can allocate costs and revenues according to enterprise versus other public purposes to better assess the need for property tax.

### Recommended Sphere of Influence Determinations

LAFCo acknowledges that in the course of the MSR preparation, the District has begun to implement some of the recommendations in the MSR as well as those of the Grand Jury. Many of the comments received urge the Commission to allow the District more time to make improvements and stabilize with a new general manager before reaffirming the longstanding sphere of influence of dissolution. As noted in the response to the Harbor District, LAFCo spheres are not based on the individuals that serve on an elected board or serving as management staff. The Harbor District sphere is based on the duplication of governance and administration with the County of San Mateo, the absence of nexus of the District's countywide boundaries with the location of the two District facilities, one of which is leased, and the agencies best able to provide services in the long range. Pillar Point is located in unincorporated San Mateo County and Oyster Point is located in and owned by the City of South San Francisco. The County of San Mateo and City of South San Francisco have governance and organizational infrastructure to assume the services, and marine-related personnel.

#### (1) The present and planned land uses in the area, including agricultural and open space lands.

Land uses within District boundaries include a wide range of land use including residential, commercial, industrial, open space, agricultural, rural, and open space land use designations under the jurisdiction of the County of San Mateo, incorporated cities, the California Coastal Commission, the State of California through a tidelands grant, the San Francisco Bay Conservation and Development Commission, as well as other agencies that may have land use review authority.

#### (2) The present and probable future need for public services.

Services provided by the Harbor District within District boundaries are also provided at varying levels by other public and private entities. The Harbor District provides search-and-rescue security vessels stationed at Pillar Point and Oyster Point Marina and the County of San Mateo Sheriff's Department, other marina operators, and some fire agencies have search-and-rescue capability at other locations throughout the county. Need for these services is expected to continue.

#### (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

San Mateo County Harbor District operates two facilities, Pillar Point Harbor and Oyster Point Marina/Park. The MSR/SOI Report documents significant infrastructure and facility improvement needs as a result of wear and tear from heavy use and a harsh marine environment, and deferred maintenance and capital projects. Pillar Point has 95-100 percent

July 8, 2015

MSR and SOI Update for the San Mateo County Harbor District

Page 18

berth occupancy rate. Work is in progress on the provision of new berths and the District has an executed agreement with the U.S. Army Corps of Engineers for provision of a new navigation channel in connection with pier replacement. Oyster Point has 60-65 percent occupancy rate and therefore has additional capacity. Both facilities include visitor-serving opportunities. Opportunities exist for the Harbor District to collaborate with the County of San Mateo and City of South San Francisco to maximize resources. Services also include search and rescue and the District's Pillar Point Harbor Patrol provides the only search-and-rescue security vessels stationed on the San Mateo County coast.

(4) The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

San Mateo County Harbor District's boundaries are coterminous with San Mateo County, while operations are limited to two locations: Oyster Point in South San Francisco and Pillar Point in Half Moon Bay. These represent distinct communities with common social and economic interest in commercial and recreational fishing and marine, boating, and visitor-serving facilities. While commercial fishing is an industry important to the County, Pillar Point Harbor serves as search and rescue to benefit the County's coast, and Oyster Point offers a venue for a commuter ferry, these issues speak to the value of providing these services whether they are provided by the Harbor District or a successor agency such as the County of San Mateo or the City of South San Francisco.

**Inventory of Active Services**

Government Code Section 56425 (i) and (j) requires that in conducting MSRs, LAFCos prepare an inventory of all authorized powers under a district's enabling legislation and identify those powers that are active versus inactive. Government Code Section 56824.12 requires that before a District activates an inactive service or divests of an active service, it must first apply to LAFCo and obtain LAFCo approval. The SMCHD is providing the full set of services authorized by the enabling legislation, including recreational use of District facilities located at Pillar Point Harbor and Oyster Point Marina, under a Joint Powers Agreement with the City of South San Francisco as owner of the marina.

**Recommended Sphere of Influence**

Based on the forgoing, it is recommended that the Commission reaffirm the zero sphere of influence of the San Mateo County Harbor District indicating that the District should be dissolved and that the County of San Mateo be established as the long-term successor agency. Implementation of the sphere could be initiated by the County of San Mateo in partnership with the City of South San Francisco with the first step being a fiscal feasibility analysis.

**Executive Officer's Recommendation**

Staff submits that the attached municipal service review and the sphere of influence update provide a framework for the Harbor District, County of San Mateo, and City of South San

Francisco to further study improvements in the areas of finance, accountability, and transparency as well as governance alternatives, including dissolution. The attached municipal service review, sphere of influence update, and recommended determinations comply with Government Code Sections 56430 and 56425 and are consistent with Government Code Section 56301 promoting efficient provision of government services and orderly formation of and development of local agencies based on local conditions. It is therefore respectfully recommended that the Commission take the following actions:

1. Accept the report and public comment;
2. Adopt the municipal service and sphere of influence report;
3. Adopt the municipal service review and sphere of influence determinations and the statement of active services contained in this report; and
4. Reaffirm the zero sphere of influence of the San Mateo County Harbor District indicating that the District should be dissolved and the County of San Mateo should be the long-term successor agency and partner with the City of South San Francisco as owner of the Oyster Point Marina/Park.

The LAFCo MSR is not intended to be a fiscal analysis of dissolution and states that prior to initiating an application, analysis would include, but not be limited to, addressing financial issues such as deferred maintenance and capital improvements, debt, and CalPERS liability.

Respectfully submitted,



Martha M. Poyatos  
Executive Officer

Attachments: Attachment A - Municipal Service Review and Sphere of Influence Update  
Attachment B - Comments

## Public Hearing Report

# Municipal Service Review: San Mateo County Harbor District

*The Economics of Land Use*



Prepared for:

San Mateo LAFCO

Prepared by:

Economic & Planning Systems, Inc.  
and Berkson Associates

*Economic & Planning Systems, Inc.  
One Kaiser Plaza, Suite 1410  
Oakland, CA 94612-3604  
510.841.9190 tel  
510.740.2080 fax*

July 8, 2015

EPS #141173

*Oakland  
Sacramento  
Denver  
Los Angeles*

**[www.epsys.com](http://www.epsys.com)**

## Table of Contents

---

1.	INTRODUCTION.....	1
	Sphere of Influence Review.....	2
	SMCHD Background.....	2
2.	SAN MATEO COUNTY HARBOR DISTRICT.....	5
	Formation and Statutory Authority.....	5
	Boundaries and Service Area.....	5
	Services Provided.....	6
	Land, Facilities and Equipment – Pillar Point.....	10
	Land, Facilities and Equipment – Oyster Point.....	13
	Governance and Other Activities.....	15
	Staff.....	19
3.	FINANCIAL REVIEW.....	22
	Budget Practices.....	22
	Revenues.....	23
	Operating Expenditures.....	26
	Capital Improvement Plan (CIP) Expenditures.....	30
	Assets.....	31
	Liabilities.....	32
	Gann Appropriations Limit.....	32
4.	GOVERNANCE OPTIONS.....	34
	Dissolution with Long-Term Successor.....	34
	Alternative Boundaries.....	35
	Successor Agency Obligations.....	35
	Allocation of Assets and Liabilities.....	35
	Potential Cost Savings.....	35
	Transition Issues and Costs.....	36
5.	DRAFT MSR DETERMINATIONS.....	38
6.	DRAFT SOI DETERMINATIONS.....	42
	Recommended Sphere of Influence and Determinations.....	43
7.	DISSOLUTION PROCESS.....	45

---

## List of Appendices

---

APPENDIX A:	References
APPENDIX B:	Facilities
APPENDIX C:	Parcel Maps
APPENDIX D:	SMCHD List of Norms
APPENDIX E:	SMCHD Salary Ranges
APPENDIX F:	SMCHD “Chain of Command”
APPENDIX G:	Leases
APPENDIX H:	Other Marina and Harbor Facilities in San Mateo County

## List of Figures

---

Figure 2.1 District Boundaries (San Mateo County) and Facilities.....	7
Figure 2.2 Pillar Point Harbor .....	11
Figure 2.3 Oyster Point Marina .....	13
Figure 2.4 SMCHD Board of Directors.....	16
Figure 2.5 Organizational Chart.....	21

## List of Tables

---

Table 2.1 SMCHD Assessed Value, Housing Units and Population.....	6
Table 2.2 Berth Rentals – Tenant’s Place of Residence .....	8
Table 2.3 Live Aboards – Tenant’s Place of Residence .....	8
Table 3.1 Summary of SMCHD Revenues and Expenditures .....	23
Table 3.2 Summary of SMCHD Operating Revenues.....	24
Table 3.3 Summary of SMCHD Expenditures.....	27

---

# 1. INTRODUCTION

---

This report provides a fiscal analysis, municipal service review (MSR) and sphere of influence (SOI) update for the San Mateo County Harbor District (SMCHD). This Public Hearing Report includes revisions to the Circulation Draft Report (5/29/15). The prior SMCHD MSR, prepared in 2006, encouraged the SMCHD to reduce its operating shortfalls, and to develop policies to constrain debt service. The accompanying 2006 SOI report reaffirmed the SMCHD's zero SOI indicating the District should be dissolved with the County as successor agency to facilities, revenues, and liabilities.

Subsequent to the 2006 MSR, the 2013-14 San Mateo Civil Grand Jury investigated the SMCHD and detailed its findings in the report entitled: **"What is the Price of Dysfunction? The San Mateo County Harbor District."** Of the many recommendations, the Grand Jury recommended that LAFCo initiate a municipal service review and sphere update. This MSR reviews SMCHD progress addressing issues and recommendations of the Grand Jury, and evaluates other services and governance issues required by an MSR.

## San Mateo LAFCo and Municipal Service Reviews

The San Mateo Local Agency Formation Commission (LAFCo)<sup>1</sup> is required to conduct periodic reviews of each city and special district in the County and adopt determinations in areas of service levels, financial ability to provide service, and the ability of each agency to continue to provide adequate services into the future. Specifically, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCo review municipal services before updating spheres of influence (SOIs), and to prepare a written determination addressing each of the following (see **Chapter 5** for draft determinations):

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.
4. Financial ability of agencies to provide services.

---

<sup>1</sup> LAFCos were created in 1963 to exist as independent commissions in each county of the state to regulate the boundaries of cities and special districts and promote efficient boundaries and service provision. LAFCos operate pursuant to Government Code Section 56000 and 57000 are required to adopt and periodically review spheres of influence (SOI). San Mateo County has oversight of 20 cities, 23 independent special districts and several of the 32 County-governed districts. LAFCos are composed of 2 county supervisors, 2 city council members, 2 special district members, a public member and an alternate for each type of membership.

5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

## Sphere of Influence Review

Based on the analysis included in the MSR, SOI boundaries were also reviewed for the subject agency (see **Chapter 6** for draft determinations). LAFCo is required to make the following written determinations in accordance with Government Code Sections 56425(i) and (j) when establishing, amending, or updating an SOI for any local agency that address the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities with the existing SOI.

The longstanding LAFCo-adopted SOI for the Harbor District indicates that it be dissolved and the County of San Mateo be established as successor agency to assume service and be successor to all revenues, assets and liabilities. It is important to note that an SOI is regulatory in that a change of organization of any special district must be consistent with the District's SOI. However, implementation of the SOI requires that an affected agency take action by applying to LAFCo for that change of organization. In the case of the Harbor District the District itself, the County, or any city, district or school district could apply to LAFCo to implement the sphere. In addition, applications can be submitted by 25 percent of the registered voters or landowners in District boundaries. Dissolution would transfer operations of its facilities to a successor agency; it would not eliminate operation of those facilities. In the absence of a dissolution application, the SMCHD can continue to take steps to improve operations and address existing deficiencies.

## SMCHD Background

The San Mateo County Harbor District is one of 14 harbor or port districts in the State. As described on the SMCHD website,<sup>2</sup> the SMCHD, which operates Pillar Point Harbor in Princeton and Oyster Point Marina/Park in South San Francisco, was created with County-wide boundaries

---

<sup>2</sup> <http://www.smharbor.com/>



by a County election in 1933. It was originally formed to build a harbor at Redwood City, but the Great Depression intervened.

A breakwater was built at Pillar Point for a harbor of refuge for the fishing fleet. The Army Corps of Engineers began work on this breakwater after World War II and completed it in 1961. The Johnson Pier, docks and 369 berths, and the inner breakwater were built during the 1970s and 1980s. Pillar Point remains a major commercial and sport fishing harbor on California's central coast, and is host to many public events including the annual Mavericks surfing competition, the July 4th fireworks display, and the Christmas boat decorating contest.

The SMCHD entered into a Joint Powers Agreement (JPA) with the City of South San Francisco and took over operation of Oyster Point Marina/Park from the City of South San Francisco in 1977. It completed construction of docks and 589 berths, a new breakwater, and onshore facilities during the 1980s. Ferryboat service operated independently by the Water Emergency Transit Authority (WETA), which supplanted a number of berths,<sup>3</sup> now operates to the East Bay from Oyster Point Marina.

Implementation of Proposition 13 in 1978 resulted in SMCHD receiving a share of the 1 percent property tax countywide, estimated at \$5.5 million in the current fiscal year. Concerns have been expressed about the use of Countywide property tax to fund harbor and marina operations; however, this revenue currently is essential to help maintain SMCHD fiscal viability, and to address a broad range of maintenance and capital improvement needs. In addition, the SMCHD provides a range of non-enterprise services and facilities that benefit a broad public but which are not revenue-generating activities, including parks, waterfront access, public piers, and emergency water rescue.

This study is being conducted at a crucial time for the District, which is in the midst of drastic changes including: implementing Grand Jury recommendations; recruiting for a permanent General Manager after retirement of the longtime General Manager; addressing the vacancy of the Human Resources Director who filled additional administrative needs beyond human resources; moving the District administrative office from South San Francisco to El Granada; preparing for imminent labor negotiations with two unions and experiencing continued discord amongst Harbor Commissioners, resulting in a midyear reorganization of Harbor Commissioner officers. In addition, the District has hired an Interim General Manager (IGM) with the goal of alleviating diminished staffing and focusing the District on the most crucial priorities while a new general manager is recruited. The hiring of the IGM has allowed the former Acting General Manager to focus on managing the harbors in his original capacity as Harbor Master.

In response to the Circulation Draft MSR, the SMCHD identified additional steps that have been taken since the issuance of the Grand Jury report: (1) the District assumed a leadership role in a number of environmental issues critical to the County such as the Sand Replenishment effort at Surfer's Beach, Bay Sand Mining issues before the Bay Conservation and Development Commission, and development of the Coastal Regional Sediment Management Plan; (2) increased public involvement in a number of ways including holding a public tour of Johnson Pier with Commissioners, considered new Wi-Fi and social media programs, and increased public

---

<sup>3</sup> The SMCHD received compensation from WETA for lost revenues due to the supplanted berths through 2019.

involvement in committee activities; and (3) revised District policy regarding health insurance benefits for Commissioners-with cost savings to be achieved in the future as new Commissioners are elected.

In preparing the MSR, it should be noted that the District staff have been very cooperative and helpful in responding to data requests and their efforts are greatly appreciated.

## 2. SAN MATEO COUNTY HARBOR DISTRICT

---

### Formation and Statutory Authority

The SMCHD is an independent district governed by a five-member Board of Commissioners with countywide boundaries operating pursuant to Section 6000 et seq. of the California Harbor and Navigations Code.

The SMCHD is empowered to acquire, construct, and maintain property related to the operation and development of ports and waterways; supervise seagoing vessels within its harbors; adopt any necessary police regulations for waterways; issue debt; collect charges for use of facilities; and plan for harbor district improvements.<sup>4</sup> Government Code Section 56425 (i) and (j) require that in conducting MSRs LAFCo prepare an inventory of all authorized powers under a district's enabling legislation and identify those powers which are active versus inactive. Government Code Section 56824.12 requires that before a District activate an inactive service or divest of an active service, it must first apply to LAFCo and obtain LAFCo approval. The SMCHD is providing the full set of services authorized by the enabling legislation including recreational use of District facilities.

The District receives a share of countywide property tax in addition to fees, rental, and interest income from the operation of Pillar Point Harbor in El Granada and Oyster Point Marina in South San Francisco.

### Boundaries and Service Area

As summarized in **TABLE 2.1**, the SMCHD encompasses approximately 449 square miles of land area, 20 cities and unincorporated areas, a population of 745,193 residents<sup>5</sup> and 353,545 registered voters<sup>6</sup>. **FIGURE 2.1** shows the current boundaries of the District, which correspond to the boundaries of San Mateo County.

In addition to the SMCHD facilities at Pillar Point Harbor and at Oyster Point Marina, the County is served by seven other harbor and marina operations providing an additional 2,100 berths and related facilities. These facilities are described more fully in **APPENDIX H**.

---

<sup>4</sup> Harbor and Navigations Code Sec. 6075. Notwithstanding Section 6012: (a) A harbor district may acquire, construct, own, operate, control, or develop any and all harbor works or facilities within the limits of its established boundaries. No interest in lands may be acquired, either by lease, purchase, or the exercise of the power of eminent domain within any port district, chartered port, harbor improvement district, incorporated city, or recreational harbor district without the prior consent to the acquisition by resolution of the governing body of each district, port, or city in which the lands are located.

<sup>5</sup> E-1: City/County Population Estimates, Jan. 1, 2014.

<sup>6</sup> County of San Mateo, Chief Elections Officer, as of April 13, 2015.

<https://www.shapethefuture.org/voterregistration/registrationstats.asp>

**Table 2.1 SMCHD Assessed Value, Housing Units and Population**

---

<b>District Boundaries</b>	San Mateo County
<b>Area</b>	449 Square Miles
<b>Number of Cities</b>	20
<b>Population</b>	745,193
<b>Registered Voters</b>	353,545

---

The County's population is projected to grow from its 2010 population of 718,450 to 904,430 by 2040, an increase of 26 percent. This rate of growth is approximately 0.78 percent compounded annually.<sup>7</sup>

## Services Provided

The SMCHD provides a range of harbor related-facilities and services to residents, visitors, and businesses. As described below, some of these services are revenue-generating enterprises, while others serve a broader public function that is typically not subject to fees and charges. Facilities are generally well-utilized. The high levels of use, combined with the sometimes harsh and corrosive maritime environment, place exceptional demands on the SMCHD for facility and infrastructure maintenance.

### Boat Launch and Berth Rentals

Oyster Point Marina (OPM) has 428 public berths<sup>8</sup> and a launch ramp. Pillar Point Harbor (PPH) has 369 berths and 38 moorings in the Outer Harbor<sup>9</sup> and a 6 lane launch ramp. **TABLE 2.2** indicates that slightly less than half of tenants report San Mateo County as their place of residence.

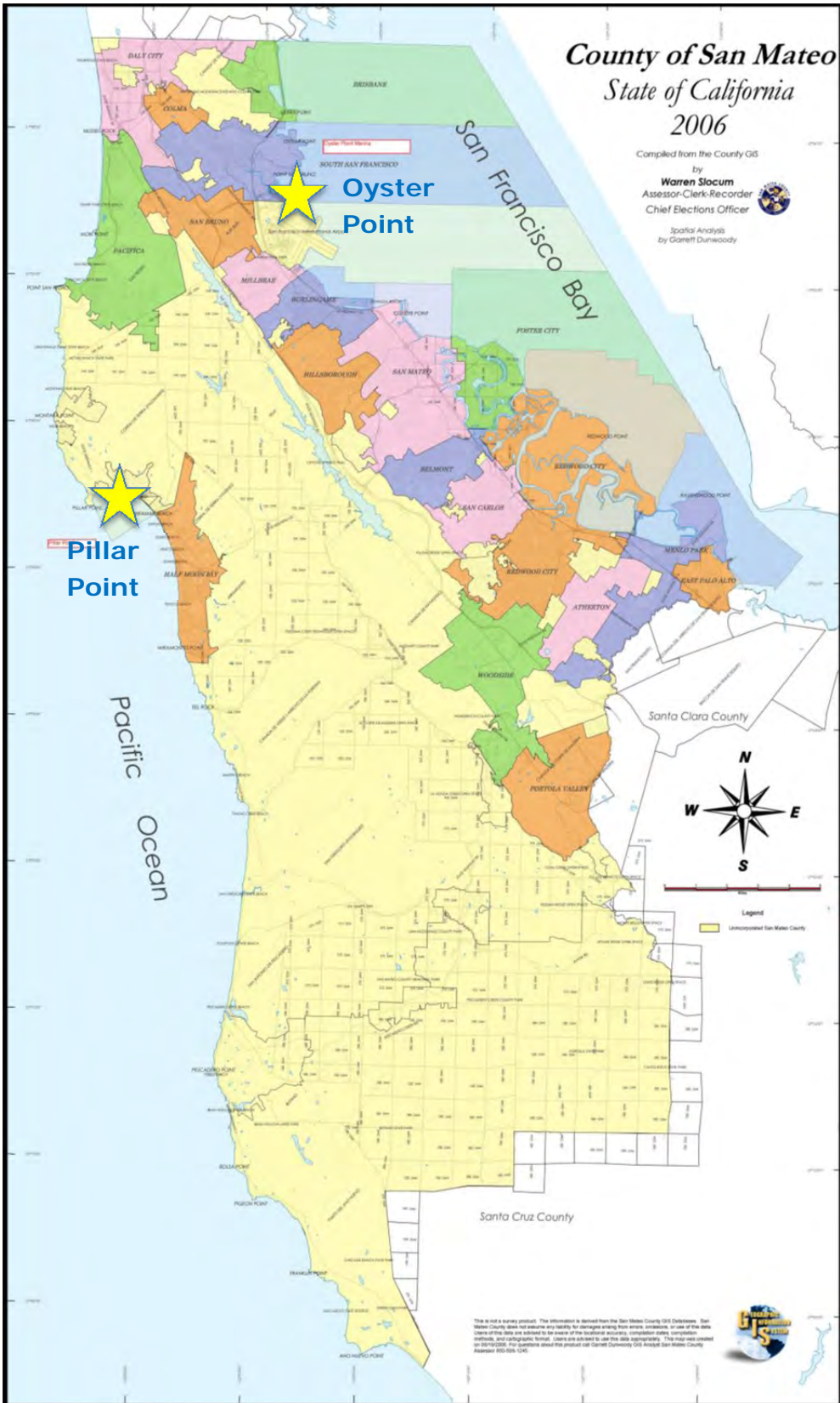
---

<sup>7</sup> Plan Bay Area, Adopted July 18, 2013, Table 12

<sup>8</sup> Berth count, including "end ties", per correspondence from Scott Grindy to Martha Poyatos, 4/24/15.

<sup>9</sup> *ibid*

Figure 2.1 District Boundaries (San Mateo County) and Facilities



**Table 2.2 Berth Rentals – Tenant’s Place of Residence**

Place of Residence	Marina		Total
	Oyster Point	Pillar Point	
San Mateo County	45.8%	47.0%	<b>46.6%</b>
Other California	49.8%	47.8%	<b>48.5%</b>
Out of State	<u>4.4%</u>	<u>5.2%</u>	<u><b>4.9%</b></u>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: SMCHD, 2014 Assessors Report

**Table 2.3** indicates that over 80 percent of the “Live Aboards” report San Mateo County as their residence. The Live Aboards account for approximately 8 to 10 percent of berths. SMCHD limits the Live Aboards at OPM to a maximum of 10 percent of berths in compliance with requirements of the Bay Conservation and Development Commission (BCDC).

**Table 2.3 Live Aboards – Tenant’s Place of Residence**

Place of Residence	Marina				Total	
	Oyster Point <sup>1</sup>		Pillar Point <sup>2</sup>			
San Mateo County	34	81%	25	81%	<b>59</b>	<b>81%</b>
Other California	8	19%	6	19%	<b>14</b>	<b>19%</b>
Out of State	<u>0</u>	0%	<u>0</u>	0%	<u>0</u>	<b>0%</b>
<b>Total</b>	<b>42</b>	<b>100%</b>	<b>31</b>	<b>100%</b>	<b>73</b>	<b>100%</b>

[1] Oyster Point data excludes three live aboards (place of residence not specified).

[2] Pillar Point data excludes one live aboard (place of residence not specified).

Source: San Mateo County Harbor District, April 2015

## Commercial Fishing Facilities

PPH offers commercial fishing a number of facilities, including a fuel dock, ice-making facility, and commercial fish buying center. The public can purchase fresh fish off the boats from several vendors. As described in the draft SMCHD Strategic Business Plan, Pillar Point Harbor (referred to as Princeton-Half Moon Bay by California Department of Fish and Wildlife) is one of the top commercial fishing ports on the California coast. In 2013, the harbor was sixth in the State in earnings and seventh in landings by weight. Commercial fishing trips out of Pillar Point Harbor, a measure of commercial activity, rose from a low in 2009 of 1,704 to over 3,000 in 2013. The number of Vessel IDs, a measure of the port's ability to support commercial fishing activity and attract visiting vessels, rose from a similar low in 2009 of just under 92 to over 250 in 2013. These data point to a resilient and capable commercial fishing industry, with strong "internal" connections within the industry, 'external' connections in the market, access to a healthy marine resource, knowledge of fish stocks, fishing gear, and weather patterns, and the collective ability to navigate the maze of shifting and often overlapping State and federal regulations".<sup>10</sup>

## Commercial/Retail/Restaurant Leases

The District leases space to three wholesale fish buying operations on Johnson Pier at Pillar Point Harbor. The wholesalers purchase and unload salmon, halibut, rockfish, shellfish and bait directly from commercial fishermen. The SMCHD also owns buildings leased to restaurants, bait shops, and a surf shop at PPH. Other commercial operations that lease space from the District at Pillar Point include kayak rentals, an RV lot, a yacht club, and sport fishing and whale watching charter boats.

At OPM, leased buildings include the Oyster Point Yacht Club, and a bait/tackle shop (currently vacant). Other buildings owned by the City of South San Francisco, including an inn, are located on OPM property but are not directly related to marine activities; those properties are leased by the City of South San Francisco to private commercial interests and the lease revenue accrues to the SMCHD per its JPA with the City.

Revenues from these leases are described in **Chapter 3**.

## Parks and Trails, Open Space and Public Access

PPH offers two public access trails for walking, cycling, and jogging. The harbor also provides a public fishing area, public fishing pier, and fish cleaning area.

OPM provides a public fishing pier with a fish cleaning station, and a 33-acre recreational green space with a picnic area and a swimming beach. The San Francisco Bay Trail runs through the site.

Public parking is available at no charge at both PPH and OPM.

---

<sup>10</sup> Draft SMCHD Strategic Business Plan, Lisa Wise Consulting, December 2014.

## Oyster Point Ferry Access

On June 24, 2009 the District entered into an agreement with the Water Emergency Transit Authority (WETA) and the City of South San Francisco to build a commuter ferry terminal at Oyster Point Marina.<sup>11</sup> The San Francisco Bay Ferry provides weekday-only, commuter service between Oakland's Jack London Square or Alameda Main Street terminals in the East Bay and South San Francisco's Oyster Point Marina terminal.<sup>12</sup> The ferry serves approximately 10,000 riders per month.<sup>13</sup>

## Emergency Services

PPH provides 24 hour search and rescue services. Over the past two decades, its crew "performed an average of 110 rescues annually, saving more than 100 lives, and millions of dollars in boats and equipment".<sup>14</sup> Equipment includes two patrol vessels( 32' Radon, 40' Almar) 6 PWC Honda Aquatrax, and two 4x4 patrol trucks. Harbor staff receive training and certifications from the Department Boating and Waterways; courses include the basic maritime officer's course, rescue water craft, boating under the influence, rescue boat operations, marine firefighter operations, boating accident investigation, and Hazardous Waste Operations and Emergency Response (Hazwoper 24 and 40)<sup>15</sup>. Some employees also hold Coast Guard Captains licenses.<sup>16</sup>

The District provides similar services at Oyster Point Marina. From 2010 - through June 21, 2015 there were 75 rescues as follows: 2010- 20; 2011- 19, 2012- 7, 2013- 9, 2014- 12, (partial year) 2015- 8.<sup>17</sup>

## Other Services

PPH provides public parking and parking limited by permit. Lots also accommodate boat trailer parking, and RV and day use parking.

# Land, Facilities and Equipment – Pillar Point

## Land

As shown in **FIGURE 2.2**, PPM encompasses a total of approximately 1,260 acres, including 28 acres of land area. **Appendix C.2** provides a list of PPH parcels. Consistent with recommendations of the Grand Jury, which observed that the SMCHD held a number of surplus

---

<sup>11</sup> Basic Financial Statements, 2014, pg. 24

<sup>12</sup> San Francisco Bay Ferry Website, , <http://sanfranciscobayferry.com/route/oakland/ssf>

<sup>13</sup> Interim General Manager, SMCHD presentation, 4/15/15.

<sup>14</sup> "Pillar Point Harbor", informational brochure.

<sup>15</sup> "Hazwoper" refers to training in the handling of hazardous waste materials.

