



## THE SAN MATEO COUNTY HARBOR DISTRICT: THE PRICE OF DYSFUNCTION IS RISING

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### ISSUE

San Mateo County's 2013-2014 Grand Jury and the County's Local Agency Formation Commission have recommended the dissolution of the San Mateo County Harbor District, yet it continues to exist. The ball is in the Board of Supervisors' court. Why hasn't the County taken any action?

### SUMMARY

The San Mateo County Harbor District has been criticized for decades. Calls to dissolve the District go back at least 50 years. More recently, the 2013-2014 San Mateo County Grand Jury recommended the dissolution of the Harbor District. This recommendation was directed to both the San Mateo County Board of Supervisors as well as the Harbor District itself.

In responding to the Grand Jury, the Board of Supervisors committed to undertaking additional analysis of the district once the San Mateo County Local Agency Formation Commission (LAFCo) completed its Municipal Service Review of the district in 2015.<sup>1</sup>

LAFCo provided the County with a copy of its July 2015 Municipal Service Review of the District prior to LAFCo's July 15, 2015, meeting. At that time, the County Manager wrote that should the LAFCo commissioners recommend dissolution by formal vote, the County would decide whether or not to follow up on the Grand Jury recommendation. LAFCo did, in fact, recommend such dissolution at the July 15<sup>th</sup> meeting.

It has now been almost 12 months since LAFCo's review of the district. Notwithstanding this fact, it is not clear that the County has undertaken the analysis it had promised to perform. The Grand Jury recommends that the Board of Supervisors initiate their analysis promised in 2014 so that the County may make a decision regarding dissolution of the Harbor District.

### BACKGROUND

The San Mateo County Harbor District is an independent special district governed by an elected five-member Board of Commissioners. The District's responsibilities include the ability to acquire, construct, and maintain property related to the operation and development of ports and waterways; manage seagoing vessels within its harbors; enforce applicable police regulations, issue debt, collect fees for use of facilities, and plan improvements.<sup>2</sup>

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<sup>1</sup> The Harbor District itself did not agree to dissolution.

<sup>2</sup> San Mateo Local Agency Formation Commission. *San Mateo County Harbor District Staff Report, Municipal Service Review and Attachments*, July 15, 2015, p. 5.

The 2013-2014 Grand Jury provided a succinct analysis of the troubled history of the Harbor District:

The lengthy and antagonistic relationship between the Harbor District and the citizens of San Mateo County goes back at least 50 years. In 1963, 57% of the County's voters agreed that the District should be dissolved. In 1966 it was in fact dissolved. But a court overturned that decision and the District was reinstated. In 1990 the Grand Jury advocated for dissolution, and did so again the very next year, concluding that, substantial cost savings would be realized by dissolving the San Mateo County Harbor District and placing control of that district's facilities under the Board of Supervisors.<sup>3</sup>

The 2013-2014 report included a total of 11 recommendations, of which 10 were directed to the Harbor District itself. Appendix A lists the recommendations, the entity responsible for responding to each, and the responses to the 2013-2014 Grand Jury report.<sup>4</sup> Appendix B lists the status of the recommendations as reported by the General Manager in January 2016.

## DISCUSSION

One of the recommendations was directed to the San Mateo County Board of Supervisors:

The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.

John Maltbie, the County Manager and Clerk of the Board of Supervisors, responded to this recommendation of the Grand Jury Report in a letter dated September 19, 2014. In the letter, his response stated:

The recommendation will need further analysis once the Local Agency Formation Commission has completed their municipal service review, which is a necessary precursor to the process of dissolution.<sup>5</sup>

LAFCo completed its municipal service review in July 2015. Its draft reaffirmed a zero Sphere of Influence for the Harbor District, which means that it should be dissolved and the County of San Mateo be established as the successor agency.<sup>6</sup> Sphere designations are not based on a judgment of the leadership or staff of a district. They are based only on the fact that the District is countywide and redundant to county and/or city governments that can already carry out the functions of the District. Following its standard practice, LAFCo published a draft of its report and recommendations to the County Manager. On July 7, 2015, John Maltbie wrote to the Executive Director of LAFCo.

