

## Public Hearing Report

# Municipal Service Review: San Mateo County Harbor District

*The Economics of Land Use*



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## 1. INTRODUCTION

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

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

### San Mateo LAFCo and Municipal Service Reviews

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

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

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

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

## **Sphere of Influence Review**

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

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

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

## **SMCHD Background**

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

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

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

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

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

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

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

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

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

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

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

## 2. SAN MATEO COUNTY HARBOR DISTRICT

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### Formation and Statutory Authority

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

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

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

### Boundaries and Service Area

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

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

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

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

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

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



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

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

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

## Services Provided

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

### Boat Launch and Berth Rentals

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

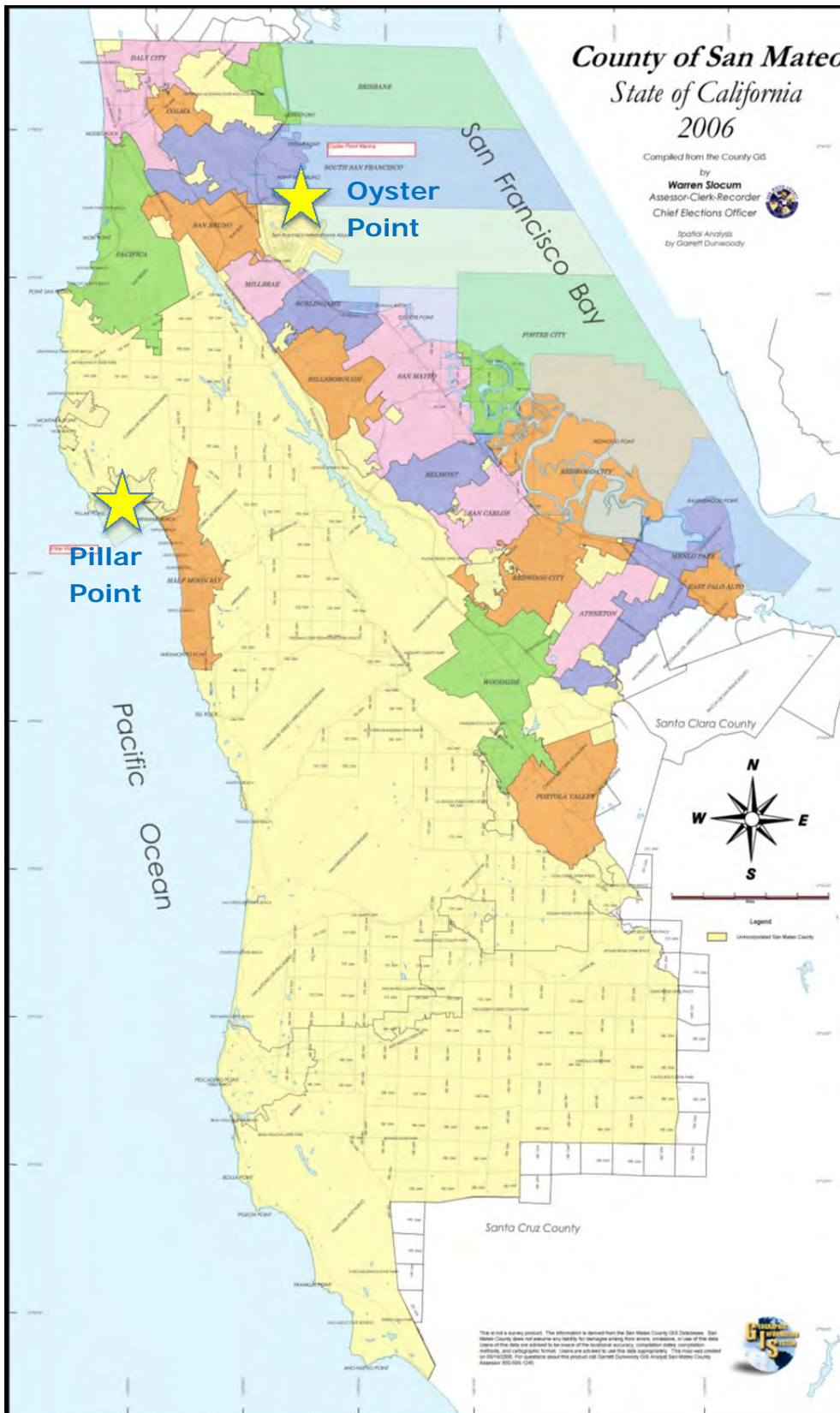
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<sup>7</sup> Plan Bay Area, Adopted July 18, 2013, Table 12

