

COUNTY OF SAN MATEO

INTER-DEPARTMENTAL CORRESPONDENCE

DATE: September 23, 1991
TO: The Honorable Board of Supervisors
FROM: David Christy, Director, Parks and Recreation
Via: Paul M. Koenig, Director of Environmental Management
Via: John L. Maltbie, County Manager
SUBJECT: San Mateo County Harbor District Report

RECOMMENDATION

- 1 Accept this report, and;
2. Direct staff to prepare a resolution of application for the dissolution of the Harbor District.

BACKGROUND

The 1990 Grand Jury recommended that "the Board of Supervisors initiate proceedings to dissolve the Harbor District and that the County of San Mateo operate the facilities as a cost saving measure." At your meeting on May 14, 1991, you directed staff to prepare a financial and operational feasibility study of the Harbor District.

If your Board determines to pursue the dissolution of the Harbor District, the first step will be an application to LAFCO. If LAFCO approves the dissolution, the matter would then be placed before the voters of the county.

SUMMARY

The staff analysis estimates that \$670,000 per year could be saved if the County took over operation of the District's two Marinas. These savings would come from the elimination of the District's elected Board of Commissioners, a reduction of the administrative staff, and the increased utilization of County support services. Because of various loan commitments, Marina generated revenues can be used only for early loan repayment or for Marina operations and improvements. Once the loans are repaid, surplus revenues would then be available for other uses.

REVIEW BY OTHERS

This report has been sent to the Harbor District, the County Parks and Recreation Commission and the City of South San Francisco. It has been reviewed by the County Counsel's Office and Risk Management.

FISCAL IMPACT


Dissolution of the Harbor District would require approximately \$10,000 of staff time to pay for various consolidation expenses.

Approximately \$670,000 would be saved during the first year of a consolidation. After the year 2003, \$1.5 million in property tax revenues would be available for other purposes.

If the Board of Supervisors decides to continue toward dissolution of the District, and LAFCO approves the dissolution, there may be some election costs.

Respectfully submitted,


David A. Christy, Director
Parks and Recreation


REVIEWED FOR AGENDA

DAC:b1

cc: Parks and Recreation Commission
Kim Marlow, Deputy County Counsel

DSK66-5

SAN MATEO COUNTY HARBOR DISTRICT REPORT

INTRODUCTION

The 1991 Grand Jury Report, recommended that the Board of Supervisors "initiate proceedings to dissolve the Harbor District and that the County of San Mateo operate the facilities as a cost saving measure".

On May 14, 1991, the San Mateo County Board of Supervisors directed staff to conduct a financial and operational feasibility analysis of the San Mateo County Harbor District facilities. This has been performed and will provide information to assist the Board in determining if it wishes to proceed with steps leading toward the District's dissolution.

Cost comparisons were made based upon the premise that the service level now being provided by the District would be equal or better under County operation. It was also assumed that the County would be responsible for all debts, contractual obligations, assets, property and marina operations if it replaced the District.

SUMMARY

Approximately \$670,000 could be saved annually if the Pillar Point Harbor and Oyster Point Marina were operated by the County of San Mateo instead of by the Harbor District. These savings would come from eliminating costs associated with the Harbor Commission, by reducing administrative expenses, and by utilizing available County support services to reduce operating expenses.

The District has borrowed approximately 20 million dollars from the California State Department of Boating and Waterways. Payments on this debt total about 1.5 million dollars per year. The loan agreements require that berth rental and other types of revenue produced at each marina be spent only on operating the facility or on early debt retirement. If \$400,000 per year was allocated to early debt retirement, the repayment schedule could be reduced from the current 28 years to a proposed 11 years. In the year 2003, all debts would be repaid and surplus revenues could be used for other purposes or could be returned as a property tax rate reduction.

The District now receives 1.6 million dollars in property tax revenue. After the loans are retired, both marinas should be able to sustain themselves on their own revenues. This would then free the tax revenue for other purposes.

The County-run Coyote Point Marina has been operating on a self-sustaining basis for many years. It would be County policy to bring both Pillar Point and Oyster Point Marinas to this same financial state by devoting a portion of the surplus revenues to debt reduction.

HARBOR DISTRICT HISTORY

The San Mateo County Harbor District was formed in 1933 for the purpose of constructing, maintaining and administrating harbor facilities. When it was unable to obtain financing for the development of the port at Redwood City it became inactive until 1948.