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<sup>3</sup> San Mateo County 2013-2014 Grand Jury, *What Is the Price of Dysfunction? The San Mateo County Harbor District*, p. 5.

<sup>4</sup> Ibid, pp. 21-76.

<sup>5</sup> John Maltbie, Letter to Honorable Board of Supervisors, "2013-14 Grand Jury Response—What Is the Price of Dysfunction? The San Mateo County Harbor District," September 19, 2014, p. 3.

<sup>6</sup> San Mateo Local Agency Formation Commission, *Municipal Service Review*, July 8, 2015, p. 2.

After LAFCO completes the Municipal Service Review and Sphere update for the District, the Commission could recommend that the District be dissolved.

If that happens, and the County decides to follow-up on the Grand Jury recommendation that the County initiate an application to dissolve the District, the County would undertake a comprehensive analysis of all aspects of the District.<sup>7</sup>

The LAFCo Commissioners met on July 15, 2015, to review the Municipal Service Review and Sphere of Influence Determination. They voted unanimously to accept the documents and adopted resolution #1194 supporting the LAFCo staff recommendation. The minutes of LAFCo's meeting record that "Commissioner Horsley volunteered on behalf of the County to work with the Harbor District to achieve their benchmarks over the 18 months. He said he would then bring the results back to the Commission."<sup>8</sup>

The next step was for the County to undertake its promised "comprehensive analysis" so that it could later decide whether or not to dissolve the district. A senior county official recalled that this topic was discussed in a Board of Supervisors' meeting, and that the Supervisors agreed to give the Harbor District additional time to improve its performance. He could not, however, recall the timeframe that was agreed upon. A review of Board of Supervisors' Agendas and Minutes from July through December 2015 shows no evidence that this topic has been discussed by the Supervisors.

### Intervening Time Period

Since the publication of the 2013-2014 Grand Jury report, the Harbor District has continued to experience considerable turmoil, as described in more detail in Appendix C. Based on the Grand Jury's review of Harbor District meeting records, and interviews with District Board members and staff, 2014 and 2015 were tumultuous years for the Harbor District.

- The Harbor District had four Commission Presidents between June 2014, the date of publication of the 2013-2014 Grand Jury Report, and May 2016.
- The Harbor District had four General Managers between October 2014 and November 2015. The current General Manager, Steve McGrath, assumed oversight of the operations of the Harbor District in November 2015.
- Staff turnover was not restricted to the General Manager position. The long-term finance director resigned in September 2015. The Harbor Master, Scott Grindy, resigned in November 2015.

The newly named General Manager reported considerable progress on the secondary recommendations of the 2013-2014 Grand Jury report at LAFCo's May 18, 2016, meeting. The 2015-2016 Grand Jury was pleased to learn that progress is finally and apparently being made on its predecessors' recommendations to improve the performance of the Harbor District.

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<sup>7</sup> John Maltbie, *Letter* to Martha Poyatos, Executive Director, July 7, 2015.

<sup>8</sup> San Mateo Local Agency Formation Commission Meeting, *Minutes*, July 15, 2015, p. 10.

## FINDINGS

- F1. In response to a 2013-2014 Grand Jury's recommendation, the County indicated that it would undertake an analysis of the Harbor District following LAFCo's completion of a Municipal Service Review of the district.
- F2. LAFCo completed a Municipal Service Review of the Harbor District in July 2015 at which time LAFCo reaffirmed a zero Sphere of Influence for the Harbor District.
- F3. As of June 2016, the Board of Supervisors has not made a decision regarding the dissolution of the Harbor District and there is no indication that the County has commenced the analysis it promised in response to the 2013-2014 Grand Jury's recommendation.
- F4. Although Supervisor Horsley proposed an 18-month timeframe, which would otherwise end in December 2016, for the Harbor District to improve its performance and meet benchmarks, the district presented a report of its performance in May 2016 and the County is now in a position to commence the analysis it promised in response to the 2013-2014 Grand Jury's recommendation.