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

<sup>9</sup> *ibid*

Figure 2.1 District Boundaries (San Mateo County) and Facilities



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

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

Source: SMCHD, 2014 Assessors Report

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

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

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

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

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

Source: San Mateo County Harbor District, April 2015

## Commercial Fishing Facilities

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

## Commercial/Retail/Restaurant Leases

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

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

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

## Parks and Trails, Open Space and Public Access

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

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

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

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

## Oyster Point Ferry Access

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

## Emergency Services

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

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

## Other Services

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

# Land, Facilities and Equipment – Pillar Point

## Land

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

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

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

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

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

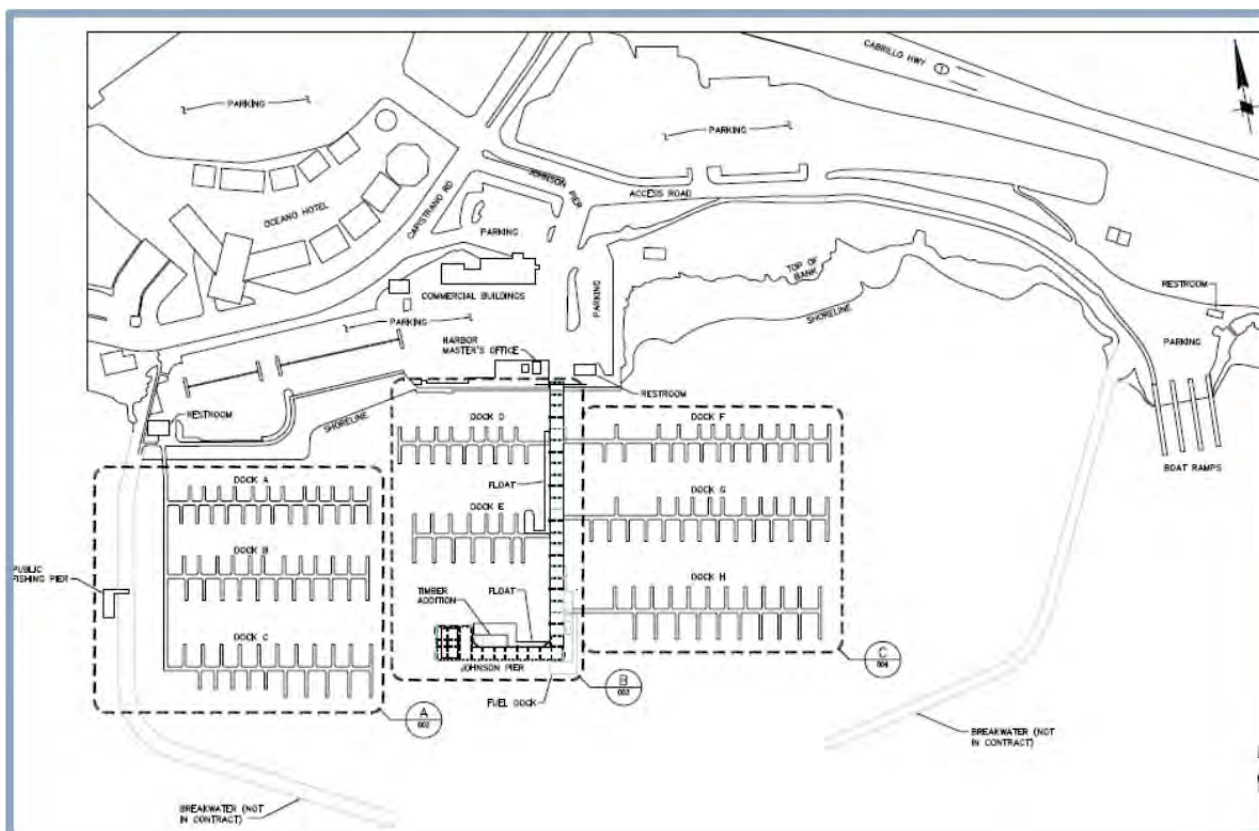
<sup>15</sup> "Hazwoper" refers to training in the handling of hazardous waste materials.

