

Action Minutes
San Mateo Local Agency Formation Commission Meeting
July 15, 2015

In the Board of Supervisors' Chambers, 400 County Center, Redwood City, California, Chair Craig called the July 15, 2015 meeting of the Local Agency Formation Commission (LAFCo) to order at 1:31 pm.

Chair Craig gave an overview of the agenda to the audience. She noted that for Items 4, 5, and 6, district representatives would each have 10 minutes to present and then any members of the public wishing to speak would have two minutes each. She also requested that speakers for Item 6 (North County Cities and Special Districts) indicate the subject agency on their speaker slips.

1. Roll Call

Members Present: Commissioners Joshua Cosgrove, Don Horsley, Ric Lohman (Alternate Special District Member), Adrienne Tissier, Mike O'Neill, and Chair Linda Craig

Members Absent: Rich Garbarino

Staff Present: Martha Poyatos, Executive Officer
Rebecca Archer, Deputy County Counsel
Jean Brook, Commission Clerk

Consultants Present: Bob Aldrich, Project Resource Specialists
Harry Ehrlich, Project Resource Specialists
Richard Berkson, Economic and Planning Systems

2. Consent Agenda

Chair Craig noted that new rules stipulate that the Clerk take a roll-call vote for all motions in lieu of a voice vote.

Commission Action: Commissioner Tissier moved approval of the consent agenda consisting of the Action Minutes: May 20, 2015, LAFCo File No. 14-14—Proposed Annexation of APN 080-233-040, Vista Verde Way to West Bay Sanitary District. Commissioner Lohman seconded the motion, which passed 5 to 0 with one abstention. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, and Chair Craig; Noes: None; Abstentions: Commissioner O'Neill due to his absence from the May 20, 2015 meeting)

3. Public Comment for Items Not on the Agenda

None.

4. Public Hearing: LAFCo File No. 15-04—Proposed Dissolution of Los Trancos County Water District Conditioned upon the Formation of a County Maintenance District and Certain Other Conditions

Executive Officer Poyatos reviewed the July 8, 2015 staff report and Los Trancos County Water District (LTCWD) application, giving a background of the District from its formation to its application for dissolution. She noted the amended provisions, conditions, and staff recommendation. She noted the outstanding actions that are required to be completed before LTCWD can be dissolved. Ms. Poyatos explained that the reorganization is exempt from CEQA as permitted by CEQA Code Section 15320.

Commissioner Tissier inquired about the timeline for forming the Community Advisory Committee (CAC). Ms. Poyatos said she would direct that question to the LTCWD attorney.

Chair Craig asked if the current District's November election would be affected by the dissolution. Deputy County Counsel Archer said that when the District is dissolved, any election would be null.

Public Comment:

- Dan Siegel, LTCWD General Counsel, thanked LAFCo for moving the dissolution forward and summarized the past efforts towards the dissolution. He said regarding an election that if names appear on the ballot following dissolution, the election results won't be certified. He noted the CAC would be appointed by the Board of Supervisors. He said the dissolution represented a novel way of keeping property taxes local.
- Claudia Mazzetti, LTCWD Board Member and former Board President, described her participation in the District's efforts studying all possible governance options since 2013, which resulted in pursuing dissolution. She acknowledged that forming a county maintenance district was the optimal solution to the District's problems. She thanked Commissioner Horsley, Chair Craig, and Ms. Poyatos for their efforts.
- Stan Gage, LTCWD Board Member, said he had been with the District since 1974. He wholeheartedly acknowledged the contributions of Ms. Poyatos and members of the Commission.

Commissioner Tissier asked if the date for formation of the CAC could be June 2016 in response to comments that forming the committee would take time and that the current board could serve as the CAC until the committee is formed.

Commissioner Horsley noted that the County has an established record of being responsive to the Los Trancos community in past emergency situations.

Commissioner Lohman praised Ms. Poyatos, LTCWD, the Board, the Commission, and the public for their efforts.

Commission Action: Commissioner Tissier moved to approve by resolution, LAFCo File No. 15-04—Proposed Dissolution of Los Trancos County Water District Conditioned upon the Formation of a County Maintenance District and Certain Other Conditions, including the CEQA

finding, with amendments suggested by staff and Commissioner Tissier. Commissioner Horsley seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, O'Neill, and Chair Craig; Noes: None; Abstentions: None.)

Chair Craig expressed thanks to everyone in the District after working on this issue for the past nine years.

5. Public Hearing: Consideration of Municipal Service Review and Sphere Update for the San Mateo County Harbor District

Chair Craig noted that the Municipal Service Review (MSR) and Sphere of Influence (SOI) Update was prompted by the Grand Jury report and has been prepared by a consultant.

Ms. Poyatos introduced Richard Berkson, Principal Consultant with Economic and Planning Systems, Inc., who prepared the MSR/SOI. She noted that a number of comments have been received since the staff report was compiled. She gave a brief background of the state-mandated MSR process and of the Harbor District. She noted that the District provides services countywide but it is not the only provider of harbor/marina services in the County. She noted the longstanding LAFCo-established zero sphere of influence and summarized the history of studies on the District.

Richard Berkson stated that as an enterprise district, the Harbor District collects service fees from berth charges and other operating fees and provides non-enterprise services such as dredging, search and rescue, trails, open space, and passive recreation. He said the fee revenue was augmented by approximately \$5 million in property tax revenue collected countywide. He noted the countywide constituency of voters and taxpayers and the local constituencies at Pillar Point and Oyster Point that include commercial fishing, liveaboards, and recreational boating.