## RECOMMENDATION

- R1. The County Board of Supervisors will initiate an independent study of alternative future scenarios for the Harbor District so that they may make an informed decision regarding the future of the Harbor District.
  - This study should evaluate possible outcomes including dissolving the Harbor District and naming the County as the successor agency. Other outcomes to be considered include returning the Oyster Point Marina to South San Francisco and naming the County as the successor to Pillar Point Harbor only. The Board should seek input on other potential scenarios in a public process.
  - The study should look beyond any near-term performance improvements given the long history of Harbor District dysfunction.
  - The study should be initiated by September 30, 2016. The study should be completed within six months, and the results should be reviewed in a public meeting.

## REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests responses as follows:

From the following governing bodies:

- R1. San Mateo County Board of Supervisors

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

## METHODOLOGY

### Documents

- 2013-2014 Grand Jury Report
- 2015 San Mateo Local Agency Formation Commission Municipal Service Review
- Harbor District Agenda Packets: January 20, 2016; February 17, 2016
- Letters from Scott Grindy dated October 9, 2014, regarding his resignation; distributed to: Don Horsley, Glenn Lazof, Dave Pine, Martha Poyatos
- Newspaper reports: *Palo Alto Daily Post*, *Half Moon Bay Review*, *San Mateo Daily Journal*, *San Jose Mercury News*
- S. Grindy's *Notice of Claim to San Mateo County Harbor District*, April 8, 2016
- D. Galarza's *Settlement Agreement and General Release of All Claims*, September 14, 2015

### Site Tours

- Oyster Point Marina
- Pillar Point Harbor
- Harbor District Commission Meetings, January 20, 2016, and February 17, 2016

### Interviews

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.

- County Officials, including Board of Supervisors, County Manager's Office, and LAFCo
- Current Commissioners of Harbor District
- Current and Former employees of Harbor District
- South San Francisco Officials

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APPENDIX A: 2013-2014 GRAND JURY REPORT RECOMMENDATIONS AND RESPONSES

<b>Table 1: 2013-2014 Grand Jury Report Recommendations and Responses</b>		
<b>Recommendation</b>	<b>Responding Body</b>	<b>Response</b>
R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014.	San Mateo County Local Agency Formation Commission	Agree
R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.	San Mateo County Board of Supervisors  San Mateo County Harbor District	Requires further analysis  Disagree
R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non- enterprise revenue and expense categories.	San Mateo County Harbor District	Agree
R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.	San Mateo County Harbor District	Disagree
R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.	San Mateo County Harbor District	Agree
R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2014.	San Mateo County Harbor District	Requires further analysis
R7. The Harbor District will explore transferring or cost-sharing, with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer’s Beach dredging operation by December 31, 2014.	San Mateo County Harbor District  The City of Half Moon Bay	Agree  Disagree
R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.	San Mateo County Harbor District	Agree
R9. The Harbor District will explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014.	San Mateo County Harbor District	Agree



**Table 1: 2013-2014 Grand Jury Report Recommendations and Responses**

<b>Recommendation</b>	<b>Responding Body</b>	<b>Response</b>
R10. As soon as possible after the November 2014 Harbor Commissioner elections, the Harbor District will form standing and appropriate ad hoc committees, which meet regularly.	San Mateo County Harbor District	Agree
R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.	San Mateo County Harbor District	Agree

**APPENDIX B: STATUS OF RECOMMENDATIONS AS OF JANUARY 2016**

Steve McGrath, the current General Manager of the Harbor District, reviewed the status of the recommendations made by the 2013-2014 Grand Jury at the January 20, 2016, Harbor District board meeting.<sup>9</sup> His update on what the Harbor District has “done,” is “doing,” or has “not done” is provided in Table 2.

<b>Table 2: Status of Recommendations According to Harbor District General Manager</b>				
<b>Recommendation</b>	<b>Response</b>	<b>Done</b>	<b>Doing</b>	<b>Not Done</b>
R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.	Disagree	Not included in GM’s report		
R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non- enterprise revenue and expense categories.	Agree		✓	
R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.	Disagree			✓
R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.	Agree	✓		
R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2014.	Require further analysis			✓

<sup>9</sup> McGrath. *Staff Report to Board of Harbor Commissioners, Subject: Goals and Objectives for 2016.*  
[http://www.smharbor.com/harbordistrict/packets/01202016\\_10.pdf](http://www.smharbor.com/harbordistrict/packets/01202016_10.pdf).

