



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

SPECIAL MEETING

AGENDA

Wednesday, March 19, 2025

2:00 pm

Harbor Village District Office of Supervisor Ray Mueller

270 Capistrano Road, Suite 6

Half Moon Bay, CA 94019

This meeting of the San Mateo Local Agency Formation Commission (LAFCo) will be in person at the above-mentioned address. Members of the public will be able to participate in the meeting remotely via the Zoom platform or in person at 270 Capistrano Road, Suite 6, Half Moon Bay, CA 94019. For information regarding how to participate in the meeting, either in person or remotely, please refer to the instructions at the end of the agenda.

Hybrid Public Participation

The March 19, 2025, LAFCo regular meeting may be accessed through Zoom online at <https://smcgov.zoom.us/j/96442908061>. The webinar ID is 964 4290 8061. The meeting may also be accessed by telephone by dialing +1 669 900 6833 (local) and entering webinar ID then #. Members of the public may also attend this meeting physically at 270 Capistrano Road, Suite 6, Half Moon Bay, CA 94019.

*Written public comments may be emailed to lafco@smcgov.org, and should include the specific agenda item on which you are commenting.

* Spoken public comments will be accepted during the meeting in person or remotely through Zoom at the option of the speaker. Public comments via Zoom will be taken first, followed by speakers in person.

***Please see instructions for written and spoken public comments at the end of this agenda.**

ADA Requests

Individuals who require special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact LAFCo staff as early as possible but no later than 10:00 a.m. the day before the meeting at lafco@smcgov.org. Notification in advance of the

(OVER)

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT
▪ DEBBIE RUDDOCK, CITY ▪ STEPHEN RAINALDI, CITY ▪ JACKIE SPEIER, COUNTY ▪ ANN DRAPER, PUBLIC

ALTERNATES: KATHRYN SLATER-CARTER, SPECIAL DISTRICT ▪ GREG WRIGHT, CITY ▪ JAMES O'NEILL, PUBLIC ▪ NOELIA CORZO, COUNTY

STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪
DIANE ESTIPONA, CLERK

meeting will enable the Staff to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.

*All items on the consent agenda may be approved by one roll call vote unless a request is made at the beginning of the meeting that an item be withdrawn. Any item on the consent agenda may be transferred to the regular agenda.

1. Roll Call
2. Public Comment for Items Not on the Agenda and on the Consent Agenda
3. Study Session – Overview of LAFCo
4. Consent Agenda*
 - a. Approval of Action Minutes: January 15, 2025 (Page 5)

Public Hearings

5. Consideration of Final Municipal Service Review Municipal Service Review for the San Mateo County Harbor District (Page 10)
6. Consideration of Draft Municipal Service Review Municipal Service Review for the Coastside Fire Protection District (Page 77)
7. Consideration of Adoption of Proposed Work Program and Draft LAFCo Budget for Fiscal Year 2025-2026 (Page 131)
8. Consideration of Revised LAFCo Schedule of Processing Fees (Page 151)

Regular Agenda

9. Consider approval of the draft audit prepared by O'Connor & Company of the San Mateo Local Agency Formation Commission's Financial Statements for the Fiscal Year ending June 30, 2023 (Page 159)
10. Consideration Authorizing the Executive Officer to Execute an Engagement Letter with O'Connor & Company for auditing services for the Fiscal Years June 30, 2024 through June 30, 2026 (Page 189)
11. Contract for scanning services (Page 196)
12. CALAFCO Update – Information Only (Page 202)
13. Legislative and Policy Committee (Page 204)
 - a. Legislative Report – Information Only (Page 206)
14. Commissioner/Staff Reports – Information Only
 - a. Vacancy of Alternate Public Member Position
 - b. Resolution Honoring Commissioner Jim O'Neill for his service
15. Adjournment

***Instructions for Public Comment During Teleconference Meetings**

During the LAFCo hybrid meeting, members of the public may address the Commission as follows:

***Written Comments:**

Written public comments may be emailed in advance of the meeting. Please read the following instructions carefully:

1. Your written comment should be emailed to lafco@smcgov.org.
2. Your email should include the specific agenda item on which you are commenting or note that your comment concerns an item that is not on the agenda or is on the consent agenda.
3. Members of the public are limited to one comment per agenda item.
4. The length of the emailed comment should be commensurate with the two minutes customarily allowed for verbal comments, which is approximately 250-300 words.
5. If your emailed comment is received by 5:00 p.m. on the day before the meeting, it will be provided to the Commission and made publicly available on the agenda website under the specific item to which your comment pertains. If emailed comments are received after 5:00 p.m. on the day before the meeting, the Clerk will make every effort to either (i) provide such emailed comments to the Commission and make such emails publicly available on the agenda website prior to the meeting, or (ii) read such emails during the meeting. Whether such emailed comments are forwarded and posted or are read during the meeting, they will still be included in the administrative record.

***Spoken Comments**

In-person Participation:

1. If you wish to speak to the Commission, please fill out a speaker's slip located at the entrance. If you have anything that you wish distributed to the Commission and included in the official record, please hand it to the Clerk who will distribute the information to the Commission members and staff.

Via Teleconference (Zoom):

1. The Commission meeting may be accessed through Zoom online at <https://smcgov.zoom.us/j/96442908061>. The webinar ID is 964 4290 8061. The Commission meeting may also be accessed via telephone by dialing +1 669 900 6833 (local). Enter the webinar ID, then press #. Members of the public can also attend this meeting physically at 270 Capistrano Road, Suite 6, Half Moon Bay, CA 94019
2. You may download the Zoom client or connect to the meeting using an internet browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.
3. You will be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.

4. When the Commission Chair or Clerk calls for the item on which you wish to speak, click on “raise hand.” Speakers will be notified shortly before they are called to speak.

***Additional Information:**

For any questions or concerns regarding Zoom, including troubleshooting, privacy, or security settings, please contact Zoom directly.

Public records that relate to any item on the open session agenda for a regular Commission meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members or a majority of the members of the Commission.

NOTICE: State law requires that a participant in a LAFCo proceeding who has a financial interest in the decision and who has made a campaign contribution of more than \$250 to any Commissioner in the past year must disclose the contribution. If you are affected, please notify the commission staff before the hearing.

Agendas and meeting materials are available at www.sanmateolafco.org



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

Action Minutes

San Mateo Local Agency Formation Commission Meeting

January 15, 2025

The regular meeting of the San Mateo Local Agency Formation Commission (LAFCo) was held on Wednesday, January 15, 2025, at 2:30 pm in the San Mateo County Board of Supervisors Chambers, 500 County Center, Redwood City, CA. Members of the public were also able to participate in the meeting remotely via Zoom.

Call to Order

The meeting was called to order at 2:30 p.m. by Chair Mueller.

1. Roll Call

Members Present: Commissioners Virginia Chang-Kiraly, Ann Draper, Ray Mueller, Kati Martin, Debbie Ruddock, and Stephen Rainaldi

Members Absent: Commissioner Jackie Speier

Staff Present: Rob Bartoli, Executive Officer

Timothy Fox, Legal Counsel

Diane Estipona, Clerk

The oath of office was conducted for members Debbie Ruddock, Stephen Rainaldi, and Greg Wright

2. Public Comment

None.

3. Consent Agenda

a) Approval of Action Minutes: November 20, 2024

b) Time Extension for LAFCo File No. 19-03 - Proposed Annexation of 252 Club Drive, Unincorporated San Mateo County (APN 049-050-050) to the City of San Carlos

- c) Consideration of LAFCo File No. 24-11 - Proposed Annexation of 175 Los Trancos Rd., Portola Valley (APN 079-112-180) to West Bay Sanitary District

Commission Action

The Commission approved the Consent Agenda items.

Motion: Commissioner Chang-Kiraly/ Second: Commissioner Draper

Ayes: Commissioners Chang Kiraly, Draper, Mueller, Martin, Rainaldi, and Ruddock

Absent: Commissioner Speier

Motion passed 6-0 by roll call vote.

Public Hearing

4. Consideration of Municipal Service Review Circulation Draft for the San Mateo County Harbor District

This item was continued from the November 20, 2024, LAFCo Meeting.

The Commission received the presentation regarding the MSR Draft regarding the San Mateo Harbor District.

Public Speakers:

Katheryn Slater-Carter

Commission Action

The Commission approved the draft MSR for the San Mateo County Harbor District, circulate the draft to the public and affected agencies, and set the final adoption of the MSR for the March 19, 2025, LAFCo meeting.

Motion: Commissioner Draper/ Second: Commissioner Chang-Kiraly

Ayes: Commissioners Chang Kiraly, Draper, Mueller, Martin, Rainaldi, and Ruddock

Absent: Commissioner Speier

Motion passed 6-0 by roll call vote.

5. Consideration of Final Municipal Service Review for the City of Millbrae

This item was continued from the November 20, 2024, LAFCo Meeting.

The Commission received the presentation on the MSR for the City of Millbrae.

Commission Action

The Commission approved the Final Municipal Service Review for the City of Millbrae.

Motion: Commissioner Draper/ Second: Commissioner Ruddock

Ayes: Commissioners Chang Kiraly, Draper, Mueller, Martin, Rainaldi, and Ruddock

Absent: Commissioner Speier

Motion passed 6-0 by roll call vote.

Regular Agenda

6. Broadmoor Police Protection District Update – Information Only

The Commission received the presentation regarding the Request for Reconsideration of LAFCo File No. 24-08 and an overview from LAFCo staff on the BPPD public meeting held on January 14, 2025. The Commission requested to postpone future updates related to the Broadmoor Police Protection District item to the July 16, 2025, LAFCo meeting.

Public Speakers:

John V. Aguerre and Andrea Hall

7. Appointment of Budget and Legislative/Policy Committees for 2025

The Commission received a request to appoint members to the Budget and Legislative/Policy Committees. Each committee usually consists of three members, representing a mix of the various LAFCo membership types: County, City, Special District, and Public.

Commission Action

The Commission approved appointment of Commissioners Chang-Kiraly, Wright, and Draper to the Budget Committee, and Commissioners Ruddock, Rinaldi, and Martin to the Legislative/Policy Committee.

Motion: Commissioner Chang-Kiraly/ Second: Commissioner Draper

Ayes: Commissioners Chang Kiraly, Draper, Mueller, Martin, Rainaldi, and Ruddock

Absent: Commissioner Speier

Motion passed 6-0 by roll call vote.

8. Quarterly LAFCo Budget Update – Information Only

The Commission received the quarterly update report for FY 2024-2025 on the LAFCo budget. The draft budget will be provided in the March 19, 2025, LAFCo meeting. The final LAFCo budget must be approved by June 2025, in accordance with state law.

9. CALAFCO

This item was continued from the November 20, 2024, LAFCo Meeting.

The Commission received highlights from the 2024 Annual CALAFCO Conference which was held in Fish Camp, CA from October 16th through 18th and attended by Commissioners Kati Martin, Ray Mueller, Ann Draper, Virginia Chang Kiraly Katheryn Slater-Carter, Legal Counsel Tim Fox, Clerk Diane Estipona, and Executive Officer Rob Bartoli.

The Commission also received updates from the CALAFCO Board Meeting in January 2024 and was provided a copy of the 2024 CALAFCO Sphere Newsletter.

10. Legislative and Policy Committee

This item was continued from the November 20, 2024, LAFCo Meeting.

The Commission was notified that, as of January 7, 2025, CALAFCO is not tracking any new bills. Additionally, LAFCo staff will be meeting with the staff of state legislators representing San Mateo County. These meetings will cover an overview of LAFCo, current and upcoming matters

before San Mateo LAFCo, and address any statewide issues related to LAFCos.

11. Commissioner/Staff Reports

The Commission was informed that San Mateo County Supervisor Jackie Speier would be joining LAFCo as a regular member.

Additionally, the Commission provided direction to staff to hold a brief Study session or LAFCo 101 presentation at the next LAFCo meeting. LAFCo staff also notified the Commission that LAFCo regular meetings would continue in the Board of Supervisor chambers, though scheduled maintenance is expected in the coming months, and they will be kept up to date.

12. Adjournment

The Commission adjourned at 3:43 PM.

Approved on March 19, 2025

Ray Mueller, Chair

Local Agency Formation Commission of the County of San Mateo

Prepared by: _____

Diane Estipona, LAFCo Clerk

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners

From: Rob Bartoli, Executive Officer
Sarah Flamm, Management Analyst

Subject: Consideration of Final Municipal Service Review Municipal Service Review for the San Mateo County Harbor District

Summary and Background

In 1985, San Mateo LAFCo first prepared comprehensive Sphere of Influence (SOI) studies and adopted SOIs for the County's cities and special districts. Subsequently, LAFCo reviewed and updated spheres on a three-year cycle. SOI updates focus on changes in service demand within the boundaries of cities and special districts. In 2003, in order to comply with the newly enacted CKH Act, LAFCo began the process of preparing SOI updates in conjunction with or following a Municipal Service Review (MSR). This is the third MSR study that San Mateo LAFCo has conducted on the San Mateo County Harbor District (SMCHD, the District) in the past 19 years.

The SMCHD is an independent district created in 1933 by a County election and governed by a five-member Board of Commissioners. The District's boundaries are contiguous with the County of San Mateo, encompassing approximately 449 square miles of land area and a population of 745,193 residents. SMCHD operates pursuant to Section 6000 et seq. of the California Harbor and Navigations Code and is one of 13 harbor or port districts in the State. The District operates Pillar Point Harbor in the unincorporated community of Princeton-by-the-Sea on the Pacific Ocean, as well as Oyster Point Marina/Park located on the San Francisco Bay in the City of South San Francisco.

Comments On and Updates to Final Municipal Service Review

San Mateo LAFCo staff received two comments on the Draft Municipal Service Review:

- On Feb. 12, an email was received from Gretchen Kelly, Manager of the County of San Mateo Airports. The email notes that the County is not in support of the potential

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proposal of the Harbor District taking over the operations of the Half Moon Bay Airport and San Carlos Airport. There have been no discussions between the County and the District regarding any change to operational responsibility for the County-owned airports. In the email, Ms. Kelly discusses that the County has successfully managed the two airport facilities for many years in accordance with Federal Aviation Administration (FAA) regulations, County policies, and the needs of our aviation and community stakeholders. She states that managing an airport requires specialized aviation expertise and adherence to complex regulatory frameworks distinct from those governing marinas and harbors. Ms. Kelly also notes that maintaining County oversight is in the best interest of airport users, local businesses, and the broader community and any potential changes will need stakeholder engagement and evaluation of any impacts.

- On Feb. 28, John Ullom, member of the public, submitted comments related to concerns regarding management of the District and deferred maintenance.

Current Key Issues

Key issues identified in compiling information on the San Mateo County Harbor District include:

- Since the District's latest LAFCo MSR/SOI study in 2015, the District has improved its financial transparency and budgeting practices.
- The District remains reliant on property tax revenue to cover its operating costs. The District has an ongoing focus on how to enhance its operating revenue stream, through the continued development of enterprise functions such as the operation of the harbors and leasing SMCHD property.
- While existing revenue is sufficient for ongoing operations and maintenance expenditures, 85% of the \$80 million in capital improvement projects that have been identified over the next five years are unfunded. Funding for these projects may require finding multiple funding sources such as grants, loans, and working capital/fund balance. While there are challenges with funding present and future capital projects, there are no ongoing concerns regarding the District's financial ability to provide services.
- Similar to prior studies, LAFCo finds that the assumption of SMCHD operations by a successor agency (or agencies) could offer the opportunity to achieve certain service efficiencies and cost savings due to economies of scale and eliminating duplicative elected offices and administrative functions. However, no proposal for a governance change has been submitted to LAFCo at this time.

Proposed Municipal Service Review Determinations and Recommendations

As required by California Government Code Section 56430, this Final MSR has seven determination areas and recommendations:

I. Growth and Population Determination

While the County will continue to grow in population, demand for Harbor District services and facilities is more heavily driven by other factors, such as weather conditions, fishing season prospects, and outdoor recreation trends. The projected population growth will not directly impact the District's service needs and demands.

Recommendation: None

II. Disadvantaged Unincorporated Communities Determination

The District's sphere and corporate boundaries are contiguous with the County. While there are disadvantaged unincorporated communities within the District's boundaries, services to these areas—such as water, sewer, and structural fire—are the responsibility of other agencies.

Recommendation: None

III. Capacity and Adequacy of Public Facilities and Services Determination

SMCHD has significant infrastructure and facility improvement needs due to wear and tear from heavy use, a harsh marine environment, and deferred maintenance and capital projects. The District's 2019 Strategic Plan and 2022 Master Plan indicate necessary repairs and capital improvements. The Plan details that at Pillar Point Harbor the Johnson Pier is in generally good condition while some support piers are in poor condition and will need to be replaced. The marina docks are 30-40 years old and need to be replaced. Buildings at Pillar Point are generally in fair condition. At Oyster Point Marina, several of the docks are in serious to critical condition and will require replacement within the next five years. The Fiscal Year 2024-25 Budget and Capital Improvement Plan identifies \$80 million in necessary capital improvement projects over the next five years. Per District staff, three of the ten projects in the Capital Improvement Plan are unfunded: the Johnson Pier Expansion Project, Replacement of Floating Docks, and a new Pillar Point Harbor Retail Building. Funding for these projects will require multiple sources including grants, loans, and working capital/fund balance. The \$80 million of identified projects does not include any improvements to the District's recently purchased property.

Recommendations:

1. SMCHD should update the 2019 Strategic Plan and 2022 Master Plan to align with the most recent Capital Improvement Plan. LAFCo encourages SMCHD to include a review of CIP projects, services provided by the District, and opportunities for enhancing operational revenue in the 2024 Strategic Plan.
2. The updated Strategic Plan and Master Plan should include a review of the current land purchases made by SMCHD and identify their potential future uses and how their development will be funded. Both Plans should also show how the purchasing of these parcels and their future development will align with the mission and services of the District.

IV. Financial Ability Determination

For five consecutive years, SMCHD has been recognized by the Government Finance Officers Association for transparent budget reporting, receiving the Distinguished Budget Presentation Award. This award recognizes the District's success in publishing a budget document that "meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device".

The SMCHD budget consistently exhibits a net operating shortfall due to operating costs exceeding enterprise revenues. For FY 2024-25, SMCHD projects \$15.3 million in total revenue.

Of that, \$10.6 million (69%) is non-operating revenue. This revenue is largely property tax and other tax revenue that is received by the District. These total revenues are sufficient to fully fund operations and partially fund some capital projects. The CIP currently identifies \$80 million in capital projects, with approximately 15% of the total capital improvement project costs funded as of August 2024. The District has typically funded capital projects with a mix of grants, cash, or on a “pay-as-you-go” basis. The cash for these projects has been from the fund balance resulting from revenues (enterprise and non-enterprise) exceeding operating costs. Recently, some of the fund balance has been utilized to purchase properties around the existing Pillar Point Harbor area, which has decreased the fund available for existing capital needs by \$6 million in FY 2024-25. Capital projects for these newly purchased properties have not yet been evaluated by the District.

The District’s July 2024 Policies Handbook contains finance and accounting policies for the District.¹ These policies are publicly available on the District website. The District has had no long-term debt since 2016. Outstanding liabilities include CalPERS and Other Post Employment Benefits (OPEB) costs.

Recommendations:

3. As part of the forthcoming updated Strategic Plan, SMCHD should evaluate potential funding sources for the existing projects identified in the Capital Improvement Plan.
4. SMCHD should evaluate the recently purchased properties and determine what potential uses will be developed on the properties, what the cost of those improvements will be, how they will be funded, and what priority these projects will be given compared to existing identified capital projects.

V. Shared Service and Facilities Determination

Through this MSR process, staff has not identified any new opportunities for shared facilities. The SMCHD currently partners with multiple agencies, including the City of South San Francisco and the San Mateo Resource Conservation District, on services and functions at the two harbor facilities.

Recommendation: None

VI. Accountability, Structure, and Efficiencies Determination

The District has taken a number of steps since the 2015 MSR to enhance transparency and address governance and operational efficiencies. In 2023, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate highlights an agency’s commitment to government transparency requirements, including the completion of ethics training for commissioners, adherence to the Brown Act for public meetings, and filing and reporting on financial transactions to the State in a timely manner. As noted in this MSR, the District adopted a Strategic Plan in 2019, and is currently developing an update of this plan.

¹ [.Table+of+Contents+With+Policies+2024_08_28.pdf \(smharbor.com\)](#)
LAFCo Meeting Packet Page 13

There are at least two potential governance changes to the District that may produce greater efficiencies and cost savings: dissolution or altering District boundaries. No proposal for a change of governance has been submitted for either action since the 2006 MSR.

The District has communicated to San Mateo LAFCo staff that it is interested in assuming operational responsibilities for all county-owned ports (Coyote Point Marina, San Carlos Airport, and the Half Moon Bay Airport). San Mateo LAFCo is not aware of any formal communications between the County and the District on this matter.

If a proposal was to be submitted for this change to LAFCo, an analysis would need to be conducted regarding the fiscal ability of the Harbor District to provide the service, the operational capacity of the District to provide the service and the impacts to the County of San Mateo (who currently owns and operates the two airports) among other factors for review. This proposal would also take into consideration comments from the community and airport users. It would also likely require action by the County of San Mateo Board of Supervisors. Also, under California Harbors and Navigation Code Sections 6000-6110, the principal act under which the San Mateo County Harbor District was formed, the operation of an airport is not an allowed power of a harbor district. The San Mateo County Harbor District would need to submit a proposal to LAFCo that would reorganize the District into another type of special district that has the powers to operate both harbors and airports. This reorganization could require a countywide vote. The County, in comments submitted to LAFCo on February 12, 2025, stated their opposition to any proposal to have the Harbor District operate the two County airports.

Recommendations:

- 5) LAFCo supports the actions that SMCHD has made regarding transparency and encourages the District to continue these efforts.
- 6) The Harbor District, the City of South San Francisco, and the County of San Mateo should continue to confer and research issues and options affecting the feasibility of implementing these possible governance changes.

VII. Other Issues Determination

The District collaborates with several agencies, such as OneShoreline, U.S. Army Corps of Engineers, County of San Mateo, the City of Half Moon Bay and other special districts, on issues related to hazard mitigation and climate change. San Mateo LAFCo commends the District for the work they have undertaken in these areas.

Recommendation:

- 7) San Mateo LAFCo encourages SMCHD and all other agencies working on natural hazards mitigation and climate change related projects to continue to collaborate. As there are numerous projects either on-going or in the planning stage within the midcoast area, LAFCo would encourage all agencies involved in these projects to continue to share updates and communicate. The County of San Mateo could explore being an agency that hosts climate resiliency and hazard mitigation

information relating to the several projects that are occurring within the midcoast area.

Sphere of Influence Determinations

As required by State law, LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency as set forth in Government Code Section 56425(e) that addresses the following:

I. The present and planned land uses in the area, including agricultural and open-space lands.

The SMCHD is comprised of a wide range of land use designations, including tidelands, submerged lands, residential, commercial, industrial, open space, agricultural, and rural. The District boundaries contain land that is under the jurisdiction of the County of San Mateo, incorporated cities, the California Coastal Commission, the State of California through a tidelands grant, the San Francisco Bay Conservation and Development Commission, as well as other agencies that have land use review authority.

II. The present and probable need for public facilities and services in the area.

Some services provided by the SMCHD within District boundaries are also provided at varying levels by other public and private entities to include emergency response/maritime search and rescue. The Harbor District provides search-and-rescue security vessels stationed at Pillar Point and Oyster Point Marina. Bayside, the Harbor District is a partner in an active search-and-rescue network that includes the County of San Mateo Sheriff's Department, other marina operators, and several fire agencies. The Harbor District is the only public agency providing immediate on water emergency response for maritime events and emergencies on the San Mateo County coastline. Need for search-and-rescue and maritime assist services in this area is expected to continue.

III. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

SMCHD has significant infrastructure and facility improvement needs as a result of the wear and tear of heavy use, a harsh marine environment, and deferred maintenance and capital projects. At Pillar Point Harbor, some support piers are in poor condition and need to be replaced. The marina docks are 30-40 years old and need to be replaced. Buildings at Pillar Point are generally in fair condition. Several of the docks at Oyster Point Marina are in serious to critical condition and will require replacement within the next five years. Pillar Point Harbor has a 90-95 percent berth occupancy rate, and Oyster Point Marina has a 70-75 percent berth occupancy rate. Both facilities include visitor-serving opportunities.

IV. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

The District's boundaries are coterminous with San Mateo County, while operations are based out of two locations: Oyster Point in South San Francisco and Pillar Point in Half Moon Bay. These represent distinct communities with common social and economic interest in commercial and recreational fishing, boating, and visitor-serving facilities. Commercial fishing is an important industry to the County. Pillar Point Harbor's search-and-rescue and maritime assist capabilities benefit those who work, live, recreate, vacation, transit or visit the San Mateo County coastline. Oyster Point offers a venue for a commuter ferry. These services remain valuable to the area, whether they are provided by the current Harbor District or by a potential successor agency such as the County of San Mateo or the City of South San Francisco.

- V. For an update of a SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

No change to the SOI for the SMCHD is proposed at this time.

Public/Agency Involvement

San Mateo LAFCo submitted a request for data to the District, and on October 28, 2024, the District provided a response to this request. The information from the District's response has been incorporated into this report. Additional primary sources of information used in this MSR include the District's adopted plans, budgets, reports, and policies.

Environmental Review/CEQA

The MSR is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which allows for the basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. The MSR collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The MSR is also exempt from CEQA under section 15061(b)(3), the common sense provision, which states that CEQA applies only to projects which have the potential to cause a significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA.

The MSR and SOI update will not have a significant effect on the environment as there are no land use changes associated with the documents.

Staff's Recommendation to Commission

1. Open the public hearing and accept public comment.
2. Accept the Final Municipal Service Review for the San Mateo County Harbor District.
3. Adopt the Municipal Service Review Determinations and Recommendations contained in this report.

Attachments

- A. Final Municipal Service Review for the San Mateo County Harbor District
- B. Resolution No. 1333 for the San Mateo County Harbor District Municipal Service Review
- C. MSR Areas of Determinations and Recommendations for the San Mateo County Harbor District
- D. Comment letter from Gretchen Kelly, County of San Mateo
- E. Comments from John Ullom



**Municipal Service Review and Sphere of Influence
Review for the San Mateo County Harbor District**

Final

Released March 12, 2025

Municipal Service Review and Sphere of Influence Review for the San Mateo County Harbor District

SUBJECT AGENCY:

San Mateo County Harbor District

504 Avenue Alhambra, 2nd Floor
El Granada, California 94018
Contact: James B. Pruett, General Manager

CONDUCTED BY:

San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063
(650) 363-4224

Commissioners:

Ray Muller, Chair, County Member
Virginia Chang Kiraly, Vice Chair, Special District Member
Jackie Speier, County Member
Ann Draper, Public Member
Kati Martin, Chair, Special District Member
Debbie Ruddock, City Member
Stephen Rainaldi, City Member

Commission Alternates:

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**Municipal Service Review
and Sphere of Influence Review
San Mateo County Harbor District**

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EXECUTIVE SUMMARY

Section 1: MSR Overview

This report is a Municipal Service Review (MSR) and Sphere of Influence (SOI) review for the San Mateo County Harbor District (SMCHD). California Government Code Section 56430 requires that the Local Agency Formation Commissions (LAFcos) complete MSRs and SOI reviews on all cities and special districts. LAFco is an independent entity with jurisdiction over the boundaries of cities and special districts. An SOI is a plan for the boundaries of a city or special district. The MSR and SOI do not represent a proposal¹ for reorganization of agencies, but rather a State-mandated study of service provisions of an agency.

Once adopted, the service review determinations are considered in reviewing and updating the SOI pursuant to Section 56425. The SOI, which serves as the plan for boundaries of a special district, is discussed in the second part of this report. This State-mandated study is intended to identify municipal service delivery challenges and opportunities and provides an opportunity for the public and affected agencies to comment on city, county, or special district services and finance; and opportunities to share resources prior to LAFco adoption of required determinations.

San Mateo Local Agency Formation Commission

San Mateo Local Agency Formation Commission (LAFco or “the Commission”) is a State-mandated, independent commission with county-wide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, and dissolutions. LAFco also has authority over extensions of service outside city or district boundaries, and activation or divestiture of special district powers. The purpose of the Commission includes discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. LAFco operates pursuant to The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in California Government Code Sections 56000 and 57000. The Commission includes two members of the County Board of Supervisors, two city councilmembers from two of the County’s 20 cities, two special district board members from two of the 21 independent special districts, one member of the public, and four alternate members (county, city, special district, and public).

In 1985, San Mateo LAFco first prepared comprehensive SOI studies and adopted SOI’s for the County’s cities and special districts. Subsequently, LAFco reviewed and updated spheres on a three-year cycle. SOI updates focus on changes in service demand within the boundaries of cities and special districts. In 2003, in order to comply with the newly enacted CKH Act, LAFco began the process of preparing SOI updates/reviews in conjunction with or following a Municipal Service Reviews (MSR).

¹ An application for annexation may be submitted by 5 percent of the voters or landowners of territory proposed for annexation or by resolution of the District.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County of San Mateo, 20 cities, 21 independent special districts, six subsidiary districts governed by city councils, and 33 County-governed special districts. Independent special districts provide a limited set of services based on their enabling legislation (i.e., fire, water, sanitation, etc.), while cities generally provide a wider array of basic services including police, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents across its cities, special districts and subsidiary districts, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County also provides basic municipal services for residents who live in unincorporated areas who are not part of any city or special district. According to Census 2020 data, 63,205 of the County’s total 765,417 residents live in unincorporated areas.

Purpose of a Municipal Service Review

This Municipal Service Review (MSR) examines the San Mateo County Harbor District (SMCHD) and represents the third MSR completed for this District. San Mateo County Harbor District is a countywide independent special district with a SOI that is coterminous with the District’s boundaries.

LAFCo prepared this MSR based on SMCHD source documents that included Adopted Budgets, Basic Financial Reports and Audits, Capital Plans, Urban Water Management Plans, and Planning Documents, including the General Plan. Draft MSRs are first circulated to the District under study, as well as interested individuals and groups. The Final MSR will include comments on the circulation draft as well as LAFCo staff’s recommended determinations to be presented before the Commission for consideration during its public meeting. MSR determinations must be adopted before the Commission updates or amends a SOI.

Per Government Code Section 56430, LAFCo is required to include the following areas in the MSR determinations:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities² within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.
4. Financial ability of agency to provide services.
5. Status of, and opportunities for shared facilities.

² “Disadvantaged community” means a community with an annual median household income that is less than 80 percent of the Statewide annual median household income. This area of determination does not apply to the study area.

6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.
 - a. Water Resiliency and Climate Change
 - b. Impact of Natural Hazards and Mitigation Planning

Per Government Code Section 56425, LAFCo is required to make five written determinations when establishing, amending, or updating a SOI for any local agency that address the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of MSR determination #2 and SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income. San Mateo County Harbor District’s Sphere of Influence and corporate boundaries are contiguous with the County. While there are disadvantaged unincorporated communities within the District’s boundaries, services to these areas—such as water, sewer, and structural fire—are the responsibility of other agencies, and so an SOI determination in this regard is not applicable.

Section 2. Summary of Key Issues

This is the third MSR study conducted by San Mateo LAFCo for the San Mateo County Harbor District in the past 19 years. Since the latest 2015 study, the District has greatly improved its financial transparency and budgeting practices. The District remains reliant on property tax revenue to cover its operating costs. The District has an ongoing focus on how to enhance its operating revenue stream, through the continued development of enterprise functions such as the operation of the harbors and leasing SMCHD property. The District has enhanced its

collaboration with other agencies and organizations on projects relating to climate change mitigation and coastal erosion.

While existing revenue is sufficient for ongoing operations and maintenance expenditures, 85% of the \$80 million in capital improvement projects that have been identified over the next five years are unfunded. Funding for these projects may require finding multiple funding sources such as grants, loans, and Working Capital/Fund Balance. While there are challenges with funding both present and future capital projects, there are no ongoing concerns regarding the District’s financial ability to provide services.

Similar to prior studies, LAFCo finds that the assumption of SMCHD operations by a successor agency (or agencies) could offers the opportunity to achieve certain service efficiencies and cost savings due to economies of scale and eliminating duplicative elected offices and administrative functions. Although it may be possible to achieve longer-term efficiencies, stability and cost savings, in the short-term there would be transition costs associated with reorganization. A detailed Plan for Service would need to accompany any proposal for a governance change. This Plan would need to evaluate how service responsibility would be transferred, the benefits of the governance change, how pension liability would be addressed, the implementation and financing strategies for capital improvement projects, legacy costs, and staff transition. It is likely that the net benefits to County taxpayers and users following a reorganization would lag and not be measurable for several years.

The evaluation of alternative District governance options is solely a high-level review by LAFCo as part of this MSR. No proposal for a governance change has been submitted to LAFCo at this time. No action by LAFCo has been taken toward SMCHD other than the publication of this and previous studies. Changing the governance of SMCHD would require a separate application and action before the LAFCo Commission.

Section 3: Affected Agencies

County and Cities: All cities in San Mateo County.

School Districts: All school districts within San Mateo County.

Independent Special Districts: All special districts within San Mateo County.

Dependent Special Districts: All special districts within San Mateo County.

Section 4: San Mateo County Harbor District

Background and Overview

San Mateo County Harbor District (SMCHD) is one of 13 harbor or port districts in the State. The District operates Pillar Point Harbor in the unincorporated community of Princeton-by-the-Sea, on the Pacific Ocean, as well as Oyster Point Marina/Park located on the San Francisco Bay in the City of South San Francisco. The District was created with County-wide boundaries by a County election in 1933. It was originally formed to build a harbor at Redwood City, but the Great Depression intervened.

Pillar Point Harbor

In 1960, the State of California conveyed by statutory grant 1,235 acres of tidelands and submerged lands to the District upon condition that the harbor be developed in the unincorporated area of Princeton. A breakwater was built at Pillar Point for a harbor of refuge for the fishing fleet. The US Army Corps of Engineers began work on this breakwater after World War II and completed it in 1961. The Johnson Pier, docks, 369 berths, and the inner breakwater were built during the 1970s and 1980s. Pillar Point remains a major commercial and sport fishing harbor on California's central coast.

Oyster Point Marina

In 1977, the San Mateo County Harbor District (SMCHD) entered into a Joint Powers Agreement (JPA) with the City of South San Francisco and took over operation of Oyster Point Marina/Park from the City of South San Francisco. During the 1980s, SMCHD completed construction of docks and 589 berths, a new breakwater, and onshore facilities. The San Francisco Bay Area Water Emergency Transit Authority (WETA), a regional public transit agency, independently operates ferryboat services, currently offering connections between the East Bay from Oyster Point Marina.

Revenue

Implementation of Proposition 13 in 1978 resulted in SMCHD receiving a share of the 1 percent property tax countywide in perpetuity. In Fiscal Year 2024-25, this property tax revenue is approximately \$10 million. LAFCo's 2006 and 2015 MSR/SOI for SMCHD expressed concerns about the use of Countywide property tax to fund harbor and marina operations. However, this property tax revenue is essential to maintain SMCHD fiscal viability, and to address a broad range of maintenance and capital improvement needs. In addition, the SMCHD provides a range of non-enterprise services and facilities that benefit a broader public, but which are not revenue-generating activities, including parks, waterfront access, public piers, and emergency water rescue.

