

**San Mateo County Harbor District
Board of Harbor Commissioners
*Special Meeting Agenda***

**June 23, 2015
6:30 p.m.**

**Sea Crest School, Think Tank, Room #19
901 Arnold Way
Half Moon Bay, Ca. 94019**

All Harbor District Commission meetings are recorded and posted at www.PacificCoast.tv within 24-48 hours of the meeting. Pacifica residents can tune into Comcast Chanel 26 and residents from Montara through Pescadero can tune into Comcast Chanel 27. Copies of the meetings can also be purchased from PCT and mailed for \$18.

Persons requiring special accommodation with respect to physical disability are directed to make such requests per the Americans With Disabilities Act to the Deputy Secretary to the Board at 650-583-4400

A.) Roll Call

Commissioners

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

Staff

Glenn Lazof, Interim General Manager
Debbie Nixon, Deputy Secretary
Steven Miller, District Counsel

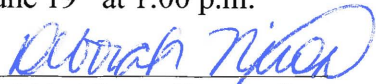
B.) New Business

- 1 TITLE: **Letter in Response to the LAFCo Circulation Draft
Municipal Service Review**
REPORT: Lazof, Draft Letter
PROPOSED ACTION: Approval of response letter to LAFCo Circulation Draft
Municipal Service Review

Adjournment

The next scheduled meeting will be held on July 1, 2015 at the Sea Crest School, Think Tank, Room #19, 901 Arnold Way, Half Moon Bay at 6:30 p.m.

Special Agenda Posted As Required:
June 19th at 1:00 p.m.


Debbie Nixon, Deputy Secretary

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

June __, 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 its 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 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 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. 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, 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.

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

59
60 With the above prefatory remarks, we now provide our more detailed response.

61 62 **I. Specific Comments to Draft Report**

63
64 Attached as Exhibit A to this letter is a table that lists specific statements from the Draft Report,
65 followed by comments from the District. Many of these comments are simply to correct minor
66 factual inaccuracies. But some of them are substantive in nature. We hope that the final Report
67 will reflect these specific corrections and comments. In particular, the District adopted a final FY
68 2015/2016 budget at a public hearing on June 17, 2015, as well as amended the FY 14/15
69 budget. While we do not make corrections to financial statements in the Draft Report, we
70 request that LAFCo update the Draft Report's financial statements accordingly.

71 72 **II. General Response**

73
74 1. Efficiencies and Cost Savings. The CKH Act states that governmental "responsibility should
75 be given to the agency or agencies that can best provide government services." (Government
76 Code §56000.) The Draft Report concludes that the District services are duplicated by, and
77 therefore could be provided in a more cost effective manner by, the County. But the Draft
78 Report itself asks many questions about whether the County can actually accomplish the
79 District's functions more efficiently. In essence, the ultimate question of whether the County can
80 provide the services of the District more efficiently is not certain.

81
82 The Draft Report acknowledges that the County's only experience with the operating and
83 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.

88
89 Moreover, the most recent budget of the County Parks Department indicates that it generates
90 \$3,151,472 in user fees resulting from "enterprise" operations, while applying \$7,320,109 from
91 County General Fund and sales tax sources.¹ Finally, as discussed in the detailed response in
92 Part I, revenues per berth at District facilities exceed those at Coyote Point Marina, indicating
93 that the District is more effective in operations than the County Marina at Coyote Point. Is the
94 County really in a position to provide services more effectively and efficiently than the District?

95
96 The Draft Report states that "the assumption of SMCHD operations by a successor agency (or
97 agencies) offers the opportunity to achieve certain service efficiencies and cost savings." (p.32)

¹https://parks.smcgov.org/sites/parks.smcgov.org/files/documents/files/SMCoParksAnnualReport2013-2014.FINAL_.web_.pdf

98 Yet the Draft Report is equivocal as to what those savings might be. The Draft Report
99 mentions the potential savings of legal fees, although the Draft Report also lists a host of
100 additional legal costs to be incurred as a result of dissolution. Moreover, regardless of whether
101 the County assumes operations of the District, the County will have to assign County Counsel or
102 other outside counsel to provide advice and representation as to those services that the District
103 currently provides. The Draft Report asserts that there may be administrative savings
104 "depend[ing] on the ability of the successor agency to manage increased workload," although
105 the Draft Report lists a host of employment-related costs that may increase and that the Draft
106 Report cautions must be considered further. We echo this concern and hope that further
107 detailed analysis on this issue will be conducted prior to any steps being taken to dissolve the
108 District.