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

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

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

**Figure 2.2 Pillar Point Harbor**



## Facilities

Pillar Point Harbor's facilities, include the following:

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

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

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

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

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



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

### **Capital Improvement Program (CIP) at PPH**

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

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

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

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

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<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

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

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

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

## Land, Facilities and Equipment – Oyster Point

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

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

**Figure 2.3 Oyster Point Marina**



### Land

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

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



## Facilities

Oyster Point Marina's facilities include the following:

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

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

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

## Capital Improvement Program (CIP) at OPM

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

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

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

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

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

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

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

## **Governance and Other Activities**

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

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

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

### **Governing Board**

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

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

<sup>33</sup> Ibid.

**Figure 2.4 SMCHD Board of Directors**

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

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

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

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

### Committees

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

- Beach Replenishment Committee

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<sup>34</sup> Ibid.

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

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

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

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

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

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

### **Public Information and Disclosure**

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

### **Public Meetings**

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

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

The third Wednesday of each month:

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

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

### **Financial Policies and Procedures**

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

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

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

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

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

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

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

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

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

### **SMCHD Website**

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

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

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

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

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

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

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

## Staff

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

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

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

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

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

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

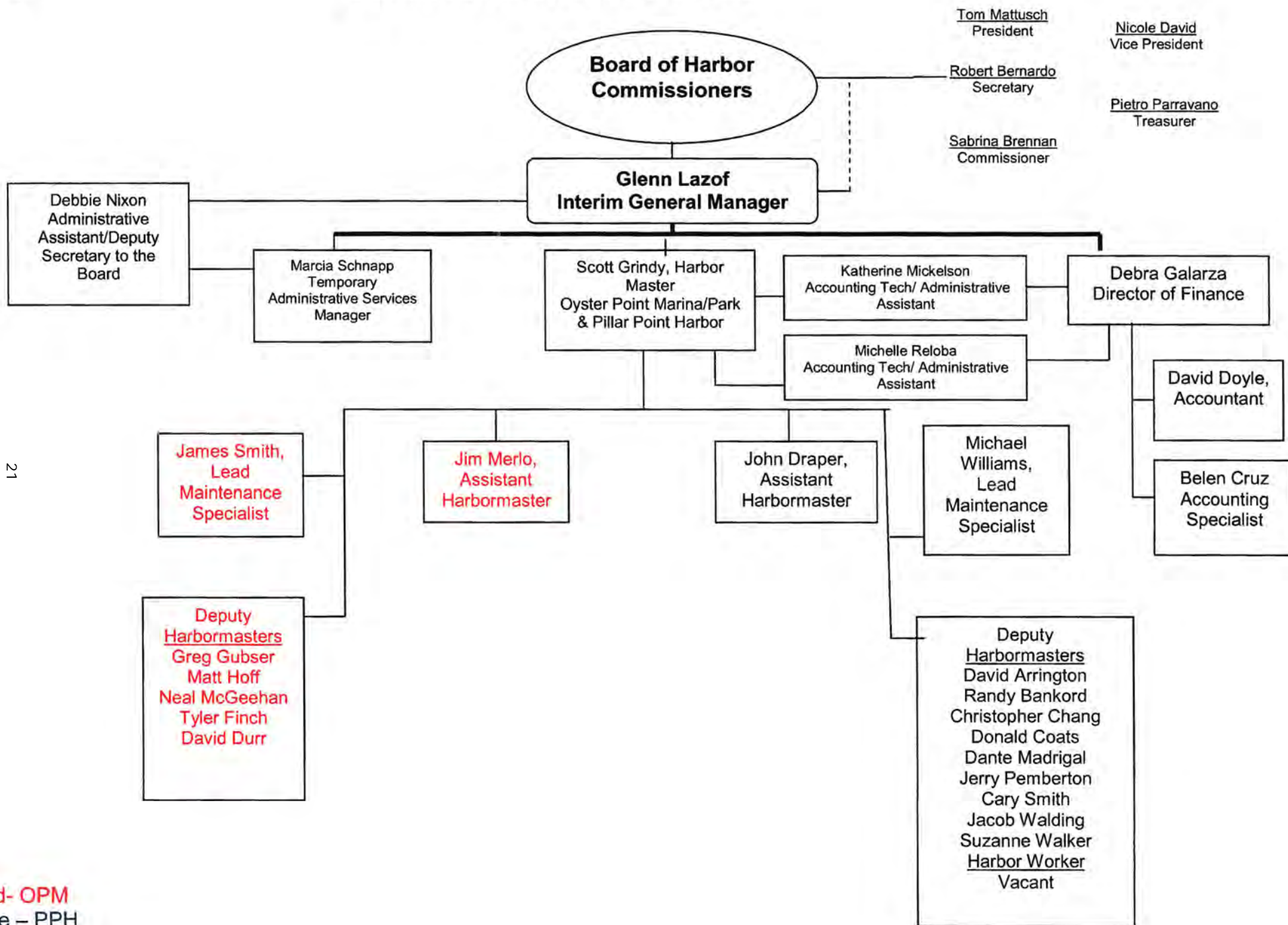
<sup>46</sup> Memo from Peter Grenell, General Manager, August 28, 2013, to the Board of Harbor Commissioners re: District Chain of Command, reaffirmed by the Commission 9/5/2013 (see **Attachment F**).

