



## Staff Report

**TO:** Board of Harbor Commissioners  
**FROM:** James B. Pruett, General Manager  
**DATE:** November 20, 2024  
**SUBJECT:** November 13 LAFCo DRAFT MSR/LOI

**Requested Action/Issue:**

Board receive staff report and provide Staff direction with respect to the District's response.

**Recommendation:**

Provide feedback and direction on Staff's recommended edits to the November 13, 2024 Draft MSR/LOI.

**Policy Implications:**

None

**Background:**

1. On November 13, 2024, the San Mateo County LAFCo published the draft Municipal Service Review Circulation Draft (MSR) concerning the San Mateo County Harbor District. LAFCo will be considering the Circulation Draft at their November 20<sup>th</sup>, 2024, meeting. Staff has recommended to the LAFCo Commission the following actions:
  - a. Open the public hearing and accept public comment.
  - b. Provide Commissioner comment.
  - c. Direct the Executive Officer to schedule the Final Municipal Service Review for the San Mateo County Harbor District for a public hearing at the next Commission meeting on January 15, 2025, and circulate it with any necessary amendments to the County, cities, and independent special districts.
2. The recommended conclusion of the draft MSR by LAFCo staff is: "...a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency's SOI is recommended and the SOI determinations HAVE NOT been made."
3. This is the third MSR/SOI study that San Mateo LAFCo has conducted on the San Mateo County Harbor District (SMCHD, the District) in the past 19 years. Each study, including this current draft, has recommended a "zero" sphere of influence.

4. Overall, the MSR is very positive, identifying and listing several significant improvements over issue identified in past MSRs, stating:
  - a. “Since the District’s prior LAFCO MSR/SOI study in 2015, the District has improved its financial transparency and budgeting practices.”
  - b. “While there are challenges with funding identified and future capital projects, there are no ongoing concerns regarding the District’s financial ability to provide services.”
  - c. “For five consecutive years, SMCHD has been recognized by the Government Finance Officers Association for transparent budget reporting, receiving the Distinguished Budget Presentation Award.”
  - d. “The District has taken a number of steps since the 2015 MSR to enhance transparency and addressed governance and operational efficiencies. In 2023, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation in 2023.”
  - e. “The District collaborates with several agencies, such as OneShoreline, U.S. Army Corps of Engineers, County of San Mateo, and other special districts, related to hazard mitigation and climate change. San Mateo LAFCo commends the District for the work they have undertaken in these areas.”
  
5. The draft MSR has made several recommendations with respect to the seven areas of emphasis as required by State Law.
  - f. Growth and Population Determination:
    - i. No recommendations.
  
  - g. Disadvantage Unincorporated Communities Determination:
    - i. No recommendations.
  
  - h. Capacity and Adequacy of Public Facilities and Services Determination:
    - i. “SMCHD should update the 2019 Strategic Plan and 2022 Master Plan to align with funding and implementation of capital improvements that have been identified in the most recent Capital Improvement Plan. LAFCo encourages SMCHD to include a review of CIP projects, services provided by the District, and opportunities for enhancing operational revenue in the 2024 Strategic Plan.”
  
    - ii. “The updated Strategic Plan and Master Plan should include a review of the current land purchases made by SMCHD and identify their

potential future uses and how their development will be funded. The Plans should also show how the purchasing of these parcels and their future development will align with the mission and services of the District.”

i. Financial Ability Determination:

- i. “As part of the forthcoming updated Strategic Plan, SMCHD should evaluate potential funding sources for the existing projects identified in the Capital Improvement Plan.”
- ii. “SMCHD should evaluate the recently purchased properties and determine what potential uses will be developed on the properties, what the cost of those improvements will be, how they will be funded, and what priority these projects will be given compared to existing identified capital projects.”

j. Shared Service and Facilities Determination:

- i. No recommendations.

k. Accountability, Structure, and Efficiencies Determination:

- i. “LAFCo supports the actions that SMCHD has made regarding transparency and encourages the District to continue these efforts.”
- ii. “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 implementing these possible governance changes.”

l. Other Issues Determination:

San Mateo LAFCo encourages SMCHD and all other agencies working on natural hazards mitigation and climate change related projects to continue to collaborate. As there are numerous projects either on-going or in the planning stage within the midcoast area, LAFCo would encourage all agencies involved in these projects to continue to share updates and communicate. The County of San Mateo could explore being an agency that hosts climate resiliency and hazard mitigation information relating to the several projects that are occurring within the Midcoast area.

