

**San Mateo County Harbor District
Board of Harbor Commissioners
Meeting Minutes**

**November 16, 2005
7:00 p.m.**

**Oyster Point Yacht Club
911 Marina Blvd
South San Francisco, California**

Campbell called the meeting to order at 3:00 p.m.

Roll Call

Commissioners

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

Staff

Peter Grenell, General Manager
Eileen Wilkerson, Human Resources Manager
Marcia Schnapp, Director of Finance
Robert Johnson, Harbormaster
Dan Temko, Harbormaster
Michele Shahrok, Deputy Secretary
Marc L. Zafferano, District Counsel

X Lundie was absent.

**Public Comments/Questions — Public and Staff
Recognition**

The public may address the Board of Harbor Commissioners for a limit of three minutes regarding any items not on the agenda, unless a request is granted for more time.

Harbor Master Johnson recognized James Smith for his response in administering oxygen to a harbor tenant who had a severe respiratory problem. The tenant later advised Johnson that he is alive because of Smith's actions. Campbell advised Johnson that Smith deserves a letter of commendation and Johnson said he would draft one.

Consent Calendar

All items on the consent calendar are approved by one motion unless a request is made at the beginning of the meeting that an item be withdrawn or transferred to the regular agenda. Any item on the regular agenda may be transferred to the consent calendar.

- 1 **TITLE:** **Minutes of November 2, 2005 Meeting**
 REPORT: Draft Minutes
 PROPOSED ACTION: Approval

Action: Motion by Tucker, second by Padreddii to approve the Minutes of the November 2, 2005 Meeting. Motion carried by 4 Ayes, 0 Nays.

Public Hearing – None

Continued Business

- 2 **TITLE:** **District Finance and Budget Workshop**
 REPORT: Schnapp, Presentation
 PROPOSED ACTION: To be Determined

Action: Director of Finance, Marcia Schnapp, provided a Power Point presentation. She stated that the purpose of the workshop is to review ways to achieve and maintain positive cash flow and a financially healthy District. Schnapp advised this is an opportunity to observe where the District is currently and how the District needs to change direction to achieve its long-term goals.

She addressed the District's Mission Statement: To assure that the public is provided with: clean, safe, well-managed, financially sound and environmentally pleasant marinas.

Schnapp reminded that, in December of 2006, the District must start to pay back \$1.6 million annually to retire the Department of Boating and Waterways (DBAW) debt.

She suggested that the District use \$1 million to buy five government-ensured Agency bonds, e.g., Ginnie Mae or Fannie Mae, that pay anywhere from 4 to 6 ½ percent interest.

Schnapp suggested giving DBAW notes agreeing to pay a negotiated amount back per year. Campbell asked from where the money will come. Schnapp responded that the District would keep \$3 million of reserves liquid, which is one year of operating expenses for the District and those funds could be used for repayment purposes.

Schnapp proposed that the District should do whatever it needed to get boats into the harbors. Schnapp made the point that if there is full occupancy at Pillar Point Harbor and a waiting list for berths, the Harbor is not charging enough. Padreddii asked about raising berth fees. Schnapp pointed out that the District might lose revenue by raising rates too high because berthers will go elsewhere. Grenell said it is also a matter of what services people are getting for their money.

Temko responded there is a trend for pricier berths in the Bay Area. The 40-Berth Project can add amenities such as wider berths with brighter lights to attract higher end pleasure boats. He also spoke about using square v. linear footage in assessing berth fees and that it takes more square footage to accommodate larger vessels.

He said this is an opportunity to create a section that does not cost too much to install but for which they can charge significantly more. Tucker suggested providing more services to attract boaters to that particular area. There was a discussion regarding giving present berthers an incentive of a predetermined amount of free rent if they bring in new berthers. Accounting Specialist Gleeson advised Pillar Point has given one month's free rent. Schnapp advised to give more or, if someone refers someone new to berth at the harbor, to split the month's rent between them. Campbell warned to be careful with decreasing rents for new people coming in v. present tenants.

Campbell advised that they must consider the other factors related to berthers going elsewhere, e.g., there are more marinas now than in the past so the competition is stiffer.

Parravano requested a history of Pillar Point's revenue distribution and percent by category: berth rents, launch ramp fees, concessions, etc. He asked Schnapp to graph out the amounts to see how the public is responding in order to determine whether the District is maximizing its revenues through the lessees. Campbell stated she wants the same for Oyster Point.