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

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



# San Mateo County Harbor District



Red- OPM  
Blue - PPH

Figure 2.5 Organizational Chart



### 3. FINANCIAL REVIEW

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

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

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

## Budget Practices

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

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

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

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

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

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

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

(2) Excludes termination liability.

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

(4) Other revenues include interest earnings on investments.

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

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

## Revenues

### Operating Revenues

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

**Table 3.2 Summary of SMCHD Operating Revenues**

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

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

### ***Rates and Charges***

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

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

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

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

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

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

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

### ***Lease Revenues***

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

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

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

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

### ***Non-Operating Revenues***

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

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

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

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

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

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

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

### **Property Taxes**

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

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

### **Capital Contributions**

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

## **Operating Expenditures**

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

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

**Table 3.3 Summary of SMCHD Expenditures**

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

(1) Other Operating Expenses include legal.

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

The following sections describe SMCHD expenditures in greater detail.

## Salaries and Benefits

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

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

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

### *Pension Liability*

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

## Harbor and Marina Operations

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

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

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

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

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

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

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

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

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

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

### Administration

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

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

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

### Harbor Commission

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

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

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

### Debt Service

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

Subsequent payments include the following:

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

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



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

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

## Capital Improvement Plan (CIP) Expenditures

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

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

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

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

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

## Assets

### Current Assets

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

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

### Reserves

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

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

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

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

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

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

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

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

### Non-Current Assets

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

## Liabilities

### Current Liabilities

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

### Non-Current Liabilities

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

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

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

## Gann Appropriations Limit

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

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

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

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

## 4. GOVERNANCE OPTIONS

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

### Dissolution with Long-Term Successor

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

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

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

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

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

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

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

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

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

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

## **Alternative Boundaries**

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

## **Successor Agency Obligations**

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

## **Allocation of Assets and Liabilities**

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

## **Potential Cost Savings**

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

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

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

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

## Transition Issues and Costs

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

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

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

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

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

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

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

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

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

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



## 5. DRAFT MSR DETERMINATIONS

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

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

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

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

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

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

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

#### Recommendations:

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

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

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

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

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

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

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

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

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

**Recommendations:**

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

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

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

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

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

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

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

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

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

#### **Recommendations:**

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

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

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

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

#### **Recommendations**

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

## 6. DRAFT SOI DETERMINATIONS

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

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

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

### San Mateo County Harbor District Sphere of Influence

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

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

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

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

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

## **Recommended Sphere of Influence and Determinations**

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

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

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

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

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

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

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

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

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

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

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

## 7. DISSOLUTION PROCESS

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Dissolution may be initiated in several ways. These include:

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

### 1. Resolution of Application to LAFCo

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

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

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



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

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

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

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

## APPENDIX A:

### References



## APPENDIX A: REFERENCES

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### LAFCO Documents

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

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

### Demographics

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

### Financial Reports

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

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

### Services

#### Rates and Charges

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

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

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

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

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

### Facilities

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

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

## Leased Property

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

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

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

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

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

## Staff

### CalPERS

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

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

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

## **Informational Materials Published by SMCHD**

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

## **City of South San Francisco Documents**

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

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

## **Other Documents**

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

## APPENDIX B:

### Facilities



TABLE 1: FACILITY ASSETS

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

TABLE 2: REPAIR PROJECT PRIORITIZED COSTS

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



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

TABLE 1: FACILITY ASSETS OF OYSTER POINT

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

TABLE 2: REPAIR PROJECT PRIORITIZED COSTS

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



## APPENDIX C:

### Parcel Maps

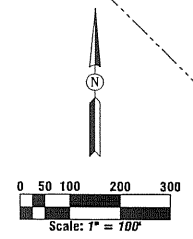
141 Bay St., Suite 200  
San Francisco, CA 94111  
415.398.2000  
415.398.2001  
www.parksideall.com

