

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

**August 20, 2014
6:00 p.m.**

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

All Harbor District Commission meetings are recorded and televised on PCT and replayed the following Friday at 6:00 a.m. and the following Saturday at 7:00 a.m. Copies 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.

Roll Call

Commissioners

Pietro Parravano, President
James Tucker, Vice President
William Holsinger, Treasurer &
Secretary
Sabrina Brennan, Commissioner
Robert Bernardo, Commissioner

Staff

Peter Grenell, General Manager
Debra Galarza, Director of Finance
Marietta Harris, Human Resource Manager
Scott A. Grindy, Harbor Master
Steven Miller, District Counsel
Debbie Nixon, Deputy Secretary

Public Comments/Questions -

The Public may directly address the Board of Harbor Commissioners for a limit of three minutes, unless a request is granted for more time, on any item of public interest within the subject matter jurisdiction of the San Mateo County Harbor District, Board of Harbor Commissioners that is not on the regular Agenda. If a member of the public wishes to address the Board on an Agenda Item, that person must complete a Public Speaker Form and wait until that Item comes up for discussion. Agenda material may be reviewed at the administration offices of the District, 400 Oyster Point Blvd., Suite 300, South San Francisco, CA 94080 or online at www.smharbor.com.

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.

Staff Recognition-

Consent Calendar

- 1 TITLE: **Minutes of Meeting August 6, 2014**
 REPORT: Draft minutes
 PROPOSED ACTION: Approval

New Business

- 2 TITLE: **Bills and Claims in the Amount of \$144,665.08**
 REPORT: Bills and Claims Detailed Summary
 PROPOSED ACTION: Approval of Bills and Claims for payment and a transfer in
 the amount of \$144,665.08 to cover payment of Bills and
 Claims

Continued Business

- 3 TITLE: **Response to Civil Grand Jury Report on San Mateo**
 County Harbor District
 REPORT: Grenell, Draft Response
 PROPOSED ACTION: Discussion, consideration and possible approval of Draft
 Response for submittal to Civil Grand Jury
- 4 TITLE: **El Granada Median Strip: Research, Listing, and**
 Property Disposition Services
 REPORT: Grenell, Memo
 PROPOSED ACTION: (1) Determine that the best interest of the District would
 be served without the necessity of request for
 proposal;
 (2) Pursuant to Section 2.7.2.2 of the District Ordinance
 Code, waive any provisions of Chapter 2.7 of the
 Ordinance Code which require request for proposals,
 and
 (3) Approve hiring of Janet Hill Gray for research, listing
 and property disposition services with respect to the
 District's Post Office Lot property in El Granada,
 APN 047-261-030, on a commission basis not to
 exceed 6% of ultimate property disposition amount

- 5 **TITLE:** **Discuss and Direct General Manager to Broaden Scope of Outreach Regarding the Sale of the District's Surplus Land**
- REPORT:** Brennan
- PROPOSED ACTION:** To be determined

Board of Harbor Commissioners

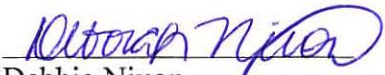
- 6 A. Committee Reports
- B. Commissioner Statements and Requests
1. The Board of Harbor Commissioners may make public statements limited to five (5) minutes.

 2. Any Commission wishing to place an item on a future agenda may make a motion to place such an item on a future agenda.

Adjournment

The next regular scheduled meeting will be held on September 3, 2014 at Sea Crest School, Think Tank, Room #19, 901 Arnold Way, Half Moon Bay at 6:00 p.m.

Amended Agenda Posted As Required:
August 15th at 10:00 a.m.


Debbie Nixon
Deputy Secretary

ITEM 2

Memorandum

TO: Harbor Commissioners

FROM: Debra Galarza & Belen Cruz

RE: Bills & Claims for Period Ending 8/20/14

Total Disbursements being submitted for your review: \$ 144,665.08

These include:

Handchecks in the amount of: \$ 102,464.64

Payables in the amount of: \$ 42,200.44

<u>Dept. Code</u>	<u>Description</u>		<u>Page Reference</u>
101	Harbor Commission	\$ 7,921.26	2
103	Administration	\$ 18,087.18	2
201	Pillar Point Harbor	\$ 59,269.10	2
301	Oyster Point Marina	\$ 27,785.98	2
	Payroll Related	\$ 31,601.56	2
	Total for Review	\$ 144,665.08	2

Notes:

Handchecks Written for:

Payroll Related \$ 31,601.56

Capital Project \$ 15,617.34

Invoices with Due Dates on or Before Board Meeting \$ 55,245.74

Total Handchecks Written: \$ 102,464.64

BILLS CLAIMS FOR 8/20/14 BOARD MEETING

VENDOR	DESCRIPTION	AMOUNT	PAYROLL RELATED	COMM 101	ADMIN 103	PILLAR POINT 201	OYSTER POINT 301
ADP, INC.	PAROLL PROCESSING	492.73		74.66	104.52	201.57	111.98
AIRGAS, NCN	CONTRACTUAL SERVICES	109.70				109.70	
ARAMARK UNIFORM SERVICES	UNIFORM SERVICES	108.47					108.47
BHI MANAGEMENT CONSULTING	CONTRACTUAL SERVICES - PROF	4,780.47		4,780.47			
BLUE RIBBON SUPPLY	OPERATING SUPPLIES	1,384.94				1,384.94	
CLARK PEST CONTROL	CONTRACTUAL SERVICES	75.00					75.00
CODE PUBLISHING INC.	OFFICE SUPPLIES	1,217.00		1,217.00			
JASON DICKINSON	REFUND DEPOSIT	321.87					321.87
DOODYCALLS, LLC	OPERATING SUPPLIES	1,317.15				1,317.15	
FEDERAL EXPRESS CORP.	CONTRACTUAL SERVICES	159.71		48.29		111.42	
GARDA CL WEST, INC.	CONTRACTUAL SERVICES	214.00				107.00	107.00
GOPHER BUSTERS	CONTRACTUAL SERVICES	495.00				495.00	
GRAINGER	REPAIRS & MAINTENANCE	468.53				468.53	
PETER GRENELL	LEGAL EXPENSE REIMBURSEMENT	14,856.25			14,856.25		
MISSION UNIFORM SERVICE, INC.	UNIFORM SERVICES	531.30				531.30	
NATIONAL CHEMICAL SERVICE	CONTRACTUAL SERVICES	74.00				74.00	
PACIFIC COLOR GRAPHICS	OFFICE SUPPLIES	124.49			124.49		
PACIFICA COMMUNITY TELEVISION	CONFERENCES & MEETINGS	500.00		500.00			
RECOLOGY OF THE COAST	GARBAGE DISPOSAL	10,053.45				10,053.45	
SAFETY KLEEN SYSTEMS INC.	CONTRACTUAL SERVICES	634.88				634.88	
SAN MATEO DAILY JOURNAL	ADVERTISING EXPENSE	429.00		429.00			
STAPLES ADVANTAGE	OFFICE SUPPLIES	1,835.12		871.84	555.38	237.84	170.06
DAVID STILLWELL	REFUND DEPOSIT	580.80				580.80	
THE WELL CONNECTED OFFICE	CONTRACTUAL SERVICES - IT	1,338.00			1,263.00	75.00	
TURBO DATA SYSTEMS, INC.	CITATION PROCESSING	98.58				98.58	
SUBTOTAL OF PAYMENTS TO BE PROCESSED 8/20/14		42,200.44	-	7,921.26	16,903.64	16,481.16	894.38
ALX TECHNOLOGY	REPAIRS & MAINTENANCE	676.13				176.13	500.00
DAVID M. ARINGTON	REIMBURSE UNIFORM EXPENSE	148.24				148.24	
AT&T	TELEPHONE/COMMUNICATIONS	1,663.06			127.71	937.73	597.62
CALIFORNIA WATER SERVICE	UTILITIES	60.90					60.90
CALPERS	PAYROLL DED PAYABLE	23,848.56	23,848.56				
CALPERS SUPPLEMENTAL INCOME	PAYROLL DED PAYABLE	3,868.00	3,868.00				
COASTSIDE COUNTY WATER DISTRICT	UTILITIES	12,147.75				12,147.75	
COASTSIDE.NET	TELEPHONE/COMMUNICATIONS	399.00				399.00	
COX, WOOTON, LERNER, GRIFFIN, HANSEN	LEGAL SERVICES	905.99					905.99
GHD, INC.	CAPITAL PROJECT	15,617.34				15,617.34	
MARINE LIEN SALES SERVICE	LIEN FEE	160.00					160.00
MC COY'S PATROL SERVICE	CONTRACTUAL SERVICES	7,352.04					7,352.04
MRC	REPAIRS & MAINTENANCE	838.36			838.36		
NEXTEL COMMUNICATIONS	TELEPHONE/COMMUNICATIONS	153.30					153.30
OPERATING ENGINEERS TRUST	HEALTH INSURANCE	1,785.00	1,785.00				
PG&E	UTILITIES	16,365.72				7,652.42	8,713.30
RECOLOGY OF THE COAST	GARBAGE DISPOSAL	304.02				304.02	
SOUTH SAN FRANCISCO SCAVENGER	GARBAGE DISPOSAL	2,150.80					2,150.80
U.S. BANK -CAL CARD-301	CAL CARD PURCHASES	4,123.09					4,123.09
Fuel		798.66					
Operating supplies		565.02					
Repairs & maintenance		2,759.41					
U.S. BANK-CAL CARD-103	CAL CARD PURCHASES	217.47			217.47		
Contractual services - prof		75.00					
Credit card fees		100.00					
Office supplies		22.52					
Telephone/communications		19.95					
U.S. BANK-CAL CARD-201	CAL CARD PURCHASES	2,355.73				2,355.73	
Fuel		1,153.89					
Miscellaneous exp		65.19					
Operating expenses		186.60					
Repairs & maintenance		766.04					
Safety equipment		105.01					
Subscriptions		79.00					
V. FONTANA & CO.	REPAIRS & MAINTENANCE	875.00				875.00	
VANTAGEPOINT TRANSFER AGENTS	PAYROLL DED PAYABLE	2,100.00	2,100.00				
YE ZOU	PROJECT MANAGER	4,349.14				2,174.58	2,174.56
TOTAL HANDCHECKS		102,464.64	31,601.56	-	1,183.54	42,787.94	26,891.60
TOTAL BILLS & CLAIMS		144,665.08	31,601.56	7,921.26	18,087.18	59,269.10	27,785.98
			PAYROLL	COMM	ADMIN	PPH	OPM

Memo

Date: 8/14/2014

To: Board of Harbor Commissioners

From: Peter Grenell
General Manager

Re: Response to San Mateo County Civil Grand Jury Report
on the San Mateo County Harbor District

CC: Managers
District Counsel

RECOMMENDATION

Discuss, consider, and approve a response for submittal to the Civil Grand Jury as provided for in the materials attached to this memorandum.

BACKGROUND

The San Mateo County Civil Grand Jury filed a Report on July 9, 2014 titled "What Is the Price of Dysfunction? The San Mateo County Harbor District". The Harbor District must respond to this report pursuant to the directions of the Court. On August 6, the Board of Harbor Commissioners decided to provide their respective comments on the report to the General Manager and instructed him to organize the comments and provide a basis for the Board's consideration of a formal response to the grand jury report as required.

Attached for the Board's consideration are the following documents:

1. The Civil Grand Jury Report and the Court's instructions for the District's response.
2. Comments and responses to the report from all five Commissioners arranged in alphabetical order.
3. Commissioners' comments and responses organized by each of the report's 12 Findings and 11 Recommendations.
4. A draft Introductory Statement for the District's response to the grand jury report.
5. Commissioners' comments and responses to the report's Findings and Recommendations and a draft staff synthesis for responses to each of the report's Findings and Recommendations. (Note: The District was not asked to respond to Recommendation #1.)

The August 20 Board Meeting Agenda has been kept to a minimum to enable the Board to have maximum time for its deliberations and to receive public comment.

**JULY 9, 2014 CIVIL GRAND JURY REPORT:
WHAT IS THE PRICE OF DYSFUNCTION?
SAN MATEO COUNTY HARBOR DISTRICT**



Superior Court of California, County of San Mateo
Hall of Justice and Records
400 County Center
Redwood City, CA 94063-1655

JOHN C. FITTON
COURT EXECUTIVE OFFICER
CLERK & JURY COMMISSIONER

(650) 261-5066
FAX (650) 261-5147
www.sanmateocourt.org

July 9, 2014

Governing Board
San Mateo County Harbor District
400 Oyster Point Blvd., Suite 300
South San Francisco, CA 94080

Re: Grand Jury Report: "What is the Price of Dysfunction? The San Mateo County Harbor District"

Dear Governing Board Members:

The 2013-2014 Grand Jury filed a report on July 9, 2014 which contains findings and recommendations pertaining to your agency. Your agency must submit comments, within 90 days, to the Hon. Lisa A. Novak. Your agency's response is due no later than October 8, 2014. **Please note that the response should indicate that it was approved by your governing body at a public meeting.**

For all findings, your responding agency shall indicate one of the following:

1. The respondent agrees with the finding.
2. The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

Additionally, as to each Grand Jury recommendation, your responding agency shall report one of the following actions:

1. The recommendation has been implemented, with a summary regarding the implemented action.
2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.
4. The recommendation will not be implemented because it is not warranted or reasonable, with an explanation therefore.

Please submit your responses in all of the following ways:

1. Responses to be placed on file with the Clerk of the Court by the Court Executive Office.
 - Prepare original on your agency's letterhead, indicate the date of the public meeting that your governing body approved the response address and mail to Judge Novak.
- Hon. Lisa A. Novak
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655.**
2. Responses to be placed at the Grand Jury website.
 - Copy response and send by e-mail to: grandjury@sanmateocourt.org. (Insert agency name if it is not indicated at the top of your response.)
 3. Responses to be placed with the clerk of your agency.
 - File a copy of the response directly with the clerk of your agency. Do not send this copy to the Court.

For up to 45 days after the end of the term, the foreperson and the foreperson's designees are available to clarify the recommendations of the report. To reach the foreperson, please call the Grand Jury Clerk at (650) 261-5066.

If you have any questions regarding these procedures, please do not hesitate to contact Paul Okada, Chief Deputy County Counsel, at (650) 363-4761.

Very truly yours,



John C. Fitton
Court Executive Officer

JCF:ck
Enclosure

cc: Hon. Lisa A. Novak
Paul Okada



What is the Price of Dysfunction? The San Mateo County Harbor District

[Summary](#) | [Background](#) | [Methodology](#) | [Discussion](#) | [Findings](#) | [Recommendations](#) | [Requests for Responses](#) | [Attachments](#) | [Responses](#)

SUMMARY

There is no way to sugar coat the issue. The commission governing the San Mateo County (County) Harbor District (Harbor District or District) is in disarray. It operates the District at significant yearly losses. Its commission meetings sometimes require police presence. YouTube videos mock the commissioners. Tenants' rent checks are lost. Public comments about the commissioners are scathing. Financial reporting is anything but transparent. There are accusations of records destruction and excess benefits paid to commissioners. Lawsuits charging harassment fly between a commissioner and the District's general manager. Video recording of commission meetings is abruptly suspended, and then reinstated. One commissioner loudly complains about the seating arrangement at meetings. Press reports frequently document the dysfunction. Social media is rife with criticism. A reporter for a daily newspaper claims that commissioners don't "want to fix the problems, they just want to be right." Meanwhile the property taxpayers of San Mateo County fund the District to the tune of \$5,000,000 annually.¹

The 2013-2014 San Mateo County Civil Grand Jury (Grand Jury) received numerous complaints from the public about the District, including how the District awards leases, the alleged overcharging of lessees, the election process of commissioners, and a lack of transparency in the District's financial reporting. The District's office is overwhelmed by public records requests. The public's disenchantment with the District has been reported on and documented as far back as 1963. A 2001-2002 County Grand Jury report remarked on the lack of collegiality between District commissioners. And in 2006, a Municipal Service Review (MSR)² by the Local Agency Formation Commission (LAFCo)³ recommended that the District be dissolved.

The District's mission statement mandates "well-managed, financially sound" marinas.⁴ Yet after a lengthy investigation, it is clear to the Grand Jury that the District commissioners are lacking in professional decorum and fiscal oversight, and that a lack of fiscal transparency makes it impossible to determine exactly how taxpayers' money is being used. Numerous press reports, blogs, comments on social media, remarks from constituents at commission meetings, and complaints to the Grand Jury indicate the public's confidence in the responsible governance of the District is suffering as a result.

¹ See Appendix A for citations

² http://www.co.sanmateo.ca.us/Attachments/lafco/pdfs/2006_10_lafco_ms_harbordist.pdf

³ San Mateo LAFCo (LAFCo) is a State-mandated, independent commission with jurisdiction over the boundaries of the 20 cities, 22 independent special districts and many of the 35 County-governed special districts serving San Mateo County. LAFCo has countywide jurisdiction over changes in organization and boundaries of cities and special districts including annexations, detachments, incorporations and formations.

⁴ <http://www.smharbor.com/harbordistrict/index.htm>

In this report the Grand Jury's foremost recommendation is dissolution⁵ of the Harbor District with its functions assumed by the County. The Grand Jury believes that due to a lack of oversight, ineffective and inefficient governance, and the unwieldy sprawl of the services it provides, the Harbor District has lost the public's trust in its management of the public's money.

Concurrently, and until such time as dissolution occurs, the Grand Jury recommends improvement in three general areas:

- Financial Reporting
- Simplification/Divestiture
- Governance

BACKGROUND

The Harbor District was established in 1933 by a resolution of the County's Board of Supervisors. The District's boundaries include all of San Mateo County and the District receives property tax dollars from the entire County. These property taxes make up the majority of the District's revenues with the remainder of its operating budget derived from fees for services, grants, and interest on investments.

The District is an independent special district. Special districts are local governmental agencies created to meet specific needs. A special district is considered "independent" if it is governed by a board of directors or commissioners elected by the district's voters.⁶ A five member Board of Harbor Commissioners, elected by the voters of the County for staggered four-year terms, governs the Harbor District.

The Harbor District's core public service is the operation of two facilities: Pillar Point Harbor at Half Moon Bay, and Oyster Point Marina/Park in the City of South San Francisco. Pillar Point Harbor, owned and operated by the District, is a 369-berth working fishing harbor. Oyster Point is a 600-berth recreational boating marina. The City of South San Francisco owns Oyster Point. The Harbor District manages it for the City under a Joint Powers Agreement.

The District has grown greatly in size and complexity from its 1933 original, focused plan, which was to develop a commercial port in Redwood City. Unlike most special districts, the Harbor District provides multiple and varied services. Today it is a \$10 million⁷ governmental agency primarily funded by both property taxes and commercial activities. Its span of control now includes:

- Breakwater construction
- Dredging operations

⁵ Section 57077.1 of the CKH Act allows for dissolution of a district without an election unless there is a majority voter protest.

⁶ Conversely, a "dependent" special district is governed by either a city council or county board of supervisors.

⁷ http://www.smharbor.com/harbordistrict/SMCHD_financial_year_endingJune302013.pdf page 7

- Swimming beaches
- Pier development and maintenance
- Commercial fishing
- Commercial fish buying
- Recreational boating including liveaboards
- Launch ramps
- Search and rescue operations
- Public access, including picnic areas, hiking and jogging trails, and education programs
- Commercial enterprises such as restaurants and marine services, water sports, and an RV park
- Ferry services
- Surplus real estate

It is useful to note that about 85% of the special districts in California provide a single, specific service such as mosquito abatement, police or fire protection, or sewer services. Unlike most special districts, the Harbor District-- as shown above--provides multiple and varied services.⁸

METHODOLOGY

In connection with its research regarding this report, the Grand Jury reviewed all of the following documents, attended site tours, and conducted interviews with key personnel as listed below.

Documents

- California State Legal Codes⁹
- California State Controller Reports
- Local Agency Formation Commission (LAFCo) Municipal Service Review (MSR)¹⁰
- Prior Grand Jury reports¹¹

⁸ <http://calafco.org/docs/SpecialDistrictFactSheet2009.pdf>

⁹ Cortese-Knox-Hertzberg Govt. Reorg. Act of 2000 Code §56000-57550, California Harbors & Navigation Code §6000, The Brown Act Code §54950

¹⁰ www.co.sanmateo.ca.us/Attachments/laico/pdfs/2006_10_laico_ms_harbordist.pdf

¹¹ Grand Jury reports reviewed: 1979-1980, 1986, 1989, 1990, 1991, 1992, 2001-2002

- Harbor District documents¹²
- Press reports about, and video recordings of, commission meetings
- Reports and publications from organizations supporting local governance¹³

Site Tours

- Pillar Point Harbor
- Oyster Point Marina/Park
- Harbor District Commission Meetings

Interviews

- Harbor District Commissioners and Senior Staff
- County officials
- South San Francisco officials
- Coast Guard official
- Santa Cruz Port District senior staff
- County Sheriff's Department
- Harbor District Lessees
- Local press familiar with issues raised in this report
- San Mateo County LAFCo
- Harbor District Auditor
- Independent Auditor

DISCUSSION

As a result of its investigation, it is abundantly clear to the Grand Jury that the citizens of the County would be best served, both financially and in terms of better service, if the District were dissolved and its operations assumed by the County and other successor agencies. The District's history of dysfunction is well documented and it exceeded its core mission long ago.

