

# OPINION

## Harbor District runs out of second chances

**I**t is time to put the San Mateo County Harbor District out of our misery.

The district that has already been judged to have “zero sphere of influence,” that has more often than not for more than a decade been a source of embarrassment to taxpayers, that repeatedly has been the locus of sexual

harassment complaints, lawsuits, lost money, favoritism and enough mismanagement to fill a business school textbook is no longer worth the trouble. It is time for the San Mateo County Board of Supervisors to step in.

In retrospect, the Supes should have acted after the Local Agency Formation Commission suggested as much two years ago when it found once again that the Harbor District unduly burdens bay-side taxpayers and duplicates county-wide services. LAFCo didn't call for the

district to be dissolved at that time and the Board of Supervisors blinked. It's time to open our eyes wide now.

The latest embarrassment is the revelation that board President Tom Matusch apparently sent inappropriate emails containing nude photos to a female commissioner. It would be even more shocking if it weren't part of a long, sad list of embarrassments.

The argument for a dedicated harbor district rests on the specialized nature of the county's two harbors. You could say that boating, fishing and the specialized recreation that occurs at Oyster Point and Pillar Point harbors deserve special attention. But not this kind of special. We are now convinced that there is nothing the district does that the county couldn't do better for less money.

Last week's news is the straw that sunk the district's ship, but it was already listing due to ongoing acrimony among elected officials. Virginia

Chang Kiraly and Sabrina Brennan are the very definition of oil and water. And theirs is just the latest feud. In recent years, commissioners have argued, stormed out and even quit the board.

Meanwhile, important work is always on the horizon. We are always just about to do something about fecal bacteria in harbor waters. We are forever getting closer to demolishing the crumbling Romeo Pier. We're going to replenish Surfer's Beach with sand from the harbor any day now...

It's time to stop talking about the problems at the harbor and do something about them.

Write Don Horsley, your representative on the Board of Supervisors and a member of the LAFCo board. His email address is dhorsley@smc.gov. Tell him you want your tax dollars spent wisely and by responsible adults.

— Clay Lambert

### **Ignoble history of Harbor District**

- ▶ Fifteen years ago, the San Mateo County civil grand jury said dissension among harbor commissioners hindered board performance.
- ▶ In 2007, the human resources director gave employees three hours to fill out a questionnaire detailing their workload. The union balked and only one survey was submitted.
- ▶ Harbor Commissioner Pietro Parravano gave up plans to use a government grant to repair his boat in 2012 when the grant provider investigated whether he was qualified to receive the grant.
- ▶ In 2013, district staff found 37 checks from tenants that had been left unnoticed in an employee's desk drawer and never deposited.
- ▶ That same year, the commission violated the Brown Act by trading emails over whether to move offices.
- ▶ In 2015, the district paid \$295,000 to settle harassment claims filed by its own finance director.
- ▶ Also in 2015, the Harbor District admitted purchasing thousands of dollars worth of computer equipment that was never installed.
- ▶ Former acting General Manager Scott Grindy filed a tort claim alleging a range of mistreatment by one of the Harbor Commissioners.
- ▶ Earlier this year, Commissioner Virginia Chang Kiraly walked out of a meeting after Commissioner Sabrina Brennan commented as a member of the public.



[ EDITORIAL ]

[ LETTERS TO THE EDITOR ]

[ PHODOODLE ]



**From:** Russel Kayser  
**To:** [dhorsley@smcgov.org](mailto:dhorsley@smcgov.org); [cgroom@smcgov.org](mailto:cgroom@smcgov.org); [dcanepa@smcgov.org](mailto:dcanepa@smcgov.org); [dpine@smcgov.org](mailto:dpine@smcgov.org); [wslocum@smcgov.org](mailto:wslocum@smcgov.org); Virginia Chang Kiraly; Robert Bernardo; Edmundo Larenas; Sabrina Brennan; Steve McGrath; [clay@hmbreview.com](mailto:clay@hmbreview.com); Kit O'Doherty; Ozhmb; liv2surf; joffre baker; Anna-Maria Munoz; Jane Kinsley MFT; [chewbakka61](#); Beth Myers, MFT  
**Subject:** Remove Tom Mattusch, he is Ethically Unfit to be President of the Harbor District Board of Commissioners  
**Date:** Monday, November 13, 2017 12:27:30 PM

---

Dear all,

This is about the apparent unethical behavior of an elected official in San Mateo.

It has come to my attention that elected official Tom Mattusch's ethical behavior is not equal to the responsibility of being President of San Matteo Harbor District Board of Commissioners. I am concerned that harm he has done will lead to more harm by him in the future.

Tom Mattusch is accused of sexual harassment, here: [http://www.hmbreview.com/news/harbor-commissioner-details-sexual-harassment-claim/article\\_75a59d50-c651-11e7-9993-eb49514a5058.html](http://www.hmbreview.com/news/harbor-commissioner-details-sexual-harassment-claim/article_75a59d50-c651-11e7-9993-eb49514a5058.html) and of killing many wild animals for fun, here: <https://captaintomswildkingdom.wordpress.com/>.

I am angry, sad and disgusted by his unethical behavior and feel uneasy with him in a position of responsibility and authority. I feel strongly that Tom Mattusch must be removed from the Presidency of San Matteo Harbor District Board of Commission, post haste.

Sincerely  
Dr. Russel Kayser, Psy.D.

Ph: 650.729.0097  
Text: 650.544.0264

"We wish, not to be understood, but to be misunderstood exactly as we misunderstand ourselves."

Aaron Haspel

**From:** Beth Pielert  
**To:** [Steve McGrath](#)  
**Cc:** [smiller@hansonbridgett.com](mailto:smiller@hansonbridgett.com); [Tom Mattusch](#); [Virginia Chang Kiraly](#); [Robert Bernardo](#); [slarenas@smharbor.com](mailto:slarenas@smharbor.com); [Sabrina Brennan](#)  
**Subject:** Letter of Support for S. Brennan/Call for independent investigation  
**Date:** Wednesday, November 15, 2017 11:13:05 AM

---

Dear Mr. McGrath,

I am a Coastside resident and I am writing in support of Sabrina Brennan's brave decision to come forward and share her story of sexual harassment—a story that unfortunately still has consequences for her, and limits her ability to do her job fully.

