



October 11, 2006

To: Members, Formation Commission

From: Martha Poyatos
Executive Officer

Subject: Report & Recommended Determinations—San Mateo
County Harbor District Municipal Service Review
and Sphere of Influence Review

Background:

At the September 20, 2006, the Commission received a municipal service and sphere of influence report and recommendations and continued consideration to provide additional time for the Harbor District and other agencies to comment.

Municipal service reviews and sphere of influence reviews are periodic, State-mandated studies of cities and special districts. The municipal service review, in which LAFCo adopts determinations regarding nine areas of operations, finance and governance, must be conducted prior to or in conjunction with sphere of influence reviews. The sphere of influence review is a determination by LAFCo of the planned boundaries and service area of an agency including whether or not another agencies can be consolidated or services could be assumed by another agency.

The attached municipal service review and sphere of influence review reports provide information on the history

Harbor District Service and Sphere Review

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and operations of the harbor district, information on other providers and discussion of areas of required determinations.

Recommendation:

Staff recommends that at your meeting of October 18, 2006 the Commission:

- a) Consider the municipal service review report including public comments and adopt service review determinations contained in the report.
- b) Consider the sphere of influence report and recommendations and public comment and adopt the sphere recommendation and recommended determinations.

Respectfully submitted,



Martha Poyatos
Executive Officer

Attachments: Municipal Service Review w/attachments
 Sphere of Influence Review

Municipal Service Review

San Mateo County Harbor District October 11, 2006

Introduction

This municipal service review for the San Mateo County Harbor District is being prepared as required by Government Code Section 56430, which requires that in order to prepare and to update spheres of influence, the Local Agency Formation Commission shall conduct a service review of the municipal services provided in the county or other appropriate area. A municipal service review is an analysis of public services in which determinations are made regarding adequacies or deficiencies in service, cost effectiveness and efficiency, government structure options and local accountability. The report includes information provided by the Harbor District, as well as comments of affected individuals, groups and agencies on the draft service review. Recommended service review determinations are found at the end of this report and are used by the Commission in reviewing sphere of influence¹.

Local Agency Formation Commission (LAFCo)

Created by the State legislature in 1963, the Local Agency Formation Commission (LAFCo) is a State-mandated, independent commission with countywide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, consolidations and dissolutions. The Commission consists of two members of the Board of Supervisors, two members of city councils of the cities in the county, two board members of independent special districts in the county, a public member, and four alternate members (county, city, special district and public). As an independent commission, LAFCo adopts its own budget and contracts with the County of San Mateo for staff, facilities and legal counsel. The Executive Officer serves in the administrative capacity, which includes staff review of each proposal, municipal service reviews and sphere of influence studies and assistance to local agencies and the public. LAFCo's net operating budget is apportioned in thirds to the County of San Mateo, the 20 cities and the 24 independent special districts. For additional information on LAFCo please visit www.sanmateolafco.org.

¹ Sphere of influence is defined as a plan for the probable physical boundaries and service area of a local agency, as defined by the Commission (Section 56076).

San Mateo County Harbor District

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

The District's existence since has been marked by several efforts to dissolve it. In 1966, a dissolution initiated by the Board of Supervisors was approved by the voters but later overturned by the courts in 1969. Subsequently several efforts to either detach portions of the county from the District or dissolve it ended with court challenge, denial at protest hearing, failure at election and most recently in 1991, withdrawal of the application.

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

While District boundaries are countywide, the District operates at two locations: Pillar Point on Half Moon Bay and Oyster Point Marina/Park on the bayside in South San Francisco. The District controls Pillar Point Harbor under a State Tidelands Grant and has operated Oyster Point Marina/Park via a Joint Power Agreement (JPA) with the City of South San Francisco since 1977. The JPA expires in 2026.

District Services:

District enterprise and non-enterprise operations at the two locations are summarized by the District as follows.

Pillar Point Harbor:

Enterprise activities:

- A public 369-berth marina that contains roughly 180 commercial fishing vessels and the remainder are recreational boats². Berth-holders sign berthing agreements with the District and pay berthing and utility fees, which are used to maintain the facilities (See fee schedule).
- Forty moorings maintained and rented out by the District. Boaters may have private moorings, for which the District charges a small fee.
- A six-lane public small craft launch ramp. A yearly average of 30 boats per day are launched, for an annual total of approximately 10,000 to 12,000 launches. These boaters pay the District a launch fee.
- A public hoist to serve boaters
- Lease-holders at Pillar Point Harbor include three wholesale commercial fish buyers, a fuel dock and ice facility, two sport fishing concessions, one kayak rental and guided tour business within the inner harbor and another at Princeton within the outer breakwater, three restaurants, and a recreational vehicle park. Each lessee pays rent to the District for use of the respective premises. The District is responsible for maintaining building structures and exteriors. Lessees are responsible for the interior of the premises and any improvements.
- The District issues commercial activity permits for sport fishing charter boats, retail fish sales, retail fish sales by commercial fishermen from their boats³ to the public, an onshore driftwood marine handicrafts business, a wireless concession and special events such as the Mavericks surfing competition, boat races, triathlons, and various athletic events sponsored by nonprofit social service groups as fundraising activities.

Non-Enterprise Activities:

- Search & Rescue (SAR): The District's Pillar Point Harbor Patrol provides the only search and rescue security vessels stationed on the San Mateo County coast. The SAR area of

² The District also allows 10% of berth holders at each harbor to live aboard their vessels and charges a liveaboard fee in addition to berthing fees. The 10% figure is the maximum allowed on San Francisco Bay by SF Bay Conservation and Development Commission (BCDC) policy. At Pillar Point Harbor, it is a *de facto* voluntary limit that is commonly accepted by other coastal harbors.

³ Approximately 4,000 to 5,000 people per year purchase fish directly from the Harbor's fishermen.

operation includes the entire County coast and out to approximately twelve nautical miles. This area comprises approximately 420 square miles of open-ocean and exposed coastal waters as well as protected waters within Pillar Point Harbor. The U.S. Coast Guard provides occasional back-up assistance to the Harbor Patrol with helicopter assistance and other resources at the farthest extent of the Patrol's Operations. As the only agency that maintains immediate response vessels stationed anywhere on the County coast, the Pillar Point Harbor Patrol is often asked to provide expertise and equipment (vessels, trained personnel, and facilities) to other agencies when events occur within the Patrol's area of operation. The Harbor Patrol interacts and trains with other agencies including: U.S. Coast Guard, U.S. Customs, Immigration and Naturalization Service, the Monterey Bay and the Farallones National Marine Sanctuaries, California Department of Fish and Game, County of San Mateo Sheriff and Office of Emergency Services, Half Moon Bay Fire District and Half Moon Bay Police Department.

The District staffs the Harbor facility 24 hours a day, 365 days per year with trained search and rescue staff (SAR), vessels and SAR personal watercraft (PWC) for surf impact zone work. The Patrol averages about 120 distress call responses per year including vessels on fire or sinking, collisions, cases of vessels in some of form of danger and medical cases. District staff also assist in referrals for assistance, technical advice mechanical problems, boaters lost in fog, as well as assistance to swimmers and surfers in distress, body recovery and environmental responses. By agreement with San Mateo County, the Pillar Point Harbor Patrol is dispatched through the County Communications System.

- Law enforcement: Pillar Point Harbor staff enforces the California Harbors and Navigation Code and the County Harbor District Ordinance Code. The Harbor Patrol wears uniforms, and District patrol vehicles and vessels are marked accordingly.
- The District operates a waste oil collection facility available to boaters to help maintain water quality.
- The District contracts for garbage collection and operates a marine debris recycling facility.
- Recreational facilities available to the public include parking, public restrooms, fishing piers, break walks, paths, shoreline access trails and beaches with an estimated 100,000 visitors per year. The Harbor is also a port of call for tall ships "Lady Washington" and "Hawaiian Chieftain", which attract visitors at each annual visit. The San Mateo County Local Coastal Program (LCP) includes a policy that encourages the

Harbor District to continue efforts developing and maintaining public shoreline access, public recreation and visitor-serving facilities.

- Pillar Point staff provide educational information and tours to diverse groups including school children, Culinary Institute of American, World Federation of Fisherman, and environmental groups, and outreach to local schools regarding ocean awareness and boating safety.
- Pillar Point Harbor and District Administrative staff work with federal, state and local environmental organizations, including the Gulf of the Farallones and Monterey Bay National Marine Sanctuaries, State Coastal Conservancy, Coastal Commission, San Mateo County, the nonprofits Save Our Shores and Heal the Bay, and the Princeton Citizens Advisory Committee on matters ranging from sustainable fisheries, marine protected areas, and harbor dredging issues to water quality concerns, shoreline protection, and public access. The District interest in these matters is linked to its harbor users such as commercial and sport fishermen, harbor visitors and local citizens.

Oyster Point Marina/Park-South San Francisco

Enterprise Activities:

- A public 600-berth marina that serves predominantly recreational vessels, subject to berthing agreements and berthing and utility fees.⁴
- A two-lane public small craft launch ramp with an annual average of 4,200 launches.
- Lease-holders at Oyster Point include the Marina Inn, a 30-room hotel and restaurant, Oyster Point Bait & Tackle, Oyster Point Yacht Club, the Boat & Motor Mart boat sales, repair and dry boat storage facility and fuel dock and Marina offices.
- Commercial activity permits sport fishing charter vessels.

Non-Enterprise Activities:

- Search & Rescue (SAR): Oyster Point Harbor Patrol currently assists the U.S. Coast Guard with San Francisco Bay SAR activities and Homeland Security patrols, reflecting the proximity of Oyster Point Marina to San Francisco International Airport and shipping channels and anchorages in the Bay. The Harbor Patrol's resources are continually tapped as the Coast

⁴ The District also comments that the Bay Plan allows some visitor-service commercial use (revenue-generating), which would enable a new hotel development to occur, for example.

Guard's responsibilities continue to expand. Mutual assistance continues to develop due to the training and level of experience of Oyster Point Harbor Patrol Personnel.

The Harbor Patrol maintains direct communications with the South San Francisco Police Department for land activities and County Communications. The Harbor Patrol's mutual support for SAR in order of priority is South San Francisco Police and Fire, U.S. Coast Guard, San Mateo County Sheriff's Department, State Department of Fish and Game, and Animal Control.

- Law enforcement: Oyster Point Harbor staff enforces the California Harbors and Navigation Code and the District Ordinance Code. The Harbor Patrol wears uniforms, and District patrol vehicles and vessels are marked accordingly.
- The Oyster Point Harbor Patrol implements youth educational programs for ocean awareness, boating safety, environmental education and natural history in schools and community centers at various locations. Additional outreach includes South San Francisco's Annual Day-in-the Park, boat shows and the San Mateo County Fair.
- The San Francisco Conservation and Development Commission (BCDC) Bay Plan segment for South San Francisco designates most of Oyster Point for shoreline public park uses. Oyster Point includes a public recreational fishing pier, hiking and biking trail (which completes a gap in the San Francisco Bay Trail), windsurfing ramp, swimming beach, picnic areas

The following tables include information on other harbor/marina services in San Mateo County and an overview of the Harbor District which has been revised to reflect combined expenditures and revenues as shown in the District's budget document. Map A attached illustrates location of these facilities.

Other Marina/Port Facilities in San Mateo County

Brisbane Marina	Brisbane Marina is a City of Brisbane facility located at Sierra Point on 31 acres of water, just north of Oyster Point and South of Candlestick Point. There are 580 berths, a sewage pump out dock, 280' guest dock, 6 boater keyed restrooms and showers, 2 public restrooms and a 255' long public fishing pier. Facilities also include laundry facilities, picnic facilities.
Coyote Pt. Marina	Operated by the County of San Mateo Parks Department, Coyote Point Marina is part of the Coyote Point Recreation Area located at the northeastern area of the point with direct access to the San Francisco Bay. The Marina can accommodate 565 boats in slips ranging from 24' to 50' in length and single side ties for vessels up to 22'.
Port of Redwood City	The Port, owned by the City of Redwood City, includes maritime shipping, commercial and recreational facilities. Maritime shipping facilities include port berthing facilities including 5 wharves with facilities including ship unloading conveyor, bulk cement pipeline and hoppers, petroleum pipeline, mobile crane, tractors, and forklifts, lighted for 24-hour operation. Electric, telephone and water hookups, U.S. Coast Guard certified oil waste reception facility. The Marina has more than one mile of waterfront public access, including walkways viewing, fishing and picnic areas, restrooms and parking. Recreational Facilities also include: boat launching, 190-berth Redwood City Marina, dry boat storage. Commercial uses at the port include office, restaurant and conference center.
Bair Island Marina	Bair Island Marina is a privately owned 100-boat marina. Boat slips range in size from 35' to 45', with no live-aboards.
Docketown Marina	Privately owned, the marina has 145 slips, Guest slips, 350 RV & boat storage. Launch ramp, restrooms, showers, laundry facility & phone.
Oyster Cove Marina	Privately owned, the marina has 570 slips. Guest slips. Dry storage. Gas & diesel. Launch ramp, restrooms, showers, laundry, pumpout.
Pete's Harbor	Privately owned, Pete's Harbor has 280 slips with Guest slips
Westpoint Marina	35 acres near Port of Redwood City has been purchased for the purpose of constructing a privately owned 48-boat marina.