¹² For a list of documents reviewed see Appendix B

¹³ www.csda.net, www.ca-ilg.org, www.sdlf.org, www.calafco.org,
http://www.inyocounty.us/Recorder/Documents/Whats_So_Special.pdf

The lengthy and antagonistic relationship between the Harbor District and the citizens of San Mateo County goes back at least 50 years. In 1963 57% of the County's voters agreed that the District should be dissolved. In 1966 it was in fact dissolved. But a court overturned that decision¹⁴ and the District was reinstated. In 1990 the Grand Jury advocated for dissolution, and did so again the very next year, concluding that, "Substantial cost savings would be realized by dissolving the San Mateo County Harbor District and placing control of that district's facilities under the Board of Supervisors."¹⁵

While there is a defined path for dissolution,¹⁶ the primary hurdle is the complexity of determining successor agency(ies) and developing a comprehensive plan and budget, especially when the District itself has always been adamantly opposed to dissolution. If dissolution cannot be accomplished (despite remaining the Grand Jury's top recommendation), many of the existing problems could be mitigated by clearer financial reporting and transparency, a simplified restructuring of the District, and improved governance.

Dissolution

Dissolution of the Harbor District is the best and most obvious solution for its myriad problems. The Grand Jury believes that dissolving the District would not deprive the County's citizens of any related benefits. At least one senior County official indicated to the Grand Jury that the County would be willing to pursue absorbing all or most of the District's duties. The resulting economies of scale would provide taxpayers with cost savings in areas such as human resources, property management, administration and finance. In the operation of Coyote Point Marina, the County has already demonstrated its experience in managing a recreational harbor. Another senior County official interviewed by the Grand Jury indicated interest on the part of the County Parks Department in taking control of the West Trail (also known as Mavericks Trail), currently under District management.¹⁷ The Grand Jury's interviews with County officials, revealed the existence of possible successor agencies for some of the District's operations.

The LAFCo MSR of 2006¹⁸ also recommended dissolution and listed two areas for potential cost savings to be derived from a transfer of service: the cost of administration and Harbor Commission expenditures. In the last fiscal year operating expenses for administration were \$1,160,628. Commission operating expenses were \$529,589.¹⁹ These two areas of expense comprised 23% of the District's FY 2012-2013 annual expenditures.²⁰ A significant line item of the commission's operating expense was the cost of the last biennial election of District commissioners. That cost was \$376,975.²¹

¹⁴ The court overturned the decision due to a procedural error. See: San Mateo County Harbor Dist. vs. Board of Supervisors 273 Cal. App. 2d 165

¹⁵ 1991 GJ report, San Mateo County Jury Commissioner's Office

¹⁶ See Appendix C for a description of the dissolution process.

¹⁷ Grand Jury interview with senior County Park & Recreation staff member

¹⁸ http://www.co.sanmateo.ca.us/Attachments/lafco/pdfs/2006_10_lafco_ms_harbordist.pdf

¹⁹ http://www.smharbor.com/harbordistrict/SMCHD_financial_year_endingJune302013.pdf page 8

²⁰ *ibid*, page 8

²¹ *ibid*, page 28

The County's assumption of most or all of the District's operations could result in a new designation of the District as a "dependent" special district with commissioners appointed by the Board of Supervisors rather than elected by County-wide voters. An additional benefit of dependent status could be the ability to require that appointees hold certain qualifications, such as commercial fishing experience, environmental expertise and so on. Residency requirements (e.g. that at least one commissioner reside on the coastside and another on the bayside) could also be imposed.

In addition to the County, potential successor agencies such as the City of Half Moon Bay and the Midpeninsula Regional Open Space District already exist which might reasonably assume some of the District's operations with resultant cost savings and greater efficiencies. Attempts to dissolve the Harbor District in the past, however, have been thwarted multiple times.²² Consequently, although dissolution of the District was brought before voters and the courts as far back as 1966, the only tangible results were legal costs to the taxpayers. Several subsequent attempts to dissolve the District or to detach other public entities (as explained below) from the District also have failed. As stated above, the 2006 LAFCo municipal service review (MSR) recommended dissolution with the County as the successor agency to assume the District's operations. The response from the District was uncompromising disagreement, and due to the legal intricacies inherent in the process of dissolution,²³ the District remains as-is.

Detachment

Another option considered by the Grand Jury is a procedure called detachment. State law provides an opportunity for any city or other district that falls within a special district's boundaries to petition for withdrawal of their property tax monies from that district. According to LAFCo, since 1973 at least 10 separate cities, towns, and special districts within the County have applied, unsuccessfully, for detachment from the Harbor District.²⁴ However, since every citizen of the County potentially benefits from at least some of the District's operations, it can be argued that exempting only a subset of entities from the tax burden associated with supporting the District would create new inequities.

The desired result of the Grand Jury's recommendations is to preserve, protect and enhance the assets of the Harbor District for the citizens of this County. The Grand Jury's first recommendation remains dissolution. However, due to the past failed efforts, our further recommendations focus on developing three competencies: better fiscal transparency, greater operating efficiencies through simplification and divestiture, and more professional and collegial governance.

FINANCIAL REPORTING

All of the District's activities can be categorized as either enterprise or non-enterprise. An enterprise activity is one where a district charges fees for services provided to its customers.

²² The 1990 Grand Jury reported that at least five attempts to dissolve the District or reduce its tax base through detachment had occurred. At least 3 more attempts have been made since.

²³ The primary deterrents to dissolution are cited as the threat and cost of litigation and the complexities of finding successor agencies with an adequate plan for continued operation.

²⁴ LAFCo email to Grand Jury June 2, 2014

Commercial fishing, for instance, is an enterprise activity. In contrast, managing the West Trail, in which no fees are charged to the public for its use, is a non-enterprise venture.

State law gives special districts wide latitude in how they can spend public tax monies. Therefore the Harbor District, like every other special district, has the discretion to use property tax monies to benefit private enterprise (like commercial fishing) if it so decides. But despite this latitude allowed under state law, the California Legislature expressed clear intent with respect to the allocation of a special district's share of its property tax revenues: enterprise districts are encouraged to recover the cost of providing services through the fees they charge.²⁵ Districts should dedicate their property tax revenues to the funding of non-enterprise services (such as search and rescue).²⁶

The use of property tax monies to fund enterprise services is at the core of this Grand Jury's concern. At least one commissioner recently stated his confidence that property values in the County are increasing and that the District can expect to receive even more tax revenue in the coming years.²⁷ This comment makes it appear likely that the use of public property tax monies to subsidize enterprise activities will not only continue, but increase.

Ultimately, the Grand Jury feels that the District should clearly inform County taxpayers how much of their property tax money is being spent to subsidize private, commercial activities. The District's financial reporting, though compliant with governmental reporting requirements,²⁸ lacks sufficient transparency for taxpayers to make that determination. The Grand Jury's review of the District's finances revealed that the District has received over \$20 million in property taxes in the last five years and that these monies are used, at least in part, to bridge the gap between what the District earns and what it spends.²⁹

The Harbor District holds significant assets that produce revenue. It owns buildings leased to restaurants, bait shops, and a surf shop. 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. 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. The Grand Jury investigation revealed that lease analyses and benchmarking of pricing are infrequently performed.³⁰ The Grand Jury is not advocating for an ad hoc increase in rents charged and rates enforced, but more timely analyses of these revenue sources would be considered a best practice to ensure that revenues reflect current market rates. In fact, this same finding was noted in a 1990 Grand Jury report.³¹

²⁵ http://www.inyocounty.us/Recorder/Documents/Whats_So_Special.pdf page 10

²⁶ http://www.co.sanmateo.ca.us/Attachments/lafco/pdfs/2006_10_lafco_ms_harbordist.pdf page 13

²⁷ <http://www.smdailyjournal.com/articles/news/2014-06-06/harbor-district-dips-into-reserves-budget-reveals-need-to-draw-on-2m-to-cover-expenses/1776425124495.html>

²⁸ www.gasb.org

²⁹ District audited financial statements for fiscal years 2009-2013

³⁰ Per Grand Jury interview with senior Harbor management

³¹ 1990 Grand Jury report, San Mateo County Jury Commissioner's Office

Additionally, the District holds assets that are not producing revenue. These assets include a vacant commercial building at Oyster Point, unused and surplus land east of Highway 1 south of Pillar Point Harbor, and an abandoned, rotting pier at Pillar Point. The surplus properties are discussed later in this report.

Because the District reports, in its audited financial statement,³² a net income of over \$2 million for its fiscal year ending June 30, 2013 the Grand Jury believes that it is easy for the public to be misled into thinking the District's enterprise activities are profitable. Without the use of property taxes however, the District would be unable to show the positive net income it currently reports.

The Grand Jury's investigation revealed that, for at least the last five fiscal years, the District's operating expenses have exceeded its operating revenue (defined as revenues earned from fees for the services it provides) by more than \$18 million. In the last fiscal year, the cost of salaries and benefits to the Harbor District was 103% of its operating revenue. In other words, without using non-operating revenues like property tax monies, the District would not be able to make its payroll.³³ This structural deficit has led to an annual depletion of reserves, and is in direct contradiction to the District's own statements to the 1979-1980 Grand Jury that, "The definite statement of the District's management is to get the District off the tax roles (sic) - to budget the marinas commensurate with the operating revenues so as to be self-supporting."³⁴

It is clear from a recent public Harbor District meeting that the District's own commissioners struggle with the lack of easily understandable financial information regarding the District's enterprise activities.³⁵ The Grand Jury believes that a clear and separate accounting of all enterprise and non-enterprise revenues and expenses is vital to the taxpayers' and the commissioners' understanding of the District's financial condition and operation.

A Comparison: The Santa Cruz Port District

The Santa Cruz Port District (Port District or Port), an independent special district in Santa Cruz County that operates the Santa Cruz Harbor, functions without a penny of property taxes. In 1991, the Port began to wean itself from Santa Cruz County property tax revenues. Over a five year period, the Port surrendered its dependence on those taxes, transforming itself into a purely enterprise operation. The Port controls berths for recreational boating, the leases on restaurants, marine services and other businesses, search and rescue operations, launch ramps, and public access. While a comparison of the Port District to the Harbor District is not perfect, the Port District nevertheless offers many of the same services as the Harbor District, while consistently managing to balance its budget.³⁶ In addition, the Port District's financial reporting clearly reflects enterprise vs. non-enterprise revenues and expenses, providing much more visibility into their financial picture. Unlike the Harbor District, the Santa Cruz Port District prepares monthly management reports to assist their commissioners in understanding the results of operations and

³² http://www.smharbor.com/harbordistrict/SMCHD_financial_year_endingJune302013.pdf page 5

³³ http://www.smharbor.com/harbordistrict/SMCHD_financial_year_endingJune302013.pdf page 5 and pages 28-31

³⁴ 1979-1980 Grand Jury report, San Mateo County Juror Commissioner's Office

³⁵ <http://www.youtube.com/v/7bE6V2mcgXE?start=4256&end=4393&version=3>

³⁶ http://www.santacruzharbor.org/documents/AgendasAndReports/2013/2013_aug27/Item11.pdf

other fiscal activity, thereby providing much greater transparency to the commission and the public.³⁷

Again, it should be noted that the Harbor District's financial reports are compliant with generally accepted accounting principles as specified by the Governmental Accounting Standards Board (GASB).³⁸ The Port District's financial reports also comply with GASB standards. However, in 2011 the Port voluntarily expanded its budget and reporting approach to a program-based budget in order to provide added detail and transparency.³⁹

A review of the most recent audited financial statements of both the Harbor District and the Santa Cruz Port District revealed:

- 52% of the Harbor District's total revenue is sourced from County property taxes,⁴⁰ while the Port District received no property tax dollars.⁴¹
- For every dollar received by the Harbor District as operational revenue, it spends \$1.58.⁴² Conversely, the Port District's budget is balanced despite receiving no property tax monies.⁴³

Because all categories in the Harbor District's financial reporting are considered enterprise activities,⁴⁴ the resultant lack of transparency makes it difficult for the Grand Jury to determine how much taxpayer money is subsidizing commercial activity. Meanwhile, the Port District has adopted accounting methods that permit a clear understanding of their enterprise and non-enterprise functions.

The Grand Jury recognizes that there are significant differences in the operations of the Santa Cruz Port District and the Harbor District. The Port has many more lessees providing rental income, has a more cooperative agreement with the Coast Guard for search and rescue operations, and operates a revenue-generating, do-it-yourself boatyard for vessel repairs. But it cannot be ignored that the Port District is able to provide non-enterprise services and balance its budget without a reliance on any property tax dollars. The Grand Jury believes that the Harbor District would be well served to study the Santa Cruz model.

³⁷ Port District senior official email to Grand Jury June 12, 2014

³⁸ <http://www.gasb.org/>

³⁹ Port District senior official email to Grand Jury June 12, 2014

⁴⁰ See Appendix D

⁴¹ District auditor's email to Grand Jury June 30, 2014

⁴² *ibid*

⁴³ http://www.santacruzharbor.org/documents/AgendasAndReports/2013/2013_aug27/Item11.pdf

⁴⁴ District auditor's email to Grand Jury May 7, 2014

SIMPLIFICATION/DIVESTITURE

If dissolution of the District cannot be accomplished, and if detachment is inequitable, the Grand Jury strongly recommends simplification of the District's operation through divestiture of its non-core functions and outsourcing its property management.

As reported above, the District's responsibilities include many varied activities. Rescuing stranded kite-boarders and collecting rents from restaurants and a surf shop are all within the District's purview. Building restrooms for visitors using the West Trail and managing lien sales of boats whose owners have defaulted on their berth fees are also within the District's authority. So are collecting unloading fees from commercial fish buyers and hosting an annual Easter egg hunt.

The Grand Jury questions whether the Harbor District can ably manage these diverse activities efficiently and economically. Based on its research related to this report, the Grand Jury concludes that the District should, at a minimum, divest itself of some of its responsibilities and focus instead on its core mission of providing "safe, well-managed, financially sound and environmentally pleasant marinas".⁴⁵ As mentioned in the above discussion, the Grand Jury believes that successor agencies, with more specific competency, can be found to assume the services the District currently provides.

For example, the District reported to the Grand Jury that it is taking responsibility for improving the stability of the West Trail and constructing restrooms on site for visitors. The cost of these improvements is budgeted at \$365,000.⁴⁶ The popular trail follows the coastline just north of Pillar Point Harbor. The Grand Jury contacted a senior official with the County Parks Department, who indicated a willingness to explore a County take-over of the management of the trail.

As another example, a major dredging operation is necessary for the preservation of Surfer's Beach, located just south of the breakwater at Pillar Point Harbor. The Army Corps of Engineers will manage the project but, according to the Harbor District, requires a local funding co-sponsor. The Harbor District has assumed that role. It has already spent \$400,000 in planning costs before a grain of sand has been moved.⁴⁷ The final cost to the District for the project will be in the millions of dollars.⁴⁸ Yet Surfer's Beach is located within the City of Half Moon Bay. When asked by the Grand Jury why the dredging project has become the co-responsibility of the Harbor District, the answer was, "because Half Moon Bay is bankrupt." In fact, Half Moon Bay's current budget is balanced, with \$7.6 million in general fund reserves.⁴⁹ There may be other significant reasons why Half Moon Bay cannot (or will not) participate financially in the cost share of this project, but the answer given by the District indicates a willingness to expand its sphere of influence without considering the implications to taxpayers. Further, as described above in the Financial Reporting section of this report, without clear transparency of the

⁴⁵ <http://www.smharbor.com/harbordistrict/index.htm>

⁴⁶ http://www.smharbor.com/harbordistrict/final_budget_1314.pdf page 19

⁴⁷ Email from senior Harbor official June 9, 2014

⁴⁸ <http://www.smharbor.com/pillarpoint/ppdredge.htm>

⁴⁹ www.half-moon-bay.ca.us annual budget 2013-2014 page 51

District's financial data, neither the commission nor the taxpayers are able to make informed decisions regarding such expansion of the District's functions.

In 1996 the District purchased the decrepit Romeo Pier, located just north of Pillar Point Harbor, for \$185,000. The pier was once owned by the Romeo Packing Company, which used the pier to unload salmon and sardines for its packing plant in Princeton-by-the-Sea. When sardine fishing in the area ended in the 1950s, the pier was abandoned and left to rot. The pier has remained, decaying and idle, for nearly 20 years. Recently the Harbor commissioners rescinded their authorization of \$61,000 to begin study of a demolition plan.⁵⁰ It is estimated that removal of the pier will cost \$650,000.⁵¹ Again, the Grand Jury questions whether a lack of long term planning regarding this property reflects poorly on the decision-making ability of the Harbor Commission.⁵²

The Grand Jury noted, in a visit to the Oyster Point Marina/Park, a vacancy in a building managed by the District and recently vacated by a bait shop/convenience store. Months later the building is still empty. The Grand Jury believes that better efforts could be made in the management of all of the District's leases. As noted in the Financial Reporting section above, lease analyses for the District's tenants are infrequently performed. According to a senior District official the last lease analyses for the tenants at Pillar Point Harbor were conducted in 2006. The Grand Jury believes that the District would benefit by outsourcing the services of a local commercial real estate property management company. A professional property manager would bring greater management skills to the benefit of the tenants and the District. The property manager would also aid in the marketing effort to fill current and future vacancies.

The Grand Jury believes that the Harbor District's divestiture and outsourcing of these non-core activities will result in greater focus and efficiencies in those activities directly related to the District's core mission: harbor management.

GOVERNANCE

The Grand Jury believes that the District has evolved, perhaps organically, into a Hydra, the many-headed serpent of Greek mythology. Its numerous and varied operations now exceed the Commission's ability to govern effectively. This may not be a surprising conclusion. By law, Harbor District commissioners are paid \$600 monthly for a time-consuming and complex job requiring significant and wide-ranging expertise and attention to detail. In another special district, one with a very narrow and specific mission such as wastewater or fire protection services, a part-time governing board can be sufficient. But this is not the case with the Harbor District. It requires far more responsible governance than it currently receives. This is why the Grand Jury's primary recommendation is dissolution, with assumption of its governance by the County Board of Supervisors.

⁵⁰ <http://www.smharbor.com/harbordistrict/agendas/05072014.pdf>

⁵¹ www.midcoastcommunitycouncil.org/harborshoreline/

⁵² An additional surplus property, vacant and owned by the District since 1953, is referred to as the Post Office lot. Located just south of Pillar Point Harbor and east of Highway 1, the lot is "split zoned". The northerly portion adjacent to the existing post office is zoned for commercial development. A second portion of the parcel is zoned as El Granada Gateway and described as a largely open space. The Grand Jury is pleased that the District recently placed this long-held, non-producing asset up for sale.

It is impossible for the Grand Jury to ignore the negative public comments that the District's general manager frequently receives. He is most often the public face of the Harbor District. However, it should be noted that the general manager serves at the pleasure of the Harbor Commission with whom final oversight resides.

The behavior of the current Harbor District Commission, and reports of similar dysfunction going back at least as far as 2001,⁵³ seem to indicate a systemic flaw in the ability of District commissioners to govern effectively and collegially. As has been reported frequently in the press, commission meetings often devolve into shouting matches. A hotel that hosted commission meetings asked the District to relocate, citing complaints from hotel guests about the noise. Armed sheriff's deputies have been called to meetings to preserve order. One commissioner was chastised, at a public commission meeting, for asking whether the District's director of finance is a CPA. Another commissioner publicly expressed outrage when his seat next to the commission president was moved. By their own admission, commissioners have experienced bullying and antagonism, one commissioner even telling the Grand Jury that another commissioner's goal may be to "destroy the District." During the course of individual interviews with the Grand Jury, commissioners accused each other of ethics violations and of wasting taxpayer money.

This behavior is an embarrassment to the commission and reflects poorly on their ability to manage a \$10 million governmental agency heavily supported by taxpayers. The abysmal group dynamics are evident in the numerous hours of recorded video of commission meetings.⁵⁴ Body language, tone of voice, and verbal warfare create an atmosphere more often found in reality TV shows than in a governmental agency.

Although, the District itself recently recognized the need for more collegiality by hiring a facilitator,⁵⁵ a recommendation made 13 years ago by the 2001-2002 Grand Jury,⁵⁶ even that process was distorted by a squabble over the number of candidates to interview. After deciding on three, one invited candidate was left sitting, patiently waiting for his turn to speak, when the meeting was abruptly adjourned.⁵⁷

In interviews with the Grand Jury, most commissioners could not recall what internal committees existed, to which committees they were assigned, or when they last met. One commissioner told the Grand Jury that he was assigned to a committee the Grand Jury later learned did not exist. This indicates a lack of communication and clarity among commissioners. Commissioners admitted to the Grand Jury that the general manager received a contract renewal without the benefit of a performance review. Another commissioner reported to the Grand Jury that the commissioner was unable to obtain needed District information without having to resort to numerous public records requests. The general manager and a commissioner have filed suit

⁵³ http://www.sanmateocourt.org/court_divisions/grand_jury/2001reports.php?page=01SMCHarborDistrict.html

⁵⁴ <https://www.youtube.com/watch?v=xGJ6ZCpozLo>

⁵⁵ <http://www.smdailyjournal.com/articles/news/2014-03-21/san-mateo-county-harbor-district-seeks-help-commissioners-looking-to-hire-facilitator/1776425120124.html>

⁵⁶ http://www.sanmateocourt.org/court_divisions/grand_jury/2001reports.php?page=01SMCHarborDistrict.html

⁵⁷ <http://www.smdailyjournal.com/articles/news/2014-03-21/san-mateo-county-harbor-district-seeks-help-commissioners-looking-to-hire-facilitator/1776425120124.html>

against each other, charging harassment and incurring unknown legal fees to be borne by the District.