He described the Pillar Point Harbor facilities and operations. He said Oyster Point Marina is owned by the City of South San Francisco and operated by the District under a joint services agreement with the City of South San Francisco. He noted on the map the seven other marina/harbors in the County that are not part of the Harbor District.

Mr. Berkson noted the areas of determination. He said the increasing population would lead to an increased demand for harbor/marina facilities but that use is more affected by weather, capacity, etc. He said there were no disadvantaged unincorporated communities (DUCs) in the vicinity of either Pillar Point or Oyster Point. He said the District has significant facility improvement needs of over \$17 million over the next five years. He noted that no funds were allocated in last year's budget for capital improvements but that the current adopted budget allocated over \$700,000 for capital improvements.

He said the current operating deficit exceeds \$3.4 million with service charges falling below operating costs. He said there is also a \$1.4 million annual debt payment to the Department of Boating and Waterways. He said countywide property tax covers the deficit and the payment on the debt service. He said the District anticipates cash balances at the end of the fiscal year of about \$16.4 million, much of which has been allocated for various purposes including debt

service and other obligations. He suggested that the remaining amount of approximately \$5.8 million could be allocated for capital improvements.

Mr. Berkson noted that the District has limited opportunity for shared facilities. He said the District has contracted with a joint powers agency, Regional Government Services, to provide an interim general manager and temporary administrative services. He noted the possibility of shifting some non-enterprise activities such as trail maintenance and passive recreation to the County or the City of South San Francisco.

He said the District maintains a fairly comprehensive website and has increased their accountability with recent changes to their site. He said more updating is necessary to meet the published criteria for transparency, standing and ad hoc committees have been reinvigorated, and videos of proceedings are now online. He also noted that policies and procedures are in need of updating and could be posted online.

He noted that discord on the Board has impaired daily operations, long-term planning, and the ability to attract and retain key personnel and that the harbor commission and administrative functions duplicate those of the County and the City of South San Francisco. He stated that the District has been addressing governance and operational issues, including changes to their benefits system, moving to lower-cost office space, and selling off surplus property. He said they are investigating outsourcing services such as leasing.

He said there has concern expressed about countywide property tax being used to fund a largely local enterprise and that the District's current accounting system doesn't enable tracking of enterprise versus non-enterprise functions, making it difficult to clarify how much of their operations and costs justify use of public tax dollars. He stated that while there is public support for the District reducing reliance on property tax, that this option would require both enhancements and cost-saving measures. He noted however that the District's need for capital improvements would tie up their current revenues.

He noted MSR recommendations include establishing a capital improvement planning and accounting system to prioritize needed improvements and linking it to a strategic business plan; engaging a public accounting firm to establish a budget system consistent with best practices; and assessing and filling personnel positions needed to pursue service improvements in an efficient and cost-effective manner. He stated this includes hiring part-time consulting help and considering outsourcing of certain specialized functions, e.g., information technology and property leasing.

He recommended that the City of South San Francisco and the County investigate the feasibility of dissolving and taking over the functions of the Harbor District. He said further analysis would be needed should a proposal to dissolve the District ever be considered in the future.

He noted that the accounting system should distinguish between enterprise and government and public benefit purposes, which will be helpful for planning.

Ms. Poyatos restated the purpose of a sphere of influence (SOI). She said the SOI is based in part on information in the MSR. She emphasized that the SOI is not based on the individuals who are elected to a board or the individuals who are appointed as management to a district.

She said the sphere recognizes the potential economies of scale and operational efficiencies that could be created by eliminating duplicated administration and governing board activities. She noted that the sphere also addresses the lack of nexus between countywide boundaries that were established in 1933 and no longer have a bearing on the location of the services that are provided.

She noted the District oversees both enterprise activities, e.g., building and berth rental and commercial fishing fees and non-enterprise activities, e.g., search and rescue, the commercial fishing industry, and passive recreation, and that the District's new cost accounting system will be able to better capture this distinction. She summarized the sphere determinations in the report. She noted that the District-operated facilities represent two communities of interest that contain multiple constituencies.

She said the longstanding sphere of the District is based on the overlapping service responsibility and the boundaries established prior to major development in the County and prior to other operators taking on other marine and harbor responsibilities in the County. She said the boundaries could be considered artificial or obsolete based on the present day and they result in the District receiving countywide property tax that has limited nexus with the services that are provided.

She noted that the staff report addresses the savings that could result from dissolution of the Harbor District, intended purpose of property tax, provisions in the CKH Act that the District believes limits the content of the MSR, legal issues that would need to be studied prior to initiating a dissolution proposal, and the application of the California Environmental Quality Act (CEQA) to a district dissolution. She noted that CEQA exempts projects where there is no change in the boundaries and service area where services were previously provided. She said since the District's boundaries are countywide and the County's boundaries are not being expanded, the CEQA exemption would apply.

She said the staff report contains responses to the other issues that were raised by the District. She said the key themes and comments include giving the Board time to make improvements and efficiencies, opposition from Coastside commenters who don't want to lose local control, and the importance of Pillar Point Harbor to the Coastside community and the visitor and fishing economies.

Regarding giving more time to the current board to make improvements, she emphasized that the sphere recommendation is not based on individuals elected to a board or to the management. Regarding the issue of local control, she noted that the District is funded by countywide taxpayers who have the right to participate in the governance of the District.