Schnapp spoke of what she termed the "HDCI," the Harbor District Cost Index. She said the Harbor charges 2 percent over the CPI, which equates to one percent less than District costs are actually increasing. Income does not cover expenses. Campbell asked about cutting expenses rather than only attempting to get more revenue. Schnapp responded that many of the expenses are contractual and cannot be cut. Campbell stated the number of employees on staff should be reviewed. Savings in staffing reduction could be used to pay off District debts.

Schnapp advised the Joint Powers Agreement between the City of South San Francisco and Oyster Point Marina expires in 2026 and the property reverts to the City. The DBAW loans are to be paid back by 2018.

Tucker asked whether DBAW allows the District to differentiate between paying off the individual loans in sequence according to their final due dates or selecting specific loans out of order to pay off based on other criteria. Grenell advised of two historical cases. The first was Ventura Harbor, which went bankrupt and ultimately resulted in an agreement that included bonding with DBAW in second position. The second case was the Spud Point Marina in Bodega Bay in Sonoma County. The Harbor defaulted on their loan approximately 15 years ago.

Grenell suggested considering advising DBAW that the business plan needs to be revisited and asking them to extend repayment for a longer term, perhaps to 2026. That way, there will be less yearly financial impact.

Campbell suggested paying off some loans to get credibility. Grenell proposed offering a loan package that includes paying off a couple of loans. Tucker agreed that it would establish the District's credibility. Schnapp advised the District is paying 4 ½ percent fixed rate on the DBAW loan, which amounts to \$875,000.00 per year in interest. The gap between revenue and expenses keeps widening. Campbell agreed with Schnapp that the Commission needs to know what the actual expense costs are.

Schnapp wants to identify spending categories as Mandatory v. Discretionary. "Mandatory" would be items required by law, safety considerations, and deferred maintenance; "discretionary" would be items adding revenue opportunities, for example. It was suggested to add a monetary component to "noble causes".

Tucker wants to see the dates all DBAW loans come due in the very near future. He also wants Finance to add any additional revenue opportunities such as compensation from the Water Transportation Authority.

There was a discussion regarding the Bond Ladder. Campbell and Tucker want more information on it and asked that Schnapp clarify how it would work.

Campbell adjourned the meeting for a short break at 4:00 p.m. Campbell reconvened the meeting at 4:15 p.m.

Campbell asked when the money reserves would run out. Schnapp advised that if no more is spent on any new projects, the money will run out in 2015, perhaps 2011.

There was a discussion about contacting Shield Consulting about obtaining rebates for election costs.

Parravano commented that, in early 2001-2002, the District hired a firm to create a Business Plan. He asked how Schnapp's chart regarding Aggregate Cash Flow with Various Operating Revenue Increases fits in. Schnapp advised she included additional expenditures at five percent, which is \$250,000 gross. Parravano stated that, in reality, the reserves have not been spent so the District will actually be in the same situation in 2016 as it is now. Schnapp said the problem is that revenue has flattened and expenses continue to go up. Previously, revenue and expenses were even, but not presently. She added that most of the revenue increase has been spent on employee benefits which have been increasing significantly.

Tucker commented that if the District does nothing except pay DBAW back, the money runs out in 2016. Now that everyone is aware of the current revenue and expense status the District will take a more aggressive approach.

There was a discussion regarding San Mateo County Local Agency Formation Commission (LAFCO) and whether the District is subsidizing berth renters by keeping rates artificially low. Tucker stated the District's fees are above average. Temko advised that the parklands and Surfer's Beach do not create revenue but serve the State, County and people around the world.

She recommends requiring only one signature on amounts transferred within Harbor District accounts within the same bank or financial institution. Two signatures would still be required for fund transfers between different financial institutions.

Motion by Tucker, second by Parravano to adopt Resolution 20-05 to allow for fund transfers among Harbor District accounts within the same financial institution via one authorized signature. Motion carried by 4 Ayes, 0 Nays.

- 5 TITLE: **Fuel Purchase for Pillar Point Harbor Through
County Public Works Department**
REPORT: Temko
PROPOSED ACTION: To be Determined

Action: Temko advised he was not quite ready to present this item and asked that it be postponed. Motion by Parravano, second by Padreddii to postpone this item to the December 7 meeting. Motion carried by 4 Ayes, 0 Nays.

- 6 TITLE: **Pillar Point Harbor Skiff Dock**
REPORT: Staff Report
PROPOSED ACTION: Approve purchase of new 5' x 60' wood dock from
Bellingham Marine, to be installed by Pillar Point Harbor
staff, not to exceed the amount of \$9,995.00.

Action: Temko advised that the new hoist would allow vessels to get closer to the dock in order to be picked up more easily and safely.