109
110 In fact, the only identified cost savings is election costs. But here too, the Draft Report is
111 unrealistically optimistic. It identifies \$300,000--\$500,000 as "the greatest potential savings"
112 (implicitly concluding that all the other identified savings are not only speculative, as discussed
113 in the previous paragraph, but are also smaller). If the Harbor District were to be dissolved,
114 obviously it would not have any further election costs. But that does not mean that the County's
115 total election costs would decrease by the same amount. The County might see some savings
116 from eliminating the District's small position on the ballot and slight reduced printing costs. But,
117 a net gain of \$300,000 to \$500,000 is illusive. Election costs are divided among all other
118 agencies, including the County. If the District were dissolved, most of these costs would still
119 exist and would have to be assumed by the remaining agencies.

120
121 In sum, the Draft Report cannot point to any identifiable cost savings to be incurred by the
122 District's dissolution. If the District is providing services in a manner more cost effective than
123 any alternative, does that not meet the Government Code's 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.

129
130 Notwithstanding this conclusion, the District will continue to implement its initiatives to improve
131 its efficiency and address outstanding issues. Indeed, the Draft Report at p. 36 even
132 acknowledges the improvements the District has made towards greater fiscal ability and health.
133 The District should be given the time to fully implement and complete these initiatives in light of
134 the fact that there is no evidence that the County can provide the services more effectively and
135 efficiently.

136 137 2. Reliance on Property Tax.

138
139 A repeated theme of the Draft Report is that the District relies excessively on property tax
140 revenues to subsidize operating shortfalls because the fees and charges the District imposes on
141 the public are insufficient to cover all of the District's operating expenses. We think this thematic
142 insistence represents a fundamental misunderstanding of both the District in particular and of
143 local government finance in general.

144
145 The District has statutorily authorized powers under the Harbors and Navigation Code. It makes
146 expenditures only on projects consistent with those powers. As the Draft Report expressly
147 acknowledges, the District is not a traditional "enterprise" district. Rather the District "provides a
148 range of non-enterprise services and facilities that benefit a broad public but which are not

149 revenue-generating activities, including parks, waterfront access, public piers, and emergency
150 water rescue." (p. 3)

151
152 The District receives revenues from a number of sources, including its share of property taxes
153 distributed by the County under the State's complex distribution scheme embodied in Assembly
154 Bill 8. Revenues and expenditures together make up the District's budget, but the District does
155 not attribute a specific revenue source to a specific expenditure. Because it conducts activities
156 that are both traditional enterprise activities (for instance the collection of slip rental fees) and
157 not (for instance search and rescue operations), it is not always practical, and is certainly not
158 legally required, to attribute specific revenue sources to specific expenditures.

159
160 Under the Revenue and Taxation Code, and pursuant to the complex property tax distribution
161 scheme resulting from Proposition 13, the District receives from the County its share of property
162 taxes. There are no restrictions on the use to which the District puts those tax revenues, so
163 long as it is spending money consistent with its authorized purposes as discussed above.

164
165 Local Government throughout California and San Mateo County is in the same situation as the
166 District. Three examples: The San Mateo County Transit District uses sales tax revenue to
167 subsidize bus service throughout the County. The Westborough Water District had a \$417,600
168 operating loss in fiscal year 2013-14 that was offset by \$335,000 in property tax revenues.
169 Granada Sanitation District (now Granada Community Services District) in fiscal year 2013-14
170 received over \$1.2 million in revenue from its "enterprise" activity of sanitation charges. Its
171 operating budget was over \$1.68 million, so this district would have had an operating loss had it
172 not also received \$490,000 in property tax revenues.