Formation and Statutory Authority

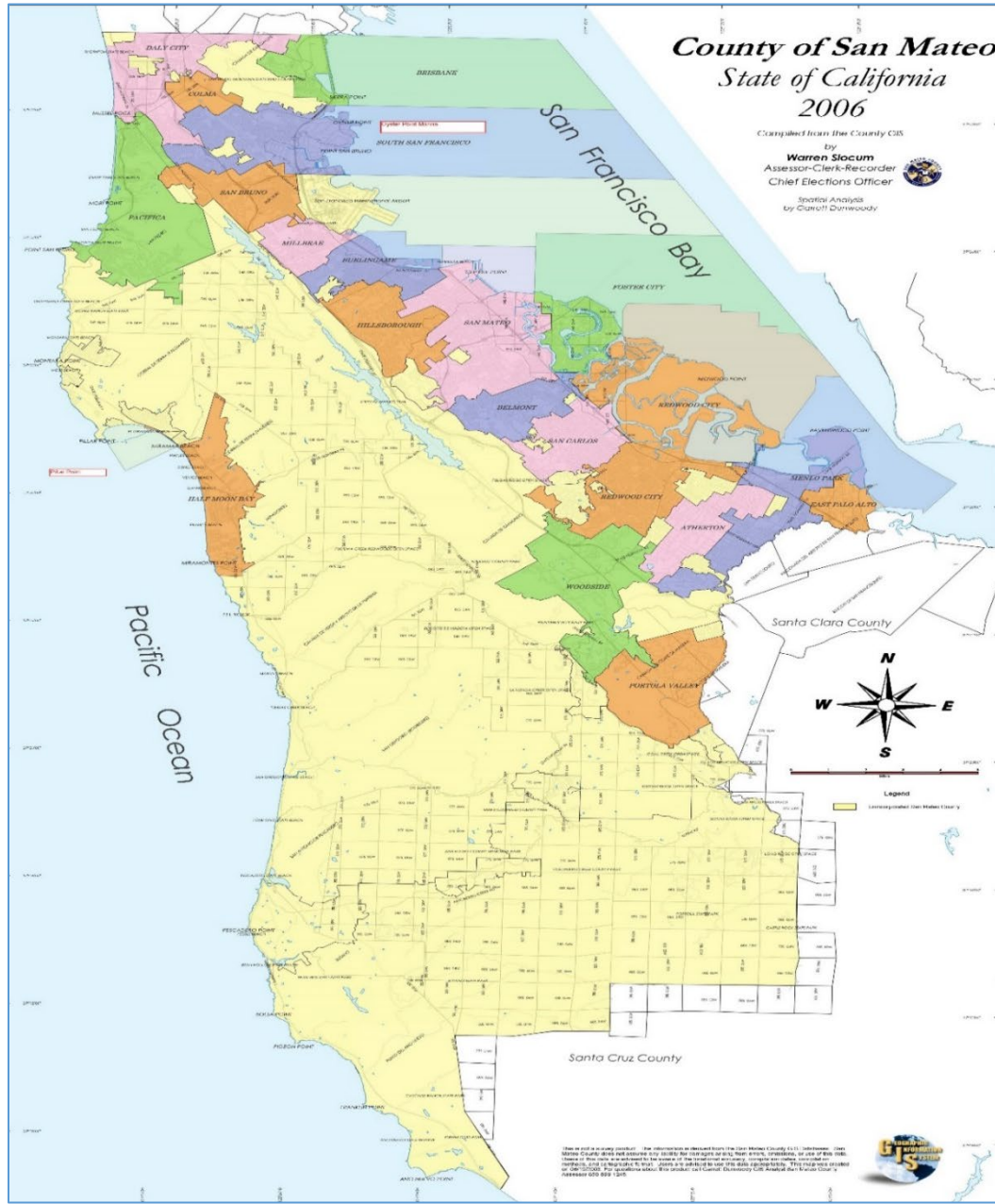
The SMCHD is an independent district governed by a five-member Board of Commissioners with countywide boundaries operating pursuant to Section 6000 et seq. of the California Harbor and Navigations Code. The SMCHD is thus empowered to acquire, construct, and maintain property related to the operation and development of ports and waterways; supervise seagoing vessels within its harbors; adopt any necessary police regulations for waterways; issue debt; collect charges for use of facilities; and plan for harbor district improvements.³

³ Harbor and Navigations Code Sec. 6075. Notwithstanding Section 6012: (a) A harbor district may acquire, construct, own, operate, control, or develop any and all harbor works or facilities within the limits of its established boundaries. No interest in lands may be acquired, either by lease, purchase, or the exercise of the power of eminent domain within any port district, chartered port, harbor improvement district, incorporated city, or recreational harbor district without the prior consent to the acquisition by resolution of the governing body of each district, port, or city in which the lands are located.

Boundaries and Service Area

The San Mateo County Harbor District encompasses approximately 449 square miles of land, 20 cities and unincorporated areas, and a population of 745,193 residents. Figure 1 shows the current District boundaries which correspond to the boundaries of San Mateo County. In addition to the SMCHD facilities at Pillar Point Harbor and at Oyster Point Marina, the County is served by eight other harbor and marina operations providing an additional 2,100 berths and related facilities.

Map of the San Mateo County Harbor District Boundaries



Inventory of Active Services

Government Code Section 56425 (i) and (j) requires that in conducting MSRs, LAFCo’s prepare an inventory of all authorized powers under a district’s enabling legislation and identify those powers that are active versus inactive. Government Code Section 56824.12 requires that before a District activates an inactive service or divests of an active service, it must first apply to LAFCo and obtain LAFCo approval. The SMCHD is providing the full set of services authorized by the enabling legislation, including recreational use of District facilities located at Pillar Point Harbor and Oyster Point Marina, under a Joint Powers Agreement with the City of South San Francisco as owner of the marina.

Pillar Point Harbor- Princeton-by-the-Sea

Enterprise activities:

- Commercial and sport fishing facilities, including fuel dock, ice-making facility, and a fish buying center for the public to purchase fresh fish off the boats from several vendors.
- Forty maintained moorings for private rent.
- One six-lane public small-craft launch ramp.
- One public hoist.
- Lease of premises: Rent-paying lease holders include three wholesale commercial fish buyers, a fuel dock, an ice facility, a bait and tackle shop, a surf shop, a kayak rental, a beach bar, three restaurants, and one recreational vehicle park. The District is responsible for maintaining building structures and exteriors. Lessees are responsible for the interior of the premises and any improvements.
- Issuance of commercial activity permits for sport fishing charter boats, retail fish sales, and retail fish “off the boat” sales.

Non-Enterprise Activities:

- Search and rescue services and vessel assists to all boaters.
- Harbor facility personnel are onsite 24 hours a day, 365 days per year. Personnel include trained search and rescue staff (SAR), vessels and SAR personal watercraft (PWC) for surf impact zone work.
- Law enforcement: Pillar Point Harbor staff enforces the California Harbors and Navigation Code and the County Harbor District Ordinance Code. The Harbor Patrol wears uniforms, and District patrol vehicles and vessels are marked accordingly.
- The District operates a waste oil collection facility available to boaters to help maintain water quality.
- The District contracts for garbage collection and operates a marine debris recycling facility.
- Recreational facilities available to the public include free parking, public restrooms, fishing piers, break walls, paths, shoreline access trails and beaches.

- Community Engagement: Outreach to local schools regarding ocean awareness and boating safety as well as educational tours to diverse groups including school children, Culinary Institute of American, World Federation of Fisherman, and environmental groups.
- Collaboration with federal, State and local environmental organizations⁴ on policy matters that relate to harbor users including sustainable fisheries, marine protected areas, harbor dredging issues, water quality, shoreline protection, and public access.

Oyster Point Marina/Park-South San Francisco

Enterprise Activities:

- Vessel berths.
- One two-lane public small craft launch ramp.
- Boat wash station.
- Leaseholders.
- Real Property Use Revocable Trusts.
- 41 live-board permits.
- Commercial Activity Permits: Charter fishing/passenger vessels, wind-surfing lessons, tour boats, private commercial ferries, sewage pump out service, and commercial diving.

Non-Enterprise Activities:

- Search and Rescue (SAR): Oyster Point Harbor Patrol maintains a search and rescue/maritime capability during the hours of 7am and 7pm, 365 days per year.
- Law enforcement: Oyster Point Harbor staff enforce the California Harbors and Navigation Code and the District Ordinance Code. The Harbor Patrol wears uniforms, and District patrol vehicles and vessels are marked accordingly.
- Educational programs offered in local schools and community centers on ocean awareness, boating safety, environmental education and natural history in schools.
- Public park use: The San Francisco Conservation and Development Commission (BCDC) Bay Plan segment for South San Francisco designates most of Oyster Point for shoreline public park uses.

Prior Municipal Service Reviews and Current SOI

San Mateo LAFCo conducted Municipal Service Reviews (MSRs) on SMCHD in 2006 and 2015. Both of these MSRs reaffirmed the dissolution Sphere of Influence (SOI) designation that LAFCo adopted in 1977. The current LAFCo-adopted SOI for the Harbor District indicates that it be

⁴ Collaboration with organizations include the Gulf of the Farallones and Monterey Bay National Marine Sanctuaries, State Coastal Conservancy, Coastal Commission, San Mateo County, the nonprofits Save Our Shores and Heal the Bay, and the Princeton Citizens Advisory Committee

dissolved, and the County of San Mateo be established as successor agency to assume service and be successor to all Harbor District revenues, assets and liabilities. It is important to note that a SOI is regulatory in that a change of organization of any special district must be consistent with the District’s SOI. However, implementation of the SOI requires that an affected agency take action by applying to LAFCo for that change of organization. In the case of the Harbor District, the District itself, the County, or any city, district or school district could apply to LAFCo to implement the sphere. In addition, applications can be submitted by 25 percent of the registered voters or landowners in District boundaries. However, implementation of the SOI has not been taken, and the District has been administering services per usual despite the LAFCo dissolution verdict.

The 2006 MSR also recommended that a) the District review its financial and debt policies and practices related to capital projects, b) explore cost sharing agreements with other agencies, c) review funding for capital projects that do not have identified funding sources, and d) work on efforts to address rising operational costs.

The 2015 MSR highlighted several additional issues including a) the need for significant infrastructure and facility improvement, a result of wear and tear from heavy use and a harsh marine environment, b) deferred maintenance and capital projects, c) lack of an adopted capital improvement plan, d) lack of accounting system to track cost for enterprise versus non-enterprise expenses, and e) that the District’s elected Harbor Commissioners and Commission administration duplicated governance and administrative functions that the County already provides. The report notes that the District was in the midst of a transitional phase, particularly regarding General Manager staffing.

Since the 2015 MSR, SMCHD has adopted a Capital Improvement Plan, a Strategic Plan, a standards of conduct policy, and several financial policies. The District has also recruited and hired a General Manager with 30 years of maritime, search and rescue, and management experience. Furthermore, in 2021 the District implemented a new system that allows for automated and improved internal business processes, provides customers with an online payment portal, and increases security and information backup of District records and transactions.

Section 5: Municipal Service Review

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all determinations are not significant, as indicated by “no” answers, the Commission may find that an MSR update is not warranted.

1) Growth and Population

Growth and population projections for the affected area.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?	X		
Will population changes have an impact on the subject agency’s service needs and demands?		X	
Will projected growth require a change in the agency’s service boundary?			X

Discussion

- a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?

As of 2020, the County of San Mateo is home to 764,442 residents. The Association of Bay Area Governments (ABAG), the agency responsible for forecasting population, housing and economic trends in the nine Bay Area counties, in coordination with the California Department of Housing and Community Development (HCD) estimates the housing need for the region and allocates a portion of projected need to every jurisdiction. In collaboration with Bay Area partner agencies, non-profit organizations, and residents, ABAG developed Plan Bay Area 2050. Plan Bay Area 2050 is a long-range regional plan that projects the population growth of each region throughout the Bay Area. Plan Bay Area 2050 anticipates that San Mateo County will increase its population by 48%, from 265,000 households in 2015 to 394,000 households in 2050. Actual growth will depend on future economic conditions, land use policies and other factors.

- b) Will the population changes have an impact on the subject agency’s service needs and demands?

Demand for SMCHD services and facilities is less influenced by the County’s population growth, as it is by other factors such as weather conditions, fishing season prospects, and outdoor recreation trends.

- c) Will projected growth require a change in the agency’s service boundary?

The District’s boundaries are countywide and will not be altered by growth within the County.

Growth and Population MSR Determination

While the County will continue to grow in population, demand for SMCHD services and facilities is more heavily driven by other factors, such as weather conditions, fishing season prospects,

and outdoor recreation trends. The projected population growth will not directly impact the District’s service needs and demands.

2) Disadvantaged Unincorporated Communities

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?			X
b) Are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the Statewide median household income)?			X
c) If “yes” to both a) and b), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community (if “no” to either a) or b), this question may be skipped)?			X

Discussion:

- a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?
SMCHD does not provide public services related to sewers, municipal and industrial water, or structural fire protection.
- b) Are there any inhabited unincorporated communities within or adjacent to the subject agency’s sphere of influence that are considered disadvantaged (80% or less of the statewide median household income)?
SMCHD boundaries are countywide. While there are disadvantaged unincorporated communities within the District’s boundaries, services to these areas—such as water, sewer, and structural fire—are provided by other agencies.
- c) If yes to both, is it feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community?
Not applicable.

Disadvantaged Unincorporated Communities MSR Determination

The District’s sphere and corporate boundaries are contiguous with the County. While there are disadvantaged unincorporated communities within the District’s boundaries, services to these areas—such as water, sewer, and structural fire—are the responsibility of other agencies.

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?			X
b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?			X
c) Are there any concerns regarding public services provided by the agency being considered adequate?			X
d) Are there any significant infrastructure needs or deficiencies to be addressed?		X	
e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?			X
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?			X

Discussion:

The SMCHD provides a range of harbor-related facilities and services to residents, visitors, and businesses. As described below, some of these services are revenue-generating enterprises, while others serve a broader public function that is typically not subject to fees and charges. Facilities are generally well-utilized. The high levels of use, combined with the sometimes harsh and corrosive maritime environment, place exceptional demands on the SMCHD for facility and infrastructure maintenance.

Pillar Point Harbor

Pillar Point Harbor is located adjacent to the unincorporated communities of Princeton and El Granada on Half Moon Bay approximately 25 miles south of the City of San Francisco. It is a 369-berth mixed-use harbor supporting commercial fishing fleet, recreational boating, kayaking and standup paddling boarding and other opportunities and public access.

In 1960, the State conveyed by statutory grant, 1,235 acres of tidelands and submerged lands to the District upon condition that the harbor be developed. The outer breakwater was completed in 1961 by the U.S. Army Corps of Engineers, with an extension added in 1967 to decrease the amount of wave energy coming through the entrance to the harbor. Also in 1961, the main concrete pier was built. Full buildout of the inner harbor was accomplished during the 1980s with the construction of the harbor's floating docks and berths, along with a second, inner breakwater to provide further protection for the coastal fishing fleet.

Pillar Point Harbor also includes several support buildings. The age of structures varies; 1961 buildings include the fish buyer building, the Harbor Master's building, certain restrooms, and "Tenant Row" buildings. The maintenance building was built in 1979, additional restrooms were built in 1982, the ice house was added in 1985, and restroom ramps were built in 1992.



Oyster Point Marina

Oyster Point Marina consists of a 408-berth recreational marina in the City of South San Francisco. It is owned by the City of South San Francisco and managed/operated by the District under a 2018 Agreement between the two agencies.

The west basin of the marina was originally constructed in the 1960s, north of the South San Francisco landfill. In 1977, the District assumed operational control over Oyster Point Marina under a 49-year Joint Powers Agreement. The agreement gave the District the authority to improve and complete construction of a recreational marina while retaining the berthing and other related fees. In the 1980s, the District replaced the original docks in the west basin and expanded the marina into the east basin with construction of a new breakwater. At highest available occupancy, the marina had 589 slips. The breakwater was modified in 2008, and Docks 9 and 10, with a combined total of 134 slips, were removed in late 2009 and early 2010 to make way for the San Francisco Bay Area Water Emergency Transportation Authority ferry terminal, which opened in 2012. In Fiscal Year 2012–13, the guest dock (Dock 8) and Dock 11 were replaced with concrete floating docks. Dock 8 accommodates side-tie only and is intended for temporary moorage as vessels check into the Marina. It is also being utilized by smaller privately operated commuter ferries. Dock 11 was reconfigured to avoid interference with the operational requirements of the Water Emergency Transit Authority ferry terminal and incorporates both side-tie and slips. This reconfiguration resulted in the loss of approximately 30 slips.



The District’s management of the Oyster Point Marina was originally documented and guided by a 1977 Joint Powers Agreement between the District and the City of South San Francisco. In 2018, the District and the City of South San Francisco negotiated and entered into a new agreement for the management of Oyster Pint Marina, which replaced the Joint Powers Agreement. The agreement is active for an initial 15-year period that automatically renews for two 10-year periods unless either party provides official notice of nonrenewal. The first term is set to expire on December 28, 2033.

According to District staff, the Harbor District has initiated discussions with the City of South San Francisco to address updates to the 2018 Agreement. One major amendment to the agreement would relate to the timeline for capital improvement projects. Under the current agreement, the District is required to replace Docks 12, 13, and 14 by December 31, 2024. This is an unrealistic deadline based on the substantial and unforeseen increase in construction costs. In 2018, (pre COVID-19), when the agreement was entered into, both the City and District estimated the cost of the Dock Replacement Project to be less than \$5 million dollars. Following the design, engineering, and permitting of the project (post COVID 19), the new estimate is greater than \$18 million dollars, well beyond the District’s current budget. The COVID-19 pandemic produced shortages in labor and construction materials which increased costs on all aspects of the scheduled dock replacement project. Instead, to mitigate any risk associated with the floating docks and the expiration of their “useful life”, the District has implemented the Floating Dock Life Extension Project. The Project includes the inspection of and replacement of deck boards, inspection and renewal of internal brackets and crossmembers, and the repair or replacement of flotation.

Another amendment the District would propose to the 2018 Agreement relates to a 40,000 square foot retail building at Oyster Point. In 2017, the City and the Harbor District entered into an agreement that provided authority for the District to construct and lease the building, but the current Agreement will expire in 2026 and the District would like to extend this clause beyond 2026.

Commercial Fishing Facilities

Pillar Point Harbor offers commercial fishing facilities, including a fuel dock, ice-making facility, and commercial fish buying center. The public can purchase fresh fish off the boats from several vendors.

Commercial/Retail/Restaurant Leases

The District leases space to three wholesale fish buying operations on Johnson Pier at Pillar Point Harbor. The wholesalers purchase and unload salmon, halibut, rockfish, shellfish and bait directly from commercial fishermen. The SMCHD also owns buildings leased to restaurants, bait shops, and a surf shop. At Oyster Point Marina, the District leases a building to the Oyster Point Yacht Club.

Parks and Trails, Open Space and Public Access

Pillar Point Harbor offers two public access trails for walking, cycling, and jogging. The harbor also provides a public fishing area, public fishing pier, and fish cleaning area. Oyster Point Marina provides a public fishing pier with a fish cleaning station, and a 33-acre recreational green space with a picnic area and a swimming beach. The San Francisco Bay Trail runs through the site. Public parking is available at no charge at both Pillar Point Harbor and Oyster Point Marina.

Emergency Services and Search and Rescue

Harbor District staff perform a range of activities in support of safety of life at sea, at both Pillar Point Harbor and Oyster Point Marina, including:

- **Search and Rescue:** The Harbor District is routinely requested by the U.S. Coast Guard, Sheriff's Office, or Coastside Fire Protection District to respond to maritime emergencies. For each emergency that involves more than one agency, a unified command of the involved agencies involved in the active search and recovery of a known or suspected person in distress is established to ensure unity of effort.
- **First Responder Support:** The Harbor District provides waterside support of shoreside operations such as cliff rescues. The District also provides secondary rescue support for victims and rescuers. The U.S. Coast Guard and Harbor District train weekly on rescue helicopter operations, rescue swimmer deployment, and recovery operations. All qualified Deputy Harbormasters participate in emergency maritime response. Harbor Workers can volunteer to serve as boat crew on a rescue vessel but are not required.
- **Vessel Assists:** The Harbor District Patrol routinely deploys to assist vessels that have run out of fuel, have engine problems, cannot safely navigate into the harbor, are taking on water, or other issues that while not an emergency, do require assistance to make it back to shore safely. On one particularly busy Sunday, August 25, 2024, Oyster Point Marina Patrol staff were called out on five separate vessel assists.
- **Body Recovery/Evidence:** The Harbor District assists the San Mateo Coroner, Sheriff, and Coastside Fire Protection District with the recovery of victims or evidence located at sea or on remote beaches and coves inaccessible from land. Most recently, the Pillar Point Harbor Patrol was able to recover several pieces of an aircraft that crashed off the coast of Moss Beach, California. The Harbor Patrol was also able to recover and transport the victims of the crash to shore. In another case, the Harbor Patrol was asked to recover a victim washed ashore south of Cowell Ranch State Beach in a remote cove that was inaccessible from shore.
- **Transportation Assistance:** The Harbor District transports first responders (i.e., police, fire rescue, and paramedics) to the scene of a medical or maritime emergency.
- **Firefighting:** The Harbor District assists with waterside firefighting.

- **Persons in Distress:** The Harbor District helps novice windsurfers, kitesurfers, swimmers, surfers, kayakers, and standing boarders who are routinely caught off guard by weather conditions and require assistance returning to shore.

From 2019 through 2024, San Mateo County Harbor District executed a total of 425 search and rescue cases and 7,506 maritime assist cases, as shown in the tables below.

Pillar Point Harbor		
Year	Search and Rescue Launches	Vessel Assists, Agency Assists, Other
2019	97	634
2020	79	684
2021	85	926
2022	53	1,484
2023	44	1,127
2024	13	199

Oyster Point Marina		
Year	Search and Rescue Launches	Vsl Assists, Agency Assists, Other
2019	0	490
2020	0	602
2021	16	634
2022	36	455
2023	0	195
2024	2	76

The environments of oceanside Pillar Point Harbor and bayside Oyster Point Marina are drastically different, as are the available resources. In an effort to formalize the services provided and allocate appropriate resources, in August 2024, the Harbor District and Coastside Fire Protection District entered into a Memorandum of Understanding (MOU) defining roles and responsibilities for emergency maritime response. The Harbor District is initiating discussions with the San Mateo County Sheriff’s Office to negotiate a similar MOU.

- Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?

The tables below show the occupancy rates of the berths/slips at Pillar Point Harbor and Oyster Point Marina.

Pillar Point Harbor:

Pillar Point Harbor		
Year	Occupied of 399	Occupancy Rate
2019	399	100%
2020	395	99%
2021	391	98%
2022	379	95%
2023	367	92%
2024	359	90%

The 10% decline in occupancy rate at Pillar Point Harbor from 2019 to 2024 is attributed to the COVID-19 Pandemic, the restricted and closed fishing seasons, the District’s effort to reduce the number of unseaworthy, inoperable, or derelict vessels, and enforcement of slip agreements.

Tenants in violation of their slip agreement, i.e. missed monthly slip payments, are required to bring their accounts current. If a vessel owner fails to bring their account current, the slip agreement is voided, and the vessel owner is required to remove the vessel from District property.

Several boats, both recreational and commercial, were found to be unseaworthy or derelict. To remain in a slip, a boat is required to be operational. Several vessel owners with inoperable boats elected to surrender their vessels to the District for removal under the California Surrendered and Abandoned Vessel Exchange (SAVE) Program at no cost to the vessel owner or District.

In 2023 and 2024, the commercial crab season has been significantly reduced and the salmon season has been canceled all together. As a result, some commercial fishing vessels have shifted ports to areas unaffected by the closures (i.e. Oregon, Washington, and Alaska). Other commercial fishing vessels have simply been removed from the water and stored, awaiting the next fishing season.

The COVID-19 pandemic also forced some commercial passenger vessels (charter boats) and fishers to cease operations all together.

As of August 1, 2024, Pillar Point Harbor had a waiting list of 54 vessel owners seeking regular slips and 15 requests for liveaboard permits. Of the 54 people on the waiting list, 27 are waiting for 30-foot slips and the other 27 are commercial fishers requesting a better slip (location) and/or waiting for crab and/or salmon season to open.

Oyster Point Marina

Oyster Point Marina		
Year	Occupied of 398	Occupancy Rate
2019	310	78%
2020	306	77%
2021	295	74%
2022	283	71%
2023	318	80%
2024	310	78%

The occupancy rate at Oyster Point Marina has improved since 2022 due to two main factors. First, the Oyster Point Redevelopment Project is coming to conclusion, reducing the restrictions, dust, and inconvenience to the Marina tenants/users caused by the construction. The second factor relates to the closure of Oyster Cove Marina, a separate private marina located on Oyster Point. Many of the tenants of Oyster Cove applied for and were accepted to Oyster Point Marina and have remained.

Oyster Point Marina/Park has also benefited from significant improvements to tenant and visitor serving amenities (i.e. restrooms and showers), improved landscaping, and improved access. These improvements have assisted in the retention of slip tenants.

Of note, in 2023 a private owner closed Oyster Cove Marina. Multiple vessels at Oyster Cove were liveaboards, providing much needed housing for the owners. Oyster Point Marina was already at the maximum 10% capacity for liveaboards as set by the Bay Area Conservation and Development Commission (BCDC) which prevented the District from accepting additional liveaboard vessels. However, to prevent the vessel owners from becoming un-housed, the Harbor District worked with the City of South San Francisco and the Bay Conservation and Development Commission (BCDC) to temporarily accept the liveaboard vessels under emergency circumstances. Each of the accepted vessel owners have now earned liveaboard status at Oyster Point or have moved to alternative housing shoreside. Oyster Point Marina is now back at 10% occupancy rate for liveaboard permits.

Oyster Point Marina has a waiting list of 2 vessel owners seeking a regular slip and 53 on the waiting list for liveaboard permits.

- b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?

The District is in the process of updating its 2022 Strategic Plan.

- c) Are there any concerns regarding the public services provided by the agency being considered adequate?

LAFCo staff does not have any concerns regarding the adequacy of the public services being delivered by the SMCHD.

- d) Are there any significant infrastructure needs or deficiencies to be addressed?

In 2022, the District adopted a Master Plan which guides future capital improvement project and land development. This Plan includes an assessment of the existing harbor facilities and proposed future capital projects. The Plan details that at Pillar Point Harbor the Johnson Pier is in generally good condition while some support piers are in poor condition and will need to be replaced. The marina docks are 30-40 years old and need to be replaced. Buildings at Pillar Point are generally in fair condition. At Oyster Point Marina, several of the docks are in serious to critical condition and will require replacement within the next five years. The District has a Capital Improvement Plan (CIP) for Fiscal Year 2024-25, and will be reevaluating District facilities in the FY 2025-26 CIP. Currently, the FY 2024-25 Budget notes that there is \$80 million in identified capital improvement projects over the next five years. Per District staff, several projects in the CIP are unfunded; Johnson Pier Expansion Project, Replacement of Floating Docks, and a new Pillar Point Harbor Retail Building. Funding for these projects may require multiple funding sources to include grants, loans, and Working Capital/Fund Balance.

In 2023, the District was awarded a \$400,000 Boat launching Facilities grant from California State Parks for the design and engineering of the Pillar Point Harbor Launch Ramp. The project will include the construction of restrooms, outdoor showers, bike racks, seating, recycling center, dog waste station, and fish cleaning station. In September 2024, the California Ocean Protection Project awarded the District a \$2.9 million grant for a restoration project at Surfers Beach. The District has recently purchased several properties in the area around Pillar Point Harbor which are currently undeveloped and will require unprogrammed funds to be used for development.

- e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?

Per the District, one potential California Assembly Bill that would impact the District is AB 2916. This legislation would require that an overwater structure that contains, or a block or float that contains or is comprised of, expanded polystyrene or other plastic foam, sold or installed before January 1, 2026, and that is repaired or maintained on or after that date, be fitted with a shell made of aluminum, concrete, steel or plastic. If passed into law, AB 2916 could have a negative fiscal impact on the Harbor District in the maintenance or replacement of the floating docks at both Pillar Point Harbor and Oyster Point Marina. Currently this bill is being held in committee. However, this potential impact is not expected to be substantial.

- f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence? Not applicable.

Capacity and Adequacy of Public Facilities and Services MSR Determination

SMCHD has significant infrastructure and facility improvement needs as a result of the wear and tear of heavy use, a harsh marine environment, and deferred maintenance and capital projects. The District’s 2019 Strategic Plan and 2022 Master Plan indicate necessary repairs and capital improvements. The Plan details that at Pillar Point Harbor the Johnson Pier is in generally good condition while some support piers are in poor condition and will need to be replaced. The marina docks are 30-40 years old and need to be replaced. Buildings at Pillar Point are generally in fair condition. At Oyster Point Marina, several of the docks are in serious to critical condition and will require replacement within the next five years. The Fiscal Year 2024-25 Budget and Capital Improvement Plan identifies \$80 million in necessary capital improvement projects over the next five years. Per District staff, several projects in the Capital Improvement Plan are unfunded: the Johnson Pier Expansion Project, Replacement of Floating Docks, and a new Pillar Point Harbor Retail Building. Funding for these projects may require multiple sources including grants, loans, and Working Capital/Fund Balance. The \$80 million of identified projects does not include any improvements to the District’s recently purchased property.

Recommendations:

- 1) SMCHD should update the 2019 Strategic Plan and 2022 Master Plan to align with the most recent Capital Improvement Plan. LAFCo encourages SMCHD to include a review of CIP projects, services provided by the District, and opportunities for enhancing operational revenue in the 2024 Strategic Plan.

- 2) The updated Strategic Plan and Master Plan should include a review of the current land purchases made by SMCHD and identify their potential future uses and how their development will be funded. Both Plans should also show how the purchasing of these parcels and their future development will align with the mission and services of the District.

4) Financial Ability

Financial ability of agencies to provide service	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?			X
b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?			X

c) Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?		X	
d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?		X	
e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?			X
f) Is the organization’s debt at an unmanageable level?			X

Discussion:

a) Does the District routinely engage in budgeting practices that may indicate poor financial management such as overspending its revenue, failing to commission independent audits, or adopted its budget late?

For five consecutive years, SMCHD has been recognized by the Government Finance Officers Association for transparent budget reporting, receiving the Distinguished Budget Presentation Award. This award recognizes the District’s success in publishing a budget document that “meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device”.

In accordance with the Harbors and Navigation Code Section 6062, the District has hired a certified public accountant to conduct annual audits of its finances, each year from 2016 through 2023. All audit reports are publicly available on the District’s website. In 2023, the District switched from hiring Maze & Associates Accounting Corporation to Nigro & Nigro PC to conduct the audits. There have been no notable discrepancies or audit findings in the past five years.

Funds

The District is comprised of three departments: Administration, Pillar Point Harbor, and Oyster Point Marina. All departments share one fund, the Enterprise Fund.

Non-Operating Revenue

For Fiscal Year 2024-25, SMCHD projects \$15.3 million in total revenue. Of that, \$10.6 million (69%) is non-operating revenue. This revenue is largely property tax and other tax revenue that is received by the District. Implementation of Proposition 13 in 1978 resulted in SMCHD receiving a share of the 1 percent property tax countywide. The SMCHD receives a share of all property tax growth from all properties in San Mateo County. The percentage of non-operating revenue to operating revenue has continued to increase. The 2015 LAFCo MSR notes that in

previous years, property taxes represented 55 percent to 60 percent of revenue, while in the FY 2024-25 Budget, property taxes represented 69 percent of total revenue.

All San Mateo County property tax revenue is managed by the Administration department and is shown as revenue in the budget in Administration department funds. This revenue is also used by Pillar Point Harbor department and Oyster Point Marina department to cover both of their operating deficits. The commercial and enterprise activity at Pillar Point Harbor and Oyster Point Marina includes fees collected for berth rent, use of boat launch ramp, and leased property rents. However, these fees and rents do not cover operating costs which primarily include ocean/maritime search and rescue, salaries and benefits, repairs and maintenance of facilities, contract services, and utilities. The District faces other costs, such as biennial elections (totaling \$900,000 in FY 2024-25), legal costs associated with claim settlements (approximately \$300,000 in both FY 2021-22 and FY 2022-23) and bad debts (approximately \$100,000 in each of the past three years).

For each of the past five years, the District’s total revenue has exceeded its actual and projected spending. The District’s primary revenue source is Property Tax Revenue from San Mateo County property owners (over 65% of total revenue), followed by commercial activity generated by the District (approximately 30% of total revenue).

The District has maintained a net positive position: for each of the past five years, the District’s total revenue has exceeded its actual and projected spending. The net difference is used to fund reserves and pay for capital improvement projects.

San Mateo County Harbor District Net Expenditures

	FY 2020-21 (Actual)	FY 2021-22 (Actual)	FY 2022-23 (Actual, unaudited)	FY 2023-24 (Projected)	FY 2024-25 (Projected)
Expenditures	\$11,313,339	\$7,658,065	\$10,957,110	\$10,789,000	\$11,631,000
Revenues	\$13,326,698	\$14,249,000	\$15,052,822	\$14,647,000	\$15,287,000
Net	\$2,013,359	\$6,590,935	\$4,095,712	\$3,858,000	\$3,656,000

The District states that it intends to enhance its commercial activity revenue stream. In 2022, the District sold surplus parcels of land. In January 2024, the District purchased several parcels of land surrounding Pillar Point Harbor for \$8.7 million. Development of these properties will be discussed in the District’s upcoming Strategic Plan. The last time the Strategic Plan was updated was in 2019. This January 2024 purchase decreased the amount of working capital/Fund Balance available for capital projects.

Capital Improvement Projects

The Capital Improvement Plan (CIP) Budget is a five-year plan adopted by the District Harbor Commission on an annual basis. In each of the past five years, the cost of identified capital improvement projects has exceeded the working capital balance available to fund them. The FY 2024-25 budget identifies \$80 million in capital improvement projects over the next five years.

As of August 2024, approximately 15% of the total capital improvement project costs are funded. Of the ten projects, three are unfunded: The Johnson Pier Expansion Project (\$39 million), Replacement of Floating Docks (\$18 million), and the new Pillar Point Harbor Retail Building (\$12 million). The District plans to seek grants and may consider loans in an attempt to increase its working capital to fund these projects.

The Capital Improvement Projects cost estimates include \$200,000 in General Manager Projects that are within the GM’s authority of below \$50,000 individually.

Under the District’s 2018 agreement with the City of South San Francisco, the District is required to replace Docks 12, 13, and 14 by December 31, 2024. The District has determined this is unrealistic given that the estimated project cost has increased from \$5 million in 2018 to \$18 million in 2024, due to the rise in construction costs. Instead, the District has extended the life of the existing docks by replacing deck boards, brackets, and flotation as needed. The replacement project is on hold, and the 2018 agreement with the City of South San Francisco may be updated in the near future.

The District has received grant funds every year including a \$40,518 grant from the Ocean Protection Council Grant in FY 2021-22, a \$298,000 grant from the Metropolitan Transportation Commission, a \$400,000 grant from the California Division of Boating and Waterways, and a \$2.9 million grant from the Ocean Protection Council in FY 2024-25.

Estimated Working Capital Balance to Fund CIP

FY 2020-21 (Budget)	FY 2021-22 (Budget)	FY 2022-23 (Budget)	FY 2023-24 (Budget)	FY 2024-25 (Budget)
\$15,511,000	\$18,765,613	\$12,207,064	\$15,030,442	\$9,610,000

The District has purchased several properties around Pillar Point Harbor over the last few years. The District purchased a parcel at the corner of Avenue Portola and Obispo Road in El Granada with the intent of constructing a new administrative building. However, the District also purchased 504 Avenue Alhambra, which it chose instead for its new administrative office, and now the other parcel is considered to be surplus.

Other recently purchased parcels are located adjacent to Highway 1. Per SMCHD, the land is envisioned as future expansion of the Harbor and will be discussed in the 2024 District Strategic Plan that is being developed.

Other Post Employment Benefits (OPEB)

The District ended the OPEB program in 2009 and only employees that were hired prior to July 1, 2009 are eligible to participate. Currently there are 6 employees and 11 retirees that are eligible. OPEB benefits are administered on a pay as you go basis. If excess funds become available, the District may consider setting aside funds in a trust account. Employees hired prior to July 1, 2009, who meet service time eligibility rules, are entitled to continue the individual’s and dependent’s then existing health, dental, and vision benefits, and life insurance. These

benefits may only be collected for a period that is equal to half of the time the individual was employed by the District.

The District provides post-retirement health care, vision care, dental care and life insurance benefits, in accordance with the Board of Harbor Commissioners employee benefit resolutions, to all employees who retire from the District and meet the age and years of service requirements as specified in such resolutions.

CalPERS

On June 30, 2020, the District reported a net pension liability (NPL) of \$2,698,394 compared to June 30, 2019 NPL of \$4,831,495. The decrease was due to a request from a past Board President and current Commissioner to make a pre-payment of the District’s long-term liability of \$2,300,000.

The District participates in two benefit formulas, 2.5% at 55 for Classic Members and 2.0% at 62 for PEPRAs. Payments for the employer’s share are as follows: The District pays the contribution amount in a lump sum at the beginning of each fiscal year saving the District approximately \$10,000 per year.

Audited Financial Statements and the Unfunded Liability (UAL) described above is from CalPERS Actuarial Report. Additional contributions are not being considered at this time. CalPERS unfunded liabilities are amortized over a 15-year period for the Classic Pool and a 20-year period for PEPRAs. Paying the actuarial contributions would pay the Unfunded Liability within these time periods. Currently, the District anticipates that the Unfunded Liabilities will be paid according to the amortization schedule. In the future, the District may revisit this issue if surplus funds become available.

- b) Is the organization lacking adequate reserves to protect against unexpected events or upcoming significant costs?

District policy is to maintain a reserve of 25% of the Operating Budget Appropriations plus 50% of Election Cost Appropriations. For FY 2024-25, the reserve amount is \$4,357,750, exceeding the actual minimum required reserves.

SMC Harbor District Minimum Required Reserves

	FY 2020-21 (Budget)	FY 2021-22 (Budget)	FY 2022-23 (Budget)	FY 2023-24 (Budget)	FY 2024-25 (Budget)
Minimum Required Reserves	\$3,115,250	\$2,385,250	\$3,068,500	\$2,697,250	\$3,357,750

The District's working capital balance is used to fund the capital improvement program as well as unforeseen and unexpected emergencies, disasters and other events. The District’s reserves are set at an appropriate level to address potential unforeseen or unexpected emergencies but are insufficient to meet unfunded projects approved in the capital improvement program.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts.

- c) Is the City’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?