San Mateo County Harbor District
 400 Oyster Point Blvd.
 South San Francisco, CA 94080

Contact Person:

Peter Grenell
 General Manager
 650/583-4400 650/583-4611 FAX
 Website: www.smharbor.com

Date of Formation: 1933

Enabling Legislation: Section 6000 et seq. State Harbors and Navigation Code

Governing Board: Five-member board of directors elected to four-year terms

- a. Membership and Term Expiration Date: Sally Campbell (2008), Pietro Parravano, President (2008), James Tucker (2006), Ken Lundie (2006), Leo Padreddi (2008)
- b. Compensation: \$600 per month
- c. Public Meetings: 1st Wednesday at 766 Main Street, Half Moon Bay
 3rd Wednesday at 33 Arroyo Dr., So. San Francisco

Services Provided: Builds, operates and maintains harbor and marina facilities in San Mateo County and provides search and rescue facilities at Pillar Point Harbor

Area Served: San Mateo County Estimated Population: 723,453

Contractual Arrangements: A Joint Powers Agreement with the City of South San Francisco for operation, maintenance and economic development at Oyster Point Marina

Number of Personnel: 5 Management, 1 Administrative Services, 3 Finance Services, 10 Operations Oyster Point, 11 Operations Pillar Point

Sphere of Influence: Zero

Combined Expenditures – Source SMCHD 2006/2007 Adopted Budget					
	Pillar Pt.	Oyster Pt.	Administration	Harbor Commission	Total
Personnel	862,265	802,128	407,016	36,000	2,107,409
Benefits	535,296	424,471	168,550	77,700	1,206,017
Maintenance & Operations	496,700	469,600	256,600	284,858	1,507,758
Depreciation & Debt Service	1,020,000	1,380,000	-	-	2,400,000
Capital Outlay	90,000	39,500	20,000	-	146,500
Capital Projects	-	-	-	-	-
Total	3,004,261	3,112,699	852,166	398,558	7,367,684
Carry-over	3,199,372	2,007,772	-	-	5,207,144
Total	\$6,203,633	\$5,120,471	\$852,166	\$398,558	\$12,574,827
Combined Revenues – Source SMCHD 2006/2007 Adopted Budget					
	Pillar Pt.	Oyster Pt.	Admin	Commission	Total
Operating Revenue	1,855,388	1,603,900			\$3,459,288
Non Operating Revenue	19,200	13,500	350,000		382,700
Combined Operating & Non Operating	1,874,588	1,617,400	350,000		3,841,988
Other financing sources – tax revenue			3,050,000		3,050,000
DBAW Loan 40 Berth Project	635,000				635,000
Int. Signs Grant	20,800				20,800
DBAW Loan Restrooms	500,000				500,000
DBAW Launch Ramp/Parking Lot		828,000			828,000
Tot. Other Financing Sources	1,155,800	828,000			1,983,800
Total In-flows	3,030,388	\$2,445,400	\$3,400,000	0	\$8,875,788

⁵ Includes projected election cost of \$262,500

Municipal Service Review:

The nine service review criteria as set forth in Government Code Section 56430 are examined below and includes information provided by the District.

(1) Infrastructure needs or deficiencies

As noted above, San Mateo County Harbor District owns the Pillar Point facility and operates the Oyster Point facility by joint power agreement with the City of South San Francisco. District administrative offices are leased. Capital improvement projects range from new restroom facilities, new patrol boat, pier repair and rehabilitation, parking lot repaving and removal of docks at Oyster Point to prepare for construction of a proposed commuter ferry terminal by the San Francisco Bay Regional Water Transit Authority. Projects are funded by the District, loans and grants as well as cost sharing with other agencies.

Infrastructure needs identified by the District at Pillar Point and Oyster Point include:

Pillar Point Harbor:

- Inner Harbor breakwater rip rap repair
- Maintenance dredging including use of dredged material for Princeton Shoreline protection and public access
- New Harbor Entrance and signs
- Re-roof or add second story to concessionaires building
- Inspect and repair fish buyers building on Johnson Pier
- Replace Romeo Pier
- New federal navigation channel to replacement for Romeo Pier (with cost sharing agreement with U.S. Army Corps of Engineers)
- Rehabilitation of floatation on central basin docks (preventive maintenance)
- Proposed Boat haul-out facility to replace a leased facility that was closed upon expiration of lease (dependent upon financial feasibility)
- Reuse of old restroom site following completion of new restroom facilities, now out to bid for construction

Oyster Point Marina/Park:

- East Basin parking lot paving (currently gravel)
- Maintenance dredging of West Basin
- Completion of Bay Trail Segment (predominantly grant funding)
- Landscape improvements to park portion
- Marine science learning center (under study)
- Berthing reconfiguration to accommodate changes in boating market favoring larger vessels
- Modification of dock to serve dining vessels
- Replace small craft launch ramp and resurface trailer boat parking lot (project in progress; grant funded)

Harbor District's Leased Administration Office Space and Planned Permanent Space:

- **Leased Space:** The District is in year three of a five-year lease of temporary space for Administration offices at Oyster Point Marina Plaza. District Administration moved to the leased office space from the overcrowded Pillar Point Harbor office.
- **Planned Permanent Space:** The Harbor Commission intends to relocate the Administration Office back at a coastside location into permanent District owned quarters although a possible location at Oyster Point Marina/Park on land controlled by the District under the Joint Power Agreement is also being investigated. Investigations for a site are underway. Meanwhile, the Harbor Commission continues to hold public meetings in Half Moon Bay (first Wednesday of the month) and South San Francisco (third Wednesday) to maximize accessibility of proceedings to the public. The District plans a commission meeting room in the permanent administration office.

(2) **Growth and population projections for the affected area**

The SMCHD territory is coterminous with the County of San Mateo. The District's facilities serve County residents and non residents. The District indicates that about 40% of Pillar Point users are from outside the county mostly the greater bay area and Sacramento Valley and approximately 10% are from out of state. At Oyster Point, the District reports that 52% of marina tenants identify San Mateo County as county of residence, 19% are from San Francisco County, 7% are from Santa Clara County; 5% from the East Bay; 14% are from other counties in California and 3% come from out of State.

Association of Bay Area Governments (ABAG) Projections 2005 projects that by 2025 the County will grow by 106,000 persons or 14.6%. The nine-county Bay Area region is projected to grow by 1.27 million or 18% by 2025.

Projections 2005	2005	2020	2025
County of San Mateo	723,200	806,500	829,200
Bay Area Region	7,091,700	8,094,000	8,419,100

Projections 2005 is the official forecast of ABAG in which ABAG assigns growth potential to local jurisdictions based on smart growth policies and assumptions that local jurisdiction general plans and zoning will be amended to promote "smart growth" policies. In this regard, the projections are based on recommended policies for urban planning and not on growth trends or current general plan policies. Nevertheless, continued population growth in San Mateo County and surrounding counties will increase demand for marine and visitor serving facilities in San Mateo County.⁶

(3) Financing constraints and opportunities

SMCHD funding sources include a share of property tax, charges for berthing and services, rent, concessions, and grants. Revenues and expenditures are summarized in the table below revised to show break down of each marina operation, administration and harbor commission as reflected in the adopted budget:

Combined Expenditures - (source SMCHD 2006/2007 Adopted Budget)					
	Pillar Pt.	Oyster Pt.	Administration	Harbor Commission	Total
Personnel	862,265	802,128	407,016	36,000	2,107,409
Benefits	535,296	424,471	168,550	77,700	1,206,017
Maintenance & Operations	496,700	469,600	256,600	284,858	1,507,758
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Capital Outlay	90,000	39,500	20,000	-	146,500
Capital Projects	-	-	-	-	-
Total	3,004,261	3,112,699	852,166	398,558	7,367,684
Carry-over	3,199,372	2,007,772	-	-	5,207,144
Total	\$6,203,633	\$5,120,471	\$852,166	\$398,558	\$12,574,827

⁶ The District comments that in addition to assistance provided by harbor users, search and rescue operations from both harbors involve assistance to vessels not home ported at Pillar Point or Oyster Point Harbors.

⁷ Includes projected election cost of \$262,500

Combined Revenues - Source SMCHD 2006/2007 Adopted Budget					
	Pillar Pt.	Oyster Pt.	Admin	Commission	Total
Operating Revenue	1,855,388	1,603,900			\$3,459,288
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Other financing sources - tax revenue			3,050,000		3,050,000
Other Financing sources - Projects					
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Int. Signs Grant	20,800				20,800
DBAW Loan Restrooms	500,000				500,000
DBAW Launch Ramp/Parking Lot		828,000			828,000
Tot. Other Financing Sources	1,155,800	828,000			1,938,000
Total In-flows	3,030,388	\$2,445,400	\$3,400,000	0	\$8,875,788

The District notes in the cover memo to the 2006-2007 budget that it has reorganized finances in an effort to increase revenues at a faster rate than expenses, stating that it will take several years to reverse the trend of flat revenue growth and increasing expenses.

Long Term Debt:

The District, as of June 2005 had \$19,451,746 in long-term debt including 19 loans outstanding from the California Department of Boating and Waterways (CalBoating) for construction projects at Oyster Point Marina/Park and Pillar Point Harbor. Interest for all of the loans is 4.5%. In 1997 the District received deferrals from the CalBoating in which no interest or principal payments were due for three years, followed by an agreement in 2001 in which principal payments were deferred and the District made interest only payments for 2001 through 2004. In 2004, the Harbor Commission approved a loan restructuring agreement with CalBoating. That agreement included the District pledging collateral to secure repayment of the loans. Collateral includes all revenues, lands and facilities, all property tax revenues received by the District and a restricted account with the County Treasury in the amount of \$1,500,000.⁸ The District's 2006-2007 budget includes \$1.525 in principal and \$875,000 interest payments to CalBoating. The District indicates

⁸ Source: Audited Financial Statement

that future payments will be budgeted at \$1.5 million plus interest annually and the District's cash flow projection dated September 25, 2006 (attached) reflects that with these payments, the District's original debt would be repaid by 2019. The cash flow projection also includes new debt assumed to average \$1 million a year. The following summarizes long-term debt, assets and liabilities for the 2001-2002 Fiscal year and 2004-2005 Fiscal Year.

	2001-2002 Fiscal Year	2004-2005 Fiscal Year
Long term Debt	\$16,874,470	\$19,451,746
Assets	\$36,249,452	\$35,866,653
Liabilities	\$17,991,755	\$20,628,997
Net Assets	\$18,257,697	\$15,237,656

The District states that it has continually pursued and received grant monies for a variety of projects, and continues to do so.⁹ In addition, the District comments that following a Board of Harbor Commissioners finance workshop in 2005, the District identified several opportunities for sustaining positive cash flow, augmenting revenues, expanding investments, modifying debt service practices and cost containment. These include:

- Loan restructuring
- Financial opportunities related to the Water Transit Authority proposed ferry service¹⁰
- Future share of tax increment resulting from inclusion of Oyster Point Marina in City of South San Francisco Downtown Redevelopment Area¹¹
- Increased rates for berthing, live aboard, and small boat launch fees for 2006-2007 and use of District established Harbor Cost Index (HCI) instead of Consumer Price Index (CPI), whenever legally possible to more accurately reflect actual costs increases associated with District operations.
- Increased lease revenues as the District renegotiates commercial ground leases.

⁹ The District reports that over the past nine years, the District has obtained over \$3 million in grants and other agency cost shares, not including loan monies.

¹⁰ Per WTA website and communication: Proposed timing for ferry service implementation is 2008. WTA would have a lease and operating agreement with the District. WTA would build the terminal and operate the service, requiring removal of two docks. WTA comments that location at Oyster Point is contingent upon mutually acceptable financial terms for the District and WTA, and within funding available to WTA from federal, regional and local sources to build and operate terminal and ferry vessels. The WTA Board of Directors recently approved a contract amendment for an EIR for an alternative site in South San Francisco. The WTA is concurrently discussing with entities that control the alternative site to availability of site for a ferry terminal.

¹¹ The City of South San Francisco has commented that revenues to the District would be related to future redevelopment in the area would be rental revenues from increased harbor related development at the Harbor District (hotels, retail), not tax increment.

- Possibility of including rental space in new administration offices to generate revenue and defray building cost.

(4) Cost avoidance opportunities

The District cites cost avoidance practices including competitive bidding, discounts, renegotiating contracts for rental equipment, use of in-house labor when more cost effective than contractors, use of Sheriff's and Court work programs, volunteers, purchasing fuel through County Public Works and packaging multi-facility and multi agency projects. At present the District has a hiring freeze in which positions that are vacated are filled at the discretion of the board. The District recently redistributed insurance policies through multiple brokers estimating cost savings of \$75,000 for the current fiscal year.

(5) Opportunities for rate restructuring

The District Board of Commissioners adopts a fee schedule (attached). The following includes fees for berthing and live aboard.

	Pillar Point	Oyster Point
Berth Rates	\$6.80 per foot	\$7.00/\$7.30 per foot
Live Aboard	\$265/Mo. + berth rent	\$265/Mo. + berth rent

The average berth rate of all San Francisco Bay Area marinas¹² is \$7.65 per foot and median is \$7.33 per foot. The average for publicly operated marinas is \$6.99 per foot.

The District notes that ability to increase rates is dependent in part upon occupancy rates at marinas as well as economic events such as the current restrictions on Salmon fishing along the California and Oregon coasts¹³ affecting the commercial fishing industry. In regard to occupancy, Oyster Point experiences low occupancy (currently 54%)¹⁴ for recreational boaters and Pillar Point experiences full occupancy. The District indicates that the WTA proposed commuter ferry service and City of South San Francisco redevelopment plans might have positive effects on occupancy at Oyster Point. The District comments that rate restructuring to better address changing trends in the types and sizes of boats

¹² March, 2006 data

¹³ In April, the National Marine Fisheries Service introduced restrictions on commercial salmon fishing that are estimated to result in about 40% of the usual commercial salmon harvest. California's average commercial harvest in recent years has been about \$12 Million. (National Oceanic & Atmospheric Administration (NOAA), U.S. Department of Commerce, April 28, 2006.

¹⁴ The District reports that Oyster Point had 84% occupancy around the year 2000.

purchased is also under consideration and notes however, that raising the rates too drastically could result in either conversion of a harbor such as Pillar Point from a harbor of refuge for commercial fishing vessels to a harbor for recreational yachts.