# Oyster Point Business Park & Marina Village

SHORENSTEIN/  
SKS

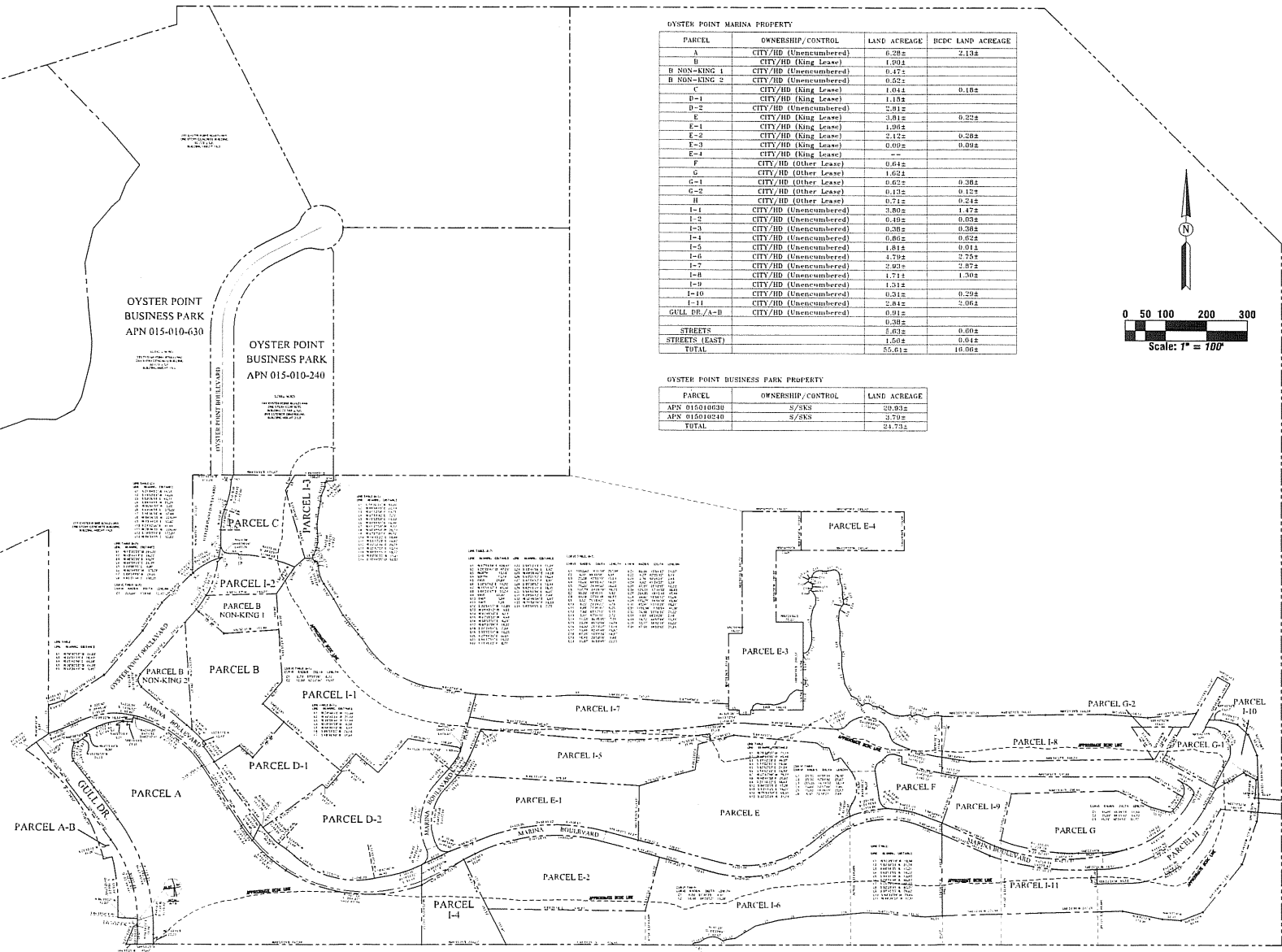
Oyster Point Business Park &  
Oyster Cove Marina  
375-389 Oyster Point Boulevard  
South San Francisco, CA 94080