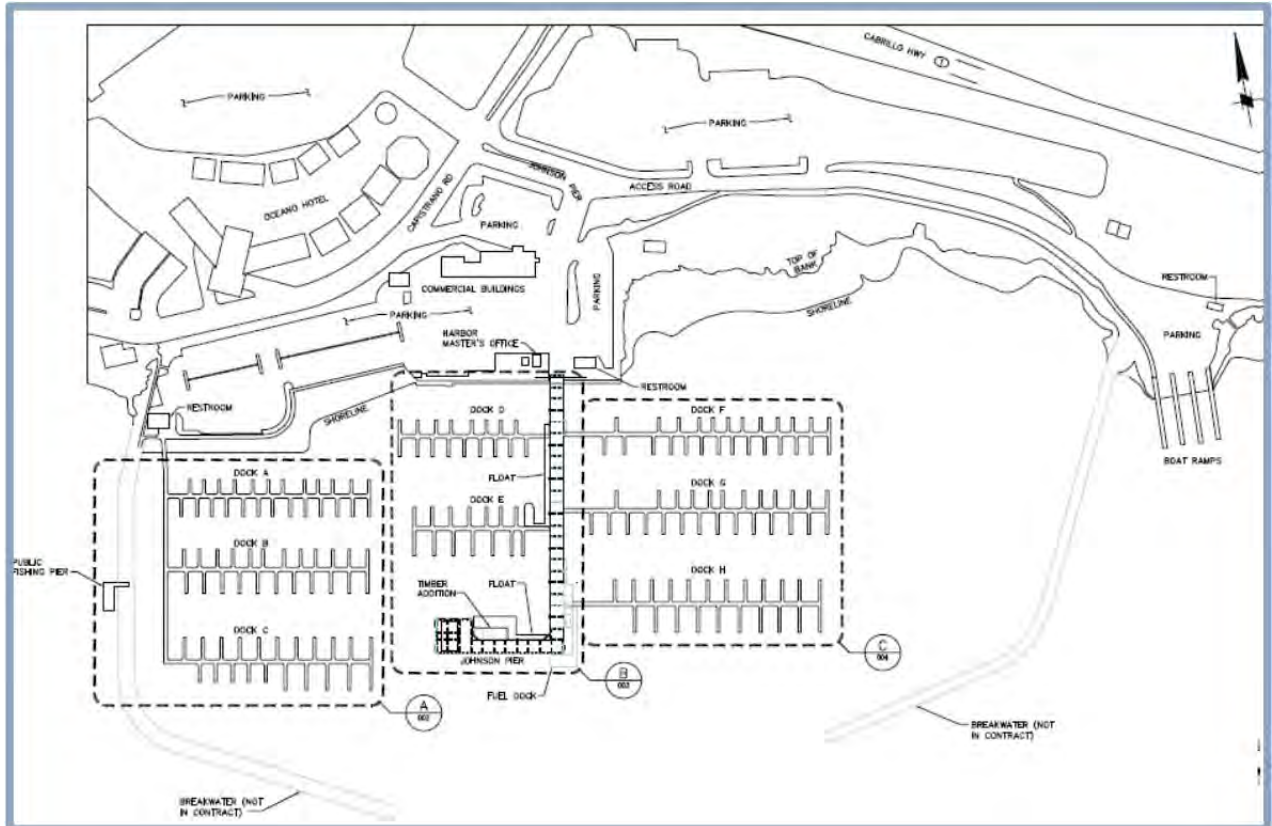
<sup>16</sup> Correspondence from John Draper to Debra Galarza, March 09, 2015

<sup>17</sup> SMCHD response to Circulation Draft MSR, June 26, 2015.



non-revenue producing properties,<sup>18</sup> the SMCHD recently sold for \$794,000 a surplus 2.5 acre parcel.<sup>19</sup> The SMCHD has reported that no other surplus parcels exist.<sup>20</sup>

**Figure 2.2 Pillar Point Harbor**



## Facilities

Pillar Point Harbor's facilities, include the following:

- **Marine Facilities** – facilities include a boat ramp, docks, fishing pier, fuel dock, Johnson Pier, and a seawall. These facilities have a replacement cost of approximately \$23.9 million.<sup>21</sup> Johnson Pier and the seawall were constructed in 1961, and are reported as having exceeded their useful life, and have a replacement cost of \$6.9 million. The docks and fishing pier were built in 1985-1989, and the boat ramp added in 1992. The SMCHD is planning demolition of its dilapidated Romeo Pier, which originally supported fish processing but was since vacated and fallen into an unusable and unsafe condition.

<sup>18</sup> Grand Jury Report, 2014, Recommendation 8.

<sup>19</sup> Parcel 047261030, the "El Granada Post Office lot", was sold in March, 2015.

<sup>20</sup> SMCHD Budget Workshop, 4/15/2015.

<sup>21</sup> Strategic Business Plan Appendix A, Dec. 2014, Chapter A-3, Table 1; see Appendix B of this report.

- **Buildings** – The age of buildings varies, ranging from 1961 (the fish buyer building, the Harbor Master’s building, certain restrooms, and “Tenant Row” buildings), the maintenance building was built in 1979, additional restrooms were built in 1982, the ice house was added in 1985, and restroom ramps built in 1992. The total replacement cost for these buildings is \$4.65 million; most have exceeded their useful life.<sup>22</sup>
- **Site Improvements** – Improvements include Johnson Pier Road and Pillar Point Boulevard built in 1961 when site utilities were constructed; and parking lots added between 1961 through 1992. The replacement cost is estimated at \$3.81 million.<sup>23</sup> The SMCHD also maintains responsibility for “Surfers Beach”, and for the West Trail, which runs along the coast through its property.

### Capital Improvement Program (CIP) at PPH

A number of capital improvements were identified in the Draft Strategic Business Plan over the next five years; these improvements total \$11.5 million for capital projects. The majority of the costs, or \$10 million, are for floats, which are assigned the lowest priority in the report.<sup>24</sup> The highest priority projects, which represent a potential safety issue and/or likelihood of failure within 5 years, total about \$1.2 million including \$200,000 for the fuel dock, \$200,000 for launch ramp restrooms, \$110,000 for the gangway, and \$200,000 for lot resurfacing.

The SMCHD FY15-16 Adopted Operating and Capital budget includes \$595,000 for capital projects at PPH.<sup>25</sup> The FY15-16 Adopted Budget defers most capital improvements, budgeting the total of \$710,000 for both facilities largely for design and permitting of various items rather than for major construction.

Planning or construction on the fuel dock and gangway, identified as high priority improvements in the Draft Strategic Business Plan, are not listed in the Adopted Operating and Capital Budget. According to the SMCHD, a tenant recently completed renovation work that addressed fuel dock issues, although the fuel dock will need to be replaced.<sup>26</sup>

The \$650,000 budgeted originally for the removal of the Romeo Pier was postponed and replaced by a design and permitting budget in the Adopted Budget. The Pier removal is in the process of being planned, and further work is required to complete the design and gain necessary approvals from permitting agencies. The SMCHD is uncertain whether the approvals can be obtained within the upcoming fiscal year in time to begin construction. Similarly, the West Trail, which has been planned for erosion control work, has been delayed pending completion of design and permitting work and concerns about the source of funding in the context of the SMCHD’s current budget conditions.

---

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid, Table 2; see Appendix B-2 of this report.

<sup>25</sup> Adopted Operating and Capital Budget, 6/17/15, pg. 6 of 51.

<sup>26</sup> SMCHD Workshop, 4/15/15.

## Land, Facilities and Equipment – Oyster Point

Initial construction of the East Harbor at Oyster Point was performed in 1962. The shore facilities are built over a capped landfill. The landfill continued in operation until 1977. The West harbor was constructed in 1978 along with other shoreside improvements. Other improvements were added that include the Fishing Pier, Boat Ramp and additional restrooms and shoreside parking. A figure showing the layout of Oyster Point is provided in **FIGURE 2.3**.

A more detailed parcel map is included in **Appendix C.1**. The OPM parcels owned by the City of South San Francisco (SSF) total 55.61 acres (including roads).<sup>27</sup> SSF and the SMCHD entered into a Joint Powers Agreement (JPA) in 1977 that provided for joint construction of certain improvements, and empowered the SMCHD to manage, operate and maintain OPM. Certain parcels have been privately developed and leased, with the revenues accruing to the SMCHD, pursuant to amendments to the JPA.

**Figure 2.3 Oyster Point Marina**



### Land

As shown in **FIGURE 2.3**, OPM encompasses a total of approximately 55.61 acres of land area. As noted above, the property is owned by the City of South San Francisco and operated by the SMCHD under terms of a JPA.

<sup>27</sup> MOU (Harbor District – Oyster Point Marina), May 27, 2009, Exh. A, Current Parcel Map

## Facilities

Oyster Point Marina's facilities include the following:

- **Marine Facilities** – OPM has a number of floating docks which vary in age; most were built in 1983 and 1988, with additions (Docks 8 and 11) in 2012. OPM also offers a public fishing pier, restrooms, and boat ramp. Breakwaters were installed in 1980 and protect the marina from the San Francisco Bay by multiple concrete sheet piles. The replacement cost for these facilities is \$22.16 million.<sup>28</sup> Most of the marine facilities have several years of life remaining, with the exception of Docks 12-14 which have exceeded their useful life and have a replacement cost of about \$4.6 million.
- **Buildings** – The buildings were built largely in the 1980's and include an entrance kiosk, harbor master building, maintenance building, and utility buildings as well as a number of restrooms. The estimated replacement cost for the buildings is \$2.14 million.<sup>29</sup> The buildings have a useful life of about 4 years, with the exception of maintenance and utility buildings with no remaining useful life and a replacement cost of \$510,000.

Other facilities at OPM SMCHD include: commuter ferry facilities noted above, Drake Marine building and docks (dock 7), a snack bar modular unit, the Oyster Point Yacht Club building, and other facilities. Property leased to private entities is shown in **FIGURE 2.2**.

- **Site Improvements** – Site improvements include circulation and access roads, parking areas, and a portion of the South Bay Trail. The estimated replacement cost for these site improvements is \$2.2 million.<sup>30</sup> The majority of roads have exceeded their useful life, however, it appears that maintenance activity has kept them in reasonable condition. However, due to settlement of the former landfill, the roads and underlying utilities are subject to periodic failure. In addition, OPM facilities including the harbor master office are subject to flooding at high tide, an issue that the SMCHD expects to become more pressing as sea levels rise and king tides already crest existing breakwaters.

## Capital Improvement Program (CIP) at OPM

The Draft Strategic Business Plan recommends and prioritizes a number of OPM improvements over a period of 5 years totaling \$5.8 million. The largest costs are \$4.25 million for Docks 12, 13 and 14, which are assigned the lowest priority. The highest priority, which indicates a high probability of failure within 5 years, is for restroom improvements at an estimated cost of \$560,000.<sup>31</sup> The SMCHD clarified the Draft Strategic Plan, indicating that "All but two of the

---

<sup>28</sup> Strategic Business Plan Appendix A, Dec. 2014, Chapter A-4, Table 1; see Appendix B-1 of this report.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid, Table 2; see Appendix B of this report.

restrooms at OPM have already been remodeled. In addition, a new public restroom facility will be installed in 2015 near the ferry terminal area funded by a grant from Genentech.”<sup>32</sup>

According to the SMCHD, responsibility for road and parking lot maintenance at Oyster Point Marina is an issue that needs to be resolved under the JPA between the District and the City of South San Francisco. This issue becomes ever more important both for natural reasons related to the drought, but also for man-made reasons due to increasing use of the roads by the large buses that serve the WETA terminal.<sup>33</sup>

The SMCHD Adopted FY15-16 budget includes \$115,000 for capital projects. During the course of the budget preparation process, major work on Dock 12 was postponed, and no funds are allocated for restroom improvements. Funding provides for Dock 12 design and permitting, and to mitigate flooding issues.

## Governance and Other Activities

Commonly accepted best practices of public administration and effective governance include the following:

- Provide for the adequate representation of citizens in governing bodies and processes.
- Focus policy leadership and accountability for execution of the law, policy implementation, and service delivery.
- Provide for a professional, highly trained staff that are protected from inappropriate political influence so that employees are able to carry out the work of the agency and will feel free to say what needs to be said without considering political ramifications.

While the SMCHD has addressed a number of issues raised by the Civil Grand Jury with respect to the practices listed above District governance and operations continue to be problematic, as further noted below.

### Governing Board

The District is governed by a five-member Board of Harbor Commissioners, members of which are elected Countywide for staggered four-year terms. **TABLE 2.4** lists current directors.

---

<sup>32</sup> SMCHD response to Circulation Draft MSR, June 26, 2015.

<sup>33</sup> Ibid.

**Figure 2.4 SMCHD Board of Directors**

---

<b>Title</b>	<b>Name</b>	<b>Term Expires</b>
President	Tom Mattusch	December 31, 2016
Vice President	Nicole David	December 31, 2018
Secretary	Robert Bernardo	December 31, 2018
Treasurer	Pietro Parravano	December 31, 2016
Commissioner	Sabrina Brennan	December 31, 2016

---

The Grand Jury further recommended that Harbor Commissioners and the General Manager earn Special District Leadership Foundation certificates. In response to the Circulation Draft MSR, the SMCHD provided a list of courses taken and certificates that had been earned.<sup>34</sup> It should be acknowledged that Harbor District staff have been particularly burdened with keeping up with workload since the retirement of the General Manager and subsequent resignation of the Human Resource Director and as a result of numerous public record requests.

On April 1, 2015 the SMCHD directors participated in a Board Dynamics Workshop to improve intra-board working relationships in response to the 2013-14 Civil Grand Jury Report that was critical of the behavior of Harbor Commissioners at Commission meetings. The workshop resulted in the Harbor Commission developing a "List of Norms" adopted on the Consent Calendar at the April 15, 2015 meeting, included as **Appendix D** to this MSR.<sup>35</sup>

Recent events raise serious concerns about adherence to the "Best Practices" and "List of Norms" described above. A memorandum from the SMCHD Interim General Manager to the SMCHD Commission stated that the Commission President made threatening comments to him when discussing the status of an upcoming meeting agenda in an effort to influence public policy "in a manner inconsistent with the Brown Act, transparency, and good public policy".<sup>36</sup> In response, the Harbor Commission reorganized the Harbor Commission officers midyear.

### **Committees**

The Grand Jury recommended that the Harbor Commission "form standing and appropriate ad hoc committees, which meet regularly".<sup>37</sup> The Harbor Commission subsequently adopted Standing Committee By-Laws establishing the purpose of the committees, process and procedures.<sup>38</sup> Established standing committees include:

- Beach Replenishment Committee

---

<sup>34</sup> Ibid.

<sup>35</sup> Memo to the SMCHD Board of Harbor Commissioners, March 25, 2015.

<sup>36</sup> Memorandum from Glenn Lazof, SMCHD Interim General Manager, to the San Mateo County Harbor Commission, May 19, 2015

<sup>37</sup> San Mateo Civil Grand Jury 2013-14, SMCHD Harbor District, Recommendation 10.

<sup>38</sup> Item 2 on the Feb. 18, 2015 agenda.

- Communication and Marketing Committee
- Finance Committee
- Water Quality and Public Safety Committee
- Oyster Point Marina Liaison Committee to meet with representatives of the City of South San Francisco to discuss JPA and other OPM-related issues

The SMCHD solicited applications from the public to participate on standing committees, and began to develop Finance Committee responsibilities. Ad Hoc committees are now active in addressing a number of issues, including the search for an interim and permanent General Manager, and a Strategic Planning Committee.

### Public Information and Disclosure

A review of the SMCHD website and meeting minutes indicates that agenda and reports are being posted to the SMCHD website, and committees are reporting back to the Harbor Commission.

### Public Meetings

The regular schedule and locations for board meetings are as follows: The first Wednesday of each month:

Sea Crest School  
Think Tank, Room #19  
901 Arnold Way  
Half Moon Bay, CA

The third Wednesday of each month:

Municipal Services Building  
33 Arroyo Drive  
South San Francisco, Ca. 94080

Harbor Commission meetings are recorded and available for viewing on YouTube. Observations about conduct of meetings include incidents in which contents of confidential documents in Commission discussion and reference to the nature of closed session discussion is referenced and the District's legal counsel has provided direction to comply with the Brown Act.

### Financial Policies and Procedures

The San Mateo County Harbor District Ordinance Code establishes legal requirements for SMCHD operations.<sup>39</sup> Ordinances establish rules and regulations related to administration and personnel, harbor rules and regulations, and commercial activity.

The SMCHD ordinances provide guidance on contracting and purchasing procedures. An SMCHD policy<sup>40</sup> established procedures for tagging and annually inventorying and valuing assets including equipment; the District has implemented a computerized inventory and tagging

---

<sup>39</sup> <http://www.codepublishing.com/CA/SanMateoCountyHarborDistrict/>

<sup>40</sup> SMCHD Policy No. 4.7.1 approved 6/7/06.

system, however, apparently there is a need to improve the process for documenting and inventorying equipment purchases as evidenced by recently initiated forensic audit regarding missing computer equipment.<sup>41</sup>

The SMCHD adopted a reserve policy in 2010 that establishes restrictions on net assets, but the policy does not define magnitudes, contributions or uses of reserves.<sup>42</sup> There is no indication that these designations have been reviewed, revised or updated subsequent to 2010. Recent SMCHD meetings and workshops have discussed the availability of cash to fund capital improvements, but as of the writing of this MSR, no decision has been made about whether or to what extent net assets are available for capital improvements.

The SMCHD does not have a formal, adopted set of financial policies to guide the definition, treatment and prioritization of capital expenditures. While there has been consensus in recent SMCHD meetings and workshops that a 5-year Capital Improvement Plan is needed to guide capital planning, budgeting and implementation, no formal action has been taken.

Independent audits are commissioned annually to prepare financial statements, and these are posted on the SMCHD website along with copies of budget documents. Recent workshops have flagged the need to prepare longer term budget forecasts, but these have not yet been developed given the District's more immediate priorities of hiring a general manager, labor negotiations, moving district offices, etc.

The SMCHD held a series of workshops to publicly present and discuss its proposed budget. At the public hearing May 6, 2015, the SMCHD approved a resolution adopting Preliminary Operating and Capital Budget for Fiscal Year 2015/16; however, the resolution lacked important information disclosing the budget amounts. The Harbor Commission adopted a Final 2015-16 Budget at the meeting of June 17, 2015.

### SMCHD Website

The SMCHD maintains a website with a broad range of information about the SMCHD and its facilities and services, although some of the information is several years out of date.<sup>43</sup> The website meets nearly all of the requirements established for a District Transparency Certificate of Excellence, except it lacks the name of the general manager and key staff along with contact information, and does not provide certain other information related to transparency (e.g., board member ethics training certificates, various financial policies, etc.).<sup>44</sup> The SMCHD has commented that SMCHD "staff has a website RFP as an item for release in the latter half of

---

<sup>41</sup> In Closed Session at its April 15<sup>th</sup> meeting, the Board directed Counsel to engage an independent auditor to conduct a forensic audit in the provision of IT services and equipment.

<sup>42</sup> SMCHD Resolution 17-10 to Approve Establishment of Reserves and Designations for Net Assets as of June 30, 2010.

<sup>43</sup> <http://www.smharbor.com/>

Certain information appears out of date, for example, OPM is indicated to have 600 berths, however, 134 of 589 berths were removed to accommodate ferry service, resulting in 455.

<sup>44</sup> District Transparency Certificate of Excellence checklist, Special District Leadership Foundation, <http://www.sdlf.org/>



2015. District has also hired a Transparency Officer to assist increasing the utilization of the website in the short term.”<sup>45</sup>

## Staff

**FIGURE 2.5** provides an organization chart showing SMCHD staffing and the organizational hierarchy. The chart illustrates the chain of command, described in SMCHD documentation as follows: “the Board of Harbor Commissioners (not less than a majority) makes its decisions and transmits them to the General Manager, who is the staff director. The General Manager, through the managers (Harbormaster, Human Resource Manager, and Director of Finance) or directly as may be needed from time to time, implements Board decisions as delegated to him/her to and through line staff”.<sup>46</sup> The memo further states that “Individual Commissioners should pass on their individual suggestions, requests, or recommendations for action to and through the Harbor Commission”. Discussions with SMCHD staff indicate that the memo was prepared in response to concerns about inappropriate and inefficient communications between Commissioners and individual staff that circumvented the public process and organizational hierarchy. During preparation of this MSR, LAFCo staff observed continued Harbor Commission communications with staff that adversely affected the functioning of the organization.

**FIGURE 2.5** depicts a total of 26 staff and 5 commissioners in the following categories:

Commission	5 Commissioners
Administration	8 Staff
OPM	7 Staff
PPH	11 Staff

The SMCHD currently has several recently vacated positions, and is in the process of searching for a General Manager. The Human Resource Manager position was recently vacated, however, a decision has not yet been made about whether or how it would be filled. The latter position historically provided a broad range of administrative services and support, in addition to the human resources function. Temporary staff are being utilized pending resolution of staffing decisions.

The SMCHD recently moved its administrative offices from its location near OPM to a newly-leased facility near PPH. The move is complete although some minor configuration issues remain. The move is anticipated to produce rent savings over the current location, not including relocation-related expenses. The new address is 504 Avenue Alhambra, Second Floor, El Granada, CA 94018.

---

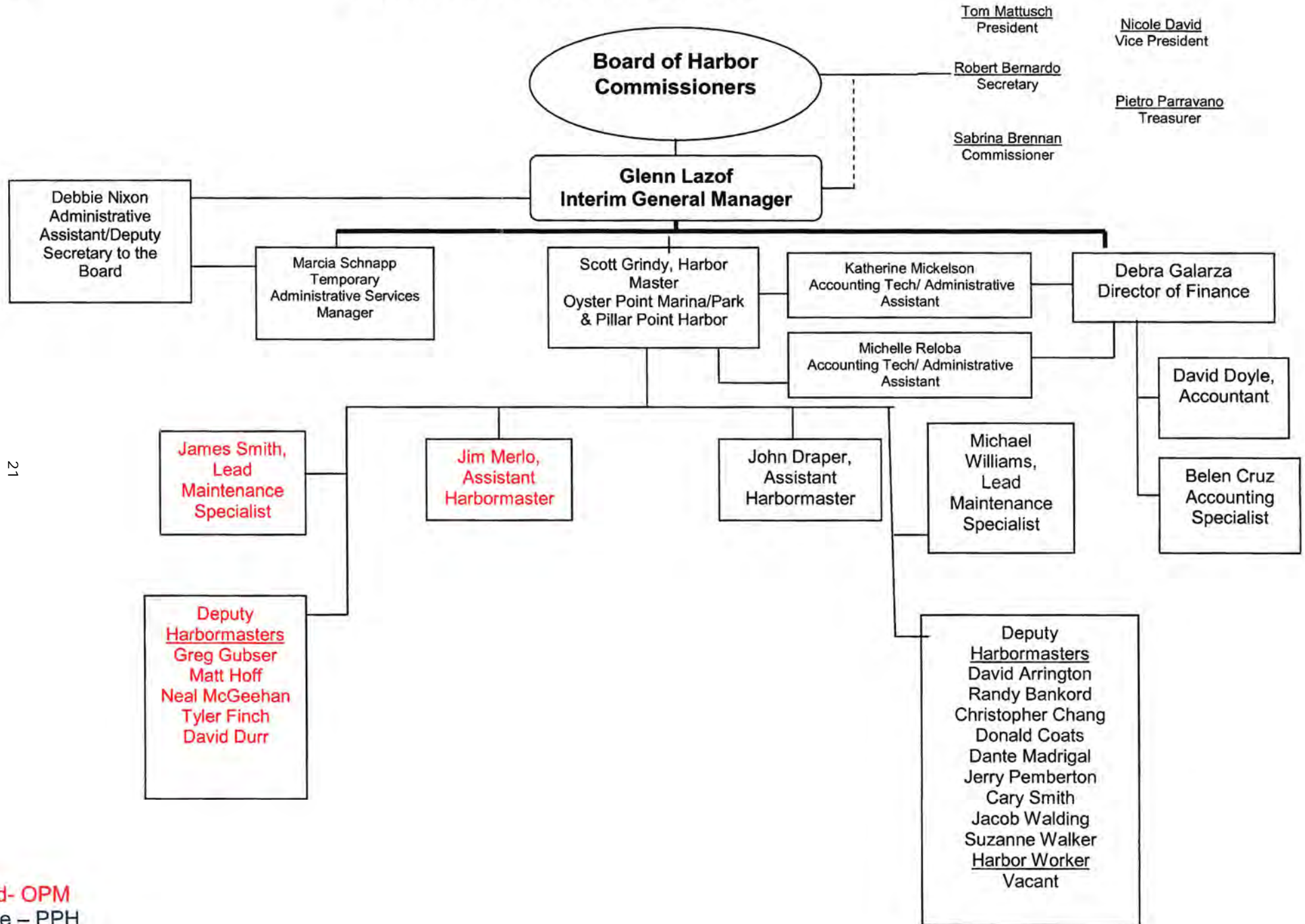
<sup>45</sup> SMCHD response to Circulation Draft MSR.

<sup>46</sup> Memo from Peter Grenell, General Manager, August 28, 2013, to the Board of Harbor Commissioners re: District Chain of Command, reaffirmed by the Commission 9/5/2013 (see **Attachment F**).

The SMCHD has utilized consultants for various services. The District is in the process of reviewing its approach to consultant IT services, and is exploring expedient, cost effective approaches to IT assistance required to move its facilities to the new office location, while also obtaining ongoing support. These efforts have consumed significant Board and staff time in debating the correct approach to obtaining services, and determining the appropriate services required. The need to perform an assessment of SMCHD needs has been discussed as a basis for IT decisions, but no further action has been taken.

The recently hired Interim General Manager is in the process of developing priorities for consideration by the Harbor Commission to provide for stability and more efficient administration and operation.

# San Mateo County Harbor District



21

Red- OPM  
Blue - PPH

Figure 2.5 Organizational Chart

### 3. FINANCIAL REVIEW

---

**TABLE 3.1** summarizes SMCHD revenues and expenditures for three years, including the adopted FY15-16 budget. The adopted FY2015-16 budget indicates relatively flat operating revenues and expenses compared to the prior year. While certain operating expenses, including labor related costs, have grown, the absence of election costs helps to offset those increases.

The SMCHD budget consistently exhibits a net operating shortfall due to operating revenues inadequate to cover operating costs. The operating shortfall (before debt service, and before the use of property taxes) exceeds \$3.5 million in the projected budget, or about half of total operating expenses. Shortfalls are lower in years with successful fishing seasons.

Property taxes collected Countywide cover the operating shortfall and fund debt service and limited capital improvement planning and design, leaving a slight positive balance of \$42,000 in the Adopted Operating Budget for 2015-16. As noted in the prior chapter and discussed further below, the current level of capital improvement funding is inadequate to meet needs identified in the recent Strategic Business Plan Condition Assessment. The SMCHD has net assets designated for capital improvements, and unassigned net assets, but has not established policies to determine what level of assets can be utilized or should be reserved. The limited use of net assets, while maintaining prudent reserves, could help the SMCHD make progress towards completing capital improvements.

#### Budget Practices

During the course of MSR preparation and the current budget process, the SMCHD revised its budgeting practices and brought them more in line with practices common to best practices followed by most public agencies. For example, depreciation has historically been shown in the SMCHD budget, although it is not an actual expenditure and is addressed through capital expenditures; this item has been removed from the budget process, although it remains a required component of financial reports to establish net asset values.

In the past, the SMCHD included only the interest component of its debt service in its budget; however, the principal payment requires an allocation of budget resources, and has now been added back into the budget.

Additional changes further improve the SMCHD budget process. For example, although "Termination Liabilities" have generally been tracked each year and shown as a budget item, the current budget removes them because they are not a "cash" expenditure. This approach is correct, however, the SMCHD must continue to track these liabilities and make a budget determination each year about whether to transfer cash into reserves to assure these liabilities are funded. Those transfers would be shown as budget line items.

**Table 3.1 Summary of SMCHD Revenues and Expenditures**

	<b>Actual FY 2013-14</b>	<b>Projected FY 2014-15</b>	<b>Adopted FY 2015-16</b>
<b>Operating Revenue (1)</b>	\$4,022,222	\$4,734,280	\$4,013,833
<b>Operating Expenses (2)</b>	<u>-6,952,462</u>	<u>-7,340,801</u>	<u>-7,535,967</u>
<b>Net, Operations (before Debt Service)</b>	<b>-2,930,240</b>	<b>-2,606,521</b>	<b>-3,522,134</b>
<b>(less) Debt Service (3)</b>	-2,786,187	0	-1,393,094
<b>Net after Debt Service</b>	<b>-5,716,427</b>	<b>-2,606,521</b>	<b>-4,915,228</b>
<b>Property Tax and Other Non-Operating Revenue (4)</b>	5,438,059	5,510,000	5,667,029
<b>Net Before Capital Projects and Contributions</b>	<b>-278,368</b>	<b>2,903,479</b>	<b>751,801</b>
<b>Capital Projects (5)</b>	-1,809,454	0	-710,000
<b>Capital Contributions (6)</b>	2,250,000	0	0
<b>NET</b>	<b>\$162,178</b>	<b>\$2,903,479</b>	<b>\$41,801</b>

Sources: Adopted Operating and Capital Budget for FY2015-16, 5/6/15; Financial Statement FY2013-14.

(1) FY2013-14 excludes Fed'l grant for \$250,000 for guest dock (included in Capital Contributions).

(2) Excludes termination liability.

(3) Includes principal and interest. FY2013-14 includes FY2014-15 debt service paid in advance.

(4) Other revenues include interest earnings on investments.

(5) FY2013-14 capital projects per Statement of Cash Flows.

(6) Includes \$2 million from City of South San Francisco for Oyster Point Marina dock replacement.

## Revenues

### Operating Revenues

**TABLE 3.2** shows annual operating revenues to the SMCHD. Berth fees represent over 70 percent of the Proposed FY15-16 operating budget revenues. Revenues depend on the success of the fishing season, as shown by strong berth fee and other fishing-related revenues in FY13-14. The composition of revenues is consistent between OPM and PPH, although rent and concession revenue at OPM declined to a greater degree with the vacancy of the bait shop. The projected FY15-16 operating revenues are expected to be relatively stable and increase slightly at PPH based on recent trends.