Because the District existed before passage of Proposition 13 and encompassed all of San Mateo County, the District receives a share of the 1% property tax countywide. The district states that it uses this revenue to fund debt service and non-enterprise activities. (While it is common for enterprise districts to receive a share of the 1% property tax, the intent of the legislature in implementing Proposition 13 was to encourage enterprise districts to recover the costs of providing services through fees, thereby dedicating property tax to fund non-enterprise services that do not lend themselves to fees such as Search and Rescue with current annual costs totaling approximately \$122,000.)

(6) Opportunities for shared facilities.

The District does not share facilities with other agencies, however through the Joint Powers Authority with City of South San Francisco operates a city-owned marina.

Pillar Point is the only harbor on the County's ocean coastline and the only full time immediate response for ocean going search and rescue on the coast as well as the only commercial fishing harbor in San Mateo County. On the bayside, Oyster Point is proposed as a location for a new ferry service on the Peninsula in the short term and the Port of Redwood City has also been identified for service in the future. Both of these proposals are contingent upon funding becoming available (Please see footnote No. 8 above). As shown above, other bayside facilities include Brisbane Marina, Coyote Point and Redwood City Port and Marina, as well as several privately operated recreational marinas. Potential exists to work with other agencies to locate additional bayside docking facilities for emergency response in cases of earthquake or other disasters. Opportunities also exist to collaborate with school and college districts on marine-related educational matters.

Current practice of sharing resources includes training with other agency personnel. The District collaborates with the Coast Guard, County Sheriff (including Office of Emergency Services), fire and other agencies in emergency response and preparedness. The District cites the potential for the District to work with County Office of

Emergency Services (OES)¹⁵, local Bayside municipalities and the Water Transit Authority on provision of emergency preparedness and response from District water-based facilities. The District states that with its harbor specific mandate and expertise the District could have interagency agreements with localities and the County to more efficiently implement such plans. The Harbor Patrol enforces District ordinance code and Harbors and Navigation Code and assists other agencies when appropriate. County Sheriff and South San Francisco Police are otherwise responsible for law enforcement at the two District operated facilities.

Other agencies with marine emergency response capability include Coast Guard, County Sheriff's Department, Menlo Park Fire District and City of Foster City Fire Department (Lagoon response). County Parks staff at Coyote Point Marina are also trained in water rescue and CPR.

(7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers

The District's sphere of influence is zero with a determination that the District be dissolved and service responsibilities be transferred to the County of San Mateo. Potential advantages of this alternative include elimination of costs associated with maintaining a separate government entity to operate the two marinas and once debt is paid down, dedication of property tax to other non-enterprise services. The 2006-2007 Harbor District budget includes \$136,058 for non-election related Harbor Commission expenditures and \$852,166 for administration. Assuming no significant change in operations positions, savings other than those related to Harbor Commission overhead (salaries, benefits) resulting from dissolution would depend upon actual reduction of administrative positions, office space, etc. Election costs if a district is dissolved would be apportioned to all agencies participating in a general election in a county. In regard to debt of a dissolved district, the Cortese Knox Hertzberg Act requires that in a reorganization successor agencies use existing revenues to pay obligations of a dissolved district. In that respect, the successor agency would not bear a new cost associated with debt, rather it would serve as the agent to receive property tax and other revenues to pay debts of the dissolved district.

¹⁵ OES is a joint powers authority between the County of San Mateo and the 20 cities in the county in which emergency response planning, training and management is funded by the County, cities and grant monies. OES interacts with special districts and includes them in training.

Reorganization of service providers could also include expansion of San Mateo County Harbor District services to include operation of other public marina facilities by joint power agreement or formal transfer of facilities by willing agencies. An advantage of this alternative is that once debts are retired, property taxes that are collected countywide could be more equitably used to fund non-enterprise services at marine/harbor facilities located in other areas of the county. However, this assumes that there are willing agencies such as the City of Brisbane or County of San Mateo and that District debt repayment would result in property tax revenues being available to benefit other facilities.

The District has submitted comments regarding government structure options included in Attachment B, pages 5 and 6, including discussion of sphere of influence, which is addressed in the sphere of influence review accompanying this report.

(8) **Evaluation of management efficiencies.**

This section examines the ability of an agency to provide efficient and effective service by meeting service demands and maintaining adequate staffing levels given the resources available. The District's adopted mission statement is: "To assure that the public is provided with clean, safe, well-managed, financially sound and environmentally pleasant marinas."

The District is organized pursuant to Harbors and Navigation Code with an elected five-member Board of Harbor Commissioners who appoint a General Manager. In addition to the General Manager, personnel include Director of Finance and Human Resource Manager, Administrative Assistant, Harbor Master, Assistant Harbor Master and accounting technician for each facility as well as patrol and maintenance staff. The General Manager, Harbor Masters, Director of Finance and Human Resources Manager comprise the District's management team. In total, the District has 30 employees.

The arrangement by which the Harbor District operates the Oyster Point Marina via a joint powers agreement with the City of South San Francisco eliminates the need for the City of South San Francisco to maintain a separate function of marina operations and administration.

Attachment C provides a comparison of Oyster Point Marina and Coyote Point Marina, based on the 2006-2007 adopted budgets of the Harbor District and the County of San Mateo Coyote Point Marina and updated

to reflect comments from the Harbor District¹⁶. In comparing the two facilities it is important to note that County operations for Coyote Point Marina are budgeted separately from operations for the adjoining park while the Harbor District combines operations and budget of Oyster Point Marina and adjoining non-enterprise park facilities. Personnel costs at Oyster Point include 18 hours per day and Oyster Point includes live aboard berths, while Coyote Point is based on 9 hours per day and contracted security services. Coyote Point does not include live aboard berths. In the case of Coyote Point, expenditures include charges applied by the County Parks Department for administration. In the case of Oyster Point, Harbor District Administration (\$852,166) and Board of Commissioner (\$398,558) expenditures are not included in the budget of the marina.

In summary the 2006-2007 Harbor District Budget shows that Oyster Point Marina/Park with 600 berths (54% occupancy) has an operations budget of \$3,112,699 (excluding carryover), operating revenues of \$1,617,400 (including \$238,000 in rent and concession revenue) and full time staff of 12. Coyote Point Marina with 585 berths (86% occupancy) is operated by San Mateo County Parks with an operations budget of \$2,266,290 including a reserve of \$515,408; revenues of \$1,179,017, fund balance carry over of \$1,087,273 and full-time staff of 5. At Coyote Point Marina, some services (\$149,195 included in maintenance & operations) are provided by County Public Works.

In response to District comments regarding revenues per occupied berths at each facility, comparison of both annual revenues and expenditures per occupied berths results in the following:

	Revenues	Expenditure
Coyote Point (485)	\$2,327	\$4,560
Oyster Point (324)	\$4,560	\$7,215

Management efficiency of the Harbor District should include discussion of not just operations budgets of the two marinas but the district administration costs related to operation of the two facilities. In total the District's administration and governance in the current budget total approximately \$1.25 million in expenditures, which when attributed equally to the two facilities adds approximately \$625,000 each to cost of operation.

¹⁶ Not included in Attachment C is information on the Brisbane Marina. Operated by City of Brisbane, the operations budget for 2006-2007 totals \$872,372 including 6.25 full-time positions. Personnel include Harbormaster, 2 marina maintenance workers, 1.5 office assistant, and 1.75 police service aides.

(9) Local accountability and governance.

This section examines the degree to which an agency keeps affected residents informed/educated about district services, budget, programs, anticipated changes in service, effectiveness of the district in responding to requests for information and the degree to which the district encourages public participation in decision making. As a special district, the SMCHD is subject to the Ralph M. Brown Act governing public meetings.

As noted above, the District is governed by a Board of Harbor Commissioners elected at large countywide. Meetings are held on the first and third Wednesdays of the month alternating between Half Moon Bay and South San Francisco, with an agenda prepared and circulated the week before and posted on the District's website (www.smharbor.com). The District adopts a budget annually. Following recent interaction with District constituents regarding proposed fee increases, the District plans to institute an additional communication means on matters concerning Harbor Commission business and in which information on District meetings will included in billing and be provided at each Harbor office as well as staff being available to answer questions about District business. The District indicates that it will also make changes to the District's website to better serve constituents.

The District's Harbor Patrol conducts various educational and outreach activities and has regular contact with boaters regarding local conditions or safety including safety inspections. The District indicates it plans to prepare a series of informational harbor related articles for its website and the media to educate the community. In addition, Harbor Commissioners, the General Manager and Harbor Masters make presentations to community groups, service organizations and chambers of commerce. The District maintains active relationships and is represented at:

- Monterey Bay National Marine Sanctuary Advisory Council
- Gulf of the Farrallones National Marine Sanctuary Advisory Council
- California Marine Affairs and Navigation Conference
- California Maritime Infrastructure Authority
- California Marine Parks & Harbors Assoc.
- California Special District Association
- Half Moon Bay/Coastside Chamber of Commerce
- Princeton Citizens Advisory Council
- South San Francisco Chamber of Commerce

Recommended LAFCo Determinations Pursuant to Government Code Section 56430:

Infrastructure needs or deficiencies

Infrastructure needs identified by the District range from improvements relating to public and boating safety such as dredging to discretionary improvements related to aesthetics and enterprise operations such as modifications of dock to accommodate dining vessels. The District indicates it has deferred discretionary capital projects such as Oyster Point East Basin Parking Lot and pier projects. Future consideration of incurring debt to fund discretionary capital projects for enterprise activities could include consideration of use of enterprise revenues to repay loans.

Growth & Population Projections

The District operates two marinas that provide services to residents of San Mateo County, the Bay Area and beyond. State and regional growth projections indicate that there will be a continued demand for these facilities and facilities operated by other public and private agencies.

Financing Constraints & Opportunities

- a. As an enterprise district with countywide boundaries, the District relies heavily on property tax revenue and State Boating and Waterways loans.
- b. While debt financing of capital projects can be considered a more equitable means of financing projects that will benefit future taxpayers, in this case projects financed by State Boating and Waterways loans are limited to the two District facilities and loans are repaid with property tax collected countywide. In this respect, property taxes are funding capital projects related to enterprise activities that in many instances benefit only the marine community or provide limited benefit to the countywide taxpayers.
- c. The Harbor District is encouraged revisit adopted fiscal/debt policies to adopt more aggressive financial and debt policies designed to: reduce operating expenditures to close the gap between enterprise revenues and expenditures and establish parameters/limits for issuing, managing and repaying debt.

~~These policies could include debt affordability standards in order to evaluate appropriate timing, types of projects and how much debt the District can carry in order to reduce and maintain debt levels within acceptable ranges or a target ratio based on relevant factors such as best practices of other similar agencies, or ratio to property tax or enterprise revenues.~~

Cost Avoidance

- a. The District controls costs where possible through cost sharing with other agencies such as dredging which is funded in conjunction with the Army Corps of Engineers and in the case of the proposed commuter ferry, the Water Transit Authority.
- b. Additional opportunities for cost avoidance may exist by sharing costs for commonly needed marina specific services with other public and private marina operators.

Opportunities for Shared Facilities

The District's Pillar Point Harbor Patrol provides the only search and rescue security vessels stationed on the San Mateo County coast and the District collaborates with the City Police, County Sheriff, fire and other agencies on emergency response.

Rate Restructuring Opportunities

- a. The District reviews rates for berthing and other marina uses as part of the budget process. If it does not already do so, the District may wish to consider including in rate schedules, a cost for district administration and overhead.
- b. As noted by the District, renegotiation of leases of District owned facilities offer opportunities for the District to enhance revenues.

Government Structure Options

- a. Government structure options include status quo and dissolution. Information in the service review does not indicate foundation for expansion of District services to other facilities. In particular, other public and private agencies operate facilities as enterprise functions, limiting the services provided to revenues available.

- b. The County as a potential successor agency already operates a marina and has an organizational structure that includes administrative, fiscal and human resources support with potential to assume other marina operations.
- c. Two areas that offer potential savings through dissolution and transfer of service include the cost of administration currently at \$852,166 and Harbor Commission expenditures currently budgeted at \$398,558.
- d. Dissolution of the District is not precluded by existing debt because provisions of Government Code Section 57000 provide for disposition of a dissolved district's assets, revenues and liabilities.

Evaluation of Management Efficiencies

The District operates two facilities, is governed by a five-member board and employs 30 employees including a general manager, finance director, human resource director and two harbormasters.

Local Accountability and Governance

- a. The District Board of Harbor Commissioners meets on the first and third Wednesdays of the month alternating between Half Moon Bay and South San Francisco. The agenda is prepared and circulated the week before and posted on the District's website (www.smharbor.com). District meetings are accessible to the public. The District adopts a budget annually.
- b. The District is funded by countywide property tax and could consider fiscal/debt management policies that benefit all taxpayers of San Mateo County in addition to those who most directly benefit from debt-financed facilities.

Attachments:

Map of Marina facilities in San Mateo County
District Comment Letters and attachments
Revised Comparison Table of Oyster Pt. & Coyote Pt. Marinas
Adopted 2006-2007 Budget (combined revenues & expenditures)
Cash flow projection and assumptions
Financial Statement and Independent Auditor's Report June 30, 2005

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James Tucker, Vice President
Ken Lundie, Treasurer
Leo Padreddii, Secretary
Sally Campbell, Commissioner

Peter Grenell, General Manager

October 8, 2006

Martha Poyatos
Executive Officer
Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

RECEIVED

OCT 09 2006

LAFCO

Ref: *Response to Report & Recommended Determinations-San Mateo County Harbor District Municipal Service Review and Sphere of Influence Review*

Dear Ms. Poyatos:

The Harbor Commission discussed the above-referenced report at its regular meeting on October 4, 2006. This letter comprises the Harbor District's formal response to the report, along with previous comments provided in my memorandum of September 20, my letter of September 25, 2006, and comments provided by Director of Finance Schnapp by memo on October 6.

The report concludes that a successor entity, San Mateo County, could provide Harbor District services more cost-effectively. The report neither defines cost-effectiveness nor presents substantial analysis supporting its conclusion, as mentioned in previous comments.