173
174 The Harbor District is always looking for ways to increase revenues and reduce expenses, all
175 without relying on increased taxes. In particular, better management and use of the District's
176 real property interests is a top priority of the present Board and it expects the District's new
177 management team to better manage District leases so that they become more profitable cost
178 centers in the near future. The District also acknowledges that it must complete its Strategic
179 Business Plan. A key component of that Strategic Business Plan that needs to be implemented
180 is to identify new and alternative sources of revenue to augment and diversify the District's
181 economic and financial base and reduce use of property tax revenue. It may be true that the
182 District could do better in maximizing enterprise revenues—and the District will do better. But it
183 is misleading to focus on the use of property tax revenue as a negative factor indicating
184 inefficiencies that requiring dissolution of the District. Moreover, as discussed in Part III below,
185 it would be a mistake to assume that any successor agency would inevitably receive the
186 District's property tax revenues.

187
188 3. The District is in Transition. The Draft Report acknowledges that the District has embarked
189 on a search for a General Manager after the retirement on December 31, 2014 of its prior
190 General Manager, who had served the District for over 15 years. Many of the recommendations
191 made in the Draft Report will be implemented by a new General Manager. It is premature not to
192 allow a new General Manager to set a new tone, and to implement District policies in a manner
193 consistent with the Draft Report's recommendations. The Draft Report fails to take into account
194 this important change in District leadership. This issue is particularly important given that the
195 District has a small staff and the General Manager has enormous importance to the District.

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197 4. Governance.

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

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- (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, 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.

251
252 The District acknowledges the reality of the Civil Grand Jury Report and imagines that it will
253 color the way LAFCo commissioners will receive any Final Report. It is therefore perfectly
254 understandable that LAFCo's consultants could not ignore the issues presented in the Civil
255 Grand Jury Report. The District further understands that discord among its Commissioners, and
256 relationships between Commissioners and staff, have placed it unfortunately in the public eye.
257 But as the Draft Report acknowledges, the District is confronting many of these issues head
258 on—for instance with the increased partnership with Regional Government Services that has
259 already made progress in the efficient provision of services to the public.

260
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. The District respectfully
267 requests that that Section 4 titled Governance Options on pages 31-35 and Section 7 titled
268 Dissolution Process on pages 42-43 be deleted from the Draft Report. LAFCo should conduct
269 its business, by accepting a MSR and determining the District's Sphere of Influence, solely on
270 the legally permissible statutory factors identified in the CKH Act.

271 272 **III. Dissolution—Unanswered Questions**

273
274 Dissolution of a special district is rare. As a result, there are numerous unprecedented and
275 complex legal issues for which there is no guidance, either through the courts or the
276 experiences of LAFCo in San Mateo or other counties. The Draft Report acknowledges what it
277 describes on page 33 as "Transition Issues" that will be costly. While the legal complexities of
278 dissolution are considerable, resulting in numerous legal challenges, we identify four particularly
279 important legal questions underpinning these "Transition Issues." All four of these legal issues
280 require further analysis before assuming that dissolution of the District is in the best interest of
281 the County's taxpayers.

282
283 1. Property Taxes. A fundamental assumption of the Report is that LAFCo will be able to
284 dictate that all of the District's property tax revenues would be "shifted" to a successor agency.
285 It is true that Government Code Section 56886 allows LAFCo to set conditions that LAFCo may
286 impose upon a "change of organization" (including a dissolution). Subsection 56886(t) permits
287 LAFCo to condition a dissolution on "the extension or continuation of any previously authorized
288 charge, fee, assessment, or tax by the local agency or a successor local agency in the affected
289 territory."

290
291 But this process is far more complicated than a simple condition of LAFCo to require
292 continuation of tax revenues to "shift" to a successor agency. That LAFCo may place a
293 condition upon a dissolution does not mean that LAFCo has the power to force the condition to
294 actually occur. Any condition must be implemented in compliance with applicable law.
295 Applicable law regarding reallocation of ad valorem property tax revenues in the event of a
296 dissolution is governed by Revenue and Taxation Code Section 99. As it is not part of the CKH
297 Act, it cannot be overridden by LAFCo's powers, however great they may be. Section 99
298 establishes a complicated process before any tax revenues can be re-allocated. We call to
299 LAFCo's attention, as well as to the attention of any potential successor agency assuming that it
300 will be eligible to receive the property tax that presently flows to the Harbor District, the following
301 requirement of Section 99(b)(6):

302
303 Notwithstanding any other provision of law, the [LAFCo] executive officer shall
304 not issue a certificate of filing [the document needed to initiate a dissolution
305 proceeding] . . . until the local agencies included in the property tax revenue
306 exchange negotiation . . . present resolutions adopted by each county and city
307 whereby each county and city agrees to accept the exchange of property tax
308 revenues.

