

**EXHIBIT A**

**Revised Recommended LAFCo Determinations Pursuant to  
Government Code Section 56430:**

**Infrastructure needs or deficiencies**

Infrastructure needs identified by the District range from improvements relating to public and boating safety such as dredging to discretionary improvements related to aesthetics and enterprise operations such as modifications of dock to accommodate dining vessels. The District indicates it has deferred discretionary capital projects such as Oyster Point East Basin Parking Lot and pier projects. In regard to future consideration of incurring debt to fund capital projects for enterprise activities the District could consider operating with the goal of funding capital projects with residual cash reserves, grants and enterprise revenues.

**Growth & Population Projections**

The District operates two marinas that provide services to residents of San Mateo County, the Bay Area and beyond. State and regional growth projections indicate that there will be a continued demand for these facilities and facilities operated by other public and private agencies.

**Financing Constraints & Opportunities**

- a. As an enterprise district with countywide boundaries, the District relies heavily on property tax revenue and State Boating and Waterways loans. The District's current long-term debt is \$19,451,746 with approximately 31% attributable to Pillar Point Harbor and 69% attributable to Oyster Point Marina, which is operated under a Joint Powers Agreement (JPA) with the City of South San Francisco. The JPA expires in 2026, at which time the property would revert to the City of South San Francisco.
- b. The Harbor District cash flow projections indicate the District plans to incur additional debt of approximately \$1 million annually. The cash flow projection indicates that if current debt is retired, and revenues and expenditures continue as projected, the District's long-term debt in 2019 will equal \$11,414,333.

While the District's actual future debt may vary from these projections, the district should make every effort to increase revenues and reduce expenditures where possible to reduce the gap between operating revenues and expenditures and to reduce reliance on property tax and debt financing.

- c. While debt financing of capital projects can be considered a more equitable means of financing projects that will benefit future taxpayers, in this case projects financed by State Boating and Waterways loans are limited to the two District facilities and loans are repaid with property tax collected countywide. In this respect, property taxes are funding capital projects related to enterprise activities that in many instances benefit only the marine community or provide limited benefit to the countywide taxpayers.
  
- d. The Harbor District is encouraged to revisit adopted fiscal/debt policies and the Dornbusch Associates "San Mateo County Harbor District Business Plan" commissioned by the Harbor District to adopt more aggressive financial and debt policies designed to: reduce operating expenditures to close the gap between enterprise revenues and expenditures and establish parameters/limits for issuing, managing and repaying debt. These policies could include debt affordability standards in order to evaluate appropriate timing, types of projects and how much debt the District can carry in order to reduce and maintain debt levels within acceptable ranges or a target ratio based on relevant factors such as best practices of other similar agencies, or ratio to property tax or enterprise revenues.

#### **Cost Avoidance**

- a. The District controls costs where possible through cost sharing with other agencies such as dredging which is funded in conjunction with the Army Corps of Engineers and in the case of the proposed commuter ferry, the Water Transit Authority.

- b. Additional opportunities for cost avoidance may exist by sharing costs for commonly needed marina specific services with other public and private marina operators and potential contracting with other public agencies for operational and administrative functions including park maintenance and personnel services.

#### **Opportunities for Shared Facilities**

The District's Pillar Point Harbor Patrol provides the only search and rescue security vessels stationed on the San Mateo County Pacific coast and the District through operations at both facilities, collaborates with the City Police, County Sheriff, fire and other agencies on emergency response.

#### **Rate Restructuring Opportunities**

- a. The District reviews rates for berthing and other marina uses as part of the budget process. If it does not already do so, the District may wish to consider including in rate schedules, a cost for district administration and overhead.
- b. As noted by the District, renegotiation of leases of District owned facilities offer opportunities for the District to enhance revenues.

#### **Government Structure Options**

- a. Government structure options include status quo and dissolution. Information in the service review does not indicate foundation for expansion of District services to other facilities. In particular, other public and private agencies operate facilities as enterprise functions, limiting the services provided to revenues available.
- b. The County as a potential successor agency already operates a marina and has an organizational structure that includes administrative, fiscal and human resources support with potential to assume other marina operations.
- c. Two areas that offer potential savings through dissolution and transfer of service include the cost of administration currently at \$852,166 and Harbor Commission expenditures currently budgeted at \$398,558.

- d. Dissolution of the District is not precluded by existing debt because provisions of Government Code Section 57000 provide for disposition of a dissolved district's assets, revenues and liabilities.

### **Evaluation of Management Efficiencies**

The District operates two facilities, is governed by a five-member board and employs 30 employees including a general manager, finance director, human resource director and two harbormasters.

### **Local Accountability and Governance**

- a. The District Board of Harbor Commissioners meets on the first and third Wednesdays of the month alternating between Half Moon Bay and South San Francisco. The agenda is prepared and circulated the week before and posted on the District's website ([www.smharbor.com](http://www.smharbor.com)). District meetings are accessible to the public.
- b. The District adopts a budget annually. To promote public participation in District activities, the District is encouraged to provide public notice of budget adoption and intent to incur debt.
- c. The District is funded by countywide property tax and could consider fiscal/debt management policies that benefit all taxpayers of San Mateo County in addition to those who most directly benefit from debt-financed facilities.

October 18, 2006