Cost-effectiveness is defined as what is economically worthwhile in terms of what is achieved for the amount of money spent. The service review documented the extensive services and facilities that the District provides to the public. Recently, the Harbor District embarked on a long-term financial and operations restructuring to enable the District to increase revenues, control costs, and reduce debt. The District has been successful as demonstrated by the following points, which together illustrate District cost-effectiveness.

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MEASURES OF COST-EFFECTIVENESS

Revenues:

- Harbor Cost Index: The District has begun to increase operating revenues by employing a "Harbor Cost Index" or "HCI" in place of the Consumer Price Index or "CPI". This is designed to help ensure that any revenue augmentation will be enough to cover inflation-driven operating expense increases. Using the HCI should yield an additional \$150,000 per year in revenue.
- Increases in investment income: The District has begun using a wider range of secure investment vehicles to increase income on District cash reserves. This new approach should yield an additional \$50,000-\$100,000 per year.
- Increased lease revenues: The District is renegotiating commercial ground leases as opportunities arise to augment revenue. Several such opportunities will arise during FY 2006-07; two are presently in process.
- Revenue-generating capital projects: Future capital projects will include revenue-generating components whenever feasible (see Capital Expenditures below for further discussion).

Expenses:

- Staff hiring freeze: The District presently has three vacant positions that remain unfilled pursuant to Harbor Commission action. The suspension of new hiring remains in place for the foreseeable future. Including all wage and benefits costs, the savings per employee will average between \$75,000-\$100,000 per year for FY 2006-2007. By year-end FY 2007-2008 the saving is anticipated to increase to \$150,000-\$200,000 per year.
- Reduced insurance costs: The District has reduced its insurance costs through re-distribution of its insurance policies through multiple brokers. Estimated cost saving is approximately \$75,000 for FY 2006-2007.
- Cost control on procurement: Harbor administrations have increased oversight of expenses to maximize savings through, e. g., more rigorous competitive bidding, pooled purchasing of supplies through vendors that offer Government Agency

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Discounts (e. g., Office Depot), and purchases of refurbished equipment instead of new items (workstations). Total estimated saving for FY 2006-2007 is \$350,000.

- **Preventive Maintenance:** Following its agreement with the Department of Boating and Waterways on loan restructuring (see Debt Service below), the District has proceeded with, and continues, a program of preventive maintenance of its facilities (see Capital Expenditures below). These improvements will result in reduced maintenance costs and longer facilities life, and defer eventual major replacement costs into the future.

Debt Service:

- The District has funded its larger capital projects through debt financing, in the form of development loans issued by the State Department of Boating and Waterways (DBW) at preferential rates (4.5% for 30-50 year loans), thus avoiding the expense incurred from typical bond financing used by general purpose local governments.
- In order to complete some deferred capital projects, DBW allowed the District to renegotiate its loan principal repayment schedule so that the District could internally finance its capital projects (see attachment for excerpts of renegotiated Loan Agreement regarding repayment terms).
- The renegotiated loan agreement, executed in 2005, calls for interest only payments to continue through December 2006. This arrangement is not reflected in the FY 2004-2005 financial statement (see attachment re: DBW agreement). In December 2007, the District is required to begin repayment at a rate of \$2.4 million a year, to be allocated first to interest expense and then to principal repayment.
- The District has budgeted \$1.525 million in principal repayment in December 2006, reducing outstanding balance and interest expense one year sooner than required.
- For the future, the District is budgeting an annual principal payment of \$1.5 million a year plus interest. This will repay 100% of the \$19.5 million owed DBW for all loans for both harbors in the agreement time frame.
- Anticipated future repair and replacement projects will be financed through either internal reserves or external debt or some combination thereof.

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Capital Expenditures:

- In FY 2006-2007 the District will complete almost all currently scheduled repair and replacement capital projects, using internal reserve funds.
- The District has set a goal of having future capital expenditures include a revenue component where possible. For example, the new District administration office is planned to be built with a design incorporating leasable retail space. This approach will minimize or potentially eliminate net District expense for the Administration office, while creating a permanent future revenue stream for the District.
- Dock replacement will include dock reconfiguration when feasible for more lucrative rentability for higher demand sectors. At Oyster Point Marina/Park, initial dock reconfiguration cost will be covered by the Water Transit Authority (WTA) within their ferry terminal project, when the WTA eliminates two docks for the terminal. Removal of these two docks will also eliminate the need to replace them when their design life expires, saving considerable additional District capital costs.

COMPARISON OF COYOTE POINT RECREATION AREA AND MARINA AND OYSTER POINT MARINA/PARK

The report included an attempt to compare Coyote Point Marina and Oyster Point Marina/Park operations and finances. This comparison was flawed in several ways. The following information is offered to provide the Commission with a more suitable basis for such a comparison. (See also Finance Director Schnapp's memo of October 6 attached.)

- Per occupied berth revenue comparison as a measure of cost-effectiveness: The two harbors have approximately the same number of berths: Coyote Point = 585, Oyster Point = 600. A useful comparison is revenue generated per occupied berth:

<u>Harbor</u>	<u>% Occupancy</u>	<u>Total Berths</u>	<u>Annual Revenue</u>	<u>Annual Revenue per Occupied Berth</u>
Pillar Pt.	96	369	\$1,855,388	\$5,237
Oyster Pt.	54	600	1,603,900	4,950
Coyote Pt.	85	585	1,103,000	2,218

The above comparison shows clearly the significantly greater revenue efficiency of both District harbors over the County's Coyote Point facility. With District revenues exceeding those of the County on a valid, consistent comparative basis, LAFCo may



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wish to consider whether the District might be better suited to manage the Coyote Point facility.

- Inconsistent comparison of revenues and reserves: The report includes Coyote Point's fund balance of \$1,100,000 as a source of funds, but fails to include the District's \$12,000,000 reserve. The report implies that Coyote Point has revenue of \$2,200,000, when in effect the amount is only \$1,100,000. Either the Coyote Point fund balance should be removed or the District's reserve should be included.
- Depreciation is a non-cash item: Depreciation should be removed from the comparison as it is a non-cash item. Including it distorts the net loss calculation.
- Depreciation is calculated differently for the two harbors: Coyote Point's fixed assets apparently are depreciated on an average 40-year basis. Oyster Point's fixed assets are depreciated on an average 20-year basis. If LAFCo applied the same depreciation schedule to both harbors, either Coyote Point's revenues and reserves would decrease substantially, or the District's would rise substantially. For example, on a 20-year basis, Coyote Point would experience a cost increase of around \$200,000 per year; while Oyster Point, on a 40-year basis, would experience a item should examined on a multi-year basis.
- Inconsistent comparison of staffing cost-effectiveness: Staffing at Coyote Point appears to be for 9 hours per day, while at Oyster Point it is 18 hours per day. Oyster Point employees operate the entire facility: the docks of the marina and the park areas of the "Marina/Park", including landscaping maintenance; while Coyote Point's smaller staff tends only the marina. Coyote Point's \$530,000 for five employees yields a staff cost of \$106,000 per employee. Oyster Point's \$1,226,000 for 12 employees yields a staff cost of \$102,000 per employee. These differences suggest that Oyster Point's operation is more cost-effective in terms of both area and facility coverage and per employee cost.

ELECTION COSTS

The report notes the District's high election costs yet the presumed successor entity, San Mateo County, is charging the District for these expenses. If these District payments were eliminated, the County's net election costs would increase to some extent, as the addition to the ballot of the District's comparatively small input to the ballot is not likely to actually cost \$500,000, although it is not possible to confirm this in the absence of firm information on actual County election costs.

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ACCESSIBILITY AND OUTREACH OF GOVERNING BOARD(S), AND COMPARATIVE ADMINISTRATIVE COSTS

As an independent special district, the sole governing body of the Harbor District is the Board of Harbor Commissioners. The Board meets twice a month, once in Half Moon Bay and once in South San Francisco. The Board meets in the evenings at both locations. This schedule enables the District to be more accessible to the public on the Coastside and on the Bayside, and when most people would not have to take off work to attend.

In contrast, the County Park and Recreation Division, which operates Coyote Point Marina and appears to be the likely successor operating entity envisioned in the LAFCo report, is part of the Environmental Services Agency (ESA). Additionally, it has an appointed body, the Park and Recreation Commission, to oversee its operations. Further, this Commission makes recommendations to the County Board of Supervisors on decisions affecting its facilities. These two boards meet in the daytime.

So, the public would need to interact with an additional oversight agency (ESA) and an additional governing board (Supervisors), instead of one agency and one board. The pro rata costs of this additional administrative burden must be factored into any reasonable comparative analysis of cost-effectiveness of District vs. County administration of Harbor District services and facilities.

SPHERE OF INFLUENCE CONSIDERATIONS

The report does not display a basis for concluding that the "plan for the probable physical boundaries and service area of [the Harbor District]" should in fact be the County assuming the District's functions. The comparative superior cost-effectiveness of the County's administration of Coyote Point Marina is not demonstrated. Major financial considerations are ignored including costs of recreation area operations (in comparison to Oyster Point Marina/Park, whose personnel take care of both marina and park functions and facilities); no comparative analysis of County and District overall administrative costs is offered including governance at policy board level; and no indication is provided as to what harbor services the County might reduce, consolidate, or eliminate and what the measure of cost-effectiveness might then be.

Moreover, no attention is given to the user catchment area of those using the District's services, which must certainly be a factor in considering a sphere of influence. Services may be delivered area-wide to users (e. g., police patrols provided by general purpose local

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governments, search and rescue by harbor patrols) or at specific points to which users come (e. g., harbor facilities by harbor districts, public libraries). Indeed, cost-effectiveness remains the key determinant.

Given the above-mentioned gaps and inconsistencies in the report, and notwithstanding the District's cost-effective provision of services as demonstrated herein and in the materials provided for the service review and in our previous responses, the final report is not clear regarding what is best for users of District services and taxpayers generally and why.

The LAFCo process, like the State-mandated Local Coastal Program update process, provides a mechanism for periodic review of public agency functioning in the interest of determining the need for constructive change. The San Mateo County Harbor District has come a long way as a cost-effective provider of harbor-related services to the boating public and the public generally, since the 1970's and LAFCo's original zero sphere of influence determination. The Harbor District welcomes this opportunity for the public to review its operations, so it may see that what the Harbor District has been and is achieving is economically worthwhile. We urge that in its consideration of the report, LAFCo closely reviews the information provided by the District and demands a full and valid analysis, leading to a supportable and supportive conclusion. We are confident that a final decision will reflect what we know the reality to be.

Sincerely,

SAN MATEO COUNTY HARBOR DISTRICT

Peter Grenell
General Manager

Cc: Members, Local Agency Formation Commission
Board of Harbor Commissioners
Marc Zafferano, District General Counsel

Enclosures

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SAN MATEO COUNTY
HISTORICAL ASSESSED PROPERTY TAX VALUATION
(in billions)

FISCAL YEAR ENDING	ASSESSED VALUATION	PERCENT INCREASE
1979	14.8	4.40%
1980	16.3	9.60%
1981	18.1	11.40%
1982	20.2	11.80%
1983	22.1	9.30%
1984	23.9	8.00%
1985	26	8.90%
1986	28.6	9.90%
1987	31.6	10.50%
1988	34.8	10.00%
1989	37.9	9.00%
1990	41.7	10.00%
1991	46.7	12.10%
1992	49.6	6.20%
1993	51.9	4.50%
1994	54.3	4.70%
1995	55.6	2.40%
1996	57.2	2.90%
1997	58.8	2.70%
1998	61.9	5.30%
1999	67.1	8.40%
2000	72.9	8.60%
2001	80.1	9.90%
2002	90.1	12.50%
2003	95.5	5.90%
2004	100.7	5.50%
2005	105.5	4.80%
2006	113.2	7.30%
28	Avg All Yrs	7.73%

Assessor Values Property

The primary responsibility of the County Assessor is to determine taxable value of each property so that each owner is assured of paying the proper amount of property tax for the support of local government. The main categories of taxable property include real property (secured) and business personal property, vessels and aircraft (unsecured). Real property is defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines. Personal property includes items such as machinery, equipment, office tools and supplies. It is important to note that there are numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Historical Assessed Value of Property in the County (in billions)		
Fiscal Year	Assessed Valuation	Percent Increase
78-79	14.8	4.4%
79-80	16.3	9.6%
80-81	18.1	11.4%
81-82	20.2	11.8%
82-83	22.1	9.3%
83-84	23.9	8.0%
84-85	26.0	8.9%
85-86	28.6	9.9%
86-87	31.6	10.5%
87-88	34.8	10.0%
88-89	37.9	9.0%
89-90	41.7	10.0%
90-91	46.7	12.1%
91-92	49.6	6.2%
92-93	51.9	4.5%
93-94	54.3	4.7%
94-95	55.8	2.4%
95-96	57.2	2.0%
96-97	58.8	2.7%
97-98	61.9	5.3%
98-99	67.1	8.4%
99-00	72.9	8.6%
00-01	80.1	9.9%
01-02	90.1	12.5%
02-03	98.5	9.0%
03-04	103.7	5.5%
04-05	105.5	4.6%
05-06	113.2	7.3%

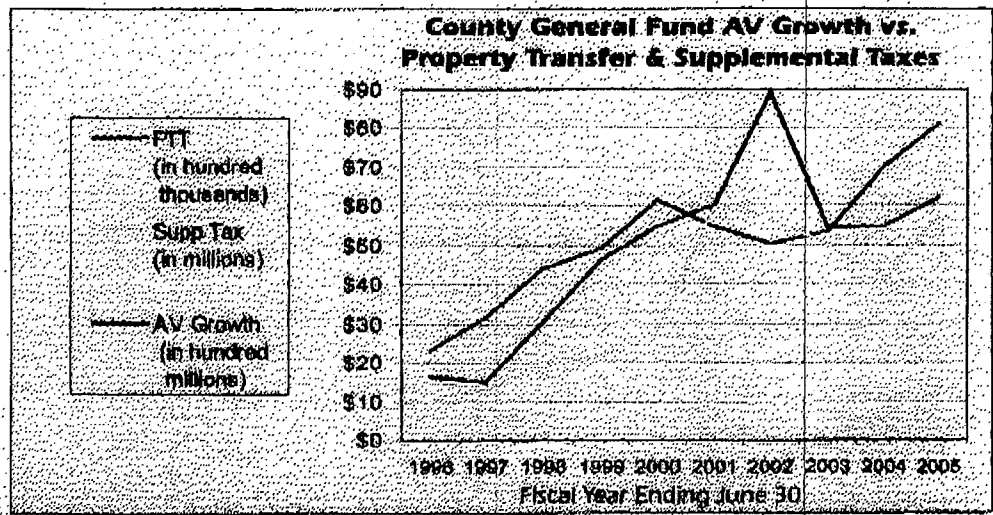
Includes all property (secured and unsecured) net of all exemptions.