PILLAR POINT

1948 - Congress selected the site for a major harbor.

1948 to 1960 - District acquired lands for harbor development.

1959 - Breakwater constructed by the Corps of Engineers.

1960 - Master plan adopted.

1966-67 - West breakwater addition constructed by Corps of Engineers.

1961-70 - Construction of pier, launch ramp, parking, shops and Harbormaster building.

1975 to 1982 - Additional parking and restrooms constructed.

1982 - Inner breakwaters completed.

1985 - Floating berths constructed.

1990 - Launch ramp improvement grant received - phase 1 constructed.

OYSTER POINT

1962 - West Basin improvements by South San Francisco.

1975 - South San Francisco enters into agreement with State of California, Dept. of Navigation and Ocean Development to repair/replace existing marina facilities.

1977 - South San Francisco enters into agreement with Harbor District to jointly develop and construct facilities at Oyster Point Marina in accordance with the Master Development Plan.

1983 - East Basin improvements constructed by District with State Boating and Waterways loans.

1989 - West Basin improvements completed.

OPERATIONAL/FISCAL ANALYSIS

It has been assumed in this report that the staffing and service levels at Pillar Point and Oyster Point are adequate. No attempt has been made to effect savings by reducing staff in the marinas. The areas that are under consideration for savings include the District Commission, administrative staff, and certain expenses that could be reduced by consolidation with the County.

ORGANIZATION

If placed under County management, it is recommended that the two marinas be operated by the Parks and Recreation Division under the Department of Environmental Management. The Coyote Point Marina is now operated by the County Parks Division and the two District marinas would receive similar administrative support.