<b>Table 2: Status of Recommendations According to Harbor District General Manager</b>				
<b>Recommendation</b>	<b>Response</b>	<b>Done</b>	<b>Doing</b>	<b>Not Done</b>
R7. The Harbor District will explore transferring or cost-sharing, with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer's Beach dredging operation by December 31, 2014.	Agree		✓	
R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.	Agree	✓		
R9. The Harbor District will explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014.	Agree			✓
R10. As soon as possible after the November 2014 Harbor Commissioner elections, the Harbor District will form standing and appropriate ad hoc committees, which meet regularly.	Agree	✓		
R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.	Agree		✓	

Source: McGrath, Steve, General Manager, San Mateo County Harbor District. *Staff Report to Board of Harbor Commissioners, Subject: Goals and Objectives for 2016*. January 20, 2016.  
[http://www.smharbor.com/harbordistrict/packets/01202016\\_10.pdf](http://www.smharbor.com/harbordistrict/packets/01202016_10.pdf).

## APPENDIX C: TURMOIL AT HARBOR DISTRICT 2014-2016

- The Harbor District had four Commission Presidents between June 2014, the date of publication of the 2013-2014 Grand Jury Report, and May 2016. Historically, the Board has only rotated presidents annually in July.<sup>10</sup>
  - Robert Bernardo was elected President at the July 17, 2013, meeting. He served a full year through June 2014.
  - Pietro Parravano became President at the board meeting on June 18, 2014. Two of the five board members voted against his election,<sup>11</sup> although traditionally elections to President received unanimous support. At the time he was named President, a local paper reported “A calm, soft-spoken presence on the board, Parravano sees his mission as moving the district past the divisive bickering that has dominated the last couple years.”<sup>12</sup> He served six months.
  - Sabrina Brennan replaced Mr. Parravano as President at the January 7, 2015, meeting. Mr. Parravano did not attend the meeting.<sup>13</sup> The agenda packet and minutes of prior meetings do not explain the rationale for the change in timing of District reorganization (election of officers) from July.
  - Tom Mattusch replaced Sabrina Brennan as President just four months later, at a special meeting called for May 26, 2015.<sup>14</sup> During the public comment period, seven people spoke in favor of the reorganization, and 16 spoke against it. The minutes include numerous letters from supporters of Ms. Brennan. Ms. Brennan remarked that her replacement as Harbor Board President was a “campaign of retribution against her.”<sup>15</sup>
- In addition to the changes in President, the Board of Commissioners experienced other unexpected turnover.

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<sup>10</sup> The Commissioners at the February 4, 2004, Board of Commissioners meeting agreed to staff the officer positions via a rotation system at the first meeting in January each year. In mid-2013, this was revised to July of each year. San Mateo County Harbor District Board of Commissioners, *Meeting Minutes*, February 4, 2004, p. 3. <http://www.smharbor.com/minutes/mf020404.pdf>. San Mateo County Harbor District Board of Commissioners, *Meeting Minutes*, July 17, 2013, p. 2. <http://www.smharbor.com/minutes/mf071713.pdf>.

<sup>11</sup> San Mateo County Harbor District Board of Commissioners, *Meeting Minutes*, June 18, 2014, p. 2. <http://www.smharbor.com/minutes/mf061814.pdf>.

<sup>12</sup> Mark Noack, “Parravano Takes Helm of Stormy District, Appointment Spurs Complaints from Fishermen,” *Half Moon Bay Review*, July 10, 2014. [http://www.hmbreview.com/news/parravano-takes-helm-of-stormy-district/article\\_3d2bfd78-0851-11e4-adf1-001a4bcf887a.html](http://www.hmbreview.com/news/parravano-takes-helm-of-stormy-district/article_3d2bfd78-0851-11e4-adf1-001a4bcf887a.html).

<sup>13</sup> San Mateo County Harbor District Board of Commissioners, *Meeting Minutes*, January 7, 2015, p. 2. <http://www.smharbor.com/minutes/mf01072015.pdf>.