A review of berth fees shows that they are keeping up with the cost-of-living index for the San Francisco Bay Area, while maintaining high occupancy rates. The following tables show the slip size and rates for each facility:

Pillar Point Harbor

	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		Slips
	Docks D-H	Docks A-C	Docks D-H	Docks A-C	Docks D-H	Docks A-C	Docks D-H	Docks A-C	
30"	\$316	\$340	\$326	\$351	\$335	\$361	\$347	\$374	82
35"	\$364	\$389	\$375	\$401	\$286	\$412	\$400	\$427	74
40"	\$415	\$437	\$428	\$451	\$440	\$464	\$456	\$481	64
45"	\$469	\$492	\$484	\$508	\$498	\$522	\$516	\$541	50
50"	\$511	\$534	\$527	\$551	\$542	\$566	\$562	\$587	61
55"	\$560	\$584	\$578	\$603	\$594	\$620	\$616	\$643	12
65"	\$658	\$679	\$679	\$701	\$698	\$721	\$724	\$748	31
65" +	\$11/foot	\$11/foot	\$11/foot	\$11/foot	\$12/foot	\$12/foot	\$12/foot	\$12/foot	
Side Ties									9
End Ties									16
Total									399

Oyster Point Marina

	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		Slips
	Single	Double	Single	Double	Single	Double	Single	Double	
26"	N/A	\$244	N/A	\$252	N/A	\$259	N/A	\$269	31
30"	\$269	\$280	\$278	\$289	\$286	\$297	\$297	\$308	164
35"	\$323	\$335	\$333	\$346	\$342	\$356	\$355	\$369	86
40"	\$372	\$384	\$384	\$396	\$395	\$407	\$410	\$422	10
45"	\$415	\$432	\$428	\$446	\$440	\$458	\$456	\$475	55
50"	\$463	\$481	\$478	\$496	\$491	\$510	\$509	\$529	18
55"	N/A	\$529	N/A	\$546	N/A	\$561	N/A	\$582	1
60"	\$554	\$579	\$572	\$598	\$588	\$615	\$610	\$638	33
65"	\$9/foot	\$9/foot	\$10/foot	\$10/foot	\$10/foot	\$10/foot	\$11/foot	\$11/foot	
65" +	\$9/foot	\$9/foot	\$10/foot	\$10/foot	\$10/foot	\$10/foot	\$11/foot	\$11/foot	
Total									398

In 2024, Operating Revenue is budgeted to increase by 5.9% due to a projected inflationary increase in fees by 3.7%, and an anticipated increase in lease revenue from the Pillar Point Harbor retail center.

Lease amounts are based on market value. As each lease is developed (initial and renewal), the District contracts with a third-party licensed property appraiser to obtain the current market value. Each lease is then set at or above market value. The District provided the example of one particular lessee in which it recently negotiated an increase in the base lease payment from \$2,500 per month to \$15,800 per month.

The leases for four of the five leased spaces in the commercial building at Pillar Point have been recently renegotiated, all at or above market value.

d) Is the agency unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?

The District has funded a significant portion of the approved Capital Improvement Plan over the past several years to include the West Trail Living Shoreline Project, Publish Fishing Pier, Piling Repairs, Harbormaster Building ADA Update, Tenant Row ADA Restroom, Surfers Beach Restroom and Greenspace Project, Oyster Point Marina Electrical Upgrade, Pillar Point Harbor Launch Ramp Dredging, and the Coastal Trail Extension. The Harbor District has also approved funding for the Oyster Point Entrance Ramp Replacement Project, the Johnson Pier Electrical Upgrade, the Surfers Beach Replenishment Pilot Project, the Pillar Point Harbor Dredge Project, the Pillar Point Harbor Eelgrass Mitigation Project, and the Design Engineering, and Permitting of the Pillar Point Launch Ramp and Restroom Project. The District is currently unable to fully fund the large unfunded capital improvement projects include the requirement to replace the floating docks at Oyster Point Marina, per its agreement with the City of South San Francisco in 2018.

Summary of 5-year historical & proposed budget year expenditures and FTE Authority

	FY 2020-21 (Budget)	FY 2021-22 (Budget)	FY 2022-23 (Budget)	FY 2023-24 (Budget)	FY 2024-25 (Budget)
SMC Harbor District	\$10,203,000	\$9,812,000	\$10,784,000	\$10,789,000	\$11,631,000
FTE Count	41	41	44	44	44

The District’s budget increased by \$1,428,000 or 14% from the adopted budget in FY 2020-21 to the final project in FY 2024-25. The District’s FTE count increased by 3 FTE, or 7 percent, from the adopted budget in FY 2020-21 to the final budget in FY 2024-25. As of FY 2024-24, the Administration division consists of five elected Harbor Commissioners and 10.6 full time positions. Oyster Point has 13 FTE, Pillar Point has 20.4 FTE.

e) Is the agency lacking financial policies that ensure its continued financial accountability and stability?

The District’s July 2024 Policies handbook contains finance and accounting policies for the District.⁵ These policies are publicly available on the District website.

⁵ [Table+of+Contents+With+Policies+2024_08_28.pdf \(smharbor.com\)](#)

In July 2023, the District received the “Transparency Certificate of Excellence” from the Special District Leadership Foundation (SDLF) in recognition of its outstanding efforts to promote transparency and good governance.⁶

g) Is the agency’s debt at an unmanageable level?

The District has no long-term debt since 2016. Outstanding liabilities include CalPERS and OPEB costs.

Financial Ability MSR Determination

For five consecutive years, SMCHD has been recognized by the Government Finance Officers Association for transparent budget reporting, receiving the Distinguished Budget Presentation Award. This award recognizes the District’s success in publishing a budget document that “meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device”.

The SMCHD budget consistently exhibits a net operating shortfall due to operating costs exceeding enterprise revenues. For FY 2024-25, SMCHD projects \$15.3 million in total revenue. Of that, \$10.6 million (69%) is non-operating revenue. This revenue is largely property tax and other tax revenue that is received by the District. These total revenues are sufficient to fully fund operations and partially fund some capital projects. The CIP currently identifies \$80 million in capital projects, with approximately 15% of the total capital improvement project costs funded as of August 2024. The District has typically funded capital projects with a mix of grants, cash or on a “pay-as-you-go” basis. The cash for these projects has been sourced from the fund balance resulting from total revenues (enterprise and non-enterprise) exceeding operating costs. Recently, some of the fund balance has been utilized to purchase properties around the existing Pillar Point Harbor area, which has decreased the fund available for existing capital needs by \$6 million in FY 2024-25. Capital projects for these newly purchased properties have not yet been evaluated by the District.

The District’s July 2024 Policies Handbook contains finance and accounting policies for the District.⁷ These policies are publicly available on the District website. The District has had no long-term debt since 2016. Outstanding liabilities include CalPERS and Other Post Employment Benefits (OPEB) costs.

Recommendations

3) As part of the forthcoming updated Strategic Plan, SMCHD should evaluate potential funding sources for the existing projects identified in the Capital Improvement Plan.

4) SMCHD should evaluate the recently purchased properties and determine what potential uses will be developed on the properties, what the cost of those improvements will be, how they will be funded, and what priority these projects will be given compared to existing identified capital projects.

⁶ [Transparency Certificate of Excellence](#)

⁷ [Table-of+Contents+With+Policies+2024_08_28.pdf \(smharbor.com\)](#)

5) Shared Service and Facilities

Status of, and opportunities for, shared facilities	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?			X
c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?		X	

a) Is the agency currently sharing services or facilities with other organizations?

The District currently leases office space to the Granada Community Services District. The Harbor District recently purchased the office complex located at 504 Avenue Alhambra for use as the District’s Administrative Office. Unused office space is leased to governmental and commercial tenants.

As noted previously, SMCHD and the City of South San Francisco have an agreement for the operation and management of the Oyster Point Marina. The District has characterized the relationship between the City and SMCHD as positive and cooperative. The District has not explored alternatives to the current management of Oyster Point Marina.

The City and District participate on the Oyster Point Joint Liaison Committee, which is comprised of two City Councilmembers from the City of South San Francisco and two Commissioners from SMCHD. The Oyster Point Joint Liaison Committee last met on August 28, 2024.

The City and District have worked together to share maintenance tasks at Oyster Point Marina. Overnight security staffing at Oyster Point Marina was canceled in part due to the fact it was duplicative of a service already being provided by South San Francisco Police Department.

The SMCHD has obtained the services of and partnered with the San Mateo Resource Conservation District to help identify sources of pollutants in Pillar Point Harbor through the Pillar Point Harbor Water Quality Assistance project and the First Flush program, which involves volunteers monitoring and reporting on the levels of a variety of pollutants such as bacteria, nutrients, and metals during the first significant rain storm. In 2021, the State

Water Board developed and approved a plan to reduce bacteria pollution in the Pillar Point Harbor area.⁸

b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?

LAFCo staff has not identified other opportunities that SMCHD could engage in to share costs and/or reduce duplication of resources, facilities, or infrastructure.

c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?

See discussion under 6d-f.

Shared Services MSR Determination

Through this MSR process, staff has not identified any new opportunities for shared facilities. The SMCHD currently partners with multiple agencies, including the City of South San Francisco and the San Mateo Resource Conservation District, related to services and functions at the two harbor facilities.

⁸ [Pillar Point Harbor and Venice Beach Bacteria TMDL](https://www.waterboards.ca.gov/sanfranciscobay/water_issues/programs/TMDLs/PPH_TMDL.html),
https://www.waterboards.ca.gov/sanfranciscobay/water_issues/programs/TMDLs/PPH_TMDL.html

6) Accountability, Structure, and Efficiencies

Accountability for community service needs, including governmental structure and operational efficiencies	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with staff turnover or operational efficiencies?			X
c) Is there a lack of regular audits, adopted budgets and public access to these documents?			X
d) Are there any recommended changes to the organization’s governance structure that will increase accountability and efficiency?			X
e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?		X	
f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?		X	

Discussion:

The Board of Commissioners is the elected body that oversees all SMCHD operations and provides policy leadership. The Board acts as the legislative arm of the District. Each Commissioner serves a staggered four-year term and is provided a monthly salary of \$600, per State law. Commissioners are also eligible for reimbursements for any and actual necessary expenses related to Commission actions. The District recently adopted an updated policy regarding reimbursement for Commissioners. Until recently, Commissioners were elected at-large. However, in 2018, a change to the California Voting Rights Act required SMCHD to switch to District elections. The first District elections were held 2020 for Districts 1 and 4. District elections for Districts 2, 3 and 5 occurred in November 2022.

- a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?

The San Mateo County Harbor District meets in person at the District Offices located at 504 Avenue Alhambra, 2nd floor, El Granada CA 94018 on the 3rd Wednesday of every month at

10am. Regular meetings are also accessible to the public by Zoom. Recording of the meetings are available on the District’s website.

Agendas, agenda packets and meeting presentations are posted to the SMCHD website at least 72 hours prior to meeting dates.

According to the District, SMCHD received an allegation of Brown Act violation regarding an item at the June 4, 2020 Special Meeting. The District responded to the allegation by reconsidering the item at a subsequent meeting. No additional action was taken by any party or agency related to this issue.

SMCHD notes that it is in compliance with the Public Records Act and no violations have been reported. LAFCo staff is not aware of compliance issues with a public records request. In 2023, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate highlights an agency’s commitment to government transparency requirements, including the completion of ethics training for commissioners, adherence to the Brown Act for public meetings, and the filing and reporting for financial transactions and reports to the State in a timely manner.

The District’s website includes information regarding financial documents including budgets and audits, wage and compensation data, archived meeting minutes, and currently adopted policies on reserves financial transactions, conflict of interest, and ethics code.

b) Are there issues with staff turnover or operational efficiencies?

According to the District, there have not been challenges regarding staff turnover. Over half of the 32 operational employees have been with the District for longer than five years. Top positions in the Administrative department have been staffed by the same individuals for several years. The General Manager has been in his current position since 2019.

c) Is there a lack of regular audits, adopted budgets, and public access to these documents?

The SMCHD regularly prepares an annual budget and contracts with an accounting firm to conduct annual audits, both of which are presented to the Board of Commissions at a public hearing and are published on the District’s website. Past budget and audit documents are available on the District’s website as well.

d-f) Changes in governance structure?

The 2006 and 2015 San Mateo LAFCo MSR’s mentioned several alternative SMCHD governance options. These potential changes included dissolution of SMCHD or altering the boundaries of the District. Neither governance alternative has occurred, and the ongoing study and discussion of these options does not impact the day-to-day operations of the District. These two potential governance options are summarized below:

I. Dissolution with the County of San Mateo as Long-Term Successor/JPA with City of South San Francisco

The County could assume all of the assets, liabilities and operational responsibilities of the Oyster Point Marina and Pillar Point Harbor. All revenues would accrue to the County to

fund expenditures. The County’s Board of Supervisors ultimately would have authority over the facilities to which it is the successor. The Board could create an appointed body to advise it on operational and policy issues.

The County would assume responsibility for Pillar Point Harbor, and could utilize existing staff for operations. The County of San Mateo Parks Department currently operates Coyote Point Marina and consequently has experience managing these types of facilities, as well as administrative staff that could be augmented as necessary to handle additional workload.

The County could assign responsibility for Oyster Point Marina to the City of South San Francisco through a new JPA, and allocate property tax sufficient to pay for Oyster Point Marina operations, capital improvements and applicable share of debt service. This amount could be adjusted annually as costs adjust during transition, efficiencies are achieved, and revenues change.

The City of South San Francisco would be responsible for maintaining parks and open space at Oyster Point Marina as they currently do in other areas of the City, and could utilize existing Oyster Point Marina staff to manage and operate the marina facilities. Currently, City administrative staff could be augmented as necessary to handle administrative tasks including financial accounting.

Potential Cost Savings

The assumption of SMCHD operations by a successor agency (or agencies) offers the opportunity to achieve certain service efficiencies and cost savings due to economies of scale and eliminating duplicative elected offices and administrative functions. This would eliminate some existing Harbor Commission expenses, such as election costs. The cost associated with holding elections is the greatest potential savings of a successor agency. The Fiscal Year 2024-25 Budget projects election costs of \$900,000 in alternating years. The majority of these election costs could be shared with the other County entities also holding elections. The exact magnitude of other administrative savings, if any, would depend upon the ability of the successor agency to manage increased workload before adding staff.

Transition Issues and Costs

Although it may be possible to achieve longer-term efficiencies, stability, and cost savings, in the short-term there would be transition costs associated with reorganization. A detailed Plan for Service would need to accompany any proposal for a governance change. This Plan would need to evaluate how service responsibility would be transferred, the benefits of the governance change, how pension liability would be addressed, the implementation and financing strategies for capital improvement projects, legacy costs, and staff transition. It is likely that the net benefits to County taxpayers and users following a reorganization would lag and not be measurable for several years.

II. Alternative Boundaries

The current boundaries of the SMCHD could be reduced if it is determined that the SMCHD

primarily serves and area that is less than Countywide. However, depending on the extent of the boundary reduction, property taxes would correspondingly be reduced. Unless there are equal reductions in current SMCHD expenditures and liabilities, the reduced property tax may be inadequate to fund operations and provide for needed capital improvements.

The District, in turn, has communicated to San Mateo LAFCo staff that it is interested in assuming operational responsibilities for all county-owned ports (Coyote Point Marina, San Carlos Airport, and the Half Moon Bay Airport). San Mateo LAFCo is not aware of any formal communications between the County and the District on this matter. LAFCo has not conducted an analysis regarding any future expansion of services by SMCHD.

If a proposal was to be submitted for this change to LAFCo, an analysis would need to be conducted regarding the fiscal ability of the Harbor District to provide the service, the operational capacity of the District to provide the service and the impacts to the County of San Mateo (who currently owns and operates the two airports) among other factors for review. This proposal would also take into consideration comments from the community and airport users. It would also likely require action by the County of San Mateo Board of Supervisors. Also, under California Harbors and Navigation Code Sections 6000-6110, the principal act under which the San Mateo County Harbor District was formed, the operation of an airport is not an allowed power of a harbor district. The San Mateo County Harbor District would need to submit a proposal to LAFCo that would reorganize the District into another type of special district that has the powers to operate both harbors and airports. This reorganization could require a countywide vote.

In response to comment from the District related to the two County airports, Gretchen Kelly, Manager of the County of San Mateo Airports submitted an email to LAFCo stating that the County is not in support of the potential proposal of the Harbor District taking over the operations of the Half Moon Bay Airport and San Carlos Airport. There have been no discussions between the County and the District regarding any change to operational responsibility for the County-owned airports. In the email, Ms. Kelly discusses that the County has successfully managed the two airport facilities for many years in accordance with Federal Aviation Administration (FAA) regulations, County policies, and the needs of our aviation and community stakeholders. She states that managing an airport requires specialized aviation expertise and adherence to complex regulatory frameworks distinct from those governing marinas and harbors. Ms. Kelly also notes that maintaining County oversight is in the best interest of airport users, local businesses, and the broader community and any potential changes will need stakeholder engagement and evaluation of any impacts.

As noted previously in this section, the evaluation of alternative District governance options is solely a high-level review by LAFCo as part of this MSR/SOI. No proposal for a governance change has been submitted to LAFCo at this time. No action by LAFCo has been taken toward SMCHD other than the publication of this and previous studies. Changing the governance of SMCHD would require a separate application and action before the LAFCo Commission

Accountability, Structure, and Efficiencies MSR Determination

The District has taken a number of steps since the 2015 MSR to enhance transparency and address governance and operational efficiencies. In 2023, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate highlights an agency’s commitment to government transparency requirements, including the completion of ethics training for commissioners, adherence to the Brown Act for public meetings, and filing and reporting on financial transactions to the State in a timely manner. As noted in this MSR, the District adopted a Strategic Plan in 2019, and is currently developing an update of this plan.

There are at least two potential governance changes to the District that may produce greater efficiencies and cost savings: dissolution or altering District boundaries. No proposal for a change of governance has been submitted for either action since the 2006 MSR.

Recommendations

- 5) LAFCo supports the actions that SMCHD has made regarding transparency and encourages the District to continue these efforts.
- 6) The Harbor District, the City of South San Francisco and the County of San Mateo should continue to confer and research issues and options affecting the feasibility of implementing these possible governance changes.

7) Other

Any other matter related to effective or efficient service delivery, as required by commission policy.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?			X
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhances and provides a more robust water supply capacity?		X	
ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change?	X		
c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		

ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards?	X		
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a) Other service delivery issues that can be resolved by the MSR/SOI process.

LAFCo staff did not identify any other service delivery issues that can be resolved by the MSR/SOI process.

b) Water Resiliency and Climate Change

SMCHD has worked in partnership with OneShoreline⁹, San Mateo County, Caltrans, the U.S. Army Corps of Engineers (ACOE), and the City of Half Moon Bay to address sea level rise and coastal erosion. In 2023, the Harbor District coordinated with OneShoreline to act as the lead agency in making a request to the ACOE under the Corps Continuing Authorities Program to address the coastal erosion at Princeton by the Sea. The Harbor District and ACOE are now entering the second phase of the project, identifying and comparing potential solutions. During this phase, the Harbor District will coordinate with the public and all affected agencies including the Granada Community Services District to address:

- Reestablishing the beach to serve as a nature based protective zone for Princeton by the Sea; and,
- Disrupting the counterclockwise current created by the installation of the breakwater. This current is the cause of the excessive erosion and disappearance of the original beach at Princeton by the Sea. The project will prevent the current from stripping the beach of sand in the future.

The Harbor District has also been working with Congresswoman Anna Eshoo to include Sea Level Rise/Coastal Erosion in Northern Half Moon Bay in the Water Resources Development Act of 2024 (WRDA 2024). On July 22, 2024, the WRDA 2024 was approved by the House of Representative with a vote of 359 to 13. It has passed the Senate and is expected to be signed into law prior to the end of the year given the WRDA bill has strong bipartisan support and has passed every two years for the past several years without incident.

There are several other agencies that are conducting environmental studies and projects within the area of Pillar Point Harbor, including:

- Plan Princeton – A project by the County of San Mateo intended to a) make a comprehensive update to the policies, plans, and standards regulating the Princeton study area (west of and including Highway 1, between Pillar Point Harbor and Moss Beach); b) to review coastal access, recreation, research, and education opportunities; c) support and expand coastal-dependent and coastal-related uses; and, d) identify

⁹ OneShoreline refers to the San Mateo County Flood and Sea Level Rise Resiliency District. It is an independent government agency devoted to securing funds and planning for the long-term resilience of the area, building solutions to mitigate the climate change impacts of sea level rise, flooding and coastal erosion. <https://oneshoreline.org>

effective strategies for protecting the community from sea level rise, among other hazards.

- Mirada Road – A project by the County of San Mateo to repair portions of Mirada Road that were damaged by recent storm events and wave action.
- 2018 San Mateo County Sea Level Rise Vulnerability Assessment – A project by the County of San Mateo that reviewed how sea level rise will affect San Mateo County residents, businesses, and the services and infrastructure along the San Mateo County coast and bay shorelands.
- Pillar Point Harbor Area Shoreline Management Study – A study by OneShoreline regarding shoreline management approach for the northern Half Moon Bay shoreline from Mavericks Beach to the Mirada Road bridge.
- Surfer’s Beach and Highway 1— San Mateo County, Caltrans, and Half Moon Bay collaborated on a project constructed in 2016 to protect the highway from erosion at Surfers’ Beach, connect a 400-foot section of the Coastal Trail, and add a stairway down to the beach over the newly installed 175-foot section of rock slope protection. The Coastal Development Permit for the coastal armoring is temporary, for a 10-year period, to allow time for Caltrans to implement a long-term solution to protect the highway from erosion, which included a requirement to study moving the alignment of Highway 1.

c) Natural Hazards and Mitigation Planning

SMCHD participated in the 2021 Local Hazard Mitigation Plan (LHMP), along with the County and other San Mateo County cities. The Plan assessed hazard vulnerabilities and identified opportunities for mitigation to reduce the level of injury, property damage and community disruption that could occur in manmade and natural disasters.

SMCHD staff and consultants have worked to integrate and address resilience against natural hazards such as storm, waves, sea level rise, and flooding, in the planning for all infrastructure, capital improvement, and restoration projects at Pillar Point Harbor, Oyster Point Marina, and other District-owned properties. An assessment of the impacts of sea level rise on harbor facilities was conducted as part of the 2022 Master Plan.

The District has also implemented projects that specifically address existing issues that are caused by natural hazards. For example, the West Trail Living Shoreline Project was recently completed in spring of 2022. The West Trail is a very popular walking path located along the western edge of Pillar Point Harbor connecting the West Point Avenue parking lot to the Pillar Point outer harbor and Mavericks Beach. The living shoreline project uses a nature-based design to address chronic coastal erosion over the past few decades, resulting in degradation of the trail, and creating hazardous conditions for users as well as limiting access for emergency response. This project was designed to accommodate future sea level rise and will provide protection for many decades into the future.

Another project that is specifically being designed to address impact of natural hazards is the Surfers Beach Restoration Pilot Project. The District is currently in the final stages of planning for the Surfers Beach Restoration Pilot Project, another nature -based coastal resilience project. This project, being planned for Summer 2025, will address two major issues being caused by natural hazards: shoaling of sediment inside Pillar Point Harbor as well as extreme coastal erosion issues at Surfers Beach just outside of the Harbor. By placing clean sand that has been trapped inside the Harbor’s breakwaters in a berm along Surfers Beach, the District is addressing the impacts of sedimentation inside the harbor and erosion and hazards to beach access at Surfers Beach.

The Princeton by the Sea Shoreline Project also directly addresses sea level rise. The project will re-establish a living shoreline (the beach) along the Princeton shoreline that will provide a natural barrier to sea level rise and coastal erosion.

Finally, the Northern Half Moon Bay Sea Level Rise Project being addressed by WRDA 2024 as discussed above will address sea level rise from Pillar Point south to Miramar.

In addition to the above, the District has:

- Contracted with a professional consultant to conduct a Tsunami and Sea Level Rise vulnerability assessment.
- Replaced all articulating pins for all access ramps from land and Piers to docks to ensure safe range of motion during a tsunami event.
- Replaced all flex hoses and flanges for the extreme range during tsunami and king tide events.
- Trained staff on the Emergency Response Plan and the protocol for Public and Marina safety for near shore as well as long warning tsunamis.
- Assisted in the development of the San Mateo County Tsunami Warning and Preparedness Plan.
- Raised dock landings at Oyster Point Marina to a higher elevation.
- Posted Emergency Assembly Points and Tsunami Evacuation routes at key places throughout properties.
- Raised shoreline elevation through the Bay Trail Shoreline Project.

Of note, during the January 15, 2022 tsunami, the highwater rose four to five feet above normal high tide with no damage being reported within the harbor. Santa Cruz Harbor suffered over \$6 million in costs to repair damage caused by the same tsunami.

In order to address potential fire dangers, the District has:

- Placed hillside fire watch cameras at Pillar Point Harbor.
- Conducted ongoing removal of loose combustible vegetation, tree trimmings, fallen branches, etc. to harden landscape against potential fires.

- Assist and support community organizations (e.g. Coastside Emergency Response Teams, local schools, and the California Division of Boating and Waterways) in emergency response and educational efforts so the public knows how to respond to all natural hazards.
- Employed a Training Officer who coordinates all staff rescue training and public education to ensure staff are prepared to assist in protecting the public and quickly react to all natural hazards, then in aftermath, assist in mitigation and recovery.
- Maintain emergency response vehicles and vessels in always ready condition and stored emergency response equipment, supplies, generators.

Other Issues MSR Determination

SMCHD collaborates with several agencies, such as OneShoreline, U.S. Army Corps of Engineers, County of San Mateo, and other special districts, related to hazard mitigation and climate change. San Mateo LAFCo commends the District for the work they have undertaken in these areas.

Recommendation

- 7) San Mateo LAFCo encourages SMCHD and all other agencies working on natural hazards mitigation and climate change related projects to continue to collaborate. As there are numerous projects either ongoing or in the planning stage within the midcoast area, LAFCo would encourage all agencies involved in these projects to continue to share updates and communicate. The County of San Mateo could explore being an agency that hosts climate resiliency and hazard mitigation information relating to the several projects that are occurring within the midcoast area.

Section 6. Sphere of Influence Review

Determinations

Government Code Section 56425 requires the San Mateo LAFCo make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. These include the following determinations:

1. **The present and planned land uses in the area, including agricultural and open space lands.**

The SMCHD is comprised of a wide range of land use designations, including tidelands, submerged lands, residential, commercial, industrial, open space, agricultural, and rural. The District boundaries contain land that is under the jurisdiction of the County of San Mateo, the City of Half Moon Bay, incorporated cities, the California Coastal

Commission, the California Water Board, the State of California through a tidelands grant, the San Francisco Bay Conservation and Development Commission, as well as other agencies that have land use review authority.

2. The present and probable need for public facilities and services in the area.

Some services provided by the SMCHD are also provided at varying levels by other public and private entities to include emergency response/maritime search and rescue. The Harbor District provides search-and-rescue vessels stationed at Pillar Point and Oyster Point Marina. Bayside, the Harbor District is a partner in a search-and-rescue network that includes the County of San Mateo Sheriff's Department, other marina operators, and several fire agencies. The Harbor District is the only public agency providing immediate on water emergency response for maritime events and emergencies on the San Mateo County coastline. Need for search-and rescue and maritime assist services in this area is expected to continue.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

SMCHD has significant infrastructure and facility improvement needs as a result of the wear and tear of heavy use, a harsh marine environment, and deferred maintenance and capital projects. At Pillar Point Harbor, some support piers are in poor condition and need to be replaced. The marina docks are 30-40 years old and need to be replaced. Buildings at Pillar Point are generally in fair condition. Several of the docks at Oyster Point Marina are in serious to critical condition and will require replacement within the next five years. Pillar Point Harbor has a 90-95 percent berth occupancy rate, and Oyster Point Marina has a 70-75 percent berth occupancy rate. Both facilities include visitor-serving opportunities.

4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

San Mateo County Harbor District's boundaries are coterminous with San Mateo County, operating out of two locations: Oyster Point in South San Francisco and Pillar Point in Half Moon Bay. These represent distinct communities with common social and economic interest in commercial and recreational fishing, boating, and visitor-serving facilities. Commercial fishing is an important industry to the County. Pillar Point Harbor's search-and-rescue and maritime assist capabilities benefit those who work, live, recreate, vacation, transit or visit the San Mateo County coastline. Oyster Point offers a venue for a commuter ferry. These services remain valuable to the area, whether they are provided by the current Harbor District or by a potential successor agency such as the County of San Mateo or the City of South San Francisco.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural

fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Not applicable.

On the basis of the Municipal Service Review:

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Appendix A. San Mateo County Harbor District Fact Sheet

General Manager: James B. Pruett

Mailing Address: P.O. Box 1449, El Granada, CA 94018

Physical Address: 504 Avenue Alhambra, 2nd Floor, El Granada, California 94018

Email Address: jpruett@smharbor.com

Phone Number: (650) 583-4400

Date of Formation: 1933

District Commissioners:

Commissioners	Term Expiration Date
Bill Zemke, District 1	December 2028
George W. Domurat, District 2	December 2026
Kathryn V. Slater-Carter (Vice President), District 3	December 2026
Tom Mattusch (President), District 4	December 2028
Virginia Chang Kiraly, District 5	December 2028

Compensation: Harbor Commissioners receive a monthly salary of \$600

Public Meetings: Commission meetings are held in person at the District Offices located at 504 Avenue Alhambra, 2nd floor, El Granada CA 94018 on the 3rd Wednesday of every month at 10am. Regular meetings are also accessible to the public by Zoom. Recording of the meetings are available on the District’s website.

Services Provided: Harbor-related services as well as search-and-rescue.

Agency staff: 44 FTE

Area Served: Countywide, 449 square miles of land area

Population: 745,193 residents

Sphere of Influence: Dissolution (Zero)

FY 2024-25 Budget: \$11.6M

Appendix B. References

October 28, 2024 email correspondence with attachments received by LAFCo Staff in response to request for information from San Mateo County Harbor District staff.

RESOLUTION NO. 1333

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN MATEO MAKING DETERMINATIONS PURSUANT TO GOVERNMENT CODE SECTION 56430 FOR THE SAN MATEO COUNTY HARBOR DISTRICT

RESOLVED, by the Local Agency Formation Commission of the County of San Mateo, State of California, that:

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, set forth in Government Code Section 56000 et seq., governs the organization and reorganization of cities and special districts by local agency formation commissions established in each county, as defined and specified in Government Code Section 56000 et seq.,

WHEREAS, Government Code Section 56425 et seq. requires the Local Agency Formation Commission (LAFCo or Commission) to develop and determine the sphere of influence of each local governmental agency within the County; and

WHEREAS, the Commission conducted a Municipal Service Review pursuant to Government Code Section 56430 for the San Mateo County Harbor District;

WHEREAS, the Executive Officer prepared a written report of the Municipal Service Review that was provided to the Commission and affected agencies; and

WHEREAS, the Executive Officer set a public hearing date for March 19, 2025 for the consideration of the final Municipal Service Review and caused notice thereof to be posted, published and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on March 19, 2025; and

WHEREAS, a public hearing by this Commission was held on the report and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to the proposal and the Executive Officer's report; and

WHEREAS, the Commission is required pursuant to Government Code Section 56430 to make statement of written determinations with regards to certain factors; and

WHEREAS, the Commission is required pursuant to Government Code Section 56425 and local

Commission policy to make statement of written determinations with regards to the following factors:

1. The present and planned land uses in the area, including agricultural and open-space lands.

The SMCHD is comprised of a wide range of land use designations, including tidelands, submerged lands, residential, commercial, industrial, open space, agricultural, and rural. The District boundaries contain land that is under the jurisdiction of the County of San Mateo, incorporated cities, the California Coastal Commission, the State of California through a tidelands grant, the San Francisco Bay Conservation and Development Commission, as well as other agencies that have land use review authority.

2. The present and probable need for public facilities and services in the area.

Some services provided by the SMCHD within District boundaries are also provided at varying levels by other public and private entities to include emergency response/maritime search and rescue. The Harbor District provides search-and-rescue security vessels stationed at Pillar Point and Oyster Point Marina. Bayside, the Harbor District is a partner in an active search-and-rescue network that includes the County of San Mateo Sheriff's Department, other marina operators, and several fire agencies. The Harbor District is the only public agency providing immediate on water emergency response for maritime events and emergencies on the San Mateo County coastline. Need for search-and rescue and maritime assist services in this area is expected to continue.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

SMCHD has significant infrastructure and facility improvement needs as a result of the wear and tear of heavy use, a harsh marine environment, and deferred maintenance and capital projects. At Pillar Point Harbor, some support piers are in poor condition and need to be replaced. The marina docks are 30-40 years old and need to be replaced. Buildings at Pillar Point are generally in fair condition. Several of the docks at Oyster Point Marina are in serious to critical condition and will require replacement within the next five years. Pillar Point Harbor has a 90-95 percent berth occupancy rate, and Oyster Point Marina has a 70-75 percent berth occupancy rate. Both facilities include visitor-serving opportunities.

4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

The District's boundaries are coterminous with San Mateo County, while operations are based out of two locations: Oyster Point in South San Francisco and Pillar Point in Half Moon Bay. These represent distinct communities with common social and economic interest in commercial and recreational fishing, boating, and visitor-serving facilities. Commercial fishing is an important industry to the County. Pillar Point Harbor's search-and-rescue and maritime assist capabilities benefit those who work, live, recreate, vacation, transit or visit the San Mateo County coastline. Oyster Point offers a venue for a commuter ferry. These services remain valuable to the area, whether they are provided by the current Harbor District or by a potential successor agency such as the County of San Mateo or the City of South San Francisco.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that

occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

No change to the SOI for the SMCHD is proposed at this time.

WHEREAS, based on the results of the MSR, staff has determined that the SOI for the San Mateo County Harbor District does not need to be updated at this time; and

WHEREAS, the Municipal Service Review is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which allows for basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. The Municipal Service Review collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The Municipal Service Review also is exempt from CEQA under the section 15061(b)(3), the common-sense provision, which states that CEQA applies only to projects which have the potential for causing a significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA; and

NOW, THEREFORE, the Local Agency Formation Commission of the County of San Mateo DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. By Resolution, the Commission accepts the Executive Officer’s Report dated March 19, 2025, Final Municipal Service Review for the San Mateo County Harbor District, and all written comments and attachments incorporated herein and contained in attached “Exhibit A.”

Section 2. By Motion, the Commission adopts the Municipal Service Review determinations set forth in “Exhibit B” which is attached and hereby incorporated by reference.

Regularly passed and adopted this ___day of__.

Ayes and in favor of said resolution:

Commissioners:

Noes and against said resolution:

Commissioners Absent and/or Abstentions:

Commissioners:

Chair
 Local Agency Formation Commission
 County of San Mateo
 State of California

ATTEST:

Executive Officer
 Local Agency Formation Commission

Date: _____

I certify that this is a true and correct copy of the resolution above set forth.

Date: _____

Clerk to the Commission
 Local Agency Formation Commission

Exhibit B

Municipal Service Review (MSR) Areas of Determination and Recommendations for
the San Mateo County Harbor District**Areas of Determinations and Recommendations****Growth and population projections for the affected area.***Determination*

While the County will continue to grow in population, demand for SMCHD services and facilities is more heavily driven by other factors, such as weather conditions, fishing season prospects, and outdoor recreation trends. The projected population growth will not directly impact the District's service needs and demands.

Recommendation: None

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.*Determination*

The District's sphere and corporate boundaries are contiguous with the County. While there are disadvantaged unincorporated communities within the District's boundaries, services to these areas—such as water, sewer, and structural fire—are the responsibility of other agencies.

Recommendation: None

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.*Determination*

SMCHD has significant infrastructure and facility improvement needs as a result of the wear and tear of heavy use, a harsh marine environment, and deferred maintenance and capital projects. The District's 2019 Strategic Plan and 2022 Master Plan indicate necessary repairs and capital improvements. The Plan details that at Pillar Point Harbor the Johnson Pier is in generally good condition while some support piers are in poor condition and will need to be replaced. The marina docks are 30-40 years old and need to be replaced. Buildings at Pillar Point are generally in fair condition. At Oyster Point Marina, several of the docks are in serious to critical condition and will require replacement within the next five years. The Fiscal Year 2024-25 Budget and Capital Improvement Plan identifies \$80 million in necessary capital improvement projects over the next five years. Per District staff, several projects in the Capital Improvement Plan are unfunded: the Johnson Pier Expansion Project, Replacement of Floating Docks, and a new Pillar Point Harbor Retail Building. Funding for these projects may require multiple sources including grants, loans, and Working Capital/Fund Balance. The \$80 million of identified projects does not include any improvements to the District's recently purchased property.

Recommendations:

1. SMCHD should update the 2019 Strategic Plan and 2022 Master Plan to align with the most recent Capital Improvement Plan. LAFCo encourages SMCHD to include a review of CIP projects, services provided by the District, and opportunities for enhancing operational revenue in the 2024 Strategic Plan.
2. The updated Strategic Plan and Master Plan should include a review of the current land purchases made by SMCHD and identify their potential future uses and how their development will be funded. Both Plans should also show how the purchasing of these parcels and their future development will align with the mission and services of the District.

Financial ability of agency to provide services.*Determination*

For five consecutive years, SMCHD has been recognized by the Government Finance Officers Association for transparent budget reporting, receiving the Distinguished Budget Presentation Award. This award recognizes the District's success in publishing a budget document that "meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device".

The SMCHD budget consistently exhibits a net operating shortfall due to operating costs exceeding enterprise revenues. For FY 2024-25, SMCHD projects \$15.3 million in total revenue. Of that, \$10.6 million (69%) is non-operating revenue. This revenue is largely property tax and other tax revenue that is received by the District. These total revenues are sufficient to fully fund operations and partially fund some capital projects. The CIP currently identifies \$80 million in capital projects, with approximately 15% of the total capital improvement project costs funded as of August 2024. The District has typically funded capital projects with a mix of grants, cash or on a "pay-as-you-go" basis. The cash for these projects has been sourced from the fund balance resulting from total revenues (enterprise and non-enterprise) exceeding operating costs. Recently, some of the fund balance has been utilized to purchase properties around the existing Pillar Point Harbor area, which has decreased the fund available for existing capital needs by \$6 million in FY 2024-25. Capital projects for these newly purchased properties have not yet been evaluated by the District.