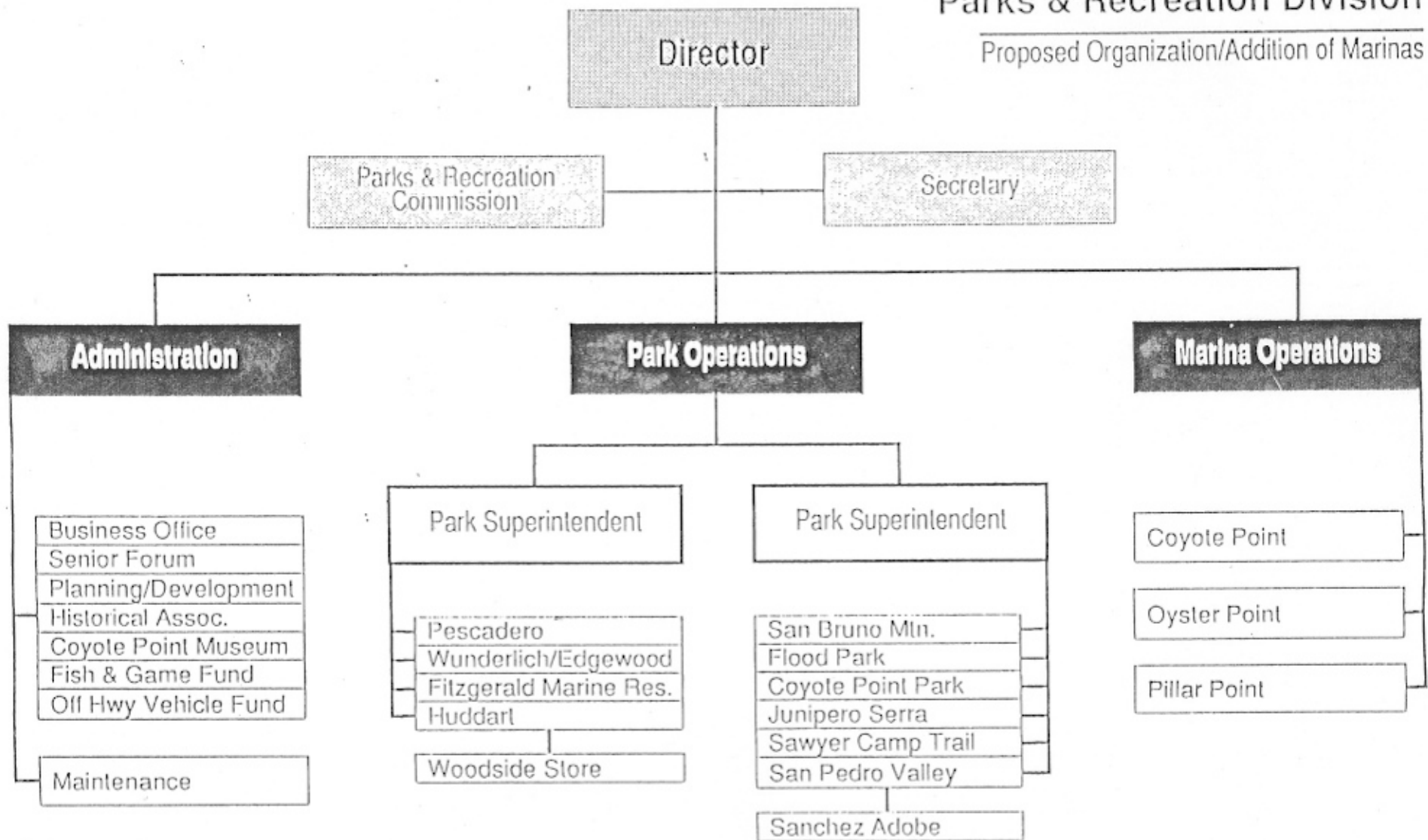
STAFFING

Staffing for the Pillar Point and Oyster Point facilities would be provided by the transference of most District employees to the County payroll. Three fiscal/administrative support positions would be needed in the Parks Division administrative office to handle the increased workload. The Harbormasters and employees currently operating the marina facilities would be absorbed into the County system. Provision for such a transfer is provided for in the County Charter and Civil Service Rules. No major changes in services or facilities would be anticipated.

#29-27

Department of
Environmental Management
Parks & Recreation Division

Proposed Organization/Addition of Marinas



BUDGET SUMMARY

For comparative purposes the 1991/92 fiscal year budget adopted by the Harbor District has been summarized and used as a basis from which to compare a proposed County budget.

1991/92 BUDGET

ADOPTED BY SAN MATEO COUNTY HARBOR DISTRICT

Harbor Commission

Salaries/benefits	\$72,785
Other Expenses	<u>71,000</u>
	\$143,785

Administration

Salaries/benefits	\$347,600
General Manager	
Director of Finance	
Exec. Secretary	
Management Assistant	
Account Specialist	
Part time help	
Services and Supplies	\$184,300
Fixed Assets	\$33,820
Contingency Reserve	<u>\$100,000</u>
Total	\$665,720

Oyster Point Marina

Salaries/benefits	\$366,200
Harbormaster	
Asst. Harbormaster	
Harbor Operators (4)	
Account Specialist	
Part Time Help	

Services and Supplies	400,900
Fixed Assets	19,500
Debt Service	<u>1,044,128</u>
Total	1,830,728

Pillar Point Harbor

Salaries/benefits	500,120
Harbormaster	
Asst. Harbormaster	
Harbor Operators (7)	
Office Technician	
Part Time Help	
Services and Supplies	464,000
Fixed Assets	32,700
Debt Service	<u>513,634</u>
Total	1,510,454
Adopted Harbor District Budget	<u>4,150,687</u>

PROPOSED 1991/92 BUDGET IF OPERATED BY SAN MATEO COUNTY

Administration

Salaries/benefits	
Fiscal Office Specialist w/benefits (2)	\$84,000
Office Specialist	39,000
Administration	<u>20,000</u>
Total	143,000

Services and Supplies

Contractual Services	50,000
Misc. expenses	<u>50,000</u>
Total	100,000

Contingency Reserve	<u>100,000</u>
Grand Total	343,000

Oyster Point Marina

Salaries/benefits		\$366,200
Harbormaster	\$61,950	
Asst. Harbormaster	50,885	
Park Ranger I/II (4)	168,040	
Office Specialist	38,367	
Park Aides/Misc.	46,958	
	<u>\$366,200</u>	

Services and Supplies 309,900

Fixed Assets 19,500

Debt Service 1,044,128

Total 1,739,728

Pillar Point Harbor

Salaries/benefits		500,120
Harbormaster	\$61,950	
Asst. Harbormaster	50,885	
Park Ranger I/II (7)	294,075	
Office Specialist	38,367	
Park Aides/Misc.	54,843	
	<u>\$500,120</u>	

Services and Supplies 351,600

Fixed Assets 32,700

Debt Service 513,634

Total 1,398,054

Projected County Operating Budget 3,480,782

Adopted Harbor District Budget 4,150,678

Potential Savings 669,896

REVENUE

PROJECTED REVENUE - 1991/92

Administration

Property Tax 1,664,500

Pillar Point Marina

Berth Rental	913,000
Rents/Concessions	180,000
Launch Fees	15,000
Camping Fees	26,000
Other	<u>60,600</u>
Total	1,194,600

Oyster Point Marina

Berth Rental	867,100
Rents/Concessions	170,000
Other	<u>34,000</u>
Total	1,071,100

GRAND TOTAL 3,930,200

The District projects a deficit of \$220,487 this year with the difference being made up from the \$1,294,995 dollar 1990/91 fund balance.