<sup>14</sup> San Mateo County Harbor District Board of Commissioners, *Meeting Minutes*, May 26, 2015, p. 2. <http://www.smharbor.com/minutes/mf05262015.pdf>.

<sup>15</sup> Bill Silverfarb, “Harbor District President Steps Down from Post: Sabrina Brennan Remains on the Board, Passes Gavel to Longtime Fisherman Tom Mattusch,” *San Mateo Daily Journal*, May 27, 2015. <http://www.smdailyjournal.com/articles/Inews/2015-05-27/harbor-district-president-steps-down-from-post-sabrina-brennan-remains-on-the-board-passes-gavel-to-longtime-fisherman-tom-mattusch/1776425144007.html>.

- One commissioner, Nicole David, newly elected in November 2014, resigned less than 12 months into her four-year term. The board appointed a replacement for Commissioner David in November 2015 on a three-to-one vote.
- The Harbor District had four General Managers between October 2014 and November 2015.
  - The long-time General Manager, Peter Grenell, resigned at the end of December 2014. At the time he announced his intent to resign, the *San Jose Mercury News* reported that three of the commissioners, Tucker, Holsinger, and Board president Parravano praised him. It described a fourth commissioner, Brennan, who “declined to comment on Grenell’s tenure Thursday, instead encouraging voters to oust board members Jim Tucker and Will Holsinger, who in her view have enabled Grenell to lead the district astray.”<sup>16</sup>
  - The Harbor Master, Scott Grindy, temporarily replaced Mr. Grenell. Mr. Grindy served as Acting General Manager from October 2014 through mid-May 2015, when he returned to his duties as Harbor Master. Mr. Grindy resigned in November 2015. On April 8, 2016, Mr. Grindy filed a Notice of Claim against the Harbor District alleging that he “suffered relentless interference and false and derogatory statements from Ms. Brennan.”<sup>17</sup> Ms. Brennan claims the allegations are baseless.<sup>18</sup>
  - A third person, Glenn Lazof, became Interim General Manager in early May 2015 and served while recruiting for the permanent position continued.<sup>19</sup> His tenure was not without incident. The *Half Moon Bay Review*, a local newspaper, reported “only days after taking office, interim General Manager Glenn Lazof issued a pair of damning memos telling staff to steer clear of Brennan and that the commissioner was a threat to his health. He said she told him that she promised to ‘make your life a living hell.’”<sup>20</sup> Ms. Brennan “denied making the comments attributed to her in the memo and said she hadn’t had any particularly testy conversations with Lazof.”<sup>21</sup>
  - A new General Manager, Steve McGrath, assumed oversight of the operations of the Harbor District in November 2015.

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<sup>16</sup> Aaron Kinney, “Grenell, Head of Criticism-Stung Harbor District, Announces Retirement,” *San Jose Mercury News*, September 4, 2014. [http://www.mercurynews.com/san-mateo-county-times/ci\\_26467715/grenell-head-criticism-stung-harbor-district-announces-retirement](http://www.mercurynews.com/san-mateo-county-times/ci_26467715/grenell-head-criticism-stung-harbor-district-announces-retirement).

<sup>17</sup> Horowitz & Rubinoff, Attorneys for Claimant Scott Grindy, Notice of Claim to San Mateo County Harbor District, April 8, 2016, p. 3.

<sup>18</sup> Joseph Mayton, “Harbor Official Hits Back,” *Daily Post*, April 19, 2016, p. 8.

<sup>19</sup> Samantha Weigel, “Harbor District Appoints Interim General Manager; Glenn Lazof to Step in While Headquarters Relocated, County Considers Dissolution,” *San Mateo Daily Journal*, May 6, 2015. <http://www.smdailyjournal.com/articles/news/2015-05-06/harbor-district-appoints-interim-general-manager-glenn-lazof-to-step-in-while-headquarters-relocated-county-considers-dissolution/1776425142873.html>.

