

June 11, 2008

To: Members, Formation Commission

From: Martha Poyatos
Executive Officer

Subject: Recommended Determinations-Coastside MSR

Recommended Action:

Receive the Municipal Service Review Report, receive public comment at the continued public hearing and recommended Municipal Service Review Determinations included in Attachment A and adopt the Determinations with any desired changes or additions.

Summary:

The attached municipal service review examines the nine categories set forth in Government Code Section 56430 in regard to municipal services in the urbanized coastside of San Mateo County. This includes the City of Half Moon Bay and unincorporated Midcoast. This service review process included circulation of a consultant prepared draft report for comment and the Commission opened a public hearing in Half Moon Bay on April 16, 2008. The Commission received public comment and continued the hearing to provide for re-circulation of the report with needed corrections and updates. Two workshops were held on the Coast, the most recent on June 9.

Prior to adopting, amending or reaffirming a sphere of influence, Section 56430 requires that LAFCo conduct a municipal service review and make determinations concerning infrastructure, growth and population projections, financing constraints, opportunities for cost avoidance, rate restructuring and shared facilities, government structure options, evaluation of management efficiencies and local accountability and governance. Recommended determinations are attached to this report as Exhibit A along with comments from agencies and interested individuals and groups. Final determinations adopted by the Commission are attached to the Municipal Service Review Report and used in the sphere of influence review process that follows.

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Background

Since your April 16 hearing in Half Moon Bay, the Municipal Service Review report has been revised and corrected, and redistributed and additional comments have been received.

Comments include a number of general e-mails supporting consolidation; one comment letter and one e-mail supporting an alternative that would include Montara Water and Sanitary District activation of park and recreation powers and Granada Sanitary District reorganization into a community services district to add park and recreation services on the unincorporated Midcoast; a letter from Coastside Fire Protection District supporting efforts and initiatives that would improve water supply, storage and flow for fire protection; a resolution from the Cabrillo Unified School District supporting consolidation and an agreement between the County and the School District for school facility use for park and recreation purposes and a letter from Montara Water and Sanitary District citing stormwater drainage activities undertaken by the District. Written comments are attached as Attachment B.

Discussion:

As detailed in previous reports and the service review itself, the study area comprises the City of Half Moon Bay and the unincorporated Midcoast including El Granada, Princeton, Moss Beach, Miramar and Montara. The study area is geographically separate from other urbanized areas of the County and has a total population of 23,460. Municipal services are provided by the City of Half Moon Bay, County of San Mateo, Coastside County Water District (CCWD), Granada Sanitary District (GSD), Montara Water and Sanitary District (MWSD) and the Sewer Authority Mid-Coastside (SAM), which is a joint power authority comprised of Half Moon Bay Sewer, GSD and MWSD. (Fire service was studied separately and resulted in consolidation).

Key issues identified in the service review report and comment process include:

- There is a significant lack of park and recreation facilities and storm drain infrastructure on the Unincorporated Midcoast and no existing funding source.
- Sewer and water service delivery (approximately 8,600 sewer connections and 7,370 water connections) involves a total of five agencies resulting in disparate rates.

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- The water system acquired by MWSD has a long history of inadequate capital improvements and inadequate supply and the water supply of Coastside County Water District is limited to San Francisco Public Utility Commission Water Supply Assurance and local supplies, underscoring the urgent need for pro-active regional efforts to augment supply through collaborative initiatives such as recycling.
- While the municipal service review has resulted in renewed discussion among agencies, fragmentation of local government organized around historic agency boundaries combined with the quantity of entities has resulted in limited ability to plan regionally for the benefit of municipal services essential to the health and economic well-being of the communities in the region and importantly, given the recent declaration of drought, failure to augment water supplies in a timely manner.
- Trends in local government finance and fiscal challenges affect the ability of all agencies provide services on the coast.
- Opportunities exist through partnerships and governmental reorganization that offer solutions to the constraints the agencies under study face, but require dedicated cooperation between agencies.

It is important to emphasize that the service review is conducted in the context of LAFCo policies supporting efficient service boundaries and service delivery. Once adopted, the determinations can serve as a tool for the communities and agencies in looking outside existing boundaries to meet community needs. And, along with the upcoming sphere of influence study provide a means to proactively plan for the future.

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Staff believes the service review and recommended determinations are consistent with the Commission's State mandated mission to provide for more orderly boundaries and efficient delivery of service and it is respectfully recommended that the Commission adopt the municipal service review determinations prior to proceeding with the sphere of influence study.