LIABILITIES

As of June 30, 1990, the District owed \$20,166,830 dollars on sixteen different loans. Of this amount, \$13,929,219 dollars was expended on construction at Oyster Point and \$6,237,611 dollars at Pillar Point. All loans were obtained from the California State Department of Boating and Waterways to be used for boating facility improvements. The last loan payment is scheduled to be made in the year 2018/19. The annual principle and interest payment due each year is approximately 1.5 million dollars.

The State loan agreements require that any surplus marina revenue go toward marina operations or toward reducing the outstanding debt. The agreements also require that berth rates remain competitive and that they be adjusted annually in accordance with the US Consumer Price Index. By devoting \$400,000 dollars of the savings to early loan retirement, all loans could be repaid sixteen years earlier or in the year 2003. Assuming that the marinas are self supporting at that time, any surplus revenue could then go to other County purposes or be returned to the taxpayer in the form of an assessment rate reduction.

COST COMPARISONS

A comparison of the adopted Harbor District budget and the proposed County budget reflect the following major differences:

	<u>District</u>	<u>County</u>	<u>Difference</u>
Harbor Commission	\$ 143,785	\$ 0	\$143,785
Administration	665,720	343,000	322,720
Pillar Point	1,510,454	1,398,054	112,400
Oyster Point	1,830,728	1,739,728	<u>91,000</u>
		Total	669,905

1. Harbor Commission - The transfer of operations to the County would eliminate the need for five elected officials. The Commissioners receive a salary, benefits and certain travel allowances. Together with bi-annual election costs, this adds up to a \$143,785 dollar projected savings.

2. Administration - The Harbor District currently has an administrative staff of five full time and one half time positions. Through consolidation, this number could be reduced to three fiscal/administrative support positions. Additional savings would be realized by consolidating offices with the County Parks Department.

3. Pillar Point - Savings would be realized by utilizing existing County staff for some of the harbor's requirements. Services now being provided to the Parks Department by the County Counsel, General Services, Human Resources, Treasurer, and Controller's offices could be expanded to include the two marina facilities. After subtracting the County cost of providing these services, a savings of \$38,400 dollars could be realized at Pillar Point.

The County obtains insurance in policies that spread the risk over a large number of facilities. The prorated Pillar Point premium costs would result in a \$74,000 dollar savings.

4. Oyster Point - As at Pillar Point, this facility would benefit from the County's ability to purchase insurance in large quantities. This would result in a \$58,000 dollar savings. Drawing legal assistance as needed from the County Counsel's office and from utilizing other County support agencies results in an additional \$33,000 dollar savings.

ALTERNATE OPERATIONAL PLAN

The Oyster Point Marina is owned by South San Francisco and is operated by the District under a Joint Powers Agreement. The Agreement provides that the parties intend that the Agreement be binding upon the successors in interest of the parties. If the District is dissolved, the County as successor would then assume the obligations and the rights under the Agreement until its term expires on November 11, 2026.

The Agreement may also be terminated or modified at any time by agreement of both parties. If the City wants to take over operation of Oyster Point and the County concurs, all Marina revenues, debts and responsibilities could pass to South San Francisco. It would be necessary to determine how much, if any, of the District's unrestricted property tax revenues would go to the City. Revenue and Taxation Code 99(b)(5) provides that the Board of Supervisors shall negotiate the exchange of property taxes on behalf of the district.

Without supplemental funding, the Oyster Point Marina would fall approximately \$750,000 dollars short of a balanced budget. A 68% occupancy rate combined with a fairly large debt service causes the Marina to be dependent on outside revenue.

If this option is exercised, the County would then operate only the Pillar Point Harbor. Since Pillar Point's debt load is lower and the revenue produced is higher the economic picture would be more favorable for the County.