Coming forward with a harassment claim as Sabrina has done is not easy. It takes bravery and a steeling of oneself in the face of continued opposition and resistance. Because of these claims, and the fact that her harasser is on the board and in a position of power over Sabrina, I urge you to please hire an independent, third-party law firm to investigate Sabrina's claims and Tom Mattusch's past and present behavior. In this way, justice might be served.

Thank you for your careful consideration.

B. Pielert

**From:** Brent Turner  
**To:** [Beth Pielert](#)  
**Cc:** [Steve McGrath](#); [smiller@hansonbridgett.com](mailto:smiller@hansonbridgett.com); [Tom Mattusch](#); [Virginia Chang Kiraly](#); [Robert Bernardo](#); [slarenas@smharbor.com](mailto:slarenas@smharbor.com); [Sabrina Brennan](#)  
**Subject:** Re: Letter of Support for S. Brennan/Call for independent investigation  
**Date:** Wednesday, November 15, 2017 3:28:59 PM

---

Seconded

On Wed, Nov 15, 2017 at 11:09 AM, Beth Pielert <[bpfilmer@yahoo.com](mailto:bpfilmer@yahoo.com)> wrote:

Dear Mr. McGrath,

I am a Coastside resident and I am writing in support of Sabrina Brennan's brave decision to come forward and share her story of sexual harassment--a story that unfortunately still has consequences for her, and limits her ability to do her job fully.

Coming forward with a harassment claim as Sabrina has done is not easy. It takes bravery and a steeling of oneself in the face of continued opposition and resistance. Because of these claims, and the fact that her harasser is on the board and in a position of power over Sabrina, I urge you to please hire an independent, third-party law firm to investigate Sabrina's claims and Tom Mattusch's past and present behavior. In this way, justice might be served.

Thank you for your careful consideration.

B. Pielert

## Oyster Point Marina Financial Analysis—Executive Summary

The San Mateo County Harbor District (SMCHD) engaged Dornbusch Associates (Dornbusch) to perform a financial analysis of Oyster Point Marina (OPM), with the primary objective of analyzing the financial implications of undertaking Capital Improvement Plan (CIP) investments, consisting primarily of dock replacement. The analysis considers issues related to SMCHD's Joint Powers Agreement (JPA) with the City of South San Francisco (SSF), which is set to expire in 2026. The analysis seeks to characterize the financial trade-offs of the following scenarios:

**Scenario #1:** This scenario assumes SMCHD would not replace docks at OPM prior to the expiration of the JPA in 2026 as specified in the \$10 million CIP. Under this scenario, SMCHD would continue to operate OPM and maintain the docks over the next nine years, but would not make investments in marina facilities or seek to extend the JPA beyond 2026. This scenario also assumes that control of the marina would be transferred to SSF at expiration of the JPA in 2026.

**Scenario #2:** This scenario assumes SMCHD would undertake the CIP, investing approximately \$10 million to replace existing docks and slips and make other investments. SMCHD would seek to negotiate a new JPA for a period sufficient for SMCHD to amortize its investments and generate the appropriate level of reserves to undertake future dock replacements.

**Exhibit 4. Oyster Point Marina Existing Slips Occupied, July 2017**

	Dock Number										TOTAL	% OCC
	1	2	3	4	5	6	11	12	13	14		
< 26 Ft	1	1	1	1	1			2	2		9	78%
26 Ft	17		1								18	82%
30 Ft	1	34	41	37	1	2					116	71%
36 Ft	1				39	21		18			79	82%
40 Ft	4						3		0	2	9	90%
45 Ft						16	18	17			51	93%
50 Ft							2		9		11	61%
55 Ft									0		0	0%
60 Ft									13	9	22	67%
<b>TOTAL</b>	<b>24</b>	<b>35</b>	<b>43</b>	<b>38</b>	<b>41</b>	<b>39</b>	<b>23</b>	<b>37</b>	<b>22</b>	<b>11</b>	<b>313</b>	<b>77%</b>
<b>% OCC</b>	<b>83%</b>	<b>66%</b>	<b>81%</b>	<b>68%</b>	<b>82%</b>	<b>83%</b>	<b>96%</b>	<b>90%</b>	<b>59%</b>	<b>61%</b>	<b>-</b>	<b>-</b>

The table indicates that Dock 11 has the highest occupancy at the marina at 96%. The high occupancy at Dock 11 is partly explained by the fact that it has a large share of desirable larger 40' and 45' slips and because Dock 11 was recently rebuilt and upgraded in 2013 with concrete slips that are in excellent condition relative to the other docks at the marina. Dornbusch anticipates that future dock rebuilds would have a similar positive impact on occupancy rates, as new docks would be more desirable to marina tenants, all else equal, compared to older docks.



Nevertheless, for the purposes of this analysis (and because our projections are based in part on historical data and financial reports), we focus on OPM's operating revenue (which does not include an allocation of county tax revenue) and its total operating expenses. As in the historical data, some of our projections in Scenario 1 and Scenario 2 result in annual operating losses for OPM, as projected operating expenses sometimes exceed projected operating revenue.

The overall SMCHD financials (for the District as a whole) still show a profit after including the county tax revenue, as they have over the past several years. In fact, SMCHD projects an overall annual operating profit of over \$3.5 million for the next several years, according to recent CIP budget projections.