Respectfully Submitted,

Martha Poyatos
Executive Officer

C: Carol Woodward, Dep. County Counsel
City of Half Moon Bay and Affected Districts
Cabrillo Community College District
Coastside Fire Protection District
James Porter, Director, San Mateo Co. Public Works Dept.
David Holland, Director, San Mateo Co. Parks Dept.

Exhibit A

Municipal Service Review Determinations City of Half Moon Bay and Unincorporated MidCoast

Determinations pursuant to Government Code Section 56430:

1. Regarding infrastructure needs and deficiencies, the Commission determines:

1.1 Sewer Infrastructure:

- a) The Montara Water and Sanitary District, Granada Sanitary District and City of Half Moon Bay are member agencies of Sewer Authority Mid-Coastside (SAM) for Sewage Treatment and contract separately with SAM for sewer system maintenance.
- b) Sewer infrastructure identified in the Municipal Service Review includes approximately 104.5 miles of sewer pipelines and 17 lift stations owned by member agencies and the SAM wastewater treatment plant, three pumping stations, eight-mile transmission line and ocean outfall.
- c) Member agencies budget for capital improvements to respective sewer systems and member agencies fund SAM capital improvements related to sewage treatment infrastructure pursuant to the Joint Powers Agreement creating Sewer Authority Mid-Coastside.
- d) SAM Member agencies are jointly preparing a Sewer System Master Plan.
- e) Member agencies and SAM have adopted capital improvement plans and infrastructure needs are identified in these plans.

1.2 Water Infrastructure

- a) Water providers include Coastside County Water District (CCWD) and Montara Water and Sanitary District (MWSD).
- b) CCWD water infrastructure includes 10 water storage tanks (8.1 million gallon capacity), five pump stations, two water treatment plants, 100 miles of transmission and distribution line, and Denniston Wells and surface water.
- c) CCWD has an adopted capital improvement plan and Urban Water Management Plan that indicate capital assets are upgraded appropriately and there are not significant infrastructure deficiencies.
- d) MWSD water infrastructure, acquired by MWSD through eminent domain, includes one water treatment plant, three miles of distribution line, 28.6 miles of water mains, three storage tanks and ten producing wells.

- e) The MWSD system was acquired from CalAm with significant deficiencies in the areas of distribution, supply, storage and water quality, including a long-standing moratorium on new connections, which the District identifies in the Water System Master Plan. The Master Plan identified over \$10.4 million in improvements. The District began addressing deficiencies upon acquisition and a summary of District efforts since acquisition is attached to the Municipal Service Review Report.
- f) While there is no projected date for completion of improvements and additional water supply, the Implementation Plan indicates implementation to supply the build-out population may be expected in twenty years.

1.3 Parks & Recreation

- a) In the Unincorporated Area, while the Municipal Service Review identifies existence of regional park facilities, it identifies a lack of active playfields for organized sports, pocket parks or community parks (except for four acres at Quarry Park) and the lack of a community center.
- b) The County has developed and adopted the Midcoast Action Plan for Parks and Recreation that includes identification of priorities for facilities.
- c) In the City of Half Moon Bay, the Municipal Service Review identifies 24 acres of developed park facilities, which falls below both a standardized national average and the City General Plan Standard of 8 acres per 1,000 of population or 98 acres.
- d) In both the City of Half Moon Bay and the Unincorporated Area, the Cabrillo Unified School District facilities provide virtually all playing fields for organized sports and merit inclusion in the broader discussion of park and recreation facilities.

1.4 Streets, Street lighting and Stormwater Drainage

- a) The County of San Mateo and the City of Half Moon Bay are the responsible agencies for street and street lighting within their respective boundaries.
- b) Agencies with enabling legislation or general powers that authorize stormwater activities include the County of San Mateo, City of Half Moon Bay, Granada Sanitary District and Montara Water and Sanitary District.
- c) The County of San Mateo maintains roads in all unincorporated areas including 47 centerline road

miles in the study area. The County has an adopted Pavement Management Program and faces a significant backlog of deferred maintenance due to inadequate funding.

- d) The City of Half Moon Bay maintains 28 centerline miles of roads, has an adopted Pavement Management Program and faces a significant backlog of deferred maintenance due to inadequate funding.
- e) The majority of the City of Half Moon Bay has stormwater infrastructure that was constructed as new subdivisions were constructed.
- f) There is a significant lack of stormwater drainage infrastructure on the unincorporated Midcoast resulting in flooding in some areas. The County of San Mateo's Midcoast Stormwater Drainage Committee is identifying priorities for projects to address the most apparent problem areas and is also considering the need for a stormwater master plan for the Midcoast area. There are no existing funding sources for improvements or maintenance.