**Table 3.2 Summary of SMCHD Operating Revenues**

	<b>Actual 2013-14</b>	<b>Projected 2014-15</b>	<b>Adopted 2015-16</b>
<b>Operating Revenue</b>			
Berth Fees	\$2,834,506	\$2,852,835	\$2,846,583
Mooring Fees	42,346	38,344	41,000
Dock Boxes	6,380	6,490	6,500
Launch Ramp Fees	110,073	110,500	116,000
Misc. Fees	95,524	773,529	11,550
Crab Pot Storage Fee	5,050	1,500	55,300
Rents & Concessions	828,309	721,712	685,000
RV Parking (Fishing)	37,311	49,590	50,450
Event Fees	0	12,730	23,250
Commercial Activity Permits	25,722	9,350	10,500
Sales	15,581	7,700	7,700
Operational Grants*	<u>21,420</u>	<u>150,000</u>	<u>160,000</u>
<b>Subtotal, Operating Revenue</b>	<b>\$4,022,222</b>	<b>\$4,734,280</b>	<b>\$4,013,833</b>

\* Excludes Reimbursements on Projects, and Fed'l grants (guest dock) totalling \$2,250,000 in FY13-14.

### **Rates and Charges**

The SMCHD regularly reviews its rates and charges relative to other facilities in the region annually at the time of budget adoption. Review of the current and previous two fiscal year budgets indicates an overall increase in berth fee revenues from FY 2013 to FY 2014 and minimal change subsequently.

A recent survey of rates and charges show that OPM charges berth rates comparable to Coyote Point Marina, a County owned marina just south of the San Francisco International Airport. By comparison to a broader regional survey, OPM rates were lower than averages for all other facilities, particularly for slips greater than 40 feet in length.<sup>47</sup> PPH berth rates were generally similar to rates for regional averages for berths up to 35 feet, and lower for larger slips.<sup>48</sup> PPH has experienced strong demand for its slips, and is at 100 percent occupancy, which the SMCHD believes indicates that rates may be below market.<sup>49</sup> In 2006, occupancy at OPM was 54 percent; it now averages 65 percent.<sup>50</sup>

<sup>47</sup> 2014 Bay Area Slip Survey

<sup>48</sup> *ibid.*

<sup>49</sup> SMCHD response to Circulation Draft MSR

<sup>50</sup> *ibid.*

The SMCHD has indicated that it intends to review slip sizes and pricing policies to maximize occupancies and revenue. Changing trends in boat sizes and rates at competing marinas, particularly in the vicinity of OPM where there are two other nearby marinas, require ongoing review and monitoring of rates. SMCHD annually reviews surveys of marina rates and establishes a schedule of rates and charges when it adopts its budget.

### **Lease Revenues**

PPH generates approximately 8 percent of operating revenues from fish buyer leases, which include off loading and buying fees in addition to their base rent. The SMCHD periodically reviews its charges and audits its receipts. The most recent rate review was in 2014; the review indicated that “off-loading prices that Pillar Point lessees charge to fishermen are generally in line or slightly higher with prices at other harbors in Northern California.”<sup>51</sup> The report did not judge the current 5 percent fee on retail sales “to be overly burdensome for lessees, [but] a slight reduction (to 2.5 percent or 3 percent) would put the fee more in line with fees charged at Monterey.”<sup>52</sup> The report’s overall conclusions recommended “a significant reduction in the fee charged for off-loading wetfish, and a possible reduction in fees on retail fish sales.”<sup>53</sup>

As described in **Chapter 2**, SMCHD owns a number of buildings that it rents to various commercial operations that support maritime uses, recreation activities and visitors. At PPH it owns buildings leased to restaurants, bait shops, and a surf shop; these revenues accounted for approximately \$220,000 in base lease revenues<sup>54</sup> in addition to percentage rents and fees attributable to fish sales and offloading described above, for total PPH lease revenues of about \$430,000 annually.

At OPM, lease revenues from maritime related uses are minimal from the Oyster Point Yacht Club and the currently vacant bait shop. Nearly all of OPM’s \$205,000 annual lease revenues are paid by the lease of parcels to non-maritime uses, including offices and a motel.

There are 10 leased properties at PPH and 6 at OPM for which the status of each are detailed in Appendix G. The Bait and Tackle Shop at OPM is vacant. The San Mateo County Grand Jury’s 2014 report advocated more timely analyses of lease revenue sources to ensure that revenues “reflect current market rates” and that the SMCHD “explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014”.<sup>55</sup> As of the date of this report, no action has been taken by SMCHD to engage a management firm.

### **Non-Operating Revenues**

The most significant non-operating revenue is property tax that is received from all properties Countywide. Other non-operating revenues, which typically account for three percent or less of

---

<sup>51</sup> Analysis of Fees for Fish Off-Loading, Wholesale Purchase, & Retail Sales, Dec. 2014

<sup>52</sup> *ibid.*

<sup>53</sup> *ibid.*

<sup>54</sup> SMCHD, 2014 listing

<sup>55</sup> 2013-2014 San Mateo County Civil Grand Jury, San Mateo County Harbor District, Recommendation #9.

total non-operating revenues, include capital grants, investment earnings, and reimbursements. For purposes of this report, federal funds and contributions are categorized as "Capital Contributions" rather than as non-operating revenues.

### **Property Taxes**

Over the past three years, including the Adopted FY15-16 budget, property taxes represent 55 percent to 60 percent of SMCHD revenues. As previously noted in **Chapter 3**, property tax revenues are necessary to fully fund operating costs and to cover debt service and capital improvements. The Adopted FY15-16 budget projects property tax revenues to grow 10 percent over the prior year. Assessed values Countywide grew 5.6 percent in FY 2014-15 compared to the prior year. Values have continued to improve; however, it is uncertain whether a ten percent growth will be achieved.

The SMCHD receives a share of all property tax growth from all properties in San Mateo County. The incremental share varies within the County, but the share of the \$1.00 of property tax collected per \$100 of assessed valuation typically ranges from about 0.36 to 0.39 in South San Francisco (just above one-third of one cent of the tax dollar) compared to 0.33 to 0.36 in certain unincorporated areas of the County.

### **Capital Contributions**

The SMCHD received \$2,250,000 in capital contributions in FY13-14, including a \$2 million dollar capital contribution from the City of South San Francisco for Dock 11 replacement at Oyster Point Marina. In addition, the District received \$2,124,194 for a Federal capital contribution for the Wave Attenuators on the Breakwater at Oyster Point Marina.<sup>56</sup> The SMCHD has indicated the need to pursue grants, however, the loss of staff has reduced its ability to seek these sources of funding.

## **Operating Expenditures**

**TABLE 3.3** summarizes SMCHD operating expenditures. Operating expenditures have generally increased over time as labor related costs have grown. Other periodic expenditures overshadow the cost increases. For example, two debt service payments were made in FY 2013-14, then no debt service payments occurred in FY 2014-15. Election costs were significant in FY 2014-15, but will not be incurred in FY 2015-16. In addition, legal fees increase significantly from the previous fiscal years.

---

<sup>56</sup> Basic Financial Statements, 2014, pg. 10 (pg. 13 of 37 in pdf file).



**Table 3.3 Summary of SMCHD Expenditures**

	<b>Actual FY 2013-14</b>	<b>Projected FY 2014-15</b>	<b>Adopted FY 2015-16</b>
<b><u>Commission</u></b>			
Salary and Benefits	84,313	81,350	74,447
Elections	188,487	513,378	0
Insurance Costs - Retirees	19,656	20,300	29,515
Legal Services	137,951	130,000	270,361
Other	<u>62,817</u>	<u>59,951</u>	<u>67,335</u>
Subtotal	493,224	804,979	441,658
<b><u>Administration</u></b>			
Salary and Benefits	1,529,721	930,779	1,136,206
Office Space and Equipment	95,063	97,500	85,800
Property Tax Admin. Fee	45,131	28,322	29,000
Other	<u>203,535</u>	<u>341,353</u>	<u>316,585</u>
Subtotal	1,873,450	1,397,954	1,567,591
<b><u>Pillar Point Harbor</u></b>			
Salary and Benefits	1,525,380	1,675,481	1,827,510
Other Operating Expenses (1)	<u>1,284,791</u>	<u>1,441,599</u>	<u>1,555,140</u>
Subtotal	2,810,171	3,117,080	3,382,650
<b><u>Oyster Point Marina</u></b>			
Salary and Benefits	1,100,497	1,161,388	1,205,188
Other Operating Expenses (1)	<u>675,120</u>	<u>859,400</u>	<u>938,880</u>
Subtotal	1,775,617	2,020,788	2,144,068
<b>Total, Operating Expenses</b>	6,952,462	7,340,801	7,535,967
Debt Service	2,786,187	0	1,393,093
Capital Improvements	1,809,454	0	710,000
<b>TOTAL EXPENDITURES (2)</b>	<b>11,548,103</b>	<b>7,340,801</b>	<b>9,639,060</b>

(1) Other Operating Expenses include legal.

(2) Note: Additional allocations to unfunded PERS and to future termination liability not included.

The following sections describe SMCHD expenditures in greater detail.

## Salaries and Benefits

Salary and benefits account for nearly 60 percent of operating expenditures. The SMCHD's salary ranges are included in **Appendix E**. Taxes and benefits add approximately 48 percent to salary costs.<sup>57</sup>

### *Other Post-Employment Benefits (OPEB)*

The SMCHD's obligations include a "Termination Benefits" plan. The Plan provides continuing health, dental, life insurance and vision benefits upon leaving District employment benefits. The benefits only apply to employees hired prior to July 1, 2009 that were employed with the District after January 1, 1981, if they were not terminated for good cause and had a minimum of twelve years of service to the District at time of termination. These benefits may only be collected for a period of time that is equal to half of the time the employee was employed with the District. The current balance in termination benefits payable as of June 30, 2014 was \$2,973,074.<sup>58</sup> The adopted budget shows reserves of \$3,795,197 set aside for termination benefit liabilities.<sup>59</sup>

### *Pension Liability*

The SMCHD contracts with CalPERS for retirement benefits for qualifying SMCHD employees and is in good standing with respect to funding current retirement accounts. Pension expenditures for FY15-16 are projected to be \$565,270.

## Harbor and Marina Operations

The PPH and OPM operations expenditures account for approximately 75 percent of the total SMCHD proposed FY15-16 budget (before capital and debt service). PPH is about 45 percent of the budget, and OPM 30 percent. The remainder of the SMCHD budget is allocated to administrative and commission expenditures. The budget does not distinguish enterprise vs. non-enterprise costs associated with PPH and OPM.

Major harbor and marina operating expenditures include the following (note that the percentages are based on total operations costs only, and do not include other commission and administration categories shown on Table 3.3):

**Salaries and Benefits** – staff-related expenditures account for approximately 60 percent of PPH and OPM operations budget and 60 percent of the overall proposed FY15-16 SMCHD budget

**Repairs and Maintenance** – repairs and maintenance vary year-to-year, and represent about 10 percent of harbor and marina operations in the adopted FY15-16 SMCHD budget.

---

<sup>57</sup> Staff Report, Debra Galarza, Board Meeting April 1, 2015, Agenda Item 7.

<sup>58</sup> Basic Financial Statements, 2014, note 8 to financial statements, pg. 26 (pg. 29 of 37 in pdf file).

<sup>59</sup> According to the SMCHD response to the Circulation Draft MSR, "Nine employees are vested with these benefits, seven more are vested and drawing benefits, and seven current employees are not vested."

**Utilities** – garbage collections, water and electrical utility expenses are incurred by the harbor and marina operations and account for about 8 percent of harbor and marina operations in the Adopted FY15-16 total budget.<sup>60</sup>

**Legal and Other Contractual Services** – these contractual services represent about 8 percent of harbor and marina operations in the Adopted FY15-16 SMCHD budget.

The balance of harbor and marina operations expenditures are composed of fuel and operating supplies, property and casualty insurance, and other costs associated with operations and facilities specific to PPH and OPM.

### Administration

The SMCHD budget separately allocates administration expenses attributable to staff and operations at the SMCHD administrative offices. This category equals nearly 20 percent of the Adopted FY15-16 SMCHD budget.

Salaries and benefits represent about 70 percent of proposed administration expenditures, including the Harbormaster, finance and human resources personnel, and other administrative and clerical support staff.

The remaining administration expenditures are budgeted for contractual services, including over \$100,000 for legal services. The balance includes \$86,000 for office space and equipment, plus miscellaneous other office and administrative expenses.

### Harbor Commission

The proposed FY15-16 SMCHD budget allocates \$442,000 for Harbor Commission expenditures.

Over half of the Harbor Commission budget, or \$270,000, is budgeted for legal services.

Election expenses are the largest Harbor Commission expenditure, although the amount varies year-to-year depending on number of candidates on the ballot. For example, no election expenses will be incurred in FY15-16, however, the prior two years required \$200,000 to \$500,000 for FY13-14 and FY14-15 respectively.

### Debt Service

The FY15-16 SMCHD preliminary budget included only the interest portion of debt service payments for loan repayment due to the California Division of Boating and Waterways (DBAW), although the Adopted Budget was revised to include both interest and principal. The budget shows the total payment including principal and interest. No payment was required in FY14-15 due to a prior year early payment.

Subsequent payments include the following:

<b><u>FY Year</u></b>	<b><u>Payment</u></b>
FY15-16	\$1,393,093

---

<sup>60</sup> According to the SMCHD, garbage collection costs at PPH are more than twice the amount at OPM due to PPH's distance from the landfill, and its waste stream from commercial fishing.

FY16-17	\$1,393,094
<b><u>FY Year</u></b>	<b><u>Payment</u></b>
FY17-18	\$1,393,094
FY18-19	\$1,393,093
FY19-20	<u>\$1,353,487</u>
Total	\$6,925,861

The current loan represents a consolidation of prior loans for a range of capital improvements to PPH and OPM. The remaining debt principal is attributable to loans originally taken for improvements to PPH.<sup>61</sup> The SMCHD maintains a reserve of \$1.7 million as required by DBAW; this reserve could be used to make the final payment, and a portion of the FY18-19 payment due. Early payment would reduce the total interest due.

## Capital Improvement Plan (CIP) Expenditures

Capital expenditures vary significantly from year-to-year, depending on needs and funding available. The FY15-16 SMCHD budget funds \$710,000 in projects. The prior year allocated no funds to capital expenditures, and the current budgeted capital expenditures are reduced from \$3.6 million considered in earlier draft FY15-16 budgets. Most recently, the newly hired Interim General Manager has recommended to the Harbor Commission that their priorities include specific capital projects.

As described in **Chapter 2**, the Draft Strategic Business Plan identified and prioritized a number of repair and improvements recommended over the next five years, totaling \$11.5 million for PPH and \$5.8 million for OPM, or \$17.3 million total; the totals include \$1.8 million for capital improvements determined to pose a safety risk and/or present a risk of failure within 5 years (priorities 1 and 2). Although the amount required in any given year will vary depending on projects and priorities, if the \$17.3 million total is spread over five years, these recommended capital expenditures would equal about \$2.3 million annually for PPH, and \$1.2 million annually for OPM, or a combined total of \$3.5 million annually.

The Adopted FY15-16 budget includes additional items not evaluated in the Draft Strategic Business Plan. The CIP generally allocates funds for design and permitting for most projects and postpones major construction expenditures, including the demolition and removal of the dilapidated Romeo Pier, erosion improvements to the West Trail, and other capital improvements. The SMCHD indicates that it intends to identify priority projects and revise the CIP budget accordingly.

In the short term, the planned expenditures for FY15-16 are significantly less than the average amount needed to meet the priorities of the Draft Strategic Business Plan condition assessments. In addition, because there is no direct link between the capital projects in the budget and the capital projects and repairs listed in the Draft Strategic Plan, it is difficult to determine whether or not the Business Plan's recommendations have been considered in the SMCHD's CIP.

---

<sup>61</sup> State of California, Invoice to SMCHD, 6/2/2014. In comments on the Circulation Draft, the Harbor District disputes the allocation of the remaining debt to PPH.

## Assets

### Current Assets

According to the most recent SMCHD financial statements available, SMCHD had approximately \$14.3 million at the end of Fiscal Year 2013-14, consisting largely of \$12.2 million in unrestricted cash and investments.<sup>62</sup> In the Adopted FY 2015 budget, current assets were estimated to be \$16,355,000 as of 6/30/2016;<sup>63</sup> the change was largely due to deferral of capital improvement expenditures in the FY14-15 and FY15-16 budgets.

These assets represent a “fund balance” that provides for reserves for various purposes including current and non-current liabilities and capital expenditures.

### Reserves

The SMCHD FY15-16 budget allocates its cash balance to the following reserves:

Debt Service-DBW Loan Collateral (restricted)	\$1,787,961
Emergency Reserve	1,619,464
Reserve for District Office	1,526,217
Capital Improvements Reserves	586,500
Payable Liability	300,000
Encumbrances	500,000
Customer Deposits and Prepayments	500,000
Termination Benefit Liability	<u>3,795,197</u>
Subtotal	10,615,339
Unassigned	5,781,463
TOTAL (estimated ending balance 6/30/16)	\$16,396,802

The projected \$5.8 million, an increase over the unassigned amount of \$4.6 million reported by the SMCHD as of March 31, 2015,<sup>64</sup> potentially is available for capital improvements and/or other unanticipated needs. These decisions will need to be made in the context of reserve policies to be determined. In addition, the May 20 agenda included an item to add the proceeds

---

<sup>62</sup> San Mateo County Harbor District Basic Financial Statements for the Year Ended June 30, 2014 (“Financial Statements FY14”), pg. 12.

<sup>63</sup> SMCHD Adopted Budget 6/17/15, pg. 19 of 51.

<sup>64</sup> SMCHD Quarterly Investment Balances Report, SMCHD Board Meeting Agenda, May 6, 2015, Item 9

from the Post Office lot sale in the amount of \$794,008.05 to either the District Office Reserve or the Unrestricted Reserve.<sup>65</sup>

The Draft Strategic Business Plan Existing Infrastructure and Facilities Assessment identified a need for \$2.4 million for capital improvements and repair of items determined to pose a safety risk and/or present a risk of failure within 5 years (priorities 1 and 2). Additional funding needs are further described above in the "Capital Expenditures" section of this chapter.

### Non-Current Assets

Land, buildings and equipment, described in greater detail in **Chapter 2**, comprise the majority of non-current assets and total \$53.9 million in cost basis.<sup>66</sup> Approximately 50 percent of the value of assets other than land has been depreciated.

## Liabilities

### Current Liabilities

Current liabilities totaling \$4.1 million include \$3.5 million in pre-paid rents, or "Unearned Revenue"; the balance consists of accounts payable, accrued payroll, and customer deposits. These liabilities effectively represent a claim against assets.

### Non-Current Liabilities

As of June 30, 2014, \$5.9 million in debt obligation to the DBAW remained due. As the result of an early payment, the SMCHD had no payment due in FY14-15; however, a payment of approximately \$1.4 million will be due in FY15-16. The final payment will be due in FY20, although \$1.7 million of assets restricted to debt repayment would be sufficient to make the final payment as well as a portion of the FY19 payment.

The SMCHD has reserved approximately \$3.9 million for its program of termination benefits. These benefits are applicable only to employees hired prior to July 1, 2009 with at least 12 years of service who were not terminated for cause.

Accrued vacation and sick leave comprises the balance of non-current liabilities.

## Gann Appropriations Limit

The SMCHD has not established a Gann Appropriations Limit applicable to its annual expenditures. The SMCHD is not required to calculate a Gann Limit, according to Gov. Code 7901(e), which states that "The term "special district" shall not include any district which (1) existed on January 1, 1978, and did not possess the power to levy a property tax at that time or did not levy or have levied on its behalf, an ad valorem property tax rate on all taxable property in the district on the secured roll in excess of 12 1/2 cents per one hundred dollars (\$100) of

---

<sup>65</sup> According to the minutes of the May 20<sup>th</sup> meeting, no action was taken on this item.

<sup>66</sup> Financial Statements FY14, pg. 22. The "Cost Basis" is the original (or estimated) cost of the asset, as adjusted for subsequent capital improvements that add to the value of the asset or materially extend its life.

assessed value for the 1977-78 fiscal year...". The SMCHD's tax rate is less than one cent per \$100 of assessed value, therefore the Gann requirement does not apply.

## 4. GOVERNANCE OPTIONS

---

This chapter describes governance options to the status quo that can be considered. The discussion assumes that operations will largely continue, although future costs and revenues will vary from the proposed budget amounts as a result of capital planning, eventual elimination of debt service (by 2015), ongoing review and revision to rates and charges, and other planning and management activities. Potential cost savings are described in this chapter.

### Dissolution with Long-Term Successor

#### County of San Mateo as Long-Term Successor to PPH, and City of South San Francisco as Long-Term Successor to OPM as Subsidiary District of the City

This option was considered; however, SMCHD property tax revenues currently generated within the City of South San Francisco would be inadequate to fund OPM operations, overhead and an allocation of debt service. Property taxes generated within SSF that currently accrue to the SMCHD represent only about 10 percent of SMCHD's current property tax revenues.<sup>67</sup>

Increasing the allocation of property taxes to the City to cover OPM expenditures would require a shift of County property taxes collected within the City's boundaries, assuming the County collects enough to cover the shift. The County, in turn, would need to be compensated through SMCHD property taxes collected outside of the City. While the shift in property tax may be sufficient for the first year of operations, it may not be the correct amount in future years as OPM costs adjust during transition, revenues change, and debt service is paid off. This model could be considered as a second phase to the following alternative after operations by the two entities have created efficiencies, established better cost recovery, and better established the costs associated with enterprise versus non-enterprise activities through cost accounting.

#### County of San Mateo as Long-Term Successor/JPA with City of South San Francisco

The County of San Mateo (the "County") could assume all of the assets, liabilities and operational responsibilities of the Oyster Point Marina and Pillar Point Harbor. All revenues would accrue to the County to fund expenditures. The County's Board of Supervisors ultimately would have authority over the facilities to which it is the successor. The Board could create an appointed body to advise it on operational and policy issues.

The County would assume responsibility for PPH, and could utilize existing PPH staff for operations. The County of San Mateo's Parks Department currently operates Coyote Point Marina and consequently has experience managing these types of facilities, as well as administrative staff that could be augmented as necessary to handle additional workload. The

---

<sup>67</sup> SSF assessed value represents about 10 percent of the Countywide total assessed value, which generates SMCHD property tax revenues.



Coyote Point Marina operates as a self-sufficient enterprise within the County, and does not receive property tax, sales tax, or other funding from the County's General Fund.<sup>68</sup>

The County would assign responsibility for OPM to the City of South San Francisco through a JPA, and allocate property tax sufficient to pay for OPM operations, capital improvements and applicable share of debt service. This amount could be adjusted annually as costs adjust during transition, efficiencies are achieved, revenues are change, and debt service is paid off.

The City of South San Francisco ("SSF") would be responsible for maintaining parks and open space at OPM as they currently do in other areas of the City and utilize existing OPM staff to manage and operate the marina facilities. Current City administrative staff could be augmented as necessary to handle administrative tasks including financial accounting.

## Alternative Boundaries

The current boundaries of the SMCHD could be reduced if it is determined that the SMCHD primarily serves an area that is less than Countywide. However, depending on the extent of the boundary reduction, property taxes would correspondingly be reduced. Unless there are equal reductions in current SMCHD expenditures and liabilities, the reduced property tax may be inadequate to fund operations and provide for needed capital improvements. The elimination of current debt obligations by 2020 will provide some additional capacity for property tax reductions, as paying off the debt will reduce expenditures by about \$1.4 million annually.

## Successor Agency Obligations

The successor agency (or agencies) will be responsible for all assets, liabilities (including existing debt obligations) and operational responsibilities of the SMCHD. Prior chapters described these obligations in greater detail.

## Allocation of Assets and Liabilities

Depending on the governance option, it may be necessary to allocate assets and liabilities, as well as revenues and expenditures, between the two agencies. It is assumed that allocations will generally "follow the facility". Remaining debt principal is entirely attributable to PPH.<sup>69</sup>

## Potential Cost Savings

The assumption of SMCHD operations by a successor agency (or agencies) offers the opportunity to achieve certain service efficiencies and cost savings due to economies of scale and eliminating duplicated elected offices and administrative functions. Elimination of existing Harbor Commission expenses, including election costs which vary from \$300,000 to \$500,000 alternating years, represent the greatest potential savings to a successor agency, although the

---

<sup>68</sup> Correspondence from County of San Mateo to LAFCo, 7/3/15.

<sup>69</sup> State of California, Invoice to SMCHD, 6/2/2014, provided by the SMCHD; the SMCHD in response to the Circulation Draft MSR indicated that it has additional information that supports a different conclusion.

majority of these election costs will be redistributed to all other County entities sharing in election costs. The exact magnitude of other administrative savings, if any, will depend upon the ability of the successor agency to manage increased workload before adding staff. Additional savings include legal fees once the transition to the County and City are complete. In some cases, it may be possible for the successor agency to achieve management cost savings through the use of existing management staff; however, certain administrative and clerical functions may require additional staff to the successor agency reducing the potential cost savings.

## Transition Issues and Costs

Although it may be possible to achieve longer-term efficiencies, stability and cost savings, in the short-term there will be transition costs associated with reorganization. It is anticipated that overall benefit to County tax payers and users of the two facilities may not be apparent for several years due to the need for successor(s) to invest significantly in both facilities to correct the Harbor District's deferred maintenance and failure to implement needed capital projects. In addition, following are key near-term transition items that must be considered further:

**Termination Benefits** – Responsibility for termination benefits, currently funded at \$3.7 million by the SMCHD, needs to be independently verified, as well as future potential increases or decreases.

**CalPERS Unfunded Liabilities** – If the SMCHD is dissolved and SMCHD employees become employees of the County of San Mateo, the SMCHD will be unavailable to meet future obligations to retirees or to provide future benefits to those currently vested in the CalPERS plan. CalPERS has responded to other proposed dissolutions by demanding that future retirement liabilities be fully funded prior to dissolution.<sup>70</sup> CalPERS' estimate of the funding obligation was \$3,554,940 as of June 30, 2013.<sup>71</sup> However, actuarial reports, which are not expected to be available until the Fall of 2015, may establish a different cost. CalPERS should be contacted to provide a more current estimate.

**Service Responsibility** – Certain functions, particularly at PPH, could be done by other departments and/or agencies, such as Sheriff's Office (SAR, ocean rescue assistance and enforcement), or the Department of Public Works to manage facilities, in addition to the County Parks Department. Further analysis is needed to explore these options.

**Staff Transition** – It is assumed that current SMCHD operations personnel would be transitioned to the successor entity; however, further investigation is needed to clarify differences in salaries and benefits that will need to be addressed and the potential benefit of transfer certain administrative staff who would bring institutional knowledge.

---

<sup>70</sup> For example, see the Application by San Diego Rural Fire Protection District Requesting Local Agency Formation Commission to Take Proceedings for Dissolution of the District, letter from the District's attorney to San Diego LAFCO, June 26, 2014.

<sup>71</sup> Annual Valuation Report as of June 30, 2013, CalPERS Actuarial Office, October 2014, Sec. 1 pg. 8.

**Capital Improvement Costs** – The SMCHD Draft Strategic Business Plan identifies needed capital improvements and priorities, however, there are additional items considered in the SMCHD Budget. Further clarification will be important to better define the design, entitlement and cost/funding status of needed improvements and related liabilities. It should be noted that comparing current and past SMCHD budget and operational costs that have included deferring maintenance and capital improvement to balance the budget with a proposed plan for service and budget by successor agencies may not be an “apples to apples” comparison if successor agencies include the cost of implementing deferred projects.

**Legal Costs** – It is likely there will be legal costs incurred by the District and successor agencies for a variety of tasks including the establishing a proposal and plan for service, LAFCO application, staff transition and addressing existing labor agreements, revising existing JPA documents and lease agreements and creating new agreements as necessary, and other items that should be further delineated where possible. Other district reorganizations can provide examples of the legal tasks and potential legal costs that may be incurred.

**Debt and Other Assets and Liabilities** – The successor agency would be empowered by LAFCO and state law to assume responsibility for all assets, debts and liabilities of the SMCHD. However, the transition of ownership and liability may require revision to existing documents.

## 5. DRAFT MSR DETERMINATIONS

---

As required by Government Code Section 56430, this MSR provides determinations for consideration by LAFCo. Following are preliminary determinations; it is anticipated that these determinations will be reviewed and revised during the course of public review, prior to action by LAFCo.

### 1) Growth and population projections for the affected area.

As further described in **Chapter 2**, the County's population is forecasted to increase by about 26 percent between 2010 and 2040; this is a slightly greater rate than the growth projected in the 2006 MSR, however, actual growth will depend on future economic conditions, land use policies and other factors. Although these trends indicate continued growth in demand, utilization of SMCHD facilities is much more significantly influenced by weather conditions, successful fishing seasons, and outdoor recreation trends.

### 2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

In 2006, LAFCO reaffirmed the zero SOI adopted for the SMCHD originally adopted in 1977. Within the current boundaries of the SMCHD, which correspond to San Mateo County boundaries, multiple disadvantaged unincorporated communities (DUCs) exist. However, the intent of evaluating DUCs is to assure that those communities are provided adequate services and infrastructure comparable to other communities within or contiguous to an agency's SOI. This provision is not applicable to the SMCHD, which operates and maintains a harbor and a marina, and provides related maritime services.

### 3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.

As detailed in **Chapter 2** of this MSR, the SMCHD has significant infrastructure and facility improvement needs as a result of the wear and tear of heavy use, a harsh marine environment, and deferred maintenance and capital projects. The Draft Strategic Business Plan prepared in 2014 for the SMCHD indicated a need over the next five years for \$17.3 million in repairs and capital improvements. Additional needs not assessed in the Plan include a need to demolish and remove the dilapidated Romeo Pier, and harbor dredging projects. The SMCHD CIP budget addresses several of the recommended items, in addition to other needs, however it defers major construction pending further design and review, and acquisition of adequate funding.

#### Recommendations:

1. The SMCHD should establish a capital improvement planning and accounting system, including a 5 year CIP, to better document and plan for the funding and implementation, as well as to facilitate prioritization, of capital improvements. The CIP should be explicitly linked to improvements currently recommended in the Draft Strategic Business Plan, as well as the proposed budget.