309
310 Seemingly, the refusal of any city in San Mateo County (and potentially other special districts) to
311 adopt a property tax resolution could block any dissolution. In other words, if LAFCo conditions
312 dissolution on the "shifting" of property taxes and the "shifting" methodology is ultimately not
313 approved, the dissolution will not occur. Given the percentage of property tax revenues
314 compared to all District revenues, any successor agency would presumably need to have a
315 guarantee that it will receive such revenue before beginning a dissolution process. Indeed, a
316 successor agency could not provide the District's critical services in any way close to the current
317 standard without access to such revenues.

318
319 Thus, while LAFCo certainly has the power to set a condition that the property tax revenues be
320 "shifted" to a successor agency for the continuation of the District's critical services, there is no
321 authority that would enforce such a designation and there is some reason to question whether a
322 successor agency would be free to spend those funds as it saw fit. This is hardly the simple
323 "shifting" process suggested by the Report.

324
325 2. Labor Issues. The District is presently beginning bargaining with its two unions, both of
326 whose MOUs expires on July 1, 2015. The outcome of those negotiations are unknown at this
327 time, but will surely be important to understand before any further steps are taken down the
328 unprecedented dissolution path. Of particular importance, and regardless of the outcome of the
329 pending negotiations, are the CalPERS obligations referenced in the Draft Report at page 33.

330
331 3. State Law Issues. Two State law issues merit further attention prior to any initiation of
332 dissolution proceedings. First, the District operates not only under authority of its enabling
333 legislation, but also under the State tidelands grant that allowed it to establish Pillar Point
334 Harbor (Chapter 68, Statutes of 1960). The tidelands grant states: "That said lands shall be
335 used by said district . . . for the establishment, improvement and conduct of a harbor . . . and for
336 the construction, maintenance and operation thereon of structures and facilities for public
337 recreational purposes . . ." (emphasis added) It is not clear the extent to which the CKH Act
338 can be implemented in accordance with this grant—if there is no District in existence, the CKH
339 Act may not provide authority under the tidelands grant absent additional action by the
340 legislature. Second, the Draft Report acknowledges the positive steps the District has taken to
341 reduce the principal of its loan from the Department of Boating and Waterways (DBW). But this
342 remains a liability of the District that will become the liability of any successor agency. In
343 addition, the terms of the loan, as well as provisions of the Harbors and Navigation Code that
344 attach statutory requirements to recipients of loans from the DBW, require further analysis to
345 determine the extent to which DBW must approve the assignment of District assets to a
346 successor agency, or indeed whether DBW approval is required as a condition of dissolution in
347 the first instance.

348
349 4. CEQA. Reorganization under the CKH Act is often subject to a categorical exemption under
350 CEQA. But that exemption is for reorganizations "where the changes do not change the
351 geographical area in which previously existing powers are exercised." (CEQA Guidelines
352 Section 15320) The Draft Report suggests as a possible option for dissolution a disaggregation

353 of the District's duties with regard to Oyster Point Marina and Pillar Point Harbor. Terminating
354 the Joint Powers Agreement with the City of South San Francisco and focusing the District's
355 activities at Pillar Point Harbor may be an idea worthy of further study (contrary to the Draft
356 Report, it is not a foregone conclusion that the District would forego the property tax collected in
357 the City under such a detachment). But before applying for dissolution, or any less drastic
358 reorganization that detaches Oyster Point Marina from the District, the CEQA implications need
359 further study given that the District is a party to a Joint Powers Agreement with the City of South
360 San Francisco for the operation of Oyster Point Marina.