## Initial Review and Comments:

Staff has conducted an initial review of the LAFCo staff report and draft MSR and have the following comments and recommendations:

### 1. LAFCo Staff Report dated November 13, 2024:

Suggested Edits: Words in “blue” text indicated suggested added language. Words or phrases with “double strikethrough” is suggested for deletion. Each sentence or paragraph with suggested changes is highlighted in the attached document.

- a. Page 2, Second Bullet: “Funding for these projects ~~may~~ **will** require multiple funding sources to include grants, loans, and Working Capital/Fund Balance.”
- b. Page 2 Section III Fourth Sentence: “The ~~marina~~ **marina** docks are 30-40 years old and need to be replaced.”
- c. Page 3, Section IV, Second Paragraph:
  - i. “The SMCHD budget consistently exhibits a net operating shortfall due to operating **costs exceeding enterprise**-revenues. ~~inadequate to cover operating costs.~~”
  - ii. “The District has typically funded capital projects with a mix of grants, ~~or on a~~ **on a** “pay-as-you-go” basis.”
  - iii. “The cash for these projects has been from **the** fund balance **resulting from total revenues (enterprise and non-enterprise) exceeding operating costs.**”
- d. Page 3, Section IV, Second Paragraph: “FY24-459” should read “FY24-25”
- e. Page 4 Section V: “SMCHD currently partners with a number of agencies, such as the City of South San Francisco and **the** San Mateo Resource Conservation District, related to services and functions ~~at~~ **are to** the two harbor facilities.”
- f. Page 4 Section VI:
  - i. “The District has taken a number of steps since the 2015 MSR to enhance **transparency** ~~transparent~~ and **addressed** ~~address~~ governance and operational efficiencies.”

- ii. “There are potential governance **changes that may** ~~could~~ produce greater efficiencies and costs savings.”
  - iii. “Changes can **include** ~~included~~ dissolution of SMCHD, ~~or~~ altering the boundaries of the District, **or enhance the District sphere of influence to include all county ports: Coyote Point Marina, San Carlos Airport, and the Half Moon Bay Airport.**”
- g. Page 4 Recommendation 6: “**The Harbor District**, ~~The~~ **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 implementing these possible governance changes.
- h. Page 5 Sphere of Influence Determinations Section I: “The SMCHD is comprised of a wide range of land use designations, including **tidelands, submerged lands**, residential, commercial, industrial, open space, agricultural, and rural.”
- i. Page 5 Sphere of Influence Determinations Section II: “**Some services** ~~Services~~ provided by the SMCHD ~~within District boundaries~~ are also provided at varying levels by other public and private entities **to include emergency response/maritime search and rescue**. The Harbor District provides search-and rescue services with ~~security~~-vessels stationed at Pillar Point and Oyster Point Marina. **Bayside, the Harbor District is a partner in a very active** ~~Meanwhile,~~ search-and-rescue **network that includes** ~~capabilities are also provided by~~ the County of San Mateo Sheriff’s Department, other marina operators, and several fire agencies. **However, the Harbor District is the only public agency providing immediate on water emergency response for maritime events and emergencies on the San Mateo County coastline.** Need for search-and rescue and **maritime assist** services in this area is expected to continue.”
- j. Page 5 Sphere of Influence Determinations Section III: “The ~~marina~~ **marina** docks are 30-40 years old and need to be replaced.”
- k. Page 6 Sphere of Influence Determinations Section IV:
  - i. “The District’s boundaries are coterminous with San Mateo County, while operations are limited to two **county-wide serving** locations: Oyster Point in South San Francisco and Pillar Point in Half Moon Bay.”