The District's July 2024 Policies Handbook contains finance and accounting policies for the District. These policies are publicly available on the District website. The District has had no long-term debt since 2016. Outstanding liabilities include CalPERS and Other Post Employment Benefits (OPEB) costs.

Recommendations:

3. As part of the forthcoming updated Strategic Plan, SMCHD should evaluate potential funding sources for the existing projects identified in the Capital Improvement Plan.
4. SMCHD should evaluate the recently purchased properties and determine what potential uses will be developed on the properties, what the cost of those

improvements will be, how they will be funded, and what priority these projects will be given compared to existing identified capital projects.

Status of, and opportunities for, shared facilities.

Determination

Through this MSR process, staff has not identified any new opportunities for shared facilities. The SMCHD currently partners with multiple agencies, including the City of South San Francisco and the San Mateo Resource Conservation District, related to services and functions at the two harbor facilities.

Recommendation: None

Accountability for community service needs, including governmental structure and operational efficiencies.

Determination

The District has taken a number of steps since the 2015 MSR to enhance transparency and address governance and operational efficiencies. In 2023, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate highlights an agency's commitment to government transparency requirements, including the completion of ethics training for commissioners, adherence to the Brown Act for public meetings, and filing and reporting on financial transactions to the State in a timely manner. As noted in this MSR, the District adopted a Strategic Plan in 2019, and is currently developing an update of this plan.

There are at least two potential governance changes to the District that may produce greater efficiencies and cost savings: dissolution or altering District boundaries. No proposal for a change of governance has been submitted for either action since the 2006 MSR.

The District has communicated to San Mateo LAFCo staff that it is interested in assuming operational responsibilities for all county-owned ports (Coyote Point Marina, San Carlos Airport, and the Half Moon Bay Airport). San Mateo LAFCo is not aware of any formal communications between the County and the District on this matter.

If a proposal was to be submitted for this change to LAFCo, an analysis would need to be conducted regarding the fiscal ability of the Harbor District to provide the service, the operational capacity of the District to provide the service and the impacts to the County of San Mateo (who currently owns and operates the two airports) among other factors for review. This proposal would also take into consideration comments from the community and airport users. It would also likely require action by the County of San Mateo Board of Supervisors. Also, under California Harbors and Navigation Code Sections 6000-6110, the principal act under which the San Mateo County Harbor District was formed, the operation of an airport is not an allowed power of a harbor district. The San Mateo County Harbor District would need to submit a proposal to LAFCo that would reorganize the District into another type of special district that has the powers to operate both harbors and airports. This reorganization could require a

countywide vote. The County, in comments submitted to LAFCo on February 12, 2025, stated their opposition to any proposal to have the Harbor District operate the two County airports.

Recommendations

5. LAFCo supports the actions that SMCHD has made regarding transparency and encourages the District to continue these efforts.
6. The Harbor District, the City of South San Francisco and the County of San Mateo should continue to confer and research issues and options affecting the feasibility of implementing these possible governance changes. The City of Millbrae ensures that public meetings are accessible and well-publicized. LAFCo staff is not aware of any failures to comply with disclosure laws or the Brown Act. The City prepares and adopts and annual budget, and annual independent audits are reviewed at a City Council meeting. LAFCo staff does not recommend any changes to the City's governmental structure or operations that will increase accountability and efficiency.

Any other matter related to effective or efficient service delivery, as required by LAFCo policy including the following:

i. Water Resiliency and Climate Change

ii. Impact of Natural Hazards and Mitigation Planning

Determination

SMCHD collaborates with several agencies, such as OneShoreline, U.S. Army Corps of Engineers, County of San Mateo, and other special districts, related to hazard mitigation and climate change. San Mateo LAFCo commends the District for the work they have undertaken in these areas.

Recommendation:

7. San Mateo LAFCo encourages SMCHD and all other agencies working on natural hazards mitigation and climate change related projects to continue to collaborate. As there are numerous projects either ongoing or in the planning stage within the midcoast area, LAFCo would encourage all agencies involved in these projects to continue to share updates and communicate. The County of San Mateo could explore being an agency that hosts climate resiliency and hazard mitigation information relating to the several projects that are occurring within the midcoast area.

From: [Gretchen Kelly](#)
To: [Rob Bartoli](#)
Cc: [Ann Stillman](#)
Subject: Airport comments on the Harbor District MSR
Date: Wednesday, February 12, 2025 3:10:29 PM

Mr. Bartoli,

We appreciate the opportunity to provide our perspective regarding the Harbor District MSR and expressed interest in assuming operational responsibilities for County-owned airports.

We do not support the proposal for the Harbor District to take over the operations of Half Moon Bay Airport and San Carlos Airport. To date, there have been no discussions between the County and the District on this matter, and we were not consulted prior to their communication with LAFCo.

The County has successfully managed these airports for many years, ensuring their operations align with Federal Aviation Administration (FAA) regulations, County policies, and the needs of our aviation and community stakeholders. Both airports serve critical roles in supporting emergency services, general aviation, economic development, and regional transportation infrastructure. Managing an airport requires specialized aviation expertise and adherence to complex regulatory frameworks distinct from those governing marinas and harbors.

We believe that maintaining County oversight is in the best interest of airport users, local businesses, and the broader community. Any significant changes to governance or management should involve thorough stakeholder engagement and a careful evaluation of potential impacts.

The County remains committed to the continued safe and efficient management of the Half Moon Bay and San Carlos Airports. We appreciate your time and consideration on this matter. Please feel free to contact me with any questions.

Thank you,
Gretchen

Gretchen Kelly (she/her)
Manager, County of San Mateo Airports
650.573.3700 | gkelly@smcgov.org

Attachment E

From: [REDACTED]
To: [Rob Bartoli](#); [Sarah Flamm](#)
Cc: [Debbie Ruddock](#); [Ray Mueller](#); [CEO SMCSUPSPEIER](#)
Subject: SMHD Review - Please Include
Date: Friday, February 28, 2025 6:28:47 AM
Attachments: [9.23.21-Financial.pdf](#)
[9.23.21.Johnson Pier.pdf](#)

Attached are two documents from a Harbor District Special Committee hearing held in September of 2021.

If you take the time to read them, you will see why the Harbor District is failing its primary role.

50 years of bad management has led to a situation where deferred maintenance has added up to over 50 million dollars. Unless something drastically changes with the leadership of the district, critical infrastructure will fail. There is no reason to think otherwise. Just read these two small reports and you will see.

Thanks!

John Ullom



Staff Report

TO: Revenue and Income Committee
FROM: Julie van Hoff, Director of Administrative Services
THRU: James B. Pruet, General Manager
DATE: September 23, 2021
SUBJECT: Debt Financing for Capital Improvement Projects

Issue/Topic:

Analysis and Review of Debt Financing for Capital Improvement Projects

Recommendation:

Review information provided and consider possible recommendation to the Board of Harbor Commissioners for consideration.

Policy Implications:

4.3.2 Debt Policy

Fiscal Implications/Budget Status

Staff's recommendation would result in an update to the Final Adopted 2021/22 Budget Document.

Background

The Harbor District Board adopted the Final Operating Budget and the 5-year Capital Improvement Plan (CIP) on June 16, 2021. The following projects are approved and funded under the Adopted 5-year CIP:

1. Tenant Row/Ketch Joanne Tenant Row Restrooms:	\$803,005
2. RV Park Restroom and Greenspace Improvements:	\$1,301,215
3. Oyster Point Marina Survey Docks:	\$100,000
4. Oyster Point Marina Replace Docks 12, 13 & 14:	\$6,536,800
5. Surfers Beach Restoration/Harbor Dredge Project:	\$3,815,380
6. West Trail Shoreline Protection:	\$3,666,857
7. Enterprise Planning Resource System:	\$861,392
8. Replacement of Vessels and Vehicles:	\$1,349,626
9. Master Plan:	\$383,109
10. Construction of Administration Building:	\$2,180,000
11. Oyster Point Marina Replace Navigational Aids:	<u>\$282,396</u>
Total:	\$21,279,780

SUBJECT: Debt Financing for Capital Improvement Projects

The 5-year CIP also approved the following projects pending funds:

1. Pillar Point Harbor Replace Dock G, F or E:	\$9,600,000
2. Johnson Pier Reconfiguration, H-Dock & Fuel Dock Replacement:	\$15,461,701
3. Pillar Point Harbor Parking Lot Improvements:	\$680,000
4. OPM West Basin Access Ramps for Docks 1 through 6:	\$1,308,922
5. Pillar Point Harbor Launch Ramp Restroom/ Boat Wash:	\$1,700,000
6. Pillar Point Habitat Restoration:	\$400,000
7. Pillar Point Coastal Trail Improvement:	\$200,000
8. Oyster Point Marina 40,000 Square Foot Parcel Building:	\$2,100,000
9. Signage/Wayfinding Program:	<u>\$100,000</u>
Total:	\$31,550,623

The Budget provides for an estimated \$9,326,035 in available Working Capital at the end of five years. The Actual 2020/21 Working Capital Balance was \$2,723,806 above the budgeted projection resulting in \$12,049,841 available to plan for funding of capital projects.

Taking the above into consideration and the critical need to complete several of the unfunded projects approved by the CIP, staff recommends, in addition to the already approved and funded projects, that the following projects and preliminary engineering/design services be funded over the next five years using the estimated \$12,049,841 in Working Capital Balance:

1. Johnson Pier Reconfiguration, H-Dock & Fuel Dock Replacement Engineering/design:	\$1,229,961*
2. Fuel Dock at PPH:	\$500,000
3. Pillar Point Harbor Launch Ramp Restroom/ Boat Wash: (estimate decreased)	\$700,000
4. Purchase of Admin Building: (additional amt.)	\$820,000
5. Oyster Point Marina West Basin Access Ramps for Docks 1 through 6:	\$1,308,922
6. Shoreline Rock Slope Protection (Master Plan addition)	\$750,000
7. Pillar Point Harbor Replace Dock G, F or E Engineering/design:	\$600,000
8. Pillar Point Harbor Parking Lot Improvements:	\$680,000
9. Pillar Point Habitat Restoration:	\$400,000
10. Pillar Point Coastal Trail Improvement:	\$200,000
11. Signage/Wayfinding Program:	\$100,000
12. West Shoreline Protection Project (additional amt.)	\$1,248,558
13. Oyster Point Marina 40,000 Square Foot Parcel Building:	<u>\$2,100,000</u>
Total:	\$10,637,441

* The General Manager has already approved the re-start of this contract to complete the design and engineering and is seeking Board approval.

Completing the design and engineering on projects 1, 7 is critical to pursuing funding (grants/debt).

SUBJECT: Debt Financing for Capital Improvement Projects

If the above projects are approved for funding, total expenditures are estimated to be \$1,412,400 less than the expected Working Capital.

The following projects are critical to the success and Safety of the District, but the District lacks the necessary Working Capital to complete them:

1. Replacement of Pillar Point Harbor Docks G, F, H:	\$9,000,000
2. Johnson Pier Reconfiguration, H-Dock & Fuel Dock:	\$18,000,000
3. Replacement of Docks 1 through 6 in the East Basin:	\$16,000,000
4. Replacement of Dock 7:	<u>\$2,800,000</u>
Total:	\$45,800,000

The first two listed projects are expected to meet the requirements for a 30-year bond issuance. Attached is a schedule assuming a 3.5% interest rate for \$27,000,000. Annual payments would be approximately \$1,455,000. With the current terms of the Operating Agreement between the District and City of South San Francisco, projects 3 and 4 will likely not be eligible for financing.

A project not yet addressed but has been raised on several occasions concerns Tenant Row at Pillar Point Harbor. The current building that currently has two restaurants, a surf shop, a bait and tackle shop, and an ice cream shop, has reached the end of its useful life and is in need of replacement. Estimated cost to replace the building is \$6,000,000 bringing the total funding need to \$51,800,000.

The Preliminary Budget five-year forecast shows that working capital available is \$450,000 in fiscal year 2024/25. In order for the District to qualify for the above debt service, it would have to increase revenues, decrease costs and/or secure grant funding for the difference between \$1,455,000 and \$450,000 or \$1,005,000 by fiscal year 2024/25. The District would be able to afford approximately \$8,350,000 debt issuance with the current forecasts.

Staff contacted the Division of Boating and Waterways for information regarding loans. The interest rate is 4.5%, there may not be any funding available for the loan this fiscal year, and Oyster Point Marina projects would not qualify. This is not recommended at this time.

To move forward with a debt issuance, staff recommends the following steps:

- 1) Complete Preliminary Engineering receive engineers construction estimates, and be within three months of obtaining all permits for the three projects listed above.
- 2) Then staff will issue an RFP for Bond Counsel and Financial Advisors. The Financial Advisors will help us through the preparation of an official statement, rating agency presentations, analysis of options, and placement of debt.
- 3) Issue debt as close to issuing bid documents as possible.

Summary/Recommendation:

Staff recommends that the Income and Revenue Committee provide recommendations to be considered by the Board.

Attachments:

- 1) Debt Payment Schedule
 - [Loan Calculator for Future](#)
 - [Loan Calculator Affordable](#)

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners
From: Sarah Flamm, Management Analyst
 Rob Bartoli, Executive Officer

Subject: Consideration of Draft Municipal Service Review for the Coastside Fire Protection District

Summary and Background

This Municipal Service Review (MSR) examines the Coastside Fire Protection District (CFPD) and represents the first MSR completed for this District. CFPD is an independent special district in coastal San Mateo County with a Sphere of Influence that is coterminous with the District's current boundaries. CFPD protects a population of approximately 24,235 people (Census 2020) over 50 square miles of land. CFPD includes territories in the City of Half Moon Bay, Montara, El Granada, Moss Beach, Miramar, Princeton and other unincorporated areas of San Mateo County.

The District was formed in 2007 when LAFCo approved a consolidation between the Half Moon Bay Fire District and with the Point Montara Fire District. Shortly thereafter, in 2008, the District entered into a cooperative fire protection agreement with the California Department of Forestry and Fire Protection (CAL Fire) to provide all personnel and fire protection services. All employees of the District are employees of the State of California. The goal of this arrangement is to reduce cost and acquire resources and operational efficiencies through CAL FIRE. Under the current contract, CAL FIRE will continue providing fire protection services for seven years, from July 1, 2020 to June 30, 2027, for a total Not-to-Exceed amount of \$70.9M.

Revenue received by CFPD is sufficient for ongoing operations and maintenance expenditures, and there are no ongoing concerns regarding the District's financial ability to provide services.

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, SPECIAL DISTRICT, VICE CHAIR ▪ KATI MARTIN, SPECIAL DISTRICT
 ▪ VACANT, CITY ▪ VACANT, CITY ▪ VACANT, COUNTY ▪ ANN DRAPER, PUBLIC

ALTERNATES: KATHRYN SLATER-CARTER, SPECIAL DISTRICT ▪ VACANT, CITY ▪ JAMES O'NEILL, PUBLIC ▪ NOELIA CORZO, COUNTY

STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪
 DIANE ESTIPONA, CLERK

There are a total of 38.7 Full Time Equivalent (FTE) employees of CAL FIRE, contracted with CFPD. The District also has 12 volunteer fire fighter positions.

Current Key Issues

Key issues identified in compiling information on the Coastside Fire Protection District include:

- LAFCo staff does not have any concerns regarding the adequacy of the public services being delivered by the CFPD. However, the District does have outstanding California Public Employees' Retirement System (CalPERS) liabilities in the projected amount of \$13,763,066 as of June 30, 2023 related to legacy costs from the Half Moon Bay Fire District and the Point Montara Fire District.
- CFPD is the first-due/first response resource to the following areas which are outside official district boundaries: San Mateo County Fire Department jurisdiction on Highway 1 north of 1st Street in Montara and south of the City of Pacifica's corporate boundaries; the Quarry Park area; and the Tamarind Street and Purisima Way areas in the mid-coast to the east of CFPD's boundary. These areas are identified to be included within the amendment SOI for CFPD. See Attachment A.
- On February 24, 2025, the CAL FIRE state Fire Marshall published the new draft Local Response Area (LRA) Fire Hazard Severity Zone maps. New land in Half Moon Bay and the unincorporated areas within CFPD were included in the new moderate, high, and very high hazard designation. Any new regulations or requirements stemming from these changes in Severity Zone designation would be regulated by the City of Half Moon Bay, the County of San Mateo, and CFPD, which could result in a greater number of inspections and enforcement responsibilities for the District.

Proposed Municipal Service Review Determinations and Recommendations

As required by California Government Code Section 56430, this Circulation Draft MSR has seven determination areas and recommendations:

I. Growth and Population Determination

Growth within the Coastside Fire Protection District service area is projected to be 1-5% over the next 5-10 years and will not directly impact the District's service needs and demands. It is notable, however, that CFPD is a popular destination for tourists throughout the year. An influx of visitors to festivals and beaches may result in temporary increases in demand for services. If area within the amended Sphere of Influence for CFPD is annexed to the District, service impacts will likely be minimal as the District is already providing service within these areas.

Recommendation: None

II. Disadvantaged Unincorporated Communities Determination

Coastside Fire Protection District's sphere of influence and corporate boundaries do not include disadvantaged unincorporated communities. However, the District does contain two Environmental Justice Communities—Princeton and Moonridge— and is sometimes dispatched by San Mateo County's Public Safety Communications Center to provide fire protection and emergency response services outside its boundaries to Pescadero West which is a High Priority Environmental Justice Community. Currently there is no reorganization necessary for CFPD.

Recommendation: None

III. Capacity and Adequacy of Public Facilities and Services Determination

CFPD has undergone recent upgrades to its fire stations and consistently meets equipment and apparatus maintenance and replacements according to schedule. It is well equipped to serve the residents, visitors and businesses inside and adjacent to its official district boundaries. All upgrades to fire stations and equipment are fully funded through existing property tax revenue and/or Internal Service Funds.

Recommendation: None.

IV. Financial Ability Determination

The District engages in responsible budgeting practices and is able to fully fund its operations. Budgets and contracts are transparent, and documents are available on the District's website. While the District has no long-term debt, it does have outstanding CalPERS liabilities in the projected amount of \$13,763,066 as of June 30, 2023. The District has employed the firm Foster & Foster to explore how to meet this obligation. As of February 2025, the Board of Directors has not yet decided how to proceed.

Recommendation:

1. LAFCo encourages the District Board of Directors to evaluation options that continues to address CalPERS Safety Plan liabilities.

V. Shared Service and Facilities Determination

Through this MSR process, LAFCo staff has not identified any new opportunities for shared services or facilities. The CFPD currently partners with multiple agencies, including the San Mateo County Fire Department, North County Fire Protection District, and other special districts in providing emergency response services within the District, and in adjacent lands.

CFPD shares dispatch services through the County's Public Safety Communications Center, participates in the Pre-Hospital Emergency Services Providers Group, and contracts with CAL FIRE for personnel and services.

Recommendation: None

VI. Accountability, Structure, and Efficiencies Determination

The District practices transparent budgeting and operations, recording its Board Meetings and publishing agendas, minutes, and staff reports on its website. It also maintains meeting archives available online. The District has adopted all three recommendations from the San Mateo County Civil Grand Jury's 2023-24 report to annually evaluate and report to its Board of Directors on organizational risks and internal controls. In 2020, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate highlights an agency's commitment to government transparency requirements, including the completion of ethics training for commissioners, adherence to the Brown Act for public meetings, and filing and reporting on financial transactions to the State in a timely manner.

The District is achieving operational efficiencies from its contract with CAL FIRE. CFPD has consistently achieved the goals identified in its annual Strategic Business Plans, and has adopted a new 2025 Strategic Business Plan.

Recommendation: None.

VII. Other Issues Determination

CFPD collaborates with several agencies, such as the County of San Mateo, the San Mateo County Harbor District, the California Resource Conservation District, and others related to hazard mitigation and climate change.

Recommendation: None.

Sphere of Influence Determinations

As required by State law, LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency as set forth in Government Code Section 56425(e) that addresses the following:

I. The present and planned land uses in the area, including agricultural and open-space lands.

CFPD is comprised of a range of land use designations, including tidelands, submerged lands, residential, commercial, industrial, open space, agricultural and rural. The District boundaries contain land that is under the jurisdiction of the County of San Mateo, the City of Half Moon Bay, the California Coastal Commission, as well as other agencies that have land use review authority. The District's mission is "to protect the lives, environment, and property of the community through fire suppression, fire prevention, emergency medical services, rescue services, public education and other related services."

II. The present and probable need for public facilities and services in the area.

Since the formation of CFPD, the District has regularly provided services not only within its district boundaries, but also to emergencies outside its official district boundaries. The Sphere of Influence for Coastside Fire Protection District is recommended to be updated to include the following areas in which it is regularly the first on scene and/or primary unit responder: County Fire Zone 22, Quarry Park, and parcels along Tamarind St. and Purisima Way. See Attachment A. The proposed Sphere of Influence amendment would allow for future annexations of areas that CFPD is already serving and responding to. This would allow CFPD to collect property tax revenue from these areas and implement CFPD adopted fire code regulations to parcels the District already responds to. The Tunitas Creek Road area and the Harbor District area among others, are not proposed to be included within the SOI at this time as service in this area is a mix between CFPD and County Fire.

III. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

Under the current contract, CAL FIRE provides Emergency Fire Protection, Medical, and Rescue Response; Basic Life Support Services; Advanced Life Support Services; Fire Code Inspection, Prevention and Enforcement Services; Land Use/Pre-Fire Planning Services; Disaster Planning Services and specific service descriptions and staffing coverage. The CAL FIRE contract is fully funded by property tax revenue. The District is responsible for all costs associated with property and apparatus required for CAL FIRE personnel to perform their jobs. The District has fully funded its mobile apparatus replacements according to schedule and needs. The District also has three new or recently upgraded fire stations. The oldest station was built in 1998, and the newest is set for completion by the end of 2025.

IV. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

CFPD includes the City of Half Moon Bay and unincorporated areas which host annual festivals that attract tourists. The District also encompasses beaches and commercial areas that are generally considered economic communities of interest.

V. For an update of a SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

There are no disadvantaged unincorporated communities within CFPD boundaries, or in any areas in which CFPD provides services.

Public/Agency Involvement

San Mateo LAFCo submitted a request for data to the District, and on October 28, 2024, the District provided a response to this request. The information from the District's response has been incorporated into this report. Additional primary sources of information used in this MSR

include the Adopted Budgets, Basic Financial Reports and Audits, the Strategic Business Plan, Meeting Minutes and Staff Reports, and Calls for Service data.

Environmental Review/CEQA

The MSR is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which allows for the basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. The MSR collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The MSR is also exempt from CEQA under section 15061(b)(3), the common sense provision, which states that CEQA applies only to projects which have the potential to cause a significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA.

The MSR and SOI update will not have a significant effect on the environment as there are no land use changes associated with the documents.

Staff's Recommendation to Commission

1. Open the public hearing and accept public comment.
2. Provide Commissioner comment.
3. Direct the Executive Officer to schedule the Final Municipal Service Review for the Coastside Fire Protection District for a public hearing at the next Commission meeting on May 21, 2025, and circulate it with any necessary amendments to the County, cities, and independent special districts.

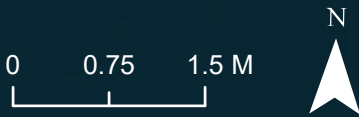
Attachments





- A. Proposed New Coastside Fire Protection District Sphere of Influence Map
- B. Draft Municipal Service Review for the CFPD.

Sphere of Influence

Attachment A

PACIFICA
COF22
MONTARA
MOSS BEACH
PRINCETON
EL GRANADA
MIRAMAR
UNINCORPORATED AREA
HALF MOON BAY



-  Fire Response Zones
-  Coastside Fire Protection District
-  Fire Response Zone Overlap
-  City/Land Boundaries





**Municipal Service Review and Sphere of Influence
Review for the Coastside Fire Protection District**

Draft

Released March 12, 2025

Municipal Service Review and Sphere of Influence Review for the Coastside Fire Protection District

SUBJECT AGENCY:

Coastside Fire Protection District

1191 Main Street
Half Moon Bay, CA 94019
Contact: Jed Wilson, Unit Fire Chief

CONDUCTED BY:

San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063
(650) 363-4224

Commissioners:

Ray Muller, Chair, County Member
Virginia Chang Kiraly, Vice Chair, Special District Member
Jackie Speier, County Member
Ann Draper, Public Member
Kati Martin, Chair, Special District Member
Debbie Ruddock, City Member
Stephen Rainaldi, City Member

Commission Alternates:

Noelia Corzo, County Member
James O'Neill, Public Member
Katheryn Slater-Carter, Special District Member
Greg Wright, City Member

Staff:

Rob Bartoli, Executive Officer
Sarah Flamm, Management Analyst
Diane Estipona, Commission Clerk
Tim Fox, Legal Counsel

**Municipal Service Review and Sphere of Influence Review
Coastside Fire Protection District**

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EXECUTIVE SUMMARY

Section 1: MSR Overview

This report is a Municipal Service Review (MSR) and Sphere of Influence (SOI) review for the Coastside Fire Protection District (CFPD). California Government Code Section 56430 requires that the Local Agency Formation Commissions (LAFCo's) complete MSRs and SOI reviews on all cities and special districts. LAFCo is an independent entity with jurisdiction over the boundaries of cities and special districts. An SOI is a plan for the boundaries of a city or special district. The MSR and SOI do not represent a proposal¹ for reorganization of agencies, but rather a State-mandated study of service provisions of an agency.

Once adopted, the service review determinations are considered in reviewing and updating the SOI pursuant to Section 56425. The SOI, which serves as the plan for boundaries of a special district, is discussed in the second part of this report. This State-mandated study is intended to identify municipal service delivery challenges and opportunities and provides an opportunity for the public and affected agencies to comment on city, county, or special district services and finance; and opportunities to share resources prior to LAFCo adoption of required determinations.

San Mateo Local Agency Formation Commission

San Mateo Local Agency Formation Commission (LAFCo or "the Commission") is a State-mandated, independent commission with county-wide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, and dissolutions. LAFCo also has authority over extensions of service outside city or district boundaries, and activation or divestiture of special district powers. The purpose of the Commission includes discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. LAFCo operates pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in California Government Code Sections 56000 and 57000. The Commission includes two members of the County Board of Supervisors, two city councilmembers from two of the County's 20 cities, two special district board members from two of the 21 independent special districts, one member of the public, and four alternate members (county, city, special district, and public).

In 1985, San Mateo LAFCo first prepared comprehensive SOI studies and adopted SOI's for the County's cities and special districts. Subsequently, LAFCo reviewed and updated SOI's on a three-year cycle. SOI updates focus on changes in service demand within the boundaries of cities and special districts. In 2003, in order to comply with the newly enacted CKH Act, LAFCo began the process of preparing SOI updates/reviews in conjunction with or following a Municipal Service Reviews (MSR).

¹ An application for annexation may be submitted by 5 percent of the voters or landowners of territory proposed for annexation or by resolution of the District.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County of San Mateo, 20 cities, 21 independent special districts, six subsidiary districts governed by city councils, and 33 County-governed special districts. Independent special districts provide a limited set of services based on their enabling legislation (i.e., fire, water, sanitation, etc.), while cities generally provide a wider array of basic services including police, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents across its cities, special districts and subsidiary districts, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County also provides basic municipal services for residents who live in unincorporated areas who are not part of any city or special district. According to Census 2020 data, 63,205 of the County’s total 765,417 residents live in unincorporated areas.

Purpose of a Municipal Service Review

This Municipal Service Review (MSR) examines the Coastside Fire Protection District (CFPD) and represents the first MSR completed for this District. CFPD is an independent special district in coastal San Mateo County with a Sphere of Influence that is coterminous with the District’s current boundaries.

LAFCo prepared this MSR based on CFPD source documents that included Adopted Budgets, Basic Financial Reports and Audits, the Strategic Business Plan, Meeting Minutes and Staff Reports, and Calls for Service data. Draft MSRs are first circulated to the District under study, as well as interested individuals and groups. The Final MSR will include comments on the circulation draft as well as LAFCo staff’s recommended determinations to be presented before the Commission for consideration during its public meeting. MSR determinations must be adopted before the Commission updates or amends a SOI.

Per Government Code Section 56430, LAFCo is required to include the following areas in the MSR determinations:

- Growth and population projections for the affected area.
- The location and characteristics of any disadvantaged unincorporated communities² within or contiguous to the SOI.
- Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.
- Financial ability of agency to provide services.
- Status of, and opportunities for shared facilities.

² “Disadvantaged community” means a community with an annual median household income that is less than 80 percent of the Statewide annual median household income. This area of determination does not apply to the study area.

- Accountability for community service needs, including governmental structure and operational efficiencies.
- Any other matter related to effective or efficient service delivery, as required by LAFCo policy.
 - Water Resiliency and Climate Change
 - Impact of Natural Hazards and Mitigation Planning

Per Government Code Section 56425, LAFCo is required to make five written determinations when establishing, amending, or updating a SOI for any local agency that address the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of MSR determination #2 and SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income. There are no disadvantaged unincorporated communities within the District’s current boundaries or within its service area.

Section 2. Summary of Key Issues

This is the first MSR study conducted by San Mateo LAFCo for the Coastside Fire Protection District (CFPD, the District). The District was formed in 2007 when LAFCo approved a consolidation between the Half Moon Bay Fire District and with the Point Montara Fire District (Attachment B). Shortly thereafter, in 2008, the District entered into a cooperative fire protection agreement with the California Department of Forestry and Fire Protection (CAL FIRE) to provide all personnel and fire protection services. All employees of the District are employees of the State of California.

Existing revenue is sufficient for ongoing operations and maintenance expenditures and there are no ongoing concerns regarding the District’s financial ability to provide services. District

personnel are regularly dispatched to emergencies outside the official District boundaries. CFPD is the first-due/first response resource to the following areas:

- San Mateo County Fire Department jurisdiction (zone COF22) on Highway 1 north of 1st Street in Montara and south of the City of Pacifica’s corporate boundaries.
- The Quarry Park area, and other areas of the mid-coast to the east of CFPD’s boundary.
- The Tunitas Creek Road area south of the District.

In general, special districts should adjust their boundaries to accurately reflect where services are being provided. This should be weighed against the fact that emergency response is a unique service area that requires cooperation and automatic mutual aid amongst local agencies across corporate boundaries to protect and serve the public. This topic is discussed in greater detail in Section 6.

On February 24, 2025, the CAL FIRE state Fire Marshall published the new draft Local Response Area (LRA) Fire Hazard Severity Zone maps. New land in Half Moon Bay and the unincorporated areas within CFPD were included in the new moderate, high and very high hazard designation. Any new regulations or requirements stemming from these changes in Severity Zone designation would be regulated by the City of Half Moon Bay, the County of San Mateo, and CFPD, which could result in a greater number of inspections and enforcement responsibilities for the District.

Section 3: Affected Agencies

Cities and County: City of Half Moon Bay, San Mateo County unincorporated communities including Montara, Moss Beach, Princeton-by-the-Sea, El Granada, and Miramar

School Districts: Cabrillo Unified School District

Independent Special Districts: Montara Water and Sanitary District, Coastside County Water District, Granada Community Services District

Dependent Special Districts: County Service Area No. 6 Streetlighting, Montara Highway Lighting District, Granada Highway Lighting District

Section 4: Coastside Fire Protection District

Background and Overview

The Coastside Fire Protection District (CFPD) was formed on October 1, 2007 by consolidating the Half Moon Bay Fire Protection District (established in 1899, formed as a district in 1923, reorganized in 1965) and the Point Montara Fire Protection District (formed in 1954). On June 1, 2008, the District contracted with the Department of Forestry Fire Services (CAL FIRE) to provide fire protection service including management, operation and personnel for the District, and transferred all of its employees except one full time employee to CAL FIRE.

CFPD is an independent special district that protects a population of approximately 24,235 people (Census 2020) over 50 square miles of land. CFPD includes territories in the City of Half

Moon Bay, Montara, El Granada, Moss Beach, Miramar, Princeton and other unincorporated areas of San Mateo County. Figure 1 shows the current District boundaries.

Figure 1. Current District Map



Source: San Mateo County Information Services Department

As of September 2024, the CFPD ISO rating is a 3/3X.³ CFPD has three fire stations and one administrative office. Fire Station No. 44 is in Moss Beach, Fire Station No. 41 is in El Granada, and Fire Station No. 40 and the administration office are co-located in Half Moon Bay.

CFPD is one of eleven fire agencies protecting 20 cities and towns, several unincorporated communities and the unincorporated areas of San Mateo County, as depicted in Table 1 below.

Table 1. San Mateo County Fire Agencies

Fire Department	Organization Structure
Central County Fire	Joint Powers Authority
Coastside Fire Protection District	District
Colma Fire Protection District	District
Menlo Park Fire Protection District	District
North County Fire Authority	Joint Powers Authority
Redwood City	City Department
San Bruno	City Department
San Mateo Consolidated	Joint Powers Authority
San Mateo County/CALFIRE	State Agency by Contract with County
South San Francisco	City Department
Woodside Fire Protection District	District

Governance & Statutory Authority

Government Code Section 56425 (i) and (j) requires that in conducting MSRs, LAFCo’s prepare an inventory of all authorized powers under a district’s enabling legislation and identify those powers that are active versus inactive. Government Code Section 56824.12 requires that before a District activates an inactive service or divests of an active service, it must first apply to LAFCo and obtain LAFCo approval. The CFPD was formed and is operating pursuant to Section 13800 et seq. of the CA Health and Safety Code. The CFPD is empowered to provide the following services: fire protection, rescue, emergency medical services, hazardous material emergency response, ambulance, and any other services relating to the protection of lives and property. CFPD is providing the full set of services authorized by the enabling legislation.⁴

³ ISO rating 3/3X refers to the public protection classification, with scores between 1 and 10, and lower numbers indicating a better score. Many variables are incorporated in the rating, including the area’s water supply for firefighting, the type and quantity of apparatus available to respond to fires, and staffing levels. The first number refers to the class that applies to properties within 5 road miles of a fire station and within 1,000 feet of a hydrant. The second number is the class that applies to properties within 5 road miles of a fire station but beyond 1000 feet of a hydrant.

⁴ Fire Protection District Law of 1987, Health and Safety Code Section 13800, [Fire+Protection+District+Law+of+1987.pdf](#)

The CFPD Board of Directors is the governing body of the District. The Board is comprised of five Directors, each elected in district elections to serve a four-year term.⁵ The Board develops and implements policies, provides strategy and plans regarding the future of the District, provides oversight of District operations and finances, and reviews and approves annual budgets audits and contracts.⁶

CFPD Service Agreements

CAL FIRE

On June 2, 2008, Coastside Fire Protection District's Board of Directors entered into a cooperative fire protection agreement with CAL FIRE (California Department of Forestry and Fire Protection) to supply all management and personnel necessary to perform fire protection services. The original agreement was for two years, through June 30, 2010 for a total not to exceed amount of \$6,177,289. The goal of this arrangement is to reduce cost and acquire resources and operational efficiencies through CAL FIRE.

On July 1, 2020, CFPD and CAL FIRE renewed their contract for a third time (Resolution No. 2020-46). Under the contract renewal, CAL FIRE will continue providing fire protection services for seven years, from July 1, 2020 to June 30, 2027, for a total Not-to-Exceed amount of \$70.9M. The agreement functions on a reimbursement basis: the District makes quarterly payments based on the actual cost of services. There are a total of 38.7 Full Time Equivalent (FTE) employees of CAL FIRE, contracted with CFPD. CFPD also has 12 volunteer fire fighter positions. Notably, four volunteer fire fighters have served CFPD for decades. As of Feb 2024, one volunteer has served 50 years, another 45 years, another 30 years, and another 10 years.

Under the current contract, CAL FIRE provides Emergency Fire Protection, Medical, and Rescue Response; Basic Life Support Services; Advanced Life Support Services; Fire Code Inspection, Prevention and Enforcement Services; Land Use/Pre-Fire Planning Services; Disaster Planning Services and specific service descriptions and staffing coverage. In turn, CFPD is responsible for all costs associated with property and apparatus required for CAL FIRE personnel to perform their jobs.

Dispatch

All fire agencies in San Mateo County, including Coastside Fire Protection District, are dispatched through San Mateo County's Public Safety Communications Center.⁷ Under this agreement, the County is able to dispatch responders across agency boundaries. In FY 2024-25, CFPD budgeted \$75,000 for these dispatch services.

⁵ In 2007, the Board consisted of 9 members elected at-large. In 2009 the Board reconstituted to seven members. In December of 2011, the Board sized down to five members. The District switched to district elections in 2022, as mandated by the State.

⁶ Coastside Fire Protection District Board Policies Handbook 2024

⁷ In accordance with the 1994 "Net Six Joint Powers Authority" agreement.

San Mateo Pre-Hospital Emergency Services Providers Group

In September 1997, fire agencies in San Mateo County established the San Mateo Pre-Hospital Emergency Services Providers Group through a Joint Powers Agreement.⁸ This group provides pre-hospital emergency services (i.e. paramedic, ambulance and Advanced Life Support) in San Mateo County. The District receives revenue on a monthly basis for its portion of revenue from the Group. This amount totaled \$90,000 in FY 2023-24. In June 2019, the contract was reauthorized for an additional five years and signed with the option of an additional five-year term to June 30, 2029.