Assessed value is determined and enrolled to the person owning it on January 1, which is the tax lien date. As an example, property change in ownership (sales) and new construction (captured from permits) during the prior calendar year 2004 are valued and enrolled as of January 1, 2005. The 2% inflation adjustment is applied along with exemptions and other appraisable events. The net assessed value of \$105.5 billion as of January 1, 2005 is then taxed for the fiscal year July 1, 2005 to June 30, 2006.

Other significant processes include:

- A Supplemental roll places reappraisals into immediate effect on the date of transfer or the new construction completion date rather than waiting for the next lien date; resulting in the capture of tax for a portion of the current fiscal year.
- A Unitary roll contains properties such as railroads and utilities crossing the county and is valued by the State Board of Equalization.
- An assessment appeals process allows taxpayer to dispute values through administrative and judicial processes.

The leading indicators of property tax growth are property transfer tax (PTT) and supplemental property tax (Supp Tax) growth rates, which are trending upward in FY 04-05, reflecting the increase in assessed value (AV) growth.



For more information on the assessment process visit: www.smcare.org

SAN MATEO COUNTY HARBOR DISTRICT
DEPARTMENT OF BOATING AND WATERWAYS (DBW)
SCHEDULE OF OUTSTANDING LOAN BALANCES AND INTEREST PAYABLE

**SAN MATEO COUNTY HARBOR DISTRICT
DBW LOAN SCHEDULE**

Project/Loan	Orig/Curr. Rate	Start Date	End Date	Loan Balance as of 12/31/05	Interest Payable as of 12/31/06	Prin Payable as of 12/31/06	Loan Balance as of 12/31/06
Oyster Point Marina Projects:							
OPM - Construction-1st Incremental Loan (Revised)	4.50%/4.50%	08/30/76	12/31/06	876,312.22	39,434.05	876,312.22	1,085,918.28
OPM - 2nd Incremental Loan	4.50%/4.50%	10/20/78	12/31/07	1,721,775.48	77,479.90	825,859.20	137,141.38
OPM - 3rd Incremental Loan	4.50%/4.50%	12/22/78	12/31/08	137,143.36	6,171.36	-	847,866.66
OPM - 4th Incremental Loan	4.50%/4.50%	03/28/79	12/31/09	847,958.86	38,158.06	-	1,803,509.76
OPM - 5th Incremental Loan	4.50%/4.50%	10/25/79	12/31/09	1,803,509.76	61,157.94	-	1,128,528.45
OPM - 6th Incremental Loan	5.50%/4.50%	12/24/81	12/31/11	1,128,528.45	50,783.78	-	493,113.66
OPM - Construction-Maintenance Bldg	7.90%/4.50%	08/09/84	12/31/14	493,113.66	22,180.11	-	1,005,193.97
OPM - West Basin Landfills & Water Improvements							
-Phase 1	7.90%/4.50%	06/07/85	12/31/15	1,005,193.97	48,233.73	-	3,153,730.85
-Phase 2	7.90%/4.50%	10/19/87	12/31/17	3,153,730.85	141,917.89	-	1,509,948.91
-Phase 3	4.70%/4.50%	05/09/88	12/31/18	1,509,948.91	67,947.61	-	371,914.48
-Phase 4	4.70%/4.50%	10/24/88	12/31/18	371,914.48	16,736.15	-	17,783.87
-Phase 5	4.70%/4.50%	10/25/89	12/31/19	395,197.03	17,783.87	-	11,942,148.42
Sub-Total Oyster Point Marina				13,444,320.84	504,994.44	1,502,171.42	11,942,148.42
Pillar Point Harbor Projects							
PPH - Expansion Improvements	4.50%/4.50%	05/12/82	12/31/12	3,080,727.67	137,732.75	-	469,587.33
PPH - 2nd Incremental Loan	4.50%/4.50%	08/07/84	12/31/14	469,587.33	21,131.43	-	473,153.13
PPH - 3rd Incremental Loan	5.50%/4.50%	01/14/85	12/31/14	473,153.13	21,281.89	-	2,003,957.19
PPH - East Basin Development	7.90%/4.50%	09/06/85	12/31/15	2,003,957.19	90,178.07	-	6,007,425.32
PPH - Johnson Pier Bulkhead Repair							
PPH - Restroom Renovation							
Sub Total Pillar Point Harbor				6,007,425.32	270,334.14	-	6,007,425.32
Total - All Loans				19,451,746.16	875,328.58	1,502,171.42	17,949,574.74



San Mateo County Harbor District

Board of Harbor Commissioners

Pietro Parravano, President
 James Tucker, Vice President
 Ken Lundie, Treasurer
 Leo Padreddii, Secretary
 Sally Campbell, Commissioner

Peter Grenell, General Manager

FACSIMILE

RECEIVED

DATE: October 6, 2006
 TO: Martha Poyatos, Executive Director - LAFCO
 PH: 650-363-4224
 FROM: Marcia Schnapp, Director of Finance *MS*
 PH: 650-583-4400
 RE: Responses to Your Questions this AM

OCT 6 2006
LAFCO

FAX: 650-363-4849
 FAX: 650-583-4611
 # of PGS 9

In response to your questions this morning, I wanted to clarify some items (see attached pages). A formal response from our General Manager will be forthcoming shortly.

Please note the following:

- Future Tax Revenues are forecasted to grow at 5.0%
 County Assessor's Office has just released history from 1978-2006 showing an average of 7.7%, so tax revenues will probably exceed the amount on the spreadsheet.
 Therefore, forecasted increase is conservative. (see attached)
- Renegotiated Debt Service Repayment is at \$2.4MM a year. For ease of presentation, the spreadsheet shows principal repayment of \$1.5MM a year plus interest. This fully repays DBW the original debt by year 2019. (see attached District Loan Schedule)

If the District repays the debt at principal and interest at \$2.4MM a year, the outstanding debt level falls faster. On a cash flow basis, this would reduce interest expense, but decrease cash. Therefore, projects would be deferred by the amount of the cash flow change. There would be no change in net cash as a result.

- It is important for LAFCO to be consistent in its analysis when comparing entities. For example, in the comparison of Coyote Pt to Oyster Pt, LAFCO includes Coyote Pt's Fund Balance of \$1.0 Million as a source of funds, but then fails to include the District's \$12 million. The District would never use a reserve account as a revenue source. LAFCO including this item under Coyote Pt implies they have "revenue" of \$2.2 Million, when in effect they only have \$1.1 million. Another way to determine efficiency might be to move non-operational items to a separate category, and to exclude internal reserves for purposes of operating efficiency comparison.



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- In addition, it is important to remember that depreciation is a non-cash item. Depreciation for Fiscal Year 2004-2005 was \$1.37 million. The net loss for the year was (\$510 thousand), including depreciation. Removing depreciation from the net loss would yield a before depreciation profit of \$870 thousand.
- Also, the District is more conservative in its use of depreciation. Most items are depreciated on an average 20 year basis. Compare this to Coyote Point Marina which appears to be depreciating its fixed assets on something averaging along the lines of a 40 year basis. (\$9.038 million in Net Fixed Assets; annual depreciation expense of \$237K = 38.14 years remaining). If LAFCO were to apply the same depreciation schedule to both entities, either Coyote Pt's profits and reserves would fall substantially, or the District's would rise substantially. Adding back an average of \$500 thousand a year for 20 years, would increase profits and reserves to the District in the millions. Given the materiality of this item, LAFCO's analysis should include the effects of this item on a multi-year basis.
- Lastly, it is important to note that both harbors have approximately the same number of berths (approx 600), but Coyote Point has revenues of \$1.1 million for 85 % occupancy, while Oyster Point has revenues of \$1.6 million for 54% occupancy. It would be worthwhile to "equalize" both the revenues and operations if LAFCO is intent on developing a meaningful analysis.

Attachments:

County Assessor's Office Property Tax Valuation Appreciation History (2 pgs)
San Mateo County Harbor District Loan Schedule for Dept of Boating and Waterways ("DBW")
LAFCO 1 pg comparison of Coyote Pt to Oyster Pt
County Financial Statements for Coyote Point for 2004-2005:
Balance Sheet
Income Statement
Cash Flow

SAN MATEO COUNTY
HISTORICAL ASSESSED PROPERTY TAX VALUATION
(in billions)

FISCAL YEAR ENDING	ASSESSED VALUATION	PERCENT INCREASE
1979	14.8	4.40%
1980	16.3	9.60%
1981	18.1	11.40%
1982	20.2	11.80%
1983	22.1	9.30%
1984	23.9	8.00%
1985	26	8.90%
1986	28.6	9.90%
1987	31.6	10.50%
1988	34.8	10.00%
1989	37.9	9.00%
1990	41.7	10.00%
1991	46.7	12.10%
1992	49.6	6.20%
1993	51.9	4.50%
1994	54.3	4.70%
1995	55.6	2.40%
1996	57.2	2.90%
1997	58.8	2.70%
1998	61.9	5.30%
1999	67.1	8.40%
2000	72.9	8.60%
2001	80.1	9.90%
2002	90.1	12.50%
2003	95.5	5.90%
2004	100.7	5.50%
2005	105.5	4.80%
2006	113.2	7.30%
28	Avg All Yrs	7.73%

Assessor Values Property

The primary responsibility of the County Assessor is to determine taxable value of each property so that each owner is assured of paying the proper amount of property tax for the support of local government. The main categories of taxable property include real property (secured) and business personal property, vessels and aircraft (unsecured). Real property is defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines. Personal property includes items such as machinery, equipment, office tools and supplies. It is important to note that there are numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Historical Assessed Value of Property in the County (in billions)		
Fiscal Year	Assessed Valuation	Percent Increase
78-79	14.6	4.4%
79-80	16.3	9.6%
80-81	18.1	11.4%
81-82	20.2	11.6%
82-83	22.1	9.3%
83-84	23.9	8.0%
84-85	26.0	8.9%
85-86	28.6	9.8%
86-87	31.6	10.6%
87-88	34.6	10.0%
88-89	37.9	9.0%
89-90	41.7	10.0%
90-91	48.7	12.1%
91-92	49.6	6.2%
92-93	51.9	4.6%
93-94	54.3	4.7%
94-95	65.6	2.4%
95-96	67.2	2.9%
96-97	68.6	2.7%
97-98	81.9	6.3%
98-99	67.1	6.4%
99-00	72.9	8.6%
00-01	80.1	9.9%
01-02	90.1	12.5%
02-03	95.5	5.9%
03-04	100.7	5.5%
04-05	105.5	4.8%
05-06	113.2	7.3%

Includes all property (secured and unsecured) net of all exemptions.

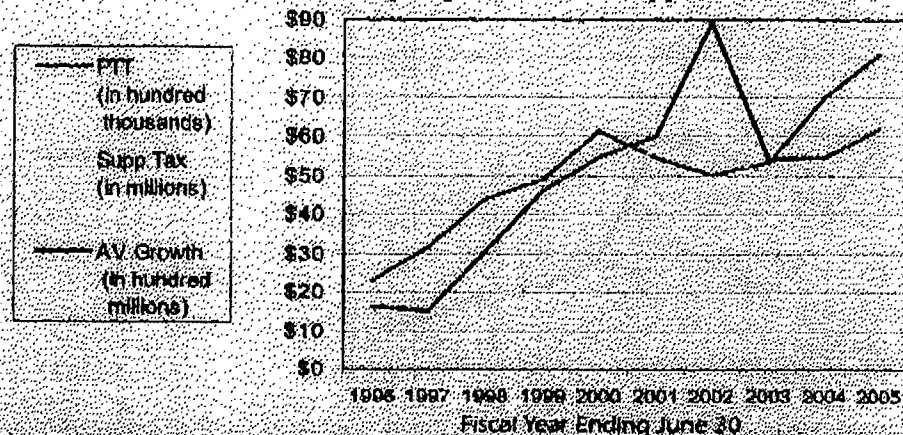
Assessed value is determined and enrolled to the person owning it on January 1, which is the tax lien date. As an example, property change in ownership (sales) and new construction (captured from permits) during the prior calendar year 2004 are valued and enrolled as of January 1, 2005. The 2% inflation adjustment is applied along with exemptions and other appraisable events. The net assessed value of \$105.5 billion as of January 1, 2005 is then taxed for the fiscal year July 1, 2005 to June 30, 2006.

Other significant processes include:

- A Supplemental roll places reappraisals into immediate effect on the date of transfer or the new construction completion date rather than waiting for the next lien date; resulting in the capture of tax for a portion of the current fiscal year.
- A Unitary roll contains properties such as railroads and utilities crossing the county and is valued by the State Board of Equalization.
- An assessment appeals process allows taxpayer to dispute values through administrative and judicial processes.

The leading indicators of property tax growth are property transfer tax (PTT) and supplemental property tax (Supp Tax) growth rates, which are trending upward in FY 04-05, reflecting the increase in assessed value (AV) growth.