Reports in the press and in social media often comment on the disorderly commission meetings. In an attempt to restore order, the commission initially suspended video recordings, with one commissioner calling them a “fungus”.⁵⁸ Each member of the public is limited to 3 minutes for comment during meetings. Based on a proposal by the general manager⁵⁹ the District instituted a 5-minute time limit for commissioners to speak and created a requirement that agenda items be approved by a majority vote before being placed on the next meeting agenda. The press characterized these actions as an attempt to cut off dialogue.⁶⁰

The District’s dysfunction results in a lack of connection with some of its key stakeholders. In April of this year, for example, the District applied for a \$3.4 million federal grant⁶¹ to improve the infrastructure of Johnson Pier. Although the primary beneficiaries of these improvements would be commercial fishermen, some of these same constituents filed a protest letter asking the government to deny the application. The fishermen indicated that, despite promises to the contrary, they were not included in the planning of the proposed infrastructure changes. The fishermen wrote, “this is indicative of the lack of working relationship between the...District and the backbone of the industry on which the... Harbor has been built.”⁶²

At the outset of its investigation, the Grand Jury noticed that only one commissioner listed contact information on the District’s website. Other commissioners refused to post something as simple as an email address. These commissioners even appealed to the District’s legal counsel, attempting to have the one commissioner’s contact information deleted. Upon advice from their attorney, the remaining commissioners did eventually post email addresses. According to local press reports, the law firm that has represented the District for years recently advised the commission to seek new legal counsel.⁶³

Each commissioner, individually, told the Grand Jury that fiscal oversight of the District was the most important responsibility of the commission. Yet the District has been operating on a 23-year old Pillar Point Harbor long-range master plan, which remains in effect today. A Request for Proposal for a new strategic business plan was finally issued this fiscal year.⁶⁴

In interviews with the Grand Jury, only one commissioner was conversant with current District fiscal issues such as the amount and uses of financial reserves or when tenants’ lease analyses had last been performed. Additionally, the commissioners were unaware of who was assigned to the financial committee or when it last met. Interviews with commissioners indicated that only claims and expenses were reviewed monthly and not on a detailed line item basis. The Grand

⁵⁸ <http://www.smdailyjournal.com/articles/news/2014-02-08/harbor-district-caught-in-storm-infighting-and-allegations-overshadow-boards-work/1776425117883.html>

⁵⁹ <http://www.smharbor.com/minutes/mf091813.pdf>

⁶⁰ http://www.hmbreview.com/news/harbor-commission-cuts-off-colleague-tightens-rules/article_b9da135a-05d7-11e3-9671-001a4bcf887a.html

⁶¹ http://www.smharbor.com/harbordistrict/tiger_grant_2014.pdf

⁶² www.halfmoonbayseafood.org

⁶³ http://www.hmbreview.com/news/attorney-to-part-ways-with-harbor/article_6eab2fa6-b08e-11e3-8534-001a4bcf887a.html

⁶⁴ http://www.smharbor.com/harbordistrict/StrategicBusinessPlan_RFP2013.pdf

Jury believes that the commissioners' attention to budget is inadequate. Exceptions to the budget are reported only at the discretion of the finance director. The commission approved expenditures exceeding budget. These actions then required the District to either dip into reserves and/or rescind its prior decisions.⁶⁵ This occurred less than six weeks from the end of the current fiscal year.

A Grand Jury report published this year,⁶⁶ recommended every independent special district in the County seek certifications in governance from the Special District Leadership Foundation (SDLF).⁶⁷ The Harbor District would especially benefit from the training in finance and fiscal accountability, leadership and collegiality these courses offer. The Grand Jury specifically recommends that each commissioner attain the "Recognition in Special District Governance" certification.⁶⁸ This course provides core governance training for special district board/commission members.

The Grand Jury also recommends that the District's general manager earn the SDLF's "Special District Administrator Certification".⁶⁹ This certification requires course work and an examination and is aimed at improving the knowledge and skills of a special district administrator.

FINDINGS

- F1. The Local Agency Formation Commission recommended dissolution of the Harbor District in 2006 with the County identified as the successor agency. The Grand Juries of 1990 and 1991 also recommended dissolution.
- F2. The District's financial reporting meets the Governmental Accounting Standards Board requirements.⁷⁰
- F3. Commissioners are not receiving timely and adequately detailed financial reporting to support fully informed decisions.
- F4. Committees, both standing and ad hoc, are not consistently formed nor do they meet with any regularity.
- F5. Potential successor agencies exist which could reasonably assume all or some of the District's current responsibilities.
- F6. The District consistently requires tax dollars to offset operating losses.

⁶⁵ <http://www.smdailyjournal.com/articles/news/2014-06-06/harbor-district-dips-into-reserves-budget-reveals-need-to-draw-on-2m-to-cover-expenses/1776425124495.html>

⁶⁶ http://www.sanmateocourt.org/documents/grand_jury/2013/web_transparency.pdf

⁶⁷ The SDLF was created in 1999 and defines itself as "a 501(c)(3) organization formed to provide educational opportunities to special district officials and employees to enhance service to the public provided by special districts in California." The sister organization of the SDLF is the California Special Districts Association (CSDA). The CSDA has been in existence since 1969 to "promote good governance and improve core local services through professional development, advocacy, and other services for all types of independent special districts."

The SDLF can be found at www.sdlf.org.

⁶⁸ <http://www.sdlf.org/#!/recognitions/c309>

⁶⁹ <http://www.sdlf.org/#!/sda-certification/ctzx>

⁷⁰ www.gasb.org and www.gfoa.org

- F7. Operating losses for the last 5 fiscal years are approximately \$18.3 million.⁷¹
- F8. The District holds long-term assets that have not been revenue producing.
- F9. At least 10 separate cities, towns, and special districts within the County have applied for detachment from the Harbor District.
- F10. The District infrequently performs lease analyses and price/rate benchmarking.
- F11. The District has been operating on a 23-year old Pillar Point Harbor master plan.
- F12. The Santa Cruz Port District successfully weaned itself from the use of any property tax revenues while continuing to provide non-enterprise services and balancing its budget.

RECOMMENDATIONS

- R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014.
- R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.
- R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non-enterprise revenue and expense categories.
- R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.
- R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.
- R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2014.
- R7. The Harbor District will explore transferring or cost-sharing, with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer's Beach dredging operation by December 31, 2014.
- R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.
- R9. The Harbor District will explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014.
- R10. As soon as possible after the November 2014 Harbor Commissioner elections, the Harbor District will form standing and appropriate ad hoc committees, which meet regularly.
- R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.

⁷¹ District audited financial statements for fiscal years 2008-2013

REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the Grand Jury requests responses as follows:

From the following governing bodies:

- R1. San Mateo County Local Agency Formation Commission
- R2. County Board of Supervisors
- R2-R11 San Mateo County Harbor District
- R7 The City of Half Moon Bay

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.
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APPENDIX A

List of citations for SUMMARY, Paragraph 1

Yearly losses: SMHD audited financial statement:

http://www.smharbor.com/harbordistrict/SMCHD_financial_year_endingJune302013.pdf

Armed deputies/harassment complaints: <http://www.smdailyjournal.com/articles/news/2014-02-08/harbor-district-caught-in-storm-infighting-and-allegations-overshadow-boards-work/1776425117883.html>

Commissioners mocked: <https://www.youtube.com/watch?v=xGJ6ZCpozLo>

Missing checks: http://www.hmbreview.com/news/harbor-district-details-missing-checks/article_23e1f94a-4258-11e3-a1a7-0019bb2963f4.html

Chair caper: https://www.youtube.com/watch?v=q_rCWBE5uKU

Public outcry:

<http://www.smdailyjournal.com/articles/opinions/2014-02-22/special-district-dysfunctions/1776425118591.html>

<http://www.montarafog.com/vanilla/discussion/446/harbor-districts-tucker-pushing-to-eliminate-videotaping-of-board-meetings-says-stars-are-acting/pl>

Records destruction:

http://www.mercurynews.com/bay-area-news/ci_25054464/harbor-district-bid-destroy-records-viewed-suspicion

Commission benefits:

http://www.mercurynews.com/salary-survey/ci_24798591/former-part-time-pols-bay-area-reap-medical

District Property tax revenue FY 2012-2013:

http://www.smharbor.com/harbordistrict/SMCHD_financial_year_endingJune302013.pdf (page 13)

APPENDIX B

Harbor District documents reviewed by the Grand Jury:

- Policies & Procedures Manual
- Joint Powers Agreement with City of South San Francisco
- Organizational chart
- Job descriptions
- Budget Workshop Materials Packet
- SMCHD Website and links
- Memo dated 6/2003 to Board of Harbor Commissioners from Peter Grenell: re: Harbor District Priority: Increase Funding
- SMCHD Draft Rates & Fee Schedules
- Map of Pillar Point Harbor Jurisdiction
- RFP: To Provide Strategic Business Plan Preparation Services (October 2013)
- Johnson Pier Feasibility Study
- Dashboards for Pillar Point Harbor
- Oyster Point Marina Capital Improvement Program 2010-2015
- Agenda and Packet for Strategic Planning, Finance and Priorities Workshop 2012
- SMCHD Marketing Plan (from Business & Management Plan dated 5/30/13)
- Records Management Policy from Policies & Procedures Manual #2.1.4 (Approved and Effective 7/17/96)
- Resolution 19-13 of the SMCHD to Amend Resolution 5-94 Rules for the Preparation and Distribution of Meeting Agendas
- Memo dated 4/24/2012 To Board of Harbor Commissioners from Peter Grenell re: Informational Update on Pillar Point Harbor 1991 Urban Waterfront Restoration Plan Implementation as part of the SMCHD's Strategic Planning Process
- Harbor District Emergency Reserve Funds as per the FY 2012-2013 Capital & Operating Budget
- Tiger Grant Application Letter dated 5/19/14 to US Dept. of Transportation, Office of Infrastructure Finance & Innovation
- SMCHD: List of Major Capital Improvement Projects FY 2013-2014 (adopted in Budget)
- SMCHD 2013 Harbor Commission Committee Assignments
- Memo dated 3/14/2013 to Board of Harbor Commissioners from Peter Grenell re: Information on Board of Harbor Commissioners Committees
- SMCHD List of Major Capital Improvement Projects FY 2013-2014
- Map of District's parcels at Pillar Point Harbor.
- Map of State Tidelands Grant
- Board of Harbor Commissioners Meeting Minutes (various)

APPENDIX C

District Dissolution
Application Processing

Processing Steps
Adoption of Resolution of Application by County of San Mateo or any city or district requesting dissolution and establishing either a short term or long term successor agency. Application must have plan for service and a budget.
LAFCo Receipt of Application
Referral by LAFCo to Affected Agencies/Data Collection
Issue Certificate of Filing within 30 days (starts 90 day clock for LAFCo Hearing)
San Mateo LAFCo Hearing to consider application (May be continued for up to 70 days)
If approved, <u>Notice of Protest Hearing</u> (Must be issued within 35 days of LAFCo action, <u>Hearing may not be held sooner than 30 days from LAFCo approval</u>)
Protest Hearing held by Executive Officer (Must be no sooner than 21 days and no later than 60 days from date of Notice) (Written protest must be submitted by conclusion of protest hearing.)
Within 30 days from Protest Hearing, Executive Officer shall make a finding about the protests submitted and not withdrawn and order the dissolution without election if less than 50% of the voters submit protest or terminate the application if greater than 50% submit written protest.
If no election, LAFCo files Certificate of Completion and either date of recordation or a predetermined date such as the beginning of a fiscal quarter or year is the effective date.

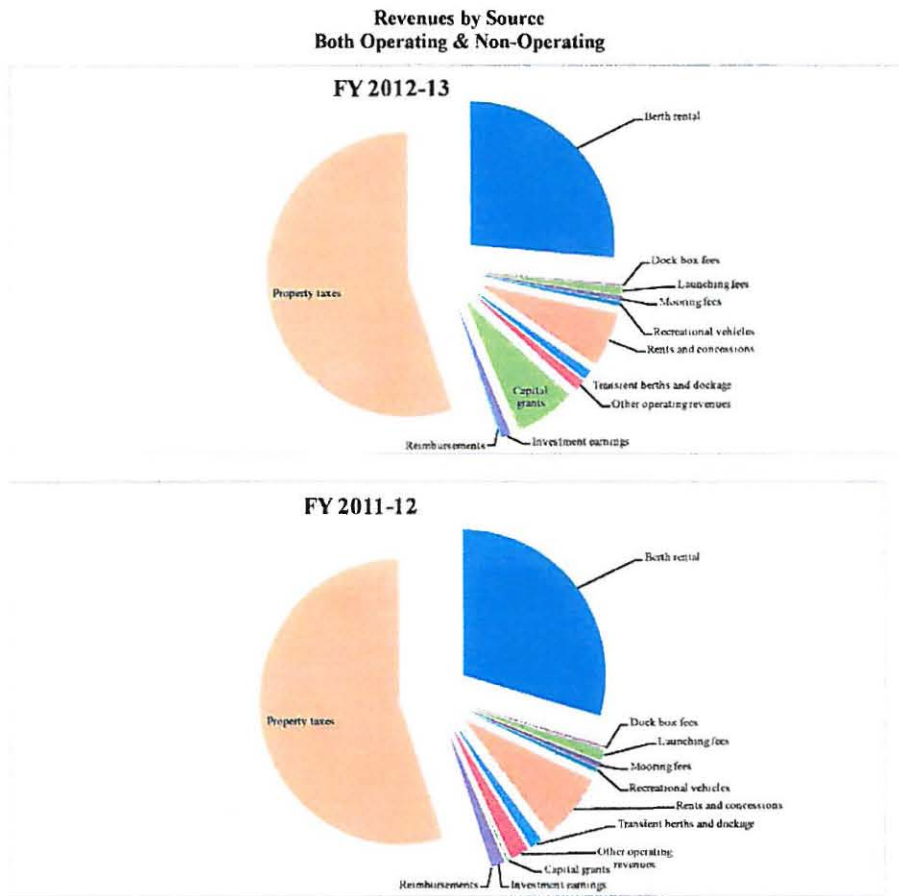
APPENDIX D

**San Mateo County Harbor District
Basic Financial Statements
For the year ended June 30, 2013**

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

The following is a graphic illustration of revenues by source:



Issued: July 9, 2014

**COMMISSIONER COMMENTS IN
ALPHABETICAL ORDER
ON CIVIL GRAND JURY REPORT**

Peter Grenell

From: Robert Bernardo <smcharborcommissioner@yahoo.com>
Sent: Sunday, August 10, 2014 5:23 PM
To: Peter Grenell
Cc: Harbor Commissioner
Subject: Fw: REMINDER: Comments due regarding civil grand jury report on SMCHD
Attachments: SKMBT_C45114080810240.pdf

Hello Peter,

Per your email request, below are my specific responses to the July 2014 San Mateo County Civil Grand Jury report. **Kindly confirm receipt of this email .**

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Robert Bernardo's Responses to the 2104 San Mateo County Civil Grand Jury Report

F1 – I disagree with the dissolution of the San Mateo Harbor District because any potential successor agency will not have the expertise, technical knowledge, or specialized training that our harbor staff requires. It's also important to note that the San Mateo County Civil Grand Juries of 2001 and 2002 did not in way, suggest or recommend dissolution.

F2 – I agree that the Harbor District's financial reporting meets Government Accounting Standards Board requirements.

F3 – I disagree that Commissioners are not receiving timely and adequately detailed financial reporting. In addition to our monthly statements, we receive quarterly investment reports, annual external audit reports—as well as annual budget workshops.

F4 – I disagree because it's unclear as to how the Grand Jury defines "consistently formed" in their report. Harbor District meetings vary depending upon operational need. For example, with the start of our 2014 Strategic Planning

meetings, Commission-led meetings (e.g. Oyster Point and Pillar Point-specific meetings) will no longer be necessary because Strategic Planning meetings will now address the issues that were once addressed by these Commission-led meetings.

F5 – I disagree because any potential successor agency will not have the same skill set to operate both harbors. For example, the County does not have equivalent job descriptions for our Deputy Harbor Masters. Our deputies have a very specific maritime expertise that comes with technical training and annual certifications that other agencies do require.

F6 – I disagree because the District does not “consistently require tax dollars to offset operating losses.” Tax dollars account for only a portion of the District’s total budget.

F7 – I disagree because during the last 5 fiscal years, the District has had positive balances. For example, during the most recent budget passed (FY2014-2015), we have a positive balance and we still need to decide what to do with the extra money.

F8 – I disagree because it’s important to remember that the District holds assets that— by their very nature—are non-revenue generating. One example of this would be the West Trail. We derive no revenues from this trail, but we maintain it because its purpose is purely for “public enjoyment,” which is very important to the District.

F9 – I agree, but it’s also important to note that in recent decades, no entity has applied for detachment from the San Mateo County Harbor District. Therefore, these

occurrences were many years ago and therefore have no relevance to the present.

F10 – I disagree because the District does perform lease analysis and price/rate benchmarking as needed (i.e. when we enter into negotiations with potential lessees).

F11 – I disagree because the District does not “operate on a 23-year old Pillar Point Harbor master plan.” We do operate in fact, from annual strategic workshops where Commissioners, staff and the public discuss operational needs and address finances in a holistic manner.

F12 – I don’t agree or disagree because any comparison to Santa Cruz Port is “apples-to-oranges.” One key difference is that the San Mateo County Harbor District operates two harbors, and each harbors has unique features, both operationally and financially.

R1 – Not applicable because this recommendation is directed toward LAFCO.

R2 - Not applicable because this recommendation is directed toward the San Mateo County Board of Supervisors.

R3 –The San Mateo County Harbor District just launched its Strategic Planning process that will address issues of financial planning and reporting.

R4 - The San Mateo County Harbor District’s Strategic Planning process will addresses this issue of “developing a plan to reduce reliance on property tax revenues,” which accounts for a portion of the District budget.

R5 - The San Mateo County Harbor District's Strategic Planning process will address issues of financial reporting.

R6 - This statement assumes that a successor agency will want to take responsibility for West Trail maintenance.

R7 - This statement assumes that a successor agency will want to take responsibility for dredging Surfer's Beach.

R8 - The District has always sought out parties to acquire non-revenue producing properties. One example is the recent Post Office and the outreach that yielded discussions with the Coastside Fire Protection District.

R9 - The San Mateo County Harbor District's Strategic Planning process will address this issue of potentially "outsourcing commercial real estate management."

R10 - There is already a mechanism in place for forming various types of committees. Also, the Strategic Planning process will also dictate whether or not certain committees will continue.

R11 - The Harbor Commission voted to support the "Special District Leadership Foundation" certification of the District at its Aug. 6, 2014.

Thank you and let me know if you have any questions.

Robert Bernardo

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On Friday, August 8, 2014 1:10 PM, Peter Grenell <pgrenell@smharbor.com> wrote:

Commissioners,

Pursuant to the Harbor Commission's action on Wednesday, August 6, I am expecting your comments on the civil grand jury's report on the Harbor District from each of you by email no later than Tuesday, August 12 at noon. This is to enable me to process them all in a timely manner for inclusion in your Board packets for the August 20 Commission meeting.

I intend to do the following:

1. Collect all comments I receive by email from you and arrange them verbatim (a) in alphabetical order by Commissioner and (b) by Finding and by Recommendation. Please mark each of your comments by Finding number or Recommendation number, respectively, to facilitate this. This is for your benefit to ensure that each of your comments is identified by sender, and to facilitate your discussion of the District's response to each finding and recommendation as required. Attached to this email for your convenience are the grand jury instructions for the Harbor Commission's response and the lists of findings and recommendations.

2. The August 20 Harbor Commission public meeting agenda will be limited to only the following items to allow maximum time for Commission deliberation and receipt of public comment:

Public Comment

Bills and Claims

Harbor District Response to Civil Grand Jury Report on San Mateo County Harbor District

Surplus property item

3. The item on response to grand jury report will consist of:

(a) The set of emailed verbatim comments arranged alphabetically by Commissioner sender.

(b) All Commissioner comments arranged by Finding and Recommendation. Any comments not so identified will be included only in set (a).

(c) A draft framework for the District response organized by Finding and Recommendation, to include background information to facilitate discussion and organization of comments toward a coherent response.

(d) A cover memo outlining this agenda item's contents: (a), (b), and (c).

4. The above item

5. will be included in the Board packets. As usual, the meeting agenda packet will be available on the District's website.

From: KonicaC451@SMHarbor.com [mailto:KonicaC451@SMHarbor.com]
Sent: Friday, August 08, 2014 11:24 AM
To: Peter Grenell
Subject: scanned document

Peter Grenell

From: Sabrina Brennan <sabrina@dfm.com>
Sent: Tuesday, August 12, 2014 11:34 AM
To: Peter Grenell
Cc: Sabrina Brennan; Steven D. Miller
Subject: Commissioner Brennan's response the the Civil Grand Jury report on the SMCHD

Hello Peter,

Please include all my comments on the Civil Grand Jury Report finding (1-12) and recommendation (1-11).

Please see my comments below.

Thank you,
Sabrina Brennan

FINDINGS

F1. The Local Agency Formation Commission recommended dissolution of the Harbor District in 2006 with the County identified as the successor agency. The Grand Juries of 1990 and 1991 also recommended dissolution.

Commissioner Brennan disagrees with the finding at this time. If the November 2014 election substantially changes the makeup of the Board, a new reform Board could change policies and fix the problems which the Grand Jury has identified.

F2. The District's financial reporting meets the Governmental Accounting Standards Board requirements.

Commissioner Brennan is not an accounting expert and would like an audit of all financial processes to determine whether or not the District is meeting GASB reporting requirements.

F3. Commissioners are not receiving timely and adequately detailed financial reporting to support fully informed decisions.

Commissioner Brennan agrees with the finding.

F4. Committees, both standing and ad hoc, are not consistently formed nor do they meet with any regularity.

Commissioner Brennan agrees with the finding.

F5. Potential successor agencies exist which could reasonably assume all or some of the District's current responsibilities.

Commissioner Brennan agrees with the finding.

F6. The District consistently requires tax dollars to offset operating losses.

Commissioner Brennan agrees with the finding.

F7. Operating losses for the last 5 fiscal years are approximately \$18.3 million.

Commissioner Brennan agrees that the Harbor District has a structural deficit.

F8. The District holds long-term assets that have not been revenue producing.

Commissioner Brennan agrees with the finding.

F9. At least 10 separate cities, towns, and special districts within the County have applied for detachment from the Harbor District.

Commissioner Brennan has no independent information regarding this finding.

F10. The District infrequently performs lease analyses and price/rate benchmarking.