Revenue

Property tax comprises the main revenue source for Coastside Fire Protection District, accounting for approximately 94% of the District’s total revenue in FY 2024-25. Implementation of Proposition 13 in 1978 resulted in Coastside Fire Protection District receiving a share of the 1 percent property tax countywide in perpetuity. In Fiscal Year 2024-25, this amount was approximately \$12.2 million. The District also receives revenue from Fire Marshall services at an 80% cost recovery schedule.⁹ These services include inspections, false alarm responses, temporary operational permits, building plan reviews, and more. More discussion of the District’s revenue can be found in Section 5, subsection 4: Financial Ability.

Prior Municipal Service Reviews and Current SOI

San Mateo LAFCo has not previously conducted a Municipal Service Review (MSR) or Sphere of Influence (SOI) update for Coastside Fire Protection District. In October 2008, LAFCo reviewed the SOI’s for jurisdictions along the San Mateo coastal region and stated that CFPD’s SOI is coterminous with District boundaries, as defined during CFPD’s formation in 2007 when Pt. Montara and Half Moon Bay Fire Protection District were consolidated.

Section 5: Municipal Service Review

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all determinations are not significant, as indicated by “no” answers, the Commission may find that an MSR update is not warranted.

1) Growth and Population

Growth and population projections for the affected area.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?			X

⁸ [JPA Medical Services Group](#)

⁹ Cost Recovery and Fee Schedule Policy Nov 13, 2023

Will population changes have an impact on the subject agency’s service needs and demands?		X	
Will projected growth require a change in the agency’s service boundary?			X

Discussion

- a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?

Over the next 5-10 years, no significant population change or development is expected within the current CFPD boundaries based on a review of planning documents from the County of San Mateo, City of Half Moon Bay, and the Association of Bay Area Governments. Growth in the coastal area which encompasses CFPD is substantially limited by water supply, wastewater treatment capacity and land use policies, amongst other factors.

As of 2020, the District’s population is 24,235. Nearly half of the District’s population lives in the City of Half Moon Bay, while the remainder live in unincorporated communities. The projected population growth rate for this region for the ten-year period from 2025-2035 is between 1 to 5%.¹⁰ This is below the growth rate of the larger Bay Area.¹¹ Projected demand for CFPD services is influenced by both by population and the geography of the service area.

CFPD land contains hilly terrain covered with combustible natural vegetation including eucalyptus trees. These areas have narrow roadways with steep grades and are difficult to access. CFPD also contains coastal zones that experience dense fog and rain, leading to hazardous road conditions, rockslides, and flooding. These conditions can result in many vehicular accidents. CFPD is also within a high activity seismic geological zone. During a seismic event, there is a great risk that there will be many emergency calls occurring simultaneously with multiple fires, breakage of water and gas mains, electrical power outages, and collapsed structures. In addition to resident population, demand for service is also influenced by visitor-serving facilities and development such as parks, beaches, coastal recreation activities and Highways 1 and 92.

- b) Will the population changes have an impact on the subject agency’s service needs and demands?

The District’s population is projected to remain relatively flat, therefore should not impact CFPD’s service needs and demands. It is notable, however, that CFPD is a popular destination for tourists throughout the year. An influx of visitors to festivals and beaches may result in temporary increases in demand for services.

¹⁰ Association of Bay Area Governments (ABAG) [Projections 2040 - Forecasts for Population Households and Jobs](#)

¹¹ [2023-2031 Housing Element Update | Half Moon Bay, CA](#)

Indeed, over the 12-year period from 2008 to 2020, the number of CFPD full time equivalent employees (FTE’s) increased by only 3 FTE or 8%, from 35.7 FTE to 38.7 FTE (added positions included a Fire Captain, Fire Apparatus Engineer, and Division Chief for Operations).

c) Will projected growth require a change in the agency’s service boundary?

No change is required.

Growth and Population MSR Determination

Growth within the Coastside Fire Protection District service area is projected to be 1-5% over the next 5-10 years and will not directly impact the District’s service needs and demands. If area within the amended Sphere of Influence for CFPD is annexed to the District, service impacts will likely be minimal as the District is already providing service within these areas (See Section 6 for additional information).

2) Disadvantaged Unincorporated Communities

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.	Yes	Maybe	No
a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?	X		
b) Are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the Statewide median household income)?		X	
c) If “yes” to both a) and b), is it feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? (if “no” to either a) or b), this question may be skipped)		X	

Discussion:

There are no disadvantaged unincorporated communities within CFPD. However, San Mateo County has identified two communities within District boundaries, Princeton and Moonridge, as Environmental Justice Communities.¹² According to this designation, Princeton and Moonridge are low-income communities where residents face two or three pollution or hazard indicators. The County has identified Pescadero West, a community adjacent to CFPD in which CFPD personnel often provide services, as a High Priority Environmental Justice Community. This

¹² San Mateo County Environmental Justice Element: Draft Technical Appendix, 2/11/2025

designation means that it is low-income and residents face four or more pollution or hazard indicators. No CFPD reorganization is necessary to serve these communities.

- a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?

Yes, the Coastside Fire Protection District provides structural fire protection.

- b) Are there any inhabited unincorporated communities within or adjacent to the subject agency’s sphere of influence that are considered disadvantaged (80% or less of the statewide median household income)?

The District’s sphere of influence does not presently contain any disadvantaged unincorporated communities. However, the District does include the communities of Princeton (pop. 993) and Moonridge (pop. 1,758), which have been identified by San Mateo County as Environmental Justice communities (low-income with two or more pollution or hazard indicators).

Princeton is on the coast, just north of Half Moon Bay. The County has determined that residents in Princeton are exposed to high levels of pesticides, likely due to the agricultural activity in the area and the use of pesticides on San Mateo County Parks lands. Residents in Princeton are exposed to flooding and sea level rise, with parts of the community located in the 100 and 500-year flood zones. Also, the beaches have poor water quality.

Moonridge is a small affordable housing development southeast of Half Moon Bay. The majority (85%) of residents are Hispanic. Moonridge residents are exposed to high levels of pesticides, solid waste concerns, and flooding.

CFPD often provides structural fire protection outside its district boundaries to the “Pescadero West” community. Pescadero West is south of district boundaries. The County has identified “Pescadero West” (pop. 827) as a High Priority Environmental Justice Community (low-income with four or more pollution or hazard indicators). Residents of Pescadero West are exposed to pesticides, high level of contaminants of well drinking water, solid waste, flood risk and sea level rise. At present, covering this area is a shared responsibility with County Fire Department, which is also a CAL FIRE contractor. For further discussion of CFPD responses outside District boundaries, see Section 6.

- c) If yes to both, is it feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community?

Currently there is no reorganization necessary for CFPD. Dispatch communications for CFPD, along with the ten other fire agencies in San Mateo County, is routed through one central dispatch. This boundary-less service model ensures quick response times to emergencies across the entire county.

Disadvantaged Unincorporated Communities MSR Determination

Coastside Fire Protection District’s sphere of influence and corporate boundaries do not include disadvantaged unincorporated communities. However, the District does contain two Environmental Justice Communities—Princeton and Moonridge— and is sometimes dispatched by San Mateo County’s Public Safety Communications Center to provide fire protection and

emergency response services outside its boundaries to Pescadero West which is a High Priority Environmental Justice Community.

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?			X
b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?			X
c) Are there any concerns regarding public services provided by the agency being considered adequate?			X
d) Are there any significant infrastructure needs or deficiencies to be addressed?			X
e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?			X
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?			X

Discussion:

CFPD provides a range of services along the San Mateo midcoast region, including fire suppression, fire prevention, emergency medical services, rescue services, and public education to residents, visitors, and businesses. Since the District is operated under contract by CAL FIRE, it benefits from access to statewide cooperative efforts, shared resources, and qualified personnel.

The CFPD Fire Marshal Office offers various inspection and consulting services for a fee. CFPD facilities and apparatus are well maintained and replaced on schedule, in accordance with state standards.

The Coastside Fire Protection District Service Area and Facilities

CFPD is located on the Pacific Coast, approximately 25 miles south of the City of San Francisco. CFPD encompasses the City of Half Moon Bay and the communities of Montara, Moss Beach, Princeton, El Granada and Miramar, in addition to surrounding unincorporated areas. CFPD has three fire stations, and one Administrative Office that is co-located in Half Moon Bay with Fire Station No. 40 which was constructed in 1998. The new El Granada Fire Station No. 41 was constructed in 2020. The Moss Beach Fire Station No. 44 was constructed in 1962 and is currently being replaced with a new station. CFPD does not have any staff; All personnel assigned to CFPD are State of California (CAL FIRE) employees. There are currently 38.7 personnel.

- a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?

LAFCo is not aware of any deficiencies regarding capacity to provide emergency services within CFPD’s service area. In addition to providing emergency response, CFPD has a Fire Marshal Office that provides services to residents and businesses, for a fee set at 80% cost recovery (except for smoke detector inspections at 50%). These services include plan reviews, building inspections, and defensible space inspections. With little to no increase in population and development expected in the District, it is probable that demand for these services will continue to be met. Table 2 below shows that there is no indication of a linear increase in public demand for Fire Marshal services for the four-year period from 2021- 2024.

Table 2. CFPD Fire Marshal Office Services, 2021-2024¹³

	2024*	2023	2022	2021
Plan Reviews	322	607	644	557
Construction Inspections	245	294	4,206	203
Mandatory Annual Inspections	95	97	23	80
Business Inspections	666	666	176	460
Smoke Detector Inspections	173	181	196	202
Defensible Space Inspections	157	162	162	550
Special Permits Issues	16	16	22	21
Total Services	1,674	2,023	5,429	2,073

The California Public Resources Code 4291 requires anyone who owns leases, controls, operates or maintains any building or structure in the State Responsibility Area (SRA) to maintain 100 feet clearance of defensible space, and remove debris from the roof and

¹³ Data provided by CFPD for January 2021- December* 2024.

clearance around chimneys. CAL FIRE inspects all properties in the SRA of San Mateo County and maintains a database of compliant and non-compliant properties.

- b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?

No. The District has an ongoing contract with CAL FIRE for a seven-year term from July 1, 2020 through June 30, 2027. CAL FIRE is a large-scale organization with cooperative fire protection agreements across jurisdictions throughout the state of California. It can scale quickly to provide expert fire, rescue, and paramedic services to CFPD if necessary.

- c) Are there any concerns regarding the public services provided by the agency being considered adequate?

LAFCo staff does not have any concerns regarding the adequacy of the public services being delivered by the CFPD.

- d) Are there any significant infrastructure needs or deficiencies to be addressed?

The Mobile Equipment Replacement Plan is a ten-year plan adopted by the CFPD Board of Directors in March 2022. The Plan details the District’s inventory of 22 pieces of fire apparatus (i.e. fire engines, ladder trucks, staff vehicles, and chief officer command vehicles). The Replacement Plan is based on the National Fire Protection Association guidelines for apparatus replacement, and updated supply chain timelines for fire apparatus deliveries. Table 3 shows seven out of the ten years in the Plan. According to the Plan, for example, in Year FY 2025-26, the District will replace the Type 6 Fire Engine No. 644. The Plan is fully funded from the District’s Internal Service Fund (LAIF) Apparatus Replacement Reserve. As of September 2024, the Apparatus Replacement Reserve has \$880,610.

Table 3. Mobile Equipment Replacement Plan FY 24/25 - FY30/31

	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY30-31
Expenditures (Est.)	\$0	\$349,787	\$0	\$79,998	\$280,749	\$83,638	\$97,737

Each of the three fire stations is less than 30 years old and well maintained. The oldest fire station is the Half Moon Bay Fire Station No. 40 which was constructed in 1998. Over the past three fiscal years, (FY 2022-23 to FY 2024-25), CFPD has budgeted approximately \$1.1M toward fire stations improvements. Information on each project, including plans, photos and contractor details, is available on the District’s website.

The new Moss Beach Fire Station No. 44 is under construction to replace the old fire station that was constructed in 1962. The new station completion date is estimated for the fourth quarter of 2025. The District has cash on hand to fully fund the entire project, using currently budgeted funds and reserves. The District’s Internal Service Fund has a Fire Station Improvement Reserve that the District annually contributes towards. As of September 2024, \$15,089,676 is available in reserves for the New Fire Station No. 44.

The new El Granada Fire Station No. 41 was completed in the fall of 2020. The Station No. 41 South Lot Improvements Project is ongoing. This project will construct a drought tolerant, fire-safe interpretive garden with a walking path, educational signs, and bench on the vacant lot south of the fire station. This project is in conjunction with Connect the Coastside and the Safe Routes to School plans. CFPD is securing additional funds to install a sidewalk around the fire station property, and a crosswalk across Obispo Avenue at Coronado Street. The Project is estimated to be completed by the summer of 2025 and is funded from a combination of budgeted funds in the General Fund (mostly property tax revenue) and the Internal Service Fund (annual contributions from the District).

- e) Are there changes in State regulations on the horizon that will require significant facility and/or infrastructure upgrades?

In 2021, California Senate Bill 63 required that CAL FIRE adopt a map of three Fire Hazard Severity Zone classes (Moderate, High, and Very High) in the Local Responsibility Area (LRA).¹⁴ Previously, only Very High Fire Hazard Severity Zones were required for adoption in Local Responsibility Areas. On February 24, 2025, the CAL FIRE state Fire Marshall published the new draft LRA Fire Hazard Severity Zone maps. The updated maps designate over 1,000 acres of land (countywide) that is now considered under “very high” fire hazard. New land in Half Moon Bay and the unincorporated areas within CFPD were included in the new “very high” hazard designation.

The implications of being in a high fire severity zone extend to additional requirements for property owners and developers regarding the materials and construction methods of new buildings; natural hazard real estate disclosure at the time of sale; 100-foot defensible space clearance landscaping requirements around buildings; property development standards such as road widths, water supply and signage; and consideration during future General Plan development. Any new regulations or requirements stemming from these changes in Fire Hazard Severity Zone designation would be regulated by the City of Half Moon Bay, the County of San Mateo, and CFPD, which could result in a greater number of inspections and enforcement responsibilities for the District.

- f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?

There are no disadvantaged unincorporated communities identified within or adjacent to CFPD. However, CFPD contains two Environmental Justice Communities within district boundaries, and responds to emergencies outside district boundaries in High Priority Environmental Justice Communities. The responsibility to respond to calls outside district boundaries is shared with other fire agencies including San Mateo County Fire, which is also under contract with CAL FIRE.

Capacity and Adequacy of Public Facilities and Services MSR Determination

¹⁴ The assessment maps evaluate hazard “based on the physical conditions that create expected fire behavior over a 50-year period without considering short-term modifications”. [LRA Legislation Factsheet - Flipbook combined - Flipbook - Page 3](#)

CFPD has undergone recent upgrades to its fire stations and consistently meets equipment and apparatus maintenance and replacements according to schedule. It is well equipped to serve the residents, visitors and businesses inside and adjacent to its official district boundaries. All upgrades to fire stations and equipment are fully funded through existing property tax revenue and/or Internal Service Funds.

4) Financial Ability

Financial ability of agencies to provide service	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?			X
b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?			X
c) Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?			X
d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?			X
e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?			X
f) Is the organization’s debt at an unmanageable level?			X

a) Does the District routinely engage in budgeting practices that may indicate poor financial management such as overspending its revenue, failing to commission independent audits, or adopted its budget late?

The District hired a certified public accountant to conduct annual audits of its finances, each year since its inception in 2007 through 2023. All audit reports are publicly available on the District’s website.

There has only been one audit report of note. In December 2009, the auditor noted in the annual report to the Board of Directors that the District had a “Significant Deficiency” in that the District was not ready for the audit in a timely manner, and didn’t have the controls in place to ensure proper and timely closing of its fiscal year. The District has since developed internal financial reporting policies and procedures. The District’s budget is consistently adopted on

time and presented to the Board in a public meeting. All budgets are available on CFPD’s website.

As shown in Table 4, CFPD tends to operate a net surplus, except in FY 2024-25 where there is an anticipated \$5.7M deficit due to financing the construction of the new Fire Station No. 44. According to the District, the budget will be balanced though the use of onetime fund balance. Currently, the District has a prior year fund balance in the amount of \$7.7M. Once the rollover capital is incorporated into the budget, the District will have \$2M operating reserves.

Table 4. Coastside Fire Protection District Net Expenditures, FY 2021/22- FY 2024/25

	FY 2024-25 (Projected)	FY 2023-24 (Actual, unaudited)	FY 2022-23 (Actual)	FY 2021-22 (Actual)
Revenue	\$15,723,568	\$16,028,742	\$15,569,887	\$14,495,178
Expenditures	\$21,473,299	\$13,220,320	\$12,432,022	\$12,724,528
Net	\$(5,749,731)	\$2,808,422	\$3,137,865	\$1,770,650

Funds

CFPD has one General Fund and four investment funds. The General Fund is the operating fund of the District, and its monies are held with the San Mateo County Treasury. Internal Service Fund reserves are held in the Local Agency Investment Fund (LAIF), a State of California external investment pool. Funds are operationally transferred out of the LAIF and into the General Fund as budgeted with approval from the District Board. Surplus revenue is invested in the LAIF. See Table 5, below.

Table 5. Local Agency Investment Fund (LAIF) Balance, FY2021-22- FY 2024-25

	FY 24-25 (Final Budget)	FY 23-24 (Final Budget)	FY 22-23 (Final Budget)	FY 21-22 (Actual)
Revenue	\$16,064,143	\$19,906,709	\$13,354,467	\$13,522,368
Expenditures	\$16,064,143	\$19,906,709	\$13,354,467	\$13,522,368
New Fire Station 44	\$15,089,676	\$14,500,000	\$11,350,000	\$11,500,000
Weed Abatement Reserve	\$24,467	\$30,000	\$24,467	\$22,368
Apparatus Replacement	\$700,000	\$2,000,000	\$700,000	\$1,000,000
Tools and Equipment Reserve	\$250,000	\$1,876,709	\$250,000	\$1,000,000
CLASS Investment	-	\$1,500,000	-	-
Other	-	-	\$1,030,000	-

The District maintains a significant portion of its investments in the San Mateo County Treasury as part of a common investment pool. As of June 30, 2023, the District has \$8,504,248 in the San Mateo County Treasury.

Since June 4, 2009, the District has also invested in PARS Public Agencies Post-Retirement Health Care Plan Trust to fund post-retirement benefits for retirees. There are 24 inactive employees currently receiving benefits. The fund balance as of September 30, 2024 is \$4,105,584.56. The five-year annualized return rate is 7.49%.

As of 2024, the District began investing in California CLASS (Cooperative Liquid Assets Securities System) Enhanced Cash Fund. This is a new Joint Powers Authority investment pool that started in 2022. The District initially transferred \$1,500,000 into CLASS, and as of September 2024 has \$1,551,333. The one-year annualized return rate is 5.39%.

Revenue Sources

For FY 2024-25, CFPD projects \$15.7M in total revenue. Of that, 94% is non-operating revenue from property taxes. The percentage of non-operating revenue to operating revenue has remained consistently above 90% over the past ten years. Implementation of Proposition 13 in 1978 resulted in Coastside Fire Protection District receiving a share of the 1 percent property tax countywide in perpetuity. Included in the property tax revenue line item in Table 6, below is the ERAF (Educational Revenue Augmentation Fund) refund from the State of California. In FY 2023-24, the District received an ERAF refund amount of \$1,694,362. This amount is uncertain every year and the District budgets ERAF funds based on the prior year actuals.

Table 6. CFPD Revenue, FY 2024/25-FY 2021/22

	FY 2024-25 (Budget)	FY 2023-24 (Actual)	FY 2022-23 (Actual)	FY 2021-22 (Actual)
Property Tax Revenue	\$14,818,429	\$14,741,868	\$13,995,068	\$13,260,260
Other Revenue	\$905,139	\$1,286,874	\$1,353,660	\$1,214,913
Total Revenue	\$15,723,568	\$16,028,742	\$15,348,728	\$14,475,172

CFPD contains federal lands. The District received \$4,200 per year for fire protection of Pillar Point Air Force Base.

Expenditures

The consistently largest expense for the District is the CAL FIRE contract, as shown in Table 7 below. In FY 2024-25, CAL FIRE contractual costs are estimated to total \$10,588,961 which equates to approximately 67% of the projected \$15,723,568 in total estimated revenues. (This is below the District’s target of 75% personnel cost to revenue ratio.) All positions in the CAL FIRE contract are budgeted at “top step” and CAL FIRE only bills for actual services utilized, which most often results in lower-than-budgeted expenses for the District. The large increase in

FY 2024-25 in the “Other” expenditure category is due in large part to the construction of the new Fire Station No. 44 which is expected to open by the end of 2025.

Table 7. CFPD Expenditures, FY 2024/25-FY 2021/22

	FY 2024-25 (Budget)	FY 2023-24 (Actual)	FY 2022-23 (Actual)	FY 2021-22 (Actual)
CAL FIRE Contract	\$10,588,961	\$8,608,844	\$7,843,804	\$7,286,103
Other Pay & Benefits	\$1,354,090	\$1,640,124	\$1,492,104	\$1,430,842
Fire Station Improvements	\$700,000	\$286,739	\$109,573	0
Equipment Maintenance	\$694,500	\$566,713	\$624,927	\$407,046
Equipment & Apparatus	\$818,732	\$599,745	\$1,082,876	\$2,107,860
Contractual Services	\$609,000	\$494,471	\$467,317	\$449,004
Service and Supplies	\$400,750	\$326,401	\$379,825	\$363,092
Other	\$6,307,266	\$697,283	\$392,750	\$240,113
Total Expenditures	\$21,473,299	\$13,220,320	\$12,393,176	\$12,284,060

Strategic Business Plan

The CFPD Board of Directors on an annual basis adopts a Strategic Business Plan which restates the District’s values and identifies priorities and actions for the District in the upcoming year. In 2025, the Plan lists the following three initiatives to be completed by the end of the year: Break ground on the New Fire Station No. 44; Establish a CalPERS-intended Dedicated Fund (Target \$5M); and Review the Vegetation Management Program for Revamping or Removal of Weed Abatement (last updated in 2020). No cost estimates were assigned to these three initiatives.

b) Is the organization lacking adequate reserves to protect against unexpected events or upcoming significant costs?

The District does not have specific reserve requirements. According to the District’s annual independent financial audits, the District’s government-wide net position (difference between assets and liabilities) was \$34,683,182 as of June 30, 2023. This is an increase from the net position of \$29,531,930 on June 30, 2022, and \$27,338,529 on June 30, 2021.

As of September 2024, all funds were adequate for operating costs: the General Fund had a net balance of \$4,507,384; Internal Service Fund reserves had a net balance of \$16,244,753; PARS had a balance of \$4,105,585; and CLASS had a balance of \$1,551,133.

Furthermore, in order to mitigate against risks such as lawsuits, damage, injuries, and natural disasters, the District is insured for general liability and property by volunteer firemen’s insurance services. The District has not had claims that have exceeded the insurance coverage.

c) Is the City’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?

The District has not experienced any challenges in raising rates or fees. In November 2023, CFPD adopted a Cost Recovery and Fee Schedule Policy. This Policy articulates the “guidelines for establishing and maintaining a user fee schedule to ensure that the District adequately recovers costs for the provision of fire prevention services...”. The District may conduct a user fee study every 5-7 years to determine the true cost of providing fee-based Fire Marshall services such as extinguishing and alarm system inspections, land use/entitlement application review, and occupancy inspections, among other services. The policy document states that CFPD may also annually adjust fees based on Bay Area Consumer Price Index increases. CFPD has established a target cost recovery goal of 80% for all its fees, except for smoke detector inspections (\$25 per inspection) which are performed at a lower recovery rate since they are determined to be critical life-safety service.

CFPD last conducted a comprehensive fee study in October 2023, and the Board of Directors most recently adopted a new fee schedule in March 2024. Indeed, the new fee schedule complies with the 80% cost recovery policy.

d) Is the agency unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?

As previously mentioned, the District is able to fully fund with cash on hand all necessary apparatus replacement and new fire station construction.

Furthermore, the District has two special fire service assessment fees in place: the Half Moon Bay Fire Protection District Special Assessment and the Point Montara Fire Protection District Special Assessment. These special assessments were in place before the two agencies consolidated into the Coastside Fire Protection District. The District is not planning to expand these two assessment districts, nor levy a special tax for fire services district-wide.

e) Is the agency lacking financial policies that ensure its continued financial accountability and stability?

The District has an Investment Policy that governs the investment of surplus funds for purposes of generating investment income for the District. The Policy is reviewed by the Board at a public meeting annually. According to the Policy, the Fire Chief shall submit a quarterly investment report to the Board of Directors.

f) Is the agency’s debt at an unmanageable level?

The District had no long-term debt since 2010. The only outstanding liabilities are California Public Employees’ Retirement System (CalPERS) costs.

California Public Employees’ Retirement System (CalPERS)

On June 1, 2008, with the signing of the CAL FIRE contract, District employees became State of California employees. While new employees then became the responsibility of the State for salary and benefits going forward, the District inherited the legacy CalPERS obligations of the outstanding employees from the Half Moon Bay Fire District and Point Montara Fire District. As

of 2023, there are 31 transferred, 3 separated, and 62 retired workers from the consolidated districts.

The legacy CalPERS obligations included two plans: the Miscellaneous Employee Plan and the Classic Safety Plan. In March of 2023, CFPD terminated the Miscellaneous Employee Retirement Plan by fully funding (\$1.5M) the member group and transferring accumulated contributions to the terminated agency pool. The accumulated contributions are held in the terminated agency pool for the exclusive benefit of each member of the miscellaneous member group in relation to the credited service of each miscellaneous member.

Under the CalPERS Safety Plan, the retirees receive 3% of their salary at age 55. CFPD’s net pension liability as of June 30, 2023 was \$13,763,066, compared to its June 30, 2022 liability of \$13,949,922. The District has hired the accounting firm Foster & Foster to explore how to address this liability, including options for fully-funding and terminating the District’s liability. Foster & Foster presented options at the District Board’s December 2024 meeting, but as of February 2025, the District has not yet taken further action.

Financial Ability MSR Determination

The District engages in responsible budgeting practices and is able to fully fund its operations. Budgets and contracts are transparent, and documents are available on the District’s website. While the District has no long-term debt, it does have outstanding CalPERS liabilities in the projected amount of \$13,763,066 as of June 30, 2023. The District has employed the firm Foster & Foster to explore how to meet this obligation. As of February 2025, the Board of Directors has not yet decided how to proceed.

Recommendation

1. LAFCo encourages the District Board of Directors to evaluation options that continues to address CalPERS Safety Plan liabilities.

5) Shared Service and Facilities

Status of, and opportunities for, shared facilities	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?		X	

c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?		X	
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a) Is the agency currently sharing services or facilities with other organizations?

Personnel

The District and San Mateo County Fire Department (also under contract with CAL FIRE) currently have two shared services positions. These two positions are split funded under a 50/50 cost sharing agreement for the Fire Marshal (i.e. Battalion Chief) and the Deputy Chief.

Leases

In 2015, the District purchased property located at 531 Obispo Road in El Granada from the San Mateo County Harbor District for \$845,000. The Property became the site of Fire Station No. 41. Subsequently, a new Fire Station No. 41 was built at 555 Obispo Road and now the old site is leased to the San Mateo County Sherriff’s Office and County’s Emergency Services Bureau. The lease is for 20 years, from August 1, 2024 through July 31, 2044. In FY 2024-25, the District will receive \$66,564 in lease revenue from the County.

Since 2020, CFPD has also leased “one sleeping room and one outside ambulance parking space” to American Medical Response West (AMR) at Fire Station No. 40 located at 1191 Main Street in Half Moon Bay. In FY 2024-25, the District will received \$45,625 in lease revenue from AMR.

Liaisons

The CFPD Board appoints Directors to be liaisons to the San Mateo Pre-Hospital Emergency Medical Group (JPA) and the San Mateo County Special District Association. The Board also appoints an Emergency Preparedness Liaison, and a Community Emergency Response Team (CERT) Liaison.

Coastside County Water District (CCWD) and Montara Water and Sanitary District (MWSD) are within CFPD’s service area. Per CFPD staff, the districts have strong working relationships and communication.

Maritime Search and Rescue

CFPD is a partner in a maritime search-and-rescue network on the Pacific Coast that includes the County of San Mateo Sheriff's Department, the Harbor District, and several fire agencies. On August 29, 2024, CFPD signed an MOU with San Mateo County Harbor District to ensure a coordinated response to maritime emergencies (i.e. boat fires, water rescues, medical aid and cliff and beach rescues) within State waters on the San Mateo County coast, from Pedro Point to Pigeon Point. The MOU delineates responsibilities and procedures for various emergency

scenarios and commits the two Districts to conduct emergency response operations training together at least quarterly.

b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?

None that LAFCo is aware of.

c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?

None identified.

Shared Services MSR Determination

Through this MSR process, LAFCo staff has not identified any new opportunities for shared services or facilities. The CFPD currently partners with multiple agencies, including the San Mateo County Fire Department, North County Fire Protection District, and other special districts in providing emergency response services within the District, and in adjacent lands.

CFPD shares dispatch services through the County's Public Safety Communications Center, participates in the Pre-Hospital Emergency Services Providers Group, and contracts with CAL FIRE for personnel and services.

6) Accountability, Structure, and Efficiencies

Accountability for community service needs, including governmental structure and operational efficiencies	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with staff turnover or operational efficiencies?			X
c) Is there a lack of regular audits, adopted budgets and public access to these documents?			X
d) Are there any recommended changes to the organization’s governance structure that will increase accountability and efficiency?			X
e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?			X
f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?		X	

Discussion:

The Coastside Fire Protection District Board of Directors is the elected body that oversees the CFPD Fire Chief and District Legal Counsel and is responsible for ratifying annual budgets, audits and expenditures. The Board is comprised of five members who act as the legislative arm of the District. Each Director is elected in district elections¹⁵ to serve a four-year term. Directors are compensated \$193.90 per meeting, up to twice a month.

CFPD benefits in terms of operational and overhead efficiencies from its contract with CAL FIRE. CAL FIRE provides personnel training and other resources that are shared across contracting agencies, most immediately with San Mateo County Fire. Per District staff, the depth and breadth of trained employees available to work in CFPD is greater than prior to 2008, when the District had its own staff. There are some occasions of service overlap in which both CFPD and

¹⁵ The District switched from at-large to district elections in November 2022, per State requirements. [Updated District Map Urgency Ordinance 4.13.2022](#)

County Fire are dispatched to the same emergency. LAFCo encourages the District to continue utilizing CAL FIRE as a resource to enhance services and reduce redundancies.

a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?

In 2020, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation (expires in 2027). This certificate highlights an agency's commitment to government transparency requirements, including the completion of ethics training for commissioners, adherence to the Brown Act for public meetings, and the filing and reporting for financial transactions and reports to the State in a timely manner.

The CFPD meets in person at the District Offices located at 1191 Main Street, Half Moon Bay, CA 94019 on the 4th Wednesday of every month at 4pm. Regular meetings are also accessible to the public by Zoom. Recording of the meetings are available on the District website. Agendas, agenda packets and meeting presentations are posted to the CFPD website at least 72 hours prior to meeting dates.

The District is compliance with the Public Records Act and no violations have been reported within the last five years. LAFCo staff is not aware of compliance issues with a public records request.

The District's website includes information regarding financial documents including budgets and audits, wage and compensation data, archived meeting minutes, and currently adopted policies on reserves financial transactions, conflict of interest, and ethics code.

b) Are there issues with staff turnover or operational efficiencies?

There are many operational efficiencies associated with CFPD and the neighboring San Mateo County Fire Department being under contract with CAL FIRE. The depth and breadth of trained employees available to work in CFPD is greater than prior to 2008, when the District had its own staff. Personnel training is standardized, and resources are shared across CAL FIRE agencies, including emergency medical services training, truck academy, volunteer academy, multi-company training, narcotics tracking, apparatus records, equipment committee standardization, policies and procedures, and more. Additionally, all employee-related services (i.e. human resources, payroll, equal employment opportunity, etc.) are the responsibility of CAL FIRE, not the CFPD.

CFPD does not have staff (all staff are CAL FIRE employees), and therefore CFPD is not responsible for measuring staff turnover. CAL FIRE cooperative fire protection agreements do not require staff turnover reporting, as they are a contract for service.

c) Is there a lack of regular audits, adopted budgets, and public access to these documents?

The CFPD prepares an annual budget and contracts with an accounting firm to conduct annual audits, both of which are presented to the Board of Directors at a public hearing and are published on the District's website.

The San Mateo County Civil Grand Jury issued a report dated June 27, 2024 regarding local agencies status on assessing and reporting internal controls. The report issued three

recommendations to all local agencies, and requested that the Coastside Fire Protection District provide a written response.¹⁶ In November 2024 the District responded to the report, agreeing with its three findings, and adopting all recommendations, which consist of annually reporting to the Board of Directors on organizational risks and internal controls.

d-f) Changes in governance structure?

There are no proposed changes in governance structure.

Accountability, Structure, and Efficiencies MSR Determination

The District practices transparent budgeting and operations, recording its Board Meetings and publishing agendas, minutes, and staff reports on its website. It also maintains meeting archives available online. The District has adopted all three recommendations from the San Mateo County Civil Grand Jury’s 2023-24 report to annually evaluate and report to its Board of Directors on organizational risks and internal controls. In 2020, the District received the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate highlights an agency’s commitment to government transparency requirements, including the completion of ethics training for commissioners, adherence to the Brown Act for public meetings, and filing and reporting on financial transactions to the State in a timely manner.

The District is achieving operational efficiencies from its contract with CAL FIRE. CFPD has consistently achieved the goals identified in its annual Strategic Business Plans, and has adopted a new 2025 Strategic Business Plan.

7) Other

Any other matter related to effective or efficient service delivery, as required by commission policy.	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?			X
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhances and provides a more robust water supply capacity?		X	
ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change?	X		

¹⁶ [Assessing and Reporting Internal Controls in San Mateo County Agencies and School Districts](#), 2023-24.

c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards?	X		

a) Other service delivery issues that can be resolved by the MSR/SOI process.

LAFCo staff did not identify any other service delivery issues that can be resolved by the MSR/SOI process.

b) Water Resiliency and Climate Change

CFPD receives most of its water from Coastside County Water District and Montara Water and Sanitary District. The District reports that approximately 90% of all fire flows meet the requirement necessary for proposed construction projects.

c) Natural Hazards and Mitigation Planning

CFPD established a Vegetation Management Action Plan after the CZU Lightning Complex in August 2020, and has also increased defensible space inspections throughout the District. The District also works collaboratively with the California Resource Conservation District on a wildfire study for the area above El Granada/Quarry Park. The District also sponsors a growing Coastside Community Emergency Response Team (CERT), which is a group of community members who are trained in basic emergency and disaster response. However, the Coastside Fire Protection District did not participate in the 2021 Multijurisdictional Local Hazard Mitigation Plan for the County. The three other fire protection districts, Colma, Menlo Park, and Woodside were members of the plan along with a number of special districts, all cities, and the County.

Other Issues MSR Determination

CFPD collaborates with several agencies, such as the County of San Mateo, the San Mateo County Harbor District, the California Resource Conservation District, and others related to hazard mitigation and climate change.

Section 6. Sphere of Influence Review

Determinations

Government Code Section 56425 requires the San Mateo LAFCo make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the

area if the Commission determines that they are relevant to the agency. These include the following determinations:

1. The present and planned land uses in the area, including agricultural and open space lands.

CFPD is comprised of a range of land use designations, including tidelands, submerged lands, residential, commercial, industrial, open space, agricultural and rural. The District boundaries contain land that is under the jurisdiction of the County of San Mateo, the City of Half Moon Bay, the California Coastal Commission, as well as other agencies that have land use review authority. The District’s mission is “to protect the lives, environment, and property of the community through fire suppression, fire prevention, emergency medical services, rescue services, public education and other related services.”

2. The present and probable need for public facilities and services in the area.

Since the formation of CFPD, the District has regularly provided services not only within its district boundaries, but also to emergencies outside its official district boundaries. Through a series of mutual and automatic aid agreements each fire department in San Mateo County responds seamlessly to provide citizens with the closest available units. All are dispatched through one central dispatch, the San Mateo County’s Public Safety Communications. This creates a “boundary drop” that enables all fire agencies in San Mateo County to operate as a single fire department. The closest engine responds regardless of boundary designation. In addition, all fire departments in San Mateo County participate in a JPA providing Advanced Life Support (ALS), paramedic and ambulance services.

The majority (97%) of emergency incidents where CFPD was the primary unit or first on scene occurred within CFPD boundaries, as shown in Table 8, below. For comparison, see Table 9 which shows that County Fire Department responded to a larger share of calls outside its own response zone boundary.