WILSEY  
HAM  
ENGINEERING PLANNING & SURVEYING  
221 UNTECH PARK DRIVE, SUITE 100  
FOLSOM, CA 95630  
916.452.1211 FAX 916.452.1212



| OYSTER POINT MARINA PROPERTY |                        |              |                   |
|------------------------------|------------------------|--------------|-------------------|
| PARCEL                       | OWNERSHIP/CONTROL      | LAND ACREAGE | RDCP LAND ACREAGE |
| A                            | CITY/HD (Unencumbered) | 0.38±        | 2.13±             |
| B                            | CITY/HD (King Lease)   | 1.50±        |                   |
| B NON-KING 1                 | CITY/HD (Unencumbered) | 0.47±        |                   |
| B NON-KING 2                 | CITY/HD (Unencumbered) | 0.32±        |                   |
| C                            | CITY/HD (King Lease)   | 1.04±        | 0.16±             |
| D-1                          | CITY/HD (King Lease)   | 1.18±        |                   |
| D-2                          | CITY/HD (Unencumbered) | 2.91±        |                   |
| E                            | CITY/HD (King Lease)   | 3.91±        | 0.22±             |
| E-1                          | CITY/HD (King Lease)   | 1.36±        |                   |
| E-2                          | CITY/HD (King Lease)   | 2.12±        | 0.26±             |
| E-3                          | CITY/HD (King Lease)   | 0.09±        | 0.09±             |
| E-4                          | CITY/HD (King Lease)   | -            | -                 |
| F                            | CITY/HD (Other Lease)  | 0.64±        |                   |
| G                            | CITY/HD (Other Lease)  | 1.62±        |                   |
| G-1                          | CITY/HD (Other Lease)  | 0.62±        | 0.36±             |
| G-2                          | CITY/HD (Other Lease)  | 0.12±        | 0.12±             |
| H                            | CITY/HD (Other Lease)  | 0.71±        | 0.24±             |
| I-1                          | CITY/HD (Unencumbered) | 3.80±        | 1.47±             |
| I-2                          | CITY/HD (Unencumbered) | 0.49±        | 0.03±             |
| I-3                          | CITY/HD (Unencumbered) | 0.38±        | 0.38±             |
| I-4                          | CITY/HD (Unencumbered) | 0.80±        | 0.62±             |
| I-5                          | CITY/HD (Unencumbered) | 1.91±        | 0.91±             |
| I-6                          | CITY/HD (Unencumbered) | 4.79±        | 2.75±             |
| I-7                          | CITY/HD (Unencumbered) | 2.93±        | 2.87±             |
| I-8                          | CITY/HD (Unencumbered) | 1.71±        | 1.30±             |
| I-9                          | CITY/HD (Unencumbered) | 1.31±        |                   |
| I-10                         | CITY/HD (Unencumbered) | 0.31±        | 0.29±             |
| I-11                         | CITY/HD (Unencumbered) | 2.81±        | 2.06±             |
| GULL DR./A-B                 | CITY/HD (Unencumbered) | 0.91±        |                   |
|                              |                        | 0.36±        |                   |
| STREETS                      |                        | 5.03±        | 0.00±             |
| STREETS (EAST)               |                        | 1.50±        | 0.61±             |
| TOTAL                        |                        | 55.61±       | 16.00±            |

| OYSTER POINT BUSINESS PARK PROPERTY |                   |              |
|-------------------------------------|-------------------|--------------|
| PARCEL                              | OWNERSHIP/CONTROL | LAND ACREAGE |
| APN 015010630                       | S/SKS             | 20.93±       |
| APN 015010640                       | S/SKS             | 2.73±        |
| TOTAL                               |                   | 24.73±       |



| NO. | ISSUE | DATE       |
|-----|-------|------------|
| 1   | ISSUE | 07/10/2018 |
| 2   | ISSUE | 07/10/2018 |
| 3   | ISSUE | 07/10/2018 |
| 4   | ISSUE | 07/10/2018 |
| 5   | ISSUE | 07/10/2018 |
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| 99  | ISSUE | 07/10/2018 |
| 100 | ISSUE | 07/10/2018 |

CURRENT  
PARCEL MAP

## Pillar Point Parcels and Acreage

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

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

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

[3] Parcel was sold and combined with adjacent parcels

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

[5] EPS estimate from Google Maps

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

APPENDIX D:  
SMCHD List of Norms

# Memo

TO: The Board of Harbor Commissioners

Date: March 25, 2015

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

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

## RECOMMENDATION

Adopt the list of Norms.