She said there is an emphasis on local governance of Pillar Point Harbor because of the importance of the harbor to that community and due to the fact that four of the Harbor Commissioners are Coastside residents. She said that nonetheless, the Harbor District is responsible for countywide revenue and administering the JPA at Oyster Point. She said that true local control would mean redrawing the boundaries of the District to align with the communities most affected and that benefit the most from the Harbor District's services.

She said the dissolution does not contemplate discontinuance of service. She said a LAFCo application and plan for service would need to clearly stipulate level of service, financing, rates, and how the successor would address deferred maintenance and the capital improvements cited in the report.

Ms. Poyatos made a recommendation that the LAFCo Commission open the public hearing and receive comment. She said if they chose to take action, it would be (1) by motion making a CEQA finding, adopting and accepting the MSR/SOI report, and the Executive Officer's report and attachments; (2) accepting the MSR's determinations by resolution, adopting the SOI which would be no change in the status of the District but reaffirming the longstanding SOI.

Commissioner Horsley asked about the alternative of limiting property tax support to the communities surrounding Pillar Point Harbor and Oyster Point Marina. Ms. Poyatos outlined the detachment process; however, it was not recommended at this time because the District is dependent upon the property tax it currently receives. He asked if any other harbor districts in the state receive countywide funding, and Ms. Poyatos said there are two.

Vice Chair Cosgrove asked if all the recommendations in the staff report were being followed by the Harbor Commission. Mr. Berkson replied that they were being implemented, but he wasn't sure of the timeline. Vice Chair Cosgrove asked if the size of the reserves is comparable to other similar districts in the state. Mr. Berkson said the District's total reserves and allocations appear to be adequate.

In response to a question from Commissioner Tissier about the authority to address beach sand replenishment, Ms. Poyatos said the District's enabling legislation allows them to enter into joint powers authority agreements with other agencies with similar powers. Commissioner Horsley also noted that beach sand replenishment is a legitimate issue.

Vice Chair Cosgrove asked about efficiencies and cost savings of maintaining versus dissolving the District. Ms. Poyatos said that dissolution would mean the cost to users of marina facilities would not have to figure in the costs of electing and maintaining a separate board. Mr. Berkson added that during any dissolution transition period, there would be additional costs in the short term associated with added responsibilities of the successor agency. He said in reviewing the District's budget, there could be potential cost savings from eliminating the harbor commission and administrative functions.

Vice Chair Cosgrove wanted to confirm that the Harbor Commission was reducing salaries in a cost-saving effort. Mr. Berkson said there still remained considerable expenditures for administrative, technical, legal, and consulting activities.

Commissioner Tissier commented that while the District has a draft strategic business plan with set priorities, it appeared they were addressing the lower priorities first, which she said could lead to liability issues. Mr. Berkson said that the plan was not yet complete. He noted the lack of a good system of accounting and planning their capital improvement plan expenditures or a set of policies to help them establish their spending priorities. He said that staff turnover has also contributed to delays in setting priorities.

Commissioner Tissier also pointed out that the County currently provides some of the same type of services performed by the District, e.g., the County Sheriff provides search and rescue, and the County administers Coyote Point Marina. She also noted that while the District is funded from countywide taxes, it provides benefit to a smaller area of the County.

Agency Comment:

- Steven Miller, Harbor District General Counsel, requested that if the Commission votes to reaffirm the District's SOI that they do so without setting a specific timetable for implementing any resulting dissolution action. He expressed his confidence the District could improve its operations and financial resources, and that a transition was already underway.
- Tom Mattusch, Harbor District Board President, outlined what he planned to accomplish within the coming year with the help of an engaged Board and a new General Manager. He noted they would establish a five-year capital improvement plan and a funding plan using healthy reserves. He said the District's new accounting procedures have been separating enterprise and non-enterprise activities, revenues, and costs. He said they are working on changing the scope of their FY 2014-15 independent audit to include a comprehensive annual financial report. He said they have been outsourcing key tasks such as information technology. He noted that the District now has 34 candidates vying for the vacant General Manager position. He said the board is considering outsourcing property management services. He discussed how the District would work to pay off their loan from the State Department of Waterways. He said they are updating their leases and rates. He said they would implement a new memorandum of understanding for labor. He noted they had signed a contract with OpenGov, a financial visualization software company, to increase their financial transparency to the public.

He said he had no doubt that LAFCo would reaffirm the District's zero SOI but urged that it be done in such a manner that it does not direct or encourage any further action at the present time and asked for a follow-up MSR in two years.

Chair Craig noted that the letters LAFCo had received from the public had been incorporated into the staff report and read by the Commission.

Public Comment:

- Robert Riechel, San Bruno resident, requested that LAFCo drop all determinations with any desired amendments and not reaffirm the District's zero SOI.
- Peter Yeatrakas requested that County voters rather than the Commission decide about a possible dissolution. He endorsed Tom Mattusch and the current District board to make the needed changes.
- John Ullom talked about sand that he said should be in front of Highway 1, which he said the District is overseeing. He said the County couldn't do a better job managing the Harbor District.