361
362 **IV. Conclusion. Moving Forward.**
363

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

369
370 The timing of the Draft Report, and the Grand Jury Report triggering its development, have
371 spurred the District to enter into a transition period. Such transitions may sometimes come with
372 painful lessons learned and progress is not always as smooth or as quick as one would like. In
373 the coming months, the District will engage a permanent General Manager under whose
374 leadership the District will improve its administrative and accounting procedures, implement a
375 new MOU with its valued employees, resolve legal issues arising from past actions, and
376 improve the District's financial condition with an increased focus on revenue generating
377 activities. It will do all this with a small staff dedicated to providing essential services to County
378 residents, to the commercial fisherman who rely on the District's facilities, and to the many
379 thousands of visitors from outside the County that visit the Harbor District's facilities each year,
380 or that indirectly receive the benefit of the District's services every time they order local seafood
381 from their favorite restaurant.

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383 Sincerely,

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

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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.	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 shows that Oyster Point is higher (\$2,629) than all enterprise revenues the County achieves at Coyote Point Marina, (\$1,970). The comparison is even more striking at Pillar Point Harbor, where per berth revenues are (\$4,457). Data is from FY 13 14.
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.	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)
3	...has hired an Interim General Manager with the goal of alleviating diminished staffing...	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.
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.

Exhibit A

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

Page	Quote from Draft Report	Comment
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

Page	Quote from Draft Report	Comment
14	Earn Special District Leadership Certificates	<p>Commissioner Training/ Education History (Total of 148 hours of Training) <u>Roberto Bernardo</u>: Public Ethics Education AB1234 (7/21/14 and 3/26/15); <u>Sabrina Brennan</u>: Open Ethical Leadership –AB1234 1/15/13, How to be an Effective Board Member 1/15/13, Board’s Role in Human Resources 3/18/13, Setting Direction/ Community Leadership 3/19/13, Public Service Ethics 10/14/14, California Special Districts Association Special District Leadership Conference 1/25/14, Understanding Board & District Liability 2/18/15, Special Legislative Days 5/19/15, Sexual Harassment 6/10/15 (Certificate of Completion pending), Also taken during 2015 Spot the Fraud! Fraud Detection/Prevention, Introduction to Special District Finances, Governance Foundations, and 2015 Special Districts Legislative Days</p> <p><u>Nicole David</u>: Harassment Prevention and Training for California Supervisors, 2/10/14, , Public Service Ethics 11/20/14, California Special Districts Association Special District Leadership Conference 1/25/14, Introduction to Special Districts 2/26/15, Sexual Harassment 6/10/15 (Certificate of Completion pending); <u>Tom Mattusch</u>: Public Ethics Education AB1234 12/10/14, Special Districts Association Special District Leadership Conference 1/25/14, Introduction to Special District Finances 2/26/15; Best Practices in Strategic Planning 5/18/15, Special Legislative Days 5/19/15, Sexual Harassment 6/10/15 (Certificate of Completion pending); <u>Pietro Parravano</u>: Harassment Policy and Harassment Prevention Training 3/3/08, Ethics Training –AB1234 3/3/08, Public Ethics Education AB1234 2/24/11, Public Ethics Education AB1234 10/25/12, 10/16/14 Public Ethics Education AB1234.</p>
15	Committees	The Oyster Point Marina Liaison Committee is a standing committee, not an advisory committee.
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.

Exhibit A

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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 web site 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..
19 (orga niza tional 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 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 rec'd from WETA were for loss of through 2019.</p>

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22	"OPM occupancies typically range from 60 to 65 percent"	in 2006 occupancy at OPM was 54%. It now <u>averages</u> 65%.
26	In the FY15-16 Preliminary Budget, the SMCHD 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."
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) President 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/p[arks/trail facilities that it maintains.