Table 8. CFPD First On Scene or Primary Unit Incidents, 2/1/2021-9/30/2024¹⁷

	Incidents	Share
Within District	10,001	97%
Outside District	316	3%
Total	10,317	100%

¹⁷ Source: San Mateo County Department of Public Safety Data Request to LAFCo

Table 9. County Fire Department First On Scene or Primary Unit Incidents, 2/1/2021-9/30/2024¹⁸

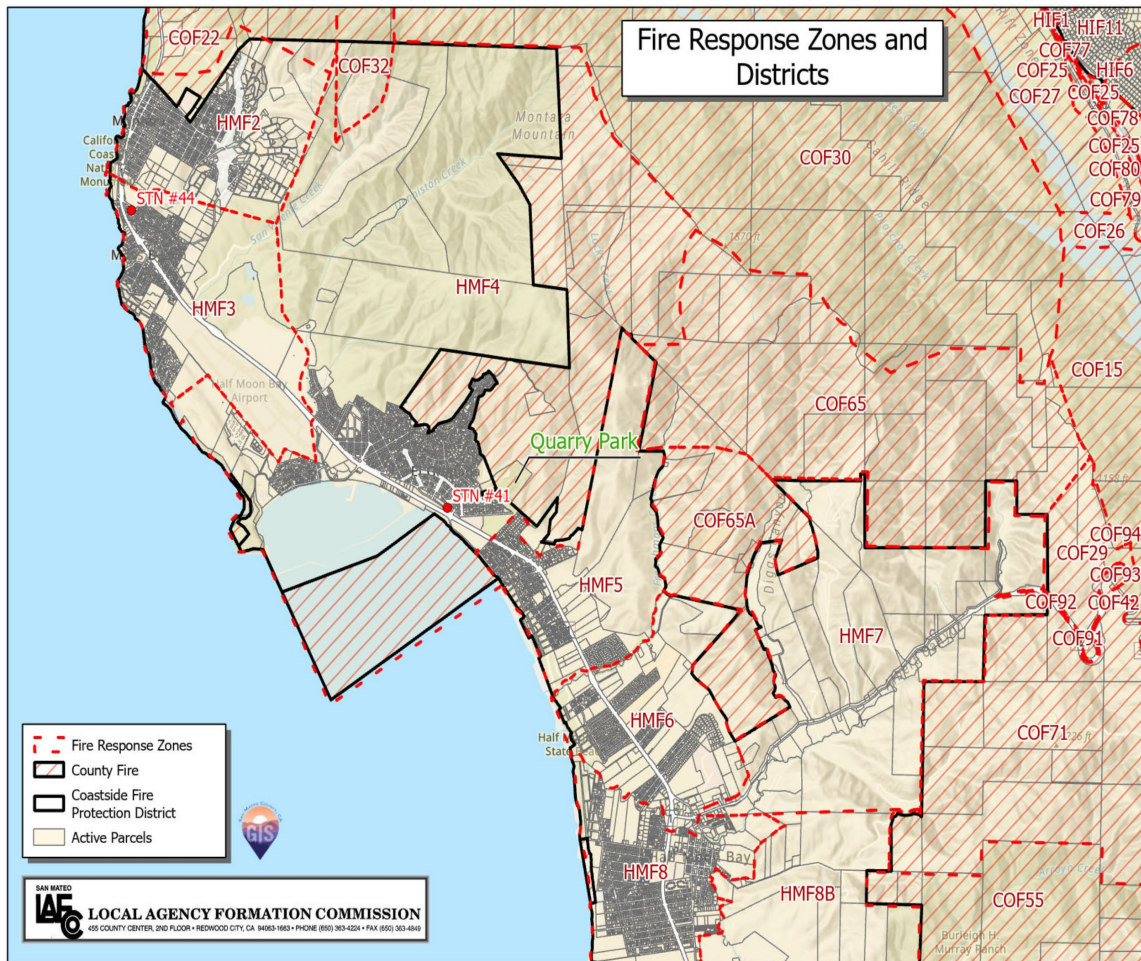
	Incidents	Share
Within District	5,000	73%
Outside District	1,828	27%
Total	6,828	100%

The CFPD and County Fire Department have informally agreed that CFPD is the first-due resource based on the fire station locations, to the following response areas that are outside the CFPD district boundary:

- **County Fire Zone 22 (COF22):** San Mateo County Fire Department jurisdiction (County Zone 22) on Highway 1 north of 1st Street in Montara and south of the City of Pacifica’s corporate boundaries. This includes several beaches, the Devils Slide Tunnels, numerous recreational areas and Montara Mountain. The largest share of CFPD’s responses outside District boundaries (149 responses out of 316, or 47%) are in County Zone 22. See Table 10 Below. The County Fire Department did not respond to any incidents in COF22 over the same period. LAFCo recommends County Zone 22 be included in CFPD boundaries.
- **Quarry Park:** Quarry Park is a 517-acre San Mateo County park located in the community of El Granada. The entrance to the park is located at the corner of Santa Maria Ave. and Columbus St. San Mateo County Public Safety Communications includes Quarry Park within the response area of CFPD (HMF4). However, only a portion of Quarry Park, (1195 Columbus St, El Granada, APN 047-340-010) is within the boundaries of CFPD. The majority of the park is located outside of CFPD and within the boundaries of County Fire (APN 047-340-040 and APN 047-340-290). (See Figure 2)

¹⁸ *ibid*

Figure 2. Quarry Park, Outside CFPD Boundary, within Response Area



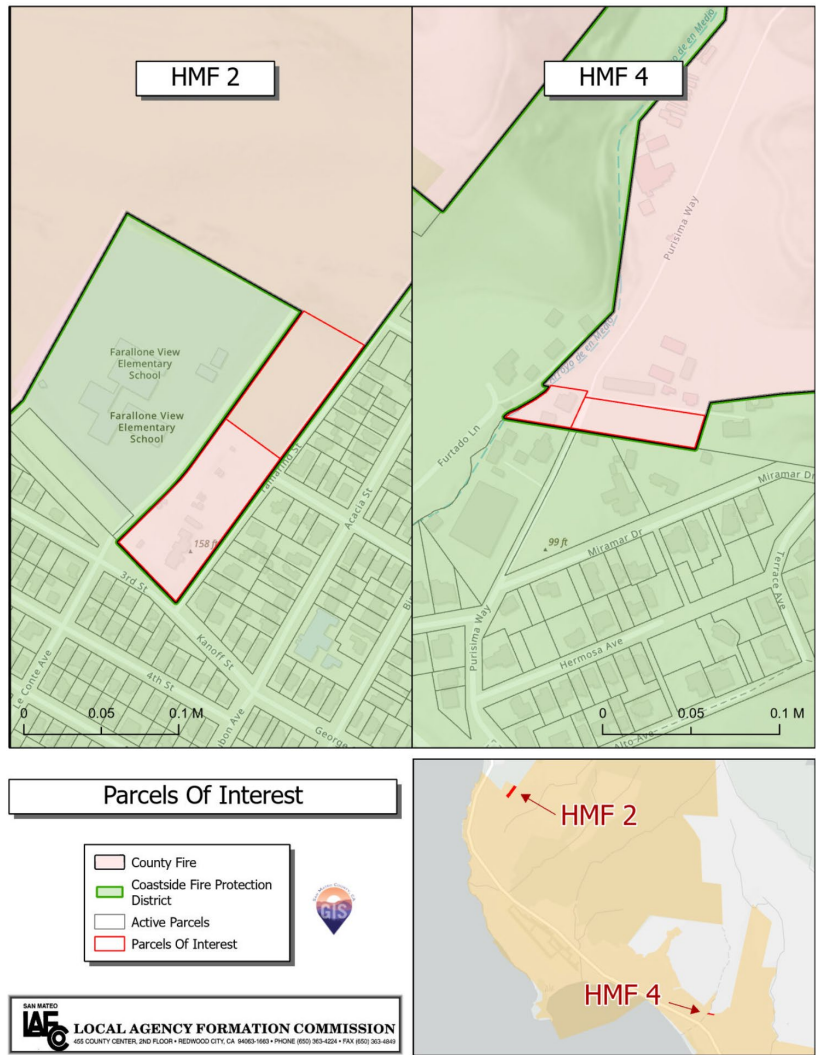
Source: San Mateo County Information Services Department

From 2/1/2021 to 9/30/2024, CFPD responded to 16 incidents as the first on scene or primary unit at Quarry Park.¹⁹ County Fire responded to zero incidents as the first on scene or primary unit at Quarry Park. LAFCo recommends that the CFPD sphere of influence be expanded to include the entire Quarry Park. Given that the parking lot is already included in CFPD boundaries, the rest of the park should also be included. This will be a more accurate reflection of the fire agency that is responsible for responding to Quarry Park incidents. Updating the boundaries will provide clarity for future coordination efforts.

¹⁹ The following three addresses were used to calculate the number of incidents that occurred at Quarry Park: Columbus St/Santa Maria Ave (1), Santa Maria Ave/Columbus St (2), and the Quarry Park parking lot at 1195 Columbus St (13), for a total of 16 incidents.

- **Midcoast Area:** There are also several smaller parcels located in the midcoast area near Tamarind St. and Purisima Way (see Figure 3 below), that are within the CFPD response area but are currently outside of the District’s political boundary.

Figure 3. CFPD Excluded Parcels, Tamarind St. & Purisima Way

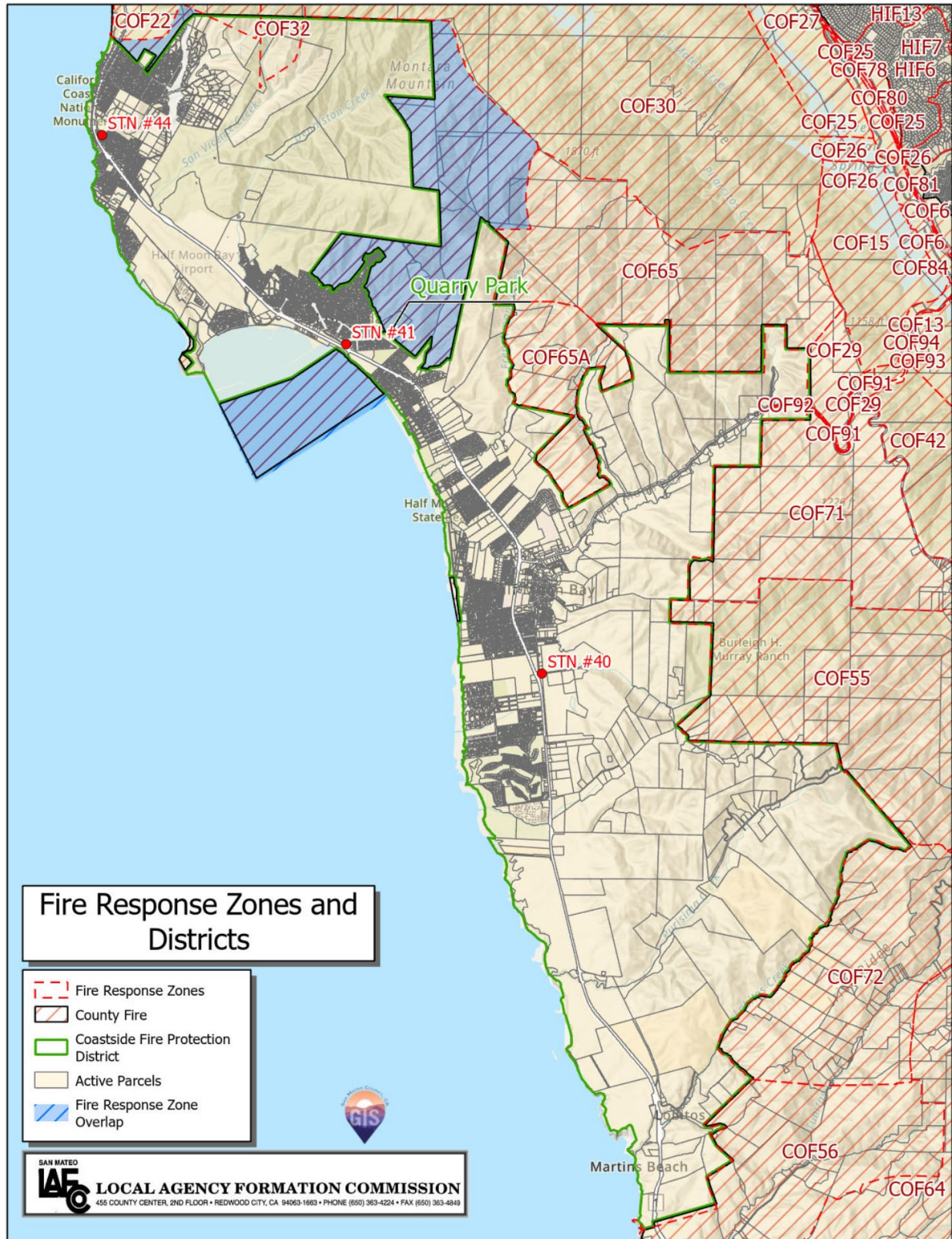


Source: San Mateo County Information Services Department

- **Tunitas Creek Road Area:** The Tunitas Creek Road area south of the District includes County Zone 72, which comprised 6% or 18 out of 316 incidents CFPD responded to outside its boundary from 2/1/2021 to 9/30/2024. See Table 10, below.

County Fire Zone 22 (COF22), Quarry Park, and the Midcoast Area are identified to be included within the amendment SOI for CFPD. See Figure 4 below.

Figure 4. Coastside Fire and County Fire Response Areas and District Boundaries



Source: San Mateo County Information Services Department

Table 10. Incident Response, Primary or First On Scene, CFPD vs County Fire, 2/1/2021 - 9/30/2024²⁰

	CFPD Responses	County Fire Responses
Grey Whale Cove/ Devil’s Slide (County Zone 22)	149	0
Pescadero West (County Zone 56)	57	12
Pacifica (PIF7, North County Fire)	44	0
Tunitas Creek Road Area (County Zone 72)	18	11
Other Incidents Outside Boundary	48	1,806
Total Outside Boundary	316	1,828

Depending on the call type and location, additional resources from San Mateo County Fire Department or Pacifica Fire Department (North County Fire) may also respond. The District does not have a reimbursement agreement with other fire agencies. The response framework is cooperative on the coast, as CFPD assists County Fire Department or North County Fire with incidents outside of its jurisdiction, while County Fire responds to incidents within CFPD on the first alarm (i.e. structure fires, vegetation fires, etc.). Additionally, due to the ALS JPA Paramedic coverage requirements, CFPD receives station coverage from San Mateo County Fire whenever the District has two or more resources committed to incidents. According to CFPD staff, this happens several times a week. CFPD responses into Pacifica (PIF7) are similarly a result of automatic mutual aid. CFPD says that the current arrangement is mutually beneficial to all agencies.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

Under the current contract, CAL FIRE provides Emergency Fire Protection, Medical, and Rescue Response; Basic Life Support Services; Advanced Life Support Services; Fire Code Inspection, Prevention and Enforcement Services; Land Use/Pre-Fire Planning Services; Disaster Planning Services and specific service descriptions and staffing coverage. The CAL FIRE contract is fully funded by property tax revenue. The majority (51%) of emergency incidents that CFPD responds to are medical-related, as shown in Table 11.

²⁰ Source: San Mateo County Department of Public Safety Data Request to LAFCo

Table 11. CFPD Incident Responses, 2/1/2021 - 9/30/2024²¹

	Primary Unit or First On Scene Incidents	Share
Medical Response	5,282	51%
Public Assistance/Other	4,234	41%
Traffic Accident	511	5%
Fire	290	3%
Total	10,317	100%

The District is responsible for all costs associated with property and apparatus required for CAL FIRE personnel to perform their jobs. The District has fully funded its mobile apparatus replacements according to schedule and needs. The District also has three new or recently upgraded fire stations. The oldest station was built in 1998, and the newest is set for completion by the end of 2025.

4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

CFPD includes the City of Half Moon Bay and unincorporated areas which host annual festivals that attract tourists. The District also encompasses beaches and commercial areas that are generally considered economic communities of interest.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

There are no disadvantaged unincorporated communities within CFPD boundaries, or in any areas in which CFPD provides services.

On the basis of the Municipal Service Review:

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

The Sphere of Influence for Coastside Fire Protection District is recommended to be updated to include the following areas in which it is regularly the first on scene and/or primary unit responder: County Fire Zone 22, Quarry Park, and parcels near Tamarind St. and Purisima Way.

²¹ Source: San Mateo County Department of Public Safety Data Request to LAFCo.

The proposed SOI amendment would allow for future annexations of areas that CFPD is already serving and responding to. This would allow CFPD to collect property tax revenue from these areas and implement CFPD adopted fire code regulations to parcels the District already responds to. The areas around Tunitas Creek and the Harbor District are not proposed to be included within the SOI at this time as service in this area is a mix for CFPD and County Fire.

Figure 5. Proposed New SOI Map to Include Blue Areas



Source: San Mateo County Information Services Department

Appendix A. Coastside Fire Protection District Fact Sheet

Unit Fire Chief: Jed Wilson

Deputy Fire Chief- San Mateo Division: Jonathan Cox

Physical Address: 1191 Main Street Half Moon Bay, CA 94019

Email Address: jed.wilson@fire.ca.gov

Phone Number: (831) 335-6700

Date of Formation: 2007

District Board of Directors: The Board is the supervisory body for the Fire Chief and District Legal Counsel.

Directors	Term Expiration Date
Gary Burke, (President) District E	2026
JB Cockrell, (Vice President) District A	2028
Bruce MacKimmie, District B	2028
Patrick Hanna, District C	2026
Cynthia L. Sherrill, District D	2026

Compensation: District Directors receive \$193.90 per meeting, for no more than two meetings per month.

Public Meetings: Board meetings are held in person at the District Administrative Offices located at 1191 Main Street, Half Moon Bay, CA 94019 on the 4th Wednesday of every month at 4pm. Regular meetings are also accessible to the public by Zoom. Recordings of regular, special and emergency Board meetings are available on the District website.

Services Provided: Fire suppression, fire prevention, emergency medical services, rescue services, public education and other related services.

Agency staff: 38.7 FTE, and 12 volunteer firefighters (not paid)

Area Served: 50 square miles of land area

Population: 24,235 people

Sphere of Influence: The City of Half Moon Bay and the Communities of Montara, Moss Beach, Princeton, El Granada and Miramar in addition to the surrounding unincorporated areas.

FY 2024-25 Budget: \$16,582,659

Appendix B. References

October 31, 2024 email correspondence with attachments received by LAFCo Staff from CFPD.

Attachment B

LAFCo approved resolution for consolidation between the Half Moon Bay Fire District and with the Point Montara Fire District.

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LOCAL AGENCY FORMATION COMMISSION

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CERTIFICATE OF COMPLETION

Pursuant to Government Code Section 57200, this Certificate is issued by the Executive Officer of the Local Agency Formation Commission of San Mateo County, California.

1. The short-form designation, as determined by LAFCo is: Consolidation of the Half Moon Bay Fire Protection and Pt. Montara Fire Protection Districts forming Coastside Fire Protection District.
2. The name of each district or city involved in this change of organization or reorganization and the kind or type of change of organization ordered for each city or district are as follows:

<u>City or District</u>	<u>Type of Change of Organization</u>
Half Moon Bay Fire Prot. Dist.	Consolidation
Pt. Montara Fire Protection Dist.	Consolidation

3. The above listed districts are located within the following counties: San Mateo County only.
4. The boundaries of the consolidated district are coterminous with the existing boundaries of the Half Moon Bay Fire and Point Montara Fire Protection Districts and are shown on the attached Exhibit B.
5. The territory involved in this change of organization is inhabited.
6. This change of organization has been approved subject to the terms and conditions found in Exhibit A (attached) and the effective date for consolidation is October 1, 2007.
7. The resolution confirming this change of organization was adopted on June 21, 2007, by the LAFCo Executive Officer as delegated by the Commission, is marked Exhibit C and by reference incorporated herein.

I hereby certify that I have examined the above-cited resolution, including any terms and conditions, and have found these documents to be in compliance with Resolution 1002, adopted on April 25, 2007.

Dated: June 27, 2007

2007-097607 CONF

10:13am 06/27/07 CCL Fee: NO FEE

Count of pages 8

Recorded in Official Records

County of San Mateo

Warren Slocum

Assessor-County Clerk-Recorder

A handwritten signature in black ink, appearing to read 'Martha Poyatos'.

Martha Poyatos
Executive Officer



Resolution No. 1005

**Resolution of Conducting Authority
Making Findings on Value of Written Protest
Filed and Not Withdrawn
Pursuant to Government Code Section 57000 et seq.
And Ordering Consolidation**

**San Mateo
Local Agency Formation Commission
455 County Center
Redwood City, California 94063
Phone (650) 363-4224 Fax (650) 363-4849**

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FORMATION COMMISSION
455 COUNTY CENTER
REDWOOD CITY, CA 94063
EXHIBIT C PAGE 1 OF 2**

**Re: LAFCo File No. 07-06—Consolidation of Half Moon Bay and Point Montara
Fire Protection Districts Forming Coastside Fire Protection District**

Whereas, on April 25, 2007, the San Mateo Local Agency Formation Commission (“San Mateo LAFCo”) adopted Resolution 1002 approving the above noted consolidation and delegating conducting authority proceedings to the Executive Officer; and

Whereas, on June 11, 2007 the Executive Officer, as delegated by the Commission, acting as conducting authority, held a noticed protest hearing and received and considered protests; and

Whereas, as of June 11, 2007, there are 14,141 registered voters in the consolidation area and the total assessed valuation of the consolidation area is \$3,957,958,217; and

Whereas, the value of written protest submitted at the protest hearing was less than 25% of the registered voters and less than 25% of the landowners owning less than 25% of the assessed value of land within the consolidation area.

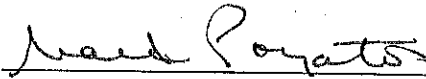
Now therefore, as delegated by the San Mateo Local Agency Formation Commission, the Executive Officer acting as conducting authority resolves that:

1. This action is being taken pursuant to the Cortese Knox Hertzberg Local Government Reorganization Act of 2000.
2. In accordance with Government Code Section 57075(a)(3), written protests submitted and not withdrawn were received from less than 25% of the registered voters and less than 25% of the number of owners of land owning less than 25% of the assessed value of land in the consolidation area, and this consolidation is hereby ordered without an election.
3. The change of organization is designated: Consolidation of Half Moon Bay and Point Montara Fire Protection Districts Forming Coastside Fire Protection District
4. The type of change of organization is: consolidation.
5. The reason for this change of organization is: to better serve the residents, businesses and visitors in the consolidation area.

Resolution 1005

6. This change of organization is subject to all the terms and conditions adopted by San Mateo LAFCo by LAFCo Resolution 1002, as described in Exhibit A, attached hereto and incorporated by reference herein.
7. The exterior boundaries are coterminous with boundaries of Half Moon Bay Fire and Point Montara Fire Protection Districts and are more specifically shown on the attached Exhibit B and by reference incorporated herein.
8. The regular San Mateo County assessment roll will be utilized.
9. No existing bonded indebtedness shall be affected by this reorganization.
10. Pursuant to the Conditions of Approval the effective date of consolidation shall be October 1, 2007.

Accordingly, the subject change of organization is hereby ordered as described above pursuant to authority of the Local Agency Formation Commission of San Mateo County as delegated by the Commission to its Executive Officer.



Martha Poyatos, Executive Officer

Date: June 27, 2007



a good idea -
call for toll-free advice at:
1-866-ASK-FPPC

June 27

The Fair Political Practices Commission
428 J Street, Sacramento, CA 95814

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San Mateo County Coastside Fire Jurisdictions

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EXHIBIT B PAGE 1 OF 1

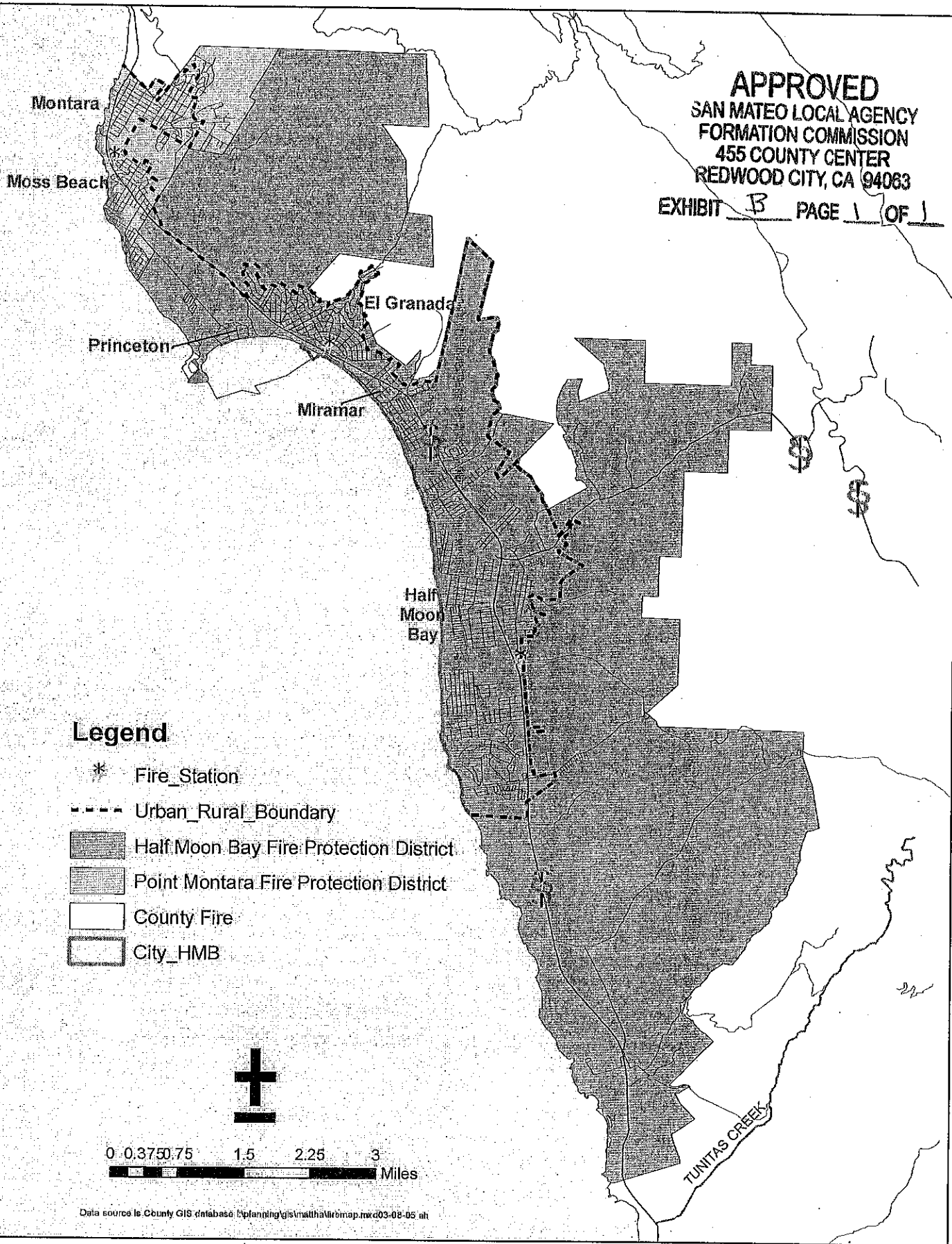


EXHIBIT A:
CONDITIONS OF APPROVAL OF THE CONSOLIDATION
OF HALF MOON BAY AND
POINT MONTARA FIRE PROTECTION DISTRICTS
FORMING COASTSIDE FIRE PROTECTION DISTRICT

- a) The effective date of the consolidation shall be July 1, 2007, or the first day of the subsequent fiscal quarter thereafter.
- b) The name of the consolidated district shall be the COASTSIDE FIRE PROTECTION DISTRICT.
- c) All assets, revenues, funds on deposit (including impact and/or developer fees held by the County of San Mateo), liabilities for payment of principal and interest on contractual obligations for real property, furnishings and equipment, fire fighting apparatus and equipment, operating expenses, supplies, licenses and permits, and any contingent liabilities for existing civil litigation of both districts shall accrue to the consolidated district.
- d) Agreements for service or regulating wages, benefits, and working conditions, in effect for the Half Moon Bay Fire Protection District or Point Montara Fire Protection District at the time of the consolidation shall be followed as adopted unless and until such time that a contract for service with CalFire or other agency is implemented.
- e) All ordinances and resolutions of the Half Moon Bay Fire Protection District and the Point Montara Fire Protection District shall remain in effect after the consolidation until superseded by new ordinances and resolutions adopted by the Board of Directors of the consolidated district.
- f) Pursuant to Government Code Section 56844(t), Fire Suppression Assessment Fee currently collected by the Half Moon Bay Fire Protection District and the Point Montara Fire Protection District in their respective service areas shall continue to be assessed and collected in the

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EXHIBIT A PAGE 1 OF 3

currently affected area after the consolidation in zones of benefit.

- g) Gann Limit: The provisional appropriations limit for the consolidated district shall be \$9,042,619.30.
- h) Employees Generally: As of the effective date of the consolidation, all of the Half Moon Bay Fire District and Point Montara Fire Protection Districts' employees shall become employees of the consolidated district and shall maintain their seniority (date of initial hire) and their promotion date by rank which existed on the consolidation's effective date. These provisions shall not limit the authority of the Fire Chief or the Board of Directors of the consolidated district to exercise its management rights of assignment, reassignment and/or transfer.
- i) Leave Balances: The following leave balances of employees of the Half Moon Bay Fire Protection District and Point Montara Fire Protection District shall accrue as employees of the consolidated district:
 - (1) Accrued but unused sick leave; and
 - (2) Accrued but unused Vacation, PTO, Holiday, Administrative and Compensatory Time Off
- j) Board Composition and Election: Bylaws of the consolidated district shall incorporate the board composition plan contained in the application that results in a five-member board of directors, including that upon consolidation if one of the eight existing board members does not volunteer to step down a ninth member would be appointed by the consolidated board, with board positions later being eliminated as election terms end until the board composition is reduced to five members. Board members shall be elected at large.

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k) Between the date of adoption of the Resolution approving consolidation and the effective date of the consolidation, neither District will do any of the following without majority approval of the Board of Directors of both entities unless the action has been provided for in the adopted budget:

1. Approve any discretionary changes in employees' compensation, promotions, or permanent assignments. Vacancies may be filled for positions budgeted in the 2006/2007 budget.
2. Purchase or dispose of fixed assets or amend existing contracts.

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March 12, 2025

To: LAFCo Commissioners

From: Rob Bartoli, Executive Officer

Subject: Consideration of Adoption of Proposed Work Program and Draft LAFCo Budget for Fiscal Year 2025-2026

Budget Review Schedule and Background

Section 56381 of Cortese-Knox-Hertzberg Act (CKH or The Act), which covers adoption of the LAFCo budget, requires Commission consideration of both a proposed and final budget at the following intervals:

1. By May 1, the Commission shall adopt a “proposed” net operating budget at a noticed public hearing.
2. By June 15, the Commission shall adopt a “final” net operating budget at a noticed public hearing following circulation of the recommended final budget to the County, all cities and all independent special districts.

The Act also provides that the proposed and final budgets shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of The Act. There is also a provision for carryover of unused funds to the subsequent year’s budget and requires that the LAFCo net operating budget be apportioned in thirds to the County, cities and independent special districts¹. Also, because the Proposed Budget and Adopted Budget are adopted before the end of the fiscal year and include an estimate of fund balance carry over, once the current fiscal year closes and the actual fund balance carry over is determined, it is necessary for the Commission to determine how excess or reduced fund balance shall be

¹ Apportionment of the one-third shares to individual cities and special districts is calculated by the County Controller based on proportionate share of revenues reported in the most recent edition of the State Controller’s reports on cities and special districts. For estimation purposes, agencies can use apportionment rates used by the Controller for the current Fiscal Year.

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT
▪ DEBBIE RUDDOCK, CITY ▪ STEPHEN RAINALDI, CITY ▪ JACKIE SPEIER, COUNTY ▪ ANN DRAPER, PUBLIC

ALTERNATES: KATHRYN SLATER-CARTER, SPECIAL DISTRICT ▪ GREG WRIGHT, CITY ▪ JAMES O’NEILL, PUBLIC ▪ NOELIA CORZO, COUNTY

STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪
DIANE ESTIPONA, CLERK

applied to the LAFCo budget. In 2021, the Commission adopted a policy that any difference in fund balance shall be reconciled in the Commission’s reserve by the County Budget Office and that the Executive Officer will update the Commission on the actual year end fund balance after the fiscal year closes.

Proposed 2025-26 Budget

The attached draft budget includes actual expenditures for FY2023-24, adopted and estimated actual for FY2024-25, and the draft proposed FY2026-26 Budget. Key items addressed in more detail below include a programmed increase in salary and benefits for the Executive Officer, \$70,000 for legal services from the County Attorney’s Office, increases related to charges for future office temporary relocation, increases in costs for the CALAFCO conference and workshop, and decreased costs related to County Cost Allocations.

The appropriations budget and net operating budget increase by \$29,803. The estimated amount of fund balance of \$164,924 will be used to offset a portion of the 1/3 apportionment to member agencies.

	Final FY 24-25 Budget	Draft Proposed FY 25-26 Budget	Change
Appropriations Budget	\$891,018	\$921,821	\$30,803 (3.5%)
Net Operating Budget	\$796,094	\$826,897	\$30,803 (3.7%)
One-third Apportionment	\$237,698	\$239,632	\$1,934 (0.8%)

Proposed Work Program

The following draft work plan includes a summary of recent activities and upcoming goals/objectives, such as preparing Municipal Service Reviews (MSRs)/Sphere of Influence (SOI) updates and special studies, updating the Commission’s policies and procedures, and other projects and activities.

MSRs/SOI Updates: LAFCo law provides that every five years the Commission shall, as necessary, review and update each SOI [Gov. Code §56425(g)]. The statute also provides that in order to prepare and update an SOI, the Commission shall conduct an MSR.

Task	Progress	Comments
<p>Prepare Municipal Service Reviews and Sphere of Influence Studies. A draft five-year MSR work plan is attached as Attachment C. The workplan prioritizes agencies based upon the date of their last MSRs. Attachment D shows the year each agency last had an MSR completed.</p>	<p>On-going</p>	<p>All studies will include administrative and public hearing drafts. FY25-26 reports are proposed to be completed by LAFCo staff. Time will also be allocated to following up with agencies regarding the status the implementation of recommendations.</p>
<p>Process applications for boundary changes in a responsive, professional and efficient manner.</p>	<p>On-going</p>	<p>Priority is given to applications for economic development, public health and safety, or other urgent needs. Potential proposals include:</p> <ul style="list-style-type: none"> • CSA-11 annexation • Belmont annexations in Harbor Industrial Area • Annexations to San Carlos • County Sewer District Annexations
<p>Continued updates to the Commission regarding the Broadmoor Police Protection District</p>	<p>As needed</p>	
<p>Complete annual audits (FY22-23 and FY23-24)</p>	<p>On-going</p>	<p>Proposed to be adopted at March 2025 meeting for FY22-23; The Commission will also review a three-year contract for upcoming audits.</p>
<p>Comment on potential LAFCo applications, relevant projects & development proposals, city General Plan updates and/or related environmental documents</p>	<p>On-going and as needed</p>	
<p>Initiate informal meetings to discuss budget and policy issues with Cities, Special Districts, and County, as appropriate</p>	<p>On-going</p>	
<p>Review of contract with County</p>	<p>On-going</p>	<p>Review as needed</p>

Post public information on the LAFCo website and review website layout, graphics, and content for ease of public use	On-going	
Provide Commission with regular updates of laws, policies, and procedures	On-going	
Provide quarterly budget updates	On-going	Provide timely quarterly updates on budget to Commission after budget adoption
Participate in regional activities for which LAFCo has indirect or direct responsibilities, such as Plan Bay Area and Regional Housing Needs Allocation	On-going	
Promote San Mateo LAFCo's interests in statewide issues through active participation in the California Association of Local Agency Formation Commissions (CALAFCO).	On-going	
Digital Archiving	On-going	Staff continues to digitize proposal files, meeting agendas, and meeting minutes. Staff coordinates with County staff regarding converting annexation records into digital format and potential cost estimate for that work. Contracted work expected to start in FY24-25
Mapping program	On-going	Continue to coordinate with County staff to update maps of agencies and provide them on the LAFCo website
Policies and Procedures Updates	On-going	
Update of Commissioner Handbook	On-going	

Estimated Actual 2024-25 Budget

The 2024-25 Adopted Budget includes appropriations for the Executive Officer, Management Analyst, and shared Administrative Secretary; Commission meetings; County Attorney's Office; general operating expenditures including rent, supplies, etc.; travel; meetings and legal counsel.

Some costs savings will be achieved as the Management Analyst was vacant for a portion of the fiscal year. Revenues include fund balance carry over, application fees and the intergovernmental revenue from the County, cities and special districts.

As noted below, based on estimated revenues and expenditures, the estimated fund balance carryover to be applied to the 2025-26 fiscal year is \$164,924.

Proposed 2025-26 Budget

Salary and Benefits

Salary and benefits of \$547,062 reflects the Executive Officer position, Management Analyst, and Commissioner stipend. On a limited basis, this account is charged for extra-help staff time to assist LAFCo staff with website updates. The shared administrative secretary position charges do not appear in payroll and instead appear in Account 5838.

Services and Supplies

The Commission's contract with the County of San Mateo includes staffing, office space, and related services. With the exception of the Controller Administrative Fees (Account 5872) which are estimated charges, expenditures reflect service charges provided by County departments.

The San Mateo County Planning and Building Department has informed LAFCo that in FY25-26, the 2nd Floor of 455 County Center, where both LAFCo and County Planning and Building are located, will undergo renovations. These renovations will require that LAFCo vacate its current office space during construction. It is anticipated the temporary location will be within one of the office buildings in the County Center. Once the renovations are complete, LAFCo staff will move back into the 2nd Floor office space. For the upcoming fiscal year, funds have been budgeted for moving offices and for any required upgrades at the temporary space. It is anticipated that any costs associated with construction and new office furniture will be charged to LAFCo in FY26-27.

Charges from outside agencies include Memberships (Account 5331), which includes California Association of Local Agency Formation Commissions (CALAFCO) membership and California Special Districts Association (CSDA) membership and liability insurance (Account 6725) purchased from the California Special District Risk Management Authority (SDRMA). Membership with CALAFCO allows staff and the Commission access to LAFCo focused trainings, conferences, and legislative updates. Along with access to SDRMA, membership with CSDA keeps staff apprised of issues of interest to special districts and LAFCo.