- James Lee Han responded to the comments about absence of nexus. He noted that many non-Coastside residents use District resources such as Pillar Point Harbor, and he endorsed countywide taxpayer support and the current District leadership.
- Kathryn Slater-Carter, Montara resident, said she supported the District and trusted them to follow the directives in the MSR, which she said referred to previous staff and administrations and is not pertinent to today's staff and administration. She said she felt the District now needed some breathing room to do its job. She talked about a July 15, 2015 San Mateo Daily Journal article about the County's failed procurement practices in reference to a Grand Jury Report. She suggested that the perhaps the County should be combined with Santa Clara County so that we can fix the problems.
- Sabrina Brennan, Harbor District Board Member, thanked Ms. Poyatos and Mr. Berkson for their input. She emphasized that property tax is subsidizing non-enterprise activities, e.g., harbor patrol. She noted the District's improved online financial transparency that will be provided by OpenGov software, which she said would reduce public records requests. She suggested that the District terminate the joint powers agreement with the City of South San Francisco, due to their historically lower slip occupancy rate (60 percent) compared to Pillar Point Harbor (90-plus percent).
- Leonard Woren, Coastside resident, said the District purchase of Romeo Pier was part of a strategy to build a new pier. He said the District has all the characteristics of a County park, so countywide taxpayer support is justified.
- Michael Stogner, San Carlos resident, asked LAFCo to let the District have one year to put the promised changes in place.
 - Rich Landi, Palomar Park resident, noted that most cities in California have deferred maintenance, while special districts tend to have less deferred maintenance. He asked if the LAFCo County members be willing to attend monthly meetings at Oyster Point and on the Coastside in the event the District's responsibilities are taken over by the County.

Commission Action: Commissioner Tissier moved to close the public hearing. Commissioner Horsley seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, O'Neill, and Chair Craig; Noes: None; Abstentions: None.)

Chair Craig noted the four potential motions: a CEQA finding, adoption of the MSR and Executive Officer's staff report, adoption of the determinations, and adoption of the SOI by resolution.

Commissioner Horsley noted that some special districts were in the past set up before there were cities and have become an anachronism. He moved to find that the municipal service review and sphere update were exempt from CEQA. Vice Chair Cosgrove seconded the motion.

In response to a question from Commissioner Lohman regarding the MSR being exempt from CEQA, Ms. Poyatos clarified that the action was not to dissolve the District but to reaffirm its SOI. She noted there is no physical change to either the District or the County. She said if the County or another agency initiated a proposal to dissolve the District, they would need to rely

on an applicable CEQA exemption or do an initial study with an accompanying environmental document.

Commission Action: Commissioner Horsley moved to find that the Municipal Service Review and Sphere of Influence Update, reaffirming the sphere of influence of the San Mateo County Harbor District, are exempt from CEQA based on CEQA Regulation Section 15061(b)(3). Commissioner Cosgrove seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, O'Neill, and Chair Craig; Noes: None; Abstentions: None.)

Vice Chair Cosgrove said the Harbor District encouraged having the review but that they didn't want it to follow a specific timeline. Ms. Poyatos confirmed that the District had asked for one year to put solutions in place and encouraged an MSR to be done in two years. Chair Craig said they are not taking any action at this time towards dissolution and that staff recommends that the zero SOI be reaffirmed.

Ms. Poyatos stated that there is no LAFCo recommendation for a timeline on implementation, just that the sphere of influence be reaffirmed.

Commissioner Horsley moved to accept the Municipal Service Review and Sphere of Influence Report dated July 8, 2015, Executive Officer's Report dated July 8, 2015, and all written comments and attachments contained in "Exhibit A." Commissioner Tissier seconded the motion.

Commissioner Lohman noted all the public comment being against the process of reaffirming and potentially dissolving the Harbor District. Ms. Poyatos clarified that the Commission is being asked to accept the MSR and staff report, and to acknowledge the accompanying public comments. She said the action is not on the sphere recommendation, but on the documents prepared for the hearing.

In response to a question from Chair Craig regarding determinations in the report that Commissioner Lohman disagreed with, Commissioner Lohman said he was against voting to dissolve the District and that residents from all over the County benefit from Harbor District activities. He said he did not want to vote on a dissolution before studies had been completed.

Referring to County Manager John Maltbie's letter, Commissioner Tissier said that the County would also want to do an analysis before any dissolution is proposed and accepted, and noted that the recommendation is to reaffirm the sphere.

Ms. Poyatos referred to Recommendation No. 5, reaffirming the SOI of the District. She emphasized that the proposal is for reaffirmation of the SOI only and is not an action to dissolve the District. She stated that the current recommendation is to accept the report and comments. She noted that it is possible to accept the report but vote against the sphere recommendation.

Chair Craig stated that the Civil Grand Jury had tasked the County and the Commission to look at the Harbor District. She said the process is sequential, with LAFCo needing to look at it before the County can do anything. She noted that the reaffirmation being recommended is for a sphere that has been in existence since 1977.

Vice Chair Cosgrove said he was encouraged and hopeful that many improvements with the District would go forward.

Commission Action: Commissioner Horsley restated his motion to accept the Municipal Service Review and Sphere of Influence Report dated July 8, 2015, Executive Officer's Report dated July 8, 2015, and all written comments and attachments contained in "Exhibit A." Commissioner Tissier seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, O'Neill, and Chair Craig; Noes: None; Abstentions: None.)

Commission Action: Commissioner Horsley moved to adopt the Municipal Service Review determinations set forth in "Exhibit B," which is attached and hereby incorporated by reference. Commissioner Tissier seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, O'Neill, and Chair Craig; Noes: None; Abstentions: None.)