## BACKGROUND

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

The following is the list of norms to adopt;

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



APPENDIX E:  
SMCHD Salary Ranges



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

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

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

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

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

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

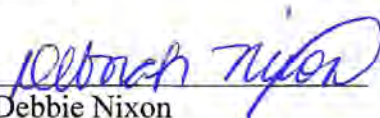
For: Bernardo, Brennan, David, Mattusch, Parravano

Against:

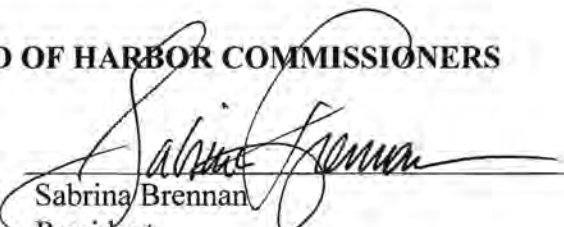
Absent:

Abstaining:

**Attested**

  
Debbie Nixon  
Deputy Secretary

**BOARD OF HARBOR COMMISSIONERS**

  
Sabrina Brennan  
President

**San Mateo County Harbor District**

**Wage and Salary Schedule**

**Fiscal Year 2014-2015**

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


**Effective on April 16, 2015**

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

APPENDIX F:  
SMCHD “Chain of Command”



# Memo

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

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## RECOMMENDATION

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

## BACKGROUND

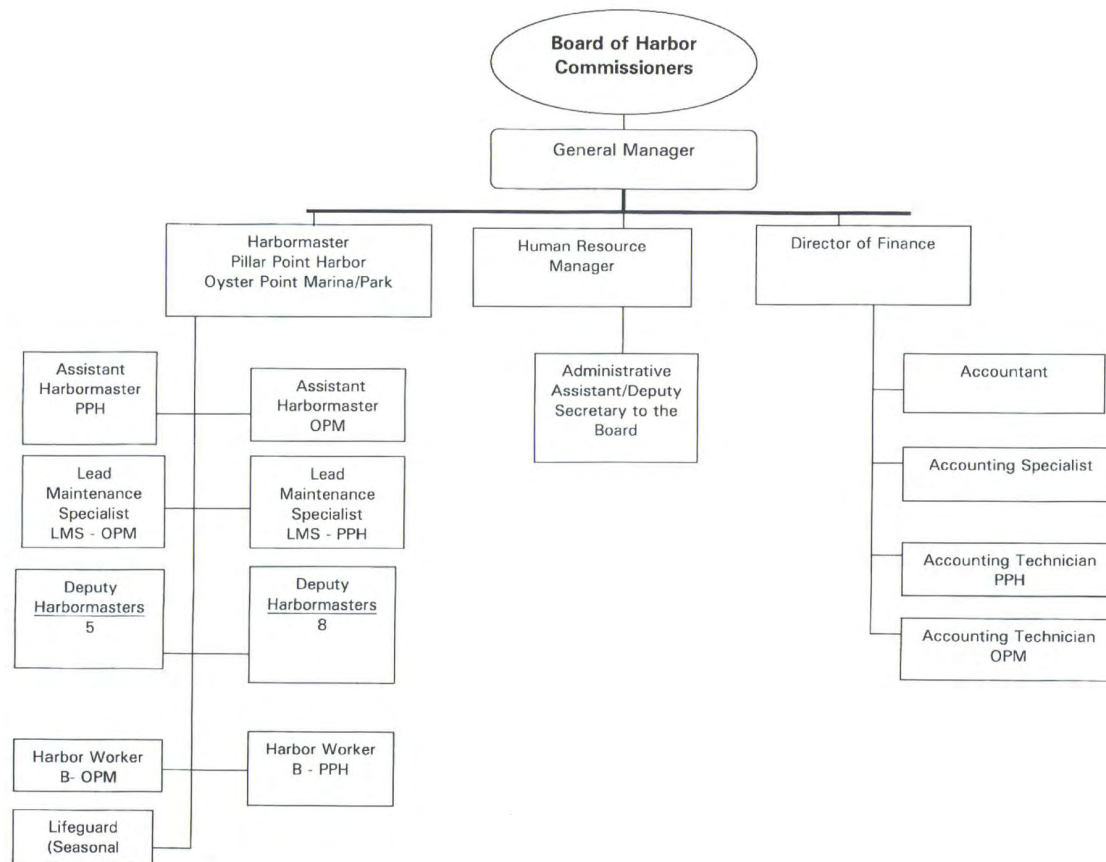
With the occasional change of personnel at various levels of the Harbor District, from time to time it is useful to reaffirm the chain of command to facilitate clear communications, clarify staff channels of direction and supervision to enable clear understanding of duty rights and responsibilities,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