#### 4) Financial ability of agency to provide services.

As described in **Chapter 3**, the SMCHD budget consistently exhibits a net operating shortfall due to operating revenues inadequate to cover operating costs. The operating shortfall (before debt service, and before the use of property taxes) exceeds \$3.4 million in the projected budget, meaning that fees and charges are insufficient to cover about half of operating expenditures. In addition to the operating shortfalls, the SMCHD must fund approximately \$1.4 million of annual debt service and undertake ongoing maintenance and construct needed capital improvements.

In addition to fees and charges, the SMCHD receives over \$5 million annually from its share of countywide property taxes. These total revenues are sufficient to fully fund operations and \$710,000 of planned capital improvements; however, the repair and capital improvement needs are greater than the amount currently shown in the proposed budget.

The SMCHD's labor-related and other operating costs continue to increase, placing more pressure on budget resources. However, numerous actions recently undertaken and/or planned by the SMCHD offer the prospect for improved financial resources and ability to fund improvements, including:

- Establishment in recent years of a "two-tier" benefit system that reduces the cost of benefits related to new employees.
- Current relocation of administrative offices to new space at a reduced lease cost.
- Streamlining procedures to reduce "bad debt" associated with non-paying berth tenants implemented by the Finance Director.
- Review of fees and charges to assure reasonable and competitive rates for appropriate mix of slip sizes.
- Consideration of charges for services currently provided at no cost, for example, pump-out services, and charges for large parties utilizing picnic areas.
- Contingent on staff capacity, renew efforts to seek grant funding for facilities and improvements, including possible grants related to equipment needs for SMCHD Search and Rescue.
- The recent sale of surplus property, consistent with Civil Grand Jury recommendations, increased SMCHD reserves.
- Over time, Termination Benefit liabilities and payouts will diminish and eventually end.
- Possible retention of a commercial real estate management firm to help maximize lease revenues.
- Refinancing and/or eventual payoff of existing DBAW debt will make additional resources available for capital funding.

Due in part to recent turnover of staff with extra work falling to remaining staff and lack of consensus on the Board, many of the initiatives noted above were not pursued. Conflicts within the Board, and between staff and the Board, as noted by the Civil Grand Jury, further

exacerbated the difficulty of achieving SMCHD objectives and increased SMCHD costs (e.g., for legal services).

The SMCHD has undertaken steps to reduce Board conflict and establish “Chain of Command” protocols. An Interim General Manager was hired recently, and the current General Manager recruitment and hiring offers an opportunity to solidify leadership, organization and direction assuming it is supported by majority of the Harbor Commission. In the near term, improvements in property tax revenues and lease revenues will help to fund staff efforts towards the initiatives noted above, assuming strong management direction. Improvements in accounting and financial policies can strengthen capital improvement planning and programming, and provide for appropriate reserve policies which enable limited use of reserves for capital while maintaining adequate reserve levels.

**Recommendations:**

1. The SMCHD should engage a public accounting firm to review its budget accounts for both operations and capital improvements, and establish a financial accounting system consistent with best practices for California public agencies. The review should include a system to allocate costs and revenues according to enterprise vs. other public purposes for each of their facilities, and to provide immediate access to current lease and tenant information.
2. The SMCHD should assess its personnel needs in order to fill vacated positions as necessary to pursue the initiatives noted above, including seeking grants.
3. The SMCHD should consider administrative functions that can and should be more cost-effectively outsourced, including IT functions and property leasing. This outsourcing should consider collaboration with other public agencies as well as private contractors.

**5) Status of, and opportunities for, shared facilities.**

Limited opportunities for shared facilities have been identified in the course of this MSR process. Recently the District has leased office space from the Granada Community Services District and contracted with Regional Government Services to recruit an interim General manager. Various opportunities may exist by which the SMCHD may take advantage of shared services, for example possible IT contracting with or through other public agencies, which is being explored. Responsibility for certain facilities could be shifted to other agencies, for example the West Trail and Surfers Beach dredging, as recommended by the Civil Grand Jury and noted in the following determination.

**6) Accountability for community service needs, including governmental structure and operational efficiencies.**

The Civil Grand Jury described indications of “a systemic flaw in the ability of District commissioners to govern effectively”.

The SMCHD has taken a number of steps towards addressing issues that plagued it in the past, including workshops to facilitate collegiality and working relationships, consideration of “Norms” of commissioner behavior, improvements in public posting of materials on their website and multiple workshops on topics such as the budget. A strategic business plan is being prepared, however, it has been delayed and concerns exist about its scope and effectiveness in addressing

SMCHD financial issues. As described in this MSR, inappropriate interaction between Commissioners and staff continue to interfere with operational efficiencies.

The Civil Grand Jury recommended dissolution of the SMCHD and transfer of responsibilities to other agencies, specifically, the County of San Mateo. **Chapter 4** described governance options, with the most potentially viable option a scenario in which the County acts as successor agency, operates PPH, and enters into an agreement with the City of South San Francisco (SSF) to operate OPM. The agreement with SSF would include negotiated funding from the County's property taxes (from the dissolved SMCHD) and other revenues to be transferred to SSF to fund operations and capital improvements, and any other shared financial liabilities (e.g., remaining debt service, CalPERS liabilities, etc.).

The option described above may incur additional costs during the initial years of transition related to CalPERS and other liabilities, but could provide for cost and service efficiencies over the longer term. This option would integrate the SMCHD operations into larger entities that have the capacity and expertise to provide a range of needed services, including Information Technology, purchasing and contracting services, human resources, etc.

#### **Recommendations:**

1. The City of South San Francisco and the County of San Mateo should continue to confer and research issues and options affecting the feasibility of dissolving the SMCHD, transferring responsibilities to the County as successor agency, and transitioning to SSF operation of OPM via a JPA.

#### **7) Any other matter related to effective or efficient service delivery, as required by commission policy.**

A primary concern expressed by prior MSRs and by the Civil Grand Jury involved the use of Countywide property tax revenues to help subsidize "enterprise" type operations, including berth rentals occupied by a majority of non-County residents. However, the current and prior MSR also documented the range of facilities, services and benefits provided by SMCHD services and facilities such as Search and Rescue, environmental services, and public use and access to piers, parks and waterfront open space.

While it is difficult to isolate cost estimates for these broader, non-fee funded services, the SMCHD could create "cost centers" to document and track these expenditures to support appropriate levels of property tax use and allocation. In the near-term it is expected that property taxes will continue to be necessary to fund deferred maintenance and other necessary improvements. Over the longer term there is a possibility that revenue enhancements and cost efficiencies from initiatives described above and/or from reorganization could reduce the current reliance on property tax.

#### **Recommendations**

1. As also noted above under Recommendation 4.1, the SMCHD should establish an accounting system that can allocate costs and revenues according to enterprise vs. other public purposes to better assess the need for property tax.

## 6. DRAFT SOI DETERMINATIONS

---

Government Code Section 56425 requires that LAFCo review spheres of influence every five years as needed and specifies that in determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:

- The present and planned land uses in the area, including agricultural and open-space lands.
- The present and probable need for public facilities and services in the area.
- The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

This sphere of influence update incorporates information and determinations in the San Mateo LAFCo Municipal Service Review of the San Mateo County Harbor District.

### San Mateo County Harbor District Sphere of Influence

The San Mateo County Harbor District (SMCHD) is an independent special district formed in 1933 to construct, maintain and administer harbor facilities. Enabling legislation for the district is State Harbors and Navigation Code, Section 6000 et seq. The District's original plan was to develop a commercial port in Redwood City. The District remained inactive from 1935 to 1948, at which time the District was resurrected to obtain federal funds to construct a harbor of refuge at Pillar Point Harbor at Half Moon Bay. A breakwater was completed in 1962 and additional work to protect the harbor was completed in 1967.

In 1977, San Mateo LAFCo adopted a zero sphere of influence for the District indicating that it should be dissolved and service could be assumed by the County. Subsequently several efforts to either detach portions of the county from the District or dissolve it ended with court challenge, denial at protest hearing, failure at election and most recently in 1991, withdrawal of the application. LAFCo has periodically reviewed and reaffirmed the sphere of influence, most recently in 2006.

SMCHD operates according to State Harbors and Navigation Code Sections 6000 et seq. and is authorized to: control and operate all harbor works and facilities within its boundaries, supervise pilotage of seagoing vessels within the harbor and the docking of vessels and pass all necessary ordinances for the protection and safety of persons or property using district facilities and waters subject to the jurisdiction of the district.

While District boundaries are countywide, the District operates at two locations: Pillar Point on Half Moon Bay and Oyster Point Marina/Park on the bayside in South San Francisco. The District controls Pillar Point Harbor under a State Tidelands Grant and has operated Oyster Point



Marina/Park via a Joint Power Agreement (JPA) with the City of South San Francisco since 1977. The JPA expires in 2026.

## Recommended Sphere of Influence and Determinations

As a countywide, single-purpose special district, San Mateo County Harbor District is unique in that its boundaries are coterminous with the County of San Mateo but services are limited for the most part to two distinct facilities. The Community of Interest of the District in regard to electing board members and funding is county-wide in that board members are elected at large and property tax is collected countywide. Yet, activities of the district and resources are dedicated to two facilities and surrounding marine environs that involve enterprise marine activities and non-enterprise recreation and beach access. The County of San Mateo operates regional parks and the Coyote Point Marina and as a multipurpose government governed by the Board of Supervisors. The County of San Mateo and the City of South San Francisco have the organizational and management capacity to operate Pillar Point and Oyster Point facilities. South San Francisco in particular has a vested interest as owner of Oyster Point that offers viable economic development opportunities for the City.

Based on the foregoing municipal service review, services could be provided cost effectively by a successor agency, eliminating costs associated with a separate administration and governing board. It is therefore recommended that upon considering the accompanying municipal service review and adopting service review determinations, the Commission reaffirm the dissolution sphere of influence of the San Mateo County Harbor District and adopt sphere determinations as required by Government Code Section 56425.

The following summarizes sphere determinations that could be adopted by the Commission in reaffirming the sphere of influence.

### **(1) The present and planned land uses in the area, including agricultural and open space lands.**

Land uses within District boundaries include a wide range of land use including residential, commercial, industrial, open space, agricultural, rural and open space land use designations under the jurisdiction of the County of San Mateo, incorporated cities, California Coastal Commission, State of California through tidelands grant, the San Francisco Bay Conservation and Development Commission as well as other agencies that may have land use review authority.

### **(2) The present and probable future need for public services.**

Services provided by the Harbor District within District boundaries are also provided at varying levels by other public and private entities. While the County of San Mateo Sheriff's Department, other marina operators and some fire agencies have search and rescue capability, the Harbor District provides search and rescue security vessels stationed at Pillar Point and Oyster Point Marina. Continued need for these services is expected to continue.

**(3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

San Mateo County Harbor District operates two facilities, Pillar Point Harbor and Oyster Point Marina/Park. Pillar Point has 95 to 100 percent berth occupancy rate. Work is in progress on provision of new berths and the District has an executed agreement with U.S. Army Corps of Engineers for provision of a new navigation channel in connection with pier replacement. Oyster Point has a 65 percent occupancy rate and therefore has additional capacity. Both facilities include visitor-serving opportunities. Services also include search and rescue and the District's Pillar Point Harbor Patrol provides the only search and rescue security vessels stationed on the San Mateo County coast.

**(4) The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.**

San Mateo County Harbor District's boundaries are coterminous with San Mateo County, while operations are limited to two locations: Oyster Point in South San Francisco and Pillar Point in Half Moon Bay. These represent distinct communities with common social and economic interest in commercial and recreational fishing and marine, boating and visitor serving facilities. While commercial fishing is an industry important to the County and the Pillar Point Harbor serves as search and rescue to benefit the County's coast, and Oyster Point offers a venue for a commuter ferry, these issues speak to the value of providing these services whether they are provided by the Harbor District or a successor agency such as the County of San Mateo or the City of South San Francisco.

## 7. DISSOLUTION PROCESS

---

Dissolution may be initiated in several ways. These include:

- LAFCo initiated dissolution
- Harbor District initiated dissolution (This would eliminate a protest procedure or election)
- Resolution of application to the dissolve the District initiated by the Board of Supervisors or any city, district or school district sharing territory in the County. (This would result in a protest process that would require 25 percent of countywide voters to submit protest to cause an election)
- Petition of 10 percent of the eligible voters in the County. (This would result in a protest process that would require 25 percent of countywide voters to submit protest to cause an election)

### 1. Resolution of Application to LAFCo

Once a sphere of influence is adopted or reaffirmed, whether it is for dissolution, consolidation, etc., implementation requires that a public agency initiate an application to LAFCo by resolution. ( Applications can also be submitted by landowner or voter petition but is unlikely.) In this case, either the Harbor District, the County, any city, or school district or LAFCo could initiate an application. If the Harbor District initiates, there would be no protest or election. If LAFCo initiates, once approved there would be a protest hearing and 10 percent registered voter protest could cause an election.<sup>72</sup> If any other agency applies, and LAFCo approves the application, a protest hearing is held and an election would only be called if 25 percent of the over 300,000 registered voters in the county submit written protest.

Before application the County and/or the County and the City would prepare a plan for providing service, a five year budget, and come to agreement on property tax distribution between facilities, mindful of weaning enterprise activities from property tax over time. Application would be submitted including above items, requested conditions (see 3 below), indemnification agreement, and fees.

---

<sup>72</sup> LAFCo is unlikely to initiate dissolution due to a number of considerations not relevant to this discussion.

2. LAFCo receives application which triggers adoption of a property tax resolution by Board of Supervisors as required by Revenue and Tax Code.<sup>73</sup> The purpose of this action would be to transfer the current base and increment to the County in the event an application is approved. Application is referred to affected and interested agencies for comment. Once resolution of tax exchange is adopted and Executive Officer certifies application as complete, application is scheduled for noticed public hearing.
3. Executive Officer prepares report and recommendation including factors to be considered per Section 56668 and recommended conditions of approval per sections 56885 and 56886.
4. LAFCo holds noticed public hearing and may approve as submitted, approve with modifications or conditions, deny, or continue for up to 70 days.

If approved, LAFCo Executive Officer schedules a noticed public protest hearing no sooner than 30 days and no later than 60 days from LAFCo approval.

6. If at the conclusion of the protest hearing, if less than 25 percent of the registered voters submit written protest, LAFCo Executive Officer orders dissolution. If more than 25 percent submit protest an election is called and dissolution would require simple majority approval.
7. If less than 25 percent registered voters submit protest, LAFCo records certificate of completion and dissolution is effective date of recordation, unless a specific date such as beginning of fiscal year or quarter are established as a condition of approval.

---

<sup>73</sup> In comments on the Circulation Draft, the Harbor District asserts that all cities in the County would be party to a property tax negotiation. However, the Revenue and Tax Code pertaining to reorganization of special districts directs that the property tax negotiation, in cases where the service area or responsibility of a special district is affected, shall be negotiated by the Board of Supervisors on behalf of the special district. In this case the affected agencies would be the San Mateo County Harbor District and the County of San Mateo as successor to District service responsibilities. There is no proposed service responsibility transfer to cities, and therefore requires negotiation with any other agencies.



## APPENDIX A: References

## APPENDIX A: REFERENCES

---

### LAFCO Documents

**Municipal Service Review San Mateo County Harbor District**, San Mateo LAFCO, October 11, 2006

**Sphere of Influence Review San Mateo County Harbor District**, San Mateo LAFCO, October 11, 2006

### Demographics

**Plan Bay Area**, Adopted July 18, 2013, Association of Bay Area Governments and the Metropolitan Transportation Commission

### Financial Reports

**SAN MATEO COUNTY HARBOR DISTRICT BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**, JJACPA Inc., November 24, 2014, file: "financial\_statements\_june2014.pdf".

### Services

#### Rates and Charges

**Bay Area Marina Rates 2014**, file: "Bay Area Rates 2014.xlsx". Summarizes rates by slip size for OPM, Coyote Point Marina, Oyster Cove Marina, Brisbane Marina, Alameda Marina, and Pier 39 Marina.

**2014 Bay Area Slip Survey**, Doug Furman, files: "2014 Bay Area Slip Survey Summary.doc", "Summary\_2014\_final (2).xlsx".

This survey was conducted in cooperation with the Marina Recreation Association, the Bay Area Harbormaster Group and California Association of Harbormaster's and Port Captains.... Responses were received from 49 marinas. These marinas represent over 15,300 wet slips in the Bay Area.

**Oyster Point Marina Park Rates and Fees Schedule** (Effective: July 1, 2014 – June 30, 2015), file: "FY 14-15 OPM RATES & FEES.pdf".

**Pillar Point Harbor Park Rates and Fees Schedule** (Effective: July 1, 2014 – June 30, 2015), file: "FY 14-15 PPH RATES & FEES.pdf".

### Facilities

**SAN MATEO COUNTY HARBOR DISTRICT, STRATEGIC BUSINESS PLAN Appendix A: EXISTING INFRASTRUCTURE & FACILITIES ASSESSMENT**, DRAFT, DECEMBER 2014, file: "LWC\_SMCHD\_Appendix\_A\_122614.pdf".

- A.1. SEA LEVEL RISE BEST PRACTICES
- A.2. CIRCULATION & PARKING ASSESSMENT, WETA & EMERGENCY PREPAREDNESS
- A.3. MARINE INFRASTRUCTURE & HARBOR FACILITIES ASSESSMENT –PILLAR POINT HARBOR
- A.4. MARINE INFRASTRUCTURE & HARBOR FACILITIES ASSESSMENT – OYSTER POINT MARINA PARK
- A.5. MARINE SPECIES AND WATER QUALITY ASSESSMENT

## Leased Property

**2014 SMCHD LEASE SPACE RENTED (confidential)**, file: "SMCHD Lease Lisitng.pdf" (sic).

**SAN MATEO COUNTY HARBOR DISTRICT FISH BUYER LEASE REVENUE VERIFICATION FOR THE PERIOD OF APRIL 2013 THROUGH MARCH 2014**, JJACPA, Inc., December 17, 2014, file: "Fish Buyer Report Final.pdf".

To assist in evaluating the monthly fish purchase and off-loading fees for the period April 2013 through March 2014... Performed a desk audit of three fish buyer leases, which include off loading and buying fees in addition to their base rent. Verification procedures included tracing fish off-loaded and purchased by Tenant to supporting invoices and recalculating fees due to the District.

**ANALYSIS OF FEES FOR FISH OFF-LOADING, WHOLESALE PURCHASE, & RETAIL SALES, PILLAR POINT HARBOR: PILLAR POINT SEAFOOD, MORNING STAR FISHERIES, AND THREE CAPTAINS SEA PRODUCTS LEASES**, Dornbusch Associates, December, 2014, file: "Pillar Point Lease Fees Report 12-11-14.pdf".

The San Mateo County Harbor District (SMCHD) engaged Dornbusch Associates (Dornbusch) to analyze fees that SMCHD levies on lessees who engage in fish off-loading, wholesale purchase, and retail sales at Pillar Point Harbor. The three lessees are Pillar Point Seafood, Morning Star Fisheries, and Three Captains Sea Products. Dornbusch compared fees at Pillar Point to fees in place at other harbors in Northern California, including Monterey, Moss Landing, Santa Cruz, San Francisco, Spud Point (Bodega Bay), and Noyo (Fort Bragg).

## Staff

### CaIPERS

**Annual Valuation Report as of June 30, 2013**, CaIPERS Actuarial Office, October 2014.

**Application by San Diego Rural Fire Protection District Requesting Local Agency Formation Commission to Take Proceedings for Dissolution of the District**, letter from the District's attorney to San Diego LAFCO, June 26, 2014.

<http://www.sdlafco.org/document/Rural%20FPD%20Documents/Rural%20FPD%20Dissolution%20Documents/01%20-%20Letter%20of%20Submittal%20to%20LAFCO%20%28062614%29.pdf>

## Informational Materials Published by SMCHD

**Pillar Point Harbor, Informational Brochure.** Provides overview of PPH facilities, activities, and nearby amenities (undated)

## City of South San Francisco Documents

**Joint Powers Agreement San Mateo County Harbor District and City of South San Francisco,** October 21, 1977. Agreement to jointly construct improvements, and to empower the SMCHD to manage, operate and maintain the Oyster Point Marina/Park. The Agreement is effective for 49 years, which would be October 21, 2026. File: "harbor district JPA (2).pdf"

**MOU (Harbor District – Oyster Point Marina),** May 27, 2009. Establishes an understanding between the City and the SMCHD re: private development of certain parcels at OPM.

## Other Documents

**What is the Price of Dysfunction? The San Mateo County Harbor District,** 2013-2014 San Mateo County Civil Grand Jury.





## APPENDIX B: Facilities

TABLE 1: FACILITY ASSETS

Facility	Asset Life (YR)			Replacement Cost (\$)
	Installed	Useful Life	Remain	
<b>Marine</b>				\$ 23,901,050
Boat Ramp	1992	40	18	\$ 4,750,000
Dock A	1985	30	1	\$ 1,420,150
Dock B	1985	30	1	\$ 1,020,150
Dock C	1985	30	1	\$ 1,540,150
Dock D	1987	30	3	\$ 980,150
Dock E	1987	30	3	\$ 1,150,150
Dock F	1987	30	3	\$ 1,610,150
Dock G	1987	30	3	\$ 1,690,150
Dock H	1987	30	3	\$ 1,760,000
Fishing Pier	1989	50	25	\$ 300,000
Fuel Dock	1985	30	1	\$ 800,000
Johnson Pier	1961	50	-3	\$ 5,920,000
Seawall	1961	50	-3	\$ 960,000
<b>Buildings</b>				\$ 4,650,000
Fish Buyer Building	1961	30	-23	\$ 590,000
Harbor Master	1961	30	-23	\$ 750,000
Ice House	1985	25	-4	\$ 200,000
Maintenance	1979	35	0	\$ 180,000
Restroom Comm	1961	40	-13	\$ 250,000
Restroom Ramp	1992	25	3	\$ 150,000
Restroom West	1982	40	8	\$ 150,000
Tenant Row	1961	35	-18	\$ 2,380,000
<b>Site</b>				\$ 3,810,000
Johnson Pier Rd	1961	25	-28	\$ 120,000
Main Lot	1961	25	-28	\$ 720,000
Middle Lot	1982	25	-7	\$ 120,000
North Lot	1992	25	3	\$ 1,000,000
Pillar Pt Bl	1961	25	-28	\$ 540,000
Restroom	1982	25	-7	\$ 110,000
Site Utilities	1961	25	-28	\$ 720,000
West Shore	1982	25	-7	\$ 480,000
<b>Grand Total</b>				\$ 32,361,050

TABLE 2: REPAIR PROJECT PRIORITIZED COSTS

Repair Costs (\$)					
Repair Project Type	Priority				Total
	1	2	3	4	
Capital	\$420,000	\$800,000	\$255,000	\$10,000,000	\$11,475,000
Access/Existing	\$25,000				\$25,000
ADA/Accessibility	\$25,000				\$25,000
ADA/Access	\$30,000				\$30,000
Boat Ramp and Floats		\$10,000			\$10,000
Dock Bumpers		\$40,000			\$40,000
Electrical			\$15,000		\$15,000
Fire System		\$30,000			\$30,000
Floats			\$200,000		\$200,000
Gangway		\$110,000			\$110,000
Gate structure	\$75,000				\$75,000
Guide piles			\$20,000		\$20,000
Lighting	\$30,000				\$30,000
Misc	\$10,000	\$35,000			\$45,000
Oil Bilge Separator		\$50,000			\$50,000
Piles	\$30,000	\$40,000			\$70,000
Resurface lots		\$200,000			\$200,000
Roads	\$20,000				\$20,000
Security			\$20,000		\$20,000
Street Lights		\$25,000			\$25,000
Striping		\$30,000			\$30,000
Water Heater	\$5,000				\$5,000
Water-Under Pier Utilities		\$30,000			\$30,000
Restroom LR		\$200,000			\$200,000
Floats				\$10,000,000	\$10,000,000
Fuel Dock	\$200,000				\$200,000
Maintenance	\$53,000	\$115,000	\$115,000		\$283,000
Access/Exiting		\$4,000			\$4,000
Cleats	\$10,000				\$10,000
District Owned		\$10,000			\$10,000
Doors		\$3,000			\$3,000
Exterior Lighting	\$3,000				\$3,000
Floats			\$100,000		\$100,000
Floor		\$6,000	\$5,000		\$11,000
Floors	\$4,000				\$4,000
HVAC	\$10,000				\$10,000
Interior		\$60,000			\$60,000
Misc		\$5,000			\$5,000
Paint/finish	\$5,000				\$5,000
Pile Caps			\$10,000		\$10,000
Roads		\$5,000			\$5,000
Sidewalk	\$5,000				\$5,000
Signage	\$2,000				\$2,000
Tenant Improvements		\$5,000			\$5,000

Repair Costs (\$)					
Repair Project Type	Priority				Total
	1	2	3	4	
Transformers		\$10,000			\$10,000
Utilities on docks	\$5,000				\$5,000
Walls	\$9,000				\$9,000
Warehouse		\$3,000			\$3,000
RR Comm Doors		\$4,000			\$4,000
Improvement	\$30,000	\$400,000	\$33,000		\$463,000
Elec Abnd	\$30,000				\$30,000
Landscape			\$33,000		\$33,000
Switch Gear/ Transformer		\$400,000			\$200,000
Grand Total	\$503,000	\$1,315,000	\$403,000	\$10,000,000	\$12,221,000

DRAFT

TABLE 1: FACILITY ASSETS OF OYSTER POINT

Facility	Asset Life (YR)			Replacement Cost
	Installed	Useful Life	Remain	
Marine				\$ 22,160,000
Dock 1	1988	30	4	\$ 800,000
Dock 2	1988	30	4	\$ 1,300,000
Dock 3	1988	30	4	\$ 1,260,000
Dock 4	1988	30	4	\$ 1,370,000
Dock 5	1988	30	4	\$ 1,320,000
Dock 6	1988	30	4	\$ 1,640,000
Dock 8	2012	30	28	\$ 640,000
Dock 11	2012	30	28	\$ 1,300,000
Dock 12	1983	30	-1	\$ 1,420,000
Dock 13	1983	30	-1	\$ 1,930,000
Dock 14	1983	30	-1	\$ 1,260,000
Fishing Pier	2006	50	42	\$ 500,000
Gates	1983	50	19	\$ 1,300,000
Boat Ramp	2009	30	25	\$ 1,500,000
Breakwaters	1980	50	16	\$ 4,620,000
Building				\$ 2,140,000
Entrance Kiosk	1988	30	4	\$ 20,000
Harbor Master	1988	30	4	\$ 410,000
Maintenance	1984	30	0	\$ 390,000
Utility	1984	30	0	\$ 40,000
Utility Vacuum	1983	30	-1	\$ 80,000
Restroom 4	1988	30	4	\$ 240,000
Restroom 5	1988	30	4	\$ 240,000
Restroom 2	1988	30	4	\$ 240,000
Restroom 3	1988	30	4	\$ 240,000
Restroom 1	1988	30	4	\$ 240,000
Site				\$ 2,210,000
Boat Apron	1981	30	-3	\$ 120,000
Center Connector	1981	30	-3	\$ 170,000
East Road	1998	30	14	\$ 410,000
East Lower	1961	30	-23	\$ 200,000
East Upper	2011	30	27	\$ 310,000
Marina Blvd	1981	30	-3	\$ 350,000
South Bay Trail	1998	30	14	\$ 70,000
West Road	1981	30	-3	\$ 540,000
West Connector	1981	30	-3	\$ 40,000
Grand Total				\$ 26,500,000

TABLE 2: REPAIR PROJECT PRIORITIZED COSTS

Repair Project type	Priority				Grand Total
	1	2	3	4	
Maintenance	\$ 57,705	\$ 95,700	\$ 95,460		\$ 166,705
Dock 1		\$ 17,000			\$ 17,000
Dock 2		\$ 18,300			\$ 18,300
Dock 3			\$ 27,500		\$ 27,500
Dock 4			\$ 33,300		\$ 33,300
Dock 5		\$ 15,200			\$ 15,200
Dock 6		\$ 16,700			\$ 16,700
Harbor Master	\$ 22,705				\$ 22,705
Maintenance		\$ 16,000			\$ 16,000
Dock 1	\$ 12,000				\$ 12,000
Dock 2		\$ 3,000			\$ 3,000
Dock 3		\$ 3,000			\$ 3,000
Gate			\$ 27,000		\$ 27,000
Harbor Master	\$ 19,000	\$ 2,500	\$ 2,660		\$ 24,160
Maintenance	\$ 4,000		\$ 5,000		\$ 9,000
Restroom 4 & 5		\$ 4,000			\$ 4,000
Capital	\$ 30,000	\$ 605,000	\$ 654,000	\$ 4,250,000	\$ 5,539,000
Dock 12				\$ 1,230,000	\$ 1,230,000
Dock 13				\$ 1,560,000	\$ 1,560,000
Dock 14			\$ 35,000	\$ 1,070,000	\$ 1,105,000
East Lower			\$ 70,000		\$ 70,000
Harbor Master		\$ 20,000			\$ 20,000
Maintenance		\$ 15,000		\$ 390,000	\$ 405,000
Marina Bl			\$ 174,000		\$ 174,000
Restroom 4		\$ 240,000			\$ 240,000
Restroom 4 & 5	\$ 30,000	\$ 50,000			\$ 80,000
Restroom 5		\$ 240,000			\$ 240,000
West Breakwater		\$ 40,000	\$ 300,000		\$ 340,000
East Breakwater			\$ 75,000		\$ 75,000
Grand Total	\$ 87,705	\$ 700,700	\$ 749,460	\$ 4,250,000	\$ 5,787,865