Commissioner Horsley moved to adopt, by resolution, the Municipal Service Review determinations set forth in "Exhibit C" and reaffirm the existing zero sphere of influence for San Mateo County Harbor District. Commissioner Tissier seconded the motion.

Commissioner O'Neill asked if a resolution could be adopted where the District is given one year to prove that they are making needed changes and then have another service review. Ms. Poyatos said she recommended that the Commission adopt the sphere and if they choose, review the sphere at some point in the future.

Commissioner Tissier added that a similar process occurred with the Mosquito and Vector Control District. Chair Craig asked if at that point a whole new study would need to be done. Ms. Poyatos said a smaller, less-intensive study could be commissioned and agendized at any time.

Following further discussion, Ms. Archer stated that there is no motion by the Commission to dissolve the district – it is just adopting the SOI for dissolution.

Commissioner Tissier said she was in favor of the Commission adopting the resolution with the condition that periodic reviews would take place and that the District would come back and report on the results. She said she believed that it wasn't the Commission's responsibility to conduct another study.

Commissioner Horsley volunteered on behalf of the County to work with the Harbor District to achieve their benchmarks over the 18 months. He said he would then bring the results back to the Commission.

Commissioner Lohman said he was still confused by the meaning of zero SOI. Ms. Poyatos said the SOI does not impede any of the operations authorized under the District's Harbors and Navigation Code, e.g., buying a building or providing any of its current authorized programs.

Commission Action: The motion by Commissioner Horsley to adopt, by resolution, the Municipal Service Review determinations set forth in "Exhibit C" and reaffirm the existing zero sphere of influence for San Mateo County Harbor District that was seconded by Commissioner

Tissier passed unanimously. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, O'Neill, and Chair Craig; Noes: None; Abstentions: None.)

Commissioner Horsley commended Board President Mattusch's efforts and his cooperation with the County.

Recess:

Chair Craig called for a brief recess at 3:53 pm and reconvened the meeting at 4:00 pm.

6. Public Hearing: Consideration of Municipal Service Review and Sphere Update for the North County Cities and Special Districts

Chair Craig asked the Commission for permission to allow one of the speakers, who needed to leave the meeting early, to speak prior to the staff/consultant presentation.

Public Comment: Marie Brizuela, Broadmoor Property Owners Association, read the association's position of opposition to LAFCo's proposed MSR in regard to the recommended annexation of Broadmoor Village and unincorporated areas to the City of Daly City, or service by contract by Daly City. She stated the residents' desire to remain unincorporated and have continued services by the Colma Fire Protection District, Broadmoor Police Protection District, and the County.

Chair Craig noted that the Commission would not be taking any action on the MSR at the meeting; instead they would hear the report, accept comments, and continue the discussion to the September 16, 2015 LAFCo meeting for final action.

Ms. Poyatos emphasized the MSR/SOI is a State-mandated study and not a proposal to annex territory or dissolve any of the districts. She said that any action taken would need to be initiated by residents, districts, or a city. She noted that the MSR process began in 2014 with a survey requesting data from agencies, which was passed on to the consultants, Harry Ehrlich and Bob Aldrich of Project Resource Specialists.

Mr. Ehrlich noted that he and Mr. Aldrich studied 10 agencies for the MSR. He noted that the Cortese-Knox-Hertzberg Act was amended in 2000 to add the MSR process and look at SOIs every five years or as needed. He said the purpose of the MSR is to look at financial services, municipal services, and the current potential impact of those services on projected growth; potential opportunities for improving services through systems or identification of alternative structures. He said MSRs must be completed prior to a sphere change, every five years, or as the LAFCo Commission directs.

He said that the report has 10 standalone chapters representing the agencies under study. Each chapter features a history of the agency and the current sphere, profile, boundary map, growth and population projections, discussion of operations and finances, possible alternate governance options for future consideration, and proposed MSR and sphere determinations.

He named the agencies under review: the City of Brisbane (a full-service city), Guadalupe Valley Municipal Improvement District, Bayshore Sanitary District, the City of Daly City (a full-service city), North San Mateo County Sanitation District, the Town of Colma (which doesn't provide

fire or water services), Colma Fire Protection District, Broadmoor Police Protection District, the City of Pacifica, and North Coast County Water District.

He said in December 2014, profiles of each of the agencies were sent soliciting comments and in April, draft chapters were distributed to each agency for comment. In May, the draft report was posted/distributed for public comment and Project Resource Specialists offered to meet with agencies. He noted that the initial chapter provided to the Town of Colma omitted discussion of potential governance alternatives for Colma Fire Protection District and the Town's chapter now includes this discussion.