County General Fund AV Growth vs. Property Transfer & Supplemental Taxes



For more information on the assessment process visit:

www.smcare.org

Exhibit A
To Standard Agreement**CONSOLIDATED LOAN AGREEMENT****ARTICLE 4 - TERM OF AGREEMENT**

- A) This Agreement shall remain in full force and effect until the Borrower repays the Loan and all accumulated interest in full, or this Agreement is otherwise terminated.
- B) This Agreement may be extended, amended or cancelled upon the written agreement of all parties.

ARTICLE 5 - LOAN REPAYMENT

- A) Borrower shall make a payment in the amount of \$883,400 on or before each December 31, starting on December 31, 2002, and continuing to and including December 31, 2006. The amounts received by the Department pursuant to these payments shall be applied to interest accumulating on the outstanding balance of the Loan.
- B) Borrower shall make payments in the amount of \$2,400,000 on or before each December 31, starting on December 31, 2007, and continuing to and including December 31, 2016. The amounts received by the Department pursuant to these payments shall be applied first to interest accumulating on the outstanding balance of the Loan, and then to payments of principal of the Loan. Borrower shall make a final payment in the amount of the Unpaid Balance and any other amounts outstanding pursuant to the terms of this contract on or before December 31, 2017. The Department shall determine the Unpaid Balance after the payment due December 31, 2016 is received.
- C) Interest is compounded monthly at the rate of Four and Five-Tenths Percent (4.5%) per annum on the Unpaid Balance. Interest compounds on the Unpaid Balance of the Loan commencing December 31, 2002.
- D) Repayment of the Loan shall be made from Project Area Gross Revenues. However, to the extent that the Project Area Gross Revenues are insufficient to repay the Loan, the Borrower shall take all lawful steps to increase Project Area Gross Revenues, and, as lawfully authorized, request the County of San Mateo to levy and collect taxes as necessary to pay Borrower's Loan payments.

Exhibit A
To Standard Agreement

CONSOLIDATED LOAN AGREEMENT

EXHIBIT B
TO
CONSOLIDATED LOAN AGREEMENT

EXISTING LOANS

CONTRACT NUMBER	ORIGINAL PRINCIPAL AMOUNT	BALANCE AS OF DECEMBER 31, 2002¹	PROJECT
			Oyster Point Marina Projects:
52188	\$ 1,200,000	\$ 698,500	Oyster Point Marina: Construction: First Incremental Loan
62195	\$ 2,000,000	\$1,721,775	Second Incremental Loan
721179	\$ 150,000	\$ 137,141	Third Incremental Loan
82195	\$ 850,000	\$ 847,957	Fourth Incremental Loan
92125	\$ 1,800,000	\$1,803,510	Fifth Incremental Loan
921135	\$ 1,000,000	\$1,128,529	Sixth Incremental Loan
832152	\$ 497,000	\$ 493,114	Oyster Point Marina: Construction: Maintenance Building
8421140	\$ 1,000,000	\$1,005,194	Oyster Point Marina: West Basin Landslide & Water Improvements (Phase 1)
8521104	\$ 3,000,000	\$3,163,731	Phase 2
872192	\$ 1,300,000	\$1,509,947	Phase 3

¹ Rounded to nearest dollar.

Exhibit A
To Standard Agreement

CONSOLIDATED LOAN AGREEMENT

EXHIBIT B

TO

CONSOLIDATED LOAN AGREEMENT - continued

EXISTING LOANS - continued

882145	\$ 300,000	\$ 371,914	Phase 4
892130	\$ 550,000	\$ 385,197	Phase 5
			Pillar Point Marina Projects:
12112033	\$ 3,100,000	\$3,060,728	Pillar Point: Expansion Improvements
221121	\$ 500,000	\$ 469,587	Second Incremental Loan
8121101	\$ 500,000	\$ 473,153	Third Incremental Loan
842134	\$ 2,000,000	\$2,003,857	Pillar Point: East Basin Development
90102050	\$ 30,000	\$ 0	Pillar Point: Johnson Pier Bulkhead Repair
TOTAL	\$19,777,000	\$19,473,934	

SAN MATEO COUNTY HARBOR DISTRICT
CASH FLOW PROJECTION
FISCAL YEARS ENDING JUNE 30, 2006-2020

	Audited	Internal	Budget	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma
REVENUES															
Tax Revenues	2,855,708	3,258,091	3,050,000	3,021,500	3,260,805	3,530,755	3,707,294	3,892,659	4,067,262	4,201,858	4,368,170	4,521,535	4,688,170	4,851,123	5,011,535
Operating Income	3,183,744	3,221,950	3,459,288	3,632,132	3,673,065	4,004,458	4,204,736	4,655,023	4,887,777	5,132,186	5,388,774	5,650,213	5,941,123	6,228,179	6,550,088
Non-Operating Income	331,431	368,716	360,000	312,070	310,555	245,480	201,504	168,891	147,066	132,109	167,018	151,090	140,527	134,220	137,490
Interest Income on Cash Balances (4%)	159,455	151,207	848,800												
Grants	6,314,330	6,877,707	7,708,058	7,146,022	7,487,025	7,780,774	8,113,584	8,748,375	9,122,154	9,575,051	10,062,051	10,540,844	11,049,179	11,580,544	12,144,698
EXPENDITURES															
Operating and Non-Operating Expenses	4,374,811	4,960,374	4,822,894	4,873,028	5,472,980	5,748,678	6,033,800	6,355,655	6,802,441	7,085,063	7,394,315	7,701,032	8,068,084	8,468,386	8,914,907
Fuel and Asset Additions (Debtless)	852,073	861,288	5,318,044	1,000,000	2,507,300	2,549,400	668,800	1,297,200	1,173,000	1,089,500	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Interest Expense	881,582	873,711	828,646	806,145	783,645	783,645	781,145	683,645	671,145	648,648	626,145	603,645	581,145	568,648	538,145
Debt Service	20,137	20,137	1,825,000	1,501,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Lease New Debt			(600,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Total Expenditures	6,102,272	6,577,910	11,763,429	7,185,171	8,113,895	8,578,674	8,183,605	10,136,365	9,996,586	9,210,208	10,460,461	10,804,677	11,167,259	11,548,233	12,374,297
Projected Annual Net Cash Increase (Decrease)	304,027	498,957	(4,092,360)	(48,367)	(4,113,890)	(4,098,969)	(4,070,321)	(1,388,342)	(1,174,324)	(835,157)	(388,430)	(205,863)	(117,463)	11,111,311	213,881

2006-2007 Adopted

	Coyote Pt.	Oyster Pt. Marina/Park
Use of Money & Prop	47,500	
Int. Gov. Revenue	0	
Property Tax	0	
Charges for Service	1,130,317	1,603,900
DBAW/grant	0	13,500
DBAW ramp/parking lot		828,000
Misc. Revenue	1,200	
Total Rev.	1,179,017	
fund balance	1,087,273	
total sources	\$2,266,290	\$2,445,400
Salaries & benefits	530,805	1,226,599
Services & Supplies	234,329	
Maint. & Operations*	149,195	469,600
Ret. Long Term debt**	161,177	605,000
Other charges	65,376	
Depreciation		775,000
Fixed Assets	0	36,500
Capital Projects	810,000	0
Appropriations	1,750,882	3,112,699
General Reserves	615,408	
Total	\$2,266,290	\$3,112,699
Carry over		2,007,772
Total Requirements	\$2,266,290	\$5,120,471
Salary FTE	5	12
Number of Berths	585	600
Occupancy Rate:	88%	54%
Liveaboards	no	yes

Source for Coyote Pt. County of San Mateo Budget

Source for Oyster Pt. San Mateo County Harbor District Budget. (combined revenue & expenditure)

*Interest only

Notes:

Coyote Pt. Operations are predominantly limited to marina
Oyster Pt. Operations include liveaboard services & park.

Project Labor/cost reimb 149,195

COUNTY OF SAN MATEO
Combining Statement of Fund Net Assets
Nonmajor Enterprise Funds
June 30, 2005
(Dollars in Thousands)

	Airports	Coyote Point Marina	Total
Assets:			
Current assets:			
Cash and investments	\$ 2,266	\$ 1,123	\$ 3,389
Securities lending collateral	414	205	619
Receivables (net):			
Accounts	16	18	34
Interest	17	9	26
Due from other funds	2	-	2
Total current assets	<u>2,715</u>	<u>1,355</u>	<u>4,070</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	6,843	1,335	8,178
Construction in progress	163	-	163
Depreciable:			
Structures and improvements	12,728	11,695	24,423
Equipment	73	116	189
Less accumulated depreciation	<u>(5,485)</u>	<u>(4,108)</u>	<u>(9,593)</u>
Total noncurrent assets	<u>14,322</u>	<u>9,038</u>	<u>23,360</u>
Total assets	<u>\$ 17,037</u>	<u>\$ 10,393</u>	<u>\$ 27,430</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 54	\$ 31	\$ 85
Accrued salaries and benefits	22	14	36
Securities lending collateral - due to borrowers	414	205	619
Due to other funds	4	-	4
Compensated absences - current	51	90	141
Long-term liabilities - current	-	140	140
Total current liabilities	<u>545</u>	<u>480</u>	<u>1,025</u>
Noncurrent liabilities:			
Unearned revenues	53	7	60
Deposits	1	3	4
Compensated absences - noncurrent	65	-	65
Long-term liabilities - noncurrent	-	1,120	1,120
Total noncurrent liabilities	<u>119</u>	<u>1,130</u>	<u>1,249</u>
Total liabilities	<u>664</u>	<u>1,610</u>	<u>2,274</u>
Net Assets:			
Invested in capital assets, net of related debt	14,322	7,778	22,100
Unrestricted	2,051	1,005	3,056
Total net assets	<u>16,373</u>	<u>8,783</u>	<u>25,156</u>
Total liabilities and net assets	<u>\$ 17,037</u>	<u>\$ 10,393</u>	<u>\$ 27,430</u>

COUNTY OF SAN MATEO
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2005
(Dollars in Thousands)

	Airports	Coyote Point Marina	Total
Operating revenues:			
Charges for services	\$ 45	\$ 1,076	\$ 1,121
Rent and concessions	1,806	25	1,831
Miscellaneous	37	-	37
Total operating revenues	<u>1,888</u>	<u>1,101</u>	<u>2,989</u>
Operating expenses:			
General and administrative	1,415	759	2,174
Depreciation and amortization	246	237	483
Total operating expenses	<u>1,661</u>	<u>996</u>	<u>2,657</u>
Operating income	<u>227</u>	<u>105</u>	<u>332</u>
Nonoperating revenues (expenses):			
State and federal grants	1,064	-	1,064
Investment income	52	26	78
Interest expenses	-	(64)	(64)
Securities lending activities:			
Securities lending income	9	4	13
Securities lending expenses	(8)	(4)	(12)
Total nonoperating revenues (expenses)	<u>1,117</u>	<u>(38)</u>	<u>1,079</u>
Change in net assets	1,344	67	1,411
Net assets - beginning	<u>15,029</u>	<u>8,716</u>	<u>23,745</u>
Net assets - ending	<u>\$ 16,373</u>	<u>\$ 8,783</u>	<u>\$ 25,156</u>

COUNTY OF SAN MATEO
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2005
(Dollars in Thousands)

	Airports	Coyote Point Marina	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 1,903	\$ 1,101	\$ 3,004
Cash paid to suppliers for goods and services	(757)	(398)	(1,155)
Cash paid to employees for services	(639)	(420)	(1,059)
Net cash provided by operating activities	<u>507</u>	<u>283</u>	<u>790</u>
Cash flows from noncapital financing activities			
Repayments of advances and loans from County	(2)	-	(2)
State and federal grant receipts	1,064	-	1,064
Net cash provided by noncapital financing activities	<u>1,062</u>	<u>-</u>	<u>1,062</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(1,200)	(21)	(1,221)
Principal paid on long-term liabilities	-	(134)	(134)
Interest paid on long-term liabilities	-	(64)	(64)
Net cash used in capital and related financing activities	<u>(1,200)</u>	<u>(219)</u>	<u>(1,419)</u>
Cash flows from investing activities			
Investment income received	55	29	84
Investment expense paid	(8)	(4)	(12)
Net cash provided by investing activities	<u>47</u>	<u>25</u>	<u>72</u>
Net increase in cash and cash equivalents	416	89	505
Cash and cash equivalents, beginning of the year	1,850	1,034	2,884
Cash and cash equivalents, end of the year	<u>\$ 2,266</u>	<u>\$ 1,123</u>	<u>\$ 3,389</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 227	\$ 105	\$ 332
Adjustments to reconcile operating income to cash flows from operating activities			
Depreciation	246	237	483
Decrease (increase) in:			
Accounts receivable	27	-	27
Due to other funds	(2)	-	(2)
Increase (decrease) in:			
Accounts payable	1	(28)	(27)
Accrued salaries and benefit	18	(31)	(13)
Unearned revenues	(10)	-	(10)
Net cash provided by operating activities	<u>\$ 507</u>	<u>\$ 283</u>	<u>\$ 790</u>
Supplemental disclosure of noncash investing, capital, or financing activities:			
Decrease in fair value of investment	<u>\$ (17)</u>	<u>\$ (8)</u>	<u>\$ (25)</u>

OYSTER POINT MARINA
AND PILLAR POINT MARINA
\$19,777,000 CONSOLIDATED
LOAN AGREEMENT

STATE OF CALIFORNIA
STANDARD AGREEMENT
 STD 213 (Rev 06/03)

AGREEMENT NUMBER	96-102-368, Consolidated
REGISTRATION NUMBER	3680 050576954

PROJECT CODE 216C

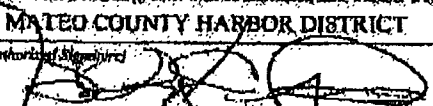
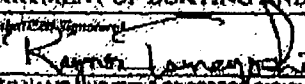
- This Agreement is entered into between the State Agency and the Contractor named below:
 STATE AGENCY'S NAME
DEPARTMENT OF BOATING AND WATERWAYS (DEPARTMENT)
 CONTRACTOR'S NAME
SAN MATEO COUNTY HARBOR DISTRICT (BORROWER)
- The term of this Agreement is: **October 12, 2004 through (until repaid in full)**
- The maximum amount of this Agreement is: **\$ 19,777,000.00 NINETEEN MILLION SEVEN HUNDRED SEVENTY SEVEN THOUSAND DOLLARS**
- The parties agree to comply with the terms and conditions of the following exhibits, which are by this reference, made a part of the Agreement. This agreement replaces and supercedes in its entirety the Contracts named in Exhibit A, as amended.

