



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office



Date: August 17, 2016
Board Meeting Date: September 20, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Board of Supervisors' Response to the 2015-2016 Civil Grand Jury Report, "The San Mateo County Harbor District: The Price of Dysfunction is Rising"

RECOMMENDATION:

Approve the Board of Supervisors' response to the 2015-2016 Grand Jury Report, "The San Mateo County Harbor District: The Price of Dysfunction is Rising."

BACKGROUND:

On June 27, 2016, the 2015-2016 San Mateo County Civil Grand Jury issued a report entitled "The San Mateo County Harbor District: The Price of Dysfunction is Rising." The Board of Supervisors is required to submit comments on the findings and recommendations pertaining to the matters over which it has some decision making authority within 90 days. The Board's response to the report is due to the Honorable Joseph C. Scott no later than September 26, 2016.

DISCUSSION:

The Grand Jury made four findings and one recommendation in its report. The Board responses follow each finding and the one recommendation that the Grand Jury requested that the Board respond to within 90 days.

FINDINGS

Finding 1:

In response to a 2013-2014 Grand Jury's recommendation, the County indicated that it would undertake an analysis of the Harbor District following LAFCo's completion of a Municipal Service Review of the district.

Response:

Agree. The County of San Mateo ("County") remains committed to undertaking an analysis of the San Mateo County Harbor District's ("District") operations. However, the analysis has been delayed, as a final determination of the San Mateo County Harbor District's ("District") operations cannot be adequately resolved until an accurate fiscal accounting of enterprise and non-enterprise activities can be conducted. The District's FY 2016-17 Adopted Budget has been organized in such a manner, but insufficient time has passed for the compilation of historical data. Additionally, the County would need to partner with the City of South San Francisco ("City") to complete an analysis of the District's operations due to the fact that the City currently has a Joint Powers Agreement with the District. The City could be adversely impacted as a result if the City was not involved in the analysis.

Finding 2:

LAFCo completed a Municipal Service Review of the Harbor District in July 2015 at which time LAFCo reaffirmed a zero Sphere of Influence for the Harbor District.

Response:

Agree.

Finding 3:

As of June 2016, the Board of Supervisors has not made a decision regarding the dissolution of the Harbor District and there is no indication that the County has commenced the analysis it promised in response to the 2013-2014 Grand Jury's recommendation.

Response:

Agree. See response to Finding 1.

Finding 4:

Although Supervisor Horsley proposed an 18-month timeframe, which would otherwise end in December 2016, for the Harbor District to improve its performance and meet benchmarks, the district presented a report of its performance in May 2016 and the County is now in a position to commence the analysis it promised in response to the 2013-2014 Grand Jury's recommendation.

Response:

Partially disagree. See response to Finding 1.

RECOMMENDATIONS

Recommendation 1:

The County Board of Supervisors will initiate an independent study of alternative future scenarios for the Harbor District so that they may make an informed decision regarding the future of the Harbor District.

- This study should evaluate possible outcomes including dissolving the Harbor District and naming the County as the successor agency. Other outcomes to be considered include returning the Oyster Point Marina to South San Francisco and naming the County as the successor to Pillar Point Harbor only. The Board should seek input on other potential scenarios in a public process.
- The study should look beyond any near-term performance improvements given the long history of Harbor District dysfunction.
- The study should be initiated by September 30, 2016. The study should be completed within six months, and the results should be reviewed in a public meeting.

Response:

The recommendation has not yet been implemented, but will be implemented in the future. As indicated in the response to Finding 1, a final determination of the San Mateo County Harbor District's operations cannot be adequately resolved until an accurate fiscal accounting of enterprise and non-enterprise activities can be conducted.

LAFCo's 2015 Municipal Service Review identified that the Harbor District lacked a cost accounting system to track the cost of enterprise and non-enterprise activities. Subsequent to the LAFCo Municipal Service Review, the Harbor District implemented a cost accounting system for FY 2016-17. The cost accounting system will separate and track revenues and expenditures for both public and enterprise functions.

The study also identified the District's reliance on approximately \$5 million in countywide property tax to fund both enterprise and non-enterprise activities at Pillar Point Harbor, owned by the District, and Oyster Point Marina, owned by the City of South San Francisco and operated by the Harbor District under a joint powers agreement. While the public visits both locations for boating, general recreation and special events, LAFCo cited a lack of nexus between the specific location of these two facilities and the countywide property tax.

It should be noted that the District has paid off all debt, identified adequate reserves and developed a five-year Capital Improvement Plan for maintenance of and improvements to District facilities. Given the abovementioned improvements, the County believes, at a minimum, that compiling two years of accurate fiscal data is necessary to adequately review District operations, efficiencies and cost allocations.

The County will monitor the progress of the District in its cost accounting efforts. The County's updated plan is to conduct a fiscal analysis, in partnership with the City of South San Francisco, following the close of FY 2017-18, at which time a determination may be made regarding any further analysis or action that may be warranted.

The County always reserves the right to initiate a study or recommend dissolution of any special district at any time.

Acceptance of the report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury findings and recommendations are thoroughly reviewed by the appropriate County department(s) and that, when appropriate, process improvements are made to improve the quality and efficiency of services provided to the public and other agencies.

FISCAL IMPACT:

There is no Net County Cost associated with accepting this report.