*Our projections of OPM operating losses based on the historical accounting convention does not imply that, when Public revenues are allocated to OPM, the marina has an overall net loss. For example, in the FY2018 budget, SMCHD allocates \$1.55 million in tax revenues to the OPM Public account. After including this revenue, OPM shows a \$768,000 operating profit according to SMCHD's FY2018 budget.*

**Exhibit 5. OPM Operating Revenue, FY2011-FY2015**

Fiscal Year	Slip Rental	Rents & Concessions	Transient Dockage	Launching Fees	Dock Box Fees	Other Revenue	Total Revenue
2011	\$1,010,482	\$289,235	\$107,991	\$24,049	\$5,674	\$41,415	\$1,478,846
2012	\$1,102,874	\$286,288	\$57,188	\$24,903	\$8,953	\$21,999	\$1,502,205
2013	\$1,071,339	\$224,714	\$21,661	\$16,994	\$7,354	\$19,147	\$1,361,209
2014	\$1,147,867	\$371,029	\$41,879	\$21,748	\$6,380	\$27,337	\$1,616,240
2015	\$1,070,604	\$311,308	\$79,855	\$22,607	\$6,450	\$16,806	\$1,507,630
<b>Average</b>	<b>\$1,080,633</b>	<b>\$296,515</b>	<b>\$61,715</b>	<b>\$22,060</b>	<b>\$6,962</b>	<b>\$25,341</b>	<b>\$1,493,226</b>
<b>% Share</b>	<b>72.4%</b>	<b>19.9%</b>	<b>4.1%</b>	<b>1.5%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>100.0%</b>
<b>CAGR*</b>	<b>1.5%</b>	<b>1.9%</b>	<b>-7.3%</b>	<b>-1.5%</b>	<b>3.3%</b>	<b>-20.2%</b>	<b>0.5%</b>

\*CAGR = Compound Annual Growth Rate

**Exhibit 7. OPM Operating Revenue, Operating Expenses, and Net Operating Income, FY2011 - FY2015**

Fiscal Year	2011	2012	2013	2014	2015	Average
Total Operating Revenue	\$1,478,846	\$1,502,205	\$1,361,209	\$1,616,240	\$1,507,630	\$1,493,226
Total Operating Expenses	\$1,667,512	\$1,569,916	\$1,689,314	\$1,724,398	\$1,776,724	\$1,685,573
<b>Net Operating Income</b>	<b>-\$188,666</b>	<b>-\$67,711</b>	<b>-\$328,105</b>	<b>-\$108,158</b>	<b>-\$269,094</b>	<b>-\$192,347</b>

**Exhibit 8. Comparison of Oyster Point and Pillar Point Net Income, FY2014-FY2015**

Line Item	Oyster Point Marina (Average 2014-2015)	Pillar Point Marina (Average 2014-2015)
Operating Revenue	\$1,562,000	\$2,427,000
Operating Expenses	\$1,751,000	\$2,840,000
<b>Net Operating Income</b>	<b>(\$189,000)</b>	<b>(\$413,000)</b>
Depreciation	\$1,256,000	\$711,000
<b>Net Income</b>	<b>(\$1,445,000)</b>	<b>(\$1,124,000)</b>

The Oyster Point Development (OPD) project will impact OPM in a number of ways, in both the short and long term. Some of the impacts will be direct and easily quantifiable, such as the loss of lease revenue from the hotel, bait shop, and boat yard/dry storage on former SMCHD-managed parcels that have been conveyed to OPD. This will directly impact OPM’s operating (Enterprise) revenue.

Other impacts of the OPD project are not readily quantifiable, and include the potential short-term negative effects of site work, construction, and related noise and disruption, and the potential long-term benefits of bayside improvements and larger populations of nearby office workers and residents. There is uncertainty about the timing of OPD construction and related impacts.

### Scenario 1 (Status Quo)

Occupancy projections under Scenario 1 are based on historical slip occupancy rates. Any disruption to occupancy associated with construction arising from OPD planned development is anticipated to be temporary (and, as noted previously, applicable to both primary scenarios under consideration in this report). Marina tenants that would be most affected by ongoing construction would be those in live-aboards, who would experience the inconveniences associated with construction on a more frequent basis. However, live-aboards might be unlikely to abandon the marina given the limited availability of live-aboard slips at other marinas in the region and long waiting lists for live-aboard slips at OPM.

The following table summarizes projected slip supply, occupancy rates, and the number of slips occupied annually for each slip size and for the entire marina.

**Exhibit 9. Projected Slip Supply & Annual Occupancy by Slip Size, FY2018 – FY2026**

Slip Size Range	Slip Supply	Projected Occupancy Rate	Number of Slips Occupied
30' and below	195	72%	141
31' to 40'	106	83%	88
41' to 50'	73	85%	62
51' to 60'+	34	65%	22
<b>Totals</b>	<b>408</b>	<b>77%</b>	<b>313</b>

Slip rental rates are projected based on the current approved rates for FY2018 plus annual adjustments for inflation, using a projected annual inflation rate of 2.8%, based on recent increases in the U.S. BLS Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area.



**Exhibit 10. Projected Slip Rates by Slip Size, FY2018 – FY2027**

Slip Size	2018:		2022:		2027:	
	Year 1	Year 5	Year 5	Year 10	Year 10	Year 10
	Single	Double	Single	Double	Single	Double
16' and Under	\$54.00	\$81.00	\$60.31	\$90.46	\$69.24	\$103.85
26'	n/a	\$216.00	n/a	\$241.23	n/a	\$276.94
30'	\$238.00	\$249.00	\$265.80	\$278.08	\$305.15	\$319.25
36'	\$287.00	\$297.00	\$320.52	\$331.69	\$367.98	\$380.80
40'	\$330.00	\$341.00	\$368.54	\$380.83	\$423.11	\$437.21
45'	\$368.00	\$384.00	\$410.98	\$428.85	\$471.83	\$492.34
50'	\$411.00	\$427.00	\$459.00	\$476.87	\$526.96	\$547.48
55'	n/a	\$470.00	n/a	\$524.89	n/a	\$602.61
60'	\$492.00	\$514.00	\$549.46	\$574.03	\$630.82	\$659.02