Commissioner Brennan agrees with the finding.

F11. The District has been operating on a 23-year old Pillar Point Harbor master plan.

Commissioner Brennan agrees with the finding.

F12. The Santa Cruz Port District successfully weaned itself from the use of any property tax revenues while continuing to provide non-enterprise services and balancing its budget.

Commissioner Brennan has no independent information regarding this finding.

RECOMMENDATIONS

R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014.

Commissioner Brennan agrees with the finding and will closely follow the LAFCo service review of the Harbor District.

R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.

Commissioner Brennan suggests that this recommendation be re-evaluated *if* the November 2014 election reconstitutes the Board with a majority of reformers. Commissioner Brennan would like the Harbor District to work cooperatively with the SMC Board of Supervisors regarding improved governance solutions for the special district.

R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non-enterprise revenue and expense categories.

Commissioner Brennan agrees with the recommendation.

R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.

Commissioner Brennan agrees with the recommendation.

R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.

Commissioner Brennan agrees with the recommendation.

R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2014.

Commissioner Brennan agrees that the Harbor District is not responsibly managing the sensitive marine habitat in this visitor serving area and wishes the other Commissioners would support the following improvements: The Harbor District needs to take action to fix the eroding trail, provide a new restroom facility, and improve the parking lot OR identify a successor agency who will agree to fix the eroding trail, provide a new restroom facility, and improve the parking in the near future.

The parking lot must be surfaced in a way that protects the surrounding marine environment. The restroom facility is extremely inadequate.

R7. The Harbor District will explore transferring or cost-sharing, with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer's Beach dredging operation by December 31, 2014.

Commissioner Brennan agrees with the recommendation.

R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.

Commissioner Brennan agrees with the recommendation. Currently the Harbor District has not gone through a proper public process for selling the surplus property in El Granada.

R9. The Harbor District will explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014.

Commissioner Brennan agrees with the recommendation.

R10. As soon as possible after the November 2014 Harbor Commissioner elections, the Harbor District will form standing and appropriate ad hoc committees, which meet regularly.

Commissioner Brennan agrees with the recommendation.

R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.

Commissioner Brennan agrees with the recommendation.

REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the Grand Jury requests responses as follows:
From the following governing bodies:

- R1. San Mateo County Local Agency Formation Commission
- R2. County Board of Supervisors
- R2-R11 San Mateo County Harbor District
- R7 The City of Half Moon Bay

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

On Aug 8, 2014, at 1:04 PM, Peter Grenell wrote:

Commissioners,

Pursuant to the Harbor Commission's action on Wednesday, August 6, I am expecting your comments on the civil grand jury's report on the Harbor District from each of you by email no later than Tuesday, August 12 at noon. This is to enable me to process them all in a timely manner for inclusion in your Board packets for the August 20 Commission meeting.

I intend to do the following:

1. Collect all comments I receive by email from you and arrange them verbatim (a) in alphabetical order by Commissioner and (b) by Finding and by Recommendation. Please mark each of your comments by Finding number or Recommendation number, respectively, to facilitate this. This is for your benefit to ensure that each of your comments is identified by sender, and to facilitate your discussion of the District's response to each finding and recommendation as required. Attached to this email for your convenience are the grand jury instructions for the Harbor Commission's response and the lists of findings and recommendations.
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4. The above item

5. will be included in the Board packets. As usual, the meeting agenda packet will be available on the District's website.

From: KonicaC451@SMHarbor.com [mailto:KonicaC451@SMHarbor.com]

Sent: Friday, August 08, 2014 11:24 AM

To: Peter Grenell

Subject: scanned document

<SKMBT_C45114080810240.pdf>

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Response to the Findings and Recommendations of
the San Mateo County Civil Grand Jury Report
regarding the San Mateo County Harbor District
by Will Holsinger

Response to Findings

Finding No. F1. The Local Agency Formation Commission recommended dissolution of the Harbor District in 2006 with the County identified as the successor agency. The Grand Juries of 1990 and 1991 also recommended dissolution.

Response. Disagree. The 2006 recommendation was based, in part, on the indebtedness of the Harbor District to the then Department of Boating and Waterways of about \$15 million. That indebtedness has been paid down to about \$5.8 million and is on schedule for payoff one year ahead of the 2019 deadline. The County of San Mateo rejected LAFCO's 2006 recommendation. The circumstances have changed since this eight-year-old recommendation. The recommendations of the 1990 and 1991 civil grand juries are outdated and irrelevant.

Finding No. F2. The District's financial reporting meets the Government Accounting Standards Board requirements.

Response. Agree in part and disagree in part. The San Mateo County Civil Grand Jury does not have the knowledge, expertise or experience to reach such a conclusion. This conclusion is nevertheless accepted.

Finding No. F3. Commissioners are not receiving timely and adequately detailed financial reporting to support fully informed decisions.

Response. Disagree. Four of the five commissioners have never made such a statement. In this regard, this finding is inaccurate and misleading. One commissioner refuses to go the administrative offices of the Harbor District to review documents or to confer with and rely upon the staff of the Harbor District for information.

Finding No. F4. Committees, both standing and ad hoc, are not consistently formed nor do they meet with any regularity.

Response. Disagree. There are no legal requirements for the formation or conduct of committees. This is within the discretion of the president of the board and the board of commissioners as a whole to determine. Further, ad hoc committees, by their nature, are only formed for limited, specific purposes, when there is a perceived specific need.

Finding No. F5. Potential successor agencies exist which could reasonably assume all or some of the District's current responsibilities.

Response. Disagree. There is not enough information in the report or the findings to justify such a conclusion. The Harbor District is, as the report suggests, unique among local special districts in that it has a wide and varied purview of responsibilities and authority within the limited geographic areas of Pillar Point Harbor and Oyster Point Marina. Dividing up these responsibilities among multiple other public agencies and departments would create inefficiencies, confusion and less responsive service to the public.

Finding No. F6. The District consistently requires tax dollars to offset operating losses.

Response. Disagree. The Harbor District has always been funded with a share of real property taxes. The San Mateo County Harbor District provides many services mandated by law at no direct cost to the public and for which no revenue is generated. This includes health, safety and recreational functions and services. Since formation, the Harbor District has added sources of revenue through grants, as well as rents and fees from tenants and some users of the facilities. The Harbor District's annual budget now consists of a mix of operating revenues and a share of real property taxes paid by county residents. For the most part, there is no direct correlation between specific operating expenses and the source of revenue.

Finding No. F7. Operating losses for the last 5 fiscal years are approximately \$18.3 million.

Response. Disagree. The response to the previous finding is also applicable, in part, to this finding. In addition, the Harbor District currently has approximately \$40 million in assets, over \$14 million in cash and investments, and an operating budget of approximately \$8.5 million, not counting depreciation expense, with operating and tax revenues conservatively estimated, of \$8.9 million. This does not include any grants that may be received during the fiscal year nor increases in real property revenues. This current economic condition is the result, in part, of prudent financial planning over the past five years and more.

Finding No. F8. The District holds long-term assets that have not been revenue producing.

Response. Disagree. Further, this statement is non-sensical. The assets of public agencies are generally not "revenue producing." Nevertheless, the Harbor District has managed to become increasingly self-supporting from sources of operating revenue. The phrase "long-term assets" is not a phrase that has a commonly understood meaning, whether in the operation of public agencies or for generally accepted public agency accounting practices. A recent inventory of assets of the San Mateo County Harbor District discloses total assets estimated at approximately \$40 million.

Finding No. F9. At least 10 separate cities, towns and special districts within the County have applied for detachment from the Harbor District.

Response. The Harbor District does not have sufficient information to agree or disagree with this finding. Further, it is non-sensical.

Finding No. F10. The District infrequently performs lease analysis and price-rate benchmarking.

Response. The Harbor District does not have sufficient information to agree or disagree with this finding. There is no legal requirement imposed on the San Mateo County Harbor District nor any generally accepted business practice relating to frequency of lease analyses or price-rate benchmarking by public agencies for rents and fees charged to revenue-generating tenants and users. The Harbor District performs annual or more frequent reviews of fees and has periodically undertaken rent surveys and other financial analyses when timely and appropriate. At present, the Harbor District is in the process of strategic planning through professional experts and consultants, which may include financial information and recommendations relating to tenant leases and fees.

Finding No. F11. The District has been operating on a 23-year old Pillar Point Harbor master plan.

Response. Agree in part and disagree in part. The board of commissioners have not adopted anything denominated a "Master Plan" since the 1990s, but has periodically updated aspects of that plan. In addition, the Harbor District operates on a budget, with planned expenditures, on an annual fiscal basis, which is updated throughout the fiscal year and which sets priorities. Further, the District is now engaged in the development of a comprehensive strategic plan.

Finding No. F12. The Santa Cruz Port District successfully weaned itself from the use of any property tax revenues while continuing to provide non-enterprise services and balancing its budget.

Response. The Harbor District does not have sufficient information to agree or disagree with this finding. The Harbor District has not undertaken any investigation of the Santa Cruz Port District. It is not the policy and practice of the Harbor District to render subjective conclusions or make value judgments about the management and operation of other port authorities. The Harbor District is unaware of what information the San Mateo County Civil Grand Jury has regarding the Santa Cruz Port District other than what is set forth in its report. It appears from the report that there is insufficient documentation and information to reach such a conclusion.

Response to Recommendations

Recommendation R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014.

Response. The recommendation will not be implemented by the Harbor District. This is a civil grand jury recommendation that should have been directed to LAFCo. LAFCo is an independent governmental body formed and governed by law. The Harbor District has no comment on when, whether or how LAFCo should perform any of its functions.

Recommendation R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.

Response. The recommendation will not be implemented by the Harbor District. This is a civil grand jury recommendation that should have been directed to the San Mateo County Board of Supervisors. Dissolution of special districts is governed by law. The Harbor District has no comment on when, whether or how the Board of Supervisors should perform any of its functions.

Recommendation R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non-enterprise revenue and expense categories.

Response. The recommendation will not be implemented because it is unwarranted, not reasonable or necessary, and not comprehensible. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that will consider the finances and operations of the Harbor District.

Recommendation R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.

Response. The recommendation requires further analysis. The District provides facilities and services to the public that do not generate revenue and for which there is currently no revenue source other than the share of real property taxes allocated to the Harbor District by law. This includes, among other things, first-responder search and rescue services, management of the harbor and marina lands and waters, and physical environments, as well as the maintenance of trails and other recreational facilities and opportunities. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that will consider the finances and operations of the Harbor District.

Recommendation R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.

Response. This recommendation is non-sensical. To the extent it calls for the Harbor District to vary from accounting practices required by law and standard for public agencies, it will not be implemented. It is also inconsistent with Finding F2. The Harbor District complies with law and follows commonly accepted accounting and fiscal practices applicable to similar government agencies in its financial accountings and reportings. Further, the timing of the San Mateo County Civil Grand Jury report is such that it has not been able to review or make any findings or comments regarding the form or content of the Quarterly Report of the Harbor District for the fiscal quarter and year ending June 30, 2014, a copy of which is attached.

Recommendation R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2104.

Response. The recommendation will not be implemented. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants for this and other purposes. The Harbor District has not received any communications from any other public agencies expressing interest in taking over management, maintenance and responsibility for the area commonly known as the West Trail. Further, the West Trail is the access point for land approach to the outer breakwater created and maintained by the Harbor District. Ownership, management and maintenance of the West Trail by another public agency would need to consider and accommodate this circumstance.

Recommendation R7. The Harbor District will explore transferring or cost-sharing, with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer's Beach dredging operation by December 31, 2014.

Response. The recommendation is non-sensical and will not be implemented. Responsibility for the remediation of beach sand erosion from Surfer's Beach has been accepted by the Army Corps of Engineers. While the Harbor District contributed funds for some of the initial evaluation leading to the acceptance of responsibility for this condition by the Army Corps of Engineers, the Harbor District has no other involvement with or responsibility for the sand erosion at Surfer's Beach, which is outside the Harbor District boundaries. There is soil and sand build up on the inner, harbor side of the outer breakwater near Surfer's Beach that needs to be dredged and is part of the work being undertaken by the Army Corps of Engineers. This will result in a substantial savings to the Harbor District, the taxpayers of San Mateo County and other local government entities.

Recommendation R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.

Response. The recommendation is non-sensical and will not be implemented. The report and recommendation does not contain sufficient information to enable a response. The District has in the past identified and will continue to identify real and personal property it determines to be surplus and will take such action as the board of commissioners deems appropriate under the circumstances and in compliance with law. In this regard, one real property parcel that is not within or immediately contiguous to Pillar Point Harbor has been declared surplus and is subject to sale as provided for by law.

Recommendation R9. The Harbor District will explore the outsourcing of a management of all commercial properties to a real estate management firm by December 31, 2014.

Response. The recommendation will not be implemented. Outside management of "commercial properties" within the purview of the Harbor District would be expensive and not cost-effective. Management of such properties is now cost-effectively handled by the Harbor District and its staff. Further, the District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that can consider this and other issues.

Recommendation R10. As soon as possible after the November 2014 Harbor Commissioner elections, the Harbor District will form standing and appropriate ad hoc committees, which meet regularly.

Response. The recommendation will not be implemented. The formation of "standing" and "ad hoc" committees is within the purview of the president and members of the board of commissioners of the San Mateo County Harbor District, in addition to the election of officers and conduct meetings. Whether, when and for what purpose standing or ad hoc committees are formed or operated is part of that discretionary process.

Recommendation R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.

Response. The recommendation requires further analysis. This appears to relate to and be duplicative, at least in part, of other recommendations made by the civil grand jury in another, separate and previous report. Those recommendations are being finalized and separately responded to. Those responses are the response to this recommendation.

Comments

The 2013-2014 San Mateo County Civil Grand report recommends dissolution of the San Mateo County Harbor District. The report is seriously inaccurate and incomplete in many respects and, as a result, its recommendation is flawed and not well supported. The most notable and egregious example is its comments and conclusions regarding the Harbor District's finances and fiscal condition.

The San Mateo County Harbor District has over \$40 million in assets and, as of July 1, 2014, over \$15 million in cash and accounts on hand. The 2014-2015 budget adopted by the Harbor District commission in June 2014 projected total revenue of \$8.9 million and expenses of \$10.1 million. The shortfall was based on conservatively estimated real property tax receipts of \$5.1 million, compared to \$6.7 million received the previous fiscal year. The week after this budget was adopted, San Mateo County reported that over \$8 billion in increased property tax revenues was expected in the new fiscal year for the county as a whole, of which the Harbor District receives a share, ensuring that the Harbor District's share would be greater, not less, than what was received the previous fiscal year.

In addition, the adopted budget included over \$1.6 million in "depreciation expense." This entry is required for accounting purposes to identify the amortization, or life expectancy, of such things as vehicles, tools, buildings, etc. It is not directly associated with any expenditures. For example, when those same vehicles, tools, buildings, etc. are repaired, renovated and replaced, the "depreciation expense" is not reduced or eliminated. Thus, expenses may sometimes be effectively shown two times on a budget, once for the actual budgeting of an expense and a second time as part of "depreciation expense."

If the projected share of real property tax revenues was simply kept the same for the current fiscal year as it was for the last and "depreciation expense" was removed, the 2014-2015 budget would have shown projected receipts of \$10.7 million and projected expenses of \$8.5 million, a projected surplus of \$2.2 million. The Civil Grand Jury should have known this. What makes the Civil Grand Jury's report even more interesting is that the second of its 12 findings was that "[t]he [Harbor] District's financial reporting meets the Governmental Accounting Standards Board requirements," while at the same time failing to note that independent financial auditors have given the Harbor District a clean bill of health for many years. It is hard to understand why the Civil Grand Jury would acknowledge that the Harbor District follows proper accounting procedures, but then ignore the information in the Harbor District's financial reports and the annual findings of independent auditors.

Notwithstanding the Harbor's District sound financial condition, the Civil Grand Jury report concludes that the Harbor District has had "Operating losses for the last 5 fiscal years [of] approximately \$18.3 million." The annual budgets adopted and the conclusions of the annual independent audit reviews lead to no such conclusion. This flaw in the Civil Grand Jury's report is so fundamental and so substantial that it calls into question all of the other findings and recommendations of the Civil Grand Jury that form the basis for its recommendation that the Harbor District be dissolved.

There is a Local Agency Formation Commission in each of California's 58 counties. A Local Agency Formation Commission may initiate the consolidation or dissolution of a special district. Gov't Code §56375. This does not occur very frequently, with most such efforts based on a conclusion that a financial savings would result. To suggest that a special district should be dissolved because of political differences of opinion or dissension among members of the governing body is a novel idea. Following this line of reasoning, it might be suggested that every form of democratic governance should be abolished because there are differences of opinion and dissension.

In 2006, San Mateo County's LAFCo recommended dissolution of the San Mateo County Harbor District because it had "zero sphere of influence" and because of the Harbor District's debt to the Department of Boating and Waterways; then over \$15 million. Today, the DBW (now Division of Boating and Waterways) debt is down to about \$5.8 million and the loan is on schedule for payoff one year ahead of the 2019 deadline. In addition, the Harbor District started the current fiscal year (July 1, 2014) with over \$15 million in cash and investment accounts. Thus, at least one of the reasons for the 2006 LAFCo recommendation no longer exists. Whether the Harbor District still has a "zero sphere of influence," remains debatable.

On the other hand, there are many good reasons not to dissolve Harbor District. Perhaps the most important one is the historical purpose for the reestablishment of the Harbor District in 1945: to build and maintain a harbor of safe refuge on the San Mateo County coast. With the creation of the Pillar Point Harbor, the Harbor District also undertook to provide first-responder search and rescue services on the San Mateo County Coast. This is not a recreational function nor a revenue generating activity. The well-trained staff of the Harbor District save an average of 110 lives per year. The county has limited, if any, experience in providing water-based first-responder search and rescue services, working with the Coast Guard, Homeland Security and other national and regional regulatory and law enforcement agencies to patrol, protect and serve the needs of the county, region, state, and country in this way. While this is the first priority of the Harbor District, this function may not have the same critical, and budgetary, importance for the county, which serves a myriad of other needs and demands as part of a much larger budget and much broader responsibilities. For

example, during the most recent recession, the county found itself cutting back on many essential services while, during the same period of time, the San Mateo County Harbor District remained in a sound financial condition and did not need to cut search and rescue or any other services to the public.

The Civil Grand Jury report also noted the Harbor District is somewhat unique as a local special district in that it performs a variety of functions and serves a variety of needs within a relatively small and discrete geographic area – Pillar Point Harbor on the coast and Oyster Point Marina in South San Francisco. This was cited as a reason why the Harbor District should be dissolved and its functions and services divided up among a number of other public agencies. This reasoning is also flawed for a number of reasons. First, the Harbor District was compared to other special districts in the county and not to other harbor districts in the state. Second, no investigation or analysis was undertaken to determine whether those services are better or worse performed by other agencies. Finally, if the Harbor District was dissolved and its functions taken over by other agencies, there would be multiple government jurisdictions and overlapping agency involvements in the harbor area, likely resulting in more confusion and less efficient management and delivery of services overall. Finally, while not being specific, the Grand Jury's report admits that it is not clear whether all of the Harbor District's functions could be adequately handled by other public agencies.

Conclusion

The bases for the Civil Grand Jury's recommendation that the San Mateo County Harbor District be dissolved are flawed. The two principal reasons for this recommendation are that the Harbor District is not in a sound fiscal condition and that there is political dissension on the governing board. The first reason is simply inaccurate, while the second is, frankly, un-American and anti-democratic.

The report inadvertently praises the Harbor District by noting that it is unique among local special districts because of the multiple, complex and varied functions it performs and services it provides. The report then goes on to tacitly acknowledge that not all of what the Harbor District does might be taken over by other agencies in the county. The Civil Grand Jury report fails to consider whether spreading the services the Harbor District provides over multiple county or other public agencies is workable or in the public's interest. Doing so could create more complications, less responsiveness and less service to the public.

The Civil Grand Jury report is also incomplete and defective by failing to consider the effect dissolution would have on the 49-year joint powers agreement (JPA) now in place between the Harbor District and the City of South San Francisco for the management and operation of the Oyster Point Marina, where the new ferry service now comes in. Indeed, the Civil Grand Jury did not even send its report to South San

Francisco or ask the city to respond to the report, as it did with the city of Half Moon Bay. This oversight is simply another flaw in the work of the Civil Grand Jury.

While reasonable minds might differ on whether dissolution of the San Mateo County Harbor District is in order, whether now or at some time in the future, any discussion based on the 2013-2014 Civil Grand Jury report would be misplaced and ill advised. The Civil Grand Jury's report on the San Mateo County Harbor District strongly suggests that it is the 2013-2014 San Mateo County Civil Grand Jury that needs to be investigated, not the Harbor District.

Peter Grenell

From: Pietro <pietro15@comcast.net>
Sent: Tuesday, August 12, 2014 11:50 AM
To: Peter Grenell
Subject: Response to CGJ Report
Attachments: Civil GJ 2014.docx

Hello Peter,

I have attached my response to the Civil Grand Jury report that was released on July 9, 2014.