CONSOLIDATED LOAN AGREEMENT
 Oyster Point Marina and Pillar Point Marina

Exhibit A - Consolidated Loan Agreement
 (attached are sub exhibits: Exhibits A-1, A-2, B, C-1, C-2, and *D)

*This document can be viewed at <http://www.dbw.ca.gov/PDF/LoanandDBR/MainGuideLoan.pdf>

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR	
CONTRACTOR'S NAME (Whether than an individual, state whether a corporation, partnership, etc.) SAN MATEO COUNTY HARBOR DISTRICT	
BY (Authorized Signature) 	DATE SIGNED (Day, month, year) 3/18/05
PRINTED NAME AND TITLE OF PERSON SIGNING Sally Campbell, President, Board of Harbor Commissioners	
ADDRESS 400 OYSTER POINT BLVD., SUITE 300 SOUTH SAN FRANCISCO, CALIFORNIA 94080	
STATE OF CALIFORNIA	
AGENCY NAME DEPARTMENT OF BOATING AND WATERWAYS	
BY (Authorized Signature) 	DATE SIGNED (Day, month, year) 4/11/05
PRINTED NAME AND TITLE OF PERSON SIGNING RAYNOR TSUNEYOSHI, Director	
ADDRESS 2000 EVERGREEN STREET, SUITE 100 SACRAMENTO, CALIFORNIA 95815-3888	

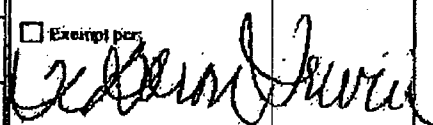
California Department of General Services Use Only

9

APPROVED

NOV 19 2005

DEPT OF GENERAL SERVICES

Exempt per _____




San Mateo County Harbor District

Board of Harbor Commissioners

Pietro Parravano, President
 James Tucker, Vice President
 Ken Lundie, Treasurer
 Leo Padreddi, Secretary
 Sally Campbell, Commissioner

Peter Grenell, General Manager

FACSIMILE

DATE: October 6, 2006
 TO: Martha Poyatos, Executive Director - LAFCO
 PH: 650-363-4224
 FROM: Marcia Schnapp, Director of Finance *MS*
 PH: 650-583-4400
 RE: Responses to Your Questions this AM

FAX: 650-363-4849
 FAX: 650-583-4611
 # of PGS 9

In response to your questions this morning, I wanted to clarify some items (see attached pages). A formal response from our General Manager will be forthcoming shortly.

Please note the following:

- Future Tax Revenues are forecasted to grow at 5.0%
 County Assessor's Office has just released history from 1978-2006 showing an average of 7.7%, so tax revenues will probably exceed the amount on the spreadsheet.
 Therefore, forecasted increase is conservative. (see attached)
- Renegotiated Debt Service Repayment is at \$2.4MM a year. For ease of presentation, the spreadsheet shows principal repayment of \$1.5MM a year plus interest. This fully repays DBW the original debt by year 2019. (see attached District Loan Schedule)

If the District repays the debt at principal and interest at \$2.4MM a year, the outstanding debt level falls faster. On a cash flow basis, this would reduce interest expense, but decrease cash. Therefore, projects would be deferred by the amount of the cash flow change. There would be no change in net cash as a result.

- It is important for LAFCO to be consistent in its analysis when comparing entities. For example, in the comparison of Coyote Pt to Oyster Pt, LAFCO includes Coyote Pt's Fund Balance of \$1.0 Million as a source of funds, but then fails to include the District's \$12 million. The District would never use a reserve account as a revenue source. LAFCO including this item under Coyote Pt implies they have "revenue" of \$2.2 Million, when in effect they only have \$1.1 million. Another way to determine efficiency might be to move non-operational items to a separate category, and to exclude internal reserves for purposes of operating efficiency comparison.



San Mateo County Harbor District

Board of Harbor Commissioners

Pietro Parravano, President
James Tucker, Vice President
Ken Lundie, Treasurer
Leo Padreddii, Secretary
Sally Campbell, Commissioner

Peter Grenell, General Manager

- In addition, it is important to remember that depreciation is a non-cash item. Depreciation for Fiscal Year 2004-2005 was \$1.37 million. The net loss for the year was (\$510 thousand), including depreciation. Removing depreciation from the net loss would yield a before depreciation profit of \$870 thousand.
- Also, the District is more conservative in its use of depreciation. Most items are depreciated on an average 20 year basis. Compare this to Coyote Point Marina which appears to be depreciating its fixed assets on something averaging along the lines of a 40 year basis. (\$9.038 million in Net Fixed Assets; annual depreciation expense of \$237K = 38.14 years remaining). If LAFCO were to apply the same depreciation schedule to both entities, either Coyote Pt's profits and reserves would fall substantially, or the District's would rise substantially. Adding back an average of \$500 thousand a year for 20 years, would increase profits and reserves to the District in the millions. Given the materiality of this item, LAFCO's analysis should include the effects of this item on a multi-year basis.
- Lastly, it is important to note that both harbors have approximately the same number of berths (approx 600), but Coyote Point has revenues of \$1.1 million for 85 % occupancy, while Oyster Point has revenues of \$1.6 million for 54% occupancy. It would be worthwhile to "equalize" both the revenues and operations if LAFCO is intent on developing a meaningful analysis.

Attachments:

County Assessor's Office Property Tax Valuation Appreciation History (2 pgs)

San Mateo County Harbor District Loan Schedule for Dept of Boating and Waterways ("DBW")

LAFCO 1 pg comparison of Coyote Pt to Oyster Pt

County Financial Statements for Coyote Point for 2004-2005:

Balance Sheet

Income Statement

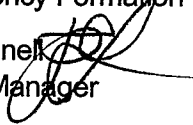
Cash Flow

SAN MATEO COUNTY
HISTORICAL ASSESSED PROPERTY TAX VALUATION
(in billions)

FISCAL YEAR ENDING	ASSESSED VALUATION	PERCENT INCREASE
1979	14.8	4.40%
1980	16.3	9.60%
1981	18.1	11.40%
1982	20.2	11.80%
1983	22.1	9.30%
1984	23.9	8.00%
1985	26	8.90%
1986	28.6	9.90%
1987	31.6	10.50%
1988	34.8	10.00%
1989	37.9	9.00%
1990	41.7	10.00%
1991	46.7	12.10%
1992	49.6	6.20%
1993	51.9	4.50%
1994	54.3	4.70%
1995	55.6	2.40%
1996	57.2	2.90%
1997	58.8	2.70%
1998	61.9	5.30%
1999	67.1	8.40%
2000	72.9	8.60%
2001	80.1	9.90%
2002	90.1	12.50%
2003	95.5	5.90%
2004	100.7	5.50%
2005	105.5	4.80%
2006	113.2	7.30%
28	Avg All Yrs	7.73%

Memo

To: Martha Poyatos
Executive Officer
Local Agency Formation Commission

From: Peter Grenell 
General Manager

Cc: Board of Harbor Commissioners

Date: September 20, 2006

Re: Initial Staff Response to LAFCo Draft Final Report and Recommended
Determinations: San Mateo County Harbor District Municipal Service Review and
Sphere of Influence Review

Having only just received the above document this morning, this memorandum represents only a quick, initial, and partial response. The District will provide a full written response before LAFCo meets again to make its formal determinations. To assist in making that full response, please forward to us immediately all attachments not provided with the emailed report draft.

P. 3: Need for public facilities and services: The statement that these are also provided by other public and private entities is either inaccurate or incorrect: Some District services, like ocean search and rescue, are not provided by other entities; others, such as provisions of boat berths, are provided by other public entities such as the Cities of Brisbane and Redwood City which have no jurisdiction over the areas in which Harbor District facilities are located, and would have to extend their jurisdictions legally and obtain sufficient human and financial resources to take on Harbor District functions. Similarly, San Mateo County's Park and Recreation Division operates Coyote Point Marina, but does not provide search and rescue and other functions that are part of the District's Oyster Point operation; budgeting and staffing is done separately.

P. 3, 4: Capacity and adequacy of facilities and services: The statement that the District plans to address the need for additional capacity at Pillar Point is incorrect: This is already underway: work is in progress on provision of new berths and the District has an executed agreement with the U. S. Army Corps of Engineers for provision of a new navigation channel in connection with a pier replacement at Pillar Point.

Further, The accurate statement that the Pillar Point Harbor Patrol provides the only search and rescue security vessels on the San Mateo County coast contradicts the incorrect statement that District services and facilities are provided by other entities.

P. 4: Social or economic communities of interest: While this paragraph refers to Pillar Point as a working commercial fishing harbor generating employment and revenue for the

County, it does not refer to the significant beneficial economic, employment, and social impacts on the Coastside community generally and its residents.

P. 4: Recommended sphere of influence: This paragraph states that District services are limited mostly to two distinct facilities (Pillar Point and Oyster Point). However, it neglects completely to consider the service area on which these services and facilities draw, which includes the whole of San Mateo County and beyond as documented in the material we provided to you. Any consideration of sphere of influence must consider this basic factor, and not solely the point of service. Additionally, basic human safety and security concerns as addressed by District search and rescue operations on the ocean and on San Francisco Bay are beyond the Harbors' immediate physical environs.

Further, the statement that District services could be provided in a more cost effective manner by a successor agency begs the questions of (a) on what basis, and (b) which agency. Re: (a), no case is made, as no analysis has been done, to demonstrate that any other agency could reasonably assume the District's functions.

Re: (b), theoretically, for example, the U. S. Coast Guard could take over ocean search and rescue from the District, but that agency has neither the mandate, nor the budget, nor human resources to do this. No other agency in the County has the ability, either. Given the County's budgetary and staffing constraints, the ability to expand administration of Coyote Point to include the City of South San Francisco's Oyster Point Marina/Park, with its broader range of activities and operations, seems infeasible all other considerations aside.

P. 4: (1) Land uses: Paragraph one neglects to mention that the State of California, through its tidelands grant to the Harbor District administered by the State Lands Commission, also has jurisdiction at Pillar Point.

P. 4: (2) Need for facilities and services: Again, the first statement is inaccurate as some District services are either not provided by others at all or only partially, and do not serve the users served by the District.

P. 5: (4) Communities: Again, the statement that District operations are limited to two locations is not completely accurate as mentioned above; this is relevant to search and rescue, educational outreach, and activities related to the two national marine sanctuaries with whom the District interacts routinely.

P. 14: (6) Shared facilities: The statement that the ferry proposals are contingent on funding becoming available is incorrect. The WTA has stated, including in the San Mateo County Times, that the Oyster Point project is fully funded.

P. 17: Management efficiencies: The comparison of Oyster Point Marina/Park with the County's Coyote Point is cursory, inadequate, and does not show the larger extent of services budgeted for and provided by the District at Oyster Point. It apparently does not show County funds and staff expended on Coyote Point's park and recreation activities, which are totally absorbed by the District at Oyster Point. Further, very quick initial review of Coyote Point data suggest that there may be inconsistencies or inaccuracies in reporting that may invalidate the comparison. The District will review this matter more intensively in its formal response to LAFCo.

P. 18: Infrastructure needs: Re: consideration of deferring discretionary projects: The District is now, and has been doing that, for some time, e. g., Oyster Point East Basin parking lot, Pillar Point inner breakwater repair and new pier projects.

P. 19: Financing constraints and opportunities: The statement that District projects are funded by property taxes is incorrect: This fund source is used for debt service and non-enterprise activities.

P. 19: Cost avoidance: The statement that dredging costs are shared with the Corps of Engineers is incorrect: the District will share dredging costs at Oyster Point with the Water Transit Authority.

P. 20: Government structure: The statement that there is no foundation for considering expansion of District services to other facilities derives from the fact that, to our knowledge, no analysis was done of other facilities except for a cursory and incomplete review of Coyote Point Marina.

P. 20: Government structure: The reference to the County as a potential successor agency neglects to mention the County's constraints. To cite only one example, the County Park and Recreation Division and Planning Division were unable, and continue to be unable, to provide staff to participate in interagency discussions to resolve a significant public/private shoreline protection and public access dispute at Princeton, in which the Harbor District continues to play an active facilitating role.

Memo

To: Martha Poyatos
Executive Officer
LAFCo

From: Peter Grenell
General Manager

Date: July 18, 2006

Re: Increases in Estimated Value to District Facilities as a Result of Repairs,
Replacements and Other Improvements: Update as of 7/12/2006

Here is an updated list of repairs, replacements, and other improvements that have been completed, are approved by the Harbor Commission and about to be done, or are expected to be undertaken during the next fiscal year (FY 2005-06).

<u>FACILITY AND PROJECT</u>	<u>STATUS</u>	<u>COST/VALUE*</u>
PILLAR POINT HARBOR		
A, B, C Dock Repair and Upgrade	Completed 2002	\$814,993
Johnson Pier Fender Pile Replacement	Completed 2002	\$348,457
Launch Ramp Repair (Pavement)	Completed 2002	\$132,019
Fish Sales Dock Installation	Completed 2002	\$9,761
Parking Lot Pavement and Repairs	Ph. I Completed 2003	\$190,672
Parking Lot Pavement and Repairs	Ph. II Completed 2006	\$182,600
Johnson Pier Resurface and Utility Repair	Construction start 2006	\$1,600,000
Replace Launch Ramp Floats	Completed 2005	\$291,400
Moorings Installation	Completed 2003	\$82,734
Replace Dock Power Pedestals	Completed 2004	\$25,000
Replace Down-Ramp Nonskid Surfaces	Completed 2003	\$4,000
New Restrooms	Construction start 2006	\$717,317

NOTE: (1) The Romeo Pier has been shut down and fenced off. There is no activity.
(2) The District no longer leases the Princeton Boatyard. We have removed all District property and have no connection with it whatsoever.