**Exhibit 11. Scenario 1: Projected Slip Revenues, FY2018 to FY2027**

Fiscal Year	2018	2019	2020	2021	2022
Total Slips Occupied	313	313	313	313	313
Ave. Monthly Revenue/Occ. Slip	\$304.50	\$313.02	\$321.81	\$330.80	\$340.07
<b>Total Slip Revenue</b>	<b>\$1,143,700</b>	<b>\$1,175,700</b>	<b>\$1,208,700</b>	<b>\$1,242,500</b>	<b>\$1,277,300</b>
Fiscal Year	2023	2024	2025	2026	2027
Total Slips Occupied	313	313	313	313	313
Ave. Monthly Revenue/Occ. Slip	\$349.57	\$359.37	\$369.44	\$379.79	\$390.42
<b>Total Slip Revenue</b>	<b>\$1,313,000</b>	<b>\$1,349,800</b>	<b>\$1,387,600</b>	<b>\$1,426,500</b>	<b>\$1,466,400</b>



## Scenario 2 (Undertake CIP Investments)

**Exhibit 18. Oyster Point Marina CIP Investments and Timing**

Fiscal Year/Project	Amount
<b>2018</b>	
Replace Dock 12	\$1,355,000
Dredging	\$501,500
Remove Bait Shop	\$60,000
40,000 s.f. Commercial Parcel Planning	\$25,000
Culvert Catch Basin Filtration/Separators	\$20,000
Feasibility Consult for Harbormaster Building	\$15,000
<b>Total 2018</b>	<b>\$1,976,500</b>
<b>2019</b>	
Replace Dock 13	\$1,330,000
40,000 s.f. Commercial Parcel Site Work	\$1,000,000
Electric Vehicle	\$15,000
<b>Total 2019</b>	<b>\$2,345,000</b>
<b>2020</b>	
Replace Dock 14	\$1,330,000
Replace Dock 7	\$1,330,000
<b>Total 2020</b>	<b>\$2,660,000</b>
<b>2021</b>	
Replace Dock 1	\$1,200,000
Replace Harbormaster Building	\$400,000
<b>Total 2021</b>	<b>\$1,600,000</b>
<b>2022</b>	
Replace Dock 2	\$1,200,000
Guide Piles Throughout-Maint. And Extension	\$150,000
<b>Total 2022</b>	<b>\$1,350,000</b>
<b>2023 and Beyond</b>	
Replace Docks 3, 4, 5, and 6	\$4,800,000
Breakwater Elevation Increase (USACE?)	\$2,000,000
<b>Total 2023 and Beyond</b>	<b>\$6,800,000</b>

SMCHD staff indicated that the cost estimates for future dock replacement are based on actual costs of the replacement of Dock 11 in 2013. Dock 8 (guest dock) was also replaced in 2013. SMCHD contracted with Bellingham Marine for the construction of Docks 11 and 8. Bellingham Marine's scope of work included demolition of the existing docks and the design, manufacture and installation of the marina's new floating dock system. The existing timber dock systems were replaced with Bellingham Marine's concrete floating docks, including upgraded utility connections and accessories.

**Exhibit 19. Slip Occupancy Rates at Area Marinas**

Marina	2016 Occupancy Rate
Oyster Cove Marina	84%
Brisbane Marina	80%
Coyote Point Marina	78%
South Beach Harbor	100%
Bair Island Marina	99%
Pier 39 Marina	88%
Port of Redwood City Marina	93%
Redwood Landing Marina	50%
San Francisco Marina - West Harbor	89%
San Francisco Marina - East Harbor	78%
Treasure Isle Yacht Harbor	80%
Westpoint Harbor	62%
Average Occupancy Rate – All Marinas	82%
Oyster Point Marina Occupancy Rate	77%

OPM’s most direct competitors in terms of proximity, level of amenities and access to regional attractions include Oyster Cove Marina, Brisbane Marina and Coyote Point Marina. Occupancy rates for these marinas range between 78% and 84% and average 81%, compared to OPM’s current occupancy of 77%. Similar to OPM, these competing marinas are reportedly older with aging docks and associated support facilities.

**Exhibit 20. Projected OPM Slip Occupancy Rates Before and After Dock Replacement, Scenario 2**

	Slip Occupancy Before Dock Replacement	Slip Occupancy After Dock Replacement	Percentage Point (PP) Change
Occupancy Rate, 30' and below	72%	77%	+ 5.0 PP
Occupancy Rate, 31' to 40'	83%	93%	+ 10.0 PP
Occupancy Rate, 41' to 50'	85%	95%	+ 10.0 PP
Occupancy Rate, 51' to 60' +	65%	70%	+ 5.0 PP
Overall Marina Occupancy	77%	83%	+ 6.0 PP

Scenario 2 assumes that OPM will be able to charge higher rates for newly replaced slips as compared to existing older slips.

SMCHD provided Dornbusch a 2017 rate survey of 43 Bay Area marinas that includes useful information about where OPM slip rental rates fall within the current range of slip rates in the regional marina market. The survey presents average monthly slip rental rates *per linear foot* for all marinas. The following table summarizes the high, low, and median slip rental rates for public marinas in the survey, private marinas, and the entire set of 43 marinas surveyed.

**Exhibit 22. Range of Slip Rental Rates (per linear foot) for Surveyed Marinas**

Rate Range	Public Marinas	Private Marinas	All 43 Marinas
Low Rate	\$6.28	\$5.14	\$5.14
Median Rate	\$8.08	\$9.61	\$8.97
High Rate	\$13.21	\$14.07	\$14.07



OPM's average rate per linear foot was \$8.11, which is lower than the median rate for all marinas (\$8.97), but almost the same as the median for publicly operated marinas (\$8.08).

Dornbusch also considered data from a recent 2016 OPM Market Analysis conducted by Anchor QEA for the City of South San Francisco, which estimated potential rate increases associated with replacing docks and making various landside capital improvements, which are partially reflected in the CIP. The rate projections specified in the 2016 Market Analysis appear largely based on average slip rates at competing marinas in San Mateo and San Francisco counties. Dornbusch utilized the rates estimated in this Market Analysis to project slip revenues from newly replaced docks in Scenario 2.