Pietro

- F1. Agree.
- F2. Agree.
- F3. Disagree.
- Commissioners review bills and claims at each meeting. This item appears on every agenda at each meeting and describes all the expenses incurred by each department at the District;
 - Commissioners review the budget at mid-year intervals;
 - The Director of Finance provides Commissioners with a report which assesses the budget allocation; the actual expenditure of the allocation to date; and the remaining funds in the budget for that allocation;
 - Commissioners receive a quarterly investment report from the Director of Finance;
 - Commissioners receive an annual audit report;
 - Commissioners participate in an annual process which reviews the past, current budgets and approves a budget for the following year. This process starts in March and ends in late June.
- F4. Partially disagree. Committees are formed and this list of committees is given annually to each Commissioner. Committees meet as needed.
- F5. Disagree. Operating and managing an ocean side harbor and a bay side marina requires an extensive knowledge of the challenges facing the uses of these two distinctly different facilities. Any successor agency is currently facing budget reductions and staff layoffs. These conditions would create an increased strain on staff and augment the financial burden with a successor agency.
- F6. Partially disagree. The District receives property tax money. The sole purpose of the property tax money is not used to offset operating losses.
- F7. Agree.
- F8. Agree.
- F9. Disagree. Ten is an incorrect number.
- F10. Disagree. The District performs lease analyses and price/rate benchmarking when leases expire; renewed; transferred; or re-negotiated.
- F11. Disagree. The District is not operating or is bound by a 23 year old Pillar Point Harbor master plan. The District operates and manages two facilities—Oyster Pt. Marina and Pillar Pt. Harbor. How can the District operate both facilities under a 23 year old Pillar Point Harbor master plan, which, by its title, is facility specific?
- F12. I do not have enough information to agree or disagree with this finding.

- R1. This recommendation is for LAFCO.
- R2. This recommendation is for the Board of Supervisors.
- R3. This recommendation has not been implemented but will be implemented in the future.
- R4. This recommendation will not be implemented because it is not warranted or reasonable. The California legislature approved AB 8 in 1979 which provides for the District to receive property tax revenue.
- R5. This recommendation has been implemented.
- R6. This recommendation requires further analysis due to its complexity in scope. I suggest contacting Mid-Peninsula Open Space District and/or San Mateo County parks.
- R7. While I support contacting Half Moon Bay and the Army Corps of Engineers, this recommendation requires further analysis.
- R8. This recommendation has been implemented.
- R9. This recommendation requires further analysis. I would support this recommendation if the cost of hiring a real estate management firm would generate revenue for the District.
- R10. This recommendation has been implemented. The District has existing standing and *ad hoc* committees. These committees meet when needed.
- R11. This recommendation has not been implemented but will be implemented.

Pietro Parravano

August 12, 2014

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Peter Grenell

From: Jim Tucker <jamestucker17@comcast.net>
Sent: Friday, August 08, 2014 4:32 PM
To: Peter Grenell
Subject: Re: REMINDER: Comments due regarding civil grand jury report on SMCHD

The following are my general comments to the Grand Jury report of 2014.

Initially I felt insulted by the report and believed that some may be using their position to participate in the political process as opposed to a sincere honest attempt to look at an agency to make it better. Having said that I offer the following concerns.

a. I was surprised that the city of South San Francisco was not asked for a response. They are the closest to the district and its operations. I am sure that they were alarmed when they saw the report and know for a fact that they had their finance dept. looking into our budgets and past practices and our general financial health.

b. The report talks about pending lawsuits. I know of none except what was some seventeen allegations by Commissioner Brennan against Peter Grenell. There have been other complaints against commissioner Brennan, by at least two staff members, that have been investigated but I am not aware of any lawsuit.

c. The talk about dysfunctional meetings and relationships between the commissioners and split votes is not surprising but what needs to be said is that elected bodies have 5, 7 or 9 members for the purpose of eliminating tie votes. It was anticipated that elected bodies will disagree thus odd numbers of participants. Granted it would be nice if members did not disagree so forcefully and perhaps adamantly It should be noted that in my sixteen years of service there have been from time to time strong disagreements on issues however always {till currently} the relationships returned to even footing. Brent Ives, a former Mayor, has been retained to help facilitate a more cordial atmosphere.

d. The report read somewhat like past LAFCO reports calling for dissolving of the district. I have great respect for those who are called to service on the Grand Jury and know them to be good community members. However I also note that very few are experienced in any form of investigation or have knowledge of businesses such as the Harbor District. The individuals who interviewed me seemed affable enough but seemed to stumble when asking prepared questions alerting me to the fact that they had little understanding of the district. At one point because of my time in service I was asked to just talk about Pillar Pt. and Oyster Pt. and the members appeared to appreciate that rather than having to ask questions that were not familiar to them. When our debt to the State was over 19 million dollars there was not much talk about dissolving the district except for LAFCO's routine reports. Now that we are well run and financially responsible and almost debt free we seem to have a few suitors willing to take us over.

e. There is more that can be said and I plan to speak at the 20th meeting as we go item by item. I would like to close by commenting on the manner in which the report was written. Clearly it was a professional job from the first page to the last page. The conclusions did not always bear out the facts but truly the report was certainly professional. I assume here that staff wrote the report and wonder if it was dictated or was staff allowed poetic license based on a few copious notes. I cant

imagine the members that interviewed myself to have dictated or authored notes to be included. I pray I was not too harsh in my remarks because the work done by citizen volunteers is noteworthy.

Lastly some on the Grand Jury understand the power they have not in actual punishment or criminal activity but rather in the fact that 90% of the people who read the reports believe them to be the truth. There in lies the problem. While headlines in the print media scream for attention when the report is released little attention will be paid to the well thought out and meaningful response by the agency being investigated.

Specific comments to the Grand Jury Report of 2014.
Jim Tucker

F1: I disagree with dissolution. We are unique in that we answer to the people and State of California. When we owed the State \$19 million, no one wanted us. Now we owe \$5.8 million and now we are looked at favorably.

F2: Our finances conform to all requirements and has [have] withstood annual audits. We own approximately \$40 million in assets and have approximately \$15 million in the bank.

F3: All financial reports are timely and as a past Treasurer have seen our reporting to the Board.

F4: Disagree. The President forms sub-committees every year. Those committees meet as is necessary or called for by a member.

F5: Disagree. No existing agency would be more helpful or better informed than the District. We have two union group[s] OPE 3 and Teamsters. South San Francisco would be in a difficult position having to take their marina back for management.

F6: Disagree. We are called a[n] enterprise agency but we do get property tax dollars and it makes no sense to break out how each dollar is expended.

F7: Disagree. Those who have examined our past budgets do not agree with Jury's findings. We are more solvent now than when I first joined the district 16 years ago.

F8: We wanted to build at Oyster Pt. but were asked to hold off pending another developer actions [sic].

F9: I do not know of any other cities or agencies [sic] except LAFCO that want out of the district.

F10: Disagree. The 2004 grand jury talked about lease arrangements and were told leases are legal docs and cannot be changed until they are up for renewal which we have done.

F11: Our new strategic plan speaks to that issue and will update our plans.

F12: Getting off property tax is difficult at this time. Just like transportation agencies {sic} no public service benefit can be funded by the fare box. Our fees will never pay the full cost of the District.

R1: [No response submitted or required.]

R2: Not for me to respond but rather the Board of Supervisors.

R3: As mentioned before the strategic plan will address this.

R4: Same as R3.

R5: We are doing this currently.

R6: West trail could be taken over by others perhaps the new parks group recently formed.

R7: Not sure why HMB is suggested here. I need more info and the rationale of this.

R8: We are doing this currently and recently have met with SSF [SSF re: Oyster Pt. parcel; and Coastside Fire District re: "post office lot".]

R9: Do not support this. Outsourcing can cause loss of union jobs which I do not support.

R10: This is up to the President of the Board.

R11: I support this recommendation.

F1 I disagree with dissolution

We are unique in that we answer to the people & State of Ca.

When we owed the State 19 million & no one wanted us. Now we owe 5.8 million and now we are booted at favorably

F2 Our finances conform to all requirements and has withstood annual audits.

We own approx 40 million in assets and have approx 15 million in the bank

F3 All financial reports are timely and as a past treasurer have seen our reports to the Bd.

F4 Disagree: the Pres. forms sub-committees every year. These committees meet as is necessary or called for by a member

F5 Disagree - no existing agency would be more helpful or better informed than the district. We have too union group. OPE 3 & teachers, SSF would be in a difficult position having to take their money back from management

F6 Disagree. We are called a enterprise agency but we do get popout tax dollars. and it makes no sense to break out how each dollar is expended

F7 Disagree. Those who have examined our post budgets do not agree with Juris findings. We are more solvent now than when I first joined the district 16 years ago.

F8 We wanted to build at Oyster Pt, but were asked to hold off pending other development actions.

F9 I do not know of any other cities or agencies except LAFCO that work out of the district.

F10 Disagree. The 2004 grandfathering talked about lease arrangements and were told leases are legal docs. and can not be changed until they are up for renewal which we have done.

F11 Our new strategic plan speaks to that issue and will update our plans

F12 Getting off property tax is difficult at this time. Just like transportation agencies no public service benefit can be funded by the fare box. Our fares will never pay the full cost of the District.

R2 - Not for me to respond but rather the Bd of Supv

R3. as mentioned before the strategic plan address this

R4 same as R3.

R5. We are doing this currently

R6 What trail could be taken on by others perhaps the new ports group recently formed.

R7 Not sure why HMB is suggested here, I need more info on the rationale of this

R8 We are doing this currently and recently worked with SSF

R9 Do not support this. Outsourcing can cause loss of union jobs which I do not support

R10 This is up to the President of the Bd

R11 I support this recommendation

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**COMMISSIONER COMMENTS IN
ALPHABETICAL ORDER
ON CIVIL GRAND JURY REPORT
ORGANIZED BY FINDING AND
RECOMMENDATION**

**COMMISSIONER COMMENTS ORGANIZED BY
FINDING AND RECOMMENDATION**

For Draft Response to Civil Grand Jury Report Filed on July 9, 2014 titled “What is the Price of Dysfunction? The San Mateo County Harbor District”

FINDINGS AND COMMISSIONER COMMENTS:

F1. The Local Agency Formation Commission recommended dissolution of the Harbor District in 2006 with the County identified as the successor agency. The Grand Juries of 1990 and 1991 also recommended dissolution.

Bernardo: I disagree with the dissolution of the San Mateo Harbor District because any potential successor agency will not have the expertise, technical knowledge, or specialized training that our harbor staff requires. It’s also important to note that the San Mateo County Civil Grand Juries of 2001 and 2002 did not in [any] way, suggest or recommend dissolution.

Brennan: Commissioner Brennan disagrees with the finding at this time. If the November 2014 election substantially changes the makeup of the Board, a new reform Board could change policies and fix the problems which the Grand Jury has identified.

Holsinger: Disagree. The 2006 recommendation was based, in part, on the indebtedness of the Harbor District to the then Department of Boating and Waterways of about \$15 million. That indebtedness has been paid down to about \$5.8 million and is on schedule for payoff one year ahead of the 2019 deadline. The County of San Mateo rejected LAFCO’s 2006 recommendation. The circumstances have changed since this eight-year-old recommendation. The recommendations of the 1990 and 1991 civil grand juries are outdated and irrelevant.

Parravano: Agree.

Tucker: I disagree with dissolution. We are unique in that we answer to the people and State of California. When we owed the State \$19 million, no one wanted us. Now we owe \$5.8 million and now we are looked at favorably.

F2. The District’s financial reporting meets the Governmental Accounting Standards Board requirements.

Bernardo: I agree that the Harbor District’s financial reporting meets Government Accounting Standards Board requirements.

Brennan: Commissioner Brennan is not an accounting expert and would like an audit of all financial process to determine whether or not the District is meeting GASB reporting requirements.

Holsinger: Agree in part and disagree in part. The San Mateo County Civil Grand Jury does not have the knowledge, expertise or experience to reach such a conclusion. This conclusion is nevertheless accepted.

Parravano: Agree.

Tucker: Our finances conform to all requirements and has [have] withstood annual audits. We own approximately \$40 million in assets and have approximately \$15 million in the bank.

F3. Commissioners are not receiving timely and adequately detailed financial reporting to support fully informed decisions.

Bernardo: I disagree that Commissioners are not receiving timely and adequately detailed financial reporting. In addition to our monthly statements, we receive quarterly investment reports, annual external audit reports—as well as annual budget workshops.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. Four of the five commissioners have never made such a statement. In this regard, this finding is inaccurate and misleading. One commissioner refuses to go [to] the administrative offices of the Harbor District to review documents or to confer with and rely upon the staff of the Harbor District for information.

Parravano: Disagree.

- Commissioners review bills and claims at each meeting. This item appears on every agenda at each meeting and describes all the expenses incurred by each department at the District;
- Commissioners review the budget at mid-year intervals;
- The Director of Finance provides Commissioners with a report which assesses the budget allocation; the actual expenditure of the allocation to date; and the remaining funds in the budget for that allocation;
- Commissioners receive a quarterly investment report from the Director of Finance;
- Commissioners receive an annual audit report;
- Commissioners participate in an annual process which reviews the past, current budgets and approves a budget for the following years. This process starts in March and ends in late June.

Tucker: All financial reports are timely and as a past Treasurer have seen our reporting to the Board.

F4. Committees, both standing and ad hoc, are not consistently formed nor do they meet with any regularity.

Bernardo: I disagree because it's unclear as to how the Grand Jury defines "consistently formed" in their report. Harbor District meetings vary depending upon operational need. For example, with the start of our 2014 Strategic Planning meetings, Commission-led meetings (e. g. Oyster Point and Pillar Point-specific meetings) will no longer be necessary because Strategic Planning meetings will now address the issues that were once addressed by these Commission-led meetings.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. There are no legal requirements for the formation or conduct of committees. This is within the discretion of the president of the board and the board of commissioners as a whole to determine. Further, *ad hoc* committees, by their nature, are only formed for limited, specific purposes, when there is a perceived specific need.

Parravano: Partially disagree. Committees are formed and this list of committees is given annual to each Commissioner. Committees meet as needed.

Tucker: Disagree. The President forms sub-committees every year. Those committees meet as is necessary or called for by a member.

F5. Potential successor agencies exist which could reasonably assume all or some of the District's current responsibilities.

Bernardo: I disagree because any potential successor agency will not have the same skill set to operate both harbors. For example, the County does not have equivalent job descriptions for our Deputy Harbor Masters. Our deputies have a very specific maritime expertise that comes with technical training and annual certifications that other agencies do require.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. There is not enough information in the report or the findings to justify such a conclusion. The Harbor District is, as the report suggests, unique among local special districts in that it has a wide and varied purview of responsibilities and authority with the limited geographic areas of Pillar Point Harbor and Oyster Point Marina. Dividing up these responsibilities among multiple other public agencies and departments would create inefficiencies, confusion and less responsive service to the public.

Parravano: Disagree. Operating and managing an ocean side harbor and a bay side marina requires an extensive knowledge of the challenges facing the uses of these two

distinctly different facilities. Any successor agency is currently facing budget reductions and staff layoffs. These conditions would create an increased strain on staff and augment the financial burden with a successor agency.

Tucker: Disagree. No existing agency would be more helpful or better informed than the District. We have two union group[s] OPE 3 and Teamsters. South San Francisco would be in a difficult position having to take their marina back for management.

F6. The District consistently requires tax dollars to offset operating losses.

Bernardo: I disagree because the District does not “consistently require tax dollars to offset operating losses.” Tax dollars account for only a portion of the District’s total budget.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. The Harbor District has always been funded with a share of real property taxes. The San Mateo County Harbor District provides many services mandated by law at no direct cost to the public and for which no revenue is generated. This includes, health, safety and recreational functions and services. Since formation, the Harbor District has added sources of revenue through grants, as well as rents and fees from tenants and some users of the facilities. The Harbor District’s annual budget now consists of a mix of operating revenues and a share of real property taxes paid by county residents. For the most part, there is no direct correlation between specific operating expenses and the source of revenue.

Parravano: Partially disagree. The District receives property tax money. The sole purpose of the property tax money is not used to offset operating losses.

Tucker: Disagree. We are called a[n] enterprise agency but we do get property tax dollars and it makes no sense to break out how each dollar is expended.

F7. Operating losses for the last 5 fiscal years are approximately \$18.3 million.

Bernardo: I disagree because during the last 5 fiscal years, the District has had positive balances. For example, during the most recent budget passed (FY 2014-2015), we have a positive balance and we still need to decide what to do with the extra money.

Brennan: Commissioner Brennan agrees that the Harbor District has a structural deficit.

Holsinger: Disagree. The response to the previous finding is also applicable, in part, to this finding. In addition, the harbor District currently has approximately \$40 million in assets, over \$14 million in cash and investments, and an operating budget of approximately \$8.5 million, not counting depreciation expense, with operating and tax revenues conservatively estimated, of \$8.9 million. This does not include any grants that may be received during the fiscal year nor increases in real property revenues. This

current economic condition is the result, in part, of prudent financial planning over the past five years and more.

Parravano: Agree.

Tucker: Disagree. Those who have examined our past budgets do not agree with Jury's findings. We are more solvent now than when I first joined the district 16 years ago.

F8. The District holds long-term assets that have not been revenue producing.

Bernardo: I disagree because it's important to remember that the District holds assets that – by their very nature – are non-revenue generating. One example of this would be the West Trail. We derive no revenues from this trail, but we maintain it because its purpose is purely for “public enjoyment,” which is very important to the District.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. Further, this statement is non-sensical. The assets of public agencies are generally not “revenue producing.” Nevertheless, the Harbor District has managed to become increasingly self-supporting from sources of operating revenue. The phrase “long-term assets” is not a phrase that has a commonly understood meaning, whether in the operation of public agencies or for generally accepted public agency accounting practices. A recent inventory of assets of the San Mateo County Harbor District discloses total assets estimated at approximately \$40 million.

Parravano: Agree.

Tucker: We wanted to build at Oyster Pt. but were asked to hold off pending another developer actions [sic].

F9. At least 10 separate cities, towns, and special districts within the County have applied for detachment from the Harbor District.

Bernardo: I agree, but it's also important to note that in recent decades, no entity has applied for detachment from the San Mateo County Harbor District. Therefore, these occurrences were many years ago and therefore have no relevance to the present.

Brennan: Commissioner Brennan has no independent information regarding this finding.

Holsinger: The Harbor District does not have sufficient information to agree or disagree with this finding. Further, it is non-sensical.

Parravano: Disagree. Ten is an incorrect number.

Tucker: I do not know of any other cities or agencies [sic] except LAFCO that want out of the district.

F10. The District infrequently performs lease analyses and price/rate benchmarking.

Bernardo: I disagree because the District does perform lease analysis and price/rate benchmarking as needed (i. e. when we enter into negotiations with potential lessees).

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: The Harbor District does not have sufficient information to agree or disagree with this finding. There is no legal requirement imposed on the San Mateo County Harbor District nor any generally accepted business practice relating to frequency of lease analyses or price-rate benchmarking by public agencies for rents and fees charged to revenue-generating tenants and users. The Harbor District performs annual or more frequent reviews of fees and has periodically undertaken rent surveys and other financial analyses when timely and appropriate. At present, the Harbor District is in the process of strategic planning through professional experts and consultants, which may include financial information and recommendations relating to tenant leases and fees.

Parravano: Disagree. The District performs lease analyses and price/rate benchmarking when leases expire; renewed; transferred; or re-negotiated.

Tucker: Disagree. The 2004 grand jury talked about lease arrangements and were told leases are legal docs and cannot be changed until they are up for renewal which we have done.

F11. The District has been operating on a 23-year old Pillar Point Harbor master plan.

Bernardo: I disagree because the District does not “operate on a 23-year old Pillar Point Harbor master plan.” We do operate in fact, from annual strategic workshops where Commissioners, staff and the public discuss operational needs and address finances in a holistic manner.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Agree in part and disagree in part. The board of commissioners have not adopted anything denominated a “Master Plan” since the 1960s, but has periodically updated aspects of that plan. In addition, the harbor District operates on a budget, with planned expenditures, on an annual fiscal basis, which is updated throughout the fiscal year and which sets priorities. Further, the District is now engaged in the development of a comprehensive strategic plan.

Parravano: Disagree. The District is not operating or is bound by a 23 year old Pillar point Harbor master plan. the District operates and manages two facilities – oyster Pt.

Marina and Pillar Pt. Harbor. How can the District operate both facilities under a 23 year old Pillar Point Harbor master plan, which, by its title, is facility specific?

Tucker: Our new strategic plan speaks to that issue and will update our plans.

F12. The Santa Cruz Port District successfully weaned itself from the use of any property tax revenues while continuing to provide non-enterprise services and balancing its budget.

Bernardo: I don't agree or disagree because any comparison to Santa Cruz Port is "apples-to-oranges." One key difference is that the San Mateo County Harbor District Operates two harbors, and each harbors [sic] has unique features, both operationally and financially.

Brennan: Commissioner Brennan has no independent information regarding this finding.

Holsinger: The Harbor District does not have sufficient information to agree or disagree with this finding. The Harbor District has not undertaken any investigation of the Santa Cruz Port District. It is not the policy and practice of the harbor District to render subjective conclusions or make value judgments about the management and operation of other port authorities. The Harbor District is unaware of what information the San Mateo County Civil grand Jury has regarding the Santa Cruz Port District other than documentation and information to reach such a conclusion.

Parravano: I do not have enough information to agree or disagree with this finding.

Tucker: Getting off property tax is difficult at this time. Just like transportation agencies [sic] no public service benefit can be funded by the fare box. Our fees will never pay the full cost of the District.

RECOMMENDATIONS AND COMMISSIONER COMMENTS:

R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014. R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014.

Bernardo: Not applicable because this recommendation is directed toward LAFCO.

Brennan: Commissioner Brennan agrees with the finding [sic] and will closely follow the LAFCo service review of the Harbor District.

Holsinger: The recommendation will not be implemented by the Harbor District. This is a civil grand jury recommendation that should have been directed to LAFCo. LAFCo is an independent governmental body formed and governed by law. The Harbor District has no comment on when, whether or how LAFCo should perform any of its functions

Parravano: This recommendation is for LAFCO.

Tucker: [No response submitted or required.]

R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.

Bernardo: Not applicable because this recommendation is directed toward the San Mateo County Board of Supervisors.

Brennan: Commissioner Brennan suggests that this recommendation be re-evaluated “if” the November 2014 election reconstitutes the Board with a majority of reformers. Commissioner Brennan would like the Harbor District to work cooperatively with the SMC Board of Supervisors regarding improved governance solutions for the special district.