1.5 Law Enforcement

- a) The City of Half Moon Bay's public facilities fund includes annual appropriations for improvements to the existing Police Station located at 537 Kelly Avenue and the station will be included in upcoming capital improvement planning.
- b) The County of San Mateo provides law enforcement services from the Moss Beach substation and there are no significant infrastructure needs or deficiencies identified.

2. Regarding growth and population projections for the affected area, the Commission determines:

- a) Population estimates for 2007 include 12,308 persons for City of Half Moon Bay and 11,152 persons for the unincorporated Midcoast for a total of 23,460 for the study area.
- b) Based on Association of Bay Area Governments (ABAG) Projections 2007, the study area population is estimated to grow by at least 4,640 person to 28,100 by 2035.
- c) San Mateo County Local Coastal Program estimates indicate that the *unincorporated* midcoast population growth associated with build-out ranges from 18,340 to 19,440, or 5,940 to 7,040 persons greater than ABAG 2035 projections for the unincorporated area.

3. Regarding financing constraints and opportunities and opportunities for rate restructuring, the Commission determines:

3.1 Sewer

- a) The City Council and District boards are rate-setting bodies for their respective enterprise services and opportunities exist for cost recovery through revision of existing fees.
- b) The City of Half Moon Bay current year sewer revenues are less than current year operating and capital expenditures and the City indicates the Finance Committee has begun analysis of appropriate sewer rate revision.
- c) Sewer districts offset sewer rates with property tax and would need to increase rates in the event that property tax revenues are redistributed for other purposes.
- d) Financing of needed improvements and of infrastructure replacement for each agency is constrained by the relatively small size of their customer bases and by very low or no growth rates.

3.2 Water

- a) Principal revenue sources for both CCWD and MWSD include water fees with augmentation by property tax.
- b) Financing of needed improvements and of infrastructure replacement for MWSD and CCWD is constrained by the relatively small size of their customer bases and by very low or no growth rates.
- c) MWSD voters approved \$19 million in general obligation bonds for acquisition and rehabilitation of the water system and the District has successfully obtained grants and loans for individual District projects.
- d) As the rate setting bodies for water service, the Districts have the ability to set rates to reflect the cost of providing service and capital improvements.
- e) Water districts would need to increase rates in the event that property tax revenues are redistributed for other purposes.
- f) There may be opportunities for additional financing, including grant funding for regional projects such as regional water recycling or integrated regional water management planning.

3.3 Park & Recreation

- a) Revenue sources for park and recreation in the City of Half Moon Bay include program fees, development impact fees and City general fund contribution.
- b) The City's program fees include a fee for non-residents and the City has the ability to adjust both

resident and non-resident fees for better cost recovery.

- c) The County of San Mateo Parks Department Budget includes approximately \$300,000 annually for services on the Midcoast, including approximately \$30,000 for maintenance at Quarry Park. The County also collects development impact fees on the Midcoast for parks.
- d) While the County has developed and adopted the Midcoast Action Plan for Parks and Recreation that includes identification of priorities for facilities, implementation requires new funding sources.

3.4 Streets, Street lighting and Stormwater Drainage

- a) Revenue sources for streets include primarily intergovernmental (state and federal) revenues distributed to jurisdictions for the purpose of street maintenance.
- b) The City of Half Moon Bay has a development impact fee for traffic mitigation and the County of San Mateo has a development impact fee for road maintenance.
- c) In the unincorporated area, there are no existing funding sources for stormwater improvements or maintenance.

3.5 Law Enforcement

- a) Primary funding sources for law enforcement include County and City General fund revenues such as property tax, sales tax, transient occupancy tax.
- b) The City of Half Moon Bay recently successfully increased the transient occupancy tax to augment general fund revenues to fund programs such as police.

4. Regarding cost avoidance opportunities and shared facilities, the Commission determines:

- 4.1 Sewer Agencies practice cost avoidance and shared facilities through regional participation in the Sewer Authority Mid-Coastside (SAM) for joint operation of the sewage treatment plant and through separate contracts with SAM for system maintenance.
- 4.2 Water:
 - a) The area that includes City of Half Moon Bay and the unincorporated midcoast constitutes a separate subregion of the County with combined water supplies that are limited.
 - b) The area can benefit from regional cost avoidance and shared resource practices to ensure a reliable, safe, sustainable, and fiscally viable water supply for domestic, commercial, agricultural and fire protection

for the current and future health, safety and economic well-being of all coastside residents, landowners and businesses.