- ii. “Pillar Point Harbor’s search and-rescue [and maritime assist capabilities services](#) greatly benefit those who work, live, recreate, vacation, transit, or visit the San Mateo County Coastline. ~~County's coast.”~~

**2. Municipal Service Review and Sphere of Influence Review for the San Mateo County Harbor District (Circulation Draft) Released November 13, 2024:**

- a. Page 2 San Mateo Local Agency Formation Commission:
  - i. First Paragraph: “LAFCo also has authority over extension of service outside city ~~or~~ of district boundaries and activation or divestiture of special district powers.”
  - ii. Second Paragraph: Need to add a period (“.”) at the end of the last sentence.
  
- b. Page 5, first partial paragraph: “Funding for these projects ~~may will~~ require multiple funding sources to include grants, loans, and Working Capital/Fund Balance.”
  
- c. Page 5, Second Paragraph: Insert a new paragraph between the second and third paragraph to read: [“In the alternative, the Harbor District can assume the responsibility to manage and operate all County owned ports to include Coyote Point, San Carlos Airport, and the Half Moon Bay Airport. This would benefit the public through economies of scale and service efficiency. This would greatly reduce the workload at the County in managing these highly specialized activities. As discussed above, a detailed Plan for Service would need to accompany any proposal for a governance change. This Plan would need to evaluate how service responsibility would be transferred, the benefits of the governance change, how pension liability will be addressed, the implementation and financing strategies for capital improvement projects, legacy costs, and staff transition.”](#)
  
- d. Page 6, top of page: “Pillar Point remains a major commercial and sport fishing harbor on California's central coast. ~~and is host to many public events including the July 4th fireworks display, and the Christmas boat decorating contest.”~~
  
- e. Page 8, Enterprise Activities:
  - i. “One public ~~boat~~ hoist.”

- ii. Lease of premises: Rent-paying lease holders include three wholesale commercial fish buyers, a fuel dock, and an ice facility, a bait and tackle shop, two sport fishing concessions, a surf shop, a kayak rental, a beach bar, guided tour business within the inner harbor (three restaurants, and one recreational vehicle (R/V) park.”
  - iii. “Issuance of commercial activity permits for sport fishing charter boats, retail fish sales, and retail fish “off the boat” sales. ~~by commercial fishermen from their boats to the public.”~~
- f. Page 8 Non-enterprise Activities:
- i. add- “Vessels assists” as a non-enterprise activity.
  - ii. “Recreational facilities available to the public include free parking, public restrooms, fishing piers, break walls walks, paths, shoreline access trails and beaches.”
- g. Page 9 Oyster Point Marina Enterprise Activities:
- i. ~~“Vessel berths. Public marina for predominantly recreational vessels that collects berthing and utility fees.”~~
  - ii. ~~“Leaseholders at Oyster Point Yacht Club.”~~
  - iii. ~~“Real Property Use Revocable Trusts. To allow SanTrans to park up to two buses for driver breaks.”~~
- h. Page 9 Oyster Point Marina Non-Enterprise Activities: The following sentence should be a separate bullet under Non-enterprise activities: “Law enforcement: Oyster Point Harbor staff enforce the California Harbors and Navigation Code and the District Ordinance Code.”
- i. Page 10 Third Paragraph: “Since the 2015 MSR, SMCHD has recruited and hired a highly qualified General Manager with 30 years of maritime and management experience, adopted a Capital Improvement Plan, a Strategic Plan, a standards of conduct policy, and several financial policies.”
- j. Page 11 Section b Second Sentence: ~~“As such, the District is currently evaluating the redevelopment of commercial facilities at Pillar Point Harbor.”~~
- k. Page 13/14 Pillar Point Harbor: “It is a 369-berth mixed-use harbor supporting commercial fishing fleet, recreational fishing and boating, water related sporting activities (swimming, kayaking, surfing, stand-up paddling boarding, etc) and other opportunities and public access.”
- l. Page 18 First Paragraph: “The environments of oceanside Pillar Point Harbor and bayside Oyster Point Marina are drastically different, as are the available resources. The Harbor Patrol at Oyster Point Marina is a critical part of the