Holsinger: The recommendation will not be implemented by the Harbor District. This is a civil grand jury recommendation that should have been directed to the San Mateo County Board of Supervisors. Dissolution of special districts is governed by law. The Harbor District has no comment on when, whether or how the Board of Supervisors should perform any of its functions.

Parravano: This recommendation is for the Board of Supervisors.

Tucker: Not for me to respond but rather the Board of Supervisors.

R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non-enterprise revenue and expense categories.

Bernardo: The San Mateo County Harbor District just launched its Strategic Planning process that will address issues of financial planning and reporting.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation will not be implemented because it is unwarranted, not reasonable or necessary and not comprehensible. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that will consider the finances and operations of the Harbor District.

Parravano: This recommendation has not been implemented but will be implemented in the future.

Tucker: As mentioned before the strategic plan will address this.

R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.

Bernardo: The San Mateo County Harbor District's Strategic Planning process will address [sic] this issue of "developing a plan to reduce reliance on property tax revenues," which accounts for a portion of the District's budget.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation requires further analysis. The District provides facilities and services to the public that do not generate revenue and for which there is currently no revenue source other than the share of real property taxes allocated to the Harbor District by law. This includes, among other things, first-responder search and rescue services, management of the harbor and marina lands and waters, and physical environments, as well as the maintenance of trails and other recreational facilities and opportunities. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that will consider the finances and operations of the Harbor District.

Parravano: This recommendation will not be implemented because it is not⁴ warranted or reasonable. The California legislature approved AB 8 in 1979 which provides for the District to receive property tax revenue.

Tucker: Same as R3.

R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.

Bernardo: The San Mateo County Harbor District's Planning process will address issues of financial reporting.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: This recommendation is non-sensical. To the extent it calls for the Harbor District to vary from accounting practices required by law and standard for public agencies, it will not be implemented. It is also inconsistent with Finding F2. The Harbor District complies with law and follows commonly accepted accounting and fiscal practices applicable to similar government agencies in its financial accountings and reportings. Further, the timing of the San Mateo County Civil Grand Jury report is such that it has not been able to review or make any findings or comments regarding the form or content of the Quarterly Report of the Harbor District for the fiscal quarter and year ending June 30, 2014, a copy of which is attached.

Parravano: The recommendation has been implemented.

Tucker: We are doing this currently.

R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2014.

Bernardo: This statement assumes that a successor agency will want to take responsibility for West Trail maintenance.

Brennan: Commissioner Brennan agrees that the harbor District is not responsibly managing the sensitive marine habitat in this visitor serving area and wishes the other Commissioners would support the following improvements: The Harbor District needs to take action to fix the eroding trail, provide a new restroom facility, and improve the parking lot OR identify a successor agency who will agree to fix the eroding trail, provide a new restroom facility, and improve the parking in the near future.

Holsinger: The recommendation will not be implemented. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants for this and other purposes. The Harbor District has not received any communications from any other public agencies expressing interest in taking over management, maintenance and responsibility for the area commonly known as the West Trail. Further, the West Trail is the access point for land approach to the outer breakwater created and maintained by the Harbor District. Ownership, management and maintenance of the West Trail by another public agency would need to consider and accommodate this circumstance.

Parravano: This recommendation requires further analysis due to its complexity in scope. I suggest contacting Mid-Peninsula Open Space District and/or San Mateo County parks.

Tucker: West trail could be taken over by others perhaps the new parks group recently formed.

R7. The Harbor District will explore transferring or cost-sharing with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer's Beach dredging operation by December 31, 2014.

Bernardo: This statement assumes that a successor agency will want to take responsibility for dredging Surfer's Beach.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation is non-sensical and will not be implemented. Responsibility for the remediation of beach sand erosion from Surfer's Beach has been accepted by the Army Corps of Engineers. While the Harbor District contributed funds for some of the initial evaluation leading to the acceptance of responsibility for this condition by the Army Corps of Engineers, the harbor District has no other involvement with or responsibility for the sand erosion at Surfer's Beach, which is outside the Harbor

District boundaries. There is soil and sand build up on the inner, harbor side of the outer breakwater near Surfer's Beach that needs to be dredged and is part of the work being undertaken by the Army Corps of Engineers. This will result in a substantial savings to the Harbor District, the taxpayers of San Mateo County and the other local government entities.

Parravano: While I support contacting Half Moon Bay and the Army Corps of Engineers, this recommendation requires further analysis.

Tucker: Not sure why HMB is suggested here. I need more info and the rationale of this.

R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.

Bernardo: The District has always sought out parties to acquire non-revenue producing properties. One example is the recent Post Office [Lot] and the outreach that yielded discussions with the Coastside Fire Protection District.

Brennan: Commissioner Brennan agrees with the recommendation. Currently the Harbor District has not gone through a proper public process for selling the surplus property in El Granada.

Holsinger: The recommendation is non-sensical and will not be implemented. The report and recommendation does not contain sufficient information to enable a response. The District has in the past identified and will continue to identify real and personal property it determines to be surplus and will take such action as the board of commissioners deems appropriate under the circumstances and in compliance with law. In this regard, one real property parcel that is not within or immediately contiguous to Pillar Point Harbor has been declared surplus and is subject to sale as provided by law.

Parravano: This recommendation has been implemented.

Tucker: We are doing this currently and recently have met with SSF [SSF re: Oyster Pt. parcel; and Coastside Fire District re: "post office lot".]

R9. The Harbor District will explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014.

Bernardo: The San Mateo County Harbor District's Strategic Planning process will address [sic] this issue of potentially "outsourcing commercial real estate management."

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation will not be implemented. Outside management of “commercial properties” within the purview of the Harbor District would be expensive and not cost-effective. Management of such properties is now cost-effectively handled by the Harbor District and its staff. Further, the District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that can consider this and other issues.

Parravano: This recommendation requires further analysis. I would support this recommendation if the cost of hiring a real estate management firm would generate revenue for the District.

Tucker: Do not support this. Outsourcing can cause loss of union jobs which I do not support.

R10. As soon as possible after November 2014 Harbor Commission elections, Harbor District will form standing and appropriate *ad hoc* committees, which meet regularly.

Bernardo: There is already a mechanism in place for forming various types of committees. Also, the Strategic Planning process will also dictate whether or not certain committees will continue.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation will not be implemented. The formation of “standing” and “*ad hoc*” committees is within the purview of the president and members of the board of commissioners of the San Mateo County Harbor District, in addition to the election of officers and conduct meetings. Whether, when and for what purpose standing or *ad hoc* committees are formed or operated is part of that discretionary process.

Parravano: This recommendation has been implemented. The District has existing standing and *ad hoc* committees. These committees meet when needed.

Tucker: This is up to the President of the Board.

R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.

Bernardo: The Harbor Commission voted to support the “Special District Leadership Foundation” certification of the District at its Aug. 6, 2014. [meeting.]

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation requires further analysis. This appears to relate to and be duplicative, at least in part, of other recommendations made by the civil grand jury in another, separate and previous report. Those recommendations are being finalized and separately responded to. Those responses are the response to this recommendation.

Parravano: This recommendation has not been implemented but will be implemented.

Tucker: I support this recommendation.

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**DRAFT INTRODUCTORY STATEMENT ON
PROPOSED RESPONSE TO CIVIL GRAND
JURY REPORT FILED ON JULY 9, 2014**

DRAFT INTRODUCTORY STATEMENT OF PROPOSED DISTRICT RESPONSE TO CIVIL GRAND JURY REPORT FILED ON JULY 9, 2014

The District takes the Grand Jury report seriously. Several points in the report in particular have been noted by the District, and this response reflects the Board's recognition that there is always room for improvement.

Nevertheless, we take this opportunity to preface our comments with three key points that are reflected throughout the District's responses to the Report's specific Findings and Recommendations.

First, the Report comments that the District has evolved into a "hydra" that now engages in numerous and varied operations in excess of its abilities. In fact, the District's wide-ranging activities are entirely consistent with the statutorily authorized purposes granted by the State Legislature:

- 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 (Harbors and Navigation Code Section 6075 (a)).
- [A harbor district] may manage the business of the district and promote the maritime and commercial interest by proper advertisement of its advantages and by the solicitation of business within or without the district, within other States or in foreign countries, through such employees or agencies as are expedient (Harbors and Navigation Code Section 6077.4).
- A harbor district may acquire, purchase, takeover, construct, maintain, operate, develop, and regulate...any and all other facilities, aids, equipment, or property necessary for, or incident to, the development and operation of a harbor or for the accommodation and promotion of commerce, navigation, or fishery in the harbor district. (Harbors and Navigation Code Section 6077.5).
- [The Harbor District Board] may do all other acts necessary and convenient for the full exercise of its powers. (Harbors and Navigation Code Section 6078).
- The District's special act provides that the lands of the District are to be used:

...for the establishment, improvement and conduct of a harbor[,] and for the construction, maintenance and operation thereon of wharves, docks, piers, slips, quays and other utilities, structures, facilities and appliances necessary or convenient for the promotion and accommodation of commerce and navigation, and for the construction, maintenance and operation therein of structures and facilities for public recreational purposes...[Statutes of California, 1960, chapter 68, section 1(a)]

Consistent with the Legislature's command, the District provides a valuable resource for all County residents. Indeed, the District will become an even more important asset for the future as

the County mobilizes to address such challenges as adapting to sea level rise impacts. A brief list of the District's critical functions will suffice to demonstrate its irreplaceable value to the County:

- Because the County Board of Supervisors created the Harbor District in 1933 with countywide jurisdiction, the District operates two facilities, Pillar Point Harbor (Princeton) and Oyster Point Marina/Park (South San Francisco). The District is thus uniquely experienced in working with both coastal and San Francisco Bay agencies and issues.
- The District operates Pillar Point Harbor under a State tidelands grant awarded by the California Legislature in 1960. This mandate includes harbor operations for commerce, navigation, and fisheries and provision of recreational facilities.
- The County Midcoast Local Coastal Program's public access policies explicitly encourage the Harbor District to continue efforts to provide visitor facilities and public access trails and related facilities (Midcoast Local Coastal Program, 10.49 and 11.30).
- The Harbor District is the first responder on the San Mateo Coast to over 100 distress calls per year for ocean search and rescue. It has received a commendation from the U. S. Coast guard for its critical public safety efforts.
- The Pillar Point facility is a State-designated harbor of refuge for the fishing fleet and other vessels, namely "a port, harbor, inlet, or other body of water normally sheltered from heavy seas by land and in which a vessel can navigate and safely moor" (Harbors and Navigation Code Section 70.3);
- The Harbor District's outstanding environmental stewardship resulted in the 2013 award of Clean Marina Certifications for both District harbors by the State Clean Marina program;
- The Oyster Point facility is an important water transportation link and part of the San Francisco Bay water transportation emergency response network, and is a designated High Opportunity Site on the San Francisco Bay Water Trail system for non-motorized vessels;
- Pillar Point Harbor is an increasingly popular regional visitor destination and location for special events on mid-coastside, as well as a location for purchasing fresh fish off-the-boats (Pillar Point);
- Oyster Point Marina/Park is a growing Bayside recreational destination and site for special events for South San Francisco and other north peninsula residents.

Second, despite the Report's intimations to the contrary, the District continues to be financially sound, as previously acknowledged by the Grand Jury in the past. Contrary to the Report, the

District's budgeting and financial reporting procedures are consistent with prudent and transparent fiscal standards.

- The Board does receive financial reporting and has always adopted its budget on time.
- The District continues to pay back its facilities development loan balance to the Division of Boating and Waterways (DBW); regular debt service payments to DBW, including the July 2014 payment, will enable the District to retire its loan balance at least one year earlier than scheduled in 2018.
- The District's employee obligation for employment termination benefits is fully funded, and the District has substantial additional cash reserves.
- As is the case with all local government in a post-Proposition 13 world, the District receives property tax revenues in an amount insufficient to pay for all of the critical services it provides. The District has therefore increasingly looked to enterprise activities to increase revenues, while not cutting critical services that benefit all County residents. This is a difficult balancing act engaged in by all local government throughout California. Contrary to the Grand Jury Report, there is nothing illegal, improper, or unreasonable in balancing a budget though that include both property tax and reserves.
- The District has appropriately commenced –before the Grand Jury issued its Report – a Strategic Business Planning process, which will provide a detailed blueprint for the District's long term financial planning and investment decisions into the future for both Pillar Point Harbor and Oyster Point Marina/Park, and a mechanism for monitoring and course corrections through annual budgeting. The Plan, whose preparation includes extensive public engagement and community outreach, will address enhancing revenues in order to reduce reliance on property tax revenue, identifying multi-year capital facilities needs and financing options, sea level rise adaptation measures, sustaining the fishing industry, and achieving further operational efficiencies.

Third, the District openly acknowledges the Report's criticisms concerning governance issues, in particular regarding collegiality among Board members. It is not proud of the negative public attention this issue has received. But the District believes that it is taking active steps to make improvements in this area. For example, the District has retained the services of a professional facilitator who is working with the Board on communication and interaction. In addition, at its meeting on August 6, 2014, the Board committed to additional training from the Special District Leadership Foundation, leading to the attainment of certification in this program for all board members and the General Manager within the current fiscal year.

With the above context in mind, we now turn to specific responses to the Report's Findings and Recommendations.

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**COMMISSIONER COMMENTS/RESPONSES
TO FINDINGS AND RECOMMENDATIONS
OF THE CIVIL GRAND JURY REPORT FILED
ON JULY 9, 2014 AND DRAFT STAFF
SYNTHESIS**

Commissioner Comments/Responses to Findings and Recommendations of the Civil Grand Jury Report Filed on July 9, 2014 titled “What is the Price of Dysfunction? The San Mateo County Harbor District” and Draft Staff Synthesis

On _____, 2014 the Board of Harbor Commissioners of the Harbor District (Board) approved this response to the above-referenced Civil Grand Jury Report (Report). The report listed twelve Findings and eleven Recommendations. In accordance with the Court’s instructions, the District’s response to these Findings and ten of the Recommendations follow below.

FINDINGS, COMMISSIONER RESPONSES, DRAFT SYNTHESIS:

F1. The Local Agency Formation Commission recommended dissolution of the Harbor District in 2006 with the County identified as the successor agency. The Grand Juries of 1990 and 1991 also recommended dissolution.

Bernardo: I disagree with the dissolution of the San Mateo Harbor District because any potential successor agency will not have the expertise, technical knowledge, or specialized training that our harbor staff requires. It’s also important to note that the San Mateo County Civil Grand Juries of 2001 and 2002 did not in [any] way, suggest or recommend dissolution.

Brennan: Commissioner Brennan disagrees with the finding at this time. If the November 2014 election substantially changes the makeup of the Board, a new reform Board could change policies and fix the problems which the Grand Jury has identified.

Holsinger: Disagree. The 2006 recommendation was based, in part, on the indebtedness of the Harbor District to the then Department of Boating and Waterways of about \$15 million. That indebtedness has been paid down to about \$5.8 million and is on schedule for payoff one year ahead of the 2019 deadline. The County of San Mateo rejected LAFCO’s 2006 recommendation. The circumstances have changed since this eight-year-old recommendation. The recommendations of the 1990 and 1991 civil grand juries are outdated and irrelevant.

Parravano: Agree.

Tucker: I disagree with dissolution. We are unique in that we answer to the people and State of California. When we owed the State \$19 million, no one wanted us. Now we owe \$5.8 million and now we are looked at favorably.

DRAFT RESPONSE: The District disagrees partially the finding in that it is selective and does not present the full context of Grand Jury action. In fact, the Civil Grand Juries of 2000-2001 and 2001-2002 did not recommend dissolution of the Harbor District.

The 2000-2001 Grand Jury found that the District “is under sound fiscal management implementing a long range plan for maintenance and capital outlay.”

In part in response to the 2001-2002 Grand Jury recommendation, the District has increased its revenues from all new or amended leases executed since 2002.

F2. The District’s financial reporting meets the Governmental Accounting Standards Board requirements.

Bernardo: I agree that the Harbor District’s financial reporting meets Government Accounting Standards Board requirements.

Brennan: Commissioner Brennan is not an accounting expert and would like an audit of all financial process to determine whether or not the District is meeting GASB reporting requirements.

Holsinger: Agree in part and disagree in part. The San Mateo County Civil Grand Jury does not have the knowledge, expertise or experience to reach such a conclusion. This conclusion is nevertheless accepted.

Parravano: Agree.

Tucker: Our finances conform to all requirements and has [have] withstood annual audits. We own approximately \$40 million in assets and have approximately \$15 million in the bank.

DRAFT RESPONSE: The District agrees with the finding.

F3. Commissioners are not receiving timely and adequately detailed financial reporting to support fully informed decisions.

Bernardo: I disagree that Commissioners are not receiving timely and adequately detailed financial reporting. In addition to our monthly statements, we receive quarterly investment reports, annual external audit reports—as well as annual budget workshops.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. Four of the five commissioners have never made such a statement. In this regard, this finding is inaccurate and misleading. One commissioner refuses to go [to] the administrative offices of the Harbor District to review documents or to confer with and rely upon the staff of the Harbor District for information.

Parravano: Disagree.

- Commissioners review bills and claims at each meeting. This item appears on every agenda at each meeting and describes all the expenses incurred by each department at the District;
- Commissioners review the budget at mid-year intervals;
- The Director of Finance provides Commissioners with a report which assesses the budget allocation; the actual expenditure of the allocation to date; and the remaining funds in the budget for that allocation;
- Commissioners receive a quarterly investment report from the Director of Finance;
- Commissioners receive an annual audit report;
- Commissioners participate in an annual process which reviews the past, current budgets and approves a budget for the following years. This process starts in March and ends in late June.

Tucker: All financial reports are timely and as a past Treasurer have seen our reporting to the Board.

DRAFT RESPONSE: The District disagrees with the finding. The Board receives financial data throughout the year and they may request additional information as needed. Consistent with best practices, the Board receives financial data for the second, third, and fourth quarters of the fiscal year in the form of comparisons of budget to actual expenditures during public mid-year budget review, budget preparation workshops, and at presentation of the preliminary budget for the following fiscal year. Quarterly Investment Reports and annual financial reports are provided to the Board at regular District meetings. The District's financial reporting is done through independent audits and financial statements, which must follow rules set forth by GASB and GAAP. The District has received clean annual financial audits consistently, which are reviewed by the Board.

F4. Committees, both standing and ad hoc, are not consistently formed nor do they meet with any regularity.

Bernardo: I disagree because it's unclear as to how the Grand Jury defines "consistently formed" in their report. Harbor District meetings vary depending upon operational need. For example, with the start of our 2014 Strategic Planning meetings, Commission-led meetings (e. g. Oyster Point and Pillar Point-specific meetings) will no longer be necessary because Strategic Planning meetings will now address the issues that were once addressed by these Commission-led meetings.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. There are no legal requirements for the formation or conduct of committees. This is within the discretion of the president of the board and the board of

commissioners as a whole to determine. Further, *ad hoc* committees, by their nature, are only formed for limited, specific purposes, when there is a perceived specific need.

Parravano: Partially disagree. Committees are formed and this list of committees is given annual to each Commissioner. Committees meet as needed.

Tucker: Disagree. The President forms sub-committees every year. Those committees meet as is necessary or called for by a member.

DRAFT RESPONSE: The District disagrees partially with the finding. At this time the Harbor Commission has seven *ad hoc* committees and three standing committees:

Standing: Oyster Point Liaison
Pillar Point Citizens Advisory
Finance & Budget;

Ad hoc: Promotion & Marketing
Berthing Occupancy
New Administration Office and Post Office Lot
Harbor Environment
Oyster Point Ferry Service
Oyster Point Development
Pillar Point Coastal Trail

The Harbor Commission's *Ad hoc* committees meet when needed: committee members, who are Commissioners only, are selected by the Board President in consultation with his/her colleagues, and choose when and how often to convene, depending on the above-mentioned needs and/or as directed by the full Harbor Commission, and report back to the full Commission.

When an *ad hoc* committee is no longer needed, it is disbanded. For example, in past years the Commission created "Public Rest Room" and "New Pier" *ad hoc* committees to consider possible new related developments at Pillar Point Harbor; and also a Department (now Division) of Boating and Waterways committee to address the District's debt service concerns with DBW. These committees no longer exist as the need for them no longer exists.

The Commission's budget process, which provides for scheduled Board involvement, has reduced the need for the standing Finance Committee to meet regularly. The Oyster Point Liaison Committee was established pursuant to the Joint Powers Agreement between the District and the City of South San Francisco. This committee is convened as and when the City and District consider it necessary to address a particular issue or issues. The Pillar Point Citizens Advisory Committee, originally comprised of harbor tenants (with one at-large seat), has not been active for years as other communication means have proven more useful, e. g., those methods to be used during the Strategic Business Plan process including tenants meetings, other public meetings and workshops.

F5. Potential successor agencies exist which could reasonably assume all or some of the District's current responsibilities.

Bernardo: I disagree because any potential successor agency will not have the same skill set to operate both harbors. For example, the County does not have equivalent job descriptions for our Deputy Harbor Masters. Our deputies have a very specific maritime expertise that comes with technical training and annual certifications that other agencies do require.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. There is not enough information in the report or the findings to justify such a conclusion. The Harbor District is, as the report suggests, unique among local special districts in that it has a wide and varied purview of responsibilities and authority with the limited geographic areas of Pillar Point Harbor and Oyster Point Marina. Dividing up these responsibilities among multiple other public agencies and departments would create inefficiencies, confusion and less responsive service to the public.

Parravano: Disagree. Operating and managing an ocean side harbor and a bay side marina requires an extensive knowledge of the challenges facing the uses of these two distinctly different facilities. Any successor agency is currently facing budget reductions and staff layoffs. These conditions would create an increased strain on staff and augment the financial burden with a successor agency.

Tucker: Disagree. No existing agency would be more helpful or better informed than the District. We have two union group[s] OPE 3 and Teamsters. South San Francisco would be in a difficult position having to take their marina back for management.