- c) Such practices include, but are not limited to, an inclusive integrated regional water management plan for the study area, a joint effort that includes all water and sewer agencies in a regional recycling program, system interties to provide for emergency water exchange between agencies, and mutual assistance agreements.

4.3 Parks & Recreation

- a) Existing cost avoidance and shared facilities practice includes participation of unincorporated residents in existing City of Half Moon Bay Park and Recreation programs and use of school facilities for park and recreation purposes.
- b) Potential opportunities for cost avoidance and shared facilities include coordinated efforts by the City of Half Moon Bay, County of San Mateo and Cabrillo Unified School District to fund and provide for facility improvements on Cabrillo Unified School District facilities for recreation purposes.
- c) Opportunities for partnership between the City of Half Moon Bay, County of San Mateo and other agencies in pooling resources to jointly provide park and recreation that could be explored by the agencies include but are not limited to a contract or agreement with the City of Half Moon Bay in which the City of Half Moon Bay provides expanded active recreation programs within the unincorporated area, with the County focusing on resource management of passive recreational lands.

4.4 Streets, Street lighting and Stormwater Drainage

- a) There are no apparent cost avoidance or shared facility opportunities in these areas.

4.5 Law Enforcement

- a) The County of San Mateo and City of Half Moon Bay are encouraged to examine potential savings and economies of scale for both agencies if the City contracts with the County sheriff for law enforcement.

5. Regarding evaluation of management efficiencies, the Commission determines:

- a) Sewer and water provision for a population of 23,460 comprised of approximately 8,600 sewer connections and 7,370 water connections is carried out by one city, one joint powers authority, one sanitary district, one

water and sanitary district and one water district, each with separate office space, attorneys, engineers, management and administrative personnel dedicated to the activities of five separate agency operations, meeting agenda preparation, and board meeting attendance by management, clerical and legal counsel.

- b) In addition to potential economies of scale that are indicated by the summary in (a) above, the number of agencies reduces effectiveness of decision making for regional or subregional projects, whether they involve, water, sewer, park and recreation or storm drain improvements.
- c) Specifically, while Sewer Authority Mid-Coastside and the separate contracts for system maintenance minimize costs for member agencies while meeting the service needs of respective ratepayers, the composition and voting structure of SAM requires decision-making by four separate entities which impedes and delays funding and implementation of essential projects.

6. In regard to government structure options, including the advantages and disadvantages of consolidation or reorganization of service providers, the Commission determines:

- a) Given the geographic separation of the study area from other areas in the County, the limitations on water resources and the need to provide for regional planning, the area is best governed by a limited number of regional agencies as opposed to the current government structure of multiple individual water and sewer entities.
- b) Based on the number of existing agencies and inherent challenges to government reorganization including individual agency rate setting policies, infrastructure condition, fiscal resources and lack of broad consensus or support by elected boards for consolidation, the Commission recognizes that reorganization may best be achieved in phases that would include a combination of the alternatives enumerated in d) below.
- c) In general, advantages of consolidation include efficiencies and economies of scale for operations and rates, streamlined planning for regional infrastructure, maximizing resources including water supply and personnel and efficient and timely decision making by few number of elected boards. In general disadvantages of consolidation identified by the Districts include loss of local control, inadequate evidence of significant savings that would result from economies of scale, and obstacles to achieving

consolidation disparate rate structures,
infrastructure conditions, reserve and debt levels of
individual districts.

d) Governance Alternatives for the study area include:

- 1) Independent regional sewer district
- 2) Independent regional water district
- 3) Consolidation of Granada Sanitary District and Montara Water and Sanitary District
- 4) Community Services District for Unincorporated Midcoast
- 5) Reorganization of Granada Sanitary District as a community services district and status quo for Montara Water and Sanitary District
- 6) Incorporation of the Midcoast
- 7) Implementation of current sphere of influence involving annexation to City of Half Moon Bay and consolidation of water and sewer operations
- 8) A consolidated, regional water and sanitary district

7. Regarding local accountability and governance, the Commission determines:

- a) Agencies adopt budgets that account for expenditures and revenues and these budgets are accessible to the public.
- b) Agencies publish meeting agenda, financial and other information as required by the Brown Act, and post this information on agency websites.
- c) While district public meetings are not broadly attended, meetings are televised on local cable television.
- d) While agencies fulfill mandated responsibilities related to public meetings and information, the number and diversity of limited purpose agencies providing service in the study area inhibit regional planning, in particular for water supply and infrastructure including efforts such as recycling which can best be achieved with efforts by both sewer and water agencies, and require that the public stay informed of a multiple agency agenda, budgets, etc. in order to influence and participate decision making.