<sup>20</sup> Clay Lambert, “Harbor Commissioners Seek to Remove Brennan from Presidency,” *Half Moon Bay Review*, May 21, 2015. [http://www.hmbreview.com/news/harbor-commissioners-seek-to-remove-brennan-from-presidency/article\\_09d4f7b4-ffee-11e4-9a02-4b8528c74c52.html](http://www.hmbreview.com/news/harbor-commissioners-seek-to-remove-brennan-from-presidency/article_09d4f7b4-ffee-11e4-9a02-4b8528c74c52.html).

<sup>21</sup> *Ibid.*

- Staff turnover was not restricted to the General Manager position.
  - The long-term finance director resigned in September 2015. At that time, she “accused Brennan and the district of discrimination by filing a charge with the state’s Department of Fair Employment and Housing.”<sup>22</sup> The Harbor District paid \$295,000 and health benefits to settle all claims.<sup>23</sup>
  - The Harbor Master, Scott Grindy, resigned in November 2015.
  - At the time that Mr. McGrath was appointed General Manager, the *San Mateo Daily Journal* reported: “Now, the district is also in need of finding replacements for other key positions such as the IT and Human Resources director, deputy secretary, office assistant and finance director.”<sup>24</sup>

In its defense, the newly named General Manager reported considerable progress on the secondary recommendations of the 2013-2014 Grand Jury report at the May 18, 2016, meeting of the LAFCo commissioners. The 2015-2016 Grand Jury is pleased to learn that its predecessors’ recommendations to improve the performance of the Harbor District are finally being implemented.

Issued: June 27, 2016

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<sup>22</sup> Samantha Weigel, “Harbor District Picks New General Manager: Several Staff Positions Remain Open After a Large Number of Staff Have Left the Rocky Agency,” *San Mateo Daily Journal*, September 19, 2015. <http://www.smdailyjournal.com/articles/news/2015-09-19/harbor-district-picks-new-general-manager-several-staff-positions-remain-open-after-a-large-number-of-staff-have-left-the-rocky-agency/1776425150438.html#sthash.KdfSuZI9.dpuf>.

<sup>23</sup> *Settlement Agreement and General Release of All Claims between Debra Galarza and Glenn Lazof*. Dated September 14, 2015.

<sup>24</sup> Weigel, “Harbor District Picks New General Manager,” *San Mateo Daily Journal*.



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



**APPROVED BY**  
**BOARD OF SUPERVISORS**

**SEP 20 2016**

CLERK OF BOARD  
BY *Suparna P.* DEPUTY

**Date:** August 17, 2016

**Board Meeting Date:** September 20, 2016

**Special Notice / Hearing:** None

**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** John L. Maltbie, County Manager

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

**RECOMMENDATION:**

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

**BACKGROUND:**

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

**DISCUSSION:**

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

**FINDINGS**

**Finding 1:**

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

**Response:**

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

**Finding 2:**

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

**Response:**

Agree.

**Finding 3:**

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

**Response:**

Agree. See response to Finding 1.

**Finding 4:**

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

**Response:**

Partially disagree. See response to Finding 1.



## RECOMMENDATIONS

### **Recommendation 1:**

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

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

### **Response:**

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

LAFCo's 2015 Municipal Service Review identified that the Harbor District lacked a cost accounting system to track the cost of enterprise and non-enterprise activities. The study also identified the District's reliance on approximately \$5 million in countywide property tax to fund both enterprise and non-enterprise activities at Pillar Point Harbor, owned by the District, and Oyster Point Marina, owned by the City of South San Francisco and operated by the Harbor District under a joint powers agreement. While the public visits both locations for boating, general recreation and special events, LAFCo cited a lack of nexus between the specific location of these two facilities and the countywide property tax. Subsequent to the LAFCo Municipal Service Review, the Harbor District has implemented a cost accounting system for FY 2016-17 that separates public and enterprise functions, sources of funds and expenses. Furthermore, the District has paid off all debt, identified adequate reserves and developed a five-year Capital Improvement Plan for maintenance of and improvements to District facilities. At a minimum, the County believes that compiling two years of accurate fiscal data is necessary to adequately review District operations, efficiencies and cost allocations.

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

It should be noted that the County always reserves the right to initiate a study or recommend dissolution of any special district at any time.

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

**FISCAL IMPACT:**

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