DRAFT RESPONSE: The District disagrees with this finding in that it is a general statement that could actually be made about any responsibility of any local government agency. The District provides many valuable services to County residents that it believes could not practically, readily, efficiently, and perhaps even legally, be provided by any other agency. Absent a detailed and comprehensive examination of the legal, financial, organizational, and administrative implications regarding a particular responsibility to be assumed by an identified agency, the District cannot agree with this finding. Nevertheless, as discussed further in our responses to Recommendations R6 and R7, the District will attempt to implement those Report recommendations which are related to this finding.

The District points out that it 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). Section 1(a) 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...”. Further, the San Mateo County Local Coastal Program, certified by the California Coastal Commission, encourages the District to “continue its efforts to provide public recreation and visitor-serving facilities...including provision of shoreline access and trails.” (Midcoast Local Coastal Program, 10.49 and 11:30) The State, through the Coastal Commission, certifies the Local Coastal Program.

Similarly, the District’s provision of a grant-funded Bay Trail link as part of its operation of Oyster Point Marina/Park for the City of South San Francisco in accordance with City desires for the facility, and with the San Francisco Bay Plan as administered by the San Francisco Bay Conservation and Development Commission (BCDC).

Similarly, the District’s provision of a grant-funded Bay Trail link as part of its operation of Oyster Point Marina/Park for the City of South San Francisco is in accordance with City desires for the facility and with the San Francisco Bay Plan as administered by the San Francisco Bay Conservation and Development Commission (BCDC).

Finally, the District assumed the designation of local sponsor of the Army Corps of Engineers’ North Half Moon Bay Shoreline Improvement Project (Surfers Beach) was in direct response to public concern for addressing beach erosion problems which adversely affect public shoreline access and use. This erosion was caused primarily by the Corps’ construction of the outer breakwater to provide a harbor of refuge for the Pillar Point fishing fleet and other vessels, which local citizens vigorously pursued with Congress. The District’s role in this project accords with State and County dictates cited above.

As a result of the above, it is not at all clear the extent to which potential successor agencies exist which could reasonably assume many of the District’s essential responsibilities.

F6. The District consistently requires tax dollars to offset operating losses.

Bernardo: I disagree because the District does not “consistently require tax dollars to offset operating losses.” Tax dollars account for only a portion of the District’s total budget.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. The Harbor District has always been funded with a share of real property taxes. The San Mateo County Harbor District provides many services mandated by law at no direct cost to the public and for which no revenue is generated. This includes, health, safety and recreational functions and services. Since formation, the Harbor District has added sources of revenue through grants, as well as rents and fees from tenants and some users of the facilities. The Harbor District’s annual budget now consists of a mix of operating revenues and a share of real property taxes paid by county residents. For the most part, there is no direct correlation between specific operating expenses and the source of revenue.

Parravano: Partially disagree. The District receives property tax money. The sole purpose of the property tax money is not used to offset operating losses.

Tucker: Disagree. We are called a[n] enterprise agency but we do get property tax dollars and it makes no sense to break out how each dollar is expended.

RESPONSE: The District disagrees with this finding as the assumption underlying the Finding fundamentally misunderstands how local government in California operates in a post-Proposition 13 world.

The District has statutorily authorized powers as discussed above. It makes expenditures only on projects consistent with those powers. It 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 Eight (AB 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. By way of example, the District does not specify that its harbor master's salary is to be paid for exclusively out of the proceeds of leases at Pillar Point Harbor. This example shows the impracticality of directly linking property tax revenues to specific operating expenses. The District produces a District-wide budget each year that includes all revenues and expenditures.

It may be that in making this finding, the Grand Jury is actually expressing a policy preferences that the District rely less on property taxes as a source of revenue – indeed the Report emphasizes that this is its core concern. That political opinion is discussed elsewhere in this response, but cannot serve as the basis for this Finding.

F7. Operating losses for the last 5 fiscal years are approximately \$18.3 million.

Bernardo: I disagree because during the last 5 fiscal years, the District has had positive balances. For example, during the most recent budget passed (FY 2014-2015), we have a positive balance and we still need to decide what to do with the extra money.

Brennan: Commissioner Brennan agrees that the Harbor District has a structural deficit.

Holsinger: Disagree. The response to the previous finding is also applicable, in part, to this finding. In addition, the harbor District currently has approximately \$40 million in assets, over \$14 million in cash and investments, and an operating budget of approximately \$8.5 million, not counting depreciation expense, with operating and tax revenues conservatively estimated, of \$8.9 million. This does not include any grants that may be received during the fiscal year nor increases in real property revenues. This current economic condition is the result, in part, of prudent financial planning over the past five years and more.

Parravano: Agree.

Tucker: Disagree. Those who have examined our past budgets do not agree with Jury's findings. We are more solvent now than when I first joined the district 16 years ago.

DRAFT RESPONSE: The District disagrees with this finding. Fiscal Year 2009-2013 financial state-reported operating losses total \$17.7 million (Statement of Revenues, Expenses, and Changes in Net Position, 2009-2013).

Moreover, looking only at operating losses does not present the public with an accurate picture of the District's finances. All revenues received by the District must be considered with all district expenses. In the past five fiscal years, the District has had \$5.4 million more in total revenues than total expenses. This enables the District to invest in its infrastructure, and provide services to the general public as called for in its State mandate and County policies.

F8. The District holds long-term assets that have not been revenue producing.

Bernardo: I disagree because it's important to remember that the District holds assets that – by their very nature – are non-revenue generating. One example of this would be the West Trail. We derive no revenues from this trail, but we maintain it because its purpose is purely for “public enjoyment,” which is very important to the District.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Disagree. Further, this statement is non-sensical. The assets of public agencies are generally not “revenue producing.” Nevertheless, the Harbor District has managed to become increasingly self-supporting from sources of operating revenue. The phrase “long-term assets” is not a phrase that has a commonly understood meaning, whether in the operation of public agencies or for generally accepted public agency accounting practices. A recent inventory of assets of the San Mateo County Harbor District discloses total assets estimated at approximately \$40 million.

Parravano: Agree.

Tucker: We wanted to build at Oyster Pt. but were asked to hold off pending another developer actions [sic].

DRAFT RESPONSE: The District disagrees partially with this Finding to the extent that many of the District's long term assets are revenue-producing, such as the Johnson Pier and the Pillar Point RV Park in El Granada. The Finding also creates a false impression of the actual situation concerning three properties identified in particular by the Report, each of which is discussed below:

(1) El Granada “post office lot”: The District leased this vacant parcel over a decade ago and received revenue from this leasehold. After the lessee was unable to obtain County development approval the District terminated the lease, declared the property surplus, and is actively taking steps to sell the property. Following declaration of surplus, the District

contacted several public agencies as statutorily required to solicit possible interest in the property. No interest was forthcoming, but the District was contacted by another local public agency that expressed interest in acquiring the property, and the District is presently engaged in discussions with this agency.

(2) Oyster Point Bait & Tackle parcel: At the District's Oyster Point Marina/Park, the owner of the above-mentioned business had been providing revenue to the District for years very recently closed the business and declared bankruptcy. The District terminated the lease, but could not immediately offer the parcel for lease again because of the ongoing bankruptcy proceeding which prevented District action. The District has now regained full control of the property, and is taking steps to prepare a new lease, offer the property for lease, and obtain a new lessee.

(3) Romeo Pier, Pillar Point Harbor: The District bought this pier in 1996 on which a commercial wholesale fish business operated for a number of years, paying lease revenue to the District. The District closed access to the pier in 2002 because of structural deterioration and safety concerns, and relocated the fish business to the Pillar Point inner harbor. The District's Strategic Business Plan process will include investigation of the economic and environmental feasibility of building a new multi-use pier at Princeton to replace the old wooden Romeo Pier. The old pier retains value for mitigation credit that would be applied to offset construction of the new pier.

F9. At least 10 separate cities, towns, and special districts within the County have applied for detachment from the Harbor District.

Bernardo: I agree, but it's also important to note that in recent decades, no entity has applied for detachment from the San Mateo County Harbor District. Therefore, these occurrences were many years ago and therefore have no relevance to the present.

Brennan: Commissioner Brennan has no independent information regarding this finding.

Holsinger: The Harbor District does not have sufficient information to agree or disagree with this finding. Further, it is non-sensical.

Parravano: Disagree. Ten is an incorrect number.

Tucker: I do not know of any other cities or agencies [sic] except LAFCO that want out of the district.

F9. At least 10 separate cities, towns, and special districts within the County have applied for detachment from the Harbor District.

DRAFT RESPONSE: The District disagrees with this finding because it creates a false impression that any applications for detachment are currently pending. In fact, no agencies have filed for detachment in over 40 years to our knowledge.

F10. The District infrequently performs lease analyses and price/rate benchmarking.

Bernardo: I disagree because the District does perform lease analysis and price/rate benchmarking as needed (i. e. when we enter into negotiations with potential lessees).

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: The Harbor District does not have sufficient information to agree or disagree with this finding. There is no legal requirement imposed on the San Mateo County Harbor District nor any generally accepted business practice relating to frequency of lease analyses or price-rate benchmarking by public agencies for rents and fees charged to revenue-generating tenants and users. The Harbor District performs annual or more frequent reviews of fees and has periodically undertaken rent surveys and other financial analyses when timely and appropriate. At present, the Harbor District is in the process of strategic planning through professional experts and consultants, which may include financial information and recommendations relating to tenant leases and fees.

Parravano: Disagree. The District performs lease analyses and price/rate benchmarking when leases expire; renewed; transferred; or re-negotiated.

Tucker: Disagree. The 2004 grand jury talked about lease arrangements and were told leases are legal docs and cannot be changed until they are up for renewal which we have done.

DRAFT RESPONSE: The District disagrees with this finding. The District monitors leases monthly, verifies that lessees are adhering to lease terms and conditions and analyzes data submitted for percentage rents, Consumer Price Index (CPI) adjustments, and payment status. The District conducted analyses of several of its commercial leases at Pillar Point and Oyster Point in 2006. It is presently completing an audit of wholesale commercial fishing lease fees with respect to three Pillar Point Harbor leaseholds, and will undertake market analyses of two other commercial leaseholds this year. For these and future leases, the District will consider language to provide for more frequent review of market rates and appropriate rental adjustments.

F11. The District has been operating on a 23-year old Pillar Point Harbor master plan.

Bernardo: I disagree because the District does not “operate on a 23-year old Pillar Point Harbor master plan.” We do operate in fact, from annual strategic workshops where Commissioners, staff and the public discuss operational needs and address finances in a holistic manner.

Brennan: Commissioner Brennan agrees with the finding.

Holsinger: Agree in part and disagree in part. The board of commissioners have not adopted anything denominated a “Master Plan” since the 1960s, but has periodically

updated aspects of that plan. In addition, the harbor District operates on a budget, with planned expenditures, on an annual fiscal basis, which is updated throughout the fiscal year and which sets priorities. Further, the District is now engaged in the development of a comprehensive strategic plan.

Parravano: Disagree. The District is not operating or is bound by a 23 year old Pillar point Harbor master plan. the District operates and manages two facilities – oyster Pt. Marina and Pillar Pt. Harbor. How can the District operate both facilities under a 23 year old Pillar Point Harbor master plan, which, by its title, is facility specific?

Tucker: Our new strategic plan speaks to that issue and will update our plans.

DRAFT RESPONSE: The District disagrees partially with the finding. The District prepared the Pillar Point Harbor Master Plan and Urban Waterfront Restoration Plan (1991), which applied only to Pillar Point Harbor, but not to Oyster Point Marina/Park or the entire District. The Plan also did not contain financial analysis or project funding feasibility, and thus was never considered as a guide for District strategic financial or operational planning. The District’s current comprehensive Districtwide Strategic Business Plan process will consider any 1991 Plan objectives that remain relevant for Pillar Point and which have not been already achieved or rendered moot by subsequent events.

F12. The Santa Cruz Port District successfully weaned itself from the use of any property tax revenues while continuing to provide non-enterprise services and balancing its budget.

Bernardo: I don’t agree or disagree because any comparison to Santa Cruz Port is “apples-to-oranges.” One key difference is that the San Mateo County Harbor District Operates two harbors, and each harbors [sic] has unique features, both operationally and financially.

Brennan: Commissioner Brennan has no independent information regarding this finding.

Holsinger: The Harbor District does not have sufficient information to agree or disagree with this finding. The Harbor District has not undertaken any investigation of the Santa Cruz Port District. It is not the policy and practice of the harbor District to render subjective conclusions or make value judgments about the management and operation of other port authorities. The Harbor District is unaware of what information the San Mateo County Civil grand Jury has regarding the Santa Cruz Port District other than documentation and information to reach such a conclusion.

Parravano: I do not have enough information to agree or disagree with this finding.

Tucker: Getting off property tax is difficult at this time. Just like transportation agencies {sic] no public service benefit can be funded by the fare box. Our fees will never pay the full cost of the District.

DRAFT RESPONSE: The District neither agrees nor disagrees with this finding as it has no specific knowledge of the Santa Cruz Port District's financial operations. However, the Santa Cruz Port District is a Port District, not a Harbor District. It has an entirely different enabling legislation and hence different authorities and procedures that govern its operations. Additionally, the Port is much larger than the District's facilities, and hence it would be logical to assume that it has an entirely different revenue base than the Harbor District.

RECOMMENDATIONS, COMMISSIONER RESPONSES, DRAFT SYNTHESIS:

R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014.R1.

Bernardo: Not applicable because this recommendation is directed toward LAFCO.

Brennan: Commissioner Brennan agrees with the finding [sic] and will closely follow the LAFCo service review of the Harbor District.

Holsinger: The recommendation will not be implemented by the Harbor District. This is a civil grand jury recommendation that should have been directed to LAFCo. LAFCo is an independent governmental body formed and governed by law. The Harbor District has no comment on when, whether or how LAFCo should perform any of its functions

Parravano: This recommendation is for LAFCO.

Tucker: [No response submitted or required.]

DRAFT RESPONSE: None required as per Grand Jury instruction.

R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.

Bernardo: Not applicable because this recommendation is directed toward the San Mateo County Board of Supervisors.

Brennan: Commissioner Brennan suggests that this recommendation be re-evaluated "if" the November 2014 election reconstitutes the Board with a majority of reformers. Commissioner Brennan would like the Harbor District to work cooperatively with the SMC Board of Supervisors regarding improved governance solutions for the special district.

Holsinger: The recommendation will not be implemented by the Harbor District. This is a civil grand jury recommendation that should have been directed to the San Mateo

County Board of Supervisors. Dissolution of special districts is governed by law. The Harbor District has no comment on when, whether or how the Board of Supervisors should perform any of its functions.

Parravano: This recommendation is for the Board of Supervisors.

Tucker: Not for me to respond but rather the Board of Supervisors.

DRAFT RESPONSE: While the Report asks the District to respond to this Recommendation, we are not in a position to be able to implement, or even conduct future analysis of, this recommendation.

However, The District considers this recommendation unwarranted. Factors summarized in this response demonstrate the District's value as a unique resource to County residents and visitors, as well as the difficulties inherent in its services being provided by any other public agency. The District is financially sound and is steadily reducing its loan balance ahead of schedule, has fully funded its employee benefit obligations, has substantial cash reserves, and continues to maintain and improve its harbor facilities. While the District acknowledges that there is always room for improvement, it has already taken many actions to provide a realistic and positive response to the Report. Dissolution is neither warranted nor practical.

R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non-enterprise revenue and expense categories.

Bernardo: The San Mateo County Harbor District just launched its Strategic Planning process that will address issues of financial planning and reporting.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation will not be implemented because it is unwarranted, not reasonable or necessary and not comprehensible. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that will consider the finances and operations of the Harbor District.

Parravano: This recommendation has not been implemented but will be implemented in the future.

Tucker: As mentioned before the strategic plan will address this.

DRAFT RESPONSE: The recommendation has been implemented, in that the District has already commenced study in accordance with the Recommendation. The analysis will be completed and presented to the Board by December 31, 2014.

R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.

Bernardo: The San Mateo County Harbor District's Strategic Planning process will address [sic] this issue of "developing a plan to reduce reliance on property tax revenues," which accounts for a portion of the District's budget.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation requires further analysis. The District provides facilities and services to the public that do not generate revenue and for which there is currently no revenue source other than the share of real property taxes allocated to the Harbor District by law. This includes, among other things, first-responder search and rescue services, management of the harbor and marina lands and waters, and physical environments, as well as the maintenance of trails and other recreational facilities and opportunities. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that will consider the finances and operations of the Harbor District.

Parravano: This recommendation will not be implemented because it is not warranted or reasonable. The California legislature approved AB 8 in 1979 which provides for the District to receive property tax revenue.

Tucker: Same as R3.

DRAFT RESPONSE: The recommendation will not be implemented because it is neither warranted nor reasonable.

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. In fact, the Report confirms this right of the District when it states: "State law gives special districts wide latitude in how they can spend public tax monies. Therefore, the harbor District, like every other special district, has the discretion to use property tax monies to benefit private enterprise (like commercial fishing) if it so decides."

The Report goes on, however, to state its own policy preference regarding property tax by stating: "But despite this latitude allowed under state law, the California Legislature expressed clear intent with respect to the allocation of a special district's share of its property tax revenues: enterprise districts are encouraged to recover the cost of providing services through the fees they charge. Districts should dedicate their property tax revenues to the funding of non-enterprise services (such as search and rescue)." There are numerous flaws in the Report's reasoning. First, to support its position as the "clear intent" of the California Legislature, the Grand Jury references a 2010 document called "What's So Special About Special Districts, a Citizen's Guide to Special Districts

in California.” Legislative intent is reflected in statutory law, though Courts sometimes also look to the proceedings of the Legislature that led to the enactment of specific legislation in order to discern legislative intent. This “Citizens Guide” cannot be said to represent legislative intent of anything.

Second, even were the “Citizens Guide” to reflect the preference of the Legislature, a review of this publication does not support the Report’s position. The publication states the obvious: “Special districts that run enterprise activities or deliver specific services can pay for their activities with service charges.” (What So Special About Special Districts? [Fourth Edition], page 9). That districts can pay for enterprise activities with services charges does not mean that they must only pay for enterprise activities with services charges and may not subsidize certain activities through tax revenues. The publication acknowledges this fact: “Special districts have coped with three decades of tough financial times. In 1977-78, the year before the voters passed Proposition 13, special districts received \$945 million in property tax revenues. In 1978-79, their property tax revenues dropped to \$532 million, a loss of almost 50%.” (What’s So Special About Special Districts? [Fourth Edition], page 10).

Local Government throughout California is in the same situation as the District. Property tax revenues placed in cities and agencies’ general funds are not segregated for specific purposes. Two examples: The San Mateo County Transit District uses sales tax revenue to subsidize bus service throughout the County. The Westborough Water District shows operating losses which are offset by property tax revenue. (Westborough Water District-Statements of Revenue, Expenses and Changes in net position for fiscal years ending June 2012 and 2013.) The Granada Sanitary district had operating losses for 2011 and 2012. The property tax revenue received offset the operating losses. (Granada Sanitary District –Statements of Revenue, Expenses and Changes in net Position for fiscal years ending June 2011 and 2012.)

In sum, while a special district that runs enterprise activities may be “encouraged” to reduce its reliance on property tax revenues, there is no such requirement to do so, nor does the California Code reflect any legislative intent that it do so.

The Harbor District is always looking for ways to increase revenues and reduce expenses, all without relying on increased taxes. In fact, a key component of its Strategic Business Plan effort currently under way is to identify new and alternative sources of revenue to augment and diversify the District’s economic and financial base and reduce use of property tax revenue. But as discussed both here and in the response to Finding 6, the District uses all its revenue sources to pay for all of the valuable services it provides.

R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.

Bernardo: The San Mateo County Harbor District’s Planning process will address issues of financial reporting.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: This recommendation is non-sensical. To the extent it calls for the Harbor District to vary from accounting practices required by law and standard for public agencies, it will not be implemented. It is also inconsistent with Finding F2. The Harbor District complies with law and follows commonly accepted accounting and fiscal practices applicable to similar government agencies in its financial accountings and reportings. Further, the timing of the San Mateo County Civil Grand Jury report is such that it has not been able to review or make any findings or comments regarding the form or content of the Quarterly Report of the Harbor District for the fiscal quarter and year ending June 30, 2014, a copy of which is attached.

Parravano: The recommendation has been implemented.

Tucker: We are doing this currently.

DRAFT RESPONSE: The Recommendation has already been almost entirely implemented, and will be completed implemented in accordance with the timeline set in the Recommendation. At the Board's direction, District staff already provides this information, but will expand provision to include the first quarter of the fiscal year as well given adequate staff and organizational adjustments. However, income statements show revenue and expenses to date as do budget to actual reports: the Board already receives these frequent budget to actual expense reports. These reports detail by line item how the District is reaching its budget goals while staying within the Board-approved budget.

R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2014.

Bernardo: This statement assumes that a successor agency will want to take responsibility for West Trail maintenance.

Brennan: Commissioner Brennan agrees that the harbor District is not responsibly managing the sensitive marine habitat in this visitor serving area and wishes the other Commissioners would support the following improvements: The Harbor District needs to take action to fix the eroding trail, provide a new restroom facility, and improve the parking lot OR identify a successor agency who will agree to fix the eroding trail, provide a new restroom facility, and improve the parking in the near future.

Holsinger: The recommendation will not be implemented. The District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants for this and other purposes. The Harbor District has not received any communications from any other public agencies expressing interest in taking over management, maintenance and responsibility fo the area commonly known as the West Trail. Further, the West Trail is the access point for land approach to the outer breakwater created and maintained by the Harbor District.

Ownership, management and maintenance of the West Trail by another public agency would need to consider and accommodate this circumstance.

Parravano: This recommendation requires further analysis due to its complexity in scope. I suggest contacting Mid-Peninsula Open Space District and/or San Mateo County parks.