OYSTER POINT MARINA/PARK

Vacuum Sewer System Repair	Completed 2003	\$50,748
Breakwater Reconfiguration and Repair	In progress	\$2,100,000**
Restroom Repair	Completed 2004	\$48,000
East Basin Parking Lot Paving	On Hold	\$951,456
East Basin Lighting***	Budgeted; start 2006	\$762,782
East Basin Gates	To be completed 2006	\$923,045
Replace Launch Ramp	Started 2006	\$1,093,000
Recreational Fishing Pier Repair	Completed 2005	\$280,000
Replace Down-Ramp Nonskid Surfaces	Completed 2003	\$4,800

NOTES:

*Completed project costs are shown. All other projects are pre-construction (either Board approvals, budget figures, or grant applications) estimates or construction bids.

**Design completion estimated by June 2004, construction in late 2004.

***Initial lighting improvements will be to the fishing pier and the guard shack, budgeted at \$80,000.

2006-2007 Adopted

	Coyote Pt.	Oyster Pt. Marina/Park
Use of Money & Prop	47,500	
Int. Gov. Revenue	0	
Property Tax	0	
Charges for Service	1,130,317	1,603,900
DBAW/grant	0	13,500
DBAW ramp/parking lot		
Misc. Revenue	1,200	
Total Rev.	1,179,017	
Fund balance*	1,087,273	
Total sources	\$2,266,290	\$1,617,400
**Annual Rev. Per Occupied Berth	\$2,372	\$4,216
<i>(excluding fund bal. Carry over)</i>		
Salaries & benefits***	530,805	1,226,599
Services & Supplies	234,329	
Maint. & Operations	149,195	469,600
Ret. Long Term debt	161,177	605,000
Other charges	65,376	
Fixed Assets	0	36,500
Capital Projects	610,000	0
Appropriations (w/o depreciation)	1,750,882	2,337,699
General Reserves	515,408	
Total	\$2,266,290	\$2,337,699
Total Requirements	\$2,266,290	\$2,337,699
Annual Per Occupied berth	\$4,560	\$7,215
Salary FTE	5	12
Number of Berths	565	600
Occupancy Rate:	86%	54%
Occupied Berths	485	324
Liveaboards	no	yes

Source for Coyote Pt.- County of San Mateo Budget

Source for Oyster Pt.- San Mateo County Harbor District Budget. (combined revenue & expenditure)

Notes:

Coyote Pt. Operations are predominantly limited to marina, 585 berths with 85% occupancy

Oyster Pt. Operations include liveaboard services & adjoining park, 600 berths with 54% occupancy

Excludes depreciation

*Fund balance is a funding source that includes

carry over from previous fiscal year, additional revenue received in excess of budgeted revenue

unspent appropriations and reserves in the current fiscal year. Fund Balance can be set aside in reserves

or can also be appropriated for one-time or short terms purposes

**Oyster Pt. Revenue per berth excludes \$238,000 in rent & concession revenues

***Coyote Pt. Staffed at 9 hour days & Oyster Pt. Staffed at 18 hour days

Project Labor/cost reimb 149,195 included in operations/Coyote Pt.

Revised Oct. 10, 2006

SAN MATEO COUNTY HARBOR DISTRICT
CASH FLOW PROJECTION
FISCAL YEARS ENDING JUNE 30: 2005-2020

SAN MATEO COUNTY HARBOR DISTRICT		SAN MATEO COUNTY HARBOR DISTRICT																			
Fiscal Year Ending June 30		CASH FLOW PROJECTION																			
Assumes 5% Growth in Revenues and Expenses		FISCAL YEARS ENDING JUNE 30: 2005-2020																			
	Audited	Internal	Budget	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020					
REVENUES																					
Tax Revenues	2,695,708	3,258,091	3,050,000	3,282,500	3,362,625	3,630,756	3,707,294	3,892,659	4,087,292	4,291,656	4,506,239	4,731,551	4,964,129	5,216,535	5,477,352	5,751,230					
Operating Income	3,160,744	3,221,693	3,459,288	3,632,292	3,813,865	4,004,558	4,204,786	4,655,025	4,887,777	5,132,166	5,388,774	5,658,213	5,941,123	6,238,179	6,550,066	6,877,393					
Non-Operating Income	331,431	386,716	350,000	312,070	310,536	245,460	201,504	198,691	147,086	152,109	167,018	151,080	140,527	135,829	137,490	146,045					
Interest Income on Cash Balance (4%)	156,456	111,207	848,800																		
Grants	6,314,339	6,977,707	7,708,088	7,146,822	7,487,026	7,780,774	8,113,584	8,746,375	9,122,154	9,575,931	10,062,031	10,540,844	11,049,779	11,590,544	12,164,940	12,774,866					
Total Revenues	11,564,566	13,745,717	15,315,176	15,372,194	16,063,072	16,915,544	17,822,198	18,888,750	19,916,309	21,016,862	22,194,302	23,458,600	24,819,546	26,288,099	27,866,283	29,566,470					
EXPENDITURES																					
Operating and Non-Operating Expenses	4,574,611	4,890,374	4,622,884	4,879,028	5,472,980	5,746,629	6,033,960	6,335,658	6,652,441	6,995,063	7,334,316	7,701,032	8,086,084	8,490,388	8,914,507	9,360,652					
Fixed Asset Additions (Deletions)	652,079	991,288	5,316,944	1,000,000	2,357,300	2,349,400	888,800	1,507,200	1,173,000	1,069,500	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000					
Interest Expense	881,582	875,711	828,645	806,145	783,645	783,645	761,145	693,645	671,145	648,645	626,145	603,645	581,145	558,645	536,145	513,645					
Debt Service	-	20,137	1,525,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000					
Less: New Debt	(500,000)		(500,000)	(1,000,000)	(1,000,000)	(1,500,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)					
Total Expenditures	6,103,272	6,577,510	11,793,473	7,185,173	9,113,925	8,879,674	8,183,905	10,036,503	8,986,586	9,203,208	10,460,451	10,804,677	11,167,229	11,549,033	11,951,052	12,374,297					
Projected Annual Net Cash Increase (Decrease)	206,067	400,197	(4,085,385)	(38,351)	(1,626,859)	(1,098,899)	(70,321)	(1,230,128)	125,569	372,723	(398,430)	(263,833)	(117,450)	41,511	213,888	400,570					
Projected Ending Cash Balance	11,486,935	11,887,132	7,801,747	7,763,395	6,136,498	5,037,599	4,967,278	3,677,150	3,802,719	4,176,441	3,777,011	3,513,178	3,395,729	3,437,239	3,651,127	4,057,697					
Projected Ending Loan Balance	19,459,470	19,439,333	18,414,333	17,914,333	17,414,333	17,414,333	16,914,333	16,414,333	14,914,333	14,414,333	13,914,333	13,414,333	12,914,333	12,414,333	11,914,333	11,414,333					

SAN MATEO COUNTY HARBOR DISTRICT
ASSUMPTIONS FOR SMCHD CASH FLOW PROJECTION
FOR LAFCO

PROJECTION ASSUMPTIONS

Tax Revenues and Operating Income Increase at an average 5% annual rate

Operating and Non-Operating Expenses Increase at an average 5% annual rate

Interest Income is 4.0% a Year on Previous Year's Projected Ending Cash Balance

Interest Expense Rate is 4.5% a Year on Previous Year's Projected Ending Loan Balance

Capital Expenditures are per Business Plan plus \$4.5MM for 40 berth project, spread out over 4 years: 2008-2011 then starting in year 2015 assumed to be \$2.0 Million a Year

DBW Loan Repayment assumed to be \$1.5MM a Year **PLUS** Interest for all years starting in FY2007

New Debt Assumed to average \$1.0MM a Year at 4.5% Interest Rate
(means Net Outstanding Loan Balance decreases \$500K a year on average)

Additional Assumptions:

2007: \$250K Savings for Election not needed plus \$75K Savings for 1 Staff not replaced (due to current hiring freeze)
2008: \$75K Savings for 1 Add'l Staff not replaced; \$100K increase in Expense for Workers Comp Premiums
2009 forward: \$350K per year for Elections Costs (not incurred in 2006/2007 years due to lack of contest for positions)
2012: \$240K in Additional Revenue from Completed 40 Berth Project

Fixed Assets:

2007: PPH Restroom - Budgeted at \$650K; Loan at \$500K
2008-2011: Total for 40 Berth = \$4.5MM spread out over 4 years
2012-2020: Dock Replacement and Other Repair/Replacement Projects (Piers/Parking Lots/Roofs, Etc)
2007-2020: Add'l Debt for Capital Replacement/Improvement Projects

Oct 06

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

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

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

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

San Mateo County Harbor District Sphere of Influence:

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

The District's existence since has been marked by several efforts to dissolve it. In 1966, a dissolution initiated by the Board of Supervisors was approved by the voters but

later overturned by the courts in 1969. In 1977 the Commission adopted a zero sphere of influence for the District indicating that it could be dissolved. Subsequently several efforts to either detach portions of the county from the District or dissolve it ended with court challenge, denial at protest hearing, failure at election and most recently in 1991, withdrawal of the application.

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

While District boundaries are countywide, the District operates at two locations: Pillar Point on Half Moon Bay and Oyster Point Marina/Park on the bayside in South San Francisco. The District controls Pillar Point Harbor under a State Tidelands Grant and has operated Oyster Point Marina/Park via a Joint Power Agreement (JPA) with the City of South San Francisco since 1977. The JPA expires in 2026.

Sphere of Influence Determinations:

As noted above, Section 56425 requires the Commission to make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide and existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency. The following section discusses these four areas of determination.

The present and planned land uses in the area, including agricultural and open-space lands

Land uses within District boundaries include a wide range of land use including residential, commercial, industrial, open space, agricultural, rural and open space land use designations under the jurisdiction of the County of San Mateo and incorporated cities.

The present and probable need for public facilities and services in the area

Services provided by the Harbor District within District boundaries are also provided at varying levels by other public and private entities, as summarized on Page 7 of the Service Review. While the County of San Mateo Sheriff's Department and some fire agencies have search and rescue capability, the Harbor District provides search and rescue security vessels stationed at Pillar Point and Oyster Point Marina. Continued need for these services is expected to continue.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

San Mateo County Harbor District operates two facilities, Pillar Point Harbor and Oyster Point Marina/Park. Pillar Point has 100% berth occupancy rate. Work is in progress on new berths and the District has an executed agreement with U.S. Army Corps of Engineers for a new navigation channel in connection with a pier replacement at Pillar Point. Oyster Point has 54% occupancy rate and has additional capacity in the event that the Water Transit Authority completes a commuter ferry terminal at Oyster Point. Both facilities include visitor-serving opportunities. Services also include search and rescue and the District's Pillar Point Harbor Patrol provides the only search and rescue security vessels stationed on the San Mateo County coast.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

San Mateo County Harbor District's boundaries are coterminous with San Mateo County. District operations are located at two locations (Oyster Point in South San Francisco and Pillar Point in Half Moon Bay). As noted by the District, Pillar Point Harbor is a working commercial fishing harbor, serving as a center for the commercial fishing industry and generating employment, visitor serving attraction and revenue for the Coastside and the County. Oyster Point Marina/Park is a potential venue for a commuter ferry and of significant economic importance to the City of South San Francisco. Both facilities contribute

to the County's housing stock because they dedicate 10% of the berths to live aboard berths.

Recommended Sphere of Influence and Determinations

As a county-wide, single purpose special district, San Mateo County Harbor District is unique in that its boundaries are coterminous with the County of San Mateo but services are limited for the most part to two distinct facilities. The Community of interest of the District in regard to electing board members and funding is county wide in that board members are elected at large and property tax is collected county wide. Yet, activities of the district and resources are dedicated to two facilities and surrounding marine environs that involve primarily enterprise activities. This is not to say that the District board and staff are not dedicated in their efforts to improve facilities and provide services or that the services provided by the District are not significant. Rather, based on the foregoing and the information in the attached municipal service review, services could be provided cost effectively by a successor agency, eliminating costs associated with a separate administration and governing board. It is therefore recommended that upon considering the accompanying municipal service review and adopting service review determinations, the Commission reaffirm the zero sphere of influence of the San Mateo County Harbor District and adopt sphere determinations as required by Government Code Section 56425.

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

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

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

(2) The present and probable need for public facilities and services in the area.

Services provided by the Harbor District within District boundaries are also provided at varying levels by other public and private entities, as summarized on Page 7 of the Service Review. While the County of San Mateo Sheriff's Department, other marina operators and some fire agencies have search and rescue capability, the Harbor District provides search and rescue security vessels stationed at Pillar Point and Oyster Point Marina. Continued need for these services is expected to continue.

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

San Mateo County Harbor District operates two facilities, Pillar Point Harbor and Oyster Point Marina/Park. Pillar Point has 100% berth occupancy rate. Work is in progress on provision of new berths and the District has an executed agreement with U.S. Army Corps of Engineers for provision of a new navigation channel in connection with pier replacement. Oyster Point has 54% occupancy rate and therefore has additional capacity in the event that the Water Transit Authority completes a commuter ferry terminal at Oyster Point. Both facilities include visitor-serving opportunities. Services also include search and rescue and the District's Pillar Point Harbor Patrol provides the only search and rescue security vessels stationed on the San Mateo County coast.

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

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

Staff Report - San Mateo County Harbor District
October 11, 2006

Recommended Commission Action by Resolution:

Adopt the foregoing sphere of influence determinations and reaffirm the zero sphere influence of the San Mateo County Harbor District.

Respectfully submitted,



Martha Poyatos
Executive Officer