Motion by Parravano, second by Padreddii to approve purchase of new 5' x 60' wood dock from Bellingham Marine, to be installed by Pillar Point Harbor staff, not to exceed the amount of \$9,995.00. Motion carried by 4 Ayes, 0 Nays.

Campbell asked Temko to call Lundie and advise him that the purchase was approved.

- 7 TITLE: **Bills and Claims in the Amount of \$131,105.00**
REPORT: Bills and Claims Detailed Summary
PROPOSED ACTION: Approval of Bills and Claims for payment and a transfer in
the Amount of \$131,105.00 to cover payment of Bills and
Claims.

Action: Tucker advised he had reviewed the Bills and Claims. Motion by Padreddii, second by Tucker to approve the corrected Bills and Claims for payment and a transfer in the Amount of \$144,161.30 to cover payment of Bills and Claims. Motion carried by 4 Ayes, 0 Nays.

Reports for Possible Discussion/Action

Administration and Finance

8 General Manager Grenell

Action: Grenell advised he met with Martha Poyatos, Executive Officer of San Mateo County Local Agency Formation Commission (LAFCO), on October 26 and provided her staff's response to LAFCO's initial information request under a service review. There was discussion regarding a second communication Grenell is drafting in response to additional questions submitted. The Board advised they want to review the response before Grenell submits it to LAFCO. Grenell advised that he would submit the response to the Board for review and would contact Poyatos and advise that the District needs an extension of the deadline in which to submit their answers. He advised that LAFCO has a deadline of January 18, 2006 to issue their report.

9 Director of Finance Schnapp

Action: Schnapp reported that the Administration Office is adding a payroll module to enhance automation.

10 Human Resource Director Wilkerson

Action: Wilkerson thanked the Board for their flexibility with rescheduling the appeal hearing, which is now set for January 11, 2006, at 10:00 a.m. at the Coastside Water District Building in Half Moon Bay. She thanked Deputy Secretary Shahrok for making the arrangements with the Water District.

Operations

11 Oyster Point Marina/Park — Johnson

Action: Johnson stated he had nothing to add to his written report.

12 Pillar Point Harbor — Temko

Action: Temko advised that the paving project was back on schedule and the paving was occurring on November 16 and 17. The striping would take place the following week.

Board of Harbor Commissioners

- 13** A. Committee Reports
Firehouse Lease – Tucker, Parravano

Action: Tucker advised he would make his report during Closed Session.

- B. Commission Statements and Requests
The Board of Harbor Commissioners may make public statements and requests. Requests may be made to place items on future agendas.

Action: Tucker requested that an item be placed on the December 7 Agenda to cancel the December 21, 2005 Board Meeting. Schnapp said the District could suffer penalties if the bills were not paid for a six-week period. Tucker advised he would be available until December 18 to review the Bills and Claims.

Campbell advised to get as many bills and claims included as possible for the December 7 meeting. Padreddii advised that, in the past, the Commission has advised the District to put \$100,000.00 in an account to cover any additional checks. Campbell directed Grenell to put an item on the December 7 Agenda for this purpose.

- 14** TITLE: **Identify Labor Negotiator Pursuant to Government Code §54957.6**
REPORT: Zafferano
PROPOSED ACTION: Identify Labor Negotiator Eileen Wilkerson

Action: Zafferano identified Grenell as the labor negotiator. The Deputy Secretary was directed to return to the District Administration Office to retrieve a fax. There was no recording of the meeting past this point.

Motion by Tucker, second by Parravano to adjourn to Closed Session. Motion passed by 4 Ayes, 0 Ayes. The meeting adjourned to Closed Session at 6:00 p.m.

Closed Session

15 TITLE: **Conference with Real Property Negotiator: Parcel #AP 047-264-030, El Granada, San Mateo County, San Mateo County Harbor District and Half Moon Bay Fire Protection District, Regarding Lease or Sale Price, Terms, and Conditions Pursuant to Government Code § 54956.8**

REPORT: Grenell

PROPOSED ACTION: To Be Determined

Motion by Tucker, second by Padreddii to adjourn to Open Session. The meeting adjourned to Open Session by unanimous vote at 6:29 p.m.

Adjournment

Action: Grenell stated that there was no reportable action from Closed Session.

Motion by Padreddii, second by Tucker to adjourn the meeting. Motion carried by 4 Ayes, 0 Nays. The meeting adjourned at 6:30 p.m.

APPROVED BY:

ATTESTED BY:

Sally Campbell
President

Pietro Parravano
Vice-President

Michele Shahrok
Deputy Secretary