The following table summarizes average projected slip rates for given slip sizes both before and after replacement under this scenario. The projections of slip rates after dock replacement come from the 2016 Anchor QEA Market Analysis.

**Exhibit 23. Projected Monthly Slip Rates per Linear Foot Before and After Dock Replacement (\$2017)**

Slip Size	Slip Rates Before Dock Replacement	Slip Rates After Dock Replacement	Percentage Change
26 Foot	\$8.31	\$8.83	6.3%
30 Foot	\$8.28	\$9.57	15.6%
36 Foot	\$8.19	\$10.40	27.0%
40 Foot	\$8.53	\$11.41	33.8%
45 Foot +	\$8.50	\$11.84	39.3%
<b>Weighted Average</b>	<b>\$8.33</b>	<b>\$10.52</b>	<b>26.2%</b>

The table indicates that on average slip rates per linear foot are projected to increase by approximately 26% after replacement to new slips, from an average rate of \$8.33 per foot to \$10.52 per foot, which is roughly 17% higher than the prevailing median rate of \$8.97 for *all* marinas in the Bay Area. **These projected rates are quite high and represent a "best case scenario" from a revenue perspective. We also consider more moderate rate increases in Scenario 2½.**

**Exhibit 25. Comparison of Projected Revenues – Scenario 1 vs. Scenario 2**

	SCENARIO 1: STATUS QUO			SCENARIO 2: REPLACE DOCKS			\$ CHANGE
	Slip Revenue	All Other Revenue	Total Revenue	Slip Revenue	All Other Revenue	Total Revenue	Total Revenue
2018	\$1,143,700	\$210,000	\$1,353,700	\$1,143,700	\$210,000	\$1,353,700	\$0
2019	\$1,175,700	\$215,800	\$1,391,500	\$1,243,900	\$215,800	\$1,459,700	+\$68,200
2020	\$1,208,700	\$221,900	\$1,430,600	\$1,375,500	\$221,900	\$1,597,400	+\$166,800
2021	\$1,242,500	\$228,000	\$1,470,500	\$1,676,700	\$228,000	\$1,904,700	+\$434,200
2022	\$1,277,300	\$234,400	\$1,511,700	\$1,740,000	\$234,400	\$1,974,400	+\$462,700
2023	\$1,313,000	\$241,000	\$1,554,000	\$1,818,900	\$241,000	\$2,059,900	+\$505,900
2024	\$1,349,800	\$247,800	\$1,597,600	\$1,900,700	\$247,800	\$2,148,500	+\$550,900
2025	\$1,387,600	\$254,800	\$1,642,400	\$1,987,700	\$254,800	\$2,242,500	+\$600,100
2026	\$1,426,500	\$261,800	\$1,688,300	\$2,118,600	\$261,800	\$2,380,400	+\$692,100
2027	\$1,466,400	\$269,100	\$1,735,500	\$2,270,300	\$269,100	\$2,539,400	+\$803,900
<b>Totals</b>	<b>\$12,991,200</b>	<b>\$2,384,600</b>	<b>\$15,375,800</b>	<b>\$17,276,000</b>	<b>\$2,384,600</b>	<b>\$19,660,600</b>	<b>+\$4,284,800</b>

**Exhibit 29. Comparison of Projected Net Income and Operating Cash Flow – Scenario 1 vs. Scenario 2**

	SCENARIO 1: STATUS QUO			SCENARIO 2: REPLACE DOCKS			\$ CHANGE
	Net Income	Add Back Depreciation	Operating Cash Flow	Net Income	Add Back Depreciation	Operating Cash Flow	Operating Cash Flow
2018	-\$1,487,500	\$627,000	-\$860,500	-\$1,525,800	\$711,600	-\$814,200	+ \$46,300
2019	-\$1,511,600	\$627,000	-\$884,600	-\$1,575,500	\$806,700	-\$768,800	+ \$115,800
2020	-\$1,530,200	\$627,000	-\$903,200	-\$1,582,800	\$895,400	-\$687,400	+ \$215,800
2021	-\$1,555,500	\$627,000	-\$928,500	-\$1,399,300	\$955,400	-\$443,900	+ \$484,600
2022	-\$1,581,500	\$627,000	-\$954,500	-\$1,443,000	\$1,002,900	-\$440,100	+ \$514,400
2023	-\$1,608,200	\$627,000	-\$981,200	-\$1,477,100	\$1,054,900	-\$422,200	+ \$559,000
2024	-\$1,635,600	\$627,000	-\$1,008,600	-\$1,510,000	\$1,106,900	-\$403,100	+ \$605,500
2025	-\$1,663,900	\$627,000	-\$1,036,900	-\$1,539,500	\$1,158,900	-\$380,600	+ \$656,300
2026	-\$1,692,900	\$627,000	-\$1,065,900	-\$1,526,900	\$1,210,900	-\$316,000	+ \$749,900
2027	-\$1,722,800	\$627,000	-\$1,095,800	-\$1,495,400	\$1,262,900	-\$232,500	+ \$863,300

Operating cash flows in Scenario 2 are on average \$481,000 higher than in Scenario 1 over the first ten years of the projection.

As noted above, the improvement in operating cash flows must offset the depreciation expense associated with the CIP investments in order for OPM to build up a reserve that would enable it to re-invest in docks in another 30 years when the new docks reach the end of their useful lives. The following table shows how the increased depreciation expense (associated with the CIP) in Scenario 2 compares to the improvement in operating cash flows as compared to Scenario 1.