APPENDIX C:  
Parcel Maps

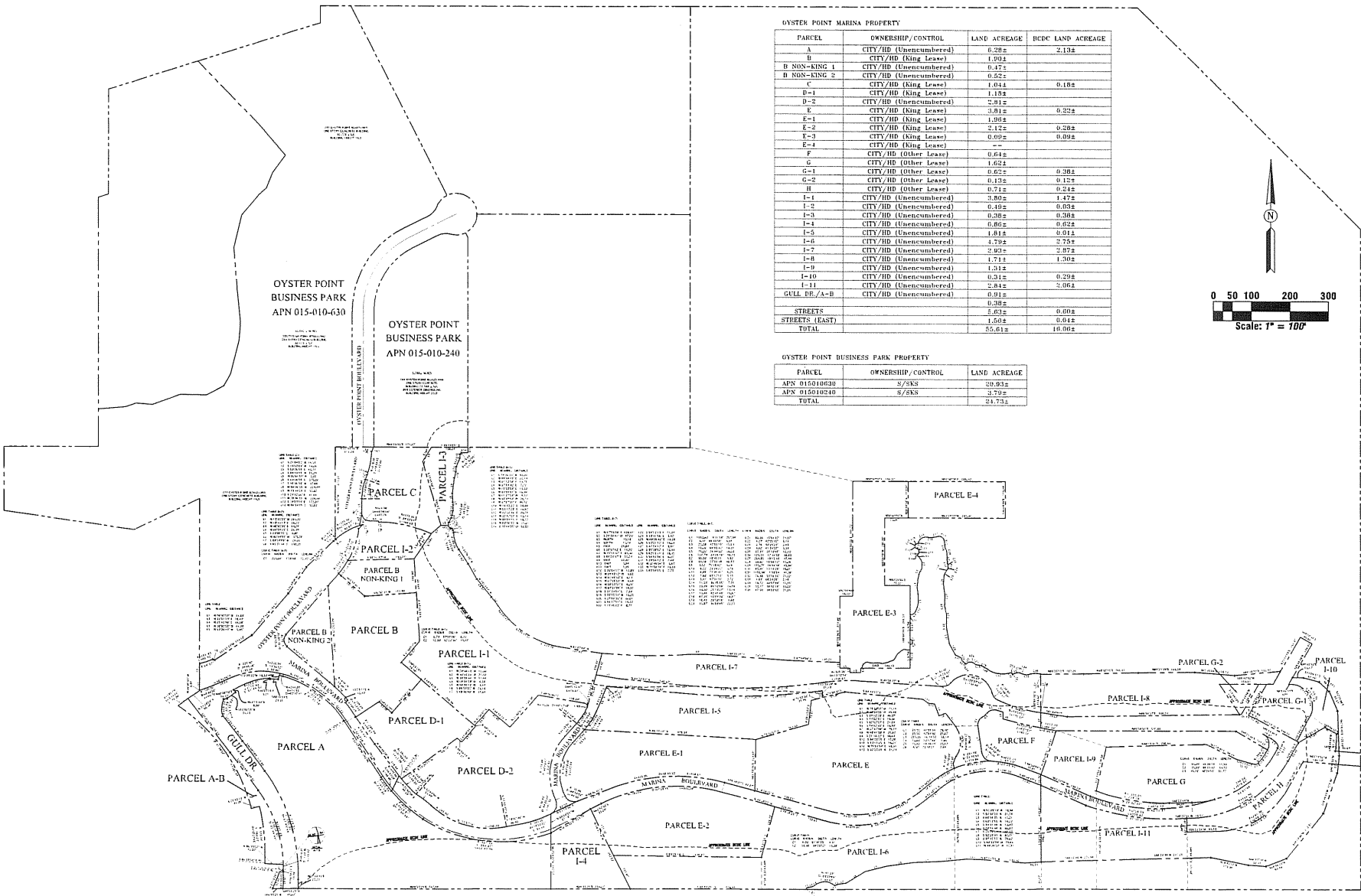
**Oyster Point  
Business Park &  
Marina Village**

**SHORENSTEIN/  
SKS**

Oyster Point Business Park &  
Oyster Cove Marina  
375-389 Oyster Point Boulevard  
South San Francisco, CA, 94080

**WILSEY  
HAM**

ENGINEERING • PLANNING • SURVEYING  
225 UNFACED PARK DRIVE, SUITE 100  
FOSTER CITY, CALIFORNIA  
TEL: 650.345.6414



**OYSTER POINT MARINA PROPERTY**

PARCEL	OWNERSHIP/CONTROL	LAND ACREAGE	HCDC LAND ACREAGE
A	CITY/HD (Unencumbered)	0.28±	2.13±
B	CITY/HD (King Lease)	1.90±	
B NON-KING 1	CITY/HD (Unencumbered)	0.47±	
B NON-KING 2	CITY/HD (Unencumbered)	0.52±	
C	CITY/HD (King Lease)	1.04±	0.18±
D-1	CITY/HD (King Lease)	1.18±	
D-2	CITY/HD (Unencumbered)	2.01±	
E	CITY/HD (King Lease)	3.01±	0.23±
E-1	CITY/HD (King Lease)	1.98±	
E-2	CITY/HD (King Lease)	2.12±	0.26±
E-3	CITY/HD (King Lease)	0.60±	0.89±
E-4	CITY/HD (King Lease)	±	
F	CITY/HD (Other Lease)	0.64±	
G	CITY/HD (Other Lease)	1.62±	
G-1	CITY/HD (Other Lease)	0.62±	0.36±
G-2	CITY/HD (Other Lease)	0.15±	0.15±
H	CITY/HD (Other Lease)	0.71±	0.24±
I-1	CITY/HD (Unencumbered)	3.80±	1.47±
I-2	CITY/HD (Unencumbered)	0.49±	0.63±
I-3	CITY/HD (Unencumbered)	0.26±	0.38±
I-4	CITY/HD (Unencumbered)	0.80±	0.62±
I-5	CITY/HD (Unencumbered)	1.81±	0.91±
I-6	CITY/HD (Unencumbered)	4.79±	2.75±
I-7	CITY/HD (Unencumbered)	2.93±	2.87±
I-8	CITY/HD (Unencumbered)	1.71±	1.50±
I-9	CITY/HD (Unencumbered)	1.31±	
I-10	CITY/HD (Unencumbered)	0.31±	0.29±
I-11	CITY/HD (Unencumbered)	2.64±	3.66±
GULL DR./A-B	CITY/HD (Unencumbered)	0.31±	
		0.38±	
STREETS		3.63±	6.00±
STREETS (EAST)		1.50±	0.64±
TOTAL		55.61±	16.90±

**OYSTER POINT BUSINESS PARK PROPERTY**

PARCEL	OWNERSHIP/CONTROL	LAND ACREAGE
APN 015010630	S/S/S	20.93±
APN 015010240	S/S/S	2.73±
TOTAL		24.73±

NO.	ISSUE	DATE

**Draw Information**

Date	APR 30 2009
File Number	SK0102
Sheet	012
Owner	SKS
Author	J.P.
Title	

**CURRENT  
PARCEL MAP**



**Pillar Point Parcels and Acreage**

<b>Parcel</b>	<b>Acres</b>	<b>Type</b>	<b>Source</b>
<b>Pillar Point Marina</b>			
047-083-020	0.8	Land	[1]
047-083-040	0.3	Land	[1]
047-083-060	11.7	Land	[1]
047-252-340	0.7	Land	[1]
047-252-350	0.2	Land	[1]
047-252-400	0.1	Land	[2]
047-261-030	2.5	Land	[1]
047-262-010	6.2	Land	[1]
047-264-020	NA	N/A	[3]
047-264-030	0.3	Land	[1]
047-264-040	0.4	Land	[4]
047-264-050	1.1	Land	[1]
047-313-030	3.5	Land	[1]
047-313-040	0.6	Land	[1]
047-390-020	510.8	Water	[1]
047-390-030	<u>724.2</u>	Water	[1]
Total Land	28.2		
Total Water	1235.0		
<b>Total</b>	<b>1263.2</b>		

[1] Information provided by San Mateo Harbor District (Debra Galarza)

[2] EPS estimate from 047-252-400 parcel map

[3] Parcel was sold and combined with adjacent parcels

[4] EPS estimate from 047-264-040 parcel map

[5] EPS estimate from Google Maps

Source: San Mateo County; Google Maps; Economic and Planning Systems, Inc.

APPENDIX D:  
SMCHD List of Norms

# Memo

**TO:** The Board of Harbor Commissioners

**Date:** March 25, 2015

**Cc:** Scott Grindy, Acting General Manager  
Steven Miller, Legal Counsel

**Re:** Adoption of List of Norms for the San Mateo County Harbor District Board of Harbor Commissioners

## **RECOMMENDATION**

Adopt the list of Norms.

## **BACKGROUND**

On February 11, 2015 the Board of Harbor Commissioners held a Board Dynamics Workshop, which was open to the public, with board facilitator Brent Ives. Ives suggested that the Board adopt a list of norms. The Commission agreed at that time that Ives' suggestion was one to follow through on.

The following is the list of norms to adopt:

- We respect the public process, thus one another
- When we disagree, we do so respectfully, all viewpoints are valued
- We give each other the benefit of any doubt
- We conduct the public's business in a professional way
- We are committed to the Mission only
- We respect staff on a professional basis
- We both trust and verify our executive and staff as a whole Commission
- We are free to be open and honest, not disrespectful in our communications
- We formally communicate as a decision making body, not individuals
- We stay focused on the higher plain of Mission, Vision, Results and Achievements

APPENDIX E:  
SMCHD Salary Ranges



**Resolution 07-15**  
to  
**Adjust the Wage and Salary Schedule for Fiscal  
Year 2014-2015 for General Manager**  
for the  
**San Mateo County Harbor District**

**Whereas**, the General Manager is responsible for development and administration of the District's Classification and Pay Plan in accordance with Rule 4, Paragraph 4.01 of the Personnel Policies, Rules and Regulations as amended, and

**Whereas**, the General Manager has completed review of matters relating to job classifications, salaries and wages for Fiscal Year 2014-15; and

**Whereas**, the General Manager recommends that the Board adopt the attached Wage and Salary Schedule.

**Therefore, be it resolved**, by the Board of Harbor Commissioners of the San Mateo County Harbor District that the Wage and Salary Schedule for Fiscal Year 2014-15 for all employees is hereby approved.

Approved this 15th day of April 2015 at a regular meeting of the Board of Harbor Commissioners by a recorded vote as follows:

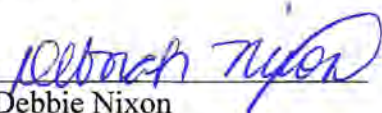
For: Bernardo, Brennan, David, Mattusch, Parravano

Against:

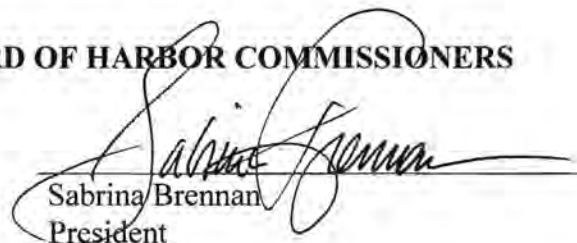
Absent:

Abstaining:

Attested

  
Debbie Nixon  
Deputy Secretary

BOARD OF HARBOR COMMISSIONERS

  
Sabrina Brennan  
President

**San Mateo County Harbor District**

**Wage and Salary Schedule**

**Fiscal Year 2014-2015**

**Effective July 1, 2014- 2.50 % Wage Increase and 2.6 COLA**

**Effective on April 16, 2015**

Title		Hourly Range Bottom	Annual	Hourly Range Top	Annual	Salary Range Bottom	Salary Range Top
<b>Management*</b>							
Executive	General Manager					\$ 121,294.49	\$ 175,000.00
Management	Director of Finance					\$ 91,874.37	\$ 134,174.02
	Harbor Master					\$ 91,874.37	\$ 140,552.89
	Human Resources Manager					\$ 91,874.37	\$ 128,285.86
<b>Administrative</b>							
Administrative Assistant 4	Accountant	33.509	69,698.72	44.905	93,402.40		
Administrative Assistant 3	Accounting Specialist	29.401	61,154.08	39.826	82,838.34		
	Administrative Asst./						
	Deputy Secretary						
Administrative Assistant 2	Accounting Technician/	25.730	53,518.40	34.484	71,726.72		
	Administrative Asst.						
Administrative Assistant 1	Administrative Assistant	21.331	44,368.91	28.593	59,472.48		
Office Assistant	Office Assistant	13.646	28,382.65	16.290	28,043.01		
Project Coordinator						\$72,389.296	\$97,009.528
<b>Operations</b>							
Assistant Harbormaster (AHM)	Assistant Harbormaster	40.429	84,092.32	46.795	97,334.16		
Deputy Harbormaster B (DHMB)	Deputy Harbormaster B	31.673	65,879.84	36.667	76,267.36		
Deputy Harbormaster A (DHMA)	Deputy Harbormaster A	27.359	56,907.19	30.133	62,676.64		
Harbor Worker C	Lead Maintenance Specialist	36.668	76,269.44	42.447	88,289.76		
Harbor Worker B (HWB)	Harbor Worker	15.219	31,656.46	22.948	47,732.45		
Harbor Worker A	Lifeguard			19.304			

\* COLA Only



APPENDIX F:  
SMCHD "Chain of Command"

# Memo

TO: Board of Harbor Commissioners  
FROM: Peter Grenell  
General Manager  
DATE: August 28, 2013  
SUBJECT: District Chain of Command

---

## RECOMMENDATION

Reaffirm the Harbor District's chain of command for communications.

## BACKGROUND

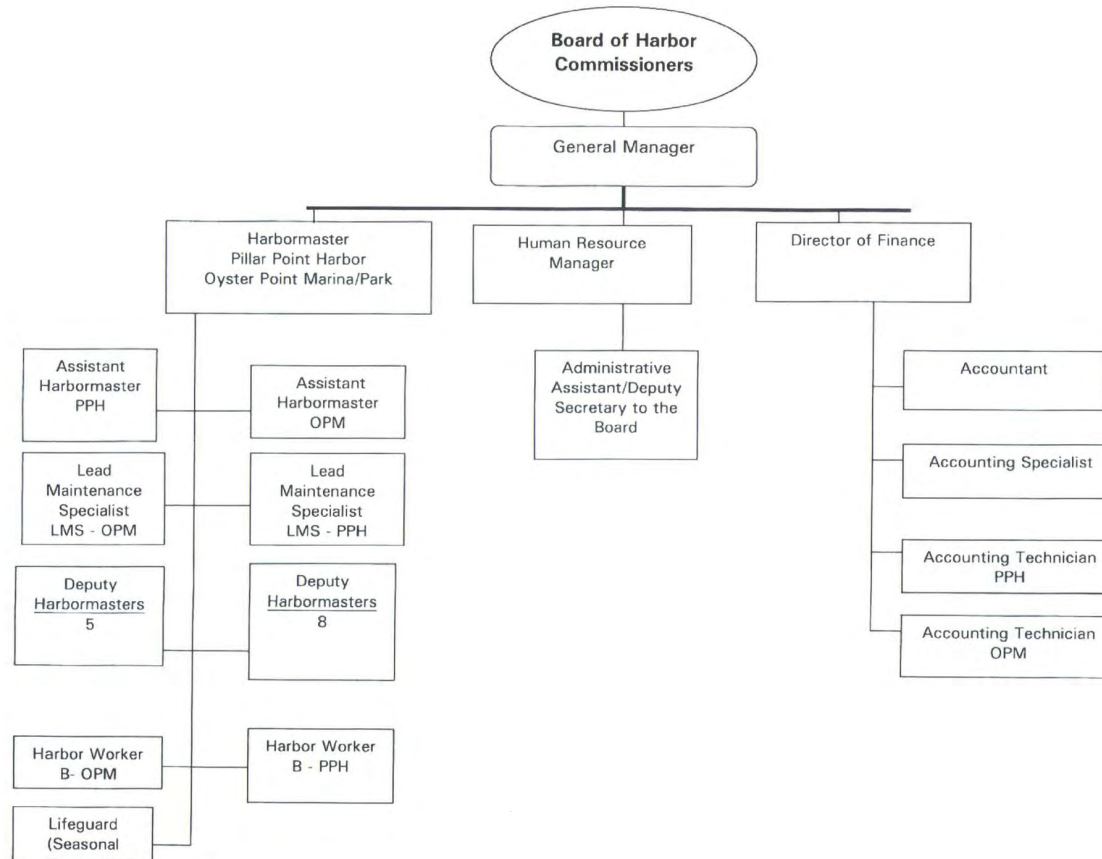
With the occasional change of personnel at various levels of the Harbor District, from time to time it is useful to reaffirm the chain of command to facilitate clear communications, clarify staff channels of direction and supervision to enable clear understanding of duty rights and responsibilities, avoid confusion, misinterpretation or misuse of supervisory authority, and facilitate transmittal of Harbor Commission decisions for implementation and efficient operations.

The attached organization chart displays the Harbor District's current personnel arrangement and chain of command. Briefly, the Board of Harbor Commissioners (not less than a majority) makes its decisions and transmits them to the General Manager, who is the staff director. The General Manager, through the managers (Harbormaster, Human Resource Manager, and Director of Finance) or directly as may be needed from time to time, implements Board decisions as delegated to him/her to and through line staff.

Individual Commissioners should pass on their individual suggestions, requests, or recommendations for action to and through the Harbor Commission. Commission meeting agendas include an item for Commissioner statements and requests, for that purpose. Individual staff members are not required to respond to direct Commissioner requests or instructions, but should refer them up the chain of command through their respective supervisors.



San Mateo County Harbor District



**Action:** Motion by Tucker, second by Holsinger to reaffirm chain of command for communications. The motion passed.

Ayes: 5  
Nays: 0



## APPENDIX G: Leases

**San Mateo County Harbor District**  
**Term of Leases-OYSTER POINT MARINA**

OPM

- 1 2238 Oyster Point Bait & Tackle Shop  
 Ground lease dated 1/9/98  
 985 Marina Blvd., South San Francisco, CA 94080 ( Parcel G - 1  
**VACANT-NEED TO NEGOTIATE/FIND TENANT**  
 1 - 9 year option to renew upon expiration of the lease  
 Lessee to give notice to renew - not earlier than 360 days and not later than  
 180 days prior to expiration of original lease term
  
- 2 227 Oyster Point Yacht Club  
 Parcel F - approximately .63 acres of land  
 orig term 25 years - thru 7/31/07  
**option to renew for 25 years beginning 8/1/07 ending 7/31/32 - exercised  
 already**
  
- 3 3418 Parcel B #3418  
 assigned on 2/5/09  
 Original lease dated 1/3/85 - 25 yrs expired 12/31/09  
**option to renew for additional 25 years to expire 12/31/34**  
 renewed lease expires 12/31/59
  
- 4 3419 Parcel C # 3419  
 assigned on 2/5/09  
**lease commenced 5/1/00 for 55 years to expire 4/30/55**  
 no option to renew written on lease
  
- 5 3417 Parcel D #3417  
 425 Marina Blvd., SSF  
 assigned 2/5/09  
**lease commenced 9/14/89 for 50 years and expires 9/13/39**  
 no option to renew written on lease
  
- 6 3420 Parcel E #3420  
 671 Marina Blvd., SSF  
 assigned 2/5/09  
 lease commenced 7/1/86 - 25 yrs to expire 6/30/11  
 one option to renew for addition 25 years (7/1/11-6/30/36)-??

**San Mateo County Harbor District**  
**Term of Leases-PILLAR POINT HARBOR**

PPH		
1	Half Moon Bay Sportfishing and 3021 Tackle	APN 047-083-060 Parcel 4 in the concession bldg. To be allowed 4 - 8 berths for party boats 5 years starting May 1, 2013 2 - optios to renew for 5 years each time. orig term expires 4/30/18 1st option renewal expires 4/30/23 2nd option renewal expires 4/30/28
2	3993 Ketch Café	Princeton Pantry exercised option to renew master lease for 15 yrs on 10/14/11. Second amended lease terminates on 6/1/27 orig lease term began 6/1/97 for 15 year term
3	131 Ketch Joanne Restaurant	orig lease - May 20, 1983 30 yrs +1 Term 6/1/83-5/31/14-NEED TO NEGOTIATE no renewal extension of term from 5/31/14 in folder
4	171 KN Fuel & Ice	orig lease 5/17/83 superseded by 1st Amended Lease dated 12/3/85 term 50 years from 6/1/83 - 5/31/2033 no option to renew written on lease
5	1829 KN RV Lot	Parcel 047-263-010 Term -- 10/1/98 - 10/1/23 option to renew for 25 years
6	3439 Mavericks	APN 047-083-060 5 year term term 10/8/10 -10/7/15-TENANT WANT OPTION TO RENEW 1 option to renew for 5 years
7	1481 Morning Star	Term - 4/1/13 -3/31/18 Option to renew - 2 - 5 years each
8	1489 Pillar Point Seafood	Term - 4/1/13 -3/31/18 Option to renew - 2 - 5 years each
9	343 Princeton Seafood	Original lease - 11/20/80 On Month to Month-NEED TO NEGOTIATE Master lease as amended - 10 years 1/1/81 -12/31/90 Exercised option to renew 1/1/91-12/31/00  Second Amendment to Lease - term 30 years from 1/1/81 to 12/31/11
10	442 Three Captains	Term - 4/1/13 -3/31/18 Option to renew - 2 - 5 years each

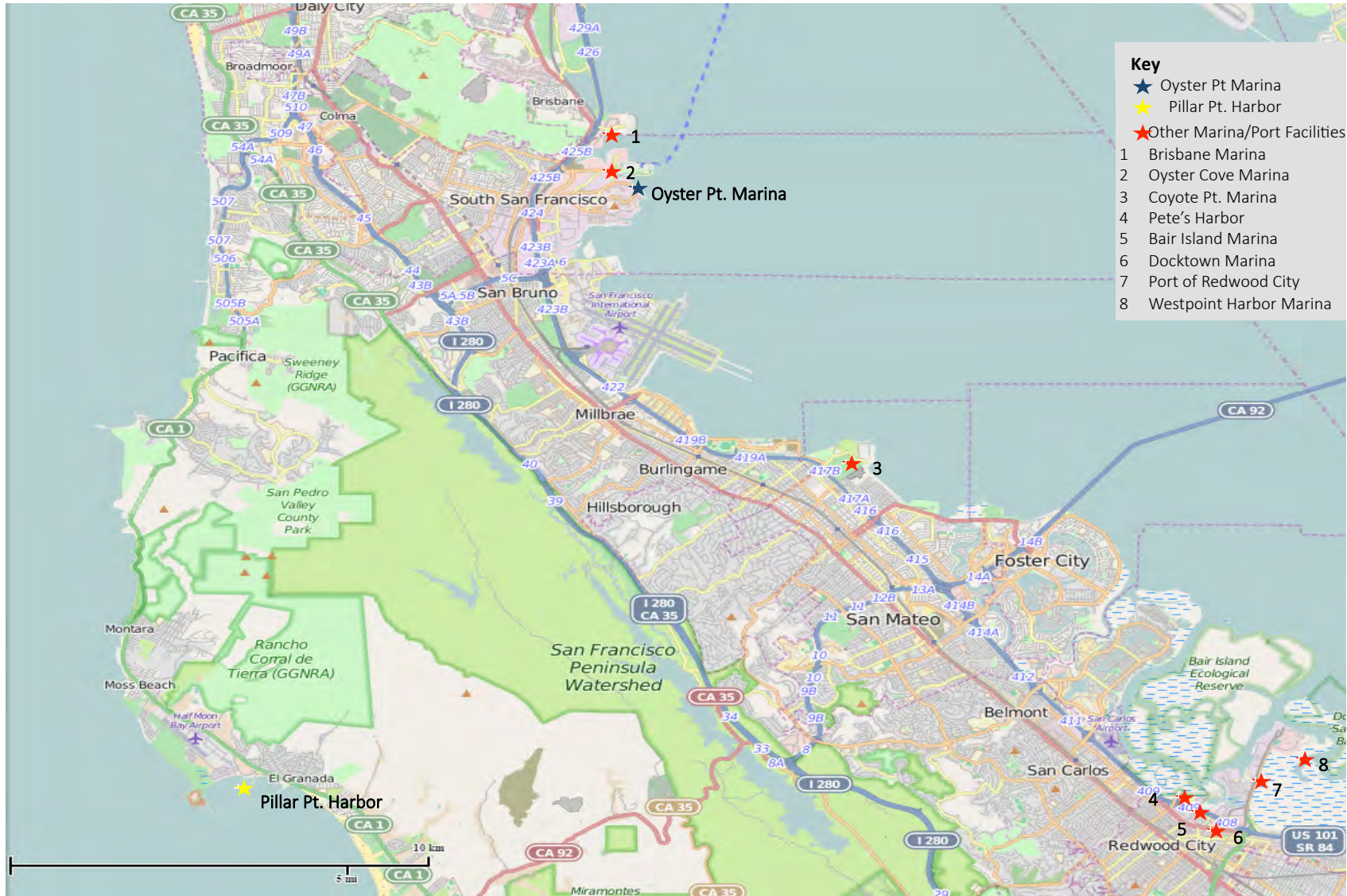
Minimum Rent Adjustments

Lessee	Due Date Min Rent Inc	Method/Conditions of Minimum Rent Adjustment
<b><u>Oyster Point Marina</u></b>		
OP Bait & Tackle	Mar 1st	CPI prev calendar year
OP Yacht Club	Mar 1st - every 5 yrs	at end of 5th yr after occupancy - min rent + % rent(for last 5 yrs) sb averaged on monthly basis; will be used for next 5 yrs - after 5yrs use Art V of General Conditions - Rent adj depends on 75% of ave annual rent and % rent if higher than current minimum rent
OPMV Parcel B	Mar 1st - every 5 yrs - 2014, 2019, 2024, 2029, 2034	Adj index (CPI) over Beg index
OPMV Parcel C	Mar 1st - every 5 yrs - 2014, 2019, 2024, 2029, 2034 ....	Adj index (CPI) over Beg index
OPMV Parcel D	Mar 1st - every 5 yrs - 2014, 2019, 2024, 2029, 2034, 2039	Adj index (CPI) over Beg index
OPMV Parcel E	Mar 1st - every 5 yrs - 2014, 2019, 2024,....	Adj index (CPI) over Beg index
<b><u>Pillar Point Harbor</u></b>		
Half Moon Bay Sport Fishing	May 1st	3% or CPI whichever is greater but no more than 5% At end of lease term or exercise of renewal option, 2% + CPI Upon assignment or sale of business to non family member, 2% of adjusted min rent
Ketch Café	Jan 1st	CPI prev calendar year
Ketch Joanne Restaurant	Jan 1st	CPI prev calendar year 3% food & beverage sold in restaurant, fast food sales 5% sales of alcoholic beverages 3% all othe sales & services
KN Fuel & Ice	Min rent does not apply Use percentage rent	2% sale of Ice 3% all other sales & services marine fuel One to 50K - 5 cents per gallon Over 50K - 75K - 4 cents per gallon Over 75K-100K - 3 cents per gallon Over 100K - 2 cents per gallon
KN RV Lot	Mar 1st	\$25,000 or 3% of gr annl rev whichever is greater thru 10/2016 \$30,000 or 3% of gr rev whichever is greater thru 10/2023
Mavericks	October 8th	0 6 mos after commencement date \$1,625.00 7-12 months after commencement date \$1,950.00 after 2nd 6 months aftr commencement date 3% on the anniversary of the Commencement Date
Morning Star	April 1st for 5 yrs beg 4/1/13	CPI prev calendar year or 3% of prev yr rent, whichever is greater
Pillar Point Seafood	April 1st for 5 yrs beg 4/1/13	CPI prev calendar year or 3% of prev yr rent, whichever is greater
Princeton Seafood	Jan 1st	CPI prev calendar year 5% food & beverage in coffee shop 3% sale of delicatessen, retail fresh fish & all other sales & service .75% or \$100 whichever is greater - wholesale fish sales term of lease 1/1/81-12/31/31
Three Captains Sea Products	April 1st for 5 yrs beg 4/1/13	CPI prev calendar year or 3% of prev yr rent, whichever is greater

## APPENDIX H:

### Other Marina and Harbor Facilities in San Mateo County







## Other Marina/Port Facilities in San Mateo County

No.	Marina/Port Facilities	Information
1	Brisbane Marina	Brisbane Marina is a City of Brisbane facility located at Sierra Point on 31 acres of water, just north of Oyster Point and South of Candlestick Point. There are 582 slips, a sewage pump out dock, 280' guest dock, 6 boater keyed restrooms and showers, 2 public restrooms and a 255' long public fishing pier. Facilities also include laundry facilities, a pumpout, and picnic facilities.
2	Oyster Cove Marina	The Oyster Cove Marina is located at 385 Oyster Point Blvd. in South San Francisco. The Marina is privately owned and has 235 slips, guest slips, dry storage, gas & diesel, launch ramp, restrooms, showers, laundry, and sewage pump out.
3	Coyote Pt. Marina	Operated by the County of San Mateo Parks Department, Coyote Point Marina is part of the Coyote Point Recreation Area located at the northeastern area of the point with direct access to the San Francisco Bay. The Marina can accommodate 496 boats in slips ranging from 24' to 50' in length and single side ties for vessels up to 22'.
4	Pete's Harbor	Closed.
5	Bair Island Marina	Bair Island Marina is located Redwood City and is a privately owned 100-boat marina. Boat slips range in size from 35' to 45' with no live-aboards. The marina has 95 slips and a pump-out available.
6	Docktown Marina	Docktown Marina is located on Maple Street in Redwood City. Privately owned, the marina has a total of 97 slips and guest slips, RV & boat storage, launch ramp, restrooms, showers, laundry facility & phone, and sewage pumpouts.
7	Port of Redwood City	The Port, owned by the City of Redwood City is located 18 nautical miles south of San Francisco and has a total of 183 slips. It includes maritime shipping, commercial and recreational facilities. Maritime shipping facilities include port berthing facilities including 5 wharves with facilities including ship unloading conveyor, bulk cement pipeline and hoppers, petroleum pipeline, mobile crane, tractors, and forklifts, lighted for 24-hour operation. Electric, telephone and water hookups, U.S. Coast Guard certified oil waste reception facility. The Marina has more than one mile of waterfront public access, including walkways viewing, fishing and picnic areas, restrooms and parking. Recreational facilities also include: boat launching and dry boat storage. Commercial uses at the port include office, restaurants, and a conference center.
8	Westpoint Harbor Marina	The Westpoint Harbor Marina is located 35 acres near port of Redwood City. The marina has 426 slips and includes a launch ramp not yet open to the public. Other amenities include a pumpout at every slip, storage lockers, and boat and trailer dry storage.