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

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



## San Mateo County Harbor District



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

Ayes: 5  
Nays: 0

## APPENDIX G:

### Leases





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

OPM

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

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

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

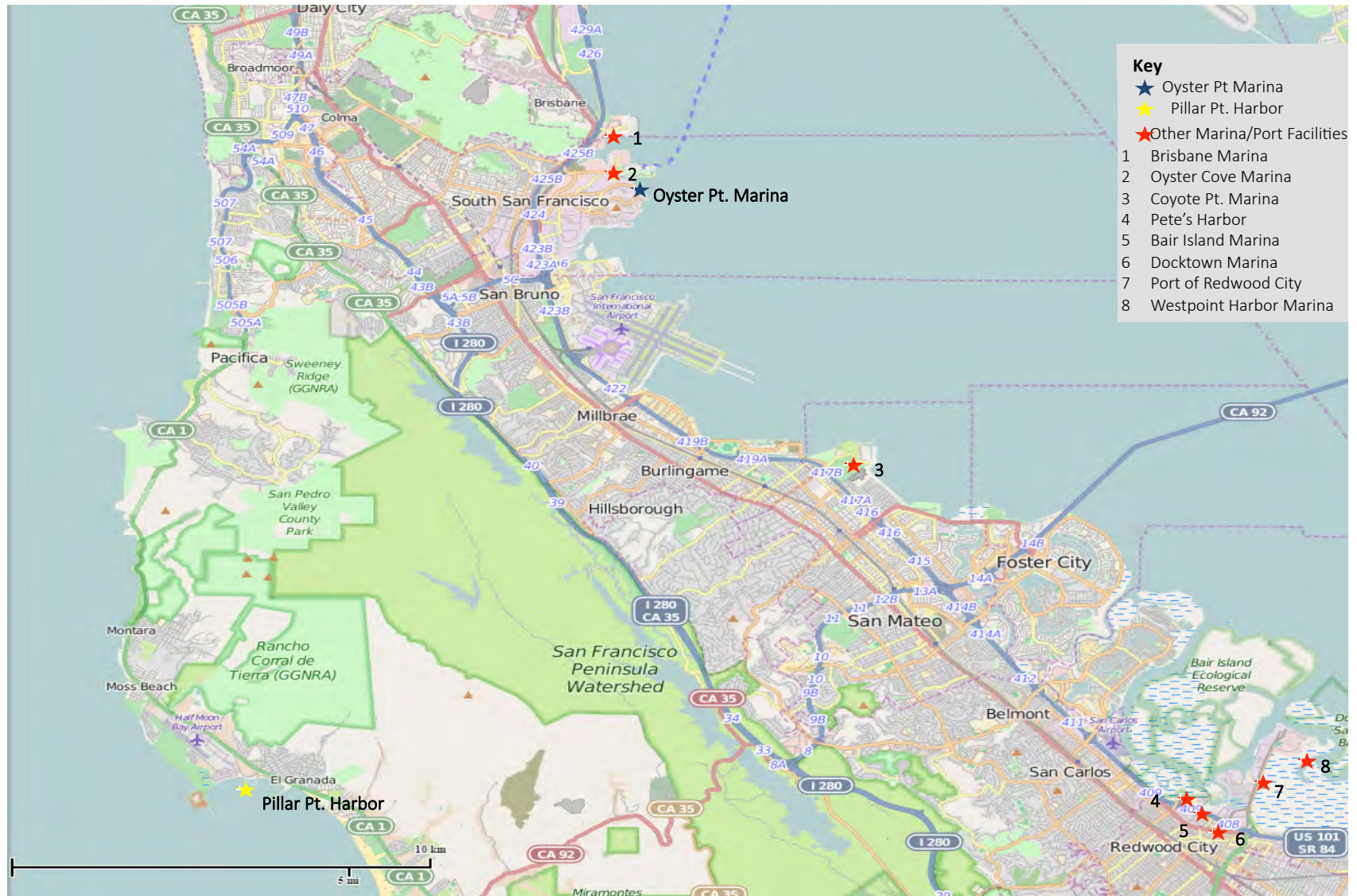
## Minimum Rent Adjustments

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

## APPENDIX H:

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





## Other Marina/Port Facilities in San Mateo County

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

Source: San Mateo Harbor Rate Survey Spreadsheet, 2014