Meetings and Conferences

CALAFCO Fall 2025 (San Diego) and a staff workshop in Spring 2026. The Meetings and Conference appropriation is estimated at \$20,000 based estimates provided by CALAFCO. This budget allows for 7 LAFCo Commissioners and staff to attend the CALAFCO Conference and for 3 LAFCo staff

members to attend the Staff Workshop. Funds are allocated for costs conference/workshop registration fees, airfare/mileage costs, hotel costs, and other incidental costs.

County Service Charges including Rent, Information Services, Controller

Controller charges are estimates pending the actual costs associated with the Controller invoicing and collecting LAFCo apportionment. Rent (Account 6714) is budgeted at \$20,737 for two workstations for LAFCo staff. The allocation for County Attorney (Account 6732) has been increased to \$70,000 due to an increase in service charges. The proposed budget includes \$4,800 for the recording of LAFCo meetings (Account 5858).

A-87 Charges/County Cost Allocation

A-87 is an Office of Management and Budget (OMB) circular or guideline that sets forth principles and standards for the determination of costs applicable to County programs funded by the Federal and State governments. Under the circular, the County has to observe uniformity in its allocation of costs, that is, the County cannot be selective in the allocation process whereby externally (State and Federal) funded programs are not charged equitably. Also referred to as the Countywide Cost Allocation Plan, the County uses A-87 guidelines to obtain reimbursement from Federal, State, and non-General Fund programs for departments that do not charge directly for services rendered. For example, the Controller's Office does not charge departments for payroll services. However, the cost of providing payroll services to Non-General Fund Departments and programs receiving funds from the Federal and State governments for this specific purpose is recovered through County Cost Allocation. In past fiscal years, LAFCo was charged for the County Cost Allocation. However, in conversations with County Budget Office Staff and the County Controller's Office, LAFCo will not be charged for these costs starting in FY25-26. As such, no funds have been allocated to this item.

Reserve

Staff recommends making no additional appropriation to the reserve of \$94,924. This allows the Commission to use the fund balance to offset agency contributions.

Application of Fund Balance Carry Over

The Commission's practice regarding fund balance has been to appropriate all or a portion of it for consulting and/or special reserve and use a portion to offset the net operating budget thereby reducing the funding obligation of the County, cities and special districts to the extent possible. In preparing the annual budget, staff has been mindful of balancing the fiscal impact of the LAFCo budget to funding entities with the Commission's mandate to carry out processing of reorganization applications and preparation of municipal service reviews and sphere studies.

This year's estimated fund balance carry over is \$217,948 with \$164,924 to offset agency costs.

Review by Budget Committee

On March 10, 2025, the LAFCo Budget Committee reviewed the draft budget and work plan and recommended the two items for approval with the following changes: 1) Additional information regarding the CALAFCO and CSDA dues, 2) more detail regarding the budgeted amount for

meetings and conferences, and 3) switching the order of the MSRs for 2025-26, with South County Part 1 being prepared first followed by the Highlands and Ladera recreation districts.

Recommendation:

1. Open the public hearing and accept public comment.
2. Consider and approve by resolution the attached Proposed Budget of \$921,821 and LAFCo Work Plan.
3. Direct the Executive Officer to schedule the Final 2025-26 Budget for a public hearing at the May 21, 2025 Commission meeting and circulate it with any necessary amendments to the County, cities, and independent special districts.

Attachments

- A. Budget Narrative for FY25-26
- B. Budget Spreadsheet for FY25-26, inclusive of the Draft Adopted Budget, estimated expenditures for FY24-25, and actual expenditures for FY23-24
- C. MSR Workplan
- D. List of last adopted MSRs for agencies
- E. Resolution 1334

LAFCO PROPOSED 2025-26 BUDGET NARRATIVE

The following provides a narrative to the budget spreadsheet and reflects costs associated with LAFCo's contract with the County of San Mateo for staffing, office space, supplies and legal counsel.

Salary & Benefits (4111 through 4161 and 4512)

Salary and benefits of \$484,085 includes the County position of LAFCo Executive Officer that serves under contract with the County, Management Analyst salary and benefits, administrative leave cash out, experience pay for positions per County HR, workers compensation charges, and Commissioner stipend of \$100 per bi-monthly meeting. Salary and benefits increase reflects the County's Salary Schedule. The shared Administrative Secretary position charges appear in Account 5838 and not in payroll.

Services & Supplies

Internet/Communications (5132)

Appropriation of \$1,200 for internet and communication tools and services to support LAFCo staff.

Outside Printing (5191)

Appropriation of \$1,000 for copying and printing by outside print shops for special community mailings or workshop distribution of MSRs that cannot be distributed electronically.

General Office Supplies (5193)

A flat appropriation of \$700 for incidental office supplies provided to LAFCo.

Photocopy (5196)

A flat appropriation of \$600 for incidental copies made from the Planning Department copier where the LAFCo office is located.

Postage & Mailing (5197)

Appropriation of \$1,000 for postage/ mailing service through the County mailroom.

Computer Supplies (5211)

Appropriation of \$500 for computer supplies including the use of internet hotspots to support teleworking for staff.

Computer Equipment under \$5,000 (5212)

Appropriation of \$2,500 for computer equipment.

Software License (5215)

Appropriation of \$0 as these charges have been moved to 6752 for two Microsoft 365 and Adobe licenses.

Records Storage (5218)

Appropriation of \$700 for offsite records storage.

Office Furniture/Equipment (5234)

Appropriations of \$7,500 for moving of LAFCo offices to temporary space while construction occurs. These funds would also cover any upgrades needed to the temporary office space.

Memberships (5331)

Estimated dues of \$16,000 for CALAFCO and California Special Districts Association (CSDA). Membership with CALAFCO allows staff and the Commission access to LAFCo focused trainings, conferences, and legislative updates. CALAFCO dues proposed to be \$12,921. Along with access to SDRMA, membership with CSDA keeps staff apprised of issues of interest to special districts and LAFCo. CSDA dues are estimated to be \$3,000.

Legal Advertising (5341)

Appropriation of \$3,000 for legal notices published in newspapers for LAFCo hearing items that require notice.

Signage (5443)

Appropriation of \$600 for name plates for new LAFCo Commissioners and staff.

Mileage Allowance (5712)

Appropriation of \$1,000 for mileage reimbursement.

Meetings & Conferences (5721)

The Meetings and Conference appropriation is estimated at \$20,000 for costs associated with attending the in-person 2025 CALAFCO Conference in San Diego, CA and Staff Workshop in 2026. This budget allows for 7 LAFCo Commissioners and staff to attend the CALAFCO Conference and for 3 LAFCo staff members to attend the Staff Workshop. Funds are allocated for costs conference/workshop registration fees, airfare/mileage costs, hotel costs, and other incidental costs.

Training (5733)

Appropriation of \$300 for educational classes, workshops, or training related to LAFCo or CEQA.

Fiscal Office Specialist (5814)

Appropriation of \$2,025 for a County Fiscal Office Specialist to process LAFCo accounts receivable, accounts payable, and payroll. This is an estimated cost.

0.5 FTE LAFCo Clerk (5838)

Appropriation of \$69,998 for part-time contracted Executive Secretary position. This amount includes salary, benefits, and administrative overhead charges from County Planning. This is an estimated cost.

Outside Auditing Services (5842)

Allocation of \$11,000 for the anticipated FY24 audit.

Graphics/GIS (5848)

Appropriation of \$1,500 for GIS and other mapping services for LAFCo studies and sphere updates.

Video Recording of Commission Meetings (5858)

\$4,800 based six regular meetings of various duration and one potential additional meeting.

DPW/GIS Mapping/Scanning (5861)

Appropriation of \$7,000 for contract costs related to scanning and digitizing historical LAFCo files.

Fingerprinting new employee (5866)

Appropriation of \$0 for fingerprinting services.

Controller Admin (5872)

Estimated Cost of \$10,000 for administering the apportionment and collection of LAFCo budget to County, cities, and special districts.

Telephone (6712)

Appropriation of \$900 related to costs for two telephone lines for LAFCo staff. for

Other Information Services Department (ISD) Services (6713)

Appropriation of \$8,000 for connectivity

Rent (6714)

Rent for two office spaces is \$20,737.

Motor Pool (6717)

Appropriation of \$0 for use of the County's vehicle fleet.

General Liability (6725)

Estimated appropriation of \$10,000 for insurance through the Special District Risk Management Authority for the Commission and employee insurance with County of San Mateo for LAFCo staff.

Bond Insurance (6727)

Estimated appropriation of \$85for bond insurance.

County Attorney's Office (6732)

Appropriation of \$70,000 for County Attorney charges.

Human Resources (6733)

Estimated appropriation of \$100 for online Learning Management Services.

Countywide Security (6738)

Estimated of \$190 for countywide security provided by the Sheriff's office.

All Other Charges - OFAS (Account 6739)

Appropriation of \$650 for the County accounting software (OFAS).

Card Key Services (Account 6751)

Appropriation of \$250 for card key services.

ISD Software Licenses (Account 6752)

Appropriation of \$1,300 for two Microsoft 365 and Adobe licenses.

ISD Software Licenses (Account 6758)

Appropriation of \$4,600 for IT support for LAFCo staff

A-87 Charges/County Cost Allocation (6821)

A-87 is an Office of Management and Budget (OMB) circular or guideline that sets forth principles and standards for the determination of costs applicable to County programs funded by the Federal and State governments. Under the circular, the County has to observe uniformity in its allocation of costs, that is, the County cannot be selective in the allocation process whereby externally (State and Federal) funded programs are not charged equitably. Also referred to as the Countywide Cost Allocation Plan, the County uses A-87 guidelines to obtain reimbursement from Federal, State, and non-General Fund programs for departments that do not charge directly for services rendered. For example, the Controller's Office does not charge departments for payroll services. However, the cost of providing payroll services to Non-General Fund Departments and programs receiving funds from the Federal and State governments for this specific purpose is recovered through County Cost Allocation. In past fiscal years, LAFCo was charged for the County Cost Allocation. However, in conversations with County Budget Office Staff and the County Controller's Office, LAFCo will not be charged for these costs starting in FY25-26. As such, no funds have been allocated to this item.

Reserve (8612)

Staff recommends appropriating \$94,924 of the fund balance to reserve, consistent with the current level of reserves. Commission authorization is required to spend reserve.

Application of Fund Balance Carry Over

The Commission's practice regarding fund balance has been to appropriate all or a portion of it for consulting and/or special reserve and use a portion to offset the net operating budget thereby reducing the funding obligation of the County, cities, and special districts to the extent possible. In preparing the annual budget, staff has been mindful of balancing the fiscal impact of the LAFCo budget to funding entities with the Commission's mandate to carry out processing of reorganization applications and preparation of municipal service reviews and sphere studies.

This year's estimated fund balance carry over is \$217,948 with \$164,924 to offset agency costs.

Attachment B

LAFCo	Draft FY 25-26 Budget	Adopted FY 23-24	Actuals FY 23-24	Adopted FY 24-25	Estimated Actuals FY 24-25	Draft Proposed FY 25-26
	<i>Expenditures</i>					
4111	Salary & Benefits Executive Officer	261,732	261,732	302,626	302,626	332,004
4111	Salary & Benefits Management Analyst	188,199	134,699	184,353	138,000	195,558
4141	Admin. Leave Cash Out	5,790	3,967	5,800	5,967	13,500
4161	Commissioner Compensation	5,000	4,800	5,000	5,000	5,000
4628	Wellness Dividend	500	0	500	250	500
4512	Workers Compensation Experience	294	294	435	435	500
4000	SALARIES & BENEFITS SUBTOTAL	461,515	405,492	498,714	452,278	547,062
5132	Internet/Communications	1,200	1,459	100	1,500	1,200
5184	Refund for application	0	0	0	0	0
5191	Outside Printing (other special printing)	1,000	0	1,000	0	1,000
5193	General Office Supplies	550	550	550	580	700
5196	Photocopy - in-house copier	550	550	550	550	600
5197	Postage & Mailing Service	1,000	560	1,000	500	1,000
5211	Computer Supplies	500	0	500	0	500
5212	Computer Equipment under \$5,000	0	0	7,000	6,258	2,500
5215	Software License	700	976	1,000	435	0
5218	Corovan Records Storage	700	206	700	400	700
5234	Office Furniture/Equipment	0	0	7,500	2,500	7,500
5331	Memberships (CALAFCO/CSDA)	16,000	13,936	16,000	14,318	16,000
5341	Legal Advertising	2,000	9,589	2,500	1,000	3,000
5443	Signage	0	577	200	400	600
5712	Mileage Allowance	250	368	1,000	500	1,000
5721	Meetings & Conferences	11,000	8,110	19,000	12,000	20,000
5733	Training	250	0	250	100	300
5814	Fiscal Office Specialist	1,676	1,676	1,840	1,840	2,025
5838	.5 FTE LAFCo Clerk	66,055	40,520	61,881	61,881	69,998
5842	Outside Auditing Services	9,800	9,800	9,800	9,800	11,000
5848	Graphics	1,500	0	1,500	0	1,500
5856	Consulting	100,000	3,633	0	0	0
5858	Other Professional Contract Services (Recording of Meetings)	4,000	2,793	4,200	4,000	4,800
5861	DPW/GIS Mapping/Scanning	4,000	0	4,000	4,000	7,000
5866	Fingerprinting new employee	0	0	50	88	0
5872	Controller Admin	8,000	7,177	8,500	7,293	10,000

LAFCo	Draft FY 25-26 Budget	Adopted FY 23-24	Actuals FY 23-24	Adopted FY 24-25	Estimated Actuals FY 24-25	Draft Proposed FY 25-26
	Expenditures					
5969	Other special dept expense	0	50	100	375	100
5000	SERVICES & SUPPLIES SUBTOTAL	230,731	102,530	150,721	130,318	163,023
6712	Telephone	0	0	0	0	900
6713	ISD (Automation Services)	8,842	8,663	12,000	6,500	8,000
6714	Rent	16,744	16,744	17,059	17,059	20,737
6717	Motor Pool	78	78	78	78	0
6725	Gen'l Liability	9,500	8,423	9,600	9,000	10,000
6727	Bond Insurance	70	68	72	72	85
6732	County Attorney's Office	40,000	56,244	80,000	50,000	70,000
6733	Human Resources	100	71	100	72	100
6738	Countywide Security	150	149	180	173	190
6739	All Other Charges (Accounting Software)	100	88	320	0	650
6751	Card key services	200	169	250	216	250
6752	ISD Software Licenses	0	0	0	0	1,300
6758	ISD Support Service	0	0	0	0	4,600
6821	A 87 Charges/County Cost Allocation	18,000	15,079	27,000	25,504	0
6000	OTHER CHARGES SUBTOTAL	93,784	105,776	146,659	108,674	116,812
	Subtotal Appropriations	786,030	613,798	796,094	691,270	826,897
8612	Reserve	60,000	0	94,924	0	94,924
	Special Reserve	0	0	0	0	0
	Total Appropriations Budget	846,030	613,798	891,018	691,270	921,821
	Revenues					
2421	Application Fees	35,000	53,520	35,000	20,000	30,000
2600	Miscellaneous Revenue	0	75	0	0	0
1521	Interest	200	16,995	8,000	20,000	8,000
	Intergov. Rev. (County/City/Dist)	553,122	553,122	713,094	713,085	718,897
	Total Revenues	846,029	750,121	891,018	888,009	921,821
	Fund Balance Offset			134,924	134,924	164,924
	City/District/County 1/3 Apportionment	184,374	184,374	237,698	237,695	239,632
	Fund Balance					
3333	Fund Balance	257,707	134,924	134,924	196,739	217,948

Attachment C

Draft MSR Workplans for Fiscal Years 2023-2031

Fiscal Year	By Region and Service Type
23-24	<ol style="list-style-type: none"> 1. City of Burlingame – <i>Adopted October 2023</i> 2. City of Hillsborough - <i>Adopted October 2023</i> 3. City of San Bruno –<i>Adopted in May 2024</i> 4. Broadmoor Police Protection District - <i>Adopted in May 2024</i>
24-25	<ol style="list-style-type: none"> 1. City of Foster City – <i>Adopted September 2024</i> 2. City of Millbrae - <i>Adopted January 2025</i> 3. San Mateo County Harbor District Update - <i>Proposed Adoption in March 2025</i> 4. Coastside Fire Protection District - <i>Proposed Adoption in May 2025</i>
25-26	<ol style="list-style-type: none"> 1. South County Part 1 – <i>Proposed Adoption in September 2025</i> <ol style="list-style-type: none"> a. Town of Portola Valley b. Town of Woodside c. Los Trancos Maintenance District d. CSA 7 e. La Honda Lighting Maintenance District 2. Ladera Recreation District and Highlands Recreation District – <i>Proposed Adoption in May 2026</i>
26-27	<ol style="list-style-type: none"> 1. South County Part 2 - <ol style="list-style-type: none"> a. Town of Atherton b. Atherton Channel Drainage District c. City of Menlo Park and Special Districts d. Menlo Park Highway Lighting District 2. Menlo Park Fire Protection District and Woodside Fire Protection District
27-28	<ol style="list-style-type: none"> 1. Coastside: <ol style="list-style-type: none"> a. City of Half Moon Bay b. CSAs 6, 10, 11, and 12 c. Coastside County Water District d. Granada Community Services District e. Granada Highway Lighting District f. Montara Highway Lighting District g. Montara Water and Sanitary District 2. Midpeninsula Regional Open Space District

<p>28-29</p>	<p>1. South/Central County –</p> <ul style="list-style-type: none"> a. City of Redwood City b. City of San Carlos c. City of Belmont d. Edgewood Sewer Maintenance District e. Emerald Lake Heights Sewer Maintenance District f. Fair Oaks Sewer Maintenance District g. Kensington Square Sewer Maintenance District h. Oak Knoll Sewer Maintenance District i. Emerald Lake Heights Highway Lighting District j. CSA 8 k. Belmont Highway Lighting District l. Harbor Industrial Sewer Maintenance District m. Devonshire Co. Sanitation District n. Scenic Heights County Sanitation District o. Belmont Fire Protection District <p>2. Mid-Peninsula Water District</p>
<p>29-30</p>	<p>1. San Mateo County Mosquito & Vector Control District</p> <p>2. Peninsula Health Care District and Sequoia Healthcare District (Consultant)</p> <p>3. Central County –</p> <ul style="list-style-type: none"> a. City of San Mateo b. City of Burlingame c. Town of Hillsborough d. City of Foster City e. Estero Municipal Improvement District f. Burlingame Hills Sewer Maintenance District g. Crystal Springs County Sanitation District h. Bel-Aire Lighting Maintenance District i. Enchanted Hills Lighting Maintenance District j. County Service Area No. 1
<p>30-31</p>	<p>North County Part 1 –</p> <ul style="list-style-type: none"> a. City of Daly City b. Town of Colma c. City of Brisbane d. City of Pacifica e. North San Mateo County Sanitation District f. Broadmoor Police Protection District g. Colma Fire Protection District h. Guadalupe Valley Municipal Improvement District i. Bayshore Sanitary District j. Colma Highway Lighting District

**Not Yet
Scheduled**

- South County Part 3 –
- a. City of East Palo Alto
 - b. West Bay Sanitary District
 - c. East Palo Alto Sanitary District

- North County Part 2 –
- a. City of San Bruno
 - b. City of Millbrae
 - c. City of South San Francisco
 - d. Westborough Water District
- San Mateo Resource Conversation
San Mateo County Harbor District

Attachment D

List of Completed Municipal Service Reviews (MSR)		
Agency	Date of Last MSR	Notes
Los Trancos Maintenance District	2006	
Town of Portola Valley	2007	South County
Town of Woodside	2007	South County
Ladera Recreation District	2007	South County
Town of Atherton, Atherton Channel Drainage District	2008	South County
City of Half Moon Bay	2008	Coastside
County Service Area No. 6 (Princeton-by-the-Sea)	2008	Coastside
County Service Area No. 10 (Montara Parks)	2008	Coastside
County Service Area No. 12 (Montara/Moss Beach)	2008	Coastside
Coastside County Water District	2008	Coastside
Granada Community Services District	2008	Coastside
Montara Water and Sanitary District	2008	Coastside
Montara Highway Lighting District	2008	Coastside
Granada Highway Lighting District	2008	Coastside
City of Menlo Park/Menlo Park Highway Lighting District	2009	South County
Menlo Park Fire Protection District	2009	South County
Woodside Fire Protection District	2009	South County
City of Redwood City/Edgewood Sewer Maintenance District/Emerald Lake Heights Sewer Maintenance District/Fair Oaks Sewer Maintenance District/Kensington Square Sewer Maintenance District/Oak Knoll Sewer Maintenance District/Emerald Lake Heights Highway Lighting District, County Service Area No 8 (North Fair Oaks)	2011	South County
City of Belmont/Belmont Highway Lighting District/Harbor Industrial Sewer Maintenance District	2011	South County
City of San Carlos /Devonshire Co. Sanitation Dist/Scenic Heights County Sanitation Dist.	2011	South County
County Service Area No. 7 (Sam McDonald Park)/La Honda Lighting Maintenance District	2011	Rural Coast
Mid-Peninsula Water District	2011	South County
Belmont Fire Protection District	2011	South County
Highlands Recreation District	2012	Central County
San Mateo County Mosquito and Vector Control District	2012	Regional (also in 2003)
City of San Mateo	2013	South County
Crystal Springs County Sanitation District/Bel-Aire Lighting Maintenance District/Enchanted Hills Lighting Maintenance District	2013	Central County
County Service Area No. 1 (Highlands)	2013	Central County
Midpeninsula Regional Open Space District	2013	Regional (also in 2003)
City of Brisbane	2015	Central County
City of Daly City	2015	North County
City of Pacifica	2015	North County
North San Mateo County Sanitation District	2015	North County
North Coast County Water District	2015	North County
Bayshore Sanitary District	2015	North County
Guadalupe Valley Municipal Improvement District	2015	North County
Colma Highway Lighting District	2015	Requested by Town/Regional (also in 2007)
Town of Colma	2015	Requested by agency (2007) and North County (2015)

List of Completed Municipal Service Reviews (MSR)

Agency	Date of Last MSR	Notes
Colma Fire Protection District	2015	Requested by Town of Colma/Regional (also in 2007)
Peninsula Health Care District	2017	Regional (also in 2007)
Sequoia Healthcare District	2017	Regional (also in 2007)
San Mateo County Resource Conservation District	2021	Regional (also in 2006)
City of South San Francisco	2022	
Westborough Water District	2022	
City of East Palo Alto	2022	South County (also in 2009)
East Palo Alto Sanitary District	2022	South County (also in 2009)
West Bay Sanitary District	2022	South County (also in 2009)
County Service Area No. 11 (Pescadero)/Pescadero Highway Lighting District	2022	Rural Coast (also in 2011)
City of Burlingame/Burlingame Hills Sewer Maintenance District	2023	
Town of Hillsborough	2023	
Broadmoor Police Protection District	2024	also in 2007 and 2015; special study in 2022
City of Foster City/Estero Municipal Improvement District	2024	
City of San Bruno	2024	
City of Millbrae	2025	
Coastside Fire Protection District	2025	Previous MSR in 2005 was requested by community (As Half Moon Bay Fire Protection District and Point Montara Fire Protection District)
San Mateo County Harbor District	2025	also in 2006 and 2015

Attachment E

RESOLUTION NO. 1334

**RESOLUTION OF THE
SAN MATEO LOCAL AGENCY FORMATION COMMISSION
APPROVING THE DRAFT PROPOSED
2025-2026 FISCAL YEAR BUDGET AND WORK PROGRAM**

RESOLVED, by the Local Agency Formation Commission of the County of San Mateo, State of California that:

WHEREAS, Section 56381 of the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 provides that the LAFCo Commission shall adopt a “Proposed” and “Final” budget; and

WHEREAS, the Proposed Draft Budget was circulated to the County, the cities and independent special districts; and

WHEREAS, the Commission has considered the “Proposed Draft Budget at a noticed public hearing and received public comment; and

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the San Mateo Local Agency Formation Commission hereby adopts the Proposed Budget for Fiscal Year 2025-2026 of \$921,821 as shown in Exhibit A and directs the Executive Officer to place consideration of the “Final” budget on the May 21, 2025 agenda after circulating it to the County, cities and independent special districts.

Regularly passed and adopted this ____ day of _____

Ayes and in favor of said resolution:

Commissioners:

Noes and against said resolution:

Commissioners Absent and/or Abstentions:

Commissioners:

Chair
 Local Agency Formation Commission
 County of San Mateo
 State of California

ATTEST:

 Executive Officer
 Local Agency Formation Commission

Date: _____

I certify that this is a true and correct copy of the resolution above set forth.

Date: _____

 Clerk to the Commission
 Local Agency Formation Commission

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners

From: Rob Bartoli, Executive Officer

Subject: Consideration of Revised LAFCo Schedule of Processing Fees

Background

The Cortese-Knox-Hertzberg (CKH) Act governing LAFCo operations authorizes the Commission to establish a schedule of fees for processing applications and provides that the fees shall not exceed the estimated reasonable cost of providing the service. Processing fees must be adopted by resolution following a noticed public hearing as part of a regularly scheduled meeting. During the FY19-20 budget process, a recommendation was made and adopted by the Commission to review fees every two years. Fees were last revised in 2023 as part of the FY23-24 Budget process.

San Mateo LAFCo's fee schedule categories include acreage and type of reorganization proposal. Fees are based on level of complexity of applications, County salary and benefit increases, and other service cost increases such as rent and County Attorney's Office charges.

Summary

The recommended revisions to the annexation/detachment fees account for increases in salary and benefits and the additional complexity and requirements related to processing applications. These fees were calculated based on an estimate of time to process the application by staff and the hourly rate for each portion of the application. On average, the fees for minor and major annexations are proposed to be increased by 17%.

Annexations and Outside Service Agreements that are less than 5 acres in size are the most common type of applications received by LAFCo. The highest proposed application fee for an application would be a major application fee of \$5,691. This application fee is on par with Alameda, Contra Costa, Marin, Napa, Orange, Santa Clara, and Sonoma LAFCos. Fees for other types of actions are proposed to remain at actual costs based on staff hourly rates. The proposed

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT
▪ DEBBIE RUDDOCK, CITY ▪ STEPHEN RAINALDI, CITY ▪ JACKIE SPEIER, COUNTY ▪ ANN DRAPER, PUBLIC

ALTERNATES: KATHRYN SLATER-CARTER, SPECIAL DISTRICT ▪ GREG WRIGHT, CITY ▪ JAMES O'NEILL, PUBLIC ▪ NOELIA CORZO, COUNTY

STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪

DIANE ESTIPONA, CLERK

LAFCo fee schedule has also been updated with a new table showing staff's fully burdened hourly rate (salary, benefits, and administrative costs).

The Commission has historically adopted fees with the goal of recovering a larger share of processing costs for individual proposals while not discouraging boundary change applications.

Committee Review

The Budget Committee reviewed the proposed fee schedule and did not propose any changes to the fee schedule.

Recommendation:

Provide direction to Staff regarding any desired changes to the fee schedule and recommendation to bring the item back to the May 21, 2025 meeting for adoption. If adopted in May, the fee schedules for FY25-27 would become effective 60 days after adoption by the Commission.

Attachments

- A. Proposed 2025 Processing Fee Schedule
- B. Adopted 2023 Processing Fee Schedule

SAN MATEO LAFCo FEE SCHEDULE
 Effective for Applications Accepted for Filing
 On or After July 21, 2025

PROCESSING FEES

(CA Government Code Sections 56383, 56654, and 56428)

Annexation or Detachment (City, District, or County Service Area)	Minor Applications (100% consent of property owners and exempt from CEQA)	Major Applications (Less than 100% consent of property owners or is not exempt from CEQA)
<u>Acres</u>		
1.0 or less	\$2,442	\$3,592
1- 4.9	\$3,870	\$5,691
5- 9.9	\$4,364	\$6,418
10- 19.9	\$4,734	\$6,962
20- 29.9	\$5,836	\$8,582
30- 49.9	\$6,801	\$10,000
50 +	\$7,644	\$11,240

- Deleted:** \$2,028
- Deleted:** \$2,982
- Deleted:** .1
- Deleted:** \$3,308
- Deleted:** \$4,864
- Deleted:** \$3,740
- Deleted:** \$5,499
- Deleted:** \$4,080
- Deleted:** \$6,000
- Deleted:** \$4,979
- Deleted:** \$7,323
- Deleted:** \$5,827
- Deleted:** \$8,568
- Deleted:** \$6,578
- Deleted:** \$9,674

OTHER ACTIONS

Outside Service Agreement	Same as acreage fees above
Consolidation/Merger/Dissolution/Subsidiary District (Excludes legal notice and election costs)	Actual Cost
District Formation	Actual Cost
Municipal Service Review (Not initiated by LAFCo)	Actual Cost
Application for Activation or Divestiture of Special District Powers	Actual Cost
Dissolution for Inactivity	\$650
Incorporation/Disincorporation	Actual Cost
State Controller's Review of Comprehensive Fiscal Analysis	Actual Cost
Reorganization (two or more changes of organization included in one proposal)	Sum of Fees for Individual Actions, less 20%
Noticed public hearing (if required)	Actual Preparation and Publication Cost
Sphere of Influence Revision/Municipal Service Review	Actual Cost
Reconsideration	Actual cost/Deposit of \$650
Request for time extension	\$300
Request to hold special meeting	Actual Cost
Outside/Special Legal Fee	Actual Cost
Petition Verification	Actual Cost

Deleted: pursuant to Section 56857

LAFCO STAFF HOURLY RATES

Fully burdened LAFCo staff hourly rates:

Position	Hourly Rate
Executive Officer	\$246
Management Analyst	\$148
LAFCo Clerk	\$103
Legal Counsel	\$268

Deleted: \$193
 Deleted: \$137
 Deleted: \$96
 Deleted: \$232

ENVIRONMENTAL REVIEW
 (P.R.C. Section 21089)

CEQA Exemption	No Charge
Review of Lead Agency’s Negative Declaration or Environmental Impact or determination that preparation of Negative Declaration or Environmental Impact Report is required	\$325 plus Publication Cost
Preparation of a Negative Declaration or Environmental Impact Report	Actual Cost

COUNTY AND STATE FEES

The following fees are charged by State and County agencies and are listed below as public information to applicants. May be amended by State/County.

Department of Fish and Wildlife Fees (Fish and Game Code Sec. 711.4): (set by State/County)	
County Clerk - Document Handling Fee	\$50.00
Department of Fish and Wildlife CEQA Filing Fees	For specific information regarding filing fees for Negative Declarations or Environment Impact Reports, please refer to California Department of Fish and Wildlife https://www.wildlife.ca.gov/Conservation/CEQA
The above fees may be required where LAFCo is the lead agency for environmental review and will be collected by LAFCo for transmittal to the County Clerk.	
Where LAFCo is responsible agency, copies of original Notice of Determination and receipt by Lead Agency is required.	
State Board of Equalization Fees (Government Code Section 54902.5)	
The conducting agency (city, county or district) may collect a State Board of Equalization filing fee for submittal to LAFCo with final proposal documents. The fee is based on acreage. Please refer to the State Board of Equalization (http://www.boe.ca.gov/) fee schedule and consult LAFCo staff for details. Checks of this fee should be made to the State Board of Equalization Fees and submitted to San Mateo LAFCo for filing.	
County Department of Public Works Fees	Hourly rate of Public Works staff

ADMINISTRATIVE FEES

Photocopies	\$0.10 per page
Publications	Will be set for each publication
Conforming Copy	\$10.00 check payable to San Mateo County Recorder
Duplication of Meeting Record	Actual Cost

EXCEPTIONS: LAFCo processing fees may be waived by the Commission if financial hardship is demonstrated OR if the application is in response to a LAFCo condition or recommendation. State and County Clerk fees may not be waived.

~~Draft 2/26/2025~~

Deleted: Revised 5/17/23, effective 7/18/23

SAN MATEO LAFCo FEE SCHEDULE
Effective for Applications Accepted for Filing
On or After July 18, 2023

PROCESSING FEES

(CA Government Code Sections 56383, 56654, and 56428)

Annexation or Detachment (City, District, or County Service Area)	Minor Applications (100% consent of property owners and exempt from CEQA)	Major Applications (Less than 100% consent of property owners or is not exempt from CEQA)
<u>Acres</u>		
1 or less	\$2,028	\$2,982
1.1 – 4.9	\$3,308	\$4,864
5 – 9.9	\$3,740	\$5,499
10 – 19.9	\$4,080	\$6,000
20 – 29.9	\$4,979	\$7,323
30 – 49.9	\$5,827	\$8,568
50 +	\$6,578	\$9,674

OTHER ACTIONS

Outside Service Agreement	Same as acreage fees above
Consolidation/Merger/Dissolution/Subsidiary District (Excludes legal notice and election costs)	Actual Cost
District Formation	Actual Cost
Municipal Service Review (Not initiated by LAFCo)	Actual Cost
Application for Activation or Divestiture of Special District Powers	Actual Cost
Dissolution for Inactivity	\$650
Incorporation/Disincorporation	Actual Cost
State Controller's Review of Comprehensive Fiscal Analysis	Actual Cost
Reorganization (two or more changes of organization included in one proposal)	Sum of Fees for Individual Actions, less 20%
Noticed public hearing (if required)	Actual Preparation and Publication Cost
Sphere of Influence Revision/Municipal Service Review	Actual Cost
Reconsideration pursuant to Section 56857	Actual cost/Deposit of \$650
Request for time extension	\$300
Request to hold special meeting	Actual Cost
Outside/Special Legal Fee	Actual Cost
Petition Verification	Actual Cost

LAFCO STAFF HOURLY RATES

Fully burdened LAFCo staff hourly rates:

Position	Hourly Rate
Executive Officer	\$193
Management Analyst	\$137
LAFCo Clerk	\$96
Legal Counsel	\$232

ENVIRONMENTALREVIEW
(P.R.C. Section 21089)

CEQA Exemption	No Charge
Review of Lead Agency’s Negative Declaration or Environmental Impact or determination that preparation of Negative Declaration or Environmental Impact Report is required	\$325 plus Publication Cost
Preparation of a Negative Declaration or Environmental Impact Report	Actual Cost

COUNTY AND STATE FEES

The following fees are charged by State and County agencies and are listed below as public information to applicants. May be amended by State/County.

Department of Fish and Wildlife Fees (Fish and Game Code Sec. 711.4): (set by State/County)	
County Clerk - Document Handling Fee	\$50.00
Department of Fish and Wildlife CEQA Filing Fees	For specific information regarding filing fees for Negative Declarations or Environment Impact Reports, please refer to California Department of Fish and Wildlife https://www.wildlife.ca.gov/Conservation/CEQA
The above fees may be required where LAFCo is the lead agency for environmental review and will be collected by LAFCo for transmittal to the County Clerk. Where LAFCo is responsible agency, copies of original Notice of Determination and receipt by Lead Agency is required.	
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The conducting agency (city, county or district) may collect a State Board of Equalization filing fee for submittal to LAFCo with final proposal documents. The fee is based on acreage. Please refer to the State Board of Equalization (http://www.boe.ca.gov/) fee schedule and consult LAFCo staff for details. Checks of this fee should be made to the State Board of Equalization Fees and submitted to San Mateo LAFCo for filing.	
County Department of Public Works Fees	Hourly rate of Public Works staff

ADMINISTRATIVE FEES

Photocopies	\$0.10 per page
Publications	Will be set for each publication
Conforming Copy	\$10.00 check payable to San Mateo County Recorder
Duplication of Meeting Record	Actual Cost

EXCEPTIONS: LAFCo processing fees may be waived by the Commission if financial hardship is demonstrated OR if the application is in response to a LAFCo condition or recommendation. State and County Clerk fees may not be waived.

Revised 5/17/23, effective 7/18/23

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners

From: Rob Bartoli, Executive Officer

Subject: Consider approval of draft audit prepared by O'Connor & Company of the San Mateo Local Agency Formation Commission's Financial Statements for the Fiscal Year ending June 30, 2023

Summary

As part of the contract for personnel, office space, and services with the County of San Mateo, the Commission's funds are held in the County treasury and included in the County's budget system. For the Fiscal Year beginning July 1, 2018, the Commission's budget was moved out of the General Fund to a separate trust fund, shown in the County's budget document as information only, consistent with its being the budget of an independent Commission. When the Commission's budget was part of the General Fund, the County's annual audit included the LAFCo budget. Moving the Commission's budget from the General Fund to a trust fund required that the Commission engage independent auditors to prepare an audit of Commission finances.

O'Connor & Company, formerly R. J. Ricciardi, Inc., has completed the fifth outside audit for San Mateo LAFCo covering the 2022-23 fiscal year. O'Connor & Company has not identified any deficiencies in internal controls nor any instances of non-compliance. The audit did not find any problems with the LAFCo financial statements. Financial transactions are viewed by staff from San Mateo County Planning and Building, the San Mateo County Controller's Office, and by San Mateo County CEO's Budget Office.

In the 2018-19 audit, it was recommended that all trial balances be reviewed on a monthly basis, and that cash accounts be reconciled each month. As noted in the report, LAFCo staff continues to review monthly reports for the LAFCo accounts and works with County staff to reconcile accounts. In addition, LAFCo staff now provides quarterly financial updates to the Commission which will allow for opportunities to review how LAFCo performed financially in the previous quarter as compared to the adopted budget and to discuss any issues as appropriate.