Tucker: West trail could be taken over by others perhaps the new parks group recently formed.

DRAFT RESPONSE: The recommendation requires further analysis, which we will attempt to complete no later than December 31, 2014 in accordance with the Recommendation's timeline. The District will attempt implement this recommendation, but identification of a possible successor agency is not entirely within the District's control.

The District has operated and maintained this popular public access facility for well over fifteen years, under agreement with the U. S. Air Force through whose Pillar Point Air Force Station the trail passes, and has done so consistent with the District's State tidelands grant and the County's Local Coastal Program. The District is presently in the process of obtaining permits to repair the trail. The District gets no revenue from this access facility and uses property tax revenue for maintenance..

The scope of the further analysis will include an analysis and study of (1) the various financial and other implications for the Harbor District of relinquishing control of the property, including the potential amendment of the District's tidelands grant by the State Legislature and potential amendment of the County's Midcoast Local Coastal Program Update; and (2) requesting that possible alternative agencies provide an analysis of the legal, financial, operational, and administrative capabilities to acquire and assume control of the West Trail property including making new arrangements with the U. S. Air Force, undertaking the immediate erosion control repairs to the trail including transfer of permit authority in order to keep the trail open for public use, implementing the balance of the project including trail improvements for the complete alignment, the vehicle parking lot, and provision of an ADA-compliant restroom, and reimbursement of the District for expenses incurred on the project to date.

R7. The Harbor District will explore transferring or cost-sharing with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer's Beach dredging operation by December 31, 2014.

Bernardo: This statement assumes that a successor agency will want to take responsibility for dredging Surfer's Beach.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation is non-sensical and will not be implemented. Responsibility for the remediation of beach sand erosion from Surfer's Beach has been accepted by the Army Corps of Engineers. While the Harbor District contributed funds for some of the initial evaluation leading to the acceptance of responsibility for this condition by the Army Corps of Engineers, the Harbor District has no other involvement with or responsibility for the sand erosion at Surfer's Beach, which is outside the Harbor District boundaries. There is soil and sand build up on the inner, harbor side of the outer breakwater near Surfer's Beach that needs to be dredged and is part of the work being undertaken by the Army Corps of Engineers. This will result in a substantial savings to the Harbor District, the taxpayers of San Mateo County and the other local government entities.

Parravano: While I support contacting Half Moon Bay and the Army Corps of Engineers, this recommendation requires further analysis.

Tucker: Not sure why HMB is suggested here. I need more info and the rationale of this.

DRAFT RESPONSE: The recommendation will be implemented in accordance with the Recommendation's timeline. The District will inquire of the City of Half Moon Bay whether there is interest and capacity to take on the financial and operational role of local sponsor for the Corps of Engineers' project, including reimbursement of the District for project expenses incurred to date. The District will also inquire of the Corps of Engineers what legal, administrative, and financial implications may exist for a shifting of local sponsor responsibilities.

Caltrans and San Mateo County have recently agreed to share responsibilities and cost of a proposed project at Surfers Beach for construction of a shoreline protection device, a segment of the Coastal Trail, and a vertical public access staircase to the beach. An inquiry would also need to explore the implications of this Caltrans/County project for the Army Corps project: whether the City of Half Moon Bay will participate in the Caltrans/County project and if not, what financial implications such lack of participation might imply for the City's ability to take on the local sponsor role of the Army Corps project including financial participation in project design, construction, and maintenance.

R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.

Bernardo: The District has always sought out parties to acquire non-revenue producing properties. One example is the recent Post Office [Lot] and the outreach that yielded discussions with the Coastside Fire Protection District.

Brennan: Commissioner Brennan agrees with the recommendation. Currently the Harbor District has not gone through a proper public process for selling the surplus property in El Granada.

Holsinger: The recommendation is non-sensical and will not be implemented. The report and recommendation does not contain sufficient information to enable a response. The District has in the past identified and will continue to identify real and personal property it determines to be surplus and will take such action as the board of commissioners deems appropriate under the circumstances and in compliance with law. In this regard, one real property parcel that is not within or immediately contiguous to Pillar Point Harbor has been declared surplus and is subject to sale as provided by law.

Parravano: This recommendation has been implemented.

Tucker: We are doing this currently and recently have met with SSF [SSF re: Oyster Pt. parcel; and Coastside Fire District re: "post office lot".]

DRAFT RESPONSE: This Recommendation has been implemented in that the District has already begun implementation activities with regard to the District's single surplus property, the El Granada "post office lot" parcel. The District is in discussions with a local public agency that has expressed interest in acquiring the property.

R9. The Harbor District will explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014.

Bernardo: The San Mateo County Harbor District's Strategic Planning process will address [sic] this issue of potentially "outsourcing commercial real estate management."

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation will not be implemented. Outside management of "commercial properties" within the purview of the Harbor District would be expensive and not cost-effective. Management of such properties is now cost-effectively handled by the Harbor District and its staff. Further, the District has undertaken to develop a comprehensive strategic plan based on the input of all stakeholders and has hired a consortium of experts and consultants that can consider this and other issues.

Parravano: This recommendation requires further analysis. I would support this recommendation if the cost of hiring a real estate management firm would generate revenue for the District.

Tucker: Do not support this. Outsourcing can cause loss of union jobs which I do not support.

DRAFT RESPONSE: The District will explore the outsourcing of commercial property management within its Strategic Business Plan process according to the timeframe required by law: within six months from the date of publication of the Grand Jury Report.

R10. As soon as possible after November 2014 Harbor Commission elections, Harbor District will form standing and appropriate *ad hoc* committees, which meet regularly.

Bernardo: There is already a mechanism in place for forming various types of committees. Also, the Strategic Planning process will also dictate whether or not certain committees will continue.

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation will not be implemented. The formation of “standing” and “*ad hoc*” committees is within the purview of the president and members of the board of commissioners of the San Mateo County Harbor District, in addition to the election of officers and conduct meetings. Whether, when and for what purpose standing or *ad hoc* committees are formed or operated is part of that discretionary process.

Parravano: This recommendation has been implemented. The District has existing standing and *ad hoc* committees. These committees meet when needed.

Tucker: This is up to the President of the Board.

DRAFT RESPONSE: The recommendation is already in place. The Harbor Commission’s current list of committees includes: Standing: Oyster Point Liaison, Pillar Point Citizens Advisory, and Finance & Budget; *Ad hoc*: Promotion & Marketing, Berthing Occupancy, New Administration Office and Post Office Lot, Harbor Environment; Oyster Point: Ferry Service, Development; Pillar Point: Coastal Trail.

Upon taking the gavel, a new President of the Commission annually reviews the existing list of Board committees, and updates the committee list in consultation with his/her fellow Commissioners. Consistent with past practice, the new Harbor Commission President will review the existing committee set and consider possible changes; these may include eliminating those no longer needed, adding new ones if an identified need has surfaced, and/or adjusting committee membership among the Commissioners. The committees will continue to meet as and when circumstances warrant: issues to be explored and discussed, and recommendations to be made to the full Commission.

R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.

Bernardo: The Harbor Commission voted to support the “Special District Leadership Foundation” certification of the District at its Aug. 6, 2014. [meeting.]

Brennan: Commissioner Brennan agrees with the recommendation.

Holsinger: The recommendation requires further analysis. This appears to relate to and be duplicative, at least in part, of other recommendations made by the civil grand jury in

another, separate and previous report. Those recommendations are being finalized and separately responded to. Those responses are the response to this recommendation.

Parravano: This recommendation has not been implemented but will be implemented.

Tucker: I support this recommendation.

DRAFT RESPONSE: This recommendation has not yet been implemented but will be implemented by the recommended July 1, 2015 timeline. The Board already approved this recommendation at its meeting on August 6, 2014.

Memo

Date: 8/14/2014

To: Board of Harbor Commissioners

From: Peter Grenell 
General Manager

Re: El Granada Post Office Lot: Research, Listing and Property
Disposition Services

RECOMMENDATION

- (1) Determine that the best interest of the District would be served without the necessity of request for proposals, and
- (2) Pursuant to Section 2.7.2.2 of the District Ordinance Code, waive any provisions of Chapter 2.7 of the Ordinance Code which require request for proposals, and
- (3) Approve hiring of Janet Hill Gray for research, listing and property disposition services with respect to the District's Post Office Lot property in El Granada, APN 047-261-030, on a commission basis not to exceed 6% of ultimate property disposition amount.

BACKGROUND

On April 2, 2014, the Board of Harbor Commissioners by Resolution No. 06-14 declared the District's 2.25 acre "post office lot" property in El Granada, APN 047-261-030 to be surplus (see parcel location map and Resolution attached). The Board also directed the General Manager to send written offers to sell or lease this surplus parcel in compliance with and as designated by Government code Section 54222 (see attachment).

Letters were sent to the County Parks Department, the Midpeninsula Open Space District, the Cabrillo Unified School District, the County Department of Housing, and the State Natural Resources Agency. No

responses expressing interest in the parcel were received within the statutory 60 day time period for receipt of responses. In the absence of positive responses, the Harbor District has the discretion to dispose of it otherwise, including listing it for sale.

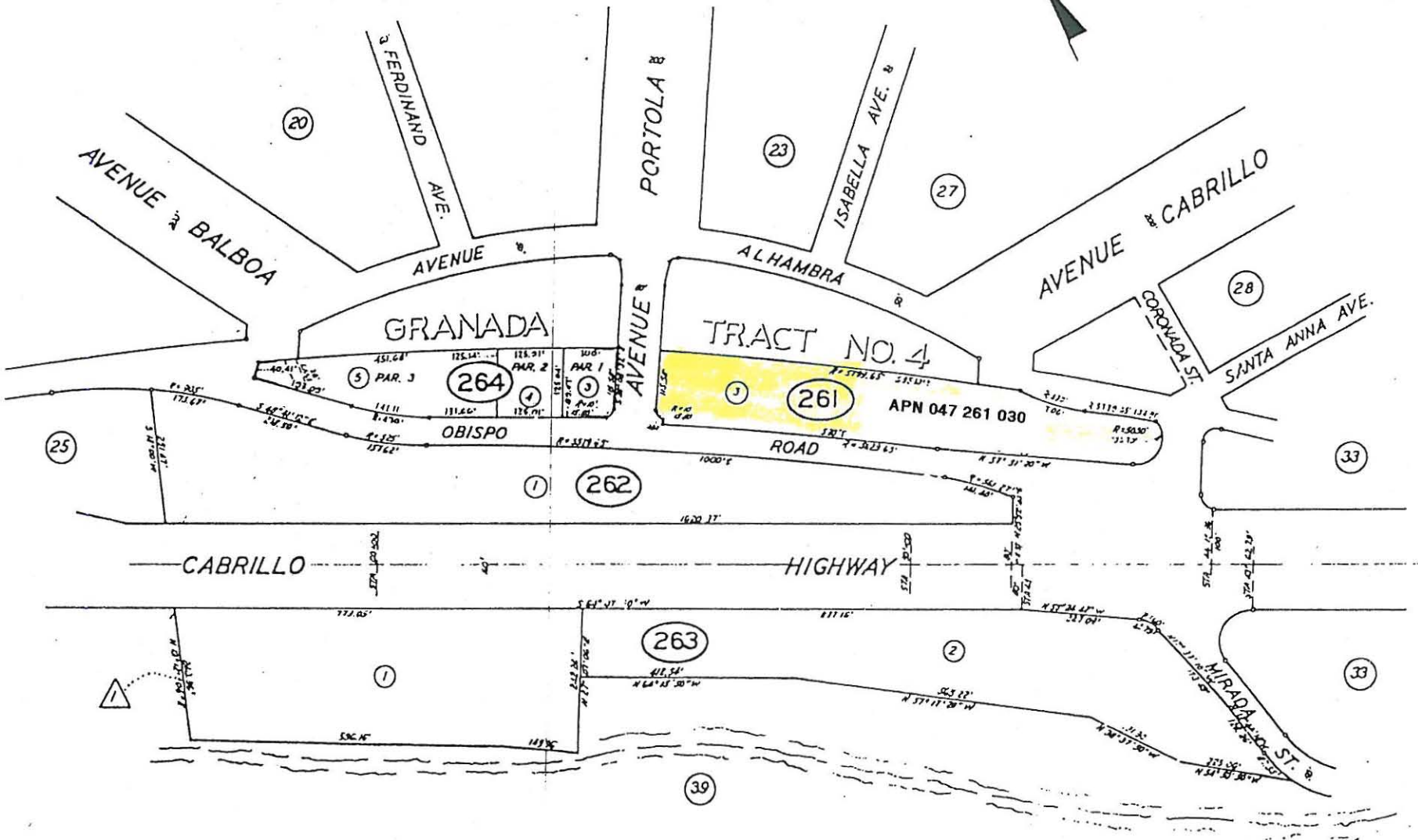
The District and the Coastside Fire Protection District have begun discussions regarding disposition of the vacant and undeveloped parcel. The parcel is zoned C-1 (Commercial) and EG (El Granada Gateway). However, County use permits may be issued for public service uses necessary for the public health, safety, and welfare, such as fire protection. For the Harbor District, selling a non-performing asset would result in new revenue available for use in Pillar Point Harbor facilities improvement. For the Fire District, acquisition of the parcel would enable it to build its urgently needed new El Granada fire station in their preferred location. The community would benefit from achievement of these twin goals.

Meanwhile, similar to the process leading to the Harbor District's previous sale of its adjacent and then-vacant "median" or "Burnham" strip property (also considered a non-performing asset) to the Granada Sanitary District, the Harbor District is also prepared to list the post office lot for sale, concurrent with continuing communication with the Fire District, its preferred client for reasons stated above. Both these disposition steps support the Harbor District's positive response to a recommendation in the recently released civil grand jury report on the District.



Janet Hill Gray, an experienced coastal realtor with Coldwell Banker at Montara, is very familiar with the post office lot situation. She also capably handled the District's sale of the median strip. In view of the immediacy of needed action, it is in the District's interest to waive the usual time-consuming request for proposals process and retain Ms. Gray's services on a commission basis, not to exceed six percent (6%) of the ultimate property disposition amount to carry out the needed work to list the post office lot property and work with the District on sale of the parcel to the Fire District or other possible buyer.

In the interest of transparency, the Harbor District is aware of some local interest in development of a community center in El Granada. One intriguing opportunity has surfaced: having purchased the post office lot from the Harbor District, the Fire District could then dispose of either its

existing fire station or the balance of the post office lot it does not need for its new fire station to accommodate a community center. The Fire District could thus recover some of its cost of purchasing the post office lot for a net saving. The community might thus benefit from such a triple transaction: a new fire station, a new community center, and harbor improvements.



PACIFIC OCEAN

 PARCEL MAP VOL. 46/20
 LLS VOL. 7-104/105
 CITY OF HALF MOON BAY

Resolution 06—14

to

Declaring Parcel AP# 047-261-030 Owned by the San Mateo County Harbor District in the Unincorporated Community of El Granada, San Mateo County, as Surplus

WHEREAS, the San Mateo County Harbor District owns certain property situated in San Mateo County, State of California, described as Parcel 1, as delineated upon that certain map entitled "Lands of San Mateo County Harbor District", filed for record in the Office of the Recorder of the County of San Mateo, State of California, on March 20th, 1979 in Book 46 of Parcel Maps, at Page 20. APN 047-261-030, JPN 47-26-204-012.01, which property lies at the intersection of Portola Ave. and Obispo Road in the unincorporated community of El Granada, and

WHEREAS, the San Mateo County Harbor District has determined that the property referred to above is no longer necessary for use by the San Mateo County Harbor District, and that said property is in excess of the foreseeable needs of said District and will not be used by the District in the foreseeable future; and

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Harbor Commissioners of the San Mateo County Harbor District that the above-described property located in the County of San Mateo, State of California, is surplus property and will not be used by the San Mateo County Harbor District within the foreseeable future.

IT IS FURTHER RESOLVED that the General Manager of the Harbor District is hereby authorized and directed, consistent with Government Code Section 54222, to offer the above-described property for sale or lease to appropriate public housing, school, and recreation agencies.

IT IS FURTHER RESOLVED that the Secretary of the Board is hereby authorized and directed to cause a certified copy of this Resolution to be recorded in the Office of the County Recorder of San Mateo County.

RESOLUTION 06-14: AUTHORIZING AND DIRECTING SALE OF PARCEL AP # 047-261-030 OWNED BY THE SAN MATEO COUNTY HARBOR DISTRICT IN THE UNINCORPORATED COMMUNITY OF EL GRANADA, SAN MATEO COUNTY, TO THE HALF MOON BAY FIRE PROTECTION DISTRICT AND TERMINATION OF LEASE

Regularly passed and adopted by the Board of Harbor Commissioners of the San Mateo County Harbor District at a regular meeting held April 2, 2014 by a vote of the members recorded as follows:

For: Bernardo, Holsinger, Parravano, Tucker

Against: Brennan


Absent: None

Abstaining: None

Attested

BOARD OF HARBOR COMMISSIONERS


Debbie Nixon
Deputy Secretary


Robert Bernardo
President

§ 54221

CITIES, COUNTIES, & OTHER AGENCIES
Title 5

(4) Lands within the Lake Tahoe region as defined in Section 66905.5.
(Added by Stats.1968, c. 621, p. 1307, § 1. Amended by Stats.1973, c. 1038, p. 2061, § 3; Stats.1974, c. 1037, p. 2237, § 1; Stats.1979, c. 942, p. 3241, § 2; Stats.1982, c. 1442, § 2; Stats.1988, c. 964, § 1; Stats.1989, c. 208, § 1.)

§ 54222. Offer to sell or lease property

Any agency of the state and any local agency disposing of surplus land shall, prior to disposing of that property, send a written offer to sell or lease the property as follows:

(a) A written offer to sell or lease for the purpose of developing low- and moderate-income housing shall be sent to any local public entity as defined in Section 50079 of the Health and Safety Code, within whose jurisdiction the surplus land is located. Housing sponsors, as defined by Section 50074 of the Health and Safety Code, shall, upon written request, be sent a written offer to sell or lease surplus land for the purpose of developing low- and moderate-income housing. All notices shall be sent by first-class mail and shall include the location and a description of the property. With respect to any offer to purchase or lease pursuant to this subdivision, priority shall be given to development of the land to provide affordable housing for lower income elderly or disabled persons or households, and other lower income households.

(b) A written offer to sell or lease for park and recreational purposes or open-space purposes shall be sent:

(1) To any park or recreation department of any city within which the land may be situated.

(2) To any park or recreation department of the county within which the land is situated.

(3) To any regional park authority having jurisdiction within the area in which the land is situated.

(4) To the State Resources Agency or any agency which may succeed to its powers.

(c) A written offer to sell or lease land suitable for school facilities construction or use by a school district for open-space purposes shall be sent to any school district in whose jurisdiction the land is located.

(d) A written offer to sell or lease for enterprise zone purposes any surplus property in an area designated as an enterprise zone pursuant to Section 7073 shall be sent to the nonprofit neighborhood enterprise association corporation in that zone.

(e) A written offer to sell or lease any surplus property in a designated program area, as defined in subdivision (i) of Section 7082, shall be sent to the program area agent.

(f) The entity or association desiring to purchase or lease the surplus land for low- and moderate-income housing purposes, or for park or recreation purposes, or for open-space purposes, or for public school purposes, or for enterprise zone purposes, shall notify in writing the disposing agency of its

PROPERTY
Div. 2

intent to purchase
notification of in

(Added by Stats.19
§ 4; Stats.1974, c.
1442, § 3; Stats.19
20, 1984; Stats.1
Stats.1988, c. 475,
1984, operative Ja
c. 1350, § 2.5, ope

Sections 20 and 2
vide:

"Sec. 20. This is
computation of tax
years beginning on

"Sec. 21. This is
only if Assembly B
Regular Session [St.
and takes effect."

Amendment of th
1984, c. 44, failed
the provisions of § .

Section 20 of Stat

"This act shall b
sembly Bill No. 51
1983-84 Regular S
effect."

Section 4 of Stat

"(a) The provis
come operative th

"(1) Senate Bill
1984, c. 718] (2)
11011.1 and 1101
[so amended] and
five on or before 1

"(b) If any of th
division (a) do not
become operative

Section affected
same session of th
Code § 9605.

Sections 3 and
vide:

"Sec. 3. Sectio
amendments to S
ment Code, as an
Statutes of 1985.

Public property, a
Surplus commu
Education t
Surplus lands tra
Governor

CHAPTER 24. USE PERMITS

SECTION 6500. WHEN MAY BE ISSUED. Use permits, conditional use permits, revocable use permits, and use permits valid for a term of one year, may be issued for any of the following:

- (a) Any of the uses or purposes for which such permits are required or permitted by the provisions of this Part.
- (b) Location of electric power, gas, water and oil lines; public utility or public service uses or public buildings in any district when found to be necessary for the public health, safety, convenience or welfare, except that a use permit shall not be required for local distribution lines.
- (c) Location of the following uses in any district outside the Coastal Zone, except the R-1/CCP District, when found to be necessary for the public health, safety, convenience or welfare:
 - 1. Airport
 - 2. Cemetery
 - 3. Hospital
 - 4. Rest Home
 - 5. Sanitarium
 - 6. Institution of a philanthropic or charitable nature
 - 7. Quarries subject to the provisions of Section 7702
 - 8. Topsoil sites subject to the provisions of Section 6502
 - 9. Waste disposal sites and large collection facilities for recyclable materials
 - 10. Directional signs subject to standards as established by the Planning Commission
 - 11. Golf Courses
 - 12. Small boat harbors with related facilities



San Mateo County Harbor District

ITEM 5

Board of Harbor
Commissioners

Pietro Parravano, President
James Tucker, Vice President
William Holsinger, Secretary/Treasurer
Sabrina Brennan, Commissioner
Robert Bernardo, Commissioner

Peter Grenell, General Manager

ORAL REPORT