safety network on the Bay. They work closely with the U.S. Coast Guard and several other local agencies and marinas when responding the emergency calls. On the San Mateo Pacific Coast, the San Mateo County Harbor Patrol is the only public agency providing immediate on water rescue capabilities. The Pillar Point Harbor Patrol works closely with the Sheriff's Office, Cal Fire, Coastside Fire, City of Half Moon Bay, State Lifeguards, and U.S Coast Guard in providing this capability, but as stated above, is the only agency that provides immediate waterside response.

- m. Page 20 Oyster Point Marina, Section b Second Paragraph: "The District is in the process of updating its ~~2019~~2022 Strategic Plan."
- n. Page 21 First Paragraph:
  - i. Fourth Sentence: The ~~marina~~ ~~maria~~ docks are 30-40 years old and need to be replaced."
  - ii. Last Sentence: "Funding for these projects ~~may~~ will require multiple funding sources to include grants, loans, and Working Capital/Fund Balance."
- o. Page 21 Second Paragraph: "In 2023, the District was awarded a \$400,000 Boat launching Facilities grant from the California ~~Division of Boating and Waterways~~ ~~State Parks~~ for the design and engineering of the Pillar Point Harbor Launch Ramp."
- p. Page 22 First Paragraph Third Sentence: The ~~marina~~ ~~maria~~ docks are 30-40 years old and need to be replaced."
- q. Page 23 Last Paragraph: "All San Mateo County property tax revenue is managed by the Administration ~~Department~~ ~~department~~ and is shown as revenue in the budget as Administration ~~Department~~ ~~department~~ funds."
- r. Page 23/24: "This revenue is also used by Pillar Point Harbor ~~Department~~ ~~department~~ and Oyster Point Marina ~~Department~~ ~~department~~ to cover both of their operating deficits."
- s. Page 24 Fourth Paragraph:
  - i. ~~"The District states that it intends to enhance its commercial activity revenue stream."~~
- t. Page 24 Fourth Paragraph Last Sentence: "The ~~marina~~ ~~maria~~ docks are 30-40 years old and need to be replaced."
- u. Page 24 Fourth Paragraph Last Paragraph:



- i. ~~“In 2022 the District sold surplus parcels.”~~
- ii. “Development of ~~these~~ ~~this~~ properties will be discussed in the District’s upcoming Strategic Plan.”
- iii. “The ~~last time the~~ Strategic Plan was ~~last~~ updated in 2019.”
  
- v. Page 25 Top of Page: ~~The land~~ ~~This~~ purchase ~~was funded by existing cash,~~ ~~decreasing the~~ ~~decreased the amount of~~ working capital ~~fund balance.~~ ~~available for capital projects.~~
  
- w. Page 25 Capital Improvement Projects First Paragraph: “The District plans to seek grants and ~~may consider~~ loans in an attempt to increase its working capital to fund these projects.”
  
- x. Page 25 Capital Improvement Projects Second Paragraph: \$25,000 should be \$50,000.
  
- y. Page 25 Capital Improvement Projects Fourth Paragraph: The District has received grant funds every year including a ~~\$800,000 in funding from the State Department of Boating and Waterways in FY 2021-22 and FY 2022-23,~~ \$40,518 ~~in an~~ grant from the Ocean Protection Council in FY 2021-22, a \$298,000 ~~grant in~~ from the Metropolitan Transportation Commission, a \$400,000 grant from the California Division of Boating and Waterways, and a \$2.8 million grant from the Ocean Protection Council in FY24/25.
  
- z. Page 26 First Paragraph: The District had purchased a parcel at the corner of ~~er~~ Avenue Portola and Obispo Road in El Granada ~~for the construction of a new administrative building.~~ However, with the purchase of 504 Avenue Alhambra, the ~~Per the District, this~~ property is now considered to be surplus.
  