He noted that the financial position of all agencies is stabilizing in the post-recession period and summarized each agency as follows:

- City of Brisbane: has a net position (all assets minus liabilities) of \$100 million available as capital, \$13.9 million of which is unrestricted balance. He said there is potential for development. The City overlaps Bayshore Sanitary District, which has a zero SOI. He said governance alternatives would be to dissolve Bayshore Sanitary District and the Cities of Daly City and Brisbane assume service. He stated the sphere recommendation is to reaffirm the current city sphere, which includes the present jurisdictional boundary plus some of the adjacent unincorporated areas.
- Guadalupe Valley Municipal Improvement District: has been a subsidiary district of the City of Brisbane since 1989 providing wastewater and street lights. He said that its fiscal condition is improving with net position is \$13.7 million, of which \$1.5 million is unrestricted balance equal to the annual operating budget. He stated it is recommended that the District be merged with the City and the sphere recommendation is to reaffirm the current zero sphere.
- Bayshore Sanitary District: has a zero SOI and a net position of \$6.6 million with a \$3.9 million reserve balance. He stated that the District provides sewer service to portions of Brisbane and Daly City. He said it has no general manager, but has a district engineer and board that administers District operations. Bayshore Sanitary District contracts with San Francisco Public Utilities Commission for wastewater treatment. He stated the sphere recommendation is to reaffirm the zero SOI.
- City of Daly City: has the largest population in the County. He stated that the City's finances are stabilizing after tough years during the recession. He said the net position is \$228 million, of which \$56.9 million is unrestricted balance. He noted that the City is built out at about 98 percent, and while there is not a lot of development occurring, there is infill development consistent with State priorities. He said the Sullivan Corridor is an area of focus for development. He noted that recommended governance alternatives are not supported by the public agencies nor by the Broadmoor Community. Recommendations include considering in the long term the annexation of unincorporated Broadmoor islands, providing some services through a contract with the County, or by forming a county service area. He stated the sphere recommendation is to

reaffirm the current city sphere, which includes Broadmoor and other unincorporated areas.

- North San Mateo County Sanitation District: is a subsidiary district of the City of Daly City with a net position of \$65 million, of which \$22.7 million is unrestricted balance. He said it has provided sewer service to the City and areas outside of Daly City since 1951. He said that governance alternatives include merging the district with the City of Daly City. He stated that currently they have separate accounting and governmental functions. He stated the sphere recommendation is to reaffirm the current coterminous sphere.
- Town of Colma: has a coterminous SOI, meaning the sphere is the same as the service area or city boundaries. He stated that Colma is a small city (two square miles) with a positive financial position. He said the city has been following a strategic plan to monitor finances over the past few years and has a net position of \$65 million, of which \$20.8 million is unrestricted balance. He stated the City has been using reserves to balance its budget and to pay off debt and has implemented other cost-saving measures. He noted that governance alternatives include merging County-governed Colma Highway Lighting District, which overlaps a portion of the Town, to have local control of lighting operations. He stated the sphere recommendation is to reaffirm the current town's coterminous sphere.
- Colma Fire Protection District: has a zero SOI, was formed in 1937 and, as noted in the Chief's letter, has provided many years of positive service to the community with a current population of 6,925. He said that the District's financial position is stable with a net position estimated at \$2.4 million, of which approximately \$1.3 million is reserve balance. Mr. Ehrlich noted they did not have access to the District's 2014 audit, so the estimates are based on 2013. He said the District serves 2.55 square miles and includes the Town of Colma plus Broadmoor. He noted that operations are supported by a volunteer, paid-call organization with one full-time paramedic on duty. He said that prior studies in 2006-2007 examined becoming a fully paid department, but that option proved to be cost-prohibitive and was not pursued. He noted in response to one of the comments they received that there is a difference between a volunteer fire agency and a full-time staffed fire district. He noted the District has a response time that approximately meets the national standard and that they have good response times. He said a future concern would be any loss of area served by the District because of annexations into the City of Daly City. He said there is the potential for considering a reorganization with a couple of different options that would be up to the agencies to study and consider if they so choose. He said the sphere recommendation is to reaffirm the current zero SOI. He said the service area at some future time could potentially be assumed by another agency or agencies.
- Broadmoor Police Protection District: has a zero SOI, a population of approximately 4,600 (recently corrected), and is the only police protection district in the State. He said the District has a stable financial position: based on the district's most recent audit and

their budget for the last two years, their net position is estimated at \$1.9 million, of which approximately \$1.4 million is reserve balance as of the end of 2012, which is about a year's worth of operations. He noted they don't have audits for the last two years, so the numbers are approximate. He said they communicated with then Chief of Police Parenti that (1) audits should be updated and completed and (2) they do not have an approved Gann Limit resolution for spending. He said he provided the Chief with information on how those directives could be accomplished. He stated that similar to the Colma Fire Protection District, he noted that if annexations begin to reduce the amount of area that's served by the District, there will be less revenue available for the District's operations, so they need to plan what the revenue/cost situation will be in the future. He said that the Department currently levies a parcel tax, which the community approved a number of years ago to support the District. He said the sphere recommendation is to reaffirm the current zero SOI and that the District should expect that at some time in the future, it will need to consider what the long-term service capability will be for that area.

Commissioner Tissier asked if the information and recommendations had been relayed to the current Chief, Art Stellini. Mr. Ehrlich confirmed that he had had some phone discussions with Chief Stellini but did not know if the District board had addressed the recommendations. He said that there are a number of follow-up items that need to be done.