Exhibit A

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Page	Quote from Draft Report	Comment
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.	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.
37	The SMCHD should assess its personnel needs...	The Commission approved contracted augmentations on an interim basis to address needed staff resources at June 17 meeting. A higher priority must for better or worse be placed burdens of state mandated activities, such as compliance with PRA's, which has been a significant district activity. 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.
37	3. The SMCHD 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"

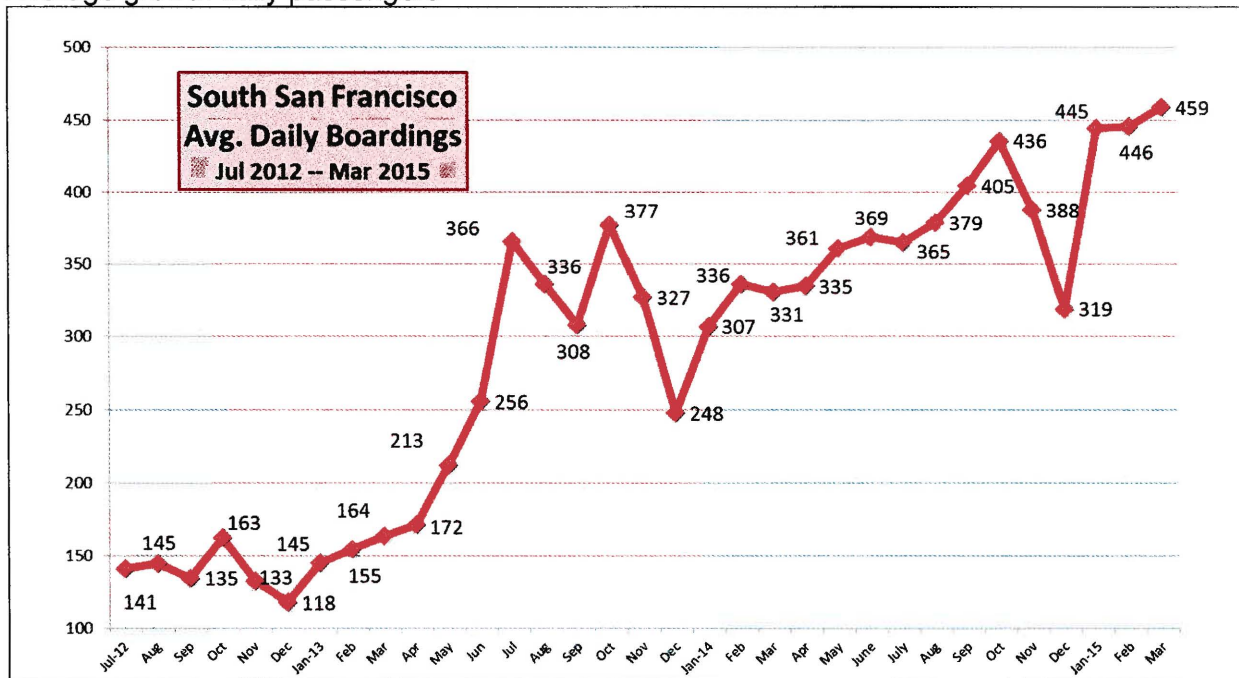
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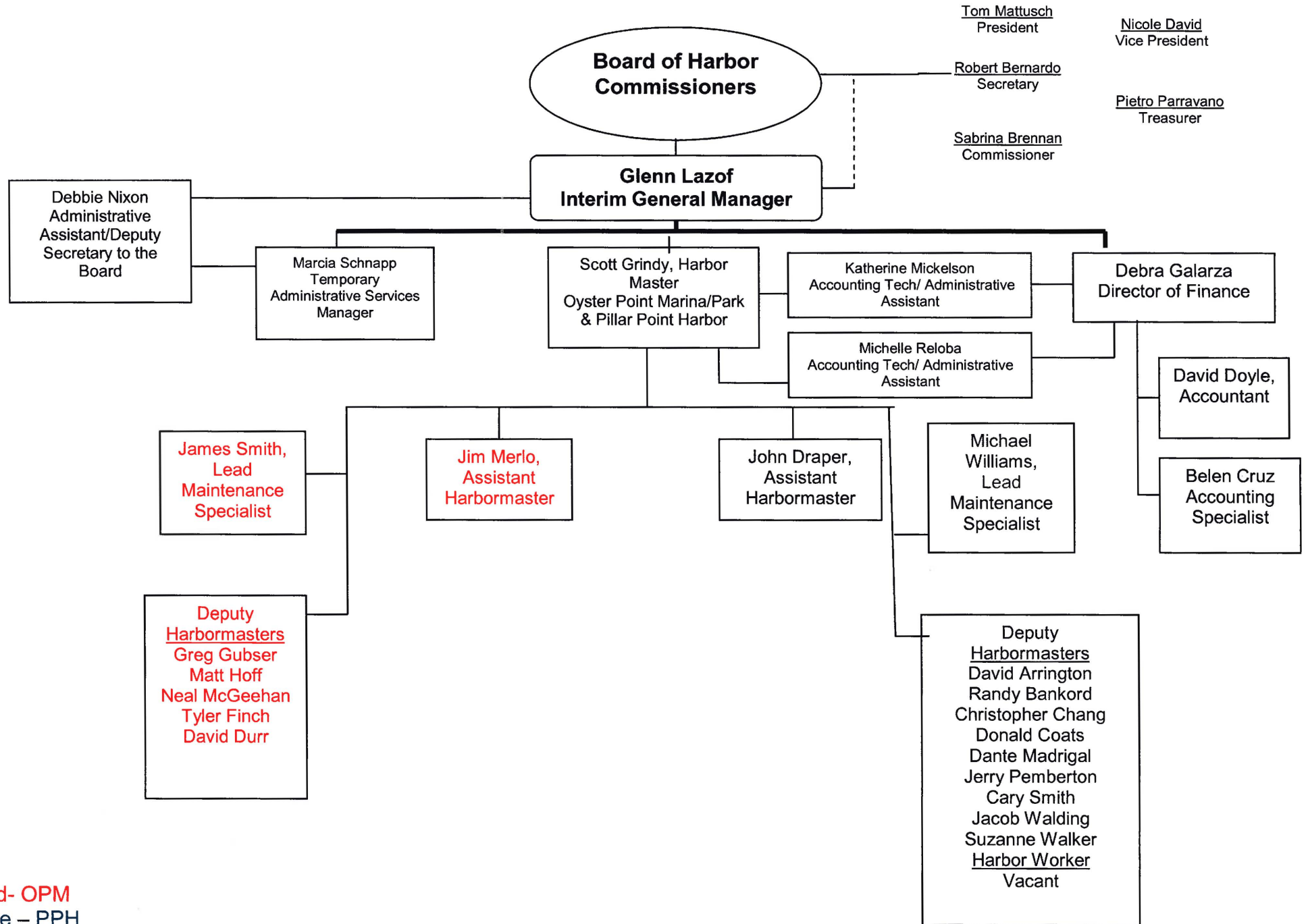
Page	Quote from Draft Report	Comment
38	7) Any other matter related to effective or efficient service delivery, as required by commission policy.	The Response letter addresses the recommendation regarding allocating revenues to particular cost centers. The District will begin have cost accounting in place to track enterprise and non-enterprise activities in Fiscal Year 2015 2016.

Appendix A

Average growth daily passengers



San Mateo County Harbor District



Red- OPM
Blue - PPH

Employee List

Administration (6 FTE)

Glenn Lazof, Interim General Manager

Debbie Nixon, Deputy Secretary

Human Resources

Marcia Schnapp, Temporary Administrative Services Manager

Finance

Debra Galarza, Director of Finance

David Doyle, Accountant

Belen Cruz, Accounting Specialist

Oyster Point Marina (8.5 FTE)

Scott Grindy, Harbor Master (.5)

Jim Merlo, Assistant Harbormaster

Michelle Reloba, Accounting Technician

James Smith, Lead Maintenance Specialist

Deputy Harbormasters

Greg Gubser

Matt Hoff

Neal McGeehan

Tyler Finch

David Durr

Pillar Point Harbor (13.5 FTE)

Scott Grindy, Harbor Master (.5)

John Draper, Assistant Harbormaster

Katherine Mickelson, Accounting Technician

Michael Williams, Lead Maintenance Specialist

Deputy Harbormasters

David Arington

Randy Bankord

Christopher Chang

Donald Coats

Dante Madrigal

Jerry Pemberton

Cary Smith

Jacob Walding

Suzanne Walker

Harbor Worker

Vacant