Source: San Mateo Harbor Rate Survey Spreadsheet, 2014



# San Mateo County Harbor District

Attachment B

## Board of Harbor Commissioners

Tom Mattusch, President  
Nicole David, Vice President  
Robert Bernardo, Secretary  
Pietro Parravano, Treasurer  
Sabrina Brennan, Commissioner

Glenn Lazof, Interim General Manager

Martha Poyatos, Executive Director  
San Mateo LAFCo  
455 County Center  
Redwood City, CA 94063

June 26, 2015

Re: May 29, 2015 Circulation Draft Municipal Service Review and Sphere Update for the San Mateo County Harbor District

Dear Ms. Poyatos,

The San Mateo County Harbor District (District) Board of Harbor Commissioners met on June 23, 2015 to consider the above referenced Circulation Draft Report (Draft Report). This letter comprises the District's formal response to the Draft Report, although we reserve the right to make additional comments once you issue your Executive Officer's Report and the report is finalized. After a few brief introductory remarks, this response is organized in three main parts. First, we offer some reactions and corrections to specific statements made in the Draft Report. Second, we offer some more general reactions to the Draft Report. Third, we respond in particular to the Draft Report's discussion of dissolution of the District.

As a preliminary matter, we express appreciation to the Local Agency Formation Commission (LAFCo) for preparing the Draft Report. While it is naturally difficult to read a report that targets one's own agency for dissolution, the District is always looking to improve the delivery of services to the public. Prior to the issuance of the report, the District has embarked on a number of initiatives designed to improve efficiency and resolve longstanding issues identified in the Draft Report. We therefore consider the recommendations contained in the Draft Report to be helpful tools for guiding the District forward. We are grateful that the Draft Report acknowledges positive efforts that the District has made in recent months and appreciate the good suggestions as to how to build on progress already made. In particular, we think that additional progress has been made in 2015 that is not completely described in the Draft Report and have included some additional examples in Exhibit A to this Report. The District expects further progress in the coming months. The District believes it will continue to improve and because it believes that it is now on the right path, the District should be given the opportunity to complete improvements it has already begun, and to implement other improvements that are planned.

Notwithstanding the helpful parts of the report, and as discussed in Part II below, the Draft Report over-emphasizes governance issues at the expense of the other statutorily required factors that must be the basis for any sphere of influence finding under the Cortese-Knox-Hertzberg Act (the CKH Act), which establishes the LAFCo process. This over-emphasis is perhaps understandable given that the Draft Report was expressly written in response to a request from the San Mateo County Grand Jury (as acknowledged in the Introduction to the Draft Report). The District understands that the Civil Grand Jury Report cannot be ignored. However it also believes that a Municipal Services Review (MSR) should not examine issues outside those contemplated by the CKH Act. In its emphasis on governance issues, and in its

lengthy discussion of dissolution options, the Draft Report excessively focuses on political concerns that are not relevant to the CKH Act's standards for an MSR.

Finally, we point out that dissolution of a special district is quite rare. As a result, the Draft Report acknowledges that there are many legal issues for which there is no clear guidance, either through the courts or the experiences of LAFCo's in other counties. Even though there is no pending dissolution application, we cannot ignore the call for dissolution presented in the Draft Report. In Part III below, therefore, we emphasize a number of unknown but critically important legal issues we think require further study. We imagine that any agency seeking to initiate dissolution proceedings would want resolution of these issues.

With the above prefatory remarks, we now provide our more detailed response.

### **I. Specific Comments to Draft Report**

Attached as Exhibit A to this letter is a table that lists specific statements from the Draft Report, followed by comments from the District. Many of these comments are simply to correct minor factual inaccuracies. But some of them are substantive in nature. We hope that the final Report will reflect these specific corrections and comments. In particular, the District adopted a final FY 2015/2016 budget at a public hearing on June 17, 2015, as well as amended the FY 14/15 budget. While we do not make corrections to financial statements in the Draft Report, we request that LAFCo update the Draft Report's financial statements accordingly.

### **II. General Response**

1. Efficiencies and Cost Savings. The CKH Act states that governmental "responsibility should be given to the agency or agencies that can best provide government services." (Government Code §56000.) The Draft Report concludes that the District services are duplicated by, and therefore could be provided in a more cost effective manner by, the County. But the Draft Report itself asks many questions about whether the County can actually accomplish the District's functions more efficiently. In essence, the ultimate question of whether the County can provide the services of the District more efficiently is not certain.

The Draft Report acknowledges that the County's only experience with the operating and maintenance of a marina is at Coyote Point, run by the County Parks Department. Coyote Point Marina does not allow live-aboards (the District's provision of live-aboard opportunities is a positive addition to the County's affordable housing stock), nor does it provide commercial fishing services or indeed any of the types of services fundamental to the operation of an ocean-side marina. Some of these ocean-side services can quickly become matters of life and death when there are storm surges and resulting flooding. The importance of the search and rescue function performed by the District's harbor patrol can not be over emphasized in this regard. Especially at Pillar Point Harbor (but as indicated in Exhibit A, also at Oyster Point Marina) the District provides a life saving search and rescue function that not even the Coast Guard can provide. As indicated below, these are not "enterprise" activities and there is no indication that the County could provide them as effectively and efficiently—if at all.

Moreover, the most recent budget of the County Parks Department indicates that it generates \$3,151,472 in user fees resulting from "enterprise" operations, while applying \$7,320,109 from

County General Fund and sales tax sources.<sup>1</sup> Finally, as discussed in the detailed response in Part I, revenues per berth at District facilities exceed those at Coyote Point Marina, indicating that the District is more effective in operations than the County Marina at Coyote Point. Is the County really in a position to provide services more effectively and efficiently than the District?

The Draft Report states that “the assumption of SMCHD operations by a successor agency (or agencies) offers the opportunity to achieve certain service efficiencies and cost savings.” (p.32) Yet the Draft Report is equivocal as to what those savings might be. The Draft Report mentions the potential savings of legal fees, although the Draft Report also lists a host of additional legal costs to be incurred as a result of dissolution. Moreover, regardless of whether the County assumes operations of the District, the County will have to assign County Counsel or other outside counsel to provide advice and representation as to those services that the District currently provides. The Draft Report asserts that there may be administrative savings “depend[ing] on the ability of the successor agency to manage increased workload,” although the Draft Report lists a host of employment-related costs that may increase and that the Draft Report cautions must be considered further. We echo this concern and hope that further detailed analysis on this issue will be conducted prior to any steps being taken to dissolve the District.

In fact, the only specifically identified cost savings is election costs. But here too, the Draft Report is unrealistically optimistic. It identifies \$300,000--\$500,000 as “the greatest potential savings” (implicitly concluding that all the other identified savings are not only speculative, as discussed in the previous paragraph, but are also smaller). If the Harbor District were to be dissolved, obviously it would not have any further election costs. But that does not mean that the County’s total election costs would decrease by the same amount. The County might realize some savings as a result of eliminating the District’s small position on the ballot as well as slight reductions in printing costs. But, a net gain of \$300,000 to \$500,000 is illusive. Election costs are divided among all other agencies, including the County. If the District were dissolved, most of these costs would still exist and would have to be assumed by the remaining agencies.

In sum, the Draft Report cannot point to any identifiable cost savings to be incurred by the District’s dissolution. If the District is providing services in a manner more cost effective than any alternative, does that not meet the Government Code’s requirement that “responsibility should be given to the agency or agencies that can best provide government services” ? (Government Code §56000.) While the District does not expect LAFCo to do anything other than reaffirm the District’s existing Sphere of Influence, there is no convincing evidence that another agency, particularly the County, could provide the District’s critical services more effectively or efficiently than the District.

Notwithstanding this conclusion, the District will continue to implement its initiatives to improve its efficiency and address outstanding issues. Indeed, the Draft Report at p. 36 even acknowledges the improvements the District has made towards greater fiscal ability and health. The District should be given the time to fully implement and complete these initiatives in light of the fact that there is no evidence that the County can provide the services more effectively and efficiently.

---

<sup>1</sup>[https://parks.smcgov.org/sites/parks.smcgov.org/files/documents/files/SMCoParksAnnualReport2013-2014.FINAL\\_web\\_.pdf](https://parks.smcgov.org/sites/parks.smcgov.org/files/documents/files/SMCoParksAnnualReport2013-2014.FINAL_web_.pdf)

## 2. Reliance on Property Tax.

A repeated theme of the Draft Report is that the District relies excessively on property tax revenues to subsidize operating shortfalls because the fees and charges the District imposes on the public are insufficient to cover all of the District's operating expenses. We think this thematic insistence represents a fundamental misunderstanding of both the District in particular and of local government finance in general.

The District has statutorily authorized powers under the Harbors and Navigation Code. It makes expenditures only on projects consistent with those powers. As the Draft Report expressly acknowledges, the District is not a traditional "enterprise" district. Rather the District "provides a range of non-enterprise services and facilities that benefit a broad public but which are not revenue-generating activities, including parks, waterfront access, public piers, and emergency water rescue." (p. 3)

The District receives revenues from a number of sources, including its share of property taxes distributed by the County under the State's complex distribution scheme embodied in Assembly Bill 8. Revenues and expenditures together make up the District's budget, but the District does not attribute a specific revenue source to a specific expenditure. Because it conducts activities that are both traditional enterprise activities (for instance the collection of slip rental fees) and not (for instance search and rescue operations), it is not always practical, and is certainly not legally required, to attribute specific revenue sources to specific expenditures. In addition, it is important to understand that, in large part because of increased harbor patrol activities, there are more non-enterprise-related expenses at Pillar Point Harbor than at Oyster Point Marina. It is largely because of these expenses, and not because of an over-reliance on property taxes, that the District has an operating deficit at Pillar Point Harbor.

Under the Revenue and Taxation Code, and pursuant to the complex property tax distribution scheme resulting from Proposition 13, the District receives from the County its share of property taxes. There are no restrictions on the use to which the District puts those tax revenues, so long as it is spending money consistent with its authorized purposes as discussed above.

Local Government throughout California and San Mateo County is in the same situation as the District. Three examples: The San Mateo County Transit District uses sales tax revenue to subsidize bus service throughout the County. The Westborough Water District had a \$417,600 operating loss in fiscal year 2013-14 that was offset by \$335,000 in property tax revenues. The Granada Sanitary District (now Granada Community Services District) in fiscal year 2013-14 received over \$1.2 million in revenue from its "enterprise" activity of sanitation charges. Its operating budget was over \$1.68 million, so this district would have had an operating loss had it not also received \$490,000 in property tax revenues.

The Harbor District is always looking for ways to increase revenues and reduce expenses, all without relying on increased taxes. In particular, better management and use of the District's real property interests is a top priority of the present Board and it expects the District's new management team to better manage District leases so that they become more profitable cost centers in the near future. The District also acknowledges that it must complete its Strategic Business Plan. A key component of that Strategic Business Plan that needs to be implemented is to identify new and alternative sources of revenue to augment and diversify the District's economic and financial base. It may be true that the District could do better in maximizing

enterprise revenues—and the District will do better. But it is misleading to focus on the use of property tax revenue as a negative factor indicating inefficiencies that requiring dissolution of the District. Moreover, as discussed in Part III below, it would be a mistake to assume that any successor agency would inevitably receive the District's property tax revenues.

3. The District is in Transition. The Draft Report acknowledges that the District has embarked on a search for a General Manager after the retirement on December 31, 2014 of its prior General Manager, who had served the District for over 15 years. Many of the recommendations made in the Draft Report will be implemented by a new General Manager. It is premature not to allow a new General Manager to set a new tone, and to implement District policies in a manner consistent with the Draft Report's recommendations. The Draft Report fails to take into account this important change in District leadership. This issue is particularly important given that the District has a small staff and the General Manager has enormous importance to the District.

#### 4. Governance.

The CKH Act defines the factors to be included in a Municipal Services Review.

- (1) Growth and population projections for the affected area.
  - (2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
  - (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
  - (4) Financial ability of agencies to provide services.
  - (5) Status of, and opportunities for, shared facilities.
  - (6) Accountability for community service needs, including governmental structure and operational efficiencies.
  - (7) Any other matter related to effective or efficient service delivery, as required by commission policy.
- (Government Code 56430)

The CKH Act further requires that LAFCo consider the following in determining a Sphere of Influence:

- (1) The present and planned land uses in the area, including agricultural and open-space lands.
  - (2) The present and probable need for public facilities and services in the area.
  - (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
  - (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
- (Government Code 56425).

The above two code sections contain the exclusive list of items LAFCo may consider in an MSR and a Sphere of Influence determination. The Draft Report goes beyond the above list. The MSR includes a 3-page section called Governance Options that “describes governance options to the status quo that can be considered” without considering the seven factors required by Section 56430. At the conclusion of the Sphere of Influence Determination there is a 2 page

section titled “Dissolution process” that describes in some detail various dissolution options without reference to any of the factors required by Section 56425.

These sections are out of place in a document like the Draft Report. An MSR may properly discuss governance issues as they relate to the efficient provision of services. But even here, the message is a mixed one in that the Draft Report explicitly states that the District “has taken a number of steps towards addressing issues that plagued it in the past” and acknowledges that the District is addressing its staffing and planning issues. The Report further describes the District’s considerable success in providing services and even assumes that any successor agency would need to rely on existing District staff in order to continue to meet existing service levels. As discussed above, it is unlikely that any agency, in particular the County, could provide the District’s services as effectively and efficiently as the District.

The section on dissolution at the end of the Draft Report is also out of place in a Sphere of Influence determination as it does not address any of the four statutory factors but just provides a roadmap towards dissolution. As these two sections are not statutorily required or permitted in an MSR, the District believes that the Draft Report’s inclusion of these two sections is likely because of the accusations of dysfunctional governance presented in the Civil Grand Jury Report.

The District acknowledges the reality of the Civil Grand Jury Report and imagines that it will color the way LAFCo commissioners will receive any Final Report. It is therefore perfectly understandable that LAFCo’s consultants could not ignore the issues presented in the Civil Grand Jury Report. The District further understands that discord among its Commissioners, and relationships between Commissioners and staff, have placed it unfortunately in the public eye. But as the Draft Report acknowledges, the District is confronting many of these issues head on—for instance with the increased partnership with Regional Government Services that has already made progress in the efficient provision of services to the public.

The District does not agree that dissolution is the remedy for the past dysfunctions identified in the Civil Grand Jury Report. At the appropriate time, and if necessary, the District will present an argument as to the profoundly undemocratic implications if LAFCo proceeds to promote dissolution as a result of dissatisfaction with the conduct of an agency led by elected officials. But whether or not one agrees with the Civil Grand Jury Report, the emphasis on these issues is out of place in an MSR or a Sphere of Influence Determination. The District respectfully requests that that Section 4 titled Governance Options on pages 31-35 and Section 7 titled Dissolution Process on pages 42-43 be deleted from the Draft Report. LAFCo should conduct its business, by accepting a MSR and determining the District’s Sphere of Influence, solely on the legally permissible statutory factors identified in the CKH Act.

### **III. Dissolution—Unanswered Questions**

Dissolution of a special district is rare. As a result, there are numerous unprecedented and complex legal issues for which there is no guidance, either through the courts or the experiences of LAFCo in San Mateo or other counties. The Draft Report acknowledges what it describes on page 33 as “Transition Issues” that will be costly. While the legal complexities of dissolution are considerable, resulting in numerous legal challenges, we identify four particularly important legal questions underpinning these “Transition Issues.” All four of these legal issues require further analysis before assuming that dissolution of the District is in the best interest of the County’s taxpayers.

1. Property Taxes. A fundamental assumption of the Report is that LAFCo will be able to dictate that all of the District's property tax revenues would be "shifted" to a successor agency. It is true that Government Code Section 56886 allows LAFCo to set conditions that LAFCo may impose upon a "change of organization" (including a dissolution). Subsection 56886(t) permits LAFCo to condition a dissolution on "the extension or continuation of any previously authorized charge, fee, assessment, or tax by the local agency or a successor local agency in the affected territory."

But this process is far more complicated than a simple condition of LAFCo to require continuation of tax revenues to "shift" to a successor agency. That LAFCo may place a condition upon a dissolution does not mean that LAFCo has the power to force the condition to actually occur. Any condition must be implemented in compliance with applicable law. Applicable law regarding reallocation of ad valorem property tax revenues in the event of a dissolution is governed by Revenue and Taxation Code Section 99. As it is not part of the CKH Act, it cannot be overridden by LAFCo's powers, however great they may be. Section 99 establishes a complicated process before any tax revenues can be re-allocated. We call to LAFCo's attention, as well as to the attention of any potential successor agency assuming that it will be eligible to receive the property tax that presently flows to the Harbor District, the following requirement of Section 99(b)(6):

Notwithstanding any other provision of law, the [LAFCo] executive officer shall not issue a certificate of filing [the document needed to initiate a dissolution proceeding] . . . until the local agencies included in the property tax revenue exchange negotiation . . . present resolutions adopted by each county and city whereby each county and city agrees to accept the exchange of property tax revenues.

Seemingly, the refusal of any city in San Mateo County (and potentially other special districts) to adopt a property tax resolution could block any dissolution. In other words, if LAFCo conditions dissolution on the "shifting" of property taxes and the "shifting" methodology is ultimately not approved, the dissolution will not occur. Given the percentage of property tax revenues compared to all District revenues, any successor agency would presumably need to have a guarantee that it will receive such revenue before beginning a dissolution process. Indeed, a successor agency could not provide the District's critical services in any way close to the current standard without access to such revenues.

Thus, while LAFCo certainly has the power to set a condition that the property tax revenues be "shifted" to a successor agency for the continuation of the District's critical services, there is no authority that would enforce such a designation and there is some reason to question whether a successor agency would be free to spend those funds as it saw fit. This is hardly the simple "shifting" process suggested by the Report.

2. Labor Issues. The District is presently beginning bargaining with its two unions, both of whose MOUs expires on July 1, 2015. The outcome of those negotiations are unknown at this time, but will surely be important to understand before any further steps are taken down the unprecedented dissolution path. Of particular importance, and regardless of the outcome of the pending negotiations, are the CalPERS obligations referenced in the Draft Report at page 33.



3. State Law Issues. Two State law issues merit further attention prior to any initiation of dissolution proceedings. First, the District operates not only under authority of its enabling legislation, but also under the State tidelands grant that allowed it to establish Pillar Point Harbor (Chapter 68, Statutes of 1960). The tidelands grant states: “That said lands shall be used by said district.....for the establishment, improvement and conduct of a harbor.....and for the construction, maintenance and operation thereon of structures and facilities for public recreational purposes...”. (emphasis added) It is not clear the extent to which the CKH Act can be implemented in accordance with this grant—if there is no District in existence, the CKH Act may not provide authority under the tidelands grant absent additional action by the legislature. Second, the Draft Report acknowledges the positive steps the District has taken to reduce the principal of its loan from the Department of Boating and Waterways (DBW). But this remains a liability of the District that will become the liability of any successor agency. In addition, the terms of the loan, as well as provisions of the Harbors and Navigation Code that attach statutory requirements to recipients of loans from the DBW, require further analysis to determine the extent to which DBW must approve the assignment of District assets to a successor agency, or indeed whether DBW approval is required as a condition of dissolution in the first instance.

4. CEQA. Reorganization under the CKH Act is often subject to a categorical exemption under CEQA. But that exemption is for reorganizations “where the changes do not change the geographical area in which previously existing powers are exercised.” (CEQA Guidelines Section 15320) The Draft Report suggests as a possible option for dissolution a disaggregation of the District’s duties with regard to Oyster Point Marina and Pillar Point Harbor. Terminating the Joint Powers Agreement with the City of South San Francisco and focusing the District’s activities at Pillar Point Harbor may be an idea worthy of further study (contrary to the Draft Report, it is not a foregone conclusion that the District would forego the property tax collected in the City under such a detachment). But before applying for dissolution, or any less drastic reorganization that detaches Oyster Point Marina from the District, the CEQA implications need further study given that the District is a party to a Joint Powers Agreement with the City of South San Francisco for the operation of Oyster Point Marina.

#### **IV. Conclusion. Moving Forward.**

In closing, we would like to emphasize that a fundamental purpose of an MSR is as a planning document for the future, not a retrospective examination of past mistakes. The District is dedicated to providing excellent service to the public it serves and will take seriously all of the recommendations for improvement identified in the Draft Report. But at the same time, the District is committed to looking forward not backward.

The timing of the Draft Report, and the Grand Jury Report triggering its development, have spurred the District to enter into a transition period. Such transitions may sometimes come with painful lessons learned and progress is not always as smooth or as quick as one would like. In the coming months, the District will engage a permanent General Manager under whose leadership the District will improve its administrative and accounting procedures, implement a new MOU with its valued employees, resolve legal issues arising from past actions, and improve the District’s financial condition with an increased focus on revenue generating activities. It will do all this with a small staff dedicated to providing essential services to County residents, to the commercial fisherman who rely on the District’s facilities, and to the many thousands of visitors from outside the County that visit the Harbor District’s facilities each year,

June 26, 2015 letter to Martha Poyatos  
Page 9

or that indirectly receive the benefit of the District's services every time they order local seafood from their favorite restaurant.

Sincerely,

A handwritten signature in blue ink that reads "Tom Mattusch". The signature is fluid and cursive, with the first name "Tom" being larger and more prominent than the last name "Mattusch".

Tom Mattusch, President, Board of Harbor Commissioners of the San Mateo County Harbor District

**Exhibit A**  
San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>																
3	<p>Ferryboat service operated independently by the Water Emergency Transit Authority (WETA), which supplanted a number of berths, now operates to the East Bay from Oyster Point Marina.</p>	<p>Even with a reduced number of slips, the Harbor District operates OPM efficiently. A comparison of Oyster Point Marina Berth-only revenues to <u>all</u> Coyote Point Marina revenues from business type activities demonstrates the Districts effective and efficient operation of Oyster Point Marina. The comparison with Coyote Point Marina is even more striking at Pillar Point Harbor. Data from FY 13/14 is as follows</p> <table border="1" data-bbox="535 241 722 1396"> <thead> <tr> <th>Facility</th> <th># of Berths</th> <th>Gross Annual Berth Revenues</th> <th>Berth Revenues Per Berth</th> </tr> </thead> <tbody> <tr> <td>PPH</td> <td>369</td> <td>\$1,644,761</td> <td>\$4,457/berth per year</td> </tr> <tr> <td>OPM</td> <td>455</td> <td>\$1,196,126</td> <td>\$2,628/berth per year</td> </tr> <tr> <td>CPM</td> <td>496</td> <td>\$ 977,000</td> <td>\$1,970/berth per year</td> </tr> </tbody> </table> <p>(CPM = Coyote Point Marina) *Note - the \$977,000 in gross marina revenues for CPM includes all revenues for the Marina (e.g., berths, rents and concessions), while PPH and OPM are strictly berth revenues and exclude other items.</p>	Facility	# of Berths	Gross Annual Berth Revenues	Berth Revenues Per Berth	PPH	369	\$1,644,761	\$4,457/berth per year	OPM	455	\$1,196,126	\$2,628/berth per year	CPM	496	\$ 977,000	\$1,970/berth per year
Facility	# of Berths	Gross Annual Berth Revenues	Berth Revenues Per Berth															
PPH	369	\$1,644,761	\$4,457/berth per year															
OPM	455	\$1,196,126	\$2,628/berth per year															
CPM	496	\$ 977,000	\$1,970/berth per year															
3	<p>Ferryboat service operated independently by the Water Emergency Transit Authority (WETA), which supplanted a number of berths, now operates to the East Bay from Oyster Point Marina.</p>	<p>Usage of WETA service to OPM is growing by leaps and bounds. The District is now an important part of the critically important regional public transportation system. The District gave up revenue-generating boat slips in order to provide this valuable service to those County residents who use the WETA ferry. The Growth of Average daily passengers has gone from 161 boardings a day in the first year of service, to 333 the second year, to 405 in year three. (See Appendix A)</p>																
3	<p>...has hired an Interim General Manager with the goal of alleviating diminished staffing...</p>	<p>The hire of the Interim General Manager has allowed the former Acting General Manager to focus on managing the harbors in his capacity as Harbor Master.</p>																

**Exhibit A**  
 San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
8	Commercial Fishing Facilities	That Pillar Point Harbor is the sixth highest earning harbor in the State is of course due in part to the dedicated efforts of local commercial fisherman. But this data point also speaks to the District's operational skills and efficiencies.
9	Emergency Services	The Report acknowledges the District's crucial search and rescue services at Pillar Point Harbor. But the District provides similar services at Oyster Point Marina. From 2010 – through June 21, 2015 there were 75 rescues as follows: 2010- 20: 2011- 19, 2012- 7, 2013- 9, 2014- 12, 2015 (partial year) 8
13	Buildings—Site improvements	Sea level rise issues cannot be over emphasized, even at OPM where king tides already crest existing breakwaters.
13	Capital Improvement Program (CIP) at OPM	Responsibility for road and parking lot maintenance at Oyster Point Marina is an issue that needs to be resolved under the JPA between the District and the City of South San Francisco. This issue becomes ever more important both for natural reasons related to the drought, but also for man-made reasons due to increasing use of the roads by the large buses that serve the WETA terminal.
13	Capital Improvement Program (CIP) at OPM "…restroom improvements at an estimated cost of \$560,000."	All but two of the restrooms at OPM have already been remodeled. In addition, a new public restroom facility will be installed in 2015 near the ferry terminal area funded by a grant from Genentech.

**Exhibit A**  
San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
14	Earn Special District Leadership Certificates	<p>Commissioner Training/ Education History--*this may not reflect all trainings</p> <p><u>Roberto Bernardo</u></p> <ul style="list-style-type: none"> <li>• Public Ethics Education AB1234 (2014 and 2015)</li> </ul> <p><u>Sabrina Brennan</u></p> <ul style="list-style-type: none"> <li>• Open Ethical Leadership –AB1234: 2012, 2013 &amp; 2014</li> <li>• How to be an Effective Board Member: 2013</li> <li>• Board's Role in Human Resources: 2013 and 2015 (Module 4)</li> <li>• Setting Direction/ Community Leadership: (Module 1) 2013, (Module 2) 2015</li> <li>• Public Service Ethics AB1234: 2014</li> <li>• California Special Districts Association Special District Leadership Conference: 2014</li> <li>• Board's Role in Finance and Fiscal Accountability (Module 3): 2015</li> <li>• Understanding Board &amp; District Liability: 2015</li> <li>• Special Legislative Days: 2015</li> <li>• Anti Harassment/ Anti Bullying: 2015</li> <li>• Spot the Fraud! Fraud Detection/Prevention: 2015</li> <li>• Introduction to Special District Finances: 2015</li> <li>• Governance Foundations (Module 1): 2015</li> <li>• Special Districts Legislative Days:2015</li> </ul> <p><u>Nicole David</u></p> <ul style="list-style-type: none"> <li>• Harassment Prevention and Training for California Supervisors: 2014</li> <li>• Public Service Ethics: 2014</li> <li>• California Special Districts Association Special District Leadership Conference: 2014</li> <li>• Introduction to Special Districts: 2015</li> <li>• Sexual Harassment 2015</li> </ul> <p><u>Tom Mattusch</u></p> <ul style="list-style-type: none"> <li>• Public Ethics Education AB1234: 2014</li> <li>• Special Districts Association Special District Leadership Conference: 2014</li> <li>• Introduction to Special District Finances: 2015</li> <li>• Best Practices in Strategic Planning: 2015</li> <li>• Special Legislative Days 2015</li> <li>• Sexual Harassment: 2015</li> </ul> <p><u>Pietro Parravano:</u></p> <ul style="list-style-type: none"> <li>• Harassment Policy and Harassment Prevention Training: 2008</li> <li>• Ethics Training –AB1234: 2008</li> <li>• Public Ethics Education AB1234: 2011</li> <li>• Public Ethics Education AB1234: 2012</li> <li>• Public Ethics Education AB1234: 2014</li> </ul>

**Exhibit A**  
 San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
15	Committees	The Oyster Point Marina Liaison Committee is a standing committee, not an advisory committee. In addition, as a result of Board action in 2015, the Board either established or reinvigorated, the following committees: Finance Committee; Beach Replenishment Committee; Water Quality and Public Safety Committee; Communications and Marketing Committee; Executive Search Committee; Strategic Planning Committee. These Committees have all been active for the first time in 2015.
16	"No SMCHD reserve policies exist"...	The District has a reserve policy adopted through Resolution 17-10 on June 30, 2010. The Policy could be improved and setting a more comprehensive reserve policy is on the District's list of priorities.
16	"CIP is needed to guide capital planning, budgeting and implementation, no formal action has been taken"	The District agrees that it should commit to a CIP for all the reasons mentioned in the Draft Report.
17	SMCHD Website	Staff has a website RFP as an item for release in the latter half of 2015. District has also hired a Transparency Officer to assist increasing the utilization of the website in the short term.
18	"The new address is 504 Avenue Alhambra, Third Floor, El Granada, CA 94018."	Correct floor to "2nd floor" from "3rd floor"
18	"The SMCHD is in the process of moving..."	The move is complete, although some minor configuration issues remain..