- aa. Page 27 SMC Harbor District Minimum Required Reserves First Paragraph, Second Sentence: The District’s reserves are ~~set at an appropriate level to address potential unforeseen or unexpected emergencies but is~~ insufficient to meet ~~its~~ ~~unfunded projects approved in the~~ capital improvement program.
  
- bb. Page 28 First Paragraph: Missing a period “.” at the end of the sentence.
  
- cc. Page 28 Second Paragraph: ~~Lease amounts are based on market value. As each lease is developed (initial and renewal), The Harbor District does not conduct routine rent evaluations. To set a lease amount,~~ the District contracts with a ~~third-party~~ ~~third party~~ licensed property appraiser to obtain the current

- ~~market value for each property being leased. Each lease is then As each lease expires, the new leases are set at or above market value. Market value is based on professional real property market value appraisal survey.~~
- dd. Page 28 Section “d”: “The District ~~has funded funds~~ a significant portion of the approved capital ~~improvements~~ improvement ~~plan over the past several years to include the West Trail Living Shoreline Project, Public Fishing Pier, Piling Repairs, Harbormaster Building ADA Update, Tenant Row ADA Restroom, Surfers Beach Restroom and Greenspace Project, Oyster Point Marina Electrical Upgrade, Pillar Point Harbor Launch Ramp Dredging, and the Coastal Trail Extension. The Harbor District has also approved funding for the Oyster Point Entrance Ramp Replacement Project, the Johnson Pier Electrical Upgrade, the Surfers Beach Replenishment Pilot Project, the Pillar Point Harbor Dredge Project, the Pillar Point Harbor Eelgrass Mitigation Project, and the Design, Engineering, and Permitting of the Pillar Point Launch Ramp and Restroom Project. is on a cash “pay-as-you-go” basis. The District finds grant funding for capital project.~~ The District is currently unable to fully fund the large unfunded Capital Improvement Projects, including the requirement to replace the floating docks at Oyster Point Marina. ~~commitments it made in its agreement with South San Francisco in 2018. As noted previously, there are \$80 million in identified capital improvements.”~~
- ee. Page 28 Section “d” Second Paragraph: Up to ~~\$25,000~~ \$50,000 may be allocated by the General Manager to an individual project.
- ff. Page 29, Financial Ability MSR Determination, Second Paragraph:
- i. “The SMCHD budget consistently exhibits a net operating shortfall due to operating ~~costs exceeding enterprise~~ revenues. ~~inadequate to cover operating costs.”~~
  - ii. “The District has typically funded capital projects with a mix of grants, ~~or on a cash or on a~~ “pay-as-you-go” basis.”
  - iii. “The cash for these projects has been from the fund balance resulting from total revenues (enterprise and non-enterprise) exceeding operating costs.”
- gg. Page 30, top of page: “FY24-459” should be “FY24-25”
- hh. Page 31 Last Paragraph Second sentence: “SMCHD currently partners with a number of agencies, such as the City of South San Francisco and San Mateo Resource Conservation District, related to services and functions ~~at are to~~ the two harbor facilities.”

- ii. Page 32 Discussion First Paragraph Fifth Sentence: “The District recently adopted an **updated** policy regarding reimbursement for Commissioners.”
- jj. Page 33 Second Paragraph: “Agendas, agenda packets and meeting presentations ~~for~~ are posted to the SMCHD website at least 72 hours prior to meeting dates.”
- kk. Page 33 Fourth Paragraph: “SMCHD notes that it is in compliance with the Public Records Act and no violations have been reported.”
- ll. Page 34 Add Section “II” under the heading “d-f) Changes in governance structure”:

“II. In the alternative, the Harbor District can assume the responsibility to manage and operate all County owned ports to include Coyote Point, San Carlos Airport, and the Half Moon Bay Airport. This would benefit the public through economies of scale and service efficiency. This would greatly reduce the workload at the County in managing these highly specialized activities. As discussed above, a detailed Plan for Service would need to accompany any proposal for a governance change. This Plan would need to evaluate how service responsibility would be transferred, the benefits of the governance change, how pension liability will be addressed, the implementation and financing strategies for capital improvement projects, legacy costs, and staff transition.”
- mm. Page 35 Add Sentence following the first paragraph: “However, it is important to note that the District not only serves San Mateo County at their two facilities, the facilities are utilized by the entire nine Bay Area counties and beyond.”
- nn. Page 35 Accountability, Structure, and Efficiency MSR Determination First Paragraph First Sentence: “SMCHD has taken a number of steps since the 2015 MSR to enhance **transparency** ~~transparent~~ and **addressed** ~~address~~ governance and operational efficiencies.”
- oo. Page 35 Accountability, Structure, and Efficiency MSR Determination Second Paragraph First Sentence: “There are potential governance **changes that** could produce greater efficiencies and cost ~~costs~~ savings. Changes included dissolution of SMCHD, ~~or~~ altering the boundaries of the District, **or the Harbor District assuming additional responsibilities including the management and operation of Coyote Point Marina, San Carlos Airport, and Half Moon Bay Airport.**”

- pp. Page 36 Section “b)” First Paragraph First Sentence: “SMCHD has worked in partnership with OneShoreline and other agencies to include San Mateo County, CalTrans, Army Corps of Engineers, and the City of Half Moon Bay to address sea level rise and coastal erosion.”
- qq. Page 36 Section “b)” First Paragraph Second Sentence: During this phase, the Harbor District will coordinate with the public and all affected agencies including the Granada Community Services District to address:”
- rr. Page 40 Section 1 First Paragraph: “The SMCHD is comprised of a wide range of land use designations, including submerged and tidelands, residential, commercial, industrial, open space, agricultural, and rural. The District boundaries contain land that is under the jurisdiction of the County of San Mateo, the City of Half Moon Bay, incorporated cities, the California Coastal Commission, California Water Board, the State of California through a tidelands grant, the San Francisco Bay Conservation and Development Commission, as well as other agencies that have land use review authority.”
- ss. Page 40 Section 2 Second Paragraph: “Some services Services provided by the SMCHD within District boundaries are also provided at varying levels by other public and private entities to include emergency response/maritime search and rescue. The Harbor District provides search-and rescue services with security-vessels stationed at Pillar Point and Oyster Point Marina. Bayside, the Harbor District is a partner in a very active Meanwhile, search-and-rescue network that includes capabilities are also provided by the County of San Mateo Sheriff’s Department, other marina operators, and several fire agencies. However, the Harbor District is the only public agency providing immediate on water emergency response for maritime events and emergencies on the San Mateo County coastline. Need for search-and rescue and maritime assist services in this area is expected to continue.”
- tt. Page 40 Section 3 Third Sentence: “The marina marie docks are 30-40 years old and need to be replaced.”
- uu. Page 40 Section 4:
- i. First Sentence: “San Mateo County Harbor District’s boundaries are coterminous with San Mateo County, operating out of while operations are limited to two county-wide serving locations: Oyster Point in South San Francisco and Pillar Point in Half Moon Bay.”
  - ii. Third Sentence: Pillar Point Harbor’s search and-rescue and maritime assist capabilities services greatly benefit those who work, live, recreate, vacation, transit, or visit the San Mateo County Coastline. County’s coast.”

vv. Page 42 District Commissioners:

- i. Bill Zemke, District 1 December 2028 ~~2024~~"
- ii. Kathryn V. Slater-Carter, ([Vice President](#)) District 3
- iii. Tom Mattusch ([President](#) ~~Vice Mayor~~), District 4 December 2028 ~~2024~~"
- iv. Virginia Chang Kiraly (~~Mayor~~), District 5 December 2028 ~~2024~~"

**Summary/Recommendation:**

Provide feedback and direction on Staff's recommended edits to the November 13, 2024, Draft MSR/LOI.

**Attachments:**

- 1) LAFCo Staff Report and draft MSR/LOI