- City of Pacifica: has a funding and stability issue with its financial situation. He said the City completed its 2014 audit in late June 2015, which he reviewed and discussed with the Assistant City Manager. He said that the City has begun a strategic planning process with its council. He noted that this past year, the city had a positive cash flow with a net position of \$51.9 million, but with a negative unrestricted balance because it has used other funds for operations. He said the redevelopment agency hurt the City and the other two cities in the study area. He said the City has a general fund balance of \$1.3 million, which represents only about a month's worth of revenues available for operations. He stated that the City has \$22 million in funds invested available but that these are all designated for other purposes such as future debt or future capital improvements. He said the City has a big challenge in determining how they got where they are and what the solutions are for the City. In regard to governance alternatives, he noted that City of Pacifica and North Coast County Water District have very similar service areas. He noted an opportunity for reorganizing North Coast County Water District, possibly into a subsidiary district to the City of Pacifica He stated the sphere recommendation is to reaffirm the SOI and that some permanent open space areas that are not receiving any services be considered to be removed from the sphere frame.
- North Coast County Water District: has a coterminous sphere and was formed in 1944. He said the District has a net position of \$41 million, of which approximately \$8.9 million is unrestricted balance, and a 12.7 square mile service area, which is nearly identical to the area of the City of Pacifica. He noted that the District is moving forward with rehabilitation of their facilities. He said the sphere recommendation is to reaffirm the

coterminous SOI and future consideration of establishing the District as a subsidiary district of the City of Pacifica.

Referring to the slide presentation, Mr. Ehrlich said for the current spheres, they are only recommending a change in the City of Pacifica's sphere and they are not recommending any changes in the spheres of the other agencies. He said his concern is that the discussion of alternatives, government structures, etc. implies that the Commission is going to adopt it right away. He said that that's not the intent but is the public's reading of what's intended to be an administrative document.

Commissioner Horsley noted that Colma Fire Protection District's reserves are \$1.3 million while a new fire truck costs approximately \$1.1 million. He also noted that their fire station is not up to seismic standards. He asked if the department had any enterprise fund to replace aging equipment. Mr. Ehrlich confirmed the condition of the station facility and noted that it is not adequate to house full-time personnel. He said he would defer to the Chief to discuss the equipment. Commissioner Horsley stated that CFPD's response time was seven minutes versus Daly City's response time of four minutes. Mr. Ehrlich stated that the standards are different for a volunteer fire department versus a traditionally staffed department.

Vice Chair Cosgrove noted that he works for the City of Daly City, serves on the board of directors for North Coast County Water District, and recently worked for the City of Pacifica. He stated for the record that he does not have a formal conflict in his role as LAFCo Commissioner.

In the MSR, he said some of the four fire agencies had different performance metrics and he wondered why that was. Mr. Ehrlich noted that one city did not want the term "average" used. Commissioner Cosgrove stated that it appeared that all agencies are meeting performance standards. He said the sewer rate comparison table needed correction for the City of Pacifica (Page 43, Table 4.16: Sewer Rate Comparison). He said Page 196 has the same table but with different figures. Mr. Ehrlich said a figure was recalculated for one of the agencies and that he and Mr. Aldrich would check the tables.

Ms. Poyatos recommended that staff and consultants review and correct any errors in the report and then she would report back to the Commission.

Ms. Poyatos stated that the Commission, the public agencies, and the public are going to be challenged with a conflict between the policies and laws under which LAFCo operates, and the goals and mission of the public agencies on the one hand and the preferences of residents of unincorporated areas on the other hand. She noted that the meeting items reflected the broad spectrum of projects overseen by LAFCo. She said the Commission has a process ahead in reviewing a diverse group of public agencies and that she is available as a resource to the agencies if there are questions and to ensure that the information is accurate. She said she is also available to the community in terms of understanding what LAFCo's mission is and what the spheres mean to the community. She acknowledged there has been quite a bit of controversy generated by the LAFCo report and that it is important to understand that while the report is written according to existing laws, it is the community and the public agencies that implement the recommendations.

Public and Agency Comment:

- Iris Gallagher, Bayshore Sanitary District Board President and former LAFCo Commissioner, said that their District was in agreement to continue the zero SOI and noted that the District has been fiscally responsible with a pay-as-you-go funding of improvements. She said Bayshore Sanitary District is a great example of a special district that is doing what it is supposed to do.
- David Canepa, Councilmember and former Mayor of Daly City said, representing himself, that he opposed any proposal to dissolve the Colma Fire Protection District and Broadmoor Police Protection District. He said he also opposed the County entering into a contract with Daly City to provide services to Broadmoor and the unincorporated area and that he supports local control.
- Lisa-Beth Watkins, Garden Village (Broadmoor) resident, stated her family has had very positive experiences with Colma Fire Protection District and Broadmoor Police Protection District and said she wanted the status quo to continue with the community receiving services from Broadmoor Police Protection District and Colma Fire Protection District.
- Sean Rabé, City Manager of the Town of Colma, referenced the Town's comment letter and clarified that the Town has not been using its reserves to fund its operations. He said the reserves have been used to fund capital improvements and pay down the town's debt. He said the Town was disappointed that it had been overlooked in that the recommended dissolution of Colma Fire Protection District and Broadmoor Police Protection District had not been brought up to them during the MSR process. He said that dissolution of these districts would have a significant impact on the safety of residents and businesses without providing any significant advantages. He reiterated the Town's support for both districts.
- Geoff Balton, Fire Chief, Colma Fire Protection District, said he understands LAFCo's mandate and the reason for a zero sphere of influence for their special district. He stated the difficulty was the aggressive terminology that a district with 90 years of service should be dissolved. He stated the District's opposition to dissolution of their agency unless such a proposal was made by their elected board. He said he didn't believe that a quasi-legislative agency such as LAFCo was qualified to make such a proposal. He stated that his district has earned the right to continue to exist until their board determines it should be dissolved. He requested that changes reflecting this thinking be incorporated into the MSR and SOI. In response to Commissioner Horsley, he said that the District has apparatus that is well within current specifications and is well under ten years old. He noted that there are government finance organizations available and the District is committed to maintaining apparatus.
- Joanne Lujan, Broadmoor resident, praised the personal service of the Broadmoor Police Protection District and Colma Fire Protection District.
- Jose Corduro, Broadmoor resident, praised both the Broadmoor Police Protection District and Colma Fire Protection District and their prompt response to 911 calls.