**Exhibit A**  
San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
19 (organizational chart)	Org chart	The Organizational Chart is outdated in many respects as numerous individuals have left the District or retired. As continued staff positions continue to be filled on an interim basis, the District does not expect to update the Org Chart at least until a permanent General Manager is appointed, which is expected within the next three months. The District believes that the permanent General Manager should have the ability to organize District Staff in a manner that is most efficient and effective.
21-23	Revenues	<p>The District is planning on examining rates to ensure that they are in line with other facilities. Rate increases are pending at both facilities for FY 2015/16. PPH is at 100% occupancy, indicating rates may be below market. That is not the case for OPM. Also important to note is that the District's berth occupancy rate at OPM would be higher if the District did not adhere to the legally prescribed cap on liveaboards of 10%.</p> <p>Also with regard to OPM, there has been a loss in the number of available berths in order to accommodate the WETA ferry terminal. Monies received from WETA were for loss of slip rentals through 2019.</p>
22	"OPM occupancies typically range from 60 to 65 percent"	In 2006 occupancy at OPM was 54%. It now <b>averages</b> 65%.
26	In the FY15-16 Preliminary Budget, the SMCHE allocated approx. \$3.7 M towards termination benefits	Nine employees are vested with these benefits, seven more are vested and drawing benefits, and seven current employees are not vested.
27	"... and other costs associated with operations and facilities specific to PPH and OPM."	Garbage collection costs at Pillar Point Harbor are more than twice the amount at OPM due to the location of the landfill costs and the waste stream from commercial fishing."

**Exhibit A**  
 San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
27	Debt Service " The FY15-16 SMCHD budget includes only the interest portion of debt service payments . . . . . The budget shows the total payment including principal and interest."	These two sentences contradict each other. Only the second of these two sentences is correct.
29	"The projected \$5.9 million, . . ."	The projected "\$5.9 million" should be \$6.193 as stated just above the Total
32	Allocation of Assets and Liabilities "Remaining debt principal is entirely attributable to PPH"	It is by no means accurate to state that "remaining debt principal is entirely attributable to PPH." While District information conflicts with DBW documentation, it would be too time consuming to validate in time for this submission.
35	3) Present and planned capacity of public facilities. . . .	This section focuses exclusively on the District's marina facilities and does not mention the District's open-space/parks/trail facilities that it maintains at both locations. In particular, the District maintains the West Shoreline Access Trail near Pillar Point Marsh, which provides the only land based access to Pillar Point Beach (Mavericks Beach) and is an important access point for emergency responders. This non-enterprise activity is of high value to the public and to emergency responders.



**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
37	<p>"The SMCD has taken a number of steps...."</p>	<p>We are pleased that the Draft Report acknowledges District efforts. These efforts have accelerated since the issuance of the Grand Jury Report. Actions taken by the Board that are not referenced in the Draft Report include: (1) the District assumed a leadership role in a number of environmental issues critical to the County such as the Sand Replenishment effort at Surfer's Beach, Bay Sand Mining issues before the Bay Conservation and Development Commission, and development of the Coastal Regional Sediment Management Plan; (2) Increased public involvement in a number of ways including holding a public tour of Johnson Pier with Commissioners, considered new wifi and social media programs, and increased public involvement in committee activities; and (3) Revised District policy regarding health insurance benefits for Commissioners—with cost savings to be achieved in the future as new Commissioners are elected.</p>
37	<p>2. The SMCHD should engage a public accounting firm to review its budget accounts for both operations and capital improvements, and establish a financial accounting system consistent with best practices for California public agencies.</p>	<p>The District has independent auditors issue financial statements annually. A Comprehensive Annual Financial Report (CAFR) has recently been added to the scope of the FY 14/15 Audit. Typically a CAFR will include Statements of net position, revenue and expenses for enterprise functions, although this will be difficult without the cost accounting which is being implemented for 15/16.</p>
37	<p>The SMCHD should assess its personnel needs...</p>	<p>The Commission approved contracted augmentations on an interim basis to address staff resources at June 17 meeting. A high priority must be placed on burdens of state mandated activities, such as compliance with Public Record Act requests, which has been a significant district administrative activity in the recent past. The commission also approved changes to the job description and title of one management position on that date. It is expected that a new GM to bring recommendations to the Board to improve staff organization.</p>

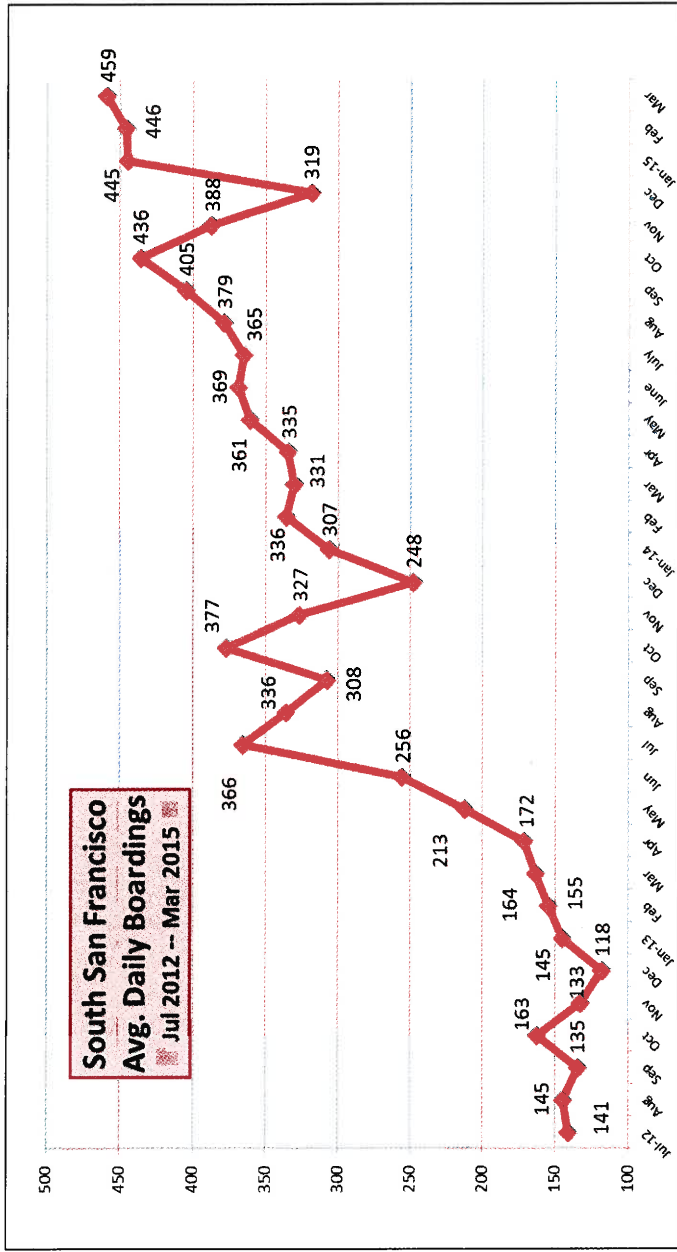
**Exhibit A**  
 San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
37	3. The SMCCHD should consider administrative functions...	The District agrees with this recommendation. Indeed, at the June 17, 2015 meeting, the District approved an expansion of the services provided the District by the JPA, Regional Government Services, for flexible professional administrative services on an "as needed" basis.
37	5) Status of, and opportunities for, shared facilities	Outsourcing is under consideration for all IT Functions. This must be done with care as frequently costs are not reduced when outsourced.
38	Recommendation: 2.	City of "San Francisco" should be "South San Francisco"
38	7) Any other matter related to effective or efficient service delivery, as required by commission policy.	The Response letter addresses the recommendation regarding allocating revenues to particular cost centers. The District will begin have cost accounting in place to track enterprise and non-enterprise activities in Fiscal Year 2015 2016.

Appendix A

Average growth daily passengers

**Exhibit A**  
 San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update





CITY COUNCIL 2015

RICHARD A. GARBARINO, MAYOR  
MARK ADDIEGO, VICE MAYOR  
PRADEEP GUPTA, PH.D., COUNCILMEMBER  
KARYL MATSUMOTO, COUNCILMEMBER  
LIZA NORMANDY, COUNCILMEMBER

MIKE FUTRELL, CITY MANAGER

OFFICE OF THE CITY MANAGER

Martha Poyatos  
Executive Officer  
San Mateo County Local Agency Formation Commission (LAFCo)  
455 County Center  
Redwood City, CA 94063  
Via email to [mpoyatos@smcgov.org](mailto:mpoyatos@smcgov.org)

June 25, 2015

Dear Ms. Poyatos:

This letter contains the City's responses to the circulation draft of the Municipal Services Review (MSR) and Sphere of Influence Update on the San Mateo County Harbor District (the District) dated May 29, 2015. The City will not be making comments on the dissolution discussion itself unless or until a recommendation is formally adopted by LAFCo. Our comments are organized below as follows:

- Comments specifically related to Municipal Service Review (MSR) recommendations;
- Harbor District investment in capital improvements;
- Fees for services/ revenues;
- Underutilization of the Oyster Point Marina, which, as your report points out, is owned by the City of South San Francisco but operated by the Harbor District under a Joint Powers Authority (JPA) agreement.

**MSR Recommendations:**

The City concurs with observations and recommendations from Section 5 of the report. Highlights of those recommendations that are of high priority to the City are (using the numbering in the report itself):

- 3.1 (Page 35) Recommendations on a five year Capital Improvement Plan (CIP);
- 4.1 (Page 37) Recommendations on best practices for budgeting;
- 4.3 (Page 37) Consideration of outsourcing, especially for areas of high

- specialization such as property leasing functions;
- 5.0 (Page 37) Opportunities for shared facilities/services;
- 7.1 (Page 38) Institution of an accounting and budgeting process that separates enterprise functions that should be self-supporting vs. those functions that are for the benefit of the general public (trails, open space access, etc.).

### **Capital Improvements:**

As the circulation draft points out on page 28, the planned expenditures on capital improvements are “significantly less than the amount needed to meet the priorities of the Draft Strategic Business Plan condition assessment”. Underfunding capital improvements has significant long term impacts on the viability of public facilities. In addition to the marina facilities themselves, the City of South San Francisco is concerned that the general public’s recreational amenities (trails, picnic areas, public beach, public fishing facility, boat ramp, etc.) at Oyster Point are underutilized compared with their potential at that location. The City believes that a more focused investment in public amenities would result in higher use of those facilities by the public.

### **Revenues:**

A successful lease and rent/concession enterprise at Oyster Point Marina (OPM) is a priority for the City. Charging market rates for berth space rentals is one way to ensure that the general public is not subsidizing the services of private boat owners. Of concern, therefore, is the statement in the report that OPM berth rates are low for slips greater than 40 feet in length is of concern. Also of concern is that occupancy rates are low: from 60-65% at OPM (pages 22-33). This suggests the amount of berth space or the composition/size of those berths do not match the market.

While a detailed discussion is not provided in the draft, of concern to the City is a statement on page 23 that “lease revenues from maritime related users are minimal from the Oyster Point Yacht Club and the currently vacant bait shop.” The City believes that more attention can be placed on actively pursuing revenue opportunities at OPM, including finding a tenant for the bait shop. The City believes the suggestion that management of the commercial real properties could be outsourced to a private firm is worth exploring, consistent with the MSR recommendation 4.3.

### **Operation of the Oyster Point Marina**

The City believes there are more opportunities for recreational amenities for the general public at OPM in such areas as trail usage, picnicking, shoreline access, and partnering with the City’s

Parks and Recreation Department for recreational and special events. Presumably, if more revenues were generated (from discussion above), then more dollars could be invested in improvements that benefit the general public.

Thank you for the opportunity to comment on this report.

Sincerely,



Mike Futrell  
City Manager

Cc: City Council  
Jim Steele, Assistant City Manager

July 7, 2015

Martha Poyatos, Executive Director  
San Mateo County Local Agency Formation Commission  
455 County Center, 2<sup>nd</sup> Floor  
Redwood City, CA 94063

Dear Ms. Poyatos,

The County of San Mateo has received and reviewed the Circulation Draft Municipal Service Review for the San Mateo County Harbor District dated May 29, 2015. This letter includes our general comments on the report. Please note that the County will not be commenting on the dissolution of the District unless LAFCo formally adopts a recommendation to that effect.

The County concurs with the recommendations in Section 5 of the report. We have specific concerns about the lack of linkage between the capital improvements recommended in the strategic plan and the capital projects funded in the District budget. We also support engaging an outside public accounting firm to review the District operations and capital budgets and support separation of the enterprise and non-enterprise budget functions.

After LAFCo completes the Municipal Service Review and Sphere update for the District, the Commission could recommend that the District be dissolved. If that happens, and the County decides to follow-up on the Grand Jury recommendation that the County initiate an application to dissolve the District, the County would undertake a comprehensive analysis of all aspects of the District. Our analysis would include, but not be limited to, deferred maintenance, debts, Calpers liability, finances, operations and staffing structure, and the Oyster Point marina joint powers agreement with the City of South San Francisco. The analysis would include input from the City of South San Francisco. The analysis would need to be completed and discussed at a public meeting prior to the Board of Supervisors considering action to initiate proceedings to dissolve the District.

Sincerely,



JOHN L. MALTBIE  
County Manager / Clerk of the Board



# San Francisco Bay Conservation and Development Commission

455 Golden Gate Avenue, Suite 10600, San Francisco, California 94102 tel 415 352 3600 fax 415 352 3606

June 26, 2015

Martha Poyatos, Executive Officer  
San Mateo LAFCo  
455 County Center  
Redwood City, CA 94063

SUBJECT: Circulation Draft, Municipal Service Review and Sphere Update, the San Mateo County Harbor District

Dear Ms. Poyatos:

The San Francisco Bay Conservation and Development Commission ("Commission" or "BCDC") staff reviews such documents on behalf of its Commission to assess, among other things, the project's consistency with the McAteer-Petris Act, the Commission's *San Francisco Bay Plan*, the Commission's federally-approved management plan for the San Francisco Bay, and the federal Coastal Zone Management Act (CZMA), and the project's relationship to the Commission's jurisdiction.

The Commission's permit jurisdiction includes all tidal areas of the Bay up to the mean high tide line or to the inland edge of wetland vegetation in marshlands up to five feet above Mean Sea Level; all areas formerly subject to tidal action that have been filled since September 17, 1965; and the shoreline band that extends 100 feet inland from and parallel to the Bay jurisdiction. The Commission also has jurisdiction over managed wetlands adjacent to the Bay, salt ponds, and certain waterways.

Commission permits are required for construction, dredging, dredged material disposal, fill placement, and substantial changes in use within its jurisdiction. Permits are issued when the Commission finds proposed activities to be consistent with its laws and policies. In addition to any needed permits under its state authority, federal actions, permits, and grants affecting the coastal zone are subject to review by the Commission, pursuant to the federal CZMA, for their consistency with the Commission's federally-approved management program for the Bay.

The San Mateo County Harbor District administers the Oyster Point Marina, which is located in BCDC's jurisdiction and subject to several BCDC Permits (BCDC Permit No. 2008.001.00 and BCDC Permit No. 1971.001.17). The primary amenities at the Marina, the marina itself, the shoreline park, and the ferry terminal constitute development that is encouraged and consistent with BCDC's laws and policies.



Martha Poyatos

June 26, 2015

Page 2

For example, BCDC's San Francisco Bay Plan policies on Recreation encourage the development of water-oriented recreational facilities such as marinas. Recreation Policy 3 states, "Recreational facilities, such as waterfront parks, marinas, live-aboard boats, non-motorized small boat access, fishing piers, launching lanes, and beaches, should be encouraged and allowed by the Commission," provided the facilities are developed and managed consistent with the San Francisco Bay Plan. Furthermore, Recreation Policy 3.1.B state, "marinas should include public amenities, such as viewing areas, restrooms, public mooring docks or floats and moorages for transient recreational boaters, non-motorized small boat launching facilities, public parking; substantial physical and visual access; and maintenance for all facilities." All of these amenities are available at Oyster Point Marina. The San Francisco Bay Plan Maps designate the area of Oyster Point Marina and the adjacent shoreline park as "Waterfront Park, Beach" priority use area "Oyster Point Marina Park." Any development within that location must be consistent with this designation and the following: "Preserve and improve marina and shoreline park. Preserve picknicking, swimming, boating, hiking, windsurfing, and fishing opportunities. Possible ferry terminal. Allow if compatible with park and marina use; serve with bus public transit to reduce traffic and parking needs. Some fill may be needed. Provide signage regarding fish consumption advisories for anglers."

Thank you for providing BCDC staff with the opportunity to review the Circulation Draft of the Municipal Service Review and Sphere Update for the San Mateo County Harbor District. Please feel free to contact me at (415) 352-3645, or email me at erik.buehmann@bcdc.ca.gov if you should have questions regarding this letter or the Commission's policies and permitting process.

Sincerely,



Erik Buehmann  
Coastal Program Analyst

cc: Scott Grindy, San Mateo Harbor District

RECEIVED

JUN 30 2015



COASTSIDE FIRE PROTECTION DISTRICT

1191 MAIN STREET, HALF MOON BAY CA 94019

LAFCO

TELEPHONE (650) 726-5213

FAX (650) 726-0132

June 26, 2015

Ms. Martha Poyatos, Executive Officer  
San Mateo LAFCo  
455 County Center  
Redwood City, California, 94063

Re: Letter of support for Pillar Point Harbor emergency services.

Dear Martha,

Please accept this letter on behalf of the Coastside Fire Protection District offering our unequivocal support of the San Mateo County Harbor District's, Pillar Point Harbor, emergency services.

For more than two decades our Fire District has integrated our response procedures with Harbor District emergency services for maritime search and rescue operations. Our advanced life support paramedics routinely board Harbor District patrol vessels for rescue and fire responses in and out of the harbor. Additionally, Harbor District personnel regularly assist with our over the side rope rescues by stationing themselves just below the Cliffside on their personal watercraft and patrol vessels. Through this unified collaboration our agencies have increased and enhanced the lifesaving emergency service capabilities on the Coastside.

It is our sincere expectation the outcome of your municipal service review will continue to support the above referenced emergency service capabilities for the Pillar Point Harbor.

Should you want to discuss this matter in greater detail, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink that reads "Paul Cole". The signature is fluid and cursive.

Paul Cole, Assistant Chief  
Coastside Fire Protection District / CalFIRE  
650-726-5213 (office)  
650-740-7246 (cell)

**Smithsonian Environmental Research Center**

c/o Romberg Tiburon Center – San Francisco State University  
3152 Paradise Drive · Tiburon, CA 94920-0855  
Office (415) 435 7128 · Fax (415) 435 7120

**RECEIVED**

JUL 06 2015

**LAFCO**

June 26, 2015

To Whom It May Concern:

We are writing to express our appreciation for the many years of support the San Mateo Harbor District administration and staff have provided to us for scientific research. SERC's relationship with the San Mateo Harbor District goes back to at least 2005, when the district gave us permission to deploy settlement panels at Oyster Point harbor to study biofouling species, many of which are non-native.

Since that time, Oyster Point and Pillar Point harbors have been the sites of several research projects, including ongoing studies of biofouling communities, tests of eradication methods for the invasive tunicate *Didemnum vexillum* (aka "rock vomit"), public outreach events and management efforts for the invasive kelp *Undaria pinnatifida*, research important to restoration of the native oyster (*Ostrea lurida*), and studies of recreational boat travel, hull husbandry and hull fouling. We have always found the Harbor administration and staff supportive of these efforts, and are particularly encouraged by the current harbormaster's strong interest in and support of public education in the marine environment. It is our hope that there will opportunities for future collaborations between our agencies in research and marine science educational programs at Pillar Point.

Sincerely,



Chela Zabin, PhD

North American Marine Environment Protection Association®



2014 Lloyd's List Awards ENVIRONMENT AWARD WINNER

690 Mill Hill Terrace, Southport, CT USA 06890 +203 255 4686

June 16<sup>th</sup>, 2015

Martha Poyatos  
San Mateo LAFCo  
455 County Center, 2nd Fl.  
Redwood City, CA 94063

Dear Ms. Poyatos,

I understand the San Mateo County Harbor District has recently been reviewed by the Local Agency Formation Commission (LAFCo), and I am writing this letter to express my support of the Harbor District.

The nonprofit I work for, the North American Marine Environment Protection Association (NAMEPA) is just one of the many beneficiaries of San Mateo County Harbor District. We have worked together to help spread awareness and educate the public about the many issues impacting the marine environment today, such as marine debris. As the Education and Outreach Manager for NAMEPA, working with local districts such as the San Mateo County Harbor District has been instrumental in helping us to increase our reach and spread awareness at a national level. The Harbor District also provides many services to the public beyond just the marinas, which includes over 110 lifesaving rescues per year on the San Mateo County Coast from both Pillar Point Harbor in Half Moon Bay, and numerous rescues from Oyster Point Marina in South San Francisco.

The Harbor District is incredibly valuable to the local community through education, recreation, commercial purposes and the lifesaving rescues that are conducted every year. I appreciate you taking the time to read this letter, and please do not hesitate to contact me should you have any additional questions.

Sincerely,

Elise Avallon  
Education and Outreach Manager  
NAMEPA  
[e.avallon@namepa.net](mailto:e.avallon@namepa.net)



**HALF MOON BAY COASTSIDE**

CHAMBER OF COMMERCE & VISITORS' BUREAU

*It's your connection*

235 Main Street  
Half Moon Bay, CA 94019  
(650) 726-8380  
fax (650) 726-8389

[www.hmbchamber.com](http://www.hmbchamber.com)

[www.halfmoonbayecotourism.com](http://www.halfmoonbayecotourism.com)

June 18, 2015

Martha Poyatos  
San Mateo LAFCo  
455 County Center, 2nd Fl.  
Redwood City, CA 94063

Dear Ms. Poyatos,

I understand the San Mateo County Harbor District has recently been reviewed by the Local Agency Formation Commission (LAFCo), and I am writing this letter to express our support of the Harbor District.

The Half Moon Bay Coastside Chamber of Commerce & Visitors' Bureau works with the harbor district on many levels. We support sustainable fishing as part of our ecotourism program. We have worked together to help spread awareness and educate the public about sustainable fishing and were a big supporter of the educational signage that was introduced to the harbor. The harbor is, of course, a draw for visitors and we help support the app Fishline that directs people to buying fresh fish straight off the boats. The Harbor District provides many services to the public beyond just the marinas, which includes over 110 lifesaving rescues per year on the San Mateo County Coast. The beaches are a huge draw for tourists and having the harbor district here is vital to their safety.

The Harbor's community support, involvement, and participation greatly assist the community and the county. Pillar Point Harbor is a resource for recreation, fresh fish, learning about the sea, providing us with a fresh food source, as well as a tourist attraction.

The Harbor District is incredibly valuable to the local community for all the reasons mentioned above. The Half Moon Bay Coastside Chamber of Commerce & Visitors' Bureau is a big supporter of the harbor and feels it is vital to our economic base of the Coastside in numerous ways. Please contact me if I can be of any further assistance.

Yours truly,

Charise Hale McHugh, ACE  
President/CEO

# Protest Draft SOI & Service Review SMC Harbor District

---

LAFB Executive Officer Martha Poyatos,

I hereby protest the draft SOI and Services Review and the Grand Jury Recommendation to dissolve the SMC Harbor District.

The said three documents are deficient in addressing Statutory Government Codes 66540-66540.2 (below) which mandates expanded harbor facilities to expand bay transportation. SMC Harbor District is a valued needed district to San Mateo County **future needs** as described within said Statutory Gov. Codes.

The Grand Jury recommendation does not consider the future needs for the SMC Harbor District to cause the implementation of future needs of expanded Harbor Services consistent with said Gov Codes.

The Grand Jury recommendation is silent as to San Mateo County Board of Supervisors agenda capacity has in-sufficient amount of available time to act as or take over control of the Harbor District. It is my opinion and concern that the Board of Supervisors does not have available calendar agenda time or space to replace the Harbor District and expand harbor facilities consistent with the urgent and critical service needs described in Statutory Government Codes 66540-66540.2.

LAFB Executive Officer Martha Poyatos, one reason why the Harbor District is not financial independent is the County Supervisors have caused financial hardships upon the Harbor District.

For Example, San Mateo County Parks Department operates Coyote Point Harbor, which possesses hundred of boat berth revenue which is currently used to fund the Parks Department and not the Harbor District.

Further, San Mateo County Harbor District was created specifically to create a Harbor in Redwood City, yet the District must compete with the Port of Redwood City. If the Port of Redwood City was dissolved and operated by the Harbor District the Harbor District would have additional revenue sources and opportunities to be self supported. By dissolving the Port of Redwood City would benefit the entire County as the County Harbor District would possess additional revenues which would be disbursed to all County Cities via increased services, as opposed to Redwood City capturing revenue streams that should go to the Harbor District. LAFB Executive Officer Martha Poyatos, the Port of Redwood City **overlaps services** and jurisdiction of the Harbor District.

LAFB Executive Officer Martha Poyatos, the draft SOI and Service Review is insufficient for the Harbor District because it does not contain a comprehensive plan to implement Statutory Government Codes 66540-66540.2. These Gov. Codes described critical needed services to save tens of thousands of lives per the State's Legislators. Please incorporate Government Codes 66540-66540.2 into SMC Harbor Districts Sphere of Influence and Service Review. As stated by the Legislator these services are critical to the County economic recovery after a regional disaster.

**“As of 2008, LAFCOs must consider regional transportation plans and**

**Sustainable communities’ strategies SB 375, Chapter 728, Statutes of 2008”**

## **GOVERNMENT CODE SECTION 66540-66540.2**

**66540.** This title shall be known and may be cited as the **San Francisco Bay Area Water Emergency Transportation Response and Disaster Recovery Act.**

**66540.1.** The **Legislature hereby finds and declares** all of the following:

(a) In 1999, based on the findings and analyses in a study sponsored by the Bay Area Council, the Legislature created the San Francisco Bay Area Water Transit Authority for purposes of preparing a bay area water transit implementation and operations plan and operating a comprehensive regional public water transportation system. In 2002, after two years of study, public hearings, collaboration with existing bay area transit and public transportation ferry service providers, and peer review, the San Francisco Bay Area Water Transit Authority submitted the required plan to the Legislature. The plan included rationale for expanded ferries, ridership projections and routes, potential terminal locations, capital, operating and maintenance costs, vessel specification, and emergency and safety response capabilities.

(b) While the efforts of the existing San Francisco Bay Area Water Transit Authority to develop a regional water transit plan are commendable, the country has seen several significant disasters, including the 9/11 tragedy and Hurricane Katrina, which have emphasized the need for coordinated emergency response. From the lessons learned from those events, it is apparent that the bay area's current emergency response infrastructure is not sufficient to respond to emergencies of the magnitude witnessed in the past few years and **anticipated in the future.**

(c) In 2006, the Bay Area Council sponsored a study on the role a comprehensive public water transportation system would play in the **bay area's emergency response infrastructure.** The 2006 study found that a comprehensive water transportation system is **vital to Emergency Preparedness and response for the region. If bridges, roads, highways, tunnels, and trains are out of service as a result of an emergency, only the waters of the bay are certain to remain open for traffic.** However, **current infrastructure** and equipment capabilities are **grossly inadequate.** Ferry terminals exist in only a few locations on the bay, and the **vessel fleet lacks the capacity to make up for even one out-of-service bridge.** The few vessels that

## Protest Draft SOI & Service Review SMC Harbor District

---

exist are in the hands of many different public and private owners and operators, and there is **no detailed plan or identified leader to activate and coordinate them.**

(d) The study further urged that **action be taken immediately** to strengthen and **expand the regional public water transportation system so that the bay area would be prepared in the event of a catastrophic emergency.** The San Francisco Bay area is almost certain to experience moderate to **severe earthquakes in the foreseeable future.** A major earthquake or a series of earthquakes on any of the region's faults would have the potential of **closing thousands of area roads and rendering some or all transbay bridges and mass transit lines impassable. With the regional transportation system disabled, first responders would be unable to help tens of thousands** of homeless, injured, and starving **victims.** A failure of transportation would be particularly devastating to the **most vulnerable** of our **population, the elderly, children,** and the poor. **The loss of any portion of the regional transportation system,** from either a natural or manmade disaster, would **place lives and property at risk and would seriously undermine** the San Francisco Bay area **economy.**

(e) It is the responsibility of the state to protect and preserve the right of its **citizens to a safe and peaceful existence.** To accomplish this goal and to minimize the destructive impact of disasters and other massive emergencies, the actions of numerous public agencies must be coordinated to effectively manage all four phases of emergency activity: preparedness, mitigation, response, and recovery. It is a matter of statewide interest to establish an expanded and coordinated regional water transportation system to provide necessary security, flexibility, and mobility for disaster response and recovery in the San Francisco Bay area. This transcends any local interest, and requires a single governmental entity with appropriate powers and scope of authority to serve this statewide interest.

(f) As emergencies and other catastrophic events are certain (only the timing is unpredictable), it is crucial for immediate action to be taken to develop and implement these emergency response strategies. It is not only impractical, but rather impossible, to cobble together an emergency water transportation system after the fact. It is a task of years, not months, to make the real changes and create the essential infrastructure for an integrated and comprehensive water transit emergency system. **In light of the ever-present threat, it is imperative to begin this crucial effort without delay.**

(g) The public interest requires **swift action** and **steadfast resolve** to prepare for the coming earthquakes, as well as other emergencies, with the speed and determination that is due for a threat of this magnitude. The water transit emergency response and recovery system **must be fully implemented as quickly as possible,** as if the **lives of bay area residents depend on it,** because they do.