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT
▪ DEBBIE RUDDOCK, CITY ▪ STEPHEN RAINALDI, CITY ▪ JACKIE SPEIER, COUNTY ▪ ANN DRAPER, PUBLIC

ALTERNATES: KATHRYN SLATER-CARTER, SPECIAL DISTRICT ▪ GREG WRIGHT, CITY ▪ JAMES O'NEILL, PUBLIC ▪ NOELIA CORZO, COUNTY

STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪
DIANE ESTIPONA, CLERK

Review by Budget Committee

The Budget Committee reviewed the draft audit on March 10, 2025 and recommended approval.

Recommendation Commission Action by Resolution

By resolution, approve the draft audit prepared by O'Connor & Company of the San Mateo Local Agency Formation Commission's Financial Statements for the Fiscal Year ending June 30, 2023

Attachments

- A. Commissioners and Management Report for FY23 Audit
- B. Annual Financial Report for FY23 Audit
- C. Resolution No. 1335

DRAFT

2/10/2025

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **Report/Letter date is TENTATIVE-TBD**

Attachment A

SAN MATEO LOCAL AGENCY FORMATION COMMISSION

COMMISSIONERS & MANAGEMENT REPORT

**For the Year Ended
JUNE 30, 2023**

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DRAFT

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, California

In planning and performing our audit of the financial statements of San Mateo Local Agency Formation Commission as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered San Mateo Local Agency Formation Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

This report is intended solely for the information and use of management, the Commissioners, and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank San Mateo Local Agency Formation Commission's staff for its cooperation during our audit.

O'Connor & Company

Novato, California

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, California

We have audited the basic financial statements of the San Mateo Local Agency Formation Commission (LAFCo) for the year ended June 30, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 19, 2024, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAFCo. Such considerations were solely for the purpose of determining our audit procedures and not providing any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by LAFCo are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered by LAFCo during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – Conduit Debt Obligations
GASB 94 – Public-Private and Public-Public and Availability Payment Arrangements
GASB 93 – Omnibus 2022, paragraphs 11-25
GASB 96 - Information Technology Subscription Arrangements

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the financial statements were:

- Nothing came to our attention.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated XX/XX/XX.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, like obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to LAFCo's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LAFCo's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and the Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and the Commissioners of San Mateo Local Agency Formation Commission and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Mateo Local Agency Formation Commission
COMMISSIONERS & MANAGEMENT REPORT
For the Year Ended June 30, 2023

Current Year Observations

There were no current year observations.

Prior Year Observations

There were no prior year observations.

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DRAFT

2/10/2025

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **Report/Letter date is TENTATIVE-TBD**

Attachment B

**SAN MATEO LOCAL AGENCY
FORMATION COMMISSION**

REDWOOD CITY, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, California

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Mateo Local Agency Formation Commission, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the San Mateo Local Agency Formation Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of San Mateo Local Agency Formation Commission, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Mateo Local Agency Formation Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1, the financial statements are intended to present the financial position and the respective changes in financial position of only those transactions attributable to San Mateo Local Agency Formation Commission. They do not purport to, and do not, present fairly the financial position of the County of San Mateo in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Mateo Local Agency Formation Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Mateo Local Agency Formation Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Mateo Local Agency Formation Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and page 18, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

O'Connor & Company

Novato, California

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

This section of San Mateo Local Agency Formation Commission's (LAFCo's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2023. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to LAFCo's audited financial statements, which are composed of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used, which best represents the activities of LAFCo.

The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of LAFCo.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of LAFCo's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of LAFCo's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCo, including all of its capital assets and long-term liabilities on a full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all LAFCo's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of LAFCo's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All LAFCo's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report LAFCo's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of LAFCo's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of LAFCo and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on an accrual basis, which means they measure the flow of all economic resources of LAFCo.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – LAFCo's basic services are governmental activities. These services are supported by specific general revenues from local agencies.

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2023

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of LAFCo's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of LAFCo for the year and may change from year to year as a result of changes in the pattern of LAFCo's activities.

In LAFCo's case, there is only one Major Governmental Fund.

Governmental Fund Financial Statements are prepared on a modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Analyses of Major Funds

Governmental Funds

General Fund revenues increased \$66,643 this fiscal year compared to the prior year. Actual revenues were less than budgeted amounts by \$206,518.

General Fund expenditures were \$602,046, a decrease of \$104,254 from the prior year primarily due to an unfilled analyst position. Expenditures were \$195,121 less than budgeted.

Governmental Activities

Table 1
Governmental Net Position

	2023 Governmental Activities	2022 Governmental Activities
Current assets	<u>\$ 294,444</u>	<u>\$ 274,467</u>
Total assets	<u>294,444</u>	<u>274,467</u>
Current liabilities	<u>86,610</u>	<u>55,036</u>
Total liabilities	<u>86,610</u>	<u>55,036</u>
Net position		
Unrestricted	<u>207,834</u>	<u>219,431</u>
Total net position	<u>\$ 207,834</u>	<u>\$ 219,431</u>

LAFCo's governmental net position amounted to \$207,834 as of June 30, 2023, a decrease of \$11,597 from 2022. This decrease is the Change in Net Position reflected in the Statement of Activities shown in Table 2.

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2023

LAFCo's net position as of June 30, 2023 comprised the following:

- Cash and investments comprised \$291,550 of cash on deposit with the San Mateo County Treasury.
- Accounts receivable totaling \$2,894.
- Deferred revenue totaling \$72,259.
- Accounts payable totaling \$14,351.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. LAFCo had \$207,834 of unrestricted net position as of June 30, 2023.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	<u>2023 Governmental Activities</u>	<u>2022 Governmental Activities</u>
<u>Expenses</u>		
Local agency formation services	\$ 602,046	\$ 706,300
Total expenses	602,046	706,300
<u>Revenues</u>		
Program revenues:		
Charges for services	29,958	33,727
General revenues:		
Intergovernmental revenue	548,826	484,789
Taxes and other	11,665	5,290
Total general revenues	560,491	490,079
Total revenues	590,449	523,806
<u>Change in net position</u>	\$ (11,597)	\$ (182,494)

As Table 2 above shows, \$29,958 or 5% of LAFCo's fiscal year 2023 governmental revenue came from program revenues and \$560,491 or 95%, came from general revenues.

Program revenues consisted of annexation charges of \$29,958.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets

LAFCo has no capital assets.

Debt Administration

LAFCo does not utilize long-term debt to fund operations or growth.

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various agencies served by LAFCo.

The economic condition of LAFCo as it appears on the balance sheet reflects financial stability. LAFCo will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting LAFCo's Financial Management

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of LAFCo's finances. Questions about this report should be directed to San Mateo Local Agency Formation Commission, 455 County Center, 2nd Floor, Redwood City, CA 94063.

DRAFT

San Mateo Local Agency Formation Commission
STATEMENT OF NET POSITION
 June 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 291,550
Accounts receivable	<u>2,894</u>
Total assets	<u>294,444</u>
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Deferred revenue	72,259
Accounts payable and other accrued expenses	<u>14,351</u>
Total liabilities	<u>86,610</u>
 Net position:	
Unrestricted net position	<u>207,834</u>
Total net position	<u>\$ 207,834</u>

DRAFT

The accompanying notes are an integral part of these financial statements.

San Mateo Local Agency Formation Commission
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2023

	<u>Governmental Activities</u>
Program expenses	
Services and supplies	\$ 602,046
Total program expenses	<u>602,046</u>
 Program revenues:	
Intergovernmental revenue	548,826
Charges for service	29,958
Other revenue	<u>11,665</u>
Total program revenue	<u>590,449</u>
Net program expense	<u>(11,597)</u>
 Changes in net position	 (11,597)
Net position, beginning of period	<u>219,431</u>
 Net position, end of period	 <u>\$ 207,834</u>

DRAFT

The accompanying notes are an integral part of these financial statements.

San Mateo Local Agency Formation Commission
GOVERNMENTAL FUNDS - BALANCE SHEET
 June 30, 2023

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash investments	\$ 291,550
Accounts receivable	2,894
Total assets	\$ 294,444
 <u>LIABILITIES</u>	
Deferred revenue	\$ 72,259
Accounts payable and other accrued expenses	14,351
Total liabilities	86,610
 <u>FUND BALANCES</u>	
Assigned fund balances	207,834
Total fund balances	207,834
Total liabilities and fund balances	\$ 294,444

DRAFT

The accompanying notes are an integral part of these financial statements.

San Mateo Local Agency Formation Commission
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
For the Year Ended June 30, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 207,834
Amount reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:	
None	<u>-</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 207,834</u>

DRAFT

The accompanying notes are an integral part of these financial statements.

San Mateo Local Agency Formation Commission
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
 June 30, 2023

	<u>General Fund</u>
Revenues	
Intergovernmental revenue	\$ 548,826
Charges for service	29,958
Other revenue	11,665
Total revenues	590,449
Expenditures	
Services and supplies	602,046
Total expenditures	602,046
Excess of revenues over (under) expenditures	(11,597)
Fund balances, beginning of the period	219,431
Fund balances, end of the period	\$ 207,834

DRAFT

The accompanying notes are an integral part of these financial statements.

San Mateo Local Agency Formation Commission
Reconciliation of the
STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES
to the
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ (11,597)

The changes in Net Position reported for governmental activities in the Statement of Activities are different because:

None

-

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (11,597)

DRAFT

The accompanying notes are an integral part of these financial statements.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - REPORTING ENTITY

A. Reporting Entity

The financial statements are intended to present the financial position and the respective changes in financial position of only those transactions attributable to San Mateo Local Agency Formation Commission. They do not purport to, and do not, present fairly the financial position of the County of San Mateo in conformity with U.S. generally accepted accounting principles.

LAFCo maintains a cash receipts journal for recording fees collected at 1851 Lexington Avenue. The assessment of property, collection of taxes, disbursement of cash, and the maintenance of the general ledger for funds held by the County are provided by the County of San Mateo. Custodianship of LAFCo's account and records for funds held by the County are vested with the Treasurer of San Mateo County.

The County of San Mateo maintains its financial records on a computer, utilizing a monthly reporting cycle. Every month the Controller issues a computer printout of revenues collected, disbursements by objective and a trial balance for the period then ended.

B. Organization of LAFCo

San Mateo Local Agency Formation Commission (LAFCo) was formed in 1963. LAFCo is responsible for coordinating logical and timely changes in local government boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, and preparing a sphere of influence for each city and special district within its county. LAFCo's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. LAFCo also conducts service reviews to evaluate the provision of municipal services within its county.

C. Principles that Determine the Scope of Reporting Entity

LAFCo consists of seven voting members and four alternate members, and exercises the powers allowed by state statutes. This follows section 56325 of the Government Code. The basic financial statements of LAFCo consist only of the funds of LAFCo. LAFCo has no oversight responsibility for any other governmental entity since no other entities are controlled by, or dependent on, LAFCo.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

LAFCo's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

Government-wide Financial Statements

LAFCo's financial statements reflect only its own activities; it has no component units. The statement of net position and statement of activities display information about the reporting government. They include all the funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and charges for services for performing annexation services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of LAFCo's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

Program revenues include charges paid by the recipients of goods and services offered by the program. Revenues that are not classified as program revenues, including all intergovernmental revenues, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is a separate accounting entity. General Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. LAFCo's resources are accounted for based on the purposes for which they are to be spent and how spending activities are controlled. An emphasis is placed on major funds within the governmental categories.

The Fund Financial Statements are presented after the government-wide financial statements. These statements display information about major funds individually in a separate column and non-major funds in the aggregate for governmental funds. A fund is considered major if it is the primary operating fund of LAFCo or meets the following criteria: Total assets, liabilities, revenues, or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type. The General Fund is always a major fund. LAFCo reported the following major governmental funds in the accompanying financial statements:

Governmental Funds

General Fund: This is the operating fund of LAFCo. The major source of revenue for this fund is intergovernmental revenues. Expenditures are made for intergovernmental revenues projects and administration.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Under this method, revenues are recognized when "measurable and available." LAFCo considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*. Those revenues susceptible to accrual are intergovernmental, certain charges for services and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which LAFCo gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. LAFCo may fund programs with a combination of charges for services and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. LAFCo's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. LAFCo Budget

Pursuant to Section 56381, et seq of the Government Code, LAFCo adopts a preliminary budget by May 1 and a final budget by June 15 of each year. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by LAFCo. Individual amendments were not material in relation to the original appropriations that were amended.

D. Receivable and Payable Balances

LAFCo believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuration of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the year end. All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

E. Property, Plant and Equipment

LAFCo currently has no fixed assets.

F. Unearned Revenue

Unearned revenues represent amounts received, but not yet earned. Unearned revenue at June 30, 2023 was \$72,259.

NOTE 3 - CASH AND INVESTMENTS

LAFCo's cash is maintained with the San Mateo County Treasury in a non-interest-bearing account. LAFCo's cash on deposit with the San Mateo County Treasury at June 30, 2023 was \$291,550.

Credit Risk, Carrying Amount and Market Value of Investments

LAFCo maintains specific cash deposits with San Mateo County (County). San Mateo County is restricted by state code in the types of investments it can make. Furthermore, the San Mateo County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, San Mateo County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. In addition, LAFCo has its own investment policy as well.

San Mateo County's investment policy authorizes San Mateo County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2023, LAFCo's cash with the San Mateo County Treasurer was maintained in a non-interest-bearing account.

Custodial Credit Risk – Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - CASH AND INVESTMENTS (concluded)

The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California agents of depository is held for, and in the name of, the local government.

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from rental properties. LAFCo did not have investments subject to recurring fair value measurements as of June 30, 2023.

NOTE 4 - USE OF ESTIMATES

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

NOTE 5 - CONTINGENCIES

LAFCo may be involved from time to time in various claims and litigation arising in the ordinary course of business. LAFCo management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on LAFCo's financial position or results of operations.

The Commission is currently litigating a proposal that the Commission approved in November 2023. Litigation was initiated by the East Palo Alto Sanitary District, the agency affected by the proposal, in March 2024 (East Palo Alto Sanitary Dist. v. San Mateo Local Agency Formation Comm'n - San Mateo County Superior Court-Case No. 24-CIV-01489). The outcome of this litigation cannot currently be determined.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - FUND EQUITY

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below.

In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts with use constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Commissioners serve as LAFCo's highest level of decision-making authority and have the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by LAFCo for specific purposes, subject to change, as established either by the Commissioners or by management officials to whom assignment authority has been delegated by the Commissioners.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

Fund Balance Flow Assumption

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, LAFCo specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, LAFCo's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Net Position

Net Position is the excess of all LAFCo's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

Net Investment in capital assets describes the portion of Net Position that is represented by the current net book value of LAFCo's capital assets, less the outstanding balance of any debt issued to finance these assets. *Restricted* describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that LAFCo cannot unilaterally alter. *Unrestricted* describes the portion of Net Position that is not restricted to use.

LAFCo's Net Position is unrestricted.

Net Position Flow Assumption

The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

San Mateo Local Agency Formation Commission
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Budget and Actual
For the Year Ended June 30, 2023
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
Revenues:				
Intergovernmental revenue	\$ 766,967	\$ 766,967	\$ 548,826	\$ (218,141)
Charges for services	30,000	30,000	29,958	(42)
Other revenue	-	-	11,665	11,665
Total revenues	<u>796,967</u>	<u>796,967</u>	<u>590,449</u>	<u>(206,518)</u>
Expenditures:				
Services and supplies	<u>797,167</u>	<u>797,167</u>	602,046	195,121
Total expenditures	<u>797,167</u>	<u>797,167</u>	<u>602,046</u>	<u>195,121</u>
Excess of revenues over (under) expenditures	<u>\$ (200)</u>	<u>\$ (200)</u>	(11,597)	<u>\$ (11,397)</u>
Fund balance, beginning of period			<u>219,431</u>	
Fund balance, end of period			<u>\$ 207,834</u>	

DRAFT

Attachment C

RESOLUTION NO. 1335

**RESOLUTION OF THE
SAN MATEO LOCAL AGENCY FORMATION COMMISSION
APPROVAL OF THE AUDIT PREPARED BY O'CONNOR & COMPANY FOR THE COMMISSION'S FISCAL
STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2023**

RESOLVED, by the Local Agency Formation Commission of the County of San Mateo (LAFCo), State of California, that:

WHEREAS, prior to 2018, the Commission's appropriations budget was part of the County of San Mateo General Fund and independently audited annually; and

WHEREAS, in 2018 the Commission's appropriations budget was transferred to a trust fund account that necessitated LAFCo to contract with an outside auditor to perform an independent audit; and

WHEREAS, LAFCo entered into an agreement with O'Connor & Company, formerly R. J. Ricciardi, Inc., for an audit of the Commission's Fiscal Statements for the year ending June 30, 2023; and

WHEREAS, the draft audit did not identify any deficiencies in internal controls nor any instances of non-compliance; and

WHEREAS, LAFCo staff continues to review monthly reports for the LAFCo accounts and works with County staff to reconcile accounts. LAFCo staff provides quarterly financial updates to the Commission which will allow for opportunities to review how LAFCo performed financially in the previous quarter as compared to the adopted budget and to discuss any issues as appropriate.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the Commission hereby approves the draft audit prepared by O'Connor & Company of the San Mateo Local Agency Formation Commission's Financial Statements for the Fiscal Year ending June 30, 2023.

Regularly passed and adopted this ____ day of _____.

Ayes and in favor of said resolution:

Commissioners:

Noes and against said resolution:

Commissioners Absent and/or Abstentions:

Commissioners:

Chair
Local Agency Formation Commission
County of San Mateo
State of California

ATTEST:

Executive Officer
Local Agency Formation Commission

Date: _____

I certify that this is a true and correct copy of the resolution above set forth.

Date: _____

Clerk to the Commission
Local Agency Formation Commission

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners

From: Rob Bartoli, Executive Officer
Sarah Flamm, Management Analyst

Subject: Consideration Authorizing the Executive Officer to Execute an Engagement Letter with O'Connor & Company for auditing services for the Fiscal Years June 30, 2024 through June 30, 2026

Summary

As part of the Commission's contract with the County of San Mateo, the LAFCo budget is maintained in the County's budget system. Beginning in Fiscal Year 2018, the Commission's budget was moved out of the County's General Fund to a separate trust fund and shown in the County's budget document as information only, consistent with its status as an independent commission. When the Commission's budget was part of the General Fund, the County's annual audit included the LAFCo budget. When the budget was moved from the General Fund, it became necessary to conduct independent audits.

San Mateo LAFCo is requesting to contract with an independent auditor, O'Connor & Company, for auditing services for a three-year period covering Fiscal Years 2024-2026. LAFCo staff requested quotes for auditing service from four vendors and received one response back. Attached is an engagement letter from O'Connor & Company for auditing services. The letter proposes the following costs for the audits:

June 30, 2024 - \$9,800

June 30, 2025 - \$9,800

June 30, 2026 - \$10,780

In compliance with applicable laws and best practices, O'Connor & Company will rotate both the audit team and partner conducting the annual audits. The audit team will typically rotate annually, and the partner will rotate every four to five years.

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT
▪ DEBBIE RUDDOCK, CITY ▪ STEPHEN RAINALDI, CITY ▪ JACKIE SPEIER, COUNTY ▪ ANN DRAPER, PUBLIC

ALTERNATES: KATHRYN SLATER-CARTER, SPECIAL DISTRICT ▪ GREG WRIGHT, CITY ▪ JAMES O'NEILL, PUBLIC ▪ NOELIA CORZO, COUNTY

STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪

DIANE ESTIPONA, CLERK

Review by Budget Committee

The Budget Committee reviewed the proposal on March 10, 2025. The original proposal presented to the Committee was a five-year contract with O'Connor & Company. Based on discussion between the Committee and staff, it was recommended that the contract be for three years to allow for potential additional bids for auditing services.

Recommendation

By motion, authorize the Executive Officer to execute the attached engagement letter with O'Connor & Company for auditing services for the Fiscal Years June 30, 2024 through June 30, 2026.

Attachments

A. Draft Engagement letter with O'Connor & Company Dated March 12, 2025



March 12, 2025

Rob Bartoli, Executive Officer
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063

Dear Rob:

We are pleased to confirm our understanding of the services we are to provide San Mateo Local Agency Formation Commission for the years ended June 30, 2024, June 30, 2025, and June 30, 2026.

Audit Scope and Objectives

We will audit the financial statements of the governmental-type activities and the major fund, including the disclosures, which collectively comprise the basic financial statements of San Mateo Local Agency Formation Commission (LAFCo) as of and for the years ended June 30, 2024, June 30, 2025, and June 30, 2026. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement San Mateo LAFCo's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to San Mateo LAFCo's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk(s) of material misstatement as part of our audit planning: management override of controls, improper revenue recognition, and unallowed and fraudulent expenses.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of the financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of San Mateo LAFCo's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Other Services

We will also assist in preparing the financial statements of San Mateo LAFCo in conformity with accounting principles generally accepted in the United States of America based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing. Further, we understand that your employees will prepare all information we request in our Client Participation List in the format requested and send it to us 30 days prior to scheduling the audit field work. If you have insufficient personnel or time to prepare these items we can assist you in this area and we will discuss with you the additional time required and estimated fee for these services.

The audit documentation for this engagement is the property of O'Connor & Company and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a Regulator or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of O'Connor & Company personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the Regulator or its designee. The Regulator or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

Michael O'Connor is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our estimated fee for the audits, including expenses will be:

June 30, 2024	\$9,800
June 30, 2025	\$9,800
June 30, 2026	\$10,780

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

If additional time is needed for us to assist San Mateo LAFCo in the resolution or investigation of accounting errors, discrepancies, or reconciliation issues, assistance in the preparation of schedules, or to reflect in our workpapers corrections to the San Mateo LAFCo's accounting records made after the start of the engagement, we will perform such additional work at our standard hourly rates indicated below:

Director \$210	Audit Director/Audit Manager \$160
Audit Supervisor \$130	Senior Accountant \$110-125
Staff Accountant \$110	Administrator \$110

In addition to the estimated fees noted above, we reserve the right to invoice San Mateo LAFCo at our standard hourly rates for time incurred providing information to successor auditors in compliance with AU sec. 315. Our invoices and related fees for this service will be payable upon presentation.

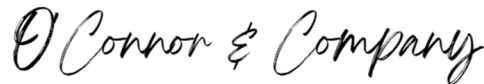
Reporting

We will issue a written report upon completion of our audit of San Mateo LAFCo's financial statements. Our report will be addressed to those charged with governance of San Mateo LAFCo. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or withdraw from this engagement.

We reserve the right to suspend or terminate our work if you have failed to fulfill your responsibilities set forth in this engagement letter, and such failure materially interferes with our work. If our work is suspended or terminated because of your failure to fulfill your responsibilities set forth in this engagement letter, you agree that we will not be responsible for your failure to meet government and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any damages (including consequential damages) incurred as a result of the suspension or termination of our work.

We appreciate the opportunity to be of service to San Mateo LAFCo and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,



O'Connor & Company

RESPONSE:

This letter correctly sets forth the understanding of San Mateo Local Agency Formation Commission:

Officer signature: _____

Title: _____

Date: _____



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners

From: Sarah Flamm, Management Analyst

Subject: Contract for scanning services

Summary

LAFCo has approximately 25 banker boxes full of paper records that need to be digitized into searchable pdf. format files. The physical files, currently occupying LAFCo’s offices, will be moved into storage. Most papers in the files are a standard size (8.5”x11’), while an estimated 80 papers are larger (e.g. maps, planning documents).

On February 10, 2025, staff sent solicitation emails to three firms, and received interest from two firms: BMI Imaging Systems and eRecordsUSA. BMI Imaging Systems estimated a total project cost of \$8,918.75. eRecordsUSA estimated a total project cost of \$8,275.00.

Based on review of the two proposals, staff recommends selecting eRecordsUSA. This company is based in Fremont, CA. The San Mateo County Department of Public Works has successfully contracted with the company for scanning services in the recent past. The project is poised to begin in May 2025, and take 6-8 weeks to complete. Key deliverables:

Service Description	Est. Qty	Rate	Total
Preparation & QC of documents to include removal of staples, paperclips and bindings, correct dog-eared corners, repair damaged areas, insert separator sheets.	25 boxes	\$60	\$1,500.00
Document Scanning Services, 8.5" x 11" Bitonal/Color @ 300 dpi Scan Resolution into Searchable PDF Files, audit of all scans, file Naming/Indexing, Single Multiple Page PDF per each file. Invoicing based on the actual number of units by hourly rate.	25 boxes	\$225	\$5,625.00
Large Document Scanning Services	80 pages	\$2.50	\$200.00

- COMMISSIONERS:** RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT ▪ DEBBIE RUDDOCK, CITY ▪ STEPHEN RAINALDI, CITY ▪ JACKIE SPEIER, COUNTY ▪ ANN DRAPER, PUBLIC
- ALTERNATES:** KATHRYN SLATER-CARTER, SPECIAL DISTRICT ▪ GREG WRIGHT, CITY ▪ JAMES O’NEILL, PUBLIC ▪ NOELIA CORZO, COUNTY
- STAFF:** ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪ DIANE ESTIPONA, CLERK

File Naming (100 files per box)	2,500 files	\$0.10	\$250.00
Pick Up & Return boxes from Redwood City, CA	2	\$350	\$700.00
Sample Scan & Feedback	0	0	\$0
Online Access to Download Scans	0	0	\$0
Total			\$8,275.00

The deliverables listed in the BMI Imaging Systems proposal were less specific, and notably included an uncapped estimate of the number of hours it would take to complete file preparation.

Budget Impact

The estimated budget for base services totals \$8,275. Payment will be provided upon completion, which is anticipated to be in June or July of 2025, the beginning of the FY 2025-26 fiscal year.

Recommended Commission Action by Motion

Authorize the Executive Officer to enter into a contract with the eRecordsUSA to

Attachments

- A. Proposal from eRecordsUSA dated February 20, 2025



Estimate

46520 Fremont Blvd. Ste 602
 Fremont, CA 94538
 P: 510.900.8800, F: 510.897.6456

Date	Estimate #
2/20/2025	0270

Customer Name / Address
Sarah Flamm, Management Analyst San Mateo LAFCo 455 County Center, 2nd Floor Redwood City, CA 94063

Terms	Estimated Completion	Valid For
Net 30	6-8 weeks	30 days

Service Description	Estimated Qty	Rate	Total
Preparation & QC of documents (25 Standard Legal Sized Banker Boxes 15x12x10) to include, removal of staples, paperclip and bindings, correct dog-eared corners, repair damaged areas, insert separator sheets.(Maximum Images per box 2500)	25	60.00	1,500.00
Document Scanning Services, (25 Standard Sized Boxes, 15x12x10), 8,5" x 11" Bitonal/Color @ 300 dpi Scan Resolution into Searchable PDF Files, 100% audit of scans and file Naming/Indexing, Single Multiple Page PDF per each file folder/file. Invoicing will be based on the actual number of units multiplied by its unit or hourly rate and totaled.	25	225.00	5,625.00
File Naming, as per customer request, (100 files per box)	2,500	0.10	250.00
Secure Shredding Services, NAID Certified (Not Required)	0	5.00	0.00
Secure Online Access to download the scans / (Over-the-wire transfer of data and services is non-taxable)	0	0.00	0.00
Pick Up & Return from Redwood City, CA	2	350.00	700.00
Large Format Scanning Services (Estimated large format sheets in the files)	80	2.50	200.00
Back Prep of documents as per originals received meaning, all staples, clips re-purposed, as received. (Optional) Not recommended, all files are returned in the same box, same folder, same location in order as they are received, expect the fastenings. But incase back prepping is needed, this charge will apply. Per Box Pricing 25 boxes x \$45.00,			
Payment via business check only, upon completion, Credit Card Payment additional 5% will be charged Scan Delivery: Via Secure Protected Download Link. Payment method: Business Check			
GENERAL SCANNING PROCEDURE			
Sample Scan & Feedback:			
We look forward to the opportunity of working with your prestigious company.	Total		



Estimate

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 Fremont, CA 94538
 P: 510.900.8800, F: 510.897.6456

Date	Estimate #
2/20/2025	0270

Customer Name / Address
Sarah Flamm, Management Analyst San Mateo LAFCo 455 County Center, 2nd Floor Redwood City, CA 94063

Terms	Estimated Completion	Valid For
Net 30	6-8 weeks	30 days

Service Description	Estimated Qty	Rate	Total
<p>At the start of project eRecordsUSA will process a small sample scans of the documents/media, including file naming and forward the same for client's review & feedback, to be approved by client and only after receiving a written confirmation, will the project get started .</p> <p>Project Start & Completion : We can start the project immediately OR per your requirements, and can meet your Turn around requirements for the whole project. It is our endeavor to complete the project on time and we will be in touch with you to provide regular updates. Any changes in the completion date will be quickly intimated, and the client will be kept informed of the same.</p> <p>Document Availability : One thing we would like to confirm, that while the files are in our care, they will always be available, within 24 to 48 hours, upon request. Once we receive a request, for a file, we will have that file processed, and forward the scanned copy to the person requesting, in a secure encrypted way. .</p> <p>Auditing of Scans : All scanned images will be 100% reviewed for reading order, rotation. The quality of scans would be with unmatched.</p> <p>Image Review, Document Destruction or Return: All scanned documents will be uploaded directly into our Secure Cloud storage, for access, review and download. Client will have thirty (30) days to inspect document images and report any concerns to eRecordsUSA. Upon notification, of any concerns, eRecordsUSA will rescan the images in question, and provide updated images/scans, prior to the end of the review period. Client may upon final review authorize destruction of documents in writing.</p> <p>Security & Confidentiality & Non Disclosure All original media, and scanned data is 100% protected, and we take</p> <p>We look forward to the opportunity of working with your prestigious company.</p>			
		Total	



Estimate

46520 Fremont Blvd. Ste 602
Fremont, CA 94538
P: 510.900.8800, F: 510.897.6456

Date	Estimate #
2/20/2025	0270

Customer Name / Address

Sarah Flamm, Management Analyst
San Mateo LAFCo
455 County Center, 2nd Floor
Redwood City, CA 94063

Terms	Estimated Completion	Valid For
Net 30	6-8 weeks	30 days

Service Description	Estimated Qty	Rate	Total
extensive precautions towards that goal encompassing all aspects physical and network environment, employee training, background checks and access control etc			

We look forward to the opportunity of working with your prestigious company.	Total
--	--------------



Estimate

46520 Fremont Blvd. Ste 602
Fremont, CA 94538
P: 510.900.8800, F: 510.897.6456

Date	Estimate #
2/20/2025	0270

Customer Name / Address

Sarah Flamm, Management Analyst
San Mateo LAFCo
455 County Center, 2nd Floor
Redwood City, CA 94063

Terms	Estimated Completion	Valid For
Net 30	6-8 weeks	30 days

Service Description	Estimated Qty	Rate	Total

We look forward to the opportunity of working with your prestigious company.	Total	\$8,275.00
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SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners
From: Rob Bartoli, Executive Officer
Subject: CALAFCO Update

Summary

The first CALAFCO Board meeting of the year was held on January 10, 2025, at CALAFCO's offices in Sacramento. At that meeting, there was in-depth discussion regarding membership representation at CALAFCO, the status of the Legislative Committee and legislative process, and transparency and communication and requests actions seen as providing a larger role for local Executive Officers. No action was taken at this meeting, however at a Special Meeting on February 7, the CALAFCO Board approved the recommended changes (8-3) to the organization's bylaws and policies. These changes were related to appointment of regional executive officers to CALAFCO, clarifying the the duties of the Executive Director and CALAFCO Executive Officer, the formation of an advisory body to CALAFCO comprised of LAFCo staff members, and the reinstatement of the legislative committee. The policy amendments were effective immediately. As for the bylaws, that will require membership approval and CALAFCO's legal counsel is currently working on how to properly complete this task.

Also, there has been a change in leadership at CALAFCO. On January 23, 2025, René LaRoche, CALAFCO Executive Director, resigned from her position. At the February 7 meeting, the CALAFCO Board has appointed Jose Henriquez from Sacramento LAFCo to act as the Interim Executive Director until a permanent replacement is found. Additionally, the CALAFCO Board has also brought back former CALAFCO Executive Director (Pamela Miller) and Administrative Assistant (Jeni Ticker) as temporary consultants to help with the transition process and get CALAFCO back on track with effective communication and action.

As of now, four of the six southern region LAFCOs (Orange, Los Angeles, San Bernardino, and San Diego) have decided not to renew their membership for FY 2025-26. However, there will not be an increase in dues to CALAFCO members.

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT ▪ DEBBIE RUDDOCK, CITY ▪ STEPHEN RAINALDI, CITY ▪ JACKIE SPEIER, COUNTY ▪ ANN DRAPER, PUBLIC

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STAFF: ROB BARTOLI, EXECUTIVE OFFICER ▪ SARAH FLAMM, MANAGEMENT ANALYST ▪ TIM FOX, LEGAL COUNSEL ▪ DIANE ESTIPONA, CLERK

There will be an upcoming CALAFCO retreat on March 20-21, 2025 that will continue to focus on the challenges and opportunities for CALAFCO moving forward.

Recommended Commission Action:

Receive report.

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 12, 2025

To: LAFCo Commissioners
From: Rob Bartoli, Executive Officer
Subject: Legislative Report – Information Only

Summary

Legislative tracker

As of March 7, 2025, CALAFCO is tracking 1 bill:

- **AB 259** would amend existing law, which is in effect until January 1, 2026, regarding the use of alternative teleconferencing in specified circumstances if, during the teleconference meeting. The bill would rescind certain sections of Government code that relate to teleconferencing requirements for remote meetings. It would also strike references to effective dates of January 1, 2026 on other sections. (*CALAFCO – Watch*)

Recommendation

Receive the report.

Attachments

- A. Legislative Daily 3/7/2025

COMMISSIONERS: RAY MUELLER, CHAIR, COUNTY ▪ VIRGINIA CHANG KIRALY, VICE CHAIR, SPECIAL DISTRICT ▪ KATI MARTIN, SPECIAL DISTRICT
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DIANE ESTIPONA, CLERK

**CALAFCO List of Current Bills
3/7/2025**

AB 259 (**Rubio, Blanca D**) **Open meetings: local agencies: teleconferences.**

Current Text: Introduced: 1/16/2025 [html](#) [pdf](#)

Introduced: 1/16/2025

Status: 2/10/2025-Referred to Com. on L. GOV.

Location: 2/10/2025-A. L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary: The Ralph M. Brown Act authorizes the legislative body of a local agency to use teleconferencing, as specified, and requires a legislative body of a local agency that elects to use teleconferencing to comply with specified requirements, including that the local agency post agendas at all teleconference locations, identify each teleconference location in the notice and agenda of the meeting or proceeding, and have each teleconference location be accessible to the public. Current law, until January 1, 2026, authorizes the legislative body of a local agency to use alternative teleconferencing if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda that is open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction, and the legislative body complies with prescribed requirements. Current law requires a member to satisfy specified requirements to participate in a meeting remotely pursuant to these alternative teleconferencing provisions, including that specified circumstances apply. Current law establishes limits on the number of meetings a member may participate in solely by teleconference from a remote location pursuant to these alternative teleconferencing provisions, including prohibiting such participation for more than 2 meetings per year if the legislative body regularly meets once per month or less. This bill would remove the January 1, 2026, date from those provisions, thereby extending the alternative teleconferencing procedures indefinitely.

History:

2025

Jan. 16 Read first time. To print.

Jan. 17 From printer. May be heard in committee February 16.

Feb. 10 Referred to Com. on L. GOV.

Position

Watch

CALAFCO Comments: Current law establishes limits on the number of meetings a member may participate in solely by teleconference from a remote location pursuant to these alternative teleconferencing provisions, including prohibiting such participation for more than 2 meetings per year if the legislative body regularly meets once per month or less. As introduced, this bill would rescind Government Code Section Section 54953, which speaks to teleconferencing requirements. It would also strike references to effective dates of January 1, 2026 on other sections.

Total Measures: 1

Total Tracking Forms: 1

3/7/2025 9:18:27 AM

**RESOLUTION OF THE
SAN MATEO LOCAL AGENCY FORMATION COMMISSION
HONORING
JAMES "JIM" O'NEILL
FOR HIS DEDICATED SERVICE**

RESOLVED, by the members of the Local Agency Formation Commission of the County of San Mateo, that

WHEREAS, **Jim O'Neill** has served as the Public Alternate member of the Local Agency Formation Commission from 2018 to 2025; and

WHEREAS, he has made contributions to the Commission's deliberations on a number of complex and controversial proposals and studies, including the successful multi-year effort to establish the East Palo Alto Sanitary District as a subsidiary district of the City of East Palo Alto; and Municipal Service Reviews and Sphere of Influence Updates for the San Mateo County Harbor District, the North County Cities and Special Districts, the Broadmoor Police Protection District and the City of East Palo Alto, East Palo Alto Sanitary District and West Bay Sanitary District; and

WHEREAS, he regularly volunteered for the various LAFCo committees; and

WHEREAS, his willingness to serve, his understanding of and support for the Commission's policies and objectives and his knowledge of local government have been of great benefit to the work of the Commission and the community; and

WHEREAS, his presence and contributions will truly be missed by his colleagues on the Commission and by the Commission's staff.

NOW THEREFORE, this Commission does hereby express its deep appreciation and sincere thanks to **Jim O'Neill** for his willingness to serve and dedicated service to this Commission and to all the people and public agencies in San Mateo County. Best wishes to him on all his future endeavors.

Dated: March 19, 2025

Chair