- Susan Stansfield, Broadmoor resident, said her father, Ralph Damon, was a co-founder of the Broadmoor Police Department in 1948. She commended the prompt service she has received from the local police and fire agencies and expressed doubt that Daly City with its large service area could match the quality of service in the event that Broadmoor Police Protection/Colma Fire Protection Districts are dissolved. She said that historically, Broadmoor residents have voted overwhelmingly to retain the Districts. She noted that Daly City has annexed portions of Broadmoor and unincorporated Colma 53 times over the years. She said she strongly supported the status quo.
- Arthur Stellini, Chief of Police, Broadmoor Police Protection District, expressed thanks to Ms. Poyatos and Mr. Erlich for their work on the MSR. He said the LAFCo process is new to him as he was appointed as the Police Chief in March 2015. In reading the reports, he realizes there are gaps and things that the District must do to better serve the community and be accountable. He noted that Broadmoor Police Protection District works closely with the Colma Police Department and Fire Protection District and with the Daly City Police Department. He expressed his support for the status quo.
- Kathryn Slater-Carter, Montara resident, stated that as a past business owner in Daly City, she is familiar with the police and fire services provided by Broadmoor. She noted that pension costs for cities and special districts were missing from the MSR. She made an analogy of proposing that Pacifica be annexed to a neighboring city or taken over by the County and said that the MSR was not even-handed in its treatment of the special districts and cities.
- Patricia Martel, City Manager of the City of Daly City, said she was reaffirming the letter sent on behalf of Daly City and the North San Mateo County Sanitation District. She said Daly City was proud to provide high-quality services, such as libraries, to neighboring communities and unincorporated areas. She emphasized, however, that the City of Daly City has no present or future plans to annex or consolidate any agencies or municipalities into their city's sphere or change their geographical or political boundaries *unless* other agencies under mutual agreement wanted to propose those kinds of changes.

Chair Craig said the Commission would continue the public hearing for the Consideration of Municipal Service Review and Sphere Update for the North County Cities and Special Districts until the September 16, 2015 meeting.

Commissioner Tissier thanked all the commenters for coming to the meeting.

7. Legislative Report

Ms. Poyatos noted the Legislative Committee's position letter on AB 3, Budget Trailer Bill 825, and AB 1532.

Public Comment: None.

8. California Association of Local Agency Formation Commissions (CALAFCO)

a. 2015 Annual Conference, September 2-4 in Sacramento

Ms. Poyatos said that LAFCo traditionally budgets for one of each type of Commission member to attend the conference. She noted the deadline to register without paying the late fee is July 20 and asked who would like to attend. Chair Craig and Commissioner Lohman expressed that they would like to go. Ms. Poyatos said that two more commissioners could attend and asked the Commission to let her know by the end of the week. Ms. Poyatos noted also that the business meeting that occurs at the annual conference requires a voting delegate for the CALAFCO board election. She said this person is traditionally the Chair, and if not the Chair, the Vice Chair, followed by the Commissioner with the most tenure.

Commission Action: Commissioner Tissier moved to approve the traditional selection process of voting delegates, nominating Chair Craig, for the CALAFCO board election at the Annual Conference, September 2-4 in Sacramento. Commissioner Horsley seconded the motion, which passed unanimously. (Ayes: Commissioners Cosgrove, Horsley, Lohman, Tissier, O’Neill, and Chair Craig; Noes: None; Abstentions: None.)

Chair Craig said that Commissioner Garbarino, as one of the nominees for the CALAFCO board, was most likely also attending the conference, which Ms. Poyatos noted.

b. 2015 Achievement Award Nominations due by July 20

Ms. Poyatos said that each year, CALAFCO accepts nominations for outstanding commissioners and projects. Chair Craig said there were no nominations this year, but perhaps the Commission could be nominated for outstanding work on the LTCWD project in 2016.

Public Comment: None.

9. Special District Risk Management Authority – 2015 Board of Directors Election Packet and Ballot

Ms. Poyatos explained that LAFCo is a member of the Special District Risk Management Authority (SDRMA) as the Commission’s insurance provider and that the LAFCo Commission as a whole is eligible to vote on candidates for the SDRMA’s board. The Commission decided to decline participating in the election.

10. Commissioner/Staff Reports

Commissioner Tissier expressed her congratulations to Ms. Poyatos for all her hard work on the projects on the agenda.

Commissioner Lohman expressed his concern that the public doesn’t understand the MSR process and suggested increasing public outreach via press releases or other means. Ms. Poyatos said that her experience working with the Harbor District staff was very positive and amicable in terms of her attending their meetings and exchanging information. She said she might have done a better job of reaching out to the districts; however, she noted that those districts had known about the pending studies since October 2014. She said that educating the

public starts with the districts. Commissioner Tissier said that she and/or other commissioners would be happy to accompany and support Ms. Poyatos in future LAFCo community meetings with agencies under study.

11. Adjournment

The meeting was adjourned at 5:14 pm. Chair Craig noted that no special meeting was scheduled prior to the next regular meeting on September 16, 2015.