(h) It is a matter of statewide interest to stimulate the maximum use of the San Francisco Bay for **emergency response and recovery.** The geographical situation of the San Francisco Bay makes it ideal for emergency response and recovery, but at the same time prevents the full utilization of the bay by acting as a physical barrier to an effective transportation system between the various jurisdictions surrounding the bay. Only a specially created local entity of regional government can freely operate in the numerous individual units of county, city and county, and city governments located in the



## Protest Draft SOI & Service Review SMC Harbor District

---

area. In order to **protect the lives** and livelihoods of the bay area, the Legislature in this act establishes a new governmental entity specifically charged and empowered with the **responsibility to plan, implement, and manage these critical services** and facilities, as a matter of the **utmost urgency**.

Thank You,

Shawn Karl Mooney

1241 Shoal Drive

San Mateo, Ca 94404

[moondoggg@sbcglobal.net](mailto:moondoggg@sbcglobal.net)

## #2 Protest Draft SOI & Service Review SMC Harbor District

---

LAFD Executive Officer Martha Poyatos,

I hereby amend my Protest to the draft SOI and Services Review of the SMC Harbor District.

SMC Harbor District, updated Sphere of Influence and service review **must** incorporate Werder Pier in Foster City. The County of San Mateo owns Werder Pier and the underlying exclusive easement adjacent to the San Mateo/Hayward Bridge. The Harbor District is a branch of government of the County of San Mateo who owns Werder Pier. The Harbor District has jurisdiction to all Bayfront Cities including Foster City, therefore the Harbor District's SOI must be specifically identify Werder Pier as within the Harbor Districts Sphere Of Influence.

**“As of 2008, LAFCOs must consider regional transportation plans and**

**Sustainable communities' strategies SB 375, Chapter 728, Statutes of 2008”**

Thank You,

Shawn Karl Mooney

1241 Shoal Drive

San Mateo, Ca 94404

[moondoggg@sbcglobal.net](mailto:moondoggg@sbcglobal.net)



**From:** c Dunham <cdunham51@gmail.com> 6/5/2015 2:52:31 PM  
**To:** Martha Poyatos  
**Subject:** Harbor Commission

Dear Ms Poyatos,

I appreciate your invitation soliciting feedback regarding the LAFCo Harbor Commission recommendations.

I have only followed this issue in local news and have not read the report itself. I am not involved with the Harbor Commission, with any of the current or former employees or commissioners, and I have no financial stake related to management of the harbors. My only concern is supporting efficient, cost-effective government services.

Based on what I have read, I whole-heartedly support abolishing the Harbor Commission. Even if there had not been many years of controversy about the operations and allegations of mis-management related to the Harbor Commission, considering whether the benefits outweigh the cost of an independent agency is appropriate. Especially with regard to the foregoing record of the Harbor Commission, I support managing the San Mateo harbors within another agency.

Thanks,  
Chris Dunham  
Moss Beach

**From:** anthony basso <tbasso65@gmail.com> 6/7/2015 2:05:57 PM  
**To:** Jean Brook; Martha Poyatos  
**Subject:** Citizen comments on San Mateo County Harbor District Dissolution

Dear Ms. Poyatos, thank you for your willingness to hear public input regarding the status of the San Mateo County Harbor District. I was prepared to draft a very long letter to you today in favor of dissolving the Harbor district. Before I started this letter, I took the time to read the Report of the Civil Grand Jury on the San Mateo County Harbor district. The Grand Jury did an excellent job of high lighting all of the issues I have had in my mind over the years. Please note that as an avid, lifelong, recreational boater in this county, I am a frequent user of all of the Harbor Districts facilities.

I have no need to repeat the findings of the grand Jury in their entirety but I will highlight a couple of key points:

- \* There are other 'Municipal marinas' in San Mateo County which do not rely on subsidies from property taxes and do not serve to 'waste' these tax revenues with systems which consistently operate at a LOSS.
- \* There are many privately operated marinas in the Bay Area which offer superior service, at lower cost to the customer, and operate (dare I say it) at a profit.
- \* The 'search and rescue' operations are redundant, the argument for their existence is a 'RED HERRING'. The U.S. Coast guard does an excellent job of providing these services. In addition 'Vessel assist' (sort of an on the water AAA) is available to boaters. If, for example, the local Crab fleet feels the need for an additional, dedicated, 'Search and Rescue' operation, they are free to pool their resources and provide it for themselves.
- \* Most marinas in the Bay Area offer vastly superior customer service than the two sites operated by the San Mateo County Harbor District.

I was hopeful that the newly elected Commissioners would be able to 'salvage' the harbor district, I even worked for and financially supported these successful candidates. The current performance of the Commission does not give me continued confidence that the District should continue.

**I urge LaFCO to find a way to 'dismantle', privatize, or otherwise find an end to this taxpayer subsidized debacle.**

Anthony Basso  
Half Moon Bay, CA

Martha Poyatos, Executive Director

San Mateo LAFCo

455 County Center

Redwood City, CA 94063

July 3, 2015

RE: May 29, 2015 Circulation Draft Municipal Service Review and Sphere Update for the San Mateo County Harbor District

Dear Ms. Poyatos,

I offer my comments on information in the LAFCO document and the Harbor District's response regarding the proposed dissolution.

I request LAFCO to drop their request for dissolving the San Mateo County Harbor District.

I know these comments are being submitted after the closing date for comments but I believe it will be received before their July 15<sup>th</sup> meeting.

Line numbers are from the draft response by the Harbor District.

**83 Draft Report acknowledges that the County's only experience with the operating and maintenance of a marina is at Coyote Point, run by the County Parks Department. Coyote Point**

84 Marina does not allow live-aboards, nor does it provide commercial fishing services or indeed  
85 any of the types of services fundamental to the operation of an ocean-side marina. Some of  
86 these ocean-side services can quickly become matters of life and death when there are storm  
87 surges and resulting flooding.

**=> MY COMMENT – Why take away servicing ocean-side users and give servicing to an agency who does not have experience servicing ocean-side users? This does not make sense.**

121 In Sum, the Draft Report cannot point to any identifiable post savings to be incurred by the

122 District's dissolutions If the District is providing services in a manner more cost effective than

123 any alternative, does that not meet the Government COOTS requirement that "responsibility

124 should be given to the agency or agencies that can best provide government services".

125 (Government Code §56000.) While the District does not expect LAFCo to do anything other

126 than reaffirm the District's existing Sphere of Influence, there is no convincing evidence that

127 another agency, particularly the County, could provide the District's critical services more

128 effectively or efficiently than the District.

228 The above two code sections contain the exclusive list of items LAFCo may consider in an MSR  
229 and Sphere of Influence determination. The Draft Report goes beyond the above list. The  
230 MSR includes a 3-page section called Governance Options-that "describes governance options  
231 to the status quo that can be considered" without considering the seven factors required by  
232 Section 56430. At the conclusion of the Sphere of Influence Determination there is a 2 page  
233 section titled "Dissolution process" that describes in some detail various dissolution options  
234 without reference to any of the factors required by Section 56425.

235  
236 These sections are out of place in a document like the Draft Report. An MSR may properly  
237 discuss governance issues as they relate to the efficient provision of services. But even here,  
238 the message is a mixed one in that the Draft Report explicitly states that the District "has taken  
239 a number of steps towards addressing issues that plagued it in the past" and acknowledges that  
240 the District is addressing its staffing and planning issues. The Report further describes the  
241 District's considerable success in providing services and even assumes that any successor  
242 agency would need to rely on existing District staff in order to continue to meet existing service  
243 levels. As discussed above, it is unlikely that any agency, in particular the County, could  
244 provide the District's services as effectively and efficiently as the District.

261 The District does not agree that dissolution is the remedy for the past dysfunctions identified in  
262 the Civil Grand Jury Report. At the appropriate time, and if necessary, the District will present  
263 an argument as to the profoundly undemocratic implications if LAFCo proceeds to promote  
264 dissolution as a result of dissatisfaction with the conduct of an agency led by elected officials.  
265 But whether or not one agrees with the Civil Grand Jury Report, the emphasis on these issues  
266 is out of place in an MSR or a Sphere of Influence Determination.

**=> MY COMMENT - The LAFCO document seems flawed in that it includes statements that are beyond the scope of its responsibility and therefore are unduly influence the possible outcome of the LAFCO request for dissolution of the Harbor District.**

**=> MY BOTTOM LINE – The LAFCO document does not present a clear and concise and economically feasible set of procedures that will provide equal or better services to ocean-side harbor users. PLEASE retract your request for dissolving the San Mateo County Harbor District.**

s/s Robert Riechel

536 – 7<sup>th</sup> Avenue

San Bruno, CA 94066

File Edit View Actions Tools Window Help

Close Reply Reply All Forward Delete Open Next Open Prev Print HTML PlainText

Mail Properties Message Source Discussion Thread

**From:** "Penrose Deborah B." <dbpenrose7@gmail.com> 7/1/2015 12:15:24 PM  
**To:** Martha Poyatos  
**Subject:** San Mateo County Harbor District

Dear Ms. Poyatos,

I am writing to urge you to seriously consider the SMCHD response to the Circulation Draft Report. It fully enumerates the reasons why the dissolution of the district is unwarranted. For the first time in a long while we have a District which is willing and able to tackle the problems which have hampered it's operations in the past. I will not repeat what has already been said. I only ask that you give this forward thinking and very capable group the opportunity and time to resolve it's issues. We deserve the chance to allow a new General Manager to bring about the necessary changes in the District.

Thank you for your consideration,  
Deborah Penrose, City Council Half Moon Bay.



>>> Chris Johnson <chrisjohnson\_mcc@yahoo.com> 5/29/2015 5:33 PM >>>  
Good evening, Martha,

Per the possible dissolution of the San Mateo County Harbor District (SMCHD), I want to quickly offer my comments:

--In general, I oppose dissolution of the SMCHD. I believe LAFCo special districts are critical representative and operational bodies for "disadvantaged incorporated communities" within San Mateo County. The SMCHD offers residents of the unincorporated Midcoast direct and local representation with regard to this important Midcoast resource.

--I don't believe that dissolving the SMCHD will solve its inherent problems. Per page 1 of the Municipal Service Review (MSR), in footnote 1, "San Mateo County has oversight of 20 cities, 23 independent special districts and several of the 32 County-governed districts." So, technically, San Mateo County is responsible for overseeing the SMCHD, yet clearly, there has been pitiful oversight to date. Per page 31 of the MSR, "The Board of Supervisors could create an appointed body to advise it on operational and policy issues." I just don't understand how this will be any different or better. The County is already lax in its oversight and so rather than ask the BoS to tighten its oversight, the idea is that we will dissolve the elected body specifically charged with managing this district and ask the County, which has heretofore shown an inability or disinterest in oversight for this district and its assets, to take over management, management that will be assisted by an appointed advisory body? How is this better than having officers elected directly by the public do this job?

--Also on page 31 of the MSR, it is suggested that SMC County Parks might manage Pillar Point Harbor, given its similar duties for Coyote Point. This would be a tragic mistake and misuse of County Parks resources, in my opinion. In fact, County Parks probably should not be involved with management of Coyote Point Harbor, as it requires resources and management considerations that are different from any other facility in the County Parks network. Again, we have a situation where a specific entity charged with managing a specific resource is going to be dissolved in favor of turning management over to a larger entity whose attention and resources are already stretched thin. Sounds like a recipe for continuing/additional problems to me.

--Finally, I do not in any way, on any level, buy into the idea of cost savings based on "service efficiencies." What "service efficiencies" mean in the real world is that SMCHD assets, services, and personnel costs and resources will be shared with other entities in a large pool instead of having its own pool of resources, which means cutbacks in services, personnel, etc. Never does the term "service efficiencies" mean more/better services; it always means less/worse. The same amount of resources will be shared with a now larger pool of obligations. "Service efficiencies" and "economies of scale," with regard to government services, are fool's gold that work only in theory and on spreadsheets. They are never good for the entities and constituents to which they are applied.

In summary, I feel that it would be unwise to dissolve the SMCHD in favor of turning its duties over to another entity with little or no experience managing the resources specific to the SMCHD. Local residents would also lose a piece of direct representation that is valued and needed on the unincorporated Midcoast.

Instead, I believe the answer is to require the San Mateo County Board of Supervisors and LAFCo to provide more tangible oversight for the existing system. Investigations, sanctions, and more visible presence in the community and at SMCHD meetings might improve the unruly and seemingly rogue operations of the SMCHD. Ultimately, the SMCHD is the County's responsibility, so if the SMCHD is dysfunctional, how is the County not ultimately responsible? I don't hear anybody arguing for the County to be dissolved. This feels like buck passing to me. Rather than dissolve the SMCHD for its transgressions, I would rather turn the spotlight and the onus of ultimate responsibility on the County Board of Supervisors to roll up their sleeves and clean this up. Not go for the (on the surface) quick and easy solution of dissolution. Dissolution will solve nothing and runs risk of creating even more problems and dissatisfaction for local residents, other County residents, and harbor visitors.

Thank you for your consideration of these comments.

Cheers,

Chris

Chris Johnson

Midcoast Community Council

P.O. Box 248

Moss Beach, CA 94038

<http://www.midcoastcommunitycouncil.org>

File Edit View Actions Tools Window Help

Close Reply Reply All Forward Delete Open Next Open Prev Print HTML PlainText

Mail Properties Message Source Discussion Thread

**From:** John Ullom <redboneologic@gmail.com> 6/23/2015 11:44:36 AM  
**To:** Martha Poyatos  
**CC:** Dave Pine; Don Horsley; Nicole David; Pietro Parravano; Robert Bernardo; sdfs sdfs; Tom Mattusch  
**Subject:** LAFCo MSR for the SMCHD and Unsubstantiated vs Substantiated Allegations

Hello Ms. Poyatos,

I hope this email finds you well.

I have reviewed the Draft MSR for the SMCHD. I find most of it to be accurate but I do find one aspect of the report to be disturbing.

References are made to improper conduct by one Commissioner. I am not sure why these references are asserted as though they are established facts. As you know, no evidence has been supplied concerning Lazoff's accusations. It is a strictly he said she said case.

There should be no reference to this unsubstantiated accusation in your report. The accusations, and that is all they are, are not substantiated in anyway. On the other hand, if accusations are going to be part of the report, here are two that I can SUBSTANTIATE.

This is a link that shows incredibly irresponsible behavior on the part of one commissioner towards a junior staffer: -- <https://www.youtube.com/watch?v=Vxtq64kRde0>

Here is another that shows astonishingly rude behavior on the part of staff towards the Commissioners: -- <https://www.youtube.com/watch?v=FFJ9RvcIaUs&feature=youtu.be>

I know you want the MSR to fair, balanced, and useful. Including unsubstantiated allegations against only one commissioner is not useful nor it is fair. If the unsubstantiated allegations are to be left in the MSR, I ask that the substantiated allegations that I have shown you be included in the MSR.

I would prefer that none of this crap be part of the MSR but if Lazoff's memos are going to be part of the MSR, I assert that they should be noted for what they are and that the evidence I have shared be included in the MSR.

Thanks for your hard work. I know this can't be fun for you. Enjoy your day,

John Ullom

Exhibit A

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

Page	Quote from Draft Report	Comment																
3	Ferryboat service operated independently by the Water Emergency Transit Authority (WETA), which supplanted a number of berths, now operates to the East Bay from Oyster Point Marina.	<p>Even with a reduced number of slips, the Harbor District operates OPM efficiently. A comparison of Oyster Point Marina Berth-only revenues to <u>all</u> Coyote Point Marina revenues from business type activities demonstrates the Districts effective and efficient operation of Oyster Point Marina. The comparison with Coyote Point Marina is even more striking at Pillar Point Harbor. Data from FY 13/14 is as follows</p> <table border="1" data-bbox="705 516 1864 688"> <thead> <tr> <th>Facility</th> <th># of Berths</th> <th>Gross Annual Berth Revenues</th> <th>Berth Revenues Per Berth</th> </tr> </thead> <tbody> <tr> <td>PPH</td> <td>369</td> <td>\$1,644,761</td> <td>\$4,457/berth per year</td> </tr> <tr> <td>OPM</td> <td>455</td> <td>\$1,196,126</td> <td>\$2,628/berth per year</td> </tr> <tr> <td>CPM</td> <td>496</td> <td>\$ 977,000</td> <td>\$1,970/berth per year</td> </tr> </tbody> </table> <p>(CPM = Coyote Point Marina            *Note - the \$977,000 in gross marina revenues for CPM includes all revenues for the Marina (e.g., berths, rents and concessions), while PPH and OPM are strictly berth revenues and exclude other items.</p> <p><b>Response: A direct comparison of “per berth” revenues provides limited information about “efficiency” as the mix and size of berths differs between the two facilities, and OPM is limited in number of “live aboards”. In addition, revenue is not a direct indicator of efficiency, but rather, it reflects what the market can bear (assuming maximum rates are charged).</b></p>	Facility	# of Berths	Gross Annual Berth Revenues	Berth Revenues Per Berth	PPH	369	\$1,644,761	\$4,457/berth per year	OPM	455	\$1,196,126	\$2,628/berth per year	CPM	496	\$ 977,000	\$1,970/berth per year
Facility	# of Berths	Gross Annual Berth Revenues	Berth Revenues Per Berth															
PPH	369	\$1,644,761	\$4,457/berth per year															
OPM	455	\$1,196,126	\$2,628/berth per year															
CPM	496	\$ 977,000	\$1,970/berth per year															
3	Ferryboat service operated independently by the Water Emergency Transit Authority (WETA), which supplanted a number of berths, now operates to the East Bay from Oyster Point Marina.	<p>Usage of WETA service to OPM is growing by leaps and bounds. The District is now an important part of the critically important regional public transportation system. The District gave up revenue-generating boat slips in order to provide this valuable service to those County residents who use the WETA ferry The Growth of Average daily passengers has gone from 161 boardings a day in the first year of service, to 333 the second year, to 405 in year three. (See Appendix A)</p> <p><b>Response: Comment noted. The MSR recognizes the benefit of the ferry system and acknowledges levels of annual ridership.</b></p>																

**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
3	...has hired an Interim General Manager with the goal of alleviating diminished staffing...	<p>The hire of the Interim General Manager has allowed the former Acting General Manager to focus on managing the harbors in his capacity as Harbor Master.</p> <p><b>Response: The Circulation Draft MSR has been revised to indicate this change and its benefit.</b></p>
8	Commercial Fishing Facilities	<p>That Pillar Point Harbor is the sixth highest earning harbor in the State is of course due in part to the dedicated efforts of local commercial fisherman. But this data point also speaks to the District's operational skills and efficiencies.</p> <p><b>Response: Comment noted. The Harbor's venue as in relationship to San Francisco and Monterey also contributes to this status.</b></p>
9	Emergency Services	<p>The Report acknowledges the District's crucial search and rescue services at Pillar Point Harbor. But the District provides similar services at Oyster Point Marina. From 2010 – through June 21, 2015 there were 75 rescues as follows: 2010- 20; 2011- 19, 2012- 7, 2013- 9, 2014- 12, 2015 (partial year) 8</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
13	Buildings—Site improvements	<p>Sea level rise issues cannot be over emphasized, even at OPM where king tides already crest existing breakwaters.</p> <p><b>Response: Comment noted.</b></p>
13	Capital Improvement Program (CIP) at OPM	<p>Responsibility for road and parking lot maintenance at Oyster Point Marina is an issue that needs to be resolved under the JPA between the District and the City of South San Francisco. This issue becomes ever more important both for natural reasons related to the drought, but also for man-made reasons due to increasing use of the roads by the large buses that serve the WETA terminal.</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>

**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
13	Capital Improvement Program (CIP) at OPM "..restroom improvements at an estimated cost of \$560,000."	All but two of the restrooms at OPM have already been remodeled. In addition, a new public restroom facility will be installed in 2015 near the ferry terminal area funded by a grant from Genentech.  <b>Response: The Circulation Draft MSR has been revised accordingly.</b>

**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
14	Earn Special District Leadership Certificates	<p>Commissioner Training/ Education History--*this may not reflect all trainings</p> <p><u>Roberto Bernardo</u></p> <ul style="list-style-type: none"> <li>• Public Ethics Education AB1234 (2014 and 2015). <b>Commissioner Bernardo is scheduled to take his sexual harassment training July 7.</b></li> </ul> <p><u>Sabrina Brennan</u></p> <ul style="list-style-type: none"> <li>• Open Ethical Leadership –AB1234: 2012, 2013 &amp; 2014</li> <li>• How to be an Effective Board Member: 2013</li> <li>• Board’s Role in Human Resources: 2013 and 2015 (Module 4)</li> <li>• Setting Direction/ Community Leadership: (Module 1) 2013, (Module 2) 2015</li> <li>• Public Service Ethics AB1234: 2014</li> <li>• California Special Districts Association Special District Leadership Conference: 2014</li> <li>• Board’s Role in Finance and Fiscal Accountability (Module 3): 2015</li> <li>• Understanding Board &amp; District Liability: 2015</li> <li>• Special Legislative Days: 2015</li> <li>• Anti Harassment/ Anti Bullying: 2015</li> <li>• Spot the Fraud! Fraud Detection/Prevention: 2015</li> <li>• Introduction to Special District Finances: 2015</li> <li>• Governance Foundations (Module 1): 2015</li> <li>• Special Districts Legislative Days:2015</li> </ul> <p><u>Nicole David</u></p> <ul style="list-style-type: none"> <li>• Harassment Prevention and Training for California Supervisors: 2014</li> <li>• Public Service Ethics: 2014</li> <li>• California Special Districts Association Special District Leadership Conference: 2014</li> <li>• Introduction to Special Districts: 2015</li> <li>• Sexual Harassment 2015</li> </ul> <p><u>Tom Mattusch</u></p> <ul style="list-style-type: none"> <li>• Public Ethics Education AB1234: 2014</li> <li>• Special Districts Association Special District Leadership Conference: 2014</li> <li>• Introduction to Special District Finances: 2015</li> <li>• Best Practices in Strategic Planning: 2015</li> <li>• Special Legislative Days 2015</li> <li>• Sexual Harassment: 2015</li> </ul> <p><u>Pietro Parravano:</u></p> <ul style="list-style-type: none"> <li>• Harassment Policy and Harassment Prevention Training: 2008</li> <li>• Ethics Training –AB1234: 2008</li> <li>• Public Ethics Education AB1234: 2011</li> <li>• Public Ethics Education AB1234: 2012</li> <li>• Public Ethics Education AB1234: 2014</li> </ul> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b>  <b>Response: The Circulation Draft MSR has been revised accordingly. Response: The Circulation Draft MSR has been revised accordingly.</b></p>

**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
15	Committees	<p>The Oyster Point Marina Liaison Committee is a standing committee, not an advisory committee. In addition, as a result of Board action in 2015, the Board either established or reinvigorated, the following committees: Finance Committee; Beach Replenishment Committee; Water Quality and Public Safety Committee; Communications and Marketing Committee; Executive Search Committee; Strategic Planning Committee. These Committees have all been active for the first time in 2015.</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
16	"No SMCHD reserve policies exist"...	<p>The District has a reserve policy adopted through Resolution 17-10 on June 30, 2010. The Policy could be improved and setting a more comprehensive reserve policy is on the District's list of priorities.</p> <p><b>Response: Comment noted. As indicated in the Circulation Draft MSR, the policy does not address specific reserve levels, allocations, or policies for use.</b></p>
16	"CIP is needed to guide capital planning, budgeting and implementation, no formal action has been taken"	<p>The District agrees that it should commit to a CIP for all the reasons mentioned in the Draft Report.</p> <p><b>Response: Comment noted.</b></p>
17	SMCHD Website	<p>Staff has a website RFP as an item for release in the latter half of 2015. District has also hired a Transparency Officer to assist increasing the utilization of the website in the short term.</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
18	"The new address is 504 Avenue Alhambra, Third Floor, El Granada, CA 94018."	<p>Correct floor to "2nd floor" from "3rd floor"</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>

**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
18	"The SMCHD is in the process of moving..."	<p>The move is complete, although some minor configuration issues remain..</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
19 (orga nizati onal chart)	Org chart	<p>The Organizational Chart is outdated in many respects as numerous individuals have left the District or retired. As continued staff positions continue to be filled on an interim basis, the District does not expect to update the Org Chart at least until a permanent General Manager is appointed, which is expected within the next three months. The District believes that the permanent General Manager should have the ability to organize District Staff in a manner that is most efficient and effective.</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
21-23	Revenues	<p>The District is planning on examining rates to ensure that they are in line with other facilities. Rate increases are pending at both facilities for FY 2015/16. PPH is at 100% occupancy, indicating rates may be below market. That is not the case for OPM. Also important to note is that the District's berth occupancy rate at OPM would be higher if the District did not adhere to the legally prescribed cap on liveboards of 10%.</p> <p>Also with regard to OPM, there has been a loss in the number of available berths in order to accommodate the WETA ferry terminal. Monies received from WETA were for loss of slip rentals through 2019.</p> <p><b>Response: Comment noted.</b></p>
22	"OPM occupancies typically range from 60 to 65 percent"	<p>In 2006 occupancy at OPM was 54%. It now <b>averages</b> 65%.</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
26	In the FY15-16 Preliminary Budget, the SMCHD allocated approx. \$3.7 M towards termination benefits	<p>Nine employees are vested with these benefits, seven more are vested and drawing benefits, and seven current employees are not vested.</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>



**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
27	" . . . and other costs associated with operations and facilities specific to PPH and OPM."	Garbage collection costs at Pillar Point Harbor are more than twice the amount at OPM due to the location of the landfill costs and the waste stream from commercial fishing.  <b>Response: The Circulation Draft MSR has been revised accordingly.</b>
27	Debt Service " The FY15-16 SMCHD budget includes only the interest portion of debt service payments . . . . The budget shows the total payment including principal and interest."	These two sentences contradict each other. Only the second of these two sentences is correct.  <b>Response: The Circulation Draft MSR has been revised accordingly.</b>
29	"The projected \$5.9 million,..."	The projected "\$5.9 million" should be \$6.193 as stated just above the Total  <b>Response: The Circulation Draft MSR has been revised accordingly; the amounts have been updated to reflect the adopted budget.</b>
32	Allocation of Assets and Liabilities  "Remaining debt principal is entirely attributable to PPH"	It is by no means accurate to state that "remaining debt principal is entirely attributable to PPH." While District information conflicts with DBW documentation, it would be too time consuming to validate in time for this submission.  <b>Response: The Circulation Draft MSR has been revised to indicate that the SMCHD believes the information in the MSR, which was provided by DBAW to the District, does not reflect the allocation of remaining debt service.</b>
35	3) Present and planned capacity of public facilities...	This section focuses exclusively on the District's marina facilities and does not mention the District's open-space/parks/trail facilities that it maintains at both locations. In particular, the District maintains the West Shoreline Access Trail near Pillar Point Marsh, which provides the only land based access to Pillar Point Beach (Mavericks Beach) and is an important access point for emergency responders. This non-enterprise activity is of high value to the public and to emergency responders.  <b>Response: Chapter 2 and other sections of the MSR address non-marina facilities and other non-enterprise activities.</b>

**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
37	“The SMCD has taken a number of steps....”	<p>We are pleased that the Draft Report acknowledges District efforts. These efforts have accelerated since the issuance of the Grand Jury Report. Actions taken by the Board that are not referenced in the Draft Report include: (1) the District assumed a leadership role in a number of environmental issues critical to the County such as the Sand Replenishment effort at Surfer’s Beach, Bay Sand Mining issues before the Bay Conservation and Development Commission, and development of the Coastal Regional Sediment Management Plan; (2) Increased public involvement in a number of ways including holding a public tour of Johnson Pier with Commissioners, considered new wifi and social media programs, and increased public involvement in committee activities; and (3) Revised District policy regarding health insurance benefits for Commissioners—with cost savings to be achieved in the future as new Commissioners are elected.</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
37	2. The SMCHD should engage a public accounting firm to review its budget accounts for both operations and capital improvements, and establish a financial accounting system consistent with best practices for California public agencies.	<p>The District has independent auditors issue financial statements annually. A Comprehensive Annual Financial Report (CAFR) has recently been added to the scope of the FY 14/15 Audit. Typically a CAFR will include Statements of net position, revenue and expenses for enterprise functions, although this will be difficult without the cost accounting which is being implemented for 15/16.</p> <p><b>Response: Comment noted.</b></p>
37	The SMCHD should assess its personnel needs...	<p>The Commission approved contracted augmentations on an interim basis to address staff resources at June 17 meeting. A high priority must be placed burdens of state mandated activities, such as compliance with Public Record Act requests, which has been a significant district administrative activity in the recent past. The commission also approved changes to the job description and title of one management position on that date. It is expected that a new GM to bring recommendations to the Board to improve staff organization.</p> <p><b>Response: Comment noted.</b></p>

**Exhibit A**

San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

<b>Page</b>	<b>Quote from Draft Report</b>	<b>Comment</b>
37	3. The SMCHD should consider administrative functions...	<p>The District agrees with this recommendation. Indeed, at the June 17, 2015 meeting, the District approved an expansion of the services provided the District by the JPA, Regional Government Services, for flexible professional administrative services on an “as needed” basis.</p> <p><b>Response: Comment noted.</b></p>
37	5) Status of, and opportunities for, shared facilities	<p>Outsourcing is under consideration for all IT Functions. This must be done with care as frequently costs are not reduced when outsourced.</p> <p><b>Response: Comment noted.</b></p>
38	Recommendation: 2.	<p>City of “San Francisco” should be “South San Francisco”</p> <p><b>Response: The Circulation Draft MSR has been revised accordingly.</b></p>
38	7) Any other matter related to effective or efficient service delivery, as required by commission policy.	<p>The Response letter addresses the recommendation regarding allocating revenues to particular cost centers. The District will begin have cost accounting in place to track enterprise and non-enterprise activities in Fiscal Year 2015 2016.</p> <p><b>Response: Comment noted.</b></p>

Appendix A

Average growth daily passengers

### Exhibit A

## San Mateo County Harbor District's Response to Circulation Draft Municipal Service Review and Sphere Update