**Exhibit 30. Scenario 2: Depreciation of CIP Investments vs. Improvement in Operating Cash Flows**

Fiscal Year	Depreciation of CIP Investments	Improvement in Operating Cash Flows vs. Scenario 1	Difference (Improvement in CF less Depreciation)
2018	\$84,600	+ \$46,300	-\$38,300
2019	\$179,700	+ \$115,800	-\$63,900
2020	\$268,400	+ \$215,800	-\$52,600
2021	\$328,400	+ \$484,600	\$156,200
2022	\$375,900	+ \$514,400	\$138,500
2023	\$427,900	+ \$559,000	\$131,100
2024	\$479,900	+ \$605,500	\$125,600
2025	\$531,900	+ \$656,300	\$124,400
2026	\$583,900	+ \$749,900	\$166,000
2027	\$635,900	+ \$863,300	\$227,400
Averages	\$389,700	\$481,100	\$91,400

The table shows that, over the first ten years of the forecast, the improvement in cash flows under Scenario 2 exceeds the additional depreciation expense associated with CIP investments, by an annual average of approximately \$91,000. This means that, relative to Scenario 1, OPM could set aside a reserve equivalent to the calculated annual depreciation of its CIP assets, and still have a \$91,000 surplus left over relative to its Scenario 1 operating cash flow.



This implies that the additional annual cash flows in Scenario 2 can contribute to a reserve that would allow SMCHD to re-invest in new docks when the CIP docks reach the end of their useful lives in 30 years. **In other words, the investment in docks as part of the CIP results in additional annual cash flow that allows for self-sustaining re-investment over time, as compared to Scenario 1.**

## Scenario 2½ (Undertake CIP, but more moderate rate increase)

Under this scenario, OPM would undertake the CIP and occupancy rates would increase as they do in Scenario 2, but we assume that slip rental rates do not increase as much as assumed in Scenario 2.

The following table presents projected slip rental rates under Scenario 2½. Rate increases in this scenario are only half of the increases presented in Scenario 2.

**Exhibit 31. Projected Monthly Slip Rental Rates per Foot Before and After Dock Replacement (\$2017)**

Slip Size	Slip Rates Before Dock Replacement	Slip Rates After Dock Replacement	Percentage Change
26 Foot	\$8.31	\$8.57	3.1%
30 Foot	\$8.28	\$8.92	7.8%
36 Foot	\$8.19	\$9.30	13.5%
40 Foot	\$8.53	\$9.97	16.9%
45 Foot +	\$8.50	\$10.17	19.7%
<b>Weighted Average</b>	<b>\$8.33</b>	<b>\$9.42</b>	<b>13.1%</b>

**Exhibit 33. Comparison of Projected Net Operating Income – Scenario 1 vs. Scenario 2½**

Fiscal Year	SCENARIO 1 Net Operating Income	SCENARIO 2½ Net Operating Income	Difference
2018	-\$860,500	-\$814,200	+\$46,300
2019	-\$884,600	-\$794,700	+\$89,900
2020	-\$903,200	-\$754,900	+\$148,300
2021	-\$928,500	-\$561,400	+\$367,100
2022	-\$954,500	-\$566,200	+\$388,300
2023	-\$981,200	-\$562,400	+\$418,800
2024	-\$1,008,600	-\$558,200	+\$450,400
2025	-\$1,036,900	-\$551,900	+\$485,000
2026	-\$1,065,900	-\$519,100	+\$546,800
2027	-\$1,095,800	-\$476,000	+\$619,800

While there are net operating losses in each year under both of these scenarios, the annual *improvement* in net operating income averages approximately \$356,000 per year under Scenario 2½ as compared to Scenario 1.

The following table compares the depreciation of CIP investments to the improvement in operating cash flows under Scenario 2½.



**Exhibit 34. Scenario 2½: Depreciation of CIP Investments vs. Improvement in Operating Cash Flows**

Fiscal Year	Deprecation of CIP Investments	Improvement in Operating Cash Flows vs. Scenario 1	Difference (Improvement in CF less Depreciation)
2018	\$84,600	+\$46,300	-\$38,300
2019	\$179,700	+\$89,900	-\$89,800
2020	\$268,400	+\$148,300	-\$120,100
2021	\$328,400	+\$367,100	\$38,700
2022	\$375,900	+\$388,300	\$12,400
2023	\$427,900	+\$418,800	-\$9,100
2024	\$479,900	+\$450,400	-\$29,500
2025	\$531,900	+\$485,000	-\$46,900
2026	\$583,900	+\$546,800	-\$37,100
2027	\$635,900	+\$619,800	-\$16,100
Averages	\$389,700	+\$356,100	-\$33,600

The table shows that under Scenario 2½, the improvement in operating cash flows over Scenario 1 is not sufficient to offset the increased depreciation related to CIP investments. On average, the additional CIP depreciation exceeds the improvement in operating cash flows by \$34,000 annually. This implies that OPM would not be able to build a reserve over time that would be large enough to re-invest in docks in 30 years, wholly through cash flow from operations.

However, the improvement in cash flows is almost sufficient to offset depreciation. We can explore alternative combinations of occupancy rate and rental rate trajectories as desired.

We recommend that the JPA be amended so that, going forward, SMCHD is compensated for the residual value of any investment it makes in real property and personal property assets that would revert to South San Francisco upon termination of the agreement. The simplest way to determine residual value would be by straight-line depreciation based on installation dates, investment values and the useful lives for different assets described in this report.

## VII. KEY FINDINGS AND RECOMMENDATIONS

The following bullet points summarize the key findings of this analysis:

- Some of the impacts of the OPD project on OPM are easily quantifiable (the loss of landside lease revenue due to the conveyance of parcels to OPD), while others are not (potential negative short-term impacts and positive long-term impacts to OPM occupancy and rates).
- Although there are uncertainties, they apply to both Scenario 1 and Scenario 2, and we can still compare operating cash flows between the scenarios while netting out common effects.
- In order to develop an accurate financial model, the CIP for OPM should ideally include all capital investments that will be required of SMCHD related to the fuel dock, sea level/subsidence issues, wave attenuation, and any other infrastructure issues. At present, SMCHD staff believes that investments associated with these issues will be covered primarily by OPD.
- Scenario 1 assumes constant occupancy rates (slightly below the market average), and slip rental rates increasing only by inflation.
- Given Scenario 2 assumptions (higher occupancy and higher rental rates after dock replacement), OPM could set aside a reserve equivalent to the calculated annual depreciation of its CIP assets, and still have an \$91,000 (annual average surplus) left over *relative to its Scenario 1 operating cash flow*. In other words, the CIP investment in docks results in additional annual cash flow that allows for self-sustaining re-investment over time, as compared to Scenario 1.
- Scenario 2 represents a very optimistic scenario in terms of revenue potential. While we believe an overall occupancy rate of 83% is achievable, we believe that the rate trajectory in Scenario 2½ is more reasonable than the rate trajectory in Scenario 2.
- We will be able to show alternative combinations of occupancy, rate and investment assumptions in real time with the model during the Scenario Meeting.
- If SMCHD decides to make significant capital investments at OPM, we recommend that the JPA be extended by approximately 30 years, the estimated useful life of new concrete docks.
- We also recommend that the JPA be amended to ensure that SMCHD is compensated for the residual value of its capital investments, preferably using a transparent depreciation formula.





