FAQs:

Q: What is the rationale behind the San Mateo County Harbor District draft proposed rate increases?

A: The Harbor District's expenses have risen above the Cost-Of-Living index for the last decade. User rates and fees have only risen modestly in some areas, not at all in others. The District is now faced with closing a deficit of approximately five hundred thousand dollars for fiscal year 2007/2008, of which approximately $300,000 comes from Pillar Point Harbor.

The draft proposed rate increases will only be able to close part of that deficit. The District is also pursuing other avenues for cutting costs and raising revenues, such as a staff hiring freeze (3 positions now remain unfilled), continued expense control, and increased lease revenues where possible.

Q: Does the draft proposed berth rate increase have anything to do with prior year deficits?

A: No. None of any prior year deficits were factored into the draft proposed rate increases for the coming fiscal year. The draft proposed rate increases are solely to reduce the anticipated deficit for FY 2007/2008.

Q: There are now approximately $9 million in cash reserves. What is this being used for and why isn't it being used to offset next year's deficits?

A: Deteriorating assets become safety and security hazards over time. The cash reserves were built up because the Harbor District delayed payment on its $19 million debt to the California State Department of Boating and Waterways ("DBW") for Harbor development loans. This allowed the District to complete deferred capital projects that represented major infrastructure assets of the District, such as rebuilding Pillar Point Harbor recreational docks A, B and C as well as Johnson Pier and now dredging at Oyster Point Marina. Below is a listing of completed and pending projects (where "K" = thousands):

PILLAR POINT
Completed Projects:

Johnson Pier Rehabilitation:	$2,000K
Docks A-B-C Rehabilitation:	$ 815K
Launch Ramp Reconstruction:	$ 42K
Parking Lot Resurfacing:	$ 373K
Pier Fender Pile Replacement:	$ 348K
Mooring Installation (40)	$ 42K
Total PILLAR POINT	$3,395K

PILLAR POINT
Pending Projects:

Restroom Renovation	$350K
Rip Rap Repair	$150K
Lessee Roof Repair	$ 75K
Total PILLAR POINT	$575K

OYSTER POINT MARINA
Completed Projects:

Dock Gatehouse Security	$1,000K
Fishing Pier Repair	$ 186K
East Basin Vacuum Sewer	$ 120K
Total – OYSTER POINT	$1,306K

OYSTER POINT MARINA
Pending Projects:

Launch Ramp Repair	$477K
Breakwater Modification	$700K
Total – OYSTER POINT	$1,177K

Q: What will the cash reserves be after fiscal year 2007/2008 and what will they be used for?

A: After the projects above are completed, the District's reserves are estimated to be at approximately $6.0 million. This includes restricted reserves of approximately $3.0 million. The remaining $3.0 million is available for future capital projects or debt service payments on the District's $19 million in debt. The District will need to rebuild its reserves in order to continue to make its future debt payments.

Previously, except for one principal payment last year, the District renegotiated its loan repayment schedule such that it has been paying interest only to DBW for the past six years. Interest only payments have averaged approximately $875 thousand a year.

As of December 31, 2007, the District is required to begin making $2.4 million a year in combined principal and interest payments. The District is in negotiations with DBW regarding its current debt payment schedule. Part of the requirement for any negotiations will be whether the District's operating revenues have increased enough to covering its operating expenses. DBAW wants to see evidence that the District is raising rates as a pre-condition for renegotiating the debt repayment schedule.

Q: Why is the depreciation the same for both harbors?

A: First, the operating deficits at both harbors exclude any depreciation expense. The deficits at each harbor would be substantially higher if depreciation were added in. The rate increases do not include amounts needed to cover depreciation expense.

For 2005/2006 fiscal year, depreciation expense is expected to be approximately $632,000 for Oyster Point Marina and $822,000 for Pillar Point Harbor. For FY2006/2007, with the completion of the $2 million rehabilitation of Johnson Pier, depreciation expense at Pillar Point Harbor would increase by approximately $100,000 a year. However, the District completed an external audit of its fixed assets and infrastructure this past winter. It is anticipated that based upon this audit depreciation expense will be adjusted to reflect each harbor's capital project expenditures and remaining asset values. Therefore, for the draft proposed budget for 2007/2008, depreciation expense has been lowered for Pillar Point Harbor and increased for Oyster Point Marina. There are also additional capital projects at both harbors that may or may not be completed by fiscal year end 2006/2007 (June 30, 2007). The dollar volume of these projects will affect the actual depreciation amounts for fiscal year 2007/2008. These amounts can only be adjusted to actual after the close of this fiscal year (2006/2007). That is why both amounts are identical at this juncture. They are estimates pending completion of the items mentioned above.