## Staff Report

AMENDED

**TO:** Board of Harbor Commissions

**FROM:** Boomer Henthorne, Accounting Manager  
David Doyle, Accountant

**DATE:** November 15, 2017

**SUBJECT:** First Quarter – Fiscal Year 2018 (Q118) Rent Report

**Recommendation/Motion:**

Information Item

**Policy Implications:**

None

**Fiscal Implications/Budget Status:**

None

**Alternatives Considered:**

None

**Background/Discussion:**

This is the quarterly comparative report of lessee and commercial activity permit revenue for the current fiscal year. All amounts shown are on an accrual basis, meaning these amounts are earned in the periods shown (July to Sept 2017), regardless of when the actual cash is collected.

**Highlights to note on this report:**

**Merva W. Inc** – decrease due to lower off-loading fees in Q118.

**Three Captains** – lessee received a retroactive credit for off-loading fees because the lessee signed the Lease Amendment Fee Structure which this Board approved at the September 7, 2016 Board Meeting.

---

**Ketch Café** – lessee did not exceed the percentage rent threshold in Q1, so no percentage rent was due.

**KN RV Lot** – there was an increase in base rent effective April 2017 according to the terms in the lease.

**OPM V Parcels B, C, D, E** – these monthly charges totaling \$19,832 (\$2,095+\$5,622+\$3,795+\$8,320, respectively) are being eliminated beginning October 2017 due to the ~~District assigning these leases to OPD (Q218)~~ termination of the leases.

Regarding any fluctuations in the lessees and CAPs, we can perform additional research if this Commission has particular questions, but generally speaking small changes in the businesses or in the timing of when we receive reports can result in fluctuations in quarter to quarter changes.

**Summary/Recommendation:**

Information Item

**Attachments:**

Q118 Rent Report



### Legal Costs Calendar Year 2008 - 2017 YTD

	AARONSON, DICKERSON, COHN &	BRAND/ NORMAN	COX, WOOTON, LERNER, GRIFFIN,	FRANK/ LYNN S.	HANSON BRIDGETT LLP	JAY RESENDEZ, ATTORNEY AT LAW	KOTZEBUE/ MARGARET	KRAMER/ KAREN	LIEBERT, CASSIDY & WHITMORE///	MCGRATH INVESTIGATIONS	OPPENHEIMER/ AMY	RICHARDS, WATSON & GERSHON	Grand Total
2008	\$ 63,467.03								\$ 80,888.64				\$ 144,355.67
2009	\$ 51,799.33	\$ 675.00							\$ 73,809.10			\$ 19,368.42	\$ 145,651.85
2010	\$ 43,424.95								\$ 36,893.33			\$ 4,662.00	\$ 84,980.28
2011	\$ 51,869.12								\$ 24,465.48			\$ 13,249.25	\$ 89,683.85
2012	\$ 115,749.56					\$ 735.00			\$ 7,143.99				\$ 123,628.55
2013	\$ 86,084.87								\$ 14,678.70				\$ 100,763.57
2014	\$ 54,057.05		\$ 9,933.43		\$ 71,588.50		\$ 13,803.00	\$ 105,991.85		\$ 24,381.00			\$ 279,754.83
2015			\$ 34,999.80	\$ 4,500.00	\$ 375,422.96		\$ 26,364.00	\$ 109,637.32					\$ 550,924.08
2016			\$ 8,523.59		\$ 185,461.86	\$ 3,325.00		\$ 112,317.66	\$ 15,445.00				\$ 325,073.11
2017 YTD			\$ 175.00		\$ 340,696.82			\$ 64,699.72					\$ 405,571.54
<b>Grand Total</b>	<b>\$ 466,451.91</b>	<b>\$ 675.00</b>	<b>\$ 53,631.82</b>	<b>\$ 4,500.00</b>	<b>\$ 973,170.14</b>	<b>\$ 4,060.00</b>	<b>\$ 26,364.00</b>	<b>\$ 13,803.00</b>	<b>\$ 630,525.79</b>	<b>\$ 15,445.00</b>	<b>\$ 24,381.00</b>	<b>\$ 37,279.67</b>	<b>\$ 2,250,287.33</b>

\*2017 YTD is through August 2017 Invoices received.

**From:** James Lee  
**To:** [Steve McGrath](#)  
**Cc:** [Tom Mattusch](#); [Virginia Chang Kiraly](#); [Robert Bernardo](#); [Edmundo Larenas](#); [Sabrina Brennan](#); [Clay L.](#); [Carina Woudenberg](#); [Jon Mays](#)  
**Subject:** Agenda Item 13 (SMCHD Meeting, Nov. 13)  
**Date:** Wednesday, November 15, 2017 4:36:39 PM

---

Good afternoon Steve,

I hope you've been well. I'm writing to once again voice my concern with Item 13 on tonight's agenda, which is a revised version of Agenda Item 18 from the October 18th meeting.

I appreciate that staff has taken the effort to ask the board of commissioners for direction on policy regarding commissioner-originated agenda items that go unheard when meetings run long. This is a change from the previous meeting in which staff made specific recommendations that I found troublesome so I appreciate the change.

However, the staff report does not address the main reasons for agenda items going unheard. These reasons are as follows:

staff has cut the number of regular meetings a year from 24 to 12, causing each meeting to be all the more packed and stacked with agenda items;

staff has allowed commissioners who are "attending" board meetings from a remote location and teleconferencing in to cast the deciding vote on how long a meeting should run, which happened at the October 18 Harbor District meeting. Despite not being present, Tom Mattusch cast the deciding vote on three different motions related to the length of the meeting, ensuring that many items would not be heard, including, ironically, staff's Agenda Item 18;

and finally, the current board majority voting bloc has consistently complained about the length of meetings and have actively endeavored to shorten the length of meetings and obstruct public discourse on matters relating to the environment, public access, public safety, and more at both Pillar Point Harbor and Oyster Point Marina, despite the fact that they now only meet once a month to do a job they were elected by an entire county of taxpaying residents to do.

None of these reasons should be allowed to penalize hard-working commissioners of the board who actually want to engage with staff and present vital information to the rest of the board and to the voting public. Instead of looking for ways to stymie the activity of commissioners who are doing the public a valuable service, staff and the majority voting bloc of the board should be thinking of ways to ensure that all commissioners, each of whom represents the entire county, are properly heard and are able to utilize the forum they were elected to be a part of.

Per state law I expect a this letter, along with the e-mail that is quoted below, to be included in supporting materials under Item 13 in agenda packet for this meeting. (Due to time constraints on staff, I



understand if this letter cannot be attached to the board packet until after the meeting is over tonight.)

Thank you,

James Han  
720 Warren St  
Redwood City, CA 94063  
650.207.7251

----- Forwarded message -----

From: James Lee <jamesleerwc@gmail.com>  
Date: Wed, Oct 18, 2017 at 1:34 PM  
Subject: Agenda Item 18 (SMCHD Meeting, Oct. 18)  
To: Stephen McGrath <smcgrath@smharbor.com>  
Cc: Tom Mattusch <tmattusch@smharbor.com>, Virginia Chang Kiraly <vchang-kiraly@smharbor.com>, Sabrina Brennan <sbrennan@smharbor.com>, Robert Bernardo <rbernardo@smharbor.com>, "Clay L." <clay@hmbreview.com>, Carina Woudenberg <carina@hmbreview.com>, Jon Mays <jon@smdailyjournal.com>

Good afternoon Steve,

I hope you've been well. I'm writing to voice my opposition to Item 18 on your agenda, in which you recommend limiting the ability of commissioners, who are elected representatives of county residents, from placing items on the agenda. I strongly urge the board to either table the item or take no vote on the matter:

Ever since the board of commissioners chose, under your direction, to cut the number of Harbor District meetings down to once a month, almost every meeting has now become overly stuffed with agenda items and has ended up running so long that "Commissioner Items," located near the end of the agenda, frequently go unheard. This means that any commissioner who hopes to bring important community concerns before the commission are frequently unable to do so.

With agenda item 18, you have made it clear in your staff report that this is a situation that is being created with the specific intent of hampering commissioners from doing their job, which is to represent the public and their interests.

Under the staff report for Item 18, you write that Resolution 19-13 limits commissioners to one item per meeting. This is untrue. The exact wording of the 2015 amendment to Res. 19-13 states that "Any Commissioner is allowed one item per Commissioner per meeting."

"Allowed" does not mean "limited to." It certainly does not and should not mean that when a commissioner is prevented from bringing an item to the board due to a meeting's length, that they should be prevented from bringing a new item to the next meeting if their first item went unheard. Commissioners now only have 12 regular meetings a year in which they can bring an item to the commission. They should not be penalized for meetings running long, particularly when agendas are stacked so that Commissioner Items regularly go unheard.

I would remind you that the language of the 2015 amendment to Res. 19-13 was written in the spirit of fairness. Previously, the Resolution stated that a board majority must approve proposed Commissioner Items, which guaranteed that commissioners who had dissenting opinions or were marginalized by the board would never be able to get an item on the agenda.

The 2015 Amendment solved this problem by giving each commissioner a voice, and it was approved by the board unanimously. Commissioners Brennan, Bernardo, and Mattusch, who currently form a majority on the current board, voted for that amendment.

Based on the spirit of the 2015 Amendment and the actual language of the amendment itself, there is nothing that prevents commissioners from "carrying over" an item to the next meeting if it went unheard. Your recommendation that the board leave the language of the resolution as is therefore does not prevent this.

By contrast, the "Option 1" you recommend as a way to "handle" this "situation"--a situation that was intentionally created by staff--was a divisive option, which is why, when the Commission voted on that very option in the form of the 2013 Amendment to the Resolution, only three board members supported that option, while two commissioners with regularly opposing viewpoints (Brennan and Parravano) dissented. The 2015 Amendment on the other hand was non-controversial and positive, because it was written in the spirit of fairness.

Lastly, I must say that your attempt to "fix" a problem that is of your own creation is incredibly disappointing. These sorts of agenda items are reminiscent of the past culture of the Harbor District, in which the past General Manager would propose resolutions to the board where, regardless of staff's intent, the result of passing these resolutions would be to stymie the ability of individual commissioners to be effective advocates for the communities they represent. In fact, this agenda item is very much part of the culture which eventually led the civil grand jury to call for the district's dissolution.

While I respect staff and their work, with all due respect it is not the General Manager or staff whom the voters of San Mateo County chose to oversee the management of the Harbor District. It is public who oversees the board of commissioners, and it is the board commissioners who hired and who oversee the General Manager. Staff and the GM's function should not be to oversee and limit the work of Commissioners, and by extension the will of the public.

The ability of commissioners to create beneficial change for the communities they represent was already limited, and now that staff has led the efforts in the last couple of years to abolish standing committees and cut regular meetings in half, commissioners are only further hampered and avenues for public participation have narrowed. I urge you not to take the Harbor District further backward, and I urge the board to table this agenda item or let it pass without a motion or vote.

Per state law I expect this letter to be included in supporting materials under Item 18 in agenda packet for this meeting.



Thank you,

James Han  
720 Warren St  
Redwood City, CA 94063  
650.207.7251